Societatea **N**ationala de **G**aze **N**aturale "**ROMGAZ**" SA

Consolidated Board of Directors' Report

2020

Contents

I. 2020 ROMGAZ GROUP OVERVIEW

1.1. Romgaz Group in Figures

Romgaz Group[1] recorded in 2020 a ***revenue*** of RON 4,074.9 million, by 19.79% lower as compared to the previous year.

The Net Profit of RON 1,247.9 million was higher by RON 158.28 million than the net profit for 2019 (+14.53%).

Following factors influenced Romgaz Group performances for the year ended December 31, 2020:

- ✓ Decrease by RON 146.0 million (42.59%) of petroleum royalty expenses (RON 195.9 million in 2020 as compared to RON 342.9 million in 2019) pursuant to the decrease of the reference price taken into account;
- ✓ Decrease by RON 302.0 million (42.12%) of the windfall tax further to the deregulation of prices in the gas sector, the gas sale price decreased on average by 16% and quantities supplied were lower by 10.1%;
- ✓ Due to existing market conditions the Group identified impairment indicators for assets used in the gas production segment. The Group ran an impairment test, which did not result in any additional impairment. In 2020 the Group only recorded impairment for specific assets, for abandoned wells as dry holes. Due to this fact, the depreciation, amortisation and impairment expenses decreased by RON 779.7 million (-53.71%) as compared to previous year;
- ✓ In 2020 the Group did not encounter any major collection issues regarding current trade receivables, so that it recorded a net impairment gain on trade receivables of RON 17.6 million compared to a net loss of RON 81.2 million last year;
- ✓ In 2020 the Company was subject to an economic-financial inspection on the allocation of dividends according to art. 43 of Government Emergency Ordinance no. 114/2018. The inspectors concluded that the Company did not calculate the allocated dividends correctly, but rather it should have paid additional dividends of RON 34,852 thousand, of which RON 24,284 thousand payable to the main shareholder and penalties of RON 938 thousand. As the Company did not agree with the conclusions in the report, currently legal proceedings are pending. The deemed dividends attributable to the main shareholder and related penalties were offset by the National Agency for Fiscal Administration ("ANAF") against receivables of the Company from ANAF, although the Company requested the receivables to be offset against other tax liabilities when due. Following the offset, the consolidated result includes an expense of RON 24,284 thousand, as there is no shareholders' decision to allocate additional dividends. As for the penalties of RON 938 thousand, these were written-off according to Government Emergency Ordinance No. 69/2020;

Consolidated net profit per share was Ron 3.3.

Consolidated net profit ***margin*** (30.62%) and Consolidated EBIT margin (33.83%) have risen strongly from 2019 levels (21.45%, respectively, 24.35%) and show a high profitability of the Group despite a drop in revenue. Consolidated EBIDTA margin (50.33%) decreased from last year, but it maintains a high rate.

Investments made by Romgaz Group in 2020 amount to RON 637.3 million, lower by RON 254.3 million, namely 28.5%, as compared to 2019, and the value of fixed assets brought in production reached RON 361.0 million.

In 2020, *Romania's natural gas consumption* recorded an increase of approximately 5%, from 121.05 TWh to 127.24 TWh according to ANRE and the company's consumption estimations[2].

[1] **Romgaz Group** consists of SNGN Romgaz SA ("Company"/"Romgaz") as parent company, Filiala de Inmagazinare Gaze Naturale Depogaz Ploiesti SRL ("Depogaz"), 100% owned by Romgaz, and associates SC Depomures SA (40% of the share capital) and SC Agri LNG Project Company SRL (25% of the share capital).
[2] Until the date of this Report ANRE did not publish the gas market monitoring reports for December 2020, the data used for national consumption and market shares are estimations.

2020 gas production was 4,520 million m^3, by 14.3% lower than the production recorded in 2019. This relatively high decline was recorded against a significant decrease of gas production in Q2 and Q3 due to overlapping of commercial, economic, sanitary and regulatory factors that led on short term to a lower gas demand.

This production, according to estimations, ensured Romgaz a 48% ***market share*** in terms of deliveries from internal production and approximately 39% market share of deliveries for the total consumption of Romania.

Romgaz ***electricity production*** reached in 2020 937.5 GW, by 58.86% higher as compared to 2019. This was achieved as a result of shorter intervals when CTE Iernut old units were unavailable. These unavailability periods occur because of works performed at the new power plant and to adapt the burning system of unit 5 as to reduce NOx emissions for compliance with emission limits. According to preliminary data published by Transelectrica, Romgaz ***market share*** is 1.69%.

Operational Results

The table below shows a summary of the main production indicators, royalty and storage services:

Q4 2019	Q3 2020	Q4 2020	Δ Q4 (%)	Main indicators	2019	2020	Δ '20/'19 (%)
1,327	952.0	**1,322**	-0.38	Gas production (million m^3)	5,277	**4,520**	-14.35
4,388	5,349	**6,119**	14.40	Condensate production (tons)	17,340	**22,713**	30.99
96	64	**94**	-2.11	Petroleum royalty (million m^3)	339	**316**	-6.84
298.0	322.6	**319.6**	7.25	Electricity production (GWh)	590.1	**937.5**	58.86
347.1	0.3	**892.5**	157.13	Invoiced UGS withdrawal services (million m^3)	1,271.8	**1,816.8**	42.85
346.1	444.5	**99.6**	-71.22	Invoiced UGS injection services (million m^3)	2,620.5	**1,115.1**	-57.45

Natural gas quantities produced, delivered, injected into and withdrawn from gas storages are shown in the table below (million m^3):

Item no.	Specifications	2018	2019	2020	Ratios
0	1	2	3	4	5=4/3x100
1.	**Gross gas production – total**, including:	**5,333.3**	**5,276.9**	**4,519.7**	**85.7%**
1.1.	*own gas	5,177.1	5,276.9	4,519.7	85.7%
1.2.	*Schlumberger (100%)	156.3	0.0	0.0	-
2.	Technological consumption	86.4	78.9	63.7	80.8%
3.	**Net internal gas production (*1.-1.2.-2.*)**	**5,090.6**	**5,198.0**	**4,456.0**	**85.7%**
4.	Internal gas volumes injected into UGS	348.1	526.0	225.9	44.9%
5.	Internal gas volumes withdrawn from UGS	479.4	257.7	367.8	142.7%
5.1.	*gas cushion	6.9	0.0	0.0	-
6.	Difference from conversion to Gross Calorific Value	1.4	0.0	6.3	-
7.	**Volumes supplied from internal production (*3.-4.+5.-6.*)**	**5,220.5**	**4,929.7**	**4,591.6**	**93.1%**
8.1.	Gas sold in UGS	8.1	0.0	0.0	-
8.2.	Gas supplied to CTE Iernut and Cojocna from Romgaz's gas	326.7	173.0	277.2	160.2%
9.	**Gas supplied from internal production to the market (*7.+8.1.-8.2.*)**	**4,901.9**	**4,756.7**	**4,314.4**	**90.7%**
10.	**Gas from partnerships– total**, including:	**163.6**	**140.5**	**91.4**	**65.1%**
	*Schlumberger (50%)	78.2	0.0	0.0	-
	*Raffles Energy (37.5%)	0.0	0.0	0.0	-

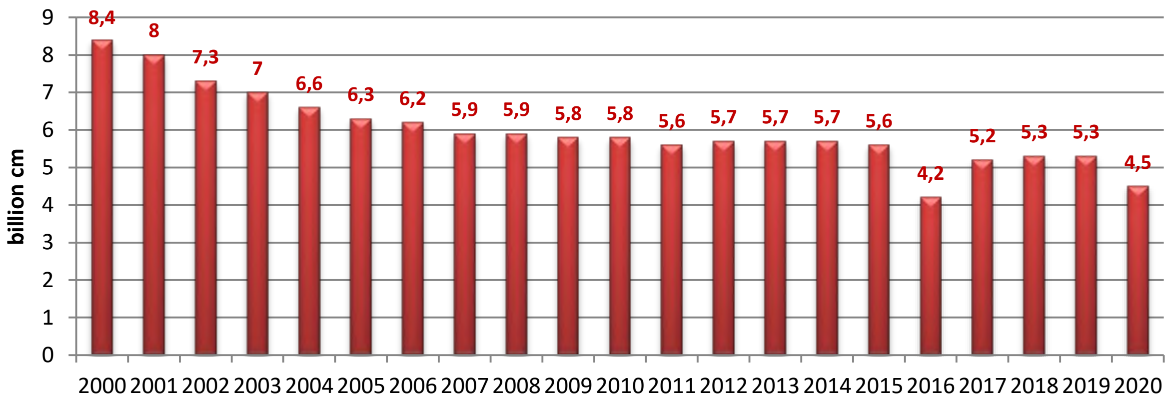
	*Amromco (50%)	85.4	140.5	91.4	65.1%
11.	Purchased internal gas volumes (including imbalances)	9.7	4.4	0.4	9.1%
12.	**Sold internal gas volumes** (*9.+10.+11.*)	**5,075.2**	**4,901.6**	**4,406.2**	**89.9%**
13.	**Supplied internal gas volumes** (*8.2+12.*)	**5,401.9**	**5,074.6**	**4,683.4**	**92.3%**
14.	Supplied import gas volumes	181.4	53.0	0.0	-
15.	Gas supplied to CTE Iernut and Cojocna from other sources (including imbalances)	19.4	4.5	4.7	104.4%
16.	**Total gas supplies** (*13.+14.+15.*)	**5,602.7**	**5,132.1**	**4,688.1**	**91.3%**
*	Invoiced UGS withdrawal services	1,949.9	1,271.8	1,816.7	142.8%
*	Invoiced UGS injection services	1,731.2	2,620.5	1,115.1	42.6%

Note: the information is not consolidated; these include the transactions between Romgaz and Depogaz.

*) *Romgaz-Schlumberger joint venture contract ended on November 30, 2018. With respect to the joint venture with Amromco, gas produced is reflected in Romgaz revenue, proportionally with its respective participating interest share in the joint venture.*

The production level was maintained by the ongoing production rehabilitation projects of the main fields, performance of capitalisable repair and well recompletion works in 168 wells, bringing into production new wells.

Evolution of natural gas production between years 2000-2020 is shown below:



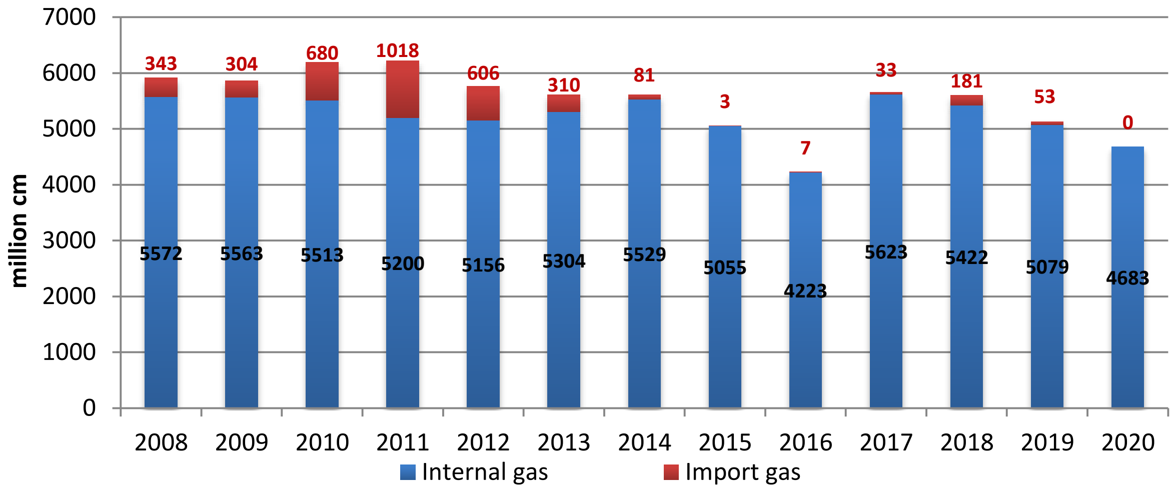
The table below shows the *quarterly electricity production* for 2020, as compared to 2019:

MWh

	2019	**2020**	**Variation (%)**
1	2	3	4=(3-2)/2x100
1st Quarter	170,894	258,923	51.51
2nd Quarter	773	36,310	4,597.17
3rd Quarter	120,443	322,633	167.87
4th Quarter	298,019	319,634	7.25
Year total	**590,129**	**937,500**	**58.86**

Romgaz is one of the largest gas suppliers in Romania. The evolution of gas supplies[3] during 2008-2020 is shown below:

[3] Include gas from internal production, including gas supplied to CTE Iernut and Cojocna, 50% of the gas from Schlumberger joint venture and gas purchased from internal production of other producers



Relevant Consolidated Financial Results

** RON million **

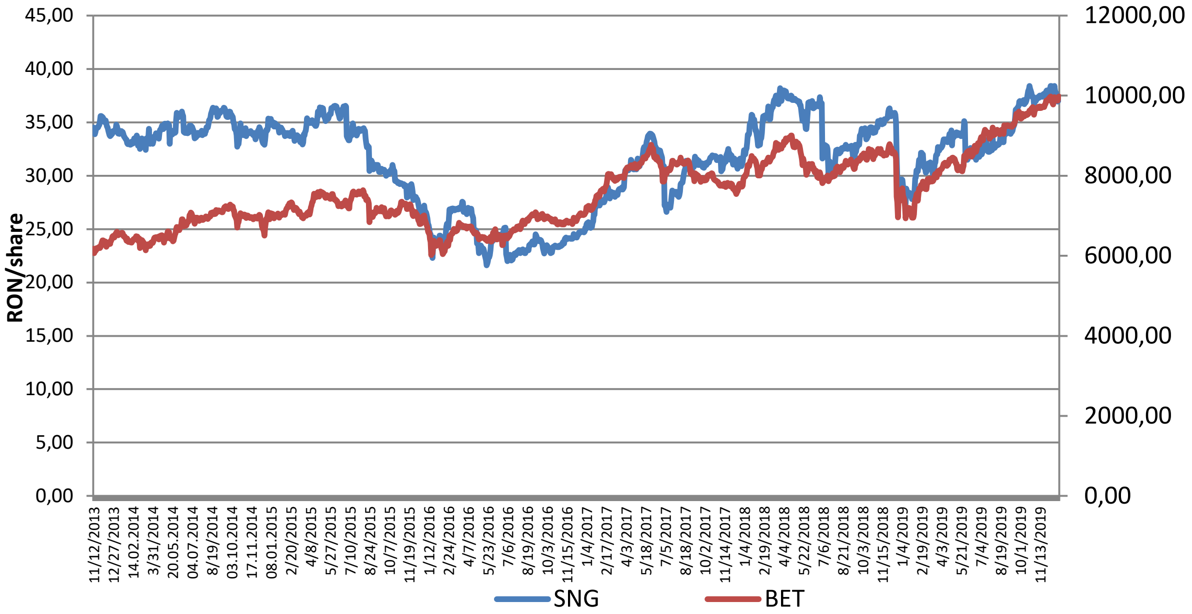
Q4 2019*)	Q3 2020	Q4 2020	Δ Q4 (%)	Main indicators	2019*)	2020	Δ '20/'19 (%)
1,289.6	725.0	**1,156.5**	-10.32	Revenue	5,080.5	**4,074.9**	-19.79
1,308.4	771.3	**1,129.2**	-13.70	Income	5,235.4	**4,133.9**	-21.04
1,429.3	607.7	**810.7**	-43.28	Expenses	3,961.7	**2,708.7**	-31.63
0.1	0.3	**1.1**	1,000.00	Share of profit of associates	1.5	**1.3**	-13.33
(120.8)	163.8	**319.7**	n/a	Gross profit	1,275.2	**1,426.5**	11.86
(25.3)	22.7	**13.7**	-45.85	Income tax expense	185.6	**178.6**	-3.77
(95.5)	141.1	**306.0**	n/a	Net profit	1,089.6	**1,247.9**	14.53
(128.8)	150.8	**307.4**	n/a	EBIT	1,237.1	**1,378.7**	11.45
728.4	315.5	**543.7**	-25.36	EBITDA	2,688.8	**2,050.7**	-23.73
(0.25)	0.37	**0.79**	n/a	Earnings per share EPS (RON)	2.83	**3.24**	14.53
-7.4	19.5	**26.46**	n/a	Net profit ratio (% from Revenue)	21.45	**30.62**	42.79
-9.99	20.8	**26.58**	n/a	EBIT Ratio (% from Revenue)	24.35	**33.83**	38.95
56.48	43.52	**47.02**	-16.75	EBITDA Ratio (% from Revenue)	52.92	**50.33**	-4.91
6,251	6,201	**6,188**	-1.01	Number of employees at the end of the period	6,251	**6,188**	-1.01

*) – *restated – see the comment to the statement of consolidated comprehensive income*
Figures in the above table are rounded; therefore, small differences may result upon reconciliation.
Note 1: Income and Expenses do not include those related to in-house production of non-current assets.

Romgaz on the stock exchange

Since November 12, 2013, the company's shares have been traded on the regulated market governed by BVB (Bucharest Stock Exchange) under the "*SNG*" symbol, and the GDRs on the regulated market governed by LSE (London Stock Exchange) under the "*SNGR*" symbol.

Performance of Romgaz shares compared to the evolution of BET index (Bucharest Exchange Trading) from listing to December 31, 2020 is shown below:



1.2. Significant Events

January 30, 2020

Romgaz announces production from Caragele Deep by well 77 Rosetti with a daily production potential of 1,500 boe.

March-May 2020

"Together for Romania!"- Romgaz engaged in the fight against COVID-19 by:

- supporting Romanian Red Cross with RON 1,250,000 for the coronavirus information and prevention campaign;
- supporting Sibiu County Emergency Clinical Hospital with RON 1,500,000 for extending and equipping the Anaesthesia and Intensive Care Unit for treating COVID-19 patients whenever necessary and RON 900,000 for securing materials needed in the fight against COVID-19;
- supporting Medias Town Hospital with RON 1,500,000 for equipping the Anaesthesia and Intensive Care Unit and with specific medical equipment and RON 500,000 for equipping the ICU with 2 beds and specific equipment within the COVID-19 ward;
- supporting Alba County Emergency Hospital with RON 1,500,000 for limiting and preventing possible COVID-19 illnesses and for efficiently managing COVID-19 suspected/confirmed cases;
- supporting Slatina County Emergency Hospital with RON 1,500,000 for fighting against COVID-19;
- supporting Vaslui County Emergency Clinical Hospital RON 1,500,000 for fighting against COVID-19;
- supporting Mures County Clinical Hospital RON 1,500,000 for fighting against COVID-19.

April 13, 2020

By Resolution No. 5, company's shareholders approve to extend the mandate of interim directors by two months from the expiration date, in compliance with the provisions of Art. 64[1] para (5) of GEO No.109/2011[4].

[4] Emergency Ordinance No. 109 of December 14, 2011 on corporate governance of public enterprises, as subsequently amended and supplemented.

June 10, 2020

Romgaz and SC Liberty Galati SA agreed to conclude a Memorandum of Understanding envisaging a joint venture for the development of greenfield projects, namely to develop a gas fuelled power production unit ("CCGT") and units for the production of electricity from renewable sources using both wind and photovoltaic technologies. Implementation of these investments will take between 3.5 and 4 years.

June 15, 2020

General Meeting of Shareholders approves by Resolution No. 7 *"S.N.G.N. Romgaz S.A. Development/Investment Strategy 2020-2025"*. According to the Strategy, the investment program of RON 15.69 billion is set for the following main investment directions:

- to continue geological research by new drilling works and geological surveys to discover new natural gas reserves;
- to develop the production potential by adding new capacities on the existing structures;
- to improve performances of facilities and equipment and to increase production safety;
- to identify new development and diversification opportunities.

June 25, 2020

By Resolution No.8, the Company's shareholders appointed the following persons as members of the Board:

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

Mr. Ciobanu Romeo Cristian and Mr. Jansen Petrus Antonius Maria were reconfirmed as board members by OGMS Resolution No. 6 of June 26, 2019, they were selected following a selection process in 2018 and appointed board members for a 4-years mandate by OGMS Resolution No. 8 of July 6, 2018. Therefore, their mandate is ongoing. The other board members, as interim board members, are appointed for 4-months.

July 1, 2020

The Board of Directors decided to appoint Mrs Stan Olteanu Manuela Petronela as Chairman of the Board. During the same meeting, the board of directors set the members of its committees.

August 25, 2020

Romgaz concluded a Memorandum of Understanding with GSP Power SRL in order to provide the framework necessary to start the discussions between the two companies for developing some projects based on the following principle: GSP Power builds and operates the electric power plants with capacities between 50 MW and 200 MW, at the indication and locations set by Romgaz; in return Romgaz will rent the production capacity of these power plants from GSP Power SRL in order to generate electric power.

August 26, 2020

The Board of Directors appoints by Resolution No. 32/2020 Mr. Pena Daniel Corneliu as Deputy Chief Executive Officer for 2 months with a temporary mandate, from August 28 to October 26, 2020.

September 18, 2020

The Board of Directors approved by Resolution No.36/2020 to establish Drobeta –Turnu Severin Branch.

October 14, 2020

The Board of Directors approved by Resolution No.41/2020 to extend by 120 days the temporary mandate of Mr. Pena Daniel Corneliu, Deputy Chief Executive Officer, namely until February 24, 2021.

October 23, 2020

Company's shareholders approve by Resolution No.12 to extend the mandate of interim board members by 2 months from their expiration date, in compliance with the provisions of Art. 64^1 para (5) of GEO No. 109/2011.

November 3, 2020

The Board of Directors appointed Mr. Jude Aristotel Marius as Chairman of the Board. During the same meeting, the board set the members of its committees.

November 4, 2020

Romgaz informs shareholders and investors that the Ministry of Economy, Energy and Business Environment transferred RON 115,027,026.77 representing the 2nd instalment of the Financing Contract No. 4/07.12.2017 for the investment "Combined cycle gas turbines" – Iernut in total amount of RON 320.90 million.

December 9, 2020

The Board of Directors appointed by Resolution No.50/2020 Mr. Popescu Razvan as interim Chief Financial Officer for a 4-months term, as of December 14, 2020.

December 21, 2020

Company's shareholders appoint by Resolution No.14 SNGN Romgaz SA interim board members:

- Jude Aristotel Marius
- Marin Marius-Dumitru
- Stan Olteanu Manuela Petronela
- Balazs Botond
- Simescu Nicolae Bogdan

The interim board members were appointed for 4-months as of December 27, 2020 until April 27, 2021.

December 28, 2020

The Board of Directors decided to appoint Mr. Jude Aristotel Marius as Chairman. During the same meeting, the board set the members of its committees. The committees' members can be found on Romgaz website by accessing https://www.romgaz.ro/en/consiliu-administratie .

II. PARENT COMPANY AT A GLANCE

2.1. Identification Data

Name: Societatea Nationala de Gaze Naturale "ROMGAZ" SA

Main scope of activity: natural gas production

Address: Medias, 4 Constantin I. Motas Square, 551130, Sibiu County

Trade Registry registration number: J32/392/2001

Fiscal registration number: RO14056826

LEI Code: 2549009R7KJ38D9RW354

Legal form of establishment: joint-stock company

Subscribed and paid in share capital: RON 385,422,400

Number of shares: 385,422,400 each having a nominal value of RON 1

Regulated market where the company's shares are traded: Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)

Phone: 0040 374 401020

Fax: 0040 269 846901

Web: www.romgaz.ro

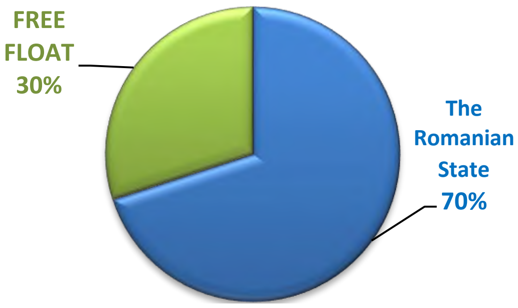
E-mail: secretariat@romgaz.ro

Bank accounts opened at: Banca Comerciala Romana, BRD-Groupe Société Générale, Citibank Europe, Patria Bank, Raiffeisen Bank, Banca Transilvania, ING Bank, Eximbank, CEC Bank.

Shareholder Structure

On December 31, 2020 the shareholder structure was the following:

	Number of shares	%
The Romanian State[5]	269,823,080	70.0071
Free float – total, including:	115,599,320	29.9929
*legal persons	95,612,507	24.8072
*natural persons	19,986,813	5.1857
Total	**385,422,400**	**100.0000**



In financial year 2020 the Company ***neither performed transactions with own shares*** nor held own shares on December 31, 2020.

[5] The Romanian State through the Ministry of Economy, Energy and Business Environment

2.2. Company Organization

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

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

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

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

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

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

The company has seven branches set up based on the specific of the activities performed and on the region (natural gas production branches) as follows:

- Sucursala Medias (Medias Branch) having its office in Medias, 5 Garii Street, postal code 551025, Sibiu County, territorially organized in 8 sections;
- Sucursala Targu Mures (Targu Mures Branch) having its office in Targu Mures, 23 Salcamilor Street, postal code 540202, Mures County, territorially organized in 8 sections;
- Sucursala Ploiesti (Ploiesti Branch) having its office in Ploiesti, 184 G. Cantacuzino Street, postal code 100492, Prahova County, territorially organized in 2 sections and 2 workshops;
- Sucursala de Interventii, Reparatii Capitale si Operatii Speciale la Sonde Medias (SIRCOSS – Branch for Well Workover, Recompletions and Special Well Operations) having its office in Medias, 5 Soseaua Sibiului Street, postal code 551009, Sibiu County, territorially organized in 3 sections and 5 workshops;
- Sucursala de Transport Tehnologic si Mentenanta Targu Mures (STTM – Technological Transport and Maintenance Branch) having its office in Targu Mures, 6 Barajului Street, postal code 540101, Mures County, territorially organized in 3 sections and 3 workshops;
- Sucursala de Productie Energie Electrica Iernut (SPEE – Iernut Power Generation Branch) having its office in Iernut, 1 Energeticii Street, postal code 545100, Mures County;
- Sucursala Bratislava[6] (Bratislava Branch) having its office in Bratislava, City Business Centre V.-Karadžičova 16, code 82108, Slovakia;
- Sucursala Drobeta-Turnu Severin (Drobeta-Turnu Severin Branch), having its office in Drobeta-Turnu Severin, 109 Traian Street, ap.2, code 220139, Caras Severin County.

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

[6] Company shareholders approved by EGMS Resolution No. 3 of March 25, 2020 SNGN Romgaz SA withdrawal from Svidnik concession block located in Slovakia, by this decision the company withdrew from Slovakia

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

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

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

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

2.3. Mission, Vision and Values

Romgaz **Mission** is to produce and supply energy, to provide underground gas storage activities under quality, safety, continuity and flexibility conditions. The company uses all resources in a responsible and ethical manner in order to obtain long-term profit.

Vision

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

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

Values promoted by Romgaz are mainly the following:

2.4. Strategic Objectives

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

- increase of the gas resources and reserves portfolio through the discovery of new resources and the improvement of the recovery rate of already discovered resources;

- identify new growth and diversification opportunities;
- increase the company's performance;
- optimize, develop and diversify the UGS activity by reconsidering its importance in terms of safety, continuity and flexibility of natural gas supply;
- increase efficiency of the underground gas storages to improve gas trading capacities;
- increase daily production through investments that reduce dependency of the daily production capacity on the reservoir pressure;
- maintain the natural production decline at maximum 1.5% /year;
- consolidate the position on the energy supply market;
- optimise and increase efficiency of the company's organisational structure;
- elaborate a predictable dividend distribution policy to help potential investors understand the company's financial structure;
- expand the business regionally by identifying new business opportunities;
- implement corporate governance principles and the Ethics and Integrity Code;
- develop reporting, control and risk management capacities;
- responsible and active involvement in corporate social responsibility actions.

III. REVIEW OF ROMGAZ GROUP BUSINESS

3.1. Business Segments

Romgaz Group undertakes business in the following segments:

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

Exploration - Production

In Romania, Romgaz performs, as titleholder or co-titleholder, subject to petroleum agreements:

- petroleum operations in 9 exploration-development-production blocks with 100% participating interest and in 4 blocks as co-titleholder under certain concession agreements;
- 139 commercial reservoirs and 12 non-commercial reservoirs with experimental production and 11 reservoirs operated together with Amromco;
- exploration and production rights in Slovakia.

Exploration

Since October 1997, the exploration activity has been carried out in 8 blocks located in Transylvania, Muntenia-Oltenia and Moldova, in accordance with the Concession Agreement approved by Government Decision No. 23/2000.

In 2020, six exploration wells out of ten were tested with gas and temporarily abandoned until the necessary infrastructure is build to turn these into experimental or final production. The success rate of 60% lies within the average margin of 35%-65% recorded in the international hydrocarbon production activity.

Well 7 Merii and well 4 Tapu turned 3,000 million m^3 from prospective resources to contingent resources.

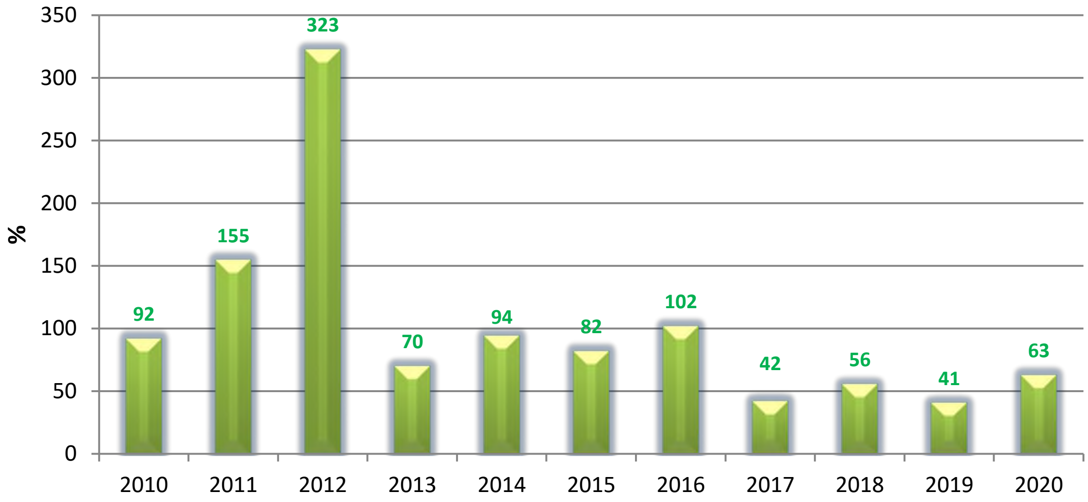
The company finalised works for 11 exploration wells that will enter production testing.

Moreover, the company initiated the procurement for 3D seismic data in RG 08 Oltenia Block and RG 06 Muntenia Nord-Est Block.

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

In 2012, the results materialised in the highest reserves replacement ratio of 323%.

The table below shows the evolution of the reserves replacement ratio between 2010-2020:



Reserves replacement ratio is influenced by the updates to the reserves and resources assessment studies and by finalising investments in the infrastructure necessary for bringing in new production facilities.

Production

The 2020 annual program for petroleum operations considered the gas demand dynamics, reactivation, recompletion and workover operations, bringing into production new wells and exploration wells; the program focused also on maintenance programs of compressor stations and of dehydration stations.

4,520 million m^3 gas production recorded in 2020, by 757 million m^3 lower than the production recorded in the previous year (-14.35%) and by 205 million m^3 higher than planned (+5%).

The production of 4,520 million m^3 recorded in 2020 was influenced by:

1. significant decrease of gas sales in Q2 and Q3 as a result of overlapping commercial, economic, sanitary and regulatory factors that led to a reduced gas demand on short term;
2. investments made for extension/upgrading of surface facilities to bring new wells in production;
3. continuous production rehabilitation of the main mature fields: Filitelnic, Delenii, Laslău, Sădinca, Copsa Mica, Nadeş-Prod-Seleuş, Roman, Corunca Sud, Târgu Mureş, Grebeniş, Piscu Stejari-Hurezani;
4. performing capitalisable repair and well recompletion works for inactive or low production wells.

Underground Gas Storage (UGS)

Currently, there are 6 operational UGSs in depleted gas reservoirs in Romania. Romgaz owns and operates through Depogaz 5 UGSs having a total capacity of 3.965 bcm and a working gas volume of 2.770 bcm.

Nationally, the ratio between the working gas volume and the annual consumption was about 24.6% in 2020. This level is in the first upper half of the international values chart of Europe.
In 2020 the ratio between stored gas volumes and working volume of the UGSs was 102%.

The underground storage activity performed by Depogaz Subsidiary will be regulated by ANRE (National Authority for Energy Regulation) until April 1, 2021 with respect to UGS operators' licensing, the access to the UGSs as well as to setting storage tariffs.
According to Government Emergency Ordinance No. 106/2020 amending Gas and Electricity Law No. 123/2012 storage activities are no longer regulated. Therefore, after the withdrawal cycle 2020-2021, the storage activity is no longer regulated.

Natural Gas Supply

After a thorough restructuring, the Romanian natural gas sector is currently split into independent activities. The Romanian natural gas market includes a NTS operator (Transgaz), producers (Romgaz and Petrom with a 97% market share), UGS operators, companies for the distribution and supply of gas to non-eligible customers, and suppliers on the wholesale market.

The natural gas market in Romania consists of the *competition segment*, which includes gas trading activities between suppliers and between suppliers and eligible consumers, and the *regulated segment*, which includes monopoly-like activities performed in accordance with framework contracts (transmission, underground storage, distribution and supply at a regulated price).
In terms of supply, Romgaz held, during 2013-2020, a national market share ranging between 37% and 46%:

	M. U.	2013	2014	2015	2016	2017	2018	2019	2020
National consumption	bcm	12.5	12.2	11.6	11.8	12.3	12.3	11.5	12.0
Romgaz traded volumes (domestic + import)	bcm	5.7	5.7	5.1	4.4	5.7	5.6	5.1	4.7
Romgaz market share	%	44.5	46.1	44.0	37.1	46.3	45.5	44.1	39.1

The above quantities include gas from own internal production, domestic gas purchased from third parties, 100% gas from Schlumberger joint venture and import gas. As compared to previous years, 2018÷2020 deliveries include gas delivered to Iernut and Cojocna for electricity production, as well as technological consumption.

Well Workover, Recompletions and Special Operations

SIRCOSS was set up in 2003 in accordance with GSM Resolution No. 5/June 13, 2003. The branch performs two main types of activities:

- well workover, recompletion operations and production tests;
- special well operations.

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

The second main activity consists of *special well operations*, namely services supplied by means of different transportable equipment for downhole or surface operations.

During the past years, most of services were supplied for the wells within the company's portfolio, yet, well workover and special well operations were also performed for other companies that have under concession and operate gas wells in Romania.

As regards well reactivation works, the branch planned 123 works and performed works in 168 wells.

The table below shows recompletion operations and capitalisable repairs performed in 2020:

		Mediaș Branch	Tg. Mureș Branch	TOTAL Romgaz
Program	Number of wells	78	45	123
	Daily flow rate (thousand m^3)	562	258	820
Achieved	Number of wells	94	74	168
	Daily flow rate (thousand m^3)	1,043	427	1,470
Difference	Number of wells	16	29	45
	Daily flow rate (thousand m^3)	481	169	650

Following recompletion operations and capitalisable repair works, production recorded additional 210 million m^3 , representing 4.6% of 2020 total production.

Transportation and Maintenance

STTM was established in October 2003, by taking over the means of transportation from Medias, Targu-Mures and Ploiesti branches.

The branch's scope of activity is transportation of goods and people, specific technological transportation, and maintenance activities for the benefit of the company and of third parties.

Electricity Generation and Supply

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

CTE Iernut is operated by Sucursala de Producţie Energie Electrică (SPEE).

CTE Iernut has an installed capacity of 800 MW comprising six energy groups: four 100 MW groups of Czechoslovakian manufacturing and two 200 MW groups of Soviet manufacturing. The groups were commissioned between 1963 and 1967. Taking into consideration the investment works at the new power plant and the need to ensure proper conditions for works at the related cooling system, in November 2019, the 200 MW group 6 was permanently withdrawn from operation.

Groups 2 and 3 of 100 MW were permanently withdrawn from operation in January 2019, followed by group 1 (100 MW) in November 2019, all groups were withdrawn for non-compliance with environmental conditions. Therefore, at the end of 2020, SPEE Iernut held commercial licence for two groups: one 100 MW group and one 200 MW group.

The evolution of works at the new power plant allowed at the beginning of 2020 operation with both licenced groups (group 4 and group 5).

Contract no. 13384/31.10.2016 *"Development of CTE Iernut by building a thermal power plant with combined cycle gas turbines"* is in progress and has the following characteristics:

→ installed power: 430 MW;

→ capacity: 56.42 % at base load and under normal temperature and pressure conditions;

→ maximum NOx emissions: 50 mg/Ncm and CO: 100mg/Ncm.

Natural Gas Distribution

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

3.2. Brief History

Societatea Nationala de Gaze Naturale "ROMGAZ" SA is Romania's most important natural gas producer and supplier. The company's experience in the field of gas exploration and production exceeds 100 years. Its history began in 1909 when the first natural gas commercial reservoir was discovered, in the Transylvanian Basin, upon drilling of well Sarmasel-2.

The most important historic benchmarks are:

1909
- Natural gas discovery in Sarmasel (Transylvanian Basin)

1913
- First gas production recorded in Romania (113,000 m^3)

1925
- Setting up the National Gas Company "SONAMETAN"

1958
- First UGS in Romania at Ilimbav, Sibiu County

1972
- Use of compressors in the course of production

1976
- Maximum gas production obtained by Romgaz (29,834 million m^3)

1979
- Started to import natural gas from the Russian Federation

1991
- Centrala Gazului Metan was reorganized, by Government decision, to Regia Autonoma "ROMGAZ" RA

1998
- "ROMGAZ" RA becomes Societatea Naţională de Gaze Naturale "ROMGAZ" SA

2000
- SNGN "ROMGAZ" SA was reorganized in five independent companies (SC "Exprogaz" SA Mediaş, SNDSGN "Depogaz" SA Ploieşti, SNTGN "Transgaz" SA Mediaş, SC "Distrigaz Sud" SA Bucureşti şi SC "Distrigaz Nord" SA Tîrgu-Mureş

2001
- **The current SNGN "ROMGAZ" SA Medias was established**

2013
- Company shares are traded on Bucharest Stock Exchange and London stock Exchange (GDR's)

2015
- Unbundling the underground gas storage activity by setting up Filiala de Înmagazinare Gaze Naturale Depogaz SRL Ploieşti

2018
- As of April 1, 2018 Filiala de Înmagazinare Gaze Naturale Depogaz SRL Ploieşti became operational

3.3. Mergers and Reorganizations, Acquisitions and Divestment of Assets

Changes to the organizational structure

The organizational structure underwent a series of changes in 2020:

- BoD Resolution No.32 of August 26, 2020 established a position as Deputy CEO with mandate, namely having duties delegated by the BoD;
- BoD Resolution No. 36 of September 18, 2020 established Sucursala Drobeta-Turnu Severin a new branch within SNGN Romgaz SA.

No mergers of the company took place in financial year 2020.

3.4. Group's Business Performance

3.4.1. Overall Performance

The Group's revenues are generated mainly from gas production and deliveries (own gas production and delivery, gas produced by joint ventures, import gas deliveries and gas deliveries from other domestic producers), from supply of underground gas storage services, from production and supply of electricity and from other specific services.

Financial Results

** RON thousand **

Item no	Description	2019	2020	Ratio (2020/2019)
0	1	2	3	4=3/2x100
1	**Total Income, out of which:**	**5,235,436**	**4,133,888**	**-21.04%**
	*operating income	5,194,679	4,085,969	-21.34%
	*financial income	40,757	47,919	17.57%
2	Revenue	5,080,482	4,074,893	-19.79%
3	**Total Expenses, out of which:**	**3,961,730**	**2,708,710**	**-31.63%**
	*operating expenses	3,929,265	2,692,628	-31.47%
	*financial expenses	32,465	16,082	-50.46%
4	Share of associates' result	1,474	1,330	-9.8%
5	**Gross Profit**	**1,275,180**	**1,426,508**	**11.87%**
6	Income tax	185,557	(178,604)	-3.75%
7	**Net Profit**	**1,089,623**	**1,247,904**	**14.53%**

The total income of 2020 decreased by 21.04% as compared to 2019.

Below are the compared economic-financial indicators for 2019 and 2020 and their detailed structure split by activity:

Compared economic-financial indicators ** RON thousand **

Description	2019 restated*)	2020	Variance (2020/2019)
1	2	3	4=(3/2-1)x100
Revenue	5,080,482	4,074,893	-19.79%
Cost of commodities sold	(107,800)	(18,617)	-82.73%
Investment Income	38,124	47,845	25.50%
Other gains or losses	7,519	(6,534)	-186.90%
Net losses from impairment of trade receivables	(81,221)	17,551	-121.61%
Changes in inventories	80,008	(16,151)	-120.19%
Raw materials and consumables	(76,048)	(58,282)	-23.36%

Depreciation, amortization and impairment	(1,451,766)	(672,063)	-53.71%
Employee benefit expense	(670,408)	(767,251)	14.45%
Finance cost	(24,740)	(17,000)	-31.29%
Exploration Expenses	(1,636)	(26,509)	1520.35%
Share of associates' result	1,474	1,330	-9.77%
Other Expenses	(1,551,642)	(1,158,143)	-25.36%
Other Income	32,834	25,439	-22.52%
Profit before tax	**1,275,180**	**1,426,508**	**11.87%**
Income tax expense	(185,557)	(178,604)	-3.75%
Profit for the year	**1,089,623**	**1,247,904**	**14.53%**

*) – restated: Since 2020, the Group presents the release to income of the impairment for non-current assets written-off as a decrease of the expense generated by the write-off of the respective assets, as "other gains and losses" or as "exploration expense". Previously, the release to income was presented as "depreciation, amortization and impairment". For comparability purposes, 2019 was restated.

Structure of indicators split by activity-2019 ** RON thousand **

Description	TOTAL 2019*) including:	Gas production and deliveries	Underground Gas Storage	Electricity	Other activities	Settlement between segments
1	2	3	4	5	6	7
Revenue	5,080,482	4,709,795	454,370	237,759	288,883	(610,325)
Cost of commodities sold	(107,800)	(84,328)	(3)	(22,452)	(1,017)	-
Investment Income	38,124	116	464	12	37,548	(16)
Other gains and losses	7,519	(3,657)	(501)	(791)	12,471	(3)
Net losses from impairment of trade receivables	(81,221)	(81,208)	-	(6)	(7)	-
Changes in inventories	80,008	78,675	-	59	1,274	-
Raw materials and consumables	(76,048)	(51,100)	(31,215)	(955)	(10,071)	17,293
Depreciation, amortization and impairment	(1,451,766)	(941,770)	(485,078)	(7,160)	(17,758)	-
Employee benefit expense	(670,408)	(416,635)	(62,412)	(39,187)	(152,174)	-
Finance cost	(24,740)	(21,170)	(3,045)	-	(541)	16
Exploration Expenses	(1,636)	(1,636)	-	-	-	-
Share of associates' result	1,474	-	-	-	1,474	-
Other Expenses	(1,551,642)	(1,703,856)	(198,547)	(154,849)	(88,165)	593,775
Other Income	32,834	30,887	264	64	2,362	(743)
Profit before tax	**1,275,180**	**1,514,113**	**(325,703)**	**12,494**	**74,279**	**(3)**
Income tax expense	(185,557)	-	(7,741)	-	(177,816)	-
Profit for the year	**1,089,623**	**1,514,113**	**(333,444)**	**12,494**	**(103,537)**	**(3)**

*) – restated: see the comment made at the consolidated statement of the global result

Structure of indicators split by activity-2020 ** RON thousand **

Description	TOTAL 2020, including:	Gas production and deliveries	Underground gas storage	Electricity	Other activities	Settlement between segments
1	2	3	4	5	6	7
Revenue	4,074,893	3,690,235	333,939	261,112	376,937	(587,330)

Cost of commodities sold	(18,617)	(7,726)	(2)	(10,375)	(514)	-
Investment income	47,845	107	1,018	152	67,699	(21,131)
Other gains and losses	(6,534)	(8,641)	(951)	(174)	3,232	-
Loses from impairment of trade receivables	17,551	18,221	-	(638)	(32)	-
Changes in inventories	(16,151)	(17,757)	-	35	1,571	-
Raw materials and consumables	(58,282)	(38,212)	(19,225)	(1,481)	(9,936)	10,572
Depreciation, amortization and impairment	(672,063)	(547,414)	(5,804)	(21,761)	(25,514)	(71,570)
Employee benefit expense	(767,251)	(465,561)	(70,733)	(50,866)	(180,091)	-
Finance cost	(17,000)	(14,862)	(1,582)	-	(590)	34
Exploration expense	(26,509)	(26,509)	-	-	-	-
Share of associates' result	1,330	-	-	-	1,330	-
Other expenses	(1,158,143)	(1,230,603)	(169,289)	(210,677)	(124,900)	577,326
Other income	25,439	24,531	61	34	1,403	(590)
Profit before tax	**1,426,508**	**1,375,809**	**67,432**	**(34,639)**	**110,595**	**(92,689)**
Income tax expense	(178,604)	-	(8,718)	-	(169,886)	-
Profit for the year	**1,247,904**	**1,375,809**	**58,714**	**(34,639)**	**(59,291)**	**(92,689)**

Revenue

Compared revenue and the revenue weight on activity segments is shown in the table below:

Description	2018		2019		2020	
	RON mil	% R	RON mil	% R	RON mil	% R
Gas production and delivery	4,522.6	90.37	4,709.8	92.70	3,690.2	90.56
UGS activity	355.1	7.09	454.4	8.94	333.9	8.19
Electricity generation and delivery	388.5	7.76	237.8	4.68	261.1	6.41
Other activities	356.5	7.12	288.9	5.69	376.9	9.25
Settlement between branches	-618.4	-12.35	-610.3	-12.01	-587.3	-14.41
TOTAL Revenue	**5,004.2**	**100.00**	**5,080.5**	**100.00**	**4,074.9**	**100.00**

Financial Income

The financial income is higher by 17.57 % than recorded in the previous year. Financial income consists mainly of interests from cash in bank deposits and in state bonds.

Expenses

Description	Year 2019 (RON thousand)	Year 2020 (RON thousand)	Ratio (2020/2019)
1	2	3	4=3/2x100
Operating expenses	3,929,265	2,692,628	-31.47%
Financial expenses	32,465	16,082	-50.46%
Total expenses	**3,961,730**	**2,708,710**	**-31.63%**

Financial Expenses

Financial expenses incurred in 2020 are lower by 50.46% as compared to the previous year.

Chapter 7 shows more details on the different expenses categories and a comparative assessment thereof.

