Societatea Naţională de Gaze Naturale "ROMGAZ" SA

IST HALF YEAR REPORT

ON ECONOMIC- FINANCIAL ACTIVITY OF ROMGAZ AS OF JUNE 30, 2017 (JANUARY 1, 2017 - JUNE 30, 2017)

SUMMARY

IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report based on	Article 65 of Law no. 24/2017 on issuers of financial instruments and market operations and Annex no. 31 of CNVM Regulation no. 1/2006 for the six-month period ended on June 30, 2017 (H1 of the Financial Year 2017)
Report Date	August 11, 2017
Name of the Company	Societatea Naţională de Gaze Naturale "ROMGAZ" SA
Headquarters	Mediaş, 4 Piaţa Constantin I. Motaş, code 551130, County Sibiu
Telephone/fax number	0040 269 201020/0040 269 846901
Web/E-mail	www.romgaz.ro/ secretariat@romgaz.ro
Fiscal Code	14056826
Trade Registry No.	J32/392/2001
Subscribed and paid in share capital	RON 385,422,400
Number of shares	385,422,400, each having a nominal value of RON 1
Regulated markets where the issued securities are traded:	Bucharest Stock Exchange BVB (shares), London Stock Exchange (GDRs)

I. 1ST HALF YEAR 2017 OVERVIEW

1.1. Company performances[1]

In H1 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 of approx. 1.9% in 2016, 2017 experienced a consumption revival as it increased during the reporting period with approx. 22%, from 61.42TWh in H1 2016 to 74.90TWh in H1 2017.

Due to the increase of the national gas consumption, Romgaz succeeded to increase its deliveries by 31.59% as compared to the previous period from 24.34TWh to 32.03TWh. As such, *Romgaz market share* on the Romanian gas delivery market reached 42.76%, by 3.13% higher than the market share held during the previous reporting period (39.63%).

Natural gas production was 2.559 million m^3, higher by 362 million m^3 than the production recorded during the previous reporting period (+16.5%) and higher by 91.8 million m^3 than the production schedule (+3.7%). According to company's estimates, this production placed Romgaz at a market share of 46.5% for consumption of gas domestically produced, which is an increase of 4.91% in relation to the market share of the previous reporting period (41.59%).

Electricity production increased by 95.8% as compared to the production generated in the similar period of 2016, from 510.6 TWh to 999.7 TWh. This production placed Romgaz at a market share of 3.13%[2].

Revenue from natural gas sales are by 25.1% higher as compared to the same period of the previous year and by 17.3% higher than the estimated revenue included in the budget for this period.

The margins of the main profitability indicators: net profit (36.28%), EBIT (42.8%) and EBITDA (55.1%) confirm a high profitability of the company's activity; ***the net profit rate and EBIT ratio are the highest half-year values ever recorded by the company.***

Relevant Financial Result

million RON

Q2 2016	Q1 2017	Q2 2017	Δ Q2 (%)	Main indicators	HI 2016	HI 2017	Δ HI (%)
486.4	1,497.5	**894.7**	83.9	Revenue	1,849.9	**2,392.2**	29.3
594.1	1,390.3	**936.9**	57.7	Income	1,910.4	**2,327.1**	21.8
449.1	721.1	**572.3**	27.4	Expenses	1,155.4	**1,293.4**	11.9
145.0	669.2	**364.6**	151.4	Gross Profit	755.0	**1,033.8**	36.9
19.0	108.3	**57.5**	202.6	Profit Tax	139.7	**165.8**	18.7
125.9	560.9	**307.1**	143.9	Net Profit	615.3	**868.0**	41.1
138.8	664.2	**358.8**	158.5	EBIT	741.4	**1,023.1**	38.0

[1] Given the fact that ANRE has not published market monitoring reports since November 2016, the data used for the national consumption is an estimate.
[2] Source: CNTEE Transelectrica SA

Q2 2016	Q1 2017	Q2 2017	Δ Q2 (%)	Main indicators	HI 2016	HI 2017	Δ HI (%)
291.5	892.2	**424.9**	45.8	EBITDA	1,014.3	**1,317.1**	29.9
0.3	1.5	**0.8**	166.7	Earnings per share (RON)	1.6	**2.25**	40.6
25.9	37.5	**34.3**	32.4	Net Profit Rate (% from Revenue)	33.26	**36.28**	9.1
28.5	44.4	**40.1**	40.7	EBIT Ratio (% from Revenue)	40.1	**42.8**	6.7
59.9	59.6	**47.5**	-20.7	EBITDA Ratio (% from Revenue)	54.8	**55.1**	0.5
6,282	6,220	**6,211**	-1.1	Number of employees at the end of the period	6,282	**6,211**	-1.1

The figures above are rounded. Therefore, small differences may result upon reconciliation.

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 Q2 2017, the company recorded significant increase of the main indicators as compared to the similar period of 2016: revenue +83.9%, EBIT +158.5%, EBITDA +45.8% şi net profit +143.9%. Also the relating profitability rates had significant values.

Summary of main indicators for H1 2017:

- *Total Income*, higher by **RON 416.7 million**, recording an increase of 21.8% while the total expenses recorded an increase of only 11.9%;
- *Net Profit*, higher by **RON 252.7 million** than the net profit recorded during the previous period (+41.1%), an increase generated from the increase of natural gas and electricity sales and from reduction of expenses;
- *Labour productivity* increased by **19.8%** as compared to the previous period from RON 329.37 thousand Revenue/employee in H1 2016 to RON 395.0 thousand in H1 2017;
- ***Net Profit Rate, EBIT Ratio and EBITDA Ratio*** are higher than compared to H1 2016 due to the significant increase of Revenue from RON 1,849.9 million to RON 2,392.2 million;
- *Earnings per Share* at RON 2.25, 40.6% higher than the H1 2016 recording.

Operational Results

Q2 2016	Q1 2017	Q2 2017	Δ Q2 (%)	Main Indicators	HI 2016	HI 2017	Δ HI (%)
823	1,333	**1,226**	49.0	Gas Produced (million m^3)	2,197	**2,559**	16.5
54	98	**87**	61.1	Petroleum Royalty (million m^3)	153	**185**	20.9
1,590	1,672	**1,486**	-6.5	Condensate Production (tonnes)	3,641	**3,158**	-13.3
191.8	611.4	**388.2**	102.3	Electricity delivered (GWh)	510.6	**999.7**	95.8
0.0	1,167.5	**31.3**	-	UGS gas withdrawal services (million m^3)	931.0	**1,198.8**	28.8
373.6	502.5	**99.0**	-73.5	UGS gas injection services	682.5	**601.5**	-11.9

(million m^3)

Gas production was in the parameters expected when preparing the 2017 production schedule; the achieved level represents 103.72% of the schedule.

Romgaz produced 2,559 million m^3 of natural gas during the first half of 2017, 362 million m^3 (16.5%) more than the volume produced during the same period of the previous year.

As shown in the table below, the increase of *produced electricity* was in close relation to the low temperatures recorded during the cold season, therefore a 200 MW power unit operated during H1 2017.

MWh

	2016	2017	Ratio
1	2	3	4=3/2x100
Q1	318,720.48	611,482.91	191.85%
Q2	191,846.53	388,248.50	202.37%
HI	**510,567.01**	**999,731.41**	**195.80%**

1.2. Highlights

March 14, 2017

Romgaz, Duro Felguera and Romelectro representatives met at SPEE Iernut for the kick-off meeting of the project for the "*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, 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, as 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.

II. COMPANY OVERVIEW

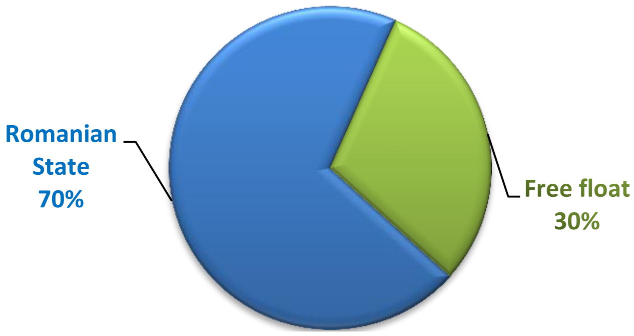
The company undertakes business in the following segments:

- 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

On June 30, 2017, the shareholder structure was:

	Number of shares	%
The Romanian State[3]	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
*legal persons	*94,581,287*	*24.5396*
*natural persons	*21,018,033*	*5.4533*
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
- Tirgu Mureş Production Branch
- Ploiesti Storage Branch
- SIRCOSS – Branch for Well Workover, Recompletions and Special Well Operations

[3] The Romanian State through the Ministry of Energy

- STTM – Technological Transport and Maintenance Branch
- SPEE – Iernut Power Generation Branch
- Bratislava Branch

Company Management

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

Item no.	Name	Institution of Employment	Position in the Board
1	Gheorghe Gheorghe Gabriel	Ministry of Business Environment, Trade and Entrepreneurship	Chairman
2	Tcaciuc Sebastian Gabriel	Auris Capital	Member
3	Jansen Petrus Antonius Maria	Associate Lecturer London School of Business and Finance	Member
4	Buzatu Florin Danut	Societatea de Administrare a Investiţiilor Muntenia Invest SA	Member
5	Stan Bogdan Nicolae	National Agency for Fiscal Administration	Member
6	Chirila Alexandru	Working Apparatus of the Prime-Minister	Member
7	Metea Virgil Marius	SNGN “Romgaz” SA	Member

The *directors CVs* can be found on the company webpage at: http://www.romgaz.ro/en/consiliu-administratie

On June 30, 2017, the following directors held shares in the company:

Item no.	Name	Number of shares	Share in the company's share capital (%)
1	Tcaciuc Sebastian Gabriel	33,000	0.00856204
2	Metea Virgil Marius	5,513	0.00143038
3	Buzatu Florin Dănuţ	3,000	0.00077837

Virgil Marius Metea - Director General (CEO)

By Resolution no. 8 of June 12, 2013, the Board of Directors appointed Mr. Virgil Marius Metea, as Director General, and delegated him responsibilities and duties relating to internal management and representation. By Resolution no. 14 dated June 7, 2017, the Board of Directors approved the renewal of the Mandate Agreement for a term of 4 years.

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

Name	Position
ROMGAZ - headquarters	
Rotar Dumitru Gheorghe	Deputy Director General
Dobrescu Dumitru	Deputy Director General
Bobar Andrei	Economic Director
Chertes Viorel Claudiu	Management Support Director
Cindrea Corin Emil	QHSE Director
Ciolpan Vasile	Energy Trade Director
Ştefănescu Dan Paul	E&P Director

Name	Position
Terciu Iulian Ermil	HR Director
Stancu Lucian Adrian	Corporate Management Director
Bodogae Horea Sorin	Procurement Director
Pavlovschi Vlad	Business Development Director
Balasz Bela Atila	Energy Management Director
Morariu Dan Nicolae	Information Technology and Telecommunication Director
Bîrsan Mircea Lucian	Technical Director
Sorescu Eugen	Exploration Director
Mediaş Branch	
Man Ioan Mihai	Director
Achimeţ Teodora Magdalena	Economic Director
Şuţoiu Florinel	Production Director
Seician Daniel	Technical Director
Tîrgu Mureş Branch	
Dincă Ispasian Ioan	Director
Caraivan Viorica	Economic Director
Rusu Graţian	Production Director
Baciu Marius Tiberiu	Technical Director
Ploieşti Branch	
Cârstea Vasile	Director
Ionescu Viorica Maria	Economic Director
Vecerdea Dan Adrian	Storage Director
Iernut Branch	
Bircea Angela	Director
Vlassa Susana Ramona	Economic Director
Oprea Maria Aurica	Commercial Director
David Ştefan	Technical Director
SIRCOSS	
Stăncicu Sorin	Director
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director
STTM	
Pop Traian	Director
Ilinca Cristian Alexandru	Economic Director
Cioban Cristian Augustin	Operation-Development Director

The table below shows the number of shares held by the executive management as of June 30, 2017:

Item no.	Name	Number of shares	Share in share capital (%)
0	1	2	3
1	Rotar Dumitru Gheorghe	15,611	0.00405036
2	Bobar Andrei	4,400	0.00114160
3	Ştefănescu Dan Paul	601	0.00015593

4	Cârstea Vasile	412	0.00010690
5	Stăncicu Sorin	76	0.00001972
6	Ilinca Cristian Alexandru	74	0.00001920
7	Morariu Dan Nicolae	52	0.00001349
8	Dincă Ispasian Ioan	48	0.00001245
9	Vecerdea Dan Adrian	45	0,00001168
10	Balasz Bela Atila	38	0,00000986

Human Resources

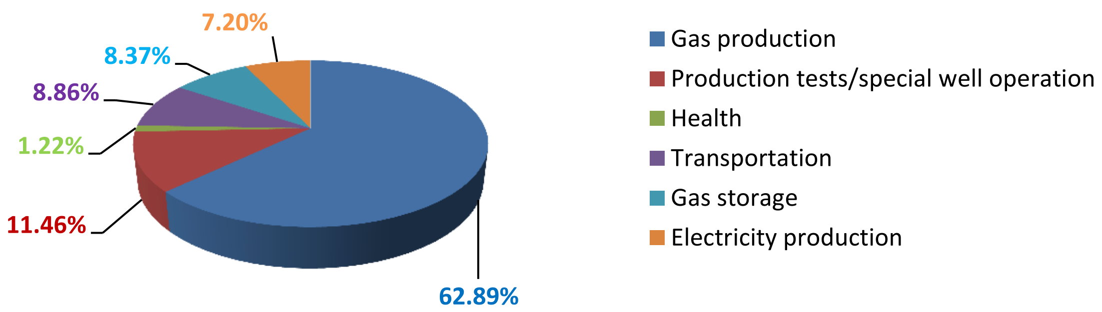
On June 30, 2017 the company had 6,211 employees.

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

Description	2014	2015	2016	HI 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	113
Employees who terminated their labour relationship with the company	220	147	278	148
Employees at the end of the period	6,344	6,356	6,246	6,211

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

a) by activities



b) by level of education

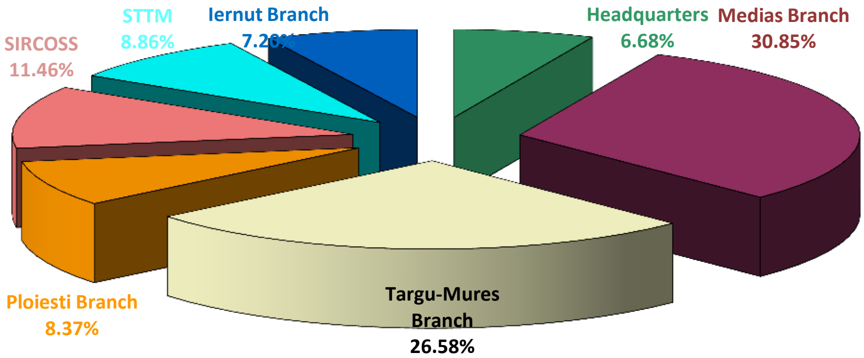
- University 23.73%;
- Secondary school 26.95%;
- Foreman school 3.62%;
- Vocational school 33.79%;
- Middle school 11.91%;

c) by age

- below 30 years 4.23%;
- 30-40 years 15.78%;

- 40-50 years 39.64%;
- 50-60 years 31.80%;
- above 60 years 8.55%;

d) by headquarters and branches



e) by categories

Entity	Workers	Foremen	Office	Total
1	2	3	4	5
Headquarters	31		384	**415**
Mediaş Branch	1,485	90	341	**1,916**
Tirgu-Mureş Branch	1,319	52	280	**1,651**
Ploieşti Branch	331	32	157	**520**
SIRCOSS	512	53	147	**712**
STTM	422	19	109	**550**
Iernut Branch	296	42	109	**447**
TOTAL	**4,396**	**288**	**1,527**	**6,211**

Romgaz on the stock exchange

Since November 12, 2013, the company's shares have been traded on the regulated market governed by BVB (Bucharest Stock Exchange) 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".

