SOCIETATEA NATIONALA DE GAZE NATURALE "ROMGAZ" SA

QUARTERLY REPORT

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

ON MARCH 31, 2018

(January 01, 2018 - March 31, 2018)

IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report Basis	Article 67 of Law no. 24/2017 on issuers of securities and market operations and Annex 30 to CNVM Regulation no.1/2006 for a three-month period ended on March 31, 2018
Report Date	May 15, 2018
Name of the Company	Societatea Naţională de Gaze Naturale "ROMGAZ" SA
Headquarters	Mediaş 551130, No.4 Piaţa Constantin I. Motaş, County of Sibiu
Telephone/Fax number	0040 269 201020 / 0040 269 846901
Web/E-mail	www.romgaz.ro / secretariat@romgaz.ro
Fiscal Code	RO 14056826
Legal Entity Identifier (LEI)	2549009R7KJ38D9RW354
Trade Registry No.	J32/392/2001
Subscribed and paid in share capital	RON 385,422,400
Number of shares	385,422,400 each with a nominal value of RON 1
Regulated market where the company's shares are traded	Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)

ROMGAZ BY FIGURES

The achievement of net profit margin (33.81%), EBIT margin (39.56%) and EBITDA margin (50.67%), confirms that the high profitability of the company's activity is maintained.

As compared to the same period of the previous year, the company's performance was influenced by the reduction of delivered gas quantities determined by a national-wide gas consumption reduction, a warm winter, increased hydraulicity and wind power generation, all corroborated with low prices.

Relevant Financial Results

RON million

Q1 2017	Q4 2017	Q1 2018	Δ Q1 (%)	Main Indicators	2016	2017	Δ '17/'16 (%)
1,497.5	1,343.5	**1,482.3**	-1.02	Revenue	3,411.9	4,585.2	34.4
1,390.3	1,544.1	**1,406.4**	1.16	Income	3,816.8	4,786.0	25.4
721.1	763.7	**808.7**	12.15	Expenses	2,536.1	2,604.9	2.7
669.2	780.4	**597.7**	-10.68	Gross profit	1,280.7	2,181.2	70.3
108.3	109.7	**96.5**	-10.90	Profit tax	256.1	326.4	27.5
560.9	670.7	**501.2**	-10.64	Net profit	1,024.6	1,854.7	81.0
664.2	773.7	**586.4**	-11.71	EBIT	1,258.6	2,158.8	71.5
892.2	914.9	**751.1**	-15.81	EBITDA	1,569.6	2,707.7	72.5
1.5	1.7	**1.3**	-13.33	Earnings per share (EPS) (RON)	2.66	4.8	80.5
37.45	49.9	**33.81**	-9.72	Net profit ratio (% of Revenue)	30.0	40.45	34.8
44.36	57.6	**39.56**	-10.82	EBIT Ratio (% of Revenue)	36.9	47.08	27.6
59.58	68.1	**50.67**	-14.95	EBITDA (% of Revenue)	46.0	59.05	28.4
6,220	6,198	**6,157**	-0.7	Number of employees at the end of the reporting period	6,246	6,198	-0.8

The figures in the table above are rounded, therefore, small reconcilliation differencies may exist.

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

Operational Results

Q1 2017	Q4 2017	Q1 2018	Δ Q1/Q4 (%)	Main indicators	Q1 2017	Q1 2018	Δ Q1 (%)
1,333.0	1,406	**1,364.1**	-3.0	Gross production (million m^3)	1,333.0	**1,364.1**	2.3
98	83	**101**	21.7	Petroleum royalty (million m^3)	98	**101**	2.5
1.672	1,393	**1,635**	17.4	Condensate production (tonnes)	1,672	**1,635**	-2.2
611.4	398.3	**287.3**	-27.89	Electric power production (GWh)	611.4	**287.3**	-53.0
1,167.5	537.0	**1,098.2**	104.5	UGS withdrawal services invoiced (million m^3)	1,167.5	**1,098.2**	-5.9
502.5	121.8	**298,5**	145.1	UGS injection services invoiced (million m^3)	502.5	**298.5**	-40.6

The gas production recorded for Q1 2018 was 1,364.1 mil m^3, by 2.3% higher than the production recorded in the similar quarter of the previous year. These results were achieved under the following circumstances:

- natural gas import increased in Q1 2018, Romania imported a quantity of 8.3 TWh, by 14% higher than for the same period of 2017;

- From Romgaz natural gas stocks stored in underground storages, the withdrawn quantity was by 11.9 TWh less than in the same period of 2017.

The natural gas consumption estimated[1] at national level for Q1 2018 was of 49.77 TWh, by 1.05% lower than the consumption recorded in Q1 2017 (50.3TWh) out of which approximately 8.33 TWh was covered by import gas and the remaining 41.44 TWh by domestic production to which Romgaz participated with 18.46, representing 37.09% of the national consumption and ***42.45%*** of the consumption covered by domestic gas. The company's market share decreased by 2.5% as compared to the market share held in Q1 2017.

For Q1 2018, *the electricity* quantity supplied was by 52.8% lower than the similar period of 2017 due to a warm winter, low prices and lack of commitment to the Balancing Market due to increased hydraulicity and wind power generation. According to the data offered by Transelectrica, the market share was 1.64 % in Q1 2018.

ROMGAZ – BRIEF OVERVIEW

The activities developed by the company are:

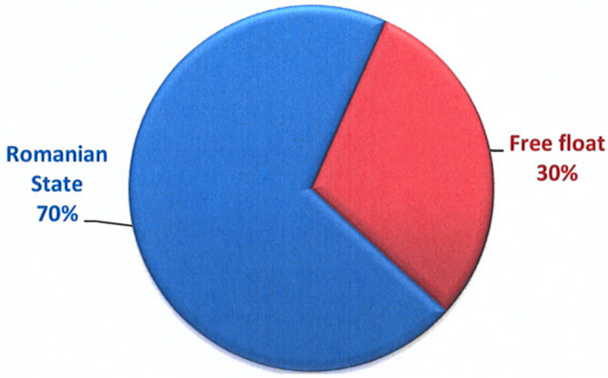
- Exploration and production of natural gas;
- Underground storage of natural gas;
- Supply of natural gas;
- Special well operations and services;
- Technological transport and maintenance services;
- Electric power production and supply;
- Distribution of natural gas.

[1] The consumption is estimated because at the date of this report existing ANRE natural gas market reports relate only to May 2017, therefore the data used is estimated or deducted related to the data known having a higher certainty degree.

Shareholder structure

On March 31, 2018 the shareholder structure was the following:

	Number of shares	%
The Romanian State[2]	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
*legal persons	*98,525,327*	*25.5630*
*natural persons	*17,073,993*	*4.4299*
Total	**385,422,400**	**100,0000**



Company organization

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

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

- Sucursala Mediaş (Medias Branch);
- Sucursala Targu Mures (Targu Mures Branch);
- Sucursala Ploiesti (Ploiesti Branch);
- Sucursala de Interventii, Reparatii Capitale si Operatii Speciale la Sonde Medias (SIRCOSS) (Branch for Well Workover, Recompletions and Special Well Operations);
- Sucursala de Transport Tehnologic şi Mentenanta Targu Mures (STTM) (Technological Transport and Maintenance Branch);
- Sucursala de Productie Energie Electrica Iernut (Iernut Power Generation Branch);
- Sucursala Bratislava (Bratislava Branch).

[2] The Romanian State acting through the *Ministry of Energy*

Company management

The company is governed by a **Board of Directors** composed of 7 members, having on March 31, 2018 the following structure:

Item nr.	Name and surname	Position in the BoD	Status*)	Profession	Institution of employment
1	Nistoran Dorin Liviu	Chairman	Non-executive Independent	engineer	SC Televoice Grup SRL
2	Ciobanu Romeo Cristian	Member	Non-executive Independent	Engineer PhD	Universitatea Tehnică Iaşi (Technical University Iasi)
3	Cermonea Ioan Daniel	Member	Non-executive Independent	Engineer	Consiliul Judeţean Sibiu (Sibiu County Council)
4	Grigorescu Remus	Member	Non-executive Independent	PhD in Economics	Universitatea "Constantin Brâncoveanu" ("Constantin Brâncoveanu" University)
5	Baciu Sorana Rodica	Member	Non-executive Independent	Economist	SC Acgenio SRL
6	Volintiru Adrian Constantin	Member	Non-executive Independent	Economist	SC Exclusiv Clean International SRL
7	Anghel Daniel Florin	Member	Non-executive Independent	Legal Advisor Economist	Agenţia Naţională de Administrare Fiscală (National Agency for Fiscal Administration)

*) – *the BoD members submitted Declarations of Independence on their own risk, in accordance with the provisions of the company's Corporate Governance Code.*

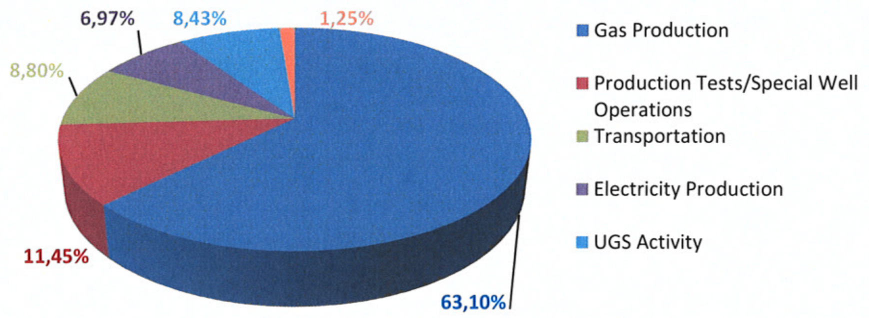
Human Resources

On March 31, 2018 the company had a number of 6,157 employees.

The table below shows the evolution of the employees' number between January 1, 2015 – March 31, 2018:

Description	2015	2016	2017	3 month 2018
1	2	3	4	5
Employees at the beginning of the period	6,344	6,356	6,246	6,198
Newly hired employees	159	168	233	30
Employees who terminated their labour relationship with the company	147	278	281	71
Employees at the end of the period	6,356	6,246	6,198	6,157

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



ROMGAZ on the stock exchange

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

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

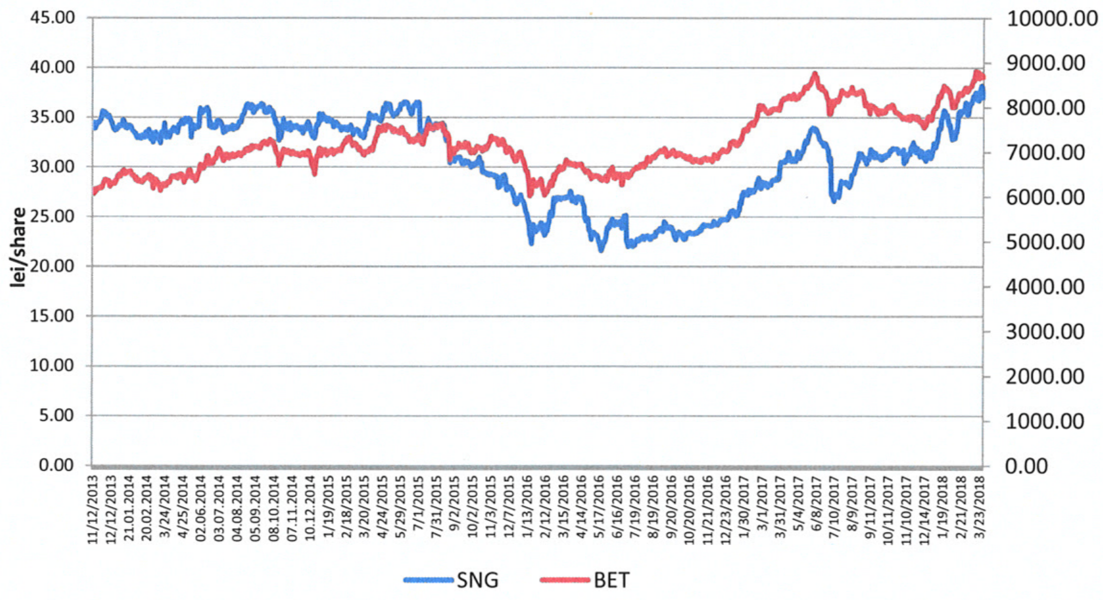
The company holds a significant position in the top of local issuers and is included in BVB indices, as follows:

- Second place in the top of Premium BVB issuers by market capitalization as of March 31, 2018 (RON 14,549.7 million, respectively EUR 3,123.9 million);

- Fourth place in terms of traded values in the first 3 months of 2018 in the top of local issuers on BVB main segment (RON 296 million);

- Weights of 11.92% and 10.64% in the BET index (top 13 issuers) and the BET-XT index (BET extended), 28.62% in the BET-NG index (energy and utilities) and 12.39% in the BET-TR (BET Total Return) index;

Performance of Romgaz shares between listing and March 31, 2018 in relation to BET index, is shown below:



For Q1 2018, the trade price of Romgaz shares recorded an upward trend, increasing by 18.71% by the end of the period as compared to the beginning of the year. The trade price of GDRs for the analyzed period (+26.58%) recorded the same positive evolution. As such, at the beginning of 2018, Romgaz share price was RON 31.80, the minimum value for the period under review, reaching RON 37.75 by the end of the quarter. The GDRs followed the shares' trend, recording the minimum price on the first trading day of the year (USD 7.90), following an upward trend reaching USD 10 during the last 3 days of the quarter. The maximum value for Q1 2018 both for shares and GDRs was recorded on March 27, 2018, namely USD 10, a date subsequent to the announcement date regarding the 2017 dividend payment proposal.

