

SOCIETATEA NATIONALA DE GAZE NATURALE "ROMGAZ" SA

# QUARTERLY REPORT

REGARDING THE ECONOMIC – FINANCIAL  
ACTIVITY OF ROMGAZ GROUP  
ON SEPTEMBER 30, 2020

(January 01, 2020-September 30, 2020)



## IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report basis	<i>Law No. 24/2017 regarding issuers of financial instruments and market operations (art. 65) and ASF Regulation No. 5/2018 regarding issuers and market operations (Annex No. 13) for the 9-month period ended on September 30, 2019</i>		
Report date	November 13, 2020		
Name of Company	Societatea Națională de Gaze Naturale "ROMGAZ" SA		
Headquarters	Mediaș, No. 4 Piața Constantin I. Moțaș, zip code 551130, Sibiu County		
Phone/fax	0040 374 401020 / 0040 269 846901		
Web/E-mail	<a href="http://www.romgaz.ro">www.romgaz.ro</a> / <a href="mailto:secretariat@romgaz.ro">secretariat@romgaz.ro</a>		
Trade Register	Unique	RO14056826	
Registration Code	2549009R7KJ38D9RW354		
Legal Entity Identifier	2549009R7KJ38D9RW354		
Regulated market where the Company's shares are traded	Bucharest Stock Exchange (shares) and London Stock Exchange (GDR-s)		
Subscribed and paid in share capital	RON 385,422,400		
Main characteristics of shares	385,422,400 shares each with a nominal value of RON 1		
	Shares are nominative, ordinary, indivisible, issued in dematerialised form and freely tradable since November 12, 2013 under the symbol SNG – for shares and SNGR – for GDR's		

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

In the first 9 months of 2020, Romgaz Group recorded **a revenue** of **RON 2,918.4 million**, a decrease by 23.01%, namely RON 872.4 million, as compared with the revenue achieved in the first 9 months of 2019.

**Net profit** of **RON 941.9 million** was lower by 20.52%, respectively RON 243.2 million, as compared to the similar period of the previous year.

Net consolidated profit per share (EPS) was **RON 2.4**.

**The achieved margins** of the consolidated net profit (**32.28%**), consolidated EBIT (**36.71%**) and consolidated EBITDA (**51.64%**) are relatively similar with those recorded in the 9 months period ended on September 30, 2019 (31.3%; 36.0% and 51.7% respectively) and confirms that the Group continues to maintain a profitability even if the revenue recorded a decrease.

Romania's estimated natural gas consumption<sup>2</sup> for the reporting period was of 87.5 TWh, approximately by 3.0% higher than the consumption recorded in the similar period of 2019.

**Natural gas production** recorded a volume of **3,197.8 million m<sup>3</sup>**, lower by 19% (namely 751.8 million m<sup>3</sup>) than the production recorded in the same period of the previous year.

**Electricity production** in the first 9 months of 2020 was **617.87 GWh**, by 111.5% (+325.76 GWh) higher than in the similar period of 2019.

In Q3, Romgaz produced 322.63 GWh, by 167.78% more than in the first 9 months of 2019. With this production, Romgaz has a 2.43% market share.

### Relevant financial results (consolidated)

							*RON million*	
T3 2019	T2 2020	T3 2020	Δ T3 (%)	Main indicators	9 M 2019	9 M 2020	Δ 9 M (%)	
916.1	763.1	725.0	-20.86	Revenue	3,790.9	2,918.4	-23.01	
1,014.6	819.8	771.3	-23.98	Income	3,927.1	3,004.7	-23.49	
770.1	556.7	607.7	-21.09	Expenses	2,532.4	1,898.0	-25.05	
0.2	(0.4)	0.3	50.00	Share of profit of associates	1.4	0.2	-85.31	
244.7	262.8	163.8	-33.06	Gross profit	1,396.0	1,106.9	-20.71	
35.5	33.9	22.7	-36.06	Profit tax	210.9	164.9	-21.81	
209.2	228.9	141.1	-32.55	Net profit	1,185.1	941.9	-20.52	
238.5	251.1	150.8	-36.77	EBIT	1,365.9	1,071.2	-21.57	
467.5	389.5	315.5	-32.51	EBITDA	1,960.4	1,507.0	-23.13	
0.5	0.6	0.37	-26.78	Earnings per share (EPS) (RON)	3.1	2.4	-20.52	
22.8	30.00	19.46	-14.64	Net profit rate (% from Revenue)	31.3	32.3	3.24	
26.0	32.91	20.80	-20.00	EBIT ratio (% from Revenue)	36.0	36.7	1.87	
51.0	51.05	43.52	-14.67	EBITDA ratio (% from Revenue)	51.7	51.6	-0.15	
6,214	6,208	6,201	-0.21	Number of employees at the end of the period	6,214	6,201	-0.21	

\*)EPS is calculated on the basis of S.N.G.N. ROMGAZ S.A. consolidated results.

The figures in the table above are rounded, therefore small differences might result upon reconciliation.

Note 1: Revenues and Expenses do not include in-house works capitalized as non-current assets.

<sup>1</sup> Romgaz Group consists of S.N.G.N. Romgaz S.A. („The Company”/„Romgaz”) as parent company, Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL („Depogaz”), a 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 NARE did not publish until the date hereof the reports on the natural gas market for Q3 2020.

A brief overview of the Group's main indicators during the period ended on September 30, 2020 is:

- ↳ *Total income* is lower by **RON 922.4 million**, recording a decrease by 23.5% while total expenses decreased by 25.1%.
- ↳ Consolidated *Gross result* for the reporting period is lower by 20.71% as compared to the similar period of the previous year (RON -289.1 million) due to the following influential factors:
  - consolidated revenue decreased by 23.0% (RON 872.4 million) as compared to the similar period of 2019 following a decrease of revenues from gas sales (-28.35%; RON -940.0 million); from a quantitative perspective, the deliveries are lower by 17.86 % but higher by 2.82% than Q2 2020. Revenue from electricity increased by 36.1% and storage revenues increased by 25.88% at a consolidated level. Please note that the consolidated storage revenue include revenue generated by services invoiced by Romgaz; unconsolidated storage revenue increased by 2.6% as compared to the period between January 2019 and September 2019;
  - Expenses decreased by 25.1% (RON -634.4 million) following a reduction of royalty-related expenses (RON -140.9 million), of windfall tax (RON -220.9 million), of cost of gas purchased from import for resale (RON -74.4 million) and of depreciation and amortization expenses (RON -71.2% million);
  - The Group recorded a provision of RON 26.1 million following the economic financial inspection carried out by ANAF (National Agency of Fiscal Administration) on compliance with the provisions of GEO No. 114/2018, Article 43 referring to distribution in the form of dividends of 35% of the reserves existing on December 31, 2018. ANAF considers that the dividend paid to Romanian state as a majority shareholder should have been higher by RON 24.3 million; delayed payment penalties will be added to this amount. The Company challenged in the Court the report issued by ANAF, but it estimates that ANAF shall sanction the Company for this amount before the settlement of the litigation.

During the reviewed period, the Group did not record additional depreciation related to non-current assets following the depreciation tests. The Group monitors the evolution of gas market in order to identify the indicators of additional depreciation of its assets. Even though the revenue recorded in 2020 decreased, the Group considers that in medium and long term the assumptions used in the depreciation test carried out at the end of 2019 are still relevant. In the event of market change, the Group will perform a new depreciation test to establish if additional depreciation adjustments are required in addition to the already existing ones. As of September 30, 2020, the Group recorded only depreciation related to specific assets;

- ↳ *Net profit* is **RON 941.9 million**, by RON 243.2 million lower than in the previous period for the reasons indicated above (-20.5%);
- ↳ *Labour productivity* decreased as compared to the previous period from RON 610.05 thousand revenue/employee in the first 9 months of 2019 to **RON 470.64 thousand revenue/employee** in the similar period of 2020;
- ↳ *EPS* is RON 2.4, by 20.52% lower than in the first 9 months 2019.

## Operational results

T3 2019	T2 2020	T3 2020	Δ T3 (%)	Main Indicators	9 M 2019	9 M 2020	Δ 9 M (%)
1,249.8	883.5	952.0	-23.8	Gas Produced (million m <sup>3</sup> )	3,950	3,198	-19.0
90	59	64	-28.2	Petroleum Royalty (million m <sup>3</sup> )	283	220	-22.3
3,679	4,748	5,349	44.7	Condensate Production (tons)	12,952	16,594	28.1
120.4	36.31	322.63	167.9	Electricity produced (GWh)	292.11	617.87	111.5
0.0	28.5	0.3	-	Invoiced UGS gas withdrawal services (million m <sup>3</sup> )	924.7	924.2	-0.1
1,226.8	530.0	444.5	-63.8	Invoiced UGS gas injection services (million m <sup>3</sup> )	2,274.4	1,015.5	-55.4

Note: the information is not consolidated, transactions between Romgaz and Depogaz are included.

During the first 9 months of 2020, *Romgaz produced* 3,198 million m<sup>3</sup> natural gas, by 752 million m<sup>3</sup> (-19%) less than the volume produced during the same period of the previous year.

The level of gas production recorded for the first 9 months of 2020 was influenced by:

- ✓ Overlap of commercial, economic, medical and regulatory factors resulting in a decrease of gas demand in Q2 and Q3;
- ✓ Continuous rehabilitation projects on the most important mature gas reservoirs;
- ✓ Implementation of well workover operations
- ✓ completion of investments in the development of production infrastructure and connection of new wells to this infrastructure.

*The volume of gas sold* by Romgaz in the first 9 months of 2020, representing deliveries to customers, CET Iernut consumption and technological consumption, recorded an estimated decrease of 18.4% as compared to the similar period of the previous year.

The volume of *produced electricity* as indicated in the table below is in close connection with energy demand, evolution of prices on the competitive markets, evolution of investment works performed at the new CTE Iernut, works restricting in 2019 the operation of power units belonging to the old power plant.

*MWh*			
	2019	2020	Variation
1	2	3	4=3/2x100
Q1	170,894	258,923	151.51%
Q2	773	36,310	4,697.28%
Q3	120,443	322,633	267.87%
<b>9 months</b>	<b>292,110</b>	<b>617,866</b>	<b>211.52%</b>

## HIGHLIGHTS

### **January 30, 2020**

Romgaz announces the commencement of production in deep structure of Caragele, by well 77 Rosetti, with a daily production capacity of over 1,500 boe.

### **March-May 2020**

*“Together for Romania!”* – Romgaz involves in supporting the fight against Coronavirus COVID-19, as follows:

- ↳ supports the Romanian Red Cross with the amount of RON 1,250,000 for the information campaign and prevention of Coronavirus;
- ↳ supports the Emergency Clinical Hospital of Sibiu with the amount of RON 1,500,000 to extend and equip the AIT unit in order to prepare it for treating the patients with COVID-19, if necessary;
- ↳ supports the Municipal Hospital of Medias with the amount of RON 1,500,000 to equip the AIT unit with specific medical equipment;
- ↳ Supports the Emergency Hospital of Alba with the amount of RON 1,500,000 to limit and prevent the possible cases of COVID-19 and to efficiently manage the suspected/positive cases of COVID-19;
- ↳ Supports the Emergency Hospital of Slatina with the amount of RON 1,500,000 to fight against COVID-19
- ↳ Supports the Emergency Hospital of Vaslui with the amount of RON 1,500,000 to fight against COVID-19
- ↳ Supports the Clinical Hospital of Mures with the amount of RON 1,500,000 to fight against pandemic COVID-19

### **April 13, 2020**

By Resolution No.5, Romgaz shareholders approve the extension of the interim director’s mandate with two months from the expiration date in accordance with the provisions of Article 64, paragraph (5) of GEO No.109/2011<sup>3</sup>.