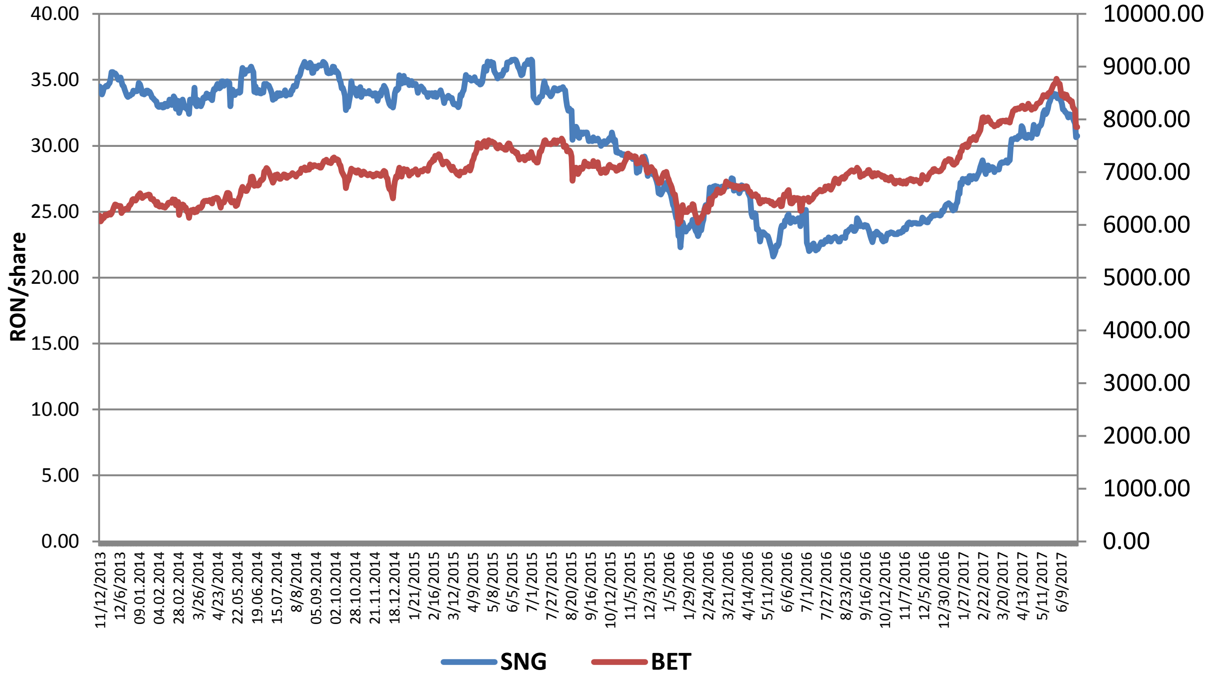
	June 30, 2015	June 30, 2016	June 30, 2017
Number of shares	385,422,400	385,422,400	385,422,400
Closing price (RON)	36.40	25.10	30.75
Market capitalization			
*mil.RON	14,029	9,674	11,852
*mil.EUR	3,136	2,140	2,603

At the end of H1 2017 Romgaz shares were quoted at RON 30.75, being 22.51% above the closing price on June 30, 2016. During the period in question, the price of BVB listed shares experienced an upward trend reaching a peak value of RON 33.95 on May 29, 2017. The GDRs followed the same positive trend reaching a peak value of USD 8.21 on May 26, 2017.

Romgaz is among the most significant local issuers and is also included in the trade indices on BVB and on other markets as well, as follows:

- 2nd place by market capitalization in the top of Premium local issuers on BVB. Having a market capitalization of RON 11,851.7 million, namely Euro 2,602.5 million on June 30, 2017, Romgaz is the second largest company listed in Romania, after OMV Petrom with a capitalization of RON 16,058 million, namely Euro 3,526 million;
- 3rd place by trading value in H1 2017 in the top of local issuers on BVB main segment, after Fondul Proprietatea and Banca Transilvania;
- According to the latest quarterly adjustments: 10.22% and 9.75% weight in the BET index (top 10 issuers) and namely in the BET-XT (BET Extended), 23.92% in the BET-NG index (energy and utilities), 10.46% in the BET-TR index (BET Total Return);
- the issuer Romgaz is also included in the global indices allocated for Romania, for example, in indices groups FTSE (Financial Times Stock Exchange), MSCI (Morgan Stanley Capital International), S&P (Standard & Poor’s), STOXX (oriented mainly on European markets), Russel Frontier.

Performance of Romgaz shares compared to the BET index, from listing until June 30, 2017 is shown below:



III. REVIEW OF THE COMPANY'S BUSINESS

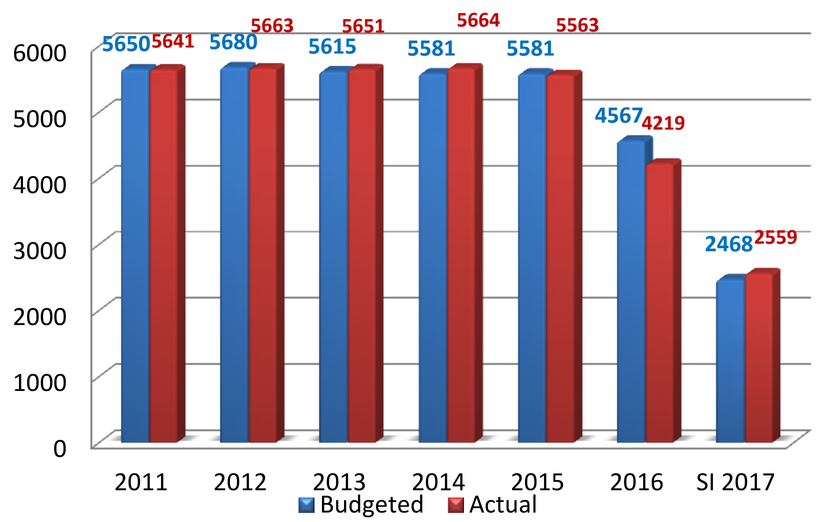
3.1. Operational Results

The 148 commercial fields, located in the Transylvanian Basin, Moldova, Muntenia and Oltenia, are operated by the Medias and Tirgu Mures branches; 80% of Romgaz total production is achieved by 30 mature reservoirs being in an advanced state of depletion, that have been producing for more than 30 years.

A retrospective analysis on the natural gas volumes produced between 2011- 2017 is shown below:

Specifications		2011	2012	2013	2014	2015	2016	H1 2017
1		2	3	4	5	6		7
Budgeted (mil.m^3)		5,650	5,680	5,615	5,581	5,581	4,567	2,468
Actual (mil.m^3)		5,641	5,663	5,651	5,664	5,563	4,219	2,559
Differences (Actual-Budgeted)	mil.m^3	-17	+36	+23	-18	+23	-348	91
Actual	[%]	99.7	100.7	100.8	99.7	100.8	92.4	103.7

The figure below shows the evolution of gas volumes produced between 2011 – 2016 and in H1 2017, budgeted vs actual:



Analysis of the production data shows that the produced gas volumes were almost equal or exceeded the expected gas volume. The natural decline of the gas reservoirs was arrested in this period (average decline in the last years between 1-2% per year).

The actual production for the analysed period was influenced mainly by the increase of the volumes of Romgaz natural gas sales. The following factors influenced the achievement of this production:

- Behaviour in production of the wells that were put into production on the new reservoir Caragele from Muntenia area, with a production of 73 million m^3, representing approximately 2.8% of the H1 total production;
- Increase of natural gas consumption to generate electric power by Iernut Power Plant;
- The flow injection obtained as a result of well workovers, which for H1 represented approximately 956 thousand m^3/day, resulting a production rate of 93.637 million m^3 (3.7% of the production accomplished in the same period).
- The main mature reservoirs were subject to an intense program to optimize the exploitation by carrying out recompletions and well workover by using methods to remove the water from wells, by implementing efficient perforation technologies and installing flow measuring equipment at the well. This last aspect allows a pro-active approach over the wells performances during exploitation and by a continuous monitoring of the operating parameters, causes that determine de decrease of production potential were identified and eliminated.

The table below shows the gas quantities produced, delivered, injected/withdrawn in/from the underground storage during January – June 2017 compared to the similar period of years 2015 and 2016 (million m^3):

Item no	Specifications	HI 2015	HI 2016	HI 2017	Ratios
0	1	2	3	4	5=4/3x100
1.	**Gross production – total**, out of which:	**2,776.7**	**2,197.4**	**2,559.4**	**116.5%**
1.1.	*own gas	2,675.6	2,123.1	2,474.6	116.6%
1.2.	*Schlumberger joint arrangement (100%)	101.1	74.4	84.8	114.0%
2.	Technological consumption	39.5	26.6	36.9	138.7%
3.	**Net own gas production** (***1.-1.2.-2.***)	**2,636.1**	**2,096.4**	**2,437.7**	**116.3%**
4.	Own gas stored in UGS	143.2	210.4	77.6	36.9%
5.	Own gas withdrawn from UGS	293.3	308.9	497.0	160.9%
6.	Difference from conversion to Gross Calorific Value	3.1	0.0	-6.6	
7.	**Delivered own gas** (***3.-4.+5.-6.***)	**2,783.1**	**2,194.9**	**2,863.7**	**130.5%**
8.1.	Gas sold in UGS				
8.2.	Gas delivered to CTE Iernut şi Cojocna	118.3	152.2	268.1	176.1%
9.	**Own gas delivered to the market** (***7.+8.1.-8.2.***)	**2,664.8**	**2,042.7**	**2,595.6**	**127.1%**
10.	**Gas from joint arrangements*) – total**, out of which:	**85.9**	**75.8**	**85.7**	**113.1%**
	*Schlumberger (50%)	50.5	37.2	42.4	114.3%
	*Raffles Energy (37.5%)	0.2	0.2	0.1	50.0%
	*Amromco (50%)	35.2	38.4	43.2	112.5%
11.	Gas acquisitions from domestic production	8.1	7.0	23.2	331.4%
12.	**Traded domestic gas** (***9.+10.+11.***)	**2,758.8**	**2,125.5**	**2,704.5**	**127.2%**
13.	**Gas delivered from domestic production** (***8.2.+12.***)	**2,877.1**	**2,277.7**	**2,972.6**	**130.5%**
14.	Delivered import gas	2.2	6.8	25.7	377.9%
15.	Gas delivered to Iernut and Cojocna and other sources (including imbalances)			17.7	
16.	**Total delivered** (***13.+14+15***)	**2,879.3**	**2,284.5**	**3,016.0**	**132.0%**
*	Invoiced UGS gas withdrawal services	1,190.1	931.0	1,198.8	128.8%

*	Invoiced UGS gas injection services	731.1	682.5	601.5	88.1%

*) With respect to Romgaz – Schlumberger joint arrangement, the gas produced is fully highlighted in Romgaz production, and then split in equal parts between the two partners, being sold separately by them. With respect to the joint arrangement 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.

3.2. Financial results

The company's revenue comes from natural gas production and delivery (production and delivery of own gas, gas from joint arrangements, delivery of import gas or from other internal producers), from provision of underground storage services, electric power generation and supply (since February 1, 2013) and other specific services.

RON thousand

Item no.	Specifications	HI 2016	HI 2017	Ratios (2017/2016)
0	1	2	3	4=3/2x100
1	**Income – total, out of which:**	**1,910,392**	**2,327,146**	**121.82%**
	*operating income	1,896,307	2,316,303	122.15%
	*financial income	14,085	10,843	76.98%
2	Revenue	1,849,903	2,392,220	129.32%
3	**Expenses – total, out of which:**	**1,155,388**	**1,293,373**	**111.94%**
	*operating expenses	1,145,483	1,284,086	112.10%
	*financial expenses	9,905	9,287	93.77%
4	**Gross profit**	**755,004**	**1,033,773**	**136.92%**
5	Income tax	139,737	165,814	118.66%
6	**Profit net**	**615,267**	**867,959**	**141.07%**

Note: incomes and expenditures do not include the production of fixed assets.

The total income for H1 2017 was higher by 21.8% than the income for the similar period of 2016.

Financial results

Compared financial results are presented in the table below (thousand RON):

Description	H I 2016	H1 2017	Ratios (2017/2016)
1	2	3	4=3/2x100
Operating result	750,824	1,032,217	137.48%
Financial result	4,180	1,556	37.22%
Gross result	**755,004**	**1,033,773**	**136.92%**
Income tax	- 139,737	- 165,814	118.66%
Net result	**615,267**	**867,959**	**141.07%**

The net result achieved in H1 of 2017 is RON **867,959 thousand,** higher by 41.1% than the result achieved in the similar period of 2016.

Financial performance of the company is also emphasized by the evolution of indicators presented in the table below:

Indicators	Calculation formula	M.U.	H1 2016	H1 2017
1	2	3	4	5
Working Capital (WC)	C_{lt}-A_f = E+L_{nc}+Pr+S_i-A_f	Million RON	3,233	3,315
Working Capital Requirement (WCR)	(A_c-L+P_p) - (L_{crt}-Cr_{st}+I_{df})	Million RON	2,081	1,523
Net Cash Flow	WC-WCR = D-Cr_{ts}	Million RON	1,152	1,791
Economic Rate of Return	P_g/C_{lt}x100	%	7.84	10.98
Return on Equity (ROE)	P_n/Ex100	%	6.64	9.57
Return on Sales	P_g/Rx100	%	40.81	43.21
Return on Assets	P_n/Ax100	%	5.55	7.51
EBIT	P_g+Ex_i-I_r	Million RON	741	1,023
EBITDA	EBIT+Am	Million RON	1,014	1,317
ROCE	EBIT/C_{emp}x100	%	7.70	10.87
Current Liquidity	A_{crt}/L_{crt}	-	3.22	2.55
Asset Solvency	E/Lx100	%	83.63	78.50

where:

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

3.3. Prices and tariffs

The regulatory framework for ***natural gas production***, transmission, ***distribution, supply and storage***, organization and operation of the gas sector, market access as well as criteria and procedures for granting authorizations and/or licenses in the natural gas sector are set by Law No. 123/2012, which provides in Chapter XII "*Prices and Tariffs*", Article 179 for the following:

- activities in the regulated market comprise the following:
    - supply of natural gas to non-household customers at regulated price and under frame contracts until December 31, 2014. On January 1, 2015 regulated prices for non-household customers were eliminated;
    - supply of natural gas to household customers at regulated price and under frame contracts until December 31, 2021. To ensure non-discrimination between customer categories until the end of the regulated period, the household consumers and the thermal energy producers receive the same treatment in terms of security

of supply and sale price of consumed gas, exclusively for the gas quantities used for producing thermal energy in cogeneration plants and thermal power plants intended for household consumption, irrespective of their option to be eligible or regulated customers;

- supply of last resort of natural gas to final consumers at regulated price and under frame contracts;
- natural gas transmission;
- natural gas transmission through upstream supply pipelines, in accordance with the provisions of license validity conditions;
- underground gas storage;
- natural gas storage in pipelines;
- natural gas, bio-gas and bio-methane distribution;
- related activities performed by licensed operators;
- activities related to the operation of LNG terminal

- prices and tariffs on the regulated market are set by ANRE, based on methodologies approved and published by the authority, after informing and consulting all interested parties;
- the calendar for gradual deregulation of prices for the final customers is set by the Government in compliance with the schedule of producer price progress proposed by ANRE and ANRM, taking into account possible adverse effects of price deregulation, in order to mitigate the consequences for customers;
- ANRE will annually monitor the results of the gradual price deregulation calendar and, as the case may be, submit to the Government the proposal to trade domestic gas production on the domestic market until fulfilment of the approved calendar.

Romgaz operates both on the regulated market, performing underground gas storage and distribution activities, and the free market, performing gas production and supply activities.

Underground gas storage

The storage tariffs applied during the two compared periods were approved by the ANRE Order no.58 of March 27, 2015.

We specify that ANRE, by Order no.9 of March 23, 2016 and Order no. 19 of March 30, 2017, respectively, extended the applicability term of Order no.58/2015.

The storage tariffs applied are shown in the table below:

Tariff Component	Unit	Tariffs
Volumetric component related to gas *injection*	RON/MWh	2.37
Fixed component related to storage *capacity booking*	RON/MWh storage cycle	13.68
Volumetric component related to gas *withdrawal*	RON/MWh	1.87

Natural Gas Distribution

Distribution tariffs applied during H1 2016 were approved by Order 133/2015 on establishing the regulated tariffs for distribution services and approving the prices for the regulated gas supply performed by Societatea Nationala de Gaze Naturale "Romgaz" - S.A. Medias and those applied during H1 2017 were approved by Order no. 58 of September 27, 2016.

The final regulated prices applied during H1 2016 are specified in ANRE Order 133/2015 and those applied during H1 2017 were approved by Order no. 58 of September 27, 2016.

3.4. Investments

Investments play an important part in maintaining the production decline, which is achieved through discovery of new reserves and enhancement of the current recovery rate by means of rehabilitation, development and modernization of existing facilities.

During 2014 - June 30, 2017 the company made investments in amount of approx. RON *2.7 billion*, as follows:

Period	2014	2015	2016	H1 2017	Total
Value (thousand RON)	1,085,500	937,916	497,716	221,586	2,742,718

For 2017, Romgaz scheduled investments of RON *1,143.00 million.* For H1 2017, the scheduled investments were *RON 471.13 million* and the level of actual investments was RON *221.59 million* representing 47.03% degree of fulfilment.

