Societatea **N**aţională de **G**aze **N**aturale "**ROMGAZ**" SA

I^ST^ HALF YEAR REPORT

ON ECONOMIC- FINANCIAL ACTIVITY OF ROMGAZ AS OF JUNE 30, 2016 (JANUARY 1, 2016 - JUNE 30, 2016)

SUMMARY

IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report based on	Article 227 of Law no. 297/2004 on capital market and Annex no. 31 of CNVM Regulation no. 1/2006 for the six-month period ended as of June 30, 2016 (H1 of the Financial Year 2016)
Report Date	August 12, 2016
Name of the Company	Societatea Naţională de Gaze Naturale "ROMGAZ" SA
Headquarter	Mediaş, 4 Piaţa Constantin I. Motaş, code 551130, County Sibiu
Telephone/fax number	0040 269 201020/0040 269 846901
Web/E-mail	www.romgaz.ro/ secretariat@romgaz.ro
Fiscal Code	14056826
Trade Registry No	J32/392/2001
Subscribed and paid in share capital	385,422,400 RON
Number of shares	385,422,400, each having a nominal value of RON 1
Regulated markets where the issued securities are traded:	Bucharest Stock Exchange BVB (shares), London Stock Exchange (GDRs)

I. 1ST HALF YEAR 2016 OVERVIEW

1.1. Company performances

Compared to the similar period of the last year, the Company's operational and financial performances for H1 2016 have been influenced mainly by the decrease of natural gas demand on the Romanian market by approx. 6%.

Net profit, in amount of RON 615.3 million, is in line with the budget forecast (+0.65%) although lower than in the similar period of 2015(-19.74%).

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

The financial indicators have been maintained at a very good margin EBIT (40.1%) and EBITDA (54.8%).

Gas sales were significantly influenced by weather conditions, by the decreased gas demand in the key sectors, by the uncertain regulatory framework related to minimum gas stocks.

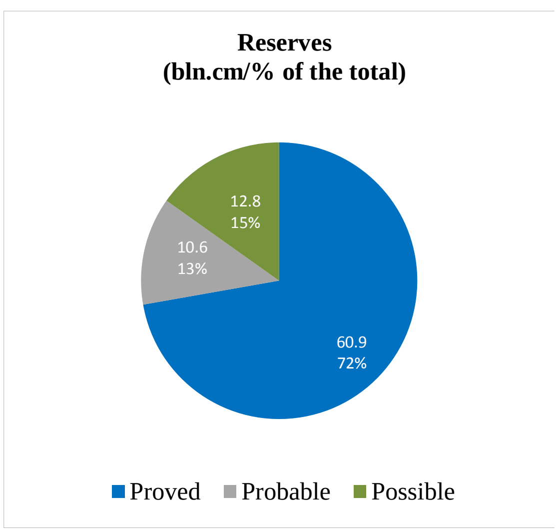
Revenue from electricity production has increased by 56.9%, namely RON 45 million.

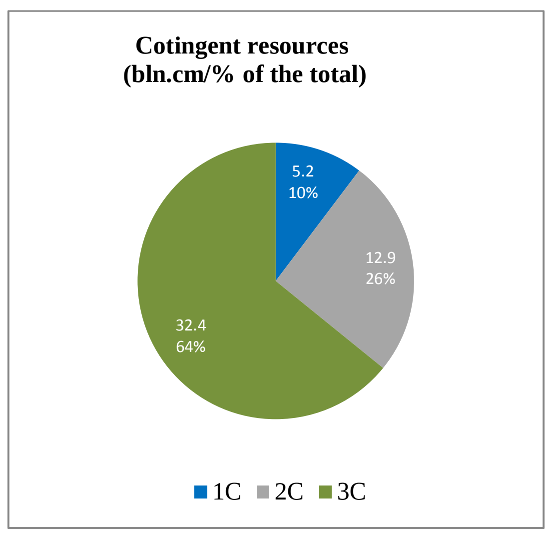
Other operating income, inclusive late payment penalties increased by RON 42 million.

The objective to have "0" new overdue accounts receivables is fulfilled – as a result of the company's trading policy there were no overdue accounts receivables during H1 of 2016 related to deliveries, that influenced costs and implicitly the company's profit.

The ***external audit of Romgaz natural gas reserves and contingent resources*** has been performed in the 1st half of 2016 by the American company DeGolyer&MacNaughton, resulting in a final Report sent to Romgaz on June 30, 2016.

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





Relevant Financial Result

million RON

Q2 2015	Q1 2016	Q2 2016	Δ Q2 (%)	Main Indicators	H1 2015	H1 2016	Δ H1 (%)
869.6	1,363.5	486.4	-44.07	Revenue	2,235.1	1,849.9	-17.23
941.6	1,316.3	594.1	-36.91	Income	2,241.2	1,910.4	-14.76
668.6	706.3	449.1	-32.83	Expenses	1,289.1	1,155.4	-10.37
273.1	610.0	145.0	-46.91	Gross Profit	952.1	755.0	-20.70
69.5	120.7	19.0	-72.62	Profit Tax	185.5	139.7	-24.69
203.6	489.3	125.9	-38.14	Net Profit	766.6	615.3	-19.74
261.4	602.6	138.8	-46.91	EBIT	926.8	741.4	-20.01
381.8	722.8	291.5	-23.64	EBITDA	1,223.7	1,014.3	-17.11
0.5	1.3	0.3	-38.34	Earnings per share (RON)	1.99	1.60	-19.78
23.4	35.9	25.9	10.61	Net Profit Rate (% from Revenue)	34.3	33.26	-3.03
30.0	44.2	28.5	-5.04	EBIT Ratio (% from Revenue)	41.5	40.1	-3.36
43.9	53.0	59.9	36.50	EBITDA Ratio (% from Revenue)	54.8	54.8	0.15
6,332	6,313	6,282	-0.79	Number of employees at the end of the period	6,332	6,282	-0.79

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

Revenue, profit and the other indicators calculated on their basis were set based on the estimated equivalent value of the natural gas quantities delivered in May and June, because the gas balance hasn't been finalised due to the lack of clear regulations on gas deliveries to household and assimilated consumers.

Summary of main indicators:

- *Total Income*, lower by RON 330.8 million, recorded a decrease by 14.8%, while total expenses were reduced by 10.4%. The evolution shows the warm weather, the decrease of natural gas demand in key sectors especially in the chemical fertiliser sector, the decrease of the gas demand for the minimum gas stocks for winter 2016-2017 as a result of a uncertain and uncoherent regulatory framework and the increased competition of import gas caused by the significant gas price drop in Europe.

- Although the net profit, EBIT and EBITDA are lower as compared to H1 2015, the financial indicator ratios as compared to revenue do not record significant deviations and are highly favourable: 33.3%, 40.1% and 54.8% (as compared to 34.3%, 41.5% and 54.80%, respectively during H1 of 2015), confirming the high profitability of the company;

- *EPS* (earnings per share) is RON 1.60/share.

Operational Results

Q2 2015	Q1 2016	Q2 2016	Δ Q2 (%)	Main Indicators	H1 2015	H1 2016	Δ H1 (%)
1,341	1,374	823	-38.6	Gas Produced (million m^3)	2.777	2,197	-20.9
97	100	54	-44.9	Petroleum Royalty (million m^3)	202	153	-23.9
3,600	2,051	1,590	-55.8	Condensate Production (tonnes)	5,512	3,641	-33.9
222.6	318.7	191.8	-13.9	Electricity delivered (GWh)	389.6	510.5	+31.0
38.9	931.0	0.0	-	UGS gas withdrawn services (million m^3)	1,190.1	931.0	-21.8
438.9	308.9	373.6	-14.9	UGS gas injection services (million m^3)	731.1	682.5	-6.6

Gas production was in the parameters expected when preparing the program for 2016, the achieved level representing 90.32% of the planned one.

Romgaz produced 2,197 million m^3 of natural gas during the first half of 2016, 580 million m^3 (20.9%) less than the gas produced in the same period of the previous year.

The production recorded in the analysed period is lower due to the challenges the company had to face, namely:

- the gentle winter leading to a lower natural gas consumption during the first quarter;
- the decrease of demand in the key sectors, caused by the international price drop (especially in the chemical fertiliser sector where the gas consumption has dropped by 49% as compared to last year) and the strong competition in the electricity generation sector;
- the decrease of gas demand for the minimum gas stocks for winter 2016-2017 as a result of the uncertain and uncoherent regulatory framework. Therefore, third parties injected in Romgaz storages in H1 2016 489 million m^3; by 103 million m^3 lower than in H1 2015, namely approx. 17% less;
- a relatively large gas stock belonging to Romgaz at the end of winter 2015-2016. The storage stock was of 795.8 million m^3 out of which Romgaz stock was 723 million m^3 representing 92%;
- the high competition of the import gas caused by the significant gas price drop in Europe. Therefore, as compared to H1 2015, the gas import increased in H1 2016 by 230%, namely by 179 million m^3.

The increase of *electricity quantities* is strictly related to the high temperatures recorded during the cold season, therefore the 200 MW energy unit operated during Q1 2016.

	2015	2016	Ratio
1	2	3	4=3/2x100
Q 1	167,007.91	318,720.48	190.84%
Q 2	222,680.04	191,846.53	86.15%
H I	**389,687.95**	**510,567.01**	**131.02%**

1.2. Highlights

Romgaz made a new important hydrocarbon discovery in Romania.

The production tests performed at two exploration wells confirm an important hydrocarbon accumulation. The results of the drill stem tests (DST) predict daily productions between 1400 and 2200 BOE/well. The contingent resource, evaluated based on drilling data, including well geophysics, mechanical cores and fluid tests and also further to sizing the trap by 3D seismic data, is estimated to be between 150 and 170 million BOE.

January 27, 2016

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

February 22, 2016

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

March 23, 2016

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

March 25, 2016

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

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

May 27, 2016

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

June 16, 2016

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

June 28, 2016

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

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

II. COMPANY OVERVIEW

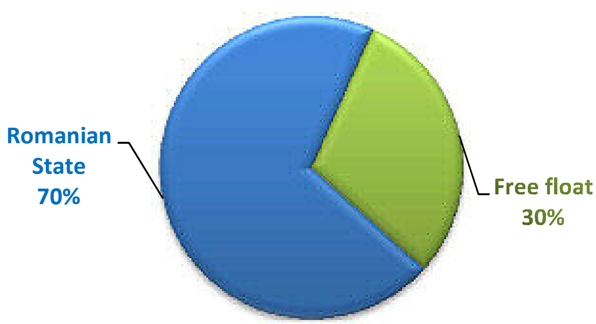
The company undertakes business in the following segments:

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

Shareholder structure

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

	Number of shares	%
The Romanian State[1]	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
*legal persons	*94,283,518*	*24.4624*
*natural persons	*21,315,802*	*5.5305*
Total	**385,422,400**	**100.0000**



Company Organization

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

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

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

[1] The Romanian State through the Ministry of Energy

- SPEE – Iernut Power Generation Branch
- Bratislava Branch

Company Management

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

Item no.	Name	Institution of employment	Position in the Board
1	Negrut Aurora	Ministry of Energy	Chairperson
2	Popescu Ecaterina	SC "Chimforex" SA	Member
3	Metea Virgil Marius	SNGN "Romgaz" SA	Member
4	Jansen Petrus Antonius Maria	Associate Lecturer London School of Business and Finance	Member
5	Chisalita Dumitru	Transilvania University Brasov	Member
6	Tcaciuc Sebastian Gabriel	Auris Capital	Member
7	Jude Aristotel	Ministry of Energy	Member

The *directors CVs* can be found on the company webpage at: https://www.romgaz.ro/en/ca

On June 30, 2016, the only director *holding shares of the company* (5,513 shares purchased in the IPO, representing 0.00143038% of the share capital) was Mr. Metea Virgil Marius.

Virgil Marius Metea - Director General (CEO)

The Board of Directors appointed Mr. Virgil Marius Metea by Resolution no. 8 of June 12, 2013, as Director General and delegated him responsibilities and duties related to internal management and representation.

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

Name	Position
ROMGAZ - Headquarters	
Rotar Dumitru Gheorghe	Deputy Director General
Dobrescu Dumitru	Deputy Director General
Ionascu Lucia	Economic Director
Cindrea Corin Emil	QHSE Director
Ciolpan Vasile	Energy Trade Director
Terciu Iulian Emil	Human Resource Management Director
Stancu Lucian Adrian	Corporate Management Director
Bodogae Horea Sorin	Procurement Director
Pavlovschi Vlad	Business Development Director
Balasz Bela Atila	Energy Management Director
Morariu Dan Nicolae	Information Technology and Telecommunication Director
Birsan Mircea Lucian	Technical Director

Chertes Viorel Lucian	Management Support Director
Medias Branch	
Man Ioan Mihai	Director
Achimet Teodora Magdalena	Economic Director
Sutoiu Florinel	Production Director
Seician Daniel	Technical Director
Targu Mures Branch	
Stefanescu Dan Paul	Director
Caraivan Viorica	Economic Director
Rusu Gratian	Production Director
Baciu Marius Tiberiu	Technical Director
Ploiesti Branch	
Carstea Vasile	Director
Ionescu Viorica Maria	Economic Director
Vecerdea Dan Adrian	Storage Director
Iernut Branch	
Bircea Angela	Director
Vlassa Susana Ramona	Economic Director
Oprea Maria Aurica	Commercial Director
David Stefan	Technical Director
SIRCOSS	
Dinca Ispasian Ioan	Director
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director
STTM	
Pop Traian	Director
Ilinca Cristian Alexandru	Economic Director
Cioban Cristian Augustin	Operation-Development Director

The following changes have been made as of August 1, 2016:

Name	Position
ROMGAZ - headquarters	
Ştefănescu Dan Paul	Exploration Production Director
Tîrgu Mureş Branch	
Dincă Ispasian Ioan	Director

The table below shows the number of shares held by the executive management as of June 30, 2016:

Item no.	Name	Number of shares	Share in the share capital (%)
0	1	2	3
1	Rotar Dumitru Gheorghe	10,611	0.00275308
2	Cârstea Vasile	412	0.00010690

3	Morariu Dan Nicolae	52	0.00001349
4	Dincă Ispasian Ioan	48	0.00001245
5	Vecerdea Dan Adrian	45	0.00001168
6	Balasz Bela Atila	38	0.00000986

Human Resources

On June 30, 2016 the company had a number of 6282 employees.

