ROMGAZ

Consolidated Board of Directors' Report 2022

romgaz.ro

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I. 2022 ROMGAZ GROUP OVERVIEW

1.1. ROMGAZ Group in Figures

Romgaz Group[1] recorded in 2022 a ***revenue*** of RON 13,359.65 million, higher by 128.26%, RON 7,506.73 million, respectively, as compared to 2021 revenue (RON 5,852.93 million).

Net profit of RON 2,546.71 million was higher by RON 631.72 million (+32.99%) than the net profit of 2021.

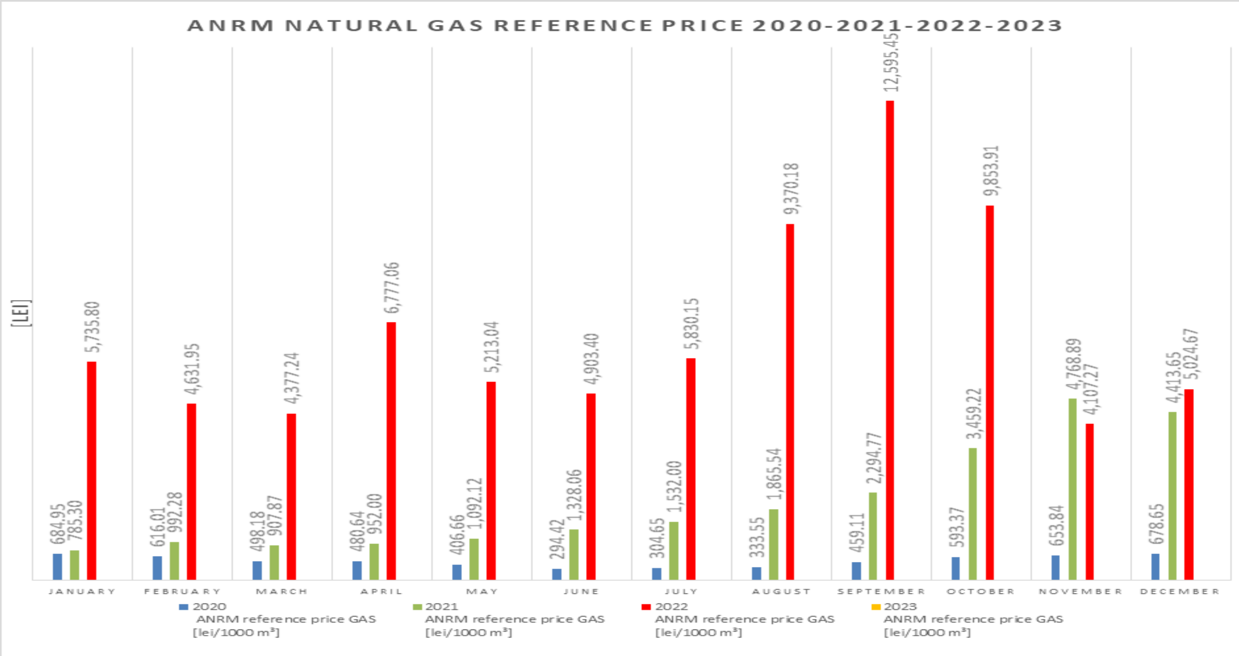
Following factors influenced Romgaz Group performances for the year ended December 31, 2022:

- ✓ **Revenue** increase as compared to the previous year triggered by following factors:
  - revenue from **natural gas sales** for 2022 is RON 11.31 billion, increasing by 124.20% as compared to the previous year. Quantity of natural gas sold (including gas purchased for resale) was by 4.54% lower in 2022 as compared to 2021; in Q4 2022 revenue from gas sales increased by 28.36% as compared to the previous quarter (+17.07% from a quantitative point of view);
  - in 2022, **storage activities** recorded an increase by 80.51% of the revenue Group-wide, following 60.18% higher booking services (RON +115.06 million), by 249.53% higher injection services (RON +84.36 million) and by 28.29% higher withdrawal services (RON +9.90 million). As for Depogaz, revenue from these services increased by 51.85%;
  - revenue from **electricity sales** increased by 313.75% as compared to last year (RON +1.01 billion) against a 73.52% rise in production as compared to last year. The revenue is due to the high prices on centralised markets where the Group is active, following the conflict in Ukraine. However, the electricity generation and sale activity recorded a RON 49.95 million loss due to overtaxing income from this activity;
- ✓ **Government Emergency Ordinance[2] (GEO) No.27**, as subsequently amended and supplemented, issued in 2022, setts certain obligations with respect to gas deliveries and sale prices, summarised as follows:
  - for the period April 2022 – March 2023, the price of gas sold to household suppliers was set at RON 150/MWh; the period was extended until March 31, 2025;
  - for the period April 2022 – August 2022, the price of gas sold to suppliers of heat producers or directly to heat producers, as the case may be, only for the gas quantity used for heat production in cogeneration plants and in power plants, for consumption of population, was set at RON 250/MWh; as of September 2022, for the period between September 2022 – March 2025 for this client category, the sale price is set at RON 150/MWh;
  - quantities sold at the above mentioned prices were established in accordance with the procedure included in GEO 27/2022;
  - generally, Romgaz concludes natural gas sales contracts for the gas year (October – September). Therefore quantities available to be sold under GEO 27/2022 until September 31, 2022 represented approximately 30% from the deliveries of the period and after October 1, 2022, 90% of the gas quantity delivered by Romgaz, was sold at RON 150/MWh;
  - for the entire year 2022, deliveries under GEO 27/2022 represented 33.3% of total deliveries and since enforcement of GEO 27/2022 until the end of 2022, 53.5% deliveries were made at a regulated price;
- ✓ **Petroleum royalty** expenses (including royalty for storage activities) in amount of RON 1,640.08 million, increased by RON 890.67 million as compared to the previous year, namely by 118.85%, mainly as a result of an increased reference price considered for calculating royalty. Royalty

[1] **Romgaz** Group consists of SNGN Romgaz SA ("the Company"/"Romgaz") as parent company and the subsidiaries SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL ("Depogaz") and Romgaz Black Sea Limited, both owned 100% by Romgaz.

[2] Government Emergency Ordinance No. 22 of March 18, 2022 on measures applicable to end customers from the electricity and gas market during April 1, 2022-March 31, 2023, as well as to amend and supplement certain pieces of legislation in the energy field.

expenses decreased significantly in Q4 2022 (-88.71% as compared to Q3 2022), as over 90% of the deliveries were sold at RON 150/MWh (subject to GEO 27/2022 the royalty price for these quantities is RON 150/MWh, and not the reference price). The chart below shows the evolution of the reference price as communicated by the National Agency for Mineral Resources ("NAMR") for the period 2020 – 2023;



- ✓ **Windfall tax on** the gas production sales increased in 2022 by RON 3.65 billion (289.81%) reaching RON 4.90 billion, as compared to 2021. Windfall tax decreased significantly in Q4 2022 (-96.61% compared to Q3 2022) due to delivering over 90% of the sold quantities at RON 150 /MWh (according to GEO 27/2022, windfall tax does not apply to such quantities);
- ✓ A **new windfall tax** was introduced in 2022 **for electricity producers, on electricity sales/a contribution to the Energy Transition Fund.** The value of both taxes was RON 403.80 million. The Group expects the value of the windfall tax to be insignificant in 2023 following the obligation set by GEO 27/2022, to sell electricity at RON 450 /MWh;
- ✓ As of 2022, a **solidarity contribution** was introduced for gas producers, as Council Regulation (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices was implemented in the Romanian legislation. The tax for 2022 is RON 1.00 billion and is reflected at income tax expenses.

The table below shows the petroleum royalty, the windfall tax and the solidarity contribution compared to revenues from sales of natural gas from the Group's production and from electricity sales:

Indicator	unit	Q4 2021	Q4 2022	2021	2022
Revenue from sale of gas and electricity production	**RON mln**	**2,207.46**	**2,346.7**	**5,034.4**	**12,622.9**
Petroleum royalty from gas production	RON mln	400.03	143.5	740.0	1,625.8
Windfall tax	RON mln	894.0	153.7	1,258.0	4,903.8
Windfall tax on electricity sales/contribution to the Energy Transition Fund	RON mln	-	109.9	-	403.8
Contribution to the Solidarity Fund	RON mln	-	1,002.8	-	1,002.8
% from revenue	**%**	**58.62**	**60.08**	**39.69**	**62.87**

- ✓ In August 2022, Romgaz finalised the acquisition of **ExxonMobil Exploration and Production Romania Limited shares** (currently Romgaz Black Sea Limited) which holds 50% of the rights and obligations under the Petroleum Agreement for the eastern area, deep water zone of Neptun XIX offshore block in the Black Sea. The final acquisition price was RON 5,118.99 million, the acquisition was financed from Romgaz own sources and a bank loan of RON 1,606.5 million (EUR 325 million).

Net profit per share was RON 6.60, increasing by 32.99% as compared to the previous year.

The ***achieved margins*** of the consolidated net profit (19.06%), consolidated EBIT (29.81%) and consolidated EBITDA (33.93%) decreased as compared to 2021 (32.72%, 35.86% and 47.58% respectively) mainly following overtaxing the Group's business. As regards Q4, EBIT and EBITDA increased as compared to Q4 2021 by 71.13% and 55% respectively, due to lower petroleum royalties and a lower windfall tax on gas production; the net profit margin dropped by 62.32% due to the contribution to the solidarity fund.

Investments made by Romgaz Group in 2022 amount to RON 5,627.12 million, higher by RON 5,167.8 million, respectively 1,125.1%, as compared to 2021.

Natural gas consumption in Romania for 2022 recorded a 16% decrease, from 130.12 TWh to 109.50 TWh, according to company's estimations and ANRE[3] reports.

Natural gas production reached in 2022 4,935.9 million m^3, namely a 1.8% decline related to 2021 production, such decline is in line with the strategic target of 2.5%.

According to estimates, this production ensured Romgaz a ***market share*** of approx. 49.41% of deliveries in the total consumption of Romania, increasing by 7% as compared to 2021.

In 2022, Romgaz ***electricity production*** was 1,110.456 GW, by 73.51% higher as compared to the production of 2021. This evolution is strongly related to the energy demand, the evolution of prices on competitive markets, fuel quantity allocated for electricity generation. According to preliminary data published by Transelectrica, Romgaz ***market share*** was 2.05%.

Operational Results

The table below shows a summary of the main production, royalty and storage services indicators:

Q4 2021	Q3 2022	Q4 2022	Δ Q4 (%)	Main indicators	2021	2022	Δ '22/'21 (%)
1,322	1,172.4	**1,248.5**	-5.6	Gas production (million m3)	**5,029**	**4,936**	-1.8
5,027	5,030	**5,240**	4.2	Condensate production (tons)	**24,420**	**20,878**	-14.5
94	84	**89**	-5.3	Petroleum royalty (million m3)	**355**	**348**	-2.1
213.9	294.8	**271.0**	26.7	Electricity production (GWh)	**640.0**	**1,110.5**	73.5
663.3	12.3	**620.1**	-6.5	Invoiced UGS withdrawal services (million m3)	**2,109.2**	**1,722.5**	-18.3
192.1	1,185.8	**483.3**	151.6	Invoiced UGS injection services (million m3)	**1,821.9**	**2,450.2**	34.5

Natural gas quantities produced, delivered, injected into and withdrawn from gas storages are shown in the table below (million m^3):

Item No.	Specifications	2020	2021	2022	Ratios
0	1	2	3	4	5=4/3x100
1.	**Gross gas production**	**4,519.7**	**5,028.5**	**4,935.9**	**98.2%**
2.	Technological consumption	63.7	69.9	73.6	105.3%
3.	**Net internal gas production (1.-2.)**	**4,456.0**	**4,958.6**	**4,862.3**	**98.1%**
4.	Internal gas volumes injected into UGS	225.9	487.9	84.6	17.3%
5.	Internal gas volumes withdrawn from UGS	367.8	422.2	283.9	67.2%

[3] Consumption and market share is estimated as, at the date hereof, ANRE did not publish the report on the natural gas market for December 2022.

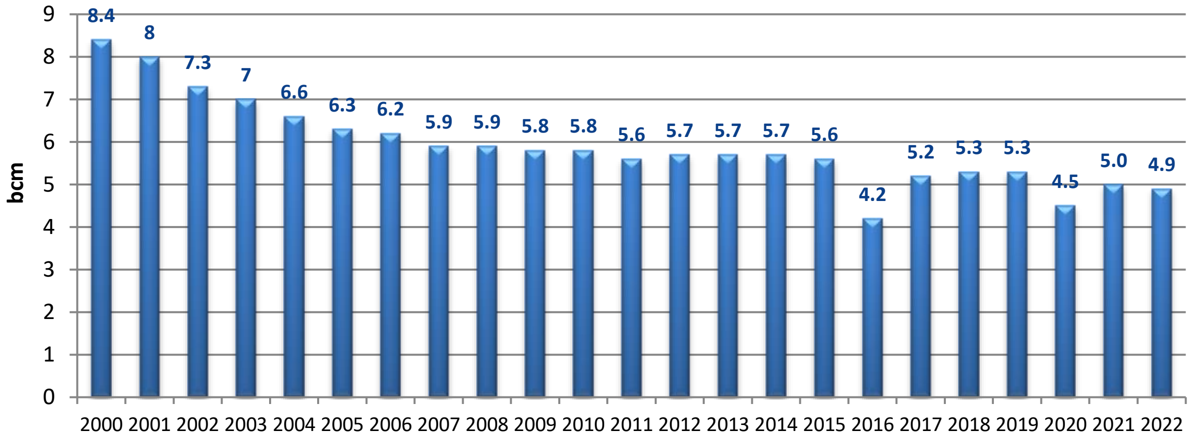
Item No.	Specifications	2020	2021	2022	Ratios
0	1	2	3	4	5=4/3x100
6.	Difference from conversion to Gross Calorific Value	6.4	8.6	2.7	31.4%
7.	**Volumes supplied from internal production (3.-4.+5.-6.)**	**4,591.6**	**4,884.3**	**5,058.9**	**106.3%**
8.	Gas supplied to CTE Iernut and Cojocna from Romgaz gas	277.2	192.5	338.8	176.0%
9.	**Gas supplied from internal production to the market (7.-8.)**	**4,314.4**	**4,691.8**	**4,720.1**	**100.6%**
10.	**Gas from partnerships** – Amromco (50%)*)	**91.4**	**35.4**	**19.3**	**54.5%**
11.	Purchased internal gas volumes (including commodity gas and imbalances)	0.4	239.5	1.9	0.8%
12.	**Sold internal gas volumes (9.+10.+11.)**	**4,406.1**	**4,966.7**	**4,741.3**	**95.5%**
13.	**Supplied internal gas volumes (8.+12.)**	**4,683.3**	**5,159.2**	**5,080.1**	**98.5%**
14.	Supplied import gas volumes	0.0	0.0	0.0	-
15.	Gas supplied to CTE Iernut and Cojocna from other sources (including imbalances)	4.7	8.4	0.1	1.2%
16.	**Total gas supplies (13.+14.+15.)**	**4,688.1**	**5,167.6**	**5,080.2**	**98.3%**
*	Invoiced UGS withdrawal services	1,816.7	2,109.2	1,722.5	81.7%
*	Invoiced UGS injection services	1,115.1	1,821.9	2,450.2	134.5%

Note: the information is not consolidated; these include the transactions between Romgaz and Depogaz.

*) The produced gas is reflected in Romgaz revenue, according to the participating interest share in the partnership.

Production level of 2022 was supported by ongoing production rehabilitation projects of main mature fields, performance of capitalizable repair works and well recompletion works and by streaming into production new wells.

Evolution of natural gas production between 2000-2022 is shown below:

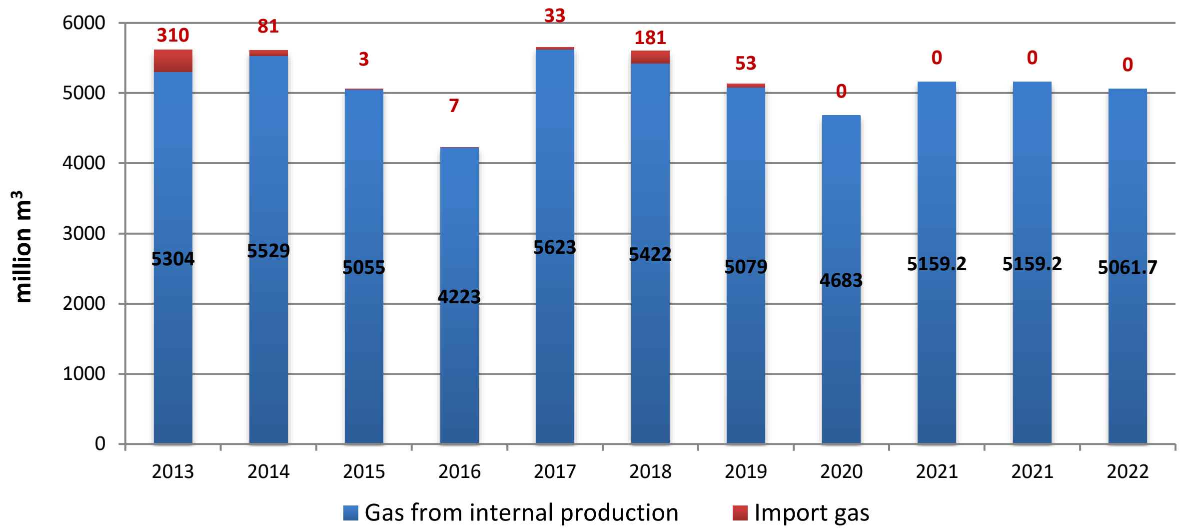


The table below shows the *quarterly electricity production* for 2022, as compared to 2021:

MWh

	2021	2022	Variation (%)
1	2	3	4=(3-2)/2x100
1st Quarter	202,073	345,337	70.90
2nd Quarter	1,010	199,323	19,636.95
3rd Quarter	222,989	294,806	32.21
4th Quarter	213,930	270,991	26.67
Year total	**640,001**	**1,110,456**	**73.51**

Romgaz is one of the largest gas suppliers in Romania. The evolution of gas supplies[4] between 2013-2022 is shown below:



Relevant Consolidated Financial Results

RON million

Q4 2021	Q3 2022	Q4 2022	Δ Q4 (%)	Main indicators	2021	2022	Δ '22/'21 (%)
2,356.4	3,316.5	**2,547.1**	8.09	Revenue	5,852.9	**13,359.7**	128.26
2,428.6	3,449.3	**2,604.3**	7.23	Income	6,156.5	**13,658.1**	121.85
1,620.9	2,838.2	**1,120.5**	-30.87	Expenses	3,999.4	**9,506.2**	137.69
0.1	1.4	**0.7**	840.00	Share of profit of associates	0.1	**2.4**	2,664.71
807.8	612.5	**1,484.5**	83.76	Gross profit	2,157.3	**4,154.2**	92.57
49.2	100.6	**1,175.6**	2,288.68	Income tax expense	242.3	**1,607.5**	563.55
758.6	511.9	**308.9**	-59.28	Net profit	1,915.0	**2,546.7**	32.99
787.8	561.9	**1,457.2**	84.98	EBIT	2,098.9	**3,982.3**	89.74
977.3	712.4	**1,637.3**	67.54	EBITDA	2,784.6	**4,532.4**	62.76
1.97	1.33	**0.80**	-59.28	Earnings per share EPS (RON)	4.97	**6.6**	32.99
32.19	15.43	**12.13**	-62.32	Net profit ratio (% from Revenue)	32.72	**19.06**	-41.74
33.43	16.94	**57.21**	71.13	EBIT Ratio (% from Revenue)	35.86	**29.81**	-16.88
41.47	21.48	**64.28**	55.00	EBITDA Ratio (% from Revenue)	47.58	**33.93**	-28.69
5,863	5,909	**5,971**	1.84	Number of employees at the end of the period	5,863	**5,971**	1.84

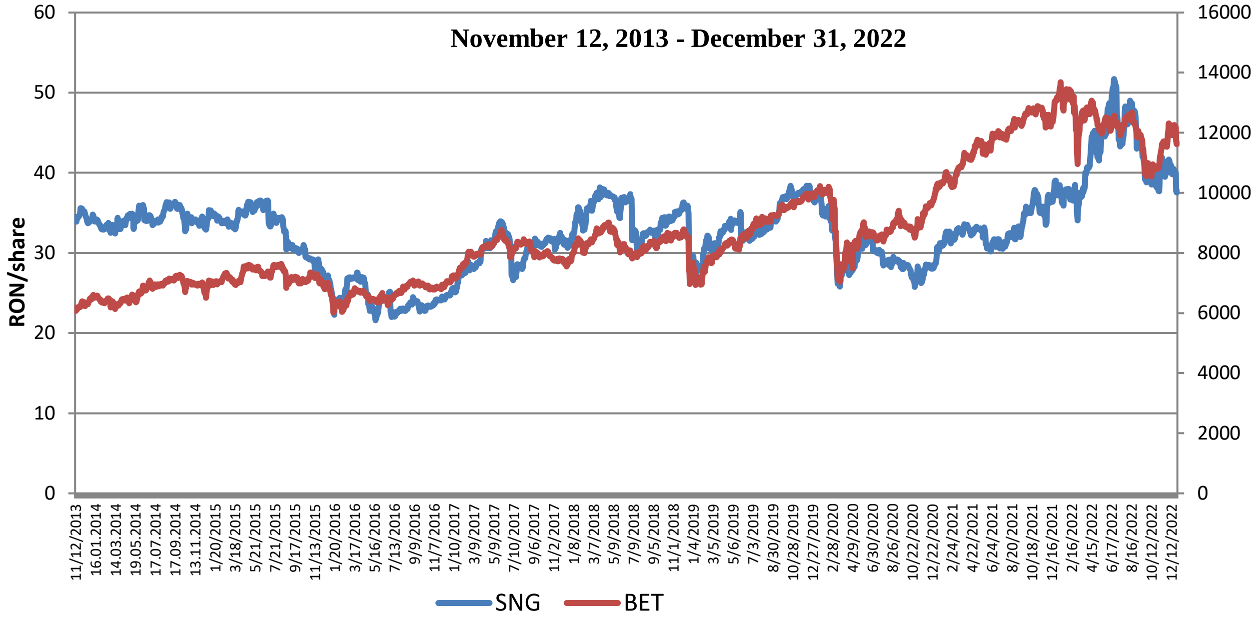
Figures in the above table are rounded; therefore, small differences may result upon reconciliation.
Note 1: Income and Expenses do not include those related to in-house production of non-current assets.

Romgaz on the Stock Exchange

Since November 12, 2013, company's shares have been traded on the regulated market governed by BVB (Bucharest Stock Exchange) under the symbol "*SNG*" and the GDRs on the regulated market governed by LSE (London Stock Exchange) under the symbol "*SNGR*".

Performance of Romgaz shares compared to the evolution of BET index (Bucharest Exchange Trading) from listing to December 31, 2022 is shown below:

[4] include gas from internal production, including gas supplied to CTE Iernut and Cojocna



1.2. Significant Events

January 6, 2022

Company's shareholders approve by Resolution No. 1 the extension of board members mandates, by two months from the expiration date, in line with the provisions of art. 64^1, paragraph (5) of GEO No. 109/2011 on corporate governance of public enterprises.

February 28, 2022

Company's shareholders appoint by Resolution No. 2, the following persons as board members, for a 4-month term interim mandate, starting with March 14, 2022:

- Drăgan Dan Dragoş
- Jude Aristotel Marius
- Batog Cezar
- Simescu Nicolae Bogdan
- Balazs Botond
- Sorici Gheorghe Silvian.

March 22, 2022

The Board of Directors appoints Mr. Jude Aristotel Marius as Chief Executive Officer for a 4-month term, as of April 16, 2022 until August 16, 2022.

The Board of Directors appoints Mr. Popescu Răzvan as Chief Financial Officer for a 4-month term, as of April 17, 2022 until August 17, 2022.

March 22, 2022

Romgaz Board of Directors endorsed conclusion of the sale-purchase agreement of all shares issued by (representing 100% of the share capital of) ExxonMobil Exploration and Production Romania Limited (EMEPRL) which holds 50% of the rights and obligations under the Petroleum Agreement for the eastern area, deep water zone of Neptun XIX offshore Block in the Black Sea.

The contract shall be signed following the approval of the Extraordinary General Meeting of Shareholders called for April 28, 2022, transaction completion is conditioned upon fulfilling the conditions precedent included in the contract. The acquisition price is USD 1,060,000,000 and may be adjusted in compliance with the mechanisms provided in the share sale-purchase agreement.

March 30, 2022

Romgaz signed a financing agreement of EUR 325 million with Raiffeisen Bank SA for partial financing of the acquisition price to be paid for all shares issued by EMEPRL. The loan has a maturity of five years.

April 28, 2022

Company's shareholders approve by Resolution No.4 the conclusion of the sale-purchase agreement of shares issued by EMEPRL.

May 3, 2022

Romgaz signed the sale-purchase agreement of shares issued by EMEPRL. Transaction completion was conditioned by fulfilment of conditions precedent provided in the contract.

May 25, 2022

The Board of Directors appoints Mr. Metea Virgil Marius as interim non-executive board member, as of May 25, 2022 until the date of the first meeting of the Ordinary General Meeting of Shareholders that shall take place after the OGMS meeting called for June 8, 2022.

June 2, 2022

An important investment was carried out, which is included in the priority Project Onshore Snagov, part of the Development Strategy 2021-2030, namely Cosereni gas dehydration station was commissioned. The investment amounted to roughly RON 31 million; the station treats 230 thousand m^3 natural gas/day, production obtained after streaming in production three new wells, following that until the end of Q1 2023, to stream in production in phases, other new wells, increasing the dehydration capacity up to 800 thousand m^3 /day.

June 8, 2022

The National Energy Regulatory Authority (ANRE), extended at Romgaz request, the validity of the Permit to initiate the construction of the new power plant with combined cycle gas turbines, until June 30, 2023 (Decision of ANRE President No.907).

June 27, 2022

Romgaz shares trading price on Bucharest Stock exchange reached a new historic maximum of 51.70 RON/share, this value represents the highest share price recorded since listing on Bucharest Stock Exchange (November 2013).

June 28, 2022

Romgaz – as debtor and Raiffeisen Bank S.A. and Banca Comercială Română S.A. (BCR) – as lenders, signed Addendum No.1 to the bank loan agreement no. 37843/30.03.2022 (facility agreement), whereby the parties agree with BCR to join the facility agreement as lender and agree to transform the facility agreement from a bilateral agreement into a syndicated loan agreement, without any additional costs for Romgaz.

June 29, 2022

Romanian Government Decision No. 834 issued the following provisions with impact on Romgaz:

- Art.11 para.(3): "*Investments funded by grants have to be put in operation until December 31, 2023 the latest [...]*";
- Art.12 para.(5): "*Beneficiaries of investments provided for in annex no. 3 receive a grant for the investments from the National Investment Plan made after June 25, 2009, put into operation or in progress at the time of concluding the financing contracts, related to expenses invoiced and paid after June 25, 2009. Reimbursement of such expenses shall be made by instalments until June 30, 2024, according to the financing contract".*

June 30, 2022

Concluded Addendum No.6 to Financing Agreement no.4/07.12.2017 for the investment "*Combined Cycle Gas Turbine – Iernut*", for amending the contract term until March 31, 2024, related to financing, as well as amending the schedule for carrying out the investment provided by the contract.

July 8, 2022

Company's shareholders appoint by Resolution No.6, Mr. Metea Virgil Marius as interim board member, as of July 9, 2022 until September 14, 2022 and approve to extend the mandate of interim board members appointed by OGMS Resolution No. 2 of February 28, 2022, by two months from the expiration date, namely from July 14, 2022 until September 14, 2022.

July 12, 2022

The Company concluded the Addendum to Financing Contract No.4/07.12.2017 for the investment "Combined cycle gas turbines" – Iernut, for amending the contract term until June 30, 2024 with respect to financing, and for amending the investment completion schedule provided in the contract.

August 1, 2022

Romgaz announces completion of the acquisition and the transfer of all shares issued by EMEPRL, successfully fulfilling all conditions precedent provided in the contract.

August 12, 2022

The Board of Directors appoints by Resolution No.57 for a 4-month term starting with August 17, 2022 until December 17, 2022:

- Mr. Popescu Răzvan as Chief Executive Officer;
- Mr. Jude Aristotel Marius as Deputy Chief Executive Officer;
- Mr. Bobar Andrei as Chief Financial Officer.

September 13, 2022

Company shareholders appoint by Resolution No.7 as interim board members for a 4-month term, starting with September 15, 2022 until January 15, 2023, the following persons:

- Drăgan Dan Dragoș
- Jude Aristotel Marius
- Batog Cezar
- Metea Marius Virgil
- Simescu Nicolae Bogdan
- Balazs Botond
- Sorici Gheorghe Silvian.

September 22, 2022

Company shareholders decide by Resolution No.9 to change the name from ExxonMobil Exploration and Production Romania Limited to Romgaz Black Sea Limited.

September 30, 2022

Mr. Drăgan Dan Dragoș was elected Chairman of the Board of Directors; establishing the composition of the advisory committees of the Board of Directors as follows:

Nomination and Remuneration Committee:

- Mr. Sorici Gheorghe Silvian – chairman
- Mr. Batog Cezar – member
- Mr. Drăgan Dan Dragoș – member

Audit Committee:

- Mr. Sorici Gheorghe Silvian – chairman
- Mr. Batog Cezar – member
- Mr. Simescu Nicolae Bogdan – member

Strategy Committee:

- Mr. Balazs Botond – chairman

- Mr. Drăgan Dan Dragoș – member
- Mr. Jude Marius Aristotel – member
- Mr. Metea Virgil Marius – member
- Mr. Sorici Gheorghe Silvian – member

October 7, 2022

Finalize procedures to change the name of ExxonMobil Exploration and Production Romania Limited into Romgaz Black Sea Limited.

October 19, 2022

Romgaz and SOCAR, national oil company of the Republic of Azerbaijan, sign in Bucharest a Memorandum of Understanding formalising the intention to jointly develop a liquefied natural gas project at the Black Sea.

November 17, 2022

Company shareholders approve by OGMS Resolution No. 10:

- ✍ the profile of board members;
- ✍ candidate profile for the position as board member;
- ✍ S.N.G.N. Romgaz S.A. electricity sales strategy for 2023–2026.

November 23, 2022

The Board of Directors appoints by Resolution No. 78, for a 4-month term, as of December 18, 2022 until April 18, 2023:

- ✍ Mr. Popescu Razvan as Chief Executive Officer;
- ✍ Mr. Jude Aristotel Marius as Deputy Chief Executive Officer.

November 28, 2022

Company shareholders approve by Resolution No. 18, the Natural Gas Sale-Purchase Contract No.VG55/2022 concluded between Romgaz and S Electrocentrale București S.A.

December 8, 2022

Company shareholders, approve by Resolution No.12:

- ✍ to increase the loan facility limit for issuing letters of bank guarantee by RON 70 million, namely from RON 350 million to the limit of RON 420 million;
- ✍ to extend by 1 year the loan facility contract concluded with Banca Comercială Română S.A. for issuing warranty instruments as letters of bank guarantee and irrevocable stand-by letters of credit, to the limit of RON 420 million;
- ✍ to issue the bank guarantee letter in amount of EUR 89,228.00, at the Lender's (Romgaz) order, in favour of the beneficiary Floreasca Business Park for securing the rent payment obligation for the building where Romgaz Black Sea Limited performs its activities.

December 16, 2022

Romgaz and SOCAR Trading signed the first individual contract for the delivery of Azeri gas in Romania. The individual contract allows planned gas deliveries as of January 1, 2023.

December 20, 2022

The Board of Directors appoints Mrs. Trânbițaș Gabriela, as Chief Financial Officer, by Resolution No.85, for a 4-month term, as of December 20, 2022 until April 20, 2023.

II. Parent company at a glance

2.1. Identification Data

Name: Societatea Naţională de Gaze Naturale "ROMGAZ" SA

Main scope of activity: natural gas production

Address: Medias, 4 Constantin I. Motas Square, 551130, Sibiu County

Trade Registry registration number: J32/392/2001

Fiscal registration number: RO14056826

LEI Code: 2549009R7KJ38D9RW354

Legal form of establishment: joint-stock company

Subscribed and paid in share capital: RON 385,422,400

Number of shares: 385,422,400 each having a nominal value of RON 1

Regulated market where the company's shares are traded: Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)

Phone: 0040 374 401020

Fax: 0040 269 846901

Web: www.romgaz.ro

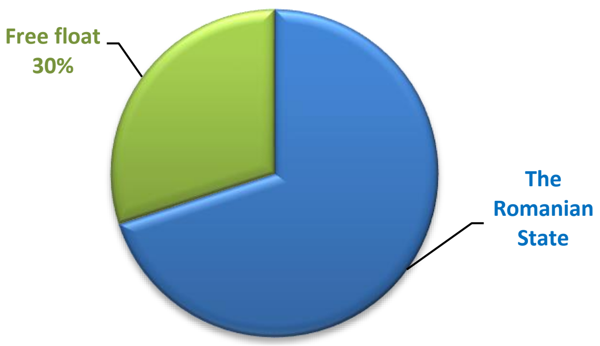
E-mail: secretariat@romgaz.ro

Bank accounts opened at: Banca Comerciala Romana, BRD-Groupe Société Générale, Citibank Europe, Patria Bank, Raiffeisen Bank, Banca Transilvania, ING Bank, Eximbank, CEC Bank.

Shareholder Structure

On December 31, 2022 the shareholder structure was the following:

	Shares	%
Romanian State[5]	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
*legal persons	96,125,570	24.9503
*natural persons	19,473,750	5.0526
Total	**385,422,400**	**100.0000**



In financial year 2022 the Company ***neither performed transactions with own shares*** nor held own shares on December 31, 2022.

2.2. Company Organisation

[5] the Romanian State through the Ministry of Energy

Romgaz organization structure is a hierarchy-functional type, with the following hierarchy levels from company's shareholders to execution personnel:

- General Meeting of Shareholders
- Board of Directors
- Chief Executive Officer, Deputy Chief Executive Officer (with mandate), Chief Financial Officer (with mandate)
- managers without contract of mandate
- heads of functional and operational departments subordinated to managers
- execution personnel

The duties of the Board of Directors are detailed both in the Company's Articles of Incorporation as well as in the Terms of Reference of the Board of Directors.

The Chief Executive Officer, the Deputy Chief Executive Officer, the Chief Financial Officer, as well as managers without contract of mandate are key people in the structure and operation of the company. The heads of compartments (branches/departments/directions/offices etc.) representing the connection between the upper structure and the employees of the respective compartment are directly subordinated to the afore-mentioned.

Each compartment has its own duties well-defined in the company's Rules of Organization and Operation and all these elements work as a whole.

The tasks, duties and responsibilities of the execution personnel are included in the job descriptions of each position.

The company has six branches, set up based on the specific of the activities performed and on the specific of the region (natural gas production branches) as follows:

- Sucursala Medias (Medias Branch) having its office in Medias, 5 Garii Street, postal code 551025, Sibiu County, territorially organized in 8 sections;
- Sucursala Targu Mures (Targu Mures Branch) having its office in Targu Mures, 23 Salcamilor Street, postal code 540202, Mures County, territorially organized in 9 sections;
- Sucursala de Interventii, Reparatii Capitale si Operatii Speciale la Sonde Medias (SIRCOSS – Branch for Well Workover, Recompletions and Special Well Operations) having its office in Medias, 5 Soseaua Sibiului Street, postal code 551009, Sibiu County, territorially organized in 3 sections and 5 workshops;
- Sucursala de Transport Tehnologic si Mentenanta Targu Mures (STTM – Technological Transport and Maintenance Branch) having its office in Targu Mures, 6 Barajului Street, postal code 540101, Mures County, territorially organized in 5 sections and one laboratory;
- Sucursala de Productie Energie Electrica Iernut (SPEE – Iernut Power Generation Branch) having its office in Iernut, 1 Energeticii Street, postal code 545100, Mures County, organised in 7 sections;
- Sucursala Drobeta-Turnu Severin (Drobeta-Turnu Severin Branch), having its office in Drobeta-Turnu Severin, 27 Aurelian Street, Mehedinti County.

As of April 1, 2018 Sucursala Ploiesti ceased its activity and ***SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale Depogaz Ploieşti SRL*** (hereinafter "Depogaz") became operational, managing the natural gas underground storage activity.

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

The subscribed and paid in share capital of the company is RON 66,056,160, divided in 6,605,616 shares, with a nominal value of RON 10/share.

The Subsidiary took over the operation of the underground storages licensed by SNGN Romgaz SA, the operation of assets that contribute to performing the storage activity and the entire personnel performing storage activities.

Information about Filiala Depogaz can be found at: https://www.depogazploiesti.ro

On August 1, 2022 Romgaz completed the transaction to acquire and the transfer of all shares issued by (representing 100% share capital of) ***ExxonMobil Exploration and Production Romania Limited*** (currently **Romgaz Black Sea Limited**), which holds 50% of the rights acquired and the obligations under the Petroleum Agreement for the deep water zone of XIX Neptun offshore block in the Black Sea.

Romgaz Black Sea Limited is a company operating in compliance with the laws of the Commonwealth of the Bahamas and which operates through its Romanian branch, Romgaz Black Sea Limited Nassau (Bahamas), București subsidiary.

Whereas:

(i) Provisions of art.21 ("*Debranding and Separation"*) of the sale-purchase agreement of all shares issued by (representing 100% share capital of) (hereinafter referred to "SPA") ExxonMobil Exploration and Production Romania Limited signed on May 3, 2022, by which Romgaz as buyer, has the obligation after transaction completion, to change the name of the purchased company as well as its brand within the terms provided in the SPA upon transaction completion, namely:
   - *(a) to undertake, but not later than 90 (ninety) business days from completion all practical, legal, regulatory, and administrative formalities to record and give effect to the change of Company's corporate, trade, company and all other business names of the Company; and*
   - *(b) to discard, but not later than 60 (sixty) business days from completion, all brand and visual elements that are similar with those used by the Sellers and their affiliates, as well as all colour combinations substantially identical with those used by the Sellers and their affiliates, and to cease to use any domain names or URLs which include or resemble the words "Exxon", "Mobil", "ExxonMobil", or "Esso", or any name which may be confused with or is similar to such names;*

(ii) Completion of the transaction to acquire EMEPRL shares on August 1, 2022;

(iii) Board of Directors Resolution No.56 of August 11, 2022;

(iv) Extraordinary General Meeting of Shareholders No.9 of September 22, 2022 approving:
   - (a) to change the name of the company from ExxonMobil Exploration and Production Romania Limited to ROMGAZ BLACK SEA LIMITED;
   - (b) to amend Art. 1 of the Articles of Association of ExxonMobil Exploration and Production Romania Limited as follows: "The name of the company is ROMGAZ BLACK SEA LIMITED",

SNGN Romgaz SA, the sole associate, decided on September 30, 2022, to change the name of ExxonMobil Exploration and Production Romania Limited to Romgaz Black Sea Limited, as well as to amend Art. 1 of the Articles of Association of ExxonMobil Exploration and Production Romania Limited as follows: "*The name of the company is* Romgaz Black Sea Limited*"*

2.3. Mission, Vision and Goal

Mission

Sustainable increase of added value for the company, employees and shareholders, resilient over the long term.

Vision

Gaining profit by producing and trading hydrocarbons and electricity, including electricity from renewable sources, under efficiency and low emission conditions.

Goal

Future ambition to reach NetZeRomGAZ in our business. Romgaz plans to develop its business and to reach net zero CO_2 emissions by 2050.

2.4. Strategic Objectives, Strategic Options and Secondary Objectives

Strategic Objectives

- Minimum 10% reduction of carbon, methane and other gas emissions (10-10-10). Reduction is set for the validity term of the strategy (2021-2030) having 2020 as reference year;
- Annual natural gas production decline below 2.5%;
- EBITDA margin between 25-40%;
- ROACE equal to or higher than 12%.

Strategic options and secondary objectives

- We continue to develop the portfolio of resources focused on mitigating climate changes effects, centred on resilient hydrocarbons and on operational safety and reliability:
    - ✓ Maximize the recovery factor of hydrocarbon reserves under safety, reliability and sustainable development conditions;
    - ✓ Increase of onshore and offshore (Black Sea) hydrocarbon resources and reserves portfolio;
- Electricity and energy with low CO_2 emissions with large scale use of renewable energy sources, seeking opportunities on the hydrogen market and developing a portfolio of gas clients to complete such low CO_2 emission energy:
    - ✓ Production of sustainable energy;
    - ✓ Minimum 10% reduction of carbon, methane and other gas emissions (10-10-10);
- Digital transformation of the company and supporting innovations to approach new customer interaction methods, to increase efficiency and to support new development directions;
    - ✓ Company digitalization;
    - ✓ Increase of market share and portfolio diversification;
- Create long-term relationships with equal profitability for both the market and social environment:
    - ✓ Training human resources to embrace future trends in the field of sustainable energy;
    - ✓ Citizens in a green society.

III. Review of ROMGAZ GROUP business

3.1. Business Segments

Romgaz Group undertakes business in the following segments:

- natural gas exploration and production (carried out at Romgaz and Romgaz Black Sea Limited);
- UGS activity (carried out at Filiala Depogaz);
- natural gas supply;
- special well operations and services;
- maintenance and transportation services;
- electricity generation;
- natural gas distribution.

Exploration

Since October 1997, the exploration activity is carried out in 8 blocks located in Transylvania, Muntenia-Oltenia and Moldova, subject to the Concession Agreement approved by Government Decision No. 23/2000.

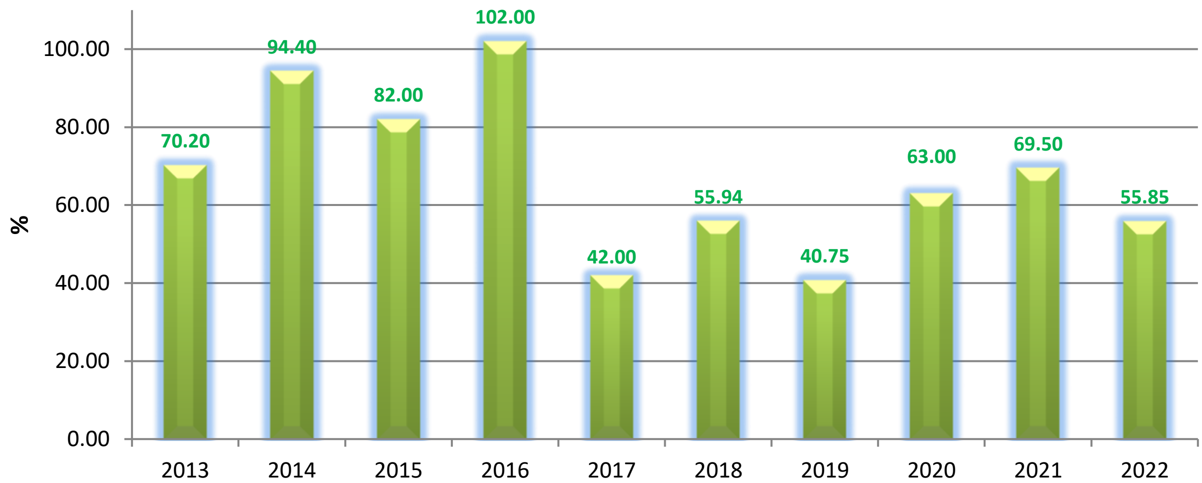
Currently, exploration activities are performed under Addendum No. 6 (approved by GD No.1011/22.09.2021 to the Concession Agreement for petroleum exploration-development-production approved by GD No.23/2000, with a validity term of 6 years (10.10.2021 – 9.10.2027). The approved minimum work program includes 36 wells with a total length of 92,000 m and 1,000 km^2 3D seismic for all eight blocks, with the total value of the program of USD 195 million.

Main works performed in 2022 are:

- exploration drilling:
  - four wells are finalised, out of which one is in conservation, testing gas;
  - surface facilities in progress for one well;
  - procurement of drilling works for one well;
  - preparatory works for initiating procurement of drilling works for 27 wells;
- two projects related to 3D seismic data acquisition and processing in exploration-development-production blocks RG 07 Muntenia Centru and RG 06 Muntenia Nord-Est, covering an area of approx. 650 km^2.

Exploration works are designed and prioritised based on technical-economic principles, in order to increase the hydrocarbon resources and reserves portfolio and to maximise the prospective potential of the eight exploration-development-production blocks licensed by Romgaz.

The table below shows the evolution of the ***reserves replacement ratio*** *between* 2013-2022:



Reserves replacement ratio is influenced by the improvement of the final recovery factor, by promoting probable and possible reserves and by investments in the infrastructure necessary for streaming in experimental production of new exploration discoveries.

Production

The 2022 annual program for petroleum operations took into account the gas demand dynamics, reactivation, recompletion and workover operations, bringing into production new wells and exploration wells; the program focused also on maintenance programs of compressor stations and of dehydration stations.

2022 natural gas production was 4,935.9 million m^3, by 93 million m^3 lower than last year's production, representing a production decline of 1.8%.

