



Societatea Națională de Gaze Naturale “ROMGAZ” SA

**I<sup>st</sup> HALF YEAR REPORT**  
**ECONOMIC- FINANCIAL ACTIVITY OF**  
**ROMGAZ GROUP AS OF JUNE 30, 2020**  
**(JANUARY 1, 2020 - JUNE 30, 2020)**



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## IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report based on	<i>Law no. 24/2017 on issuers of financial instruments and market operations (Article 65) and ASF (Financial Supervisory Authority) Regulation no.5/2018 on issuers of financial instruments and market operations (Annex 14) for the six-month period ended on June 30, 2020 (HI of financial year 2020)</i>
Report Date	August 14, 2020
Name of the Company	Societatea Națională de Gaze Naturale “ROMGAZ” SA
Headquarters	Mediaș, 4 Constantin I. Motaș Square, code 551130, Sibiu County
Telephone/fax number	0040 374 401020 / 0040 269 846901
Web/E-mail	<a href="http://www.romgaz.ro">www.romgaz.ro</a> / <a href="mailto:secretariat@romgaz.ro">secretariat@romgaz.ro</a>
Fiscal Code	RO 14056826
Legal Entity Identifier (LEI)	2549009R7KJ38D9RW354
Regulated market where the company’s shares are traded	Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)
Subscribed and paid in share capital	RON 385,422,400
Shares main characteristics	385,422,400 shares each with a nominal value of RON 1 nominative, ordinary, indivisible shares, issued dematerialised and free tradable since November 12, 2013 as SNG – for shares and SNGR – for GDRs

# I. 1<sup>ST</sup> HALF YEAR 2020 OVERVIEW

## 1.1. Romgaz Group Performances<sup>1</sup>

Operational and financial performances of Romgaz Group achieved in HI 2020 continued to be high, even if decreases were recorded as compared to the previous periods.

During the first 6 months of 2020, we estimate that national gas consumption recorded a slight increase as compared to the similar period of the previous year (approx. 1.7%), while Romgaz deliveries decreased by 16% following a high consumption of import gas. As a result, Romgaz share on the gas delivery market was 36.6%, by 7.8% lower than the share held in the previous period (44.4%).

Natural gas production was 2,245.7 million m<sup>3</sup>, by 454.3 million m<sup>3</sup> lower than the production recorded during the similar period of the previous year (-16.8%) and by 415.1 million m<sup>3</sup> lower than scheduled (-15.6%).

Romgaz electricity production of 295.23 GWh was by 123.57 GWh higher as compared to the similar period of 2019 (+71.9%). This production placed Romgaz at a market share of 1.07%<sup>2</sup>.

Margins of the main profitability indicators for HI 2020: net profit (36.51%), EBIT (41.96%) and EBITDA (54.32%), confirm a high profitability of Romgaz Group activity recording an increase as compared to HI 2019. However, as compared to Q2 of the previous year there is a decrease as Covid 19 pandemic affected the Q2 2020 results.

### Relevant Financial Results (consolidated)

				*million RON*			
Q2 2019	Q1 2020	Q2 2020	Δ Q2 (%)	Main indicators	HI 2019	HI 2020	Δ HI (%)
1,161.7	1,430.3	763.1	-34.3	Revenue	2,874.8	2,193.4	-23.7
1,229.4	1,413.6	819.8	-33.3	Income	2,912.5	2,233.4	-23.3
719.6	733.6	556.7	-22.6	Expenses	1,762.3	1,290.3	-26.8
(0.2)	0.3	(0.4)	100.0	Share of the associates' result	1.2	(0.1)	n/a
509.6	680.3	262.8	-48.4	Gross Profit	1,151.3	943.1	-18.1
75.5	108.3	33.9	-55.1	Profit Tax	175.4	142.2	-18.9
434.1	571.9	228.9	-47.3	Net Profit	975.9	800.8	-17.9
496.7	669.3	251.1	-49.4	EBIT	1,127.4	920.4	-18.4
598.9	802.0	389.5	-35.0	EBITDA	1,492.9	1,191.5	-20.2
1.1	1.5	0.6	-46.0	Earnings per share *) (RON)	2.5	2.1	-16.0
37.4	39.98	30.00	-19.8	Net Profit Rate (% from Revenue)	33.9	36.51	7.7
42.8	46.79	32.91	-23.1	EBIT ratio (% from Revenue)	39.2	41.96	7.0
51.6	56.07	51.05	-1.1	EBITDA ratio (% from Revenue)	51.9	54.32	4.7
6,171	6,240	6,208	0.6	Number of employees at the end of the period	6,171	6,208	0.6

\*EPS is calculated based on the consolidated results of SNGN ROMGAZ SA

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

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

<sup>1</sup> Romgaz Group consists of SNGN Romgaz SA ("the Company"/"Romgaz") as parent company, Filiala de Îmagazinare Gaze Naturale Depogaz Ploiești SRL ("Depogaz"), is the subsidiary owned 100% by Romgaz, and its associates SC Depomures SA (40% of the share capital) and SC Agri LNG Project Company SRL (25% of the share capital)

<sup>2</sup> Source: CNTEE Transelectrica SA

## Summary of the Group's main indicators for HI 2020:

↳ *Total Income* is by RON 679.1 million lower, recording a 23.3% decrease while total expenses recorded a decrease of 26.8%.

Gross consolidated result of HI 2020 is by 18.1% lower as compared to the similar period of the previous year (RON -208.2 million) due to the following influential factors:

- Consolidated revenue decreased by 23.7% (RON 681.4 million) as compared to HI 2019, following a decrease in gas sales (-28.75%; RON -736.6 million); from a quantitative perspective, the deliveries in HI 2020 are by 19.3% lower. At consolidated level, electricity sales increased by 15% and storage sales increased by 46%. Please note that consolidated storage sales include revenue generated by services invoiced by Romgaz for gas withdrawn from storages sold during the reporting period, not only sales invoiced by Depogaz to its own clients, other than Romgaz; unconsolidated storage sales (revenue of Depogaz, including Romgaz) increased by 16.1%;
- Expenses decreased by 26.8% (RON -472 million) following a reduction of royalty-related expenses (RON -98.95 million), of windfall tax (RON -166.83 million), of cost of import gas for resale (RON -74.4 million) and of depreciation and amortization expenses (RON -94.3 million lei).
- Following the updated depreciation test of assets used in the gas production activity, no additional depreciation was recorded as compared to December 31, 2019.

↳ *Net Profit* is by RON 175.1 million lower than the profit recorded in the previous period for the reasons indicated above (-17.9%);

↳ *Labour Productivity* decreased as compared to the previous period from RON 465.85 thousand revenue/employee in H1 2019 to RON 353.31 thousand revenue/employee in H1 2020;

↳ *EPS* is RON 2.1, by 16.0% lower than in H1 2019.

## Operational Results

Q2 2019	Q1 2020	Q2 2020	Δ Q2 (%)	Main Indicators	HI 2019	HI 2020	Δ HI (%)
1,269.8	1,362.3	<b>883.4</b>	-30.4	Gas produced (million m <sup>3</sup> )	2,699.8	<b>2,245.7</b>	-16.8
90.4	98.0	<b>59.4</b>	-34.3	Petroleum Royalty (million m <sup>3</sup> )	193.0	<b>157.4</b>	-18.4
4,321	6,497	<b>4,748</b>	9.9	Condensate Production (tonnes)	9,255	<b>11,245</b>	21.5
0.8	258.9	<b>36.31</b>	4,597.3	Electricity produced (GWh)	171.6	<b>295.2</b>	72.0
39.8	895.4	<b>28.5</b>	-28.4	Invoiced UGS gas withdrawal services (million m <sup>3</sup> )	924.7	<b>923.9</b>	-0.1
1,009.8	40.7	<b>530.3</b>	-47.5	Invoiced UGS gas injection services (million m <sup>3</sup> )	1,047.6	<b>571.0</b>	-45.5

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

During HI 2020, Romgaz produced 2,245.7 million m<sup>3</sup> natural gas by 454.3 million m<sup>3</sup> (-16.8%) less than the volume produced during the same period of the previous year.

The production recorded during HI 2020 was supported by:

- continuation of rehabilitation projects on the main mature gas fields;
- well workover operations whereby 70 wells with a production potential of more than 420 thousand m<sup>3</sup>/day were completed by the end of HI 2020;



- completion of investments in the development of production infrastructure and connection of new wells to this infrastructure.

*Electricity production* is shown in the table below and its trend was closely connected to the energy demand, price trends on competitive markets, performance of investment works at the new part of CTE Iernut, which restricted the operation of energy groups of the old CTE Iernut power plant. Therefore, CTE Iernut did not produce electricity during Q2 2020 due to:

- required creation of proper working conditions for an adequate implementation of investments in the new plant, fact which influenced the possibility to conclude long-term electricity delivery contracts;
- demand in electricity dropped upon the outbreak of COVID-19 pandemic and following the declaration of a state of emergency (because of measures required to limit the virus transmission);
- prices on the Day-Ahead Market followed a decreasing trend: the average price for the first two months was RON 227 /MWh, then in March the average price was 146.87 /MWh and in May it decreased to RON 122.08 /MWh.

\*MWh\*

	2019	2020	Ratio
1	2	3	4=3/2x100
Q1	170,894	258,923	151.51%
Q2	773	36,310	4,697.28%
<b>HI</b>	<b>171,667</b>	<b>295,233</b>	<b>171.98%</b>

## 1.2. Significant Events

### *January 30, 2020*

Romgaz announced the start of production from the deep reservoir of Caragele structure through well 77 Rosetti, with a daily production potential exceeding 1,500 boe.

### *March-May 2020*

“*Together for Romania!*” - Romgaz actively supported the fight against COVID19 Coronavirus implementing the following actions:

- ↳ support to Romanian Red Cross by donating RON 1.250.000 for the Coronavirus information and prevention campaign;
- ↳ RON 1,500,000 aid to Sibiu County Emergency Clinical Hospital for the development and equipment of the Intensive Care Unit to prepare for treating COVID19 patients, if required;
- ↳ support to Medias Municipal Hospital by donating RON 1,500,000 to equip the Intensive Care Unit with specialized medical equipment;
- ↳ support to Alba County Emergency Hospital by donating RON 1,500,000 to limit and prevent possible COVID19 infections and to efficiently handle suspect/confirmed COVID19 cases;
- ↳ support to Slatina County Emergency Hospital by allocating RON 1,500,000 to fight and treat COVID 19;

- ↳ support to Vaslui County Emergency Hospital by allocating RON 1,500,000 to fight COVID 19;
- ↳ support to Mures County Emergency Hospital by allocating RON 1,500,000 to fight COVID 19 pandemic;

### ***April 13, 2020***

In Resolution no. 5, the company's shareholders approved the extension of the interim directors' mandate term by 2 months from the expiration date, in accordance with EGO no. 109/2011<sup>3</sup>, article 64, par.(5).

### ***June 10, 2020***

Romgaz and SC Liberty Galati S.A. agreed on concluding a Memorandum of Understanding on establishing a joint venture company with the aim of developing greenfield investment projects, i.e. development of an electric power generation unit fuelled by natural gas (CCGT) and electric power generation units from renewable sources, based both on wind and photovoltaic technologies. The implementation period of these investment projects is between 3.5 to 4 years.

### ***June 15, 2020***

In Resolution no. 7, the General Meeting of Shareholders approved "S.N.G.N. Romgaz S.A. 2020-2025 Development/Investment Strategy". According to the Strategy, the RON 15.69 billion investment program targets the following investment priorities:

- continuation of geological research through new drilling works and geological surveys to discover new natural gas reserves;
- production potential development by adding new facilities on existing structures;
- improvement of the existing installation and equipment efficiency and increasing the operational safety;
- identification of new growth and development opportunities.

### ***June 25, 2020***

According to Resolution no. 8, further to casting the cumulative vote, the company's shareholders appointed the following persons as members of the Board of Directors:

- ✍ Stan-Olteanu Manuela-Petronela
- ✍ Jude Aristotel Marius
- ✍ Simescu Nicolae Bogdan
- ✍ Marin Marius-Dumitru
- ✍ Botond Balazs
- ✍ Ciobanu Romeo Cristian
- ✍ Jansen Petrus Antonius Maria.

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<sup>3</sup> EGO no. 109 of December 14, 2011 on corporate governance of public enterprises, as amended from time to time.

OGMS Resolution no. 6 of June 26, 2019 reconfirmed Mr. Ciobanu Romeo Cristian and Mr. Jansen Petrus Antonius Maria as Board members; they continued their mandate as directors as selected in 2018 following a selection process and appointed directors in the company Board for a four-year mandate by OGMS Resolution no.8 of July 6, 2018. Therefore, their mandate is in progress. All other directors, acting as interim directors, were appointed for a four-month period.



## II. ROMGAZ GROUP OVERVIEW

**Romgaz Group performs business** in the following segments:

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

### Shareholding Structure

On June 30, 2020, SNGN Romgaz SA shareholding structure was:

	Number of shares	%
<b>The Romanian State<sup>4</sup></b>	269,823,080	70.0071
<b>Free float – total, out of which:</b>	115,599,320	29.9929
*legal persons	97,201,265	25.2194
*natural persons	18,398,055	4.7735
<b>Total</b>	<b>385,422,400</b>	<b>100.0000</b>



### Company Organization

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

The company has six branches established in consideration of activities performed and territoriality (natural gas production branches), namely:

- Sucursala Mediaș (Mediaș Production Branch);
- Sucursala Târgu Mureș (Targu Mures Production Branch);
- Sucursala de Intervenții, Reparații Capitale și Operații Speciale la Sonde Mediaș (SIRCOSS) (Branch for Well Workover, Recompletions and Special Well Operations);
- Sucursala de Transport Tehnologic și Mentenanță Târgu Mureș (STTM) (Technological Transport and Maintenance Branch);
- Sucursala de Producție Energie Electrică Iernut (Iernut Power Generation Branch);

<sup>4</sup> The Romanian State through the Ministry of Energy

- Sucursala Bratislava (Bratislava Branch)<sup>5</sup>.

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

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

The Subsidiary took over the operation of underground storages licensed to SNGN Romgaz SA, the operation of assets required for performing the activities belonging to SNGN Romgaz S.A. and the entire personnel performing storage activities.

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

## Company Management

### Board of Directors

The company is governed by a **Board of Directors** composed of 7 members, having on *June 30, 2020* the following structure:

Item no.	Name	Position in the Board	Status*)	Professional Qualification	Institution of Employment
1	Stan-Olteanu Manuela-Petronela	member	non-executive non-independent	legal adviser	General Secretariat of the Government
2	Jude Aristotel Marius	member	non-executive non-independent	legal adviser MBA	SNGN “Romgaz”S.A.
3	Simescu Nicolae Bogdan	member	non-executive non-independent	chartered engineer	SNGN “Romgaz”S.A.
4	Marin Marius Dumitru	member	non-executive independent	PhD engineer	MDM Consultancy Deva
5	Balazs Botond	member	non-executive non-independent	legal adviser	SNGN “Romgaz”S.A.
6	Ciobanu Romeo Cristian	member	non-executive independent	PhD engineer	Universitatea Tehnica Iasi
7	Jansen Petrus Antonius Maria	member	non-executive independent	economist	London School of Business and Finance

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

The Board members’ CVs are available on the company’s homepage at the following link: <http://www.romgaz.ro/ro/consiliu-administratie>.