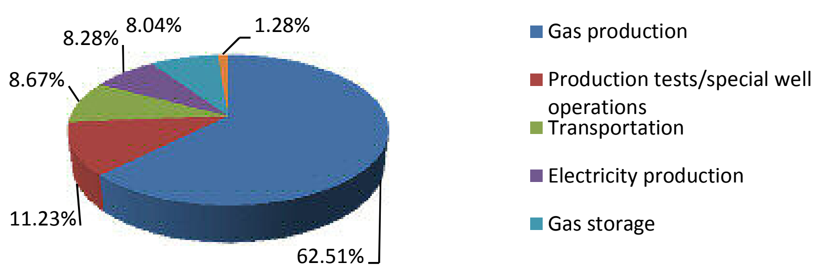
The table below shows the evolution of the employees' number between January 1, 2013 – June 30, 2016:

Description	2013	2014	2015	H1 2016
1	2	3	4	5
Employees at the beginning of the period	5921	6472	6344	6356
Newly hired employees	681*)	92	159	45
Employees who terminated their labour relationship with the company	130	220	147	119
Employees at the end of the period	6472	6344	6356	6282

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

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

a) by activities



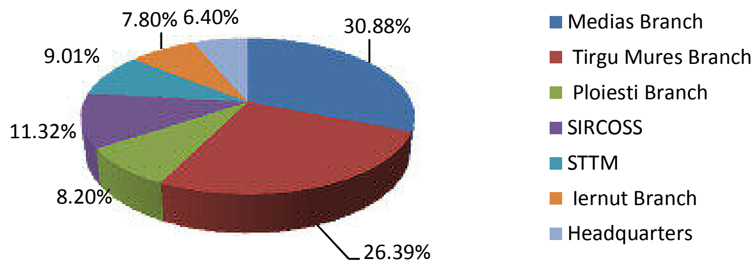
b) by level of education

University	23.19%;
Secondary school	26.07%;
Foreman school	3.88%;
Vocational school	34.50%;
Middle school	12.36%;

c) by age

below 30 years	3.68%;
30-40 years	16.19%;
40-50 years	40.58%;
50-60 years	30.95%;
above 60 years	8.60%;

d) by headquarters and branches



e) by categories

Entity	Workers	Foremen	Office	Total
1	2	3	4	5
Headquarters	31		371	**402**
Mediaş Branch	1,504	91	345	**1,940**
Tirgu-Mureş Branch	1,329	51	278	**1,658**
Ploieşti Branch	329	29	157	**515**
SIRCOSS	514	50	147	**711**
STTM	435	18	113	**566**
Iernut Branch	330	46	114	**490**
TOTAL	**4,472**	**285**	**1,525**	**6,282**

Romgaz on the stock exchange

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

	June 30, 2014	**June 30, 2015**	**June 30, 2016**
Number of shares	385,422,400	385,422,400	385,422,400
Closing price (RON)	34.70	36.40	25.10
Market capitalization			
*mil.RON	13,374	14,029	9,674
*mil.Euro	3,048	3,136	2,140

At the end of H1 2016 Romgaz shares were quoted at RON 25.1, being 31% below the closing price on June 30, 2015.

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

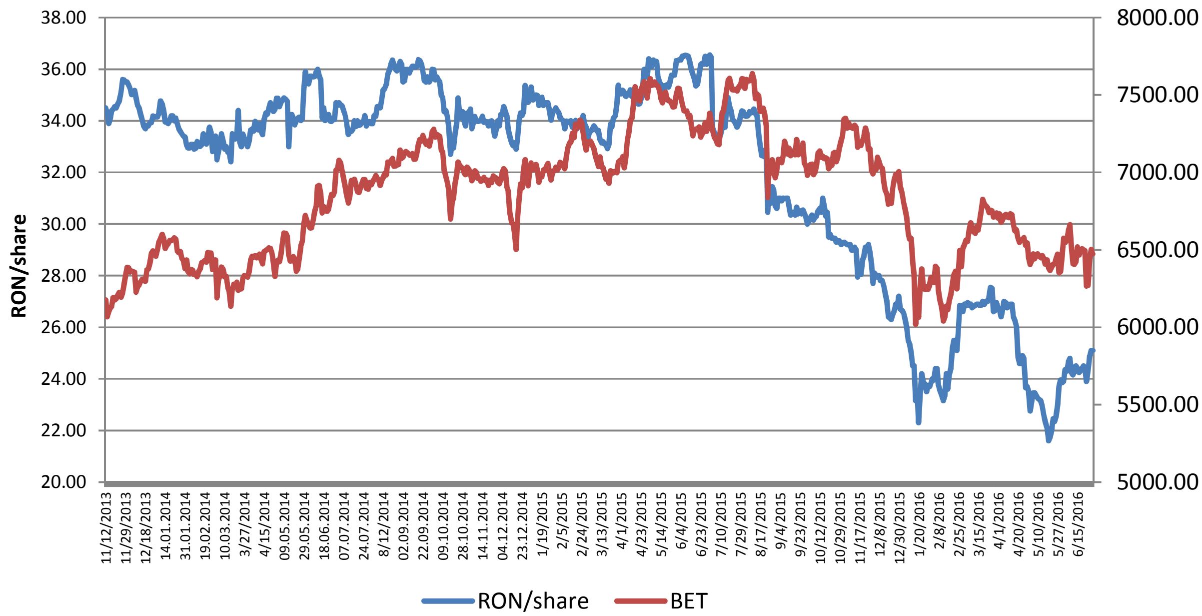
- 2nd place by market capitalization in the top of local issuers on BVB main segment. Having a market capitalization of RON 9,674.2 million, namely Euro 2,139.8 million on June 30, 2016, Romgaz is the second largest company listed in Romania, after OMV Petrom with a capitalization of RON 13,594.6 million, namely Euro 3,007.0 million;

- 2nd place by trading value in H1 2016 in the top of local issuers on BVB main segment (RON 988.35 million), after Banca Transilvania; the high trading value is due to the sale by Fondul Proprietatea of 5.26% Romgaz share capital (20,286,910 shares), filed on April 21, 2016, in amount of RON 486.9 million;

- According to the latest quarterly adjustments: 11.20% and 10.36% weight in the BET index (top 10 issuers) and namely in the BET-XT (BET Extended), 22.92% in the BET-NG index (energy and utilities), 11.87% in the BET-TR index (BET Total Return), 6.87% in the ROTX index (Romanian Traded Index);

- the issuer Romgaz is also included in the global indices allocated for Romania, for example FTSE (Financial Times Stock Exchange), MSCI (Morgan Stanley Capital International), S&P (Standard & Poor's), STOXX (oriented mainly on European markets), Russel Frontier.

Performance of Romgaz shares compared to the BET index, from listing until June 30, 2016 is shown below:



III. REVIEW OF THE COMPANY'S BUSINESS

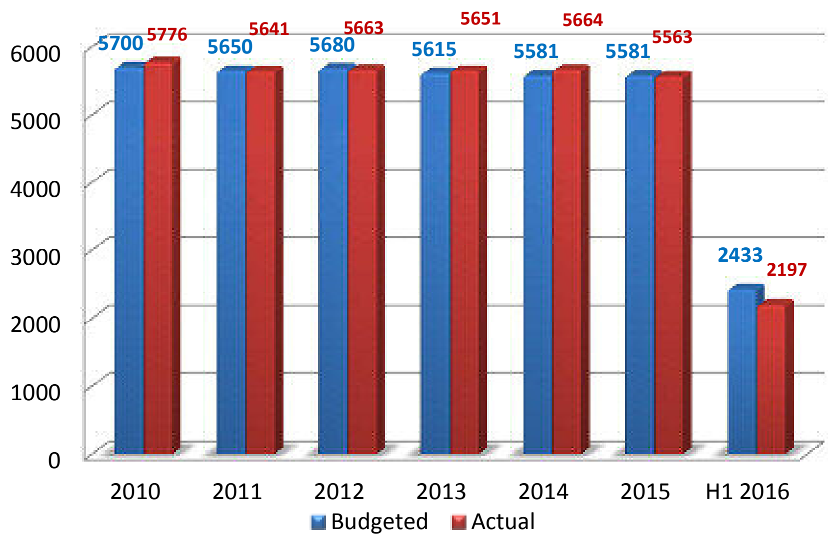
3.1. Operational Results

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

A retrospective analysis on the natural gas volumes produced between 2010- 2016 is shown below:

Specifications		2010	2011	2012	2013	2014	2015	H1 2016
1		2	3	4	5	6		7
Budgeted (mil.m^3)		5,700	5,650	5,680	5,615	5,581	5,581	2,433
Actual (mil.m^3)		5,776	5,641	5,663	5,651	5,664	5,563	2,197
Differences (Actual-Budgeted)	mil.m^3	+76	-9	-17	+36	+23	-18	-235
Actual	[%]	101.3	99.8	99.7	100.7	100.8	99.7	90.32

The figure below shows the evolution of gas volumes produced between 2010 - 2015 and in ***H1 2016***, budgeted vs actual:



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

Further to restructuring and modernisations performed in the last five years, the company has strengthened its activities by:

- Sustained investments for modernising the surface facilities;
- Modernising the infrastructure of compressor stations (overhaul or new stations), reducing gas gathering pressure by installing booster compressors (currently 17 booster compressors and 7 mobile booster compressors are operating).

During this period the following compressor stations were modernised and equipped with new, performant units: Delenii, Cristur, Filitelnic, Balda, Sânmărtin and Grebeniş;

- All commercial gas delivery points were equipped with flow computers that enable the remote monitoring of the main parameters (pressure, temperature, gas flow);
- Gas quality increased after modernising the existing gas dehydration stations and installing new stations with state of the art technology and higher efficiency (currently 71 silica gel, glycol and deliquescent salt dehydration stations are operating). Dehydration capacity of the gas delivered by Romgaz is 99%.

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

Item no.	Specifications	H1 2014	H1 2015	H1 2016	Ratios
0	1	2	3	4	5=4/3x100
1.	**Gross productions – total**, out of which:	**2,865.6**	**2,776.7**	**2,197.4**	**79.1%**
1.1.	*own gas	2,772.6	2,675.6	2,123.1	79.4%
1.2.	*Schlumberger joint venture (100%)	93.0	101.1	74.4	73.6%
2.	Technological consumption	40.3	39.5	26.6	67.3%
3.	**Net own gas production** (*1.-1.2.-2.*)	**2,732.3**	**2,636.1**	**2,096.4**	**79.5%**
4.	Own gas stored in UGS	75.8	143.2	210.4	146.9%
5.	Own gas withdrawn from UGS	450.5	293.3	308.9	105.3%
6.	Difference from conversion to Gross Calorific Value	0.4	3.1	0.0	
7.	**Delivered own gas** (*3.-4.+5.-6.*)	**3,106.6**	**2,783.1**	**2,194.9**	**78.9%**
8.	Gas delivered to CTE Iernut and Cojocna	188.2	118.3	152.2	128.7%
9.	**Own gas delivered to the market** (*7.-8.*)	**2,918.4**	**2,664.8**	**2,042.7**	**76.7%**
10.	**Gas from joint ventures*) – total**, out of which:	**89.8**	**85.9**	**75.8**	**88.2%**
	*Schlumberger (50%)	46.5	50.5	37.2	73.7%
	*Raffles Energy (37.5%)	0.5	0.2	0.2	100.0%
	*Amromco (50%)	42.8	35.2	38.4	109.1%
11.	Gas acquisition from domestic production	9.1	8.1	7.0	86.4%
12.	**Traded domestic gas** (*9.+10.+11.*)	**3,017.3**	**2,758.8**	**2,125.5**	**77.0%**
13.	**Gas delivered from domestic production** (*8.+12.*)	**3,205.5**	**2,877.1**	**2,277.7**	**79.2%**
14.	Delivered import gas	69.9	2.2	6.8	309.1%
15.	**Total delivered** (*13.+14.*)	**3,275.4**	**2,879.3**	**2,284.5**	**79.3%**
*	Invoiced UGS gas withdrawal services	1,169.4	1,190.1	931.0	78.2%
*	Invoiced UGS gas injection services	609.6	731.1	682.5	93.4%

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

3.2. Financial results

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

RON thousand

Item no.	Specifications	HI 2015	HI 2016	Ratios (2016/2015)
0	1	2	3	4=3/2x100
1	**Income – total, out of which:**	**2,241,217**	**1,910,392**	**85.2%**
	*operating income	2,215,524	1,896,307	85.6%
	*financial income	25,693	14,085	54.8%
2	Revenue	2,235,108	1,849,903	82.8%
3	**Expenses – total, out of which:**	**1,289,077**	**1,155,388**	**89.6%**
	*operating expenses	1,278,354	1,145,483	89.6%
	*financial expenses	10,723	9,905	92.4%
4	**Gross profit**	**952,140**	**755,004**	**79.3%**
5	Income tax	185,531	139,737	75.3%
6	**Profit net**	**766,609**	**615,267**	**80.3%**

The total income for H1 2016 was lower than the income for the similar period of 2015 by 14.8%.

Financial results

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

Description	H1 2015	H1 2016	Ratios (2016/2015)
1	2	3	4=3/2x100
Operating result	937,170	750,824	80.1%
Financial result	14,970	4,180	27.9%
Gross result	**952,140**	**755,004**	**79.3%**
Income Tax	(185,531)	(139,737)	75.3%
Net result	**766,609**	**615,267**	**80.3%**

Gross result achieved in H1 2016 is RON **755,004 thousand,** lower by 20.7% than the achieved result in the similar period of 2015.

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

Indicators	Calculation formula	M.U.	H1 2015	H1 2016
1	2	3	4	5
Working Capital (WC)	C_{lt}-A_f = E+L_{nc}+Pr+S_i-A_f	mil.RON	3,073	3,233
Working Capital Requirement (WCR)	(A_c-L+P_p) - (L_{crt}-Cr_{st}+I_{df})	mil.RON	443	2,081
Net Cash Flow	WC-WCR = D-Cr_{ts}	mil.RON	2,630	1,152
Economic Rate of Return	P_g/C_{lt}x100	%	9.83	7.84
Return on Equity (ROE)	P_n/Ex100	%	8.27	6.64
Return on Sales	P_g/Rx100	%	42.60	40.81
Return on Assets	P_n/Ax100	%	6.74	5.55
EBIT	P_g+Ex_i-I_r	mil.RON	927	741
EBITDA	EBIT+Am	mil.RON	1,224	1,014
ROCE	EBIT/C_{emp}x100	%	9.56	7.70
Current Liquidity	A_{crt}/L_{crt}	-	2.82	3.22
Asset Solvency	E/Lx100	%	81.41	83.63

where:

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

3.3. Prices and tariffs

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

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

intended for household consumption, irrespective of their option to be eligible or regulated customers;
- o supply of last resort of natural gas to final consumers at regulated price and under frame contracts;
- o administration of centralised markets;
- o natural gas transmission;
- o natural gas transmission through upstream supply pipelines, in accordance with the provisions of license validity conditions;
- o underground gas storage;
- o natural gas storage in pipelines;
- o natural gas, bio-gas and bio-methane distribution;
- o related activities performed by licensed operators;

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

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

Underground gas storage

The storage tariffs applied during the two compared periods:

- *For the period January 1 - March 31, 2015* the tariffs are those approved by the ANRE Order no.29 of April 9, 2014; and
- *For the period April 1, 2015 – June 30, 2016* the tariffs are those approved by the ANRE Order no.58 of March 27, 2015.