Economic-Financial Results

Compared economic-financial results are shown in the table below (RON thousand):

Description	2019	2020	Ratio (2020/2019)
1	2	3	4=3/2x100
Operating results	1,265,414	1,393,341	10.11%
Financial results	8,292	31,837	283.95%
Share of associates' result	1,474	1,330	-9.75%
Gross result	**1,275,180**	**1,426,508**	**11.87%**
Income tax	185,557	178,604	-3.75%
Net Result	**1,089,623**	**1,247,904**	**14.53%**

Gross result for January – December 2020 in amount of RON 1,426,507 thousand is higher by 11.87% than the gross result of the similar period of 2019.

Financial Performance is also emphasized by the evolution of indicators presented in the table below:

Indicators	Calculation Formula	M.U.	2019	2020
1	2	3	4	5
Working capital (WC)	C_{lt}-A_f = $E+L_{nc}+Pr+S_i-A_f$	RON mil	1,863	2,656
Working capital requirements (WCR)	$(A_{st}-L+P_p)$ - $(L_{crt}-Cr_{st}+I_{df})$	RON mil	1,499	2,239
Net cash	WC-WCR = L-Cr_{st}	RON mil	364	417
Economic Rate of Return (ERR)	P_g/C_{lt}x100	%	16.59	16.59
Return on Equity	P_n/Ex100	%	15.19	16.02
Return on Sales	P_g/Rx100	%	25.10	35.01
Return on Assets	P_n/Ax100	%	13.20	13.47
EBIT	$P_g+Ex_i-I_r$	RON mil	1,237	1,379
EBITDA	EBIT+Am	RON mil	2,698	2.051
ROCE	EBIT/C_{emp}x100	%	16.10	16.03
Current liquidity	Ac/Lc	-	4.28	5.01
Asset Solvency	E/Lx100	%	86.92	84.08

where:

C_{lt}	long-term capital;	P_g	gross profit;
A_f	non-current assets;	P_n	net profit;
E	equity;	R	revenue;
L_{nc}	non-current liabilities;	A	total assets;
Pr	provisions;	Ex_i	interest expense;
S_i	investment subsidies;	I_r	interest income
A_{st}	short term assets;	Am	amortization and impairment;
L	liquidity position;	C_{emp}	capital employed (total assets–current liabilities)
Pp	Prepayments;	Ac	Current assets
Cr_{st}	short-term credit;	Lc	Current liabilities
I_{df}	deferred income	L	total liabilities

3.4.2. Sales

Sales' evolution and perspectives

The entire gas quantity traded by Romgaz was sold on the internal market. Romgaz traded quantities delivered on free market both by bilateral negotiation and on centralized markets. Quantities supplied in 2020 on the competitive market have been traded 46.9% on Romanian centralized markets.

Description	unit	2018	2019	2020	2019/2018	2020/2019
Delivered gas	mil.cm	5,602.7	5,132.1	4,688.1	-8.40%	-8.65%
Sales to third parties	mil.cm	5,276.0	4,959.1	4,406.2	-6.01%	-11.15%
Gas for electricity production in own power plant	mil.cm	346.1	173.0	281.9	-47.05%	+62.95%

From the total gas quantities supplied to third parties the following available means of trade have been used:

- gas delivered under contracts on the regulated market: 12.83 TWh;
- gas delivered under contracts on centralized markets: 21.35 TWh;
- gas delivered under bilateral contracts on the competitive market: 11.27 TWh.

Romgaz gas production dropped by 14% as compared to 2019 and volumes supplied in 2020 decreased by 7.7%. With regard to gas deliveries from own production, these decreased by 6.9% as compared to 2019.

Gas supplied to third parties recorded a decrease of 10%. It is worth mentioning that no import gas volumes were traded in 2020. At the same time, gas volumes used by CET Iernut increased by 58% as compared to 2019. Deliveries and sources are shown in the table at pages 4-5.

As regards trading on Romanian centralized markets, Romgaz's weight was significant, approximately 36% of the total of gas traded on these markets with delivery in 2020 was sold by Romgaz. In terms of quantity, Romgaz traded over 19.7 TWh with delivery in 2020 on centralized markets, from the total volume of approx. 55.5 TWh, representing the total transactions performed on these markets with the same period of delivery.

Romgaz was also active on the day ahead market, respectively intraday market in order to optimize sales on one hand and to balance the portfolio, on the other hand, Romgaz sold on these markets approximately 0.7 TWh.

2020 gas sales perspectives are characterized by:

- concluding in 2019 contracts with delivery in 2020 for approximately 50% of the sales estimates for this year;
- quantities were contracted both based on regulated contracts and on the competitive market. Through centralized markets, approximately 8 TWh were contracted with delivery in 2020;
- price capping for residential consumers and heat producers, as well as the other measures provided in GEO No. 114/2018[7] will terminate according to GEO No.1/2020, as of July 1, 2020;
- according to current legislation, ANRE Order No.79/2020, amended by ANRE Order No. 143/2020 (Gas Release Program – GRP), gas producers that record an annual production higher than 3,000,000 MWh have to trade 40% of the production on centralised markets at a required price, that can be determined (maximum 95% from CEGH for the period the product refers to) for several products: monthly, quarterly, seasonal, half year and annual product. The program started on June 1, 2020 and ends on December 31, 2022;
- Implementation of projects that will increase gas export capacities from Romania to other countries (especially to Hungary and Bulgaria), which would lead to a proper interconnection

[7] GEO No 114 of December 28, 2018 on setting up measures in the public investment sector and of fiscal-budgetary measures, amending and supplementing certain legislative acts and extending certain terms.

of gas transmission networks from Romania and would represent an alternative in terms of gas trade. This matter must be viewed in line with the regulation framework that will be prepared by applying GEO No. 114/2018.

Competition and market share

In the last year, a series of negative factors influenced the Romanian gas market. On one hand, we have the current situation, the state of emergency triggered by COVID-19 crisis and on the other hand, the effective laws, namely, ANRE Order No.79/2020 amended and repealed by ANRE Order No. 143/2020, the obligation to offer a significant gas quantity on a pre-set schedule and at a low starting price given by the state of the market adding thereto a 5% discount.

In 2019, the Romanian gas market continued to progress as regards liquidity increase and reselling on centralized markets, as well as the positive trends regarding trade balancing through transactions on short-term markets. The impact of GEO No.114/2018 led to a sharp increase of prices on the competitive market.

On the gas market, when it comes to sources, competition was high between domestic and import sources. In fact, import volumes recorded a significant increase taking into consideration the decreasing import gas prices as well as the attractiveness of the Romanian market for such sources.

According to the company's estimates, the national gas consumption rose by approximately 5% as compared to 2019. Romgaz market share in the national consumption recorded a decrease of 10.5% compared to 2019 (internal gas for consumption).

The table below shows average gas delivery prices between 2018-2020:

Description	M.U.	2018	2019	2020
1	2	3	4	5
Average price of gas sold from internal production[8]	RON/1000 m^3	783.42	882.2	751.3
	RON/MWh	74.94	83.7	73.3
Average import gas delivery price	RON/1000 m^3	1,134.84	1,468.8	-
	RON/MWh	105.65	136.9	-

National electricity production, according to preliminary data of the system operator, was 54,775,402 MWh. Romgaz had a market share of 1.69% increasing by 70.71% as compared to last year.

The yearly evolution of electricity production and market share:

Description	2018 (MWh)	2019 (MWh)	2020 (MWh)	2019/2018 (%)	2020/2019 (%)
Domestic production	63,933,510	59,454,280	55,519,195	-7.64	-6.61
Romgaz production	1,165,189	590,129	937,500	-49.35	58.86
Romgaz market share	1.822	1.00	1.69	-45.12	70.71

As regards electricity generation sources, in 2020, these were as follows[9] :

- 30% hydro;
- 22 % coal;
- 18 % nuclear;
- 15% gas;
- 15 % renewable sources and other producers

[8] including commodity gas and gas from Schlumberger joint venture less storage costs
[9] approximate levels - Source ANRE, market reports. Note: on the date of preparing the Report, ANRE did not publish the annual report containing the energy label.

Market Dependence

The Romanian gas market situation allowed the company to have an extended portfolio of customers both on centralized markets and as regards contracts by direct negotiation. Moreover, the company has a balanced portfolio as regards the ratio between the final consumers market (especially power plants) and the wholesale market where it sells gas to suppliers.

3.4.3. 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.

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

Underground Gas Storage

The revenues from the underground storage business and the storage tariffs are regulated since April 1, 2004, by *ANRGN Decision No. 1078/2003*, repealed by *ANRE Order no. 22 of May 25, 2012* on approval of the Methodology for approving prices and setting regulated tariffs in the gas sector, published in the Official Gazette of Romania No. 379 of June 6, 2012.

ANRE Order No. 14 of February 13, 2019 is currently in effect, approving the Methodology to establish regulated tariffs for natural gas underground storage services.

Storage tariffs applied for the two compared periods are those approved by ANRE Order No. 58 of March 29, 2018 (between April 1, 2018 and March 31, 2019), ANRE Order No. 44 of March 29, 2019 (between April 1, 2019 and March 31, 2020) and ANRE Order No. 24 of March 23, 2020 (starting with April 1, 2020) respectively.

Government Emergency Ordinance No. 106/2020 amending Gas and Electricity Law No. 123/2012 cancelled the provision on regulating the storage activities. Therefore, after the withdrawal cycle 2020-2021, the storage activity is no longer a regulated activity.

The table below shows the storage tariffs:

Tariff component	M. U.	Tariffs (01.01.2018-31.03.2019)	Tariffs (01.04.2019-31.03.2020)	Tariffs (as of 01.04.2020)
Volumetric component for *gas injection*	RON/MWh	1.68	1.90	3.67
Fixed component for *capacity reservation*	RON/MWh/ storage cycle	9.90	9.98	7.58
Volumetric component for *gas withdrawal*	RON/MWh	1.67	1.61	2.03

Natural Gas Supply

The final gas price for the customer is the sum of the weighted average price for gas acquisition, the tariffs for transmission, storage and distribution, and the trading component, according to the following formula:

Final price = Weighted average gas acquisition price + Transmission tariff + Storage tariff + Distribution tariff + Trading component

The distribution tariffs depend on the distribution area and on the distribution system operator. Regulated prices and tariffs are calculated by the "*revenue-cap*" method for underground storage and gas transmission and by the "*price-cap*" method for regulated distribution and supply.
According to the provisions of Article 181, paragraph (5) of Law No. 123/2012, *the domestic gas acquisition price on the regulated market* is set by Government Decision, at the proposal of the competent ministry, and is updated by ANRE and ANRM, in accordance with the provisions of the Calendar for gradual deregulation of prices for the final customers.

The table below shows the average gas supply prices between 2018-2020:

Description	M. U.	2018	2019	2020
1	2	3	4	5
Average supply price for internal gas production[10]	RON/1000 cm	783.42	882.2	751.3
	RON/MWh	74.94	83.7	73.3
Average price for import gas	RON/1000 cm	1,134.84	1,468.8	-
	RON/MWh	105.65	136.9	-

Natural Gas Distribution

Distribution tariffs and final regulated prices valid during the analysed period are approved by ANRE Orders, as follows:

- Order No. 146/2018 on setting the unitary income for 2019 and on approving regulated prices for regulated gas supply activity performed by Societatea Naţională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of August 1, 2018);
- Order No. 146/2019 on setting the unitary income for 2019 and on approving regulated prices for regulated gas supply activity performed by Societatea Naţională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of July 1, 2019);
- Order No.111/2019 on setting the regulated tariffs for gas distribution services performed by Societatea Naţională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of July 1, 2019);
- Order No. 56/2020 on setting the unitary tariff for regulated supply services between January 1- June 30, 2020 and on approving regulated gas prices for Societatea Naţională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of January 1, 2020);
- Order No. 122/2020 on approving regulated tariffs applicable to distribution services for Societatea Naţională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of July 1, 2020).

The table below shows tariffs and prices:

Description	01.08.'18-30.06.2019	01.07.'19-31.12.2019	01.01.'20-30.06.2020	01.07.'20-present
Distribution tariffs (RON/MWh):				
*B1 consumption up to 23.25 MWh	52.75			
*B2 annual consumption between 23.26-116.28 MWh	47.96			
*B3annual consumption between 116.29-1,116.78 MWh	47.07			
*B4 annual consumption between 1,116.79-11,627.78 MWh	46.26			
Distribution tariffs (RON/MWh):				
*C1 consumption up to 280 MWh		52.87	52.87	52.52
*C2 annual consumption between 280 and 2,800 MWh		0.00	0.00	46.17
*C3 annual consumption between 2,800 and 28,000 MWh		50.00	50.00	41.29
Final regulated prices (RON/MWH):				
*B1 consumption up to 23.25 MWh	152.23			
*B2 annual consumption between 23.26-116.28 MWh	147.44			
Final regulated prices (RON/MWh):				
*C1 consumption up to 280 MWh		139.24	122.71	

[10] Including commodity gas and gas from Schlumberger joint venture less storage costs

3.4.4. Human Resources

On December 31, 2020 Romgaz Group had 6,188 employees and SNGN Romgaz SA had 5,673 employees. As of April 1, 2018 a number of 504 employees terminated their labour contracts concluded with the company continuing their activity under Depogaz Subsidiary.

The evolution of the number of employees between January 1, 2018 – December 31, 2020, is shown in the table below:

Description	2018		2019		2020	
	Group Romgaz	Romgaz	Group Romgaz	Romgaz	Group Romgaz	Romgaz
1	3	4	3	4	5	6
Employees at the beginning of the year	6,198	6,198	6,214	5,688	6,251	5,738
Newly hired employees	286	241	264	238	198	177
Employees who terminated their labour relationship with the company	270	751	227	188	261	242
Employees at the end of the year	6,214	5,688	6,251	5,738	6,188	5,673

The structure of SNGN Romgaz SA employees at the end of 2020 was the following:

a) by level of education

- University 25.54 %
- Secondary education 29.04%
- Foreman education 2.80 %
- Vocational school 32.43 %
- Middle school 10.19 %

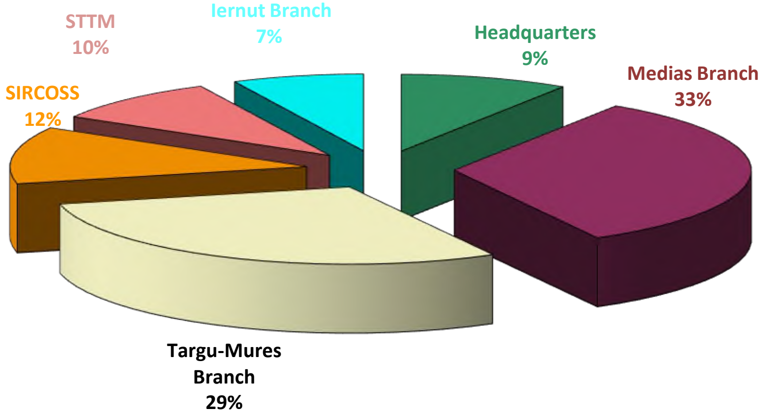
b) by age

- under 30 years 4.76 %
- 30-40 years 13.13 %
- 40-50 years 31.89 %
- 50-60 years 40.82 %
- over 60 years 9.40 %

c) by activities

- gas production 70.02 %
- production tests/well special operations 12.00 %
- health 1.41 %
- transportation 9.41 %
- electricity production 7.16 %.

Distribution of Romgaz employees by headquarters and by branches is shown in the figure below:



The structure of the company's employees from the headquarters and from branches is shown in the table below:

Entity	Workers	Foremen	Administrative Employees	Total
1	2	3	4	5
Headquarters	39		482	**521**
Mediaş Branch	1,433	87	342	**1,862**
Targu-Mures Branch	1,319	50	299	**1,668**
SIRCOSS	495	47	139	**681**
STTM	390	16	128	**534**
Iernut Branch	250	41	115	**406**
Drobeta Turnu Severin Branch			1	1
TOTAL	**3,926**	**241**	**1,506**	**5,673**

In 2020, ***professional trainings*** were meant to increase competitiveness and to improve professional performance.

Thus, the following were taken into account:

→ training of administrative employees in various areas of activity, in cooperation with national and international training suppliers;

→ authorization/re-authorization, according to specialization and position;

→ skills improvement and vocational training of workers through internal training courses.

A number of 1,316 employees were trained during 2020 and the costs of such professional trainings were RON 1,665,985.

The annual training program was implemented as follows:

- 505 persons participated in professional training programs on job related subject matters;
- 588 persons participated in training courses to obtain authorization/re-authorization in accordance with their position;
- 223 persons participated in internal training courses;

The 2020 professional training plan, as regards the number of participants, was fulfilled 32.57%, due to the SARS-COV2 pandemic. There were no professional training courses during the state of emergency. During the state of alert, because of restrictive measures that had to be taken with respect to organisational matters and because of the employees' fear to get the disease, the number of training course decreased and so did the number of participants.

For 2020, the professional training activity focused mainly on sustaining the increase of adaptability to new economy requirements based on knowledge, in order to ensure and update the required competencies for employees working in the technical, economic, research-development field, etc.

Within Romgaz Group there are ***three trade unions***:

- "*Sindicatul Liber din cadrul S.N.G.N. Romgaz S.A.*", consisting of 5,850 members;
- "*Sindicatul Extracţie Gaze şi Servicii*", consisting of 5 members;
- "*Sindicatul Filiala Inmagazinare DEPOGAZ*", consisting of 299 members.

Thus, the total number of union members within Romgaz is 6,151 as compared to 6,188 representing the total number of employees. The ration between union members and the total number of employees is 99.40%.

Relationship between manager and employees: following negotiations, the parties agreed to conclude a new Collective Labour Agreement. On November 27, 2019, the parties agreed to conclude a new Collective Labour Agreement for SNGN Romgaz SA, registered at the Territorial Labour Inspectorate Sibiu under No. 18161/04.12.2019, valid as of December 29, 2019 until December 28, 2021 inclusive.

For Depogaz, a Collective Labour Agreement is in effect, negotiated with "*Sindicatul Liber Romgaz*", to which "*Sindicatul Filiala de Inmagazinare Gaze Naturale*" adhered, being valid until March 27, 2021.

During 2019, ***there were two conflicts between the management and the trade union,*** finalized on December 31, 2019 (see Litigations: Items 51 and 379, paragraph 3.4.7).

3.4.5. Environmental Aspects

In 2020, the environment protection activity continued to focus on ensuring compliance of Group's business with the applicable legal requirements on environment protection. Another aim was meeting specific objectives related to:

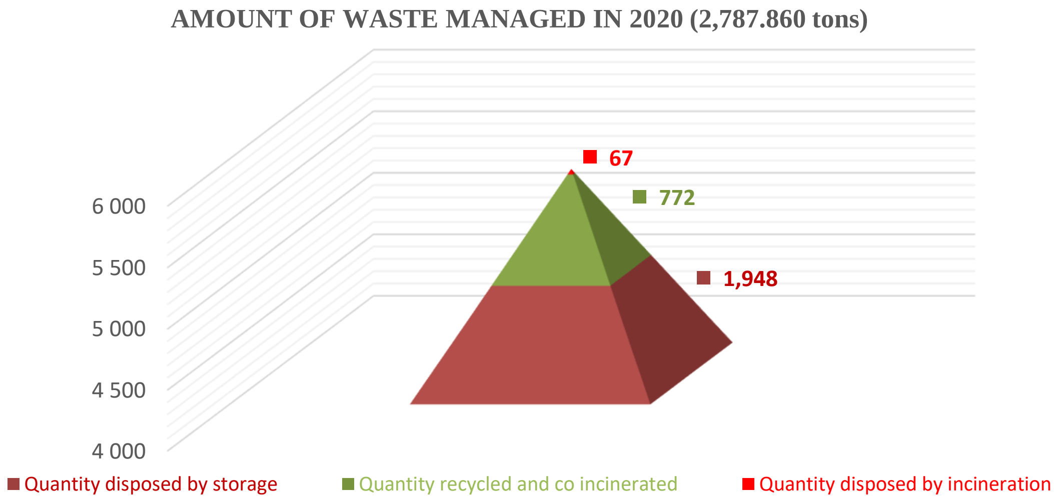
- Increasing awareness regarding compliance with legal requirements;
- Pursuing the accomplishment of all reports imposed by the environment legislation in force, by centralizing the information required and reported by Romgaz Branches and submitting it to competent authorities;
- Rendering efficiency to the environment protection activity which supports the management process.

The environment protection activities during 2020 focused on:

- Complying with permitting requirements:
    - Complying with legal requirements relating to environment permits for all 126 units. In this respect, the conformity degree is 100%. Thus, for 8 units the company required and obtained the review of the permits, for 17 units reauthorisation was requested and obtained, for 49 units the annual endorsement was requested and obtained, for 36 units documents for abandoning gas production wells were submitted;
    - Complying with legal requirements regarding waste water management permits, for:
        - ✓ 67 units, for which the conformity degree is 100% with the mention that for 20 units re-authorization documents were submitted,
        - ✓ 36 units related to reservoir water injection systems/wells, out of which 13 are in process of obtaining re-authorization.

    A company-wide application is under development to monitor environment/water/injection permits, permanently analysing and continuously supervising compliance with legal requirements on environment protection;

- Management of waste generated from own activity, according to the legal requirements in force. In 2020, the company managed a quantity of 2,787.86 tons of waste from its own activity, out of which 772.15 tons were recycled and co-incinerated (759.30 tons were recycled and 12.85 tons were co-incinerated), 67.25 tons of waste were disposed by incineration and 1,948.45 tons of waste were disposed by storage.



In 2020, the "*Program for Prevention and Reduction of Waste Generated by S.N.G.N. Romagaz S.A.*" pursued the accomplishment of the measures thereunder and this can be viewed by accessing the following link https://www.romgaz.ro/ro/content/program-de-prevenire-si-reducere-cantitatilor-de-deseuri.

The Program aims at continuously identifying the objectives, targets and action policies the company is required to comply with in its waste management activity in order to fulfil the company's strategic objectives;

- Monitoring compliance with legal requirements on environment protection. In 2020 Romgaz did not exceed the limits permitted by regulations in force, with the effluents discharged into surface water bodies or sewage networks;
- In 2020, 2 external environment complaints were recorded, as follows:
  - Environmental discomfort at the property limit of the residential area generated by gas compression machines at gas compression station Cristuru Secuiesc. An approved laboratory pertaining to NCDO-INOE 2000 Institute, ICIA Cluj-Napoca Subsidiary carried out measurements to determine the sound level at Cristur compression station;
  - Environmental discomfort at the property limit of industrial premises generated by gas compression machines at gas compression station Cristuru Secuiesc. Services were purchased from SC Enviro Consult to carry out a sound level study. For the purposes of reducing noise pollution at Cristuru Secuiesc working point an acquisition of design and execution services for sound insulation is in progress;
- In 2020, Romgaz continued to monitor compliance with permanent or multiannual measures of implementation provided in the Remedial Report (maintenance of the perchlorethylene consumption under 1 tonne/year, for each location, so as to comply with the provisions of GD No. 699/2003 on establishing certain measures for decreasing emissions of volatile organic compounds resulting from the use of organic solvents in certain activities and installations, locating industrial units at safe distances from protected receivers;
- Reducing fugitive emissions in the areas with calibration tanks, metallic tanks and concrete reservoirs for temporary storage of reservoir waters – by equipping the tanks with ecologic dispersion systems;
- Periodic payment of the contribution towards the "Closing Fund", until reaching the value of mandatory provision, for the Ogra specific waste facility, supervising the annual monitoring frequency for Dumbravioara drilling waste facility, closed in 2003 etc.;

- Planning and organizing the internal environmental inspection activity in order to verify compliance with the legal requirements applicable to inspected activities.

  In 2020, 45 internal environmental inspections were planned while 35 were actually conducted by Romgaz headquarters environmental inspectors due to national and company-level circumstances, at the authorized units of branches, following which 1 non-conformity report was prepared, being closed within the deadline. Thus, Romgaz activity complies with the applicable legal environmental requirements, the conformity degree identified following the implementation of a procedural assessment method for 2020 being 99%, representing a very good value indicating potential for reaching 100%;

- Assessing the conformity level regarding environmental protection requirements and contractual requirements of contractors and subcontractors of drilling works contracted by Romgaz, during 2020;

- Accomplishing the actions/measures programs for prevention and/or limitation of the impact on the environment for 2020, by modernizing the reservoir water storages, mounting waste water systems, transforming abandoned wells in reservoir water injection wells etc.

In 2020, the Environmental Guard and the Water Basins Administrations carried out 22 inspections at Romgaz locations. Following such inspections, the company had no sanctions.

CO_2 Certificates - SPEE Iernut

By GD No. 1096/2013 on approving the mechanism for the free of charge transitory allocation of greenhouse gas emissions certificates to electric power producers for 2013-2020, including the National Investment Plan (NIP), the Romanian Government intends to finance replacement of old thermoelectric installations from a fund supplied from sales of greenhouse gas emissions certificates, investments receiving a non-reimbursable funding of 25% of the value of eligible expenses based on financing contracts, within available funds, according to the order of financing request and approval.

By means of Annexes:

- Annex No. 1: provides the eligible installations for free of charge transitory allocation and the number of annually allocated certificates for 2013-2020;
- Annex No. 3: National Investment Plan beneficiaries,

Romgaz is included in the above mentioned annexes and, in 2017, launched the investment from the National Investment Plan.

Therefore, pursuant to Annex No.1 of the Order, free of charge transitory allocation of certificates is made for the period between 2016-June 30, 2019, while in 2020 free of charge transitory certificates are no longer allocated.

In order to comply with the legal requirements of GD No. 780/2006, updated (article 8, letter e) the requirement to reimburse, by April 30 of the year following the year for which greenhouse gas emissions were monitored, a number of greenhouse gas emission certificates equal to the total number of emissions from such installations. For 2020, CO_2 emissions equal 531,072 tons which is equivalent to 531,072 certificates. In order to comply with the legal requirements, SPEE Iernut must acquire a number of 525,067 certificates (531,072 – 6,005 = 525,067), where 6,005 represents the number of certificates remaining in the Registry from the previous year. The acquisition must be finalized before April 14, 2021.

3.4.6. Occupational Safety and Health

At the beginning of 2020 acquisition procedure concerning flu vaccines was finalized by awarding the contract to Farmexim Bucharest. Farmexim did not deliver the flu vaccines so that the situation is now under review and a decision will be made whether to terminate the contract or the contracted flu vaccines to be eventually delivered. The company also takes into account filing an action to appropriate competent courts in order to settle this matter.

According to the Collective Labour Agreement, additional voluntary health insurances were acquired for all employees, a framework agreement being signed for three years with the insurance-reinsurance association Societatea de Asigurare-Reasigurare ASITO Kapital SA and SC Medical Ocupational SRL.

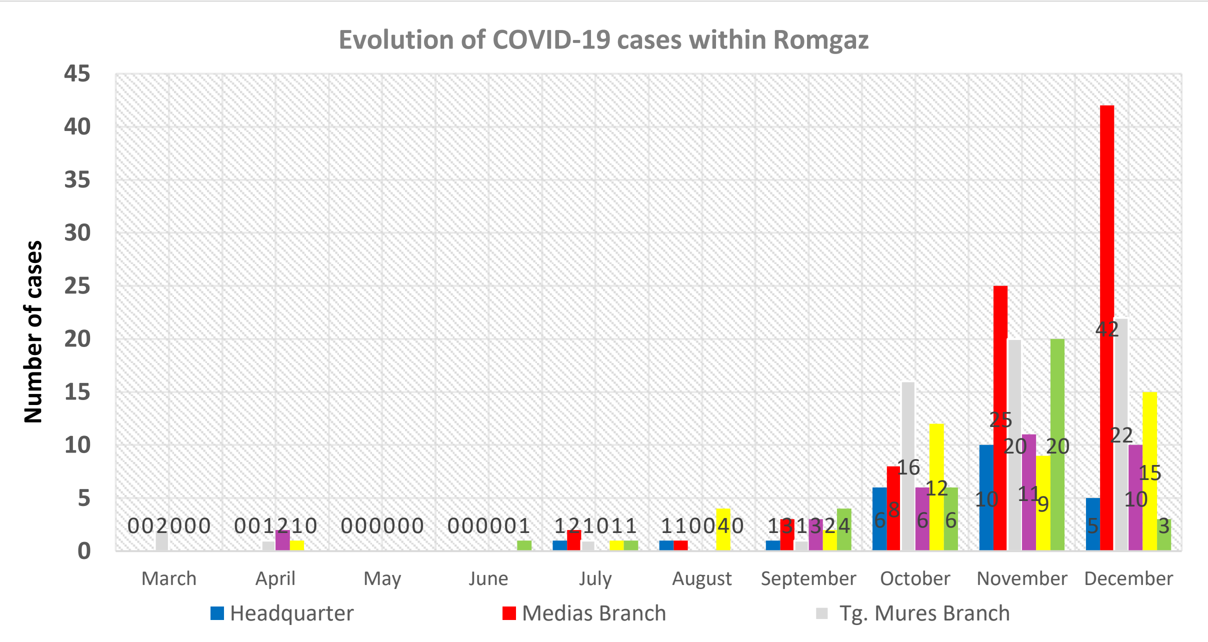
During this period, the company finalised acquisition procedures regarding personal protective equipment necessary for the working personnel and 53 types of personal protective equipment were purchased.

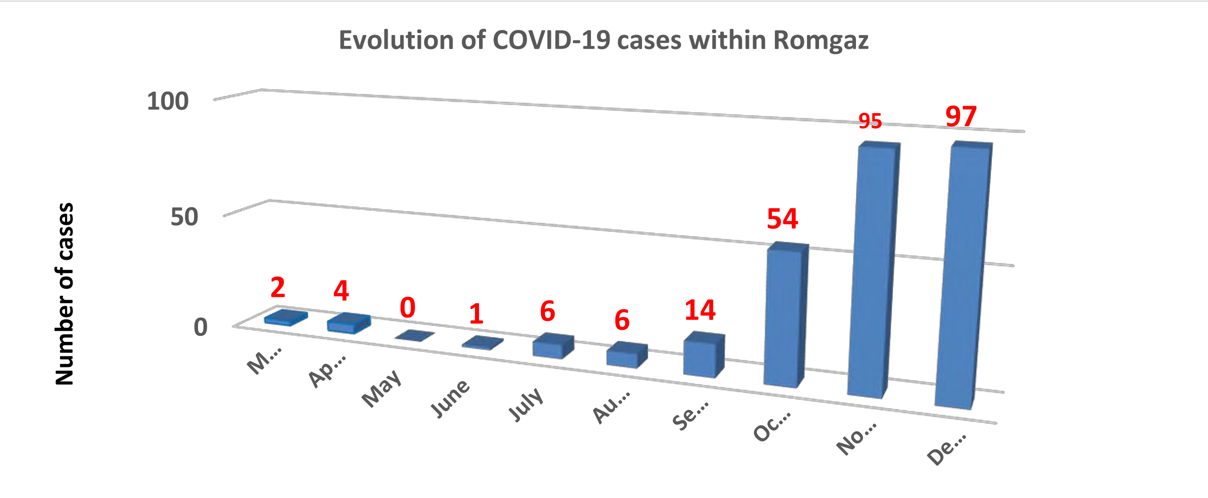
During 2020 RT-PCR testing medical services were acquired in order to diagnose employees infected with SARS-COV2 virus.

SARS-COV2 illnesses within S.N.G.N. Romgaz S.A. Medias

Since the beginning of the pandemic and up to December 31, 2020, 279 employees were infected with SARS-COV2 and six of them died.

The two charts below show the evolution of COVID-19 cases within Romgaz during March-December 2020, broken down on branches and headquarters and in total, respectively.





Our company paid and is still paying particular attention to fight against the SARS-COV2 virus, by drafting and implementing the necessary measures and procedures to minimize the impact on the company as well as by permanently carrying out inspections to verify their implementation.

3.4.7. Litigations

The summarized breakdown of litigations in which Romgaz is involved as of December 31, 2020 is the following:

- A total number of 380 litigations are recorded in company's records, out of which:
  - 183 cases where Romgaz is plaintiff;
  - 188 cases where Romgaz is defendant;
  - 6 cases where Romgaz is civil party/injured party;
- The total value of litigations amounts RON 3,375,391,260.62;
- The (approximate) total value of the files where Romgaz is plaintiff amounts RON 2,908,120,587.43
- The (approximate) total value of the files where Romgaz is defendant amounts RON 468,405,920.47[11];
- The (approximate) total value of the files where Romgaz is civil party amounts RON 286,344,946.55.

The detailed list of litigations can be viewed on Romgaz website www.romgaz.ro → Investor Relations → Annual Reports → 2020.

3.4.8. Legal Acts concluded under GEO No. 109/2011 Article 52

Pursuant to article 52 paragraph (6) of GEO no. 109/2011 "*The legal acts concluded under paragraph (1) and (3) shall be specified in the half-yearly and annual reports of the Board of Directors ... in a special chapter …*".

Paragraph (3) letter b) provides as follows:

> *(3) the Board of Directors ... informs the shareholders, during the first general meeting of shareholders following conclusion of the legal act, on any transaction concluded by the public enterprise with:*
>
> > …………………………………………………………………………………
> > *b) another public enterprise or with the public supervisory authority, if the transaction has, individually or in a series of transactions, a value of at least the RON equivalent of EUR 100,000*".

Article 82 paragraph (1) of Law No. 24/2017[12] provides that "*The administrators of issuers of whose securities are admitted for transactions on a regulated market have the obligation to promptly report any legal act concluded by the issuer with the administrators, employees, shareholders that control, as well as with the persons with whom these act together, the cumulative value of which represents at least the RON equivalent of EUR 50,000*".

Therefore, Romgaz prepares current reports any time it concludes a legal act as mentioned above, which are sent to Bucharest Stock Exchange and published on its website.

Half-yearly, Romgaz financial auditor prepares a "*Limited Insurance Independent Report on the information included in the current reports issued by SNGN Romgaz SA in accordance with the requirements of Law No. 24/2017 (article 82) and Regulation No. 5/2018 of the Financial Supervisory Authority*". The report is sent to Bucharest Stock Exchange and published on its website.

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

Taking into consideration that current reports as mentioned above are public documents, posted on Bucharest Stock Exchange website, as well as that the current half-yearly reports with the legal acts concluded in each half-year, reports audited by the company's financial audit, are published on

[11] defendant: RON 468,402,340.99 in 188 cases + EUR 73,350; RON 357,581.25 in 3 cases.
[12] Law No. 24 of March 21, 2017 on issuers of financial instruments and market operations

company's website, for more details on concluded legal acts please access company's website at www.romgaz.ro, under Investor Relations – News and Events – Current Reports-Contracts ("Auditor Report").

IV. GROUP'S TANGIBLE ASSETS

4.1. Main Production Facilities

The occurrence and thereafter the development and gradual diversification of what was truly going to be the Romanian natural gas infrastructure has an important benchmark, ***year 1909***, when the first gas reservoir was discovered by drilling well 2 Sarmasel (Mures County).

During the immediately following years, a gas infrastructure unique in Europe for those times started to outline at a small scale, consisting of the following assets:

- gas transmission pipeline, the first of this kind in Europe, built in 1914, connecting towns Sarmasel and Turda (Cluj County), and
- gas compressor station from Sarmasel; built in 1927- the first one in Europe.

It is notable that the country's large gas structures were discovered after 1960 and in parallel, a complex infrastructure started to be developed, at national scale, dedicated exclusively to the gas extraction process and later to the injection and underground storage process. These large gas structures located in the Transylvanian basin supply considerable gas quantities even today.

Exploitation of natural gas reservoirs

The infrastructure related to exploitation of natural gas reservoirs is a particularly complex system today that needs to ensure continuous collection, circulation, conditioning and metering of gas produced by wells ensuring the quality parameters provided in applicable regulations.

As a whole, the infrastructure of the company developed continuously upon discovery and exploitation of new reservoirs. The maximum intensity of the rate of development of production capacities was reached between 1970-1980, when the annual production was extremely high both due to the consumption demand in those times and to the great volumes of resources and reserves in most of the newly discovered gas fields.

Production capacities of company's infrastructure are summarized as follows:

1. natural gas producing wells and wells for reservoir water injection;
2. gathering pipelines connecting wells and well clusters;
3. collecting pipelines connecting well clusters and the NTS;
4. Gas heaters (radiators);
5. Underground and surface gas separators;
6. Flow metering panels (for technological and fiscal metering located at the interface with the NTS);
7. Gas dehydration (conditioning) stations;
8. Gas compression units:
   - low capacity portable compressors installed at the well head or at the well cluster;
   - booster compressors for one or more gas fields;
   - gas compressor stations, usually consisting of two or more high capacity compression units, which can be intermediate or final compressor stations (outlet to the NTS);
9. Industrial or reservoir water pumping stations;
10. Other facilities (buildings, workshops, storehouses, electric lines, well access roads etc.).

Utilisation of production capacities depends on gas sales volume, generally being close to 100%. During 2020, due to an overlap of commercial, economic, sanitary as well as regulatory factors resulting in a reduction in gas sales in Q2 and Q3, utilisation of production capacities was lower (approximately 85%).

In order to keep these production capacities in operation, under safety and efficiency conditions, Romgaz carries out extensive and continuous efforts focused on workover and special operations in wells, maintenance and rehabilitation of pipes, maintenance and modernisation of gas compression stations and dehydration stations as well as of commercial (fiscal) gas delivery panels.

In 2020, Romgaz, as sole titleholder, carried out petroleum operations in 140 gas fields out of which 128 are well defined blocks and the rest of 12 are blocks with experimental production.

Production from these fields is obtained through more than 3,050 wells and through almost the same number of technological surface facilities consisting mainly of gathering pipelines, gas heaters (where applicable), liquid separators and gas flow technological metering panels.

Pressure and flow limits of production wells are maintained by 18 compression stations (in which 86 compressor units are installed), 17 booster compressors and 9 well cluster compressors.

One technical demand required by applicable laws is the quality of gas, which is 100% fulfilled by means of 67 gas dehydration stations.

Underground storage

Depogaz holds Licence No. 1942/2014 for the operation of 5 underground gas storages, developed in depleted gas fields, their aggregate capacity representing about 90.5 % of the total storage capacity of Romania.

The capacity of the underground gas storages operated by Depogaz, by storages, is shown in the table below:

Storage	Active capacity		Withdrawal capacity		Injection capacity	
	[Mil.St m^3/cycle]	[GWh/cycle]	[Mil.St m^3/cycle]	[GWh/day]	[Mil.St m^3/cycle]	[GWh/day]
Balaceanca	50	545.0	1.2	13.1	1.0	10.9
Bilciuresti	1,310	14.2	14.0	151.9	10.0	108.5
Ghercesti	150	1.6	2.0	21.4	2.0	21.4
Sarmasel	900	9.5	7.5	79.4	6.5	68.8
Urziceni	360	3.9	4,5	49.4	3.0	32.9
Total	**2,770**	**29.8**	**29.2**	**315.1**	**22.5**	**242.5**

1. Balaceanca Storage

Balaceanca Storage facility is located at approximately 4 km from Bucharest.
The fixed assets contributing to the storage process are as follows:

- 24 wells of which 21 injection/withdrawal wells and 3 piezometric wells;
- surface infrastructure includes:
  - Balaceanca gas compressor station;
  - 8.4 km collecting pipelines;
  - 4 separators;
  - 4 technological gas metering facilities;
  - 1 gas dehydration station;
  - 15 gas heaters;
  - communication system and fibre-optic data acquisition system;
  - 1 bi-directional fiscal metering system.

2. Bilciuresti Storage

Bilciuresti Storage facility is located in Dambovita County, approximately 40 km W-NW of Bucharest.
The fixed assets contributing to the storage process are as follows:

- 61 wells of which 57 injection/withdrawal wells, 3 piezometric wells, 1 waste water injection well;
- surface infrastructure includes:
  - Butimanu gas compressor station;
  - 6 gas dehydration stations;
  - 26.5 km collecting pipelines for 57 injection/withdrawal wells;

- 50 gas heaters;
- 24 separators;
- 14 technological gas metering facilities;
- 37.5 km collecting pipelines;
- bi-directional fiscal metering system;
- waste water injection station.

3. Ghercesti Storage

Ghercesti Storage facility is located in Dolj County, near Craiova.
The fixed assets contributing to the storage process are as follows:

- 85 wells;
- surface infrastructure includes:
  - 135.7 km collecting pipelines for 79 injection/withdrawal wells;
  - 22.6 km collecting pipelines;
  - 13 separators;
  - 12 technological gas metering facilities;
  - 1 gas dehydration station;
  - communication system and fibre-optic data acquisition system;
  - bi-directional fiscal metering system.

4. Sarmasel Storage

Sarmasel Storage facility is located near Sarmasel, approximately 35 km NW of Tirgu-Mures, 35 km north of Ludus and 48 km east of Cluj-Napoca.
The fixed assets contributing to the storage process are as follows:

- 63 wells;
- surface infrastructure includes:
  - Sarmasel gas compressor station;
  - 26.7 km collecting pipeline for 63 wells;
  - 13.8 km collecting pipelines;
  - 59 separators;
  - 3 dehydration stations;
  - bi-directional fiscal metering system.

5. Urziceni Storage

Urziceni Storage facility is located in Ialomita County approximately 50 km NE of Bucharest.
The fixed assets contributing to the storage process are as follows:

- 32 wells of which 31 injection/withdrawal wells and 1 piezometric well;
- surface infrastructure includes:
  - Urziceni gas compressor station;
  - 19.5 km of collecting pipelines for 32 wells;
  - 3.3 km of collecting pipelines;
  - 6 technological gas metering facilities;
  - 31 gas heaters;
  - 1 gas dehydration station;
  - optic fibre data acquisition system;
  - bi-directional fiscal metering system.

Workover and Special Operations

Well workover, recompletions and well production tests represent all the services performed with workover rigs, as well as equipment for specific support operations such as: cement plug drilling installations, mud tank equipped with agitator, sand control-sand blender, DST- cased hole testing of productive layers, shale shaker, mud pumps.

Special Well Operations are performed with the following equipment: cementing unit, slickline, wireline, coiled tubing unit, liquid nitrogen converter, liquid nitrogen tank truck, cement container, filter unit, equipment for discharge and measurement with two-phase separation, equipment for discharge and measurement with three-phase separation, equipment for tubing investigation, echometer, tubing cutting, packer assembling device, hydraulic packer recovery tool, well fire-fighting equipment.

Future well workover and special well operations are required in order to stop production decline, taking into consideration the continuous need for such works and the large number of works performed in the past.

Transportation and Maintenance

On **December 31, 2020**, the car fleet of STTM consists of **721** motor vehicles as follows:

- Passenger carriers: cars **92**, minibuses **16**, buses **2** and large buses **2**;
- passengers and goods utility cars - **226** are < than 3.5 t and **29** are > than 3.5 t;
- vehicles for goods transportation: dumpers **22**, cesspit emptier **42**, platform trucks **28**, tank trucks **3**;
- vehicles for heavy transportation: truck-tractors **3** and semitrailer trucks **17**;
- lifting and handling machinery: auto cranes **25** and hook and ladder trucks **5**;
- other special vehicles: mobile laboratory for equipment testing and checking **1**;
- heavy machinery: bulldozers **8**, caterpillar shovels **2**, wheel loaders **15**, motor grader **3**, compactor **3**, front end loaders **12**;
- other machinery: tractor trucks **70**, fork lift trucks **11**, motorized cleaning vehicles **3**;
- other vehicles: trailers for heavy transportations, trailers and semitrailers for tractors **81**.

Considering the dynamics of gas exploration – production activity performed by Romgaz, in order to achieve the activities on medium term (approx. 5 years) the perspective to develop STTM must be achieved by permanently determining methods and measures resulting from the provision of quality services and in terms of economic efficiency.

Out of the **721** vehicles existing in STTM fleet on **December 31, 2020**:

- **58** motor vehicles were approved for decommissioning;
- **22** motor vehicles are proposed for decommissioning.

Electricity Generation

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

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

CTE Iernut has an installed power of 800 MW and comprises 6 power units: 4 100 MW units of Czechoslovakian manufacturing and 2 200 MW units of Soviet manufacturing. These units were commissioned between 1963 and 1967. Taking in consideration the start of investment works at the 430 MW CCGT Power Plant and the necessity to ensure appropriate conditions for the execution of works at the related cooling circuit, unit 6 of 200 MW was decommissioned in November 2019.

In January 2019, units 2 and 3 of 100 MW were decommissioned followed by unit 1 (of 100 MW) in November 2019; all units were decommissioned on the grounds of non-compliance with the environmental conditions. Thus, at the end of 2020, SPEE Iernut has license to commercially operate 2 power units: 1 100 MW unit and 1 200 MW unit.

The development of investment works carried out in the new part of CTE Iernut allowed both commercially licensed units to function (Unit 4 of 100 MW and Unit 5 of 200 MW) in the first part of 2020.

The "*Development of CTE Iernut though the construction of a new combined cycle gas turbine power plant* " project is currently under development, with the following characteristics:

→ Installed power: 430 MW;

→ efficiency: 56.42 % at nominal load and under normal temperature and pressure conditions;

→ Maximum NOx emissions: 50 mg/Ncm and CO: 100mg/Ncm.

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

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

4.2. Investments

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

In 2020, ***Romgaz Group*** invested RON 637.3 million, that is 28.5% (RON 254.3 million) lower than 2019 investments, representing approx. 71% of the scheduled investments.

The Company *invested during* 2016-2020 RON *3.89 billion*, as follows:

Year	2016	2017	2018	2019	2020	Total
Value (thousand RON)	497,716	781,768	1,150,349	866,218	601,800	**3,897,851**

For 2020, Romgaz forecasted the achievement of an investment program with a total budget of RON *853.00 million*, based mostly on objectives aiming to compensate the natural decline and electricity generation, such as:

- Continue geological research works by performing new exploration drillings for the discovery of new gas reserves;
- development of production potential by adding new facilities on existing structures (drilling of production wells, surface facilities, dehydration stations, compressor stations, compression in gas fields), improving the performance of facilities and equipment to increase operational safety, reducing energy consumption and optimise gas field production;
- modernization and upgrading of constructions, installations and equipment, as well as acquisition of new equipment and performing facilities specific to the core activity;
- procurement of specific machinery to ensure the technological transportation and maintenance of core activities and maintaining road infrastructure in gas fields in optimal conditions.

In absolute figures, the investment costs for 2020 reached RON 601,800 thousand, representing:

↳ 69.5% as compared to the achievements in 2019;

↳ 70.6% of the scheduled level.

The investments were financed as follows:

- from own sources and sources obtained from the National Investment Plan (approx. 22% from eligible expenses) for "*The Development of CTE Iernut Power Plant by Building a New Combined Cycle Gas Turbine Power Plant*"; and
- exclusively from own sources for the other approved investment objectives.

As regards physical achievements for the analysed period, the objectives initiated in the previous year were achieved, and preparatory works were carried out (design, obtaining lands, approvals, agreements, authorizations/permits, acquisitions). The Company started the works for part of the new objectives and performed modernisation works and repairs that can be capitalized at the producing wells.

The value of fixed assets commissioned during the reporting period was RON 333.74 million.

