SOCIETATEA NATIONALA DE GAZE NATURALE "ROMGAZ" SA

QUARTERLY REPORT

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

AS OF MARCH 31, 2016

(January 01, 2016-March 31, 2016)

IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report Basis	Article 227 of Law no. 297/2004 on the capital market and Annex 30 to CNVM Regulation no.1/2006 for a three-month period ended on March 31, 2016
Report Date	May 13, 2016
Name of the Company	Societatea Naţională de Gaze Naturale "ROMGAZ" SA
Headquarter	Mediaş 551130, No.4 Piaţa Constantin I. Motaş, County of Sibiu
Telephone/Fax number	0040 269 201020 / 0040 269 846901
Web/E-mail	www.romgaz.ro / secretariat@romgaz.ro
Fiscal Code	RO 14056826
Trade Registry No.	J32/392/2001
Subscribed and paid in share capital	RON 385,422,400
Number of shares	385,422,400 each with a nominal value of RON 1
Regulated market where the company's shares are traded	Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)

ROMGAZ BY FIGURES

The achievement of net profit margin (35.9%), EBIT margin (44.2%) and EBITDA margin (53%), confirms further maintenance of a high profitability of the company's activity.

As compared to the same period of the previous year, the company's performances were mainly affected by the decrease of 4.36 % of the demand of natural gas consumption on the Romanian market, as reflected in the decrease of 2.5% of Romgaz supplies.

Relevant Financial Results

RON million

Q1 2015	Q4 2015	Q1 2016	Δ Q1 (%)	Main Indicators	2014	2015	Δ '15/'14 (%)
1,365.5	1,119.6	1,363.5	-0.1	Revenue	4,493.3	4,052.7	-9.8
1,299.5	1,172.4	1,316.3	1.3	Income	4,708.9	4,315.9	-8.3
620.5	898.4	706.3	13.8	Expenses	2,920.6	2,847.1	-2.5
679.1	274.0	610.0	-10.2	Gross Profit	1,788.3	1,468.8	-17.9
116.0	55.2	120.7	4.1	Profit Tax	378.4	274.0	-27.6
563.0	219.0	489.3	-13.1	Net Profit	1,409.9	1,194.8	-15.3
665.5	264.7	602.6	-9.5	EBIT	1,713	1,425	-16.8
841.8	529.4	722.8	-14.1	EBITDA	2,490	2,218	-10.9
1.5	0.57	1.3	-13.3	Earnings per Share (EPS) (RON)	3.66	3.10	-15.3
41.2	19.6	35.9	-13.0	Net Profit Ratio (% of Revenue)	31.4	29.5	-6.1
48.7	23.6	44.2	-9.3	EBIT Ratio (% of Revenue)	38.1	35.2	-7.6
61.7	47.3	53.0	-14.0	EBITDA Ratio (% of Revenue)	55.4	54.7	-1.3
6,340	6,356	6,313	-0.4	Number of employees at the end of the period	6,344	6,356	0.2

The figures in the table above are rounded, thus there might result small reconcilliation differencies.

Note: Income and expenses do not include the income and expenses related to self-constructed assets

Due to the decrease of natural gas demand, the net profit, EBIT and EBITDA are lower as compared to the similar period of 2015. However, the ratios of these indicators as reported to the revenue do not record significant deviations and are extremely favourable, such as: 35.9%, 44.2% and 53% (as compared to 41.2%, 48.7% and respectively 61.7% for the quarter ended on March 31, 2015) which confirms further maintenance of a high profitability of the company's activity.

Operational Results

Q1 2015	Q4 2015	Q1 2016	Δ Q1/Q4 (%)	Main Indicators	Q1 2015	Q1 2016	Δ Q1 (%)
1,436	1,428	1,374	-3.8	Gross production (mil cm)	1,436	1,374	-4.3
104	106	100	-5.7	Petroleum royalty (mil cm)	104	100	-3.8
1,912	2,756	2,047	-25.7	Condensate production (tonnes)	1,912	2,047	7.1
167.0	584.8	318.7	-45.5	Electric power production (GWh)	167.0	318.7	90.8
1,151.2	466.6	931.0	99.5	UGS gas extraction services invoiced (mil cm)	1,151.2	931.0	-19.1
292.2	123.0	308.9	151.1	UGS gas injection services invoiced (mil cm)	292.2	308.9	5.7

The gas production recorded for the first quarter of 2016, directly influenced by the decrease in demand on the gas market, as well as the high temperatures registered during January and February, was of 1,374 mil cm, 3% lower than the scheduled production and respectively with 4.3% below the one recorded during the same period of the previous year.

By putting into operation Frasin-Gura Humorului and Caragele discoveries, the recorded *condensate production* was higher by 7.1% during the analysed period as compared to the same period of 2015.

For 2015, *the electric power* produced by CET Iernut was 16.4% higher than in 2014, in a context of low hydraulicity. Of the overall sold energy, approx. 37% was intended for the balance market, leading to the consolidation of Romgaz position both as an electric power producer and system services supplier for the balance market. According to ANRE, considering the electric power supplied in the system, the market share increased to 2.86%. The sale prices reported on the market were exceeded on all the markets.

For Quarter1 2016, the supplied electric power increased by 93.8%, resulting mainly from the performance of a 200 MW power group. According to the data offered by Transelectrica, the market share increased from 0.96% (Q1 2015) to 1.96% (Q1 2016).

ROMGAZ – BRIEF OVERVIEW

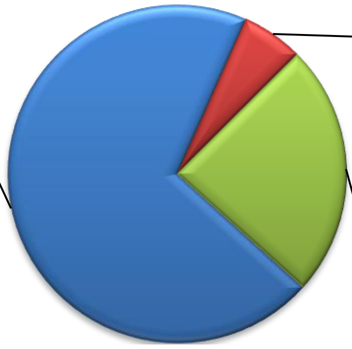
The activities developed by the company are as follows:

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

Shareholder structure

On March 31, 2016 the shareholder structure was the following:

	Number of shares	%
The Romanian State[1]	269,823,080	70.0071
SC “Fondul Proprietatea” SA (FP)	22,542,960	5.8489
Free float – total, out of which:	93,056,360	24.1440
*legal persons	*78,318,969*	*20.3203*
*natural persons	*14,737,391*	*3.8237*
Total	**385,422,400**	**100.0000**



We mention that on April 21, 2016, SC “Fondul Proprietatea” SA sold its entire share to Romgaz, respectively 22,542,960 shares (out of which 20,286,910 as shares and 2,256,050 as Global Depositary Receipts (GDRs) based on shares, through an accelerated private placement offer carried out through its intermediaries Goldman Sachs International, WOOD & Co Financial Services and Banca Comercială Română SA.

Company organization

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

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

- Sucursala Mediaş (Medias Branch);
- Sucursala Târgu Mureş (Targu Mures Branch);
- Sucursala Ploieşti (Ploiesti Branch);
- Sucursala de Intervenţii, Reparaţii Capitale şi Operaţii Speciale la Sonde Mediaş (SIRCOSS) (Branch for Well Workover, Recompletions and Special Well Operations);
- Sucursala de Transport Tehnologic şi Mentenanţă Târgu Mureş (STTM) (Technological Transport and Maintenance Branch);
- Sucursala de Producţie Energie Electrică Iernut (Iernut Power Generation Branch);
- Sucursala Bratislava (Bratislava Branch).

[1] The Romanian State through the *Ministry of Energy, Small and Medium Enterprises and the Business Environment*

Company management

The company is governed by a **Board of Directors** composed of 7 members, having on March 31, 2016 the following structure:

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

Human Resources

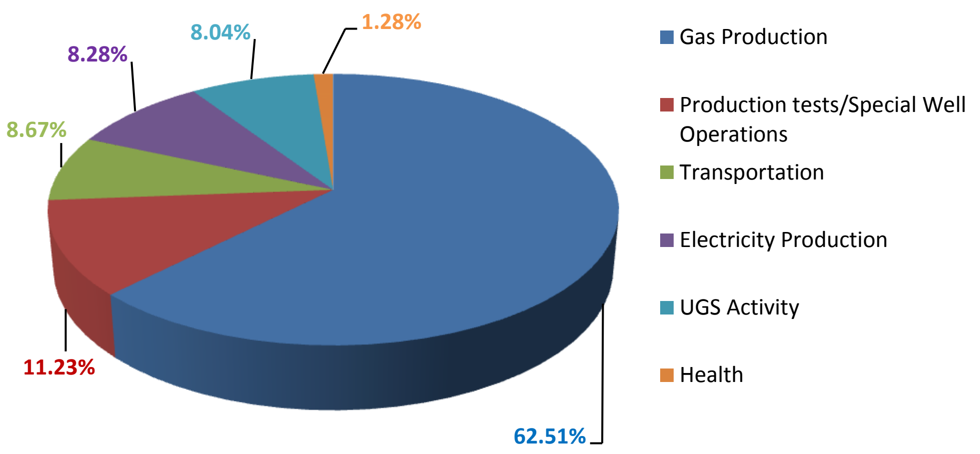
On March 31, 2016 the company had a number of 6,313 employees.

The table below shows the evolution of the employees' number between January 1, 2013 – March 31, 2016:

Description	2013	2014	2015	3 months 2016
1	2	3	4	5
Employees at the beginning of the period	5,921	6,472	6,344	6,356
Newly hired employees	681[*)]	92	159	14
Employees who terminated their labour relationship with the company	130	220	147	57
Employees at the end of the period	6,472	6,344	6,356	6,313

[*)] – the increase is due to the takeover of CTE Iernut employees.

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



ROMGAZ on the stock exchange

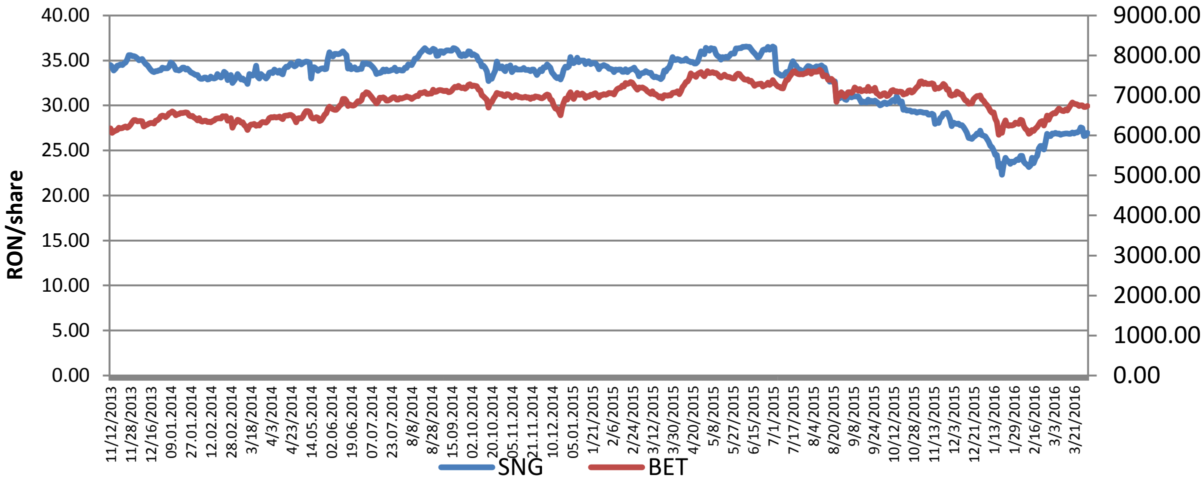
As of November 12, 2013 the company's shares are traded on the regulated market governed by BVB (Bucharest Stock Exchange) under the symbol "**SNG**" and on the regulated market governed by LSE (London Stock Exchange), as GDRs issued by the Bank of New York Mellon under the symbol "**SNGR**".