PHYSICAL INDICATORS

The table below shows the gas volumes (million m^3) that were produced, delivered, injected/withdrawn into/from UGSs during January-March 2018 in comparison with the similar period of 2016 and 2017:

	Specifications	Q1 2016	Q1 2017	Q1 2018	Indices (%)
0	1	2	3	4	5=4/3x100
1.	**Total - gross production**, out of which:	**1,374.4**	**1,333.0**	**1,364.1**	**102.3**
1.1.	* internal gas production	1,330.9	1,290.8	1,321.4	102.4
1.2.	* Schlumberger partnership (100%)	43.5	42.2	42.7	101.2
2.	Technological consumption	19.8	20.2	21.9	108.4
3.	**Net gross internal gas production** (*1.-1.2.-2.*)	**1,311.1**	**1,270.6**	**1,299.5**	**102.3**
4.	Internal gas volumes injected in storages	6.8	0.0	0.0	0.0
5.	Internal gas volumes withdrawn from storages, of which	308.9	491.3	280.9	57.2
5.1.	*cushion gas	0.0	0.0	6.9	-
6.	Differences resulting from GCV	2.2	0.0	0.0	-
7.	**Volumes supplied from internal production** (*3.-4.+5.-6.*)	**1,611.0**	**1,761.9**	**1,580.4**	**89.7**

8.1.	Gas sold in storage	0.0	0.0	8.1	-
8.2.	Gas supplied to Iernut and Cojocna Power Plants	93.0	154.6	76.9	49.7
9.	**Volumes supplied from internal production to the market** (*7.+8.1.-8.2.*)	**1,517.9**	**1,607.3**	**1,511.6**	**94.0**
10.	**Natural gas from partnerships**[*)] **– total**, out of which:	**41.5**	**40.8**	**46.8**	**114.7**
	*Schlumberger (50%)	21.7	21.1	21.4	101.4
	*Raffles Energy (37.5%)	0.1	0.0	0.0	0.0
	*Amromco (50%)	19.6	19.7	25.4	128.9
11.	Purchased internal gas volumes	4.3	20.0	2.9	14.5
12.	**Volumes sold from domestic production to the market** (*9.+10.+11.*)	**1,563.8**	**1,668.1**	**1,561.3**	**93.6**
13.	**Volumes supplied from domestic production** (*8.2.+12.*)	**1,656.8**	**1,822.7**	**1,638.2**	**89.9**
14.	Supplied import volumes	6.8	25.7	83.0	323.0
15.	Gas supplied to Iernut and Cojocna from other sources (including unbalances)	0.0	17.7	6.1	34.5
16.	**Total gas supplies** (*13.+14.+15.*)	**1,663.6**	**1,866.1**	**1,727.3**	**92.6**
*	Invoiced UGS withdrawal services	931.0	1,167.5	1,098.2	94.1
*	Invoiced UGS injection services	308.9	502.5	298.5	59.4

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

INVESTMENTS

For Q1 2018, Romgaz scheduled investments in amount of *RON 297.5 million* and spent *RON 419.1 million* approximately 40.87% (i.e. RON 121.6 million) more than scheduled.

On March 31, 2018, the implementation degree of Romgaz Annual Investment Schedule in amount of RON 1,605.00 million was 26.11%.

As compared to the similar time period of 2017, the investments increased by 460.7%, respectively RON 419.1 million as compared to RON 91.0 million.

Investments were exclusively financed from the company's own sources.

The value of fixed assets commissioned during the reviewed period is RON 98.8 million.

The table below shows the investments made in Q1 2018 in comparison with Q1 2017 and the scheduled investments, split onto main investment chapters:

RON thousand

Investment chapter	Result Q1 2017	Schedule Q1 2018	Result Q1 2018	2018/ 2017	R 2018/ S 2018
1	2	3	4	5=4/2x100	6=4/3x100
I. Geological exploration works for the discovery of new gas reserves	35,132	63,050	92,108	262.16	146.09
II. Exploitation drilling works, commissioning of new wells, infrastructure, utilities and	6,362	153,223	284,668	4,474.5	185.79

electricity generation					
III. Supporting underground gas storage capacities	1,112	1,140	2,980	267.98	261.4
IV. Environment protection works	272	531	397	145.95	74.76
V. Revamping and retrofitting of existing installations and pieces of equipment	41,139	53,755	32,688	79.46	60.81
VI. Independent equipment and installation	4,758	20,796	6,086	127.91	29.26
VII. Expenses relating to studies and designs	2,194	4,984	154	7.02	3.09
TOTAL	**90,969**	**297,479**	**419,081**	**460.68**	**140.88**

Investments made during Q1 2018 were significantly higher than scheduled and the similar period of 2017 mainly due to:

- Volume of physical exploration drilling works which was higher than in the previous year, 12,198 meters drilled in Q1 2018 as compared to 8,417 m drilled in Q1 2017;
- Performing 445 sq. km of 3D seismic investigation and interpretation of data acquired in 2017;
- Performance of foundation works, delivery of 3 gas turbines, 3 generators for the gas turbines, metal support structures and heat recovery generator casings required for the construction of Iernut power plant.

FINANCIAL AND ECONOMC INDICATORS

Summary of the interim financial result

The table below shows the summary of the interim financial result on March 31, 2018 compared to December 31, 2017:

INDICATOR	December 31, 2017 (RON thousand)	March 31, 2018 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
ASSETS			
Non-Current Assets			
Property, plant and equipment	5,842,366	6,017,739	3.00
Other intangible assets	412,284	428,823	4.01
Subsidiaries	1,200	1,200	0.00
Associates	120	120	0.00
Deferred tax liabilities	1,464	2,629	79.58
Other financial investments	69,678	50,650	-27.31
Total Non-Current Assets	***6,327,112***	***6,501,161***	***2.75***
Current assets			
Inventories	389,515	231,349	-40.61
Trade and other receivables *)	816,086	441,345	-45.92
Contract assets *)	-	308,414	n/a
Contract costs *)	-	880	n/a
Other financial assets	2,786,166	2,635,689	-5.40
Other assets	305,908	196,591	-35.74

INDICATOR	December 31, 2017 (RON thousand)	March 31, 2018 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
Cash and cash equivalents	227,165	804,616	254.20
Non-current assets classified as held for sale	-	9,242	n/a
Total Current Assets	***4,524,840***	***4,628,126***	***2.28***
TOTAL ASSETS	**10,851,952**	**11,129,287**	**2.56**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	385,422	385,422	0.00
Reserves	2,312,532	2,312,532	0.00
Retained earnings	6,612,922	7,095,640	7.30
Total Capital and Reserves	***9,310,876***	***9,793,594***	***5.18***
Non-Current Liabilities			
Provisions for retirement	119,482	107,075	-10.38
Provisions	280,601	284,983	1.56
Total non-current liabilities	***400,083***	***392,058***	***-2.01***
Current liabilities			
Trade and other payables *)	606,109	416,647	-31.26
Contract liabilities*)	-	67,853	n/a
Tax liabilities	128,520	97,523	-24.12
Advance payments	970	3,574	268.45
Provisions	76,290	77,520	1.61
Other liabilities	329,104	280,518	-14.76
Total current liabilities	***1,140,993***	***943,635***	***-17.30***
Total Liabilities	***1,541,076***	***1,335,693***	***-13.33***
TOTAL EQUITY AND LIABILITIES	**10,851,952**	**11,129,287**	**2.56**

*) – as of 2018, the International Financial Reporting Standard 15 "*Revenue from contracts with customers*" (IFRS 15) entered into force. The company opted for the retroactive application of the standard, having the cumulated effect of the initial application recognized on the application date as an adjustment to the opening balance of the retained earnings. This method does not require the presentation of preceding periods. The effect of the modifications is presented in the interim individual financial statements attached to this report, in Note 2.

NON-CURRENT ASSETS

The total non-current assets increased by 2.75%, i.e. by RON 174.05 million from RON 6,327.1 million on December 31, 2017 to RON 6,501.2 million on March 31, 2018, mainly due to the investments made for the new power plant at Iernut and for seismic investigations.

In Q1 2018, the company recorded an adjustment for the depreciation of the investment at Electrocentrale Bucuresti, in amount of RON 19.1 million. The investment did not generate a negative effect in the course of the year, being recorded as retained earnings following the transition to IFRS 9.

CURRENT ASSETS

Current assets increased by RON 103.3 million (2.28%) on March 31, 2018 due to increase of cash and cash equivalents.

Inventories
On March 31, 2018, inventories were lower by 40.61% (RON 158.2 million) as compared to December 31, 2017 mainly due to decrease of gas stocks in storages as a result of Q1 2018 gas deliveries.

Trade receivables and other receivables
As compared to December 31, 2017, trade receivables decreased by 45.92% mainly due to the implementation of IFRS 15. The effect of the transition to IFRS 15 is indicated in the financial statements at note 2.

During Q1 2018, the company recorded net losses in connection with the impairment of receivables in amount of RON 12.6 million as a result of the high non-collection risk from one of the company's clients. This amount is presented in the Interim Statement of the Global Result under Net Losses from the impairment of commercial receivables.

Contract Assets
Contract assets represent the company's right to an equivalent value in exchange for goods and services transferred by the Company to its clients for the case when that specific right is conditioned upon something else than the passing of time. Prior to the transition to IFRS 15, these amounts were presented at trade receivables. These amounts represent the deliveries for March for which gas sales invoices are to be issued at the moment indicated in the gas sales contracts concluded between the company and its clients.

Cash and cash equivalents. Other financial assets
On March 31, 2018, cash and cash equivalents and other financial assets were RON 3,440.3 million, as compared to RON 3,013.3 million at the end of 2017, as a result of collecting the equivalent in money for the gas delivered at the end of 2017 and during Q1 2018.

Other assets
Other assets decreased on March 31, 2018 as compared to December 31, 2017, mainly due to the compensation with other fiscal liabilities of the natural gas excise to be reimbursed in accordance with the control completed during 2017.

Non-current assets classified as held for sale
Following the legal separation of the underground storage business as of April 1, 2018, the company concluded with the Storage Subsidiary a protocol whereby it committed to sell, at cost, the investments in progress on March 31, 2018.

EQUITY AND RESERVES
The company's equity increased by 5.18% due to recording the profit relating to Q1 2018.

NON-CURRENT LIABILITIES
As compared to December 31, 2017, non-current liabilities decreased, mainly as a result of reducing provisions for the benefits granted to the employees. Following the legal separation of the underground storage business, the employees of the former Ploiesti branch were transferred to the Subsidiary established for the scope of underground storage business. Therefore, the company has no liabilities with respect to the transferred employees.

CURRENT LIABILITIES
Current liabilities decreased with RON 197.3 million from RON 1,141.0 million on December 31, 2017 to RON 943.6 million, as recorded on March 31, 2018.