Whereas most operational commercial fields are mature, in an advanced stage of energy depletion, keeping the production decline below the committed level of 2.5% was possible mainly due to the following:

1. measures implemented to optimise gas field production;
2. investments to extend production infrastructure and to connect new wells to this infrastructure;
3. continuous production rehabilitation of the main mature gas fields: Filitelnic, Delenii, Laslău, Sădinca, Copşa Mică, Nadeş-Prod-Seleuş, Roman, Corunca Sud, Târgu Mureş, Grebeniş, Bazna, Cetatea de Baltă, Mărgineni, Corunca Nord, Iclănzel Vaideiu, Sărmăşel;
4. performing capitalisable repair works and well recompletion operations for inactive or low production wells.

Underground Gas Storage

Currently, there are six operational UGSs in depleted gas reservoirs in Romania. Romgaz owns and operates through Filiala Depogaz five UGSs with a total capacity of 3.965 bcm and a working gas volume of 2.770 bcm.

Nationally, the ratio between the working gas volume and the annual consumption was about 25% in 2022. This level ranks in the first upper half of the European values chart.

In 2022 the ratio between stored gas volumes and working volume of the UGSs was 99.39%.

The Romanian Government issued Emergency Ordinance No. 106/2020 amending Gas and Electricity Law No. 123/2012 ruling deregulation of storage activities. Therefore, after the withdrawal cycle 2020-2021, the storage activity is no longer regulated.

Natural Gas Supply

After a thorough restructuring, the Romanian natural gas sector is currently split into independent activities. The Romanian natural gas market includes a National Transmission System operator - NTS (Transgaz), producers (Romgaz and Petrom holding together 97% of national production), underground gas storage operators, companies for the distribution and supply of gas to captive customers, and suppliers on the wholesale market.

In 2022, considering the international context generated by the increase of prices on energy markets, in order to ensure a rigorous discipline on the national market and to ensure high economic and social customer protection, the Government approved GEO 27/2022 on measures applicable to end users on the gas and electricity market during April 1, 2022 – March 31, 2023, as well as to amend and supplement certain enforcement guidelines in the energy sector. Enforceability of GEO 27/2022 was subsequently extended until March 31, 2025.

Therefore, as of April 2022 there was a significant regulation of households and heat producers, both as regards prices and contracted quantities.

In terms of supply, Romgaz held, between 2015-2022, a national market share ranging between 37%-49%:

	unit	2015	2016	2017	2018	2019	2020	2021	2022
National consumption	bcm	11.6	11.8	12.3	12.3	11.5	12.0	12.3	10.4
Romgaz traded volumes (domestic + import)	bcm	5.1	4.4	5.7	5.6	5.1	4.7	5.2	5.1
Romgaz market share	**%**	44.0	37.1	46.3	45.5	44.1	39.1	42.4	49.41

The above quantities include gas from own internal production, including technological consumption, domestic gas purchased from third parties, 100% gas from Schlumberger joint venture (until 2018) and import gas. Deliveries include gas delivered to Iernut and Cojocna for electricity production.

Well Workover, Recompletion and Special Operations

SIRCOSS was set up in 2003 in accordance with GSM Resolution No. 5/June 13, 2003. SIRCOSS performs two main types of activities:

- well workover, recompletion operations and production tests;
- special well operations.

All *well workover, recompletion operations and production tests* are performed by means of rig installations.

The second main activity consists of *special well operations*, namely services supplied by means of different transportable equipment for downhole or surface operations.

The operations performed in 2022 were characterised by an upward consolidation of volumes both in terms of workover, recompletion operations and in terms of services supplied as special operations, thus performing 7,793 operations.

As regards well reactivation works for 2022, 171 well operations were planned and 216 works were performed.

The table below shows a comparison between planned and achieved recompletion operations and capitalizable repairs for 2022:

	Mediaș Branch	Târgu Mureș Branch	TOTAL Romgaz
Planned	82	89	171
Achieved	105	111	216
Difference	23	22	45

Transportation and Maintenance

STTM was established in October 2003, by taking over the means of transportation from Medias, Targu-Mures and Ploiesti branches.

The branch's scope of activity is transportation of goods and people, specific technological transportation, and maintenance activities for the benefit of the company and of third parties.

STTM car fleet includes various motor vehicles and machinery for the following transportation services:

- passenger carriers: cars, minibuses, buses and large buses;
- mixt transportation with utility vehicles < 3.5 t and utility vehicles > 3.5 t;
- technological transportation with trucks, platforms, dumpers, dump trucks, tankers, self-trailers and crane trucks;
- transport and machinery: tractors, bulldozers, front loaders, earth-moving machinery, excavators

Maintenance of the car fleet is carried out in own car services. STTM holds at the four sections (Târgu Mureș, Mediaș, Ploiești and Roman), services authorised by the Romanian Automobile Register, with specialised personnel for the maintenance of STTM vehicles and machinery.

As regards the maintenance activity, the various services are provided by specialized teams in the mechanical, electrical and automation fields.

Electricity Generation

CTE Iernut is an important junction point of the NPG (National Power Grid), located in the centre of the country, in Mures County, on the left bank of Mures River, between towns Iernut and Cuci, with gas and industrial water sources and power discharge facilities.

CTE Iernut is operated by Romgaz through *Sucursala de Productie Energie Electrica* (SPEE).

CTE Iernut has an installed power of 800 MW and comprises 6 power units: 4 100 MW units of Czechoslovakian manufacturing and 2 200 MW units of Soviet manufacturing. These units were commissioned between 1963 and 1967. Taking in consideration the start of investment works at the 430 MW CCGT Power Plant and the requirement to ensure appropriate conditions for the execution of works at the related cooling circuit, unit 6 of 200 MW was decommissioned in November 2019.

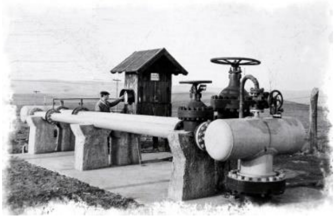
In January 2019, units 2 and 3 of 100 MW were decommissioned followed by unit 1 (of 100 MW) in November 2019; all units were decommissioned on the grounds of non-compliance with the environmental conditions.

In 2022, SPEE Iernut operated with power unit 5 of 200MW, power unit 4 of 100 MW was decommissioned due to non-compliance with NOx emission limits, provided by effective regulations. Therefore, at the end of 2022, SPEE Iernut held the commercial operating licence for one power unit.

Natural Gas Distribution

The natural gas distribution activity is regulated, carried out in Ghercesti and Piscu Stejari areas. Romgaz has concession agreements with the Ministry of Economy and Trade for Ghercesti area and with Piscu Stejari Town Hall for Piscu Stejari distribution. The activity is carried out by Targu-Mures Branch.

3.2. Brief History



Societatea Nationala de Gaze Naturale “ROMGAZ” SA is Romania’s most important natural gas producer and supplier. The company’s experience in the field of gas exploration and production exceeds 100 years. Its history began in 1909 when the first natural gas commercial reservoir was discovered, in the Transylvanian Basin, upon drilling of well Sarmasel-2.

The most important historic benchmarks are:

- **1909** • Natural gas discovery in Sarmasel (Transylvanian Basin)
- **1913** • First gas production recorded in Romania (113,000 m^3)
- **1915** • On November 26, Societatea Ungară de Gaz Metan is established, receiving the right for gas exploration and production from Transylnavia's richest gas fields
- **1925** • Setting up the National Gas Company "SONAMETAN"
- **1958** • First underground gas storage in Romania, at Ilimbav, Sibiu County
- **1972** • Use of compressors in the course of production
- **1976** • Maximum gas production obtained by Romgaz (29,834 million m^3)
- **1979** • Import gas from the Russian Federation
- **1991** • Centrala Gazului Metan was reorganized, by Government decision, to Regia Autonoma "ROMGAZ" RA
- **1998** • "ROMGAZ" RA becomes Societatea Naţională de Gaze Naturale "ROMGAZ" SA
- **2000** • SNGN "ROMGAZ" SA was reorganized in five independent companies (SC "Exprogaz" SA Mediaş, SNDSGN "Depogaz" SA Ploieşti, SNTGN "Transgaz" SA Mediaş, SC "Distrigaz Sud" SA Bucureşti şi SC "Distrigaz Nord" SA Tîrgu-Mureş
- **2001** • **The current SNGN "ROMGAZ" SA Medias was established**
- **2013** • Company shares are traded on Bucharest Stock Exchange and London stock Exchange (GDR's)
- **2015** • Unbundling the underground gas storage activity by setting up Filiala de Înmagazinare Gaze Naturale Depogaz SRL Ploieşti
- **2018** • As of April 1, 2018 Filiala de Înmagazinare Gaze Naturale Depogaz SRL Ploieşti became operational
- **2022** • Acquisition of all shares issued by ExxonMobil Exploration and Production Romania Limited, which holds 50% of the rights and obligations under the Petroleum Agreement for the eastern area, deep water zone, of Neptun XIX offshore block in the Black Sea.

3.3. Mergers and Reorganisations, Acquisitions and Divestments of Assets

Changes to the organisational structure

- BoD Resolution No. 16 of March 22, 2022 amended the organisational structure as follows:
  - set up the Corporate Governance, Capital Market and Investor Relation Direction;
  - changed the Corporate Governance Department into Corporate Governance Office subordinated to the Corporate Governance, Capital Market and Investor Relation Direction;
  - subordinated the Capital Market Department to the Corporate Governance, Capital Market and Investor Relation Direction;
  - set up the Reporting Department and the Social Responsibility and Statistics Office subordinated to the Corporate Governance, Capital Market and Investor Relation Direction;
  - subordinated the Headquarters Monitoring Office to the Technical Direction;
  - subordinated the Electricity Trading and Self-Supply Department to the Electricity Market Development Department;
  - dissolved the Investment Compartment within Iernut Power Plant and established the Development-Investment Department;
- Decision No. 1659/08.12.2022 amended the organisational chart, by setting up the Department Supply of Last Resort within the Energy Trading Department.

No mergers of the company took place in financial year 2022.

3.4. Group's Business Performance

3.4.1. Overall Performance

The Group's revenues are generated mainly from gas production and deliveries (own gas production and delivery, gas produced by joint ventures, import gas deliveries and gas deliveries from other domestic producers), from supply of underground gas storage services, from production and supply of electricity and from other specific services.

Financial Results

RON thousand

Item No.	Description	2021	2022	Ratio (2022/2021)
0	1	2	3	4=(3/2-1)x100
1	**Total Income, out of which:**	**6,156,535**	**13,658,095**	**121.85%**
	*operating income	6,098,082	13,438,793	120.38%
	*financial income	58,453	219,302	275.18%
2	Revenue	5,852,926	13,359,653	128.26%
3	**Expenses – total, out of which:**	**3,999,369**	**9,506,196**	**137.69%**
	*operating expenses	3,982,298	**9,433,625**	136.89%
	*financial expenses	17,071	72,571	325.11%
4	Share of associates' result	85	2,350	2,664.71%
5	**Gross Profit**	**2,157,251**	**4,154,249**	**92.57%**
6	Income tax	(242,264)	(1,607,537)	563.55%
7	**Net Profit**	**1,914,987**	**2,546,712**	**32.99%**

The total income of 2022 was higher by 121.85% as compared to 2021.

Below are the compared economic-financial indicators for 2021 and 2022 and their detailed structure split by activity:

Indicators split by activities – 2021 (restated)* **RON thousand**

Description	TOTAL 2021, out of which:	Gas production and deliveries	Underground Gas Storage	Electricity	Other activities	Settlement between segments
1	2	3	4	5	6	7
Revenue	5,852,926	5,486,486	313,456	458,656	408,161	(813,833)
Cost of commodities sold	(281,589)	(246,933)	(2)	(33,901)	(753)	-
Investment Income	58,403	133	534	7	85,823	(28,094)
Other gains and losses	23,388	(3,599)	(7,995)	(95)	28,804	6,273
Net losses from impairment of trade receivables	349,989	362,633	-	(12,593)	(51)	-
Changes in inventories	74,787	73,538	-	25	1,224	-
Raw materials and consumables	(81,146)	(43,135)	(21,606)	(208,174)	(13,705)	205,474
Depreciation, amortization and impairment	(685,772)	(580,293)	(8,506)	(7,102)	(25,877)	(63,994)
Employee benefit expense	(766,639)	(453,144)	(72,325)	(47,959)	(193,221)	10
Finance cost	(16,739)	(14,829)	(1,387)	-	(553)	30
Exploration Expenses	(1,197)	(1,197)	-	-	-	-
Share of associates' result	85	-	-	-	85	-
Other Expenses	(2,539,086)	(2,644,595)	(169,101)	(259,850)	(74,442)	608,902
Other Income	169,841	41,036	274	126,909	2,071	(449)
Profit before tax	**2,157,251**	**1,976,101**	**33,342**	**15,923**	**217,566**	**(85,681)**
Income tax expense	(242,264)	-	(2,835)	-	(239,429)	-
Profit for the year	**1,914,987**	**1,976,101**	**30,507**	**15,923**	**(21,863)**	**(85,681)**

*) In 2022, Romgaz main decision-maker decided to change the manner of reporting gas and electricity deliveries between its branches. In the past, these deliveries were accounted as costs. As of 2022, these deliveries are accounted at the market price or at regulated price, as the case may be. The change, allows the management to have a better view on performance of its business segments. Following this change, the compared indicators split by activities for 2021 were restated. Neither Romgaz nor the Group's results are affected by this change.

Indicators split by activities – 2022 **RON thousand**

Description	TOTAL 2022, out of which:	Gas production and deliveries	Underground Gas Storage	Electricity	Other activities	Settlement between segments
1	2	3	4	5	6	7
Revenue	13,359,653	12,355,984	475,989	1,646,783	438,097	(1,557,200)
Cost of commodities sold	(183,578)	(15,009)	(3)	(167,405)	(1,161)	-
Investment Income	176,979	609	2,547	40	187,755	(13,972)
Other gains and losses	(9,441)	257,414	(2,417)	(291)	(265,940)	1,793
Net losses from impairment of trade receivables	(55,166)	(44,137)	-	(1,510)	(9,519)	-
Changes in inventories	(2,197)	(3,272)	-	16	1,059	-
Raw materials and consumables	(118,037)	(83,127)	(43,925)	(732,422)	(17,691)	759,128
Depreciation, amortization and impairment	(550,076)	(426,336)	(12,329)	(10,160)	(25,470)	(75,781)
Employee benefit expense	(846,001)	(491,677)	(75,505)	(49,262)	(229,557)	-
Finance cost	(27,295)	(19,942)	(1,861)	-	(5,563)	71
Exploration Expenses	(59,714)	(59,714)	-	-	-	-
Share of associates' result	2,350	-	-	-	2,350	-
Other Expenses	(7,613,296)	(7,308,009)	(226,757)	(736,940)	(140,095)	798,505
Other Income	80,068	66,750	28	1,199	12,500	(409)
Profit before tax	**4,154,249**	**4,229,534**	**115,767**	**(49,952)**	**(53,235)**	**(87,865)**
Income tax expense	(1,607,537)	(1,002,428)	(15,948)	-	(589,161)	-
Profit for the year	**2,546,712**	**3,227,106**	**99,819**	**(49,952)**	**(642,396)**	**(87,865)**

Revenue

The table below shows the compared revenue and the revenue share on activity segments:

Description	2020		2021		2022	
	RON mln	% Revenue	RON mln	% Revenue	RON mln	% Revenue
Gas production and delivery	3,690.2	90.56	5,486.5	93.74%	12,356.0	92.49%
UGS activity	333.9	8.19	313.5	5.36%	476.0	3.56%
Electricity generation and delivery	261.1	6.41	458.7	7.84%	1,646.8	12.33%
Other activities	376.9	9.25	408.2	6.97%	438.1	3.28%
Settlement between branches	-587.3	-14.41	-813.8	-13.90%	-1,557.2	-11.66%
TOTAL Revenue	**4,074.9**	**100.00**	**5,852.9**	**100.00**	**13,359.7**	**100.00**

Financial income

The financial income is higher by 275.18 % than recorded in the previous year. Financial income consists mainly of interests from cash in bank deposits and in state bonds.

Expenses

Description	Year 2021 (RON thousand)	Year 2022 (RON thousand)	Ratio (2022/2021)
1	2	3	4=(3-2)/2x100
Operating expenses	3,982,298	9,433,625	136.89%
Financial expenses	17,071	72,571	325.11%
Total expenses	**3,999,369**	**9,506,196**	**137.69%**

Financial expenses

Financial expenses incurred in 2022 are higher by 325.11% as compared to the previous year.

Chapter 7 shows a detailed split of different expenses categories and a comparative assessment thereof.

Economic-Financial Results

Compared economic-financial results are shown in the table below (RON thousand):

Description	2021	2022	Ratio (2022/2021)
1	2	3	4=(3-2)/2x100
Operating results	2,115,784	4,005,168	89.30%
Financial results	41,382	146,731	254.58%
Share of associates' result	85	2,350	2,664.71%
Gross result	**2,157,251**	**4,154,249**	**92.57%**
Income tax	(242,264)	(1,607,537)	563.55%
Net result	**1,914,987**	**2,546,712**	**32.99%**

Gross result for January – December 2022 in amount of RON 4,154,249 thousand is by 92.57% higher than the gross result of 2021.

Financial Performance is also emphasized by the evolution of indicators presented in the table below:

Indicators	Formula	M.U.	2021	2022
1	2	3	4	5
Working capital (WC)	C_{lt}-A_f = E+L_{nc}+Pr+S_i-A_f	RON mln	4,223	1,398
Working capital requirements (WCR)	(A_{st}-L+P_p) - (L_{crt}-Cr_{st}+I_{df})	RON mln	639	164
Net cash	WC-WCR = L-Cr_{st}	RON mln	3,584	1,562

Indicators	Formula	M.U.	2021	2022
1	2	3	4	5
Economic Rate of Return (ERR)	P_g/C_{lt}x100	%	22.04	35.15
Return on Equity	P_n/Ex100	%	21.32	25.27
Return on Sales	P_g/Rx100	%	36.86	31.10
Return on Assets	P_n/Ax100	%	16.96	17.77
EBIT	$P_g+Ex_i-I_r$	RON mln	2.099	3.983
EBITDA	EBIT+Am	RON mln	2.785	4.532
ROCE	EBIT/C_{emp}x100	%	21.44	33.70
Current liquidity	Ac/Lc	-	3.81	1.56
Asset Solvency	E/Lx100	%	79.53	70.33

where:

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

3.4.2. Sales

Sales Evolution and Perspectives

The table below shows the evolution of delivered gas quantities, by splitting gas quantities delivered to third parties and quantities used for electricity production in own plants:

Description	unit	2020	2021	2022	2021/2020	2022/2021
Delivered gas	mil. m^3	4,688.1	5,167.6	5,061.7	+10.2%	-2.0%
Sales to third parties	mil. m^3	4,406.2	4,966.7	4,722.0	+12.7%	-4.9%
Gas for electricity production in own power plant	mil. m^3	277.2	192.5	339.7	-30.6%	+76.5%

Description	unit	2021	2022	2022/2021
Delivered gas	TWh	54.141	53.277	-2.0%
Sales to third parties	TWh	52.018	49.701	-4.9%
Gas for electricity production in own power plant	TWh	2.123	3.576	+76.5%

The entire gas quantity traded by Romgaz was sold on the domestic market. Romgaz traded gas quantities both on the regulated market and on the free market, both by bilateral negotiation as well as on the centralised market managed by the Romanian Commodities Exchange (BRM).

The quantity of 49.70 TWh was delivered to the market, to third parties, as follows:

- Gas delivered under contracts concluded on centralised markets (GRP and other contracts concluded on the centralised market): 11.46 TWh (23.08%);
- Gas delivered under GEO 27/2022: 16.68 TWh (33.56%);
- Gas delivered under bilateral negotiated contracts: 21.55 TWh (43.36%), out of which:
    - to Electrocentrale Bucureşti and Electrocentrale Constanța: 9.41 TWh (18.94%).

As compared to 2021, Romgaz recorded a 2% drop of both production and delivered volumes. Gas deliveries from own production increased by 3.4% as compared to 2021.

Gas delivered to third parties decreased by 4.9%. We state that in 2022 no import gas quantities were traded. Gas quantities used at CTE Iernut increased by 68.64% as compared to 2021.

As regards gas trading on Romanian centralised markets, Romgaz share was about 27% from the total gas traded on these markets (forward and SPOT) with delivery in 2022 until enforcement of GEO 27/2022. With respect to quantities, Romgaz traded 11.46 TWh with delivery in 2022 on centralised markets, out of 42.7 TWh that represented all transactions on these markets with the same delivery period.

Until enforcement of GEO 27/2022, Romgaz was active on the SPOT market – on the day ahead market, the intraday market, on one hand in order to optimise sales and on the other hand to balance the portfolio, the quantities sold on such markets are approximately 0.45 TWh.

2023 gas sales perspectives are characterized by:

- high delivery prices given the domestic and international gas market context, characterised by the instability of supply sources, but below the prices of 2022;
- according to GEO 27/2022, we estimate that a significant gas quantity from Romgaz internal production will be traded at regulated prices.

Competition and Market Share of Romgaz Products and Services

The evolution of the gas market was significantly influenced by two factors:

- surging domestic and international gas prices within the geopolitical situation that limited gas sources from the Russian Federation and their partial replacement with LNG;
- enforcement of GEO 27/2022 and subsequent acts to protect households and heat producers by distributing gas from internal production at a capped price for the above mentioned customer categories;

The cumulated impact of these conditions led to a 16% decrease of national consumption, as several production facilities were closed due to increased gas prices and implementation of energy efficiency measures.

In this context, Romgaz traded gas at regulated prices to household suppliers, to suppliers of heat producers and directly to heat producers approximately 33.3% of the total gas sold in 2022. Following extension of GEO 27/2022 applicability, Romgaz had to sell an insignificant gas quantity on the competitive market, with delivery in 2023, until the Transmission System Operator - TSO (SNTGN Transgaz SA) allocated the quantities to be sold at regulated price.

According to company's estimates, national gas consumption decreased by approximately 16% as compared to 2021. Romgaz share in the national consumption increased by 7% as compared to 2021.

According to preliminary data of the system operator, national electricity production reached 54,193,070 MWh in 2022. Romgaz share on the wholesale electricity market was 2.05%, higher than last year by 91.59%.

Annual evolution of electricity production and market share:

Description	2020 (MWh)	2021 (MWh)	2022 (MWh)	2021/2020 (%)	2022/2021 (%)
National production	55,519,195	58,560,986	54,193,070	5.48	-7.46
Romgaz production	937,500	640,001	1,110,456	-31.73	73.51
Romgaz market share	1.69	1.07	2.05	-35.50	91.59

As regards electricity generation sources, in 2022, these were as follows[6] :

- 30% hydro;
- 18% coal;
- 19% nuclear;
- 16% gas;

[6] Approximate levels - Source ANRE, market reports. Note: on the date of preparing the Report, ANRE did not publish the annual report containing the energy label.

- 17% renewable sources and other producers.

Market Dependence

The Romanian gas market situation allowed the company to have an extended customer portfolio both on centralized markets and as regards contracts by direct negotiation. Moreover, the company has a balanced portfolio as regards the ratio between the end user market (especially power plants) and the wholesale market where it sells gas to suppliers.

3.4.3. Prices and Tariffs

Law No. 123/2012 sets the regulatory framework for natural gas ***production***, transmission, ***distribution, supply and storage***, for organization and operation of the gas sector, for market access as well as criteria and procedures for granting authorizations and/or licenses in the natural gas sector.

In 2022, Romgaz Group activated both on the regulated market carrying out distribution activities and on the free market, carrying out gas and electricity production and supply activities and underground storage activities.

Underground Gas Storage

By GEO 106/2020 on amending Electricity and Gas Law 123/2012, the Romanian Government decided that gas storage activities will no longer be regulated. Therefore, after the withdrawal cycle 2020-2021, storage activities are no longer regulated.

Taking into account GEO 106/2020 and Law No. 155/2020 on amending and supplementing Law 123/2012, starting with April 1, 2021 the price and tariffs system for storage activities is no longer set by the National Energy Regulatory Authority.

As a result, storage tariffs for the two compared periods were approved by ANRE Order No.24 of March 23, 2020 (01.04.2020-31.03.2021), Depogaz Board of Directors Resolution 3/2021 (01.04.2021-31.03.2022) and Depogaz Board of Directors Resolution 1/2022 (01.04.2022-31.03.2023).

The table below shows the storage tariffs:

Tariff component	unit	Tariff (01.04.2020-31.03.2021)	Tariff (01.04.2021-31.03.2022)	Tariff (as of 01.04.2022)
Volumetric component for *gas injection*	RON/MWh	3.67	2.29	4.50
Fixed component for *capacity reservation*	RON/MWh/storage cycle	7.58	9.31	11.44
Volumetric component for *gas withdrawal*	RON/MWh	2.03	1.74	3.48

Natural Gas Supply

Romgaz average gas supply price increased significantly in 2022, by 210% higher than the average price of 2020 and by 135% higher than the average price of 2021, taking into account that most of the gas sold in 2022 was at regulated price, together with invoicing some gas quantities at a capped price, according to GEO 27/2022.

The table below shows the average gas supply prices between 2020-2022:

Description	unit	2020	2021	2022
1	2	3	4	5
Average supply price for gas from internal production[7]	RON/1000 m^3	751.3	1,019.66	2,392.06
	RON/MWh	73.3	96.66	227.27

Natural Gas Distribution

Regulated distribution tariffs valid for the reviewed period are approved by ANRE Orders, as follows:

- Order 56/2020 on setting the unitary tariff for regulated supply services between January 1- June 30, 2020 and on approving regulated gas prices for Societatea Naţională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of January 1, 2020);

[7] Including commodity gas, less storage costs.

- Order 122/2020 on approving regulated tariffs applicable to distribution services for Societatea Naţională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of July 1, 2020);
- Order 77/2021 on approving regulated tariffs applicable to distribution services for Societatea Naţională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of July 1, 2021);
- Order 57/2022 on amending Order 77/2021 on approving regulated tariffs applicable to distribution services for Societatea Naţională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of April 1, 2022);

Tariffs are shown in the table below:

Description	01.01.'20-30.06.'20	01.07.'20-30.06.'21	01.07.'21-31.03.'22	01.04.'22-today
Distribution tariffs (RON/MWh)				
*C1 consumption up to 280 MWh	52.87	52.52	48.19	49.31
*C2 annual consumption between 280 and 2.800 MWh	0.00	46.17	42.37	43.35
*C3 annual consumption between 2.800 and 28.000 MWh	50.00	41.29	37.91	38.79

3.4.4. Human Resources

On December 31, 2022, Romgaz Group had 5,971 employees and SNGN Romgaz SA 5,453 employees.

The table below shows the evolution of employees' number during January 1, 2020 – December 31, 2022:

Description	2020		2021		2022	
	Romgaz Group	Romgaz	Romgaz Group	Romgaz	Romgaz Group	Romgaz
1	3	4	3	4	5	6
Employees at the beginning of the year	6,251	5,738	6,188	5,673	5,863	5,363
Newly hired employees	198	177	179	157	354	315
Employees who terminated their labour relationship with the company	261	242	504	467	246	225
Employees at the end of the year	6,188	5,673	5,863	5,363	5,971	5,453

The structure of SNGN Romgaz SA employees at the end of 2022 was the following:

a) by level of education

- University 26.63 %
- Secondary education 30.90 %
- Foreman education 2.20 %
- Vocational school 31.41 %
- Middle school 8.86 %

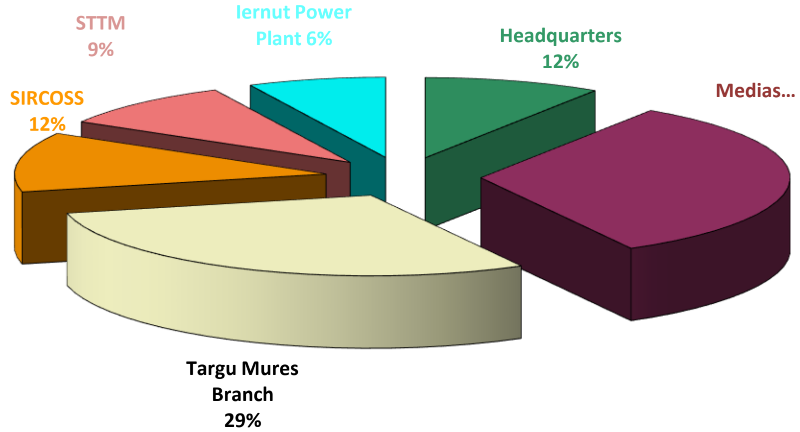
b) by age

- under 30 years 5.76 %
- 30-40 years 13.08 %
- 40-50 years 29.30 %
- 50-60 years 44.97 %
- over 60 years 6.90 %

c) by activities

- gas production 71.43 %
- production tests/well special operations 11.66 %
- health 1.61 %
- transportation 9.02 %
- electricity production 6.27 %.

Distribution of Romgaz employees by headquarters and by branches is shown in the figure below:



Distribution of Romgaz employees by headquarters and by branches is shown in the figure below:

Entity	Workers	Foremen	Administrative employees	Total
Headquarters	40		635	**675**
Mediaş Branch	1,366	84	292	**1,742**
Targu-Mures Branch	1,270	53	241	**1,564**
SIRCOSS	473	49	114	**636**
STTM	370	15	107	**492**
Iernut Branch	225	30	87	**342**
Drobeta Turnu Severin Branch			2	**2**
TOTAL	**3,744**	**231**	**1,478**	**5,453**

In 2022, ***professional training courses*** were meant to increase competitiveness and to improve professional performance.

Thus, the following were taken into account:

→ training of administrative employees in various areas of activity, in cooperation with national training suppliers;
→ authorization/re-authorization, according to their specialization and position;
→ skills improvement and vocational training of workers through internal training courses.

A number of 1,450 employees were trained in 2022 and expenses incurred amount to RON 904 thousand (44.48% out of RON 2,033 thousand – total amount allocated for 2022).

The annual training program was implemented as follows:

- 1,450 persons participated in professional training programs on job related subject matters;
- 403 persons participated in training courses to obtain authorization and re-authorization in accordance with their position;
- 217 persons participated in internal training courses;

As regards the number of participants, the 2022 professional training plan was fulfilled 81.32%. This was caused partly by the SARS-CoV2 pandemic and by implementing in the first part of 2022 a procedure related to procurement of training services.

The program „ROMGAZ SCHOLARSHIPS" was initiated in 2022 and it focuses on identifying young professionals and future employees of our company. Therefore, the company concluded framework agreements with Universitatea Lucian Blaga Sibiu – Facultatea de Inginerie, Universitatea Babeş-Bolyai Cluj-Napoca – Facultatea de Biologie și Geologie, Universitatea Petrol-Gaze Ploiești, Universitatea Alexandru Ioan Cuza Iași – Facultatea de Geografie și Geologie and Universitatea Politehnica București – Facultatea de Energetică.

The scholarships in amount of 1,500 RON/month are intended for students in their third, fourth study year and/or master students major in the following:

✓ Hydrocarbon Transmission, Storage and Distribution (students) and Engineering and Gas Management (master students) - Universitatea Lucian Blaga Sibiu;

- ✓ Petroleum Engineering, Geological Engineering and Hydrocarbon Transmission, Storage and Distribution (students) and Well Drilling, Hydrocarbon Transmission, Storage and Distribution Technologies, Reservoir Engineering (master students) - Universitatea Petrol-Gaze Ploiești;
- ✓ Geological Engineering (students) and Applied Geology (master students) - Universitatea Babeș-Bolyai Cluj-Napoca;
- ✓ Geological Engineering (students) and Well Geology (master students) - Universitatea Alexandru Ioan Cuza Iași;
- ✓ Thermal energetics, Energy Management, Energetics and Fluid Engineering (students) and Energetic Services, Energetic Efficiency, Hydro-Informatics and Fluid Engineering, Energy System management (master students) - Universitatea Politehnica București – Facultatea de Energetică.

In 2022, 12 scholarships were awarded following application and interview session, as follows:

- 4 scholarships – Universitatea Lucian Blaga Sibiu: three students and one master student – the latter was employed in May 2022 at Medias Branch as engineer at Delenii Rehabilitation Project Unit;
- 6 scholarships – Universitatea Petrol-Gaze Ploiești: five students and one master student;
- 2 scholarships – Universitatea Alexandru Ioan Cuza Iași – two students.

As of 2018, the company concluded partnership contracts for dual education with Colegiul Școala Națională de Gaz Mediaș (2018-2021 and 2022-2025) and with Liceul Tehnologic Iernut (2020-2023, 2021-2024 and 2022-2025). 65 individual training contracts were signed in 2022 with students who chose to follow this study programme. These students receive a monthly scholarship of RON 200.

The training areas are the following:

- ➢ Colegiul Școala Națională de Gaz Mediaș:
  - 14 high-school students (9th grade – class of 2022-2025) – gas production, treatment and distribution;
- ➢ Liceul Tehnologic Iernut:
  - 9 high school students (9th grade – class of 2022-2025) – electro mechanic, professional qualification as boiler, steam turbine, auxiliary and heating plant operator;
  - 8 high school students (9th grade – class of 2022-2025) – electrical, professional qualification as electrician operating power plants, stations and electrical networks;
  - 8 high school students (10th grade – class of 2021-2024) – electrical, professional qualification as electrician operating power plants, stations and electrical networks;
  - 9 high school students (10th grade – class of 2021-2024) – electro mechanic, professional qualification as boiler, steam turbine, auxiliary and heating plant operator;
  - 7 high school students (11th grade – class of 2020-2023) – electrical, professional qualification as electrician operating power plants, stations and electrical networks;
  - 10 high school students (11th grade – class of 2020-2023) – electro mechanic, professional qualification as boiler, steam turbine, auxiliary and heating plant operator.

In 2022, part of the graduates of the first dual education class of Colegiul Școala Națională de Gaz Mediaș (2018-2021) were employed on positions according to their studies at Medias, Targu Mures and SIRCOSS Branches. Out of the 18 graduates of Colegiul Școala Națională de Gaz Mediaș, 14 were employed (78%).

Romgaz Group has ***two trade unions***:

- ➢ "*Sindicatul Liber din cadrul S.N.G.N. Romgaz S.A.*", consisting of 5,392 members, out of the 5,453 employees, resulting a ratio of 98.88% union members;
- ➢ "*Sindicatul Filiala Inmagazinare DEPOGAZ*", consisting of 379 members.

Relationship between manager and employees: on May 31, 2022 the parties concluded a new Collective Labour Agreement for SNGN Romgaz SA, registered at Sibiu Labour Inspectorate under no. 8075/31.05.2022, valid as of June 1, 2022 until May 31, 2024, inclusive.

T***here were no conflicts between the management and the trade union*** in 2022.

3.4.5. Environmental Aspects

In 2022, the environmental protection activity continued to focus on ensuring compliance with the Group's obligations in this respect. Another aim was meeting specific objectives related to:

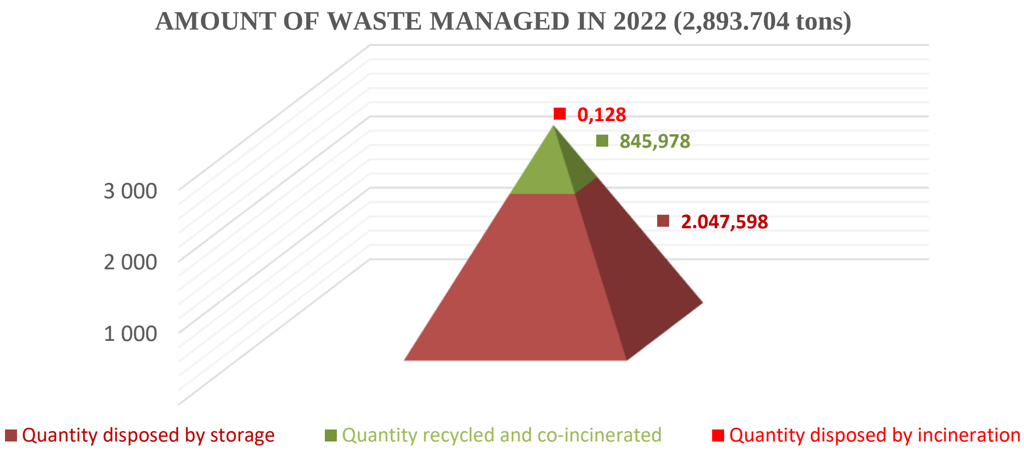
- increasing awareness on compliance with legal requirements;
- monitor drafting of all reports required by the effective environmental legislation, by centralizing the information required and reported by Romgaz Branches and submitting it to competent authorities;
- efficiency of environmental protection activities which support the management process.

In 2022 environmental protection activities focused on:

- complying with legal and regulatory requirements, operating in an environmentally responsible manner;
- actions to reduce the consumption of utilities, materials and the level of polluting emissions;
- reducing the consumption of process water, technological gas and triethylene glycol (used in gas conditioning);
- reducing the consumption of compressor parts and compressed gas cooling components;
- controlled disposal of hazardous substances treating cooling water;
- integrating environmental aspects in all decision making processes;
- communication and cooperation with all suppliers and stakeholders, to minimise the impact of their operations on the environment;
- maintaining compliance with the provisions of regulations (environmental and water management permits/agreements/authorisations) issued for the activities;
- promoting respect for the environment in balance with economic growth in every strategic decision.
- daily updating the Register of environmental regulatory acts applicable to all activities, thus ensuring the Group's permanent compliance;
- conducting environmental protection training, at least annually, for Romgaz employees and service/work providers operating on the company's locations;
- compliance with permitting requirements:
  - complying with legal requirements related to environmental permits for all 119 units. Thus, the company took the following steps: required and obtained review of permits for 9 units; re-authorisation was requested and obtained for 6 units; the annual endorsement was filed for 26 units; the annual endorsement was obtained for 71 units, submitted required documents for temporary ceasing activities at 7 units; submitted required documents for ceasing activity at 3 units;
  - complying with legal requirements regarding water management permits, for:
    - ✓ 83 units for water use, mentioning that for 18 units the company submitted authorisation/reauthorisation documents;
    - ✓ 40 units related to reservoir water injection systems/wells.

A company-wide application is under development to monitor environmental/water/injection permits, permanently analysing and continuously supervising compliance with legal requirements on environment protection;

- Management of waste generated from own activities, according to the legal requirements in force. Activities related to waste management are performed in compliance with environmental protection laws that reflect the requirements of national and European laws. In 2022, the company recycled and co-incinerated 845.978 tons of waste (769.978 tons were recycled and 76 tons were co-incinerated), disposal of 2,047.726 tons waste (by incineration 0.128 tons and by storage 2,047.598 tons).



In 2022, the "*Program for Preventing and Reducing Waste Generated by S.N.G.N. Romagaz S.A.*" focused on the accomplishment of the measures thereunder; the program can be accessed at the following link https://www.romgaz.ro/ro/content/program-de-prevenire-si-reducere-cantitatilor-de-deseuri.

The Program aims at continuously identifying the objectives, targets and action policies the company is required to comply related to waste management in order to fulfil the country's strategic objectives. Moreover, it sets the framework for ensuring a sustainable waste management to achieve objectives and targets;

- Monitoring compliance with legal requirements on environment protection. In 2022 Romgaz did not exceed the limits permitted by regulations in force;
- In 2022, Romgaz continued to monitor compliance with permanent or multiannual measures of implementation provided in the Remedial Report (maintenance of the perchlorethylene consumption under 1 tonne/year, for each location, to comply with the provisions of GD No. 699/2003 on establishing certain measures for decreasing emissions of volatile organic compounds resulting from the use of organic solvents in certain activities and installations, locating industrial units at safe distances from protected receivers;
- Reducing fugitive emissions in the areas with calibration tanks, metallic tanks and concrete reservoirs for temporary storage of reservoir waters – by equipping the tanks with ecologic dispersion systems;
- Periodic payment of the contribution towards the "Closing Fund", until reaching the mandatory provision, for Ogra specific waste facility, supervising the annual monitoring frequency for Dumbravioara drilling waste facility, closed in 2003;
- Planning and organizing the internal environmental inspection activity in order to verify compliance with the legal requirements applicable to inspected activities.

  Inspectors planned in 2022 – 39 internal environmental inspections at locations belonging to Romgaz branches. Romgaz activity complies with the applicable legal environmental requirements, with a 96% compliance identified following implementation of an assessment procedure, representing a very good value indicating potential for reaching 100%;
- Assessing the compliance with environmental protection requirements and contractual requirements of contractors and subcontractors of drilling works contracted by Romgaz in 2022;
- Accomplishing actions/measures programs for prevention and/or limitation of the impact on the environment for 2022, as follows:
  - ✓ procurement/modernisation of reservoir water storage tanks and hydrocarbon decanter-separators;
  - ✓ waste water measuring and discharge facility;
  - ✓ install waste water systems;
  - ✓ transform abandoned wells into reservoir water injection wells;
  - ✓ procurement of products for preventing pollution and for interventions in case of accidental pollution;

- ✓ laboratory analyses to monitor and measure environmental factors, required by regulatory documents. In this respect, the company publishes quarterly a Measuring-Monitoring Register of environmental factors, which can be viewed at https://www.romgaz.ro/factori-de-mediu ;
- ✓ reduce noise levels;
- ✓ landslide stabilisation;
- ✓ install anti-pollution backflow systems on well groups;
- ✓ install sound absorbing panels;
- ✓ waste management compliance from activities;
- ✓ compliance with CO2 emissions from SPEE Iernut combustion facilities;
- ✓ making all payments required by the applicable environmental legislation (environmental fund, environmental/water authorisation/re-authorisation fees, provisions, water consumption subscriptions, etc.);

Monitoring one of Romgaz strategic objectives included in SNGN ROMGAZ SA Strategy for 2021-2023, namely "*Minimum 10% reduction of carbon, methane and other gas emissions (10-10-10)*" having 2020 as reference year. Therefore, CO2 emissions were determined in 2022, through an inventory of emission sources, resulting the following:

- 879,204.771 tons, from mobile and immobile sources and
- 871,025.126 tons, from immobile sources.

In 2022, the Environmental Guard, the Water Basins Administrations and Environmental Protection Agencies carried out 26 inspections at Romgaz locations. The company did not receive any fine.

CO_2 Certificates - SPEE Iernut

By GD No. 1096/2013 on approving the mechanism for the free of charge transitory allocation of greenhouse gas emissions certificates to electric power producers for 2013-2020, including the National Investment Plan (NIP), the Romanian Government intends to finance replacement of old thermoelectric installations from a fund supplied from sales of greenhouse gas emissions certificates, investments receiving a non-reimbursable funding of 25% of the value of eligible expenses based on financing contracts, within available funds, according to the order of financing request and approval.

By means of Annexes:

- Annex No. 1: provides the eligible installations for free of charge transitory allocation and the number of annually allocated certificates for 2013-2020;
- Annex No. 3: National Investment Plan beneficiaries,

Romgaz is included in the above mentioned annexes and, in 2017, launched the investment from the National Investment Plan.

Therefore, pursuant to Annex No.1 of the Order, free of charge transitory allocation of certificates is made for the period between 2016 - June 30, 2019, while in 2020 free of charge transitory certificates are no longer allocated.

In order to comply with the legal requirements of GD 780/2006, updated (article 8, letter e) the requirement to reimburse, by April 30 of the year following the year for which greenhouse gas emissions were monitored, a number of greenhouse gas emission certificates equal to the total number of emissions from such installations. For 2022, CO_2 emissions equal 640,740 tons which is equivalent to 640,740 certificates. By the end of 2022, SPEE Iernut holds in the National CO2 Emissions Register 81,000 CO2 certificates. In order to comply with legal requirements, SPEE Iernut has to purchase at least the difference required for compliance. The acquisition has to be finalized until April 26, 2022.

3.4.6. Occupational Safety and Health

In 2022 the company concluded the subsequent contract no.2 to the framework agreement for purchasing additional voluntary health insurances for all employees.

Moreover, the company concluded subsequent contracts to the framework agreements for personal protective equipment (PPE), necessary for the working personnel, namely 53 types of protective equipment.

Internal controls were carried out at the workplaces at the headquarters and branches, verifying the training of staff in occupational health and safety, the provision and use of PPE, the existence of PPE stocks in branch stores, hygiene conditions at workplaces, the provision of hygienic and sanitary materials, the existence and provision of medical first aid kits, etc.