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

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

- Second place in the top of Premium BVB issuers by market capitalization. With a market capitalization amounting RON 10,387.1 million (EUR 2,321.8 million) as of December 30, 2016, Romgaz is the second largest listed company in Romania, being preceded by OMV Petrom with a capitalization of RON 13,594.6 million, i.e. EUR 3,038.7 million;
- Fourth place in terms of average value of shares traded in the first 3 months of 2016 in the top of local issuers in the main segment of BVB (RON 168 million), preceded by Fondul Proprietatea, Banca Transilvania and Electrica S.A.;
- weights of 11.87% and 10.74% in the BET index (top 10 issuers) and the BET-XT index (BET extended), 24.73% in the BET-NG index (energy and utilities), 11.87% in the BET-TR (BET Total Return) index, 7.85% in the ROTX index (Romanian Traded Index);
- Romgaz issuer is also included in global indices with allocation for Romania, for instance in the following index groups: FTSE (Financial Times Stock Exchange), MSCI (Morgan Stanley Capital International), S&P (Standard & Poor's), STOXX (mainly oriented towards European markets), Russell Frontier.

Performance of Romgaz shares between listing and March 30, 2016 in relation to BET index, is shown below:



The evolution of the trade price in 2015 was adversely affected especially by the significant drop in oil and gas prices on international markets and also by fluctuations on the worldwide capital markets.

As such, at the end of 2015 Romgaz share price was RON 27.20, 23% lower than the closing price at the end of 2014. Performance of the share price reached a maximum value on July 1, 2015 (before the ex-date for dividend payment), followed by a drop in price reaching the lowest value of RON 26.30 on December 18, 2015. The downward trend continued in January 2016 (minimum price of RON 22.30 on January 20) but since February 2016, Romgaz shares have recorded increasing values (RON 27.55 on March 25). On March 31, 2016 the share price was RON 26.95.

PHYSICAL INDICATORS

The table below shows the gas volumes (million m^3) that were produced delivered, injected/withdrawn into/from UGSs during January-March 2016 in comparison with the similar period of 2014 and 2015:

	Specifications	Q1 2014	Q1 2015	Q1 2016	Indices
0	1	2	3	4	5=4/3x100
1.	**Total - gross production**, out of which:	**1,463.8**	**1,436.1**	**1,374.4**	**95.7%**
1.1.	*internal gas production	1,418.2	1,384.4	1,330.9	96.1%
1.2.	*Schlumberger partnership (100%)	45.6	51.7	43.5	84.1%
2.	Technological consumption	20.0	21.5	19.8	92.1%
3.	**Net gross internal gas production** (*1.-1.2.-2.*)	**1,398.2**	**1,362.9**	**1,311.1**	**96.2%**
4.	Internal gas volumes injected in storages	45.2	2.2	6.8	309.1%
5.	Internal gas volumes withdrawn from storages	445.6	292.2	308.9	105.7%
6.	Differences resulting from GCV	-	-	2.2	-
7.	**Volumes supplied from internal production** (*3.-4.+5.-6.*)	**1,798.6**	**1,652.9**	**1,611.0**	**97.5%**
8.	Gas supplied to Iernut and Cojocna Power Plants	116.7	51.2	93.0	181.6%
9.	**Volumes supplied from internal production to the market** (*7.-8.*)	**1,681.8**	**1,601.7**	**1,517.9**	**94.8%**
10.	**Natural gas from partnerships*) – total**, out of which:	**45.8**	**44.9**	**41.5**	**92.4%**
	*Schlumberger (50%)	22.8	25.9	21.7	83.8%
	*Raffles Energy (37.5%)	0.2	0.1	0.1	100.0%
	*Amromco (50%)	22.8	18.9	19.6	103.7%
11.	Purchased internal gas volumes	4.6	4.0	4.3	107.5%
12.	**Volumes sold from domestic production to the market** (*9.+10.+11.*)	**1,732.2**	**1,650.6**	**1,563.8**	**94.7%**
13.	**Volumes supplied from domestic production** (*8.+12.*)	**1,848.9**	**1,701.8**	**1,656.8**	**97.4%**
14.	Supplied import volumes	65.1	2.2	6.8	309.1%
15.	**Total gas supplies** (*13.+14.*)	**1,914.0**	**1,703.9**	**1,663.6**	**97.6%**
*	Invoiced UGS withdrawal services	1,139.9	1,151.2	931.0	80.9%
*	Invoiced UGS injection services	485.7	292.2	308.9	105.7%

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

INVESTMENTS

For Q1 2016, Romgaz scheduled investments in amount of RON 135.74 million and spent RON 106.44 million approximately 21.58% (i.e. RON 29.3 million) less than scheduled. Investments were exclusively financed from the company's own sources.

As compared to the similar time period of 2015, the investments made in 2016 are by 49.3% (i.e. RON 109.4 million) lower.

The value of fixed assets commissioned during the reviewed period is RON 74.55 million.

The table below shows the investments made in Q1 2016 in comparison with Q1 2015 and the scheduled investments, split onto main investment chapters:

thousand lei

Investment chapter	Result Q1 2015	Schedule Q1 2016	Result Q1 2016	2016/ 2015	R 2016/ S 2016
1	2	3	4	5=4/2x100	6=4/3x100
I. Geological exploration works for the discovery of new gas reserves	145,872	58,950	33,963	23.28%	57.61%
II. Exploitation drilling works, commissioning of new wells, infrastructure and utilities	9,718	14,748	6,652	68.45%	45.10%
III. Supporting underground gas storage capacities	4,122	10,908	10,454	253.61%	95.84%
IV. Environment protection works	2,204	611	25	1.13%	4.09%
V. Revamping and retrofitting of existing installations and pieces of equipment	42,231	35,820	45,116	106.83%	125.95%
VI. Independent equipment and installation	5,848	10,757	8,482	145.04%	78.85%
VII. Expenses relating to studies and designs	5,857	3,946	1,749	29.86%	44.32%
TOTAL	**215,852**	**135,740**	**106,441**	**49.31%**	**78.42%**

Investments made during Q1 2016 were negatively impacted by the extension on one hand of terms required for awarding drilling contracts, on the other hand of terms required for permit and land access and for required authorization and permits relating to specific technological installations.

The volume of works performed in-house was higher than scheduled because the application of public procurement procedures was not required.

FINANCIAL AND ECONOMC INDICATORS

Summary of the interim financial result

Below are the main economic and financial indicators on March 31, 2016 in comparison to December 31, 2015:

INDICATOR	December 31, 2015 (thousand lei)	March 31, 2016 (thousand lei)	Variation (%)
1	2	3	4=(3-2)/2x100
ASSETS			
Non-Current Assets			
Property, plant and equipment	5,996,460	5,925,255	-1.19%
Other intangible assets	399,859	400,030	0.04%
Subsidiaries	1,200	1,200	0.00%
Associates	163	163	0.00%

INDICATOR	December 31, 2015 (thousand lei)	March 31, 2016 (thousand lei)	Variation (%)
1	2	3	4=(3-2)/2x100
Other financial assets	29,300	24,800	-15.36%
Other financial investments	70,080	69,680	-0.57%
TOTAL NON-CURRENT ASSETS	**6,497,062**	**6,421,128**	**-1.17%**
Current assets			
Inventories	559,784	438,727	-21.63%
Trade and other receivables	601,065	957,852	59.36%
Other financial assets	2,146,827	3,122,954	45.47%
Other assets	139,612	165,658	18.66%
Cash and cash equivalents	740,352	273,941	-63.00%
TOTAL CURRENT ASSETS	**4,187,640**	**4,959,132**	**18.42%**
TOTAL ASSETS	**10,684,702**	**11,380,260**	**6.51%**
EQUITY AND LIABILITIES			
Equity			
Share capital	385,422	385,422	0.00%
Reserves	2,581,853	2,582,465	0.02%
Retained earnings	6,724,947	7,213,655	7.27%
TOTAL EQUITY	**9,692,222**	**10,181,542**	**5.05%**
Non-Current Liabilities			
Retirement benefit obligation	102,959	102,030	-0.90%
Deferred tax liabilities	62,589	65,749	5.05%
Provisions for retirement benefits	200,855	195,830	-2.50%
Total non-current liabilities	**366,403**	**363,609**	**-0.76%**
Current liabilities			
Trade and other payables	186,937	297,989	59.41%
Current tax liabilities	90,838	117,545	29.40%
Provisions	28,779	35,852	24.58%
Other liabilities	319,523	383,723	20.09%
Total current liabilities	**626,077**	**835,109**	**33.39%**
TOTAL LIABILITIES	**992,480**	**1,198,718**	**20.78%**
TOTAL EQUITY AND LIABILITIES	**10,684,702**	**11,380,260**	**6.51%**

NON-CURRENT ASSETS

The total non-current assets decreased by 1.17%, i.e. by RON 75.93 million from RON 6,497.1 million on December 31, 2015 to RON 6,421.13 million on March 31, 2016. The decrease is mainly due to fewer investments in exploration and production assets compared to their depreciation.

CURRENT ASSETS

Current assets increased by RON 771.49 million (18.42%) on March 31, 2016 due to increase of trade receivables and of other financial assets representing government securities and bank deposits established for longer than 3 months.

Inventories

On March 31, 2016, inventories were lower by 21.63% (RON 121.06 million) as compared to December 31, 2015 mainly due to decrease of gas stock as a result of Q1 2016 gas deliveries consisting both of gas from internal production (RON 106.24 million) and of gas purchased for resale (RON 10.17 million).

Trade receivables and other receivables

As compared to December 31, 2015, trade receivables increased by 59.36% as a result of higher sales made in Q1 2016 as compared to Q4 2015.

During Q1 2016 an additional impairment of receivables was established in connection with the receivables from Electrocentrale Bucuresti in amount of RON 87.82 million. The balance for this client was fully adjusted after considering collections made in April 2016. The decision to fully impair the receivables came after the management of Electrocentrale Bucuresti decided not to extend the contractual relationship beyond May 1, 2016. Romgaz commenced legal proceedings to recover the overdue receivables of RON 326 million and the relating delay penalties.

Cash and cash equivalents. Other financial assets

On March 31, 2016, cash and cash equivalents and other financial assets were RON 3,421.70 million, as compared to RON 2,916.48 million at the end of 2015. Such increase envisages foremost the means of financing dividends for 2015, as approved by Romgaz shareholders.

Other assets

On March 31 2016 as compared to December 31, 2015, other assets increased mainly due to increased prepayments representing special construction tax which is expected to influence costs split over the remainder of 2016 (RON 53.05 million on March 31, 2016 as compared to RON 0 on December 31, 2015).

EQUITY

The company's equity did not record significant changes during Q1 2016, except for the reviewed period's result of RON 489.32 million.