Trade and other payables
Trade payables decreased by 31.26% as compared to December 31, 2017 due to the implementation of IFRS 15. Prior to implementing IFRS 15, the advance payments from clients for future deliveries were presented at trade receivables. Starting with 2018, these advance payments are presented as payables in relation to contracts with customers.

Except for this modification, the trade payables increased by RON 196.2 million mainly due to payables generated by the new investment at Iernut power plant. These payables are to be paid on the due date, according to contractual provisions.

Current profit tax liabilities
Current profit tax liabilities decreased by 23.4% as compared to Q4 2017 due to a lower gross result in Q1 2018, which was influenced by recording excise revenue in relation to the technological consumption, recognized following the completion of fiscal inspection. The gross result is adjusted by tax-free income and non-deductible expenses, pursuant to fiscal regulations applicable in Romania, hence resulting the tax.

Other liabilities
Other liabilities decreased by 14.76% due to the decrease of value added tax liability.

Summary of the interim global result

The synthesis of the Company's profit and loss account for the period January 1 – March 31, 2018, as compared to the similar period of 2017 and the previous quarter, is shown below:

Description	Q1 2017 (thousand RON)	Q1 2018 (thousand RON)	Q4 2017 (thousand RON)	Variation Q1 (%)	Variation Q1/Q4 (%)
0	1	2	3	4=(2-1)/1*100	5=(2-3)/3*100
Revenue*)	1,497,538	1,482,337	1,343,540	-1.02	10.33
Cost of commodities sold	(37,017)	(85,614)	(11,577)	131.28	639.52
Investment income	4,963	11,302	6,702	127.73	68.64
Other gains or losses	(4,608)	(22,826)	(31,705)	395.36	-28.01
Impairment losses on trade receivables	-	(12,576)	-	n/a	n/a
Changes in inventory of finished goods and work in progress	(163,810)	(96,913)	(86,009)	-40.84	12.68
Raw materials and consumables used	(16,482)	(16,850)	(16,109)	2.23	4.60
Depreciation, amortization and impairment	(228,000)	(164,675)	(141,168)	-27.77	16.65
Employee benefit expenses	(114,243)	(123,541)	(162,648)	8.14	-24.04
Finance cost	(4,887)	(6,373)	(5,339)	30.41	19.37
Operating expenses	-	(21,750)	(4,507)	n/a	382.58
Other expenses	(315,730)	(348,062)	(390,348)	10.24	-10.83
Other income*)	51,484	3,239	279,558	-93.71	-98.84
Profit before tax	**669,208**	**597,698**	**780,390**	**-10.69**	**-23.41**
Income tax expense	(108,329)	(96,502)	(109,730)	-10.92	-12.06

Description	Q1 2017 (thousand RON)	Q1 2018 (thousand RON)	Q4 2017 (thousand RON)	Variation Q1 (%)	Variation Q1/Q4 (%)
0	1	2	3	4=(2-1)/1*100	5=(2-3)/3*100
Net profit	**560,879**	**501,196**	**670,660**	**-10.64**	**-25.27**

*) as of 2018, International Financial Reporting Standard 15 "*Revenue from contracts with customers*" entered into force (IFRS 15). The company opted for the retroactive application of the standard, the cumulative effect of the initial application approved on application, as an adjustment to the opening balance of retained earnings. This method does not provide the representation of the previous periods. The effect of the changes is presented in the individual interim financial statements, attached to this Report, in Note 2.

Revenue

In the quarter ended March 31, 2018, the revenue recorded a decrease by 1.02% as compared to the similar period of the previous year and as compared to Q4 2017 the increase was of 10.33%.

As compared to the Q1 2017, the income from gas sales for Q1 2018 increased by 12.7% (RON 1,302.5 million), increase which compensated with the decrease of income from storage activities by 19.60% and the decrease of income from electricity sales by 70.49%.

If we do not take into consideration the application of IFRS 15, the increase of income from gas sales is only by 7.57% as compared to the first quarter of the last year.

Cost of Commodities Sold

The cost of commodities sold increased by 131.28% as compared to Q1 2017, namely by 639.52% as compared to the previous quarter mainly as a result of higher sales of gas purchased from import for resale.

Other Gains and Losses

For Q1 2018, other gains or losses (net loss) increased as compared to Q1 of the previous year by 395.36%, as compared to the previous quarter, as a result of decommissioning of fixed assets or wells abandonment. Most of these actives were impaired, so that, with the costs generated by the decommissioning, the adjustment for assets impairment was resumed as income, resulting an insignificant influence in the result of this operation period. The resumption to income of adjustment of impairment is reflected in the depreciation, amortisation and impairment expenses.

Changes in Inventory of Finished Goods and Work in Progress

The negative changes in inventory are generated by the fact that in Q1 gas from storages was extracted in larger quantities than those injected.

Depreciation, Amortization and Impairment

Depreciation, amortization and impairment expenses decreased by 27.77% as compared to Q1 2017 as a result of net impairment of fixed assets and of exploration assets lower by 90%.

Operating expenses

For Q1 2018, the operating expenses in amount of RON 21.7 million increased by 382.58% as compared to Q4 2017, due to a higher value of exploration projects that were given up, as compared to the last quarter of 2017. As compared to the same period of the previous year, during Q1 2017 no exploration project was abandoned. These expenses are cancelled by the resumption to income of adjustment for impairment reflected in the depreciation, amortisation and impairment expenses.

Other expenses

Other expenses increased by 10.24% as compared to Q1 2017, namely by a decrease of 10.83% compared to the previous quarter. The increase compared to Q1 2017 is due to the increase in petroleum royalty by RON 21.4 million and the additional income tax by RON 19.7 million.

Other Income

The decrease of other income is due to the influence IFRS 15 application. After the transition to IFRS 15, the Company reconsidered its quality for customer invoicing of certain services purchased from third parties; following this analysis, the Company concluded that it acts on its own, not as agent/commissioner of the supplier, admitting the related amounts in the revenue.

The table below shows the breakdown of the summary of interim global result for January-March 2018 as compared to January – March 2017:

Structure of indicators by activity segments – March 2018:

RON thousand

Description	TOTAL March, 2018, out of which:	Gas production and delivery	Underground gas storage	Electric Power	Other activities	Settlements between segments
1	2	3	4	5	6	7
Revenue	1,482,337	1,337,482	115,340	73,187	59,798	(103,470)
Cost of commodities sold	(85,614)	(83,984)	-	(3,865)	(126)	2,361
Investment income	11,302	30	179	1	11,092	-
Other gains or losses	(22,826)	(21,299)	(656)	(573)	(298)	-
Impairment losses on trade receivables	(12,576)	(12,576)	-	-	-	-
Changes in inventory of finished goods and work in progress	(96,913)	(75,959)	(21,606)	33	619	-
Raw materials and consumables used	(16,850)	(12,064)	(4,834)	(335)	(3,214)	3,597
Depreciation, amortization and impairment	(164,675)	(131,748)	(26,584)	(2,008)	(4,335)	-
Employee benefit expenses	(123,541)	(77,606)	(12,213)	(7,498)	(26,224)	-
Finance cost	(6,373)	(5,479)	(894)	-	-	-
Operating expenses	(21,750)	(21,750)	-	-	-	-
Other expenses	(348,062)	(379,416)	(11,773)	(57,191)	283	100,035
Other income	3,239	3,114	2,401	5	242	(2,523)
Profit before tax	**597,698**	**518,745**	**39,360**	**1,756**	**37,837**	**-**
Income tax expense	(96,502)	-	-	-	(96,502)	-
Period profit	**501,196**	**518,745**	**39,360**	**1,756**	**(58,665)**	**-**

Structure of indicators by activity segments – March 2017

thousand RON

Description	TOTAL March 2017, out of which:	Gas Production and Deliveries	UGS	Electricity	Others Activities	Settlement between segments
1	2	3	4	5	6	7
Revenue	1,497,538	1,208,836	184,719	206,511	57,251	(159,779)
Cost of commodities sold	(37,017)	(35,128)	(1)	(1,719)	(169)	-
Investment income	4,963	115	678	5	4,165	-
Other gains or losses	(4,608)	(2,741)	(1,095)	(337)	(435)	-
Changes in inventory of finished goods and work in progress	(163,810)	(132,906)	(31,441)	56	481	-
Raw materials and consumables used	(16,482)	(11,572)	(2,482)	(295)	(2,864)	731
Depreciation, amortization and impairment	(228,000)	(196,228)	(25,859)	(1,952)	(3,961)	-
Employee benefit expenses	(114,243)	(72,763)	(10,772)	(7,068)	(23,640)	-
Finance cost	(4,887)	(4,423)	(464)	-	-	-
Operating expenses	-	-	-	-	-	-
Other expenses	(315,730)	(314,013)	(12,476)	(138,462)	(9,978)	159,199
Other income	51,484	51,467	25	20	123	(151)
Profit before tax	**669,208**	**490,644**	**100,832**	**56,759**	**20,973**	
Income tax expense	(108,329)	-	-	-	(108,329)	-
Net profit	**560,879**	**490,644**	**100,832**	**56,759**	**(87,356)**	-

Statement of Cash Flow

Cash flows recorded during January – March 2018 as compared to the similar period of 2017 are shown below:

INDICATOR	Q1 2017 (thousand RON)	Q1 2018 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Cash flow from operating activities			
Net Profit for the period	**560,879**	**501,196**	**-10.64**
Adjustments for:			
Income tax expense	108,329	96,502	-10.92
Interest expense	1	-	-100.00
Unwinding of decommissioning provision	4,886	6,373	30.43
Interest revenue	(4,963)	(11,302)	127.73
Loss on disposal of non-current assets	781	19,010	2,334.06
Change in decommissioning provision recognized in result for the period, other than unwinding	(709)	(290)	-59.10
Change in other provisions	(2,472)	(11,263)	355.62
Expenses for impairment of exploration assets	3,736	3,639	-2.60
Exploration projects written-off	-	21,750	n/a
Impairment of property, plant and equipment	80,793	4,574	-94.34

INDICATOR	Q1 2017 (thousand RON)	Q1 2018 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Depreciation and amortisation expense	143,471	156,462	9.05
Amortisation of contract costs	-	358	n/a
Change in investments at fair values through profit or loss	-	(55)	n/a
Losses from trade and other receivables	1,055	12,744	1,107.96
Movement in write-down allowance of inventory	2,480	3,074	23.95
Revenue from subsidies	-	(47)	n/a
Cash generated from operations, before movements in working capital	**898,267**	**802,725**	**-10.64**
Movements in working capital			
(Increase)/Decrease in inventory	173,862	152,623	-12.22
(Increase)/Decrease in trade and other receivables	(272,452)	48,352	n/a
Increase/(Decrease) in trade and other liabilities	(380,006)	(55,179)	-85.48
Cash generated from operations	**419,671**	**948,521**	**126.02**
Interest paid	(1)	-	-100.00
Income tax paid	(60,295)	(128,664)	113.39
Net cash generated from operations	**359,375**	**819,857**	**128.13**
Cash flows from investing activities			
(Increase)/Decrease in other financial assets	(69,382)	159,254	n/a
Interest received	3,223	5,178	60.66
Proceeds from sale of non-current assets	19	5,056	26,510.53
Acquisition of non-current assets	(48,520)	(322,233)	564.12
Acquisition of exploration assets	(35,820)	(89,548)	149.99
Net cash used in investing activities	**(150,480)**	**(242,293)**	**61.01**
Cash flows from financing activities			
Dividends paid	(25)	(113)	352.00
Net cash used in financing activities	**(25)**	**(113)**	**352.00**
Net Increase/(Decrease) in cash and cash equivalents	**208,870**	**577,451**	**176.46**
Cash and cash equivalents at the beginning of the year	**280,526**	**227,165**	**-19.02**
Cash and cash equivalents as of March 31	**489,396**	**804,616**	**64.41**

Indicators

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

Indicators	Calculation formula	M.U.	Q1 2017	Q1 2018
1	2	3	4	5
Working Capital (WC)	$C_{lt}-A_f = E+L_{nc}+Pr+S_i-A_f$	million RON	4,466	3,684
Working Capital Requirements (WCR)	$(A_c-L+Pp)-(L_{crt}-Cr_{st}+I_{df})$	million RON	3,977	2,880
Net Cash Flow	$WC-WCR = L-Cr_{st}$	million RON	489	805
Economic Rate of Return	$P_g/C_{lt}x100$	%	6.33	5.87
Return on Equity	$P_n/C_{lt}x100$	%	5.48	5.12

Return on Sales	P_g/Rx100	%	44.69	40.32
Return on Assets	P_n/Ax100	%	5.00	4.50
EBIT	P_g+Exi-I_r	million RON	664	586
EBITDA	EBIT+Am	million RON	892	751
ROCE	EBIT/C_{emp} x100	%	6.28	5.76
Asset Solvency	E/Lx100	%	91.34	88.00
Current Liquidity	A_{crt}/L_{crt}	-	8.12	4.90
Gearing Ratio	Lc/E x 100	%	0.00	0.00
Accounts Receivables Turnover (days)	Aar/R x 90	-	58.60	52.50
Property, Plant and Equipment Turnover	R/PPE	-	0.24	0.23

where:

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

SIGNATURES

Chairman of the Board of Directors,

DORIN LIVIU NISTORAN

....

