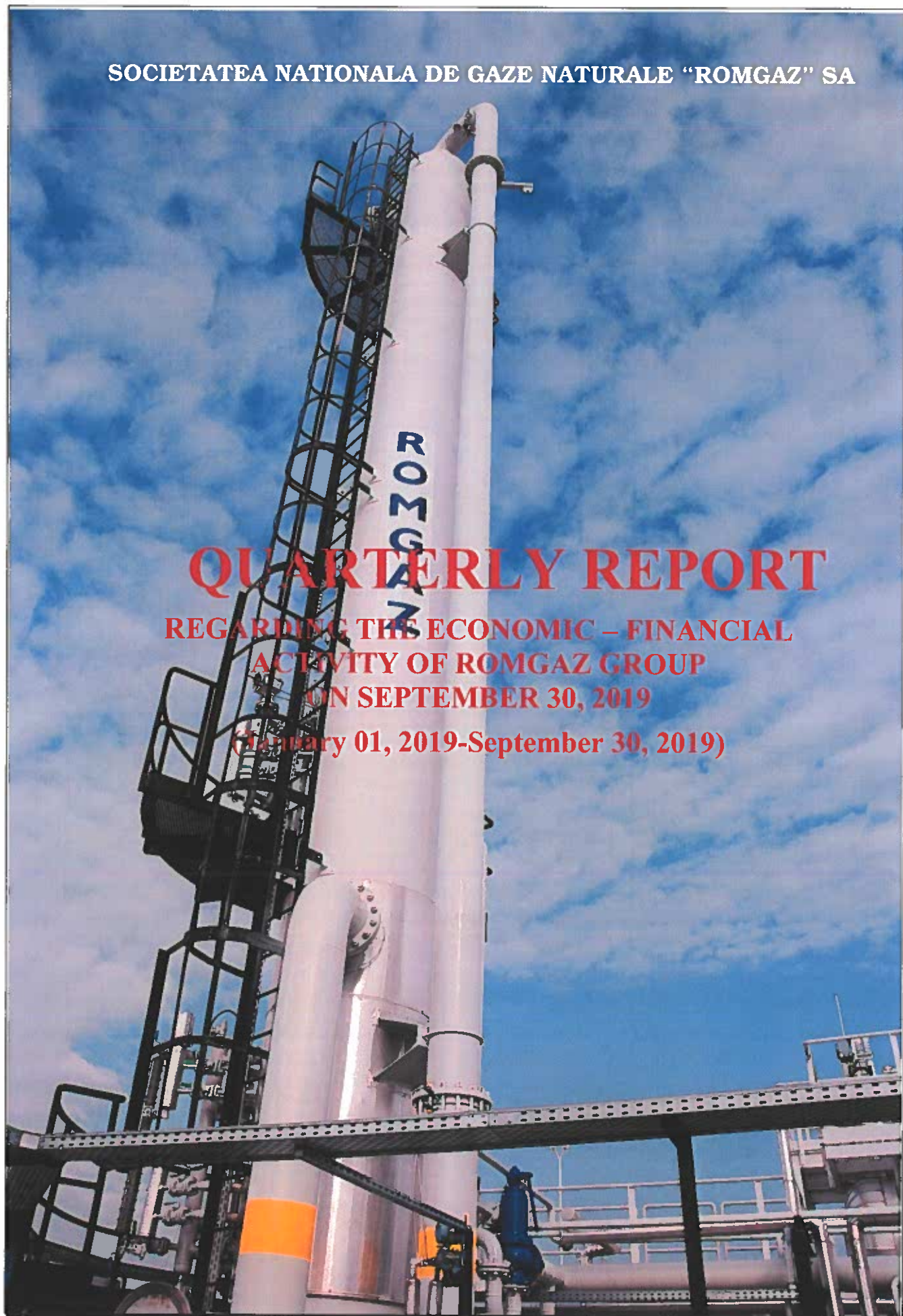


SOCIETATEA NATIONALA DE GAZE NATURALE "ROMGAZ" SA

QUARTERLY REPORT

REGARDING THE ECONOMIC – FINANCIAL
ACTIVITY OF ROMGAZ GROUP
ON SEPTEMBER 30, 2019

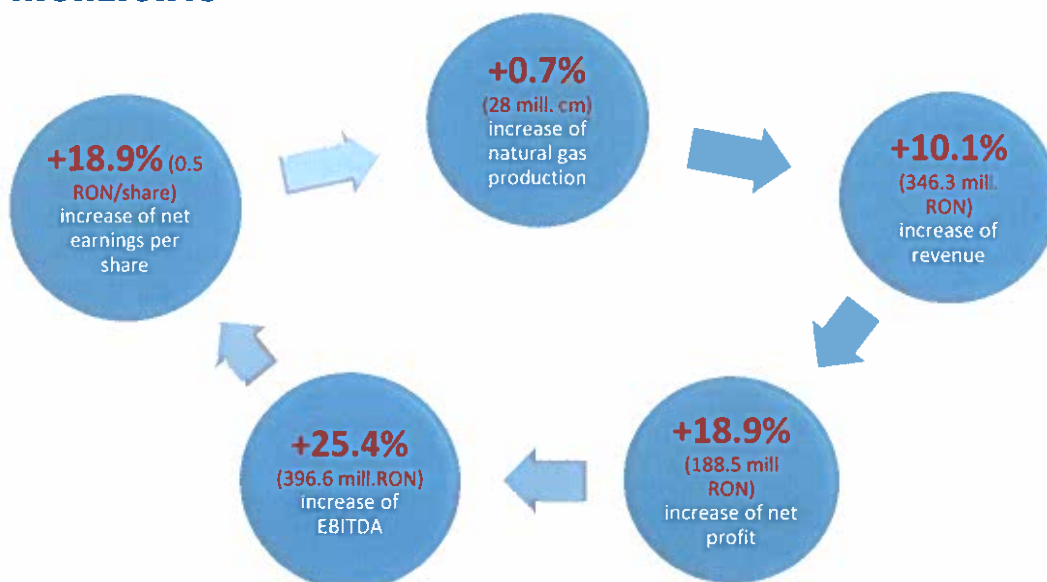
(January 01, 2019-September 30, 2019)



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 14, 2019		
Name of Company	Societatea Națională de Gaze Naturale "ROMGAZ" SA		
Headquarters	Mediaș, No. 4 Piața Constantin I. Motaș, zip code 551130, Sibiu County		
Phone/fax	0040 374 401020 / 0040 269 846901		
Web/E-mail	www.romgaz.ro / secretariat@romgaz.ro		
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		

HIGHLIGHTS



ROMGAZ GROUP¹ PERFORMANCE

Romgaz operational and financial performance during the 9-month period ended on September 30, 2019 remains high, confirming the path the Company chose to follow.

During the first nine months of 2019, estimations show that national gas consumption decreased by approx. 5.7%, while Romgaz deliveries, consisting of deliveries to customers, CET Iernut consumption and technological consumption, decreased by 5.4% as compared to the similar period of the previous year. Romgaz market share, representing the participation of deliveries from the Company's internal production to the domestic natural gas national consumption, increased by approximately 7% as compared to the similar period of the previous year, reaching approximately 59%.

Natural gas production was 3,950 million m³, by 28 million m³ higher than the production of the same period in the previous year (+0.7%) and by 0.3% lower than scheduled.

Electricity production was 292.11 GWh, lower than in the similar period of 2018 (750.65 GWh). With this production, Romgaz has a 0.66%² market share.

Margins of main profitability indicators: net profit (31.3%), EBIT (36.0%) and EBITDA (51.7%) confirm the high profitability of Romgaz Group.

Relevant financial results

							RON million	
T3 2018	T2 2019	T3 2019	Δ T3 (%)	Main indicators	9 M 2018	9 M 2019	Δ 9 M (%)	
970.1	1,161.7	916.1	-5.6	Revenue	3,444.6	3,790.9	10.1	
1,070.7	1,229.4	1,014.6	-5.2	Income	3,517.6	3,927.1	11.6	
806.3	719.6	770.1	-4.5	Expenses	2,324.0	2,532.4	9.0	
(0.9)	(0.2)	0.2	n/a	Share of profit of associates	0.05	1.4	2,662.9	
263.4	509.6	244.7	-7.1	Gross profit	1,193.6	1,396.0	17.0	
49.7	75.5	35.5	-28.7	Profit tax	197.1	210.9	7.0	
213.7	434.1	209.2	-2.1	Net profit	996.6	1,185.1	18.9	
249.6	496.7	238.5	-4.5	EBIT	1,153.6	1,365.9	18.4	
397.8	598.9	467.5	17.5	EBITDA	1,563.8	1,960.4	25.4	
0.6	1.1	0.5	-2.1	Earnings per share (EPS) (RON)	2.6	3.1	18.9	
22.0	37.4	22.8	3.7	Net profit rate (% from Revenue)	28.9	31.3	8.1	
25.7	42.8	26.0	1.2	EBIT ratio (% from Revenue)	33.5	36.0	7.6	
41.0	51.6	51.0	24.5	EBITDA ratio (% from Revenue)	45.4	51.7	13.9	
6,137	6,171	6,214	1.3	Number of employees at the end of the period	6,137	6,214	1.3	

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 capitalised as non-current assets.

Note 2: periods relating to 2018 have been restated. For additional information, please refer to Note 14 of the consolidated condensed interim financial statements attached to this report.

¹ Romgaz Group consists of SNGN Romgaz SA („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).

² Source: CNTEE Transelectrica SA.

Also for January-September 2019, the Group recorded an increase of the main indicators as compared to the similar period of 2018, namely: revenue +10.1%, EBIT+18.4%, EBITDA +25.4%, confirming the previous trend. The relating profitability rates have also significant value.

A brief overview of the Group's main indicators during the reporting period is:

- ↳ *Total income* is higher by **RON 409.5 million**, recording an increase of 11.6% while total expenses increased by 9.0%.
- ↳ *Gross result* is higher by 17.0% as compared to the previous year due to the following influential factors:
 - 10.1% higher revenue as compared to the similar period of 2018 following an increase of gas sales, both from internal production and from gas purchased for resale (+12.92%);
 - the positive effect triggered by the increased revenue reflected on the profit was affected by the increased windfall tax (+50.4% representing an increase of RON 186.4 million) and by the 2% contribution of electricity and gas licence titleholders from the revenue recorded from activities that relate to the licences granted by ANRE (National Regulatory Authority in the field of Energy) (RON 62.8 million).
- ↳ *Net profit* is by RON 188.5 million higher than in the previous period due to increase of income and influenced by increase of expenses as previously shown (+18.9%);
- ↳ *Labour productivity* increased by 8.69% as compared to the previous period from RON 561.29 thousand revenue/employee to RON 610.05 thousand revenue/employee;
- ↳ *Net Profit, EBIT and EBITDA* rates are higher in comparison with the similar period of 2018 due to the increase of revenue;
- ↳ *EPS* is RON 3.1, by 18.9% higher.