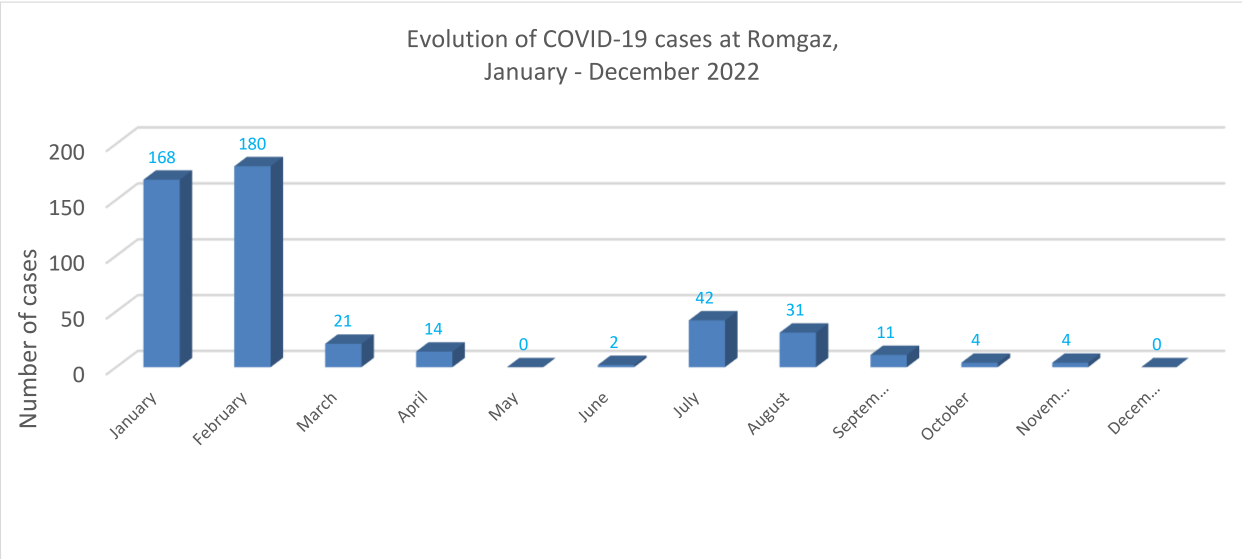
Other activities carried out in this field:

- ✓ development of the annual training-testing programme and establish training topics;
- ✓ preparing the annual internal control chart;
- ✓ drawing up identification sheets of occupational risk factors for new employees and for those who have changed positions;
- ✓ occupational health and safety training for new employees;
- ✓ drafting of occupational safety and health requirements related to the procurement of products/services/works in accordance with internal operational procedures;
- ✓ prepare self-assessment questionnaire on the state of implementation of internal/managerial control standards;
- ✓ monitoring the situation of Romgaz employees infected with SARS-CoV-2;
- ✓ testing of all employees in accordance with the training-testing programme in the field of occupational safety and health;
- ✓ elaborate the procedure for the reassessment of risks of occupational injury and illness for Romgaz employees.

SARS-CoV2 infections at Romgaz

The company has paid and continues to pay particular attention to measures to combat the SARS-CoV2 virus, developing and implementing the necessary measures and procedures to minimise the impact on the company, as well as carrying out ongoing inspections to verify their implementation.

For the period 01.01 – 31.12.2022, there were 477 SARS-CoV2 cases. The chart below show the evolution of COVID-19 cases at Romgaz in 2022.



3.4.7. Litigations

The summarized breakdown of litigations in which Romgaz is involved as of December 31, 2022 is the following:

- A total number of 137 litigations are recorded in company's records, out of which:
  - 59 cases where Romgaz is plaintiff;
  - 74 cases where Romgaz is defendant;
  - 2 cases where Romgaz is civil party/injured party;
  - 2 cases garnishee;
- the total (approximate) value of litigations is RON 151,857,202.09;

- the (approximate) total value of the files where Romgaz is plaintiff is RON 99,176,700.01;
- the (approximate) total value of the files where Romgaz is defendant is RON 52,869,012.66;
- the (approximate) total value of the files where Romgaz is civil party is RON 53.750;
- the (approximate) total value of the files where Romgaz is garnishee is RON 0.

The detailed list of litigations can be viewed on Romgaz website www.romgaz.ro → Investor Relations → Annual Reports → 2022.

3.4.8. Legal Acts concluded under GEO 109/2011 Art. 52

According to the provisions of Article 52 paragraph (6) of GEO no.109/2011 "The half-year and annual reports of the Board of Directors ... shall mention, in a special chapter, the legal acts concluded under paragraphs (1) and (3), ...".

Paragraphs (1) and (3) provide as follows:

> *"(1) The Board of Directors ... shall convene a general meeting of shareholders to approve any transaction if it has, individually or in a series of transactions concluded, a value greater than 10% of the value of the net assets of the public company or greater than 10% of the revenue of the public company according to the last audited financial statements, with the directors or managers or, as the case may be, members of the supervisory board or of the management board, employees, with shareholders controlling a company or with a company controlled by them.*
>
> *(3) The Board of Directors ... informs the shareholders, in the first general meeting of shareholders following conclusion of the legal document, on any transaction concluded by the public company with:*
>
> *……………………………………………………………………………………*
>
> *b) another public enterprise or with the public supervisory authority, if the transaction has a value, individually or in a series of transactions, of at least the equivalent in RON of EUR 100,000".*

Art. 82 paragraph (1) of Law 24/2017[8] provides that "*Directors of issuers whose securities are traded on a regulated market have to report immediately any legal act concluded by the issuer with board members, employees, shareholders that control, as well as with persons involved with them, the aggregate value of which is at least the equivalent in RON of EUR 50,000".*

Therefore, Romgaz prepares current reports whenever it concludes legal acts such as to above mentioned, the reports are sent to Bucharest Stock Exchange and published on their website.

Romgaz financial auditor elaborates half-yearly an "*Independent Report for limited assurance on the information included in current reports issued by SNGN Romgaz SA in line with the requirements of Law 24/2017 (article 82) and of Regulation 5/2018 of the Financial Supervisory Authority" this report is sent to BVB and published on the company's website.*

The current reports prepared by the company in compliance with Law 24/2017 art. 82, also include legal acts concluded in compliance with GEO 109/2011, art. 52.

Taking into account that the above mentioned current reports are public on Bucharest Stock Exchange website, and that, the company publishes on its website half year current reports on the legal acts concluded in each semester, reports audited by the company's financial auditor. For details related to legal acts concluded please see the company's website at www.romgaz.ro → Investors → News and Events → Current Reports Contracts (posted as "Auditor Report – H1 2022 Contracts" on July 27, 2022 and "Auditor Report – Contracts H2 2022" on January 25, 2023).

[8] Law No.24 of March 21, 2017 on issuers of financial instruments and market operations.

IV. Group's tangible assets

4.1. Main Production Capacities

The occurrence and thereafter the development and gradual diversification of what was truly going to be the Romanian natural gas infrastructure has an important benchmark, ***year 1909***, when the first gas reservoir was discovered by drilling well 2 Sarmasel (Mures County).

During the immediately following years, a gas infrastructure unique in Europe for those times started to outline at a small scale, consisting of the following assets:

- gas transmission pipeline, the first of this kind in Europe, built in 1914, connecting towns Sarmasel and Turda (Cluj County), and
- gas compressor station from Sarmasel; built in 1927- the first one in Europe.

It is notable that the country's large gas structures were discovered after 1960 and in parallel, a complex infrastructure started to be developed, at national scale, dedicated exclusively to the gas extraction process and later to the injection and underground storage process. These large gas structures located in the Transylvanian basin supply considerable gas quantities even today.

Exploitation of Natural Gas Reservoirs

The infrastructure related to exploitation of natural gas reservoirs is a particularly complex system today that needs to ensure continuous gathering, transmission, conditioning and metering of gas produced by wells ensuring continuously the quality parameters provided in applicable regulations.

As a whole, the infrastructure of the company developed continuously upon discovery and exploitation of new reservoirs. The maximum intensity of the rate of development of production capacities was reached between 1970-1980, when the annual production was extremely high both due to the consumption demand in those times and to the great volumes of resources and reserves in most of the newly discovered gas fields.

Production capacities of company's infrastructure are summarized as follows:

1. natural gas production wells and wells for reservoir water injection;
2. gathering pipelines connecting wells and well clusters;
3. collecting pipelines connecting well clusters and the NTS (National Transmission System);
4. Gas heaters (radiators);
5. Underground and surface gas separators;
6. Flow metering panels (for technological and fiscal metering located at the interface with the NTS);
7. Gas dehydration (conditioning) stations;
8. Gas compressor units:
    - low capacity portable compressors installed at the well head or at the well cluster;
    - booster compressors for one or more gas fields;
    - gas compressor stations, usually consisting of two or more high capacity compressor units, which can be intermediate or final compressor stations (entry in the NTS);
9. Industrial or reservoir water pumping stations;
10. Other facilities (buildings, workshops, storehouses, electric lines, well access roads etc.).

Utilisation of production capacities depends on gas sales volume, generally being close to 100%.

In order to keep these production capacities in operation, under safety and efficiency conditions, Romgaz carries out extensive and continuous efforts focused on workover and special operations in wells, maintenance and rehabilitation of pipes, maintenance and modernisation of gas compressor stations and dehydration stations as well as of commercial (fiscal) gas delivery panels.

In 2022, Romgaz carried out petroleum operations in 137 gas fields out of which 124 are well defined blocks and 13 are considered gas fields with experimental production.

Production from these fields is obtained through more than 2,900 wells and through almost the same number of surface facilities consisting mainly of gathering pipelines, gas heaters (where applicable), liquid separators and gas flow technological metering panels.

Pressure and flow rate limits of production wells are maintained by 16 compressor stations (in which 83 compressor units are installed), 17 booster compressors and 20 well cluster compressors.

One technical demand required by applicable laws is the quality of gas, which is 100% fulfilled by means of 64 gas dehydration stations.

Underground Gas Storage

Depogaz holds Licence No. 1942/2014 for the operation of five underground gas storages, developed in depleted gas fields, their aggregate capacity representing about 90.5 % of the total storage capacity of Romania.

The capacity of the underground gas storages operated by Depogaz, by storages, is shown in the table below:

UGS	Active capacity		Withdrawal capacity		Injection capacity	
	[mil.Scm/cycle]	[TWh/cycle]	[mil.Scm/cycle]	[GWh/day]	[mil.Scm/cycle]	[GWh/day]
Bălăceanca	50	0,535	1,200	12,840	1,000	10,700
Bilciurești	1,310	14,017	14,000	149,800	10,000	107,000
Ghercești	150	1,605	2,000	21,400	2,000	21,400
Sărmășel	900	9,630	7,500	80,250	6,500	69,550
Urziceni	360	3,852	4,500	48,150	3,000	32,100
Total	**2,770**	**29,639**	**29,200**	**312,440**	**22,500**	**240,750**

1. Balaceanca UGS

Balaceanca UGS is located at approximately 4 km from Bucharest.

The fixed assets contributing to the storage process are as follows:

- 24 wells of which 21 injection/withdrawal wells and 3 piezometric wells;
- surface infrastructure includes:
  - Balaceanca gas compressor station;
  - 8.73 km collecting pipelines;
  - 1.07 km gathering pipelines;
  - 4 separators;
  - 4 technological gas metering panels;
  - dehydration station;
  - 15 gas heaters;
  - communication system and fibre-optic data acquisition system;
  - 1 bi-directional fiscal metering system.

2. Bilciuresti UGS

Bilciuresti UGS is located in Dambovita County, approximately 40 km W-NW of Bucharest.

The fixed assets contributing to the storage process are as follows:

- 61 wells of which 57 injection/withdrawal wells, 3 piezometric wells, 1 waste water injection well;
- surface infrastructure includes:
  - Butimanu gas compressor station;
  - 4 gas dehydration stations;
  - 26.6 km gathering pipelines for 57 injection/withdrawal wells;
  - 31.7 km gathering pipelines and fittings;
  - 50 gas heaters;
  - 14 impurities separators;
  - 14 technological gas metering panels;
  - 37.5 km gathering pipelines;
  - bi-directional fiscal metering system;
  - waste-water injection station.

Following the call for proposals of CEF Energy (Connecting Europe Facility) on projects of common interest in the energy field, the European Commission announced on December 9, 2022 the projects of common interest that will benefit from European financing in the following period.

The investment from Bilciuresti UGS "Increase of daily withdrawal capacity at Bilciuresti UGS – Modernisation of the gas storage system infrastructure" promoted by Depogaz, is one of the projects supported by CEF Energy, receiving a grant in a mount of EUR 37,962.

3. Ghercesti UGS

Ghercesti UGS is located in Dolj County, near Craiova.

The fixed assets contributing to the storage process are as follows:

- 85 wells, out of which 79 active wells and 6 piezometric wells;
- surface infrastructure includes:
  - 1 gas dehydration station;
  - 135.7 km gathering pipelines for 79 injection/withdrawal wells;
  - 22.7 km gathering pipelines;
  - 13 impurities separators;
  - 12 technological gas metering facilities;
  - communication system and fibre-optic data acquisition system;
  - bi-directional fiscal metering system.

4. Sarmasel UGS

Sarmasel UGS is located near Sarmasel, approximately 35 km NW of Targu-Mures, 35 km north of Ludus and 48 km east of Cluj-Napoca.

The fixed assets contributing to the storage process are as follows:

- 63 wells, out of which 63 active wells;
- surface infrastructure includes:
  - Sarmasel gas compressor station;
  - 3 dehydration stations;
  - 26.9 km gathering pipelines for 63 wells;
  - 15.8 km gathering pipelines;
  - 59 impurities separators;
  - bi-directional fiscal metering system.

5. Urziceni UGS

Urziceni UGS is located in Ialomita County approximately 50 km NE of Bucharest.

The fixed assets contributing to the storage process are as follows:

- 32 wells of which 30 injection/withdrawal wells and 2 piezometric wells;
- surface infrastructure includes:
  - Urziceni gas compressor station;
  - 20.7 km of collecting pipelines for 30 injection/withdrawal wells;
  - 3.3 km of collecting pipelines;
  - 6 technological gas metering facilities;
  - 30 gas heaters;
  - 1 gas dehydration station;
  - optic fibre data acquisition system;
  - bi-directional fiscal metering system.

Workover and Special Operations

Well workover, recompletions and well production tests represent all the services performed with workover rigs, as well as equipment for specific support operations such as: cement plug drilling installations, mud tank equipped with agitator, sand control-sand blender, DST- cased hole testing of productive layers, shale shaker, mud pumps.

Special Well Operations are performed with the following equipment: cementing unit, slickline, wireline, coiled tubing unit, liquid nitrogen converter, liquid nitrogen tank truck, cement container, filter unit, equipment for discharge and measurement with two-phase separation, equipment for discharge and measurement with three-phase separation, equipment for tubing investigation, echometer, tubing cutting, packer assembling device, hydraulic packer recovery tool, well fire-fighting equipment.

Future well workover and special well operations are required in order to stop production decline, taking into consideration the continuous need for such works and the large number of works performed in the past.

Transportation and Maintenance

On **December 31, 2022**, the car fleet of STTM consists of **718** motor vehicles, as follows:

- passenger carriers: cars **92**, minibuses **14**, buses **2** and large buses **2**;
- passengers and goods utility cars **- 212** < than 3.5 t, and **12** > than 3.5 t;
- vehicles for goods transportation: dumpers **22**, cesspit emptier **46**, platform trucks **28**, tank trucks **3**;
- vehicles for heavy transportation: truck-tractors **2** and semitrailer trucks **19**;
- lifting and handling machinery: auto cranes **25** and hook and ladder trucks **5**;
- other special vehicles: mobile laboratory for equipment testing and checking **1**;
- heavy machinery: bulldozers **10**, caterpillar shovels **2**, tyre shovels **2**, wheel loaders **15**, motor grader **3**, compactor **3**, front end loaders **11**;
- other machinery: tractor trucks **95**, fork lift trucks **11**, motorized cleaning vehicles **3**;
- other vehicles: trailers for heavy transportations, trailers and semitrailers for tractors **77**.

Considering the dynamics of gas exploration – production activities performed by Romgaz, in order to achieve the activities on medium term (approx. 5 years) the perspective to develop STTM has to be achieved by permanently determining methods and measures resulted by carrying out quality services and in terms of economic efficiency.

Out of the **718** vehicles existing in STTM fleet on **December 31, 2022**:

- **60** motor vehicles were approved to be put out of service;
- **6** motor vehicles are proposed to be put out of service.

Electricity Generation

CTE Iernut is an important junction point of the NPG (the National Power Grid), located in the centre of the country, in Mures County, on the left bank of Mures River, between towns Iernut and Cuci, with gas and industrial water sources and power discharge facilities.

CTE Iernut is operated by Romgaz through *Sucursala de Productie Energie Electrica* (SPEE).

CTE Iernut has an installed power of 800 MW and comprises 6 power units: 4 100 MW units of Czechoslovakian manufacturing and 2 200 MW units of Soviet manufacturing. These units were commissioned between 1963 and 1967. Taking in consideration the start of investment works at the 430 MW CCGT Power Plant and the necessity to ensure appropriate conditions for the execution of works at the related cooling circuit, the 200 MW unit 6 was decommissioned in November 2019.

In January 2019, units 2 and 3 of 100 MW were decommissioned, followed by unit 1 (of 100 MW) in November 2019; all units were decommissioned due to non-compliance with environmental conditions.

In 2022, SPEE Iernut operated with power unit 5 of 200MW, energy group 4 of 100 MW was decommissioned due to non-compliance with NOx emission limits required by effective regulations. Therefore, at the end of 2022, SPEE Iernut held the commercial operating licence for one power unit.

4.2. Investments

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

In 2022, ***Romgaz Group*** invested RON 5,627.12 million, 1,125.1% (RON 5,167.8 million) higher than 2021 investments representing approximately 97.61 % of the scheduled investments.

The Company invested *RON 8.62 billion* during 2018-2022, as follows:

Year	2018	2019	2020	2021	2022	Total
Amount (RON thousand)	1,150,349	866,218	601,800	417,658	5,584,823	**8,620,848**

For 2022, Romgaz forecasted the achievement of an investment program with a total budget of *RON 5,720 million*, based mostly on objectives aiming to compensate natural decline and to generate electricity, such as:

- Romgaz acquisition of all shares representing 100% of ExxonMobil Exploration and Production Romania Limited share capital, which holds 50% participating interest in the deep water zone of Neptun XIX offshore block in the Black Sea (hereinafter referred to as "Neptun Deep");
- keep the current participating interest in EX-30 Trident Block, in the Black Sea, in partnership with Lukoil (12.2% Romgaz share)
- continue geological research works by performing new exploration drillings for the discovery of new gas reserves (drilling 9 exploration wells with a total depth of 36,000 m; exploration works in partnership with Lukoil in EX-30 Trident Block;
- production development by adding new facilities on existing structures (production drilling in 3 wells, 38 surface facilities, 7 dehydration stations, 3 gas compressor stations, 4 collecting pipelines);
- develop electricity generation capacities from natural gas by continuing and finalising the works to build the Combined Cycle Gas Turbine Power Plant – Iernut;
- construction of a Solar Park with 60 MW power output;
- modernization and revamping equipment and facilities used for well workover and special operations, recompletion operations/well reactivation-capitalizable repairs at 200 wells, revamping dehydration s and compressor stations;
- purchase of new high-performance equipment and installations specific to the core activity (equipment for discharge and measurement with three phase separator 700 bar; cementing units ACF 700; well parameter metering device; lab on wheels; nitrogen convertor; crane truck; 30 TF and 50 TF intervention equipment; online process gas chromatographs for fiscal metering points etc.);
- procurement of specific machinery to ensure the technological transportation and maintenance of core activities, maintaining gas fields road infrastructure in good conditions (trucks, crane trucks, tractor units, bulldozers, road tractors, dump trucks, dumpers, wheel loaders etc.);

In figures, the investment costs for 2022 reached RON 5,584.823 thousand, representing:

- 1,337.17% as compared to 2021 achievements;
- 97.64% of scheduled investments.

The investments were financed as follows:

- exclusively from own sources for investments related to onshore gas production and Lukoil partnership;
- own sources and sources obtained from the National Investment Plan (approx. 22% from eligible expenses) for "*The Development of CTE Iernut Power Plant by Building a New Combined Cycle Gas Turbine Power Plant*";
- own sources and loans for the acquisition of EMEPRL shares.

As regards physical investments, following were achieved for the analysed period: completion of investment objectives initiated in the previous; preparatory works were carried out (design, obtaining lands, approvals, agreements, authorizations, acquisitions); works for part of the new objectives and modernisation works and repairs that can be capitalized at producing wells.

Table below shows the investments made in 2022 as compared to those scheduled and accomplished in 2021, similar to Annex 4 to the Income and Expenditure Budget:

RON thousand

Item No.	Investment Chapter	2021	2022		% '22/'21
			Program	Achieved	
0	1	2	3	4	5=4/2x100
1.	**Investments in progress – total, out of which:**	78,688	160,872	121,438	154.33
1.1	Natural gas exploration, production works	76,854	159,326	120,052	156.21
1.2	Environmental protection works	1,834	1,546	1,386	75.57
2.	**New investments – total, out of which:**	**65,462**	**71,589**	**32,357**	**49.43**
2.1	Natural gas exploration, production works	64,767	71,417	32,320	49.90
2.2	Environmental protection works	695	172	37	5.32
3.	**Investment in existing tangible assets**	**222,957**	**274,028**	**247,154**	**110.85**
4.	**Equipment (other acquisitions of tangible assets)**	**46,415**	**70,384**	**51,311**	**110.55**
5.	**Other investments (studies, licenses, software, financial assets etc.)**	**4,136**	**5,143,127**	**5,132,563**	**124.10**
*	**TOTAL**	**417,658**	**5,720,000**	**5,584,823**	**1,337.17**

Table below shows the achieved investments according to Romgaz Investment Program for 2022:

RON thousand

Investment Chapter	Program 2022	Achieved on December 31, 2022	%
1	2	3	4=3/2x100
I. Geological exploration works to discover new gas reserves	125,379	94,296	75.21%
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electricity generation	105,364	58,046	55.12%
IV. Environmental protection works	1,718	1,423	82.81%
V. Retrofitting and revamping of installation and equipment	274,028	247,154	90.19%
VI. Independent equipment and machinery	70,384	51,311	72.90%
VII. Expenses related to studies and projects	5,143,127	5,132,563	99.79%
TOTAL	**5,720,000**	**5,584,823**	**97.64%**

A summary of outcomes shows that, to a large extent, investments were completed.

Item No.	Main physical objectives	Planned	Results
1.	Performance of exploration drilling	9 wells	**4 wells** completed **1 well** drilling in progress **3 wells** drilling works procurement in progress **3 wells** drilling works procurement in preparation
2.	Drilling design	23 wells	**20 wells** design/redesign in progress
3.	Performance of production drilling	3 wells	**1 well** completed **7 wells** drilling works procurement in progress **2 wells** design in progress
4.	Surface infrastructure – construction of technological installations at successfully tested gas wells to be	Construction of 38 technological installations to bring into production 47	- 9 technological installations completed;

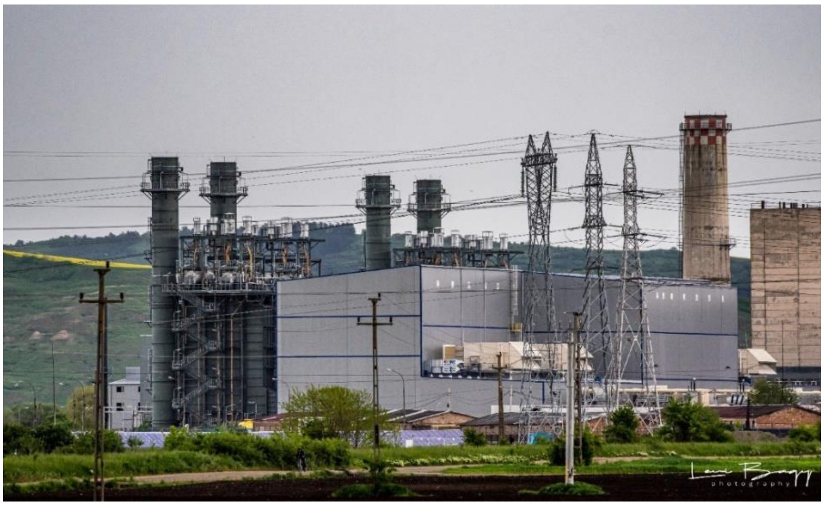
Item No.	Main physical objectives	Planned	Results
	tied-in/; collecting pipes; compression stations; dehydration stations	successfully tested gas wells to be tied-in; 4 collecting pipes; 2 gas dehydration stations	- 9 technological installations in progress; - 4 technological installations procurement of construction works in progress; - 7 technological installations obtaining approvals and land in progress to bring 11 wells into production; - 7 technological installations preparation of feasibility studies or technical projects in progress to bring 8 wells into production; - collecting pipe DN 200 mm-Dn 300 mm, L = 8.2 km, Fulga-Adâncata was put into operation (Prahova County section); - collecting pipe DN 400 mm, L = 17 km, Adâncata - SU Coşereni was put into operation (Ialomiţa County section); - construction works at Coşereni Gas Dehydration Station were accepted
5.	Well recompletion operations, reactivation and capitalizable repairs	approx. 160 wells, correlated with the annual program agreed by ANRM	Workovers in 215 wells, works performed in-house by SIRCOSS
6.	Acquisition of high-performance equipment and installations specific to core activity	Nitrogen tank truck; 700 bar three-phase gas discharge, metering and separation system; ACF 700 cementing units; Well parameters automatic measurement equipment; 30 TF and 50 TF workover installation; utility vehicles; Tractor unit; crane trucks; cesspool emptier; bulldozer-excavator; 6x6 dump truck; platform truck with lift arm; bulldozer etc.	The following were accepted: Electrical compressor, semitrailer, tractor, cesspool emptier, laboratory on wheels, fuel tank truck, nitrogen tank truck, mechanical jar, IF 2 7/8 drilling rods, digital tachographs, 700 bar three-phase gas discharge, metering and separation system, laboratory infrared spectrometer, glass fiber tanks, priming pumps, video-conference equipment, complete solution for migrating, upgrading and improving the storage infrastructure and data protection of Exchange and SharePoint systems, security equipment (Firewall), Server Manager licenses, underground metal pipe locator, 1 cubic meter calibration tank, foaming system, metallic tanks, coiled tubing cleaning with jetting nozzle, wastewater treatment plants
7.	Electricity generation	Works continue at CTE Iernut	The procedure for procurement (negotiation) of remaining works and completion of the investment is currently in progress.
8.	Partnerships/Associations	LUKOIL OVERSEAS:	Interpretation of seismically reprocessed data and of seismic inversion results, update of

Item No.	Main physical objectives	Planned	Results
		- drilling and well safety in preparation in 30 EX Trident block	geological model and estimation of reserves were carried out. Works have begun to establish the outpost well and its final trajectory.
		Amromco - Permits and authorizations; well abandonment	Preliminary design works were performed and approvals were obtained for wells planned to be drilled; abandonment works were carried out for wells that had ANRM's approval and demolition works at facility groups, drilling locations and access roads to abandoned wells

Achievement of investment objectives which were not carried out or which were delayed in 2022 will continue in 2023.

Development of CTE Iernut

One of Romgaz main strategic directions, provided in "*The Development Strategy for 2015-2025*", is consolidation of the company's position on the energy supply markets. In this case, in the field of electricity generation, Romgaz planned to have *"a more efficient activity by making investments to increase the efficiency of Iernut Thermoelectric Power Plant to a minimum of 55%, complying with the environmental requirements (NOx, CO_2) and increasing operational safety*".



Therefore, a very important objective is "*The Development of CTE Iernut by building a new combined cycle gas turbine power plant",* with a deadline for completion the end of 2020.

In 2021, pursuant to the notice of termination no. 10872/April 02, 2021, Romgaz terminated the Contract of Works no.13384/October 31, 2016 between Romgaz and DURO FELGUERA S.A. and ROMELECTRO S.A Consortium, considering the continuous breach of contractual obligations undertaken by the Consortium which failed to finalise works within the deadline established under Addendum No. 15/May 26, 2020, namely December 26, 2020.

Romgaz further undertook all necessary steps to identify optimum solutions to finalise remaining works:

- Protocol no.11418/April 08, 2021 and addenda no. 1-4 thereto successively suspending the effects of the notice of termination until June 16, 2021;
- Actual termination of the Contract of Works following failed negotiations between the parties as of June 17, 2021;
- Decision no. 833/August 08, 2021 appointing a Project Management Team (PMT) to finalise this complex project establishing the specific tasks of the PMT as well as other necessary and useful tasks

for the Completion of Combined Cycle Gas Turbine Power Plant SNGN ROMGAZ – SPEE Iernut project (managing all necessary activities, partial acceptance of works performed under Contract No. 133843/October 31, 2016, drawing up the Tender Book and the tender documents for awarding the Consultancy, Project Management and Supervision Services Contract, identification of procurement procedures, drafting all documents and documentations necessary to finalize remaining works).

Romgaz Project Management Team analysed and assessed a "*Draft Court Settlement and a Draft Out-Of-Court Settlement"* – sent by the Consortium on November 17, 2021. The answer provided that Romgaz cannot accept the financial claims raised by the Consortium, for the same reasons for which they could not be accepted before the termination of the Works Contract.

Therewith, a "Draft Agreement" sent on January 28, 2022 to continue works with the Consortium was rejected by Romgaz for the same reasons.

Other actions/milestones:

- On April 21, 2022, GEO No.54/2022 on amending Law No. 99/2016 on sector specific procurement was published in the Official Gazette, namely article 117^1 that provides: *by way of exception to the provisions of Article 117, the contracting entity has the right to apply the negotiated procedure without prior invitation to a competitive tendering procedure for the award of sectoral contracts for the execution of the remainder to be executed for the construction and development of electricity generating capacities, where this represents less than 40% of the physical stage of the investment objective;*
- Using this legal provision, on July 13, 2022 the invitation to participate in a negotiated procedure without prior publication was sent to Duro Felguera SA regarding completion of works and commissioning of: "*Development of CTE Iernut by building a new combined cycle gas turbine power plant* investment project". In this regard, the link was made available to access the tender documentation and all information regarding the negotiation procedure was specified;
- Until the deadline for submitting the offer established in the tender documentation, namely August 03, 2022, at 10:00, the evaluation/negotiation commission found that, the potential provider - Duro Felguera SA did not submit an offer. Accordingly, the evaluation commission decided to cancel the procurement procedure as no offers were submitted until the deadline for submission of the offer;
- Subsequently, the procurement procedure was reinitiated, with September 13, 2022 as deadline for submission of the offer. This time Duro Felguera SA submitted the offer on time and it was assessed internally;
- By analysing the offer and related documents, several conditions resulted which, both in the negotiation phase and during performance of works, if commenced, may create problems, such as:
    - The offer provides for a framework agreement structured on two distinct documents: the Settlement Agreement and a new Works Contract, noting that the Consortium requires the Settlement Agreement to be concluded in order to conclude the Works Contract;
    - Payment to Duro Felguera SA of retentions related to the old contract represents a condition precedent to start works;

- Despite all these discrepancies and conditions, finalizing works as soon as possible and under legal conditions is the main interest of Romgaz; as such, reasonable efforts were taken to conclude the above mentioned contracts covering the works remaining to be finalized and commissioning as well as the mutual concessions of the parties, understanding the importance of the project for the stability of the national energy system;
- Negotiations between the parties continue at the date hereof.

In 2022, ***Filiala Depogaz*** had an approved investment program of RON 45,000 thousand and achieved investments of RON 42,297 thousand, representing 93.99% as follows:

Item No.	Description	Program	Results
1.	Gas fields and UGSs exploitation, infrastructure and utilities in fields and underground storages	24,859	22,651
2.	Underground gas storage activities	405	390
3.	Modernisation and upgrading of installations and equipment, surface facilities, utilities	14,505	14,078
4.	Independent equipment and machinery	3,865	3,825
5.	Costs with consultancy, studies and projects, software, licences and patents etc.	1,366	1,353
*	**TOTAL**	**45,000**	**42,297**

The investments were financed entirely from own sources.

For the reporting period, fixed assets were commissioned in amount of RON 8,160 thousand.

The main objectives recording achievements in 2022 were:

- Drilling of Bilciureşti wells;
- Modernisation of 12 wells Sărmăşel;
- Modernisation of gas metering system, Bilciureşti UGS;
- Automation of suction and discharge manifold, Butimanu Compressor Station;
- Modernisation of cooling towers M3 Butimanu module;
- Data storage unit.

In 2022, Romgaz Black Sea Limited and OMV Petrom SA submitted the commercial discovery statement for the natural gas exploitation project in Neptun Deep block.

V. Securities market

Romgaz – company listed on Bucharest Stock Exchange and London Stock Exchange

Government Decision No. 831/2010[9] approved "*the sale by secondary initial public offering of shares representing 15% of S.N.G.N. Romgaz S.A. share capital by the Ministry of Economy, Trade and Business Environment, through the State Ownership and Privatization in Industry Office*".

On November 12, 2013, Romgaz was listed on Bucharest Stock Exchange (BVB) and on London Stock Exchange (LSE). As of this date, the shares of the company have been traded on the regulated market governed by BVB, under the symbol "***SNG***", and on the regulated market governed by LSE, as GDRs, issued by the Bank of New York Mellon (1 GDR = 1 share) under the symbol "***SNGR***".

Table below shows the evolution of a series of specific indicators, the number of shares being the same from listing to present, namely 385,422,400:

Item No.	Description	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1.	Market capitalization[10] *million RON *million EUR	 13,178 2,952	 14,018 3,127	 10,483 2,315	 9,636 2,122	 12,064 2,589	 10,714 2,297	 14,299 2,992	 10,830 2,224	 15,031 3,038	 14,550 2,941
2.	Maximum price (RON)	35.60	36.37	36.55	27.55	33.95	38.20	38.40	37.70	39.00	51.70
3.	Minimum price (RON)	33.80	32.41	26.30	21.60	25.10	27.80	27.35	25.75	28.35	34.05
4.	Year-end price (RON)	34.19	35.36	27.20	25.00	31.30	27.80	37.10	28.10	39.00	37.75
5.	Net profit per share (RON)	2.58	3.66	3.10	2.66	4.81	3.53	2.83	3.24	4.97	6.61
6.	Gross dividend per share (RON)	2.57	3.15	2.70	5.76[1)]	6.85[2)]	4.17[2)]	1.61[4)]	1.79[5)]	3.80[6)]	3.42[7)]
7.	Dividend yield (6./4.x100)	7.5%	8.9%	9.9%	23.0%	21.9%	15.0%	4.3%	6.4%	9.7%	9.1%
8.	Exchange rate (RON/EUR)	4.4639	4.4834	4.5285	4.5411	4.6597	4.6639	4.7785	4.8694	4.9481	4.9474

[1)] The gross dividend per share of RON 5.76 is composed of the gross dividend per share for financial year 2016 (RON 2.40 per share), the additional gross dividend (RON 1.42 per share) resulted from the distribution of retained earnings and the additional dividend (RON 1.94 per share) assigned under the provisions of Article II and III of Government Emergency Ordinance No.29/2017, distributed from the company's reserves, representing own financing sources.

[2)] The gross dividend per share of RON 6.85 is composed of the gross dividend per share for financial year 2017 (RON 4.34 per share), the additional gross dividend (RON 0.65 per share) resulted from the distribution of retained earnings and the additional dividend (RON 1.86 per share) assigned under the provisions of Article II and III of Government Emergency Ordinance No. 29/2017, distributed from the company's reserves, representing own financing sources.

[3)] The gross dividend per share of RON 4.17 is composed of the gross dividend per share for financial year 2018 (RON 3.15 per share), the additional gross dividend (RON 0.08 per share) resulted from the distribution of retained earnings and the additional dividend (RON 0.94 per share) assigned under the provisions of Article 43 of Government Emergency Ordinance No 114/2018.

[4)] The gross dividend per share of RON 1.61 is composed of the gross dividend per share for financial year 2019 (RON 1.39 per share) and the additional gross dividend (RON 0.22 per share) resulted from the distribution of retained earnings.

[5)] The gross dividend per share of RON 1.79 is composed of the gross dividend per share for financial year 2020 (RON 1.63 per share) and the additional gross dividend (RON 0.16 per share) resulted from the distribution of retained earnings.

[6)] The gross dividend per share of RON 3.80 is composed of the gross dividend per share for financial year 2021 in amount of RON 3.62 per share and the additional gross dividend of RON 0.18 per share resulted from the distribution of retained earnings.

[7)] The gross dividend per share of RON 3.42 is composed of the gross dividend per share for financial year 2022 in amount of RON 3.3 per share and the additional gross dividend of RON 0.12 per share resulted from the distribution of retained earnings.

In 2022, the average trading prices of ROMGAZ securities (shares and global depositary receipts – GDR) were RON 41.85/share, USD 8.89/GDR (the equivalent of RON 41.70/GDR) respectively. The minimum prices of the period were recorded on March 07, 2022 for shares (RON 34.05) and November 01, 2022 for

[9] Government Decision No.831 of August 4, 2010 on approving the privatization strategy through public offering of Societăţii Naţionale de Gaze Naturale "Romgaz" – S.A. Mediaş and the mandate of the public institution involved in this process.

[10] Calculated based on the closing price on the last trading day of that year and on the exchange rate announced by BNR and valid in the last trading day of that year, respectively

GDRs (USD 7.05 ≈ RON 32.69) while the maximum prices were reached in the same day, June 27, 2022 both for shares (RON 51.70) and for GDRs (USD 11.20 ≈ RON 52.34).

The oscillating evolution of trading prices which had a similar trend for shares and GDRs during the year, was determined by important external and internal factors, such as: the events in Ukraine (which conditioned the evolution of natural gas price on the global market), the conclusion of the transaction concerning the acquisition of ExxonMobil Exploration and Production Romania Limited shares, the distribution of 2021 dividends with a yield of 7.3%, the favourable financial results achieved by the company in the 1st half and 3rd quarter 2022, the oscillation of stock indices on the international stock markets and implicitly on the Romanian capital market, the adoption by the Romanian Government of legal regulations with impact on energy companies, the adoption by the European Commission of a set of measures to manage the crisis in the energy market through consumption reduction and additional charges[11].

On the last trading day of the year, December 30, 2022, the share prices recorded a value of RON 37.75, 3.21% lower than the one recorded at the end of 2021 and GDRs were traded at a value of USD 8 (the equivalent of RON 37.07), 2.44% lower than the end of the previous year in USD, but 3.45% higher in RON (due to the ascending trend of the RON/USD exchange rate during 2022: +6.04%).

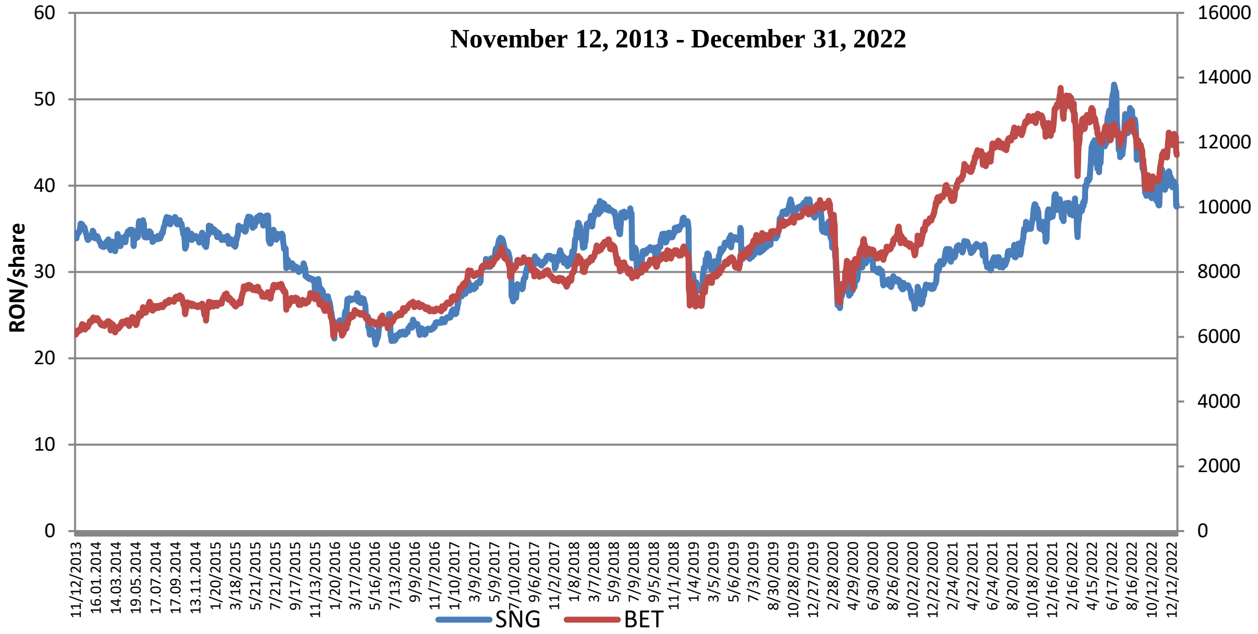
Noteworthy is that the end of 2022 was marked by an event that caused the trading values of shares and GDRs to drop. Thus, if ROMGAZ shares were among the best performing shares included in the BET index in the first 11 months of 2022, ROMGAZ being one of the four BET issuers recording increases during this period[12], during December 27-30, 2022, the value of the share decreased by 5.62% considering that the Romanian Government announced the discussion of a draft emergency ordinance on surcharging the profits of energy companies in accordance with European directives[13]. GDRs were also traded at a price down by 5% during the same period. However, at the beginning of 2023, the prices of shares and GDRs returned to the level of those recorded before December 28, 2022.

Since the listing day up to present, Romgaz has been considered an attractive company for investors and holds a significant position in the top of local issuers, being included in BVB trading indices by the end of 2022, as follows:

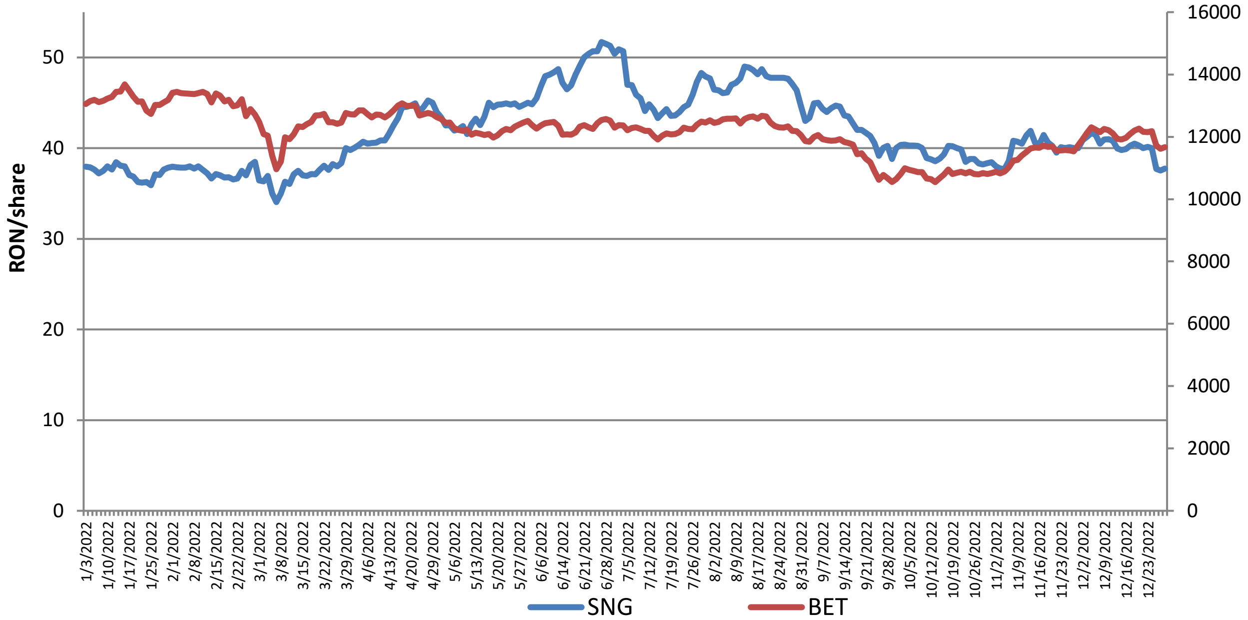
- Second place by market capitalization in the top of Premium BVB issuers. With a market capitalization amounting to RON 14,550, EUR 2,941 million respectively, on December 31, 2022, Romgaz is the second largest listed company in Romania, being preceded by OMV Petrom with a capitalization of RON 26,170.90 million (EUR 5,289.82 million);
- Fifth place as regards the total amount of transactions in 2022 in the top of Premium BVB issuers (RON 616.34 million), after BRD - Groupe Societe Generale, Banca Transilvania, Fondul Proprietatea and OMV Petrom;
- Weight of 9.42% and 9.64% in BET index (top 15 issuers) and BET-XT (top 25 issuers), respectively, 29.22% in BET-NG index (energy and utilities) and 9.42% in BET-TR index (BET Total Return).

Performance of Romgaz shares compared to BET index between listing and December 31, 2022, is shown below:

[11] Source: Ziarul Bursa #Piața de Capital 06.10.2022
[12] Source: Ziarul Financiar 02.12.2022
[13] Source: Ziarul Financiar 28.12.2022



January 2, 2022 - December 31, 2022



5.1. Dividend Policy

The General Meeting of Shareholders determines the value of dividends to be distributed to shareholders considering the specific legal provisions.

Therefore, **Government Ordinance No. 64/2001**[14] approved by *Law No. 769/2001* as subsequently amended and supplemented, provides at Article 1, paragraph (1), letter f) that the accounting profit after deduction of profit tax is distributed in proportion of *minimum* 50% as dividends.

