



SNGN ROMGAZ S.A. Board of Directors' Report (H1 2020)

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SNGN Romgaz SA Board of Directors' message to its shareholders/investors

Dear shareholders/investors,

ROMGAZ has an extensive experience in natural gas exploration and production, its history beginning more than 200 years ago, in 1909, when the first natural gas reservoir was discovered in Sarmasel, Transylvanian Basin. The company's economic and financial position is defined by profit stability and liquidity. ROMGAZ is one of the state owned companies that fulfilled all growth conditions being a responsible company, a company of the future, with a successful corporate governance model.

A transparent company listed on Bucharest Stock Exchange and London Stock Exchange in 2013, open to dialogue and good corporate practices, ROMGAZ is currently a successful national brand, a company which believes in its organizational values and which permanently invests in professional training and development of its human resource.

Showing competence, professionalism, responsibility and reliability, the members of the Board of Directors proved by the results of the company they manage that they succeeded to undertake and to implement significant strategical responsibilities not only for company's future but also for a sustainable development of the national economy.

Through the company's 2020-2025 investment plan both directors and executive management undertook a solid and sustainable development strategy for ROMGAZ.

Investments play a decisive role in arresting the natural decline of production, through both discovering new hydrocarbon reserves as well as through improving the current rate of recovery, through rehabilitation, development and modernization of existing facilities and through capitalizing new growth and diversification opportunities. Priority investment directions are oriented towards continued geological research works through new geological drillings and appraisals for discovering new natural gas reserves; enhancing production potential by securing new capacities on existing structures, and improving operational performance of facilities and equipment and the operational safety. Moreover, Romgaz, as the largest gas producer in Romania, aims at identifying new growth and diversification opportunities.

The investment plan for the next 5 years is largely focused on natural gas, electricity and methane production and on associations/partnerships on various offshore projects.

For financing this complex and extensive investment plan, apart from its own sources, ROMGAZ considers sourcing and using external funding under favourable financing conditions. We refer to accessing European funds, funding from international financial institutions or from other banking or financing institutions and stock market-specific financing means. Following the principles of good corporate governance, the company's directors will continue to act during their mandate with maximum responsibility, efficiency, transparency and professionalism in order to efficiently and competitively administer the company in line with shareholders' goals, namely: efficiency and stability, safety and energy security, performance optimization and sustainable development of the company.

We take this opportunity to ensure ROMGAZ investors, shareholders and employees that together we share the same goals, namely to obtain financial results that can increase the added value of company shares. All of us are going through an unforeseen period, a new economic reality that we need to face together with well-balanced and strategic thinking.

During the 111 years since the beginning of our story, ROMGAZ continued to face challenges. The current context is a challenge even for the company. It is a reinvention, an adjustment to the current unprecedented situation. We need to be a united team together with the executive

management and the syndicate and to have a common goal: the company's development under the current challenges and securing high stability and efficiency for employees, investors and shareholders likewise.

What gives us courage?

The company's financial position, the liquidity level and solid capitalization, the sustainable approach, the investments made and planned, help us stepping confidently through this period.

We believe that we will succeed in carrying out our well-established mission based on our strengths: a good relationship with authorities developed over time, a fair partnership with company's Syndicate, a collaboration and permanent and transparent information relationship with investors and shareholders, a prudent and well-balanced approach, our capabilities and our team's experience.

We hereby thank our shareholders for putting confidence in our ability to manage the new reality, to support the Romanian economy and to continue the sustainable development of the company generating long-term value for all parties involved. We are happy that ROMGAZ is a landmark for the Romanian stock market and that a great number of foreign investors support our strategy and plans.

Together with company's executive management, Syndicate and employees we are in the front line to offer Romanians normality during this period. It is a proof of mobilization, accountability, solidarity, attachment to the company and to the civil society in these moments of change in the economic paradigm.

Only together we will be able to achieve our goals!

With great consideration,

Members of SNGN ROMGAZ SA Board of Directors

1. Legal Ground for the Presentation of the Report

The H1 2020 Report of the Board of Directors (January 1 – June 30, 2020) period was drawn up in accordance with Article 55, paragraph (1) of GEO No. 109/November 30, 2011 on corporate governance of public enterprises as subsequently amended and supplemented, namely:

“The public enterprise’s board of directors or supervisory board, as the case may be, shall present to the General Meeting of Shareholders a half-year report on the governance activity, also including information on the performance of mandate contracts of directors and of directorate members respectively, details on the operational activities, financial performance of the company and on the half-year accounting reports of the company”.

2. SNGN Romgaz SA General Overview

2.1. Company Identification and Brief Introduction

Name of Issuer	Societatea Națională de Gaze Naturale "ROMGAZ" SA
Main Scope of Work	Natural Gas Extraction
Headquarters	Mediaș, 4 Constantin I. Moțaș Square, code 551130, Sibiu County
Trade Registry No.	J32/392/2001
Fiscal Code	RO14056826
Legal Entity Identifier (LEI)	2549009R7KJ38D9RW354
Legal form	Joint stock company
Subscribed and paid in share capital	385.422.400 lei
Main characteristics of shares	385,422,400 shares each with a nominal value of RON 1 nominative, ordinary, indivisible shares issued dematerialized and free tradable since November 12, 2013 as <i>SNG</i> – for shares and <i>SNGR</i> – for GDRs
Regulated market where the company's shares are traded	Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)
Telephone/fax	0040 374 401020 / 0040 269 846901
Web/E-mail	www.romgaz.ro / secretariat@romgaz.ro

Brief Introduction

Romgaz is the major natural gas producer and supplier in Romania. In 2013, the company extended its main field of activity becoming an electricity producer and supplier after taking over Iernut power plant.

Thus, the activities carried out by the company are as follows:

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

As of November 12, 2013, the company is listed on Bucharest Stock Exchange (BVB) and on London Stock Exchange (LSE). As of this date, the company's shares are traded on the regulated market governed by BVB under the symbol "*SNG*" and on the regulated market governed by LSE as GDRs issued by the Bank of New York Mellon (1GDR=1 share), under the symbol "*SNGR*".

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

Shareholding

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

	Number of shares	%
Romanian State¹	269,823,080	70.0071
Free float – total,	115,599,320	29.9929
out of which:	97,201,265	25.2194
*legal persons	18,398,055	4.7735
*natural persons		
Total	385,422,400	100.0000



2.2. Mission, vision, values

Romgaz **Mission** is to produce and supply energy under quality, safety, continuity and flexibility conditions.

The company uses all resources in a responsible and ethical manner in order to obtain long-term profit.

Gas production, a strategic objective

From its incorporation, Romgaz mission has been to produce and supply natural gas, thus contributing to the energy independence of Romania and to its economic performance in line with the governmental energy policy.

We offer high quality services and products

Our managers and employees are aware of the importance of customers' relations and their actions are meant to treat all beneficiaries correctly at high standards. Romgaz has always had an interest in permanently improving the quality in order to increase the clients' satisfaction and to set up partnerships with them.

We generate financial advantage

Romgaz profit is a vital element for the company's independence and future development. It is mainly generated by the vision on technology and the system of values, which gives direction to its activity.

¹ The Romanian State through the *Ministry of Economy, Energy and Business Environment*

Vision

Romgaz aims to be an active, profitable and competitive player on the gas and electricity production market.

Romgaz has to pursue both a strong development on the local market and the development on the international market in order to become an important player on the regional energy market

Values promoted by Romgaz are mainly the following:



2.3. Strategic Objectives

In order to meet its main business scope by efficiently using material, financial, informational and human resources, the company set the following strategic objectives:

- ✍ increase of the gas resources and reserves portfolio through the discovery of new resources and the improvement of the recovery rate of already discovered resources;
- ✍ identify new growth and diversification opportunities;
- ✍ increase the company's performance;
- ✍ maintain the natural production decline at maximum 1.5% /year;
- ✍ consolidate the position on the energy supply market;
- ✍ optimise and increase efficiency of the company's organisational structure;
- ✍ elaborate a predictable dividend distribution policy to help potential investors understand the company's financial structure;
- ✍ expand the business regionally by identifying new business opportunities;
- ✍ implement corporate governance principles and the Ethics and Integrity Code;

- ✎ develop reporting, control and risk management capacities;
- ✎ responsible and active involvement in corporate social responsibility actions.

2.4. Company Organization

Romgaz organization structure is a hierarchy-functional type, with a number of six hierarchy levels, from company's shareholders to execution personnel, as follows:

- ↳ General Meeting of Shareholders
- ↳ Board of Directors
- ↳ Director General
- ↳ Deputy Directors General
- ↳ Heads of functional and operational compartments subordinated to the Director General, Deputy Directors General and Branch Directors
- ↳ Execution Personnel

The organisational chart is available for review at:

<https://www.romgaz.ro/sites/default/files/ORGANIGRAMA%2001.10.2019.pdf>.

The duties of the Board of Directors are detailed in the Company's Articles of Incorporation as well as in the Rules of Organization and Operation.

The Director General, the Deputy Directors General, Economic Director, as well as the branch directors are key people in the structure and function of the company. The heads of compartments (branches/departments/directions/offices etc.) representing the connection between the upper structure and the employees of the respective compartment are directly subordinated to the afore-mentioned.

Each compartment has its own attributions well-defined in the company's Rules of Organization and Operation and all these elements work as a whole.

The tasks, competencies and responsibilities of the execution personnel are included in the job descriptions related to each position.

The company had six branches set up based on the specifics of the activities performed and on the region (natural gas production branches) as follows:

- ✎ Sucursala Medias (Medias Branch) having its office in Medias, 5 Garii Street, postal code 551025, Sibiu County, territorially organized in 8 sections;
- ✎ Sucursala Targu Mures (Targu Mures Branch) having its office in Targu Mures, 23 Salcamilor Street, postal code 540202, Mures County, territorially organized in 8 sections;
- ✎ Sucursala de Interventii, Reparatii Capitale si Operatii Speciale la Sonde Medias (SIRCOSS – Branch for Well Workover, Recompletions and Special Well Operations) having its office in Medias, 5 Soseaua Sibiului Street, postal code 551009, Sibiu County, territorially organized in 3 sections and 5 workshops;
- ✎ Sucursala de Transport Tehnologic si Mentenanta Targu Mures (STTM – Technological Transport and Maintenance Branch) having its office in Targu Mures, 6 Barajului Street, postal code 540101, Mures County, territorially organized in 3 sections and 3 workshops;
- ✎ Sucursala de Productie Energie Electrica Iernut (SPEE – Iernut Power Generation Branch) having its office in Iernut, 1 Energeticii Street, postal code 545100, Mures County;
- ✎ Sucursala Bratislava (Bratislava Branch) having its office in Bratislava, City Business Centre V.-Karadžičova 16, code 82108, Slovakia.