The table below shows the investments made in 2020, as compared to those scheduled and accomplished in 2019, the table is similar to Annex 4 to the Income and Expenditure Budget:

RON thousand

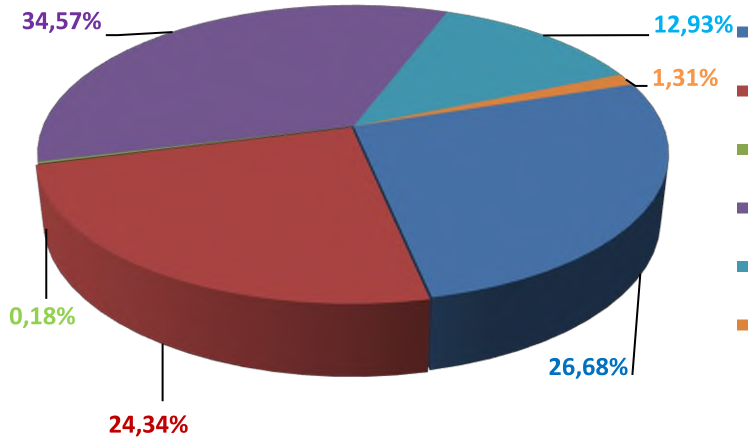
Item no.	Investment Chapter	2019	2020		% '20/'19
			Program	Achieved	
0	1	2	3	4	5=4/2x100
1.	**Investments in progress – total, out of which:**	547,104	309,797	240,843	44.02
1.1	Natural gas exploration, production works	545,917	308,942	203,990	37.37
1.2	Maintaining UGS capacity	0	0	0	0.0
1.3	Environmental protection works	1,187	855	853	71.86
2.	**New investments – total, out of which:**	**88,797**	**139,171**	**105,196**	**118.47**
2.1	Natural gas exploration, production works	88,444	132,840	105,000	118.72
2.2	Maintaining UGS capacity	0	0	0	0.00
2.3	Environmental protection works	353	6,331	196	55.52
3.	**Investment in existing tangible assets**	**188,138**	**249,548**	**206,677**	**109.85**
4.	**Equipment (other acquisitions of tangible assets)**	**39,903**	**124,930**	**77,270**	**193.64**
5.	**Other investments (studies, licenses, software, financial assets etc.)**	**2,276**	**29,554**	**7,814**	**343.32**
*****	**TOTAL**	**866,218**	**853,000**	**601,800**	**69.47**

The table below shows the achieved investments according to Romgaz Investment Program for 2020:

RON thousand

Investment Chapter	Program 2020	Achieved on December 31, 2020	%
1	2	3	4=3/2x100
I. Geological exploration works to discover new gas reserves	198,220	159,479	80.46%
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electricity generation	243,562	149,511	61.39%
IV. Environmental protection works	7,186	1,049	14.60%
V. Retrofitting and revamping of installation and equipment	249,548	206,677	82.82%
VI. Independent equipment and installations	124,930	77,270	61.85%
VII. Expenses related to studies and projects	29,554	7,814	26.44%
TOTAL	**853,000**	**601,800**	**70.55%**

The chart below shows the structure of investments for 2020:



A summary of outcomes show that, to a large extent, investments were completed:

Item No.	Main Physical Objectives	Planned	Results
1.	Drilling, exploration	16 wells	9 wells: completed; 4 wells: in progress; 4 wells drilling works procurement in progress; 18 wells with completed technical design, in the process of obtaining approvals, lands and organization of drilling procurement procedure
2.	Drilling design	19 wells	12 wells design or design acquisition in progress
3.	Development drilling	4 wells	1 completed well
4.	Construction of surface facilities – at shut-in wells	4 surface facilities under construction – for putting into production 6 wells; 13 new surface facilities – for bringing into production shut-in wells; Budget to prepare 48 surface facilities –for putting into production of wells;	8 surface facilities completed for putting into production 10 wells; 6 surface facilities under construction for putting into production 5 wells; 15 surface facilities for connecting 19 wells, pending land/permits, agreements, authorisations; Technical design is currently prepared for surface facilities to connect 15 wells
5.	Well recompletion operations, reactivation and capitalizable repairs	Works at approx. 160 wells, correlated with the annual program agreed by ANRM	In 2020 works were performed for **168 wells** (**94** wells at Medias Branch and **74** wells at Tg. Mureş Branch), works performed in-house by S.I.R.C.O.S.S.
6.	Electricity generation	Continuing works at CTE Iernut	Continuing the performance of the execution contract
7.	Partnerships/Associations	**Raffles Energy SRL**: - land preparation and obtaining authorisations for well 1 Voitinel; - acquisition of generator for well 1 Voitinel; - surface facilities;	- In EIII-1 Brodina block – Bilca gas area Through Bilca E III-1 Group processing facilities only the gas processing activity was carried out, processed gas almost entirely coming from Suceava block. - In Bacau Block– power generator for well 1 Lilieci; Generator operating mode at Lilieci was established at 12h/day, out of which 5

Item No.	Main Physical Objectives	Planned	Results
			hours between 7:00-12:00 and 7 hours between 15:00 – 22:00. Time intervals correspond to the maximum prices for electricity capitalization through sale on PZU platform. In 2020 the generator functioned according to the forecasted program with small interruptions due to maintenance. - In EIII-1 Brodina Block- Non-Bilca Area - Well 1 Voitinel Preparation of a solution study regarding connection to the medium voltage system was launched and the Certificate of Urbanism was obtained. The contract for technical surface installation design was signed.
		Lukoil: - continuing drilling of Trinity 1X exploration well in 30EX Trident Block	In the last quarter of 2019 drilling of well Trinity 1-X was completed in 30 EX Trident Block, while in the first quarter of 2020 the results of drilling continued to be analysed based on production tests and well investigations in order to make a decision on future operations in said block. Titleholders of Petroleum Agreement (Lukoil and Romgaz) requested ANRM to suspend the agreement for 8 months. ANRM 's reply provides that suspension is not possible but a possible extension of this agreement was analysed. Thus, the OCM representative of the association confirmed that no new drilling campaign was carried out in 2020.
		Amromco: - drilling wells; - surface facilities; - well recompletion operations; - well abandonment expenses	The Building Permit was obtained for well 122 Balta Albă ; - for well 117 Frasin-Brazi – well workover performed in February 2020 (up-hole recompletion to Da II c1, interval : 1585-1586.5=1.5 m, with a positive result, well in experimental production since February 19, 2020); - For well 210 Bibești – well workover carried out in January 2020 (up-hole recompletion to Me VII b1b2c East-complex VII b1(L#28), drilled interval: 1212-1213= 1 m, with a positive result; well in production since January 25, 2020)
		Slovakia: - By means of Resolution No. 2 / March 25, 2020 of the Ordinary General Meeting of Shareholder Romgaz withdrawal from Slovakia Association was approved (Svidnik block); the budget was approved only for January-April 2020.	- considering the opposition of institutions and population to drilling wells in the area of interest analysis were performed in order to withdraw from this association.

Development of CTE Iernut

One of Romgaz main strategic directions, provided in "*The Development Strategy for 2015-2025*", is consolidation of the company's position on the energy supply markets. In this case, in the field of electricity generation, Romgaz proposed to have *"a more efficient activity by making investments to increase the efficiency of the Thermoelectric Plant (CTE) Iernut to a minimum of 55%, complying with the environmental requirements (NOx, CO_2) and increasing the exploitation safety"*.

Therefore, a very important objective is the "*The Development of CTE Iernut by building a new combined cycle gas turbine power plant",* with a deadline for completion the end of 2020.

In 2020 performance of works continued (sewage and fire-fighting water networks; gas compressor casings and a series of equipment was delivered (automation system, software and instrumentation; cabinets for the new 6 kV station equipment; manual valves for all circuits; roof panels; front panels; connecting pipes from gas compressors to cooling system; telephone and telecommunication systems etc.).

For this year the followings are planned: delivery of equipment for commissioning and endurance tests (Diesel units; rainwater pumps; isolating valves for drained water circuit rainwater and wastewater pumping; medium and low voltage transformers, gas compressor electric station etc.), completion of remaining works, performing technological tests and commissioning.

Works performance deadline was 36 months but it was successively changed, as follows:

- Addendum No.10/13384/January 23, 2020 extended the dead-line to 40 months, with commissioning on May 26, 2020;
- Addendum No.15/May 26, 2020 extended the deadline to 47 months, with commissioning on December 26, 2020.

On December 3rd and 17th, 2020 negotiations took place between Romgaz and the Consortium representatives regarding extension of deadline and costs relating to completion of the Plant.

On December 22, 2020, the Consortium sent a letter requesting an extension of the dead-line and significant additional costs.

Under these circumstances, Romgaz Board of Directors consistent with Romgaz executive management, by Resolution No. 56 of December 23, 2020: „*does not agree to amend the Works Contract concluded between SNGN ROMGAZ SA and the general contractor DURO FULGUERA SA and ROMELECTRO SA Consortium, for the development of CTE Iernut, as regards amendment of the dead-line and adjustment of the contract price, as well as amendment of any other provision that would result in the amendment of the two previously mentioned contractual elements"*.

Asa a result, on December 30, 2020, Romgaz informs the Consortium on the decision regarding the non-extension of the dead-line and non-acceptance of additional costs, "*delay penalties will be charged pursuant to the Contract starting with December 27, 2020 and until effective fulfilment of obligations …*".

The main reasons causing delays in meeting the objectives included in the 2020 investment program, with a direct impact on the achievements were the following:

- drilling works were not completed on time due to difficulties encountered during drilling of scheduled wells;
- the occurrence of CORONAVIRUS (COVID-19) pandemic which generated delays of 3-4 months in the achievement of investment objectives, delays in performance of the activity of branches in relation to various institutions granting approvals as well as decrease in gas sales and implicitly of proceeds;
- Failure to perform a new drilling campaign within the partnership with Lukoil as a result of suspending the petroleum agreement for a period of 8 months;
- Delays in delivery of fixed assets by contractors (suppliers) generated by the SARS COV 2 pandemic;
- Extended periods of carrying out acquisition procedures;

- Extended periods for carrying out redesign activities, especially for the acquisition of drilling works;
- Obtaining the approvals and agreements issued by competent authorities (mainly from the Environment and Romanain Waters Authorities) after extremely long periods exceeding the legal terms;
- Restarting certain acquisition procedures because of non-compliant or inacceptable tenders exceeding the estimated values or the absence of tenders;
- Impossibility to conclude land renting/purchase contracts due to numerous legislative amendments as well as due to the absence of ownership deeds;
- Limited competition between domestic suppliers;
- Lack of Romanian producers on the market;
- Difficulties in obtaining lands (lack of ownership deeds and/or refusal of the owners to rent or sell lands) in order to carry out modernization, recompletion and reactivation works at planned wells.

Investment objectives that were not achieved or that were delayed during 2020 will continue to be fulfilled in 2021.

In 2020, ***Depogaz Subsidiar***y had an approved investment program of RON 42,168 thousand and achieved investments of RON 35,447.33 thousand, representing 84% as follows:

Item No.	Description	Program	Results
1.	Gas fields and UGSs exploitation, infrastructure and utilities in fields and underground storages	300	163.4
2.	Underground gas storage activities	1,100	256.9
3.	Modernisation and upgrading of installations and equipment, surface facilities, utilities	31,730	29,921.0
4.	Independent equipment and machines	3,131	1,973.4
5.	Costs with consultancy, studies and projects, software, licences and patents etc.	5,907	3,762.7
*	**TOTAL**	**42,168**	**35,447.4**

The investments were financed entirely from own sources.

For the reporting period, fixed assets were commissioned in amount of RON 27,263.3 thousand.

The main objectives recording achievements in 2020 were:

- *Modernisation of wells*: RON 24,031,703.70. Works were required due to the low performance of wells in the injection/withdrawal process affecting the daily injection capacity and especially the daily withdrawal capacity. Moreover, operating safety will be improved by installing safety valves. These works are required both for improving storage performances and by the provisions of safety reports drawn up in accordance with Law No. 59/2016;
- *Oil separator discharge automation*: RON 470,478.08. the work is necessary to provide safety conditions for the operating personnel while discharging oil separators and to prevent oil from leaking to the reservoir;
- *Feasibility study for Sărmășel underground storage*: RON 2,818,334.08. The study aims at developing the underground storage in Sarmasel from 900 million cm/cycle to approximately 1,550 million cm/cycle (an increase by 650 million cm/cycle), increasing the injection capacity by 4 million cm/day, to a total of 10 million cm/day, increasing the withdrawal capacity by 4 million cm/day, to a total of 12 million cm/day;
- *Modernisation of electric engines control system:* RON 400.27 thousand. Works to optimize the control system of electric engines driving compressors (MCC1 and MCC2 UCM Resita –Butimanu Compressor Station;
- *Triethylene glycol dehydration station, Group 145 Bilciuresti*: RON 1,770 thousand. Works began at this dehydration station which will provide conditions to increase the daily gas delivery capacity

of the underground storage to 20 million cm/day. Works were fully contracted and will be completed in 2021.

V. SECURITIES MARKET

Romgaz – company listed on Bucharest Stock Exchange and London Stock Exchange

Government Decision No. 831/2010[13] approved "*the sale by secondary initial public offering of shares representing 15% of S.N.G.N. Romgaz S.A. share capital by the Ministry of Economy, Trade and Business Environment, through the Office Ownership and Privatization in Industry*".

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

Item No.	Description	2013	2014	2015	2016	2017	2018	2019	2020
1.	Number of shares (x1000)	385,422.4	385,422.4	385,422.4	385,422.4	385,422.4	385,422.4	385,422.4	385,422.4
2.	Market capitalization[14]								
	*million RON	13,178	14,018	10,483	9,636	12,064	10,714	14,299	10,830
	*million EUR	2,952	3,127	2,315	2,122	2,589	2,297	2,992	2,224
3.	Maximum price (RON)	35.60	36.37	36.55	27.55	33.95	38.20	38.40	37.70
4.	Minimum price (RON)	33.80	32.41	26.30	21.60	25.10	27.80	27.35	25.75
5.	Year-end price (RON)	34.19	35.36	27.20	25.00	31.30	27.80	37.10	28.10
6.	Net profit per share (RON)	2.58	3.66	3.10	2.66	4.81	3.53	2.83	3.24
7.	**Gross** dividend per share (RON)	2.57	3.15	2.70	5.76[1)]	6.85[2)]	4.17[2)]	1.61[4)]	1.79[5)]
8.	Dividend yield (7./5.x100)	7.5%	8.9%	9.9%	23.04%	21.88%	15.00%	4.34%	5.85%
9.	Exchange rate (RON/EUR)	4.4639	4.4834	4.5285	4.5411	4.6597	4.6639	4.7785	4.8694

[1)] The gross dividend per share of RON 5.76 is composed of the gross dividend per share for financial year 2016 in amount of RON 2.40 per share, the additional gross dividend of RON 1.42 per share resulted from the distribution of retained earnings and the additional dividend of RON 1.94 per share assigned under the provisions of Article II and III of Government Emergency Ordinance No.29/2017, distributed from the company's reserves, representing own financing sources.

[2)] The gross dividend per share of RON 6.85 is composed of the gross dividend per share for financial year 2017 in amount of RON 4.34 per share, the additional gross dividend of RON 0.65 per share resulted from the distribution of retained earnings and the additional dividend of RON 1.86 per share assigned under the provisions of Article II and III of Government Emergency Ordinance No. 29/2017, distributed from the company's reserves representing own financing sources.

[3)] The gross dividend per share of 4.17 RON is composed of the gross dividend per share for financial year 2018 in amount of RON 3.15 per share, the additional gross dividend of RON 0.08 per share resulted from the distribution of retained earnings and the additional dividend of RON 0.94 per share assigned under the provisions of Article 43 of Government Emergency Ordinance No 114/2018.

[4)] Proposed dividend of RON 1.61 is composed of the gross dividend per share for financial year 2019, in amount of 1.39 RON per share and the additional gross dividend of 0.22 RON per share resulted from the distribution of retained earnings representing the impairment value of fixed assets and the value of fixed assets and abandoned investment projects in the reporting year that were financed from "*the share of expenses necessary for the development and modernisation of gas production*" according to GD No. 168/1998 as subsequently amended and supplemented.

[5)] The proposed gross dividend of RON 1.74 is composed of the gross dividend per share for the financial year 2020 in amount of RON 1.63 per share and the additional gross dividend of RON 0.16 per share resulted from the

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[13] GD No. 831 of August 4, 2010 on the approval of the privatisation strategy by public offering of Societatea Naţionala de Gaze Naturale "Romgaz" – S.A. Medias and of the mandate of the public institution involved in the development of such process.

[14] Calculated based on the closing price on the last trading day of the year, namely based on the exchange rate communicated by the National Bank of Romania and valid in the last trading day of the year.

distribution of retained earnings representing the impairment value of fixed assets and the value of fixed assets and abandoned investment projects in the reporting year that were financed from "*the share of expenses necessary for the development and modernisation of gas production*" according to GD No. 168/1998 as subsequently amended and supplemented.

In 2020, trading prices of shares and GDRs were negatively influenced partly by the evolution of COVID-19 pandemic and the decrease in oil price (trend noticeable mostly at the end of Q1 2020) and partly by the declining financial results recorded in HI and Q3 2020 compared to previous periods.

Thus, in the first two months of 2020, the trading price of Romgaz shares followed a slightly oscillating trend, increasing in January, up to a maximum of RON 37.70 per share reached on January 17, 2020 (which was also the year peak). Starting with March 2020, pursuant to WHO's declaration of COVID-19 pandemic worldwide as well as the decrease in oil price, Romgaz share recorded significant decreases down to a minimum of RON 25.80 per share on March 23, 2020.

In Q2 2020, share prices progressed positively reaching a maximum of RON 32.40 per share on June 17, 2020 following GMS' approval of S.N.G.N. ROMGAZ S.A Development/Investment Strategy for 2020-2025.

In H2 2020, shares recorded a decrease in price mainly on 2019 dividend registration date and following publication of *Reports on key operational results* for HI 2020 and Q3 2020 which showed a decrease in gas production and in gas delivered to third parties. Hence the shares reached a minimum threshold of the year on October 30, 2020.

Romgaz shares on Bucharest Stock Exchange had an annual average price of RON 30.08 and at the end of 2020 a price of RON 28.10, 23.75% lower than the price at the beginning of the year.

GDRs trading price recorded a similar trend on London Stock Exchange during the analysed period, recording an annual average price of USD 6.99/GDR. Starting with the first trading day of the year when GDR was quoted at USD 8.80 (which is also the maximum of the analysed period), its price dropped significantly especially in the last month of Q1 down to a minimum of USD 5.70/GDR, also recorded on March 23, 2020 similar to Romgaz share (which is also the minimum of the year).

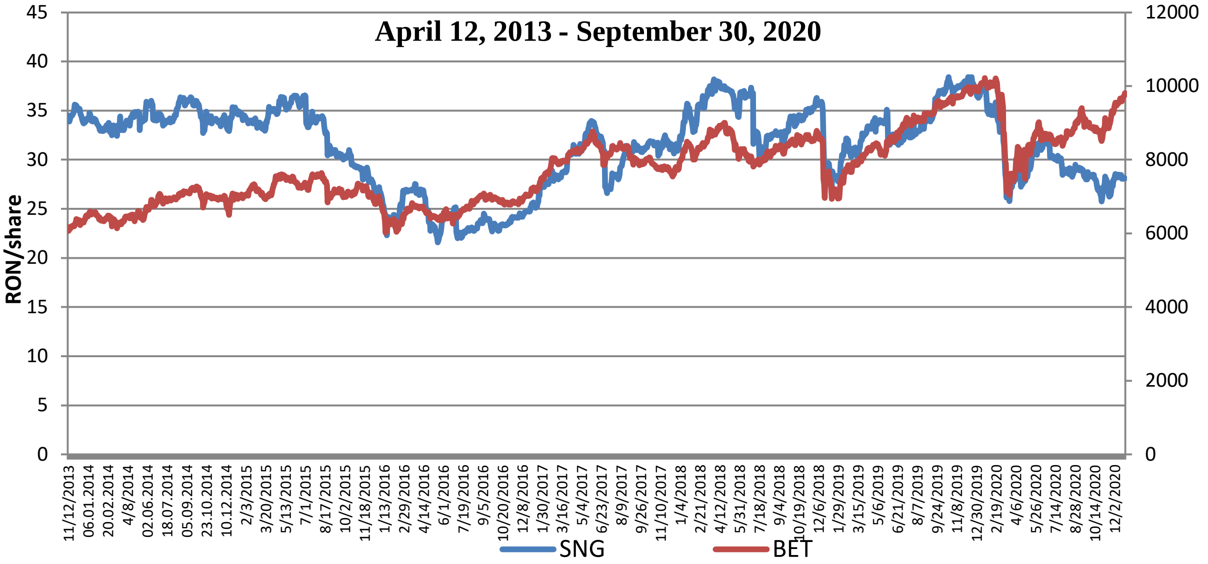
Moreover, similar to shares, in Q2 2020 and HII 2020, GDRs price followed an oscillating-increasing trend, reaching USD 7.30/GDR on June 17, 2020 and decreasing thereafter on the above mentioned dates.

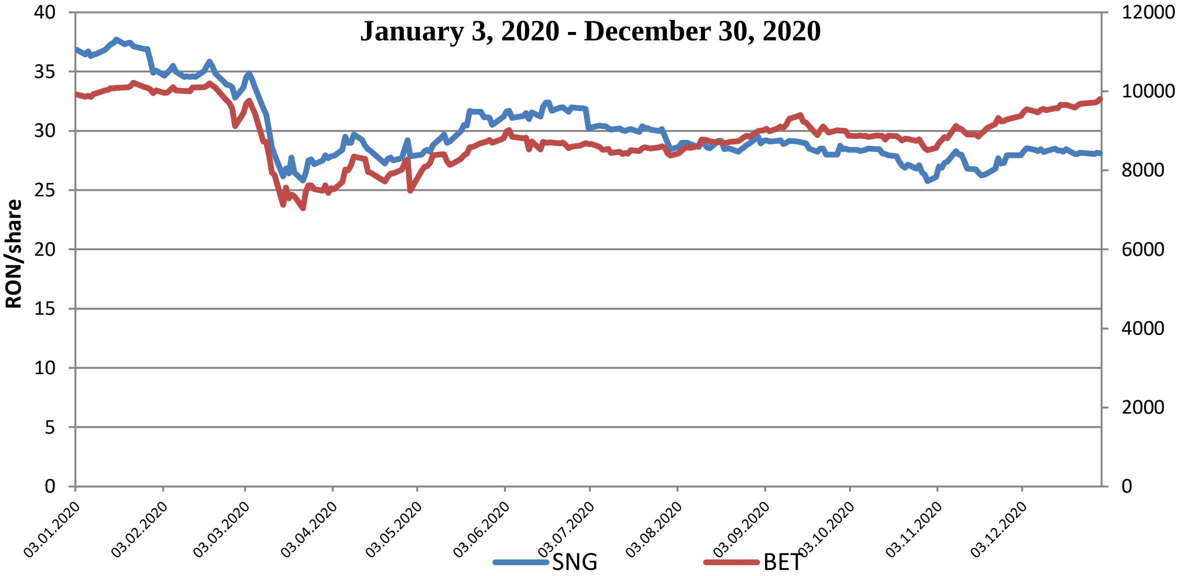
For GDRs, 2020 closed at USD 6.85, 22.16% lower than the maximum price recorded in the first day of the year.

Since the listing day up to present, Romgaz has been considered an attractive company for investors and holds a significant position in the top of local issuers, being included in BVB indices by the end of 2020, as follows:

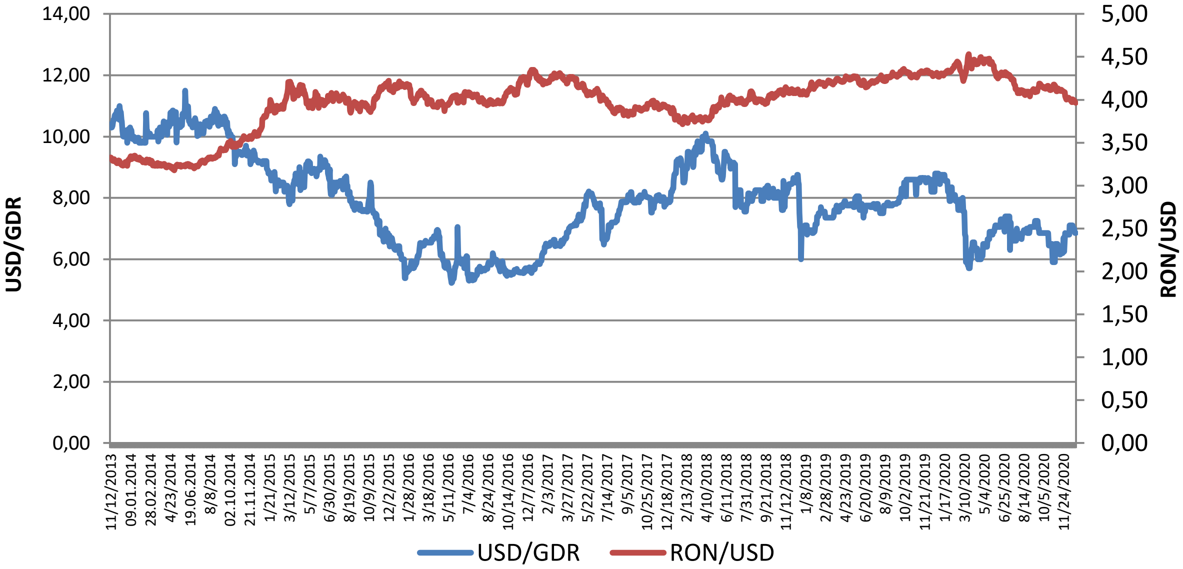
- Third place by market capitalization, in the top of Premium BVB issuers. With a market capitalization amounting to RON 10,830.36 million, respectively EUR 2,224.16 million on December 31 2020, Romgaz is the third largest listed company in Romania, being preceded by Banca Transilvania with a capitalization of RON 12,909.82 million, respectively EUR 2,651.21 million and OMV Petrom with a capitalization of RON 20,590.13 million, respectively EUR 4,228.47 million;
- Fourth place as regards the total amount of transactions in 2020 in the top of local issuers in the main segment of BVB (RON 976.98 million), ranked after Banca Transilvania, Fondul Proprietatea and OMV Petrom;
- Weight of 8.73% and 8.55% in BET index (top 15 issuers) and namely BET-XT index (top 25 issuers), 25.73% in BET-NG index (energy and utilities) and 8.73% in BET-TR index (BET Total Return).

Performance of Romgaz shares between listing and December 31, 2019, respectively in 2020 compared to the BET index, is shown below:





Performance of GDRs traded on London Stock Exchange and RON/USD exchange rate movements are shown below:



5.1. Dividend Policy

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

Therefore, **Government Ordinance No. 64/2001**[15] approved by *Law No. nr.769/2001* as amended and supplemented, provides at Article 1, par. (1), let. f) that the profit after the deduction of profit tax is distributed in proportion of *minimum* 50% as dividends.

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

According to **Government Emergency Ordinance No. 29/2017**[16]:

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

The table below shows the status of dividends for years 2018-2020:

Description	2018	2019	2020 Proposal
Dividends	1,607,211,408	620,530,064	689,906,096
Gross dividends per share (RON/share)	**4.17*)**	**1.61**)**	**1.79***)**
Dividend distribution rate (%)	117.64	56.95	55.29
Number of shares	385,422,400	385,422,400	385,422,400

*) The gross dividend per share of RON 4.17 is composed of the gross dividend per share for financial year 2018 in amount of RON 3.15 per share, the additional gross dividend of RON 0.08 per share resulted from the distribution of retained earnings and the additional dividend of RON 0.94 per share assigned under the provisions of Article 43 of Government Emergency Ordinance No.114/2018.

**) The gross dividend per share of RON 1.61 is composed of the gross dividend per share for financial year 2019 in amount of RON 1.39 per share and the additional gross dividend of RON 0.22 per share resulted from the distribution of retained earnings representing the impairment value of fixed assets and the value of fixed assets and abandoned investment projects in the reporting year that were financed from "*the share of expenses necessary for the development and modernization of gas production*" according to GD No.168/1998, as subsequently amended and supplemented.

***) The proposed gross dividend of RON 1.74 is composed of the gross dividend per share for the financial year 2020 in amount of RON 1.63 per share and the additional gross dividend of RON 0.16 per share resulted from the distribution of retained earnings representing the impairment value of fixed assets and the value of fixed assets and abandoned investment projects in the reporting year that were financed from "*the share of expenses necessary for the development and modernisation of gas production*" according to GD No. 168/1998 as subsequently amended and supplemented.

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

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

The internal regulation "*Dividend Policy*" was approved by the company's Board of Directors in March 2017 and is currently published on the company's webpage www.romgaz.ro, at "*Investor Relations – Corporate Governance – Reference Documents*".

VI. COMPANY MANAGEMENT

6.1. Board of Directors

The selection and appointment of members in the Board of Directors was accomplished in compliance with the provisions of GEO No.109/2001 on corporate governance of public enterprises, as subsequently amended and supplemented, approved by Law No.111/2016 and by Enforcement Guidelines (GD No. 722/2016).

The members of the Board of Directors on January 1st, 2020 were as follows:

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

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

In 2020, the Board of Directors underwent several changes. Thus, on **June 25, 2020**, by OGMS Resolution No. 8/2020, the company shareholders appointed the following persons as interim members of the Board:

- Stan Olteanu Manuela-Petronela
- Jude Aristotel Marius
- Simescu Nicolae Bogdan
- Marin Marius-Dumitru
- Botond Balazs.

Thus, beginning with June 26, 2020 the Board of Directors had the following composition:

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

6	Ciobanu Romeo Cristian	member	non-executive independent	PhD engineer	Universitatea Tehnica Iasi
7	Jansen Petrus Antonius Maria	member	non-executive independent	economist	London School of Business and Finance

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

Company's shareholders approve by Resolution No. 12 of **October 23, 2020**, to extend the mandates of interim board members by two months from the date of their expiration, in compliance with article 64^1 par. (5) of GEO No. 109/2011.

The Board of Directors gathered on **November 3** and acknowledged expiration of the chairperson mandate of Ms. Stan-Olteanu Manuela-Petronela and appointed Mr. Jude Aristotel Marius as Chairperson of the Board of Directors.

On **December 21, 2020**, by OGMS Resolution No. 14/2020, company's shareholders appointed, for a 4 months mandate, the following persons as interim members of the Board:

- Jude Aristotel Marius
- Marin Marius-Dumitru
- Stan Olteanu Manuela Petronela
- Balazs Botond
- Simescu Nicolae Bogdan.

Thus, the Board of Directors has the following composition:

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

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

The Curricula Vitae of the current Board members are to be found on the company's webpage www.romgaz.ro, at "*Investor Relations – Corporate Governance – Board of Directors*".

According to the information supplied by each director, ***there is no agreement, understanding or family relationship*** between them and another person that contributed to their appointment as directors.

As of December 31, 2020, among the members of the Board Mr. Simescu Nicolae Bogdan – holds 30 shares in the company, representing 0.00000778% of the share capital and Mr. Balazs Botond – holds 11 shares in the company, representing 0.00000285% of the share capital.

6.2. Upper Management

Chief Executive Officer (CEO)

The Board of Directors appointed Mr. Volintiru Adrian Constantin as Chief Executive Officer of the Company for 4 years by Resolution No. 45 of October 1, 2018.

Deputy Director General

The Board of Directors appointed Mr. ***Pena Daniel Corneliu*** as Deputy Director General of the Company for 2 months (interim mandate) by Resolution No. 32 of August 26, 2020, his appointment being effective as of August 28, 2020.

By Resolution No. 41 of October 14, 2020 the Board of Directors approved the 120 days extension of the interim mandate of Mr. Pena Daniel Corneliu as Deputy Director General (by mandate), namely until February 24, 2021.

Chief Financial Officer (CFO)

The Board of Directors appointed Mr. Bobar Andrei as Chief Financial Officer by Resolution No. 39 of August 28, 2018, for a limited period, from August 28, 2018 until November 2nd, 2021.

Mr. Bobar Andrei unilaterally terminated the Contract of Mandate by giving Notification no. 28593 on 22 August 2019.

The Board of Directors appointed Mr. Popescu Razvan as interim Chief Financial Officer for 4 months starting with December 14, 2020, by Resolution No.50 of December 9, 2020.

Other persons discharging managerial responsibilities:

Name	Position
ROMGAZ - headquarters	
Tataru Argentina	Deputy Director General
Chircă Robert Stelian	Deputy Director General
Grecu Marius Rareş	Human Resources Director
Paraschiv Nelu	Director of Drilling Department
Veza Marius Leonte	Accounting Director
Bobar Andrei	Finance Director
Dediu Mihaela Carmen	Exploration-Appraisal Director
Boiarciuc Adrian	Information Technology Director
Lupa Leonard Ionuţ	Acquisitions Director
Chertes Viorel Claudiu	Director of Regulations Department
Ciolpan Vasile	Energy Trade Director
Ioo Endre	Legal Department Director
Toader Mihaela Virginia	Strategy, International Relations, European Funds Director
-	HQSE Director
Mediaş Branch	
Totan Constantin Ioan	Branch Director
Achimeţ Teodora Magdalena	Economic Director
Radu Gheorghe Cristian	Production Director
Man Ioan Mihai	Technical Director
Târgu Mureş Branch	
Baciu Marius Tiberiu	Branch Director
Dîmbean Cătălin	Economic Director
Graţian Rusu	Production Director
Ştefan Ioan	Technical Director
Iernut Branch	
Balazs Bela	Branch Director
Haţegan Olimpiu Sorin	Economic Director
Oprea Maria Aurica	Trading Director
Bircea Angela	Technical Director

Name	Position
SIRCOSS	
Rotar Dumitru Gheorghe	Branch Director
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director
STTM	
Alexa Ovidiu	Branch Director
Obreja Dan Nicolae	Economic Director
-	Technical Director

The members of the upper management, except the chief executive officer, deputy chief executive officer (with interim mandate) 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 powers delegated to him by the Board of Directors.

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

According to our information, ***there is no agreement, understanding or family relationship between the members of the above mentioned upper management and another person that contributed to their appointment as members of the upper management***.

The table below shows the number of ***Company shares held by the members of the upper management*** as of December 31, 2020:

Item No.	Name	Number of shares held	Weight in the share capital (%)
0	1	2	3
1	Stefan Ioan	2,945	0.00076410
2	Obrejan Dan Nicolae	1,400	0.00036324
3	Dinca Ispasian Ioan	1,165	0.00030227
4	Andrea Nicolae	200	0.00005189
5	Balasz Bela Atila	38	0.00000986

Therewith, from Depogaz upper management the following members hold shares in the Company: Mr. Carstea Vasile – 412 shares, representing a weight of 0.00010690% in the share capital and Mr. Vecerdea Dan-Adrian – 45 shares, representing a weight of 0.00001168% in the share capital.

To the best of our knowledge, the persons mentioned at 6.1 and 6.2 above, ***have not been involved in litigations or administrative proceedings*** related to their activity in Romgaz ***in the last 5 years***, nor in proceedings related to their capacity of fulfilling the duties, except for the litigations arising out of the application of Decision No.26/2016 of the Court of Accounts – Sibiu Chamber of Accounts, having as scope the recovery of the amounts paid as regular overtime pay to the managing personnel and litigations on Labour Law No. 235/102/2020 and 2751/85/2019[(*)] (see "Litigations" posted on Romgaz website at www.romgaz.ro - Investor Relations - Annual Reports – 2020).

VII. CONSOLIDATED FINANCIAL-ACCOUNTING INFORMATION

7.1. Statement of Consolidated Financial Position

The consolidated financial statements of the Group have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union and the provisions of the Ministry of Finance Order No. 2844/2016. For the purposes of preparing these consolidated financial statements, the functional currency of the Company is deemed to be the Romanian Leu (RON). IFRS, as adopted by the EU, differs in certain respects from IFRS as issued by the IASB. However, the differences have no significant impact on the Group's consolidated financial statements for the years presented.

The consolidated financial statements have been prepared on a going concern basis in accordance with the historical cost convention.

The table below presents a summary of the statement of consolidated financial position as of December 31, 2020:

Indicator	31.12.2018 (thousand RON)	31.12.2019 (thousand RON)	31.12.2020 (thousand RON)	Variance (2020/2021)
0	1	2	3	4=(3-2)/2*100
ASSETS				
Non-current assets				
Property, plant and equipment	6,279,748	5,543,177	5,613,122	1.26%
Other intangible assets	4,970	9,164	14,774	61.22%
Investments in associates	23,298	24,772	26,102	5.37%
Deferred tax assets	127,491	230,947	275,328	19.22%
Other financial assets	9,812	5,388	5,378	-0.19%
Right of use asset	-	8,590	7,915	-7.86%
Total non-current assets	**6,445,319**	**5,822,038**	**5,942,619**	**2.07%**
Current asset				
Inventories	245,992	311,013	244,563	-21.37%
Trade and other receivables	826,046	638,158	592,875	-7.10%
Contract costs	583	312	651	108.65%
Other financial assets	881,245	1,075,224	1,995,523	85.59%
Other assets	168,878	42,485	68,023	60.11%
Cash and cash equivalent	566,836	363,943	416,913	14.55%
Total current assets	***2,689,580***	***2,431,135***	***3,318,548***	***36.50%***
TOTAL ASSEST	***9,134,899***	***8,253,173***	***9,261,167***	***12.21%***
EQUITY AND LIABILITIES				
Equity				
Issued capital	385,422	385,422	385,422	0.00%
Reserves	1,824,999	1,587,409	2,251,909	41.86%
Retained earnings	5,458,196	5,201,222	5,149,919	-0.99%
TOTAL EQUITY	**7,668,617**	**7,174,053**	**7,787,250**	***8.55%***
Non -current liabilities				
Retirement benefit obligation	139,254	114,876	128,690	12.03%
Provisions	510,114	366,393	538,931	47.09%
Deferred income	21,128	21,244	136,308	541.63%
Lease liability	-	8,285	7,845	-5.31%
Total non-current liabilities	***670,496***	***510,798***	***811,774***	***58.92%***
Current liabilities				
Trade payables and other liabilities	186,702	109,910	89,132	-18.90%

Indicator	31.12.2018 (thousand RON)	31.12.2019 (thousand RON)	31.12.2020 (thousand RON)	Variance (2020/2021)
0	1	2	3	4=(3-2)/2*100
Contract liabilities	46,381	42,705	81,318	90.42%
Current tax liabilities	68,001	64,342	59,831	-7.01%
Deferred income	8,442	3,729	10,899	192.28%
Provisions	93,645	82,701	156,415	89.13%
Lease liability	-	694	767	10.52%
Other liabilities	392,615	264,241	263,781	-0.17%
Total current liabilities	***795,786***	***568,322***	***662,143***	***16.51%***
TOTAL LIABILITIES	***1,466,282***	***1,079,120***	***1,473,917***	***36.59%***
TOTAL EQUITY AND LIABILITIES	***9,134,899***	***8,253,173***	***9,261,167***	***12.21%***

NON CURRENT ASSETS

The total of non-current assets increased by 2.07% by the end of 2020, compared to the end of 2019, meaning by RON 120.58 million, from RON 5,822.04 million on December 31, 2019 to RON 5,942.61 million, on December 31, 2020.

In 2020 the Group invested a total of RON 637.25 million, representing 71.19% of the investment budget.

Of the net increase of RON 69.95 million recorded in non-current assets during 2020 RON 136.04 million relates to the increase of the decommissioning provision. As mentioned above, the increase in this provision is caused by the decrease of 10-year government bonds yield, this rate being used as a discount factor.

Investments in associates are accounted for in the consolidated financial statements by the equity method which implies that the investment is initially recognized as cost and adjusted afterwards, depending on the post-acquisition modifications, in the apportioned share of the Group in the associate's net assets in which the investment had been made. The Group's profit or loss includes its share of the associate's profit or loss.

Deferred tax asset

Deferred tax asset is based on the temporary differences between the accounting value and the tax value of balance sheet items. These temporary differences may be taxable, meaning they will result in taxable values when determining the taxable result of future periods, or deductible, meaning they will result in values that are deductible when determining the taxable result of future periods.

The increase in the deferred tax asset is mainly caused by the increase in the decommissioning provision (which generated an increase in the deferred tax asset of RON 28.28 million) and the bankruptcy of one of the Group's clients (which generated an increase in the deferred tax asset of RON 36.2 million).

CURRENT ASSETS

Current assets increased by RON 887.4 million on December 31 2020, due to the increase of cash, cash equivalents and other financial assets by RON 973.3 million; this increase is due to a lower level of investments, cost reductions and lower dividends distributed to shareholders.

Inventories

Inventories decreased at the end of 2020, as compared to December 31, 2019 by 21.37% as a result of the decrease of gas stock in storages (367.8 million m^3 were extracted, while only 225.9 million m^3 were injected in storages).

Trade and other receivables

Trade receivables decreased in 2020 as compared to December 31, 2019 by 7.10% as a result of lower prices charged for gas deliveries in 2020 compared to 2019.

NON-CURRENT LIABILITIES

At the end of 2020, non-current liabilities increased by 58.92% as compared to December 31, 2019, mainly due to the increase of the decommissioning provision for wells with 45.99% (RON 176.7 million, of which RON 4.2 million related to the short-term portion) and from RON 115 million received from the National Investment Plan ("NIP") for Iernut Power Plant construction – the NIP amounts received are a government grant and will be recorded as income as the plant depreciates.

CURRENT LIABILITIES
Current liabilities increased with RON 93.82 million from RON 568.32 million recorded on December 31, 2019 to RON 662.14 million at the end of 2020.

Trade payables and other liabilities

Trade payables decreased compared to December 31, 2019 by 18.90% due to lower payables to non-current assets suppliers (-RON 25.6 million) because of the lower level of investments in 2020.

Contract liabilities
These liabilities represent advances received from customers on December 31, 2020 for 2021 deliveries.

Other liabilities

Other liabilities recorded a small decrease of 0.17% as compared to December 31, 2019. Most of these liabilities are liabilities to state budget that are due in January 2021, according to regulations, and liabilities to employees.

Provisions

On December 31, 2020, current provisions recorded an increase of 89.13% as compared to December 31, 2019. This increase is due, mainly, to the provision for greenhouse gas emission certificates (RON 81.2 million at December 31, 2020, the equivalent of 525,067 certificates compared to RON 23.4 million at December 31, 2019, the equivalent of 181,277 certificates).

The Group ***did not issue bonds or other debt instruments*** in financial year 2020.

7.2. Statement of Consolidated Comprehensive Income

The Group profit and loss account summary for the period January 1 – December 31, 2020, as compared to the similar period of the years 2018 and 2019, is shown below:

Indicator	Year 2018 (thousand RON)	Year 2019*) (thousand RON)	Year 2020 (thousand RON)	Variance (2020/2019)
0	1	2	3	4=(3-2)/2*100
Revenue	5,004,197	5,080,482	4,074,893	-19.79%
Cost of commodities sold	(245,020)	(107,800)	(18,617)	-82.73%
Investment income	53,279	38,124	47,845	25.50%
Other gains and losses	(102,989)	7,519	(6,534)	-186.90%
Impairment losses on trade	(19,941)	(81,221)	17,551	-121.61%
Changes in inventories	(32,180)	80,008	(16,151)	-120.19%
Raw materials and consumables used	(75,460)	(76,048)	(58,282)	-23.36%
Depreciation, amortization and impairment expenses	(708,142)	(1,451,766)	(672,063)	-53.71%

Employee benefit expense	(621,330)	(670,408)	(767,251)	14.45%
Finance cost	(29,724)	(24,740)	(17,000)	-31.29%
Exploration expense	(247,123)	(1,636)	(26,509)	1,520.35%
Share of associates' result	622	1,474	1,330	-9.77%
Other expenses	(1,409,447)	(1,551,642)	(1,158,143)	-25.36%
Other income	18,442	32,834	25,439	-22.52%
Profit before tax	**1,585,184**	**1,275,180**	**1,426,508**	**11.87%**
Income tax expense	(219,016)	(185,557)	(178,604)	-3.75%
Profit for the period	**1,366,168**	**1,089,623**	**1,247,904**	**14.53%**

*) – restated: Since 2020, the Group presents the release to income of the impairment for non-current assets written-off as a decrease of the expense generated by the write-off of the respective assets, as "other gains and losses" or as "exploration expense". Previously, the release to income was presented as "depreciation, amortization and impairment". For comparability purposes, 2019 was restated.

Revenue

In 2020, Romgaz records consolidated revenues of RON 4.1 billion as compared to RON 5.1 billion achieved in 2019.

The decrease resides in a 24.48% fall of revenue from sales of gas produced by Romgaz and of gas purchased for resale, as well as gas from joint ventures. On the other hand, consolidated revenue from storage services increased by 13.32% and revenue from electricity sales increased by 29.90%.

Please note that consolidated storage revenues include revenue from services invoiced by Romgaz; non-consolidated storage revenue are down 3.87% compared to 2019.

Cost of Commodities Sold

In 2020, cost of commodities sold decreased by 82.73% as compared to the previous year, mainly due to the fact that no gas was imported in 2020.

Investment Income

Investment income represent income from placing Group's liquidities in bank deposits or in state bonds.

Other Gains and Losses

The largest items recorded in Other Gains and Losses are losses from write-offs of non-current assets (RON 65.7 million) mainly representing abandoned gas wells as dry holes.

Net Impairment losses on trade receivables

The Group records impairments for trade receivables depending on non-collection risks. In 2020, the Group recorded a net gain from impairment of trade receivables of RON 17.6 million. Non-collection risk estimated in 2019 was reduced for one of the clients undergoing an insolvency procedure due to timely collection of receivables, which led to a decrease of the impairment recorded for this client.

Changes in Inventory

During 2020 the gas quantity withdrawn from storages was higher than the quantity injected in storages, thus generating negative changes in inventory (loss), unlike the year 2019 when the injected quantity was higher than the withdrawn quantity generating a favourable change in inventories (income). The quantity of gas injected in storage by the Company in 2020 as compared to 2019 decreased by 57.1% while the withdrawn quantity increased by 42.7%.

Raw materials and consumables used

The decrease of raw materials and consumables is due to a volume of technological consumption 19.3% lower (- 40.1% in terms of value) and 31.5% lower fuel expenses during 2020 as compared to 2019.

Depreciation, amortization and impairment

The depreciation, amortization and impairment of non-current assets expenses dropped by 53.71% due to a reduction by 13.9% of depreciation expenses and a 75.97% decrease in fixed assets impairment.

Due to existing market conditions the Group identified impairment indicators for assets used in the gas segment. The Group ran an impairment test which did not result in any additional impairment. In 2020, the Group only recorded impairments for specific assets, for abandoned wells as dry holes.

Exploration expenses

Exploration expenses recorded in 2020 of RON 26.51 million increased by 1,520.45% compared to the previous year.

The increase is due to higher exploration expenses (seismic works) by RON 24.2 million.

Exploration expenses also include the costs of wells written off. In 2020 the cost of these decommissioned investments was of RON 836 thousand, compared to RON 23.1 million in 2019.

Other expenses

In 2020 other expenses decreased by 25.36% as compared to 2019. The decrease of RON 393.49 million is mainly due to lower windfall tax and lower royalties.