NON-CURRENT LIABILITIES

In comparison with December 31, 2015, non-current liabilities decreased as a result of movements in the decommissioning provision for production and UGS wells.

CURRENT LIABILITIES

Current liabilities increased by RON 209.03 million from RON 626.08 million as of December 31, 2015 to RON 835.11 million, as recorded on March 31, 2016.

Trade and other payables

Trade payables increased by 59.41% as compared to December 31, 2015 due to advance payments for delivered gas (RON 238.58 million as of March 31, 2016 as compared to RON 56.71 million as of December 31, 2015). The increase is due to the Company's policy referring to securing payments for delivered gas to reduce the non-payment risk.

Current tax liabilities

Current tax liabilities increased due to a higher tax base in Q1 2016 as compared to Q4 2015.

Other liabilities

Other liabilities increased by 20.09% as a result of recording the Company’s tax liability on special constructions (RON 70.73 million as of March 31, 2016 while on December 31, 2015 such tax was zero).

Provisions

Short-term provisions recorded an increase by 24.58% as compared to the year ended December 31, 2015, as a result of the provision constituted for decommissioning of production and storage wells.

Summary of the interim global result

The synthesis of the Company's profit and loss account for the period January 1 – March 31, 2016, as compared to similar period of 2015 is shown below:

Description	Q1 2015 (thousand RON)	Q1 2016 (thousand RON)	Variation (thousand RON)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue	1,365,477	1,363,505	(1,972)	-0.14%
Cost of commodities sold	(11,184)	(21,219)	10,035	89.73%
Investment income	13,618	7,448	(6,170)	-45.31%
Other gains and losses	(22,847)	(138,376)	115,529	505.66%
Changes in inventory of finished goods and work in progress	(92,659)	(99,572)	6,913	7.46%
Raw materials and consumables used	(21,565)	(17,785)	(3,780)	-17.53%
Depreciation, amortization and impairment	(176,393)	(120,243)	(56,150)	-31.83%
Employee benefit expenses	(107,939)	(111,626)	3,687	3.42%
Finance cost	(4,550)	(4,590)	40	0.88%
Other expenses	(275,936)	(291,982)	16,046	5.82%
Other income	13,040	44,465	31,425	240.99%
Profit before tax	**679,062**	**610,025**	**(69,037)**	**-10.17%**
Income tax expense	(116,021)	(120,705)	4,684	4.04%
Net Profit	**563,041**	**489,320**	**(73,721)**	**-13.09%**

Revenue

In the quarter ended March 31, 2016, the revenue recorded an insignificant decrease of 0.14% as compared to the similar period of the previous year.

The decrease of the revenue from gas sales, from Romgaz production and gas delivered as commodity by 4.1%, i.e. RON 48.49 million, was compensated by the increase of revenue from sale of electric energy and ancillary services amounting to RON 69.2 million as of March 31, 2016 as compared to RON 29.64 million recorded at the end of the similar period of the previous year.

Cost of Commodities Sold

At the end of Q1 2016, the cost of commodities sold increased by 89.73%, i.e. RON 10.04 million, as compared to the similar period of 2015, due to the increase of gas delivered as commodity.

Investment Income

In the reviewed period, investment income decreased by 45.31% (RON 6.17 million), as a result of reduction of interest rates for cash placed in bank deposits and government securities.

Other Gains and Losses

In Q1 2016, the Company recorded a net loss in amount of RON 138.38 million due to allowances on trade receivables for Electrocentrale Bucureşti in amount of RON 87.82 million, and writing off of non-currents assets with a carrying value of RON 48.45 million. The loss due to writing off of non-current assets was compensated by the release of the impairment to income, the effect in the result for the period being zero.

Changes in Inventory of Finished Goods and Work in Progress

In Q1 2016 as well as Q1 2015, the volumes of gas owned by Romgaz withdrawn from UGSs were higher than the injected ones, generating thus a negative change in inventory (loss).

Raw materials and Consumables Used

The value of consumables used was lower than the one recorded in the similar period of 2015, due to fewer regular well operations and works performed at compressor stations.

Depreciation, Amortization and Impairment

Depreciation, amortization and impairment expenses of tangible and intangible non-current assets decreased in Q1 2016 as compared to the similar period of 2015, mainly due to the net impairment amounting to RON -34.78 million (income) as compared to a net impairment of RON 25.12 million (expense) in Q1 2015. Net income from impairment amounting to RON 34.78 million was recorded due to write-off of non-current assets impaired in the previous years (see *Other Gains and Losses* above).

Employee Benefit Expenses

In the reviewed period, expenses with salaries, taxes and social contributions related to employees increased by 3.42% as compared to the similar period of 2015. For 2016, such expenses are not expected to increase as compared to 2015, the variation in Q1 being merely a circumstantial one.

Other expenses

Other expenses increased by 5.82%, from RON 275.94 million as of March 31, 2015 to RON 291.98 million as of March 31, 2016. Such increase is mainly due to expenses with environmental protection (increase by RON 5.02 million) and expenses with natural gas and electricity transmission and distribution (increase by RON 8.47 million).

Other Income

In Q1 2016, *Other Income* increased by 240.99%, i.e. RON 31.43 million, as compared to the similar period of the previous year, and is a result of the increase of income from penalties invoiced to customers with late payments, as well as the increase of incomes from re-invoicing natural gas capacity booking and transmission services.

Income Tax Expense

In Q1 2016 the Company recorded an *Income Tax Expense* amounting to RON 117.55 million and a deferred income tax expense amounting to RON 3.16 million, the total income tax expense recording an increase of 4.04% as compared to Q1 2015.

Profit for the Period

In Q1 2016, the net profit of the Company decreased by RON 73.72 million (-13.09%), from RON 563.04 million in 2015 to RON 489.32 million in 2016 due to the cumulative effect of the above mentioned.

The table below shows the breakdown of the summary of interim global result for Q1 2016 as compared to Q1 2015:

thousand RON

Description	Gas Production and Sale	Storage	Other Activities	Adjustments and removal	TOTAL
Revenue					
*January - March 2015	1,197,860	152,305	104,795	(89,483)	**1,365,477**
*January - March 2016	1,160,939	159,680	140,726	(97,840)	**1,363,505**
Cost of Commodities Sold					
* January - March 2015	(6,007)	(2)	(5,175)	-	**(11,184)**
* January - March 2016	(13,498)	(8)	(7,713)	-	**(21,219)**
Investment income					
* January - March 2015	697	1,459	11,462	-	**13,618**
* January - March 2016	175	1,233	6,040	-	**7,448**
Other gains and losses					
* January - March 2015	(22,165)	1	(683)	-	**(22,847)**
* January - March 2016	(137,453)	(466)	(457)	-	**(138,376)**
Changes in inventory of finished goods and work in progress					
* January - March 2015	(66,754)	(27,039)	1,134	-	**(92,659)**
* January - March 2016	(73,773)	(26,660)	861	-	**(99,572)**
Raw materials and consumables used					
* January - March 2015	(14,190)	(4,027)	(4,191)	843	**(21,565)**
* January - March 2016	(11,806)	(3,205)	(3,355)	581	**(17,785)**
Depreciation, amortization and impairment					
* January - March 2015	(146,653)	(21,028)	(8,712)	-	**(176,393)**
* January - March 2016	(88,746)	(23,604)	(7,893)	-	**(120,243)**
Employee benefit expenses					
* January - March 2015	(68,107)	(10,189)	(29,643)	-	**(107,939)**
* January - March 2016	(70,942)	(10,809)	(29,875)	-	**(111,626)**
Financial cost					
* January - March 2015	(4,186)	(364)	-	-	**(4,550)**
* January - March 2016	(4,190)	(400)	-	-	**(4,590)**
Other expenses					
* January - March 2015	(306,788)	(17,791)	(40,352)	88,995	**(275,936)**
* January - March 2016	(309,481)	(19,054)	(61,066)	97,619	**(291,982)**
Other income					
* January - March 2015	12,728	110	557	(355)	**13,040**
* January - March 2016	44,097	557	171	(360)	**44,465**
Profit before tax					
* January - March 2015	576,435	73,435	29,192	-	**679,062**
* January - March 2016	495,322	77,264	37,439	-	**610,025**
Income tax expense					

Description	Gas Production and Sale	Storage	Other Activities	Adjustments and removal	TOTAL
* January - March 2015	-	-	(116,021)	-	**(116,021)**
* January - March 2016	-	-	(120,705)	-	**(120,705)**
Net profit					
* January - March 2015	576,435	73,435	(86,829)	-	**563,041**
* January - March 2016	495,322	77,264	(83,266)	-	**489,320**

Statement of Cash Flow

Statements of cash flows recorded in the period January – March 2016 and in the similar period of 2015 are as follows:

INDICATOR	Q1 2015 (thousand RON)	Q1 2016 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Cash flow from operating activities			
Net Profit for the period	**563,041**	**489,320**	**-13.1%**
Adjustments for:			
Income tax expense	116,021	120,705	4.0%
Interest expense	6	5	-16.7%
Unwinding of decommissioning provision	4,544	4,585	0.9%
Interest revenue	(13,618)	(7,448)	-45.3%
Loss on disposal of non-current assets	1,282	48,452	3679.4%
Change in decommissioning provision recognized in result for the period, other than unwinding	(200)	(493)	146.5%
Change in other provisions	(2,180)	(2,055)	-5.7%
Expenses for impairment of exploration assets	12,699	7,685	-39.5%
Impairment of property, plant and equipment	12,424	(42,461)	-
Depreciation and amortization	151,270	155,019	2.5%
Impairment of other financial investments	-	(1,577)	n/a
(Gains)/Losses from disposal of other financial investments	-	1,577	n/a
Losses from trade and other receivables	20,966	88,227	320.8%
Write-down allowance of inventory	-	1,711	n/a
Cash generated from operations, before movements in working capital	**866,255**	**863,252**	**-0.3%**
Movements in working capital			
(Increase)/Decrease in inventory	79,268	119,355	50.6%
(Increase)/Decrease in trade and other receivables	(185,920)	(471,060)	153.4%
Increase/(Decrease) in trade and other liabilities	(18,522)	179,090	-
Cash generated from operations	**741,081**	**690,637**	**-6.8%**
Interest paid	(6)	(5)	-16.7%
Income tax paid	(91,854)	(90,838)	-1.1%
Net cash generated from operations	**649,221**	**599,794**	**-7.6%**
Cash flows from investing activities			
(Increase)/Decrease in other financial assets	8,027	(972,896)	n/a
Interest received	17,209	7,275	-57.7%

INDICATOR	Q1 2015 (thousand RON)	Q1 2016 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Proceeds from sale of non-current assets	19	-	-100.0%
Loan granted to associates	(679)	-	-100.0%
Loans reimbursed by the associates	65	-	-100.0%
Dividends received	1,634	-	-100.0%
Collections from disposal of other financial assets	-	400	n/a
Acquisition of non-current assets	(64,853)	(71,456)	10.2%
Acquisition of exploration assets	(146,213)	(29,433)	-79.9%
Net cash used in investing activities	**(184,791)**	**(1,066,110)**	**476.9%**
Cash flows from financing activities			
Dividends paid	(789)	(95)	-88.0%
Net cash used in financing activities	**(789)**	**(95)**	**-88.0%**
Net Increase/(Decrease) in cash and cash equivalents	**463,641**	**(466,411)**	**-200.6%**
Cash and cash equivalents at the beginning of the year	**526,256**	**740,352**	**40.7%**
Cash and cash equivalents as of March 31	**989,897**	**273,941**	**-72.3%**

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

Reconciliation of net profit to cash flow generated from operating activities (before changes in net current assets) resulted in a positive change in the net adjustments of RON 863.3 million for the period January – March 2016, as compared to RON 866.3 million for the similar period of 2015.