State-owned companies are required, according to the provisions of Government Ordinance No.64/2001, to pay the due dividends to the shareholders *within 60 days* from the legal deadline for the submission of the annual financial statements to the competent fiscal authorities.

[14] Government Ordinance No. 64/August 30, 2001 on distribution of profit in majority state-owned companies as well as in autonomous government-owned enterprises.

According to **Government Emergency Ordinance No. 29/2017**[15]:

- "*The amounts distributed in the previous years to other reserves under the provisions of Article 1 paragraph (1) letter (g) of Government Ordinance No.64/2001 [...], existing at the date of entry into force of this Emergency Ordinance, can be redistributed as dividends [...]*" – Article II;
- "*After the approval of the financial statements of 2016, the entities provided in Article 1, paragraph (1) of the Government Ordinance No.64/2001, [...], the retained earnings existing in the balance account on December 31 of each year, can be distributed as dividends*" – Article III paragraph (1).

Table below shows the status of dividends for years 2020-2022:

Description	2020	2021	2022 Proposal
Dividends	689,906,096	1,464,605,120	1,318,144,608
Gross dividend per share (RON/share)	**1.79****)	**3.80****)	**3.42*****)
Dividend distribution rate (%)	55.29	71.61	51.76
Number of shares	385,422,400	385,422,400	385,422,400

*) The gross dividend of RON 1.79 is composed of the gross dividend per share for financial year 2020 in amount of RON 1.63 per share and the additional gross dividend of RON 0.16 per share resulted from the distribution of retained earnings representing the impairment value of fixed assets and the value of fixed assets and abandoned investment projects in the reporting year that were financed from "*the share of expenses necessary for the development and modernization of gas production*" according to GD No.168/1998, as subsequently amended and supplemented.

**) The gross dividend of RON 3.80 is composed of the gross dividend per share for financial year 2021 in amount of RON 3.62 per share and the additional gross dividend of RON 0,18 per share resulted from the distribution of retained earnings representing the impairment value of fixed assets and the value of fixed assets and abandoned investment projects in the reporting year that were financed from "*the share of expenses necessary for the development and modernization of gas production*" according to GD No.168/1998, as subsequently amended and supplemented.

***) The proposed gross dividend per share of RON 3.42 is composed of the gross dividend per share for financial year 2022 in amount of RON 3.3 per share and the additional gross dividend of RON 0.12 per share resulted from the distribution of retained earnings representing the impairment value of fixed assets and the value of fixed assets and abandoned investment projects in the reporting year that were financed from "*the share of expenses necessary for the development and modernization of gas production*" according to GD No.168/1998, as subsequently amended and supplemented.

The internal regulation "*Dividend Policy*" was approved by the company's Board of Directors in March 2017 and is currently published on company's webpage www.romgaz.ro at "*Investors – Corporate Governance – Reference Documents*".

[15] Government Emergency Ordinance No.29 of March 30, 2017 amending Article 1 paragraph (1) letter g) of Government Ordinance No. 64/2001 on the distribution of profit in national companies, and trading companies with full or majority state capital, as well as in autonomous government-owned enterprises, and amending Article 1 paragraph (2) and (3) of Government Emergency Ordinance no.109/2011 on corporate governance of public enterprises.

VI. Company management

6.1. Board of Directors

The company is governed by a Board of Directors which, on ***December 31, 2022*** has the following structure:

Item No.	Last name and first name	Position in the Board	Status*)	Professional Qualification	Institution of Employment
1	Drăgan Dan Dragoş	chairman	non-executive non-independent	Economist	Ministry of Energy
2	Jude Aristotel Marius	member	executive non-independent	MBA Legal Adviser	SNGN Romgaz SA
3	Simescu Nicolae Bogdan	member	non-executive non-independent	Engineer	SNGN Romgaz SA
4	Batog Cezar	member	non-executive independent	Economist	Publicis Groupe Romania
5	Balazs Botond	member	non-executive non-independent	Legal Adviser	SNGN Romgaz SA
6	Sorici Gheorghe Silvian	member	non-executive independent	Economist	SC Sobis Solutions SRL
7	Metea Virgil Marius	member	non-executive non-independent	Engineer	SNGN Romgaz SA

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

The Curricula Vitae of the Board members are to be found on company's webpage*:* http://www.romgaz.ro/consiliu-administratie.

During January 1 – March 13, 2022 the Board of Directors had the following structure:

Item No.	Last name and first name	Position in the Board	Status	Professional Qualification	Institution of Employment
1	Drăgan Dan Dragoş	chairman	non-executive non-independent	Economist	Ministry of Energy
2	Jude Aristotel Marius	member	executive non-independent	MBA Legal Adviser	SNGN Romgaz SA
3	Simescu Nicolae Bogdan	member	non-executive non-independent	Engineer	SNGN Romgaz SA
4	Stan-Olteanu Manuela-Petronela	member	non-executive non-independent	Legal Adviser	Hidroelectrica SA
5	Niculescu Sergiu George	member	non-executive non-independent	Legal Adviser	Ministry of Energy
6	Balazs Botond	member	non-executive non-independent	Legal Adviser	SNGN Romgaz SA
7	Sorici Gheorghe Silvian	member	non-executive independent	Economist	SC Sobis Solutions SRL

Starting with March 14, 2022 the structure of the Board of Directors changed, only 6 members being appointed:

Item No.	Last name and first name	Position in the Board	Status	Professional Qualification	Institution of Employment
1	Drăgan Dan Dragoş	chairman	non-executive non-independent	Economist	Ministry of Energy
2	Jude Aristotel Marius	member	executive non-independent	MBA Legal Adviser	SNGN Romgaz SA
3	Simescu Nicolae Bogdan	member	non-executive non-independent	Engineer	SNGN Romgaz SA

Item No.	Last name and first name	Position in the Board	Status	Professional Qualification	Institution of Employment
4	Batog Cezar	member	non-executive independent	Economist	Publicis Groupe Romania
5	Balazs Botond	member	non-executive non-independent	Legal Adviser	SNGN Romgaz SA
6	Sorici Gheorghe Silvian	member	non-executive independent	Economist	SC Sobis Solutions SRL

On May 25, 2022, Mr. Metea Virgil Marius joined the Board of Directors, initially being appointed by the Board of Directors pursuant to Resolution No. 34 until the date of the first Ordinary General Meeting of Shareholders and subsequently being appointed by the company shareholders during the meeting dated July 8, 2022 pursuant to OGMS Resolution No. 6.

According to the information supplied by each director, ***there is no agreement, understanding or family relationship*** between them and another person that contributed to their appointment as directors.

On December 31, 2022, the following directors ***hold shares in the company***:

Item No.	Last name and first name	Number of shares held	Weight in the share capital (%)
0	1	2	3
1	Drăgan Dan Dragoş	18,757	0.00486661
2	Simescu Nicolae Bogdan	30	0.00000778
3	Balasz Botond	11	0.00000285

6.2. Executive Management

Chief Executive Officer (CEO)

SNGN Romgaz SA Board of Directors gathered in a meeting on November 2, 2021, appointed Mr. Jude Aristotel Marius as Chief Executive Officer pursuant to Resolution No. 67 for a period of 4 months, from December 15, 2021 to April 15, 2022.

Pursuant to Resolution No.17 of March 22, 2022, the Board of Directors appointed Mr. Jude Aristotel Marius as Chief Executive Officer for a period of 4 months, from April 16, 2022 to August 16, 2022.

Pursuant to Resolution No.57 of August 12, 2022, the Board of Directors appointed Mr. Popescu Răzvan as Chief Executive Officer for a period of 4 months, from August 17, 2022 to December 17, 2022.

Pursuant to Resolution No. 78 of November 23, 2022, the Board of Directors appointed Mr. Popescu Răzvan as Chief Executive Officer for an interim mandate of 4 months, from December 18, 2022 to April 18, 2023.

Deputy Chief Executive Officer (Deputy CEO)

Pursuant to Resolution No.57 of August 12, 2022, the Board of Directors appointed Mr. Jude Aristotel Marius as Deputy Chief Executive Officer for a period of 4 months, from August 17, 2022 to December 17, 2022.

Pursuant to Resolution No.78 of November 23, 2022, the Board of Directors appointed Mr. Jude Aristotel Marius as Deputy Chief Executive Officer for an interim mandate of 4 months, from December 18, 2022 to April 18, 2023.

Chief Financial Officer (CFO)

Pursuant to Resolution No. 68 of November 2, 2021, the Board of Directors appointed Mr. Popescu Răzvan, as Chief Financial Officer, for a period of 4 months, from December 16, 2021 to April 16, 2022.

Pursuant to Resolution No.18 of March 22, 2022, the Board of Directors appointed Mr. Popescu Răzvan as Chief Financial Officer for a period of 4 months, from April 17, 2022 to August 17, 2022.

Pursuant to Resolution No. 57 of August 12, 2022, the Board of Directors appointed Mr. Bobar Andrei as Chief Financial Officer for a period of 4 months, from August 17, 2022 to December 17, 2022.

Pursuant to Resolution No.85 of December 20, 2022, the Board of Directors appointed Ms. Trânbițaș Gabriela as Chief Financial Officer for an interim mandate of 4 months, from December 20, 2022 to April 20, 2023.

Other persons holding management positions without being delegated management powers by the Board of Directors, on December 31, 2022:

Last name and first name	Position
ROMGAZ - headquarters	
Chircă Robert Stelian	Exploration-Production Department Director
Foidaş Ion	Production Department Director
Grecu Marius Rareş	Human Resources Director
Veza Marius Leonte	Accounting Department Director
Bobar Andrei	Finance Department Director
Păunescu Octavian Aurel	Exploration-Appraisal Department Director
Sasu Rodica	Exploration-Production Support Department Director
Sandu Valentin Mircea	Drilling Department Director
Boiarciuc Adrian	Information Technology Department Director
Lupă Leonard Ionuț	Procurement Department Director
Chertes Viorel Claudiu	Regulations Department Director
Moldovan Radu Costică	Energy Trading Department Director
Ioo Endre	Legal Department Director
Mareş Adrian Alexandru	Strategy, International Relations, European Funds Director
Antal Francisc	Quality, Environment, Emergency Situations and Infrastructure Department
Haţegan Gheorghe	Technical Department Director
Mediaş Branch	
Totan Constantin Ioan	Branch Director
Achimeţ Teodora Magdalena	Economic Director
Veress Tudoran Ladislau Adrian	Production Director
Man Ioan Ştefan	Technical Director
Târgu Mureş Branch	
Baciu Marius Tiberiu	Branch Director
Boşca Mihaela	Economic Director
Rusu Graţian	Production Director
Roiban Claudiu	Technical Director
Iernut Branch	
Balazs Bela Atila	Branch Director
Hăţăgan Olimpiu Sorin	Economic Director
Oprea Maria Aurica	Commercial Director
Bircea Angela	Technical Director
SIRCOSS	
Rotar Dumitru Gheorghe	Branch Director
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director
STTM	
Lucaci Emil	Branch Director
Ilinca Cristian Alexandru	Economic Director

Last name and first name	Position
Grosu Adrian Doru	Technical Director
Drobeta Branch	
Săceanu Constantin	Branch Director

The members of the executive management, except for the mandated managers (Chief Executive Officer, Deputy Chief Executive Officer and Chief Financial Officer), are employees of the company having an individual employment contract for an indefinite period.

In compliance with the powers delegated by the Board of Directors, the Chief Executive Officer employs, promotes and dismisses the management and operating personnel.

Table below shows the number of ***company shares held by the members of the executive management*** on December 31, 2022:

Item No.	Last name and first name	Number of shares held	Weight in the share capital (%)
0	1	2	3
1	Dincă Ispasian Ioan	1,048	0.00027191
2	Andrea Nicolae	200	0.00005189
3	Balasz Bela Atila	38	0.00000986

According to the information supplied, ***there is no agreement, understanding or family relationship between the above nominated members of the executive management and another person that contributed to their appointment as member of the executive management***.

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

Therewith, from Depogaz executive management the following members hold shares in the company: Mr. Cârstea Vasile – 412 shares, representing a weight of 0.00010690% in the share capital and Mr. Gîrlicel Victor Cristian – 125 shares, representing a weight of 0.00003243% in the share capital.

To the best of our knowledge, the persons mentioned at 6.1 and 6.2 above, ***have not been involved in litigations or administrative proceedings*** related to their activity in Romgaz ***in the last 5 years***, nor in proceedings related to their capacity of fulfilling the duties within Romgaz, except for the litigations under File No. 1596/85/2018*, no. 229/85/2019 (please see the "Litigations" published on Romgaz website at www.romgaz.ro → Investors → Annual Reports → 2022) and File No. 2041/85/2018 which was finally settled in 2021.

VII. Consolidated financial – accounting information

7.1. Statement of Consolidated Financial Position

The consolidated financial statements of Romgaz Group were prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union and the provisions of the Ministry of Finance Order No. 2844/2016. For the purposes of preparing these consolidated 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 IASB. However, the differences have no significant impact on the Group's consolidated financial statements for the years presented.

The consolidated financial statements have been prepared on the basis of business as a going concern principle in accordance with the historical cost convention.

Table below presents a summary of the statement of consolidated financial position as of December 31, 2020, December 31, 2021 and December 31, 2022:

Indicator	31.12.2020 (thousand RON)	31.12.2021 (thousand RON)	31.12.2022 (thousand RON)	Variance (2022/2021)
0	1	2	3	4=(3-2)/2*100
ASSETS				
Non-current assets				
Property, plant and equipment	5,613,122	5,240,697	5,039,314	-3.84%
Other intangible assets	14,774	16,133	5,140,425	31,762.80%
Investments in associates	26,102	26,187	28,537	8.97%
Deferred tax assets	275,328	269,645	199,016	-26.19%
Other financial assets	5,378	5,616	5,616	0.00%
Right of use asset	7,915	7,128	8,766	22.98%
Total non-current assets	**5,942,619**	**5,565,406**	**10,421,674**	**87.26%**
Current assets				
Inventories	244,563	305,241	284,007	-6.96%
Trade and other receivables	592,875	1,352,345	1,373,664	1.58%
Contract costs	651	483	3	-99.38%
Other financial assets	1,995,523	417,923	99,597	-76.17%
Other assets	68,023	67,962	265,232	290.27%
Current tax receivable	-	3,201	-	n/a
Cash and cash equivalents	416,913	3,580,412	1,883,882	-47.38%
Total current assets	***3,318,548***	***5,727,567***	***3,906,385***	***-31.80%***
TOTAL ASSETS	***9,261,167***	***11,292,973***	***14,328,059***	***26.88%***
EQUITY AND LIABILITIES				
Equity				
Issued capital	385,422	385,422	385,422	0.00%
Reserves	2,251,909	2,998,975	3,579,274	19.35%
Retained earnings	5,149,919	5,596,756	6,111,869	9.20%
TOTAL EQUITY	***7,787,250***	***8,981,153***	**10,076,565**	***12.20%***
Non-current liabilities				
Retirement benefit obligation	128,690	156,420	168,830	7.93%
Provisions	538,931	412,846	210,838	-48.93%
Deferred income	136,308	230,438	230,419	-0.01%
Borrowings	-	-	1,125,534	n/a
Lease liability	7,845	7,211	7,499	3.99%
Total non-current liabilities	***811,774***	***806,915***	***1,743,120***	***116.02%***

Indicator	31.12.2020 (thousand RON)	31.12.2021 (thousand RON)	31.12.2022 (thousand RON)	Variance (2022/2021)
0	1	2	3	4=(3-2)/2*100
Current liabilities				
Trade payables and other liabilities	89,132	71,317	110,006	54.25%
Contract liabilities	81,318	204,384	263,340	28.85%
Current tax liabilities	59,831	52,299	1,177,498	2,151.47%
Deferred income	10,899	49	11	-77.55%
Provisions	156,415	237,144	321,489	35.57%
Lease liability	767	810	2,181	169.26%
Borrowings	-	-	321,581	n/a
Other liabilities	263,781	938,902	312,268	-66.74%
Total current liabilities	***662,143***	***1,504,905***	***2,508,374***	***66.68%***
TOTAL LIABILITIES	***1,473,917***	***2,311,820***	***4,251,494***	***83.90%***
TOTAL EQUITY AND LIABILITIES	***9,261,167***	***11,292,973***	***14,328,059***	***26.88%***

NON-CURRENT ASSETS

Total non-current assets increased by 87.26%, namely RON 4.86 billion during the reviewed period. The increase was caused by the acquisition of ExxonMobil Exploration and Production Romania Limited, the cost of the acquisition being RON 5.12 billion. The company has been consolidated in Romgaz Group as of the acquisition date (August 1, 2022).

CURRENT ASSETS

Current assets decreased by RON 1.82 billion on December 31, 2022, because of the decrease in cash, cash equivalents and other financial assets by RON 2.01 billion.

Inventories

At the end of 2022, natural gas inventories decreased by RON 60.4 million compared to the end of 2021. During 2022, 84.60 million m^3 of gas were injected in underground gas storages while 283.90 million m^3 of gas were withdrawn. Quantitatively, the Group's gas inventory in UGSs decreased by 45% compared to the previous year.

Cash and cash equivalents. Other financial assets

Cash, cash equivalents and other financial assets (bank deposits and state bonds purchased) reached RON 1,983.48 million on December 31, 2022, as compared to RON 3,998.34 million at the end of 2021 (-RON 2,014.86 million). This decrease was mainly generated by the acquisition of ExxonMobil Exploration and Production Romania Limited, as shown in the consolidated statement of cash flows.

Other assets

On December 31, 2022, other assets include RON 182.3 million representing the windfall tax from natural gas and electricity paid in excess. This amount will be recovered in 2023.

NON-CURRENT LIABILITIES

At the end of 2022, non-current liabilities increased by 116.02% compared to the same period of 2021 mainly as a result of contracting a loan in amount of RON 1,606.5 million (the equivalent of EUR 325 million) required to partially finance the acquisition of ExxonMobil Exploration and Production Romania Limited.

CURRENT LIABILITIES

Current liabilities increased by RON 1,003.5 million, from RON 1,504.90 million, recorded on December 31, 2021, to RON 2,508.37 million at the end of 2022, mainly as a result of a solidarity contribution in amount of RON 1,002.79 million.

Contract liabilities

These liabilities represent advances collected from clients on December 31, 2022 for deliveries to take place in 2023.

Provisions

On December 31, 2022, short term provisions recorded an increase of 35.57% as compared to December 31, 2021. This increase is mainly due to the provision for greenhouse gas emission certificates (RON 228.13 million on December 31, 2022, the equivalent of 560,586 certificates, compared to RON 154.90 million on December 31, 2021, the equivalent of 377,905 certificates). The increase in the number of certificates that need to be acquired in 2023 for 2022 compliance is caused by the increase in electricity generation compared to the previous year which required higher gas consumption consequently generating an increase in the CO_2 emissions.

Other liabilities

Other liabilities recorded a decrease by 66.74% compared to the end of 2021. Most of these liabilities are represented by the petroleum royalty due for Q 4 (RON 147.0 million on December 31, 2022, compared to RON 400.3 million on December 31, 2021). Decrease of liabilities with royalty was due to the decrease in the price of royalty for certain clients in accordance with GEO 27/2022.

The Group ***did not issue bonds or other debt instruments*** in financial year 2022.

7.2. Statement of Consolidated Comprehensive Income

The Group profit and loss account summary for the period January 1 – December 31, 2022, as compared to the similar period of the years 2020 and 2021, is shown below:

Indicator	Year 2020 (thousand RON)	Year 2021 (thousand RON)	Year 2022 (thousand RON)	Variance (2022/2021)
0	1	2	3	4=(3-2)/2*100
Revenue	4,074,893	5,852,926	13,359,653	128.26%
Cost of commodities sold	(18,617)	(281,589)	(183,578)	-34.81%
Investment income	47,845	58,403	176,979	203.03%
Other gains and losses	(6,534)	23,388	(9,441)	n/a
Net impairment gains/(losses) on trade receivables	17,551	349,989	(55,166)	n/a
Changes in inventories	(16,151)	74,787	(2,197)	n/a
Raw materials and consumables used	(58,282)	(81,146)	(118,037)	45.46%
Depreciation, amortization and net impairment expenses	(672,063)	(685,772)	(550,076)	-19.79%
Employee benefit expense	(767,251)	(766,639)	(846,001)	10.35%
Finance costs	(17,000)	(16,739)	(27,295)	63.06%
Exploration expense	(26,509)	(1,197)	(59,714)	4,888.64%
Share of associates' result	1,330	85	2,350	2,664.71%
Other expenses	(1,158,143)	(2,539,086)	(7,613,296)	199.84%
Other income	25,439	169,841	80,068	-52.86%
Profit before tax	**1,426,508**	**2,157,251**	**4,154,249**	**92.57%**
Income tax expense	(178,604)	(242,264)	(1,607,537)	563.55%
Profit for the period	**1,247,904**	**1,914,987**	**2,546,712**	**32.99%**

Revenue

In 2022, Romgaz recorded consolidated revenues of RON 13.4 billion, as compared to RON 5.9 billion achieved in 2021.

The increase resides in a 124.20% increase of revenue from sales of gas produced by Romgaz and of gas purchased for resale, as well as 313.75% increase of revenue from sales of electricity and 80.51% increase of consolidated revenues from storage services.

Investment Income

Investment income is represented by the interests obtained from placing cash in bank deposits and state bonds. The increase in income resides from the increase of interest rates.

Cost of Commodities Sold

In 2022, cost of commodities sold is mainly represented by the cost of imbalances in the electricity sales business (RON 167.41 million in 2022). During periods in which electricity production was stopped, in order to meet the delivery contractual obligations, the Group had to acquire from the market the amount of energy needed.

Net Gains/Losses from Impairment of Trade Receivables

The Group calculates impairments for trade receivables depending on non-collection risk. Thus, for clients undergoing bankruptcy procedures the Group records losses from impairment for the entire non-collected amount; the same policy is applied to old debts.

In 2022, the Group recorded a net loss from impairment of receivables of RON 55.2 million.

Changes in Inventories

In 2022, the gas quantity injected by Romgaz in storages was lower by 70.20% than the quantity withdrawn from storages, thus generating negative changes in inventories. The quantity of gas injected in/withdrawn from storages by the Company in 2022 compared to 2021 decreased by 82.66%, and 32.76% respectively. The decrease in gas quantity injected in storages was caused by the allocation of non-contracted production to deliveries towards destinations provided under GEO 27/2022.

Raw Materials and Consumables Used

Increase of expenses with raw materials and consumables is mainly due to a 70.63% higher technological consumption for the reviewed period of 2022 as compared to 2021 (+57% from a quantitative point of view for gas and electricity production) and the increase of expenses with spare parts used in current repairs.

Depreciation, Amortization and Net Impairment

The depreciation, amortization and net impairment expenses decreased by 19.79% due to the decrease by 11.83% of depreciation and amortization expenses generated by the full amortization of certain assets during previous periods and due to a low level of investment in the recent period. Moreover, net impairment of non-current assets decreased by 36.41%.

Taking into consideration the current market conditions, the Group considered that there was no need to update the impairment test of assets used in gas production activity.

Financial Cost

The increase of finance cost by 63.06% was generated by the interest cost related to the bank loan in amount of EUR 325 million contracted for the acquisition of ExxonMobil Exploration and Production Romania Limited shares (RON 5.04 million) and the increase of the discount rate used for calculating the well decommissioning provision.

Exploration Expenses

Exploration expenses recorded in 2022 of RON 59.71 million, increased from RON 1.20 million recorded in the same period of the previous year. Government Decision No.1011 of September 22, 2021 approved Addendum No. 6 to the Concession Agreement concluded between ANRM and Romgaz extending the exploration period for eight petroleum blocks until October 2027. Pursuant to this addendum, Romgaz undertook to perform a certain minimum 3D seismic program that will result in increased exploration expenses.

Other expenses

Other expenses increased by 199.84% in 2022 as compared to 2021. The increase of RON 5.07 billion is mainly due to a higher windfall tax expense on gas sales, a higher windfall tax/contribution to the Energy Transition Fund on electricity sales, royalty expenses as shown in the introductory section of this report.

Other income

Other income decreased by 52.86% in the year ended December 31, 2022 as compared to the same period of 2021. Mostly, these include interest and late payment penalties invoiced to clients for failure to pay in due time or to suppliers for delays in providing works.

7.3. Statement of Consolidated Cash Flows

Statements of cash flows recorded in the period 2020-2022 are shown in the table below:

RON thousand

INDICATOR	2020	2021	2022
Cash flow from operating activities			
Net profit for the year	**1,247,904**	**1,914,987**	**2,546,712**
Adjustments for:			
Income tax expense	178,604	242,264	1,607,537
Share from associates' result	(1,330)	(85)	(2,350)
Interest expense	593	557	5,627
Unwinding of decommissioning provision	16,407	16,182	21,668
Interest revenue	(47,845)	(58,403)	(176,979)
(Gain)/loss on disposal of non-current assets	7	(321)	451
Change in decommissioning provision recognized in profit or loss, other than unwinding	24,273	(20,750)	(75,652)
Change in other provisions	66,467	68,578	111,564
Net impairment of exploration assets	97,695	37,046	66,447
Exploration projects written-off	836	33	16
Net impairment of non-current assets	125,997	184,943	74,726
Foreign exchange differences	-	-	(453)
Depreciation and amortization	448,371	463,783	408,903
Amortization of contract costs	795	1,626	773
(Gains)/losses on financial investments evaluated at fair value through profit or loss	10	10	-
Net losses/(gains) from trade receivables and other receivables	(19,700)	(378,352)	55,765
Net impairment of inventories	8,427	5,014	5,438
Income from liabilities written off	(368)	(810)	(512)
Income from subsidies	(7)	(9)	(7)
Cash generated from operations before movement in working capital	**2,147,136**	**2,476,293**	**4,649,674**
Movements of working capital			
((Increase)/decrease in inventories	58,516	(64,913)	21,731
(Increase)/decrease in trade and other receivables	38,311	(400,838)	(276,839)
Increase/(decrease) in trade and other liabilities	17,600	790,347	(526,915)
Cash generated from operational activities	**2,261,563**	**2,800,889**	**3,867,651**
Interest paid	(3)	(3)	(5,040)
Income tax paid	(224,796)	(233,084)	(410,976)
Net cash generated by operating activities	**2,036,764**	**2,567,802**	**3,451,635**
Cash flows from investing activities			
Investments in other entities	-	(250)	-
Bank deposits set up and acquisition of state bonds	(2,964,757)	(3,896,521)	(3,355,306)
Bank deposits and state bonds matured	2,060,925	5,463,332	3,669,504
Interest received	38,601	58,340	181,067
Proceeds from sale of non-current assets	1,733	513	1,033
Proceeds from disposal of other investments	-	2	-
Acquisition of non-current assets	(547,215)	(340,695)	(5,529,611)
Acquisition of exploration assets	(66,516)	(91,865)	(96,500)
Net cash used in investment activities	**(1,477,229)**	**1,192,856**	**(5,129,813)**
Cash flows from financing activities			
Borrowings received	-	-	1,606,475
Repayment of borrowings	-	-	(158,907)
Dividends paid	(620,346)	(690,027)	(1,463,984)
Subsidies received	115,027	94,148	-
Repayment of lease liability	(1,196)	(1,280)	(1,936)
Subsidies reimbursed	(50)	-	-
Net cash used in financing activities	**(506,565)**	**(597,159)**	**(18,352)**
Net increase/(decrease) in net cash and cash equivalents	**52,970**	**3,163,499**	**(1,696,530)**
Net cash and cash equivalents at the beginning of the year	**363,943**	**416,913**	**3,580,412**
Cash and cash equivalents at the end of the year	**416,913**	**3,580,412**	**1,883,882**

VIII. Corporate Governance

Corporate governance accommodates continuously to the requirements of a modern economy, to increasing globalization of social life and to investors and interested parties need for information on companies business.

As a national company Romgaz has to comply with GEO No. 109 of November 30, 2011 on corporate governance of public enterprises, as subsequently amended and supplemented (the "Ordinance"), approved by Law 111/2016 and Government Decision no. 722 of September 28, 2016 on Methodological Norms for establishing the financial and nonfinancial performance indicators and variable component of remuneration of Board members, or if applicable, of the supervisory board members, and of managers and members of the directorate.

The Ordinance sets up a number of principles and provisions to ensure their application.

The provisions of the Ordinance are observed by the company, and are included in the Company's Articles of Incorporation, as amended and approved by the company's shareholders in resolutions no. 19 of October 18, 2013, no. 5 of July 30, 2014, no. 8 of October 29, 2015, no.9 of October 28, 2016 and no.4 of August 9, 2017 (latest update of the Articles of Incorporation).

The updated Company's Articles of Incorporation is published on the webpage www.romgaz.ro, at "*Investors – Corporate Governance – Reference Documents*".

Since November 12, 2013, Romgaz shares have been traded on the regulated market governed by BVB, under the symbol "*SNG*", as well as on London Stock Exchange (where GDRs are traded) under the symbol "*SNGR*".

On January 5, 2015, after the Financial Supervisory Authority approved the proposals to amend BVB's regulations, Romgaz was admitted into the PREMIUM category of BVB regulated market.

As issuer of securities traded on the regulated market, Romgaz has to fully comply with the corporate governance standards provided by applicable national regulations, namely the Code of Corporate Governance of BVB, published on the internet webpage www.bvb.ro, at "*Investors – Regulations - BVB Regulations*".

The Corporate Governance system of the company was and will be continuously improved according to the rules and recommendations applicable to companies listed on Bucharest Stock Exchange and on London Stock Exchange.

Some of the *already implemented measures include*:

- drafting a new Code of Corporate Governance, in accordance with the new Code of Corporate Governance of BVB applicable since January 4, 2016 – the document was approved by Romgaz Board of Directors by Resolution no.2/January 28, 2016. The Code of Corporate Governance was updated and will be submitted for approval to the Board of Directors.

  The Company's Code of Corporate Governance is posted on the webpage www.romgaz.ro, at "*Investors – Corporate Governance*";
- Board of Directors approval of the Internal Rules of the advisory committees on March 24, 2016 and their subsequent revision and approval by S.N.G.N. Romgaz S.A Board of Directors: *The Internal Rules of the Nomination and Remuneration Committee* on August 28, 2018 and on August 11, 2022, the Internal Rules of the Audit Committee on May14, 2018 and October 10, 2022 and the Internal Rules of the Strategy Committee on March 23, 2017 and October 27, 2022;
- Update of the Terms of Reference of the Board of Directors to include the latest legal changes on corporate governance. The Terms of Reference were approved by the Board of Directors on March 23, 2017 and subsequently updated in January 2018 and in February 2019;
- Approval of the Policy related to the assessment of the Board of Directors during March 12, 2019 meeting;
- Approval of the Policy related to remuneration of Board members and managers by the OGMS during April 28, 2022;
- Approval of Romgaz Policy related to transactions with affiliates and the draft statement on Board of Directors commitment to develop and implement the internal management control system and the risk management policy on February 24, 2022;

- Drafting/updating a series of internal regulations/policies in compliance with BVB Code of Corporate Governance;
- Inclusion in the Board of Directors Annual Report of a chapter dedicated to corporate governance. This chapter presents a series of elements regarding corporate governance, such as: the applicable Code of Corporate Governance, the duties of the corporate management bodies and of the three advisory committees of the Board of Directors (the Nomination and Remuneration Committee, the Audit Committee and the Strategy Committee), aspects related to remuneration of members of the Board and of managers, measures to improve corporate governance, aspects related to internal control and risk management system, internal audit and aspects related to social responsibility;
- Incorporation in the Board of Directors Annual Report of a section referring to compliance with the provisions of BVB Code of Corporate Governance (Annex 1);
- Diversification of communication with shareholders and investors by posting on the website press releases addressed to market players, half year and quarterly financial statements, annual reports, procedures to follow for access and participation to GMS, and by setting up an "*Infoline*" for shareholders/investors to respond to their requirements and/or questions;
- Setting up a specialized department dedicated to investor and shareholder relations;
- Conclusion of professional liability insurance contract for members of the Board and managers with mandate, starting with October 1, 2022;
- Continuation of the necessary steps for the implementation of 2021-2025 National Anti-corruption Strategy in 2022. In this regard, the Commission responsible for the implementation of the strategy drafted and submitted to the Ministry of Energy – Antifraud, Integrity and Inspection Department the Narrative Report on the status of implementation of the measures provided in the NAS, the Inventory of institutional transparency and corruption prevention measures as well as evaluation indicators for 2022.

Among the measures to be implemented, we mention:

- Revision of the Remuneration Policy for the members of the Board and managers with mandate and submission to shareholders for approval, after completion of the selection procedure for members of the Board and managers;
- Quarterly assessment of the fulfilment of financial and non-financial performance indicators approved by the General Meeting of Shareholders ;
- Continue required actions to align with the new 2021-2025 National Anti-Corruption Strategy, approved by Government Decision No. 1269/December 17, 2021;
- Drafting the organizational integrity agenda and company integrity plan in compliance with NAS 2021-2025.

Aspects related to shareholders

The shareholders structure is presented within Chapter II "*Parent Company at a Glance*".

Romgaz respects and protects the rights and legitimate interests of all shareholders, constantly informing them on the rules and procedures governing the General Meeting of Shareholders, on decisions concerning corporate changes and significant events within the company. Rights of minority shareholders are also protected in accordance with the legal provisions in force and with the Articles of Incorporation.

All relevant information on exercising all legitimate rights of shareholders are to be found on company's website, www.romgaz.ro, under "*Investors*".

General Meeting of Shareholders

The General Meeting of Shareholders is convened by the Board of Directors, whenever necessary, in accordance with the legal provisions. The convening notices and afterwards, the GMS resolutions, are sent to Bucharest Stock Exchange, London Stock Exchange and to the Financial Supervisory Authority in compliance with the regulations of the capital market and are published on the company's website at "*Investors – General Meeting of Shareholders*".

The Ordinary General Meeting of Shareholders has the following main competencies:

a) to approve the company's strategic objectives;

b) to discuss, approve or amend, as the case may be, the annual financial statements of the company based on the reports submitted by the Board of Directors and the financial auditor, and to set the dividend;
c) to discuss, approve or request, as the case may be, supplementation or review of the company's governance plan, under legal provisions;
d) to set the income and expenditure budget for the following financial year;
e) to appoint and revoke Board members and to set their remuneration;
f) to decide upon the governance of the Board of Directors;
g) to appoint and to dismiss the financial auditor and to set the minimum term of the financial audit contract;
h) to approve the contracting of bank loans, the value of which exceeds, individually or cumulatively with other bank loans in progress, over a financial year, the equivalent in RON of EUR 100 million;
i) to approve conclusion of documents establishing guarantees, other than guarantees for the company's non-current assets, the value of which exceeds, individually or cumulatively with other guarantees in progress, other than guarantees for the company's non-current assets, over a financial year, the equivalent in RON of EUR 50 million.

The Extraordinary General Meeting of Shareholders has the following main competencies:

a) to change company's legal form;
b) to move the headquarters;
c) to change the Company's scope of activity;
d) to establish companies, as well as conclude or amend incorporation documents of the companies where Romgaz is associate;
e) to conclude or amend joint venture contracts where the company is contracting party;
f) to increase the share capital;
g) to reduce the share capital or to restore it by issuing new shares;
h) to merge with other companies or to spin-off the company;
i) the anticipated winding up of the company;
j) to convert shares from a category into the other;
k) to convert one category of bonds into another one or in shares;
l) to issue bonds;
m) to conclude documents related to the acquisition of non-current assets the value of which exceeds, individually or cumulatively, during a financial year, 20% of the total non-current assets of the company, except for receivables;
n) to conclude the documents related to disposal, exchange or set up of guaranties referring to non-current assets the value of which exceeds, individually or cumulatively, during a financial year, 20% of the total non-current assets, except for receivables;
o) to conclude the documents related to rental of tangible assets to the same contractors or to persons involved or acting together, for a period longer than 1 (one) year, the value of which exceeds, individually or cumulatively, 20% of the total non - current assets, except for receivables at the document conclusion date;
p) any other change in the Articles of Incorporation or any other resolution that requires the approval of the extraordinary general meeting of shareholders.

Board of Directors

Romgaz is a joint-stock company governed under a one-tier system.

The Board of Directors consists of 7 (seven) members elected by the Ordinary General Meeting of Shareholders, in compliance with applicable legal provisions and with the Articles of Incorporation and one of its members is appointed Chairman of the Board.

Board of Directors composition complies with the legal criteria/conditions on the share of non-executive and independent members, studies and competencies, experience and gender diversity (criteria detailed in the Board of Directors Terms of Reference.

Board of Directors componence on December 31, 2022 is presented in Chapter VI "*Company management*". According to the statements of independency sent to the company, two board members declared to be independent and five declared to be non-independent. The independence of Board members is determined based on the criteria detailed in Romgaz Code of Corporate Governance (art.6).

Aspects on board members' rights, obligations and competencies, as well as aspects related to Board meetings are detailed in the Articles of Incorporation and in the Board of Directors Terms of Reference.

Until December 31, 2022, the Board of Directors did not make a self- assessment for 2022.

Advisory Committees

The activity of the Board of Directors is supported by three advisory committees, namely: the Nomination and Remuneration Committee, the Audit Committee and the Strategy Committee.

The Audit Committee has legal duties provided in Article 65 of Law No. 162/2017[16] consisting mainly in monitoring the financial reporting process, the internal control systems, the internal audit and risk management systems within the company, as well as in supervising the statutory audit activity related to annual financial statements and in managing the relationship with the external auditor.

The Nomination and Remuneration Committee has, basically, the competence to set the procedures for selecting the candidates for the board members and manager positions, and to make proposals for the position as board member and to get involved in the selection and recruitment procedure of managers, and to make proposals for their remunerations. During the financial year, the committee has also the obligation to elaborate an *annual report on the remuneration and other benefits awarded to directors and managers*.

The main scope of the Strategy Committee is to coordinate drafting/updating and monitoring of the company's development strategies, correlated with the national and European energy strategy, to analyse the implementation of such strategies and the measures needed to reach the objectives set, and to monitor the business diversification projects by carrying out some investment objectives.

The detailed presentation of duties and responsibilities of each advisory committee can be found in their respective Internal Rules published on the company's webpage www.romgaz.ro at "*Investors– Corporate Governance – Reference Documents*".

On December 31, 2022, the advisory committees' structure was the following:

I) Nomination and Remuneration Committee:

- Sorici Gheorghe Silvian (chairman)
- Batog Cezar
- Drăgan Dan Dragoș

II) Audit Committee

- Sorici Gheorghe Silvian (chairman)
- Batog Cezar
- Simescu Nicolae Bogdan

III) Strategy Committee

- Balazs Botond (chairman)
- Drăgan Dan Dragoş
- Jude Aristotel Marius
- Metea Virgil Marius
- Sorici Gheorghe Silvian.

Information regarding the Board of Directors' meetings and the Advisory Committees meetings held in 2022

The Board of Directors held in 2022 a number of 43 meetings, in compliance with the legal and statutory provisions, out of which:

- 36 meetings with physical attendance of board members and
- 7 electronic vote meetings.

[16] Law No. 162 of July 15, 2017 on the statutory audit of annual financial statements and of annual consolidated financial statements and on amending pieces of legislation

The attendance at the Board of Directors meetings:

Last name and first name	Number of meetings during mandate	P		PA		NP	
		No.	%	No.	%	No.	%
Stan Manuela Petronela	**8**	8	100.0				
Niculescu George	**8**	8	100.0				
Drăgan Dan Dragoș	**43**	43	100.0				
Jude Aristotel Marius	**43**	43	100.0				
Balazs Botond	**43**	42	97.67			1	2.33
Simescu Nicolae Bogdan	**43**	43	100.0				
Sorici Gheorghe Silvian	**43**	40	93.02			3	6.98
Batog Cezar	**35**	31	88.57			4	11.43
Metea Marius Virgil	**22**	22	83.33			5	16.67

<u>*where*</u>:
P = participation;
PA = power of attorney;
NP = non-participation

Board members' attendance at Advisory Committee meetings:

Nomination and Remuneration Committee: **10** meetings

Last name and first name	Physical attendance
Ciobanu Romeo Cristian	8/9
Drăgan Dan Dragoș	10/10
Jude Aristotel Marius	1/1
Sorici Gheorghe Silvian	10/10

Audit Committee: **12** meetings

Last name and first name	Physical attendance
Stan Manuela Petronela	2/2
Simescu Nicolae Bogdan	12/12
Sorici Gheorghe Silvian	12/12
Batog Cezar	9/10

Strategy Committee: **2** meetings

Last name and first name	Physical attendance
Drăgan Dan Dragoș	1/2
Jude Aristotel Marius	2/2
Niculescu George Sergiu	0/1
Simescu Bogdan Nicolae	1/1
Metea Marius Virgil	1/1
Sorici Gheorghe Silvian	1/1
Balazs Botond	2/2

Chief Executive Officer

In compliance with the company's Articles of Incorporation "*Board of Directors shall assign, in whole or in part, management competencies of the Company to one or more managers, appointing one of them as Chief Executive Officer*" -Article 24, paragraph (1), the term "manager" meaning "*the person to whom the Board of Directors delegated authority to manage the Company"* -Article 24, paragraph (12).

According to Resolution No. 67 of November 2, 2021, the Board of Directors appointed Mr. Jude Aristotel Marius as Chief Executive Officer of Romgaz for a 4-month term mandate, starting with December 15, 2021 until April 15, 2022.

By Resolution No. 17 of March 22, 2022, the Board of Directors appointed Mr. Jude Aristotel Marius as Chief Executive Officer of Romgaz for a 4-month term mandate, starting with April 16, 2022 until August 16, 2022.

By Resolution No. 57 of August 12, 2022, the Board of Directors appointed Mr. Popescu Razvan as Chief Executive Officer of Romgaz for a 4-month term mandate, starting with April 17, 2022 until December 17, 2022.

By Resolution No. 78 of November 23, 2022, the Board of Directors appointed Mr. Popescu Razvan as Chief Executive Officer of Romgaz for a 4-month term interim mandate, starting with December 18, 2022 until April 18, 2023.

Until August 17, 2022 powers delegated to the CEO by the Board of Directors according to Resolution no. 47 of June 30, 2021 modified by Resolution No. 54 of August 12, 2021 were the following:

a) Approval of employment, promotion and dismissal of employees;
b) Approval of work duties and tasks of employees;
c) Approval of bonuses and sanctions of employees;
d) Approval of material operations (technical, economic, commercial etc. actions or processes) that are required and useful to fulfil Romgaz scope of business;
e) Approval of operations with the scope of concluding/issuing legal documents:
    - Up to RON 400 million, concluded on centralized markets (stock exchange) or based on sector-specific procurement law;
    - Up to RON 400 million, concluded outside centralized markets or outside the scope of sector-specific procurement law (by means of internal procedures);
f) Approval of sponsorship and patronage contracts;
g) Approval of Romgaz Rules of Organization and Operation;
h) Change and appointment of managers (with individual employment contract);
i) Any other duty, except for those not assigned pursuant to the above mentioned BoD Resolution;
j) Fulfilment of any ancillary duties, material acts and operations required and useful to perform the duties under a) – i).

Among the duties not delegated to the interim Chief Executive Officer, the Board of Directors established:

a) Approval of Romgaz organizational chart;
b) Approval of operations with the scope of concluding/issuing legal acts other than those provided at article 2) letter e);
c) Management powers which cannot be delegated to company managers pursuant to legal provisions and to the Articles of Incorporation.

Starting with August 17, 2022, according to Board of Directors Resolution no. 57, the Chief Executive Officer as legal representative of Romgaz exercises all management competencies except for the competencies delegated to the Deputy CEO and the CFO.

Deputy Chief Executive Officer

By Resolution No. 57 of August 12, 2022, the Board of Directors appointed Mr. Jude Aristotel Marius as Deputy Chief Executive Officer for a 4-month term from August 17, 2022 to December 17, 2022.

By Resolution No. 78 of November 23, 2022, the Board of Directors appointed Mr. Jude Aristotel Marius as Deputy Chief Executive Officer for an interim 4-month term from December 18, 2022 until April 18, 2023.

By Resolution No. 57, the Board of Directors delegated to the Deputy Chief Executive Officer the following duties:

- Planning, approval and coordination of required and useful operations for Romgaz scope of activity and which fall within the competence expressly given by the Board of Directors in accordance with the company's Rules of Organization and Operation and the law;
- Coordination of activities performed by Romgaz in connection with Neptun Deep project.

Chief Financial Officer

By Resolution No. 68 of November 2, 2021, the Board of Directors appointed Mr. Popescu Razvan as Chief Financial Officer for a 4-month term from December 16, 2021 until April 16, 2022.

By Resolution No. 18 of March 22, 2022, the Board of Directors appointed Mr. Popescu Razvan as Chief Financial Officer for a 4-month term from April 17, 2022 until August 17, 2022.

By Resolution No. 57 of August 12, 2022 the Board of Directors appointed Mr. Bobar Andrei as Chief Financial Officer for a 4-month term from August 17, 2022 until December 17, 2022.

