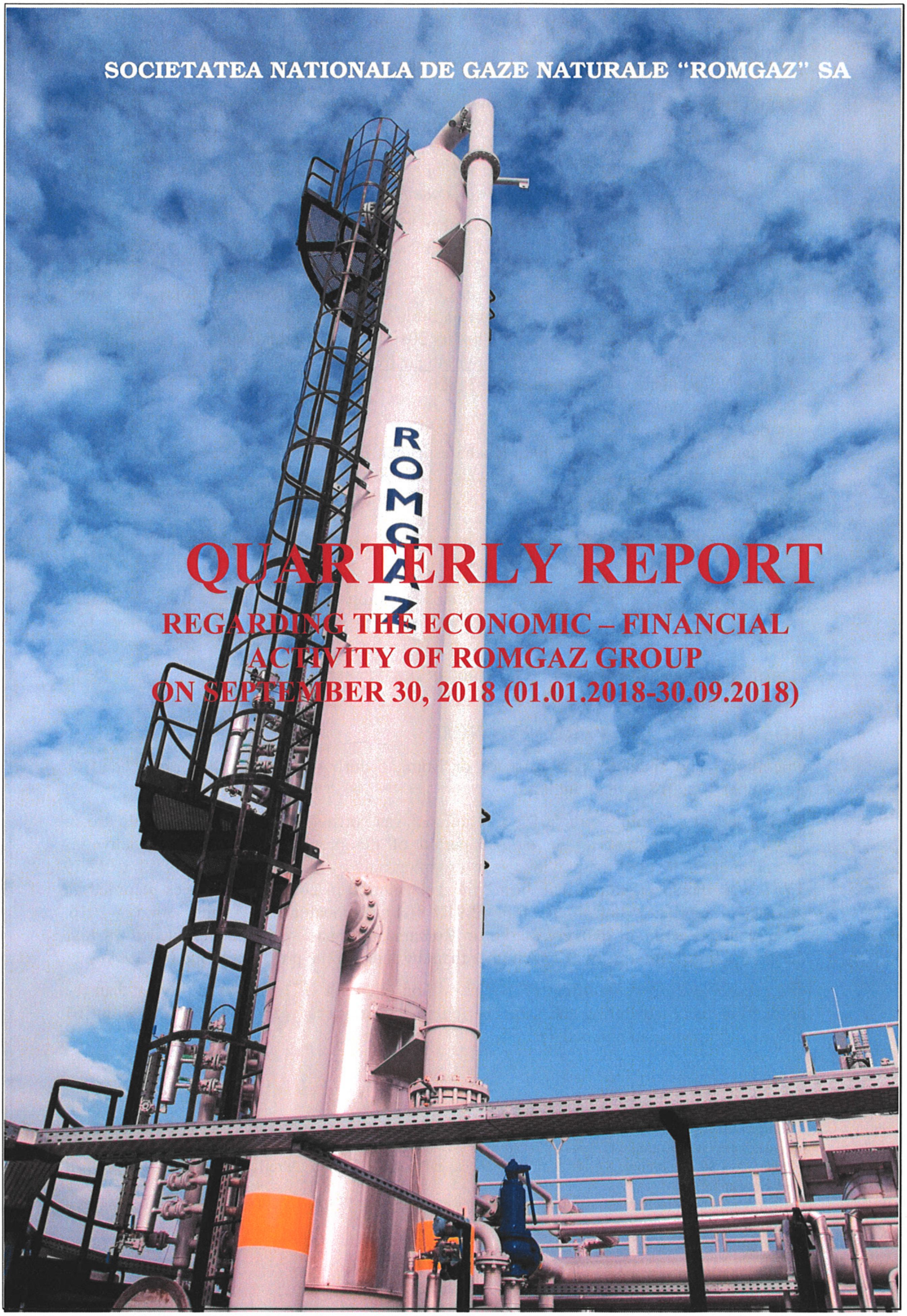
SOCIETATEA NATIONALA DE GAZE NATURALE "ROMGAZ" SA

QUARTERLY REPORT

REGARDING THE ECONOMIC – FINANCIAL ACTIVITY OF ROMGAZ GROUP ON SEPTEMBER 30, 2018 (01.01.2018-30.09.2018)



IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report basis	*Law No. 24/2017 regarding the issuers of financial instruments and market operations (art. 67) and ASF Regulation No. 5/2018 regarding the issuers and market operations (Annex No. 13) for the 9 month period ended on September 30, 2018*
Report date	November 15, 2018
Name of company	Societatea Naţională de Gaze Naturale "ROMGAZ" SA
Headquarters	Mediaş, No. 4 Piaţa Constantin I. Motaş, zip code 551130, Sibiu County
Phone/fax	0040 269 201020 / 0040 269 846901
Web/E-mail	www.romgaz.ro / secretariat@romgaz.ro
Trade Register Unique Registration Code	14056826
Trade Register No.	J32/392/2001
Regulated market where the company's shares are traded	Bucharest Stock Exchange (shares) and London Stock Exchange (GDR-s)
Subscribed and paid in share capital	RON 385,422,400
Shares main characteristics	385,422,400 shares each with a nominal value of RON 1 Nominative, ordinary, indivisible shares, issued dematerialised and free tradable since November 12, 2013 as SNG – for shares and SNGR – for GDR's
Legal Entity Identifier	2549009R7KJ38D9RW354

ROMGAZ GROUP[1] PERFORMANCES

Operational and financial performances of Romgaz during the 9-month period ended on September 30, 2018 remain high.

During the first 9 months of 2018, the national gas consumption registered a decrease of approx. 1.84% reported to the similar period of the previous year. Romgaz deliveries remained at the level of the previous year, dropping only by 0.28% from 42.91 TWh to 42.79 TWh, with the specification that during the same period in 2017 the deliveries recorded an increase of approx. 35% from 31.86 to 42.91 TWH as compared to the same period of 2016. As a result, in terms of delivery market in Romania, Romgaz market share reached 48.96% during the first 9 months, by 0.77% higher than the share of the previous period (48.19%)[2].

The natural gas production was of 3,922 million m^3, with 171 million m^3 higher than the production recorded during the same period in the previous year (+4.6%) and with 61 million m^3 higher than planned (+1.5%).

[1] **Romgaz Group** consist of SNGN Romgaz SA („The Company"/„Romgaz") as parent company, Filiala de Înmagazinare Gaze Naturale Depogaz Ploieşti SRL ("Depogaz") the subsidiary 100% owned by Romgaz, and its associates SC Depomureş SA (40% of the share capital) and SC Agri LNG Project Company SRL (25% of the share capital).

[2] The market shares include the natural gas quantities delivered to CTE Iernut and Depogaz for the technological consumption.

According to estimations, with this production, Romgaz had a market share of 53.54% from the gas consumption from internal production, 1.77% increase in relation to the share owned during the previous period (51.77%).

Romgaz electricity production of 284.4 GWh decreased compared to the similar period of 2017 (465.8 GWh). With this production Romgaz owns a market share of 1.89%[3].

The margins of the main profitability indicators: net profit (29.8%), EBIT (34.2%) and EBITDA (45.5%) confirm the high profitability of Romgaz Group.

Relevant financial results

RON million

T3 2017*)	T2 2018	T3 2018	Δ T3 (%)	Main indicators	9 months 2017*)	9 months 2018	Δ 9 months (%)
849.4	992.2	**970.1**	14.2	Revenue	3,241.6	**3,444.6**	6.3
914.8	1,040.6	**1,070.7**	17.0	Income	3,241.9	**3,517.6**	8.5
559.4	664.3	**799.9**	43.0	Expenses	1,830.2	**2,299.9**	25.7
-0.37	0.20	**-0.93**	151.4	Share of profit of associates	0.16	**0.05**	-68.8
355.0	376.5	**269.8**	-24.0	Gross profit	1,411.9	**1,217.7**	-13.8
48.7	57.3	**41.0**	-15.8	Profit tax	218.2	**191.2**	-12.4
306.3	319.2	**228.8**	-25.3	Net profit	1,193.7	**1,026.5**	-14.0
350.1	361.6	**256.0**	-26.9	EBIT	1,396.3	**1,177.7**	-15.7
463.6	460.5	**398.3**	-14.1	EBITDA	1,778.1	**1,566.1**	-11.9
0.8	0.9	**0.6**	-25.0	Earnings per share (EPS)**) (RON)	3.1	**2.7**	-12.9
36.1	32.2	**23.6**	-34.6	Net profit rate (% from Revenue)	36.8	**29.8**	-19.0
41.2	36.4	**26.4**	-35.9	EBIT ratio (% from Revenue)	43.1	**34.2**	-20.6
54.6	46.4	**41.1**	-24.7	EBITDA ratio (% from Revenue)	54.9	**45.5**	-17.1
6,194	6,132	**6,137**	-0.9	Number of employees at the end of the period	6,194	**6,137**	-0.9

*) *In Q2 2018, the Group voluntarily modified the accounting policy related to costs with seismic, geological, geophysical and other similar operations. According to the new policy, these costs are recognized as expenses when incurred. Previously, these where recognized as intangible exploration assets. The information related to the previous periods were restated in order to ensure their compatibility with the current period.*
**) *EPS is calculated based on the individual results of SNGN ROMGAZ SA.*
The figures in the table above are rounded, therefore differences might result upon reconciliation.
Note: income and expenses do not include in-house works capitalized as non-current assets.

Confirming the previous trend, in Q3 2018 the Group recorded an increase of the revenue but, as the expenses grew at a higher rate than the income, for reasons stated hereinafter, the profitability indicators as well as the ones derived from them registered a subunit evolution.

A brief overview of the Group's main indicators for January-September 2018 is:

- *Total income* higher by ***RON 275.7 million***, recording an increase of 8.5% while total expenses recorded an increase of 25.7%.
- *Gross result* is lower by 13.8% as compared to the same period of the previous year further to the following influential factors:

[3] Source: CNTEE Transelectrica SA.

- *Royalty (+ RON 97 million)*. According to ANRM Order no. 32/2018[4], starting with February 12, 2018 *"the reference price for natural gas produced in Romania used for calculating the value of the natural gas gross production and the equivalent value of the petroleum royalty"* was changed, being related to the reference price of index *„PEGAS CEGH Day Ahead Market Single Day Select, VWAP/CEGHIX Central European Gas Hub AG (CEGH)"*.

  The table below shows the gas price difference representing the royalty for the reporting period, compared to the previous period:

Item no.	Specifications	Gas quantity representing physical royalty (thousand m^3)	Royalty calculation price (RON/1000 m^3)	Value (thousand RON)
	Year 2017			
1.1	Q 1	98,251.35	709.60	69,719.16
1.2	Q 2	87,079.56	752.47	65,524.75
1.3	Q 3	83,309.45	755.19	62,914.46
I.	**9 months**	**268,640.36**	**737.63**	**198,158.37**
	Year 2018			
2.1	Q 1	100,665.71	931.73	93,793.54
2.2	Q 2	90,710.33	1,091.08	98,971.94
2.3	Q 3	92,263.73	1,159.66	106,994.13
II.	**9 months**	**283,639.77**	**1,056.83**	**299,759.61**
*	**Differences (II.-I.)**			
	*absolute	**14,999.41**	**319.20**	**101,601.23**
	*relative	**5.58%**	**43.27%**	**51.27%**

  As shown in the table above, the royalty increase of approximately 85% (RON 85.7 million) is caused by the increase of the reference price established by ANRM Order no.32/2018.

  The table below shows the significant royalty price difference once ANRM Order no.32/2018 became effective:

Item no.	Month	Quantity of natural gas produced (thousand m^3)	Price (RON/1000 m^3)
1	January	437,110.13	788.54
2	February (1-11)	171,822.45	790.20
3	February (12-28)	269,436.62	**932.68**
4	March	485,748.98	**1,110.27**
5	April	424,692.39	**1,184.38**
6	May	427,399.31	**1,001.91**
7	June	424,100.95	**1,087.64**
8	July	434,548.30	**1,119.98**
9	August	422,483.08	**1,146.45**
10	September	425,018.85	**1,213.39**

[4] Order of the National Agency for Mineral Resources no.8 of February 9, 2018 on approving the Methodology for setting the reference price for the natural gas produced in Romania.