In 2020, other expenses include net expenses with provisions of RON 90.7 million compared to 2019 when there was a net income from provisions of RON 57.2 million. The most significant provision expenses are:

- CO_2 certificates used in 2020 that will be acquired in 2021 (the net expense of RON 57.8 million is influenced by the use in 2020 of the provision recorded for this purpose in 2019);
- increase in the decommissioning provision (net expense of RON 24.3 million), following a lower discount rate used in the computation (4.41% in 2019; 2.97% in 2020); this rate considers the yield of 10-year government bonds.

Other income

Other income decreased by 22.52% in the year ended December 31, 2020 as compared to the same period of 2019, due to the decrease of income from penalties for uncollected amounts according to contract terms or incompliance by suppliers with execution terms.

7.3. Statement of Consolidated Cash Flows

Statements of cash flows recorded in the period 2018 – 2020 are shown in the table below:

thousand RON

INDICATOR	2018	2019 restated*)	2020
Cash flow from operating activities			
Net profit for the year	**1,366,168**	**1,089,623**	**1,247,904**
Adjustments for:			
Income tax expense	219,016	185,557	178,604
Share from associates' result	(622)	(1,474)	(1,330)
Interest expense	-	543	593
Unwinding of decommissioning provision	29,724	24,197	16,407
Interest revenue	(53,279)	(38,124)	(47,845)
Net loss on disposal of non- current assets	62,961	(2,542)	7
Change in decommissioning provision recognized in profit or loss, other than unwinding	(34,390)	(51,760)	24,273
Change in other provisions	30,152	(5,402)	66,467
Net impairment of exploration assets	(118,809)	231,278	97,695
Exploration projects written-off	149,620	123	836
Net impairment of non-current assets	235,661	699,531	125,997
Depreciation and amortization	591,290	520,957	448,371
Amortization of contract costs	1,291	651	795
Impairment of investments in associates	-	-	-
Net impairment of other financial assets	-	-	-
(Gains)/(Losses)on financial investments evaluated at fair value through profit or loss	40,782	4,424	10
Losses from disposal of other financial investments	-	-	-

INDICATOR	2018	2019 restated*)	2020
Losses from trade receivables and other receivables	20,048	67,297	(19,700)
Other gains and losses	-	(52)	-
Net impairment of inventories	(2,052)	5,125	8,427
Income from liabilities written off	(58)	(89)	(368)
Income from subsidies	(269)	(81)	(7)
Cash generated from operations before movement in working capital	**2,537,234**	**2,729,782**	**2,147,136**
Movements of working capital			
(Increase)/Decrease in inventories	143,114	(38,428)	58,516
(Increase)/Decrease in trade and other receivables	(8,156)	116,143	38,311
(Increase)/Decrease in trade and other liabilities	(194,681)	(78,115)	17,600
Cash generated from operational activities	**2,477,511**	**2,729,382**	**2,261,563**
Interest paid	-	-	(3)
Income tax paid	(334,324)	(297,059)	(224,796)
Net cash generated by operating activities	**2,143,187**	**2,432,323**	**2,036,764**
Cash flows from investing activities			
Bank deposits set up and acquisition of state bonds	-	(2,591,658)	(2,964,757)
Bank deposits and state bonds matured	1,917,569	2,387,686	2,060,925
Interest received	49,338	43,470	38,601
Proceeds from sale of non-current assets	961	1,305	1,733
Acquisition of non-current assets	(948,588)	(694,349)	(547,215)
Acquisition of exploration assets	(205,371)	(173,563)	(66,516)
Proceeds from disposal of associates	-	-	-
Net cash used in investing activities	**813,909**	**(1,027,109)**	**(1,477,229)**
Cash flows from financing activities			
Dividends paid	(2,638,535)	(1,607,246)	(620,346)
Subsidies received	21,108	-	115,027
Repayment of lease liability	-	(861)	(1,196)
Subsidies reimbursed	-	-	(50)
Net cash used in financing activities	**(2,617,427)**	**(1,608,107)**	**(506,565)**
Net Increase/(Decrease) in net cash and cash equivalents	**339,669**	**(202,893)**	**52,970**
Net Cash and cash equivalents at the beginning of the year	**227,167**	**566,836**	**363,943**
Cash and cash equivalents at the end of the year	**566,836**	**363,943**	**416,913**

*) see the comment in the statement of consolidated comprehensive income.

VIII. CORPORATE GOVERNANCE

Corporate governance accommodates continuously to the requirements of a modern economy, to increasing globalization of social life and to investors and interested parties need for information on companies business.

As a national company Romgaz has to comply with GEO No. 109 of November 30, 2011 on public companies corporate governance, as amended and supplemented (the "Ordinance"), approved by Law 111/2016 and Government Decision no. 722 of September 28, 2016 on Methodological Norms for establishing the financial and nonfinancial performance criteria and variable component of remuneration of Board members, or if applicable, of the supervisory board members, and of managers and members of the directorate.

The Ordinance sets up a number of principles and provisions to ensure their application.

Ordinance provisions are observed by the company, and are included in the Company's Articles of Incorporation, as amended and approved by the company's shareholders in the following resolutions no. 19 of October 18, 2013; no. 5 of July 30, 2014, no. 8 of October 29, 2015, no.9 of October 28, 2016 and no.4 of August 9, 2017 (latest update of the Articles of Incorporation).

The updated Company's Articles of Incorporation is posted on the webpage www.romgaz.ro, at "*Investor Relations – Corporate Governance - Reference Documents*".

Since November 12, 2013, Romgaz shares have been traded on the regulated market governed by BVB, at category I, under the symbol "*SNG*", as well as on London Stock Exchange (where GDRs are traded) under the symbol "*SNGR*".

On January 5, 2015, after the Financial Supervisory Authority approved the proposals to amend BVB's regulations, Romgaz was admitted into the PREMIUM category of BVB regulated market.

As issuer of securities traded on the regulated market, Romgaz has to fully comply with the corporate governance standards provided by applicable national regulations, namely the Corporate Governance Code of BVB, posted on the internet webpage www.bvb.ro, at "*Investor Relations – Regulations - BVB Regulations*".

The Corporate Governance system was and will be continuously improved according to rules and recommendations applicable to Companies listed on Bucharest Stock Exchange and on London Stock Exchange.

Some of the *already implemented measures include*:

- drafting a new Corporate Governance Code, in accordance with the new Corporate Governance Code of BVB applicable since January 4, 2016 – the document was approved by Romgaz Board of Directors by Resolution no.2/January 28, 2016. The Corporate Governance Code was updated and shall be submitted for approval of the Board of Directors.

  The Company's Articles of Incorporation is posted on the webpage www.romgaz.ro, at "*Investor Relations – Corporate Governance – Reference Documents*".

- Board of Directors approval and update of the Internal Rules for the advisory committees during the meetings held on March 24, 2016 (for all committees) and March 23, 2017 (update of the Internal Rules of the Strategy Committee) and May 14, 2018 (update of the Internal Rules of the Audit Committee). The Internal Rules of the Nomination and Remuneration Committee was updated to include all legal amendments on corporate governance (Law No. 111/2016 and GD No. 722/2016) and approved by the Board of Directors on August 28, 2018;

- Update of the Terms of Reference of the Board of Directors to include the latest legal changes on corporate governance. The Terms of Reference were approved by the Board of Directors on March 23, 2017 and updated subsequently in January 2018 and in February 2019;

- Approval of Romgaz Policy related to remuneration and the Policy related to the assessment of Board members on March 12, 2019; as a consequence, the Romgaz remuneration policy will be reviewed and summited for the approval of the Ordinary General Meeting of Shareholders;

- Approval of Romgaz Policy related to transactions with affiliates and the draft statement of Board members' commitment to develop and implement the internal management control system and the risk management policy on March 20, 2019;
- Draft/update a series of internal regulations/policies in compliance with BVB Corporate Governance Code;
- Include in the Board of Directors' Report a chapter dedicated to corporate governance referring, among others, to : the applicable Corporate Governance Code, the duties of the executive management and of the three advisory committees of the Board of Directors (Nomination and Remuneration Committee and Audit Committee and the Strategy Committee), aspects related to remuneration of members of the Board and of managers, measures to improve the corporate governance, aspects related to internal control and risk management system and aspects related to social responsibility;
- Include in the Board of Directors' Report a section referring to compliance with the provisions of BVB Corporate Governance Code (Annex 1);
- Diversify communication ways with shareholders and investors by posting on the website press releases addressed to market players, half year and quarterly financial statements, annual reports, procedures to follow for access and participation to GMS, and by setting up of an "*Infoline*" for shareholders/investors to respond to their requirements and/or questions;
- Establish a specialized department dedicated to investor and shareholder relations;
- Starting the procedures necessary for adopting and implementing the National Anticorruption Strategy. Therefore, a Commission has been established, responsible with the implementation of the strategy provisions; the Chief Executive Officer adopted the Statement of Adherence to the National Anticorruption Strategy and Integrity Plan for 2017, 2018 and 2019, documents published on the internet website at "*Investor Relations – Corporate Governance – Transparency*".

  Among the measures to be implemented, we mention:

  - the review of the remuneration policy for the members of the Board and the executive management following the legislative changes on issuers of financial instruments and market operations and submission for the approval of the Board of Directors;
  - Conclusion of professional liability insurance for members of the board and directors and appointment of a person to monitor these contracts.

Aspects related to shareholders

The shareholders structure is presented within Chapter II "*Parent Company at a Glance*"

Romgaz respects and protects the rights and legitimate interests of the shareholders. The company undertakes all necessary efforts to facilitate the exercitation of shareholders' rights in relation with the company under the law and in compliance with the Articles of Incorporation.

A separate document on the rules and procedures of the GMS setting the framework for the way GMS is organized and carried out was drafted and is about to be submitted for the approval of the Board of Directors in the following period.

General Meeting of Shareholders

The General Meeting of Shareholders is convened by the Board of Directors, whenever necessary, in accordance with the legal provisions. The convening notices and afterwards, the GMS resolutions, are sent to Bucharest Stock Exchange, London Stock Exchange and to the Financial Supervisory Authority in compliance with the regulations of the capital market and are published on the company's website at "*Investor Relations – General Meeting of Shareholders*".

The Ordinary General Meeting of Shareholders has the following main competencies:

a) to approve the company's strategic objectives;

b) to discuss, approve or amend, as the case may be, the annual financial statements of the company based on the reports submitted by the Board of Directors and the financial auditor, and to set the dividend;
c) to discuss, approve or request, as the case may be, the addition or review of the company's management plan, under legal provisions;
d) to set the income and expenditure budget for the following financial year;
e) to appoint and revoke Board members and to set their remuneration;
f) to make an opinion on the governance of the Board of Directors;
g) to appoint and to dismiss the financial auditor and to set the minimum term of the financial audit contract;
h) to approve contracting bank loans, whose value exceeds, individually or cumulated with other bank loans in progress over a financial year, EUR 100 million, equivalent in RON;
i) to approve the documents for establishing guarantees, other than guarantees for the company's non-current assets, with individual or cumulated value with other established guarantees other than guarantees in progress for the company's non-current assets over a financial year of EUR 50 million, equivalent in RON.

The Extraordinary General Meeting of Shareholders has the following main competencies:

a) to change company's legal form;
b) to move the headquarters;
c) to change the Company's scope of activity;
d) to establish companies, as well as conclude or amend incorporation documents of the companies where Romgaz is partner;
e) to conclude or amend joint venture contracts where the company is contracting party;
f) to increase the share capital;
g) to reduce the share capital or to restore it by issuing new shares;
h) to merge with other companies or to spin-off the company;
i) the anticipated winding up of the company;
j) to convert shares from a category into the other;
k) to convert one category of bonds into another one or in shares;
l) to issue bonds;
m) to conclude the documents related to the acquisition of non-current assets whose value exceeds, separately or cumulatively, during a financial year, 20% of the total non-current assets of the company, except for receivables;
n) to conclude the documents related to disposal, exchange and set up of guaranties referring to non-current assets whose value exceeds, separately or cumulatively, during a financial year, 20% of the total non-current assets, except for receivables;
o) to conclude the documents related to rental of tangible assets to the same contractors or to persons involved or acting together, for a period longer than 1 (one) year, whose value exceeds, separately or cumulatively, 20% of the total non - current assets, except for receivables at the document conclusion date;
p) any other change in the articles of incorporation or any other resolution that requires the approval of the extraordinary general meeting of shareholders.

Board of Directors

Romgaz is a joint-stock company governed under an one-tier system.

The Board of Directors consists of 7 (seven) members elected by the general meeting of shareholders, in compliance with legal applicable provisions and the provisions of the Articles of Incorporation, one of its members is appointed Chairman of the Board.

Board of Directors composition complies with the legal criteria/conditions on the share of non-executive and independent members, the studies and competencies, experience and gender diversity (criteria detailed in the Board of Directors Terms of Reference).

Board of Directors componence on December 31, 2020 is presented in Chapter VI "*Company management*". According to the independency declarations sent to the company, three board members declared to be independent and four as non-independent. The independence of Board members is determined based on the criteria detailed in Romgaz Corporate Governance Code (art.6).

Aspects on board members' rights, obligations and competencies, as well as aspects related to Board Meetings are detailed in the Articles of Incorporation and in the Board of Directors Terms of Reference.

Until December 31, 2020, the Board of Directors did not make a self- assessment for 2020.

Advisory Committees

In its activity, the Board of Directors is supported by three advisory committees, namely: the nomination and remuneration committee, the audit committee and the strategy committee.

The Audit Committee has legal competencies provided in Article 65 of Law No. 162/2107[17] consisting mainly in monitoring the financial reporting process, the internal control systems, the internal audit and risk management systems within the company, as well as in controlling the statutory audit activity related to annual financial statements and managing the relationship with the external auditor.

The Nomination and Remuneration committee has, basically, the competence to set the procedures for selecting the candidates for the board member and manager positions, and to make proposals for the position as board member and to get involved in the selection and recruitment procedure of managers, and to make proposals for their remunerations. During the financial year, the committee has also the obligation to elaborate an *annual report on the remuneration and other benefits awarded to directors and managers*.

The main scope of the strategy committee is to coordinate drafting/updating and monitoring of the company's development strategies, correlated with the national and European energy strategy, to analyse the implementation of such strategies and the measures needed to reach the objectives set, and to monitor the business diversification projects by carrying out some investment objectives.

The detailed presentation of duties and responsibilities of each advisory committee can be found in their respective Internal Rules published on the company's webpage www.romgaz.ro at "*Investor Relations – Corporate Governance – Reference Documents".*

On December 31, 2020, the advisory committees' structure was the following:

I) Nomination and Remuneration Committee:

- Ciobanu Romeo Cristian (chairman)
- Balazs Botond
- Jansen Petrus Antonius Maria
- Jude Aristotel Marius
- Marin Marius Dumitru

II) Audit Committee

- Marin Marius Dumitru (chairman)
- Balazs Botond
- Ciobanu Romeo Cristian
- Jansen Petrus Antonius Maria
- Jude Aristotel Marius

III) Strategy Committee

- Jansen Petrus Antonius Maria (chairman)
- Balazs Botond

[17] Law No. 162 of July 15, 2017 on the statutory audit of annual financial statements and of annual consolidated financial statements and of amending pieces of legislation

- Jude Aristotel Marius
- Ciobanu Romeo Cristian
- Simescu Nicolae Bogdan

Information regarding the Board of Directors' meetings and the Advisory Committees meetings held in 2020

The Board of Directors held in 2020 a number of 37 meetings, in compliance with the legal and statutory provisions, out of which:

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

The attendance at the Board of Directors' meetings:

First and last name	Number of meetings during the mandate	P		PA		NP	
		No.	%	No.	%	No.	%
Stan Manuela Petronela	**37**	37	100.0				
Marin Marius	**37**	14	93.33			1	2.71
Ciobanu Romeo Cristian	**37**	36	97.29				
Jansen Petrus Antonius Maria	**37**	34	91.98			3	8.11
Jude Aristotel Marius	**37**	37	100.0				
Balazs Botond	**37**	37	100.0				
Simescu Bogdan	**20**	37	100.0				
Hărăbor Tudorel	**15**	14	93.33			1	6.67

where:
P = participate
PA = power of attorney
NP = did not participate

Board members' attendance at Advisory Committees' meetings:

***Nomination and Remuneration Committee**: 9 meetings*	
First name and last name	**physical attendance**
Balazs Botond	9
Stan-Olteanu Manuela-Petronela	9
Ciobanu Romeo Cristian	8
Jansen Petrus Antonius Maria	8
Simescu Bogdan	8
Hărăbor Tudorel	2

***Audit committee**: **21** meetings*	
First name and last name	**physical attendance**
Jansen Petrus Antonius Maria	21
Marin Marius Dumitru	21
Jude Aristotel Marius	21
Ciobanu Romeo Cristian	16
Balazs Botond	16
Hărăbor Tudorel	9

Strategy Committee: 6 meetings	
First name and last name	**physical attendance**
Jude Aristotel Marius	6
Balazs Botond	6
Harabor Tudorel	4
Marin Marius	3
Stan Olteanu Manuela Petronela	3

Chief Executive Officer

In compliance with the company's Articles of Incorporation "*the Board of Directors shall assign, totally or part of, the management competences of the Company to one or more managers, appointing one of them as Chief Executive Officer*" Article 24, paragraph (1), "manager" meaning "*the person to whom the Board of Directors delegated authority to manage the company"* Article 24, paragraph (12).

The Board of Directors decided by Resolution No. 45 of October 1, 2018 to appoint Mr. Volintiru Adrian Constantin as Chief Executive Officer for a four years mandate.

By Resolution no. 49 from October 9, 2018, the Board of Directors established the duties delegated to the Chief Executive Officer as follows:

A. *Duties related to internal management*:

a) Carries out the Company's main activity and development directions established by the Board of Directors;

b) Carries out the Company's' development strategies and/or policies approved by the Board of Directors;

c) Monitors the way the accounting and financial control policies are carried out and approves the financial statements and financial planning reports;

d) Concludes legal acts on behalf, in the interest and on the account of the Company, according to Law No. 31/1990. For contracts with an equivalent value between 1,000,000 Euro and 10,000,000 Euro it is required to inform the Board of Directors within 30 days. Contracts with a value higher or equal with the equivalent of 10,000,000 Euro are approved by the Board of Directors;

e) Organizes the Company's' personnel selection, hires, awards, sanctions and fires, as the case may be, the Company's' personnel in compliance with the provisions of labour legislation and the provisions of the labour contract;

f) appoints, suspends and/or revokes the units' managers and executive directors hired by the company and negotiates their base salaries.

g) Submits for approval of the Board of Directors the Organisation and Operation Rules of the Company and the organizational chart;

h) Approves the Company's' organizational and functional chart as well as the other internal documents which regulate the Company's' activity at employees level;

i) Negotiates the Collective Labour Agreement (CLA) and the individual labour agreements in compliance with the provisions of the CLA – salary and social expenses and fund limits provided in the income and expenditures budget approved by the Company's General Meeting of Shareholders;

j) Establishes the personnel's competencies, attributions, duties and responsibilities on departments, except for executive board members and managers that signed a contract of mandate;

k) Analyses business opportunities with internal and external partners in compliance with the Company's interest;

l) Ensures efficiency of the internal control system and the management system in compliance with the legislation in force;

m) Organizes and manages the Company's activities, coordinates and controls them in order to ensure the lawful usage of financial, material and human resources, in accordance with the accounting system approved by the Company's Board of Directors and the applicable legal provisions and the provisions of the Contract of Mandate;
n) Represents the Company with full and discretionary rights in general meetings and boards of directors of third companies where the Company is partner/shareholder, excepting naming and revoking the members of their boards of directors which is possible through special mandate from the Board of Directors.
o) May delegate the power to represent the company for specific documents by its decisions with the prior approval of the Board of Directors;
p) Ensures and promotes the Company's image;
q) Fulfils any other duties provided in the applicable legal frame in compliance with the law.

B. *Responsibilities and duties related to representation of the company*:

- represents the company when concluding/issuing legal documents;
- represents the company in pre-contractual, administrative and/legal procedures;
- fulfils any accessory duties, namely any acts and special operations necessary and useful for achieving the above mentioned duties.

Deputy Chief Executive Officer

By Resolution No. 32/ August 26, 2020, The Board of Directors appointed Mr. Pena Daniel Corneliu as Deputy Chief Executive Officer with an interim mandate of two months, from August 26 until October 26, 2020. By Resolution no. 41, October 14, 2020, the Board of Directors approved the extension by 120 days of the interim mandate, until February 24, 2021, respectively.

By Resolution No. 32/ August 26, 2020, the Board of Directors delegated to the deputy chief executive officer the following duties:

a) Endorses legal acts on behalf, in the interest and on the account of the Company, in compliance with the Articles of Incorporation, Board of Directors' Resolutions, General Meeting of Shareholders' Resolutions, company's scope of activity and objectives;
b) Monitors the way the accounting and financial control policies are carried out and approves the financial statements and financial planning reports;
c) Endorses the Company's' organizational and functional chart and any amendments to it as well as the other internal documents which regulate the Company's' activity at employees level;
d) Negotiates together with the Chief Executive Officer the Collective Labour Agreement
e) Endorses the personnel's competencies, attributions, duties and responsibilities on departments, except for executive board members and managers that signed a contract of mandate;
f) Endorses the documents required and useful for the personnel selection, hiring, awarding, sanctioning and dismissal, as the case may be, in order to ensure an optimal performance of the activity, in compliance with the provisions of labour legislation and labour contract;
g) Endorses the appointment, suspension and/or dismissal of the units' managers and executive directors hired by the company;
h) Endorses the Organisation and Operating Regulation, the organizational structure
i) prospects, together with the Chief Executive Officer, the business opportunities with partners inside and outside the country for the Company's interest;
j) Ensures efficiency of the internal control system and the management system in compliance with legal provisions and corporate regulation in force;
k) ensures and promote the company's image;
l) any other duties delegated by the Board of Directors, except those which may not be delegated by the Board of Directors, in accordance with the law and the Articles of Incorporation;

The Chief Executive Officer and the Deputy Chief Executive Officer have both the obligation to inform periodically the Board of Directors on the manner of achieving the assigned duties, as well as the right to request and to obtain instructions on the manner of exercising the assigned duties.

Internal Audit

Internal audit activity is organised and conducted in compliance with:

- Law 672/2002 on the internal public audit, as subsequently amended and supplemented;
- Own methodological norms, issued under GD No. 1086/2013 on approving the General Norms on exercising the internal public audit;
- Order of the Minister of Public Finance No. 252/2004, Code of ethics of the internal auditor, as subsequently amended and supplemented;
- SNGN Romgaz SA Internal Audit Charter.

Therefore, in compliance with Law 672/2002 the internal public audit aims at improving management by the following:

- assurance activities, that represent fair examinations of evidence, carried out in order to make an independent assessment of risk management, control and governance processes, and

- advisory activities for adding value and improving governance processes without undertaking management responsibilities;

With respect to the internal public audit, the audit types are those:

- that represent a detailed assessment of management and internal control systems in order to establish if these are economically, effective and efficiently operational to identify deficiencies and to make recommendations for corrective actions – system audit;
- that examine if the criteria set for implementing the objectives and duties of the company are correct in order to evaluate the results and assesses if the results are consistent with the objectives – performance audit.

In order to achieve its objectives, the Internal Public Audit Department has among its main duties to draft the Annual Internal Public Audit Plan.

The annual plan is prepared based on the risk assessment associated to different activities, programs/projects or operations, as well as by taking into account the suggestions of the Chief Executive Officer, Board of Directors and the recommendations of the Romanian Court of Accounts.

Moreover, it performs internal public audit activities to assess if the financial and control management systems are transparent and consistent with the criteria of lawfulness, regularity, economy, efficiency and effectiveness.

Romgaz sets and maintains permanently and operational the internal audit function which is carried out independently from other functions and activities.

According to the effective laws, the Internal Audit Department is directly subordinated to the Chief Executive Officer but reports also to the Board of Directors through the Audit Committee.

Internal auditing mission, attributions and responsibilities are defined in the Internal Audit Charter approved by the Chief Executive Officer.

The charter sets at least:

- the position of the internal audit within the company;
- the manner for accessing company's documents in order to fulfil audit missions and defines their scope of activity.

The internal audit activity is independent and objective ensuring the company on the control level of operations; it is carried out in compliance with the drafted and approved procedures.

In order to observe and to meet the above mentioned conditions and subject to the *Activity Plan of the Internal Public Audit Department 2020* No. 40819/November 26, 2019, endorsed by the Audit Committee and approved by the Chief Executive Officer in 2020, the audit mission consisted of 7 assurance audit missions for confirming regularity/conformity of procedures and operations with the regulatory framework, by comparing reality with the established reference system in order to provide identify the obstacles that hinder the normal course of processes, to establish causes, determine the consequences and to provide solutions for eliminating such obstacles.

In 2020, the material interim changes were transposed in the annual plan by including ad-hoc missions requested and disposed; these missions were approved by the upper management.

Therefore, in 2020, 14 audit missions have been performed, as follows:

- 5 missions planned in accordance with 2020 annual plan
- 1 advisory missions
- 7 ad-hoc missions
- 1 audit mission planned for 2019, started on December 2019 and completed on February 2020.

The missions have been performed in the following fields:

- ✓ public procurement;
- ✓ information technology;
- ✓ human resources;
- ✓ specific functions;
- ✓ management internal control system

The level of fulfilment of the internal audit plan for 2020 was of **75%** due to accomplishment of seven ad-hoc audit missions, both by the upper management and Board of Directors and due to requirement to comply with health measures generated by the COVID -19 pandemic.

The missions analysed the actions with financial effects on the budget evaluating observance of applicable principles, procedures and methodological rules. The missions evaluated the degree of effectiveness and fulfilment of policies, programs and actions by functional units, aiming at their continuous improvement.

The table below shows the assurance level for each audit mission carried out in 2020, as follows:

Item No.	Audited activity	Global Assessment Result	Mission Type
1.	Verify the manner of managing spare parts that damaged during the warranty.	⬭	Ad-hoc
2.	Analyse the situation related to ANRE fines in 2018 and 2019, namely the measures undertaken by the executive management	⬭	Ad-hoc
3.	Assess the activity related to acquisition of lands to ensure building and operability of objectives	⬭	Planned
4.	Substantiate the procurement of "Ford" auto vehicles started in 2017 and analyse the status of spare parts stock related to the fleet car replaced through this procurement	⬭	Ad-hoc
5.	Analyze the causes leading to the necessity of concluding a contract with third parties to perform the general overhaul/ maintenance at dehydration stations operated by Târgu Mures Branch	⬭	Ad-hoc
6.	Assess the status regarding the steps undertaken to supervise and ensure the integrity of gathering pipe 10 ¾" N-V Târgu Mureș related to wells cluster 26 and 162.	⬭	Ad-hoc
7.	Verify the compliance with the fulfilment of tasks in relation to drafting SNGN Romgaz SA Board of Directors' Report and Report of Managers with a mandate from SNGN Romgaz SA	⬭	Ad-hoc

Item No.	Audited activity	Global Assessment Result	Mission Type
8.	Assess the activity related to carrying out direct procurements		Planned
9.	Analyse the addendums to contract related to the "The Development of CTE Iernut Power Plant by building a new combined cycle CCTG power plant" concluded in 2020.		Ad-hoc
10	Manner of organizing the activity of human resources management		Planned
11	Assess the procurement contracts in the IT sector		Planned
12	Assess the activity related to well overhaul and repair		Planned
13	Verify the settlement of drilling works carried out due to the occurrence of some events or accidents 2019-2020.		Planned
14	Verify the activity related to the organization and management of decisions record – advisory mission		Planned

High assurance level
Medium assurance level
Low assurance level

Internal auditing is conducted permanently in order to provide an independent evaluation of operations, control and its management processes, it evaluates the potential risk exposure of various business segments (asset security, compliance with laws and contracts, integrity of operational and financial information etc.) makes recommendation for improving the systems, controls and procedures to ensure efficiency of operations and observes the proposed corrective actions and the results.

As a general note, we state that during the reported period, Romgaz focused on compliance of internal integrity rules and on a continuous self-assessment of the implementation level of internal anti-corruption measures, as described in the National Anti-Corruption Strategy 2016 – 2020 and other secondary laws (Order No.600/2018 on approving the Internal Management Control Code of public companies).

Risk Management and Internal Control

Company's Policies and Objectives related to Risk Management

In accordance with the Corporate Governance Code, an important role played by the company's management is to ensure that an efficient risk management system is in place.

One major concern of the management is to raise the awareness on the objectives of the risk management process and on the necessity to be directly involved in the risk management process, as well as on the alignment to the latest practices in the field by complying with the applicable law, standards and norms related to such process.

The Board of Directors approved in March 2019 the draft Statement of BoD commitment for developing and implementing the internal management control system and the risk management policy.

The company's risk management system is implemented in accordance with:

- Government Ordinance no.119/1999 (Article 4) on the internal control and the preventive financial control;
- Law no. 234 of December 7, 2010 amending and supplementing Government Ordinance No. 119/1999;

- International Standard ISO 31010:2011: "*Risk management – risk assessment techniques"*;
- International Standard ISO 31000:2018: "*Risk management: Guidelines*";
- Romanian Standard SR Guidelines 73:2010: "*Risk management-Vocabulary*".
- General Secretariat of Government No.600 of April 20, 2018 for approval of Public Entities Internal Management Control Code.

Consequently, in compliance with the risk management process, the company systematically analyses, at least once a year, the risks related to its objectives and activities and prepares adequate remedy plans in order to mitigate the possible consequences of such risks, and appoints employees responsible for implementing those plans.

Moreover, the company's risk management system is an integral part of the decision making process by setting the requirement to use a risk management analysis when drafting any document (technical projects, execution projects).

The main benefits of the risk management process are the improvement of the company's performance by identifying, analysing, assessing and managing all risks within the company, in order to minimize the negative risk consequences or to increase the positive risk consequences, as the case may be.

A risk management department has been established for an efficient assessment of the company's risks. One major task of this department is drafting the company's documents in terms of risk management: Risk Register, Risk Report, Measure Implementation Plan and the Company's Risk Profile.

Three role levels are set up in the risk management system:

- *base level*, represented by those who identify risks and by the risk managers (head of each organizational unit) who are responsible for preparing risk management documents related to the level of the unit they manage;
- *middle level*, represented by the company's middle management forming together with the heads of the organizational units the Risk Management Commission that facilitates and coordinates the management process within the respective direction/department/division;
- *high level*, represented by the executive upper management through the Monitoring Commission that approves the company's risk appetite and risk profile in accordance with its objectives.

General scope of the risk management activity:

1. setting the general uniform framework for risks identification, analysis and management;
2. providing the appropriate tool for a controlled and efficient risk management;
3. describing the manner in which control measures are set and implemented in order to prevent the occurrence of negative risks.

Some of the analysed risk categories are: financial risks, market risks, occupational health and safety risks, personnel risks, risks related to IT systems, legal and regulatory risks. All risks are analysed from following perspectives:

- the specificity of the risk;
- causes of risk occurrence;
- consequences further to risk materialization;
- occurrence probabilities;
- risk materialization impact;
- risk exposure;
- risk response strategy;
- recommended control (remedy) measures;
- residual risks remaining after remedy of initial risks.

Risk exposure

The Company is exposed to a variety of **financial risks**: market risk (which includes foreign currency risk, inflation risk, interest rate risk), credit risk, liquidity risk. The Company's risk management program is focused on the financial markets' unpredictability and seeks to minimize, within some limits, the potential negative consequences on the Company's financial performance. However, this approach does not prevent the losses that occur outside these limits in case of significant variations on the market. The Company does not use derivatives to cover the exposure to certain risks.

The Company faces *foreign exchange risks* following the exposure to different foreign currencies. The foreign exchange risk occurs from future transactions and from recorded receivables and payables.

The financial assets exposing the Group to a potential credit risk comprise mainly trade receivables. The Group's policies provide for gas sales to clients with low credit risk. Moreover, sales have to be secured either by advanced payments or by letters of bank guarantee. The net value of the receivables following the impairment of doubtful debts, represents the maximum value exposed to credit risk. The Group has a credit risk concentration related to its four largest clients representing together 85.41% from the net receivables balance on December 31, 2020 (the largest four clients: 85.10% on December 31, 2019). Despite the above mentioned policies, the Group is compelled by court order to supply gas to insolvent clients considered "captive" according to insolvency laws. In respect of these clients, the Group makes estimates of the lifetime expected credit losses and records appropriate impairment losses.

Even though the collection of receivables might be affected by economic factors, the management believes that there is no significant risk of loss for the Group, besides the impairment of doubtful debts, already established.

The responsibility for the *liquidity risk* resides to the company's management establishing a suitable framework for liquidity risk management for the Company's short, medium and long-term financing and for complying with the provisions for liquidity risk management. The Company manages liquidity risk by maintaining an adequate level of the reserves by continuous monitoring of the forecasts and present cash flow and by connecting the profile of financial assets maturity with those of the financial debts.

The risk management system evaluates continuously the ***commercial risks*** faced by the Company. A new vision is about to be implemented in this respect so that the market risks impact, quantitative as well as price risks, to which the Company is naturally exposed in its trading activity, will be systematically and continuously evaluated and quantified, evaluated and minimized/remedied, as the case may be.

The main risks identified are quantitative (volatility of demand/offer ratio on the market) with consequences in underselling and overselling, as well as price risks, inherent on a volatile market, emerging under the aspect of liquidity but also influenced by a multitude of internal factors (regulating/political) and also external factors related to import sources and weather conditions.

The risks related to the evolution of macroeconomic environment (macroeconomic indicators) providing indications on natural gas industrial consumption become important taking into account the current situation generated by COVID 19.

Among the opportunities offered, due to their lack of adjustment to market condition, sale tactic and strategy represent a risk which must be regularly assessed and mitigated by specific marketing actions to optimize the sales result.

Currently, one of the main risk factors with direct consequences on the company's commercial outcome is the political and regulations risk. The Company uses all available instruments in order to minimize/remedy this risk by means of dialogue with the competent authorities, in the phase of drafting the regulating documents as well as afterwards in the phase of enforcement. The regulation framework suffered in the previous years major changes of the regulatory framework in order to adopt a European market model regarding the Network Code. However, the Group is exposed to unfavourable changes of the primary and/or secondary laws. For example, the successive modifications of Law 123/2012, of the Energy and Gas Law, especially the obligation to sell gas at a capped price (GEO No.114/2018 and GEO No. 19/2019), as well as cancelling such provisions by GEO No.1/2020. Other amendments to Law 123/2012 regulate trading on the competitive market, especially provisions related to trading obligations. The amendments that were made or are going to be made to the primary laws, as well as secondary rules of ANRE may lead to major changes to the company's commercial activities and may influence the financial exposure caused by legislative volatility.

Taking into account the latest commercial aspects, quantitative risks were generated by weather conditions, recording unusual high temperatures that led to lower demands. These risks may spread over longer periods causing a decrease of the market demand considering that large quantities of stored gas cannot be sold.

External risk factors (the context of the regional and even of the global energy market) may provide supply alternatives for the Romanian market, generating a quantitative commercial risk.

The current interconnection technical conditions demand to take into consideration the regional sources (status of neighbouring storages), new LNG projects (Krk-Croaia, Alexandroupolis-Greece), so as to avoid to become a competition for the company's production.

In order to reduce the risk, the company assesses commercial risks, monitors and remedies, as the case may be, by using specific commercial means (sale alternatives, management of quantities, storage management, sale strategies).

Internal control

In Romgaz, the internal control system operates in a continuously changing control environment that requires the adjustment of control at the level of every activity, differentially and integrative, established in relation to the company's interests.

Internal control is a process carried out by personnel at all levels, Board of Directors, upper management, entire personnel.

Romgaz management internal control system is developed and implemented in order to reach the following objectives:

- compliance with legal regulation, with internal rules, with contracts and administrative and jurisdictional decisions applicable to the company's activity;
- fulfilling Romgaz objectives under effectiveness, economy and efficiency conditions;
- protect Romgaz patrimony against losses due to errors, waste of money, fraud or abuse;
- development and maintenance of collection, storage, processing, updating and distribution of financial and management data and information, as well as of proper systems/procedures to inform the public.

The internal/management control system is drafted, implemented, developed and assessed in compliance with the provisions set in Government Ordinance No. 119/1999 and with the standards provided by SGG[18] Order No. 600/2018.

2020 internal management control system development/enhancement actions:

- to raise awareness on employees, the company made available a Guideline on internal rules related to each internal control standard and the actions necessary to be undertaken by every head of organization unit in order to implement the standards;
- in order to raise awareness on the regulations with respect to internal management control system, the Internal management control Office initiated between January 1st, 2020 and March 06, 2020 an action for implementing the internal management control system and the anticorruption strategy[19];
- Involvement in the implementation of SR ISO 37001standard - Anti bribery management system at the level of Romgaz, an action coordinated by the ethic counsellor.
- Participation in the working groups meetings on "IMCS enhancement project"
- Reanalysing the internal processes and drafting the proposal to update them in "IMCS enhancement project"

[18] General Secretariat of Government
[19] National Anticorruption Strategy

- Analysing and identifying the sensitive job positions at every organisational unit in compliance with Procedure PS–16 Inventory of sensitive job positions Ed3/revised/05.12.2018. The risks identified following the analysis were centralized and submitted to the monitoring committee, which, following the debates and the final vote, drafted the Inventory of sensitive job positions and the List of persons in these positions;
- Drafting and updating Romgaz Risk Register.

According to the self-assessment results for the implementation of Internal/Management Control System, in 2020 (in relation to the 16 internal/management control standards provided in Order no. 600/2018), the Internal/Management Control System is compliant.

Non-achievements:

- the action of methodological guidance initiated every year by the Management Internal Control Office was made online. The Company tried to comply with all the measures to prevent the spread of COVID-19.
- Lack of professional training courses organized by external lecturers for all employees belonging to the executive management which would have raised the awareness of the importance of management internal control, but which could not be carried out due to health situation (COVID-19).

Ethics and Integrity Code

In order to improve the activity, starting with July 1st, 2020 the upper management appointed an ethic counsellor.

Romgaz's Code of Conduct which was first prepared in 2013 suffered many amendments, the latest was on November 2020, resulting the Ethics and Integrity Code of SNGN Romgaz SA- November 2020, approved by the Board of Directors Resolution No. 48/ November 20, 2020.

By this Ethics and Integrity Code, the company comply with the provisions of Standard 1 of Internal Management Control mentioning the importance of knowledge and support of ethical values and integrity.

The Ethics and Integrity Code protects the company's integrity and brings the ethical values both to the fore of professional and people to people relations within the company and the external relations with the clients, suppliers, investors, partners, public authorities and with the community as well.

The code regulates the following important aspects: safety and health at the work place, fight against corruption, avoidance of conflict of interest and incompatibility, protection of the company's image, efficient use of resources, confidentiality of information, harassment, relations with the authorities/business partners/community, transparency etc.

The Ethics and Integrity Code was brought to the attention of Romgaz personnel by training sessions and, in order to assess the implementation of employee's professional conduct rules, actions will be carried out annually.

In order to monitor the compliance with the conduct rules by Romgaz's personnel, the ethic counsellor prepares analyses and quarterly reports on aspects indicated by the Chief Executive Officer. The reports and analyses shall be sent for information to the monitoring and coordinating committee on implementation and development of internal management control system and Audit Committee.

The Ethics and Integrity Code can be accessed by any interested person at www.romgaz.ro "*Investor Relations – Corporate Governance – Reference Documents*"

Corporate Social Responsibility (CSR)

Romgaz activities in the field of social responsibility are performed voluntarily, beyond the legal responsibilities, the company being aware of its role in society.

Social responsibility means for Romgaz a business culture including business ethics, customer rights, economic and social equity, environmental friendly technologies, fair treatment of workforce, transparent relationship with the public authorities, moral integrity and investment in the community.

Moreover, Romgaz supports a sustainable development of the society and community, through financial support/ total or partial sponsorship for some actions and initiatives in the following main fields: education, social, sport, health and environment.

Granting financial support/partial or total sponsorship for actions and initiatives, within the budgeted limits, Romgaz has shown a pro-active attitude of social responsibility and increased the awareness of the parties involved as regards to the importance and benefits of social responsibility actions.

In 2020, Romgaz supported, totally or partially, actions and initiatives stipulated in Government Emergency Ordinance ("GEO") No.2/2015, complying with the budget, as follows:

Expenses/activities	Achieved (RON)
Total of sponsorship expenses, out of which:	**23,499,999**
• Expenses with sponsorships in medical and health fields – Article XIV letter a)	**12,700,000**
• Expenses with sponsorships in education and sport fields – Article XIV letter b) – total, out of which:	**9,400,000**
o For Sports Clubs	**5,425,000**
• Sponsorships for other actions and activities – Article XIV letter c)	**1.399,999**

The detailed description of the projects as regards the sponsorship provided in GEO No.2/2015 is included in the Annual Report on Social Responsibility and Patronage for 2020 published on www.romgaz.ro at "*Investor Relations - Corporate Governance - Social Responsibility*".

The projects carried out in 2020 had besides the positive impact on the environment and community, an important benefit for the company by inspiring the organisational culture and the goodwill being a responsible employer, and also an involved social partner, promotor of a transparent and open relationship. This is positively reflected in Romgaz image, domestically and internationally, both for investors, government and local authorities and for other interested parties.

When supporting/performing projects, actions, social responsibility initiatives, Romgaz took into consideration the provisions of Sponsorship Policy and Sponsorship Guide applicable in 2020, published on the company's website at Social Responsibility. (https://www.romgaz.ro/en/content/social-responsibility-0)

Remuneration Policy and Criteria of the Executive and Non-Executive Members of the Board of Directors and of managers

Legal Framework

The remuneration policy and criteria of the executive and non-executive members of the Board of Directors are based on the following norms:

- Law no. 31/1990 on trading companies, as subsequently amended and supplemented;
- GEO no. 109/2011 on corporate governance of public entities, as subsequently amended and supplemented, approved by Law no.111/2016;
- The company's Articles of Incorporation, approved by the Extraordinary General Meeting of Shareholders no. 9/October 28, 2016 and no.4/ August 9, 2017 (latest update of the Articles of Incorporation);
- SNGN Romgaz SA remuneration policy, approved by the Board of Directors by Resolution No.13 of March 12, 2019;

- Resolution No. 9/ December 20, 2017 of the Ordinary General Meeting of Shareholders approving the director agreements for interim members of the Board of Directors;
- Resolution No. 8/ July 8, 2018 of the Ordinary General Meeting of Shareholders approving the contract signed with the board members elected for a 4 years mandate;
- Resolution No.6/ June 26, 2019 of the Ordinary General Meeting of Shareholders approving the contract of mandate signed with the elected interim board members;
- Resolution No.8/ October 28, 2019 of the Ordinary General Meeting of Shareholders approving for interim board members the mandate extension by two months starting with the expiration date;
- Resolution No.11/ December 23, 2019 of the Ordinary General Meeting of Shareholders approving the contract of mandate signed with the board members elected for a four months mandate;
- Resolution No. 14/ August 26, 2013 of the Ordinary Meeting of Shareholders establishing the general limits for the remuneration of the chief executive officer, active member of the BoD;
- Resolutions No. 7/ February 22, 2018 and No. 29/ June 14, 2018 approving the contracts of mandate of the interim chief executive officers;
- Resolution No. 45/ October 2018 appointing the chief executive officer for 4 years and approving the contract of mandate;
- Resolution No. 35/ December 14, 2017 approving the contract of mandate of the Chief Financial Officer;
- Resolution No. 39/ August 28, 2018 approving the contract of mandate concluded with the Chief Financial Officer for a limited period starting from August 28, 2018 until November 02, 2021.
- Resolution No. 39/November 4, 2019 of the Board of Directors appointing the interim Chief Financial Officer until December 28, 2019;
- Resolution No. 5/April 13, 2020 of the Ordinary General Meeting of Shareholders approving the extension of the Board's members mandate by two months starting with the expiration date;
- Resolution No. 8/June 25, 2020 of the Ordinary General Meeting of Shareholders approving the form and content of the Directors' Agreement to be concluded with the interim members;
- Resolution No. 32/August 26, 2020 of the Board of Directors appointing the interim deputy chief executive officer for a two months mandate starting from August 28, 2020 until October 20, 2020;
- Resolution No. 39, September 30, 2020 of the Board of Directors approving the contract of mandate for the interim deputy chief executive officer;
- Resolution No. 41/October 14, 2020 of the Board of Directors extending the mandate of the interim deputy chief executive officer by 120 days, namely until February 24, 2021;
- Resolution No. 12/October 23, 2020 of the Ordinary General Meeting of Shareholders approving the extension of the interim directors' mandate by 2 months starting with the expiration date;
- Resolution No. 50/December 9, 2020 of the Board of Directors appointing the interim Chief Financial Officer for a 4 months mandate starting from December 14, 2020;
- Resolution No. 53/December 14, 2020 of the Board of Directors approving the contract of mandate of the interim Chief Financial Officer;
- Resolution No. 14/December 21, 2020 of the Ordinary General Meeting of Shareholders approving the form and content of the contract of mandate to be concluded with the interim directors for a 4 months mandate.

For compliance with the Requirements of BVB Corporate Governance Code and GEO no. 109/2011 and Law no. 158/2020 amending and supplementing Law no. 24/2017 on issuers of financial instruments and market operations, the Policy on remuneration shall be reviewed and submitted for approval of the Ordinary General Meeting of Shareholders.

The structure of the remuneration granted to non-executive board members

The fixed monthly remuneration as well as the variable one were established according to applicable legal provisions (detailed in the 2020 Annual Report on remunerations and other benefits granted to SNGN Romgaz SA board members and managers) and provided in the Director Agreement of each board member, as approved by the applicable GMS resolution.

The fixed monthly remuneration for 2020 was established at a monthly gross allowance equal two times the average over the last 12 months of the monthly gross average salary for the activity carried out according to the company's activity field as communicated by the National Institute of Statistics previously to the appointment.

The variable remuneration provided in the director's agreement will be established and granted depending on fulfilment of objectives included in the governing plan and of financial and non-financial performance indicators approved by the General Meeting of Shareholders. The variable element, as well as the performance objectives and indicators revision conditions will be included in an addendum to the directors' agreement.

The structure of the remuneration granted to managers

The monthly fixed remuneration, as well as the *variable remuneration* were granted under the legal applicable provisions (detailed in the Annual Report 2019 on remunerations and other benefits granted to SNGN Romgaz SA board members and managers), being provided in the contract of mandate of each manager, and approved by Board resolutions.

The monthly fixed remuneration for 2020 was set at a monthly gross allowance up to six times the average over the last 12 months from the monthly gross average salary for the work carried out in accordance with the company's core business as communicated by the National Institute of Statistics, prior to appointment. The fixed allowance is updated at the beginning of each year based on the data provided by the National Institute of Statistics. Thus, for the Chief Executive Officer the monthly fixed allowance was six times the average, for the interim Chief Financial Officer the monthly fixed allowance was four times the average and for the interim Deputy Chief Executive Officer it has been modified during his mandate from 4 times the average to 5.2 times the average.

The variable remuneration established depending on the fulfilment of financial and non-financial performance indicators and objectives, will be included in an addendum to the contract of mandate. In 2020 the Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Financial Officer did not benefit of variable remuneration.