Director General,
CORIN EMIL CINDREA

....

Chief Financial Officer,
ANDREI BOBAR

....

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

INDIVIDUAL INTERIM FINANCIAL STATEMENTS (NOT AUDITED)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018
PREPARED IN ACCORDANCE WITH

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

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STATEMENT OF INDIVIDUAL INTERIM COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

	Note	Three months ended March 31, 2018	Three months ended March 31, 2017
		'000 RON	'000 RON
Revenue	2, 3	1,482,337	1,497,538
Cost of commodities sold	5	(85,614)	(37,017)
Investment income	4	11,302	4,963
Other gains and losses	6	(22,826)	(4,608)
Net impairment losses on trade receivables	16 c)	(12,576)	-
Changes in inventory of finished goods and work in progress		(96,913)	(163,810)
Raw materials and consumables used	5	(16,850)	(16,482)
Depreciation, amortization and impairment expenses	7	(164,675)	(228,000)
Employee benefit expense	8	(123,541)	(114,243)
Finance cost	9	(6,373)	(4,887)
Exploration expense	13	(21,750)	-
Other expenses	2, 10	(348,062)	(315,730)
Other income	2, 3	3,239	51,484
Profit before tax	2	**597,698**	**669,208**
Income tax expense	11	(96,502)	(108,329)
Profit for the period		**501,196**	**560,879**
Basic and diluted earnings per share		0.0013	0.0015
Total comprehensive income for the period		**501,196**	**560,879**

These financial statements were approved by the Board of Directors on May 14, 2018.

Corin Cindrea
Chief Executive Officer

Andrei Bobar
Chief Financial Officer

STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION AS OF MARCH 31, 2018 (NOT AUDITED)

	Note	March 31, 2018	December 31, 2017
		'000 RON	'000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	12	6,017,739	5,842,366
Other intangible assets	14	428,823	412,284
Investments in subsidiaries	24 a)	1,200	1,200
Investments in associates	24 b)	120	120
Deferred tax asset	11	2,629	1,464
Other financial investments	2, 25	50,650	69,678
Total non-current assets		**6,501,161**	**6,327,112**
Current assets			
Inventories	15	231,349	389,515
Trade and other receivables	2, 16 a)	441,345	816,086
Contract assets	2	308,414	-
Contract costs	2	880	-
Other financial assets	28	2,635,689	2,786,166
Other assets	16 b)	196,591	305,908
Cash and cash equivalents	27	804,616	227,165
Assets held for sale	12	9,242	-
Total current assets		**4,628,126**	**4,524,840**
Total assets		**11,129,287**	**10,851,952**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	385,422	385,422
Reserves	18	2,312,532	2,312,532
Retained earnings	2	7,095,640	6,612,922
Total equity		**9,793,594**	**9,310,876**
Non-current liabilities			
Retirement benefit obligation	19	107,075	119,482
Provisions	19	284,983	280,601
Total non-current liabilities		**392,058**	**400,083**

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

STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION AS OF MARCH 31, 2018 (NOT AUDITED)

	Note	March 31, 2018	December 31, 2017
		'000 RON	'000 RON
Current liabilities			
Trade payables	2, 20	416,647	606,109
Contract liabilities	2, 20	67,853	-
Current tax liabilities		97,523	128,520
Deferred revenue		3,574	970
Provisions	19	77,520	76,290
Other liabilities	20	280,518	329,104
Total current liabilities		**943,635**	**1,140,993**
Total liabilities		**1,335,693**	**1,541,076**
Total equity and liabilities		**11,129,287**	**10,851,952**

These financial statements were approved by the Board of Directors on May 14, 2018.

Corin Cindrea
Chief Executive Officer

Andrei Bobar
Chief Financial Officer

STATEMENT OF INDIVIDUAL INTERIM CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018

	Share capital	Legal reserve	Other reserves (note 18)	Retained earnings *)	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2018	385,422	77,084	2,235,448	6,612,922	9,310,876
Total comprehensive income for the period	-	-	-	501,196	501,196
Change in accounting policies (note 2)	-	-	-	(18,478)	(18,478)
Balance as of March 31, 2018	385,422	77,084	2,235,448	7,095,640	9,793,594
Balance as of January 1, 2017	385,422	77,084	2,943,068	6,270,587	9,676,161
Total comprehensive income for the period	-	-	-	560,879	560,879
Balance as of March 31, 2017	385,422	77,084	2,943,068	6,831,466	10,237,040

*) 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 based on the depreciation, respectively write-off of the assets financed using this source, based on General Meeting of Shareholders' decisions. As of March 31, 2018 the geological quota reserve, prior to the distribution of the result, is of RON 1,781,845 thousand (December 31, 2017: RON 1,781,845 thousand).

These financial statements were approved by the Board of Directors on May 14, 2018.

Corin Cindrea
Chief Executive Officer

Andrei Bobar
Chief Financial Officer

STATEMENT OF INDIVIDUAL INTERIM CASH FLOW FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

	Three months ended March 31, 2018 '000 RON	Three months ended March 31, 2017 '000 RON
Cash flows from operating activities		
Net profit	**501,196**	**560,879**
Adjustments for:		
Income tax expense (note 11)	96,502	108,329
Interest expense (note 9)	-	1
Unwinding of decommissioning provision (note 9, note 19)	6,373	4,886
Interest revenue (note 4)	(11,302)	(4,963)
Net loss on disposal of non-current assets (note 6)	19,010	781
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	(290)	(709)
Change in other provisions (note 19)	(11,263)	(2,472)
Net impairment of exploration assets (note 7, note 12, note 13, note 14)	3,639	3,736
Exploration projects written off (note 13)	21,750	-
Net impairment of property, plant and equipment and intangibles (note 7, note 12, note 14)	4,574	80,793
Depreciation and amortization (note 7)	156,462	143,471
Amortization of contract costs	358	-
(Gain)/Losses in financial assets measured at fair value through profit and loss (note 6, note 25)	(55)	-
Net receivable write-offs and movement in allowances for trade receivables and other assets	12,744	1,055
Net movement in write-down allowances for inventory (note 6, note 15)	3,074	2,480
Subsidies income	(47)	-
	802,725	**898,267**
Movements in working capital:		
(Increase)/Decrease in inventory	152,623	173,862
(Increase)/Decrease in trade and other receivables	48,352	(272,452)
Increase/(Decrease) in trade and other liabilities	(55,179)	(380,006)
Cash generated from operations	**948,521**	**419,671**
Interest paid	-	(1)
Income taxes paid	(128,664)	(60,295)
Net cash generated by operating activities	**819,857**	**359,375**

STATEMENT OF INDIVIDUAL INTERIM CASH FLOW FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

	Three months ended March 31, 2018	Three months ended March 31, 2017
	'000 RON	'000 RON
Cash flows from investing activities		
(Increase)/Decrease in other financial assets	159,254	(69,382)
Interest received	5,178	3,223
Proceeds from sale of non-current assets	5,056	19
Acquisition of non-current assets	(322,233)	(48,520)
Acquisition of exploration assets	(89,548)	(35,820)
Net cash used in investing activities	**(242,293)**	**(150,480)**
Cash flows from financing activities		
Dividends paid	(113)	(25)
Net cash used in financing activities	**(113)**	**(25)**
Net increase/(decrease) in cash and cash equivalents	**577,451**	**208,870**
Cash and cash equivalents at the beginning of the period	**227,165**	**280,526**
Cash and cash equivalents at the end of the period	**804,616**	**489,396**

These financial statements were approved by the Board of Directors on May 14, 2018.

Corin Cindrea
Chief Executive Officer

Andrei Bobar
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

1. BACKGROUND AND GENERAL BUSINESS

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

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

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

The Romanian State, through the Ministry of Energy, is the majority 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.

Except for the effects of IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments", presented below, the same accounting policies and methods of computation are used in these financial statements as compared with the most recent annual individual financial statements issued by the Company.

Basis of preparation

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

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

The 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 March 31, 2018.

These 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 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 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 valid for the current period

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

- Amendments to IAS 40 Transfers of Investment Property (effective for annual periods beginning on or after January 1, 2018);

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2018);
- Annual Improvements to IFRS Standards 2014–2016 Cycle (effective for annual periods beginning on or after January 1, 2018);
- 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);
- Clarifications to IFRS 15: Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018);
- IFRS 9: Financial Instruments (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 (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).

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

The impact of adopting IFRS 15: Revenue from Contracts with Customers

Beginning with 2018 the Company applies IFRS 15 for the recognition of revenue from contracts with customers. The company elected to apply the standard retrospectively, with the cumulative effect of initial application recognized at the application date as an adjustment to the opening balance of retained earnings. Under this method, previous periods are not restated. The cumulative effect of the initial application of IFRS 15 was recognized as an adjustment to the opening balance of retained earnings for contracts that were not finalized at the date of initial application, i.e. January 1, 2018.

The adoption of the new standard did not generate any changes in the timing and how revenue is recognized, but generated reclassification of various elements of the financial statements.

The cumulative effect of the retrospective restatement of IFRS 15 on January 1, 2018 as compared to December 31, 2017 is presented below:

Statement of individual interim comprehensive income:

	Three months ended March 31, 2018 (before IFRS 15)	Effect of applying IFRS 15 at March 31, 2018	Three months ended March 31, 2018 (after IFRS 15)
	'000 RON	'000 RON	'000 RON
Revenue *)	1,422,999	59,338	1,482,337
Other expenses **)	(348,336)	274	(348,062)
Other income *)	62,577	(59,338)	3,239
Profit before tax	597,424	274	597,698

*) Due to the application of IFRS 15, the Company has reconsidered the income obtained by invoicing services provided by third party suppliers, included in the selling price of the goods delivered. Thus, starting 2018, income previously recorded as "Other income" is presented as revenue, considering that the Company acts as a principal.

**) According to the new standard, the costs of obtaining contracts (fees payed for trading on the stock exchange, both natural gas and electricity) are recognized as current assets, to be amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates; previously, these were recognized directly in the period's result.

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

Statement of individual interim financial position:

	March 31, 2018 (before IFRS 15)	The effect of applying IFRS 15 at March 31, 2018	March 31, 2018 (after IFRS 15)
	'000 RON	'000 RON	'000 RON
Current assets			
Trade and other receivables *)	942,345	(501,000)	441,345
Contract assets *)	-	308,414	308,414
Contract costs **)	-	880	880
Equity			
Retained earnings	7,094,761	879	7,095,640
Current liabilities			
Trade payables ***)	677,085	(260,438)	416,647
Contract liabilities ***)	-	67,853	67,853

*) Contract assets represent the right of the Company to collect the value of goods and services delivered to customers for which no invoices were issued by the end of the period. Previously, these amounts were presented as trade receivables. These amounts are presented net of advances received from customers for deliveries during the reporting period. Contract assets will become trade receivables at the time the invoice is issued, following the completion of formalities as per contract provisions.

**) According to the new standard, the costs of obtaining contracts (fees payed for trading on the stock exchange, both natural gas and electricity) are recognized as current assets, to be amortized on a systematic basis that is consistent with the transfer to the customer of goods and services to which the asset relates; previously, these were recognized directly in the period's result.