The most important movements in cash flows were the receipts for gas delivered to the customers of the Company, payments for acquisition of non-current assets (RON 71.5 million) and exploration assets in amount of RON 29.4 million.

Indicators

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

Indicators	Calculation formula	M.U.	Q1, 2015	Q1, 2016
1	2	3	4	5
Working Capital (WC)	C_{lt}-A_f = E+L_{nc} +Pr+S_i-A_f	mil.RON	4,219	4,124
Working Capital Requirements (WCR)	(A_c-L+ Pp)- (L_{crt}-Cr_{st}+ I_{df})	mil.RON	3,229	3,850
Net Cash Flow	WC-WCR = L-Cr_{st}	mil.RON	990	274
Economic Rate of Return	P_g/C_{lt}x100	%	6.35	5.78
Return on Equity	P_n/C_{lt}x100	%	5.48	4.81
Return on Sales	P_g/Rx100	%	49.73	44.74
Return on Assets	P_n/Ax100	%	4.95	4.30
EBIT	P_g+Exi-I_r	mil.lei	665	603
EBITDA	EBIT+Am	mil.lei	842	723

Indicators	Calculation formula	M.U.	Q1, 2015	Q1, 2016
1	2	3	4	5
ROCE	$EBIT/C_{emp}$ x100	%	6.22	5.71
Asset Solvency	E/Lx100	%	90.36	89.47
Current Liquidity	A_{crt}/L_{crt}	-	7.28	5.94
Gearing Ratio	Lc/E x 100	%	0.00	0.00
Accounts Receivables Turnover (days)	Aar/R x 90	-	69.58	51.45
Property, Plant and Equipment Turnover	R/PPE	-	0.21	0.21

where:

C_{lt} long-term capital;
A_f non-current assets;
E equity;
L_{nc} non-current liabilities;
Pr provisions;
S_i investment subsidies;
A_c (A_{crt}) current assets;
L liquidity position;
Pp Prepayments;
L_{crt} current liabilities;
Cr_{st} short-term credit;
Lc Loan capital;

I_{df} deferred income
P_g gross profit;
P_n net profit;
R revenue;
A total assets;
Ex_i interest expense;
I_r interest income
Am depreciation, amortization and impairment;
C_{emp} capital employed (total assets–current liabilities);
L total liabilities
Aar Average Accounts Receivables

PERFORMANCE OF DIRECTORS' AGREEMENTS/MANDATE CONTRACT

The timeline of the directors' contracts, the mandate contract, the Management Plan and the Directors' Plan is the following:

- *June 12, 2013* – The Board of Directors' Resolution no. 8 approves the appointment of *Mr. Virgil Marius Metea as executive director - Director General*;
- *July 26, 2013* – The GSM Resolution no. 12 approves the Director Agreement to be concluded with the members of the Board of Directors;
- *September 25, 2013* – the GSM Resolution no 16 approves the 2013-2017 Directors' Plan prepared and presented by the Board of Directors;
- *December 16, 2013* – the Board's Resolution no 29 approves the Mandate Contract between Romgaz and Mr. Virgil Marius Metea as executive director-Director General.
- *January 29, 2014* – the Board's Resolution no. 1 approves the "*Management Plan of Romgaz's Director General over the mandate contract's term i.e. 2013-2017*".

Objectives and performance criteria

The *Director General's Management Plan* encloses his vision for the fulfilment of the company's strategic objectives as provided in the Directors' Plan and the fulfilment of performance criteria and objectives set in the Director's Contracts.

The Director General's performance criteria and objectives are the same with the performance criteria and objectives provided in the Director's Contracts.

The main ***performance objective*** provided in the Director's Contracts and the Management Contract may be summarized as follows:

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

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

→ Human resources management;

→ Corporate governance and social responsibility;

→ Optimization of budgeting and control process;

→ Improving the company's image;

→ Implementation of legal provisions on legal separation of UGS activity;

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

Considering that the Management Plan was approved only in January 2014, the reporting of measures and actions undertaken to fulfil the company's strategic objectives begins only in Q1 2014.

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

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

For the purpose of mitigating pronounced fluctuations of the indicators due to external factors beyond the company's management control, the indicators are calculated by means of relating their resulting value over the reporting period to the arithmetic means of the indicators' values resulting during the past three time periods previous to the reporting period.

Results 2013-2015

The value of main indicators achieved in Q1, years 2013 to 2015 are shown in the table below (thousand RON):

Indicators	Q1 2013	Q1 2014	Q1 2015
1	2	3	4
Revenue	1,156,413	1,449,297	1,365,477
Operating income*)	1,117,855	1,403,494	1,337,745
Operating expense*)	731,604	690,310	648,566
Gross profit	445,179	732,638	679,062
Net pofit	332,781	608,385	563,041
EBITDA	649,168	875,833	881,564
Operating expenses to 1000 RON operating income (RON)	654.5	491.9	484.8
Average number of employees	6,275	6,272	6,181
Labour productivity (revenue RON thousand /employee)	184.3	231.1	220.9
Gas production (million cm)	1,478.1	1,463.8	1,436.1
Volume of geological resources (million m^3)	240	250	980
Outstanding payments	0	0	0

*) – excluding impairment and provisions .

QI 2016 Results

The table below shows the results of the indicators and performance criteria for Q1 2016:

	Weighting factor	Indicator	Average values 2013-2015	Target values	Achieved values	Achievement rate	Weight
1	2	3	4	5	6	7=6/5x100	8=2x7
EBITDA	0.25	+4.5%	802,188.5	838,287.0	822,663.9	**98.1**	**24.53**
CA	0.20	+6%	1,323,728.8	1,403,152.5	1,363,505.0	**97.2**	**19.44**
W	0.10	+6%	212.0	224.8	222.9	**99.2**	**9.92**
C_{expl}/V_{expl}	0.10	-0.6%	536.5	533.3	486.2	**109.7**	**10.97**
RES	0.10	+1%	490.0	494.9	580.0	**117.2**	**11.72**
d_Q	0.15	-1.5%	1,454.4[2]	1,432.6	1,374.4	**95.9**	**14.39**
P_{res}	0.10	0	0	0	0	**110.0**	**11.00**
Total	**1.00**	-	-	-	-	-	**101.97**

[2] represents the production for Q1 2012, the year 2012 being considered as "a base year", corrected with target production decline of 1.5% annually until Q1 2015.

EBITDA – (RON thousand);
CA – revenue (RON thousand);
W – labour productivity (RON thousand/employee);
C_{expl}/V_{expl} – operating expenses to1000 RON operating income;
RES – volume of geological resources (million m^3);
d_Q – gas production decline (%);
P_{res} – outstanding payments (thousand RON).

The performance indicators and objectives achievement degree is ***101.97%***.

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

- *Operating expenses to 1000 RON operating income* – lower by RON 47.1 (-8.8%) compared to target value;
- *Geological resources quantity* – higher by RON 85.1 million m^3 (+17.2%);

The following indicators were not fully achieved:

- *EBITDA* – lower than the target by RON 15.6 milllion (-1.9%)
- *Revenue* – lower than the target by RON 39.6 million (-2.8%);
- *Labour productivity* – lower than the scheduled productivity by RON 1.9 thousand/employee (-0.8%);
- *Gas production decline* – lower by RON 58.2 million m^3.

Please find attached the Individual Interim Financial Statements for the three-month period ended on March 31, 2016, prepared in compliance with the International Financial Reporting Standards (IFRS).

SIGNATURES

Chairperson of the Board of Directors,
AURORA NEGRUȚ

……………………………………

Director General,	Economic Department Director,
MARIUS VIRGIL METEA	**LUCIA IONAȘCU**

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

INDIVIDUAL INTERIM FINANCIAL STATEMENTS (NOT AUDITED)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

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STATEMENT OF INDIVIDUAL INTERIM COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (NOT AUDITED)

	Note	Three months ended March 31, 2016	Three months ended March 31, 2015
		'000 RON	'000 RON
Revenue	3	1,363,505	1,365,477
Cost of commodities sold	5	(21,219)	(11,184)
Investment income	4	7,448	13,618
Other gains and losses	6	(138,376)	(22,847)
Changes in inventory of finished goods and work in progress		(99,572)	(92,659)
Raw materials and consumables used	5	(17,785)	(21,565)
Depreciation, amortization and impairment expenses	7	(120,243)	(176,393)
Employee benefit expense	8	(111,626)	(107,939)
Finance cost	9	(4,590)	(4,550)
Other expenses	10	(291,982)	(275,936)
Other income	3	44,465	13,040
Profit before tax		**610,025**	**679,062**
Income tax expense	11	(120,705)	(116,021)
Profit for the period		**489,320**	**563,041**
Basic and diluted earnings per share		0.0013	0.0015
Total comprehensive income for the period		**489,320**	**563,041**

These individual interim financial statements were authorized for issue by the Board of Directors on May 12, 2016.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION AS OF MARCH 31, 2016 (NOT AUDITED)

	Note	March 31, 2016	December 31, 2015
		'000 RON	'000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	12	5,925,255	5,996,460
Other intangible assets	14	400,030	399,859
Investments in subsidiaries	24 a)	1,200	1,200
Investments in associates	24 b)	163	163
Other financial assets	28	24,800	29,300
Other financial investments	25	69,680	70,080
Total non-current assets		**6,421,128**	**6,497,062**
Current assets			
Inventories	15	438,727	559,784
Trade and other receivables	16 a)	957,852	601,065
Other financial assets	28	3,122,954	2,146,827
Other assets	16 b)	165,658	139,612
Cash and cash equivalents	27	273,941	740,352
Total current assets		**4,959,132**	**4,187,640**
Total assets		**11,380,260**	**10,684,702**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	385,422	385,422
Reserves	18	2,582,465	2,581,853
Retained earnings		7,213,655	6,724,947
Total equity		**10,181,542**	**9,692,222**
Non-current liabilities			
Retirement benefit obligation	19	102,030	102,959
Deferred tax liabilities	11	65,749	62,589
Provisions	19	195,830	200,855
Total non-current liabilities		**363,609**	**366,403**

STATEMENT OF INDIVIDUAL INTERIM FINANCIAL POSITION AS OF MARCH 31, 2016 (NOT AUDITED)

	Note	March 31, 2016	December 31, 2015
			'000 RON
Current liabilities			
Trade and other payables	20	297,989	186,937
Current tax liabilities		117,545	90,838
Provisions	19	35,852	28,779
Other liabilities	20	383,723	319,523
Total current liabilities		**835,109**	**626,077**
Total liabilities		**1,198,718**	**992,480**
Total equity and liabilities		**11,380,260**	**10,684,702**

These individual interim financial statements were authorized for issue by the Board of Directors on May 12, 2016.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

STATEMENT OF INDIVIDUAL CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016

	Share capital '000 RON	Legal reserve '000 RON	Other reserves '000 RON	Retained earnings '000 RON	Total '000 RON
Balance as of January 1, 2016	**385,422**	**77,084**	**2,504,769**	**6,724,947**	**9,692,222**
Transfer to other reserves	-	-	612	(612)	-
Total comprehensive income for the period	-	-	-	489,320	489,320
Balance as of March 31, 2016	**385,422**	**77,084**	**2,505,381**	**7,213,655**	**10,181,542**
Balance as of January 1, 2015	**385,422**	**77,084**	**2,065,263**	**7,184,249**	**9,712,018**
Transfer to other reserves	-	-	5,228	(5,228)	-
Total comprehensive income for the period	-	-	-	563,041	563,041
Balance as of March 31, 2015	**385,422**	**77,084**	**2,070,491**	**7,742,062**	**10,275,059**

These individual interim financial statements were authorized for issue by the Board of Directors on May 12, 2016.