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

The storage tariffs applied during the two compared periods are shown in the table below:

Tariff Component	Unit	Tariffs (01.01.2015-31.03.2015)	Tariffs (01.04.2015-30.06.2016)
Volumetric component related to gas *injection*	RON/MWh	2.53	2.37
Fixed component related to storage *capacity booking*	RON/MWh storage cycle	13.14	13.68
Volumetric component related to gas *withdrawal*	RON/MWh	1.80	1.87

Natural Gas Distribution

Distribution tariffs applied during H1 2016 were approved by Order 133/2015 on establishing the regulated tariffs for distribution services, and approving the prices for the regulated gas supply performed by Societatea Nationala de Gaze Naturale "Romgaz" - S.A. Medias.

The final regulated prices applied during H1 2016 are specified in ANRE Order 133/2015.

3.4. Investments

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

During 2013 - June 30, 2016 the company made investments in amount of approx. RON *3.10 billion*. A yearly split is shown below:

Period	2013	2014	2015	H1 2016	Total
Value (thousand RON)	848,247	1,085,500	937,916	228,191	3,099,854

For 2016, Romgaz scheduled investments of RON *1,020.00 million.* For H1 2016, the scheduled investments were *RON 444.0 million* and the level of actual investments was RON *228.19 million*; the investment schedule has a 51.39% degree of fulfilment.

Investments were financed exclusively from own sources.

In terms of value, S1 2016 investments are smaller as compared to S1 2015, due to the following:

- there is no exploration activity scheduled for 2016 due to the company's fulfilment of this mandatory ANRM requirement by December 31, 2015. Investments made in S1 2015 for this activity amounted RON 76 million;
- In comparison with the allocated amounts and upon physical completion of scheduled works, savings were recorded for well reactivation/recompletion works and capitalizable repairs;
- Unclear legislative context relating to the liability (of contract beneficiaries or of the Road Administration Authority) for performing works on public roads providing access to well locations.

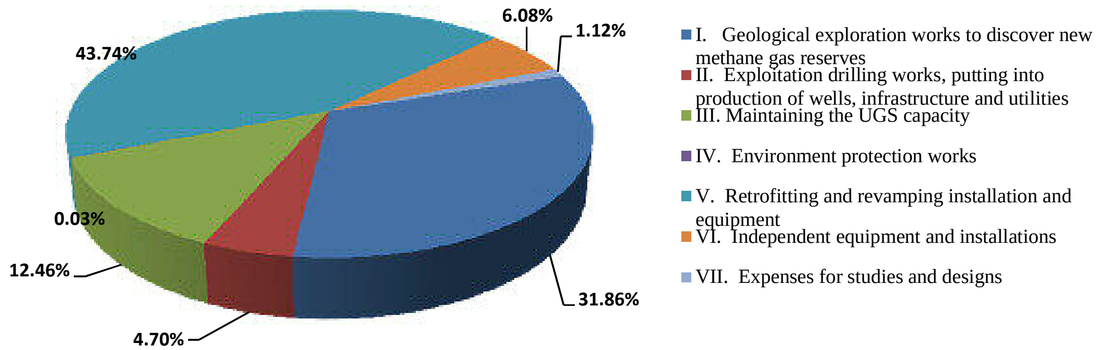
The table below shows a comparison between H1 2015 and H1 2016 split onto main investment categories:

thousand RON

Investment Categories	H1 2015	H1 2016	%
1	2	3	4=3/2x100
I. Geological exploration works to discover new methane gas reserves	306,838	72,704	23.69
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities	25,053	10,730	42.83
III. Maintaining the UGS capacity	12,907	28,442	220.36
IV. Environment protection works	4,014	66	1.64
V. Retrofitting and revamping of installation and equipment	100,491	99,818	99.33
VI. Independent equipment and installations	24,056	13,879	57.69
VII. Expenses related to studies and projects	6,543	2,552	39.00

TOTAL	**479,902**	**228,191**	**47.55**

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



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

Item No.	Main physical objectives	Planned	Results
1.	Exploratory drilling	31 wells	- completed: 6 wells - in progress: 4 wells - procurement in progress: 5 wells - drafting tender documentation: 12 wells
2.	Drilling design	40 wells	3 well – completion of designs
3.	Production drilling	3 wells	designs are in progress
4.	Construction of surface facilities – gas wells	30 wells	- completed: 14 wells - designs in progress: 9 - permits and approvals are pending: 18
5.	Sustaining the storage capacity	Sarmasel UGS: - compressor station - drilling 4 wells	100%, organizing final acceptance - completed: 1 well - in progress: 3 wells
		Urziceni UGS - drilling 3 wells	Completion of designs Permits and approvals are pending
6.	Well modernization	71 wells, schedule correlated with the annual plan agreed with ANRM	- completed: 57 wells - in progress: 20 wells
7.	Well capitalizable repairs and modernization (recompletion/reactivation)	168 wells, correlated with the annual plan agreed with ANRM	- completed: 80 wells - in progress: 20 wells
8.	Electric power production	Procurement of refurbishment works	Initiation of procurement procedure
9.	Partnerships	Aurelian Petroleum - drilling 1 well	completed

	Lukoil: - drilling 1 well in the Black Sea offshore	Ongoing studies and data interpretation to substantiate the continuance of exploration
	Schlumberger: - drilling works and surface facilities at 1 well	in progress
	Amromco: - drilling 3 wells - repairs at 3 wells	- completed: 1 well - in progress: 2 wells - repairs completed at 2 wells
	Slovakia: - drilling 3 wells - G&G studies	in progress completed

During the reviewed period, investments in amount of RON 126,193 thousand were commissioned.

At the end of H1 2016, approx. 65% of the annual investment budget, i.e. RON 1,020 million, was contracted.

Development of CTE Iernut

One of Romgaz main strategic directions specified in the *2015-2025 Development Strategy* is to consolidate the company's position on the energy supply markets. In the field of power generation, Romgaz planned to "make the activity more efficient by making investments aiming to increase Iernut power plant conversion efficiency at minimum 55%, to comply with environmental requirements (NOX, CO_2 emissions) and to increase operational safety".

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

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

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

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

- develop and operate CTE Iernut without concluding an association in participation contract with legal or natural persons;

- finance the investment to develop CTE Iernut from own sources and by accessing funds under PNI (National Investment Plan);
- conclude, as soon as possible, a contract for works with the scope of developing CTE Iernut by building a new power plant under a constructive concept, a combined-cycle gas turbine (CCGT) with an installed power of maximum 430 MW and gross electric efficiency at nominal load of minimum 55%.

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

The tender documentation for the contract "*Development of CTE Iernut by means of constructing a new thermal power plant with combined-cycle gas turbine with a nominal capacity ranging between 380-430 MW*" was drafted and transmitted for validation and publishing on SEAP (Electronic Public Procurement System).

3.5. Litigations

The summarized statement of litigations involving Romgaz shows the following:

- Total number of litigations is 113 (excluding labour-related litigations, specific performance obligations etc.):
  - 68 cases where Romgaz is plaintiff;
  - 40 cases where Romgaz is defendant;
  - 5 cases where Romgaz is plaintiff claiming damages/injured party
- The total value of the files where Romgaz is plaintiff amounts to RON 1,301,781,299.97;
- the total value of the files where Romgaz is defendant amounts to RON 11,985,956.66.

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

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

Item no	Contracting Party	Contract Number/Date	Scope of contract	Value, VAT excluded (RON)
1	**SC CET Govora SA**	6/30.06.2016	sale-purchase of natural gas	18,638,928.00
		7/30.06.2016	sale-purchase of natural gas	1,915,657.50
2	SC Electrocentrale Bucureşti SA*)	34/16.11.2015 extended and amended by effect of Addendums 4,5,6/2016	sale-purchase of natural gas	567,051,843.08
3	SC Electrocentrale Galaţi SA*)	32/18.11.2016 extended and amended by effect of Addendums 3,4,5/2016	sale-purchase of natural gas	17,403,887.95
4	SC Electrocentrale Galaţi SA*)	33/18.11.2016 extended and amended by effect of Addendums	sale-purchase of natural gas	22,683,516.97

Item no	Contracting Party	Contract Number/Date	Scope of contract	Value, VAT excluded (RON)
		4,5,6/2016		
5	SC Electrocentrale Oradea SA	2/22.01.2016	sale-purchase of natural gas	3,585,899.23
6	SNTGN Transgaz SA	Protocols 2,4/2016	sale-purchase of natural gas	629,581.08
		12.211/2016	supply of UGS services	6,279,168.96

*) –estimated value of the contracts is updated with the addendums concluded for H1 2016

IV. FINANCIAL-ACCOUNTING INFORMATION

4.1. Statement of Interim Financial Position

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

INDICATOR	December 31, 2015 (thousand RON)	June 30, 2016 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
ASSETS			
Non-current assets			
Property, plant and equipment	5,996,460	5,884,415	-1.87%
Other intangible assets	399,859	398,668	-0.30%
Investments in subsidiaries	1,200	1,200	0.00%
Investments in associates	163	125	-23.31%
Other financial assets	29,300	39,400	34.47%
Other financial investments	70,080	69,657	-0.60%
TOTAL NON-CURRENTASSETS	**6,497,062**	**6,393,465**	**-1.59%**
Current assets			
Inventories	559,784	526,026	-6.03%
Trade and other receivables	601,065	414,488	-31.04%
Other financial assets	2,146,827	2,438,225	13.57%
Other assets	139,612	156,382	12.01%
Cash and cash equivalents	740,352	1,152,293	55.64%
TOTAL CURRENT ASSETS	**4.187.640**	**4,687,414**	**11.93%**
TOTAL ASSETS	**10,684,702**	**11,080,879**	**3.71%**
EQUITY AND LIABILITIES			
Equity			
Share capital	385,422	385,422	0.00%
Reserves	2,581,853	2,927,883	13.40%
Retained earnings	6,724,947	5,953,544	-11.47%
TOTAL EQUITY	**9,692,222**	**9,266,849**	**-4.39%**
Non-current liabilities			
Retirement benefit obligation	102,959	100,942	-1.96%
Deferred tax liabilities	62,589	59,489	-4.95%
Provisions	200,855	199,048	-0.91%
Total non-current liabilities	**366,403**	**359,479**	**-1.89%**
Current liabilities			
Trade and other payables	186,937	192,252	2.84%
Current tax liabilities	90,838	25,291	-72.16%
Provisions	28,779	33,830	17.55%
Other liabilities	319,523	1,203,178	+276.55%
Total current liabilities	**626,077**	**1,454,551**	**132.33%**
TOTAL LIABILITIES	**992,480**	**1,814,030**	**82.78%**
TOTAL EQUITY AND LIABILITIES	**10,684,702**	**11,080,879**	**3.71%**

Non-current assets

The total non-current assets decreased by 1.59%, i.e. RON 103.60 million, from RON 6,497.6 million on December 31, 2015 to RON 6,393.47 million on June 30, 2016. The decrease is due, mainly, to a lower volume of investments in gas exploration and production assets as compared to their depreciation and shut-down.

Currents assets

Current assets increased by RON 499.77 million on June 30, 2016, due to the increase of the value of investments of available government securities and bank deposits.

Inventories

The decrease by 46.03 % (RON 33.76 million) on June 30, 2016 as compared to December 31, 2015, mainly due to decrease of gas stock, both of gas from internal production (RON 19.40 million) as well as gas purchased for resale (RON 10.18 million), as a result of Q1 2016 deliveries, decrease compensated by gas storage, as from April 2016.

Trade and other receivables

Trade receivables decreased by 31.04 % as compared to December 31, 2015, as a result of lower sales made in Q2 2016, as compared to Q4 2015.

In H1 ended on June 30, 2016, an allowance for doubtful debts of RON 77.95 million was established as regards the receivables from Electrocentrale Bucuresti (ELCEN). As from August 2016, gas deliveries towards this client were restarted based on two advance payment contracts (for regulated market and for free market).

On June 30, 2016, the receivable against ELCEN was of RON 316,045 thousand. At the end of July 2016, following negotiations between the two parties, a debt rescheduling agreement was concluded for the amount of RON 110,418 thousand for a three year period, the first due instalment was in August 2016. Also, for the amount of RON 187,249 thousand, a transaction was concluded through which the litigation between the Company and ELCEN is paid off, resulting that, by the end of the legal procedures completion, a debt rescheduling agreement should be concluded for a period of three years. For the rest of the outstanding amount, the two parties shall continue negotiations in order to identify a modality to pay off the receivable. Considering the difficulties met by the Company to recover the receivable, the allowance for doubtful debts recorded for interim individual financial statements on June 30, 2016 shall be written-back only as the due instalments are collected, according to the debt rescheduling agreement.

Cash and cash equivalents. Other financial assets

On June 30, 2016, cash, cash equivalents and other financial assets amounted to RON 3,629.92 million, as compared to RON 2,916.48 million at the end of 2015. From these liquid assets, the dividends related to 2015 were paid in July, as approved by the company's shareholders.

Other assets

Other assets increased insignificantly on June 30, 2016 as compared to December 31, 2015, mainly as a result of the increase of prepayments, representing the tax on special constructions, which is to affect the costs, staggered over the next period of 2016.

Equity

Retained earnings of the company decreased by 4.39% (RON 425.37 million), being adversely influenced by the dividends granted to shareholders, of 2015 profit, according to

GMS Resolution and positively influenced by the net result of the reporting period (RON 615.27 million).

Non-current liabilities

The non-current liabilities decreased as compared to December 31, 2015, mainly as a result of the amendment of the provision constituted for decommissioning of production and storage wells owned by the company.

Current liabilities

Current liabilities increased by RON 828.47 million, from RON 626.08 million as recorded on December 31, 2016, to RON 1,454.55 million, the amount recorded on June 30, 2016.