- *The additional income tax applicable to income resulting from gas prices deregulation (+ RON 104 million);*

- *Change of the accounting policy (+RON 59 million).* Changing the accounting policy, namely exploration expenses for seismic surveys, geological and geophysical studies and other similar works are recorded as expenses when incurred and no longer capitalized, led to recording exploration expenses of RON 74 million in the reporting period, compared to RON 15 million in the similar period of last year;

- *Decrease by 26% of storage tariffs* approved by ANRE, applied as of April 1, 2018;

- *Decrease of electricity production* because of unfavourable market conditions, that led to a decrease by approx. 55% of the revenue recorded on this segment;

- *Net Profit,* lower by RON 167.2 million as compared to the previous period due to the increase of income and influenced by the increase of expenses due to the above mentioned reasons (-14.0%);
- *Labour productivity* increased by 7.25% as compared to the previous period, from RON 523.35 thousand /employee to RON 561.29 thousand/employee;
- *Net Profit Rate, EBIT Ratio and EBITDA Ratio* are lower as compared to the first 9 months of 2017 due to a higher rise of expenses against the revenue increase;
- *EPS (SNGN Romgaz SA net profit/share)* is ***RON 2.7,*** 12.9% lower than the one registered during January-September 2017.

Although some indicators are lower than the ones registered in the same period of 2017, when the company had remarkable results, the general level of the indicators is high. For example, the revenue registered in the first 9 months of 2018 is 1% higher than the revenue registered for the entire 2016 (RON 3,444.6 million vs RON 3,411.9 million), the net profit in the first 9 months is slightly higher than the one registered for the entire 2016 (RON 1,026.5 million vs RON 1,024.6 million), while the net profit per share for the two periods is equal, namely RON 2.7/share.

Operational results

Q3 2017	Q2 2018	Q3 2018	Δ Q3 (%)	Main Indicators	9 months 2017	9 months 2018	Δ 9 months (%)
1,192	1,276.2	**1,282**	7.55	Gas Produced (million m^3)	3,751	**3,922**	4.56
83	91	**92**	10.84	Petroleum Royalty (million m^3)	269	**284**	5.57
1,191	1,850	**1,792**	50.46	Condensate Production (tonnes)	4,349	**5,277**	21.34
465.8	178.9	**284.4**	-38.94	Electricity produced (GWh)	1,465.5	**750.65**	-48.78
9.7	20.3	**12.3**	26.80	Invoiced UGS gas withdrawal services (million m^3)	1,208.5	**1,130.9**	-6.42
774.3	733.9	**860.0**	11.07	Invoiced UGS gas injection services (million m^3)	1,375.8	**1,611.6**	17.14

Note: the information is not consolidated, it contains transactions between Romgaz and Depogaz.

Gas production was in the expected parameters when preparing the 2018 production schedule; the achieved level represents 101.58% of the schedule.

Romgaz produced 3,922 million m^3 natural gas during the first 9 months of 2018, 171 million m^3 (4.56%) more than the volume produced during the same period of the previous year.

As shown in the table below, the decrease of *produced electricity* was in close relation to the high hydrology recorded at the beginning of the third quarter.

MWh

Period	2017	2018	Ratio
1	2	3	4=3/2x100
Q 1	611,483	287,287	46.98%
Q 2	388,248	178,933	46.09%
Q 3	465,812	284,429	61.06%
9 months	**1,465,543**	**750,649**	**51.22%**

HIGHLIGHTS

March 29, 2018

ANRE issued Order no.58 on approving the total income, the regulated income, the economic efficiency annual growth rate and underground gas storage tariffs for the underground gas storage activity performed by *SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale Depogaz Ploieşti SRL.*

April 1, 2018

As of April 1, 2018 the subsidiary managing the gas storage activity is operational under the name of *SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale Depogaz Ploieşti SRL.*

Therefore, subject to EC Directive No. 73/2009 implemented by Law 123/2012 Electricity and Natural Gas Law, (art. 141), the storage activity is unbundled from SNGN Romgaz SA and performed by a storage operator, a subsidiary where SNGN Romgaz SA is sole associate.

The Subsidiary took over the operation of underground storages licensed by SNGN Romgaz SA, the operation of assets that are used for performing the activities, taking over the entire personnel that performs storage activities.

April 13, 2018

At CET Iernut, an assumed failure (leakage) of the bulkhead isolating an oil separator from direct discharge of wastewater in the emissary called for repair works. Therefore, on April 13, 2018 further to such works an accidental water-oil emulsion spill occurred, that did neither contain any toxic substances for the aquatic environment nor affected the public health or Mures river flora and fauna.

In the presence of Mures Water Basin Administration and Environment Guard – Mures County Commission representatives, company professionals sealed the wastewater discharge facility, repairing the failure by using absorbent booms specially prepared for this situation and cleaning the wastewater discharge duct to remove all pollution traces.

Further to the findings of *SC Centrul de Mediu si Sanatate SRL Cluj Napoca* team of professionals, the volume of water in oil emulsion spill in Mures River was of about 1.44m^3. The National Administration "Romanian Waters" sanctioned the company with a civil penalty of RON 17,500 and the Environment Guard – Mures County Commission with a civil penalty of RON 25,000. The company paid RON 214,000 for ecological works performed in Mures River. The company started an investigation to identify the cause of the incident, and to take all measures to prevent other potential events that may generate accidental pollution.

May 31, 2018

The American company DeGolyer&MacNaughton performed in H1 2018 an external audit of Romgaz *natural gas reserves and contingent resources,* the final report was sent to Romgaz on May 31, 2018.

June 4, 2018

In compliance with *GEO no.109/2011 on corporate governance of public enterprises, as subsequently amended and supplemented,* the selection procedure of Board members was finalised.

The main milestones of the selection procedure were the following:

- December 20, 2017: company shareholders approved by Resolution no.9 the start of the selection procedure and mandated the Board of Directors for the selection procedure;
- January 25, 2018: the Board of Directors initiated the selection procedure;
- February 22, 2018: the Board of Directors approved the initial component of the selection procedure;
- As a result of a public acquisition procedure, SC Butunoiu Group SRL as independent expert specialized in human resources recruitment, has been awarded to perform consultancy services during the entire selection process;
- March 16, 2018: the announcement for recruiting directors was published with the deadline for submission of applications on April 16, 2018;
- April 17, 2018: company's shareholders approved by Resolution no.5 the board of directors' profile and candidate's profile;
- March 5 – May 31, 2018: the independent expert carried out the phases of the selection process;
- April 27, 2018: the independent expert elaborated the integral component of the selection plan;
- May 31, 2018: the independent expert prepared the final report with the results of the selection procedure and sent it to the Ministry of Energy;
- June 4, 2018: convening the general meeting of shareholders on July 6, 2018 to elect the members in the Board of Directors by the cumulative voting method.

June 14, 2018

The Board of Directors decided to appoint Mr. Volintiru Adrian Constantin as chief executive officer of the company with a four months mandate until completion, in line with the law, of the selection procedure of the chief executive officer for a four-year mandate.

June 18-26, 2018

The company continued in H1 2018 the actions required for the transition of the integrated quality, environmental, occupational health and safety management system to the 2015 revisions of SR EN ISO 9001 and SR EN ISO 14001, as well as for fulfilling the requirements of SR OHSAS 18001.

Further to the external audit performed by SRAC CERT Bucuresti, SNGN Romgaz SA received confirmation that its integrated quality, environmental, occupational health and safety management systems fulfil the new requirements, the transition occurred without any findings of unconformities and therefore, the company received new certificates in compliance with the reference standards 9001:2015, 14001:2015 and SR OHSAS 18001:2008.

July 6, 2018

After exercising the cumulative voting method the Company's shareholders appoint by Resolution no.8 the following persons as members of the Board of Directors, for a four- year mandate:

- Nistoran Dorin Liviu
- Volintiru Adrian Constantin
- Ungur Ramona
- Grigorescu Remus
- Ciobanu Romeo Cristian

- Jude Aristotel Marius
- Jansen Petrus Antonius Maria.

August 28, 2018

By Resolution no. 39 the Board of Directors decided to appoint Mr. Bobar Andrei as Chief Financial Officer of the company for a determined period (August 28, 2018 - November 2, 2021).

October 1st, 2018

By Resolution no. 45 the Board of Directors decided to appoint Mr. Volintiru Adrian Constantin as Chief Executive Officer for a four-year mandate.

ROMGAZ GROUP OVERVIEW

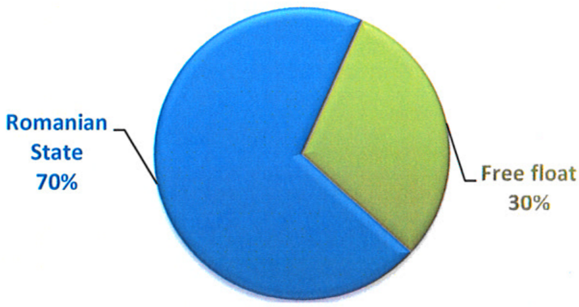
Romgaz Group undertakes business in the following segments:

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

Shareholder structure

On September 30, 2018, the shareholder structure of SNGN Romgaz SA was the following:

	Number of shares	%
The Romanian State[5]	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
***legal persons**	*97,374,669*	*25.2644*
***natural persons**	*18,224,651*	*4.7285*
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.

Until March 31, 2018 the Company had seven branches established both on the basis of activities performed and of territoriality (natural gas production branches), as follows:

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

[5] The Romanian State through the Ministry of Energy

As of April 1, 2018 ***SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale Depogaz Ploieşti SRL*** became operational, managing the natural gas underground storage activity.

Therefore, subject to EC Directive No. 73/2009 implemented by Law 123/2012 Electricity and Natural Gas Law, (art. 141), the storage activity is unbundled from SNGN Romgaz SA and performed by a storage operator, a subsidiary where SNGN Romgaz SA is sole associate.

The Subsidiary took over the operation of the underground storages licensed by SNGN Romgaz SA, the operation of assets that contribute to performing the storage activity and the entire personnel performing storage activities.

Information about the Subsidiary can be found at: https://www.depogazploiesti.ro.

Company management

The company is governed by a **Board of Directors** composed of 7 members, having the following structure on September 30, 2018:

Item no.	Name	Position in the Board	Status*)	Professional Qualification	Institution of employment
1	Nistoran Dorin Liviu	chairman	non-executive	Engineer	Evolio
2	Volintiru Adrian Constantin	member	executive	Economist	SNGN Romgaz SA
3	Ungur Ramona	member	independent non-executive	Economist	-
4	Grigorescu Remus	member	non-executive	PhD in Economics	Universitatea "Constantin Brâncoveanu"
5	Ciobanu Romeo Cristian	member	independent non-executive	PhD Engineer	Universitatea Tehnică Iaşi
6	Jude Aristotel Marius	member	non-independent non-executive	Legal Adviser MBA	SNGN "Romgaz" SA
7	Jansen Petrus Antonius Maria	member	non-executive	Economist	London School of Business and Finance

*) - *members of the Board of Directors submitted the statement of independence in compliance with the provisions of Romgaz Corporate Governance Code.*

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

Executive management

Cindrea Corin-Emil – Chief Executive Officer (CEO) January 1st – June 14, 2018

According to Board Resolution no. 37 of December 14, 2017, the Board of Directors appointed Mr. Cindrea Corin Emil as interim CEO for a 4-month period with the possibility to extend the mandate up to maximum 6 months in line with legal provisions, and delegated specific internal management and representation powers to him.

By Resolution no.19 of April 12, 2018, the Board of Directors extended the CEO's contract of mandate by 2 months, until June 14, 2018.

Volintiru Adrian Constantin – Chief Executive Officer (CEO) starting with June 15, 2018

The Board of Directors appointed Mr. Volintiru Adrian Constantin as Chief Executive Officer of the company for a four-month period, according to Resolution no. 29 of June 14, 2018.

The Board of Directors appointed Mr. Volintiru Adrian Constantin as Chief Executive Officer of the company for a four-year mandate term, according to Resolution no. 45 of October 1, 2018.

Bobar Andrei – Chief Financial Officer (CFO)

The Board of Directors appointed Mr. Bobar Andrei as Chief Financial Officer, according to Resolution no. 30 of November 2, 2017.

The Board of Directors appointed Mr. Bobar Andrei as Chief Financial Officer for a determined period starting (August 28, 2018 - November 2, 2021), according to Resolution no. 39 of August 28, 2018.