During January 1 – June 25, 2020 the Board of Directors had the following members:

Item no.	Name	Position in the Board	Status*)	Professional Qualification	Institution of Employment
1	Stan-Olteanu Manuela-Petronela	chairman	non-executive	legal adviser	General Secretariat of the Government

<sup>5</sup> By EGMS Resolution No. 3 of March 25, 2020 the company’s shareholders “approve the withdrawal of SNGN ROMGAZ SA from the concession block Svidnik located in Slovak Republic”, herewith the company withdrawing from Slovakia.

2	Jude Aristotel Marius	member	non-executive non-independent	legal adviser MBA	SNGN "Romgaz" SA
3	Hărăbor Tudorel	member	non-executive independent	economist	-
4	Marin Marius Dumitru	member	non-executive independent	PhD engineer	MDM Consultancy Deva
5	Balazs Botond	member	non-executive non-independent	legal advisor	SNGN "Romgaz" SA
6	Ciobanu Romeo Cristian	member	non-executive independent	PhD engineer	Universitatea Tehnică Iași
7	Jansen Petrus Antonius Maria	member	non-executive independent	economist	London School of Business and Finance

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

The Board members' CVs are available on the company's homepage at the following link: <http://www.romgaz.ro/ro/consiliu-administratie>.

## Upper management

By Resolution No. 29 of June 14, 2018, in compliance with Law No. 31/1990 (Article 143, paragraph (1)), GEO No. 109.2011 (Article 35 paragraph (1) and the Articles of Incorporation of the Company (Article 19 paragraph (2)), the company's Board of Directors delegated the management of the company to Mr. **Constantin Adrian Volintiru** by appointing him *Chief Executive Officer* (CEO) starting with June 15, 2018 for a period of four months.

By Resolution No. 45 of October 1, 2018, the Board of Directors decided to appoint Mr. Constantin Adrian Volintiru as CEO of the company for a four-year mandate.

By Resolution No. 30 of November 2, 2017, the Board of Directors appointed Mr. Andrei Bobar as Chief Financial Officer (CFO) of the company.

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

Mr. Andrei Bobar unilaterally terminated the Contract of Mandate by giving 30 days' Notice No. 28593 of 22 August 2019 in accordance with the contractual provisions. The notice period ended on September 21, 2019. By Decision No. 530 of September 19, 2019 the CEO decided to terminate the suspension of Mr. Bobar's Individual Employment Contract, which was suspended upon appointing Mr. Bobar as CFO, and reinstated Mr. Bobar as Finance Director.

Other persons with managerial responsibilities and to whom the Board of Directors did not delegate management duties:

Name	Position
<b>ROMGAZ - headquarters</b>	
Tataru Argentina	Deputy Director General
Chircă Robert Stelian	Deputy Director General
Veza Marius Leonte	Accounting Department Director
Bobar Andrei	Financial Department Director
Dediu Mihaela Carmen	Exploration – Appraisal Director
Paraschiv Nelu	Drilling Department Director
Boiarciuc Adrian	Information Technology Director
Lupa Leonard Ionuț	Procurement Director
Chertes Viorel Claudiu	Director for Technical Regulations

Ciolpan Vasile	Energy Trade Director
Ioo Endre	Legal Department Director
Stan Ioan	Human Resources Director
Greco Marius Rareș	HSEQ Director
Toader Mihaela Virginia	Strategy, International Relations, European Funds Director
<b>Medias Branch</b>	
Dobrescu Dumitru	Director
Achimeș Teodora Magdalena	Economic Director
Totan Constantin Ioan	Production Director
Man Ioan Mihai	Technical Director
<b>Târgu Mureș Branch</b>	
Baciu Marius Tiberiu	Director
Bosca Mihaela	Economic Director
Grațian Rusu	Production Director
-	Technical Director
<b>Iernut Branch</b>	
Balazs Bela	Director
Oros Cristina Monica	Economic Director
Oprea Maria Aurica	Commercial Director
Bircea Angela	Technical Director
<b>SIRCOSS</b>	
Rotar Dumitru Gheorghe	Director
Bordeu Viorica	Economical Director
Gheorghiu Sorin	Technical Director
<b>STTM</b>	
Cătană Cristian Victor	Director
Obreja Dan Nicolae	Economical Director
Belean Alin Ciprian	Technical Director

The members of the upper management, except the chief executive officer and the chief financial officer, are employees of the company having an individual contract of employment for an indefinite period.

Based on the powers delegated by the Board of Directors, the chief executive officer employs, promotes and dismisses management and operating personnel.

Information on the Board of Directors and the upper management of Depogaz is available on the website: <https://www.depogazploiesti.ro/ro/despre-noi/conducere>

## Human Resources

On June 30, 2020 Romgaz Group had 6,208 employees and S.N.G.N. Romgaz S.A. 5,695 employees. As of April 1, 2018 a number of 504 employees terminated the employment relationships with the company transferring to Depogaz.

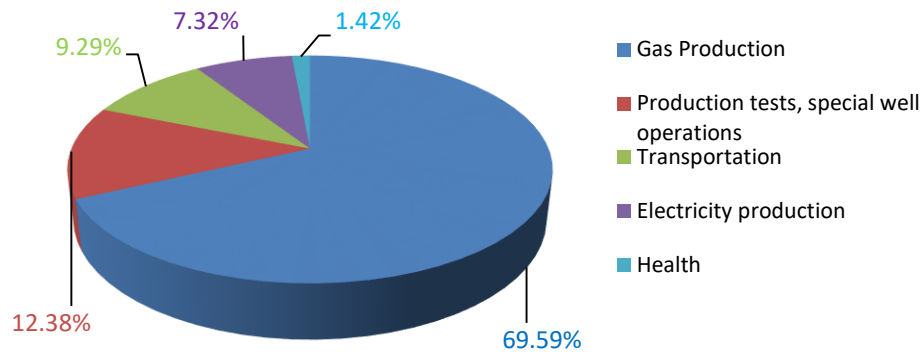
The table below shows the evolution of the employees' number during January 1, 2017 – June 30, 2020:

Description	2017	2018	2019		HI 2020	
			Romgaz Group	S.N.G.N. Romgaz S.A.	Romgaz Group	S.N.G.N. Romgaz S.A.
1	2	3	5		6	6
Employees at the beginning of the period	6,246	6,198	6,214	5,688	6,251	5,738
Newly hired employees	233	286	264	238	63	55

Employees who terminated their employment relationship with the company	281	270	227	188	106	98
Employees at the end of the period	6,198	6,214	6,251	5,738	6,208	5,695

The structure of *SNGN Romgaz SA* employees at the end of the reporting period is shown below:

a) by activities



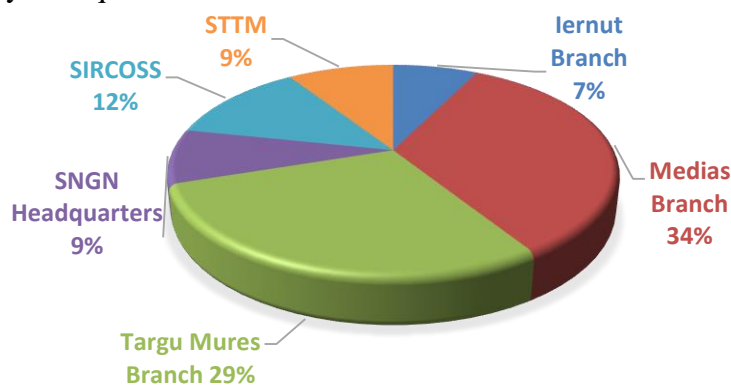
b) by level of education

- university 25.02%;
- secondary school 28.77%;
- foreman school 2.90%;
- vocational school 33.06%;
- middle school 10.25%;

c) by age

- under 30 years 4.44%;
- 30-40 years 13.45%;
- 40-50 years 32.85%;
- 50-60 years 39.91%;
- over 60 years 9.35%;

d) by headquarters and branches



e) by categories

Entity	Workers	Foremen	OFFICE	Total
1	2	3	4	5
Headquarters	37		474	<b>511</b>
Medias Branch	1,463	87	336	<b>1,886</b>
Targu-Mures Branch	1,308	49	289	<b>1,646</b>
SIRCOSS	506	54	145	<b>705</b>
STTM	393	15	122	<b>530</b>
Iernut Branch	261	39	117	<b>417</b>
<b>TOTAL</b>	<b>3,968</b>	<b>244</b>	<b>1,483</b>	<b>5,695</b>

### **Romgaz on the stock exchange**

Since November 12, 2013, the company's shares have been traded on the regulated market governed by BVB (Bucharest Stock Exchange) – 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 the investors in terms of dividend distribution to shareholders and the company's stability.

Romgaz is among the most significant local issuers and is also included in the BVB trading indices<sup>6</sup>, as follows:

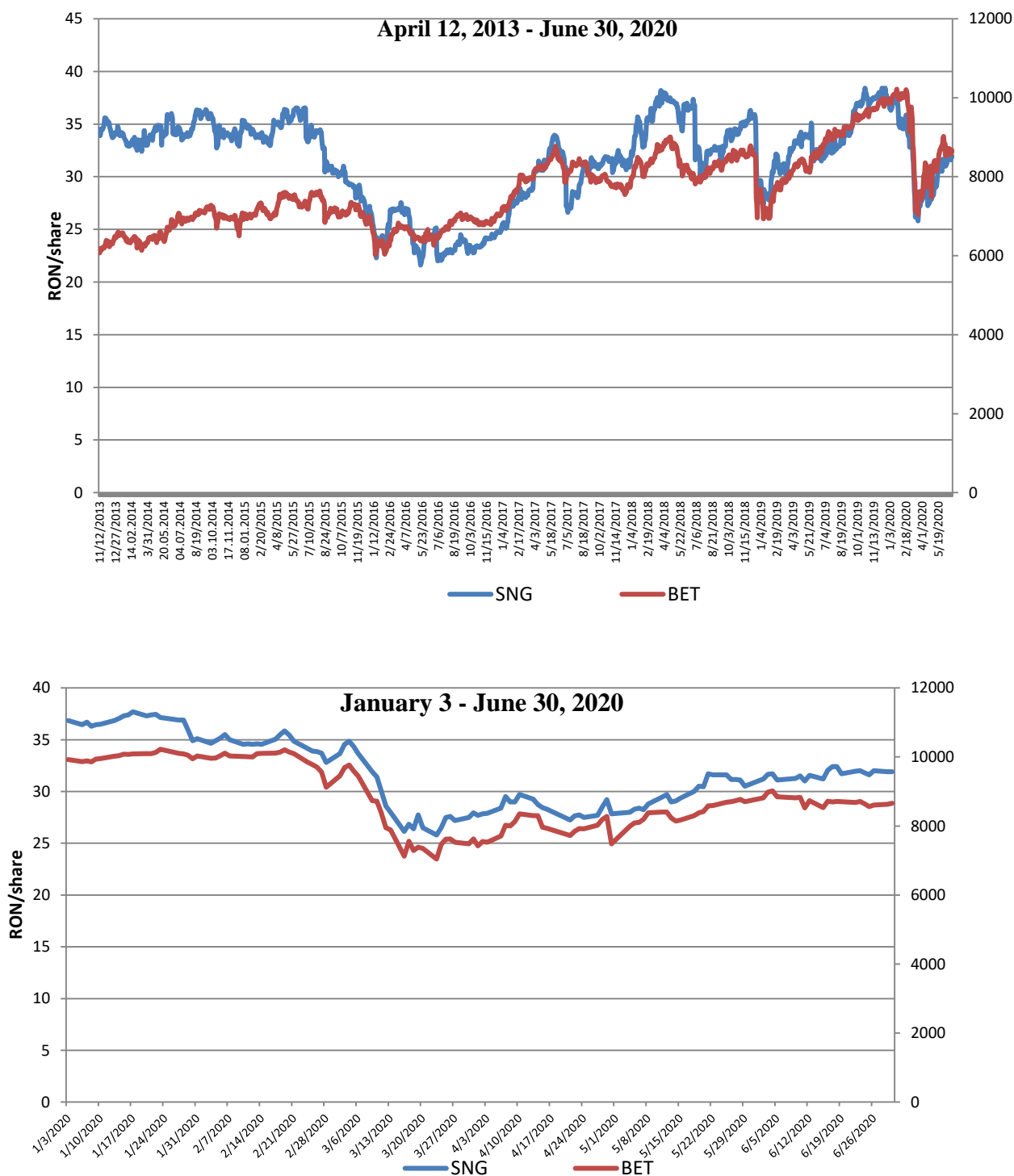
- 2<sup>nd</sup> place by market capitalization in the top of Premium local issuers on BVB on June 30, 2020 (RON 12,294.9 million, namely EURO 2,539.0 million);
- 4<sup>th</sup> place by trading value in HI 2020 in the top of local issuers on BVB main segment (RON 484.6 million);
- Weights of 10.33% and 9.54% in the BET index (top 13 issuers) and specifically in the BET-XT (BET extended), 28.05% in the BET-NG index (energy and utilities) and 10.30% in the BET-TR (BET Total Return).

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<sup>6</sup> Information valid on March 31, 2020.



Performance of Romgaz shares compared to BET index between listing and June 30, 2020, and H1 2020, respectively, is shown below:



The table below shows the evolution of closing price and the company's market capitalization on the last day of HI of 2018, 2019 and 2020, respectively:

	June 30, 2018	June 30, 2019	June 30, 2020
Number of shares	385,422,400	385,422,400	385,422,400
Closing price (RON)	37.35	32.20	31.90
Market capitalization			
*mil. RON	14,396	12,411	12,295
*mil. EUR	3,088	2,621	2,539 <sup>*)</sup>

<sup>\*)</sup> –using the exchange rate set by BNR and valid for June 30, 2020, namely 4.8423 RON/EURO.

In H1 2020, COVID-19 pandemic and the drop in oil prices recorded for this period negatively affected the share and GDRs prices, a trend specifically noted at the end of Q1 2020.

Therefore, during the first two months of 2020, trading price of Romgaz shares followed a slightly oscillating trend, increasing in January to the maximum value of 37.70 RON/share reached on January 17, 2020. As of March 2020, following the declaration of the WHO (World Health Organization) of the worldwide COVID-19 pandemic and the drop in oil prices, Romgaz share recorded a considerable decrease, down to a minimum of 25.80 RON/share on March 2020.

In the following period, the share prices evolved positively and in Q2 2020 they reached a maximum of 32.40 RON/share on June 17, 2020, after the General Meeting of Shareholders' approval of the "*Strategy of Development/Investment of S.N.G.N. ROMGAZ S.A. for 2020 – 2025*".

The share price on June 30, 2020, was 31.90 RON/share, by 13% lower than the price at the beginning of the year and by 14% higher than the price recorded at the end of Q1 2020.

The GRDs' trading price had a similar trend in the reviewed period, recording an average of 7.20 USD/GDR. Since the first trading day of the year, when the GDR was 8.80 USD, its value dropped sharply especially in the last month of Q1 to a minimum of 5.70 USD/GDR, value recorded on March 23, 2020, as was the case with the share price.

