



SOCIETATEA NATIONALA DE GAZE NATURALE "ROMGAZ" SA

QUARTERLY REPORT

ON THE ECONOMIC-FINANCIAL ACTIVITY

OF ROMGAZ GROUP

ON MARCH 31, 2019

(January 01, 2019 - March 31, 2019)

IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report Basis	<i>Law no. 24/2017 on issuers of financial instruments and market operations (Article 67) and ASF Regulation no.5/2018 on issuers of financial instruments and market operations (Annex 13) for the three-month period ended on March 31, 2019</i>
Report Date	May 15, 2019
Name of the Company	Societatea Națională de Gaze Naturale "ROMGAZ" SA
Headquarters	Mediaș 551130, 4 Constantin I. Motaș Square, Sibiu County
Telephone/Fax number	0040 374 401020 / 0040 269 846901
Web/E-mail	www.romgaz.ro / secretariat@romgaz.ro
Fiscal Code	RO 14056826
Trade Registry No.	J32/392/2001
Legal Entity Identifier (LEI)	2549009R7KJ38D9RW354
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 GDR's
Regulated market where the company's shares are traded	Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)

ROMGAZ GROUP¹ PERFORMANCES

Romgaz Group recorded in Q1 2019 a **revenue** of **RON 1,713.1 million** increasing by 15.57% namely RON 230.8 million, compared to Q1 2018.

Net profit reached **RON 541.9 million** higher by 16.26% namely RON 75.8 million compared to the similar period of 2018.

Net earnings per share (EPS) was **RON 1.4**.

The achievement of the consolidated net profit margin (**31.6%**), consolidated EBIT margin (**36.8%**) and consolidated EBITDA margin (**52.2%**), confirms that the high profitability of the Group's activity is maintained.

The natural gas consumption estimated² nationally for Q1 2019 was 48.5 TWh, by 3% lower than the consumption recorded in Q1 2018.

Natural gas production increased by 4.8%, 65.9 million m³ respectively, from 1,364.1 million m³ in Q1 2018 to **1,430.0 million m³** in Q1 2019.

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

² The consumption is estimated as ANRE did not publish until the date hereof the reports on the gas market for February and March 2019.

Due to the fact that the power units are unavailable during the works performed at the new power plant, the electricity delivered decreased by 42.11% as compared to the similar period of last year (170.8 GWh vs 287.3 GWh).

Relevant Consolidated Financial Results

RON million

Q1 2018 <i>restated¹⁾</i>	Q4 2018	Q1 2019	Δ Q1 (%)	Main indicators	2017 <i>restated¹⁾</i>	2018	Δ '18/'17 (%)
1,482.3	1,559.6	1,713.1	15.57	Revenue	4,585.2	5,004.2	9.14
1,407.1	1,531.2	1,684.4	19.71	Income	4,786.0	5,048.8	5.49
845.9	1,164.7	1,089.8	28.71	Expenses	2,667.7	3,464.3	29.86
0.8	0.6	1.4	75.00	Share of profit of associates	1.4	0.6	-57.14
561.2	367.5	641.8	14.36	Gross profit	2,119.8	1,585.2	-25.22
95.1	27.8	99.9	5.05	Profit tax	316.1	219.0	-30.72
466.1	339.7	541.9	16.26	Net profit	1,803.6	1,366.2	-24.25
550.0	354.2	630.8	14.70	EBIT	1,853.0	1,531.9	-17.33
706.2	673.9	894.0	26.59	EBITDA	2,405.5	2,240.0	-6.88
1.2	0.86	1.4	16.67	Earnings per share (EPS) (RON)	4.79	3.54	-26.10
31.4	21.78	31.6	0.64	Net profit ratio (% from Revenue)	34.0	27.3	-19.71
37.1	22.71	36.8	-0.81	EBIT Ratio (% from Revenue)	40.4	30.6	-24.26
47.6	43.2	52.2	9.67	EBITDA Ratio (% from Revenue)	52.46	44.8	-14.60
6,157	6,214	6,162	0.08	Number of employees at the end of the period	6,198	6,214	0.26

¹⁾ In 2018 the Group voluntarily modified the accounting policy regarding recognition of costs with seismic, geological, geophysical works and other similar operations. According to the new policy, such costs are recognised as expense when they are incurred. Previously, such costs were recognised as exploration intangible assets. Information on previous periods were restated to ensure comparability with the current period. At the same time the Group modified in 2018 the calculation method of the well decommissioning provision, replacing average cost of equity with the related interest rate of the 10 year liability government bonds as liability discount rate, in compliance with industry practices. Moreover, in 2018 the Group reanalysed the depreciation of the gas cushion recorded as non-current asset and concluded that it should not have been depreciated; the correction affected the previous periods, therefore they have been restated in order to make them comparable to the current period. The information related to the quarters were not restated to reflect the gas cushion correction; the estimated value of the depreciation per quarter is RON 2.3 million, the quarterly result shown above is smaller by that amount. More information on these restatements are shown in the consolidated and individual financial statements annexed to this report.

Operational Results

Q1 2018	Q4 2018	Q1 2019	Δ Q1/Q4 (%)	Main indicators	Q1 2018	Q1 2019	Δ Q1 (%)
1,364.1	1,411.0	1,430.0	1.3	Gross production (million m ³)	1,364.1	1,430.0	4.8
101	104	103	-1.2	Petroleum royalty (million m ³)	101	103	2.2
1,635	2,589	4,934	90.5	Condensate production (tonnes)	1,635	4,934	201.8
287.3	414.5	170.9	-58.8	Electricity production (GWh)	287.3	170.9	-40.5
1,098.2	819.0	884.9	8.0	UGS withdrawal services invoiced (million m ³)	1,098.2	884.9	-19.4

298.5	119.6	222.5	86.0	UGS injection services invoiced (million m ³)	298.5	222.5	-25.5
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The gas production recorded for Q1 2019 was 1,430 million m³, by 4.8% higher than the production recorded in the similar period of the previous year.

The high production achieved in Q1 2019 was supported by:

- ✓ the high development of Caragele gas field by finalising investment works to extend the production infrastructure and connecting the pipelines to this infrastructure;
- ✓ continue the production rehabilitation programs for the main mature gas fields that led to annulling the production decline on these fields;
- ✓ performing recompletion operations that reactivated a series of wells with significant flow rates;
- ✓ relocating compression units to optimise the production process of natural gas fields.

These results were achieved under the following conditions:

- ✓ natural gas imports were approximately at the same level as in Q1 2018, Romania imported an estimated quantity of 9.3 TWh;
- ✓ the withdrawn quantity from Romgaz gas stocks stored in underground storages was by 1.2 TWh less than in the same period of 2018.