### **June 10, 2020**

Romgaz and SC Liberty Galați SA agreed to conclude a Memorandum of Understanding in order to establish a “joint venture” type company in order to develop certain investment projects of greenfield (“from the ground”), namely to develop an electricity production unit using natural gas (“CCGT”) and certain units producing electricity from renewables, using both wind technologies and photovoltaic technologies. The implementation period for these projects will be of 3, 4 and 5 years.

### **June 15, 2020**

By Resolution No. 7, the General Meeting of Shareholders approved *“the Development Strategy/Investments of S.N.G.N. Romgaz S.A. for the period 2020-2025”*. According to this Strategy, the investment program of approximately RON 15.69 billion aims the following priority investment directions:

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<sup>3</sup> GEO No.109 of December 14, 2011 on corporate governance of public enterprises, as subsequently amended and supplemented.

- carrying out the geological appraisal works by new drillings and geological prospective to discover new gas reserves;
- development of production potential by ensuring new capacities on the existing structures;
- improvement of the existing facilities and installations performances and increasing the safety during production;
- identification of new opportunities of growth and diversification

### ***June 25, 2020***

By Resolution No. 8, the company's shareholders, by casting the cumulative vote, appointed the following persons as members of the Board:

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

By OGMS Resolution No. 6 of June 26, 2019, Mr. Ciobanu Romeo Cristian and Mr. Jansen Petrus Antonius Maria were reconfirmed as members of the Board, being elected following a selection process carried out in 2018 and appointed as members of the Board for a 4-year mandate following the OGMS Resolution No. 8 of July 6, 2018. Therefore, their mandate is ongoing. The interim members of the Board are appointed only for a period of 4 months.

### ***July 1, 2020***

The Board of Directors decided to elect Mrs. Stan Olteanu Manuela Petronela as Chairperson of the Board of Directors. During the same meeting, the composition of the Board of Directors committees was established. The composition of the committees can be found on Romgaz website and can be visualized by accessing the following link: <https://www.romgaz.ro/ro/consiliu-administratie>.

### ***August 26, 2020***

By Resolution No. 32/2020, the Board of Directors appointed Mr. Pena Daniel Corneliu as Deputy Chief Executive Officer of S.N.G.N. Romgaz S.A. for a period of 2 months, with an interim mandate starting as of August 28, 2020 until October 26, 2020.

### ***September 18, 2020***

By Resolution No. 36/2020, the Board of Directors approved to establish the Branch Drobeta-Turnu Severin within S.N.G.N. Romgaz S.A.

## ROMGAZ GROUP OVERVIEW

**Romgaz Group undertakes business** in the following segments:

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

### Shareholder structure

On September 30, 2020, the shareholder structure of S.N.G.N. Romgaz S.A. was the following:

	Number of shares	%
<b>The Romanian State<sup>4</sup></b>	269,823,080	70.0071
<b>Free float – total, out of which:</b>	115,599,320	29.9929
*legal persons	97,052,010	25.1807
*natural persons	18,547,310	4.8122
<b>Total</b>	<b>385,422,400</b>	<b>100.0000</b>



### Company organization

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

The Company has seven branches established on the basis of both activities performed and territoriality considerations (natural gas production branches):

- Medias Branch
- Targu Mureş Branch
- SIRCOSS – Branch for Well Workover, Recompletions and Special Well Operations
- STTM – Technological Transport and Maintenance Branch
- SPEE – Iernut Power Generation Branch
- Bratislava Branch<sup>5</sup>
- Drobeta -Turnu -Severin Branch

<sup>4</sup> The Romanian state through Ministry of Economy, Energy and Business Environment

<sup>5</sup> By EGMS Resolution No. 3 of March 25, 2020, Romgaz shareholders „approved S.N.G.N. Romgaz S.A. withdrawal from concession Svidnik Block located in Slovak Republic”; thereby the company has withdrawn from Slovak Republic.



As of April 1, 2018, **S.N.G.N. Romgaz S.A. – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL (Depogaz Subsidiary)** became operational, managing the natural gas underground storage activity.

Therefore, in compliance with EC Directive No. 73/2009 implemented by Law 123/2012 on electricity and natural gas, (art. 141), the storage activity is unbundled from S.N.G.N. Romgaz S.A. and performed by a storage operator, a subsidiary where S.N.G.N. Romgaz S.A. is sole shareholder.

The subsidiary took over the operation of underground storages licensed to S.N.G.N. Romgaz S.A., the operation of assets contributing to performing the storage activity and the entire personnel carrying out storage activities.

Information about 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 the following structure on September 30, 2020:

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	legal adviser MBA	SNGN Romgaz SA
3	Simescu Nicoale Bogdan	member	non-executive non-independent	engineer	SNGN Romgaz SA
4	Marin Marius Dumitru	member	non-executive independent	Phd	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	Universitatea Tehnica Iasi
7	Jansen Petrus Antonius Maria	member	non-executive independent	economist	London School of Business and Finance

\*) members of the Board of Directors submitted the statement of independence in compliance with Romgaz Corporate Governance Code.

During January 1 – June 25, 2020 the Board of Directors had the following members:

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	legal adviser MBA	SNGN Romgaz SA
3	Harabor Tudorel	member	non-executive non-independent	economist	-
4	Marin Marius Dumitru	member	non-executive independent	Phd	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	Universitatea Tehnica Iasi
7	Jansen Petrus Antonius Maria	member	non-executive independent	economist	London School of Business and Finance

\*) - members of the Board of Directors submitted the statement of independence in compliance with Romgaz Corporate Governance Code.

### ***Upper management***

#### ***Chief Executive Officer (CEO)***

By Resolution No.29 of June 14, 2018, the Board of Directors decided to appoint Mr. ***Volintiru Adrian Constantin*** as Chief Executive Officer of the Company for a 4-month period, starting with June 15, 2018, in compliance with the provisions of Law 31/1990 (Article 143, paragraph (1)), of GEO no 109/2011 (Article 35, paragraph (1) and of Articles of Incorporation of the company (Article 19, paragraph (2))

By Resolution No. 45 of October 1, 2018, the Board of Directors appointed Mr. Volintiru Adrian Constantin as Chief Executive Officer of the Company for a 4-year mandate.

#### ***Deputy Chief Executive Officer***

By Resolution No. 32 of August 2020, the Board of Directors appointed Mr. ***Pena Daniel Corneliu*** as Deputy Chief Executive Officer of S.N.G.N. Romgaz S.A. for a 2-year period (with an interim mandate), the appointment entering into force on August 28, 2020.

#### ***Chief Financial Officer (CFO)***

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

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

Mr. Bobar Andrei unilaterally terminated the Contract of Mandate by giving on August 22, 2019 the Notification No. 28 593 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 Financial Director of the Company.

Now, the duties of the chief financial officer are exercised by the accounting director pursuant to Power of Attorney No. 22 251 of July 16, 2020 granted by Chief Executive Officer.

The table below shows the *management positions* to which the Board of Directors did not delegate managing powers:

Name	Position
<b>ROMGAZ - headquarters</b>	
Tataru Argentina	Deputy Director General
Chirca Robert Stelian	Deputy Director General
Veza Marius Leonte	Accounting Director
Bobar Andrei	Financial Director
Dediu Mihaela Carmen	Exploration-Appraisal Director
Paraschiv Nelu	Production Director
Boiarciuc Adrian	Information Technology Director
Lupa Leonard Ionuț	Procurement Director
Chertes Viorel Claudiu	Director for Technical Regulations
Ciolpan Vasile	Energy Trade Director
Ioo Endre	Legal Department Director
	Human Resources Director
Greuc Marius Rares	HQSE Director
Toader Mihaela Virginia	Strategy, International Relations, European Funds Director
<b>Mediaș Branch</b>	
Totan Constantin Ioan	Director
Achimeț Teodora Magdalena	Economic Director
-	Production Director
Man Ioan Mihai	Technical Director
<b>Târgu Mureș Branch</b>	
Baciu Marius Tiberiu	Director
Bosca Mihaela	Economic Director
Rusu Gratian	Production Director
Stefan Ioan	Technical Director
<b>Iernut Branch</b>	
Balazs Bela	Director
Oros Cristina Monica	Economic Director
Oprea Maria Aurica	Trading Director
Bircea Angela	Technical Director
<b>SIRCOSS</b>	
Rotar Dumitru Gheorghe	Director
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director
<b>STTM</b>	
-	Director
Obreja Dan Nicoale	Economic Director
Belean Alin Ciprian	Technical Director

The members of upper management, except for the Chief Executive Officer, the Deputy Chief Executive Officer (with an interim mandate) and the Chief Financial Officer are employees of the company with an Individual Employment Contract for an indefinite period.

Based on the powers delegated by the Board of Directors, the chief executive officer employs, promotes and dismisses management and operational personnel.

Information on the Board of Directors and the upper management of Depogaz is available on the website: <https://www.depogazploiesti.ro/ro/despre-noi/conducere>.

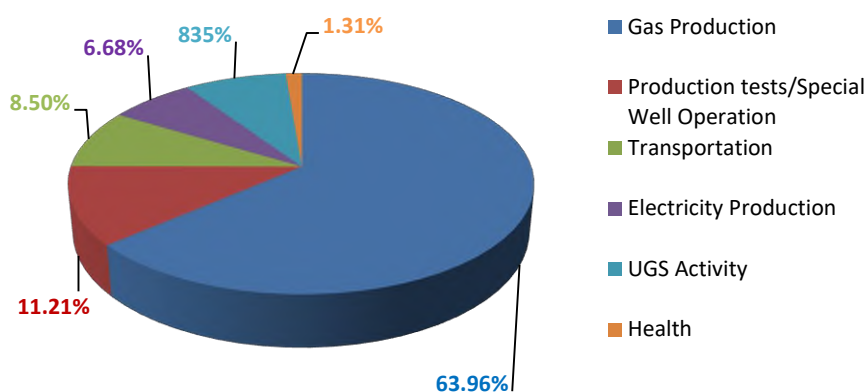
## Human Resources

On September 30, 2020, Romgaz Group had 6,201 employees and S.N.G.N. Romgaz S.A. 5,683 employees. As of April 1, 2020 a number of 504 employees terminated their employment relationships with the company transferring to Depogaz Subsidiary.