NON-FINANCIAL STATEMENT

Romgaz prepares a ***separate report*** for financial year 2020, that will be public on the company's website by the end of June 2021, according to the Finance Minister Order no. 2844/2016[20] (chapter 7, item 42, para (1)).

[20] Order of the Ministry of Public Finances no.2844 of December 12, 2016 on approving Accounting Regulations compliant with the International Financial Reporting Standards

IX. PERFORMANCE OF DIRECTORS' AGREEMENTS/CONTRACTS OF MANDATE

Directors Agreements

Board members appointed by the General Meeting of Shareholders in 2018 for a 4 year mandate had effective directors agreements in 2019, as well as directors agreements of interim board members that were appointed in 2019 and 2020, respectively. The directors agreements approved by the General Meeting of Shareholders do not include performance criteria and indicators.

By Resolution No.8/July 6, 2018 the Ordinary General Meeting of Shareholders appointed following the cumulative vote, the members of the Board of Directors for a four-year mandate.

Following drafting and approval of the Governing Plan, the General Meeting of Shareholders was called to negotiate and approve the financial and non-financial performance indicators to be included in the directors' agreements by an addendum thereto. By Resolution No.4 /May 15, 2019, the General Meeting of Shareholders *"did not approve the key financial and non-financial performance indicators, resulting from SNGN Romgaz SA Governing Plan prepared for 2018-2022".*

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

The General Meeting of Shareholders appointed following the cumulative vote, by Resolution No.8/June 25, 2020 the members of the Board of Directors, set the fixed monthly gross allowance and approved the contract of mandate for interim board members.

By Resolution no. 14/December 21, 2020, the Company's shareholders appointed the interim members of the Board of Directors, set the fixed monthly gross allowance and approved the contract of mandate for interim board members.

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

Contract of Mandate

Chief Executive Officer

The Board of Directors appointed on June 14, 2018 under Resolution No. 29, Mr. *Volintiru Adrian Constantin* as Chief Executive Officer for four months, and the Board of Directors appointed under Resolution No. 45 of October 1, 2018 Mr. Volintiru Adrian Constantin as Chief Executive Officer for a four-year mandate.

Deputy Chief Executive Officer

By Resolution no. 32/August 26, 2020, the Board of Directors appointed Mr. Pena Gabriel Corneliu as Deputy Chief Executive Officer of SNGN Romgaz SA for an interim mandate of two months, from August 28 until October 26, 2020 and by Resolution No. 41/October 14, 2020, the Board of Directors extended the interim mandate by 120 days, until February 24, 2021, respectively.

Chief Financial Officer

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

Mr. Bobar Andrei unilaterally terminated the Contract of Mandate by giving Notification no. 28593 on August 22, 2019.

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

The contracts of mandate concluded between the Board of Directors and the Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Financial Officer, respectively, do not provide for performance indicators and criteria. These will be negotiated and included in the contracts of mandate, by an addendum after completion and approval of the Governing Plan.

SIGNATURES:

Chairman of the Board of Directors,	
DRĂGAN DAN DRAGOȘ	
....	
Chief Executive Officer,	**Chief Financial Officer,**
JUDE ARISTOTEL MARIUS	**POPESCU RAZVAN**
....	....

Table on compliance with BVB Code of Corporate Governance

BVB CGC Provisions		Compliance	Noncompliance / Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
A.1	All companies should have in place Regulations of the Board of Directors that include the terms of reference / the responsibilities of the Board and the company's key management positions, and that apply, among others, the General Principles in section A.	x		
A.2	The BoD Regulations should include provisions for the management of conflict of interest. The members of the Board should notify the Board on any conflicts of interest which have arisen or may arise and should refrain from taking part in the discussion (including by absence, except where such absence prevents quorum to be attained) and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	x		
A.3	The BoD should comprise at least five members.	x		
A.4	The majority of the members of the BoD should be non-executive; not less than two non-executive members of the BoD should be independent. Each independent member of the BoD shall submit a statement at the time of his/her nomination for election or re-election, as well as whenever a change in his/her status occurs, indicating the elements on which it is deemed independent in terms of its character and his judgment.	x		
A.5	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and non-profit organizations, should be disclosed to shareholders and to potential investors prior to his/her nomination and during his/her mandate.	x		
A.6	Any member of the BoD should submit to the Board information on any relationship with a shareholder who holds, directly or indirectly, shares representing more than 5% of all voting rights. This also applies to any relationship which may affect the member's position on matters decided by the Board.	x		
A.7	The company should appoint a Board secretary responsible for supporting the work of the BoD	x		
A.8	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if so, summarize key action points and changes resulting from it. The company should have a policy/ guidelines regarding the evaluation of the BoD containing the		x partially	The section on *Corporate Governance Statement* in the Annual Report of the Board of Directors includes specifications on the BoD evaluation.

BVB CGC Provisions		Compliance	Noncompliance / Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
	purpose, criteria and frequency of the evaluation process.			A *Board Evaluation Policy* was prepared by Romgaz and it was approved by BoD on March 12, 2019. Following approval, the Policy was published on the company's website. In 2020, no BoD evaluation was performed because in 2020 there were three Boards of Directors, and the appointed members were provisional. The composition of one of the BoDs included provisional members, with modified composition (the NRC composition was modified as well, in two committees).
A.9	The Corporate Governance Statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (personally and in their absence) and a report of the Board and committees on their activities.	x		
A.10	The Corporate Governance Statement should contain information on the precise number of the independent members of the Board of Directors.	x		
A.11	The BoD should set up a nomination committee comprised of non-executives, which will lead the nomination process for new Board members and make recommendations to the Board. The majority of the members of the nomination committee should be independent	x		
B.1	The Board should set up an Audit Committee and at least one member should be an independent non-executive. The Audit Committee should be comprised of at least three members and the majority should be independent. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the Committee. At least one member of the Audit Committee should have a proven and appropriate auditing and/or accounting experience.	x		
B.2	The Chairperson of the Audit Committee should be an independent non-executive member.	x		

	BVB CGC Provisions	Compliance	Noncompliance / Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
B.3	Among its responsibilities, the Audit Committee should perform an annual assessment of the internal control system.	x		The responsibility for monitoring the effectiveness of the company's internal control, internal audit and risk management systems is specified in the Audit Committee Rules of Procedure. The Audit Committee assessed the internal control system for 2020.
B.4	The assessment mentioned in section B.3 should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the Audit Committee of the Board, and the management's responsiveness and effectiveness in dealing with the failures and weak points identified during the internal control, and submit relevant reports to the Board.	x		See explanation in section B.3
B.5	The Audit Committee should review conflicts of interests in transactions of the company and its subsidiaries with affiliated parties.		x partially	This provision is already mentioned in Article 8, par. 2 of Romgaz CCG. The Audit Committee Rules approved by the BoD in the meeting of May 14, 2018 includes provisions on such obligation. Moreover, a *Policy on related party transactions* was developed by Romgaz, and it obtained BoD approval on March 20, 2019. Following approval it was published on the company's website.
B.6	The Audit Committee should evaluate the effectiveness of the internal control system and the risk management system	x		The responsibility for monitoring the effectiveness of the company's internal control, internal audit and risk management systems is specified in the Audit Committee Rules. The Audit Committee assessed the effectiveness of the internal control and risk management system for 2020.

BVB CGC Provisions		Compliance	Noncompliance / Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
B.7	The Audit Committee should monitor the application of statutory and generally accepted standards of internal auditing. The Audit Committee should receive and evaluate the reports of the internal audit team.	x		
B.8	The Audit Committee should report periodically (at least annually) or adhoc to BoD with regard to the reports or analyses undertaken by the committee.	x		
B.9	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	x		
B.10	The BoD should adopt a policy ensuring that any transaction of the company with any of the companies in close relationship, with a value equal to or higher than 5% of the company's net assets (as stated in the latest financial report), is approved by the Board based on a mandatory opinion of the Audit Committee and fairly disclosed to the shareholders and potential investors, to the extent such transactions are events requiring disclosure.	x		The provision is already mentioned in Article 9 of ROMGAZ CCG and it will be implemented by the *Policy on related party transactions*, as approved by the BoD on March 20, 2019. Following approval, the policy was published on the company's website.
B.11	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by hiring an independent third-party entity.	x		
B.12	The Internal Audit Department should functionally report to the BoD via the Audit Committee. For administration purposes and as part of the management obligations to monitor and mitigate risks, the Internal Audit Department should report directly to the Director General.	x		
C.1	The company should publish the Remuneration Policy on its website. The Remuneration Policy should be formulated so as to allow the shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and of the General Director. Any significant change occurred in the Remuneration Policy should be posted in due time on the company's website. The company should include in its Annual Report a statement on the implementation of the Remuneration Policy during the annual period under review. The Report on Remuneration should present the implementation of the Remuneration Policy for persons identified in this Policy during the annual period under review.	x		The provision is already mentioned in Article 11, par. 5 of ROMGAZ CCG. The section on *Corporate Governance Statement* in the Annual Report of the Board of Directors includes details on the implementation of the Remuneration Policy as well as the remuneration of the BoD members and the directors. A separate document on *Remuneration Policy* was drafted and obtained BoD approval on March 12, 2019, and then published on the company's website.

BVB CGC Provisions		Compliance	Noncompliance / Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
				The Annual Report on Remuneration is presented together with the Annual Board of Directors' Report. It presents details of the principles applied for the determination of the remuneration of the Board Members and directors.
D.1	The company should establish an Investors Relation Department - indicating to the public the responsible person/persons or the organizational unit. Besides the information required by the legal provisions, the company should also include on its website a dedicated Investor Relations section, both in Romanian and English, with all the relevant information of interest for investors, including:	x		
D.1.1	Main corporate regulations: the articles of incorporation, general meeting of shareholders procedure;		x partially	Items on the GMS organization are presented to shareholders at each meeting.
D.1.2	Professional CVs of the members of the company's governing bodies, other professional commitments of Board member's, including executive and non-executive Board positions in companies and non-profit organizations.	x		
D.1.3	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least those specified at item D.8 - including current reports with detailed information related to non-compliance with the Bucharest Stock Exchange Code of Corporate Governance;	x		
D.1.4	Information related to GMS: the agenda and supporting materials; the Board of Directors election procedure; the arguments in support of the proposal of candidates to the Board of Directors together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including decisions taken;	x		
D.1.5	Information on corporate events (such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder) including the deadlines and principles applicable to such operations. Such information will be published within due course of time so as to allow investors to take investment decisions;	x		
D.1.6	The names and contact data of the persons who should be able to provide knowledgeable information on request;	x		

BVB CGC Provisions		Compliance	Noncompliance / Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
D.1.7	Corporate presentations (for example presentations for investors, presentations on quarterly results, etc.), financial statements (quarterly, semi-annual, annual), audit reports and annual reports.	x		
D.2	The company should have a policy for the annual distribution of dividends or other benefits to shareholders, proposed by the Director General and adopted by the BoD as the company's Guideline on net profit distribution. The principles of the policy on annual distribution of dividends to shareholders shall be published on the company's website.	x		
D.3	The company shall adopt a policy with respect to forecasts, whether or not made public. The Policy on forecasts should determine the frequency, period and content of the forecasts and should be published on the company's website.	x		
D.4	GSM rules should not restrict the participation of shareholders in general meetings and should not limit the exercise of their rights. The modification of rules will become effective no sooner than the following shareholders' meeting.	x		
D.5	The external auditors should attend those shareholders' meetings where their reports are presented.	x		External auditors are invited to attend those GMS meetings where their reports are presented.
D.6	The BoD should submit to the GMS a brief assessment of the internal control and significant risk management systems, as well as opinions on matters to be submitted to the GMS for decision.	x		
D.7	Any professional, consultant, expert or financial analyst, may participate in the shareholders' meeting upon prior invitation from the BoD. Accredited journalists may also attend the GMS, unless the Chairman of the Board decides otherwise.	x		
D.8	The quarterly and semi-annual financial reports, in the Romanian and English languages, should include information on the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, on a quarter-on-quarter and year-on-year basis.	x		
D.9	The company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published on the company's website in the IR section at the date of the meetings/teleconferences.	x		

BVB CGC Provisions		Compliance	Noncompliance / Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
D.10	If the company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers that their resulting impact on the innovativeness and competitiveness of the company is part of its business mission and development strategy, the company should publish the policy guiding its activity in such field.	x		

Legend:

GMS	= General Meeting of Shareholders
BVB	= Bucharest Stock Exchange
BoD	= Board of Directors
CCG	= Code of Corporate Governance
ROMGAZ CCG	= Code of Corporate Governance of S.N.G.N. ROMGAZ S.A., as approved on January 28, 2016
CV	= Curriculum Vitae
ToR	= Terms of Reference

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION AND THE ORDER OF THE MINISTRY OF PUBLIC FINANCE 2844/2016

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SNGN ROMGAZ S.A.

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SNGN ROMGAZ S.A. (the Company) and its subsidiary (together "the Group") with official head office in Mediaş, Piaţa Constantin I. Motaş. nr. 4, cod 551130, Sibiu county, Romania, identified by sole fiscal registration number RO 14056826, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statements of comprehensive income, of changes in shareholders' equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated financial statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the consolidated financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Description of each key audit matter and our procedures performed to address the matter

Key audit matter	How our audit addressed the key audit matter
Estimation of gas reserves used in impairment testing and the calculation of depreciation and amortisation The Group's disclosures about estimation of gas reserves are included in Note 2 (Use of Estimates) to the financial statements.	
Estimation of the gas reserves is a focus area in our audit because it has a significant impact on the financial statements, as the reserves are the basis for production estimates used in the Group's cash flow forecasts for impairment testing and they are also the basis for unit of production depreciation and amortization for the core assets in the Upstream segment.	We assessed the management's estimation process in the determination of gas reserves. Specifically, our work included, but was not limited to, the following procedures: - We performed a detailed understanding of the Group's internal process and related documentation flow and key controls associated with the gas reserves estimation process;

The estimation of gas reserves requires the Group's management and engineers to make significant judgement and assumptions and therefore it was considered to be a key audit matter	- We analysed the certification process for technical and commercial specialists who are responsible for gas reserves estimation; we also assessed the competence, capabilities and objectivity of management specialists; - We tested whether significant increases or reductions in gas reserves were made in the period in which the new information became available and in compliance with the standards of the National Agency for Mineral Resources ("ANRM"); - We compared the gas reserves with the assumptions used in the cash flows for the impairment testing of production assets and in the accounting for depreciation and amortization for the core assets in the Upstream segment We further assessed the adequacy of the Group's disclosures about impairment testing and calculation of depreciation and amortization.
Impairment testing of production assets in the Upstream Gas segment The Group's disclosures about its impairment testing are included in Note 2 (Use of estimates) and in Note 12 (Property, Plant and Equipment) to the financial statements	
The impairment test is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions. Furthermore, as at 31 December 2020 the carrying value of the production assets and the common infrastructure and corporate assets allocated to each cash generating unit (CGU) from the Upstream segment's property, plant and equipment in amount of RON 2,225 million as at 31 December 2020, is significant.	In respect of impairment testing, our work included, but was not limited to, the following procedures: - We analysed and evaluated the management's assessment of the existence of impairment indicators (triggering events); - We reviewed the allocation of the carrying value of common infrastructure and corporate assets to each CGU (field) - We evaluated the management's assessment of the recoverability of the carrying value of property, plant and equipment of the cash generating unit for which triggering events were identified;

International Financial Reporting Standards require an entity to assess,at least at each reporting date, whether indicators of impairment or reversal of impairment previously recorded exist. Management considered that the recent changes brought by new legislation in 2020, as well as recent changes in market conditions due to Covid-19 pandemic effects, constitute impairment indicators and, consequently, has carried out an impairment test for the production assets in the Upstream Gas segment which resulted in no additional impairment being recognised. Considering the above, we determined that Impairment testing of production assets in the Upstream Gas segment is a key audit matter.	- We tested the reasonability of future yearly production volumes per field based on actual ANRM reports and appendixes (future production plan per field is made based on ANRM approved plan for each field); - On a sample basis, we compared the remaining reserves per field from impairment test as of 31 December 2020 with the latest ANRM approved reserve reports; - We compared the main assumptions used in the impairment test (gas prices, operating costs, production volumes, gas reserves and discount rate) with the current forecasts approved as part of the Group's mid-term planning process; - We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance in prior years; - We analysed the assumptions used in the cash flow projection considering the recent changes brought by new legislation in 2020, as well as changes in market conditions due to Covid-19 pandemic; - We involved our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by the Group for the impairment testing of upstream productions assets (e.g. checked the mathematical accuracy of the model, its conformity with the requirements of the International Financial Reporting Standards, the discount rates used, future natural gas sales prices, etc) - We evaluated the management's sensitivity analysis over key assumptions in the future cash flow model in order to assess the potential impact of possible changes We also assessed the adequacy of the Group's disclosures in the financial statements.

Estimation of decommissioning provisions The Group's disclosures about decommissioning obligations are included in Note 2 (Use of estimates) and Note 19 (Provisions) to the financial statements.	
The Group's core activities regularly lead to obligations related to dismantling and removal of equipment and installations, asset retirement and soil remediation activities. The decommissioning provision is significant to our audit because of its magnitude (carrying value of RON 538.9 million at 31 December 2020) and because management makes estimates and judgments in determining the respective provisions. The key estimates and assumptions relate to the envisaged future dismantling costs, forecasted inflation rates and discount rates to determine the present value of the obligations.	Our work in respect of management's estimation of decommissioning and restoration provisions included, but was not limited to, the following procedures: - We performed a detailed understanding of the Group's estimation process and the related documentation flow and assessed the design and implementation of the controls within the process; - We compared the current estimates of decommissioning, costs with the actual costs incurred in previous periods; - We reviewed the timing of works to be performed for surface and subsurface decommissioning for wells; - We inspected supporting evidence for any material revisions in cost estimates during the year; - We involved our valuation specialists to assist us in performing industry bench marking and analysis over discount rates and inflation rates; - We tested the mathematical accuracy of management's decommissioning provision calculations; - We assessed the competence, capabilities and objectivity of management specialists We also assessed the adequacy of the Group's disclosures in the financial statements relating to decommissioning obligations.

Other information

The other information comprises the Annual Report (which includes the Directors' Consolidated Report, the Report on Payments to Governments for mining activities and the Corporate Governance Statement), and Corporate responsibility and sustainability report but does not include the consolidated financial statements and our auditors' report thereon. We obtained the Annual Report prior to the date of our auditor's report, and we expect to obtain the Corporate responsibility and sustainability report, as part of a separate report, after the date of our auditor's report. Management is responsible for the other information.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the consolidated financial statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Directors' Consolidated Report, we have read the Report and report that:

a) in the Directors' Consolidated Report we have not identified information which is not consistent, in all material respects, with the information presented in the Group consolidated financial statements as at December 31, 2020;
b) the Directors' Consolidated Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 – 19 and 26-28;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated financial statements as at December 31, 2020, we have not identified information included in the Directors' Consolidated Report that contains a material misstatement of fact.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Group by the General Meeting of Shareholders on 06 December 2018 to audit the consolidated financial statements for the financial year ended December 31, 2020. Total uninterrupted engagement period, for the statutory auditor, has lasted for three years, covering the years ended December 31, 2018, 2019 and 2020.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Group, which we issued on 23 March 2021.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.

In addition to statutory audit services and other audit related services, as disclosed in the financial statements, no other services were provided by us to the Group and its controlled undertakings.

On behalf of

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

Registered in the electronic Public Register under No. FA77

Ernst & Young Assurance Services S.R.L.
23. MAR. 2021
Signed for identification
Semnat pentru identificare

Name of the Auditor/ Partner: Alexandru Lupea
Registered in the electronic Public Register under No. AF273

Bucharest, Romania
23 March 2021

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	Year ended December 31, 2020	Year ended December 31, 2019	Year ended December 31, 2019	Year ended December 31, 2019
		'000 RON	'000 RON restated *	'000 RON restatements *	'000 RON as reported
Revenue	3	4,074,893	5,080,482	-	5,080,482
Cost of commodities sold	5	(18,617)	(107,800)	-	(107,800)
Investment income	4	47,845	38,124	-	38,124
Other gains and losses	6	(6,534)	7,519	70,588	(63,069)
Impairment losses on trade receivables	16	17,551	(81,221)	-	(81,221)
Changes in inventory of finished goods and work in progress		(16,151)	80,008	-	80,008
Raw materials and consumables used	5	(58,282)	(76,048)	-	(76,048)
Depreciation, amortization and impairment expenses	7	(672,063)	(1,451,766)	(93,516)	(1,358,250)
Employee benefit expense	8	(767,251)	(670,408)	-	(670,408)
Finance cost	9	(17,000)	(24,740)	-	(24,740)
Exploration expense	13	(26,509)	(1,636)	22,928	(24,564)
Share of profit of associates	25	1,330	1,474	-	1,474
Other expenses	10	(1,158,143)	(1,551,642)	-	(1,551,642)
Other income	3	25,439	32,834	-	32,834
Profit before tax		**1,426,508**	**1,275,180**	**-**	**1,275,180**
Income tax expense	11	(178,604)	(185,557)	-	(185,557)
Profit for the year		**1,247,904**	**1,089,623**	**-**	**1,089,623**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains/(losses) on post-employment benefits	19 c)	(16,877)	27,411	-	27,411
Income tax relating to items that will not be reclassified subsequently to profit or loss	11	2,700	(4,387)	-	(4,387)
Total items that will not be reclassified subsequently to profit or loss		**(14,177)**	**23,024**	**-**	**23,024**
Other comprehensive income for the year net of income tax		**(14,177)**	**23,024**	**-**	**23,024**
Total comprehensive income for the year		**1,233,727**	**1,112,647**	**-**	**1,112,647**
Basic and diluted earnings per share		0.0032	0.0028	-	0.0028

*) Starting 2020, the Group presents the release to income of the impairment for non-current assets written-off as a decrease of the expense generated by the write-off of the respective assets, as “other gains and losses” or as “exploration expense”. Previously, the release to income was presented as “depreciation, amortization and impairment”. For comparability purposes, 2019 was restated.

These financial statements were endorsed by the Board of Directors on March 23, 2021.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

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

STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS OF DECEMBER 31, 2020

	Note	December 31, 2020 '000 RON	December 31, 2019 '000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	**12**	5,613,122	5,543,177
Other intangible assets	**14**	14,774	9,164
Investments in associates	**25**	26,102	24,772
Deferred tax asset	**11**	275,328	230,947
Right of use asset	**14**	7,915	8,590
Other financial assets	**26**	5,378	5,388
Total non-current assets		**5,942,619**	**5,822,038**
Current assets			
Inventories	**15**	244,563	311,013
Trade and other receivables	**16 a)**	592,875	638,158
Contract costs		651	312
Other financial assets	**29**	1,995,523	1,075,224
Other assets	**16 b)**	68,023	42,485
Cash and cash equivalents	**28**	416,913	363,943
Total current assets		**3,318,548**	**2,431,135**
Total assets		**9,261,167**	**8,253,173**
EQUITY AND LIABILITIES			
Equity			
Share capital	**17**	385,422	385,422
Reserves	**18**	2,251,909	1,587,409
Retained earnings		5,149,919	5,201,222
Total equity		**7,787,250**	**7,174,053**
Non-current liabilities			
Retirement benefit obligation	**19**	128,690	114,876
Deferred revenue	**20**	136,308	21,244
Lease liability		7,845	8,285
Provisions	**19**	538,931	366,393
Total non-current liabilities		**811,774**	**510,798**

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

STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS OF DECEMBER 31, 2020

	Note	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Current liabilities			
Trade payables	**21**	89,132	109,910
Contract liabilities		81,318	42,705
Current tax liabilities		59,831	64,342
Deferred revenue	**20**	10,899	3,729
Provisions	**19**	156,415	82,701
Lease liability		767	694
Other liabilities	**21**	263,781	264,241
Total current liabilities		**662,143**	**568,322**
Total liabilities		**1,473,917**	**1,079,120**
Total equity and liabilities		**9,261,167**	**8,253,173**

These financial statements were endorsed by the Board of Directors on March 23, 2021.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

	Share capital	Legal reserve	Other reserves (note 18)	Retained earnings **)	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2020	**385,422**	**79,921**	**1,507,488**	**5,201,222**	**7,174,053**
Profit for the year	-	-	-	1,247,904	1,247,904
Allocation to dividends *)	-	-	-	(620,530)	(620,530)
Increase in legal reserves	-	3,616	-	(3,616)	-
Allocation to other reserves	-	-	598,840	(598,840)	-
Increase in reinvested profit reserves	-	-	62,044	(62,044)	-
Other comprehensive income for the year	-	-	-	(14,177)	(14,177)
Balance as of December 31, 2020	**385,422**	**83,537**	**2,168,372**	**5,149,919**	**7,787,250**
Balance as of January 1, 2019	**385,422**	**77,487**	**1,747,512**	**5,458,196**	**7,668,617**
Profit for the year	-	-	-	1,089,623	1,089,623
Allocation to dividends *)	-	-	(362,297)	(1,244,914)	(1,607,211)
Increase in legal reserves	-	2,434	-	(2,434)	-
Allocation to other reserves	-	-	106,265	(106,265)	-
Increase in reinvested profit reserves	-	-	16,008	(16,008)	-
Other comprehensive income for the year	-	-	-	23,024	23,024
Balance as of December 31, 2019	**385,422**	**79,921**	**1,507,488**	**5,201,222**	**7,174,053**

*) In 2020 the Group's shareholders approved the allocation of dividends of RON 620,530 thousand (2019: RON 1,607,211 thousand), dividend per share being RON 1.61 (2019: RON 4.17).

**) Retained earnings include the geological quota reserve set up in accordance with the provisions of Government Decision no. 168/1998 on the establishment of the expense quota for the development and modernization of oil and natural gas production, refining, transportation and oil distribution. Following the Group's transition to IFRS, the reserve existing as of December 31, 2012 was transferred to retained earnings. This result is allocated based on the depreciation, respectively write-off of the assets financed using this source, based on decision of General Meeting of Shareholders. As of December 31, 2020 the geological quota reserve is of RON 927,499 thousand (December 31, 2019: RON 1,081,148 thousand).

These financial statements were endorsed by the Board of Directors on March 23, 2021.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2020

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON restated *
Cash flows from operating activities		
Net profit	**1,247,904**	**1,089,623**
Adjustments for:		
Income tax expense (note 11)	178,604	185,557
Share of associates' result (note 25)	(1,330)	(1,474)
Interest expense (note 9)	593	543
Unwinding of decommissioning provision (note 9, note 19)	16,407	24,197
Interest revenue (note 4)	(47,845)	(38,124)
Net loss on disposal of non-current assets (note 6)	7	(2,542)
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	24,273	(51,760)
Change in other provisions (note 19)	66,467	(5,402)
Net impairment of exploration assets (note 7, note 12, note 13)	97,695	231,278
Exploration projects written off (note 13)	836	123
Net impairment of property, plant and equipment and intangibles (note 7, note 12)	125,997	699,531
Depreciation and amortization (note 7)	448,371	520,957
Amortization of contract costs	795	651
Change in investments at fair value through profit and loss (note 6)	10	4,424
Net receivable write-offs and movement in allowances for trade receivables and other assets	(19,700)	67,297
Other gains and losses	-	(52)
Net movement in write-down allowances for inventory (note 6, note 15)	8,427	5,125
Liabilities written off	(368)	(89)
Subsidies income (note 20)	(7)	(81)
	2,147,136	**2,729,782**
Movements in working capital:		
(Increase)/Decrease in inventory	58,516	(38,428)
(Increase)/Decrease in trade and other receivables	38,311	116,143
Increase/(Decrease) in trade and other liabilities	17,600	(78,115)
Cash generated from operations	**2,261,562**	**2,729,382**
Interest paid	(3)	-
Income taxes paid	(224,796)	(297,059)
Net cash generated by operating activities	**2,036,763**	**2,432,323**

STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2020

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON restated *
Cash flows from investing activities		
Bank deposits set up and acquisition of state bonds	(2,964,757)	(2,591,658)
Bank deposits and state bonds matured	2,060,925	2,387,686
Interest received	38,601	43,470
Proceeds from sale of non-current assets	1,733	1,305
Acquisition of non-current assets	(547,215)	(694,349)
Acquisition of exploration assets	(66,516)	(173,563)
Net cash used in investing activities	**(1,477,229)**	**(1,027,109)**
Cash flows from financing activities		
Dividends paid	(620,346)	(1,607,246)
Repayment of lease liability	(1,196)	(861)
Subsidies reimbursed	(50)	-
Subsidies received (note 20)	115,027	-
Net cash used in financing activities	**(506,565)**	**(1,608,107)**
Net increase/(decrease) in cash and cash equivalents	**52,969**	**(202,893)**
Cash and cash equivalents at the beginning of the year	**363,943**	**566,836**
Cash and cash equivalents at the end of the year	**416,912**	**363,943**

*) Please see the comment in the statement of consolidated comprehensive income.

These financial statements were endorsed by the Board of Directors on March 23, 2021.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

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 Mediaş, 4 Constantin I. Motaş Square, 551130, Sibiu County.

The Romanian State, through the Ministry of Economy, Energy and Business Environment, is the majority shareholder of S.N.G.N. Romgaz S.A. together with other legal and physical persons (note 17).

The Group has as main activity:

1. geological research for the discovery of natural gas, crude oil and condensed reserves;
2. operation, production and usage, including trading, of mineral resources;
3. natural gas production for:
   - ensuring the storage flow continuity;
   - technological consumption;
   - delivery in the transmission system.
4. underground storage of natural gas provided by Depogaz and Depomures;
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 consolidated financial statements ("financial statements") of the Group have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Ministry of Finance Order 2844/2016 to approve accounting regulations in accordance with IFRS (MOF 2844/2016). 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.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventory" or value in use in IAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance to the Group of the inputs to the fair value measurement, which are described as follows:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the asset or liability.

Basis for consolidation

Subsidiaries

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

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

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

Associated entities

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

Joint arrangements

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

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

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

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

Joint operations

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

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

As joint operator, the Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

If the Group participates in, but does not have joint control of, a joint operation it accounts for its interest in the arrangement in accordance with the paragraphs above if it has rights to the assets, and obligations for the liabilities, relating to the joint operation.

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

Joint ventures

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

Standards and interpretations valid for the current period

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

- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after January 1, 2020);
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after January 1, 2020);
- Amendments to IAS 1 and IAS 8: Definition of materiality (effective for annual periods beginning on or after January 1, 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for annual periods beginning on or after January 1, 2020);
- Amendments to IFRS 16 Covid-19-Related Rent Concessions (effective for annual periods beginning on or after June 1, 2021).

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

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

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

- IFRS 17 Insurance Contracts including Amendments to IFRS 17 (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after January 1, 2022);
- Annual Improvements 2018-2020 (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after January 1, 2021).

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

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

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

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective for annual periods beginning on or after January 1, 2021).

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

Segment information

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, gas storage, electricity production and distribution, and other activities, including headquarter activities. The Directors of the Group have chosen to organize the Group around differences in activities performed.

Specifically, the Group is organized in the following segments:

- upstream, which includes exploration activities, natural gas production and trade of gas extracted by Romgaz or acquired from domestic production or import, for resale; these activities are performed by Medias, Mures and Bratislava branches;
- storage activities, performed by Depogaz and Depomures;
- electricity production and distribution activities, performed by Iernut branch;
- other activities, such as technological transport, operations on wells and corporate activities.

Transactions between the companies within the Group are at current market prices. Unrealized profits are eliminated in the financial statements.

Transactions between Groups segments within the same company are at cost.

Revenue recognition

a) Revenue from contracts with customers

The Group recognizes customer contracts when all of the following criteria are met:

- the parties to the contract have approved the contract and are committed to perform their respective obligations;
- the Group can identify each party’s rights regarding the goods or services to be transferred;
- the Group can identify the payment terms;
- the contract has commercial substance;
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods delivered or the services provided.

Revenue from contracts with customers is recognized when, or as the Group transfers the goods or services to the customer, respectively, the client obtains control over them.

Depending on the nature of the goods or services, revenues are recognized over time or at a point in time.

Revenue is recognized over time if:

- the customer receives and consumes simultaneously the benefits provided by obtaining the goods and services as the Group performs the obligation;
- the Group creates or enhances an asset that the customer controls as the asset is created or enhanced;
- the Group`s performance does not create an asset with an alternative use to the Group.

All other revenues that do not meet the above criteria are recognized at a point in time.

For revenue to be recognized over time, the Group assesses progress towards meeting the execution obligation, using output methods or input methods, depending on the nature of the good or service transferred to the client. Revenues are recognized only if the Group can reasonably assess the result of the execution obligation or, if it cannot be estimated, only at the level of the costs it is expected to recover from the customer.

Revenue from contracts with customers mainly relates to gas sales, electricity supply and related services, storage services. Revenue from these contracts are recognized at a point in time on the basis of the actual quantities at the prices fixed in the contracts concluded or at the rates set by the regulatory authority, as the case may be.

Contracts concluded by the Group do not contain significant financing components.

b) Other revenue

Rental revenue for operating lease contracts where the Group operates as lessor is recognized on an accrual basis in accordance with the substance of the relevant agreements.

Interest income is recognized periodically and proportionally as the respective income is generated, on accrual basis.

Dividends are recognized as income when the legal right to receive them is established.

Exploration expenses

The costs of seismic exploration, geological, geophysical and other similar exploration activities are recognized as exploration expenses in the statement of comprehensive income in the period in which they arise.

Exploration expenses also include the cost of exploration assets that have not identified gas resources and have been written-off.

Foreign currencies

The functional currency is the currency of the primary economic environment in which the Group operates and is the currency in which the Group primarily generates and expends cash. The Group operates in Romania and it has the Romanian Leu (RON) as its functional currency.

In preparing the financial statements of the Group, transactions in currencies other than the functional currency (foreign currencies) are recorded at the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

Exchange differences are recognized in the statement of comprehensive income in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Employee benefits

Benefits granted upon retirement

In the normal course of business, the Group makes payments to the Romanian State on behalf of its employees at legal rates. All employees of the Group are members of the Romanian State pension plan. These costs are recognized in the statement of comprehensive income together with the related salary costs.

Based on the Collective Labor Agreement, the Group is liable to pay to its employees at retirement a number of gross salaries, according to the years worked in the gas industry/electrical industry, work conditions etc. To this purpose, the Group recorded a provision for benefits upon retirement. This provision is updated annually and computed according to actuary methods based on estimates of the average salary, the average number of salaries payable upon retirement, on the estimate of the period when they shall be paid and it is brought to present value using a discount factor based on interest related to a maximum degree of security investments (government securities). As the benefits are payed, the provision is reduced together with the reversal of the provision against income.

Gains or actuarial losses, are recognized in other comprehensive income. These are changes in the present value of the defined benefit obligation as a result of statistical adjustments and changes in actuarial assumptions. Any other changes in the provision are recognized in the result of the year.

The Group does not operate any other pension scheme or post-retirement benefit plan and, consequently, has no obligation in respect of pensions.

Employee participation to profit

The Group records in its financial statements a provision related to the fund for employee participation to profit in compliance with legislation in force.

Liabilities related to the fund for employee participation to profit are settled in less than a year and are measured at the amounts estimated to be paid at the time of settlement.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Greenhouse gas provisions

The Group recognizes a provision for the deficit between actual CO2 emissions and certificates held, measured at the best estimate of expenditure required to settle the obligation.

Provisions for decommissioning of wells

Liabilities for decommissioning costs are recognized due to the Group's obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made.

The Group recorded a provision for decommissioning wells.

This provision was computed based on the estimated future expenditure determined in accordance with local conditions and requirements and it was brought to present value using the interest rate on long term treasury bonds. The rate is updated annually.

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recognized. The item of property, plant and equipment is subsequently depreciated as part of the asset.

The Group applies IFRIC 1 “Changes in Existing Decommissioning, Restoration and Similar Liabilities” related to changes in existing decommissioning, restoration and similar liabilities.

The change in the decommissioning provision for wells is recorded as follows:

a. subject to b., changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

b. the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in the statement of comprehensive income;

c. if the adjustment results in an addition to the cost of an asset, the Group considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss.

Once the related asset has reached the end of its useful life, all subsequent changes of debt are recognized in the income statement in the period when they occur.

The periodical unwinding of the discount is recognized periodically in the comprehensive income as a finance cost, as it occurs.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current tax for the period is recognized as an expense in the statement of comprehensive income. Deferred tax for the period is recognized as an expense or income in the statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where it arises from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

Property, plant and equipment

(1) Cost

(i) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of any decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

(ii) Gas cushion

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. The gas cushion is recorded as an item of property, plant and equipment in the Storage segment.

(iii) Development expenditure

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including the commissioning of wells, is capitalized within property, plant and equipment and is depreciated from the commencement of production as described below in the property, plant and equipment accounting policies.

(iv) Maintenance and repairs

The Group does not recognize within the assets' costs the current expenses and the accidental expenses for that asset. These costs are expensed in the period in which they are incurred.

The cost for current maintenance are mainly labor costs and consumables and also small inventory items. The purpose of these expenses is usually described as "repairs and maintenance" for property, plant and equipment.

The expenses with major activities, inspections and repairs comprise the replacement of the assets or other asset's parts, the inspection cost and major overhauls. These expenses are capitalized if an asset or part of an asset, which was separately depreciated, is replaced and is probable that they will bring future economic benefits for the Group. If part of a replaced asset was not considered as a separate component and, as a result, was not separately depreciated, the replacement value will be used to estimate the net book value of the asset which is replaced and is immediately written-off. The inspection costs associated with major overhauls are capitalized and depreciated over the period until next inspection.

The cost for major overhauls for wells are also capitalized and depreciated using the unit of production depreciation method.

All other costs with the current repairs and usual maintenance are recognized directly in expenses.

(2) Depreciation

The depreciable amount of a tangible asset is the cost less the residual value of the asset. The residual value is the estimated value that the Group would currently obtain from the disposal of an asset, after deducting the estimated costs associated with the disposal if the asset would already have the age and condition expected at the end of its useful life.

For directly productive tangible assets (natural gas resources extraction wells), the Group applies the depreciation method based on the unit of production in order to reflect in the statement of comprehensive income, an expense proportionate with the production obtained from the total natural gas reserve certified at the beginning of the period. According to this method, the value of each production well is depreciated according to the ratio of the natural gas quantity extracted during the period compared to the proved developed reserves at the beginning of the period.

Assets representing gas cushion are not depreciated, as the residual value exceeds their cost.

For indirectly productive tangible assets and storage assets, depreciation is computed using the straight–line method over the estimated useful life of assets, as follows:

Asset	Years
Specific buildings and constructions	10 - 50
Technical installations and machines	3 - 20
Other plant, tools and furniture	3 – 30

Land is not depreciated as it is considered to have an indefinite useful life.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at historical cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Items of tangible fixed assets that are disposed of are eliminated from the statement of financial position along with the corresponding accumulated depreciation and impairment. Any gain or loss resulting from such retirement or disposal is included in the result of the period.

For items of tangible fixed assets that are retired from use, but not yet written off by the reporting date, an impairment adjustment is recorded for the carrying value at the time of retirement.

(3) Impairment

Non-current assets must be recognized at the lower of the carrying amount and recoverable amount. If and only if the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to be equal to its recoverable amount. Such a reduction represents an impairment loss that is recognized in the result of the period.

Thus at the end of each reporting period, the Group assesses whether there is any indication of impairment of assets. If such indication is identified, the Group tests the assets to determine whether they are impaired.

The Group's assets are allocated to cash-generating units. The cash-generating unit is the smallest identifiable asset group that generates independent cash inflows to a large extent from cash inflows generated by other assets or asset groups. The Group considers each commercial field as a separate cash-generating unit.

All gas storages held by the Group are considered as part of a single cash-generating unit, as the regulatory authority sets regulated tariffs by analyzing the storage activity as a whole, not every single storage.

In 2020, the Group conducted an impairment test in the Upstream segment, as the conditions existing when the previous test was conducted changed; the results of the impairment test are presented in note 12.

In 2020, no indications of impairment were observed for storage assets..

Recoverable amount is the largest of the fair value of an asset or a cash-generating unit less costs associated with disposal and its value in use. Considering the nature of the Group's assets, it was not possible to determine the fair value of the cash-generating units, being determined only the value in use of the assets.

Exploration and appraisal assets

(1) Cost

Natural gas exploration (other than seismic, geological, geophysical and other similar activities), appraisal and development expenditure is accounted for using the principles of the successful efforts method of accounting.

Costs directly associated with an exploration well are initially capitalized as an asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, drilling costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well is eliminated from the statement of financial position, by recording an impairment, until National Agency for Mineral Resources (Agentia Nationala pentru Resurse Minerale – ANRM) approvals are obtained in order to be written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. Costs directly associated with appraisal activity, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, an impairment is recorded for the assets, until the completion of the legal steps necessary for them to be written off. When proved reserves of natural gas are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment other than exploration assets.

(2) Impairment

At each reporting date, the Group's management reviews its exploration assets and establishes the necessity for recording in the financial statements an impairment loss in these situations:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of gas resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of gas resources in the specific area have not led to the discovery of commercially viable quantities of gas resources and the Group has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Other intangible assets

(1) Cost

Licenses for software, patents and other intangible assets are recognized at acquisition cost.

Intangible assets are not revalued.

(2) Amortization

Patents and other intangible assets are amortized using the straight-line method over their useful life, but not exceeding 20 years. Licenses related to the right of use of computer software are amortized over a period of 3 years.

Inventories

Inventories are recorded initially at cost of production, or acquisition cost, depending on the case. The cost of finished goods and production in progress includes materials, labour, expense incurred for bringing the finished goods at the location and in the existent form and the related indirect production costs. Write down adjustments are booked against slow moving, damaged and obsolete inventory, when necessary.

At each reporting date, inventories are measured at the lower of cost and net realizable value. The net realizable value is estimated based on the selling price less any completion and selling expenses. The cost of inventories is assigned by using the weighted average cost formula.

Financial assets and liabilities

The Group’s financial assets include cash and cash equivalents, trade receivables, other receivables, loans, bank deposits and bonds with a maturity from acquisition date of over three months and other investments in equity instruments. Financial liabilities include interest-bearing bank borrowings and overdrafts and trade and other payables. For each item, the accounting policies on recognition and measurement are disclosed in this note. Management believes that the estimated fair values of these instruments approximate their carrying amounts.

Cash and cash equivalents include petty cash, cash in current bank accounts and short-term deposits with a maturity of less than three months from the date of acquisition.

The Group recognizes a financial asset or financial liability in the statement of financial position when and only when it becomes a party to the contractual provisions of the instrument. Upon initial recognition, financial assets are classified at amortized cost or measured at fair value through profit or loss. The classification depends on the Group's business model for managing the financial assets and their contractual cash flows.

The Group does not have financial assets measured at fair value through other comprehensive income.

On initial recognition, financial assets and financial liabilities are measured at fair value plus or minus, in the case of assets measured at amortized cost, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Receivables resulting from contracts with customers represent the unconditional right of the Group to a consideration. The right to a consideration is unconditional if only the passage of time is required before payment of the consideration is due. These are measured at initial recognition at the transaction price.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments plus or minus cumulative depreciation using the effective interest method for each difference between the initial amount and the amount at maturity and, for financial assets, adjusted for any impairment.

Any difference between the entry amount and the reimbursement amount is recognized in the income statement for the period of the borrowings using the effective interest method.

Financial instruments are classified as liabilities or equity in accordance with the nature of the contractual arrangement. Interest, dividends, gains and losses on a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are recorded directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and discharge the obligation simultaneously.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each reporting period.

Except for trade receivables, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk associated with the financial instrument, has increased significantly since initial recognition. If, at the reporting date, the credit risk for a financial instrument has not increased significantly since the initial recognition, the Group measures the loss allowance for that financial instrument at a value equal to 12-month expected credit losses.

The loss allowance on trade receivables resulting from transactions that are subject to IFRS 15 is measured at an amount equal to lifetime expected credit losses. The Group considers the risk or probability of a default occurring, reflecting the possibility of a default to occur or not to occur, even if the possibility of a credit loss is very low.

The Group measures the expected credit losses of a financial instrument in a manner that reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The carrying amount of the financial asset, other than those at fair value through profit or loss, is reduced through the use of an allowance account.

De-recognition of financial assets and liabilities

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Reserves

Reserves include (note 18):

- legal reserves, which are used annually to transfer to reserves up to 5% of the statutory profit, but not more than 20% of the statutory share capital of the companies within the Group;
- other reserves, which represent allocations from profit in accordance with Government Ordinance no. 64/2001, paragraph (g) for the Company's development fund;
- reserves from reinvested profit, set up based on the Fiscal Code. The amount of profit that benefited from tax exemption under the fiscal legislation less the legal reserve, is distributed at the end of the year by setting up the reserve;
- development quota reserve, non-distributable, set up until 2004. Development quota reserve set up after 2004 is distributable and presented in retained earnings. Development quota set up after 2004 is allocated together with the profit allocation, as approved by the General Meeting of Shareholders, based on depreciation, respectively write-off of the assets financed using the development quota;
- other non-distributable reserves, set up from retained earnings representing translation differences recorded at transition to IFRS. These reserves are set up in accordance with MOF 2844/2016.

Subsidies

Subsidies are non-reimbursable financial resources granted to the Group with the condition of meeting certain criteria. In the category of subsidies are included grants related to assets and grants related to income.

Grants related to assets are government grants for whose primary condition is that the Group should purchase, construct, or otherwise acquire long-term assets.

Grants related to income are government grants other than those related to assets.

Subsidies are not recognized until there is reasonable assurance that:

(a) the Group will comply with the conditions attaching to it; and

(b) subsidies will be received.

Grants related to assets are presented in the statement of financial position as “Deferred revenue”, which is then recognized in profit or loss on a systematic basis over the useful life of the asset.

Grants related to income are recognized in the statement of profit or loss under "Other income", as the related expenses are recorded. Until the time the expense occurs, the grant received is recognized as “Deferred revenue”.

Use of estimates

The preparation of the financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the end of reporting date, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments that the management has made in the process of applying the Group’s accounting policies, and that have the most significant effect on the amounts recognized in the financial statements.

Estimates related to impairment losses on trade receivables

At each period end, the Group evaluates the risks attached to current and overdue receivables and the probability of such risks to materialize. The Group’s receivables are generally due in maximum 30 days from the date of issue. However, the Group may be forced by court decisions to sell gas to insolvent clients deemed “captive” according to insolvency legislation. Invoices issued to these clients for gas delivered are due in 90 days from the date of issue. Based on the information available at period end related to such clients and previous experience, the Group estimates the lifetime expected credit loss of receivables, both current and overdue, and records appropriate impairment losses (note 16).

Estimates related to the exploration expenditure on undeveloped fields

If field works prove that the geological structures are not exploitable from an economic point of view or that they do not have hydrocarbon resources available, an impairment is recorded. The impairment assessment is performed based on geological experts’ technical expertise (note 7).