The natural gas consumption estimated³ at national level for Q1 2019 was 48.5 TWh, by 3% lower than the consumption recorded in Q1 2018 out of which approximately 9.33 TWh was covered by import gas and the remaining 39.2 TWh by domestic production to which Romgaz participated with 17.63 TWh, representing 36.36% of the national consumption and **43.48%** of the consumption covered by domestic gas. The company's market share decreased by 2.7% as compared to Q1 2018.

³ The consumption is estimated as ANRE did not publish until the date hereof the reports on the gas market for February and March 2019

ROMGAZ GROUP – BRIEF OVERVIEW

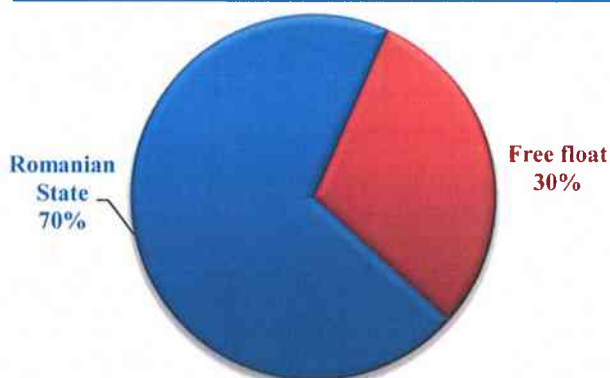
The activities developed by Romgaz Group are:

- ⊗ exploration and production of natural gas;
- ⊗ underground storage of natural gas;
- ⊗ supply of natural gas;
- ⊗ special well operations and services;
- ⊗ technological transport and maintenance services;
- ⊗ electricity production and supply;
- ⊗ natural gas distribution.

Shareholder structure

On March 31, 2019 the SNGN Romgaz SA shareholder structure was the following:

	Number of shares	%
The Romanian State ⁴	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
*legal persons	96,892,912	25.1394
*natural persons	18,706,408	4.8535
Total	385,422,400	100.0000



Company organization

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

Until March 31, 2018 the Company had seven branches established depending both on the specific business as well as on the activity location (production branches), as follows:

- Sucursala Mediaș (Medias Branch);
- Sucursala Targu Mures (Targu Mures Branch);
- Sucursala Ploiesti (Ploiesti Branch);
- Sucursala de Interventii, Reparatii Capitale si Operatii Speciale la Sonde Medias (SIRCOSS) (Branch for Well Workover, Recompletions and Special Well Operations);
- Sucursala de Transport Tehnologic și Mentenanta Targu Mures (STTM) (Technological Transport and Maintenance Branch);
- Sucursala de Productie Energie Electrica Iernut (Iernut Power Generation Branch);

⁴ The Romanian State acting through the *Ministry of Energy*

■ Sucursala Bratislava (Bratislava Branch).

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

Therefore, subject to EC Directive No. 73/2009 implemented by Electricity and Natural Gas Law 123/2012 (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 Subsidiary took over the operation of underground storages licensed by SNGN Romgaz SA, the operation of assets that are used for performing the activities and the entire personnel that performs storage activities.

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

Company management

The company is governed by a **Board of Directors** composed of 7 members, having on March 31, 2019 the following structure:

Item No.	Name	Position in the Board	Status ^{*)}	Professional Qualification	Institution of Employment
1	Nistoran Dorin Liviu	Chairman	independent non-executive	engineer	Evolio
2	Volintiru Adrian Constantin	member	executive	economist	SNGN Romgaz SA
3	Ungur Ramona	member	independent non-executive	economist	-
4	Grigorescu Remus	member	independent non-executive	PhD in Economics	Universitatea "Constantin Brâncoveanu"
5	Ciobanu Romeo Cristian	member	independent non-executive	PhD engineer	Universitatea Tehnică Iași
6	Jude Aristotel Marius	member	non-independent non-executive	MBA legal adviser	SNGN "Romgaz" SA
7	Jansen Petrus Antonius Maria	member	independent non-executive	economist	London School of Business and Finance

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

Company executive management

The Board of Directors delegated company's management pursuant to the provisions of Law no.31/1990 (art. 143 paragraph (1)), GEO no.109/2011 (art. 35 paragraph (1)) and of the Romgaz Articles of Incorporation (art. 19 paragraph (2)), as follows:

- **Volintiru Adrian Constantin** - Chief Executive Officer (CEO) as of June 15, 2018

The Board of Directors appointed by Resolution No. 29 of June 14, 2018 Mr. Volintiru Adrian Constantin as Chief Executive Officer for 4 months.

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 4 years.

- **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.

The other persons holding management positions in Romgaz whom the Board of Directors did not delegate managerial responsibilities can be found at: <https://www.romgaz.ro/en/conducere>

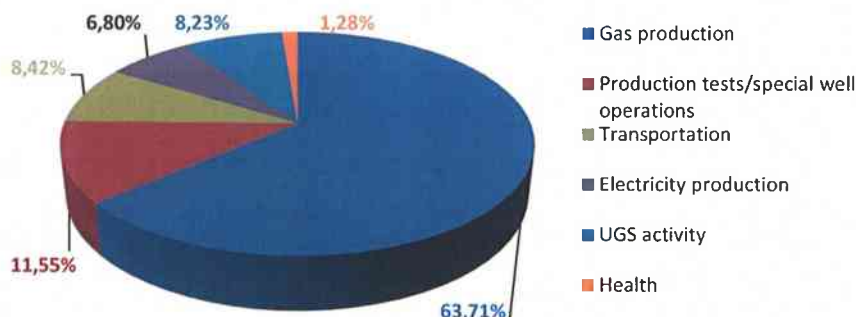
Human Resources

On March 31, 2019 Romgaz Group had a number of 6,162 employees while SNGN Romgaz SA a number of 5,655 employees. As of April 1, 2018, a number of 504 persons terminated their labour relationship with the company being transferred to Depogaz Subsidiary.

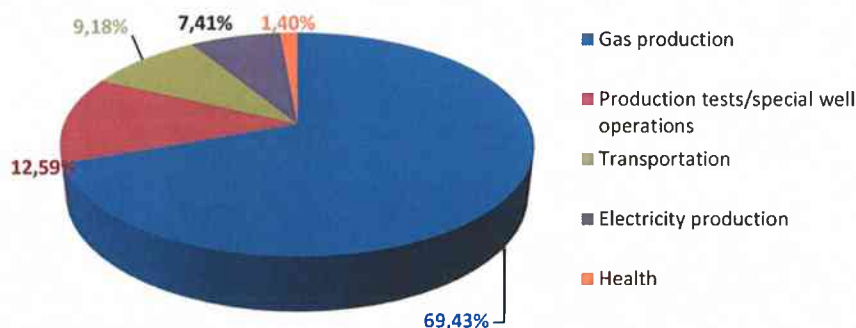
The table below shows the evolution of the employees' number between January 1, 2018 – March 31, 2019:

Description	2018 GROUP		March 31, 2019	
	March 31	December 31	GROUP	Romgaz
Employees at the beginning of the period	6,198	6,198	6,214	5,688
Newly hired employees	30	286	26	23
Employees who terminated their labour relationship with the company	71	270	78	56
Employees at the end of the period	6,157	6,214	6,162	5,655

The structure by activities of *Romgaz Group* personnel at the end of the reporting period is presented in the figure below:



The structure by activities of *Romgaz* personnel at the end of the reporting period is presented in the figure below:



Romgaz on the stock exchange

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

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

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

- Second place in the top of Premium BVB issuers after capitalization. With a market capitalization of RON 12,468.4 million namely EURO 2,617.8 million as of March 31, 2019, Romgaz is the second largest listed company in Romania, preceded by OMV Petrom with a capitalization of RON 20,221 million, namely EURO 4,245 million;
- Fourth place in terms of traded values in Q1 of 2019 in the top of local issuers on BVB main segment (RON 192 million), behind Banca Transilvania, Fondul Proprietatea and BRD;
- Weights of 10.70% and 10.22% in the BET index (top 16 issuers) and the BET-XT index (top 25 issuers), 28.73% in the BET-NG index (energy and utilities) and 10.70% in the BET-TR (BET Total Return) index;

Performance of Romgaz shares between listing and March 31, 2019 in relation to BET index, is shown below:



For Q1, 2019, the trade price of Romgaz shares recorded an oscillating trend while increasing towards the end of the period so that in the last day of the quarter the price was higher by 13.91% compared to the beginning of the year. The trading price of GDRs for the analysed period recorded the same evolution, being with 10.71% higher on March 31, 2019.

As such, at the beginning of 2019, Romgaz share price was RON 28.40, the minimum value for the period under review being reached on January 14, 2019 (RON 27.35) the price of the share subsequently increasing to a maximum of RON 32.70 on March 27, 2019. The trading price at the beginning of the year and in the first part of the quarter is a consequence of the continuing

descending trend registered at the end of 2018. Subsequently however, the share price increased mainly after the publication of the 2018 Preliminary Report on February 15, 2019 and the proposal for dividends on March 25, 2019.

The GDRs followed the shares' trend, recording the minimum price on January 14, 2019 (USD 6.80) and following an upward trend reaching USD 7.75 in the last trading day of the quarter, namely on March 29, 2019.

PHYSICAL INDICATORS

The table below shows the gas volumes (million m³) that were produced, delivered, injected/withdrawn into/from UGSs during January-March 2019 in comparison with the similar period of 2017 and 2018:

Specifications		Q1 2017	Q1 2018	Q1 2019	Indices (%)
0	1	2	3	4	5=4/3x100
1.	Total - gross production, out of which:	1,333.0	1,364.1	1,430.0	104.8
1.1.	* internal gas production	1,290.8	1,321.4	1,430.0	108.2
1.2.	* Schlumberger partnership (100%)	42.2	42.7	0.0	0.0
2.	Technological consumption	20.2	21.9	23.2	105.9
3.	Net gross internal gas production (1.-1.2.-2.)	1,270.6	1,299.5	1,406.8	108.3
4.	Internal gas volumes injected in storages	0.0	0.0	15.0	-
5.	Internal gas volumes withdrawn from storages, of which	491.3	280.9	199.7	71.1
5.1.	*cushion gas	0.0	6.9	0.0	0.0
6.	Differences resulting from GCV	0.0	0.0	0.0	-
7.	Volumes supplied from internal production (3.-4.+5.-6.)	1,761.9	1,580.4	1,591.5	100.7
8.1.	Gas sold in storage	0.0	8.1	0.0	0.0
8.2.	Gas supplied to Iernut and Cojocna Power Plants from Romgaz gas	154.6	76.9	50.3	65.4
9.	Volumes supplied from internal production to the market (7.+8.1.-8.2.)	1,607.3	1,511.6	1,541.2	102.0
10.	Natural gas from partnerships¹⁾ – total, out of which:	40.8	46.8	34.9	74.6
	*Schlumberger (50%)	21.1	21.4	0.0	0.0
	*Raffles Energy (37.5%)	0.0	0.0	0.0	0.0
	*Amromco (50%)	19.7	25.4	34.9	137.4
11.	Purchased internal gas volumes (including unbalances)	20.0	2.9	2.1	72.4
12.	Volumes sold from domestic production to the market (9.+10.+11.)	1,668.1	1,561.3	1,578.2	101.1
13.	Volumes supplied from domestic production (8.2.+12.)	1,822.7	1,638.2	1,628.5	99.4
14.	Supplied import volumes	25.7	83.0	53.0	63.9
15.	Gas supplied to Iernut and Cojocna from other sources (including unbalances)	17.7	6.1	0.9	14.8
16.	Total gas supplies (13.+14.+15.)	1,866.1	1,727.3	1,682.4	97.4
*	Invoiced UGS withdrawal services	1,167.5	1,098.2	884.9	80.6

* Invoiced UGS injection services	502.5	298.5	222.5	74.5
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*) With respect to Romgaz – Schlumberger partnership, the produced gas volumes are entirely outlined in Romgaz production. Romgaz sells such volumes and the resulting revenue is equally shared between the two partners. On November 30, 2018 Romgaz-Schlumberger agreement terminated due to expiration. With respect to Romgaz partnerships with Amromco and Raffles Energy, the produced gas volumes do not represent Romgaz production, but the relating value is included in Romgaz revenue pro rata to the company's working interest in the respective partnership.

INVESTMENTS

For the first 3 months of 2019, Romgaz Group scheduled investments in amount of *RON 330.15 million* and carried out investments of *RON 188.36 million* approximately 43% (i.e. *RON 141.8 million*) less than scheduled.

On March 31, 2019, the implementation degree of *Romgaz* Annual Investment Program of *RON 1,245 million* was 14.56%.

As compared to the similar period of 2018, the investments decreased by 56.7%, respectively *RON 181.25 million* as compared to *RON 419.10 million*.

The value of fixed assets commissioned is *RON 98.8 million*.

The table below shows the investments made in the first 3 months of 2019 in comparison with those from the same period last year, and the scheduled investments, split into main investment chapters:

Investment chapter	Result Q1 2018	Schedule Q1 2019	Result Q1 2019	*RON thousand*	
				2019/ 2018	R 2019/ S 2019
I	2	3	4	5=4/2x100	6=4/3x100
I. Geological exploration works for the discovery of new gas reserves	92,108	80,800	60,223	65.4	75.6
II. Exploitation drilling works, commissioning of new wells, infrastructure, utilities and electricity generation	284,668	156,788	80,335	28.2	51.2
III. Supporting underground gas storage capacities	2,980	-	-	-	-
IV. Environment protection works	397	540	133	33.5	24.6
V. Revamping and retrofitting of existing installations and pieces of equipment	32,688	47,815	34,079	104.3	71.3
VI. Independent equipment and installation	6,086	14,936	4,749	78.0	31.8
VII. Expenses relating to studies and designs	154	2,450	1,734	1,126.0	70.8
TOTAL	419,081	303,256	181,253	43.3	59.7

Investments made during the first three months of 2019 were significantly lower than the similar period of 2018 mainly because the volume of works and equipment planned to be performed/delivered for 2019 was lower for the "*Development CTE Iernut by building a new combined cycle gas turbine power plant*".