Operational results

T3 2018	T2 2019	T3 2019	Δ T3 (%)	Main Indicators	9 M 2018	9 M 2019	Δ 9 M (%)
1,282	1,269.8	1,249.8	-2.51	Gas Produced (million m ³)	3,922	3,950	0.71
92	81	90	-1.10	Petroleum Royalty (million m ³)	284	283	-0.35
1,792	4,321	3,679	105.30	Condensate Production (tonnes)	5,277	12,952	145.44
284.4	0.8	120.4	-57.65	Electricity produced (GWh)	750.65	292.11	-61.09
12.3	39.8	0.0	-	Invoiced UGS gas withdrawal services (million m ³)	1,130.9	924.7	-18.23
860.0	1,009.8	1,226.8	42.7	Invoiced UGS gas injection services (million m ³)	1,611.6	2,274.4	41.13

Gas production was in line with the expected parameters when preparing the 2019 production schedule, the achieved level representing 99.70% of the schedule.

Romgaz natural gas production during the first 9 months of 2019 was 3,950 million m³, by 28 million m³ (0.71%) more than the volume produced during the same period of the previous year.

The high production was supported by:

- ✓ Continued rehabilitation projects on the most important mature gas reservoirs which arrested the production decline of these reservoirs;
- ✓ Well workover operations which resulted in reactivating several wells with significant flow rates;
- ✓ Relocation of compressors to optimise production at some gas reservoirs;
- ✓ Implementation of production and valorisation phase in case of positive geological exploration results by streaming into production new commercial gas discoveries.

The decrease of *produced electricity* as indicated in the table below is in close connection with the investment performed at CTE Iernut, works restricting the operation of power units belonging to the old power plant. Therefore, during Q2 and Q3 of 2019, electricity was not produced because of works performed at:

- the external power station;
- the primary cooling water circuits, works which are common with the existing power plant;
- the existing primary cooling circuits of the plant (hydro-technical dam, cooling water pumps, cooling towers, mixing chamber etc.), to be used also at the new investment, works which could only be performed when the plant was not in operation.

<i>*MWh*</i>			
Period	2018	2019	Variation
1	2	3	$\frac{4-(3-2)}{2} \times 100$
Q 1	287,287	170,894	-40.51%
Q 2	178,933	773	-99.57%
Q 3	284,429	120,443	-57.65%
9 months	750,649	292,110	-61.09%

HIGHLIGHTS

March 29, 2019

The Romanian Government issues GEO no. 19/2019³ amending favourably GEO no. 114/2018⁴, namely the gas sale price capping at 68 RON/MWh for the period May 1, 2019 – February 28, 2022 is limited to gas deliveries to “household suppliers and heat producers, only for the natural gas quantity used to produce heat in cogeneration plants and in power plants for the population’s consumption”.

GEO no.114/2018 enforced a price capping on gas deliveries to “suppliers and final eligible customers” stating that “during such period, under regulated conditions issued by ANRE, the producer is required to prioritise sales from the current production and/or from storages towards suppliers with the scope of securing the total household consumption”.

April 1, 2019

Enforcement of the new storage tariffs approved by ANRE Order no.44/2019.

May 7, 2019

Romgaz celebrated 110 years from the first natural gas discovery in Romania. Natural gas history began in Romania in 1909, in Sarmasel, when natural gas burst out freely while drilling for potassium salts at over 300 meter depth. This phenomenon marked the beginning of an industry, nowadays a century old.

June 26, 2019

According to Resolution no.6, the Company’s shareholders appointed by the cumulative vote the following persons as members of the Board of Directors:

- ✍ Stan-Olteanu Manuela-Petronela
- ✍ Havrileț Niculae
- ✍ Ciobanu Romeo-Cristian
- ✍ Parpală Caius-Mihai
- ✍ Hărăbor Tudorel
- ✍ Cîmpeanu Nicolae
- ✍ Jansen Petrus Antonius Maria.

Mr. Ciobanu Romeo Cristian and Mr. Jansen Petrus Antonius Maria were reconfirmed as directors being selected in 2018 following a selection process, and were appointed directors for a 4-year mandate by OGMS Resolution no.8 of July 6, 2018. Therefore, their mandate is carried on forward. All other directors, acting as interim directors, are appointed for a 4-month period.

³ Emergency Ordinance issued by the Romanian Government no.19 of March 29, 2019 amending and supplementing certain pieces of legislation

⁴ Government Emergency Ordinance no.114 of December 28, 2018 on establishing certain measures related to public investments and fiscal-budgetary measures, amending and supplementing pieces of legislation and prorogation of terms

ROMGAZ GROUP OVERVIEW

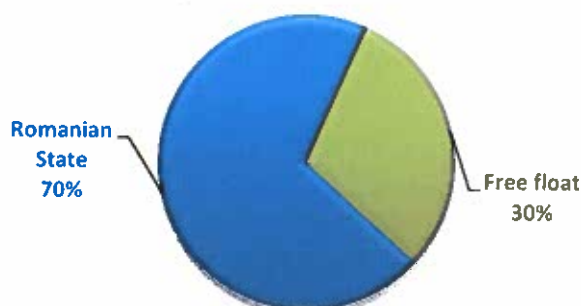
Romgaz Group undertakes business in the following segments:

- ⊗ 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, 2019, the shareholder structure of SNGN Romgaz SA was the following:

	Number of shares	%
The Romanian State ⁵	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
*legal persons	98,411,152	25.5333
*natural persons	17,188,168	4.4596
Total	385,422,400	100.0000



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.

Until March 31, 2018 the Company had seven branches established on the basis of both activities performed and territoriality considerations (natural gas production branches):

- Medias Branch
- Targu Mureş Branch
- Ploiesti Branch
- SIRCOSS – Branch for Well Workover, Recompletions and Special Well Operations
- STTM – Technological Transport and Maintenance Branch
- SPEE – Iernut Power Generation Branch
- Bratislava Branch

⁵ The Romanian State through the Ministry of Energy

As of April 1, 2018 Ploiesti Branch terminated its activity and from this date onwards *SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL (Depogaz Subsidiary)* became operational, managing the natural gas underground storage activity.

Board of Directors Resolution no. 33 of September 4, 2019 rules the deletion of Ploiesti Branch from the organisation structure chart and its removal from the National Trade Register.

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 SNGN Romgaz SA and performed by a storage operator, a subsidiary where SNGN Romgaz SA is sole shareholder.

The Company's subscribed and paid-in share capital is RON 66,056,160 split in 6,605,616 shares with a nominal value of RON 10/share, entirely owned by Romgaz.

The subsidiary took over the operation of underground storages licensed to SNGN Romgaz SA, 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, 2019:

Item no.	Name	Position in the Board	Status*)	Professional Qualification	Institution of Employment
1	Stan-Olteanu Manuela-Petronela	chairman	non-executive	legal adviser	General Secretariat of the Government
2	Havrileț Nicolae	member	non-executive non-independent	engineer	Ministry of Energy
3	Ciobanu Romeo-Cristian	member	non-executive independent	PhD engineer	Universitatea Tehnică Iași
4	Parpală Caius-Mihai	member	non-executive independent	engineer	ANAR - Administrația Bazinală de Ape Mureș – Sistemul de Gospodărire al Apelor Arad
5	Hărăbor Tudorel	member	non-executive independent	economist	
6	Cîmpeanu Nicolae	member	non-executive independent	economist	OMV Petrom Global Solutions S.R.L.
7	Jansen Petrus Antonius Maria	member	non-executive independent	economist	London School of Business and Finance

During January 1 – June 26, 2019 the Board of Directors had the following members:

Item No.	Name	Position in the Board	Status ^{*)}	Professional Qualification	Institution of Employment
1	Nistoran Dorin Liviu	chairman/member ^{**)}	non-executive independent	engineer	Evolio
2	Volintiru Adrian Constantin	member	executive non-independent	economist	SNGN Romgaz SA
3	Ungur Ramona	member/chairman ^{***)}	non-executive independent	economist	
4	Grigorescu Remus	member	non-executive independent	PhD in economics	Universitatea "Constantin Brâncoveanu"
5	Ciobanu Romeo Cristian	member	non-executive independent	PhD engineer	Universitatea Tehnică Iași
6	Jude Aristotel Marius	member	non-executive non-independent	MBA in Law legal adviser	SNGN Romgaz SA
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.

^{**) -} chairman until May 14, 2019.

^{***)} - chairman as of May 15, 2019.

The directors CVs can be found on the Company's webpage at: <http://www.romgaz.ro/en/consiliu-administratie>

Upper management

Volintiru Adrian Constantin – Chief Executive Officer (CEO)

The Board of Directors decided by Resolution no.29 of June 14, 2018 to appoint Mr. Volintiru Adrian Constantin as Chief Executive Officer of the Company for a 4-month period.

The Board of Directors appointed by Resolution no. 45 of October 1st, 2018 Mr. Volintiru Adrian Constantin as Chief Executive Officer of the Company for a 4year mandate.

Bobar Andrei – Chief Financial Officer (CFO)

According to Resolution no. 30 of November 2, 2017, the Board of Directors appointed Mr. Bobar Andrei as Chief Financial Officer.

According to Resolution no. 39 of August 28, 2018, the Board of Directors appointed Mr. Bobar Andrei as Chief Financial Officer for a limited period starting (August 28, 2018 - November 2, 2021).

Mr. Bobar Andrei unilaterally terminated the Contract of Mandate by giving on 22 August 2019 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.

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

Name	Position
ROMGAZ - headquarters	
Paraschiv Nelu	Deputy Director General
Tataru Argentina	Deputy Director General
Bobar Andrei	Financial Director
-	Accounting Director
Dediu Mihaela Carmen	Exploration-Appraisal Director
-	Production Director
Boiarciuc Adrian	Information Technology Director
Lupa Leonard Ionuț	Procurement Director
Chertes Viorel Claudiu	Director for Technical Regulations
Ciolpan Vasile	Energy Trade Director
Endre Ioo	Legal Department Director
Stan Ioan	Human Resources Director
Cindrea Corin Emil	HQSE Director
Stancu Lucian Adrian	Corporate Management Director
Mediaș Branch	
Dobrescu Dumitru	Director
Achimeș Teodora Magdalena	Economic Director
-	Production Director
Man Ioan Mihai	Technical Director
Târgu Mureș Branch	
Roiban Claudiu	Director
Dimbean Catalin	Economic Director
-	Production Director
Baciu Marius Tiberiu	Technical Director
Iernut Branch	
Balazs Bela	Director
Oros Cristina Monica	Economic Director
Oprea Maria Aurica	Trading Director
Bircea Angela	Technical Director
SIRCOSS	
Rotar Dumitru Gheorghe	Director
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director
STTM	
Cătană Cristian Victor	Director
Ilinca Cristian Alexandru	Economic Director
Cioban Cristian Augustin	Operation-Development Director

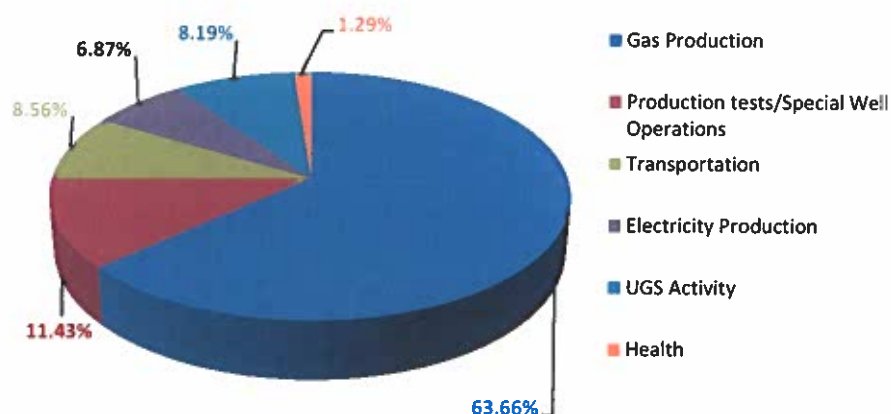
Human Resources

On September 30, 2019, Romgaz Group had 6,214 employees and SNGN Romgaz SA 5,705 employees.

The table below shows the employee number evolution during January 1, 2016 – September 30, 2019:

Description	2016	2017	2018		9 M 2019	
			Romgaz Group	SNGN Romgaz SA	Romgaz Group	SNGN Romgaz SA
1	2	3	5		6	6
Employees at the beginning of the period	6,356	6,246	6,198	6,198	6,214	5,688
Newly hired employees	168	233	286	241	173	153
Employees who terminated their labour relationship with the Company	278	281	270	751	173	136
Employees at the end of the period	6,246	6,198	6,214	5,688	6,214	5,705

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”.

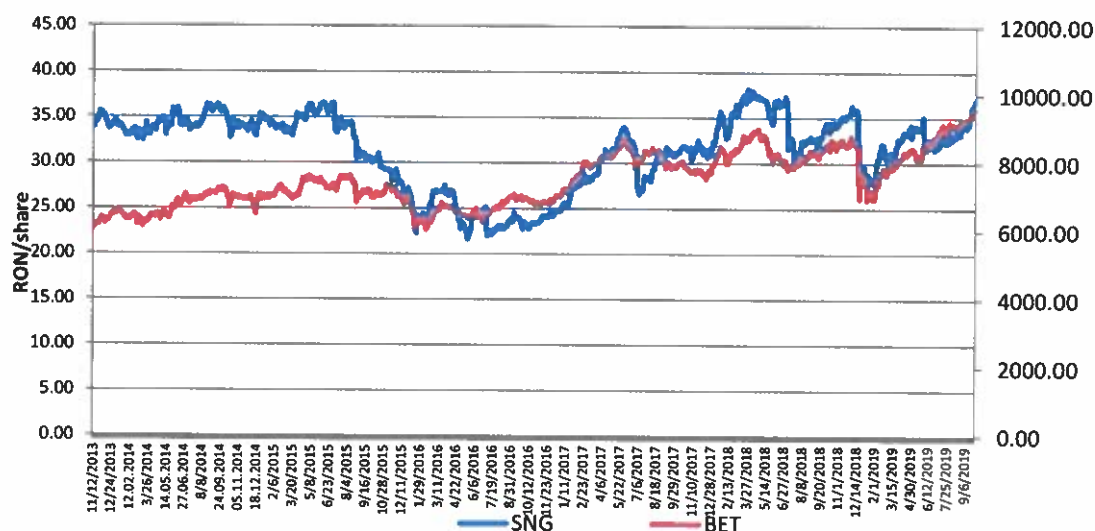
Romgaz is considered an attractive Company for investors in terms of dividend distribution perspective and the Company's stability.

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

- 3rd place by market capitalization in the Premium issuers top on BVB on September 30, 2019 (RON 14,241.4 million, namely Euro 2,997.5 million);
- 5th place by trading value in 9-month period of 2019 in the local issuers top on BVB main segment (RON 621.9 million);

- Weights of 10.44% and 10.26% in the BET index (top 13 issuers) and namely in the BET-XT (BET Extended), 29.31% in the BET-NG index (energy and utilities) and 10.44% in the BET-TR index (BET Total Return).

The chart below shows the performance of Romgaz shares between listing and September 30, 2019 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 and 2019.

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

Romgaz shares trading price during the first nine months of 2019 recorded both significant decreases especially at the beginning of the year (minimum of 27.35 RON/share on January 14, 2019) and after ex-data for the 2018 dividends, as well as significant increases especially during February – after publishing the 2018 Preliminary Results, March – after publishing the 2018 dividend proposal, May – before the ex-data for the 2018 dividends, August – after publishing the HI 2019 Report and September – after FTSE Russel, the global indices supplier, announced the promotion of Romania to the Emergent Market Status. Therefore, the maximum price of the period was 36.95 RON/share and it was recorded in the last day of September 2019.

On LSE, GDRs were traded at prices comparable to those of the shares traded on BVB, recording an increase of 18.6% in the reviewed period due to a 6% increase of RON-USD exchange rate. The minimum GDR price (7 USD) was also recorded on January 14, and the maximum price (8.30 USD) was reached during the last days of September 2019.

PHYSICAL INDICATORS

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

Item no.	Specifications	9 M 2017	9 M 2018	9 M 2019	Indices
0	1	2	3	4	5=4/3x100
1.	Total - gross production, out of which:	3,751.1	3,922.4	3,949.6	100.7%
1.1.	*internal gas production	3,625.7	3,794.4	3,949.6	104.1%
1.2.	*Schlumberger joint operations (100%)	125.4	128.0	0.0	-
2.	Fuel consumed in operations	52.7	63.3	60.3	95.3%
3.	Net gross internal gas production (1.-1.2.-2.)	3,573.0	3,731.1	3,889.3	104.2%
4.	Internal gas volumes injected in storages	239.6	321.9	473.7	147.2%
5.	Internal gas volumes withdrawn from storages	506.8	297.4	199.9	67.2%
5.1	Gas cushion	0.0	6.9	0.0	-
6.	Differences resulting from GCV	3.1	6.4	0.0	-
7.	Volumes supplied from internal production (3.-4.+5.-6.)	3,837.1	3,700.2	3,615.5	97.7%
8.1.	Gas sold in storage	0.0	8.1	0.0	-
8.2.	Gas supplied to Iernut and Cojocna Power Plants	408.0	207.6	87.1	42.0%
9.	Volumes supplied from internal production to the market (7.+8.1.-8.2.)	3,429.1	3,500.7	3,528.4	100.8%
10.	Gas from joint operations^{*)} – total, out of which:	130.0	132.1	109.9	83.2%
	*Schlumberger (50%)	62.7	64.0	0.0	-
	*Raffles Energy (37,5%)	0.1	0.0	0.0	-
	*Amromco (50%)	67.2	68.1	109.9	161.4%
11.	Gas acquisitions from domestic production	25.0	7.5	4.4	58.7%
12.	Volumes sold from domestic production to the market (9.+10.+11.)	3,584.1	3,640.3	3,642.7	100.1%
13.	Volumes supplied from domestic production (8.2.+12.)	3,992.1	3,847.9	3,729.8	96.9%
14.	Delivered import gas	25.7	139.2	53.0	38.1%
15.	Gas delivered to Iernut and Cojocna from other sources (including imbalances)	17.7	15.2	2.0	13.2%
16.	Total gas supplies (13.+14.+15.)	4,035.5	4,002.3	3,784.8	94.6%
*	Invoiced UGS withdrawal services	1,208.5	1,130.9	924.7	81.8%
*	Invoiced UGS injection services	1,375.8	1,611.6	2,274.4	141.1%

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.

The **total gas quantity supplied** by Romgaz during the first nine months of 2019, representing deliveries to customers, CET Iernut consumption and fuel consumed in operations, decreased by 5.4% as compared to the same period of the previous year. Romgaz deliveries are aligned to the consumption variation recorded on the Romanian market, the national consumption experienced a (estimated) decrease of 5.7% as compared to the similar period of 2018. Romgaz market share, representing the participation of gas deliveries from the Company's internal production to the national consumption of domestic gas recorded an increase of approximately 7% as compared to the similar period of the previous year, reached 59%.

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) **Romgaz** planned for 2019 investments of *RON 1,245.00 million*, out of which the amount scheduled for the first 9 months is *RON 1,028.40 million*.

Until September 30, 2019 the investment value amounted *RON 609,889 thousand* representing:

- ↳ 59.30% out of *RON 1,028.40 million* planned for the first 9 months;
- ↳ 48.99% out of the total investment program planned for 2019;
- ↳ 74.06% as compared to the investments made in the similar period of 2018.

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 reporting period was *RON 249.63 million*.

The table below shows a comparison of investments between 9M 2018, 9M 2019, and 2019 Investment Program split into main investment categories:

Investment Categories	<i>*thousand RON*</i>				
	Results 9M 2018	Program 9M 2019	Results 9M 2019	2019/ 2018	R 2019/ P 2019
1	2	3	4	5=4/2x100	6=4/3x100
I. Geological exploration works to discover new methane gas reserves	177,995	298,220	180,166	101.22%	60.41%
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electric power generation	506,633	410,886	266,403	52.58%	64.84%
III. Maintaining the UGS capacity	2,980	-	-	-	-
IV. Environment protection works	1,123	5,537	1,385	123.33%	25.01%
V. Retrofitting and revamping of installation and equipment	109,392	209,039	133,981	122.48%	64.09%
VI. Independent equipment and installations	25,162	94,386	26,047	103.52%	27.60%
VII. Expenses related to studies and projects	258	10,335	1,907	739.15%	18.45%
TOTAL	823,543	1,028,403	609,889	74.06%	59.30%

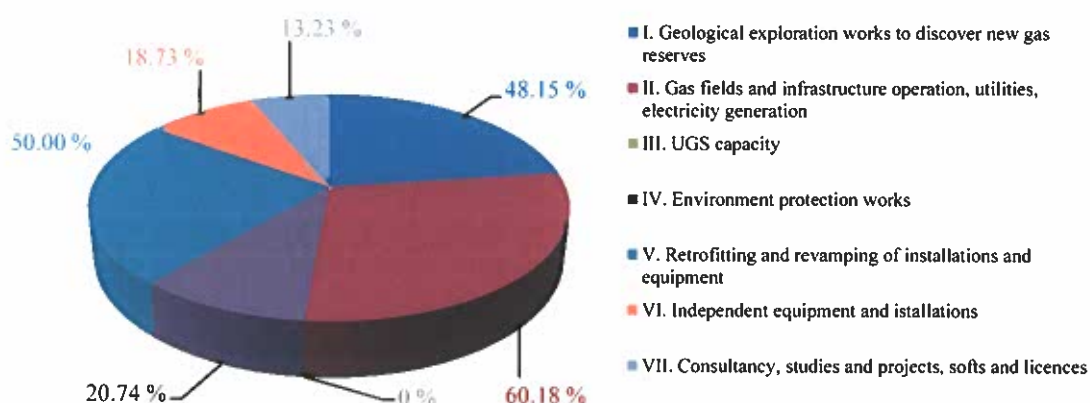
The table below shows investment results split by main investment categories in relation to the 2019 Investment Program:

Investment Categories	<i>* thousand RON *</i>		
	Program 2019	Results 9M 2019	%
1	2	3	4=3/2x100
I. Geological exploration works to discover new methane gas reserves	374,165	180,166	48.15%
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electric power generation	442,713	266,403	60.18%
IV. Environment protection works	6,677	1,385	20.74%

