

SOCIETATEA NAȚIONALĂ DE GAZE NATURALE "ROMGAZ" SA

# QUARTERLY REPORT

ON THE ECONOMIC-FINANCIAL ACTIVITY  
OF ROMGAZ GROUP

ON MARCH 31, 2020

(January 01, 2020 - March 31, 2020)



## IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report Basis	Law no. 24/2017 on issuers of financial instruments and market operations (Article 67) and ASF Regulation no.5/2018 on issuers of financial instruments and market operations (Annex 13) for the three-month period ended on March 31, 2020
Report Date	May 15, 2020
Name of the Company	Societatea Națională de Gaze Naturale "ROMGAZ" SA
Headquarters	Medias 551130, 4 Constantin I. Motas Square, Sibiu County
Telephone/Fax number	004 0374401020 / 004 0374474325
Web/E-mail	<a href="http://www.romgaz.ro">www.romgaz.ro</a> / <a href="mailto:secretariat@romgaz.ro">secretariat@romgaz.ro</a>
Fiscal Code	RO 14056826
Trade Registry No.	J32/392/2001
Legal Entity Identifier (LEI)	2549009R7KJ38D9RW354
Subscribed and paid in share capital	RON 385,422,400
Shares main characteristics	385,422,400 shares each with a nominal value of RON 1; Nominative, ordinary, indivisible shares, issued dematerialised and free tradable since November 12, 2013 as SNG – for shares and SNGR – for GDR's
Regulated market where the company's shares are traded	Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)

## ROMGAZ GROUP<sup>1</sup> PERFORMANCES

Romgaz Group recorded in Q1 2020 a **revenue** of **RON 1,430.3 million**, decreasing by 16.51%, namely RON 282.8 million, compared to Q1 2019.

**Net profit** of **RON 571.9 million** was higher by 5.54%, namely RON 30.1 million, compared to the similar period of the previous year.

Net consolidated earnings per share (**EPS**) was **RON 1.5**.

The **achieved margins** of the consolidated net profit (**40.0%**), consolidated EBIT (**46.8%**) and consolidated EBITDA (**56.1%**) increased as compared to Q1 2019 (31.6%; 36.8% and namely 52.2%), confirming an improvement of the Group's activity, even if the revenue recorded a decrease.

The natural gas consumption estimated<sup>2</sup> nationally for Q1 2020 was 45.85 TWh, approximately by 3.7% lower than the consumption recorded in Q1 2019.

---

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

<sup>2</sup> The consumption is estimated as ANRE did not publish until the date hereof the reports on the gas market for March 2020

**Natural gas production** was RON 1,362.3 million m<sup>3</sup>, by 4.7%, namely 67.7 million m<sup>3</sup> below the production recorded in Q1 2019.

The quantity of **electricity delivered** was of 240.2 GWh, by 54.17% higher as compared to the similar period of the previous year (155.8 GWh).

The quantity of **electricity produced** was of 258.9 GWh in Q1 2020, by 51.5% higher as compared to the similar period of the previous year (170.8 GWh), the remaining as compared to the electricity delivered in the NES being the own technological consumption of the power plant.

### Relevant Consolidated Financial Results

*RON million*							
Q1 2019	Q4 2019	Q1 2020	ΔT1/Q4 (%)	Main indicators	Q1 2019	Q1 2020	Δ Q1 (%)
1,713.1	1,289.6	1,430.3	10.91	Revenue	1,713.1	1,430.3	-16.51
1,683.1	1,308.4	1,413.6	8.04	Income	1,683.1	1,413.6	-16.01
1,043.0	1,429.3	733.6	-48.67	Expenses	1,043.0	733.6	-29.66
1.4	0.1	0.3	200.00	Share of profit of associates	1.4	0.3	-78.57
641.8	(120.8)	680.3	n/a	Gross Profit	641.8	680.3	6.00
99.9	(25.3)	108.3	n/a	Profit tax	99.9	108.3	8.41
541.9	(95.5)	571.9	n/a	Net profit	541.9	571.9	5.54
630.8	(128.8)	669.3	n/a	EBIT	630.8	669.3	6.10
894.0	634.9	802.0	26.32	EBITDA	894.0	802.0	-10.29
1.4	(0.25)	1.5	n/a	Earnings per share (EPS) (RON)	1.4	1.5	7.14
31.6	-7.4	39.98	n/a	Net profit ratio (% from Revenue)	31.6	39.98	26.52
36.8	-9.99	46.79	n/a	EBIT Ratio (% from Revenue)	36.8	46.79	27.15
52.2	49.23	56.07	13.89	EBITDA Ratio (% from Revenue)	52.2	56.07	7.41
6,162	6,251	6,240	-0.02	Number of employees at the end of the period	6,162	6,240	1.27

### Operational Results

Q1 2019	Q4 2019	Q1 2020	ΔQ1/Q4 (%)	Main indicators	Q1 2019	Q1 2020	Δ Q1 (%)
1,430.0	1,327.4	1,362.3	2.63	Gross production (million m <sup>3</sup> )	1,430.0	1,362.3	-4.73
103	96	98	2.08	Petroleum royalty (million m <sup>3</sup> )	103	98	-4.85
4,934	4,388	6,497	48.06	Condensate production (tonnes)	4,934	6,497	31.68
170.8	298.0	258.9	-13.12	Electricity production (GWh)	170.8	258.9	51.58
884.9	347.1	895.4	157.97	Invoiced UGS withdrawal services (million m <sup>3</sup> )	884.9	895.4	1.19
37.8	346.1	40.7	-88.24	Invoiced UGS injection services (million m <sup>3</sup> )	37.8	40.7	7.67

The gas production recorded for Q1 2020 was RON 1,362.3 million m<sup>3</sup>, by 4.7% lower than the production recorded for the similar period of the previous year.

The relatively high level of production achieved in Q1 2020, taking into account that any hydrocarbon extraction company is experiencing a production decline, was supported by:

- ✓ completion of investment works to connect new wells to the production infrastructure;

- ✓ continuous production rehabilitation programs for the main mature gas fields that mitigated the production decline on these fields;
- ✓ performing recompletion operations that reactivated a series of wells with significant flow rates.

These results were achieved under the following conditions:

- ✗ natural gas import for consumption was approximately 9 TWh, lower by 7.5% as compared to the similar period of the previous year;
- ✗ the withdrawn quantity from Romgaz gas stocks stored in underground storages was by 24.99% less than in the same period of 2019.

The natural gas consumption estimated at national level for Q1 2020 was 45.85 TWh, approximately 3.7% lower than the consumption recorded Q1 2019, out of which approx. 9 TWh was covered by import gas and the remaining 36.85 TWh by domestic production to which Romgaz participated with 15.97 TWh, representing 34.83% of the national consumption and **43.19%** of the consumption covered by domestic gas. The company's market share decreased by 2.2% as compared to Q1 2019.



## ROMGAZ GROUP – BRIEF OVERVIEW

The activities developed by Romgaz Group are:

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

### Shareholder Structure

On March 31, 2020 the SNGN Romgaz SA shareholder structure was the following:

	Number of shares	%
Romanian State <sup>3</sup>	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
*legal persons	97,970,322	25.4190
*natural persons	17,628,998	4.5739
<b>Total</b>	<b>385,422,400</b>	<b>100.0000</b>



### Company organization

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

The Company had six branches established depending both on the specific business as well as on the activity location (production branches), as follows:

- Sucursala Mediaș (Medias Branch);
- Sucursala Târgu Mureș (Targu Mures Branch);
- Sucursala de Intervenții, Reparații Capitale și Operații Speciale la Sonde Mediaș (SIRCOSS) (Branch for Well Workover, Recompletions and Special Well Operations);
- Sucursala de Transport Tehnologic și Mentenanță Târgu Mureș (STTM) (Technological Transport and Maintenance Branch);
- Sucursala de Producție Energie Electrică Iernut (Iernut Power Generation Branch);
- Sucursala Bratislava (Bratislava Branch)<sup>4</sup>.