Trade and other payables

Trade liabilities increased by 2.84% as compared to December 31, 2015, as a result of the collection in advance of the gas delivered equivalent value (RON 105.09 million on June 30, 2016, as compared to RON 56.71 million on December 31, 2015). This increase is due to the fact that invoices for the gas delivered in May and June were not issued and the advances have not been settled with the receivables.

Current Tax Liabilities

Current tax liabilities decreased by 72.16% as a result of a smaller income tax for Q2 2016, as compared to Q4 2015.

Other liabilities

Other liabilities increased by 276.55% as a result of the company’s tax liability towards the shareholders, representing the distributed dividends, according to GMS Resolution, out of 2015 profit.

Provisions

Short-term provisions increased by 17.55% as compared to the year ended on December 31, 2016, as a result of the provision constituted for decommissioning of production and storage wells.

4.2. Statement of Interim Comprehensive Income

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

Description	H1 2015 (RON thousand)	H1 2016 (RON thousand)	Differences (RON thousand)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue	2,235,108	1,849,903	(385,205)	(17.23%)
Cost of commodities sold	(28,003)	(37,867)	9,864	35.22%
Investment income	25,348	13,624	(11,724)	(46.25%)
Other gains and losses	(188,773)	(130,984)	(57,789)	(30.61%)
Change in inventory	(41,433)	(17,639)	(23,794)	(57.43%)
Raw materials and consumables used	(40,713)	(29,343)	(11,370)	(27.93%)
Amortization, depreciation and impairment	(296,876)	(272,935)	(23,941)	(8.06%)
Employee benefit expense	(228,040)	(229,977)	1,937	0.85%
Finance cost	(9,105)	(9,167)	62	0.68%

Description	H1 2015 (RON thousand)	H1 2016 (RON thousand)	Differences (RON thousand)	Variation (%)
Other expenses	(497,204)	(444,648)	(52,556)	(10.57%)
Other income	21,831	64,037	42,206	193.33%
Profit before tax	**952,140**	**755,004**	**(197,136)**	**(20.70%)**
Income tax expense	(185,531)	(139,737)	(45,794)	(24.68%)
Net Profit	**766,609**	**615,267**	**(151,342)**	**(19.74%)**

Revenue

In H1 ended June 30, 2016, the Company's revenue decreased by 17.23% (RON 385.21million) as compared to the same period of the previous year.

The decrease by RON 421.27 million of the revenue from gas sale, both from Romgaz production, as well as from gas delivered as commodity and from associations was compensated to a small extent by the increase of revenue from sale of electric power and gas storage services as well as auxiliary services.

Cost of Commodities Sold

At the end of H1 2016, the cost of commodities sold increased by 35.22%, respectively by RON 9.86 million, as compared to the similar period of the previous year, as a result of increase of gas delivered as commodity.

Investment Income

In the reviewed period, investment income decreased by 46.25% (RON 11.72 million), as a result of reduction in interest rates of cash placed in bank deposits, as well as state bonds.

Other Gains and Losses

In H1 ended June 30, 2016, the Company recorded a net loss of RON 130.98 million, mainly due to allowances for doubtful debts as regards Electrocentrale Bucureşti in amount of RON 77.95 million, as well as writing off of some non-current assets with a carrying value of RON 49.35 million.

The loss due to writing off of non-current assets was cancelled by the release of the impairment to income registered for these assets, as reflected by amortization and depreciation.

As compared to the same period of 2015, the net loss decreased by RON 57.79 million (30.61%), due to the reduction of the cost of allowance related to Electrocentrale Bucuresti and Electrocentrale Galati customers (from RON 185 million, in H1 2015, to RON 77.95 million, in H1 2016), adversely influenced by the increase of the cost related to carrying value of non-current written-off assets (from RON 1.48 million, in H1 2015, to RON 49.35 million, in H1 2016).

Changes in Inventory

In H1 2016 and 2015, gas volumes – Romgaz property- withdrawn from UGSs were higher than those injected, therefore generating a negative change in inventory (loss).

Raw Materials and Consumable Used

The value of consumables used was lower than in H1ended June 2015, due to fewer regular well operations and works performed at compressor stations.

Depreciation, amortization and impairment

In Q1 2016, depreciation, amortization and impairment expenses of tangible and intangible non-current assets decreased as compared to the similar period of 2015, mainly due to an impairment in amount of RON -9.24 million (income), as compared to a net impairment of RON 5.95 million (expense) in H1 2015. Net income from impairment in amount of RON 9.24 million was recorded due to write-off of non-current assets impaired in the previous years.

Employee Benefit Expense

In the reviewed period, expenses with salaries, taxes and social contributions related to employees increased insignificantly (by 0.85%) as compared to the similar period of 2015. For 2016, such expenses are not expected as compared to 2015, the variation in H1 being merely a circumstantial one.

Other Expenses

Other Expenses recorded a decrease by RON 52.56 million, from RON 497.20 million on June 30, 2016, to RON 444.65 million on June 2016. This decrease is due, mainly, to taxes and duties expenses, especially to royalty and additional income tax, with lower values as compared to the previous period, by RON 29.26 million, respectively by RON 33.39 million, influenced by the level of production withdrawn from deposits and gas production delivered to customers. As compared to the previous period, the expenses with transmission of injected gas in underground storages increased, invoiced to the customers at the moment of withdrawal from the storages, as well as expenses with acquisition of CO_2 emissions certificates.

Other Revenue

In H1 2016, other revenue increased by 193.33%, meaning RON 42.21 million, as compared to the same period of the previous year and relates to increasing revenue generated by penalties invoiced to the clients due to late payment of invoices, as well as to increasing revenue generated by re-invoicing natural gas capacity booking and transmission services.

Income Tax Expense

In H1 2016, the Company’s expense in terms of income tax was RON 142.84 million and deferred tax revenue by RON 3.1 million, the total income tax expense recorded a decrease of 24.68 % as compared to H1 2015.

Profit for the Period

In H1 2016, the Company’s net profit decreased by RON 151.34 million (-19.74%), from RON 766.61 million in 2015 to RON 615.27 million in 2016, due to the cumulative effects of the above-mentioned factors.

The table below shows the breakdown of the interim global result for the period January – June 2016, respectively January - June 30, 2015:

RON thousand

Description	Gas Production and Sale	Storage	Other Activities	Adjustments and Removals	TOTAL
1	2	3	4	5	6
Revenue					
*H1 2015	1,998,821	191,339	240,630	(195,682)	**2,430,790**
*H1 2016	1,574,438	194,890	270,321	189,746	**2,039,649**
Cost of Commodities Sold					
*H1 2015	(9,031)	(24)	(18,949)	-	**(28,004)**
*H1 2016	(15,399)	(408)	(22,060)	-	**(37,867)**
Investment Income					
*H1 2015	1,163	2,940	21,245	-	**25,348**
*H1 2016	456	2,256	10,912	-	**13,624**
Other gains and losses					
*H1 2015	(186,892)	(320)	(1,560)	-	**(188,772)**
*H1 2016	(129,153)	(721)	(1,110)	-	**(130,984)**
Changes in Inventory					
*H1 2015	(26,893)	(16,433)	1,893	-	**(41,433)**
*H1 2016	(10,843)	(8,442)	1,646	-	**(17,639)**
Raw materials and consumables used					
*H1 2015	(27,094)	(6,511)	(8,683)	1,575	**(42,288)**
*H1 2016	(19,824)	(4,658)	(5,995)	1,134	**(30,477)**
Depreciation, amortization and impairment					
*H1 2015	(235,349)	(44,641)	(16,887)	-	**(296,877)**
*H1 2016	(210,834)	(46,936)	(15,165)	-	**(272,935)**
Employee benefit expenses					
*H1 2015	(144,768)	(21,451)	(61,821)	-	**(228,040)**
*H1 2016	(146,642)	(21,929)	(61,406)	-	**(229,977)**
Financial cost					
*H1 2015	(8,376)	(729)	-	-	**(9,105)**
*H1 2016	(8,366)	(801)	-	-	**(9,167)**
Other expenses					
*H1 2015	(552,300)	(42,658)	(97,014)	194,768	**(691,972)**
*H1 2016	(480,322)	(44,800)	(108,731)	(189,205)	**(633,853)**
Other income					
*H1 2015	21,249	166	1,078	(662)	**22,493**
*H1 2016	63,408	568	654	593	**64,630**
Profit before tax					
*H1 2015	830,530	61,678	59,932	(273,078)	**952,140**
*H1 2016	616,919	69,019	69,066	-	**755,004**
Income tax expense					
*H1 2015	-	-	(185,531)	69,510	(185,531)
*H1 2016	-	-	(139,737)	-	(139,737)
Net profit					
*H1 2015	830,530	61,678	(125,599)	(203,568)	**766,609**
*H1 2016	616,919	69,019	(70,671)	-	**615,267**

4.3. Statement of Cash Flows

Statements of cash flows recorded in H1 2016 and respectively in H1 2015 are as follows:

INDICATOR	H1 ended June 30, 2015 (RON thousand)	H1 ended June 30, 2016 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
Cash flow from operating activities			
Net Profit for the period	**766,609**	**615,267**	**-19.74%**
Adjustments for:			
Profit tax expenses	185,531	139,737	-24.68%
Interest expense	17	9	-47.06%
Unwinding of decommissioning provision	9,088	9,158	0.77%
Interest revenue	(25,348)	(13,624)	-46.25%
Loss on disposal of non-current assets	1,483	49,347	3,227.51%
Change in decommissioning provision recognized in result for the period, other than unwinding	(249)	(1,230)	393.98%
Change in other provisions	(3,055)	(4,911)	60.75%
Expenses for impairment of exploration assets	7,849	13,890	76.97%
Impairment of property, plant and equipment	(1,930)	(23,126)	1,098.24%
Depreciation and amortization expense	290,957	282,171	-3.02%
Impairment of other financial investments	633	(1,516)	-339.49%
(Gains)/Losses from disposal of other financial investments		1,577	n/a
Losses from trade and other receivables	185,325	78,537	-57.62%
Write-down allowance of inventory	1,308	3,021	130.96%
Cash generated from operations, before movements in working capital	**1,418,218**	**1,148,307**	**-19.03%**
Movements in working capital			
(Increase)/Decrease in inventory	35,699	30,861	-13.55%
(Increase)/Decrease in trade and other receivables	147,562	91,269	-38.15%
Increase/(Decrease) in trade and other liabilities	(159,558)	(145,558)	-8.77%
Cash generated from operations	**1,441,921**	**1,124,879**	**-21.99%**
Interest paid	(17)	(9)	-47.06%
Income tax paid	(214,934)	(208,384)	-3.05%
Net cash generated from operations	**1,226,970**	**916,486**	**-25.30%**
Cash flows from investing activities			
Acquisition of investments in associates	(89)	-	n/a
(Increase)/Decrease in other financial assets	667,541	(302,899)	-145.38%
Interest received	25,683	12,963	-49.53%
Proceeds from sale of non-current assets	19	5	-73.68%
Loan granted to associates	(679)	-	n/a
Loans reimbursed by the associates	65	-	n/a
Dividends received	1,634	-	n/a
Collections from disposal of other financial assets	-	400	n/a
Acquisition of non-current assets	(158,006)	(147,384)	-6.72%
Acquisition of exploration assets	(311,984)	(67,507)	-78.36%
Net cash used in investing activities	**224,184**	**(504,422)**	**-325.00%**
Cash flows from financing activities			
Dividends paid	(870)	(123)	-85.86%
Net cash used in financing activities	**(870)**	**(123)**	**-85.86%**
Net Increase/(Decrease) in cash and cash equivalents	**1,450,284**	**411,941**	**-71.60%**
Cash and cash equivalents at the beginning of the year	**526,256**	**740,352**	**40.68%**
Cash and cash equivalents as of June 30	**1,976,540**	**1,152,293**	**-41.70%**

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

Reconciliation of net profit to cash flow generated from operating activities (before changes in net current assets) resulted in a positive change in the net adjustments of RON 1,148.3 million for the period January – June 2016, as compared to RON 1,1418.2 million for the similar period of 2015.

The most important movements in cash flows were the receipts for gas delivered to the customers of the Company, payments for acquisition of non-current assets (RON 147.4 million) and exploration assets in amount of RON 67.5 million.

Attached hereto are the Interim Financial Statements for the period ending June 30, 2016 prepared in accordance with IFRS.

Signatures:

Chairperson of the Board of Directors,

AURORA NEGRUŢ

....

Director General,	**Economic Department Director,**
MARIUS VIRGIL METEA	**LUCIA IONAŞCU**
....	....

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

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

INDIVIDUAL INTERIM FINANCIAL STATEMENTS (REVIEWED)

FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2016

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

CONTENTS:

Deloitte.

Deloitte Audit S.R.L.
Şos. Nicolae Titulescu nr. 4-8,
Intrarea de Est, Etajul 2 –
Zona Deloitte şi etajul 3,
Sector 1, 011141,
Bucureşti, România

Tel.: +40 21 222 16 61
Fax: +40 21 222 16 60
www.deloitte.ro

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

REPORT ON THE REVIEW OF INTERIM INDIVIDUAL FINANCIAL INFORMATION

Introduction

1 We have reviewed the accompanying interim individual statement of financial position of S.N.G.N. Romgaz S.A. (the Company) as of June 30, 2016 and the related interim individual statements of comprehensive income, individual changes in shareholders' equity and individual cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim individual financial information in accordance with the International Financial Reporting Standards as adopted by the European Union. Our responsibility is to express a conclusion on this interim individual financial information based on our review.

Scope of Review

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

Conclusion

3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim individual financial information does not present fairly, in all material respects, the individual financial position of the Company as of June 30, 2016 and its interim individual financial performance and its cash flows for the six-month period then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Other Matters

4 We have not reviewed the financial information for the period ended March 31, 2016 and we are not expressing our conclusion regarding this financial information.

Deloitte.

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

For signature, please refer to the original Romanian version.

