

SOCIETATEA NAȚIONALĂ DE GAZE NATURALE "ROMGAZ" SA



QUARTERLY REPORT
ON THE ECONOMIC-FINANCIAL ACTIVITY OF
ROMGAZ GROUP
ON MARCH 31, 2021
(January 01, 2021 - March 31, 2021)

IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report Basis	<i>Law no. 24/2017 on issuers of financial instruments and market operations (Article 67) and ASF Regulation no.5/2018 on issuers of financial instruments and market operations (Annex 13) for the three-month period ended on March 31, 2021</i>
Report Date	May 14, 2021
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	www.romgaz.ro / secretariat@romgaz.ro
Fiscal Code	RO 14056826
Trade Registry No.	J32/392/2001
Legal Entity Identifier (LEI)	2549009R7KJ38D9RW354
Subscribed and paid in share capital	RON 385,422,400
Shares main characteristics	385,422,400 shares each with a nominal value of RON 1; Nominative, ordinary, indivisible shares, issued dematerialised and free tradable since November 12, 2013 as SNG – for shares and SNGR – for GDR’s
Regulated market where the company’s shares are traded	Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)

ROMGAZ¹ GROUP PERFORMANCES

Romgaz Group recorded in Q1 2021 a revenue of RON 1,327.2 million, decreasing by 7.21%, namely RON 103.1 million, as compared to the revenue recorded in Q1 2020. However, Romgaz supplied in Q1 2021 gas quantities higher by 14.12% than in Q1 2020.

In 2021 Romgaz Group collected part of the receivables impaired at the end of 2020, that led to a net gain from impairment adjustments of RON 31.6 million.

Expenses with windfall tax decreased as compared to Q1 2020 by RON 63.9 million.

The Group recorded in Q1 2021 an additional provision for purchase of greenhouse gas emissions certificates of RON 67.3 million, due to the increase of certificate price as compared to the estimation made in December 2020.

Net consolidated profit of RON 463.8 million was lower by 18.91%, namely RON 108.2 million, versus the similar period of the previous year.

Net consolidated earnings per share (EPS) was RON 1.2.

¹ **Romgaz Group** consists of SNGN Romgaz SA („The Company”/„Romgaz”) as parent company, Filiala de Îmagazinare 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).

The achieved margins of the consolidated net profit (34.9%), consolidated EBIT (41.3%) and consolidated EBITDA (52.4%) decreased slightly as compared to Q1 2020 (40.0%; 46.8% and 57.0% respectively) but maintains a high rate.

Natural gas consumption estimated² nationally for Q1 2021 was 49 TWh, approximately by 6% higher than the consumption recorded in Q1 2020.

Natural gas production was **RON 1,311.5 million m³**, by 3.7%, namely 50.8 million m³ below the production recorded in Q1 2020.

Electricity supplied was of 185.8 GWh, by 22.67% lower than for the similar period of last year (240.3 GWh).

Electricity production reached **202.1 GWh**, by 21.96% lower than production in the similar period of last year (258.9 GWh), the difference against the electricity supplied into the National Power Grid represents own consumption of the power plant.

Relevant Consolidated Financial Results

RON million							
Q1 2020	Q4 2020	Q1 2021	ΔQ1/Q4 (%)	Main indicators	Q1 2020	Q1 2021	Δ Q1 (%)
1,430.3	1,156.5	1,327.2	14.76	Revenue	1,430.3	1,327.2	-7.21
1,413.6	1,129.2	1,256.1	11.24	Income	1,413.6	1,256.1	-11.14
733.6	810.7	693.5	-14.46	Expenses	733.6	693.5	-5.47
0.3	1.1	(0.2)	n/a	Share of profit of associates	0.3	(0.2)	n/a
680.3	319.7	562.4	75.91	Gross Profit	680.3	562.4	-17.33
108.3	13.7	98.6	619.71	Profit tax	108.3	98.6	-8.96
571.9	306.0	463.8	51.57	Net profit	571.9	463.8	-18.90
669.3	307.4	548.6	78.46	EBIT	669.3	548.6	-18.03
815.3	511.4	695.7	36.04	EBITDA	815.3	695.7	-14.67
1.5	0.79	1.2	51.90	Earnings per share (EPS) (RON)	1.5	1.2	-20.00
39.98	26.46	34.94	32.05	Net profit ratio (% from Revenue)	39.98	34.94	-12.61
46.79	26.58	41.33	55.49	EBIT Ratio (% from Revenue)	46.79	41.33	-11.67
57.00	44.22	52.42	18.54	EBITDA Ratio (% from Revenue)	57.00	52.42	-8.04
6,240	6,188	6,126	-1.00	Number of employees at the end of the period	6,240	6,126	-1.83

Operational results

Q1 2020	Q4 2020	Q1 2021	ΔQ1/Q4 (%)	Main indicators	Q1 2020	Q1 2021	Δ Q1 (%)
1,362.3	1,322	1,311.5	-0.79	Gross production (million m ³)	1,362.3	1,311.5	-3.73
98	94	93	-1.1	Petroleum royalty (million m ³)	98	93	-5.10
6,497	6,119	6,351	-13.12	Condensate production (tonnes)	6,497	6,351	-2.25
258.9	319.6	202.1	-36.78	Electricity production (GWh)	258.9	202.1	-21.96
895.4	892.5	1,289.9	44.53	UGS withdrawal services (million m ³) invoiced by Subsidiary	895.4	1,289.9	44.06
40.7	99.6	2.4	-97.59	UGS injection services (million m ³) invoiced by Subsidiary	40.7	2.4	-94.10

² The consumption is estimated as ANRE did not publish, until the date hereof, the reports on the gas market for February and March 2021

Natural gas production recorded in Q1 2021 was 1,311.5 million m³ by 3.7% lower than the production of Q1 2020.

Bearing in mind that every hydrocarbon production company records a production decline, the company recorded in Q1 2021 a relatively high production supported by:

- ✓ Continuous rehabilitation projects for main mature gas fields, mitigating production decline in such fields;
- ✓ Performing recompletion operations in wells that led to reactivation of several wells with important flow rates.

The conditions underlying these results were:

- ✗ Gas imports for consumption were approximately 9.66 TWh, 6.7% higher than the quantity of Q1 2020;
- ✗ Withdrawals from Romgaz UGS's were by 150% higher than in the similar period of last year.

National gas consumption estimated for Q1 2021 was 49.13 TWh, by approx. 6% higher than the consumption recorded in Q1 2020, out of which 9.66 TWh is covered by import gas and the difference of 39.47 TWh by domestic gas. Romgaz contribution is 18.14 TWh, representing 36.92% from the national consumption, and **45.96%** from the consumption supplied from internal gas. Romgaz market share rose by 2.5% as compared to the market share recorded in Q1 2020.

ROMGAZ GROUP – BRIEF OVERVIEW

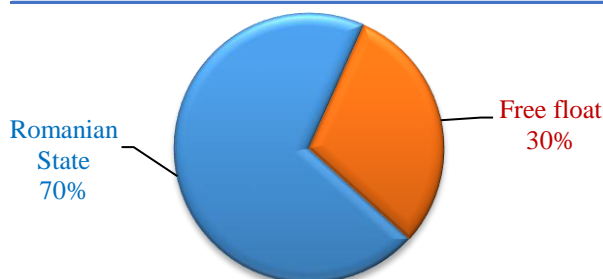
Activities performed by Romgaz Group are:

- ✘ 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, 2021 SNGN Romgaz SA shareholders' structure was the following:

	Number of shares	%
Romanian State ³	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
*legal persons	96,451,035	25.0248
*natural persons	19,148,285	4.9681
Total	385,422,400	100.0000



Company organization

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

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

- Sucursala Mediaș (Mediaș 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)⁴;

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

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

■ Sucursala Drobeta-Turnu Severin (Drobeta-Turnu Severin Branch).