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

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

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

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

3. Consolidated Financial-Accounting Information

3.1. Relevant Financial Results (consolidated)

* million RON *

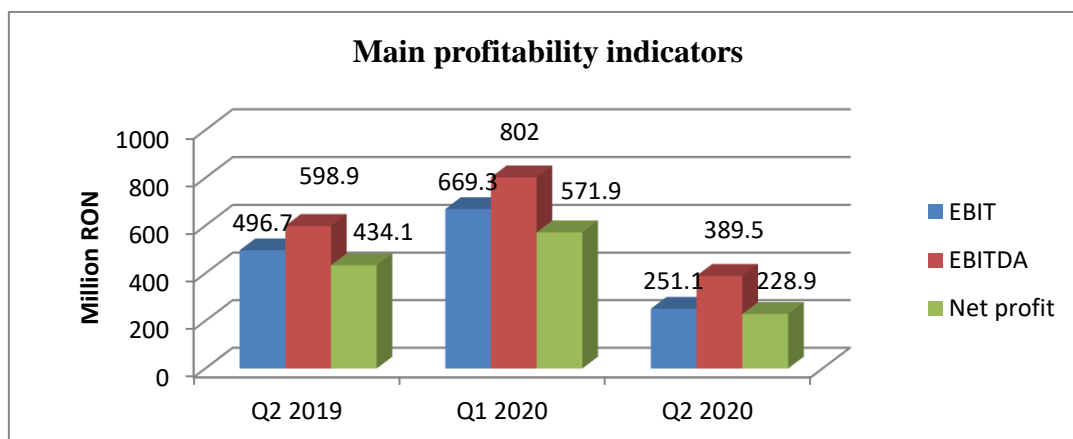
Q2 2019	Q1 2020	Q2 2020	Δ Q2 (%)	Main indicators	HI 2019	HI 2020	Δ HI (%)
1,161.7	1,430.3	763.1	-34.3	Revenue	2,874.8	2,193.4	-23.7
1,229.4	1,413.6	819.8	-33.3	Income	2,912.5	2,233.4	-23.3
719.6	733.6	556.7	-22.6	Expenses	1,762.3	1,290.3	-26.8
(0.2)	0.3	(0.4)	100.0	Share of the associates' result	1.2	(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 (EPS) ^{*)} (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.

The operational and financial performances of Romgaz Group² achieved in H 1 2020 are high even though decreases were recorded as compared to the previous periods.

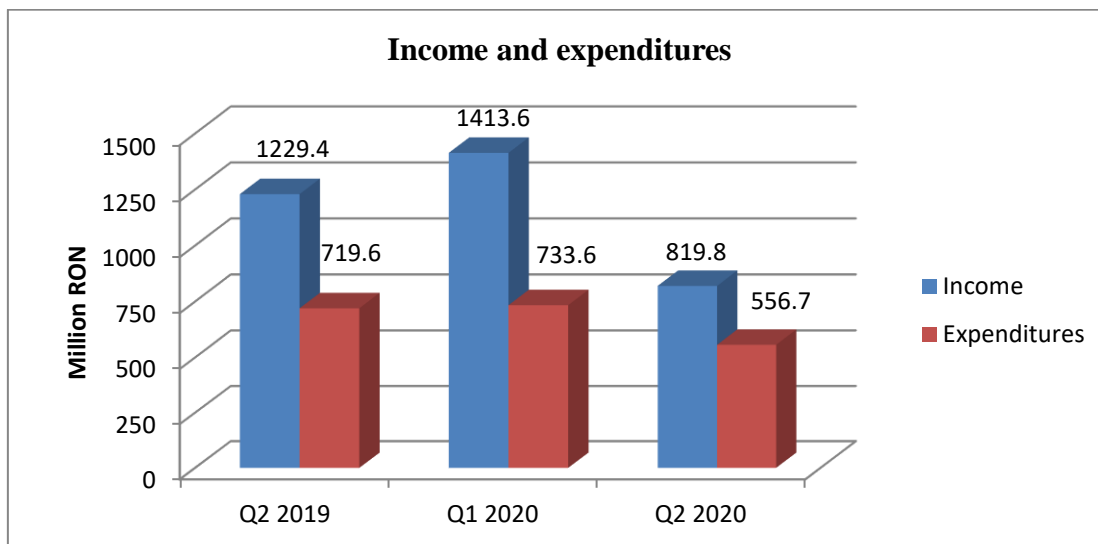


² **Romgaz Group** consists of SNGN Romgaz SA (“the Company”/“Romgaz”) as parent company, Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL (“Depogaz”), is the subsidiary owned 100% by Romgaz, and its associates SC Depomures SA (40% of the share capital) and SC Agri LNG Project Company SRL (25% of the share capital)

The margins of the main profitability indicators in H1 2020: net profit (36.51%), EBIT (41.96%) and EBITDA (54.32%), confirm the high profitability of Romgaz Group activity, recording an increase as compared to H1 2019. However, as compared to Q2 2019, there is a decrease as COVID-19 pandemic affected the Q2 2020 results.

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

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



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

- Consolidated revenue was reduced by 23.7% (RON 681.4 million) as compared to HI 2019, following a decrease of gas sales (-28.75%; - RON 736.6 million); from a quantitative perspective, the deliveries in HI 2020 are lower by 19.3%. At consolidated level, electricity sales increased by 15.0% and storage sales increased by 46.0%. 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 depreciation, amortization and impairment expenses of non-current assets (- RON 94.3 million).
- The updated impairment test for assets used in the gas production activity did not result in additional impairment 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, lower by 16.0% than in H1 2019.

3.2. 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
ASSETS			
<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
Right of use assets	8,590	8,372	-2.54
TOTAL NON-CURRENT ASSETS	5,822,038	5,812,370	0.17
<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
TOTAL CURRENT ASSETS	2,431,135	3,020,511	24.24
TOTAL ASSETS	8,253,173	8,832,881	7.02
EQUITY AND LIABILITIES			
<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
TOTAL EQUITY	7,174,053	7,354,363	2.51
<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
Total non-current liabilities	510,798	508,120	-0.52
<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
Total current liabilities	568,322	970,398	70.75
TOTAL LIABILITIES	1,079,120	1,478,518	37.01
TOTAL EQUITY AND LIABILITIES	8,253,173	8,832,881	7.02

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.

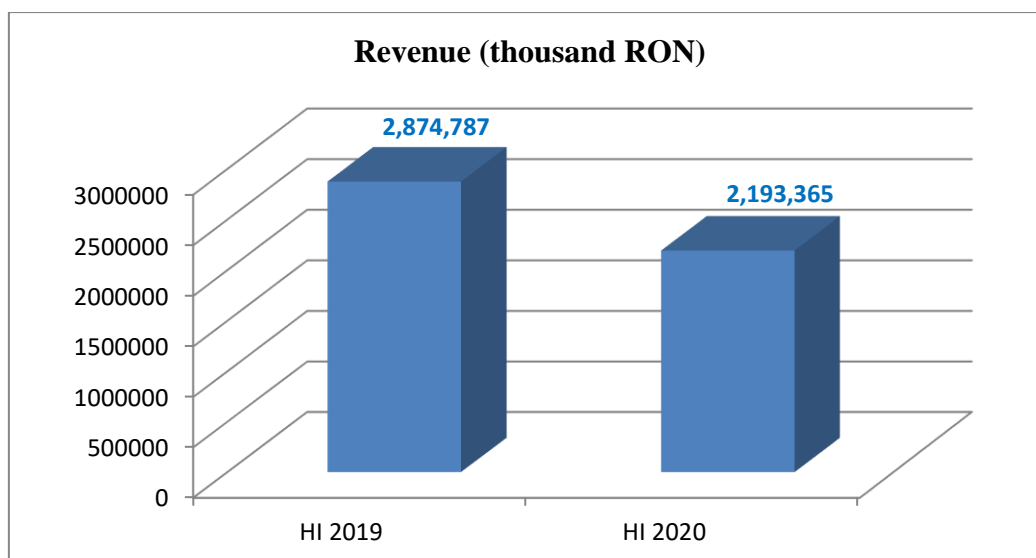
3.3. Interim Statement of Consolidated Comprehensive Income

The Group profit and loss account summary for the period January 1 – June 30, 2020, as compared to the similar period of 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
Profit before tax	1,151,334	943,055	(208,279)	-18.09
Income tax expenses	(175,425)	(142,215)	(33,210)	-18.93
Profit for the period	975,909	800,840	(175,069)	-17.94

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

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:

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)	2,874,787
*H1 2020	2,018,793	172,553	92,370	175,677	(266,028)	2,193,365
<i>Cost of commodities sold</i>						
* H1 2019	(78,792)	(1)	(10,721)	(438)	-	(89,952)
* H12020	(3,460)	(1)	(7,059)	(238)	-	(10,758)
<i>Investment income</i>						
* H1 2019	67	255	10	23,572	-	23,904
* H1 2020	46	617	72	43,067	(21,113)	22,689
<i>Other gains and losses</i>						
* H1 2019	(40,710)	-	(681)	15,424	-	(25,967)
* H12020	(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>						

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation Adjustment	TOTAL
1	2	3	4		5	6
*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>						
*H1 2019	1,067,427	15,909	(3,996)	71,994	-	1,151,334
*H1 2020	874,198	50,439	(18,378)	90,666	(53,870)	943,055
<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>						
*H1 2019	1,067,427	14,983	(3,996)	(102,505)	-	975,909
*H1 2020	874,198	41,828	(18,378)	(42,938)	(53,870)	800,840

3.3. 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
Cash flow from operating activities			
Net profit for the period	975,909	800,840	-17.94
Adjustments for:			
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
Cash generated from operations before movement in working capital	1,520,474	1,193,462	-21.51
Movement of working capital			
(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
Cash generated from operations	1,609,563	1,112,283	-30.90
Interest paid	(187,099)	(167,546)	-10.45
Net cash generated from operations	1,422,464	944,737	-33.58
Cash flows from investing activities			
(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
Net cash used in investing activities	203,922	46,322	-77.28
Cash flows from financing activities			
Dividends paid	(1,606,315)	(78)	-100.00
Repayment of lease liabilities	(312)	(650)	108.33
Net cash used in financing activities	(1,606,627)	(728)	-99.95
Net increase/(decrease) in cash and cash equivalents	19,759	990,331	4,912.05
Cash and cash equivalents at the beginning of the year	566,836	363,943	-35.79
Cash and cash equivalents as of June 30	586,595	1,354,274	130.87

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.

4. Analysis of Operating Activities

4.1. Exploration - Production

Exploration

The exploration activity is carried out in 8 blocks located in Transylvania, Muntenia – Oltenia and Moldova, in accordance with the Concession Agreement approved by Government Resolution No. 23/2000, as of October 1997.

Four (4) exploration wells with positive results for the production tests were put into conservation until the construction of the infrastructure required to move to the experimental or definitive exploration phase.

Drilling works were completed for a number of 11 exploration wells to enter production tests.