Virgil Metea
General Manager

Lucia Ionascu
Director Economic

STATEMENT OF INDIVIDUAL INTERIM CASH FLOW FOR THE THREE- MONTH PERIOD ENDED MARCH 31, 2016 (NOT AUDITED)

	Three months ended March 31, 2016	Three months ended March 31, 2015
	'000 RON	'000 RON (represented)*
Cash flows from operating activities		
Net profit for the period	**489,320**	**563,041**
Adjustments for:		
Income tax expense (note 11)	120,705	116,021
Interest expense (note 9)	5	6
Unwinding of decommissioning provision (note 9, note 19)	4,585	4,544
Interest revenue (note 4)	(7,448)	(13,618)
Net loss on disposal of non-current assets (note 6)	48,452	1,282
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	(493)	(200)
Change in other provisions	(2,055)	(2,180)
Net impairment of exploration assets (note 12, note 14)	7,685	12,699
Net impairment of property, plant and equipment (note 12, note 14)	(42,461)	12,424
Depreciation and amortization (note 7)	155,019	151,270
Net impairment of investment in other financial investments (note 6, note 25)	(1,577)	-
Net loss from disposal of other financial investments (note 6, note 25)	1,577	-
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 6)	88,227	20,966
Net movement in write-down allowances for inventory (note 6)	1,711	-
	863,252	**866,255**
Movements in working capital:		
Decrease/(Increase) in inventory	119,355	79,268
Decrease/(Increase) in trade and other receivables	(471,060)	(185,920)
(Decrease)/Increase in trade and other liabilities	179,090	(18,522)
Cash generated from operations	**690,637**	**741,081**
Interest paid	(5)	(6)
Income taxes paid	(90,838)	(91,854)
Net cash generated by operating activities	**599,794**	**649,221**

STATEMENT OF INDIVIDUAL INTERIM CASH FLOW FOR THE THREE- MONTH PERIOD ENDED MARCH 31, 2016 (NOT AUDITED)

	Three months ended March 31, 2016 '000 RON	Three months ended March 31, 2015 '000 RON (represented)*
Cash flows from investing activities		
(Increase)/Decrease in other financial assets	(972,896)	8,027
Interest received	7,275	17,209
Proceeds from sale of non-current assets	-	19
Loans granted to associates	-	(679)
Reimbursements of loans granted to associates	-	65
Dividends received	-	1,634
Sale of other financial investments (note 25)	400	-
Acquisition of non-current assets	(71,456)	(64,853)
Acquisition of exploration assets	(29,433)	(146,213)
Net cash used in investing activities	**(1,066,110)**	**(184,791)**
Cash flows from financing activities		
Dividends paid	(95)	(789)
Net cash used in financing activities	**(95)**	**(789)**
Net increase/(decrease) in cash and cash equivalents	**(466,411)**	**463,641**
Cash and cash equivalents at the beginning of the period	**740,352**	**526,256**
Cash and cash equivalents at the end of the period	**273,941**	**989,897**

* Representation of the statement of individual interim cash flow for the three-month period ended March 31, 2015, was done according to Note 33 of the individual financial statements for the year ended December 31, 2015, to ensure comparability with the first quarter of 2016. Reclassification of bank deposits and bonds with a maturity over 3 months from acquisition date in the period ended March 31, 2015 was of RON 1,029,529 thousand.

These individual interim financial statements were authorized for issue by the Board of Directors on May 12, 2016.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

1. BACKGROUND AND GENERAL BUSINESS

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

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

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

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

Romgaz has as main activity:

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

Basis of preparation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The Company prepared individual interim financial statements, as its subsidiary S.N.G.N. ROMGAZ S.A. – Filiala de Înmagazinare Gaze Naturale Depogaz Ploieşti S.R.L., registered at the Trade Register on August 21, 2015 had no activity until March 31, 2016.

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

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

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

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

Associated entities

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

Joint arrangements

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements (continued)

Joint operations

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

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

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

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

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

Joint ventures

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

Standards and interpretations effective in the current period

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

- annual improvements to IFRS – cycle 2011 - 2013, adopted by the EU on December 18, 2014 (effective for annual periods beginning on or after January 1, 2015);
- annual improvements to IFRS – cycle 2010-2012 adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);
- amendments to IAS 19: Defined benefit plans: employee contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);
- amendments to IAS 27: Equity method in separate financial statements, adopted by EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- amendments to IAS 1: Disclosure initiative, adopted by EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- annual improvements to IFRS – cycle 2012-2014, adopted by EU on December 15, 2015 (effective for annual periods beginning on or after January 1, 2016);

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements (continued)

- amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization, adopted by EU on December 2, 2015, (effective for annual periods beginning on or after January 1, 2016);
- amendments to IFRS 11: Accounting for acquisitions of interests in joint operations, adopted by EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016);
- amendments to IAS 16 and IAS 41: Bearer plants adopted by EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016).

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

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

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

- IFRS 9 "Financial instruments" (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 "Regulatory deferral accounts" (effective for annual periods beginning on or after January 1, 2016);
- IFRS 15 "Revenue from contracts with customers" including amendments to IFRS 15: Effective date of IFRS 15 (effective for annual periods beginning on or after January 1, 2018);
- IFRS 16 " Leases" (effective for annual periods beginning on or after January 1, 2019);
- amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: applying the consolidation exception (effective for annual periods beginning on or after January 1, 2016);
- amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (the effective date of the amendments has been deffered indefinitely);
- amendments to IAS 12: Recognition of deffered tax assets for unrealised losses (effective for annual periods beginning on or after January 1, 2017);
- amendments to IAS 7: Disclosure initiative (effective for annual periods beginning on or after January 1, 2017);
- clarifications to IFRS 15: Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018).

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Revenue recognition

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

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

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

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

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

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

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

Foreign currencies

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Benefits granted upon retirement

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

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

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

Employee participation to profit

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

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

Provisions

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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

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

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

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

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

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

Current and deferred tax for the period

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

Property, plant and equipment

(1) Cost

(i) Property, plant and equipment

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

(ii) Development expenditure

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

(iii) Maintenance and repairs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

(2) Depreciation

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

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

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

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

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

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

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

Exploration and appraisal assets

(1) Cost

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and appraisal assets (continued)

(1) Cost (continued)

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

(2) Impairment

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

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

Other intangible assets

(1) Cost

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

Intangible assets are not revalued.

(2) Amortization

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Financial assets and liabilities

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Available for sale (AFS) financial assets

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

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

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

Impairment of financial assets

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

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

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

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

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

De-recognition of financial assets and liabilities

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves

Reserves include:

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

Use of estimates

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

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

Estimates related to the exploration expenditure on undeveloped fields

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

Estimates related to the developed proved reserves

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

Estimates related to the decommissioning provision

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates related to the retirement benefit obligation

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

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

Estimates regarding the environment provision

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

Fair value measurements and valuation processes

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

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

Contingencies

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

Comparative information

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

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2016 (NOT AUDITED)

3. REVENUE AND OTHER INCOME

	Three months ended March 31, 2016	Three months ended March 31, 2015
	'000 RON	'000 RON
Revenue from gas sold - domestic production	1,079,996	1,133,999
Revenue from gas sold - joint venture	32,858	35,601
Revenue from gas acquired for resale – import gas	10,885	3,195
Revenue from gas acquired for resale – domestic gas	3,716	3,152
Revenue from electricity	69,206	29,642
Revenue from sale of goods	1,755	2,276
Revenue from services	3,714	3,632
Revenue from storage services	159,664	152,290
Other operating revenues	46,176	14,730
Total	**1,407,970**	**1,378,517**

4. INVESTMENT INCOME

	Three months ended March 31, 2016	Three months ended March 31, 2015
	'000 RON	'000 RON
Interest income	7,448	13,618
Total	**7,448**	**13,618**

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Three months ended March 31, 2016	Three months ended March 31, 2015
	'000 RON	'000 RON
Consumables used	16,632	20,587
Cost of gas acquired for resale, sold – import	10,173	3,090
Cost of gas acquired for resale, sold – domestic	3,231	2,913
Cost of electricity imbalance	7,554	5,048
Cost of other goods sold	261	133
Other consumables	1,153	978
Total	**39,004**	**32,749**

6. OTHER GAINS AND LOSSES

	Three months ended March 31, 2016	Three months ended March 31, 2015
	'000 RON	'000 RON
Forex gain	46	39
Forex loss	(32)	(638)
Net loss on disposal of non-current assets	(48,452)	(1,282)
Net loss on disposal of other financial investments	(1,577)	-
Net receivable allowances and write offs (note 16 c)	(88,227)	(20,966)
Net impairment of financial investments (note 25)	1,577	-
Net write down allowances for inventory (note 15)	(1,711)	-
Total	**(138,376)**	**(22,847)**

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Three months ended March 31, 2016	Three months ended March 31, 2015
	'000 RON	'000 RON
Depreciation	155,019	151,270
out of which:		
- depreciation of property, plant and equipment	151,544	146,158
- amortization of intangible assets	3,475	5,112
Net impairment of non-current assets	(34,776)	25,123
Total depreciation, amortization and impairment	**120,243**	**176,393**

8. EMPLOYEE BENEFIT EXPENSE

	Three months ended March 31, 2016	Three months ended March 31, 2015
	'000 RON	'000 RON
Wages and salaries	101,483	97,319
Social security charges	24,287	23,295
Meal tickets	3,316	3,227
Other benefits according to collective labor contract	1,978	1,741
Private pension payments	2,936	2,924
Total employee benefit costs	**134,000**	**128,506**
Less, capitalised employee benefit costs	(22,374)	(20,567)
Total employee benefit expense	**111,626**	**107,939**

9. FINANCE COSTS

	Three months ended March 31, 2016	Three months ended March 31, 2015
	'000 RON	'000 RON
Interest expense	5	6
Unwinding of the decommissioning provision (note 19)	4,585	4,544
Total	**4,590**	**4,550**

10. OTHER EXPENSES

	Three months ended March 31, 2016	Three months ended March 31, 2015
	'000 RON	'000 RON
Energy and water expenses	3,591	2,184
Expenses for capacity booking and gas transmission services	8,412	5,489
Expenses with other taxes and duties	230,852	234,337
(Net gain)/Net loss from provisions movement	(2,548)	(2,380)
Other operating expenses	51,675	36,306
Total	**291,982**	**275,936**

In the three months ended March 31, 2016, the major taxes and duties included in the amount of RON 230,852 thousand (three months ended March 31, 2015: RON 234,337 thousand) for taxes and duties are:

- RON 123,430 thousand, including amounts related to joint ventures, represent windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 modified by the Emergency Ordinance no. 13/2014 for the implementation of the windfall tax following the deregulation of prices in the natural gas sector (three months ended March 31, 2015: RON 126,745 thousand);

- RON 17,555 thousand, including amounts related to joint ventures, represent tax on special construction according to Government Ordinance no. 102/2013 for the modification and completion of Law 571/2003 regarding the Fiscal Code and for the regulation of certain financial-fiscal measures (three months ended March 31, 2015: RON 16,210 thousand);

- RON 78,995 thousand, including amounts related to joint ventures, represent royalty on gas production and storage activity (three months ended March 31, 2015: RON 79,502 thousand).