Among the significant exploration achievements, we mention the performance of drilling works for six wells (total of 10,450 m) and completion of a 3,535 m well in RG02-Transilvania Sud.

The value of fixed assets in place in the first three months of 2019 was *RON 84.75 million*.

During the first three months of 2019, *Depogaz Branch* had an approved investment plan of RON 26,795.5 thousand and achieved RON 7,103.2 thousand, representing 26.5% of planned investments:

Item no.	Specifications	Schedule Q1 2019	Results Q1 2019
1.	Natural gas underground storage activities	13,695.0	1,101.9
2.	Revamping and retrofitting of existing installations and pieces of equipment	11,527.5	5,911.8
3.	Independent equipment and installation	707.5	89.5
4.	Expenses related to consultancy, studies and projects, soft, licenses and patents, etc.	867.5	0
*	TOTAL	26,797.5	7,103.2

During the reporting period, the fixed assets commissioned represent *RON 3,668 thousand*.

FINANCIAL AND ECONOMIC INDICATORS

Summary of the consolidated interim financial result

The table below shows the summary of the consolidated interim financial result on March 31, 2019 compared to December 31, 2018:

INDICATOR	December 31, 2018 (RON thousand)	March 31, 2019 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
ASSETS			
Non-Current Assets			
Property, plant and equipment	6,279,748	6,152,639	-2.02
Other intangible assets	4,970	5,972	20.16
Investments in associates	23,298	24,669	5.88
Deferred tax asset	127,491	146,579	14.97
Other financial assets	9,812	5,367	-45.30
Right of use assets	-	8,867	n/a
TOTAL NON-CURRENT ASSETS	6,445,319	6,344,093	-1.57
Current assets			
Inventories	245,992	196,618	-20.07
Trade and other receivables	826,046	1,016,280	23.03
Contract costs	583	347	-40.48
Other financial assets	881,245	1,052,691	19.45
Other assets	168,878	228,424	35.26
Cash and cash equivalents	566,836	920,131	62.33
Total Current Assets	2,689,580	3,414,491	26.95
TOTAL ASSETS	9,134,899	9,758,584	6.83
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	385,422	385,422	0.00
Reserves	1,824,999	1,824,999	0.00
Retained earnings	5,458,196	6,000,041	9.93
Total Capital and Reserves	7,668,617	8,210,462	7.07

Non-Current Liabilities			
Retirement benefit obligation	139,254	137,055	-1.58
Deferred revenue	21,128	21,145	0.08
Provisions	510,114	508,779	-0.26
Lease liability	-	8,296	n/a
Total non-current liabilities	670,496	675,275	0.71
Current liabilities			
Trade payables	186,702	150,406	-19.44
Contract liabilities	46,381	21,222	-54.24
Current tax liabilities	68,001	119,005	75.00
Deferred revenue	8,442	4,778	-43.40
Lease liability	-	655	n/a
Provisions	93,645	81,692	-12.76
Other liabilities	392,615	495,089	26.10
Total current liabilities	795,786	872,847	9.68
TOTAL LIABILITIES	1,466,282	1,548,122	5.58
TOTAL EQUITY AND LIABILITIES	9,134,899	9,758,584	6.83

NON-CURRENT ASSETS

The total non-current assets decreased by 1.57%, i.e. by RON 101.23 million from RON 6,445.3 million on December 31, 2018 to RON 6,344.1 million on March 31, 2019. In Q1 2019 the increase recorded in the Group's assets was partially offset by the depreciation cost (RON 145.5 million) and impairment adjustments (RON 117.7 million).

As regards other financial investments, in the first three months of 2019, the Group recorded a fair value decrease of the investment in Electrocentrale Bucuresti of RON 4.5 million, being fully adjusted.

The investments in associates have been accounted in the consolidated financial statements by equity method providing that initial investment is recognized at cost and it is later on adjusted depending on the post-acquisition modification of the Group share in the net assets of the associate in which the Group has invested. The Group profit or loss includes its share of the associate's profit or loss.

CURRENT ASSETS

Current assets increased by RON 724.91 million (26.95%) on March 31, 2019 due to increase of trade receivables and cash and cash equivalents.

Inventories

In Q1 2019 as compared to Q1 2018 inventories decreased by 20.07% further to the decrease of gas stocks in storages due to the seasonal character of activities.

Trade receivables and other receivables

As compared to December 31, 2018, trade receivables increased by 23.03% mainly due to gas deliveries in Q1 2019 to a client under bankruptcy procedure, for whom the court established a payment term of 90 days as compared to 30 days the standards term of the contracts concluded by the Company with clients. Until the date hereof we collected the receivables from this client on the due date.

Cash and cash equivalents. Other financial assets

On March 31, 2019, cash and cash equivalents and other financial assets (bank deposits and state bonds purchased) were RON 1,972.8 million, as compared to RON 1,448.08 million at the end of 2018, as a result of collecting the equivalent in money for the gas delivered at the end of 2018 and during Q1 2019. Of this amount, the Company will distribute in Q2 2019 dividends of RON 1,607.2 million, according to the shareholders' resolution.

Other assets

Other assets increased on Q1 2019 as compared to December 31, 2018, due to the contribution of 2% of the revenue from Romgaz Group activities performed subject to licences. This contribution is recorded on March 31, 2019 as a prepayment that will be recognized as an expense monthly on a straight-line basis.

EQUITY AND RESERVES

The Group's equity increased by 7.07% due to the profit achieved in Q1 2019. Distribution of profit was approved by the GSM in April 2019.

NON-CURRENT LIABILITIES

Non-current liabilities recorded an insignificant increase of 0.71% on March 31, 2019 as compared to December 31, 2018.

CURRENT LIABILITIES

Current liabilities increased by RON 77.06 million, from RON 795.8 million recorded on December 31, 2018 to RON 872.9 million recorded on March 31, 2019.

Trade and other payables

Trade payables decreased by 19.44% as compared to December 31, 2018 due to the decrease in acquisitions for Iernut plant during the first quarter of 2019 compared to the end of 2018 as the procurement phase ended.

Contract liabilities

Decrease of contract liabilities on March 31, 2019 compared to December 31, 2018 reflects the seasonal fluctuations in the Group's activity. These liabilities represent advance payments received from clients for deliveries made in April.

Current profit tax liabilities

Current profit tax liabilities increased by 75.0% due to a higher gross result in Q1 2019, as compared to Q4 2018. The gross result is adjusted by tax-free income and non-deductible expenses, pursuant to fiscal regulations applicable in Romania, hence resulting the tax.

Other liabilities

Other liabilities increased by 26.10% due to the increase of the petroleum royalty in Q1 2019, from RON 139.6 million on December 31, 2018 to RON 245.4 million on March 31, 2019.

Summary of the consolidated interim global result

The synthesis of the Group's profit and loss account for the period January 1 – March 31, 2019, as compared to the similar period of 2018 is shown below:

Description	Q I 2018 (restated) (thousand RON)	Q I 2019 (thousand RON)	Differences (thousand RON)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue	1,482,337	1,713,117	230,780	15.57
Cost of commodities sold	(85,614)	(77,352)	(8,262)	-9.65
Investment income	11,307	10,998	(309)	-2.73
Other gains or losses	(23,367)	(8,116)	(15,251)	-65.27
Impairment losses on trade receivables	(12,576)	(18,257)	5,681	45.17
Changes in inventories	(96,913)	(49,092)	(47,821)	-49.34
Raw materials and consumables used	(16,850)	(20,134)	3,284	19.49
Depreciation and impairment	(156,312)	(263,247)	106,935	68.41
Employee benefit expenses	(123,541)	(135,582)	12,041	9.75
Finance costs	(7,357)	(5,552)	(1,805)	-24.53
Exploration expenses	(56,886)	(10,814)	(46,072)	-80.99
Share of profit of associates	775	1,371	596	76.90
Other expenses	(357,084)	(501,715)	144,631	40.50
Other income	3,239	6,143	2,904	89.66
Profit before tax	561,158	641,768	80,610	14.36
Income tax expenses	(95,080)	(99,923)	4,843	5.09
Net profit	466,078	541,845	75,767	16.26

Revenue

In the quarter ended March 31, 2019, the revenue recorded an increase by 15.57% as compared to the similar period of the previous year.

The increase in revenue derives from the increase of the income from natural gas sales by 13.3% both from Romgaz production and the ones purchased in order to be resold and from partnerships, despite the decrease in the income from electricity sales (16.86%) together with the decrease in the income from underground gas storage activity by 28.28% due to the decrease of the underground storage tariffs approved by ANRE applicable starting with April 1, 2018.

Cost of Commodities Sold

The cost of sold commodities decreased by 9.65% as compared to the first quarter of 2018 as a result of the decrease in gas quantities purchased from import in order to be resold.

Other gains or losses

The decrease in net losses by 65.27% in Q1 2019, as compared to the similar period of previous year is due to a smaller loss from the write off of fixed assets.

Impairment losses on trade receivables

In Q1 2019 the Group recorded a net loss from trade receivables impairment of RON 18.3 million pursuant to envisaged losses from receivables from one of its clients.

Changes in inventories

The negative changes in inventories are generated by the fact that in Q1 2019 gas from storages was withdrawn in smaller quantities, by 71%, than those extracted in Q1 2018.

Depreciation and impairment

Depreciation and impairment expenses increased by 68.41% as compared to Q1 2018, as a result of net impairment of fixed assets of RON 117.7 million, as compared to the net gains of RON 9.2 million from impairment in the first quarter of 2018.

Exploration expenses

In Q1 2019 operating expenses in amount of RON 10.8 million were recorded, lower by 80.99%, due to a reduced amount of seismic survey expenses. The Group undergoes analysis of the results of seismic studies performed in the previous year.

Other expenses

Other expenses registered an increase by 40.50% compared to quarter 1 2018. This increase is due to the increase in petroleum royalty by RON 20.8 million and the increase of windfall tax by RON 78.3 million.

The table below shows the breakdown of consolidated interim global result by activity segments for January-March 2019 as compared to January – March 2018:

Structure of indicators by activity segments – March 2019:

** thousand RON **

Description	TOTAL March 2019, out of which:	Gas production and delivery	Underground gas storage	Electric power	Other activities	Settlements between segments
1	2	3	4	5	6	7
Revenue	1,713,117	1,603,085	88,780	65,654	93,098	(137,500)
Cost of commodities sold	(77,352)	(76,009)	-	(1,121)	(222)	-
Investment income	10,998	43	126	6	10,823	-
Other gains or losses	(8,116)	(3,554)	(491)	(632)	(3,439)	-
Impairment losses on trade receivables	(18,257)	(18,257)	-	-	-	-
Changes in inventories	(49,092)	(49,499)	-	23	384	-
Raw materials and consumables	(20,134)	(14,602)	(4,975)	(341)	(2,946)	2,730
Depreciation and impairment	(263,247)	(230,248)	(26,026)	(4,588)	(2,385)	-
Employee benefit expenses	(135,582)	(85,832)	(13,008)	(7,081)	(29,661)	-
Finance costs	(5,552)	(4,754)	(710)	-	(88)	-
Exploration expense	(10,814)	(10,814)	-	-	-	-
Share of profit of associates	1,371	-	-	-	1,371	-
Other expenses	(501,715)	(534,964)	(37,068)	(47,223)	(17,443)	134,983
Other income	6,143	5,637	1	49	669	(213)
Profit before tax	641,768	580,232	6,629	4,746	50,161	-
Income tax expenses	(99,923)	-	(529)	-	(99,394)	-
Profit for the period	541,845	580,232	6,100	4,746	(49,233)	-

Structure of indicators by activity segments – March 2018

thousand RON

Description	TOTAL March 2018, out of which:	Gas production and delivery	Underground gas storage	Electric power	Other activities	Settlements between segments
I	2	3	4	5	6	7
Revenue	1,482,337	1,337,482	115,340	73,187	59,798	(103,470)
Cost of commodities sold	(85,614)	(83,984)	-	(3,865)	(126)	2,361
Investment income	11,307	30	184	1	11,092	-
Other gains or losses	(23,367)	(21,299)	(1,197)	(573)	(298)	-
Impairment losses on trade receivables	(12,576)	(12,576)	-	-	-	-
Changes in inventories	(96,913)	(75,959)	(21,606)	33	619	-
Raw materials and consumables used	(16,850)	(12,064)	(4,834)	(335)	(3,214)	3,597
Depreciation and impairment	(156,312)	(125,210)	(24,759)	(2,008)	(4,335)	-
Employee benefit expenses	(123,541)	(77,606)	(12,213)	(7,498)	(26,224)	-
Finance costs	(7,357)	(6,412)	(945)	-	-	-
Exploration expense	(56,886)	(56,886)	-	-	-	-
Share of profit of associates	775	-	775	-	-	-
Other expenses	(357,084)	(379,038)	(21,174)	(57,191)	284	100,035
Other income	3,239	3,114	2,401	5	242	(2,523)
Profit before tax	561,158	489,592	31,972	1,756	37,838	-
Income tax expenses	(95,080)	-	-	-	(95,080)	-
Profit for the period	466,078	489,592	31,972	1,756	(57,242)	-

Statement of Cash Flow

Cash flows recorded during January – March 2019 as compared to the similar period of 2018 are shown below:

INDICATOR	Q1 2018 (thousand RON) restated	Q1 2019 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Cash flow from operating activities			
Net Profit for the period	466,078	541,845	16.26
<i>Adjustments for:</i>			
Income tax expense	95,080	99,923	5.09
Share of associates' result	(775)	(1,371)	76.90
Interest expense	-	90	n/a
Unwinding of decommissioning provision	7,357	5,462	-25.76
Interest revenue	(11,307)	(10,998)	-2.73
Loss on disposal of non-current assets	19,551	4,464	-77.17
Change in decommissioning provision recognized in result for the period, other than unwinding	(668)	(1,427)	113.62
Change in other provisions	(1,863)	(20,601)	1005.8
Expenses for impairment of exploration assets	(13,801)	55,392	-501.36
Exploration projects written off	16,856	9,556	-43.31
Impairment of property, plant and equipment	4,574	62,336	1262.83
Depreciation and amortization	165,539	145,519	-12.09
Amortisation of contract costs	358	254	-29.05
Change in investments at fair value through profit and loss	(55)	4,445	-8181.82
Net receivable write-offs and movement in allowances for trade receivables and other assets	12,744	18,302	43.61
Other gains and losses	-	(52)	n/a
Write-down allowance of inventory	3,074	(831)	-127.03
Revenue from subsidies	(47)	(11)	-76.60
Cash generated from operations, before movements in working capital	762,695	912,297	19.61
Movements in working capital			
(Increase)/Decrease in inventory	152,623	81,726	-46.45
Increase/(Decrease) in trade and other receivables	48,352	(268,100)	-654.48
Increase/(Decrease) in trade and other liabilities	(55,179)	41,397	-175.02
Cash generated from operations	908,491	767,320	-15.54
Income taxes paid	(128,664)	(68,007)	-47.14
Net cash generated from operations	779,827	699,313	-10.32
Cash flows from investing activities			
(Increase)/Decrease in other financial assets	160,349	(174,429)	-208.78
Interest received	5,183	10,329	99.29
Proceeds from sale of non-current assets	5,056	121	-97.61
Acquisition of non-current assets	(322,235)	(149,631)	-53.56
Acquisition of exploration assets	(49,516)	(31,936)	-35.50
Net cash used in financing activities	(201,163)	(345,546)	71.77
Cash flows from financing activities			
Dividends paid	(113)	(362)	220.35
Repayment of lease liabilities	-	(110)	n/a
Net cash used in investing activities	(113)	(472)	317.70
Net Increase/(Decrease) in cash and cash equivalents	578,551	353,295	-38.93
Cash and cash equivalents at the beginning of the year	227,167	566,836	149.52
Cash and cash equivalents as of March 31	805,718	920,131	14.20

Indicators

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


Indicators	Calculation formula	M.U.	Q1 2018	Q1 2019
1	2	3	4	5
Working Capital (WC)	$C_{lt}-A_f = E+L_{nc} + Pr+S_i-A_f$	million RON	3,676	2,542
Working Capital Requirements (WCR)	$(A_c-L+Pp) - (L_{crt}-C_{rst}+I_{df})$	million RON	2,871	1,622
Net Cash Flow	$WC-WCR = L-C_{rst}$	million RON	806	920
Economic Rate of Return	$P/C_{lt} \times 100$	%	5.49	7.22
Return on Equity	$P_n/C_{lt} \times 100$	%	4.95	6.60
Return on Sales	$P_r/R \times 100$	%	37.86	37.34
Return on Assets	$P_n/A \times 100$	%	4.17	5.55
EBIT	$P_g+Ex_i-I_r$	million RON	550	631
EBITDA	$EBIT+Am$	million RON	706	894
ROCE	$EBIT/C_{emp} \times 100$	%	5.38	7.10
Asset Solvency	$E/L \times 100$	%	84.37	84.14
Current Liquidity	A_{crt}/L_{crt}	-	4.90	3.91
Gearing Ratio	$Lc/E \times 100$	%	0.00	0.00
Accounts Receivables Turnover	$Aar/R \times 90$	-	38.17	48.39
Property, Plant and Equipment Turnover	R/PPE	-	0.23	0.27

where:

C_{lt}	long-term capital;	I_{df}	deferred income
A_f	non-current assets;	P_g	gross profit;
E	equity;	P_n	net profit;
L_{nc}	non-current liabilities;	R	revenue;
Pr	provisions;	A	total assets;
S_i	investment subsidies;	Ex_i	interest expense;
A_c	current assets;	I_r	interest income
L	liquidity position;	Am	depreciation, amortization and impairment;
Pp	Prepayments;	C_{emp}	capital employed (total assets-current liabilities);
L_{crt}	current liabilities;	A_{crt}	current assets+prepayments
C_{rst}	short-term credit;	L	total liabilities
Lc	Loan capital;	Aar	Average Accounts Receivables

We attach hereby the Consolidated Condensed Interim Financial Statements for the period ending on March 31, 2019 prepared in compliance with the International Accounting Standard 34 and not audited by the financial auditor.

SIGNATURES

<i>Chairman of the Board of Directors,</i>	
<i>Ungur Ramona</i>	
	
<i>Chief Executive Officer,</i>	<i>Chief Financial Officer,</i>
<i>Volintiru Adrian Constantin</i>	<i>Bobar Andrei</i>
 	

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

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

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

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


CONDENSED STATEMENT OF CONSOLIDATED INTERIM COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

	Note	Three months ended March 31, 2019 '000 RON	Three months ended March 31, 2018 '000 RON (restated) *)
Revenue	3	1,713,117	1,482,337
Cost of commodities sold	4	(77,352)	(85,614)
Investment income		10,998	11,307
Other gains and losses	5	(8,116)	(23,367)
Impairment losses on trade receivables	10	(18,257)	(12,576)
Changes in inventory of finished goods and work in progress		(49,092)	(96,913)
Raw materials and consumables used	4	(20,134)	(16,850)
Depreciation, amortization and impairment expenses	6	(263,247)	(156,312)
Employee benefit expense	8	(135,582)	(123,541)
Finance cost		(5,552)	(7,357)
Exploration expense		(10,814)	(56,886)
Share of profit of associates		1,371	775
Other expenses	9	(501,715)	(357,084)
Other income	3	6,143	3,239
Profit before tax		641,768	561,158
Income tax expense	7	(99,923)	(95,080)
Profit for the period		541,845	466,078
Total comprehensive income for the period		541,845	466,078
Basic and diluted earnings per share		0.0014	0.0012

*) see note 32 from the consolidated financial statements for the year ended December 31, 2018.

These financial statements were approved by the Board of Directors on May 14, 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 MARCH 31, 2019

	<u>Note</u>	<u>March 31, 2019</u> <u>'000 RON</u>	<u>December 31, 2018</u> <u>'000 RON</u>
ASSETS			
Non-current assets			
Property, plant and equipment		6,152,639	6,279,748
Other intangible assets		5,972	4,970
Investments in associates		24,669	23,298
Deferred tax asset		146,579	127,491
Other financial assets		5,367	9,812
Right of use assets	2	8,867	-
Total non-current assets		6,344,093	6,445,319
Current assets			
Inventories		196,618	245,992
Trade and other receivables	10	1,016,280	826,046
Contract costs		347	583
Other financial assets		1,052,691	881,245
Other assets	10	228,424	168,878
Cash and cash equivalents		920,131	566,836
Total current assets		3,414,491	2,689,580
Total assets		9,758,584	9,134,899
EQUITY AND LIABILITIES			
Equity			
Share capital		385,422	385,422
Reserves		1,824,999	1,824,999
Retained earnings		6,000,041	5,458,196
Total equity		8,210,462	7,668,617
Non-current liabilities			
Retirement benefit obligation		137,055	139,254
Deferred revenue		21,145	21,128
Lease liability	2	8,296	-
Provisions		508,779	510,114
Total non-current liabilities		675,275	670,496

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CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION AS OF MARCH 31, 2019

	<u>Note</u>	<u>March 31, 2019</u> <u>'000 RON</u>	<u>December 31, 2018</u> <u>'000 RON</u>
Current liabilities			
Trade payables		150,406	186,702
Contract liabilities		21,222	46,381
Current tax liabilities		119,005	68,001
Deferred revenue		4,778	8,442
Provisions		81,692	93,645
Lease liability	2	655	-
Other liabilities		495,089	392,615
Total current liabilities		872,847	795,786
Total liabilities		1,548,122	1,466,282
Total equity and liabilities		9,758,584	9,134,899

These financial statements were approved by the Board of Directors on May 14, 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 CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED MARCH 31, 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	<u>385,422</u>	<u>77,487</u>	<u>1,747,512</u>	<u>5,458,196</u>	<u>7,668,617</u>
Total comprehensive income for the year	-	-	-	541,845	541,845
Balance as of March 31, 2019	<u>385,422</u>	<u>77,487</u>	<u>1,747,512</u>	<u>6,000,041</u>	<u>8,210,462</u>
Balance as of January 1, 2018 (restated) *)	<u>385,422</u>	<u>77,084</u>	<u>2,235,448</u>	<u>6,277,486</u>	<u>8,975,440</u>
Total comprehensive income for the period (restated) *)	-	-	-	466,078	466,078
Effect of change in accounting policies	-	-	-	(18,478)	(18,478)
Balance as of March 31, 2018 (restated) *)	<u>385,422</u>	<u>77,084</u>	<u>2,235,448</u>	<u>6,725,086</u>	<u>9,423,040</u>

*) see note 32 from the consolidated financial statements for the year ended December 31, 2018.

These financial statements were approved by the Board of Directors on May 14, 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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S.N.G.N. ROMGAZ S.A. GROUP
CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

	Three months ended March 31, 2019	Three months ended March 31, 2018
	'000 RON	'000 RON (restated) *
Cash flows from operating activities		
Net profit	541,845	466,078
Adjustments for:		
Income tax expense (note 7)	99,923	95,080
Share of associates' result	(1,371)	(775)
Interest expense	90	-
Unwinding of decommissioning provision	5,462	7,357
Interest revenue	(10,998)	(11,307)
Net loss on disposal of non-current assets (note 5)	4,464	19,551
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 9)	(1,427)	(668)
Change in other provisions (note 9)	(20,601)	(1,863)
Net impairment of exploration assets (note 6)	55,392	(13,801)
Exploration projects written off	9,556	16,856
Net impairment of property, plant and equipment and intangibles (note 6)	62,336	4,574
Depreciation and amortization (note 6)	145,519	165,539
Amortization of contract costs	254	358
Change in investments at fair value through profit and loss (note 5)	4,445	(55)
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 10)	18,302	12,744
Other gains and losses	(52)	-
Net movement in write-down allowances for inventory (note 5)	(831)	3,074
Subsidies income	(11)	(47)
	912,297	762,695
Movements in working capital:		
(Increase)/Decrease in inventory	81,726	152,623
(Increase)/Decrease in trade and other receivables	(268,100)	48,352
Increase/(Decrease) in trade and other liabilities	41,397	(55,179)
Cash generated from operations	767,320	908,491
Income taxes paid	(68,007)	(128,664)
Net cash generated by operating activities	699,313	779,827

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

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

CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

	Three months ended March 31, 2019	Three months ended March 31, 2018
	'000 RON	'000 RON (restated) *)
Cash flows from investing activities		
Net collections/(payments) related to other financial assets	(174,429)	160,349
Interest received	10,329	5,183
Proceeds from sale of non-current assets	121	5,056
Acquisition of non-current assets	(149,631)	(322,235)
Acquisition of exploration assets	(31,936)	(49,516)
Net cash used in investing activities	(345,546)	(201,163)
Cash flows from financing activities		
Dividends paid	(362)	(113)
Repayment of lease liability	(110)	-
Net cash used in financing activities	(472)	(113)
Net increase/(decrease) in cash and cash equivalents	353,295	578,551
Cash and cash equivalents at the beginning of the period	566,836	227,167
Cash and cash equivalents at the end of the period	920,131	805,718

*) see note 32 from the consolidated financial statements for the year ended December 31, 2018.

These financial statements were approved by the Board of Directors on May 14, 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 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.

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.

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.

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This is a free translation of the original Romanian version.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

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.

IFRS 16 does not apply 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 5,354 thousand.

The Group applies the practical expedient allowed by IFRS 16 for underlying assets of low value 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.

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.

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);

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

- 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

3. REVENUE AND OTHER INCOME

	Three months ended March 31, 2019	Three months ended March 31, 2018
	'000 RON	'000 RON
Revenue from gas sold - domestic production	1,359,651	1,180,533
Revenue from gas sold – other arrangements	36,223	37,984
Revenue from gas acquired for resale – import gas	77,867	79,149
Revenue from gas acquired for resale – domestic gas	2,028	4,865
Revenue from storage services-capacity reservation	65,311	85,521
Revenue from storage services-extraction	15,732	22,126
Revenue from storage services-injection	402	5,950
Revenue from electricity	47,068	56,610
Revenue from services	97,646	4,296
Revenue from sale of goods	9,374	3,491
Other revenues from contracts	60	38
Total revenue from contracts with customers	1,711,362	1,480,563
Other revenues	1,755	1,774
Total revenue	1,713,117	1,482,337
Other operating income	6,143	3,239
Total revenue and other income	1,719,260	1,485,576

4. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Three months ended March 31, 2019	Three months ended March 31, 2018
	'000 RON	'000 RON
Consumables used	19,044	15,785
Cost of gas acquired for resale, sold – import	74,410	79,137
Cost of gas acquired for resale, sold – domestic	1,577	2,387
Cost of electricity imbalance	1,121	3,864
Cost of other goods sold	245	227
Other consumables	1,089	1,064
Total	97,486	102,464

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

5. OTHER GAINS AND LOSSES

	Three months ended March 31, 2019	Three months ended March 31, 2018
	'000 RON	'000 RON
Forex gain	1,747	1,335
Forex loss	(1,792)	(1,964)
Net loss on disposal of non-current assets	(4,464)	(19,551)
Net allowance for other receivables	(45)	(154)
Net losses on receivables	-	(14)
Net write down allowances for inventory	831	(3,074)
Net gain/loss on financial assets at fair value through profit or loss	(4,445)	55
Other gains and losses	52	-
Total	(8,116)	(23,367)

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Three months ended March 31, 2019	Three months ended March 31, 2018
	'000 RON	'000 RON
Depreciation	145,519	165,539
out of which:		
- depreciation of property, plant and equipment	144,548	164,392
- depreciation of right of use assets	156	
- amortization of intangible assets	815	1,147
Net impairment of non-current assets	117,728	(9,227)
Total depreciation, amortization and impairment	263,247	156,312

7. INCOME TAX

	Three months ended March 31, 2019	Three months ended March 31, 2018
	'000 RON	'000 RON
Current tax expense	119,011	97,667
Deferred income tax (income)/expense	(19,088)	(2,587)
Income tax expense	99,923	95,080

8. EMPLOYEE BENEFIT EXPENSE

	Three months ended March 31, 2019	Three months ended March 31, 2018
	'000 RON	'000 RON
Wages and salaries	147,430	131,962
Social security charges	4,417	3,849
Meal tickets	4,988	5,009
Other benefits according to collective labor contract	2,989	2,658
Private pension payments	2,930	2,911
Private health insurance	-	1,668
Total employee benefit costs	162,754	148,057
Less, capitalized employee benefit costs	(27,172)	(24,516)

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

Total employee benefit expense	135,582	123,541
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9. OTHER EXPENSES

	Three months ended March 31, 2019 '000 RON	Three months ended March 31, 2018 '000 RON
Energy and water expenses	5,244	4,975
Expenses for capacity booking and gas transmission services	5,509	6,660
Expenses with other taxes and duties *)	352,116	246,703
(Net gain)/Net loss from provisions movement	(22,028)	(2,531)
Other operating expenses	160,874	101,277
Total	501,715	357,084

*) In the three month period ended March 31, 2019, the major taxes and duties included in the amount of RON 352,116 thousand (three month period ended March 31, 2018: RON 246,703 thousand) are:

- RON 230,494 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 (three month period ended March 31, 2018: RON 147,379 thousand);
- RON 117,602 thousand represent royalty on gas production and storage activity (three month period ended March 31, 2018: RON 97,912 thousand).

10. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	March 31, 2019 '000 RON	December 31, 2018 '000 RON
Trade receivables	1,916,375	1,651,557
Allowances for expected credit losses (note 10 c)	(1,236,445)	(1,218,188)
Accrued receivables	336,350	392,677
Total	1,016,280	826,046

b) Other assets

	March 31, 2019 '000 RON	December 31, 2018 '000 RON
Advances paid to suppliers	86	9,585
Joint operation receivables	4,782	6,703
Other receivables	67,103	65,529
Allowance for expected credit losses other receivables (note 10 c)	(50,983)	(50,983)
Other debtors	47,390	47,188
Allowance for expected credit losses for other debtors (note 10 c)	(43,136)	(43,091)
Prepayments	72,077	5,069
VAT not yet due	1,749	5,726
Other taxes receivable	129,356	123,152
Total	228,424	168,878

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 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)	56	227
Charge in the allowance for trade receivables	20,657	12,577
Release in the allowance for receivables (note 5)	(11)	(73)
Release in the allowance for trade receivables	(2,400)	(1)
At March 31	1,330,564	1,305,168

11. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Sales of goods and services

	Three months ended March 31, 2019	Three months ended March 31, 2018
	'000 RON	'000 RON
Romgaz's associates	1,242	1,768
Total	1,242	1,768

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

(ii) Trade receivables

	March 31, 2019	December 31, 2018
	'000 RON	'000 RON
Romgaz's associates	643	642
Total	643	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;
- storage activities, performed by Ploiesti branch until March 31, 2018; after April 1, 2018 the storage activity is 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 March 31, 2019, Bratislava branch's exploration assets were entirely depreciated, as a result of difficulties encountered during the exploration activity.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

b) Segment assets and liabilities

March 31, 2019	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments '000 RON	Total '000 RON
Total assets	4,952,760	1,541,442	863,168	2,436,904	(35,690)	9,758,584
Total liabilities	926,957	126,322	128,146	402,387	(35,690)	1,548,122
December 31, 2018	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments '000 RON	Total '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

Three months ended March 31, 2019	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustment and eliminations '000 RON	Total '000 RON
Revenue	1,603,085	88,780	65,654	93,098	(137,500)	1,713,117
Less: revenue between segments	(20,127)	(6,989)	(18,677)	(91,707)	137,500	-
Third party revenue	1,582,958	81,791	46,977	1,391	-	1,713,117
Segment profit before tax profit/(loss)	580,232	6,629	4,746	50,161	-	641,768
Three months ended March 31, 2018	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustment and eliminations '000 RON	Total '000 RON
Revenue	1,337,482	115,340	73,187	59,798	(103,470)	1,482,337
Less: revenue between segments	(26,275)	(1,731)	(16,682)	(58,782)	103,470	-
Third party revenue	1,311,207	113,609	56,505	1,016	-	1,482,337
Segment profit before tax profit/(loss)	489,592	31,972	1,756	37,838	-	561,158

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 March 31, 2019 are still available for use USD 90,457 thousand.

As of March 31, 2019, the Group's contractual commitments for the acquisition of non-current assets are of RON 716,110 thousand (December 31, 2018: RON 832,732 thousand), of which, the contract for CET lernut development represents RON 392,307 thousand.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2019

14. EVENTS AFTER THE BALANCE SHEET DATE

In April 2019, the Company's shareholders approved the allocation to dividends of RON 1,607,211 thousand.

15. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on May 14, 2019.

Adrian Constantin Volintiru
Chief Executive Officer



Andrei Bobar
Chief Financial Officer

A handwritten signature in blue ink is written over a horizontal line above the name Andrei Bobar, Chief Financial Officer.