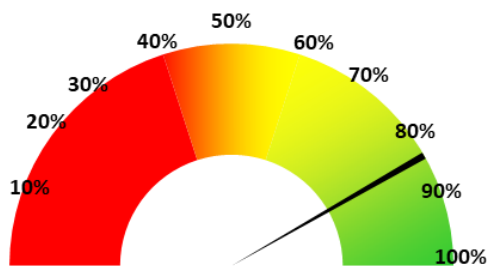
The acquisition of 3D seismic in Block RG 08 Oltenia and Block RG 06 Muntenia North East commenced.

Romgaz designs and plans the exploration works on its own concepts by using modern specialized software, prospectivity assessments of geological areas displaying specific features within the blocks under concession. These are performed by using specific surface exploration methods to identify the areas with hydrocarbon accumulations (prospects), followed by exploration drilling to prove the presence of accumulations.

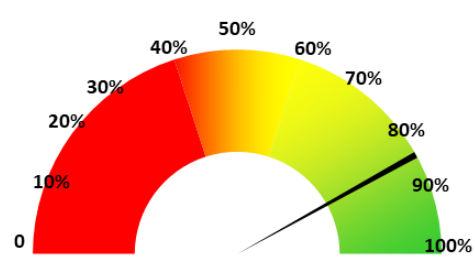
Production

The 2020 annual program for petroleum operations considered the gas demand dynamics, reactivation, recompletion and workover operations, bringing into production wells resulted from exploration activities and production wells, maintenance programs of compressor stations and of dehydration stations, commissioning of new compressor units.

The company's gas production recorded in H1 2020 an amount of 2,245.7 million m³, less by 454.3 million m³ as compared to H1 2019 production (-16.8%) and 415.1 million m³ less than the planned one (-15.6%).



Degree of production achievement in H1 2020 vs H1 2019 (-16.8%)



Degree of production achievement in H1 2020 vs planned for H1 2020 (-15.6%)

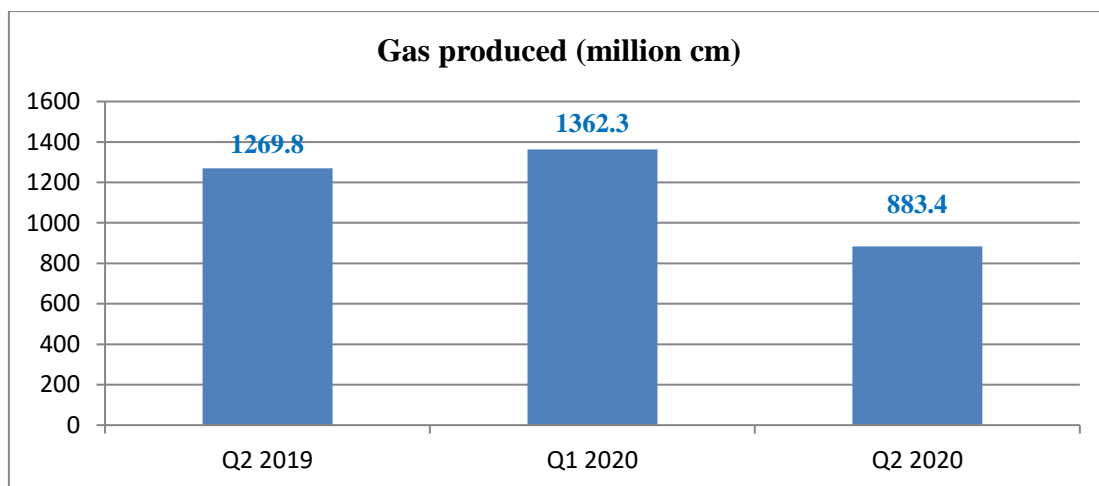
The H1 2020 production was influenced by:

- ✓ Continuous rehabilitation projects of the main mature gas fields
- ✓ Performing repairs and well recompletion operations; a number of 70 wells were completed by the end of H1 2020 having a productive potential of more than 420 thousand m³/day
- ✓ Completion of investments to extend the productive infrastructure and connect two new wells to such infrastructure.

Operational results

The table below shows the summary of the main indicators related to hydrocarbon production and petroleum royalty:

Q2 2019	Q1 2020	Q2 2020	Δ Q2 (%)	Main Indicators	HI 2019	HI 2020	Δ HI (%)
1,269.8	1,362.3	883.4	-30.4	Gas produced (million m ³)	2,699.8	2,245.7	-16.8
90.4	98	59.4	-34.3	Petroleum Royalty (million m ³)	193	157.4	-18.4
4,321	6,497	4,748	9.9	Condensate Production (tons)	9,255	11,245	21.5



4.2. Electricity Generation

CTE Iernut is an important junction point of the NPG (the National Power Grid), located in the centre of the country, in Mures County, on the left bank of Mures River, between towns Iernut and Cuci, with easily accessible gas and industrial water sources and power discharge facilities.

CTE Iernut is operated by Romgaz through *Sucursala de Productie Energie Electrica* (SPEE).

In H1 2020, CTE Iernut had commercial operating licenses for two units: 1x 100 MW unit and 1 x 200 MW unit. The investment works at the 430 MW CCGT Power Plant are ongoing.

Progress of investment works related to the new CTE Iernut power plant allowed operation of both commercial operation licensed units during H1 2020 (available power of 300 MW) as compared to the same period of the previous year when only 1 x 100 MW energy unit was in operation.

Cojocna Project is an outcome of the pressing need of finding ways to experimentally produce from a series of wells resulted from exploratory drilling, in order to determine, as detailed as possible, the production potential of such area. The wells are located far from each other and from the National Transmission System (NTS).

Therefore, gas from wells Palatca 1, Vaida 1 and 2 is used as fuel gas for 2 x 1.5 MW electric power generation units.

The amount of electricity produced is shown in the following table and its evolution was closely related to the energy demand, the evolution of prices on competitive markets, the evolution of investment works carried out at the new CTE Iernut power plant which imply restricting the

operation of the energy units of the old power plant. Thus, in Q2 2020, electricity was not produced due to the following reasons:

- Conditions were ensured for carrying out investment works at the new power plant, which influenced the possibility of concluding long-term contracts for the delivery of electricity;
- Once with the COVID-19 pandemic and following the state of emergency (in order to limit the spread) the electricity demand decreased;
- The Day-Ahead Market prices decreased and while the average price for the first two months was RON 227/MWh, in March the average price was RON 146.87/MWh, and in May RON 122.08/MWh.

	MWh		
	2019	2020	Indices
1	2	3	4=3/2x100
Quarter 1	170,894	258,923	151.51%
Quarter 2	773	36,310	4,697.28%
Half-Year I	171,667	295,233	171.98%

One of Romgaz main strategic directions, provided in “*The Development Strategy for 2015 – 2025*” is to consolidate the company’s position on energy supply markets, and in this respect, in the field of electric power production Romgaz planned to “*improve activity efficiency by new investments to increase Iernut power plant efficiency to 55%, at least, comply with environmental requirements (NOX, CO₂ emissions) and increase operational safety*”.

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

In H1 2020 a series of pieces of equipment were delivered (related to the chemical treatment of water and monitoring of the parameters, automation and protection systems) and materials (construction elements – roof panels). The works at the electrical building and control room and engine room were completed, gas and steam turbo-aggregates, block transformers and rolling bridges were assembled. Construction works were performed at the building sewage, rainwater and technological sewage network.

By Government Decision No.1096/2013 on approving the mechanism for transitional free allocation of greenhouse gas emissions certificates to electricity producers for the period 2013-2020, including the National Investment Plan, the Government of Romania intends to finance the replacement of outworn thermoelectric facilities from a fund fuelled by the sale of greenhouse gas emission certificates, the investment receiving a grant of 25% of the eligible expenses, under financing contracts, within the limits of available funds, in the order in which funding was requested and approved.

4.3. Well Workover, Recompletions and Special Well Operations

This activity is performed by Romgaz Branch “SIRCOSS” and includes:

- Well workover, recompletions operations and production tests;
- Special well operations;

All *well workover, recompletion operations and production tests operations* are performed by means of rig installations.

The second main activity of the branch consists of *Special Well Operations* and it represents the services performed by means of different transportable equipment for downhole and surface operations.

As regards reactivation works, a number of 123 works in wells were scheduled for 2020.

The status of H1 2020 well recompletion works and capitalizable repairs is shown below:

		Mediaş Branch	Tg. Mureş Branch	Romgaz Total
Program	Number of wells	36	26	62
	Daily flow (thousand. m ³)	253	161.5	414.5
Actual	Number of wells	40	30	70
	Daily flow (thousand. m ³)	276.82	150.990	427.810
Balance	Number of wells	4	4	8
	Daily flow (thousand. m ³)	23.82	10.51	13.31

The production increment due to well recompletion and capitalized repairs amounted to 56.942 million m³, which represents 2.53% of the H1 2020 production.

4.4. Transportation and Maintenance

This activity is performed by the Technological Transportation and Maintenance Branch and the scope of activity is the transportation of goods and people, specific technological transportation and maintenance activity for the benefit of the company and of third parties.

4.5. Natural Gas Distribution

The natural gas distribution activity is a regulated activity, and is carried out in the Ghercesti and Piscu Stejari areas. For Ghercesti area, Romgaz concluded concession agreements with the Ministry of Economy and Trade and with the Municipality of Piscu Stejari for the Piscu Stejari distribution. The activity is carried out by Targu-Mures Branch.

4.6. Energy Trading

Romgaz performed its trading activities in H1 2020 in compliance with legal provisions as well as under the principles listed in the Trading Policy (adopted in August 2018), in compliance with transparency, non-discrimination and competition principles, supplemented by efficiency and effectiveness criteria.

The company's trading policy is based on the following:

- the policy related to traded natural gas quantities;
- the price policy;
- the policy related to payments and warranties.

The legal framework regulating the trading activity in the reference period was influenced mainly by the provisions of Law no.123/2012 as subsequently amended and supplemented, especially the amendments implemented by GEO No.114/2018 (namely GEO No.19/2019) reinstating the regulated market for household consumers and or thermal energy producers, solely for the gas quantity used to produce thermal energy for the population, in cogeneration plants and in thermal plants. This regulation had a direct and significant impact on the gas quantities sold.

The main directions of the legal framework applicable to the trading activity aimed at trading obligations on centralised markets as well as at obligations under the secondary legislation

issued by ANRE, especially the Transmission Network Code. Moreover, the activity permanently considered the related laws, especially those in the field of competition (taking into account Romgaz dominant position on the market) as well fiscal and/or corporate laws, having in mind Romgaz obligations as company listed on Bucharest Stock Exchange.

Traded natural gas quantities

The principles listed in the preamble are ensured both as regards quantities traded on the stock exchange, on Romanian centralised markets and as regards quantities traded by direct negotiation.