<sup>3</sup> The Romanian State acting through the *Ministry of Energy*

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

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

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

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

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

### **Company management**

The company is governed by a **Board of Directors** composed of 7 members, having on March 31, 2020 the following structure:

Item no.	Name	Position in the Board	Status*)	Professional Qualification	Institution of Employment
1	Stan-Olteanu Manuela-Petronela	chairman	non-executive non-independent	legal adviser	General Secretariat of the Government
2	Jude Aristotel Marius	member	non-executive non-independent	MBA in Law legal adviser	SNGN Romgaz SA
3	Hărăbor 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 Tehnică Iași
7	Jansen Petrus Antonius Maria	member	non-executive independent	economist	London School of Business and Finance

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

### **Company executive management**

By Resolution No. 29 of June 14, 2018, the Board of Directors delegated company's management pursuant to the provisions of Law no.31/1990 (art. 143 paragraph (1)), GEO no.109/2011 (art. 35 paragraph (1)) and of the Romgaz Articles of Incorporation (art. 19 paragraph (2)), to Mr. *Volintiru Adrian Constantin* and appointed him as Chief Executive Officer (CEO) as of June 15, 2018 for 4 months.

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

The Board of Directors appointed Mr. Bobar Andrei by Resolution No. 30 of November 2, 2017 as Chief Financial Officer.

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

Mr. Bobar Andrei unilaterally terminated the Contract of Mandate by giving on 22 August 2019 Notification No. 28593 relating to the 30-day contract termination notice, in compliance with contractual provisions. The notice period ended on September 21, 2019. Upon the appointment of Mr. Andrei Bobar as CFO, his Individual Employment Contract was suspended; on September 19, 2019, the CEO issued Resolution no. 530 which effected the reactivation of Mr. Bobar's Individual Employment Contract and his position as Finance Director of the Company.

The Board of Directors, by Resolution No. 39 of November 4, 2019 appointed Mr. Veza Marius Leonte as interim Chief Financial Officer until December 28, 2019.

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

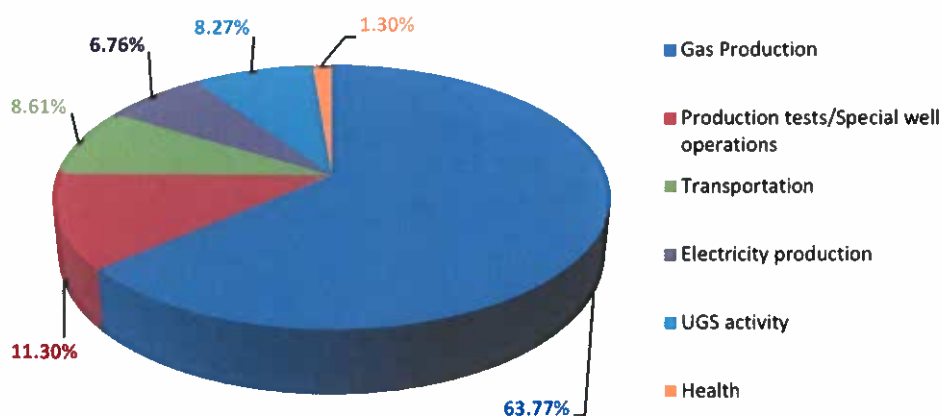
### Human Resources

On March 31, 2020 Romgaz Group had a number of 6,240 employees while SNGN Romgaz SA 5,724 employees.

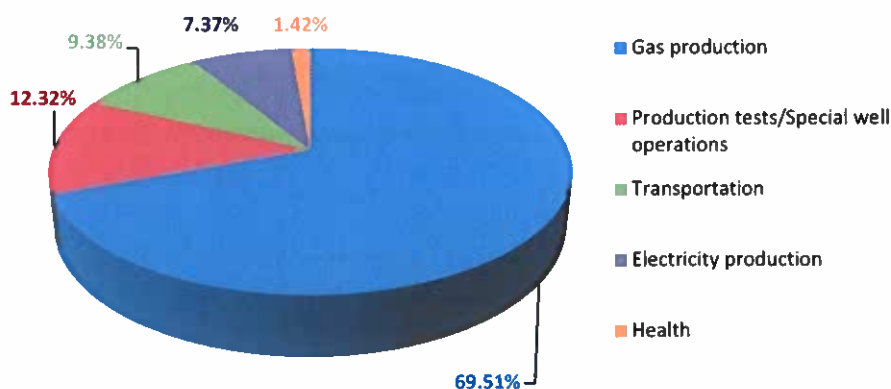
The table below shows the evolution of the employees' number between January 1, 2019 – March 31, 2020:

Description	2019 GROUP		March 31, 2020	
	March 31	December 31	GROUP	Romgaz
Employees at the beginning of the period	6,214	6,214	6,251	5,738
Newly hired employees	26	264	46	39
Employees who terminated their labour relationship with the company	78	227	57	53
Employees at the end of the period	6,162	6,251	6,240	5,724

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



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



### **ROMGAZ on the stock exchange**

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

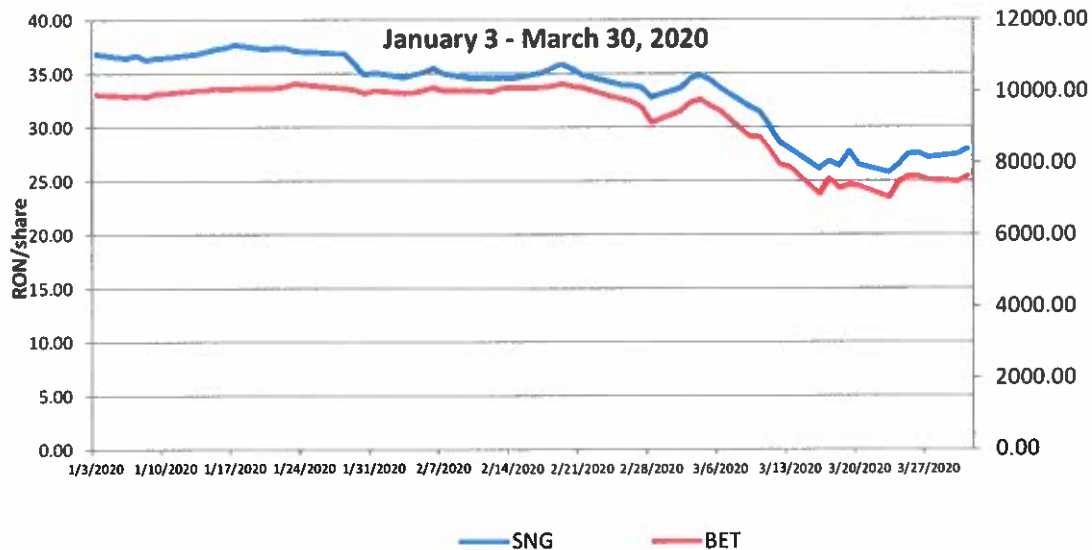
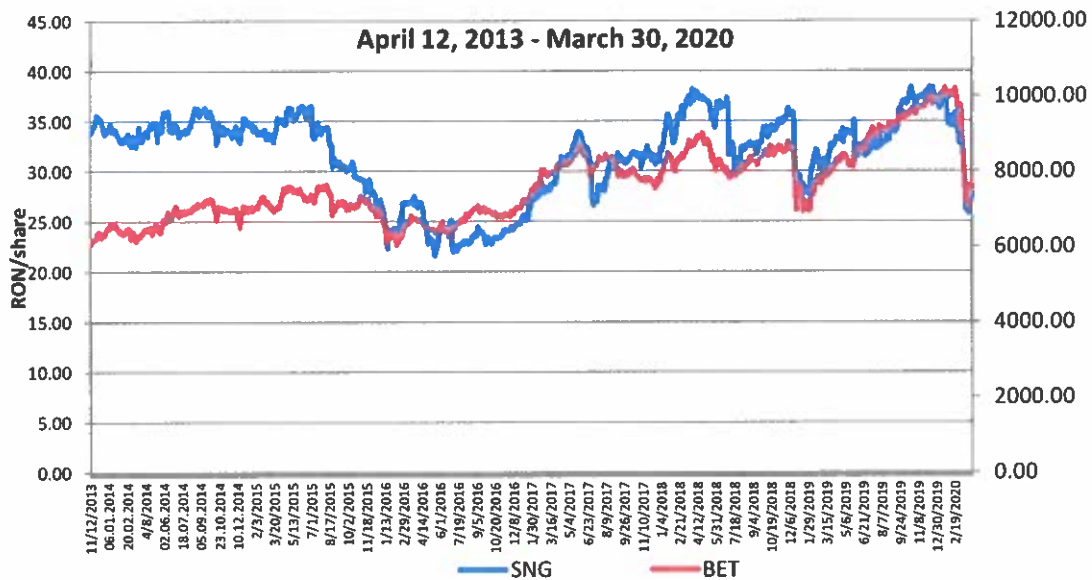
Romgaz is considered an attractive company for investors in terms of dividend distribution to shareholders and company stability.