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

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

The 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>

Company management

On January 1, 2021, Romgaz Board of Directors consisted of:

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 Tehnică Iași
7	Jansen Petrus Antonius Maria	member	non-executive independent	economist	London School of Business and Finance

Following the cumulative voting method, company shareholders elected by Resolution No.1 of March 11, 2021 the following board members for a 4-months mandate:

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

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

Upper Management

Chief Executive Officer (CEO)

By Resolution No.1 of January 13, 2021, Romgaz Board of Directors revoked Mr. **Constantin Adrian Volintiru** from the position of Chief Executive Officer, terminating the contract of mandate concluded with the company. Until appointment of a new chief executive officer, Romgaz management and legal representation has been temporarily exercised by Mr. Daniel Corneliu Pena, Romgaz Deputy Chief Executive Officer (by mandate).

Romgaz Board of Directors, convened on February 12, 2021, appointed by Resolution No.11 Mr. **Aristotel Marius Jude** as Chief Executive Officer of SNGN Romgaz SA, starting with February 13, 2021, for a temporary mandate of 2 months.

Deputy Chief Executive Officer

The Board of Directors appointed Mr. **Pena Daniel Corneliu** as Deputy Chief Executive Officer 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.

On February 15, 2021, the Board of Directors took note of Mr. Pena Daniel Corneliu resignation as Deputy Chief Executive Officer (by mandate) and agreed to terminate his mandate as of the same date.

Chief Financial Officer (CFO)

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.

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>.

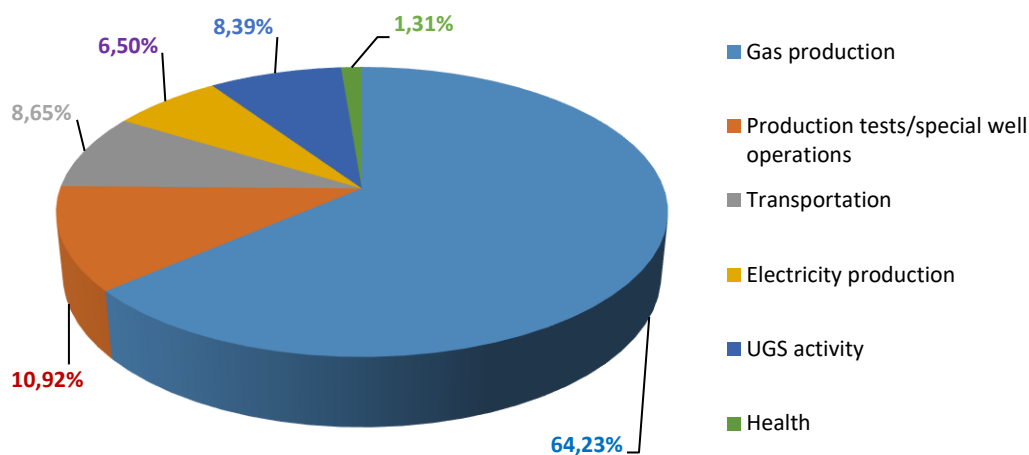
Human Resources

On March 31, 2021, Romgaz Group had 6,126 employees while SNGN Romgaz SA 5,612 employees.

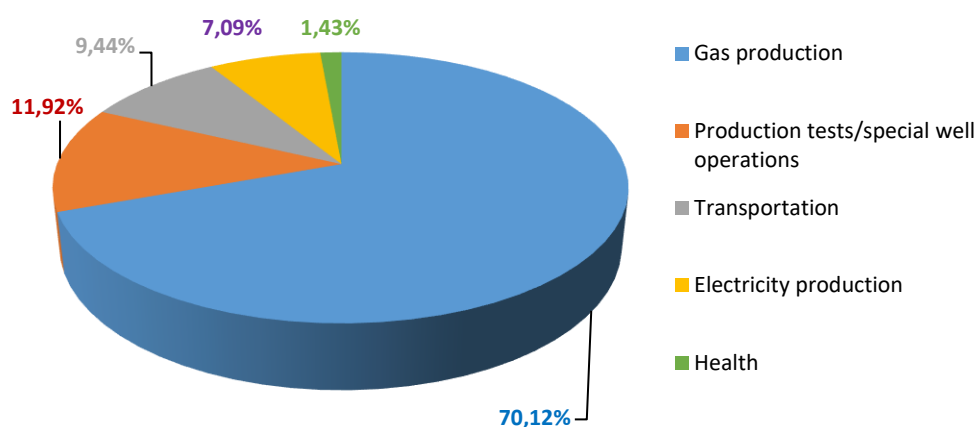
The table below shows the evolution of the employees' number for January 1, 2020 – March 31, 2021:

Description	2020 GROUP		March 31, 2021	
	March 31	December 31	GROUP	Romgaz
Employees at the beginning of the period	6,251	6,251	6,188	5,673
Newly hired employees	46	198	59	51
Employees who terminated their labour relationship with the company	57	261	121	112
Employees at the end of the period	6,240	6,188	6,126	5,612

Romgaz Group personnel structured by activities at the end of the reporting period is shown in the figure below:



Romgaz personnel structured by activities of at the end of the reporting period is shown 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 main market for financial instruments of LSE (London Stock Exchange), as GDRs (Global Depository Receipts) issued by the Bank of New York Mellon under the symbol "SNGR".