The national gas consumption recorded in the first six months of 2020 a slight increase as compared to the similar period of the previous year (approximately 1.7%), while Romgaz deliveries decreased by 16% due to a high consumption of import gas. Therefore, Romgaz market share on the Romanian gas delivery market is 36.6%, by 7.8% lower than the market share held in the similar period of 2019 (44.4%).

Romgaz delivered to customers in H1 2020 gas quantities of 22.59 TWh and the gas quantity delivered to CET Iernut was 0.8 TWh. Therefore, the quantities valorised decreased by approximately 21% as compared to the similar period of 2019 and decreased only by 16% as compared to the income and expenditure budget provisions.

The main market factors with influences during the reference period were:

- reduced gas consumption on the market due to relative high temperatures;
- CET Iernut low operation level, decreased by 50% as compared to the budgeted level;
- occurrence of COVID-19 crises at the beginning of March;
- high quantities of import gas for consumption.

Quantitative synthesis for H1 2020 and evolution compared to H1 2019:

Specification	Quantity 2020 (TWh)	Quantity 2019 (TWh)	Evolution %
Total traded gas	22.63	28.64	-21
- Regulated market	12.83	2.36	+443
- Free market, out of which:	9.80	26.28	-62
*centralised market	5.91	14.1	-58
*bilateral contracts	3.89	12.19	-68

Note that quantities delivered by Romgaz on the regulated market in H1 2020 increased as compared to H1 2019 influenced by GEO No.114/2018. Concurrently, taking into consideration the above mentioned factors, the valorised gas quantities recorded a significant decrease.

Evolution of prices

Contract prices for each of the gas sales channels aimed to be competitive as regards prices of other alternative sources and competitive valorisation methods, in order to achieve a price convergence between these.

With respect to the average price achieved in the reference period, it decreased as compared to the average price achieved in the similar period of 2019, such decrease can be attributed both to the increase of quantities delivered to the regulated market (including natural gas from storages) and to the decreasing trend shown on the free market.

Main price drivers that influenced the achieved prices:

- share of the regulated market;
- level of the internal demand and supply;
- alternative import supply sources for the Romanian market;
- obligation to trade on the Romanian centralised market;
- the quantities stored in UGS's.

Taking into consideration that the price for the quantities delivered on the regulated market in H1 2020 was similar to the H1 2019 price (68 RON/MWh) we can speak of a trading price evolution only on the competition market.

Romgaz recorded on this market an average price that increased by approximately 5% as compared to the similar period of the previous year.

Nevertheless, according to the table above, the competition market share decreased significantly in the total deliveries, so that the total average price achieved by Romgaz in H1 2020 decreased by almost 9.5% as compared to the similar period of 2019.

Warranties and payment incidents

Warranties and payment methods used according to the trading policy principles led to insignificant payment incidents in the reference period.

As regards the contracts concluded on centralised markets under various trading methods, these were concluded either under Romgaz own contracts (on the basic competition market) either under standard contracts of market operators. In both cases, the deliveries are secured by payment warranties at a level that does not allow incidents related to taking over quantities or non-payment. On short-term markets (intra-day and day-ahead), the market operator acts as a central counterparty, being able to manage the payment default risk and such risk is controlled based on the contracts under which trading activities are carried out.

In compliance with the trading policy, the contracts concluded by bilateral negotiation include the same advance payment clauses or warranties by means of a Letter of Credit. Although, there are exceptions for the case when payments are certain. In this context, there were insignificant payment incidents related to contracts with deliveries in H1 2020.

4.7. Legal Activity

The summarized breakdown of litigations where Romgaz is involved as of June 30, 2020 is the following:

- ☞ 1010 litigations, out of which:
 - ☞ 833 cases where Romgaz is plaintiff;
 - ☞ 173 cases where Romgaz is defendant;
 - ☞ 4 cases where Romgaz is civil party/injured party.
- ☞ The (approximate) total value of the files where Romgaz is plaintiff amounts RON 2,902,047;
- ☞ The (approximate) total value of the files where Romgaz is defendant amounts RON 464,868,467;
- ☞ The (approximate) total value of the files where Romgaz is civil party amounts RON 286,198,309.

By Decision No. 192/12.03.2020 of the Supreme Council of Magistracy, between March 13, 2020 and May 4, 2020 the activity of Romanian courts was limited strictly to solving exceptional cases.

Investigations performed by the Romanian Court of Accounts – Sibiu Court of Accounts (CCS)

1. The investigation performed in 2016 on *“The situation, evolution and management of the state’s public and private patrimony, as well as lawfulness of achieving income and incurring expenses”*

On March 27, 2020 based on the evidences provided by Romgaz and on the approaches to implement CCS Decision No.26/2016, the Romanian Court of Accounts – Sibiu Court of Accounts issued a new Investigation Report (follow-up) registered at the company under No. 11668.

The Report finds that, according to the evidence provided by Romgaz, 3 out of 4 measures were fully implemented, and one measure was partially implemented. As regards this measure, the company shall be notified with respect to a new decision to extend its implementation term.

In order to render a clear image on the case, we restate the measures ruled for Romgaz by Decision CCS No.26/2016, by determining the value of the alleged unconformities in compliance with the algorithm indicated by CCS:

Item I a) *“Allocation to the 2016 financial result of the equivalent value of certain cancellations representing costs with abandonment of some investment works at specific exploration wells for which producible reserves were not confirmed and which were incurred from the development quota, in compliance with the law; (approximately RON 29 million);*

Item II.a) *“Identification of gas quantities delivered to the regulated market in excess to the quantity it was required to deliver in compliance with data communicated by DOPGN for every customer; establishment of the extent of the prejudice resulting from the difference between the regulated market and the free market gas price for the excess gas delivered on the regulated market, and the recovery of the prejudice” (approximately RON 177 million);*

Item II.b) *“Establishment of the extent of the prejudice representing the equivalent value of flight tickets settled unjustified for the employees benefiting from holiday and medical treatment vouchers in resorts located abroad, and the recovery of the prejudice in compliance with the law.” (approximately RON 350 thousand);*

Item II.c) *“Establishment of the extent of the prejudice created by unlawful payments relating to legal assistance contracts illegally concluded, and the recovery of the prejudice in compliance with the law” (approximately RON 500 thousand);*

Item II.d) *“Identification of all payment statements relating to investment works, where amounts representing the employer’s direct expenses with social security, health insurance, unemployment, wage warranty fund, risk and accidents fund, disabled persons fund, holiday and allowance fund were wrongfully accepted to the “equipment” and “transportation” items of the cost estimate, calculation, establishment of the extent of prejudice, and the recovery of the prejudice in compliance with the law”(approximately RON 2.9 million);*

Item II.e) *“Identification of unjustified payments representing regular overtime pay, calculation, establishment of the extent of prejudice, and the recovery of the prejudice in compliance with the law” (approximately RON 5 million).*

We inform that:

- (i) the 2019 Follow-Up Control report no 19420/31.05.2019 established that the measures were fully implemented:
 - Item.I a – *additional dividend*, and

- Item.II d – *unconformity in connection with recovery of transportation allowance for abroad holiday and treatment vouchers*, and that the other four measures provided in Court of Accounts Decision 26/2016 were partially implemented;
- (ii) the 2020 Follow-Up Control report No. 11668/27.03.2020, established that the measures were fully implemented:
 - Item.II a – *gas market unconformity*;
 - Item.II d – *unconformity regarding the wrongful payment of amounts representing the employer's direct expenses with social security, health insurance, unemployment, wage warranty fund, risk and accidents fund, disabled persons fund, holiday and allowance fund as "equipment" and "transportation" items of the cost estimate*;
 - Item.II e – *unconformity representing unjustified payment of regular overtime pay*; it was also established that the measure provided at Item II c of the Decision is partially implemented because of ongoing legal proceedings. The implementation term was extended to 17.11.2020 by CCS Decision No.26.7/2020.

As regards CCS findings in both Reports, we conclude that the company has to fulfil the measure indicated at item II c), for which the legal proceedings are not finalised yet. The result of the legal proceeding will lead to the method for valuing the result.

2. The investigation performed by the Court of Accounts in 2019 on "*The situation, evolution and management of the state's public and private patrimony as well as on the lawfulness of achieving income and incurring expenses*".

The company was investigated in 2019 by Sibiu Court of Accounts with respect to "*The situation, evolution and management of the state's public and private patrimony as well as on the lawfulness of achieving income and incurring expenses*"; CCS issued Decision No.31/2019 ruling the company to implement 8 measures.

On 27.03.2020, the Follow-Up Report No.11667/27.03.2020 was issued, resulting that all 8 measures ruled by Decision No.31/2019 were fully implemented.

3. The investigation of the Court of Accounts on the manner of using the amounts allocated for health during the COVID-19 pandemic.

SNGN Romgaz SA registered on 26.06.2020 under No. 19816 the Investigation Report on the manner of using the amounts allocated for health during the COVID-19 pandemic, report concluded by the Romanian Court of Accounts – Sibiu Court of Accounts.

Following the investigations, it was found that during the state of emergency, the funds for preventing and fighting against COVID-19 were managed in compliance with legal provisions.

4. The investigation of the Court of Accounts on certain aspects related to the investment "*Gas dehydration station*" Cosereni, Ialomita County.

During this investigation, the Court of Accounts – Sibiu Court of Accounts performed a documentation on the investment "*Gas dehydration station*" Cosereni, Ialomita County.

It was found that ANAP issued on 14.02.2020 the Control Decision No.1420/14.02.2020 notifying SNGN Romgaz SA that the competitive procedure with negotiation for the procurement "*Gas dehydration station Cosereni, fiscal metering system and junction to the NTS*" was selected for investigation ex-ante and requires the contracting authority to take measures for ensuring unlimited access of all ANAP authorised persons to documents and information related to the procurement procedure.

Moreover, it was found that ANAP issued an “*unconditional compliance notice*” on the answers given by Romgaz to the requirements of economic operators interested in the procedure, during the clarification period.

5. Economic Financial Inspection performed by DGRFP Brasov on the manner of calculating the amount that was distributed and transferred as dividends to the major shareholder, the Romanian State.

The Fiscal Inspection – Economic-Financial Inspection Department performed the inspection in the period 27.11.2019 – 31.01.2020 and by the Economic-Financial Inspection Report No.SB 4/31.01.2020 found deficiencies related to the calculation method of the amount distributed and transferred as dividends to the major shareholder, the Romanian State. It issued and conveyed the Compulsory Order No. SB 4/31.01.2020 (BVR-AIF-343/10.02.2020) ruling measures for the deficiencies found and written in the Economic-Financial Inspection Report No. SB 4/31.01.2020 (BVR-AIF-343/10.02.2020) in total amount of RON 24,284,077 with the applicable interest of RON 1,053,929 and delay penalties of RON 526,964.