Deloitte Audit S.R.L.
Bucharest, Romania
August 11, 2016

STATEMENT OF INDIVIDUAL INTERIM COMPREHENSIVE INCOME FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2016 (REVIEWED)

	Note	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
		'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3	1,849,903	486,398	2,235,108	869,631
Cost of commodities sold	5	(37,867)	(16,648)	(28,003)	(16,819)
Investment income	4	13,624	6,176	25,348	11,730
Other gains and losses	6	(130,984)	7,392	(188,773)	(165,926)
Changes in inventory of finished goods and work in progress		(17,639)	81,933	(41,433)	51,226
Raw materials and consumables used	5	(29,343)	(11,558)	(40,713)	(19,148)
Depreciation, amortization and impairment expenses	7	(272,935)	(152,692)	(296,876)	(120,483)
Employee benefit expense	8	(229,977)	(118,351)	(228,040)	(120,101)
Finance cost	9	(9,167)	(4,577)	(9,105)	(4,555)
Other expenses	10	(444,648)	(152,666)	(497,204)	(221,268)
Other income	3	64,037	19,572	21,831	8,791
Profit before tax		**755,004**	**144,979**	**952,140**	**273,078**
Income tax expense	11	(139,737)	(19,032)	(185,531)	(69,510)
Profit for the period		**615,267**	**125,947**	**766,609**	**203,568**
Basic and diluted earnings per share		0.0016	0.0003	0.0020	0.0005
Total comprehensive income for the period		**615,267**	**125,947**	**766,609**	**203,568**

These individual interim financial statements were authorized for issue by the Board of Directors on August 11, 2016.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION AS OF JUNE 30, 2016 (REVIEWED)

	Note	June 30, 2016	December 31, 2015
		'000 RON	'000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	12	5,884,415	5,996,460
Other intangible assets	14	398,668	399,859
Investments in subsidiaries	24 a)	1,200	1,200
Investments in associates	24 b)	125	163
Other financial assets	28	39,400	29,300
Other financial investments	25	69,657	70,080
Total non-current assets		**6,393,465**	**6,497,062**
Current assets			
Inventories	15	526,026	559,784
Trade and other receivables	16 a)	414,488	601,065
Other financial assets	28	2,438,225	2,146,827
Other assets	16 b)	156,382	139,612
Cash and cash equivalents	27	1,152,293	740,352
Total current assets		**4,687,414**	**4,187,640**
Total assets		**11,080,879**	**10,684,702**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	385,422	385,422
Reserves	18	2,927,883	2,581,853
Retained earnings		5,953,544	6,724,947
Total equity		**9,266,849**	**9,692,222**
Non-current liabilities			
Retirement benefit obligation	19	100,942	102,959
Deferred tax liabilities	11	59,489	62,589
Provisions	19	199,048	200,855
Total non-current liabilities		**359,479**	**366,403**

STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION AS OF JUNE 30, 2016 (REVIEWED)

	Note	June 30, 2016	December 31, 2015
		'000 RON	'000 RON
Current liabilities			
Trade and other payables	20	192,252	186,937
Current tax liabilities		25,291	90,838
Provisions	19	33,830	28,779
Other liabilities	20	1,203,178	319,523
Total current liabilities		**1,454,551**	**626,077**
Total liabilities		**1,814,030**	**992,480**
Total equity and liabilities		**11,080,879**	**10,684,702**

These individual interim financial statements were authorized for issue by the Board of Directors on August 11, 2016.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

STATEMENT OF INDIVIDUAL INTERIM CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2016	**385,422**	**77,084**	**2,504,769**	**6,724,947**	**9,692,222**
Allocation to dividends	-	-	-	(1,040,640)	**(1,040,640)**
Transfer to other reserves	-	-	346,030	(346,030)	-
Total comprehensive income for the period	-	-	-	615,267	**615,267**
Balance as of June 30, 2016	**385,422**	**77,084**	**2,850,799**	**5,953,544**	**9,266,849**
Balance as of January 1, 2015	**385,422**	**77,084**	**2,065,263**	**7,184,249**	**9,712,018**
Allocation to dividends	-	-	-	(1,214,081)	**(1,214,081)**
Transfer to other reserves	-	-	407,035	(407,035)	
Reinvested profit	-	-	18,392	(18,392)	-
Total comprehensive income for the period	-	-	-	766,609	**766,609**
Balance as of June 30, 2015	**385,422**	**77,084**	**2,490,690**	**6,311,350**	**9,264,546**

These individual interim financial statements were authorized for issue by the Board of Directors on August 11, 2016.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

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

STATEMENT OF INDIVIDUAL INTERIM CASH FLOW FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2016 (REVIEWED)

	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON	'000 RON	'000 RON (represented)*	'000 RON (represented)*
Cash flows from operating activities				
Net profit for the period	**615,267**	**125,947**	**766,609**	**203,568**
Adjustments for:				
Income tax expense (note 11)	139,737	19,032	185,531	69,510
Interest expense (note 9)	9	4	17	11
Unwinding of decommissioning provision (note 9, note 19)	9,158	4,573	9,088	4,544
Interest revenue (note 4)	(13,624)	(6,176)	(25,348)	(11,730)
Net loss on disposal of non-current assets (note 6)	49,347	895	1,483	201
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	(1,230)	(737)	(249)	(49)
Change in other provisions	(4,911)	(2,856)	(3,055)	(875)
Net impairment of exploration assets (note 12, note 14)	13,890	6,205	7,849	(4,850)
Net impairment of property, plant and equipment (note 12, note 14)	(23,126)	19,335	(1,930)	(14,354)
Depreciation and amortization (note 7)	282,171	127,152	290,957	139,687
Net impairment of investment in other financial investments (note 6, note 24 b, nota 25)	(1,516)	61	633	633
Net loss from disposal of other financial investments (note 6, note 25)	1,577	-	-	-
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 6)	78,537	(9,690)	185,325	164,359
Net movement in write-down allowances for inventory (note 6)	3,021	1,310	1,308	1,308
	1,148,307	**285,065**	**1,418,218**	**551,963**
Movements in working capital:				
Decrease/(Increase) in inventory	30,861	(88,494)	35,699	(43,569)
Decrease/(Increase) in trade and other receivables	91,269	562,329	147,562	333,482
(Decrease)/Increase in trade and other liabilities	(145,558)	(324,648)	(159,558)	(141,036)
Cash generated from operations	**1,124,879**	**434,242**	**1,441,921**	**700,840**
Interest paid	(9)	(4)	(17)	(11)
Income taxes paid	(208,384)	(117,546)	(214,934)	(123,080)
Net cash generated by operating activities	**916,486**	**316,692**	**1,226,970**	**577,749**

STATEMENT OF INDIVIDUAL INTERIM CASH FLOW FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2016 (REVIEWED)

	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON	'000 RON	'000 RON (represented)*	'000 RON (represented)*
Cash flows from investing activities				
Acquisition of investments in associates	-	-	(89)	(89)
(Increase)/Decrease in other financial assets	(302,899)	669,997	667,541	659,514
Interest received	12,963	5,688	25,683	8,474
Proceeds from sale of non-current assets	5	5	19	-
Loans granted to associates	-	-	(679)	-
Reimbursements of loans granted to associates	-	-	65	-
Dividends received	-	-	1,634	-
Sale of other financial investments (note 25)	400	-	-	-
Acquisition of non-current assets	(147,384)	(75,928)	(158,006)	(93,153)
Acquisition of exploration assets	(67,507)	(38,074)	(311,984)	(165,771)
Net cash used in investing activities	**(504,422)**	**561,688**	**224,184**	**408,975**
Cash flows from financing activities				
Dividends paid	(123)	(28)	(870)	(81)
Net cash used in financing activities	**(123)**	**(28)**	**(870)**	**(81)**
Net increase/(decrease) in cash and cash equivalents	**411,941**	**878,352**	**1,450,284**	**986,643**
Cash and cash equivalents at the beginning of the period	**740,352**	**273,941**	**526,256**	**989,897**
Cash and cash equivalents at the end of the period	**1,152,293**	**1,152,293**	**1,976,540**	**1,976,540**

* Representation of the statement of individual interim cash flow for the six-month period ended June 30, 2015, was done according to Note 33 of the individual financial statements for the year ended December 31, 2015, to ensure comparability with the first six months of 2016. Reclassification of bank deposits and bonds with a maturity of over three months from acquisition date as of June 30, 2015 was of RON 653,866 thousand.

These individual interim financial statements were authorized for issue by the Board of Directors on August 11, 2016.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2016 (REVIEWED)

1. BACKGROUND AND GENERAL BUSINESS

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

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

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

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

Romgaz has as main activity:

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

Basis of preparation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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

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

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

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

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

Associated entities

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

Joint arrangements

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements (continued)

Joint operations

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

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

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

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

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

Joint ventures

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

Standards and interpretations effective in the current period

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

- annual improvements to IFRS – cycle 2010-2012 adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);
- amendments to IAS 19: Defined benefit plans: employee contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);
- amendments to IAS 27: Equity method in separate financial statements, adopted by EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- amendments to IAS 1: Disclosure initiative, adopted by EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- annual improvements to IFRS – cycle 2012-2014, adopted by EU on December 15, 2015 (effective for annual periods beginning on or after January 1, 2016);

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations effective in the current period (continued)

- amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization, adopted by EU on December 2, 2015, (effective for annual periods beginning on or after January 1, 2016);

- amendments to IFRS 11: Accounting for acquisitions of interests in joint operations, adopted by EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016);

- amendments to IAS 16 and IAS 41: Bearer plants adopted by EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016).

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

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

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

- IFRS 9 "Financial instruments" (effective for annual periods beginning on or after January 1, 2018);

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

- IFRS 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);

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

- amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: applying the consolidation exception (effective for annual periods beginning on or after January 1, 2016);

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

- amendments to IAS 12: Recognition of deffered tax assets for unrealised losses (effective for annual periods beginning on or after January 1, 2017);

- amendments to IAS 7: Disclosure initiative (effective for annual periods beginning on or after January 1, 2017);

- clarifications to IFRS 15: Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018);

- amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2018).

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Revenue recognition

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

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

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

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

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

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

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

Foreign currencies

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Benefits granted upon retirement

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

Based on the Collective Labor Agreement, the Company is liable to pay to its employees at retirement a number of gross salaries, according to the years worked in the gas industry/electrical industry, work conditions etc. To this purpose, the Company recorded a provision for benefits upon retirement. This provision is updated annually and computed according to actuary methods based on estimates of the average salary, the average number of salaries payable upon retirement, on the estimate of the period when they shall be paid and it is brought to present value using a discount factor based on interest related to a maximum degree of security investments (government securities).

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

Employee participation to profit

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

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

Provisions

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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

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

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

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

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

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

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

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the individual interim financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

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

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

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

Current and deferred tax for the period

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

Property, plant and equipment

(1) Cost

(i) Property, plant and equipment

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

(ii) Development expenditure

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

(iii) Maintenance and repairs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

(1) Cost (continued)

(iii) Maintenance and repairs (continued)

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

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

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

(2) Depreciation

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and appraisal assets

(1) Cost

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

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

(1) Impairment

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

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

Other intangible assets

(1) Cost

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

Intangible assets are not revalued.

(2) Amortization

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Financial assets and liabilities

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Available for sale (AFS) financial assets

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

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

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

Impairment of financial assets

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

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

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

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

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

De-recognition of financial assets and liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves

Reserves include:

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

Use of estimates

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

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

Estimates related to the exploration expenditure on undeveloped fields

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

Estimates related to the developed proved reserves

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

Estimates related to the decommissioning provision

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates related to the retirement benefit obligation

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

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

Estimates regarding the environment provision

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

Fair value measurements and valuation processes

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

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

Contingencies

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

Comparative information

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

3. REVENUE AND OTHER INCOME

	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Revenue from gas sold - domestic production	1,443,116	363,120	1,863,173	729,174
Revenue from gas sold - joint venture	57,392	24,534	65,709	30,108
Revenue from gas acquired for resale – import gas	10,885	-	3,195	-
Revenue from gas acquired for resale – domestic gas	5,981	2,265	6,583	3,431
Revenue from storage services-capacity reservation	154,718	21,987	146,182	23,326
Revenue from storage services-extraction	18,582	-	22,751	621
Revenue from storage services-injection	20,869	12,518	22,321	15,017
Revenue from electricity	123,046	53,840	77,644	48,002
Revenue from services	7,757	4,043	16,267	12,635
Revenue from sale of goods	4,178	2,423	7,842	5,566
Other operating revenues	67,416	21,240	25,272	10,542
Total	**1,913,940**	**505,970**	**2,256,939**	**878,422**

4. INVESTMENT INCOME

	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Interest income	13,624	6,176	25,348	11,730
Total	**13,624**	**6,176**	**25,348**	**11,730**

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Consumables used	27,030	10,398	38,459	17,872
Cost of gas acquired for resale, sold – import	10,173	-	3,090	-
Cost of gas acquired for resale, sold – domestic	5,120	1,889	5,929	3,016
Cost of electricity imbalance	21,756	14,202	18,624	13,576
Cost of other goods sold	818	557	359	226
Other consumables	2,313	1,160	2,255	1,277
Total	**67,210**	**28,206**	**68,716**	**35,967**

6. OTHER GAINS AND LOSSES

	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Forex gain	62	16	345	306
Forex loss	(80)	(48)	(369)	269
Net loss on disposal of non-current assets	(49,347)	(895)	(1,483)	(201)
Net loss on disposal of other financial investments	(1,577)	-	-	-
Net receivable allowances and write offs (note 16 c)	(78,537)	9,690	(185,324)	(164,358)
Net impairment of financial investments (note 25)	1,516	(61)	(633)	(633)
Net write down allowances for inventory (note 15)	(3,021)	(1,310)	(1,308)	(1,308)
Losses from trade receivables	-	-	(1)	(1)
Total	**(130,984)**	**7,392**	**(188,773)**	**(165,926)**

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Depreciation	282,171	127,152	290,957	139,687
out of which:				
- depreciation of property, plant and equipment	275,610	124,066	281,581	135,423
- amortization of intangible assets	6,561	3,086	9,376	4,264
Net impairment of non-current assets	(9,236)	25,540	5,919	(19,204)
Total depreciation, amortization and impairment	**272,935**	**152,692**	**296,876**	**120,483**

8. EMPLOYEE BENEFIT EXPENSE

	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Wages and salaries	204,861	103,378	201,259	103,940
Social security charges	53,040	28,753	52,292	28,997
Meal tickets	6,399	3,083	6,241	3,014
Other benefits according to collective labor contract	6,397	4,419	6,559	4,818
Private pension payments	5,858	2,922	5,860	2,936
Total employee benefit costs	**276,555**	**142,555**	**272,211**	**143,705**
Less, capitalised employee benefit costs	(46,578)	(24,204)	(44,171)	(23,604)
Total employee benefit expense	**229,977**	**118,351**	**228,040**	**120,101**

9. FINANCE COSTS

	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Interest expense	9	4	17	11
Unwinding of the decommissioning provision (note 19)	9,158	4,573	9,088	4,544
Total	**9,167**	**4,577**	**9,105**	**4,555**

10. OTHER EXPENSES

	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Energy and water expenses	7,740	4,149	6,141	3,957
Expenses for capacity booking and gas transmission services	13,578	5,166	14,468	8,979
Expenses with other taxes and duties	334,959	104,107	405,867	171,530
(Net gain)/Net loss from provisions movement	(6,141)	(3,593)	(3,304)	(924)
Other operating expenses	94,512	42,837	74,032	37,726
Total	**444,648**	**152,666**	**497,204**	**221,268**

In the six months ended June 30, 2016, the major taxes and duties included in the amount of RON 334,959 thousand (six months ended June 30, 2015: RON 405,867 thousand) for taxes and duties are:

- RON 164,758 thousand, including amounts related to joint ventures, represent windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 with the subsequent amendments for the implementation of the windfall tax following the deregulation of prices in the natural gas sector (six months ended June 30, 2015: RON 198,151 thousand);

- RON 35,113 thousand, including amounts related to joint ventures, represent tax on special construction according to Law 227/2015 regarding the Fiscal Code (six months ended June 30, 2015: RON 32,904 thousand);

- RON 117,652 thousand, including amounts related to joint ventures, represent royalty on gas production and storage activity (six months ended June 30, 2015: RON 146,912 thousand).