By Resolution No. 85 of December 20, 2022, the Board of Directors appointed Mrs. Tranbitas Gabriela as Chief Financial Officer for a 4-month term from December 20, 2022 until April 20, 2023.

The competency of the Chief Financial Officer established by Board of Directors Resolution No. 57 consists of planning, approval and coordination of operations required and useful for performing Romgaz scope of activity, in accordance with the law and the company's Rules of Organization and Operation, within the competencies of the Economic Department.

The Board of Directors delegates the management competence to the three managers acting by mandate, who were appointed by Board of Directors Resolution No. 57, except for the following competencies:

a. Competencies to manage Romgaz which cannot be delegated by the Board of Directors according to provisions of article 19, par. (3) of the company's Articles of Incorporation;
b. Concluding/issuance of legal acts exceeding RON 300 million.

The Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Financial Officer have the obligation to inform the Board of Directors periodically on how the assigned duties were implemented, and the right to request and to obtain instructions on the manner of exercising the assigned duties.

Internal Audit

Internal audit activity is organised and conducted in compliance with Law No. 672/2002 on the public internal audit, as subsequently amended and supplemented.

From an organisational perspective the Internal Public Audit Department is subordinated to the Chief Executive Officer and from a functional perspective it is subordinated to Romgaz Board of Directors through the Audit Committee.

Based on Law No. 672/2002, the general scope of the internal audit in public entities is the improvement of their management mainly by:

- assurance activities that represent objective examinations of evidence, carried out in order to provide public entities with an independent assessment of risk management, control and governance processes, and
- advisory activities aimed at adding value and improving governance processes in public entities.

In order to achieve its objectives, the Public Internal Audit Department drafts the Multi-Annual Public Internal Audit Plan for a period of 3 years, and based on this, it also drafts the Annual Public Internal Audit Plan.

The draft plan is prepared based on the assessment of risk associated with the different activities, programs/projects or operations, as well as by taking the suggestions of the Chief Executive Officer, Board of Directors and of recommendations made by the Romanian Court of Accounts.

In order to observe and to meet the above mentioned conditions and subject to the 2022 Activity Plan of the Public Internal Audit Department, No. 40668/November 11, 2021, endorsed by the Audit Committee and approved by the Chief Executive Officer, the audit activity consisted of 8 audit missions for assurance purposes aimed at confirming regularity/conformity of procedures and operations with the regulatory framework, by comparing reality with the established reference system. In 2022, the annual audit plan was updated pursuant to Report No. 34392/September 14, 2022, and 1322/January 11, 2023.

Therefore, a total of 8 audit missions were performed in 2022:

- 8 planned missions, in accordance with 2022 annual plan;
- 2 ad-hoc missions;

The missions were performed in the following fields:

- financial-accounting;
- public procurement;

- legal;
- entity specific functions;
- internal management control system;
- health and wellness;
- human resources – Ethics Adviser.

The accomplishment degree of the 2022 internal audit plan was **100%**. Against this context, during 2022, 52 recommendations were made being implemented by the audited structure.

Internal auditing is conducted permanently in order to provide an independent assessment of operational, control and management processes, to evaluate potential risk exposure of various business segments (asset security, compliance with laws and contracts, integrity of operational and financial information etc.) to make recommendations for improving the systems, controls and procedures to ensure efficiency and effectiveness of operations and to monitor proposed corrective actions and results.

As a general note, Romgaz focused on compliance with internal integrity rules and on continuous self-assessment of the implementation level of internal anti-corruption mechanisms, as described in the 2020 – 2025 National Anti-Corruption Strategy and other subsequent documents (Order No.600/2018 on approving the Internal Management Control Code of public entities).

Risk Management and Internal Control

Policies and Objectives related to Risk Management

Risk management is a complex process of identification, analysis and response to possible company risks through a documented approach which uses material, financial and human resources to meet the objectives, aiming at reducing exposure to losses.

One major concern of the management is to raise awareness of the organisation on the objectives of the risk management process, on the necessity to be directly involved in the risk management process, and on the alignment to the latest field-specific practices complying with the applicable law, standards and norms related to such process.

In March 2019, the Board of Directors approved the draft BoD Statement on the commitment to develop and implement the internal management control system and the risk management policy.

The company's risk management system is implemented in accordance with:

- Government Ordinance No.119/1999 on internal/management control and preventive financial control, republished, as subsequently amended and supplemented;
- Emergency Ordinance No. 109/2011 on corporate governance of public enterprises;
- Law No. 111/2016 for the approval of Government Emergency Ordinance No. 109/2011 on corporate governance of public enterprises;
- Order of the General Secretary of the Government No. 600/2018 for the approval of the Code of Internal Management Control of public entities;
- Methodology to implement the internal control standard Risk Management – 2018;
- BVB Code of Corporate Governance
- SNGN Romgaz S.A. Code of Corporate Governance

Considering that the risk management standard is unanimously accepted in EU, being one of the important standards of the internal management control system (SCIM) in risk management, the company systematically reviews risks associated with its objectives and activities, drafts appropriate control plans towards limiting the possible consequences of such risks and establishes responsibilities related to their implementation.

The main benefit of the risk management process is the improvement of company's performance by identifying, analysing, assessing and managing all risks of the company, in order to minimize the negative risk consequences or to increase the positive risk consequences, as the case may be.

A risk management department has been established for an efficient assessment of the company's risks. One major task of this department is drafting the company's documents in terms of risk management (Risk Register, Risk Report, Plan for Implementing Measures and Risk Profile), and managing and developing the risk management system through the following means:

- Implementation of audit and control recommendations contained in reports generated by competent entities;
- Continuous improvement of the information application developed by the company, following periodic reviews and feedback given by the heads of organisational units;
- Permanent counselling of the heads of organisational units and constant support for risk identification and fulfilment of requirements;
- Developing personnel's competence level in terms of understanding and managing risks through methodological guidance.

Three role levels are set up in the risk management system:

- *base level,* represented by risk identifiers and by risk responsible persons (head of each organizational unit) who are responsible for preparing risk management documents of their organizational unit;
- *middle level*, represented by the company's middle management which together with the heads of the organizational units make up the Risk Management Commission that facilitates and coordinates the risk management process within the respective direction/department/division;
- *high level*, represented by the executive upper management in the Monitoring Commission that approves the company's risk appetite and risk profile in accordance with its objectives.

The Company's *general objectives regarding the risk management activity* are:

1. setting a general and single framework for risk identification, analysis and management;
2. providing the appropriate tool for controlled and efficient risk management;
3. providing a description of the manner in which control measures are set and implemented to prevent negative risks occurrence.

Some of the assessed risk categories are: financial risks, market risks, occupational health and safety risks, personnel risks, IT systems related risks, legal and regulatory risks. All risks are assessed from the following perspectives:

- the specific objective addressed by the risk;
- causes of risk occurrence;
- consequences further to risk materialization;
- probability of occurrence;
- risk materialization impact;
- risk exposure;
- risk response strategy;
- recommended control (treatment) measures;
- residual risks remaining after handling initial risks.

Financial and Commercial Risk Exposure

The Company is exposed to a variety of ***financial risks***: market risk (which includes currency risk, inflation risk, interest rate risk), credit risk, liquidity risk. The Company's risk management program is focused on the unpredictability of financial markets and seeks to minimize, within some limits, the potential negative consequences on the Company's financial performance. However, this approach does not prevent losses outside these limits in case of significant variations on the market. The Company does not use derivatives to cover the exposure to certain risks.

The Company faces *currency risks* following the exposure to different foreign currencies. The currency risk arises from future commercial transactions and from recorded receivables and payables.

Financial assets exposing the Group to a potential credit risk are mainly trade receivables. The Group's policies provide for gas sales to clients with low *credit risk*. Moreover, sales have to be secured either by advanced payments or by letters of bank guarantee. The net value of receivables following the adjustment for impairment of doubtful debts, represents the maximum value exposed to credit risk.

Even though collection of receivables might be influenced by economic factors, the management believes that there is no significant risk of loss for the Group, besides the impairment of doubtful debts, already established.

The final responsibility for the *liquidity risk* lies with the company's management, which established a suitable framework for liquidity risk management for the Company's short, medium and long-term financing and for complying with requirements concerning liquidity risk management. The Company manages liquidity risk by maintaining an adequate level of reserves by continuous monitoring forecasts and current cash flows and by connecting maturity profile of financial assets with financial debts.

The risk management system continuously evaluates the ***commercial risks*** faced by the Company. Currently, commercial risks are reduced considering accepted payment method (mainly advance payments or payment deadline securing the payment by means of letter of bank guarantee), existing natural gas demand securing sales and sales prices significantly exceeding production costs.

Internal Control

For an optimum management of the activity, the company performs several types of internal controls:

- preventive financial control;
- work quality control;
- legal control of documents and transactions concluded by the company;
- internal control regarding the compliance with legal requirements in the field of labour health and security and of environment protection;
- internal cost control etc.

As such, the internal management control provides reasonable assurance on understanding, interpretation and implementation of specific regulations, being supported and consolidated by the company's internal control.

The internal management control system implemented in the company operates through different procedures, means, actions targeting every aspect of activity. The management implements such system to attain a better control over the company's general operation and over each activity/operation. The internal management control system (IMCS) secures the implementation of all management functions and is a process carried out by the personnel irrespective of the level of employment, i.e. Board of Directors, Chief Executive Officer, Deputy Chief Executive Officer, heads of functional and operational compartments subordinated to the Chief Executive Officer, to the Deputy Chief Executive Officer and to the Chief Financial Officer, execution personnel.

IMCS increases the probability to meet objectives by means of systematic implementation (objectives, indicators, risks, duties, organisation, procedures etc.). Also, it reduces errors, risk of fraud, losses, inefficiency, assistance in compliance with regulations, issuance of truthful reporting. In case IMCS is not implemented, risks can be generated which may threaten the existence or even the continuity of the organisation.

Main objectives of IMCS developed and implemented by Romgaz are:

- compliance with legal regulations, with internal rules, with contracts, and administrative and jurisdictional decisions applicable to the company's activity;
- fulfilment of Romgaz objectives under effectiveness, economy and efficiency conditions;
- protection of Romgaz patrimony against losses caused by errors, waste, fraud or abuse;
- development and maintenance of collection, storage, processing, updating and distribution of financial and management data and information, as well as of proper systems/procedures to inform the public.

The internal management control system is drafted, implemented, developed and assessed in compliance with the provisions of Government Ordinance No. 119/1999 and with the standards provided by SGG[17] Order No. 600/2018.

Below are some of the development/improvement actions of the internal management control system during 2022:

- in order to consolidate the knowledge on regulations in the field of IMCS, during January 5 to 19, 2022 methodological guiding on the implementation of IMCS was carried out;
- at company level, in order to raise awareness among employees, the company made available a Guideline on internal rules related to each internal control standard and the actions required to be undertaken by every head of organizational unit in order to implement the standards;

[17] General Secretariat of the Government

- guidance for the employees of the headquarters and the branches in order to identify sensitive positions and to establish risk exposure for these positions;
- assessment and identification of sensitive positions (December 1, 2021-March 15, 2022) for each organisational unit pursuant to PS-16 Inventory of Sensitive Positions (procedure). Risks identified following the assessment were centralised and submitted to the monitoring commission which, following debates and final vote, drafted the inventory of sensitive positions and the list of persons holding such positions no.5647 of February 14, 2022;
- during 2022, the Risk Management Methodology (including corruption related risks) was drafted/updated and is pending approval;
- during October 17-November 29, 2022 the representatives of the Court of Accounts verified the company conducting also an assessment on compliance with requirements for the implementation of internal control standards. Following the verification, several recommendations were issued on the implementation of internal management control system.

As a result of the self-assessment action regarding the IMCS implementation for 2022, Romgaz IMCS is **partially compliant** having 15 implemented standards and 1 partially implemented standard, namely Standard 16 Internal Audit.

Romgaz is constantly preoccupied to implement and develop anticorruption and anti-bribery instruments. Actions implemented in 2022 by the Internal Management Control Department, as secretary to the Committee for the implementation of the 2016-2020 and 2021-2025 National Anticorruption Strategy (NAS), are:

- *Statement* for the assumption of an organizational integrity agenda and Romgaz 2022-2025 Integrity Plan according to Decision No. 1269/December 17, 2021 approving the 2021-2025 National Anticorruption Strategy;
- Self-assessment of 2016-2020 National Anticorruption Strategy for 2021 – "*Narrative on implementation degree of measures provided in NAS*" and Annex 3 to GD No. 583/2016 regarding 2016-2020 National Anticorruption Strategy "*Inventory of institutional transparency and corruption prevention measures, and assessment indicators*" sent to Anti-Fraud, Integrity and Inspection Direction under the Ministry of Energy.
- Anti-Fraud, Integrity and Inspection Direction under the Ministry of Energy together with Romgaz executive management and the ethics advisor carried out a corruption prevention activity in May 11, 2022;
- During October 25-27, 2022, the Anti-Fraud, Integrity and Inspection Department of the Ministry of Energy performed an anti-fraud and anticorruption verification at Romgaz.

Corporate Social Responsibility (CSR)

Romgaz activities in the field of social responsibility are performed voluntarily, beyond the legal responsibilities, the company being aware of its role in society.

Social responsibility means for Romgaz a business culture including business ethics, customer rights, economic and social equity, environmental friendly technologies, fair treatment of workforce, transparent relationship with public authorities, moral integrity and investment in the community.

Moreover, Romgaz supports a sustainable development of the society and community, through financial support/ total or partial sponsorship for some actions and initiatives in the following main fields: education, social, sport, health and environment.

Granting partial or total financial support/ sponsorship for actions and initiatives, within the budgeted limits, Romgaz has shown a pro-active attitude of social responsibility and increased the awareness of the parties involved regarding the importance and benefits of social responsibility actions.

In 2022, Romgaz supported, totally or partially, actions and initiatives stipulated in Government Emergency Ordinance ("GEO") No.2/2015, complying with the budget, as follows:

Expenses/activities	Achieved (RON thousand)
Total of sponsorship expenses, out of which:	**24,216**
• Expenses with sponsorships in medical and health fields - art. XIV letter a)	**12,500**

• Expenses with sponsorships in education and sport fields - art. XIV letter b) – total, out of which:	**9,966**
○ For sports clubs	**6,059**
• Sponsorship for other actions and activities - art. XIV letter c)	**1,750**

The detailed description of the projects regarding sponsorship provided in GEO No.2/2015 is included in the 2022Annual Report on Social Responsibility and Patronage published on www.romgaz.ro at "*Investor Relations - Corporate Governance - Social Responsibility*".

The projects carried out in 2022 had, besides the positive impact on the environment and community, an important benefit for the company by inspiring the organisational culture and the goodwill being a responsible employer, and also an involved social partner, promotor of a transparent and open relationship. This is positively reflected in Romgaz image, domestically and internationally, both for investors, government and local authorities, and for other stakeholders.

When supporting/performing projects, actions, social responsibility initiatives, Romgaz took into consideration the provisions of 2022 Sponsorship Policy and Sponsorship Guide published on the company's website at Social Responsibility. (https://www.romgaz.ro/en/content/social-responsibility-0).

Remuneration Policy and Criteria of the Executive and Non-Executive Members of the Board of Directors and of Managers

Legal Framework

Remuneration policy and criteria of executive and non-executive members of the Board of Directors are based on the following norms:

- Law No. 31/1990 on trading companies, as subsequently amended and supplemented;
- GEO No. 109/2011 on corporate governance of public enterprises, as subsequently amended and supplemented, approved by Law No.111/2016;
- Company's Articles of Incorporation approved by the Extraordinary General Meeting of Shareholders No. 9/October 28, 2016 and No. 4/August 9, 2017 (latest update of the Articles of Incorporation);
- SNGN Romgaz SA Remuneration Policy, endorsed by the Board of Directors by Resolution No. 20 of March 28, 2022 and approved by the OGMS by Resolution No. 3 of April 28, 2022;
- Resolution No. 7/ September 9, 2021 of the Ordinary General Meeting of Shareholders whereby the shareholders appoint the interim Board of Directors members for a 4-month term from September 13 2021 to January 13,2021, approve the form of the mandate contract and establish the fixed gross monthly allowance;
- Board of Directors Resolution No. 67/ November 2, 2021 appointing Romgaz CEO for a 4-month term from December 15, 2021 until April 15 2022, and signing the mandate contract and the fixed gross monthly allowance;
- Board of Directors Resolution No. 68/ November 2, 2021 appointing Romgaz CFO for a 4-month term from December 16, 2021 until April 16 2022, and signing the mandate contract and the fixed gross monthly allowance;
- Resolution No. 1/ January 6, 2022 of the Ordinary General Meeting of Shareholders whereby the shareholders approve a 2-month extension of BoD members mandate term starting with the mandate expiration date, and the form of addendum to the mandate contract;
- Resolution No. 2/ February 28, 2022 of the Ordinary General Meeting of Shareholders whereby the shareholders appoint BoD interim members for a 4-month term from March 14, 2022, establish the fixed gross monthly allowance and approve the form of the mandate contract;
- Board of Directors Resolution No. 17/ March 22, 2022 appointing Romgaz CEO for a 4-month term from April 16, 2022 until August 16, 2022 and establishing the fixed gross monthly allowance;
- Board of Directors Resolution No. 18/ March 22, 2022 appointing Romgaz CFO for a 4-month term from April 17, 2022 until August 17, 2022 and establishing the fixed gross monthly allowance;
- Board of Directors Resolution No. 33/ May 25, 2022 approving the mandate contract for the CEO and the CFO;

- Board of Directors Resolution No. 34/ May 22, 2022 appointing a new interim Romgaz board member starting with May 25, 2022 until the date of the first Ordinary General Meeting of Shareholders;
- Board of Directors Resolution No. 36/ June 17, 2022 approving the mandate contract for the interim board member;
- Resolution No.6/ July 8, 2022 of the Ordinary General Meeting of Shareholders whereby the shareholders appoint BoD interim members, establish the mandate term, the fixed gross allowance, the form of mandate contract, and approve the 2-month extension of mandate term from the date of expiration for the interim board members appointed by Ordinary General Meeting of Shareholders No. 2/February 28, 2022, and the form of addendum to the mandate contract;
- Board of Directors Resolution No. 57/ August 12, 2022 appointing Romgaz CEO, Deputy CEO and CFO for a 4-month term from August 17, 2022 until December 17, 2022, and approving the monthly gross fixed allowance;
- Board of Directors Resolution No. 60/ August 31, 2022 approving the mandate contract of the CEO;
- Board of Directors Resolution No. 61/ August 31, 2022 approving the mandate contract of the Deputy CEO;
- Board of Directors Resolution No. 62/ August 31, 2022 approving the mandate contract of the CFO;
- Resolution No.7/ September 13, 2022 of the Ordinary General Meeting of Shareholders whereby the shareholders appoint BoD interim members, establish the 4-month mandate term from September15/2022 until January 15, 2023, the gross monthly allowance and the form of mandate contract;
- Board of Directors Resolution No. 78/ November 23, 2022 appointing the CEO and Deputy CEO for a 4-month term from December 18, 2022 until April 18, 2023, and approving the monthly gross fixed allowance;
- Board of Directors Resolution No. 85/ December 20, 2022 approving the mandate contract of the CEO and Deputy CEO, appointing Romgaz CFO for a 4-month term from December 20, 2022 until April 20, 2023, and approving the monthly gross fixed allowance;
- Board of Directors Resolution No. 90/ December 29, 2022 approving the mandate contract of the CFO;

For compliance with the requirements of BVB Code of Corporate Governance, GEO No. 109/2011 and Law No.24/2017 on issuers of financial instruments and market operations as amended and supplemented by Law No. 158/2020, the Policy on Remuneration was revised and approved by the Ordinary General Meeting of Shareholders by Resolution No. 3/April 28, 2022.

Structure of the remuneration granted to non-executive members of the Board of Directors

The fixed monthly remuneration was established in accordance with the applicable legal provisions (detailed in 2022 Annual Report on Remuneration and Other Benefits Granted to Members of the Board and Managers of SNGN Romgaz SA) and provided in the Director Agreement of each board member, as approved by the applicable GMS resolutions.

The fixed monthly remuneration for 2022 was established at a gross monthly allowance equal to twice the average of the gross monthly average salary over the last 12 months for the activity carried out pursuant to the company's main business, at the level of class of activity, in accordance with the classification of activities in the national economy, as communicated by the National Institute of Statistics prior to appointment.

The variable remuneration will be established and granted depending on the achievement of the objectives included in the governance plan and of the financial and non-financial performance indicators approved by the General Meeting of Shareholders. The variable component as well as the conditions to revise the objectives and performance indicators will be subject to an addendum to the director agreement.

Director agreements do not include key financial and non-financial performance indicators, therefore members of the Board of Directors do not benefit from a variable allowance.

The structure of the remuneration granted to the executive members of the Board of Directors, namely the Chief Executive Officer/Deputy Chief Executive Officer

The Interim Chief Executive Officer/Deputy Chief Executive Officer, who is also an executive member of the Board of Directors, concluded a director agreement as member of the Board of Directors and a mandate contract as Chief Executive Officer/Deputy Chief Executive Officer. The Chief Executive Officer/ Deputy Chief Executive Officer was strictly entitled to receive remuneration pursuant to the mandate contract.

The structure of remuneration granted to managers

The fixed monthly remuneration, was granted under the applicable legal provisions (detailed in the 2022 Annual Report on the Remuneration and Other Benefits Granted to Members of the Board and Managers of SNGN Romgaz SA), being provided in the contract of mandate concluded with each manager and approved by Board resolutions.

The fixed monthly remuneration for 2022 was set at a gross monthly allowance of up to 6 times the average of the gross monthly average salary over the last 12 months for the work carried out in accordance with the company's main business as communicated by the National Institute of Statistics prior to appointment. The fixed allowance is updated at the beginning of each year based on the data provided by the National Institute of Statistics. In 2022, the Chief Executive Officer and the Deputy Chief Executive Officer had a fixed monthly remuneration of 6 times the average, for the interim Chief Financial Officer the fixed monthly remuneration was set to 6 respectively 5 times this average.

The variable remuneration established depending on the fulfilment of objectives and of approved financial and non-financial performance indicators will be reflected in an addendum to the mandate contract. In 2022, the Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Financial Officer did not benefit from a variable remuneration.

NON-FINANCIAL STATEMENT

Romgaz prepares a ***separate report*** for 2022 financial year, that will be public on the company's website by the end of June 2023, according to the Order of the Ministry of Public Finance No. 2844/2016[18] (chapter 7, item 42, paragraph (1)).

[18] Order of the Ministry of Public Finances no.2844 of December 12, 2016 on approving Accounting Regulations compliant with the International Financial Reporting Standards.

IX. Performance of director agreements and mandate contracts

Mandate Contracts of Board Members

In 2022, Romgaz Board members performed their activity based on mandate contracts approved in terms of form and content by the General Meeting of Shareholders.

Until completion of selection process initiated by Resolution No. 9/October 27, 2021 of the Ordinary General Meeting of Shareholders the Board members' mandates are interim with an initial term of 4 months and a maximal term of 6 months, following their extension. The interim Board members' contracts do not include performance indicators and criteria.

By Resolution No. 7/ September 9, 2021 of the Ordinary General Meeting of Shareholders the shareholders appoint the interim Board of Directors members for a 4-month term from September 13, 2021 to January 13, 2021, establish the fixed gross allowance and approve the form of the mandate contract.

By Resolution No. 1/ January 6, 2022 of the Ordinary General Meeting of Shareholders the shareholders approve a 2-month extension of BoD members mandate term starting with the mandate expiration date, and the form of addendum to the mandate contract.

By Resolution No. 2/ February 28, 2022 of the Ordinary General Meeting of Shareholders the shareholders appoint BoD interim members for a 4-month term from March 14, 2022, establish their fixed gross allowance and approve the form of the mandate contract.

By Board of Directors Resolution No. 34/ May 22, 2022 the Board appoints a new interim board member starting with May 25, 2022 until the date of the first Ordinary General Meeting of Shareholders;

By Board of Directors Resolution No. 36/ June 17, 2022 the Board of Directors approves the mandate contract for the interim board member appointed by the Board.

By Resolution No.6/ July 8, 2022, the Ordinary General Meeting of Shareholders appoints one BoD interim member, starting with July 9, 2022 until September 14, 2022, establishes the mandate term, the monthly gross allowance, and the form of mandate contract, approves the 2-month extension of mandate term from the date of expiration for the interim board members appointed by Ordinary General Meeting of Shareholders Resolution No. 2/February 28, 2022, and the form of addendum to the mandate contract regarding the extension.

By Resolution No.7/ September 13, 2022, the Ordinary General Meeting of Shareholders appoints BoD interim members, for a 4-month mandate term from September15/2022 until January 15, 2023, establishes the gross monthly allowance and the form of mandate contract.

The director agreement does not include key financial and non-financial performance indicators, therefore the board members do not benefit from the variable component.

Mandate Contracts of Managers

During the reporting period, the Chief Executive Officer, Deputy Chief Executive Officer and for the Chief Financial Officer performed their activity based on mandate contracts approved in terms of form and content by the Board of Directors.

During the reporting period, Romgaz managers' mandates were interim having a maximum term of 6 months per mandate contract.

By Resolution No. 67, Romgaz Board of Directors convened on November 2, 2021, appoints Mr. Jude Aristotel Marius as Romgaz CEO starting with December 15, 2021 for a 4-month term interim mandate, establishes the fixed gross monthly allowance and approves the signing of the mandate contract in the form previously approved by the Board of Directors for the mandate ending on December 14, 2021.

By Resolution No. 68, Romgaz Board of Directors convened on November 2, 2021, appoints Mr. Popescu Razvan as Romgaz CFO starting with December 16, 2021 until April 16, 2022 for a 4-month term interim mandate, establishes the fixed gross monthly allowance and approves the signing of the mandate contract in the form previously approved by the Board of Directors for the mandate ending on December 14, 2021.

By Resolution No. 17, Romgaz Board of Directors convened on March 22, 2022, appoints Mr. Jude Aristotel Marius as Romgaz CEO starting with April 16, 2022 until August 16, 2022 for a 4-month term interim mandate, and establishes the fixed gross monthly allowance.

By Resolution No. 18, Romgaz Board of Directors convened on March 22, 2022, appoints Mr. Popescu Razvan as Romgaz CFO starting with April 17, 2022 until August 17, 2022 for a 4-month term interim mandate, and establishes the fixed gross monthly allowance.

By Resolution No. 33/ May 25, 2022, the Board of Directors approves the mandate contract for the CEO and the CFO.

By Resolution No. 57/ August 12, 2022, the Board of Directors appoints Mr. Popescu Razvan as Romgaz CEO, Mr. Jude Aristotel Marius as Romgaz Deputy CEO and Mr. Bobar Andrei as Romgaz CFO for a 4-month term from August 17, 2022 until December 17, 2022, and establishes the monthly gross fixed allowance.

By Resolution No. 60/ August 31, 2022, the Board of Directors approves the mandate contract of the CEO.

By Resolution No. 61/ August 31, 2022, the Board of Directors approves the mandate contract of the Deputy CEO.

By Resolution No. 62/ August 31, 2022, the Board of Directors approves the mandate contract of the CFO.

By Resolution No. 78/ November 23, 2022 the Board of Directors appoints Mr. Popescu Razvan as Romgaz CEO and Mr. Jude Aristotel Marius as Romgaz Deputy CEO for a 4-month term from December 18, 2022 until April 18, 2023, and approves their monthly gross fixed allowance.

By Resolution No. 85/ December 20, 2022, the Board of Directors approves the mandate contract of the CEO and Deputy CEO, appoints Mrs. Tranbitas Gabriela as Romgaz CFO for a 4-month term from December 20, 2022 until April 20, 2023, and approves the monthly gross fixed allowance.

By Resolution No. 90/ December 29, 2022, the Board of Directors approves the mandate contract of the CFO.

The mandate contracts concluded with the Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Financial Officer, respectively, do not include performance indicators and criteria.

Signatures:

Chairman of the Board of Directors,

DAN DRAGOŞ DRĂGAN

....

Chief Executive Officer,	**Chief Financial Officer,**
RĂZVAN POPESCU	**GABRIELA TRÂNBIŢAŞ**
....	....

Table on compliance with BVB Code of Corporate Governance

BVB CGC Provisions		Compliance	Noncompliance / Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
A.1	All companies should have in place Regulations of the Board of Directors to include the terms of reference / the responsibilities of the Board and the company's key management positions, and which apply, among others, the General Principles in section A.	x		
A.2	The BoD Regulations shall include provisions for the management of conflict of interest. The members of the Board should notify the Board on any conflicts of interest which have arisen or may arise and should refrain from taking part in the discussion (including by absence, except where such absence prevents quorum to be attained) and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	x		
A.3	The BoD should comprise at least five members.	x		
A.4	The majority of the BoD members should be non-executive. The number of independent non-executive BoD members shall not be less than two. Each independent BoD member shall submit a statement upon his/her nomination for election or re-election, as well as whenever a change in his/her status occurs, indicating the elements on which he/she is deemed independent in terms of his/her character and his/her judgment.	x		As of March 14, 2022 (OGMS Resolution No. 2/ February 28, 2022), two non-executive BoD members are independent.
A.5	A BoD member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and non-profit organizations, shall be disclosed to shareholders and to potential investors prior to his/her nomination and during his/her mandate.	x		
A.6	Any BoD member shall submit to the Board information on any relationship with a shareholder who holds, directly or indirectly, shares representing more than 5% of all voting rights. This also applies to any relationship which may affect the member's position on matters decided by the Board.	x		
A.7	The company shall appoint a Board secretary responsible for supporting the work of the BoD.	x		
A.8	The Corporate Governance Statement shall inform on whether an evaluation of the Board has taken place under the leadership of the chairperson or the nomination committee and, if so, it shall summarize key action points and changes resulting from it.	x		The Corporate Governance Statement informs on the 2022 BoD evaluation.

BVB CGC Provisions		Compliance	Noncompliance / Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
	The company should have a policy/ guidelines on the BoD evaluation, containing the purpose, criteria and frequency of the evaluation process.			
A.9	The Corporate Governance Statement shall contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (personally and in their absence) and a report of the Board and committees on their activities.	x		
A.10	The Corporate Governance Statement shall contain information on the precise number of the independent members of the Board of Directors.	x		
A.11	The BoD shall set up a nomination committee comprised of non-executives, which will lead the nomination process for new Board members and make recommendations to the Board. The majority of the members of the nomination committee shall be independent.	x		As of March 14, 2022 (BoD Resolution No. 13/2022), two non-executive members of the Nomination and Remuneration Committee are independent.
B.1	The Board shall set up an Audit Committee, and at least one member should be an independent non-executive. The Audit Committee shall comprised at least three members and the majority shall be independent. The majority of members, including the chairperson, shall have proven an adequate qualification relevant to the functions and responsibilities of the Committee. At least one member of the Audit Committee shall have a proven and appropriate auditing and/or accounting experience.	x		As of March 14, 2022 (BoD Resolution No. 13/2022), two non-executive members of the Audit Committee are independent.
B.2	The Chairperson of the Audit Committee shall be an independent non-executive member.	x		
B.3	Among its responsibilities, the Audit Committee shall perform an annual assessment of the internal control system.	x		
B.4	The assessment mentioned in section B.3 shall consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports submitted to the BoD Audit Committee, the executive management's responsiveness and effectiveness in dealing with the failures and weak points identified during the internal control, and submission of relevant reports to the Board.	x		

BVB CGC Provisions		Compliance	Noncompliance / Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
B.5	The Audit Committee shall review conflicts of interests in connection with related party transactions of the company and its subsidiaries.		x partially	This provision is already mentioned in Article 8, par. 2 of Romgaz CCG. The Audit Committee Rules approved by the BoD in the meeting of May 14, 2018, revised and approved on October 10, 2022, includes provisions on such obligation. Moreover, a *Policy on related party transactions* was developed by Romgaz, and it obtained BoD approval on March 20, 2019. Following approval it was published on the company's website.
B.6	The Audit Committee shall evaluate the effectiveness of the internal control system and the risk management system	x		
B.7	The Audit Committee shall monitor the application of statutory and generally accepted standards of internal auditing. The reports of the internal audit team shall be submitted to the Audit Committee, which shall evaluate such reports.	x		
B.8	The Audit Committee shall report periodically (at least annually) or adhoc to the BoD with regard to the reports or analyses undertaken by the committee.	x		
B.9	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	x		
B.10	The BoD shall adopt a policy ensuring that any transaction of the company with any of the companies in close relationship amounting to at least 5% of the company's net assets (as stated in the latest financial report) is approved by the Board, based on a mandatory opinion of the Audit Committee, and it is fairly disclosed to the shareholders and potential investors, to the extent such transactions are events which are subject to reporting requirements.	x		
B.11	The internal audits shall be carried out by a separate structural division (internal audit department) within the company or by hiring an independent third-party entity.	x		

BVB CGC Provisions		Compliance	Noncompliance / Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
B.12	The Internal Audit Department shall functionally report to the BoD via the Audit Committee. For administration purposes and as part of the management obligations to monitor and mitigate risks, the Internal Audit Department shall report directly to the Director General.	x		
C.1	The company shall publish the Remuneration Policy on its website. The Remuneration Policy should be formulated so as to allow the shareholders to understand the principles and arguments underlying the remuneration of the BoD members and the General Director. Any significant change occurred in the Remuneration Policy shall be posted in due time on the company's website. The company shall include in its Annual Report a statement on the implementation of the Remuneration Policy during the annual period under review. The Report on Remuneration shall present the implementation of the Remuneration Policy for persons identified in such Policy during the annual period under review.	x		
D.1	The company shall establish an Investors Relation Department - indicating to the public the responsible person/persons or the organizational unit. Besides the information required by the legal provisions, the company shall also include on its website a dedicated Investor Relations section, both in Romanian and English, with all the relevant information of interest for investors, including:	x		
D.1.1	Main corporate regulations: the Articles of Incorporation, procedures on general meeting of shareholders;		x partially	Items on organizing the GMS are presented to shareholders at each meeting.
D.1.2	Professional CVs of the members of the company's governing bodies, other professional commitments of BoD members, including executive and non-executive Board positions in companies and non-profit organizations.	x		
D.1.3	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least those specified at item D.8 - including current reports with detailed information on non-compliance with the Bucharest Stock Exchange Code of Corporate Governance;	x		
D.1.4	Information related to GMS: the agenda and supporting materials; the Board of Directors election procedure; the arguments in support of the proposal of candidates to the Board of Directors together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including decisions taken;	x		

BVB CGC Provisions		Compliance	Noncompliance / Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
D.1.5	Information on corporate events (such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder) including the deadlines and principles applicable to such operations. Such information shall be published within due course of time so as to allow investors to take investment decisions;	x		
D.1.6	The names and contact data of the persons who should be able to provide knowledgeable information upon request;	x		
D.1.7	Corporate presentations (e.g. presentations for investors, presentations on quarterly results, etc.), financial statements (quarterly, semi-annual, annual), audit reports and annual reports.	x		
D.2	The company shall have a policy for the annual distribution of dividends or other benefits to shareholders, proposed by the Director General and adopted by the BoD as the company's Guideline on net profit distribution. The principles of the policy on annual distribution of dividends to shareholders shall be published on the company's website.	x		
D.3	The company shall adopt a policy with respect to forecasts, whether or not made public. The Policy on forecasts shall determine the frequency, period and content of the forecasts and shall be published on the company's website.	x		
D.4	GMS rules should not restrict the participation of shareholders in general meetings and should not limit the exercise of their rights. The modification of rules shall become effective no sooner than the next shareholders' meeting.	x		
D.5	The external auditors shall attend those shareholders' meetings where their reports are presented.	x		
D.6	The BoD shall submit to the GMS a brief assessment of the internal control and significant risk management systems, as well as opinions on matters to be submitted to the GMS for decision.	x		
D.7	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the BoD. Accredited journalists may also attend the GMS, unless the Chairperson of the Board decides otherwise.	x		

BVB CGC Provisions		Compliance	Noncompliance / Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
D.8	The quarterly and semi-annual financial reports shall include, in the Romanian and English languages, information on the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, on a quarter-on-quarter and year-on-year basis.	x		
D.9	The company shall organize meetings/conference calls with analysts and investors at least twice a year. Information presented on such occasions shall be published on the company's website in the Investors Relation section at the date of the meetings/teleconferences.	x		
D.10	If the company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers that their resulting impact on the innovativeness and competitiveness of the company is part of its business mission and development strategy, the company shall publish the policy guiding its activity in such field.	x		

Abbreviations:

GMS	= General Meeting of Shareholders
BVB	= Bucharest Stock Exchange
BoD	= Board of Directors
CCG	= Code of Corporate Governance
ROMGAZ CCG	= Code of Corporate Governance of S.N.G.N. ROMGAZ S.A., as approved on January 28, 2016
CV	= Curriculum Vitae
ToR	= Terms of Reference

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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 subsidiaries (together referred to as "the Group") with official head office in Medias, Piata Constantin I. Motas 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, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and of its consolidated financial performance and its consolidated 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 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.

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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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">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 and "Exploration and Appraisal Assets") to the consolidated financial statements.</td></tr>
<tr><td>Estimation of the gas reserves is a focus area in our audit because it has a significant impact on the consolidated financial statements, as the reserves are the basis for unit of production depreciation and amortization for the assets in the Upstream segment.
The estimation of gas reserves requires the Group's management and engineers to make significant judgements and assumptions and therefore it was considered to be a key audit matter.</td><td>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 if the adjustments were made in compliance with the standards of the National Agency for Mineral Resources ("ANRM");
➢ We compared, on a sample basis, the gas reserves with the assumptions used 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 calculation of amortization.</td></tr>
</table>

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Accounting for the acquisition of ExxonMobil Exploration and Production Romania Limited ("EMEPRL") shares (currently Romgaz Black Sea Limited) in the consolidated financial statements

The Group's disclosures about the **EMEPRL's** acquisition and its accounting treatment are included in note 30 to the consolidated financial statements.

During the year, the Company acquired 100% of ExxonMobil Exploration and Production Romania Limited ("EMEPRL") shares, an entity holding 50% of the acquired rights and obligations under the Petroleum Agreement for the Deep-Water Zone of Neptun XIX offshore Block in the Black Sea.

The accounting for the acquisition of ExxonMobil Exploration and Production Romania Limited ("EMEPRL") shares is a focus area in our audit because it has a significant impact on the consolidated financial statements and required Group's management to make significant judgements and assumptions in:

- ➢ determining whether the transaction is a business combination or an asset acquisition;
- ➢ identifying acquired assets and allocating the purchase price to the acquired assets.

The Group's management, considered the asset concentration test set out in IFRS 3 – Business Combinations to be met and concluded that the transaction qualifies as an acquisition of assets for the consolidated financial statements, thus recognising a newly identified Intangible asset - mineral right to exploit 50% of the reserves of the Neptun Deep perimeter - and allocating the largest part of the consideration paid to this asset.

For the purpose of the purchase price allocation, the relative fair value of the newly recognized mineral right was determined using the method of initial investment, that required Group's management to prepare discounted cash flows in respect of the future natural gas resource exploitation.

As result of significant judgements and assumptions involved, the accounting for the acquisition of **EMEPRL,** was considered a key audit matter.

We assessed the management's judgements and assumptions about the acquisition of EMEPRL's shares. Specifically, our work included, but was not limited to, the following procedures:

- ➢ We have read the purchase agreement to gain an understanding of the key terms and conditions; we involved our internal IFRS specialists to assist us in the evaluation of the accounting treatment used by the management and its conformity with the International Financial Reporting Standards requirements;
- ➢ We analysed and evaluated the management's assessment to determine the nature of transaction, and in particular, we analysed the asset concentration test assumptions;
- ➢ We agreed with the supporting evidence (bank statements) the consideration paid for the acquisition of 100% of EMEPRL's shares;
- ➢ We assessed the competence of both internal and external specialists used by the management in this process and the objectivity and independence of external specialists, to consider whether they were appropriately qualified to carry out the valuation;
- ➢ We evaluated the management's assessment of the purchase price allocation performed based on the relative fair values of assets acquired and liabilities assumed;
- ➢ In respect of the discounted cash flows model used to compute the relative fair value of the mineral right acquired, we:

a) tested the reasonability of future yearly production volumes per field based on actual reports of the National Agency for Mineral resources ("ANRM") and appendixes, that approves the production plan for each field;

b) compared the main assumptions used in the discounted cash flow test (future gas prices, operating costs, capital expenditures, production volumes, gas reserves and discount rate) with the current and long-term forecasts approved by both parties of the joint operation: the Group's management and the operator of the concession;

c) analysed the assumptions used in the cash flow projections;

d) involved our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by the Group for the valuation of the mineral right (checked the mathematical accuracy of the model, its conformity with the

	requirements of the International Financial Reporting Standards, the discount rates used, future natural gas sales prices); e) evaluated the management's sensitivity analysis over key assumptions in the future cash flow model in order to assess the potential impact of possible changes; f) Inquired whether the Group has the ability to finance 50% of the investments necessary for the exploitation of the Neptun Deep perimeter; g) We also reviewed the Executive Board minutes of meetings for any indications about the lack of such ability or intention and we checked that the investment budget for the next year and beyond includes funds for these investments. We also assessed the adequacy of the Group's disclosures in the consolidated financial statements.
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 consolidated financial statements.	
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 significant to our audit because of its magnitude (carrying value of RON 236.49 million at 31 December 2022) 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.	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 provision calculations; ➢ We assessed the competence, capabilities and objectivity of management specialists. We also assessed the adequacy of the Group's disclosures in the consolidated financial statements relating to decommissioning obligations.

Other information

The other information comprises the Annual Report (which includes the Directors' Consolidated Report, the Report on Payments to Governments, the Corporate Governance Statement and the Remuneration Report), 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, 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 Consolidated 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 communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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' Consolidated Report and Remuneration Report, we have read these reports 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 in the accompanying consolidated financial statements as at December 31, 2022;
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 26-27;
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, 2022, we have not identified information included in the Directors' Consolidated Report that contains a material misstatement of fact;
d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

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 October 2021 to audit the consolidated financial statements for the financial year ended December 31, 2021, 2022 and 2023. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for five years, covering the years ended December 31, 2018 till December 31,2022.

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 the same date as the issue date of this report.

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 consolidated financial statements, no other services were provided by us to the Group and its controlled undertakings.

Report on the compliance of the electronic format of the consolidated financial statements, with the requirements of the ESEF Regulation

We have performed a reasonable assurance engagement on the compliance of the electronic format of the consolidated financial statements of SNGN Romgaz SA (the Company) and its subsidiaries (together referred to as "the Group") for the year ended December 31, 2022, included in the attached electronic file „2549009R7KJ38D9RW354-2022-12-31.zip "(identified with the key 25f2479a8d872c99c5260809efee3c575ed8edb97b1766ef167dd688b0d4404c) with the requirements of the Commission Delegated Regulation (EU) 2018 /815 of 17 December 2018 supplementing Directive 2004/ 109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation). Our opinion is expressed only in relation to the electronic format of the consolidated financial statements.

Description of the subject matter and the applicable criteria

The Management has prepared electronic format of consolidated financial statements of the Group for the year ended December 31, 2022 in accordance and to comply with ESEF Regulation requirements. The requirements for the preparation of the consolidated financial statements in ESEF format are specified in the ESEF Regulation and represent, in our opinion, applicable criteria for us to express an opinion providing reasonable assurance.

Responsibilities of the Management and Those Charged with Governance regarding the electronic format of the consolidated financial statements

The Management of the Group is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the consolidated financial statements in XHTML format. Such responsibility includes the selection and application of appropriate iXBRL tags using the taxonomy specified in the ESEF Regulation, ensuring consistency between the human-readable layer of electronic format of the consolidated financial statements and the audited consolidated financial statements. The responsibility of Group's Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the consolidated financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process for the preparation of consolidated financial statements of the Group, including the application of the ESEF Regulation.

Auditor's Responsibility

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation.