Against the Compulsory Order no. SB 4/31.01.2020 (BVR-AIF-343/10.02.2020) Romgaz filed a preliminary complaint both to the competent fiscal body and in court, under File No.112/57/2020 of Alba Iulia Court of Appeal, timely using all challenges/remedies.

The rule issued following the preliminary complaint, namely Compulsory Order No.10/10.06.2020 was challenged in a special procedure with the fiscal authority, pending resolution (preliminary complaint filed on 23.07.2020)

4.8. Human Resources

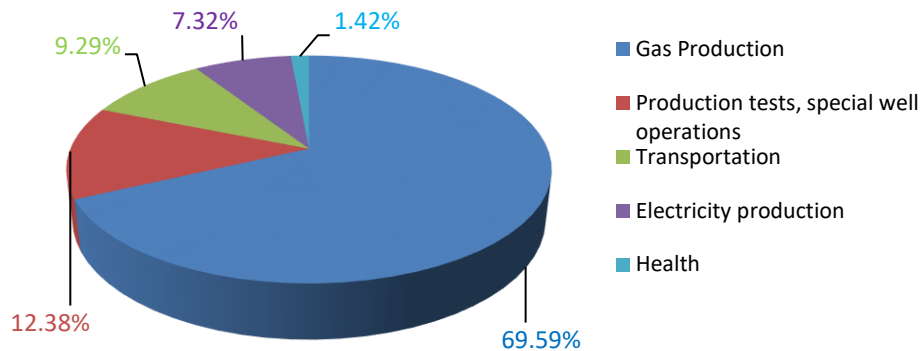
On June 30, 2020 Romgaz Group had 6,208 employees and S.N.G.N. Romgaz S.A. 5,695 employees. As of April 1, 2018 a number of 504 employees terminated the employment relationships with the company transferring to Depogaz.

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



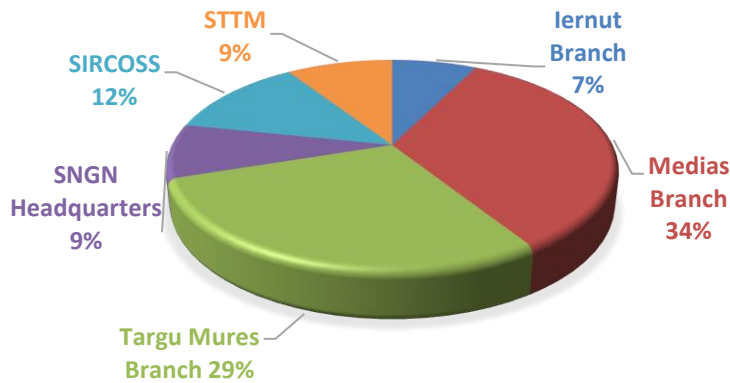
b) by level of education

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

Having in mind the risk of getting COVID-19 as well as in order to ensure safety and health of workers, during the state of emergency and thereafter during the state of alert, Romgaz implemented besides specific sanitary measures, the following:

- prepared for almost 1200 employees addenda to the individual labour agreement to enable teleworking;
- a part of the office personnel works in two shifts, in order to reduce the number of employees at the premises;
- for the essential employees, Romgaz established a 12 h/day working program for 14 days, isolated at the work place. The number of employees that fall under this category:
 - o Iernut Branch: 213 employees;
 - o STTM Târgu Mureş Branch : 20 employees;
 - o Mediaş Branch : 105 employees;
 - o Târgu Mureş Branch : 50 employees.
- In compliance with an internal decision, the activity was reduced and as a consequence some employees were paid according to article 139, para (3) letter b), namely by receiving 75%, for example, 808 employees in May 2020 and 792 employees in April 2020. The table below shows the breakdown on branches of such employees:

Branch	May	April
Iernut	113	115
Medias	69	41
Mures	144	155
SIRCOSS	246	258
Headquarters	14	19
STTM	222	204
Total	808	792

4.9. 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 2017 – June 30, 2020, the **Company** invested approximately *RON 3.10 billion*, as follows:

Year	2017	2018	2019	HI 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*; and out of the H1 investment program of *RON 520.43 million* the company achieved *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, and 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
I. Geological exploration works to discover new methane gas reserves	123,213	106,547	86.47
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electricity generation	188,746	67,133	35.57
III. Maintaining UGS capacity	0	0	0
IV. Environmental protection works	736	544	73.91
V. Retrofitting and revamping of installation and equipment	79,390	93,947	118.33
VI. Independent equipment and installations	20,338	31,623	155.49
VII. Expenses related to studies and projects	1,734	4,032	232.53
TOTAL	414,157	303,826	73.36

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
I. Geological exploration works to discover new methane gas reserves	160,961	106,547	66.19
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electricity generation	132,991	67,133	50.48
III. Maintaining UGS capacity	0	0	0
IV. Environmental protection works	3,364	544	16.17
V. Retrofitting and revamping of installation and equipment	143,131	93,947	65.64

Investment Categories	Scheduled H1 2010	Achieved HI 2020	%
VI. Independent equipment and installations	68,655	31,623	46.06
VII. Expenses related to studies and projects	11,324	4,032	35.61
TOTAL	520,429	303,826	58.38

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
4.	Construction of surface facilities – at shut-in wells	20 surface facilities under construction for putting into production 13 wells	- 2 surface facilities completed for putting into production 2 wells; - 5 surface facilities under construction for putting into production 7 wells; - 4 surface facilities: procurement of works in progress for putting into production 4 wells; - 14 surface facilities pending construction authorisations for putting into production 20 wells; -16 surface facilities: feasibility studies or technical designs in progress for putting into production 16 wells.
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	<u>Raffles Energy SRL</u> - putting into experimental production well 1 Voitinel	Obtaining the Town Planning Permit and the Resolution of initial assessment stage issued by

Item No.	Main Physical Objectives	Planned	Results
		discharging the gas in a G2P (gas to power) power plant	the Environment Protection Agency - commencement of solution study
		<u>Lukoil:</u> -Trinity 1X drilling results reviewed in Q4 2019 - Technological indicators updated as a result of reserve recalculation - Reservoir Development Plan Preparation based on the new information	- estimated to be completed in August 2020 - estimated to be completed in October 2020 - estimated to be completed in December 2020
		<u>Amromco:</u> - drilling one well -3D seismic data acquisition in Stramba and Zatreni blocks - recompletion operations at 11 wells - Works and surface facilities for Stramba –gas conditioning treatment facility extension - abandonment of 30 wells with well abandonment permit - Design and permits for wells to be completed in 2021	- preparation to spud-in well 213 Bibești - recompletion operations at 2 wells -Approximately 13% of works planned to be completed until the end of Q3 2020 - commencement of abandonment works at 21 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, CO₂ 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"> • Electric building and control room • Demineralized water treatment station with two storage tanks • Water storage tank for sprinkler fire fighting • cooling water circuit and heated water circuit, siphoning basin, connection and integration/coupling channels to the existing circuits of the power plant • Cooling water pumping station (underground construction including the mixing room, adduction channels, cooling basin, pumping station) – pump maintenance • Turbine hall (engine room) • overhead crane operating in turbine hall • 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) • Main rack and auxiliary secondary racks HRSGs (metal structure) • 11,5/220 kV block transformers (4 pieces) • 11,5/110 kV block transformers (2 pieces) • BOP transformers (6/0,4 kV 63 kVA)
2	More than 90% completed	<ul style="list-style-type: none"> • technological systems on the main rack and secondary racks HRSGs • Heat recovery steam generator (HRSG) • Auxiliary equipment- components of HRSG, GT, ST • mounting and calibrating HRSG feed pumps • Condensation containers at STs
3	More than 80% completed	<ul style="list-style-type: none"> • auxiliary boiler building and air compressor station - perimeter closing and roof • sprinkler station building • gas compressor station

		<ul style="list-style-type: none"> • assembly of secondary rack (metal structure) for auxiliary thermo-mechanical equipment • low pressure gas supply circuit • excitation transformers
4.	Less than 80% completed	<ul style="list-style-type: none"> • diesel groups platform, starter generators • gas filtration and preheating station • gas heating • gas high pressure circuit • rainwater pumping station (reinforced concrete cofferdam) • encapsulated bars circuits at turbines– block transformers • site vertical systematization

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 H1 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.

Investments in Strategic Projects

On June 15, 2020, the General Meeting of Shareholders approved the company's 2020-2025 Development/Investment Strategy.

One of Romgaz strategic objectives is the identification of new development and diversification opportunities.

To this extent, preliminary steps were taken to make investments in the field of renewable energy and methanol production.

Methanol Production Unit

The Board of Directors approved in its Resolution No. 15/April 22, 2020 the preparation of a prefeasibility study and of a feasibility study, if applicable, to invest in a methanol production unit.

During HI 2020, preliminary steps were taken to prepare the prefeasibility/feasibility study, which resulted in completion of procurement documentation for Specialised Consultancy Services supporting procurement, evaluation and validation of the technical and economic documentation required by GO No. 907/2016 for Phase I and Phase II applicable for this project.

Renewable Energy

During HI 2020, an interdisciplinary team of Romgaz employees implemented a public procurement process for the preparation of an Opportunity Study regarding the company's entry on the renewable energy market: wind, solar, geothermal and biogas.

The procurement proceedings are about to be completed; currently, the company is expecting the relevant documentation from the successful tenderer required for signing the services contract. According to the project implementation schedule, the opportunity study will be completed within 90 days from concluding the services contract, an expected study delivery timeline is end of December 2020.

Combined Cycle Gas Turbine Power Plant – Mintia, in Hunedoara County

Project Status:

- Prefeasibility Study was prepared by ISPE Proiecte și Consultanță București and was approved by Iernut Technical and Economic Committee in June 7, 2019;
- Feasibility Study was prepared by ISPE Proiecte și Consultanță București, approved by Iernut Technical and Economic Committee on March 31, 2020 and filed for approval to the Board on May 6, 2020 by means of Report No. 14795;
- Initiation of proceedings to acquire the 7.22 ha piece of land required for this investment, currently owned by SC Complexul Energetic Hunedoara SA;
- Issuance of the NTS Technical Connection Approval securing the required gas supply to the new plant;
- Tender specification for “Own Engineering” services is under review following which services contracting proceedings will be initiated;
- Initiation of proceedings to access European funding to finance the investment – meetings will be arranged with EIB and Competition Council to discuss funding according to EC/87/2003 Directive, 10 D, respectively.

Prerequisite: Mintia power plant shall not be equipped to produce heat.

The energetic analysis established new operating conditions based on electricity production levels, annual fuel consumption and annual operating costs.