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

- Second place in the top of Premium BVB issuers after capitalization. With a market capitalization of RON 10,772.5 million, namely EUR 2,230.4 million as of March 31, 2020, Romgaz is the second biggest listed company, preceded by OMV Petrom with a capitalization of RON 16,426.7 million, namely EUR 3,401.1 million;
- Fourth place in terms of traded values in Q1 2020 in the top of local issuers on BVB main segment (RON 305 million), behind Banca Transilvania, Fondul Proprietatea and BRD;
- Weights of 10.58% and 9.76% in the BET index (top 16 issuers) and BET-XT index (top 25 issuers), 29.99% in BET-NG index (energy and utilities) and 10.58% in BET-TR index (BET Total Return).

Performance of Romgaz shares between listing and March 31, 2020, namely Q1 2020, in relation to BET index, is shown below:





For the first two months of 2020, the trade price of Romgaz shares recorded a slightly oscillating trend, increasing in January, to the maximum value of RON 37.70/share achieved on January 17, 2020. As of March 2020, following the World Health Organization's calling COVID-19 a global pandemic as well as the fall in oil prices, financial markets recorded significant decline. Subsequently, Romgaz share price recorded a significant decrease to the minimum value of RON 25.80/share on March 23, 2020. Therefore, Q1 2020 ended with a decreasing share price of 24.15% (RON 27.95/share on March 31, 2020) as compared to the first day of the year (RON 36.85/share on January 3, 2020).

For the reviewed period, the GDRs followed a similar trend of the trade price, recording an average of USD 7.73/GDR. Since the first trading day of the year, when the GDR was USD 8.80, its value decreased sharply, especially during the last month of the quarter, to a minimum of USD 5.70/GDR, recorded on March 23, 2020, similar as the shares. For the last day of Q1, 2020, the GDR was traded at USD 6.30, by 28.41% lower as compared to the value recorded on January 2, 2020. This decrease of the GDRs price is comparable to the share price decrease, in terms of increasing the USD/RON exchange rate by 2.47% for this period.

## PHYSICAL INDICATORS

The table below shows the gas volumes (million m<sup>3</sup>) that were produced, delivered, injected/withdrawn into/from UGSs during January-March 2020 in comparison with the similar period of 2018 and 2019:

Specifications		Q1 2018	Q1 2019	Q1 2020	Indices (%)
0	1	2	3	4	5=4/3x100
<b>1.</b>	<b>Total – gross production, out of which:</b>	<b>1,364.1</b>	<b>1,430.0</b>	<b>1,362.3</b>	<b>95.3</b>
1.1.	* internal gas production	1,321.4	1,430.0	1,362.3	95.3
1.2.	* Schlumberger partnership (100%)	42.7	0.0	0.0	0.0
2.	Technological consumption	21.9	23.2	19.8	85.3
<b>3.</b>	<b>Net gross internal gas production (1.-1.2.-2.)</b>	<b>1,299.5</b>	<b>1,406.8</b>	<b>1,342.5</b>	<b>95.4</b>
4.	Internal gas volumes injected in storages	0.0	15.0	0.0	0.0
5.	Internal gas volumes withdrawn from storages, of which:	280.9	199.7	150.8	75.5
5.1.	*cushion gas	6.9	0.0	0.0	0.0
6.	Differences resulting from GCV	0.0	0.0	0.0	0.0
<b>7.</b>	<b>Volumes supplied from internal production (3.-4.+5.-6.)</b>	<b>1,580.4</b>	<b>1,591.5</b>	<b>1,493.3</b>	<b>93.8</b>
8.1.	Gas sold in storage	8.1	0.0	0.0	0.0
8.2.	Gas supplied to Iernut and Cojocna Power Plants from Romgaz gas	76.9	50.3	74.9	148.9
<b>9.</b>	<b>Volumes supplied from internal production to the market (7.+8.1.-8.2.)</b>	<b>1,511.6</b>	<b>1,541.2</b>	<b>1,418.4</b>	<b>92.0</b>
<b>10.</b>	<b>Natural gas from partnerships<sup>*)</sup> – total, out of which:</b>	<b>46.8</b>	<b>34.9</b>	<b>26.8</b>	<b>76.8</b>
	*Schlumberger (50%)	21.4	0.0	0.0	0.0
	*Raffles Energy (37,5%)	0.0	0.0	0.0	0.0
	*Amromco (50%)	25.4	34.9	26.8	76.8
11.	Purchased internal gas volumes (including unbalances)	2.9	2.1	0.0	0.0
<b>12.</b>	<b>Volumes sold from domestic production to the market (9.+10.+11.)</b>	<b>1,561.3</b>	<b>1,578.2</b>	<b>1,445.2</b>	<b>91.6</b>
<b>13.</b>	<b>Volumes supplied from domestic production (8.2.+12.)</b>	<b>1,638.2</b>	<b>1,628.5</b>	<b>1,520.1</b>	<b>93.3</b>
14.	Supplied import volumes	83.0	53.0	0.0	0.0
15.	Gas supplied to Iernut and Cojocna from other sources (including unbalances)	6.1	0.9	2.3	255.6
<b>16.</b>	<b>Total gas supplies (13.+14.+15.)</b>	<b>1,727.3</b>	<b>1,682.4</b>	<b>1,522.4</b>	<b>90.5</b>
*	Invoiced UGS withdrawal services	1,098.2	884.9	895.4	101.2
*	Invoiced UGS injection services	17.6	37.8	40.7	107.7

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

<sup>\*\*)</sup> represents gas related to UGS injection/withdrawal services invoiced by the Subsidiary

## INVESTMENTS

**Romgaz Group** scheduled for the first 3 months of 2020 investments of *RON 198.88 million* and made investments of *RON 164.25 million*, by 17.41% namely *RON 34.63 million* less than scheduled.

On March 31, 2020, the Company carried out investments of *RON 159 million*, namely 13.95% from **Romgaz** Annual Investment Program that amounts to *RON 1,140 million*.

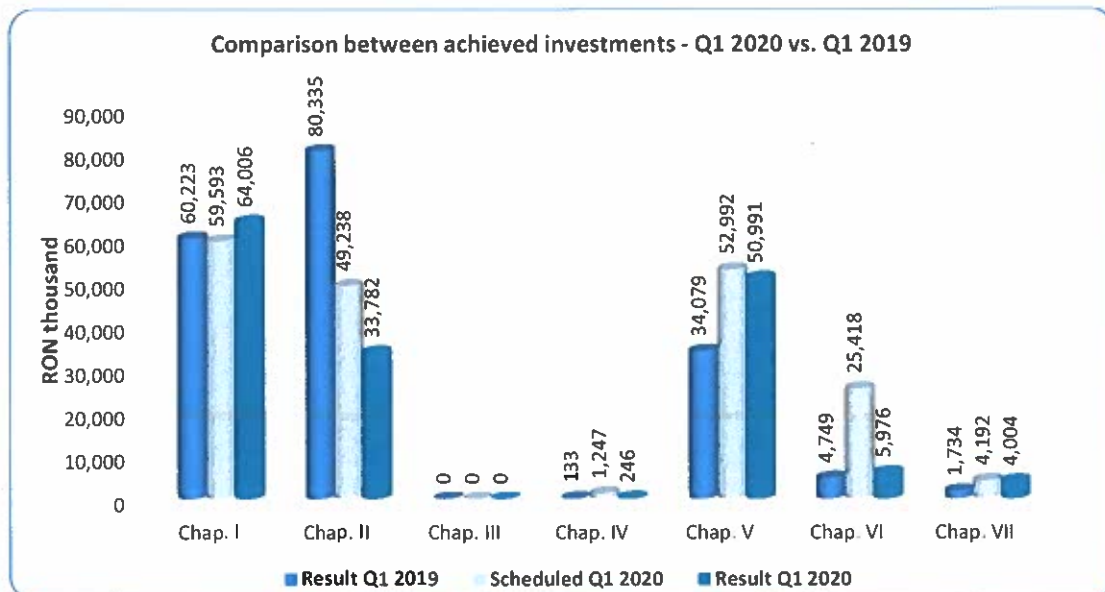
Compared to the similar period of 2019, the investments decreased by 12.27%, *RON 159 million* in Q1 2020 as compared to *RON 181.25 million* in Q1 2019.

