



Societatea Națională de Gaze Naturale “ROMGAZ” SA

BOARD OF DIRECTORS’ REPORT

1ST HALF YEAR 2021



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Identification details on report and issuer

Report based on	<i>Law no. 24/2017 on issuers of financial instruments and market operations (Article 65) and ASF Regulation (Financial Supervisory Authority) no.5/2018 on issuers of financial instruments and market operations (Annex 14) for the six-month period ended on June 30, 2021 (HI of financial year 2021)</i> <i>GEO no.109 of November 30, 2011 on corporate governance of public enterprises, as subsequently amended and supplemented – art.55 para (1)</i>
Report Date	August 13, 2021
Company Name	Societatea Națională de Gaze Naturale “ROMGAZ” SA
Headquarters	Mediaș, 4 Piața Constantin I. Moțaș, 551130, Sibiu County
Telephone/fax number	0040 374 401020 / 0040 269 846901
Web/E-mail	www.romgaz.ro / secretariat@romgaz.ro
Fiscal Code	RO14056826
Legal Entity Identifier (LEI)	2549009R7KJ38D9RW354
Regulated market where the company’s shares are traded	Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)
Subscribed and paid in share capital	RON 385,422,400
Shares main characteristics	385,422,400 shares, each with a nominal value of RON 1; nominative, ordinary, indivisible shares, issued dematerialised and free tradable since November 12, 2013 as SNG – for shares and SNGR – for GDRs

I. 1st Half Year 2021 Overview

1.1. Romgaz Group Performances¹

Romgaz Group keeps high operational and financial performances in the first six months of 2021.

National gas consumption recorded an approximately 8% increase for the first 6 months of 2021 as compared to the similar period of last year, while Romgaz deliveries increased by 23.7%. Therefore, Romgaz has a **53% market share** in terms of deliveries from internal production, by 8.6% higher than the share held in the similar period of 2020.

Natural gas production for first half of 2021, was **2,519.2 million m³**, by 12.2% (273.5 million m³) higher than the production achieved in the similar period of last year.

Romgaz *electricity production* reached **203.08 GW**, lower by 92.15 GWh than the production in the similar period of 2020 (-31.21%). This production placed Romgaz at a market share of 0.67%².

Consolidated net profit per share (EPS) was RON 2.0.

Margins of high profitability indicators for H1 2021: net consolidated profit (**33.8%**), consolidated EBIT (**38.9%**) and consolidated EBITDA (**52.7%**) are slightly decreasing as compared to the first half of 2020 (36.5%; 42.0 and 55.3% respectively) but maintain a high rate.

Relevant financial results (consolidated)

RON million

Q2 2020	Q1 2021	Q2 2021	Δ Q2 (%)	Main indicators	HI 2020	HI 2021	Δ HI (%)
763.1	1,327.2	922.8	20.9	Revenue	2,193.4	2,250.0	2.58
819.8	1,256.1	1,002.1	22.2	Income	2,233.4	2,258.2	1.11
556.7	693.5	662.0	18.9	Expenses	1,290.3	1,355.5	5.05
(0.4)	(0.2)	(0.6)	50.0	Share of the associates' result	(0.1)	(0.8)	700.00
262.8	562.4	339.6	29.2	Gross Profit	943.1	901.9	-4.37
33.9	98.6	41.7	23.0	Profit Tax	142.2	140.3	-1.34
228.9	463.8	297.8	30.1	Net Profit	800.8	761.6	-4.90
251.1	548.6	326.8	30.1	EBIT	920.4	875.4	-4.89
398.0	695.7	489.9	23.1	EBITDA	1,213.3	1,185.7	-2.27
0.6	1.2	0.8	33.3	Earnings per share ^{*)} (RON)	2.1	2.0	-5.90
30.00	34.94	32.27	7.6	Net Profit Rate (% from Revenue)	36.51	33.85	-7.29
32.91	41.33	35.41	7.6	EBIT ratio (% from Revenue)	41.96	38.91	-7.28
52.16	52.42	53.09	1.8	EBITDA ratio (% from Revenue)	55.32	52.70	-4.74
6,208	6,126	6,066	-2.29	Number of employees at the end of the period	6,208	6,066	-2.29

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.

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

² Source: CNTEE Transelectrica SA

Summary of the Group's main indicators for HI 2021:

- ↳ *Total income* is by RON 24.8 million higher, recording a 1.11% rise while total expenses increased by 5.05%;
- ↳ *Net consolidated profit* of RON 761.6 million, by 4.90 % lower, RON 39.2 million respectively, as compared to the similar period of the previous year. The following significant factors influenced the result of H1 2021:
 - Romgaz won in court a litigation against ANAF (National Agency for Fiscal Administration) requesting annulment of a fiscal inspection report related to an investigation performed during December 2016 – April 2017, which led to an income of RON 28.02 million from offsetting the impairment set up for such receivable;
 - Increase of greenhouse gas emission certificates price had a net negative impact on H1 2021 result of RON 70.8 million;
 - Following deregulation of prices in the gas sector windfall tax decreased by RON 61.09 million as compared to H1 2020;
 - Increase of petroleum royalty expenses by RON 78.2 million in H1 2021 as compared to the previous period;
 - Decrease of revenues from storage activities by RON 27.1 million due to booking lower storage capacities in 2021-2022 storage cycle than in the previous storage cycle. In H1 2021 Depogaz clients withdrew from storages 1,420.7 million m³ (H1 2020: 923.9 million m³), but injected only 559 million m³ (H1 2020: 571 million m³), resulting in a decrease of 861,7 million m³ gas in storages (H1 2020: 352.9 million m³);
- ↳ *Labour productivity* increased as compared to the previous period, from RON 353.31 thousand revenue/employee in H1 2020 to 370.92 thousand revenue/employee in H1 2021 (+5%);
- ↳ EPS of RON 2.0 is by 5.9% lower than recorded in H1 2020.

Operational results

Q2 2020	Q1 2021	Q2 2021	Δ Q2 (%)	Main indicators	HI 2020	HI 2021	Δ HI (%)
883.4	1,311.5	1,207.7	36.7	Gas production (million m ³)	2,245.7	2,519.2	12.2
59.4	93	84.1	41.6	Petroleum royalty (million m ³)	157.4	176.9	12.4
4,748	6,351	6,515	37.2	Condensate production (tons)	11,245	12,865	14.4
36.31	202.1	1.0	-97.2	Electricity production (GWh)	295.2	203.1	-31.2
28.5	1,289.9	130.8	359.0	Invoiced UGS withdrawal services (million m3)	923.9	1,420.7	53.8
530.3	2.4	556.6	2.1	Invoiced UGS injection services (million m3)	571.0	559.0	-2.1

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

2,519.2 million m³ is Romgaz production in H1 2021, by 273.4 million m³ (12.2%) more than in the similar period of last year.

HI 2021 production was supported by:

- ✓ optimisation of gas field exploitation;
- ✓ ongoing rehabilitation projects of main mature gas fields;



- ✓ well workover operations that resulted in reactivation of several wells with significant flow rates;
- ✓ investments to stream in production new wells resulted from exploration drilling.

Electricity production is shown in the table below and its trend was closely connected to the energy demand, price trends on competitive markets and the quantity of fuel allocated thereto.

	<i>*MWh*</i>		
	2020	2021	Ratio
1	2	3	4=3/2x100
Q 1	258,923	202,073	-21.96%
Q 2	36,310	1,010	-97.22%
H I	295,233	203,083	-31.21%

1.2. Significant events

January 13, 2021

SNGN Romgaz SA Board of Directors revoked by Resolution No.1 Mr. Constantin Adrian Volintiru from the position as Chief Executive Officer, terminating the contract of mandate concluded between the company and Mr. Volintiru.

Until the appointment of a new chief executive officer, Mr. Daniel Corneliu Pena – Deputy Chief Executive Officer, exercised the company's management including legal representation.

January 25, 2021

Following each employee's voluntary decision to get the vaccine, Romgaz undertook the responsible role to register employees' identification data on the official vaccination platform, as an engagement to facilitate vaccination for company employees by including them in the IInd phase of the national vaccination program.

February 12, 2021

The Board of Directors convened on February 12, 2021 took note of Mr. Aristotel Marius Jude resignation as chairman of the board, by Resolution No. 10.

During the same meeting, the Board appointed by Resolution No. 11 Mr. Aristotel Marius Jude as SNGN Romgaz SA Chief Executive Officer as of February 13, 2021 for a temporary mandate of 2 months, following resignation of Mr. Daniel Corneliu Pena, former deputy chief executive officer with mandate and CEO duties.

March 11, 2021

According to Resolution No.1, further to casting the cumulative vote, the company's shareholders appointed the following persons as members of the Board of Directors for a temporary four-month mandate:

- ✍ Jude Aristotel Marius
- ✍ Simescu Nicolae Bogdan
- ✍ Stan Olteanu Manuela Petronela
- ✍ Drăgan Dan Dragoş
- ✍ Niculescu George Sergiu
- ✍ Balazs Botond
- ✍ Sorici Gheorghe Silivan.

Following Board members were revoked: Mr. Ciobanu Romeo Cristian, Mr. Jansen Petrus Antonius Maria and Mr. Marin Marius Dumitru.

March 30, 2021

The Board of Directors endorsed the binding offer to acquire all shares issued ExxonMobil Exploration and Production Romania Limited (representing 100% of the share capital), company that holds 50% of the rights and obligations under the Concession Agreement for petroleum exploration, development and production in XIX Neptun Deep Block. OMV Petrom S.A. holds the other 50% participating interest in XIX Neptun Deep Block.

The binding offer to acquire all shares was submitted to ExxonMobil Exploration and Production Romania Limited on March 30, 2021, being conditional upon Romgaz GMS approval.

April 1, 2021

According to Resolution No.28, the Board of Directors expressed its agreement to terminate the Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines.

April 7, 2021

The Board of Directors approved by Resolution No.29, to extend for 4 months Mr. Aristotel Marius Jude mandate as Chief Executive Officer, effective as of April 13, 2021.

By Resolution No. 30, the Board of Directors appointed Mr Razvan Popescu as Chief Financial Officer as of April 14, 2021, for a 4 months term.

April 8, 2021

At the Contractor's request, Romgaz suspended for 14 days the termination notice related to the Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines.

April 22, 2021

The notice regarding termination of Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines was further suspended until May 7, 2021.

April 23, 2021

Romgaz and OMV Petrom issued a joint press release stating: *"If ExxonMobil accepts Romgaz offer, OMV Petrom shall act as operator of Neptun Deep Block"*.

May 6, 2021

The notice regarding termination of Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines was further suspended until May 20, 2021.

May 7, 2021

Company's shareholders approve by Resolution No.4, the conclusion of lease contracts between Romgaz and Depogaz Subsidiary, with respect to Romgaz fixed assets necessary for Depogaz Subsidiary to perform the storage activity, for a nine-month period, as of April 1, 2021 until December 31, 2021.

May 20, 2021

The notice regarding termination of Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines was further suspended until June 2, 2021.

June 2, 2021

The notice regarding termination of Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines was further suspended until June 16, 2021.

June 17, 2021

S.N.G.N. Romgaz S.A. and ExxonMobil Exploration and Production Romania Holdings Ltd. signed an Exclusivity Agreement by which the seller grants Romgaz an exclusivity right for a period of 4 months (until October 15, 2021) with respect to the negotiations for the acquisition of all shares issued by (representing 100% of the share capital of) ExxonMobil Exploration and Production Romania Limited, company that holds 50% of the rights and obligations under the

Concession Agreement for petroleum exploration, development and production in XIX Neptun Deep Block.

June 18, 2021

Romgaz informs its shareholders and investors that starting June 17, 2021 the Contract of Works No. 13384/2016, for the Development of Iernut Power Plant by building a new 430 W power plant, with Combined Cycle Gas Turbine, ceased by termination, motivated by the non-completion in time, by the Contractor, of construction works and commissioning of the investment objective.

June 24, 2021

GD No.669/2021 extends the following: the term for completion and commissioning of investments financed from the National Investment Plan until June 30, 2021; the reimbursement term until December 31, 2022, as well as all other related terms.

June 30, 2021

The Board of Directors appointed according to Resolution No. 47, Mr. Aristotel Marius Jude as Chief Executive Officer for a temporary mandate of 4 months, as of August 14, 2021.

The Board of Directors appointed according to Resolution No.48, Mr. Razvan Popescu as Chief Financial Officer for a temporary mandate of 4 months, as of August 15, 2021.

II. Romgaz Group Overview

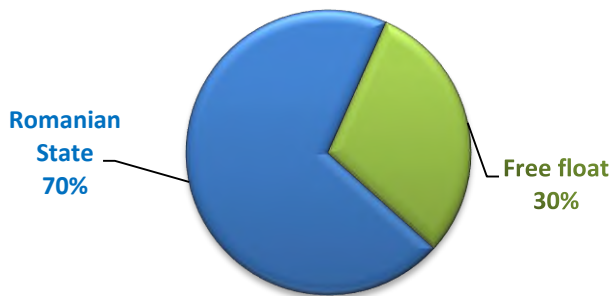
Romgaz Group performs business in the following segments:

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

Shareholding Structure

On June 30, 2021, SNGN Romgaz SA shareholding structure was:

	Number of Shares	%
Romanian State ³	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
*legal persons	96,195,290	24.9584
*natural persons	19,404,030	5.0345
Total	385,422,400	100.0000



Company Organization

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

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

- Sucursala Mediaș (Mediaș Production Branch);
- Sucursala Târgu Mureș (Târgu Mures Production Branch);
- Sucursala de Intervenții, Reparații Capitale și Operații Speciale la Sonde Mediaș (SIRCOSS) (Well Workover, Recompletions and Special Well Operations Branch);
- Sucursala de Transport Tehnologic și Mentenanță Târgu Mureș (STTM) (Technological Transport and Maintenance Branch);
- Sucursala de Producție Energie Electrică Iernut (Iernut Power Generation Branch);
- Sucursala Bratislava (Bratislava Branch)⁴
- Sucursala Drobeta-Turnu Severin (Drobeta-Turnu Severin Branch).

³ The Romanian State through the *Ministry of Energy*.

⁴ By EGMS Resolution No. 3 of March 25, 2020 the company's shareholders "approve the withdrawal of SNGN ROMGAZ SA from the concession block Svidnik located in Slovak Republic", herewith the company withdrawing from Slovakia.

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

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

The subscribed and paid in share capital of the company is RON 66,056,160 divided in 6,605,616 shares, with a nominal value of RON 10/share, solely owned by Romgaz.