11. INCOME TAX EXPENSE

Income tax	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Current tax expense	142,837	25,292	195,144	72,205
Deferred income tax (income)/expense	(3,100)	(6,260)	(9,613)	(2,695)
Income tax expense	**139,737**	**19,032**	**185,531**	**69,510**

The tax rate used for the reconciliations below for the six months ended June 30, 2016, respectively June 30, 2015 is 16% payable by corporate entities in Romania on taxable profits.

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

	Six months ended June 30, 2016	Six months ended June 30, 2015
	'000 RON	'000 RON
Accounting profit before tax	**755,004**	**952,140**
Income tax expense calculated at 16%	120,801	152,343
Effect of income exempt of taxation	(12,844)	(17,686)
Effect of expenses that are not deductible in determining taxable profit	39,138	63,978
Tax incentives	(4,258)	(3,491)
Effect of temporary differences	(3,100)	(9,613)
Income tax expense	**139,737**	**185,531**

Components of deferred tax liability:

	June 30, 2016		December 31, 2015	
	Cumulative temporary differences	Deferred tax (asset)/ liability	Cumulative temporary differences	Deferred tax (asset)/ liability
	'000 RON	'000 RON	'000 RON	'000 RON
Provisions	(305,650)	(48,904)	(302,388)	(48,382)
Property, plant and equipment	828,825	132,612	844,937	135,190
Receivables and other assets	(151,367)	(24,219)	(151,367)	(24,219)
Total	**371,808**	**59,489**	**391,182**	**62,589**
Charged to income		**(3,100)**		**(68,716)**

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2016	106,399	831,437	5,633,432	704,856	87,955	1,601,802	657,862	800,625	10,424,368
Additions for the six-month period ended June 30, 2016*)	90	4,151	98,627	27,602	2,280	1,669	68,153	166,664	369,236
Of which: the three-month period ended June 30, 2016	20	2,659	40,637	12,427	351	942	39,517	94,557	191,110
Disposals for the six-month period ended June 30, 2016	-	(42)	(56,573)	(3,476)	(1,528)	-	(13,143)	(132,728)	(207,490)
Of which: the three-month period ended June 30, 2016	-	(37)	(2,384)	(3,395)	(18)	-	(13,143)	(58,172)	(77,149)
As of June 30, 2016	106,489	835,546	5,675,486	728,982	88,707	1,603,471	712,872	834,561	10,586,114
Accumulated depreciation									
As of January 1, 2016	-	201,906	2,530,752	431,088	59,106	436,982	-	-	3,659,834
Charge for the six-month period ended June 30, 2016**)	-	16,152	202,304	27,943	3,208	43,465	-	-	293,072
Of which: the three-month period ended June 30, 2016	-	8,072	87,866	13,853	1,626	21,060	-	-	132,477
Disposals during the six-month period ended June 30, 2016	-	(19)	(5,435)	(2,302)	(1,499)	-	-	-	(9,255)
Of which: the three-month period ended June 30, 2016	-	(18)	(666)	(2,250)	(3)	-	-	-	(2,937)
As of June 30, 2016	-	218,039	2,727,621	456,729	60,815	480,447	-	-	3,943,651

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Impairment									
As of January 1, 2016	3,180	15,535	185,440	23,903	420	3,889	444,885	90,822	768,074
Transfers for the six-month period ended June 30, 2016	-	-	2,024	-	-	-	(10,508)	8,484	-
Of which: the three-month period ended June 30, 2016	-	-	-	-	-	-	(10,508)	10,508	-
Charge for the six-month period ended June 30, 2016	-	358	22,757	330	102	115	13,477	14,345	51,484
Of which: the three-month period ended June 30, 2016	-	337	16,934	258	100	115	6,138	6,627	30,509
Release during the six-month period ended June 30, 2016	-	(33)	(57,006)	(471)	(21)	(2,729)	(377)	(873)	(61,510)
Of which: the three-month period ended June 30, 2016	-	(15)	(4,082)	(236)	(4)	(698)	(212)	(1)	(5,248)
As of June 30, 2016	3,180	15,860	153,215	23,762	501	1,275	447,477	112,778	758,048
Carrying value									
As of January 1, 2016	103,219	613,996	2,917,240	249,865	28,429	1,160,931	212,977	709,803	5,996,460
As of June 30, 2016	103,309	601,647	2,794,650	248,491	27,391	1,121,749	265,395	721,783	5,884,415

**) Amounts include put in functions/transfers in amount of RON 134,258 thousand.*
***) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 13,537 thousand.*

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2015	**104,058**	**457,028**	**4,872,197**	**1,096,588**	**157,645**	**1,604,301**	**852,508**	**548,085**	**9,692,410**
Additions for the six-month period ended June 30, 2015*)	1,447	4,391	145,045	13,003	1,093	89,567	233,620	163,892	652,058
Of which: the three-month period ended June 30, 2015	1,048	823	87,801	4,623	405	67,980	139,536	99,826	402,042
Disposals for the six-month period ended June 30, 2015 *)	(18)	(18)	(3,371)	(468)	(108)	-	(30,716)	(221,300)	(255,999)
Of which: the three-month period ended June 30, 2015	(18)	(17)	(1,170)	(31)	(106)	-	(16,268)	(145,482)	(163,092)
Reclassification	-	355,583	256,831	(434,327)	(76,280)	(101,807)	-	-	-
As of June 30, 2015	**105,487**	**816,984**	**5,270,702**	**674,796**	**82,350**	**1,592,061**	**1,055,412**	**490,677**	**10,088,469**
Accumulated depreciation									
As of January 1, 2015	**-**	**84,071**	**2,030,012**	**505,872**	**113,502**	**370,324**	**-**	**-**	**3,103,781**
Charge for the six-month period ended June 30, 2015**)	-	16,020	209,237	29,341	3,426	39,793	-	-	297,817
Of which: the three-month period ended June 30, 2015	-	8,013	99,357	14,599	1,702	20,032	-	-	143,703
Disposals during the six-month period ended June 30, 2015	-	(13)	(144)	(460)	(108)	-	-	-	(725)
Of which: the three-month period ended June 30, 2015	-	(12)	(144)	(31)	(105)	-	-	-	(292)
Reclassification	-	86,055	106,394	(126,928)	(60,662)	(4,859)			-
As of June 30, 2015	**-**	**186,133**	**2,345,499**	**407,825**	**56,158**	**405,258**	**-**	**-**	**3,400,873**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	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
Impairment									
As of January 1, 2015	3,180	15,176	174,085	24,881	298	6,253	339,084	62,953	625,910
Charge for the six-month period ended June 30, 2015	-	212	38,744	382	85	-	25,465	10,047	74,935
Of which: the three-month period ended June 30, 2015	-	203	8,557	223	85	-	9,174	1,538	19,780
Release during the six-month period ended June 30, 2015	-	(30)	(35,386)	(1,528)	(50)	(906)	(9,841)	(13,500)	(61,241)
Of which: the three-month period ended June 30, 2015	-	(15)	(24,425)	(52)	-	(464)	(14)	(4)	(24,974)
Reclassification	-	810	14	(404)	58	(478)	-	-	-
As of June 30, 2015	3,180	16,168	177,457	23,331	391	4,869	354,708	59,500	639,604
Carrying value									
As of January 1, 2015	100,878	357,781	2,668,100	565,835	43,845	1,227,724	513,424	485,132	5,962,719
As of June 30, 2015	102,307	614,683	2,747,746	243,640	25,801	1,181,934	700,704	431,177	6,047,992

**) Amounts include put in functions/transfers in amount of RON 251,952 thousand.*
***) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 14,980 thousand.*

13. EXPLORATION AND APPRAISAL FOR NATURAL GAS RESOURCES

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

	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Net movement in exploration assets' impairment (note 12, note 14)	13,890	6,205	7,849	(4,850)
Net cash used in exploration investing activities	(67,507)	(38,074)	(311,984)	(165,771)

	June 30, 2016	December 31, 2015
	'000 RON	'000 RON
Exploration assets	646,073	592,715
Liabilities	(23,828)	(67,076)
Net assets	**622,245**	**525,639**

14. OTHER INTANGIBLE ASSETS

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of January 1, 2016	15,079	178,241	589,337	165	782,822
Additions for the six month period ended June 30, 2016	-	4,137	1,730	3,752	9,619
Of which: the three month period ended June 30, 2016	-	713	933	1,179	2,825
Disposals for the six month period ended June 30, 2016	-	(10,893)	-	(3,459)	(14,352)
Of which: the three month period ended June 30, 2016	-	-	-	(822)	(822)
As of June 30, 2016	15,079	171,485	591,067	458	778,089
Accumulated amortization					
As of January 1, 2016	7,260	166,104	-	-	173,364
Charge for the six month period ended June 30, 2016	1,108	5,453	-	-	6,561
Of which: the three month period ended June 30, 2016	554	2,532	-	-	3,086
Disposals during the six month period June 30, 2016	-	(10,893)	-	-	(10,893)
Of which: the three month period ended June 30, 2016	-	-	-	-	-
As of June 30, 2016	8,368	160,664	-	-	169,032

14. OTHER INTANGIBLE ASSETS (continued)

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

14. OTHER INTANGIBLE ASSETS (continued)

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of January 1, 2015	**14,584**	**168,266**	**497,329**	**2,606**	**682,785**
Additions for the six month period ended June 30, 2015	2,559	7,925	78,365	6,134	94,983
Of which: the three month period ended June 30, 2015	2,187	6,512	26,410	292	35,401
Disposals for the six month period June 30, 2015	-	(514)	-	(8,740)	(9,254)
Of which: the three month period ended June 30, 2015	-	(340)	-	(8,564)	(8,904)
As of June 30, 2015	**17,143**	**175,677**	**575,694**	**-**	**768,514**
Accumulated amortization					
As of January 1, 2015	**5,056**	**152,045**	**-**	**-**	**157,101**
Charge for the six month period ended June 30, 2015	1,104	8,272	-	-	9,376
Of which: the three month period ended June 30, 2015	552	3,712	-	-	4,264
Disposals during the six month period ended June 30, 2015	-	(514)	-	-	(514)
Of which: the three month period ended June 30, 2015	-	(340)	-	-	(340)
As of June 30, 2015	**6,160**	**159,803**	**-**	**-**	**165,963**

14. OTHER INTANGIBLE ASSETS (continued)

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Impairment					
As of January 1, 2015	-	-	116,048	2,187	118,235
Charge for the six month period ended June 30, 2015	2,187	-	6,340	-	8,527
Of which: the three month period ended June 30, 2015	2,187	-	-	-	2,187
Release during the six month period ended June 30, 2015	-	-	(14,115)	(2,187)	(16,302)
Of which: the three month period ended June 30, 2015	-	-	(14,010)	(2,187)	(16,197)
As of June 30, 2015	2,187	-	108,273	-	110,460
Carrying value					
As of January 1, 2015	9,528	16,221	381,281	419	407,449
As of June 30, 2015	8,796	15,874	467,421	-	492,091

15. INVENTORIES

	June 30, 2016 '000 RON	December 31, 2015 '000 RON
Spare parts and materials	157,027	158,034
Work in progress	442	594
Finished goods (gas)	324,002	351,773
Residual products	111	86
Inventories at third parties	73,605	65,248
Goods for resale (gas)	171	10,344
Other inventories	79	95
Write-down allowance for spare parts and materials	(28,640)	(25,789)
Write-down allowance for residual products	(33)	(22)
Write-down allowance for inventories at third parties	(738)	(579)
Total	**526,026**	**559,784**

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	June 30, 2016 '000 RON	December 31, 2015 '000 RON
Trade receivables	1,077,438	1,438,204
Bad debt allowances (note 16 c)	(935,120)	(856,676)
Accrued receivables	272,170	19,537
Total	**414,488**	**601,065**

b) Other assets

	June 30, 2016 '000 RON	December 31, 2015 '000 RON
Advances paid to suppliers	6,894	13,933
Joint venture receivables	7,422	5,113
Loans to associates (note 22 ii) *)	-	17,887
Interest on loan to associates (note 22 ii) *)	-	1,041
Bad debt allowance on loans to associates (note 16 c, note 22 ii) *)	-	(18,928)
Other receivables	6,688	5,499
Bad debt allowance for other receivables (note 16 c)	(354)	(549)
Other debtors *)	65,551	45,148
Bad debt allowances for other debtors (note 16 c) *)	(61,896)	(42,692)
Prepayments	121,727	84,481
VAT refunded	8,069	-
VAT not yet due	2,281	28,679
Total	**156,382**	**139,612**

16. ACCOUNTS RECEIVABLE (continued)

b) Other assets (continued)

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

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

	2016	2015
	'000 RON	'000 RON
At January 1	**918,845**	**626,625**
Charge during the six month period ended June 30 (note 6)	90,890	213,523
Of which: the three month period ended June 30	305	192,186
Forex on revaluation of foreign currency balances during the six month period ended June 30	(12)	(35)
Of which: the three month period ended June 30	200	(354)
Release during the six month period ended June 30 (note 6)	(12,353)	(28,199)
Of which: the three month period ended June 30	(9,995)	(27,828)
At June 30	**997,370**	**811,914**

As of June 30, 2016, the Company recorded allowances for doubtful debts, of which Interagro RON 275,961 thousand (December 31, 2015: RON 273,229 thousand), GHCL Upsom of RON 60,371 thousand (December 31, 2015: RON 60,371 thousand), CET Iasi of RON 46,271 thousand (December 31, 2015: RON 46,271 thousand), Electrocentrale Galati with RON 208,736 thousand (December 31, 2015: RON 209,907 thousand), Electrocentrale Bucuresti with RON 316,045 thousand (December 31, 2015: RON 238,094 thousand) and G-ON EUROGAZ of RON 14,848 thousand (December 31, 2015: RON 14,848 thousand), due to existing financial conditions of these clients as well as ongoing litigating cases related to these receivables or exceeding payment terms.