11. INCOME TAX EXPENSE

Income tax	Three months ended March 31, 2016	Three months ended March 31, 2015
	'000 RON	'000 RON
Current tax expense	117,545	122,939
Deferred income tax (income)/expense	3,160	(6,918)
Income tax expense	**120,705**	**116,021**

The tax rate used for the reconciliations below for the three months ended March 31, 2016, respectively March 31, 2015 is 16% payable by corporate entities in Romania on taxable profits.

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

	Three months ended March 31, 2016	Three months ended March 31, 2015
	'000 RON	'000 RON
Accounting profit before tax	**610,025**	**679,062**
Income tax expense calculated at 16%	97,604	108,650
Effect of income exempt of taxation	(9,979)	(5,942)
Effect of expenses that are not deductible in determining taxable profit	31,242	21,161
Tax incentives	(1,322)	(930)
Effect of temporary differences	3,160	(6,918)
Income tax expense	**120,705**	**116,021**

Components of deferred tax liability:

	March 31, 2016		December 31, 2015	
	Cumulative temporary differences	Deferred tax (asset)/ liability	Cumulative temporary differences	Deferred tax (asset)/ liability
	'000 RON	'000 RON	'000 RON	'000 RON
Provisions	(304,449)	(48,712)	(302,388)	(48,382)
Property, plant and equipment	866,747	138,680	844,937	135,190
Receivables and other assets	(151,367)	(24,219)	(151,367)	(24,219)
Total	**410,931**	**65,749**	**391,182**	**62,589**
Charged to income		**3,160**		**(68,716)**

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2016 (NOT AUDITED)

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land Improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2016	106,399	831,437	5,633,432	704,856	87,955	1,601,802	657,862	800,625	10,424,368
Additions for the period *)	70	1,492	57,990	15,175	1,929	727	28,636	72,107	178,126
Disposals for the period *)	-	(5)	(54,189)	(81)	(1,510)	-	-	(74,556)	(130,341)
As of March 31, 2016	106,469	832,924	5,637,233	719,950	88,374	1,602,529	686,498	798,176	10,472,153
Accumulated depreciation									
As of January 1, 2016	-	201,906	2,530,752	431,088	59,106	436,982	-	-	3,659,834
Charge for the period**)	-	8,080	114,438	14,090	1,582	22,405	-	-	160,595
Disposals during the period	-	(1)	(4,769)	(52)	(1,496)	-	-	-	(6,318)
As of March 31, 2016	-	209,985	2,640,421	445,126	59,192	459,387	-	-	3,814,111
Impairment									
As of January 1, 2016	3,180	15,535	185,440	23,903	420	3,889	444,885	90,822	768,074
Transfers	-	-	2,024	-	-	-	-	(2,024)	-
Charge for the period	-	21	5,823	72	2	-	7,339	7,718	20,975
Release during the period	-	(18)	(52,924)	(235)	(17)	(2,031)	(165)	(872)	(56,262)
As of March 31, 2016	3,180	15,538	140,363	23,740	405	1,858	452,059	95,644	732,787
Carrying value									
As of January 1, 2016	103,219	613,996	2,917,240	249,865	28,429	1,160,931	212,977	709,803	5,996,460
As of March 31, 2016	103,289	607,401	2,856,449	251,084	28,777	1,141,284	234,439	702,532	5,925,255

**) Amounts include put in functions/transfers in amount of RON 73,982.thousand.*
***) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 6,751 thousand.*

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2016 (NOT AUDITED)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2015	104,058	457,028	4,872,197	1,096,588	157,645	1,604,301	852,508	548,085	9,692,410
Additions for the period *)	399	3,568	57,244	8,380	688	21,587	94,084	64,066	250,016
Disposals for the period *)	-	(1)	(2,201)	(437)	(2)	-	(14,448)	(75,818)	(92,907)
Reclassification	-	355,583	256,831	(434,327)	(76,280)	(101,807)			
As of March 31, 2015	104,457	816,178	5,184,071	670,204	82,051	1,524,081	932,144	536,333	9,849,519
Accumulated depreciation									
As of January 1, 2015	-	84,071	2,030,012	505,872	113,502	370,324	-	-	3,103,781
Charge for the period **)	-	8,007	109,880	14,742	1,724	19,761	-	-	154,114
Disposals during the period	-	(1)	-	(429)	(3)	-	-	-	(433)
Reclassification	-	86,055	106,395	(126,929)	(60,662)	(4,859)	-	-	-
As of March 31, 2015	-	178,132	2,246,287	393,256	54,561	385,226	-	-	3,257,462
Impairment									
As of January 1, 2015	3,180	15,176	174,085	24,881	298	6,253	339,084	62,953	625,910
Charge for the period	-	9	30,187	159	-	-	16,291	8,509	55,155
Release during the period	-	(15)	(10,961)	(1,476)	(50)	(442)	(9,827)	(13,496)	(36,267)
Reclassification	-	810	14	(404)	58	(478)	-	-	-
As of March 31, 2015	3,180	15,980	193,325	23,160	306	5,333	345,548	57,966	644,798
Carrying value									
As of January 1, 2015	100,878	357,781	2,668,100	565,835	43,845	1,227,724	513,424	485,132	5,962,719
As of March 31, 2015	101,277	622,066	2,744,459	253,788	27,184	1,133,522	586,596	478,367	5,947,259

**) Amounts include put in functions/transfers in amount of RON 90,215 thousand.*
***) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 7,369 thousand.*

13. EXPLORATION AND APPRAISAL FOR NATURAL GAS RESOURCES

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

	Three months ended March 31, 2016	Three months ended March 31, 2015
	'000 RON	'000 RON
Net movement in exploration assets' impairment (note 12, note 14)	7,685	12,699
Net cash used in exploration investing activities	(29,433)	(146,213)

	March 31, 2016	December 31, 2015
	'000 RON	'000 RON
Exploration assets	614,463	592,715
Liabilities	(18,943)	(67,076)
Net assets	**595,520**	**525,639**

14. OTHER INTANGIBLE ASSETS

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of January 1, 2016	15,079	178,241	589,337	165	782,822
Additions for the period	-	3,424	797	2,573	6,794
Disposals for the period	-	(10,893)	-	(2,637)	(13,530)
As of March 31, 2016	15,079	170,772	590,134	101	776,086
Accumulated amortization					
As of January 1, 2016	7,260	166,104	-	-	173,364
Charge for the period	554	2,921			3,475
Disposals during the period	-	(10,893)			(10,893)
As of March 31, 2016	7,814	158,132	-	-	165,946
Impairment					
As of January 1, 2016	-	-	209,599	-	209,599
Charge for the period	-	-	511	-	511
As of March 31, 2016	-	-	210,110	-	210,110
Carrying value					
As of January 1, 2016	7,819	12,137	379,738	165	399,859
As of March 31, 2016	7,265	12,640	380,024	101	400,030

14. OTHER INTANGIBLE ASSETS (continued)

	Other intangible assets '000 RON	Licenses '000 RON	Intangible exploration assets - WIP '000 RON	Intangible work in progress - other '000 RON	Total '000 RON
Cost					
As of January 1, 2015	**14,584**	**168,266**	**497,329**	**2,606**	**682,785**
Additions for the period	372	1,413	51,955	5,842	59,582
Disposals for the period	-	(174)	-	(176)	(350)
As of March 31, 2015	**14,956**	**169,505**	**549,284**	**8,272**	**742,017**
Accumulated amortization					
As of January 1, 2015	**5,056**	**152,045**	**-**	**-**	**157,101**
Charge for the period	552	4,560	-	-	5,112
Disposals during the period	-	(174)	-	-	(174)
As of March 31, 2015	**5,608**	**156,431**	**-**	**-**	**162,039**
Impairment					
As of January 1, 2015	**-**	**-**	**116,048**	**2,187**	**118,235**
Charge for the period	-	-	6,340	-	6,340
Release during the period	-	-	(105)	-	(105)
As of March 31, 2015	**-**	**-**	**122,283**	**2,187**	**124,470**
Carrying value					
As of January 1, 2015	**9,528**	**16,221**	**381,281**	**419**	**407,449**
As of March 31, 2015	**9,348**	**13,074**	**427,001**	**6,085**	**455,508**

NOTES TO THE INDIVIDUAL INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH-PERIOD ENDED MARCH 31, 2016 (NOT AUDITED)

15. INVENTORIES

	March 31, 2016 '000 RON	December 31, 2015 '000 RON
Spare parts and materials	157,604	158,034
Work in progress	608	594
Finished goods (gas)	245,534	351,773
Residual products	99	86
Inventories at third parties	62,735	65,248
Goods for resale (gas)	171	10,344
Other inventories	77	95
Write-down allowance for spare parts and materials	(27,414)	(25,789)
Write-down allowance for residual products	(22)	(22)
Write-down allowance for inventories at third parties	(665)	(579)
Total	**438,727**	**559,784**

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	March 31, 2016 '000 RON	December 31, 2015 '000 RON
Trade receivables	1,465,513	1,438,204
Bad debt allowances (note 16 c)	(945,088)	(856,676)
Accrued receivables	437,427	19,537
Total	**957,852**	**601,065**

b) Other assets

	March 31, 2016 '000 RON	December 31, 2015 '000 RON
Advances paid to suppliers	7,560	13,933
Joint venture receivables	8,118	5,113
Loans to associates (note 22 ii)	17,687	17,887
Interest on loan to associates (note 22 ii)	1,029	1,041
Bad debt allowance on loans to associates (note 16 c, note 22 ii)	(18,716)	(18,928)
Other receivables	5,990	5,499
Bad debt allowance for other receivables	(354)	(549)
Other debtors	45,870	45,148
Bad debt allowances for other debtors (note 16 c)	(42,702)	(42,692)
Prepayments	125,856	84,481
VAT not yet due	15,320	28,679
Total	**165,658**	**139,612**

16. ACCOUNTS RECEIVABLE (continued)

c) Changes in the allowance for doubtful debts

	2016	2015
	'000 RON	'000 RON
At January 1	**918,845**	**626,625**
Charge during the period (note 6)	90,585	21,337
Forex on revaluation of foreign currency balances	(212)	319
Release during the period (note 6)	(2,358)	(371)
At March 31	**1,006,860**	**647,910**

As of March 31, 2016, the Company recorded allowances for doubtful debts, of which Interagro RON 275,961 thousand (December 31, 2015: RON 273,229 thousand), GHCL Upsom of RON 60,371 thousand (December 31, 2015: RON 60,371 thousand), CET Iasi of RON 46,271 thousand (December 31, 2015: RON 46,271 thousand), Electrocentrale Galati with RON 208,739 thousand (December 31, 2015: RON 209,907 thousand), Electrocentrale Bucuresti with RON 325,914 thousand (December 31, 2015: RON 238,094 thousand) and G-ON EUROGAZ of RON 14,848 thousand (December 31, 2015: RON 14,848 thousand), due to existing financial conditions of these clients as well as ongoing litigating cases related to these receivables or exceeding payment terms.