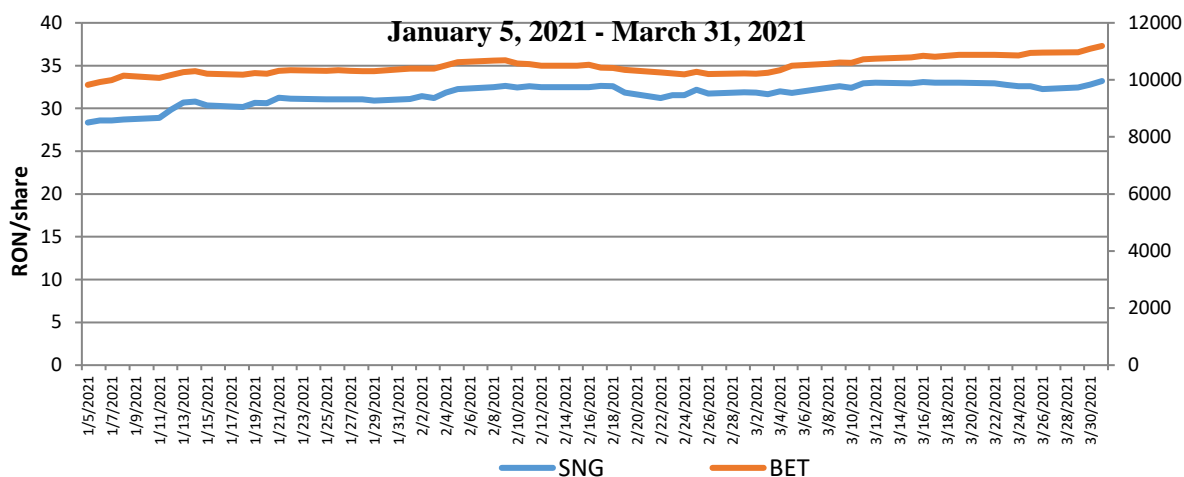
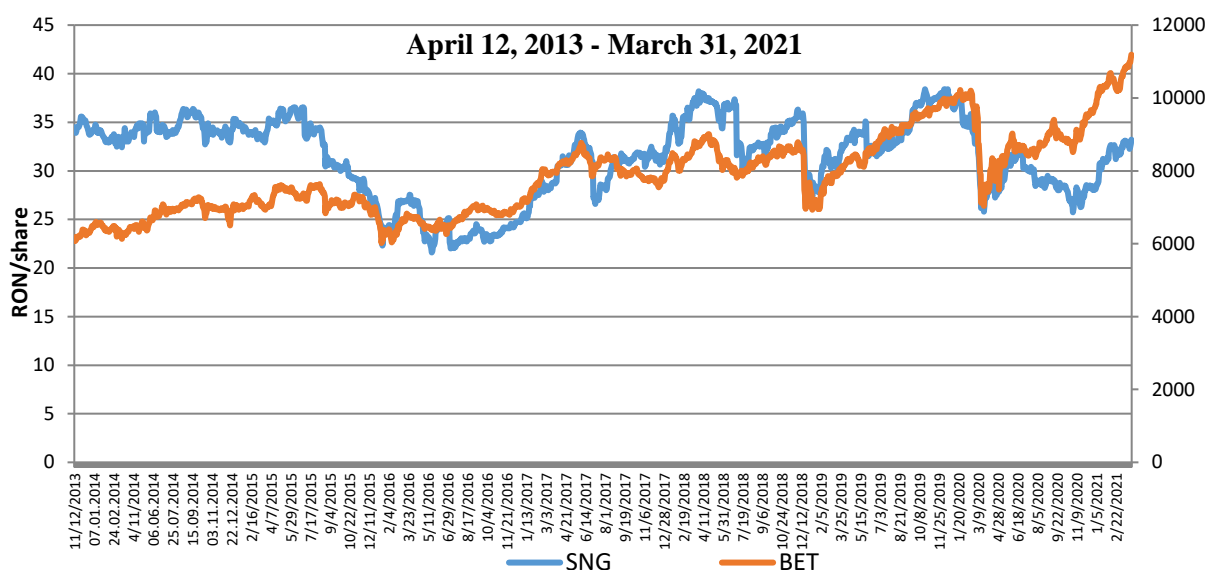
Romgaz is considered an attractive company for investors in terms of dividend distribution to shareholders and company stability.

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

- Third place by market capitalisation, in the top of BVB Premium issuers. With a market capitalisation of RON 12,796.02 million, EUR 2,598.1 million respectively, on March 31, 2021, Romgaz is the third largest listed company in Romania, preceded by OMV Petrom with a capitalisation of RON 24,356.9 million, namely EUR 4,945.4 million and Banca Transilvania with a capitalisation of RON 13,770.4 million, namely EUR 2,795.9 million;
- Sixth place in terms of traded values in Q1 2021 in the top of local issuers on BVB main segment (RON 119 million), behind Banca Transilvania, OMV Petrom, Fondul Proprietatea, BRD and Nuclearelectrica;

- Weight of 9.01% and 8.73% in BET index (top 16 issuers) and BET-XT (top 25 issuers) respectively, 26.02% in BET-NG index (energy and utilities) and 9.01% in BET-TR index (BET Total Return).

Performance of Romgaz shares between listing and March 31, 2021, namely Q1 2021, in relation to BET index, is shown below:



In Q1 2021, Romgaz shares trading price followed an upward trend, slightly oscillating, starting with January recording on January 5, 2021 the lowest value 28.35 RON/share and until March when it reached the maximum value of the period, on the last day of the month, 33.20 RON/share. The average value of the period was 31.62 RON/share, and the price on the last day of the quarter was by 16.7% higher than the price recorded in the first trading day of the year. The GDR trading price followed a similar trend, recording an average of 7.60 USD/GDR. On the first trading day of the year (January 4, 2021) the GDR was at its minimum level, 7 UDG/GDR, its value increased with slight oscillations during Q1 2021, reaching its maximum value of 8.15 USD/GDR on March 19, 2021. On the last day of Q1 2021, GDRs were traded for 7.75 UDS/GDR, increasing by 10.71% as compared to the value recorded in the first trading day of the reporting period.

PHYSICAL INDICATORS

The table below shows the gas volumes (million m³) that were produced, delivered, injected/withdrawn into/from UGSs during January-March 2021 in comparison with the similar period of 2019 and 2020:

Specifications		Q1 2019	Q1 2020	Q1 2021	Indices (%)
0	1	2	3	4	5=4/3x100
1.	Gross gas production – total, including:	1,430.0	1,362.3	1,311.5	96.3
1.1.	*own gas	1,430.0	1,362.3	1,311.5	96.3
1.2.	*Schlumberger (100%)	0.0	0.0	0.0	0.0
2.	Technological consumption	23.2	19.8	19.0	96.0
3.	Net internal gas production (1.-1.2.-2.)	1,406.8	1,342.5	1,292.5	96.3
4.	Internal gas volumes injected into UGS	15.0	0.0	0.0	0.0
5.	Internal gas volumes withdrawn from UGS	199.7	150.8	377.7	250.5
5.1.	*gas cushion	0.0	0.0	0.0	0.0
6.	Difference from conversion to Gross Calorific Value	0.0	0.0	0.1	-
7.	Volumes supplied from internal production (3.-4.+5.-6.)	1,591.5	1,493.3	1,670.1	111.8
8.1.	Gas sold in UGS	0.0	0.0	0.0	0.0
8.2.	Gas supplied to CTE Iernut and Cojocna from Romgaz's gas	50.3	74.9	55.0	73.4
9.	Gas supplied from internal production to the market (7.+8.1.-8.2.)	1,541.2	1,418.4	1,615.1	113.9
10.	Gas from partnerships*) – total, out of which:	34.9	26.8	13.7	51.1
	*Schlumberger (50%)	0.0	0.0	0.0	0.0
	*Raffles Energy (37,5%)	0.0	0.0	0.0	0.0
	*Amromco (50%)	34.9	26.8	13.7	51.1
11.	Purchased internal gas volumes (including imbalances)	2.1	0.0	20.4	-
12.	Sold internal gas volumes (9.+10.+11.)	1,578.2	1,445.2	1,649.2	114.1
13.	Supplied internal gas volumes (8.2.+12.)	1,628.5	1,520.1	1,704.2	112.1
14.	Supplied import gas volumes	53.0	0.0	0.0	0.0
15.	Gas supplied to CTE Iernut and Cojocna from other sources (including imbalances)	0.9	2.3	8.0	347.8
16.	Total gas supplies (13.+14.+15.)	1,682.4	1,522.4	1,712.2	112.5
*	Invoiced UGS withdrawal services **)	884.9	895.4	1,289.9	144.1
*	Invoiced UGS injection services **)	37.8	40.7	2.4	5.9

*) 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.

**) represents gas related to UGS injection/withdrawal services invoiced by the Subsidiary

INVESTMENTS

Romgaz Group scheduled for the first 3 months of 2021 investments of *RON 153.59 million* and made investments of *RON 93.78 million*, by 38.94% namely *RON 59.81 million* less than scheduled.