Similar to shares, in Q2 2020, the GDRs' prices followed an oscillating – upward trend, reaching the value of 7.30 USD/GDR on June 17, 2020. However, the maximum of the period was recorded on the last day of the quarter, on June 30, 2020, amounting 7.40 USD/GDR, up by 7% as compared to the previous trading day. Thus, the price of the GDR on June 30, 2020 was by 16% lower as compared to the first day of the year and by 17.5% higher as compared the last day of Q1 2020.

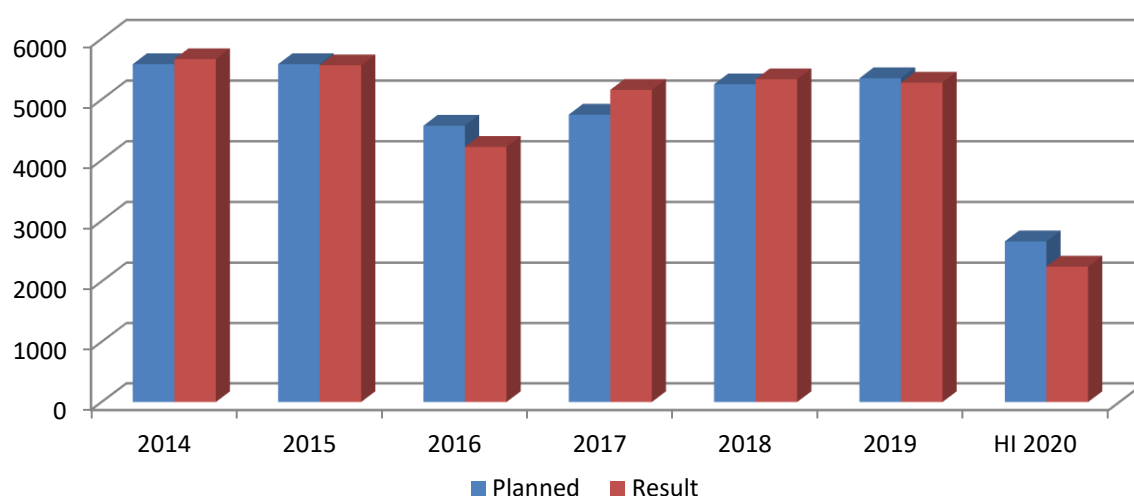
### III. REVIEW OF THE COMPANY'S BUSINESS

#### 3.1. Operational Results

A relatively retrospective analysis of natural gas volumes produced during 2014 – 2019 and H1 2020 is shown below:

Specifications	2014	2015	2016	2017	2018	2019	HI 2020
1	2	3	4	5	6	7	8
Planned (mil.m <sup>3</sup> )	5,581	5,581	4,567	4,750	5,250	5,350	2,661
Result (mil.m <sup>3</sup> )	5,664	5,563	4,219	5,158	5,333	5,277	2,246
Balance (Result-Planned)	+83	-18	-348	+408	+83	-73	-415
Result	101.5	99.7	92.4	108.6	101.6	98.6	83.2

The chart below shows the evolution of gas volumes produced during 2014 – 2019 and in HI 2020, planned versus result:



Analysis of the production data shows that the produced gas volumes were very close to the planned level, except for H1 2020. We mention that the natural decline of production in gas reservoirs operated by Romgaz was largely reduced, recording an average value of approximately 1.4% for 2014 – 2019.

Following factors positively influenced the achievement of such relatively constant production:

- sustained investment efforts for the extension/modernization of the surface infrastructure:
  - commissioning a new gathering pipeline and a new gas delivery panel for Caragele field in Muntenia, at the end of 2018, such investment led to a hydrocarbon production increase from this field;
  - putting into production and exploiting geological exploration results by streaming new commercial gas discoveries into the economic cycle;
- continuing rehabilitation projects performed in the main gas fields;
- performing well workover operations that contributed to the reactivation of a series of wells with important flows;
- optimizing production by applying modern methods to remove water from wells, by implementing minimum invasive technologies for well workovers, by installing pressure and flow rate metering devices in the well.

The table below shows the gas quantities produced, delivered, injected/withdrawn in/from the underground storage during January – June 2020 compared to the similar period of 2018 and 2019 (million m<sup>3</sup>):

Item No.	Specifications	HI 2018	HI 2019	HI 2020	Ratios
0	1	2	3	4	5=4/3x100
<b>1.</b>	<b>Gross production – total</b> , out of which:	<b>2,640.3</b>	<b>2,699.8</b>	<b>2,245.7</b>	<b>83.2%</b>
1.1.	*own gas	2,553.5	2,699.8	2,245.7	83.2%
1.2.	* Schlumberger joint operations (100%)	86.8	0.0	0.0	-
2.	Fuel consumed in operations	42.9	42.8	32.3	75.5%
<b>3.</b>	<b>Net own gas production (1.-1.2.-2.)</b>	<b>2,510.6</b>	<b>2,657.0</b>	<b>2,213.4</b>	<b>83.3%</b>
4.	Own gas stored in UGS	88.8	140.8	126.3	89.7%
5.	Own gas withdrawn from UGS	297.3	199.9	150.9	75.5%
5.1.	*gas cushion	6.9	0.0	0.0	-
6.	Difference from conversion to Gross Calorific Value	1.6	2.2	3.1	140.9%
<b>7.</b>	<b>Delivered own gas (3.-4.+5.-6.)</b>	<b>2,715.5</b>	<b>2,713.9</b>	<b>2,234.9</b>	<b>82.4%</b>
8.1.	Gas sold in UGS	8.1	0.0	0.0	-
8.2.	Gas delivered to CTE Iernut and Cojocna	130.1	50.5	86.8	171.9%
<b>9.</b>	<b>Own gas delivered to the market (7.+8.1.-8.2.)</b>	<b>2,595.5</b>	<b>2,663.4</b>	<b>2,148.1</b>	<b>80.7%</b>
<b>10.</b>	<b>Gas from joint operations<sup>*)</sup> – total</b> , out of which:	<b>91.9</b>	<b>75.0</b>	<b>52.6</b>	<b>70.1%</b>
	*Schlumberger (50%)	43.4	0	0	-
	*Raffles Energy (37.5%)	0.01	0	0	-
	*Amromco (50%)	48.5	75.0	52.6	70.1%
11.	Gas acquisitions from domestic production	5.3	3.9	0.4	10.3%
<b>12.</b>	<b>Traded domestic gas (9.+10.+11.)</b>	<b>2,692.7</b>	<b>2,742.3</b>	<b>2,201.1</b>	<b>80.3%</b>
<b>13.</b>	<b>Gas delivered from domestic production (8.2.+12.)</b>	<b>2,822.8</b>	<b>2,792.8</b>	<b>2,287.9</b>	<b>81.9%</b>
14.	Delivered import gas	82.5	53.0	0.0	0.0%
15.	Gas delivered to Iernut and Cojocna and other sources (including imbalances)	6.9	1.6	2.6	162.5%
<b>16.</b>	<b>Total delivered (13.+14.+15.)</b>	<b>2,912.2</b>	<b>2,847.4</b>	<b>2,290.5</b>	<b>80.4%</b>
*	Invoiced UGS gas withdrawal services <sup>**)</sup>	1,118.6	924.7	923.9	99.9%
*	Invoiced UGS gas injection services <sup>**)</sup>	751.6	1,047.6	571.0	54.5%

Note: this information is not consolidated, it also includes the transactions between Romgaz and Depogaz.

\*) the joint operating agreement with Schlumberger terminated on 30.11.2018; regarding Amromco the produced gas is reflected in Romgaz revenue pro rata with the participating interest held in the partnership.

\*\*)- including gas injection/withdrawal services of Romgaz.

**Gas traded** by Romgaz in H1 2020, representing deliveries to customers, CTE Iernut consumption and fuel consumed in operations decreased by 20% as compared to the same period of the previous year.

### 3.2. Consolidated Financial Results

The Group's income originates from natural gas production and delivery (production and delivery of own gas, gas from joint operations, sales of import gas or of gas purchased from other domestic producers), from providing underground storage services, from electric power generation and supply and from other field related services.

\*RON thousand\*

Item No.	Specifications	H I 2018 (restated)	HI 2019	H I 2020	Ratios (2020/2019)
0	1	2	3	4	5=4/3x100
1	<b>Income – total, out of which:</b>	<b>2,446,938</b>	<b>2,912,464</b>	<b>2,233,440</b>	<b>76.69%</b>
	*operating income	2,418,719	2,885,994	2,210,723	76.60%
	*financial income	28,219	26,470	22,717	85.82%
2	Revenue	<b>2,474,507</b>	<b>2,874,787</b>	<b>2,193,365</b>	<b>76.30%</b>
3	<b>Expenses – total, out of which:</b>	<b>1,517,722</b>	<b>1,762,295</b>	<b>1,290,260</b>	<b>73.21%</b>
	*operating expenses	1,494,084	1,744,804	1,281,625	73.45%
	*financial expenses	23,638	17,491	8,635	49.37%
4	Share of associates' result	976	1165	(125)	n/a
5	<b>Profit before tax</b>	<b>930,192</b>	<b>1,151,334</b>	<b>943,055</b>	<b>81.91%</b>
6	Income tax expense	147,348	175,425	142,215	81.07%
7	<b>Profit for the period</b>	<b>782,844</b>	<b>975,909</b>	<b>800,840</b>	<b>82.06%</b>

Note: income and expenditures do not include the capitalized production.

The total H1 2020 income dropped by 23.31 % as compared to the H1 2019 income.

### Economic-Financial Results

The table below shows a comparison between the consolidated financial results (RON thousand):

Description	H I 2018 (restated)	H I 2019	H I 2020	Ratios (2020/2019)
1	2	3	4	5=4/3x100
Operating result	924,635	1,141,190	929,098	81.41%
Financial result	4,581	8,979	14,082	156.83%
Share of associates' result	976	1,165	(125)	n/a
<b>Profit before tax</b>	<b>930,192</b>	<b>1,151,334</b>	<b>943,055</b>	<b>81.91%</b>
Income tax expense	147,348	175,425	142,215	81.07%
<b>Profit for the period</b>	<b>782,844</b>	<b>975,909</b>	<b>800,840</b>	<b>82.06%</b>

The H1 2020 net result amounted to **RON 800,840 thousand**, lower by 17.9% as compared to the similar period of 2019.

### 3.3. Prices and Tariffs

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

☞ activities in the regulated market comprise the following:

- supply of natural gas to non-household customers at regulated price and under framework agreements until December 31, 2014, unless there is a significant difference between the domestic gas price and the import price that might endanger market stability, in such case the term is extended until December 31, 2015;
- natural gas supply to household customers at regulated price and under framework agreements until June 30, 2022;
- natural gas last resort supply;

- natural gas transmission;
  - natural gas transmission through upstream supply pipelines, in accordance with the provisions of license validity conditions;
  - underground gas storage;
  - natural gas storage in pipelines;
  - natural gas, bio-gas/bio-methane distribution;
  - related activities performed by licensed operators;
  - activities associated to the operation of LNG terminal;
- ☞ prices and tariffs on the regulated market are determined on the basis of methodologies approved and published by ANRE.

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

### ***Underground gas storage***

The underground storage tariffs applied during the two compared periods were approved by the ANRE Order No.58 of March 29, 2018 (April 1, 2018 – March 31, 2019), ANRE Order No.44 of March 29, 2019 (April 1, 2019 – March 31, 2020) by ANRE Order No.24 of March 23, 2020 (as of April 1, 2020), respectively.

The storage tariffs applied are shown in the table below:

<b>Tariff Component</b>	<b>Unit</b>	<b>Tariffs (April 1, 2018- March 31, 2019)</b>	<b>Tariffs (April 1, 2019- March 31, 2020)</b>	<b>Tariffs (as from April 1, 2020)</b>
Volumetric component related to gas injection	RON/MWh	1.68	1.90	3.67
Fixed component related to storage capacity booking	RON/MWh storage cycle	9.90	9.98	7.58
Volumetric component related to gas withdrawal	RON/MWh	1.67	1.61	2.03

### ***Natural Gas Distribution***

ANRE Orders approve the *Distribution tariffs and final regulated prices* applied for the reviewed period, namely:

- ☞ ANRE Order No. 146/2018 on setting the unitary income for 2019 and on approving regulated prices for regulated gas supply activity performed by Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (as from August 1, 2018).
- ☞ ANRE Order No. 146/2019 on setting the unitary income for 2019 and on approving regulated prices for regulated gas supply activity performed by Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (July 1, 2019-December 31, 2019);
- ☞ ANRE Order No.111/2019 on setting the regulated tariffs for gas distribution services performed by Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (as from July 1, 2019).
- ☞ ANRE Order No. 56/2020 on setting the unitary tariff for regulated supply activity for January 1 – June 30, 2020 and for the approval of regulated prices in the natural gas sector, for S.N.G.N. ROMGAZ S.A. (as from January 1, 2020).

The table below shows the applied tariffs and prices:



Description	H I 2019	H I 2020
<b>Distributions tariffs (RON/MWh):</b>		
*B1 consumption up to 23.25 MWh	52.75	
*B2 annual consumption between 23.26 and 116.28 MWh	47.96	
*B3 annual consumption between 116.29 and 1,116.78 MWh	47.07	
*B4 annual consumption between 1,116.79 and 11,627.78 MWh	46.26	
<b>Distribution tariffs (RON/MWh):</b>		
*C1 consumption up to 280 MWh		52.87
*C2 annual consumption between 280 and 2,800 MWh		0.00
*C3 annual consumption between 2,800 and 28,000 MWh		50.00
<b>Final regulated prices (RON/MWh):</b>		
*B1 consumption up to 23.25 MWh	152.23	
*B2 annual consumption between 23.26 and 116.28 MWh	147.44	
<b>Final regulated prices (RON/MWh):</b>		
*C1 consumption up to 280 MWh		122.71

### 3.4. Investments

**Investments** play an important part in maintaining the production decline at current levels by discovering new reserves and improving the current recovery rate by rehabilitation, development and modernization of existing facilities.

During H1 2020, **Romgaz Group** invested RON 316.8 million, representing approx. 58% from the scheduled investments.

During 2017 – June 30, 2020, the **Company** invested approximately *RON 3.10 billion*, as follows:

Year	2017	2018	2019	H I 2020	Total
Value (thousand RON)	781,768	1,150,349	866,218	303,826	3,102,161

For 2020, Romgaz scheduled investments amounting to *RON 1,140.00 million*; out of the H1 investment program amounting to *RON 520.43 million* achieved was *RON 303.83 million*, meaning:

- 58.38% of the H1 2020 scheduled investments;
- 26.70% of the Total 2020 Investment Program;
- 73.36% as compared to the H1 2019 level of achievements.

Investments were financed exclusively from own sources.

Regarding physical achievements for the reviewed period, the objectives commenced in the previous year were achieved, preparatory works were carried out (design, obtaining lands, approvals, agreements, authorizations, procurements) for new objectives, and modernisation works and capitalizable repairs were performed at producing wells.