Investments were financed exclusively from own sources.

In the reviewed period, the objectives commenced in the prior year were completed, the preparatory activities (design, acquire land use rights, approvals, agreements, authorisation, acquisitions) for the new objectives were carried out and the upgrade and capitalizable repair works at the operating wells were performed.

These physical achievements ensure the recording of H2 results, in terms of value.

Non-achievements were recorded at the objectives such as: technological installations at the well, retrofitting and revamping of installation and equipment and joint arrangements.

The value of achievements for H1 2017 is lower as compared to the similar period of 2016, due to the following:

- In comparison with the allocated amounts, savings were recorded by drilling projects resulted further the drilling works acquisition;

- Unclear legislative context relating to the liability of contract beneficiaries or of the Road Administration Authority for performing works on public roads providing access to well locations;

- Delayed conclusion of agreements for execution of surface technological installations and gas collectors as a result of repeated rejection of the award documentation by SEAP (Electronic Public Procurement System);

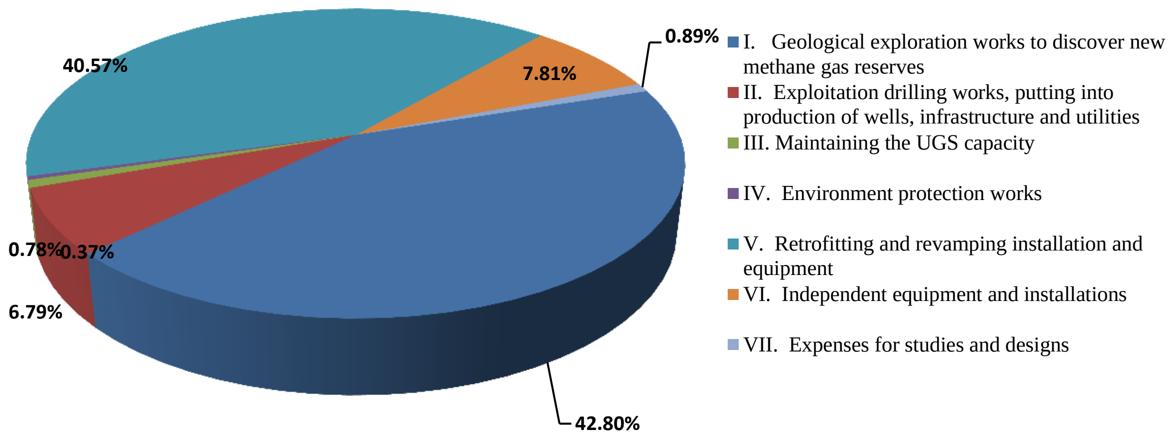
- Impossibility to acquire land use rights necessary to fulfil some investments such as surface technological installations and gas collectors.

The table below shows a comparison between H1 2016 and H1 2017 split onto main investment categories:

thousand RON

Investment Categories	H1 2016	H1 2017	%
1	2	3	4=3/2x100
I. Geological exploration works to discover new methane gas reserves	72,704	94,837	130.44
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities	10,730	15,056	140.32
III. Maintaining the UGS capacity	28,442	1,728	6.07
IV. Environment protection works	66	810	1.64
V. Retrofitting and revamping of installation and equipment	99,818	89,894	90.06
VI. Independent equipment and installations	13,879	17,296	124.42
VII. Expenses related to studies and projects	2,552	1,965	76.64
TOTAL	**228,191**	**221,586**	**97.10**

The chart below shows the structure of investments made during the reporting period:



A synthesis of outcomes shows that to a large extent investments were completed:

Item No.	Main physical objectives	Planned	Results
1.	Exploratory drilling	38 wells	- completed: 12 wells - in progress: 5 wells - procurement in progress: 11 wells - drafting tender documentation: 21 wells
2.	Drilling design	23 wells	25 well – under design or procurement in progress
3.	Production drilling	3 wells	in progress

4.	Construction of surface facilities – gas wells	44 wells	- completed: 2 wells - in progress: 13 - procurement in progress: 7 wells - under design: 7 - approvals for construction are pending: 15
5.	Sustaining the storage capacity	Urziceni UGS: - injection/gas withdrawal system - drilling 2 wells	 90% completed - in progress
6.	Well modernization	102 wells correlated with the annual plan agreed with ANRM	- completed: 102 wells - in progress: 20 wells
7.	Well capitalizable repairs and modernization (recompletion/reactivation)	102 wells, correlated with the annual plan agreed with ANRM	- completed: 102 wells
8.	Electricity generation	Procurement of refurbishment works	The contract was awarded and is undergoing: preparation of engineering, technical designs, documentations necessary for acquiring various approvals and authorizations, land use
9.	Joint arrangements	Aurelian Petroleum - testing well 1 Voitinel	 in progress
		Lukoil: - geochemical survey (500 km^2) -survey by electrometric works -training and technology tranfer	 Ongoing studies and data interpretation to identify leads and prospects for new exploration wells -in progress
		Amromco: - drilling 2 wells - repairs at 7 wells	 - completed - completed
		Slovakia: - drilling 5 wells - G&G studies	 - in progress - completed

During the reviewed period, investments in amount of RON 171,413 thousand were commissioned.

At the end of H1 2017, the company contracted RON 252,815 million for investments.

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, CO_2 emissions) and to increase operational safety".

In terms of CTE Iernut adaptation to an increasingly competitive energy market, the analysis of the power plant's current situation and performances outlines the following key aspects:

- comparing electricity generation efficiency (specific fuel consumption) of existing groups with international performance of installations based on a combined gas-steam cycle (conversion efficiency of 55-59%) indicates a 15-20% difference in terms of conversion efficiency in favour of combined-cycle installations;
- by using a combined-cycle concept, operating flexibility of the groups and reduction of emissions (CO_2, NOX etc.) are added to the increase of conversion efficiency;
- the current need to reduce electricity generation costs correlated with hydrocarbon consumption reduction outlines the requirement to use efficient technology with specific minimum consumption.

As a consequence, the necessity and opportunity arose to analyse CTE Iernut's development possibilities with the view of improving economic and technical parameters, to increase operational life and to comply with the requirements on industrial emissions contained in EU Directive 75/2010.

As a result of all of the above mentioned elements and in accordance with Board Resolution no. 14 dated June 23, 2016, Romgaz will:

- develop and operate CTE Iernut without concluding a joint arrangement contract with legal or natural persons;
- finance the investment to develop CTE Iernut from own sources and by accessing funds under PNI (National Investment Plan);
- conclude, as soon as possible, a contract for works with the scope of developing CTE Iernut by building a new power plant under a constructive concept, a combined-cycle gas turbine (CCGT) with an installed power of maximum 430 MW and gross electric efficiency at nominal load of minimum 55%.

The company awarded a public procurement contract as provided by Law 99 of May 23, 2016 on sector procurements and by Government Decision no. 394/2016 on the enforcement guidelines of provisions relating to awarding sector contracts.

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 to carry out the turnkey project that includes the design, equipment delivery, carrying out of works and putting into operation.

The project kick-off meeting between Romgaz's representatives and Duro Felguera and Romelectro representatives, respectively, took place On March 14, 2017, at CTE Iernut.

A series of meetings between Romgaz's project team and contractor's specialists took place in order to complete the technical project that had to be endorsed by Technical Economic Committee of Iernut and Romgaz.

Equipment subassemblies were delivered.

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

The contractor plans to commence the works and test the foundation pillars on August 21, 2017.

3.5. Litigations

The summarized breakdown of litigations involving Romgaz shows the following:

- Total number of litigations is 115 (excluding labour-related litigations, specific performance obligations, cases where the company is a seized third party, etc.) out of which:
  - 74 cases where Romgaz is plaintiff;
  - 27 cases where Romgaz is defendant;
  - 14 cases where Romgaz is plaintiff claiming damages/injured party
- The total value of the files where Romgaz is plaintiff amounts to RON 1,856,727,429;
- the total value of the files where Romgaz is defendant amounts to RON 8,422,312.55 and EUR 60,000.

3.6. Legal documents concluded in compliance with Article 52 of Government Emergency Ordinance 109/2011

The table below shows the legal documents concluded during January 1 - June 30, 2017, in accordance with Article 52, paragraphs (1) and (6) of OUG no. 109 of November 30, 2011 on corporate governance of public enterprises as amended by Law no. 111/2016:

Item no	Contracting party	Contract no/date	Scope of contract	Value, VAT excluded (RON)
0	1	2	3	4
1	SC CET Govora SA	95/29.06.2017	sale-purchase of natural gas	27,176,310.50
		6/30.06.2016 extended and amended by A 1/2016 and 2/2017	- I I -	18,881,157.90
		7/30.06.2016 extended and amended by A 1,2,3,4/2016 and 5,6,7,8/2017	- I I -	1,949,519.14
2	SC Electrocentrale Constanţa SA	18.051/20.06.2017	sale-purchase of natural gas	6,219,320.75
		24/30.09.2016 extended and amended by A 1/2017	- I I -	9,301,028.11
		25/30.09.2016 extended and amended by A 1,2,3/2016 and 4,5,6,7/2017	- I I -	64,460,491.22*)
3	SC Oltchim SA	100/29.06.2017	sale-purchase of natural gas	27,862,710.10
		101/29.06.2017	- I I -	20,939.64
4	SC Electrocentrale Bucureşti SA	11.563/31.05.2017	sale-purchase of natural gas	3,187,325.26
		11.565/31.05.2017	- I I -	2,443,381.00
		8/29.07.2016 extended and amended by A 1,2,3,4/2016	- I I -	401,258,067.22*)
		9/29.07.2016 extended and amended by A 1,2,3/2016 and	- I I -	461,560,637.07*)

Item no	Contracting party	Contract no/date	Scope of contract	Value, VAT excluded (RON)
		4,5,6,7/2017		
		1/12.01.2017	- I I -	4,007,000.00*)
5	SC Electrocentrale Galaţi SA	32/31.10.2016 extended and amended by A 1,2,3/2016 and 4,5,6,7/2017	sale-purchase of natural gas	50,016,084.55*)
		33/31.10.2016 extended and amended by 1,2/2016 and 3,4,5/2017	- I I -	27,481,438.79*)
6	SC Termoficare Oradea SA	37/21.12.2015 extended and amended by 1,2/2016 and 3,4/2017	sale-purchase of natural gas	101,303,790.46*)
		38/21.12.2015 extended and amended by A 1,2,3,4,5/2016 and 6,7,8,9/2017	- I I -	101,891,439.36*)
7	SC Termo Calor Confort SA	13/29.09.2016 extended and amended by A 1/2017	sale-purchase of natural gas	2,424,981.17*)
		14/29.09.2016 extended and amended by A 1,2,3/2016 and 4,5,6,7/2017	- I I -	22,401,252.72*)
8	SC Complex Energetic Hunedoara SA	16/23.09.2016 extended and amended by A 1,2,3/2016 and 4,5,6,7/2017	sale-purchase of natural gas	2,318,149.48*)
		17/23.09.2016 extended and amended by A 1,2/2017	- I I -	31,216,922.68*)

*) –estimated value of the contracts is updated with the addendums concluded for H1 2017

IV. FINANCIAL-ACCOUNTING INFORMATION

4.1. Statement of Interim Financial Position

The table below presents a summary of the statement of the individual financial position as of June 30, 2017 and as compared to December 31, 2016:

INDICATOR	December 31, 2016 (thousand RON)	June 30, 2017 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
ASSETS			
Non-current assets			
Property, plant and equipment	5,789,262	5,653,721	-2.34
Other intangible assets	397,864	373,071	-6.23
Investments in subsidiaries	1,200	1,200	0.00
Investments in associates	120	120	0.00
Other financial investments	69,657	69,678	0.03
TOTAL NON-CURRENTASSETS	**6,258,103**	**6,097,790**	**-2.56**
Current assets			
Inventories	575,983	487,552	-15.35
Trade and other receivables	828,610	683,719	-17.49
Other financial assets	2,892,751	2,443,872	-15.52
Other assets	141,525	51,624	-63.52
Cash and cash equivalents	280,526	1,791,267	538.54
TOTAL CURRENT ASSETS	**4,719,395**	**5,458,034**	**15.65**
TOTAL ASSETS	**10,977,498**	**11,555,824**	**5.27**
EQUITY AND LIABILITIES			
Equity			
Share capital	385,422	385,422	0.00
Reserves	3,020,152	3,036,461	0.54
Retained earnings	6,270,587	5,649,923	-9.90
TOTAL EQUITY	**9,676,161**	**9,071,806**	**-6.25**
Non-current liabilities			
Retirement benefit obligation	119,986	117,017	-2.47
Deferred tax liabilities	40,123	23,427	-41.61
Provisions	194,048	200,156	3.15
Total non-current liabilities	**354,157**	**340,600**	**-3.83**
Current liabilities			
Trade and other payables	569,941	329,410	-42.20
Current tax liabilities	60,295	61,728	2.38
Deferred revenue	4,924	1,631	-66.88
Provisions	50,437	37,865	-24.93
Other liabilities	261,583	1,712,784	554.78
Total current liabilities	**947,180**	**2,143,418**	**126.29**
TOTAL LIABILITIES	**1,301,337**	**2,484,018**	**90.88**
TOTAL EQUITY AND LIABILITIES	**10,977,498**	**11,555,824**	**5.27**

Non-current assets

The total non-current assets decreased by 2.56%, i.e. RON 160.31 million, from RON 6,258.1 million on December 31, 2016 to RON 6,097.8 million on June 30, 2017. The decrease is due, mainly, to the depreciation and impairment of these assets and a lower volume of investments in gas exploration and production assets, as well.

Currents assets

Current assets increased by RON 738.64 million due to the increase of cash and cash equivalents.

Inventories

The decrease by 15.35 % (RON 88.43 million) on June 30, 2017 as compared to December 31, 2016, is mainly due to decrease of gas stock, as a result of H1 2017 deliveries and storage of reduced quantities of gas during the first semester of 2017.

Trade and other receivables

Trade receivables decreased by 17.49 % as compared to December 31, 2016, as a result of lower sales made at the end of H1 2017, as compared to the end of 2016, as a result of the seasonality of activity.

Other assets

Other assets decreased on June 30, 2017 as compared to December 31, 2016, mainly as a result of the decrease of prepayments. Prepayments decreased due to transmission services carried out by Transgaz for the company's stored gas, that are presented as inventories at the end of H1 2017. On December 31, 2016, prepayments excluding gas transmission services amounted to RON 5.0 million.

Cash and cash equivalents. Other financial assets

On June 30, 2017, cash, cash equivalents and other financial assets amounted to RON 4,235.1 million, as compared to RON 3,173.3 million at the end of 2016, the increase being due to collections during H1 2017 and reduced volume of investment works. From these liquid assets, the dividends related to 2016 were paid in July, as approved by the company's shareholders.

Equity

The company's equity decreased by 6.25% (RON 604.36 million), as compared to December 31, 2016 due to distribution to shareholders of 2016 result and a share of the result achieved in the previous years, under the form of dividends, according to GMS Resolution.

Non-current liabilities

Non-current liabilities decreased as compared to December 31, 2016, mainly as a result of changes in the provision for decommissioning of production and storage wells owned by the company.

Current liabilities

Current liabilities increased by RON 1,196.24 million, from RON 947.18 million as recorded on December 31, 2016, to RON 2,143.42 million, the amount recorded on June 30, 2017 due to distributing dividends to shareholders.

Trade and other payables

Trade liabilities decreased by 42.20% 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 189.44 million on June 30, 2017 as compared to RON 464.05 million on December 31, 2016).

Other liabilities

Other liabilities increased by 554.78% as a result of the company's liability towards the shareholders, representing the distributed dividends, according to GMS Resolution, out of 2016 profit.

Provisions

Short-term provisions decreased by 24.93% 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.

4.2. Statement of Interim Comprehensive Income

The synthesis of the profit and loss account of the company for the period January 1 - June 30, 2017 as compared to the similar period of 2016 is shown below:

Description	H1 2016 (RON thousand)	H1 2017 (RON thousand)	Differences (RON thousand)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue	1,849,903	2,392,220	542,317	29.32
Cost of commodities sold	(37,867)	(45,791)	7,924	20.93
Investment income	13,624	10,704	(2,920)	-21.43
Other gains and losses	(130,984)	(64,599)	(66,385)	-50.68
Change in inventory	(17,639)	(142,057)	124,418	705.36
Raw materials and consumables used	(29,343)	(32,128)	2,785	9.49
Amortization, depreciation and impairment	(272,935)	(294,052)	21,117	7.74
Employee benefit expense	(229,977)	(261,084)	31,107	13.53
Finance cost	(9,167)	(8,875)	(292)	-3.19
Exploration expenses	-	(70,181)	70,181	n/a
Other expenses	(444,648)	(516,460)	71,812	16.15
Other income	64,037	66,076	2,039	3.18
Profit before tax	**755,004**	**1,033,773**	**278,769**	**36.92**
Income tax expense	(139,737)	(165,814)	**26,077**	**18.66**
Net Profit	**615,267**	**867,959**	**252,692**	**41.07**

Revenue

In H1 ended June 30, 2017, the Company's revenue increased by 29.32% (RON 542.32 million) as compared to the same period of the previous year.

The increase by RON 376.33 million of the revenue from gas sales, both from Romgaz production, as well as from sales of gas purchased to be resold and from joint arrangements was supplemented by the increase of revenue from sale of electricity and gas storage services as well as auxiliary services. The significant increase of revenue is due both to higher gas sales and to higher gas volumes withdrawn from storages.

Cost of Commodities Sold

The cost of commodities sold increased by 20.93%, namely RON 7.92 million in H1 ended June 30, 2017, compared to the similar period of 2016, as a result of delivering higher gas quantities purchased for resale, especially import gas and for compensating the market unbalances regulated by the network code.

Other Gains and Losses

In H1 ended June 30, 2017, the Company recorded a net loss of RON 66.4 million, decreasing as compared to the same period of the previous year when an allowance for doubtful debts was recorded, regarding one of the main clients of the company. In H1 2017 the Company recorded insignificant allowances for doubtful debts of RON 2.5 million.

The net loss on disposal of non-current assets in H1 2017 of RON 37.0 million is almost totally offset by the income from reversal of the impairment recorded in previous years. The income is included in the Depreciation, Amortization and Impairment caption.

Changes in Inventory

In H1 2017 and 2016, gas volumes – Romgaz property- withdrawn from UGSs were higher than those injected, therefore generating a negative change in inventory (loss). The large difference between the withdrawn quantity and the injected quantity in H1 2017 as compared to the similar period of the previous year generated the variation of 705.36% between the two periods.

Depreciation, amortization and impairment

For H1 2017 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.

Employee Benefit Expense

In the reviewed period, expenses with salaries, taxes and social contributions related to employees increased by 13.53% 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. This expense was offset by releasing to income the provision previously recorded, the income being listed at Other expenses.

Exploration expenses

Exploration expenses recorded in H1 2017 of RON 70.2 million are offset by the release to income of the impairment recorded in the previous years. This income was recorded in H1 at net expenses with Depreciation, amortization and impairment.

Other Expenses

Other Expenses recorded an increase by 16.15% as compared to H1 2016. The increase is due to the following:

- in 2017 in order to produce electricity import gas was used besides the gas produced by the Company;

- increase of expenses related to gas transmission services and electricity distribution services.

Concurrently, expenses with taxes and duties increased compared to the same period of the previous year as a result of an increased windfall tax and of an increased royalty on gas production and storage activity.

Cancelation of the tax on special constructions had positive effects on the results of H1 2017.

The table below shows the breakdown of segment interim global result for the period January – June 2017, respectively January - June 2016:

RON thousand

Description	Upstream	Storage	Electricity	Other activities	Adjustments and eliminations	TOTAL
1	2	3	4		5	6
Revenue						
*Half I 2016	1,574,438	194,890	155,691	114,630	(189,746)	**1,849,903**
*Half I 2017	1,998,444	251,959	299,000	124,589	(281,772)	**2,392,220**
Cost of Commodities Sold						
*Half I 2016	(15,399)	(408)	(21,756)	(304)	-	**(37,867)**
*Half I 2017	(40,182)	(1)	(5,268)	(340)	-	**(45,791)**
Investment income						
*Half I 2016	456	2,256	23	10,889	-	**13,624**
*Half I 2017	196	1,134	10	9,364	-	**10,704**
Other gains or losses						
*Half I 2016	(129,153)	(721)	(327)	(783)	-	**(130,984)**
*Half I 2017	(43,714)	(1,459)	(361)	(19,065)	-	**(64,599)**
Changes in inventory						
*Half I 2016	(10,843)	(8,442)	75	1,571	-	**(17,639)**
*Half I 2017	(111,807)	(31,356)	44	1,062	-	**(142,057)**
Raw materials and consumables						
*Half I 2016	(19,824)	(4,658)	(731)	(5,264)	1,134	**(29,343)**
*Half I 2017	(23,522)	(4,971)	(516)	(5,405)	2,286	**(32,128)**
Depreciation, amortization and impairment						
*Half I 2016	(210,834)	(46,936)	(3,438)	(11,727)	-	**(272,935)**
*Half I 2017	(229,993)	(51,677)	(3,660)	(8,722)	-	**(294,052)**
Employee benefit expenses						
*Half I 2016	(146,642)	(21,929)	(13,499)	(47,907)	-	**(229,977)**
*Half I 2017	(166,816)	(25,139)	(15,722)	(53,407)	-	**(261,084)**
Financial cost						
*Half I 2016	(8,366)	(801)	-	-	-	**(9,167)**
*Half I 2017	(8,058)	(817)	-	-	-	**(8,875)**
Exploration cost						
*Half I 2016	-	-	-	-	-	**-**
*Half I 2017	(70,181)	-	-	-	-	**(70,181)**
Other expenses						
*Half I 2016	(480,322)	(44,800)	(87,610)	(21,121)	189,205	**(444,648)**
*Half I 2017	(536,594)	(26,294)	(200,610)	(32,809)	279,847	**(516,460)**
Other income						
*Half I 2016	63,408	568	40	614	(593)	**64,037**
*Half I 2017	66,120	28	33	256	(361)	**66,076**
Profit before tax						
***Half I 2016**	**616,919**	**69,019**	**28,468**	**40,598**	**-**	**755,004**
***Half I 2017**	**833,893**	**111,407**	**72,950**	**15,523**	**-**	**1,033,773**
Income tax expense						
*Half I 2016	-	-	-	(139,737)	-	**(139,737)**
*Half I 2017	-	-	-	(165,814)	-	**(165,814)**
Net profit						
***Half I 2016**	**616,919**	**69,019**	**28,468**	**(99,139)**	**-**	**615,267**

Description	Upstream	Storage	Electricity	Other activities	Adjustments and eliminations	TOTAL
1	2	3	4		5	6
***Half I 2017**	**833,893**	**111,407**	**72,950**	**(150,291)**	**-**	**867,959**

4.3. Statement of Cash Flows

Statements of cash flows recorded in H1 2017 and respectively in H1 2016 are as follows:

INDICATOR	H1 2016 (RON thousand)	H1 2017 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
Cash flow from operating activities			
Net Profit for the period	**615,267**	**867,959**	**41.07**
Adjustments for:			
Profit tax expenses	139,737	165,814	18.66
Interest expense	9	3	-66.67
Unwinding of decommissioning provision	9,158	8,872	-3.12
Interest revenue	(13,624)	(10,704)	-21.43
Loss on disposal of non-current assets	49,347	37,043	-24.93
Change in decommissioning provision recognized in result for the period, other than unwinding	(1,230)	(838)	-31.87
Change in other provisions	(4,911)	(15,550)	216.64
Expenses for impairment of exploration assets	13,890	(8,730)	n/a
Losses from exploration projects	-	70,181	n/a
Impairment of property, plant and equipment	(23,126)	28,270	n/a
Depreciation and amortization expense	282,171	274,512	-2.71
Impairment of other financial investments	(1,516)	(21)	-98.61
Impairment of investments in associates	-	(3,392)	n/a
Loss from disposal of investments in associates and of other financial investments	1,577	3,392	115.09
Losses from trade and other receivables	78,537	21,882	-72.14
Write-down allowance of inventory	3,021	5,401	78.78
Cash generated from operations, before movements in working capital	**1,148,307**	**1,444,094**	**25.76**
Movements in working capital			
(Increase)/Decrease in inventory	30,861	83,054	169.12
(Increase)/Decrease in trade and other receivables	91,269	212,910	133.28
Increase/(Decrease) in trade and other liabilities	(145,558)	(260,539)	78.99
Cash generated from operations	**1,124,879**	**1,479,519**	**31.53**
Interest paid	(9)	(3)	-66.67
Income tax paid	(208,384)	(181,077)	-13.10
Net cash generated from operations	**916,486**	**1,298,439**	**41.68**
Cash flows from investing activities			
(Increase)/Decrease in other financial assets	(302,899)	449,829	n/a
Interest received	12,963	7,617	-41.24
Proceeds from sale of non-current assets	5	66	1220.00
Collections from disposal of other financial assets	400	-	n/a
Acquisition of non-current assets	(147,384)	(150,024)	1.79
Acquisition of exploration assets	(67,507)	(94,695)	40.27
Net cash used in investing activities	**(504,422)**	**212,793**	**-142.19**
Cash flows from financing activities			
Dividends paid	(123)	(491)	299.19
Net cash used in financing activities	**(123)**	**(491)**	**299.19**
Net Increase/(Decrease) in cash and cash equivalents	**411,941**	**1,510,741**	**266.74**
Cash and cash equivalents at the beginning of the period	**740,352**	**280,526**	**-62.11**

Cash and cash equivalents as of June 30	**1,152,293**	**1,791,267**	**55.45**

V. PERFORMANCE OF THE MANDATE CONTRACT/DIRECTOR AGREEMENT

The timeline of the Director Agreement, the Contract of Mandate, the Directors' Plan and 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;
- ***July 26, 2013*** – The GSM Resolution no. 12 approves the form of the Director's Agreement to be concluded with the members of the Board of Directors;
- ***September 25, 2013*** – the GSM Resolution no. 16 approves the 2013-2017 Directors' Plan as 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 for 2013-2017 i.e. the mandate period of the Director General of Societatea Nationala de Gaze Naturale "ROMGAZ" – S.A.*";
- ***June 7, 2017*** – the Board of Directors approves by Resolution no.14 the renewal of the Director General Contract of Mandate – Mr. Virgil Marius Metea for a 4-year term and that the performance criteria and indicators from the Contract of mandate four 2017 will be those approved by the General Meeting of Shareholders in the income and expenditure budget.

Objectives and performance criteria

The Management Plan encloses the Director General's 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 Director Agreement.

The main ***performance objectives*** provided in the directors' agreements and in the management contract may be summarized as follows:

- Enhancement of the company's portfolio of gas resources and reserves by discovering new resources and by developing and improving the recovery degree of already discovered resources;
- Consolidation of the company's position on the electricity supply market;
- Optimization, development and diversification of the underground storage activity by reconsidering its importance with the aim of ensuring safety, continuity and flexibility of natural gas supply to customers;
- Enhancement of the company's performance;
- Identification of new growth and diversification opportunities;
- Enhancement of the company's organization structure, including the reorganization of the internal audit function.

Together with specific measures to be taken to fulfil each objective, Romgaz committed to implement general measures, which also support the fulfilment of the company's strategic objectives. Such measures target the following activity segments:

→ Human resources management;

→ Corporate governance and social responsibility;

→ Budgeting and control process optimization;

→ Improving the company's image;

→ Implementation of legal provisions on UGS activity separation;

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

The measures and actions for the fulfilment of strategic objectives, as set in the Directors' Plan, are monitored periodically, quarterly and annually by the following ***performance indicators and 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	%	maintaining	1.5%/ year	0.15
7.	Outstanding payments	thousand RON	maintaining	0	0.10

Updating the performance indicators values

Provisions of the Director Agreement and of the Directors' Plan

The General Meeting of Shareholders approved by Resolution no.12 in the meeting held on July 26, 2013 the template of the Director Agreement that will be concluded with the board members.

The Director Agreement includes clauses related to the review/update of the performance indicators, as follows:

- *Art.4: "... the Director will execute all acts required ... to achieve the objectives and performance criteria established in Annex 1 to this document, and/or as annually amended, as the case may be, together with the other members of the Board of Directors, within 30 days from the approval/rectification of the income and expenditures budget";*
- *Art. 9: "The Director undertakes, together with the other Directors, to fulfil the work plan and GMS resolutions, in order to achieve the objectives and performance criteria established in Annex 1 to this Director Agreement. Performance criteria and*

objectives are applicable during the entire assignment of the Director, and the values of the performance indicators will be updated annually in accordance with the provisions of the income and expenditure budget".

The General Meeting of Shareholders approved on *September 25, 2013,* by Resolution no.16 the Director's Plan of the company for 2013-2017, submitted and prepared by the Board of Directors.

The plan provides also the possibility to adjust the performance indicators, stating that the achievement of the initial indicators undertaken by the directors is conditioned by fulfilling certain duties by state authorities:

- *"The performance indicators provided in this plan, as a result of the strategic objectives set and of the plan with measures to be achieved for their fulfilment, will be submitted again for review in order to be approved by the General Meeting of Shareholders, if it will be found that, for reasons beyond the director's control, because of external causes (natural gas and electricity market decline, amendments of the legal and regulatory framework etc.) or as a result of restating the financial statements according to the International Financial Reporting Standards (IFRS) the objectives and the performance indicators cannot be fulfilled"* – summary of the Directors 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 Romgaz control require such, the level of the performance indicators of the Director's Plan will be amended/modified/supplemented accordingly" – item 4.7 Performance criteria and objectives of the Director's Plan (page 76, last paragraph).

Provisions of the Director Agreement and of the Director's Plan

The Board of Directors approved by Resolution no.29 taken during 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, as follows:

"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 director's 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 Director's 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.

Director Agreements

Further to the above mentioned, according to the provisions of the Director's Plan and the Director Agreement, the board of directors requested the shareholders to adjust the manner of calculating the performance indicators of the Directors' Agreements. The request was substantiated in Note no.13293 as of May 16, 2016 submitted to the shareholders and debated in the ordinary meeting on *June 16, 2016*.

After reviewing the above mentioned note, the General Meeting of Shareholders approved by item I of Resolution no.5 as of June 16, 2016 the *"to modify the manner of calculating the performance indicators namely to eliminate the effects of external factors that are beyond the control of the company's management"*. Item II of the same resolution approved "*the conclusion of an Addendum to the Director Agreement to modify the manner of calculating the performance indicators namely to eliminate the effects of external factors that are beyond the control of the company's management",* mandating the representative of the major shareholder to sign the Addendum to the Director Agreement (item III).

At the request of the Ministry of Energy, as major shareholder, the agenda of the Ordinary General Meeting of Shareholder of August 11, 2016 was supplemented by the proposal to cancel the approvals of the GMS given in the meeting held on June 16, 2016 related to modifying the calculation manner of the performance indicators, and related to the conclusion of an Addendum to the Director Agreement and mandating the representative of the major shareholder to sign such addendum. GMS approved by Resolution no.7 as of August 11, 2016 the requests of the Ministry of Energy.

The agenda of the Ordinary General Meeting of Shareholders on November 15, 2016 included for review and approval, *Note no. 25988 of October 5, 2016 related to the proposal to modify the performance indicators of the Director Agreement.* By this note, the Board of Directors requested "*to set performance indicators at the level of the indicators of the income and expenditure budget approved by the General Meeting of Shareholders in Resolution no. 5 of June 16, 2016".* The GMS did not approve in Resolution no.10 of November 15, 2016 "*the performance criteria and objectives corroborated SNGN Romgaz SA income and expenditure budget approved by Resolution no. 5/2016".*

The agenda of the Ordinary General Meeting of Shareholders on *April 25, 2017* included for review and approval, *Note no.8756 of March 23, 2017 on the proposal to modify the performance indicators of the Director Agreement.* The Board of Directors requested in this note "*to set the performance indicators at the level of the indicators included in the income and expenditure budget that will be approved by the General Meeting of Shareholders".* By Resolution no.1 of April 25, 2017 the GMS did not approve *the modification of the performance indicators of the Director Agreement".*

The Contract of Mandate

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.

The Board of Directors approved by Resolution no.14 June 7, 2017 the renewal of the Contract of Mandate of the Director General Mr. Metea Virgil Marius for a period of four years, as well as the modification of the performance indicators value for 2017 at the level of those approved by the General Meeting of Shareholders in the income and expenditure budget.

2014-2017 Results

The table below presents the values of the main indicators achieved in H1 of years 2014-2017 (thousand RON):

Indicators	H1 2014	H1 2015	H1 2016	H1 2017
1	2	3	4	5
Revenue	2,526,342	2,235,108	1,849,903	2,392,220
Operating income*)	2,656,020	2,322,941	1,983,987	2,416,151
Operating expense*)	1,444,729	1,203,057	1,158,240	1,373,008
Gross profit	1,089,527	952,141	755,005	1,033,773
Net profit	870,953	766,610	615,268	867,959
EBITDA	1,630,907	1,448,351	1,115,264	1,347,528
OPEX to RON 1000 operating income	543.9	517.9	583.8	568.3
Average number of employees	6,257	6,186	6,128	6,056
Labour productivity (RON thousand revenue/person)	403.8	361.3	301.9	395.0
Natural gas production (million m^3)	2,865.6	2,776.7	2,197.4	2,559.4
Volume of geological resources	805	1,800	1,570	1,087
Outstanding payments	0	0	0	0

*) – no adjustments or provisions

H1 2017 Results

Director Agreements

The achievement of the performance indicators and criteria provided in the Director Agreements for H1 2017 is shown in the table below:

	Weighting factor	Indicator	Average values 2013-2015	Target values	Results	Degree of achievement	Weighting
1	2	3	4	5	6	7=6/5x100	8=2x7
EBITDA	0.25	+4.5%	1,398,173.9	1,461,091.7	1,347,527.8	**92.9**	**23.05**
CA	0.20	+6%	2,203,784.4	2,336,011.5	2,392,219.6	**102.4**	**20.48**
W	0.10	+6%	356.0	377.4	395.0	**104.7**	**10.47**
C_{expl}/V_{expl}	0.10	-0.6%	546.6	543.3	568.3	**95.6**	**9.56**
RES	0.10	+1%	1,391.7	1,405.6	1,087.0	**77.3**	**7.73**
d_Q	0.15	-1.5%	2,724.7	2,683.8	2,559.4	**95.4**	**14.31**
P_{res}	0.10	0	0	0	0	**110.0**	**11.00**
Total	**1.00**	-	-	-	-	-	**96.60**

EBITDA – (RON thousand);
CA – revenue (RON thousand);
W – labour productivity (RON thousand/employee);
C_{expl}/V_{expl} – operating expenses to1000 RON 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 show an achievement rate of ***96.60%***.

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

- *Revenue* – higher than the target by RON 56.2 million ;
- *Labour productivity* – higher than the scheduled productivity by 17.6 thousand RON/employee
- *Level of outstanding payments* – zero;

The following indicators have not been fully achieved:

- *Volume of geological resources* – lower by 318.6 million m^3;
- *EBITDA* – below the target value by RON 113.6 million;
- *Operating expenses to 1000 RON operating income* – higher by 25 RON (+4.6%) as compared to the target value
- *Gas production* – by 124.4 million m^3 below the target value.

The Contract of Mandate

The achievement of the performance indicators and criteria according to the Contract of Mandate for H1 2017 is shown in the table below:

	M. U.	Performance criteria	Weighting factor	Target values[4]	Results	Degree of achievement	Weighting
1	2	3	4	5	6	7=6/5x100	8=2x7
EBITDA	RON thousand	increase	0.25	1,092,836.0	1,347,527.8	**123.3**	**30.83**
CA	RON thousand	increase	0.20	2,074,364.0	2,392,219.6	**115.3**	**23.06**
W	RON thousand / person	increase	0.10	329.37	395.0	**119.9**	**11.99**
C_{expl}/V_{expl}	RON	decrease	0.10	632.74	568.3	**111.3**	**11.13**
RES	Million m^3	increase	0.10	1,400.0	1,087.0	**77.6**	**7.76**
d_Q		maintained	0.15	2,468.0	2,559.4	**103.7**	**15.56**
P_{res}	RON thousand	maintained	0.10	0	0	**110.0**	**11.00**
Total	-	-	**1.00**	-	-	-	**111.33**

The performance indicators and objectives show an achievement rate of ***111.33%***.

[4] 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 achievement of performance indicators and criteria has been positively influenced by:

- *EBITDA* – higher than the target by RON 255 million (+23.3%);
- *Revenue* – higher by RON 318 million (+15.3%);
- *Labour productivity* – higher than the scheduled productivity by 66 thousand RON/employee (+19.9%);
- *Operating expenses to 1000 RON operating income* – lower by 64 RON (-10.2) as compared to the target value;
- *Gas production* – by 91 million m^3 higher than the target value;
- *Outstanding payments*

The only indicator not fully achieved is "*Volume of geological resources*" – lower by 313 million m^3 (-22.4%).

Attached hereto are the Interim Financial Statements for the period ending June 30, 2017 prepared in accordance with the International Financial Reporting Standards (IFRS).

Signatures:

Chairman of the Board of Directors,

GHEORGHE GHEORGHE GABRIEL

....

Director General,	**Chief Financial Officer,**
MARIUS VIRGIL METEA	**BOBAR ANDREI**
....	....

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

INDIVIDUAL INTERIM FINANCIAL STATEMENTS

FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2017

PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
AND
MINISTRY OF FINANCE ORDER 2844/2016

WITH

THE INDEPENDENT AUDITOR'S REVIEW REPORT

CONTENTS: **PAGE:**

Deloitte.

REPORT ON THE REVIEW OF INTERIM INDIVIDUAL FINANCIAL INFORMATION

To the Shareholders of S.N.G.N Romgaz S.A.
Medias, Romania

Introduction

1 We have reviewed the accompanying interim individual statement of financial position of S.N.G.N. Romgaz S.A. (the Company) as of June 30, 2017 and the related interim individual statements of comprehensive income, individual changes in shareholders' equity and individual cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim individual financial information in accordance with the International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express a conclusion on this interim individual financial information based on our review.

Scope of Review

2 We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim individual financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim individual financial information does not present fairly, in all material respects, the individual financial position of the Company as of June 30, 2017 and its interim individual financial performance and its cash flows for the six-month period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Deloitte.

Other Matters

4 As set out above, we have reviewed the accompanying interim individual statement of financial position of the Company as of June 30, 2017 and the related interim individual statements of comprehensive income, individual changes in shareholders' equity and individual cash flows for the six-month period then ended. The interim financial statements contain additional financial information for the three month period ended June 30, 2017. We do not express an opinion on that additional financial information since we did not carry out review procedures on the earlier three month period ended 31 March 2017.

5 This report is made solely to the shareholders. Our review work has been undertaken so that we might state to the shareholders, those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the shareholders, for our review work, for this report, or for the conclusion we have formed.

For signature, please refer to the original Romanian version.

Deloitte Audit S.R.L.
Bucharest, Romania
August 10, 2017

STATEMENT OF INDIVIDUAL INTERIM COMPREHENSIVE INCOME FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2017

	Note	Six months ended June 30, 2017	Three months ended June 30, 2017	Six months ended June 30, 2016	Three months ended June 30, 2016
		'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3	2,392,220	894,682	1,849,903	486,398
Cost of commodities sold	5	(45,791)	(8,774)	(37,867)	(16,648)
Investment income	4	10,704	5,741	13,624	6,176
Other gains and losses	6	(64,599)	(59,991)	(130,984)	7,392
Changes in inventory of finished goods and work in progress		(142,057)	21,753	(17,639)	81,933
Raw materials and consumables used	5	(32,128)	(15,646)	(29,343)	(11,558)
Depreciation, amortization and impairment expenses	7	(294,052)	(66,052)	(272,935)	(152,692)
Employee benefit expense	8	(261,084)	(146,841)	(229,977)	(118,351)
Finance cost	9	(8,875)	(3,988)	(9,167)	(4,577)
Exploration expense		(70,181)	(70,181)	-	-
Other expenses	10	(516,460)	(200,730)	(444,648)	(152,666)
Other income	3	66,076	14,592	64,037	19,572
Profit before tax		**1,033,773**	**364,565**	**755,004**	**144,979**
Income tax expense	11	(165,814)	(57,485)	(139,737)	(19,032)
Profit for the period		**867,959**	**307,080**	**615,267**	**125,947**
Basic and diluted earnings per share		0.0023	0.0008	0.0016	0.0003
Total comprehensive income for the period		**867,959**	**307,080**	**615,267**	**125,947**

These financial statements were authorized for issue by the Board of Directors on August 10, 2017.

Virgil Metea
Chief Executive Officer

Andrei Bobar
Chief Financial Officer

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

STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION AS OF JUNE 30, 2017

	Note	June 30, 2017	December 31, 2016
		'000 RON	'000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	12	5,653,721	5,789,262
Other intangible assets	14	373,071	397,864
Investments in subsidiaries	24 a)	1,200	1,200
Investments in associates	24 b)	120	120
Other financial investments	25	69,678	69,657
Total non-current assets		**6,097,790**	**6,258,103**
Current assets			
Inventories	15	487,552	575,983
Trade and other receivables	16 a)	683,719	828,610
Other financial assets	28	2,443,872	2,892,751
Other assets	16 b)	51,624	141,525
Cash and cash equivalents	27	1,791,267	280,526
Total current assets		**5,458,034**	**4,719,395**
Total assets		**11,555,824**	**10,977,498**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	385,422	385,422
Reserves	18	3,036,461	3,020,152
Retained earnings		5,649,923	6,270,587
Total equity		**9,071,806**	**9,676,161**
Non-current liabilities			
Retirement benefit obligation	19	117,017	119,986
Deferred tax liabilities	11	23,427	40,123
Provisions	19	200,156	194,048
Total non-current liabilities		**340,600**	**354,157**

STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION AS OF JUNE 30, 2017

	Note	June 30, 2017	December 31, 2016
		'000 RON	'000 RON
Current liabilities			
Trade and other payables	20	329,410	569,941
Current tax liabilities		61,728	60,295
Deferred revenue		1,631	4,924
Provisions	19	37,865	50,437
Other liabilities	20	1,712,784	261,583
Total current liabilities		**2,143,418**	**947,180**
Total liabilities		**2,484,018**	**1,301,337**
Total equity and liabilities		**11,565,824**	**10,977,498**

These financial statements were authorized for issue by the Board of Directors on August 10, 2017.

Virgil Metea
Chief Executive Officer

Andrei Bobar
Chief Financial Officer

STATEMENT OF INDIVIDUAL INTERIM CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017

	Share capital '000 RON	Legal reserve '000 RON	Other reserves '000 RON	Retained Earnings **) '000 RON	Total '000 RON
Balance as of January 1, 2017	**385,422**	**77,084**	**2,943,068**	**6,270,587**	**9,676,161**
Allocation to dividends *)	-	-	-	(1,472,314)	(1,472,314)
Transfer to other reserves	-	-	16,309	(16,309)	-
Total comprehensive income for the period	-	-	-	867,959	867,959
Balance as of June 30, 2017	**385,422**	**77,084**	**2,959,377**	**5,649,923**	**9,071,806**
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	-	-	346,030	(346,030)	-
Total comprehensive income for the period	-	-	-	615,267	**615,267**
Balance as of June 30, 2016	**385,422**	**77,084**	**2,850,799**	**5,953,544**	**9,266,849**

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

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

These financial statements were authorized for issue by the Board of Directors on August 10, 2017.

Societatea Națională de Gaze Naturale ROMGAZ S.A. MEDIAȘ J32/392/2001 1

Virgil Metea
Chief Executive Officer

Andrei Bobar
Chief Financial Officer

STATEMENT OF INDIVIDUAL INTERIM CASH FLOW FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2017

	Six months ended June 30, 2017 '000 RON	Three months ended June 30, 2017 '000 RON	Six months ended June 30, 2016 '000 RON	Three months ended June 30, 2016 '000 RON
Cash flows from operating activities				
Net profit	867,959	307,080	615,267	125,947
Adjustments for:				
Income tax expense (note 11)	165,814	57,485	139,737	19,032
Interest expense (note 9)	3	2	9	4
Unwinding of decommissioning provision (note 9, note 19)	8,872	3,986	9,158	4,573
Interest revenue (note 4)	(10,704)	(5,741)	(13,624)	(6,176)
Net loss on disposal of non-current assets (note 6)	37,043	36,262	49,347	895
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	(838)	(129)	(1,230)	(737)
Change in other provisions (note 19)	(15,550)	(13,078)	(4,911)	(2,856)
Net impairment of exploration assets (note 7, note 12, note 14)	(8,730)	(12,466)	13,890	6,205
Exploration projects written off (note 12)	70,181	70,181	-	-
Net impairment of property, plant and equipment and intangibles (note 7, note 12, note 14)	28,270	(52,523)	(23,126)	19,335
Depreciation and amortization (note 7)	274,512	131,041	282,171	127,152
Net impairment of other financial investments (note 6, note 25)	(21)	(21)	(1,516)	61
Impairment of investment in associates (note 6, note 24 b)	(3,392)	(3,392)	-	-
Loss from disposal of associates and other financial investments (note 6, note 24 b)	3,392	3,392	1,577	-
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 6)	21,882	20,827	78,537	(9,690)
Net movement in write-down allowances for inventory (note 6, note 15)	5,401	2,921	3,021	1,310
	1,444,094	545,827	1,148,307	285,065
Movements in working capital:				
(Increase)/Decrease in inventory	83,054	(90,808)	30,861	(88,494)
(Increase)/Decrease in trade and other receivables	212,910	485,362	91,269	562,329
Increase/(Decrease) in trade and other liabilities	(260,539)	119,467	(145,558)	(324,648)
Cash generated from operations	1,479,519	1,059,848	1,124,879	434,242
Interest paid	(3)	(2)	(9)	(4)
Income taxes paid	(181,077)	(120,782)	(208,384)	(117,546)
Net cash generated by operating activities	1,298,439	939,064	916,486	316,692

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

STATEMENT OF INDIVIDUAL INTERIM CASH FLOW FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2017

	Six months ended June 30, 2017 '000 RON	Three months ended June 30, 2017 '000 RON	Six months ended June 30, 2016 '000 RON	Three months ended June 30, 2016 '000 RON
Cash flows from investing activities				
(Increase)/Decrease in other financial assets	449,829	519,211	(302,899)	669,997
Interest received	7,617	4,394	12,963	5,688
Proceeds from sale of non-current assets	66	47	5	5
Sale of other financial investments	-	-	400	-
Acquisition of non-current assets	(150,024)	(101,504)	(147,384)	(75,928)
Acquisition of exploration assets	(94,695)	(58,875)	(67,507)	(38,074)
Net cash used in investing activities	**212,793**	**363,273**	**(504,422)**	**561,688**
Cash flows from financing activities				
Dividends paid	(491)	(466)	(123)	(28)
Net cash used in financing activities	**(491)**	**(466)**	**(123)**	**(28)**
Net increase/(decrease) in cash and cash equivalents	**1,510,741**	**1,301,871**	**411,941**	**878,352**
Cash and cash equivalents at the beginning of the period	**280,526**	**489,396**	**740,352**	**273,941**
Cash and cash equivalents at the end of the period	**1,791,267**	**1,791,267**	**1,152,293**	**1,152,293**

These financial statements were authorized for issue by the Board of Directors on August 10, 2017.

Virgil Metea
Chief Executive Officer

Andrei Bobar
Chief Financial Officer

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

Romgaz has as main activity:

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

Basis of preparation

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

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

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2017

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

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

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

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

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

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;

- level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- level 3 inputs are unobservable inputs for the asset or liability.

Associated entities

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

Joint arrangements

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

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

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

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

Joint operations

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

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

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

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

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

Joint ventures

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

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

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

- IFRS 9 Financial Instruments, adopted by EU on November 22, 2016 (effective for annual periods beginning on or after January 1, 2018);

- IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15, issued by IASB and adopted by the EU on September 22, 2016 (effective for annual periods beginning on or after January 1, 2018).

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

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

- IFRS 14 Regulatory deferral accounts (effective for annual periods beginning on or after January 1, 2016);

- IFRS 16 Leases (effective for annual periods beginning on or after January 1, 2019);

- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after January 1, 2021);

- amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (the effective date of the amendments has been deferred indefinitely);

- amendments to IAS 12: Recognition of deferred 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);
- annual improvements to IFRS Standards 2014 – 2016 Cycle (effective for annual periods beginning on or after January 1, 2018);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after January 1, 2018);
- amendments to IAS 40: Transfers of Investment Property (effective for annual periods beginning on or after January 1, 2018);
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after January 1, 2019.

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

Revenue recognition

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

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

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

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

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

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

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

Foreign currencies

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

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

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

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

Employee benefits

Benefits granted upon retirement

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

Based on the Collective Labor Agreement, the Company is liable to pay to its employees at retirement a number of gross salaries, according to the years worked in the gas industry/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).
As the benefits are payed, the provision is reduced together with the reversal of the allowance against income.

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

Employee participation to profit

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

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

Provisions

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

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

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

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

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

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

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

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

a. subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

b. the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in the statement of comprehensive income;

c. if the adjustment results in an addition to the cost of an asset, the Company considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Company tests the asset for impairment by estimating its recoverable amount, and shall account for any impairment loss.

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

Current and deferred tax for the period

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

Property, plant and equipment

(1) Cost

(i) Property, plant and equipment

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

(ii) Development expenditure

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

(iii) Maintenance and repairs

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

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

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

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

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

(2) Depreciation

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

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

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.

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

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

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

Exploration and appraisal assets

(1) Cost

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

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

(2) Impairment

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

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

Other intangible assets

(1) Cost

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

Intangible assets are not revalued.

(2) Amortization

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

Inventories

Inventories are recorded initially at cost of production, or acquisition cost, depending on the case. The cost of finished goods and production in progress includes materials, labour, expense incurred for bringing the finished goods at the location and in the existent form and the related indirect production costs. Write down adjustments are booked against slow moving, damaged and obsolete inventory, when necessary. At each reporting date, inventories are evaluated at the lower of cost and net realizable value. The net realizable value is estimated based on the selling price less any completion and selling expenses. The cost of inventories is assigned by using the weighted average cost formula.

Financial assets and liabilities

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

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

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

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

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

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

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

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

Available for sale (AFS) financial assets

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

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

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

Impairment of financial assets

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

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

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

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

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

De-recognition of financial assets and liabilities

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

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

Reserves

Reserves include (note 18):

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

Use of estimates

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

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

Estimates related to the exploration expenditure on undeveloped fields

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

Estimates related to the developed proved reserves

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

Estimates related to the decommissioning provision

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

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

Estimates related to the retirement benefit obligation

Under the Collective Labor Agreement, the Company is obliged to pay to its employees when they retire a 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 Chief Financial Officer reports the valuation findings to the board of directors of the Company on a regular basis to explain the cause of fluctuations in the fair value of the assets and liabilities.

Contingencies

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

Comparative information

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

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2017

3. REVENUE AND OTHER INCOME

	Six months ended June 30, 2017	Three months ended June 30, 2017	Six months ended June 30, 2016	Three months ended June 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Revenue from gas sold - domestic production	1,790,405	702,426	1,443,116	363,120
Revenue from gas sold - joint operations	61,813	33,033	57,392	24,534
Revenue from gas acquired for resale – import gas	22,404	-	10,885	-
Revenue from gas acquired for resale – domestic gas	19,082	2,551	5,981	2,265
Revenue from storage services-capacity reservation	165,334	53,774	154,718	21,987
Revenue from storage services-extraction	22,712	2,830	18,582	-
Revenue from storage services-injection	21,111	11,256	20,869	12,518
Revenue from electricity	264,942	73,099	123,046	53,840
Revenue from services	14,286	9,976	7,757	4,043
Revenue from sale of goods	5,358	2,610	4,178	2,423
Other revenues	4,773	3,127	3,379	1,668
Total revenue	**2,392,220**	**894,682**	**1,849,903**	**486,398**
Other operating revenues	66,076	14,592	64,037	19,572
Total revenue and other income	**2,458,296**	**909,274**	**1,913,940**	**505,970**

4. INVESTMENT INCOME

	Six months ended June 30, 2017	Three months ended June 30, 2017	Six months ended June 30, 2016	Three months ended June 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Interest income	10,704	5,741	13,624	6,176
Total	**10,704**	**5,741**	**13,624**	**6,176**

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Six months ended June 30, 2017	Three months ended June 30, 2017	Six months ended June 30, 2016	Three months ended June 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Consumables used	30,468	14,905	27,030	10,398
Cost of gas acquired for resale, sold – import	20,833	-	10,173	-
Cost of gas acquired for resale, sold – domestic	19,236	4,962	5,120	1,889
Cost of electricity imbalance	5,210	3,506	21,756	14,202
Cost of other goods sold	512	307	818	557
Other consumables	1,660	740	2,313	1,160
Total	**77,919**	**24,420**	**67,210**	**28,206**

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2017

6. OTHER GAINS AND LOSSES

	Six months ended June 30, 2017	Three months ended June 30, 2017	Six months ended June 30, 2016	Three months ended June 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Forex gain	139	44	62	16
Forex loss	(433)	(46)	(80)	(48)
Net loss on disposal of non-current assets	(37,043)	(36,262)	(49,347)	(895)
Net loss on disposal of associates and other financial investments (note 24 b)	(3,392)	(3,392)	(1,577)	-
Net receivable allowances (note 16 c) *)	(2,515)	(1,460)	(78,537)	9,690
Net impairment of associates and other financial investments (note 24 b, note 25)	3,413	3,413	1,516	(61)
Net write down allowances for inventory (note 15)	(5,401)	(2,921)	(3,021)	(1,310)
Losses from other debtors *)	(19,367)	(19,367)	-	-
Total	**(64,599)**	**(59,991)**	**(130,984)**	**7,392**

*) In April 2017, the Board of Directors approved the concession of rights and obligations under loan agreements concluded with associates Cybinka and Torzym for EUR 1. The loans and related interest, in amount of EUR 4,223 thousand, were fully written off. The impairment recorded was released to income, being included in the net receivable allowance above, of RON 2,515 thousand.

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Six months ended June 30, 2017	Three months ended June 30, 2017	Six months ended June 30, 2016	Three months ended June 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Depreciation	274,512	131,041	282,171	127,152
out of which:				
- depreciation of property, plant and equipment	270,126	128,980	275,610	124,066
- amortization of intangible assets	4,386	2,061	6,561	3,086
Net impairment of non-current assets *) (note 12, note 14)	19,540	(64,989)	(9,236)	25,540
Total depreciation, amortization and impairment	**294,052**	**66,052**	**272,935**	**152,692**

*) The exploration expense recorded in the three-month period ended June 30, 2017 of RON 70,181 thousand is fully offset by the net income of RON 64,989 thousand, representing the release to income of the impairment previously recorded for the exploration projects.

8. EMPLOYEE BENEFIT EXPENSE

	Six months ended June 30, 2017	Three months ended June 30, 2017	Six months ended June 30, 2016	Three months ended June 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Wages and salaries	234,578	131,806	204,861	103,378
Social security charges	56,197	31,617	53,040	28,753
Meal tickets	7,397	4,127	6,399	3,083
Other benefits according to collective labor contract	7,417	5,486	6,397	4,419
Private pension payments	5,851	2,926	5,858	2,922
Private health insurance	3,349	1,673	-	-
Total employee benefit costs	**314,789**	**177,635**	**276,555**	**142,555**
Less, capitalised employee benefit costs	(53,705)	(30,794)	(46,578)	(24,204)
Total employee benefit expense	**261,084**	**146,841**	**229,977**	**118,351**

9. FINANCE COSTS

	Six months ended June 30, 2017	Three months ended June 30, 2017	Six months ended June 30, 2016	Three months ended June 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Interest expense	3	2	9	4
Unwinding of the decommissioning provision (note 19)	8,872	3,986	9,158	4,573
Total	**8,875**	**3,988**	**9,167**	**4,577**

10. OTHER EXPENSES

	Six months ended June 30, 2017	Three months ended June 30, 2017	Six months ended June 30, 2016	Three months ended June 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Energy and water expenses	10,714	5,860	7,740	4,149
Expenses for capacity booking and gas transmission services	24,119	9,495	13,578	5,166
Expenses with other taxes and duties	352,538	148,125	334,959	104,107
(Net gain)/Net loss from provisions movement (note 19)	(16,388)	(13,207)	(6,141)	(3,593)
Other operating expenses	145,477	50,457	94,512	42,837
Total	**516,460**	**200,730**	**444,648**	**152,666**

In the six months ended June 30, 2017, the major taxes and duties included in the amount of RON 352,538 thousand (six months ended June 30, 2016: RON 334,959 thousand) for taxes and duties are:

- RON 206,727 thousand, including amounts related to joint operations, represent windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 with the subsequent amendments for the implementation of the windfall tax following the deregulation of prices in the natural gas sector (six months ended June 30, 2016: RON 164,758 thousand);

- Starting 2017, the tax on special constructions is no longer required to be paid. In the six months ended June 30, 2016, the tax on special constructions was RON 35,113 thousand.
- RON 141,830 thousand, including amounts related to joint operations, represent royalty on gas production and storage activity (six months ended June 30, 2016: RON 117,652 thousand).

11. INCOME TAX EXPENSE

Income tax	**Six months ended June 30, 2017**	**Three months ended June 30, 2017**	**Six months ended June 30, 2016**	**Three months ended June 30, 2016**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**
Current tax expense	182,510	61,728	142,837	25,292
Deferred income tax (income)/expense	(16,696)	(4,243)	(3,100)	(6,260)
Income tax expense	**165,814**	**57,485**	**139,737**	**19,032**

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

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

	Six months ended June 30, 2017	**Six months ended June 30, 2016**
	'000 RON	**'000 RON**
Accounting profit before tax	**1,033,773**	**755,004**
(Profit)/loss activities not subject to income tax	1,018	-
Accounting profit subject to income tax	1,034,791	755,004
Income tax expense calculated at 16%	165,567	120,801
Effect of income exempt of taxation	(30,491)	(12,844)
Effect of expenses that are not deductible in determining taxable profit	48,589	39,138
Tax incentives	(1,155)	(4,258)
Other differences	(16,696)	(3,100)
Income tax expense	**165,814**	**139,737**

Components of deferred tax liability:

	June 30, 2017		**December 31, 2016**	
	Cumulative temporary differences	**Deferred tax (asset)/ liability**	**Cumulative temporary differences**	**Deferred tax (asset)/ liability**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**
Provisions	(333,963)	(53,434)	(355,508)	(56,881)
Property, plant and equipment	640,818	102,531	766,715	122,674
Receivables and other assets	(160,438)	(25,670)	(160,438)	(25,670)
Total	**146,417**	**23,427**	**250,769**	**40,123**
Charged to income		**(16,696)**		**(22,466)**

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE- MONTH PERIODS ENDED JUNE 30, 2017

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, 2017	106,991	881,566	5,772,824	893,944	94,404	1,676,928	416,874	659,927	10,503,458
Additions for the six-month period ended June 30, 2017	544	3	352	1,353	143	-	91,653	157,901	251,949
Of which: the three-month period ended June 30, 2017	99	-	1	1,352	131	-	56,245	104,611	162,439
Transfers for the six-month period ended June 30, 2017	54	508	150,943	20,494	1,953	8,159	-	(182,111)	-
Of which: the three-month period ended June 30, 2017	24	208	134,377	14,621	684	-	-	(149,914)	-
Disposals for the six-month period ended June 30, 2017	-	(642)	(13,310)	(3,209)	(198)	(1,365)	(70,181)	(29,376)	(118,281)
Of which: the three-month period ended June 30, 2017	-	(592)	(12,323)	(2,506)	(146)	-	(70,181)	(29,350)	(115,098)
As of June 30, 2017	107,589	881,435	5,910,809	912,582	96,302	1,683,722	438,346	606,341	10,637,126
Accumulated depreciation									
As of January 1, 2017	-	233,949	2,868,192	475,904	63,308	516,200	-	-	4,157,553
Charge *) for the six-month period ended June 30, 2017	-	16,535	190,653	33,690	3,336	39,735	-	-	283,949
Of which: the three-month period ended June 30, 2017	-	8,262	89,672	16,771	1,665	19,631	-	-	136,001
Transfers for the six-month period ended June 30, 2017	-	-	759	-	-	(759)	-	-	-
Of which: the three-month period ended June 30, 2017	-	-	-	-	-	-	-	-	-
Disposals for the six-month period ended June 30, 2017	-	(286)	(4,676)	(2,833)	(194)	(604)	-	-	(8,593)
Of which: the three-month period ended June 30, 2017	-	(277)	(4,676)	(2,231)	(146)	-	-	-	(7,330)
As of June 30, 2017	-	250,198	3,054,928	506,761	66,450	554,572	-	-	4,432,909

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 12,053 thousand.*

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE- MONTH PERIODS ENDED JUNE 30, 2017

	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, 2017	3,180	15,933	152,862	23,474	442	3,421	210,783	146,548	556,643
Charge for the six-month period ended June 30, 2017	-	155	79,212	466	54	146	35,760	15,424	131,217
Of which: the three-month period ended June 30, 2017	-	131	2,059	228	54	146	31,835	4,989	39,442
Transfers for the six-month period ended June 30, 2017	-	-	7,070	-	-	-	-	(7,070)	-
Of which: the three-month period ended June 30, 2017	-	-	6,974	-	-	-	-	(6,974)	-
Release for the six-month period ended June 30, 2017	-	(511)	(26,779)	(380)	(50)	(1,007)	(70,177)	(38,460)	(137,364)
Of which: the three-month period ended June 30, 2017	-	(340)	(21,184)	(295)	(9)	(119)	(70,177)	(38,183)	(130,307)
As of June 30, 2017	3,180	15,577	212,365	23,560	446	2,560	176,366	116,442	550,496
Carrying value									
As of January 1, 2017	103,811	631,684	2,751,770	394,566	30,654	1,157,307	206,091	513,379	5,789,262
As of June 30, 2017	104,409	615,660	2,643,516	382,261	29,406	1,126,590	261,980	489,899	5,653,721

Cost	Land and land improvements '000 RON	Buildings '000 RON	Gas properties '000 RON	Plant, machinery and equipment '000 RON	Fixtures, fittings and office equipment '000 RON	Storage assets '000 RON	Tangible exploration assets '000 RON	Capital work in progress '000 RON	Total '000 RON
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 six-month period ended June 30, 2016	13	28	148	-	44	-	68,153	155,898	224,284
Of which: the three-month period ended June 30, 2016	13	-	-	-	21	-	37,246	82,860	120,140
Transfers for the six-month period ended June 30, 2016	77	4,151	98,523	27,602	2,236	1,669	(13,143)	(121,115)	-
Of which: the three-month period ended June 30, 2016	7	2,687	40,681	12,427	330	942	(10,872)	(46,202)	-
Disposals for the six-month period ended June 30, 2016	-	(70)	(56,617)	(3,476)	(1,528)	-	-	(847)	(62,538)
Of which: the three-month period ended June 30, 2016	-	(65)	(2,428)	(3,395)	(18)	-	-	(273)	(6,179)
As of June 30, 2016	106,489	835,546	5,675,486	728,982	88,707	1,603,471	712,872	834,561	10,586,114
Accumulated depreciation									
As of January 1, 2016	-	201,906	2,530,752	431,088	59,106	436,982	-	-	3,659,834
Charge *) for the six-month period ended June 30, 2016	-	16,152	202,304	27,943	3,208	43,465	-	-	293,072
Of which: the three-month period ended June 30, 2016	-	8,072	87,866	13,853	1,626	21,060	-	-	132,477
Disposals for the six-month period ended June 30, 2016	-	(19)	(5,435)	(2,302)	(1,499)	-	-	-	(9,255)
Of which: the three-month period ended June 30, 2016	-	(18)	(666)	(2,250)	(3)	-	-	-	(2,937)
As of June 30, 2016	-	218,039	2,727,621	456,729	60,815	480,447	-	-	3,943,651

*) *The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 13,537 thousand*

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE- MONTH PERIODS ENDED JUNE 30, 2017

	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
Charge for the six-month period ended June 30, 2016	-	358	22,757	330	102	115	13,477	14,345	51,484
Of which: the three-month period ended June 30, 2016	-	337	16,934	258	100	115	6,138	6,627	30,509
Release for the six-month period ended June 30, 2016	-	(33)	(57,006)	(471)	(21)	(2,729)	(377)	(873)	(61,510)
Of which: the three-month period ended June 30, 2016	-	(15)	(4,082)	(236)	(4)	(698)	(212)	(1)	(5,248)
Transfers for the six-month period ended June 30, 2016	-	-	2,024	-	-	-	(10,508)	8,484	-
Of which: the three-month period ended June 30, 2016	-	-	-	-	-	-	(10,508)	10,508	-
As of June 30, 2016	3,180	15,860	153,215	23,762	501	1,275	447,477	112,778	758,048
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 June 30, 2016	103,309	601,647	2,794,650	248,491	27,391	1,121,749	265,395	721,783	5,884,415

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.

