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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SNGN ROMGAZ S.A.

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SNGN ROMGAZ S.A. (the Company) and its subsidiary (together "the Group") with official head office in Mediaş, Piaţa Constantin I. Motaş. nr. 4, cod 551130, Sibiu county, Romania, identified by sole fiscal registration number RO 14056826, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statements of comprehensive income, of changes in shareholders' equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

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

Key audit matters

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

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

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

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

Key audit matter	How our audit addressed the key audit matter
Estimation of gas reserves used in the calculation of depreciation and amortisation The Group’s disclosures about estimation of gas reserves are included in Note 2 (Use of Estimates) to the financial statements.	
Estimation of the gas reserves is a focus area in our audit because it has a significant impact on the financial statements, as the reserves are the basis for production estimates used in the Group’s cash flow forecasts for impairment testing and they are also the basis for unit of production depreciation and amortization for the core assets in the Upstream segment. The estimation of gas reserves requires the Group’s management and engineers to make significant judgement and assumptions.	We assessed the management’s estimation process in the determination of gas reserves. Specifically, our work included, but was not limited to, the following procedures: - We performed a detailed understanding of the Group’s internal process and related documentation flow and key controls associated with the gas reserves estimation process; - We analysed the certification process for technical and commercial specialists who are responsible for gas reserves estimation; we also assessed the competence, capabilities and objectivity of management specialists; - We tested whether significant increases or reductions in gas reserves were made in the period in which the new information became available and in compliance with the standards of the National Agency for Mineral Resources (“ANRM”);

	- We compared the gas reserves with the assumptions used in the cash flows for the impairment testing of production assets and in the accounting for depreciation and amortization for the core assets in the Upstream segment We further assessed the adequacy of the Group's disclosures about impairment testing and calculation of depreciation and amortization.
Impairment testing of production assets in the Upstream Gas segment The Group's disclosures about its impairment testing are included in Note 2 (Use of estimates) and in Note 12 (Property, Plant and Equipment) to the financial statements	
The impairment test is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions. Furthermore, the carrying value of the production assets and the common infrastructure and corporate assets allocated to each cash generating unit (CGU) from the Upstream segment's property, plant and equipment of RON 2,710 million as at 31 December 2019 is significant. International Financial Reporting Standards require an entity to assess whether indicators of impairment exist. Management considered that the recent changes brought by new legislation in 2019, as well as recent changes in market conditions, constitute impairment indicators and, consequently, has carried out an impairment test for the production assets in the Upstream Gas segment which resulted in an additional impairment of RON 71 million.	In respect of impairment testing, our work included, but was not limited to, the following procedures: - We analysed and evaluated the management's assessment of the existence of impairment indicators (triggering events); - We reviewed the allocation of the carrying value of common infrastructure and corporate assets to each CGU (field) - We evaluated the management's assessment of the recoverability of the carrying value of property, plant and equipment of the cash generating unit for which triggering events were identified; - We tested the reasonability of future yearly production volumes per field based on actual ANRM reports and appendixes (future production plan per field is made based on ANRM approved plan for each field); - On a sample basis, we compared the remaining reserves per field from impairment test as of 31 December 2019 with the latest ANRM approved reserve reports;

	- We compared the main assumptions used in the impairment test (gas prices, operating costs, production volumes, gas reserves and discount rate) with the current forecasts approved as part of the Group's mid-term planning process; - We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year; - We involved our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by the Group for the impairment testing of upstream productions assets (e.g. checked the mathematical accuracy of the model, its conformity with the requirements of the International Financial Reporting Standards and discount rates used, etc) We also assessed the adequacy of the Group's disclosures in the financial statements.
Impairment testing of the property, plant and equipment to be transferred to Depogaz from the Gas storage segment The Group's disclosures about its impairment testing are included in Note 2 ("Use of estimates") and in Note 12 (Property, Plant and Equipment) to the financial statements	
The impairment test is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions. Furthermore, the carrying value of the property, plant and equipment to be transferred to Depogaz from the Gas storage segment in amount of RON 701 million as at 31 December 2019, is significant. International Financial Reporting Standards require an entity to assess whether indicators of impairment exist. In 2018, Romgaz SA decided to transfer most of the gas storage activity related assets to its fully owned subsidiary Depogaz at market	We evaluated and tested management's assessment of the triggering events for potential additional impairment. Specifically our work included, but was not limited to the following procedures: - We analyzed and evaluated the management's assessment of the existence of impairment indicators (triggering events), specifically the external valuation report concluded in 2019; - We reconciled the carrying value of property, plant and equipment to be transferred to Depogaz included in the valuation report to the Fixed asset register tested

value, in form of in kind contribution. For this purpose, an external valuation report was made by an independent external valuator in 2019. The valuation report indicated that fair values of some individual assets from the property, plant and equipment to be transferred to Depogaz are lower than their carrying amount. Management considered that this information constitutes an impairment indicator and, consequently, recorded impairment for those items of property, plant and equipment to be transferred to Depogaz with an individual fair value lower than their carrying amount. This resulted in an impairment of RON 388 million.	- We assessed the allocation of property, plant and equipment to the gas storage segment based on their nature and location. - We evaluated the reasonableness of management's assumption of future revenues by analysing the ANRE regulated tariffs and based on current depositing capacities - We compared the main assumptions used in the impairment test (depositing tariffs, operating costs, deposited volumes, and discount rate) with the current forecasts approved as part of the Group's mid-term planning assumptions; - We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year; - We involved our internal valuation specialists to assist us in: o evaluation of the key assumptions and methodologies used by Romgaz Group for the impairment testing of property, plant and equipment to be transferred to Depogaz from the gas storage segment (e.g: checked the mathematical accuracy of model and its conformity with the requirements of the International Financial Reporting Standards, discount rates used, etc) o assessment of the key assumptions and methodologies used by the external appraiser for determining the fair values of the property, plant and equipment to be transferred to Depogaz from the gas storage segment o comparison the valuation of land and buildings against market values. o evaluation of the competence, capabilities and objectivity of external valuator;

<table>
<tr><td></td><td>We also assessed the adequacy of the Group's disclosures in the financial statements.</td></tr>
<tr><td colspan="2">Estimation of decommissioning provisions
The Group's disclosures about decommissioning obligations are included in Note 2 (Use of estimates) and Note 19 (Provisions) to the financial statements.</td></tr>
<tr><td>The Group's core activities regularly lead to obligations related to dismantling and removal of equipment and installations, asset retirement and soil remediation activities. The decommissioning provision is important to our audit because of its magnitude (carrying value of RON 384.2 million at 31 December 2019) and because management makes estimates and judgments in determining the respective provisions.

The key estimates and assumptions relate to the envisaged future dismantling costs, forecasted inflation rates and discount rates to determine the present value of the obligations.</td><td>Our work in respect of management's estimation of decommissioning and restoration provisions included, but was not limited to, the following procedures:
- We performed a detailed understanding of the Group's estimation process and the related documentation flow and assessed the design and implementation of the controls within the process;
- We compared the current estimates of decommissioning, costs with the actual costs incurred in previous periods;
- We reviewed the timing of works to be performed for surface and subsurface decommissioning for wells;
- We inspected supporting evidence for any material revisions in cost estimates during the year;
- We involved our valuation specialists to assist us in performing industry bench marking and analysis over discount rates and inflation rates;
- We tested the mathematical accuracy of management's decommissioning and restoration provision calculations;
- We assessed the competence, capabilities and objectivity of management specialists

We also assessed the adequacy of the Group's disclosures in the financial statements relating to decommissioning obligations.</td></tr>
</table>

Other information

The other information comprises the Annual Report (which includes the Directors' Consolidated Report, the Report on Payments to Governments for mining activities and the Corporate Governance Statement), but does not include the consolidated financial statements and our auditors' report thereon. The Corporate responsibility and sustainability report will be published separately at a later date. Management is responsible for the other information.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

a) in the Directors' Consolidated Report we have not identified information which is not consistent, in all material respects, with the information presented in the Group consolidated financial statements as at December 31, 2019;
b) the Directors' Consolidated Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 – 19 and 26-28;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated financial statements as at December 31, 2019, we have not identified information included in the Directors' Consolidated Report that contains a material misstatement of fact.

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

Appointment and Approval of Auditor

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

Consistency with Additional Report to the Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Group, which we issued on 19 March 2020.

Provision of Non-audit Services

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

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

On behalf of

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

Registered in the electronic Public Register under No. FA 77

Ernst & Young Assurance Services S.R.L.
19 MAR 2020
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Name of the Auditor/ Partner: Alexandru Lupea
Registered in the electronic Public Register under No. AF 273

Bucharest, Romania
19 March 2020

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2019

	Note	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Revenue	3	5,080,482	5,004,197
Cost of commodities sold	5	(107,800)	(245,020)
Investment income	4	38,124	53,279
Other gains and losses	6	(63,069)	(102,989)
Impairment losses on trade receivables	16	(81,221)	(19,941)
Changes in inventory of finished goods and work in progress		80,008	(32,180)
Raw materials and consumables used	5	(76,048)	(75,460)
Depreciation, amortization and impairment expenses	7	(1,358,250)	(708,142)
Employee benefit expense	8	(670,408)	(621,330)
Finance cost	9	(24,740)	(29,724)
Exploration expense	13	(24,564)	(247,123)
Share of profit of associates	25	1,474	622
Other expenses	10	(1,551,642)	(1,409,447)
Other income	3	32,834	18,442
Profit before tax		**1,275,180**	**1,585,184**
Income tax expense	11	(185,557)	(219,016)
Profit for the year		**1,089,623**	**1,366,168**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on post-employment benefits	19 c)	27,411	(17,106)
Income tax relating to items that will not be reclassified subsequently to profit or loss	11	(4,387)	2,737
Total items that will not be reclassified subsequently to profit or loss		**23,024**	**(14,369)**
Other comprehensive income for the year net of income tax		**23,024**	**(14,369)**
Total comprehensive income for the year		**1,112,647**	**1,351,799**
Basic and diluted earnings per share		0.0028	0.0035

These financial statements were endorsed by the Board of Directors on March 19, 2020.

Adrian Constantin Volintiru
Chief Executive Officer

Marius Leonte Veza
Accounting Director

Ernst & Young Assurance Services S.R.L.
19. MAR. 2020
Signed for identification
Semnat pentru identificare

STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS OF DECEMBER 31, 2019

	Note	December 31, 2019 '000 RON	December 31, 2018 '000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	12	5,543,177	6,279,748
Other intangible assets	14	9,164	4,970
Investments in associates	25	24,772	23,298
Deferred tax asset	11	230,947	127,491
Right of use asset	14	8,590	-
Other financial assets	26	5,388	9,812
Total non-current assets		**5,822,038**	**6,445,319**
Current assets			
Inventories	15	311,013	245,992
Trade and other receivables	16 a)	638,158	826,046
Contract costs		312	583
Other financial assets	29	1,075,224	881,245
Other assets	16 b)	42,485	168,878
Cash and cash equivalents	28	363,943	566,836
Total current assets		**2,431,135**	**2,689,580**
Total assets		**8,253,173**	**9,134,899**
EQUITY AND LIABILITIES			
Equity			
Share capital	17	385,422	385,422
Reserves	18	1,587,409	1,824,999
Retained earnings		5,201,222	5,458,196
Total equity		**7,174,053**	**7,668,617**
Non-current liabilities			
Retirement benefit obligation	19	114,876	139,254
Deferred revenue	20	21,244	21,128
Lease liability		8,285	-
Provisions	19	366,393	510,114
Total non-current liabilities		**510,798**	**670,496**

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19. MAR. 2020
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STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS OF DECEMBER 31, 2019

	Note	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Current liabilities			
Trade payables	21	109,910	186,702
Contract liabilities	21	42,705	46,381
Current tax liabilities		64,342	68,001
Deferred revenue	20	3,729	8,442
Provisions	19	82,701	93,645
Lease liability		694	-
Other liabilities	21	264,241	392,615
Total current liabilities		**568,322**	**795,786**
Total liabilities		**1,079,120**	**1,466,282**
Total equity and liabilities		**8,253,173**	**9,134,899**

These financial statements were endorsed by the Board of Directors on March 19, 2020.

Societatea Națională de Gaze Naturale ROMGAZ S.A. MEDIAȘ J32/392/2001

Adrian Constantin Volintiru
Chief Executive Officer

Marius Leonte Veza
Accounting Director

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

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

	Share capital	Legal reserve	Other reserves (note 18)	Retained earnings **)	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2019	385,422	77,487	1,747,512	5,458,196	7,668,617
Profit for the year	-	-	-	1,089,623	1,089,623
Allocation to dividends *)	-	-	(362,297)	(1,244,914)	(1,607,211)
Increase in legal reserves	-	2,434	-	(2,434)	-
Allocation to other reserves	-	-	106,265	(106,265)	-
Increase in reinvested profit reserves	-	-	16,008	(16,008)	-
Other comprehensive income for the year	-	-	-	23,024	23,024
Balance as of December 31, 2019	385,422	79,921	1,507,488	5,201,222	7,174,053
Balance as of January 1, 2018	385,422	77,084	2,235,448	6,635,380	9,333,334
Effect of voluntary change in accounting policy	-	-	-	(415,096)	(415,096)
Effect of correction of accounting errors	-	-	-	57,202	57,202
Balance as of January 1, 2018 (restated)	385,422	77,084	2,235,448	6,277,486	8,975,440
Profit for the year	-	-	-	1,366,168	1,366,168
Allocation to dividends *)	-	-	(716,886)	(1,923,258)	(2,640,144)
Increase in legal reserves	-	403	-	(403)	-
Allocation to other reserves	-	-	185,563	(185,563)	-
Effect of change in accounting policies due to new IFRSs	-	-	-	(18,478)	(18,478)
Increase in reinvested profit reserves	-	-	43,387	(43,387)	-
Other comprehensive income for the year	-	-	-	(14,369)	(14,369)
Balance as of December 31, 2018	385,422	77,487	1,747,512	5,458,196	7,668,617

*) In 2019 the Group's shareholders approved the allocation of dividends of RON 1,607,211 thousand (2018: RON 2,640,144 thousand), dividend per share being RON 4.17 (2018: RON 6.85).

**) Retained earnings include the geological quota reserve set up in accordance with the provisions of Government Decision no. 168/1998 on the establishment of the expense quota for the development and modernization of oil and natural gas production, refining, transportation and oil distribution. Following the Group's transition to IFRS, the reserve was no longer set up, the reserve existing as of December 31, 2012 being included in retained earnings. This result is allocated based on the depreciation, respectively write-off of the assets financed using this source, based on decision of General Meeting of Shareholders. As of December 31, 2019 the geological quota reserve is of RON 1,081,148 thousand (December 31, 2018: RON 1,503,982 thousand).

These financial statements were endorsed by the Board of Directors on March 19, 2020.

Adrian Constantin Volintiru
Chief Executive Officer

Marius Leonte Veza
Accounting Director

Ernst & Young Assurance Services S.R.L.
19 MAR 2020
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The accompanying notes form an integrant part of these financial statements.
This is a free translation of the original Romanian version.

STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2019

	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Cash flows from operating activities		
Net profit	**1,089,623**	**1,366,168**
Adjustments for:		
Income tax expense (note 11)	185,557	219,016
Share of associates' result (note 25)	(1,474)	(622)
Interest expense (note 9)	543	-
Unwinding of decommissioning provision (note 9, note 19)	24,197	29,724
Interest revenue (note 4)	(38,124)	(53,279)
Net loss on disposal of non-current assets (note 6)	68,046	62,961
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	(51,760)	(34,390)
Change in other provisions (note 19)	(5,402)	30,152
Net impairment of exploration assets (note 7, note 12, note 13)	208,350	(118,809)
Exploration projects written off (note 13)	23,051	149,620
Net impairment of property, plant and equipment and intangibles (note 7, note 12)	628,943	235,661
Depreciation and amortization (note 7)	520,957	591,290
Amortization of contract costs	651	1,291
Change in investments at fair value through profit and loss (note 6)	4,424	40,782
Net receivable write-offs and movement in allowances for trade receivables and other assets	67,297	20,048
Other gains and losses - leasing	(52)	-
Net movement in write-down allowances for inventory (note 6, note 15)	5,125	(2,052)
Liabilities written off	(89)	(58)
Subsidies income (note 20)	(81)	(269)
	2,729,782	**2,537,234**
Movements in working capital:		
(Increase)/Decrease in inventory	(38,428)	143,114
(Increase)/Decrease in trade and other receivables	116,143	(8,156)
Increase/(Decrease) in trade and other liabilities	(78,115)	(194,681)
Cash generated from operations	**2,729,382**	**2,477,511**
Income taxes paid	(297,059)	(334,324)
Net cash generated by operating activities	**2,432,323**	**2,143,187**

STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2019

	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Cash flows from investing activities		
Net collections/(payments) related to other financial assets	(203,972)	1,917,569
Interest received	43,470	49,338
Proceeds from sale of non-current assets	1,305	961
Acquisition of non-current assets	(694,349)	(948,588)
Acquisition of exploration assets	(173,563)	(205,371)
Net cash used in investing activities	**(1,027,109)**	**813,909**
Cash flows from financing activities		
Dividends paid	(1,607,246)	(2,638,535)
Repayment of lease liability	(861)	-
Subsidies received (note 20)	-	21,108
Net cash used in financing activities	**(1,608,107)**	**(2,617,427)**
Net increase/(decrease) in cash and cash equivalents	**(202,893)**	**339,669**
Cash and cash equivalents at the beginning of the year	**566,836**	**227,167**
Cash and cash equivalents at the end of the year	**363,943**	**566,836**

These financial statements were endorsed by the Board of Directors on March 19, 2020.

Adrian Constantin Volintiru
Chief Executive Officer

Marius Leonte Veza
Accounting Director

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1. BACKGROUND AND GENERAL BUSINESS

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

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

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

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

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

The Group has as main activity:

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements ("financial statements") of the Group have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Ministry of Finance Order 2844/2016 to approve accounting regulations in accordance with IFRS (MOF 2844/2016). For the purposes of the preparation of these financial statements, the functional currency of the Group is deemed to be the Romanian Leu (RON). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board (IASB), however, the differences have no material impact on the Group's financial statements for the periods presented.

Except for the effects of IFRS 16 "Leases", presented below, the same accounting policies and methods of computation are used in these financial statements as compared with the most recent annual financial statements.

Basis of preparation

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

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

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

Fair value

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

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

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

Basis for consolidation

Subsidiaries

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

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

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

Associated entities

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

Joint arrangements

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

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

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

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

Joint operations

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

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

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

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

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

Joint ventures

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

Standards and interpretations valid for the current period

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

- 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.

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 and adopted by the EU, but not yet effective

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

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

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

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);
- Amendment to IFRS 3 Business Combination (effective for annual periods beginning on or after January 1, 2020);
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current.

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.

Segment information

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

Specifically, the Group is organized in the following segments:

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

- electricity production and distribution activities, performed by Iernut branch;
- other activities, such as technological transport, operations on wells and corporate activities.

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

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

Revenue recognition

a) Revenue from contracts with customers

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

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

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

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

Revenue is recognized over time if:

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

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

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

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

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

b) Other revenue

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

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

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

Exploration expenses

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

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

Foreign currencies

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

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

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

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

Employee benefits

Benefits granted upon retirement

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

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

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

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

Employee participation to profit

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

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

Provisions

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

Greenhouse gas provisions

The Group recognizes a provision for the deficit between actual CO_2 emissions and certificates held, measured at the best estimate of expenditure required to settle the obligation, namely the market price of the emission rights at reporting date.

Provisions for decommissioning of wells

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

The Group recorded a provision for decommissioning wells.

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

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

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

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

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

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

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

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

Current and deferred tax for the period

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

Property, plant and equipment

(1) Cost

(i) Property, plant and equipment

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

(ii) Gas cushion

This is a quantity of natural gas constituted as a reserve at the level of gas storages, physically recoverable, which ensures the optimum conditions necessary to maintain their technical-productive flow characteristics. The gas cushion is recorded as an item of property, plant and equipment in the Storage segment.

(iii) Development expenditure

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

(iv) Maintenance and repairs

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

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

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

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

All other costs with the current repairs and usual maintenance are recognized directly in expenses.

(2) Depreciation

The depreciable amount of a tangible asset is the cost less the residual value of the asset. The residual value is the estimated value that the Group would currently obtain from the disposal of an asset, after deducting the estimated costs associated with the disposal if the asset would already have the age and condition expected at the end of its useful life.

For directly productive tangible assets (natural gas resources extraction wells), the Group applies the depreciation method based on the unit of production in order to reflect in the statement of comprehensive income, an expense proportionate with income realized from sale of production obtained from the total natural gas reserve certified at the beginning of the period. According to this method, the value of each production well is depreciated according to the ratio of the natural gas quantity extracted during the period compared to the proved developed reserves at the beginning of the period.

Assets representing gas cushion are not depreciated, as the residual value exceeds their cost.

For indirectly productive tangible assets and storage assets, depreciation is computed using the straight–line method over the estimated useful life of assets, as follows:

Asset	Years
Specific buildings and constructions	10 - 50
Technical installations and machines	3 - 20
Other plant, tools and furniture	3 – 30

Land is not depreciated as it is considered to have an indefinite useful life.

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Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at historical cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Items of tangible fixed assets that are disposed of are eliminated from the statement of financial position along with the corresponding accumulated depreciation. Any gain or loss resulting from such retirement or disposal is included in the result of the period.

For items of tangible fixed assets that are retired from use, but not yet written off by the reporting date, an impairment adjustment is recorded for the carrying value at the time of retirement.

(3) Impairment

Non-current assets must be recognized at the lower of the carrying amount and recoverable amount. If and only if the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to be equal to its recoverable amount. Such a reduction represents an impairment loss that is recognized in the result of the period.

Thus at the end of each reporting period, the Group assesses whether there is any indication of impairment of assets. If such indication is identified, the Group tests the assets to determine whether they are impaired.

The Group's assets are allocated to cash-generating units. The cash-generating unit is the smallest identifiable asset group that generates independent cash inflows to a large extent from cash inflows generated by other assets or asset groups. The Group considers each commercial field as a separate cash-generating unit. All gas storages held by the Group are considered as part of a single cash-generating unit, as the regulatory authority sets regulated tariffs by analyzing the storage activity as a whole, not every single storage.

In 2019, the Group conducted an impairment test in the Upstream segment, as the conditions existing when the previous test was conducted changed; the results of the impairment test are presented in note 12.

In 2019, the Group conducted an impairment test in the Storage segment, following the shareholders' and board of directors' decisions in 2020 to increase the share capital of the Depogaz by contribution in kind. In 2020, it was decided that the assets leased by Romgaz to its subsidiary, except the gas cushion, would be transferred to it. Impairment indications were identified in a valuation report prepared for the future transfer.

Recoverable amount is the largest of the fair value of an asset or a cash-generating unit less costs associated with disposal and its value in use. Considering the nature of the Group's assets, it was not possible to determine the fair value of the cash-generating units, being determined only the value in use of the assets.

Exploration and appraisal assets

(1) Cost

Natural gas exploration (other than seismic, geological, geophysical and other similar activities), appraisal and development expenditure is accounted for using the principles of the successful efforts method of accounting.

Costs directly associated with an exploration well are initially capitalized as an asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, drilling costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well is eliminated from the statement of financial position, by recording an impairment, until National Agency for Mineral Resources (Agentia Nationala pentru Resurse Minerale – ANRM) approvals are obtained in order to be written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. Costs directly associated with appraisal activity, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, an impairment is recorded for the assets, until the completion of the legal steps necessary for them to be written off. When proved reserves of natural gas are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment other than exploration assets.

(2) Impairment

At each reporting date, the Group's management reviews its exploration assets and establishes the necessity for recording in the financial statements an impairment loss in these situations:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of gas resources in the specific area is neither budgeted nor planned;

- exploration for and evaluation of gas resources in the specific area have not led to the discovery of commercially viable quantities of gas resources and the Group has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Other intangible assets

(1) Cost

Licenses for software, patents and other intangible assets are recognized at acquisition cost.

Intangible assets are not revalued.

(2) Amortization

Patents and other intangible assets are amortized using the straight-line method over their useful life, but not exceeding 20 years. Licenses related to the right of use of computer software are amortized over a period of 3 years.

Inventories

Inventories are recorded initially at cost of production, or acquisition cost, depending on the case. The cost of finished goods and production in progress includes materials, labour, expense incurred for bringing the finished goods at the location and in the existent form and the related indirect production costs. Write down adjustments are booked against slow moving, damaged and obsolete inventory, when necessary.

At each reporting date, inventories are measured at the lower of cost and net realizable value. The net realizable value is estimated based on the selling price less any completion and selling expenses. The cost of inventories is assigned by using the weighted average cost formula.

Financial assets and liabilities

The Group's financial assets include cash and cash equivalents, trade receivables, other receivables, loans, bank deposits and bonds with a maturity from acquisition date of over three months and other investments. Financial liabilities include interest-bearing bank borrowings and overdrafts and trade and other payables. For each item, the accounting policies on recognition and measurement are disclosed in this note. Management believes that the estimated fair values of these instruments approximate their carrying amounts.

Cash and cash equivalents include petty cash, cash in current bank accounts and short-term deposits with a maturity of less than three months from the date of acquisition.

The Group recognizes a financial asset or financial liability in the statement of financial position when and only when it becomes a party to the contractual provisions of the instrument. Upon initial recognition, financial assets are classified at amortized cost or measured at fair value through profit or loss. The classification depends on the Group's business model for managing the financial assets and their contractual cash flows.

The Group does not have financial assets measured at fair value through other comprehensive income.

On initial recognition, financial assets and financial liabilities are measured at fair value plus or minus, in the case of assets measured at amortized cost, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Receivables resulting from contracts with customers represent the unconditional right of the Group to a consideration. The right to a consideration is unconditional if only the passage of time is required before payment of the consideration is due. These are measured at initial recognition at the transaction price.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments plus or minus cumulative depreciation using the effective interest method for each difference between the initial amount and the amount at maturity and, for financial assets, adjusted for any impairment.

Any difference between the entry amount and the reimbursement amount is recognized in the income statement for the period of the borrowings using the effective interest method.

Financial instruments are classified as liabilities or equity in accordance with the nature of the contractual arrangement. Interest, dividends, gains and losses on a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are recorded directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and discharge the obligation simultaneously.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each reporting period.

Except for trade receivables, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk associated with the financial instrument, has increased significantly since initial recognition. If, at the reporting date, the credit risk for a financial instrument has not increased significantly since the initial recognition, the Group measures the loss allowance for that financial instrument at a value equal to 12-month expected credit losses.

The loss allowance on trade receivables resulting from transactions that are subject to IFRS 15 is measured at an amount equal to lifetime expected credit losses.

The carrying amount of the financial asset, other than those at fair value through profit or loss, is reduced through the use of an allowance account.

De-recognition of financial assets and liabilities

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Reserves

Reserves include (note 18):

- legal reserves, which are used annually to transfer to reserves up to 5% of the statutory profit, but not more than 20% of the statutory share capital of the companies within the Group;
- other reserves, which represent allocations from profit in accordance with Government Ordinance no. 64/2001, paragraph (g) for the Company's development fund;
- reserves from reinvested profit, set up based on the Fiscal Code. The amount of profit that benefited from tax exemption under the fiscal legislation less the legal reserve, is distributed at the end of the year by setting up the reserve;
- development quota reserve, non-distributable, set up until 2004. Development quota reserve set up after 2004 is distributable and presented in retained earnings. Development quota set up after 2004 is allocated with the approval of General Meeting of Shareholders, based on depreciation, respectively write-off of the assets financed using the development quota;
- other non-distributable reserves, set up from retained earnings representing translation differences recorded at transition to IFRS. These reserves are set up in accordance with MOF 2844/2016.

Subsidies

Subsidies are non-reimbursable financial resources granted to the Group with the condition of meeting certain criteria. In the category of subsidies are included grants related to assets and grants related to income.

Grants related to assets are government grants for whose primary condition is that the Group should purchase, construct, or otherwise acquire long-term assets.

Grants related to income are government grants other than those related to assets.

Subsidies are not recognized until there is reasonable assurance that:

a) the Group will comply with the conditions attaching to it; and

b) subsidies will be received.

Grants related to assets are presented in the statement of financial position as "Deferred revenue", which is then recognized in profit or loss on a systematic basis over the useful life of the asset.

Grants related to income are recognized in the statement of profit or loss under "Other income", as the related expenses are recorded. Until the time the expense occurs, the grant received is recognized as "Deferred revenue".

Use of estimates

The preparation of the financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the end of reporting date, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments that the management has made in the process of applying the Group's accounting policies, and that have the most significant effect on the amounts recognized in the financial statements.

Estimates related to impairment losses on trade receivables

At each period end, the Group evaluates the risks attached to current and overdue receivables and the probability of such risks to materialize. The Group's receivables are generally due in maximum 30 days from the date of issue. However, the Group is forced by court decisions to sell gas to insolvent clients deemed "captive" according to insolvency legislation. Invoices issued to these clients for gas delivered are due in 90 days from the date of issue. Based on the information available at period end related to such clients and previous experience, the Group estimates the lifetime expected credit loss of receivables, both current and overdue, and records appropriate impairment losses.

Estimates related to the exploration expenditure on undeveloped fields

If field works prove that the geological structures are not exploitable from an economic point of view or that they do not have hydrocarbon resources available, an impairment is recorded. The impairment assessment is performed based on geological experts' technical expertise.

Estimates related to the developed proved reserves

The Group applies the depreciation method based on the unit of production in order to reflect in the income statement an expense proportionate with the income realized from sale of production obtained from the total natural gas reserve at the beginning of the period. According to this method, the value of each production well is depreciated according to the ratio of the natural gas quantity extracted during the period compared to the gas reserve at the beginning of the period. The gas reserves are updated annually according to internal assessments that are based on certifications of ANRM.

Estimates related to the decommissioning provision

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

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

Estimates related to the retirement benefit obligation

Under the Collective Labor Agreement, the Group is obliged to pay to its employees when they retire a multiplicator of the gross salary, depending on the seniority within the gas industry/electricity industry, working conditions etc. This provision is updated annually and calculated based on actuarial methods to estimate the average wage, the average number of employees to pay at retirement, the estimate of the period when they will be paid and brought to present value using a discount factor based on interest on investments with the highest degree of safety (government bonds).

The Group does not operate any other pension plan or retirement benefits, and therefore has no other obligations relating to pensions.

Contingencies

By their nature, contingencies end only when one or more uncertain future events occur or not. In order to determine the existence and the potential value of a contingent element, is required to exercise the professional judgment and the use of estimates regarding the outcome of future events (note 32).

Comparative information

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

3. REVENUE AND OTHER INCOME

	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Revenue from gas sold - domestic production	4,151,626	3,845,351
Revenue from gas sold – other arrangements	128,737	133,073
Revenue from gas acquired for resale – import gas	77,867	205,912
Revenue from gas acquired for resale – domestic gas	23,368	11,015
Revenue from storage services-capacity reservation	265,962	230,611
Revenue from storage services-extraction	22,410	36,831
Revenue from storage services-injection	42,418	30,564
Revenue from electricity *)	145,714	297,080
Revenue from services	184,564	188,896
Revenue from sale of goods	30,243	17,462
Other revenues from contracts	402	404
Total revenue from contracts with customers	**5,073,311**	**4,997,199**
Other revenues	7,171	6,998
Total revenue	**5,080,482**	**5,004,197**
Other operating income **)	32,834	18,442
Total revenue and other Income	**5,113,316**	**5,022,639**

*) The decrease in electricity revenues is due to the works performed on the new Iernut power plant which led to lower deliveries in 2019.

**) Other operating income relates mainly to penalties charged to clients for late payment.

Revenue from contracts with customers is recognized as or when the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of goods sold by the Group usually coincides with title passing to the customer and the customer taking physical possession.

Revenues from gas and electricity are recognized when the delivery has been made at the prices fixed in the contracts with customers.

Revenues from storage services are recognized when they are provided at the rates set by the regulatory authority. Usually, injection services are provided in the period April – October, and those for extraction in October – April. The capacity reservation services are being provided each month of the storage cycle, which begins on April 1 and ends on March 31 of the next year.

In measuring the revenue from gas, electricity and storage services, the Group uses output methods. According to these methods, revenues are recognized based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. The Group recognizes the revenue in the amount it has the right to charge.

The Group does not disclose information about the remaining performance obligations, applying the practical expedient in IFRS 15, as the contracts with the customers are generally signed for periods of less than one year and the revenues are recognized at the amount which the Group has the right to charge.

4. INVESTMENT INCOME

	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Interest income	38,124	53,279
Total	**38,124**	**53,279**

Interest income is derived from the Group's investments in bank deposits and government bonds.

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5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Consumables used	72,481	71,963
Cost of gas acquired for resale, sold – import	74,410	202,613
Cost of gas acquired for resale, sold – domestic	9,863	7,338
Cost of electricity imbalance	22,414	34,031
Cost of other goods sold	1,114	1,037
Other consumables	3,566	3,498
Total	**183,848**	**320,480**

6. OTHER GAINS AND LOSSES

	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Forex gain	2,579	4,058
Forex loss	(2,029)	(5,249)
Net loss on disposal of non-current assets	(68,046)	(62,961)
Net receivable allowances (note 16 c)	13,926	117
Net write down allowances for inventory (note 15)	(5,125)	2,052
Net gain/loss on financial assets at fair value through profit or loss (note 26)	(4,424)	(40,782)
Other gains and losses from lease contracts	52	-
Losses from other debtors	(2)	(224)
Total	**(63,069)**	**(102,989)**

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Depreciation	520,957	591,290
out of which:		
- depreciation of property, plant and equipment	517,833	586,955
- amortization of intangible assets	2,376	4,335
- amortization of write-of use assets	748	-
Net impairment of non-current assets (note 12)	837,293	116,852
Total depreciation, amortization and impairment	**1,358,250**	**708,142**

8. EMPLOYEE BENEFIT EXPENSE

	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Wages and salaries	717,927	660,850
Social security charges	20,589	19,044
Meal tickets	19,044	18,479
Other benefits according to collective labor contract	29,865	25,908
Private pension payments	10,783	10,671
Private health insurance	-	6,685
Total employee benefit costs	**798,208**	**741,637**
Less, capitalized employee benefit costs	(127,800)	(120,307)
Total employee benefit expense	**670,408**	**621,330**

9. FINANCE COSTS

	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Interest expense on lease contracts	543	-
Unwinding of the decommissioning provision (note 19)	24,197	29,724
Total	**24,740**	**29,724**

10. OTHER EXPENSES

	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Energy and water expenses	61,428	20,220
Expenses for capacity booking and gas transmission services	164,142	189,881
Expenses with other taxes and duties *)	1,070,181	1,006,098
(Net gain)/Net loss from provisions movement (note 19)	(57,162)	(4,238)
Other operating expenses **)	313,053	197,486
Total	**1,551,642**	**1,409,447**

*) In the year ended December 31, 2019, the major taxes and duties included in the amount of RON 1,070,181 thousand (year ended December 31, 2018: RON 1,006,098 thousand) are:

- RON 716,908 thousand represent windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 with the subsequent amendments for the implementation of the windfall tax following the deregulation of prices in the natural gas sector (year ended December 31, 2018: RON 550,792 thousand);
- RON 342,992 thousand represent royalty on gas production and storage activity (year ended December 31, 2018: RON 445,164 thousand).

**) Other operating expenses in the amount of RON 313,053 thousand (2018: RON 197,486 thousand) include RON 86,975 thousand (2018: RON 0 thousand) representing the contribution charged by ANRE to license title holders operating in gas and electricity industry of 2% of revenue.

11. INCOME TAX

	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Current tax expense	293,400	273,804
Deferred income tax (income)/expense	(107,843)	(54,788)
Income tax expense	**185,557**	**219,016**

The tax rate used for the reconciliations below for the year ended December 31, 2019, respectively year ended December 31, 2018 is 16% payable by corporate entities in Romania on taxable profits.

The total charge for the period can be reconciled to the accounting profit as follows:

	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Accounting profit before tax	**1,275,180**	**1,585,184**
(Profit)/loss of activities not subject to income tax	1,821	6,177
Accounting profit subject to income tax	**1,277,001**	**1,591,361**
Income tax expense calculated at 16%	204,320	254,618
Effect of income exempt of taxation	(44,977)	(54,040)
Effect of expenses that are not deductible in determining taxable profit	171,689	102,527
Effect of current income tax reduction, due to VAT split	(15,054)	(14,273)
Effect of tax incentive for reinvested profit	(2,746)	(6,949)
Effect of legal reserves	(390)	(64)
Effect of the benefit from tax credits, used to reduce current tax expense	28,791	13,043
Effect of deferred tax relating to the origination and reversal of temporary differences	(145,040)	(29,009)
Effect of the benefit from tax credits, used to reduce deferred tax expense	(11,036)	(46,837)
Income tax expense	**185,557**	**219,016**

Components of deferred tax (asset)/liability:

	December 31, 2019		December 31, 2018	
	Cumulative temporary differences	Deferred tax (asset)/ liability	Cumulative temporary differences	Deferred tax (asset)/ liability
	'000 RON	'000 RON	'000 RON	'000 RON
Provisions	(540,560)	(86,490)	(702,667)	(112,428)
Property, plant and equipment	236,238	37,798	1,272,647	203,624
Exploration assets *)	(928,679)	(148,589)	(1,161,170)	(185,787)
Financial investments	(977)	(156)	(977)	(156)
Inventory	(17,940)	(2,870)	(18,485)	(2,958)
Trade receivables and other receivables	(191,509)	(30,641)	(186,161)	(29,786)
Right of use asset	554	89	-	-
Deferred revenue	17	3	-	-
Lease liability	(567)	(91)	-	-
Total	**(1,443,423)**	**(230,947)**	**(796,813)**	**(127,491)**
Change, out of which:		**103,456**		**57,526**
- in current year's result		107,843		54,788
- in other comprehensive income		(4,387)		2,738

*) According to the Fiscal Code applicable in Romania, expenses related to location, exploration, development or any preparatory activity for the exploitation of natural resources, which, according to the applicable accounting regulations, are recorded directly in the result, are recovered in equal rates for a period of 5 years, starting with the month in which the expenses are incurred. Also, for fixed assets specific to the exploration and production of gas resources, the carrying tax value of fixed assets written-off is deducted using the tax depreciation method used before their write-off for the remaining period. All of these costs are treated as assets only from a tax point of view and generate a deferred tax asset.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements '000 RON	Buildings '000 RON	Gas properties '000 RON	Plant, machinery and equipment '000 RON	Fixtures, fittings and office equipment '000 RON	Storage assets '000 RON	Tangible exploration assets '000 RON	Capital work in progress '000 RON	Total '000 RON
Cost									
As of January 1, 2019	108,954	892,035	6,454,087	984,695	102,099	1,718,601	332,457	1,565,368	12,158,296
Additions	374	18	16,346	25	21	-	210,521	673,880	901,185
Transfers	40	18,209	466,419	41,290	4,124	9,035	(117,482)	(421,635)	-
Disposals	-	(283)	(206,679)	(8,545)	(2,134)	(34,574)	(23,051)	(22,959)	(298,225)
As of December 31, 2019	109,368	909,979	6,730,173	1,017,465	104,110	1,693,062	402,445	1,794,654	12,761,256
Accumulated depreciation									
As of January 1, 2019	-	297,747	3,671,297	590,345	72,921	589,044	-	-	5,221,354
Charge *)	-	31,348	370,794	64,108	6,463	68,617	-	-	541,330
Transfers	-	-	5,906	-	-	(5,906)	-	-	-
Disposals	-	(248)	(25,852)	(8,093)	(2,103)	(2,796)	-	-	(39,092)
As of December 31, 2019	-	328,847	4,022,145	646,360	77,281	648,959	-	-	5,723,592
Impairment									
As of January 1, 2019	3,180	31,523	390,424	71,226	909	3,521	37,266	119,145	657,194
Charge	5,075	11,893	179,095	4,526	288	375,073	231,409	192,449	999,808
Transfers	-	931	24,890	6,808	279	-	(84)	(32,824)	-
Release	-	(4,041)	(100,680)	(1,993)	(328)	(262)	(23,059)	(32,152)	(162,515)
As of December 31, 2019	8,255	40,306	493,729	80,567	1,148	378,332	245,532	246,618	1,494,487
Carrying value									
As of January 1, 2019	105,774	562,765	2,392,366	323,124	28,269	1,126,036	295,191	1,446,223	6,279,748
As of December 31, 2019	101,113	540,826	2,214,299	290,538	25,681	665,771	156,913	1,548,036	5,543,177

*) *The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 23,498 thousand.*

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	Land and land improvements '000 RON	Buildings '000 RON	Gas properties '000 RON	Plant, machinery and equipment '000 RON	Fixtures, fittings and office equipment '000 RON	Storage assets '000 RON	Tangible exploration assets '000 RON	Capital work in progress '000 RON	Total '000 RON
Cost									
As of January 1, 2018 (restated)	**108,402**	**882,913**	**6,475,527**	**927,068**	**97,142**	**1,694,522**	**438,613**	**797,540**	**11,421,727**
Additions	446	10	2,101	139	2	1	205,370	971,058	1,179,127
Transfers	106	10,849	227,799	68,969	7,214	25,502	(161,906)	(178,533)	-
Disposals	-	(1,737)	(251,340)	(11,481)	(2,259)	(1,424)	(149,620)	(24,697)	(442,558)
As of December 31, 2018	**108,954**	**892,035**	**6,454,087**	**984,695**	**102,099**	**1,718,601**	**332,457**	**1,565,368**	**12,158,296**
Accumulated depreciation									
As of January 1, 2018 (restated)	**-**	**265,803**	**3,271,717**	**532,892**	**69,125**	**520,149**	**-**	**-**	**4,659,686**
Charge *)	-	32,505	435,102	68,035	5,991	68,997	-	-	610,630
Disposals	-	(561)	(35,522)	(10,582)	(2,195)	(102)	-	-	(48,962)
As of December 31, 2018	**-**	**297,747**	**3,671,297**	**590,345**	**72,921**	**589,044**	**-**	**-**	**5,221,354**
Impairment									
As of January 1, 2018 (restated)	**3,180**	**16,031**	**229,683**	**23,373**	**386**	**2,152**	**157,349**	**108,188**	**540,342**
Charge	-	16,599	220,194	50,660	677	1,897	31,800	50,603	372,430
Transfers	-	-	12,039	-	-	-	(1,274)	(10,765)	-
Release	-	(1,107)	(71,492)	(2,807)	(154)	(528)	(150,609)	(28,881)	(255,578)
As of December 31, 2018	**3,180**	**31,523**	**390,424**	**71,226**	**909**	**3,521**	**37,266**	**119,145**	**657,194**
Carrying value									
As of January 1, 2018 (restated)	**105,222**	**601,079**	**2,974,127**	**370,803**	**27,631**	**1,172,221**	**281,264**	**689,352**	**6,221,699**
As of December 31, 2018	**105,774**	**562,765**	**2,392,366**	**323,124**	**28,269**	**1,126,036**	**295,191**	**1,446,223**	**6,279,748**

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 21,171 thousand.*

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Impairment of property, plant and equipment

Note 2 contains information on the conditions under which impairment losses for individual assets are recognized.

Impairment of assets in the Upstream segment

At the start of 2020, Government Emergency Ordinance no. 114/2018, which introduced regulated prices for gas delivered during the period May 1, 2019 – February 28, 2022 to household consumers and to heat producers only for the gas used in producing heat for the population, was amended by Government Emergency Ordinance no. 1/2020. Amendments refer, among others, to repealing the regulated price on gas starting July 1, 2020 and repealing the contribution charged by ANRE to license title holders operating in gas and electricity industry of 2% on revenue. In addition to these, the Group noticed a fall in the gas prices on the external markets. Also, ANRE published in 2020 a draft order which forces major Romanian gas producers to sell 30% of their output on the commodities exchange at a maximum price of 95% of the price on the Central European Gas Hub. The Company's management believes this draft will become a legal obligation which currently means a decrease of the average gas price. Based on these factors, the Group conducted an impairment test on the commercial fields it operates.

Based on its assessment, the Group considered each commercial field a separate cash-generating unit. The infrastructure common to several gas fields (e.g., compression stations, drying stations) was allocated to each field according to the quantities processed for each field served. The corporate assets were allocated to each field according to the estimated revenue to be earned by each field in the total revenue over the period considered in the impairment test.

The impairment test took into account the economic life of the fields, according to the latest studies approved by the National Agency of Mineral Resources, but no later than 2043, this being the limit year of the concession agreements, according to the legislation in force.

Following the impairment test, there was an additional impairment of RON 71,257 thousand.

In the impairment test the following assumptions were used:

- Weighted average cost of capital: 10%;
- The inflation rate for the years 2020-2022 was the one reported by the National Prognosis Commission in the autumn forecast for 2019. For the period 2023-2043 a constant inflation rate of 2.6% was used;
- Average estimated price for the period was 92.98 lei/MWh.

Sensitivity analysis - following the 1% change in the factors below, the impairment resulted from the impairment test would be (changes are independent from one another):

	Increase with 1%	Decrease with 1%
	'000 RON	'000 RON
Weighted average cost of capital	72,858	69,781
Selling price	70,204	72,311
Inflation rate	70,127	72,460

Impairment of assets in the Storage segment

In 2020, the Group's shareholders decided to increase the share capital of Depogaz by contribution in kind with the assets used in the storage activity, owned by Romgaz. Following this decision, the Company's Board of Directors approved the increase of the subsidiary's share capital with RON 871,787 thousand, representing contribution in kind of assets, except for the gas cushion. Prior to these decisions, there were no asset impairment indications, as the carrying value was recovered through rent charged by the Company to the subsidiary. Based on the two decisions, impairment indications were identified in a valuation report prepared following shareholders' decision no. 14/2018. Based on the impairment test conducted, an impairment loss of RON 388,060 thousand was recorded.

In the impairment test the following assumptions were used:

- Weighted average cost of capital: 7.8%;
- Average storage tariff used was the one in force at the date the test was conducted.

Sensitivity analysis - following the 1% change in the factors below, the impairment resulted from the impairment test would be (changes are independent from one another):

	Increase by 1%	Decrease by 1%
	'000 RON	'000 RON
Weighted average cost of capital	454,913	329,885
Storage revenue	378,723	398,002

13. EXPLORATION AND APPRAISAL FOR NATURAL GAS RESOURCES

The following financial information represents the amounts included within the Group's totals relating to activity associated with the exploration for and appraisal of natural gas resources. All such activities are recorded within the Upstream segment.

	Year ended December 31, 2019	Year ended December 31, 2018
	'000 RON	'000 RON
Exploration assets written off (note 12)	(23,051)	(149,620)
Seismic, geological, geophysical studies	(1,513)	(97,503)
Total exploration expense	**(24,564)**	**(247,123)**
Net movement in exploration assets' impairment (note 12) (net income)/net loss	208,350	(118,809)
Net cash used in exploration investing activities	(173,563)	(205,371)

	December 31, 2019	December 31, 2018
	'000 RON	'000 RON
Exploration assets (note 12)	156,913	295,191
Liabilities	(49,270)	(22,464)
Net assets	**107,643**	**272,727**

14. OTHER INTANGIBLE ASSETS. RIGHT OF USE ASSETS

	Other intangible assets	Right of use assets
	'000 RON	'000 RON
Cost		
As of January 1, 2019	**179,658**	**-**
Implementation of IFRS 16 "Leases"	-	4,959
Additions	6,593	5,036
Disposals	(115)	(720)
As of December 31, 2019	**186,136**	**9,275**
Accumulated amortization		
As of January 1, 2019	**174,688**	**-**
Charge	2,376	748
Disposals	(92)	(63)
As of December 31, 2019	**176,972**	**685**
Carrying value		
As of January 1, 2019	**4,970**	**-**
As of December 31, 2019	**9,164**	**8,590**

	Other intangible assets
	'000 RON
Cost	
As of January 1, 2018	**183,711**
Additions	716
Disposals	(4,769)
As of December 31, 2018	**179,658**
Accumulated amortization	
As of January 1, 2018	**175,082**
Charge	4,335
Disposals	(4,729)
As of December 31, 2018	**174,688**
Carrying value	
As of January 1, 2018	**8,629**
As of December 31, 2018	**4,970**

15. INVENTORIES

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Spare parts and materials	170,030	186,978
Finished goods (gas)	183,842	94,461
Other inventories	465	2,752
Write-down allowance for spare parts and materials	(43,323)	(38,053)
Write-down allowance for other inventories	(1)	(146)
Total	**311,013**	**245,992**

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Trade receivables	1,554,652	1,651,557
Allowances for expected credit losses (note 16 c)	(1,252,267)	(1,218,188)
Accrued receivables	382,915	392,677
Allowances for expected credit losses on accrued receivables (note 16 c)	(47,142)	-
Total	**638,158**	**826,046**

Trade receivables from gas deliveries are generally due within 30 days of invoice issue. These must be guaranteed by customers through bank letters of guarantee. If customers do not provide such a guarantee, they must ensure that natural gas is paid in advance.

The Group is forced by court orders to sell gas to insolvent clients considered "captive" by the insolvency law. These clients provide no guarantees, do not pay for deliveries in advance and have a payment term of 90 days from invoice issue date. The increase in the allowance for expected credit losses refer mainly to these clients.

Trade receivables from the sale of electricity are generally due within 7 days of the date of invoice transmission. These must be guaranteed by customers through bank letters of guarantee. If customers do not provide such a guarantee, they must ensure that electricity is paid in advance.

Trade receivables from storage services are due within 15 days of invoice issue. Customers must provide a 5% guarantee for the services value.

b) Other assets

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Advances paid to suppliers	386	9,585
Joint operation receivables	2,125	6,703
Other receivables *)	62,343	65,529
Allowance for expected credit losses other receivables (note 16 c) *)	(33,703)	(50,983)
Other debtors	47,529	47,188
Allowance for expected credit losses for other debtors (note 16 c)	(46,445)	(43,091)
Prepayments	3,911	5,069
VAT not yet due	6,339	5,726
Other taxes receivable **)	-	123,152
Total	**42,485**	**168,878**

*) During May 13, 2014 – September 30, 2014 the National Agency for Tax Administration (Agentia Nationala de Administrare Fiscala - ANAF) ran a tax investigation at Romgaz regarding the tax statements and/or operations relevant for the investigation as well as the organization and management of tax and accounting evidence. The period under control was 2008 – 2013 for income tax and 2009 – 2013 for VAT.

Following the tax inspection, an additional liability was established for Romgaz of RON 22,440 thousand, representing income tax, VAT, penalties and related interest. Of the total amount, Romgaz paid RON 2,389 thousand. For the remaining amount of RON 20,051 thousand, Romgaz performed a legal assessment which concluded that the additional tax, penalties and interest are not correct. Romgaz filed an appeal to the Ministry of Public Finance. The appeal was partially rejected for the amount of RON 15,872 thousand.

For RON 4,179 thousand a new fiscal control was ordered, which resulted in a tax burden of RON 2,981 thousand. The appeal filed to ANAF was rejected.

In 2015, Romgaz sued the Ministry of Finance to cancel the above mentioned administrative acts, including the partial cancelation of the decision issued for the appeal.

The payment made in 2016 generated additional penalties of RON 13,697 thousand, also paid. Considering the disagreement regarding the conclusions of the tax control, the Company recorded a receivable and an allowance.

In 2019, the Company won some of the points claimed in the case filed against ANAF and the allowance of RON 18,499 thousand was reversed against income. By the end of the reporting period, the court's decision was not communicated and the amount was not recovered.

During the period December 2016 - April 2017 ANAF resumed the tax inspection on VAT for the period December 2010 – June 2011 and on income tax for the period January 2010 – December 2011, regarding the discounts granted by Romgaz to interruptible clients for deliveries during 2010 - 2011. This status was attributed to companies by Transgaz, the Romanian natural gas transmission operator. Following the tax inspection, additional tax obligations of RON 15,284 thousand were determined, and also penalties and late payment charges in amount of RON 3,129 thousand. The tax decision and the tax inspection report were appealed to ANAF. Romgaz paid the additional tax obligation and the late payment charges and based on the appeal, the Company recorded a receivable for which it recorded an allowance.

The total receivable impaired in connection with this control is RON 32,463 thousand.

**) 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.

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 6)	4,641	388
Charge in the allowance for trade receivables	84,783	20,928
Release in the allowance for receivables (note 6)	(18,567)	(505)
Release in the allowance for trade receivables	(3,562)	(987)
At December 31	**1,379,557**	**1,312,262**

As of December 31, 2019, the Group recorded allowances for expected credit losses, of which Interagro RON 275,137 thousand (December 31, 2018: RON 275,961 thousand), GHCL Upsom of RON 68,103 thousand (December 31, 2018: RON 60,371 thousand), CET Iasi of RON 46,271 thousand (December 31, 2018: RON 46,271 thousand), Electrocentrale Galati with RON 222,075 thousand (December 31, 2018: RON 223,396 thousand), Electrocentrale Bucuresti with RON 616,330 thousand (December 31, 2018: RON 570,274 thousand), G-ON EUROGAZ of RON 14,848 thousand (December 31, 2018: RON 14,848 thousand) and Electrocentrale Constanta of RON 39,113 thousand (December 31, 2018: RON 14,295 thousand) due to existing financial conditions of these clients as well as ongoing litigating cases related to these receivables or exceeding payment terms.

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d) Credit risk exposure for trade receivables

December 31, 2019	Gross carrying amount	Expected credit loss rate	Lifetime expected credit losses
	'000 RON	%	'000 RON
Current receivables, including accrued receivables	673,695	7.01	47,198
less than 30 days overdue	14,820	22.24	3,296
30 to 90 days overdue	1,460	95.62	1,396
90 to 360 days overdue	25,203	99.71	25,130
over 360 days overdue	1,222,389	100.00	1,222,389
Total trade receivables	**1,937,567**		**1,299,409**

December 31, 2018	Gross carrying amount	Expected credit loss rate	Lifetime expected credit losses
	'000 RON	%	'000 RON
Current receivables, including accrued receivables	811,297	-	-
less than 30 days overdue	13,824	1.16	160
30 to 90 days overdue	1,321	97.20	1,284
90 to 360 days overdue	20,176	99.76	20,128
over 360 days overdue	1,197,616	99.92	1,196,616
Total trade receivables	**2,044,234**		**1,218,188**

17. SHARE CAPITAL

	December 31, 2019	December 31, 2018
	'000 RON	'000 RON
385,422,400 fully paid ordinary shares	385,422	385,422
Total	**385,422**	**385,422**

The shareholding structure as at December 31, 2019 is as follows:

	No. of shares	Value	Percentage
		'000 RON	(%)
The Romanian State through the Ministry of Economy, Energy and Business Environment	269,823,080	269,823	70.01
Legal persons	98,317,285	98,317	25.51
Physical persons	17,282,035	17,282	4.48
Total	**385,422,400**	**385,422**	**100**

All shares are ordinary and were subscribed and fully paid as at December 31, 2019. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2018: RON 1/share).

18. RESERVES

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Legal reserves	79,921	77,487
Other reserves, of which:	1,507,488	1,747,512
- Company's development fund	772,417	1,028,449
- Reinvested profit	228,958	212,950
- Geological quota set up until 2004	486,388	486,388
- Other reserves	19,725	19,725
Total	**1,587,409**	**1,824,999**

19. PROVISIONS

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Decommissioning provision (note 19 a)	366,393	510,114
Retirement benefit obligation (note 19 c)	114,876	139,254
Total long term provisions	**481,269**	**649,368**
Decommissioning provision (note 19 a)	17,843	20,352
Litigation provision (note 19 b)	1,337	229
Other provisions *) (note 19 b)	63,521	73,064
Total short term provisions	**82,701**	**93,645**
Total provisions	**563,970**	**743,013**

*) On December 31, 2019, other provisions of RON 63,521 thousand include the provision for employee's participation to profit of RON 34,412 thousand (December 31, 2018: RON 29,135 thousand) and the provision for CO2 certificates of RON 23,410 thousand (note 33 c) (December 31, 2018: RON 40,109). Also, please see section b) of this note.

a) Decommissioning provision

Decommissioning provision movement	2019 '000 RON	2018 '000 RON
At January 1	**530,466**	**713,157**
Additional provision recorded against non-current assets	16,342	1,902
Unwinding effect (note 9)	24,197	29,724
Recorded in profit or loss	(51,760)	(34,390)
Decrease recorded against non-current assets	(135,009)	(179,927)
At December 31	**384,236**	**530,466**

The Group makes full provision for the future costs of decommissioning natural gas wells on a discounted basis upon installation. The provision for the costs of decommissioning these wells at the end of their economic lives has been estimated using existing technology, at current prices or future assumptions, depending on the expected timing of the activity, and discounted using a rate of 4.41% (year ended December 31, 2018: 4.80%). While the provision is based on the best estimate of future costs and the economic lives of the wells, there is uncertainty regarding both the amount and timing of these costs. In 2019, the Group revisited the costs used to decommission wells, recording a decrease based on costs lower, on average, with 22%.

The increase with 1 percentage point of the discount rate would decrease the decommissioning provision with RON 68,864 thousand. The decrease with 1 percentage point of the discount rate would increase the decommissioning provision with RON 89,581 thousand.

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b) Other provisions

	Litigation provision '000 RON	Other provisions '000 RON	Total '000 RON
At January 1, 2019	**229**	**73,064**	**73,293**
Additional provision in period	2,184	70,091	72,275
Provisions used in the period	(1,076)	(75,589)	(76,665)
Unused amounts during the period, reversed	-	(4,045)	(4,045)
At December 31, 2019	**1,337**	**63,521**	**64,858**

	Litigation provision '000 RON	Other provisions '000 RON	Total '000 RON
At January 1, 2018	**79**	**45,728**	**45,807**
Additional provision in the period	235	80,025	80,260
Provisions used in the period	(85)	(42,035)	(42,120)
Unused amounts during the period, reversed	-	(10,654)	(10,654)
At December 31, 2018	**229**	**73,064**	**73,293**

c) Retirement benefit obligation

Movement of the retirement benefit obligation	2019 '000 RON	2018 '000 RON
At 1 January	**139,254**	**119,482**
Interest cost	3,994	5,118
Cost of current service	6,686	6,601
Payments during the year	(7,647)	(7,613)
Actuarial (gain)/loss for the period	(27,411)	17,106
Decreases	-	(1,440)
At December 31	**114,876**	**139,254**

With the exception of actuarial gains/losses, all other movements in the retirement benefit obligation are recognized in the result of the period.

In determining the retirement benefit obligation, the following significant assumptions were used:

- No layoffs or restructurings are planned;
- Average discount rate: 4.49%;
- Average inflation rate: 2.10%.

Sensitivity analysis

The discount rate has a significant effect on the obligation. Isolated change in assumptions with 1 percentage point would have the following effect on the obligation:

	Increase of 1% in assumptions '000 RON	Decrease of 1% in assumptions '000 RON
Discount rate	(10,845)	12,653

Maturity analysis of payment cash flows

	Benefit payments '000 RON
Up to 1 year	4,525
1-2 years	5,296
2-5 years	13,394
5-10 years	40,238
Over 10 years	51,423

20. DEFERRED REVENUE

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Amounts collected from NIP *)	20,994	20,994
Other deferred revenue	123	-
Other amounts received as subsidies	127	134
Total deferred revenue long term	**21,244**	**21,128**
Other amounts received as subsidies	58	123
Other deferred revenue	3,671	8,319
Total deferred revenue short term	**3,729**	**8,442**
Total deferred revenue	**24,973**	**29,570**

*) In Government Decision no. 1096/2013 approving the mechanism for free allocation of greenhouse gas emission allowances to electricity producers for the period 2013-2020, Annex no. 3 "National Investment Plan", S.N.G.N. ROMGAZ S.A. is included with the investment "Combined Gas Turbine Cycle".

For this investment, Romgaz signed in 2017 a financing agreement with the Ministry of Energy, whereby the Ministry of Energy undertakes to grant a non-reimbursable financing of RON 320,912 thousand, representing a maximum of 25% of the total value of eligible expenditure of the investment. In 2018 the amount of RON 20,994 thousand was collected. Amounts received under this contract will be transferred to income based on the depreciation rate of the investment, which is expected to be put into operation in 2020.

The Company submitted two other claims: one in 2018 of RON 115,027 thousand, approved by authorities, but not collected, and another one in 2019 of RON 94,148 thousand, not approved by the date of issue of the financial statements. The Group did not record these amounts as receivable in the financial statements, due to uncertainties regarding completion of the works on the new plant by the term agreed in the financing agreement.

	Amounts collected from NIP '000 RON	Other amounts received as subsidies '000 RON	Total '000 RON
At January 1, 2019	**20,994**	**257**	**21,251**
Received	-	-	-
Other increases	-	9	9
Amounts in revenue	-	(81)	(81)
At December 31, 2019	**20,994**	**185**	**21,179**

	Amounts collected from NIP '000 RON	Other amounts received as subsidies '000 RON	Total '000 RON
January 1, 2018	**-**	**263**	**263**
Received	20,994	114	21,108
Other increases	-	149	149
Amounts in revenue	-	(269)	(269)
December 31, 2018	**20,994**	**257**	**21,251**

21. TRADE AND OTHER CURRENT LIABILITIES

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Accruals	32,553	35,336
Trade payables	13,953	21,502
Payables to fixed assets suppliers	63,404	129,864
Total trade payables	**109,910**	**186,702**
Payables related to employees	48,055	43,560
Royalties *)	67,865	139,553
Social security taxes	22,145	18,765
Other current liabilities	5,489	30,082
Joint operations payables	-	3,592
VAT	57,990	84,327
Dividends payable	2,231	2,355
Windfall tax	59,095	69,875
Other taxes	1,371	506
Total other liabilities	**264,241**	**392,615**
Total trade and other liabilities	**374,151**	**579,317**

*) The decrease in royalties liability is due to lower benchmark prices used in its computation, as a consequence of lower prices on CEGH market.

22. FINANCIAL INSTRUMENTS

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, inflation risk, interest rate risk), credit risk, liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance within certain limits. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. The Group does not use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to currency risk as a result of exposure to various currencies. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

As at December 31, 2019, the official exchange rates were RON 4.2608 to USD 1 and RON 4.7793 to EUR 1 and (December 31, 2018: RON 4.0736 to USD 1 and RON 4.6639 to EUR 1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

December 31, 2019	EUR 1 EUR = 4.7793 '000 RON	GBP 1 GBP = 5.6088 '000 RON	USD 1 USD = 4.2608 '000 RON	RON 1 RON '000 RON	Total '000 RON
Financial assets					
Cash and cash equivalents	605	1	4	363,333	363,943
Other financial assets	-	-	-	1,071,814	1,071,814
Trade and other receivables	-	-	-	302,385	302,385
Total financial assets	**605**	**1**	**4**	**1,737,532**	**1,738,142**
Financial liabilities					
Trade payables and other payables	(2)	(27)	(29)	(77,299)	(77,357)
Lease liability	(4,764)	-	-	(4,215)	(8,979)
Total financial liabilities	**(4,766)**	**(27)**	**(29)**	**(81,514)**	**(86,336)**
Net	**(4,161)**	**(26)**	**(25)**	**1,656,018**	**1,651,806**

December 31, 2018	EUR 1 EUR = 4.6639 '000 RON	GBP 1 GBP = 5.1931 '000 RON	USD 1 USD = 4.0736 '000 RON	RON 1 RON '000 RON	Total '000 RON
Financial assets					
Cash and cash equivalents	1,007	13	5	565,811	566,836
Other financial assets	-	-	-	878,555	878,555
Trade and other receivables	-	-	-	433,369	433,369
Total financial assets	**1,007**	**13**	**5**	**1,877,735**	**1,878,760**
Financial liabilities					
Trade payables and other payables	(18,388)	(28)	(811)	(132,139)	(151,366)
Total financial liabilities	**(18,388)**	**(28)**	**(811)**	**(132,139)**	**(151,366)**
Net	**(17,381)**	**(15)**	**(806)**	**1,745,596**	**1,727,394**

The Group is mainly exposed to currency risk generated by EUR and USD against RON. The table below details the sensitivity of the Group to a 5% increase/decrease in the EUR and USD exchange rate against the RON. The 5% rate is the rate used in internal reports to management on foreign currency risk and represents management's assessment of reasonable changes in the exchange rate. Sensitivity analysis includes only monetary items denominated in foreign currency in the balance sheet, and considers the transfer at the end of the period to a modified rate of 5%.

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
RON weakening - loss	210	909

(ii) Inflation risk

The official inflation rate in Romania, during the year ended December 31, 2019 was under 10% as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy.

(iii) Interest rate risk

The Group is exposed to interest rate risk, due to retirement benefit obligations and the decommissioning provision. The Group's sensitivity to changes in the discount rate is detailed in note 19.

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables. The Group has policies in place to ensure that sales are made to customers with low credit risk. Also, sales have to be secured, either through advance payments, either through bank letters of guarantee. The carrying amount of accounts receivable, net of bad debt allowances, represents the maximum amount exposed to credit risk. The Group has a concentration of credit risk in respect of its top 4 clients, which together amount to 85.10% of net trade receivable balance at December 31, 2019 (top 4 clients: 87.96% as of December 31, 2018).

In spite of the policies described above, the Group is forced by court orders to deliver gas to insolvent clients deemed "captive" by insolvency legislation. In respect of these clients, the Group makes estimates of the lifetime expected credit losses and records appropriate impairment losses.

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Group beyond the bad debt allowance already recorded.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimize the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the dividend policy, issue new shares or sell assets to reduce debt.

The Group's policy is to only resort to borrowing if investment needs cannot be financed internally.

(d) Fair value estimation

Carrying amount of financial assets and liabilities is assumed to approximate their fair values.

Financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, other financial assets, short-term loans and borrowings and trade and other payables. The estimated fair values of these instruments approximate their carrying amounts. The carrying amounts represent the Group's maximum exposure to credit risk for existing receivables.

e) Maturity analysis for non-derivative financial assets and financial liabilities

December 31, 2019	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	126,906	175,446	33	-	-	302,385
Bank deposits	265,000	566,254	91,000	-	-	922,254
Treasury bonds	-	-	149,560	-	-	149,560
Total	**391,906**	**741,700**	**240,593**	**-**	**-**	**1,374,199**
Trade payables	(73,180)	(4,172)	(5)	-	-	(77,357)
Lease liability	(52)	(254)	(510)	(2,998)	(5,165)	(8,979)
Total	**(73,232)**	**(4,426)**	**(515)**	**(2,998)**	**(5,165)**	**(86,336)**
Net	**318,674**	**737,274**	**240,078**	**(2,998)**	**(5,165)**	**1,287,863**

December 31, 2018	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	215,622	217,710	37	-	-	433,369
Bank deposits	205,591	125,167	-	-	-	330,758
Treasury bonds	-	178,990	368,807	-	-	547,797
Total	**421,213**	**521,867**	**368,844**	**-**	**-**	**1,311,924**
Trade payables	(136,842)	(14,494)	(30)	-	-	(151,366)
Total	**(136,842)**	**(14,494)**	**(30)**	**-**	**-**	**(151,366)**
Net	**284,371**	**507,373**	**368,814**	**-**	**-**	**1,160,558**

f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Group's management, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and current cash flows and by matching the maturity profiles of financial assets and liabilities.

23. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Sales of goods and services

	Year ended December 31, 2019	Year ended December 31, 2018
	'000 RON	'000 RON
Romgaz's associates	14,024	12,468
Total	**14,024**	**12,468**

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

(ii) Trade receivables

	December 31, 2019	December 31, 2018
	'000 RON	'000 RON
Romgaz's associates	-	642
Total	**-**	**642**

24. INFORMATION REGARDING THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The remuneration of executives and directors

The Group has no contractual obligations on pensions to former executives and directors of the Group.

During the years ended December 31, 2019 and December 31, 2018, no loans and advances were granted to executives and directors of the Group, except for work related travel advances, and they do not owe any amounts to the Group from such advances.

	Year ended Dec 31, 2019 '000 RON	Year ended Dec 31, 2018 '000 RON
Salaries paid to executives (gross)	18,241	17,446
of which, bonuses (gross)	786	2,281
Remuneration paid to directors (gross)	2,079	1,733
of which, variable component (gross)	-	246

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Salaries payable to executives	385	403
Salaries payable to directors	96	90

In addition to the above, on December 31, 2019 the Group recorded a provision for bonuses for executives and directors of RON 870 thousand (December 31, 2018: RON 237 thousand).

25. INVESTMENT IN ASSOCIATES

The Company's investments in associates are accounted using the equity method. The shares are not quoted on the stock exchange. No dividends were received in the years ended December 31, 2019, respectively, December 31, 2018.

The Company's investment in Agri LNG Project Company is not material. The investment is fully impaired.

Name of associate	Main activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			December 31, 2019	December 31, 2018
SC Depomures SA Tg.Mures	Storage of natural gas	Romania	40	40
SC Agri LNG Project Company SRL	Feasibility projects	Romania	25	25

Name of associate	Cost as of December 31, 2019	Impairment as of December 31, 2019	Carrying value as of December 31, 2019	Cost as of December 31, 2018	Impairment as of December 31, 2018	Carrying value as of December 31, 2018
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
SC Depomures SA Tg.Mures	24,772	-	24,772	23,298	-	23,298
SC Agri LNG Project Company SRL	977	(977)	-	977	(977)	-
Total	**25,749**	**(977)**	**24,772**	**24,275**	**(977)**	**23,298**

Summarized financial information for significant investments in associates (Depomureş)

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Non-current assets	77,325	80,701
Current assets, out of which:	8,108	5,624
- Cash and cash equivalents	5,179	362
Non-current liabilities, out of which:	15,892	19,322
- Financial liabilities long term	15,892	19,322
Current liabilities, out of which:	4,832	5,603
- Financial liabilities short term	3,436	3,437

	Year ended December 31, 2019 '000 RON	Year ended December 31, 2018 '000 RON
Revenue	40,348	32,978
Interest income	17	11
Amortization and depreciation	(3,941)	(3,378)
Interest expense	(859)	(741)
Income tax expense	(830)	(328)
Net profit from continued operations	3,684	1,555

Reconciliation of net book value for the significant investments in associates

	2019 '000 RON	2018 '000 RON
January 1	**23,298**	**22,676**
Interest in the total comprehensive income of significant investments in associates	1,474	622
December 31	**24,772**	**23,298**

26. OTHER FINANCIAL INVESTMENTS

Other financial investments are measured at fair value through profit or loss.

Except for the investment in Patria Bank, which is a level 1 financial investment, all other investments are included in level 3 category, according to IFRS 13.

Company	Principal activity	Place of Incorporation and operation	Proportion of ownership interest and voting power held (%)	
			December 31, 2019	December 31, 2018
Electrocentrale Bucureşti S.A.	Electricity and thermal power producer	Romania	2.49	2.49
Patria Bank S.A.	Other activities – financial intermediations	Romania	0.03	0.03
Mi Petrogas Services S.A.	Services related to oil and natural gas extraction, excluding prospections	Romania	10	10
GHCL Upsom	Manufacture of other chemical, anorganic base products	Romania	4.21	4.21
Lukoil association	Petroleum exploration operations	Romania	12.2	12.2

Company	Fair value as of December 31, 2019 '000 RON	Fair value as of December 31, 2018 '000 RON
Electrocentrale Bucureşti S.A.*)	-	4,457
Patria Bank S.A.**)	101	68
Mi Petrogas Services S.A.	60	60
GHCL Upsom	-	-
Lukoil association	5,227	5,227
Total	**5,388**	**9,812**

*) The fair value of the investment in Electrocentrale Bucuresti at December 31, 2019 was reduced to zero, due to the difficulties encountered in implementing the restructuring plan in the insolvency procedure. The investment in Electrocentrale Bucuresti is not quoted.

**) Patria Bank's shares being quoted, the fair value at the end of the period is determined by taking into account the closing quotation of the share. The variation between the amount at December 31, 2019 and the amount at December 31, 2018 was recorded in the result of the period.

27. SEGMENT INFORMATION

a) Segment assets and liabilities

December 31, 2019	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments '000 RON	Total '000 RON
Property, plant and equipment	3,153,636	974,927	1,086,221	328,393	-	5,543,177
Other intangible assets	2,447	1,034	-	5,683	-	9,164
Investments in associates	-	-	-	24,772	-	24,772
Other financial investments	-	-	-	5,388	-	5,388
Deferred tax asset	-	1,110	-	229,837	-	230,947
Other financial assets	-	5,933	-	1,069,291	-	1,075,224
Inventories	279,069	14,871	2,339	14,734	-	311,013
Other assets	6,594	1,679	2,423	31,789	-	42,485
Trade and other receivables	604,394	56,052	2,688	713	(25,689)	638,158
Contract costs	312	-	-	-	-	312
Right of use asset	-	554	-	8,039	(3)	8,590
Cash and cash equivalents	46,592	40,837	2,958	273,556	-	363,943
Total assets	**4,093,044**	**1,096,997**	**1,096,629**	**1,992,195**	**(25,692)**	**8,253,173**
Retirement benefit obligation	-	8,718	-	106,158	-	114,876
Contract liabilities	42,703	-	-	2	-	42,705
Provisions	364,514	42,682	25,634	16,264	-	449,094
Trade payables	91,144	25,272	3,669	15,514	(25,689)	109,910
Current tax liabilities	-	4,907	-	59,435	-	64,342
Deferred revenue	257	-	20,994	3,722	-	24,973
Lease liability	-	567	-	8,958	(546)	8,979
Other liabilities	164,308	13,432	4,268	82,233	-	264,241
Total liabilities	**662,926**	**95,578**	**54,565**	**292,286**	**(26,235)**	**1,079,120**

December 31, 2018	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments	Total '000 RON
Property, plant and equipment	3,652,499	1,515,140	781,357	330,752	-	6,279,748
Other intangible assets	3,582	766	8	614	-	4,970
Investments in associates	-	-	-	23,298	-	23,298
Other financial investments	-	-	-	9,812	-	9,812
Deferred tax asset	-	1,415	-	126,076	-	127,491
Other financial assets	1	20	-	881,224	-	881,245
Inventories	212,020	16,079	3,432	14,461	-	245,992
Other assets	156,135	976	2,842	8,925	-	168,878
Trade and other receivables	738,420	44,753	69,857	523	(27,507)	826,046
Contract costs	583	-	-	-	-	583
Cash and cash equivalents	28,429	17,068	4,115	517,224	-	566,836
Total assets	**4,791,669**	**1,596,217**	**861,611**	**1,912,909**	**(27,507)**	**9,134,899**
Retirement benefit obligation	-	8,134	-	131,120	-	139,254
Contract liabilities	46,370	-	-	11	-	46,381
Provisions	473,574	75,331	41,816	13,038	-	603,759
Trade payables	83,018	24,853	89,353	16,985	(27,507)	186,702
Current tax liabilities	-	2,198	-	65,803	-	68,001
Deferred revenue	141	-	20,994	8,435	-	29,570
Other liabilities	269,112	9,700	3,337	110,466	-	392,615
Total liabilities	**872,215**	**120,216**	**155,500**	**345,858**	**(27,507)**	**1,466,282**

b) Segment revenues, results and other segment information

Year ended December 31, 2019	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustment and eliminations '000 RON	Total '000 RON
Revenue	4,709,795	454,370	237,759	288,883	(610,325)	5,080,482
Less: revenue between segments	(65,048)	(171,865)	(92,281)	(281,131)	610,325	-
Third party revenue	4,644,747	282,505	145,478	7,752	-	5,080,482
Interest income	116	464	12	37,548	(16)	38,124
Share of profit of associates	-	-	-	1,474	-	1,474
Depreciation and amortization	(405,160)	(96,016)	(2,375)	(17,403)	-	(520,954)
Impairment losses recognized during the period in profit or loss	(604,260)	(389,069)	(6,289)	(813)	-	(1,000,431)
Impairment losses reversed during the period in profit or loss	160,584	7	1,530	1,014	-	163,135
Segment result before tax profit/(loss)	**1,514,113**	**(325,703)**	**12,494**	**74,279**	**(3)**	**1,275,180**

Year ended December 31, 2018	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustment and eliminations '000 RON	Total '000 RON
Revenue	4,522,558	355,135	388,514	356,486	(618,496)	5,004,197
Less: revenue between segments	(119,810)	(56,792)	(91,640)	(350,254)	618,496	-
Third party revenue	4,402,748	298,343	296,874	6,232	-	5,004,197
Interest income	74	456	10	52,739	-	53,279
Share of profit of associates	-	-	-	622	-	622
Depreciation, amortization and impairment	(468,252)	(97,631)	(8,624)	(16,783)	-	(591,290)
Impairment losses recognized during the period in profit or loss	(312,881)	(1,941)	(53,664)	(3,944)	-	(372,430)
Impairment losses reversed during the period in profit or loss	251,405	1,091	776	2,306	-	255,578
Segment result before tax profit/(loss)	**1,478,584**	**7,347**	**(26,681)**	**125,934**	**-**	**1,585,184**

In the year ended December 31, 2019, the Group's four largest clients each individually represents more than 10% of revenue, sales to these clients being of RON 1,107,526 thousand, RON 1,050,066 thousand, RON 561,811 thousand, respectively RON 531,026 thousand (in the year ended December 31, 2018 the Group's three largest customers represented individually, over 10% of revenue, sales to these clients being of RON 1,389,897 thousand, RON 896,835 thousand, respectively RON 515,611 thousand), together totaling 64% of total revenue (year ended December 31, 2018: 70%). Of the total revenue generated by those four clients, 5.37% are shown in the "Storage" segment and 94.63% in the "Upstream" segment (year ended December 31, 2018: 3.66% in the "Storage" segment, 96.19% in the "Upstream" segment).

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28. CASH AND CASH EQUIVALENTS

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Current bank accounts in RON *)	95,454	87,305
Current bank accounts in foreign currency	602	1,018
Petty cash	19	31
Term deposits in RON	180,000	372,610
Restricted cash **)	87,867	105,870
Amounts under settlement	1	2
Total	**363,943**	**566,836**

*) Current bank accounts include overnight deposits.

**) Restricted cash includes bank accounts used strictly for VAT transactions, as Romgaz opted in to the application of the split-VAT system (December 31, 2019: RON 85,215 thousand; December 31, 2018: RON 103,287 thousand). It also includes bank accounts used only for dividend payments to shareholders, according to stock market regulations (December 31, 2019: RON 2,652 thousand; December 31, 2018: RON 2,583 thousand). Starting February 2020 the split-VAT system was terminated, the cash being available for use for any purpose.

29. OTHER FINANCIAL ASSETS

Other financial assets represent mainly treasury bonds and deposits with a maturity of over 3 months, from acquisition date.

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Treasury bonds in RON	144,923	532,447
Bank deposits in RON	922,254	330,758
Accrued interest receivable	3,410	2,690
Accrued interest on bonds	4,637	15,350
Total other financial assets	**1,075,224**	**881,245**

30. COMMITMENTS UNDERTAKEN

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Endorsements and collaterals granted	52,729	65,838
Total	**52,729**	**65,838**

In 2019, Romgaz signed a credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 50,000 thousand. On December 31, 2019 are still available for use USD 37,741 thousand.

As of December 31, 2019, the Group's contractual commitments for the acquisition of non-current assets are of RON 433,200 thousand (December 31, 2018: RON 832,732 thousand), of which, the contract for CET Iernut development represents RON 173,488 thousand.

31. COMMITMENTS RECEIVED

	December 31, 2019 '000 RON	December 31, 2018 '000 RON
Endorsements and collaterals received	1,498,056	1,553,895
Total	**1,498,056**	**1,553,895**

Endorsements and collateral received represent letters of guarantee and other performance guarantees received from the Group's clients.

32. CONTINGENCIES

(a) *Litigations*

The Company is subject to several legal actions arisen in the normal course of business. The management of the Company considers that they will have no material adverse effect on the results and the financial position of the Company.

On December 28, 2011, 27 former and current employees were notified by DIICOT regarding an investigation related to sale contracts signed with one of the Company's clients for allegedly unauthorized discounts granted to this client during the period 2005-2010. DIICOT mentioned that this may have resulted in a loss of USD 92,000 thousand for the Company. On that sum, an additional burden to the state budget consists of income tax in amount of USD 15,000 thousand and VAT in amount of USD 19,000 thousand. The internal analysis carried out by the Company's specialized departments concluded that the agreement was in compliance with the legal provisions and all discounts were granted based on Orders issued by the Ministry of Economy and Finance and decisions of the General Shareholders' Board and Board of Directors. The management of the Company believes the investigation will not have a negative impact on the financial statements, to justify the registration of an adjustment. The Company is fully cooperating with DIICOT in providing all information necessary. On March 18 2014, Romgaz received an address from DIICOT, by which the investigators ordered an accounting expertise, indicating the objectives of the expertise.

Romgaz was notified that, as injured party, it may submit comments relating to objectives of the expertise (additions/changes), and may appoint an additional expert to participate in the expertise.

Thus, Romgaz proceeded to identify and appoint an expert with accounting and financial expertise that can participate to the expertise. After the report was completed, the parties could submit objections by November 2, 2015.

On March 16, 2016, DIICOT – Central Structure informed the persons involved in the cause about the start of legal actions against them. At the request of investigators, the Company announced that in case of a prejudice being established during the investigation, the Company will join the case as civil party.

In November 2016, DIICOT informed the Company the prejudice established in amount of RON 282,630 thousand. Following this request, Romgaz announced that will join the case as a civil party for the amount of RON 282,630 thousand to recover this amount from the respective client and any other person that may be found guilty for causing the prejudice.

In June 2017, DIICOT issued a press release announcing the referral to court of several persons involved in the case. In January 2018, the High Court of Cassation and Justice ruled that the indictment prepared by DIICOT was not legal; the ruling is not final.

(b) *Taxation*

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties. In Romania, tax periods remain open for fiscal verification for 5 years. The Group's management considers that the tax liabilities included in these financial statements are fairly stated.

(c) *Environmental contingencies*

Environmental regulations are developing in Romania and the Group has not recorded any liability at December 31, 2019 for any anticipated costs, including legal and consulting fees, impact studies, the design and implementation of remediation plans related to environmental matters, except the amount of RON 384,236 thousand (December 31, 2018: RON 530,466 thousand), representing the decommissioning liability.

Green-house gas emission certificates (CO2 certificates)

In accordance with Government Decision no. 1096/2013 for the approval of the mechanism for free transitional allocation of green-house gas emission certificates to electricity producers for the period 2013-2020, Annex no. 3 "National Investment Plan" position 22, Romgaz is included with the investment project "Combined cycle with gas turbines".

According to Annex no. 1 of the same decision, S.N.G.N. Romgaz S.A. was allocated for CTE Iernut 137,441 greenhouse gas certificates (EUA) for 2019.

As of December 31, 2019, Romgaz holds in the Greenhouse Gas Emissions Unique Registry 2,252 CO2 certificates, after meeting compliance obligations for the previous years and submitting the certificates to the Registry.

For the deficit between actual emissions and certificates held, the Group recognizes a provision measured at the best estimate of expenditure required to settle the obligation, namely the market price of the emission rights at reporting date. As of December 31, 2019 the Group records a deficit of 181,277 certificates for which it recorded a provision of RON 23,410 thousand (note 19).

According to Government Decision no 1096/December 17, 2013, Romgaz was allocated CO2 certificates as follows:

		Annual Allocation (tCO_2/year)							
Operator	Installation	2013	2014	2015	2016	2017	2018	2019	2020
SNGN Romgaz - S.A.	SNGN Romgaz - S.A. - CTE Iernut	962,085	824,645	687,204	549,763	412,322	274,882	137,441	-

(d) *Controls by The Romanian Court of Accounts*

In 2016, the Company came under scrutiny from the Romanian Court of Accounts.

One of the Romanian Court of Accounts' conclusions was that during 2013-2015 Romgaz delivered gas on the regulated market over the quantities it was legally allowed to, according to the existing legislation. The price on the regulated market being lower than the one on the free market, The Romanian Court of Accounts issued Decision number 26/01.06.2016 and ordered Romgaz to determine and to recover the prejudice as a price difference on gas quantities delivered on the regulated market over its legal obligation, having January 2017 as due date for implementation. The alleged prejudice estimated by the Court of Accounts is over RON 160 million. Romgaz appealed the decision, but the Court of Accounts dismissed the appeal. Subsequently, the Company started legal proceedings against the Court of Accounts' decision no. 26/01.06.2016 and, also, contracted legal services for the annulment of the Court of Accounts' decision and to carry out the measures ordered by the Court of Accounts' decision. The legal case against the Court of Accounts was resolved by the Court of Appeal Alba Iulia, maintaining the findings and measures of Decision no. 26/2016 issued by the Court of Accounts, except for one measure.

The Company's management respects the decision taken by the Court of Appeal Alba Iulia and started legal actions to implement the measures established by the Court of Accounts. The deadline for implementing these measures was extended to June 30, 2020.

33. JOINT ARRANGEMENTS

In January 2002, Romgaz signed a petroleum agreement with Amromco for rehabilitation operations in order to achieve additional production in 11 blocks, namely: Bibeşti, Strâmba, Finta, Fierbinţi-Târg, Frasin-Brazi, Zătreni, Boldu, Roşioru, Gura-Şuţii, Balta-Albă and Vlădeni. For the base production, Romgaz holds a share of 100% and for the additional production, Romgaz owns a share of 50% and Amromco Energy SRL - 50%. As the agreement was signed to execute rehabilitation operations to obtain additional production, the mandatory work program is in accordance with the studies approved by ANRM. Accordingly, the annual work program, which includes both works provided in the studies and other works necessary and proposed by the partners, is approved annually by the Board of the joint arrangement before the start of each year. The duration of the joint arrangement is in line with the time frame of each individual concession agreement of the 11 perimeters stated above, which differs for each block.

34. AUDITOR'S FEES

The fee charged by the Group's statutory auditor, S.C. Ernst & Young Assurance Services S.R.L. for the audit of 2019 financial statements is RON 380 thousand.

The fees charged for other assurance services in 2019 are RON 193 thousand.

35. EVENTS AFTER THE BALANCE SHEET DATE

Increase of share capital of Depogaz

In January 2020, the shareholders of Romgaz approved the increase of Depogaz's share capital by transfer in kind of fixed assets owned by Romgaz, used in the storage activity.

In order to implement the shareholders' decision, the Company's Board of Directors decided to increase the share capital of Depogaz with RON 871,787 thousand and not to transfer the gas cushion.

These decisions triggered impairment indications related to the assets used in the storage activity, based on which the Company conducted an impairment test whose results were recorded in these financial statements.

Economic-Financial inspection report of the National Agency for Fiscal Administration

During November 2019-January 2020, the Company was subject to a control by the National Agency for Fiscal Administration, whose scope was to determine whether the Company distributed appropriate dividends in accordance with the provisions of Government Emergency Ordinance no. 114/2018. According to the Ordinance, the Company had to distribute 35% of reserves set up based on Government Ordinance no. 64/2001 available in cash or short term investments at the end of 2018 not committed in acquisition contracts. The Agency reported that the Company should have distributed in 2019 an additional RON 34,852 thousand as dividends and determined penalties for late payment of RON 1,054 thousand for the share payable to the main shareholder. The Company's management does not share the view of the Agency and will fight the findings of their report.

These financial statement include no adjustments in connection with the above.

Withdrawal from Svidnik perimeter

The Svidnik perimeter is located in the Slovak Republic and is operated through the Bratislava Branch. In February 2020, the Board of Directors of the Company endorsed the withdrawal from Bratislava branch and convened the Extraordinary General Meeting of Shareholders to approve the withdrawal on March 25, 2020.

Investments in the Svidnik perimeter are fully impaired.

Change in legislation affecting the Group

At the start of 2020, Government Emergency Ordinance no. 114/2018, which introduced regulated prices for gas delivered during the period May 1, 2019 – February 28, 2022 to household consumers and to heat producers only for the gas used in producing heat for the population, was amended by Government Emergency Ordinance no. 1/2020. Amendments refer, among others, to repealing the regulated price on gas starting July 1, 2020 and repealing the contribution charged by ANRE to license title holders operating in gas and electricity industry of 2% on revenue. Also, ANRE published in 2020 a draft order which forces major Romanian gas producers to sell 30% of their output on the commodities exchange at a maximum price of 95% of the price on the Central European Gas Hub. The Group's management believes this draft will become a legal obligation which currently means a decrease of the average gas price. Based on these factors, the Group conducted an impairment test on the gas fields it operates and recorded the results in these financial statements.

Estimated effects of the Covid-19 pandemic on the Group

Currently, the Group operates as usual and has not experienced any impact related to the pandemic. The Group is focused on reaching the targets set in the budget proposal, even under the current circumstances. The Group cooperates with the authorities and takes all necessary measures to ensure employees' safety and business continuity.

Considering the current situation generated by the Covid-19 pandemic, the Group's management is constantly monitoring the impact on its activity. To mitigate a potential decrease in economic activity which could have consequences on natural gas consumption, on a short term the Group is considering to inject the gas in storages and postpone deliveries towards winter.

From a production point of view, the Group plans to perform its activities as usual. Should employees get infected in one of the Group's production areas, the Group has alternatives to transfer the activity to areas in the close vicinity. Under exceptional circumstances imposed by authorities, the actual course of action could differ. However, at the moment production activities are governed by normalcy, responsibility and awareness.

Delays, however, might affect investments, regardless of the Group's will, as the relationship with suppliers is affected by a national state of emergency. Thus, we are witnessing lower activity of contractors or even closures of factories in the countries affected by the pandemic, closed borders, which would make transportation of raw materials and equipment impossible, lower operational activity of companies, lack of contractors' personnel due to isolation or quarantine, logistic limitations generated by the state of emergency.

At present, the Group is taking all efforts to mitigate the Covid-10 impact on its activity, as well as to minimize the risk of employees becoming ill. As such, measures to secure employees' safety are constantly being taken, employees having the possibility to work in shifts or at home, and also to run operations under optimal conditions.

36. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were endorsed by the Board of Directors on March 19, 2020.

Societatea Națională de Gaze Naturale "ROMGAZ" S.A. MEDIAȘ J32/392/2001 1

Adrian Constantin Volintiru	**Marius Leonte Veza**
Chief Executive Officer	Accounting Director