The table below shows the employees number evolution during January 1, 2017 – September 30, 2020:

Description	2017	2018	2019		9 M 2020	
			Romgaz Group	S.N.G.N. Romgaz S.A.	Romgaz Group	S.N.G.N. Romgaz S.A.
1	2	3	5	6	6	6
Employees at the beginning of the period	6,246	6,198	6,214	5,688	6,251	5,738
Newly hired employees	233	286	264	238	125	110
Employees who terminated their employment relationship with the Company	281	270	227	188	175	165
Employees at the end of the period	6,198	6,214	6,251	5,738	6,201	5,683

The following chart shows Romgaz employee structure split by activity at the end of the reporting period:



## 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

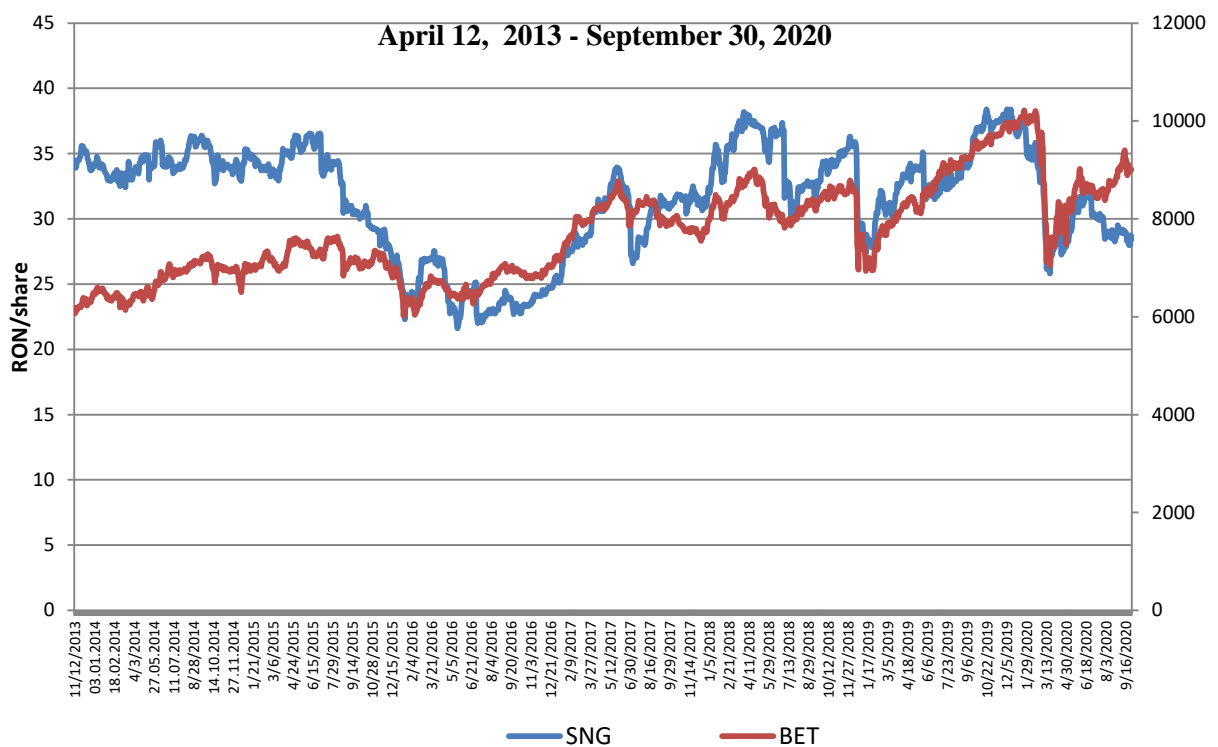
governed by LSE (London Stock Exchange) as GDRs issued by the Bank of New York Mellon – under the symbol “**SNGR**”.

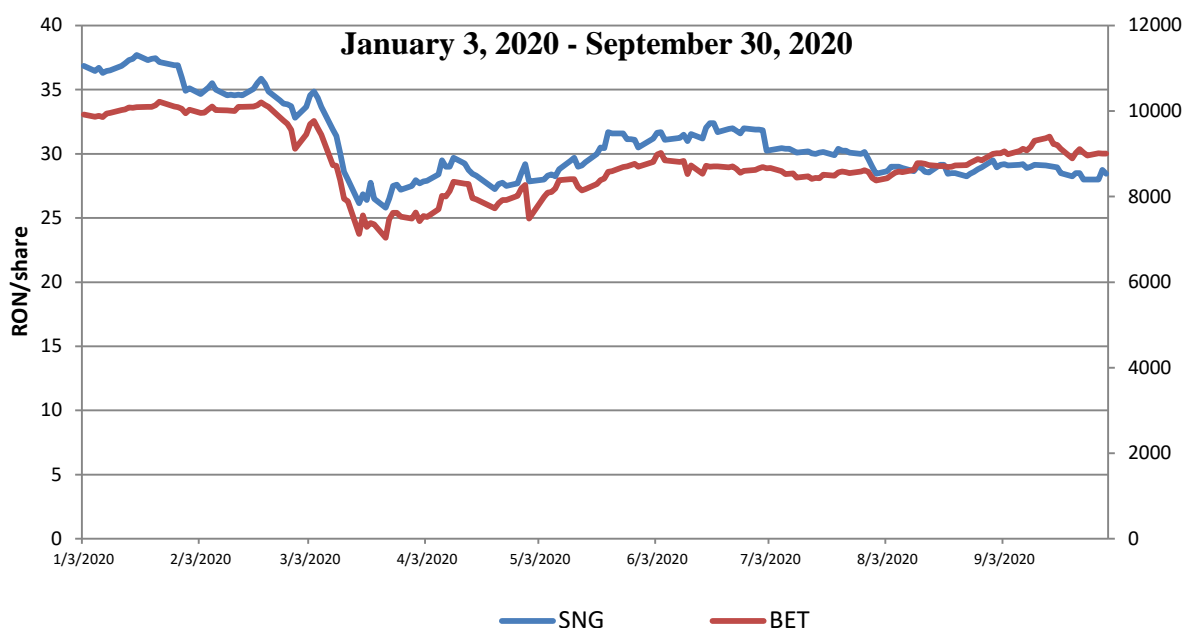
Romgaz is considered an attractive Company for investors in terms of dividend distribution perspective and the Company’s stability.

The Company is among the most significant local issuers being also included in the BVB trading indices, as follows:

- 3<sup>rd</sup> place by market capitalization in the Premium issuers top on BVB on September 30, 2020 (RON 10,965.2 million, namely Euro 2,251.6 million);
- 4<sup>th</sup> place by trading value in 9-month period of 2020 in the local issuers top on BVB main segment (RON 757.7 million);

The chart below shows the performance of Romgaz shares between listing and September 30, 2020 in relation to BET index:





The following table presents the closing price evolution and the Company's market capitalization on the last day of Q3 in 2017, 2018, 2019 and 2020:

	September 30, 2017	September 30, 2018	September 30, 2019	September 30, 2020
Number of shares	385,422,400	385,422,400	385,422,400	385,422,400
Closing price (RON)	30.75	33.75	36.95	28.45
Market capitalization				
*mil. RON	11,851.7	13,008.0	14,241.4	10,965.3
*mil. EUR	2,577.0	2,789.2	2,997.5	2,251.7

During the first nine months of 2020, Romgaz shares and GDR's trading price were negatively influenced, on one hand, by the evolution of pandemic COVID-19 and decrease of oil price (a tendency noted especially at the end of Q1 2020) and, on the other hand, by the decreased results recorded in H1 2020, as compared to the previous periods.

Therefore, during the first two months of 2020, Romgaz shares trading price followed a slightly oscillating trend, increasing in January up to a maximum value of 37.70 RON/share reached on January 17, 2020 (being the maximum price for the reviewed period). Starting with March 2020, following the declaration of World Health Organization referring to global pandemic COVID-19 and the decrease of oil price as well, Romgaz share recorded significant decrease by the minimum of 25.80 RO/share on March 23, 2020 (being the minimum price for the reviewed period).

In Q2 2020, share prices increased reaching a maximum of 32.40 RON/share on June 17, 2020, following the General Meeting of Shareholders approval of the *Development Strategy/Investments of S.N.G.N. ROMGAZ S.A. for the period 2020-2025*.

In Q3 2020, shares were traded between the range 28-31.85 RON/share, with a decrease recorded mainly on the date of recording dividends for 2019 (June 3, 2020) and after publishing the *Report on key operational results H1 2020* (July 30, 2020), showing decreases of withdrawn gas production and gas production supplied to third parties.

At the end of September 2020, the price for Romgaz share traded on BVB was 28.45 RON/share, by 22.8% lower than the price recorded at the beginning of the year and by 1.8% higher than the price recorded at the end of Q1 2020.

On LSE, GDRs were traded at prices comparable to those of the shares traded on BVB, recording an average value of 7.11 USD/GDR. Since the first day of transaction of this year, when GDR's price was 8.80 USD/GDR (being the maximum price for the reviewed period), the price significantly decreased, especially in the last month of Q1 reaching the minimum of 5.70 USD/GDR, on March 23, 2020, similar to Romgaz share (being the minimum price for the reviewed period).

Similar to shares prices, in Q2 2020, GDR's prices followed an increasing- oscillating trend, reaching the value of 7.30 USD/GDR on June 17, 2020.

On September 30, 2020, GDRs recorded a price of 6.85 USD, by 22.2% lower than the price at the beginning of the year and by 8.73% higher than the price recorded at the end of Q1 2020.

## PHYSICAL INDICATORS

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

No. item	Specification	9 M 2018	9 M 2019	9 M 2020	Indices
0	1	2	3	4	5=4/3x100
<b>1.</b>	<b>Total - gross production</b> , out of which:	<b>3,922.4</b>	<b>3,949.6</b>	<b>3,197.8</b>	<b>81.0%</b>
1.1.	*internal gas production	3,794.4	3,949.6	3,197.8	81.0%
1.2.	*Schlumberger joint venture (100%)	128.0	0.0	0.0	-
2.	Fuel consumed in operations	63.3	60.3	44.9	74.5%
<b>3.</b>	<b>Net gross internal gas production (1.-1.2.-2.)</b>	<b>3,731.1</b>	<b>3,889.3</b>	<b>3,152.9</b>	<b>81.1%</b>
4.	Internal gas volumes injected in storages	321.9	473.7	214.9	45.4%
5.	Internal gas volumes withdrawn from storages	297.4	199.9	150.9	75.5%
5.1.	*gas cushion	6.9	0.0	0.0	-
6.	Differences resulting from GCV	6.4	0.0	5.6	-
<b>7.</b>	<b>Volumes supplied from internal production (3.-4.+5.-6.)</b>	<b>3,700.2</b>	<b>3,615.5</b>	<b>3,083.3</b>	<b>85.3%</b>
8.1.	Gas sold in storage	8.1	0.0	0.0	-
8.2.	Gas supplied to Iernut and Cojocna Power Plants	207.6	87.1	184.9	212.3%
<b>9.</b>	<b>Volumes supplied from internal production to the market (7.+8.1.-8.2.)</b>	<b>3,500.7</b>	<b>3,528.4</b>	<b>2,898.4</b>	<b>82.1%</b>
<b>10.</b>	<b>Gas from joint operations*) – total</b> , out of which:	<b>132.1</b>	<b>109.9</b>	<b>72.3</b>	<b>65.8%</b>
	*Schlumberger (50%)	64.0	0.0	0	-
	*Raffles Energy (37,5%)	0.0	0.0	0	-
	*Amromco (50%)	68.1	109.9	72.3	65.8%
11.	Gas acquisitions from domestic production	7.5	4.4	0.4	9.1%
<b>12.</b>	<b>Volumes sold from domestic production to the market (9.+10.+11.)</b>	<b>3,640.3</b>	<b>3,642.7</b>	<b>2,791.1</b>	<b>81.6%</b>
<b>13.</b>	<b>Volumes supplied from domestic production (8.2.+12.)</b>	<b>3,847.9</b>	<b>3,729.8</b>	<b>3,156.0</b>	<b>84.6%</b>
14.	Delivered import gas	139.2	53.0	0.0	0.0%
15.	Gas delivered to Iernut and Cojocna from other sources (including imbalances)	15.2	2.0	4.4	220.0%
<b>16.</b>	<b>Total gas supplies (13.+14.+15.)</b>	<b>4,002.3</b>	<b>3,784.8</b>	<b>3,160.4</b>	<b>83.5%</b>
*	Invoiced UGS withdrawal services	1.130,9	924.7	924.2	99.9%
*	Invoiced UGS injection services (**)	1.611,6	2.274,4	1,015.5	44.6%

Note: The information is not consolidated, it includes transactions between Romgaz and Depogaz.

\*) The joint operating agreement with Schlumberger terminated on November 30, 2018; regarding Amromco, the produced gas is reflected in Romgaz revenue pro rata with the participating interest held in the partnership.

\*\*\*) representing gas volumes related to UGS withdrawal services invoiced by the Subsidiary



The **total gas quantity sold** by Romgaz during the first nine months of 2020, representing deliveries to customers, CET Iernut consumption and fuel consumed in operations, decreased by 18.4% as compared to the same period of the previous year.

## INVESTMENTS

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

a) For 2020, **Romgaz** initially planned investments with a total budget of *RON 1,140.00 million*, mostly based on objectives aimed at increasing the reserves and resources portfolio, compensating for natural decline of gas production and electricity production.