***) Contract liabilities are amounts received from customers, in accordance with the contract provisions, for goods and services to be delivered or rendered in the following period. These amounts will be recognized as revenue when those goods or services are delivered. Advances received up to the end of the reporting period relating to deliveries during the period, not offset, have been reclassified to contract assets; previously, contract liabilities were presented as trade payables.

The impact of adopting IFRS 9: Financial Instruments

Starting with 2018, the Company applies IFRS 9. According to this Standard, after initial recognition, financial assets are recognized at amortized cost, fair value through other comprehensive income or fair value through profit or loss, depending on the business model of the Company; financial liabilities are recognized at amortized cost.

At the time of transition, the Company analyzed the financial assets held in terms of its business model and the contractual cash flows. As a result, financial investments held in companies other than subsidiaries or associates, previously recognized at cost less accumulated impairment losses are measured at fair value through profit or loss from January 1, 2018. The differences between the previous carrying amount and the fair value determined in accordance with IFRS 9 were recognized in the opening retained earnings, without restating previous financial statements. Except for this, no other significant differences between previous standards and IFRS 9 were identified.

	Financial assets measured at cost at December 31, 2017	Differences recorded in opening retained earnings	Financial assets measured at fair value through profit or loss
	'000 RON	'000 RON	'000 RON
Electrocentrale București	64,310	(19,083)	45,227
Patria Bank S.A.	81	-	81
Mi Petrogas Services S.A.	60	-	60
GHCL Upsom	-	-	-
Pan Atlantic and Lukoil association	5,227	-	5,227

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

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 adopted by the EU, but not yet effective:

- IFRS 16: Leases (effective for annual periods beginning on or after January 1, 2019);
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for annual periods beginning on or after January 1, 2019).

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 financial statements:

- IFRS 17: Insurance Contracts (effective for annual periods beginning on or after January 1, 2021);
- IFRIC 23: Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after January 1, 2019);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2019);
- Annual Improvements to IFRS Standards 2015–2017 Cycle (effective for annual periods beginning on or after January 1, 2019);
- Amendments to IAS 19: Plan amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019);
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after January 1, 2020).

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

Revenue recognition

a) Revenue from contracts with customers

The company recognizes customer contracts when all of the following criteria are met:

- the parties to the contract have approved the contract and are committed to perform their respective obligations;
- the Company can identify each party's rights regarding the goods or services to be transferred;
- the Company can identify the payment terms;
- the contract has commercial substance;
- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods delivered or the services provided.

Revenue from contracts with customers is recognized when, or as the Company transfers the goods or services to the customer, respectively, the client obtains control over them.

Depending on the nature of the goods or services, revenues are recognized over time or at a point in time.

Revenue is recognized over time if:

- the customer receives and consumes simultaneously the benefits provided by obtaining the goods and services as the Company performs the obligation;
- the Company creates or enhances an asset that the customer controls as the asset is created or enhanced;
- the Company`s performance does not create an asset with an alternative use to the Company.

All other revenues that do not meet the above criteria are recognized at a point in time.

For revenue to be recognized over time, the Company assesses progress towards meeting the execution obligation, using output methods or input methods, depending on the nature of the good or service transferred to the client. Revenues are recognized only if the Company can reasonably assess the result of the execution obligation or, if it can not be estimated, only at the level of the costs it is expected to recover from the customer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

Revenue from contracts with customers mainly relates to gas sales, electricity supply and related services, storage services. Revenue from these contracts are recognized over time on the basis of the actual quantities at the prices fixed in the contracts concluded or at the rates set by the regulatory authority, as the case may be.

Contracts concluded by the Company do not contain significant financing components.

b) Other revenue

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.

Costs of obtaining contracts with customers

The costs incurred by the Company for obtaining a contract with a customer are recognized as assets if it would not have incurred if the contract had not been obtained. This category includes commissions paid as a result of the award of gas contracts on the commodity exchange, respectively the trading fees paid for the award of electricity supply contracts.

These costs are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Assets related to contracts with customers

Assets related to contracts with customers represent the Company's right to a consideration in exchange for goods or services transferred to a client other than receivables. These assets are evaluated for impairment at each reporting date. Impairment is recognized as an expense in the individual statement of comprehensive income.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

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 land 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 accounts 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 end of the reporting period.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

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 end of the reporting period. 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 offset 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 comprehensive income. Deferred tax for the period is recognized as an expense or income in the statement of individual 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 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 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 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.

Non-current assets classified as held for sale

Non-current assets classified as held for sale are non-current assets whose carrying amount will be recovered through a sale transaction rather than through continuing use. They are measured at the lower of its carrying amount and fair value less costs to sell.

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 in equity instruments. Financial liabilities include interest-bearing bank borrowings, overdrafts, trade payables and other liabilities. For each item, the accounting policies on recognition and measurement are disclosed in this note.

The Company recognizes a financial asset or financial liability in the statement of financial position when and only when it becomes a party to the contractual provisions of the instrument. Upon initial recognition, financial assets are classified at amortized cost or measured at fair value through profit or loss. The classification depends on the Company's business model for managingement the financial assets and their contractual cash flows.

The Company does not have financial assets measured at fair value through other items of comprehensive income.

On initial recognition, financial assets and financial liabilities are measured at fair value plus or minus, in the case of assets measured at amortized cost, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Receivables resulting from contracts with customers represent the unconditional right of the Company to a consideration. The right to a price is unconditional if it is only necessary to pass the time before the payment of that counter value becomes due. These are measured at initial recognition at the transaction price.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments plus or minus cumulative depreciation using the effective interest method for each difference between the initial amount and the amount at maturity and, for financial assets, adjusted for any adjustment for losses.

Any difference between the entry amount and the reimbursement amount is recognized in the income statement for the period of the borrowings using the effective interest method.

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

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.

Except for trade receivables, contract assets and receivables arising from leases, the company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk associated with the financial instrument, has increased significantly since initial recognition. If, at the reporting date, the credit risk for a financial instrument has not increased significantly since the initial recognition, the Company measures the loss allowance for that financial instrument at a value equal to 12 month expected credit losses.

The loss allowance on trade receivables or contract assets resulting from transactions that are subject to IFRS 15 is measured at an amount equal to lifetime expected credit losses.

The carrying amount of the financial asset, other than those at fair value through profit or loss, is reduced through the use of an allowance account.

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 reinvested profit, 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 allocated with the approval of General Meeting of Shareholders, based on depreciation, respectively write-off of the assets financed using the development quota;
- other non-distributable reserves, set up from retained earnings representing translation differences recorded at transition to IFRS. These reserves are set up in accordance with MOF 2844/2016.

Subsidies

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

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

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

Subsidies are not recognized until there is reasonable assurance that:

(a) The Company will comply with the conditions attaching to it; and

(b) Subsidies will be received.

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

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

Use of estimates

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

The following are the critical judgments that the management has made in the process of applying the Company's accounting policies, and that have the most significant effect on the amounts recognized in the 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 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 at the beginning of the period. The gas reserves are updated annually according to internal assessments that are based on certifications of ANRM.

Estimates related to the decommissioning provision

Liabilities for decommissioning costs are recognized for 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.

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.

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 (note 31).

Comparative information

For each item of the statement of individual financial position, the statement of individual comprehensive income and, where is the case, for the statement of individual changes in equity and for the statement of individual cash flows, for comparative information purposes is presented the value of the corresponding item for the previous period ended, unless the changes are insignificant and except for the changes resulting from the adoption of IFRS 9 and IFRS 15. In addition, the Company presents an additional statement of individual financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements, which has a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

3. REVENUE AND OTHER INCOME

	Three months ended March 31, 2018 '000 RON	Three months ended March 31, 2017 '000 RON
Revenue from gas sold - domestic production	1,180,533	1,087,979
Revenue from gas sold - joint operations	37,984	28,780
Revenue from gas acquired for resale – import gas	79,149	22,404
Revenue from gas acquired for resale – domestic gas	4,865	16,531
Revenue from storage services-capacity reservation	85,521	111,560
Revenue from storage services-extraction	22,126	19,882
Revenue from storage services-injection	5,950	9,855
Revenue from electricity	56,610	191,843
Revenue from services	4,296	4,310
Revenue from sale of goods	3,491	2,748
Other revenue-contracts	38	-
Total revenue from contracts with customers	1,480,563	1,495,892
Other revenue	1,774	1,646
Total revenue	**1,482,337**	**1,497,538**
Other operating income *)	3,239	51,484
Total revenue and other income	**1,485,576**	**1,549,022**

*) Other operating income decreased compared to prior year following the transition to IFRS 15. Based on analysis performed, the Company concluded that it acts as a principal for services acquired from third party suppliers, invoiced to customers, so that the income obtained is recognized as revenue starting 2018 (note 2).

All Company's revenue is recognized over time, as the customer simultaneously receives and consumes the benefits provided by obtaining the goods and services from the Company.

Revenues from gas and electricity are recognized when the delivery has been made at the prices fixed in the contracts with customers.

Revenues from storage services are recognized when they are provided at the rates set by the regulatory authority. Usually, injection services are provided in the period April – October, and those for extraction in October – April. The capacity reservation services are being provided each month of the storage cycle, which begins on April 1 and ends on March 31 of the next year.

In measuring the revenue from gas, electricity and storage services, the Company uses output methods. According to these methods, revenues are recognized based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. The Company recognizes the revenue in the amount it has the right to charge.

The Company does not disclose information about the remaining performance obligations, applying the practical expedient in IFRS 15, since the contracts with the customers are generally signed for periods less than one year and the revenues are recognized at the amount which the Company has the right to charge.

4. INVESTMENT INCOME

	Three months ended March 31, 2018 '000 RON	Three months ended March 31, 2017 '000 RON
Interest income	11,302	4,963
Total	**11,302**	**4,963**

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Three months ended March 31, 2018	Three months ended March 31, 2017
	'000 RON	'000 RON
Consumables used	15,785	15,563
Cost of gas acquired for resale, sold – import	79,137	20,833
Cost of gas acquired for resale, sold – domestic	2,387	14,274
Cost of electricity imbalance	3,864	1,704
Cost of other goods sold	227	205
Other consumables	1,064	920
Total	**102,464**	**53,499**

6. OTHER GAINS AND LOSSES

	Three months ended March 31, 2018	Three months ended March 31, 2017
	'000 RON	'000 RON
Forex gain	1,335	95
Forex loss	(1,964)	(387)
Net loss on disposal of non-current assets	(19,010)	(781)
Net receivable allowances (note 16 c) *)	(154)	(1,055)
Gain/(loss) from changes in the value of financial assets recognized at fair value through profit or loss (note 25)	55	-
Net write down allowances for inventory (note 15)	(3,074)	(2,480)
Losses from trade receivables	(14)	-
Total	**(22,826)**	**(4,608)**

*) Following the adoption of IFRS 15, net receivable allowances from contracts with customers are presented separately in the statement of individual comprehensive income. Previous period was not restated.

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Three months ended March 31, 2018	Three months ended March 31, 2017
	'000 RON	'000 RON
Depreciation	156,462	143,471
out of which:		
- depreciation of property, plant and equipment	155,315	141,146
- amortization of intangible assets	1,147	2,325
Net impairment of non-current assets (note 12, note 14)	8,213	84,529
Total depreciation, amortization and impairment	**164,675**	**228,000**

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

8. EMPLOYEE BENEFIT EXPENSE

	Three months ended March 31, 2018	Three months ended March 31, 2017
	'000 RON	'000 RON
Wages and salaries*)	131,962	102,772
Social security charges *)	3,849	24,580
Meal tickets	5,009	3,270
Other benefits according to collective labor contract	2,658	1,931
Private pension payments	2,911	2,925
Private health insurance	1,668	1,676
Total employee benefit costs	**148,057**	**137,154**
Less, capitalised employee benefit costs	(24,516)	(22,911)
Total employee benefit expense	**123,541**	**114,243**

*) The increase in wages and salaries and the decrease of social security charges is due to legislative changes that came into force on January 1, 2018, whereby the employer's contributions were transferred to the employee.

9. FINANCE COSTS

	Three months ended March 31, 2018	Three months ended March 31, 2017
	'000 RON	'000 RON
Interest expense	-	1
Unwinding of the decommissioning provision (note 19)	6,373	4,886
Total	**6,373**	4,887

10. OTHER EXPENSES

	Three months ended March 31, 2018	Three months ended March 31, 2017
	'000 RON	'000 RON
Energy and water expenses	4,975	4,854
Expenses for capacity booking and gas transmission services	6,660	14,624
Expenses with other taxes and duties *)	246,703	204,413
(Net gain)/Net loss from provisions movement (note 19)	(11,553)	(3,181)
Other operating expenses	101,277	95,020
Total	**348,062**	**315,730**

*) In the three months ended March 31, 2018, the major taxes and duties included in the amount of RON 246,703 thousand (the three months ended March 31, 2017: RON 204,413 thousand) are:

- RON 147,379 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 (the three months ended March 31, 2017: RON 128,516 thousand);
- RON 97,212 thousand, including amounts related to joint operations, represent royalty on gas production and storage activity (three months ended March 31, 2017: RON 74,313 thousand).

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

11. INCOME TAX

	Three months ended March 31, 2018	Three months ended March 31, 2017
	'000 RON	'000 RON
Current tax expense	97,666	120,782
Deferred income tax (income)/expense	(1,164)	(12,453)
Income tax expense	**96,502**	**108,329**

The tax rate used for the reconciliations below for the three months ended March 31, 2018, respectively three months ended March 31, 2017 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:

	Three months ended March 31, 2018	Three months ended March 31, 2017
	'000 RON	'000 RON
Accounting profit before tax	597,698	669,208
(Profit)/loss activities not subject to income tax	553	386
Accounting profit subject to income tax	**598,251**	**669,594**
Income tax expense calculated at 16%	95,720	107,135
Effect of income exempt of taxation	(10,660)	(1,866)
Effect of expenses that are not deductible in determining taxable profit	16,497	15,558
Effect of tax incentive for reinvested profit	(3,797)	(299)
Effect of the benefit from tax credits, used to reduce current tax expense	5,058	4,121
Effect of deferred tax relating to the origination and reversal of temporary differences	(3,584)	(13,087)
Effect of the benefit from tax credits, used to reduce deferred tax expense	(2,732)	(3,233)
Income tax expense	**96,502**	**108,329**

Components of deferred tax (asset)/liability:

	March 31, 2018		December 31, 2017	
	Cumulative temporary differences	Deferred tax (asset)/ liability	Cumulative temporary differences	Deferred tax (asset)/ liability
	'000 RON	'000 RON	'000 RON	'000 RON
Provisions	(454,576)	(72,732)	(460,329)	(73,653)
Property, plant and equipment	598,972	95,836	611,628	97,860
Receivables and other assets	(160,832)	(25,733)	(160,451)	(25,672)
Total	**(16,436)**	**(2,629)**	**(9,152)**	**(1,465)**
Charged to income		**(1,164)**		**(41,588)**

12. PROPERTY, PLANT AND EQUIPMENT

	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
Cost									
As of January 1, 2018	**108,402**	**882,913**	**6,120,313**	**927,068**	**97,142**	**1,696,636**	**438,271**	**797,540**	**11,068,285**
Additions	248	11	1,123	-	3	-	49,514	329,245	380,144
Transfers	-	4,966	80,507	17,860	524	1,933	(5,057)	(100,733)	-
Assets held for sale**)	-	-	-	-	-	-	-	(9,242)	(9,242)
Disposals	-	(132)	(27,622)	(2,759)	(134)	(1,204)	(16,855)	(2,122)	(50,828)
As of March 31, 2018	**108,650**	**887,758**	**6,174,321**	**942,169**	**97,535**	**1,697,365**	**465,873**	**1,014,688**	**11,388,359**
Accumulated depreciation									
As of January 1, 2018	**-**	**265,803**	**3,232,989**	**532,892**	**69,125**	**590,361**	**-**	**-**	**4,691,170**
Charge *)	-	8,107	115,431	16,928	1,518	19,553	-	-	161,537
Disposals	-	(41)	(4,352)	(2,675)	(134)	(407)	-	-	(7,609)
As of March 31, 2018	**-**	**273,869**	**3,344,068**	**547,145**	**70,509**	**609,507**	**-**	**-**	**4,845,098**
Impairment									
As of January 1, 2018	**3,180**	**16,031**	**224,090**	**23,373**	**386**	**2,152**	**157,349**	**108,188**	**534,749**
Charge	-	1,469	21,248	161	47	503	3,572	10,761	37,761
Transfers	-	-	1,575	-	-	-	-	(1,575)	-
Release	-	(194)	(26,722)	(70)	(11)	(101)	(17,373)	(2,517)	(46,988)
As of March 31, 2018	**3,180**	**17,306**	**220,191**	**23,464**	**422**	**2,554**	**143,548**	**114,857**	**525,522**
Carrying value									
As of January 1, 2018	**105,222**	**601,079**	**2,663,234**	**370,803**	**27,631**	**1,104,123**	**280,922**	**689,352**	**5,842,366**
As of March 31, 2018	**105,470**	**596,583**	**2,610,062**	**371,560**	**26,604**	**1,085,304**	**322,325**	**899,831**	**6,017,739**

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 12,433 thousand.*
***) Assets held for sale represent capital work in progress in the storage business that will be sold at cost to the subsidiary.*

	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	445	3	351	1	12	-	35,408	53,290	89,510
Transfers	30	300	16,566	5,873	1,269	8,159	-	(32,197)	-
Disposals	-	(50)	(987)	(703)	(52)	(1,365)	-	(26)	(3,183)
As of March 31, 2017	107,466	881,819	5,788,754	899,115	95,633	1,683,722	452,282	680,994	10,589,785
Accumulated depreciation									
As of January 1, 2017	-	233,949	2,868,192	475,904	63,308	516,200	-	-	4,157,553
Charge *)	-	8,273	100,981	16,919	1,671	20,104	-	-	147,948
Transfers	-	-	759	-	-	(759)	-	-	-
Disposals	-	(9)	-	(602)	(48)	(604)	-	-	(1,263)
As of March 31, 2017	-	242,213	2,969,932	492,221	64,931	534,941	-	-	4,304,238
Impairment									
As of January 1, 2017	3,180	15,933	152,862	23,474	442	3,421	210,783	146,548	556,643
Charge	-	24	77,153	238	-	-	3,925	10,435	91,775
Release	-	-	96	-	-	-	-	(96)	-
Transfers	-	(171)	(5,595)	(85)	(41)	(888)	-	(277)	(7,057)
As of March 31, 2017	3,180	15,786	224,516	23,627	401	2,533	214,708	156,610	641,361
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 March 31, 2017	104,286	623,820	2,594,306	383,267	30,301	1,146,248	237,574	524,384	5,644,186

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 5,890 thousand.*

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

13. EXPLORATION AND APPRAISAL FOR NATURAL GAS RESOURCES

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
	'000 RON	'000 RON
Exploration expenditure written off	21,750	-
Net movement in exploration assets' impairment (note 12, note 14) (net income)/net loss	3,639	3,736
Net cash used in exploration investing activities	(89,548)	(35,820)

	March 31, 2018	December 31, 2017
	'000 RON	'000 RON
Exploration assets (note 12, note 14)	743,336	684,577
Liabilities	(35,572)	(35,870)
Net assets	**707,764**	**648,707**

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

14. OTHER INTANGIBLE ASSETS

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of January 1, 2018	15,079	168,581	635,145	51	818,856
Additions	-	221	40,032	143	40,396
Transfers	-	86	-	(86)	-
Disposals	-	(6)	(5,236)	(34)	(5,276)
As of March 31, 2018	15,079	168,882	669,941	74	853,976
Accumulated amortization					
As of January 1, 2018	11,694	163,388	-	-	175,082
Charge	554	593	-	-	1,147
Disposals	-	(6)	-	-	(6)
As of March 31, 2018	12,248	163,975	-	-	176,223
Impairment					
As of January 1, 2018	-	-	231,490	-	231,490
Charge	-	-	19,137	-	19,137
Release	-	-	(1,697)	-	(1,697)
As of March 31, 2018	-	-	248,930	-	248,930
Carrying value					
As of January 1, 2018	3,385	5,193	403,655	51	412,284
As of March 31, 2018	2,831	4,907	421,011	74	428,823

	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	-	217	412	2,194	2,823
Transfers	-	2,228	-	(2,228)	-
Disposals	-	(2,434)	-	-	(2,434)
As of March 31, 2017	15,079	170,932	587,786	-	773,797
Accumulated amortization					
As of January 1, 2017	9,477	161,966	-	-	171,443
Charge	554	1,771	-	-	2,325
Disposals	-	(2,434)	-	-	(2,434)
As of March 31, 2017	10,031	161,303	-	-	171,334
Impairment					
As of January 1, 2017	-	-	204,101		204,101
Charge	-	-	1,559	-	1,559
Release	-	-	(1,748)	-	(1,748)
As of March 31, 2017	-	-	203,912	-	203,912
Carrying value					
As of January 1, 2017	5,602	8,955	383,273	34	397,864
As of March 31, 2017	5,048	9,629	383,874	-	398,551

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

15. INVENTORIES

	March 31, 2018 '000 RON	December 31, 2017 '000 RON
Spare parts and materials	143,510	149,728
Work in progress	607	373
Finished goods (gas)	67,166	212,057
Residual products	161	85
Inventories at third parties	63,163	66,971
Goods for resale (gas)	-	471
Other inventories	67	81
Write-down allowance for spare parts and materials	(37,882)	(35,038)
Write-down allowance for residual products	(47)	(44)
Write-down allowance for inventories at third parties	(5,396)	(5,169)
Total	**231,349**	**389,515**

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	March 31, 2018 '000 RON	December 31, 2017 '000 RON
Trade receivables	1,652,168	1,518,568
Bad debt allowances (note 16 c)	(1,210,823)	(1,198,247)
Accrued receivables*)	-	495,765
Total	**441,345**	**816,086**

*) As a result of the adoption of IFRS 15, assets from contracts with customers are presented separately from receivables. Previous periods were not restated.

Trade receivables from gas deliveries are generally due within 30 days of invoice issue. These must be guaranteed by customers through bank letters of guarantee. If customers do not provide such a guarantee, they must ensure that natural gas is paid in advance.

Trade receivables from the sale of electricity are generally due within 7 days of the date of invoice transmission. These must be guaranteed by customers through bank letters of guarantee. If customers do not provide such a guarantee, they must ensure that electricity is paid in advance.

Trade receivables from storage services are due within 15 days of invoice issue. Customers must provide a 5% guarantee for the services value.

b) Other assets

	March 31, 2018 '000 RON	December 31, 2017 '000 RON
Advances paid to suppliers	21,210	20,891
Joint operation receivables	5,829	3,951
Other receivables *)	61,581	59,992
Bad debt allowance for other receivables (note 16 c) *)	(51,302)	(51,302)
Other debtors	45,779	46,248
Bad debt allowances for other debtors (note 16 c)	(43,043)	(42,889)
Prepayments	18,175	5,298
VAT not yet due	7,417	19,255
Other taxes receivable**)	130,945	244,464
Total	**196,591**	**305,908**

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

*) (i) 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.

The payment made in 2016 generated additional penalties of RON 13,697 thousand, also paid. Considering the disagreement regarding the conclusions of the tax control, the Company recorded a receivable and an allowance.

The total receivable impaired in connection with this control is RON 32,550 thousand.

(ii) 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 3,129 thousand. The tax decision and the tax inspection report were appealed to ANAF. Romgaz paid the additional tax obligation and the late payment charges and based on the appeal, the Company recorded a receivable for which it recorded an allowance.

The total receivable impaired in connection with this control is RON 18,413 thousand.

**) As at December 31, 2017, other taxes receivable in the amount of RON 244,464 thousand included the excise tax paid in the previous years by the Company for technological consumption, which was recorded as a receivable following the completion in 2017 of the excise tax control. In the first quarter of 2018 the amount of RON 113,915 thousand was recovered by offsetting with other tax liabilities. For the amount of RON 130,470 thousand not recovered as at March 31, 2018, the Company is currently subject to a new tax audit for reimbursement.

