



Societatea Națională de Gaze Naturale “ROMGAZ” SA

Ist HALF YEAR REPORT
ECONOMIC- FINANCIAL ACTIVITY OF
ROMGAZ GROUP AS OF JUNE 30, 2019
(JANUARY 1, 2019 - JUNE 30, 2019)



SUMMARY

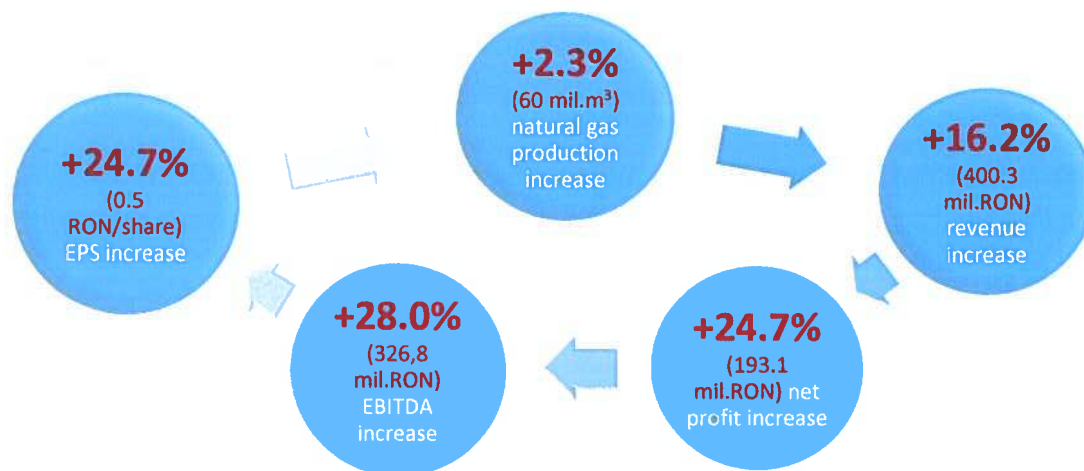
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IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report based on	<i>Law no. 24/2017 on issuers of financial instruments and market operations (Article 65) and ASF (Financial Supervisory Authority) Regulation no.5/2018 on issuers of financial instruments and market operations (Annex 14) for the six-months period ended on June 30, 2019 (HI of financial year 2019)</i>
Report Date	August 14, 2019
Name of the Company	Societatea Națională de Gaze Naturale "ROMGAZ" SA
Headquarters	Mediaș, 4 Constantin I. Motaș Square, code 551130, Sibiu County
Telephone/fax number	0040 374 401020 / 0040 269 846901
Web/E-mail	www.romgaz.ro / secretariat@romgaz.ro
Fiscal Code	RO 14056826
Legal Entity Identifier (LEI)	2549009R7KJ38D9RW354
Regulated market where the company's shares are traded	Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)
Subscribed and paid in share capital	RON 385,422,400
Shares main characteristics	385,422,400 shares each with a nominal value of RON 1 nominative, ordinary, indivisible shares, issued dematerialised and free tradable since November 12, 2013 as SNG – for shares and SNGR – for GDRs

I. 1ST HALF YEAR 2019 OVERVIEW

Highlights



1.1. Romgaz Group Performances¹

Operational and financial performances of Romgaz Group achieved in HI 2019 continued to be high, confirming the established trend.

In the first 6 months of 2019 the national gas consumption recorded a 3% decrease, while Romgaz deliveries remained similar to the previous year having a sub-unitary variation. As a result, Romgaz *share* on the gas deliveries market reached **46.3%**, by one percent higher than the share held in the previous period (45.3%).

Natural gas production reached 2,700 million m³, higher by 59.5 million m³ than the production recorded during the similar period of the previous year (+2.3%) and higher by 8.8 million m³ than the production schedule (+0.3%).

Romgaz electricity production of 171.66 TWh decreased as compared to the similar period of 2018 (466.22 TWh). This production placed Romgaz at a market share of **0.64%**².

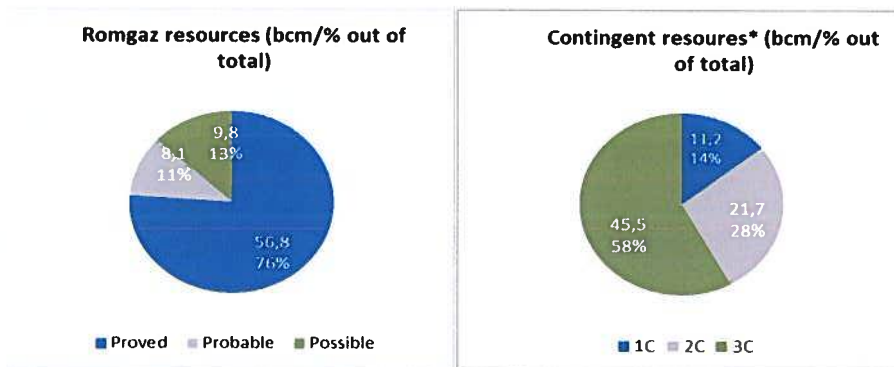
The margins of the main profitability indicators: net profit (33.9%), EBIT (39.2%) and EBITDA (51.9%) confirm a high profitability of Romgaz Group activity.

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

The results of the report confirm the evaluation of gas resources and reserves performed by Romgaz with the reference date on December 31, 2017, and confirm an average 78% annual reserves replacement ratio for years 2013- 2017, value above the target of 70%.

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

² Source: CNTEE Transelectrica SA



*1C contingent resources include proved developed reserves whose exploitation program is beyond December 31, 2042, this date being the end of the effective licence terms.

Relevant Financial Results (consolidated)

				million RON			
Q2 2018	Q1 2019	Q2 2019	Δ Q2 (%)	Main indicators	HI 2018	HI 2019	Δ HI (%)
992.2	1,713.1	1,161.7	17.1	Revenue	2,474.5	2,874.8	16.2
1,040.6	1,683.1	1,229.4	18.1	Income	2,446.9	2,912.5	19.0
671.7	1,042.7	719.6	7.1	Expenses	1,517.7	1,762.3	16.1
0.20	1.4	(0.2)	-	Share of the associates' result	0.98	1.2	19.4
369.0	641.8	509.6	38.1	Gross Profit	930.2	1,151.3	23.8
52.3	99.9	75.5	44.5	Profit Tax	147.3	175.4	19.1
316.8	541.8	434.1	37.0	Net Profit	782.8	975.9	24.7
354.1	630.8	496.7	40.2	EBIT	904.0	1,127.4	24.7
459.9	894.0	598.9	30.2	EBITDA	1,166.1	1,492.9	28.0
0.8	1.4	1.1	37.0	Earnings per share**) (RON)	2.0	2.5	24.7
31.9	31.6	37.4	17.0	Net Profit Rate (% from Revenue)	31.6	33.9	7.3
35.7	36.8	42.8	19.8	EBIT Ratio (% from Revenue)	36.5	39.2	7.4
46.4	52.2	51.6	11.2	EBITDA Ratio (% from Revenue)	47.1	51.9	10.2
6,132	6,162	6,171	0.6	Number of employees at the end of the period	6,132	6,171	0.6

)EPS is calculated based on the individual results of SNGN ROMGAZ SA
The figures above are rounded. Therefore, small differences may result upon reconciliation.

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

Confirming the trend, the Group recorded in Q2 2019 an increase of the main indicators compared to the similar period of 2018, as follows: revenue +17.1%, EBIT +40.2%, EBITDA +30.2%, the profitability margins have also remained at significant values.

Summary of the Group's main indicators for HI 2019:

↳ **Total Income**, higher by **RON 465.5 million**, rising by 19.0% while total expenses recorded an increase of 16.1%.

Gross result of HI 2019 is higher by 23.8% as compared to the previous year further to the following influential factors:

- 16.18% higher revenue as compared to HI 2018 further to an increase of gas sales, both from internal production and from gas purchased for resale (+20.83%);

- the positive effect triggered by the increased revenue reflected on the profit was affected by the increased additional income tax (+65.6% representing an increase of RON 174.7 million) and by the 2% contribution of electricity and gas licence titleholders from the revenue recorded from activities that relate to the licences granted by ANRE (RON 41.85 million)
- ↳ *Net profit* is by **RON 193 million** higher than the profit for the previous period due to increased income and influenced by the rise of expenses due to the above mentioned causes (+24.7%);
- ↳ *Labour productivity* increased by 15.44% compared to the previous period, from RON 403.54 thousand revenue/employee in HI 2018 to RON 465.85 thousand revenue/employee in HI 2019;
- ↳ *Net profit margins, EBIT and EBITDA* are higher compared to HI 2018 as a consequence of a higher revenue;
- ↳ *EPS* of **RON 2.5** by 24.7% higher than in HI 2018.

Operational Results

Q2 2018	Q1 2019	Q2 2019	Δ Q2 (%)	Main Indicators	HI 2018	HI 2019	Δ HI (%)
1,276.2	1,430.0	1,269.8	-0.5	Gas Produced (million m ³)	2,640	2,700	2.3
91	103	81	-3.0	Petroleum Royalty (million m ³)	192	193	0.5
1,850	4,934	4,321	133.5	Condensate Production (tonnes)	3,485	9,255	165.6
178.9	170.8	0.8	-99.6	Electricity delivered (GWh)	466.2	171.6	-63.2
20.3	884.9	39.8	96.1	Invoiced UGS gas withdrawal services (million m ³)	1,118.6	924.7	-17.3
733.9	37.8	1,009.8	37.6	Invoiced UGS gas injection services (million m ³)	751.6	1,047.6	39.4

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

Gas production was in the parameters expected when preparing the 2019 production schedule; the achieved level represents 100.33% of the schedule.

Romgaz produced 2,700 million m³ natural gas during the first half of 2019, 59.5 million m³ (2.3%) more than the volume produced in the same period of the previous year.

The high production recorded in HI 2019 was triggered by:

- ✓ maximum production from Caragele field by finalising investments to extend production infrastructure and connecting the wells to this infrastructure;
- ✓ continued rehabilitation projects on the main mature gas fields that led to arresting the production decline on such fields;
- ✓ well workover operations that reactivated a series of wells with significant flow rates;
- ✓ relocation of compressor units to optimise production from some gas fields;
- ✓ streaming into production new commercial discoveries.

The *electricity production* decline, as shown in the table below, is closely related to the investments made at CTE Iernut, works that restrict using the old energy units. Therefore, CTE Iernut did not produce electricity in Q2 2019 due to:

- the works performed at the outer electric station;
- the works performed at the main water cooling circuits, such works are in connection with the existing power plant;

- works performed at the existing cooling circuit (hydro-technical dam, cooling water pumps, cooling towers, mixing chambers etc.) these will be also used for the new investment; such works had to be performed only when the power plant was shut down.

MWh

	2018	2019	Ratio
1	2	3	4=3/2x100
Q1	287,287	170,894	-40.51%
Q2	178,933	773	-99.57%
HI	466,221	171,667	-63.18%

1.2. Significant Events

March 29, 2019

The Romanian Government issues GEO no. 19/2019³ amending favourably GEO no. 114/2018⁴, namely the gas sale price capping at 68 RON/MWh for the period May 1, 2019 – February 28, 2022 is limited to gas deliveries to “households’ suppliers and heat producers, only for the natural gas quantity used to produce heat for consumption in cogeneration plants and in power plants”.

GEO no.114/2018 enforced a price capping on gas deliveries to “final eligible suppliers and clients” stating that “for ensuring the total household consumption, during such period the producer has to sell gas, under ANRE regulated conditions, to suppliers prevalently from the current production and/or from storages”.

April 1, 2019

Enforcement of the new storage tariffs approved by ANRE Order no.44/2019.

May 7, 2019

Romgaz celebrated 110 years from the first natural gas discovery in Romania. Natural gas history began in Romania in 1909, in Sarmasel, while drilling at over 300 meter depth for potash salts, natural gas burst out freely. This phenomenon marked the beginning of an industry, age-old nowadays.

June 26, 2019

Further to casting the cumulative vote, the company’s shareholders appointed the following persons as members of the Board of Directors, issuing Resolution no.6:

- ✍ **Stan-Olteanu Manuela-Petronela**
- ✍ **Havrileț Niculae**
- ✍ **Ciobanu Romeo-Cristian**
- ✍ **Parpală Caius-Mihai**
- ✍ **Hărăbor Tudorel**
- ✍ **Cîmpeanu Nicolae**

³ Emergency Ordinance issued by the Romanian Government no.19 of March 29, 2019 amending and supplementing certain pieces of legislation

⁴ Government Emergency Ordinance no.114 of December 28, 2018 on establishing certain measures related to public investments and fiscal-budgetary measures, amending and supplementing pieces of legislation and prorogation of terms

☞ Jansen Petrus Antonius Maria.

Mr. Ciobanu Romeo Cristian and Mr. Jansen Petrus Antonius Maria continue their mandate as directors as they were selected further to a selection process in 2018 and appointed directors for a 4-years mandate by OGMS Resolution no.8 of July 6, 2018. Therefore, their mandate is carried on forward. All other directors, acting as interim directors, are appointed for a 4-months period.

II. ROMGAZ GROUP OVERVIEW

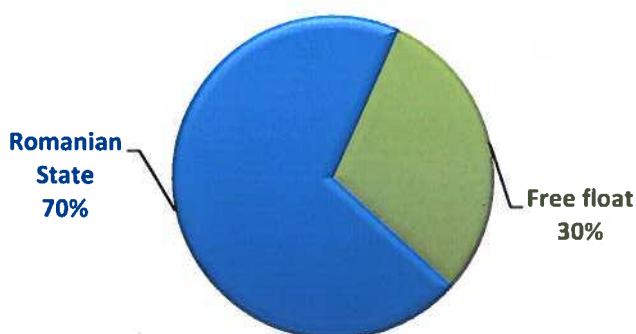
Romgaz Group undertakes business in the following segments:

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

Shareholding Structure

On June 30, 2019, SNGN Romgaz SA shareholding structure was the following:

	Number of shares	%
The Romanian State ⁵	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
*legal persons	97,655,717	25.3373
*natural persons	17,943,603	4.6556
Total	385,422,400	100.0000



Company Organization

The structural organization of Romgaz is specific for organizations of a hierarchy-functional type, with six hierarchical levels from the company's shareholders to the execution personnel.

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

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

⁵ The Romanian State through the Ministry of Energy

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

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

The company's subscribed and paid in share capital is RON 66,056,160 split into 6,605,616 shares with a nominal value of RON 10/share, owned entirely by Romgaz.

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

Information on the Subsidiary may be found at: <https://www.depogazploiesti.ro>.