As a result of the crisis situation caused by the current COVID-19 pandemic, generating delays of 3 – 4 months in the stages of achieving certain investment objectives, but also as a result of the decrease in gas sales and, implicitly, in revenues, it was decided to re-examine the current and future status of the investment objectives included in the 2020 Investment Program, the necessity and opportunity to accomplish them, as it was considered necessary to carry out a review/rectification, resulting in a budget (rectified) of *RON 853.00 million*, out of which the program for the first 9 months is of *RON 585.84 million*.

Until September 30, 2020, the investment value amounted RON 439.77 million representing:

- ↳ 75.06% out of the investment planned for the first three quarters of 2020;
- ↳ 51.60% out of the total Investment Program planned for 2020;
- ↳ 72.11% as compared to the investment achieved in the similar period of 2019.

Investments were financed exclusively from own sources.

From a physical perspective of the achieved investments, investments commenced during the previous year were completed, actions were taken to prepare new investments (design, land permits, authorizations, agreements, permits, procurements) and modernization works and capitalizable repairs were performed at production wells.

The value of fixed assets commissioned during the reviewed period was *RON 211.14 million*.

The table below shows a comparison of investments between 9M 2019, 9M 2020, and 2020 Investment Program split into main investment categories:

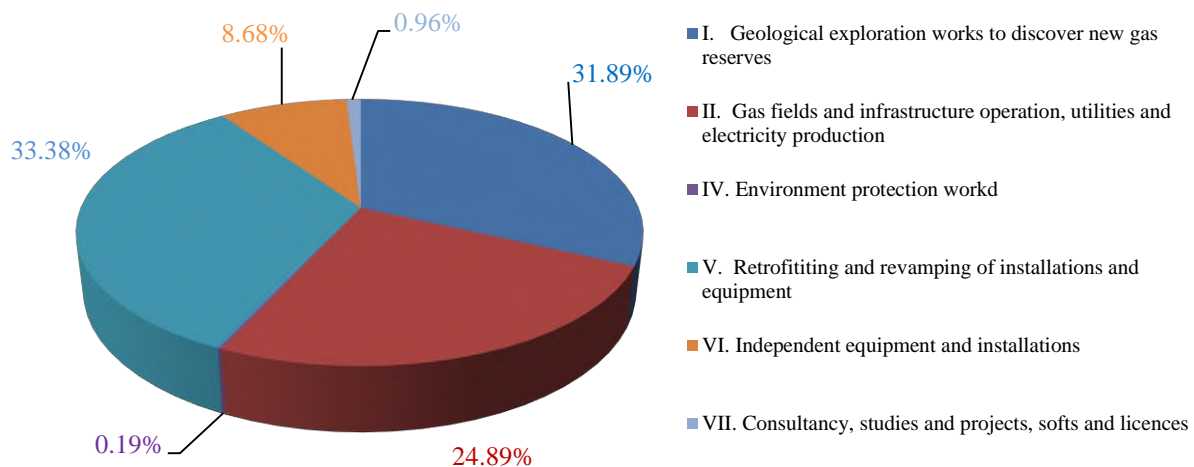
*\*RON thousand\**

Investment Categories	Results 9 M 2019	Program 9 M 2020	Results 9 M 2020	2020/ 2019 (%)	R 2020/ P 2020 (%)
1	2	3	4	5=4/2x100	6=4/3x100
<b>I.</b> Geological exploration works to discover new methane gas reserves	180,166	129,940	140,258	77.85	107.94
<b>II.</b> Exploitation drilling works, putting into production of wells, infrastructure and utilities and electricity production	266,403	181,736	109,452	41.08	60.22
<b>III.</b> Maintaining the UGS capacity	-	-	-	-	-
<b>IV.</b> Environment protection works	1,385	4,551	838	60.51	18.41
<b>V.</b> Retrofitting and revamping of installation and equipment	133,981	171,918	146,810	109.57	85.39

Investment Categories	Results 9 M 2019	Program 9 M 2020	Results 9 M 2020	2020/ 2019 (%)	R 2020/ P 2020 (%)
1	2	3	4	5=4/2x100	6=4/3x100
VI. Independent equipment and installations	26,047	85,319	38,185	146.60	44.75
VII. Expenses related to studies and projects	1,907	19,776	4,230	221.81	21.39
<b>TOTAL</b>	<b>609,889</b>	<b>585,840</b>	<b>439,773</b>	<b>72.11</b>	<b>75.07</b>

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

**Results of 2020 Program split by investment categories [%]**



Main physical investments made by Romgaz for *the first 9M 2020*:

- ↳ Exploratory drilling: 10 completed wells (out of which 5 wells in progress since 2019), 1 well with contract for construction work – construction of surface facilities, procurement in progress for 7 drilling wells, tender proceedings in progress for drilling of 27 wells, ongoing design works or procurement in progress for 10 wells;
- ↳ Production drilling: 1 completed well, 1 well with project endorsed by the Technical – Economic Committee;
- ↳ Construction of Surface Facilities (“SF”): 6 SF completed for operation of 8 wells; 4 SF in progress for operation of 4 wells; 17 SF pending construction authorizations for putting into production of 20 wells; 13 SF under design feasibility studies or technical projects for putting into production of 16 wells;
- ↳ Well exploitation facilities in Merii, Lipia, Salciile, Fulga structures: Lot 1 Prahova – construction completed 100%, Lot 3 Ialomita – construction in progress 90%, Lot 2 Ilfov – formalities completed for land permits, technical project completed, pending authorizations, agreements and construction permits;
- ↳ Gathering pipelines and technological facilities for putting into operation of Well 1 and 3 Petea – Pipe Section II: in progress 97%;
- ↳ Gas Dehydration Unit (“GDU”) Cosereni: the objective is acquisition, design & execution stage (evaluation of tenders). Start-Up (SU) is estimated in Q4 2021. Execution of the electrical power supply of the future GDU, electrical line + **Post Trafo** - completed;
- ↳ Wells modernization/recompletion/reactivation: approx. 130 well workovers carried out as in-house works were performed by SIRCOSS Mediaş.

### ***Development of CTE Iernut***

One of Romgaz main strategic directions specified in the “2015-2025 Development Strategy” is to consolidate the company’s position on the energy supply markets. In the field of electricity generation, Romgaz planned to “*make the activity more efficient by making investments aiming to increase Iernut power plant conversion efficiency at minimum 55%, to comply with environmental requirements (NOX, CO<sub>2</sub> emissions) and to increase operational safety*”.

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

Below is an overview of the investment completion stage:

<b>Item No.</b>	<b>Stage of works</b>	<b>Investment</b>
<b>1</b>	Completed works	Electrical and control building Water treatment station and demineralized water treatment station with two storage tanks Water storage tanks for fire fighting - sprinklers Cooling water circuit and hot water circuit, siphoning basin, connection channels and integration/coupling to the already existing power station circuits Cooling water pumping station (underground construction consisting of mixing chamber, adduction channels, soothing basin, pump station itself) with lifting equipment portal – pump maintenance type Turbo-aggregate hall building (turbine hall building) Operational overhead cranes in the turbo-aggregate hall building Equipment completely assembled in turbine hall building related to gas turbo-aggregates (4 cap. – TG11, TG12, TG15 and TG16) and steam turbo-aggregates (2 cap. – TA23 and TA24) Main rack and secondary rack auxiliary to HRSGs (metallic structure) Transformers Block 11.5/220 kV (4 pieces) Transformers Block 11.5/110 kV (2 pieces) BOP Transformers (6/0.4 kV 63 kVA) Water treatment station Laying out and connection of high voltage cables for Block Transformers
<b>2</b>	over 90% completion degree	<ul style="list-style-type: none"> <li>• Technological circuits on the main rack and secondary racks to HRSGs</li> <li>• Heat Recovery Steam Generators - HRSGs</li> <li>• Auxiliary equipment of HRSG, TG, TA</li> <li>• Installing and centering of feed pumps of HRSG</li> <li>• Condensation tanks TAs</li> <li>• Condensers</li> <li>• 6 KV medium voltage containerized unit</li> <li>• Laying out and connection of medium voltage cables to the 6KV medium voltage containerized unit to the electrical and control building</li> </ul>
<b>3</b>	over 80% completion degree	<ul style="list-style-type: none"> <li>• Auxiliary boiler building and compressed air station, perimeter and roof closures</li> <li>• Sprinklers spraying equipment station building</li> </ul>

		<ul style="list-style-type: none"> <li>• Natural gas compressor station</li> <li>• Assembly of secondary rack (metallic structure) to auxiliary thermo-mechanic equipment</li> <li>• Low pressure gas supply circuit</li> <li>• Excitation transformers</li> </ul>
4.	Different completion degree (<80%)	<ul style="list-style-type: none"> <li>• Diesel groups platform, start-up generators</li> <li>• Gas filtration and pre-heating station</li> <li>• Gas heating</li> <li>• Gas high pressure circuit</li> <li>• Anti-freezing circuit</li> <li>• Internal auxiliary steam circuit</li> <li>• Demineralized water circuit</li> <li>• Lubricating oil and TA power circuit</li> <li>• TA steam sealing circuit</li> <li>• HRSGs drainage circuits</li> <li>• Rain water pumping station (concrete steel coffer)</li> <li>• Turbo-aggregates – Block Transformers enclosed bar circuits</li> <li>• Vertical systematization of the site</li> <li>• Laying out and connection to medium voltage of cables of the electrical and control building to main consumers of TGs, namely PEECC, SFC, GSEC tanks</li> </ul>

b) For 2020, *Depogaz Subsidiary* has an approved investment program of RON 42.17 million of which it spent RON 25.33 million, representing 60.1%.

Investments were financed exclusively from own sources.

For the first 9M of 2020, the Subsidiary had an approved investment program of RON 25,546 thousand of which it spent RON 25,332 thousand, representing 99%, as follows:

\*RON thousand\*

Item No.	Specifications	Program	Results
1.	Field and UGS exploitation, infrastructure and field and reservoir installations	0	37
2.	UGS-related activities	254	254
3.	Environment protection and improvement	0	0
4.	Retrofitting and revamping of installation and equipment, surface infrastructure and utilities	23,116	21,393
5.	Independent equipment and installations	117	116
6.	Expenses related to consultancy, studies and projects, soft, licenses and patents, etc. <sup>*)</sup>	2,059	3,532
*	<b>TOTAL GENERAL</b>	<b>25,546</b>	<b>25,332</b>

<sup>\*)</sup> – part of these expenses do not meet the criteria of recognition as assets in the financial statements drawn up in accordance with IFRS and are recorded in the result of the financial year

## FINANCIAL AND ECONOMIC INDICATORS

### Summary of the consolidated interim financial position

The table below shows the summary of the consolidated interim financial position ON September 30, 2020, as compared to December 31, 2019:

INDICATOR	December 31, 2019 (RON thousand)	September 30, 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	5,512,968	-0.54
Other intangible assets	9,164	11,970	30.62
Investments in associates	24,772	24,975	0.82
Deferred tax assets	230,947	219,573	-4.92
Other financial investments	5,388	5,368	-0.37
Right-of-use assets – leasing	8,590	8,143	-5.20
<b>TOTAL NON-CURRENT ASSETS</b>	<b>5,822,038</b>	<b>5,782,997</b>	<b>-0.67</b>
<i>Current assets</i>			
Inventories	311,013	304,836	-1.99
Trade and other receivables	638,158	534,601	-16.23
Contract cost	312	654	109.62
Other financial assets	1,075,224	1,011,543	-5.92
Other assets	42,485	62,748	47.69
Cash and cash equivalents	363,943	699,190	92.12
<b>TOTAL CURRENT ASSETS</b>	<b>2,431,135</b>	<b>2,613,572</b>	<b>7.50</b>
<b>TOTAL ASSETS</b>	<b>8,253,173</b>	<b>8,396,569</b>	<b>1.74</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Share capital	385,422	385,422	0.00
Reserves	1,587,409	2,186,249	37.72
Retained earnings	5,201,222	4,923,797	-5.33
<b>TOTAL EQUITY</b>	<b>7,174,053</b>	<b>7,495,468</b>	<b>4.48</b>
<i>Non-current liabilities</i>			
Retirement benefit obligation	114,876	107,439	-6.47
Deferred revenue	21,244	21,284	0.19
Lease liability	8,285	7,995	-3.50
Provisions	366,393	367,341	0.26
<b>Total non-current liabilities</b>	<b>510,798</b>	<b>504,059</b>	<b>-1.32</b>
<i>Current liabilities</i>			
Trade and other payables	109,910	74,740	-32.00
Contract liabilities	42,705	30,339	-28.96
Current tax liabilities	64,342	25,084	-61.01
Deferred revenue	3,729	11,853	217.86
Provisions	82,701	112,698	36.27
Lease liability	694	756	8.93
Other liabilities	264,241	141,572	-46.42
<b>Total current liabilities</b>	<b>568,322</b>	<b>397,042</b>	<b>-30.14</b>
<b>TOTAL LIABILITIES</b>	<b>1,079,120</b>	<b>901,101</b>	<b>-16.50</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,253,173</b>	<b>8,396,569</b>	<b>1.74</b>

### *NON-CURRENT ASSETS*

Total non-current assets decreased in the reviewed period by 0.67%, i.e. RON 39.0 million, from RON 5.822 million on December 31, 2019 to RON 5,783.0 million on September 30, 2020. The decrease is due to depreciation and amortization expenses for abandoned projects whose value exceeds the investment made in this period. The impairment refers especially to unsuccessful wells.

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

### *CURRENT ASSETS*

Current assets increased by 7.50% on September 30, 2020 as compared to the end of 2019.

#### *Trade receivables and other receivables*

As compared to December 31, 2019, trade receivables decreased by 16.23% due to the seasonality of the Group's activity, deliveries during summer season being lower than deliveries during winter season.

#### *Other assets*

"Other assets" increased by 47.69% as compared to December 31, 2019, due to the increase of advances paid to suppliers for investments and prepaid expenses.

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

On September 30, 2020, cash, cash equivalents and other financial assets were RON 1,710.7 million, as compared to RON 1,439.2 million at the end of 2019, the increase being due to 2020 revenues and lower payments from financing and investment activities.

### *EQUITY AND RESERVES*

The Group's equity increased by 4.48% due to 2020 result and to the lower level of dividends approved by shareholders for distribution.

### *NON-CURRENT LIABILITIES*

Non-current liabilities recorded on September 30, 2020 an insignificant decrease of 1.32%, as compared to December 31, 2019.

### *CURRENT LIABILITIES*

Current liabilities decreased by RON 171.3 million, from RON 568.3 million (recorded on December 31, 2019) to RON 397.0 million.

#### *Trade payables and other payables*

As compared to December 31, 2019, trade payables decreased by 32.0% mainly due to the reduction of debts to investment providers (RON -28.9 million) as a consequence of lower investments made in 2020.

#### *Contract liabilities*

On September 30, 2020, advance payments collected in connection with future deliveries decreased by 28.96% as compared to December 31, 2019, given the seasonality of the Group's activity.

#### *Deferred revenue*

The Deferred revenue increase is due to a rise of interests collectible from security investments as a result of a higher level of investments in this type of instruments.

#### *Provisions*

Short-term provisions increased as a result of the provision recorded after the economic-financial inspection carried out by ANAF (the National Agency of Fiscal Administration) regarding the application of provisions of GEO No. 114/2018, namely Article 43 on the distribution in the form of dividends of 35% of the reserves existing on December 31, 2018.

ANAF considers that the dividends paid to the Romanian state as a majority shareholder should have been higher by RON 24.3 million; delayed payment penalties are added to these dividends. The Company challenged in court the report issued by ANAF; however it estimated that ANAF shall sanction the Company for this amount before the settlement of the litigation.

#### *Other liabilities*

Other liabilities decreased by 46.42%, due to the following factors:

- reduction of the Group's petroleum royalty-related liability (decrease by RON 40.9 million);
- decrease of debt related to windfall tax by RON 41.3 million, due to the seasonality of the Group's deliveries;
- reduction of VAT-related liability by RON 26.1 million due to lower sales recorded in September 2020 as compared to December 2019.

### **Summary of the consolidated interim comprehensive income**

The synthesis of the Group's profit and loss account for the period January 1 – September 30, 2020, as compared to the similar period of 2019 is shown below:

Description	9 M 2019 (RON thousand)	9 M 2020 (RON thousand)	Variation (RON thousand)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue	3,790,856	2,918,424	(872,432)	-23.01
Cost of commodities sold	(102,391)	(13,682)	(88,709)	-86.64
Investment income	30,104	35,612	5,508	18.30
Other gains and losses	(30,034)	(24,739)	(5,295)	-17.63
Impairment (losses)/gains on trade receivables	(31,238)	6,824	(24,414)	n/a
Changes in inventory	78,591	32,017	(46,574)	-59.26
Raw materials and consumables used	(59,865)	(42,036)	(17,829)	-29.78
Depreciation, amortization and impairment expenses	(594,539)	(435,781)	(158,758)	-26.70
Employee benefit expense	(481,361)	(539,946)	58,585	12.17
Finance cost	(16,725)	(12,723)	(4,002)	-23.93
Exploration expenses	(24,491)	(37,847)	13,356	54.53
Share of profit of associates	1,382	203	(1,179)	-85.31
Other expenses	(1,188,818)	(796,914)	(391,904)	-32.97
Other income	24,528	17,439	(7,089)	-28.91
<b>Profit before tax</b>	<b>1,395,999</b>	<b>1,106,851</b>	<b>(289,148)</b>	<b>-20.71</b>
Income tax expense	(210,895)	(164,906)	(45,989)	-21.81
<b>Net profit for the period</b>	<b>1,185,104</b>	<b>941,945</b>	<b>(243,159)</b>	<b>-20.52</b>

#### *Revenue*

The Group's revenue decreased in the nine months ended September 30, 2020 by 23.01% (RON 872.43 million) as compared to the same period of the previous year.

The consolidated revenue from gas sales on September 30, 2020 was RON 2,376.2 million, decreasing by 28.35% as compared to the similar period of 2019. The consolidated revenue from storage services increased by 25.88%, and the consolidated revenue from electricity sale were higher by 36.1%.

From a quantitative perspective, total gas deliveries (produced or purchased from other sources) were lower in the 9M period ended on September 30, 2020 by 17.86% as compared to the 9M period ended on September 30, 2019.

Concerning the revenues from storage activity, their consolidated value includes revenues attached to gas withdrawn by Romgaz from storages and sold to its own clients and excludes the revenues from Depogaz in relation to Romgaz. Therefore, from the point of view of the consolidated financial statements of Romgaz Group, it is considered that the revenues previously invoiced by Depogaz to Romgaz for injection and capacity reservation services (even those invoiced in previous periods) are obtained at the time of gas withdrawal by Romgaz and their sale. The unconsolidated revenues from storage services of the Subsidiary increased over the 9M period ended on September 30, 2020 by 2.6% as compared to the 9M period ended on September 30, 2019.

#### *Cost of Commodities Sold*

The cost of commodities sold decreased by 86.64% as compared to the 9M period ended on September 30, 2019, mainly due to the fact that no import gas was purchased for resale in 2020.

#### *Impairment losses/net gains on trade receivables*

The Group calculates the impairment of trade receivables according to the risk of non-collection of trade receivables. For the 9M period ended on September 30, 2020, the Group recorded a net profit from the impairment of trade receivables of RON 6.8 million.

#### *Changes in inventory*

The decrease of the positive changes in inventory is due to the fact that over the 9M period ended on September 30, 2020, a lower quantity of gas was injected by 54.63%, as compared to the quantity injected for the same period of 2019.

#### *Raw materials and consumables used*

The reduction of expenses with raw materials and consumables is mainly due to a lower technological consumption by 25.54% over the reviewed period of 2020, as compared to January – September 2019.

#### *Depreciation, amortization and impairment*

Depreciation, amortization and impairment expenses decreased by 26.7% due to a reduction in depreciation expenses by 17.99% and net losses from non-current assets depreciation by 44.05%.

In 2020, no additional losses from assets depreciation were recorded based on depreciation tests. The Group monitors the evolution of the gas market in order to update the asset depreciation test, to see if there are any indications that the assumptions underlying the most recent test have changed. The depreciation losses recorded in 2020 refer to specific assets.

#### *Exploration expenses*

Exploration expenses in amount of RON 37.8 million recorded in the first nine-month period ended on September 30, 2020, increased by 54.53%, as compared to the similar period of the previous year. The amount of RON 37.8 million includes expenses with seismic surveys (RON



24.6 million as compared to RON 1.4 million in the similar period of 2019) and cost of abandoned investments in exploration wells (RON 13.3 million, as compared to RON 23 million in the similar period of 2019).

#### *Other expenses*

Other expenses recorded a decrease by 32.97% as compared to the nine-month period ended on September 30, 2019. The decrease by RON 391.9 million is mainly due to the decrease by RON 363.7 million of expenses with other taxes, out of which the amount of RON 140.9 million petroleum royalty and storage activity-related expenses and the amount of RON 220.9 million representing windfall tax-related expenses.

#### *Other Income*

Other income decreased by 28.9% in the first nine-month period ended on September 30, 2020, as compared to the similar period of 2019, due to the decrease of income from damages, fines and penalties recorded for amounts that were not collected according to the contractual terms.

The table below shows the breakdown on segments of the interim consolidated comprehensive income for the period January – September 2020, respectively January - September 2019:

\*RON thousand\*

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation adjustment	TOTAL
1	2	3	4	5	6	6
<i>Revenue</i>						
* Jan.-Sept. 2020	2,650,491	250,345	164,872	274,552	(421,836)	2,918,424
* Jan.-Sept. 2019	3,544,964	324,357	148,502	214,360	(441,327)	3,790,856
<i>Cost of commodities sold</i>						
* Jan.-Sept. 2020	(5,485)	(1)	(7,718)	(478)	-	(13,682)
* Jan.-Sept. 2019	(82,146)	(1)	(19,439)	(805)	-	(102,391)
<i>Investment income</i>						
* Jan.-Sept. 2020	68	868	130	55,668	(21,122)	35,612
* Jan.-Sept. 2019	91	359	11	29,643	-	30,104
<i>Other gains and losses</i>						
* Jan.-Sept. 2020	(24,580)	(14)	(111)	(34)	-	(24,739)
* Jan.-Sept. 2019	(42,054)	(1)	(746)	12,767	-	(30,034)
<i>Net impairment losses on trade receivables</i>						
* Jan.-Sept. 2020	6,852	-	(3)	(25)	-	6,824
* Jan.-Sept. 2019	(31,233)	-	-	(5)	-	(31,238)
<i>Changes in inventory</i>						
* Jan.-Sept. 2020	30,898	-	41	1,078	-	32,017
* Jan.-Sept. 2019	77,598	-	79	914	-	78,591
<i>Raw materials and consumable</i>						
* Jan.-Sept. 2020	(27,581)	(14,207)	(998)	(7,207)	7,957	(42,036)
* Jan.-Sept. 2019	(40,420)	(25,789)	(635)	(7,921)	14,900	(59,865)
<i>Depreciation, amortization and impairment expenses</i>						
* Jan.-Sept. 2020	(349,624)	(4,314)	(16,982)	(15,749)	(49,112)	(435,781)
* Jan.-Sept. 2019	(499,852)	(72,923)	(9,332)	(12,432)	-	(594,539)
<i>Employees benefit expenses</i>						
* Jan.-Sept. 2020	(328,266)	(50,149)	(35,088)	(126,443)	-	(539,946)
* Jan.-Sept. 2019	(302,880)	(43,933)	(26,281)	(108,267)	-	(481,361)