The value of fixed assets commissioned is *RON 101.45 million*.

The table below shows the investments made in the first 3 months of 2020 split into main investment chapters, compared to the investments made and scheduled in the similar period of 2019:

\*RON thousand\*

Investment chapter	Result Q1 2019	Schedule Q1 2020	Result Q1 2020	Q1 2020/ Q1 2019	R 2020/ S 2020
1	2	3	4	5=4/2x100	6=4/3x100
I. Geological exploration works for the discovery of new gas reserves	60,223	59,593	64,006	106.28	107.41
II. Exploitation drilling works, putting into production new wells, infrastructure, utilities and electricity generation	80,335	49,238	33,782	42.05	68.61
III. Supporting underground gas storage capacities	-	-	-	-	-
IV. Environmental protection works	133	1,247	246	184.96	19.73
V. Revamping and retrofitting of existing installations and pieces of equipment	34,079	52,992	50,991	149.63	96.22
VI. Independent equipment and installation	4,749	25,418	5,976	125.84	23.51
VII. Expenses related to studies and designs	1,734	4,192	4,004	230.91	95.52
<b>TOTAL</b>	<b>181,253</b>	<b>192,680</b>	<b>159,005</b>	<b>87.73</b>	<b>82.52</b>



Investments made in the first three months of 2020 were relatively lower than those made in the similar period of 2019, mainly because the volume of works and equipment planned to be

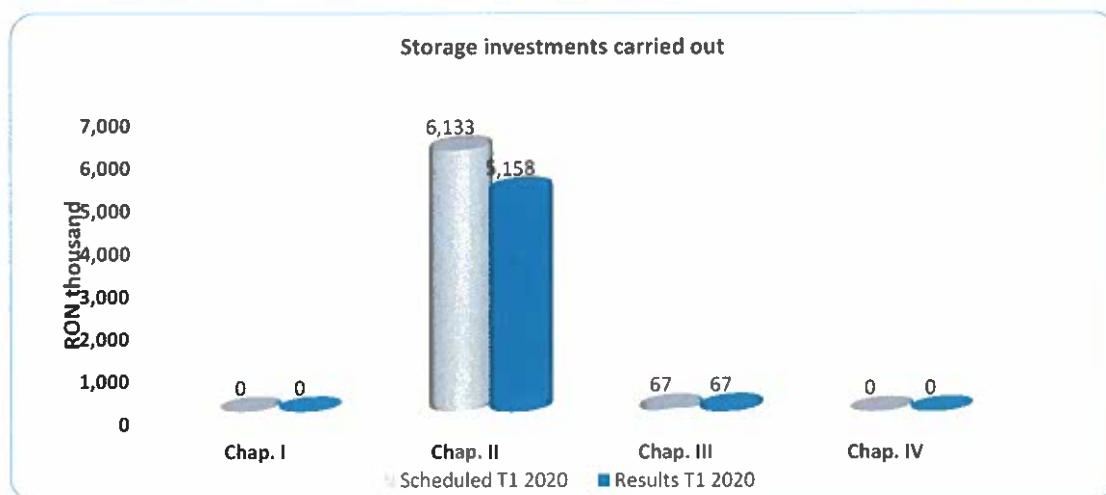
performed/delivered for 2020 was lower for the “*Development CTE Iernut by building a new combined cycle gas turbine power plant*” – related to this project we scheduled completion of construction works, installations, delivery of the equipment as well as technological tests and start of operations.

As regards successful achievements in the exploration field, we mention the performance of drilling works for six wells (total of 6,971 m) and finalising three wells.

The value of fixed assets in place in the first three months of 2020 was *RON 101.45 million*.

For the first three months of 2020, *Depogaz Subsidiary* had an approved investment plan of RON 6,200 thousand and achieved RON 5,244.74 thousand, representing 84.59% of scheduled investments:

Item no.	Specifications	Schedule Q1 2020	Results Q1 2020
1.	Natural gas underground storage activities	0.0	0.0
2.	Revamping and retrofitting of existing installations and pieces of equipment	6133.0	5157.74
3.	Independent equipment and installation	67.0	67.0
4.	Expenses related to consultancy, studies and projects, soft, licenses and patents, etc.	0.0	0.0
<b>*</b>	<b>TOTAL</b>	<b>6,200.0</b>	<b>5,244.74</b>



Fixed assets commissioned during the reporting period represent *RON 67 thousand*.

Investment objectives with results recorded in Q1 2020 are:

- **Works carried out at wells** - RON 5,157.74 thousand. Works are necessary because these wells have weak performances in the injection/withdrawal process and affect the daily injection capacity and especially the daily withdrawal capacity from the storages. Moreover, operational safety was improved by installing safety valves. These works are mandatory both for improving storage performance and by the provisions of security reports prepared in compliance with Law no.59/2016;
- **UPS for Sarmasel** – RON 67 thousand. The procurement was necessary to ensure power supply redundancy for equipment and to protect these against power fluctuations.

## ECONOMIC AND FINANCIAL INDICATORS

### Summary of the consolidated interim financial result

The table below shows the summary of the consolidated interim financial result on March 31, 2020 compared to December 31, 2019:

INDICATOR	December 31, 2019 (RON thousand)	March 31, 2020 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
<b>ASSETS</b>			
<i>Non-Current Assets</i>			
Property, plant and equipment	5,543,177	5,545,188	0.04
Other intangible assets	9,164	12,495	36.35
Investments in associates	24,772	25,030	1.04
Deferred tax asset	230,947	225,803	-2.23
Other financial assets	5,388	5,356	-0.59
Right of use assets - lease	8,590	8,599	0.10
<b>Total Non-Current Assets</b>	<b>5,822,038</b>	<b>5,822,471</b>	<b>0.01</b>
<i>Current assets</i>			
Inventories	311,013	251,499	-19.14
Trade and other receivables	638,158	935,925	46.66
Contract costs	312	339	8.65
Other financial assets	1,075,224	822,356	-23.52
Other assets	42,485	59,666	40.44
Cash and cash equivalents	363,943	915,773	151.63
<b>Total Current Assets</b>	<b>2,431,135</b>	<b>2,985,558</b>	<b>22.81</b>
<b>TOTAL ASSETS</b>	<b>8,253,173</b>	<b>8,808,029</b>	<b>6.72</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Share capital	385,422	385,422	0.00
Reserves	1,587,409	1,587,409	0.00
Retained earnings	5,201,222	5,773,127	11.00
<b>Total Equity</b>	<b>7,174,053</b>	<b>7,745,958</b>	<b>7.97</b>
<i>Non-Current Liabilities</i>			
Retirement benefit obligation	114,876	112,649	-1.94
Deferred revenue	21,244	21,268	0.11
Provisions	366,393	367,207	0.22
Lease liability	8,285	8,246	-0.47
<b>Total non-current liabilities</b>	<b>510,798</b>	<b>509,370</b>	<b>-0.28</b>
<i>Current liabilities</i>			
Trade payables	109,910	75,962	-30.89
Contract liabilities	42,705	16,466	-61.44
Current tax liabilities	64,342	103,204	60.40
Deferred revenue	3,729	2,530	-32.15
Lease liability	694	722	4.03
Provisions	82,701	93,827	13.45
Other liabilities	264,241	259,990	-1.61

<i>Total current liabilities</i>	568,322	552,701	-2.75
<b>TOTAL LIABILITIES</b>	<b>1,079,120</b>	<b>1,062,071</b>	<b>-1.58</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,253,173</b>	<b>8,808,029</b>	<b>6.72</b>

#### *NON-CURRENT ASSETS*

The total non-current assets recorded an insignificant increase of 0.01% i.e. by RON 433 thousand, from RON 5,822.0 million as of December 31, 2019 to RON 5,822.5 million as of March 31, 2020.

#### *CURRENT ASSETS*

Current assets increased by RON 554.42 million (22.81%) on March 31, 2020, due to increase of trade receivables by 46.66% (+RON 297.8 million), of cash and cash equivalents and of other financial assets by 20.77% (+RON 300 million).

#### *Inventories*

Inventories decreased at the end of Q1 2020 by 19.14% as compared to Q1 2019 further to the decrease of gas stocks in storages by 28.96% due to the seasonal character of activities.