We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the consolidated financial statements of the Group is prepared, in all material respects, in accordance with the applicable criteria, specified above. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

Our Independence and Quality Management

We apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, designs, implements and operates a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

Summary of procedures performed

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the consolidated financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic (XHTML) reporting format of the consolidated financial statements of the Group, we have maintained professional skepticism and applied professional judgement. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the consolidated financial statements of the Group, including the preparation of the consolidated financial statements of the Group in XHTML format and its tagging in machine readable language (iXBRL);
- tested the validity of the applied XHTML format;
- checked whether the human-readable layer of electronic format of the consolidated financial statements (XHTML) corresponds to the audited consolidated financial statements;
- assessed the completeness of the tagging of information in the consolidated financial statements while using the machine-readable language (iXBRL) under the requirements of the ESEF Regulation;
- assessed the appropriateness of the applied iXBRL tags selected from the core taxonomy and the creation of extensions to the elements in the extended taxonomy specified in the ESEF Regulation when there were no suitable elements in the core taxonomy;
- evaluated the anchoring of the taxonomy extensions to the elements in the extended taxonomy specified by the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation

Based on the procedures performed, in our opinion, the electronic format of the consolidated financial statements of the Group for the year ended 31 December 2022 is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

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. FA77

Name of the Auditor / Partner: Verona Cojocaru
Registered in the electronic Public Register under No. AF1568

Bucharest, Romania
23 March 2023

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

PREPARED IN ACCORDANCE WITH
THE ORDER OF THE MINISTRY OF PUBLIC FINANCE 2844/2016

CONTENTS: **PAGE:**

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	Note	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Revenue	**3**	13,359,653	5,852,926
Cost of commodities sold	**5**	(183,578)	(281,589)
Investment income	**4**	176,979	58,403
Other gains and losses	**6**	(9,441)	23,388
Net impairment gains/(losses) on trade receivables	**16**	(55,166)	349,989
Changes in inventory of finished goods and work in progress		(2,197)	74,787
Raw materials and consumables used	**5**	(118,037)	(81,146)
Depreciation, amortization and impairment expenses	**7**	(550,076)	(685,772)
Employee benefit expense	**8**	(846,001)	(766,639)
Finance cost	**9**	(27,295)	(16,739)
Exploration expense	**13**	(59,714)	(1,197)
Share of profit of associates	**25**	2,350	85
Other expenses	**10**	(7,613,296)	(2,539,086)
Other income	**3**	80,068	169,841
Profit before tax		**4,154,249**	**2,157,251**
Income tax expense	**11**	(1,607,537)	(242,264)
Profit for the year		**2,546,712**	**1,914,987**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on post-employment benefits	**19 c)**	15,839	(37,116)
Income tax relating to items that will not be reclassified subsequently to profit or loss	**11**	(2,534)	5,938
Total items that will not be reclassified subsequently to profit or loss		**13,305**	**(31,178)**
Other comprehensive income for the year net of income tax		**13,305**	**(31,178)**
Total comprehensive income for the year		**2,560,017**	**1,883,809**
Basic and diluted earnings per share	**17 b)**	0.0066	0.0050

These financial statements were endorsed by the Board of Directors on March 23, 2023.

Răzvan Popescu
Chief Executive Officer

Gabriela Trânbiţaş
Chief Financial Officer

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	Note	December 31, 2022 '000 RON	December 31, 2021 '000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	**12**	5,039,314	5,240,697
Other intangible assets	**14 a)**	5,140,425	16,133
Investments in associates	**25**	28,537	26,187
Deferred tax asset	**11**	199,016	269,645
Right of use asset	**14 b)**	8,766	7,128
Other financial assets	**26**	5,616	5,616
Total non-current assets		**10,421,674**	**5,565,406**
Current assets			
Inventories	**15**	284,007	305,241
Trade and other receivables	**16 a)**	1,373,664	1,352,345
Contract costs		3	483
Other financial assets	**31**	99,597	417,923
Other assets	**16 b)**	265,232	67,962
Current tax receivable		-	3,201
Cash and cash equivalents	**28**	1,883,882	3,580,412
Total current assets		**3,906,385**	**5,727,567**
Total assets		**14,328,059**	11,292,973
EQUITY AND LIABILITIES			
Equity			
Share capital	**17 a)**	385,422	385,422
Reserves	**18**	3,579,274	2,998,975
Retained earnings		6,111,869	5,596,756
Total equity		**10,076,565**	**8,981,153**
Non-current liabilities			
Retirement benefit obligation	**19**	168,830	156,420
Deferred revenue	**20**	230,419	230,438
Lease liability		7,499	7,211
Borrowings	**29**	1,125,534	-
Provisions	**19**	210,838	412,846
Total non-current liabilities		**1,743,120**	**806,915**

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	Note	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Current liabilities			
Trade payables	**21**	110,006	71,317
Contract liabilities		263,340	204,384
Current tax liabilities	**11**	1,177,498	52,299
Deferred revenue	**20**	11	49
Provisions	**19**	321,489	237,144
Lease liability		2,181	810
Borrowings	**29**	321,581	-
Other liabilities	**21**	312,268	938,902
Total current liabilities		**2,508,374**	**1,504,905**
Total liabilities		**4,251,494**	**2,311,820**
Total equity and liabilities		**14,328,059**	**11,292,973**

These financial statements were endorsed by the Board of Directors on March 23, 2023.

Răzvan Popescu
Chief Executive Officer

Gabriela Trânbițaș
Chief Financial Officer

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY

	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, 2022	**385,422**	**85,250**	**2,913,725**	**5,596,756**	**8,981,153**
Profit for the year	-	-	-	2,546,712	2,546,712
Other comprehensive income for the year	-	-	-	13,305	13,305
Total comprehensive income for the year	**-**	**-**	**-**	**2,560,017**	**2,560,017**
Allocation to dividends *)	-	-	-	(1,464,605)	(1,464,605)
Increase in legal reserves	-	5,044	-	(5,044)	-
Allocation to other reserves	-	-	540,227	(540,227)	-
Increase in reinvested profit reserves	-	-	35,028	(35,028)	-
Balance as of December 31, 2022	**385,422**	**90,294**	**3,488,980**	**6,111,869**	**10,076,565**
Balance as of January 1, 2021	**385,422**	**83,537**	**2,168,372**	**5,149,919**	**7,787,250**
Profit for the year	-	-	-	1,914,987	1,914,987
Other comprehensive income for the year	-	-	-	(31,178)	(31,178)
Total comprehensive income for the year	**-**	**-**	**-**	**1,883,809**	**1,883,809**
Allocation to dividends *)	-	-	-	(689,906)	(689,906)
Increase in legal reserves	-	1,713	-	(1,713)	-
Allocation to other reserves	-	-	675,203	(675,203)	-
Increase in reinvested profit reserves	-	-	70,150	(70,150)	-
Balance as of December 31, 2021	**385,422**	**85,250**	**2,913,725**	**5,596,756**	**8,981,153**

*) In 2022 the Group's shareholders approved the allocation of dividends of RON 1,464,605 thousand (2021: RON 689,906 thousand), dividend per share being RON 3.80 (2021: RON 1.79).

**) 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 existing as of December 31, 2012 was transferred to 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, 2022 the geological quota reserve is of RON 714,512 thousand (December 31, 2021: RON 806,840 thousand).

These financial statements were endorsed by the Board of Directors on March 23, 2023.

Răzvan Popescu
Chief Executive Officer

Gabriela Trânbițaș
Chief Financial Officer

STATEMENT OF CONSOLIDATED CASH FLOW

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Cash flows from operating activities		
Net profit	**2,546,712**	**1,914,987**
Adjustments for:		
Income tax expense (note 11)	1,607,537	242,264
Share of associates' result (note 25)	(2,350)	(85)
Interest expense (note 9)	5,627	557
Unwinding of decommissioning provision (note 9, note 19)	21,668	16,182
Interest revenue (note 4)	(176,979)	(58,403)
Net loss on disposal of non-current assets (note 6)	451	(321)
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	(75,652)	(20,750)
Change in other provisions (note 19)	111,564	68,578
Net impairment of exploration assets (note 7, note 13)	66,447	37,046
Exploration projects written off (note 13)	16	33
Net impairment of property, plant and equipment and intangibles (note 7)	74,726	184,943
Foreign exchange differences	(453)	-
Depreciation and amortization (note 7)	408,903	463,783
Amortization of contract costs	773	1,626
Change in investments at fair value through profit and loss (note 6)	-	10
Net receivable write-offs and movement in allowances for trade receivables and other assets	55,765	(378,352)
Net movement in write-down allowances for inventory (note 6, note 15)	5,438	5,014
Liabilities written off	(512)	(810)
Subsidies income (note 20)	(7)	(9)
	4,649,674	**2,476,293**
Movements in working capital:		
(Increase)/Decrease in inventory	21,731	(64,913)
(Increase)/Decrease in trade and other receivables	(276,839)	(400,838)
Increase/(Decrease) in trade and other liabilities	(526,915)	790,347
Cash generated from operations	**3,867,651**	**2,800,889**
Interest paid	(5,040)	(3)
Income taxes paid	(410,976)	(233,084)
Net cash generated by operating activities	**3,451,635**	**2,567,802**

STATEMENT OF CONSOLIDATED CASH FLOW

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Cash flows from investing activities		
Investment in other entities	-	(250)
Bank deposits set up and acquisition of state bonds	(3,355,306)	(3,896,521)
Bank deposits and state bonds matured	3,669,504	5,463,332
Interest received	181,067	58,340
Proceeds from sale of non-current assets	1,033	513
Receipts from disposal of other financial investments	-	2
Acquisition of non-current assets	(5,529,611)	(340,695)
Acquisition of exploration assets	(96,500)	(91,865)
Net cash (used in)/generated by investing activities	**(5,129,813)**	**1,192,856**
Cash flows from financing activities		
Borrowings received	1,606,475	-
Repayment of borrowings	(158,907)	-
Dividends paid	(1,463,984)	(690,027)
Repayment of lease liability	(1,936)	(1,280)
Subsidies received (note 20)	-	94,148
Net cash used in financing activities	**(18,352)**	**(597,159)**
Net increase/(decrease) in cash and cash equivalents	**(1,696,530)**	**3,163,499**
Cash and cash equivalents at the beginning of the year	**3,580,412**	**416,913**
Cash and cash equivalents at the end of the year	**1,883,882**	**3,580,412**

These financial statements were endorsed by the Board of Directors on March 23, 2023.

Răzvan Popescu
Chief Executive Officer

Gabriela Trânbițaș
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 and its fully owned subsidiaries S.N.G.N. ROMGAZ S.A. - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești S.R.L. ("Depogaz") and Romgaz Black Sea Limited.

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 Energy, 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 transmission system.
4. underground storage of natural gas provided by Depogaz;
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 Ministry of Finance Order 2844/2016, with subsequent amendments, to approve accounting regulations in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (MOF 2844/2016). MOF 2844/2016, with subsequent amendments, is in accordance with the IFRS adopted by the European Union.

For the purposes of the preparation of these financial statements, the functional currency of the Group is deemed to be the Romanian Leu (RON).

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).

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 Group controls an entity when it has power over the investee, 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 Group obtains control over the subsidiary and ceases when it loses control of that subsidiary.

Upon obtaining control of a newly acquired subsidiary, the Group assesses whether the acquisition constitutes an acquisition of a business or an acquisition of assets.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the investee. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. Goodwill is initially measured at cost. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

If the acquisition is not a business, it is accounted for as an acquisition of assets.

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

Joint arrangements

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

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

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

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

Joint operations

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

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

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

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

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

Joint ventures

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

Standards and interpretations valid for the current period

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

- Amendments to IFRS 3 “Business Combinations” (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 16 “Property, Plant and Equipment” (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (effective for annual periods beginning on or after January 1, 2022);
- Annual Improvements 2018-2020 (effective for annual periods beginning on or after January 1, 2022).

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

Standards and interpretations issued by IASB not yet endorsed by the EU

At present, IFRS endorsed 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:

- Amendments to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current; Classification of Liabilities as Current or Non-current - Deferral of Effective Date; Non-current Liabilities with Covenants” (effective for annual periods beginning on or after January 1, 2024);
- Amendments to IFRS 16 “Leases: Lease liabilities in a sale and leaseback” (applicable to annual periods beginning on or after 1 January 2024).

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.

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 12 "Income taxes: Deferred Tax related to Assets and Liabilities arising from a single transaction" (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IFRS 17 "Insurance Contracts: initial application of IFRS 17 and IFRS 9 - comparative information" (applicable to annual periods beginning on or after January 1, 2023);
- Amendments to IAS 1 "Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies" (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates" (effective for annual periods beginning on or after January 1, 2023);
- IFRS 17 "Insurance Contracts including Amendments to IFRS 17" (effective for annual periods beginning on or after January 1, 2023). The Group does not issue contracts in scope of IFRS 17, thus the financial statements will not be impacted by this standard.

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.

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 the head office, Mediaș and Mureș branches and subsidiary Romgaz Black Sea Limited;
- storage activities, performed by subsidiary Depogaz;
- 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.

Gas and electricity deliveries between Group's segments within the same company are accounted for at market prices or at regulated prices, as the case may be. All other transactions between Group's 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.

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.

Contract liabilities

Contract liabilities are an obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional (ie. a receivable), before the Group transfers the good or service to the customer, the Group presents the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

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 carrying value 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.

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 and the estimated costs for decommissioning are updated annually.

The decommissioning provision is based on the economic life of the fields wells are located on, even if this is longer than the period of the related concession agreements, as it is considered the period may be extended.

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 the 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.

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 and impairment. 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 tariffs are set by analyzing the storage activity as a whole, not every single storage.

In 2022, no indications of impairment were observed for the Group's assets.

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 (Agenția Națională 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.

Elements similar to the above are also considered when determining impairment losses for producing assets.

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, bank deposits and bonds with a maturity from acquisition date of over three months and other investments in equity instruments.

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.

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 Group considers the risk or probability of a default occurring, reflecting the possibility of a default to occur or not to occur, even if the possibility of a credit loss is very low.

The Group measures the expected credit losses of a financial instrument in a manner that reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 together with the profit allocation, as approved by the 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 estimates 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 may be 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 (note 16).

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 (note 7).

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 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 (note 7).

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 and estimated decommissioning costs are updated annually (note 19).

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) (note 19).

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 34).

Fair value of financial instruments

Management believes that the estimated fair values of financial instruments approximate their carrying amounts.

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, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Revenue from gas sold - own production *)	11,234,160	4,685,389
Revenue from gas sold – other arrangements	58,153	27,456
Revenue from gas acquired for resale **)	14,654	330,309
Revenue from storage services-capacity reservation ***)	306,245	191,184
Revenue from storage services-extraction	44,910	35,006
Revenue from storage services-injection ***)	118,172	33,809
Revenue from electricity ****)	1,330,607	321,596
Revenue from services	173,137	166,270
Revenue from sale of goods	70,472	53,959
Other revenues from contracts	496	413
Total revenue from contracts with customers	**13,351,006**	**5,845,391**
Other revenues	8,647	7,535
Total revenue	**13,359,653**	**5,852,926**
Other operating income *****)	80,068	169,841
Total revenue and other income	**13,439,721**	**6,022,767**

*) The increase in revenue from sale of Group's gas production is due to the increase of gas prices caused by the war in Ukraine. Quantities sold in 2022 were close to the ones sold in 2021.

**) No import gas was acquired for resale in 2022. The 2022 revenue relates to gas imbalances.

***) The increase in revenue from gas storage services is generated by the crisis caused by the war in Ukraine, which forced the market and authorities to find solutions to prevent shortages during the winter season.

****) The increase in electricity sales is the result of higher selling prices, also caused by the war in Ukraine, and higher electricity production.

*****) In 2021, other operating income include, besides penalties charged to clients for late payment or non-fulfillment of the obligation of taking the natural gas, the amount of RON 114,628 thousand representing the performance guarantee set up for the construction of the 430 MW Iernut power plant, with combined cycle with gas turbines, following the termination of the work contract signed for this purpose.

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 in force during the storage cycle. Usually, injection services are provided in the period April – October, and those for extraction in November – March. 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 contracts with 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, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Interest income	176,979	58,403
Total	**176,979**	**58,403**

Interest income is derived from the Group's investments in bank deposits and government bonds. Interest rates saw a significant increase in 2022, leading to higher income.

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Consumables used	56,977	42,673
Technological consumption	56,750	33,259
Cost of gas acquired for resale, sold (note 3)	14,654	246,819
Cost of electricity imbalance *)	167,405	33,867
Cost of other goods sold	1,519	903
Other consumables	4,310	5,214
Total	**301,615**	**362,735**

*) Cost of electricity imbalances increased in 2022 compared with 2021 due to unplanned shut-downs of the plant. In order to meet contractual delivery obligations, the Group had to acquire electricity from the market.

6. OTHER GAINS AND LOSSES

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Forex gain	42,255	45
Forex loss	(45,208)	(317)
Net gain/(loss) on disposal of non-current assets	(451)	321
Net allowances for other receivables (note 16 c)	(599)	28,369
Net write down allowances for inventory (note 15)	(5,438)	(5,014)
Net gain/(loss) on financial assets at fair value through profit or loss	-	(10)
Losses from other debtors	-	(6)
Total	**(9,441)**	**23,388**

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Depreciation and amortization	408,903	463,783
out of which:		
- depreciation of property, plant and equipment	402,500	458,747
- amortization of intangible assets	4,930	4,114
- amortization of right of use assets (note 14 b)	1,473	922
Net impairment of non-current assets	141,173	221,989
Total depreciation, amortization and impairment	**550,076**	**685,772**

8. EMPLOYEE BENEFIT EXPENSE

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Wages and salaries	876,340	800,360
Social security charges	30,115	27,830
Meal tickets	27,175	24,955
Other benefits according to collective labor contract	29,407	23,434
Private pension payments	11,177	11,415
Private health insurance	6,832	6,924
Total employee benefit costs	**981,046**	**894,918**
Less, capitalized employee benefit costs	(135,045)	(128,279)
Total employee benefit expense	**846,001**	**766,639**

9. FINANCE COSTS

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Interest expense *)	5,627	557
Unwinding of the decommissioning provision (note 19)	21,668	16,182
Total	**27,295**	**16,739**

*) The increase in interest expense is due to the loan taken to finance the acquisition of the shares of ExxonMobil Exploration and Production Romania Limited (note 29).

10. OTHER EXPENSES

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Energy and water expenses *)	106,122	51,537
Expenses for capacity booking and gas transmission services	158,591	145,177
Expenses with other taxes and duties **)	6,954,380	2,013,806
(Net gain)/Net loss from provisions movement (note 19)	35,912	47,828
Other operating expenses ***)	358,291	280,738
Total	**7,613,296**	**2,539,086**

*) The increase in energy and water expenses is caused by the increase in electricity costs in the storage activity due to higher electricity prices.

**) In the year ended December 31, 2022, the major taxes and duties included in the amount of RON 6,954,380 thousand (year ended December 31, 2021: RON 2,013,806 thousand) are:

- RON 4,903,849 thousand representing 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, 2021: RON 1,257,998 thousand);
- in 2022, electricity producers were charged with an 80% windfall tax on prices in excess of RON 450/MWh (April, 2022 – August, 2022) followed by a 100% contribution to the Energy Transition Fund on prices in excess of RON 450/MWh (September, 2022 to date); some deductions were allowed in determining the two taxes. These taxes amount to RON 403,801 thousand. The Group expects the 2023 contribution to be minimal, due to a regulated price of RON 450/MWh at which electricity produced by the Group must be sold;
- RON 1,640,082 thousand representing royalty on gas production and storage activity (year ended December 31, 2021: RON 749,411 thousand).

***) The increase in other operating expenses compared to 2021 is mainly due to the increase in expenditure on greenhouse gas emission certificates (RON 169,638 thousand in 2022, compared to RON 121,583 thousand in 2021). The expense of RON 169,638 thousand in 2022 was partially offset by releasing to income the provision set up for these certificates on December 31, 2021 of RON 154,904 thousand (note 19) (2021: the expense of RON 121,583 thousand was offset by releasing to income the provision set up on December 31, 2020 of RON 81,217 thousand).

11. INCOME TAX

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Current tax expense (note 11 a)	536,586	230,643
Deferred income tax (income)/expense (note 11 a)	68,161	11,621
Solidarity contribution (note 11 b)	1,002,790	-
Income tax expense	**1,607,537**	**242,264**

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Current income tax liability	174,708	52,299
Solidarity contribution (note 11 b)	1,002,790	-
Current tax liability	**1,177,498**	**52,299**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

a) Current and deferred income tax

The tax rate used for the reconciliations below for the year ended December 31, 2022, respectively year ended December 31, 2021 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, 2022	**Year ended December 31, 2021**
	'000 RON	**'000 RON**
Accounting profit before tax (after solidarity contribution)	**3,151,459**	**2,157,251**
(Profit)/loss of activities not subject to income tax	8,157	3,806
Accounting profit subject to income tax	**3,159,616**	**2,161,057**
Income tax expense calculated at 16%	505,538	345,769
Effect of income exempt of taxation	(74,508)	(81,238)
Effect of expenses that are not deductible in determining taxable profit	202,939	20,649
Effect of current income tax reduction, due to tax facilities	(66,319)	(20,232)
Effect of tax incentive for reinvested profit	(5,631)	(11,394)
Effect of legal reserves	(807)	(306)
Effect of the benefit from tax credits, used to reduce current tax expense	23,304	30,452
Effect of deferred tax relating to the origination and reversal of temporary differences	49,716	(23,375)
Effect of the benefit from tax credits, used to reduce deferred tax expense	(29,485)	(18,061)
Income tax expense	**604,747**	**242,264**

Components of deferred tax (asset)/liability:

	December 31, 2022		**December 31, 2021**	
	Cumulative temporary differences	**Deferred tax (asset)/ liability**	**Cumulative temporary differences**	**Deferred tax (asset)/ liability**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**
Provisions	(473,030)	(75,685)	(651,505)	(104,241)
Property, plant and equipment	(109,338)	(17,494)	(16,382)	(2,621)
Exploration assets *)	(527,951)	(84,472)	(610,253)	(97,641)
Financial investments	(977)	(156)	(977)	(156)
Inventory	(34,956)	(5,593)	(33,205)	(5,313)
Trade receivables and other receivables	(97,576)	(15,612)	(372,912)	(59,666)
Right of use asset	328	52	388	62
Deferred revenue	28	4	1	-
Lease liability	(374)	(60)	(434)	(69)
Total	**(1,243,846)**	**(199,016)**	**(1,685,279)**	**(269,645)**
Change, out of which:		**(70,629)**		**(5,683)**
- in current year's result		(68,161)		(11,621)
- in other comprehensive income		(2,534)		5,938
- acquisition of ExxonMobil Exploration and Production Romania Limited (note 30)		66		-

*) 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.

b) Solidarity contribution

In 2022, a solidarity contribution was introduced in Romania as a result of Council Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices. The temporary solidarity contribution is calculated at a rate of 60% of taxable profits, as determined under national tax rules, in the fiscal years 2022 and 2023 which are above a 20% increase of the average of the taxable profits, as determined under national tax rules, in the four fiscal years starting on or after 1 January 2018. The contribution for 2022 is of RON 1,002,790 thousand. The tax is due for payment in June, 2023.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2022	**118,012**	**939,504**	**7,146,399**	**1,148,535**	**124,027**	**1,745,093**	**335,940**	**1,973,717**	**13,531,227**
Additions	227	2,381	1,175	-	66	99	96,504	423,703	524,155
Transfers	1,147	8,328	252,661	50,447	4,214	4,599	(24,311)	(297,085)	-
Disposals	(190)	(846)	(218,407)	(19,989)	(5,172)	(13,684)	(71,639)	(4,864)	(334,791)
As of December 31, 2022	**119,196**	**949,367**	**7,181,828**	**1,178,993**	**123,135**	**1,736,107**	**336,494**	**2,095,471**	**13,720,591**
Accumulated depreciation									
As of January 1, 2022	**-**	**388,597**	**4,652,369**	**773,022**	**92,043**	**749,708**	**-**	**-**	**6,655,739**
Charge *)	-	27,574	262,236	69,841	8,004	60,887	-	-	428,542
Disposals	-	(248)	(24,513)	(19,690)	(5,078)	-	-	-	(49,529)
As of December 31, 2022	**-**	**415,923**	**4,890,092**	**823,173**	**94,969**	**810,595**	**-**	**-**	**7,034,752**
Impairment									
As of January 1, 2022	**8,255**	**59,530**	**649,714**	**82,908**	**1,211**	**367,328**	**161,085**	**304,760**	**1,634,791**
Charge	**-**	2,910	50,668	3,040	91	566	66,466	79,558	203,299
Transfers	-	4	43,787	956	-	-	-	(44,747)	-
Release	-	(617)	(92,492)	(358)	(100)	(4)	(66,042)	(31,952)	(191,565)
As of December 31, 2022	**8,255**	**61,827**	**651,677**	**86,546**	**1,202**	**367,890**	**161,509**	**307,619**	**1,646,525**
Carrying value									
As of January 1, 2022	**109,757**	**491,377**	**1,844,316**	**292,605**	**30,773**	**628,057**	**174,855**	**1,668,957**	**5,240,697**
As of December 31, 2022	**110,941**	**471,617**	**1,640,059**	**269,274**	**26,964**	**557,622**	**174,985**	**1,787,852**	**5,039,314**

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 26,047 thousand.*

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2021	**117,671**	**916,115**	**7,103,831**	**1,090,625**	**114,700**	**1,722,484**	**333,606**	**1,914,999**	**13,314,031**
Additions	78	237	9,205	799	-	1,596	91,862	359,094	462,871
Transfers	263	23,295	149,970	61,421	9,327	34,144	-	(278,420)	-
Disposals	-	(143)	(116,607)	(4,310)	-	(13,131)	(89,528)	(21,956)	(245,675)
As of December 31, 2021	**118,012**	**939,504**	**7,146,399**	**1,148,535**	**124,027**	**1,745,093**	**335,940**	**1,973,717**	**13,531,227**
Accumulated depreciation									
As of January 1, 2021	**-**	**358,880**	**4,325,133**	**703,906**	**84,136**	**705,426**	**-**	**-**	**6,177,481**
Charge *)	-	29,753	327,414	73,394	7,908	44,282	-	-	482,751
Disposals	-	(36)	(178)	(4,278)	(1)	-	-	-	(4,493)
As of December 31, 2021	**-**	**388,597**	**4,652,369**	**773,022**	**92,043**	**749,708**	**-**	**-**	**6,655,739**
Impairment									
As of January 1, 2021	**8,255**	**41,588**	**553,625**	**83,098**	**1,205**	**366,335**	**213,398**	**255,924**	**1,523,428**
Charge	**-**	1,857	101,784	422	17	993	38,035	125,111	268,219
Transfers	-	16,500	21,675	-	-	-	-	(38,175)	-
Release	-	(415)	(27,370)	(612)	(11)	-	(90,348)	(38,100)	(156,856)
As of December 31, 2021	**8,255**	**59,530**	**649,714**	**82,908**	**1,211**	**367,328**	**161,085**	**304,760**	**1,634,791**
Carrying value									
As of January 1, 2021	**109,416**	**515,647**	**2,225,073**	**303,621**	**29,359**	**650,723**	**120,208**	**1,659,075**	**5,613,122**
As of December 31, 2021	**109,757**	**491,377**	**1,844,316**	**292,605**	**30,773**	**628,057**	**174,855**	**1,668,957**	**5,240,697**

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 24,001 thousand.*

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

The Group did not perform an impairment test as of December 31, 2022. Based on internal analyses, no impairment indicators were identified. In addition to this, the Group considers the market to be too volatile in terms of prices and regulations so that any impairment test performed under such conditions would not generate reliable results.

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, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Exploration assets written off	16	33
Seismic, geological, geophysical studies	59,698	1,164
Total exploration expense	**59,714**	**1,197**
Net movement in exploration assets' impairment (net income)/net loss	66,447	37,046
Net cash used in exploration investing activities	(96,500)	(91,865)

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Exploration assets (note 12)	174,985	174,855
Liabilities	(13,218)	(7,904)
Net assets	**161,767**	**166,951**

14. OTHER INTANGIBLE ASSETS. RIGHT OF USE ASSETS

a) Other intangible assets

	2022 '000 RON	2021 '000 RON
Cost		
As of January 1	**169,595**	**186,899**
Additions *)	5,129,199	5,592
Disposals	(53,693)	(22,896)
As of December 31	**5,245,101**	**169,595**
Accumulated amortization		
As of January 1	**153,462**	**172,125**
Charge	4,930	4,114
Disposals	(53,716)	(22,777)
As of December 31	**104,676**	**153,462**
Carrying value		
As of January 1	**16,133**	**14,774**
As of December 31	**5,140,425**	**16,133**

*) Additions of RON 5,129,199 thousand include RON 5,105,563 thousand representing mineral rights from the ExxonMobil Exploration and Production Romania Limited acquisition (note 30).

b) Right of use assets

	2022 '000 RON	2021 '000 RON
Cost		
As of January 1	**9,649**	**9,514**
Effects of rent index updates	406	135
New contracts	2,705	-
Terminated Contracts	(89)	-
As of December 31	**12,671**	**9,649**
Accumulated amortization		
As of January 1	**2,521**	**1,599**
Charge	1,473	922
Terminated contracts	(89)	-
As of December 31	**3,905**	**2,521**
Carrying value		
As of January 1	**7,128**	**7,915**
As of December 31	**8,766**	**7,128**

15. INVENTORIES

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Spare parts and materials	216,314	171,542
Finished goods (gas)	129,190	189,594
Other inventories	706	870
Write-down allowance for spare parts and materials	(62,187)	(56,674)
Write-down allowance for other inventories	(16)	(91)
Total	**284,007**	**305,241**

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Trade receivables	1,492,403	1,757,243
Allowances for expected credit losses (note 16 c)	(724,386)	(924,030)
Accrued receivables	605,647	526,971
Allowances for expected credit losses on accrued receivables (note 16 c)	-	(7,839)
Total	**1,373,664**	**1,352,345**

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.

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, 2022 '000 RON	December 31, 2021 '000 RON
Advances paid to suppliers	1,053	109
Joint operation receivables	10,550	8,201
Other receivables *)	37,377	47,941
Allowance for expected credit losses other receivables (note 16 c) *)	(172)	(186)
Other debtors	58,543	49,932
Allowance for expected credit losses for other debtors (note 16 c)	(50,055)	(49,442)
Prepayments	10,297	5,606
VAT not yet due	5,764	5,795
Other taxes receivable **)	191,875	6
Total	**265,232**	**67,962**

*) 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. In 2021, the court ruled in favor of the Company, so that the related allowance was released to income. The Company recovered this amount in 2023.

**) Other taxes receivable relate to gas and electricity windfall taxes (RON 142,234 thousand for gas, respectively, RON 40,049 thousand for electricity). The Group expects to recover these in 2023.

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

	2022 '000 RON	2021 '000 RON
At January 1	**981,497**	**1,359,855**
Charge in the allowance for other receivables (note 6)	1,831	1,402
Charge in the allowance for trade receivables	124,247	32,529
Write-off against trade receivables *)	(262,649)	-
Release in the allowance for other receivables (note 6)	(1,232)	(29,771)
Release in the allowance for trade receivables	(69,081)	(382,518)
At December 31	**774,613**	**981,497**

*) In 2022, the Group wrote-off receivables of RON 262,649 thousand representing receivables not allowed by courts in insolvency proceedings of the respective clients. The write-off had no impact on the 2022 results, as those receivables were already impaired.

As of December 31, 2022, the Group recorded allowances for expected credit losses, of which Interagro RON 68,141 thousand (December 31, 2021: RON 264,529 thousand), GHCL Upsom of RON 0 thousand (December 31, 2021: RON 68,103 thousand), CET Iasi of RON 46,271 thousand (December 31, 2021: RON 46,271 thousand), Electrocentrale Galati with RON 168,620 thousand (December 31, 2021: RON 192,342 thousand), Liberty Galați with RON 85,261 thousand (December 31, 2021: RON 0 thousand), Electrocentrale Bucuresti with RON 243,547 thousand (December 31, 2021: RON 252,225 thousand), G-ON EUROGAZ of RON 14,848 thousand (December 31, 2021: RON 14,848 thousand) and Electrocentrale Constanta of RON 38,027 thousand (December 31, 2021: RON 60,766 thousand) due to existing financial conditions of these clients as well as ongoing litigating cases related to these receivables or exceeding payment terms.

d) Credit risk exposure for trade receivables

December 31, 2022	Gross carrying amount	Expected credit loss rate	Lifetime expected credit losses
	'000 RON	%	'000 RON
Current receivables, including accrued receivables	1,362,641	0.00	13
less than 30 days overdue	16,280	34.36	5,593
30 to 90 days overdue	32,496	99.54	32,348
90 to 360 days overdue	73,501	99.73	73,300
over 360 days overdue	613,132	100.00	613,132
Total trade receivables	**2,098,050**		**724,386**

December 31, 2021	Gross carrying amount	Expected credit loss rate	Lifetime expected credit losses
	'000 RON	%	'000 RON
Current receivables, including accrued receivables	1,022,513	0.78	7,973
less than 30 days overdue	15,702	0.85	134
30 to 90 days overdue	578	46.15	267
90 to 360 days overdue	14,213	99.07	14,081
over 360 days overdue	1,231,208	73.86	909,414
Total trade receivables	**2,284,214**		**931,869**

17. SHARE CAPITAL. EARNINGS PER SHARE

a) Share capital

	December 31, 2022	December 31, 2021
	'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, 2022 is as follows:

	No. of shares	Value	Percentage
		'000 RON	(%)
The Romanian State through the Ministry of Energy	269,823,080	269,823	70.01
Legal persons	96,125,570	96,125	24.94
Physical persons	19,473,750	19,474	5.05
Total	**385,422,400**	**385,422**	**100**

All shares are ordinary and were subscribed and fully paid as at December 31, 2022. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2021: RON 1/share).

b) Earnings per share

	Year ended December 31, 2022	Year ended December 31, 2021
Profit for the year attributable to ordinary shareholders (RON thousand)	2,546,712	1,914,987
Number of shares outstanding during the year	385,422,400	385,422,400
Earnings per share (RON thousand)	**0.0066**	**0.0050**

18. RESERVES

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Legal reserves	90,294	85,250
Other reserves, of which:	3,488,980	2,913,725
- Company's development fund	2,586,687	2,046,460
- Reinvested profit	396,180	361,152
- Geological quota set up until 2004	486,388	486,388
- Other reserves	19,725	19,725
Total	**3,579,274**	**2,998,975**

19. PROVISIONS

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Decommissioning provision (note 19 a)	210,838	412,846
Retirement benefit obligation (note 19 c)	168,830	156,420
Total long term provisions	**379,668**	**569,266**
Decommissioning provision (note 19 a)	25,652	24,792
Litigation provision (note 19 b)	6,620	3,554
Other provisions *) (note 19 b)	289,217	208,798
Total short term provisions	**321,489**	**237,144**
Total provisions	**701,157**	**806,410**

*) On December 31, 2022, other provisions of RON 289,217 thousand include the provision for employee's participation to profit of RON 41,479 thousand (December 31, 2021: RON 38,677 thousand), the provision for taxes of RON 10,207 thousand (December 31, 2021: RON 7,161 thousand) and the provision for CO_2 certificates of 228,126 thousand (December 31, 2021: RON 154,904). The provision for CO_2 certificates increased compared to 2021 due to a higher electricity production (+73.5%) that needed higher gas consumption.

a) Decommissioning provision

Decommissioning provision movement	2022 '000 RON	2021 '000 RON
At January 1	**437,638**	**560,958**
Additional provision recorded against non-current assets	1,273	10,808
Unwinding effect (note 9)	21,668	16,182
Recorded in profit or loss	(75,652)	(20,750)
Decrease recorded against non-current assets	(148,437)	(129,560)
At December 31	**236,490**	**437,638**

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 8.19% (year ended December 31, 2021: 5.14%). 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

The increase with 1 percentage point of the discount rate would decrease the decommissioning provision with RON 34,492 thousand. The decrease with 1 percentage point of the discount rate would increase the decommissioning provision with RON 44,053 thousand.

The increase with 1 percentage point of the inflation rate would increase the decommissioning provision with RON 45,813 thousand. The decrease with 1 percentage point of the inflation rate would decrease the decommissioning provision with RON 36,173 thousand.

b) Other provisions

	Litigation provision '000 RON	Other provisions '000 RON	Total '000 RON
At January 1, 2022	**3,554**	**208,798**	**212,352**
Additional provision in period	4,124	321,531	325,655
Obligation acquired	-	170	170
Provisions used in the period	(948)	(216,370)	(217,318)
Unused amounts during the period, reversed	(110)	(24,912)	(25,022)
At December 31, 2022	**6,620**	**289,217**	**295,837**

	Litigation provision '000 RON	Other provisions '000 RON	Total '000 RON
At January 1, 2021	**1,380**	**133,008**	**134,388**
Additional provision in the period	2,966	243,940	246,906
Provisions used in the period	(439)	(166,346)	(166,785)
Unused amounts during the period, reversed	(353)	(1,804)	(2,157)
At December 31, 2021	**3,554**	**208,798**	**212,352**

c) Retirement benefit obligation

Movement of the retirement benefit obligation	2022 '000 RON	2021 '000 RON
At 1 January	**156,420**	**128,690**
Interest cost	7,600	3,998
Cost of current service	9,677	6,021
Payments during the year	(10,697)	(19,405)
Actuarial (gain)/loss for the period	(15,839)	37,116
Cost of past service	21,669	-
At December 31	**168,830**	**156,420**

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: 8.1% (2021: 5%);
- Average inflation rate: 16.3% in 2022; 11.2% in 2023; 6.1% in 2024; 3.6% in 2025; 2.7% in the 2026; 2.5% in 2027-2031 period, following a decreasing trend in the next years (2021: 5.9% in 2022; 3.2% in 2023; 3% in 2024; 2.8% in 2025; 2.5% in the 2026-2031 period, following a decreasing trend in the next years).

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
Average discount rate	(13,658)	16,601
Salaries' growth rate	15,584	(14,702)

Maturity analysis of payment cash flows

	Benefit payments '000 RON
Up to 1 year	14,233
1-2 years	13,964
2-5 years	52,632
5-10 years	140,698
Over 10 years	606,142

20. DEFERRED REVENUE

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Amounts collected from NIP (note 20 a)	230,169	230,169
Other deferred revenue	145	157
Other amounts received as subsidies	105	112
Total long term deferred revenue	**230,419**	**230,438**
Other amounts received as subsidies	7	7
Other deferred revenue	4	42
Total short term deferred revenue	**11**	**49**
Total deferred revenue	**230,430**	**230,487**

a) National Investment Plan

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, in 2017 Romgaz signed 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. By December 31, 2022 the Group collected RON 230,169 thousand. Amounts received under this contract will be transferred to income based on the depreciation rate of the investment.

By Government Decision no. 834/2022 the deadline until the investments financed from the National Investment Plan must be put into operation has been extended until December 31, 2023.

By December 31, 2022, the Group submitted two other reimbursement requests amounting to RON 62,150 thousand.

As the term of the work contract for the realization of the investment was not extended, the Group is negotiating the terms for a new contract to complete the outstanding works.

b) Projects of Common Interest

Following the 2022 CEF Energy (Mechanism for the Interconnection of Europe) call for proposals regarding the projects of common interest in the energy field, the European Commission announced on December 9, 2022, the projects of common interest that will benefit from European funding in the next period.

The investment project in the Bilciurești gas storage, "Increasing the daily extraction capacity in the Bilciurești gas storage – Modernization of the infrastructure of the natural gas storage system", promoted by Depogaz, is one of the projects that will receive support from CEF Energy, the amount of the non-reimbursable financing being of EUR 37,962 thousand.

By the date the financial statements were endorsed for issue, the financing agreement has not been signed.

	Amounts collected from NIP	Other amounts received as subsidies	Total
	'000 RON	'000 RON	'000 RON
At January 1, 2022	**230,169**	**119**	**230,288**
Amounts in revenue	-	(7)	(7)
At December 31, 2022	**230,169**	**112**	**230,281**

	Amounts collected from NIP	Other amounts received as subsidies	Total
	'000 RON	'000 RON	'000 RON
January 1, 2021	**136,021**	**128**	**136,149**
Received	94,148	-	94,148
Amounts in revenue	-	(9)	(9)
December 31, 2021	**230,169**	**119**	**230,288**

21. TRADE AND OTHER CURRENT LIABILITIES

	December 31, 2022	December 31, 2021
	'000 RON	'000 RON
Accruals	37,067	30,055
Trade payables	38,725	19,171
Payables to fixed assets suppliers	34,214	22,091
Total trade payables	**110,006**	**71,317**
Payables related to employees	61,735	43,800
Royalties *)	146,965	400,278
Contribution to Energy Transition Fund	11,931	-
Joint operation payables	18,043	-
Social security taxes	37,756	34,053
Other current liabilities	12,174	7,567
VAT	20,612	86,763
Dividends payable	1,225	1,116
Windfall tax (see note 16 b)	-	363,996
Other taxes	1,827	1,329
Total other liabilities	**312,268**	**938,902**
Total trade and other liabilities	**422,274**	**1,010,219**

*) The decrease in royalty liability is due to changes in national legislation, according to which prices used to determine the royalty in the fourth quarter of 2022 are capped at the level of prices the Group has the obligation to invoice some of its clients.

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.

The Group is mainly exposed to currency risk generated by EUR against RON as a result of the interest-bearing loan described in note 29.

As of December 31, 2022, the official exchange rate was RON 4.9474 to EUR 1 (December 31, 2021: RON 4.9481 to EUR 1).

December 31, 2022	EUR 1 EUR = 4.9474 '000 RON	GBP 1 GBP = 5.5878 '000 RON	USD 1 USD = 4.6346 '000 RON	RON 1 RON '000 RON	Total '000 RON
Financial assets					
Cash and cash equivalents	77,764	3	8	1,806,107	1,883,882
Other financial assets	-	-	-	90,000	90,000
Trade and other receivables	-	-	-	768,017	768,017
Total financial assets	**77,764**	**3**	**8**	**2,664,124**	**2,741,899**
Financial liabilities					
Trade payables and other payables	(18)	-	(25)	(72,896)	(72,939)
Lease liability	(5,157)	-	-	(4,523)	(9,680)
Borrowings	(1,447,115)	-	-	-	(1,447,115)
Total financial liabilities	**(1,452,290)**	**-**	**(25)**	**(77,419)**	**(1,529,734)**
Net	**(1,374,526)**	**3**	**(17)**	**2,586,705**	**1,212,165**

December 31, 2021	EUR 1 EUR = 4.9481 '000 RON	GBP 1 GBP = 5.8994 '000 RON	USD 1 USD = 4.3707 '000 RON	RON 1 RON '000 RON	Total '000 RON
Financial assets					
Cash and cash equivalents	311	1	12	3,580,088	3,580,412
Other financial assets	-	-	-	404,199	404,199
Trade and other receivables	-	-	-	833,213	833,213
Total financial assets	**311**	**1**	**12**	**4,817,500**	**4,817,824**
Financial liabilities					
Trade payables and other payables	(22)	(14)	-	(41,226)	(41,262)
Lease liability	(3,656)	-	-	(4,365)	(8,021)
Total financial liabilities	**(3,678)**	**(14)**	**-**	**(45,591)**	**(49,283)**
Net	**(3,367)**	**(13)**	**12**	**4,771,909**	**4,768,541**

The Group is mainly exposed to currency risk generated by EUR against RON. The table below details the sensitivity of the Group to a 5% increase/decrease in the EUR 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, 2022	December 31, 2021
	'000 RON	'000 RON
RON weakening – loss	(68,726)	(168)
RON strengthening – gain	68,726	168

(ii) Inflation risk

The official annual inflation rate in Romania for 2022 was 13.8% 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, decommissioning provision and interest-bearing loans. The Group's sensitivity to changes in the discount rate is detailed in note 19.

An increase of 1% in the interest rate on the borrowings would lead to an increase of the interest expense of RON 4,325 thousand.

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 three clients, which amounts to 86.60 % of net trade receivable balance at December 31, 2022 (its top client: 89.84% as of December 31, 2021).

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. As these clients did not generate outstanding balances since the start of their insolvency proceedings, the Group estimates lifetime expected credit losses to be zero.

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. As such, in 2022 the Group obtained a loan of EUR 325 million (note 29) to finance the acquisition of ExxonMobil Exploration and Production Romania Limited.

The Group's capital management aims to ensure that it meets financial covenants attached to the interest-bearing loans. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches of the financial covenants of interest-bearing loans in the current period.

(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, trade and other payables, interest-bearing borrowings. 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 financial assets and financial liabilities at amortized cost

The table below shows financial assets and financial liabilities of the Group on contractual maturities. The amounts represent non-discounted future cash flows generated by financial assets and financial liabilities.

December 31, 2022	Due in less than a month '000 RON	Due in 1-3 months '000 RON	Due in 3 months to 1 year '000 RON	Due in 1-5 years '000 RON	Due in over 5 years '000 RON	Total '000 RON
Trade receivables	589,135	116,864	62,018	-	-	768,017
Bank deposits	5,000	10,000	75,000	-	-	90,000
Total	**594,135**	**126,864**	**137,018**	**-**	**-**	**858,017**
Trade payables	(60,735)	(12,204)	-	-	-	(72,939)
Borrowings	-	(84,892)	(253,397)	(1,152,132)	-	(1,490,421)
Lease liabilities	(170)	(476)	(1,534)	(3,371)	(4,129)	(9,680)
Total	**(60,905)**	**(97,572)**	**(254,931)**	**(1,155,503)**	**(4,129)**	**(1,573,040)**
Net	**533,230**	**29,292**	**(117,913)**	**(1,155,503)**	**(4,129)**	**(715,023)**

December 31, 2021	Due in less than a month '000 RON	Due in 1-3 months '000 RON	Due in 3 months to 1 year '000 RON	Due in 1-5 years '000 RON	Due in over 5 years '000 RON	Total '000 RON
Trade receivables	441,119	392,094	-	-	-	833,213
Bank deposits	293,629	10,000	10,500	-	-	314,129
Treasury bonds	92,010	-	-	-	-	92,010
Total	**826,758**	**402,094**	**10,500**	**-**	**-**	**1,239,352**
Trade payables	(37,989)	(3,238)	(35)	-	-	(41,262)
Lease liabilities	(64)	(155)	(591)	(3,322)	(3,889)	(8,021)
Total	**(38,053)**	**(3,393)**	**(626)**	**(3,322)**	**(3,889)**	**(49,283)**
Net	**788,705**	**398,701**	**9,874**	**(3,322)**	**(3,889)**	**1,190,069**

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, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Romgaz's associates	14,621	13,115
Total	**14,621**	**13,115**

The Group is controlled by the Ministry of Energy, on behalf of the Romanian State (note 17 a). As such, all companies over which the Ministry of Energy has control or significant influence are considered related parties of the Group. No other ministry or agency of the Romanian State has control or significant influence over the Group, therefore companies over which the Romanian State has control or significant influence through organizations other than the Ministry of Energy are not considered related parties of the Group.