The table below shows the management positions to which the Board of Directors did not delegate managing powers:

Name	Position
ROMGAZ - headquarters	
Cindrea Corin Emil	Deputy Director General
Rotar Dumitru Gheorghe	Deputy Director General
Dobrescu Dumitru	Deputy Director General
Chertes Viorel Claudiu	Management Support Director
Pavlovschi Vlad	Business Development Director
Ştefănescu Dan Paul	E&P Director
Bîrsan Mircea Lucian	Technical Director
Stancu Lucian Adrian	Corporate Management Director
Bodogae Horea Sorin	Procurement Director
Ciolpan Vasile	Energy Trade Director
Morariu Dan Nicolae	Information Technology and Telecommunication Director
Stan Ioan	HR Director
Balasz Bela Atila	Energy Management Director
Sanpetrean Anica Mariana	Financial Director
Sorescu Eugen	Exploration Director
Pleşa Vasile Gabriel	QHSE Director
Mediaş Branch	
Man Ioan Mihai	Director
Achimeţ Teodora Magdalena	Economic Director
Şuţoiu Florinel	Production Director
Seician Daniel	Technical Director
Târgu Mureş Branch	
Dincă Ispasian Ioan	Director
Papoi Ilona	Economic Director
Rusu Graţian	Production Director
Baciu Marius Tiberiu	Technical Director
Iernut Branch	
Călian Dorel	Director
Oros Cristina Monica	Economic Director
Oprea Maria Aurica	Commercial Director

Name	Position
Bircea Angela	Technical Director
SIRCOSS	
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director
STTM	
Pop Traian	Director
Ilinca Cristian Alexandru	Economic Director
Cioban Cristian Augustin	Operation-Development Director

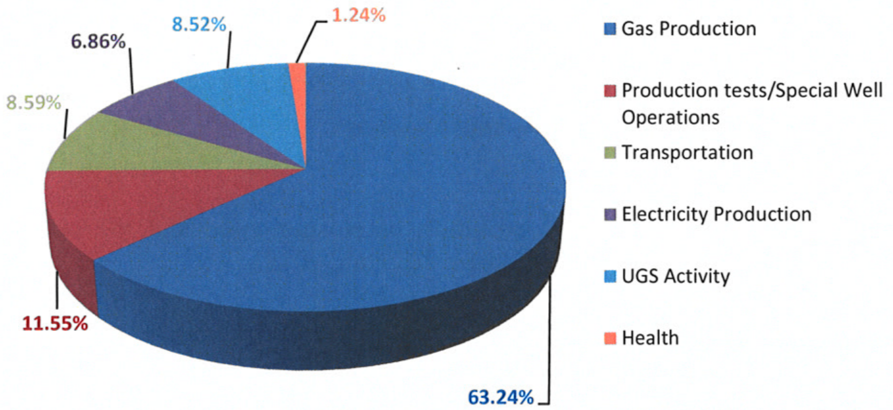
Human Resources

On September 30, 2018, Romgaz Group had 6,137 employees and SNGN Romgaz SA a number of 5,631 employees. As of April 1, 2018, for 504 employees the labour agreement with the company was terminated; they became employees of Depogaz Subsidiary.

The table below shows the evolution of number of employees during January 1, 2015 – September 30, 2018:

Description	2015	2016	2017	9M 2018	
				Romgaz Group	SNGN Romgaz SA
1	2	3	4	5	6
Employees at the beginning of the period	6,344	6,356	6,246	6,198	6,198
Newly hired employees	159	168	233	148	137
Employees who terminated their labour relationship with the company	147	278	281	209	704
Employees at the end of the period	6,356	6,246	6,198	6,137	5,631

The structure of SNGN Romgaz SA employees split by activities at the end of the reporting period is shown by the following chart:



Romgaz on the stock exchange

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

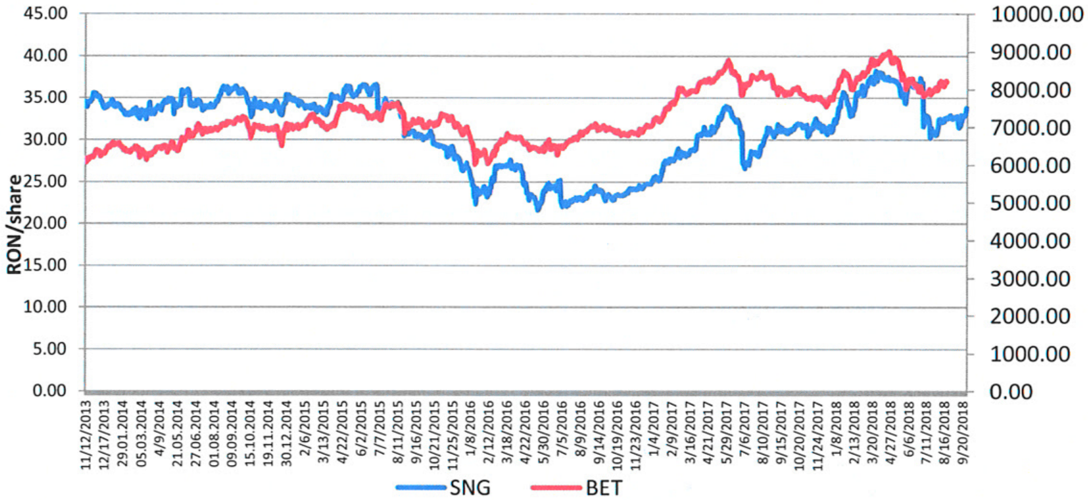
Romgaz is considered an attractive company for investors in terms of dividend distribution perspective and the company's stability.

The company is among the most significant local issuers being also included in the BVB trading indices, as follows:

- 2nd place by market capitalization in the top of Premium issuers on BVB on September 30, 2018 (RON 13,008.0 million, namely Euro 2,789.2 million);
- 4th place by trading value in the first nine months of 2018 in the top of local issuers on BVB main segment (RON 781 million);

- Weights of 10.87% and 9.97% in the BET index (top 15 issuers) and namely in the BET-XT (BET Extended), 28.96% in the BET-NG index (energy and utilities) and 12.01% in the BET-TR index (BET Total Return).

Below is shown the performance of Romgaz shares between listing and September 30, 2018 in relation to BET index:



The following table presents the evolution of closing price and the company's market capitalization on the last day of Q3 of 2016, 2017 and 2018.

	September 30, 2016	September 30, 2017	September 30, 2018
Number of shares	385,422,400	385,422,400	385,422,400
Closing price (RON)	23.25	30.75	33.75
Market capitalization *mil. RON *mil. EUR	 8,961.1 2,013.1	 11,851.7 2,577.0	 13,008.0 2,789.2

During the first nine months of 2018, the trading price of Romgaz shares and GDRs oscillated substantially having an average trading price for the period of RON 34.73/share, respectively of USD 8.87/GDR.

On the regulated market governed by BVB, the maximum trading price of Romgaz shares was recorded on March 27, 2018, after the 2017 Dividend Proposal Notice was published (RON 38.20/share). During the following period, the share price evolution oscillated recording significant drops at the following three moments: after publishing the Q1 2018 Report outlining the decrease of revenue due to a mild winter, ex-data for the 2017 dividends and after the Ministry of Public Finances published a draft decision regarding the limitation of the maximum domestic gas sale price for the producers (on July 19, 2018, when also the minimum share trading price of RON 30.20/share was recorded).The end of the reporting period is characterised by an increase of share price that reached on September 30, 2018 the value of RON 33.75/share, by 6.13% higher than at the beginning of the year.

The GDRs followed also the same oscillating trend during this reporting period, which recorded on September 30, 2018 the price of USD 8.40/GDR, by 6.33% higher than in the first day of the year. The highest trading prices were recorded during March 27-April 10, 2018, with a maximum price recorded on the last day: USD 10.10/GDR. The minimum price for the period under review was UDS 7.55/GDR recorded on July 27, 2018.

PHYSICAL INDICATORS

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

Item no.	Specifications	9 M 2016	9 M 2017	9 M 2018	Indices
0	1	2	3	4	5=4/3x100
1.	**Total - gross production**, out of which:	**3,034.3**	**3,751.1**	**3,922.4**	**104.6%**
1.1.	*internal gas production	2,924.7	3,625.7	3,794.4	104.7%
1.2.	*Schlumberger joint operations (100%)	109.7	125.4	128.0	102.1%
2.	Technological consumption	38.5	52.7	63.3	120.1%
3.	**Net gross internal gas production** (*1.-1.2.-2.*)	**2,886.1**	**3,573.0**	**3,731.1**	**104.4%**
4.	Internal gas volumes injected in storages	414.1	239.6	321.9	134.3%
5.	Internal gas volumes withdrawn from storages	308.9	506.8	297.4	58.7%
5.1	Gas cushion			6.9	
6.	Differences resulting from GCV	0.0	3.1	6.4	206.5%
7.	**Volumes supplied from internal production** (*3.-4.+5.-6.*)	**2,780.9**	**3,837.1**	**3,700.2**	**96.4%**
8.1.	Gas sold in storage	79.2	0.0	8.1	
8.2.	Gas supplied to Iernut and Cojocna Power Plants	267.4	408.0	207.6	50.9%
9.	**Volumes supplied from internal production to the market** (*7.+8.1.-8.2.*)	**2,592.7**	**3,429.1**	**3,500.7**	**102.1%**
10.	**Gas from joint operations*) – total**, out of which:	**108.8**	**130.0**	**132.1**	**101.6%**
	*Schlumberger (50%)	54.8	62.7	64.0	102.1%
	*Raffles Energy (37,5%)	0.3	0.1	0.0	
	*Amromco (50%)	53.6	67.2	68.1	101.3%
11.	Gas acquisitions from domestic production	9.5	25.0	7.5	30.0%
12.	**Volumes sold from domestic production to the market** (*9.+10.+11.*)	**2,711.0**	**3,584.1**	**3.640.3**	**101.6%**

13.	**Volumes supplied from domestic production (*8.2.+12.*)**	**2,978.4**	**3,992.1**	**3,847.9**	**96.4%**
14.	Delivered import gas	6.8	25.7	139.2	541.6%
15.	Gas delivered to Iernut and Cojocna from other sources (including imbalances)		17.7	15.2	85.9%
16.	**Total gas supplies (*13.+14.+15.*)**	**2,985.2**	**4,035.5**	**4,002.3**	**99.2%**
*	Invoiced UGS withdrawal services**)	931.1	1,208.5	1.130,9	93.6%
*	Invoiced UGS injection services**)	1,302.4	1,375.8	1,611.6	117.1%

Note: The information is not consolidated, it includes transactions between Romgaz and Depogaz.

*) In case of Romgaz – Schlumberger joint operations, the produced gas volumes are entirely outlined in Romgaz production and after it is equally split among the two, each partner sells its own production share. In case of Romgaz operations with Amromco and Raffles Energy, the produced gas volumes do not represent Romgaz production, but the relating value is included in Romgaz revenue proportionate to the interest share held in the joint operations.

**) includes Romgaz gas withdrawal/injection services.

Domestic gas sold by Romgaz during the first nine months of 2018, representing deliveries to customers, CET Iernut consumption and technological consumption, is roughly equal with the same period of the previous year decreasing by only 0.28%, mentioning that in the similar period of 2017 the deliveries increased by approximately 35% from 31.86 to 42.91 TWh as compared to the same period of 2016.

Following the continuous efforts to improve the company's gas sales strategy, Romgaz share in terms of deliveries against the total national consumption increased from 48.19% to 48.96%, and Romgaz share in terms of deliveries from domestic production against the national consumption from domestic production increased from 51.77% to 53.54%, as shown below:

Description	9M 2017		9M 2018		Difference	
	Romania	Romgaz	Romania	Romgaz	Romania	Romgaz
Total national consumption/ Romgaz deliveries (TWh)	89.04	42.91	87.40	42.79	-1.84%	-0.28%
Romgaz share	**48.19%**		**48.96%**		**0.77%**	
Total national consumption/Romgaz domestic deliveries (TWh)	81.57	42.23	76.82	41.13	-5.82%	-2.60%
Romgaz share	**51.77%**		**53.54%**		**1.77%**	

INVESTMENTS[6]

For 2018, Romgaz scheduled investments at a total budget of RON 1,500.00 million based mainly on investments targeting the compensation of natural decline and the production of electricity, as follows:

- continuation of geological research works through new exploration drillings for the discovery of new natural gas reserves;

[6] The scheduled values include also the values relating to the storage business for Q1 2018; the 9M2017 results include also investments in the storage business and the 9M 2018 results include also the Q1 2018 investments in the storage business.

- development of production potential through securing new production capacities on existing structures (drilling of production wells, surface facilities, drying stations, compressor stations, booster compressors), improvement of technological performance of existing installations and equipment in order to increase operation safety, reduction of energy consumption and production optimization in gas fields;
- modernization of existing operation buildings, installations and pieces of equipment, and procurement of new equipment and state-of-the-art technologies specifically for the core activity;
- procurement of specific equipment for securing maintenance and technological transportation for the core business and for keeping in optimum conditions the gas field access road infrastructure.