Investment Categories	Program 2019	Results 9M 2019	%
V. Retrofitting and revamping of installation and equipment	267,946	133,981	50.00%
VI. Independent equipment and installations	139,082	26,047	18.73%
VII. Expenses related to studies and projects	14,417	1,907	13.23%
TOTAL	1,245,000	609,889	48.99%

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

Results of 2019 Program split by investment categories [%]



A synthesis of investment results shows that investments were completed to a large extent:

Item No.	Main physical objectives	Planned	Results
1.	Exploratory drilling	27 wells	- completed: 5 wells - in progress: 5 wells - procurement in progress for drilling works: 14 wells - tender proceedings in progress for drilling: 25 wells
2.	Drilling design	-	ongoing design works or procurement in progress: 54 wells
3.	Production drilling	3 wells	Finalised at the end of 2018 and beginning of 2019
4.	Construction of surface facilities – gas wells	construction of 21 surface facilities for putting into production 26 gas wells	- 4 surface facilities completed for the operation of 5 wells; - 5 surface facilities in progress for the operation of 6 wells; - 15 surface facilities pending construction authorisations for putting into production 22 wells; - 16 surface facilities under design for bringing on stream 16 wells.
5.	Capitalizable repairs, modernization and reactivation of wells	approx. 160 wells, in correlation with the annual plan agreed with ANRM	125 workovers (65 wells at Medias Branch and 60 wells at Tg. Mures Branch) were carried out as in-house works performed by SIRCOSS
6.	Electricity generation	Continuing works at CTE	The contract is ongoing

		Iernut	
7.	Joint operations	<u>Raffles Energy SRL:</u> - experimental production of Well 1 Voitinel by gas flowing into a G2 plant	- well 1 Voitinel was retested with positive results, therefore the well is waiting for technological program; - undergoing an analysis to find a production solution
		<u>Lukoil:</u> - preparing drilling for exploration well 1 Trinity IX in 30EX Trident Block	- drilling is scheduled to start in November, namely in Q4 2019
		<u>Amromco:</u> - drilling 5 wells	-drilling of well Bibesti 214 was completed (works started in 2018)
		- 3D seismic data acquisition in blocks Bibesti and Zatreani	- well Zatreani 100 was drilled
		- recompletion operations at 6 wells	- recompletion operations for 2 wells
		-works and surface facilities for the wells that are going to be drilled	- works and surface facilities for 2 wells
		- well abandonment permit	-2 wells were abandoned
		-design and approvals	-permits and approvals for drilling well Balta Alba 122, installing compressors for wells Bibesti 214 and 213
	<u>Slovakia:</u> - the budget was approved only for the first 4 months of the year	- pending to make a decision on whether to continue /relinquish Svidnik block	

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, CO₂ 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.

During the first 9 months of 2019 the following pieces of equipment were delivered: main units of the steam turbines, excitation transformers, oil system for power electrical installations and lubrication, recirculation pumps, condensate pumps for TA13 and TA23, water supply pumps for CR21 and CR22, steel valves < Ø4”, condensers for units TA13 and TA23, washing systems with condensate balls for TA13 and TA23, water supply pump for CR11 and CR12, static excitation system Ex 2100 TA13 and TA23, gas station heater 11, 12, 21 and 22.

Construction works were executed at the electric building and control room, equipment and machinery hall, water treatment station, cooling water pumping station, foundation and overall structure of the equipment, technical facilities.

Below is an overview of the investment completion stage:

Item no.	Stage of works	Investment
1	Completed works	<ul style="list-style-type: none"> • Electric building • Water treatment station • Cooling water pumping station (concrete steel structure for station building) • Erection of overhead cranes • Transformers Block 11,5/220 kV (4 pieces) • Transformers Block 11,5/110 kV (2 pieces) • Layout of lighting cables and sockets • HRSG feed pumps installing and alignment • Demineralized water treatment plant • Installing switchboards and equipment in demineralised plant • Installing gas turbine (GT) • Main rack erection (metallic structure) for balance of plant
2	over 90% completion degree	<ul style="list-style-type: none"> • Turbine hall (TR) building • Turbine hall equipment • Cooling water circuit • Installing switchboards and equipment in electric building • Heat recovery steam generator (HRSG) • Installing switchboards and instruments in electric building equipment
3	Over 80% completion degree	<ul style="list-style-type: none"> • Firefighting installation
4.	Different completion degrees (<80%)	<ul style="list-style-type: none"> • Auxiliary boiler and compressed air station • Siphoning basin • Natural gas compressor station • Erection of steam turbines (ST) • Installation of steam pipes and equipment, connecting circuits to HRSG, GT and ST

b) For the first 9 months of 2019, *Depogaz Subsidiary* had an approved investment program of RON 46.72 million (excluding the gas cushion) of which it spent RON 21.13 million, representing 45%:

RON million

Item no.	Specifications	Program	Results
1.	UGS-related activities	3.37	2.25
2.	Environment protection and improvement	0	0
3.	Retrofitting and revamping of installation and equipment	37.23	17.76
4.	Independent equipment and installations	1.62	1.08
5.	Expenses related to consultancy, studies and projects, soft, licenses and patents, etc.	4.5	0.46
*	TOTAL	46.72	21.13

Investments were financed exclusively from own sources.

Depogaz Subsidiary commissioned fixed assets in amount of RON 14.83 million during the reporting period.

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, 2019 compared to December 31, 2018:

INDICATOR	December 31, 2018 (thousand RON)	September 30, 2019 (thousand RON)	Variation (%)
1	2	3	4=(3-2)/2x100
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	6,279,748	6,192,884	-1.38
Other intangible assets	4,970	9,004	81.17
Investments in associates	23,298	24,680	5.93
Deferred tax assets	127,491	145,653	14.25
Other financial investments	9,812	5,381	-45.16
Right of use assets	-	8,815	n/a
TOTAL NON-CURRENT ASSETS	6,445,319	6,386,417	-0.91
<i>Current assets</i>			
Inventories	245,992	329,173	33.81
Trade and other receivables	826,046	444,000	-46.25
Contract cost	583	404	-30.70
Other financial assets	881,245	956,206	8.51
Other assets	168,878	77,856	-53.90
Cash and cash equivalents	566,836	199,025	-64.89
TOTAL CURRENT ASSETS	2,689,580	2,006,664	-25.39
TOTAL ASSETS	9,134,899	8,393,081	-8.12
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	385,422	385,422	0.00
Reserves	1,824,999	1,567,683	-14.10
Retained earnings	5,458,196	5,293,405	-3.02
TOTAL EQUITY	7,668,617	7,246,510	-5.50
<i>Non-current liabilities</i>			
Retirement benefit obligation	139,254	132,572	-4.80
Deferred revenue	21,128	21,219	0.43
Lease liability	-	8,427	n/a
Provisions	510,114	506,536	-0.70
Total non-current liabilities	670,496	668,754	-0.26
<i>Current liabilities</i>			
Trade and other payables	186,702	148,238	-20.60
Contract liabilities	46,381	22,750	-50.95
Current tax liabilities	68,001	42,300	-37.80
Deferred revenue	8,442	1,685	-80.04
Provisions	93,645	59,635	-36.32
Lease liability	-	678	n/a
Other liabilities	392,615	202,531	-48.41
Total current liabilities	795,786	477,817	-39.96
TOTAL LIABILITIES	1,466,282	1,146,571	-21.80
TOTAL EQUITY AND LIABILITIES	9,134,899	8,393,081	-8.12

NON-CURRENT ASSETS

Total non-current assets decreased in the analysed period by 0.91% i.e. RON 58.90 million, from RON 6,445.3 million on December 31, 2018 to RON 6,386.4 million on September 30, 2019. The decrease is due to depreciation and amortisation expenses for abandoned projects whose value exceeds the investment made in this period. The impairment refers especially to unsuccessful wells.

The 81.17% increase of "Other Intangible Assets" in the first nine months of 2019 is due to the development of the Company's IT systems.

In the first nine months of 2019, in terms of "Other Financial Investments" the Group recorded a RON 4.5 million loss in connection with the evaluation of the investment in Electrocentrale Bucuresti, which was fully impaired.

Investments in associates are recorded in the 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.

In 2019, International Financial Reporting Standard 16 "Leases" ("IFRS 16") entered into force and replaced International Accounting Standard 17 "Leases" (IAS 17). According to the new standard, the lessee accounts financial lease contracts and operating lease (rents) contracts in the same manner. As such, the lessee records a "right of use" asset for the underlying asset subject to the lease contract simultaneously with the recognition of a lease liability. The Group has no financial leases. The "right of use" assets derive from lease contracts concluded by the Group; previously, these contracts were reported in form of rent-related expenses. More information in connection with the implementation of IFRS 16 is shown in the financial statements attached to this report.

CURRENT ASSETS

Current assets decreased by 25.39% on September 30, 2019 as compared to the end of 2018.

Inventories

Inventories increased by 33.81% on September 30, 2019 as compared to the end of 2018 due to increasing the natural UGS stock by 34%.

Trade receivables and other receivables

As compared to December 31, 2018, trade receivables decreased by 46.25% due to the seasonality of the Group's activity, deliveries during summer season being lower than deliveries during winter season.

Other assets

"Other assets" decreased by 53.9% as compared to December 31, 2018 due to offsetting the gas excises debt related to fuel consumed in operations, with other current tax liabilities of the Company. The fiscal inspection regarding the excises applicable for January 2010-March 2013 was completed in 2017. The fiscal inspection report concluded that Romgaz did not owe excises applicable to fuel consumed in operations. Following this report, in 2017 Romgaz recorded an income of RON 244,385 thousand, out of which RON 130,470 thousand relate to April 2013-November 2016, Romgaz submitted to this effect amending declarations. In 2018 Romgaz recovered RON 113,915 thousand by offset with other fiscal liabilities existing on December 31, 2017. In 2018, Romgaz underwent another fiscal control with respect to reimbursing the amount of RON 130,470 thousand, such control ending favourably for the Company in 2019.

Cash and cash equivalents. Other financial assets

On September 30, 2019, cash, cash equivalents and other financial assets were RON 1,155.2 million, as compared to RON 1,448.1 million at the end of 2018, the decrease being due to payment of dividends to shareholders in 2019.

EQUITY AND RESERVES

The Group's equity decreased by 5.50% due to distribution of 2018 profit to shareholders as dividends.

NON-CURRENT LIABILITIES

Non-current liabilities recorded on September 30, 2019 an insignificant decrease of 0.26% as compared to December 31, 2018.

CURRENT LIABILITIES

Current liabilities decreased by RON 318.0 million, from RON 795.8 million recorded on December 31, 2018 to RON 477.8 million.

Trade payables and other payables

As compared to December 31, 2018, trade payables decreased by 20.6% due to making fewer procurements in 2019 for Iernut power plant as the significant pieces of equipment were delivered during 2018.

Contract liabilities

On September 30, 2019, advance payments collected in connection with future deliveries decreased by 50.95% as compared to December 31, 2018 given the seasonality of the Group's activity.

Deferred revenue

The Deferred revenue decrease is due to a reduction of interest collectible from investments in state bonds as a result of reducing such investments because of payment of dividends for 2018.