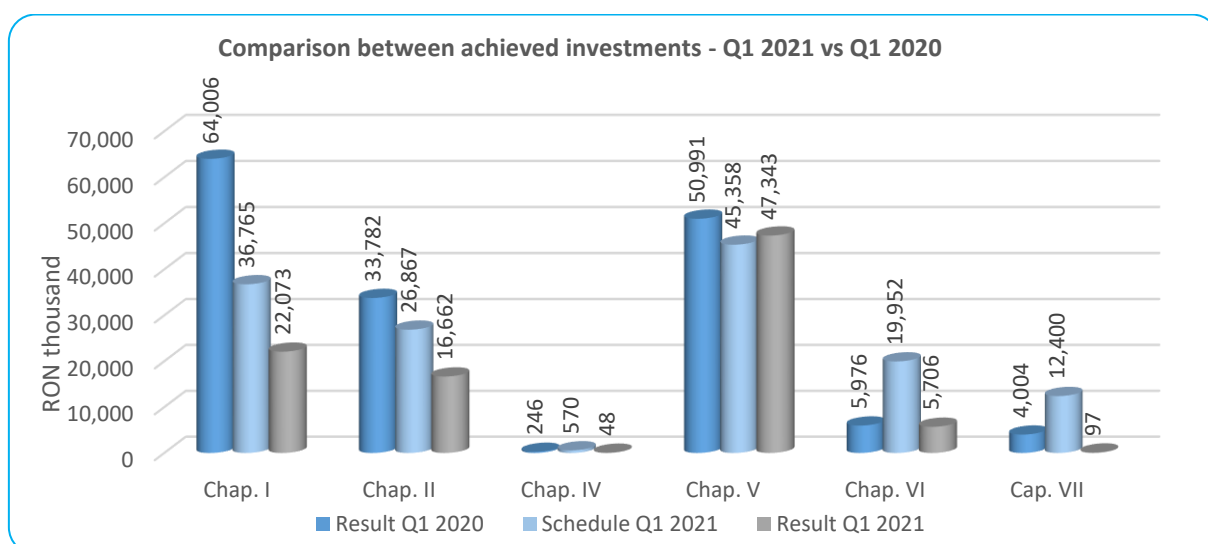
On March 31, 2021, the Company carried out investments of *RON 91.93 million*, namely 7.11% from **Romgaz** Annual Investment Program that amounts to *RON 1,292.5 million*.

Compared to the similar period of 2020, the investments decreased by 42.22%, *RON 91.93 million* in Q1 2021 as compared to *RON 159 million* in Q1 2020.

The table below shows the investments made in the first 3 months of 2021 split into main investment chapters, compared to the investments made and scheduled in the similar period of 2020:

RON thousand

Investment chapter	Result Q1 2020	Schedule Q1 2021	Result Q1 2021	T1 2021/ T1 2020	R 2021/ S 2021
1	2	3	4	5=4/2x100	6=4/3x100
I. Geological exploration works for the discovery of new gas reserves	64,006	36,765	22,073	34.49%	60.04%
II. Exploitation drilling works, putting into production new wells, infrastructure, utilities and electricity generation	33,782	26,867	16,662	49.32%	62.02%
III. Supporting underground gas storage capacities	-	-	-	-	-
IV. Environmental protection works	246	570	48	19.51%	8.42%
V. Revamping and retrofitting of existing installations and pieces of equipment	50,991	45,358	47,343	92.85%	104.37%
VI. Independent equipment and installation	5,976	19,952	5,706	95.48%	28.60%
VII. Expenses related to studies and designs	4,004	12,400	97	2.42%	0.80%
TOTAL	159,005	141,912	91,929	57.80%	64.78%



Investments made in the first three months of 2021 were lower than in the similar period of 2020, influenced mainly by fewer drilling works as compared to Q1 2020 and by the difficulties incurred with the investment “*Development CTE Iernut by building a new combined cycle gas turbine power plant*”.

As regards successful achievements in Q1 2021 we mention: drilling works for 3 wells (2 exploration wells and a production well, total of 6118 m), finalising 2 wells (one exploration and one production well), 2 surface facilities, intervention works performed at 28 wells (recompletions, reactivation and repairs) – 15 wells belonging to Medias Branch and 13 wells to Targu Mures Branch, acquisition of gas chromatographs, gas meters for metering-regulation stations and 2 multifunctional excavators.

The value of fixed assets in place in the first three months of 2021 was RON 55.01 million.

For 2021, **Depogaz Subsidiary** has an approved investment program of RON 50.000 thousand.

For the first three months of 2021, the Subsidiary had an approved investment plan of RON 11,683 thousand and achieved RON 1,851 thousand, representing 15.85% of scheduled investments:

Item no.	Specifications	Schedule Q1 2021	Results Q1 2021
1.	Exploration works for the discovery of new gas reserves	0	0
2.	Operation of fields and UGSs, infrastructure and facilities on the field and in storages	100	50
3.	Underground gas storage activities	100	1,80
4.	Environment improvement and protection works	0	0
5.	Revamping and retrofitting of existing facilities and equipment, surface facilities, utilities	10,416	1,799
6.	Independent equipment and installations	333	0
7.	Expenses related to consultancy, studies and projects, soft, licenses and patents, etc.	734	0.00
TOTAL		11,683	1,851

Investment objectives with results in Q1 2020 are:

- Surveillance system for Sarmasel gas compressor station: RON 50 thousand;
- Triethylene glycol gas dehydration station for Group 145 Ghercesti: RON 1,733 thousand;
- Systematising suction/discharge gathering pipes for Butimanu gas compressor station and junction with transmission gathering pipelines: RON 66.90, representing building permit fees;
- Land related expenses for wells 172 and 173 from Bilciuresti UGS: RON 1.8 thousand.

ECONOMIC AND FINANCIAL INDICATORS

Interim Statement of Consolidated Financial Position

The table below shows the summary of the interim consolidated financial result on March 31, 2021 compared to December 31, 2020:

INDICATOR	December 31, 2020 (RON thousand)	March 31, 2021 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
ASSETS			
<i>Non-Current Assets</i>			
Property, plant and equipment	5,613,122	5,551,163	-1.10
Other intangible assets	14,774	13,876	-6.08
Investments in associates	26,102	25,892	-0.80
Deferred tax asset	275,328	259,981	-5.57

Other financial assets	5,378	5,621	4.52
Right of use assets - lease	7,915	7,820	-1.20
Total Non-Current Assets	5,942,619	5,864,353	-1.32
Current assets			
Inventories	244,563	142,262	-41.83
Trade and other receivables	592,875	780,030	31.57
Contract costs	651	612	-5.99
Other financial assets	1,995,523	2,575,619	29.07
Other assets	68,023	69,714	2.49
Cash and cash equivalents	416,913	337,566	-19.03
Total Current Assets	3,318,548	3,905,803	17.70
TOTAL ASSETS	9,261,167	9,770,156	5.50
EQUITY AND LIABILITIES			
Equity			
Share capital	385,422	385,422	0.00
Reserves	2,251,909	2,251,709	-0.01
Retained earnings	5,149,919	5,613,874	9.01
Total Equity	7,787,250	8,251,005	5.96
Non-Current Liabilities			
Retirement benefit obligation	128,690	123,952	-3.68
Deferred revenue	136,308	136,302	0.00
Provisions	538,931	539,003	0.01
Lease liability	7,845	7,658	-2.38
Total non-current liabilities	811,774	806,915	-0.60
Current liabilities			
Trade payables	89,132	84,929	-4.72
Contract liabilities	81,318	54,333	-33.18
Current tax liabilities	59,831	83,280	39.19
Deferred revenue	10,899	7,106	-34.80
Lease liability	767	788	2.74
Provisions	156,415	228,053	45.80
Other liabilities	263,781	253,747	-3.80
Total current liabilities	662,143	712,236	7.57
Total liabilities	1,473,917	1,519,151	3.07
TOTAL EQUITY AND LIABILITIES	9,261,167	9,770,156	5.50

NON-CURRENT ASSETS

Total non-current assets decreased by 1.32% namely by RON 78.3 million, from RON 5,942.6 million on December 31, 2020 to RON 5,864.4 million on March 31, 2021. The drop is caused by expenses with depreciation and impairment of value for abandoned projects that are higher than the investments for the period. Impairment of value refers especially to wells under drilling that tested negative.