The investment costs on September 30, 2018 were RON 823,543 thousand representing:

- 72.67 % of the scheduled level of RON 1.133.289 thousand for the first nine months;
- 54.9 % of the total Investment Program for 2018;
- 154.75% as compared to the level of investment results recorded during the similar period of 2017.

Investments were financed as follows:

- Own sources and sources attracted from the National Investment Program (approx. 22% of eligible costs) for the "*Development of CTE Iernut through the construction of a new combined cycle gas turbine thermal power plant*";
- Exclusively own sources for the other approved investments.

From a physical perspective of the achieved investments, investments commenced during the previous year were completed, actions were taken to prepare new investments (design, land permits, authorizations, agreements, permits, procurements) and modernization works and capitalizable repairs were performed at production wells.

The value of fixed assets commissioned during the reporting period was *RON 183.05 million*.

The table below shows a comparison of investments between 9M 2017, 9M 2018, and 2018 Investment Program split into main investment categories:

thousand RON

Investment Categories	Results 9M 2017	Program 9M 2018	Results 9M 2018	2018/ 2017	R 2018/ P 2018
1	2	3	4	5=4/2x100	6=4/3x100
I. Geological exploration works to discover new methane gas reserves	180,857	215,109	177,995	98.42%	82.75%
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electric power generation	177,413	656,727	506,633	285.57%	77.15%
III. Maintaining the UGS capacity	9,070	2,980	2,980	32.86%	100.00%
IV. Environment protection works	1,254	3,363	1,123	89.55%	33.39%
V. Retrofitting and revamping of installation and equipment	133,903	170,064	109,392	81.69%	64.32%
VI. Independent equipment and installations	27,630	70,073	25,162	91.07%	35.91%
VII. Expenses related to studies and projects	2,066	14,973	258	12.49%	1.72%
TOTAL	**532,193**	**1,133,289**	**823,543**	**154.75%**	**72.67%**

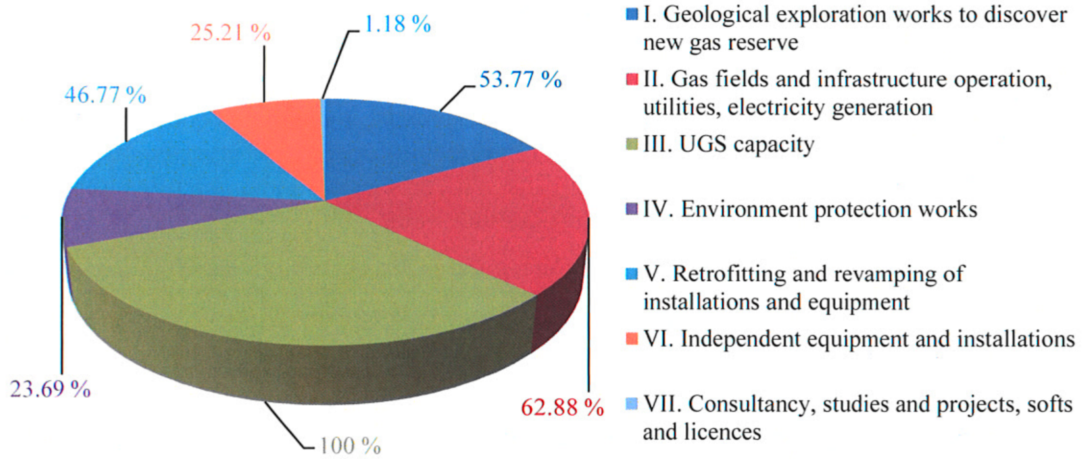
The table below shows investment results split by main investment categories in relation to the 2018 Investment Program:

** thousand RON **

Investment Categories	Program 2018	Results 9M 2018	%
1	2	3	4=3/2x100
I. Geological exploration works to discover new methane gas reserves	331,012	177,995	53.77%
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electric power generation	805,731	506,633	62.88%
III. Maintaining the UGS capacity	2,980	2,980	100.00%
IV. Environment protection works	4,740	1,123	23.69%
V. Retrofitting and revamping of installation and equipment	233,881	109,392	46.77%
VI. Independent equipment and installations	99,797	25,162	25.21%
VII. Expenses related to studies and projects	21,859	258	1.18%
TOTAL	**1,500,000**	**823,543**	**54.9%**

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

Results of 2018 Program split by investment categories [%]



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

Item No.	Main physical objectives	Planned	Results
1.	Exploratory drilling	26 wells	- completed: 8 wells - in progress: 6 wells - works contract: 4 wells - procurement in progress for drilling works: 6 wells - technical design completed, permits land and tender proceedings in progress: 25 wells
2.	Drilling design	-	ongoing design works or procurement in progress: 60 wells
3.	Production drilling	3 wells	- completed: 2 wells - drilling tender completed, works contract in the process of signing,

			Notice to Proceed pending: 1 well
4.	Construction of surface facilities – gas wells	construction of 24 surface facilities for putting into production 37 gas wells	- completed: 8 surface facilities completed for the operation of 10 wells; - in progress: 8 surface facilities completed for the operation of 6 wells; - procurement in progress: 1 surface facility for the operation of 1 well; - pending land permits, authorisations, approvals: 7 surface facilities for bringing on stream 8 wells; - under design surface facilities required to bring on stream 19 wells
5.	Maintaining the storage capacity	Urziceni UGS: - gas cushion - revamping 10 underground storage wells Butimanu UGS: - revamping compressor automation cabinets - adjustment of surface facilities to modules 1 and 2 - construction of access roads and well sites for 5 underground storage wells - pressure gauges procurement	100% completed *As of April 1, 2018 Filiala de Inmagazinare Gaze Naturale Depogaz Ploiesti (Underground Gas Storage Subsidiary) was established* which took over the operation of storages held under concession by SNGN Romgaz S.A., the activity of Ploiesti Branch being suspended.
6.	Capitalizable repairs, modernization and reactivation of wells	Interventions at approx. 111 wells, in correlation with the annual plan agreed with ANRM	During the first nine months of the year, 87 workovers (52 wells at Medias Branch and 35 wells at Tg. Mures Branch) were carried out as in-house works performed by SIRCOSS
7.	Electricity generation	Continuing works at CTE Iernut	The contract is ongoing
8.	Joint operations	<u>Raffles Energy SRL:</u> - retesting Well 1 Voitinel - elaboration of Feasibility Study regarding the technical solution of natural gas valorisation	- completed - all the required approvals for drafting the feasibility study regarding the technical solution of natural gas valorisation in Block EIII-1 Brodina. The study was assigned to Geoclass. It is going to be drafted in H2 2018.
		<u>Lukoil:</u> - preparing drilling for exploration well 1 Trinity 1X in 30EX Trident Block	During the first nine months of 2018 preparatory works were carried out for drilling the wells scheduled in block Trident, respectively analyses relating to the location of the well, Geo-hazard assessments, geo-mechanic modelling – Pore-Pressure Analysis -the work program for the additional exploration period TT&T programs were negotiated and approved

	Amromco:	
	- drilling 3 wells	-drilling of well A1 Frasin Brazi was completed; tests had negative results based on which the well was abandoned at this stage;
	-capitalisable repair works for 6 wells	-recompletion works were completed at wells 121 Frasin Brazi and 51 Vladeni with positive results; recompletion works were carried out also at well 204 Bibesti generating negative results based on which the well was abandoned at this stage;
	-abandonment of 5 wells	1 from drilling -abandonment works were completed for 5 wells: A1 Frasin Brazi, 204 Bibesti, 37 Zatreni, 57 Vladeni and A1 Gura Sutii
	Slovakia: - drilling 1 exploration well 1 Cierne in Svidnik; -renewal of supply license; -G&G studies	- preparatory works in progress for drilling well 1 Cierne in Svidnik block; the well is to be drilled in Q4 2018

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".*

Consequently, a special important objective is "*The development of CTE Iernut by means of constructing a new thermal power plant with combined-cycle gas turbine*", with completion deadline in Q1 2020.

During the reporting period the following works have been performed:

- land clearing/development by demolition of buildings;
- access and marginal road development;
- storage platform development (site organization);
- platform construction works for foundation pilots (indirect foundation);
- construction works started for the foundation of the engine room, electric building and control room, equipment and machinery;
- 4 gas turbines, 3 generators for gas turbines, the steam boilers for the 4 turbines, as well as different equipment related to the thermal power plant were delivered to the site;
- metal structures were delivered to the site to fabricate the structure of the engine room;
- completion of floor fillers at height ±0.00 and foundation pillars for the engine room are assembled;
- at present, the electrical building is under construction, namely the metal structure of the turbine hall and the formwork of the first floor of the electrical building, the structure of which will be made of reinforced concrete.

FINANCIAL AND ECONOMC INDICATORS

Summary of the consolidated interim financial position

The table below shows the summary of the interim financial position on September 30, 2018 compared to December 31, 2017:

INDICATOR	December 31, 2017 (restated) (RON thousand)	September 30, 2018 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
ASSETS			
Non-current assets			
Property, plant and equipment	5,842,708	6,096,475	4.34
Other intangible assets	8,629	5,755	-33.31
Investments in associates	22,676	22,726	0.22
Deferred tax assets	66,272	80,853	22.00
Other financial investments	69,678	44,757	-35.77
TOTAL NON-CURRENTASSETS	**6,009,963**	**6,250,566**	**4.00**
Current assets			
Inventories	389,515	342,222	-12.14
Trade and other receivables	816,086	227,774	-72.09
Contract assets	-	239,217	n/a
Contract costs	-	718	n/a
Other financial assets	2,787,261	1,349,816	-51.57
Other assets	305,913	205,303	-32.89
Cash and cash equivalents	227,167	533,841	135.00
TOTAL CURRENT ASSETS	**4,525,942**	**2,898,891**	**-35.95**
TOTAL ASSETS	**10,535,905**	**9,149,457**	**-13.16**
EQUITY AND LIABILITIES			
Equity			
Share capital	385,422	385,422	0.00
Reserves	2,312,532	2,498,095	8.02
Retained earnings	6,296,875	5,196,068	-17.48
TOTAL EQUITY	**8,994,829**	**8,079,585**	**-10.18**
Non-current liabilities			
Retirement benefit obligation	119,482	112,466	-5.87
Provisions	280,601	285,288	1.67
Total non-current liabilities	**400,083**	**397,754**	**-0.58**
Current liabilities			
Trade and other payables	606,109	202,779	-66.54
Contract liabilities	-	45,701	n/a
Current tax liabilities	128,520	49,167	-61.74
Deferred revenue	970	30,975	3093.30
Provisions	76,290	74,661	-2.14
Other liabilities	329,104	268,835	-18.31
Total current liabilities	**1,140,993**	**672,118**	**-41.09**
TOTAL LIABILITIES	**1,541,076**	**1,069,872**	**-30.58**
TOTAL EQUITY AND LIABILITIES	**10,535,905**	**9,149,457**	**-13.16**

Non-current assets

Property, plant and equipment recorded an increase during the analysed period by 4.34%, i.e. RON 253.77 million from RON 5,842.7 million on December 31, 2017 to RON 6,096.5 million on September 30, 2018, mainly due to investments made for the new power plant at Iernut (RON 461.8 million invested in the new power plant in 2018) and the investments in the gas production segment. In the nine months period ended on September 30, 2018, the Group recorded expenses with depreciation and impairment of tangible and intangible assets of RON 388.4 million.

As regards the other financial investments, during the first nine months of 2018, the Group recorded a decrease of the fair value of the investment in Electrocentrale Bucuresti of RON 24.9 million. Of this amount, only RON 5.8 million affected the earnings related to the period, the difference being recorded as retained earnings, as a result of transition to IFRS 9.

Investments in associates are recorded in the consolidated financial statements by equity method, which requires that the investment is initially recognized at cost and subsequently adjusted based on the changes that occur post-procurement in the apportioned share of the Group in associate's net assets in which the investment was made. The profit and loss of the Group includes its share in the profit and loss of the associate.

Inventories

The decrease by 12.14 % (RON 47.29 million) on September 30, 2018 as compared to December 31, 2017, is mainly due to decrease of the gas stock, as a result of deliveries made in the first nine months of 2018.

Additionally, there was a decrease of RON 24.7 million in the stock of materials (tubing, piping etc.) mostly further to being used for well operations and for the capitalizable repairs performed on the Group's wells.

Trade receivables and other receivables

As compared to December 31, 2017, trade receivables decreased by 72.09% due to the seasonal nature of the Group's activity as well as due to the implementation of IFRS 15. The effect of transition to IFRS 15 is presented in the financial statements, in Note 2.

During the first nine months of 2018 the Group recorded net losses in connection with impairment of receivables in amount of RON 20.1 million as a result of the high non-collection risk from one of the clients. This amount is presented in the Consolidated Interim Statement of Comprehensive Income under Net impairment losses on trade receivables.

Contract assets

Contract assets represent the Group's right to an equivalent value in exchange for goods and services transferred by the Group to its clients for the case when that specific right is conditioned upon something else than the passing of time. Prior to the transition to IFRS 15, these amounts were presented as trade receivables. These amounts represent the deliveries for September 2018 for which gas sales invoices are to be issued at the time indicated in the gas sales contracts concluded between the Company and its clients.

Cash and cash equivalents. Other financial assets

On September 30, 2018, cash, cash equivalents and other financial assets were RON 1,883.7 million, as compared to RON 3,014.4 million at the end of 2017, the decrease is due to payment of dividends for 2017 during Q3 2018, as approved by Romgaz shareholders.

Other assets

As compared to December 31, 2017, other assets decreased on September 30, 2018, mainly due to the offset of reimbursable gas excises, according to the fiscal inspection performed in 2017, with other tax liabilities.

EQUITY AND RESERVES

The Group's equity decreased by 10.18% due to distribution of 2017 net profit to shareholders.

CURRENT LIABILITIES

Current liabilities decreased by RON 468.9 million, from RON 1,141.0 million as recorded on December 31, 2017 to RON 672.12 million, amount recorded on September 30, 2018.

Trade payables and other payables

As compared to December 31, 2017, trade liabilities decreased by 66.54% due to the implementation of IFRS 15. Prior to the application of IFRS 15, the advance payments received for the gas to be delivered in the following period were presented as trade payables. Starting with 2018, these advance payments are presented as contract liabilities.

On September 30, 2018, the advance payments for the gas to be delivered decreased given the seasonal nature of the Group's activity. This decrease generated lower trade payables as compared to the end of previous year.

Current tax liabilities

Current profit tax liabilities decreased due to a Q3 2018 gross result lower by 65.43% as compared to Q4 2017, which included an income for the excise related to technological consumption, recognized following the completion of a fiscal inspection. The gross result is adjusted by non-taxable income and non-deductible expenses, pursuant to fiscal regulations applicable in Romania, hence resulting the tax payable. The current profit tax is paid quarterly.

Deferred revenue

The increase of deferred revenue is due to the collection by the Group of the first instalment from the National Investment Plan related to the construction of the new power plant at Iernut. This amount shall be transferred to income as the investment is depreciated, further to completion. The investment is currently in progress.

Other liabilities

Other liabilities decreased by 18.31% due to the following factors:

- the decrease of the additional income tax (RON 14.7 million) and of the VAT (RON 55.2 million) are due to lower deliveries in September 2018 as compared to December 2017, considering the seasonal nature of the Group's activity;
- the debt related to the petroleum royalty increased by RON 24.1 million further to the increase of the reference price subject to NAMR Order No. 32/2018.

Summary of the consolidated interim comprehensive income

The synthesis of the Group's profit and loss account for the period January 1 – September 30, 2018, as compared to the similar period of 2017 is shown below:

Description	9M 2017 (*restated*) (thousand RON)	9M 2018 (thousand RON)	Variation (thousand RON)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue*)	3,241,646	3,444,607	202,961	6.26
Cost of commodities sold	(49,518)	(185,087)	135,569	273.78
Investment income	15,648	39,980	24,332	155.50
Other gains and losses	(88,630)	(57,591)	(31,039)	-35.02
Net impairment losses on trade receivables	-	(20,117)	n/a	n/a
Changes in inventory of finished goods and work in progress	(100,642)	18,613	n/a	n/a
Raw materials and consumables used	(48,220)	(53,183)	4,963	10.29
Amortization, depreciation and impairment expenses	(381,863)	(388,398)	6,535	1.71
Employee benefit expense	(400,246)	(434,921)	34,675	8.66
Finance cost	(13,285)	(19,079)	5,794	43.61
Exploration expenses	(147,442)	(195,108)	47,666	32.33
Share of associates' result	163	50	(113)	-69.33
Other expenses	(700,300)	(942,523)	242,223	34.59
Other income	84,611	10,471	(74,140)	-87.62
Profit before tax	**1,411,922**	**1,217,714**	**(194,208)**	**-13.75**
Income tax expense	(218,192)	(191,222)	(26,970)	-12.36
Net Profit	**1,193,730**	**1,026,492**	**(167,238)**	**-14.01**

*) as of 2018, International Financial Reporting Standard 15 "*Revenue from contracts with customers"(IFRS 15)* entered into force. The Group opted for the retrospective application of the standard, the cumulative effect of the initial application being recognised at the application date, as an adjustment to the opening balance of retained earnings. Under this method, previous periods are not restated. The effect of these changes is presented in the consolidated interim financial statements, attached to this Report, in Note 2.

Revenue

In the first nine months ended on September 30, 2018, the revenue recorded a 6.26% increase (RON 202.96 million) as compared to the similar period of 2017. Without the influence of IFRS 15, the increase would have been by 3.80%.

The consolidated revenue from gas sales during the first nine months ended on September 30, 2018 reached RON 2,936.8 million, an 18.02% increase as compared to the similar period of 2017, an increase that compensated the 34.44% decrease of revenues from gas storage services and the 45.54% decrease of revenues from electricity sales.

The 26% decrease of storage tariffs approved by NAMR, effective as of April 1, 2018 led to the decrease of revenues from storage services by 34.44%.

Cost of Commodities Sold

The cost of commodities sold increased by 273.78%, compared to the nine months period ended on September 30, 2017, mainly because of higher import gas quantities purchased for resale that led to higher costs by RON 125.4 million.

Investment Income

The investment income represents income from placing the Group's available cash in bank deposits or government securities. The increase by 155.50% as compared to the first nine months of 2017 is generated by the increase of interest rates.

Other Gains and Losses

Other Gains and Losses must be analysed together with Net impairment losses on trade receivables. As a result of implementing IFRS 15, these losses were presented separately in the statement of consolidated interim comprehensive income.

As compared to the first nine months of the previous year, the net losses decreased by 12.32%. The net impairment loss on trade receivables is generated mainly by the allowance for doubtful debts recorded for one of the Group's Clients (RON 14.3 million) due to payment delays. The Group concluded a debt repayment agreement with this client in order to recover the doubtful debts.

The net loss of RON 57.6 million includes losses from writing off fixed assets worth RON 51.6 million. This loss was offset by releasing to income the impairment recorded for such assets, the final result of the Group was not influenced by these operations.

Changes in inventory of finished goods and work in progress

In the first nine months of 2018, Romgaz owned gas volumes, withdrawn from UGSs were lower than the injected ones, generating therefore a positive change in inventory (gain), as compared to the similar period of previous year when the changes in inventory were negative (loss) due to higher Romgaz gas quantities withdrawn from storages as compared to the injected quantities.

Exploration expenses

Exploration expenses for the first nine months of 2018 were RON 195.1 million, a 32.33% increase as compared to the similar period of the previous year.

In the first nine months of 2018 the exploration expenses representing seismic surveys reached RON 74.1 million, as compared to RON 16.6 million for the same period of 2017, showing an intensified exploration activity to discover new resources.

Exploration expenses also include the cost of abandoned investments in exploration wells. In the first nine months of 2018 the cost of these investments was RON 121.0 million as compared to RON 132.6 million in the similar period of 2017. These costs are mostly offset by the net impairment income; the Group's result was not influenced by these operations.

Other Expenses

Other Expenses recorded an increase by 34.59% as compared to the nine months period ended on September 30, 2017. The increase by RON 242.2 million is mainly due to increase by RON 202.9 million of expenses with taxes and duties, out of which approximately RON 97 million represent the royalty on gas production and storage activity and approximately RON104 million is related to the additional income tax.

Moreover, during the analysed period there was an increase of RON 21.3 million representing costs related to green certificates and greenhouse gas emission certificates.

Other Income

The decrease of other income is due to the influence of IFRS 15 implementation. Due to application of IFRS 15, the Group has reconsidered its position for invoicing specific services provided by third party suppliers; following this analysis, the Group concluded that it acts as a principal, not as agent/commissioner of the supplier, recognizing the related amounts in the revenue.

The table below shows the breakdown on segments of the interim consolidated comprehensive income for the period January – September 2018, respectively January - September 2017:

RON thousand

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation Adjustment	TOTAL
1	2	3	4		5	6
Revenue						
* Jan.-Sept. 2018	3,130,687	253,104	242,626	252,736	(434,546)	**3,444,607**
* Jan.-Sept. 2017	2,647,991	378,666	445,500	191,375	(421,886)	**3,241,646**
Cost of commodities sold						
* Jan.-Sept. 2018	(154,455)	(142)	(32,398)	(596)	2,504	**(185,087)**
* Jan.-Sept. 2017	(40,964)	(7)	(7,943)	(604)	-	**(49,518)**
Investment income						
* Jan.-Sept. 2018	52	351	5	39,572	-	**39,980**
* Jan.-Sept. 2017	257	1,366	20	14,005	-	**15,648**
Other gains and losses						
* Jan.-Sept. 2018	(52,409)	3,507	(2,182)	(6,507)	-	**(57,591)**
* Jan.-Sept. 2017	(52,616)	(2,094)	(1,117)	(32,803)	-	**(88,630)**
Net impairment losses on trade receivables						
* Jan.-Sept. 2018	(20,121)	-	5	(1)	-	**(20,117)**
* Jan.-Sept. 2017	-	-	-	-	-	**-**
Changes in inventory of finished goods and work in progress						
* Jan.-Sept. 2018	38,296	(21,606)	77	1,846	-	**18,613**
* Jan.-Sept. 2017	(65,267)	(37,061)	174	1,512	-	**(100,642)**
Raw materials and consumables used						
* Jan.-Sept. 2018	(38,987)	(15,867)	(966)	(7,932)	10,569	**(53,183)**
* Jan.-Sept. 2017	(34,802)	(8,220)	(864)	(7,255)	2,921	**(48,220)**
Depreciation, amortization and impairment expenses						
* Jan.-Sept. 2018	(288,537)	(79,603)	(5,737)	(14,521)	-	**(388,398)**
* Jan.-Sept. 2017	(285,886)	(77,470)	(4,892)	(13,615)	-	**(381,863)**
Employees benefit expenses						
* Jan.-Sept. 2018	(274,188)	(40,464)	(24,522)	(95,747)	-	**(434,921)**
* Jan.-Sept. 2017	(255,547)	(38,970)	(23,865)	(81,864)	-	**(400,246)**
Finance cost						
* Jan.-Sept. 2018	(16,397)	(2,682)	-	-	-	**(19,079)**
* Jan.-Sept. 2017	(12,060)	(1,225)	-	-	-	**(13,285)**
Exploration expense						
* Jan.-Sept. 2018	(195,108)	-	-	-	-	**(195,108)**
* Jan.-Sept. 2017	(147,442)	-	-	-	-	**(147,442)**
Share of associates' result						
* Jan.-Sept. 2018	-	50	-	-	-	**50**
* Jan.-Sept. 2017	-	163	-	-	-	**163**

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation Adjustment	TOTAL
1	2	3	4		5	6
Other expenses						
* Jan.-Sept. 2018	(1,030,265)	(111,500)	(180,116)	(44,975)	424,333	**(942,523)**
* Jan.-Sept. 2017	(752,307)	(53,847)	(281,262)	(32,351)	419,467	**(700,300)**
Other income						
* Jan.-Sept. 2018	8,779	3,685	28	839	(2,860)	**10,471**
* Jan.-Sept. 2017	83,683	32	34	1,364	(502)	**84,611**
Profit before tax						
* Jan.-Sept. 2018	**1,107,347**	**(11,167)**	**(3,180)**	**124,714**	-	**1,217,714**
* Jan.-Sept. 2017	**1,085,040**	**161,333**	**125,785**	**39,764**	-	**1,411,922**
Income tax expense						
* Jan.-Sept. 2018	-	(274)	-	(190,948)	-	**(191,222)**
* Jan.-Sept. 2017	-	-	-	(218,192)	-	**(218,192)**
Profit for the period						
* Jan.-Sept. 2018	**1,107,347**	**(11,441)**	**(3,180)**	**(66,234)**	-	**1,026,492**
* Jan.-Sept. 2017	**1,085,040**	**161,333**	**125,785**	**(178,428)**	-	**1,193,730**

Statement of Cash Flows

Statements of consolidated cash flows recorded during January – September 2018 and in the similar period of 2017 are as follows:

INDICATOR	9M 2017 *(restated)* (thousand RON)	9M 2018 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Cash flow from operating activities			
Net Profit for the period	**1,193,730**	**1,026,492**	**-14.01**
Adjustments for:			
Income tax expenses	218,192	191,222	-12.36
Share of associates' result	(163)	(50)	-69.33
Interest expense	3	-	
Unwinding of decommissioning provision	13,282	19,079	43.65
Interest revenue	(15,648)	(39,980)	155.50
Loss on disposal of non-current assets	44,741	51,623	15.38
Change in decommissioning provision recognized in result for the period, other than unwinding	(1,300)	(1,101)	-15.31
Change in other provisions	(29,906)	(17,682)	-40.87
Net impairment of exploration assets	(50,350)	(90,857)	80.45
Exploration projects written off	130,843	120,981	-7.54
Net impairment of property, plant and equipment and intangibles	27,141	54,110	99.37
Depreciation and amortization	405,072	425,145	4.96
Amortization of contract costs	-	971	n/a
Net impairment of investment in associates	(12,606)	-	-100.00
Net impairment of other financial assets	(21)	-	-100.00
(Gain)/Losses in financial assets measured at fair value through profit and loss	-	5,838	n/a
Losses from disposal of investment in associates and of other financial investments	12,308	-	-100.00
Losses from trade and other receivables	36,120	20,295	-43.81
Net impairment of inventories	7,318	(1,827)	n/a
Income from prescribed debts	(610)	(58)	-90.49
Subsidies income	(93)	(238)	155.91

Cash generated from operations, before movements in working capital	**1,978,053**	**1,763,963**	**-10.82**
Movements in working capital			
(Increase)/Decrease in inventory	44,002	46,651	6.02
(Increase)/Decrease in trade and other receivables	446,690	313,633	-29.79
Increase/(Decrease) in trade and other liabilities	(287,887)	(303,514)	5.43
Cash generated from operations	**2,180,858**	**1,820,733**	-16.51
Interest paid	(3)	-	-100.00
Income tax paid	(242,805)	(285,156)	17.44
Net cash generated from operations	**1,938,050**	**1,535,577**	**-20.77**
Cash flows from investing activities			
(Increase)/Decrease in other financial assets	272,344	1,448,768	431.96
Interest received	14,347	37,907	164.22
Proceeds from sale of non-current assets	113	720	537.17
Acquisition of non-current assets	(331,728)	(676,767)	104.01
Acquisition of exploration assets	(164,899)	(139,417)	-15.45
Collections from disposal of investments belonging to associates	298	-	-100.00
Net cash for investments	**(209,525)**	**671,211**	**n/a**
Cash flows from financing activities			
Dividends paid	(1,472,412)	(1,921,108)	30.47
Subsidies received	413	20,994	4983.29
Net cash used in financing activities	**(1,471,999)**	**(1,900,114)**	**29.08**
Net Increase/(Decrease) in cash and cash equivalents	**256,526**	**306,674**	**19.55**
Cash and cash equivalents at the beginning of the period	**280,547**	**227,167**	**-19.03**
Cash and cash equivalents on September 30	**537,073**	**533,841**	**-0.60**

Economic-financial indicators

The table below shows a comparison between the economic-financial indicators provided in Annex no. 13 to FSA Regulation No.5 of May 10, 2018 on issuers of financial instruments and market operations:

Item no.	Indicator	Calculation method	9 months 2017	9 months 2018
1.	Current liquidity	$\frac{Current\ assets}{Current\ liabilities}$	6.57	4.31
2.	Indebtedness	$\frac{Loan\ capital}{Equity} x100$ $\frac{Loan\ capital}{Employed\ capital} x100$	0	0
3.	Clients' debts rotation speed	$\frac{Client's\ average\ balance}{Revenue} x270$	52.72	40.91
4.	Non-current assets turnover	$\frac{Revenue}{Non-current\ assets}$	0.55	0.55

PERFORMANCE OF MANDATE CONTRACTS / DIRECTORS' AGREEMENTS

Director Agreements

Following the expiration of Board members director agreements appointed by the General Meeting of Shareholders in 2013 for a four-year period, interim directors were successively appointed. The director agreements approved by the General Meeting of Shareholders do not contain performance indicators and criteria.

Currently, the Governing Plan follows the drafting and approval process. Further to its approval, the General Meeting of Shareholders will convene in order to negotiate and approve the financial and non-financial performance indicators to be included in the directors' agreements by means of an addendum.

The Contracts of Mandate

By Resolution no. 37 of December 14, 2017, the Board of Directors appointed Mr. *Cindrea Corin Emil* as interim CEO for a period of four months with the possibility of extending it up to maximum 6 months.

By Resolution no. 19 of April 12, 2018, the Board of Directors decided to extend with two months the Contract Mandate of the CEO, respectively until June 14, 2018.

The Contract of Mandate concluded with the Board of Directors does not include performance indicators and criteria.

By Resolution no. 29 of June 14, 2018, the Board of Directors decided to appoint *Mr. Volintiru Adrian Constantin* as Chief Executive Officer for a period of four months and by Resolution no. 45 of October 1, 2018, the Board of Directors decided to appoint Mr. Volintiru Adrian Constantin as Chief Executive Officer granting him a four-year mandate.

By Resolution no.30 of November 2, 2017, the Board of Directors appointed *Mr. Bobar Andrei* as Chief Financial Officer. By Resolution no. 39 of August 28, 2018, the Board of Directors appointed Mr. Bobar Andrei as Chief Financial Officer for a definite period, from August 28, 2018 until November 2, 2021.

The contracts of mandate concluded between the Board of Directors with the Company's Chief Executive Officer and the Chief Financial Officer do not include performance criteria and indicators. These will be negotiated and included in the contracts by an addendum for the term of the mandate, after the approval of the Company's Governing Plan.

Attached hereto are the Consolidated Condensed Interim Financial Statements for the period ended on September 30, 2018 prepared in accordance with the International Financial Reporting Standards (IFRS) and unaudited by the financial auditor.

SIGNATURES:

Chairman of the Board of Directors,

NISTORAN DORIN LIVIU

....

Chief Executive Officer,	**Chief Financial Officer,**
VOLINTIRU ADRIAN CONSTANTIN	**BOBAR ANDREI**
....	....

Societatea Națională de Gaze Naturale "ROMGAZ" S.A MEDIAȘ J32/392/2001 2

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

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2018

PREPARED IN ACCORDANCE WITH
INTERNATIONAL ACCOUNTING STANDARD 34

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CONDENSED STATEMENT OF CONSOLIDATED INTERIM COMPREHENSIVE INCOME FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2018

	Note	Nine months ended September 30, 2018	Three months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended September 30, 2017
		'000 RON	'000 RON	'000 RON (restated) *)	'000 RON (restated) *)
Revenue	2, 3	3,444,607	970,100	3,241,646	849,429
Cost of commodities sold	4	(185,087)	(82,312)	(49,518)	(3,727)
Investment income		39,980	13,788	15,648	4,943
Other gains and losses	5	(57,591)	(12,458)	(88,630)	(24,031)
Net impairment losses on trade receivables	10	(20,117)	(1,170)	-	-
Changes in inventory of finished goods and work in progress		18,613	83,984	(100,642)	41,415
Raw materials and consumables used		(53,183)	(18,266)	(48,220)	(16,092)
Depreciation, amortization and impairment expenses	6	(388,398)	(142,304)	(381,863)	(113,498)
Employee benefit expense	8	(434,921)	(149,291)	(400,246)	(139,150)
Finance cost		(19,079)	(6,345)	(13,285)	(4,410)
Exploration expense		(195,108)	(82,601)	(147,442)	(74,199)
Share of associates' result		50	(926)	163	(369)
Other expenses	9	(942,523)	(308,419)	(700,300)	(183,839)
Other income	2, 3	10,471	6,051	84,611	18,535
Profit before tax		**1,217,714**	**269,831**	**1,411,922**	**355,007**
Income tax expense	7	(191,222)	(41,043)	(218,192)	(48,733)
Profit for the period		**1,026,492**	**228,788**	**1,193,730**	**306,274**
Total comprehensive income for the period		**1,026,492**	**228,788**	**1,193,730**	**306,274**

*) Please see note 13.

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

Adrian Constantin Volintiru
Chief Executive Officer

"ROMGAZ" S.A MEDIAS J32/392/2001 Societatea Națională de Gaze Naturale 2

Andrei Bobar
Chief Financial Officer

CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION AS OF SEPTEMBER 30, 2018

	Note	September 30, 2018	December 31, 2017	January 1,2017
		'000 RON	'000 RON (restated) *)	'000 RON (restated) *)
ASSETS				
Non-current assets				
Property, plant and equipment		6,096,475	5,842,708	5,789,604
Other intangible assets		5,755	8,629	14,590
Investments in associates		22,726	22,676	21,301
Deferred tax asset		80,853	66,272	21,146
Other financial investments		44,757	69,678	69,657
Total non-current assets		**6,250,566**	**6,009,963**	**5,916,298**
Current assets				
Inventories		342,222	389,515	575,983
Trade and other receivables	10	227,774	816,086	828,609
Contract assets	2	239,217	-	-
Contract costs	2	718	-	-
Other financial assets		1,349,816	2,787,261	2,893,852
Other assets	10	205,303	305,913	141,530
Cash and cash equivalents		533,841	227,167	280,547
Total current assets		**2,898,891**	**4,525,942**	**4,720,521**
Total assets		**9,149,457**	**10,535,905**	**10,636,819**
EQUITY AND LIABILITIES				
Equity				
Share capital		385,422	385,422	385,422
Reserves		2,498,095	2,312,532	3,020,152
Retained earnings		5,196,068	6,296,875	5,970,023
Total equity		**8,079,585**	**8,994,829**	**9,375,597**
Non-current liabilities				
Retirement benefit obligation		112,466	119,482	119,986
Provisions		285,288	280,601	194,048
Total non-current liabilities		**397,754**	**400,083**	**314,034**

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

CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION AS OF SEPTEMBER 30, 2018

	Note	September 30, 2018	December 31, 2017	January 1,2017
		'000 RON	'000 RON (restated) *)	'000 RON (restated) *)
Current liabilities				
Trade payables		202,779	606,109	569,945
Contract liabilities	2	45,701	-	-
Current tax liabilities		49,167	128,520	60,295
Deferred revenue		30,975	970	4,924
Provisions		74,661	76,290	50,437
Other liabilities		268,835	329,104	261,587
Total current liabilities		**672,118**	**1,140,993**	**947,188**
Total liabilities		**1,069,872**	**1,541,076**	**1,261,222**
Total equity and liabilities		**9,149,457**	**10,535,905**	**10,636,819**

*) Please see note 13.

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

Adrian Constantin Volintiru
Chief Executive Officer

Societatea Națională de Gaze Naturale "ROMGAZ" S.A MEDIAȘ J32/392/2001 2

Andrei Bobar
Chief Financial Officer

CONDENSED STATEMENT OF CONSOLIDATED INTERIM CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2018

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2018 (before restatement) (note 13)	**385,422**	**77,084**	**2,235,448**	**6,635,380**	**9,333,334**
Restatement (note 13)	**-**	**-**	**-**	**(338,505)**	**(338,505)**
	385,422	**77,084**	**2,235,448**	**6,296,875**	**8,994,829**
Total comprehensive income for the period	-	-	-	1,026,492	1,026,492
Allocation to dividends *)	-	-	-	(1,923,258)	(1,923,258)
Allocation to other reserves	-	-	185,563	(185,563)	-
Change in accounting policies due to new IFRS (note 2)	-	-	-	(18,478)	(18,478)
Balance as of September 30, 2018	**385,422**	**77,084**	**2,421,011**	**5,196,068**	**8,079,585**
Balance as of January 1, 2017 (before restatement) (note 13)	**385,422**	**77,084**	**2,943,068**	**6,291,685**	**9,697,259**
Restatement (note 13)	**-**	**-**	**-**	**(321,662)**	**(321,662)**
Balance as of January 1, 2017 (restated) (note 13)	**385,422**	**77,084**	**2,943,068**	**5,970,023**	**9,375,597**
Total comprehensive income for the period (before restatement) (note 13)	-	-	-	1,184,236	1,184,236
Allocation to dividends	-	-	-	(1,472,314)	(1,472,314)
Allocation to other reserves	-	-	16,309	(16,309)	-
Change in accounting policies effect of restatement (note 13)	-	-	-	9,494	9,494
Balance as of September 30, 2017	**385,422**	**77,084**	**2,959,377**	**5,675,130**	**9,097,013**

*) In 2018 the Company's shareholders approved the allocation of dividends of RON 1,923,258 thousand, dividend per share being RON 4.99.

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

Adrian Constantin Volintiru
Chief Executive Officer

Andrei Bobar
Chief Financial Officer

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

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

CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2018

	Nine months ended September 30, 2018	Three months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended September 30, 2017
	'000 RON	'000 RON	'000 RON	'000 RON
			(restated) *)	(restated) *)
Cash flows from operating activities				
Net profit	**1,026,492**	**228,788**	**1,193,730**	**306,274**
Adjustments for:				
Income tax expense (note 7)	191,222	41,043	218,192	48,733
Share of associates' result	(50)	926	(163)	369
Interest expense	-	-	3	-
Unwinding of decommissioning provision	19,079	6,345	13,282	4,410
Interest revenue	(39,980)	(13,788)	(15,648)	(4,943)
Net loss on disposal of non-current assets (note 5)	51,623	13,920	44,741	7,698
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 9)	(1,101)	(451)	(1,300)	(462)
Change in other provisions (note 9)	(17,682)	3,499	(29,906)	(14,356)
Net impairment of exploration assets (note 6)	(90,857)	(32,689)	(50,350)	(15,933)
Exploration projects written off	120,981	59,205	130,843	60,662
Net impairment of property, plant and equipment and intangibles (note 6)	54,110	48,216	27,141	(1,129)
Depreciation and amortization (note 6)	425,145	126,777	405,072	130,560
Amortization of contract costs	971	292	-	-
Net impairment of investment in associates	-	-	(12,606)	(9,214)
Net impairment of other financial assets	-	-	(21)	-
(Gain)/Losses in financial assets measured at fair value through profit and loss (note 5)	5,838	390	-	-
(Gain)/Loss from disposal of investment in associates (note 5)	-	-	12,308	8,916
Net receivable write-offs and movement in allowances for trade receivables and other assets	20,295	1,130	36,120	14,238
Net movement in write-down allowances for inventory (note 5)	(1,827)	(2,124)	7,318	1,917
Liabilities written off	(58)	(58)	(610)	(610)
Subsidies income	(238)	(146)	(93)	(93)
	1,763,963	**481,275**	**1,978,053**	**537,037**
Movements in working capital:				
(Increase)/Decrease in inventory	46,651	(84,097)	44,002	(39,052)
(Increase)/Decrease in trade and other receivables	313,633	(11,324)	446,690	233,783
Increase/(Decrease) in trade and other liabilities	(303,514)	57,391	(287,887)	(27,340)
Cash generated from operations	**1,820,733**	**443,245**	**2,180,858**	**704,428**
Interest paid	-	-	(3)	-
Income taxes paid	(285,156)	(58,969)	(242,805)	(61,728)
Net cash generated by operating activities	**1,535,577**	**384,276**	**1,938,050**	**642,700**

CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2018

	Nine months ended September 30, 2018	Three months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended September 30, 2017
	'000 RON	'000 RON	'000 RON (restated) *)	'000 RON (restated) *)
Cash flows from investing activities				
(Increase)/Decrease in other financial assets	1,448,768	(250,098)	272,344	(177,491)
Interest received	37,907	17,529	14,347	6,729
Proceeds from sale of non-current assets	720	(4,442)	113	47
Proceeds from disposal of associates	-	-	298	298
Acquisition of non-current assets	(676,767)	(180,040)	(331,728)	(181,704)
Acquisition of exploration assets	(139,417)	(41,105)	(164,899)	(73,267)
Net cash generated by investing activities	**671,211**	**(458,156)**	**(209,525)**	**(425,388)**
Cash flows from financing activities				
Dividends paid	(1,921,108)	(1,920,814)	(1,472,412)	(1,471,921)
Subsidies received	20,994	-	413	413
Net cash generated by/(used in) financing activities	**(1,900,114)**	**(1,920,814)**	**(1,471,999)**	**(1,471,508)**
Net increase/(decrease) in cash and cash equivalents	**306,674**	**(1,994,694)**	**256,526**	**(1,254,196)**
Cash and cash equivalents at the beginning of the period	**227,167**	**2,528,535**	**280,547**	**1,791,269**
Cash and cash equivalents at the end of the period	**533,841**	**533,841**	**537,073**	**537,073**

*) Please see note 13.

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

Adrian Constantin Volintiru
Chief Executive Officer

Societatea Națională de Gaze Naturale "ROMGAZ" S.A. MEDIAȘ J32/392/2001 2

Andrei Bobar
Chief Financial Officer

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2018

1. BACKGROUND AND GENERAL BUSINESS

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

The Group is formed of S.N.G.N. Romgaz S.A. ("Romgaz"/"the Company"), as parent company, its fully owned subsidiary S.N.G.N. ROMGAZ S.A. - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești S.R.L. ("Depogaz") and its associates – S.C. Depomures S.A. (40% of the share capital) and S.C. Agri LNG Project Company S.R.L. (25% of the share capital).

Romgaz is a joint stock company, incorporated in accordance with the Romanian legislation.

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

The Romanian State, through the Ministry of Energy, is the majority shareholder of S.N.G.N. Romgaz S.A. together with other legal and physical persons.

The Group has as main activity:

1. geological research for the discovery of natural gas, crude oil and condensed reserves;
2. operation, production and usage, including trading, of mineral resources;
3. natural gas production for:
    - ensuring the storage flow continuity;
    - technological consumption;
    - delivery in the transportation system.
4. underground storage of natural gas, provided by Depogaz starting April 1, 2018 and Depomures;
5. commissioning, interventions, capital repairs for wells equipping the deposits, as well as the natural gas resources extraction wells, for its own activity and for third parties;
6. electricity production and distribution.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated condensed interim financial statements ("financial statements") of the Group have been prepared in accordance with the provisions of IAS 34 "Interim financial reporting". For the purposes of the preparation of these financial statements, the functional currency of the Group 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 Group's financial statements for the periods presented.

In 2018, the Group modified on voluntary basis, the criterion to recognize seismic, geological, geophysical and similar activities as exploration expenses as incurred, rather than exploration assets, in accordance with the successful efforts method. This approach is widely used in the oil and gas business. The management believes that by adopting this method the Group's financial statements are better comparable to those of its competitors. The effect of the change in accounting policy is presented in note 13.

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

Basis of preparation

The financial statements have been prepared on a going concern basis.

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

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

Standards and interpretations valid for the current period

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

- Amendments to IAS 40 Transfers of Investment Property (effective for annual periods beginning on or after January 1, 2018);
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2018);
- Annual Improvements to IFRS Standards 2014–2016 Cycle (effective for annual periods beginning on or after January 1, 2018);
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4: Insurance Contracts (effective for annual periods beginning on or after January 1, 2018);
- Clarifications to IFRS 15: Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018);
- IFRS 9: Financial Instruments (effective for annual periods beginning on or after January 1, 2018);
- IFRS 15: Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15 (effective for annual periods beginning on or after January 1, 2018);
- IFRIC 22: Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after January 1, 2018).

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

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

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

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

The cumulative effect of the retrospective restatement of IFRS 15 is presented below:

Statement of consolidated interim comprehensive income:

	Nine months ended September 30, 2018 (before IFRS 15)	**Effect of applying IFRS 15 at September 30, 2018**	**Nine months ended September 30, 2018 (after IFRS 15)**
	'000 RON	**'000 RON**	**'000 RON**
Revenue *)	3,364,688	79,919	3,444,607
Other expenses **)	(942,635)	112	(942,523)
Other income *)	90,390	(79,919)	10,471
Profit before tax	1,217,602	112	1,217,714

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

**) According to the new standard, the costs of obtaining contracts are recognized as current assets, to be amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates; previously, these were recognized directly in the period's result.

Statement of consolidated interim financial position:

	September 30, 2018 (before IFRS 15)	The effect of applying IFRS 15 at September 30, 2018	September 30, 2018 (after IFRS 15)
	'000 RON	'000 RON	'000 RON
Current assets			
Trade and other receivables *)	529,006	(301,232)	227,774
Contract assets *)	-	239,217	239,217
Contract costs **)	-	718	718
Equity			
Retained earnings	5,195,351	717	5,196,068
Current liabilities			
Trade payables ***)	310,494	(107,715)	202,779
Contract liabilities ***)	-	45,701	45,701

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

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

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

The impact of adopting IFRS 9: Financial Instruments

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

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

	Financial assets measured at cost at December 31, 2017	Differences recorded in opening retained earnings	Financial assets measured at fair value through profit or loss
	'000 RON	'000 RON	'000 RON
Total	69,678	(19,083)	50,595

Seasonality and cyclicality

Natural gas and electricity consumption is seasonal and affected by weather conditions. Natural gas consumption is highest in winter time. Electricity consumption also depends on climatic conditions, being impacted both by cold weather, as it can be used to produce heat, but also by high temperatures, as air conditioning systems rely on it. Consequently, the results of the Group may vary according to the seasonal character of the demand for natural gas and electricity.

Regarding the gas storage activity, injection normally happens during the period April-October, while gas is usually being extracted during the period October-April.

Comparative information

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

3. REVENUE AND OTHER INCOME

	Nine months ended September 30, 2018	Three months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended September 30, 2017
	'000 RON	'000 RON	'000 RON	'000 RON
Revenue from gas sold - domestic production	2,676,150	714,608	2,351,534	561,129
Revenue from gas sold - joint operations	104,937	31,747	94,127	32,314
Revenue from gas acquired for resale – import gas	146,871	67,722	22,404	-
Revenue from gas acquired for resale – domestic gas	8,861	2,162	20,347	1,265
Revenue from storage services-capacity reservation	165,712	52,425	265,988	100,654
Revenue from storage services-extraction	22,540	215	25,129	2,417
Revenue from storage services-injection	28,905	11,317	40,109	18,998
Revenue from electricity	170,044	61,155	381,721	116,779
Revenue from services	102,947	22,463	27,292	13,006
Revenue from sale of goods	12,160	4,461	7,633	2,275
Other revenue from contracts	213	71	-	-
Total revenue from contracts with customers	**3,439,340**	**968,346**	**3,236,284**	**848,837**
Other revenue	5,267	1,754	5,362	592
Total revenue	**3,444,607**	**970,100**	**3,241,646**	**849,429**
Other operating income *)	10,471	6,051	84,611	18,535
Total revenue and other income	**3,455,078**	**976,151**	**3,326,257**	**867,964**

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2018

4. COST OF COMMODITIES SOLD

Cost of commodities sold includes the cost of import gas acquired for resale (nine months ended September 30, 2018: RON 146,274 thousand; three months ended September 30, 2018: RON 67,137 thousand; nine months ended September 30, 2017: RON 20,833 thousand; three months ended September 30, 2017: RON 0 thousand).

5. OTHER GAINS AND LOSSES

	Nine months ended September 30, 2018	Three months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended September 30, 2017
	'000 RON	'000 RON	'000 RON	'000 RON
Forex gain	3,197	1,170	257	118
Forex loss	(4,976)	(1,482)	(1,027)	(594)
Net loss on disposal of non-current assets	(51,623)	(13,920)	(44,741)	(7,698)
Net receivable allowances (note 10) *)	(164)	40	(16,753)	(14,238)
Impairment of financial investments	-	-	12,627	9,214
Gain/(Loss) from changes in the value of financial assets recognized at fair value through profit or loss	(5,838)	(390)	-	-
Net write down allowances for inventory	1,827	2,124	(7,318)	(1,917)
Gain/(Loss) on disposal of financial investments	-	-	(12,308)	(8,916)
Losses from trade receivables	(14)	-	(19,367)	-
Total	**(57,591)**	**(12,458)**	**(88,630)**	**(24,031)**

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

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Nine months ended September 30, 2018	Three months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended September 30, 2017
	'000 RON	'000 RON	'000 RON (restated) *)	'000 RON (restated) *)
Depreciation	425,145	126,777	405,072	130,560
out of which:				
- depreciation of property, plant and equipment	421,850	125,698	398,630	128,504
- amortization of intangible assets	3,295	1,079	6,442	2,056
Net impairment of non-current assets	(36,747)	15,527	(23,209)	(17,062)
Total depreciation, amortization and impairment	**388,398**	**142,304**	**381,863**	**113,498**

*) Please see note 13.