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

	2018	2017
	'000 RON	'000 RON
At January 1	**1,292,438**	**1,273,230**
Charge in the allowance for other receivables (note 6)	227	1,092
Charge in the allowance for trade receivables	12,577	-
Forex	-	43
Release in the allowance for other receivables (note 6)	(73)	(37)
Release in the allowance for trade receivables	(1)	-
At March 31	**1,305,168**	**1,274,328**

As of March 31, 2018, the Company recorded allowances for doubtful debts, of which Interagro RON 275,961 thousand (December 31, 2017: RON 275,961 thousand), GHCL Upsom of RON 60,371 thousand (December 31, 2017: RON 60,371 thousand), CET Iasi of RON 46,271 thousand (December 31, 2017: RON 46,271 thousand), Electrocentrale Galati with RON 219,484 thousand (December 31, 2017: RON 217,585 thousand), Electrocentrale Bucuresti with RON 570,274 thousand (December 31, 2017: RON 570,274 thousand) and G-ON EUROGAZ of RON 14,848 thousand (December 31, 2017: 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

	March 31, 2018 '000 RON	December 31, 2017 '000 RON
Current receivables not impaired	429,543	295,017
Overdue receivables but not impaired		
less than 30 days overdue	10,758	8,692
30 to 90 days overdue	16	88
90 to 360 days overdue	1,028	16,524
Total overdue receivables but not impaired	**11,802**	**25,304**
Total trade receivables	**441,345**	**320,321**

17. SHARE CAPITAL

	March 31, 2018 '000 RON	December 31, 2017 '000 RON
385,422,400 fully paid ordinary shares	385,422	385,422
Total	**385,422**	**385,422**

The shareholding structure as at March 31, 2018 is as follows:

	No. of shares	Value '000 RON	Percentage %
The Romanian State through the Ministry of Energy	269,823,080	269,823	70.01
Legal persons	98,525,327	98,525	25.56
Physical persons	17,073,993	17,074	4.43
Total	**385,422,400**	**385,422**	**100**

All shares are ordinary and were subscribed and fully paid as at March 31, 2018. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2017: RON 1/share).

18. RESERVES

	March 31, 2018 '000 RON	December 31, 2017 '000 RON
Legal reserves	77,084	77,084
Other reserves, of which:	2,235,448	2,235,448
- Company's development fund	1,559,772	1,559,772
- Reinvested profit	169,563	169,563
- Geological quota set up until 2004	486,388	486,388
- Other reserves	19,725	19,725
Total	**2,312,532**	**2,312,532**

19. PROVISIONS

	March 31, 2018	December 31, 2017
	'000 RON	'000 RON
Decommissioning provision	284,983	280,601
Retirement benefit obligation	107,075	119,482
Total long term provisions	**392,058**	**400,083**
Decommissioning provision	30,569	30,483
Provisions for land restoration	15,002	16,043
Litigation provision	81	79
Other provisions	31,868	29,685
Total short term provisions	**77,520**	**76,290**
Total provisions	**469,578**	**476,373**

Decommissioning provision

Decommissioning provision movement	2018	2017
	'000 RON	'000 RON
At January 1	**311,084**	**210,571**
Additional provision recorded against non-current assets	644	171
Unwinding effect (note 9)	6,373	4,886
Recorded in profit or loss	(290)	(709)
Change recorded against non-current assets	(2,259)	(987)
At March 31	**315,552**	**213,932**

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 9.1% (year ended December 31, 2017: 9.1%). 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

	Litigation provision	Retirement benefit obligations	Other provisions	Land restoration provision	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2018	79	119,482	29,685	16,043	165,289
Additional provision in the period	6	-	6,960	-	6,966
Provisions used in the period	(4)	(3,036)	(4,749)	(1,041)	(8,830)
Unused amounts during the period, reversed	-	(9,371)	(28)	-	(9,399)
At March 31, 2018	81	107,075	31,868	15,002	154,026

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

	Litigation provision	Retirement benefit obligations	Other provisions	Land restoration provision	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2017	-	119,986	24,951	8,963	153,900
Additional provision in the period	-	-	290	-	290
Provisions used in the period	-	(1,791)	-	(559)	(2,350)
Unused amounts during the period, reversed	-	-	(412)	-	(412)
At March 31, 2017	-	118,195	24,829	8,404	151,428

20. TRADE AND OTHER CURRENT LIABILITIES

	March 31, 2018	December 31, 2017
	'000 RON	'000 RON
Accruals	54,906	61,998
Trade payables	27,086	45,621
Payables to fixed assets suppliers	334,655	112,782
Advances from customers *)	-	385,708
Total trade payables	**416,647**	**606,109**
Payables related to employees	23,238	36,368
Royalties	97,302	85,521
Social security taxes	17,817	23,927
Other current liabilities	33,695	32,090
Joint operations payables	4,250	3,800
VAT	51,034	95,959
Dividends payable	691	804
Windfall tax	50,361	50,190
Other taxes	2,130	445
Total other liabilities	**280,518**	**329,104**
Total trade and other liabilities	**697,165**	**935,213**

*) Contract liabilities, representing advances from customers, of RON 385,708 thousand as at December 31, 2017, generated revenues of RON 151,239 thousand in the three months ended March 31, 2018,. The amount of RON 12,923 thousand was repaid to the customers, as the advances received were higher than deliveries. The rest of the amount was recognized as revenue in 2017, but the decrease of advances took place after the issue of the reconciliation invoice in 2018.

As at March 31, 2018, contract liabilities are of RON 67,853 thousand. These relate to gas deliveries in the second quarter of 2018, the revenues being recognized in the month of delivery.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

(a) Market risk

(i) *Foreign exchange risk*

The Company is exposed to currency risk as a result of exposure to various currencies. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

As at March 31, 2018, the official exchange rates were RON 3.7779 to USD 1 and RON 4.6576 to EUR 1 and (December 31, 2017: RON 3.8915 to USD 1 and RON 4.6597 to EUR 1).

	EUR	GBP	USD	RON	
March 31, 2018	**1 EUR = 4.6576**	**1 GBP = 5.3090**	**1 USD = 3.7779**	**1 RON**	**Total**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**	**'000 RON**
Financial assets at amortized cost					
Cash and cash equivalents	498	1	9	804,108	804,616
Other financial investments	-	-	-	2,624,673	2,624,673
Trade receivables	-	-	-	441,345	441,345
Total financial assets at amortized cost	**498**	**1**	**9**	**3,870,126**	**3,870,634**
Financial liabilities					
Trade payables	(292,566)	(3)	(22,379)	(101,699)	(416,647)
Total financial liabilities	**(292,566)**	**(3)**	**(22,379)**	**(101,699)**	**(416,647)**
Net	**(292,068)**	**(2)**	**(22,370)**	**3,768,427**	**3,453,987**

	EUR	GBP	USD	RON	
December 31, 2017	**1 EUR = 4.6597**	**1 GBP = 5.2530**	**1 USD = 3.8915**	**1 RON**	**Total**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**	**'000 RON**
Financial assets					
Cash and cash equivalents	450	-	9	226,706	227,165
Other financial investments	-	-	-	2,786,166	2,786,166
Trade and other receivables	-	-	-	816,086	816,086
Total financial assets	**450**	**-**	**9**	**3,828,958**	**3,829,417**
Financial liabilities					
Trade payables and other payables	(63,366)	(7)	(17,797)	(139,231)	(220,401)
Total financial liabilities	**(63,366)**	**(7)**	**(17,797)**	**(139,231)**	**(220,401)**
Net	**(62,916)**	**(7)**	**(17,788)**	**3,689,727**	**3,609,016**

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

	March 31, 2018 '000 RON	December 31, 2017 '000 RON
RON weakening - loss	15,722	4,035

(ii) *Inflation risk*

The official inflation rate in Romania, during the three-month period ended March 31, 2018 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 4 clients, which together amount to 96.48% of net trade receivable balance at March 31, 2018 (top 4 clients: 91.25% as of December 31, 2017). 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 March 31, 2018 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 at amortized cost

March 31, 2018	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	300,932	140,373	40	-	-	441,345
Bank deposits	435,049	1,450,089	486,590	-	-	2,371,728
Treasury bonds	-	8,755	244,190	-	-	252,945
Total	**735,981**	**1,599,217**	**730,820**	**-**	**-**	**3,066,018**
Trade payables	(351,848)	(6,812)	(3,081)	-	-	(361,741)
Total	**(351,848)**	**(6,812)**	**(3,081)**	**-**	**-**	(361,741)
Net	**384,133**	**1,592,405**	**727,739**	**-**	**-**	**2,704,277**

December 31, 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	195,137	125,142	42	-	-	320,321
Bank deposits	349,174	577,171	1,459,639	-	-	2,385,984
Treasury bonds	55,540	230,710	109,550	-	-	395,800
Total	**599,851**	**933,023**	**1,569,231**	**-**	**-**	**3,102,105**
Trade payables	(149,614)	(8,727)	(62)	-	-	(158,403)
Total	**(149,614)**	**(8,727)**	**(62)**	**-**	**-**	**(158,403)**
Net	**450,237**	**924,296**	**1,569,169**	**-**	**-**	**2,943,702**

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
	'000 RON	'000 RON
Romgaz's associates	2,946	2,479
Total	**2,946**	**2,479**

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 three month period ended March 31, 2018, respectively, March 31, 2017, 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

	March 31, 2018	December 31, 2017
	'000 RON	'000 RON
Romgaz's associates	1,518	111
Total	**1,518**	**111**

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 three month period ended March 31, 2018 and March 31, 2017, 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.

	Three months ended March 31, 2018	Three months ended March 31, 2017
	'000 RON	'000 RON
Salaries paid to directors (gross)	3,644	2,522
of which, bonuses (gross)	198	13
Remuneration paid to administrators (gross)	346	132
of which, variable component (gross)	-	-

	March 31, 2018	December 31, 2017
	'000 RON	'000 RON
Salaries payable to directors	386	910
Salaries payable to administrators	69	58

In addition to 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 March 31, 2018 of RON 358 thousand (December 31, 2017: RON 546 thousand), presented in note 19 as Other provisions.

24. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

The Company's investments in subsidiaries and associates are measured at cost less cumulative impairment.

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.

In the three month period ended March 31, 2018, the storage activity was 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 operation of the underground gas storage facilities granted to Romgaz by ANRE presidential decision no. 151/January 22, 2014 in the sense of changing the license 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, being reactivated on February 14, 2018. The storage activity was started by the subsidiary on April 1, 2018.

The Company did not prepare consolidated financial statements as of March 31, 2018 given the fact that the subsidiary did not carry out any activity since incorporation until March 31, 2018.

24. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

b) Investment in associates

Name of associate	Main activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%) March 31, 2018	Proportion of ownership interest and voting power held (%) December 31, 2017
SC Depomures SA Tg.Mures	Storage of natural gas	Romania	40	40
SC Agri LNG Project Company SRL	Feasibility projects	Romania	25	25

Name of associate	Cost as of March 31, 2018	Impairment as of March 31, 2018	Carrying value as of March 31, 2018	Cost as of December 31, 2017	Impairment as of December 31, 2017	Carrying value as of December 31, 2017
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
SC Depomures SA Tg.Mures	120	-	120	120	-	120
SC Agri LNG Project Company SRL	977	(977)	-	977	(977)	-
Total	1,097	(977)	120	1,097	(977)	120

25. OTHER FINANCIAL INVESTMENTS

Other financial investments are being measured at fair value through profit and loss. The effects of IFRS 9 adoption are presented in note 2.

Company	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%) March 31, 2018	Proportion of ownership interest and voting power held (%) December 31, 2017
Electrocentrale București S.A.	Electricity and thermal power producer	Romania	2.49	2.49
Patria Bank S.A.*)	Other activities – financial intermediations	Romania	0.04	0.03
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	12.2	10

Company	Fair value as of March 31, 2018	Cost as of December 31, 2017	Impairment as of December 31, 2017	Carrying value as of December 31, 2017
	'000 RON	'000 RON	'000 RON	'000 RON
Electrocentrale București S.A. **)	45,227	64,310	-	64,310
Patria Bank S.A.*)	136	840	(759)	81
Mi Petrogas Services S.A.	60	60	-	60
GHCL Upsom	-	17,100	(17,100)	-
Pan Atlantic and Lukoil association	5,227	10,454	(5,227)	5,227
Total	**50,650**	**92,764**	**(23,086)**	**69,678**

*) 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 March 31, 2018 the withdrawal from the bank's shareholding was not completed. As Patria Bank shares are quoted, the fair value at the end of the period is measured taking into account the closing quotation of the shares. The variation between the value as of March 31, 2018 and December 31, 2017 was recorded in profit or loss.