CURRENT ASSETS

Current assets increased by RON 587.26 million (17.70%) on March 31, 2021 as a result of increasing trade receivables by 31.57% (+ RON 187.2 million) and of other financial assets, of cash and cash equivalents by 20.76% (+ RON 500.7 million)

Inventories

Inventories decreased at the end of Q1 2021 as compared to 2020 by 41.83% further to the decrease of gas stocks in storages due to the seasonal character of activities.

Trade and other receivables

As compared to December 31, 2020, trade receivables increased by 31.57% mainly following higher gas deliveries in Q1 2021 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, 2021 include the equivalent value of gas delivered during Q1 2021.

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, 2021 of RON 2,913.2 million, as compared to RON 2,412.4 million at the end of 2020 (+RON 500.7 million). The increase was triggered by collections in Q1 and lower investments and operating expenses.

EQUITY

Group's equity increased by 5.96% due to the profit achieved in Q1 2021. GMS approved distribution of profit in April 2021, allocating for dividends RON 689.9 million.

NON-CURRENT LIABILITIES

Non-current liabilities recorded on March 31, 2021 an insignificant decrease of 0.60% as compared to December 31, 2020.

CURRENT LIABILITIES

Current liabilities increased by RON 50.1 million, from RON 662.14 million recorded on December 31, 2020, to RON 712.2 million, recorded on March 31, 2021. The main influences are detailed below.

Contract liabilities

Decrease of contract liabilities on March 31, 2021 compared to December 31, 2020 reflects the seasonal fluctuations in the group's activity. These liabilities represent advance payments received from clients for deliveries made in April.

Provisions

Current provisions recorded an increase of RON 71.6 million as compared to December 2020. The increase is mainly due to the provisions for greenhouse gas emission certificates (RON 148.5 million on March 31, 2021, equivalent of 643,665 certificates, as compared to RON 81.2 million on December 31, 2020, equivalent of 525,067 certificates). On March 31, 2021 the estimated average price for a CO2 certificate was RON 230.75, as compared to RON 154.68 on December 31, 2020.

Statement of Interim Consolidated Comprehensive Income

The Group's profit and loss account summary for the period January 1 – March 31, 2021, as compared to the similar period of 2020, is shown below:

Description	Q1 2020 (RON thousand)	Q1 2021 (RON thousand)	Variation (RON thousand)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue	1,430,329	1,327,248	(103,081)	-7.21
Cost of commodities sold	(4,615)	(27,825)	23,210	502.93
Investment income	10,967	13,814	2,847	25.96
Other gains or losses	(3,261)	(442)	(2,819)	-86.45
Net (losses)/gains from impairment of trade receivables	(22,287)	31,559	n/a	n/a
Changes in inventory	(34,897)	(95,324)	60,427	173.16
Raw materials and consumables used	(15,803)	(19,548)	3,745	23.70
Net depreciation and amortization	(145,998)	(147,158)	1,160	0.79
Employee benefit expenses	(150,474)	(159,058)	8,584	5.70
Financial costs	(4,233)	(4,139)	(94)	-2.22
Exploration expense	(6)	(348)	342	5,700.00
Share of associates' result	258	(210)	n/a	n/a
Other expenses	(386,881)	(366,042)	(20,839)	-5.39
Other income	7,154	9,856	2,702	37.77
Profit before tax	680,253	562,383	(117,870)	-17.33
Income tax expense	(108,348)	(98,628)	(9,720)	-8.97
Net profit	571,905	463,755	(108,150)	-18.91

Revenue

On March 31, 2021, Romgaz Group revenue recorded a decrease of 7.21% (RON 103.08 million) compared to Q1 2020.

The decrease resides in a 4.85% fall of revenue from sale of gas produced by Romgaz and of gas purchased for resale, as well as from joint ventures, despite higher gas supplies by 14.12% as compared to Q1 2020.

Consolidated storage revenues decreased by 27.70%. Within these revenues, capacity reservation services have the highest share (74%), having the largest influence on the negative evolution of the consolidated storage revenue (-33.82% for the reviewed period, as compared to Q1 2020). Non-consolidated storage revenue decreased only by 3.4%.

Consolidated electricity revenues decreased by 20.10% Electricity production was lower by 22% in Q1 2021 compared to Q1 2020.

Cost of commodities sold

Cost of commodities sold increased by 502.93% as compared to the same period of 2020, mainly due to increasing the gas quantity purchased for resale.

Net losses from impairment of trade receivables

The Group records impairments for trade receivables depending on non-collection risks. Therefore, as regards clients undergoing bankruptcy proceedings, the Group records losses from impairment for the entire amount that has not been collected; the same policy is applied to old receivables. For the three months period ended on March 31, 2021, the Group recorded a net gain from impairment of receivables of RON 31.6 million, as a result of collecting receivables from clients undergoing bankruptcy proceedings, old receivables, respectively.

Changes in inventory

The negative change in inventory is generated because Romgaz did not inject gas in storages in Q1 2021, it has only withdrawn gas. The increase of the negative change of inventory in Q1 2021 as compared to Q1 2020 is due to gas withdrawals higher by 150% against the quantities withdrawn in the same period of 2020.

Other expenses

Other expenses recorded a decrease by 5.39% as compared to Q1 2020. The main items of this expenses category are shown below:

- Expenses with other taxes and fees recorded a net decrease by RON 48.2 million (RON 202.6 million in Q1 2021, as compared to RON 250.8 million in Q1 2020) following a decrease of the windfall tax by RON 63.9 million and increase of royalty expenses by RON 16.7 million;
- Net expenses with provisions increased by RON 57.9 million (RON 66.1 million in Q1 2021, as compared to RON 8.2 million in Q1 2020) following an increase of the provision for CO2 certificates (RON 67.3 million in Q1 2021, compared to RON 15.0 million in Q1 2020).