#### *Trade and other receivables*

As compared to December 31, 2019, trade receivables increased by 46.66% mainly because of higher gas deliveries in Q1 2020 due to the seasonal character of activities. Generally, the Group's receivables are due within 30 days, but as regards insolvent clients, ruled by the courts as "captive", the payment term is 90 days from the invoice date; therefore, as regards these clients, debt receivables on March 31, 2020 include the equivalent value of gas delivered during Q1 2020. We mention that until today, the Group did not record payment incidents with respect to these clients. However, as a result of IFRS requirements, the Group recorded in Q1 an impairment adjustment of RON 22.3 million for the forecasted credit losses.

#### *Cash and cash equivalents. Other financial assets*

Cash and cash equivalents and other financial assets (bank deposits and purchased state bonds) were as of March 31, 2020 of RON 1,738.1 million, as compared to RON 1,439.2 million at the end of 2019.

#### *Other assets*

Other assets increased in Q1 2020 as compared to the end-year, mainly due to the annual monetary contribution levied by the National Regulatory Authority for Energy from economic operators that perform activities in the electricity and gas sector (+ RON 8.6 million), recorded as prepayment; this contribution will be recognised as an expense monthly on a straight-line basis.

#### *EQUITY*

Group's equity increased by 7.97% due to profit achieved in Q1 2020. The General Meeting of Shareholders approved in April 2020 the profit distribution.

#### *NON-CURRENT LIABILITIES*

Non-current liabilities decreased by RON 15.62 million, from RON 568.3 million recorded on December 31, 2019 to RON 552.7 million, recorded on March 31, 2020. The main influences are detailed below.

### *Trade and other payables*

Trade payables decreased by 30.89% as compared to December 31, 2019 due to the decrease of debts to suppliers related to the investment activity.

### *Contract liabilities*

Decrease of contract liabilities on March 31, 2020 compared to December 31, 2019 reflects the seasonal fluctuations in the group's activity. These liabilities represent advance payments received from clients for deliveries made in April.

### *Current profit tax liabilities*

Current profit tax liabilities increased due to a higher gross result in Q1 2020 as compared to Q4 2019. The gross result is adjusted by tax-free income and non-deductible expenses, pursuant to fiscal regulations applicable in Romania, hence resulting the tax.

## **Summary of the consolidated interim global result**

The synthesis of the Group's profit and loss account for the period January 1 – March 31, 2020, as compared to the similar period of 2019 is shown below:

Description	Q I 2019 (thousand RON)	Q I 2020 (thousand RON)	Variation (thousand RON)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue	1,713,117	1,430,329	(282,788)	-16.51
Cost of commodities sold	(77,352)	(4,615)	(72,737)	-94.03
Investment income	10,998	10,967	(31)	-0.28
Other gains and losses	(8,116)	(16,552)	8,436	103.94
Impairment losses on trade receivables	(18,257)	(22,287)	4,030	22.07
Changes in inventory of finished goods and work in progress	(49,092)	(34,897)	(14,195)	-28.92
Raw materials and consumables used	(20,134)	(15,803)	(4,331)	-21.51
Depreciation, amortization and impairment expenses	(263,247)	(132,707)	(130,540)	-49.59
Employee benefit expenses	(135,582)	(150,474)	14,892	10.98
Finance costs	(5,552)	(4,233)	(1,319)	-23.76
Exploration expenses	(10,814)	(6)	(10,808)	-99.94
Share of profit of associates	1,371	258	(1,113)	-81.18
Other expenses	(501,715)	(386,881)	(114,834)	-22.89
Other income	6,143	7,154	1,011	16.46
<b>Profit before tax</b>	<b>641,768</b>	<b>680,253</b>	<b>38,485</b>	<b>6.00</b>
Income tax expenses	(99,923)	(108,348)	8,425	8.43
<b>Net profit</b>	<b>541,845</b>	<b>571,905</b>	<b>30,060</b>	<b>5.55</b>

### *Revenue*

In the quarter ended March 31, 2020, the Group's revenue recorded a decrease of 16.51% as compared to the similar period of the previous year.

Consolidated income from gas sales for the first three months ended on March 31, 2020 amounted RON 1,202.5 million, decreasing by 18.52% as compared to the similar period of 2019, as a result of lower gas deliveries by 8.43% against a warm winter but also of a lower sale price. As regards the sale price, we state that in Q1 2019 sales were not regulated as compared to Q1 2020.

Income from storage activities increased by 34.66% as compared to the previous year. The increase is due to revenues from capacity booking services that increased by RON 28.1 million as compared to the previous year (+43.08%).

### *Cost of commodities sold*

Cost of commodities sold decreased by 94.03 % compared to the same period of 2019 as the Group did not purchase import gas for resale.

### *Other gains and losses*

The increase of net losses by 103.94% in Q1 2020 as compared to the similar period of the previous year is due to a higher loss from fixed assets write off. The effect of this loss is offset by releasing impairment adjustments.

### *Impairment losses on trade receivables*

The Group recorded in Q1 2020 a net loss on trade receivables of RON 22.3 million, due to the risk of non-collecting some receivables from insolvent clients. The Group was compelled by decisions of the courts to deliver gas to such customers considered "captive" by the insolvency law. Subsequent to the issuance of these decisions, the Group did not record any additional outstanding receivables from these customers, but, according to IFRS, it recorded adjustments for the impairment of the receivables according to the estimated risk of non-collection.

### *Changes in inventory of finished goods and work in progress*

The negative changes in inventories have reduced by withdrawing 24.49% lower gas quantities from storages as compared to the quantities withdrawn in Q1 2019.

### *Depreciation, amortization and impairment*

Depreciation, amortization and impairment expenses decreased by 49.59% in Q1 2020 as compared to the similar period of 2019, following net expenses from impairment of fixed assets and exploration assets, lower by RON 105.3 million. Moreover, taking into account the adjustments recorded by the Group following impairment tests performed in previous periods, the depreciation expense decreased by RON 25.3 million.

### *Other expenses*

*Other expenses* decreased by 22.89% compared to Q1 2019. This decrease is due to a petroleum royalty drop by RON 46.3 million and of the windfall tax by RON 47.9 million.

The table below shows the breakdown of the consolidated interim global result by activity segments for January-March 2020 compared to January-March 2019:



*Structure of indicators by activity segments – March 2020*

*\* thousand RON\**

Description	TOTAL, out of which:	Gas production and delivery	Underground gas storage	Electricity	Other activities	Consolidation adjustments
1	2	3	4	5	6	7
Revenue	1,430,329	1,322,086	91,426	72,765	93,182	(149,130)
Cost of commodities sold	(4,615)	(2,171)	-	(2,275)	(169)	-
Investment income	10,967	22	276	16	10,659	(6)
Other gains and losses	(16,552)	(16,299)	(6)	(18)	(229)	-
Net impairment losses on trade receivables	(22,287)	(22,264)	-	(3)	(20)	-
Changes in inventory of finished goods and work in progress	(34,897)	(35,584)	-	19	668	-
Raw materials and consumables used	(15,803)	(10,421)	(4,168)	(361)	(2,848)	1,995
Depreciation, amortization and impairment expenses	(132,707)	(105,390)	(1,499)	(4,936)	(4,447)	(16,435)
Employee benefit expenses	(150,474)	(92,935)	(14,130)	(9,651)	(33,758)	-
Finance costs	(4,233)	(3,713)	(394)	-	(132)	6
Exploration expenses	(6)	(6)	-	-	-	-
Share of profit of associates	258	-	-	-	258	-
Other expenses	(386,881)	(421,897)	(36,434)	(54,099)	(21,734)	147,283
Other income	7,154	7,082	24	2	193	(147)
<b>Profit before tax</b>	<b>680,253</b>	<b>618,510</b>	<b>35,095</b>	<b>1,459</b>	<b>41,623</b>	<b>(16,434)</b>
Income tax expenses	(108,348)	-	(5,843)	-	(102,50)	-
<b>Profit for the period</b>	<b>571,905</b>	<b>618,510</b>	<b>29,252</b>	<b>1,459</b>	<b>(60,882)</b>	<b>(16,434)</b>