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation adjustment	TOTAL
1	2	3	4		5	6
<i>Financial cost</i>						
* Jan.-Sept. 2020	(11,121)	(1,186)	-	(441)	25	(12,723)
* Jan.-Sept. 2019	(14,227)	(2,112)	-	(386)	-	(16,725)
<i>Exploration expense</i>						
* Jan.-Sept. 2020	(37,847)	-	-	-	-	(37,847)
* Jan.-Sept. 2019	(24,491)	-	-	-	-	(24,491)
<i>Share of associates' result</i>						
* Jan.-Sept. 2020	-	-	-	203	-	203
* Jan.-Sept. 2019	-	-	-	1,382	-	1,382
<i>Other expenses</i>						
* Jan.-Sept. 2020	(889,269)	(125,527)	(127,835)	(68,618)	414,335	(796,914)
* Jan.-Sept. 2019	(1,325,829)	(151,957)	(90,407)	(47,607)	426,982	(1,188,818)
<i>Other income</i>						
* Jan.-Sept. 2020	16,832	42	32	989	(456)	17,439
* Jan.-Sept. 2019	22,986	94	61	1,942	(555)	24,528
<i>Profit before tax</i>						
* Jan.-Sept. 2020	<b>1,031,368</b>	<b>55,857</b>	<b>(23,660)</b>	<b>113,495</b>	<b>(70,209)</b>	<b>1,106,851</b>
* Jan.-Sept. 2019	<b>1,282,507</b>	<b>28,094</b>	<b>1,813</b>	<b>83,585</b>	<b>-</b>	<b>1,395,999</b>
<i>Income tax expense</i>						
* Jan.-Sept. 2020	-	(9,774)	-	(155,132)	-	(164,906)
* Jan.-Sept. 2019	-	(3,002)	-	(207,893)	-	(210,895)
<i>Profit for the period</i>						
* Jan.-Sept. 2020	<b>1,031,368</b>	<b>46,083</b>	<b>(23,660)</b>	<b>(41,637)</b>	<b>(70,209)</b>	<b>941,945</b>
* Jan.-Sept. 2019	<b>1,282,507</b>	<b>25,092</b>	<b>1,813</b>	<b>(124,308)</b>	<b>-</b>	<b>1,185,104</b>

## Statement of Cash Flows

Statements of consolidated cash flows recorded during January – September 2020 and in the similar period of 2019 are as follows:

INDICATOR	9 M 2019 (RON thousand)	9 M 2020 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
<b>Cash flow from operating activities</b>			
<b>Net Profit for the period</b>	<b>1,185,104</b>	<b>941,945</b>	<b>-20.52</b>
<i>Adjustments for:</i>			
Income tax expense	210,895	164,906	-21.81
Share of associates' result	(1,382)	(203)	-85.31
Interest expense	387	441	13.95
Unwinding of decommissioning provision	16,338	12,282	-24.83
Interest revenue	(30,104)	(35,612)	18.30
Loss on disposal of non-current assets	40,996	19,967	-51.30
Change in decommissioning provision recognized in result for the period, other than unwinding	(1,109)	(2,250)	102.89
Change in other provisions	(54,607)	20,745	n/a
Impairment of exploration assets	114,589	32,542	-71.60
Exploration projects written-off	23,051	13,268	-42.44
Net impairment of property, plant and equipment	84,148	78,656	-6.53
Depreciation and Amortization	395,802	324,583	-17.99

INDICATOR	9 M 2019 (RON thousand)	9 M 2020 (RON thousand)	Variation (%)
1	2	3	4=(3-2)/2x100
Amortization of contract costs	557	406	-27.11
Change in investments at fair values through profit or loss	4,431	20	-99.55
Losses from trade and other receivables	14,758	(6,416)	n/a
Other commercial gains and losses (leasing)	(52)	-	n/a
Write-down allowance of inventory	1,758	4,108	133.67
Cancelled debts	(89)	(245)	175.28
Subsidies income	(50)	(6)	-88.00
<b>Cash generated from operations, before movements in working capital</b>	<b>2,005,421</b>	<b>1,569,137</b>	<b>-21.76</b>
<b>Movements in working capital</b>			
(Increase)/Decrease in inventory	(53,414)	2,539	n/a
(Increase)/Decrease in trade and other receivables	327,471	88,962	-72.83
Increase/(Decrease) in trade and other liabilities	(121,666)	(170,199)	39.89
<b>Cash generated from operations</b>	<b>2,157,812</b>	<b>1,490,439</b>	<b>-30.93</b>
Income tax paid	(254,758)	(192,790)	-24.32
<b>Net cash generated from operations</b>	<b>1,903,054</b>	<b>1,297,649</b>	<b>-31.81</b>
<b>Cash flows from investing activities</b>			
Bank deposits set up and acquisition of state bonds	(1,573,245)	(1,650,175)	4.89
Bank deposits and state bonds matured	1,485,490	1,728,003	16.33
Interests received	36,188	29,642	-18.09
Proceeds from sale of non-current assets	326	1,119	243.25
Acquisition of non-current assets	(487,430)	(397,322)	-18.49
Payments for acquisition of exploration assets	(124,545)	(52,464)	-57.88
<b>Net cash used in investing activities</b>	<b>(663,216)</b>	<b>(341,197)</b>	<b>-48.55</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(1,607,080)	(620,248)	-61.41
Subsidies reimbursed	-	(50)	n/a
Repayment of lease liability	(569)	(907)	59.40
<b>Net cash used in financing activities</b>	<b>(1,607,649)</b>	<b>(621,205)</b>	<b>-61.36</b>
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	<b>(367,811)</b>	<b>335,247</b>	<b>n/a</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>566,836</b>	<b>363,943</b>	<b>-35.79</b>
<b>Cash and cash equivalents as of September 30</b>	<b>199,025</b>	<b>699,190</b>	<b>251.31</b>

### Economic-Financial Indicators

The table below shows a comparison between the economic-financial indicators provided in Annex No. 13 to Financial Supervisory Authority (“ASF”) Regulation No.5 of May 10, 2018 on issuers of financial instruments and market operations:

Item No.	Indicator	Calculation method	9 M 2019	9 M 2020
1.	Current liquidity	$\frac{\text{Current assets}}{\text{Current liabilities}}$	4.20	6.58
2.	Indebtedness	$\frac{\text{Loan capital}}{\text{Equity}} \times 100$	0.00	0.00
3.	Clients’ debts rotation speed	$\frac{\text{Loan capital}}{\text{Employed capital}} \times 100$ $\frac{\text{Client's average balance}}{\text{Revenue}} \times 270$	45.23	54.25

4. Non-current assets turnover

$$\frac{\text{Revenue}}{\text{Non - current assets}}$$

0.59

0.50

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## PERFORMANCE OF DIRECTOR AGREEMENTS AND OF MANDATE CONTRACTS

### *Director Agreements*

Director Agreements of the BoD members appointed by the General Meeting of Shareholders in 2018 for a period of four years, Director Agreements of interim BoD members appointed for a period of 4 months in December 2019 and whose contracts were extended by 2 months, as well as Director Agreements of interim BoD members appointed for a period of 4 months in June 2020 were in force during January – September 2020. The Director Agreements approved by the General Meeting of Shareholders do not include performance indicators and criteria.

By Resolution No. 8 of July 6, 2018, the Ordinary General Meeting of Shareholders, appointed, following the cumulative vote, the company's members of the Board of Directors for a mandate of 4 years.

After the elaboration and approval of the Governance Plan, the General Meeting of Shareholders was convened to negotiate and approve the financial and non-financial performance indicators to be included in the Director Agreements by an addendum thereto. By Resolution No. 4 of May 15, 2019, the General Meeting of Shareholders “*does not approve the key financial and non-financial performance indicators resulting from S.N.G.N. ROMGAZ S.A. Governance Plan prepared for 2018 – 2022*”.

By Resolution No. 11 of December 23, 2019, the company's shareholders appointed the interim members of the Board of Directors for a period of 4 months, establishing the fixed monthly gross allowance and approving the form of their contract of mandate.

By Resolution No. 8 of June 25, 2020, the company's shareholders appointed the interim BoD members for a mandate of 4 months, establishing the fixed monthly gross allowance.

Director Agreements do not include key financial and non-financial performance indicators and, as a consequence, the BoD members do not benefit from a variable allowance.

### *Mandate Contracts*

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

The Mandate Contract, concluded between the Board of Directors and the company's CEO, does not include performance indicators and criteria. Such indicators and criteria shall be negotiated and included in the mandate contract, by addendum, following the GMS approval of the key financial and non-financial performance indicators.

By Resolution No. 32 of August 26, 2020, the Board of Directors appointed Mr. *Pena Daniel Corneliu* as Deputy Chief Executive Officer of S.N.G.N. Romgaz S.A. for a period of 2 months (interim mandate), his appointment entering into force as of August 28, 2020. The Contract of Mandate concluded between the Board of Directors and the Deputy CEO does not include performance indicators and criteria.

**Attached** hereto are the Consolidated Condensed Interim Financial Statements for the period ended on September 30, 2020, prepared in compliance with the International Accounting Standard 34.

**Signatures:**

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**Chairman of the Board of Directors,**

*Jude Aristotel Marius*

.....

**CEO,**

*Volintiru Adrian Constantin*

**Deputy CEO,**

*Pena Daniel Corneliu*

.....

**On behalf of CFO**

*Veza Marius Leonte*

.....

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

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**

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

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**CONDENSED STATEMENT OF CONSOLIDATED INTERIM COMPREHENSIVE INCOME FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**

	Note	Nine months ended September 30, 2020 '000 RON	Three months ended September 30, 2020 '000 RON	Nine months ended September 30, 2019 '000 RON	Three months ended September 30, 2019 '000 RON
Revenue	3	2,918,424	725,059	3,790,856	916,069
Cost of commodities sold	4	(13,682)	(2,924)	(102,391)	(12,439)
Investment income		35,612	12,923	30,104	6,200
Other gains and losses	5	(24,739)	850	(30,034)	(4,067)
Impairment gains/(losses) on trade receivables	10 c)	6,824	4,865	(31,238)	(1,290)
Changes in inventory of finished goods and work in progress		32,017	27,486	78,591	87,614
Raw materials and consumables used	4	(42,036)	(13,357)	(59,865)	(19,507)
Depreciation, amortization and impairment expenses	6	(435,781)	(164,629)	(594,539)	(229,064)
Employee benefit expense	8	(539,946)	(184,521)	(481,361)	(173,452)
Finance cost		(12,723)	(4,240)	(16,725)	(5,586)
Exploration expense		(37,847)	(15,634)	(24,491)	(15)
Share of profit/(loss) of associates		203	328	1,382	217
Other expenses	9	(796,914)	(227,830)	(1,188,818)	(324,594)
Other income	3	17,439	5,420	24,528	4,579
<b>Profit before tax</b>		<b>1,106,851</b>	<b>163,796</b>	<b>1,395,999</b>	<b>244,665</b>
Income tax expense	7	(164,906)	(22,691)	(210,895)	(35,470)
<b>Profit for the period</b>		<b>941,945</b>	<b>141,105</b>	<b>1,185,104</b>	<b>209,195</b>
<b>Total comprehensive income for the period</b>		<b>941,945</b>	<b>141,105</b>	<b>1,185,104</b>	<b>209,195</b>
<b>Basic and diluted earnings per share</b>		<b>0.0024</b>	<b>0.0004</b>	<b>0.0031</b>	<b>0.0005</b>

These financial statements were approved by the Board of Directors on November 12, 2020.