The table below shows the transactions of the Group with companies over which the Ministry of Energy has control or significant influence:

	Year ended Dec 31, 2022	Year ended Dec 31, 2021
	'000 RON	'000 RON
Companies controlled by the Ministry of Energy		
Electrocentrale Constanța SA	111,684	79,030
Electrocentrale București SA	1,582,639	1,190,441
Companies significantly influenced by the Ministry of Energy		
OMV Petrom SA	493,146	261,027
Engie România SA	2,702,642	877,605
E.On Energie România SA	1,955,551	827,869
Total	**6,845,662**	**3,235,973**

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, 2022 and December 31, 2021, 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, 2022	Year ended Dec 31, 2021
	'000 RON	'000 RON
Salaries paid to executives (gross)	24,794	18,622
of which, bonuses and variable component (gross)	2,516	1,406
Remuneration paid to directors (gross)	3,350	3,035
of which, variable component (gross)	745	711

	December 31, 2022	December 31, 2021
	'000 RON	'000 RON
Salaries payable to executives	754	666
Salaries payable to directors	154	116

In addition to the above, on December 31, 2022 the Group recorded a provision for bonuses for executives and directors of RON 1,067 thousand (December 31, 2021: RON 1,299 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, 2022, respectively, December 31, 2021.

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, 2022	December 31, 2021
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, 2022	Impairment as of December 31, 2022	Carrying value as of December 31, 2022	Cost as of December 31, 2021	Impairment as of December 31, 2021	Carrying value as of December 31, 2021
	’000 RON	’000 RON	’000 RON	’000 RON	’000 RON	’000 RON
SC Depomures SA Tg.Mures	28,537	-	28,537	26,187	-	26,187
SC Agri LNG Project Company SRL	977	(977)	-	977	(977)	-
Total	**29,514**	**(977)**	**28,537**	**27,164**	**(977)**	**26,187**

Summarized financial information for significant investments in associates (Depomureş)

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Non-current assets	65,560	68,993
Current assets, out of which:	19,378	12,895
- Cash and cash equivalents	15,940	9,729
Non-current liabilities, out of which:	5,601	9,031
- Long term financial liabilities	5,601	9,031
Current liabilities, out of which:	4,802	4,232
- Short term financial liabilities	3,431	3,434

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Revenue	43,200	33,717
Interest income	486	17
Amortization and depreciation	(3,919)	(3,939)
Interest expense	(447)	(584)
Income tax expense	(1,087)	(153)
Net profit from continued operations	5,875	212

Reconciliation of net book value for the significant investments in associates

	2022 '000 RON	2021 '000 RON
January 1	**26,187**	**26,102**
Interest in the total comprehensive income of significant investments in associates	2,350	85
December 31	**28,537**	**26,187**

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, 2022	December 31, 2021
Electrocentrale București S.A.	Electricity and thermal power producer	Romania	2.49	2.49
Patria Bank S.A.	Other activities – financial intermediations	Romania	0.02	0.02
Mi Petrogas Services S.A.	Services related to oil and natural gas extraction, excluding prospections	Romania	10	10
Lukoil association	Petroleum exploration operations	Romania	12.2	12.2
Electricity Producers Association-HENRO	Non-governmental, non-profit, independent association	Romania	33.33	33.33

Company	Fair value as of December 31, 2022 '000 RON	Fair value as of December 31, 2021 '000 RON
Electrocentrale București S.A.*)	-	-
Patria Bank S.A.**)	79	79
Mi Petrogas Services S.A.	60	60
Lukoil association	5,227	5,227
Electricity Producers Association-HENRO	250	250
Total	**5,616**	**5,616**

*) The fair value of the investment in Electrocentrale Bucuresti was reduced to zero after entering into insolvency. The investment in Electrocentrale Bucuresti is not quoted. The company successfully concluded the restructuring plan in February 2023. These financial statements do not include any adjustments related to this event.

**) In 2016, the Company's shareholders decided to withdraw Romgaz from the bank's shareholders, as a result of the merger process in which Patria Bank was involved. In 2021, the approval of the BNR was obtained for the partial redemption of the shares that the Company holds in Patria Bank. The shares of Patria Bank S.A. are listed, but following the merger process, the price at which the redemption of the shares held by the shareholders who requested the withdrawal from the shareholding was set to a fixed value. Thus, the investment is measured at this redemption value.

27. SEGMENT INFORMATION

a) Segment assets and liabilities

December 31, 2022	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments '000 RON	Total '000 RON
Property, plant and equipment	2,641,773	825,378	1,184,636	591,036	(203,509)	5,039,314
Other intangible assets	5,122,643	918	-	16,864	-	5,140,425
Investments in associates	-	-	-	28,537	-	28,537
Other financial investments	-	-	-	5,616	-	5,616
Deferred tax asset	428	1,357	-	197,231	-	199,016
Other financial assets	1	91,116	-	8,480	-	99,597
Inventories	256,982	9,472	2,695	14,858	-	284,007
Other assets	165,085	4,562	41,371	54,214	-	265,232
Trade and other receivables	1,268,528	59,380	54,110	11,525	(19,879)	1,373,664
Contract costs	3	-	-	-	-	3
Cash and cash equivalents	21,307	14,567	516	1,847,492	-	1,883,882
Right of use asset	1,643	328	-	6,786	9	8,766
Net investments in leasing	-	-	-	374	(374)	-
Total assets	**9,478,393**	**1,007,078**	**1,283,328**	**2,783,013**	**(223,753)**	**14,328,059**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments '000 RON	Total '000 RON
Retirement benefit obligation	-	9,896	-	158,934	-	168,830
Contract liabilities	263,340	-	-	-	-	263,340
Provisions	234,697	32,388	230,691	34,551	-	532,327
Trade payables	62,564	42,581	4,621	20,119	(19,879)	110,006
Current tax liabilities	1,002,790	5,625	-	169,083	-	1,177,498
Deferred revenue	258	-	230,169	3	-	230,430
Borrowings	-	-	-	1,447,115	-	1,447,115
Lease liability	1,573	374	-	8,107	(374)	9,680
Other liabilities	216,806	14,265	18,049	63,148	-	312,268
Total liabilities	**1,782,028**	**105,129**	**483,530**	**1,901,060**	**(20,253)**	**4,251,494**

December 31, 2021	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments	Total '000 RON
Property, plant and equipment	2,786,660	810,784	1,183,357	589,114	(129,218)	5,240,697
Other intangible assets	3,666	870	-	11,597	-	16,133
Investments in associates	-	-	-	26,187	-	26,187
Other financial investments	-	-	-	5,616	-	5,616
Deferred tax asset	-	1,953	-	267,692	-	269,645
Other financial assets	-	25,564	-	392,359	-	417,923
Inventories	275,930	12,276	2,435	14,600	-	305,241
Other assets	11,153	1,477	1,712	53,620	-	67,962
Trade and other receivables	1,312,736	34,635	11,239	11,142	(17,407)	1,352,345
Contract costs	483	-	-	-	-	483
Cash and cash equivalents	20,312	7,761	412	3,551,927	-	3,580,412
Right of use asset	-	388	-	6,739	1	7,128
Current tax receivable	-	3,201	-	-	-	3,201
Net investments in leasing	-	-	-	432	(432)	-
Total assets	**4,410,940**	**898,909**	**1,199,155**	**4,931,025**	**(147,056)**	**11,292,973**
Retirement benefit obligation	-	11,540	-	144,880	-	156,420
Contract liabilities	204,384	-	-	-	-	204,384
Provisions	418,997	43,955	157,438	29,600	-	649,990
Trade payables	51,647	17,456	7,033	12,588	(17,407)	71,317
Current tax liabilities	-	-	-	52,299	-	52,299
Deferred revenue	276	-	230,169	42	-	230,487
Lease liability	-	434	-	8,019	(432)	8,021
Other liabilities	805,835	11,276	5,003	116,788	-	938,902
Total liabilities	**1,481,139**	**84,661**	**399,643**	**364,216**	**(17,839)**	**2,311,820**

b) Segment revenues, results and other segment information

In 2022, the chief operating decision maker of Romgaz decided to change the way Romgaz reports for gas and electricity deliveries between its branches. In the past, these deliveries were accounted for at cost. Starting 2022, deliveries are accounted for at market prices or at regulated prices, as the case may be. This change allows the management to have a better view of the performance of its business segments.

Due to this change, comparative segment information for the previous period was restated. The results of Romgaz or the Group are not affected by the change.

Year ended December 31, 2022	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	12,355,984	475,989	1,646,783	438,097	(1,557,200)	13,359,653
Less: revenue between segments	(759,166)	(52,028)	(317,706)	(428,300)	1,557,200	-
Third party revenue	11,596,818	423,961	1,329,077	9,797	-	13,359,653
Interest income	609	2,547	40	174,172	(389)	176,979
Interest expense	(46)	-	-	(5,038)	44	(5,040)
Share of profit of associates	-	-	-	2,350	-	2,350
Depreciation and amortization *)	(291,744)	(12,329)	(3,893)	(26,171)	(74,766)	(408,903)
Impairment losses recognized during the period in profit or loss	(195,815)	-	(6,380)	(89)	(1,015)	(203,299)
Impairment losses reversed during the period in profit or loss	61,221	-	114	791	-	62,126
Segment result before tax profit/(loss)	**4,229,534**	**115,767**	**(49,952)**	**(53,235)**	**(87,865)**	**4,154,249**

*) The amount of RON 74,766 thousand representing adjustments of the depreciation and amortization expense stands for depreciation of assets used in the storage segment. This depreciation expense is not recorded in the accounting records of any of the Group's companies, being a consolidation adjustment.

Year ended December 31, 2021 (restated)	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	5,486,486	313,456	458,656	408,161	(813,833)	5,852,926
Less: revenue between segments	(205,533)	(69,658)	(137,668)	(400,974)	813,833	-
Third party revenue	5,280,953	243,798	320,988	7,187	-	5,852,926
Interest income	133	534	7	57,759	(30)	58,403
Interest expense	(3)	-	-	-	-	(3)
Share of profit of associates	-	-	-	85	-	85
Depreciation and amortization	(362,185)	(8,506)	(5,484)	(26,087)	(61,521)	(463,783)
Impairment losses recognized during the period in profit or loss	(263,383)	-	(1,618)	(745)	(2,472)	(268,218)
Impairment losses reversed during the period in profit or loss	45,275	-	-	954	-	46,229
Segment result before tax profit/(loss)	**1,976,101**	**33,342**	**15,923**	**217,566**	**(85,681)**	**2,157,251**

In the year ended December 31, 2022, the Group's three largest clients each individually represents more than 10% of revenue, sales to these clients being of RON 2,564,071 thousand, RON 2,064,087 thousand, RON 1,783,998 thousand, (in the year ended December 31, 2021 the Group's three largest customers represented individually, over 10% of revenue, sales to these clients being of RON 1,013,764 thousand, RON 894,491 thousand, RON 834,420 thousand), together totaling 48.00% of total revenue (year ended December 31, 2021: 46.86%). Of the total revenue generated by those three clients, 3.54% are shown in the "Storage" segment and 91.73% in the "Upstream" segment (year ended December 31, 2021: 4.94% in the "Storage" segment, 95.06% in the "Upstream" segment).

28. CASH AND CASH EQUIVALENTS

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Current bank accounts *)	122,559	78,542
Petty cash	50	48
Term deposits	1,759,683	3,500,288
Restricted cash **)	1,584	1,534
Amounts under settlement	6	-
Total	**1,883,882**	**3,580,412**

*) Current bank accounts include overnight deposits.

**) At December 31, 2022 restricted cash refers to bank accounts used only for dividend payments to shareholders, according to stock market regulations.

29. INTEREST BEARING BORROWINGS

	Interest rate	Maturity	December 31, 2022 '000 RON	December 31, 2021 '000 RON
EUR 325,000 thousand bank borrowing	EURIBOR 3M + 0.05% p.a.	June 30, 2027	1,447,115	-
Total			**1,447,115**	**-**

In March 2022, Romgaz signed a EUR 325 million financing deal with Raiffeisen Bank S.A. to finance part of the purchase price of the shares of ExxonMobil Exploration and Production Romania Limited that holds 50% of the rights and obligations for the Neptun Deep block (note 30).

In June 2022, an addendum to the facility contract was signed between Romgaz acting as borrower and Raiffeisen Bank S.A. and Banca Comerciala Romana S.A. as lenders.

The facility's final maturity is in five years from utilization. There are no borrowing costs other than interest. The loan is repayable in quarterly installments. The loan is not secured.

The fair value of the loan approximates its carrying value as it was obtained recently and it carries a variable rate of interest.

30. ACQUISITION OF EXXONMOBIL EXPLORATION AND PRODUCTION ROMANIA LIMITED

On August 1, 2022, Romgaz completed the acquisition of ExxonMobil Exploration and Production Romania Limited (currently Romgaz Black Sea Limited). This company holds 50% of the acquired rights and obligations under the Petroleum Agreement for the Deep Water Zone of Neptun XIX offshore Block in the Black Sea. Following this transaction, Romgaz became the sole shareholder of the acquired company. Therefore Romgaz has control over Romgaz Black Sea Limited.

According to the provisions of the shares' acquisition agreement, the price paid by Romgaz was RON 5,126,347 thousand. Based on the acquisition agreement, this price was decreased by the end of 2022 with RON 7,352 thousand, based on the level of working capital of Romgaz Black Sea Limited at completion date. This amount was received in 2023.

According to IFRS 3, the "concentration test" is an optional method used to perform a simplified assessment of whether an acquisition is a business combination or an acquisition of assets. Based on the analysis of the provisions of International Financial Reporting Standard 3 "Business Combinations", the Group considers this transaction to be an asset acquisition, the main asset acquired being the mineral right related to the 50% share of the reserves of the

Deep Water Zone of Neptun XIX offshore Block in the Black Sea. At acquisition date the company acquired did not have an organized workforce capable to apply the processes needed to generate outputs. As such, substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets, namely the mineral right.

Thus, the Group did not recognize a potential goodwill; instead it recognized assets acquired and liabilities assumed in accordance with the applicable accounting standards based on a valuation carried out to allocate the acquisition price.

The evaluation performed to allocate the purchase price on the assets acquired was based on the relative fair values of the acquired assets. The relative fair value of the acquired mineral right was determined using the discounted cash flow method and based on the following assumptions:

- the inflation rate used was communicated by the National Commission for Strategy and Prognosis (2022: 10.1%, 2023: 5.4%, 2024: 3%; a constant inflation rate of 2.7% was considered for the following years);
- gas selling prices were estimated at an average level of RON 221.98/MWh for the period 2027-2045;
- the weighted average rate of capital used was 16.2%.

The Group recognized the following assets and liabilities on acquisition date:

	August 1, 2022 **'000 RON**
ASSETS	
Property, plant and equipment	66
Other intangible assets (note 14)	5,119,745
Deferred tax asset	66
Right of use assets	2,126
Cash and cash equivalents	750
Other assets	3,675
Total assets	**5,126,428**
LIABILITIES	
Trade payables	13
Provisions	170
Lease liability	2,023
Other liabilities	5,227
Total liabilities	**7,433**
Price paid	**5,118,995**

31. OTHER FINANCIAL ASSETS

Other financial assets represent mainly treasury bonds and deposits with a maturity of over 3 months, from acquisition date. The Group did not identify any risk of loss for these assets, therefore it did not record any impairment.

	December 31, 2022 **'000 RON**	**December 31, 2021** **'000 RON**
Treasury bonds in RON	-	90,070
Bank deposits in RON	90,000	314,129
Accrued interest receivable on bank deposits	9,597	11,784
Accrued interest on bonds	-	1,940
Total other financial assets	**99,597**	**417,923**

32. COMMITMENTS UNDERTAKEN

	December 31, 2022 **'000 RON**	**December 31, 2021** **'000 RON**
Endorsements and collaterals granted	312,689	62,947
Total	**312,689**	**62,947**

In 2022, Romgaz signed an addendum to the credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of RON 420,000 thousand. On December 31, 2022 are still available for use RON 112,637 thousand.

As of December 31, 2022, the Group's contractual commitments for the acquisition of non-current assets are of RON 396,551 thousand (December 31, 2021: RON 267,246 thousand).

33. COMMITMENTS RECEIVED

	December 31, 2022	December 31, 2021
	'000 RON	'000 RON
Endorsements and collaterals received	2,127,764	1,255,235
Total	**2,127,764**	**1,255,235**

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

34. 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 Court issued a decision in December, 2022 stating there is no offence and the civil complaint filed by Romgaz was left unresolved. Romgaz appealed the decision.

(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, 2022 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 236,490 thousand (December 31, 2021: RON 437,638 thousand), representing the decommissioning liability.

35. JOINT ARRANGEMENTS

a) Joint arrangement with Amromco

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, Fierbinți-Târg, Frasin-Brazi, Zătreni, Boldu, Roșioru, Gura-Șuții, 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.

b) Joint arrangement with OMV Petrom SA

In August 2022, the Group became a party to a joint arrangement with OMV Petrom SA (operator) for the offshore block Neptun Deepwater in the Black Sea, through the acquisition of ExxonMobil Exploration and Production Romania Limited, currently Romgaz Black Sea Limited. The joint arrangement is classified as joint operation. Each party to the joint agreement has a 50% interest in the concession agreement for the Neptun Deepwater block. Marketing and sales of hydrocarbons are not part of the joint arrangement.

All the rights and interests in and under the joint arrangement, all joint property and any hydrocarbons produced from the Neptun Deepwater block is owned by each party in accordance with its participating interest.

As a general rule, all decisions of the operating committee require unanimity.

36. AUDITOR'S FEES

The fee charged by the Group's statutory auditor, S.C. Ernst & Young Assurance Services S.R.L. for the statutory audit of the 2022 annual financial statements is RON 435 thousand.

The fees charged for other assurance services in 2022 are RON 286 thousand.

37. EVENTS AFTER THE BALANCE SHEET DATE

a) In 2023 Romgaz and Socar Trading, a subsidiary of the State Oil Company of the Republic of Azerbaijan, signed a contract for gas deliveries from Azerbaijan to Romania. The contract ensures the possibility of gas deliveries up to 1 billion cm until March 31, 2024 and shall enter in force on April 1st, 2023. According to the contract, Romgaz has no obligation to buy the quantity contracted, but has to provide a bank letter of guarantee of EUR 30 million over the period of the contract.

b) In 2023, Romgaz Black Sea Limited and S.N.T.G.N. Transgaz S.A., the national gas transmission system operator, signed a transmission framework agreement for transportation of natural gas to be produced from Neptun Deep through the National Transmission System. According to the agreement, the required technical capacity is booked for acceptance in the National Transmission System, allowing natural gas from Neptun Deep block to enter the market. The agreement was concluded for September 2026 - September 2042. According to the agreement, Romgaz Black Sea Limited has to provide a bank letter of guarantee of RON 209 million valid until December 2023.

38. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were endorsed by the Board of Directors on March 23, 2023.

Răzvan Popescu Chief Executive Officer	**Gabriela Trânbițaș** Chief Financial Officer

No.12986/24.03.2023

STATEMENT

in accordance with the provisions of art. 65 (2) c) of Law No. 24/2017
regarding issuers of financial instruments and market operations

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Entity: Societatea Nationala de Gaze Naturale ROMGAZ S.A.
County: 32--SIBIU
Address: MEDIAŞ, 4 C.I. Motaş Square, tel. +40374401020
Registration Number in the Trade Register: J32/392/2001
Form of Property: 26- Companies with both state and private capital foreign and domestic (State capital >=50%)
Main activity (CAEN code and denomination): 0620—Natural Gas Production
Tax Identification Number: 14056826

The undersigned,
RAZVAN POPESCU as Chief Executive Officer and
GABRIELA TRANBITAS as Chief Financial Officer,

hereby confirm that according to our knowledge, the annual consolidated financial statements for the year ended December 31, 2022, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and Order of Ministry of Public Finance no. 2844/2016 for the approval of Accounting regulations in accordance with International Financial Reporting Standards, offer a true and fair view of the assets, liabilities, financial position, statement of profit and loss of the Group and that the Board of Directors' report comprises a fair analysis of the development and performance of the Group, as well as a description of the main risks and incertitudes specific to its activity. The Group is a going concern.

Chief Executive Officer,
RAZVAN POPESCU

Chief Financial Officer,
GABRIELA TRANBITAS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SNGN ROMGAZ S.A.

Report on the Audit of the separate financial statements

Opinion

We have audited the separate financial statements of SNGN ROMGAZ S.A (the Company) with official head office in Medias, Piata Constantin I. Motas nr. 4, code 551130, Sibiu county, Romania, identified by sole fiscal registration number RO14056826, which comprise the statement of financial position as at December 31, 2022 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2022 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 Separate Financial Statements" section of our report. We are independent of the Company 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 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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 separate 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 separate 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 separate 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 Company's disclosures about estimation of gas reserves are included in Note 2 ("Use of estimates" and "Exploration and appraisal assets") to the separate financial statements.	
Estimation of the gas reserves is a focus area in our audit because it has a significant impact on the separate financial statements, as the reserves are the basis for unit of production depreciation and amortization for the assets in the Upstream segment. The estimation of gas reserves requires the Company's management and engineers to make significant judgement and assumptions and therefore it was considered to be a key audit matter.	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 Company'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 if the adjustments were made in compliance with the standards of the National Agency for Mineral Resources ("ANRM"); ➢ We compared, on a sample basis, the gas reserves with the assumptions used in accounting for depreciation and amortization for the core assets in the Upstream segment. We also assessed the adequacy of the Company's disclosures about calculation of depreciation, and amortization.

Estimation of decommissioning provisions The Company's disclosures about decommissioning obligations are included in Note 2 ("Use of estimates") and Note 19 ("Provisions") to the separate financial statements.	
The Company'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 significant to our audit because of its magnitude (carrying value of RON 208.8 million at 31 December 2022) and because management makes estimates and judgments in determining the respective provision. 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.	Our work in respect of management's estimation of decommissioning and restauration provisions included, but was not limited to, the following procedures: ➢ We performed a detailed understanding of the Company'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 analysis of discount rates and inflation rates; ➢ We tested the mathematical accuracy of management's decommissioning provision calculations; ➢ We assessed the competence, capabilities and objectivity of management specialists. We also assessed the adequacy of the Company's disclosures in the separate financial statements relating to decommissioning obligations.

Other information

The other information comprises the Annual Report (which includes the Consolidated Directors' Report, the Report on Payments to Governments, the Corporate Governance Statement and the Remuneration Report), but does not include the separate 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 separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 separate financial statements

Management is responsible for the preparation and fair presentation of the separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Company'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 Company'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 separate 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 Company to cease to continue as a going concern.

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

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 communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate 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 separate 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 Consolidated Directors' Report and Remuneration Report, we have read these reports and report that:

a) in the Consolidated Directors' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying separate financial statements as at December 31, 2022;

b) the Consolidated Directors' 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 separate financial statements as at December 31, 2022, we have not identified information included in the Consolidated Directors' Report that contains a material misstatement of fact;

d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

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 Company by the General Meeting of Shareholders on 06 October 2021 to audit the separate financial statements for the financial years ended December 31, 2022, 2022 and 2023. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for five years, covering the years ended December 31, 2018 till December 31,2022.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on the same date as the issue date of this report.

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 Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and other audit related services as disclosed in the separate financial statements, no other services were provided by us to the Company.

Report on the compliance of the electronic format of the separate financial statements, with the requirements of the ESEF Regulation

We have performed a reasonable assurance engagement on the compliance of the separate financial statements presented in XHTML format of SNGN ROMGAZ S.A (the Company) for the year ended December 31, 2022, with the requirements of the Commission Delegated Regulation (EU) 2018 /815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation).

These procedures refer to testing the format and whether the electronic format of the separate financial statements (XHTML) corresponds to the audited separate financial statements and expressing an opinion on the compliance of the electronic format of the separate financial statements of the Company for the year ended December 31, 2022 with the requirements of the ESEF Regulation. In accordance with these requirements, the electronic format of the separate financial statements, included in the annual report should be presented in XHTML format.

Responsibilities of the Management and Those Charged with Governance regarding the separate financial statements presented in XHTML format

The Management of the Company is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the separate financial statements in XHTML format and for ensuring consistency between the electronic format of the separate financial statements (XHTML) and the audited separate financial statements.

The responsibility of the Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the separate financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.
Those charged with governance are responsible for overseeing the financial reporting process for the preparation of separate financial statements, including the application of the ESEF Regulation.

Auditor's Responsibility

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the separate financial statements with the requirements of the ESEF Regulation.
We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the separate financial statements of the Company is prepared, in all material respects, in accordance ESEF regulation. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

Our Independence and Quality Management

We apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, designs, implements and operates a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

Summary of procedures performed

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the separate financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic reporting format (XHTML) of the separate financial statements of the Company, we have maintained professional skepticism and applied professional judgement. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the separate financial statements of the Company, including the preparation of the separate financial statements of the Company in XHTML format
- tested the validity of the applied XHTML format
- checked whether the electronic format of the separate financial statements (XHTML) corresponds to the audited separate financial statements

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the compliance of the electronic format of the separate **financial statements with the requirements of the ESEF Regulation**

Based on the procedures performed, our opinion is that the electronic format of the separate financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

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. FA77

Name of the Auditor / Partner: Verona Cojocaru
Registered in the electronic Public Register under No. AF1568

Bucharest, Romania
23 March 2023

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

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

PREPARED IN ACCORDANCE WITH

MINISTRY OF FINANCE ORDER 2844/2016

CONTENTS: **PAGE:**

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Revenue	3	13,071,969	5,725,214
Cost of commodities sold	5	(183,574)	(281,587)
Investment income	4	188,404	85,963
Other gains and losses	6	(10,795)	18,838
Net impairment gains/(losses) on trade receivables	16	(55,166)	349,989
Changes in inventory of finished goods and work in progress		(2,197)	74,787
Raw materials and consumables used	5	(102,326)	(68,862)
Depreciation, amortization and impairment expenses	7	(461,425)	(613,272)
Employee benefit expense	8	(769,026)	(694,324)
Finance cost	9	(27,233)	(16,739)
Exploration expense	13	(59,069)	(1,197)
Other expenses	10	(7,544,171)	(2,546,438)
Other income	3	78,503	169,567
Profit before tax		**4,123,894**	**2,201,939**
Income tax expense	11	(1,591,949)	(239,430)
Profit for the year		**2,531,945**	**1,962,509**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on post-employment benefits	19 c)	14,096	(34,357)
Income tax relating to items that will not be reclassified subsequently to profit or loss	11	(2,255)	5,496
Total items that will not be reclassified subsequently to profit or loss		**11,841**	**(28,861)**
Other comprehensive income for the year net of income tax		**11,841**	**(28,861)**
Total comprehensive income for the year		**2,543,786**	**1,933,648**

These financial statements were endorsed by the Board of Directors on March 23, 2023.

Răzvan Popescu
Chief Executive Officer

Gabriela Trânbițaș
Chief Financial Officer

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2022 '000 RON	December 31, 2021 '000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	**12**	4,387,058	4,559,588
Other intangible assets	**14**	19,735	15,263
Investments in subsidiaries	**25 a)**	5,185,051	66,056
Investments in associates	**25 b)**	120	120
Deferred tax asset	**11**	217,073	288,087
Net lease investment		286	354
Other assets	**16 b)**	27,722	-
Right of use asset	**14**	6,786	6,739
Other financial investments	**26**	5,616	5,616
Total non-current assets		**9,849,447**	**4,941,823**
Current assets			
Inventories	**15**	274,531	292,966
Trade and other receivables	**16 a)**	1,334,163	1,335,118
Contract costs		3	483
Other financial assets	**28**	8,481	392,359
Other assets	**16 b)**	250,922	66,485
Net lease investment		88	78
Cash and cash equivalents	**27**	1,867,570	3,572,651
Total current assets		**3,735,758**	**5,660,140**
Assets held for disposal	**30**	677,634	693,035
Total assets		**14,262,839**	**11,294,998**
EQUITY AND LIABILITIES			
Equity			
Share capital	**17**	385,422	385,422
Reserves	**18**	3,492,228	2,920,174
Retained earnings		6,191,538	5,684,411
Total equity		**10,069,188**	**8,990,007**
Non-current liabilities			
Retirement benefit obligation	**19**	158,934	144,880
Deferred revenue	**20**	230,419	230,438
Lease liability		7,090	7,211
Borrowings	**29**	1,125,534	
Provisions	**19**	186,778	377,157
Total non-current liabilities		**1,708,755**	**759,686**

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Current liabilities			
Trade payables	**21**	86,903	71,268
Contract liabilities		263,340	204,384
Current tax liabilities	**11**	1,171,873	52,299
Deferred revenue	**20**	11	49
Provisions	**19**	312,867	228,877
Lease liability		1,017	809
Borrowings	**29**	321,581	
Other liabilities	**21**	279,797	927,625
Total current liabilities		**2,437,389**	**1,485,311**
Liabilities directly associated with the assets held for disposal	**30**	47,507	59,994
Total liabilities		**4,193,651**	**2,304,991**
Total equity and liabilities		**14,262,839**	**11,294,998**

These financial statements were endorsed by the Board of Directors on March 23, 2023.

Răzvan Popescu
Chief Executive Officer

Gabriela Trânbițaș
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

	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, 2022	**385,422**	**77,084**	**2,843,090**	**5,684,411**	**8,990,007**
Profit for the year	-	-	-	2,531,945	2,531,945
Other comprehensive income for the year	-	-	-	11,841	11,841
Total comprehensive income for the year	-	-	-	**2,543,786**	**2,543,786**
Allocation to dividends *)	-	-	-	(1,464,605)	(1,464,605)
Allocation to other reserves	-	-	540,227	(540,227)	-
Increase in reinvested profit reserves	-	-	31,827	(31,827)	-
Balance as of December 31, 2022	**385,422**	**77,084**	**3,415,144**	**6,191,538**	**10,069,188**
Balance as of January 1, 2021	**385,422**	**77,084**	**2,142,857**	**5,140,902**	**7,746,265**
Profit for the year	-	-	-	1,962,509	1,962,509
Other comprehensive income for the year	-	-	-	(28,861)	(28,861)
Total comprehensive income for the year	**-**	**-**	**-**	**1,933,648**	**1,933,648**
Allocation to dividends *)	-	-	-	(689,906)	(689,906)
Allocation to other reserves	-	-	650,228	(650,228)	-
Increase in reinvested profit reserves	-	-	50,005	(50,005)	-
Balance as of December 31, 2021	**385,422**	**77,084**	**2,843,090**	**5,684,411**	**8,990,007**

*) In 2022 the Company's shareholders approved the allocation of dividends of RON 1,464,605 thousand (2021: RON 689,906 thousand), dividend per share being RON 3.80 (2021: RON 1.79).

**) 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 Company's transition to IFRS, the reserve existing as of December 31, 2012 was transferred to 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, 2022 the geological quota reserve is of RON 714,512 thousand (December 31, 2021: RON 806,840 thousand).

These financial statements were endorsed by the Board of Directors on March 23, 2023.

Răzvan Popescu
Chief Executive Officer

Gabriela Trânbițaș
Chief Financial Officer

STATEMENT OF CASH FLOW

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Cash flows from operating activities		
Net profit	**2,531,945**	**1,962,509**
Adjustments for:		
Income tax expense (note 11)	1,591,949	239,430
Interest expense (note 9)	5,565	557
Income from dividends (note 4)	(13,583)	(28,065)
Unwinding of decommissioning provision (note 9, note 19)	21,668	16,182
Interest revenue (note 4)	(174,821)	(57,898)
Net loss on disposal of non-current assets (note 6)	451	(321)
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	(75,629)	(20,646)
Change in other provisions (note 19)	110,976	69,366
Net impairment of exploration assets (note 7, note 13)	66,447	37,046
Exploration projects written off (note 13)	16	33
Net impairment of property, plant and equipment and intangibles (note 7)	73,710	182,470
Foreign exchange differences	(453)	-
Depreciation and amortization (note 7)	321,268	393,756
Amortization of contract costs	773	1,626
Change in investments at fair value through profit and loss (note 6)	-	10
Net receivable write-offs and movement in allowances for trade receivables and other assets	55,765	(378,352)
Other gains and losses	1,793	6,273
Net movement in write-down allowances for inventory (note 6, note 15)	4,814	3,300
Liabilities written off	(512)	(810)
Subsidies income (note 20)	(7)	(9)
	4,522,135	**2,426,457**
Movements in working capital:		
(Increase)/Decrease in inventory	19,556	(65,944)
(Increase)/Decrease in trade and other receivables	(232,183)	(412,742)
Increase/(Decrease) in trade and other liabilities	(573,356)	788,724
Cash generated from operations	**3,736,152**	**2,736,495**
Interest paid	(5,040)	(4)
Income taxes paid	(404,171)	(226,210)
Net cash generated by operating activities	**3,326,941**	**2,510,281**

STATEMENT OF CASH FLOW

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Cash flows from investing activities		
Investment in other entities	-	(250)
Bank deposits set up and acquisition of state bonds	(3,220,306)	(3,821,852)
Bank deposits and state bonds matured	3,599,005	5,394,162
Loans granted to subsidiaries	(27,359)	-
Interest received	179,571	57,854
Proceeds from sale of non-current assets	1,033	513
Receipts from disposal of other financial investments	-	2
Dividends received	13,583	28,065
Acquisition of shares in ExxonMobil Exploration and Production Romania Limited	(5,126,347)	-
Acquisition of non-current assets	(336,969)	(300,072)
Acquisition of exploration assets	(96,500)	(91,865)
Collection of lease payments	105	105
Net cash (used in)/generated by investing activities	**(5,014,184)**	**1,266,662**
Cash flows from financing activities		
Borrowings received	1,606,475	-
Repayment of borrowings	(158,907)	-
Dividends paid	(1,463,984)	(690,027)
Repayment of lease liability	(1,422)	(1,270)
Subsidies received (note 20)	-	94,148
Net cash used in financing activities	**(17,838)**	**(597,149)**
Net increase/(decrease) in cash and cash equivalents	**(1,705,081)**	**3,179,794**
Cash and cash equivalents at the beginning of the year	**3,572,651**	**392,857**
Cash and cash equivalents at the end of the year	**1,867,570**	**3,572,651**

These financial statements were endorsed by the Board of Directors on March 23, 2023.

Răzvan Popescu
Chief Executive Officer

Gabriela Trânbițaș
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

1. BACKGROUND AND GENERAL BUSINESS

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

S.N.G.N. Romgaz S.A. is a joint stock company, incorporated in accordance with Romanian legislation.

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

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

Romgaz has as main activity:

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The separate financial statements ("financial statements") of the Company have been prepared in accordance with the provisions of Ministry of Finance Order no. 2844/2016 to approve accounting regulations in accordance with IFRS, as subsequently amended (MOF 2844/2016). For the purposes of the preparation of these financial statements, the functional currency of the Company is deemed to be the Romanian Leu (RON).

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).

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 Company 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 Company 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 Company 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.

Subsidiaries

A subsidiary is an entity controlled by the Company. In establishing the existence of control, the Company analyses the following:

- if it has authority over the invested entity;
- if it is exposed to, or has rights to variable returns from its involvement in the invested entity;
- if it has the ability to use its authority over the invested entity to affect these returns.

The investment in a subsidiary is recognized at cost less accumulated impairment.

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 are recorded at cost less accumulated impairment.

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 Company 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 Company 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 Company 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 Company 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 Company recognizes its interest in a joint venture as investment, at cost, if it has joint control.

Standards and interpretations valid for the current period

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

- Amendments to IFRS 3 “Business Combinations” (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 16 “Property, Plant and Equipment” (effective for annual periods beginning on or after January 1, 2022);

- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (effective for annual periods beginning on or after January 1, 2022);
- Annual Improvements 2018-2020 (effective for annual periods beginning on or after January 1, 2022).

The adoption of these amendments, interpretations or improvements to existing standards has not led to changes in the Company's accounting policies.

Standards and interpretations issued by IASB not yet endorsed by the EU

At present, IFRS endorsed 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:

- Amendments to IAS 1 “Presentation of Financial Statements: Classification of Liabilities as Current or Non-current; Classification of Liabilities as Current or Non-current - Deferral of Effective Date; Non-current Liabilities with Covenants” (effective for annual periods beginning on or after January 1, 2024);
- Amendments to IFRS 16 “Leases: Lease liabilities in a sale and leaseback” (applicable to annual periods beginning on or after 1 January 2024).

The Company 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 Company in the period of initial application.

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 issued, but not yet effective:

- Amendments to IAS 12 “Income taxes: Deferred Tax related to Assets and Liabilities arising from a single transaction” (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IFRS 17 “Insurance Contracts: initial application of IFRS 17 and IFRS 9 - comparative information” (applicable to annual periods beginning on or after January 1, 2023);
- Amendments to IAS 1 “Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies” (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates” (effective for annual periods beginning on or after January 1, 2023);
- IFRS 17 “Insurance Contracts including Amendments to IFRS 17” (effective for annual periods beginning on or after January 1, 2023). The Company does not issue contracts in scope of IFRS 17, thus the financial statements will not be impacted by this standard.

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

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, electricity production and distribution, and other activities, including headquarter activities. The Directors of the Company have chosen to organize the Company around differences in activities performed.

Specifically, the Company 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 the head office, and Mediaș and Mureș branches;
- electricity production and distribution activities, performed by Iernut branch;
- other activities, such as technological transport, operations on wells and corporate activities.

Gas and electricity deliveries between Company’s segments are accounted for at market prices or at regulated prices, as the case may be. All other transactions between Company’s segments are at cost.

Considering the insertion of separate and consolidated financial statements in a single annual financial report, the Company does not disclose segment information in the separate financial statements.

Revenue recognition

a) Revenue from contracts with customers

The Company 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 Company can identify each party's rights regarding the goods or services to be transferred;
- the Company can identify the payment terms;
- the contract has commercial substance;
- it is probable that the Company 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 Company 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 Company performs the obligation;
- the Company creates or enhances an asset that the customer controls as the asset is created or enhanced;
- the Company's performance does not create an asset with an alternative use to the Company.

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 Company 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 Company 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. Revenue from these contracts are recognized at a point time on the basis of the actual quantities at the prices fixed in the contracts concluded.

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

b) Other revenue

Rental revenue for operating lease contracts where the Company 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.

Contract liabilities

Contract liabilities are an obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional (ie. a receivable), before the Company transfers the good or service to the customer, the Company presents the contract as a contract liability when the payment is made or the payment is due (whichever is earlier).

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 carrying value 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 Company operates and is the currency in which the Company primarily generates and expends cash. The Company operates in Romania and it has the Romanian Leu (RON) as its functional currency.

In preparing the financial statements of the Company, 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 Company makes payments to the Romanian State on behalf of its employees at legal rates. All employees of the Company 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 Company 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 Company 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 Company 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 Company 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 Company 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 Company recognizes a provision for the deficit between actual CO2 emissions and certificates held, measured at the best estimate of expenditure required to settle the obligation.

Provisions for decommissioning of wells

Liabilities for decommissioning costs are recognized due to the Company'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 Company 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 and the estimated costs for decommissioning are updated annually.

The decommissioning provision is based on the economic life of the fields wells are located on, even if this is longer than the period of the related concession agreements, as it is considered the period may be extended.

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 Company 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 Company 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 Company 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 Company’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 Company 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 Company 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 Company 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.

(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 Company 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 Company. 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 Company 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 Company applies the depreciation method based on the unit of production in order to reflect in the statement of comprehensive income, an expense proportionate with the 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 the gas cushion are not depreciated, as the residual value exceeds their cost.

For indirect production tangible assets and other assets, depreciation is calculated at cost using the straight-line method over the estimated useful life of the asset 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.

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 and impairment. 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, and have not been written off at the data of financial statements, 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 Company assesses whether there is any indication of impairment of assets. If such indication is identified, the Company tests the assets to determine whether they are impaired.

Company’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 company considers each commercial field as a separate cash-generating unit.

All gas storages held by the Company leased to Depogaz are considered as part of a single cash-generating unit, as the tariffs are set by analyzing the storage activity as a whole, not every single storage.

In 2022, no indications of impairment of the Company’s assets were identified.

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 Company'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.

Assets held for disposal

Non-current assets classified as held for disposal are non-current assets whose carrying amount will be recovered through a disposal rather than through continuing use. They are measured at the lower of its carrying amount and fair value less costs to dispose.

Immediately before the initial classification of the assets as held for disposal, the carrying amounts of the assets are measured in accordance with applicable IFRSs.

Non-current assets classified as held for disposal are no longer depreciated.

In the 2022 financial statements, assets held for disposal are the assets used in the storage activity which will be transferred to increase Depogaz’ share capital.

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 (Agenția Națională 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 Company'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 Company 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 Company 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.

Elements similar to the above are also considered when determining impairment losses for producing assets.

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 Company'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 in equity instruments.

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.

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 Company 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 Company's business model for managing the financial assets and their contractual cash flows.

The Company 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 Company 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 Company has a legally enforceable right to set off 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 Company 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 Company 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 Company considers the risk or probability of a default occurring, reflecting the possibility of a default to occur or not to occur, even if the possibility of a credit loss is very low.

The Company measures the expected credit losses of a financial instrument in a manner that reflects reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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 Company 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 Company derecognizes financial liabilities when, and only when, the Company’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 Company;
- 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 together with the profit allocation, as approved by the 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 Company 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 Company 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 Company 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 estimates that the management has made in the process of applying the Company’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 Company evaluates the risks attached to current and overdue receivables and the probability of such risks to materialize. The Company’s receivables are generally due in maximum 30 days from the date the invoice is issued. However, the Company may be 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 Company estimates the lifetime expected credit loss of receivables, both current and overdue, and records appropriate impairment losses (note 16).

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 (note 7).

Estimates related to the developed proved reserves

The Company applies the depreciation method based on the unit of production in order to reflect in the income statement an expense proportionate with the 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 (note 7).

Estimates related to the decommissioning provision

Liabilities for decommissioning costs are recognized for the Company'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 and estimated decommissioning costs are updated annually (note 19).

Estimates related to the retirement benefit obligation

Under the Collective Labor Agreement, the Company 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) (note 19).

The Company 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).

Fair value of financial instruments

Management believes that the estimated fair values of financial instruments approximate their carrying amounts.

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 Company 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 Company.

3. REVENUE AND OTHER INCOME

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Revenue from gas sold - own production *)	11,260,645	4,693,949
Revenue from gas sold – other arrangements	58,153	27,456
Revenue from gas acquired for resale **)	14,654	330,309
Revenue from electricity ***)	1,330,630	321,611
Revenue from services	224,970	186,716
Revenue from sale of goods	70,461	53,955
Other revenues from contracts	459	384
Total revenue from contracts with customers	**12,959,972**	**5,614,380**
Revenues from rental activities (see below)	111,997	110,834
Total revenue	**13,071,969**	**5,725,214**
Other operating income ****)	78,503	169,567
Total revenue and other income	**13,150,472**	**5,894,781**

*) The increase in revenue from sale of Company's gas production is due to the increase of gas prices caused by the war in Ukraine. Quantities sold in 2022 were close to the ones sold in 2021.

**) No import gas was acquired for resale in 2022. The 2022 revenue relates to gas imbalances.

***) The increase in electricity sales is the result of higher selling prices, also caused by the war in Ukraine, and higher electricity production.

****) In 2021, other operating income include, besides penalties charged to clients for late payment or non-fulfillment of the obligation of taking the natural gas, the amount of RON 114,628 thousand representing the performance guarantee set up for the construction of the 430 MW Iernut power plant, with combined cycle with gas turbines, following the termination of the work contract signed for this purpose.

Revenue from contracts with customers is recognized as or when the Company 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 Company 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.

In measuring the revenue from gas and electricity, the Company 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 Company recognizes the revenue in the amount it has the right to charge.

The Company 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 Company has the right to charge.

Revenues from rental activities mainly includes the revenue from renting the fixed assets used in the storage activity by Depogaz and Depomureș.

4. INVESTMENT INCOME

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Income from dividends	13,583	28,065
Interest income	174,821	57,898
Total	**188,404**	**85,963**

Interest income is derived from the Company's investments in bank deposits and government bonds. Interest rates saw a significant increase in 2022, leading to higher income. 2022 interest income include RON 363 thousand on the loan granted to Romgaz Black Sea Limited to support its operational and investment activities (note 16 b).