*Structure of indicators by activity segments – March 2019*

*\* thousand RON\**

Description	TOTAL, out of which:	Gas production and delivery	Underground gas storage	Electricity	Other activities	Settlements between segments
1	2	3	4	5	6	7
Revenue	1,713,117	1,630,543	88,688	65,654	65,732	(137,500)
Cost of commodities sold	(77,352)	(76,009)	-	(1,121)	(222)	-
Investment income	10,998	43	126	6	10,823	-
Other gains and losses	(8,116)	(3,554)	(491)	(632)	(3,439)	-
Net impairment losses on trade receivables	(18,257)	(18,257)	-	-	-	-
Changes in inventories of finished goods and work in progress	(49,092)	(49,499)	-	23	384	-
Raw materials and consumables used	(20,134)	(14,602)	(4,975)	(341)	(2,946)	2,730
Depreciation, amortization and impairment expenses	(263,247)	(230,248)	(26,026)	(4,588)	(2,385)	-
Employee benefit expenses	(135,582)	(85,832)	(13,008)	(7,081)	(29,661)	-
Finance costs	(5,552)	(4,754)	(710)	-	(88)	-
Exploration expenses	(10,814)	(10,814)	-	-	-	-
Share of profit of associates	1,371	-	-	-	1,371	-
Other expenses	(501,715)	(534,964)	(37,068)	(47,223)	(17,443)	134,983
Other income	6,143	5,637	1	49	669	(213)
<b>Profit before tax</b>	<b>641,768</b>	<b>607,690</b>	<b>6,537</b>	<b>4,746</b>	<b>22,795</b>	<b>-</b>

Description	TOTAL, out of which:	Gas production and delivery	Underground gas storage	Electricity	Other activities	Settlements between segments
1	2	3	4	5	6	7
Income tax expenses	(99,923)	-	(529)	-	(99,394)	-
<b>Profit for the period</b>	<b>541,845</b>	<b>607,690</b>	<b>6,008</b>	<b>4,746</b>	<b>(76,599)</b>	<b>-</b>

### Consolidated statement of cash flows

Cash flows recorded during January – March 2020 compared to the similar period of 2019 are shown below:

INDICATOR	Q1 2019 (thousand RON)	Q1 2020 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
<b>Cash flow from operating activities</b>			
<b>Net Profit for the period</b>	<b>541,845</b>	<b>571,905</b>	<b>5.55</b>
<i>Adjustments for:</i>			
Income tax expense	99,923	108,348	8.43
Share of associates' result	(1,371)	(258)	-81.18
Interest expense	90	134	48.89
Unwinding of decommissioning provision	5,462	4,099	-24.95
Interest revenue	(10,998)	(10,967)	-0.28
Loss on disposal of non-current assets	4,464	15,335	243.53
Change in decommissioning provision recognized in result for the period, other than unwinding	(1,427)	(1,033)	-27.61
Change in other provisions	(20,601)	9,272	n/a
Expenses for impairment of exploration assets	55,392	13,197	-76.18
Exploration projects written off	9,556	-	n/a
Impairment of property, plant and equipment	62,336	(746)	n/a
Depreciation and amortization	145,519	120,256	-17.36
Amortization of contract costs	254	88	-65.35
Change in investments at fair value through profit and loss	4,445	32	-99.28
Net receivable write-offs and movement in allowances for trade receivables and other assets	18,302	22,253	21.59
Other gains and losses	(52)	-	n/a
Write-down allowance of inventory	(831)	1,066	n/a
Subsidies income	(11)	(2)	-81.82
<b>Cash generated from operations, before movements in working capital</b>	<b>912,297</b>	<b>852,979</b>	<b>-6.50</b>
<b>Movements in working capital</b>			
(Increase)/Decrease in inventory	81,726	58,448	-28.48
Increase/(Decrease) in trade and other receivables	(268,100)	(337,316)	25.82
Increase/(Decrease) in trade and other liabilities	41,397	(64,368)	n/a
<b>Cash generated from operations</b>	<b>767,320</b>	<b>509,743</b>	<b>-33.57</b>
Income taxes paid	(68,007)	(64,342)	-5.39
<b>Net cash generated from operations</b>	<b>699,313</b>	<b>445,401</b>	<b>-36.31</b>
<b>Cash flows from investing activities</b>			
Net collections/(payments) related to other financial assets	(174,429)	254,268	n/a
Interest received	10,329	8,371	-18.96
Proceeds from sale of non-current assets	121	-	n/a
Acquisition of non-current assets	(149,631)	(138,234)	-7.62
Acquisition of exploration assets	(31,936)	(17,546)	-45.06
<b>Net cash used in investing activities</b>	<b>(345,546)</b>	<b>106,859</b>	<b>n/a</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(362)	(47)	-87.02
Repayment of lease liabilities	(110)	(383)	248.18
<b>Net cash used in financing activities</b>	<b>(472)</b>	<b>(430)</b>	<b>-8.90</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	<b>353,295</b>	<b>551,830</b>	<b>56.20</b>

INDICATOR	Q1 2019 (thousand RON)	Q1 2020 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Cash and cash equivalents at the beginning of the period	566,836	363,943	-35.79
Cash and cash equivalents as of March 31	920,131	915,773	-0.47

## Indicators

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




Indicators	Calculation formula	M.U.	Q1 2019	Q1 2020
1	2	3	4	5
Working Capital (WC)	$C_{lt}-A_r - E+L_{nc} +Pr+S_i-A_r$	million RON	2,542	2,433
Working Capital Requirements (WCR)	$(A_c-L+Pp) - (L_{crt}-Cr_{st}+I_{df})$	million RON	1,622	1,517
Net Cash Flow	$WC-WCR - L-Cr_{st}$	million RON	920	916
Economic Rate of Return	$P_g/C_{lt} \times 100$	%	7.22	8.24
Return on Equity	$P_n/C_{lt} \times 100$	%	6.60	7.38
Return on Sales	$P_g/R \times 100$	%	37.46	47.56
Return on Assets	$P_n/A \times 100$	%	5.55	6.49
EBIT	$P_g+Ex_i-I_r$	million RON	631	669
EBITDA	$EBIT+Am$	million RON	894	802
ROCE	$EBIT/C_{emp} \times 100$	%	7.10	8.11
Asset Solvency	$E/L \times 100$	%	84.14	87.94
Current Liquidity	$A_{crt}/L_{crt}$	-	3.91	5.40
Gearing Ratio	$Lc/E \times 100$	%	0.00	0.00
Accounts Receivables Turnover	$Aar/R \times 90$	-	48.39	49.52
Property, Plant and Equipment Turnover	$R/PPE$	-	0.27	0.25

where:

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

We attach hereto the Simplified Interim Consolidated Financial Statements for the period ended March 31, 2020, prepared in compliance with the International Accounting Standard 34 and not audited by the financial auditor.

## SIGNATURES

Chief Executive Officer,	Chief Financial Officer,
<i>Volintiru Adrian Constantin</i>	<i>Veza Marius Leonte</i>
 	

---

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

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

**CONTENTS:****PAGE:**

Condensed statement of consolidated interim comprehensive income for the three-month period ended March 31, 2020	1
Condensed statement of consolidated interim financial position as of March 31, 2020	2
Condensed statement of consolidated interim changes in equity for the three-month period ended March 31, 2020	4
Condensed statement of consolidated interim cash flow for the three-month period ended March 31, 2020	5
Notes to the condensed consolidated interim financial statements for the three-month period ended March 31, 2020	7
1. Background and general business	7
2. Significant accounting policies	7
3. Revenue and other income	9
4. Cost of commodities sold, raw materials and consumables	9
5. Other gains and losses	10
6. Depreciation, amortization and impairment expenses	10
7. Income tax	10
8. Employee benefit expense	10
9. Other expenses	11
10. Accounts receivable	11
11. Related party transactions and balances	12
12. Segment information	12
13. Commitments undertaken	13
14. Contingencies	14
15. Events after the balance sheet date	14
16. Approval of financial statements	14

## CONDENSED STATEMENT OF CONSOLIDATED INTERIM COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

	Note	Three months ended March 31, 2020 '000 RON	Three months ended March 31, 2019 '000 RON
Revenue	3	1,430,329	1,713,117
Cost of commodities sold	4	(4,615)	(77,352)
Investment income		10,967	10,998
Other gains and losses	5	(16,552)	(8,116)
Impairment losses on trade receivables	10 c)	(22,287)	(18,257)
Changes in inventory of finished goods and work in progress		(34,897)	(49,092)
Raw materials and consumables used	4	(15,803)	(20,134)
Depreciation, amortization and impairment expenses	6	(132,707)	(263,247)
Employee benefit expense	8	(150,474)	(135,582)
Finance cost		(4,233)	(5,552)
Exploration expense		(6)	(10,814)
Share of profit of associates		258	1,371
Other expenses	9	(396,881)	(501,715)
Other income	3	7,154	6,143
<b>Profit before tax</b>		<b>680,253</b>	<b>641,768</b>
Income tax expense	7	(108,348)	(99,923)
<b>Profit for the period</b>		<b>571,905</b>	<b>541,845</b>
<b>Total comprehensive income for the period</b>		<b>571,905</b>	<b>541,845</b>
<b>Basic and diluted earnings per share</b>		<b>0.0015</b>	<b>0.0014</b>

These financial statements were endorsed by the Board of Directors on May 14, 2020.