Such physical achievements are the prerequisite for the H II results in terms of value.

The table below shows a comparison to the similar period of 2019 split into main investment categories:

*\* thousand RON\**

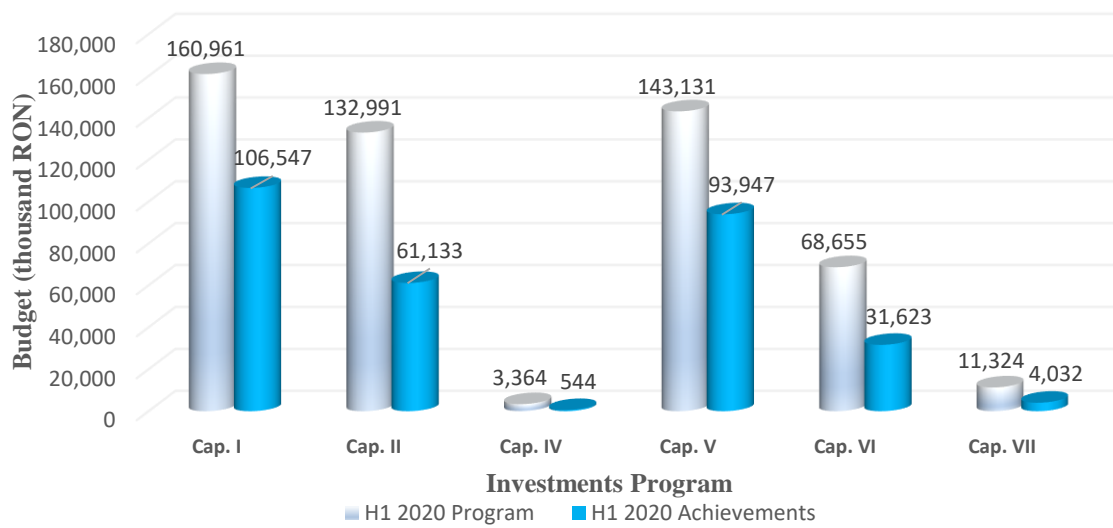
Investment chapter	HI 2019	HI 2020	%
1	2	3	4=3/2x100
<b>I. Geological exploration works to discover new methane gas reserves</b>	123,213	106,547	86.47
<b>II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electricity generation</b>	188,746	67,133	35.57
<b>III. Maintaining UGS capacity</b>	0	0	0
<b>IV. Environmental protection works</b>	736	544	73.91
<b>V. Retrofitting and revamping of installation and equipment</b>	79,390	93,947	118.33
<b>VI. Independent equipment and installations</b>	20,338	31,623	155.49
<b>VII. Expenses related to studies and projects</b>	1,734	4,032	232.53
<b>TOTAL</b>	<b>414,157</b>	<b>303,826</b>	<b>73.36</b>

The table below shows the results split by main chapters, compared to the 2020 Investment Program:

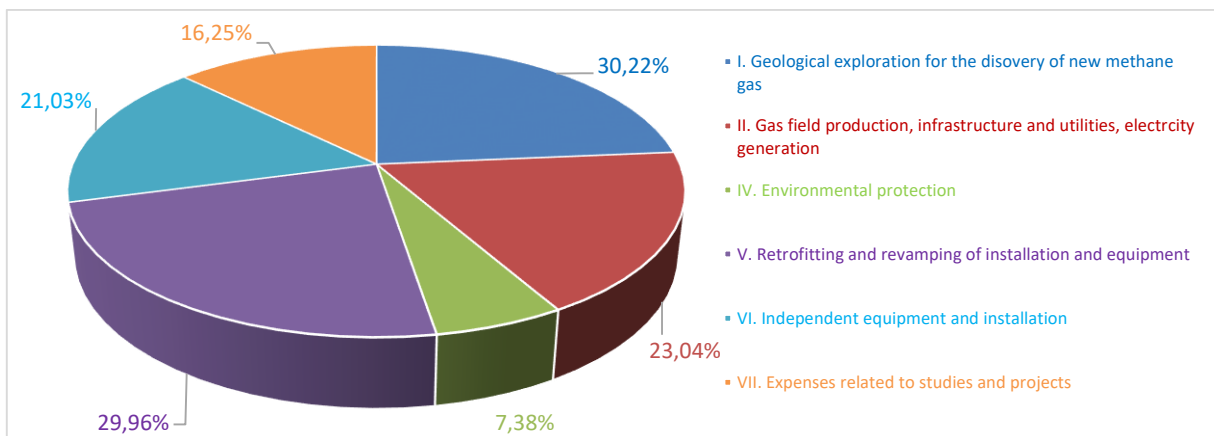
*\* thousand RON \**

Investment Categories	Scheduled H1 2010	Achieved HI 2020	%
1	2	3	4=3/2x100
<b>I. Geological exploration works to discover new methane gas reserves</b>	160,961	106,547	66.19
<b>II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electricity generation</b>	132,991	67,133	50.48
<b>III. Maintaining UGS capacity</b>	0	0	0
<b>IV. Environmental protection works</b>	3,364	544	16.17
<b>V. Retrofitting and revamping of installation and equipment</b>	143,131	93,947	65.64
<b>VI. Independent equipment and installations</b>	68,655	31,623	46.06
<b>VII. Expenses related to studies and projects</b>	11,324	4,032	35.61
<b>TOTAL</b>	<b>520,429</b>	<b>303,826</b>	<b>58.38</b>

**Achieved investments vs planned investments - HI 2020**



The table below shows the investments made in the reporting period:



A synthesis of outcomes shows that, to a large extent, investments were completed or close to completion:

Item no.	Main Physical Objectives	Planned	Results
1.	Exploratory Drilling	16 wells	4 wells: completed 3 wells: in progress 3 wells: drilling works contract 5 wells: drilling works procurement in progress 28 wells: drafting tender documentation
2.	Drilling design	-	13 wells: design in progress or design procurement in progress;
3.	Development drilling	4 wells	1 well: in progress 1 well: design endorsed by TEC; 2 wells: cancelled procurement procedure

Item no.	Main Physical Objectives	Planned	Results
4.	Construction of surface facilities – at shut-in wells	20 surface facilities under construction for putting into production 13 wells	<ul style="list-style-type: none"> <li>- 2 surface facilities completed for putting into production 2 wells;</li> <li>- 5 surface facilities under construction for putting into production 7 wells;</li> <li>- 4 surface facilities: procurement of works in progress for putting into production 4 wells;</li> <li>- 14 surface facilities pending construction authorisations for putting into production 20 wells;</li> <li>-16 surface facilities: feasibility studies or technical designs in progress for putting into production 16 wells.</li> </ul>
5.	Well recompletion operations, reactivation and capitalizable repairs	Works at approx.160 wells, correlated with the annual program agreed by ANRM	Workover at 70 wells; works performed in-house by SIRCOSS
6.	Electric power generation	Ongoing works at CTE Iernut	ongoing contract
7.	Partnerships/Associations	<p><b><u>Raffles Energy SRL</u></b></p> <ul style="list-style-type: none"> <li>- putting into experimental production well 1 Voitinel discharging the gas in a G2P (gas to power) power plant</li> </ul>	<p>Obtaining the Town Planning Permit and the Resolution of initial assessment stage issued by the Environment Protection Agency</p> <ul style="list-style-type: none"> <li>- commencement of solution study</li> </ul>
		<p><b><u>Lukoil:</u></b></p> <ul style="list-style-type: none"> <li>-Trinity 1X drilling results reviewed in Q4 2019</li> <li>- Technological indicators updated as a result of reserve recalculation</li> <li>- Reservoir Development Plan Preparation based on the new information</li> </ul>	<ul style="list-style-type: none"> <li>- estimated to be completed in August 2020</li> <li>- estimated to be completed in October 2020</li> <li>- estimated to be completed in December 2020</li> </ul>
		<p><b><u>Amromco:</u></b></p> <ul style="list-style-type: none"> <li>- drilling one well</li> <li>-3D seismic data acquisition in Stramba and Zatreni blocks</li> <li>- recompletion operations at 11 wells</li> <li>- Works and surface facilities for Stramba –gas conditioning treatment facility extension</li> <li>- abandonment of 30 wells with well abandonment permit</li> </ul>	<ul style="list-style-type: none"> <li>- preparation to spud-in well 213 Bibești</li> <li>- recompletion operations at 2 wells</li> <li>-Approximately 13% of works planned to be completed until the end of Q3 2020</li> <li>- commencement of abandonment works at 21</li> </ul>

Item no.	Main Physical Objectives	Planned	Results
		- Design and permits for wells to be completed in 2021	wells; abandonment works completed for 4 wells  - commencement of the process for obtaining permits and licenses for works at wells 213 and 216 Bibesti and drilling Balta Alba 122 well
		<u>Slovakia:</u> - budget approved for the first four months of the year, only	By Resolution no.3/ March 25, 2020 Romgaz shareholders approved Romgaz withdrawal from the Slovakian Svidnik Block; in April, Romgaz notified the Operator of the withdrawal from Svidnik.

During the reviewed period, investments amounting to RON 157,856 thousand were commissioned.

#### ***Development of CTE Iernut***

One of Romgaz main strategic directions, provided in “*The Development Strategy for 2015-2025*”, is to consolidate the company’s position on the energy supply markets. In this respect, in the field of electric power generation, Romgaz planned to “*improve activity efficiency by making investments to increase Iernut Power Plant efficiency to 55%, at least, comply with environmental requirements (NOx, CO<sub>2</sub> emissions) and increase operational safety*”.

Thus, a very important objective is “*The Development of CTE Iernut Power Plant by building a new combined cycle CCTG power plant*”, with completion deadline in Q4, 2020.

In HI 2020 the following equipment was supplied:

- Automatic system, software and instrumentation
- Cabinets for the new 6 kV station related equipment, in-house services, containerized, protection relays related to the 6 kV medium voltage cells and 6 kV cables;
- 220 kV and 110 kV terminal heads, DRVs;
- valves and manual valves for all circuits;
- chemical dosage system;
- block transformers protection cabinets;
- measuring instruments for chemical indices, flow meters, pressure meters, level meters, temperature measuring devices
- Roof panels on air compressor and auxiliary boiler building

Construction works were made at the sewerage system, storm drain system and technological system.

The progress of investment works is shown below:

Item no	Progress of works	Investment
1	Completed works	<ul style="list-style-type: none"> <li>• Electric building and control room</li> <li>• Demineralized water treatment station with two storage tanks</li> </ul>

		<ul style="list-style-type: none"> <li>• Water storage tank for sprinkler fire fighting</li> <li>• cooling water circuit and heated water circuit, siphoning basin, connection and integration/coupling channels to the existing circuits of the power plant</li> <li>• Cooling water pumping station (underground construction including the mixing room, adduction channels, cooling basin, pumping station) – pump maintenance</li> <li>• Turbine hall (engine room)</li> <li>• overhead crane operating in turbine hall</li> <li>• Equipment completely mounted in the gas turbine hall (4 cap. – GT11, GT 12, GT 15, GT 16) and steam turbine hall (2 cap. – ST 23 and ST 24)</li> <li>• Main rack and auxiliary secondary racks HRSGs (metal structure)</li> <li>• 11,5/220 kV block transformers (4 pieces)</li> <li>• 11,5/110 kV block transformers (2 pieces)</li> <li>• BOP transformers (6/0,4 kV 63 kVA)</li> </ul>
2	More than 90% completed	<ul style="list-style-type: none"> <li>• technological systems on the main rack and secondary racks HRSGs</li> <li>• Heat recovery steam generator (HRSG)</li> <li>• Auxiliary equipment- components of HRSG, GT, ST</li> <li>• mounting and calibrating HRSG feed pumps</li> <li>• Condensation containers at STs</li> </ul>
3	More than 80% completed	<ul style="list-style-type: none"> <li>• auxiliary boiler building and air compressor station - perimeter closing and roof</li> <li>• sprinkler station building</li> <li>• gas compressor station</li> <li>• assembly of secondary rack (metal structure) for auxiliary thermo-mechanical equipment</li> <li>• low pressure gas supply circuit</li> <li>• excitation transformers</li> </ul>
4.	Less than 80% completed	<ul style="list-style-type: none"> <li>• diesel groups platform, starter generators</li> <li>• gas filtration and preheating station</li> <li>• gas heating</li> <li>• gas high pressure circuit</li> <li>• rainwater pumping station (reinforced concrete cofferdam)</li> <li>• encapsulated bars circuits at turbines– block transformers</li> <li>• site vertical systematization</li> </ul>

Progress is lower than planned due to the following:

- current epidemiological situation generated by COVID 19 pandemic
- the procurement procedures from investment funds planned to be completed at the end of 2019 but cancelled in 2020;
- reduced number of wells under drilling and production tests in H 1 2020;
- Well 1 Podeni was abandoned while drilling;
- slowdown in performing works at technological facilities and collectors, and in well recompletion works caused by COVID 19 pandemic;
- longer procurement procedures than initially planned;
- lower values of the procurement contracts than initially estimated in the Investment Program.



The 2020 investment plan of **Depogaz Subsidiary** amounts to RON 60.17 million.

The Subsidiary's approved H1 2020 investment plan amounted to RON 24.98 million, out of which 52% was achieved, i.e. RON 13.01 million, as follows:

Item no.	Specification	Scheduled	Achieved
1.	Exploitation of fields and UGS, and related infrastructure and utilities	100	0
2.	UGS related activities	1,200	0
3.	Environment protection and improvement	0	0
4.	Retrofitting and revamping of installation and equipment	18,350	12,199.88
5.	Independent equipment and installations	517	112.97
6.	Expenses related to consultancy, studies and projects, software, licenses and patents, etc.	4,812	693.81
*	<b>TOTAL GENERAL</b>	<b>24,979</b>	<b>13,006.66</b>

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

The following main objectives have recorded progress in H1 2020:

- *Modernization of wells*: RON 12,199.88 thousand. Works are necessary because these wells have weak performances in the injection/withdrawal process and affect the daily injection capacity and especially the daily withdrawal capacity of storages. Moreover, operational safety was improved by installing safety valves. These works are required both for improving storage performance and by the provisions of security reports prepared in compliance with Law no.59/2016;
- *Oil separators discharge automation*: RON 25.00 thousand. Work is required to ensure safety conditions for operating personnel when discharging oil separators and to prevent oil discharge into the reservoir;
- *Automation modernization of triethylene glycol gas dehydration station (work in progress)*: RON 79.78 thousand. Systems of group 102 Bilciuresti have been delivered in 2011 and commissioned in 2012. Due to wear and tear and obsolescence of monitoring and control equipment, it is necessary to replace them.
- *UPS for Sarmasel* – RON 67.00 thousand. The procurement was necessary to ensure power supply redundancy for equipment and to protect these against power fluctuations.
- *Tape backup unit*: RON 45.97 thousand. At Depogaz headquarter, a magnetic tape backup unit is required to ensure backup and archiving of data existing in the file server and in other servers of IT infrastructure, in accordance with Security Policy and procedures and work instruction in force.
- *Feasibility study UGS Sărmășel (ongoing)*: RON 589.70 thousand. The scope of the study is the development of the existing capacity of Sarmasel UGS from 900 million m<sup>3</sup>/cycle up to approximately 1,550 million m<sup>3</sup>/cycle (an increase by 650 million m<sup>3</sup>/cycle), the increase of injection capacity by 4 million m<sup>3</sup>/day up to a total of 10 million m<sup>3</sup>/day and the increase of the withdrawal capacity by 4 million m<sup>3</sup>/day up to a total of 12 million m<sup>3</sup>/day.