	Six months ended June 30, 2017	Three months ended June 30, 2017	Six months ended June 30, 2016	Three months ended June 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Exploration expenditure written off (note 12)	70,181	70,181	-	-
Net movement in exploration assets' impairment (note 12, note 14)	(8,730)	(12,466)	13,890	6,205
Net cash used in exploration investing activities	(94,695)	(58,875)	(67,507)	(38,074)

	June 30, 2017	December 31, 2016
	'000 RON	'000 RON
Exploration assets (note 12, note 14)	622,629	589,364
Liabilities	(18,854)	(23,332)
Net assets	**603,775**	**566,032**

14. OTHER INTANGIBLE ASSETS

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of January 1, 2017	15,079	170,921	587,374	34	773,408
Additions for the six-month period ended June 30, 2017	-	232	3,063	2,467	5,762
Of which: the three-month period ended June 30, 2017	-	15	2,651	273	2,939
Transfers for the six-month period ended June 30, 2017	-	2,311	-	(2,311)	-
Of which: the three-month period ended June 30, 2017	-	83	-	(83)	-
Disposals for the six-month period ended June 30, 2017	-	(4,942)	-	-	(4,942)
Of which: the three-month period ended June 30, 2017	-	(2,508)	-	-	(2,508)
As of June 30, 2017	15,079	168,522	590,437	190	774,228
Accumulated amortization					
As of January 1, 2017	9,477	161,966	-	-	171,443
Charge for the six-month period ended June 30, 2017	1,108	3,278	-	-	4,386
Of which: the three-month period ended June 30, 2017	554	1,507	-	-	2,061
Disposals for the six-month period ended June 30, 2017	-	(4,460)	-	-	(4,460)
Of which: the three-month period ended June 30, 2017	-	(2,026)	-	-	(2,026)
As of June 30, 2017	10,585	160,784	-	-	171,369

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE- MONTH PERIODS ENDED JUNE 30, 2017

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Impairment					
As of January 1, 2017	-	-	204,101	-	204,101
Charge for the six-month period ended June 30, 2017	-	-	27,435	-	27,435
Of which: the three-month period ended June 30, 2017	-	-	25,876	-	25,876
Release for the six-month period ended June 30, 2017	-	-	(1,748)	-	(1,748)
Of which: the three-month period ended June 30, 2017	-	-	-	-	-
As of June 30, 2017	-	-	229,788	-	229,788
Carrying value					
As of January 1, 2017	5,602	8,955	383,273	34	397,864
As of June 30, 2017	4,494	7,738	360,649	190	373,071

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE- MONTH PERIODS ENDED JUNE 30, 2017

	Other intangible assets '000 RON	Licenses '000 RON	Intangible exploration assets - WIP '000 RON	Intangible work in progress - other '000 RON	Total '000 RON
Cost					
As of January 1, 2016	15,079	178,241	589,337	165	782,822
Additions for the six-month period ended June 30, 2016	-	678	1,730	3,752	6,160
Of which: the three-month period ended June 30, 2016	-	461	1,318	1,179	2,958
Transfers for the six-month period ended June 30, 2016	-	3,459	-	(3,459)	-
Of which: the three-month period ended June 30, 2016	-	1,231	-	(1,231)	-
Disposals for the six-month period ended June 30, 2016	-	(10,893)	-	-	(10,893)
Of which: the three-month period ended June 30, 2016	-	(8,459)	-	-	(8,459)
As of June 30, 2016	15,079	171,485	591,067	458	778,089
Accumulated amortization					
As of January 1, 2016	7,260	166,104	-	-	173,364
Charge for the six-month period ended June 30, 2016	1,108	5,453	-	-	6,561
Of which: the three-month period ended June 30, 2016	554	2,532	-	-	3,086
Disposals for the six-month period ended June 30, 2016	-	(10,893)	-	-	(10,893)
Of which: the three-month period ended June 30, 2016	-	-	-	-	-
As of June 30, 2016	8,368	160,664	-	-	169,032

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE- MONTH PERIODS ENDED JUNE 30, 2017

	Other intangible assets '000 RON	Licenses '000 RON	Intangible exploration assets - WIP '000 RON	Intangible work in progress - other '000 RON	Total '000 RON
Impairment					
As of January 1, 2016	-	-	209,599	-	209,599
Charge for the six-month period ended June 30, 2016	-	-	790	-	790
Of which: the three-month period ended June 30, 2016	-	-	279	-	279
As of June 30, 2016	-	-	210,389	-	210,389
Carrying value					
As of January 1, 2016	7,819	12,137	379,738	165	399,859
As of June 30, 2016	6,711	10,821	380,678	458	398,668

15. INVENTORIES

	June 30, 2017	December 31, 2016
	'000 RON	'000 RON
Spare parts and materials	157,718	157,879
Work in progress	286	335
Finished goods (gas)	283,269	353,731
Residual products	101	123
Inventories at third parties	83,135	95,758
Goods for resale (gas)	472	171
Other inventories	76	90
Write-down allowance for spare parts and materials	(34,023)	(29,183)
Write-down allowance for residual products	(48)	(44)
Write-down allowance for inventories at third parties	(3,434)	(2,877)
Total	**487,552**	**575,983**

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	June 30, 2017	December 31, 2016
	'000 RON	'000 RON
Trade receivables	1,570,546	1,322,274
Bad debt allowances (note 16 c)	(1,195,454)	(1,192,029)
Accrued receivables	308,627	698,365
Total	**683,719**	**828,610**

b) Other assets

	June 30, 2017	December 31, 2016
	'000 RON	'000 RON
Advances paid to suppliers	412	2,061
Joint operation receivables	4,772	4,838
Other receivables *)	46,334	27,225
Bad debt allowance for other receivables (note 16 c) *)	(37,604)	(19,192)
Other debtors (note 6)	45,786	65,097
Bad debt allowances for other debtors (note 16 c)	(42,877)	(62,009)
Prepayments	11,233	101,550
VAT not yet due	23,568	21,955
Total	**51,624**	**141,525**

*) During May 13, 2014 – September 30, 2014 the National Agency for Tax Administration (Agentia Nationala de Administrare Fiscala - ANAF) ran a tax investigation at Romgaz regarding the tax statements and/or operations relevant for the investigation as well as the organization and management of tax and accounting evidence. The period under control was 2008 – 2013 for income tax and 2009 – 2013 for VAT.
Following the tax inspection, an additional liability was established for Romgaz of RON 22,440 thousand, representing income tax, VAT, penalties and related interest. Of the total amount, Romgaz paid RON 2,389 thousand. For the remaining amount of RON 20,051 thousand, Romgaz performed a legal assessment which concluded that the additional tax, penalties and interest are not correct. Romgaz filed an appeal to the Ministry of Public Finance. The appeal was partially rejected for the amount of RON 15,872 thousand. For RON 4,179 thousand a new fiscal control was ordered, which resulted in a tax burden of RON 2,981 thousand. The appeal filed to ANAF was rejected.In 2015, Romgaz sued the Ministry of Finance to cancel the above mentioned administrative acts, including the partial cancelation of the decision issued for the appeal.

During the period December 2016 - April 2017 ANAF resumed the tax inspection on VAT for the period December 2010 – June 2011 and on income tax for the period January 2010 – December 2011, regarding the discounts granted by Romgaz to interruptible clients for deliveries during 2010 - 2011. This status was attributed to companies by Transgaz, the Romanian natural gas transmission operator. Following the tax inspection, additional tax obligations of RON 15,284 thousand were determined, and also penalties and late payment charges in amount of RON 13,697 thousand. The tax decision and the tax inspection report were appealed to ANAF. Romgaz paid the additional tax obligation. Based on the appeal, the Company recorded a receivable for which it recorded an allowance. The late payment charges are not paid as of June 30, 2017, being recorded as a provision (note 19).

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

	2017	2016
	'000 RON	'000 RON
At January 1	**1,273,230**	**918,845**
Charge during the six-month period ended June 30 (note 6)	21,919	90,890
Of which: the three-month period ended June 30 (note 6)	20,827	305
Forex on revaluation of foreign currency balances during the six-month period ended June 30	190	(12)
Of which: the three-month period ended June 30	147	200
Release during the-six month period ended June 30 (note 6)	(19,404)	(12,353)
Of which: the three-month period ended June 30 (note 6)	(19,367)	(9,995)
At June 30	**1,275,935**	**997,370**

As of June 30, 2017, the Company recorded allowances for doubtful debts, of which Interagro RON 275,961 thousand (December 31, 2016: RON 275,961 thousand), GHCL Upsom of RON 60,371 thousand (December 31, 2016: RON 60,371 thousand), CET Iasi of RON 46,271 thousand (December 31, 2016: RON 46,271 thousand), Electrocentrale Galati with RON 214,794 thousand (December 31, 2016: RON 211,370 thousand), Electrocentrale Bucuresti with RON 570,274 thousand (December 31, 2016: RON 570,274 thousand) and G-ON EUROGAZ of RON 14,848 thousand (December 31, 2016: RON 14,848 thousand), due to existing financial conditions of these clients as well as ongoing litigating cases related to these receivables or exceeding payment terms.

	June 30, 2017	December 31, 2016
	'000 RON	'000 RON
Current receivables not impaired	245,171	113,050
Overdue receivables but not impaired		
less than 30 days overdue	49,569	17,070
30 to 90 days overdue	75,014	65
90 to 360 days overdue	5,338	60
Total overdue receivables but not impaired	**129,921**	**17,195**
Total trade receivables	**375,092**	**130,245**

17. SHARE CAPITAL

	June 30, 2017	December 31, 2016
	'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 June 30, 2017 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	94,581,287	94,581	24.54
Physical persons	21,018,033	21,018	5.45
Total	**385,422,400**	**385,422**	**100**

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

18. RESERVES

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

19. PROVISIONS

	June 30, 2017	December 31, 2016
	'000 RON	'000 RON
Decommissioning provision	200,156	194,048
Retirement benefit obligation	117,017	119,986
Total long term provisions	**317,173**	**314,034**
Decommissioning provision	16,532	16,523
Provisions for land restoration	7,377	8,963
Other provisions *)	13,956	24,951
Total short term provisions	**37,865**	**50,437**
Total provisions	**355,038**	**364,471**

*) Other provisions of RON 13,956 thousand include penalties of RON 13,697 thousand related to a tax control, as mentioned in note 16 b). On December 31, 2016, other provisions of RON 24,951 thousand included a liability for the employee participation to profit bonus of RON 23,061 thousand, subject to shareholders' approval; in 2017, based on shareholders' approval of 2016 profit allocation, the provision was released to income (included in the net gain from provisions movement of RON 16,388 thousand, as presented in note 10), which was offset by an equivalent employee benefit expense.

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2017

Decommissioning provision

Decommissioning provision movement	2017	2016
	'000 RON	'000 RON
At January 1	**210,571**	**197,612**
Change recorded against non-current assets during the six-month period ended June 30	(1,917)	(1,790)
Of which: the three-month period ended June 30	(1,101)	(872)
Unwinding effect during the six-month period ended June 30 (note 9)	8,872	9,158
Of which: the three-month period ended June 30 (note 9)	3,986	4,573
Recorded in profit or loss during the six-month period ended June 30	(838)	(1,230)
Of which: the three month-period ended June 30	(129)	(737)
At June 30	**216,688**	**203,750**

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

Other provisions

	Retirement benefit obligations	Other provisions	Land restoration provision	Total
	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2017	**119,986**	**24,951**	**8,963**	**153,900**
Additional provision in the period	-	14,245	-	14,245
Provisions used in the period	(2,969)	(23,995)	(1,586)	(28,550)
Unused amounts during the period, reversed	-	(1,245)	-	(1,245)
At June 30, 2017	**117,017**	**13,956**	**7,377**	**138,350**

	Retirement benefit obligations	Other provisions	Land restoration provision	Total
	'000 RON	'000 RON	'000 RON	'000 RON
At April 1, 2017	**118,195**	**24,829**	**8,404**	**151,428**
Additional provision in the period	-	13,955	-	13,955
Provisions used in the period	(1,178)	(23,995)	(1,027)	(26,200)
Unused amounts during the period, reversed	-	(833)	-	(833)
At June 30, 2017	**117,017**	**13,956**	**7,377**	**138,350**

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2017

	Litigation provision	Retirement benefit obligations	Other provisions	Land restoration provision	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2016	**15,951**	**102,959**	**1,818**	**14,253**	**134,981**
Additional provision in the period	-	-	602	-	602
Provisions used in the period	(79)	(2,017)	(592)	(1,954)	(4,642)
Unused amounts during the period, reversed	-	-	(871)	-	(871)
At June 30, 2016	**15,872**	**100,942**	**957**	**12,299**	**130,070**

	Litigation provision	Retirement benefit obligations	Other provisions	Land restoration provision	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At April 1, 2016	**15,872**	**102,030**	**1,631**	**13,393**	**132,926**
Additional provision in the period	-	-	312	-	312
Provisions used in the period	-	(1,088)	(592)	(1,094)	(2,774)
Unused amounts during the period, reversed	-	-	(394)	-	(394)
At June 30, 2016	**15,872**	**100,942**	**957**	**12,299**	**130,070**

20. TRADE AND OTHER CURRENT LIABILITIES

	June 30, 2017	December 31, 2016
	'000 RON	'000 RON
Accruals	60,702	29,067
Trade payables	47,298	43,906
Payables to fixed assets suppliers	31,974	32,916
Advances from customers	189,436	464,052
Total trade payables	**329,410**	**569,941**
Payables related to employees	27,634	46,296
Royalties	67,838	62,430
Social security taxes	24,579	14,438
Other current liabilities	30,420	35,931
Joint operations payables	3,861	3,904
VAT	57,941	61,788
Dividends payable	1,473,207	1,384
Windfall tax	25,051	34,068
Other taxes	2,253	1,344
Total other current liabilities	**1,712,784**	**261,583**
Total trade and other current liabilities	**2,042,194**	**831,524**

21. FINANCIAL INSTRUMENTS

Financial risk factors

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

(a) Market risk

(i) *Foreign exchange risk*

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

As at June 30, 2017, the official exchange rates were RON 3.9915 to USD 1 and RON 4.5539 to EUR 1 and (December 31, 2016: RON 4.3033 to USD 1 and RON 4.5411 to EUR 1).

(ii) *Inflation risk*

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

(iii) *Interest rate risk*

The Company is not exposed to interest rate risk.

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of trade receivables and loans. The Company has policies in place to ensure that sales are made to customers with low credit risk. Also, sales have to be secured, either through advance payments, either through bank letters of guarantee. The carrying amount of accounts receivable, net of bad debt allowances, represent the maximum amount exposed to credit risk. The Company has a concentration of credit risk in respect of its top 3 clients, which together amount to 89.76% of net trade receivable balance at June 30, 2017 (top 4 clients: 70% as of December 31, 2016). Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the bad debt allowance already recorded.

(c) Capital risk management

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

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

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

(d) Fair value estimation

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

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

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

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

June 30, 2017	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	373,589	1,459	44	-	-	375,092
Bank deposits	1,132,771	220,141	249,639	-	-	1,602,551
Treasury bonds	-	309,925	527,170	-	-	837,095
Total	**1,506,360**	**531,525**	**776,853**	**-**	**-**	**2,814,738**
Trade payables	(71,900)	(7,304)	(68)	-	-	(79,272)
Total	**(71,900)**	**(7,304)**	**(68)**	**-**	**-**	**(79,272)**
Net	**1,434,460**	**524,221**	**776,785**	**-**	**-**	**2,735,466**

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

f) Liquidity risk management

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

22. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Sales of goods and services

	Six months ended June 30, 2017	Three months ended June 30, 2017	Six months ended June 30, 2016	Three months ended June 30, 2016
	'000 RON	'000 RON	'000 RON	'000 RON
Romgaz's associates	11,321	8,842	3,361	1,767
Total	**11,321**	**8,842**	**3,361**	**1,767**

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 six-month periods ended June 30, 2017 respectively June 30, 2016, the Company conducted transactions with these companies only in the normal course of business. These transactions are done on the basis of standard contractual relationships.

ii) Trade receivables

	June 30, 2017	December 31, 2016
	'000 RON	'000 RON
Romgaz's associates	3,485	827
Total	**3,485**	**827**

23. INFORMATION REGARDING THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The remuneration of executives and directors

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

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

	Six months ended June 30, 2017	Three months ended June 30, 2017	Six months ended June 30, 2016	Three months ended June 30, 2016
	'000 RON	'000 RON		
Salaries paid to directors	6,217	3,695	5,862	3,380
of which, bonuses	1,198	1,184	857	849
Remuneration paid to administrators	783	651	442	346
of which, variable component	515	515	230	230

	June 30, 2017	December 31, 2016
	'000 RON	'000 RON
Salaries payable to directors	427	353
Salaries payable to administrators	30	36

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 June 30, 2017 of RON 259 thousand (December 31, 2016: RON 1,891 thousand), presented in note 19 as Other provisions.

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.