Estimates related to the developed proved reserves

The Group applies the depreciation method based on the unit of production in order to reflect in the income statement an expense proportionate with the production obtained from the total natural gas reserve at the beginning of the period. According to this method, the value of each production well is depreciated according to the ratio of the natural gas quantity extracted during the period compared to the gas reserve at the beginning of the period. The gas reserves are updated annually according to internal assessments that are based on certifications of ANRM (note 7).

Estimates related to the decommissioning provision

Liabilities for decommissioning costs are recognized for the Group’s obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made.

This provision is computed based on the estimated future expenditure determined in accordance with local conditions and requirements and it is brought to present value using the interest rate on long term treasury bonds. The rate is updated annually (note 19).

Estimates related to the retirement benefit obligation

Under the Collective Labor Agreement, the Group is obliged to pay to its employees when they retire a multiplicator of the gross salary, depending on the seniority within the gas industry/electricity industry, working conditions etc. This provision is updated annually and calculated based on actuarial methods to estimate the average wage, the average number of employees to pay at retirement, the estimate of the period when they will be paid and brought to present value using a discount factor based on interest on investments with the highest degree of safety (government bonds) (note 19).

The Group does not operate any other pension plan or retirement benefits, and therefore has no other obligations relating to pensions.

Contingencies

By their nature, contingencies end only when one or more uncertain future events occur or not. In order to determine the existence and the potential value of a contingent element, is required to exercise the professional judgment and the use of estimates regarding the outcome of future events (note 32).

Comparative information

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

3. REVENUE AND OTHER INCOME

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Revenue from gas sold - domestic production	3,226,448	4,151,626
Revenue from gas sold – other arrangements	66,915	128,737
Revenue from gas acquired for resale – import gas	-	77,867
Revenue from gas acquired for resale – domestic gas	15,545	23,368
Revenue from storage services-capacity reservation	282,363	265,962
Revenue from storage services-extraction	43,151	22,410
Revenue from storage services-injection	49,343	42,418
Revenue from electricity	189,289	145,714
Revenue from services	175,877	184,564
Revenue from sale of goods	18,192	30,243
Other revenues from contracts	367	402
Total revenue from contracts with customers	**4,067,490**	**5,073,311**
Other revenues	7,403	7,171
Total revenue	**4,074,893**	**5,080,482**
Other operating income *)	25,439	32,834
Total revenue and other income	**4,100,332**	**5,113,316**

*) Other operating income relates mainly to penalties charged to clients for late payment.

Revenue from contracts with customers is recognized as or when the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of goods sold by the Group usually coincides with title passing to the customer and the customer taking physical possession.

Revenues from gas and electricity are recognized when the delivery has been made at the prices fixed in the contracts with customers.

Revenues from storage services are recognized when they are provided at the rates set by the regulatory authority. Usually, injection services are provided in the period April – October, and those for extraction in October – April. The capacity reservation services are being provided each month of the storage cycle, which begins on April 1 and ends on March 31 of the next year.

In measuring the revenue from gas, electricity and storage services, the Group uses output methods. According to these methods, revenues are recognized based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. The Group recognizes the revenue in the amount it has the right to charge.

The Group does not disclose information about the remaining performance obligations, applying the practical expedient in IFRS 15, as the contracts with the customers are generally signed for periods of less than one year and the revenues are recognized at the amount which the Group has the right to charge.

4. INVESTMENT INCOME

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Interest income	47,845	38,124
Total	**47,845**	**38,124**

Interest income is derived from the Group's investments in bank deposits and government bonds.

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Consumables used	35,005	40,338
Technological consumption	19,257	32,143
Cost of gas acquired for resale, sold – import	-	74,410
Cost of gas acquired for resale, sold – domestic	7,650	9,863
Cost of electricity imbalance	10,375	22,414
Cost of other goods sold	592	1,114
Other consumables	4,020	3,566
Total	**76,899**	**183.848**

6. OTHER GAINS AND LOSSES

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Forex gain	52	2,579
Forex loss	(291)	(2,029)
Net loss on disposal of non-current assets	(7)	2,542
Net allowances for other receivables (note 16 c)	2,151	13,926
Net write down allowances for inventory (note 15)	(8,427)	(5,125)
Net gain/(loss) on financial assets at fair value through profit or loss (note 26)	(10)	(4,424)
Other gains and losses from lease contracts	-	52
Losses from other debtors	(2)	(2)
Total	**(6,534)**	**7,519**

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Depreciation and amortization *)	448,371	520,957
out of which:		
- depreciation of property, plant and equipment	445,327	517,833
- amortization of intangible assets	2,130	2,376
- amortization of write-of use assets	914	748
Net impairment of non-current assets (note 12) **)	223,692	930,809
Total depreciation, amortization and impairment	**672,063**	**1,451,766**

*) The decrease in the depreciation expense for property, plant and equipment is due to a reduction in natural gas production, as they are depreciated using the unit of production method, as mentioned in note 2.

**) Net impairment of non-current assets have decreased as compared to the previous year as in 2020 the Group did not record any impairment losses from impairment tests unlike 2019. More information on the impairment test performed in 2020 is presented in note 12.

8. EMPLOYEE BENEFIT EXPENSE

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Wages and salaries	798,382	717,927
Social security charges	28,044	20,589
Meal tickets	23,231	19,044
Other benefits according to collective labor contract	20,613	29,865
Private pension payments	11,763	10,783
Private health insurance	5,980	-
Total employee benefit costs	**888,013**	**798,208**
Less, capitalized employee benefit costs	(120,762)	(127,800)
Total employee benefit expense	**767,251**	**670,408**

9. FINANCE COSTS

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Interest expense	593	543
Unwinding of the decommissioning provision (note 19)	16,407	24,197
Total	**17,000**	**24,740**

10. OTHER EXPENSES

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Energy and water expenses	40,945	61,428
Expenses for capacity booking and gas transmission services	167,937	164,142
Expenses with other taxes and duties *)	633,160	1,070,181
(Net gain)/Net loss from provisions movement (note 19)	90,740	(57,162)
Other operating expenses **)	225,361	313,053
Total	**1,158,143**	**1,551,642**

*) In the year ended December 31, 2020, the major taxes and duties included in the amount of RON 633,160 thousand (year ended December 31, 2019: RON 1,070,181 thousand) are:

- RON 414,943 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 (year ended December 31, 2019: RON 716,908 thousand);
- RON 196,875 thousand represent royalty on gas production and storage activity (year ended December 31, 2019: RON 342,992 thousand).

**) At the start of 2020, the monetary contribution from license holders in the electric power and natural gas sectors of 2% from revenues obtained from the activities under the scope of licenses granted by the Romanian Regulatory Authority for Energy ("ANRE"), as introduced by Government Emergency Ordinance no. 114/2018, was repealed. The 2019 operating expenses of RON 313,053 thousand included this contribution of RON 86,975 thousand. In 2020 the contribution paid to ANRE was of RON 12,883 thousand.

In 2020 other operating expenses of RON 225,361 thousand include an expense of RON 24,284 thousand representing dividends deemed by ANAF as payable to the Romanian state according to the provisions of Government Emergency Ordinance no. 114/2018. The Company did not agree with the conclusions of the report and started legal actions against it. The deemed dividends attributable to the main shareholder and related penalties were offset by ANAF against receivables of the Company from ANAF, although the Company requested the receivables to be offset against other tax liabilities when due. As there is no shareholders' decision to allocate additional dividends, the amount offset by ANAF was expensed.

11. INCOME TAX

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Current tax expense *)	220,285	293,400
Deferred income tax (income)/expense	(41,681)	(107,843)
Income tax expense	**178,604**	**185,557**

*) The 2020 current tax expense of RON 220,285 thousand includes additional income tax of RON 6,923 thousand, as determined by ANAF following a tax audit for the period 2014-2018; the Company filed a complaint against the report. The tax audit report included penalties of RON 37,941 thousand, which were written-off due to facilities introduced by Government Emergency Ordinance no. 69/2020.

The tax rate used for the reconciliations below for the year ended December 31, 2020, respectively year ended December 31, 2019 is 16% payable by corporate entities in Romania on taxable profits.

The total charge for the period can be reconciled to the accounting profit as follows:

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Accounting profit before tax	**1,426,508**	**1,275,180**
(Profit)/loss of activities not subject to income tax	6,298	1,821
Accounting profit subject to income tax	**1,432,806**	**1,277,001**
Income tax expense calculated at 16%	229,249	204,320
Effect of income exempt of taxation	(39,800)	(44,977)
Effect of expenses that are not deductible in determining taxable profit	68,978	171,689
Effect of current income tax reduction, due to tax facilities	(11,023)	(15,054)
Effect of tax incentive for reinvested profit	(9,950)	(2,746)
Effect of legal reserves	(579)	(390)
Effect of the benefit from tax credits, used to reduce current tax expense	27,362	28,791
Effect of deferred tax relating to the origination and reversal of temporary differences	(57,632)	(145,040)
Effect of the benefit from tax credits, used to reduce deferred tax expense	(34,924)	(11,036)
Effect of the previous years' tax expense	6,923	-
Income tax expense	**178,604**	**185,557**

Components of deferred tax (asset)/liability:

	December 31, 2020		December 31, 2019	
	Cumulative temporary differences '000 RON	Deferred tax (asset)/ liability '000 RON	Cumulative temporary differences '000 RON	Deferred tax (asset)/ liability '000 RON
Provisions	(736,102)	(117,776)	(540,560)	(86,490)
Property, plant and equipment	274,492	43,919	236,238	37,798
Exploration assets *)	(828,989)	(132,638)	(928,679)	(148,589)
Financial investments	(977)	(156)	(977)	(156)
Inventory	(29,817)	(4,771)	(17,940)	(2,870)
Trade receivables and other receivables	(395,488)	(63,278)	(191,509)	(30,641)
Right of use asset	474	76	554	89
Deferred revenue	9	1	17	3
Lease liability	(507)	(81)	(567)	(91)
Other intangible assets	(3,900)	(624)		
Total	**(1,720,805)**	**(275,328)**	**(1,443,423)**	**(230,947)**
Change, out of which:		**44,381**		**103,456**
- in current year's result		41,681		107,843
- in other comprehensive income		2,700		(4,387)

*) According to the Fiscal Code applicable in Romania, expenses related to location, exploration, development or any preparatory activity for the exploitation of natural resources, which, according to the applicable accounting regulations, are recorded directly in the result, are recovered in equal rates for a period of 5 years, starting with the month in which the expenses are incurred. Also, for fixed assets specific to the exploration and production of gas resources, the carrying tax value of fixed assets written-off is deducted using the tax depreciation method used before their write-off for the remaining period. All of these costs are treated as assets only from a tax point of view and generate a deferred tax asset.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2020	**109,368**	**909,979**	**6,730,173**	**1,017,465**	**104,110**	**1,693,062**	**402,445**	**1,794,654**	**12,761,256**
Additions	8,049	1	130,268	9	-	9,819	66,516	554,384	769,046
Transfers	254	7,477	259,441	82,079	10,876	20,109	(4,690)	(375,546)	-
Disposals	-	(1,342)	(16,051)	(8,928)	(286)	(506)	(130,665)	(58,493)	(216,271)
As of December 31, 2020	**117,671**	**916,115**	**7,103,831**	**1,090,625**	**114,700**	**1,722,484**	**333,606**	**1,914,999**	**13,314,031**
Accumulated depreciation									
As of January 1, 2020	**-**	**328,847**	**4,022,145**	**646,360**	**77,281**	**648,959**	**-**	**-**	**5,723,592**
Charge *)	-	30,872	306,002	66,428	7,141	56,536	-	-	466,979
Disposals	-	(839)	(3,014)	(8,882)	(286)	(69)	-	-	(13,090)
As of December 31, 2020	**-**	**358,880**	**4,325,133**	**703,906**	**84,136**	**705,426**	**-**	**-**	**6,177,481**
Impairment									
As of January 1, 2020	**8,255**	**40,306**	**493,729**	**80,567**	**1,148**	**378,332**	**245,532**	**246,618**	**1,494,487**
Charge	**-**	1,664	85,085	557	76	(11,341)	100,189	106,849	283,079
Transfers	-	-	25,804	2,374	-	-	-	(28,178)	-
Release	-	(382)	(50,993)	(400)	(19)	(656)	(132,323)	(69,365)	(254,138)
As of December 31, 2020	**8,255**	**41,588**	**553,625**	**83,098**	**1,205**	**366,335**	**213,398**	**255,924**	**1,523,428**
Carrying value									
As of January 1, 2020	**101,113**	**540,826**	**2,214,299**	**290,538**	**25,681**	**665,771**	**156,913**	**1,548,036**	**5,543,177**
As of December 31, 2020	**109,416**	**515,647**	**2,225,073**	**303,621**	**29,359**	**650,723**	**120,208**	**1,659,075**	**5,613,122**

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 21,649 thousand.*

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2019	**108,954**	**892,035**	**6,454,087**	**984,695**	**102,099**	**1,718,601**	**332,457**	**1,565,368**	**12,158,296**
Additions	374	18	16,346	25	21	-	210,521	673,880	901,185
Transfers	40	18,209	466,419	41,290	4,124	9,035	(117,482)	(421,635)	-
Disposals	-	(283)	(206,679)	(8,545)	(2,134)	(34,574)	(23,051)	(22,959)	(298,225)
As of December 31, 2019	**109,368**	**909,979**	**6,730,173**	**1,017,465**	**104,110**	**1,693,062**	**402,445**	**1,794,654**	**12,761,256**
Accumulated depreciation									
As of January 1, 2019	**-**	**297,747**	**3,671,297**	**590,345**	**72,921**	**589,044**	**-**	**-**	**5,221,354**
Charge *)	-	31,348	370,794	64,108	6,463	68,617	-	-	541,330
Transfers	-	-	5,906	-	-	(5,906)	-	-	-
Disposals	-	(248)	(25,852)	(8,093)	(2,103)	(2,796)	-	-	(39,092)
As of December 31, 2019	**-**	**328,847**	**4,022,145**	**646,360**	**77,281**	**648,959**	**-**	**-**	**5,723,592**
Impairment									
As of January 1, 2019	**3,180**	**31,523**	**390,424**	**71,226**	**909**	**3,521**	**37,266**	**119,145**	**657,194**
Charge	5,075	11,893	179,095	4,526	288	375,073	231,409	192,449	999,808
Transfers	-	931	24,890	6,808	279	-	(84)	(32,824)	-
Release	-	(4,041)	(100,680)	(1,993)	(328)	(262)	(23,059)	(32,152)	(162,515)
As of December 31, 2019	**8,255**	**40,306**	**493,729**	**80,567**	**1,148**	**378,332**	**245,532**	**246,618**	**1,494,487**
Carrying value									
As of January 1, 2019	**105,774**	**562,765**	**2,392,366**	**323,124**	**28,269**	**1,126,036**	**295,191**	**1,446,223**	**6,279,748**
As of December 31, 2019	**101,113**	**540,826**	**2,214,299**	**290,538**	**25,681**	**665,771**	**156,913**	**1,548,036**	**5,543,177**

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 23,498 thousand.*

Impairment of property, plant and equipment

Note 2 contains information on the conditions under which impairment losses for individual assets are recognized.

Impairment of assets in the Upstream segment

Based on the current market conditions (the effects of the COVID-19 pandemic on Romanian economy, 2020 gas production 14% lower compared to previous year, lower gas prices), the Group identified impairment indicators for its upstream assets.

Based on its assessment, the Group considered each commercial field a separate cash-generating unit. The infrastructure common to several gas fields (e.g., compression stations, drying stations) was allocated to each field according to the quantities processed for each field served. The corporate assets were allocated to each field according to the estimated revenue to be earned by each field in the total revenue over the period considered in the impairment test.

The impairment test took into account the economic life of the fields, according to the latest studies approved by the National Agency of Mineral Resources, but no later than 2043, this being the limit year of the concession agreements, according to the legislation in force.

Following the impairment test, there was no additional impairment identified.

In the impairment test the following assumptions were used:

- Weighted average cost of capital: 10%;
- The inflation rate for the years 2021-2023 was the one reported by the National Prognosis Commission in the 2021 winter forecast. For the period 2024-2043 a constant inflation rate of 2.4% was used;
- Average estimated price for the period was 87.51 lei/MWh.

13. EXPLORATION AND APPRAISAL FOR NATURAL GAS RESOURCES

The following financial information represents the amounts included within the Group's totals relating to activity associated with the exploration for and appraisal of natural gas resources. All such activities are recorded within the Upstream segment.

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Exploration assets written off (note 12)	(836)	(123)
Seismic, geological, geophysical studies	(25,673)	(1,513)
Total exploration expense	**(26,509)**	**(1,636)**
Net movement in exploration assets' impairment (note 12) (net income)/net loss	97,695	231,278
Net cash used in exploration investing activities	(66,516)	(173,563)

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Exploration assets (note 12)	120,208	156,913
Liabilities	(5,285)	(49,270)
Net assets	**114,923**	**107,643**

14. OTHER INTANGIBLE ASSETS. RIGHT OF USE ASSETS

a) Other intangible assets

	2020	2019
	'000 RON	'000 RON
Cost		
As of January 1	**186,136**	**179,658**
Additions	7,990	6,593
Disposals	(7,227)	(115)
As of December 31	**186,899**	**186,136**
Accumulated amortization		
As of January 1	**176,972**	**174,688**
Charge	2,130	2,376
Disposals	(6,977)	(92)
As of December 31	**172,125**	**176,972**
Carrying value		
As of January 1	**9,164**	**4,970**
As of December 31	**14,774**	**9,164**

b) Right of use assets

	2020	2019
	'000 RON	'000 RON
Cost		
As of January 1	**9,275**	**-**
Implementation of IFRS 16 “Leases”	-	4,959
Additions	-	5,036
Effects of rent index updates	239	-
Disposals	-	(720)
As of December 31	**9,514**	**9,275**
Accumulated amortization		
As of January 1	**685**	**-**
Charge	914	748
Disposals	-	(63)
As of December 31	**1,599**	**685**
Carrying value		
As of January 1	**8,590**	**-**
As of December 31	**7,915**	**8,590**

15. INVENTORIES

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Spare parts and materials	171,990	170,030
Finished goods (gas)	123,638	183,842
Other inventories	686	465
Write-down allowance for spare parts and materials	(51,747)	(43,323)
Write-down allowance for other inventories	(4)	(1)
Total	**244,563**	**311,013**

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Trade receivables	1,561,742	1,554,652
Allowances for expected credit losses (note 16 c)	(1,279,164)	(1,252,267)
Accrued receivables	312,991	382,915
Allowances for expected credit losses on accrued receivables (note 16 c)	(2,694)	(47,142)
Total	**592,875**	**638,158**

Trade receivables from gas deliveries are generally due within 30 days of invoice issue. These must be guaranteed by customers through bank letters of guarantee. If customers do not provide such a guarantee, they must ensure that natural gas is paid in advance.

The Group is forced by court orders to sell gas to insolvent clients considered “captive” by the insolvency law. These clients provide no guarantees, do not pay for deliveries in advance and have a payment term of 90 days from invoice issue date.

Trade receivables from the sale of electricity are generally due within 7 days of the date of invoice transmission. These must be guaranteed by customers through bank letters of guarantee. If customers do not provide such a guarantee, they must ensure that electricity is paid in advance.

Trade receivables from storage services are due within 15 days of invoice issue. Customers must provide a 5% guarantee for the services value.

b) Other assets

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Advances paid to suppliers	18,374	386
Joint operation receivables	2,384	2,125
Other receivables *)	64,471	62,343
Allowance for expected credit losses other receivables (note 16 c) *)	(28,981)	(33,703)
Other debtors	50,079	47,529
Allowance for expected credit losses for other debtors (note 16 c)	(49,016)	(46,445)
Prepayments	5,808	3,911
VAT not yet due	4,898	6,339
Other taxes receivable	6	-
Total	**68,023**	**42,485**

*) During May 13, 2014 – September 30, 2014 the National Agency for Tax Administration (Agentia Nationala de Administrare Fiscala - ANAF) ran a tax investigation at Romgaz regarding the tax statements and/or operations relevant for the investigation as well as the organization and management of tax and accounting evidence. The period under control was 2008 – 2013 for income tax and 2009 – 2013 for VAT.

Following the tax inspection, an additional liability was established for Romgaz of RON 22,440 thousand, representing income tax, VAT, penalties and related interest. Of the total amount, Romgaz paid RON 2,389 thousand.

For the remaining amount of RON 20,051 thousand, Romgaz performed a legal assessment which concluded that the additional tax, penalties and interest are not correct. Romgaz filed an appeal to the Ministry of Public Finance. The appeal was partially rejected for the amount of RON 15,872 thousand.

For RON 4,179 thousand a new fiscal control was ordered, which resulted in a tax burden of RON 2,981 thousand. The appeal filed to ANAF was rejected.

In 2015, Romgaz sued the Ministry of Finance to cancel the above mentioned administrative acts, including the partial cancelation of the decision issued for the appeal.

The payment made in 2016 generated additional penalties of RON 13,697 thousand, also paid. Considering the disagreement regarding the conclusions of the tax control, the Company recorded a receivable and an allowance.

In 2019, the Company won some of the points claimed in the case filed against ANAF and the allowance of RON 18,499 thousand was reversed against income. The Company took action to recover the amount paid, but the amounts were not received by December 31, 2020.

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. The tax decision and the tax inspection report were appealed to ANAF. Romgaz paid the additional tax obligation and the late payment charges and based on the appeal, the Company recorded a receivable for which it recorded an allowance.

The total receivable impaired in connection with this control is RON 28,981 thousand.

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

	2020	2019
	'000 RON	'000 RON
At January 1	**1,379,557**	**1,312,262**
Charge in the allowance for other receivables (note 6)	2,792	4,641
Charge in the allowance for trade receivables	61,595	84,783
Release in the allowance for other receivables (note 6)	(4,943)	(18,567)
Release in the allowance for trade receivables	(79,146)	(3,562)
At December 31	**1,359,855**	**1,379,557**

As of December 31, 2020, the Group recorded allowances for expected credit losses, of which Interagro RON 271,621 thousand (December 31, 2019: RON 275,137 thousand), GHCL Upsom of RON 68,103 thousand (December 31, 2019: RON 60,183 thousand), CET Iasi of RON 46,271 thousand (December 31, 2019: RON 46,271 thousand), Electrocentrale Galati with RON 226,338 thousand (December 31, 2019: RON 222,075 thousand), Electrocentrale Bucuresti with RON 576,080 thousand (December 31, 2019: RON 616,330 thousand), G-ON EUROGAZ of RON 14,848 thousand (December 31, 2019: RON 14,848 thousand) and Electrocentrale Constanta of RON 58,227 thousand (December 31, 2019: RON 39,113 thousand) due to existing financial conditions of these clients as well as ongoing litigating cases related to these receivables or exceeding payment terms.

d) Credit risk exposure for trade receivables

December 31, 2020	Gross carrying amount	Expected credit loss rate	Lifetime expected credit losses
	'000 RON	%	'000 RON
Current receivables, including accrued receivables	584,068	0.89	5,210
less than 30 days overdue	13,874	3.91	542
30 to 90 days overdue	4,861	86.85	4,222
90 to 360 days overdue	23,890	99.81	23,844
over 360 days overdue	1,248,040	100.00	1,248,040
Total trade receivables	**1,874,733**		**1,281,858**

December 31, 2019	Gross carrying amount	Expected credit loss rate	Lifetime expected credit losses
	'000 RON	%	'000 RON
Current receivables, including accrued receivables	673,695	7.01	47,198
less than 30 days overdue	14,820	22.24	3,296
30 to 90 days overdue	1,460	95.62	1,396
90 to 360 days overdue	25,203	99.71	25,130
over 360 days overdue	1,222,389	100.00	1,222,389
Total trade receivables	**1,937,567**		**1,299,409**

17. SHARE CAPITAL

	December 31, 2020	December 31, 2019
	'000 RON	'000 RON
385,422,400 fully paid ordinary shares	385,422	385,422
Total	**385,422**	**385,422**

The shareholding structure as at December 31, 2020 is as follows:

	No. of shares	Value	Percentage
		'000 RON	(%)
The Romanian State through the Ministry of Economy, Energy and Business Environment	269,823,080	269,823	70.01
Legal persons	95,612,507	95,612	24.81
Physical persons	19,986,813	19,987	5.18
Total	**385,422,400**	**385,422**	**100**

All shares are ordinary and were subscribed and fully paid as at December 31, 2020. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2019: RON 1/share).

18. RESERVES

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Legal reserves	83,537	79,921
Other reserves, of which:	2,168,372	1,507,488
- Company's development fund	1,371,257	772,417
- Reinvested profit	291,002	228,958
- Geological quota set up until 2004	486,388	486,388
- Other reserves	19,725	19,725
Total	**2,251,909**	**1,587,409**

19. PROVISIONS

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Decommissioning provision (note 19 a)	538,931	366,393
Retirement benefit obligation (note 19 c)	128,690	114,876
Total long term provisions	**667,621**	**481,269**
Decommissioning provision (note 19 a)	22,027	17,843
Litigation provision (note 19 b)	1,380	1,337
Other provisions *) (note 19 b)	133,008	63,521
Total short term provisions	**156,415**	**82,701**
Total provisions	**824,036**	**563,970**

*) On December 31, 2020, other provisions of RON 133,008 thousand include the provision for employee's participation to profit of RON 36,938 thousand (December 31, 2019: RON 34,412 thousand), the provision for taxes of RON 6,716 thousand and the provision for CO2 certificates of RON 81,217 thousand (December 31, 2019: RON 23,410). Regarding the CO2 provision, starting 2020 the mechanism for free of charge transitory allocation of greenhouse gas emissions certificates is no longer available.

a) Decommissioning provision

Decommissioning provision movement	2020 '000 RON	2019 '000 RON
At January 1	**384,236**	**530,466**
Additional provision recorded against non-current assets	139,913	16,342
Unwinding effect (note 9)	16,407	24,197
Recorded in profit or loss	24,273	(51,760)
Decrease recorded against non-current assets	(3,871)	(135,009)
At December 31	**560,958**	**384,236**

The Group makes full provision for the future costs of decommissioning natural gas wells on a discounted basis upon installation. The provision for the costs of decommissioning these wells at the end of their economic lives has been estimated using existing technology, at current prices or future assumptions, depending on the expected timing of the activity, and discounted using a rate of 2.97% (year ended December 31, 2019: 4.41%). While the provision is based on the best estimate of future costs and the economic lives of the wells, there is uncertainty regarding both the amount and timing of these costs

The increase with 1 percentage point of the discount rate would decrease the decommissioning provision with RON 105,546 thousand. The decrease with 1 percentage point of the discount rate would increase the decommissioning provision with RON 139,304 thousand.

b) Other provisions

	Litigation provision	Other provisions	Total
	'000 RON	'000 RON	'000 RON
At January 1, 2020	**1,337**	**63,521**	**64,858**
Additional provision in period	730	146,673	147,403
Provisions used in the period	(684)	(75,759)	(76,443)
Unused amounts during the period, reversed	(3)	(1,427)	(1,430)
At December 31, 2020	**1,380**	**133,008**	**134,388**

	Litigation provision	Other provisions	Total
	'000 RON	'000 RON	'000 RON
At January 1, 2019	**229**	**73,064**	**73,293**
Additional provision in the period	2,184	70,091	72,275
Provisions used in the period	(1,076)	(75,589)	(76,665)
Unused amounts during the period, reversed	-	(4,045)	(4,045)
At December 31, 2019	**1,337**	**63,521**	**64,858**

c) Retirement benefit obligation

Movement of the retirement benefit obligation	**2020**	**2019**
	'000 RON	'000 RON
At 1 January	**114,876**	**139,254**
Interest cost	2,642	3,994
Cost of current service	5,904	6,686
Payments during the year	(11,609)	(7,647)
Actuarial (gain)/loss for the period	16,877	(27,411)
At December 31	**128,690**	**114,876**

With the exception of actuarial gains/losses, all other movements in the retirement benefit obligation are recognized in the result of the period.

In determining the retirement benefit obligation, the following significant assumptions were used:

- No layoffs or restructurings are planned;
- Average discount rate: 3.21%;
- Average inflation rate: 2.00%.

Sensitivity analysis

The discount rate has a significant effect on the obligation. Isolated change in assumptions with 1 percentage point would have the following effect on the obligation:

	Increase of 1% in assumptions	Decrease of 1% in assumptions
	'000 RON	'000 RON
Average discount rate	(12,283)	14,356
Average inflation rate	13,860	(12,099)

Maturity analysis of payment cash flows

	Benefit payments '000 RON
Up to 1 year	7,827
1-2 years	5,224
2-5 years	14,248
5-10 years	53,549
Over 10 years	47,842

20. DEFERRED REVENUE

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Amounts collected from NIP *)	136,021	20,994
Other deferred revenue	167	123
Other amounts received as subsidies	120	127
Total long term deferred revenue	**136,308**	**21,244**
Other amounts received as subsidies	8	58
Other deferred revenue	10,891	3,671
Total short term deferred revenue	**10,899**	**3,729**
Total deferred revenue	**147,207**	**24,973**

*) In Government Decision no. 1096/2013 approving the mechanism for free allocation of greenhouse gas emission allowances to electricity producers for the period 2013-2020, Annex no. 3 "National Investment Plan", S.N.G.N. ROMGAZ S.A. is included with the investment "Combined Gas Turbine Cycle".

For this investment, Romgaz signed in 2017 a financing agreement with the Ministry of Energy, whereby the Ministry of Energy undertakes to grant a non-reimbursable financing of RON 320,912 thousand, representing a maximum of 25% of the total value of eligible expenditure of the investment. By December 31, 2020 the Group collected RON 136,021 thousand. Amounts received under this contract will be transferred to income based on the depreciation rate of the investment.

By Government Decision no. 1070/2020 the deadline until the investments financed from the National Investment Plan must be put into operation has been extended until June 30, 2021.

By December 31, 2020, the Group submitted two other reimbursement requests amounting to RON 140,498 thousand.

As the term of the contract for the realization of the investment was not extended, the Group is in the process of identifying solutions for completing the works.

	Amounts collected from NIP '000 RON	Other amounts received as subsidies '000 RON	Total '000 RON
At January 1, 2020	**20,994**	**185**	**21,179**
Received	115,027	-	115,027
Other decreases (reimbursements)	-	(50)	(50)
Amounts in revenue	-	(7)	(7)
At December 31, 2020	**136,021**	**128**	**136,149**

	Amounts collected from NIP	Other amounts received as subsidies	Total
	'000 RON	'000 RON	'000 RON
January 1, 2019	**20,994**	**257**	**21,251**
Received	-	-	-
Other increases	-	9	9
Amounts in revenue	-	(81)	(81)
December 31, 2019	**20,994**	**185**	**21,179**

21. TRADE AND OTHER CURRENT LIABILITIES

	December 31, 2020	December 31, 2019
	'000 RON	'000 RON
Accruals	30,861	32,553
Trade payables	20,491	13,953
Payables to fixed assets suppliers	37,780	63,404
Total trade payables	**89,132**	**109,910**
Payables related to employees	67,922	48,055
Royalties	63,222	67,865
Social security taxes	26,489	22,145
Other current liabilities	6,000	5,489
VAT	64,921	57,990
Dividends payable	2,047	2,231
Windfall tax	31,842	59,095
Other taxes	1,338	1,371
Total other liabilities	**263,781**	**264,241**
Total trade and other liabilities	**352,913**	**374,151**

22. FINANCIAL INSTRUMENTS

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, inflation risk, interest rate risk), credit risk, liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance within certain limits. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. The Group does not use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to currency risk as a result of exposure to various currencies. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

As at December 31, 2020, the official exchange rates were RON 3.9660 to USD 1 and RON 4.8694 to EUR 1 and (December 31, 2019: RON 4.2608 to USD 1 and RON 4.7793 to EUR 1).

The Group is mainly exposed to currency risk generated by EUR and USD against RON. The currency risk is not significant, as the Group has limited foreign exchange transactions.

(ii) Inflation risk

The official inflation rate in Romania, during the year ended December 31, 2020 was under 10% as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy.

(iii) Interest rate risk

The Group is exposed to interest rate risk, due to retirement benefit obligations and the decommissioning provision. The Group's sensitivity to changes in the discount rate is detailed in note 19.

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables. The Group has policies in place to ensure that sales are made to customers with low credit risk. Also, sales have to be secured, either through advance payments, either through bank letters of guarantee. The carrying amount of accounts receivable, net of bad debt allowances, represents the maximum amount exposed to credit risk. The Group has a concentration of credit risk in respect of its top 4 clients, which together amount to 85.41% of net trade receivable balance at December 31, 2020 (top 4 clients: 85.10% as of December 31, 2019).

In spite of the policies described above, the Group is forced by court orders to deliver gas to insolvent clients deemed "captive" by insolvency legislation. In respect of these clients, the Group makes estimates of the lifetime expected credit losses and records appropriate impairment losses.

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the bad debt allowance already recorded.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimize the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend policy, issue new shares or sell assets to reduce debt.

The Group's policy is to only resort to borrowing if investment needs cannot be financed internally.

(d) Fair value estimation

Carrying amount of financial assets and liabilities is assumed to approximate their fair values.

Financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, other financial assets, short-term loans and borrowings and trade and other payables. The estimated fair values of these instruments approximate their carrying amounts. The carrying amounts represent the Group's maximum exposure to credit risk for existing receivables.

e) Maturity analysis for financial assets and financial liabilities at amortized cost

December 31, 2020	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	158,907	123,643	28	-	-	282,578
Bank deposits	137,000	376,259	412,157	-	-	925,416
Treasury bonds	-	270,000	797,505	-	-	1,067,505
Total	**295,907**	**769,902**	**1,209,690**	**-**	**-**	**2,275,499**
Trade payables	(52,811)	(5,458)	(2)	-	-	(58,271)
Lease liabilities	(58)	(145)	(564)	(3,365)	(4,480)	(8,612)
Total	**(52,869)**	**(5,603)**	**(566)**	**(3,365)**	**(4,480)**	**(66,883)**
Net	**243,038**	**764,299**	**1,209,124**	**(3,365)**	**(4,480)**	**2,208,616**

December 31, 2019	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	126,906	175,446	33	-	-	302,385
Bank deposits	265,000	566,254	91,000	-	-	922,254
Treasury bonds	-	-	149,560	-	-	149,560
Total	**391,906**	**741,700**	**240,593**	**-**	**-**	**1,374,199**
Trade payables	(73,180)	(4,172)	(5)	-	-	(77,357)
Lease liabilities	(52)	(254)	(510)	(2,998)	(5,165)	(8,979)
Total	**(73,232)**	**(4,426)**	**(515)**	**(2,998)**	**(5,165)**	**(86,336)**
Net	**318,674**	**737,274**	**240,078**	**(2,998)**	**(5,165)**	**1,287,863**

f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Group's management, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and current cash flows and by matching the maturity profiles of financial assets and liabilities.

23. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Sales of goods and services

	Year ended December 31, 2020	Year ended December 31, 2019
	'000 RON	'000 RON
Romgaz's associates	10,551	14,024
Total	**10,551**	**14,024**

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

24. INFORMATION REGARDING THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The remuneration of executives and directors

The Group has no contractual obligations on pensions to former executives and directors of the Group.

During the years ended December 31, 2020 and December 31, 2019, no loans and advances were granted to executives and directors of the Group, except for work related travel advances, and they do not owe any amounts to the Group from such advances.

	Year ended Dec 31, 2020	Year ended Dec 31, 2019
	'000 RON	'000 RON
Salaries paid to executives (gross)	17,754	18,241
of which, bonuses and variable component (gross)	1,327	786
Remuneration paid to directors (gross)	2,831	2,079
of which, variable component (gross)	491	-

	December 31, 2020	December 31, 2019
	'000 RON	'000 RON
Salaries payable to executives	552	385
Salaries payable to directors	117	96

In addition to the above, on December 31, 2020 the Group recorded a provision for bonuses for executives and directors of RON 1,299 thousand (December 31, 2019: RON 870 thousand).

25. INVESTMENT IN ASSOCIATES

The Company's investments in associates are accounted using the equity method. The shares are not quoted on the stock exchange. No dividends were received in the years ended December 31, 2020, respectively, December 31, 2019.

The Company's investment in Agri LNG Project Company is not material. The investment is fully impaired.

Name of associate	Main activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			December 31, 2020	December 31, 2019
SC Depomures SA Tg.Mures	Storage of natural gas	Romania	40	40
SC Agri LNG Project Company SRL	Feasibility projects	Romania	25	25

Name of associate	Cost as of December 31, 2020	Impairment as of December 31, 2020	Carrying value as of December 31, 2020	Cost as of December 31, 2019	Impairment as of December 31, 2019	Carrying value as of December 31, 2019
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
SC Depomures SA Tg.Mures	26,102	-	26,102	24,772	-	24,772
SC Agri LNG Project Company SRL	977	(977)	-	977	(977)	-
Total	**27,079**	**(977)**	**26,102**	**25,749**	**(977)**	**24,772**

Summarized financial information for significant investments in associates (Depomureş)

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Non-current assets	72,868	77,325
Current assets, out of which:	11,928	8,108
- Cash and cash equivalents	7,113	5,179
Non-current liabilities, out of which:	12,461	15,892
- Long term financial liabilities	12,461	15,892
Current liabilities, out of which:	4,011	4,832
- Short term financial liabilities	3,435	3,436

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Revenue	28,994	40,348
Interest income	20	17
Amortization and depreciation	(3,959)	(3,941)
Interest expense	(723)	(859)
Income tax expense	(133)	(830)
Net profit from continued operations	3,325	3,684

Reconciliation of net book value for the significant investments in associates

	2020 '000 RON	2019 '000 RON
January 1	**24,772**	**23,298**
Interest in the total comprehensive income of significant investments in associates	1,330	1,474
December 31	**26,102**	**24,772**

26. OTHER FINANCIAL INVESTMENTS

Other financial investments are measured at fair value through profit or loss.

Except for the investment in Patria Bank, which is a level 1 financial investment, all other investments are included in level 3 category, according to IFRS 13.

Company	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			December 31, 2020	December 31, 2019
Electrocentrale București S.A.	Electricity and thermal power producer	Romania	2.49	2.49
Patria Bank S.A.	Other activities – financial intermediations	Romania	0.03	0.03
Mi Petrogas Services S.A.	Services related to oil and natural gas extraction, excluding prospections	Romania	10	10
GHCL Upsom	Manufacture of other chemical, anorganic base products	Romania	4.21	4.21
Lukoil association	Petroleum exploration operations	Romania	12.2	12.2

Company	Fair value as of December 31, 2020 '000 RON	Fair value as of December 31, 2019 '000 RON
Electrocentrale București S.A.*)	-	-
Patria Bank S.A.**)	91	101
Mi Petrogas Services S.A.	60	60
GHCL Upsom	-	-
Lukoil association	5,227	5,227
Total	**5,378**	**5,388**

*) The fair value of the investment in Electrocentrale Bucuresti at December 31, 2020 was reduced to zero, due to the difficulties encountered in implementing the restructuring plan in the insolvency procedure. The investment in Electrocentrale Bucuresti is not quoted.

**) Patria Bank's shares being quoted, the fair value at the end of the period is determined by taking into account the closing quotation of the share. The variation between the amount at December 31, 2020 and the amount at December 31, 2019 was recorded in the result of the period.

27. SEGMENT INFORMATION

a) Segment assets and liabilities

December 31, 2020	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments '000 RON	Total '000 RON
Property, plant and equipment	3,113,584	797,012	1,182,021	592,102	(71,597)	5,613,122
Other intangible assets	2,680	743	-	11,350	1	14,774
Investments in associates	-	-	-	26,102	-	26,102
Other financial investments	-	-	-	5,378	-	5,378
Deferred tax asset	-	2,616	-	272,712	-	275,328
Other financial assets	-	20,016	-	1,975,507	-	1,995,523
Inventories	212,453	14,619	2,193	15,298	-	244,563
Other assets	14,893	11,998	2,329	38,803	-	68,023
Trade and other receivables	556,565	41,867	6,994	10,714	(23,265)	592,875
Contract costs	651	-	-	-	-	651
Cash and cash equivalents	33,177	24,056	371	359,309	-	416,913
Right of use asset	-	474	-	7,442	(1)	7,915
Net investments in leasing	-	-	-	495	(495)	-
Total assets	**3,934,003**	**913,401**	**1,193,908**	**3,315,212**	**(95,357)**	**9,261,167**
Retirement benefit obligation	-	9,257	-	119,433	-	128,690
Contract liabilities	81,314	-	-	4	-	81,318
Provisions	531,234	54,604	83,740	25,768	-	695,346
Trade payables	49,045	21,336	8,670	33,346	(23,265)	89,132
Current tax liabilities	-	1,941	-	57,890	-	59,831
Deferred revenue	294	-	136,021	10,892	-	147,207
Lease liability	-	507	-	8,600	(495)	8,612
Other liabilities	147,207	11,631	6,104	98,839	-	263,781
Total liabilities	**809,094**	**99,276**	**234,535**	**354,772**	**(23,760)**	**1,473,917**

December 31, 2019	Upstream	Storage	Electricity	Other	Consolidation adjustments	Total
	'000 RON	'000 RON	'000 RON	'000 RON		'000 RON
Property, plant and equipment	3,153,636	974,927	1,086,221	328,393	-	5,543,177
Other intangible assets	2,447	1,034	-	5,683	-	9,164
Investments in associates	-	-	-	24,772	-	24,772
Other financial investments	-	-	-	5,388	-	5,388
Deferred tax asset	-	1,110	-	229,837	-	230,947
Other financial assets	-	5,933	-	1,069,291	-	1,075,224
Inventories	279,069	14,871	2,339	14,734	-	311,013
Other assets	6,594	1,679	2,423	31,789	-	42,485
Trade and other receivables	604,394	56,052	2,688	713	(25,689)	638,158
Contract costs	312	-	-	-	-	312
Right of use asset	-	554	-	8,039	(3)	8,590
Cash and cash equivalents	46,592	40,837	2,958	273,556	-	363,943
Total assets	**4,093,044**	**1,096,997**	**1,096,629**	**1,992,195**	**(25,692)**	**8,253,173**
Retirement benefit obligation	-	8,718	-	106,158	-	114,876
Contract liabilities	42,703	-	-	2	-	42,705
Provisions	364,514	42,682	25,634	16,264	-	449,094
Trade payables	91,144	25,272	3,669	15,514	(25,689)	109,910
Current tax liabilities	-	4,907	-	59,435	-	64,342
Deferred revenue	257	-	20,994	3,722	-	24,973
Lease liability	-	567	-	8,958	(546)	8,979
Other liabilities	164,308	13,432	4,268	82,233	-	264,241
Total liabilities	**662,926**	**95,578**	**54,565**	**292,286**	**(26,235)**	**1,079,120**

b) Segment revenues, results and other segment information

Year ended December 31, 2020	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3,690,235	333,939	261,112	376,937	(587,330)	4,074,893
Less: revenue between segments	(75,994)	(67,757)	(72,203)	(371,376)	587,330	-
Third party revenue	3,614,241	266,182	188,909	5,561	-	4,074,893
Interest income	107	1,018	152	46,602	(34)	47,845
Interest expense	(3)	-	-	-	-	(3)
Share of profit of associates	-	-	-	1,330	-	1,330
Depreciation and amortization *)	(340,435)	(5,804)	(4,468)	(26,095)	(71,569)	(448,371)
Impairment losses recognized during the period in profit or loss	(265,458)	-	(17,482)	(139)	-	(283,079)
Impairment losses reversed during the period in profit or loss	58,480	-	189	718	-	59,387
Segment result before tax profit/(loss)	**1,375,809**	**67,432**	**(34,639)**	**110,595**	**(92,689)**	**1,426,508**

*) The amount of RON 71,569 thousand representing adjustments of the depreciation and amortization expense stands for depreciation of assets used in the storage segment. This depreciation expense is not recorded in the accounting records of any of the Group's companies, being a consolidation adjustment.

Year ended December 31, 2019	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	4,709,795	454,370	237,759	288,883	(610,325)	5,080,482
Less: revenue between segments	(65,048)	(171,865)	(92,281)	(281,131)	610,325	-
Third party revenue	4,644,747	282,505	145,478	7,752	-	5,080,482
Interest income	116	464	12	37,548	(16)	38,124
Share of profit of associates	-	-	-	1,474	-	1,474
Depreciation and amortization	(405,163)	(96,016)	(2,375)	(17,403)	-	(520,957)
Impairment losses recognized during the period in profit or loss	(604,257)	(389,069)	(6,289)	(813)	-	(1,000,428)
Impairment losses reversed during the period in profit or loss	67,650	7	1,504	458	-	69,619
Segment result before tax profit/(loss)	**1,514,113**	**(325,703)**	**12,494**	**74,279**	**(3)**	**1,275,180**

In the year ended December 31, 2020, the Group's three largest clients each individually represents more than 10% of revenue, sales to these clients being of RON 808,818 thousand, RON 863,538 thousand, RON 694,827 thousand, (in the year ended December 31, 2019 the Group's four largest customers represented individually, over 10% of revenue, sales to these clients being of RON 1,107,526 thousand, RON 1,050,066 thousand, RON 561,811 thousand, respectively RON 531,026 thousand), together totaling 58.09% of total revenue (year ended December 31, 2019: 63.9%). Of the total revenue generated by those three clients, 6.08% are shown in the "Storage" segment and 93.92% in the "Upstream" segment (year ended December 31, 2019: 5.37% in the "Storage" segment, 94.63% in the "Upstream" segment).

28. CASH AND CASH EQUIVALENTS

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Current bank accounts in RON *)	95,066	95,454
Current bank accounts in foreign currency	174	602
Petty cash	56	19
Term deposits in RON	319,203	180,000
Restricted cash **)	2,412	87,867
Amounts under settlement	2	1
Total	**416,913**	**363,943**

*) Current bank accounts include overnight deposits.

**) At December 31, 2019 restricted cash included bank accounts used strictly for VAT transactions, as Romgaz opted in to the application of the split-VAT system. In 2020, the split-VAT system was terminated. At December 31, 2020 restricted cash refers to bank accounts used only for dividend payments to shareholders, according to stock market regulations (December 31, 2020: RON 2,412 thousand; December 31, 2019: RON 2,652 thousand).

29. OTHER FINANCIAL ASSETS

Other financial assets represent mainly treasury bonds and deposits with a maturity of over 3 months, from acquisition date.

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Treasury bonds in RON	1,045,593	144,923
Bank deposits in RON	925,416	922,254
Accrued interest receivable on bank deposits	2,602	3,410
Accrued interest on bonds	21,912	4,637
Total other financial assets	**1,995,523**	**1,075,224**

30. COMMITMENTS UNDERTAKEN

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Endorsements and collaterals granted	224,063	52,729
Total	**224,063**	**52,729**

In 2020, Romgaz signed an addendum to the credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 100,000 thousand. On December 31, 2020 are still available for use USD 44,204 thousand.

As of December 31, 2020, the Group’s contractual commitments for the acquisition of non-current assets are of RON 419,104 thousand (December 31, 2019: RON 433,200 thousand).

31. COMMITMENTS RECEIVED

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Endorsements and collaterals received	1,524,480	1,498,056
Total	**1,524,480**	**1,498,056**

Endorsements and collateral received represent letters of guarantee and other performance guarantees received from the Group's clients.