### 3.5. Litigations

The summarized breakdown of litigations involving Romgaz as of June 30, 2020 shows the following:

- ☞ The total number of litigations recorded by the company is of 1.010 cases, out of which:
  - ✎ 833 cases where Romgaz is plaintiff;
  - ✎ 173 cases where Romgaz is defendant;
  - ✎ 4 cases where Romgaz is plaintiff claiming damages/injured party;
- ☞ Total value of the files where Romgaz is plaintiff amounts to (approximately) RON 2,902,047;
- ☞ the total value of the files where Romgaz is defendant amounts to (approximately) RON 464,868,467;
- ☞ the total value of the files where Romgaz is plaintiff claiming damages/injured party amounts to (approximately) RON 286,198,309;

By Resolution No. 192/ March 12, 2020 of the Superior Council of Magistracy, the Romanian courts activity has been limited strictly to settlement of cases of exceptional character, during the period between March 13, 2020 and May 4, 2020

### 3.6. Legal documents concluded under Article 52 of GEO no.109/2011

In accordance with the provisions of Article 52, paragraph (6) of **GEO no 109/2011** *“In the half-year and annual reports of the Board of Directors... the legal acts concluded under the conditions of paragraphs (1) and (3) shall be mentioned ... in a special chapter, ...”*

Paragraph (3) item (b) provides as follows:

*(3) the Board of Directors ... informs the shareholders, during the first general meeting of shareholders taking place after concluding the legal act, on any transaction concluded by the public company with:*

.....  
*b) another public company or with the public supervisory authority, in case the transaction value, individually or in a series of transactions, is equal or above the RON equivalent of EUR 100,000”.*

Article 82 paragraph (1) of Law No. 24/2017<sup>7</sup> provides that *“The Directors of issuers whose securities are admitted for transactions on a regulated market shall promptly report on any legal act concluded by the issuer with the Directors, employees, controlling shareholders, as well as persons acting in concert with, having a value equal or above the RON equivalent of EUR 50,000.”*

Thus, Romgaz prepares current reports whenever it concludes legal acts similar to those mentioned above, which are submitted to Bucharest Stock Exchange and published on its website.

Romgaz financial auditor prepares half-yearly a *“Limited Insurance Independent Report on the information included in the current reports issued by SNGN Romgaz SA in accordance with the requirements of Law No. 24/2017 (Article 82) and Regulation No. 5/2018 of the Financial Supervisory Authority”*. The report is submitted to Bucharest Stock Exchange and published on the company’s website.

Current reports prepared by the company in accordance with article 82 of Law no. 24/2017 also include legal acts concluded in accordance with the provisions of article 52 of GEO No. 109/2011.

Bearing in mind that current reports, similar to the above-mentioned ones, are public documents, published on Bucharest Stock Exchange website, and that the current reports as

<sup>7</sup> Law No. 24 of March 21, 2017 on market operations and issuers of financial instruments

well as the half-year reports together with the legal acts concluded in each half-year, as audited by the company's financial auditor are published on the company's webpage, more details on concluded legal acts can be consulted on the company's website [www.romgaz.ro](http://www.romgaz.ro), Investor Relations – News and Events – Current Reports-Contracts.

### 3.7. Main Risks and Uncertainties for H II 2020

#### ***Operational risks:***

- ☞ full/partial non-performance of gas production schedule due to the influence of several factors reducing the production capacity, such as:
  - high pressures in the National Transmission System (NTS) which negatively impact the operational results of the gas reservoirs;
  - operation of gas drying stations at pressures exceeding the nominal pressure;
  - operation of compressors outside the established operation framework;
  - not-including new gas wells into production/exploitation according to the annual production schedule;
  - defaults occurred during operation of dehydration stations, of compressors and of compression boosters
- ☞ non-compliance with schedule of works related to new production facilities (commissioning, technological facilities, wells, collecting pipelines);
- ☞ non-performance of maintenance works on time and within planned parameters (dehydration stations, compression stations);
- ☞ increase of production costs as a result of local and national regulations;
- ☞ reduced usage of production facilities due to unfavourable weather (suspension of electricity supply, landslides –pipeline rupture);
- ☞ lack of materials and spare parts for performing maintenance works at the company's main production facilities (wells, gas drying stations, compressor station);
- ☞ non-compliance with environment protection legal requirements when performing the company's main activities (drilling of wells, maintenance works, etc.).

#### ***Investment risks:***

- 🔔 non-performance of the Investment Program in terms of physical investments and relating budget, in case unforeseen situations occur during the implementation of the Program;
- 🔔 defective or delayed performance of investment works due to non-compliance with tender books, technical specifications of projects and performance schedules;
- 🔔 delayed adjustment of the Investment Program during HII 2019 which could result in blocking new investments or in incurring expenses not provided in the investment budget.

#### ***Commercial risks:***

1. Decrease of market demand because of several specific factors such as:
  - a. Modification of the energy mix, negatively influencing the gas demand due to:
    - i. political, legislative reasons, such as: legislation favourable for renewable energy or environment legislation too permissive with carbon (encourages coal consumption);
    - ii. market or climate reasons, such as: favourable price for alternative fuels (wood, coal), climate condition favourable for electricity production using

hydro and/or wind/solar power and unfavourable for gas consumption in mild winters; (2019/2020 winter recorded temperatures above the normal climatological averages);

- b. Macroeconomic environment (decrease of macroeconomic indicators) that can impact household and non-household gas consumption, such as:
  - i. decrease of GDP;
  - ii. economic, industrial, sectorial decrease/limited growth;
  - iii. demographic, migration, social indices;
2. Regulatory risk regarding commercial relations on natural gas market, additional obligations for the company, with consequences on sales;
3. For clients, alternative supply options at favourable price conditions (especially import), due to several factors:
  - a. petroleum products price decrease;
  - b. price decrease for gas delivered in the region due to decrease in demand or regional offer increase;
  - c. political or geo-strategic causes;
  - d. alternative gas supply sources for Europe and the region;
4. Misvaluation of sources availability and/or “short” sale strategies without covering the sources existing by the time of delivery (over sale);
5. Market price evolution at an unpredicted level and failure to take the required insurance measures. Factors:
  - a. market price decrease at an unpredicted level due to free market mechanisms (supply/demand) - risk for contract annulment in case of contracts without take-or-pay terms;
  - b. market price increase at an unpredicted level due to free market mechanisms (supply/demand) - risk of sale below the market price without having insurance instruments appropriate for the “mark-to-market” mechanism.
6. Closing of some economic units which were large natural gas consumers due to COVID-19 pandemic during March-June.

In order to limit the effects of materialisation of these risks several actions were taken among which:

- Use of „take or pay” contracts/clauses (for minimum delivered/taken over quantities) to secure gas deliveries;
- Granting certain facilities to clients in accordance with Romgaz commercial policy (e.g. ensuring some flexibility conditions or payment facilities);
- Actions to promote natural gas in the energy mix at decision making level carried out by company representatives at the highest level.

The effects of commercial risk materialisation are the drop in sold gas volumes with direct consequences in reducing the company’s profitability and its economic indicators (turnover, profit, cash-flow, etc.).

## IV. CONSOLIDATED FINANCIAL-ACCOUNTING INFORMATION

### 4.1. Interim Statement of Consolidated Financial Position

The table below presents a summary of the consolidated financial position as of June 30, 2020 in comparison with December 31, 2019:

INDICATOR	December 31, 2019 (thousand RON)	June 30, 2020 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	5,543,177	5,543,956	0.01
Other intangible assets	9,164	12,852	40.24
Investments in associates	24,772	24,647	-0.50
Deferred tax assets	230,947	217,180	-5.96
Other financial investments	5,388	5,363	-0.46
<b>Right of use assets</b>	8,590	8,372	-2.54
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,822,038</b>	<b>5,812,370</b>	<b>0.17</b>
<i>Current assets</i>			
Inventories	311,013	273,250	-12.14
Trade and other receivables	638,158	583,482	-8.57
Contract cost	312	284	-8.97
Other financial assets	1,075,224	759,228	-29.39
Other assets	42,485	49,993	17.67
Cash and cash equivalents	363,943	1,354,274	272.11
<b>TOTAL CURRENT ASSETS</b>	<b>2,431,135</b>	<b>3,020,511</b>	<b>24.24</b>
<b>TOTAL ASSETS</b>	<b>8,253,173</b>	<b>8,832,881</b>	<b>7.02</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Share capital	385,422	385,422	0.00
Reserves	1,587,409	2,186,249	37.72
Retained earnings	5,201,222	4,782,692	-8.05
<b>TOTAL EQUITY</b>	<b>7,174,053</b>	<b>7,354,363</b>	<b>2.51</b>
<i>Non-current liabilities</i>			
Retirement benefit obligation	114,876	110,304	-3.98
Deferred revenue	21,244	21,277	0.16
Lease liability	8,285	8,119	-2.00
Provisions	366,393	368,420	0.55
<b>Total non-current liabilities</b>	<b>510,798</b>	<b>508,120</b>	<b>-0.52</b>
<i>Current liabilities</i>			
Trade and other payables	109,910	93,923	-14.55
Contract liabilities	42,705	10,618	-75.14
Current tax liabilities	64,342	25,244	-60.77
Deferred revenue	3,729	14,197	280.72
Provisions	82,701	55,004	-33.49
Lease liability	694	737	6.20
Other liabilities	264,241	770,675	191.66
<b>Total current liabilities</b>	<b>568,322</b>	<b>970,398</b>	<b>70.75</b>
<b>TOTAL LIABILITIES</b>	<b>1,079,120</b>	<b>1,478,518</b>	<b>37.01</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,253,173</b>	<b>8,832,881</b>	<b>7.02</b>

## *CURRENT ASSETS*

Current assets increased by RON 589.4 million on June 30, 2020, due to the increase of cash, cash equivalents and other financial assets by RON 674.3 million. The increase is due to cash received in the first half-year and reduction of expenses, mainly of taxes and duties paid to the state budget.

### *Inventories*

Inventories decreased by 12.14% at the end of H1 2020 as compared to December 31, 2019 due to a reduction of gas stock in storages, considering that, during H1, gas deliveries from underground storages were higher than the injected quantities.

### *Trade receivables and other receivables*

As compared to December 31, 2019, trade receivables decreased by 8.57 % due to the seasonal characteristic of the Group's activity, deliveries during summer season being lower than deliveries during winter season.

## *EQUITY AND RESERVES*

The Group's equity increased by RON 180.3 million (1.09%) compared to December 31, 2019, due to:

- the result of H1 2020 of RON 800.8 million;
- the distribution of RON 620.5 million as dividends.

## *NON-CURRENT LIABILITIES*

On June 30, 2020, non-current liabilities recorded an insignificant decrease of 0.52% compared to December 31, 2019.

## *CURRENT LIABILITIES*

Current liabilities increased by RON 402.1 million, from RON 568.3 million on December 31, 2019, to RON 970.4 million on June 30, 2020. Major variations are explained below.

### *Trade payables and other payables*

As compared to December 31, 2019, trade payables decreased by 14.55% due to a decrease of liabilities to suppliers from investment activity.

### *Contract liabilities*

On June 30, 2020, advance payments collected in connection with future deliveries decreased by 75.14% as compared to December 31, 2019 given the seasonal characteristic of the Group's activity.

### *Deferred revenue*

The deferred revenue increase is due to the increase of interests receivable from investments in state bonds. A significant share of Group's cash was placed in such investments in H1 2020 as compared to the end of the previous year.

### *Other liabilities*

Other liabilities recorded an increase by 191.66% mainly due to the distribution of retained earnings to dividends. These are to be paid during Q3 2020.

### *Provisions*

Short-term provisions decreased by 33.49% as compared to December 31, 2019. This reduction is due to releasing to income of the provision for employees' participation to profit; the liability was paid after the approval of 2019 profit distribution by the shareholders.



## 4.2. Summary of the Interim Statement of Consolidated Comprehensive Income

The Group profit and loss account summary for the period January 1 – June 30, 2020, as compared to the similar period of year 2019, is shown below:

Indicator	H1 2019 (RON thousand)	H1 2020 (RON thousand)	Differences (RON thousand)	Variance (%)
1	2	3	4=3-2	5=4/2x100
Revenue	2,874,787	2,193,365	(681,422)	-23.70
Cost of commodities sold	(89,952)	(10,758)	(79,194)	-88.04
Investment income	23,904	22,689	(1,215)	-5.08
Other gains and losses	(25,967)	(25,589)	(378)	-1.46
Net impairment losses on trade receivables	(29,948)	1,959	(27,989)	n/a
Changes in inventories	(9,023)	4,531	n/a	n/a
Raw materials and consumables	(40,358)	(28,679)	(11,679)	-28.94
Depreciation, amortization and impairment expenses	(365,475)	(271,152)	(94,323)	-24.81
Employee benefit expenses	(307,909)	(355,425)	47,516	15.43
Finance cost	(11,139)	(8,483)	(2,656)	-23.84
Exploration expenses	(24,476)	(22,213)	(2,263)	-9.25
Share of associates result	1,165	(125)	(1,040)	n/a
Other expenses	(864,224)	(569,084)	(295,140)	-34.15
Other income	19,949	12,019	(7,930)	-39.75
<b>Profit before tax</b>	<b>1,151,334</b>	<b>943,055</b>	<b>(208,279)</b>	<b>-18.09</b>
Income tax expenses	(175,425)	(142,215)	(33,210)	-18.93
<b>Profit for the period</b>	<b>975,909</b>	<b>800,840</b>	<b>(175,069)</b>	<b>-17.94</b>

### *Revenue*

By the end of H1 2020, the revenue recorded a decrease by 23.70% (RON 681.42 million) as compared to the similar period of the previous year.

Consolidated revenue from gas sales in H1 2020 amounted to RON 1,825.7 million, a decrease by 28.75% as compared to H1 2019. Consolidated revenue from storage services increased by 46% and revenue from electric power sales increased by 15.0%.

As for the quantities, total gas deliveries (produced or purchased from other sources) were lower by 20% in H1 2020 as compared to H1 2019.

As for revenues from storage services, the consolidated value includes revenues related to gas withdrawal from storages by Romgaz and sold to its customers and excludes revenues generated by Depogaz in its relationship with Romgaz. Thus, as regards the financial consolidated statements of Romgaz Group, it may be considered that the revenues previously invoiced by Depogaz to Romgaz for gas injection services and gas capacity reservation (even those invoiced in the previous periods) were generated by the time of gas withdrawal and gas sales by Romgaz. Non-consolidated revenue from storage services of the Subsidiary increased by 16.1% in H1 2020 as compared to H1 2019.

### *Cost of Commodities Sold*

In H1 of 2020, cost of commodities sold decreased by 88.04% as compared to H1 of 2019, mainly due to the fact that, in H1 2020, no gas quantity was purchased from import for resale.