Adrian Constantin Veljanu  
Chief Executive Officer

Marius Veză  
Accounting Director

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

## CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION AS OF MARCH 31, 2020

	Note	March 31, 2020 '000 RON	December 31, 2019 '000 RON
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5,545,188	5,543,177
Other intangible assets		12,495	9,164
Investments in associates		25,030	24,772
Deferred tax asset		225,803	230,947
Other financial assets		5,356	5,388
Right of use assets		8,599	8,590
<b>Total non-current assets</b>		<b>5,822,471</b>	<b>5,822,038</b>
<b>Current assets</b>			
Inventories		251,499	311,013
Trade and other receivables	10	935,925	638,158
Contract costs		339	312
Other financial assets		822,356	1,075,224
Other assets	10	59,666	42,485
Cash and cash equivalents		915,773	363,943
<b>Total current assets</b>		<b>2,985,558</b>	<b>2,431,135</b>
<b>Total assets</b>		<b>8,808,029</b>	<b>8,253,173</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		385,422	385,422
Reserves		1,587,409	1,587,409
Retained earnings		5,773,127	5,201,222
<b>Total equity</b>		<b>7,745,958</b>	<b>7,174,053</b>
<b>Non-current liabilities</b>			
Retirement benefit obligation		112,649	114,876
Deferred revenue		21,268	21,244
Lease liability		8,246	8,285
Provisions		367,207	366,393
<b>Total non-current liabilities</b>		<b>509,370</b>	<b>510,798</b>

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



**CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION AS OF MARCH 31, 2020**

<u>Note</u>	<u>March 31, 2020</u> <u>'000 RON</u>	<u>December 31, 2019</u> <u>'000 RON</u>
<b>Current liabilities</b>		
Trade payables	75,962	109,910
Contract liabilities	16,466	42,705
Current tax liabilities	103,204	64,342
Deferred revenue	2,530	3,729
Provisions	93,827	82,701
Lease liability	722	694
Other liabilities	259,990	264,241
<b>Total current liabilities</b>	<b>552,701</b>	<b>568,322</b>
<b>Total liabilities</b>	<b>1,062,071</b>	<b>1,079,120</b>
<b>Total equity and liabilities</b>	<b>8,808,029</b>	<b>8,253,173</b>

These financial statements were endorsed by the Board of Directors on May 14, 2020.

  
Adrian Constantin Valanaru  
Chief Executive Officer

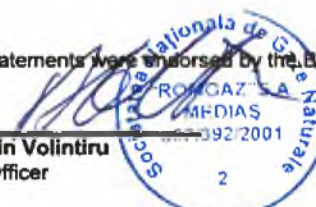
  
Marius Veza  
Accounting Director

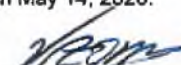
The accompanying notes form an integral part of these financial statements.  
This is a free translation of the original Romanian version.

## CONDENSED STATEMENT OF CONSOLIDATED INTERIM CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

	Share capital '000 RON	Legal reserve '000 RON	Other reserves '000 RON	Retained earnings '000 RON	Total '000 RON
Balance as of January 1, 2020	385,422	79,921	1,507,488	5,201,222	7,174,053
Total comprehensive income for the period	-	-	-	571,905	571,905
Balance as of March 31, 2020	385,422	79,921	1,507,488	5,773,127	7,745,958
Balance as of January 1, 2019	385,422	77,487	1,747,512	5,458,196	7,668,617
Total comprehensive income for the period	-	-	-	541,845	541,845
Balance as of March 31, 2019	385,422	77,487	1,747,512	6,000,041	8,210,462

These financial statements were endorsed by the Board of Directors on May 14, 2020.

  
Adrian Constantin Volintiru  
Chief Executive Officer

  
Marius Vata  
Accounting Director

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

## CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

	Three months ended March 31, 2020	Three months ended March 31, 2019
	'000 RON	'000 RON
<b>Cash flows from operating activities</b>		
<b>Net profit</b>	<b>571,905</b>	<b>541,845</b>
<b>Adjustments for:</b>		
Income tax expense (note 7)	108,348	99,923
Share of associates' result	(258)	(1,371)
Interest expense on lease contracts	134	90
Unwinding of decommissioning provision	4,099	5,462
Interest revenue	(10,967)	(10,998)
Net loss on disposal of non-current assets (note 5)	15,335	4,464
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 9)	(1,033)	(1,427)
Change in other provisions (note 9)	9,272	(20,601)
Net impairment of exploration assets (note 6)	13,197	55,392
Exploration projects written off	-	9,556
Net impairment of property, plant and equipment and intangibles (note 6)	(746)	62,336
Depreciation and amortization (note 6)	120,256	145,519
Amortization of contract costs	88	254
Change in investments at fair value through profit and loss (note 5)	32	4,445
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 10)	22,253	18,302
Other gains and losses	-	(52)
Net movement in write-down allowances for inventory (note 5)	1,066	(831)
Subsidies income	(2)	(11)
	<b>852,979</b>	<b>912,297</b>
<b>Movements in working capital:</b>		
(Increase)/Decrease in inventory	58,448	81,726
(Increase)/Decrease in trade and other receivables	(337,316)	(268,100)
Increase/(Decrease) in trade and other liabilities	(64,368)	41,397
<b>Cash generated from operations</b>	<b>509,743</b>	<b>767,320</b>
Income taxes paid	(64,342)	(68,007)
<b>Net cash generated by operating activities</b>	<b>445,401</b>	<b>699,313</b>


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

## CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

	Three months ended March 31, 2020	Three months ended March 31, 2019
	'000 RON	'000 RON
<b>Cash flows from investing activities</b>		
Net collections/(payments) related to other financial assets	254,268	(174,429)
Interest received	8,371	10,329
Proceeds from sale of non-current assets	-	121
Acquisition of non-current assets	(138,234)	(149,631)
Acquisition of exploration assets	(17,546)	(31,936)
<b>Net cash used in investing activities</b>	<b>106,859</b>	<b>(345,546)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(47)	(362)
Repayment of lease liability	(383)	(110)
<b>Net cash used in financing activities</b>	<b>(430)</b>	<b>(472)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>551,830</b>	<b>353,285</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>363,943</b>	<b>566,836</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>915,773</b>	<b>920,131</b>

These financial statements were endorsed by the Board of Directors on May 14, 2020.

  
Adrian Constantin Volințru  
Chief Executive Officer

  
Marius Veza  
Accounting Director

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

**1. BACKGROUND AND GENERAL BUSINESS**

*Information regarding S.N.G.N. Romgaz S.A. Group (the "Group")*

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

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

The Company's headquarter is in Mediaș, 4 Constantin I. Moțaș 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.

The Group has as main activity:

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

*Statement of compliance*

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

*Basis of preparation*

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

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

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

*Basis for consolidation*

*Subsidiaries*

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

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020*****Associated entities***

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

***Standards and interpretations valid for the current period***

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

- Amendments to IFRS 3 Business Combination (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 Material (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).

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

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

- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after January 1, 2021);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after January 1, 2022).