	June 30, 2016	December 31, 2015
	'000 RON	'000 RON
Current receivables but not impaired	138,279	559,927
Overdue receivables but not impaired		
less than 30 days overdue	3,900	7,186
30 to 90 days overdue	110	14,396
90 to 360 days overdue	29	19
Total overdue receivables but not impaired	**4,039**	**21,601**
Total trade receivables	**142,318**	**581,528**

17. SHARE CAPITAL

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

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

	No. of shares	Value	Percentage (%)
		'000 RON	
The Romanian State through the Ministry of Energy	269,823,080	269,823	70.01
Legal persons	94,283,518	94,283	24.46
Physical persons	21,315,802	21,316	5.53
Total	**385,422,400**	**385,422**	**100**

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

18. RESERVES

	June 30, 2016	December 31, 2015
	'000 RON	'000 RON
Legal reserves	77,084	77,084
Other reserves, of which:	2,850,799	2,504,769
- Company's development fund	2,291,181	1,955,242
- Tax incentives	62,516	62,516
- Geological quota set up until 2004	486,388	486,388
- Other reserves	10,714	623
Total	**2,927,883**	**2,581,853**

19. PROVISIONS

	June 30, 2016	December 31, 2015
	'000 RON	'000 RON
Decommissioning provision	183,176	184,983
Retirement benefit obligation	100,942	102,959
Litigation provision *)	15,872	15,872
Total long term provisions	**299,990**	**303,814**
Decommissioning provision	20,574	12,629
Provisions for land restoration	12,299	14,253
Litigation provision	-	79
Other provisions (note 23)	957	1,818
Total short term provisions	**33,830**	**28,779**
Total provisions	**333,820**	**332,593**

19. PROVISIONS (continued)

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

Following the tax inspection, an additional liability was established for Romgaz of RON 22,440 thousand, representing income tax, VAT, penalties and related interest. Of the total amount, Romgaz paid RON 2,389 thousand.

For the remaining amount of RON 20,051 thousand, Romgaz performed a legal assessment which concluded that the additional tax, penalties and interest are not correct. Romgaz filed an appeal to the Ministry of Public Finance. The appeal was partially rejected for the amount of RON 15,872 thousand.

For RON 4,179 thousand a new fiscal control was ordered, which resulted in a tax burden of RON 2,981 thousand. Against this decision, Romgaz filed an appeal rejected by ANAF. The Company will start the legal proceedings against ANAF for the tax liability of RON 2,981 thousand.

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

Based on the above and to prevent the forced execution of the tax liabilities subject to the appeal, on October 23, 2014 (in accordance with provisions of art. 148^1 of Government Ordinance no. 92/2003 regarding the Tax Procedure Code, respectively art. 235 of Law no. 207/2015 regarding the Tax Procedure Code), Romgaz issued a bank letter of guarantee in favor of the Ministry of Public Finance for the amount of the additional liabilities, respectively RON 20,051 thousand, valid until October 13, 2016. For the tax decision related to the RON 2,981 thousand, on November 11, 2015 the Company issued a bank letter of guarantee in favor of the Ministry of Public Finance, valid until November 10, 2016.

Decommissioning provision

Decommissioning provision movement	2016	2015
	'000 RON	'000 RON
At January 1	**197,612**	**222,243**
Additional provision recorded against non current assets during the six month period ended June 30	45	101
Of which: the three month period ended June 30	(35)	(83)
Unwinding effect during the six month period ended June 30 (note 9)	9,158	9,088
Of which: the three month period ended June 30	4,573	4,544
Recorded in profit or loss during the six month period ended June 30	(1,230)	(249)
Of which: the three month period ended June 30	(737)	(49)
Release against non-current assets loss during the six month period ended June 30	(1,835)	(1,736)
Of which: the three month period ended June 30	(837)	(829)
At June 30	**203,750**	**229,447**

19. PROVISIONS (continued)

Decommissioning provision (continued)

The Company makes full provision for the future cost of decommissioning natural gas wells on a discounted basis upon installation. The provision for the costs of decommissioning these wells at the end of their economic lives has been estimated using existing technology, at current prices or future assumptions, depending on the expected timing of the activity, and discounted using a weighted average cost of capital as of June 30, 2016 of 9.3% (six months ended June 30, 2015: 8.8%). While the provision is based on the best estimate of future costs and the economic lives of the wells, there is uncertainty regarding both the amount and timing of these costs.

20. TRADE AND OTHER CURRENT LIABILITIES

	June 30, 2016	December 31, 2015
	'000 RON	'000 RON
Accruals	29,860	65,283
Trade payables	26,999	23,976
Payables to fixed assets suppliers	30,306	40,967
Advances from customers	105,087	56,711
Total trade payables	**192,252**	**186,937**
Payables related to employees	22,039	49,141
Tax on special constructions	35,364	-
Royalties	38,296	81,711
Social security taxes	14,394	16,160
Other current liabilities	35,652	40,785
Joint venture payables	3,329	977
VAT	-	81,348
Dividends payable	1,042,023	1,506
Windfall tax	8,740	43,596
Other taxes	3,341	4,299
Total other current liabilities	**1,203,178**	**319,523**
Total trade and other current liabilities	**1,395,430**	**506,460**

21. FINANCIAL INSTRUMENTS

Financial risk factors

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

(a) Market risk

(i) *Foreign exchange risk*

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

As at June 30, 2016, the official exchange rates were RON 4.0624 to USD 1 and RON 4.5210 to EUR 1 and (December 31, 2015: RON 4.1477 to USD 1 and RON 4.5245 to EUR 1).

21. FINANCIAL INSTRUMENTS (continued)

(a) Market risk (continued)

(ii) *Inflation risk*

The official inflation rate in Romania, during the six months ended June 30, 2016 was under 10% as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy.

(iii) *Interest rate risk*

The Company is not exposed to interest rate risk.

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of trade receivables and loans. The Company has policies in place to ensure that sales are made to customers with low credit risk. Also, sales have to secured, either through advance payments, either through bank letters of guarantee. The carrying amount of accounts receivable, net of bad debt allowances, and loans, represent the maximum amount exposed to credit risk. The Company has a concentration of credit risk in respect of its top 4 clients, which together amount to 92% of trade receivable balance at June 30, 2016 (94% as of December 31, 2015). Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the bad debt allowance already recorded.

(c) Capital risk management

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

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

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

(d) Fair value estimation

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

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

The shares held in available for sale financial investments are not listed in an active market and their fair value cannot be reliably measured, therefore they are measured at cost. At each period end, the Company makes an assessment to determine whether there is any indication of impairment. As of June 30, 2016 the Company did not identify any indication of impairment of other financial investments, except for the impairment already recorded.

21. FINANCIAL INSTRUMENTS (continued)

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

June 30, 2016	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	9,913	132,405	-	-	-	142,318
Bank deposits	814,600	410,730	461,590	39,400	-	1,726,320
Treasury bonds	196,065	145,765	404,655	-	-	746,485
Total	**1,020,578**	**688,900**	**866,245**	**39,400**	**-**	**2,615,123**
Trade payables	(40,546)	(16,759)	-	-	-	(57,305)
Total	**(40,546)**	**(16,759)**	**-**	**-**	**-**	**(57,305)**
Net	**980,032**	**672,141**	**866,245**	**39,400**	**-**	**2,557,818**

December 31, 2015	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	329,707	251,770	51	-	-	581,528
Bank deposits	23,750	395,100	913,710	29,300	-	1,361,860
Treasury bonds	-	400,430	410,440	-	-	810,870
Total	**353,457**	**1,047,300**	**1,324,201**	**29,300**	**-**	**2,754,258**
Trade payables	(52,787)	(12,155)	(1)	-	-	(64,943)
Total	**(52,787)**	**(12,155)**	**(1)**	**-**	**-**	**(64,943)**
Net	**300,670**	**1,035,145**	**1,324,200**	**29,300**	**-**	**2,689,315**

f) Liquidity risk management

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

22. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Sales of goods and services

	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON		'000 RON	'000 RON
Romgaz's associates	3,361	1,767	12,368	10,788
Total	**3,361**	**1,767**	**12,368**	**10,788**

Most of the Company's clients are companies in which the Romanian State has control or continues to have a significant influence after their privatization, given the strategic importance of the industry in which both the Company and its clients operate. In the six months ended June 30, 2016 respectively June 30, 2015, the Company conducted transactions with these companies only in the normal course of business. These transactions are done on the basis of standard contractual relationships.

(ii) Loans granted to associates

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

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

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

iii) Trade receivables

	June 30, 2016	December 31, 2015
	'000 RON	'000 RON
Romgaz's associates	98	-
Total	**98**	**-**

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

The remuneration of executives and directors

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

During the six-month periods ended June 30, 2016 and June 30, 2015, no loans and advances were granted to executives and directors of the Company, except for work related travel advances, and they do not owe any amounts to the Company from such advances.

	June 30, 2016	June 30, 2015
	'000 RON	'000 RON
Salaries paid to directors	5,404	5,390
Salaries paid to members of the Board of Directors	1,023	1,353

	June 30, 2016	December 31, 2015
	'000 RON	'000 RON
Salaries payable to directors	469	486
Salaries payable to members of the Board of Directors	112	126

The Company set up a provision as of June 30, 2016 of RON 957 thousand, of which RON 646 thousand is related to 2015, for the remuneration related to directors on mandate contract and members of the Board of Directors, (December 31, 2015: RON 1,818 thousand;.of this amount, the shareholders approved only RON 948 thousand, of which RON 302 thousand was paid in the six month period ended June 30, 2016; the remaining amount will be paid in the second half of 2016).

24. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

a) Investment in subsidiaries

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

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

As of the date of the individual interim financial statements for the period ended June 30, 2016 were authorized for issue, the storage activity is being further carried by the Company. The Regulatory Authority for Energy (Autoritatea Nationala de Reglementare in Domeniul Energiei – ANRE), by Presidential decision no. 2588/December 30, 2015, had changed license no. 1942 regarding the operations of the underground gas storage facilities granted to Romgaz by ANRE presidential decision no. 151/January 22, 2014 in the sense of changing the licence holder with S.N.G.N Romgaz S.A. – Filiala de Inmagazinare Gaze Naturale Depogaz Ploiesti S.R.L. The modified license was granted starting April 1, 2016 to September 13, 2056. Subsequently, ANRE decision no. 446 issued on March 23, 2016 has changed ANRE decision nr. 2588/2015, the effective date of the licence being, April 1, 2017.

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

24. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

b) Investment in associates

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

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

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

25. OTHER FINANCIAL INVESTMENTS

Company	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%) June 30, 2016	Proportion of ownership interest and voting power held (%) December 31, 2015
Electrocentrale București S.A.	Electricity and thermal power producer	România	2.49	2.49
Electrocentrale Titan S.A.*	Electricity and thermal power producer	România	-	0.74
Patria Bank S.A.**	Other activities – financial intermediations	România	0.03	0.04
Mi Petrogas Services S.A.	Services related to oil and natural gas extraction, excludind prospections	România	10	10
GHCL Upsom	Manufacture of other chemical, anorganic base products	România	4.21	4.21
Pan Atlantic and Lukoil association (note 32)	Petroleum exploration operations	România	10	10

Company	Value as of June 30, 2016	Impairment as of June 30, 2016	Carrying value as of June 30, 2016	Value as of December 31, 2015	Impairment as of December 31, 2015	Carrying value as of December 31, 2015
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Electrocentrale București S.A.	64,310	-	64,310	64,310	-	64,310
Electrocentrale Titan S.A. *	-	-	-	1,977	(1,577)	400
Patria Bank S.A.**	840	(780)	60	840	(757)	83
Mi Petrogas Services S.A.	60	-	60	60	-	60
GHCL Upsom	17,100	(17,100)	-	17,100	(17,100)	-
Pan Atlantic and Lukoil association	10,454	(5,227)	5,227	10,454	(5,227)	5,227
Total	**92,764**	**(23,107)**	**69,657**	**94,741**	**(24,661)**	**70,080**

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

25. OTHER FINANCIAL INVESTMENTS (continued)

The shares held in the share capital of the companies above are not quoted in an active market and their fair value cannot be reliably measured, therefore they are measured at cost. At each period end, the Company makes an assessment to determine whether there are any indications of impairment. As of June 30, 2016 the Company did not identify any indication of impairment of other financial investments, other than adjustments already recorded.

26. SEGMENT INFORMATION

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

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

Specifically, the Company is organized in the following segments:

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

Except for Bratislava branch, all assets and operations are in Romania. As of June 30, 2016, in Bratislava branch are recorded exploration assets in amount of RON 18,634 thousand (December 31, 2014 RON 18,122 thousand).

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

b) Segment assets and liabilities

June 30, 2016	Upstream	Storage	Other	Total
	'000 RON	'000 RON	'000 RON	'000 RON
Property, plant and equipment	3,949,800	1,555,312	379,303	5,884,415
Other intangible assets	392,088	771	5,809	398,668
Investments in subsidiaries	-	-	1,200	1,200
Investments in associates	-	-	125	125
Other financial investments	-	-	69,657	69,657
Other financial assets	91,130	447,781	1,938,714	2,477,625
Inventories	412,796	88,980	24,250	526,026
Trade and other receivables	356,881	38,762	18,845	414,488
Other assets	47,752	12,068	96,562	156,382
Cash and cash equivalents	67,408	169	1,084,716	1,152,293
Total assets	**5,317,855**	**2,143,843**	**3,619,181**	**11,080,879**

26. SEGMENT INFORMATION (continued)

b) Segment assets and liabilities (continued)

June 30, 2016	Upstream	Storage	Other	Total
	'000 RON	'000 RON	'000 RON	'000 RON
Retirement benefit obligation	-	-	100,942	100,942
Deferred tax liabilities	-	-	59,489	59,489
Provisions	198,232	17,816	16,830	232,878
Trade and other payables	154,036	992	37,224	192,252
Current tax liabilities	-	-	25,291	25,291
Other liabilities	123,218	9,966	1,069,994	1,203,178
Total liabilities	**475,486**	**28,774**	**1,309,770**	**1,814,030**

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

26. SEGMENT INFORMATION (continued)

c) Segment revenues, results and other segment information

Six months ended June 30, 2016	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	1,574,438	194,890	270,321	(189,746)	1,849,903
Less: revenue between segments	(45,281)	-	(144,465)	189,746	-
Third party revenue	1,529,157	194,890	125,856		1,849,903
Interest income	456	2,256	10,912	-	13,624
Interest expense	(9)	-	-	-	(9)
Depreciation, amortization and impairment	(210,834)	(46,936)	(15,165)	-	(272,935)
Segment result before tax profit/(loss)	**616,919**	**69,019**	**69,066**	**-**	**755,004**

Three months ended June 30, 2016	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	413,499	35,210	129,595	(91,906)	486,398
Less: revenue between segments	(17,719)	-	(74,187)	91,906	-
Third party revenue	395,780	35,210	55,408	-	486,398
Interest income	281	1,023	4,872	-	6,176
Interest expense	(4)	-	-	-	(4)
Depreciation, amortization and impairment	(122,088)	(23,332)	(7,272)	-	(152,692)
Segment result before tax profit/(loss)	**121,597**	**(8,245)**	**31,627**	**-**	**144,979**

Six months ended June 30, 2015	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	1,998,821	191,339	240,629	(195,681)	2,235,108
Less: revenue between segments	(35,882)	-	(159,799)	195,681	-
Third party revenue	1,962,939	191,339	80,830	-	2,235,108
Interest income	1,163	2,940	21,245	-	25,348
Interest expense	(17)	-	-	-	(17)
Depreciation, amortization and impairment	(235,349)	(44,641)	(16,886)	-	(296,876)
Segment result before tax profit/(loss)	**830,530**	**61,678**	**59,932**	**-**	**952,140**

26. SEGMENT INFORMATION (continued)

Three months ended June 30, 2015	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	800,961	39,034	135,834	(106,198)	869,631
Less: revenue between segments	(20,140)	-	(86,058)	106,198	-
Third party revenue	780,821	39,034	49,776	-	869,631
Interest income	466	1,481	9,783	-	11,730
Interest expense	(11)	-	-	-	(11)
Depreciation, amortization and impairment	(88,696)	(23,613)	(8,174)	-	(120,483)
Segment result before tax profit/(loss)	**264,096**	**(11,757)**	**30,740**	**-**	**273,078**

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

	Six months ended June 30, 2016	Three months ended June 30, 2016	Six months ended June 30, 2015	Three months ended June 30, 2015
	'000 RON	'000 RON	'000 RON	'000 RON
Revenue of CET Iernut – total	155,691	71,154	118,963	73,263
Deliveries to Romgaz	(32,743)	(17,436)	(40,611)	(56,574)
Revenue CET Iernut – third parties	122,948	53,718	78,352	16,689
CET Iernut result – profit/(loss)	28,544	11,683	10,470	8,875

In the six-month period ended June 30, 2016, the Company's three largest clients each individually represents more than 10% of revenue, sales to these clients being of RON 524,708 thousand, RON 460,147 thousand, respectively RON 375,257 thousand (in the six-month period ended June 30, 2015 the Company's three largest customers represented individually, over 10% of revenue, sales to these clients being of RON 662,606 thousand, RON 670,857 thousand, respectively RON 420,074 thousand), together totaling 74% of total revenue (six-month period ended 30 June 2015: 78.45%). Of the total revenue generated by those three clients, 3% are shown in the "Storage" segment and 96% in the "Upstream" segment (six-months ended June 30, 2015: 3.88% in the "Storage" segment, 96.06% in the "Upstream" segment).

27. CASH AND CASH EQUIVALENTS

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

	June 30, 2016	December 31, 2015
	'000 RON	'000 RON
Current bank accounts in RON *)	238,333	86,532
Current bank accounts in foreign currency	22	92
Petty cash	30	30
Term deposits	913,892	653,686
Amounts under settlement	16	12
Total	**1,152,293**	**740,352**

*) Current bank accounts include overnight deposits.

28. OTHER FINANCIAL ASSETS

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

	June 30, 2016	December 31, 2015
	'000 RON	'000 RON
Bank deposits	39,400	29,300
Total other long-term financial assets	**39,400**	**29,300**
Treasury bonds	746,485	810,870
Bank deposits	1,686,920	1,332,560
Accrued interest receivable	4,820	3,397
Total other short-term financial assets	**2,438,225**	**2,146,827**
Total other financial assets	**2,477,625**	**2,176,127**

29. COMMITMENTS UNDERTAKEN

	June 30, 2016	December 31, 2015
	'000 RON	'000 RON
Endorsements and collaterals granted	38,027	41,044
Total	**38,027**	**41,044**

In 2015 a facility agreement was signed with CitiBank Europe plc, Dublin – Romanian Branch for bank loans for issuing and/or confirmation of letters of credit and letters of guarantee for a maximum amount of USD 14,000 thousand, valid up to March 23, 2016, validity extended during March, 2016, until March 22, 2017. On June 30, 2016 are still available for use USD 5,198 thousand (December 31, 2015: USD 4,700 thousand).

As of June 30, 2016, the Company's contractual commitments for the acquisition of non-current assets are of RON 161,214 thousand (December 31, 2015: RON 93,319 thousand).

30. COMMITMENTS RECEIVED

	June 30, 2016	December 31, 2015
	'000 RON	'000 RON
Endorsements and collaterals received	983,569	1,135,697
Total	**983,569**	**1,135,697**

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

31. CONTINGENCIES

(a) *Litigations*

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

31. CONTINGENCIES (continued)

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

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

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

Thus, Romgaz proceeded to identify and appoint an expert with accounting and financial expertise that can participate to the expertise. After the report was completed, the parties could submit objections by November 2, 2015. At the moment, the objections are not known, nor whether they will be taken into account by the investigators. We can not say that the expertise (as it is currently formulated) provides a clear conclusion on the existence or nonexistence of the loss.

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

(c) *Taxation*

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

(d) *Environmental contingencies*

Environmental regulations are developing in Romania and the Company has not recorded any liability at June 30, 2016 for any anticipated costs, including legal and consulting fees, impact studies, the design and implementation of remediation plans related to environmental matters, except the amount of RON 203,750 thousand (December 31, 2015: RON 197,612 thousand), representing the decommissioning liability, and a provision for land restauration of RON 12,299 thousand (December 31, 2015: RON 14,253 thousand).

Green-house gas emission certificates (CO2 certificates)

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

31. CONTINGENCIES (continued)

(e) *Environmental contingencies*

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

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

- a total of 984,053 certificates were used for emission compliance for the year 2015;
- a number of 687,204 certificates acquired in 2015;
- a total of 824,645 certificates related to 2014, used for partial compliance with the 2014 emissions, namely 828,793 CO2 tons;
- of the 962,085 certificates acquired for 2013, 507,620 certificates were submitted for the 2013 emissions. Thereby, Romgaz holds in its account 454,465 certificates, of which 4,148 certificates were used for 2014 compliance. In the account remained 450,317 certificates;
- 7,587 certificates submited to the Registry by Electrocentrale Bucuresti, related to the January 2013 emissions. Romgaz started to monitor the compliance when CET Iernut was taken over in February 2013.
- According to EU Regulation No. 1123/2013 of November 8, 2013 regarding the establishment of the rights to international credits, pursuant to Directive 2003/87/EC of the European Parliament and of the Council, the Protocol to the Framework-Convention of the United Nations on Climate Change (Kyoto Protocol) sets up two mechanisms for the creation of international credits that Companies can use to reduce emissions. Joint Implementation provides for the creation of emission reduction units (ERU), while the Clean Development Mechanism (CDM) provides for the creation of certified emission reductions (CER). Industries that fall under the European Trading System of atmosphere emissions (EU ETS) can use these credits to offset their obligations on emissions of greenhouse gas. In this respect, S.N.G.N. Romgaz S.A. holds as linking availability (correlation availability EUA – ERU certificates) a number of 51,598 ERU certificates available to be used for compliance in the 2013-2020 period.

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

		Annual Allocation (tCO_2/year)							
Operator	Installation	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	-

(f) *CET Iernut*

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

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

31. CONTINGENCIES (continued)

(f) *CET Iernut (continued)*

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

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

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

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

According to the report of the Romanian Court of Accounts, during 2013-2015 Romgaz delivered on the regulated market gas over the quantities it was legally allowed to, according to the existing legislation. The price on the regulated market being lower than the one on the free market, The Romanian Court of Accounts issued Decision number 26/01.06.2016 and ordered Romgaz to determine and to recover the prejudice as a price difference on gas quantities delivered on the regulated market over its legal obligation. The alleged prejudice estimated by the Court of Accounts is over RON 160 million. Romgaz contested the decision issued by the Court of Accounts but received no response by the date the individual interim financial statements as of June 30, 2016 were issued.

According to European Commission decision, Romgaz is suspected of entering into anti-competitive deals with other Romanian companies active in the gas market, deals by which Romgaz supposedly committed not to export natural gas, or blocked or delayed the measures necessary for the creation of the legal and tehnical framework by which gas exports could be achieved.

The Company's management does not agree with the conclusions of the control done by the Romanian Court of Accounts. The final conclusions of the controls of the European Commision are not known and cannot be anticipated. Therefore the individual interim financial statements as of June 30, 2016 reviewed by the auditor, do not include adjustments about these matters.

32. JOINT ARRANGEMENTS

On June 30, 2016, the Company is part of the following joint arrangements:

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

32. JOINT ARRANGEMENTS (continued)

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, the operator performed stimulation works on wells 1 Vicsani and 1 Fratauti, which led to the abandonment of well 1 Vicsani; 1 Fratauti well will be also abandoned in 2016, thus remaining only one productive well, 1 Bilca.

Romgaz's share in the Brodina Exploration Area is 50% and the share of Aurelian Petroleum SRL, operator of the association, is 50%. In the scope of evaluating the Voitinel discovery, drilling operations began at Voitinel 2 gas well but due to negative results obtained by the drilling operations , the gas well was abandoned

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%. In June 2015, Lilieci 1 well was commissioned to convert natural gas into electricity, through a generator. This step marks the transition to the development-operational phase.

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

e) In June 2008, Romgaz signed a joint operation agreement for exploration, evaluation, development, exploitation in three blocks in Slovakia, namely: Svidnik, Snina and Medzilaborce. The owners of the exploration licenses are Aurelian Oil & Gas Slovakia, currently Alpine Oil & Gas (50% - operator), JKX (25%) and Romgaz through Bratislava branch (25%). In the last quarter of 2015, clearances for the execution of three wells were obtained, one in each block.

f) In July 2012, Romgaz signed the amendments to the joint operations agreements with Lukoil Overseas Atash BV and Panatlantic (originally Vanco International Ltd), the three companies being holders of petroleum agreements. The agreement is for exploration, development and operation of offshore blocks EX-29 Est Rapsodia and EX-30 Trident of the Black Sea continental shelf. The participation shares are: Lukoil 72%, Panatlantic 18% and Romgaz 10%. In the Rapsodia block, the drilling of a well was completed, generating negative results leading to the abandonment of the well. Consequently, following solid analysis, the partners have decided to cease the execution of petroleum operations within the Rapsodia block. At this moment the formalities for completion of petroleum agreement are carried out, that will cease once it in published in the Official Gazette. During 2015, two wells were drilled in the Trident block, one of which being abandoned, while the other generated positive results, leading to gas discoveries. In the first six months of 2016 electromagnetic prospecting and geochemical works were conducted.

33. EVENTS AFTER THE BALANCE SHEET DATE

On June 30, 2016, the Company's claim against Electrocentrale Bucharest (ELCEN) was RON 316,045 thousand. At the end of July 2016, based on negotiations between Romgaz and ELCEN, a rescheduling agreement was signed for RON 110,418 thousand over a period of three years, the first installment being due in August 2016. Also, for RON 187,249 thousand, a transaction to abandon the lawsuit between the Company and ELCEN was signed; further to the completion of legal proceedings, a payment schedule for three years will be concluded. For the remaining outstanding amount, the two parties will continue negotiations in order to identify how to extinguish debt. Given the difficulties encountered by the Company in recovering the debt, allowances recorded in the individual interim financial statements on June 30, 2016, will be canceled upon collection of the outstanding installments, according to rescheduling agreements.

Also, at the end of July 2016, the Company signed with ELCEN two agreements for the sale of natural gas, estimated at RON 935,564 thousand for the period August 2016 - September 2017.

On July 14, 2016 Romgaz was informed that starting August 16, 2016 it will be subject of a tax control. The control will verify the legal aspects and compliance of the tax statements and gas royalty payments submitted by Romgaz in the 2011-2015 period.

At the date the interim individual financial statements as of June 30, 2016 were authorized for issue, no other details are available regarding this control.

34. APPROVAL OF INDIVIDUAL INTERIM FINANCIAL STATEMENTS

These individual interim financial statements were authorized for issue by the Board of Directors on August 11, 2016.

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

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

ROMGAZ
Societatea Nationala de Gaze Naturale Romgaz S.A. - Medias - Romania

ROMGAZ

STATEMENT

in accordance with the provisions of Article 30 of the Accounting Law No. 82/1991

The half-year financial statements as of June 30, 2016 were prepared for:

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

The undersigned VIRGIL-MARIUS METEA, as Director General
and LUCIA IONASCU, as Economic Director,
in accordance with Article 10, paragraph (1) of the Accounting Law No. 82/1991,

hereby assume responsibility for the preparation of the half-year financial statements as of June 30, 2016 and we confirm the following:

a) The accounting policies used for preparation of the half-year financial statements comply with the applicable accounting regulations;
b) The half-year financial statements give true image of the financial position, the financial performance and other information referring to the performed activity;
c) The legal entity performs its activity on a continuous basis.

DIRECTOR GENERAL,
VIRGIL-MARIUS METEA

ECONOMIC DIRECTOR,
LUCIA IONASCU

Capital social: 385.422.400 RON
CIF: RO 14056826
Nr. Ord.reg.com/an : J32/392/2001
RO08 RNCB 0231 0195 2533 0001 - BCR Mediaş
RO12 BRDE 330S V024 6190 3300 - BRD Mediaş

S.N.G.N. Romgaz S.A.
Piaţa Constantin Motaş, nr.4
551130 Mediaş, jud. Sibiu - România
Telefon 004-0269-201020
Fax 004-0269-846901
E-mail secretariat@romgaz.ro
www.romgaz.ro