Other liabilities

Other liabilities decreased by 48.41% due to the following factors:

- reduction of the Group's petroleum royalty-related liability (RON 72.1 million decrease because the price communicated by the National Agency for Mineral Resources is significantly lower in Q3 2019 than in Q4 2018);
- decrease of the debt related to the windfall tax by RON 31.4 million due to the seasonality of the Group's activity;
- payment of Group's liability following the termination of the partnership with Schlumberger in 2018 (RON 22.5 million);
- reduction of VAT-related liability by RON 52.1 million due to lower sales recorded in September 2019 as compared to December 2018.

Provisions

Short-term provisions decreased by 36.32% as compared to December, 31, 2018. This reduction is due to the reversal of provision for payment of green-house gas emission certificates (RON 40.1 million) because of their purchase in 2019, but also to releasing to income of the provision for employee's participation to profit following the GMS approval to pay of RON 28.7 million.

Summary of the consolidated interim comprehensive income

The synthesis of the Group's profit and loss account for the period January 1 – September 30, 2019, as compared to the similar period of 2018 is shown below:

Description	9M 2018 (thousand RON)	9M 2019 (thousand RON)	Variation (thousand RON)	Variation (%)
1	2	3	4=3-2	5=4/2x100
Revenue	3,444,607	3,790,856	346,249	10.05
Cost of commodities sold	(185,087)	(102,391)	(82,696)	-44.68
Investment income	39,980	30,104	(9,876)	-24.70
Other gains and losses	(58,038)	(30,034)	(28,004)	-48.25
Impairment losses on trade receivables	(20,117)	(31,238)	11,121	55.28
Changes in inventory of finished goods and work in progress	18,613	78,591	59,978	322.24
Raw materials and consumables used	(53,183)	(59,865)	6,682	12.56
Depreciation, amortization and impairment expenses	(410,206)	(594,539)	184,333	44.94
Employee benefit expense	(434,921)	(481,361)	46,440	10.68
Finance cost	(22,033)	(16,725)	(5,308)	-24.09
Exploration expenses	(195,108)	(24,491)	(170,617)	-87.45
Share of profit of associates	50	1,382	1,332	2,664.00
Other expenses	(941,405)	(1,188,818)	247,413	26.28
Other income	10,471	24,528	14,057	134.25
Profit before tax	1,193,623	1,395,999	202,376	16.95
Income tax expense	(197,067)	(210,895)	13,828	7.02
Profit for the period	996,556	1,185,104	188,548	18.92

Revenue

The Group's revenue increased in the nine months ended September 30, 2019 by 10.05% (RON 346.25 million) as compared to the same period of the previous year.

The consolidated revenue from gas sales on September 30, 2019 amounted RON 3,316.2 million, increasing by 12.92% as compared to the similar period of 2018. This increase was offset by the decrease by 50.61% of electricity revenues.

Revenues from storage services increased by 2.33% as compared to the previous year.

Cost of Commodities Sold

The cost of commodities sold decreased by 44.68% as compared to the first nine-months of 2018, mainly due to decreased import and internal gas quantities purchased for resale.

Investment Income

The investment income represents income from investing the Group's available cash in bank deposits or state bonds.

Other Gains and Losses

Net losses reduced due to receiving a favourable decision on a litigation with ANAF. During December 2016-April 2017, there was a partial fiscal inspection to review the VAT for the period December 2010 – June 2011, and to review the income tax for the period January 2010-December 2011. The scope of the inspection were the discounts granted by Romgaz to interruptible consumers for the delivery of internal gas between 2010-2011. This category was established by the transmission system operator, TRANSGAZ. The notice of assessment set additional payment obligations in amount of RON 15,284 thousand, as well as late payment penalties of RON 3,129 thousand. In the nine months ended on September 30, 2019, the court ruled in favour of Romgaz so that the adjustment of RON 18.4 million was reduced by releasing it to income.

Impairment losses on trade receivables

The net impairment loss on trade receivables is generated mainly by the allowance for doubtful debts recorded for one of the Group's clients (RON 23.8 million) due to payment delays.

Changes in inventory of finished goods and work in progress

As compared to the similar period of 2018, in the first nine months of 2019 changes in inventories recorded an increase of 137% of injected gas volumes as compared to the withdrawn volumes, while in 2018 the injected volumes exceeded the injected volumes only by 8%.

Depreciation, amortization and impairment

Depreciation, amortization and impairment expenses increased by 44.94% as compared to the first nine months of 2018 due to incurring higher net expenses from the impairment of fixed assets and exploration assets, further to abandoning investment projects in exploration and production wells. These net expenses will offset the losses on disposal of fixed assets not fully depreciated or the losses on the abandonment of some investment projects.

Exploration expenses

Exploration expenses of RON 24.5 million recorded in the first nine months of 2019 decreased by 87.45% compared to the similar period of previous year.

The decrease is due to reducing exploration expenses (seismic surveys) by RON 72.7 million.

Exploration expenses also include the cost of abandoned investments in exploration wells. In the nine-month period of 2019, the cost of these investments was RON 23.05 million as compared to RON 121.0 million in the similar period of 2018. These costs are mostly offset by the net income from impairment adjustments.

Other Expenses

Other Expenses recorded an increase by 26.28% as compared to the nine months ended September 30, 2018. The increase by RON 247.4 million is mainly due to:

- the increase by RON 186.4 million of expenses with the windfall tax. Royalty expenses decreased by RON 71.0 million as a result of a lower reference price;
- in the nine-month period ended September 30, 2019, the Group recorded expenses associated to the 2% contribution of electricity and gas licence titleholders from the revenue recorded from activities that relate to the licences granted by ANRE (RON 62.8 million).

Other Income

Other income increased by 134.25% in the first nine months of 2019 as compared to the same period of 2018, due to the increase of income from damages, fines and penalties recorded for amounts that were not collected according to contractual terms. Most of these penalties are uncollected on September 30, 2019; therefore, the Group recorded impairment adjustments. Thus, the effect of this income is insignificant.

The table below shows the breakdown on segments of the interim consolidated comprehensive income for the period January – September 2019, respectively January – September 2018:

RON thousand

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation Adjustment	TOTAL
1	2	3	4		5	6
Revenue						
* Jan.-Sept. 2019	3,544,964	324,357	148,502	214,360	(441,327)	3,790,856
* Jan.-Sept. 2018	3,130,687	308,758	242,626	197,082	(434,546)	3,444,607
Cost of commodities sold						
* Jan.-Sept. 2019	(82,146)	(1)	(19,439)	(805)	-	(102,391)
* Jan.-Sept. 2018	(154,455)	(142)	(32,398)	(596)	2,504	(185,087)
Investment income						
* Jan.-Sept. 2019	91	359	11	29,643	-	30,104
* Jan.-Sept. 2018	52	351	5	39,572	-	39,980
Other gains and losses						
* Jan.-Sept. 2019	(42,054)	(1)	(746)	12,767	-	(30,034)
* Jan.-Sept. 2018	(52,315)	2,966	(2,182)	(6,507)	-	(58,038)
Net impairment losses on trade receivables						
* Jan.-Sept. 2019	(31,233)	-	-	(5)	-	(31,238)
* Jan.-Sept. 2018	(20,121)	-	5	(1)	-	(20,117)
Changes in inventory of finished goods and work in progress						
* Jan.-Sept. 2019	77,598	-	79	914	-	78,591
* Jan.-Sept. 2018	38,296	(21,606)	77	1,846	-	18,613
Raw materials and consumables used						
* Jan.-Sept. 2019	(40,420)	(25,789)	(635)	(7,921)	14,900	(59,865)
* Jan.-Sept. 2018	(38,987)	(15,867)	(966)	(7,932)	10,569	(53,183)
Depreciation, amortization and impairment expenses						
* Jan.-Sept. 2019	(499,852)	(72,923)	(9,332)	(12,432)	-	(594,539)
* Jan.-Sept. 2018	(315,734)	(74,214)	(5,737)	(14,521)	-	(410,206)
Employees benefit expenses						
* Jan.-Sept. 2019	(302,880)	(43,933)	(26,281)	(108,267)	-	(481,361)
* Jan.-Sept. 2018	(274,188)	(40,464)	(24,522)	(95,747)	-	(434,921)
Finance cost						
* Jan.-Sept. 2019	(14,227)	(2,112)	-	(386)	-	(16,725)
* Jan.-Sept. 2018	(19,199)	(2,834)	-	-	-	(22,033)
Exploration expense						
* Jan.-Sept. 2019	(24,491)	-	-	-	-	(24,491)

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation Adjustment	TOTAL
1	2	3	4		5	6
* Jan.-Sept. 2018	(195,108)	-	-	-	-	(195,108)
<i>Share of associates' result</i>						
* Jan.-Sept. 2019	-	-	-	1,382	-	1,382
* Jan.-Sept. 2018	-	50	-	-	-	50
<i>Other expenses</i>						
* Jan.-Sept. 2019	(1,325,829)	(151,957)	(90,407)	(47,607)	426,982	(1,188,818)
* Jan.-Sept. 2018	(1,029,147)	(111,500)	(180,116)	(44,975)	424,333	(941,405)
<i>Other income</i>						
* Jan.-Sept. 2019	22,986	94	61	1,942	(555)	24,528
* Jan.-Sept. 2018	8,779	3,685	28	839	(2,860)	10,471
<i>Profit before tax</i>						
* Jan.-Sept. 2019	1,282,507	28,094	1,813	83,585	-	1,395,999
* Jan.-Sept. 2018	1,078,560	49,183	(3,180)	69,060	-	1,193,623
<i>Income tax expense</i>						
* Jan.-Sept. 2019	-	(3,002)	-	(207,893)	-	(210,895)
* Jan.-Sept. 2018	-	(274)	-	(196,793)	-	(197,067)
<i>Profit for the period</i>						
* Jan.-Sept. 2019	1,282,507	25,092	1,813	(124,308)	-	1,185,104
* Jan.-Sept. 2018	1,078,560	48,909	(3,180)	(127,733)	-	996,556

Statement of Cash Flows

Statements of consolidated cash flows recorded during January – September 2019 and in the similar period of 2018 are as follows:

INDICATOR	9 M 2018 (RON thousand)	9 M 2019 (RON thousand)	Variation (%)
1	2	3	4 = (3-2)/2x100
Cash flow from operating activities			
Net Profit for the period	996,556	1,185,104	18.92
<i>Adjustments for:</i>			
Income tax expense	197,067	210,895	7.02
Share of associates' result	(50)	(1,382)	2,664.00
Interest expense	-	387	n/a
Unwinding of decommissioning provision	22,033	16,338	-25.85
Interest revenue	(39,980)	(30,104)	-24.70
Loss on disposal of non-current assets	52,070	40,996	-21.27
Change in decommissioning provision recognized in result for the period, other than unwinding	(2,220)	(1,109)	-50.05
Change in other provisions	(17,682)	(54,607)	208.83
Impairment of exploration assets	(90,857)	114,589	n/a
Exploration projects written-off	120,981	23,051	-80.95
Impairment of property, plant and equipment	54,110	84,148	55.51
Depreciation and Amortisation	446,953	395,802	-11.44
Amortisation of contract costs	971	557	-42.64
Change in investments at fair values through profit or loss	5,838	4,431	-24.10
Losses from trade and other receivables	20,295	14,758	-27.28
Other gains and losses	-	(52)	n/a
Write-down allowance of inventory	(1,827)	1,758	n/a
Income from written-off debts	(58)	(89)	53.45
Subsidies income	(238)	(50)	-78.99