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

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

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

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE- MONTH PERIODS ENDED JUNE 30, 2017

b) Investment in associates

Name of associate	Main activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%) June 30, 2017	Proportion of ownership interest and voting power held (%) December 31, 2016
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	-	-
Energia Cybinka	Gas production	Poland	-	-
SC Agri LNG Project Company SRL	Feasibility projects	Romania	25	25

Name of associate	Value as of June 30, 2017	Impairment as of June 30, 2017	Carrying value as of June 30, 2017	Value as of December 31, 2016	Impairment as of December 31, 2016	Carrying value as of December 31, 2016
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
SC Amgaz SA Medias	9,214	(9,214)	-	9,214	(9,214)	-
SC Depomures SA Tg.Mures	120	-	120	120	-	120
Energia Torzym	-	-	-	1,750	(1,750)	-
Energia Cybinka	-	-	-	1,642	(1,642)	-
SC Agri LNG Project Company SRL	833	(833)	-	833	(833)	-
Total	**10,167**	**(10,047)**	**120**	**13,559**	**(13,439)**	**120**

25. OTHER FINANCIAL INVESTMENTS

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

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

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

The shares held in the share capital of the companies above are not quoted in an active market and their fair value cannot be reliably measured, therefore they are measured at cost. At each period end, the Company makes an assessment to determine whether there are any indications of impairment. As of June 30, 2017 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, electricity production and distribution, and others, including headquarter activities. The Directors of the Company have chosen to organize the Company around differences in activities performed.

Specifically, the Company is organized in the following segments:

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

Except for Bratislava branch, all operations are in Romania. As of June 30, 2017, in Bratislava branch are recorded exploration assets in amount of RON 20,322 thousand (December 31, 2016: RON 19,962 thousand).

b) Segment assets and liabilities

June 30, 2017	Upstream	Storage	Electricity	Other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Property, plant and equipment	3,744,377	1,499,227	97,495	312,622	5,653,721
Other intangible assets	369,112	664	18	3,277	373,071
Investments in subsidiaries	-	-	-	1,200	1,200
Investments in associates	-	-	-	120	120
Other financial investments	-	-	-	69,678	69,678
Other financial assets	26	226,383	8,103	2,209,360	2,443,872
Inventories	388,822	76,841	3,732	18,157	487,552
Trade and other receivables	643,513	12,069	28,015	122	683,719
Other assets	18,103	1,847	8,235	23,439	51,624
Cash and cash equivalents	73,610	24,239	3,827	1,689,591	1,791,267
Total assets	**5,237,563**	**1,841,270**	**149,425**	**4,327,566**	**11,555,824**

June 30, 2017	Upstream	Storage	Electricity	Other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Retirement benefit obligation	-	-	-	117,017	117,017
Deferred tax liabilities	-	-	-	23,427	23,427
Provisions	203,463	20,603	-	13,955	238,021
Trade and other payables	250,074	656	64,890	13,790	329,410
Current tax liabilities	-	-	-	61,728	61,728
Deferred revenue	-	-	-	1,631	1,631
Other liabilities	141,363	2,447	1,920	1,567,054	1,712,784
Total liabilities	**594,900**	**23,706**	**66,810**	**1,798,602**	**2,484,018**

December 31, 2016	Upstream	Storage	Electricity	Other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Property, plant and equipment	3,859,686	1,549,707	62,172	317,697	5,789,262
Other intangible assets	393,218	721	37	3,888	397,864
Investments in subsidiaries	-	-	-	1,200	1,200
Investments in associates	-	-	-	120	120
Other financial investments	-	-	-	69,657	69,657
Other financial assets	67,070	461,618	2,206	2,361,857	2,892,751
Inventories	442,937	109,189	4,158	19,699	575,983
Trade and other receivables	695,155	59,284	73,214	957	828,610
Other assets	16,294	480	1,857	122,894	141,525
Cash and cash equivalents	69,241	44,262	329	166,694	280,526
Total assets	**5,543,601**	**2,225,261**	**143,973**	**3,064,663**	**10,977,498**
Retirement benefit obligation	-	-	-	119,986	119,986
Deferred tax liabilities	-	-	-	40,123	40,123
Provisions	211,569	22,003	1,346	9,567	244,485
Trade and other payables	542,675	1,912	14,846	10,508	569,941
Current tax liabilities	-	-	-	60,295	60,295
Deferred revenue	1,155	-	-	3,769	4,924
Other liabilities	154,132	3,699	3,013	100,739	261,583
Total liabilities	**909,531**	**27,614**	**19,205**	**344,987**	**1,301,337**

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2017

c) Segment revenues, results and other segment information

Six months ended June 30, 2017	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	1,998,444	251,959	299,000	124,589	(281,772)	2,392,220
Less: revenue between segments	(83,937)	(42,784)	(33,965)	(121,086)	281,772	-
Third party revenue	1,914,507	209,175	265,035	3,503	-	2,392,220
Interest income	196	1,134	10	9,364	-	10,704
Interest expense	(3)	-	-	-	-	(3)
Depreciation, amortization and impairment	(229,993)	(51,677)	(3,660)	(8,722)	-	(294,052)
Segment profit before tax profit/(loss)	**833,893**	**111,407**	**72,950**	**15,523**	**-**	**1,033,773**

Three months ended June 30, 2017	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	789,608	67,240	92,489	67,338	(121,993)	894,682
Less: revenue between segments	(37,315)	629	(19,260)	(66,047)	121,993	-
Third party revenue	752,293	67,869	73,229	1,291	-	894,682
Interest income	81	456	5	5,199	-	5,741
Interest expense	(2)	-	-	-	-	(2)
Depreciation, amortization and impairment	(33,765)	(25,818)	(1,708)	(4,761)	-	(66,052)
Segment profit before tax profit/(loss)	**343,249**	**10,575**	**16,191**	**(5,450)**	**-**	**364,565**

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2017

Six months ended June 30, 2016	**Upstream**	**Storage**	**Electricity**	**Other**	**Adjustment and eliminations**	**Total**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**	**'000 RON**	**'000 RON**
Revenue	1,574,438	194,890	155,691	114,630	(189,746)	1,849,903
Less: revenue between segments	(45,281)	-	(32,743)	(111,722)	189,746	-
Third party revenue	1,529,157	194,890	122,948	2,908		1,849,903
Interest income	456	2,256	23	10,889		13,624
Interest expense	(9)	-	-	-	-	(9)
Depreciation, amortization and impairment	(210,834)	(46,936)	(3,438)	(11,727)	-	(272,935)
Segment profit before tax profit/(loss)	**616,919**	**69,019**	**28,468**	**40,598**	**-**	**755,004**

Three months ended June 30, 2016	**Upstream**	**Storage**	**Electricity**	**Other**	**Adjustment and eliminations**	**Total**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**	**'000 RON**	**'000 RON**
Revenue	413,499	35,210	71,154	58,441	(91,906)	486,398
Less: revenue between segments	(17,719)	-	(32,743)	(41,444)	91,906	-
Third party revenue	395,780	35,210	38,411	16,997	-	486,398
Interest income	281	1,023	9	4,863	-	6,176
Interest expense	(4)	-	-	-	-	(4)
Depreciation, amortization and impairment	(122,088)	(23,332)	(1,746)	(5,526)	-	(152,692)
Segment profit before tax profit/(loss)	**121,597**	**(8,245)**	**11,660**	**19,967**	**-**	**144,979**

In the six-month period ended June 30, 2017, the Company's three largest clients each individually represents more than 10% of revenue, sales to these clients being of RON 846,383 thousand, RON 435,350 thousand, respectively RON 677,230 thousand (in the six-month period ended June 30, 2016 the Company's three largest customers represented individually, over 10% of revenue, sales to these clients being of RON 524,708 thousand, RON 460,147 thousand, respectively RON 375,257 thousand), together totaling 82% of total revenue (six months ended June 30, 2016: 74%). Of the total revenue generated by those three clients, 3.15% are shown in the "Storage" segment and 96.72% in the "Upstream" segment (six months ended June 30, 2016: 3% in the "Storage" segment, 96% 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.

	June 30, 2017	December 31, 2016
	'000 RON	'000 RON
Current bank accounts in RON *)	115,242	180,573
Current bank accounts in foreign currency	43	41
Petty cash	35	20
Term deposits in RON	1,675,935	99,880
Amounts under settlement	12	12
Total	**1,791,267**	**280,526**

*) Current bank accounts include overnight deposits.

28. OTHER FINANCIAL ASSETS

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

	June 30, 2017	December 31, 2016
	'000 RON	'000 RON
Treasury bonds in RON	832,263	974,262
Bank deposits in RON	1,602,551	1,910,380
Accrued interest receivable	4,226	2,551
Accrued interest on bonds	4,832	5,558
Total other financial assets	**2,443,872**	**2,892,751**

29. COMMITMENTS UNDERTAKEN

	June 30, 2017	December 31, 2016
	'000 RON	'000 RON
Endorsements and collaterals granted	114,587	62,982
Total	**114,587**	**62,982**

In 2015 a facility agreement was signed with CitiBank Europe plc, Dublin – Romanian Branch for bank loans for issuing and/or confirmation of letters of credit and letters of guarantee for a maximum amount of USD 14,000 thousand, valid up to March 23, 2016, validity extended until December 31, 2017. On June 30, 2017 are still available for use USD 2,025 thousand (December 31, 2016: USD 7,664 thousand).

In 2016, a credit agreement has been signed with BRD-Groupe Societe Generale, representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 20,000 thousand, valid for one year. On June 30, 2017 are still available for use USD 9,848 thousand (December 31, 2016: USD 12,198 thousand).

As of June 30, 2017, the Company's contractual commitments for the acquisition of non-current assets are of RON 1,650,768 thousand (December 31, 2016: RON 298,424 thousand), of which, the contract for CET Iernut development represents RON 1,224,254 thousand.

30. COMMITMENTS RECEIVED

	June 30, 2017	December 31, 2016
	'000 RON	'000 RON
Endorsements and collaterals received	1,284,578	1,041,197
Total	**1,284,578**	**1,041,197**

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

31. CONTINGENCIES

(a) *Litigations*

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

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

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

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

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

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

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

(b) *Taxation*

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

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

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

(c) *Environmental contingencies*

Environmental regulations are developing in Romania and the Company has not recorded any liability at June 30, 2017 for any anticipated costs, including legal and consulting fees, impact studies, the design and implementation of remediation plans related to environmental matters, except the amount of RON 216,688 thousand (December 31, 2016: RON 210,571 thousand), representing the decommissioning liability, and a provision for land restauration of RON 7,377 thousand (December 31, 2016: RON 8,963 thousand).

Green-house gas emission certificates (CO2 certificates)

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

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

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

According to EU Regulation No. 1123/2013 of November 8, 2013 regarding the establishment of the rights to international credits, pursuant to Directive 2003/87/EC of the European Parliament and of the Council, the Protocol to the Framework-Convention of the United Nations on Climate Change (Kyoto Protocol) sets up two mechanisms for the creation of international credits that Companies can use to reduce emissions. Joint Implementation provides for the creation of emission reduction units (ERU), while the Clean Development Mechanism (CDM) provides for the creation of certified emission reductions (CER). Industries that fall under the European Trading System of atmosphere emissions (EU ETS) can use these credits to offset their obligations on emissions of greenhouse gas. In this respect, Romgaz holds as linking availability (correlation availability EUA – ERU certificates) a number of 51,598 ERU certificates available to be used for compliance in the 2013-2020 period.

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

Operator	Installation	Annual Allocation (tCO_2/year)							
		2013	2014	2015	2016	2017	2018	2019	2020
SNGN Romgaz - S.A.	SNGN Romgaz - S.A. - CTE Iernut	962,085	824,645	687,204	549,763	412,322	274,882	137,441	-

(d) *CET Iernut*

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

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

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

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

According to current environmental protection legislation, CTE Iernut energy groups are allowed to function until June 30, 2020. By implementing measures to reduce NOx emissions to levels lower than 100 mg/m^3, the operation of the plant would still be possible after this date, but the investments required to meet these emission levels would require a high volume of resources. These investments will not add any improvement to efficiency, nor will they increase the reliability of these groups.

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

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

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

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

(i) One of the Romanian Court of Accounts' conclusions is that during 2013-2015 Romgaz delivered gas on the regulated market over the quantities it was legally allowed to, according to the existing legislation. The price on the regulated market being lower than the one on the free market, The Romanian Court of Accounts issued Decision number 26/01.06.2016 and ordered Romgaz to determine and to recover the prejudice as a price difference on gas quantities delivered on the regulated market over its legal obligation. The alleged prejudice estimated by the Court of

Accounts is over RON 160 million. Romgaz appealed the decision, but the Court of Accounts dismissed the appeal. Subsequently, the Company started legal proceedings against the Court of Accounts' decision no. 26/01.06.2016 and, also, contracted legal services to implement the Court's decision.

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

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

32. JOINT ARRANGEMENTS

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

a) In January 2002, Romgaz signed a petroleum agreement with Amromco for rehabilitation operations in order to achieve additional production in 11 blocks, namely: Bibeşti, Strâmba, Finta, Fierbinţi-Târg, Frasin-Brazi, Zătreni, Boldu, Roşioru, Gura-Şuţii, Balta-Albă and Vlădeni. For the base production, Romgaz holds a share of 100% and for the additional production, Romgaz owns a share of 50% and Amromco Energy SRL - 50%. As the agreement was signed to execute rehabilitation operations to obtain additional production, the mandatory work program is in accordance with the studies approved by ANRM. Accordingly, the annual work program, which includes both works provided in the studies and other works necessary and proposed by the partners, is approved annually by the Board of the joint arrangement before the start of each year. The duration of the joint arrangement is in line with the time frame of each individual concession agreements of the 11 perimeters stated above, which differs for each block.

b) In February 2003, Romgaz signed a joint operation agreement for exploration, development and operation in the Brodina block, with Aurelian Petroleum SRL and Raffles Energy SRL. In November 2007, the partners agreed to split the Brodina block in two areas: area of Gas Constructions Bilca (Production Area Bilca) and the area other than the Gas Construction Bilca Area (Brodina Exploration Area).

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

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

c) Romgaz has a joint operation agreement for exploration, development and operation in the North Bacau area, with Raffles Energy SRL, the operator of the joint operation. Romgaz holds 40% of the joint operation and Raffles Energy SRL - 60%. Proceeds from this perimeter stem from natural gas produced by Lilieci 1 well that is then transformed into electric energy via a generator. The concession agreement is in development-exploitation phase.

d) In September 2003, Romgaz has concluded an operation agreement with Schlumberger for the rehabilitation of the Laslău Mare block, in order to obtain additional production by using advanced techniques and technologies for the exploitation of the reserves and of the know-how owned by Schlumberger. The mandatory work program is in line with the study approved by ANRM. Therefore, the annual working program, which includes the workings from the study, is approved annually, before the start of each year, by the Operation Committee of the joint operation. The participation share of Romgaz is 50% and that of Schlumberger is also 50%. Romgaz is the operator of the petroleum operations performed under the agreement.

e) In June 2008, Romgaz signed a joint operation agreement for exploration, appraisal, development, exploitation in three blocks in Slovakia, namely: Svidnik, Snina and Medzilaborce. The owners of the exploration licenses are Aurelian Oil & Gas Slovakia, currently Alpine Oil & Gas (50% - operator), JKX (25%) and Romgaz through Bratislava branch (25%). In 2016 the operator obtained part of drilling clearances for three wells.

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

33. EVENTS AFTER THE BALANCE SHEET DATE

No events were identified after the balance sheet date.

34. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on August 10, 2017.

Virgil Metea Chief Executive Officer	**Andrei Bobar** Chief Financial Officer

STATEMENT
in accordance with the provisions of art. 63 (2) c) of Law No. 24/2017
regarding issuers of financial instruments and market operations

Entity: Societatea Nationala de Gaze Naturale ROMGAZ S.A.
County: 32--SIBIU
Address: MEDIAȘ, 4 C.I. Motaș Square, tel. +40269201020
Registration Number in the Trade Register: J32/392/2001
Form of Property: 14--State owned companies and enterprises
Main activity (CAEN code and denomination): 0620—Natural Gas Production
Tax Identification Number: 14056826

The undersigned, GHEORGHE GABRIEL GHEORGHE as
Chairman of The Board of Directors,
VIRGIL MARIUS METEA as CEO and
ANDREI BOBAR as CFO,

hereby confirm that according to our knowledge, the interim financial statements for the half year ended June 30, 2017, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and Order of Ministry of Public Finance no. 2844/2016 for the approval of Accounting regulations in accordance with International Financial Reporting Standards, offer a true and fair view of the assets, liabilities, financial position, statement of profit and loss of the Company and that the Board of Directors' report comprises a fair analysis of the development and performance of the Company, as well as a description of the main risks and incertitudes specific to its activity.

Chairman of the Board of Directors,
GHEORGHE GABRIEL GHEORGHE

CEO,
VIRGIL MARIUS METEA

CFO,
ANDREI BOBAR