	March 31, 2016	December 31, 2015
	'000 RON	'000 RON
Current receivables but not impaired	507,325	559,927
Overdue receivables but not impaired		
less than 30 days overdue	2,077	7,186
30 to 90 days overdue	10,983	14,396
90 to 360 days overdue	40	19
over 360 days overdue	-	-
Total overdue receivables but not impaired	**13,100**	**21,601**
Total trade receivables	**520,425**	**581,528**

17. SHARE CAPITAL

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

17. SHARE CAPITAL (continued)

The shareholding structure as at March 31, 2016 is as follows:

	No. of shares	Value	Percentage (%)
		'000 RON	
The Romanian State through the Ministry of Energy, Small and Medium Enterprises and Business Environment	269,823,080	269,823	70
Legal persons	100,861,929	100,862	26
Physical persons	14,737,391	14,737	4
Total	**385,422,400**	**385,422**	**100**

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

18. RESERVES

	March 31, 2016	December 31, 2015
	'000 RON	'000 RON
Legal reserves	77,084	77,084
Other reserves, of which:	2,505,381	2,504,769
- Company's development fund	1,955,242	1,955,242
- Tax incentives	62,516	62,516
- Geological quota set up until 2004	486,388	486,388
- Other reserves	1,235	623
Total	**2,582,465**	**2,581,853**

19. PROVISIONS

	March 31, 2016	December 31, 2015
	'000 RON	'000 RON
Decommissioning provision	179,958	184,983
Retirement benefit obligation	102,030	102,959
Litigation provision *)	15,872	15,872
Total long term provisions	**297,860**	**303,814**
Decommissioning provision	20,828	12,629
Provisions for land restoration	13,393	14,253
Litigation provision	-	79
Other provisions (note 23)	1,631	1,818
Total short term provisions	**35,852**	**28,779**
Total provisions	**333,712**	**332,593**

19. PROVISIONS (continued)

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

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

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

For RON 4,179 thousand a new fiscal control was ordered, which resulted in a tax burden of RON 2,981 thousand. Against this decision, Romgaz filed an appeal to ANAF. To the date of the financial statements, the appeal was not resolved.

In 2015 Romgaz started a legal case against the Ministry of Public Finance for the cancelation of the above decisions, including the partial cancelation of the decision issued for the appeal.

Based on the above and to prevent the forced execution of the tax liabilities subject to the appeal, on October 23, 2014 (in accordance with provisions of art. 148^1 of Government Ordinance no. 92/2003 regarding the Tax Procedure Code, respectivelz art. 235 of Law no. 2017/2015 regarding the Tax Procedure Code), Romgaz issued a bank letter of guarantee in favor of the Ministry of Public Finance for the amount of the additional liabilities, respectively RON 20,051 thousand, valid until October 13, 2016. For the tax decision related to the RON 2,981 thousand, on November 11, 2015 the Company issued a bank letter of guarantee in favor of the Ministry of Public Finance, valid until November 10, 2016.

Decommissioning provision

Decommissioning provision movement	**2016**	**2015**
	'000 RON	**'000 RON**
At January 1	**197,612**	**222,243**
Additional provision recorded against non-current assets	80	184
Unwinding effect (note 9)	4,585	4,544
Recorded in profit or loss	(493)	(200)
Release against non-current assets	(998)	(907)
At March 31	**200,786**	**225,864**

The Company makes full provision for the future cost of decommissioning natural gas wells on a discounted basis upon installation. The provision for the costs of decommissioning these wells at the end of their economic lives has been estimated using existing technology, at current prices or future assumptions, depending on the expected timing of the activity, and discounted using a weighted average cost of capital as of March 31, 2016 of 9.3% (March 31, 2015: 8.8%). While the provision is based on the best estimate of future costs and the economic lives of the wells, there is uncertainty regarding both the amount and timing of these costs.

20. TRADE AND OTHER CURRENT LIABILITIES

	March 31,2016	December 31,2015
	'000 RON	'000 RON
Accruals	19,767	65,283
Trade payables	23,585	23,976
Payables to fixed assets suppliers	16,061	40,967
Advances from customers	238,576	56,711
Total trade payables	**297,989**	**186,937**
Payables related to employees	40,242	49,141
Tax on special constructions	70,727	-
Royalties	79,813	81,711
Social security taxes	14,942	16,160
Other current liabilities	38,988	40,785
Joint venture payables	3,080	977
VAT	87,062	81,348
Dividends payable	1,411	1,506
Windfall tax	40,375	43,596
Other taxes	7,083	4,299
Total other current liabilities	**383,723**	**319,523**
Total trade and other current liabilities	**681,712**	**506,460**

21. FINANCIAL INSTRUMENTS

Financial risk factors

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

(a) Market risk

(i) *Foreign exchange risk*

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

As at March 31, 2016, the official exchange rates were RON 3.9349 to USD 1 and RON 4.4738 to EUR 1 and (December 31, 2015: RON 4.1477 to USD 1 and RON 4.5245 to EUR 1).

(ii) *Inflation risk*

The official inflation rate in Romania, during the three months ended March 31, 2016 was under 10% as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy.

21. FINANCIAL INSTRUMENTS (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(iii) *Interest rate risk*

The Company is not exposed to interest rate risk.

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of trade receivables and loans. The Company has policies in place to ensure that sales are made to customers with low credit risk. Also, sales have to secured, either through advance payments, either through bank letters of guarantee. The carrying amount of accounts receivable, net of bad debt allowances, and loans, represent the maximum amount exposed to credit risk. The Company has a concentration of credit risk in respect of its top 4 clients, which together amount to 96% of trade receivable balance at March 31, 2016 (94% as of December 31, 2015). Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the bad debt allowance already recorded.

(c) Capital risk management

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

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

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

(d) Fair value estimation

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

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

The shares held in available for sale financial investments are not listed in an active market and their fair value cannot be reliably measured, therefore they are measured at cost. At each period end, the Company makes an assessment to determine whether there is any indication of impairment. As of March 31, 2016 the Company did not identify any indication of impairment of other financial investments, except for the impairment already recorded.

21. FINANCIAL INSTRUMENTS (continued)

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

March 31, 2016	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	297,487	222,888	50	-	-	520,425
Bank deposits	464,650	727,467	1,219,400	24,800	-	2,436,317
Treasury bonds	-	85,670	620,595	-	-	706,265
Total	**762,137**	**1,036,025**	**1,840,045**	**24,800**	**-**	**3,663,007**
Trade payables	(30,172)	(9,068)	(406)	-	-	(39,646)
Total	**(30,172)**	**(9,068)**	**(406)**	**-**	**-**	**(39,646)**
Net	**731,965**	**1,026,957**	**1,839,639**	**24,800**	**-**	**3,623,361**

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

f) Liquidity risk management

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

22. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Sales of goods and services

	Three months ended March 31, 2016	Three months ended March 31, 2015
	'000 RON	'000 RON
Romgaz's associates	1,594	1,580
Total	**1,594**	**1,580**

Most of the Company's clients are companies in which the Romanian State has control or continues to have a significant influence after their privatization, given the strategic importance of the industry in which both the Company and its clients operate. In the three months ended March 31, 2016 respectively March 31, 2015, the Company conducted transactions with these companies only in the normal course of business. These transactions are done on the basis of standard contractual relationships.

(ii) Loans granted to associates

	March 31, 2016	December 31, 2015
	'000 RON	'000 RON
Romgaz's associates (note 16 b)	18,716	18,928
Bad debt allowance (note 16 b)	(18,716)	(18,928)
Total	-	-

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

Due to the nature of the obligations that derive from the joint operation agreements until the effective exit date, in February 2016 amendments to the original loan contracts were signed with Energia Torzym and Energia Cybinka, which state the initial maturity for the repayment of the loans was extended from December 31, 2015 to December 31, 2016.

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

The remuneration of executives and directors

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

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

	March 31, 2016 '000 RON	March 31, 2015 '000 RON
Salaries paid to directors	2,481	2,630
Salaries paid to members of the Board of Directors	96	70

	March 31, 2016 '000 RON	December 31, 2015 '000 RON
Salaries payable to directors	382	486
Salaries payable to members of the Board of Directors	20	126

The Company set up a provision as of March 31, 2016 of RON 1.631 thousand for the variable remuneration related to directors on mandate contract and members of the Board of Directors, (December 31, 2015: RON 1,818 thousand). The amounts recorded as provision as of December 31, 2015 were not paid in the three-month period ended March 31, 2016.

24. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

a) Investment in subsidiaries

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

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

As of the date of the individual interim financial statements for the period ended March 31, 2016 were authorized for issue, the storage activity is being further carried by the Company. The Regulatory Authority for Energy (Autoritatea Nationala de Reglementare in Domeniul Energiei – ANRE), by Presidential decision no. 2588/December 30, 2015, had changed license no. 1942 regarding the operations of the underground gas storage facilities granted to Romgaz by ANRE presidential decision no. 151/January 22, 2014 in the sense of changing the licence holder with S.N.G.N Romgaz S.A. – Filiala de Inmagazinare Gaze Naturale Depogaz Ploiesti S.R.L. The modified license was granted starting April 1, 2016 to September 13, 2056. Subsequently, ANRE decision no. 446 issued on March 23, 2016 has changed ANRE decision nr. 2588/2015, the effective date of the licence being, April 1, 2017.

The Company did not prepare consolidated financial statements as of March 31, 2016 given the fact that the subsidiary did not carry out any activity since incorporation.

24. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

b) Investment in associates

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

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

*) During February 2016, Romgaz notified its partners about its withdrawal as partner in the two agreements and its withdrawal as shareholder of the two entities effective March 31, 2016.

25. OTHER FINANCIAL INVESTMENTS

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

Compania	Value as of March 31, 2016	Impairment as of March 31, 2016	Carrying value as of March 31, 2016	Value as of December 31, 2015	Impairment as of December 31, 2015	Carrying value as of December 31, 2015
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Electrocentrale Bucureşti S.A.	64,310	-	64,310	64,310	-	64,310
Electrocentrale Titan S.A. *	-	-	-	1,977	(1,577)	400
MKB Romexterra Bank S.A.	840	(757)	83	840	(757)	83
Mi Petrogas Services S.A.	60	-	60	60	-	60
GHCL Upsom	17,100	(17,100)	-	17,100	(17,100)	-
Pan Atlantic and Lukoil association	10,454	(5,227)	5,227	10,454	(5,227)	5,227
Total	**92,764**	**(23,084)**	**69,680**	**94,741**	**(24,661)**	**70,080**

* In November 2015, Electrocentrale Titan S.A.'s shareholders approved its merger by absorption by S.C. Electrocentrale Grup S.A.. In the shareholders' meeting, the Company voted against the merger. As a result of the vote, Romgaz exercised its right to withdraw as a shareholder, by selling its shares in S.C. Electrocentrale Titan S.A., according to legal provisions. Following the disposal of its holding in the share capital of S.C. Electrocentrale Titan S.A., the Company received the amount of RON 400 thousand.