Cash generated from operations, before movements in working capital	1,763,962	2,005,421	13.69
Movements in working capital			
(Increase)/Decrease in inventory	46,651	(53,414)	n/a
(Increase)/Decrease in trade and other receivables	313,633	327,471	4.41
Increase/(Decrease) in trade and other liabilities	(303,514)	(121,666)	-59.91
Cash generated from operations	1,820,732	2,157,812	18.51
Income tax paid	(285,156)	(254,758)	-10.66
Net cash generated from operations	1,535,576	1,903,054	23.93
Cash flows from investing activities			
Net collections/(payments) related to other financial assets	1,448,768	(87,755)	n/a
Interest received	37,907	36,188	-4.53
Proceeds from sale of non-current assets	721	326	-54.79
Acquisition of non-current assets	(676,767)	(487,430)	-27.98
Acquisition of exploration assets	(139,417)	(124,545)	-10.67
Net cash used in investing activities	671,212	(663,216)	n/a
Cash flows from financing activities			
Dividends paid	(1,921,108)	(1,607,080)	-16.35
Subsidies received	20,994	-	-100.00
Repayment of lease liability	-	(569)	n/a
Net cash used in financing activities	(1,900,114)	(1,607,649)	-15.39
Net Increase/(Decrease) in cash and cash equivalents	306,674	(367,811)	n/a
Cash and cash equivalents at the beginning of the period	227,167	566,836	149.52
Cash and cash equivalents as of September 30	533,841	199,025	-62.72

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 2018	9 M 2019
1.	Current liquidity	$\frac{\text{Current assets}}{\text{Current liabilities}}$	4.31	4.20
2.	Indebtedness	$\frac{\text{Loan capital}}{\text{Equity}} \times 100$	0.00	0.00
		$\frac{\text{Loan capital}}{\text{Employed capital}} \times 100$		
3.	Clients' debts rotation speed	$\frac{\text{Client's average balance}}{\text{Revenue}} \times 270$	40.91	45.23
4.	Non-current assets turnover	$\frac{\text{Revenue}}{\text{Non-current assets}}$	0.52	0.59

PERFORMANCE OF DIRECTOR AGREEMENTS AND OF MANDATE CONTRACTS

Director Agreements

Interim directors were appointed on successive basis following the expiration of the director agreements of the Board members appointed by the General Meeting of Shareholders in 2013 for a 4-year period. The director agreements approved by the General Meeting of Shareholders do not include performance indicators and criteria.

After exercising the cumulative voting procedure, the Ordinary General Meeting of Shareholders appointed by its Resolution no. 8 of July 6, 2018 the Company's Board members for a 4 year-term.

The General Meeting of Shareholders convened after drafting and approving of the Governance Plan with the scope of negotiating and approving financial and non-financial performance indicators to be included by addendum in the director agreements. GMS Resolution no. 4 of May 15, 2019 "*does not approve the financial and non-financial key performance indicators contained in SNGN Romgaz S.A. 2018-2022 Governance Plan*".

After exercising the cumulative voting procedure, the General Meeting of Shareholders appointed by Resolution no. 6 of June 26, 2019 the Board members, set the fixed gross monthly remuneration and approved the mandate contract form for the interim Board members.

The director agreements do not contain financial and non-financial key performance indicators and, as such, the Board members do not benefit from the variable component.

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.

By Resolution no. 30 of November 2, 2017, the Board of Directors appointed Mr. *Bobar Andrei* as Chief Financial Officer and by Resolution no. 39 of August 28, 2018, the Board appoints Mr. Bobar Andrei as the company's CFO for a fixed term (August 28, 2018-November 2, 2021).

Mr. Bobar Andrei unilaterally terminated the Contract of Mandate by giving on August 22 2019 the Notification no. 28593 relating to the 30-day contract termination notice, according to 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.

The mandate contracts concluded between the Board of Directors and the company's CEO, respectively CFO, do not include performance indicators and criteria. Such indicators and criteria shall be negotiated and included in the mandate contracts by addendum, following the completion and approval of the company's Governance Plan during the mandate term.

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

CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2019

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

CONTENTS:**PAGE:**

Condensed statement of consolidated interim comprehensive income for the nine-month and three-month periods ended September 30, 2019	1
Condensed statement of consolidated interim financial position as of September 30, 2019	2
Condensed statement of consolidated interim changes in equity for the nine-month period ended September 30, 2019	4
Condensed statement of consolidated interim cash flow for the nine-month and three-month periods ended September 30, 2019	5
Notes to the consolidated condensed interim financial statements for the nine-month and three-month periods ended September 30, 2019	7
1. Background and general business	7
2. Significant accounting policies	7
3. Revenue and other income	10
4. Cost of commodities sold, raw materials and consumables	10
5. Other gains and losses	11
6. Depreciation, amortization and impairment expenses	11
7. Income tax	11
8. Employee benefit expense	12
9. Other expenses	12
10. Accounts receivable	13
11. Related party transactions and balances	14
12. Segment information	14
13. Commitments undertaken	16
14. Effects of voluntary change in accounting policy and correction of errors	16
15. Events after the balance sheet date	17
16. Endorsement of financial statements	17

CONDENSED STATEMENT OF CONSOLIDATED INTERIM COMPREHENSIVE INCOME FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2019

	Note	Nine months ended September 30, 2019 '000 RON	Three months ended September 30, 2019 '000 RON	Nine months ended September 30, 2018 '000 RON (restated) *)	Three months ended September 30, 2018 '000 RON (restated) *)
Revenue	3	3,790,856	916,069	3,444,607	970,100
Cost of commodities sold	4	(102,391)	(12,439)	(185,087)	(82,312)
Investment income		30,104	6,200	39,980	13,788
Other gains and losses	5	(30,034)	(4,067)	(58,038)	(12,364)
Impairment losses on trade receivables	10	(31,238)	(1,290)	(20,117)	(1,170)
Changes in inventory of finished goods and work in progress		78,591	87,614	18,613	83,984
Raw materials and consumables used	4	(59,865)	(19,507)	(53,183)	(18,266)
Depreciation, amortization and impairment expenses	6	(594,539)	(229,064)	(410,206)	(148,133)
Employee benefit expense	8	(481,361)	(173,452)	(434,921)	(149,291)
Finance cost		(16,725)	(5,586)	(22,033)	(7,336)
Exploration expense		(24,491)	(15)	(195,108)	(82,601)
Share of profit of associates		1,382	217	50	(926)
Other expenses	9	(1,188,818)	(324,594)	(941,405)	(308,093)
Other income	3	24,528	4,579	10,471	6,051
Profit before tax		1,395,999	244,665	1,193,623	263,431
Income tax expense	7	(210,895)	(35,470)	(197,067)	(49,719)
Profit for the period		1,185,104	209,195	996,556	213,712
Total comprehensive income for the period		1,185,104	209,195	996,556	213,712
Basic and diluted earnings per share		0.0031	0.0005	0.0026	0.0006

*) see note 14.

These financial statements were endorsed by the Board of Directors on November 13, 2019.

Adrian Constantin Volintiru
Chief Executive Officer



Marius Veza
Chief Financial Officer

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

CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION AS OF SEPTEMBER 30, 2019

	Note	September 30, 2019 '000 RON	December 31, 2018 '000 RON
ASSETS			
Non-current assets			
Property, plant and equipment		6,192,884	6,279,748
Other intangible assets		9,004	4,970
Investments in associates		24,680	23,298
Deferred tax asset		145,653	127,491
Other financial assets		5,381	9,812
Right of use assets	2	8,815	-
Total non-current assets		6,386,417	6,445,319
Current assets			
Inventories		329,173	245,992
Trade and other receivables	10	444,000	826,046
Contract costs		404	583
Other financial assets		956,206	881,245
Other assets	10	77,856	168,878
Cash and cash equivalents		199,025	566,836
Total current assets		2,006,664	2,689,580
Total assets		8,393,081	9,134,899
EQUITY AND LIABILITIES			
Equity			
Share capital		385,422	385,422
Reserves		1,567,683	1,824,999
Retained earnings		5,293,405	5,458,196
Total equity		7,246,510	7,668,617
Non-current liabilities			
Retirement benefit obligation		132,572	139,254
Deferred revenue		21,219	21,128
Lease liability	2	8,427	-
Provisions		506,536	510,114
Total non-current liabilities		668,754	670,496

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, 2019

	<u>Note</u>	<u>September 30, 2019</u> <u>'000 RON</u>	<u>December 31, 2018</u> <u>'000 RON</u>
Current liabilities			
Trade payables		148,238	186,702
Contract liabilities		22,750	46,381
Current tax liabilities		42,300	68,001
Deferred revenue		1,685	8,442
Provisions		59,635	93,645
Lease liability	2	678	-
Other liabilities		202,531	392,615
Total current liabilities		477,817	795,786
Total liabilities		1,146,571	1,466,282
Total equity and liabilities		8,393,081	9,134,899

These financial statements were endorsed by the Board of Directors on November 13, 2019.

Adrian Constantin Volintiru
 Chief Executive Officer



Marius Veza
 Chief Financial Officer

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

CONDENSED STATEMENT OF CONSOLIDATED INTERIM CHANGES IN EQUITY FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2019

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2019	385,422	77,487	1,747,512	5,458,196	7,668,617
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)	-
Total comprehensive income for the period	-	-	-	1,185,104	1,185,104
Balance as of September 30, 2019	385,422	77,112	1,490,571	5,293,405	7,246,510
Balance as of January 1, 2018 (restated) **)	385,422	77,084	2,235,448	6,277,486	8,975,440
Allocation to dividends	-	-	-	(1,923,258)	(1,923,258)
Allocation to other reserves	-	-	185,563	(185,563)	-
Total comprehensive income for the period (restated) **)	-	-	-	996,556	996,556
Change in accounting policies due to new IFRS	-	-	-	(18,478)	(18,478)
Balance as of September 30, 2018 (restated) **)	385,422	77,084	2,421,011	5,146,743	8,030,260

*) In 2019 the Company's shareholders approved the allocation of dividends of RON 1,607,211 thousand, dividend per share being RON 4.17.

***) see note 14.

These financial statements were endorsed by the Board of Directors on November 13, 2019.

Adrian Constantin Volintiru
 Chief Executive Officer



Marius Veza
 Chief Financial Officer

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, 2019

	Nine months ended September 30, 2019	Three months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2018
	'000 RON	'000 RON	'000 RON (restated) *)	'000 RON (restated) *)
Cash flows from operating activities				
Net profit	1,185,104	209,195	996,556	213,712
Adjustments for:				
Income tax expense (note 7)	210,895	35,470	197,067	49,719
Share of associates' result	(1,382)	(217)	(50)	926
Interest expense on lease contracts	387	159	-	-
Unwinding of decommissioning provision	16,338	5,427	22,033	7,336
Interest revenue	(30,104)	(6,200)	(39,980)	(13,788)
Net loss on disposal of non-current assets (note 5)	40,996	488	52,070	13,826
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 9)	(1,109)	529	(2,220)	(779)
Change in other provisions (note 9)	(54,607)	6,209	(17,682)	3,499
Net impairment of exploration assets (note 6)	114,589	70,094	(90,857)	(32,689)
Exploration projects written off	23,051	15	120,981	59,205
Net impairment of property, plant and equipment and intangibles (note 6)	84,148	32,672	54,110	48,216
Depreciation and amortization (note 6)	395,802	126,298	446,953	132,606
Amortization of contract costs	557	80	971	292
Change in investments at fair value through profit and loss (note 5)	4,431	(15)	5,838	390
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 10)	14,758	3,257	20,295	1,130
Other gains and losses	(52)	-	-	-
Net movement in write-down allowances for inventory (note 5)	1,758	1,587	(1,827)	(2,124)
Income from liabilities written-off	(89)	(89)	(58)	(58)
Subsidies income	(50)	(12)	(238)	(146)
	2,005,421	484,947	1,763,962	481,273
Movements in working capital:				
(Increase)/Decrease in inventory	(53,414)	(94,834)	46,651	(84,097)
(Increase)/Decrease in trade and other receivables	327,471	226,417	313,633	(11,323)
Increase/(Decrease) in trade and other liabilities	(121,666)	(68,281)	(303,514)	57,391
Cash generated from operations	2,157,812	548,249	1,820,732	443,244
Income taxes paid	(254,758)	(67,659)	(285,156)	(58,969)
Net cash generated by operating activities	1,903,054	480,590	1,535,576	384,275

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, 2019

	Nine months ended September 30, 2019	Three months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2018
	'000 RON	'000 RON	'000 RON (restated) *)	'000 RON (restated) *)
Cash flows from investing activities				
Net collections/(payments) related to other financial assets	(87,755)	(680,880)	1,448,768	(250,098)
Interest received	36,188	9,790	37,907	17,529
Proceeds from sale of non-current assets	326	97	721	(4,441)
Acquisition of non-current assets	(487,430)	(155,901)	(676,767)	(180,040)
Acquisition of exploration assets	(124,545)	(40,244)	(139,417)	(41,105)
Net cash used in investing activities	(663,216)	(867,138)	671,212	(458,155)
Cash flows from financing activities				
Dividends paid	(1,607,080)	(765)	(1,921,108)	(1,920,814)
Subsidies received	-	-	20,994	-
Repayment of lease liability	(569)	(257)	-	-
Net cash used in financing activities	(1,607,649)	(1,022)	(1,900,114)	(1,920,814)
Net increase/(decrease) in cash and cash equivalents	(367,811)	(387,570)	306,674	(1,994,694)
Cash and cash equivalents at the beginning of the period	566,836	586,595	227,167	2,528,535
Cash and cash equivalents at the end of the period	199,025	199,025	533,841	533,841

*) see note 14.

These financial statements were endorsed by the Board of Directors on November 13, 2019.

Adrian Constantin Volintiru
Chief Executive Officer



Marius Veza
Chief Financial Officer

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, 2019

1. BACKGROUND AND GENERAL BUSINESS

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

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

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

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

At September 30, 2019, the Romanian State, through the Ministry of Energy, is the majority shareholder of S.N.G.N. Romgaz S.A. together with other legal and physical persons.

The Group has as main activity:

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

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

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, 2018.

Basis for consolidation

Subsidiaries

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2019

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.

Standards and interpretations valid for the current period

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

- IFRS 16 Leases (effective for annual periods beginning on or after January 1, 2019);
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective for annual periods beginning on or after January 1, 2019);
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after January 1, 2019);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2019);
- Annual Improvements to IFRS Standards 2015–2017 Cycle (effective for annual periods beginning on or after January 1, 2019);
- Amendments to IAS 19: Plan amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019).

The adoption of these amendments, interpretations or improvements to existing standards has not led to changes in the Group's accounting policies, except for IFRS 16, as presented below.

The impact of adopting IFRS 16: Leases

IFRS 16 replaces International Accounting Standard 17 "Leases" (IAS 17). According to the new standard, the lessee accounts both finance lease and operating lease (rent) contracts in the same way. The lessee records a right-of-use asset for the underlying asset and a lease liability. Previously, operating lease contracts were recognized as rental expenses.

The Group does not operate finance lease contracts. The Group operates operating lease contracts that include land concession agreements, rent contracts for office space and IT equipment.

The Group does not apply IFRS 16 to leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources, i.e. to leases of land used in such activities.

According to IFRS 16, payments related to operating leases are included in the financing activities. According to IAS 17, these payments were included in the operating activities.

The Group applied the practical expedient to maintain previous assessment of lease contracts. As such, the Group did not apply IFRS 16 to contracts in force as of January 1, 2019 that were not previously identified as containing a lease according to IAS 17. Also, it did not apply IFRS 16 to contracts ending in 2019.

On transition to IFRS 16, the Group applied the standard retrospectively and did not restate the comparative information.

Lease liabilities are measured at the present value of the remaining lease payments as of January 1, 2019 discounted at the incremental borrowing rate at January 1, 2019 (6.99%). On initial application, the Group recorded a lease liability of RON 4,959 thousand.

The Group applies the practical expedient allowed by IFRS 16 for underlying assets below USD 5,000 when new and for short term leases, for which lease payments are recognized as a rent expense when they occur.

Right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2019

The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease term is the non-cancellable period for which the Group as lessee can use the underlying asset, together with both:

- (a) periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- (b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether the Group is reasonably certain to exercise any of the options above, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

Following IFRS 16 adoption, on January 1, 2019 the Group recorded:

- right-of-use assets of RON 4,959 thousand;
- lease liabilities of RON 4,959 thousand;
- at the date of transition to IFRS 16 (January 1, 2019), the Group had no assets or liabilities recorded according to IAS 17 related to lease contracts; therefore, no other adjustments were needed.

As of December 31, 2018 the Group's commitments related to the operating leases subject to IFRS 16 adjustments were of RON 10,981 thousand. The discounted value as of January 1, 2019 is RON 4,959 thousand.

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

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

- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after January 1, 2021);
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after January 1, 2020);
- Amendment to IFRS 3 Business Combination (effective for annual periods beginning on or after January 1, 2020);
- Amendments to IAS 1 and IAS 8: Definition of Material (effective for annual periods beginning on or after January 1, 2020);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective for annual periods beginning on or after January 1, 2020).

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

Seasonality and cyclicity

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

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

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2019
Comparative information

For each item of the statement of financial position, the statement of comprehensive income and, where is the case, for the statement of changes in equity and for the statement of cash flows, for comparative information purposes is presented the value of the corresponding item for the previous period ended, unless the changes are insignificant or the changes are generated by the implementation of IFRS 16. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements, which has a material impact on the Group.

3. REVENUE AND OTHER INCOME

	Nine months ended September 30, 2019	Three months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2018
	'000 RON	'000 RON	'000 RON	'000 RON
Revenue from gas sold - domestic production	3,116,863	713,145	2,676,150	714,608
Revenue from gas sold – other arrangements	101,735	29,700	104,937	31,747
Revenue from gas acquired for resale – import gas	77,867	-	146,871	67,722
Revenue from gas acquired for resale – domestic gas	19,720	11,022	8,861	2,162
Revenue from storage services-capacity reservation	169,345	70,014	165,712	52,425
Revenue from storage services-extraction	16,419	-	22,540	215
Revenue from storage services-injection	36,451	18,171	28,905	11,317
Revenue from electricity	83,981	33,162	170,044	61,155
Revenue from services	137,506	32,579	102,947	22,425
Revenue from sale of goods	25,381	6,344	12,160	4,461
Other revenues from contracts	227	124	213	109
Total revenue from contracts with customers	3,785,495	914,261	3,439,340	968,346
Other revenues	5,361	1,808	5,267	1,754
Total revenue	3,790,856	916,069	3,444,607	970,100
Other operating income	24,528	4,579	10,471	6,051
Total revenue and other income	3,815,384	920,648	3,455,078	976,151

4. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Nine months ended September 30, 2019	Three months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2018
	'000 RON	'000 RON	'000 RON	'000 RON
Consumables used	57,389	18,792	50,599	17,249
Cost of gas acquired for resale, sold – import	74,410	-	146,274	67,137
Cost of gas acquired for resale, sold – domestic	7,681	3,352	5,690	1,609
Cost of electricity imbalance	19,439	8,718	32,397	13,256
Cost of other goods sold	861	369	727	310
Other consumables	2,476	715	2,583	1,017
Total	162,256	31,946	238,270	100,578

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, 2019
5. OTHER GAINS AND LOSSES

	Nine months ended September 30, 2019	Three months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2018
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Forex gain	2,551	16	3,197	1,170
Forex loss	(1,932)	(56)	(4,976)	(1,482)
Net loss on disposal of non-current assets	(40,996)	(488)	(52,070)	(13,826)
Net allowance for other receivables (note 10 c)	16,480	(1,967)	(164)	40
Net losses on receivables	-	-	(14)	-
Net write down allowances for inventory	(1,758)	(1,587)	1,827	2,124
Net gain/loss on financial assets at fair value through profit or loss	(4,431)	15	(5,838)	(390)
Other gains and losses	52	-	-	-
Total	<u>(30,034)</u>	<u>(4,067)</u>	<u>(58,038)</u>	<u>(12,364)</u>

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Nine months ended September 30, 2019	Three months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2018
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Depreciation	395,802	126,298	446,953	132,606
out of which:				
- depreciation of property, plant and equipment	393,333	125,655	443,658	131,527
- amortization of intangible assets	1,945	419	3,295	1,079
- depreciation of right of use assets	524	224	-	-
Net impairment of non-current assets	198,737	102,766	(36,747)	15,527
Total depreciation, amortization and impairment	<u>594,539</u>	<u>229,064</u>	<u>410,206</u>	<u>148,133</u>

7. INCOME TAX

	Nine months ended September 30, 2019	Three months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2018
	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>	<u>'000 RON</u>
Current tax expense	229,057	44,362	205,803	49,166
Deferred income tax (income)/expense	(18,162)	(8,892)	(8,736)	553
Income tax expense	<u>210,895</u>	<u>35,470</u>	<u>197,067</u>	<u>49,719</u>

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, 2019
8. EMPLOYEE BENEFIT EXPENSE

	Nine months ended September 30, 2019	Three months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2018
	'000 RON	'000 RON	'000 RON	'000 RON
Wages and salaries	516,315	183,332	459,825	155,334
Social security charges	14,969	5,213	13,344	4,507
Meal tickets	14,258	4,589	13,884	4,372
Other benefits according to collective labor contract	22,605	12,135	19,452	10,402
Private pension payments	8,783	2,935	8,698	2,897
Private health insurance	-	-	5,000	1,664
Total employee benefit costs	576,930	208,204	520,203	179,176
Less, capitalized employee benefit costs	(95,569)	(34,752)	(85,282)	(29,885)
Total employee benefit expense	481,361	173,452	434,921	149,291

9. OTHER EXPENSES

	Nine months ended September 30, 2019	Three months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2018
	'000 RON	'000 RON	'000 RON	'000 RON
Energy and water expenses	52,402	30,491	15,194	1,179
Expenses for capacity booking and gas transmission services	115,231	24,130	97,198	16,963
Expenses with other taxes and duties *) (Net gain)/Net loss from provisions movement	837,345 (55,716)	187,683 6,738	682,994 (19,901)	214,543 2,721
Other operating expenses **)	239,556	75,552	165,920	72,687
Total	1,188,818	324,594	941,405	308,093

*) In the nine-month period ended September 30, 2019, the major taxes and duties included in the amount of RON 837,345 thousand (nine-month period ended September 30, 2018: RON 682,994 thousand) are:

- RON 555,946 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, 2018: RON 369,593 thousand);
- RON 234,785 thousand represent royalty on gas production and storage activity (nine-month period ended September 30, 2018: RON 305,813 thousand).

***) The increase in other operating expenses was mainly due to the contribution charged by ANRE to license title holders operating in gas and electricity industry of 2% of revenue (RON 62.775 thousand). The contribution is charged in accordance with Government Emergency Ordinance no. 114/2018.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2019

10. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	'000 RON	'000 RON
Trade receivables	1,479,530	1,651,557
Allowances for expected credit losses (note 10 c)	(1,249,426)	(1,218,188)
Accrued receivables	213,896	392,677
Total	444,000	826,046

b) Other assets

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
	'000 RON	'000 RON
Advances paid to suppliers	4,811	9,585
Joint operation receivables	2,639	6,703
Other receivables	64,839	65,529
Allowance for expected credit losses other receivables (note 10 c) *)	(32,484)	(50,983)
Other debtors	47,330	47,188
Allowance for expected credit losses for other debtors (note 10 c)	(45,110)	(43,091)
Prepayments **)	27,146	5,069
VAT not yet due	8,685	5,726
Other taxes receivable ***)	-	123,152
Total	77,856	168,878

*) During the period December 2016 - April 2017 ANAF resumed the tax inspection on VAT for the period December 2010 – June 2011 and on income tax for the period January 2010 – December 2011, regarding the discounts granted by Romgaz to interruptible clients for deliveries during 2010 - 2011. This status was attributed to companies by Transgaz, the Romanian natural gas transmission operator. Following the tax inspection, additional tax obligations of RON 15,284 thousand were determined, and also penalties and late payment charges in amount of RON 3,129 thousand. In 2019 the Company won the case filed against ANAF so the allowance of RON 18,413 thousand was reversed against income.

***) The increase in prepayments is due to the financial contribution representing 2% of the Romgaz's income from activities subject to licenses held. This contribution is recorded as a prepayment and will affect the result of 2019 monthly, on a straight line basis.

****) In 2017 the excise tax inspection for the period January 2010 - March 2013 was finalized. The tax inspection report concluded that Romgaz was not subject to excise duties related to technological consumption. Based on this report, in 2017 Romgaz recorded an income of RON 244,385 thousand, of which RON 130,470 thousand refer to the period April 2013 - November 2016, for which Romgaz has submitted corrective statements. In 2018, Romgaz recovered RON 113,915 thousand by offsetting with other tax liabilities in balance at December, 31 2017. As for the amount of RON 130,470 thousand, Romgaz was subjected in 2018 to a new tax audit for reimbursement, which was finalized favorably in 2019, when the rest of the amount was recovered.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE-MONTH AND THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2019
c) Changes in the allowance for expected credit losses for trade and other receivables and other assets

	2019	2018
	'000 RON	'000 RON
At January 1	1,312,262	1,292,438
Charge in the allowance for receivables (note 5) nine months ended September 30	2,052	300
Charge in the allowance for receivables (note 5) three months ended September 30	1,981	20
Charge in the allowance for trade receivables nine months period September 30	33,946	20,925
Charge in the allowance for trade receivables three months September 30	1,298	1,967
Release in the allowance for receivables (note 5) nine months ended September 30	(18,532)	(136)
Release in the allowance for receivables (note 5) three months ended September 30	(14)	(60)
Release in the allowance for trade receivables nine months ended September 30	(2,708)	(808)
Release in the allowance for trade receivables three months ended September 30	(8)	(797)
At September 30	1,327,020	1,312,719

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

	Nine months ended September 30, 2019	Three months ended September 30, 2019	Nine months ended September 30, 2018	Three months ended September 30, 2018
	'000 RON	'000 RON	'000 RON	'000 RON
Romgaz's associates	12,494	7,503	10,807	5,989
Total	12,494	7,503	10,807	5,989

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

(ii) Trade receivables

	September 30, 2019	December 31, 2018
	'000 RON	'000 RON
Romgaz's associates	4,237	642
Total	4,237	642

12. SEGMENT INFORMATION
a) Products and services from which reportable segments derive their revenues

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

Specifically, the Group is organized in the following segments:

- upstream, which includes exploration activities, natural gas production and trade of gas extracted by Romgaz or acquired from domestic production or import, for resale; these activities are performed by Medias, Mures and Bratislava branches;

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, 2019

- storage activities, carried out by Depogaz. The Company's associate Depomures is also operating in the gas underground storage business;
- electricity production and distribution activities, performed by Iernut branch;
- other activities, such as technological transport, operations on wells and corporate activities.

Except for Bratislava branch, all operations are in Romania. As of September 30, 2019, Bratislava branch's exploration assets were entirely depreciated, as a result of difficulties encountered during the exploration activity.

b) Segment assets and liabilities

September 30, 2019	Upstream	Storage	Electricity	Other	Consolidation adjustments	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Total assets	<u>4,241,848</u>	<u>1,523,005</u>	<u>1,018,478</u>	<u>1,644,869</u>	<u>(35,119)</u>	<u>8,393,081</u>
Total liabilities	<u>728,391</u>	<u>143,638</u>	<u>59,764</u>	<u>249,897</u>	<u>(35,119)</u>	<u>1,146,571</u>
December 31, 2018	Upstream	Storage	Electricity	Other	Consolidation adjustments	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Total assets	<u>4,791,669</u>	<u>1,596,217</u>	<u>861,611</u>	<u>1,912,909</u>	<u>(27,507)</u>	<u>9,134,899</u>
Total liabilities	<u>872,215</u>	<u>120,216</u>	<u>155,500</u>	<u>345,858</u>	<u>(27,507)</u>	<u>1,466,282</u>

c) Segment revenues, results and other segment information

Nine months ended September 30, 2019	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
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
Segment profit before tax profit/(loss)	<u>1,282,507</u>	<u>28,094</u>	<u>1,813</u>	<u>83,585</u>	<u>-</u>	<u>1,395,999</u>
Three months ended September 30, 2019	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
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
Segment profit before tax profit/(loss)	<u>215,080</u>	<u>12,185</u>	<u>5,809</u>	<u>11,591</u>	<u>-</u>	<u>244,665</u>

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, 2019

Nine months ended September 30, 2018	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3,130,687	308,758	242,626	197,082	(434,546)	3,444,607
Less: revenue between segments	(76,198)	(93,619)	(72,801)	(191,928)	434,546	-
Third party revenue	3,054,489	215,139	169,825	5,154	-	3,444,607
Segment profit before tax profit/(loss)	1,078,560	49,183	(3,180)	69,060	-	1,193,623
Three months ended September 30, 2018	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	872,821	111,079	97,473	67,632	(178,905)	970,100
Less: revenue between segments	(30,102)	(47,119)	(36,363)	(65,321)	178,905	-
Third party revenue	842,719	63,960	61,110	2,311	-	970,100
Segment profit before tax profit/(loss)	234,546	11,379	(4,078)	21,584	-	263,431

13. COMMITMENTS UNDERTAKEN

In 2018, Romgaz signed a credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 100,000 thousand. On September 30, 2019 are still available for use USD 92,449 thousand.

As of September 30, 2019, the Group's contractual commitments for the acquisition of non-current assets are of RON 535,646 thousand (December 31, 2018: RON 832,732 thousand), of which, the contract for CET Iernut development represents RON 231,411 thousand.

14. EFFECTS OF VOLUNTARY CHANGE IN ACCOUNTING POLICY AND CORRECTION OF ERRORS

- The Group modified the computation method for the decommissioning provision by replacing the weighted average cost of capital with the interest rate on long-term treasury bonds as a discount factor. The amendment was intended to align with the practice commonly used in calculating this provision.
- In 2018, the Group reconsidered the depreciation of the gas cushion, recognized as a fixed asset. This is a quantity of natural gas constituted as a reserve at the level of gas storages, physically recoverable, which ensures the optimum conditions necessary to maintain their technical-productive flow characteristics. As a result of this analysis, the Group concluded that depreciation for these fixed assets should not have been recorded as the residual value is higher than the cost.

To reflect the changes and corrections above and to ensure the comparability of the information presented in this set of financial statements, previous periods have been restated and presented as if they had always been applied.

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, 2019

Effect of restatement on consolidated comprehensive income

	Nine months ended September 30, 2018 (before restatement)	Effect of change in accounting policy	Effect of correction of accounting errors	Nine months ended September 30, 2018 (restated)
	'000 RON	'000 RON (a)	'000 RON (b)	'000 RON
Other gains and losses	(57,591)	94	(541)	(58,038)
Amortization and depreciation	(388,398)	(28,571)	6,763	(410,206)
Finance cost	(19,079)	(2,954)	-	(22,033)
Other expenses	(942,523)	1,118	-	(941,405)
Profit before tax	1,217,714	(30,313)	6,222	1,193,623
Income tax expense	(191,222)	(4,850)	(995)	(197,067)
Profit for the period	1,026,492	(35,163)	5,227	996,556
The effect on the basic and diluted earnings per share	0.0027	(0.0001)	-	0.0026

	Three months ended September 30, 2018 (before restatement)	Effect of change in accounting policy	Effect of correction of accounting errors	Three months ended September 30, 2018 (restated)
	'000 RON	'000 RON (a)	'000 RON (b)	'000 RON
Other gains and losses	(12,458)	94	-	(12,364)
Amortization and depreciation	(142,304)	(8,080)	2,251	(148,133)
Finance cost	(6,345)	(991)	-	(7,336)
Other expenses	(308,419)	326	-	(308,093)
Profit before tax	269,831	(8,651)	2,251	263,431
Income tax expense	(41,043)	(8,316)	(360)	(49,719)
Profit for the period	228,788	(16,967)	1,891	213,712
The effect on the basic and diluted earnings per share	0.0006	-	-	0.0006

15. EVENTS AFTER THE BALANCE SHEET DATE

On November 6, 2019 the Romanian Government issued Emergency Ordinance no. 68/2019 on measures regarding central public administration and change and completion of legislations, by which the Ministry of Economy, Energy and Business Environment is established through reorganization of the Ministry of Economy and merger with the Ministry of Energy, the Ministry for Business Environment, Trade and Entrepreneurship and the Ministry of Tourism.

Thus, the Romanian State is the Company's majority shareholder through the Ministry of Economy, Energy and Business Environment.

16. ENDORSEMENT OF FINANCIAL STATEMENTS

These financial statements were endorsed by the Board of Directors on November 13, 2019.

Adrian Constantin Volintiru
 Chief Executive Officer

Marius Veza
 Chief Financial Officer



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