Technical prerequisites of the energetic analysis are:

- | | |
|---------------------------------------|---------------------------------|
| • Produced electricity | 2,395,584 MWh/year |
| • Supplied electricity, out of which: | 2,275,020 MWh/ year |
| ○ Day Ahead Market | 1,516,680 MWh/ year |
| ○ Energy Market | 758,340 MWh/ year |
| • electrical power available to NES | 2,395,584 hMW/ year |
| • fuel consumption | 4,150,530 MWh/ year |
| • annual CO ₂ emissions | 838,241tCO ₂ / year. |

Procurements

The company carried out in H1 2020, 162 procurement procedures in amount of RON 124,710,235 and EUR 8,862,024.59, as follows:

Item no.	Award procedure	Number of procedures	Value awarded (RON)
1	Direct procurement – contract	19	898,842.51
2	Direct procurement – orders	45	2,305,543.48

3	Open tender	56	82,094,462.96
4	Own procedure	18	35,763,933.82
5	Simplified procedure	11	1,705,520.00
6	Negotiation without prior publication	2	1,637,530.56
7	Addendum	11	RON 304,240.00 Euro 8,862,024.59

4.10. Activity performed by the Internal Public Audit Department

The Internal Public Audit Department carries out internal public audit missions on the activities performed within SNGN Romgaz SA structures with respect to setting up and use of public funds and public patrimony and on the management of the company's income and expenses.

The activity is carried out in compliance with the annual Activity Plan of the Internal Audit Department, therefore specific risk analyses were carried out at the end of 2019 to render a solid grounded 2020 Audit Plan, compliant with the company's strategic objectives that should assure their fulfilment.

Both the *2020 Activity Plan of the Internal Audit Department and its first revision* were endorsed by the Audit Committee and approved by the Chief Executive Officer. In H1 2020 the plan underwent a revision generated by the necessity to highlight the ad-hoc missions.

According to the revised Activity Plan, between January 1, 2020 – June 30, 2020:

➤ The following audit missions were **completed**:

- Planned audit mission: *“Assess the activities related to obtaining land for achieving and keeping facilities operational”*;
- Ad-hoc audit mission: *“Substantiate the procurement of “Ford” vehicles started in 2017 and analyse the spare parts stock of the car fleet replaced by this procurement”*;
- Ad-hoc audit mission: *“Analyse the situation related to fines given by ANRE in 2018-2019, namely the measures taken by the upper management”*;

➤ The following audit missions were **initiated**:

- Planned audit mission: *“Asses the activities related to direct procurements”*;
- Planned audit mission: *“Assess procurement contracts in the IT field”*;
- Counselling audit mission: *“Verify the activities related to organisation and management of decision records”*;
- Ad-hoc audit mission: *“Organise the maintenance activity of dehydration stations”*.

The audit reports prepared based on the verifications and endorsed by the Chief Executive Officer were submitted to the Audit Commission for information.

During the actions for monitoring the manner of implementing the recommendations made following audit missions, the Audit Committee recommended to reduce the implementation term for the situations when the term was unduly long. Therefore, after analysing the indicated situations at the audited entities, the terms for implementing some recommendations were reduced.

4.11. Quality, Safety, Occupational Health, Environment

Since the occurrence of SARS CoV 2 in Romania, 14 employees of SNGN Romgaz SA were infected, the situation to date is as follows: 2 deaths, 8 persons healed and discharged from hospital, 4 persons hospitalised.

The following measures were implemented to eliminate the risk of infection with COVID-19:

1. The company established a “*Committee of emergency situations*” as main management body for handling states of emergency and civil protection;
2. Each branch established a “*Unit for emergency situations*” as main management body for handling states of emergency and civil protection.
3. A Work Group was established to elaborate, monitor and implement a “*Measures Plan for ensuring continuity of activities and employee protection, as a result of the situation generated by the risk of infection with COVID-19*”;
4. Preparing an “*Activity continuity plan*” for the headquarters and each branch;
5. Ensuring the equipment needed by employees that work in areas of risk and of third party interactions;
6. Ensuring medical supplies to disinfect hands and work surfaces, floors, etc.;
7. Prepare internal procedures, work instructions, internal notes, decisions to implement resolutions, decisions, orders issued by central public authorities and by local authorities;
8. Adapting the IT infrastructure and electronic communication means to facilitate electronic communication of information and documents;
9. Identifying employees that fall under the risk category, in compliance with article 6 para 2 and 3 of the Order issued by the Ministry of Economy No.766/20.03.2020;
10. Distribution of information included in handouts, in decisions made by emergency committees, prepared by central authorities, military ordinances, general rules for preventing the spread of COVID-19;
11. SNGN Romgaz SA prepared the Instructions on safety and occupational health for WASHING, SANITIZING HANDS, SANITIZING SURFACES;
12. Floors, toilets, door handles, metal bars, elevator buttons cleaning and disinfecting were intensified;
13. Romgaz acquired 400 sanitizer dispensers for the branches and all administrative offices;
14. The company purchased rubbing alcohol for 5734 employees, 1 bottle/week/employee for 8 months. These were distributed for each branch according to a table and against a signature, in compliance with the effective procedure for awarding hygienic-sanitary materials;
15. We limited the access of foreign persons at Romgaz offices;
16. We restricted access to foreign persons at the Research Centre Medias and the medical personnel shall wear protection equipment, rules applicable for employees that will visit the medical office;
17. Leaders of work places have the obligation to train all subordinated employees on the measures enforced nationally and at the company to prevent the spread of COVID-19. Training shall be noted in the individual training sheet on safety and occupational health at “periodical additional training”;
18. In areas of high visibility we placed handouts on washing and sanitizing hands;
19. The Office responsible for Monitoring the Headquarters has the obligation to clean weekly the ventilation system filter. Currently, at the headquarters there are works performed to

- install windows. To this date, work spaces were disinfected and nebulised with special equipment;
20. All transportation means belonging to Romgaz and especially to STTM, minibuses, busses etc. will be cleaned and disinfected daily, depending on their use;
 21. Gatherings, meetings, discussions of more than 10 persons are no longer allowed. In this respect, the employees frequently use electronic communication means (videoconferences / conference calls);
 22. The Company issued the decision on the flexibility of the work program for the company's employees and branches employees (office personnel); the employees have the possibility to request either vacation for nursing the children below 12 years in compliance with Law 19/2020 or teleworking;
 23. The medical personnel from the Occupational Medicine Office received protection equipment in case of diagnosing an employee with COVID-19. The same equipment was made available for employees that visit the medical office for consultations;
 24. Taking into account the essential role played by the Dispatch and the Production Management Department, the respective premises were isolated and access in the area is allowed only for authorised personnel with the access card. On the date hereof, the employees of Romgaz Dispatch – headquarters are teleworking, isolated at their homes;
 25. The Security Department together with security firm employees check the manner of fulfilling security services at Romgaz offices and at critical work locations (compression stations, sections, etc.);
 26. Several measures were implemented at SPEE Iernut for the workers that travel from/to the work place with transportation means made available by the employer in order to allow them to travel by their personal vehicles. At the date hereof all travels by busses, minibuses etc. were suspended, the employees are travelling by their own vehicles;
 27. A message alert system has been enabled, sending informational messages to employees;
 28. Romgaz keeps an electronic evidence, recording all employees that are quarantined, isolated at home/self-isolated, to have a clear real time record with all employees directly/indirectly affected by COVID-19;
 29. Romgaz headquarters and branches purchased and distributed protection equipment for employees (gloves, surgical masks, surface disinfectants etc.);
 30. Since the occurrence of SARS CoV 2 in Romania, 14 employees of SNGN Romgaz SA were infected, the situation to date is as follows: 2 deaths, 8 persons healed and discharged from hospital, 4 persons hospitalised.

We state that Romgaz makes every effort to prevent the spread of SARS COV 2 among its employees and tries as much as possible to make the personnel aware on the dangers of spreading this virus.

5. Analysis of Corporate Activity/Corporate Events

5.1. Board of Directors

The company is governed under an one-tier system, by a Board of Directors composed of 7 members, having on **June 30, 2020** the following structure:

Item No.	Name
1	Stan-Olteanu Manuela-Petronela
2	Jude Aristotel Marius
3	Marin Marius Dumitru
4	Balazs Botond
5	Ciobanu Romeo Cristian
6	Jansen Petrus Antonius Maria
7	Simescu Nicolae Bogdan

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

Item No.	Name
1	Stan-Olteanu Manuela-Petronela
2	Jude Aristotel Marius
3	Hărăbor Tudorel
4	Marin Marius Dumitru
5	Balazs Botond
6	Ciobanu Romeo Cristian
7	Jansen Petrus Antonius Maria

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

Five members of the Board are appointed on a provisional basis, with a mandate until October 26, 2020, the rest of the members having a four-year mandate.

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

Advisory Committees

In its activity, the Board of Directors is supported by **three advisory committees**, namely:

- ✍ Nomination and Remuneration Committee;
- ✍ Audit Committee, and
- ✍ Strategy Committee.

Board of Directors and Advisory Committees Meetings

During H1 2020, **17** Board of Directors **meetings** were held in compliance with legal and statutory provisions, out of which:

- 8 meetings with physical attendance of board members;
- 3 conference-call meetings; and
- 6 electronic vote meetings.

The attendance at the Board of Directors' meetings:

First and Last Name	Number of Meetings during Mandate	P		PA		NP	
		no.	%	no.	%	no.	%
Stan - Olteanu Manuela - Petronela	17	17	100.0				
Balazs Botond	17	17	100.0				
Marin Marius Dumitru	17	17	100.0				
Ciobanu Romeo	17	17	100.0				
Harabor Tudorel	17	16	94.1			1	5.9
Jude Aristotel Marius	17	17	100.0				
Jansen Petrus Antonius Maria	17	16	94.1			1	5.9

where:

P = participate;

PA = power of attorney;

NP = did not participate.