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

***Seasonality and cyclicity***

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

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

***Comparative information***

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

## 3. REVENUE AND OTHER INCOME

	Three months ended March 31, 2020	Three months ended March 31, 2019
	'000 RON	'000 RON
Revenue from gas sold - domestic production	1,177,874	1,359,651
Revenue from gas sold – other arrangements	21,290	36,223
Revenue from gas acquired for resale – import gas	-	77,867
Revenue from gas acquired for resale – domestic gas	3,332	2,028
Revenue from storage services-capacity reservation	93,447	65,311
Revenue from storage services-extraction	15,386	15,732
Revenue from storage services-injection	837	402
Revenue from electricity	52,682	47,068
Revenue from services	57,099	97,646
Revenue from sale of goods	6,372	9,374
Other revenues from contracts	193	60
<b>Total revenue from contracts with customers</b>	<b>1,428,512</b>	<b>1,711,362</b>
Other revenues	1,817	1,755
<b>Total revenue</b>	<b>1,430,329</b>	<b>1,713,117</b>
Other operating income	7,154	6,143
<b>Total revenue and other income</b>	<b>1,437,483</b>	<b>1,719,260</b>

## 4. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Three months ended March 31, 2020	Three months ended March 31, 2019
	'000 RON	'000 RON
Consumables used	14,817	19,044
Cost of gas acquired for resale, sold – import	-	74,410
Cost of gas acquired for resale, sold – domestic	2,171	1,577
Cost of electricity imbalance	2,275	1,121
Cost of other goods sold	170	245
Other consumables	985	1,089
<b>Total</b>	<b>20,418</b>	<b>97,486</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

## 5. OTHER GAINS AND LOSSES

	Three months ended March 31, 2020	Three months ended March 31, 2019
	'000 RON	'000 RON
Forex gain	6	1,747
Forex loss	(159)	(1,792)
Net loss on disposal of non-current assets	(15,335)	(4,464)
Net allowance for other receivables (note 10 c)	34	(45)
Net write down allowances for inventory	(1,066)	831
Net gain/(loss) on financial assets at fair value through profit or loss	(32)	(4,445)
Other gains and losses	-	52
<b>Total</b>	<b>(16,552)</b>	<b>(8,116)</b>

## 6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Three months ended March 31, 2020	Three months ended March 31, 2019
	'000 RON	'000 RON
Depreciation	120,256	145,519
out of which:		
- depreciation of property, plant and equipment	119,667	144,548
- depreciation of right of use assets	229	156
- amortization of intangible assets	360	815
Net impairment of non-current assets	12,451	117,728
<b>Total depreciation, amortization and impairment</b>	<b>132,707</b>	<b>263,247</b>

## 7. INCOME TAX

	Three months ended March 31, 2020	Three months ended March 31, 2019
	'000 RON	'000 RON
Current tax expense	103,204	119,011
Deferred income tax (Income)/expense	5,144	(19,088)
<b>Income tax expense</b>	<b>108,348</b>	<b>99,923</b>

## 8. EMPLOYEE BENEFIT EXPENSE

	Three months ended March 31, 2020	Three months ended March 31, 2019
	'000 RON	'000 RON
Wages and salaries	162,223	147,430
Social security charges	4,670	4,417
Meal tickets	5,162	4,988
Other benefits according to collective labor contract	3,000	2,989
Private pension payments	2,959	2,930
Private health insurance	1,093	-
<b>Total employee benefit costs</b>	<b>179,107</b>	<b>162,754</b>
Less, capitalized employee benefit costs	(28,633)	(27,172)
<b>Total employee benefit expense</b>	<b>150,474</b>	<b>135,582</b>

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



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

## 9. OTHER EXPENSES

	Three months ended March 31, 2020	Three months ended March 31, 2019
	'000 RON	'000 RON
Energy and water expenses	5,966	5,244
Expenses for capacity booking and gas transmission services	59,576	70,869
Expenses with other taxes and duties *)	250,821	352,116
(Net gain)/Net loss from provisions movement	8,239	(22,028)
Other operating expenses	62,279	95,514
<b>Total</b>	<b>386,881</b>	<b>501,715</b>

\*) In the three-month period ended March 31, 2020, the major taxes and duties included in the amount of RON 250,821 thousand (three-month period ended March 31, 2019: RON 352,116 thousand) are:

- RON 178,434 thousand represent windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 with the subsequent amendments for the implementation of the windfall tax following the deregulation of prices in the natural gas sector (three-month period ended March 31, 2019: RON 230,494 thousand);
- RON 69,725 thousand represent royalty on gas production and storage activity (three-month period ended March 31, 2019: RON 117,602 thousand).

## 10. ACCOUNTS RECEIVABLE

## a) Trade and other receivables

	March 31, 2020	December 31, 2019
	'000 RON	'000 RON
Trade receivables	1,902,702	1,554,652
Allowances for expected credit losses (note 10 c)	(1,299,953)	(1,252,267)
Accrued receivables	354,919	382,915
Allowances for expected credit losses on accrued receivables (note 10 c)	(21,743)	(47,142)
<b>Total</b>	<b>935,925</b>	<b>638,158</b>

## b) Other assets

	March 31, 2020	December 31, 2019
	'000 RON	'000 RON
Advances paid to suppliers	12	386
Joint operation receivables	4,997	2,125
Other receivables	63,584	62,343
Allowance for expected credit losses for other receivables (note 10 c)	(33,698)	(33,703)
Other debtors	47,561	47,529
Allowance for expected credit losses for other debtors (note 10 c)	(46,416)	(46,445)
Prepayments	20,067	3,911
VAT not yet due	3,559	6,339
<b>Total</b>	<b>59,666</b>	<b>42,485</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

## 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 receivables (note 5, note 10 b)	8	56
Charge in the allowance for trade receivables (note 10 a)	23,176	20,657
Release in the allowance for receivables (note 5, note 10 b)	(42)	(11)
Release in the allowance for trade receivables (note 10 a)	(889)	(2,400)
At March 31	1,401,810	1,330,564

## 11. RELATED PARTY TRANSACTIONS AND BALANCES

## (i) Sales of goods and services

	Three months ended March 31, 2020	Three months ended March 31, 2019
	'000 RON	'000 RON
Romgaz's associates	1,196	1,242
Total	1,196	1,242

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

## (ii) Trade receivables

	March 31, 2020	December 31, 2019
	'000 RON	'000 RON
Romgaz's associates	1,037	-
Total	1,037	-

## 12. SEGMENT INFORMATION

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

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

Specifically, the Group is organized in the following segments:

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

Except for Bratislava branch, all operations are in Romania. As of March 31, 2020, Bratislava branch's exploration assets are fully depreciated. In the first quarter of 2020 the Company's shareholders approved the withdrawal from the Svidnik perimeter as a result of difficulties encountered during the exploration activity. As a result, the Company withdrew from the operations carried out through the Bratislava branch.

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020

## b) Segment assets and liabilities

March 31, 2020	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustments and eliminations '000 RON	Total '000 RON
Total assets	5,023,071	417,481	1,143,364	2,272,986	(48,873)	8,808,029
Total liabilities	612,433	98,216	48,383	335,472	(32,433)	1,062,071
December 31, 2019	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustments and eliminations '000 RON	Total '000 RON
Total assets	4,093,044	1,096,997	1,096,629	1,992,195	(25,692)	8,253,173
Total liabilities	662,926	95,578	54,565	292,286	(26,235)	1,079,120

## c) Segment revenues, results and other segment information

Three months ended March 31, 2020	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustments and eliminations '000 RON	Total '000 RON
Revenue	1,322,086	91,426	72,765	93,182	(149,130)	1,430,329
Less: revenue between segments	(19,514)	(17,799)	(20,191)	(91,626)	149,130	-
Third party revenue	1,302,572	73,627	52,574	1,556	-	1,430,329
Segment profit before tax profit/(loss)	618,510	35,095	1,459	41,623	(16,434)	680,253
Three months ended March 31, 2019	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustments and eliminations '000 RON	Total '000 RON
Revenue	1,630,543	88,688	65,654	65,732	(137,500)	1,713,117
Less: revenue between segments	(20,127)	(34,350)	(18,677)	(64,346)	137,500	-
Third party revenue	1,610,416	54,338	46,977	1,386	-	1,713,117
Segment profit before tax profit/(loss)	607,690	6,537	4,746	22,795	-	641,768

## 13. COMMITMENTS UNDERTAKEN

In 2019, Romgaz signed a credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 50,000 thousand. On March 31, 2020 are still available for use USD 33,601 thousand.

As of March 31, 2020, the Group's contractual commitments for the acquisition of non-current assets are of RON 509,934 thousand (December 31, 2019: RON 433,200 thousand), of which, the contract for CET Iernut development represents RON 146,648 thousand.

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

**14. CONTINGENCIES**

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.

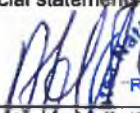
Based on information obtained by the external public auditors from the Romanian Energy Regulatory Authority after Decision no. 26/2016 was issued, in 2020 the Court of Accounts – Sibiu Chamber of Accounts issued a report stating that the Company did not breach legal provisions. Thus, there is no prejudice.

**15. EVENTS AFTER THE BALANCE SHEET DATE**

In April 2020, the Company's shareholders approved the allocation to dividends of RON 620,530 thousand.

**16. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors on May 14, 2020.

  
Adrian Constantin Văntre  
Chief Executive Officer



  
Marius Veza  
Accounting Director

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