\_\_\_\_\_  
**Adrian Constantin Volintiru**  
 Chief Executive Officer

\_\_\_\_\_  
**Daniel Corneliu Pena**  
 Deputy Chief Executive Officer

\_\_\_\_\_  
**Marius Leonte 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 FINANCIAL POSITION AS OF SEPTEMBER 30, 2020**

	<u>Note</u>	<u>September 30, 2020</u> <u>'000 RON</u>	<u>December 31, 2019</u> <u>'000 RON</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5,512,968	5,543,177
Other intangible assets		11,970	9,164
Investments in associates		24,975	24,772
Deferred tax asset		219,573	230,947
Other financial assets		5,368	5,388
Right of use assets		8,143	8,590
<b>Total non-current assets</b>		<b>5,782,997</b>	<b>5,822,038</b>
<b>Current assets</b>			
Inventories		304,836	311,013
Trade and other receivables	10	534,601	638,158
Contract costs		654	312
Other financial assets		1,011,543	1,075,224
Other assets	10	62,748	42,485
Cash and cash equivalents		699,190	363,943
<b>Total current assets</b>		<b>2,613,572</b>	<b>2,431,135</b>
<b>Total assets</b>		<b>8,396,569</b>	<b>8,253,173</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		385,422	385,422
Reserves		2,186,249	1,587,409
Retained earnings		4,923,797	5,201,222
<b>Total equity</b>		<b>7,495,468</b>	<b>7,174,053</b>
<b>Non-current liabilities</b>			
Retirement benefit obligation		107,439	114,876
Deferred revenue		21,284	21,244
Lease liability		7,995	8,285
Provisions		367,341	366,393
<b>Total non-current liabilities</b>		<b>504,059</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 SEPTEMBER 30, 2020**

	<u>Note</u>	<u>September 30, 2020</u> <u>'000 RON</u>	<u>December 31, 2019</u> <u>'000 RON</u>
<b>Current liabilities</b>			
Trade payables		74,740	109,910
Contract liabilities		30,339	42,705
Current tax liabilities		25,084	64,342
Deferred revenue		11,853	3,729
Provisions		112,698	82,701
Lease liability		756	694
Other liabilities	11	141,572	264,241
<b>Total current liabilities</b>		<b>397,042</b>	<b>568,322</b>
<b>Total liabilities</b>		<b>901,101</b>	<b>1,079,120</b>
<b>Total equity and liabilities</b>		<b>8,396,569</b>	<b>8,253,173</b>

These financial statements were approved by the Board of Directors on November 12, 2020.

\_\_\_\_\_  
**Adrian Constantin Volintiru**  
 Chief Executive Officer

\_\_\_\_\_  
**Daniel Corneliu Pena**  
 Deputy Chief Executive Officer

\_\_\_\_\_  
**Marius Leonte Veza**  
 Accounting Director

**CONDENSED STATEMENT OF CONSOLIDATED INTERIM CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2020**

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
<b>Balance as of January 1, 2020</b>	<b>385,422</b>	<b>79,921</b>	<b>1,507,488</b>	<b>5,201,222</b>	<b>7,174,053</b>
Allocation to dividends *)	-	-	-	(620,530)	(620,530)
Allocation to other reserves	-	-	598,840	(598,840)	-
Profit for the period	-	-	-	941,945	941,945
<b>Balance as of September 30, 2020</b>	<b>385,422</b>	<b>79,921</b>	<b>2,106,328</b>	<b>4,923,797</b>	<b>7,495,468</b>
<b>Balance as of January 1, 2019</b>	<b>385,422</b>	<b>77,487</b>	<b>1,747,512</b>	<b>5,458,196</b>	<b>7,668,617</b>
Allocation to dividends	-	-	(362,297)	(1,244,914)	(1,607,211)
Decrease in reserves approved by Depogaz's sole shareholder	-	(375)	(909)	1,284	-
Allocation to other reserves	-	-	106,265	(106,265)	-
Profit for the period	-	-	-	1,185,104	1,185,104
<b>Balance as of September 30, 2019</b>	<b>385,422</b>	<b>77,112</b>	<b>1,490,571</b>	<b>5,293,405</b>	<b>7,246,510</b>

\*) In 2020, the Company's shareholders approved the allocation of dividends of RON 620,530 thousand, dividend per share being RON 1.61.

These financial statements were approved by the Board of Directors on November 12, 2020.

\_\_\_\_\_  
**Adrian Constantin Volintiru**  
 Chief Executive Officer

\_\_\_\_\_  
**Daniel Corneliu Pena**  
 Deputy Chief Executive Officer

\_\_\_\_\_  
**Marius Leonte Veza**  
 Accounting Director

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

**CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**

	Nine months ended September 30, 2020	Three months ended September 30, 2020	Nine months ended September 30, 2019	Three months ended September 30, 2019
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
<b>Cash flows from operating activities</b>				
<b>Net profit</b>	<b>941,945</b>	<b>141,105</b>	<b>1,185,104</b>	<b>209,195</b>
<b>Adjustments for:</b>				
Income tax expense (note 7)	164,906	22,691	210,895	35,470
Share of associates' result	(203)	(328)	(1,382)	(217)
Interest expense on lease contracts	441	152	387	159
Unwinding of decommissioning provision	12,282	4,088	16,338	5,427
Interest revenue	(35,612)	(12,923)	(30,104)	(6,200)
Net loss on disposal of non-current assets (note 5)	19,967	405	40,996	488
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 9)	(2,250)	(610)	(1,109)	529
Change in other provisions (note 9)	20,745	52,669	(54,607)	6,209
Net impairment of exploration assets (note 6)	32,542	20,531	114,589	70,094
Exploration projects written off	13,268	10,032	23,051	15
Net impairment of property, plant and equipment and intangibles (note 6)	78,656	43,584	84,148	32,672
Depreciation and amortization (note 6)	324,583	100,514	395,802	126,298
Amortization of contract costs	406	191	557	80
Change in investments at fair value through profit and loss (note 5)	20	(5)	4,431	(15)
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 10)	(6,416)	(4,373)	14,758	3,257
Other gains and losses	-	-	(52)	-
Net movement in write-down allowances for inventory (note 5)	4,108	(1,800)	1,758	1,587
Income from liabilities written-off	(245)	(245)	(89)	(89)
Subsidies income	(6)	(3)	(50)	(12)
	<b>1,569,137</b>	<b>375,675</b>	<b>2,005,421</b>	<b>484,947</b>
<b>Movements in working capital:</b>				
(Increase)/Decrease in inventory	2,539	(29,316)	(53,414)	(94,834)
(Increase)/Decrease in trade and other receivables	88,962	39,938	327,471	226,417
Increase/(Decrease) in trade and other liabilities	(170,199)	(8,141)	(121,666)	(68,281)
<b>Cash generated from operations</b>	<b>1,490,439</b>	<b>378,156</b>	<b>2,157,812</b>	<b>548,249</b>
Income taxes paid	(192,790)	(25,244)	(254,758)	(67,659)
<b>Net cash generated by operating activities</b>	<b>1,297,649</b>	<b>352,912</b>	<b>1,903,054</b>	<b>480,590</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 NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**

	Nine months ended September 30, 2020	Three months ended September 30, 2020	Nine months ended September 30, 2019	Three months ended September 30, 2019
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
<b>Cash flows from investing activities</b>				
Bank deposits set up and acquisition of state bonds	(1,650,175)	(315,367)	(1,573,245)	(890,969)
Bank deposits and state bonds matured	1,728,003	63,764	1,485,490	210,089
Interest received	29,642	9,918	36,188	9,790
Proceeds from sale of non-current assets	1,119	310	326	97
Acquisition of non-current assets	(397,322)	(127,767)	(487,430)	(155,901)
Acquisition of exploration assets	(52,464)	(18,377)	(124,545)	(40,244)
<b>Net cash used in investing activities</b>	<b><u>(341,197)</u></b>	<b><u>(387,519)</u></b>	<b><u>(663,216)</u></b>	<b><u>(867,138)</u></b>
<b>Cash flows from financing activities</b>				
Dividends paid	(620,248)	(620,170)	(1,607,080)	(765)
Subsidies reimbursed	(50)	(50)	-	-
Repayment of lease liability	(907)	(257)	(569)	(257)
<b>Net cash used in financing activities</b>	<b><u>(621,205)</u></b>	<b><u>(620,477)</u></b>	<b><u>(1,607,649)</u></b>	<b><u>(1,022)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b><u>335,247</u></b>	<b><u>(655,084)</u></b>	<b><u>(367,811)</u></b>	<b><u>(387,570)</u></b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b><u>363,943</u></b>	<b><u>1,354,274</u></b>	<b><u>566,836</u></b>	<b><u>586,595</u></b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>699,190</u></b>	<b><u>699,190</u></b>	<b><u>199,025</u></b>	<b><u>199,025</u></b>

These financial statements were approved by the Board of Directors on November 12, 2020.

\_\_\_\_\_  
**Adrian Constantin Volintiru**  
 Chief Executive Officer

\_\_\_\_\_  
**Daniel Corneliu Pena**  
 Deputy Chief Executive Officer

\_\_\_\_\_  
**Marius Leonte 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 CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 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. Motaș 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.

The Group has as main activity:

1. geological research for the discovery of natural gas, crude oil and condensed reserves;
2. operation, production and usage, including trading, of mineral resources;
3. natural gas production for:
  - ensuring the storage flow continuity;
  - technological consumption;
  - delivery in the transmission system.
4. underground storage of natural gas;
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.

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. Consequently, these financial statements must not be used as sole source of information by a potential investor or other users interested in a specific transaction.

These financial statements do not include all the information and elements disclosed in the annual financial statements and must be read in conjunction with the annual consolidated financial statements of S.N.G.N. Romgaz S.A. as of December 31, 2019.

***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.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**

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

*Associated entities*

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

*Joint arrangements*

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

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

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

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

*Joint operations*

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

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

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

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

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

*Joint ventures*

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

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

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

- Amendments to IFRS 3 Business 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);
- Amendment to IFRS 16 Leases Covid 19-related rent concession (effective from June 1, 2020).

The accompanying notes form an integral part of these financial statements.

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**

The adoption of these amendments to the existing standards has not led to any 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 publication date of financial statements:

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

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

***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 extracted during the period November-March.

***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 the value of the corresponding item for the previous period ended is presented. 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 CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020

## 3. REVENUE AND OTHER INCOME

	Nine months ended September 30, 2020	Three months ended September 30, 2020	Nine months ended September 30, 2019	Three months ended September 30, 2019
	'000 RON	'000 RON	'000 RON	'000 RON
Revenue from gas sold - domestic production	2,309,329	532,942	3,116,863	713,145
Revenue from gas sold – other arrangements	54,605	14,364	101,735	29,700
Revenue from gas acquired for resale – import gas	-	-	77,867	-
Revenue from gas acquired for resale – domestic gas	12,264	3,157	19,720	11,022
Revenue from storage services-capacity reservation	217,840	65,153	169,345	70,014
Revenue from storage services-extraction	24,015	4,810	16,419	-
Revenue from storage services-injection	37,874	14,080	36,451	18,171
Revenue from electricity	114,267	55,827	83,981	33,162
Revenue from services	128,661	29,189	137,506	32,579
Revenue from sale of goods	13,718	3,603	25,381	6,344
Other revenues from contracts	311	64	227	124
<b>Total revenue from contracts with customers</b>	<b>2,912,884</b>	<b>723,189</b>	<b>3,785,495</b>	<b>914,261</b>
Other revenues	5,540	1,870	5,361	1,808
<b>Total revenue</b>	<b>2,918,424</b>	<b>725,059</b>	<b>3,790,856</b>	<b>916,069</b>
Other operating income	17,439	5,420	24,528	4,579
<b>Total revenue and other income</b>	<b>2,935,863</b>	<b>730,479</b>	<b>3,815,384</b>	<b>920,648</b>