### *Net Impairment losses on trade receivables*

The Group calculates the impairment on trade receivables based on the risk of non-collecting such. In H1 2020, the Group recorded a net gain of RON 2.0 million from impairment of the receivables as a result of the reduction of receivables as of June 30, 2020 compared to December 31, 2019.

#### *Depreciation, amortization and impairment expenses*

Depreciation, amortisation and impairment expenses decreased by 25.81% due to a decrease of depreciation and amortization expenses by 16.86% and net impairment losses on non-current assets by 50.94%.

In H1 2020, the Group had no impairment from impairment tests, but impairment on specific assets. Bearing in mind the decrease of production and the ANRE regulations distorting the prices on the commodities exchange, the Group believed there were impairment indications on assets used in the gas production activity. Hence, the impairment test run on December 31, 2019 was updated in terms of estimated production for the current year and the estimated prices for gas sales. The Group did not change the production estimated for the years subsequent to 2020, considering there is a potential for consumption to recover. The updated impairment test did not result in additional losses compared to those recorded in December 31, 2019. The Group is monitoring the gas market developments to identify potential impairment losses on assets.

#### *Exploration expenses*

The H1 2020 exploration expenses amounted to RON 22.2 million, down by 9.25% as compared to the similar period of previous year. The amount of RON 22.2 million includes the costs related to seismic exploration (RON 19.0 million as compared to RON 1.4 million in H1 2019) and costs related to abandoned projects related to investments in exploration activity (RON 3.2 million as compared to RON 23 million in H1 2019).

#### *Other expenses*

Other expenses recorded a decrease by 34.15% as compared to H1 2019. The decrease of RON 295.1 million is mainly due to a decrease by RON 267.1 million of expenses related to other taxes and duties, out of which, RON 98.95 million related to petroleum royalty and storage activity and RON 166.83 million related to windfall tax.

#### *Other income*

Other income decreased by 39.75% in H1 of 2020 as compared to the same period of 2019, due to the decrease of income from compensations, fines and penalties for uncollected amounts in accordance with contractual terms.

The table below shows the breakdown on segments of the interim consolidated comprehensive income for the period January – June 2020, and January - June 2019, respectively:

*RON thousand*

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation Adjustment	TOTAL
1	2	3	4		5	6
<i>Revenue</i>						
*H1 2019	2,731,205	194,193	87,962	139,700	(278,273)	<b>2,874,787</b>
*H1 2020	2,018,793	172,553	92,370	175,677	(266,028)	<b>2,193,365</b>
<i>Cost of commodities sold</i>						
* H1 2019	(78,792)	(1)	(10,721)	(438)	-	<b>(89,952)</b>
* H1 2020	(3,460)	(1)	(7,059)	(238)	-	<b>(10,758)</b>
<i>Investment income</i>						
* H1 2019	67	255	10	23,572	-	<b>23,904</b>
* H1 2020	46	617	72	43,067	(21,113)	<b>22,689</b>

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation Adjustment	TOTAL
1	2	3	4		5	6
<i>Other gains and losses</i>						
* H1 2019	(40,710)	-	(681)	15,424	-	(25,967)
* H1 2020	(22,629)	(8)	(64)	(2,888)	-	(25,589)
<i>Net impairment losses on trade receivables</i>						
*H1 2019	(29,937)	-	-	(11)	-	(29,948)
*H1 2020	1,982	-	(3)	(20)	-	1,959
<i>Changes in inventories</i>						
*H1 2019	(9,724)	-	8	693	-	(9,023)
*H1 2020	3,600	-	32	899	-	4,531
<i>Raw materials and consumables used</i>						
* H1 2019	(28,168)	(14,239)	(513)	(5,775)	8,337	(40,358)
* H1 2020	(18,653)	(10,425)	(602)	(4,870)	5,871	(28,679)
<i>Depreciation, amortization and impairment expenses</i>						
*H1 2019	(300,985)	(49,025)	(6,846)	(8,619)	-	(365,475)
*H1 2020	(210,617)	(2,867)	(14,181)	(10,714)	(32,773)	(271,152)
<i>Employees benefit expenses</i>						
*H1 2019	(195,451)	(27,525)	(16,189)	(68,744)	-	(307,909)
*H1 2020	(214,428)	(32,767)	(22,157)	(86,073)	-	(355,425)
<i>Finance cost</i>						
*H1 2019	(9,495)	(1,417)	-	(227)	-	(11,139)
*H1 2020	(7,420)	(790)	-	(289)	16	(8,483)
<i>Exploration expense</i>						
*H1 2019	(24,476)	-	-	-	-	(24,476)
*H1 2020	(22,213)	-	-	-	-	(22,213)
<i>Share of associates' result</i>						
*H1 2019	-	-	-	1,165	-	1,165
*H1 2020	-	-	-	(125)	-	(125)
<i>Other expenses</i>						
*H1 2019	(965,152)	(86,351)	(57,083)	(25,949)	270,311	(864,224)
*H1 2020	(662,580)	(75,903)	(66,792)	(24,217)	260,408	(569,084)
<i>Other income</i>						
*H1 2019	19,045	19	57	1,203	(375)	19,949
*H1 2020	11,777	30	6	457	(251)	12,019
<i>Profit before tax</i>						
<b>*H1 2019</b>	<b>1,067,427</b>	<b>15,909</b>	<b>(3,996)</b>	<b>71,994</b>	<b>-</b>	<b>1,151,334</b>
<b>*H1 2020</b>	<b>874,198</b>	<b>50,439</b>	<b>(18,378)</b>	<b>90,666</b>	<b>(53,870)</b>	<b>943,055</b>
<i>Income tax expense</i>						
*H1 2019	-	(926)	-	(174,499)	-	(175,425)
*H1 2020	-	(8,611)	-	(133,604)	-	(142,215)
<i>Profit for the period</i>						
<b>*H1 2019</b>	<b>1,067,427</b>	<b>14,983</b>	<b>(3,996)</b>	<b>(102,505)</b>	<b>-</b>	<b>975,909</b>
<b>*H1 2020</b>	<b>874,198</b>	<b>41,828</b>	<b>(18,378)</b>	<b>(42,938)</b>	<b>(53,870)</b>	<b>800,840</b>

### 4.3. Statement of Consolidated Cash Flows

Statements of consolidated cash flows recorded in H1 2020 and H1 2019, respectively, are shown in the table below:

INDICATOR	H I 2019 (RON thousand)	H I 2020 (RON thousand)	Variance (%)
1	2	3	4=(3-2)/2x100
<b>Cash flow from operating activities</b>			
<b>Net profit for the period</b>	<b>975,909</b>	<b>800,840</b>	<b>-17.94</b>
<i>Adjustments for:</i>			
Income tax expense	175,425	142,215	-18.93
Share from associates' result	(1,165)	125	n/a
Interest expense	228	289	26.75
Unwinding of decommissioning provision	10,911	8,194	-24.90
Interest revenue	(23,904)	(22,689)	-5.08
Net loss on disposal of non-current assets	40,508	19,562	-51.71
Change in decommissioning provision recognized in profit or loss other than unwinding	(1,638)	(1,640)	0.12
Changes in other provisions	(60,816)	(31,924)	-47.51
Net impairment of exploration assets	44,495	12,011	-73.01
Exploration projects written-off	23,036	3,236	-85.95
Net impairment of property, plant and equipment and intangibles	51,476	35,072	-31.87
Depreciation and amortization	269,504	224,069	-16.86
Amortization of contract costs	477	215	-54.93
(Gains)/Losses from financial investments evaluated at fair value by profit or loss	4,446	25	-99.44
Losses from trade and other receivables	11,501	(2,043)	n/a
Other gains and losses (leasing)	(52)	-	n/a
Net impairment of inventories	171	5,908	3354.97
Subsidies income	(38)	(3)	-92.11
<b>Cash generated from operations before movement in working capital</b>	<b>1,520,474</b>	<b>1,193,462</b>	<b>-21.51</b>
<b>Movement of working capital</b>			
(Increase)/Decrease in inventory	41,420	31,855	-23.09
(Increase)/Decrease in trade and other receivables	101,054	49,024	-51.49
(Increase)/Decrease in trade and other liabilities	(53,385)	(162,058)	203.56
<b>Cash generated from operations</b>	<b>1,609,563</b>	<b>1,112,283</b>	<b>-30.90</b>
Interest paid	(187,099)	(167,546)	-10.45
<b>Net cash generated from operations</b>	<b>1,422,464</b>	<b>944,737</b>	<b>-33.58</b>
<b>Cash flows from investing activities</b>			
(Increase)/Decrease of other financial assets	593,125	329,431	-44.46
Interest received	26,398	19,724	-25.28
Proceeds from sale of non-current assets	229	809	253.28
Acquisition of non-current assets	(331,529)	(269,555)	-18.69
Acquisition of exploration assets	(84,301)	(34,087)	-59.57
<b>Net cash used in investing activities</b>	<b>203,922</b>	<b>46,322</b>	<b>-77.28</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(1,606,315)	(78)	-100.00
<b>Repayment of lease liabilities</b>	<b>(312)</b>	<b>(650)</b>	<b>108.33</b>
<b>Net cash used in financing activities</b>	<b>(1,606,627)</b>	<b>(728)</b>	<b>-99.95</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>19,759</b>	<b>990,331</b>	<b>4,912.05</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>566,836</b>	<b>363,943</b>	<b>-35.79</b>
<b>Cash and cash equivalents as of June 30</b>	<b>586,595</b>	<b>1,354,274</b>	<b>130.87</b>

## V. PERFORMANCE OF DIRECTOR AGREEMENTS AND OF MANDATE CONTRACTS

### *Director Agreements*

In H1 2020, the following agreements were effective: Director Agreements of the BoD members appointed by the General Meeting of Shareholders in 2018 for a period of 4 years, the Director Agreements of interim BoD members appointed for a period of 4 months in December 2019 and whose contracts were extended by 2 months, as well as the Director Agreements of interim BoD members appointed for a period of 4 months in June 2020. The Director Agreements approved by the General Meeting of Shareholders do not include performance criteria and indicators.

By Resolution No. 8 of July 6, 2018 the Ordinary General Meeting of Shareholders, appointed, following the cumulative vote, the company's members of the Board of Directors for a mandate of 4 years.

After the elaboration and approval of the Governance Plan, the General Meeting of Shareholders was convened to negotiate and approve the financial and non-financial performance indicators to be included in the Director Agreements by an addendum thereto. By Resolution No. 4 of May 15, 2019, the General Meeting of Shareholders “*does not approve the key financial and non-financial performance indicators resulting from S.N.G.N. ROMGAZ S.A. Governance Plan prepared for 2018 – 2022*”.

By Resolution No. 11 of December 23, 2019, the company's shareholders appoint the interim members of the Board of Directors for a period of 4 months, establishing the fixed monthly gross allowance and approving the form of their contract of mandate.

By Resolution No. 5 of April 13, 2020, the General Meeting of Shareholders approves the extension of the mandate of interim BoD members by 2 months from the expiration date and approves the form of the Addendum to the contract of mandate with regard to the extension of the period.

By Resolution No. 8 of June 25, 2020, the company's shareholders appoint the interim BoD members for a mandate of 4 months, establishing the fixed monthly gross allowance.

Director Agreements do not include key financial and non-financial performance indicators and, as a consequence, the BoD members do not benefit from a variable allowance.

### *Mandate Contracts*

By Resolution no. 29 of June 14, 2018, the Board of Directors appointed Mr. *Volintiru Adrian Constantin* as CEO of the company for a 4-month term. By Resolution no. 45 of October 1, 2018 the Board appointed Mr. *Volintiru Adrian Constantin* as the company's CEO for a 4-year term.

The Mandate Contract, concluded between the Board of Directors and the company's CEO, does not include performance indicators and criteria. Such indicators and criteria shall be negotiated and included in the mandate contract, by addendum, following the GMS approval of the key financial and non-financial performance indicators.

*Attached* hereto are the Interim Simplified Consolidated Financial Statements for the six months and three months periods ending on June 30, 2020 prepared in compliance with the International Accounting Standard 34.

**Signatures:**

---

<b>CEO,</b> <i>Volintiru Adrian Constantin</i>	<b>On behalf of CFO,</b> <i>Veza Leonte Marius</i>
.....	.....

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

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020**

**PREPARED IN ACCORDANCE WITH  
INTERNATIONAL ACCOUNTING STANDARD 34**

**WITH**

**THE INDEPENDENT AUDITOR'S REVIEW REPORT**



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## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of SNGN Romgaz SA

### Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of SNGN Romgaz SA and its subsidiary (together “the Group”) for the six months and three months periods ended 30 June 2020, which comprise the condensed statement of consolidated interim financial position as at 30 June 2020, the condensed statements of consolidated interim comprehensive income and cash flows for the six months and three months periods then ended and the condensed statement of consolidated interim changes in equity for the six-month period then ended and related explanatory notes.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard Nr. 34 “Interim Financial Reporting” (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting (IAS 34).

### On behalf of

Ernst & Young Assurance Services SRL  
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Registered in the electronic Public Register under No. 77

Name of the Auditor/ Partner: Alexandru Lupea  
Registered in the electronic Public Register under No. FA273

Bucharest, Romania  
13 August 2020

**CONDENSED STATEMENT OF CONSOLIDATED INTERIM COMPREHENSIVE INCOME FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020**

	Note	Six months ended June 30, 2020 '000 RON	Three months ended June 30, 2020 '000 RON	Six months ended June 30, 2019	Three months ended June 30, 2019
Revenue	3	2,193,365	763,036	2,874,787	1,161,670
Cost of commodities sold	4	(10,758)	(6,143)	(89,952)	(12,600)
Investment income		22,689	11,722	23,904	12,906
Other gains and losses	5	(25,589)	(9,037)	(25,967)	(17,851)
Impairment losses on trade receivables	10 c)	1,959	24,246	(29,948)	(11,691)
Changes in inventory of finished goods and work in progress		4,531	39,428	(9,023)	40,069
Raw materials and consumables used	4	(28,679)	(12,876)	(40,358)	(20,224)
Depreciation, amortization and impairment expenses	6	(271,152)	(138,445)	(365,475)	(102,228)
Employee benefit expense	8	(355,425)	(204,951)	(307,909)	(172,327)
Finance cost		(8,483)	(4,250)	(11,139)	(5,587)
Exploration expense		(22,213)	(22,207)	(24,476)	(13,662)
Share of profit/(loss) of associates		(125)	(383)	1,165	(206)
Other expenses	9	(569,084)	(182,203)	(864,224)	(362,509)
Other income	3	12,019	4,865	19,949	13,806
<b>Profit before tax</b>		<b>943,055</b>	<b>262,802</b>	<b>1,151,334</b>	<b>509,566</b>
Income tax expense	7	(142,215)	(33,867)	(175,425)	(75,502)
<b>Profit for the period</b>		<b>800,840</b>	<b>228,935</b>	<b>975,909</b>	<b>434,064</b>
<b>Total comprehensive income for the period</b>		<b>800,840</b>	<b>228,935</b>	<b>975,909</b>	<b>434,064</b>
<b>Basic and diluted earnings per share</b>		<b>0.0021</b>	<b>0.0006</b>	<b>0.0025</b>	<b>0.0011</b>

These financial statements were endorsed by the Board of Directors on August 13, 2020.