Board members' attendance at Advisory Committees' meetings:

Nomination and Remuneration Committee: 2 meetings

First and Last Name	Physical Attendance
Stan-Olteanu Manuela-Petronela	2
Balazs Botond	2
Harabor Tudorel	2
Ciobanu Romeo	1
Jansen Petrus Antonius Maria	1 1

Audit Committee: 12 meetings

First and Last Name	Physical Attendance
Petrus Jansen Antonius Maria	12
Harabor Tudorel	4
Jude Aristotel Marius	12
Ciobanu Romeo - Cristian	6
Marin Marius Dumitru	12

Strategy Committee: 3 meetings

First and Last Name	Physical Attendance
Stan-Olteanu Manuela-Petronela	2
Jude Aristotel Marius	3
Marin Marius Dumitru	2
Jansen Petrus Maria	1
Balazs Botond	3
Ciobanu Romeo	1

Summary of the Board of Directors' activities:

The Board of Directors' meetings complied with the approved agenda and the main resolution related to:

- approval for initiating negotiations aiming at concluding a partnership with OMV-Petrom and PGNiG S.A. with the scope of entering in Neptun Deep offshore project located in the Black Sea;
- approval to dispose of fully depreciated fixed assets for HI 2019, approval of disposal of undepreciated fixed assets, approval of disposal of depreciated/undepreciated wells for HI 2019;
- approval of disposal of fully depreciated fixed assets for HI 2019;
- approval for downgrading materials and spare parts;
- endorsement of Romgaz withdrawal from Svidnik concession located in the Republic of Slovakia and convening the EGMS for approving Romgaz withdrawal from Svidnik concession located in the Republic of Slovakia;
- endorsement of the Preliminary Consolidated Report on the Economic and Financial Activity of SNGN Romgaz SA Group for 2019;
- endorsement of the extension of fixed assets rental agreements concluded between SNGN Romgaz SA and Natural Gas Storage Subsidiary Depogaz Ploiești SRL;
- approval of Romgaz Board of Directors' Consolidated Report for 2019.
- approval of the Report on payments to governments for 2019;
- endorsement of the Annual Individual Financial Statements of SNGN Romgaz SA for the year ended on December 31, 2019, prepared in compliance with the International Financial Reporting Standards (IFRS) accompanied by the Report of the Independent Auditor Ernst&Young Assurance Service SRL;
- endorsement of the Annual Consolidated Financial Statements of SNGN Romgaz SA for the year ended on December 31, 2019, prepared in compliance with the International Financial Reporting Standards (IFRS) accompanied by the Report of the Independent Auditor Ernst&Young Assurance Service SRL;
- endorsement of net profit distribution for 2019;
- endorsement of the gross dividend per share related to the net profit of 2019;
- endorsement of the gross dividend per share distributed from retained earnings of assets financed from the development quota;
- endorsement of the gross dividend per share distributed from the net profit of 2019 and from retained earnings;
- endorsement of employees' participation to profit;
- endorsement of the maximum threshold of the insured amount relating to the professional liability insurance of Board members, in amount of EUR 100,000,000;
- endorsement of the 2020 Individual Income and Expenditure Budget of SNGN ROMGAZ SA Medias;
- approval for preparing a prefeasibility study and, as the case may be, a feasibility study relating to investing in a methanol production unit;

- approval for reallocating the budgeted amount of RON 3.3 million from sponsorship of other actions and activities in Q2, Q3 and Q4 2020 to sponsorship for medical and health purposes in Q2 2020;
- approval for contracting and paying sponsorships for medical and health purposes for Q2 and Q3 of 2020 in view of supporting actions undertaken to fight the coronavirus pandemic;
- endorsement of increasing the credit facility threshold up to a USD 100 million limit for the issuance of letters of credit;
- endorsement of Romgaz 2020-2025 Development/Investment Strategy;
- endorsement of Simplified Interim Consolidated Financial Statements for the quarter ended on March 31, 2020;
- approval of Quarterly Report on Romgaz Group economic-financial activity on March 31, 2020;
- approval of 2019 Managers' Activity Report;
- approval of the Board of Directors' Statement on the undertaking to develop and implement the internal management control system and the risk management policy;
- approval to reallocate the amounts budgeted in the individual 2020 Budget for Q3 and Q4 for medical and health activities to the same line of Q2 2020 Budget for medical and health activities.

The Board of Directors also carries out any other activities that are under its responsibility, in compliance with the provisions of the Contract of Mandate, Romgaz Articles of Incorporation and the legal provisions applicable in this field.

5.2. Upper Management

Upper Management

The company's Board of Directors, in compliance with the provisions of Law No. 31/1990 (Article 143, paragraph (1)), the GEO No. 109.2011 (Article 35 paragraph (1) and the Articles of Incorporation of the Company (Article 19 paragraph (2)), decided to appoint Mr. Constantin Adrian Volintiru as *Chief Executive Officer (CEO)* as of 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.

The Board of Directors established the duties delegated to the CEO, as follows:

A. Duties related to the internal management of the company:

- a) Carries out the *Company's* main activity and development directions established by the Board of Directors;
- b) Carries out the *Company's* development strategies and/or policies approved by the Board of Directors;
- c) Monitors the implementation of accounting and financial control policies and approves the financial statements and financial planning reports;
- d) Concludes legal acts on behalf of, in the interest of and on the account of the *Company*, in accordance with Law No. 31/1990. For contracts with an equivalent value between EUR 1,000,000 and EUR 10,000,000 it is required to inform the Board of Directors within 30 days. The Board of Directors approves Contracts with a value higher or equal to the equivalent of EUR 10,000,000;
- e) Organizes the *Company's* personnel selection, hires, awards, sanctions and dismisses, as appropriate, the *Company's* personnel, in order to ensure a proper conduct of the *Company's* activity, in compliance with the provisions of the Labour Law and the collective employment agreement.
- f) Appoints, suspends and/or revokes from their positions the units' managers and the executive managers employed by the company and negotiates their basic salaries;
- g) Submits for approval of the Board of Directors the Rules of Organization and Operation of the *Company* and the organizational chart;
- h) Approves the *Company's* organizational and functional chart, as well as the other internal documents regulating the *Company's* activity, at employees level;
- i) Negotiates the Collective Employment Agreement (CEA) and the individual employment agreements in compliance with the provisions of the CEA – salary and social expenses and fund limits provided in the income and expenditure budget approved by the *Company's* General Meeting of Shareholders;
- j) Establishes the competencies, attributions, duties and responsibilities of the personnel by departments, except for executive board members and managers who signed a contract of mandate;
- k) Surveys business opportunities with internal and external partners in compliance with the *Company's* interest;
- l) Ensures efficiency of the internal control system as well as the management system, in compliance with the effective legislation;
- m) Ensures the organization and management of the activities of the *Company*, their coordination and control as regards the compliance with the lawful usage of financial, material and human resources, in accordance with the accounting system approved by the

Company's Board of Directors and with the applicable legal provisions relating to and of this Contract of Mandate;

- n) Represents the Company with full and discretionary rights in General Meetings and Boards of Directors of third companies where the Company is partner/shareholder, except for the appointment and revoking of members in their administrative bodies, which shall be carried out by special mandate granted by the Board of Directors;
- o) May delegate the power to represent the Company for specific documents, by its decision, with prior approval of the Board of Directors;
- p) Ensures and promotes the image of the *Company*;
- q) Fulfils any other duties provided by the Applicable Legal Framework, in compliance with the law.

B. Duties related to the representation of the company:

- ↳ Represents the company when concluding/issuing of legal documents, within the value limit established by the Board of Directors;
- ↳ Represents of the company in pre-contractual, administrative and/or legal procedures;
- ↳ fulfils any other accessory duties, namely any acts and materials necessary and useful for achieving the above-mentioned duties.

The members of the upper management, except the chief executive 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.

5.3. Activity on the Capital Market

Romgaz on the stock exchange

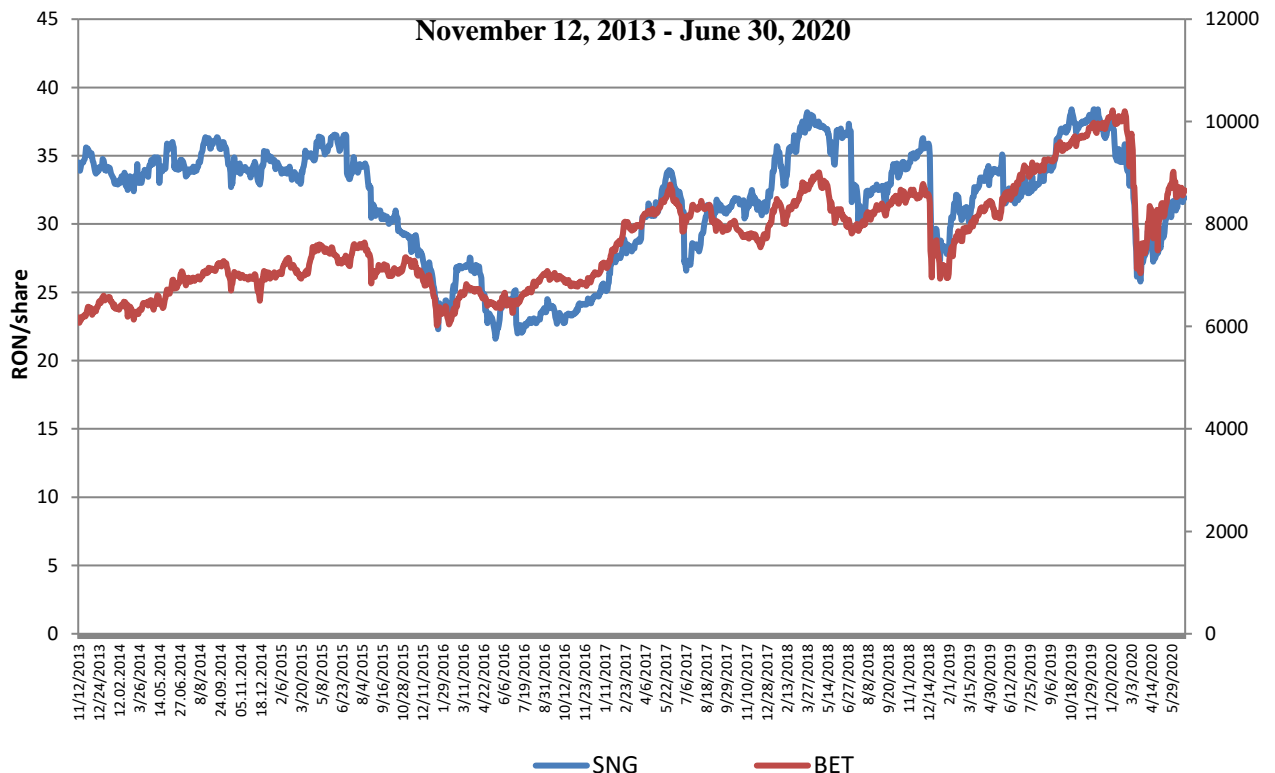
Since November 12, 2013, the company's shares have been traded on the regulated market governed by BVB (Bucharest Stock Exchange) – under the symbol “SNG” and on the regulated market governed by LSE (London Stock Exchange), as GDRs issued by the Bank of New York Mellon – under the symbol “SNGR”.