The table below shows the breakdown of the interim consolidated comprehensive income by activity segments for January-March 2021 compared to January-March 2020:

Structure of indicators by activity segments – **March 2021**

**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	1,327,248	1,231,836	88,316	62,048	93,256	(148,208)
Cost of commodities sold	(27,825)	(24,241)	-	(3,524)	(60)	-
Investment income	13,814	36	166	2	13,616	(6)
Other gains or losses	(442)	(736)	(6)	20	280	-
Net (losses)/gains from impairment of trade receivables	31,559	31,945	-	(395)	9	-
Changes in inventory	(95,324)	(95,644)	-	3	317	-
Raw materials and consumables used	(19,548)	(10,756)	(6,142)	(946)	(3,953)	2,249
Net depreciation and amortization	(147,158)	(121,483)	(2,039)	(1,802)	(6,141)	(15,693)
Employee benefit expenses	(159,058)	(96,576)	(14,957)	(10,520)	(37,005)	-
Financial costs	(4,139)	(3,673)	(345)	-	(127)	6
Exploration expense	(348)	(348)	-	-	-	-
Share of associates' result	(210)	-	-	-	(210)	-
Other expenses	(366,042)	(364,471)	(33,470)	(105,489)	(8,688)	146,076
Other income	9,856	5,169	4	4,502	298	(117)
Profit before tax	562,383	551,058	31,527	(56,101)	51,592	(15,693)
Income tax expense	(98,628)	-	(5,132)	-	(93,496)	-
Profit for the period	463,755	551,058	26,395	(56,101)	(41,904)	(15,693)

Structure of indicators by activity segments – **March 2020**

RON thousand

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 or losses	(3,261)	(3,055)	(6)	(18)	(182)	-
Net (losses)/gains from impairment of trade receivables	(22,287)	(22,264)	-	(3)	(20)	-
Changes in inventory	(34,897)	(35,584)	-	19	668	-
Raw materials and consumables used	(15,803)	(10,421)	(4,168)	(361)	(2,848)	1,995
Net depreciation and amortization	(145,998)	(118,634)	(1,499)	(4,936)	(4,494)	(16,435)
Employee benefit expenses	(150,474)	(92,935)	(14,130)	(9,651)	(33,758)	-
Financial costs	(4,233)	(3,713)	(394)	-	(132)	6
Exploration expense	(6)	(6)	-	-	-	-
Share of associates' result	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)
Profit before tax	680,253	618,510	35,095	1,459	41,623	(16,434)
Income tax expense	(108,348)	-	(5,843)	-	(102,505)	-
Profit for the period	571,905	618,510	29,252	1,459	(60,882)	(16,434)

Consolidated statement of cash flows

Cash flows recorded during January – March 2021 compared to the similar period of 2020 are shown below:

INDICATOR	Q1 2020 (thousand RON)	Q1 2021 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Cash flow from operating activities			
Net profit for the year	571,905	463,755	-18.91
<i>Adjustments for:</i>			
Income tax expense	108,348	98,628	-8.97
Share of associates' result	(258)	210	n/a
Interest expense	134	127	-5.22
Unwinding of decommissioning provision	4,099	4,012	-2.12
Interest revenue	(10,967)	(13,814)	25.96
Loss on disposal of non-current assets	2,044	(397)	n/a
Change in decommissioning provision recognized in the result of the period, other than unwinding	(1,033)	(744)	-27.98
Change in other provisions	9,272	66,854	621.03
Impairment of exploration assets	13,197	(313)	n/a
Exploration projects written-off	-	12	n/a
Net impairment of non-current assets	12,545	23,948	90.90
Depreciation and amortization	120,256	123,523	2.72
Amortization of contract costs	88	417	373.86
(Gain)/loss on financial investments at fair value through profit or loss	32	7	-78.13
Loss/(Gain) on trade receivables and other receivables	22,253	(30,668)	n/a

INDICATOR	Q1 2020 (thousand RON)	Q1 2021 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
Impairment of inventories	1,066	(144)	n/a
Income from subsidies	(2)	(2)	0.00
Cash generated from operational activities before movements in working capital	852,979	735,411	-13.78
Movements in working capital			
(Increase)/Decrease in inventories	58,448	102,565	75.48
(Increase)/Decrease in trade and other receivables	(337,316)	(158,556)	-52.99
Increase/(Decrease) in trade and other liabilities	(64,368)	(41,025)	-36.26
Cash generated by operational activities	509,743	638,395	25.24
Income tax paid	(64,342)	(59,832)	-7.01
Net cash generated by operational activities	445,401	578,563	29.90
Cash flows from investing activities			
Investments in other entities	-	(250)	n/a
Bank deposits set up and acquisition of state bonds	(601,986)	(1,358,306)	125.64
Bank deposits and state bonds matured	831,254	778,094	-6.40
Interest received	8,371	10,137	21.10
Proceeds from sale of non-current assets	-	466	n/a
Acquisition of non-current assets	(138,234)	(65,538)	-52.59
Acquisition of exploration assets	(17,546)	(21,883)	24.72
Net cash used in investing activities	81,859	(657,280)	n/a
Cash flows from financing activities			
Dividends paid	(47)	(201)	327.66
Repayment of lease liability	(383)	(429)	12.01
Net cash used in financing activities	(430)	(630)	46.51
Increase/(decrease) in net cash and cash equivalents	526,830	(79,347)	n/a
Net cash and cash equivalents at the beginning of the period	363,943	416,913	14.55
Cash and cash equivalents on March 31	890,773	337,566	-62.10

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 2020	Q1 2021
1	2	3	4	5
Working Capital (WC)	$C_{lt}-A_f = E+L_{nc} + Pr+S_f-A_f$	RON million	2,433	3,194
Working Capital Requirements (WCR)	$(A_c-L+Pp) - (L_{ert} - C_{rst} + I_{df})$	RON million	1,542	2,856
Net Cash Flow	$WC-WCR = L - C_{rst}$	RON million	891	338
Economic Rate of Return	$P_g/C_{lt} \times 100$	%	8.24	6.21
Return on Equity	$P_n/C_{lt} \times 100$	%	7.38	5.62
Return on Sales	$P_g/R \times 100$	%	47.56	42.37
Return on Assets	$P_n/A \times 100$	%	6.49	4.75
EBIT	$P_g+Exi-I_r$	RON million	669	549
EBITDA	$EBIT+A_m$	RON million	815	696
ROCE	$EBIT/C_{emp} \times 100$	%	8.11	6.06
Asset Solvency	$E/L \times 100$	%	87.94	84.45

Current Liquidity Gearing Ratio Accounts Receivables Turnover Property, Plant and Equipment Turnover	A_{crt}/L_{crt}	-	5.40	5.48
	$Lc/E \times 100$	%	0.00	0.00
	$Aar/R \times 90$	-	49.52	46.55
	R/PPE	-	0.25	0.23

where:

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

Please find attached the Simplified Interim Consolidated Financial Statements for the period ended March 31, 2021, prepared in compliance with the International Accounting Standard 34 and not audited by the financial auditor.

SIGNATURES

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

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

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
(UNAUDITED)**

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

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CONDENSED STATEMENT OF CONSOLIDATED INTERIM COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

	Note	Three months ended March 31, 2021	Three months ended March 31, 2020
		'000 RON	'000 RON
Revenue	3	1,327,248	1,430,329
Cost of commodities sold	4	(27,825)	(4,615)
Investment income		13,814	10,967
Other gains and losses	5	(442)	(3,261)
Impairment (losses)/gains on trade receivables	10 c)	31,559	(22,287)
Changes in inventory of finished goods and work in progress		(95,324)	(34,897)
Raw materials and consumables used	4	(19,548)	(15,803)
Depreciation, amortization and impairment expenses	6	(147,158)	(145,998)
Employee benefit expense	8	(159,058)	(150,474)
Finance cost		(4,139)	(4,233)
Exploration expense		(348)	(6)
Share of profit/(loss) of associates		(210)	258
Other expenses	9	(366,042)	(386,881)
Other income	3	9,856	7,154
Profit before tax		562,383	680,253
Income tax expense	7	(98,628)	(108,348)
Profit for the period		463,755	571,905
Total comprehensive income for the period		463,755	571,905
Basic and diluted earnings per share		0.0012	0.0015

These financial statements were endorsed by the Board of Directors on May 13, 2021.