25. OTHER FINANCIAL INVESTMENTS (continued)

The shares held in the share capital of the companies above are not quoted in an active market and their fair value cannot be reliably measured, therefore they are measured at cost. At each period end, the Company makes an assessment to determine whether there are any indications of impairment. As of March 31, 2016 the Company did not identify any indication of impairment of other financial investments, other than adjustments already recorded.

26. SEGMENT INFORMATION

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

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

Specifically, the Company is organized in the following segments:

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

Except for Bratislava branch, all assets and operations are in Romania. As of March 31, 2016, in Bratislava branch are recorded exploration assets in amount of RON 18,481 thousand (December 31, 2014 RON 18,122 thousand).

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

b) Segment assets and liabilities

March 31, 2016	**Upstream**	**Storage**	**Other**	**Total**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**
Property, plant and equipment	3,986,409	1,555,189	383,657	5,925,255
Other intangible assets	392,305	672	7,053	400,030
Investments in subsidiaries	-	-	1,200	1,200
Investments in associates	-	-	163	163
Other financial investments	-	-	69,680	69,680
Other financial assets	95,515	433,140	2,619,099	3,147,754
Inventories	343,066	70,762	24,899	438,727
Trade and other receivables	891,101	53,461	13,290	957,852
Other assets	63,281	15,741	86,636	165,658
Cash and cash equivalents	59,038	5,599	209,304	273,941
Total assets	**5,830,715**	**2,134,564**	**3,414,981**	**11,380,260**

26. SEGMENT INFORMATION (continued)

b) Segment assets and liabilities (continued)

March 31, 2016	Upstream	Storage	Other	Total
	'000 RON	'000 RON	'000 RON	'000 RON
Retirement benefit obligation	-	-	102,030	102,030
Deferred tax liabilities	-	-	65,749	65,749
Provisions	196,658	17,520	17,504	231,682
Trade and other payables	276,153	1,705	20,131	297,989
Current tax liabilities	-	-	117,545	117,545
Other liabilities	234,404	20,078	129,241	383,723
Total liabilities	**707,215**	**39,303**	**452,200**	**1,198,718**

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

26. SEGMENT INFORMATION (continued)

c) Segment revenues, results and other segment information

Three months ended March 31, 2016	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	1,160,939	159,680	140,726	(97,840)	1,363,505
Less: revenue between segments	(27,562)	-	(70,278)	97,840	-
Third party revenue	1,133,377	159,680	70,448	-	1,363,505
Interest income	175	1,233	6,040	-	7,448
Interest expense	(5)	-	-	-	(5)
Depreciation, amortization and impairment	(88,746)	(23,604)	(7,893)	-	(120,243)
Segment profit before tax	**495,322**	**77,264**	**37,439**	**-**	**610,025**

Three months ended March 31, 2015	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	1,197,860	152,305	104,795	(89,483)	1,365,477
Less: revenue between segments	(15,742)	-	(73,741)	89,483	-
Third party revenue	1,182,118	152,305	31,054	-	1,365,477
Interest income	697	1,459	11,462	-	13,618
Interest expense	(6)	-	-	-	(6)
Depreciation, amortization and impairment	(146,653)	(21,028)	(8,712)	-	(176,393)
Segment profit before tax	**576,435**	**73,435**	**29,192**	**-**	**679,062**

In the "Other" segment is included the Electricity Production Branch (CET Iernut). Sales of CET Iernut in the three months ended March 31, 2016 including the sales to the rest of Romgaz's segments were of RON 84,537 thousand, of which RON 15,307 thousand were deliveries made to other Romgaz segments (three month period ended March 31, 2015: total sales of RON 45,700 thousand, of which deliveries within Romgaz were in amount of RON 15,963 thousand).

The profit obtained by CET Iernut in the three month period ended March 31, 2016, including deliveries to other segments of Romgaz, was of RON 16,861 thousand (period ended March 31, 2015: profit RON 1,595 thousand).

In the period ended March 31, 2016, the Company's three largest clients each individually represents more than 10% of revenue, sales to these clients being of RON 333,194 thousand, RON 269,389 thousand, respectively RON 258,335 thousand (in the period ended March 31, 2015 the Company's three largest customers represented individually, over 10% of revenue, sales to these clients being of RON 353,077 thousand, RON 329,251 thousand, respectively RON 391,519 thousand), together totaling 63% of total revenue (three month period ended 31 March 2015: 79%). Of the total revenue generated by those three clients, 3% are shown in the "Storage" segment and 95.7% in the "Upstream" segment (three months ended March 31, 2015: 3.6% in the "Storage" segment, 96.4% in the "Upstream" segment).

27. CASH AND CASH EQUIVALENTS

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

	March 31, 2016 '000 RON	December 31, 2015 '000 RON
Current bank accounts in RON *)	131,021	86,532
Current bank accounts in foreign currency	263	92
Petty cash	35	30
Term deposits	142,620	653,686
Amounts under settlement	2	12
Total	**273,941**	**740,352**

*) Current bank accounts include overnight deposits.

28. OTHER FINANCIAL ASSETS

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

	March 31, 2016 '000 RON	December 31, 2015 '000 RON
Bank deposits	24,800	29,300
Total other long-term financial assets	**24,800**	**29,300**
Treasury bonds	706,265	810,870
Bank deposits	2,411,517	1,332,560
Accrued interest receivable	5,172	3,397
Total other short-term financial assets	**3,122,954**	**2,146,827**
Total other financial assets	**3,147,754**	**2,176,127**

29. COMMITMENTS UNDERTAKEN

	March 31, 2016 '000 RON	December 31, 2015 '000 RON
Endorsements and collaterals granted	37,415	41,044
Total	**37,415**	**41,044**

In 2015 a facility agreement was signed with CitiBank Europe plc, Dublin – Romanian Branch for bank loans for issuing and/or confirmation of letters of credit and letters of guarantee for a maximum amount of USD 14,000 thousand, valid up to March 23, 2016, validity extended during March, 2016, until March 22, 2017. On March 31, 2016 are still available for use USD 5,151 thousand (December 31, 2015: USD 4,700 thousand).

As of March 31, 2016, the Company's contractual commitments for the acquisition of non-current assets are of RON 162,996 thousand (December 31, 2015: RON 93,319 thousand).

30. COMMITMENTS RECEIVED

	March 31, 2016	December 31, 2015
	'000 RON	'000 RON
Endorsements and collaterals received	1,120,812	1,135,697
Total	**1,120,812**	**1,135,697**

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

31. CONTINGENCIES

(a) *Litigations*

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

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

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

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

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

On March 16, 2016, DIICOT – Central Structure informed the persons involved in the cause about the start of legal actions against them.

(c) *Taxation*

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

31. CONTINGENCIES (continued)

(d) *Environmental contingencies*

Environmental regulations are developing in Romania and the Company has not recorded any liability at March 31, 2016 for any anticipated costs, including legal and consulting fees, impact studies, the design and implementation of remediation plans related to environmental matters, except the amount of RON 200,786 thousand (December 31, 2015: RON 197,612 thousand), representing the decommissioning liability, and a provision for land restauration of RON 13,393 thousand (December 31, 2015: RON 14,253 thousand).

Green-house gas emission certificates (CO2 certificates)

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

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

As of March 31, 2016, Romgaz holds in the Greenhouse Gas Emissions Unique Registry 212,653 CO2 certificates, as follows:

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

31. CONTINGENCIES (continued)

(d) ***Environmental contingencies (continued)***

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

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

(e) *CET Iernut*

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

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

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

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

32. JOINT ARRANGEMENTS

On March 31, 2016, the Company is part of the following joint arrangements:

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

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

32. JOINT ARRANGEMENTS (continued)

Currently, the participation of Romgaz in the Production Area Bilca is 37.5% and the participation of the operator, Raffles Energy SRL, is 62.5%. The wells have clearances issued by ANRM. As the fields are in an advanced stage of depletion, the operator performed stimulation works on wells 1 Vicsani and 1 Fratauti, which led to the abandonment of well 1 Vicsani; 1 Fratauti well will be also abandoned in 2016, thus remaining only one productive well, 1 Bilca.

Romgaz's share in the Brodina Exploration Area is 50% and the share of Aurelian Petroleum SRL, operator of the association, is 50%. At the end of the three month period 2016 drilling has begun at Voitinel 2 well, to evaluate the Voitinel reserves.

c) Romgaz has a joint operation agreement for exploration, development and operation in the North Bacau area, with Raffles Energy SRL, the operator of the joint operation. Romgaz holds 40% of the joint operation and Raffles Energy SRL - 60%. In June 2015, Lilieci 1 well was commissioned to convert natural gas into electricity, through a generator. This step marks the transition to the development-operational phase.

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

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

f) In January 2009, Romgaz signed the amendment to partnership agreements through which it holds a quota in the share capital of Energia Torzym spolka organiczona odpowiedzialnoscia spolka komanditowa (Energia Torzym) and that of Energia Cybinka spolka organiczona odpowiedzialnoscia spolka komanditowa (Energia Cybinka), the two companies holding exploration licenses for Cybinka and Torzym blocks in Poland. The agreement was signed for exploration, development and operation of the two blocks above. Participation shares are: Romgaz - 30%, Aurelian Oil & Gas Poland Sp. Zo.o - 45% and GB Petroleum Plc (currently SceptreOil&Gas Limited LTD) - 25%. Following the unsatisfactory results obtained from the two blocks exploration activities, Romgaz has decided its withdrawal as partner and shareholder in the two agreements in Polonia, effective March 31, 2016.

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

33. EVENTS AFTER THE BALANCE SHEET DATE

Distribution of the 2015 results

In 2016, the Company's shareholders approved the allocation of RON 1,040,640 thousand to dividends, the dividend per share being RON 2.7.

Contracts with large clients

During April 2016, E.On Energie Romania, representing 19% of the revenue recorded in the three-month period ended March 31, 2016, has notified the Company regarding the termination of natural gas delivery contract for the competitive market, non households category. The contractual relationship for natural gas delivery for the competitive market - heat producers remains unchanged.

At the end of April, 2016, Electrocentrale Bucuresti, representing 20% of the revenue in the three-month period ended March 31, 2016 did not request an extention of the natural gas contract subsequent to April 30, 2016. As a result of this, the receivable overdue as of March 31, 2016, not collected until April 30, 2016, has been fully adjusted in the individual interim financial statements as of March 31, 2016. As of March 31, 2016, the total amount of the depreciation adjustment is RON 325,914 thousand. During 2016, the Company started the legal proceedings to recover the overdue receivable.

34. APPROVAL OF INDIVIDUAL INTERIM FINANCIAL STATEMENTS

These individual interim financial statements were authorized for issue by the Board of Directors on March 12, 2016.

Societatea Națională de Gaze Naturale ROMGAZ S.A. J32/393/2001

Virgil Metea
General Manager

Lucia Ionascu
Economic Director