Company Management

Board of Directors

The company is governed by a **Board of Directors** composed of 7 members, having on *June 30, 2019* the following structure:

Item no.	Name	Position in the Board	Status	Professional Qualification	Institution of Employment
1	Stan-Olteanu Manuela-Petronela	chairman	non-executive	legal adviser	General Secretariat of the Government
2	Havrileț Niculae	member	non-executive	engineer	Ministry of Energy
3	Ciobanu Romeo-Cristian	member	non-executive independent	PhD engineer	Universitatea Tehnică Iași
4	Parpală Caius-Mihai	member	non-executive	engineer	ANAR - Administrația Bazinală de Ape Mureș – Sistemul de Gospodărire al Apelor Arad
5	Hărăbor Tudorel	member	non-executive	economist	
6	Cîmpeanu Nicolae	member	non-executive	economist	OMV Petrom Global Solutions S.R.L.
7	Jansen Petrus Antonius Maria	member	non-executive independent	economist	London School of Business and Finance

During January 1 – June 26, 2019 the Board of Directors had the following members:

Item No.	Name	Position in the Board	Status ^{*)}	Professional Qualification	Institution of Employment
1	Nistoran Dorin Liviu	chairman/member ^{**)}	non-executive independent	engineer	Evolio
2	Volintiru Adrian Constantin	member	executive non-independent	economist	SNGN Romgaz SA
3	Ungur Ramona	member/chairman ^{***)}	non-executive independent	economist	
4	Grigorescu Remus	member	non-executive independent	PhD in economics	Universitatea "Constantin Brâncoveanu"
5	Ciobanu Romeo Cristian	member	non-executive independent	PhD engineer	Universitatea Tehnică Iași

6	Jude Aristotel Marius	member	non-executive non-independent	MBA in Law legal adviser	SNGN Romgaz SA
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.

^{**)} - chairman until May 14, 2019.

^{***)} - chairman as of May 15, 2019.

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

Upper management

Volintiru Adrian Constantin – Chief Executive Officer (CEO)

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

The Board of Directors appointed by Resolution no. 45 of October 1st, 2018 Mr. Volintiru Adrian Constantin as Chief Executive Officer of the Company for a 4 year mandate.

Bobar Andrei – Chief Financial Officer (CFO)

The Board of Directors appointed Mr. Bobar Andrei by Resolution no. 30 of November 2, 2017 as chief financial officer.

The Board of Directors appointed Mr. Bobar Andrei by Resolution no. 39 of August 28, 2018 as chief financial officer for a limited period, from August 28, 2018 until November 2nd, 2021.

Other persons discharging managerial responsibilities:

Name	Position
ROMGAZ - headquarters	
Paraschiv Nelu	Deputy Director General
Rotar Dumitru Gheorghe	Deputy Director General
Sânpetrescu Anca Mariana	Financial Director
Trânbițaș Gabriela	Accounting Director
Dediu Mihaela Carmen	Exploration-Appraisal Director
-	Production Director
Boiarciuc Adrian	Information Technology Director
Lupa Leonard Ionuț	Procurement Director
Chertes Viorel Claudiu	Director for Technical Regulations
Ciolpan Vasile	Energy Trade Director
Endre Ioo	Legal Department Director
Stan Ioan	Human Resources Director
Cindrea Corin Emil	HQSE Director
Stancu Lucian Adrian	Corporate Management Director
Mediaș Branch	
Tătaru Argentina	Director
Achimeț Teodora Magdalena	Economic Director
-	Production Director
Man Ioan Mihai	Technical Director
Târgu Mureș Branch	
Roiban Claudiu	Director
Papoi Ilona	Economic Director

-	Production Director
Baciu Marius Tiberiu	Technical Director
Iernut Branch	
Balazs Bela^{*)}	Director
Oros Cristina Monica	Economic Director
Oprea Maria Aurica	Trading Director
Bircea Angela	Technical Director
SIRCOSS	
Dobrescu Dumitru	Director
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director
STTM	
Cătană Cristian Victor	Director
Ilinca Cristian Alexandru	Economic Director
Cioban Cristian Augustin	Operation-Development Director

^{*)} has management competences, is not appointed director of the branch,

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

The management and operating personnel are employed, promoted and dismissed by the chief executive officer based on the competences delegated to him by the Board of Directors.

The Board of Directors and the upper management of Depogaz Subsidiary is provided on its website, namely: <https://www.depogazploiesti.ro/ro/despre-noi/conducere>

Human Resources

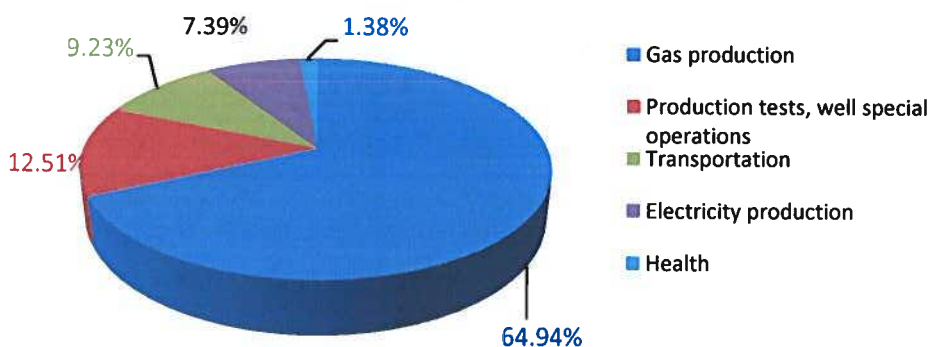
On June 30, 2019 Romgaz Group had 6,171 employees and SNGN Romgaz SA 5,658 employees. As of April 1, 2018 504 employees terminated the labour agreement with the company passing over to Depogaz.

The table below shows the evolution of the employees' number during January 1, 2016 – June 30, 2019:

Description	2016	2017	2018		HI 2019	
			Romgaz Group	SNGN Romgaz SA	Romgaz Group	SNGN Romgaz SA
	2	3	5		6	6
Employees at the beginning of the period	6,356	6,246	6,198	6,198	6,214	5,688
Newly hired employees	168	233	286	241	83	68
Employees who terminated their labour relationship with the company	278	281	270	751	126	98
Employees at the end of the period	6,246	6,198	6,214	5,688	6,171	5,658

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

a) by activities



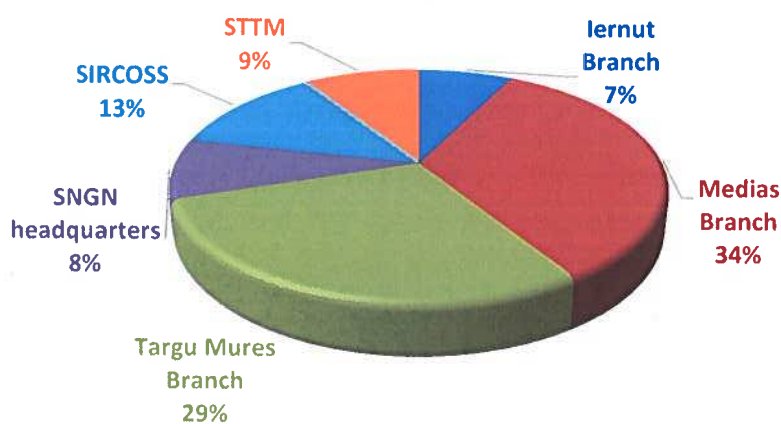
b) by level of education

- university 24.09%;
- secondary school 28.05%;
- foreman school 3.04%;
- vocational school 33.99%;
- middle school 10.83%;

c) by age

- under 30 years 4.10%;
- 30-40 years 13.79%;
- 40-50 years 34.99%;
- 50-60 years 38.03%;
- over 60 years 9.08%;

d) by headquarters and branches



e) by categories

Entity	Workers	Foremen	Office	Total
1	2	3	4	5
Headquarters	39		432	471
Mediaş Branch	1,478	88	336	1,902
Targu-Mureş Branch	1,309	50	278	1,637
SIRCOSS	510	52	146	708
STTM	394	21	107	522
Iernut Branch	269	41	108	418
TOTAL	3,999	252	1,407	5,658

Romgaz on the stock exchange

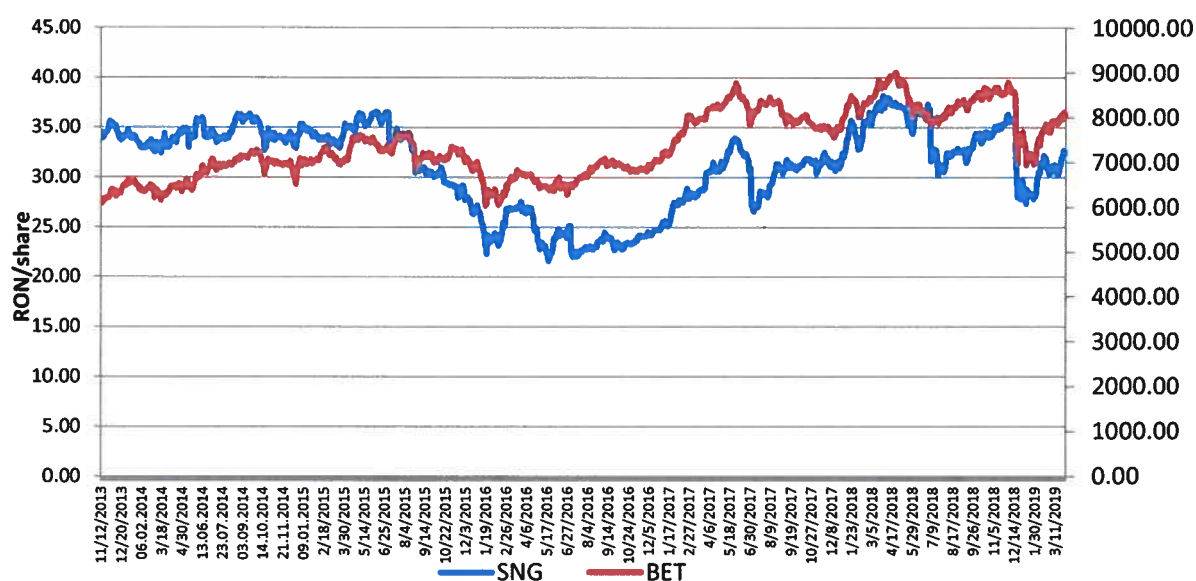
As of November 12, 2013, the company's shares have been traded on the regulated market governed by BVB (Bucharest Stock Exchange) – under the symbol “*SNG*” and on the regulated market governed by LSE (London Stock Exchange), as GDRs issued by the Bank of New York Mellon – under the symbol “*SNGR*”.

Romgaz is considered an attractive company for the investors as regards the dividend distribution to shareholders and the company's stability.

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

- 2nd place by market capitalization in the top of Premium local issuers on BVB on June 30, 2019 (RON 12,410.6 million, namely Euro 2,621.0 million);
- 4th place by trading value in HI 2019 in the top of local issuers on BVB main segment (RON 448.3 million);
- Weights of 10.35% and 10.13% in the BET index (top 13 issuers) and namely in the BET-XT (BET Extended), 28.28% in the BET-NG index (energy and utilities) and 10.353% in the BET-TR index (BET Total Return);

Performance of Romgaz shares between listing and June 30, 2019 in relation to BET index, is shown below:



The next table presents the evolution of the closing price as well as the company's market capitalization on the last day of HI of 2017, 2018 and 2019.

	June 30 2017	June 30 2018	June 30, 2019
Number of shares	385,422,400	385,422,400	385,422,400
Closing price (RON)	30.75	37.35	32.20
Market capitalization			
*mil. RON	11,852	14,396	12,411
*mil. EUR	2,603	3,088	2,621

Romgaz shares trading price in HI 2019 had a similar evolution to the one recorded in the previous periods, recording a significant decrease at the beginning of the year (minimum of 27.35 RON/share on January 14, 2019) followed by a visible increase in February – after publishing the Preliminary Results for 2018; March – after publishing the dividend proposal for 2018 and additional dividends according to GEO no.114/2018; and in May – before the ex-date for the 2018 dividends (maximum of 35.10 RON/share on May 28). Therefore, at the end of the first six months, the share price was RON 32.2, by 17.5% higher than recorded in the first trading day of the year.

On LSE, GDRs were traded at prices comparable to those of the shares traded on BVB, recording an increase of 10.7% in the reviewed period due to RON-USD exchange rate 1.4% increase. The minimum GDR price (7 USD) was also recorded on January 14, and the maximum price (8.05 USD) on the date previous to the ex-date for 2018 dividends.

III. REVIEW OF THE COMPANY'S BUSINESS

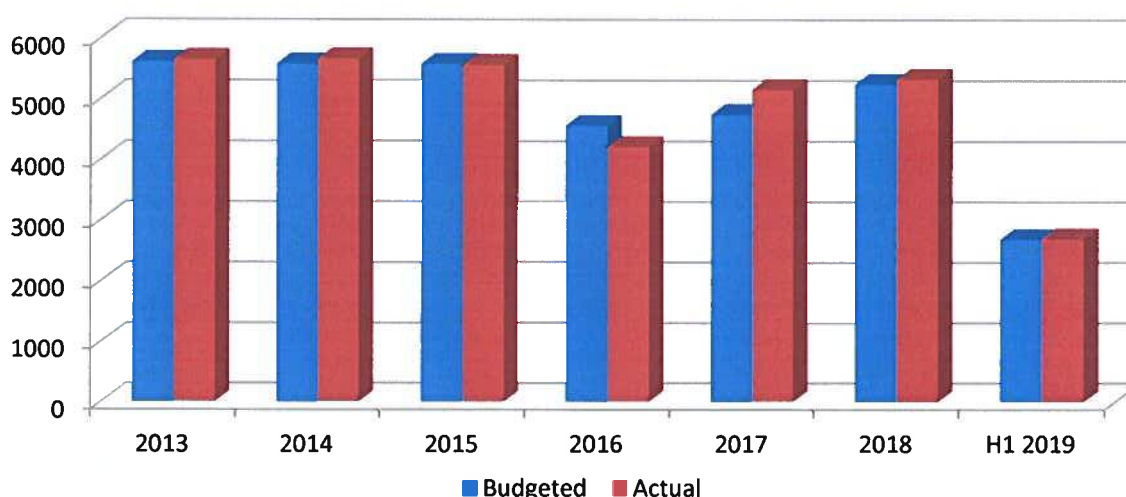
3.1. Operational Results

The 154 commercial fields, located in the Transylvanian Basin, Moldova, Muntenia and Oltenia, are operated by Medias and Targu Mures branches; 80% of Romgaz total production is achieved by 30 mature reservoirs being in an advanced state of depletion, these have been producing for more than 30 years.

A retrospective analysis on the natural gas volumes produced during 2013-2019 is shown below:

Specifications	2013	2014	2015	2016	2017	2018	HI 2019
1	2	3	4	5	6	7	8
Budgeted (mil.m ³)	5,615	5,581	5,581	4,567	4,750	5,250	2,691
Actual (mil.m ³)	5,651	5,664	5,563	4,219	5,158	5,333	2,700
Differences (Actual-Budgeted)	+36	+83	-18	-348	+408	+83	+9
Actual	100.6	101.5	99.7	92.4	108.6	101.6	100.3

The chart below shows the evolution of gas volumes produced during 2013 – 2019 and in HI 2019, budgeted vs actual:



Analysis of the production data shows that the produced gas volumes were almost equal or exceeded the expected gas volume. We may say that the natural decline of the gas reservoirs was mitigated in this period, recording a value of approximately 1.4 % for the period 2013 – 2019.

Following factors positively influenced the achievement of this production:

- sustained investment efforts for the extension/modernisation of the surface facilities:
 - 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 gas production increase of 93%, a 207% increase of condensate production following a maximum flow rate production, compared to the same reporting period of 2018;
 - streaming into production new commercial discoveries;
- increase productivity of some gas fields by relocating compression units to decrease gathering pressure;

- performing workover for 85 wells with a production potential on June 30, 2019 of more than 573 thousand m³/day, recording a cumulative of 45,5 million m³;
- optimising production by applying modern methods to perform water removal from wells, by implementing minimum invasive technologies, by installing pressure and flow rate metring devices in the well.