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

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

Company Management

BOARD OF DIRECTORS

The company is governed by a **Board of Directors** consisting of 7 members, having on *June 30, 2021* the following structure:

Item no.	Name	Position in the Board	Status*)	Professional Qualification	Institution of Employment
1	Drăgan Dan Dragoș	chairman	non-executive non-independent	economist	Ministry of Energy
2	Jude Aristotel Marius	member	non-executive non-independent	legal advisor, MBA	SNGN Romgaz SA
3	Simescu Nicolae Bogdan	member	non-executive non-independent	chartered engineer	SNGN Romgaz SA
4	Stan-Olteanu Manuela-Petronela	member	non-executive non-independent	legal advisor	General Secretariat of the Government
5	Niculescu Sergiu George	member	non-executive non-independent	legal advisor	Ministry of Energy
6	Balazs Botond	member	non-executive non-independent	legal advisor	SNGN Romgaz SA
7	Sorici Gheorghe Silivan	member	non-executive non-independent	economist	SC Sobis Solutions SRL

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

Members of the Board of Directors from January 1, 2021 to March 11, 2021:

Item No.	Name	Position in the Board	Status*)	Professional Qualification	Institution of Employment
1	Jude Aristotel Marius	chairman	non-executive non-independent	legal advisor, MBA	SNGN Romgaz SA
2	Marin Marius-Dumitru	member	non-executive independent	PhD engineer	MDM Consultancy Deva
3	Stan-Olteanu Manuela-Petronela	member	non-executive non-independent	legal advisor	General Secretariat of the Government
4	Balazs Botond	member	non-executive non-independent	legal advisor	SNGN Romgaz SA
5	Simescu Nicolae Bogdan	member	non-executive non-independent	chartered engineer	SNGN Romgaz SA

Item No.	Name	Position in the Board	Status ^{*)}	Professional Qualification	Institution of Employment
6	Ciobanu Romeo Cristian	member	non-executive independent	PhD. engineer	Universitatea Tehnică Iași
7	Jansen Petrus Antonius Maria	member	non-executive independent	economist	London School of Business and Finance

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

Advisory Committees

Three advisory committees support the Board of Directors activity, namely:

- ✍ nomination and remuneration committee;
- ✍ audit committee and
- ✍ strategy committee.

On June 30, 2021 the advisory committees' structure was the following:

- Nomination and remuneration committee:

Sorici Gheorghe Silvian – chairman
 Drăgan Dan Dragoș – member
 Jude Marius Aristotel – member

- Audit committee:

Sorici Gheorghe Silvian – chairman
 Simescu Nicolae Bogdan – member
 Stan Olteanu Manuela Petronela – member

- Strategy committee:

Balazs Botond – chairman
 Drăgan Dan Dragoș – member
 Jude Marius Aristotel – member
 Niculescu George - member
 Simescu Nicolae Bogdan – member.

Information on the Board of Directors and advisory committees meetings

The Board of Directors held in H1 2021 a number of **18 meetings**, in compliance with the legal and statutory provisions, out of which:

- 13 conference-call meetings;
- 5 electronic vote meetings.

The attendance at Board of Directors' meetings:

Name	Number of meetings during the mandate	P		PA		NP	
		no.	%	no.	%	no.	%
Jansen Petrus Antonius Maria	6	5	83.33				
Ciobanu Romeo-Cristian	6	6	100.0				
Marin Marius Dumitru	6	6	100.0				
Stan-Olteanu Manuela-Petronela	18	18	100.0				
Balazs Botond	18	18	100.0				
Jude Aristotel Marius	18	18	100.0				
Simescu Nicolae-Bogdan	18	18	100.0				
Drăgan Dan-Dragoș	12	12	100.0				

Sorici Gheorghe-Silvian	12	12	100.0
Niculescu George-Sergiu	12	11	91.66

where:

P = participated;

PA = power of attorney;

NP = did not participate.

Board members' attendance at Advisory Committees' meetings:

Nomination and Remuneration Committee: 8 meetings

Name	Physical attendance
Ciobanu Romeo-Cristian	4
Balazs Botond	8
Jude Marius-Aristotel	8
Marin Marius-Dumitru	4
Jansen Petrus Antonius Maria	4
Sorici Gheorghe-Silvian	4
Dragan Dan-Dragos	4

Audit committee: 8 meetings

Name	Physical attendance
Petrus Jansen Antonius Maria	4
Balazs Botond	8
Jude Aristotel Marius	8
Ciobanu Romeo-Cristian	4
Marin Marius Dumitru	4
Simescu Nicolae-Bogdan	8
Stan-Olteanu Manuela-Petronela	8
Sorici Gheorghe-Silvian	4

Strategy committee: 3 meetings

Name	Physical attendance
Jansen Petrus Maria	1
Jude Aristotel Marius	3
Ciobanu Romeo	1
Balazs Botond	3
Simescu Nicolae-Bogdan	3
Dragan Dan-Dragos	2
Niculescu George-Sergiu	2

Board meetings were held in compliance with the approved agenda. The main resolutions were related to the following topics:

- to approve registration of some secondary headquarters within Romgaz (work locations);
- to approve the communication calendar of financial information for year 2021;
- to approve the change of the organisational structure as of February 1, 2021 namely transferring the Control Body Office from the Legal Department, to report directly to the CEO;
- to approve the presentation in the GMS of the note regarding the assets transfer to Depogaz Subsidiary;

- to approve the submission to ANRM of documents related to the 6 contract years extension of the initial exploration period of the Concession Agreement approved by GD No.23/2000 (October 2021 – October 2027), in order to be negotiated with the ANRM;
- to approve conclusion of the natural gas sales contract between Romgaz and SC Premier Energy SRL;
- to approve the Board of Directors Consolidated Report for 2020;
- to approve the Report related to payments made to governments in 2020;
- to approve the 2020 annual report on remuneration and other benefits granted to Romgaz directors and managers;
- to endorse the annual financial statements for the year ended on December 31, 2020, prepared in compliance with the International Financial Reporting Standards (IFRS) accompanied by Ernst & Young Assurance Service SRL independent auditors' report;
- to endorse the net profit distribution for 2020;
- to endorse the gross dividend per share related to the net profit for 2020, the value of the gross dividend per share distributed from retained earnings for the assets financed from the development quota, endorsing the total gross dividend per share, as well as the dividends payment date;
- to endorse Romgaz Remuneration Policy prepared in compliance with Law No. 158/2020 amending and supplementing Law No. 24/2017 on issuers of financial instruments and market operations;
- to endorse Romgaz Individual Income and Expenditure Budget for 2021;
- to endorse conclusion of lease contracts between Romgaz and Depogaz Subsidiary having as scope the fixed assets, property of Romgaz, necessary for the subsidiary's underground storage activity, for a 9 month period, starting from 01.04.2021, respectively until 31.12.2021, these being submitted for Romgaz EGMS approval;
- to approve termination of Works Contract No. 13384/2016, for the development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines, concluded between Romgaz as Purchaser and the Association between Duro Felguera SA and Romelectro SA as Contractor;
- to delegate the CEO the authority to sign Addendum No. 6 to the Petroleum Concession Agreement for petroleum exploration, development and production, concluded between ANRM and Romgaz and approved by GD No. 23/13.01.2000;
- to approve the initial organizational structure of Drobeta Turnu Severin Subsidiary;
- to approve the change of Romgaz organizational structure as of July 15, 2021;
- to delegate the CEO the authority to decide upon the Works Contract No. 13.384/2016 concluded between Romgaz as Purchaser and the Association between Duro Felguera SA and Romelectro SA, as Contractor, for building a 430 MW power plant with combined cycle gas turbine;
- to approve start of negotiations with ANRM for proceeding to a 6 years evaluation period (from 04.10.2021 until 03.11.2027) for the EX-30 Trident Block in the Black Sea, with the minimum work program proposed by Lukoil;
- to approve Romgaz Group Sustainability Report for 2020, prepared in compliance with the nonfinancial reporting standard Global Reporting Initiative (GRI) Standards, internationally acknowledged, in line with the provisions of the Ministry of Public Finances Order No.1938/2016 and Ministry of Public Finances Order No.2844/2016;

During H1 2021, the GMS held 4 meetings (three ordinary meetings and one extraordinary meeting), and passed 4 resolutions. Detailed information on the meetings and the presented materials are published on the company's website <https://www.romgaz.ro/en/general-meeting-shareholders>

UPPER MANAGEMENT

Chief Executive Officer (CEO)

SNGN Romgaz SA Board of Directors revoked by Resolution No.1/January 13, 2021 Mr. Constantin Adrian Volintiru from the position as Chief Executive Officer, terminating the contract of mandate concluded between the company and Mr. Volintiru. Until the appointment of a new chief executive officer, Mr. Daniel Corneliu Pena – Deputy Chief Executive Officer (with mandate), exercised the company's management including legal representation.

By Resolution No. 11 of February 12, 2021, the Board of Directors gathered on February 12, 2021, appointed **Mr. Aristotel Marius Jude** as SNGN Romgaz SA CEO for a 2 months temporary mandate starting from February 13, 2021.

By Resolution No. 29 of April 7, 2021, the Board of Directors approved the extension of Mr. Aristotel Marius Jude CEO mandate, for a 4 months period starting from April 13, 2021.

By Resolution No. 47 of June 30, 2021, the Board of Directors appointed Mr. Aristotel Marius Jude as CEO of Romgaz for an interim mandate of 4 months starting from August 14, 2021.

Deputy Chief Executive Officer

By Resolution No.32 of August 26, 2020, the Board of Directors appointed Mr. **Daniel Corneliu Pena** as Deputy Chief Executive Officer for 2 months (with an interim mandate) as of August 28, 2020.

By Resolution No. 41 of October 14, 2020, the Board of Directors approved the extension by 120 days of Mr. Daniel Corneliu Pena, SNGN Romgaz SA Deputy Chief Executive Officer interim mandate, respectively until February 24, 2021.

The Board of Directors took note of Mr. Daniel Corneliu Pena's resignation from the position as Deputy CEO (with mandate) and agreed to terminate his mandate as of February 13, 2021.

Chief Financial Officer (CFO)

By Resolution No. 50 of December 9, 2020, the Board of Directors appointed Mr. **Razvan Popescu** as interim Chief Financial Officer for a period of 4 months as of December 14, 2020.

By Resolution No. 30 of April 7, 2021, the Board of Directors appointed Mr. Razvan Popescu as Chief Financial Officer for a period of 4 months as of April 14, 2021.

By Resolution No. 48 of June 30, 2021 the Board of Directors appointed Mr. Razvan Popescu as Chief Financial Officer for a 4 months interim mandate as of August 15, 2021.

On June 30, 2021 the following persons had managerial responsibilities without being delegated management duties by the Board of Directors:

Name	Position
ROMGAZ - headquarters	
Tataru Argentina	Production Department Director
Greco Marius Rareș	Human Resources Director
Veza Marius Leonte	Accounting Department Director
Bobar Andrei	Finance Department Director
Pinca Gheorghe Ovidiu	Exploration – Appraisal Department Director

Name	Position
Sandu Mircea Valentin	Drilling Department Director
Boiarciuc Adrian	Information Technology Department Director
Lupa Leonard Ionuț	Procurement Department Director
Chertes Viorel Claudiu	Director for Technical Regulations
Moldovan Radu Costică	Energy Trade Director
Ioo Endre	Legal Department Director
Mareș Adrian Alexandru	Strategy, International Relations, European Funds Director
-	HSEQ Director
Mediaș Branch	
Totan Constantin Ioan	Director
Achimeț Teodora Magdalena	Economic Director
Veress Tudoran Ladislau Adrian	Production Director
Man Ioan Mihai	Technical Director
Târgu Mureș Branch	
Baciu Marius Tiberiu	Director
Boșca Mihaela	Economic Director
Grațian Rusu	Production Director
Ștefan Ioan	Technical Director
Iernut Branch	
Balazs Bela	Director
Hățăgan Olimpiu Sorin	Economic Director
Oprea Maria Aurica	Commercial Director
Bircea Angela	Technical Director
SIRCOSS	
Rotar Dumitru Gheorghe	Director
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director
STTM	
Pataki Mărginean Alexandru Florin	Director
Obreja Dan Nicolae	Economic Director
-	Technical Director
Drobeta Branch	
Săceanu Constantin	Director

The members of the upper management, except for the Chief Executive Officer and the Chief Financial Officer, are employees of the company having an individual employment contract for an indefinite period.

In compliance with the powers delegated by the Board of Directors, the Chief Executive Officer employs, promotes and dismisses management and operating personnel.

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

Human Resources

On June 30, 2021, Romgaz Group had 6,066 employees and SNGN Romgaz SA 5,553 employees.

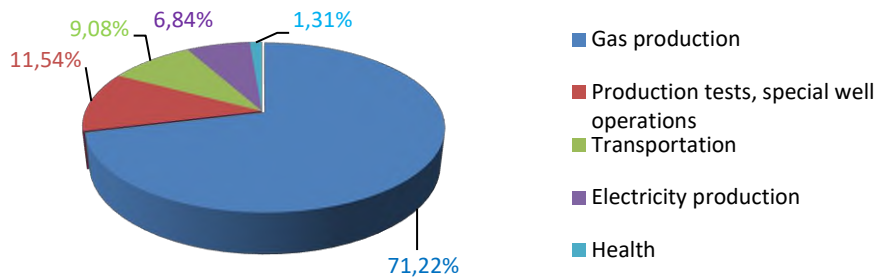
The table below shows the evolution of the employees' number during January 1, 2018 - June 30, 2021:

Description	2018	2019	2020		SI 2021	
			Romgaz Group	SNGN Romgaz SA	Romgaz Group	SNGN Romgaz SA
1	2	3	5	6	6	6
Employees at the beginning of the period	6,198	6,214	6,251	5,738	6,188	5,673

Newly hired employees	286	264	198	177	85	73
Employees who terminated their relationship with the company	270	227	261	242	207	193
Employees at the end of the period	6,214	6,251	6,188	5,673	6,066	5,553

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

a) by activities



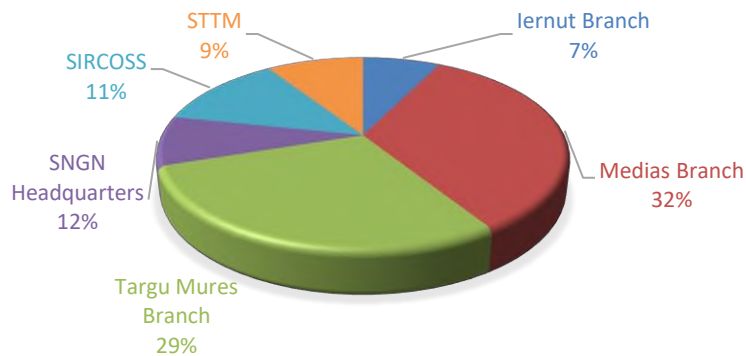
b) by level of education

- university 25.64%;
- secondary school 29.62%;
- foreman school 2.63%;
- vocational school 32.29%;
- middle school 9.82%;

c) by age

- under 30 years 4.84%;
- 30-40 years 13.04%;
- 40-50 years 31.55%;
- 50-60 years 42.32%;
- over 60 years 8.25%;

d) by headquarters and branches



e) by categories

Entity	Workers	Foremen	OFFICE	Total
1	2	3	4	5
Headquarters	42		612	654
Mediaș Branch	1,383	83	297	1,763
Târgu-Mureș Branch	1,305	51	254	1,610
SIRCOSS	476	51	114	641
STTM	384	16	104	504
Iernut Branch	250	38	92	380
Drobeta Turnu Severin Branch			1	1
TOTAL	3,968	239	1,474	5,553

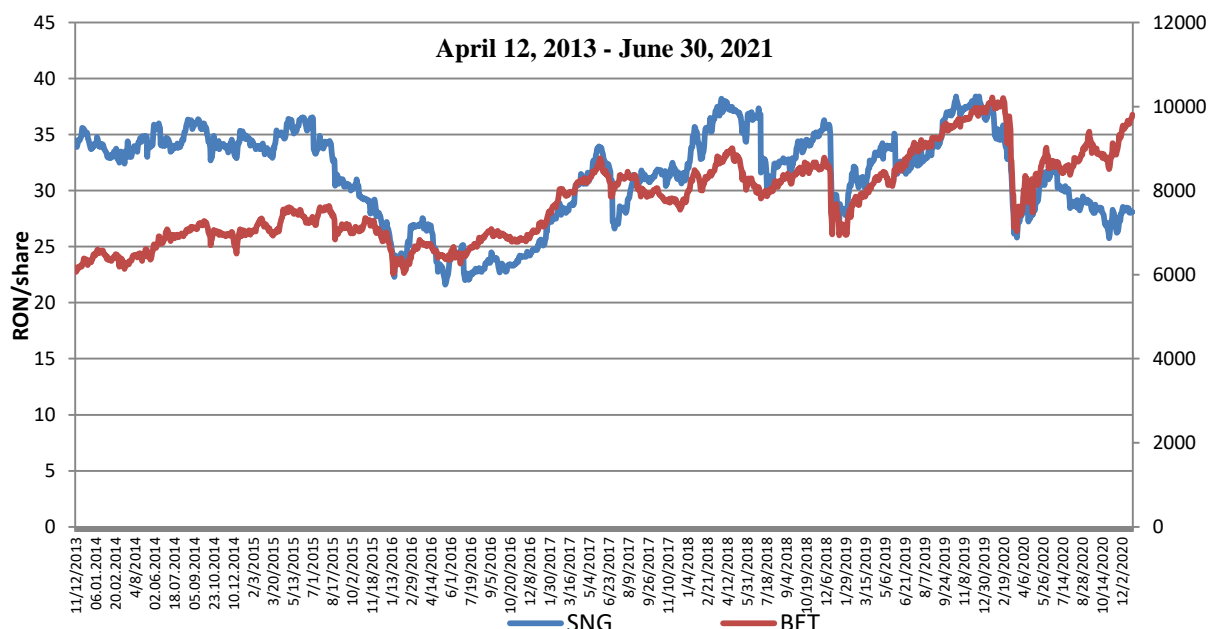
Romgaz on the stock exchange

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*”.

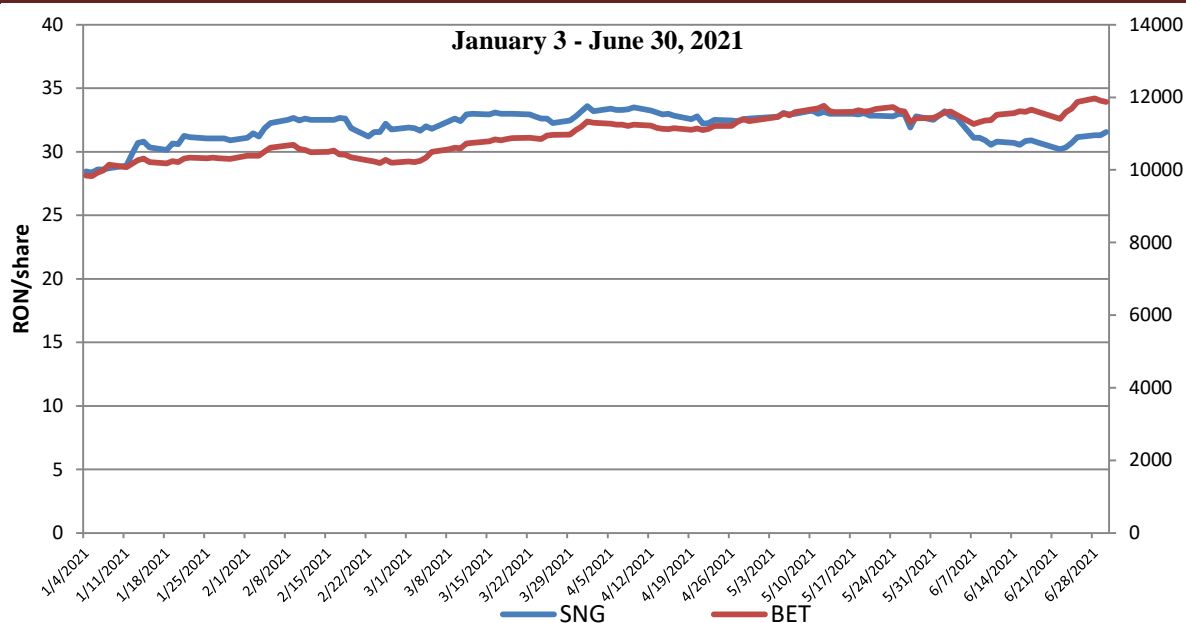
Romgaz is considered an attractive company for the investors in terms of dividend distribution to shareholders and the company's stability.

Romgaz is among the most significant local issuers and it is also included in BVB⁵ trading indices as follows: 8.18% and 7.83% in BET index (top 13 issuers) and respectively in BET-XT (BET extended), 25.14% in the BET-ING index (energy and utilities) and 8.18% in the BET-TR (BET Total Return).

Performance of Romgaz shares compared to BET index between listing and June 30, 2021, respectively H1 2021, is shown below:



⁵ Information valid on March 31, 2021



The table below shows the evolution of closing price and the company's market capitalization on the last day of H1 of 2019, 2020 and 2021:

	June 30, 2019	June 30, 2020	June 30, 2021
Number of shares	385,422,400	385,422,400	385,422,400
Closing price (RON)	32.20	31.90	31.55
Market capitalization			
*mil. RON	12,411	12,295	12,160
mil. EUR	2,621	2,539	2,468 ^{)}

^{*)} –using the exchange rate set by BNR and valid for 30.06.2021, namely 4.9267 RON/EURO.

In H1 2021, the trading price of Romgaz shares followed an oscillating trend, slightly increasing starting from January when the lowest value was recorded 28.35% RON/share (on 05.01.2021) until April 1, 2021 (following the submission of the binding offer to acquire ExxonMobil Exploration and Production Romania Limited shares) when the maximum of the period was reached, namely 33.60% RON/share. In Q2 2021 the shares maintained above the price of RON 30 with a quarterly average value of 32.33 RON. The main share price decrease in the 2nd part of H1 2021 was reached after the registration date of the dividends for 2020 with a minimum value on June 22, 2021 (30.20 RON/share). Following this date, shares' price recovered and H1 2021 ended at the value of RON 31.55, respectively by 11% higher than the one registered in the first trading day of 2021.

A similar trend was followed by the GDRs during the analysed period when an average of 7.71 USD/GDR was registered with the minimum and maximum of the period reached in Q1 2021, namely USD 7 on January 4 and USD 8.15 on March 19. The last day of H1 2021, GDR's were traded with USD 7.20, by 2.9% higher than the first day of the year. However, during this period the exchange rate RON/USD increased by 4.6%.

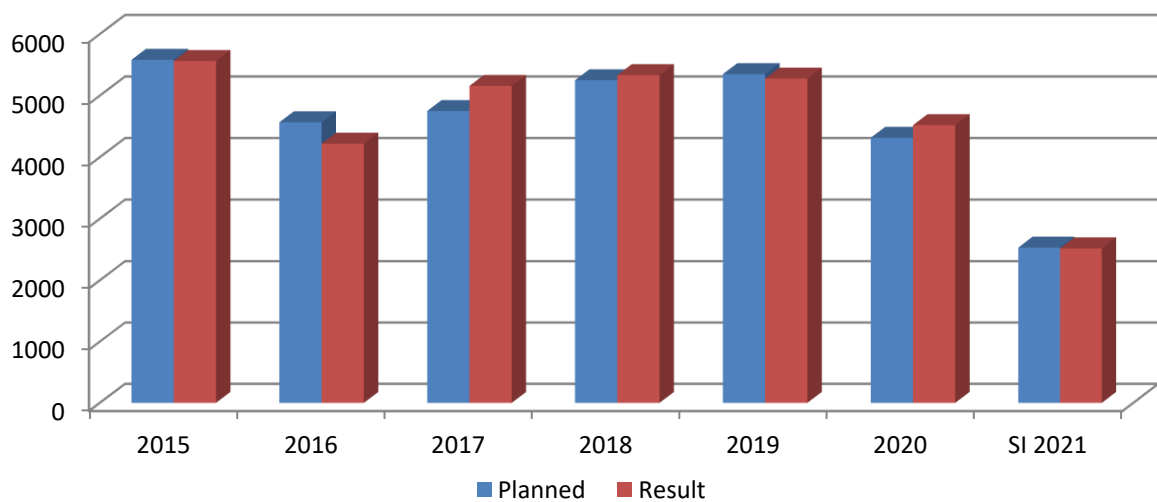
III. Review of the Group's Business

3.1. Operational Results

A retrospective analysis relating to natural gas volumes produced during 2015-2020 and H1 2021 is shown below:

Specifications	2015	2016	2017	2018	2019	2020	H1 2021
1	2	3	4	5	6	7	8
Planned (mil.m ³)	5,581	4,567	4,750	5,250	5,350	4,315	2,531
Result (mil.m ³)	5,563	4,219	5,158	5,333	5,277	4,520	2,519
Balance (Result vs Planned)							
*mil.m ³	-18	-348	+408	+83	-73	+205	-12
*%	99.7	92.4	108.6	101.6	98.6	104.7	99.5

The chart below shows the evolution of gas volumes produced during 2015-2020 and in H1 2021, planned versus result:



Analysis of the production data shows that the produced gas volumes were substantially equal to the planned level.

The following factors positively influenced the achievement of such relatively constant production:

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

The table below shows the withdrawn gas quantities (gross production), the delivered gas quantities (net production) and gas quantities injected/withdrawn in/from the underground storage during January – June 2021, as compared to the similar period of 2019 and 2020:

Item No.	Specifications	H1 2019	H1 2020	H1 2021	Ratios
0	1	2	3	4	5=4/3x100
1.	Gross gas production	2,699.8	2,245.7	2,519.2	112.2%
2.	Technological consumption	42.8	32.3	35.5	109.9%
3.	Net own gas production (1.-2.)	2,657.0	2,213.4	2,483.7	112.2%
4.	Own gas injected in UGS	140.8	126.3	167.0	132.2%
5.	Own gas withdrawn from UGS	199.9	150.9	378.7	251.0%
6.	Difference from conversion to Gross Calorific Value	2.2	3.1	3.3	106.5%
7.	Delivered own gas (3.-4.+5.-6.)	2,713.9	2,234.9	2,692.1	120.5%
8.1.	Gas sold in UGS	0.0	0.0	0.0	-
8.2.	Gas delivered to CTE Iernut and Cojocna	50.5	86.8	55.5	63.9%
9.	Own gas delivered to the market (7.+8.1.-8.2.)	2,663.4	2,148.1	2,636.6	122.7%
10.	Gas from joint operations (Amromco - 50%)	75.0	52.6	22.7	43.2%
11.	Gas acquisitions from domestic production	3.9	0.4	63.6	15,900.0%
12.	Traded domestic gas (9.+10.+11.)	2,742.3	2,201.1	2,722.9	123.7%
13.	Gas delivered from domestic production (8.2.+12.)	2,792.8	2,287.9	2,778.4	121.4%
14.	Delivered import gas	53.0	0.0	0.0	0.0%
15.	Gas delivered from Iernut and Cojocna and other sources (including imbalances)	1.6	2.6	8.0	307.7%
16.	Total delivered gas (13.+14.+15.)	2,847.4	2,290.5	2,786.4	121.7%
*	Invoiced UGS gas withdrawn services*)	924.7	923.9	1,420.7	153.8%
*	Invoiced UGS gas injection services – representing gas quantities related to injection services invoiced by the Subsidiary *)	1,047.6	571.0	559.0	97.9%

*) – including gas injection/withdrawn services of Romgaz

Gas traded by Romgaz in H1 2021, representing deliveries to customers and CTE Iernut consumption increased by 23.7% as compared to the similar period of the previous year.

3.2. Consolidated Financial Results

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

RON thousand

Item No.	Specifications	H1 2019	H1 2020	H1 2021	Ratios (2021/2020)
0	1	2	3	4	5=4/3x100
1	Income – total, out of which:	2,912,464	2,233,440	2,258,201	101.11%
	*operating income	2,885,994	2,210,723	2,231,621	100.95%
	*financial income	26,470	22,717	26,580	117.00%
2	Revenue	2,874,787	2,193,365	2,250,031	102.58%

Item No.	Specifications	H1 2019	H1 2020	H1 2021	Ratios (2021/2020)
0	1	2	3	4	5=4/3x100
3	Expenses – total, out of which:	1,762,295	1,290,260	1,355,457	105.05%
	*operating expenses	1,744,804	1,281,625	1,347,044	105.10%
	*financial expenses	17,491	8,635	8,413	97.43%
4	Share of associates' results	1,165	(125)	(809)	647.20%
5	Profit before tax	1,151,334	943,055	901,934	95.64%
6	Income tax expenses	175,425	142,215	140,333	98.68%
7	Profit for the period	975,909	800,840	761,601	95.10%

Note: income and expenses do not include fixed production

The total H1 2021 income were higher by 1,11% as compared to H1 2020 income.

Economic – Financial results

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

Description	H1 2019	H1 2020	H1 2021	Ratios (2021/2020)
1	2	3	4	5=4/3x100
Operating result	1,141,190	929,098	884,577	95.21%
Financial result	8,979	14,082	18,167	129.01%
Share of associates' result	1,165	(125)	(809)	647.20%
Profit before tax	1,151,334	943,055	901,934	95.64%
Income tax expenses	175,425	142,215	140,333	98.68%
Profit for the period	975,909	800,840	761,601	95.10%

The H1 2021 net result amounted to **RON 761,601 thousand**, lower by 4.90% as compared to the similar period of 2020.

3.3. Investments

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

During H1 2021, *Romgaz Group* invested RON 225.25 million, representing approx. 53.6% from the scheduled investments.

During 2018 – June 30, 2021, the *Company* invested approximately RON 2.83 billion, as follows:

Year	2018	2019	2020	H1 2021	Total
Value (thousand RON)	1,150,349	866,218	866,218	216,716	2,835,083

For 2021, *Romgaz* planned investments amounting *RON 1,292.50 million*, out of which the H1 investment program amounting to *RON 394.02 million* and achieved *RON 216.72 million*, meaning:

- 55.00% of the H1 2021 planned investments;
- 16.77% of the Total Investment Program for 2021;

- 71.33% as compared to H1 2020 level of achievements.

Investments were financed exclusively from owns 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, procurement) for new objectives, and modernisation works and capitalizable repairs were performed at producing wells.

Such physical achievements are the prerequisite for the H2 results in terms of value.

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

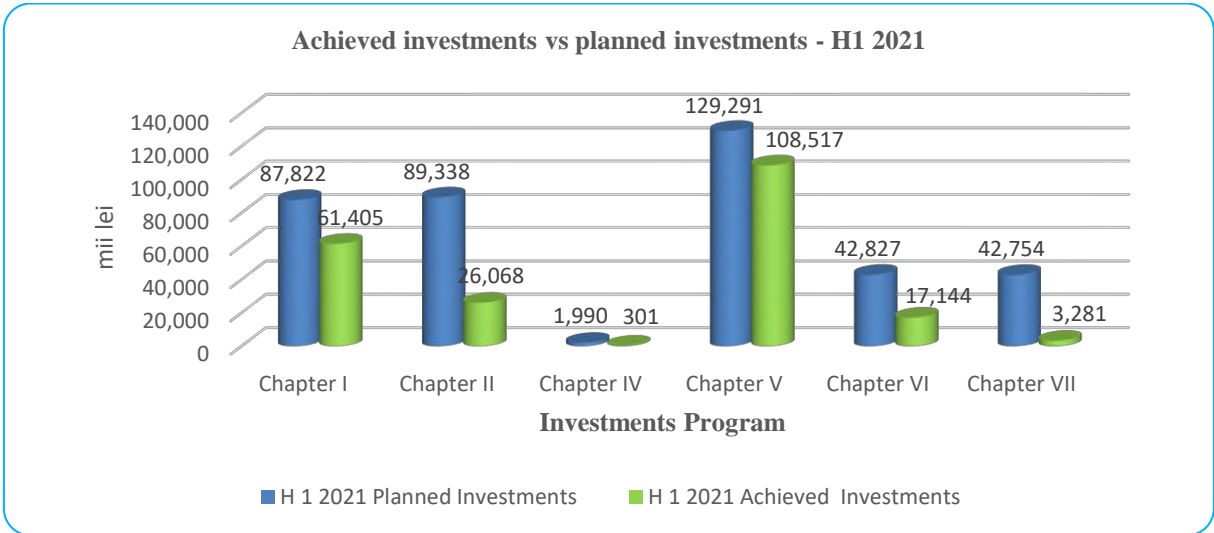
RON thousand

Investment Chapter	H1 2020	H1 2021	%
1	2	3	4=3/2x100
I. Geological exploration works to discover new methane gas reserves	106,547	61,405	57.63
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electricity generation	67,133	26,068	38.83
III. Maintaining UGS capacity	0	0	0
IV. Environment protection works	544	301	55,33
V. Retrofitting and revamping of installation and equipment	93,947	108,517	115.51
VI. Independent equipment and installations	31,623	17,144	54.21
VII. Expenses related to studies and projects	4,032	3,281	81.37
TOTAL	303,826	216,716	71.33

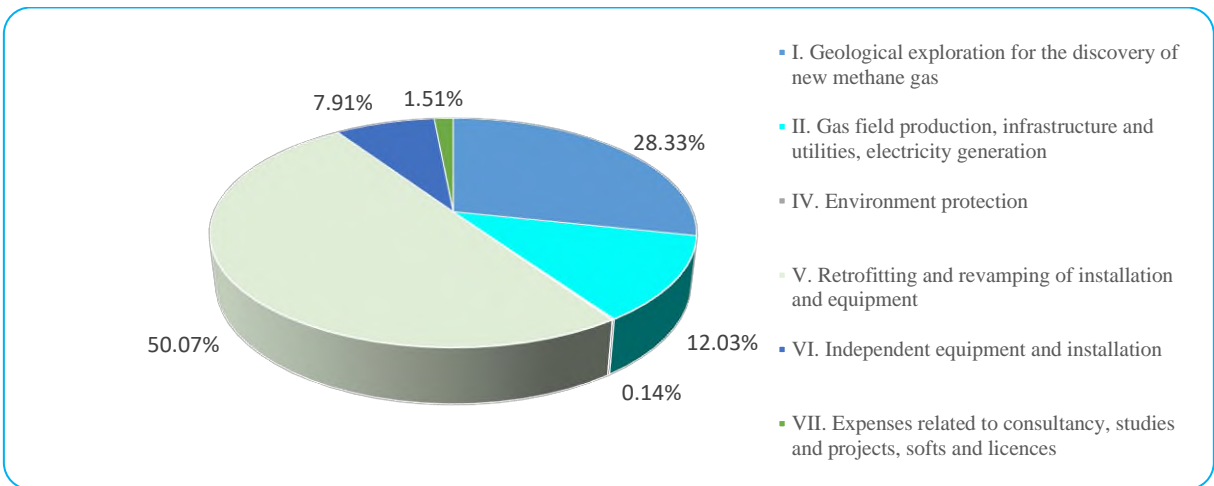
The table below shows the results split by main chapters, as compared to H1 2021 Investment Program:

RON thousand

Investment Categories	Scheduled H1 2021	Achieved H1 2021	%
1	2	3	4=3/2x100
I. Geological exploration works to discover new methane gas reserves	87,822	61,405	69.92
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electricity generation	89,338	26,068	29.18
III. Maintaining UGS capacity	0	0	0
IV. Environment protection works	1,990	301	15.13
V. Retrofitting and revamping of installation and equipment	129,291	108,517	83.93
VI. Independent equipment and installations	42,827	17,144	40.03
VII. Expenses related to studies and projects	42,754	3,281	7.67
TOTAL	394,022	216,716	55.00



The picture below shows the investments achieved during the reporting period:



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

Item No.	Main objectives	Planned	Performed
1.	Exploratory Drilling	20 wells	4 wells: completed 2 wells: drilling in progress 8 wells: drilling works procurement in progress 6 wells: drafting tender documentation
2.	Drilling design	34 wells	10 wells: preparation of Specifications – procurement of drilling works execution 16 wells: design in progress 8 wells: located, to be designed
3.	Development drilling	3 wells	1 well: completed 1 well: procurement of drilling works execution 1 well: preparation of procurement of drilling works execution

Item No.	Main objectives	Planned	Performed
4.	Construction of surface facilities – at shut-in wells	30 surface facilities under construction to put into production 36 wells	- 5 surface facilities completed to put into production 5 wells; - 4 surface facilities under construction to put into production 4 wells; - 4 surface facilities: procurement of works in progress to put into production 6 wells; - 11 surface facilities pending construction authorisations to put into production 14 wells; - 11 surface facilities: feasibility studies or technical designs in progress to put into production 11 wells;
5.	Well recompletion operations, reactivation and capitalizable repairs	Works at approx. 160 wells, correlated with the annual program agreed by ANRM	Workover at 75 wells; works performed in-house by SIRCOSS
6.	Acquisition of efficient equipment and installations specific to the core activities	Nitrogen transportation tanker; three-phase discharge, measuring and separation 700 bar installation; ACF 700 cementing units; self measuring devices for well parameters; 1 ½ x 3500 m flexible tubing unit; 7 9/16 x 700 bar and 7 9/16 x 350 bar prevention unit etc.	Received: Multifunctional wheeled excavator; Self measuring device for well parameters; Nitrogen transportation tanker;
7.	Electric power production	Ongoing works at CTE Iernut	The electricity connection tariff was paid; Works Contract terminated; seeking solutions how to complete the investment
8.	Partnerships/Associations	<u>LUKOIL OVERSEAS:</u> - currently Romgaz share is 12.2% - analysis and interpretation of results of drilling well Trinity 1X, performed in Q4 2019 - remaking economic calculations necessary to prepare the investment decision concerning the continuation of the works within Block EX 30 - Trident <u>Amromco:</u> (Romgaz share is 50%) - wells drilling; - surface facilities; - well repairs; - expenses for well abandonment	Following validation of the geological model Trinity well, it was decided not to enter the second phase anticipating drilling of two wells; the budget approved by the Steering Committee of the Association is in amount of USD 3,558 thousand (whereas Romgaz share is 12.2% that is USD 413.9 thousand) - drilling wells 122 and 123 Balta Albă - surface facilities well 122 Balta Albă - capitalizable repairs well 206 Bibesti

During the reviewed period, investments amounting to RON 89,577 thousand were implemented.

Development of CTE Iernut

One of Romgaz main strategic directions, provided in “*The Development Strategy for 2015 - 2025*”, is consolidation of the company’s position on the energy supply markets. In this respect, in the field of electricity generation, Romgaz planned to “*improve activity efficiency by making investments to increase Iernut Power Plant efficiency to 55%, at least, comply with environmental requirements (NO_x, CO₂ emissions) and increase operational safety*”.

The negotiations between S.N.G.N. Romgaz S.A. and the Works Contractor – the Consortium of Duro Felguera S.A. and S.C. Romelectro S.A., for the purpose to conclude an Addendum to Works Contract, as provided in the Memorandum of Negotiations No. 16 077/May 20, 2021, ended with the termination of Works Contract No. 13 384/October 31, 2016 concluded between the Parties, as of June 17, 2021.

ROMGAZ is looking for solutions to continue and finalise the remaining works, as Iernut is a very important investment objective.

To achieve this objective, in H1 2021 expenses in amount of RON 384.24 thousand were recorded as follows:

- Audit services for technical progress	RON 13.5 thousand
- Audit services for financial progress	RON 12.36 thousand
- Project Management Consultancy Services	RON 180.00 thousand
- Tariff for electricity connection	RON 173.95 thousand
- Services to co-locate the communication equipment to the NPD (National Power Dispatch)	RON 4.40 thousand

The causes for which the level of achievements is lower than planned are the following:

- the offers submitted to some procurement procedures exceeded the estimated/budgeted value of investment objectives and it was necessary to resume the procedures;
- the completion of some procurement procedures was deferred/delayed;
- late delivery of fixed assets (independent machines and specific equipment);
- delayed performance of capitalizable repairs (late penalties charged);
- Lukoil Associations – it was decided not to enter the Second Phase which provided drilling of two wells;
- Delays in concluding the contract, in the context of the crisis caused by COVID-19 pandemic, for “Configuration services, MAIS, BI, Hyperion programming” (late penalties charged);
- Delays in providing import materials (tubing) – COVID-19 pandemic effect;
- Obtaining or failure to obtain the land leasing/sales contracts with deadlines additional to planned deadlines, due to legislative changes and lack of ownership documents (delayed deadlines for set-aside decisions – Ministry of Agriculture);
- long term development of redesign activities (for certain objectives), namely delays in the procurement of drilling works – due to tenders’ complaints;
- difficulties in obtaining Construction Authorities for certain objectives (e.g. drilling of well 9 Urziceni, drilling of well 2 Linia Dealului, well 3 Ștefănești, gathering pipe Merii - sector of Ialomita county);

- suspend the execution of works at “ Development of Iernut CTE by building a new power plant with combined cycle gas turbine” caused by the divergences with the contract partners that led to the termination of the contract;
- decision of the executive management to re-analyse the exploration wells that are in various stages of preparation/development, following internal analyses coordinated by the Exploration and Production Department, to reconsider the geological working hypothesis and to rethink the exploration strategy by taking into account the contingency of exploration wells compared with key wells, in terms of the viability of geological concepts.

For 2021, *Filiala DEPOGAZ* has an approved investment program in amount of RON 50,000 thousand.

The Subsidiary's approved H1 2021 investment plan amounted to RON 26.211 thousand, out of which 32.56% was achieved, i.e. RON 8,534 thousand, as follows:

Item No.	Specification	Scheduled	Achieved
1.	Exploitation of fields and UGS, and related infrastructure and utilities	500	50
2.	UGS related activities	250	115
3.	Environment protection and improvement	0	0
4.	Retrofitting and revamping of installation and equipment, surface infrastructure, utilities	21,826	7,039
5.	Independent equipment and installations	1,338	137
6.	Expenses related to consultancy, studies and projects, software, licenses and patents, etc.	2,297	1,193
*	TOTAL GENERAL	26,211	8,534

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

The following main objectives recorded progress in H1 2021:

- Monitoring system – Sarmasel Gas Compressor Station
- Feasibility Study for Balaceanca Storage Facility and Feasibility Study for Ghercesti Deposit
- Business Plan to increase the capacity of Sarmasel Storage Facility
- Information application – permits elaboration (DOCLIB)
- Triethylene glycol gas dehydration station for Group 145 Ghercesti
- Oil separators discharge automation SC Butimanu
- Modernization of controlling system for electric power engines SC Butimanu
- Modernization of monitoring and controlling system at Balaceanca Storage Facility and Group 102 Bilciuresti
- Systematization of suction/discharge collectors SC Butimanu and coupling to transport collectors
- Suction regulation loop compressors in the extraction cycle SC Sarmasel
- Land costs for wells 172, 173 Bilciuresti Storage Facility
- Procurement of portable PC units, software to tape record, Microsoft licences.

IV. Other significant aspects

4.1. Prices and Tariffs

The regulatory framework for *natural gas production, transmission, distribution, supply and storage*, organization and operation of the gas sector, market access as well as criteria and procedures for granting authorizations and/or licenses in the natural gas sector are set by Law No. 123/2012.

Romgaz Group operates both on the regulated market, performing underground gas storage (activity regulated until March 31, 2021) and gas distributions activities, and on the free market performing gas production and gas supply activities.

Underground gas storage

Income and tariffs from underground storage were regulated as of April 1, 2004 when *ANRGN Decision No. 1078/2003* came into force, Decision that was repealed by *ANRE Order No.22/May 25, 2012* to approve the Methodology for price approval and establishment of regulated tariffs in natural gas sector, published in the Official Gazette No. 379/June 6, 2012, replaced by *ANRE Order No. 14/February 13, 2019* to approve the Methodology for price setting and establishing regulated tariffs for the provision of underground storage services.

Through Emergency Ordinance No. 106/2020, to amend the Law No. 123/2012 on electricity and natural gas, the Romanian Government also decided to remove the Regulation of gas storage activity. Thus, after the extraction cycle 2020 – 2021, the storage activity is no longer a regulated activity.

ANRE Order No. 21/March 16, 2021 is currently in force, repealing ANRE Order No. 14/2019 for the approval of the Methodology to set the regulated tariffs for the provision of underground storage of natural gas.

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

ANRE Order No. 21/March 16, 2021 repealing ANRE Order No. 14/2019, and set certain reporting obligations, as of April 1, 2021.