7. INCOME TAX

	Nine months ended September 30, 2018	Three months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended September 30, 2017
	'000 RON	'000 RON	'000 RON (restated) *)	'000 RON (restated) *)
Current tax expense	205,803	49,166	239,511	57,001
Deferred income tax (income)/expense	(14,581)	(8,123)	(21,319)	(8,268)
Income tax expense	**191,222**	**41,043**	**218,192**	**48,733**

*) Please see note 13.

8. EMPLOYEE BENEFIT EXPENSE

	Nine months ended September 30, 2018	Three months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended September 30, 2017
	'000 RON	'000 RON	'000 RON	'000 RON
Wages and salaries	459,825	155,334	356,447	121,860
Social security charges	13,344	4,507	85,239	29,040
Meal tickets	13,884	4,372	11,798	4,400
Other benefits according to collective labor contract	19,452	10,402	16,583	9,166
Private pension payments	8,698	2,897	8,773	2,922
Private health insurance	5,000	1,664	5,025	1,676
Total employee benefit costs	**520,203**	**179,176**	**483,865**	**169,064**
Less, capitalised employee benefit costs	(85,282)	(29,885)	(83,619)	(29,914)
Total employee benefit expense	**434,921**	**149,291**	**400,246**	**139,150**

9. OTHER EXPENSES

	Nine months ended September 30, 2018	Three months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended September 30, 2017
	'000 RON	'000 RON	'000 RON	'000 RON
Expenses with other taxes and duties	682,994	214,543	480,059	127,521
(Net gain)/Net loss from provisions movement	(18,783)	3,048	(31,206)	(14,818)
Other operating expenses	278,312	90,828	251,447	71,136
Total	**942,523**	**308,419**	**700,300**	**183,839**

In the nine months ended September 30, 2018, the major taxes and duties included in the amount of RON 682,994 thousand (nine months ended September 30, 2017: RON 480,059 thousand) for taxes and duties are:

- RON 369,593 thousand, including amounts related to joint operations, represent windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 with the subsequent amendments for the implementation of the windfall tax following the deregulation of prices in the natural gas sector (nine months ended September 30, 2017: RON 265,601 thousand);

- RON 305,813 thousand, including amounts related to joint operations, represent royalty on gas production and storage activity (nine months ended September 30, 2017: RON 208,824 thousand).

10. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	September 30, 2018	December 31 2017
	'000 RON	'000 RON
Trade receivables	1,446,138	1,518,568
Bad debt allowances (note 10 c)	(1,218,364)	(1,198,247)
Accrued receivables *)	-	495,765
Total	**227,774**	**816,086**

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

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

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

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

b) Other assets

	September 30, 2018	December 31 2017
	'000 RON	'000 RON
Advances paid to suppliers	34,108	20,891
Joint operation receivables	2,514	3,951
Other receivables	66,211	59,992
Bad debt allowance for other receivables (note 10 c)	(50,983)	(51,302)
Other debtors	45,472	46,248
Bad debt allowances for other debtors (note 10 c)	(43,372)	(42,889)
Prepayments	9,877	5,298
VAT not yet due	11,432	19,255
Other taxes receivable	130,044	244,469
Total	**205,303**	**305,913**

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

	2018	2017
	'000 RON	'000 RON
At January 1	**1,292,438**	**1,273,230**
Charge in the allowance for receivables (note 5) *)	300	36,184
Charge in the allowance for trade receivables	20,925	-
Forex	-	190
Release in the allowance for receivables (note 5) *)	(136)	(19,431)
Release in the allowance for trade receivables	(808)	-
At September 30	**1,312,719**	**1,290,173**

*) In 2017, the amounts include the allowance of trade receivables.

As of September 31, 2018, the Company recorded allowances for doubtful debts, of which Interagro RON 275,961 thousand (December 31, 2017: RON 275,961 thousand), GHCL Upsom of RON 60,371 thousand (December 31, 2017: RON 60,371 thousand), CET Iasi of RON 46,271 thousand (December 31, 2017: RON 46,271 thousand), Electrocentrale Galati with RON 223,417 thousand (December 31, 2017: RON 217,585 thousand), Electrocentrale Bucuresti with RON 570,274 thousand (December 31, 2017: RON 570,274 thousand) Electrocentrale Constanța with RON 14,295 thousand (December 31, 2017: RON 0 thousand) and G-ON EUROGAZ of RON 14,848 thousand (December 31, 2017: RON 14,848 thousand), due to existing financial conditions of these clients as well as ongoing litigating cases related to these receivables or exceeding payment terms.

11. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Sales of goods and services

	Nine months ended September 30, 2018	Three months ended September 30, 2018	Nine months ended September 30, 2017	Three months ended September 30, 2017
	'000 RON	'000 RON	'000 RON	'000 RON
Romgaz's associates	18,012	9,982	20,756	9,435
Total	**18,012**	**9,982**	**20,756**	**9,435**

ii) Trade receivables

	September 30, 2018	December 31, 2017
	'000 RON	'000 RON
Romgaz's associates	3,726	111
Total	**3,726**	**111**

12. SEGMENT INFORMATION

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

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

Specifically, the Group is organized in the following segments:

- upstream, which includes exploration activities, natural gas production and trade of gas extracted by Romgaz or acquired from domestic production or import, for resale; these activities are performed by Medias, Mures and Bratislava branches;
- storage activities, performed by Ploiesti branch until March 31, 2018; after April 1, 2018 the storage activity is carried out by Depogaz. The Company's associate Depomures is also operating in the gas underground storage business;
- electricity production and distribution activities, performed by Iernut branch;
- other activities, such as technological transport, operations on wells and corporate activities.

Except for Bratislava branch, all operations are in Romania. As of September 30, 2018, Bratislava branch`s exploration assets were entirely depreciated, as a result of difficulties encountered during the exploration activity.

b) Segment assets and liabilities

September 30, 2018	Upstream	Storage	Electricity	Other	Consolidation adjustments	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Total assets	4,593,288	1,523,150	758,193	2,311,186	36,360	9,185,817
Total liabilities	648,916	101,408	115,951	239,957	36,360	1,106,232

December 31, 2017 (restated) *)	Upstream	Storage	Electricity	Other	Consolidation adjustments	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Total assets	5,200,826	1,620,060	298,384	3,416,635	-	10,535,905
Total liabilities	989,936	57,756	95,656	397,728	-	1,541,076

*) Please see note 13.

c) **Segment revenues, results and other segment information**

Nine months ended September 30, 2018	Upstream	Storage	Electricity	Other	Consolidation adjustments	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3,130,687	253,104	242,626	252,736	(434,546)	3,444,607
Less: revenue between segments	(76,198)	(37,966)	(72,801)	(247,581)	434,546	-
Third party revenue	3,054,489	215,138	169,825	5,155	-	3,444,607
Segment profit before tax profit/(loss)	**1,107,347**	**(11,167)**	**(3,180)**	**124,714**	**-**	**1,217,714**

Three months ended September 30, 2018	Upstream	Storage	Electricity	Other	Consolidation adjustments	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	872,821	83,251	97,473	95,459	(178,904)	970,100
Less: revenue between segments	(30,102)	(19,293)	(36,363)	(93,146)	178,904	-
Third party revenue	842,719	63,958	61,110	2,313	-	970,100
Segment profit before tax profit/(loss)	**242,685**	**(19,163)**	**(4,078)**	**50,387**	**-**	**269,831**

Nine months ended September 30, 2017 (restated) *)	Upstream	Storage	Electricity	Other	Consolidation adjustments	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	2,647,991	378,666	445,500	191,375	(421,886)	3,241,646
Less: revenue between segments	(125,744)	(47,408)	(63,786)	(184,948)	421,886	-
Third party revenue	2,522,247	331,258	381,714	6,427	-	3,241,646
Segment profit before tax profit/(loss)	**1,085,040**	**161,333**	**125,785**	**39,764**	**-**	**1,411,922**

Three months ended September 30, 2017 (restated) *)	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments '000 RON	Total '000 RON
Revenue	649,547	126,707	146,500	66,786	(140,111)	**849,429**
Less: revenue between segments	(41,807)	(4,621)	(29,821)	(63,862)	140,111	-
Third party revenue	607,740	122,086	116,679	2,924	-	**849,429**
Segment profit before tax profit/(loss)	**228,521**	**49,410**	**52,835**	**24,241**	**-**	**355,007**

*) Please see note 13.

13. EFFECTS OF VOLUNTARY CHANGE IN ACCOUNTING POLICY

In 2018 the management of the Group modified on voluntary basis the accounting for seismic, geological, geophysical and other similar exploration activities, effective January 1, 2018.

Until March 31, 2018 these activities were accounted as intangible exploration assets, in accordance with the accounting policy used before transition to IFRS, as permitted by IFRS 6. Starting with the second quarter of 2018 these are expensed as incurred, in line with the successful efforts method. This way of accounting is more consistent with the international practice, making the financial statements more relevant to the users.

In accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors", this is a voluntary change in accounting policy explained by the alignment with an accounting standard largely adopted by oil & gas companies and as such it has been applied retrospectively.

The retrospective application of the new accounting policy has required an adjustment of the opening balance of the consolidated retained earnings and other comparative amounts as of January 1, 2017. Specifically, as of January 1, 2017 the opening balance of the carrying amount of intangible assets was decreased by RON 383,273 thousand and retained earnings by RON 321,662 thousand. Other adjustments related to deferred tax (after the change in accounting policy, on January 1, 2017 Romgaz reported an asset of RON 21,146 thousand, while before Romgaz reported a liability of RON 40,123 thousand) and other minor line items.

To reflect the change and ensure comparability of information presented in this set of financial statements, previous periods were restated, as if the new accounting policy had always been applied.

The table below sets forth the amounts of the comparative periods of 2017 which have been restated following the voluntary change in accounting policy.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2018

Item	CONSOLIDATED, BEFORE CHANGE IN ACCOUNTING POLICY				CONSOLIDATED, RESTATED			
	Nine months ended September 30, 2017	Three months ended September 30, 2017	January 1, 2017	December 31, 2017	Nine months ended September 30, 2017	Three months ended September 30, 2017	January 1, 2017	December 31, 2017
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Statement of consolidated financial position items								
Property, plant and equipment	-	-	5,789,262	5,842,366	-	-	5,789,604	5,842,708
Other intangible assets	-	-	397,864	412,284	-	-	14,591	8,629
Deferred tax asset	-	-	-	1,464	-	-	21,146	66,272
Total non-current assets	-	-	6,278,084	6,348,468	-	-	5,916,299	6,009,963
Total assets	-	-	10,998,604	10,874,410	-	-	10,636,819	10,535,905
Retained earnings	-	-	6,291,685	6,635,380	-	-	5,970,023	6,296,875
Total equity	-	-	9,697,259	9,333,334	-	-	9,375,597	8,994,829
Deferred tax liability	-	-	40,123	-	-	-	-	-
Statement of consolidated interim comprehensive income								
Depreciation, amortization and impairment expenses	(407,701)	(113,648)	-	-	(381,863)	(113,498)	-	-
Exploration expense	(132,576)	(62,395)	-	-	(147,442)	(74,199)	-	-
Profit before tax	1,400,950	366,661	-	-	1,411,922	355,007	-	-
Income tax expense	(216,714)	(50,900)	-	-	(218,192)	(48,733)	-	-
Profit for the period	1,184,236	315,761	-	-	1,193,730	306,274	-	-
Statement of consolidated interim cash flow items								
Net cash generated by operating activities	1,954,649	656,238	-	-	1,938,050	642,700	-	-
Net cash generated by investing activities	(226,124)	(438,926)	-	-	(209,525)	(425,388)	-	-

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2018

14. COMMITMENTS UNDERTAKEN

In 2017, Romgaz signed a credit agreement with Raiffeisen Bank SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 100,000 thousand. On September 30, 2018 are still available for use USD 86,947 thousand.

As of September 30, 2018, the Company's contractual commitments for the acquisition of non-current assets are of RON 997,015 thousand (December 31, 2017: RON 1,551,675 thousand), of which, the contract for CET Iernut development represents RON 592,587 thousand.

15. EVENTS AFTER THE BALANCE SHEET DATE

No events after the balance sheet date which impact upon the condensed consolidated financial statements were identified.

16. APPROVAL OF FINANCIAL STATEMENTS

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

Adrian Constantin Volintiru
Chief Executive Officer

Societatea Naţională de Gaze Naturale "ROMGAZ" S.A. MEDIAS J32/392/2001 2

Andrei Bobar
Chief Financial Officer