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

	Nine months ended September 30, 2020	Three months ended September 30, 2020	Nine months ended September 30, 2019	Three months ended September 30, 2019
	'000 RON	'000 RON	'000 RON	'000 RON
Consumables used	39,822	12,673	57,389	18,792
Cost of gas acquired for resale, sold – import	-	-	74,410	-
Cost of gas acquired for resale, sold – domestic	5,455	1,995	7,681	3,352
Cost of electricity imbalance	7,718	659	19,439	8,718
Cost of other goods sold	509	270	861	369
Other consumables	2,214	684	2,476	715
<b>Total</b>	<b>55,718</b>	<b>16,281</b>	<b>162,256</b>	<b>31,946</b>

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## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020

## 5. OTHER GAINS AND LOSSES

	Nine months ended September 30, 2020	Three months ended September 30, 2020	Nine months ended September 30, 2019	Three months ended September 30, 2019
	'000 RON	'000 RON	'000 RON	'000 RON
Forex gain	46	26	2,551	16
Forex loss	(282)	(84)	(1,932)	(56)
Net loss on disposal of non-current assets	(19,967)	(405)	(40,996)	(488)
Net allowance for other receivables (note 10 c)	(407)	(491)	16,480	(1,967)
Net write down allowances for inventory	(4,108)	1,800	(1,758)	(1,587)
Net gain/(loss) on financial assets at fair value through profit or loss	(20)	5	(4,431)	15
Losses from receivables	(1)	(1)	-	-
Other gains and losses	-	-	52	-
<b>Total</b>	<b>(24,739)</b>	<b>850</b>	<b>(30,034)</b>	<b>(4,067)</b>

## 6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Nine months ended September 30, 2020	Three months ended September 30, 2020	Nine months ended September 30, 2019	Three months ended September 30, 2019
	'000 RON	'000 RON	'000 RON	'000 RON
Depreciation	324,583	100,514	395,802	126,298
out of which:				
- depreciation of property, plant and equipment	322,471	99,602	393,333	125,655
- depreciation of right of use assets	685	229	524	224
- amortization of intangible assets	1,427	683	1,945	419
Net impairment of non-current assets	111,198	64,115	198,737	102,766
<b>Total depreciation, amortization and impairment</b>	<b>435,781</b>	<b>164,629</b>	<b>594,539</b>	<b>229,064</b>

## 7. INCOME TAX

	Nine months ended September 30, 2020	Three months ended September 30, 2020	Nine months ended September 30, 2019	Three months ended September 30, 2019
	'000 RON	'000 RON	'000 RON	'000 RON
Current tax expense	153,532	25,084	229,057	44,362
Deferred income tax (income)/expense	11,374	(2,393)	(18,162)	(8,892)
<b>Income tax expense</b>	<b>164,906</b>	<b>22,691</b>	<b>210,895</b>	<b>35,470</b>

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## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020

## 8. EMPLOYEE BENEFIT EXPENSE

	Nine months ended September 30, 2020	Three months ended September 30, 2020	Nine months ended September 30, 2019	Three months ended September 30, 2019
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Wages and salaries	561,538	191,380	516,315	183,332
Social security charges	20,020	6,702	14,969	5,213
Meal tickets	17,197	6,282	14,258	4,589
Other benefits according to collective labor contract	14,773	8,259	22,605	12,135
Private pension payments	8,833	2,933	8,783	2,935
Private health insurance	4,356	1,628	-	-
<b>Total employee benefit costs</b>	<b>626,717</b>	<b>217,184</b>	<b>576,930</b>	<b>208,204</b>
Less, capitalized employee benefit costs	(86,771)	(32,663)	(95,569)	(34,752)
<b>Total employee benefit expense</b>	<b>539,946</b>	<b>184,521</b>	<b>481,361</b>	<b>173,452</b>

## 9. OTHER EXPENSES

	Nine months ended September 30, 2020	Three months ended September 30, 2020	Nine months ended September 30, 2019	Three months ended September 30, 2019
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Energy and water expenses	33,574	15,425	52,402	30,491
Expenses for capacity booking and gas transmission services	121,402	26,187	115,231	24,130
Expenses with other taxes and duties *)	473,686	91,165	837,345	187,683
(Net gain)/Net loss from provisions movement	18,495	52,059	(55,716)	6,738
Other operating expenses	149,757	42,994	239,556	75,552
<b>Total</b>	<b>796,914</b>	<b>227,830</b>	<b>1,188,818</b>	<b>324,594</b>

\*) In the nine-month period ended September 30, 2020, the major taxes and duties included in the amount of RON 473,686 thousand (nine-month period ended September 30, 2019: RON 837,345 thousand) are:

- RON 335,049 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 (nine-month period ended September 30, 2019: RON 555,946 thousand);
- RON 132,768 thousand represent royalty on gas production and storage activity (nine-month period ended September 30, 2019: RON 273,697 thousand).

## 10. ACCOUNTS RECEIVABLE

## a) Trade and other receivables

	September 30, 2020	December 31, 2019
	<u>'000 RON</u>	<u>'000 RON</u>
Trade receivables	1,622,671	1,554,652
Allowances for expected credit losses (note 10 c)	(1,270,842)	(1,252,267)
Accrued receivables	204,515	382,915
Allowances for expected credit losses on accrued receivables (note 10 c)	(21,743)	(47,142)
<b>Total</b>	<b>534,601</b>	<b>638,158</b>

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**
**b) Other assets**

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
	'000 RON	'000 RON
Advances paid to suppliers	10,994	386
Joint operation receivables	1,780	2,125
Other receivables	65,113	62,343
Allowance for expected credit losses for other receivables (note 10 c)	(33,626)	(33,703)
Other debtors	48,064	47,529
Allowance for expected credit losses for other debtors (note 10 c)	(46,929)	(46,445)
Other taxes receivable	618	-
Prepayments	13,104	3,911
VAT not yet due	3,630	6,339
<b>Total</b>	<b>62,748</b>	<b>42,485</b>

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

	<u>2020</u>	<u>2019</u>
	'000 RON	'000 RON
<b>At January 1</b>	<b>1,379,557</b>	<b>1,312,262</b>
Charge in the allowance for other assets (note 5)	552	2,052
Charge in the allowance for trade and other receivables	54,952	33,946
Release in the allowance for other assets (note 5)	(145)	(18,532)
Release in the allowance for trade and other receivables	(61,776)	(2,708)
<b>At September 30</b>	<b>1,373,140</b>	<b>1,327,020</b>

The Group did not record any allowance for expected credit losses due to the Covid 19 pandemic.

**11. OTHER LIABILITIES**

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
	'000 RON	'000 RON
Payables related to employees	30,402	48,055
Royalties	26,962	67,865
Social security taxes	26,010	22,145
Other current liabilities	5,511	5,489
VAT	31,877	57,990
Dividends payable	2,268	2,231
Windfall tax	17,811	59,095
Other taxes	731	1,371
<b>Total other liabilities</b>	<b>141,572</b>	<b>264,241</b>

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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**
**12. RELATED PARTY TRANSACTIONS AND BALANCES**
**(i) Sales of goods and services**

	Nine months ended September 30, 2020	Three months ended September 30, 2020	Nine months ended September 30, 2019	Three months ended September 30, 2019
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Romgaz's associates	9,062	3,943	12,494	7,503
<b>Total</b>	<b><u>9,062</u></b>	<b><u>3,943</u></b>	<b><u>12,494</u></b>	<b><u>7,503</u></b>

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

**(ii) Trade receivables**

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Romgaz's associates	2,954	-
<b>Total</b>	<b><u>2,954</u></b>	<b><u>-</u></b>

**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 and Mures 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. In 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.

**b) Segment assets and liabilities**

September 30, 2020	<u>Upstream</u>	<u>Storage</u>	<u>Electricity</u>	<u>Other</u>	<u>Consolidation adjustments</u>	<u>Total</u>
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
<b>Total assets</b>	<b><u>3,886,812</u></b>	<b><u>900,970</u></b>	<b><u>1,181,665</u></b>	<b><u>2,497,903</u></b>	<b><u>(70,781)</u></b>	<b><u>8,396,569</u></b>
<b>Total liabilities</b>	<b><u>503,773</u></b>	<b><u>98,961</u></b>	<b><u>73,351</u></b>	<b><u>246,682</u></b>	<b><u>(21,666)</u></b>	<b><u>901,101</u></b>

The accompanying notes form an integral part of these financial statements.  
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**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**

December 31, 2019	<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>Consolidation adjustments</u> <u>'000 RON</u>	<u>Total</u> <u>'000 RON</u>
Total assets	<u>4,093,044</u>	<u>1,096,997</u>	<u>1,096,629</u>	<u>1,992,195</u>	<u>(25,692)</u>	<u>8,253,173</u>
Total liabilities	<u>662,926</u>	<u>95,578</u>	<u>54,565</u>	<u>292,286</u>	<u>(26,235)</u>	<u>1,079,120</u>

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

Nine months ended September 30, 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	2,650,491	250,345	164,872	274,552	(421,836)	2,918,424
Less: revenue between segments	<u>(51,319)</u>	<u>(50,449)</u>	<u>(50,869)</u>	<u>(269,199)</u>	<u>421,836</u>	<u>-</u>
Third party revenue	2,599,172	199,896	114,003	5,353	-	2,918,424
<b>Segment profit before tax profit/(loss)</b>	<b><u>1,031,368</u></b>	<b><u>55,857</u></b>	<b><u>(23,660)</u></b>	<b><u>113,495</u></b>	<b><u>(70,209)</u></b>	<b><u>1,106,851</u></b>

Three months ended September 30, 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	631,698	77,792	72,502	98,875	(155,808)	725,059
Less: revenue between segments	<u>(25,131)</u>	<u>(16,492)</u>	<u>(16,771)</u>	<u>(97,414)</u>	<u>155,808</u>	<u>-</u>
Third party revenue	606,567	61,300	55,731	1,461	-	725,059
<b>Segment profit before tax profit/(loss)</b>	<b><u>157,170</u></b>	<b><u>5,418</u></b>	<b><u>(5,282)</u></b>	<b><u>22,829</u></b>	<b><u>(16,339)</u></b>	<b><u>163,796</u></b>

Nine months ended September 30, 2019	<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	3,544,964	324,357	148,502	214,360	(441,327)	3,790,856
Less: revenue between segments	<u>(41,076)</u>	<u>(127,522)</u>	<u>(64,716)</u>	<u>(208,013)</u>	<u>441,327</u>	<u>-</u>
Third party revenue	3,503,888	196,835	83,786	6,347	-	3,790,856
<b>Segment profit before tax profit/(loss)</b>	<b><u>1,282,507</u></b>	<b><u>28,094</u></b>	<b><u>1,813</u></b>	<b><u>83,585</u></b>	<b><u>-</u></b>	<b><u>1,395,999</u></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 CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020**

Three months ended September 30, 2019	<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	813,759	130,164	60,540	74,660	(163,054)	916,069
Less: revenue between segments	<u>(15,747)</u>	<u>(48,187)</u>	<u>(27,438)</u>	<u>(71,682)</u>	<u>163,054</u>	<u>-</u>
Third party revenue	798,012	81,977	33,102	2,978	-	916,069
<b>Segment profit before tax profit/(loss)</b>	<b><u>215,080</u></b>	<b><u>12,185</u></b>	<b><u>5,809</u></b>	<b><u>11,591</u></b>	<b><u>-</u></b>	<b><u>244,665</u></b>

**14. 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. In 2020 the amount was increased to USD 100,000 thousand. On September 30, 2020 are still available for use USD 63,950 thousand.

As of September 30, 2020, the Group's contractual commitments for the acquisition of non-current assets are of RON 392,181 thousand (December 31, 2019: RON 433,200 thousand), of which, the contract for CET lernut development represents RON 169,099 thousand.

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

No significant events after the balance sheet date were identified.

**16. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors on November 12, 2020.

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**Adrian Constantin Volintiru**  
Chief Executive Officer

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**Daniel Corneliu Pena**  
Deputy Chief Executive Officer

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**Marius Leonte Veza**  
Accounting Director