32. CONTINGENCIES

(a) *Litigations*

The Company is subject to several legal actions arisen in the normal course of business. The management of the Company considers that they will have no material adverse effect on the results and the financial position of the Company.

On December 28, 2011, 27 former and current employees were notified by DIICOT regarding an investigation related to sale contracts signed with one of the Company's clients for allegedly unauthorized discounts granted to this client during the period 2005-2010. DIICOT mentioned that this may have resulted in a loss of USD 92,000 thousand for the Company. On that sum, an additional burden to the state budget consists of income tax in amount of USD 15,000 thousand and VAT in amount of USD 19,000 thousand. The internal analysis carried out by the Company's specialized departments concluded that the agreement was in compliance with the legal provisions and all discounts were granted based on Orders issued by the Ministry of Economy and Finance and decisions of the General Shareholders' Board and Board of Directors. The management of the Company believes the investigation will not have a negative impact on the financial statements, to justify the registration of an adjustment. The Company is fully cooperating with DIICOT in providing all information necessary. On March 18 2014, Romgaz received an address from DIICOT, by which the investigators ordered an accounting expertise, indicating the objectives of the expertise.

Romgaz was notified that, as injured party, it may submit comments relating to objectives of the expertise (additions/changes), and may appoint an additional expert to participate in the expertise.

Thus, Romgaz proceeded to identify and appoint an expert with accounting and financial expertise that can participate to the expertise. After the report was completed, the parties could submit objections by November 2, 2015.

On March 16, 2016, DIICOT – Central Structure informed the persons involved in the cause about the start of legal actions against them. At the request of investigators, the Company announced that in case of a prejudice being established during the investigation, the Company will join the case as civil party.

In November 2016, DIICOT informed the Company the prejudice established in amount of RON 282,630 thousand. Following this request, Romgaz announced that will join the case as a civil party for the amount of RON 282,630 thousand to recover this amount from the respective client and any other person that may be found guilty for causing the prejudice.

In June 2017, DIICOT issued a press release announcing the referral to court of several persons involved in the case. In January 2018, the High Court of Cassation and Justice ruled that the indictment prepared by DIICOT was not legal; the ruling is not final.

At the date of endorsement of these financial statements the case in which Romgaz is a civil party a ruled by the High Court of Cassation and Justice. By the date the financial statements were endorsed for issue, no court decision was issued.

(b) *Taxation*

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties. In Romania, tax periods remain open for fiscal verification for 5 years. The Group's management considers that the tax liabilities included in these financial statements are fairly stated.

(c) *Environmental contingencies*

Environmental regulations are developing in Romania and the Group has not recorded any liability at December 31, 2020 for any anticipated costs, including legal and consulting fees, impact studies, the design and implementation of remediation plans related to environmental matters, except the amount of RON 560.958 thousand (December 31, 2019: RON 384,236 thousand), representing the decommissioning liability.

(d) *Controls by The Romanian Court of Accounts*

In 2016, the Company came under scrutiny from the Romanian Court of Accounts.

One of the Romanian Court of Accounts' conclusions was that during 2013-2015 Romgaz delivered gas on the regulated market over the quantities it was legally allowed to, according to the existing legislation. The price on the regulated market being lower than the one on the free market, The Romanian Court of Accounts issued Decision number 26/01.06.2016 and ordered Romgaz to determine and to recover the prejudice as a price difference on gas quantities delivered on the regulated market over its legal obligation, having January 2017 as due date for implementation. The alleged prejudice estimated by the Court of Accounts is over RON 160 million. Romgaz appealed the decision, but the Court of Accounts dismissed the appeal. Subsequently, the Company started legal proceedings against the Court of Accounts' decision no. 26/01.06.2016 and, also, contracted legal services for the annulment of the Court of Accounts' decision and to carry out the measures ordered by the Court of Accounts' decision. The legal case against the Court of Accounts was resolved by the Court of Appeal Alba Iulia, maintaining the findings and measures of Decision no. 26/2016 issued by the Court of Accounts, except for one measure.

The Company's management respects the decision taken by the Court of Appeal Alba Iulia and started legal actions to implement the measures established by the Court of Accounts. The deadline for implementing these measures was extended to June 30, 2021.

33. JOINT ARRANGEMENTS

In January 2002, Romgaz signed a petroleum agreement with Amromco for rehabilitation operations in order to achieve additional production in 11 blocks, namely: Bibeşti, Strâmba, Finta, Fierbinți-Târg, Frasin-Brazi, Zătreni, Boldu, Roșioru, Gura-Șuții, Balta-Albă and Vlădeni. For the base production, Romgaz holds a share of 100% and for the additional production, Romgaz owns a share of 50% and Amromco Energy SRL - 50%. As the agreement was signed to execute rehabilitation operations to obtain additional production, the mandatory work program is in accordance with the studies approved by ANRM. Accordingly, the annual work program, which includes both works provided in the studies and other works necessary and proposed by the partners, is approved annually by the Board of the joint arrangement before the start of each year. The duration of the joint arrangement is in line with the time frame of each individual concession agreement of the 11 perimeters stated above, which differs for each block.

34. AUDITOR'S FEES

The fee charged by the Group's statutory auditor, S.C. Ernst & Young Assurance Services S.R.L. for the statutory audit of the 2020 annual financial statements is RON 370 thousand.

The fees charged for other assurance services in 2020 are RON 170 thousand.

35. EVENTS AFTER THE BALANCE SHEET DATE

No events after the balance sheet date were identified.

36. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were endorsed by the Board of Directors on March 23, 2021.

Aristotel Marius Jude	**Răzvan Popescu**
Chief Executive Officer	Chief Financial Officer

STATEMENT
in accordance with the provisions of art. 63 (2) c) of Law No. 24/2017
regarding issuers of financial instruments and market operations

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Entity: Societatea Nationala de Gaze Naturale ROMGAZ S.A.
County: 32--SIBIU
Address: MEDIAŞ, 4 C.I. Motaş Square, tel. +40374401020
Registration Number in the Trade Register: J32/392/2001
Form of Property: 26- Companies with both state and private capital foreign and domestic (State capital >=50%)
Main activity (CAEN code and denomination): 0620—Natural Gas Production
Tax Identification Number: 14056826

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

hereby confirm that according to our knowledge, the annual consolidated financial statements for the year ended December 31, 2020, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and Order of Ministry of Public Finance no. 2844/2016 for the approval of Accounting regulations in accordance with International Financial Reporting Standards, offer a true and fair view of the assets, liabilities, financial position, statement of profit and loss of the 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 incertitudes specific to its activity. The Group is a going concern.

Chief Executive Officer,
ARISTOTEL MARIUS JUDE

Chief Financial Officer,
RAZVAN POPESCU

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

INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
AND
MINISTRY OF FINANCE ORDER 2844/2016

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SNGN ROMGAZ S.A.

Report on the Audit of the standalone financial statements

Opinion

We have audited the standalone financial statements of SNGN ROMGAZ S.A (the Company) with official head office in Mediaş, Piaţa Constantin I. Motaş. nr. 4, cod 551130, Sibiu county, Romania, identified by sole fiscal registration number RO 14056826, which comprise the statement of financial position as at December 31, 2020 and the statement of comprehensive income, of changes in shareholders' equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Description of each key audit matter and our procedures performed to address the matter

Key audit matter	How our audit addressed the key audit matter
Estimation of gas reserves used in impairment testing and the calculation of depreciation and amortisation The Company's disclosures about estimation of gas reserves are included in Note 2 ("Use of estimates") to the financial statements.	
Estimation of the gas reserves is a focus area in our audit because it has a significant impact on the financial statements, as the reserves are the basis for production estimates used in the Company's cash flow forecasts for impairment testing and they are also the basis for unit of production depreciation and amortization for the core assets in the Upstream segment. The estimation of gas reserves requires the Company's management and engineers to make significant judgement and assumptions and therefore it was considered to be a key audit matter	We assessed the management's estimation process in the determination of gas reserves. Specifically, our work included, but was not limited to, the following procedures: - We performed a detailed understanding of the Company's internal process and related documentation flow and key controls associated with the gas reserves estimation process; - We analysed the certification process for technical and commercial specialists who are responsible for gas reserves estimation; we also assessed the competence, capabilities and objectivity of management specialists;

	- We tested whether significant increases or reductions in gas reserves were made in the period in which the new information became available and if the adjustments were made in compliance with the standards of the National Agency for Mineral Resources ("ANRM"); - We compared the gas reserves with the assumptions used in the cash flows for the impairment testing of production assets and in the accounting for depreciation and amortization for the core assets in the Upstream segment; We also assessed the adequacy of the Company's disclosures about impairment testing and calculation of depreciation, and amortization.
Impairment testing of production assets in the Upstream Gas segment The Company's disclosures about its impairment testing are included in Note 2 (Use of estimates) and in Note 12 (Property, Plant and Equipment) to the financial statements	
The impairment test is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions. Furthermore, as at 31 December 2020 the carrying value of the production assets and the common infrastructure and corporate assets allocated to each cash generating unit (CGU) from the Upstream property, plant and equipment, in amount of RON 2,225 million, is significant. International Financial Reporting Standards require an entity to assess, at least at each reporting date, whether indicators of impairment or reversal of impairment previously recorded, exist. Management considered that the recent changes brought by new legislation in 2020, as well as recent changes in market conditions due to Covid-19 pandemic effects, constitute impairment indicators and, consequently, has carried out	In respect of impairment testing, our work included, but was not limited to, the following procedures: - We analysed and evaluated the management's assessment of the existence of impairment indicators (triggering events); - We assessed the allocation of the carrying value of common infrastructure and corporate assets to each CGU (field); - We evaluated the management's assessment of the recoverability of the carrying value of property, plant and equipment of the cash generating unit for which triggering events were identified; - We tested the reasonability of future yearly production volumes per field based on actual ANRM reports and appendixes (future production plan per

an impairment test for the production assets in the Upstream Gas segment, which resulted in no additional impairment being recognised.. Considering the above, we determined that Impairment testing of production assets in the Upstream Gas segment is a key audit matter.	field is made based on ANRM approved plan for each field); - On a sample basis, we compared the remaining reserves per field in the impairment test as of 31 December 2020 with the latest ANRM approved reserve reports; - We compared the main assumptions used in the impairment test (gas prices, operating costs, production volumes, gas reserves and discount rate) with the current forecasts approved as part of the Company's mid-term planning process; - We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance in prior years; - We analysed the assumptions used in the cash flow projection considering the recent changes brought by new legislation in 2020, as well as changes in market conditions due to Covid-19 pandemic; - We involved our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by the Company for the impairment testing of upstream productions assets (checked the mathematical accuracy of model, its conformity with the requirements of the International Financial Reporting Standards, the discount rates used, future natural gas selling prices etc) - We evaluated the management's sensitivity analysis over key assumptions in the future cash flow model in order to assess the potential impact of possible changes We also assessed the adequacy of the Company's disclosures in the financial statements.

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Estimation of decommissioning provisions

The Company’s disclosures about decommissioning obligations are included in Note 2 (”Use of estimates”) and Note 19 (“Provisions”) to the financial statements.

The Company’s core activities regularly lead to obligations related to dismantling and removal of equipment and installations, asset retirement and soil remediation activities. The decommissioning provision is significant to our audit because of its magnitude (carrying value of RON 538.9 million at 31 December 2020) and because management makes estimates and judgments in determining the respective provision. The key estimates and assumptions relate to the envisaged future dismantling costs, forecasted inflation rates and discount rates to determine the present value of the obligations.	Our work in respect of management’s estimation of decommissioning provisions included, but was not limited to, the following procedures: - We performed a detailed understanding of the Company’s estimation process and the related documentation flow and assessed the design and implementation of the controls within the process; - We compared the current estimates of decommissioning costs with the actual costs incurred in previous periods; - We reviewed the timing of works to be performed for surface and subsurface decommissioning for wells; - We inspected supporting evidence for any material revisions in cost estimates during the year; - We involved our valuation specialists to assist us in performing industry bench marking and analysis of discount rates and inflation rates; - We tested the mathematical accuracy of management’s decommissioning provision calculations; - We assessed the competence, capabilities and objectivity of management specialists We also assessed the adequacy of the Company’s disclosures in the financial statements relating to decommissioning obligations.

Other information

The other information comprises the Annual Report (which includes the Consolidated Directors' Report, the Report on Payments to Governments for mining activities and the Corporate Governance Statement) and Corporate responsibility and sustainability report, but does not include the financial statements and our auditors' report thereon. We obtained the Annual Report prior to the date of our auditor's report, and we expect to obtain the Corporate responsibility and sustainability report, as part of a separate report, after the date of our auditor's report. Management is responsible for the other information.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of our auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the financial statements and Our Auditors’ Report Thereon

In addition to our reporting responsibilities according to ISAs described in section “Other information”, with respect to the Consolidated Directors’ Report, we have read the Directors’ Report and report that:

a) in the Consolidated Directors’ Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2020;
b) the Consolidated Directors’ Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 – 19 and 26-28;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2020, we have not identified information included in the Consolidated Directors’ Report that contains a material misstatement of fact.

Other requirements on content of auditor’s report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company by the General Meeting of Shareholders on 06 December 2018 to audit the financial statements for the financial year end December 31, 2020. Total uninterrupted engagement period, for the statutory auditor, has lasted for three years, covering the years ended December 31, 2018 and 2019 and 2020.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 23 March 2021.

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Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and other audit related services as disclosed in the financial statements, no other services were provided by us to the Company and its controlled undertakings.

On behalf of

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

Registered in the electronic Public Register under No. FA77

Ernst & Young Assurance Services S.R.L.
23. MAR. 2021
Signed for identification
Semnat pentru identificare

Name of the Auditor/ Partner: Alexandru Lupea
Registered in the electronic Public Register under No. AF273

Bucharest, Romania
23 March 2021

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON restated *	Year ended December 31, 2019 '000 RON restatements *	Year ended December 31, 2019 '000 RON as reported
Revenue	3	3,926,034	4,924,880	-	4,924,880
Cost of commodities sold	5	(18,615)	(107,798)	-	(107,798)
Investment income	4	67,957	37,676	-	37,676
Other gains and losses	6	(5,583)	8,024	70,588	(62,564)
Impairment losses on trade receivables	16	17,551	(81,221)	-	(81,221)
Changes in inventory of finished goods and work in progress		(16,151)	80,007	-	80,007
Raw materials and consumables used	5	(49,629)	(62,126)	-	(62,126)
Depreciation, amortization and impairment expenses	7	(594,689)	(1,448,827)	(93,516)	(1,355,311)
Employee benefit expense	8	(696,518)	(607,996)	-	(607,996)
Finance cost	9	(16,999)	(24,738)	-	(24,738)
Exploration expense	13	(26,509)	(1,636)	22,928	(24,564)
Other expenses	10	(1,163,456)	(1,524,607)	-	(1,524,607)
Other income	3	25,378	32,585	-	32,585
Profit before tax		**1,448,771**	**1,224,223**	**-**	**1,224,223**
Income tax expense	11	(169,886)	(177,816)	-	(177,816)
Profit for the year		**1,278,885**	**1,046,407**	**-**	**1,046,407**
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains/(losses) on post-employment benefits	19 c)	(16,172)	27,792	-	27,792
Income tax relating to items that will not be reclassified subsequently to profit or loss	11	2,588	(4,446)	-	(4,446)
Total items that will not be reclassified subsequently to profit or loss		**(13,584)**	**23,346**	**-**	**23,346**
Other comprehensive income for the year net of income tax		**(13,584)**	**23,346**	**-**	**23,346**
Total comprehensive income for the year		**1,265,301**	**1,069,753**	**-**	**1,069,753**

*) Starting 2020, the Company presents the release to income of the impairment for non-current assets written-off as a decrease of the expense generated by the write-off of the respective assets, as “other gains and losses” or as “exploration expense”. Previously, the release to income was presented as “depreciation, amortization and impairment”. For comparability purposes, 2019 was restated.

These financial statements were endorsed by the Board of Directors on March 23, 2021.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

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

STATEMENT OF INDIVIDUAL FINANCIAL POSITION AS OF DECEMBER 31, 2020

	Note	December 31, 2020 '000 RON	December 31, 2019 '000 RON restated *)	December 31, 2019 '000 RON restatements *	December 31, 2019 '000 RON as reported
ASSETS					
Non-current assets					
Property, plant and equipment	**12**	4,888,163	4,782,576	-	4,782,576
Other intangible assets	**14**	14,030	8,130	-	8,130
Investments in subsidiaries	**25 a)**	66,056	66,056	-	66,056
Investments in associates	**25 b)**	120	120	-	120
Deferred tax asset	**11**	294,268	251,695	220,046	31,649
Net lease investment		424	481	-	481
Right of use asset	**14**	7,442	8,039	-	8,039
Other financial investments	**26**	5,378	5,388	-	5,388
Total non-current assets		**5,275,881**	**5,122,485**	**220,046**	**4,902,439**
Current assets					
Inventories	**15**	229,945	296,141	-	296,141
Trade and other receivables	**16 a)**	574,273	618,319	-	618,319
Contract costs		651	312	-	312
Other financial assets	**28**	1,975,507	1,069,291	-	1,069,291
Other assets	**16 b)**	56,025	40,806	-	40,806
Net lease investment		71	65	-	65
Cash and cash equivalents	**27**	392,857	323,107	-	323,107
Total current assets		**3,229,329**	**2,348,041**	**-**	**2,348,041**
Assets held for disposal	**29**	**710,944**	**701,113**	**(198,189)**	**899,302**
Total assets		**9,216,154**	**8,171,639**	**21,857**	**8,149,782**
EQUITY AND LIABILITIES					
Equity					
Share capital	**17**	385,422	385,422	-	385,422
Reserves	**18**	2,219,941	1,579,902	-	1,579,902
Retained earnings		5,140,902	5,136,170	-	5,136,170
Total equity		**7,746,265**	**7,101,494**	**-**	**7,101,494**
Non-current liabilities					
Retirement benefit obligation	**19**	119,432	106,158	-	106,158
Deferred revenue	**20**	136,308	21,244	-	21,244
Lease liability		7,844	8,273	-	8,273
Provisions	**19**	493,176	331,812	-	331,812
Total non-current liabilities		**756,760**	**467,487**	**-**	**467,487**

STATEMENT OF INDIVIDUAL FINANCIAL POSITION AS OF DECEMBER 31, 2020

	Note	December 31, 2020 '000 RON	December 31, 2019 '000 RON restated *)	December 31, 2019 '000 RON restatements *	December 31, 2019 '000 RON as reported
Current liabilities					
Trade payables	**21**	91,060	110,327	-	110,327
Contract liabilities		81,318	42,705	-	42,705
Current tax liabilities		57,890	59,436	-	59,436
Deferred revenue	**20**	10,899	3,729	-	3,729
Provisions	**19**	147,566	74,600	-	74,600
Lease liability		757	685	-	685
Other liabilities	**21**	252,150	250,807	-	250,807
Total current liabilities		**641,640**	**542,289**	**-**	**542,289**
Liabilities directly associated with the assets held for disposal	**29**	**71,489**	**60,369**	**21,857**	**38,512**
Total liabilities		**1,469,889**	**1,070,145**	**21,857**	**1,048,288**
Total equity and liabilities		**9,216,154**	**8,171,639**	**21,857**	**8,149,782**

*) The 2019 financial statements contained an error in the allocation of the deferred income tax related to assets held for disposal. The error was corrected by restating the December 31, 2019 balances. The elements restated are the deferred tax asset, assets held for disposal and related liabilities.

These financial statements were endorsed by the Board of Directors on March 23, 2021.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT OF INDIVIDUAL CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

	Share capital	Legal reserve	Other reserves (note 18)	Retained earnings **)	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2020	**385,422**	**77,084**	**1,502,818**	**5,136,170**	**7,101,494**
Result for the year	-	-	-	1,278,885	1,278,885
Allocation to dividends *)	-	-	-	(620,530)	(620,530)
Allocation to other reserves	-	-	580,630	(580,630)	-
Increase in reinvested profit reserves	-	-	59,409	(59,409)	-
Other comprehensive income for the year	-	-	-	(13,584)	(13,584)
Balance as of December 31, 2020	**385,422**	**77,084**	**2,142,857**	**5,140,902**	**7,746,265**
Balance as of January 1, 2019	**385,422**	**77,084**	**1,746,603**	**5,429,843**	**7,638,952**
Result for the year	-	-	-	1,046,407	1,046,407
Allocation to dividends *)	-	-	(362,297)	(1,244,914)	(1,607,211)
Allocation to other reserves	-	-	106,265	(106,265)	-
Increase in reinvested profit reserves	-	-	12,247	(12,247)	-
Other comprehensive income for the year	-	-	-	23,346	23,346
Balance as of December 31, 2019	**385,422**	**77,084**	**1,502,818**	**5,136,170**	**7,101,494**

*) In 2020 the Company's shareholders approved the allocation of dividends of RON 620,530 thousand (2019: RON 1,607,211 thousand), dividend per share being RON 1.61 (2019: RON 4.17).

**) Retained earnings include the geological quota reserve set up in accordance with the provisions of Government Decision no. 168/1998 on the establishment of the expense quota for the development and modernization of oil and natural gas production, refining, transportation and oil distribution. Following the Company's transition to IFRS, the reserve existing as of December 31, 2012 was transferred to retained earnings. This result is allocated based on the depreciation, respectively write-off of the assets financed using this source, based on decision of General Meeting of Shareholders. As of December 31, 2020 the geological quota reserve is of RON 927,499 thousand (December 31, 2019: RON 1,081,148 thousand).

These financial statements were endorsed by the Board of Directors on March 23, 2021.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT OF INDIVIDUAL CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2020

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON restated *
Cash flows from operating activities		
Net profit	**1,278,885**	**1,046,407**
Adjustments for:		
Income tax expense (note 11)	169,886	177,816
Interest expense (note 9)	592	541
Income from dividends (note 4)	(21,097)	-
Unwinding of decommissioning provision (note 9, note 19)	16,407	24,197
Interest revenue (note 4)	(46,860)	(37,676)
Net loss on disposal of non-current assets (note 6)	7	(2,564)
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	24,248	(51,760)
Change in other provisions (note 19)	66,134	(8,814)
Net impairment of exploration assets (note 7, note 12, note 13)	97,695	231,278
Exploration projects written off (note 13)	836	123
Net impairment of property, plant and equipment and intangibles (note 7, note 12)	125,997	699,531
Depreciation and amortization (note 7)	370,997	518,018
Amortization of contract costs	795	651
Change in investments at fair value through profit and loss (note 6)	10	4,424
Net receivable write-offs and movement in allowances for trade receivables and other assets	(19,700)	67,297
Other gains and losses	-	(55)
Net movement in write-down allowances for inventory (note 6, note 15)	7,488	4,652
Liabilities written off	(368)	(89)
Subsidies income (note 20)	(7)	(81)
	2,071,945	**2,673,896**
Movements in working capital:		
(Increase)/Decrease in inventory	59,201	(39,163)
(Increase)/Decrease in trade and other receivables	47,383	119,433
Increase/(Decrease) in trade and other liabilities	20,914	(84,085)
Cash generated from operations	**2,199,443**	**2,670,081**
Interest paid	(3)	-
Income taxes paid	(211,720)	(292,392)
Net cash generated by operating activities	**1,987,720**	**2,377,689**

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

STATEMENT OF INDIVIDUAL CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2020

	Year ended December 31, 2020	Year ended December 31, 2019
	'000 RON	'000 RON restated *
Cash flows from investing activities		
Bank deposits set up and acquisition of state bonds	(2,877,758)	(2,553,777)
Bank deposits and state bonds matured	1,988,026	2,355,685
Interest received	37,565	43,039
Proceeds from sale of non-current assets	1,733	1,780
Dividends received	21,097	-
Acquisition of non-current assets	(515,667)	(669,459)
Acquisition of exploration assets	(66,516)	(173,563)
Collection of lease payments	103	41
Net cash used in investing activities	**(1,411,417)**	**(996,254)**
Cash flows from financing activities		
Dividends paid	(620,346)	(1,607,246)
Repayment of lease liability	(1,184)	(850)
Subsidies reimbursed	(50)	
Subsidies received (note 20)	115,027	-
Net cash used in financing activities	**(506,553)**	**(1,608,096)**
Net increase/(decrease) in cash and cash equivalents	**69,750**	**(226,661)**
Cash and cash equivalents at the beginning of the year	**323,107**	**549,768**
Cash and cash equivalents at the end of the year	**392,857**	**323,107**

*) Please see the comment in the statement of individual comprehensive income.

These financial statements were endorsed by the Board of Directors on March 23, 2021.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

1. BACKGROUND AND GENERAL BUSINESS

Information regarding S.N.G.N. Romgaz S.A. (the "Company"/"Romgaz")

S.N.G.N. Romgaz S.A. is a joint stock company, incorporated in accordance with the Romanian legislation.

The Company's headquarter is in Mediaş, 4 Constantin I. Motaş Square, 551130, Sibiu County.

The Romanian State, through the Ministry of Economy, Energy and Business Environment is the majority shareholder of S.N.G.N. Romgaz S.A. together with other legal and physical persons (note 17).

Romgaz has as main activity:

1. geological research for the discovery of natural gas, crude oil and condensed reserves;
2. operation, production and usage, including trading, of mineral resources;
3. natural gas production for:

- ensuring the storage flow continuity;
- technological consumption;
- delivery in the transmission system.

4. 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;
5. electricity production and distribution.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The individual financial statements ("financial statements") of the Company have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Ministry of Finance Order no. 2844/2016 to approve accounting regulations in accordance with IFRS (MOF 2844/2016). For the purposes of the preparation of these financial statements, the functional currency of the Company 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 Company'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.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventory" or value in use in IAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance to the Company of the inputs to the fair value measurement, which are described as follows:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;

- level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the asset or liability.

Subsidiaries

A subsidiary is an entity controlled by the Company. In establishing the existence of control, the Company analyses the following:

- if it has authority over the invested entity;
- if it is exposed to, or has rights to variable returns from its involvement in the invested entity;
- if it has the ability to use its authority over the invested entity to affect these returns.

The investment in a subsidiary is recognized at cost less accumulated impairment.

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 are recorded at cost less accumulated impairment.

Joint arrangements

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

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

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

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

Joint operations

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

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

As joint operator, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

If the Company participates in, but does not have joint control of, a joint operation it accounts for its interest in the arrangement in accordance with the paragraphs above if it has rights to the assets, and obligations for the liabilities, relating to the joint operation.

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

Joint ventures

As a partner in a joint venture, in its financial statements, the Company recognizes its interest in a joint venture as investment, at cost, if it has joint control.

Standards and interpretations valid for the current period

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

- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after January 1, 2020);
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after January 1, 2020);
- Amendments to IAS 1 and IAS 8: Definition of materiality (effective for annual periods beginning on or after January 1, 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective for annual periods beginning on or after January 1, 2020);
- Amendments to IFRS 16 Covid-19-Related Rent Concessions (effective for annual periods beginning on or after June 1, 2021).

The adoption of these amendments, interpretations or improvements to existing standards has not led to changes in the Company's accounting policies.

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

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

- IFRS 17 Insurance Contracts including Amendments to IFRS 17 (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after January 1, 2022);
- Annual Improvements 2018-2020 (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after January 1, 2021).

The Company 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 Company in the period of initial application.

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

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

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective for annual periods beginning on or after January 1, 2021).

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

Segment information

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, electricity production and distribution, and other activities, including headquarter activities. The Directors of the Company have chosen to organize the Company around differences in activities performed.

Specifically, the Company 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;
- electricity production and distribution activities, performed by Iernut branch;
- other activities, such as technological transport, operations on wells and corporate activities.

Transactions between Company segments occur at cost.

Considering the insertion of individual and consolidated financial statements in a single annual financial report, the Company does not disclose segment information in the individual financial statements.

Revenue recognition

a) Revenue from contracts with customers

The Company recognizes customer contracts when all of the following criteria are met:

- the parties to the contract have approved the contract and are committed to perform their respective obligations;
- the Company can identify each party's rights regarding the goods or services to be transferred;
- the Company can identify the payment terms;
- the contract has commercial substance;
- it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods delivered or the services provided.

Revenue from contracts with customers is recognized when, or as the Company transfers the goods or services to the customer, respectively, the client obtains control over them.

Depending on the nature of the goods or services, revenues are recognized over time or at a point in time.

Revenue is recognized over time if:

- the customer receives and consumes simultaneously the benefits provided by obtaining the goods and services as the Company performs the obligation;
- the Company creates or enhances an asset that the customer controls as the asset is created or enhanced;
- the Company`s performance does not create an asset with an alternative use to the Company.

All other revenues that do not meet the above criteria are recognized at a point in time.

For revenue to be recognized over time, the Company assesses progress towards meeting the execution obligation, using output methods or input methods, depending on the nature of the good or service transferred to the client. Revenues are recognized only if the Company can reasonably assess the result of the execution obligation or, if it cannot be estimated, only at the level of the costs it is expected to recover from the customer.

Revenue from contracts with customers mainly relates to gas sales, electricity supply and related services. Revenue from these contracts are recognized at a point time on the basis of the actual quantities at the prices fixed in the contracts concluded or at the rates set by the regulatory authority, as the case may be.

Contracts concluded by the Company do not contain significant financing components.

b) Other revenue

Rental revenue for operating lease contracts where the Company operates as lessor is recognized on an accrual basis in accordance with the substance of the relevant agreements.

Interest income is recognized periodically and proportionally as the respective income is generated, on accrual basis.

Dividends are recognized as income when the legal right to receive them is established.

Exploration expenses

The costs of seismic exploration, geological, geophysical and other similar exploration activities are recognized as exploration expenses in the statement of comprehensive income in the period in which they arise.

Exploration expenses also include the cost of exploration assets that have not identified gas resources and have been written-off.

Foreign currencies

The functional currency is the currency of the primary economic environment in which the Company operates and is the currency in which the Company primarily generates and expends cash. The Company operates in Romania and it has the Romanian Leu (RON) as its functional currency.

In preparing the financial statements of the Company, transactions in currencies other than the functional currency (foreign currencies) are recorded at the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

Exchange differences are recognized in the statement of comprehensive income in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Employee benefits

Benefits granted upon retirement

In the normal course of business, the Company makes payments to the Romanian State on behalf of its employees at legal rates. All employees of the Company are members of the Romanian State pension plan. These costs are recognized in the statement of comprehensive income together with the related salary costs.

Based on the Collective Labor Agreement, the Company is liable to pay to its employees at retirement a number of gross salaries, according to the years worked in the gas industry/electrical industry, work conditions etc. To this purpose, the Company recorded a provision for benefits upon retirement. This provision is updated annually and computed according to actuary methods based on estimates of the average salary, the average number of salaries payable upon retirement, on the estimate of the period when they shall be paid and it is brought to present value using a discount factor based on interest related to a maximum degree of security investments (government securities).

As the benefits are payed, the provision is reduced together with the reversal of the provision against income.

Gains or actuarial losses, are recognized in other comprehensive income. These are changes in the present value of the defined benefit obligation as a result of statistical adjustments and changes in actuarial assumptions. Any other changes in the provision are recognized in the result of the year.

The Company does not operate any other pension scheme or post-retirement benefit plan and, consequently, has no obligation in respect of pensions.

Employee participation to profit

The Company records in its financial statements a provision related to the fund for employee participation to profit in compliance with legislation in force.

Liabilities related to the fund for employee participation to profit are settled in less than a year and are measured at the amounts estimated to be paid at the time of settlement.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Greenhouse gas provisions

The Company recognizes a provision for the deficit between actual CO2 emissions and certificates held, measured at the best estimate of expenditure required to settle the obligation.

Provisions for decommissioning of wells

Liabilities for decommissioning costs are recognized due to the Company's obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made.

The Company recorded a provision for decommissioning wells.

This provision was computed based on the estimated future expenditure determined in accordance with local conditions and requirements and it was brought to present value using the interest rate on long term treasury bonds. The rate is updated annually.

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recognized. The item of property, plant and equipment is subsequently depreciated as part of the asset.

The Company applies IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities" related to changes in existing decommissioning, restoration and similar liabilities.

The change in the decommissioning provision for wells is recorded as follows:

a. subject to b., changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

b. the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in the statement of comprehensive income;

c. if the adjustment results in an addition to the cost of an asset, the Company considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable.

If it is such an indication, the Company tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss.

Once the related asset has reached the end of its useful life, all subsequent changes of debt are recognized in the income statement in the period when they occur.

The periodical unwinding of the discount is recognized periodically in the comprehensive income as a finance cost, as it occurs.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current tax for the period is recognized as an expense in the statement of comprehensive income. Deferred tax for the period is recognized as an expense or income in the statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where it arises from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

Property, plant and equipment

(1) Cost

(i) Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of any decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

(ii) Gas cushion

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.

(iii) Development expenditure

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including the commissioning of wells, is capitalized within property, plant and equipment and is depreciated from the commencement of production as described below in the property, plant and equipment accounting policies.

(iv) Maintenance and repairs

The Company does not recognize within the assets' costs the current expenses and the accidental expenses for that asset. These costs are expensed in the period in which they are incurred.

The cost for current maintenance are mainly labor costs and consumables and also small inventory items. The purpose of these expenses is usually described as "repairs and maintenance" for property, plant and equipment.

The expenses with major activities, inspections and repairs comprise the replacement of the assets or other asset's parts, the inspection cost and major overhauls. These expenses are capitalized if an asset or part of an asset, which was separately depreciated, is replaced and is probable that they will bring future economic benefits for the Company. If part of a replaced asset was not considered as a separate component and, as a result, was not separately depreciated, the replacement value will be used to estimate the net book value of the asset which is replaced and is immediately written-off. The inspection costs associated with major overhauls are capitalized and depreciated over the period until next inspection.

The cost for major overhauls for wells are also capitalized and depreciated using the unit of production depreciation method.

All other costs with the current repairs and usual maintenance are recognized directly in expenses.

(2) Depreciation

The depreciable amount of a tangible asset is the cost less the residual value of the asset. The residual value is the estimated value that the Company would currently obtain from the disposal of an asset, after deducting the estimated costs associated with the disposal if the asset would already have the age and condition expected at the end of its useful life.

For directly productive tangible assets (natural gas resources extraction wells), the Company applies the depreciation method based on the unit of production in order to reflect in the statement of comprehensive income, an expense proportionate with the production obtained from the total natural gas reserve certified at the beginning of the period.

According to this method, the value of each production well is depreciated according to the ratio of the natural gas quantity extracted during the period compared to the proved developed reserves at the beginning of the period.

Assets representing the gas cushion are not depreciated, as the residual value exceeds their cost.

For indirect production tangible assets and other assets, depreciation is calculated at cost using the straight-line method over the estimated useful life of the asset as follows:

Asset	Years
Specific buildings and constructions	10 - 50
Technical installations and machines	3 - 20
Other plant, tools and furniture	3 – 30

Land is not depreciated as it is considered to have an indefinite useful life.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at historical cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Items of tangible fixed assets that are disposed of are eliminated from the statement of financial position along with the corresponding accumulated depreciation and impairment. Any gain or loss resulting from such retirement or disposal is included in the result of the period.

For items of tangible fixed assets that are retired from use, and have not been written off at the data of financial statements, an impairment adjustment is recorded for the carrying value at the time of retirement.

(3) Impairment

Non-current assets must be recognized at the lower of the carrying amount and recoverable amount. If and only if the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to be equal to its recoverable amount. Such a reduction represents an impairment loss that is recognized in the result of the period.

Thus at the end of each reporting period, the Company assesses whether there is any indication of impairment of assets. If such indication is identified, the Company tests the assets to determine whether they are impaired.

Company’s assets are allocated to cash-generating units. The cash-generating unit is the smallest identifiable asset group that generates independent cash inflows to a large extent from cash inflows generated by other assets or asset groups. The company considers each commercial field as a separate cash-generating unit.

All gas storages held by the Company leased to Depogaz are considered as part of a single cash-generating unit, as the regulatory authority sets regulated tariffs by analyzing the storage activity as a whole, not every single storage.

In 2020, the Company conducted an impairment test in the Upstream segment, as the conditions existing when the previous test was conducted changed; the results of the impairment test are presented in note 12.

In 2020, no indications of impairment of storage assets were identified.

Recoverable amount is the largest of the fair value of an asset or a cash-generating unit less costs associated with disposal and its value in use. Considering the nature of the Company's assets, it was not possible to determine the fair value of the cash-generating units, being determined only the value in use of the assets.

Assets held for disposal

Non-current assets classified as held for disposal are non-current assets whose carrying amount will be recovered through a disposal rather than through continuing use. They are measured at the lower of its carrying amount and fair value less costs to dispose.

Immediately before the initial classification of the assets as held for disposal, the carrying amounts of the assets are measured in accordance with applicable IFRSs.

Non-current assets classified as held for disposal are no longer depreciated.

In the 2020 financial statements, assets held for disposal are the assets used in the storage activity which will be transferred to increase the subsidiary’s share capital.

Exploration and appraisal assets

(1) Cost

Natural gas exploration (other than seismic, geological, geophysical and other similar activities), appraisal and development expenditure is accounted for using the principles of the successful efforts method of accounting.

Costs directly associated with an exploration well are initially capitalized as an asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, drilling costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well is eliminated from the statement of financial position, by recording an impairment, until National Agency for Mineral Resources (Agentia Nationala pentru Resurse Minerale – ANRM) approvals are obtained in order to be written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. Costs directly associated with appraisal activity, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, an impairment is recorded for the assets, until the completion of the legal steps necessary for them to be written off. When proved reserves of natural gas are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment other than exploration assets.

(2) Impairment

At each reporting date, the Company's management reviews its exploration assets and establishes the necessity for recording in the financial statements an impairment loss in these situations:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of gas resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of gas resources in the specific area have not led to the discovery of commercially viable quantities of gas resources and the Company has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Other intangible assets

(1) Cost

Licenses for software, patents and other intangible assets are recognized at acquisition cost.

Intangible assets are not revalued.

(2) Amortization

Patents and other intangible assets are amortized using the straight-line method over their useful life, but not exceeding 20 years. Licenses related to the right of use of computer software are amortized over a period of 3 years.

Inventories

Inventories are recorded initially at cost of production, or acquisition cost, depending on the case. The cost of finished goods and production in progress includes materials, labour, expense incurred for bringing the finished goods at the location and in the existent form and the related indirect production costs. Write down adjustments are booked against slow moving, damaged and obsolete inventory, when necessary.

At each reporting date, inventories are measured at the lower of cost and net realizable value. The net realizable value is estimated based on the selling price less any completion and selling expenses. The cost of inventories is assigned by using the weighted average cost formula.

Financial assets and liabilities

The Company's financial assets include cash and cash equivalents, trade receivables, other receivables, loans, bank deposits and bonds with a maturity from acquisition date of over three months and other investments in equity instruments. Financial liabilities include interest-bearing bank borrowings and overdrafts and trade and other payables. For each item, the accounting policies on recognition and measurement are disclosed in this note. Management believes that the estimated fair values of these instruments approximate their carrying amounts.

Cash and cash equivalents include petty cash, cash in current bank accounts and short-term deposits with a maturity of less than three months from the date of acquisition.

The Company recognizes a financial asset or financial liability in the statement of financial position when and only when it becomes a party to the contractual provisions of the instrument. Upon initial recognition, financial assets are classified at amortized cost or measured at fair value through profit or loss. The classification depends on the Company's business model for managing the financial assets and their contractual cash flows.

The Company does not have financial assets measured at fair value through other comprehensive income.

On initial recognition, financial assets and financial liabilities are measured at fair value plus or minus, in the case of assets measured at amortized cost, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Receivables resulting from contracts with customers represent the unconditional right of the Company to a consideration. The right to a consideration is unconditional if only the passage of time is required before payment of the consideration is due. These are measured at initial recognition at the transaction price.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments plus or minus cumulative depreciation using the effective interest method for each difference between the initial amount and the amount at maturity and, for financial assets, adjusted for any impairment.

Any difference between the entry amount and the reimbursement amount is recognized in the income statement for the period of the borrowings using the effective interest method.

Financial instruments are classified as liabilities or equity in accordance with the nature of the contractual arrangement. Interest, dividends, gains and losses on a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are recorded directly in equity. Financial instruments are offset when the Company has a legally enforceable right to set off and intends to settle either on a net basis or to realize the asset and discharge the obligation simultaneously.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each reporting period.

Except for trade receivables, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk associated with the financial instrument, has increased significantly since initial recognition. If, at the reporting date, the credit risk for a financial instrument has not increased significantly since the initial recognition, the Company measures the loss allowance for that financial instrument at a value equal to 12 month expected credit losses.

The loss allowance on trade receivables resulting from transactions that are subject to IFRS 15 is measured at an amount equal to lifetime expected credit losses. The Company considers the risk or probability of a default occurring, reflecting the possibility of a default to occur or not to occur, even if the possibility of a credit loss is very low.

The Company measures the expected credit losses of a financial instrument in a manner that reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The carrying amount of the financial asset, other than those at fair value through profit or loss, is reduced through the use of an allowance account.

De-recognition of financial assets and liabilities

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Reserves

Reserves include (note 18):

- legal reserves, which are used annually to transfer to reserves up to 5% of the statutory profit, but not more than 20% of the statutory share capital of the Company;
- other reserves, which represent allocations from profit in accordance with Government Ordinance no. 64/2001, paragraph (g) for the Company's development fund;
- reserves from reinvested profit, set up based on the Fiscal Code. The amount of profit that benefited from tax exemption under the fiscal legislation less the legal reserve, is distributed at the end of the year by setting up the reserve;
- development quota reserve, non-distributable, set up until 2004. Development quota reserve set up after 2004 is distributable and presented in retained earnings. Development quota set up after 2004 is allocated together with the profit allocation, as approved by the General Meeting of Shareholders, based on depreciation, respectively write-off of the assets financed using the development quota;
- other non-distributable reserves, set up from retained earnings representing translation differences recorded at transition to IFRS. These reserves are set up in accordance with MOF 2844/2016.

Subsidies

Subsidies are non-reimbursable financial resources granted to the Company with the condition of meeting certain criteria. In the category of subsidies are included grants related to assets and grants related to income.

Grants related to assets are government grants for whose primary condition is that the Company should purchase, construct, or otherwise acquire long-term assets.

Grants related to income are government grants other than those related to assets.

Subsidies are not recognized until there is reasonable assurance that:

(a) the Company will comply with the conditions attaching to it; and

(b) subsidies will be received.

Grants related to assets are presented in the statement of financial position as "Deferred revenue", which is then recognized in profit or loss on a systematic basis over the useful life of the asset.

Grants related to income are recognized in the statement of profit or loss under "Other income", as the related expenses are recorded. Until the time the expense occurs, the grant received is recognized as "Deferred revenue".

Use of estimates

The preparation of the financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the end of reporting date, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments that the management has made in the process of applying the Company's accounting policies, and that have the most significant effect on the amounts recognized in the financial statements.

Estimates related to impairment losses on trade receivables

At each period end, the Company evaluates the risks attached to current and overdue receivables and the probability of such risks to materialize. The Company's receivables are generally due in maximum 30 days from the date the invoice is issued. However, the Company may be forced by court decisions to sell gas to insolvent clients deemed "captive" according to insolvency legislation. Invoices issued to these clients for gas delivered are due in 90 days from the date of issue. Based on the information available at period end related to such clients and previous experience, the Company estimates the lifetime expected credit loss of receivables, both current and overdue, and records appropriate impairment losses.

Estimates related to the exploration expenditure on undeveloped fields

If field works prove that the geological structures are not exploitable from an economic point of view or that they do not have hydrocarbon resources available, an impairment is recorded. The impairment assessment is performed based on geological experts' technical expertise.

Estimates related to the developed proved reserves

The Company applies the depreciation method based on the unit of production in order to reflect in the income statement an expense proportionate with the production obtained from the total natural gas reserve at the beginning of the period. According to this method, the value of each production well is depreciated according to the ratio of the natural gas quantity extracted during the period compared to the gas reserve at the beginning of the period. The gas reserves are updated annually according to internal assessments that are based on certifications of ANRM.

Estimates related to the decommissioning provision

Liabilities for decommissioning costs are recognized for the Company's obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made.

This provision is computed based on the estimated future expenditure determined in accordance with local conditions and requirements and it is brought to present value using the interest rate on long term treasury bonds. The rate is updated annually.

Estimates related to the retirement benefit obligation

Under the Collective Labor Agreement, the Company is obliged to pay to its employees when they retire a multiplicator of the gross salary, depending on the seniority within the gas industry/electricity industry, working conditions etc. This provision is updated annually and calculated based on actuarial methods to estimate the average wage, the average number of employees to pay at retirement, the estimate of the period when they will be paid and brought to present value using a discount factor based on interest on investments with the highest degree of safety (government bonds).

The Company does not operate any other pension plan or retirement benefits, and therefore has no other obligations relating to pensions.

Contingencies

By their nature, contingencies end only when one or more uncertain future events occur or not. In order to determine the existence and the potential value of a contingent element, is required to exercise the professional judgment and the use of estimates regarding the outcome of future events (note 32).

Comparative information

For each item of the statement of financial position, the statement of comprehensive income and, where is the case, for the statement of changes in equity and for the statement of cash flows, for comparative information purposes is presented the value of the corresponding item for the previous period ended, unless the changes are insignificant. In addition, the Company 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 Company.

3. REVENUE AND OTHER INCOME

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Revenue from gas sold - domestic production	3,235,949	4,166,522
Revenue from gas sold – other arrangements	66,915	128,737
Revenue from gas acquired for resale – import gas	-	77,867
Revenue from gas acquired for resale – domestic gas	15,545	23,368
Revenue from electricity	189,294	145,715
Revenue from services	288,328	237,869
Revenue from sale of goods	18,189	30,239
Other revenues from contracts	366	400
Total revenue from contracts with customers	**3,814,586**	**4,810,717**
Revenues from rental activities (see below)	111,448	114,163
Total revenue	**3,926,034**	**4,924,880**
Other operating income *)	25,378	32,585
Total revenue and other income	**3,951,412**	**4,957,465**

*) Other operating income relates mainly to penalties charged to clients for late payment.

Revenue from contracts with customers is recognized as or when the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of goods sold by the Company usually coincides with title passing to the customer and the customer taking physical possession.

Revenues from gas and electricity are recognized when the delivery has been made at the prices fixed in the contracts with customers.

In measuring the revenue from gas and electricity, the Company uses output methods. According to these methods, revenues are recognized based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. The Company recognizes the revenue in the amount it has the right to charge.

The Company does not disclose information about the remaining performance obligations, applying the practical expedient in IFRS 15, as the contracts with the customers are generally signed for periods of less than one year and the revenues are recognized at the amount which the Company has the right to charge.

Revenues from rental activities mainly includes the revenue from renting the fixed assets used in the storage activity by Depogaz and Depomureș.

4. INVESTMENT INCOME

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Income from dividends	21,097	-
Interest income	46,860	37,676
Total	**67,957**	**37,676**

Interest income is derived from the Company's investments in bank deposits and government bonds.