The storage tariffs applied are shown in the table below:

Tariff Component	Unit	Tariffs (April 1, 2019 – March 31, 2020)	Tariffs (April 1, 2020 - March 31, 2021)	Tariffs (as of April 1, 2021)
Volumetric component related to gas injection	RON/MWh	1.90	3.67	2.29
Fixed component related to storage capacity booking	RON/MWh/ storage cycle	9.98	7.58	9.31
Volumetric component related to gas withdrawal	RON/MWh	1.61	2.03	1.74

Natural Gas Supply

The final price of gas, to the customer, shall result from the addition to the weighted average purchase gas price of the transmission, storage and distribution tariffs and the commercial component, according to the following calculation formula:

Final price = Weighted average purchase gas price + Transmission Tariff + Storage Tariff + Distribution Tariff + Commercial Component

The distribution tariffs shall be differentiated according to the covered distribution area and according to the operator of the distribution system. The methodologies to calculate the regulated prices and tariffs are of “revenue-cap” type for gas transmission and of “price-cap” type for regulated distribution and supply.

In accordance with the provisions of Article 181 paragraph (5) of Law No. 123/2012, *the purchase price of natural gas from domestic production for the regulated market* is established by Government Decision, at the proposal of the competent ministry and is updated by ANRE and ANRM, in accordance with the provisions of the Schedule for phasing out of regulated prices for end-users.

The table below show the average supply prices of natural gas for the period 2018 – 2020:

Specification	Unit	2018	2019	2020
1	2	3	4	5
Average supply gas price from domestic production ⁶	RON/1000 m ³	783.42	882.2	751.3
	RON/MWh	74.94	83.7	73.3
Average supply gas price from import	RON/1000 m ³	1,134.84	1,468.8	-
	RON/MWh	105.65	136.9	-

Natural Gas Distribution

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

- ↳ ANRE Order No.111/2019 on setting the regulated tariffs for gas distribution services performed by Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (as from July 1, 2019).
- ↳ ANRE Order No. 56/2020 on setting the unitary tariff for regulated supply activity for January 1 – June 30, 2020 and for the approval of regulated prices in the natural gas sector, for S.N.G.N. ROMGAZ S.A. (as from January 1, 2020).
- ↳ ANRE Order No. 122/2020 on approving the regulated tariffs for gas distribution services, performed by Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (as from July 1, 2020);
- ↳ ANRE Order No. 77/2021 on approving the regulated tariffs for gas distribution services, performed by Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (as from July 1, 2021).

The table below shows the applied tariffs and prices:

Specification	July 1, 2019 –December 31, 2019	January 1, 2020 –June 30, 2020	July 1, 2020 - June 30, 2021	July 1, 2021 -present
Distribution tariffs (RON/MWh):				
*C1 consumption up to 280 MWh	52.87	52.87	52.52	48.19
*C2 annual consumption between 280 and 2,800 MWh	0.00	0.00	46.17	42.37
*C3 annual consumption between 2,800 and 28,000 MWh	50.00	50.00	41.29	37.91
Final regulated prices (RON/MWh):				
*C1 consumption up to 280 MWh	139.24	122.71		

⁶ Including commodity gas and gas from Schlumberger joint venture less storage costs

4.2. Litigations

The summarized breakdown of litigations involving Romgaz as of June 30, 2021 shows the following:

- ☞ The total number of litigations recorded by the company is 323 cases, out of which:
 - ✎ 143 cases where Romgaz is plaintiff;
 - ✎ 180 cases where Romgaz defendant;
 - ✎ 4 cases where Romgaz is plaintiff claiming damages/injured party;
- ☞ The total value of files where Romgaz is plaintiff amounts to (approximately) RON 2,833,422,798;
- ☞ The total value of files where the company is defendant amounts to (approximately) RON 135,133,390;
- ☞ The total value of files where Romgaz is civil party amounts to RON 286,198,309.

4.3. 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 (1) provides as follows:

“The Board of Directors [...] convenes the General Meeting of Shareholders for the approval of any transaction if it has, individually or in a series of concluded transactions, a value higher than 10% of the public enterprise net assets value or higher than 10% of the public enterprise revenue in accordance with the last audited financial statements, with the Board members or the managers or, where appropriate, with the members of the Supervisory Committee or the directorate, the employees, the shareholders who have control over the company or a company controlled by them”.

Paragraph (2): *“the obligation to convene a meeting shall be the responsibility of the Board of Directors [...] and in case of transactions concluded with the spouse, relatives/affinity of fourth degree including the persons mentioned in Paragraph (1)”.*

Paragraph (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:*

- a) the persons mentioned in Paragraph (1) and (2), if the value of the transaction is below the level established in Paragraph (1);*
- 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”.*

For H1 2021 only one contract was concluded under the provisions in Paragraph (3) of GEO No. 109/2011:

- Contracting Parties:
 - Romgaz, as Beneficiary;
 - Depogaz Subsidiary, as Provider;
- Date of conclusion: March 31, 2021;

- Object of the contract: supply of underground gas storage services, designating the whole range of activities and operations carried out by the supplier for or in connection with the reservation of underground storage capacity and for the injection, storage in, and withdrawal from these quantities of some designated quantities of 4,000,000 MWh of natural gas;
- Total value: RON 53,360,000 VAT exclusive;
- Mutual receivables: not applicable;
- Securities provided: not applicable;
- Payment terms and methods: payment of the equivalent of storage services shall be made in RON within 15 (fifteen) calendar days from the date of the invoice issued by the supplier, by bank transfer, or any other legal payment instrument agreed between the parties and it shall be deemed to have been made at the time of actual receipt of the amounts into the bank account of the Provider.

4.4. Main Risks and Uncertainties for H2 2021

Operational risks:

- ☞ Full/partial non-performance of gas production schedule due to the influence of several factors reducing the production capacity, such as:
 - high pressures in the National Transmission System (NTS) which negatively impact the operational results of the gas reservoirs;
 - defaults occurred during operation of gas dehydration stations, compressor units and compression boosters;
- ☞ non-compliance with schedule of works related to new production facilities (commissioning, technological facilities, wells, collecting pipelines, fiscal metering panels);
- ☞ non-performance of maintenance works on time and within planned parameters (dehydration stations, compression stations, pipelines);
- ☞ increase of production costs as a result of local and national regulations;
- ☞ reduced usage of production facilities due to unfavourable weather (suspension of electricity supply, landslides –pipeline rupture);
- ☞ lack of materials and spare parts for performing preventive and corrective maintenance works at the company's main production facilities (wells, gas drying stations, compressor station, pipelines);
- ☞ non-compliance with environment protection legal requirements when performing the company's main activities (drilling of wells, well exploration, maintenance works, etc.).

Investment risks:

- 🕒 non-performance of the Investment Program in terms of physical investments and relating budget, in case unforeseen situations occur during the implementation of the Program;
- 🕒 defective or delayed performance of investment works due to non-compliance with tender books, technical specifications of projects and performance schedules;

4.5. Internal Public Audit

The activity of Internal Public Audit is carried out in accordance with the Annual Business Plan endorsed by the Audit Committee and approved by the company's CEO.

For the period January 1 – June 30, 2021, in accordance with the Revised Business Plan, the activity of the Internal Public Audit may be synthesized as follows:

- the following audit missions were **completed**:
 - *"Evaluation of corruption prevention system, 2021"*
 - *"Evaluation of sector related procurement process within SIRCOSS"*
 - *"Evaluation of social assistance provision in accordance with the applicable regulations"*
 - *"Evaluation of compliance with and legality to carry out the salary process"* and
- The following planned audit missions were **initiated**:
 - *"Analysis of the way in which the inventory of S.N.G.N. Romgaz S.A. assets is carried out"*
 - *"Evaluate the manner of performing pipeline maintenance by the organizational units within SNGN Romgaz SA"*
 - *"Evaluate the activity of granting land permits required by third parties"*

The audit reports prepared on the basis of the inspections carried out, endorsed by the Chief Executive Officer, were submitted for the information of the Audit Committee.

As part of actions for monitoring the implementation of recommendations made when completing the audit missions, the Audit Committee recommended that, the implementation deadlines should be reduced for cases where these deadlines were unreasonably wide. In this context, for the reported situations, analyses were carried out at the level of the audited entities, where deadlines undertaken for implementing some recommendations, were reduced.

4.6. Investor Relations

As a company listed on BVB and LSE (through GDRs) Romgaz carried out the following activities to meet the requirements of information and transparency on the company's business:

- ↳ Organisation of regular conference calls with investors and financial analysts to discuss the reported economic and financial results (according to the financial communication schedule approved by the company's management);
- ↳ Participation in conferences organized by brokers/local and international financial institutions (under the form of one to one meetings with investors);
- ↳ Participation in meetings/telephone discussions upon request of financial analysts/investors;
- ↳ Carrying out materials to present the company – as a support for discussions during the meetings with the investors, as well as reports including preliminary operational data – to be published on the BVB;
- ↳ providing prompt answers to analysts'/investors' requests for information as a permanent activity;
- ↳ participation in other events dedicated to the capital market.

For H1 2021, for a transparent information of investors, Romgaz participated in the following events:

- For *Q1 2021*:

- 1 conference call organized by Romgaz with financial analysts and investors to discuss the preliminary economic-financial results reported for Q4/entire 2020 – on February 26, 2021;
- 1 virtual international conference – organized in the form of one-to-one online meetings with institutional financial investors: “Romania Investors Days”- organizer WOOD & Company; period: March 3rd- 4th, 2021;
- 2 conference calls organized on request of financial institutions;
- 1 event on the capital market (ARIR conference - “Romanian Investor Relations Association”) to announce the results of the 2020 Investor Communication review with Vektor methodology, on January 27, 2021;

We can mention that through the effort of several departments, Romgaz was assessed with 9.50 by means of Vektor methodology established by BVB and ARIR – the evaluation marks of the issuers were published on BVB website;

- For *Q2 2021*:
 - 1 conference call organized by Romgaz with financial analysts and investors to discuss the economic – financial results reported by Romgaz Group for Q1 2021 – on May 17, 2021;
 - 1 virtual international conference – organized as one to one meetings with institutional financial investors: “Institutional Investor Conference Virtual Zurs 2021” – event organiser Raiffeisen Bank AG, April 14, 2021.

4.7. Fight against SARS-CoV-2

By Decision No. 173/March 20, 2020, issued by the Director General, a “Working Group” was established within the company in order to develop and implement “*A plan of measures to ensure the continuity of the company’s activity and to protect the employees, due to the evolution of the situation caused by the infection with SAR-CoV-2 virus*”.

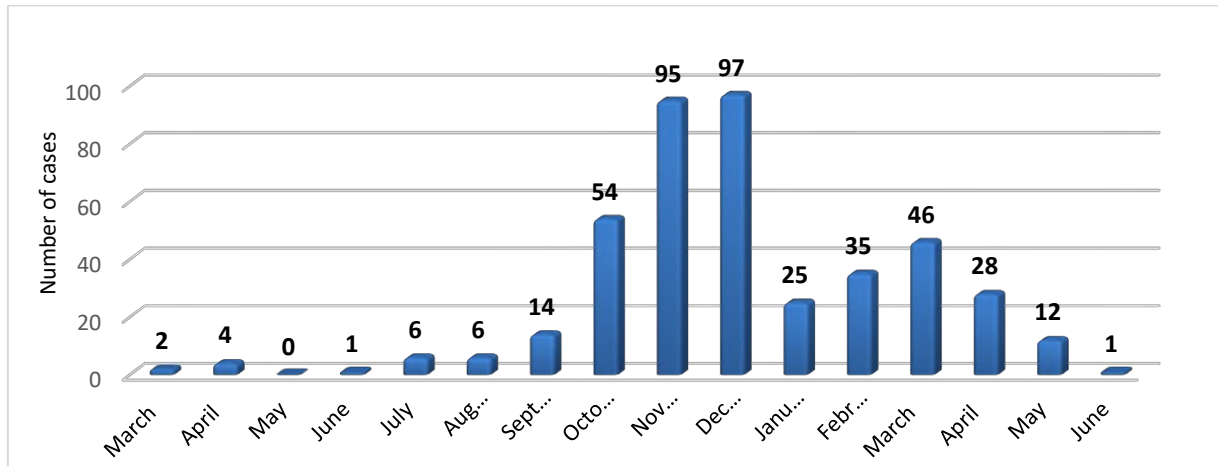
Among the measures taken in H1 2021 we mention a few:

- Drawing up lists with Romgaz employees who expressed their consent to vaccination, lists which were centralized and uploaded to the national programming platform for vaccination against COVID-19;
- Conclusion of Subsequent Contract No. 4, afferent to the framework agreement for the procurement of RT-PCR type testing medical services, for 250 tests;
- Purchase of disinfectant gel for hands;
- Initiating new proceedings to purchase face masks;
- Daily monitoring and updating of the situation of Romgaz employees who are isolated/in quarantine due to suspicion of infection and of those employees who are infected with SARS-CoV-2 virus;
- Internal controls at workplaces to ensure compliance with measures to reduce the risk of disease by SARS-CoV-2 virus.

Since the start of the pandemic and until June 30, 2021, a number of 426 infections with SARS-CoV-2 virus was recorded within Romgaz, out of which 8 employees died because of the infection with this virus.

During January 1 – June 30, 2021, a number of 147 infection with SARS-CoV-2 was recorded within Romgaz employees and 2 deaths.

The image below presents the evolution of COVID-19 cases within the company:



4.8. Sponsorships

The activities carried out by Romgaz in the field of social responsibility are accomplished on a voluntary basis, beyond the legal responsibilities, the company being aware of the role it plays in society.

For Romgaz, social responsibility is a business culture that includes business ethics, customer rights, economic and social equity, technologies that do not harm the environment, fair treatment of workforce, transparent relations with public authorities, moral integrity and investments in the community.

Also, Romgaz supports the sustainable development of the company and community, by financial support/sponsorship of some actions and initiatives in the following main fields: education, social, sports, health, environment, thus proving a pro-active attitude in the field of social responsibility and raising the awareness of stakeholders about the importance and benefits of applying social responsibility.

For H1 2021, Romgaz carried out sponsorships in amount of RON 8,411,570, as follows:

- RON 3,651,570 for category a) of GEO No. 2/2015 – Health;
- RON 4,335,000 for category b) of GEO No. 2/2105 – Education, Social and Sports;
- RON 425.000 RON category c) of GEO No.2/2015 – Others.

V. Consolidated Financial-Accounting Statement

5.1. Interim Statement of Consolidated Financial Position

The table below presents a summary of the consolidated financial position as of June 30, 2021 in comparison with December 31, 2020:

INDICATOR	December 31, 2020 (thousand RON)	June 30, 2021 (thousand RON)	Variance (%)
1	2	3	4=(3-2)/2x100
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	5,613,122	5,506,867	-1.89
Other intangible assets	14,774	16,233	9.88
Investments in associates	26,102	25,293	-3.10
Deferred tax assets	275,328	248,085	-9.89
Other financial assets	5,378	5,627	4.63
Right of use assets	7,915	7,589	-4.12
Total non-current assets	5,942,619	5,809,694	-2.24
<i>Current assets</i>			
Inventories	244,563	190,647	-22.05
Trade and other receivables	592,875	498,163	-15.98
Contract costs	651	539	-17.20
Other financial assets	1,995,523	2,500,475	25.30
Other assets	68,023	98,672	45.06
Cash and cash equivalent	416,913	109,127	-73.82
Total current assets	3,318,548	3,397,623	2.38
TOTAL ASSETS	9,261,167	9,207,317	-0.58
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	385,422	385,422	0.00
Reserves	2,251,909	2,926,912	29.97
Retained earnings	5,149,919	4,546,611	-11.71
Total equity	7,787,250	7,858,945	0.92
<i>Non-current liabilities</i>			
Retirement benefit obligation	128,690	119,890	-6.84
Deferred revenue	136,308	136,298	-0.01
Provisions	538,931	538,658	-0.05
Lease liability	7,845	7,509	-4.28
Total non-current liabilities	811,774	802,355	-1.16
<i>Current liabilities</i>			
Trade and other payables	89,132	62,912	-29.42
Contract liabilities	81,318	129,014	58.65
Current tax liabilities	59,831	29,203	-51.19
Deferred revenue	10,899	2,801	-74.30
Lease liability	767	795	3.65
Provisions	156,415	78,983	-49.50
Other liabilities	263,781	242,309	-8.14
Total current liabilities	662,143	546,017	-17.54
Total liabilities	1,473,917	1,348,372	-8.52
TOTAL EQUITY AND LIABILITIES	9,261,167	9,207,317	-0.58

NON CURRENT ASSETS

Total non-current assets dropped by 2.24%, namely RON 132.9 million, from RON 5,942.6 million on December 31, 2020 to RON 5,809.7 million on June 30, 2021. The decrease was caused by depreciation and impairment expenses related to abandoned projects with a higher value than the investments of the period. Impairment refers especially to unsuccessful drilling results.

CURRENT ASSETS

Current assets increased by 2.38% (RON 79.08 million) on June 30, 2021. The main influences are listed below:

Inventories

Inventories decreased by 22.05% at the end of H1 2021 as compared to December 31, 2020 following a decrease of gas stocks in storages, due to the seasonal characteristic of the Group's activity. The Group injected in H12021 167 million m³ from own production and withdrew 378.7 million m³ own gas for resale.

Trade and other receivables

Trade receivables decreased by 15.98% due to the seasonal characteristic of the Group's activity, with fewer gas supplies during summer than in winter. Generally, the Group's receivables are due within 30 days, but as regards clients undergoing an insolvency procedure declared captive by courts, the payment term is 90 days from invoice date.

Cash and cash equivalent. Other financial assets

Cash, cash equivalent and other financial assets (bank deposits and state bonds purchased) reached RON 2,609.6 million on June 30, 2021, as compared to RON 2,412.4 million at the end of 2020 (+RON 197.2 million).

Other assets

45.06% increase of other assets (RON 30.6 million) as compared to December 31, 2020 following an increase of advances paid to suppliers and prepayments.

The Group recovered in H12021, RON 18.3 million representing amounts paid to ANAF following a fiscal inspection. The Group filed court proceeding against ANAF, the case file received in 2019 a final settlement in favour of Romgaz.

In H1 2021, the Group recorded an income of RON 28.98 million following a final settlement in favour of Romgaz in a litigation against ANAF. Romgaz will take all steps to recover such amounts.

EQUITY

Group's equity increased to RON 7,858.9 million on June 30, 2021 as compared to RON 7,787.3 million on December 31, 2020, due to the profit achieved in the first six months of 2021. In the reporting period, the Group's shareholders decided to distribute dividends of RON 689.9 million.

NON-CURRENT LIABILITIES

On June 30, 2021 non-current liabilities recorded an insignificant decrease of 1.16% as compared to December 31, 2020, generated by the decrease of the employee benefit provision.

CURRENT LIABILITIES

Current liabilities decreased by 17.54%, from RON 662.14 million on December 31, 2020, to RON 546.0 million recorded in June 30, 2021. The main influences are shown below.

Contract liabilities

These liabilities represent advances collected from clients for deliveries in July. Increase of these liabilities to RON 129.0 million on June 30, 2021 as compared to RON 81.3 million on December 31, 2020 is due to the rise of gas sale prices related to contracts signed in H1 2021 as compared to contract prices valid on December 31, 2020.

Deferred revenue

The drop of deferred revenues is due to the decrease of interest from investments in state bonds. The Group invested a lower amount in such financial instruments on June 30, 2021 as compared to December 31, 2020 (RON 340.6 million on June 30, 2021 as compared to RON 1,045.6 million on December 31, 2020), choosing to place cash in bank deposits (RON 2,148.6 million on June 30, 2021 as compared to RON 925.4 million on December 31, 2020).

Provisions

Short-term provisions dropped by RON 77.4 million as compared to the end of the last year. This decrease is mainly due to the provision set up for payment of greenhouse gas emission certificates (net decrease of RON 50.7 million) as a result of purchasing in 2021 certificates for 2020, and of the provision for Group's employees participation to profit (net decrease of RON 18.7 million).

5.2. Interim Statement of Consolidated Comprehensive Income

The Group's profit and loss account summary for the period January 1 – June 30, 2021, as compared to the similar period of year 2020, is shown below:

Description	HI 2020 (thousand RON)	HI 2021 (thousand RON)	Variance (thousand RON)	Variance (%)
1	2	3	4=3-2	5=4/2x100
Revenue	2,193,365	2,250,031	56,666	2.58
Cost of commodities sold	(10,758)	(83,474)	72,716	675.92
Investment income	22,689	26,563	3,874	17.07
Other gains and losses	(7,032)	27,878	n/a	n/a
Net impairment losses on trade receivables	1,959	26,462	24,503	1,250.84
Changes in inventories	4,531	(40,547)	n/a	n/a
Raw materials and consumables	(28,679)	(35,885)	7,206	25.13
Depreciation, amortization and impairment expenses	(292,945)	(310,290)	17,345	5.92
Employee benefit expenses	(355,425)	(360,717)	5,292	1.49
Finance cost	(8,483)	(8,289)	(194)	-2.29
Exploration expenses	(18,977)	(693)	(18,284)	-96.35
Share of associates result	(125)	(809)	684	547.20
Other expenses	(569,084)	(609,965)	40,881	7.18
Other income	12,019	21,669	9,650	80.29
Profit before tax	943,055	901,934	(41,121)	-4.36
Income tax expenses	(142,215)	(140,333)	(1,882)	-1.32
Profit for the period	800,840	761,601	(39,239)	-4.90

Revenue

By the end of H1 2021, the Group's revenue recorded an increase by 2.58% (RON 56.67 million) as compared to the similar period of the previous year.

Consolidated revenue from gas sales amounted by 7.67%, and supplied gas quantities rose by 23.71%. The slight increase of revenue as compared to the large increase of gas supplied is due to effective contracts signed in the previous year, under market conditions effective at that time, with lower prices than today's market prices.

Consolidated revenue from storage services are down by 37.19%. Within this revenue category, capacity booking has the highest share (74%), with a significant influence on the negative evolution of consolidated revenue from storage activities (-40.67% for the analysed period compared to H1 2020). As regards Depogaz, the revenue from storage activities decreased by 15.8%, due to booking by 21% lower storage capacities in 2021-2022 storage cycle as compared to the previous storage cycle.

Consolidated revenue from electricity sales dropped by 26.84%.

The increase of 7.67% of consolidated revenue from internal gas sales resides mainly in the rise of income from internal gas production and in the significant rise of income from sale of gas purchased from the domestic market for resale (RON 81.1 million in H1 2021 as compared to RON 9.1 million in H1 2020, as a result of higher gas demand than the Group's production capacity).

Cost of commodities sold

Cost of commodities sold increased by 675.92% as compared to the similar period of 2020 (RON +72.7 million), mainly as a result of increased gas quantities purchased from the domestic market for resale, due to the above mentioned reasons.

Other gains or losses

Other net gains of RON 27.9 million include the income recorded following a final settlement in favour of Romgaz in a litigation against ANAF for cancelling a report issued further a fiscal investigation performed in December 2016-April 2017. Following the investigation, the Company paid RON 28.98 million representing additional taxes and penalties that are going to be recovered.

Net impairment losses on trade receivables

The Group calculates the impairment on trade receivables based on the risk of non-collecting such. Therefore, as regards clients undergoing bankruptcy procedure, the Group records losses from impairment for the entire non-collected amount; the same policy is applied to old debts.

For the six-months period ended June 30, 2021, the Group recorded a net gain from impairment of receivables of RON 26.4 million after collecting receivables from clients undergoing an bankruptcy procedure and after collecting old debts.

Changes in inventories

The negative change in inventories was generated in H1 2021 as a result of withdrawing larger gas quantities than the injected quantities.

Exploration expenses

Exploration expenses (RON 693 thousand) recorded in H1 2021 decreased by 96.35% as compared to the similar period of 2020, performing significantly fewer surveys than in the previous period.

Other expenses

Other expenses increased by 7.18% as compared to H1 2020. The main items of this expense category are shown below:

- expenses with other taxes and duties recorded a net increase of RON 16.65 million following a decrease of the windfall tax by RON 61.1 million and the increase of expenses with petroleum royalty of RON 78.2 million;
- net gains with provisions increased by RON 54.3 million (net gain of RON 87.8 million in H1 2021, as compared to a net gain of RON 33.6 million in H1 2020) after recording a net gain from releasing to income the provision for CO₂ certificates (RON 50.7 million). However, this gain did not compensate entirely the acquisition cost of

greenhouse gas emissions certificates of RON 121.5 million, such level has not been forecasted last year.

The table below shows the breakdown on segments of the interim consolidated comprehensive income for the period January – June 2021 and January - June 2020, respectively:

RON thousand

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation Adjustment	TOTAL
1	2	3	4	5	6	7
<i>Revenue</i>						
*H1 2021	2,110,748	145,291	83,125	194,878	(284,011)	2,250,031
*H1 2020	2,018,793	172,553	92,370	175,677	(266,028)	2,193,365
<i>Cost of commodities sold</i>						
* H1 2021	(64,398)	(1)	(18,846)	(229)	-	(83,474)
* H12020	(3,460)	(1)	(7,059)	(238)	-	(10,758)
<i>Investment income</i>						
* H1 2021	59	355	3	54,225	(28,079)	26,563
* H1 2020	46	617	72	43,067	(21,113)	22,689
<i>Other gains and losses</i>						
* H1 2021	(1,396)	(6)	(8)	29,288	-	27,878
* H12020	(4,140)	(8)	(64)	(2,820)	-	(7,032)
<i>Net impairment losses on trade receivables</i>						
*H1 2021	38,948	-	(12,434)	(52)	-	26,462
*H1 2020	1,982	-	(3)	(20)	-	1,959
<i>Changes in inventories</i>						
*H1 2021	(41,037)	-	44	446	-	(40,547)
*H1 2020	3,600	-	32	899	-	4,531
<i>Raw materials and consumables used</i>						
* H1 2021	(21,172)	(11,370)	(1,090)	(6,827)	4,574	(35,885)
* H1 2020	(18,653)	(10,425)	(602)	(4,870)	5,871	(28,679)
<i>Depreciation, amortization and impairment expenses</i>						
*H1 2021	(258,766)	(4,109)	(4,116)	(12,310)	(30,989)	(310,290)
*H1 2020	(232,342)	(2,867)	(14,181)	(10,782)	(32,773)	(292,945)
<i>Employees benefit expenses</i>						
*H1 2021	(215,740)	(34,303)	(22,185)	(88,489)	-	(360,717)
*H1 2020	(214,428)	(32,767)	(22,157)	(86,073)	-	(355,425)
<i>Finance cost</i>						
*H1 2021	(7,339)	(693)	-	(271)	14	(8,289)
*H1 2020	(7,420)	(790)	-	(289)	16	(8,483)
<i>Exploration expense</i>						
*H1 2021	(693)	-	-	-	-	(693)
*H1 2020	(18,977)	-	-	-	-	(18,977)
<i>Share of associates' result</i>						
*H1 2021	-	-	-	(809)	-	(809)
*H1 2020	-	-	-	(125)	-	(125)
<i>Other expenses</i>						
*H1 2021	(683,269)	(70,157)	(120,433)	(15,774)	279,668	(609,965)
*H1 2020	(662,580)	(75,903)	(66,792)	(24,217)	260,408	(569,084)
<i>Other income</i>						
*H1 2021	8,774	266	12,136	724	(231)	21,669
*H1 2020	11,777	30	6	457	(251)	12,019
Profit before tax						

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation Adjustment	TOTAL
1	2	3	4	5	6	7
*H1 2021	864,719	25,273	(83,804)	154,800	(59,054)	901,934
*H1 2020	874,198	50,439	(18,378)	90,666	(53,870)	943,055
<i>Income tax expense</i>						
*H1 2021	-	(4,190)	-	(136,143)	-	(140,333)
*H1 2020	-	(8,611)	-	(133,604)	-	(142,215)
<i>Profit for the period</i>						
*H1 2021	864,719	21,083	(83,804)	18,657	(59,054)	761,601
*H1 2020	874,198	41,828	(18,378)	(42,938)	(53,870)	800,840

5.3. Statement of Consolidated Cash Flows

Statements of consolidated cash flows recorded for the period January-June 2021 and January-June 2020, respectively, are shown in the table below:

INDICATOR	HI 2020 (RON thousand)	HI 2021 (RON thousand)	Variance (%)
1	2	3	4=(3-2)/2x100
Cash flow from operating activities			
Net profit for the period	800,840	761,601	-4.9
<i>Adjustments for:</i>			
Income tax expense	142,215	140,333	-1.32
Share from associates' result	125	809	547.20
Interest expense	289	274	-5.19
Unwinding of decommissioning provision	8,194	8,015	-2.18
Interest revenue	(22,689)	(26,563)	17.07
(Gains)/Losses on disposal of non-current assets	1,005	(383)	n/a
Change in decommissioning provision recognized in profit or loss other than unwinding	(1,640)	(1,530)	-6.71
Changes in other provisions	(31,924)	(86,282)	170.27
Net impairment of exploration assets	15,247	4,148	-72.79
Exploration projects written-off	-	17	n/a
Net impairment of non-current assets	53,629	63,946	19.24
Depreciation and amortization	224,069	242,196	8.09
Amortization of contract costs	215	828	285.12
Losses from financial investments valued at fair value through profit or loss	25	1	-96.00
Net Losses/(Gains) from trade and other receivables	(2,043)	(54,479)	2,566.62
Impairment of inventories	5,908	416	-92.96
Subsidies income	(3)	(4)	33.33
Cash generated from operations before movement in working capital	1,193,462	1,053,343	-11.74
Movement of working capital			
(Increase)/Decrease in inventory	31,855	53,731	68.67
(Increase)/Decrease in trade and other receivables	49,024	109,534	123.43
Increase/(Decrease) in trade and other liabilities	(162,058)	(1,467)	-99.09
Cash generated from operations	1,112,283	1,215,141	9.25
Interest paid	-	(2)	n/a
Income tax paid	(167,546)	(135,426)	-19.17
Net cash generated from operations	944,737	1,079,713	14.29
Cash flows from investing activities			
Investments in other entities	-	(250)	n/a
Bank deposits set up and acquisition of state bonds	(1,334,808)	(3,260,758)	144.29
Bank deposits and state bonds matured	1,664,239	2,742,593	64.80
Interest received	19,724	31,676	60.60
Proceeds from sale of non-current assets	809	452	-44.13

INDICATOR	HI 2020 (RON thousand)	HI 2021 (RON thousand)	Variance (%)
1	2	3	4=(3-2)/2x100
Acquisition of non-current assets	(269,555)	(150,743)	-44.08
Acquisition of exploration assets	(34,087)	(60,344)	77.03
Net cash used in investing activities	46,322	(697,374)	n/a
Cash flows from financing activities			
Dividends paid	(78)	(689,410)	883,758.97
Repayment of lease liability	(650)	(715)	10.00
Net cash used in financing activities	(728)	(690,125)	94,697.39
Net increase/(decrease) in cash and cash equivalents	990,331	(307,786)	n/a
Cash and cash equivalents at the beginning of the period	363,943	416,913	14.55
Cash and cash equivalents as of June 30	1,354,274	109,127	-91.94

VI, Performance of Directors' Agreements/Contracts of Mandate

Director Agreements

The following agreements were effective in H1 2021: director agreements of BoD members appointed by the General Meeting of Shareholders in 2018 for a period of 4 years, director agreements of interim board members appointed for a period of 4 months in December 2020 by OGMS Resolution No.14 of December 21, 2020, as well as director agreements of interim board members appointed for a period of 4 months in April 2021 by OGMS Resolution No.1 of March 11, 2021. 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 four-year mandate.

Following drafting and approval of the Governing Plan, the General Meeting of Shareholders was called 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 /May 15, 2019, the General Meeting of Shareholders "*did not approve the key financial and non-financial performance indicators, resulting from SNGN Romgaz SA Governing Plan prepared for 2018-2022*".

Company's shareholders appointed by Resolution No.11/December 23, 2019 the interim board members, set the fixed monthly gross allowance and approved their contract of mandate.

By Resolution No. 5 of April 13, 2020, the General Meeting of Shareholders approved the 2 months extension of interim board members mandate from the expiration date and approved the addendum to the contract of mandate with regard to the extension of the period.

Company's shareholders appointed by Resolution No.8/June 25, 2020 the interim board members for four-years and set the fixed monthly gross allowance.

According to Resolution No.1/March 11, 2021 the Ordinary General Meeting of Shareholders appointed following the cumulative vote, the interim board members for a four-month period, setting their fixed monthly gross allowance.

The director agreements do not include key financial and non-financial performance indicators, therefore board members do not benefit from the variable component.

Contracts of Mandate

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

Romgaz Board of Directors revoked by Resolution No.1/January 13, 2021 Mr. *Constantin Adrian Volintiru* from the position as Chief Executive Officer, terminating the contract of mandate concluded between the company and Mr. Volintiru. Until the appointment of a new chief executive officer, the company's management including legal representation was temporarily exercised by Romgaz Deputy Chief Executive Officer (with mandate).

Romgaz BoD appointed in the meeting that took place on February 12, 2021, by Resolution No. 11, Mr. Aristotel Marius Jude as SNGN Romgaz SA Chief Executive Officer as of February 13, 2021 for a temporary mandate of 2 months, extended by another four months by Resolution No.29/April 7, 2021.

The Board of Directors decided by Resolution No.47/June 30, 2021 to appoint Mr. Aristotel Marius Jude as Chief Executive Officer, for a temporary mandate of four months, as of August 14, 2021.



By Resolution no. 32/August 26, 2020, the Board of Directors appointed Mr. Pena Daniel Corneliu as Deputy Chief Executive Officer of SNGN Romgaz SA for a temporary mandate of two months (temporary mandate), effective as of August 28, 2020.

The board approved by Resolution No. 41/October 14, 2020, to extend the temporary mandate of Deputy Chief Executive Officer by 120 days, until February 24, 2021, respectively.

On February 15, 2021 the Board of Directors took note of Mr. Pena Daniel Corneliu resignation as deputy chief executive officer (with mandate) and agreed to terminate such mandate as of February 15, 2021.

By Resolution No. 50/December 9, 2020, the Board of Directors appointed Mr. Popescu Razvan as interim Chief Financial Officer for a four month period starting December 14, 2020. The Board decided in the meeting of April 7, 2021, by Resolution No. 30 to appoint Mr. Popescu Razvan for a new four-month mandate, as of April 14, 2021.

By Resolution No. 48, the Board appointed Mr. Popescu Razvan as Chief Financial Officer for a temporary four-month mandate, as of August 15, 2021.

The contracts of mandate concluded with the Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Financial Officer do not provide for performance indicators and criteria. These will be negotiated and included in the contracts of mandate, by addendum following GMS approval of the key financial and non-financial performance indicators.

Attached hereto are the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2021, prepared in compliance with the International Accounting Standard 34 and unaudited by the financial auditor.

Signatures:

CHAIRMAN OF THE BOARD OF DIRECTORS,	
<i>Dan Dragoș DRĂGAN</i>	
.....	
CHIEF EXECUTIVE OFFICER,	CHEF FINANCIAL OFFICER,
<i>Aristotel Marius JUDE</i>	<i>Răzvan POPESCU</i>
.....

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

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2021
(UNAUDITED)**

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

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CONDENSED STATEMENT OF CONSOLIDATED INTERIM COMPREHENSIVE INCOME FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2021

	Note	Six months ended June 30, 2021 '000 RON	Three months ended June 30, 2021 '000 RON	Six months ended June 30, 2020 '000 RON	Three months ended June 30, 2020 '000 RON
Revenue	3	2,250,031	922,783	2,193,365	763,036
Cost of commodities sold	4	(83,474)	(55,649)	(10,758)	(6,143)
Investment income		26,563	12,749	22,689	11,722
Other gains and losses	5	27,878	28,320	(7,032)	(3,771)
Impairment (losses)/gains on trade receivables	10 c)	26,462	(5,097)	1,959	24,246
Changes in inventory of finished goods and work in progress		(40,547)	54,777	4,531	39,428
Raw materials and consumables used	4	(35,885)	(16,337)	(28,679)	(12,876)
Depreciation, amortization and impairment expenses	6	(310,290)	(163,132)	(292,945)	(146,947)
Employee benefit expense	8	(360,717)	(201,659)	(355,425)	(204,951)
Finance cost		(8,289)	(4,150)	(8,483)	(4,250)
Exploration expense		(693)	(345)	(18,977)	(18,971)
Share of profit/(loss) of associates		(809)	(599)	(125)	(383)
Other expenses	9	(609,965)	(243,923)	(569,084)	(182,203)
Other income	3	21,669	11,813	12,019	4,865
Profit before tax		901,934	339,551	943,055	262,802
Income tax expense	7	(140,333)	(41,705)	(142,215)	(33,867)
Profit for the period		761,601	297,846	800,840	228,935
Total comprehensive income for the period		761,601	297,846	800,840	228,935
Basic and diluted earnings per share		0.0020	0.0008	0.0021	0.0006

These financial statements were endorsed by the Board of Directors on August 12, 2021.

Aristotel Marius Jude
 Chief Executive Officer

Răzvan Popescu
 Chief Financial Officer

CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION AS OF JUNE 30, 2021

	<u>Note</u>	<u>June 30, 2021</u> <u>'000 RON</u>	<u>December 31, 2020</u> <u>'000 RON</u>
ASSETS			
Non-current assets			
Property, plant and equipment		5,506,867	5,613,122
Other intangible assets		16,233	14,774
Investments in associates		25,293	26,102
Deferred tax asset		248,085	275,328
Other financial assets		5,627	5,378
Right of use assets		7,589	7,915
Total non-current assets		5,809,694	5,942,619
Current assets			
Inventories		190,647	244,563
Trade and other receivables	10 a)	498,163	592,875
Contract costs		539	651
Other financial assets		2,500,475	1,995,523
Other assets	10 b)	98,672	68,023
Cash and cash equivalents		109,127	416,913
Total current assets		3,397,623	3,318,548
Total assets		9,207,317	9,261,167
EQUITY AND LIABILITIES			
Equity			
Share capital		385,422	385,422
Reserves		2,926,912	2,251,909
Retained earnings		4,546,611	5,149,919
Total equity		7,858,945	7,787,250
Non-current liabilities			
Retirement benefit obligation	11	119,890	128,690
Deferred revenue		136,298	136,308
Lease liability		7,509	7,845
Provisions	11	538,658	538,931
Total non-current liabilities		802,355	811,774

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

CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION AS OF JUNE 30, 2021

	<u>Note</u>	<u>June 30, 2021</u> <u>'000 RON</u>	<u>December 31, 2020</u> <u>'000 RON</u>
Current liabilities			
Trade payables		62,912	89,132
Contract liabilities		129,014	81,318
Current tax liabilities		29,203	59,831
Deferred revenue		2,801	10,899
Provisions	11	78,983	156,415
Lease liability		795	767
Other liabilities		242,309	263,781
Total current liabilities		546,017	662,143
Total liabilities		1,348,372	1,473,917
Total equity and liabilities		9,207,317	9,261,167

These financial statements were endorsed by the Board of Directors on August 12, 2021.

Aristotel Marius Jude
 Chief Executive Officer

Răzvan Popescu
 Chief Financial Officer

CONDENSED STATEMENT OF CONSOLIDATED INTERIM CHANGES IN EQUITY FOR THE SIX-MONTH AND PERIODS ENDED JUNE 30, 2021

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2021	385,422	83,537	2,168,372	5,149,919	7,787,250
Allocation to dividends	-	-	-	(689,906)	(689,906)
Decrease in reserves approved by Depogaz' sole shareholder	-	(200)	-	200	-
Allocation to other reserves	-	-	675,203	(675,203)	-
Total profit for the period	-	-	-	761,601	761,601
Balance as of June 30, 2021	385,422	83,337	2,843,575	4,546,611	7,858,945
Balance as of January 1, 2020	385,422	79,921	1,507,488	5,201,222	7,174,053
Allocation to dividends	-	-	-	(620,530)	(620,530)
Allocation to other reserves	-	-	598,840	(598,840)	-
Total profit for the period	-	-	-	800,840	800,840
Balance as of June 30, 2020	385,422	79,921	2,106,328	4,782,692	7,354,363

These financial statements were endorsed by the Board of Directors on August 12, 2021.

Aristotel Marius Jude
 Chief Executive Officer

Răzvan Popescu
 Chief Financial Officer

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

CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2021

	Six months ended June 30, 2021	Three months ended June 30, 2021	Six months ended June 30, 2020	Three months ended June 30, 2020
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Cash flows from operating activities				
Net profit	761,601	297,846	800,840	228,935
Adjustments for:				
Income tax expense (note 7)	140,333	41,705	142,215	33,867
Share of associates' result	809	599	125	383
Interest expense	274	147	289	155
Unwinding of decommissioning provision	8,015	4,003	8,194	4,095
Interest revenue	(26,563)	(12,749)	(22,689)	(11,722)
Net (gain)/loss on disposal of non-current assets (note 5)	(383)	14	1,005	(1,039)
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 9)	(1,530)	(786)	(1,640)	(607)
Change in other provisions (note 9)	(86,282)	(153,136)	(31,924)	(41,196)
Net impairment of exploration assets (note 6)	4,148	4,461	15,247	2,050
Exploration projects written off	17	5	-	-
Net impairment of property, plant and equipment and intangibles (note 6)	63,946	39,998	53,629	41,084
Depreciation and amortization (note 6)	242,196	118,673	224,069	103,813
Amortization of contract costs	828	411	215	127
(Gain)/Loss from investments at fair value through profit and loss (note 5)	1	(6)	25	(7)
(Gain)/Loss from receivable write-offs and movement in allowances for trade receivables and other assets (note 10)	(54,479)	(23,811)	(2,043)	(24,296)
Net movement in write-down allowances for inventory (note 5)	416	560	5,908	4,842
Subsidies income	(4)	(2)	(3)	(1)
	1,053,343	317,932	1,193,462	340,483
Movements in working capital:				
(Increase)/Decrease in inventory	53,731	(48,834)	31,855	(26,593)
(Increase)/Decrease in trade and other receivables	109,534	268,090	49,024	386,340
Increase/(Decrease) in trade and other liabilities	(1,467)	39,558	(162,058)	(97,690)
Cash generated from operations	1,215,141	576,746	1,112,283	602,540
Interest paid	(2)	(2)		
Income taxes paid	(135,426)	(75,594)	(167,546)	(103,204)
Net cash generated by operating activities	1,079,713	501,150	944,737	499,336

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

CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2021

	Six months ended June 30, 2021	Three months ended June 30, 2021	Six months ended June 30, 2020	Three months ended June 30, 2020
	'000 RON	'000 RON	'000 RON	'000 RON
Cash flows from investing activities				
Investment in other entities	(250)	-	-	-
Bank deposits set up and state bonds acquired	(3,260,758)	(1,902,452)	(1,334,808)	(732,822)
Bank deposits and state bonds matured	2,742,593	1,964,499	1,664,239	832,985
Interest received	31,676	21,539	19,724	11,353
Proceeds from sale of non-current assets	452	(14)	809	809
Acquisition of non-current assets	(150,743)	(85,205)	(269,555)	(131,321)
Acquisition of exploration assets	(60,344)	(38,461)	(34,087)	(16,541)
Net cash used in investing activities	(697,374)	(40,094)	46,322	(35,537)
Cash flows from financing activities				
Dividends paid	(689,410)	(689,209)	(78)	(31)
Repayment of lease liability	(715)	(286)	(650)	(267)
Net cash used in financing activities	(690,125)	(689,495)	(728)	(298)
Net increase/(decrease) in cash and cash equivalents	(307,786)	(228,439)	990,331	463,501
Cash and cash equivalents at the beginning of the period	416,913	337,566	363,943	890,773
Cash and cash equivalents at the end of the period	109,127	109,127	1,354,274	1,354,274

These financial statements were endorsed by the Board of Directors on August 12, 2021.

Aristotel Marius Jude
 Chief Executive Officer

Răzvan Popescu
 Chief Financial Officer

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2021

1. BACKGROUND AND GENERAL BUSINESS

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

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

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

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

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

The Group has as main activity:

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

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

Basis for consolidation

Subsidiaries

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2021*Associated entities*

An associate is a company over which the Company exercises significant influence through participation in decision making on financial and operational policies of the entity invested in. Investments in associates are recorded using the equity method of accounting. By this method, the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the Group's share of the investee's net assets. The Group's profit or loss includes its share of the investee's profit or loss and the Group's other comprehensive income includes its share of the investee's other comprehensive income.

Standards and interpretations valid for the current period

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after January 1, 2021);
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective for annual periods beginning on or after January 1, 2021).

The adoption of these amendments, interpretations or improvements to existing standards did not lead to changes in the Group's accounting policies.

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

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

- IFRS 17 Insurance Contracts including Amendments to IFRS 17 (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after April 1, 2021);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after January 1, 2023).

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

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

At the date of issue of the financial statements, the following standards were issued, but not yet effective:

- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after January 1, 2022);
- Annual Improvements 2018-2020 (effective for annual periods beginning on or after January 1, 2022).

The Group did not adopt these standards and amendments before their effective dates. The Group does not expect these amendments to have a material impact on the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2021
Seasonality and cyclicity

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

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

Comparative information

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

3. REVENUE AND OTHER INCOME

	Six months ended June 30, 2021	Three months ended June 30, 2021	Six months ended June 30, 2020	Three months ended June 30, 2020
	'000 RON	'000 RON	'000 RON	'000 RON
Revenue from gas sold - domestic production	1,868,651	759,914	1,776,387	598,513
Revenue from gas sold – other arrangements	16,023	5,766	40,241	18,951
Revenue from gas acquired for resale – domestic gas	81,064	55,930	9,107	5,775
Revenue from storage services- capacity reservation	90,596	31,668	152,687	63,646
Revenue from storage services- extraction	22,392	2,410	19,205	3,819
Revenue from storage services- injection	9,915	9,531	23,794	18,551
Revenue from electricity	42,752	670	58,440	5,758
Revenue from services	90,704	38,986	99,472	42,373
Revenue from sale of goods	23,961	15,882	10,115	3,743
Other revenues from contracts	239	159	247	54
Total revenue from contracts with customers	2,246,297	920,916	2,189,695	761,183
Other revenues	3,734	1,867	3,670	1,853
Total revenue	2,250,031	922,783	2,193,365	763,036
Other operating income	21,669	11,813	12,019	4,865
Total revenue and other income	2,271,700	934,596	2,205,384	767,901

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2021
4. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Six months ended June 30, 2021	Three months ended June 30, 2021	Six months ended June 30, 2020	Three months ended June 30, 2020
	'000 RON	'000 RON	'000 RON	'000 RON
Consumables used	21,106	10,127	17,142	7,752
Technological consumption	11,196	5,347	10,007	4,580
Cost of gas acquired for resale, sold – domestic	64,321	40,089	3,460	1,289
Cost of electricity imbalance	18,816	15,292	7,059	4,784
Cost of other goods sold	338	269	239	69
Other consumables	3,582	862	1,530	545
Total	119,359	71,986	39,437	19,019

5. OTHER GAINS AND LOSSES

	Six months ended June 30, 2021	Three months ended June 30, 2021	Six months ended June 30, 2020	Three months ended June 30, 2020
	'000 RON	'000 RON	'000 RON	'000 RON
Forex gain	12	8	20	14
Forex loss	(117)	(28)	(198)	(39)
Net loss on disposal of non-current assets	383	(14)	(1,005)	1,039
Net allowance for other receivables (note 10 b and note 10 c)	28,017	28,908	84	50
Net write down allowances for inventory	(416)	(560)	(5,908)	(4,842)
Net gain/(loss) on financial assets at fair value through profit or loss	(1)	6	(25)	7
Total	27,878	28,320	(7,032)	(3,771)

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Six months ended June 30, 2021	Three months ended June 30, 2021	Six months ended June 30, 2020	Three months ended June 30, 2020
	'000 RON	'000 RON	'000 RON	'000 RON
Depreciation	242,196	118,673	224,069	103,813
out of which:				
- depreciation of property, plant and equipment	239,768	117,387	222,869	103,202
- depreciation of right of use assets	461	230	456	227
- amortization of intangible assets	1,967	1,056	744	384
Net impairment of non-current assets	68,094	44,459	68,876	43,134
Total depreciation, amortization and impairment	310,290	163,132	292,945	146,947

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2021

7. INCOME TAX

	Six months ended June 30, 2021	Three months ended June 30, 2021	Six months ended June 30, 2020	Three months ended June 30, 2020
	'000 RON	'000 RON	'000 RON	'000 RON
Current tax expense	113,090	29,809	128,448	25,244
Deferred income tax expense	27,243	11,896	13,767	8,623
Income tax expense	140,333	41,705	142,215	33,867

8. EMPLOYEE BENEFIT EXPENSE

	Six months ended June 30, 2021	Three months ended June 30, 2021	Six months ended June 30, 2020	Three months ended June 30, 2020
	'000 RON	'000 RON	'000 RON	'000 RON
Wages and salaries	379,961	212,943	370,158	207,935
Social security charges	13,418	7,329	13,318	8,648
Meal tickets	13,080	6,195	10,915	5,753
Other benefits according to collective labor contract	6,739	4,557	6,514	3,514
Private pension payments	5,785	2,884	5,900	2,941
Private health insurance	3,507	1,752	2,728	1,635
Total employee benefit costs	422,490	235,660	409,533	230,426
Less, capitalized employee benefit costs	(61,773)	(34,001)	(54,108)	(25,475)
Total employee benefit expense	360,717	201,659	355,425	204,951

9. OTHER EXPENSES

	Six months ended June 30, 2021	Three months ended June 30, 2021	Six months ended June 30, 2020	Three months ended June 30, 2020
	'000 RON	'000 RON	'000 RON	'000 RON
Energy and water expenses	16,889	11,178	18,149	12,183
Expenses for capacity booking and gas transmission services	78,400	29,229	95,215	35,639
Expenses with other taxes and duties *)	399,171	196,534	382,521	131,700
(Net gain)/Net loss from provisions movement **)	(87,812)	(153,922)	(33,564)	(41,803)
Other operating expenses **)	203,317	160,904	106,763	44,484
Total	609,965	243,923	569,084	182,203

*) In the six-month period ended June 30, 2021, the major taxes and duties included in the amount of RON 399,171 thousand (six-month period ended June 30, 2020: RON 382,521 thousand) are:

- RON 212,866 thousand represent windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 with the subsequent amendments for the implementation of the windfall tax following the deregulation of prices in the natural gas sector (six-month period ended June 30, 2020: RON 273,954 thousand);
- RON 183,109 thousand represent royalty on gas production and storage activity (six-month period ended June 30, 2020: RON 104,958 thousand).

***) The net gain from provisions movement of RON 87,812 thousand include a net gain of RON 50,678 thousand from provision for CO2 certificates that were acquired in 2021 which offsets part of the related expense of these certificates of RON 121,500 thousand included in Other operating expenses.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2021
10. ACCOUNTS RECEIVABLE
a) Trade and other receivables

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	'000 RON	'000 RON
Trade receivables	1,561,386	1,561,742
Allowances for expected credit losses (note 10 c)	(1,253,925)	(1,279,164)
Accrued receivables	192,173	312,991
Allowances for expected credit losses on accrued receivables (note 10 c)	(1,471)	(2,694)
Total	498,163	592,875

b) Other assets

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	'000 RON	'000 RON
Advances paid to suppliers	25,717	18,374
Joint operation receivables	9,108	2,384
Other receivables *)	45,924	64,471
Allowance for expected credit losses for other receivables (note 10 c) *)	(187)	(28,981)
Other debtors	50,020	50,079
Allowance for expected credit losses for other debtors (note 10 c)	(49,793)	(49,016)
Prepayments	14,334	5,808
VAT not yet due	3,543	4,898
Other taxes receivable	6	6
Total	98,672	68,023

*) Other receivables of RON 64,471 thousand as of December 31, 2020 included receivables of RON 47,474 thousand from the National Agency of Fiscal Administration ("ANAF") following tax audits performed during May 13, 2014 – September 30, 2014 and December 2016 - April 2017; the related impairment was of RON 28,981 thousand.

In 2019, the Company won the legal case started against the conclusions of one of the two tax audits and recovered in 2021 RON 18,323 thousand.

In 2021, the Company won the legal case started against the second audit and reversed the related impairment of RON 28,981 thousand, the effect of which is included in Note 5 in the net allowance for other receivables of RON 28,017 thousand. The Company will take all necessary actions to recover this amount from ANAF.

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

	<u>2021</u>	<u>2020</u>
	'000 RON	'000 RON
At January 1	1,359,855	1,379,557
Charge in the allowance for receivables (note 5, note 10 b)	1,089	32
Charge in the allowance for trade receivables (note 10 a)	21,655	33,095
Release in the allowance for receivables (note 5, note 10 b) *)	(29,106)	(116)
Release in the allowance for trade receivables (note 10 a)	(48,117)	(35,054)
At June 30	1,305,376	1,377,514

*) Please see note 10 b) above.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2021

11. PROVISIONS

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	'000 RON	'000 RON
Decommissioning provision	538,658	538,931
Retirement benefit obligation	119,890	128,690
Total long term provisions	658,548	667,621
Decommissioning provision	22,077	22,027
Litigation provision	1,049	1,380
Other provisions *)	55,857	133,008
Total short term provisions	78,983	156,415
Total provisions	737,531	824,036

*) Other provisions include mainly the provision for CO2 certificates of RON 30,539 thousand (December 31, 2020: RON 81,217 thousand) and the provision for employees' participation to profit of RON 18,284 thousand (December 31, 2020: RON 36,938 thousand).

12. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Sales of goods and services

	<u>Six months ended</u>	<u>Three months ended</u>	<u>Six months ended</u>	<u>Three months ended</u>
	<u>June 30, 2021</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2020</u>
	'000 RON	'000 RON	'000 RON	'000 RON
Romgaz's associates	6,475	5,244	5,119	3,923
Total	6,475	5,244	5,119	3,923

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

(ii) Trade receivables

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	'000 RON	'000 RON
Romgaz's associates	4,073	-
Total	4,073	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2021
13. SEGMENT INFORMATION
a) Products and services from which reportable segments derive their revenues

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

Specifically, the Group is organized in the following segments:

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

b) Segment assets and liabilities

June 30, 2021	Upstream	Storage	Electricity	Other	Adjustments and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Total assets	3,745,146	896,551	1,189,021	3,498,966	(122,367)	9,207,317
Total liabilities	849,634	89,407	178,333	250,779	(19,781)	1,348,372
December 31, 2020						
December 31, 2020	Upstream	Storage	Electricity	Other	Adjustments and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Total assets	3,934,003	913,401	1,193,908	3,315,212	(95,357)	9,261,167
Total liabilities	809,094	99,276	234,535	354,772	(23,760)	1,473,917

c) Segment revenues, results and other segment information

Six months ended						
June 30, 2021	Upstream	Storage	Electricity	Other	Adjustments and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	2,110,748	145,291	83,125	194,878	(284,011)	2,250,031
Less: revenue between segments	(17,533)	(33,774)	(40,545)	(192,159)	284,011	-
Third party revenue	2,093,215	111,517	42,580	2,719	-	2,250,031
Segment profit before tax profit/(loss)	864,719	25,273	(83,804)	154,800	(59,054)	901,934
Three months ended						
June 30, 2021	Upstream	Storage	Electricity	Other	Adjustments and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	878,912	56,975	21,077	101,622	(135,803)	922,783
Less: revenue between segments	(2,443)	(13,432)	(20,433)	(99,495)	135,803	-
Third party revenue	876,469	43,543	644	2,127	-	922,783
Segment profit before tax profit/(loss)	313,661	(6,254)	(27,703)	103,208	(43,361)	339,551

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2021

Six months ended June 30, 2020	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustments and eliminations '000 RON	Total '000 RON
Revenue	2,018,793	172,553	92,370	175,677	(266,028)	2,193,365
Less: revenue between segments	(26,188)	(33,957)	(34,098)	(171,785)	266,028	-
Third party revenue	1,992,605	138,596	58,272	3,892	-	2,193,365
Segment profit before tax profit/(loss)	874,198	50,439	(18,378)	90,666	(53,870)	943,055
Three months ended June 30, 2020	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustments and eliminations '000 RON	Total '000 RON
Revenue	696,707	81,127	19,605	82,495	(116,898)	763,036
Less: revenue between segments	(6,674)	(16,158)	(13,907)	(80,159)	116,898	-
Third party revenue	690,033	64,969	5,698	2,336	-	763,036
Segment profit before tax profit/(loss)	255,688	15,344	(19,837)	49,043	(37,436)	262,802

14. COMMITMENTS UNDERTAKEN

In 2020, Romgaz signed an addendum to the credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 100,000 thousand. On June 30, 2021 are still available for use USD 70,874 thousand.

As of June 30, 2021, the Group's contractual commitments for the acquisition of non-current assets are of RON 382,974 thousand (December 31, 2020: RON 419,104 thousand).

15. EVENTS AFTER THE BALANCE SHEET DATE*a) Court ruling in favor of Romgaz*

In July 2021, the High Court of Cassation and Justice of Romania ruled in favor of Romgaz in a legal case against a tax audit performed by ANAF during December 2016 - April 2017. Based on this ruling, the Group reversed the impairment of RON 28,981 thousand recorded for the related receivable (note 10 b).

b) Extension of terms related to investment financed from NIP

In July 2021 Romgaz and the Ministry of Energy signed an addendum to the financing contract of the combined cycle CCTG power plant in Iernut, extending the contract term until December 31, 2022. The addendum to the contract was signed based on Government Decision no. 669/2021 amending Government Decision no. 1096/2013 for approving transitional free allocation of CO2 certificates to electricity producers during 2013-2020, including the National Investment Plan (NIP). According to this Decision, the completion and commissioning period of investments financed from the NIP is extended until June 30, 2022 and the reimbursement period until December 31, 2022.

16. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on August 12, 2021.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT

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

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

The undersigned,
ARISTOTEL MARIUS JUDE as Chief Executive Officer and
RĂZVAN POPESCU as Chief Financial Officer

hereby confirm that according to our knowledge, the interim condensed consolidated financial statements for the half year ended June 30, 2021, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, namely IAS 34, offer a true and fair view of the assets, liabilities, financial position, statement of profit and loss of the S.N.G.N. ROMGAZ S.A. Group and that the Board of Directors' report comprises a fair analysis of the development and performance of the Group, as well as a description of the main risks and uncertainties specific to its activity.

**CHIEF EXECUTIVE OFFICER,
ARISTOTEL MARIUS JUDE**

**CHIEF FINANCIAL OFFICER,
RĂZVAN POPESCU**