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Consumables used	49,788	37,406
Technological consumption	48,951	26,817
Cost of gas acquired for resale, sold	14,654	246,819
Cost of electricity imbalance *)	167,405	33,867
Cost of other goods sold	1,515	901
Other consumables	3,587	4,639
Total	**285,900**	**350,449**

*) Cost of electricity imbalances increased in 2022 compared with 2021 due to unplanned shut-downs of the plant. In order to meet contractual delivery obligations, the Company had to acquire electricity from the market.

6. OTHER GAINS AND LOSSES

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Forex gain	41,862	45
Forex loss	(45,000)	(308)
Net gain/(loss) on disposal of non-current assets	(451)	321
Net allowances for other receivables (note 16 c)	(599)	28,369
Net write down allowances for inventory (note 15)	(4,814)	(3,300)
Net gain/(loss) on financial assets at fair value through profit or loss	-	(10)
Other gains and losses	(1,793)	(6,273)
Losses from other debtors	-	(6)
Total	**(10,795)**	**18,838**

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Depreciation and amortization	321,268	393,756
out of which:		
- depreciation of property, plant and equipment	315,708	389,070
- amortization of intangible assets	4,649	3,851
- amortization of right-of use assets (note 14 b)	911	835
Net impairment of non-current assets	140,157	219,516
Total depreciation, amortization and impairment	**461,425**	**613,272**

8. EMPLOYEE BENEFIT EXPENSE

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Wages and salaries	808,084	735,649
Social security charges	28,091	25,880
Meal tickets	24,621	22,829
Other benefits according to collective labor contract	26,655	21,302
Private pension payments	10,227	10,454
Private health insurance	6,393	6,479
Total employee benefit costs	**904,071**	**822,593**
Less, capitalized employee benefit costs	(135,045)	(128,269)
Total employee benefit expense	**769,026**	**694,324**

9. FINANCE COSTS

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Interest expense *)	5,565	557
Unwinding of the decommissioning provision (note 19)	21,668	16,182
Total	**27,233**	**16,739**

*) The increase in interest expense is due to the loan taken to finance the acquisition of the shares of ExxonMobil Exploration and Production Romania Limited (note 29).

10. OTHER EXPENSES

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Energy and water expenses	26,915	19,010
Expenses for capacity booking and gas transmission services	158,591	145,177
Expenses with other taxes and duties *)	6,940,057	2,004,377
(Net gain)/Net loss from provisions movement (note 19)	35,347	48,720
Gas storage services	52,028	69,658
Other operating expenses **)	331,233	259,496
Total	**7,544,171**	**2,546,438**

*) In the year ended December 31, 2022, the major taxes and duties included in the amount of RON 6,940,057 thousand (year ended December 31, 2021: RON 2,004,377 thousand) are:

- RON 4,903,849 thousand representing 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, 2021: RON 1,257,998 thousand);
- in 2022, electricity producers were charged with an 80% windfall tax on prices in excess of RON 450/MWh (April, 2022 – August, 2022) followed by a 100% contribution to the Energy Transition Fund on prices in excess of RON 450/MWh (September, 2022 to date); some deductions were allowed in determining the two taxes. These taxes amount to RON 403,801 thousand. The Company expects the 2023 contribution to be minimal, due to a regulated price of RON 450/MWh at which electricity produced by the Company must be sold;
- RON 1,625,804 thousand representing royalty on gas production (year ended December 31, 2021: RON 740,008 thousand).

**) The increase in other operating expenses compared to 2021 is mainly due to the increase in expenditure on greenhouse gas emission certificates (RON 169,638 thousand in 2022, compared to RON 121,583 thousand in 2021). The expense of RON 169,638 thousand in 2022 was partially offset by releasing to income the provision set up for these certificates on December 31, 2021 of RON 154,904 thousand (note 19) (2021: the expense of RON 121,583 thousand was offset by releasing to income the provision set up on December 31, 2020 of RON 81,217 thousand).

NOTES TO THE FINANCIAL STATEMENTS

11. INCOME TAX

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Current tax expense (note 11 a)	520,955	228,911
Deferred income tax (income)/expense (note 11 a)	68,204	10,519
Solidarity contribution (note 11 b)	1,002,790	-
Income tax expense	**1,591,949**	**239,430**

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Current income tax liability	169,083	52,299
Solidarity contribution (note 11 b)	1,002,790	-
Current tax liability	**1,171,873**	**52,299**

a) Current and deferred income tax

The tax rate used for the reconciliations below for the year ended December 31, 2022, respectively year ended December 31, 2021 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, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Accounting profit before tax (after solidarity contribution)	**3,121,104**	**2,201,939**
(Profit)/loss activities not subject to income tax	4,790	3,806
Accounting profit subject to income tax	**3,125,894**	**2,205,745**
Income tax expense calculated at 16%	500,143	352,919
Effect of income exempt of taxation	(105,545)	(112,807)
Effect of expenses that are not deductible in determining taxable profit	220,398	39,260
Effect of current income tax reduction, due to tax facilities	(64,388)	(19,906)
Effect of tax incentive for reinvested profit	(5,092)	(8,001)
Effect of the benefit from tax credits, used to reduce current tax expense	23,367	30,505
Effect of deferred tax relating to the origination and reversal of temporary differences	49,761	(24,479)
Effect of the benefit from tax credits, used to reduce deferred tax expense	(29,485)	(18,061)
Income tax expense	**589,159**	**239,430**

Components of deferred tax (asset)/liability:

	December 31, 2022		December 31, 2021	
	Cumulative temporary differences	**Deferred tax (asset)/ liability**	**Cumulative temporary differences**	**Deferred tax (asset)/ liability**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**
Provisions	(430,452)	(68,873)	(596,010)	(95,361)
Property, plant and equipment	(297,761)	(47,642)	(187,193)	(29,951)
Exploration assets *)	(494,982)	(79,197)	(610,253)	(97,640)
Financial investments	(977)	(156)	(977)	(156)
Inventory	(34,956)	(5,593)	(33,205)	(5,313)
Receivables and other assets	(97,576)	(15,612)	(372,912)	(59,666)
Total	**(1,356,704)**	**(217,073)**	**(1,800,550)**	**(288,087)**
Assets held for disposal	**151,676**	**24,268**	167,077	26,732
Liabilities directly associated with Assets held for disposal	**(27,666)**	**(4,427)**	(39,598)	(6,336)
Total for assets held for disposal and associated liabilities	**124,010**	**19,841**	**127,479**	**20,396**
Total General	**(1,232,694)**	**(197,232)**	**(1,673,071)**	**(267,691)**
Change, out of which:		**(70,459)**		**(5,023)**
- In current year's result		(68,204)		(10,519)
- in other comprehensive income		(2,255)		5,496

*) 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.

b) Solidarity contribution

In 2022, a solidarity contribution was introduced in Romania as a result of Council Regulation (EU) 2022/1854 on an emergency intervention to address high energy prices. The temporary solidarity contribution is calculated at a rate of 60% of taxable profits, as determined under national tax rules, in the fiscal years 2022 and 2023 which are above a 20% increase of the average of the taxable profits, as determined under national tax rules, in the four fiscal years starting on or after 1 January 2018. The contribution for 2022 is of RON 1,002,790 thousand. The tax is due for payment in June, 2023.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2022	**96,815**	**708,494**	**7,146,398**	**970,774**	**107,694**	**213,387**	**335,940**	**1,969,733**	**11,549,235**
Additions	37	2,381	1,175	-	5	-	96,504	351,229	451,331
Transfers	576	8,265	252,661	48,895	2,609	-	(24,311)	(288,695)	-
Disposals	-	(846)	(218,407)	(19,989)	(5,172)	-	(71,639)	(4,864)	(320,917)
As of December 31, 2022	**97,428**	**718,294**	**7,181,827**	**999,680**	**105,136**	**213,387**	**336,494**	**2,027,403**	**11,679,649**
Accumulated depreciation									
As of January 1, 2022	**-**	**310,320**	**4,652,369**	**681,169**	**83,096**	**7,767**	**-**	**-**	**5,734,721**
Depreciation *)	-	19,096	262,236	54,315	6,107	-	-	-	341,754
Disposals	-	(248)	(24,513)	(19,690)	(5,078)	-	-	-	(49,529)
As of December 31, 2022	**-**	**329,168**	**4,890,092**	**715,794**	**84,125**	**7,767**	**-**	**-**	**6,026,946**
Impairment									
As of January 1, 2022	**3,180**	**50,109**	**649,714**	**82,794**	**1,183**	**2,101**	**161,085**	**304,760**	**1,254,926**
Charge	-	2,468	50,668	3,033	91	-	66,466	79,558	202,284
Transfers	-	4	43,787	956	-	-	-	(44,747)	-
Release	-	(617)	(92,492)	(358)	(100)	(4)	(66,042)	(31,952)	(191,565)
As of December 31, 2022	**3,180**	**51,964**	**651,677**	**86,425**	**1,174**	**2,097**	**161,509**	**307,619**	**1,265,645**
Carrying value									
As of January 1, 2022	**93,635**	**348,065**	**1,844,315**	**206,811**	**23,415**	**203,519**	**174,855**	**1,664,973**	**4,559,588**
As of December 31, 2022	**94,248**	**337,162**	**1,640,058**	**197,461**	**19,837**	**203,523**	**174,985**	**1,719,784**	**4,387,058**

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 26,047 thousand.*

NOTES TO THE FINANCIAL STATEMENTS

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2021	**96,737**	**689,051**	**7,103,831**	**914,291**	**99,461**	**213,387**	**333,606**	**1,909,977**	**11,360,341**
Additions	78	237	9,204	799	-	-	91,862	318,856	421,036
Transfers	-	19,349	149,970	59,994	8,233	-	-	(237,546)	-
Disposals	-	(143)	(116,607)	(4,310)	-	-	(89,528)	(21,554)	(232,142)
As of December 31, 2021	**96,815**	**708,494**	**7,146,398**	**970,774**	**107,694**	**213,387**	**335,940**	**1,969,733**	**11,549,235**
Accumulated depreciation									
As of January 1, 2021	**-**	**288,584**	**4,325,133**	**627,603**	**77,057**	**7,765**	**-**	**-**	**5,326,142**
Depreciation *)	-	21,772	327,414	57,844	6,040	2	-	-	413,072
Disposals	-	(36)	(178)	(4,278)	(1)	-	-	-	(4,493)
As of December 31, 2021	**-**	**310,320**	**4,652,369**	**681,169**	**83,096**	**7,767**	**-**	**-**	**5,734,721**
Impairment									
As of January 1, 2021	**3,180**	**33,635**	**553,625**	**82,995**	**1,178**	**2,101**	**213,398**	**255,924**	**1,146,036**
Charge	-	389	101,784	411	16	-	38,035	125,111	265,746
Transfers	-	16,500	21,675	-	-	-	-	(38,175)	-
Release	-	(415)	(27,370)	(612)	(11)	-	(90,348)	(38,100)	(156,856)
As of December 31, 2021	**3,180**	**50,109**	**649,714**	**82,794**	**1,183**	**2,101**	**161,085**	**304,760**	**1,254,926**
Carrying value									
As of January 1, 2021	**93,557**	**366,832**	**2,225,073**	**203,693**	**21,226**	**203,521**	**120,208**	**1,654,053**	**4,888,163**
As of December 31, 2021	**93,635**	**348,065**	**1,844,315**	**206,811**	**23,415**	**203,519**	**174,855**	**1,664,973**	**4,559,588**

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 24,001 thousand.*

NOTES TO THE FINANCIAL STATEMENTS

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

The Company did not perform an impairment test as of December 31, 2022. Based on internal analyses, no impairment indicators were identified. In addition to this, the Company considers the market to be too volatile in terms of prices and regulations so that any impairment test performed under such conditions would not generate reliable results.

13. EXPLORATION AND APPRAISAL FOR NATURAL GAS RESOURCES

The following financial information represents the amounts included within the Company's totals relating to activity associated with the exploration for and appraisal of natural gas resources.

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Exploration assets written off	16	33
Seismic, geological, geochemical studies	59,053	1,164
Exploration expenses	**59,069**	**1,197**
Net movement in exploration assets' impairment (net income)/net loss	66,447	37,046
Net cash used in exploration investing activities	(96,500)	(91,865)

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Exploration assets (note 12)	174,985	174,855
Liabilities	(13,218)	(7,904)
Net assets	**161,767**	**166,951**

NOTES TO THE FINANCIAL STATEMENTS

14. OTHER INTANGIBLE ASSETS. RIGHT OF USE ASSETS

a) Other intangible assets

	2022 '000 RON	2021 '000 RON
Cost		
As of January 1	**167,141**	**184,834**
Additions	9,098	5,110
Disposals	(53,693)	(22,803)
As of December 31	**122,546**	**167,141**
Accumulated amortization		
As of January 1	**151,878**	**170,804**
Charge	4,649	3,851
Disposals	(53,716)	(22,777)
As of December 31	**102,811**	**151,878**
Carrying value		
As of January 1	**15,263**	**14,030**
As of December 31	**19,735**	**15,263**

b) Right of use assets

	2022 '000 RON	2021 '000 RON
Cost		
As of January 1	**9,019**	**8,887**
Effects of rent index updates	380	132
New contracts	578	-
Terminated contracts	(59)	-
As of December 31	**9,918**	**9,019**
Accumulated amortization		
As of January 1	**2,280**	**1,445**
Charge	911	835
Terminated contracts	(59)	-
As of December 31	**3,132**	**2,280**
Carrying value		
As of January 1	**6,739**	**7,442**
As of December 31	**6,786**	**6,739**

NOTES TO THE FINANCIAL STATEMENTS

15. INVENTORIES

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Spare parts and materials	203,094	156,144
Finished goods (gas)	129,190	189,594
Other inventories	700	867
Write-down allowance for spare parts and materials	(58,437)	(53,548)
Write-down allowance for other inventories	(16)	(91)
Total	**274,531**	**292,966**

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Trade receivables	1,471,250	1,747,458
Allowances for expected credit losses (note 16 c)	(724,386)	(924,030)
Accrued receivables	587,299	519,529
Allowances for expected credit losses on accrued receivables (note 16 c)	-	(7,839)
Total	**1,334,163**	**1,335,118**

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 Company 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.

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.

b) Other assets

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Loans to subsidiaries *)	27,359	-
Interest on loans to subsidiaries	363	-
Total other assets (long term)	**27,722**	**-**
Advances paid to suppliers	-	109
Joint operation receivables	10,550	8,201
Other receivables **)	36,921	47,103
Allowance for expected credit losses other receivables (note 16 c) **)	(172)	(186)
Other debtors	58,487	49,922
Allowances for expected credit losses for other debtors (note 16 c)	(50,055)	(49,442)
Prepayments	9,829	5,368
VAT not yet due	3,072	5,404
Other taxes receivable ***)	182,290	6
Total other assets (short term)	**250,922**	**66,485**

NOTES TO THE FINANCIAL STATEMENTS

*) In 2022 the Company acquired 100% of shares in ExxonMobil Exploration and Production Romania Limited (currently Romgaz Black Sea Limited), becoming a fully owned subsidiary (note 25 a). As Romgaz Black Sea Limited does not generate any revenue, it needs full support from the Company to finance its operational and investment activities. The Company and Romgaz Black Sea Limited signed a finance agreement for a total amount of RON 123,630 thousand at an interest rate of 12M ROBOR + 1.74%. The loan is due on June 30, 2028. Amounts are drawn on an as-needed basis.

**) 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. In 2021, the court ruled in favor of the Company, so that the related allowance was released to income. The Company recovered this amount in 2023.

***) Other taxes receivable relate to gas and electricity windfall taxes (RON 142,234 thousand for gas, respectively, RON 40,049 thousand for electricity). The Company expects to recover these in 2023.

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

	2022	2021
	'000 RON	'000 RON
At January 1	**981,497**	**1,359,855**
Charge in the allowance for other receivables (note 6)	1,831	1,402
Charge in the allowance for trade receivables	124,247	32,529
Write-off against trade receivables *)	(262,649)	-
Release in the allowance for other receivables (note 6)	(1,232)	(29,771)
Release in the allowance for trade receivables	(69,081)	(382,518)
At December 31	**774,613**	**981,497**

*) In 2022, the Company wrote-off receivables of RON 262,649 thousand representing receivables not allowed by courts in insolvency proceedings of the respective clients. The write-off had no impact on the 2022 results, as those receivables were already impaired.

As of December 31, 2022, the Company recorded allowances for doubtful debts, of which Interagro RON 68,141 thousand (December 31, 2021: RON 264,529 thousand), GHCL Upsom of RON 0 thousand (December 31, 2021: RON 68,103 thousand), CET Iasi of RON 46,271 thousand (December 31, 2021: RON 46,271 thousand), Electrocentrale Galati with RON 168,620 thousand (December 31, 2021: RON 192,342 thousand), Liberty Galați with RON 85,261 thousand (December 31, 2021: RON 0 thousand), Electrocentrale Bucuresti with RON 243,547 thousand (December 31, 2021: RON 252,225 thousand), G-ON EUROGAZ of RON 14,848 thousand (December 31, 2021: RON 14,848 thousand) and Electrocentrale Constanta of RON 38,027 thousand (December 31, 2021: RON 60,766 thousand), due to existing financial conditions of these clients as well as ongoing litigating cases related to these receivables or exceeding payment terms.

d) Credit risk exposure for trade receivables

December 31, 2022	Gross carrying amount	Expected credit loss rate	Lifetime expected credit losses
	'000 RON	%	'000 RON
Current receivables, including accrued receivables	1,333,424	0.00	13
less than 30 days overdue	6,130	91.24	5,593
30 to 90 days overdue	32,362	99.96	32,348
90 to 360 days overdue	73,501	99.73	73,300
over 360 days overdue	613,132	100.00	613,132
Total trade receivables	**2,058,549**		**724,386**

December 31, 2021	Gross carrying amount	Expected credit loss rate	Lifetime expected credit losses
	'000 RON	%	'000 RON
Current receivables, including accrued receivables	1,010,199	0.79	7,973
less than 30 days overdue	10,789	1.24	134
30 to 90 days overdue	578	46.19	267
90 to 360 days overdue	14,213	99.07	14,081
over 360 days overdue	1,231,208	73.86	909,414
Total trade receivables	**2,266,987**		**931,869**

17. SHARE CAPITAL

	December 31, 2022	December 31, 2021
	'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, 2022 is as follows:

	No. of shares	Value	Percentage (%)
		'000 RON	
The Romanian State through the Ministry of Energy	269,823,080	269,823	70.01
Legal persons	96,125,570	96,125	24.94
Physical persons	19,473,750	19,474	5.05
Total	**385,422,400**	**385,422**	**100**

All shares are ordinary and were subscribed and fully paid as at December 31, 2022. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2021: RON 1/share).

18. RESERVES

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Legal reserves	77,084	77,084
Other reserves, of which:	3,415,144	2,843,090
- Company's development fund	2,543,502	2,003,275
- Reinvested profit	365,529	333,702
- Geological quota set up until 2004	486,388	486,388
- Other reserves	19,725	19,725
Total	**3,492,228**	**2,920,174**

19. PROVISIONS

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Decommissioning provision (note 19 a)	186,778	377,157
Retirement benefit obligation (note 19 c)	158,934	144,880
Total long term provisions	**345,712**	**522,037**
Decommissioning provision (note 19 a)	22,046	20,882
Litigation provision (note 19 b)	6,620	3,554
Other provisions *) (note 19 b)	284,201	204,441
Total short term provisions	**312,867**	**228,877**
Total provisions	**658,579**	**750,914**

*) On December 31, 2022, other provisions of RON 284,201 thousand include the provision for employee's participation to profit of RON 38,094 thousand (December 31, 2021: RON 35,777 thousand), the provision for taxes of RON 10,207 thousand (December 31, 2021: RON 7,161 thousand) and the provision for CO2 certificates of RON 228,126 thousand (December 31, 2021: RON 154,904 thousand). The provision for CO_2 certificates increased compared to 2021 due to a higher electricity production (+73.5%) that needed higher gas consumption.

a) Decommissioning provision

(i) Decommissioning provision movement for non-current assets

	2022 '000 RON	2021 '000 RON
At January 1	**398,039**	**511,022**
Additional provision recorded against non-current assets	1,175	9,209
Unwinding effect (note 9)	19,834	14,825
Recorded in profit or loss	(75,471)	(20,588)
Change recorded against non-current assets	(134,753)	(116,429)
At December 31	**208,824**	**398,039**

The Company makes full provision for the future cost 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 8.19% (year ended December 31, 2021: 5.14%). 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.

The increase with 1 percentage point of the discount rate would decrease the decommissioning provision (including the decommissioning provision for assets held for disposal) with RON 34,492 thousand. The decrease with 1 percentage point of the discount rate would increase the decommissioning provision (including the decommissioning provision for assets held for disposal) with RON 44,053 thousand.

The increase with 1 percentage point of the inflation rate would increase the decommissioning provision (including the decommissioning provision for assets held for disposal) with RON 45,813 thousand. The decrease with 1 percentage point of the inflation rate would decrease the decommissioning provision (including the decommissioning provision for assets held for disposal) with RON 36,173 thousand.

(ii) Decommissioning provision movement for assets held for disposal

	2022 '000 RON	2021 '000 RON
At January 1	**39,598**	**49,935**
Additional provision recorded against assets held for disposal	149	1,702
Unwinding effect (note 9)	1,834	1,357
Recorded in profit or loss	(158)	(58)
Change recorded against assets held for disposal	(13,757)	(13,338)
At December 31	**27,666**	**39,598**

b) Other provisions

	Litigation provision '000 RON	Other provisions '000 RON	Total '000 RON
At January 1, 2022	**3,554**	**204,441**	**207,995**
Additional provision recorded in the result of the period	4,124	316,565	320,689
Provisions used in the period	(948)	(211,893)	(212,841)
Unused amounts during the period, reversed	(110)	(24,912)	(25,022)
At December 31, 2022	**6,620**	**284,201**	**290,821**

	Litigation provision '000 RON	Other provisions '000 RON	Total '000 RON
At January 1, 2021	**1,380**	**128,340**	**129,720**
Additional provision recorded in the result of the period	2,966	239,608	242,574
Provisions used in the period	(439)	(161,703)	(162,142)
Unused amounts during the period, reversed	(353)	(1,804)	(2,157)
At December 31, 2021	**3,554**	**204,441**	**207,995**

c) Retirement benefit obligation

Movement for retirement benefit obligation	2022 '000 RON	2021 '000 RON
At January 1	**144,880**	**119,432**
Interest cost	7,044	3,721
Current service cost	8,921	5,547
Payments during the year	(9,484)	(18,177)
Actuarial (gain)/loss of the period	(14,096)	34,357
Past service cost	21,669	-
At December 31	**158,934**	**144,880**

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: 8.1% (2021: 5%);
- Average inflation rate: 16.3% in 2022; 11.2% in 2023; 6.1% in 2024; 3.6% in 2025; 2.7% in the 2026; 2.5% in 2027-2031 period, following a decreasing trend in the next years (2021: 5.9% in 2022; 3.2% in 2023; 3% in 2024; 2.8% in 2025; 2.5% in the 2026-2031 period, following a decreasing trend in the next years).

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	**Decrease of 1% in assumptions**
	'000 RON	**'000 RON**
Average discount rate	(12,848)	15,645
Salaries' growth rate	14,662	(13,851)

Maturity analysis of payment cash flows

	Benefit payments
	'000 RON
Up to 1 year	12,882
1-2 years	13,325
2-5 years	50,085
5-10 years	130,845
Over 10 years	565,833

20. DEFERRED REVENUE

	December 31, 2022	**December 31, 2021**
	'000 RON	**'000 RON**
Amounts collected from NIP (note 20 a)	230,169	230,169
Other deferred revenue	145	157
Other amounts received as subsidies	105	112
Total long term deferred revenue	**230,419**	**230,438**
Other amounts received as subsidies	7	7
Other deferred revenue	4	42
Total short term deferred revenue	**11**	**49**
Total deferred revenue	**230,430**	**230,487**

a) National Investment Plan

In Government Decision no. 1096/2013 approving the mechanism for the free allocation of greenhouse gas emission allowances to electricity producers for the period 2013-2020, Annex no. 3 "National Investment Plan" (NIP) at Item 22, S.N.G.N. ROMGAZ S.A. is included with the investment "Combined Gas Turbine Cycle".

For this investment, in 2017 Romgaz signed 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 the eligible expenditure of the investment. By December 31, 2022 the Company collected RON 230,169 thousand. Amounts received under this contract will be transferred to income based on the depreciation rate of the investment.

By Government Decision no. 834/2022 the deadline until the investments financed from the National Investment Plan must be put into operation has been extended until December 31, 2023.

By December 31, 2022, the Company submitted two other reimbursement requests amounting to RON 62,150 thousand.

As the term of the work contract for the realization of the investment was not extended, the Company is negotiating the terms for a new contract to complete the outstanding works.

	Amounts collected from NIP	Other amounts received as subsidies	Total
	'000 RON	'000 RON	'000 RON
At January 1, 2022	**230,169**	**119**	**230,288**
Amounts in revenue	-	(7)	(7)
At December 31, 2022	**230,169**	**112**	**230,281**

	Amounts collected from NIP	Other amounts received as subsidies	Total
	'000 RON	'000 RON	'000 RON
At January 1, 2021	**136,021**	**128**	**136,149**
Received	94,148	-	94,148
Amounts in revenue	-	(9)	(9)
At December 31, 2021	**230,169**	**119**	**230,288**

21. TRADE AND OTHER CURRENT LIABILITIES

	December 31, 2022	December 31, 2021
	'000 RON	'000 RON
Accruals	20,688	28,123
Trade payables	40,868	23,830
Payables to fixed assets suppliers	25,347	19,315
Total trade payables	**86,903**	**71,268**
Payables related to employees	56,624	39,487
Royalties *)	142,651	397,887
Contribution to Energy Transition Fund	11,931	-
Social security taxes	34,896	31,668
Other current liabilities	11,635	7,413
VAT	19,048	84,764
Dividends payable	1,225	1,116
Windfall tax (see note 16 b)	-	363,996
Other taxes	1,787	1,294
Total other liabilities	**279,797**	**927,625**
Total trade and other liabilities	**366,700**	**998,893**

*) The decrease in royalty liability is due to changes in national legislation, according to which prices used to determine the royalty in the fourth quarter of 2022 are capped at the level of prices the Company has the obligation to invoice some of its clients.

22. FINANCIAL INSTRUMENTS

Financial risk factors

The Company'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 Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company'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 Company does not use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) *Foreign exchange risk*

The Company 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.

The Company is mainly exposed to currency risk generated by EUR against RON as a result of the interest-bearing loan described in note 29.

As of December 31, 2022, the official exchange rate was RON 4.9474 to EUR 1 (December 31, 2021: RON 4.9481 to EUR 1).

	EUR	GBP	USD	RON	
December 31, 2022	**1 EUR = 4.9474**	**1 GBP = 5.5878**	**1 USD = 4.6346**	**1 RON**	**Total**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**	**'000 RON**
Financial assets					
Cash and cash equivalents	77,760	3	8	1,789,799	1,867,570
Loans to subsidiaries	-	-	-	27,722	27,722
Trade and other receivables	-	-	-	746,864	746,864
Total financial assets	**77,760**	**3**	**8**	**2,564,385**	**2,642,156**
Financial liabilities					
Trade payables and other payables	(18)	-	(25)	(66,172)	(66,215)
Lease liability	(3,584)	-	-	(4,523)	(8,107)
Borrowings	(1,447,115)	-	-	-	(1,447,115)
Total financial liabilities	**(1,450,717)**	**-**	**(25)**	**(70,695)**	**(1,521,437)**
Net	**(1,372,957)**	**3**	**(17)**	**2,493,690**	**1,120,719**

	EUR	GBP	USD	RON	
December 31, 2021	**1 EUR = 4.9481**	**1 GBP = 5.8994**	**1 USD = 4.3707**	**1 RON**	**Total**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**	**'000 RON**
Financial assets					
Cash and cash equivalents	311	1	12	3,572,327	3,572,651
Other financial assets	-	-	-	378,699	378,699
Trade and other receivables	-	-	-	823,428	823,428
Total financial assets	**311**	**1**	**12**	**4,774,454**	**4,774,778**
Financial liabilities					
Trade payables and other payables	(22)	(14)	-	(43,109)	(43,145)
Lease liability	(3,656)	-	-	(4,364)	(8,020)
Total financial liabilities	**(3,678)**	**(14)**	**-**	**(47,473)**	**(51,165)**
Net	**(3,367)**	**(13)**	**12**	**4,726,981**	**4,723,613**

The Company is mainly exposed to currency risk generated by EUR against RON. The table below details the sensitivity of the Company to a 5% increase/decrease in the EUR 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, 2022	December 31, 2021
	'000 RON	'000 RON
RON weakening - loss	(68,648)	(168)
RON strengthening - gain	68,648	168

(ii) *Inflation risk*

The official annual inflation rate in Romania for 2022 was 13.8% 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 Company is exposed to interest rate risk, due to retirement benefit obligations, the decommissioning provision and interest-bearing loans. The Company's sensitivity to changes in the discount rate is detailed in note 19.

An increase of 1% in the interest rate on the borrowings would lead to an increase of the interest expense of RON 4,325 thousand.

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of trade receivables. The Company 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 Company has a concentration of credit risk in respect of its top three clients, which amounts to 89.72% of net trade receivable balance at December 31, 2022 (its top client: 90.91% as of December 31, 2021).

In spite of the policies described above, the Company is forced by court orders to deliver gas to insolvent clients deemed "captive" by insolvency legislation. As these clients did not generate outstanding balances since the start of their insolvency proceedings, the Company estimates lifetime expected credit losses to be zero.

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

(c) Capital risk management

The Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the dividend policy, issue new shares or sell assets to reduce debt.

The Company's policy is to only resort to borrowing if investment needs cannot be financed internally. As such, in 2022 the Company obtained a loan of EUR 325 million (note 29) to finance the acquisition of ExxonMobil Exploration and Production Romania Limited.

The Company's capital management aims to ensure that it meets financial covenants attached to the interest-bearing loans. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches of the financial covenants of interest-bearing loans in the current period.

(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, loans, other financial assets, trade and other payables, interest-bearing borrowings. The estimated fair values of these instruments approximate their carrying amounts. The carrying amounts represent the Company's maximum exposure to credit risk for existing receivables.

NOTES TO THE FINANCIAL STATEMENTS

e) Maturity analysis for financial assets and financial liabilities at amortized cost

The table below shows financial assets and financial liabilities of the Company on contractual maturities. The amounts represent non-discounted future cash flows generated by financial assets and financial liabilities.

December 31, 2022	Due in less than a month '000 RON	Due in 1-3 months '000 RON	Due in 3 months to 1 year '000 RON	Due in 1-5 years '000 RON	Due in over 5 years '000 RON	Total '000 RON
Loans to subsidiaries	-	-	-	-	27,722	27,722
Trade receivables	557,735	127,111	62,018	-	-	746,864
Total	**557,735**	**127,111**	**62,018**	**-**	**27,722**	**774,586**
Trade payables	(54,096)	(12,119)	-	-	-	(66,215)
Borrowings	-	(84,892)	(253,397)	(1,152,132)	-	(1,490,421)
Lease liabilities	(77)	(191)	(748)	(2,962)	(4,129)	(8,107)
Total	**(54,173)**	**(97,202)**	**(254,145)**	**(1,155,094)**	**(4,129)**	**(1,564,743)**
Net	**503,562**	**29,909**	**(192,127)**	**(1,155,094)**	**23,593**	**(790,157)**

December 31, 2021	Due in less than a month '000 RON	Due in 1-3 months '000 RON	Due in 3 months to 1 year '000 RON	Due in 1-5 years '000 RON	Due in over 5 years '000 RON	Total '000 RON
Trade receivables	420,823	402,605	-	-	-	823,428
Bank deposits	288,629	-	-	-	-	288,629
Treasury bonds	92,010	-	-	-	-	92,010
Total	**801,462**	**402,605**	**-**	**-**	**-**	**1,204,067**
Trade payables	(39,874)	(3,236)	(35)	-	-	(43,145)
Lease liabilities	(63)	(155)	(591)	(3,322)	(3,889)	(8,020)
Total	**(39,937)**	**(3,391)**	**(626)**	**(3,322)**	**(3,889)**	**(51,165)**
Net	**761,525**	**399,214**	**(626)**	**(3,322)**	**(3,889)**	**1,152,902**

f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's management, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company 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 Dec 31, 2022 '000 RON	Year ended Dec 31, 2021 '000 RON
Subsidiaries *)	136,278	116,086
Associates	24,368	21,858
Total	**160,646**	**137,944**

*) Of RON 136,278 thousand representing revenue obtained from transactions with subsidiaries, RON 103,351 thousand relate to rental revenues (2021: RON 103,300 thousand).

The Company is controlled by the Ministry of Energy, on behalf of the Romanian State (note 17 a). As such, all companies over which the Ministry of Energy has control or significant influence are considered related parties of the Company. No other ministry or agency of the Romanian State has control or significant influence over the Company, therefore companies over which the Romanian State has control or significant influence through organizations other than the Ministry of Energy are not considered related parties of the Company.

The table below shows the transactions of the Company with companies over which the Ministry of Energy has control or significant influence:

	Year ended Dec 31, 2022 '000 RON	Year ended Dec 31, 2021 '000 RON
Companies controlled by the Ministry of Energy		
Electrocentrale Constanța SA	110,748	79,030
Electrocentrale București SA	1,549,292	1,186,844
Companies significantly influenced by the Ministry of Energy		
OMV Petrom SA	430,287	226,109
Engie România SA	2,581,062	792,479
E.On Energie România SA	1,883,418	777,395
Total	**6,554,807**	**3,061,857**

ii. Purchase of goods and services

	Year ended Dec 31, 2022 '000 RON	Year ended Dec 31, 2021 '000 RON
Subsidiaries	52,028	69,658
Total	**52,028**	**69,658**

iii. Interest income

	Year ended Dec 31, 2022 '000 RON	Year ended Dec 31, 2021 '000 RON
Subsidiaries	363	-
Total	**363**	**-**

iv. Trade receivables

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Subsidiaries	16,018	11,131
Total	**16,018**	**11,131**

v. Net lease investment

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Subsidiaries	374	432
Total	**374**	**432**

vi. Loans granted

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Subsidiaries	27,359	-
Total	**27,359**	**-**

vii. Trade payables

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Subsidiaries	3,861	5,663
Total	**3,861**	**5,663**

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

The remuneration of executives and directors

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

During the years ended December 31, 2022 and December 31, 2021, no loans and advances were granted to executives and directors of the Company, except for work related travel advances, and they do not owe any amounts to the Company from such advances.

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Salaries paid to executives (gross)	21,361	15,728
of which, bonuses (gross)	2,298	1,191
Remuneration paid to directors (gross)	1,670	1,580
of which, variable component (gross)	-	-

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Salaries payable to executives	644	616
Salaries payable to directors	87	80

25. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

a) Investment in subsidiaries

Subsidiaries' name	**Main activity**	**Country of residence and operations**	**Percentage of interest held (%)**	
			December 31, 2022	**December 31, 2021**
SNGN ROMGAZ SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL	Natural gas storage	Romania	100	100
Romgaz Black Sea Limited	Gas exploration and production	Country of incorporation – Bahamas Country of operations – Romania	100	-

	Cost at December 31, 2022 '000 RON	Cost at December 31, 2021 '000 RON
SNGN ROMGAZ SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL	66,056	66,056

Romgaz Black Sea Limited *)	5,118,995	-
Total	**5,185,051**	**66,056**

*) On August 1, 2022, Romgaz completed the acquisition of ExxonMobil Exploration and Production Romania Limited (currently Romgaz Black Sea Limited). This company holds 50% of the acquired rights and obligations under the Petroleum Agreement for the Deep Water Zone of Neptun XIX offshore Block in the Black Sea. Following this transaction, Romgaz became the sole shareholder of the acquired company. Therefore Romgaz has control over Romgaz Black Sea Limited.

According to the provisions of the shares' acquisition agreement, the price paid by Romgaz was RON 5,126,347 thousand. Based on the acquisition agreement, this price was decreased by the end of 2022 with RON 7,352 thousand, based on the level of working capital of Romgaz Black Sea Limited at completion date. This amount was received in 2023.

b) Investment in associates

Name of associate	Main activity	Place of incorporation and operation	Proportion of interest held (%)	
			December 31, 2022	December 31, 2021
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, 2022	Impairment as of December 31, 2022	Carrying value as of December 31, 2022	Cost as of December 31, 2021	Impairment as of December 31, 2021	Carrying value as of December 31, 2021
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
SC Depomures SA Tg.Mures	120	-	120	120	-	120
SC Agri LNG Project Company SRL	977	(977)	-	977	(977)	-
Total	**1,097**	**(977)**	**120**	**1,097**	**(977)**	**120**

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, 2022	December 31, 2021
Electrocentrale București S.A.	Electricity and thermal power producer	Romania	2.49	2.49
Patria Bank S.A.	Other activities – financial intermediations	Romania	0.02	0.02
Mi Petrogas Services S.A.	Services related to oil and natural gas extraction, excluding prospections	Romania	10	10
Lukoil association	Petroleum exploration operations	Romania	12.2	12.2
Electricity Producers Association-HENRO	Non-governmental, non-profit, independent association	Romania	33.33	33.33

Company	Fair value as of December 31, 2022	Fair value as of December 31, 2021
	’000 RON	’000 RON
Electrocentrale București S.A. *)	-	-
Patria Bank S.A.**)	79	79
Mi Petrogas Services S.A.	60	60
Lukoil association	5,227	5,227
Electricity Producers Association-HENRO	250	250
Total	**5,616**	**5,616**

*) The fair value of the investment in Electrocentrale Bucuresti was reduced to zero after entering into insolvency. The investment in Electrocentrale Bucuresti is not quoted. The company successfully concluded the restructuring plan in February 2023. These financial statements do not include any adjustments related to this event.

**) In 2016, the Company's shareholders decided to withdraw Romgaz from the bank's shareholders, as a result of the merger process in which Patria Bank was involved. In 2021, the approval of the BNR was obtained for the partial redemption of the shares that the Company holds in Patria Bank. The shares of Patria Bank S.A. are listed, but following the merger process, the price at which the redemption of the shares held by the shareholders who requested the withdrawal from the shareholding was set to a fixed value. Thus, the investment is measured at this redemption value.

27. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021
	'000 RON	'000 RON
Current bank accounts *)	106,252	70,784
Petty cash	45	46
Term deposits	1,759,683	3,500,287
Restricted cash **)	1,584	1,534
Amounts under settlement	6	-
Total	**1,867,570**	**3,572,651**

*) Current bank accounts include overnight deposits.

**) At December 31, 2022 restricted cash refers to bank accounts used only for dividend payments to shareholders, according to stock market regulations.

28. OTHER FINANCIAL ASSETS

Other financial assets represent mainly treasury bonds and deposits with a maturity of over 3 months, from acquisition date. The Company did not identify any risk of loss for these assets, therefore it did not record any impairment.

	December 31, 2022	December 31, 2021
	'000 RON	'000 RON
Treasury bonds in RON	-	90,070
Bank deposits in RON	-	288,629
Accrued interest receivable on bank deposits	8,481	11,720
Accrued interest on bonds	-	1,940
Total other financial assets	**8,481**	**392,359**

29. INTEREST BEARING BORROWINGS

	Interest rate	Maturity	December 31, 2022 '000 RON	December 31, 2021 '000 RON
EUR 325,000 thousand bank borrowing	EURIBOR 3M + 0.05% p.a.	June 30, 2027	1,447,115	-
Total			**1,447,115**	**-**

In March 2022, Romgaz signed a EUR 325 million financing deal with Raiffeisen Bank S.A. to finance part of the purchase price of the shares of EMEPRL that holds 50% of the rights and obligations for the Neptun Deep block (note 25 a).

In June 2022, an addendum to the facility contract was signed between Romgaz acting as borrower and Raiffeisen Bank S.A. and Banca Comerciala Romana S.A. as lenders.

The facility's final maturity is in five years from utilization. There are no borrowing costs other than interest. The loan is repayable in quarterly installments. The loan is not secured.

The fair value of the loan approximates its carrying value as it was obtained recently and it carries a variable rate of interest.

30. ASSETS HELD FOR DISPOSAL AND RELATED LIABILITIES

As of April 1 2018, natural gas storage was transferred from Romgaz to SNGN ROMGAZ SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL.

The transfer of activity occurred as a result of the Company's legal obligation to achieve separation of natural gas storage activity from natural gas production and supply in accordance with Directive 2009/73 / EC of the European Parliament and of the Council of July 13, 2009 and the provisions of art. 141 align (1) of Law 123/2012.

The transfer involved the transfer of the license to the storage subsidiary, transfer of employees and the transfer of the unfinished acquisitions until 31 March 2018. The transfer did not involve a sale. As a result of the transfer of activity, the fixed assets were not transferred and they were leased to Depogaz.

At the end of 2018, the shareholders of the Company approved, in principle, to increase the share capital of Depogaz with the assets used in the storage activity. Based on this decision, in 2019 the Company's assets were measured in order to determine the value of the share capital increase. In December 2019, the Company's majority shareholder called for a meeting to take a final decision on the increase; the final decision was taken in January 2020. Based on the call of the majority shareholder in December 2019, the assets to be transferred, according to the Company's Board of Directors' decision in February 2020, together with other related assets and liabilities were classified as held for disposal as of December 31, 2022 and December 31, 2021. The transfer of assets has not been completed until the date of approval of the financial statements, as all legal formalities have not been completed.

The major classes of assets and liabilities classified as held for disposal are:

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Property, plant and equipment	677,619	693,020
Other intangible assets	15	15
Assets held for disposal	**677,634**	**693,035**
Provisions	27,666	39,598
Deferred tax liabilities	19,841	20,396
Liabilities directly associated with the assets held for disposal	**47,507**	**59,994**
Net assets directly associated with the disposal group	**630,127**	**633,041**

31. COMMITMENTS UNDERTAKEN

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Endorsements and collaterals granted	312,689	62,947
Total	**312,689**	**62,947**

In 2022, Romgaz signed an addendum to the credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of RON 420,000 thousand. On December 31, 2022 are still available for use RON 112,637 thousand.

As of December 31, 2022, the Company's contractual commitments for the acquisition of non-current assets are of RON 181,936 thousand (December 31, 2021: RON 264,129 thousand).

32. COMMITMENTS RECEIVED

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Endorsements and collaterals received	2,124,357	1,251,309
Total	**2,124,357**	**1,251,309**

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

33. 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 Court issued a decision in December, 2022 stating there is no offence and the civil complaint filed by Romgaz was left unresolved. Romgaz appealed the decision.

(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 Company'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 Company has not recorded any liability at December 31, 2022 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 236,490 thousand (December 31, 2021: RON 437,637 thousand), representing the decommissioning liability.

34. 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, Fierbinți-Târg, Frasin-Brazi, Zătreni, Boldu, Roșioru, Gura-Șuții, 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 agreements of the 11 perimeters stated above, which differs for each block.

35. AUDITOR'S FEES

The fee charged by the Company's statutory auditor, S.C. Ernst & Young Assurance Services S.R.L. for the statutory audit of the 2022 annual financial statements is RON 360 thousand.

The fees charged for other assurance services in 2022 are RON 272 thousand.

36. EVENTS AFTER THE BALANCE SHEET DATE

In 2023 Romgaz and Socar Trading, a subsidiary of the State Oil Company of the Republic of Azerbaijan, signed a contract for gas deliveries from Azerbaijan to Romania. The contract ensures the possibility of gas deliveries up to 1 billion cm until March 31, 2024 and shall enter in force on April 1st, 2023. According to the contract, Romgaz has no obligation to buy the quantity contracted, but has to provide a bank letter of guarantee of EUR 30 million over the period of the contract.

37. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were endorsed by the Board of Directors on March 23, 2023.

Răzvan Popescu	**Gabriela Trânbițaș**
Chief Executive Officer	Chief Financial Officer

No. 12455/24.03.2023

STATEMENT
in accordance with the provisions of art. 65 (2) c) of Law No. 24/2017
regarding issuers of financial instruments and market operations

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Entity: Societatea Nationala de Gaze Naturale ROMGAZ S.A.
County: 32--SIBIU
Address: MEDIAŞ, 4 C.I. Motaş Square, tel. +40374401020
Registration Number in the Trade Register: J32/392/2001
Form of Property: 26- Companies with both state and private capital foreign and domestic (State capital >=50%)
Main activity (CAEN code and denomination): 0620—Natural Gas Production
Tax Identification Number: 14056826

The undersigned,
RAZVAN POPESCU as Chief Executive Officer and
GABRIELA TRANBITAS as Chief Financial Officer,

hereby confirm that according to our knowledge, the annual financial statements for the year ended December 31, 2022, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and Order of Ministry of Public Finance no. 2844/2016 for the approval of Accounting regulations in accordance with International Financial Reporting Standards, offer a true and fair view of the assets, liabilities, financial position, statement of profit and loss of the Company and that the Board of Directors' report comprises a fair analysis of the development and performance of the Company, as well as a description of the main risks and incertitudes specific to its activity. The Company is a going concern.

Chief Executive Officer,
RAZVAN POPESCU

Chief Financial Officer,
GABRIELA TRANBITAS