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Consumables used	31,390	35,110
Technological consumption	14,541	24,156
Cost of gas acquired for resale, sold – import	-	74,410
Cost of gas acquired for resale, sold – domestic	7,650	9,863
Cost of electricity imbalance	10,375	22,414
Cost of other goods sold	590	1,111
Other consumables	3,698	2,860
Total	**68,244**	**169,924**

6. OTHER GAINS AND LOSSES

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Forex gain	52	2,581
Forex loss	(279)	(2,024)
Net loss on disposal of non-current assets	(7)	2,564
Net allowances for other receivables (note 16 c)	2,151	13,926
Net write down allowances for inventory (note 15)	(7,488)	(4,652)
Net gain/(loss) on financial assets at fair value through profit or loss (note 26)	(10)	(4,424)
Other gains and losses	-	55
Losses from other debtors	(2)	(2)
Total	**(5,583)**	**8,024**

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Depreciation and amortization	370,997	518,018
out of which:		
- depreciation of property, plant and equipment*)	368,193	515,073
- amortization of intangible assets	1,977	2,238
- amortization of write-of use assets	827	707
Net impairment of non-current assets (note 12) **)	223,692	930,809
Total depreciation, amortization and impairment	**594,689**	**1,448,827**

*) The decrease in the depreciation expense for property, plant and equipment is due to a reduction in natural gas production, as they are depreciated using the unit of production method, as mentioned in note 2.

**) Net impairment of non-current assets have decreased as compared to the previous year as in 2020 the Company did not record any impairment losses from impairment tests unlike 2019. More information on the impairment test performed in 2020 is presented in note 12.

8. EMPLOYEE BENEFIT EXPENSE

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Wages and salaries	733,979	661,456
Social security charges	26,132	19,297
Meal tickets	21,260	17,452
Other benefits according to collective labor contract	19,138	27,700
Private pension payments	10,791	9,891
Private health insurance	5,980	-
Total employee benefit costs	**817,280**	**735,796**
Less, capitalized employee benefit costs	(120,762)	(127,800)
Total employee benefit expense	**696,518**	**607,996**

9. FINANCE COSTS

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Interest expense	592	541
Unwinding of the decommissioning provision (note 19)	16,407	24,197
Total	**16,999**	**24,738**

10. OTHER EXPENSES

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Energy and water expenses	16,322	17,101
Expenses for capacity booking and gas transmission services	167,937	164,142
Expenses with other taxes and duties *)	623,012	1,058,976
(Net gain)/Net loss from provisions movement (note 19)	90,382	(60,574)
Gas storage services	67,757	64,874
Other operating expenses **)	198,046	280,088
Total	**1,163,456**	**1,524,607**

*) In the year ended December 31, 2020, the major taxes and duties included in the amount of RON 623,012 thousand (year ended December 31, 2019: RON 1,058,976 thousand) are:

- 414,943 RON 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 (year ended December 31, 2019: RON 716,908 thousand);
- 186,857 RON thousand represent royalty on gas production (year ended December 31, 2019: RON 332,501 thousand).

**) At the start of 2020, the monetary contribution from license holders in the electric power and natural gas sectors of 2% from revenues obtained from the activities under the scope of licenses granted by the Romanian Regulatory Authority for Energy, as introduced by Government Emergency Ordinance no. 114/2018, was repealed. The 2019 operating expenses of RON 280,088 thousand included this contribution of RON 79,860 thousand. In 2020 the contribution paid to ANRE was of RON 11,439 thousand.

In 2020 other operating expenses of RON 198,046 thousand include an expense of RON 24,284 thousand representing dividends deemed by ANAF as payable to the Romanian state according to the provisions of Government Emergency Ordinance no. 114/2018. The Company did not agree with the conclusions of the report and started legal actions against it. The deemed dividends attributable to the main shareholder and related penalties were offset by ANAF against receivables of the Company from ANAF, although the Company requested the receivables to be offset against other tax liabilities when due. As there is no shareholders' decision to allocate additional dividends, the amount offset by ANAF was expensed.

11. INCOME TAX

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Current tax expense *)	210,174	286,025
Deferred income tax (income)/expense	(40,288)	(108,209)
Income tax expense	**169,886**	**177,816**

*) The 2020 current tax expense of RON 210,174 thousand includes additional income tax of RON 6,923 thousand, as determined by ANAF following a tax audit for the period 2014-2018; the Company filed a complaint against the report. The tax audit report included penalties of RON 37,941 thousand, which were written-off due to facilities introduced by Government Emergency Ordinance no. 69/2020.

The tax rate used for the reconciliations below for the year ended December 31, 2020, respectively year ended December 31, 2019 is 16% payable by corporate entities in Romania on taxable profits.

The total charge for the period can be reconciled to the accounting profit as follows:

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Accounting profit before tax	**1,448,771**	**1,224,223**
(Profit)/loss activities not subject to income tax	6,298	1,821
Accounting profit subject to income tax	**1,455,069**	**1,226,044**
Income tax expense calculated at 16%	232,811	196,167
Effect of income exempt of taxation	(71,772)	(44,598)
Effect of expenses that are not deductible in determining taxable profit	85,643	170,899
Effect of current income tax reduction, due to tax facilities	(10,424)	(15,054)
Effect of tax incentive for reinvested profit	(9,506)	(1,960)
Effect of the benefit from tax credits, used to reduce current tax expense	27,374	28,805
Effect of deferred tax relating to the origination and reversal of temporary differences	(56,239)	(145,407)
Effect of the benefit from tax credits, used to reduce deferred tax expense	(34,924)	(11,036)
Effect of the previous year tax expenses	6,923	-
Income tax expense	**169,886**	**177,816**

Components of deferred tax (asset)/liability:

	December 31, 2020		December 31, 2019	
	Cumulative temporary differences	Deferred tax (asset)/ liability	Cumulative temporary differences	Deferred tax (asset)/ liability
	'000 RON	'000 RON	'000 RON	'000 RON
Provisions	(671,907)	(107,505)	(489,160)	(78,266)
Property, plant and equipment	88,006	14,081	55,175	8,827
Exploration assets *)	(828,989)	(132,638)	(928,679)	(148,589)
Financial investments	(977)	(156)	(977)	(156)
Inventory	(29,817)	(4,771)	(17,940)	(2,870)
Receivables and other assets	(395,488)	(63,279)	(191,509)	(30,641)
Total	**(1,839,172)**	**(294,268)**	**(1,573,090)**	**(251,695)**
Assets held for disposal	184,986	29,598	175,115	28,019
Liabilities directly associated with Assets held for disposal	(50,269)	(8,044)	(38,512)	(6,162)
Total for assets held for disposal and associated liabilities	**134,717**	**21,554**	**136,603**	**21,857**
Total General	**(1,704,455)**	**(272,714)**	**(1,436,487)**	**(229,838)**
Change, out of which:		**42,876**		**103,763**
- In current year's result		40,288		108,209
- in other comprehensive income		2,588		(4,446)

*) According to the Fiscal Code applicable in Romania, expenses related to location, exploration, development or any preparatory activity for the exploitation of natural resources, which, according to the applicable accounting regulations, are recorded directly in the result, are recovered in equal rates for a period of 5 years, starting with the month in which the expenses are incurred. Also, for fixed assets specific to the exploration and production of gas resources, the carrying tax value of fixed assets written off is deducted using the tax depreciation method used before their write-off for the remaining period. All of these costs are treated as assets only from a tax point of view and generate a deferred tax asset.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2020	**88,688**	**686,882**	**6,730,173**	**841,835**	**91,016**	**206,470**	**402,445**	**1,794,140**	**10,841,649**
Additions	8,049	1	130,268	7	-	-	66,516	522,699	727,540
Transfers	-	3,510	259,441	81,377	8,731	-	(4,690)	(348,369)	-
Assets held for disposal	-	-	-	-	-	7,338	-	-	7,338
Disposals	-	(1,342)	(16,051)	(8,928)	(286)	(421)	(130,665)	(58,493)	(216,186)
As of December 31, 2020	**96,737**	**689,051**	**7,103,831**	**914,291**	**99,461**	**213,387**	**333,606**	**1,909,977**	**11,360,341**
Accumulated depreciation									
As of January 1, 2020	**-**	**266,495**	**4,022,145**	**585,471**	**71,643**	**7,565**	**-**	**-**	**4,953,319**
Depreciation *)	-	22,928	306,002	51,014	5,700	4,200	-	-	389,844
Disposals	-	(839)	(3,014)	(8,882)	(286)	(4,000)	-	-	(17,021)
As of December 31, 2020	**-**	**288,584**	**4,325,133**	**627,603**	**77,057**	**7,765**	**-**	**-**	**5,326,142**
Impairment									
As of January 1, 2020	**3,180**	**32,353**	**493,729**	**80,464**	**1,121**	**2,757**	**245,532**	**246,618**	**1,105,754**
Charge	-	1,664	85,085	557	76	(11,341)	100,189	106,850	283,080
Transfers	-	-	25,804	2,374	-	-	-	(28,178)	-
Assets held for disposal	-	-	-	-	-	11,341	-	-	11,341
Release	-	(382)	(50,993)	(400)	(19)	(656)	(132,323)	(69,366)	(254,139)
As of December 31, 2020	**3,180**	**33,635**	**553,625**	**82,995**	**1,178**	**2,101**	**213,398**	**255,924**	**1,146,036**
Carrying value									
As of January 1, 2020	**85,508**	**388,034**	**2,214,299**	**175,900**	**18,252**	**196,148**	**156,913**	**1,547,522**	**4,782,576**
As of December 31, 2020	**93,557**	**366,832**	**2,225,073**	**203,693**	**21,226**	**203,521**	**120,208**	**1,654,053**	**4,888,163**

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 21,649 thousand.*

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2019	**108,849**	**890,706**	**6,454,088**	**983,784**	**98,608**	**1,698,008**	**332,457**	**1,553,904**	**12,120,404**
Additions	374	18	16,345	25	21	-	210,521	649,459	876,763
Transfers	7	11,224	466,419	39,901	2,933	(16,738)	(117,482)	(386,264)	-
Disposals	-	(283)	(206,679)	(8,545)	(2,134)	(34,574)	(23,051)	(22,959)	(298,225)
Transfer to assets held for disposal (note 29)	(20,542)	(214,783)	-	(173,330)	(8,412)	(1,440,226)	-	-	(1,857,293)
As of December 31, 2019	**88,688**	**686,882**	**6,730,173**	**841,835**	**91,016**	**206,470**	**402,445**	**1,794,140**	**10,841,649**
Accumulated depreciation									
As of January 1, 2019	**-**	**297,740**	**3,671,297**	**590,318**	**72,906**	**589,043**	**-**	**-**	**5,221,304**
Depreciation *)	-	31,231	370,794	63,933	5,929	66,682	-	-	538,569
Transfers	-	-	5,906	-	-	(5,906)	-	-	-
Disposals	-	(248)	(25,852)	(8,093)	(2,103)	(2,796)	-	-	(39,092)
Transfer to assets held for disposal (note 29)	-	(62,228)	-	(60,687)	(5,089)	(639,458)	-	-	(767,462)
As of December 31, 2019	**-**	**266,495**	**4,022,145**	**585,471**	**71,643**	**7,565**	**-**	**-**	**4,953,319**
Impairment									
As of January 1, 2019	**3,180**	**31,523**	**390,424**	**71,226**	**909**	**3,521**	**37,266**	**119,145**	**657,194**
Charge	5,075	11,893	179,095	4,526	288	375,073	231,409	192,449	999,808
Transfers	-	931	24,890	6,808	279	-	(84)	(32,824)	-
Release	-	(4,041)	(100,680)	(1,993)	(328)	(262)	(23,059)	(32,152)	(162,515)
Transfer to assets held for disposal (note 29)	(5,075)	(7,953)	-	(103)	(27)	(375,575)	-	-	(388,733)
As of December 31, 2019	**3,180**	**32,353**	**493,729**	**80,464**	**1,121**	**2,757**	**245,532**	**246,618**	**1,105,754**
Carrying value									
As of January 1, 2019	**105,669**	**561,443**	**2,392,367**	**322,240**	**24,793**	**1,105,444**	**295,191**	**1,434,759**	**6,241,906**
As of December 31, 2019	**85,508**	**388,034**	**2,214,299**	**175,900**	**18,252**	**196,148**	**156,913**	**1,547,522**	**4,782,576**

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 23,498 thousand.*

Impairment of property, plant and equipment

Note 2 contains information on the conditions under which impairment losses for individual assets are recognized.

Impairment of assets in the Upstream segment

Based on the current market conditions (the effects of the COVID-19 pandemic on Romanian economy, 2020 gas production 14% lower compared to previous year, lower gas prices), the Group identified impairment indicators for its upstream assets.

Based on its assessment, the Company considered each commercial field as a separate cash-generating unit. The infrastructure common to several gas fields (e.g. compression stations, drying stations) was allocated to each field according to the quantities processed for each field served. The corporate assets were allocated to each field according to the estimated revenue to be earned by each field in the total revenue over the period considered in the impairment test.

The impairment test took into account the economic life of the fields, according to the latest studies approved by the National Agency of Mineral Resources, but no later than 2043, this being the limit year of the concession agreements, according to the legislation in force.

Following the impairment test, there was no additional impairment identified.

In the impairment test the following assumptions were used:

- Weighted average cost of capital: 10%;
- The inflation rate for the years 2021-2023 was the one reported by the National Prognosis Commission in the autumn forecast for 2021. For the period 2024-2043 a constant inflation rate of 2.4% was used;
- Average estimated price for the period was 87.51 lei/MWh.

13. EXPLORATION AND APPRAISAL FOR NATURAL GAS RESOURCES

The following financial information represents the amounts included within the Company's totals relating to activity associated with the exploration for and appraisal of natural gas resources.

	Year ended December 31, 2020	Year ended December 31, 2019
	'000 RON	'000 RON
Exploration assets written off (note 12)	(836)	(123)
Seismic, geological, geochemical studies	(25,673)	(1,513)
Exploration expenses	**(26,509)**	**(1,636)**
Net movement in exploration assets' impairment (note 12) (net income)/net loss	97,695	231,278
Net cash used in exploration investing activities	(66,516)	(173,563)

	December 31, 2020	December 31, 2019
	'000 RON	'000 RON
Exploration assets (note 12)	120,208	156,913
Liabilities	(5,285)	(49,270)
Net assets	**114,923**	**107,643**

14. OTHER INTANGIBLE ASSETS. RIGHT OF USE ASSETS

a) Other intangible assets

	2020 '000 RON	2019 '000 RON
Cost		
As of January 1	**184,797**	**179,409**
Additions	7,877	6,124
Disposals	(7,840)	(695)
Transfer to assets held for disposal (note 29)	-	(41)
As of December 31	**184,834**	**184,797**
Accumulated amortization		
As of January 1	**176,667**	**174,674**
Charge	1,977	2,238
Disposals	(7,840)	(219)
Transfer to assets held for disposal (note 29)	-	(26)
As of December 31	**170,804**	**176,667**
Carrying value		
As of January 1	**8,130**	**4,735**
As of December 31	**14,030**	**8,130**

b) Right of use assets

	2020 '000 RON	2019 '000 RON
Cost		
As of January 1	**8,657**	**-**
Implementation of IFRS16 leases	-	4,929
Additions	-	5,036
Effects of rent index updates	230	-
Disposals	-	(1,308)
As of December 31	**8,887**	**8,657**
Accumulated amortization		
As of January 1	**618**	**-**
Charge	827	707
Disposals	-	(89)
As of December 31	**1,445**	**618**
Carrying value		
As of January 1	**8,039**	**-**
As of December 31	**7,442**	**8,039**

15. INVENTORIES

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Spare parts and materials	155,965	154,691
Finished goods (gas)	123,638	183,842
Other inventories	681	459
Write-down allowance for spare parts and materials	(50,335)	(42,850)
Write-down allowance for other inventories	(4)	(1)
Total	**229,945**	**296,141**

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Trade receivables	1,553,276	1,547,917
Allowances for expected credit losses (note 16 c)	(1,279,164)	(1,252,267)
Accrued receivables	302,855	369,811
Allowances for expected credit losses on accrued receivables (note 16 c)	(2,694)	(47,142)
Total	**574,273**	**618,319**

Trade receivables from gas deliveries are generally due within 30 days of invoice issue. These must be guaranteed by customers through bank letters of guarantee. If customers do not provide such a guarantee, they must ensure that natural gas is paid in advance.

The Company is forced by court orders to sell gas to insolvent clients considered “captive” by the insolvency law. These clients provide no guarantees, do not pay for deliveries in advance and have a payment term of 90 days from invoice issue date.

Trade receivables from the sale of electricity are generally due within 7 days of the date of invoice transmission. These must be guaranteed by customers through bank letters of guarantee. If customers do not provide such a guarantee, they must ensure that electricity is paid in advance.

b) Other assets

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Advances paid to suppliers	7,934	386
Joint operation receivables	2,384	2,125
Other receivables *)	63,638	61,177
Allowance for expected credit losses other receivables (note 16 c) *)	(28,981)	(33,703)
Other debtors	50,072	47,528
Allowances for expected credit losses for other debtors (note 16 c)	(49,016)	(46,445)
Prepayments	5,719	3,784
VAT not yet due	4,269	5,954
Other taxes receivable	6	-
Total	**56,025**	**40,806**

*) During May 13, 2014 – September 30, 2014 the National Agency for Tax Administration (Agentia Nationala de Administrare Fiscala - ANAF) ran a tax investigation at Romgaz regarding the tax statements and/or operations relevant for the investigation as well as the organization and management of tax and accounting evidence. The period under control was 2008 – 2013 for income tax and 2009 – 2013 for VAT.

Following the tax inspection, an additional liability was established for Romgaz of RON 22,440 thousand, representing income tax, VAT, penalties and related interest. Of the total amount, Romgaz paid RON 2,389 thousand.

For the remaining amount of RON 20,051 thousand, Romgaz performed a legal assessment which concluded that the additional tax, penalties and interest are not correct. Romgaz filed an appeal to the Ministry of Public Finance. The appeal was partially rejected for the amount of RON 15,872 thousand.

For RON 4,179 thousand a new fiscal control was ordered, which resulted in a tax burden of RON 2,981 thousand. The appeal filed to ANAF was rejected.

In 2015, Romgaz sued the Ministry of Finance to cancel the above mentioned administrative acts, including the partial cancelation of the decision issued for the appeal.

The payment made in 2016 generated additional penalties of RON 13,697 thousand, also paid. Considering the disagreement regarding the conclusions of the tax control, the Company recorded a receivable and an allowance.

In 2019, the Company won some of the points claimed in the case filed against ANAF and the allowance of RON 18,499 thousand was reversed against income. The Company took action to recover the amount paid, but the amounts were not received by December 31, 2020.

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. The tax decision and the tax inspection report were appealed to ANAF. Romgaz paid the additional tax obligation and the late payment charges and based on the appeal, the Company recorded a receivable for which it recorded an allowance.

The total receivable impaired in connection with these controls is RON 28,981 thousand.

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

	2020 '000 RON	2019 '000 RON
At January 1	**1,379,557**	**1,312,262**
Charge in the allowance for other receivables (note 6)	2,792	4,641
Charge in the allowance for trade receivables	61,595	84,783
Release in the allowance for other receivables (note 6)	(4,943)	(18,567)
Release in the allowance for trade receivables	(79,146)	(3,562)
At December 31	**1,359,855**	**1,379,557**

As of December 31, 2020, the Company recorded allowances for doubtful debts, of which Interagro RON 271,621 thousand (December 31, 2019: RON 275,137 thousand), GHCL Upsom of RON 68,103 thousand (December 31, 2019: RON 68,103 thousand), CET Iasi of RON 46,271 thousand (December 31, 2019: RON 46,271 thousand), Electrocentrale Galati with RON 226,338 thousand (December 31, 2019: RON 222,075 thousand), Electrocentrale Bucuresti with RON 576,080 thousand (December 31, 2019: RON 616,330 thousand), G-ON EUROGAZ of RON 14,848 thousand (December 31, 2019: RON 14,848 thousand) and Electrocentrale Constanta of RON 58,227 thousand (December 31, 2019: RON 39,113 thousand), due to existing financial conditions of these clients as well as ongoing litigating cases related to these receivables or exceeding payment terms.

d) Credit risk exposure for trade receivables

December 31, 2020	Gross carrying amount	Expected credit loss rate	Lifetime expected credit losses
	'000 RON	%	'000 RON
Current receivables, including accrued receivables	573,446	0.91	5,210
less than 30 days overdue	5,878	9.22	542
30 to 90 days overdue	4,877	86.57	4,222
90 to 360 days overdue	23,890	99.81	23,844
over 360 days overdue	1,248,040	100.00	1,248,040
Total trade receivables	**1,856,131**		**1,281,858**

December 31, 2019	Gross carrying amount	Expected credit loss rate	Lifetime expected credit losses
	'000 RON	%	'000 RON
Current receivables, including accrued receivables	664,761	7.10	47,198
less than 30 days overdue	3,924	84.00	3,296
30 to 90 days overdue	1,451	96.21	1,396
90 to 360 days overdue	25,203	99.71	25,130
over 360 days overdue	1,222,389	100.00	1,222,389
Total trade receivables	**1,917,728**		**1,299,409**

17. SHARE CAPITAL

	December 31, 2020	December 31, 2019
	'000 RON	'000 RON
385,422,400 fully paid ordinary shares	385,422	385,422
Total	**385,422**	**385,422**

The shareholding structure as at December 31, 2020 is as follows:

	No. of shares	Value	Percentage (%)
		'000 RON	
The Romanian State through the Ministry of Economy, Energy and Business Environment	269,823,080	269,823	70.01
Legal persons	95,612,507	95,612	24.81
Physical persons	19,986,813	19,987	5.18
Total	**385,422,400**	**385,422**	**100**

All shares are ordinary and were subscribed and fully paid as at December 31, 2020. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2019: RON 1/share).

18. RESERVES

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Legal reserves	77,084	77,084
Other reserves, of which:	2,142,857	1,502,818
- Company's development fund	1,353,047	772,417
- Reinvested profit	283,697	224,288
- Geological quota set up until 2004	486,388	486,388
- Other reserves	19,725	19,725
Total	**2,219,941**	**1,579,902**

19. PROVISIONS

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Decommissioning provision (note 19 a)	493,176	331,812
Retirement benefit obligation (note 19 c)	119,432	106,158
Total long term provisions	**612,608**	**437,970**
Decommissioning provision (note 19 a)	17,846	13,912
Litigation provision (note 19 b)	1,380	1,337
Other provisions *) (note 19 b)	128,340	59,351
Total short term provisions	**147,566**	**74,600**
Total provisions	**760,174**	**512,570**

*) On December 31, 2020, other provisions of RON 128,340 thousand include the provision for employee's participation to profit of RON 33,848 thousand (December 31, 2019: RON 31,525 thousand), the provision for taxes of RON 6,716 thousand and the provision for CO2 certificates of RON 81,217 thousand (December 31, 2019: RON 23,410 thousand). Regarding the CO2 provision, starting 2020 the mechanism for free of charge transitory allocation of greenhouse gas emissions certificates is no longer available.

a) Decommissioning provision

(i) Decommissioning provision movement

	2020 '000 RON	2019 '000 RON
At January 1	**345,724**	**530,466**
Additional provision recorded against non-current assets	130,094	16,342
Unwinding effect (note 9)	14,860	24,197
Recorded in profit or loss	24,130	(51,760)
Change recorded against non-current assets	(3,786)	(135,009)
Provision directly associated with the assets held for disposal (note 29)	-	(38,512)
At December 31	**511,022**	**345,724**

The Company makes full provision for the future cost of decommissioning natural gas wells on a discounted basis upon installation. The provision for the costs of decommissioning these wells at the end of their economic lives has been estimated using existing technology, at current prices or future assumptions, depending on the expected timing of the activity, and discounted using a rate of 2.97% (year ended December 31, 2019: 4.41%). While the provision is based on the best estimate of future costs and the economic lives of the wells, there is uncertainty regarding both the amount and timing of these costs.

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The increase with 1 percentage point of the discount rate would decrease the decommissioning provision with RON 99,099 thousand. The decrease with 1 percentage point of the discount rate would increase the decommissioning provision with RON 131,707 thousand.

(ii) Decommissioning provision movement for assets held for disposal

	2020 '000 RON	2019 '000 RON
At January 1	**38,512**	**-**
Additional provision recorded against assets held for disposal	9,843	-
Unwinding effect (note 9)	1,547	-
Recorded in profit or loss	118	-
Change recorded against assets held for disposal	(85)	-
Transfer to liabilities directly associated with assets held for disposal (nota 29)	-	38,512
At December 31	**49,935**	**38,512**

b) Other provisions

	Litigation provision '000 RON	Other provisions '000 RON	Total '000 RON
At January 1, 2020	**1,337**	**59,351**	**60,688**
Additional provision recorded in the result of the period	730	142,034	142,764
Provisions used in the period	(684)	(71,618)	(72,302)
Unused amounts during the period, reversed	(3)	(1,427)	(1,430)
At December 31, 2020	**1,380**	**128,340**	**129,720**

	Litigation provision '000 RON	Other provisions '000 RON	Total '000 RON
At January 1, 2019	**229**	**72,103**	**72,332**
Additional provision recorded in the result of the period	2,184	65,942	68,126
Provisions used in the period	(1,076)	(75,303)	(76,379)
Unused amounts during the period, reversed	-	(3,391)	(3,391)
At December 31, 2019	**1,337**	**59,351**	**60,688**

c) Retirement benefit obligation

Movement for retirement benefit obligation	2020 '000 RON	2019 '000 RON
At January 1	**106,158**	**131,120**
Interest cost	2,441	3,718
Current service cost	5,438	6,157
Payments during the year	(10,777)	(7,045)
Actuarial (gain)/loss of the period	16,172	(27,792)
At December 31	**119,432**	**106,158**

With the exception of actuarial gains/losses, all other movements in the retirement benefit obligation are recognized in the result of the period.

In determining the retirement benefit obligation, the following significant assumptions were used:

- No layoffs or restructurings are planned;
- Average discount rate: 3.21%;
- Average inflation rate: 2.00%.

Sensitivity analysis

The discount rate has a significant effect on the obligation. Isolated change in assumptions with 1 percentage point would have the following effect on the obligation:

	Increase of 1% in assumptions '000 RON	Decrease of 1% in assumptions '000 RON
Average discount rate	(11,498)	13,449
Average inflation rate	13,400	(11,669)

Maturity analysis of payment cash flows

	Benefit payments '000 RON
Up to 1 year	6,693
1-2 years	4,645
2-5 years	12,795
5-10 years	50,728
Over 10 years	44,571

20. DEFERRED REVENUE

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Amounts collected from NIP *)	136,021	20,994
Other deferred revenue	167	123
Other amounts received as subsidies	120	127
Total long term deferred revenue	**136,308**	**21,244**
Other amounts received as subsidies	8	58
Other deferred revenue	10,891	3,671
Total short term deferred revenue	**10,899**	**3,729**
Total deferred revenue	**147,207**	**24,973**

*) In Government Decision no. 1096/2013 approving the mechanism for the free allocation of greenhouse gas emission allowances to electricity producers for the period 2013-2020, Annex no. 3 "National Investment Plan" (NIP) at Item 22, S.N.G.N. ROMGAZ S.A. is included with the investment "Combined Gas Turbine Cycle".

For this investment, Romgaz signed a financing agreement with the Ministry of Energy in 2017, whereby the Ministry of Energy undertakes to grant a non-reimbursable financing of RON 320,912 thousand, representing a maximum of 25% of the total value of the eligible expenditure of the investment. By December 31, 2020 the Group collected RON 136,021 thousand. Amounts received under this contract will be transferred to income based on the depreciation rate of the investment.

By Government Decision no. 1070/2020 the deadline until the investments financed from the National Investment Plan must be put into operation has been extended until June 30, 2021.

Until December 31, 2020, the Company has submitted two reimbursement requests amounting to RON 140,498 thousand.

As the term of the contract for the realization of the investment was not extended, the Company is in the process of identifying solutions for completing the works.

	Amounts collected from NIP	Other amounts received as subsidies	Total
	'000 RON	'000 RON	'000 RON
At January 1, 2020	**20,994**	**185**	**21,179**
Received	115,027	-	115,027
Other decreases (reimbursements)	-	(50)	(50)
Amounts in revenue	-	(7)	(7)
At December 31, 2020	**136,021**	**128**	**136,149**

	Amounts collected from NIP	Other amounts received as subsidies	Total
	'000 RON	'000 RON	'000 RON
At January 1, 2019	**20,994**	**257**	**21,251**
Received	-	-	-
Other increases	-	9	9
Amounts in revenue	-	(81)	(81)
At December 31, 2019	**20,994**	**185**	**21,179**

21. TRADE AND OTHER CURRENT LIABILITIES

	December 31, 2020	December 31, 2019
	'000 RON	'000 RON
Accruals	28,268	30,535
Trade payables	27,315	18,242
Payables to fixed assets suppliers	35,477	61,550
Total trade payables	**91,060**	**110,327**

	December 31, 2020	December 31, 2019
	'000 RON	'000 RON
Payables related to employees	63,452	44,268
Royalties	60,714	64,760
Social security taxes	24,341	20,226
Other current liabilities	5,711	4,700
VAT	62,740	54,189
Dividends payable	2,047	2,231
Windfall tax	31,842	59,095
Other taxes	1,303	1,338
Total other liabilities	**252,150**	**250,807**
Total trade and other liabilities	**343,210**	**361,134**

22. FINANCIAL INSTRUMENTS

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, inflation risk, interest rate risk), credit risk, liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance within certain limits. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. The Company does not use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) *Foreign exchange risk*

The Company is exposed to currency risk as a result of exposure to various currencies. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

As at December 31, 2020, the official exchange rates were RON 3.9660 to USD 1 and RON 4.8694 to EUR 1 and (December 31, 2019: RON 4.2608 to USD 1 and RON 4.7793 to EUR 1).

The Company is mainly exposed to currency risk generated by EUR and USD against RON. The currency risk is not significant, as the Company has limited foreign exchange transactions.

(ii) *Inflation risk*

The official inflation rate in Romania, during the year ended December 31, 2020 was under 10% as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy.

(iii) *Interest rate risk*

The Company is exposed to interest rate risk, due to retirement benefit obligations and the decommissioning provision. The Company's sensitivity to changes in the discount rate is detailed in note 19.

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of trade receivables. The Company has policies in place to ensure that sales are made to customers with low credit risk. Also, sales have to be secured, either through advance payments, either through bank letters of guarantee. The carrying amount of accounts receivable, net of bad debt allowances, represents the maximum amount exposed to credit risk. The Company has a concentration of credit risk in respect of its top 4 clients, which together amount to 85.14% of net trade receivable balance at December 31, 2020 (top 4 clients: 85.19% as of December 31, 2019).

In spite of the policies described above, the Company is forced by court orders to deliver gas to insolvent clients deemed "captive" by insolvency legislation. In respect of these clients, the Company makes estimates of the lifetime expected credit losses and records appropriate impairment losses.

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the bad debt allowance already recorded.

(c) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimize the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend policy, issue new shares or sell assets to reduce debt.

The Company's policy is to only resort to borrowing if investment needs cannot be financed internally.

(d) Fair value estimation

Carrying amount of financial assets and liabilities is assumed to approximate their fair values.

Financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, other financial assets, short-term loans and borrowings and trade and other payables. The estimated fair values of these instruments approximate their carrying amounts. The carrying amounts represent the Company's maximum exposure to credit risk for existing receivables.

e) Maturity analysis for financial assets and financial liabilities at amortized cost

December 31, 2020	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	138,091	135,993	28	-	-	274,112
Bank deposits	137,000	371,259	397,157	-	-	905,416
Treasury bonds	-	270,000	797,505	-	-	1,067,505
Total	**275,091**	**777,252**	**1,194,690**	**-**	**-**	**2,247,033**
Trade payables	(60,271)	(2,519)	(2)	-	-	(62,792)
Lease liabilities	(57)	(144)	(556)	(3,364)	(4,480)	(8,601)
Total	**(60,328)**	**(2,663)**	**(558)**	**(3,364)**	**(4,480)**	**(71,393)**
Net	**214,763**	**774,589**	**1,194,132**	**(3,364)**	**(4,480)**	**2,175,640**

December 31, 2019	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	106,087	189,530	33	-	-	295,650
Bank deposits	265,000	560,354	91,000	-	-	916,354
Treasury bonds	-	-	149,560	-	-	149,560
Total	**371,087**	**749,884**	**240,593**	**-**	**-**	**1,361,564**
Trade payables	(75,823)	(3,964)	(5)	-	-	(79,792)
Lease liabilities	(52)	(252)	(503)	(2,986)	(5,165)	(8,958)
Total	**(75,875)**	**(4,216)**	**(508)**	**(2,986)**	**(5,165)**	**(88,750)**
Net	**295,212**	**745,668**	**240,085**	**(2,986)**	**(5,165)**	**1,272,814**

f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's management, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and current cash flows and by matching the maturity profiles of financial assets and liabilities.

23. RELATED PARTY TRANSACTIONS AND BALANCES

i. Sales of goods and services

	Year ended Dec 31, 2020 '000 RON	Year ended Dec 31, 2019 '000 RON
Subsidiaries	117,322	126,917
Associates	17,584	23,374
Total	**134,906**	**150,291**

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

ii. Purchase of goods and services

	Year ended Dec 31, 2020 '000 RON	Year ended Dec 31, 2019 '000 RON
Subsidiaries	67,757	64,874
Total	**67,757**	**64,874**

iii. Trade receivables

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Subsidiaries	15,371	19,111
Total	**15,371**	**19,111**

iv. Trade payables

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Subsidiaries	8,389	(7,125)
Total	**8,389**	**(7,125)**

24. INFORMATION REGARDING THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The remuneration of executives and directors

The Company has no contractual obligations on pensions to former executives and directors of the Company.

During the years ended December 31, 2020 and December 31, 2019, no loans and advances were granted to executives and directors of the Company, except for work related travel advances, and they do not owe any amounts to the Company from such advances.

	Year ended December 31, 2020 '000 RON	Year ended December 31, 2019 '000 RON
Salaries paid to executives (gross)	15,509	15,757
of which, bonuses (gross)	775	613
Remuneration paid to directors (gross)	1,629	1,404
of which, variable component (gross)	-	-

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Salaries payable to executives	520	352
Salaries payable to directors	81	70

25. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

a) Investment in subsidiaries

Subsidiaries' name	Main activity	Country of residence and operations	Percentage of interest held (%)	
			December 31, 2020	December 31, 2019
SNGN ROMGAZ SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL	Natural gas storage	Romania	100	100

	Cost at December 31, 2020 '000 RON	Cost at December 31, 2019 '000 RON
SNGN ROMGAZ SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL	66,056	66,056
Total	**66,056**	**66,056**

b) Investment in associates

Name of associate	Main activity	Place of incorporation and operation	Proportion of interest held (%)	
			December 31, 2020	December 31, 2019
SC Depomures SA Tg.Mures	Storage of natural gas	Romania	40	40
SC Agri LNG Project Company SRL	Feasibility projects	Romania	25	25

Name of associate	Cost as of December 31, 2020	Impairment as of December 31, 2020	Carrying value as of December 31, 2020	Cost as of December 31, 2019	Impairment as of December 31, 2019	Carrying value as of December 31, 2019
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
SC Depomures SA Tg.Mures	120	-	120	120	-	120
SC Agri LNG Project Company SRL	977	(977)	-	977	(977)	-
Total	**1,097**	**(977)**	**120**	**1,097**	**(977)**	**120**

26. OTHER FINANCIAL INVESTMENTS

Other financial investments are measured at fair value through profit or loss.

Except for the investment in Patria Bank, which is a level 1 financial investment, all other investments are included in level 3 category, according to IFRS 13.

Company	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			December 31, 2020	December 31, 2019
Electrocentrale București S.A.	Electricity and thermal power producer	Romania	2.49	2.49
Patria Bank S.A.	Other activities – financial intermediations	Romania	0.03	0.03
Mi Petrogas Services S.A.	Services related to oil and natural gas extraction, excluding prospections	Romania	10	10
GHCL Upsom	Manufacture of other chemical, anorganic base products	Romania	4.21	4.21
Lukoil association	Petroleum exploration operations	Romania	12.2	12.2

Company	Fair value as of December 31, 2020	Fair value as of December 31, 2019
	'000 RON	'000 RON
Electrocentrale București S.A. *)	-	-
Patria Bank S.A.**)	91	101
Mi Petrogas Services S.A.	60	60
GHCL Upsom	-	-
Lukoil association	5,227	5,227
Total	**5,378**	**5,388**

*) The fair value of the investment in Electrocentrale Bucuresti at December 31, 2020 was reduced to zero, due to the difficulties encountered in implementing the restructuring plan in the insolvency procedure. The investment in Electrocentrale Bucuresti is not quoted.

**) Patria Bank's shares being quoted, the fair value at the end of the period is determined by taking into account the closing quotation of the share. The variation between the amount at December 31, 2020 and the amount at December 31, 2019 was recorded in the result of the period.

27. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
	'000 RON	'000 RON
Current bank accounts in RON *)	101,014	64,621
Current bank accounts in foreign currency	174	602
Petty cash	53	16
Term deposits in RON	289,203	170,000
Restricted cash **)	2,412	87,867
Amounts under settlement	1	1
Total	**392,857**	**323,107**

*) Current bank accounts include overnight deposits.

**) At December 31, 2019 restricted cash included bank accounts used strictly for VAT transactions, as the Company opted in to the application of the split-VAT system; in 2020 the split-VAT system was terminated. At December 31, 2020 restricted cash refers to bank accounts used only for dividend payments to shareholders, according to stock market regulations (December 31, 2020: RON 2,412 thousand; December 31, 2019: RON 2,652 thousand).

28. OTHER FINANCIAL ASSETS

Other financial assets represent mainly treasury bonds and deposits with a maturity of over 3 months, from acquisition date.

	December 31, 2020	December 31, 2019
	'000 RON	'000 RON
Treasury bonds in RON	1,045,593	144,923
Bank deposits in RON	905,416	916,354
Accrued interest receivable on bank deposits	2,586	3,377
Accrued interest on bonds	21,912	4,637
Total other financial assets	**1,975,507**	**1,069,291**

29. ASSETS HELD FOR DISPOSAL AND RELATED LIABILITIES

As of April 1 2018, natural gas storage was transferred from Romgaz to SNGN ROMGAZ SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL.

The transfer of activity occurred as a result of the Company's legal obligation to achieve separation of natural gas storage activity from natural gas production and supply in accordance with Directive 2009/73 / EC of the European Parliament and of the Council of July 13, 2009 and the provisions of art. 141 align (1) of Law 123/2012.

The transfer involved the transfer of the license to the storage subsidiary, transfer of employees and the transfer of the unfinished acquisitions until 31 March 2018. The transfer did not involve a sale. As a result of the transfer of activity, the fixed assets were not transferred and they were leased to Depogaz.

At the end of 2018, the shareholders of the Company approved, in principle, to increase the share capital of Depogaz with the assets used in the storage activity. Based on this decision, in 2019 the Company's assets were measured in order to determine the value of the share capital increase. In December 2019, the Company's majority shareholder called for a meeting to take a final decision on the increase; the final decision was taken in January 2020. Based on the call of the majority shareholder in December 2019, the assets to be transferred, according to the Company's Board of Directors' decision in February 2020, together with other related assets and liabilities were classified as held for disposal as of December 31, 2020. The transfer of assets has not been completed until the date of approval of the financial statements, as all legal formalities have not been completed.

The major classes of assets and liabilities classified as held for disposal as of December 31, 2020 are:

	December 31, 2020	December 31, 2019
	'000 RON	'000 RON
Property, plant and equipment	710,929	701,098
Other intangible assets	15	15
Assets held for disposal	**710,944**	**701,113**
Provisions	49,935	38,512
Deferred tax liabilities	21,554	21,857
Liabilities directly associated with the assets held for disposal	**71,489**	**60,369**
Net assets directly associated with the disposal group	**639,455**	**640,744**

30. COMMITMENTS UNDERTAKEN

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Endorsements and collaterals granted	224,063	52,729
Total	**224,063**	**52,729**

In 2020, Romgaz signed an addendum to the credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 100,000 thousand. On December 31, 2020 are still available for use USD 44,204 thousand.

As of December 31, 2020, the Company's contractual commitments for the acquisition of non-current assets are of RON 379,808 thousand (December 31, 2019: RON 431,382 thousand).

31. COMMITMENTS RECEIVED

	December 31, 2020 '000 RON	December 31, 2019 '000 RON
Endorsements and collaterals received	1,508,192	1,496,152
Total	**1,508,192**	**1,496,152**

Endorsements and collateral received represent letters of guarantee and other performance guarantees received from the Company's clients.

32. CONTINGENCIES

(a) *Litigations*

The Company is subject to several legal actions arisen in the normal course of business. The management of the Company considers that they will have no material adverse effect on the results and the financial position of the Company.

On December 28, 2011, 27 former and current employees were notified by DIICOT regarding an investigation related to sale contracts signed with one of the Company's clients for allegedly unauthorized discounts granted to this client during the period 2005-2010. DIICOT mentioned that this may have resulted in a loss of USD 92,000 thousand for the Company. On that sum, an additional burden to the state budget consists of income tax in amount of USD 15,000 thousand and VAT in amount of USD 19,000 thousand. The internal analysis carried out by the Company's specialized departments concluded that the agreement was in compliance with the legal provisions and all discounts were granted based on Orders issued by the Ministry of Economy and Finance and decisions of the General Shareholders' Board and Board of Directors. The management of the Company believes the investigation will not have a negative impact on the financial statements, to justify the registration of an adjustment. The Company is fully cooperating with DIICOT in providing all information necessary. On March 18 2014, Romgaz received an address from DIICOT, by which the investigators ordered an accounting expertise, indicating the objectives of the expertise.

Romgaz was notified that, as injured party, it may submit comments relating to objectives of the expertise (additions/changes), and may appoint an additional expert to participate in the expertise.

Thus, Romgaz proceeded to identify and appoint an expert with accounting and financial expertise that can participate to the expertise. After the report was completed, the parties could submit objections by November 2, 2015.

On March 16, 2016, DIICOT – Central Structure informed the persons involved in the cause about the start of legal actions against them. At the request of investigators, the Company announced that in case of a prejudice being established during the investigation, the Company will join the case as civil party.

In November 2016, DIICOT informed the Company the prejudice established in amount of RON 282,630 thousand. Following this request, Romgaz announced that will join the case as a civil party for the amount of RON 282,630 thousand to recover this amount from the respective client and any other person that may be found guilty for causing the prejudice.

In June 2017, DIICOT issued a press release announcing the referral to court of several persons involved in the case. In January 2018, the High Court of Cassation and Justice ruled that the indictment prepared by DIICOT was not legal; the ruling is not definitive.

At the date of endorsement of these financial statements the case in which Romgaz is a civil party a ruled by the High Court of Cassation and Justice. By the date the financial statements were endorsed for issue, no court decision was issued.

(b) *Taxation*

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties. In Romania, tax periods remain open for fiscal verification for 5 years. The Company's management considers that the tax liabilities included in these financial statements are fairly stated.

(c) *Environmental contingencies*

Environmental regulations are developing in Romania and the Company has not recorded any liability at December 31, 2020 for any anticipated costs, including legal and consulting fees, impact studies, the design and implementation of remediation plans related to environmental matters, except the amount of RON 560,958 thousand (December 31, 2019: RON 384,236 thousand), representing the decommissioning liability.

(d) *Controls by The Romanian Court of Accounts*

In 2016, the Company came under scrutiny from the Romanian Court of Accounts.

One of the Romanian Court of Accounts' conclusions was that during 2013-2015 Romgaz delivered gas on the regulated market over the quantities it was legally allowed to, according to the existing legislation. The price on the regulated market being lower than the one on the free market, The Romanian Court of Accounts issued Decision number 26/01.06.2016 and ordered Romgaz to determine and to recover the prejudice as a price difference on gas quantities delivered on the regulated market over its legal obligation, having January 2017 as due date for implementation. The alleged prejudice estimated by the Court of Accounts is over RON 160 million. Romgaz appealed the decision, but the Court of Accounts dismissed the appeal. Subsequently, the Company started legal proceedings against the Court of Accounts' decision no. 26/01.06.2016 and, also, contracted legal services for the annulment of the Court of Accounts' decision and to carry out the measures ordered by the Court of Accounts' decision.

The Court of Accounts litigation was resolved by the Court of Appeal Alba Iulia, maintaining the findings and measures of Decision no. 26/2016 issued by the Court of Accounts, except for one measure.

The Company's management respects the decision taken by the Court of Appeal Alba Iulia and started legal actions to implement the measures established by the Court of Accounts. The deadline for implementing these measures was extended to June 30, 2021.

33. JOINT ARRANGEMENTS

In January 2002, Romgaz signed a petroleum agreement with Amromco for rehabilitation operations in order to achieve additional production in 11 blocks, namely: Bibeşti, Strâmba, Finta, Fierbinți-Târg, Frasin-Brazi, Zătreni, Boldu, Roșioru, Gura-Șuții, Balta-Albă and Vlădeni. For the base production, Romgaz holds a share of 100% and for the additional production, Romgaz owns a share of 50% and Amromco Energy SRL - 50%. As the agreement was signed to execute rehabilitation operations to obtain additional production, the mandatory work program is in accordance with the studies approved by ANRM. Accordingly, the annual work program, which includes both works provided in the studies and other works necessary and proposed by the partners, is approved annually by the Board of the joint arrangement before the start of each year. The duration of the joint arrangement is in line with the time frame of each individual concession agreements of the 11 perimeters stated above, which differs for each block.

34. AUDITOR'S FEES

The fee charged by the Company's statutory auditor, S.C. Ernst & Young Assurance Services S.R.L. for the statutory audit of the 2020 annual financial statements is RON 305 thousand.

The fees charged for other assurance services in 2020 are RON 150 thousand.

35. EVENTS AFTER THE BALANCE SHEET DATE

No events after the balance sheet date were identified.

36. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on March 23, 2021.

Aristotel Marius Jude Chief Executive Officer	**Răzvan Popescu** Chief Financial Officer

STATEMENT
in accordance with the provisions of art. 63 (2) c) of Law No. 24/2017
regarding issuers of financial instruments and market operations

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Entity: Societatea Nationala de Gaze Naturale ROMGAZ S.A.
County: 32--SIBIU
Address: MEDIAŞ, 4 C.I. Motaş Square, tel. +40374401020
Registration Number in the Trade Register: J32/392/2001
Form of Property: 26- Companies with both state and private capital foreign and domestic (State capital >=50%)
Main activity (CAEN code and denomination): 0620—Natural Gas Production
Tax Identification Number: 14056826

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

hereby confirm that according to our knowledge, the annual financial statements for the year ended December 31, 2020, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and Order of Ministry of Public Finance no. 2844/2016 for the approval of Accounting regulations in accordance with International Financial Reporting Standards, offer a true and fair view of the assets, liabilities, financial position, statement of profit and loss of the Company and that the Board of Directors' report comprises a fair analysis of the development and performance of the Company, as well as a description of the main risks and incertitudes specific to its activity. The Company is a going concern.

Chief Executive Officer,
ARISTOTEL MARIUS JUDE

Chief Financial Officer,
RAZVAN POPESCU