**) The fair value of the investment in Electrocentrale Bucuresti S.A. was measured taking into account the company's equity as of March 31, 2018, adjusted based on the valuation report prepared in the insolvency procedure. As the shares are not quoted, the difference between the fair value measured at the transition to IFRS 9 and the old value was recorded in retained earnings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

26. SEGMENT INFORMATION

a) Products and services from which reportable segments derive their revenues

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

Specifically, the Company is organized in the following segments:

- upstream, which includes exploration activities, natural gas production and trade of gas extracted by Romgaz or acquired from domestic production or import, 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 March 31, 2018, Bratislava branch`s exploration assets were entirely depreciated, as a result of difficulties encountered during the exploration activity (as of December 31, 2017 exploration assets had a net value of: RON 20,846 thousand).

b) Segment assets and liabilities

March 31, 2018	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Total '000 RON
Property, plant and equipment	3,708,366	1,456,074	542,183	311,116	6,017,739
Other intangible assets	426,827	653	5	1,338	428,823
Investments in subsidiaries	-	-	-	1,200	1,200
Investments in associates	-	-	-	120	120
Other financial investments	-	-	-	50,650	50,650
Other financial assets	-	21	-	2,635,668	2,635,689
Deferred tax asset	-	-	-	2,629	2,629
Inventories	199,904	11,572	3,066	16,807	231,349
Trade and other receivables	406,680	34,287	301	77	441,345
Other assets	165,415	8,300	4,285	18,591	196,591
Cash and cash equivalents	38,080	35,074	548	730,914	804,616
Assets held for sale	-	9,242	-	-	9,242
Contract assets	299,363	-	9,042	9	308,414
Contract costs	862	-	18	-	880
Total assets	**5,245,497**	**1,555,223**	**559,448**	**3,769,119**	**11,129,287**
Retirement benefit obligation	-	-	-	107,075	107,075
Provisions	302,399	49,722	1,325	9,057	362,503
Trade payables	85,634	2,632	320,268	8,113	416,647
Current tax liabilities	-	-	-	97,523	97,523
Deferred revenue	-	-	-	3,574	3,574
Contract liabilities	67,835	-	-	18	67,853
Other liabilities	201,068	3,520	4,195	71,735	280,518
Total liabilities	**656,936**	**55,874**	**325,788**	**297,095**	**1,335,693**

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

December 31, 2017	Upstream	Storage	Electricity	Other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Property, plant and equipment	3,775,092	1,487,124	265,757	314,393	5,842,366
Other intangible assets	410,249	658	9	1,368	412,284
Investments in subsidiaries	-	-	-	1,200	1,200
Investments in associates	-	-	-	120	120
Other financial investments	-	-	-	69,678	69,678
Other financial assets	12	54	1,705	2,784,395	2,786,166
Deferred tax asset	-	-	-	1,464	1,464
Inventories	334,504	34,173	3,608	17,230	389,515
Trade and other receivables	761,722	30,230	23,593	541	816,086
Other assets	275,799	4,012	3,243	22,854	305,908
Cash and cash equivalents	46,761	62,706	469	117,229	227,165
Total assets	**5,604,139**	**1,618,957**	**298,384**	**3,330,472**	**10,851,952**
Retirement benefit obligation	-	-	-	119,482	119,482
Provisions	296,340	48,943	1,345	10,263	356,891
Trade payables	493,753	3,803	89,050	19,503	606,109
Current tax liabilities	-	-	-	128,520	128,520
Deferred revenue	-	-	-	970	970
Other liabilities	199,843	5,010	5,261	118,990	329,104
Total liabilities	**989,936**	**57,756**	**95,656**	**397,728**	**1,541,076**

c) Segment revenues, results and other segment information

Three months ended March 31, 2018	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	1,337,482	115,340	73,187	59,798	(103,470)	1,482,337
Less: revenue between segments	(26,275)	(1,731)	(16,682)	(58,782)	103,470	-
Third party revenue	1,311,207	113,609	56,505	1,016	-	1,482,337
Interest income	30	179	1	11,092	-	11,302
Interest expense	-	-	-	-	-	-
Depreciation, amortization and impairment	(131,748)	(26,584)	(2,008)	(4,335)	-	(164,675)
Segment profit before tax profit/(loss)	**518,745**	**39,360**	**1,756**	**37,837**	**-**	**597,698**

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

Three months ended March 31, 2017	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	1,208,836	184,719	206,511	57,251	(159,779)	1,497,538
Less: revenue between segments	(46,622)	(43,413)	(14,705)	(55,039)	159,779	-
Third party revenue	1,162,214	141,306	191,806	2,212	-	1,497,538
Interest income	115	678	5	4,165	-	4,963
Interest expense	(1)	-	-	-	-	(1)
Depreciation, amortization and impairment	(196,228)	(25,859)	(1,952)	(3,961)	-	(228,000)
Segment profit before tax profit/(loss)	**490,644**	**100,832**	**56,759**	**20,973**	**-**	**669,208**

In the three-month period ended March 31, 2018, the Company's three largest clients each individually represents more than 10% of revenue, sales to these clients being of RON 336,332 thousand, RON 400,777 thousand, respectively RON 234,278 thousand (in the three-month period ended March 31, 2017 the Company's three largest customers represented individually, over 10% of revenue, sales to these clients being of RON 555,733 thousand, RON 150,953 thousand, respectively RON 161,889 thousand), together totaling 65% of total revenue (three-month period ended March 31, 2017: 58%). Of the total revenue generated by those three clients, 2.84% are shown in the "Storage" segment and 96.7% in the "Upstream" segment (three-month period ended March 31, 2017: 2.96% in the "Storage" segment, 97.04% 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.

	March 31, 2018	December 31, 2017
	'000 RON	'000 RON
Current bank accounts in RON *)	99,193	63,007
Current bank accounts in foreign currency	498	451
Petty cash	47	29
Term deposits in RON	532,315	73,507
Restricted cash **)	172,549	90,158
Amounts under settlement	14	13
Total	**804,616**	**227,165**

*) Current bank accounts include overnight deposits.

**) Restricted cash includes bank accounts used strictly for VAT transactions, as the Company opted in to the application of the split-VAT system (March 31, 2018: RON 171,834 thousand; December 31, 2017: RON 89,345 thousand). It also includes bank accounts used only for dividend payments to shareholders, according to stock market regulations (March 31, 2018 RON 715 thousand; December 31, 2017: RON 813 thousand).

28. OTHER FINANCIAL ASSETS

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

	March 31, 2018	December 31, 2017
	'000 RON	'000 RON
Treasury bonds in RON	248,697	393,694
Bank deposits in RON	2,371,728	2,385,984
Accrued interest receivable	11,016	4,382
Accrued interest on bonds	4,248	2,106
Total other financial assets	**2,635,689**	**2,786,166**

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

29. COMMITMENTS UNDERTAKEN

	March 31, 2018	December 31, 2017
	'000 RON	'000 RON
Endorsements and collaterals granted	142,926	151,911
Total	**142,926**	**151,911**

In 2017, a credit agreement was signed with Raiffeisen Bank SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 100,000 thousand. On March 31, 2018 are still available for use USD 62,753 thousand.

As of March 31, 2018, the Company's contractual commitments for the acquisition of non-current assets are of RON 1,388,001 thousand (December 31, 2017: RON 1,551,675 thousand), of which, the contract for CET Iernut development represents RON 1,073,254 thousand.

30. COMMITMENTS RECEIVED

	March 31, 2018	December 31, 2017
	'000 RON	'000 RON
Endorsements and collaterals received	1,456,974	1,534,757
Total	1,456,974	**1,534,757**

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

In June 2017, DIICOT issued a press release announcing the referral to court of several persons involved in the case. In January 2018, the High Court of Cassation and Justice ruled that the indictment prepared by DIICOT was not legal; the ruling is not definitive.

(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 financial statements are fairly stated.

(c) *Environmental contingencies*

Environmental regulations are developing in Romania and the Company has not recorded any liability at March 31, 2018 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 315,552 thousand (December 31, 2017: RON 311,084 thousand), representing the decommissioning liability, and a provision for land restauration of RON 15,002 thousand (December 31, 2017: RON 16,043 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 March 31, 2018, Romgaz holds in the Greenhouse Gas Emissions Unique Registry 693,903 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/m³, the operation of the plant would still be possible after this date, but the investments required to meet these emission levels would require a high volume of resources. These investments will not add any improvement to efficiency, nor will they increase the reliability of these groups.

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

In 2017, the Ministry of Energy approved the application for funds from the National Investment Plan for the investment "Combined cycle CCGT power plant". The finance agreement was signed at the end of 2017 for the amount of RON 227,224 thousand, which can be increased to maximum RON 320,912 thousand. Further to this, the Company submitted the first reimbursement claim of RON 20,994 thousand; the claim is being reviewed at the date the financial statements at March 31, 2018 are approved for issue.

(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, having January 2017 as due date for implementation. The alleged prejudice estimated by the Court of Accounts is over RON 160 million. Romgaz appealed the decision, but the Court of Accounts dismissed the appeal. Subsequently, the Company started legal proceedings against the Court of Accounts' decision no. 26/01.06.2016 and, also, contracted legal services for the annulment of the Court of Accounts' decision and to carry out the measures order by the Court of Accounts' decision. In December 2017, the term over which the Company has to implement the measures was extended by the Court of Accounts until end of June 2018.

(ii) According to European Commission decision, Romgaz might be 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 March 31, 2018 do not include adjustments about these matters.

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

32. JOINT ARRANGEMENTS

On March 31, 2018, the Company is part of the following joint arrangements:

a) In January 2002, Romgaz signed a petroleum agreement with Amromco for rehabilitation operations in order to achieve additional production in 11 blocks, namely: Bibeşti, Strâmba, Finta, Fierbinți-Târg, Frasin-Brazi, Zătreni, Boldu, Roșioru, Gura-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, now operator. 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 in the first half of 2016, 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-operation 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. On September 1, 2017 was signed an addendum to the Schlumberger agreement by which a new base production was agreed.

e) In June 2008, Romgaz signed a joint operation agreement for exploration, appraisal, development, operation in three blocks in Slovakia, namely: Svidnik, Snina and Medzilaborce. The owners of the exploration licenses are Aurelian Oil & Gas Slovakia, currently Alpine Oil & Gas (50% - operator), JKX (25%) and Romgaz through Bratislava branch (25%). In 2016 the operator obtained part of drilling clearances for three wells however, due to protests from environmental groups no drilling operations were undertaken.

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 January 2018 Pan Atlantic withdrew from the two Trident Perimeter Agreements. As a result of this, PanAtlantic was obliged to give up its share of participation to the other two partners free of charge. Therefore Romgaz took over an additional share of 2.2% and Lukoil an additional share of 15.8%.
   In April 2018, ANRM approved the extension of the exploration phase by another three and a half years for the execution of additional works.

NOTES TO THE FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2018 (NOT AUDITED)

33. EVENTS AFTER THE BALANCE SHEET DATE

Separation of gas storage activity

Starting April 2018, the natural gas storage activity was taken over by S.N.G.N. ROMGAZ S.A. – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești S.R.L. This separation involves:

- separation with no transfer of fixed assets; the assets needed for the underground storage activity will be rented to the subsidiary; the investments needed for the maintenance and development of the storage installations will be performed by the subsidiary;
- the investments in progress at the time of separation will be taken by the subsidiary at the carrying value;
- the takeover by the subsidiary of the client contracts;
- the concession agreements related to the underground storage will remain to the Company;
- the transfer of the license regarding the operations of the underground gas storage to the subsidiary;
- the inventories related to the storage activity will be transferred to the subsidiary as an equity contribution;
- the storage branch employees will be transferred to the subsidiary;
- the Company has increased the subsidiary's share capital to RON 50 million, in order to support the start of the subsidiary's activity.

Distribution of dividends

In April 2018 the shareholders decided the distribution of RON 1,923,258 thousand as dividends.

34. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on May 14, 2018.

Corin Cindrea Chief Executive Officer	**Andrei Bobar** Chief Financial Officer