\_\_\_\_\_  
**Adrian Constantin Volintiru**  
 Chief Executive Officer

\_\_\_\_\_  
**Marius Leonte Veza**  
 Accounting Director

## CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION AS OF JUNE 30, 2020

	<u>Note</u>	<u>June 30, 2020</u> <u>'000 RON</u>	<u>December 31, 2019</u> <u>'000 RON</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5,543,956	5,543,177
Other intangible assets		12,852	9,164
Investments in associates		24,647	24,772
Deferred tax asset		217,180	230,947
Other financial assets		5,363	5,388
Right of use assets		8,372	8,590
<b>Total non-current assets</b>		<b>5,812,370</b>	<b>5,822,038</b>
<b>Current assets</b>			
Inventories		273,250	311,013
Trade and other receivables	10	583,482	638,158
Contract costs		284	312
Other financial assets		759,228	1,075,224
Other assets	10	49,993	42,485
Cash and cash equivalents		1,354,274	363,943
<b>Total current assets</b>		<b>3,020,511</b>	<b>2,431,135</b>
<b>Total assets</b>		<b>8,832,881</b>	<b>8,253,173</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		385,422	385,422
Reserves		2,186,249	1,587,409
Retained earnings		4,782,692	5,201,222
<b>Total equity</b>		<b>7,354,363</b>	<b>7,174,053</b>
<b>Non-current liabilities</b>			
Retirement benefit obligation		110,304	114,876
Deferred revenue		21,277	21,244
Lease liability		8,119	8,285
Provisions		368,420	366,393
<b>Total non-current liabilities</b>		<b>508,120</b>	<b>510,798</b>

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

**CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION AS OF JUNE 30, 2020**

	<u>Note</u>	<u>June 30, 2020</u> <u>'000 RON</u>	<u>December 31, 2019</u> <u>'000 RON</u>
<b>Current liabilities</b>			
Trade payables		93,923	109,910
Contract liabilities		10,618	42,705
Current tax liabilities		25,244	64,342
Deferred revenue		14,197	3,729
Provisions		55,004	82,701
Lease liability		737	694
Other liabilities	11	<u>770,675</u>	<u>264,241</u>
<b>Total current liabilities</b>		<b><u>970,398</u></b>	<b><u>568,322</u></b>
<b>Total liabilities</b>		<b><u>1,478,518</u></b>	<b><u>1,079,120</u></b>
<b>Total equity and liabilities</b>		<b><u>8,832,881</u></b>	<b><u>8,253,173</u></b>

These financial statements were endorsed by the Board of Directors on August 13, 2020.

\_\_\_\_\_  
**Adrian Constantin Volintiru**  
 Chief Executive Officer

\_\_\_\_\_  
**Marius Leonte Veza**  
 Accounting Director

**CONDENSED STATEMENT OF CONSOLIDATED INTERIM CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2020**

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
<b>Balance as of January 1, 2020</b>	<b>385,422</b>	<b>79,921</b>	<b>1,507,488</b>	<b>5,201,222</b>	<b>7,174,053</b>
Allocation to dividends *)	-	-	-	(620,530)	(620,530)
Allocation to other reserves	-	-	598,840	(598,840)	-
Profit for the period	-	-	-	800,840	800,840
<b>Balance as of June 30, 2020</b>	<b>385,422</b>	<b>79,921</b>	<b>2,106,328</b>	<b>4,782,692</b>	<b>7,354,363</b>
<b>Balance as of January 1, 2019</b>	<b>385,422</b>	<b>77,487</b>	<b>1,747,512</b>	<b>5,458,196</b>	<b>7,668,617</b>
Allocation to dividends	-	-	(362,297)	(1,244,914)	(1,607,211)
Decrease in reserves approved by Depogaz's sole shareholder	-	(375)	(909)	1,284	-
Allocation to other reserves	-	-	106,265	(106,265)	-
Profit for the period	-	-	-	975,909	975,909
<b>Balance as of June 30, 2019</b>	<b>385,422</b>	<b>77,112</b>	<b>1,490,571</b>	<b>5,084,210</b>	<b>7,037,315</b>

\*) In 2020, the Company's shareholders approved the allocation of dividends of RON 620,530 thousand, dividend per share being RON 1.61.

These financial statements were endorsed by the Board of Directors on August 13, 2020.

**Adrian Constantin Volintiru**  
Chief Executive Officer

**Marius Leonte Veza**  
Accounting Director

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

## CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020

	Six months ended June 30, 2020	Three months ended June 30, 2020	Six months ended June 30, 2019	Three months ended June 30, 2019
	'000 RON	'000 RON	'000 RON	'000 RON
<b>Cash flows from operating activities</b>				
<b>Net profit</b>	<b>800,840</b>	<b>228,935</b>	<b>975,909</b>	<b>434,064</b>
<b>Adjustments for:</b>				
Income tax expense (note 7)	142,215	33,867	175,425	75,502
Share of associates' result	125	383	(1,165)	206
Interest expense on lease contracts	289	155	228	138
Unwinding of decommissioning provision	8,194	4,095	10,911	5,449
Interest revenue	(22,689)	(11,722)	(23,904)	(12,906)
Net loss on disposal of non-current assets (note 5)	19,562	4,227	40,508	36,044
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 9)	(1,640)	(607)	(1,638)	(211)
Change in other provisions (note 9)	(31,924)	(41,196)	(60,816)	(40,215)
Net impairment of exploration assets (note 6)	12,011	(1,186)	44,495	(10,897)
Exploration projects written off	3,236	3,236	23,036	13,480
Net impairment of property, plant and equipment and intangibles (note 6)	35,072	35,818	51,476	(10,860)
Depreciation and amortization (note 6)	224,069	103,813	269,504	123,985
Amortization of contract costs	215	127	477	223
Change in investments at fair value through profit and loss (note 5)	25	(7)	4,446	1
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 10)	(2,043)	(24,296)	11,501	(6,801)
Other gains and losses	-	-	(52)	-
Net movement in write-down allowances for inventory (note 5)	5,908	4,842	171	1,002
Subsidies income	(3)	(1)	(38)	(27)
	<b>1,193,462</b>	<b>340,483</b>	<b>1,520,474</b>	<b>608,177</b>
<b>Movements in working capital:</b>				
(Increase)/Decrease in inventory	31,855	(26,593)	41,420	(40,306)
(Increase)/Decrease in trade and other receivables	49,024	386,340	101,054	369,154
Increase/(Decrease) in trade and other liabilities	(162,058)	(97,690)	(53,385)	(94,782)
<b>Cash generated from operations</b>	<b>1,112,283</b>	<b>602,540</b>	<b>1,609,563</b>	<b>842,243</b>
Income taxes paid	(167,546)	(103,204)	(187,099)	(119,092)
<b>Net cash generated by operating activities</b>	<b>944,737</b>	<b>499,336</b>	<b>1,422,464</b>	<b>723,151</b>

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



**CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020**

	Six months ended June 30, 2020	Three months ended June 30, 2020	Six months ended June 30, 2019	Three months ended June 30, 2019
	'000 RON	'000 RON	'000 RON	'000 RON
<b>Cash flows from investing activities</b>				
Bank deposits set up and acquisition of state bonds	(1,334,808)	(732,822)	(682,276)	(2,000)
Bank deposits and state bonds matured	1,664,239	832,985	1,275,401	769,554
Interest received	19,724	11,353	26,398	16,069
Proceeds from sale of non-current assets	809	809	229	108
Acquisition of non-current assets	(269,555)	(131,321)	(331,529)	(181,898)
Acquisition of exploration assets	(34,087)	(16,541)	(84,301)	(52,365)
<b>Net cash used in investing activities</b>	<b>46,322</b>	<b>(35,537)</b>	<b>203,922</b>	<b>549,468</b>
<b>Cash flows from financing activities</b>				
Dividends paid	(78)	(31)	(1,606,315)	(1,605,953)
Repayment of lease liability	(650)	(267)	(312)	(202)
<b>Net cash used in financing activities</b>	<b>(728)</b>	<b>(298)</b>	<b>(1,606,627)</b>	<b>(1,606,155)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>990,331</b>	<b>463,501</b>	<b>19,759</b>	<b>(333,536)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>363,943</b>	<b>890,773</b>	<b>566,836</b>	<b>920,131</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,354,274</b>	<b>1,354,274</b>	<b>586,595</b>	<b>586,595</b>

These financial statements were endorsed by the Board of Directors on August 13, 2020.

\_\_\_\_\_  
**Adrian Constantin Volintiru**  
 Chief Executive Officer

\_\_\_\_\_  
**Marius Leonte Veza**  
 Accounting Director

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020**

**1. BACKGROUND AND GENERAL BUSINESS**

***Information regarding S.N.G.N. Romgaz S.A. Group (the “Group”)***

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

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

The Company’s headquarter is in Mediaș, 4 Constantin I. Motaș Square, 551130, Sibiu County.

The Romanian State, through the Ministry of Economy, Energy and Business Environment, is the majority shareholder of S.N.G.N. Romgaz S.A.

The Group has as main activity:

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

***Statement of compliance***

The condensed consolidated interim financial statements (“financial statements”) of the Group have been prepared in accordance with the provisions of the International Accounting Standard 34 “Interim Reporting”. For the purposes of the preparation of these financial statements, the functional currency of the Group is deemed to be the Romanian Leu (RON). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board (IASB), however, the differences have no material impact on the Group’s financial statements for the periods presented.

***Basis of preparation***

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

Items included in these financial statements are denominated in Romanian lei. Unless otherwise stated, the amounts are presented in thousand lei (thousand RON).

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

These financial statements do not include all the information and elements disclosed in the annual financial statements and must be read in conjunction with the annual consolidated financial statements of S.N.G.N. Romgaz S.A. as of December 31, 2019.

***Basis for consolidation***

***Subsidiaries***

The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Consolidation of a subsidiary begins when Company obtains control over the subsidiary and ceases when it loses control of that subsidiary.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020**

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All intra-group assets and liabilities, income and expenses relating to transactions between members of the Group are eliminated in full on consolidation.

*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 in associates are recorded using the equity method of accounting. By this method, the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Group's share of the investee's net assets. The Group's profit or loss includes its share of the investee's profit or loss and the Group's other comprehensive income includes its share of the investee's other comprehensive income.

*Joint arrangements*

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

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

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

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

*Joint operations*

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

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

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

*Joint ventures*

As a partner in a joint venture, in its financial statements, the Group recognizes its interest in a joint venture using the equity method of accounting.

***Standards and interpretations valid for the current period***

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

- Amendments to IFRS 3 Business Combination (effective for annual periods beginning on or after January 1, 2020);
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after January 1, 2020);
- Amendments to IAS 1 and IAS 8: Definition of Material (effective for annual periods beginning on or after January 1, 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for annual periods beginning on or after January 1, 2020).

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020**

The adoption of these amendments to the existing standards has not led to any changes in the Group'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 publication date of financial statements:

- IFRS 17 Insurance Contracts, including Amendments to IFRS 17 (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after January 1, 2022);
- Annual Improvements 2018-2020 (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IFRS 16 Leases Covid 19-Related Rent Concessions (effective for annual periods beginning on or after June 1, 2020);
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective for annual periods beginning on or after January 1, 2021).

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

***Seasonality and cyclicity***

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

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

***Comparative information***

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020**
**3. REVENUE AND OTHER INCOME**

	Six months ended June 30, 2020	Three months ended June 30, 2020	Six months ended June 30, 2019	Three months ended June 30, 2019
	'000 RON	'000 RON	'000 RON	'000 RON
Revenue from gas sold - domestic production	1,776,387	598,513	2,403,718	1,044,067
Revenue from gas sold – other arrangements	40,241	18,951	72,035	35,812
Revenue from gas acquired for resale – import gas	-	-	77,867	-
Revenue from gas acquired for resale – domestic gas	9,107	5,775	8,698	6,670
Revenue from storage services- capacity reservation	152,687	63,646	99,331	34,020
Revenue from storage services- extraction	19,205	3,819	16,419	687
Revenue from storage services- injection	23,794	18,551	18,280	17,878
Revenue from electricity	58,440	5,758	50,819	3,751
Revenue from services	99,472	42,373	104,927	7,281
Revenue from sale of goods	10,115	3,743	19,037	9,663
Other revenues from contracts	247	54	103	43
<b>Total revenue from contracts with customers</b>	<b>2,189,695</b>	<b>761,183</b>	<b>2,871,234</b>	<b>1,159,872</b>
Other revenues	3,670	1,853	3,553	1,798
<b>Total revenue</b>	<b>2,193,365</b>	<b>763,036</b>	<b>2,874,787</b>	<b>1,161,670</b>
Other operating income	12,019	4,865	19,949	13,806
<b>Total revenue and other income</b>	<b>2,205,384</b>	<b>767,901</b>	<b>2,894,736</b>	<b>1,175,476</b>

**4. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES**

	Six months ended June 30, 2020	Three months ended June 30, 2020	Six months ended June 30, 2019	Three months ended June 30, 2019
	'000 RON	'000 RON	'000 RON	'000 RON
Consumables used	27,149	12,332	38,597	19,553
Cost of gas acquired for resale, sold – import	-	-	74,410	-
Cost of gas acquired for resale, sold – domestic	3,460	1,289	4,329	2,752
Cost of electricity imbalance	7,059	4,784	10,721	9,600
Cost of other goods sold	239	69	492	247
Other consumables	1,530	545	1,761	672
<b>Total</b>	<b>39,437</b>	<b>19,019</b>	<b>130,310</b>	<b>32,824</b>

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## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020

## 5. OTHER GAINS AND LOSSES

	Six months ended June 30, 2020	Three months ended June 30, 2020	Six months ended June 30, 2019	Three months ended June 30, 2019
	'000 RON	'000 RON	'000 RON	'000 RON
Forex gain	20	14	2,535	788
Forex loss	(198)	(39)	(1,876)	(84)
Net loss on disposal of non-current assets	(19,562)	(4,227)	(40,508)	(36,044)
Net allowance for other receivables (note 10 c)	84	50	18,447	18,492
Net write down allowances for inventory	(5,908)	(4,842)	(171)	(1,002)
Net gain/(loss) on financial assets at fair value through profit or loss	(25)	7	(4,446)	(1)
Other gains and losses	-	-	52	0
<b>Total</b>	<b>(25,589)</b>	<b>(9,037)</b>	<b>(25,967)</b>	<b>(17,851)</b>

## 6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Six months ended June 30, 2020	Three months ended June 30, 2020	Six months ended June 30, 2019	Three months ended June 30, 2019
	'000 RON	'000 RON	'000 RON	'000 RON
Depreciation	224,069	103,813	269,504	123,985
out of which:				
- depreciation of property, plant and equipment	222,869	103,202	267,678	123,130
- depreciation of right of use assets	744	384	1,526	711
- amortization of intangible assets	456	227	300	144
Net impairment of non-current assets (see below)	47,083	34,632	95,971	(21,757)
<b>Total depreciation, amortization and impairment</b>	<b>271,152</b>	<b>138,445</b>	<b>365,475</b>	<b>102,228</b>

## a) Impairment on upstream assets

In 2020, the Group revised the impairment test conducted as of December 31, 2019 due to the unforeseen events that occurred during the period (Covid 19 pandemic, new regulations issued by the National Energy Regulatory Agency/ANRE related to the gas market).