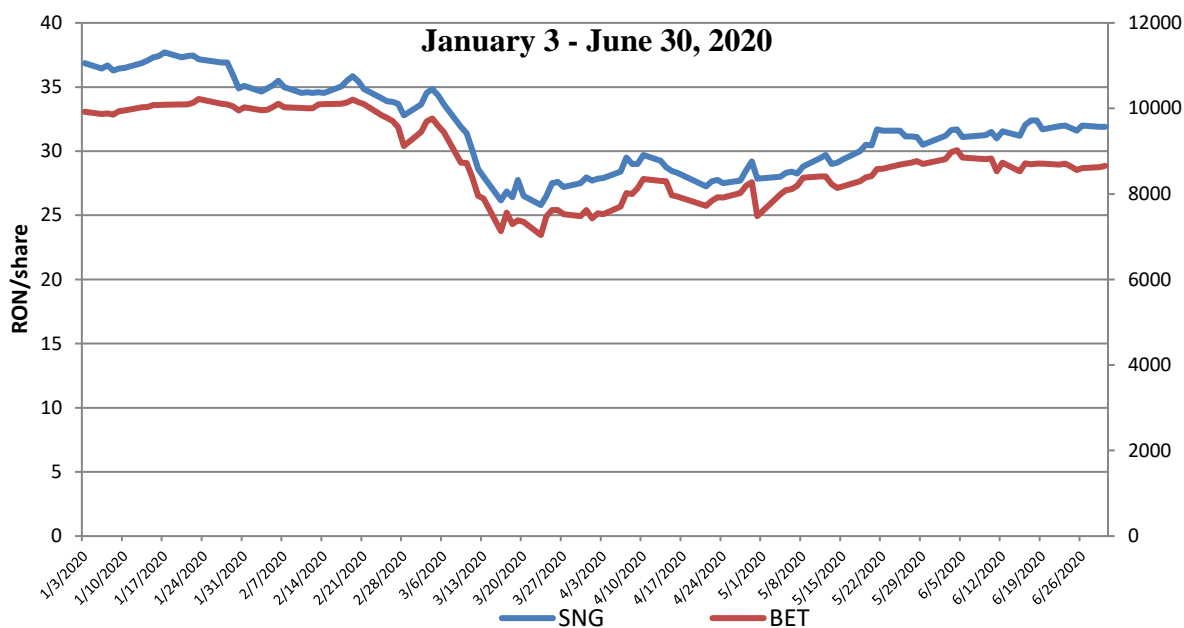
Romgaz is considered an attractive company for the investors in terms of dividend distribution to shareholders and the company's stability.

Romgaz is among the most significant local issuers and is also included in the BVB trading indices, as follows:

- 2nd 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);
- 4th place by trading value in H1 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).

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 ^{)}

^{*)} – 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.

Investor Relations

For H1 2020, Romgaz organized investor meetings and participated in events organized by financial institutions both from Romania and from abroad, noting that starting with March, due to the pandemic generated by COVID-19, the events have all been organized by means of distance communication, as follows:

- ✍ 2 conference-call meetings organized by Romgaz with analysts and investors in order to discuss the results reported for 2019, preliminary (February 25, 2020) and for Q1 2020 (May 18, 2020);
- ✍ 4 international conferences and conference-call meetings:
 - “*Austria & CEE Investor Conference*” (organized by Erste Group Bank AG at London on January 30, 2020) – there were 4 meetings with the investors;
 - “*EME NYC! Virtual Conference*” (organized by WOOD & Company, March 25th - 26th, 2020) – there were 6 online meetings with the investors;
 - “*MEA Commodities - Well grounded*” Virtual Conference (organized by WOOD& Company), June 16th – 17th, 2020 – there were 7 online meetings with the investors;
 - “*Spring European MidCap Event*” Virtual Conference (organized by Bucharest Stock Exchange, Bolsas y Mercados Espanoles – Spain Stock Exchange and Deutsche Borse Cash Market – Germany Stock Exchange Intermonte Investment Bank of Italy, June 23, 2020 – there were 3 online meetings with the investors;
- ✍ 4 meetings at the request of Pictet Asset Management UK, Dentons Europe, Trigon Capital Estonia and Harding Loevner USA – in January and March, 2020;
- ✍ 1 conference-call meeting at the request of NN Pensii Romania (NN Romania Pensions) in April, 2020;
- ✍ 3 events on the capital market (2 organized by Ziarul Bursa and the launching of “The Romanian Investor Relations Association” - ARIR).

All requests for information addressed by financial analysts and investors received the answers – by either e-mail or telephone.

“*Romgaz Group Presentations*” with financial and operational data updated for 2019 and for Q1 2020, both in English and in Romanian are available on Romgaz website.

To fulfil the transparency criteria established by BVB and ARIR, the following were also carried out, updated and posted on the company’s website: transcripts of the 2 conference-call meetings organized in order to discuss the financial results, summaries of the reported financial results (xls format) – to help investors process data easily, a list with the financial analysts who prepare reports on Romgaz.

5.4. Dividend Policy

The General Meeting of Shareholders determines the value of dividends to be distributed to shareholders considering the specific legal provisions.

Therefore, **Government Ordinance No.64/2001**³ approved by *Law No. nr.769/2001* as amended, provides at Article 1, par. (1), let. f) that the profit after the deduction of profit tax is distributed *minimum* 50% as dividends.

By way of derogation from provisions of Law No. 31/1990 providing that the dividends must be paid no later than six months after the approval of the annual financial statements, the state-owned companies are required, according to the provisions of Government Ordinance nr.64/2001, to pay the due dividends to the shareholders *within 60 days* from the legal deadline for the submission of the annual financial statements of the competent fiscal authorities.

According to **Government Emergency Ordinance No.29/2017**⁴:

- ☞ “*The amounts distributed in the previous years from other reserves under the provisions of Art. 1 para (1) let. (g) of Government Ordinance No.64/2001 [...], existing at the date of entry into force of this Emergency Ordinance, can be redistributed as dividends [...]*” - Art.II;
- ☞ “*After the approval of the financial statements of 2016, the entities provided in Art. 1, par. (1) of the Government Ordinance No.64/2001, [...], the retained earnings existing in the balance account on December 31, can be distributed as dividends”* - Art.III par. (1).

The company's Board of Directors approved the internal rule “*Dividend Policy*” on March 2017, published on the company's website www.romgaz.ro, at “*Investor Relations – Corporate Governance – Reference Documents*”.

³ Government Ordinance No. 64/August 30, 2001 on distribution of profit in majority state-owned companies as well as in autonomous regies

⁴ Government Emergency Ordinance No. 29 of March 30, 2017 to amend Art. 1 par. (1) let. g) of Government Ordinance No. 64/2001 on the distribution of profits in national companies, and trading companies with full or majority state capital, as well as in autonomous regies, and to amend Art. 1 par. (2) and (3) of Government Emergency Ordinance No.109/2001 on corporate governance of public enterprises.

5.5. Sponsorships

Romgaz activities in the field of social responsibility are performed voluntarily, beyond the legal responsibilities, the company being aware of its role in society, which has been redefined as a result of the globalization of the markets and the emergence of social and environmental challenges.

Responsible for its dynamic relationship towards the business activity, the company and the environment, Romgaz has over time extended its responsibility towards the shareholders and the social media influenced by its activity. As an energy company, Romgaz is aware of its responsibility towards the communities where it operates. Sponsorship is an integral part of the social responsibility strategy and in doing so, it wants to contribute to the development of the company and to be actively involved in solving its problems.

Main fields that fall within the scope of support are: education, sports, culture, medical and health purposes, environment protection, energy efficiency, social and group/communities of deprived people.

In view of the COVID-19 pandemic, the sponsorship activity was mainly achieved in the field of health, in this respect 19 COVID support units in the country benefited from financial support: Emergency County Hospital of Slatina, Town Hospital of Mediaş, Emergency Clinical County Hospital of Tg. Mureş, Emergency County Hospital of Vaslui, Emergency County Hospital of Alba.

During H1 2020, Romgaz carried out sponsorships in amount of RON 11,790,500, as follows:

- RON 10,250,000 for category a) of GEO No.2/2015 – Health;
- Ron 810,000 for category b) of GEO No.2/2015 – Social and Sports;
- RON 730,500 for category c) of GEO No.2/2015 – Others.

5.6. General Meetings of Shareholders

During H1 2020, 9 General Meetings of Shareholders were held (5 Ordinary Meetings and 4 Extraordinary Meetings) and 8 resolutions were issued. Detailed information regarding the meetings and the materials presented during the meetings are published on the company's website at <https://www.romgaz.ro/en/aga>

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. 24/2017⁵ 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 are public documents, posted on Bucharest Stock Exchange website, as well as that the current quarterly reports with the legal acts concluded in each quarter, reports audited by the company's financial audit, are published on company's website, for more details on concluded legal acts please access company's website www.romgaz.ro, under Investor Relations – News and Events – Current Reports-Contracts (“Auditor Report”).

A synthesis of the legal documents concluded under Article 52 of GEO No. 109/2011 is attached to this Report.

⁵ Law No. 24 of March 21, 2017 on market operations and issuers of financial instruments.

7. Performance of Contracts of Mandate of Managers and Members of the Board of Directors

7.1. Directors' Agreements

In H1 2020 the following directors' agreements were effective: those for members appointed by the General Meeting of Shareholders in 2018 for a four-year mandate (2 members), for interim board members appointed for 4 months in December 2019 and whose contracts have been extended by 2 months, as well as for interim board 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 board members for a mandate of 4 years.

After preparing and approving the Governing Plan, the General Meeting of Shareholders was convened to negotiate and approve the financial and non-financial performance indicators to be included in the Directors' Agreements by an addendum thereto. By Resolution No. 4 of May 15, 2019, the General Meeting of Shareholders "*did not approve the key financial and non-financial performance indicators resulting from S.N.G.N. ROMGAZ S.A. Governing Plan prepared for 2018 – 2022*".

By Resolution No. 11 of December 23, 2019, the company's shareholders appointed 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 to extend the mandate of interim board 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 appointed the interim board members for a mandate of 4 months and established the fixed monthly gross allowance.

The Directors' Agreements do not include the key financial and non-financial performance indicators and, consequently, the board members did not benefit from a variable allowance in H1 2020.

The monthly fixed remuneration for H1 2020 was set at a monthly gross allowance equal to twice the average over the last 12 months of the average monthly gross salary for the activity performed in accordance with the company's core business, at class level, according to the classification of the activities in the national economy, as communicated by the National Statistics Institute prior to the appointment.

7.2. Contracts of Mandate

By Resolution No. 29 of June 14, 2018, the Board of Directors appointed Mr. *Constantin Adrian Volintiru* as CEO of the company for a period of four months and by Resolution No. 45 of October 1, 2018, the Board of Directors decided to appoint Mr. *Constantin Adrian Volintiru* the CEO of the company for a four-year mandate.

The Contract of Mandate concluded between the Board of Directors and the CEO of the company does not provide the performance indicators and criteria. These will be negotiated and included in the Contract of Mandate by an Addendum after the approval of the General Meeting of Shareholders of the key financial and non-financial performance indicators, thus, the CEO did not benefited of variable allowance for H1 2020.

The monthly fixed remuneration for H1 2020 for the execution of the mandate was set at a monthly gross allowance in amount of six times the average over the last 12 months of the average gross monthly salary earned in the branch in which the company operates, as communicated by the National Statistics Institute prior to the appointment. The fixed allowance shall be updated at the beginning of each year according to data provided by the National Statistics Institute.

*Chairperson of the Board of Directors,
Stan-Olteanu Manuela-Petronela*