Aristotel Marius Jude
 Chief Executive Officer

Răzvan Popescu
 Chief Financial Officer

CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION AS OF MARCH 31, 2021

	<u>Note</u>	<u>March 31, 2021</u> <u>'000 RON</u>	<u>December 31, 2020</u> <u>'000 RON</u>
ASSETS			
Non-current assets			
Property, plant and equipment		5,551,163	5,613,122
Other intangible assets		13,876	14,774
Investments in associates		25,892	26,102
Deferred tax asset		259,981	275,328
Other financial assets		5,621	5,378
Right of use assets		7,820	7,915
Total non-current assets		5,864,353	5,942,619
Current assets			
Inventories		142,262	244,563
Trade and other receivables	10 a)	780,030	592,875
Contract costs		612	651
Other financial assets		2,575,619	1,995,523
Other assets	10 b)	69,714	68,023
Cash and cash equivalents		337,566	416,913
Total current assets		3,905,803	3,318,548
Total assets		9,770,156	9,261,167
EQUITY AND LIABILITIES			
Equity			
Share capital		385,422	385,422
Reserves		2,251,709	2,251,909
Retained earnings		5,613,874	5,149,919
Total equity		8,251,005	7,787,250
Non-current liabilities			
Retirement benefit obligation	11	123,952	128,690
Deferred revenue		136,302	136,308
Lease liability		7,658	7,845
Provisions	11	539,003	538,931
Total non-current liabilities		806,915	811,774

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

CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION AS OF MARCH 31, 2021

	<u>Note</u>	<u>March 31, 2021</u> <u>'000 RON</u>	<u>December 31, 2020</u> <u>'000 RON</u>
Current liabilities			
Trade payables		84,929	89,132
Contract liabilities		54,333	81,318
Current tax liabilities		83,280	59,831
Deferred revenue		7,106	10,899
Provisions	11	228,053	156,415
Lease liability		788	767
Other liabilities		253,747	263,781
Total current liabilities		712,236	662,143
Total liabilities		1,519,151	1,473,917
Total equity and liabilities		9,770,156	9,261,167

These financial statements were endorsed by the Board of Directors on May 13, 2021.

Aristotel Marius Jude
 Chief Executive Officer

Răzvan Popescu
 Chief Financial Officer

CONDENSED STATEMENT OF CONSOLIDATED INTERIM CHANGES IN EQUITY FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

	<u>Share capital</u>	<u>Legal reserve</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2021	385,422	83,537	2,168,372	5,149,919	7,787,250
Decrease in reserves approved by Depogaz' sole shareholder	-	(200)	-	200	-
Total comprehensive income for the period	-	-	-	463,755	463,755
Balance as of March 31, 2021	385,422	83,337	2,168,372	5,613,874	8,251,005
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

These financial statements were endorsed by the Board of Directors on May 13, 2021.

Aristotel Marius Jude
 Chief Executive Officer

Răzvan Popescu
 Chief Financial Officer

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

CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

	Three months ended March 31, 2021	Three months ended March 31, 2020
	'000 RON	'000 RON
Cash flows from operating activities		
Net profit	463,755	571,905
Adjustments for:		
Income tax expense (note 7)	98,628	108,348
Share of associates' result	210	(258)
Interest expense	127	134
Unwinding of decommissioning provision	4,012	4,099
Interest revenue	(13,814)	(10,967)
Net (gain)/loss on disposal of non-current assets (note 5)	(397)	2,044
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 9)	(744)	(1,033)
Change in other provisions (note 9)	66,854	9,272
Net impairment of exploration assets (note 6)	(313)	13,197
Exploration projects written off	12	-
Net impairment of property, plant and equipment and intangibles (note 6)	23,948	12,545
Depreciation and amortization (note 6)	123,523	120,256
Amortization of contract costs	417	88
Change in investments at fair value through profit and loss (note 5)	7	32
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 10)	(30,668)	22,253
Net movement in write-down allowances for inventory (note 5)	(144)	1,066
Subsidies income	(2)	(2)
	735,411	852,979
Movements in working capital:		
(Increase)/Decrease in inventory	102,565	58,448
(Increase)/Decrease in trade and other receivables	(158,556)	(337,316)
Increase/(Decrease) in trade and other liabilities	(41,025)	(64,368)
Cash generated from operations	638,395	509,743
Income taxes paid	(59,832)	(64,342)
Net cash generated by operating activities	578,563	445,401

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, 2021

	Three months ended March 31, 2021	Three months ended March 31, 2020
	'000 RON	'000 RON
Cash flows from investing activities		
Investment in other entities	(250)	-
Bank deposits set up and state bonds acquired	(1,358,306)	(601,986)
Bank deposits and state bonds matured	778,094	831,254
Interest received	10,137	8,371
Proceeds from sale of non-current assets	466	-
Acquisition of non-current assets	(65,538)	(138,234)
Acquisition of exploration assets	(21,883)	(17,546)
Net cash used in investing activities	(657,280)	81,859
Cash flows from financing activities		
Dividends paid	(201)	(47)
Repayment of lease liability	(429)	(383)
Net cash used in financing activities	(630)	(430)
Net increase/(decrease) in cash and cash equivalents	(79,347)	526.830
Cash and cash equivalents at the beginning of the period	416,913	363,943
Cash and cash equivalents at the end of the period	337,566	890.773

These financial statements were endorsed by the Board of Directors on May 13, 2021.

Aristotel Marius Jude
 Chief Executive Officer

Răzvan Popescu
 Chief Financial Officer

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

1. BACKGROUND AND GENERAL BUSINESS

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

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

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

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

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

The Group has as main activity:

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The financial statements 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 the Company obtains control over the subsidiary and ceases when it loses control of that subsidiary.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

Associated entities

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

Standards and interpretations valid for the current period

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

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

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

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

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

- IFRS 17 Insurance Contracts including Amendments to IFRS 17 (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective for annual periods beginning on or after January 1, 2023);
- Amendments to 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 IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective for annual periods beginning on or after January 1, 2023).

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

Seasonality and cyclicity

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

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

	Three months ended March 31, 2021	Three months ended March 31, 2020
	'000 RON	'000 RON
Revenue from gas sold - domestic production	1,108,737	1,177,874
Revenue from gas sold – other arrangements	10,257	21,290
Revenue from gas acquired for resale – domestic gas	25,134	3,332
Revenue from storage services-capacity reservation	58,928	89,041
Revenue from storage services-extraction	19,982	15,386
Revenue from storage services-injection	384	5,243
Revenue from electricity	42,082	52,682
Revenue from services	51,718	57,099
Revenue from sale of goods	8,079	6,372
Other revenues from contracts	80	193
Total revenue from contracts with customers	1,325,381	1,428,512
Other revenues	1,867	1,817
Total revenue	1,327,248	1,430,329
Other operating income	9,856	7,154
Total revenue and other income	1,337,104	1,437,483

4. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Three months ended March 31, 2021	Three months ended March 31, 2020
	'000 RON	'000 RON
Consumables used	10,979	9,390
Technological consumption	5,849	5,427
Cost of gas acquired for resale, sold – domestic	24,232	2,171
Cost of electricity imbalance	3,524	2,275
Cost of other goods sold	69	170
Other consumables	2,720	985
Total	47,373	20,418