The table below shows the gas quantities produced, delivered, injected/withdrawn in/from the underground storage during January – June 2019 compared to the similar period of years 2017 and 2018 (million m³):

Item No.	Specifications	HI 2017	HI 2018	HI 2019	Ratios
0	1	2	3	4	5=4/3x100
1.	Gross production – total, out of which:	2,559.4	2,640.3	2,699.8	102.3%
1.1.	*own gas	2,474.6	2,553.5	2,699.8	105.7%
1.2.	* Schlumberger joint operations (100%)	84.8	86.8	0.0	-
2.	Fuel consumed in operations	36.9	42.9	42.8	99.8%
3.	Net own gas production (1.-1.2.-2.)	2,437.7	2,510.6	2,657.0	105.8%
4.	Own gas stored in UGS	77.6	88.8	140.8	158.6%
5.	Own gas withdrawn from UGS	497.0	297.3	199.9	67.2%
5.1.	*gas cushion	0.0	6.9	0.0	-
6.	Difference from conversion to Gross Calorific Value	-6.6	1.6	2.2	137.5%
7.	Delivered own gas (3.-4.+5.-6.)	2,863.7	2,715.5	2,713.9	99.9%
8.1.	Gas sold in UGS	0.0	8.1	0.0	-
8.2.	Gas delivered to CTE Iernut and Cojocna	268.1	130.1	50.5	38.8%
9.	Own gas delivered to the market (7.+8.1.-8.2.)	2,595.6	2,595.5	2,663.4	102.6%
10.	Gas from joint operations^{*)} – total, out of which:	85.7	91.9	75.0	81.6%
	*Schlumberger (50%)	42.4	43.4	0	-
	*Raffles Energy (37.5%)	0.1	0.01	0	-
	*Amromco (50%)	43.2	48.5	75.0	154.6%
11.	Gas acquisitions from domestic production	23.2	5.3	3.9	73.6%
12.	Traded domestic gas (9.+10.+11.)	2,704.5	2,692.7	2,742.3	101.8%
13.	Gas delivered from domestic production (8.2.+12.)	2,972.6	2,822.8	2,792.8	98.9%
14.	Delivered import gas	25.7	82.5	53.0	64.2%
15.	Gas delivered to Iernut and Cojocna and other sources (including imbalances)	17.7	6.9	1.6	23.2%
16.	Total delivered (13.+14.+15.)	3,016.0	2,912.2	2,847.4	97.8%
*	Invoiced UGS gas withdrawal services ^{**)}	1,198.8	1,118.6	924.7	82.7%
*	Invoiced UGS gas injection services ^{**)}	601.5	751.6	1,047.6	139.4%

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

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

***) – including gas injection/withdrawal services of Romgaz.

Gas traded by Romgaz in HI 2019, representing deliveries to customers, CET Iernut consumption and fuel consumed in operations decreased by 2.2% as compared to the same period of the previous year.

As a consequence of the sustained effort to improve the sales strategy, Romgaz share representing deliveries reported to Romania's total consumption increased from 45.26% to 46.30%.

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 internal producers), from provision of underground storage services, electricity generation and supply (since February 1, 2013) and other field related services.

RON thousand

Item no.	Specifications	HI 2017 (restated)	HI 2018 (restated)	HI 2019	Ratios (2019/2018)
0	1	2	3	4	5=4/3x100
1	Income – total, out of which:	2,327,146	2,446,938	2,912,464	119.02%
	*operating income	2,316,302	2,418,719	2,885,994	119.32%
	*financial income	10,844	28,219	26,470	93.80%
2	Revenue	2,392,217	2,474,507	2,874,787	116.18%
3	Expenses – total, out of which:	1,270,760	1,517,722	1,762,295	116.11%
	*operating expenses	1,261,473	1,494,084	1,744,804	116.78%
	*financial expenses	9,287	23,638	17,491	74.00%
4	Share of associates' result	532	976	1165	119.36%
5	Profit before tax	1,056,915	930,192	1,151,334	123.77%
6	Income tax expense	169,459	147,348	175,425	119.05%
7	Profit for the period	887,456	782,844	975,909	124.66%

Note: income and expenditures do not include the production of fixed assets.

The total income for HI 2019 was higher by 19.02% than the income for the similar period of 2018.

Economic-Financial Results

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

Description	HI 2017 (restated)	HI 2018 (restated)	HI 2019	Ratios (2019/2018)
1	2	3	4	5=4/3x100
Operating result	1,054,829	924,635	1,141,190	123.42%
Financial result	1,557	4,581	8,979	196.01%
Share of associates' result	532	976	1,165	119.36%
Profit before tax	1,056,915	930,192	1,151,334	123.77%
Income tax expense	169,459	147,348	175,425	119.05%
Profit for the period	887,456	782,844	975,909	124.66%

The net result achieved in HI 2019 is **RON 975,909 thousand**, higher by 24.66% than the profit achieved in the similar period of 2018.

3.3. Prices and tariffs

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

- ☒ activities in the regulated market comprise the following:
 - supply of natural gas to non-household customers at regulated price and under framework agreements until December 31, 2014, unless there is a significant

difference between the domestic gas price and the import price that might endanger market stability, in such case the term is extended until December 31, 2015;

- natural gas supply to household customers at regulated price and under framework agreements until June 30, 2022;
 - natural gas last resort supply;
 - natural gas transmission;
 - natural gas transmission through upstream supply pipelines, in accordance with the provisions of license validity conditions;
 - underground gas storage;
 - natural gas storage in pipelines;
 - natural gas, bio-gas/bio-methane distribution;
 - related activities performed by licensed operators;
 - activities associated to the operation of LNG terminal;
- ☒ prices and tariffs on the regulated market are set by ANRE, based on methodologies approved and published by the authority.

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

Underground gas storage

The storage tariffs applied during the two compared periods were approved by the ANRE Order no.58 of March 27, 2015 (January 1, 2017 - March 31, 2018) and by ANRE Order no.58 of March 29, 2018 (April 1, 2018- March 31, 2019) and by ANRE Order no.44 of March 29, 2019 (as of April 1, 2019).

The storage tariffs applied are shown in the table below:

Tariff Component	Unit	Tariffs (01.01.2017- 31.03.2018)	Tariffs (01.04.2018- 31.03.2019)	Tariffs (as of 01.04.2019)
Volumetric component related to gas injection	RON/MWh	2.37	1.68	1.90
Fixed component related to storage capacity booking	RON/MWh storage cycle	13.68	9.90	9.98
Volumetric component related to gas withdrawal	RON/MWh	1.87	1.67	1.61

Natural Gas Distribution

Distribution tariffs and final regulated prices applied in HI 2018 were approved by Order no. 89 of September 28, 2017 on establishing the regulated tariffs for distribution services and approving the prices for the regulated gas supply performed by SNGN "Romgaz" - S.A. Medias and those applied in HI 2019 were approved by Order no. 85 of April 25, 2018.

The applied prices and tariffs are presented in the table below:

Specifications	HI 2018	H I 2019
Distributions tariffs (RON/MWh):		
*B1 consumption up to 23.25 MWh	52.70	52.75
*B2 annual consumption between 23.26 and 116.28 MWh	47.91	47.96
*B3 annual consumption between 116.29 and 1,116.78 MWh	47.01	47.07
*B4 annual consumption between 1,116.79 and 11,627.78 MWh	46.21	46.26

Final regulated prices for natural gas supply to household customers who did not exercise their eligibility right in HI 2018 are those approved by ANRE Order no.89 of September 28, 2017 (01.10.2017-09.01.2018), Order no.1 of January 8, 2018 (10.01-31.03.2018), Order no.62 of March 29, 2018 (01-04.04.2018) and Order no.88 of April 25, 2018 (01.05-31.07.2018), and the prices for HI 2019 are those approved by Order no.146 of August 19, 2018 (01.08.2018-30.06.2019), according to the table below:

Specification	01.10.2017-09.01.2018	10.01-31.03.2018	01.04-30.04.2018	01.05-31.07.2018	01.08.2018-30.06.2019
Final regulated prices (RON/MWh):					
*B1 consumption up to 23.25 MWh	119.10	134.97	134.91	134.96	152.23
*B2 annual consumption between 23.26 and 116.28 MWh	114.31	130.18	130.12	130.17	147.44

3.4. Investments

Investments play an important part in maintaining the production decline, which is achieved through discovery of new reserves and enhancement of the current recovery rate by means of rehabilitation, development and modernization of existing facilities.

During HI 2019, **Romgaz Group** made investments in amount of RON 428.6 million, the achievements being by 35.5% (RON 236.1 million) lower than those recorded in HI 2018 and represents approximately 61% of the scheduled investments.

During 2016-June 30, 2019, **the Company** made investments in amount of approx. *RON 2.84 billion*, as follows:

Period	2016	2017	2018	HI 2019	Total
Value (thousand RON)	497,716	781,768	1,150,349	414,157	2,843,990

Note: 2016, 2017 and HI 2018 were not restated to reflect the accounting policy change described in Note 10 of the Financial Statements.

For 2019, Romgaz scheduled investments of *RON 1,245.00 million* out of which the investments scheduled for H1 amount *RON 704.84 million*, out of which *RON 414.16 million* was achieved, representing:

- 58.76% of the investments scheduled for H1 2019;
- 33.30% of the total 2019 Investment Program;
- 63.45% as compared to the level of achievements recorded for H1 2018.

Investments were financed exclusively from own sources.

In terms of physical achievements, during the reviewed period, the objectives commenced in the prior year were completed, preparatory activities (design, acquisition of land use rights, approvals, permits, agreements, authorisation, acquisitions) for the new objectives were carried out, and upgrade and capitalizable repairs at the operating wells were performed.

These physical achievements ensure the recording of H2 results, in terms of value.

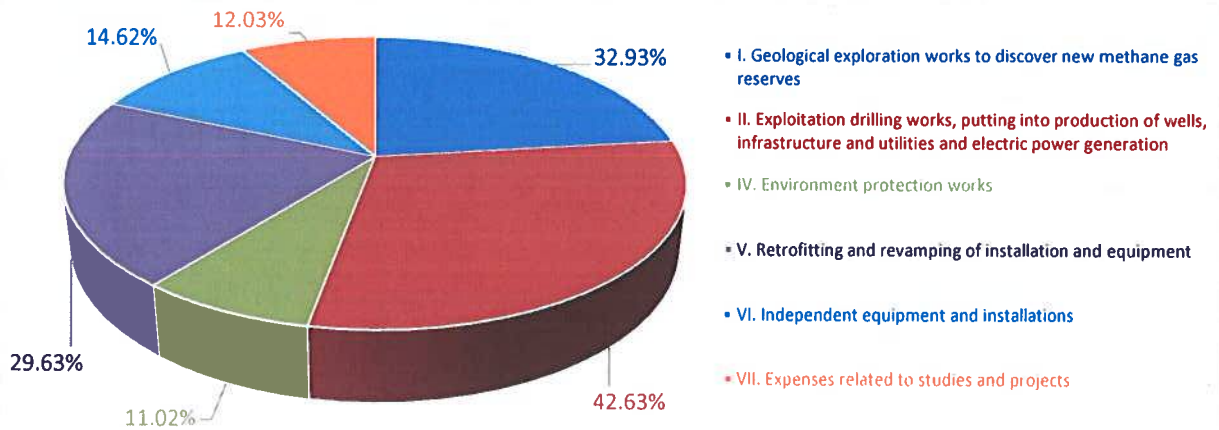
The table below shows a comparison the similar period of 2018 split into main investment categories:

Investment Categories	<i>* thousand RON*</i>		
	HI 2018	HI 2019	%
1	2	3	4=3/2x100
I. Geological exploration works to discover new methane gas reserves	161,618	123,213	76.24
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electric power generation	391,106	188,746	42.26
III. Maintaining the UGS capacity	2,980	0	-
IV. Environment protection works	592	736	124.32
V. Retrofitting and revamping of installation and equipment	74,587	79,390	106.44
VI. Independent equipment and installations	21,619	20,338	94.07
VII. Expenses related to studies and projects	239	1,734	725.52
TOTAL	652,741	414,157	63.45

The table below presents the situation of the achievements split by main chapters, in relation to the 2019 Investment Program:

Investment Categories	<i>* thousand RON *</i>		
	2019 Schedule	HI 2019	%
1	2	3	4=3/2x100
I. Geological exploration works to discover new methane gas reserves	374,165	123,213	32.93
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electric power generation	442,713	188,746	42.63
III. Maintaining the UGS capacity	0	0	-
IV. Environment protection works	6,677	736	11.02
V. Retrofitting and revamping of installation and equipment	267,946	79,390	29.63
VI. Independent equipment and installations	139,082	20,338	14.62
VII. Expenses related to studies and projects	14,417	1,734	12.03
TOTAL	1,245,000	414,157	33.30

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



A synthesis of outcomes shows that, to a large extent, investments were completed or are in progress of being completed:

Item No.	Main physical objectives	Planned	Results
1.	Exploratory drilling	27 wells	- completed: 3 wells - in progress: 5 wells - works contract: 3 wells - procurement in progress for drilling: 14 wells - drafting tender documentation: 22 wells
2.	Drilling design	-	13 wells – under design or procurement in progress
3.	Production drilling	3 wells	- wells completed at the end of 2018 but recorded for 2019
4.	Construction of surface facilities (SF) – gas wells	construction of 21 surface facilities for putting into operation 26 gas wells	- 4 SF completed for putting into production 6 wells - 5 SF in progress for putting into production 7 wells - 15 SF for which approvals for construction are pending for putting into production of 22 wells - 16 SF under design for putting into production of 16 wells
5.	Well capitalizable repairs, modernization and reactivation	approx. 160 wells correlated with the annual plan agreed with NAMR	- workover at 84 wells, in-house works performed by SIRCOSS
6.	Electricity generation	Continuing works at CTE Iernut	The contract is ongoing
7.	Joint operations	<u>Raffles Energy SRL:</u>	

- retesting Well 1 Voitinell with gas flowing in a G2P plant	
<u>Lukoil:</u>	
- preparing and performance of drilling 1 exploration well Trinity 1X in 30EX Trident Block	-drilling to begin in Q3 2019
<u>Amromco:</u>	
- drilling 5 wells	-completion of drilling of well Bibesti 214 commenced in 2018
-acquisition of 3D seismic in Zatrene and Bibesti blocks	- drilling of Zatrene 100
-workovers at 6 well	
-works and surface facilities for wells planned for drilling	-completion of workovers for 2 wells
-design and obtaining permits	-works and surface facilities completed for 2 wells
	-abandonment of 2 wells
	-permits and approvals for drilling of well Balta Alba 122, installing a compressor at wells 214 and 213 Bibesti
<u>Slovakia:</u>	
- budget approved only for the first 4 months of the year	- decision to keep/renounce block Svidnik to be taken during the following period

During the reviewed period, investments amounting RON 209,974 thousand were commissioned.

Development of CTE Iernut

One of Romgaz main strategic directions specified in the *2015-2025 Development Strategy* is to consolidate the company's position on the energy supply markets. In the field of power generation, Romgaz planned to *"make the activity more efficient by making investments aiming to increase Iernut power plant conversion efficiency at minimum 55%, to comply with environmental requirements (NOX, CO₂ emissions) and to increase operational safety"*.

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

During the reporting period the following pieces of equipment were delivered: main units of the steam turbines, excitation transformers, oil system for power electrical installations and lubrication, recirculation pumps, condensate pumps for TA13 and TA23, water supply pumps for CR21 and CR22, steel valves < Ø4", condensers for units TA13 and TA23, washing systems

with condensate balls for TA13 and TA23, water supply pump for CR11 and CR12, static excitation system Ex 2100 TA13 and TA23, gas station heater 11, 12, 21 and 22.

Construction works were executed at the electric building and control room, equipment and machinery hall, water treatment station, cooling water pumping station, foundation and overall structure of the equipment, technical facilities.

Below is an overview of the investment completion stage:

Item no.	Stage of works	Investment
1	Completed works	<ul style="list-style-type: none"> • Electric building • Water treatment station • Cooling water pumping station (concrete steel structure for station building) • Erection of overhead cranes • Transformers Block 11,5/220 kV (4 pieces) • Transformers Block 11,5/110 kV (2 pieces) • Layout of lighting cables and sockets
2	over 90% completion degree	<ul style="list-style-type: none"> • Turbine hall (TR) building • TR equipment • Erection and adjustment of HRSG pumping system • Cooling water circuit • Finishing of water demineralisation building • Installing switchboards and instruments in electric building • Installing switchboards and instruments in demineralization station
3	Over 80% completion degree	<ul style="list-style-type: none"> • Heat recovery steam generator (HRSG) • Erection of gas turbine (TG) • Assembly of main pipe rack (metallic structure) to auxiliary thermal-mechanical pieces of equipment
4.	different completion degrees (<80%)	<ul style="list-style-type: none"> • Auxiliary boiler and compressed air station • Siphoning basin • Natural gas compressor station • Erection of steam turbines • Installation of steam pipes and equipment, connecting circuits to HRSG, TG and TA • Installation of firefighting system • Installation of lighting and socket system in machine hall

In HI 2019, *Depogaz Subsidiary* had an approved investment program in amount of RON 53.59 million of which it spent RON 14.48 million, representing 27%:

Item no.	Specifications	Schedule	Achieved
1.	UGS-related activities	27.39	1.94
2.	Environment protection and improvement	0	0
3.	Retrofitting and revamping of installation and equipment	23.05	12.45
4.	Independent equipment and installations	1.42	0.93
5.	Expenses related to consultancy, studies and projects, soft, licenses and patents, etc.	1.70	0
*	TOTAL	53.59	14.48

Investments were financed exclusively from own sources.

During the reporting period, fixed assets in amount of RON 4.7 million were commissioned.

3.5. Litigations

The summarized breakdown of litigations involving Romgaz shows the following:

- ☞ numărul total de litigii este de 416 (excluding labour-related litigations with no financial claims, specific performance obligations, cases where the company is a seized third party, etc.) out of which:
 - ☞ 356 cases where Romgaz is plaintiff;
 - ☞ 53 cases where Romgaz is defendant;
 - ☞ 7 cases where Romgaz is plaintiff claiming damages/injured party;
- ☞ the total value of the files where Romgaz is plaintiff amounts to RON 2,092,903,177.61;
- ☞ the total value of the files where Romgaz is defendant amounts RON 406,618,224.24 and EUR 73,200.

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

Below are the legal documents concluded by the company between 1st of January and 30 June 2019 under the terms of the Art. 52 par. (1) and par. (6) of the GEO No. 109/2011 of 30 November 2011 on corporate governance of public companies, as amended under Law 111/2016:

No.	Contracting Party	Legal document (no. and date)	Scope of contract	Total estimated value, including VAT (RON)	Payment terms and methods	Reciprocal receivables	Established securities	Penalties
0	1	2	3	4	5	6	7	8
1	Depogaz Ploiești SRL ⁶	Addendum no. 1/February 01, 2019 to Contract no. 4/2018	Amendment of Contract no.4/2018 (Supply of underground gas storage services)	69,191,512.91*)	Payment within 15 calendar days from the date of issue of the invoice	-	-	See Note **)
Notă:								
*) – Unfulfillment of invoice payment obligations within 15 calendar days from invoice due date generates the obligation to pay a delayed payment penalty calculated in relation to the unpaid amount. The penalty is equal to the default interest due for delayed payment of budget liability, applicable for every day of delay, starting with the 16 th calendar day from the invoice issuance date until the full payment of the invoice, including the payment day.								
**) – Addendum no.1/2019 reduces the price of Contract no.4/2018 by 4,454,064.69 RON, VAT included. As such, the total price of Contract no.4/2018 becomes 69,191,512.91 RON, VAT included, as opposed to RON 73,645,577.60, VAT included, due to changes in the Gas Underground Storage Schedule, namely, the “Injection Program”.								
2	Depogaz Ploiești SRL	Addendum no.9/January 30, 2019 to Gas Sales Contract 12/2018	Gas Sale-Purchase on Competitive Market (February 1, 2019-March 31, 2019)	3,045,924.00	Settlement invoice due within 90 days from the invoice date	-	-	0.10%/day
Addendum no.9/2019 modifies the quantity and extends the validity of Gas Sales Contract 12/2018 between February 01, 2019-March 31, 2019, implicitly modifying the contract price. As such, the total price of Gas Sales Contract no. 12/2018 between May 1, 2018-March 31, 2019 becomes RON 14,722,134.80, VAT included, an increase of RON 3,045,924.00, VAT included, as compared to the previously reported value.								
3	SC C.E.T. Govora SA	Gas Sales Contract no. 5/ January 30, 2019	Gas Sale-Purchase on Competitive Market (February 01, 2019-March 31, 2019)	22,702,372.56	Advance payment, settlement invoice due within 30 days from the invoice date	-	-	0.10%/day
Note: Gas Sales Contract no. 5/2019 sent to SC C.E.T. Govora SA on February 11, 2019.								
4	SC Electrocentrale Galați SA	Addendum no. 3/January 30, 2019 to Gas Sales Contract no. 38/2018	Gas Sale-Purchase on Competitive Market (February 01, 2019-February 28, 2019)	15,218,672.00	Advance payment, settlement invoice due within 30 days from the invoice date	-	-	0.10%/ day

⁶ SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL

Addendum no. 3/2019 modifies the quantity and extends the validity of Gas Sales Contract no. 38/2018 between February 02, 2019-February 28, 2019, implicitly modifying the contract price. As such, the total price of Gas Sales Contract no. 38/2018, between November 19, 2018-February 02, 2019 becomes RON 47,190,152.10, VAT included, an increase of RON 3,045,924.00, VAT included, as compared to the previously reported value.

Addendum no.3/2019 to Contract no. 38/2018 was sent by SC Electrocentrale Galați SA on February 08, 2019.

5	SNTGN Transgaz SA	Contract no.326L/ January 23, 2019	Supply of monthly transportation services at NTS entry points (February 01-March 01, 2019)	2,391,421.38	Payment within 15 calendar days from the invoice date	No	See Note *)	See Note **)
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Note:

*) – The financial payment security value established by the Network User shall equal the value of the monthly estimated invoice for transprotation services pertaining to the following usage period.

***) – Unfulfillment of invoice payment obligations within 15 calendar days from invoice due date generates the obligation to pay a delayed payment penalty calculated in relation to the unpaid amount. The penalty is equal to the default interest due for delayed payment of budget liability, applicable for every day of delay, starting with the 16th calendar day from the invoice issuance date until the full payment of the invoice, including the payment day, or until de execution of the security provided in the contract.

SNGN Romgaz SA received a copy of the contract signed by SNTGN Transgaz SA representatives on February 12, 2019.

6	SNTGN Transgaz SA	Contract no.327L/ Janauary 23, 2019	Supply of monthly transportation services at NTS exit points (February 02-March 1,2019)	2,950,925.82	Payment within 15 calendar days from the invoice date	No	See Note *)	See Note **)
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Note:

*) – see point 5.

***) – see point 5.

SNGN Romgaz SA received a copy of the contract signed by SNTGN Transgaz SA representatives on February 12, 2019.

7	SC Electrocentrale Constanța SA	Addendum no. 4/January 30, 2019 to Gas Sales Contract 30/2018	Gas Sale-Purchase on Competitive Market (perioada February 1, 2019- March 31, 2019)	34,269,001.20	Advance payment, settlement invoice due within 30 days from the invoice date	-	-	0.10%/ day
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Addendum no.4/2019 modifies the quantity and extends the validity of Gas Sales Contract no. 30/2018 between February 01, 2019-March 31, 2019, implicitly modifying the contract price. As such, the total price of Gas Sales Contract no.30/2018 between October 03, 2018-March 31, 2019 becomes RON 85,152,323.27, VAT included, an increase of RON 34,269,001.20, VAT included, as compared to the previously reported value. Addendum no.4/2019 to Contract no. 30/2018 was sent by SC Electrocentrale Galați SA on February 19, 2019.

8	SC Termoficare Oradea SA	Addendum no.3/February 27, 2019 to Gas Sales Contract 31/2018	Gas Sale-Purchase on Competitive Market (March 01, 2019-March 31, 2019)	47,727.92	Advance payment, settlement invoice due within 30 days from the invoice date	-	-	0.10%/ day
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Addendum no.3/2019 modifies the quantity for March 2019 provided in Contract no.31/2018, implicitly modifying the contract price. As such, the total price of Gas Sales Contract no. 31/2018 between October 01, 2018-October 01, 2019 becomes RON 177,828,150.87, VAT included, an increase of RON 47,727.92, VAT included, as compared to the previously reported value. Addendum no.3/2019 to Contract no. 31/2018 was sent by SC Termoficare Oradea SA on March 12, 2019.

9	SC Electrocentrale Constanța SA	Addendum no.5/January 21,	Payment schedule for the outstanding debts	32,833,009.70	30-day payment installments	-	-	0.05%/ day
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2019 to Payment Schedule Convention 1/2018 registered on January 21, 2019 (September 30, 2018-September 30, 2019)

Addendum no. 5/2019 increases the outstanding debt on September 10, 2018 and extends the payment schedule period until September 30, 2019. As such, the total value of the Payment Schedule Convention no. 1/2018 becomes RON 32,833,009.70, representing the outstanding debt on January 21, 2019.

The Addendum no. 5/2019 to the Payment Schedule Convention no. 1/2018 was sent by SC Electrocentrale Constanța SA on March 13, 2019

10	SNTGN Transgaz SA	Contract no.380L/ February 20, 2019	Supply of monthly transportation services at NTS entry points (March 01-April 01, 2019)	303,420.25	Payment within 15 calendar days from the invoice date	No	See Note *)	See Note **)
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Note:

*) – see point 5.

***) – see point 5.

SNGN Romgaz SA received a copy of the contract signed by SNTGN Transgaz SA representatives on March 21, 2019.

11	SNTGN Transgaz SA	Contract no.381L/ February 20, 2019	Supply of monthly transportation services at NTS exit points (March 01-April 01, 2019)	2,214,462.43	Payment within 15 calendar days from the invoice date	No	See Note *)	See Note **)
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Note:

*) – see point 5.

***) – see point 5.

SNGN Romgaz SA received a copy of the contract signed by SNTGN Transgaz SA representatives on March 21, 2019..

12	SNTGN Transgaz SA	Contract no.430L/ March 20, 2019	Supply of monthly transportation services at NTS entry points (April 01-May 01, 2019)	852,569.55	Payment within 15 calendar days from the invoice date	No	See Note *)	See Note **)
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Note:

*) – see point 5.

***) – see point 5.

SNGN Romgaz SA received a copy of the contract signed by SNTGN Transgaz SA representatives on April 12, 2019.

13	SNTGN Transgaz SA	Contract no.431L/ March 20, 2019	Supply of monthly transportation services at NTS exit points (April 01-May 01, 2019)	1,052,012.60	Payment within 15 calendar days from the invoice date	No	See Note *)	See Note **)
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Note:

*) – see point 5.

***) – see point 5.

SNGN Romgaz SA received a copy of the contract signed by SNTGN Transgaz SA representatives on April 12, 2019.

14	Depogaz Ploiești SRL	Contract no.287/April 1, 2019	Supply of underground gas storage services (April 01, 2019-March 31.03, 2020)	22,300,100.33	Payment within 15 calendar days from the invoice date	-	See Note *)	See Note **)
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Note:

*) – The parties agreed not to establish a security.

***) – Unfulfillment of invoice payment obligations within 15 calendar days from invoice due date generates the obligation to pay a delayed payment penalty calculated in relation to the unpaid amount. The penalty is equal to the default interest due for delayed payment of budget liability, applicable for every day of delay, starting with the 16th calendar day from the invoice issuance date until the full payment of the invoice, including the payment day.

SNGN Romgaz SA received a copy of the contract signed by DEPOGAZ Ploiești representatives on May 5, 2019.

15	Depogaz Ploiești SRL	Contract no.288/April 1, 2019	Supply of underground gas storage services (April 01, 2019-March 31, 2020)	11,513,151.15	Payment within 15 calendar days from the invoice date	-	See Note *)	See Note **)
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Note:

*) – see point 14.

***) – see point 14.

SNGN Romgaz SA received a copy of the contract signed by DEPOGAZ Ploiești representatives on May 2, 2019.

16.	Depogaz Ploiești SRL	Addendum no.11/April 25, 2019 to Gas Sales Contract 12/2018	Gas Sale-Purchase on Competitive Market (May 01, 2019-March 31, 2020)	14,187,209.75	Settlement invoice due within 90 days from the invoice date	-	-	0.10%/ day
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Addendum no.11/2019 modifies the quantity and extends the validity of Gas Sales Contract 12/2018 between May 01, 2019-March 31, 2020, implicitly modifying the contract price. As such, the total price of Gas Sales Contract no. 12/2018 between May 1, 2018-March 31, 2020 becomes RON 30,729,435.70, VAT included, an increase of RON 14,187,209.75, VAT included, as compared to the previously reported value.

17	SC Electrocentrale București SA	Gas Sales Framework Contract no. 72/ April 24.2019*)	Gas Sale-Purchase ***) (May 01, 2019-March 31, 2020)	530,419,696.72	Settlement invoice due within 15 days from the invoice date	-	-	See Note ***)
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*) – Gas Sales Framework Contract concluded between gas producers and final, eligible consumers.

***) – Gas Sale-Purchase Contract for heat production in co-generation and thermal power plants for household consumption.

****) – equal to the default interest due for delayed payment of budget liability.

Gas Sales Framework Contract no. 72/ April 24.2019 was sent by SC Electrocentrale București SA on May 15, 2019.

18	SC Electrocentrale Constanța SA	Gas Sales Framework Contract no. 73/ April 24, 2019*)	Gas Sale-Purchase ***) (May 01, 2019-March 31, 2020)	66,570,626.07	Settlement invoice due within 15 days from the invoice date	-	-	See Note ***)
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*) – see point.17.

***) – see point.17.

****) – see point.17.

Gas Sales Framework Contract no. 73/ April 24.2019 was sent by SC Electrocentrale București SA on May 16, 2019.

19	SC Termoficare Oradea SA	Gas Sales Framework Contract no. 74/ April 24,2019*)	Gas Sale-Purchase **) (May 01, 2019-March 31, 2020)	78,547,521.16	Settlement invoice due within 15 days from the invoice date	-	-	See Note ***
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*) – see point.17.

**) – see point.17.

***) – see point.17.

20	SC TermoCalor Confort SA	Addendum no. 2/April 24, 2019 to Gas Sales Contract 24/2018	Gas Sale-Purchase on Competitive Market (May 01, 2019-September 30, 2019)	-	Settlement invoice due within 30 days from the invoice date	-	-	0.10%/ day
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Addendum no. 2/2019 modifies the scope of Gas Sales Contract no.24/2018 in accordance with NAMR Order no. 52/2019. The price of Gas Sales Contract no.24/2018 between May 01, 2019-September 30, 2019, remains unchanged at the value of RON 48,390,096.98, VAT included.

21	SNTGN Transgaz SA	Contract no.482L/ April 17, 2019	Supply of monthly transportation services at NTS entry points (May 01- June 01, 2019)	977,913.32	Payment within 15 calendar days from the invoice date	No	See Note *)	See Note **)
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Note:

*) – see point 5.

**) – see point 5.

SNGN Romgaz SA received a copy of the contract signed by SNTGN Transgaz SA representatives on May 22, 2019.

22	SNTGN Transgaz SA	Contract no.483L/ April 17, 2019	Supply of monthly transportation services at NTS exit points (May 01- June 01, 2019)	4,260,595.79	Payment within 15 calendar days from the invoice date	No	See Note *)	See Note **)
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Note:

*) – see point 5.

**) – see point 5.

SNGN Romgaz SA received a copy of the contract signed by SNTGN Transgaz SA representatives on May 22, 2019.

23	SC Termoficare Oradea SA	Addendum no.4/May 16, 2019 to Gas Sales Contract 31/2018	Gas sale-purchase for non-household consumption and internal gas sale-purchase storage purposes (May 16, 2019-March 31, 2020)	1,981,476.50	Advance payment, settlement invoice due within 30 days from the invoice date	-	-	0.10%/ day
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Addendum no.4/2019 modifies the scope of Gas Sales Contract in accordance with NAMR Order no.52/2019 and the quantity provided in Gas Sales Contract 31/2018, between May 16, 2019-March 31, 2020, implicitly modifying the contract price. As such, the total price of Gas Sales Contract no. 31/2018 between October 01, 2018-March 31, 2020 becomes RON 179,809,627.37, VAT included, an increase of RON 1,981,476.50, VAT included, as compared to the previously reported value.

Addendum no.4/2019 was sent by SC Termoficare Oradea SA on May 24, 2019.

24	SC ENGIE România SA	Gas Sales Framework Contract no. 49/ April 24, 2019*)	Gas Sale-Purchase for Household Consumption (May 1, 2019-March 31, 2020)	674,465,021.81	Payment within 15 calendar days from the invoice date	-	Bank letter of guarantee	See Note **)
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*) – see point 17.

***) – equal to the default interest due for delayed payment of budget liability.

Gas Sales Framework Contract no. 49/ April 24.2019 was sent by SC ENGIE România SA on May 27, 2019.

25	SC E.ON Gaz Furnizare SA	Gas Sales Framework Contract no.50/ April 24, 2019*)	Gas Sale-Purchase for Household Consumption (May 1, 2019-March 31, 2020)	531,508,825.88	Payment within 15 calendar days from the invoice date	-	Bank letter of guarantee	See Note **)
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*) – see point 17.

***) – equal to the default interest due for delayed payment of budget liability.

Gas Sales Framework Contract no. 50/ April 24.2019 was sent by SC E.ON Gaz Romania SA on May 27, 2019.

26	SC Complex Energetic Hunedoara SA	Addendum no.2/April 24, 2019 to Gas Sales Contract 26/2018	Gas Sale-Purchase for ETP and non-household consumption (May 01, 2019-October 01, 2019)	-	Advance payment, settlement invoice due within 30 days from the invoice date	-	-	0.10%/ day
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Addendum no.2/2019 modifies the scope of Gas Sales Contract no. 26/2018 in accordance with NAMR Order no.52/2019. The price of Gas Sales Contract no.26/2018 between May 01, 2019-October 10, 2019, remains unchanged at the value of RON 50,366,367.15, VAT included.

Addendum no.2/2019 was sent by SC Complex Energetic Hunedoara SA on May 27, 2019.

27	SNTGN Transgaz SA	Contract no.546L/ May 22, 2019	Supply of monthly transportation services at NTS entry points (June 01- July 01, 2019)	931,770.00	Payment within 15 calendar days from the invoice date	No	See Note *)	See Note **)
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Note:

*) – see point 5.

***) – see point 5.

SNGN Romgaz SA received a copy of the contract signed by SNTGN Transgaz SA representatives on June 12, 2019.

28	SNTGN Transgaz SA	Contract no.547L/ May 22, 2019	Supply of monthly transportation services at NTS exit points (June 01- July 01, 2019)	2,366,910.00	Payment within 15 calendar days from the invoice date	No	See Note *)	See Note **)
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Note:

*) – see point 5.

***) – see point 5.

SNGN Romgaz SA received a copy of the contract signed by SNTGN Transgaz SA representatives on June 12, 2019.

29	Depogaz Ploiești SRL	Addendum no.1/June 01, 2019 to Contract	Amendment to Contract no. 287/2019 - Supply of	13,037,640.00*)	Payment within 15 calendar days from the invoice date	-	See Note **)	See Note ***)
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no.287/April 01, 2019 underground gas storage services

Note:

*) – Addendum no.1/2019 modifies Contract no.287/2019 in terms of reviewing the storage capacity booking, implicitly modifying the contract value. As such, the total price of Contract no. 287/2019 between April 01, 2018-March 31, 2020 becomes RON 81,675,650.00, VAT included, an decrease by RON 13,037,640.00, VAT included, as compared to the previously reported value.

**) – The parties agreed not to establish a security.

***) – Unfulfillment of invoice payment obligations within 15 calendar days from invoice due date generates the obligation to pay a delayed payment penalty calculated in relation to the unpaid amount. The penalty is equal to the default interest due for delayed payment of budget liability, applicable for every day of delay, starting with the 16th calendar day from the invoice issuance date until the full payment of the invoice, including the payment day.

SNGN Romgaz SA received a copy of the Addendum signed by DEPOGAZ Ploiești representatives on June 14, 2019.

30	SC Electrocentrale București SA	Addendum*) no.12/May 31, 2019 to Contract no.9/2016	Gas Sale-Purchase for Non-Household Consumption (May 01- October 01, 2019)	15,818,005.29	see Note **)	-	-	See Note ***)
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Note:

*) – Addendum no.12/2019 extends the period, modifies the scope, the contract price and the payment conditions provided in Contract no. 9/2016, implicitly modifying the contract value. As such, the total price of Contract no. 9/2016 between August 01, 2016-March 30, 2020 becomes RON 1,678,629,869.85, VAT included, an increase of RON 15,818,005.29, VAT included, as compared to the previously reported value.

**) – the settlement invoice is due in 15 days from the invoice date for the equivalent value of gas storage services and services for the gas transportation to the storages (June 01, 2019-September 30, 2019), for gas withdrawal services and for gas transportation services to the delivery point (between November 01, 2019- March 30, 2020). The settlement invoice is due in 90 days from the invoice date, for the equivalent value of internal gas withdrawn and delivered in the respective month.

***) – equal to the default interest due for delayed payment of budget liability/day.

31	SNTGN Transgaz SA	Contract no.202T/ June 7, 2019	Supply of quarterly transportation services at NTS exit points (perioada July 01-October 01, 2019)	9,174,424.00	Payment within 15 calendar days from the invoice date	No	See Note *)	See Note **)
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Note:

*) – see point 5.

**) – see point 5.

SNGN Romgaz SA received a copy of the contract signed by SNTGN Transgaz SA representatives on July 4, 2019.

32	SC TermoCalor Confort SA	Gas Sales Framework Contract 76/ June 26, 2019*)	Gas Sale-Purchase **) (October 01, 2019-March 31, 2020)	21,647,611.93	Settlement invoice due within 15 days from the invoice date	-	-	See Note ***)
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*) – see point.17.

**) – see point.17.

***) – see point.17.

Gas Sales Framework Contract no. 76/2019 was sent by SC TermoCalor Confort SA on July 5, 2019.

33	SC Modern Calor SA	Gas Sales Framework Contract no. 77/ June 26, 2019*)	Gas Sale-Purchase **) (October 01, 2019-March 31, 2020)	8,926,567.36	Settlement invoice due within 15 days from the invoice date	-	-	See Note ***
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*) – see point.17.

**) – see point.17.

***) – see point.17.

Gas Sales Framework Contract no. 77/2019 was sent by SC Modern Calor SA on July 9, 2019.

34	SC CET Govora SA	Gas Sales Framework Contract no. 79/ June 26, 2019*)	Gas Sale-Purchase **) (October 01, 2019-March 31, 2020)	1,894,835.75	Settlement invoice due within 15 days from the invoice date	-	-	See Note ***
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*) – see point.17.

**) – see point.17.

***) – see point.17.

Gas Sales Framework Contract no. 79/2019 was sent by SC CET Govora SA on July 18, 2019.

3.7. Main risks and uncertainties for H II 2019

Operational risks:

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

Investment risks:

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

Commercial risks:

1. Decrease of market demand because of several specific factors such as:
 - a. Modification of the energy mix, negatively influencing the gas demand due to:
 - i. political, legislative reasons, such as: legislation favourable for renewable energy or environment legislation too permissive with carbon (encourages coal consumption);
 - ii. market and climate reasons such as: favourable price for alternative fuels (wood, coal), climate condition favourable for electricity production using hydro and/or wind/solar power and unfavourable for gas consumption in mild winters;
 - b. Macroeconomic environment (decrease of macroeconomic indicators) that can impact household and non-household gas consumption, such as:

- i. decrease of GDP;
 - ii. economic industrial, sectorial decrease/limited growth;
 - iii. demographic, migration, social indices;
2. For clients, alternative supply options at favourable price conditions (especially import), due several factors:
 - a. petroleum products price decrease;
 - b. price decrease for gas delivered in the region due to decrease in demand or regional offer increase;
 - c. political or geo-strategic causes;
 - d. alternative gas supply sources for Europe and the region;
3. Miscalculation of sources availability and/or “short” sale strategies without covering the sources existing by the time of delivery (over sale);
4. Market price evolution at an unpredicted level and failure to take the required insurance measures. Factors:
 - a. market price decrease at an unpredictable level due to free market mechanisms (supply/demand) - risk for contract annulment in case of contracts without take-or-pay terms;
 - b. market price increase at an unpredicted level due to free market mechanisms (supply/demand) - risk of sale below the market price without having insurance instruments appropriate for the “mark-to-market” mechanism.

The effects of commercial risk materialisation are the drop in sold gas volumes with direct consequences in reducing the company’s profitability.

IV. CONSOLIDATED FINANCIAL-ACCOUNTING INFORMATION

4.1. Interim Statement of Consolidated Financial Position

The table below presents a summary of the consolidated financial position as of June 30, 2019 in comparison with December 31, 2018:

INDICATOR	December 31, 2018 (thousand RON)	June 30, 2019 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	6,279,748	6,228,202	-0.82
Other intangible assets	4,970	8,798	77.02
Investments in associates	23,298	24,463	5.00
Deferred tax assets	127,491	136,761	7.27
Other financial investments	9,812	5,366	-45.31
Right of use assets	-	8,226	n/a
TOTAL NON-CURRENT ASSETS	6,445,319	6,411,816	-0.52
<i>Current assets</i>			
Inventories	245,992	235,924	-4.09
Trade and other receivables	826,046	583,086	-29.41
Contract cost	583	124	-78.73
Other financial assets	881,245	279,294	-68.31
Other assets	168,878	168,804	-0.04
Cash and cash equivalents	566,836	586,595	3.49
TOTAL CURRENT ASSETS	2,689,580	1,853,827	-31.07
TOTAL ASSETS	9,134,899	8,265,643	-9.52
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	385,422	385,422	0
Reserves	1,824,999	1,567,683	-14.10
Retained earnings	5,458,196	5,084,210	-6.85
TOTAL EQUITY	7,668,617	7,037,315	-8.23
<i>Non-current liabilities</i>			
Retirement benefit obligation	139,254	134,770	-3.22
Deferred revenue	21,128	21,182	0.26
Lease liability	-	7,871	n/a
Provisions	510,114	510,116	0.00
Total non-current liabilities	670,496	673,939	0.51
<i>Current liabilities</i>			
Trade and other payables	186,702	139,380	-25.35
Contract liabilities	46,381	19,597	-57.75
Current tax liabilities	68,001	65,597	-3.54
Deferred revenue	8,442	2,074	-75.43
Provisions	93,645	43,507	-53.54
Lease liability	-	519	n/a
Other liabilities	392,615	283,715	-27.74
Total current liabilities	795,786	554,389	-30.33
TOTAL LIABILITIES	1,466,282	1,228,328	-16.23
TOTAL EQUITY AND LIABILITIES	9,134,899	8,265,643	-9.52

Non-current assets

During the reported period, the total non-current assets recorded decrease of 0.52%, i.e. RON 33.5 million, from RON 6,445.3 million on December 31, 2018 to RON 6,411.8 million on June 30, 2019.

The 77.02% increase of Other Intangible assets in HI 2019 is due to the developments of the Company's IT systems.

In HI 2019, in terms of Other Financial Investments the Group recorded a RON 4.5 million loss in connection with the evaluation of the investment in Electrocentrale Bucuresti, which was fully adjusted.

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

In 2019, International Financial Reporting Standard 16 "Leases" entered into force and replaced International Accounting Standard 17 "Leases" (IAS 17). According to the new standard, the lessee accounts financial lease contracts and operating lease (rents) contracts in the same manner. As such, the lessee records a "right of use" asset of a lease contract simultaneously with the recognition of a lease liability. The Group has no financial leases. The "right of use" assets derive from lease contracts concluded by the Group; previously, these contracts were reported in form of rent-related expenses. More information in connection with the implementation of IFRS 16 is shown in the financial statements attached to this report.

Current assets

Inventories

Inventories decreased by 4.09% at the end of HI 2019 as compared to December 31, 2018 due to a stock reduction for spare parts and consumables. On June 30, 2019, the value of the gas stock recorded an increase by 3% as compared with December 31, 2018, due to an increase of 58.6% of gas in storages in 2019 as compared to HI 2018.

Trade receivables and other receivables

As compared to December 31, 2018, Trade receivables decreased by 29.41 % due to the seasonal characteristic of the Group's activity, deliveries during summer season being lower than deliveries during winter season.

Cash and cash equivalents. Other financial assets

On June 30, 2019, cash, cash equivalents and other financial assets amounted RON 865.9 million, as compared to RON 1,448.1 million at the end of 2018, the decrease being due to dividend payment to shareholders during HI 2019.

EQUITY AND RESERVES

The Group's equity decreased by 8.23% due to distribution of 2018 profit to shareholders.

NON-CURRENT LIABILITIES

On June 30, 2019, Non-current liabilities recorded an insignificant increase of 0.51%, as compared to December 31, 2018.

CURRENT LIABILITIES

Current liabilities decreased by RON 241.4 million, from RON 795.8 million as recorded on December 31, 2018 to RON 554.4 million, amount recorded on June 30, 2019.

Trade payables and other payables

As compared to December 31, 2018, in HI 2019 trade liabilities decreased by 25.35% due to a reduction of procurements for Iernut power plant as the significant pieces of equipment were delivered during 2018.

Contract liabilities

On June 30, 2019, advance payments collected in connection with future deliveries decreased by 57.75% as compared to December 31, 2018 given the seasonal characteristic of the Group's activity.

Deferred revenue

The Deferred revenue decrease is due to a reduction of interest collectible from investments in state bonds as a result of reducing such investments because of payment of dividends for 2018.

Other liabilities

Other liabilities decreased by 27.74% due to the following factors:

- reduction of the Group's petroleum royalty-related liability (RON 55.4 million reduction because of a production decrease of 13% in Q2 2019 as compared to Q4 2018);
- payment of Group's liability following the termination of the partnership with Schlumberger in 2018 (RON 22.5 million);
- reduction of VAT-related liability by RON 35.3 million due to lower sales recorded in June 2019 as compared to December 2018.

Provisions

Short-term provisions decreased by 53.54% as compared to December, 31, 2018. This reduction is due to the reversal of provision for payment of green-house gas emission certificates (RON 40.1 million) because of their purchase in 2019, but also to releasing to income of the provision for employee's participation to profit following the GMS approval to pay of RON 28.7 million.

4.2. Interim Statement of Consolidated Comprehensive Income

The synthesis of the Group's profit and loss account of the for the period January 1 - June 30, 2019 as compared to the similar period of 2018 is shown below:

Description	HI 2018 (restated) (RON thousand)	HI 2019 (RON thousand)	Differences (RON thousand)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue	2,474,507	2,874,787	400,280	16.18
Cost of commodities sold	(102,775)	(89,952)	(12,823)	-12.48
Investment income	26,192	23,904	(2,288)	-8.74
Other gains and losses	(45,674)	(25,967)	(19,707)	-43.15
Impairment losses on trade receivables	(18,947)	(29,948)	11,001	58.06
Changes in inventory of finished goods and work in progress	(65,371)	(9,023)	(56,348)	-86.20
Raw materials and consumables used	(34,917)	(40,358)	5,441	15.58
Depreciation, amortization and impairment expenses	(262,073)	(365,475)	103,402	39.46

Description	HI 2018 (restated) (RON thousand)	HI 2019 (RON thousand)	Differences (RON thousand)	Variation (%)
Employee benefit expense	(285,630)	(307,909)	22,279	7.80
Finance cost	(14,697)	(11,139)	(3,558)	-24.21
Exploration expenses	(112,507)	(24,476)	(88,031)	-78.24
Share of profit of associates	976	1,165	189	19.36
Other expenses	(633,312)	(864,224)	230,912	36.46
Other income	4,420	19,949	15,529	351.33
Profit before tax	930,192	1,151,334	221,142	23.77
Income tax expense	(147,348)	(175,425)	28,077	19.05
Profit for the period	782,844	975,909	193,065	24.66

Revenue

The Group's revenue increased in the first half of 2019 by 16.18% (RON 400.28 million) as compared to the same period of the previous year.

The consolidated revenue from gas sales during HI 2019 was RON 2,526.3 million, increasing by 20.83% as compared to HI 2018, this increase balanced the decrease by 12.51% of revenues from gas storage services and the decrease by 53.3% of electricity revenues.

Cost of Commodities Sold

The cost of commodities sold decreased by 12.48% as compared to HI 2018, mainly due to decreased import and internal gas quantities purchased for resale, as well as due to decreasing costs related to the electricity market imbalances, from RON 19.1 million in HI 2018 to RON 10.7 million in HI 2019, taking into account the significant low electricity production.

Investment Income

The investment income represents income from investing the Group's available cash in bank deposits or state bonds.

Impairment losses on trade receivables

The net impairment loss on trade receivables is generated mainly by the allowance for doubtful debts recorded for one of the Group's Clients (RON 23.7 million) due to payment delays.

Other Gains and Losses

Net losses reduced due to receiving a favourable decision on the litigation with ANAF. During December 2016-April 2017, there was a partial fiscal inspection to review the VAT for the period between December 2010 – June 2011, and to review the income tax for the period between January 2010-December 2011. The scope of the inspection were the deductions granted by Romgaz to interruptible consumers for the delivery of internal gas between years 2010-2011. This category was established by the transmission system operator, TRANSGAZ. The notice of assessment set additional payment obligations in amount of RON 15,284 thousand, as well as late payment penalties of RON 3,129 thousand. In HI 2019, the court ruled in favour of Romgaz so that the adjustment of RON 18.4 million was reduced by releasing to income.

Changes in Inventory of finished goods and work in progress

In HI 2019 and 2018 gas volumes, Romgaz property, withdrawn from UGSs were higher than those injected, therefore generating a negative change in inventory (loss).

As compared to the similar period of previous year, the decrease is generated by a higher gas quantity withdrawn, namely by 59.1 million m³ than the one injected; in HI 2019 the withdrawn gas quantity was by 208.5 million m³ higher than the injected gas.

Depreciation, amortization and impairment

Depreciation, amortization and impairment expenses increased by 39.46% as compared to HI 2018 due to incurring higher net expenses from the impairment of fixed assets and exploration assets, further to abandoning investment projects in exploration and production wells. These net expenses offset the losses on disposal of fixed assets which were not fully depreciated or the losses on the abandonment of some investment projects.

Exploration expenses

Exploration expenses recorded in HI 2019 of RON 24.5 million decreased by 78.24% compared to the similar period of previous year. The decrease is due to reducing exploration expenses (seismic surveys) by RON 49.3 million.

Exploration expenses also include the cost of abandoned investments in exploration wells. In HI 2019 the cost of these investments was RON 23.04 million as compared to RON 61.8 million in HI 2018. These costs are mostly offset by the net income from impairment adjustments.

Other Expenses

Other Expenses recorded an increase by 36.46% as compared to HI 2018. The increase by RON 230.9 million is mainly due to:

- the increase by RON 181.2 million of expenses with taxes and duties, approximately RON 174.7 million related to the additional income tax.
- in HI 2019 the Company recorded expenses associated to the 2% contribution of electricity and gas licence titleholders from the revenue recorded from activities that relate to the licences granted by ANRE (RON 41.9 million)

Other Income

Other income increased by 351% in HI 2019 as compared to the same period of 2018 due to the increase of income from damages, fines and penalties recorded for amounts that were not collected according to contractual terms. Most of these penalties are uncollected on June 30, 2019, therefore the Group recorded impairment adjustments. The effect of this income is insignificant.

The table below shows the breakdown on segments of the interim consolidated comprehensive income for January – June 2019, respectively January - June 2018:

RON thousand

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation Adjustment	TOTAL
1	2	3	4		5	6
<i>Revenue</i>						
*H I 2018	2,257,866	197,679	145,153	129,450	(255,641)	2,474,507
*H I 2019	2,731,205	194,193	87,962	139,700	(278,273)	2,874,787
<i>Cost of commodities sold</i>						
*H I 2018	(85,707)	(142)	(19,143)	(288)	2,505	(102,775)
*H I 2019	(78,792)	(1)	(10,721)	(438)	-	(89,952)
<i>Investment income</i>						
*H I 2018	39	217	2	25,934	-	26,192
*H I 2019	67	255	10	23,572	-	23,904
<i>Other gains and losses</i>						
*H I 2018	(40,459)	2,967	(2,043)	(6,139)	-	(45,674)

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation Adjustment	TOTAL
1	2	3	4		5	6
*H I 2019	(40,710)	-	(681)	15,424	-	(25,967)
<i>Impairment losses on trade receivables</i>						
*H I 2018	(18,951)	-	4	-	-	(18,947)
*H I 2019	(29,937)	-	-	(11)	-	(29,948)
<i>Changes in inventory of finished goods and work in progress</i>						
*H I 2018	(45,054)	(21,606)	46	1,243	-	(65,371)
*H I 2019	(9,724)	-	8	693	-	(9,023)
<i>Raw materials and consumables used</i>						
*H I 2018	(25,485)	(10,523)	(613)	(5,747)	7,451	(34,917)
*H I 2019	(28,168)	(14,239)	(513)	(5,775)	8,337	(40,358)
<i>Depreciation, amortization and impairment expenses</i>						
*H I 2018	(198,852)	(50,053)	(3,531)	(9,637)	-	(262,073)
*H I 2019	(300,985)	(49,025)	(6,846)	(8,619)	-	(365,475)
<i>Employees benefit expenses</i>						
*H I 2018	(180,473)	(25,332)	(16,419)	(63,406)	-	(285,630)
*H I 2019	(195,451)	(27,525)	(16,189)	(68,744)	-	(307,909)
<i>Finance cost</i>						
*H I 2018	(12,807)	(1,889)	-	-	(1)	(14,697)
*H I 2019	(9,495)	(1,417)	-	(227)	-	(11,139)
<i>Exploration expense</i>						
*H I 2018	(112,507)	-	-	-	-	(112,507)
*H I 2019	(24,476)	-	-	-	-	(24,476)
<i>Share of associates' result</i>						
*H I 2018	-	-	-	976	-	976
*H I 2019	-	-	-	1,165	-	1,165
<i>Other expenses</i>						
*H I 2018	(697,844)	(55,916)	(102,572)	(25,402)	248,422	(633,312)
*H I 2019	(965,152)	(86,351)	(57,083)	(25,949)	270,311	(864,224)
<i>Other income</i>						
*H I 2018	4,248	2,402	14	492	(2,736)	4,420
*H I 2019	19,045	19	57	1,203	(375)	19,949
<i>Profit before tax</i>						
*H I 2018	844,014	37,804	898	47,476	-	930,192
*H I 2019	1,067,427	15,909	(3,996)	71,994	-	1,151,334
<i>Income tax expense</i>						
*H I 2018	-	-	-	(147,348)	-	(147,348)
*H I 2019	-	(926)	-	(174,499)	-	(175,425)
<i>Profit for the period</i>						
*H I 2018	844,014	37,804	898	(99,872)	-	782,844
*H I 2019	1,067,427	14,983	(3,996)	(102,505)	-	975,909

4.3. Statement of Consolidated Cash Flows

Statements of consolidated cash flows recorded in HI 2019 and respectively in HI 2018 are as follows:

INDICATOR	HI 2018 (thousand RON) restated	HI 2019 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Cash flow from operating activities			
Net Profit for the period	782,844	975,909	24.66
<i>Adjustments for:</i>			
Income tax expense	147,348	175,425	19.05
Share of associates' result	(976)	(1,165)	19.36
Interest expense on lease contracts	-	228	n/a
Unwinding of decommissioning provision	14,697	10,911	-25.76
Interest revenue	(26,192)	(23,904)	-8.74
Loss on disposal of non-current assets	38,244	40,508	5.92
Change in decommissioning provision recognized in result for the period, other than unwinding	(1,441)	(1,638)	13.67
Change in other provisions	(21,181)	(60,816)	187.13
Impairment of exploration assets	(58,168)	44,495	n/a
Exploration projects written-off	61,776	23,036	-62.71
Impairment of property, plant and equipment	5,894	51,476	773.36
Depreciation and Amortisation	314,347	269,504	-14.27
Amortisation of contract costs	679	477	-29.75
Change in investments at fair values through profit or loss	5,448	4,446	-18.39
Losses from trade and other receivables	19,165	11,501	-39.99
Other gains and losses (leasing)	-	(52)	n/a
Write-down allowance of inventory	297	171	-42.42
Subsidies income	(92)	(38)	-58.70
Cash generated from operations, before movements in working capital	1,282,689	1,520,474	18.54
Movements in working capital			
(Increase)/Decrease in inventory	130,748	41,420	-68.32
(Increase)/Decrease in trade and other receivables	324,956	101,054	-68.90
Increase/(Decrease) in trade and other liabilities	(360,905)	(53,385)	-85.21
Cash generated from operations	1,377,488	1,609,563	16.85
Income tax paid	(226,187)	(187,099)	-17.28
Net cash generated from operations	1,151,301	1,422,464	23.55
Cash flows from investing activities			
Net collections/(payments) related to other financial assets	1,698,866	593,125	-65.09
Interest received	20,378	26,398	29.54
Proceeds from sale of non-current assets	5,162	229	-95.56
Acquisition of non-current assets	(496,727)	(331,529)	-33.26
Acquisition of exploration assets	(98,312)	(84,301)	-14.25
Net cash used in investing activities	1,129,367	203,922	-81.94
Cash flows from financing activities			
Dividends paid	(294)	(1,606,315)	546265.65
Subsidies received	20,994	-	-100.00
Repayment of lease liability	-	(312)	n/a
Net cash used in financing activities	20,700	(1,606,627)	n/a
Net Increase/(Decrease) in cash and cash equivalents	2,301,368	19,759	-99.14
Cash and cash equivalents at the beginning of the period	227,167	566,836	149.52
Cash and cash equivalents as of June 30	2,528,535	586,595	-76.80

V. PERFORMANCE OF DIRECTOR AGREEMENTS AND OF MANDATE CONTRACTS

Director Agreements

Interim directors were appointed on successive basis following the expiration of the director agreements of the Board members appointed by the General Meeting of Shareholders in 2013 for a 4-year period. The director agreements approved by the General Meeting of Shareholders do not include performance indicators and criteria.

After exercising the cumulative voting procedure, the General Meeting of Shareholders appointed by its Resolution no. 8 of July 6, 2018 the Company's Board members for a 4 year-term.

The General Meeting of Shareholders convened after drafting and approving of the Governance Plan with the scope of negotiating and approving financial and non-financial performance indicators to be included by addendum in the director agreements. GMS Resolution no. 4 of May 15, 2019 "*does not approve the financial and non-financial key performance indicators contained in SNGN Romgaz S.A. 2018-2022 Governance Plan*".

After exercising the cumulative voting procedure, the General Meeting of Shareholders appointed by Resolution no. 6 of June 26, 2019 the Board members, set the fixed gross monthly remuneration and approved the mandate contract form for the interim Board members.

The director agreements do not contain financial and non-financial key performance indicators and, as such, the Board members do not benefit from the variable component.

Mandate Contracts

By Resolution no.37 of December 14, 2017, the Board of Directors appointed Mr. *Cindrea Corin Emil* as interim CEO for a 4-month term with an extension possibility to maximum 6 months.

By Resolution no 19 of April 12, 2018, the Board of Directors decided to extend the CEO mandate contract by two months until June 14, 2018, respectively.

The mandate contract concluded with the Board of Directors does not contain performance indicators and criteria.

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

By Resolution no. 30 of November 2, 2017, the Board of Directors appointed Mr. *Bobar Andrei* as Chief Financial Officer and by Resolution no. 39 of August 28, 2018, the Board appoints Mr. Bobar Andrei as the company's CFO for a fixed term (August 28, 2018-November 2, 2021).

The mandate contracts concluded between the Board of Directors and the company's CEO, respectively CFO, do not include performance indicators and criteria. Such indicators and criteria shall be negotiated and included in the mandate contracts by addendum, following the completion and approval of the company's Governance Plan during the mandate term.

Attached hereto are the Interim Simplified Consolidated Financial Statements for the period ending on June 30, 2019 prepared in compliance with the International Accounting Standard 34 (IFRS).

Signatures:

CEO,

Volintiru Adrian Constantin



CFO,

Bobar Andrei

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

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019**

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

WITH

THE INDEPENDENT AUDITOR'S REVIEW REPORT

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of SNGN Romgaz SA

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of SNGN Romgaz SA and its subsidiary (together "the Group") for the six months and three months periods ended June 30, 2019, which comprise the condensed statement of consolidated interim financial position as at June 30, 2019, the condensed statements of consolidated interim comprehensive income and cash flows for the six months and three months periods then ended and the condensed statement of consolidated interim changes in equity for the six-month period then ended and related explanatory notes.

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

Scope of review

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

Conclusion

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



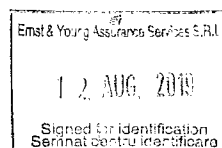
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Other matters

The interim condensed consolidated financial statements for the period ended June 30, 2018 were reviewed by another auditor, whose report dated August 13, 2018 expressed an unmodified conclusion.

On behalf of
Ernst & Young Assurance Services SRL

Alexandru Lupea
Partner



12 August 2019
Bucharest, Romania

CONDENSED STATEMENT OF CONSOLIDATED INTERIM COMPREHENSIVE INCOME FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019

	Note	Six months ended June 30, 2019 '000 RON	Three months ended June 30, 2019 '000 RON	Six months ended June 30, 2018 '000 RON (restated) *)	Three months ended June 30, 2018 '000 RON (restated) *)
Revenue	3	2,874,787	1,161,670	2,474,507	992,170
Cost of commodities sold	4	(89,952)	(12,600)	(102,775)	(17,161)
Investment income		23,904	12,906	26,192	14,885
Other gains and losses	5	(25,967)	(17,851)	(45,674)	(22,307)
Impairment losses on trade receivables	10	(29,948)	(11,691)	(18,947)	(6,371)
Changes in inventory of finished goods and work in progress		(9,023)	40,069	(65,371)	31,542
Raw materials and consumables used	4	(40,358)	(20,224)	(34,917)	(18,067)
Depreciation, amortization and impairment expenses	6	(365,475)	(102,228)	(262,073)	(105,761)
Employee benefit expense	8	(307,909)	(172,327)	(285,630)	(162,089)
Finance cost		(11,139)	(5,587)	(14,697)	(7,340)
Exploration expense		(24,476)	(13,662)	(112,507)	(55,621)
Share of profit of associates		1,165	(206)	976	201
Other expenses	9	(864,224)	(362,509)	(633,312)	(276,228)
Other income	3	19,949	13,806	4,420	1,181
Profit before tax		1,151,334	509,566	930,192	369,034
Income tax expense	7	(175,425)	(75,502)	(147,348)	(52,268)
Profit for the period		975,909	434,064	782,844	316,766
Total comprehensive income for the period		975,909	434,064	782,844	316,766
Basic and diluted earnings per share		0.0025	0.0011	0.002	0.0008

*) see note 14.

These financial statements were endorsed by the executive management on August 12, 2019.

Adrian Constantin Volintiru
Chief Executive Officer



Andrei Bobar
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 FINANCIAL POSITION AS OF JUNE 30, 2019

	Note	June 30, 2019 '000 RON	December 31, 2018 '000 RON
ASSETS			
Non-current assets			
Property, plant and equipment		6,228,202	6,279,748
Other intangible assets		8,798	4,970
Investments in associates		24,463	23,298
Deferred tax asset		136,761	127,491
Other financial assets		5,366	9,812
Right of use assets	2	8,226	-
Total non-current assets		6,411,816	6,445,319
Current assets			
Inventories		235,924	245,992
Trade and other receivables	10	583,086	826,046
Contract costs		124	583
Other financial assets		279,294	881,245
Other assets	10	168,804	168,878
Cash and cash equivalents		586,595	566,836
Total current assets		1,853,827	2,689,580
Total assets		8,265,643	9,134,899
EQUITY AND LIABILITIES			
Equity			
Share capital		385,422	385,422
Reserves		1,567,683	1,824,999
Retained earnings		5,084,210	5,458,196
Total equity		7,037,315	7,668,617
Non-current liabilities			
Retirement benefit obligation		134,770	139,254
Deferred revenue		21,182	21,128
Lease liability	2	7,871	-
Provisions		510,116	510,114
Total non-current liabilities		673,939	670,496

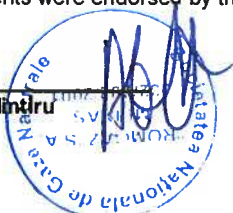
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CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION AS OF JUNE 30, 2019

	<u>Note</u>	<u>June 30, 2019</u> <u>'000 RON</u>	<u>December 31, 2018</u> <u>'000 RON</u>
Current liabilities			
Trade payables		139,380	186,702
Contract liabilities		19,597	46,381
Current tax liabilities		65,597	68,001
Deferred revenue		2,074	8,442
Provisions		43,507	93,645
Lease liability	2	519	-
Other liabilities		283,715	392,615
Total current liabilities		554,389	795,786
Total liabilities		1,228,328	1,466,282
Total equity and liabilities		8,265,643	9,134,899

These financial statements were endorsed by the executive management on August 12, 2019.

Adrian Constantin Volintiru
 Chief Executive Officer



Andrei Bobar
 Chief Financial Officer

The accompanying notes form an integrant part of these financial statements.
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CONDENSED STATEMENT OF CONSOLIDATED INTERIM CHANGES IN EQUITY FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2019

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2019	385,422	77,487	1,747,512	5,458,196	7,668,617
Allocation to dividends *)	-	-	(362,297)	(1,244,914)	(1,607,211)
Decrease in reserves approved by Depogaz's sole shareholder	-	(375)	(909)	1,284	-
Allocation to other reserves	-	-	106,265	(106,265)	-
Total comprehensive income for the period	-	-	-	975,909	975,909
Balance as of June 30, 2019	385,422	77,112	1,490,571	5,084,210	7,037,315
Balance as of January 1, 2018 (restated) **)	385,422	77,084	2,235,448	6,277,486	8,975,440
Allocation to dividends	-	-	-	(1,923,258)	(1,923,258)
Allocation to other reserves	-	-	185,563	(185,563)	-
Total comprehensive income for the period (restated **)	-	-	-	782,844	782,844
Change in accounting policies due to new IFRS	-	-	-	(18,478)	(18,478)
Balance as of June 30, 2018 (restated) **)	385,422	77,084	2,421,011	4,933,031	7,816,548

*) In 2019 the Company's shareholders approved the allocation of dividends of RON 1,607,211 thousand, dividend per share being RON 4.17.

***) see note 14.

These financial statements were endorsed by the executive management on August 12, 2019.

Adrian Constantin Volintiru
Chief Executive Officer



Andrei Bobar
Chief Financial Officer

The accompanying notes form an integral part of these financial statements.
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CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019

	Six months ended June 30, 2019	Three months ended June 30, 2019	Six months ended June 30, 2018	Three months ended June 30, 2018
	'000 RON	'000 RON	'000 RON (restated) *	'000 RON (restated) *
Cash flows from operating activities				
Net profit	975,909	434,064	782,844	316,766
Adjustments for:				
Income tax expense (note 7)	175,425	75,502	147,348	52,268
Share of associates' result	(1,165)	206	(976)	(201)
Interest expense on lease contracts	228	138	-	-
Unwinding of decommissioning provision	10,911	5,449	14,697	7,340
Interest revenue	(23,904)	(12,906)	(26,192)	(14,885)
Net loss on disposal of non-current assets (note 5)	40,508	36,044	38,244	18,693
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 9)	(1,638)	(211)	(1,441)	(773)
Change in other provisions (note 9)	(60,816)	(40,215)	(21,181)	(19,318)
Net impairment of exploration assets (note 6)	44,495	(10,897)	(58,168)	(44,367)
Exploration projects written off	23,036	13,480	61,776	44,920
Net impairment of property, plant and equipment and intangibles (note 6)	51,476	(10,860)	5,894	1,320
Depreciation and amortization (note 6)	269,504	123,985	314,347	148,808
Amortization of contract costs	477	223	679	321
Change in investments at fair value through profit and loss (note 5)	4,446	1	5,448	5,503
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 10)	11,501	(6,801)	19,165	6,421
Other gains and losses	(52)	-	-	-
Net movement in write-down allowances for inventory (note 5)	171	1,002	297	(2,777)
Subsidies income	(38)	(27)	(92)	(45)
	1,520,474	608,177	1,282,689	519,994
Movements in working capital:				
(Increase)/Decrease in inventory	41,420	(40,306)	130,748	(21,875)
(Increase)/Decrease in trade and other receivables	101,054	369,154	324,956	276,604
Increase/(Decrease) in trade and other liabilities	(53,385)	(94,782)	(360,905)	(305,726)
Cash generated from operations	1,609,563	842,243	1,377,488	468,997
Income taxes paid	(187,099)	(119,092)	(226,187)	(97,523)
Net cash generated by operating activities	1,422,464	723,151	1,151,301	371,474

The accompanying notes form an integral part of these financial statements.
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CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019

	Six months ended June 30, 2019	Three months ended June 30, 2019	Six months ended June 30, 2018	Three months ended June 30, 2018
	'000 RON	'000 RON	'000 RON (restated) *)	'000 RON (restated) *)
Cash flows from investing activities				
Net collections/(payments) related to other financial assets	593,125	767,554	1,698,866	1,538,517
Interest received	26,398	16,069	20,378	15,195
Proceeds from sale of non-current assets	229	108	5,162	106
Acquisition of non-current assets	(331,529)	(181,898)	(496,727)	(174,492)
Acquisition of exploration assets	(84,301)	(52,365)	(98,312)	(48,796)
Net cash used in investing activities	203,922	549,468	1,129,367	1,330,530
Cash flows from financing activities				
Dividends paid	(1,606,315)	(1,605,953)	(294)	(181)
Subsidies received	-	-	20,994	20,994
Repayment of lease liability	(312)	(202)	-	-
Net cash used in financing activities	(1,606,627)	(1,606,155)	20,700	20,813
Net increase/(decrease) in cash and cash equivalents	19,759	(333,536)	2,301,368	1,722,817
Cash and cash equivalents at the beginning of the period	566,836	920,131	227,167	805,718
Cash and cash equivalents at the end of the period	586,595	586,595	2,528,535	2,528,535

*) see note 14.

These financial statements were endorsed by the executive management on August 12, 2019.

Adrian Constantin Volintiru
Chief Executive Officer



Andrei Bobar
Chief Financial Officer

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019

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 purposes of the preparation of these financial statements, the functional currency of the Group is deemed to be the Romanian Leu (RON). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board (IASB), however, the differences have no material impact on the Group's financial statements for the periods presented.

Basis of preparation

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

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.

These financial statements do not include all the information and elements disclosed in the annual financial statements and must be read in conjunction with the annual consolidated financial statements of S.N.G.N. Romgaz S.A. as of December 31, 2018.

Basis for consolidation

Subsidiaries

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019

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

Associated entities

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

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:

- IFRS 16 Leases (effective for annual periods beginning on or after January 1, 2019);
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective for annual periods beginning on or after January 1, 2019);
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after January 1, 2019);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2019);
- Annual Improvements to IFRS Standards 2015–2017 Cycle (effective for annual periods beginning on or after January 1, 2019);
- Amendments to IAS 19: Plan amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019).

The adoption of these amendments, interpretations or improvements to existing standards has not led to changes in the Group's accounting policies, except for IFRS 16, as presented below.

The impact of adopting IFRS 16: Leases

IFRS 16 replaces International Accounting Standard 17 "Leases" (IAS 17). According to the new standard, the lessee accounts both finance lease and operating lease (rent) contracts in the same way. The lessee records a right-of-use asset for the underlying asset and a lease liability. Previously, operating lease contracts were recognized as rental expenses.

The Group does not operate finance lease contracts. The Group operates operating lease contracts that include land concession agreements, rent contracts for office space and IT equipment.

The Group does not apply IFRS 16 to leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources, i.e. to leases of land used in such activities.

According to IFRS 16, payments related to operating leases are included in the financing activities. According to IAS 17, these payments were included in the operating activities.

The Group applied the practical expedient to maintain previous assessment of lease contracts. As such, the Group did not apply IFRS 16 to contracts in force as of January 1, 2019 that were not previously identified as containing a lease according to IAS 17. Also, it did not apply IFRS 16 to contracts ending in 2019.

On transition to IFRS 16, the Group applied the standard retrospectively and did not restate the comparative information.

Lease liabilities are measured at the present value of the remaining lease payments as of January 1, 2019 discounted at the incremental borrowing rate at January 1, 2019 (6.99%). On initial application, the Group recorded a lease liability of RON 4,959 thousand.

The Group applies the practical expedient allowed by IFRS 16 for underlying assets below USD 5,000 when new and for short term leases, for which lease payments are recognized as a rent expense when they occur.

Right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019

The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease term is the non-cancellable period for which the Group as lessee can use the underlying asset, together with both:

- (a) periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether the Group is reasonably certain to exercise any of the options above, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

Following IFRS 16 adoption, the Group recorded:

- right-of-use assets of RON 4,959 thousand;
- lease liabilities of RON 4,959 thousand;
- at the date of transition to IFRS 16 (January 1, 2019), the Group had no assets or liabilities recorded according to IAS 17 related to lease contracts; therefore, no other adjustments were needed.

As of December 31, 2018 the Group's commitments related to the operating leases subject to IFRS 16 adjustments were of RON 10,981 thousand. The discounted value as of January 1, 2019 is RON 4,959 thousand.

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 (effective for annual periods beginning on or after January 1, 2021);
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after January 1, 2020);
- Amendment to IFRS 3 Business Combination (effective for annual periods beginning on or after January 1, 2020);
- Amendments to IAS 1 and IAS 8: Definition of Material (effective for annual periods beginning on or after January 1, 2020).

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

Seasonality and cyclicity

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019
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 or the changes are generated by the implementation of IFRS 16. 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, 2019	Three months ended June 30, 2019	Six months ended June 30, 2018	Three months ended June 30, 2018
	'000 RON	'000 RON	'000 RON	'000 RON
Revenue from gas sold - domestic production	2,403,718	1,044,067	1,961,542	840,347
Revenue from gas sold – other arrangements	72,035	35,812	73,190	35,206
Revenue from gas acquired for resale – import gas	77,867	-	79,149	-
Revenue from gas acquired for resale – domestic gas	8,698	6,670	6,699	1,834
Revenue from storage services-capacity reservation	99,331	34,020	113,287	27,766
Revenue from storage services-extraction	16,419	687	22,325	199
Revenue from storage services-injection	18,280	17,878	17,588	11,638
Revenue from electricity	50,819	3,751	108,889	52,279
Revenue from services	104,927	7,281	80,522	16,888
Revenue from sale of goods	19,037	9,663	7,699	4,208
Other revenues from contracts	103	43	104	66
Total revenue from contracts with customers	2,871,234	1,159,872	2,470,994	990,431
Other revenues	3,553	1,798	3,513	1,739
Total revenue	2,874,787	1,161,670	2,474,507	992,170
Other operating income	19,949	13,806	4,420	1,181
Total revenue and other income	2,894,736	1,175,476	2,478,927	993,351

4. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Six months ended June 30, 2019	Three months ended June 30, 2019	Six months ended June 30, 2018	Three months ended June 30, 2018
	'000 RON	'000 RON	'000 RON	'000 RON
Consumables used	38,597	19,553	33,350	17,565
Cost of gas acquired for resale, sold – import	74,410	-	79,137	-
Cost of gas acquired for resale, sold – domestic	4,329	2,752	4,081	1,694
Cost of electricity imbalance	10,721	9,600	19,141	15,277
Cost of other goods sold	492	247	417	190
Other consumables	1,761	672	1,566	502
Total	130,310	32,824	137,692	35,228

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019
5. OTHER GAINS AND LOSSES

	Six months ended June 30, 2019	Three months ended June 30, 2019	Six months ended June 30, 2018	Three months ended June 30, 2018
	'000 RON	'000 RON	'000 RON	'000 RON
Forex gain	2,535	788	2,027	692
Forex loss	(1,876)	(84)	(3,494)	(1,530)
Net loss on disposal of non-current assets	(40,508)	(36,044)	(38,244)	(18,693)
Net allowance for other receivables (note 10 b)	18,447	18,492	(204)	(50)
Net losses on receivables	-	-	(14)	-
Net write down allowances for inventory	(171)	(1,002)	(297)	2,777
Net gain/loss on financial assets at fair value through profit or loss	(4,446)	(1)	(5,448)	(5,503)
Other gains and losses	52	0	-	-
Total	(25,967)	(17,851)	(45,674)	(22,307)

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Six months ended June 30, 2019	Three months ended June 30, 2019	Six months ended June 30, 2018	Three months ended June 30, 2018
	'000 RON	'000 RON	'000 RON	'000 RON
Depreciation	269,504	123,985	314,347	148,808
out of which:				
- depreciation of property, plant and equipment	267,678	123,130	312,131	147,739
- amortization of intangible assets	1,526	711	2,216	1,069
- depreciation of right of use assets	300	144	-	-
Net impairment of non-current assets	95,971	(21,757)	(52,274)	(43,047)
Total depreciation, amortization and impairment	365,475	102,228	262,073	105,761

7. INCOME TAX

	Six months ended June 30, 2019	Three months ended June 30, 2019	Six months ended June 30, 2018	Three months ended June 30, 2018
	'000 RON	'000 RON	'000 RON	'000 RON
Current tax expense	184,695	65,684	156,637	58,970
Deferred income tax (income)/expense	(9,270)	9,818	(9,289)	(6,702)
Income tax expense	175,425	75,502	147,348	52,268

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019

8. EMPLOYEE BENEFIT EXPENSE

	Six months ended June 30, 2019 '000 RON	Three months ended June 30, 2019 '000 RON	Six months ended June 30, 2018 '000 RON	Three months ended June 30, 2018 '000 RON
Wages and salaries	332,983	185,553	304,491	172,529
Social security charges	9,756	5,339	8,837	4,988
Meal tickets	9,669	4,681	9,512	4,503
Other benefits according to collective labor contract	10,470	7,481	9,050	6,392
Private pension payments	5,848	2,918	5,801	2,890
Private health insurance	-	-	3,336	1,668
Total employee benefit costs	368,726	205,972	341,027	192,970
Less, capitalized employee benefit costs	(60,817)	(33,645)	(55,397)	(30,881)
Total employee benefit expense	307,909	172,327	285,630	162,089

9. OTHER EXPENSES

	Six months ended June 30, 2019 '000 RON	Three months ended June 30, 2019 '000 RON	Six months ended June 30, 2018 '000 RON	Three months ended June 30, 2018 '000 RON
Energy and water expenses	21,911	16,667	14,015	9,040
Expenses for capacity booking and gas transmission services	91,101	20,232	80,235	9,395
Expenses with other taxes and duties *)	649,662	297,546	468,451	221,748
(Net gain)/Net loss from provisions movement	(62,454)	(40,426)	(22,622)	(20,091)
Other operating expenses **)	164,004	68,490	93,233	56,136
Total	864,224	362,509	633,312	276,228

*) In the six month period ended June 30, 2019, the major taxes and duties included in the amount of RON 649,662 thousand (six month period ended June 30, 2018: RON 468,451 thousand) are:

- RON 440,784 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, 2018: RON 266,133 thousand);
- RON 203,906 thousand represent royalty on gas production and storage activity (six month period ended June 30, 2018: RON 197,341 thousand).

***) The increase in other operating expenses was mainly due to the cost of green-house gas emission certificates and green certificates (RON 47,642 thousand in the six-month period ended June 30, 2019 compared to RON 23,109 thousand in the six-month period ended June 30, 2018) and contribution charged by ANRE to license title holders operating in gas and electricity industry of 2% of revenue (RON 41,850 thousand). Regarding the increase in the cost of green-house gas emission certificates, of RON 47,642 thousand recorded in the six month period ended June 30, 2019, the amount of RON 36,718 thousand relates to 2018 and was fully provisioned in 2018, therefore there is no effect in the result of the period (the income reversed in the amount of RON 62,454 thousand is reflected in the "net gain from provisions movement").

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019

10. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	'000 RON	'000 RON
Trade receivables	1,549,668	1,651,557
Allowances for expected credit losses (note 10 c)	(1,248,136)	(1,218,188)
Accrued receivables	281,554	392,677
Total	583,086	826,046

b) Other assets

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
	'000 RON	'000 RON
Advances paid to suppliers	153	9,585
Joint operation receivables	6,521	6,703
Other receivables *)	135,140	65,529
Allowance for expected credit losses other receivables (note 10 c) **)	(32,484)	(50,983)
Other debtors	47,300	47,188
Allowance for expected credit losses for other debtors (note 10 c)	(43,143)	(43,091)
Prepayments ***)	50,265	5,069
VAT not yet due	5,052	5,726
Other taxes receivable ****)	-	123,152
Total	168,804	168,878

*) The increase in other receivables is due to a debt assignment agreement in which one of the Group's customer transferred to the Company a tax receivable of RON 155,113 thousand, of which RON 68,473 was outstanding as of June 30, 2019. Romgaz recovered this amount by the date these financial statements were endorsed.

***) During the period December 2016 - April 2017 ANAF resumed the tax inspection on VAT for the period December 2010 - June 2011 and on income tax for the period January 2010 - December 2011, regarding the discounts granted by Romgaz to interruptible clients for deliveries during 2010 - 2011. This status was attributed to companies by Transgaz, the Romanian natural gas transmission operator. Following the tax inspection, additional tax obligations of RON 15,284 thousand were determined, and also penalties and late payment charges in amount of RON 3,129 thousand. In the six-month period ended June 30, 2019 the Company won the case filed against ANAF so the allowance of RON 18,413 thousand was reversed against income.

****) The increase in prepayments is due to the financial contribution representing 2% of the Romgaz's income from activities subject to licenses held. This contribution is recorded as a prepayment and will affect the result of 2019 monthly, on a straight line basis.

*****) In 2017 the excise tax inspection for the period January 2010 - March 2013 was finalized. The tax inspection report concluded that Romgaz was not subject to excise duties related to technological consumption. Based on this report, in 2017 Romgaz recorded an income of RON 244,385 thousand, of which RON 130,470 thousand refer to the period April 2013 - November 2016, for which Romgaz has submitted corrective statements. In 2018, Romgaz recovered RON 113,915 thousand by offsetting with other tax liabilities in balance at December, 31 2017. As for the amount of RON 130,470 thousand, Romgaz was subjected in 2018 to a new tax audit for reimbursement, which was finalized favorably in 2019, when the rest of the amount was recovered.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019

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

	2019	2018
	'000 RON	'000 RON
At January 1	1,312,262	1,292,438
Charge in the allowance for receivables (note 5) six months period ended June 30	71	279
Charge in the allowance for receivables (note 5) three months period ended June 30	15	52
Charge in the allowance for trade receivables six months period ended June 30	32,648	18,959
Charge in the allowance for trade receivables three months period ended June 30	11,991	6,382
Release in the allowance for receivables (note 5) six months period ended June 30	(18,518)	(76)
Release in the allowance for receivables (note 5) three months period ended June 30	(18,507)	(3)
Release in the allowance for trade receivables six months period ended June 30	(2,700)	(11)
Release in the allowance for trade receivables three months period ended June 30	(300)	(10)
At June 30	1,323,763	1,311,589

11. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Sales of goods and services

	Six months ended June 30, 2019	Three months ended June 30, 2019	Six months ended June 30, 2018	Three months ended June 30, 2018
	'000 RON	'000 RON	'000 RON	'000 RON
Romgaz's associates	4,991	3,749	4,818	3,050
Total	4,991	3,749	4,818	3,050

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

(ii) Trade receivables

	June 30, 2019	December 31, 2018
	'000 RON	'000 RON
Romgaz's associates	820	642
Total	820	642

12. SEGMENT INFORMATION

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

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

Specifically, the Group is organized in the following segments:

- upstream, which includes exploration activities, natural gas production and trade of gas extracted by Romgaz or acquired from domestic production or import, for resale; these activities are performed by Medias, Mures and Bratislava branches;

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- storage activities, carried out by Depogaz. The Company's associate Depomures is also operating in the gas underground storage business;
- electricity production and distribution activities, performed by Iernut branch;
- other activities, such as technological transport, operations on wells and corporate activities.

Except for Bratislava branch, all operations are in Romania. As of June 30, 2019, Bratislava branch's exploration assets were entirely depreciated, as a result of difficulties encountered during the exploration activity.

b) Segment assets and liabilities

June 30, 2019	Upstream	Storage	Electricity	Other	Consolidation adjustments	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Total assets	4,393,344	1,533,838	951,580	1,412,896	(26,015)	8,265,643
Total liabilities	759,919	138,025	52,561	303,838	(26,015)	1,228,328
December 31, 2018	Upstream	Storage	Electricity	Other	Consolidation adjustments	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Total assets	4,791,669	1,596,217	861,611	1,912,909	(27,507)	9,134,899
Total liabilities	872,215	120,216	155,500	345,858	(27,507)	1,466,282

c) Segment revenues, results and other segment information

Six months ended June 30, 2019	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	2,731,205	194,193	87,962	139,700	(278,273)	2,874,787
Less: revenue between segments	(25,329)	(79,335)	(37,278)	(136,331)	278,273	-
Third party revenue	2,705,876	114,858	50,684	3,369	-	2,874,787
Segment profit before tax profit/(loss)	1,067,427	15,909	(3,996)	71,994	-	1,151,334
Three months ended June 30, 2019	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	1,100,662	105,505	22,308	73,968	(140,773)	1,161,670
Less: revenue between segments	(5,202)	(44,985)	(18,601)	(71,985)	140,773	-
Third party revenue	1,095,460	60,520	3,707	1,983	-	1,161,670
Segment profit before tax profit/(loss)	459,737	9,372	(8,742)	49,199	-	509,566

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NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019

Six months ended June 30, 2018	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	2,257,866	197,679	145,153	129,450	(255,641)	2,474,507
Less: revenue between segments	(46,096)	(46,500)	(36,438)	(126,607)	255,641	-
Third party revenue	2,211,770	151,179	108,715	2,843	-	2,474,507
Segment profit before tax profit/(loss)	844,014	37,804	898	47,476	-	930,192
Three months ended June 30, 2018	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	920,384	82,339	71,966	69,652	(152,171)	992,170
Less: revenue between segments	(19,821)	(44,769)	(19,756)	(67,825)	152,171	-
Third party revenue	900,563	37,570	52,210	1,827	-	992,170
Segment profit before tax profit/(loss)	354,422	6,607	(858)	8,863	-	369,034

13. COMMITMENTS UNDERTAKEN

In 2018, Romgaz signed a credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 100,000 thousand. On June 30, 2019 are still available for use USD 93,838 thousand.

As of June 30, 2019, the Group's contractual commitments for the acquisition of non-current assets are of RON 676,031 thousand (December 31, 2018: RON 832,732 thousand), of which, the contract for CET Iernut development represents RON 309,085 thousand.

14. EFFECTS OF VOLUNTARY CHANGE IN ACCOUNTING POLICY AND CORRECTION OF ERRORS

- The Group modified the computation method for the decommissioning provision by replacing the weighted average cost of capital with the interest rate on long-term treasury bonds as a discount factor. The amendment was intended to align with the practice commonly used in calculating this provision.
- In 2018, the Group reconsidered the depreciation of the gas cushion, recognized as a fixed asset. This is a quantity of natural gas constituted as a reserve at the level of gas storages, physically recoverable, which ensures the optimum conditions necessary to maintain their technical-productive flow characteristics. As a result of this analysis, the Group concluded that depreciation for these fixed assets should not have been recorded as the residual value is higher than the cost.

To reflect the changes and corrections above and to ensure the comparability of the information presented in this set of financial statements, previous periods have been restated and presented as if they had always been applied.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2019
Effect of restatement on consolidated comprehensive income

	Six months ended June 30, 2018 (before restatement)	Effect of change in accounting policy	Effect of correction of accounting errors	Six months ended June 30, 2018 (restated)
	'000 RON	'000 RON (a)	'000 RON (b)	'000 RON
Other gains and losses	(45,133)	-	(541)	(45,674)
Amortization and depreciation	(246,094)	(20,491)	4,512	(262,073)
Finance cost	(12,734)	(1,963)	-	(14,697)
Other expenses	(634,104)	792	-	(633,312)
Profit before tax	947,883	(21,662)	3,971	930,192
Income tax expense	(150,179)	3,466	(635)	(147,348)
Profit for the period	797,704	(18,196)	3,336	782,844
The effect on the basic and diluted earnings per share	0.0021	(0.0001)	-	0.0020

	Three months ended June 30, 2018 (before restatement)	Effect of change in accounting policy	Effect of correction of accounting errors	Three months ended June 30, 2018 (restated)
	'000 RON	'000 RON (a)	'000 RON (b)	'000 RON
Amortization and depreciation	(98,858)	(9,132)	2,229	(105,761)
Finance cost	(6,361)	(979)	-	(7,340)
Other expenses	(276,641)	413	-	(276,228)
Profit before tax	376,503	(9,698)	2,229	369,034
Income tax expense	(57,292)	5,380	(356)	(52,268)
Profit for the period	319,211	(4,318)	1,873	316,766
The effect on the basic and diluted earnings per share	0.0009	(0.0001)	-	0.0008

15. EVENTS AFTER THE BALANCE SHEET DATE

No events after the balance sheet date were identified.

16. ENDORSEMENT OF FINANCIAL STATEMENTS

These financial statements were endorsed by the executive management on August 12, 2019.


Adrian Constantin Volintiru
Chief Executive Officer


Andrei Bobar
Chief Financial Officer

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

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. +40269201020
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,

ADRIAN CONSTANTIN VOLINTIRU as Chief Executive Officer and
ANDREI BOBAR as Chief Financial Officer

hereby confirm that according to our knowledge, the interim condensed consolidated financial statements for the half year ended June 30, 2019, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, namely IAS 34, offer a true and fair view of the assets, liabilities, financial position, statement of profit and loss of the S.N.G.N. ROMGAZ S.A. Group and that the Board of Directors' report comprises a fair analysis of the development and performance of the Group, as well as a description of the main risks and uncertainties specific to its activity.


Chief Executive Officer,
ADRIAN CONSTANTIN VOLINTIRU

Chief Financial Officer,
ANDREI BOBAR