In the first half of 2020, the Group's gas production decreased by 17% and deliveries were down by 19% compared to the first half of 2019. On the second quarter of 2020 production was down by 30% and deliveries were lower by 35% compared to the second quarter of 2019. Compared with the first quarter of 2020, in the second quarter of 2020 production decreased by 35% and deliveries by 49%. Revenue from gas produced by the Group had a similar trend (26% lower in the first semester of 2020 compared to the first semester of 2019; 43% lower in the second quarter of 2020 compared to the second quarter of 2019; 49% lower in the second quarter of 2020 compared to the first quarter of 2020).

Related to prices, in 2020 ANRE issued new regulations that will cause a decrease in prices related to gas sold on the commodities exchange.

Due to these factors, the impairment test conducted in 2019 was updated to consider new production levels for 2020 and revised estimated prices. The Group considers the production level in future years estimated in the 2019 test will not be affected by the current pandemic, thus it did not consider any changes related to production from 2021 onwards. Current year's drop in production was affected, among others, by the Covid 19 pandemic and the state of emergency declared in Romania from mid-March 2020 to mid-May 2020; the Group does not expect a new lockdown due to the pandemic and expects production to recover as economic activity takes off. An estimate of the European Commission published in May 2020 sees an increase in Romanian GDP in 2021 of 4.2%, after an estimated fall of 6% in 2020. Related to the average price used for the period 2020-2043, the test considered a decrease of prices of approximately 4% (prices were lower in the updated test compared to assumptions used in the 2019 test for the period 2020-2029 and started to increase after 2029). Weighted average cost of capital increased to 11%, as compared to 10% in 2019.

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020**

The updated impairment test led to an additional impairment of RON 9,949 thousand compared to December 31, 2019. The Group considered the additional impairment loss immaterial and recorded no additional impairment in these financial statements based on the impairment test, considering also the uncertainty of assumptions. The Group continues to monitor the evolution of the gas market and the reasonableness of the assumptions used. Changes to these assumptions will be assessed in order to determine the need to record further impairments.

An increase of 1% in weighted average cost of capital would lead to an impairment higher with RON 11,416 thousand compared with December 31, 2019, while a decrease of 1% would generate an additional impairment loss of RON 8,522 thousand. An increase of 1% in selling prices would increase the December 31, 2019 impairment with RON 8,967 thousand, while a decrease of 1% would lead to an impairment higher with RON 10,931 thousand.

The Group impaired only specific assets.

**b) Impairment of storage assets**

No impairment indicators were identified on the storage segment. Consequently, the Group did not perform an impairment test as of June 30, 2020.

**7. INCOME TAX**

	<b>Six months ended June 30, 2020</b>	<b>Three months ended June 30, 2020</b>	<b>Six months ended June 30, 2019</b>	<b>Three months ended June 30, 2019</b>
	<b>'000 RON</b>	<b>'000 RON</b>	<b>'000 RON</b>	<b>'000 RON</b>
Current tax expense	128,448	25,244	184,695	65,684
Deferred income tax (income)/expense	13,767	8,623	(9,270)	9,818
<b>Income tax expense</b>	<b>142,215</b>	<b>33,867</b>	<b>175,425</b>	<b>75,502</b>

**8. EMPLOYEE BENEFIT EXPENSE**

	<b>Six months ended June 30, 2020</b>	<b>Three months ended June 30, 2020</b>	<b>Six months ended June 30, 2019</b>	<b>Three months ended June 30, 2019</b>
	<b>'000 RON</b>	<b>'000 RON</b>	<b>'000 RON</b>	<b>'000 RON</b>
Wages and salaries	370,158	207,935	332,983	185,553
Social security charges	13,318	8,648	9,756	5,339
Meal tickets	10,915	5,753	9,669	4,681
Other benefits according to collective labor contract	6,514	3,514	10,470	7,481
Private pension payments	5,900	2,941	5,848	2,918
Private health insurance	2,728	1,635	-	-
<b>Total employee benefit costs</b>	<b>409,533</b>	<b>230,426</b>	<b>368,726</b>	<b>205,972</b>
Less, capitalized employee benefit costs	(54,108)	(25,475)	(60,817)	(33,645)
<b>Total employee benefit expense</b>	<b>355,425</b>	<b>204,951</b>	<b>307,909</b>	<b>172,327</b>

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020**
**9. OTHER EXPENSES**

	<b>Six months ended June 30, 2020</b>	<b>Three months ended June 30, 2020</b>	<b>Six months ended June 30, 2019</b>	<b>Three months ended June 30, 2019</b>
	<b>'000 RON</b>	<b>'000 RON</b>		
Energy and water expenses	18,149	12,183	21,911	16,667
Expenses for capacity booking and gas transmission services	95,215	35,639	91,101	20,232
Expenses with other taxes and duties *)	382,521	131,700	649,662	297,546
(Net gain)/Net loss from provisions movement	(33,564)	(41,803)	(62,454)	(40,426)
Other operating expenses	106,763	44,484	164,004	68,490
<b>Total</b>	<b>569,084</b>	<b>182,203</b>	<b>864,224</b>	<b>362,509</b>

\*) In the six-month period ended June 30, 2020, the major taxes and duties included in the amount of RON 382,521 thousand (six-month period ended June 30, 2019: RON 649,662 thousand) are:

- RON 273,954 thousand represent windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 with the subsequent amendments for the implementation of the windfall tax following the deregulation of prices in the natural gas sector (six-month period ended June 31, 2019: RON 440,784 thousand);
- RON 104,958 thousand represent royalty on gas production and storage activity (six-month period ended June 30, 2019: RON 203,906 thousand).

**10. ACCOUNTS RECEIVABLE**
**a) Trade and other receivables**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	<b>'000 RON</b>	<b>'000 RON</b>
Trade receivables	1,704,145	1,554,652
Allowances for expected credit losses (note 10 c)	(1,275,707)	(1,252,267)
Accrued receivables	176,787	382,915
Allowances for expected credit losses on accrued receivables (note 10 c)	(21,743)	(47,142)
<b>Total</b>	<b>583,482</b>	<b>638,158</b>

**b) Other assets**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	<b>'000 RON</b>	<b>'000 RON</b>
Advances paid to suppliers	122	386
Joint operation receivables	-	2,125
Other receivables	62,688	62,343
Allowance for expected credit losses for other receivables (note 10 c)	(33,625)	(33,703)
Other debtors	47,897	47,529
Allowance for expected credit losses for other debtors (note 10 c)	(46,439)	(46,445)
Prepayments	15,959	3,911
VAT not yet due	3,391	6,339
<b>Total</b>	<b>49,993</b>	<b>42,485</b>

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020**
**c) Changes in the allowance for expected credit losses for trade and other receivables and other assets**

	<u>2020</u>	<u>2019</u>
	<u>'000 RON</u>	<u>'000 RON</u>
<b>At January 1</b>	<b>1,379,557</b>	<b>1,312,262</b>
Charge in the allowance for other assets (note 5)	32	71
Charge in the allowance for trade and other receivables	33,095	32,648
Release in the allowance for other assets (note 5)	(116)	(18,518)
Release in the allowance for trade and other receivables	(35,054)	(2,700)
<b>At June 30</b>	<b>1,377,514</b>	<b>1,323,763</b>

The Group did not record any allowance for expected credit losses due to the Covid 19 pandemic.

**11. OTHER LIABILITIES**

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Payables related to employees	27,541	48,055
Royalties	35,288	67,865
Social security taxes	22,364	22,145
Other current liabilities	5,353	5,489
Joint operations payables	1,570	-
VAT	28,688	57,990
Dividends payable	622,683	2,231
Windfall tax	24,523	59,095
Other taxes	2,665	1,371
<b>Total other liabilities</b>	<b>770,675</b>	<b>264,241</b>

**12. RELATED PARTY TRANSACTIONS AND BALANCES**
**(i) Sales of goods and services**

	<u>Six months ended</u>	<u>Three months ended</u>	<u>Six months ended</u>	<u>Three months ended</u>
	<u>June 30, 2020</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2019</u>
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Romgaz's associates	5,119	3,923	4,991	3,749
<b>Total</b>	<b>5,119</b>	<b>3,923</b>	<b>4,991</b>	<b>3,749</b>

Transactions with other companies controlled by the Romanian State are not considered transactions with related parties, for financial statements purposes.

**(ii) Trade receivables**

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Romgaz's associates	4,880	-
<b>Total</b>	<b>4,880</b>	<b>-</b>

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## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020

## 13. SEGMENT INFORMATION

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

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

Specifically, the Group is organized in the following segments:

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

Except for Bratislava branch, all operations are in Romania. In 2020 the Company's shareholders approved the withdrawal from the Svidnik perimeter as a result of difficulties encountered during the exploration activity. As a result, the Company withdrew from the operations carried out through the Bratislava branch.

## b) Segment assets and liabilities

June 30, 2020	Upstream	Storage	Electricity	Other	Consolidation adjustments	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Total assets	3,962,182	902,364	1,152,726	2,882,499	(66,890)	8,832,881
Total liabilities	509,646	104,609	53,650	844,727	(34,114)	1,478,518
December 31, 2019	Upstream	Storage	Electricity	Other	Consolidation adjustments	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Total assets	4,093,044	1,096,997	1,096,629	1,992,195	(25,692)	8,253,173
Total liabilities	662,926	95,578	54,565	292,286	(26,235)	1,079,120

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

Six months ended June 30, 2020	Upstream	Storage	Electricity	Other	Adjustments and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	2,018,793	172,553	92,370	175,677	(266,028)	2,193,365
Less: revenue between segments	(26,188)	(33,957)	(34,098)	(171,785)	266,028	-
Third party revenue	1,992,605	138,596	58,272	3,892	-	2,193,365
<b>Segment profit before tax profit/(loss)</b>	<b>874,198</b>	<b>50,439</b>	<b>(18,378)</b>	<b>90,666</b>	<b>(53,870)</b>	<b>943,055</b>

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2020**

Three months ended June 30, 2020	<u>Upstream</u> <u>'000 RON</u>	<u>Storage</u> <u>'000 RON</u>	<u>Electricity</u> <u>'000 RON</u>	<u>Other</u> <u>'000 RON</u>	<u>Adjustments and eliminations</u> <u>'000 RON</u>	<u>Total</u> <u>'000 RON</u>
Revenue	696,707	81,127	19,605	82,495	(116,898)	763,036
Less: revenue between segments	<u>(6,674)</u>	<u>(16,158)</u>	<u>(13,907)</u>	<u>(80,159)</u>	116,898	-
Third party revenue	690,033	64,969	5,698	2,336	-	763,036
<b>Segment profit before tax profit/(loss)</b>	<b><u>255,688</u></b>	<b><u>15,344</u></b>	<b><u>(19,837)</u></b>	<b><u>49,043</u></b>	<b><u>(37,436)</u></b>	<b><u>262,802</u></b>
Six months ended June 30, 2019	<u>Upstream</u> <u>'000 RON</u>	<u>Storage</u> <u>'000 RON</u>	<u>Electricity</u> <u>'000 RON</u>	<u>Other</u> <u>'000 RON</u>	<u>Adjustments and eliminations</u> <u>'000 RON</u>	<u>Total</u> <u>'000 RON</u>
Revenue	2,731,205	194,193	87,962	139,700	(278,273)	2,874,787
Less: revenue between segments	<u>(25,329)</u>	<u>(79,335)</u>	<u>(37,278)</u>	<u>(136,331)</u>	278,273	-
Third party revenue	2,705,876	114,858	50,684	3,369	-	2,874,787
<b>Segment profit before tax profit/(loss)</b>	<b><u>1,067,427</u></b>	<b><u>15,909</u></b>	<b><u>(3,996)</u></b>	<b><u>71,994</u></b>	<b><u>-</u></b>	<b><u>1,151,334</u></b>
Three months ended June 30, 2019	<u>Upstream</u> <u>'000 RON</u>	<u>Storage</u> <u>'000 RON</u>	<u>Electricity</u> <u>'000 RON</u>	<u>Other</u> <u>'000 RON</u>	<u>Adjustments and eliminations</u> <u>'000 RON</u>	<u>Total</u> <u>'000 RON</u>
Revenue	1,100,662	105,505	22,308	73,968	(140,773)	1,161,670
Less: revenue between segments	<u>(5,202)</u>	<u>(44,985)</u>	<u>(18,601)</u>	<u>(71,985)</u>	140,773	-
Third party revenue	1,095,460	60,520	3,707	1,983	-	1,161,670
<b>Segment profit before tax profit/(loss)</b>	<b><u>459,737</u></b>	<b><u>9,372</u></b>	<b><u>(8,742)</u></b>	<b><u>49,199</u></b>	<b><u>-</u></b>	<b><u>509,566</u></b>

**14. COMMITMENTS UNDERTAKEN**

In 2019, Romgaz signed a credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 50,000 thousand. In June 2020 the amount was increased to USD 100,000 thousand. On June 30, 2020 are still available for use USD 66,969 thousand.

As of June 30, 2020, the Group's contractual commitments for the acquisition of non-current assets are of RON 401,340 thousand (December 31, 2019: RON 433,200 thousand), of which, the contract for CET lernut development represents RON 197,026 thousand.

**15. EVENTS AFTER THE BALANCE SHEET DATE**

No significant events after the balance sheet date were identified.

**16. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were endorsed by the Board of Directors on August 13, 2020.

\_\_\_\_\_  
**Adrian Constantin Volintiru**  
 Chief Executive Officer

\_\_\_\_\_  
**Marius Leonte Veza**  
 Accounting Director

The accompanying notes form an integral part of these financial statements.  
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**STATEMENT**

in accordance with the provisions of art. 65 (2) c) of Law No. 24/2017  
regarding issuers of financial instruments and market operations

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Entity: Societatea Nationala de Gaze Naturale ROMGAZ S.A.  
County: 32--SIBIU  
Address: MEDIAȘ, 4 C.I. Motaș Square, tel. +4-0374-401020  
Registration Number in the Trade Register: J32/392/2001  
Form of Property: 14--State owned companies and enterprises  
Main activity (CAEN code and denomination): 0620—Natural Gas Production  
Tax Identification Number: 14056826

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The undersigned,  
**ADRIAN CONSTANTIN VOLINTIRU** as Chief Executive Officer and  
**MARIUS LEONTE VEZA** as Accounting Director

hereby confirm that according to our knowledge, the interim condensed consolidated financial statements for the half year ended June 30, 2020, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, namely IAS 34, offer a true and fair view of the assets, liabilities, financial position, statement of profit and loss of the S.N.G.N. ROMGAZ S.A. Group and that the Board of Directors' report comprises a fair analysis of the development and performance of the Group, as well as a description of the main risks and uncertainties specific to its activity.

**Chief Executive Officer,  
ADRIAN CONSTANTIN VOLINTIRU**

**Accounting Director,  
MARIUS LEONTE VEZA**