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
5. OTHER GAINS AND LOSSES

	Three months ended March 31, 2021	Three months ended March 31, 2020
	'000 RON	'000 RON
Forex gain	4	6
Forex loss	(89)	(159)
Net loss on disposal of non-current assets	397	(2,044)
Net allowance for other receivables (note 10 c)	(891)	34
Net write down allowances for inventory	144	(1,066)
Net gain/(loss) on financial assets at fair value through profit or loss	(7)	(32)
Total	(442)	(3,261)

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Three months ended March 31, 2021	Three months ended March 31, 2020
	'000 RON	'000 RON
Depreciation	123,523	120,256
out of which:		
- depreciation of property, plant and equipment	122,381	119,667
- depreciation of right of use assets	231	229
- amortization of intangible assets	911	360
Net impairment of non-current assets	23,635	25,742
Total depreciation, amortization and impairment	147,158	145,998

7. INCOME TAX

	Three months ended March 31, 2021	Three months ended March 31, 2020
	'000 RON	'000 RON
Current tax expense	83,281	103,204
Deferred income tax (income)/expense	15,347	5,144
Income tax expense	98,628	108,348

8. EMPLOYEE BENEFIT EXPENSE

	Three months ended March 31, 2021	Three months ended March 31, 2020
	'000 RON	'000 RON
Wages and salaries	167,018	162,223
Social security charges	6,089	4,670
Meal tickets	6,885	5,162
Other benefits according to collective labor contract	2,182	3,000
Private pension payments	2,901	2,959
Private health insurance	1,755	1,093
Total employee benefit costs	186,830	179,107
Less, capitalized employee benefit costs	(27,772)	(28,633)
Total employee benefit expense	159,058	150,474

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, 2021
9. OTHER EXPENSES

	Three months ended March 31, 2021	Three months ended March 31, 2020
	'000 RON	'000 RON
Energy and water expenses	5,711	5,966
Expenses for capacity booking and gas transmission services	49,171	59,576
Expenses with other taxes and duties *)	202,637	250,821
(Net gain)/Net loss from provisions movement	66,110	8,239
Other operating expenses	42,413	62,279
Total	366,042	386,881

*) In the three-month period ended March 31, 2021, the major taxes and duties included in the amount of RON 202,637 thousand (three-month period ended March 31, 2020: RON 250,821 thousand) are:

- RON 114,556 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, 2020: RON 178,434 thousand);
- RON 86,447 thousand represent royalty on gas production and storage activity (three-month period ended March 31, 2020: RON 69,725 thousand).

10. ACCOUNTS RECEIVABLE
a) Trade and other receivables

	March 31, 2021	December 31, 2020
	'000 RON	'000 RON
Trade receivables	1,735,284	1,561,742
Allowances for expected credit losses (note 10 c)	(1,246,044)	(1,279,164)
Accrued receivables	295,045	312,991
Allowances for expected credit losses on accrued receivables (note 10 c)	(4,255)	(2,694)
Total	780,030	592,875

b) Other assets

	March 31, 2021	December 31, 2020
	'000 RON	'000 RON
Advances paid to suppliers	14,870	18,374
Joint operation receivables	4,211	2,384
Other receivables	53,472	64,471
Allowance for expected credit losses for other receivables (note 10 c)	(29,168)	(28,981)
Other debtors	50,258	50,079
Allowance for expected credit losses for other debtors (note 10 c)	(49,720)	(49,016)
Prepayments	18,599	5,808
VAT not yet due	7,186	4,898
Other taxes receivable	6	6
Total	69,714	68,023

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
c) Changes in the allowance for expected credit losses for trade and other receivables and other assets

	<u>2021</u>	<u>2020</u>
	<u>'000 RON</u>	<u>'000 RON</u>
At January 1	1,359,855	1,379,557
Charge in the allowance for receivables (note 5, note 10 b)	996	8
Charge in the allowance for trade receivables (note 10 a)	7,752	23,176
Release in the allowance for receivables (note 5, note 10 b)	(105)	(42)
Release in the allowance for trade receivables (note 10 a)	(39,311)	(889)
At March 31	1,329,187	1,401,810

11. PROVISIONS

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Decommissioning provision	539,003	538,931
Retirement benefit obligation	123,952	128,690
Total long term provisions	662,955	667,621
Decommissioning provision	22,073	22,027
Litigation provision	1,211	1,380
Other provisions *)	204,769	133,008
Total short term provisions	228,053	156,415
Total provisions	891,008	824,036

*) Other provisions include the provision for CO2 certificates of RON 148,528 thousand (December 31, 2020: RON 81,217 thousand).

12. RELATED PARTY TRANSACTIONS AND BALANCES
(i) Sales of goods and services

	<u>Three months ended</u>	<u>Three months ended</u>
	<u>March 31, 2021</u>	<u>March 31, 2020</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Romgaz's associates	1,231	1,196
Total	1,231	1,196

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

(ii) Trade receivables

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Romgaz's associates	688	-
Total	688	-

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021
13. SEGMENT INFORMATION
a) Products and services from which reportable segments derive their revenues

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

Specifically, the Group is organized in the following segments:

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

b) Segment assets and liabilities

March 31, 2021	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustments and eliminations '000 RON	Total '000 RON
Total assets	3,986,958	937,785	1,193,267	3,762,737	(110,591)	9,770,156
Total liabilities	819,275	97,267	295,836	330,074	(23,301)	1,519,151

December 31, 2020	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustments and eliminations '000 RON	Total '000 RON
Total assets	3,934,003	913,401	1,193,908	3,315,212	(95,357)	9,261,167
Total liabilities	809,094	99,276	234,535	354,772	(23,760)	1,473,917

c) Segment revenues, results and other segment information

Three months ended March 31, 2021	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustments and eliminations '000 RON	Total '000 RON
Revenue	1,231,836	88,316	62,048	93,256	(148,208)	1,327,248
Less: revenue between segments	(15,090)	(20,342)	(20,112)	(92,664)	148,208	-
Third party revenue	1,216,746	67,974	41,936	592	-	1,327,248
Segment profit/(loss) before tax	551,058	31,527	(56,101)	51,592	(15,693)	562,383

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2021

Three months ended March 31, 2020	<u>Upstream</u> <u>'000 RON</u>	<u>Storage</u> <u>'000 RON</u>	<u>Electricity</u> <u>'000 RON</u>	<u>Other</u> <u>'000 RON</u>	<u>Adjustments and eliminations</u> <u>'000 RON</u>	<u>Total</u> <u>'000 RON</u>
Revenue	1,322,086	91,426	72,765	93,182	(149,130)	1,430,329
Less: revenue between segments	<u>(19,514)</u>	<u>(17,799)</u>	<u>(20,191)</u>	<u>(91,626)</u>	149,130	-
Third party revenue	1,302,572	73,627	52,574	1,556	-	1,430,329
Segment profit/(loss) before tax	<u>618,510</u>	<u>35,095</u>	<u>1,459</u>	<u>41,623</u>	<u>(16,434)</u>	<u>680,253</u>

14. COMMITMENTS UNDERTAKEN

In 2020, Romgaz signed an addendum to the credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 100,000 thousand. On March 31, 2021 are still available for use USD 59,282 thousand.

As of March 31, 2021, the Group's contractual commitments for the acquisition of non-current assets are of RON 322,623 thousand (December 31, 2020: RON 419,104 thousand).

15. EVENTS AFTER THE BALANCE SHEET DATE

In April 2021, the Company's shareholders approved the allocation to dividends of RON 689,906 thousand.

16. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on May 13, 2021.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer