ROMGAZ

CONSOLIDATED BOARD OF DIRECTORS' REPORT 2021

I. 2021 ROMGAZ GROUP OVERVIEW

1.1. Romgaz Group in Figures

Romgaz Group[1] recorded in 2021 a ***revenue*** of **RON 5,852.93 million**, higher by 43.63% namely RON 1,778.03 million, as compared to the revenue of 2020 (RON 4,074.89 million).

The Net Profit of **RON 1,914.99 million** was higher by RON 667.08 million than the net profit for 2020 (+53.46%).

Following factors influenced Romgaz Group performances for the year ended December 31, 2021:

- ✓ **Revenue** increase as compared to the previous year triggered by following factors:
    - Quantity of natural gas sold (including gas purchased for resale) is 12.7% higher in 2021 as compared to 2020. Revenue from natural gas sales for 2021 is RON 5,043.15 million, increasing by 52.41% as compared to the previous year;
    - In Q4 2021, revenue from natural gas sales increased by 101.81% as compared to the previous quarter (+17.15% quantitatively), and by 120.62% as compared to Q4 2020 (15.64% quantitatively);
    - In 2021 storage activities recorded a decrease by 30.64% of the revenue at group level, following 32.3% lower capacity reservation services (RON -91.18 million) and a decrease by 31.48% (RON -15.53 million) of injection services. As for Depogaz, revenue from these services decreased by 6.14%;
    - Revenue from electricity sales increased by 69.9% as compared to last year (RON +132.31 million) against a 31.7% drop in production as compared to last year. This revenue is due to the high prices on centralised markets where the Group is active;
- ✓ In 2021, an income of RON 114.7 million was generated by executing the performance guarantee related to the works contract for development of CTE Iernut by building a new 430 MW power plant with combined cycle gas turbine concluded between S.N.G.N. Romgaz S.A. and the Consortium consisting of Duro Felguera S.A. and Romelectro S.A.;
- ✓ Romgaz won in court a litigation against ANAF (National Agency for Fiscal Administration) for the annulment of a fiscal inspection report related to an inspection carried out between December 2016 – April 2017, which led to the recognition of an income of RON 28.02 million from releasing to income the impairment set up for such receivable;
- ✓ Petroleum royalty expenses and windfall tax increased significantly due to the following:
    - o Petroleum royalty expenses (including royalty for storage activities) increased by RON 552.54 million as compared to the previous year, namely by 280.65% (RON 749.4 million in 2021, as compared to RON 196.9 million in 2020), mainly as a result of the increase of the reference price considered for calculating royalty. The increase in Q4 2021 as compared to the previous quarter was by 145.7%;
    - o Windfall tax increased in 2021 by RON 843.1 million (203.17%) as compared to 2020. Compared to the previous quarter, windfall tax rose by 491.48% in Q4 2021;

The table below shows the **petroleum royalty and windfall tax** related **to revenues from sales of natural gas from the Group's production**

Indicator	M.U.	Q3 2021	Q4 2021	2020	2021
Revenue	**RON mln**	**796.7**	**2,031.5**	**3,293.4**	**4,712.8**
Petroleum royalty from gas production	RON mln	160.6	399.4	185.6	737.9
Windfall tax	RON mln	151.1	894.0	414.9	1,258.0
% from revenue	**%**	**39.1**	**63.7**	**18.2**	**42.4**

[1] **Romgaz Group** consists of SNGN Romgaz SA ("Company"/"Romgaz") as parent company, Filiala de Inmagazinare Gaze Naturale Depogaz Ploiesti SRL ("Depogaz"), 100% owned by Romgaz, and associates SC Depomures SA (40% of the share capital) and SC Agri LNG Project Company SRL (25% of the share capital).

- ✓ The Group performed an impairment test for the gas fields it operates. The increase of sales prices was mostly offset by the increase of costs, especially of costs with petroleum royalty and windfall tax, therefore the Group did not release to income the losses from previous impairments;
- ✓ In 2021, the Group recorded a net gain from impairment of receivables of RON 349.99 million, following collection of receivables from clients under insolvency;
- ✓ The amount of RON 94.1 million was cashed in 2021, representing financing from the National Investment Plan for building the new Iernut power plant;

Net profit per share was **RON 4.97**.

The ***achieved margins*** of the consolidated net profit (32.72%) and consolidated EBIT (35.86%) increased as compared to 2020 (30.62% and 33.83% respectively) and show a high profitability of the Group. Consolidated EBITDA (47.58%) decreased as compared to last year (50.33%), but maintains at a high level.

Investments made by Romgaz Group in 2021 amount to RON 459.32 million, lower by RON 177.98 million, respectively 27.93%, as compared to 2020, the value of commissioned fixed assets was RON 391.2 million.

Natural gas consumption in Romania for 2021 recorded a 2.34% increase, from 127.14 TWh to 130.11 TWh, according to ANRE reports.

Natural gas production recorded in 2021 5,028.5 million m^3, 11.3% higher than the production for 2020, mainly influenced by increased gas sales.

According to estimates, this production ensured Romgaz a ***market share*** of approx. 42.2% of deliveries in the total consumption of Romania, increasing by 3.55% as compared to 2020.

In 2021, Romgaz ***electricity production*** was 640.0 GW, by 31.73% lower as compared to the production of 2020. This evolution 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 1.09%.

Operational Results

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

Q4 2020	Q3 2021	Q4 2021	Δ Q4 (%)	Main indicators	2020	2021	Δ '21/'20 (%)
1,322	1,187	**1,322**	0.00	Gas production (million m^3)	**4,520**	**5,029**	11.26
6,119	6,528	**5,027**	-17.8	Condensate production (tons)	**22,713**	**24,420**	7.52
94	84	**94**	0.00	Petroleum royalty (million m^3)	**316**	**355**	12.34
319.6	223.0	**213.9**	-33.1	Electricity production (GWh)	**937.5**	**640.0**	-31.73
892.5	25.3	**663.3**	-25.7	Invoiced UGS withdrawal services (million m^3)	**1,816.8**	**2,109.2**	16.1
99.6	1,070.8	**192.1**	3.4	Invoiced UGS injection services (million m^3)	**1,115.1**	**1,821.9**	63.4

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

Item no.	Specifications	2019	2020	2021	Ratios
0	1	2	3	4	5=4/3x100
1.	**Gross gas production**	**5,276.9**	**4,519.7**	**5,028.5**	**111.3%**
2.	Technological consumption	78.9	63.7	69.9	113.9%
3.	**Net internal gas production (*1.-2.*)**	**5,198.0**	**4,456.0**	**4,958.6**	**111.3%**
4.	Internal gas volumes injected into UGS	526.0	225.9	487.9	216.0%
5.	Internal gas volumes withdrawn from UGS	257.7	367.8	422.2	114.8%
6.	Difference from conversion to Gross Calorific Value	0.0	6.4	8.6	134.4%
7.	**Volumes supplied from internal production (*3.-4.+5.-6.*)**	**4,929.7**	**4,591.6**	**4,884.3**	**106.4%**
8.	Gas supplied to CTE Iernut and Cojocna from Romgaz gas	173.0	277.2	192.5	69.4%
9.	**Gas supplied from internal production to the market (*7.+8.*)**	**4,756.7**	**4,314.4**	**4,691.8**	**108.7%**
10.	**Gas from partnerships – Amromco (50%)[*)]**	**140.5**	**91.4**	**35.4**	**38.7%**

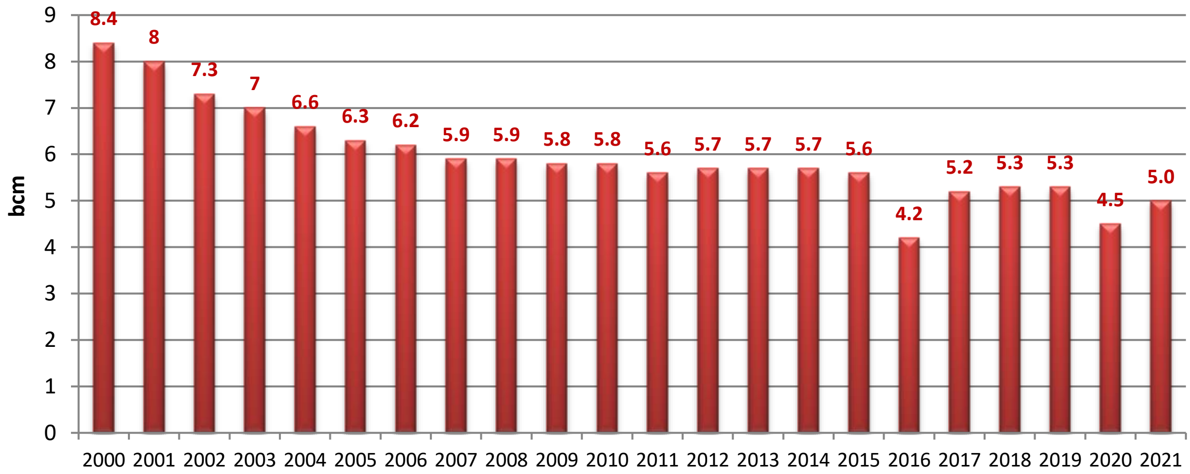
11.	Purchased internal gas volumes (including commodity gas and imbalances)	4.4	0.4	239.5	59.875%
12.	**Sold internal gas volumes (*9.+10.+11.*)**	**4,901.6**	**4,406.1**	**4,966.7**	**112.7%**
13.	**Supplied internal gas volumes (*8.+12.*)**	**5,074.6**	**4,683.3**	**5,159.2**	**110.2**
14.	Supplied import gas volumes	53.0	0.0	0.0	-
15.	Gas supplied to CTE Iernut and Cojocna from other sources (including imbalances)	4.5	4.7	8.4	178.7%
16.	**Total gas supplies (*13.+14.+15.*)**	**5,132.1**	**4,688.1**	**5,167.6**	**110.2%**
*	Invoiced UGS withdrawal services	1,271.8	1,816.7	2,109.2	116.1%
*	Invoiced UGS injection services	2,620.5	1,115.1	1,821.9	163.4%

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 2021 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 2000-2021 is shown below:

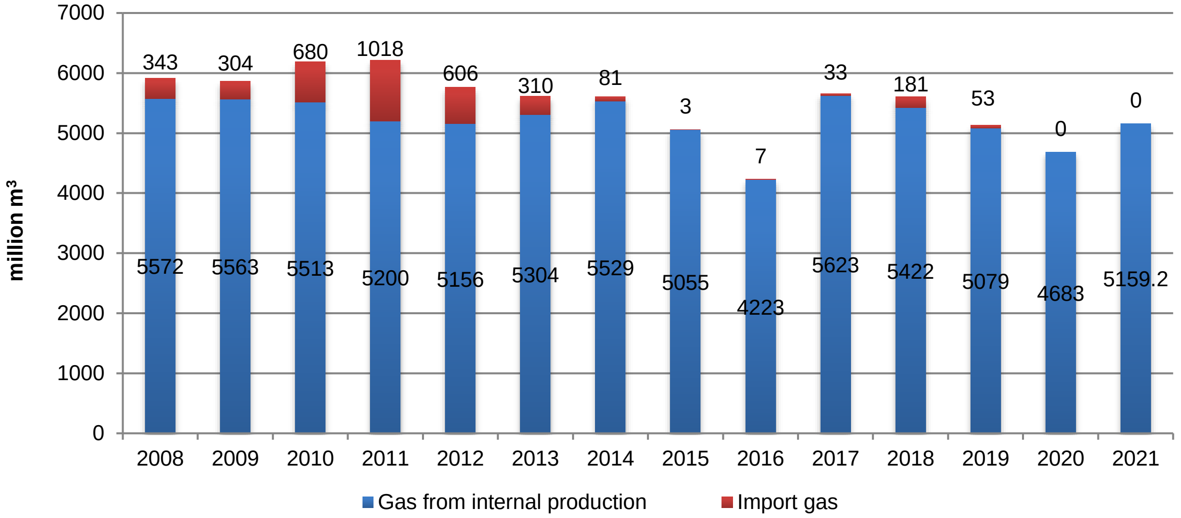


The table below shows the *quarterly electricity production* for 2021, as compared to 2020:

MWh

	2020	2021	Variation (%)
1	2	3	4=(3-2)/2x100
1st Quarter	258,923	202,073	-21.96
2nd Quarter	36,310	1,010	-97.22
3rd Quarter	322,633	222,989	-30.88
4th Quarter	319,634	213,930	-33.07
Year total	**937,500**	**640,001**	**-31.73**

Romgaz is one of the largest gas suppliers in Romania. The evolution of gas supplies[2] between 2008-2021 is shown below:



Relevant Consolidated Financial Results

RON million

Q4 2020	Q3 2021	Q4 2021	Δ Q4 (%)	Main indicators	2020	2021	Δ '21/'20 (%)
1,156.5	1,246.5	**2,356.4**	103.76	Revenue	4,074.9	**5,852.9**	43.63
1,129.2	1,469.7	**2,428.6**	115.07	Income	4,133.9	**6,156.5**	48.93
810.7	1,023.0	**1,620.9**	99.94	Expenses	2,708.7	**3,999.4**	47.65
1.1	0.8	**0.1**	-93.35	Share of profit of associates	1.3	**0.1**	-93.61
319.7	447.5	**807.8**	152.71	Gross profit	1,426.5	**2,157.3**	51.23
13.7	52.7	**49.2**	259.28	Income tax expense	178.6	**242.3**	35.64
306.0	394.8	**758.6**	147.94	Net profit	1,247.9	**1,915.0**	53.46
307.4	435.7	**787.8**	156.25	EBIT	1,378.7	**2,098.9**	52.24
511.4	621.7	**977.3**	91.10	EBITDA	2,050.7	**2,784.6**	35.79
0.79	1.02	**1.97**	147.94	Earnings per share EPS (RON)	3.24	**4.97**	53.46
26.46	31.67	**32.19**	21.66	Net profit ratio (% from Revenue)	30.62	**32.72**	6.86
26.58	34.95	**33.43**	25.77	EBIT Ratio (% from Revenue)	33.83	**35.86**	6.00
44.22	49.87	**41.47**	-6.22	EBITDA Ratio (% from Revenue)	50.33	**47.58**	-5.46
6,188	5,918	**5,863**	-5.25	Number of employees at the end of the period	6,188	**5,863**	-5.25

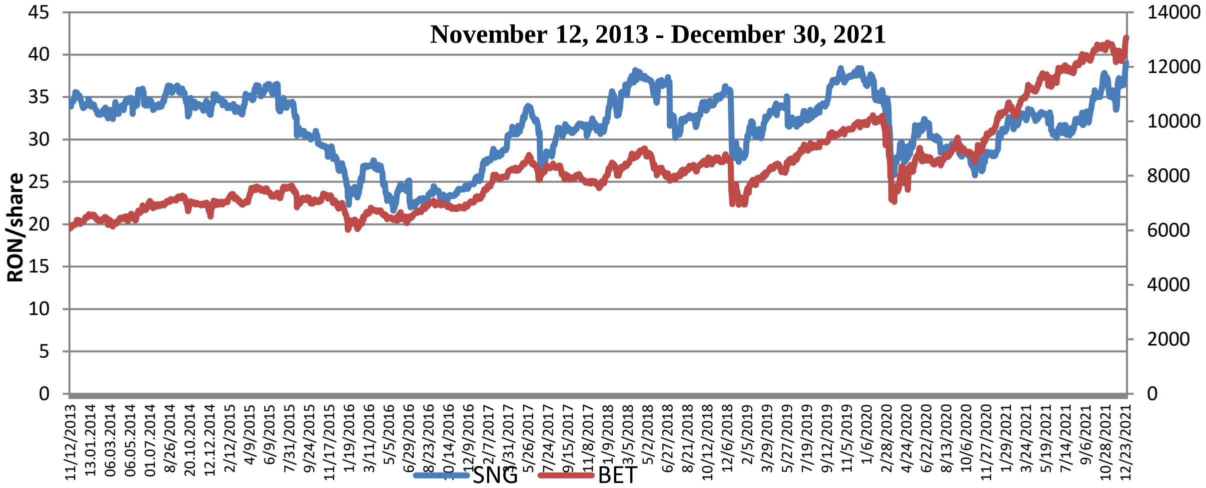
Figures in the above table are rounded; therefore, small differences may result upon reconciliation.
Note 1: Income and Expenses do not include those related to in-house production of non-current assets.

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, 2021 is shown below:

[2] include gas from internal production, including gas supplied to CTE Iernut and Cojocna and gas purchased from internal production.



1.2 Significant Events

Data	Event
January 13, 2021	SNGN Romgaz SA Board of Directors revoked by Resolution No.1 Mr. Constantin Adrian Volintiru from the position of Chief Executive Officer, terminating the contract of mandate concluded between the company and Mr. Volintiru. Until the appointment of a new chief executive officer, Mr. Daniel Corneliu Pena – Deputy Chief Executive Officer, exercised the company's management including legal representation.
January 25, 2021	Following each employee's voluntary decision to get the vaccine, Romgaz undertook the responsible role to register employees' identification data on the official vaccination platform, as an engagement to facilitate vaccination for company employees by including them in the 2nd phase of the national vaccination program.
February 12, 2021	The Board of Directors convened on February 12, 2021 took note of Mr. Aristotel Marius Jude resignation as chairman of the Board, by Resolution No. 10. During the same meeting, the Board appointed by Resolution No. 11 Mr. Aristotel Marius Jude as SNGN Romgaz SA Chief Executive Officer as of February 13, 2021 for a temporary mandate of 2 months.
11 martie 2021	According to Resolution No.1, further to casting the cumulative vote, the company's shareholders appointed the following persons as members of the Board of Directors for a temporary four-month mandate: ✍ Jude Aristotel Marius ✍ Simescu Nicolae Bogdan ✍ Stan Olteanu Manuela Petronela ✍ Drăgan Dan Dragoş ✍ Niculescu George Sergiu ✍ Balazs Botond ✍ Sorici Gheorghe Silvian. Following Board members were revoked: Mr. Ciobanu Romeo Cristian, Mr. Jansen Petrus Antonius Maria and Mr. Marin Marius Dumitru.
March 30, 2021	The Board of Directors endorsed the binding offer to acquire all shares issued by ExxonMobil Exploration and Production Romania Limited (representing 100% of the share capital), company that holds 50% of the rights and obligations under the Concession Agreement for petroleum exploration, development and production in XIX Neptun Deep Block. OMV Petrom S.A. holds the other 50% participating interest in XIX Neptun Deep Block. The binding offer to acquire all shares was submitted to ExxonMobil Exploration and Production Romania Limited on March 30, 2021, being conditional upon Romgaz shareholders approval.

April 1, 2021	According to Resolution No.28, the Board of Directors expressed its agreement to terminate the Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines.
April 7, 2021	The Board of Directors approved by Resolution No.29, the extension of Mr. Aristotel Marius Jude mandate as Chief Executive Officer for a period of 4 months, effective as of April 13, 2021. By Resolution No. 30, the Board of Directors appointed Mr. Razvan Popescu as Chief Financial Officer as of April 14, 2021, for a 4 months term.
April 8, 2021	At the Contractor's request, Romgaz suspended for 14 days the termination notice related to the Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines.
April 22, 2021	The notice regarding termination of Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines was further suspended until May 7, 2021.
April 23, 2021	Romgaz and OMV Petrom issued a joint press release stating: "*If ExxonMobil accepts Romgaz offer, OMV Petrom shall act as operator of Neptun Deep Block*".
May 6, 2021	Romgaz further suspended until May 20, 2021 the notice regarding termination of Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines.
May 7, 2021	Company's shareholders approved by Resolution No.4, the conclusion of lease contracts between Romgaz and Depogaz Subsidiary, with respect to Romgaz fixed assets necessary for Depogaz Subsidiary to perform the storage activity, for a nine-month period, as of April 1, 2021 until December 31, 2021.
May 20, 2021	The notice regarding termination of Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines was further suspended until June 2, 2021.
June 2, 2021	The notice regarding termination of Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines was further suspended until June 16, 2021.
June 17, 2021	Romgaz and ExxonMobil Exploration and Production Romania Limited signed an Exclusivity Agreement by which the seller grants Romgaz an exclusivity right for a period of 4 months (until October 15, 2021) with respect to the negotiations for the acquisition of all shares issued by (representing 100% of the share capital of) ExxonMobil Exploration and Production Romania Limited, company that holds 50% of the rights and obligations under the Concession Agreement for petroleum exploration, development and production in XIX Neptun Deep Block.
June 18, 2021	Romgaz informs its shareholders and investors that starting June 17, 2021 the Contract of Works No. 13384/2016, for the Development of CTE Iernut by building a new 430 MW power plant, with combined cycle gas turbine, ceased by termination, motivated by the non-completion in time, by the Contractor, of construction works and commissioning of the investment objective.
June 24, 2021	GD No.669/2021 extends the following: the term for completion and commissioning of investments financed from the National Investment Plan until June 30, 2022; the reimbursement term until December 31, 2022, as well as all other related terms.
June 30, 2021	According to Resolution No. 47, the Board of Directors appointed Mr. Aristotel Marius Jude as Chief Executive Officer for a temporary mandate of 4 months, as of August 14, 2021. According to Resolution No.48, the Board of Directors appointed Mr. Razvan Popescu as Chief Financial Officer for a temporary mandate of 4 months, as of August 15, 2021.
July 9, 2021	By Resolution No. 5, Romgaz shareholders approved to extend the mandates of SNGN Romgaz SA Board of Directors members by two months from the date of expiry, pursuant to the provisions of Art. 64^1, par. (5) of GEO No.109/2011 on corporate governance of public enterprises.

September 9, 2021	By Resolution No. 7, Romgaz shareholders appointed the following persons as interim members of SNGN Romgaz SA Board of Directors, for a period of 4 months starting with September 13, 2021 until January 13, 2022: ✍ Drăgan Dan Dragoş ✍ Niculescu George Sergiu ✍ Jude Aristotel Marius ✍ Simescu Nicolae Bogdan ✍ Stan Olteanu Manuela Petronela ✍ Balazs Botond ✍ Sorici Gheorghe Silvian.
September 22, 2021	GD No.1011 approved Addendum No. 6 to the Concession Agreement concerning 8 exploration, development and production blocks, concluded between Agenţia Naţională pentru Resurse Minerale (ANRM) (National Agency for Mineral Resources) and SNGN Romgaz SA, approving the extension of the exploration period for 6 years (October 2021-October 2027). The extension of the exploration period was requested by Romgaz on the basis of the prospective potential identified through works previously carried out in these blocks.
September 28, 2021	The Board of Directors endorsed Romgaz Strategy for 2021-2030 by Resolution No. 62.
October 5, 2021	Romgaz and ExxonMobil Exploration and Production Romania Holdings Limited agreed to extend the exclusivity period from October 15, 2021 until November 15, 2021.
October 6, 2021	Company's shareholders appoint by Resolution No. 8 Ernst&Young Assurance Services SRL as Romgaz financial auditor and set the minimum term of the financial audit contract for 3 years to provide specific services in years 2021, 2022 and 2023 and to audit the joint accountability of the partnerships for years 2020-2023.
October 12, 2021	Romgaz receives the Technical report on the quantitative and qualitative assessment following the technical and economic inspection of the works performed related to "*CTE Iernut Development by building a new power plant with combined cycle gas turbine".*
October 26, 2021	Romgaz and ExxonMobil Exploration and Production Romania Holdings Limited finalized exclusive negotiations and reached an agreement on the terms and conditions of the acquisition of 100% of ExxonMobil Exploration and Production Romania Limited shares.
October 27, 2021	By Resolution No. 9, Company's shareholders approve the procedure for selection of Board members, in compliance with GEO No.109/2011. The Ministry of Energy on behalf of the shareholder, the Romanian state, will organize the selection procedure.
November 2, 2021	The Board of Directors endorsed the acquisition of 100% of ExxonMobil Exploration and Production Romania Limited shares. According to Resolution No. 67, the Board of Directors appointed Mr. Aristotel Marius Jude as Chief Executive Officer for a mandate of 4 months, as of December 15, 2021 until April 15, 2022. According to Resolution No.68, the Board of Directors appointed Mr. Razvan Popescu as Chief Financial Officer for a mandate of 4 months, as of December 16, 2021 until April 16, 2022.
November 3, 2021	GD No. 1153 of October 22, 2021 approved some Addenda to the Concession Agreement for 12 development-production and production blocks, concluded between the National Agency for Mineral Resources (ANRM) and Romgaz. As titleholder of petroleum agreements for these blocks, Romgaz performed petroleum operations that discovered new hydrocarbon reserves and requested extension of the production period by 6 years, namely for December 2021- December 2027.
November 4, 2021	Company's shareholders approve by Resolution No.10 *S.N.G.N. Romgaz S.A. Strategy for 2021-2030*.
December 10, 2021	Company's shareholders, convened in an extraordinary meeting, approved the following: ✓ By Resolution No.11: a) the transaction for S.N.G.N. ROMGAZ S.A. to acquire all shares issued by (representing 100% of the share capital of) ExxonMobil Exploration and Production Romania Limited, company that holds 50% of the rights and obligations under the Concession Agreement for petroleum exploration, development and production in XIX Neptun Deep Block.

	b) conclusion of the share sale and purchase agreement regarding all shares issued by (representing 100% of the share capital of) ExxonMobil Exploration and Production Romania Limited, agreement to be concluded between S.N.G.N. ROMGAZ S.A., as buyer, and ExxonMobil Exploration and Production Romania Holdings Limited, ExxonMobil Exploration and Production Romania (Domino) Limited, ExxonMobil Exploration and Production Romania (Pelican South) Limited, ExxonMobil Exploration and Production Romania (Califar) Limited and ExxonMobil Exploration and Production Romania (Nard) Limited, as sellers. ✓ By Resolution No.12: a) contracting of loans from one or several credit institutions in the total amount of EUR 325 million, in order to cover a part of the purchase transaction price payed by S.N.G.N. Romgaz S.A. for all the shares issued by (representing 100% of the share capital of) Exxon Mobile Exploration and Production Romania Limited, in compliance with the award criteria listed in the Resolution; b) the extension by 1 year, changing the granting currency and decreasing the credit limit for Credit Facility Contract No. 201812070225 concluded with Banca Comerciala Romana S.A, for issuing bank guarantee letters up to the limit of RON 350 million. ✓ By Resolution No. 11: Approves extension of fixed assets rental contracts concluded between S.N.G.N. Romgaz S.A. and S.N.G.N. Romgaz S.A. – Filiala de Inmagazinare Gaze Naturale Depogaz Ploiesti S.R.L., No. 31655/April 1, 2021 and No. 31657/April 1, 2021, for a period of one year, as of January 1, 2022.
December 29, 2021	On December 29, 2021, the trading price of Romgaz shares on Bucharest Stock Exchange reached an historic maximum of 39 RON/share. This value represents the highest share price recorded since listing the company on BVB (November 2013) and maintained the high rate for two trading days December 29 and 30, 2021.

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

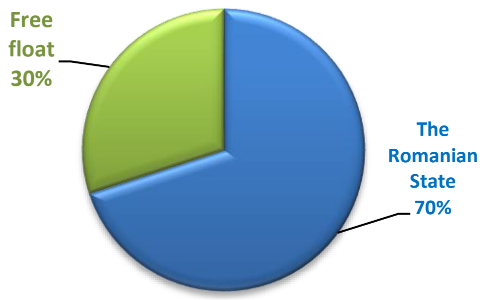
E-mail: secretariat@romgaz.ro

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, 2021 the shareholder structure was the following:

	Shares	%
Romanian State[3]	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
***legal persons**	96,615,074	25.0673
***natural persons**	18,984,246	4.9256
Total	**385,422,400**	**100.0000**



In financial year 2021 the Company ***neither performed transactions with own shares*** nor held own shares on December 31, 2021.

2.2. Company Organization

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

[3] The Romanian state through the Ministry of Energy

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 Chief Financial Officer, the Deputy Chief Executive 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, competencies and responsibilities of the execution personnel are included in the job descriptions related to each position.

The company had at the beginning of 2021 seven 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 Bratislava[4] (Bratislava Branch) having its office in Bratislava, City Business Centre V.-Karadžičova 16, code 82108, Slovakia;
- Sucursala Drobeta-Turnu Severin (Drobeta-Turnu Severin Branch), having its office in Drobeta-Turnu Severin, 109 Traian Street, ap.2, code 220139, Caras Severin County.

As of April 1, 2018 Sucursala Ploiesti ceased its activity and ***SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale Depogaz Ploieşti SRL*** 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, solely owned by Romgaz.

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

Information about the Subsidiary can be found at: https://www.depogazploiesti.ro

[4] Company shareholders approved by EGMS Resolution No. 3 of March 25, 2020 SNGN Romgaz SA withdrawal from Svidnik concession block located in Slovakia, by this decision the company withdrew from Slovakia. By Resolution No.51 of August 12, 2021 (art.5), *"The Board of Directors approve the dissolution of Bratislava Branch and order deregistration from the Trade Register (ONRC)".*

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

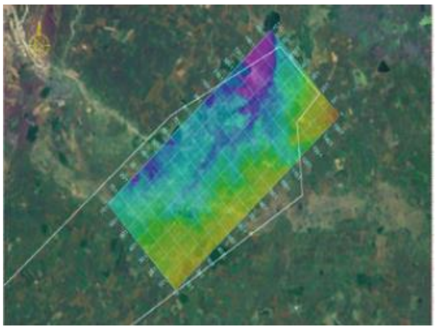
Romgaz Group undertakes business in the following segments:

- → natural gas exploration and production;
- → UGS activity (the Subsidiary);
- → natural gas supply;
- → special well operations and services;
- → maintenance and transportation services;
- → electricity generation and supply;
- → natural gas distribution.

Exploration

Since October 1997, the exploration activity is carried out in 8 blocks located in Transylvania, Muntenia-Oltenia and Moldova, in accordance with 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 92,000m and 1,000 km^2 3D seismic for all eight blocks, with the total value of the program of USD 195 million.

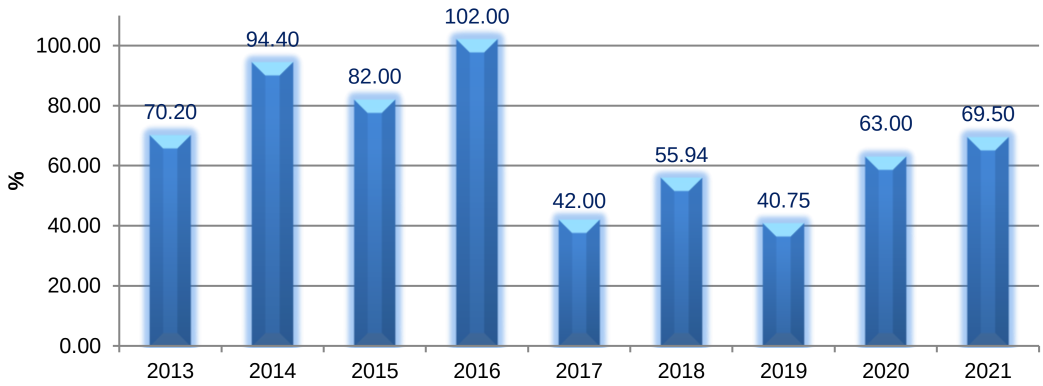


Main works performed in 2021 are:

- exploration drilling:
  - eight wells are finalised, out of which three are in conservation, testing gas;
  - one well is currently being drilled;
  - building surface facilities for one well;
  - procurement of drilling works for two wells;
  - preparatory works for initiating procurement of drilling works for 18 wells.
- two projects for the procurement of 3D seismic data 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* 2013-2021:



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 2021 annual program for petroleum operations considered 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.

2021-gas production was **5,028.5 million m^3**, by *508 million m^3 higher than last year's production (+11.3%) and by 2.9 million m^3 higher than planned (+0.05%)*.

Gas production of 5,028.5 million m^3 recorded in 2021 was influenced by:

1. measures implemented to optimise gas field production;
2. investments to extend the production infrastructure and connection of new wells to this infrastructure;
3. continuous production rehabilitation of the main mature gas fields: Filitelnic, Delenii, Laslău, Sădinca, Copsa Mica, 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 Depogaz Subsidiary 5 UGSs having 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 2021. This level is in the first upper half of the international values chart of Europe.

In 2021 the ratio between stored gas volumes and working volume of the UGSs was 95.60%.

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 NTS operator (Transgaz), producers (Romgaz and Petrom with a 97% market share), UGS operators, companies for the distribution and supply of gas to captive customers, and suppliers on the wholesale market.

In 2021, the Romanian gas market is fully liberalised, meaning that the gas price is set on competitive principles, based on demand and supply and stimulated by competition between suppliers.

In terms of supply, Romgaz held, between 2014-2021, a national market share ranging between 37%-46%:

	M.U.	2014	2015	2016	2017	2018	2019	2020	2021
National consumption	bcm	12.2	11.6	11.8	12.3	12.3	11.5	12.0	12.3
Romgaz traded volumes (domestic + import)	bcm	5.7	5.1	4.4	5.7	5.6	5.1	4.7	5.2
Romgaz market share	**%**	**46.1**	**44.0**	**37.1**	**46.3**	**45.5**	**44.1**	**39.1**	**42.4**

The above quantities include gas from own internal production, domestic gas purchased from third parties, 100% gas from Schlumberger joint venture and import gas. As compared to previous years, 2018÷2021 deliveries include gas delivered to Iernut and Cojocna for electricity production.

Well Workover, Recompletions and Special Operations

SIRCOSS was set up in 2003 in accordance with GSM Resolution No. 5/June 13, 2003. The branch 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.

During the past years, most services were supplied for the wells within the company's portfolio, yet, well workover and special well operations were performed also for other companies that have under concession and operate gas wells in Romania.

As regards well reactivation works for 2021, out of the 173 planned well operations the branch achieved 153 works.

The table below shows recompletion operations and capitalizable repairs performed in 2021:

	Mediaş Branch	Târgu Mureş Branch	TOTAL Romgaz
Planned	68	105	173
Achieved	75	78	153
Difference	7	-27	-20

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.

Electricity Generation

CTE Iernut is an important junction point in 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 easily accessible gas and industrial water sources and power discharge facilities.

CTE Iernut is operated by Sucursala de Producţie Energie Electrică (SPEE).

CTE Iernut has an installed capacity of 800 MW comprising six energy groups: four 100 MW groups of Czechoslovakian manufacturing and two 200 MW groups of Soviet manufacturing. The groups were commissioned between 1963 and 1967. Taking into consideration the investment works at the 430 MW combined cycle power plant and the need to ensure proper conditions for works at the related cooling system, in November 2019, the 200 MW group 6 was permanently withdrawn from operation.

Groups 2 and 3 of 100 MW were permanently withdrawn from operation in January 2019, followed by group 1 (100 MW) in November 2019, all groups were withdrawn for non-compliance with environmental conditions. Therefore, at the end of 2020, SPEE Iernut held commercial licence for two groups: one 100 MW group and one 200 MW group.

In 2021, SPEE Iernut operated with energy group 5 of 200MW, energy group 4 of 100 MW was withdrawn from operation due to non-compliance with NOx emission limits, provided by effective regulations.

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 m³)
1925	• Setting up the National Gas Company "SONAMETAN"
1958	• First UGS 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 m³)
1979	• Started to import natural 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

3.3. Mergers and Reorganisations, Acquisitions and Divestments of Assets

Changes to the organisational structure

The organizational structure underwent two changes in 2021:

- BoD Resolution No.22 of March 23, 2021 amended the organisational structure, by transferring the economic and human resource departments to the headquarters;
- BoD Resolution No. 44 of June 24, 2021 18, 2020 amended the organisational structure, by setting up the Exploration-Production Division at the headquarters.

No mergers of the company took place in financial year 2021.

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	2020	2021	Ratio (2021/2020)
0	1	2	3	4=3/2x100
1	**Total Income, out of which:**	**4,133,888**	**6,156,535**	**48.93%**
	*operating income	4,085,969	6,098,082	49.24%
	*financial income	47,919	58,453	21.98%
2	Revenue	4,074,893	5,852,926	43.63%
3	**Total Expenses, out of which:**	**2,708,710**	**3,999,369**	**47.65%**
	*operating expenses	2,692,628	3,982,298	47.90%
	*financial expenses	16,082	17,071	6.15%
4	Share of associates' result	1,330	85	-93.61%
5	**Gross Profit**	**1,426,508**	**2,157,251**	**51.23%**
6	Income tax	(178,604)	(242,264)	35.64%
7	**Net Profit**	**1,247,904**	**1,914,987**	**53.46%**

The total income of 2021 was higher by 48.93% as compared to 2020.

Below are the compared economic-financial indicators for 2020 and 2021 and their detailed structure split by activity:

Compared economic-financial indicators **RON thousand**

Description	2020	2021	Variance (2021/2020)
1	**2**	**3**	**4=(3/2-1)x100**
Revenue	4,074,893	5,852,926	43.63%
Cost of commodities sold	(18,617)	(281,589)	1,412.54%
Investment Income	47,845	58,403	22.07%
Other gains or losses	(6,534)	23,388	n/a
Net losses from impairment of trade receivables	17,551	349,989	1,894.13%
Changes in inventories	(16,151)	74,787	n/a
Raw materials and consumables	(58,282)	(81,146)	39.23%
Depreciation, amortization and impairment	(672,063)	(685,772)	2.04%
Employee benefit expense	(767,251)	(766,639)	-0.08%
Finance cost	(17,000)	(16,739)	-1.54%
Exploration Expenses	(26,509)	(1,197)	-95.48%
Share of associates' result	1,330	85	-93.61%
Other Expenses	(1,158,143)	(2,539,086)	119.24%
Other Income	25,439	169,841	567.64%
Profit before tax	**1,426,508**	**2,157,251**	**51.23%**
Income tax expense	(178,604)	(242,264)	35.64%
Profit for the year	**1,247,904**	**1,914,987**	**53.46%**

Structure of indicators split by activity-2020 ** RON thousand **

Description	TOTAL 2020 including:	Gas production and deliveries	Underground Gas Storage	Electricity	Other activities	Settlement between segments
1	2	3	4	5	6	7
Revenue	4,074,893	3,690,235	333,939	261,112	376,937	(587,330)
Cost of commodities sold	(18,617)	(7,726)	(2)	(10,375)	(514)	-
Investment Income	47,845	107	1,018	152	67,699	(21,131)

Other gains and losses	(6,534)	(8,641)	(951)	(174)	3,232	-
Net losses from impairment of trade receivables	17,551	18,221	-	(638)	(32)	-
Changes in inventories	(16,151)	(17,757)	-	35	1,571	-
Raw materials and consumables	(58,282)	(38,212)	(19,225)	(1,481)	(9,936)	10,572
Depreciation, amortization and impairment	(672,063)	(547,414)	(5,804)	(21,761)	(25,514)	(71,570)
Employee benefit expense	(767,251)	(465,561)	(70,733)	(50,866)	(180,091)	-
Finance cost	(17,000)	(14,862)	(1,582)	-	(590)	34
Exploration Expenses	(26,509)	(26,509)	-	-	-	-
Share of associates' result	1,330	-	-	-	1,330	-
Other Expenses	(1,158,143)	(1,230,603)	(169,289)	(210,677)	(124,900)	577,326
Other Income	25,439	24,531	61	34	1,403	(590)
Profit before tax	**1,426,508**	**1,375,809**	**67,432**	**(34,639)**	**110,595**	**(92,689)**
Income tax expense	(178,604)	-	(8,718)	-	(169,886)	-
Profit for the year	**1,247,904**	**1,375,809**	**58,714**	**(34,639)**	**(59,291)**	**(92,689)**

Structure of indicators split by activity-2021 ** RON thousand **

Description	TOTAL 2021 including:	Gas production and deliveries	Underground Gas Storage	Electricity	Other activities	Settlement between segments
1	2	3	4	5	6	7
Revenue	5,852,926	5,338,316	313,456	442,412	408,161	(649,419)
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)	(60,003)	(13,705)	57,303
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)	(2,628,583)	(169,101)	(259,850)	(74,209)	592,657
Other Income	169,841	41,036	274	126,909	2,071	(449)
Profit before tax	**2,157,251**	**1,843,943**	**33,342**	**147,850**	**217,799**	**(85,683)**
Income tax expense	(242,264)	-	(2,835)	-	(239,429)	-
Profit for the year	**1,914,987**	**1,843,943**	**30,507**	**147,850**	**(21,630)**	**(85,683)**

Revenue

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

Description	2019		2020		2021	
	RON mln	% R	RON mln	% R	RON mln	% R
Gas production and delivery	4,709.8	92.70	3,690.2	90.56	5,338.3	91.21%
UGS activity	454.4	8.94	333.9	8.19	313.5	5.36%
Electricity generation and delivery	237.8	4.68	261.1	6.41	442.4	7.56%
Other activities	288.9	5.69	376.9	9.25	408.2	6.97%
Settlement between branches	-610.3	-12.01	-587.3	-14.41	-649.4	-11.10%
TOTAL Revenue	**5,080.5**	**100.00**	**4,074.9**	**100.00**	**5,852.9**	**100.00**

Finanacial Income

The financial income is higher by 21.98 % than recorded in the previous year. Financial income consists mainly of interests from cash in bank deposits and in state bonds.

Expenses

Description	Year 2020 (RON thousand)	Year 2021 (RON thousand)	Ratio (2021/2020)
1	2	3	4=(3-2)/2x100
Operating expenses	2,692,628	3,982,298	47.90%
Financial expenses	16,082	17,071	6.15%
Total expenses	**2,708,710**	**3,999,369**	**47.65%**

Financial expenses

Financial expenses incurred in 2021 are higher by 6.15% as compared to the previous year.

Chapter 7 shows more details on the different expenses categories and a comparative assessment thereof.

Economic-Financial Results

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

Description	2020	2021	Ratio (2021/2020)
1	2	3	4=(3-2)/2x100
Operating results	1,393,341	2,115,784	51.85%
Financial results	31,837	41,382	29.98%
Share of associates' result	1,330	85	-93.61%
Gross result	**1,426,508**	**2,157,251**	**51.23%**
Income tax	(178,604)	(242,264)	35.64%
Net Result	**1,247,904**	**1,914,987**	**53.46%**

Gross result for January – December 2021 in amount of RON 2,157,251 thousand is higher by 51.23% than the gross result of the similar period of 2020.

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

Indicator	Formula	M.U.	2020	2021
1	2	3	4	5
Working capital (WC)	$C_{lt}-A_f = E+L_{nc}+Pr+S_i-A_f$	mil.RON	2,656	4,223
Working capital requirements (WCR)	$(A_{st}-L+P_p) - (L_{crt}-Cr_{st}+I_{df})$	mil.RON	2,239	639
Net cash	$WC-WCR = L-Cr_{st}$	mil.RON	417	3,584
Economic Rate of Return (ERR)	$P_g/C_{lt}x100$	%	16.59	22.04
Return on Equity	$P_n/Ex100$	%	16.02	21.32
Return on Sales	$P_g/Rx100$	%	35.01	36.86
Return on Assets	$P_n/Ax100$	%	13.47	16.96
EBIT	$P_g+Ex_i-I_r$	mil.RON	1.379	2.099
EBITDA	EBIT+Am	mil.RON	2.051	2.785
ROCE	$EBIT/C_{emp}x100$	%	16.03	21.44
Current liquidity	Ac/Lc	-	5.01	3.81
Asset Solvency	E/Lx100	%	84.08	79.53

where:

C_{lt} long-term capital;
A_f non-current assets;
E equity;
L_{nc} non-current liabilities;

P_g gross profit;
P_n net profit;
R revenue;
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

Sale's Evolution and Perspectives

Romgaz sold on the domestic market the entire gas quantity traded. Romgaz traded quantities on the free market both by bilateral negotiation and on the centralized market governed by the Romanian Commodities Exchange (BRM).

Description	unit	2019	2020	2021	2020/2019	2021/2020
Delivered gas	mil. m^3	5,132.1	4,688.1	5,167.6	-8.65%	+10.2%
Sales to third parties	mil. m^3	4,901.6	4,406.2	4,966.7	-11.15%	+12.7%
Gas for electricity production in own power plant	mil. m^3	173.0	277.2	192.5	+62.95%	-30.6%

From the total gas quantities supplied to third parties, the following available trading means were used:

- gas delivered under contracts on centralized markets: 26.3 TWh (50.5%);
- gas delivered under bilateral negotiated contracts: 25.8 TWh (49.5%), out of which:
  - 11.8 TWh to Electrocentrale Bucureşti;
  - 11.4 TWh to other customers, final customers and suppliers;
  - 2.6 TWh represent commodity gas, purchased for resale.

Romgaz gas production increased roughly by 11.3% as compared to 2020 and volumes delivered in 2021 also increased by 10.2%. As regards gas deliveries from own production, these went up by 6.4% as compared to 2020.

Gas supplied to third parties recorded an increase by 12.7%. It is worth mentioning that no import gas volumes were traded in 2021. At the same time, gas volumes used by CET Iernut decreased by 30.6% as compared to 2020.

As regards trading on Romanian centralized markets, Romgaz's share was significant, approximately 46% of the total of gas traded on these markets (forward and SPOT) with delivery in 2021 was sold by Romgaz. In terms of quantity, Romgaz traded over 26.08 TWh with delivery in 2021 on centralized markets, from the total volume of approx. 56.71 TWh that represented the total transactions performed on these markets with the same delivery period.

Romgaz was also active on the SPOT market – day ahead market, intraday market respectively in order to optimize sales on one hand and to balance the portfolio, on the other hand, Romgaz sold on these markets approximately 0.13 TWh.

2022 gas sales perspectives are characterized by:

- taking into account the national and international gas market context, the increased gas demand will keep gas prices at high rates;
- the company concluded in 2021 - 958 contracts, of which more than 95% are GRP related contracts (Gas Release Program) with gas deliveries in 2021and in 2022;
- approximately 50% (24.06 TWh) from quantities estimated to be sold in 2022 (49.11 TWh) are based on contracts concluded in 2021;
- according ANRE Order No. 143/2020 (Gas Release Program – GRP), gas producers that record an annual production higher than 3,000,000 MWh have to trade 40% of the production on centralised markets at a required initial price, that can be determined (maximum 95% from the average weighted price of the traded products) for several products: monthly, quarterly, seasonal, half year and annual product. The program started on June 1, 2020 and ends on December 31, 2022 as regards the offering obligation and on December 31, 2023 as regards the delivery obligation of traded products. If in 2020 the trading price was less favourable from the producer's point of view, starting with Q2 2021, although prices start from a pre-set value, these are set based on the real demand and supply, reflecting the reality at the transaction time.

Competition and Market Share of Romgaz Products and Services

In 2021, the Romanian gas market continued to progress as regards liquidity increase and reselling on centralized markets, as well as the positive trends regarding trade balancing through transactions on short-term markets.

The negative impact of ANRE Order 143/2020, setting an initial price, felt in 2020 and at the beginning of 2021, faded and even disappeared in 2021 as regards transactions with products that have delivery terms in 2021 and 2022, due to a steep increase of gas demand and of prices implicitly.

On the gas market, competition was not very high since temperatures were low for long periods in Q1 until the second half of April and large gas quantities were withdrawn from storages, Romgaz withdrew the entire stored gas quantity. Therefore, once with the beginning of the storage cycle, against a gradual economic recovery after the COVID pandemic, gas demand increased significantly, exceeding the gas supply.

Although import gas volumes recorded a significant increase, it was complementary, necessary, required by the market triggered by the demand increase and not for price reasons, such gas did not compete with Romgaz gas.

According to the company's estimates, national gas consumption rose by approximately 2% as compared to 2020. Romgaz market share in the national consumption increased by 4% as compared to 2020.

National electricity production, according to preliminary data of the system operator, was 58,560,986 MWh. On the whole-sale electricity market, Romgaz had a 1.07% market share, decreasing by 35.5% as compared to last year.

Annual evolution of electricity production and market share:

Description	2019 (MWh)	2020 (MWh)	2021 (MWh)	2020/2019 (%)	2021/2020 (%)
National production	59,454,280	55,519,195	58,560,986	-6.61	5.48
Romgaz production	590,129	937,500	640,001	58.86	-31.73
Romgaz market share	1.00	1.69	1.07	70.71	-35.50

As regards electricity generation sources, in 2021, these were as follows[5] :

- 29% hydro;
- 17% coal;
- 20% nuclear;
- 16% gas;
- 18% 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 final consumers market (especially power plants) and the wholesale market where it sells gas to suppliers.

3.4.3. Prices and Tariffs

Cadrul 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.

On December 31, 2021, Romgaz Group operated both on the regulated market, performing distribution activities and on the free market, performing gas and electricity production and supply activities.

Underground Gas Storage

By GEO NO.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 not regulated anymore.

Taking into account GEO No. 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 Regulatory Authority for Energy.

[5] 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.

As a result, storage tariffs for the two compared periods were those approved by ANRE Order No.44 of March 29, 2019 (01.04.2019-31.03.2020), ANRE Order No. 24 of March 23, 2020 (01.04.2020-31.03.2021) and Depogaz Board Resolution No.3/March 5, 2021 (01.04.2021-31.03.2022).

The table below shows the storage tariffs:

Tariff component	unit	Tariffs (01.04.2019-31.03.2020)	Tariffs (01.04.2020-31.03.2021)	Tariffs (as of 01.04.2021)
Volumetric component for *gas injection*	RON/MWh	1.90	3.67	2.29
Fixed component for *capacity reservation*	RON/MWh/storage cycle	9.98	7.58	9.31
Volumetric component for *gas withdrawal*	RON/MWh	1.61	2.03	1.74

Natural Gas Supply

The final gas price for the customer is the sum of the weighted average price for gas acquisition, the tariffs for transmission, storage and distribution, and the trading component, according to the following formula:

Final price = Weighted average gas acquisition price + Transmission tariff + Storage tariff + Distribution tariff + Trading component

The distribution tariffs depend on the distribution area and on the distribution system operator. Regulated prices and tariffs are calculated by the "revenue-cap" method for underground storage and gas transmission and by the "price-cap" method for regulated distribution and supply.

According to the provisions of Article 181, paragraph (5) of Law No. 123/2012, the domestic gas acquisition price on the regulated market is set by Government Decision, at the proposal of the competent ministry, and is updated by ANRE and ANRM, in accordance with the provisions of the Calendar for gradual deregulation of prices for the final customers.

The table below shows the average gas supply prices between 2019-2021:

Description	unit	2019	2020	2021
1	2	3	4	5
Average supply price for internal gas production[6]	RON/1000 m^3	882.2	751.3	1,019.66
	RON/MWh	83.7	73.3	96.66
Average supply price for import gas	RON/1000 m^3	1,468.8	-	-
	RON/MWh	136.9	-	-

Natural Gas Distrubution

Distribution tariffs and final regulated prices valid during the analysed period are approved by ANRE Orders, as follows:

- Order No. 146/2018 on setting the unitary income for 2019 and on approving regulated prices for regulated gas supply activity performed by Societatea Naţională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of August 1, 2018);
- Order No. 146/2019 on setting the unitary income for 2019 and on approving regulated prices for regulated gas supply activity performed by Societatea Naţională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of July 1, 2019);
- Order No.111/2019 on setting the regulated tariffs for gas distribution services performed by Societatea Naţională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of July 1, 2019);
- Order No. 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);
- Order No. 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 No. 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).

[6] Including commodity gas, less storage costs

The table below shows tariffs and prices:

Description	01.08.'18-30.06.'19	01.07.'19-31.12.'19	01.01.'20-30.06.'20	01.07.'20-30.06.'21	01.07.'21-present
Distribution tariffs **(RON/MWh):**					
***B1 consumption up to 23.25 MWh**	52.75				
***B2 annual consumption between 23.26-116.28 MWh**	47.96				
***B3annual consumption between 116.29-1,116.78 MWh**	47.07				
***B4 annual consumption between 1,116.79-11,627.78 MWh**	46.26				
Distribution tariffs **(RON/MWh):**					
***C1 consumption up to 280 MWh**		52.87	52.87	52.52	48.19
***C2 annual consumption between 280 and 2,800 MWh**		0.00	0.00	46.17	42.37
***C3 annual consumption between 2,800 and 28,000 MWh**		50.00	50.00	41.29	37.91
Final regulated prices **(RON/MWH):**					
***B1 consumption up to 23.25 MWh**	152.23				
***B2 annual consumption between 23.26-116.28 MWh**	147.44				
Final regulated prices **(RON/MWh):**					
***C1 consumption up to 280 MWh**		139.24	122.71		

3.4.4. Human Resources

On December 31, 2021, Romgaz Group had 5,863 employees and SNGN Romgaz SA had 5,363 employees.

The evolution of the number of employees between January 1, 2019 – December 31, 2021, is shown in the table below:

Description	2019		2020		2021	
	Romgaz Group	Romgaz	Romgaz Group	Romgaz	Romgaz Group	Romgaz
1	3	4	3	4	5	6
Employees at the beginning of the year	6,214	5,688	6,251	5,738	6,188	5,673
Newly hired employees	264	238	198	177	179	157
Employees who terminated their labour relationship with the company	227	188	261	242	504	467
Employees at the end of the year	6,251	5,738	6,188	5,673	5,863	5,363

The structure of SNGN Romgaz SA employees at the end of 2021 was the following:

a) by level of education

- University 26.48 %
- Secondary education 29.85 %
- Foreman education 2.35 %
- Vocational school 31.90 %
- Middle school 9.42 %

b) by age

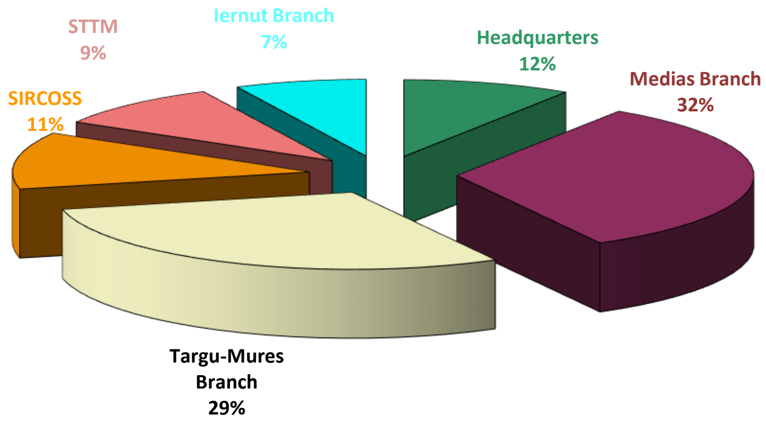
- under 30 years 5.07 %
- 30-40 years 13.00 %
- 40-50 years 31.34 %
- 50-60 years 44.14 %
- over 60 years 6.45 %

c) by activities

- gas production 71.53 %
- production tests/well special operations 11.34 %

- health 1.44 %
- transportation 9.23 %
- electricity production 6.47 %.

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



The table below shows the structure of employees at the headquarters and branches:

Entity	Workers	Foremen	Administrative employees	Total
Headquarters	38		622	**660**
Mediaş Branch	1,339	83	291	**1,713**
Targu-Mures Branch	1,247	50	241	**1,538**
SIRCOSS	447	46	115	**608**
STTM	374	16	105	**495**
Iernut Branch	227	31	89	**347**
Drobeta Turnu Severin Branch			2	**2**
TOTAL	**3,672**	**226**	**1,465**	**5,363**

In 2021, ***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 1,800 employees were trained in 2021 and the costs of such professional trainings were RON 1,218,161.

The annual training program was implemented as follows:

- 480 persons participated in professional training programs on job related subject matters;
- 1,127 persons participated in training courses to obtain authorization/re-authorization in accordance with their position;
- 193 persons participated in internal training courses;

The 2021 professional training plan, as regards the number of participants, was fulfilled 44.43%. This was caused as in the previous year, but to a lesser extend, by the SARS-CoV2 pandemic. As the state of alert was still in force in 2021, the restrictive measures imposed in the country regarding organisation of courses and the fear of employees of a potential infection have led to non-fulfilment of the objectives set for this activity.

During 2021, the professional training activity focused mainly on supporting the increase of the capacity to adapt to new requirements of the knowledge-based economy, to ensure and update the necessary skills for employees holding positions in the technical, economic, research and development field, etc.

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

- "*Sindicatul Liber din cadrul S.N.G.N. Romgaz S.A.*", consisting of 5,499 members;
- "*Sindicatul Filiala Inmagazinare DEPOGAZ*", consisting of 323 members.

Thus, the total number of union members within Romgaz is 5,822 out of the 5,863 employees, resulting a ratio of 99.30% union members.

Relationship between manager and employees: The parties agreed to conclude a new Collective Labour Agreement on November 27, 2019, for SNGN Romgaz SA, registered at the Territorial Labour Inspectorate Sibiu under No. 18161/04.12.2019, valid as of December 29, 2019 until December 28, 2021 inclusive.

According to the provisions of art. 20 of Law No.55/May 15, 2020 on certain measures to prevent and combat effects of COVID-19 pandemic, "*Validity of collective labour contracts and of collective labour agreements extends during the state of alert as well as for a period of 90 days after termination of the state of alert.*" Consequently, the collective labour contract extended its validity term, beyond December 28, 2021.

For Depogaz, a Collective Labour Agreement is in effect, negotiated with "*Sindicatul Liber Romgaz*", to which "*Sindicatul Filiala de Inmagazinare Gaze Naturale*" adhered, being valid until March 27, 2021, and according to art. 20 of Law No.55/May 15, 2020, the collective labour contract extended its validity beyond such date.

During 2021, ***there were no conflicts between the management and the trade union***.

3.4.5. Environmental Aspects

In 2021, 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:

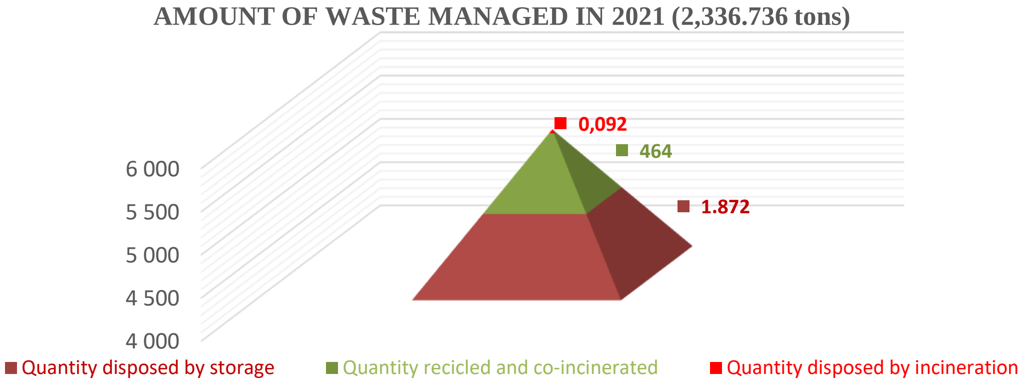
- increasing awareness on compliance with legal requirements;
- monitor drafting of all reports required by the effective environmental legislation, by centralizing the information required and reported by Romgaz Branches and submitting it to competent authorities;
- efficiency of environmental protection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

In 2021 environmental protection activities focused on:

- Compliance with permitting requirements:
  - Complying with legal requirements relating to environmental permits for all 124 units. In this respect, the compliance degree is 100%. Thus, the company took the following steps: required and obtained review of permits for 9 units; re-authorisation was requested and obtained for 8 units; the annual endorsement was requested and obtained for 78 units; submitted documents for abandoning gas production wells for 47 units; submitted required documents for temporary ceasing activities at 4 units; requested and received a point of view on the necessity to obtain the Environment Authorisation (negative – it wasn't necessary to obtain the regulatory act) from county Environment Protection Agencies;
  - Complying with legal requirements regarding waste water management permits, for:
    - ✓ 69 units, for which the conformity degree is 100% mentioning that for 22 units re-authorization documents were submitted,
    - ✓ 36 units related to reservoir water injection systems/wells, out of which 4 are in process of obtaining re-authorization and for 2 units the company submitted requests for abandonment.

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. In 2021, the company managed a quantity of 2,336.736 tons of waste from its own activity, out of which 464.26 tons were recycled and co-incinerated (437.937 tons were recycled and 26.323 tons were co-incinerated), 0.09246 tons of waste were disposed by incineration and 1,872.383 tons of waste were disposed by storage.



In 2021, the "*Program for Preventing and Reducing Waste Generated by S.N.G.N. Romagaz S.A."* pursued the accomplishment of the measures thereunder; it can be viewed by accessing 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 with in its waste management activity in order to fulfil the company's strategic objectives;

- Monitoring compliance with legal requirements on environment protection. In 2021 Romgaz did not exceed the limits permitted by regulations in force, with the effluents discharged into surface water bodies or sewage networks;
- In 2021, 1 external environment complaint were recorded, as follows:

The National Environment Guard Mures (GNM CJ Mures) and Public Health District Authority Mures (DSP Mures) were notified regarding noise exceedance at Corunca compressor station in Corunca, Mures County. Following the inspection (Findings report No.189) dated March 26, 2021, DSP Mures ruled as measure installation of noise-absorbing panels around Corunca compressor station in order to reduce the noise produced by the compressor station activity, deadline October 1, 2021. In this respect, the procurement procedure was initiated to contract the investment works (design and execution noise-absorbing panels). After all procurement phases and after providing clarifications on the tender specifications, the only tenderer withdrew the offer. Under these circumstances, the procedure was cancelled and the documentation was send to the internal procurement department for re-evaluation in order to initiate the procurement procedure again. DSP Mures was notified on October 1, 2021 on restarting the procurement procedure.

- In 2021, 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, so as 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 value of mandatory provision, for the Ogra specific waste facility, supervising the annual monitoring frequency for Dumbravioara drilling waste facility, closed in 2003 etc.;
- Planning and organizing the internal environmental inspection activity in order to verify compliance with the legal requirements applicable to inspected activities.

Romgaz headquarters environmental inspectors planned in 2021 36 internal environmental inspections, while 32 were actually conducted due to national pandemic circumstances and company-level circumstances, at the authorized units of branches. Thus, Romgaz activity complies with the applicable legal environmental requirements, the conformity degree identified following the implementation of a procedural assessment method for 2021 being 99%, representing a very good value indicating potential for reaching 100%;

- Assessing the conformity level regarding environmental protection requirements and contractual requirements of contractors and subcontractors of drilling works contracted by Romgaz in 2021;
- Accomplishing the actions/measures programs for prevention and/or limitation of the impact on the environment for 2020, by modernizing the reservoir water storages, mounting waste water systems, transforming abandoned wells in reservoir water injection wells etc.

In 2021, the Environmental Guard and the Water Basins Administrations carried out 39 inspections at Romgaz locations.

Following the inspection carried out at well 23 Jugureanu (located on the shore of lake Vultureni, in Vultureni, Ciresu commune, Braila county) by Environmental Guard commissioners found that the lake shore, where the well is located, was consolidated against corrosion with concrete blocks and this caused degradation of the lake bank soil. Targu Mures Branch was fined for non-compliance with effective environmental legislation according to art 68 of GEO No.195/2005 on environmental protection, with the amount of RON 15,000. The well was drilled in 1965, consolidation works were performed around that date when the well was brought in production (January1969). The fine was paid as there were no legal grounds to challenge it.

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 No. 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 2021, CO_2 emissions equal 378,841 tons which is equivalent to 378,841 certificates. In order to comply with the legal requirements, SPEE Iernut has to purchase these certificates. The acquisition has to be finalized before April 14, 2022.

3.4.6. Occupational Safety and Health

In 2021 the company concluded the subsequent contract no.2 to the framework agreement for purchasing additional voluntary health insurances for all employees.

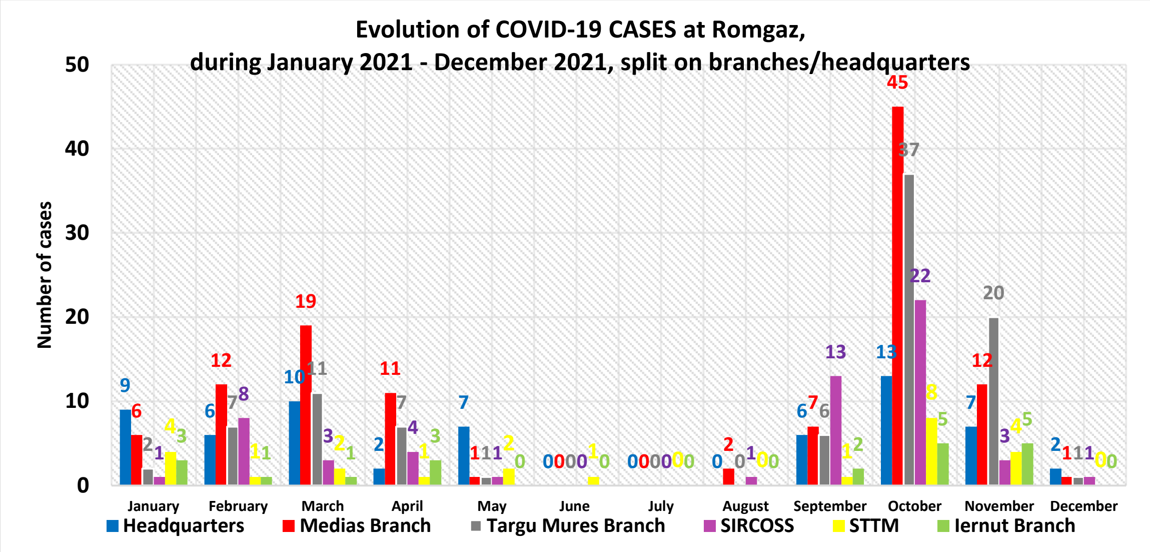
Moreover, the company concluded subsequent contracts to the framework agreements for personal protective equipment (PPE), necessary for the working personnel, namely 53 types of protective equipment.

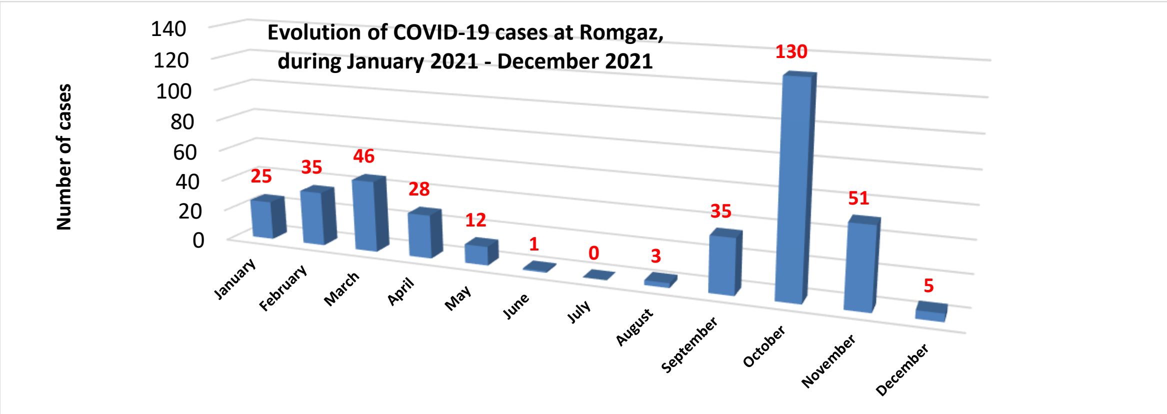
The inspectors performed internal controls at the headquarters and the branches, checking employees training in the field of occupational safety and health, the manner of complying measures to reduce the COVID infection risk; the inspectors also distributed PPE and reviewed the necessary PPE stocks.

SARS-CoV2 infections at S.N.G.N. Romgaz S.A.

Between January 1, 2021-December 31, 12, 2021 there were 371 infections with the virus and 5 deaths.

The two charts below show the evolution of COVID-19 cases at Romgaz in 2021 split on branches and headquarters and total Romgaz cases, respectively.





The company paid and is still paying particular attention to measures for fighting against SARS-COV2, by drafting and implementing the necessary measures and procedures to minimize its impact on the company as well as by permanently carrying out inspections to verify their implementation.

In this respect, following measures were taken:

- ✓ Drawing up lists with Romgaz employees who expressed their consent to vaccination, lists which were centralized and uploaded to the national programming platform for vaccination against COVID-19;
- ✓ Purchase of disinfectant gel for hands;
- ✓ Purchase of digital infrared thermometers (no touch) to find employees with fever at the entrance in the headquarters;
- ✓ Romgaz employees were allowed to work from home between October 25, 2021-February 1, 2022;
- ✓ Daily monitoring and updating the status/condition of Romgaz employees who are isolated/in quarantine due to suspicion of or infection with SARS-CoV-2 virus.

3.4.7. Litigations

The summarized breakdown of litigations in which Romgaz is involved as of December 31, 2021 is the following:

- A total number of 231 litigations are recorded in company's records, out of which:
    - 121 cases where Romgaz is plaintiff;
    - 104 cases where Romgaz is defendant;
    - 6 cases where Romgaz is civil party/injured party;
- The total value of litigations is RON 1,754,358,712.28;
- The (approximate) total value of the files where Romgaz is plaintiff (including injured party and third party garnishee) is RON 1,336,601,257.02
- The (approximate) total value of the files where Romgaz is defendant is RON 131,412,508.71;

The (approximate) total value of the files where Romgaz is civil party is RON 286,344,946.55.

The detailed list of litigations can be viewed on Romgaz website www.romgaz.ro → Investor Relations → Annual Reports → 2021.

3.4.8. Legal Acts concluded under GEO No. 109/2011 Article 52

The table below shows the contracts concluded under art.52, para (1) and (3) of GEO No.109/2011:

Contracting party	Number and date of the legal act	Scope of contract	Estimated value (RON)	Deadline and payment methods	Mutual receivables	Warranties set up for contract	Penalties	Cumulated contract value (VAT inclusive)
Electrocentrale București SA	Addendum no.14/01.10.2021 to Contract no.8/2016	Gas sales (01.10.2021-30.09.2022)	2,102,633,488.70	90 days from invoice issue date	-	-	*)	4,798,774,330.73
Electrocentrale Constanța SA	Addendum no.1/30.09.2021 to Contract no.32/2020	Gas sales (01.10.2021-30.09.2022)	258,915,102.52	**)	-	-	*)	334,773,045.89
Depogaz Ploiești SRL	Contract no.VG70/26.10.2021	Gas sales (01.01.2022-31.12.2022)	37,074,549.96	Due date 30 days from invoice issue date	-	-	0.10%/day	37,074,549,96
CET Govora SA	Contract no.VG32/31.08.2021	Gas sales (01.10.2021-30.09.2022)	46,948,694.84	**)	-	-	0.10%/day	46,948,694.84
U.M. 0929 București (contracting authority)	Framework agreement no.62/31.08.2021 and Addendum no.1/28.12.2021	Subsequent gas sales (01.09.2021-31.08.2022)	12,044,198.01	Monthly invoices due at 15 days from issue date	-	-	0.10%/day	12,044,198.01
Termoficare Oradea SA	Contract no.VG 71/29.10.2021	Gas sales (01.11.2021 – 01.10.2022)	408,023,481.25	**)	-	-	0.10%/day	408,023,481.25
Termo Calor Confort SA Pitești	Contract no.VG 31/31.08.2021	Gas sales (01.10.2021 – 01.10.2022)	73,916,718.62	**)	-	-	0.10%/day	73,916,718.62
SC Modern Calor SA	Contract no.VG30/31.08.2021	Gas sales (01.10.2021-30.09.2022)	44,462,323.38	**)	-	-	0.10%/day	44,462,323.38
Depogaz Ploiești SRL	Contract no.773/ 01.04.2021	***)	63,498,400.00	15 days from invoice issue date	-	-	-	63,498,400.00
Depogaz Ploiești SRL	Addendum no.1/01.09.2021 to Contract no.773/2021	***)	5,556,110.00	- I I -	-	-	-	69,054,520.71
Depogaz Ploiești SRL	Addendum no.2/01.10.2021 to Contract no.773/2021	***)	13,493,410.00	- I I -	-	-	-	82,547,930.71
Depogaz Ploiești SRL	Addendum no.3/01.11.2021 to Contract no.773/2021	***)	-	- I I -	-	-	-	82,547,930.71
Depogaz Ploiești SRL	Addendum no.4/01.12.2021 la Contract no.773/2021	***)	-	- I I -	-	-	-	82,547,920.00
SNTGN Transgaz SA	Addendum no.02-30/2021 la Contract no.90/2020	PSTA$_E$	14,132,205.61	15 days from invoice issue date	-	1,574,558.93	*)	31,118,862.47
SNTGN Transgaz SA	Addendum no.01-23/2021 to Contract no.125T/2020	PSTT$_I$ (01.01.2021 - 01.04.2021)	11,504,146.50	- I I -	-	3,834,715.50	*)	19,146,297.58
SNTGN Transgaz SA	Contract no.439L/20.01.2021	PSTL$_I$ (01.02.2021 - 01.03.2021)	857,157.00	- I I -	-	857,157.00	*)	857,157.00
SNTGN Transgaz SA	Contract no.441L/20.01.2021 - Addendum no.01-25/2021	PSTL$_E$ (01.02.2021 - 01.03.2021)	289,004.35	- I I -	-	289,004.35	*)	165,495.69
SNTGN Transgaz SA	Contract no.520L/17.02.2021	PSTL$_I$ (01.03.2021 - 01.04.2021)	175,965.30	- I I -	-	175,965.30	*)	175,728.79
SNTGN Transgaz SA	Contract no.521L/17.02.2021	PSTL$_E$ (01.03.2021 - 01.04.2021)	60,794.72	- I I -	-	60,794.72	*)	39,198.20
SNTGN Transgaz SA	Contract no.153T/09.02.2021	PSTT$_E$ (01.04.2021 - 01.07.2021)	1,331,967.00	- I I -	-	443,989.00	*)	383,346.60
SNTGN Transgaz SA	Contract no.605L/17.03.2021 - Addendum no.01-23/2021	PSTL$_E$ (01.04.2021 - 01.05.2021)	534,728.88	- I I -	-	534,728.88	*)	313,838.11

Contracting party	Number and date of the legal act	Scope of contract	Estimated value (RON)	Deadline and payment methods	Mutual receivables	Warranties set up for contract	Penalties	Cumulated contract value (VAT inclusive)
SNTGN Transgaz SA	Contract no.616L/21.04.2021 - Addendum no.01-02/2021	$PSTL_E$ (01.05.2021 - 01.06.2021)	1,697,460.15	- I I -	-	1,697,460.15	*)	541,215.81
SNTGN Transgaz SA	Contract no.695L/19.05.2021	$PSTL_E$ (01.06.2021 - 01.07.2021)	1,640,107.98	- I I -	-	1,640,107.98	*)	471,011.52
SNTGN Transgaz SA	Contract no.174T/12.05.2021 - Addendum no.01-32/2021	$PSTT_E$ (01.07.2021 - 01.10.2021)	6,030,158.40	- I I -	-	2,010,052.80	*)	1,723,878.03
SNTGN Transgaz SA	Contract no.781L/21.07.2021	$PSTL_E$ (01.08.2021 - 01.09.2021)	109,164.89	- I I -	-	109,164.89	*)	50,996.74
SNTGN Transgaz SA	Contract no.836L/18.08.2021 - Addendum no.01-02/2021	$PSTL_E$ (01.09.2021 - 01.10.2021)	212,647.05	- I I -	-	212,647.05	*)	103,890.71
SNTGN Transgaz SA	Contract no.84/20.08.2021 - Addendum no.01-11/2021	STA_E	5,722,980.55	- I I -	-	1,892,108.60	*)	11,321,409.18
SNTGN Transgaz SA	Contract no.18/20.08.2021	$PSTA_I$	33,230,033.05	- I I -	-	10,986,378.68	*)	45,601,607.52
SNTGN Transgaz SA	Contract no.43T/20.08.2021	$PSTT_I$ (01.10.2021 - 01.01.2022)	2,305,648.80	- I I -	-	768,549.60	*)	2,306,693.03
SNTGN Transgaz SA	Contract no.44T/20.08.2021	$PSTT_E$ (01.10.2021 - 01.01.2022)	670,805.86	- I I -	-	223,601.95	*)	537,097.75
SNTGN Transgaz SA	Contract no.49L/22.09.2021 - Addendum no.01-18/2021	$PSTL_E$ (01.10.2021 - 01.11.2021)	260,669.90	- I I -	-	260,699.90	*)	297,073.54
SNTGN Transgaz SA	Contract no.132L/20.10.2021 Addendum no.01-04/2021	$PSTL_E$ (01.11.2021 - 01.12.2021)	759,644.33	- I I -	-	459,644.33	*)	752,420.61
SNTGN Transgaz SA	Contract no.130L/20.10.2021	$PSTL_I$ (01.11.2021 - 01.12.2021)	723,496.20	- I I -	-	723,496.20	*)	723,496.20
SNTGN Transgaz SA	Contract no.204L/17.11.2021 - Addendum no.01-04/2021	$PSTL_E$ (01.12.2021 - 01.01.2022)	1,464,174.43	15 days from invoice issue date	-	1,464,174.43	*)	1,201,616.49
SNTGN Transgaz SA	Contract no.203L/17.11.2021	$PSTL_I$ (01.12.2021 - 01.01.2022)	2,548,730.10	- I I -	-	2,548,730.10	*)	2,548,730.10
SNTGN Transgaz SA	Contract No.46/20.08.2021	SE	-	- I I -	-	1,000.00	*)	-
SNTGN Transgaz SA	Contract No.48-RBP/30.12.2021	PSTPI	-	- I I -	-	-	*)	-

*) – at the level of late payment penalties due for failure to pay budgetary obligations on due date.
**) - Advance. Settlement invoice at 30 days from issue date.
***) – Provision of underground gas storage services.

Where:

$PSTA_I$ Provision of annual gas transmission services in NTS entry points;
$PSTA_E$ Provision of annual gas transmission services in NTS exit points;
$PSTT_I$ Provision of quarterly gas transmission services in NTS entry points;
$PSTT_E$ Provision of quarterly gas transmission services in NTS exit points;
$PSTL_I$ Provision of monthly gas transmission services in NTS entry points ;
$PSTL_E$ Provision of monthly gas transmission services in NTS exit points;
SE balancing differences between gas entry/exit into/from NTS;
PSTPI Provision of gas transmission services (in interconnection points).

IV. GROUP'S TANGIBLE ASSETS

4.1. Main Production Facilities

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;
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 2021, Romgaz carried out petroleum operations in 136 gas fields out of which 124 are well defined blocks and the rest of 12 are gas fields with experimental production.

Production from these fields is obtained through more than 3,000 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 9 well cluster compressors.

One technical demand required by applicable laws is the quality of gas, which is 100% fulfilled by means of 66 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	0.545	1.2	13.080	1.0	10.900
Bilciurești	1,310	14.214	14.0	151.900	10.0	108.500
Ghercești	150	1.602	2.0	21.360	2.0	21.360
Sărmășel	900	9.522	7.5	79.350	6.5	68.770
Urziceni	360	3.953	4.5	49.410	3.0	32.940
Total	**2,770**	**29.836**	**29.2**	**315.100**	**22.5**	**242.470**

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;
  - 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;
  - 6 gas dehydration stations;
  - 26.6 km gathering pipelines for 57 injection/withdrawal wells;
  - 31.7 km gathering pipelines and fittings;
  - 50 gas heaters;
  - 20 impurities separators;
  - 14 technological gas metering panels;
  - 37.5 km gathering pipelines;
  - bi-directional fiscal metering system;
  - waste-water injection station.

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 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 Tirgu-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, 2021**, the car fleet of STTM consists of **716** motor vehicles as follows:

- passenger carriers: cars **92**, minibuses **15**, buses **2** and large buses **2**;
- passengers and goods utility cars - **211** are < than 3.5 t and **13** are > than 3.5 t;

- vehicles for goods transportation: dumpers **22**, cesspit emptier **42**, platform trucks **28**, tank trucks **3**;
- vehicles for heavy transportation: truck-tractors **3** and semitrailer trucks **17**;
- 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 **8**, caterpillar shovels **2**, tyre shovels **2**, wheel loaders **15**, motor grader **3**, compactor **3**, front end loaders **12**;
- other machinery: tractor trucks **95**, fork lift trucks **11**, motorized cleaning vehicles **3**;
- other vehicles: trailers for heavy transportations, trailers and semitrailers for tractors **81**.

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

Out of the **716** vehicles existing in STTM fleet on **December 31, 2021**:

- **22** motor vehicles were approved to be put out of service;
- **34** 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, 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. Thus, at the end of 2020, SPEE Iernut had the license to commercially operate 2 power units: one 100 MW unit and one 200 MW unit. In 2021, SPEE Iernut operated with energy group 5 of 200MW, energy group 4 of 100 MW was withdrawn from operation due to non-compliance with NOx emission limits, provided by effective regulations.

Cojocna Project is an outcome of the pressing need of finding ways to experimentally produce from a series of wells resulted from exploratory drilling, in order to determine, as detailed as possible, the production potential of such area. The wells are located far from each other and from the National Transmission System (NTS).

Therefore, gas from wells Palatca 1, Vaida 1 and 2 is used as fuel gas for 2 x 1.5 MW electric power generation units.

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 2021, ***Romgaz Group*** invested RON 459.32 million, 27.93% (RON 177.98 million) lower than 2020 investments representing approximately 34% of the scheduled investments.

The Company invested RON *3.82* billion during 2017-2021, as follows:

Year	2017	2018	2019	2020	2021	Total
Value (RON thousand)	781,768	1,150,349	866,218	601,800	417,658	3,817,793

For 2021 Romgaz forecasted the achievement of an investment program with a total budget of RON *1,292.5 million*, based mostly on objectives aiming to compensate natural decline and to generate electricity, such as:

- Continuation of geological research works by performing new exploration drillings for the discovery of new gas reserves;

- development of production potential by adding new facilities on existing structures (drilling of production wells, surface facilities, dehydration stations, compressor stations, compression in gas fields), improving the performance of facilities and equipment to increase operational safety, reducing energy consumption and optimising gas field production;
- modernization and upgrading of constructions, installations and equipment, as well as acquisition of new equipment and high-performance facilities specific to the core activity;
- procurement of specific machinery to ensure the technological transportation and maintenance of core activities and maintaining road infrastructure in gas fields in optimal conditions.

In absolute figures, the investment costs for 2021 reached RON 417,658 thousand, representing:

- 69.5% as compared to the achievements in 2020;
- 32.3% of the scheduled level.

The investments were financed as follows:

- from 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*"; and
- exclusively from own sources for the other approved investment objectives.

As regards physical achievements for the analysed period, the objectives initiated in the previous year were achieved, and preparatory works were carried out (design, obtaining lands, approvals, agreements, authorizations/permits, acquisitions). The Company started the works for part of the new objectives and performed modernisation works and repairs that can be capitalized at the producing wells.

The value of fixed assets commissioned during the reporting period was RON 350.09 million.

Table below shows the investments made in 2021, as compared to those scheduled and accomplished in 2020 and is similar to Annex 4 to the Income and Expenditure Budget:

RON thousand

Item No.	Investment Chapter	2020	2021		% 2021/2020
			Program	Achieved	
0	1	2	3	4	5=4/2x100
1.	**Investments in progress – total, out of which:**	204,843	187,839	78,688	38.41
1.1	Natural gas exploration, production works	203,990	180,528	76,854	37.68
1.2	Maintaining UGS capacity	0	0	0	0.0
1.3	Environmental protection works	853	7,311	1,834	215.01
2.	**New investments – total, out of which:**	**105,196**	**143,702**	**65,462**	**62.23**
2.1	Natural gas exploration, production works	105,000	135,847	64,767	61.68
2.2	Maintaining UGS capacity	0	0	0	0.00
2.3	Environmental protection works	196	7,855	695	354.59
3.	**Investment in existing tangible assets**	**206,677**	**319,170**	**222,957**	**107.88**
4.	**Equipment (other acquisitions of tangible assets)**	**77,270**	**128,727**	**46,415**	**60.07**
5.	**Other investments (studies, licenses, software, financial assets etc.)**	**7,814**	**513,062**	**4,136**	**52.93**
*	**TOTAL**	**601,800**	**1,292,500**	**417,658**	**69.40**

Table below shows the achieved investments according to Romgaz Investment Program for 2021:

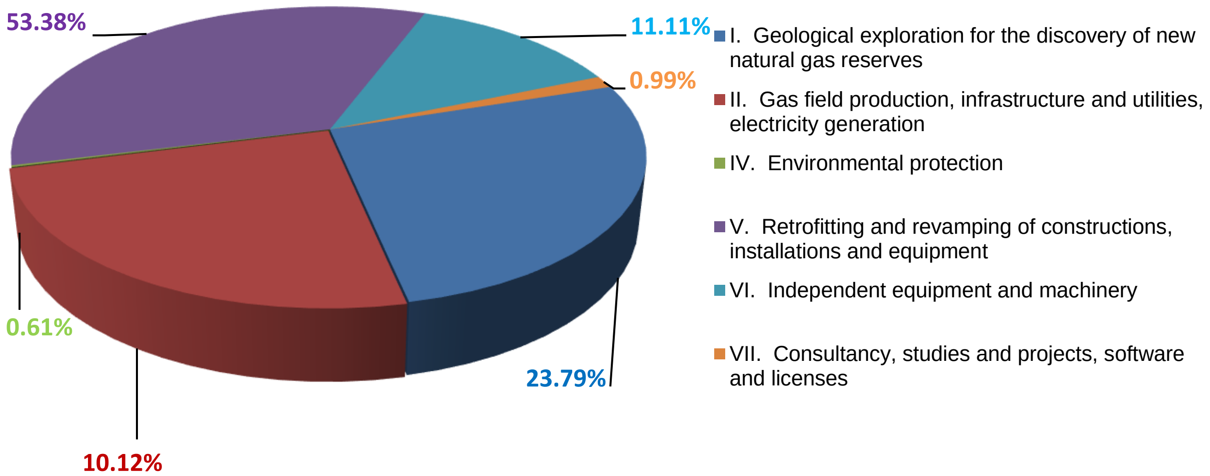
RON thousand

Investment Chapter	Program 2021	Achieved on December 31, 2021	%
1	2	3	4=3/2x100
I. Geological exploration works to discover new gas reserves	149,057	99,360	66.66%

RON thousand

Investment Chapter	Program 2021	Achieved on December 31, 2021	%
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electricity generation	167,318	42,261	25.26%
IV. Environmental protection works	15,166	2,529	16.68%
V. Retrofitting and revamping of installation and equipment	319,170	222,957	69.86%
VI. Independent equipment and machinery	128,727	46,415	36.06%
VII. Expenses related to studies and projects	513,062	4,136	0.81%
TOTAL	**1,292,500**	**417,658**	**32.31%**

The following chart shows the structure of investments achieved in 2021:



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

Item No	Main phisycal objectives	Planned	Results
1.	Performance of exploration drilling	20 wells	**5 sonde** completed **3 sonde** drilling in progress **2 sonde** drilling works procurement in in progress **5 sonde** drilling works procurements in preparation
2.	Drilling design	34 wells	**24 sonde** design/redesign in progress
3.	Performance of production drilling	3 wells	1 well completed 1 well drilling works in progress 1 well drilling works procurement in progress
4.	Construction of surface facilities – successfully tested gas wells to be tied-in	Construction of 30 surface facilities to bring into production 36 successfully tested gas wells to be tied-in	- 9 surface facilities completed; - 3 surface facilities in progress; - 6 surface facilities procurement of construction works in progress to bring into production 9 wells; - 11 surface facilities obtaining approvals and land in progress to bring into production 15 wells; - 10 surface facilities preparation of feasibility studies or technical projects in progress to bring into production 10 wells;

Item No	Main phisycal objectives	Planned	Results
5.	Well recompletion operations, reactivation and capitalizable repairs	approx. 160 wells, correlated with the annual program agreed by ANRM	Workovers in 162 wells, works performed in-house by SIRCOSS
6.	Acquisition of high-performance equipment and installations specific to the core activity	Nitrogen tank truck; 700 bar three-phase gas discharge, metering and separation system; ACF 700 cementing units ; Well parameters automatic measurement equipment ; 1 ½ x 3500 m coiled tubing unit; 7 9/16 x 700 bar and 7 9/16 x 350 bar etc. blow out preventers.	Acceptance: Multifunctional wheeled excavator Well parameters automatic measurement equipment Nitrogen tank truck 1 ½ x 3500 m Coiled tubing unit
7.	Electricity generation	Continuing works at CTE Iernut	Connection tariff to the electricity grid was paid. Works execution contract was terminated. Solutions are being sought to finalize the investment.

8. Partnerships

Planned	*Achieved*
Raffles Energy SRL: - land preparation and obtaining authorizations for well 1 Voitinel; - acquisition of generator for well 1 Voitinel; - surface facilities;	- EIII-1 Brodina Block – Bilca Gas Area Through Bilca E III-1 Group processing facilities only the gas processing activity was carried out, gas entirely coming from Suceava block, titleholder Raffles. - EIII-1 Brodina Block – Non Bilca Gas Area Completion of putting into production well 1 Voitinel in progress in accordance with the legislative changes made by the European Commission and transposed in the Romanian legislation by means of ANRE Order No. 208/2018 and No. 5/2019, namely the conditions that the motor-generator group needs to meet for the Gas to Power facility. - Bacau Block The operating mode of the electricity generator well 1 Lilieci was established. The time intervals correspond to maximum prices for selling electricity on PZU platform. In 2021, the generator operated in accordance with the projected schedule with short interruptions due to maintenance.
Lukoil: - restoration and expert examination of the economic model of the Project in order to prepare for making the investment decision regarding continuation of works within the block	- By means of Confirmation no. 13215/September 29, 2021 ANRM approved the evaluation-confirmation of gas resources of LIRA structure for a period of 5 years
Amromco: - drilling wells; - surface facilities; - well recompletion operations; - well abandonment expenses	- Well 122 Balta Albă was drilled with negative results; well is proposed for abandonment; - Well 120 Frasin-Brazi – recompletion works were carried out; - Well 206 Bibești - recompletion works were carried out; - wells were abandoned and the surface facility was demolished in fields for which the concession was relinquished
Slovakia: - Romgaz Board of Directors approved dissolution of Bratislava Branch	- the branch was closed on December 31, 2021.

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 Plant to a minimum of 55%, complying with the environmental requirements (NOx, CO_2) and increasing the 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 decided to terminate 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 the 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).

The main reasons causing delays in meeting the objectives included in the 2021 Investment Program, with a direct impact on the achievements were the following:

- Failure to pay the advance payment for Neptun Deep Partnership – Acquisition of Exxon Mobile Exploration and Production Romania Limited shares;
- Tenders submitted in some procurement procedures exceeded the estimated/budgeted value of the investment objectives, requiring resumption of the procurement procedures;
- Completion of certain procurement procedures was lagged/delayed;
- Late delivery of certain fixed assets (independent machinery and specific equipment);
- Capitalizable repair works performed with delay (delay penalties are charged);
- Lukoil Partnership – it was decided not the enter phase two which included drilling of two wells;
- Delays in finalizing the contract due to the COVID-19 pandemic for the "*MAIS, BI, Hyperion configuration, programming services*" objective;
- Delays in carrying out activities in relation to institutions that grant approvals and in supplying import materials (tubing) – as a result of Covid 19 pandemic;
- Failure to conclude or conclusion with additional deadlines compared to the planned ones of contracts for renting/purchasing lands due to legislative changes and lack of property deeds (delayed deadlines for decisions concerning land removal from agricultural use – Ministry of Agriculture);
- Conduct of redesigning activities on a prolonged period (for certain production units) and delays in the acquisition of drilling works – due to challenges submitted by bidders;
- Difficulties in obtaining construction permits for certain objectives (e.g. well 9 Urziceni, well 2 Linia Dealului, well 3 Ştefăneşti, Merii gathering pipeline - Ialomiţa County);
- Interruption of works carried out for „*The Development of CTE Iernut by Building a New Combined Cycle Gas Turbine Power Plant*" project generated by the differences between contractual partners which led to contract termination;
- Decision of the executive management to reconsider the portfolio of exploration wells under different preparatory stages following internal researches coordinated by the Exploration-Appraisal Department, reconsideration of geological assumptions and rethinking of the exploration strategy by taking into consideration the contingency of exploration wells as regards key wells from the point of view of viability of geological concepts.

Investment objectives that were not achieved or that were delayed during 2021 will continue to be carried out in 2022.

In 2021, ***Depogaz Subsidiar***y had an approved investment program of RON 50,000 thousand and achieved investments of RON 41,665.26 thousand, representing 83.31%, as follows:

Item no.	Description	Program	Results
1.	Research activities for the discovery of new gas reserves	0	0
2.	Gas fields and UGSs exploitation, infrastructure and utilities in fields and underground storages	1,531	690.00
3.	Underground gas storage activities	500	260.00
4.	Environmental protection and improvement	0	0
5.	Modernisation and upgrading of installations and equipment, surface facilities, utilities	43,823	38,554.38
6.	Independent equipment and machinery	1,069	734.44
7.	Costs with consultancy, studies and projects, software, licences and patents etc.	3,077	1,416.44
*	**TOTAL**	**50,000**	**41,665.26**

The investments were financed entirely from own sources.

For the reporting period, fixed assets were commissioned in amount of RON 41,106 thousand.

The main objectives recording achievements in 2021 were:

- Well drilling design, Bilciureşti – RON 640 thousand;
- Modernisation of gas metering system, Bilciureşti UGS – RON 1,565 thousand;
- Feasibility study, Gherceşti UGS – RON 521 thousand;
- Triethylene glycol dehydration station, 145 Gherceşti Group – RON 34,969 thousand;
- Oil separator discharge automation, Butimanu Compressor Station – RON 600 thousand;
- Compressor suction control loop in the withdrawal cycle, Sărmăşel Compressor Station– RON 505 thousand.

V. SECURITIES MARKET

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

Government Decision No. 831/2010[7] 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, the company 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 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
1.	Market capitalization[8]									
	*million RON	13,178	14,018	10,483	9,636	12,064	10,714	14,299	10,830	15,031
	*million EUR	2,952	3,127	2,315	2,122	2,589	2,297	2,992	2,224	3,038
2.	Maximum price (RONi)	35.60	36.37	36.55	27.55	33.95	38.20	38.40	37.70	39.00
3.	Minimum price (RON)	33.80	32.41	26.30	21.60	25.10	27.80	27.35	25.75	28.35
4.	Year-end price (RON)	34.19	35.36	27.20	25.00	31.30	27.80	37.10	28.10	39.00
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.	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)]
7.	Dividend yield (6./4.x100)	7.5%	8.9%	9.9%	23.0%	21.9%	15.0%	4.3%	6.4%	9.7%
8.	Exchange rate (RON/EUR)	4.4639	4.4834	4.5285	4.5411	4.6597	4.6639	4.7785	4.8694	4.9481

[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 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 modernisation of gas production" according to GD No. 168/1998 as subsequently amended and supplemented.

[5)] The gross dividend per share of RON 1.79 is composed of the gross dividend per share for the 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 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 modernisation of gas production" according to GD No. 168/1998 as subsequently amended and supplemented.

[6)] The proposed gross dividend of RON 3.80 is composed of the gross dividend per share for the 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 modernisation of gas production" according to GD No. 168/1998 as subsequently amended and supplemented.

In 2021, the trading prices of shares had an oscillating evolution, generally increasing, from January when the minimum value of the period was recorded namely RON 28.35 per share (on January 05, 2021) to the end of December when the maximum value was reached in the last trading days of the year, namely December 29, 2021 and December 30, 2021 (RON 39 per share). Noteworthy is the fact that the share price of RON 39

[7] GD No. 831 of August 4, 2010 on the approval of the privatisation strategy by public offering of Societatea Naţionala de Gaze Naturale "Romgaz" – S.A. Medias and of the mandate of the public institution involved in the conduct of such process.

[8] Calculated based on the closing price of the last trading day of the year, namely based on the exchange rate communicated by the National Bank of Romania and valid in the last trading day of the year.

represents the maximum value of Romgaz share on Bucharest Stock Exchange during the trading period (November 2013 – December 2021).

The average price in 2021 was RON 33.03 per share the highest quarterly average being recorded during October-December, namely RON 36.12 per share. On December 30, 2021, share price was 37.08% higher than the price recorded in the first trading day of the year.

The increasing trend of the share price was mainly determined by the positive results of the activity carried out by the company in 2021, highlighted in the regular reports during the year (Q1, H1 and Q3), by the information on Romgaz' acquisition of ExxonMobil Exploration and Production Romania Limited[9] shares, and by the "strong buy" recommendation made by the Swiss Capital on December 6, 2021. Decreases in the share price were recorded in June 2021 (after ex-date for 2020 dividends) and November 2021, when European stock exchanges (including BVB) were affected by the discovery of a new, extremely contagiously, version of SARS-CoV-2 in South Africa.

Global Depositary Receipts (GDRs), traded on London Stock Exchange, recorded a similar trend, especially if we also take into consideration the evolution of USD-RON exchange rate which increased in 2021 by 10.35%.

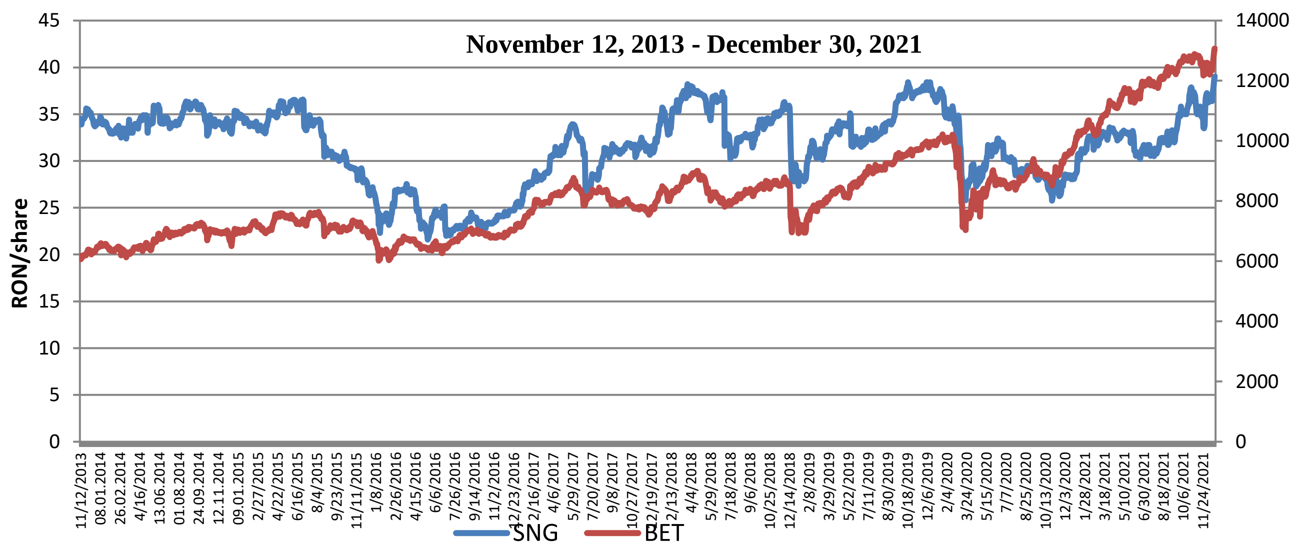
GDRs annual average price was USD 7.70 per GDR, RON 32.07 per GDR respectively, with the minimum and the maximum values of the period (in relation to USD) recorded in Q4 2021, namely USD 6.20 (RON 27.07) on December 16 (following a transaction made at the end of the daily session) and USD 8.80 (RON 38.39) on November 2.

As a result of the increase of USD-RON exchange rate in 2021, on December 31 the trading price of GDRs was USD 8.20, RON 35.84 equivalent, increasing by 17.14%, in USD and by 29.26% in RON, since the beginning of the year.

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 2021, as follows:

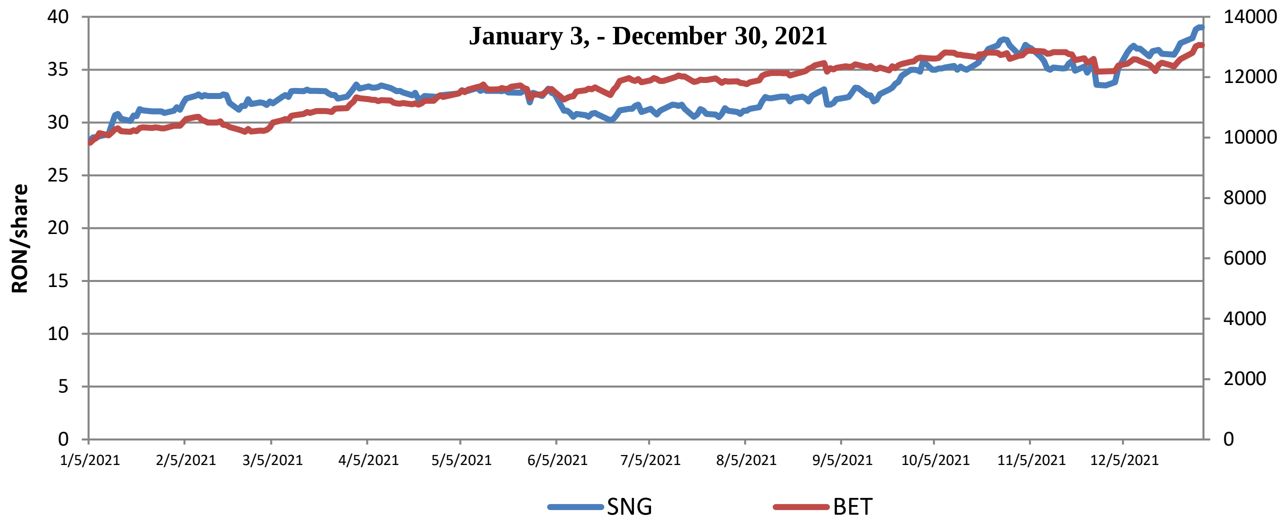
- Third place by market capitalization in the top of Premium BVB issuers. With a market capitalization amounting to RON 15,031.47 million, EUR 3,037.82 million respectively, on December 31, 2021, Romgaz is the third largest listed company in Romania, being preceded by OMV Petrom with a capitalization of RON 28,265.41 million (EUR 5,712.37 million) and by Banca Transilvania with a capitalization of RON 16,283.59 million (EUR 3,290.87 million);
- Fourth place as regards the total amount of transactions in 2021 in the top of Premium BVB issuers (RON 596.70 million), after Banca Transilvania, OMV Petrom and Fondul Proprietatea;
- Weight of 8.13 % and 7.98% in BET index (top 15 issuers) and BET-XT (top 25 issuers) respectively, 28% in BET-NG index (energy and utilities) and 8.13% in BET-TR index (BET Total Return).

Performance of Romgaz shares compared to BET index between listing and December 31, 2021, is shown below:



---

[9] Publication of the information on the transmission of the binding acquisition offer to Exxon, on March 31, 2021 and approval of the acquisition transaction by Romgaz Extraordinary General Meeting of Shareholders, on December 9, 2021.



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**[10] approved by *Law No. nr.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.

Consequently, the percentage taken into consideration in the distribution of 2021 profit as dividends was 76.48%.

By way of derogation from provisions of Law No. 31/1990 providing that the dividends must be paid no later than six months after the approval of the annual financial statements, the state-owned companies are required, according to the provisions of Government Ordinance nr.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.

According to **Government Emergency Ordinance No. 29/2017**[11]:

- "*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 2019-2021:

Description	2019	2020	2021 Proposal
Dividends	620,530,064	689,906,096	1,464,605,120
Gross dividend per share (RON/share)	1.61*)	1.79**)	3.80***)
Dividend distribution rate (%)	56.95	55.29	76.48
Number of shares	385,422,400	385,422,400	385,422,400

*) *The gross dividend per share of RON 1.61 is composed of the gross dividend per share for financial year 2019 in amount of RON 1.39 per share and the additional gross dividend of RON 0.22 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 per share 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*

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

[11] Government Emergency Ordinance No.29 of March 30, 2017 to amend 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 regies, and to amend Article 1 paragraph (2) and (3) of Government Emergency Ordinance no.109/2001 on corporate governance of public enterprises.

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 of RON 3.80 is composed of the gross dividend per share for the 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 modernisation 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 the company's webpage www.romgaz.ro at "*Investors – Corporate Governance – Reference Documents*".

VI. COMPANY MANAGEMENT

6.1. Board of Directors

The selection and nomination of members in the Board of Directors was accomplished in compliance with the provisions of GEO No.109/2001 on corporate governance of public enterprises, as subsequently amended and supplemented, approved by Law No.111/2016 and with Enforcement Guidelines (GD No. 722/2016)).

Members of the Board of Directors on January 1st, 2021:

Item no.	Last name and first name	Position in the Board	Status*)	Professional Qualification	Institute of Employment
1	Jude Aristotel Marius	president	Non-executive Non-independent	MBA Legal Adviser	SNGN Romgaz SA
2	Marin Marius-Dumitru	member	Non-executive independent	PhD Engineer	MDM Consultancy Deva
3	Stan-Olteanu Manuela-Petronela	member	Non-executive Non-independent	Legal Adviser	General Secretariat of t he Government
4	Balazs Botond	member	Non-executive Non-independent	Legal Adviser	SNGN Romgaz SA
5	Simescu Nicolae Bogdan	member	Non-executive Non-independent	Engineer	SNGN Romgaz SA
6	Ciobanu Romeo Cristian	member	Non-executive Independent	PhD Engineer	Iaşi Technical University
7	Jansen Petrus Antonius Maria	member	Non-executive Independent	Economist	London School of Business and Finance

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

By Resolution No. 10 of **February 12, 2021**, the Board of Directors acknowledges Mr. Aristotel Marius Jude's resignation as Chairman of the Board and appoints Mr. Bogdan Nicolae Simescu to temporarily exercise the powers of the Chairman of the Board of Directors.

In 2021, the Board of Directors underwent several changes. Thus, on **March 11, 2021**, by OGMS Resolution No. 1/2021, the company shareholders appointed the following persons as interim members of the Board:

- Jude Aristotel Marius
- Simescu Nicolae Bogdan
- Stan Olteanu Manuela-Petronela
- Drăgan Dan Dragoş
- Niculescu George Sergiu
- Botond Balazs
- Sorici Gheorghe Silvian

By Resolution No. 19 of March 17, 2021, the Board of Directors appoints Mr. Drăgan Dan Dragoș as Chairman of the Board.

On December 31, 2021 the Board of Directors had the following composition:

Item no.	Last name and first name	Position in the Board	Status*)	Professional Qualification	Institution of Employment
1	Drăgan Dan Dragos	chairman	Non-executive non-independent	economist	Ministerul Energiei
2	Jude Aristotel Marius	member	Executive non-independent	jurist, MBA	SNGN Romgaz SA

Item no.	Last name and first name	Position in the Board	Status*)	Professional Qualification	Institution of Employment
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	Balazs Botond	membru	Non-executive non-independent	Legal Adviser	SNGN Romgaz SA
6	Niculescu Sergiu George	member	Non-executive non-independent	Legal Adviser	Ministry of Energy
7	Sorici Gheorghe Silvian	member	Non-executive independent	Economist	SC Sobis Solution SRL

*) - *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 current Board members are to be found on the company's webpage www.romgaz.ro at "*Investors – Corporate Governance – Board of Directors*".

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, 2021, 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	Niculescu George Sergiu	1,500	0.00038918
3	Simescu Nicolae Bogdan	30	0.00000778
4	Balasz Botond	11	0.00000285

6.2. Executive management

Chief Executive Officer (CEO)

SNGN Romgaz SA Board of Directors revoked by Resolution No.1/January 13, 2021 Mr. ***Constantin Adrian Volintiru*** from the position as Chief Executive Officer, terminating his contract of mandate concluded with the company. Until the appointment of a new chief executive officer, Mr. Daniel Corneliu Pena – Deputy Chief Executive Officer (with mandate), temporary exercised the company's management including legal representation.

By Resolution No. 11 of February 12, 2021, the Board of Directors gathered on February 12, 2021, appointed ***Mr. Aristotel Marius Jude*** as SNGN Romgaz SA CEO for a 2 months interim mandate starting with February 13, 2021.

By Resolution No. 29 of April 7, 2021, the Board of Directors approved the extension of Mr. Aristotel Marius Jude's CEO mandate, for a 4 months period starting with April 13, 2021.

By Resolution No. 47 of June 30, 2021, the Board of Directors appointed Mr. Aristotel Marius Jude as CEO of Romgaz for an interim mandate of 4 months starting with August 14, 2021.

By Resolution No. 67 of November 2, 2021, the Board of Directors appointed Mr. Aristotel Marius Jude as CEO of Romgaz for a mandate of 4 months, starting with December 15, 2021 until April 15, 2022.

Deputy Chief Executive Officer

By Resolution No.32 of August 26, 2020, the Board of Directors appointed Mr. ***Daniel Corneliu Pena*** as Deputy Chief Executive Officer for 2 months (with an interim mandate) as of August 28, 2020.

By Resolution No. 41 of October 14, 2020, the Board of Directors approved the extension by 120 days of the interim mandate of ***Mr. Daniel Corneliu*** Pena, SNGN Romgaz SA Deputy Chief Executive Officer, namely until February 24, 2021.

On February 15, 2021, the Board of Directors took note of Mr. Daniel Corneliu Pena's resignation from the position as Deputy CEO (with mandate) and agreed to terminate his mandate.

Chief Financial Officer (CFO)

By Resolution No. 50 of December 9, 2020, the Board of Directors appointed Mr. ***Razvan Popescu*** as interim Chief Financial Officer for a period of 4 months as of December 14, 2020.

By Resolution No. 30 of April 7, 2021, the Board of Directors appointed Mr. Razvan Popescu as Chief Financial Officer for a period of 4 months as of April 14, 2021.

By Resolution No. 48 of June 30, 2021 the Board of Directors appointed Mr. Razvan Popescu as Chief Financial Officer for a 4 months interim mandate as of August 15, 2021.

By Resolution No. 68 of November 2, 2021, the Board of Directors appointed Mr. Răzvan Popescu, as Chief Financial Officer for 4 months, starting with December 16, 2021, until April 16, 2022.

Other persons holding management positions without being delegated management powers by the Board of Directors:

Last name and first name	Position
ROMGAZ - headquarters	
Tataru Argentina	Exploration-Production Department Director
Grecu Marius Rareş	Human Resources Director
Foidaș Ion	Production Department Director
Sandu Mircea Valentin	Drilling Department Director
Sasu Rodica	Exploration-Production Support Department Director
Bîrsan Mircea Lucian	Technical Department Director
Pinca Gheorghe Ovidiu	Exploration-Appraisal Department Director
Veza Marius Leonte	Accounting Department Director
Bobar Andrei	Financial Department Director
Boiarciuc Adrian	Information Technology Department Director
Lupă Leonard Ionuţ	Procurement Department Director
Chertes Viorel Claudiu	Regulations Department Director
Moldovan Radu Costică	Energy Trading Department Director
Ioo Endre	Legal Department Director
Mareș Adrian Alexandru	Strategy, International Relations, European Funds Director
Antal Francisc	Quality, Environment, Emergency Situations and Infrastructure Department
Achimeț Teodora Magdalena	Economic Director – Mediaș Branch
Boșca Mihaela	Economic Director – Târgu-Mureș Branch
Bordeu Viorica	Economic Director – SIRCOSS Branch
Obreja Dan Nicolae	Economic Director – STTM Târgu-Mureș Branch
Hăţăgan Olimpiu Sorin	Economic Director – SPEE Iernut Branch
Mediaş Branch	
Totan Constantin Ioan	Branch Director
Veress Tudoran Ladislau Adrian	Production Director
Man Ioan Mihai	Technical Director
Târgu Mureş Branch	
Roiban Claudiu	Branch Director
Graţian Rusu	Production Director
Ştefan Ioan	Technical Director
Iernut Branch	
Balazs Bela Atila	Branch Director
Oprea Maria Aurica	Commercial Director
Bircea Angela	Technical Director
SIRCOSS Branch	
Rotar Dumitru Gheorghe	Branch Director
Gheorghiu Sorin	Technical Director
STTM Branch	
Lucaci Emil	Branch Director
Cioban Cristian Augustin	Technical Director
Drobeta Turnu – Severin Branch	
Săceanu Constantin	Branch Director

The members of the executive management, except for the mandated managers (Chief Executive Officer, Deputy Chief Executive Officer and the 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 management and operating personnel.

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.

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

Table below shows the number of ***company shares held by the members of the executive management*** on December 31, 2021:

Item no.	Last name and first name	Number of shares held	Weight in the share capital (%)
0	1	2	3
1	Ştefan Ioan	2,945	0.00076410
2	Dincă Ispasian Ioan	2,095	0.00054356
3	Obreja Dan Nicolae	1,200	0.00031135
4	Andrea Nicolae	200	0.00005189
5	Balasz Bela Atila	38	0.00000986

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 arising out of the application of Decision No.26/2016 of the Court of Accounts – Sibiu Chamber of Accounts, having as scope the recovery of the amounts paid as regular overtime pay to persons holding management positions and litigations on Labour Law No. 235/102/2020 and 2751/85/2019[(*)] (see "Litigations" posted on Romgaz website at www.romgaz.ro → Investors → Annual Reports → 2021.

VII. CONSOLIDATED FINANCIAL-ACCOUNTING INFORMATION

7.1. Statement of Consolidated Financial Position

The consolidated financial statements of the Group have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union 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, 2019, December 31, 2020 and December 31, 2021:

Indicator	31.12.2019 (thousand RON)	31.12.2020 (thousand RON)	31.12.2021 (thousand RON)	Variance (2021/2020)
0	1	2	3	4=(3-2)/2*100
ASSETS				
Non current assets				
Property, plant and equipment	5,543,177	5,613,122	5,240,697	-6.63%
Other intangible assets	9,164	14,774	16,133	9.20%
Investments in associates	24,772	26,102	26,187	0.33%
Deferred tax assets	230,947	275,328	269,645	-2.06%
Other financial assets	5,388	5,378	5,616	4.43%
Right of use asset	8,590	7,915	7,128	-9.94%
Total non-current assets	5,822,038	5,942,619	5,565,406	-6.35%
Current assets				
Inventories	311,013	244,563	305,241	24.81%
Trade and other receivables	638,158	592,875	1,352,345	128.10%
Contract costs	312	651	483	-25.81%
Other financial assets	1,075,224	1,995,523	417,923	-79.06%
Other assets	42,485	68,023	67,962	-0.09%
Current tax receivable	-	-	3,201	n/a
Cash and cash equivalents	363,943	416,913	3,580,412	758.79%
Total current assets	2,431,135	3,318,548	*5,727,567*	*72.59%*
TOTAL ASSETS	8,253,173	9,261,167	*11,292,973*	*21.94%*
EQUITY AND LIABILITIES				
Equity				
Issued capital	385,422	385,422	385,422	0.00%
Reserves	1,587,409	2,251,909	2,998,975	33.17%
Retained earnings	5,201,222	5,149,919	5,596,756	8.68%
TOTAL EQUITY	7,174,053	7,787,250	8,981,153	*15.33%*
Non current liabilities				
Retirement benefit obligation	114,876	128,690	156,420	21.55%
Provisions	366,393	538,931	412,846	-23.40%
Deferred income	21,244	136,308	230,438	69.06%
Lease liability	8,285	7,845	7,211	-8.08%

Indicator	31.12.2019 (thousand RON)	31.12.2020 (thousand RON)	31.12.2021 (thousand RON)	Variance (2021/2020)
0	1	2	3	4=(3-2)/2*100
Total non-current liabilities	510,798	811,774	*806,915*	*-0.60%*
Current liabilities				
Trade payables and other liabilities	109,910	89,132	71,317	-19.99%
Contract liabilities	42,705	81,318	204,384	151.34%
Current tax liabilities	64,342	59,831	52,299	-12.59%
Deferred income	3,729	10,899	49	-99.55%
Provisions	82,701	156,415	237,144	51.61%
Lease liability	694	767	810	5.61%
Other liabilities	264,241	263,781	938,902	255.94%
Total current liabilities	568,322	662,143	*1,504,905*	*127.28%*
TOTAL LIABILITIES	1,079,120	1,473,917	*2,311,820*	*56.85%*
TOTAL EQUITY AND LIABILITIES	8,253,173	9,261,167	*11,292,973*	*21.94%*

NON-CURRENT ASSETS

The total of non-current assets decreased by 6.35% by the end of 2021 compared to the end of 2020, namely by RON 377.2 million. The decrease was caused by amortization and depreciation expenses and impairments of abandoned projects higher than 2021 investments and the decrease of decommissioning assets recorded as a result of reducing the well decommissioning provision.

In 2021, the Group invested a total of RON 458.17 million, representing 34.13% of the investment budget.

CURRENT ASSETS

Current assets increased by RON 2,409.02 million on December 31, 2021, due to the increase of cash, cash equivalents and other financial assets by RON 1,585.9 million; this increase is due to a lower level of investments compared to the previous year. The Group intends to use this surplus for the investment activities provided in the strategy approved by the shareholders.

Inventories

Inventories increased at the end of 2021 as compared to December 31, 2020 by 24.81%.

During 2021, Romgaz injected 487.9 million cm in UGSs while it extracted 422.2 million cm.

Trade and other receivables

Trade receivables increased in 2021 as compared to December 31, 2020 by 128.1% as a result of the increase of gas prices on the open market. Moreover, the Group recorded a net decrease of trade receivables impairment of RON 349.99 million following receipt of outstanding amounts in 2021 and 2022 (event following 2021).

NON-CURRENT LIABILITIES

At the end of 2021, non-current liabilities decreased by 0.60% as compared to December 31, 2020.

In 2021, an additional amount of 94.1 million was received from the National Investment Plan for financing the "Combined cycle gas turbine"- Iernut project (the amount is recorded under "Deferred income"). Also in 2021, the Romanian Government decided to extend the investment completion deadline until June 30, 2022, the reimbursement deadline from the National Investment Plan being extended to December 31, 2022.

Decrease of the decommissioning provision (including the short term part) by 21.98% on December 31, 2021 as compared to December 31, 2020 was caused by the increase of the discount rate used in the calculation of this provision and the decrease of estimated well decommissioning costs.

CURRENT LIABILITIES

Current liabilities increased by RON 842.76 million, from RON 662.14 million recorded on December 31, 2020, to RON 1,504.91 million at the end of 2021.

Trade payables and other liabilities

Trade payables decreased by 19.99% compared to December 31, 2020 due to lower payables to providers of investments (RON -15.69 million) due to a lower level of investments in 2021.

Contract liabilities

These liabilities represent advances received from customers on December 31, 2021 for 2022 deliveries. The increase is due to the increase in the gas sale price as compared to the previous year.

Other liabilities

Other liabilities recorded a significant increase of 255.94% as compared to December 31, 2020. Most of these liabilities are represented by the petroleum royalty owed in Q4 and the windfall tax for deliveries made in December.

Provisions

On December 31, 2021, short term provisions recorded an increase of 51.61% as compared to December 31, 2020. This increase is mainly due to the provision for greenhouse gas emission certificates (RON 154.9 million on December 31, 2021, the equivalent of 377,905 certificates, compared to RON 81.2 million on December 2020, the equivalent of 525,067 certificates).

The Group ***did not issue bonds or other debt instruments*** in financial year 2021.

7.2. Statement of Consolidated Comprehensive Income

The Group profit and loss account summary for the period January 1 – December 31, 2021, as compared to the similar period of the years 2019 and 2020, is shown below:

Indicator	Year 2019 (thousand RON)	Year 2020 (thousand RON)	Year 2021 (thousand RON)	Variance (2021/2020)
0	1	2	3	4=(3-2)/2*100
Revenue	5,080,482	4,074,893	5,852,926	43.63%
Cost of commodities sold	(107,800)	(18,617)	(281,589)	1,412.54%
Investment income	38,124	47,845	58,403	22.07%
Other gains and losses	7,519	(6,534)	23,388	n/a
Net impairment gains/(losses) on trade receivables	(81,221)	17,551	349,989	1,894.13%
Changes in inventories	80,008	(16,151)	74,787	n/a
Raw materials and consumables used	(76,048)	(58,282)	(81,146)	39.23%
Depreciation, amortization and net impairment expenses	(1,451,766)	(672,063)	(685,772)	2.04%
Employee benefit expense	(670,408)	(767,251)	(766,639)	-0.08%
Finance costs	(24,740)	(17,000)	(16,739)	-1.54%
Exploration expense	(1,636)	(26,509)	(1,197)	-95.48%
Share of associates' result	1,474	1,330	85	-93.61%
Other expenses	(1,551,642)	(1,158,143)	(2,539,086)	119.24%
Other income	32,834	25,439	169,841	567.64%
Profit before tax	1,275,180	1,426,508	2,157,251	51.23%
Income tax expense	(185,557)	(178,604)	(242,264)	35.64%
Profit for the period	1,089,623	1,247,904	1,914,987	53.46%

Revenue

In 2021, Romgaz recorded consolidated revenues of RON 5.9 billion, as compared to RON 4.1 billion achieved in 2020.

The increase resides in a 52.41% increase of revenue from sales of gas produced by Romgaz and of gas purchased for resale, as well as a 69.9% increase of revenue from sales of electricity. On the other hand, consolidated revenue from storage services decreased by 30.64%.

Please note that consolidated revenues from storage include revenue from services invoiced by Romgaz for gas sold from storages; non-consolidated revenues from storages are 6.14% down compared to 2020.

In terms of volumes, compared to 2020, in 2021 the Group:

- Sold 12.7% more gas (including gas purchased for resale);

- Provided 16.1% higher gas withdrawal services and 63.4% higher gas injection services;
- Produced 31.7% less electricity.

Cost of Commodities Sold

In 2021, cost of commodities sold increased by 1,412.5% (+RON 263.0 million) as compared to the previous year, due to the increase of gas quantities purchased on the domestic market for resale. Revenues from sale of such gas increased by 2,024.9% (+RON 314.8 million) during this period.

Other Gains and Losses

Other net gains of RON 23.4 million include the income recorded following a final settlement in favour of Romgaz in a litigation against ANAF for cancelling a report issued further to a fiscal investigation performed in December 2016 - April 2017. Following this investigation, the Company paid RON 28.98 million representing additional taxes and penalties that are going to be recovered. The decision of the court has not been communicated by the date of this report so that the Company could not take the necessary steps to recover the amounts.

Net Gains from Impairment of Trade Receivables

The Group calculates impairment of 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 2021, the Group recorded a net gain from impairment of receivables of RON 349.99 million, following collection of old debts from clients undergoing insolvency procedures.

Changes in Inventories

During 2021 the gas quantity injected by Romgaz in storages was higher by 15.6% than the quantity withdrawn from storages, thus generating positive changes in inventories. The quantity of gas injected in storages by the Company in 2021 as compared to 2020 increased by 116%, while the withdrawn quantity increased by 14.8%.

Raw Materials and Consumables Used

Increase of expenses with raw materials and consumables is mainly due to a 72.71% higher technological consumption for the reviewed period of 2021 as compared to 2020 and due to the increase of expenses with spare parts used for current repairs.

Depreciation, amortization and net impairment

The depreciation, amortization and net impairment expenses increased by 2.04% due to the increase by 3.4% of depreciation and amortization expenses and a decrease of 0.76% of net losses from fixed assets impairment.

Due to existing market conditions, the Group considered necessary to update the impairment test for assets used in natural gas production activity. Considering that the increase of sale prices generated a significant increase in petroleum royalty costs and windfall tax costs, the test did not result in the cancellation of previously set up impairments. In 2021, the Group recorded impairment only for specific assets as a result of abandoning wells that proved to be dry holes or as a result of deciding to stop operation in certain gas fields.

Exploration expenses

Exploration expenses recorded in 2021 of RON 1.2 million decreased by 95.48% compared to the previous year, performing significantly fewer surveys than in the previous period (-RON 24.5 million).

Government Decision No. 1011 of September 22, 2021, approved the 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

In 2021, other expenses increased by 119.24% as compared to 2020. The increase of RON 1.4 billion is mainly due to higher windfall tax and royalties. Royalty expenses increased by RON 552.54 million (+280.65%) compared to previous year, and windfall tax increased by RON 843.1 million (+203.17%) in 2021 compared to 2020.

Other income

Other income increased by 567.64% in the year ended December 31, 2021 as compared to the same period of 2020 following execution of the performance guarantee (RON 114.7 million) after terminating the works contract for development of CTE Iernut by building a 430 MW combined cycle gas-turbine power plant, concluded between S.N.G.N. Romgaz S,A. and the Consortium consisting of Duro Felguera S.A. and Romelectro S.A.

7.3. Statement of Consolidated Cash Flows

Statements of cash flows recorded in the period 2019 – 2021 are shown in the table below:

RON thousand

INDICATOR	2019	2020	2021
Cash flow from operating activities			
Net profit for the year	1,089,623	1,247,904	1,914,987
Ajustments for:			
Income tax expense	185,557	178,604	242,264
Share from associates' result	(1,474)	(1,330)	(85)
Interest expense	543	593	557
Unwinding of decommissioning provision	24,197	16,407	16,182
Interest revenue	(38,124)	(47,845)	(58,403)
(Gane)/loss on disposal of non-current assets	(2,542)	7	(321)
Cahnge in decommissioning provision recognized in profit or loss, other than unwinding	(51,760)	24,273	(20,750)
Change in other provisions	(5,402)	66,467	68,578
Net impairment of exploration assets	231,278	97,695	37,046
Exploration projects written-off	123	836	33
Net impairment of non-current assets	699,531	125,997	184,943
Depreciation and amortization	520,957	448,371	463,783
Amortization of contract costs	651	795	1,626
(Gains)/(losses) on financial investments evaluated at fair value through profit or loss	4,424	10	10
Net(losses)/gains from trade receivables and other receivables	67,297	(19,700)	(378,352)
Other gains and losses	(52)	-	-
Net impairment of inventories	5,125	8,427	5,014
Income from liabilities written off	(89)	(368)	(810)
Income from subsidies	(81)	(7)	(9)
Cash generated from operations before movement in working capital	2,729,782	2,147,136	2,476,293
Movements of working capital			
(Increase)/decrease in inventories	(38,428)	58,516	(64,913)
(Increase)/decrease in trade and other receivables	116,143	38,311	(400,838)
Increase/(decrease) in trade and other liabilities	(78,115)	17,600	790,347
Cash generated from operational activities	2,729,382	2,261,563	2,800,889
Interest paid	-	(3)	(3)
Income tax paid	(297,059)	(224,796)	(233,084)
Net cash generated by operating activities	2,432,323	2,036,764	2,567,802
Cash flows from investing activities			
Investments in other entities	-	-	(250)
Bank deposits set up and acquisition of state bonds	(2,591,658)	(2,964,757)	(3,896,521)
Bank deposits and state bonds matured	2,387,686	2,060,925	5,463,332
Interest received	43,470	38,601	58,340
Proceeds from sale of non-current assets	1,305	1,733	513
Proceeds from disposal of other investments	-	-	2
Acquisition of non-current assets	(694,349)	(547,215)	(340,695)
Acquisition of exploration assets	(173,563)	(66,516)	(91,865)
Net cash used in investment activities	(1,027,109)	(1,477,229)	1,192,856
Cash flows from financing activities			
Dividends paid	(1,607,246)	(620,346)	(690,027)
Subsidies received	-	115,027	94,148
Repayment of lease liability	(861)	(1,196)	(1,280)
Subsidies reimbursed	-	(50)	-
Net cash used in financing activities	(1,608,107)	(506,565)	(597,159)
Net increase/(decrease) in net cash and cash equivalents	(202,893)	52,970	3,163,499
Net cash and cash equivalents at the begining of the year	566,836	363,943	416,913
Cash and cash equivalents at the end of the year	363,943	416,913	3,580,412

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 – Reference Documents*";
- Board of Directors approval and update of the Internal Rules of the advisory committees during the meetings held on March 24, 2016 (for all committees) and March 23, 2017 (update of the Internal Rules of the Strategy Committee) and May 14, 2018 (update of the Internal Rules of the Audit Committee). The Internal Rules of the Nomination and Remuneration Committee was updated to include the latest legal amendments on corporate governance (Law No. 111/2016 and GD No. 722/2016) and approved by the Board of Directors on August 28, 2018;
- 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 27, 2021 meeting;
- 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 March 20, 2019;
- 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 referring, among others, to : 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;
- Continuation of the necessary steps for the implementation of 2016-2020 National Anti-corruption Strategy in 2021. 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 2021.

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;
- Conclusion of professional liability insurance contracts for members of the Board and managers and appointment of a person to monitor these contracts;
- Commencement of necessary 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 make an opinion on 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, 2021 is presented in Chapter VI "*Company management*". According to the statements of independency sent to the company, three board members declared to be independent and four 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, 2021, the Board of Directors did not make a self- assessment for 2021.

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[12] 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

[12] 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

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, 2021, the advisory committees' structure was the following:

I) Nomination and Remuneration Committee:

- Sorici Gheorghe Silivan (chairman)
- Drăgan Dan Dragoş
- Jude Aristotel Marius

II) Audit Committee

- Sorici Gheorghe Silivan (chairman)
- Simescu Nicolae Bogdan
- Stan-Olteanu Manuela-Petronela

III) Strategy Committee

- Balazs Botond (chairman)
- Drăgan Dan Dragoş
- Jude Aristotel Marius
- Niculescu George Sergiu
- Simescu Nicolae Bogdan.

Information regarding the Board of Directors' meetings and the Advisory Committees meetings held in 2021

The Board of Directors held in 2021 a number of 36 meetings, in compliance with the legal and statutory provisions, out of which:

- 26 meetings with physical attendance of board members and
- 10 electronic vote meetings.

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	36	36	100.0				
Jude Aristotel Marius	36	36	100.0				
Marin Marius Dumitru	6	6	100.0				
Ciobanu Romeo Cristian	6	6	100.0				
Jansen Petrus Antonius Maria	6	5	83.33			1	16.67
Balazs Botond	36	36	100.0				
Simescu Nicolae Bogdan	36	36	100.0				
Drăgan Dan Dragoş	30	30	100.0				
Sorici Gheorghe Silivan	30	25	83.33			5	16.67
Niculescu George	30	25	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	4/4
Balazs Botond	4/4
Jansen Petrus Antonius Maria	3/4
Jude Aristotel Marius	10/10
Drăgan Dan Dragoș	6/6
Sorici Gheorghe Silvian	6/6
Marin Marius Dumitru	1/4

Audit Committee: **12** meetings

Last name and first name	Physical attendance
Jansen Petrus Antonius Maria	5/5
Marin Marius Dumitru	5/5
Jude Aristotel Marius	4/5
Balazs Botond	5/5
Sorici Gheorghe Silvian	7/7
Stan Manuela Petronela	7/7
Ciobanu Romeo Cristian	4/5
Simescu Nicolae Bogdan	7/7

Strategy Committee: **4** meetings

Last name and first name	Physical attendance
Jansen Petrus Antonius Maria	1/1
Jude Aristotel Marius	4/4
Ciobanu Romeo Cristian	1/1
Balazs Botond	4/4
Niculescu George Sergiu	2/3
Drăgan Dan Dragoș	2/3
Simescu Bogdan Nicolae	4/4

Chief Executive Officer

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

The Board of Directors decided by Resolution No. 45 of October 1, 2018 to appoint Mr. Volintiru Adrian Constantin as Chief Executive Officer for a four year mandate.

By Resolution No. 1 of January 13, 2021, the Board of Directors revoked as of January 13, 2021, Mr. Constantin Adrian Volintiru as Chief Executive Officer of Romgaz, company management including legal representation being assigned to the Deputy Chief Executive Officer until appointment of a new CEO no later than February 13, 2021.

The Board of Directors appointed Mr. Aristotel Marius Jude as SNGN Romgaz SA CEO for a 2 months temporary mandate starting from February 13, 2021.

By Resolution No. 29 of April 7, 2021, the Board of Directors approved the extension of Mr. Aristotel Marius Jude CEO mandate, for a 4 months period starting with April 13, 2021.

By Resolution No. 47 of June 30, 2021, the Board of Directors appointed Mr. Aristotel Marius Jude as CEO of Romgaz for a mandate of 4 months starting with August 14, 2021.

By Resolution No. 67 of November 2, 2021, the Board of Directors appointed Mr. Aristotel Marius Jude as CEO of Romgaz for a mandate of 4 months, starting with December 15, 2021 until April 15, 2022

The powers of the CEO were established by Board of Directors Resolution No. 47 of June 30, 2021 amended by Resolution No. 54 of August 12, 2021.

Thus, the powers delegated to the interim CEO are as follows:

a) Approves the employment, promotion and dismissal of employees;

b) Approves work duties and tasks of employees;

c) Approves employees' awards and sanctions;

d) Approves material operations (technical, economical, commercial etc. actions or processes) that are necessary and useful to fulfil the business scope of the company;

e) Approves operations having as object conclusion/issuance of legal documents:

- Up to an amount of RON 400 million, concluded on centralized markets (stock exchange) or subject to sector specific procurement law;
- Up to an amount of RON 400 million, concluded outside centralized markets (stock exchange) or outside the scope of sector specific procurement law;

f) Approves sponsorship and patronage contracts;

g) Approves the Rules of Organization and Operation;

h) Change and appointment of managers (with individual employment contract);

i) Any other duty except those not assigned pursuant to the above mentioned BoD Resolution;

j) Fulfilment of any ancillary duties, material acts and operations necessary and useful to perform the duties under a) – i).

The Board of Directors established duties that are not delegated to the interim CEO such as:

a) Approves Romgaz organizational chart;

b) Approves operations the scope of which is to conclude/issue 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.

Deputy Chief Executive Officer

By Resolution No. 32/ August 26, 2020, The Board of Directors appointed Mr. Pena Daniel Corneliu as Deputy Chief Executive Officer with an interim mandate of two months, from August 28 until October 26, 2020. By Resolution no. 41, October 14, 2020, the Board of Directors approved the extension by 120 days of the interim mandate, namely until February 24, 2021. On February 15, 2021, the Board of Directors took note of Mr. Daniel Corneliu Pena's resignation as Deputy Chief Executive Officer (with mandate) and agreed on the termination of his mandate as of February 15, 2021.

Prin Hotărârea nr.32 din 26 august 2020, Consiliul de Administrație deleagă Directorului General Adjunct următoarele atribuții:

By Resolution No. 32/ August 26, 2020, the Board of Directors delegated to the deputy chief executive officer the following duties:

a) Endorses legal acts on behalf, in the interest and on the account of the Company, in compliance with the Articles of Incorporation, Board of Directors' Resolutions, General Meeting of Shareholders' Resolutions, company's scope of activity and objectives.

b) Monitors implementation of the accounting and financial control policies and endorses the financial statements and financial planning reports;

c) Endorses the Company's' organizational and functional chart and any amendments to it as well as the other internal documents which regulate the Company's' activity at employees level;

d) Negotiates together with the Chief Executive Officer the Collective Labour Agreement;

e) Endorses the personnel's competencies, attributions, duties and responsibilities on departments, except for executive board members and managers that signed a contract of mandate;

f) Endorses the documents required and useful for personnel selection, hiring, awarding, sanctioning and dismissal, as the case may be, in order to ensure an optimal performance of the activity, in compliance with the provisions of labour legislation and collective labour agreement;

g) Endorses the appointment, suspension and/or dismissal of the units' managers and executive managers hired by the company;

h) Endorses the Rules of Organization and Operation, the organizational structure;

i) prospects, together with the Chief Executive Officer, business opportunities with partners inside and outside the country in the interest of the Company;

j) Ensures efficiency of the internal control system and the management system in compliance with legal provisions and applicable corporate rules;

k) ensures and promotes the company's image;

l) any other duties delegated by the Board of Directors, except those which may not be delegated by the Board of Directors, in accordance with the law and the Articles of Incorporation.

Chief Financial Officer

By Resolution No. 50 of December 9, 2020, the Board of Directors appointed Mr. ***Razvan Popescu*** as interim Chief Financial Officer for a period of 4 months as of December 14, 2020.

By Resolution No. 30 of April 7, 2021, the Board of Directors appointed Mr. Razvan Popescu as Chief Financial Officer for a period of 4 months as of April 14, 2021.

By Resolution No. 48 of June 30, 2021 the Board of Directors appointed Mr. Razvan Popescu as Chief Financial Officer for a 4 month interim mandate as of August 15, 2021.

By Resolution No. 68 of November 2, 2021, the Board of Directors appointed Mr. Răzvan Popescu, as Chief Financial Officer for a 4 month mandate, starting with December 16, 2021, until April 16, 2022

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 the manner of achieving the assigned duties, as well as 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;
- Methodological norms, issued under GD No. 1086/2013 on approving the General Norms on exercising the public internal audit;
- Minister of Public Finance Order No. 252/2004, code of ethics of the internal auditor, as subsequently amended and supplemented;
- SNGN Romgaz SA Internal Audit Charter.

Therefore, pursuant to Law No. 672/2002 the public internal audit aims at improving management by means of:

- assurance activities that represent objective examinations of evidence, carried out in order to make an independent assessment of risk management, control and governance processes, and
- advisory activities aimed at adding value and improving governance processes without the public internal auditors taking management responsibilities.

With respect to how the internal public audit is carried out, the types of audit are:

- system audit - represents an in-depth assessment of management and internal control systems in order to determine whether they are economically, effectively and efficiently operating in order to identify deficiencies and to make recommendations for corrective actions and
- performance audit – examines whether the criteria set for implementing the objectives and duties of the public entity are correct in order to evaluate the results and assesses whether the results are consistent with the objectives.

In order to achieve its objectives, the Public Internal Audit Department prepares the draft 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 by takin into account the recommendations made by the Romanian Court of Accounts.

Moreover, it performs public internal audit activities to assess whether the financial management and control systems of the public entity are transparent and consistent with the criteria of legality, regularity, economy, efficiency and effectiveness.

Romgaz sets and permanently and operatively maintains the internal audit function which is carried out independently of other functions and activities.

According to the applicable laws, the Internal Audit Department is directly subordinated to the Chief Executive Officer but also reports to the Board of Directors through the Audit Committee.

The mission, attributions and responsibilities of the internal audit are defined in the Internal Audit Charter approved by the Chief Executive Officer.

The Charter sets the following as a minimum:

- the position of the internal audit within the company;
- the way of accessing company documents in order to properly fulfil audit missions and defines the scope of public internal audit.

The internal audit activity is independent and objective giving the company an assurance on the degree of control over operations and is carried out in compliance with drafted and approved procedures.

In order to observe and to meet the above mentioned conditions and subject to the *2021 Activity Plan of the Public Internal Audit Department,* No. 37253/November 25, 2020, endorsed by the Audit Committee and approved by the Chief Executive Officer, in 2020, the audit activity consisted of 8 assurance audit missions aimed at confirming regularity/conformity of procedures and operations with the regulatory framework, by comparing reality with the established reference system. In 2021, the annual audit plan was updated pursuant to Report No. 24445/July 27, 2021, approved by the CEO.

Therefore, a total of 8 audit missions were performed in 2021:

- 7 planned missions, in accordance with 2021 annual plan, revision 1;
- 1 ad-hoc mission;

The missions were performed in the following fields:

- financial-accounting;
- public procurement;
- human resources;
- entity specific functions;
- internal management control system.

The level of fulfilment of the internal audit plan for 2021 was **88%**, due to one ad-hoc audit mission requested by the Board of Directors and to the postponement of the planned public internal audit mission, *"Organisation of In-House Preventive Financial Control",* approved by the Chief Executive Officer.

The missions analysed the actions with financial effects on the budget, evaluating observance of applicable principles and procedural and methodological rules. The missions evaluated the effectiveness and performance of functional structures in implementing policies, programs and actions, aiming at their continuous improvement.

Table below shows the assurance level for each audit mission carried out in 2021:

Item No.	Audited activity	Global Assessment Result	Mission Type
1.	Assessment of the activity related to provision of social assistance in accordance with applicable regulations		Planned
2.	Assessment of sector specific procurement process within SIRCOSS		Planned
3.	Assessment of the conformity and legality of carrying out the remuneration process		Ad-hoc
4.	Assessment of the corruption prevention system – year 2021		Planned
5.	Assessment of the manner of carrying out the inventory of receivables and liabilities towards third parties		Planned
6.	Assessment of the activity of granting site approvals requested by third parties		Planned
7.	Assessment of the activity of well drilling design within SNGN Romgaz SA		Planned
8.	Assessment of the manner of carrying out pipe maintenance activities within S.N.G.N		Planned

High assurance level
Medium assurance level

Low assurance level

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

As a general note, Romgaz focused on compliance with internal integrity rules and on a continuous self-assessment of the implementation level of internal anti-corruption mechanisms, as described in the 2016 – 2020 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 identifying, analysing and responding to possible company risks through a documented approach which uses material, financial and human resources to achieve the objectives, aiming at reducing exposure to losses.

One major concern of the management is to raise awareness on the objectives of the risk management process and on the necessity to be directly involved in the risk management process, as well as on the alignment to the latest practices in the field by 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;
- O Emergency Ordinance No. 109 of November 2011 on corporate governance of public enterprises;
- Law No. 174/2015 for the approval of Government Emergency Ordinance No. 86/2014 on establishing certain reorganisation measures for the central public administration and for amending and supplementing certain legislative acts. International Standard ISO 31010: 2011: "*Risk Management: Risk Assessment Techniques*";
- Order of the General Secretary of the Government No. 600/2018 for the approval of the Code of Internal Management Control of public entities;
- Order of the General Secretary of the Government No. 201/2016 for the approval of methodological norms concerning coordination, methodological guidance and supervision of the implementation and development status of the internal management control system of public entities;
- 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)3 in risk management, the company systematically reviews risks associated with its objectives and activities, drafts appropriate treatment plans towards limiting the possible consequences of such risks and establishes the responsibilities related to their implementation.

The main benefits of the risk management process are 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 Company's Risk Profile.

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

- *base level,* represented by risk identifiers and by the 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 through the Monitoring Commission that approves the company's risk appetite and risk profile in accordance with the objectives of the company.

General objectives of the risk management activity:

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

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

The financial assets exposing the Group to a potential credit risk comprise 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. The Group has a credit risk concentration related to its biggest clients.

Despite the above-mentioned policies, the Group is compelled by court orders to supply gas to insolvent clients considered "captive" according to insolvency laws. In respect of these clients, the Group estimates losses throughout the entire life of current and outstanding receivables and records corresponding impairment losses.

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 the reserves by continuous monitoring of the forecasts and current cash flows and by connecting the maturity profile of financial assets with those of financial debts.

The risk management system continuously evaluates the ***commercial risks*** faced by the Company. A new vision is about to be implemented in this respect so that the market risks impact, quantitative as well as price risks, to which the Company is naturally exposed in its trading activity, is systematically and continuously assessed and quantified, evaluated and minimized/treated, as the case may be.

The main risks identified are quantitative (volatility of demand/supply ratio on the market) with consequences in underselling or overselling, as well as price risks, inherent on a volatile market, emerging under the aspect of liquidity but also influenced by a multitude of internal factors (regulatory/political) and also external factors related to import sources and weather conditions.

By not adapting to market conditions, sales strategy and tactics, besides offering opportunities, represent a risk which needs to be constantly assessed and mitigated through specific marketing actions in order to optimize sale results.

Currently, one of the main risk factors with direct consequences on the company's commercial outcome is the political and regulatory risk. The Company uses all available instruments in order to minimize/treat this risk through dialogue with competent authorities, in the phase of drafting the regulatory documents as well as afterwards in the phase of enforcement. In recent years, the regulatory framework underwent major changes in order to adopt a European market model of the Network Code. However, the Group is exposed to unfavourable changes of the primary and/or secondary legislative framework. The amendments made to the primary legislation or the ones that are going to be made as well as ANRE secondary regulations may bring major changes to the commercial activity of the company as well as financial exposure caused by the legislative volatility.

External risk factors (the context of the regional and even of the global energy market) may provide supply alternatives for the Romanian market, generating a quantitative commercial risk.

Internal Control

The internal control system operates in a continuously changing control environment that requires the adjustment of control at the level of every activity in relation to the company's interests.

Internal control is a process carried out by personnel at all levels: Board of Directors, executive management, entire personnel.

Romgaz internal management control system is developed and implemented in order to reach the following objectives:

- 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 due to 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[1] Order No. 600/2018.

Below are some of the development/improvement actions of the internal management control system during 2021:

- to raise awareness among employees, the company made available a Guideline on internal rules related to each internal control standard and the actions necessary to be undertaken by every head of organizational unit in order to implement the standards;
- in order to strengthen the knowledge on the regulations concerning the internal management control system, the Internal Management Control Office carried out a methodological guidance action concerning the implementation of internal management control system and NAS [2] between September 09, 2021 and September 30, 2021;
- During April 07, 2021 and July 07, 2021 an internal public audit mission was carried out under the "*Assessment of corruption prevention system – year 2021*" theme. The scope of the audit mission was to verify compliance with the legal framework provided in Annex 3 to the 2016-2020 National Anticorruption Strategy, for each of the following measures: conflict of interest, incompatibilities and pantouflage. Based on the findings of the internal audit report no. 24560 of July 27,.2021, the opinion of the audit team given on each preventive measure included in the scope of the internal public audit mission, is as follows:
    - Conflict of interest – implemented measure;
    - Incompatibilities – partially implemented measure;
    - Pantouflage – implemented measure;
- During 2021 the Internal Management Control Office prepared the Methodology on managing non-conformities and irregularities in accordance with the recommendation - "*Drafting a system methodology on reporting SNGN Romgaz SA non-conformities to define specific terminology and types of non-conformities*", issued following the public internal audit mission on " The Assessment of corruption prevention system year – 2019".
- Analysis and identification of sensitive positions at the level of each organisational unit pursuant to PS-16 Inventory of Sensitive Positions procedure. Risks identified further to the analysis 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.5262/February 12, 2021;
- Drafting and updating the Risk Register at company level.

[1] General Secretariat of the Government.
[2] National Anticorruption Strategy.

As a result of the ample action of self-assessing the status of implementation of the internal management control system for 2021 (relative to the 16 internal management control standards set out in Order No. 600/2018), the system is **compliant**.

Non-achievements:

- the methodological guidance action performed at the beginning of each year by the Internal Management Control Office was carried out online in 2021. The Company tried to comply with all the measures to prevent the spread of COVID-19;
- Lack of professional training courses organized by external lecturers for all employees holding management positions which would have raised awareness on the importance of internal management control, but which could not be organized due to COVID-19 pandemic.

Code of Ethics and Integrity

In order to improve the activity, starting with July 1st, 2020 the upper management appointed a full-time ethics adviser.

Romgaz Code of Conduct, which was first prepared in 2013, underwent many amendments, the latest was in November 2020, resulting in SNGN Romgaz SA Code of Ethics and Integrity - November 2020, approved by the Board of Directors Resolution No. 48/ November 20, 2020.

With this Code of Ethics and Integrity the company complies with the provisions of Standard 1 of Internal Management Control which highlights the importance of knowing and supporting ethical values and integrity.

The Code of Ethics and Integrity contributes to the protection of company integrity and highlights the importance of ethical values both in professional and interpersonal relations within the company and in relations with clients, suppliers, investors, partners, public authorities and the community.

The Code governs the following key aspects: health and safety at work, fight against corruption, avoidance of conflict of interest and incompatibility, protection of company image, efficient use of resources, confidentiality of information, harassment, relationship with authorities/business partners/community, transparency etc.

The Code of Ethics and Integrity was brought to the attention of Romgaz personnel by means of training sessions and, in order to assess the implementation of employees' professional conduct rules, actions will be carried out annually.

In order to monitor compliance of Romgaz's personnel with the rules of conduct, the ethics adviser prepares analyses and half-yearly reports on aspects brought to the attention of the Chief Executive Officer. The reports and analyses are sent for information to the Commission that monitors and coordinates the implementation and development of the internal management control system and to the Audit Committee.

The Code of Ethics and Integrity can be accessed by any interested person at www.romgaz.ro, under "*Investors – Corporate Governance – Reference Documents*".

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 which includes business ethics, customer rights, economic and social equity, environmental friendly technologies, fair treatment of workforce, transparent relationship with public authorities, moral integrity and investments in community.

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

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

In 2021, Romgaz supported, fully or partially, actions and initiatives in the fields stipulated in Government Emergency Ordinance No.2/2015, complying with the budget, as follows:

Expenses/activities	Achieved (RON)
Total of sponsorship expenses, out of which:	**22,839,891**
• Expenses with sponsorships in medical and health fields – Article XIV letter a)	**11,266,731**
• Expenses with sponsorships in education, training, social and sports fields – Article XIV letter b) – total, out of which:	**10,012,360**

○ For sports clubs	**4,235,000**
• Sponsorships for other actions and activities – Article XIV letter c)	**1,560,800**

A detailed description of the projects for each sponsorship category provided in GEO No.2/2015 is included in the 2021 Annual Report on Social Responsibility and Patronage published on www.romgaz.ro at "*Investors - Corporate Governance - Social Responsibility*".

Besides the positive impact on the environment and community, projects supported in 2021 had an important benefit for the company by inspiring the organisational culture and gaining a good reputation of being a responsible employer as well as an involved social partner and a promotor of transparent and open relationships. This is positively reflected in Romgaz image, at national and international level, in relations with investors, government and local authorities as well as in relations with other interested parties.

When supporting/participating in the implementation of projects, actions and social responsibility initiatives, Romgaz took into consideration the provisions of Sponsorship Policy and Sponsorship Guide applicable in 2021, published on the company's website at Corporate Social Responsibility.

(link: https://www.romgaz.ro/sponsorizari).

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

Legal Framework

The remuneration policy and criteria of the 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;
- The 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. 22 of March 23, 2021 and approved by the OGMS by Resolution No. 2 of April 27, 2021;
- Resolution No. 8/ July, 2018 of the Ordinary General Meeting of Shareholders approving the form of the contract signed with the board members elected for a 4 year mandate;
- BoD Resolution No. 45/ October 1, 2018 appointing the Chief Executive Officer for a 4 year term;
- BoD Resolution No. 48 /October 9, 2018 approving CEO's mandate contract;
- BoD Resolution No. 32/August 26, 2020 appointing the interim Deputy Chief Executive Officer for a 2 month mandate as of August 28, 2020 until October 26, 2020;
- BoD Resolution No. 39/ September 30, 2020 approving the contract of mandate concluded with the Deputy Chief Executive Officer.
- BoD Resolution No.41/ October 14, 2020 extending the interim mandate of the Deputy Chief Executive Officer by 120 days, namely until February 24, 2021;
- BoD Resolution No.50/December 9, 2020, appointing the interim Chief Financial Officer for a 4 month mandate as of December 14, 2020;
- BoD Resolution No.53/December 14, 2020, approving the interim Chief Financial Officer's contract of mandate;
- OGMS Resolution No.14/ December 21, 2020 appointing five interim members of the Board of Directors, approving the form and content of the contract of mandate to be concluded with the interim members of the Board for a 4 month mandate and the amount of the gross fixed allowance of such members;
- BoD Resolution No.1/January 13, 2021 terminating the contract of mandate concluded on October 9, 2018 between Romgaz and the Chief Executive Officer;
- BoD Resolution No. 11/February 12, 2021 appointing the Chief Executive Officer for a 2 month mandate and establishing the gross fixed allowance;
- BoD Resolution No.12/February 12, 2021 approving the conclusion of an addendum to the contract of mandate concluded between Romgaz and the Chief Financial Officer;

- BoD Resolution No.13/February 15, 2021 acknowledging Deputy Chief Executive Officer's resignation and approving termination of his mandate as of February 15, 2021;
- BoD Resolution No.18/February 24, 2021 approving the conclusion of Chief Executive Officer's contract of mandate;
- OGMS Resolution No.1/March 11, 2021 approving the form of the mandate contracts of interim members of the Board appointed for 4 months and their gross fixed allowance.
- BoD Resolution No.29/April 7, 2021 extending Chief Executive Officer's mandate for a period of 4 months as of April 13, 2021;
- BoD Resolution No. 30/ April 7, 2021 appointing the Chief Financial Officer for a period of 4 months as of April 14, 2021 and establishing his gross fixed allowance;
- BoD Resolution No. 32/April 13, 2021 approving the addendum to Chief Executive Officer's mandate contract and the mandate contract concluded with the Chief Financial Officer;
- BoD Resolution No. 47/June 30, 2021, appointing Romgaz Chief Executive Officer for an interim mandate of 4 months as of August 14, 2021, approving conclusion of the mandate contract and establishing the monthly gross fixed allowance;
- BoD Resolution No.48/June 30, 2021, appointing Romgaz Chief Financial Officer for an interim mandate of 4 months as of August 15, 2021, approving conclusion of the mandate contract and establishing the monthly gross fixed allowance;
- GMS Resolution No.5/July 9, 2021, approving extension of interim members' mandate for 2 months from the expiry date and approving the form of the addendum to the mandate contract concerning the extension of the term ;
- GMS Resolution No.7/September 9, 2021, appointing the interim members of the Board of Directors for a 4 month term, approving the form of the mandate contract and establishing the monthly gross fixed allowance;
- BoD Resolution No.67/November 2, 2021 appointing Romgaz Chief Executive Officer for a 4 month term as of December 15, 2021, approving conclusion of the mandate contract and the monthly gross fixed allowance;
- BoD Resolution No.68/November 2, 2021 appointing Romgaz Chief Financial Officer for a 4 month term as of December 16, 2021, approving conclusion of the mandate contract and the monthly gross fixed allowance.

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 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. 2/April 27, 2021.

The 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 the 2021 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 2021 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 member of the Board of Directors, namely the Chief Executive Officer

The Interim 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 as well as a mandate contract as Chief Executive Officer. The 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 2021 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 2021 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. Thus, for the Chief Executive Officer the fixed monthly remuneration was six times the average, for the interim Chief Financial Officer the fixed monthly remuneration increased from 4 to 6 times the average and for the interim Deputy Chief Executive Officer the fixed remuneration was set to 5.2 times the average.

The variable remuneration established depending on the fulfilment of the objectives and of the approved financial and non-financial performance indicators will be subject to an addendum to the mandate contract. In 2021, 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 financial year 2021, that will be public on the company's website by the end of June 2022, according to the Order of the Ministry of Public Finance No. 2844/2016[13] (chapter 7, item 42, paragraph (1))

[13] 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 CONTRACTS OF MANDATE

Director Agreement

The General Meeting of Shareholders approved the template and the content of director agreements.

In 2021, board members' mandates were interim mandates with an initial term of four months and a maximum term of six months, following their extension. Two board members make an exception from interim mandates as they exercised in Q1 2021 a four-year mandate, started in 2018 and ended in March 2021 before expiration term.

By Resolution No.8/July 6, 2018 the Ordinary General Meeting of Shareholders appointed following the cumulative vote, the members of the Board of Directors for a four-year mandate.

Following drafting and approval of the Governance Plan, the General Meeting of Shareholders was called to negotiate and approve the financial and non-financial performance indicators to be included in the director agreements by an addendum thereto. By Resolution No.4 /May 15, 2019, the General Meeting of Shareholders *"did not approve the key financial and non-financial performance indicators, resulting from SNGN Romgaz SA Governance Plan prepared for 2018-2022*.

By Resolution no. 14/December 21, 2020, of the Ordinary General Meeting of Shareholders, the shareholders appointed five interim board members, approved the contract of mandate to be concluded with interim board members for a four-month mandate and set the fixed gross allowance.

The Ordinary General Meeting of Shareholders appointed by Resolution No.1 of March 11, 2021, by cumulative vote, interim board members for a four-month mandate, approved the contract of mandate and set the fixed gross allowance.

GMS Resolution No.5 of July 9, 2021 approved to extend the interim board members mandate by two months from the expiration date, approved the addendum to the contract of mandate related to the term extension.

By Resolution No7 of September 9, 2021, company shareholders appointed interim board members for four months, set the monthly fixed gross allowance and the contract of mandate.

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

Contract of Mandate

The Board of Directors approved the template and the content of the contract of mandate for the Chief Executive Officer, Deputy Chief Executive Officer and for the Chief Financial Officer.

The mandates of Romgaz managers were interim ones with a term of minimum two months and maximum four months. Exception thereof, was the mandate held by Mr. Constantin Adrian Volintiru, Chief Executive Officer, appointed in 2018 for a four-year mandate, whose contract of mandate terminated before its expiration, in January 2021.

Chief Executive Officer

The Board of Directors appointed under Resolution No. 45 of October 1, 2018 Mr. Constantin Adrian Volintiru as Chief Executive Officer for a four-year mandate and approved by Resolution No.48 of October 9, 2018 his contract of mandate.

The Board of Directors revoked by Resolution No.1 of January 13, 2021 Mr. Constantin Adrian Volintiru from the position of Chief Executive Officer, terminating the contract of mandate concluded between the company and Mr. Volintiru.

As of February 13, 2021, Mr. Aristotel Marius Jude was appointed Chief Executive Officer. The Board of Directors approved his appointment and the contract of mandate by successive resolutions, as follows:

- Resolution No. 11 of February 12, 2021: appointment for a two month period, as of February 13, 2021;
- Resolution No.18 of February 24, 2021: conclusion of the contract of mandate;
- Resolution No.29 of April 7, 2021: extended the interim mandate by four months, as of April 13, 2021;
- Resolution No.47 of June 30, 2021: appointment for an interim mandate of four months as of August 14, 2021 and conclusion of the contract of mandate
- Resolution No.67 of November 2, 2021: appointment for four months as of December 15, 2021 and conclusion of the contract of mandate.

Deputy Chief Executive Officer

By Resolution no. 32/August 26, 2020, the Board of Directors appointed Mr. Daniel Corneliu Pena as Deputy Chief Executive Officer for an interim mandate of two months, from August 28, 2020 and by Resolution No.39 of September 30, 2020, the Board approved his contract of mandate.

By Resolution No. 41/October 14, 2020, the Board of Directors extended the interim mandate as Deputy Chief Executive Officer by 120 days, until February 24, 2021 and conclusion of an addendum to the contract of mandate.

The Board of Directors takes note on February 15, 2021 of Mr. Daniel Corneliu Pena resignation as Deputy Chief Executive Officer and agreed with the termination of his mandate as Deputy Chief Executive Officer as of February 15, 2021.

Chief Financial Officer

The Board of Directors appointed on December 14, 2020, Mr. Razvan Popescu as Chief Financial Officer and approved the contract of mandate. The Board of Directors approved his appointment and the contract of mandate by successive resolutions, as follows:

- Resolution No. 50 of December 9, 2020: appointment for an interim four-month mandate, as of December 14, 2020;
- Resolution No.53 of December 14, 2020: conclusion of the contract of mandate;
- Resolution No.12 of February 12, 2021: conclusion of an addendum to the contract of mandate;
- Resolution No.30 of April 7, 2021: appointment for a new four-month mandate, as of April 14, 2021;
- Resolution No.32 of April 13, 2021: conclusion of the contract of mandate;
- Resolution No.48 of June 30, 2021: appointment for a four-month interim mandate, as of August 15, 2021 and conclusion of the contract of mandate;
- Resolution No.68 of November 2, 2021: appointment for a four-month mandate as of December 16, 2021 and conclusion of a contract of mandate.

The contracts of mandate concluded with the Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Financial Officer, respectively, do not provide for performance indicators and criteria. These will be negotiated by an addendum to the contract of mandate, following the General Meeting of Shareholders approval of financial and non-financial key performance indicators.

Signatures:

Chairman of the Board of Directors,	
DRĂGAN DAN DRAGOŞ	
....	
Chief Executive Officer,	**Chief Financial Officer,**
JUDE ARISTOTEL MARIUS	**POPESCU RĂZVAN**
....	....

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 that include the terms of reference / the responsibilities of the Board and the company's key management positions, and that apply, among others, the General Principles in section A.	x		
A.2	The BoD Regulations should 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 members of the BoD should be non-executive; not less than two non-executive members of the BoD should be independent. Each independent member of the BoD shall submit a statement at the time of his/her nomination for election or re-election, as well as whenever a change in his/her status occurs, indicating the elements on which it is deemed independent in terms of its character and his judgment.		x partially	One member of the Board is a non-executive independent Director
A.5	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and non-profit organizations, should be disclosed to shareholders and to potential investors prior to his/her nomination and during his/her mandate.	x		
A.6	Any member of the BoD should 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 should appoint a Board secretary responsible for supporting the work of the BoD	x		

BVB CGC Provisions		Compliance	Noncompliance/ Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
A.8	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the Chairman or the nomination committee and, if so, summarize key action points and changes resulting from it. The company should have a policy/ guidelines regarding the evaluation of the BoD containing the purpose, criteria and frequency of the evaluation process.	x		In 2021 the evaluation of the Board of Directors was carried out
A.9	The Corporate Governance Statement should 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 should contain information on the precise number of the independent members of the Board of Directors.	x		
A.11	The BoD should 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 should be independent		x partially	One member of the Nomination and Remuneration Commitee is a non-executive independent Director
B.1	The Board should set up an Audit Committee and at least one member should be an independent non-executive. The Audit Committee should be comprised of at least three members and the majority should be independent. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the Committee. At least one member of the Audit Committee should have a proven and appropriate auditing and/or accounting experience.		x partially	One member of the Audit Committee is a non-executive independent Director
B.2	The Chairperson of the Audit Committee should be an independent non-executive member.	x		
B.3	Among its responsibilities, the Audit Committee should perform an annual assessment of the internal control system.	x		
B.4	The assessment mentioned in section B.3 should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the Audit Committee of the Board, and the management’s responsiveness and effectiveness in dealing with the failures and weak points identified during the internal control, and submit 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 should review conflicts of interests in transactions of the company and its subsidiaries with affiliated parties.		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 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 should evaluate the effectiveness of the internal control system and the risk management system	x		
B.7	The Audit Committee should monitor the application of statutory and generally accepted standards of internal auditing. The Audit Committee should receive and evaluate the reports of the internal audit team.	x		
B.8	The Audit Committee should report periodically (at least annually) or *adhoc* to 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 should adopt a policy ensuring that any transaction of the company with any of the companies in close relationship, with a value equal to or higher than 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 fairly disclosed to the shareholders and potential investors, to the extent such transactions are events requiring disclosure.	x		
B.11	The internal audits should 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 should 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 should report directly to the Director General.	x		
C.1	The company should 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 members of the Board and of the General Director. Any significant change occurred in the Remuneration Policy should be posted in due time on the company's website. The company should include in its Annual Report a statement on the implementation of the Remuneration Policy during the annual period under review. The Report on Remuneration should present the implementation of the Remuneration Policy for persons identified in this Policy during the annual period under review.	x		
D.1	The company should 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 should 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, general meeting of shareholders procedure;		x partially	Items on the GMS organization 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 Board member’s, 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 related to 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	x		

	BVB CGC Provisions	Compliance	Noncompliance/ Partial compliance	Reason for noncompliance/ Explanation on compliance
	1	2	3	4
	together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including decisions taken;			
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 will 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 on request;	x		
D.1.7	Corporate presentations (for example presentations for investors, presentations on quarterly results, etc.), financial statements (quarterly, semi-annual, annual), audit reports and annual reports.	x		
D.2	The company should 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 should determine the frequency, period and content of the forecasts and should 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 will become effective no sooner than the following shareholders' meeting.	x		
D.5	The external auditors should attend those shareholders' meetings where their reports are presented.	x		
D.6	The BoD should 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.	x		

BVB CGC Provisions		Compliance	Noncompliance/ Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
	Accredited journalists may also attend the GMS, unless the Chairman of the Board decides otherwise.			
D.8	The quarterly and semi-annual financial reports, in the Romanian and English languages, should include 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 should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published on the company's website in the IR 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 should publish the policy guiding its activity in such field.	x		

Legend:

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

Ernst & Young Assurance Services SRL
Bucharest Tower Center Building, 22nd Floor
15-17 Ion Mihalache Blvd., Sector 1
011171 Bucharest, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SNGN ROMGAZ S.A.

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SNGN ROMGAZ S.A. (the Company) and its subsidiary (together "the Group") with official head office in 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, 2021, and the consolidated statements of comprehensive income, of changes in shareholders' equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021 and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

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

EY
Building a better working world

Key audit matters

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

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

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

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

Key audit matter	How our audit addressed the key audit matter
Estimation of gas reserves used in impairment testing and the calculation of depreciation and amortisation The Group’s disclosures about estimation of gas reserves are included in Note 2 (Use of Estimates) to the financial statements.	
Estimation of the gas reserves is a focus area in our audit because it has a significant impact on the financial statements, as the reserves are the basis for production estimates used in the Group’s cash flow forecasts for impairment testing and they are also the basis for unit of production depreciation and amortization for the assets in the Upstream segment.	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;

The estimation of gas reserves requires the Group's management and engineers to make significant judgement and assumptions and therefore it was considered to be a key audit matter.	- We analysed the certification process for technical and commercial specialists who are responsible for gas reserves estimation; we also assessed the competence, capabilities and objectivity of management specialists; - We tested whether significant increases or reductions in gas reserves were made in the period in which the new information became available and in compliance with the standards of the National Agency for Mineral Resources ("ANRM"); - We compared the gas reserves with the assumptions used in the cash flows for the impairment testing of production assets and in the accounting for depreciation and amortization for the core assets in the Upstream segment; We further assessed the adequacy of the Group's disclosures about impairment testing and calculation of depreciation and amortization.
Specific impairment testing of production assets, at individual field level, in the Upstream Gas segment The Group's disclosures about its impairment testing are included in Note 2 (Use of estimates) and in Note 12 (Property, Plant and Equipment) to the financial statements	
The impairment test is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions. Furthermore, as at 31 December 2021 the carrying value of the production assets and the common infrastructure and corporate assets allocated to each cash generating unit (CGU) from the Upstream segment's property, plant and equipment in amount of RON 2,177 million as at 31 December 2021, is significant. International Financial Reporting	In respect of our specific impairment testing, at individual field level, our work included, but was not limited to, the following procedures: - We analysed and evaluated the management's assessment of the existence of impairment indicators (triggering events); - We reviewed the allocation of the carrying value of common infrastructure and corporate assets to each CGU (field)

Standards require an entity to assess, at least at each reporting date, whether indicators of impairment or reversal of impairment previously recorded exist. Management considered that the recent changes in production and reserves at the individual field level constitute impairment indicators and, consequently, has carried out an impairment test for the production assets in the Upstream Gas segment for which impairment indicators existed, which resulted in no additional impairment being recognised. Considering the above, we determined that specific Impairment testing of production assets, at individual field level, in the Upstream Gas segment is a key audit matter.	- We evaluated the management's assessment of the recoverability of the carrying value of property, plant and equipment of the cash generating unit for which triggering events were identified; - We tested the reasonability of future yearly production volumes per field based on actual ANRM reports and appendixes (future production plan per field is made based on ANRM approved plan for each field); - On a sample basis, we compared the remaining reserves per field from impairment test as of 31 December 2021 with the latest ANRM approved reserve reports; - We compared the main assumptions used in the impairment test (gas prices, operating costs, production volumes, gas reserves and discount rate) with the current forecasts approved as part of the Group's mid-term planning process; - We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance in prior years; - We analysed the assumptions used in the cash flow projections; - We involved our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by the Group for the impairment testing of upstream productions assets (e.g. checked the mathematical accuracy of the model, its conformity with the requirements of the International Financial Reporting Standards, the discount rates used, future natural gas sales prices, etc) - We 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

	We also assessed the adequacy of the Group's disclosures in the 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 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 437.6 million at 31 December 2021) 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 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 on the other information obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 Group consolidated financial statements as at December 31, 2021;
b) the Directors' Consolidated Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 – 19 and 26-28;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated financial statements as at December 31, 2021, 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, for the statutory auditor, has lasted for four years, covering the years ended December 31, 2018, 2019,2020 and 2021.

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 March 21, 2022.

Provision of Non-audit Services

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

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

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, 2021, included in the attached electronic file „Romgaz-2021-12-31-en.zip“ (identified with the key 5f3ee0cc749896f9c12e63ff837e85abb0fb126b9f369e79fb3b52bed659ed50) with the requirements of the Commission Delegated Regulation (EU) 2019 /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, 2021 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 Control

We apply International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements to the registered auditors in Romania.

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 2021 is prepared, in all material respects, in accordance with the requirements of ESEF Regulation

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.
Registrul Public Electronic: FA77

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

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: Lupea Alexandru
Registrul Public Electronic: AF273

Name of the Auditor/ Partner: Lupea Alexandru
Registered in the electronic Public Register under No. AF273

Bucharest, Romania
28 March 2022

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Revenue	**3**	5,852,926	4,074,893
Cost of commodities sold	**5**	(281,589)	(18,617)
Investment income	**4**	58,403	47,845
Other gains and losses	**6**	23,388	(6,534)
Net impairment gains/(losses) on trade receivables	**16**	349,989	17,551
Changes in inventory of finished goods and work in progress		74,787	(16,151)
Raw materials and consumables used	**5**	(81,146)	(58,282)
Depreciation, amortization and impairment expenses	**7**	(685,772)	(672,063)
Employee benefit expense	**8**	(766,639)	(767,251)
Finance cost	**9**	(16,739)	(17,000)
Exploration expense	**13**	(1,197)	(26,509)
Share of profit of associates	**25**	85	1,330
Other expenses	**10**	(2,539,086)	(1,158,143)
Other income	**3**	169,841	25,439
Profit before tax		**2,157,251**	**1,426,508**
Income tax expense	**11**	(242,264)	(178,604)
Profit for the year		**1,914,987**	**1,247,904**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on post-employment benefits	**19 c)**	(37,116)	(16,877)
Income tax relating to items that will not be reclassified subsequently to profit or loss	**11**	5,938	2,700
Total items that will not be reclassified subsequently to profit or loss		**(31,178)**	**(14,177)**
Other comprehensive income for the year net of income tax		**(31,178)**	**(14,177)**
Total comprehensive income for the year		**1,883,809**	**1,233,727**
Basic and diluted earnings per share		0.0050	0.0032

These financial statements were endorsed by the Board of Directors on March 28, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	Note	December 31, 2021 '000 RON	December 31, 2020 '000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	**12**	5,240,697	5,613,122
Other intangible assets	**14 a)**	16,133	14,774
Investments in associates	**25**	26,187	26,102
Deferred tax asset	**11**	269,645	275,328
Right of use asset	**14 b)**	7,128	7,915
Other financial assets	**26**	5,616	5,378
Total non-current assets		**5,565,406**	**5,942,619**
Current assets			
Inventories	**15**	305,241	244,563
Trade and other receivables	**16 a)**	1,352,345	592,875
Contract costs		483	651
Other financial assets	**29**	417,923	1,995,523
Other assets	**16 b)**	67,962	68,023
Current tax receivable		3,201	-
Cash and cash equivalents	**28**	3,580,412	416,913
Total current assets		**5,727,567**	**3,318,548**
Total assets		**11,292,973**	**9,261,167**
EQUITY AND LIABILITIES			
Equity			
Share capital	**17**	385,422	385,422
Reserves	**18**	2,998,975	2,251,909
Retained earnings		5,596,756	5,149,919
Total equity		**8,981,153**	**7,787,250**
Non-current liabilities			
Retirement benefit obligation	**19**	156,420	128,690
Deferred revenue	**20**	230,438	136,308
Lease liability		7,211	7,845
Provisions	**19**	412,846	538,931
Total non-current liabilities		**806,915**	**811,774**

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	Note	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Current liabilities			
Trade payables	**21**	71,317	89,132
Contract liabilities		204,384	81,318
Current tax liabilities		52,299	59,831
Deferred revenue	**20**	49	10,899
Provisions	**19**	237,144	156,415
Lease liability		810	767
Other liabilities	**21**	938,902	263,781
Total current liabilities		**1,504,905**	**662,143**
Total liabilities		**2,311,820**	**1,473,917**
Total equity and liabilities		**11,292,973**	**9,261,167**

These financial statements were endorsed by the Board of Directors on March 28, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
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, 2021	**385,422**	**83,537**	**2,168,372**	**5,149,919**	**7,787,250**
Profit for the year	-	-	-	1,914,987	1,914,987
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)	-
Other comprehensive income for the year	-	-	-	(31,178)	(31,178)
Balance as of December 31, 2021	**385,422**	**85,250**	**2,913,725**	**5,596,756**	**8,981,153**
Balance as of January 1, 2020	**385,422**	**79,921**	**1,507,488**	**5,201,222**	**7,174,053**
Profit for the year	-	-	-	1,247,904	1,247,904
Allocation to dividends *)	-	-	-	(620,530)	(620,530)
Increase in legal reserves	-	3,616	-	(3,616)	-
Allocation to other reserves	-	-	598,840	(598,840)	-
Increase in reinvested profit reserves	-	-	62,044	(62,044)	-
Other comprehensive income for the year	-	-	-	(14,177)	(14,177)
Balance as of December 31, 2020	**385,422**	**83,537**	**2,168,372**	**5,149,919**	**7,787,250**

*) In 2021 the Group's shareholders approved the allocation of dividends of RON 689,906 thousand (2020: RON 620,530 thousand), dividend per share being RON 1.79 (2020: RON 1.61).

**) 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, 2021 the geological quota reserve is of RON 806,840 thousand (December 31, 2020: RON 927,499 thousand).

These financial statements were endorsed by the Board of Directors on March 28, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT OF CONSOLIDATED CASH FLOW

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Cash flows from operating activities		
Net profit	**1,914,987**	**1,247,904**
Adjustments for:		
Income tax expense (note 11)	242,264	178,604
Share of associates' result (note 25)	(85)	(1,330)
Interest expense (note 9)	557	593
Unwinding of decommissioning provision (note 9, note 19)	16,182	16,407
Interest revenue (note 4)	(58,403)	(47,845)
Net loss on disposal of non-current assets (note 6)	(321)	7
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	(20,750)	24,273
Change in other provisions (note 19)	68,578	66,467
Net impairment of exploration assets (note 7, note 13)	37,046	97,695
Exploration projects written off (note 13)	33	836
Net impairment of property, plant and equipment and intangibles (note 7)	184,943	125,997
Depreciation and amortization (note 7)	463,783	448,371
Amortization of contract costs	1,626	795
Change in investments at fair value through profit and loss (note 6)	10	10
Net receivable write-offs and movement in allowances for trade receivables and other assets	(378,352)	(19,700)
Net movement in write-down allowances for inventory (note 6, note 15)	5,014	8,427
Liabilities written off	(810)	(368)
Subsidies income (note 20)	(9)	(7)
	2,476,293	**2,147,136**
Movements in working capital:		
(Increase)/Decrease in inventory	(64,913)	58,516
(Increase)/Decrease in trade and other receivables	(400,838)	38,311
Increase/(Decrease) in trade and other liabilities	790,347	17,600
Cash generated from operations	**2,800,889**	**2,261,563**
Interest paid	(3)	(3)
Income taxes paid	(233,084)	(224,796)
Net cash generated by operating activities	**2,567,802**	**2,036,764**

STATEMENT OF CONSOLIDATED CASH FLOW

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Cash flows from investing activities		
Investment in other entities	(250)	-
Bank deposits set up and acquisition of state bonds	(3,896,521)	(2,964,757)
Bank deposits and state bonds matured	5,463,332	2,060,925
Interest received	58,340	38,601
Proceeds from sale of non-current assets	513	1,733
Receipts from disposal of other financial investments	2	-
Acquisition of non-current assets	(340,695)	(547,215)
Acquisition of exploration assets	(91,865)	(66,516)
Net cash used in investing activities	**1,192,856**	**(1,477,229)**
Cash flows from financing activities		
Dividends paid	(690,027)	(620,346)
Repayment of lease liability	(1,280)	(1,196)
Subsidies reimbursed	-	(50)
Subsidies received (note 20)	94,148	115,027
Net cash used in financing activities	**(597,159)**	**(506,565)**
Net increase/(decrease) in cash and cash equivalents	**3,163,499**	**52,970**
Cash and cash equivalents at the beginning of the year	**416,913**	**363,943**
Cash and cash equivalents at the end of the year	**3,580,412**	**416,913**

These financial statements were endorsed by the Board of Directors on March 28, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
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, its fully owned subsidiary S.N.G.N. ROMGAZ S.A. - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești S.R.L. ("Depogaz") and its associates – S.C. Depomures S.A. (40% of the share capital) and S.C. Agri LNG Project Company S.R.L. (25% of the share capital).

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

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

The Romanian State, through the Ministry of 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 and Depomures;
5. commissioning, interventions, capital repairs for wells equipping the deposits, as well as the natural gas resources extraction wells, for its own activity and for third parties;
6. electricity production and distribution.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements ("financial statements") of the Group have been prepared in accordance with 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, except for IAS 21 The effects of changes in foreign exchange rates regarding functional currency, except for the provisions of IAS 20 Accounting for Government Grants regarding the recognition of revenue from green certificates, except for the provisions of IFRS 15 Revenue from contracts with customers regarding the revenue from taxes of connection to the distribution grid.

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

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

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

Associated entities

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

Joint arrangements

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

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

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

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

Joint operations

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

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

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

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

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

Joint ventures

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

Standards and interpretations applicable for the first time

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 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after April 1, 2021);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after January 1, 2021);
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective for annual periods beginning on or after January 1, 2021).

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

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

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

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective for annual periods beginning on or after January 1, 2023);
- Amendments to 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);
- 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).

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:

- IFRS 17 Insurance Contracts, including Amendments to IFRS 17 (applicable to annual periods beginning on or after January 1, 2023);
- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after January 1, 2022);
- Annual Improvements 2018-2020 (effective for annual periods beginning on or after January 1, 2022).

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 Medias, Mures and Bratislava branches;
- storage activities, performed by Depogaz and Depomures;
- electricity production and distribution activities, performed by Iernut branch;
- other activities, such as technological transport, operations on wells and corporate activities.

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

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

Revenue recognition

a) Revenue from contracts with customers

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

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

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

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

Revenue is recognized over time if:

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

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

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

Revenue from contracts with customers mainly relates to gas sales, electricity supply and related services, storage services. Revenue from these contracts are recognized at a point in time on the basis of the actual quantities at the prices fixed in the contracts concluded.

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

b) Other revenue

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

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

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

Exploration expenses

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

Exploration expenses also include the 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 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2021, the Group conducted an impairment test in the Upstream segment, as the conditions existing when the previous test was conducted changed; the results of the impairment test are presented in note 12.

In 2021, no indications of impairment were observed for storage 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 (Agentia Nationala pentru Resurse Minerale – ANRM) approvals are obtained in order to be written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. Costs directly associated with appraisal activity, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, an impairment is recorded for the assets, until the completion of the legal steps necessary for them to be written off. When proved reserves of natural gas are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment other than exploration assets.

(2) Impairment

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

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of gas resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of gas resources in the specific area have not led to the discovery of commercially viable quantities of gas resources and the Group has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

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

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

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

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

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

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

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

Financial instruments are classified as liabilities or equity in accordance with the nature of the contractual arrangement. Interest, dividends, gains and losses on a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are recorded directly in equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and discharge the obligation simultaneously.

Impairment of financial assets

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

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

The loss allowance on trade receivables resulting from transactions that are subject to IFRS 15 is measured at an amount equal to lifetime expected credit losses. The 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 32).

Comparative information

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

3. REVENUE AND OTHER INCOME

	Year ended December 31, 2021 '000 RON	**Year ended December 31, 2020 '000 RON**
Revenue from gas sold - own production	4,685,389	3,226,448
Revenue from gas sold – other arrangements	27,456	66,915
Revenue from gas acquired for resale	330,309	15,545
Revenue from storage services-capacity reservation	191,184	282,363
Revenue from storage services-extraction	35,006	43,151
Revenue from storage services-injection	33,809	49,343
Revenue from electricity	321,596	189,289
Revenue from services	166,270	175,877
Revenue from sale of goods	53,959	18,192
Other revenues from contracts	413	367
Total revenue from contracts with customers	**5,845,391**	**4,067,490**
Other revenues	7,535	7,403
Total revenue	**5,852,926**	**4,074,893**
Other operating income *)	169,841	25,439
Total revenue and other income	**6,022,767**	**4,100,332**

*) 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 October – April. The capacity reservation services are being provided each month of the storage cycle, which begins on April 1 and ends on March 31 of the next year.

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

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

4. INVESTMENT INCOME

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Interest income	58,403	47,845
Total	**58,403**	**47,845**

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

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Consumables used	42,673	35,005
Technological consumption	33,259	19,257
Cost of gas acquired for resale, sold	246,819	7,650
Cost of electricity imbalance	33,867	10,375
Cost of other goods sold	903	592
Other consumables	5,214	4,020
Total	**362,735**	**76,899**

6. OTHER GAINS AND LOSSES

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Forex gain	45	52
Forex loss	(317)	(291)
Net gain/(loss) on disposal of non-current assets	321	(7)
Net allowances for other receivables (note 16 c)	28,369	2,151
Net write down allowances for inventory (note 15)	(5,014)	(8,427)
Net gain/(loss) on financial assets at fair value through profit or loss	(10)	(10)
Losses from other debtors	(6)	(2)
Total	**23,388**	**(6,534)**

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Depreciation and amortization	463,783	448,371
out of which:		
- depreciation of property, plant and equipment	458,747	445,327
- amortization of intangible assets	4,114	2,130
- amortization of write-of use assets	922	914
Net impairment of non-current assets	221,989	223,692
Total depreciation, amortization and impairment	**685,772**	**672,063**

8. EMPLOYEE BENEFIT EXPENSE

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Wages and salaries	800,360	798,382
Social security charges	27,830	28,044
Meal tickets	24,955	23,231
Other benefits according to collective labor contract	23,434	20,613
Private pension payments	11,415	11,763
Private health insurance	6,924	5,980
Total employee benefit costs	**894,918**	**888,013**
Less, capitalized employee benefit costs	(128,279)	(120,762)
Total employee benefit expense	**766,639**	**767,251**

9. FINANCE COSTS

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Interest expense	557	593
Unwinding of the decommissioning provision (note 19)	16,182	16,407
Total	**16,739**	**17,000**

10. OTHER EXPENSES

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Energy and water expenses	51,537	40,945
Expenses for capacity booking and gas transmission services	145,177	167,937
Expenses with other taxes and duties *)	2,013,806	633,160
(Net gain)/Net loss from provisions movement (note 19)	47,828	90,740
Other operating expenses **)	280,738	225,361
Total	**2,539,086**	**1,158,143**

*) In the year ended December 31, 2021, the major taxes and duties included in the amount of RON 2,013,806 thousand (year ended December 31, 2020: RON 633,160 thousand) are:

- RON 1,257,998 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, 2020: RON 414,943 thousand);
- RON 749,411 thousand representing royalty on gas production and storage activity (year ended December 31, 2020: RON 196,875 thousand).

**) The increase in other operating expenses compared to 2020 is mainly due to the increase in expenditure on greenhouse gas emission certificates (RON 121,583 thousand in 2021, compared to RON 24,208 thousand in 2020). The expense of RON 121,583 thousand in 2021 was partially offset by releasing to income the provision set up for these certificates on December 31, 2020 of RON 81,217 thousand (note 19) (2020: the expense of RON 24,208 thousand was offset by releasing to income the provision set up on December 31, 2019 of RON 23,410 thousand).

11. INCOME TAX

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Current tax expense	230,643	220,285
Deferred income tax (income)/expense	11,621	(41,681)
Income tax expense	**242,264**	**178,604**

The tax rate used for the reconciliations below for the year ended December 31, 2021, respectively year ended December 31, 2020 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, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Accounting profit before tax	**2,157,251**	**1,426,508**
(Profit)/loss of activities not subject to income tax	3,806	6,298
Accounting profit subject to income tax	**2,161,057**	**1,432,806**
Income tax expense calculated at 16%	345,769	229,249
Effect of income exempt of taxation	(81,238)	(39,800)
Effect of expenses that are not deductible in determining taxable profit	20,649	68,978
Effect of current income tax reduction, due to tax facilities	(20,232)	(11,023)
Effect of tax incentive for reinvested profit	(11,394)	(9,950)
Effect of legal reserves	(306)	(579)
Effect of the benefit from tax credits, used to reduce current tax expense	30,452	27,362
Effect of deferred tax relating to the origination and reversal of temporary differences	(23,375)	(57,632)
Effect of the benefit from tax credits, used to reduce deferred tax expense	(18,061)	(34,924)
Effect of the previous years' tax expense	-	6,923
Income tax expense	**242,264**	**178,604**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Components of deferred tax (asset)/liability:

	December 31, 2021		December 31, 2020	
	Cumulative temporary differences	**Deferred tax (asset)/ liability**	**Cumulative temporary differences**	**Deferred tax (asset)/ liability**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**
Provisions	(651,505)	(104,241)	(736,102)	(117,776)
Property, plant and equipment	(16,382)	(2,621)	274,492	43,919
Exploration assets *)	(610,253)	(97,641)	(828,989)	(132,638)
Financial investments	(977)	(156)	(977)	(156)
Inventory	(33,205)	(5,313)	(29,817)	(4,771)
Trade receivables and other receivables	(372,912)	(59,666)	(395,488)	(63,278)
Right of use asset	388	62	474	76
Deferred revenue	1	-	9	1
Lease liability	(434)	(69)	(507)	(81)
Other intangible assets	-	-	(3,900)	(624)
Total	**(1,685,279)**	**(269,645)**	**(1,720,805)**	**(275,328)**
Change, out of which:		**(5,683)**		**44,381**
- in current year's result		(11,621)		41,681
- in other comprehensive income		5,938		2,700

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

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	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.*

	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, 2020	**109,368**	**909,979**	**6,730,173**	**1,017,465**	**104,110**	**1,693,062**	**402,445**	**1,794,654**	**12,761,256**
Additions	8,049	1	130,268	9	-	9,819	66,516	554,384	769,046
Transfers	254	7,477	259,441	82,079	10,876	20,109	(4,690)	(375,546)	-
Disposals	-	(1,342)	(16,051)	(8,928)	(286)	(506)	(130,665)	(58,493)	(216,271)
As of December 31, 2020	**117,671**	**916,115**	**7,103,831**	**1,090,625**	**114,700**	**1,722,484**	**333,606**	**1,914,999**	**13,314,031**
Accumulated depreciation									
As of January 1, 2020	**-**	**328,847**	**4,022,145**	**646,360**	**77,281**	**648,959**	**-**	**-**	**5,723,592**
Charge *)	-	30,872	306,002	66,428	7,141	56,536	-	-	466,979
Disposals	-	(839)	(3,014)	(8,882)	(286)	(69)	-	-	(13,090)
As of December 31, 2020	**-**	**358,880**	**4,325,133**	**703,906**	**84,136**	**705,426**	**-**	**-**	**6,177,481**
Impairment									
As of January 1, 2020	**8,255**	**40,306**	**493,729**	**80,567**	**1,148**	**378,332**	**245,532**	**246,618**	**1,494,487**
Charge	-	1,664	85,085	557	76	(11,341)	100,189	106,849	283,079
Transfers	-	-	25,804	2,374	-	-	-	(28,178)	-
Release	-	(382)	(50,993)	(400)	(19)	(656)	(132,323)	(69,365)	(254,138)
As of December 31, 2020	**8,255**	**41,588**	**553,625**	**83,098**	**1,205**	**366,335**	**213,398**	**255,924**	**1,523,428**
Carrying value									
As of January 1, 2020	**101,113**	**540,826**	**2,214,299**	**290,538**	**25,681**	**665,771**	**156,913**	**1,548,036**	**5,543,177**
As of December 31, 2020	**109,416**	**515,647**	**2,225,073**	**303,621**	**29,359**	**650,723**	**120,208**	**1,659,075**	**5,613,122**

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 21,649 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

Based on the current market conditions (significant increase in prices, but also in costs with royalties and windfall tax), the Group considered there are major changes in the assumptions used in the previous impairment test on upstream assets.

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

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

Following the impairment test, no additional impairment was recorded and there was no decrease of previously recognized impairment losses.

In the impairment test the following assumptions were used:

- Weighted average cost of capital: 10%;
- The inflation rate for the years 2022-2024 was the one reported by the National Prognosis Commission in the 2021-2025 mid-term forecast, 2021 autumn edition. For the 2025-2043 period a constant inflation rate of 2.6% was used;
- Average estimated price for the period was 190.64 lei/MWh.

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, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Exploration assets written off	(33)	(836)
Seismic, geological, geophysical studies	(1,164)	(25,673)
Total exploration expense	**(1,197)**	**(26,509)**
Net movement in exploration assets' impairment (net income)/net loss	37,046	97,695
Net cash used in exploration investing activities	(91,865)	(66,516)

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Exploration assets (note 12)	174,855	120,208
Liabilities	(7,904)	(5,285)
Net assets	**166,951**	**114,923**

14. OTHER INTANGIBLE ASSETS. RIGHT OF USE ASSETS

a) Other intangible assets

	2021	2020
	'000 RON	'000 RON
Cost		
As of January 1	**186,899**	**186,136**
Additions	5,592	7,990
Disposals	(22,896)	(7,227)
As of December 31	**169,595**	**186,899**
Accumulated amortization		
As of January 1	**172,125**	**176,972**
Charge	4,114	2,130
Disposals	(22,777)	(6,977)
As of December 31	**153,462**	**172,125**
Carrying value		
As of January 1	**14,774**	**9,164**
As of December 31	**16,133**	**14,774**

b) Right of use assets

	2021	2020
	'000 RON	'000 RON
Cost		
As of January 1	**9,514**	**9,275**
Effects of rent index updates	135	239
As of December 31	**9,649**	**9,514**
Accumulated amortization		
As of January 1	**1,599**	**685**
Charge	922	914
As of December 31	**2,521**	**1,599**
Carrying value		
As of January 1	**7,915**	**8,590**
As of December 31	**7,128**	**7,915**

15. INVENTORIES

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Spare parts and materials	171,542	171,990
Finished goods (gas)	189,594	123,438
Other inventories	870	886
Write-down allowance for spare parts and materials	(56,674)	(51,747)
Write-down allowance for other inventories	(91)	(4)
Total	**305,241**	**244,563**

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Trade receivables	1,757,243	1,561,742
Allowances for expected credit losses (note 16 c)	(924,030)	(1,279,164)
Accrued receivables	526,971	312,991
Allowances for expected credit losses on accrued receivables (note 16 c)	(7,839)	(2,694)
Total	**1,352,345**	**592,875**

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, 2021 '000 RON	December 31, 2020 '000 RON
Advances paid to suppliers	109	18,374
Joint operation receivables	8,201	2,384
Other receivables *)	47,941	64,471
Allowance for expected credit losses other receivables (note 16 c) *)	(186)	(28,981)
Other debtors	49,932	50,079
Allowance for expected credit losses for other debtors (note 16 c)	(49,442)	(49,016)
Prepayments	5,606	5,808
VAT not yet due	5,795	4,898
Other taxes receivable	6	6
Total	**67,962**	**68,023**

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

Following the tax inspection, an additional liability was established for Romgaz of RON 22,440 thousand, representing income tax, VAT, penalties and related interest. Of the total amount, Romgaz paid RON 2,389 thousand.

For the remaining amount of RON 20,051 thousand, Romgaz performed a legal assessment which concluded that the additional tax, penalties and interest are not correct. Romgaz filed an appeal to the Ministry of Public Finance. The appeal was partially rejected for the amount of RON 15,872 thousand.

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

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

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

In 2019, the Company won some of the points claimed in the case filed against ANAF and the allowance of RON 18,499 thousand was reversed against income. The Company recovered this amount in 2021.

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. By the date of these financial statements, the court's decision was not communicated, therefore the Company could not initiate recovery proceedings.

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

	2021 '000 RON	2020 '000 RON
At January 1	**1,359,855**	**1,379,557**
Charge in the allowance for other receivables (note 6)	1,402	2,792
Charge in the allowance for trade receivables	32,529	61,595
Release in the allowance for other receivables (note 6)	(29,771)	(4,943)
Release in the allowance for trade receivables *)	(382,518)	(79,146)
At December 31	**981,497**	**1,359,855**

*) In 2022, the Group collected RON 324,733 thousand from the old receivable from Electrocentrale Bucuresti, thus reducing the allowance recorded as of December 31, 2021.

As of December 31, 2021, the Group recorded allowances for expected credit losses, of which Interagro RON 264,529 thousand (December 31, 2020: RON 271,621 thousand), GHCL Upsom of RON 68,103 thousand (December 31, 2020: RON 68,103 thousand), CET Iasi of RON 46,271 thousand (December 31, 2020: RON 46,271 thousand), Electrocentrale Galati with RON 192,342 thousand (December 31, 2020: RON 226,338 thousand), Electrocentrale Bucuresti with RON 252,225 thousand (December 31, 2020: RON 576,080 thousand), G-ON EUROGAZ of RON 14,848 thousand (December 31, 2020: RON 14,848 thousand) and Electrocentrale Constanta of RON 60,766 thousand (December 31, 2020: RON 58,227 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, 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**

December 31, 2020	Gross carrying amount	Expected credit loss rate	Lifetime expected credit losses
	'000 RON	%	'000 RON
Current receivables, including accrued receivables	584,068	0.89	5,210
less than 30 days overdue	13,874	3.91	542
30 to 90 days overdue	4,861	86.85	4,222
90 to 360 days overdue	23,890	99.81	23,844
over 360 days overdue	1,248,040	100.00	1,248,040
Total trade receivables	**1,874,733**		**1,281,858**

17. SHARE CAPITAL

	December 31, 2021	December 31, 2020
	'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, 2021 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	96,615,074	96,615	25.07
Physical persons	18,984,246	18,984	4.92
Total	**385,422,400**	**385,422**	**100**

All shares are ordinary and were subscribed and fully paid as at December 31, 2021. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2020: RON 1/share).

18. RESERVES

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Legal reserves	85,250	83,537
Other reserves, of which:	2,913,725	2,168,372
- Company's development fund	2,046,460	1,371,257
- Reinvested profit	361,152	291,002
- Geological quota set up until 2004	486,388	486,388
- Other reserves	19,725	19,725
Total	**2,998,975**	**2,251,909**

19. PROVISIONS

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Decommissioning provision (note 19 a)	412,846	538,931
Retirement benefit obligation (note 19 c)	156,420	128,690
Total long term provisions	**569,266**	**667,621**
Decommissioning provision (note 19 a)	24,792	22,027
Litigation provision (note 19 b)	3,554	1,380
Other provisions *) (note 19 b)	208,798	133,008
Total short term provisions	**237,183**	**156,415**
Total provisions	**806,410**	**824,036**

*) On December 31, 2021, other provisions of RON 208,798 thousand include the provision for employee's participation to profit of RON 38,677 thousand (December 31, 2020: RON 36,938 thousand), the provision for taxes of RON 7,161 thousand (December 31, 2020: RON 6,716 thousand) and the provision for CO2 certificates of 154,904 thousand (December 31, 2020: RON 81,217).

a) Decommissioning provision

Decommissioning provision movement	2021 '000 RON	2020 '000 RON
At January 1	**560,958**	**384,236**
Additional provision recorded against non-current assets	10,808	139,913
Unwinding effect (note 9)	16,182	16,407
Recorded in profit or loss	(20,750)	24,273
Decrease recorded against non-current assets	(129,560)	(3,871)
At December 31	**437,638**	**560,958**

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 5.14% (year ended December 31, 2020: 2.97%). 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 77,109 thousand. The decrease with 1 percentage point of the discount rate would increase the decommissioning provision with RON 102,191 thousand.

The increase with 1 percentage point of the inflation rate would increase the decommissioning provision with RON 103,485 thousand. The decrease with 1 percentage point of the discount rate would decrease the decommissioning provision with RON 79,168 thousand.

b) Other provisions

	Litigation provision '000 RON	Other provisions '000 RON	Total '000 RON
At January 1, 2021	**1,380**	**133,008**	**134,388**
Additional provision in 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**

	Litigation provision '000 RON	Other provisions '000 RON	Total '000 RON
At January 1, 2020	**1,337**	**63,521**	**64,858**
Additional provision in the period	730	146,673	147,403
Provisions used in the period	(684)	(75,759)	(76,443)
Unused amounts during the period, reversed	(3)	(1,427)	(1,430)
At December 31, 2020	**1,380**	**133,008**	**134,388**

c) Retirement benefit obligation

Movement of the retirement benefit obligation	**2021** **'000 RON**	**2020** **'000 RON**
At 1 January	**128,690**	**114,876**
Interest cost	3,998	2,642
Cost of current service	6,021	5,904
Payments during the year	(19,405)	(11,609)
Actuarial (gain)/loss for the period	37,116	16,877
At December 31	**156,420**	**128,690**

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: 5%;
- Average inflation rate: 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	(14,771)	17,168
Salaries' growth rate	17,252	(15,090)

Maturity analysis of payment cash flows

	Benefit payments '000 RON
Up to 1 year	9,632
1-2 years	9,205
2-5 years	33,809
5-10 years	87,798
Over 10 years	425,997

20. DEFERRED REVENUE

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Amounts collected from NIP *)	230,169	136,021
Other deferred revenue	157	167
Other amounts received as subsidies	112	120
Total long term deferred revenue	**230,438**	**136,308**
Other amounts received as subsidies	7	8
Other deferred revenue	42	10,891
Total short term deferred revenue	**49**	**10,899**
Total deferred revenue	**230,487**	**147,207**

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

For this investment, Romgaz signed in 2017 a financing agreement with the Ministry of Energy, whereby the Ministry of Energy undertakes to grant a non-reimbursable financing of RON 320,912 thousand, representing a maximum of 25% of the total value of eligible expenditure of the investment. By December 31, 2021 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. 669/2021 the deadline until the investments financed from the National Investment Plan must be put into operation has been extended until June 30, 2022.

By December 31, 2021, 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 in the process of identifying solutions for completing the works.

	Amounts collected from NIP '000 RON	Other amounts received as subsidies '000 RON	Total '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**

	Amounts collected from NIP	Other amounts received as subsidies	Total
	'000 RON	'000 RON	'000 RON
January 1, 2020	**20,994**	**185**	**21,179**
Received	115,027	-	115,027
Other decreases (reimbursements)	-	(50)	(50)
Amounts in revenue	-	(7)	(7)
December 31, 2020	**136,021**	**128**	**136,149**

21. TRADE AND OTHER CURRENT LIABILITIES

	December 31, 2021	December 31, 2020
	'000 RON	'000 RON
Accruals	30,055	30,861
Trade payables	19,171	20,491
Payables to fixed assets suppliers	22,091	37,780
Total trade payables	**71,317**	**89,132**
Payables related to employees	43,800	67,922
Royalties	400,278	63,222
Social security taxes	34,053	26,489
Other current liabilities	7,567	6,000
VAT	86,763	64,921
Dividends payable	1,116	2,047
Windfall tax	363,996	31,842
Other taxes	1,329	1,338
Total other liabilities	**938,902**	**263,781**
Total trade and other liabilities	**1,010,219**	**352,913**

22. FINANCIAL INSTRUMENTS

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

As at December 31, 2021, the official exchange rates were RON 4.3707 to USD 1 and RON 4.9481 to EUR 1 (December 31, 2020: RON 3.9660 to USD 1 and RON 4.8694 to EUR 1).

The Group is mainly exposed to currency risk generated by EUR and USD against RON. The currency risk is not significant, as the Group has limited foreign exchange transactions.

(ii) Inflation risk

The official inflation rate in Romania, during the year ended December 31, 2021 was under 10% as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy.

(iii) Interest rate risk

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

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables. The Group has policies in place to ensure that sales are made to customers with low credit risk. Also, sales have to be secured, either through advance payments, either through bank letters of guarantee. The carrying amount of accounts receivable, net of bad debt allowances, represents the maximum amount exposed to credit risk. The Group has a concentration of credit risk in respect of its top client, which amounts to 89.84% of net trade receivable balance at December 31, 2021 (top 4 clients: 85.41% as of December 31, 2020).

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

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

(c) Capital risk management

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

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

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

(d) Fair value estimation

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

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

e) Maturity analysis for financial assets and financial liabilities at amortized cost

December 31, 2021	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	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**

December 31, 2020	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	158,907	123,643	28	-	-	282,578
Bank deposits	137,000	376,259	412,157	-	-	925,416
Treasury bonds	-	270,000	797,505	-	-	1,067,505
Total	**295,907**	**769,902**	**1,209,690**	**-**	**-**	**2,275,499**
Trade payables	(52,811)	(5,458)	(2)	-	-	(58,271)
Lease liabilities	(58)	(145)	(564)	(3,365)	(4,480)	(8,612)
Total	**(52,869)**	**(5,603)**	**(566)**	**(3,365)**	**(4,480)**	**(66,883)**
Net	**243,038**	**764,299**	**1,209,124**	**(3,365)**	**(4,480)**	**2,208,616**

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, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Romgaz's associates	13,115	10,551
Total	**13,115**	**10,551**

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

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, 2021 and December 31, 2020, 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, 2021 '000 RON	Year ended Dec 31, 2020 '000 RON
Salaries paid to executives (gross)	18,622	17,754
of which, bonuses and variable component (gross)	1,406	1,327
Remuneration paid to directors (gross)	3,035	2,831
of which, variable component (gross)	711	491

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Salaries payable to executives	666	552
Salaries payable to directors	116	117

In addition to the above, on December 31, 2021 the Group recorded a provision for bonuses for executives and directors of RON 1,299 thousand (December 31, 2020: 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, 2021, respectively, December 31, 2020.

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, 2021	December 31, 2020
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, 2021	Impairment as of December 31, 2021	Carrying value as of December 31, 2021	Cost as of December 31, 2020	Impairment as of December 31, 2020	Carrying value as of December 31, 2020
	’000 RON	’000 RON	’000 RON	’000 RON	’000 RON	’000 RON
SC Depomures SA Tg.Mures	26,187	-	26,187	26,102	-	26,102
SC Agri LNG Project Company SRL	977	(977)	-	977	(977)	-
Total	**27,164**	**(977)**	**26,187**	**27,079**	**(977)**	**26,102**

Summarized financial information for significant investments in associates (Depomureş)

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Non-current assets	68,993	72,868
Current assets, out of which:	12,895	11,928
- Cash and cash equivalents	9,729	7,113
Non-current liabilities, out of which:	9,031	12,461
- Long term financial liabilities	9,031	12,461
Current liabilities, out of which:	4,232	4,011
- Short term financial liabilities	3,434	3,435

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Revenue	33,717	28,994
Interest income	17	20
Amortization and depreciation	(3,939)	(3,959)
Interest expense	(584)	(723)
Income tax expense	(153)	(133)
Net profit from continued operations	212	3,325

Reconciliation of net book value for the significant investments in associates

	2021 '000 RON	2020 '000 RON
January 1	**26,102**	**24,772**
Interest in the total comprehensive income of significant investments in associates	85	1,330
December 31	**26,187**	**26,102**

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, 2021	Proportion of ownership interest and voting power held (%) December 31, 2020
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	0.03
Mi Petrogas Services S.A.	Services related to oil and natural gas extraction, excluding prospections	Romania	10	10
GHCL Upsom	Manufacture of other chemical, anorganic base products	Romania	-	4.21
Lukoil association	Petroleum exploration operations	Romania	12.2	12.2
Electricity Producers Association-HENRO	Non-governmental, non-profit, independent association	Romania	33.33	-

Company	Fair value as of December 31, 2021 '000 RON	Fair value as of December 31, 2020 '000 RON
Electrocentrale București S.A.*)	-	-
Patria Bank S.A.**)	79	91
Mi Petrogas Services S.A.	60	60
GHCL Upsom	-	-
Lukoil association	5,227	5,227
Electricity Producers Association-HENRO	250	-
Total	**5,616**	**5,378**

*) The fair value of the investment in Electrocentrale Bucuresti at December 31, 2021 was reduced to zero, due to the difficulties encountered in implementing the restructuring plan in the insolvency procedure. The investment in Electrocentrale Bucuresti is not quoted.

**) 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, 2021	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments '000 RON	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**

December 31, 2020	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments	Total '000 RON
Property, plant and equipment	3,113,584	797,012	1,182,021	592,102	(71,597)	5,613,122
Other intangible assets	2,680	743	-	11,350	1	14,774
Investments in associates	-	-	-	26,102	-	26,102
Other financial investments	-	-	-	5,378	-	5,378
Deferred tax asset	-	2,616	-	272,712	-	275,328
Other financial assets	-	20,016	-	1,975,507	-	1,995,523
Inventories	212,453	14,619	2,193	15,298	-	244,563
Other assets	14,893	11,998	2,329	38,803	-	68,023
Trade and other receivables	556,565	41,867	6,994	10,714	(23,265)	592,875
Contract costs	651	-	-	-	-	651
Cash and cash equivalents	33,177	24,056	371	359,309	-	416,913
Right of use asset	-	474	-	7,442	(1)	7,915
Net investments in leasing	-	-	-	495	(495)	-
Total assets	**3,934,003**	**913,401**	**1,193,908**	**3,315,212**	**(95,357)**	**9,261,167**
Retirement benefit obligation	-	9,257	-	119,433	-	128,690
Contract liabilities	81,314	-	-	4	-	81,318
Provisions	531,234	54,604	83,740	25,768	-	695,346
Trade payables	49,045	21,336	8,670	33,346	(23,265)	89,132
Current tax liabilities	-	1,941	-	57,890	-	59,831
Deferred revenue	294	-	136,021	10,892	-	147,207
Lease liability	-	507	-	8,600	(495)	8,612
Other liabilities	147,207	11,631	6,104	98,839	-	263,781
Total liabilities	**809,094**	**99,276**	**234,535**	**354,772**	**(23,760)**	**1,473,917**

b) Segment revenues, results and other segment information

Year ended December 31, 2021	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	5,338,316	313,456	442,412	408,161	(649,419)	5,852,926
Less: revenue between segments	(57,364)	(69,658)	(121,423)	(400,974)	649,419	-
Third party revenue	5,280,952	243,798	320,989	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)	**1,843,943**	**33,342**	**147,850**	**217,799**	**(85,683)**	**2,157,251**

*) The amount of RON 61,521 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, 2020	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3,690,235	333,939	261,112	376,937	(587,330)	4,074,893
Less: revenue between segments	(75,994)	(67,757)	(72,203)	(371,376)	587,330	-
Third party revenue	3,614,241	266,182	188,909	5,561	-	4,074,893
Interest income	107	1,018	152	46,602	(34)	47,845
Interest expense	(3)	-	-	-	-	(3)
Share of profit of associates	-	-	-	1,330	-	1,330
Depreciation and amortization	(340,435)	(5,804)	(4,468)	(26,095)	(71,569)	(448,371)
Impairment losses recognized during the period in profit or loss	(265,458)	-	(17,482)	(139)	-	(283,079)
Impairment losses reversed during the period in profit or loss	58,480	-	189	718	-	59,387
Segment result before tax profit/(loss)	**1,375,809**	**67,432**	**(34,639)**	**110,595**	**(92,689)**	**1,426,508**

In the year ended December 31, 2021, the Group's three largest clients each individually represents more than 10% of revenue, sales to these clients being of RON 1,013,764 thousand, RON 894,491 thousand, RON 834,420 thousand, (in the year ended December 31, 2020 the Group's three largest customers represented individually, over 10% of revenue, sales to these clients being of RON 863,538 thousand, RON 808,818 thousand, RON 694,827 thousand), together totaling 46.86% of total revenue (year ended December 31, 2020: 58.09%). Of the total revenue generated by those three clients, 4.94% are shown in the "Storage" segment and 95.06% in the "Upstream" segment (year ended December 31, 2020: 6.08% in the "Storage" segment, 93.92% in the "Upstream" segment).

28. CASH AND CASH EQUIVALENTS

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Current bank accounts in RON *)	78,216	95,066
Current bank accounts in foreign currency	326	174
Petty cash	48	56
Term deposits in RON	3,500,288	319,203
Restricted cash **)	1,534	2,412
Amounts under settlement	-	2
Total	**3,580,412**	**416,913**

*) Current bank accounts include overnight deposits.

**) At December 31, 2021 restricted cash refers to bank accounts used only for dividend payments to shareholders, according to stock market regulations.

29. 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, 2021 '000 RON	December 31, 2020 '000 RON
Treasury bonds in RON	90,070	1,045,593
Bank deposits in RON	314,129	925,416
Accrued interest receivable on bank deposits	11,784	2,602
Accrued interest on bonds	1,940	21,912
Total other financial assets	**417,923**	**1,995,523**

30. COMMITMENTS UNDERTAKEN

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Endorsements and collaterals granted	62,947	224,063
Total	**62,947**	**224,063**

In 2021, 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 350,000 thousand. On December 31, 2021 are still available for use RON 289,745 thousand.

As of December 31, 2021, the Group’s contractual commitments for the acquisition of non-current assets are of RON 267,246 thousand (December 31, 2020: RON 419,104 thousand).

31. COMMITMENTS RECEIVED

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Endorsements and collaterals received	1,255,235	1,524,480
Total	**1,255,235**	**1,524,480**

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

32. CONTINGENCIES

(a) *Litigations*

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

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

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

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

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

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

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

At the date of endorsement of these financial statements the case in which Romgaz is a civil party a ruled by the High Court of Cassation and Justice. By the date the financial statements were endorsed for issue, no court decision was issued.

(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, 2021 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 437,638 thousand (December 31, 2020: RON 560,958 thousand), representing the decommissioning liability.

33. JOINT ARRANGEMENTS

In January 2002, Romgaz signed a petroleum agreement with Amromco for rehabilitation operations in order to achieve additional production in 11 blocks, namely: Bibeşti, Strâmba, Finta, 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.

34. 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 2021 annual financial statements is RON 425 thousand.

The fees charged for other assurance services in 2021 are RON 320 thousand.

35. EVENTS AFTER THE BALANCE SHEET DATE

In the context of the conflict between Russia and Ukraine, started on February 24, 2022, the EU, USA, UK and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies as well as personal sanctions against a number of individuals.

Considering the geopolitical tensions, since February 2022, there has been an increase in financial markets volatility and exchange rate depreciation pressure.

It is expected that these events may affect the activities in various sectors of the economy, could result in further increases in European energy prices and increased risk of supply chain disturbances.

The Group does not have direct exposures to related parties and/or key customers or suppliers from those countries.

The Group regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. Currently, the Group's management is analyzing the possible impact of changing micro- and macroeconomic conditions on the Group's financial position and results of operations.

36. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were endorsed by the Board of Directors on March 28, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT
in accordance with the provisions of art. 65 (2) c) of Law No. 24/2017
regarding issuers of financial instruments and market operations

---

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,
ARISTOTEL MARIUS JUDE as Chief Executive Officer and
RAZVAN POPESCU as Chief Financial Officer,

hereby confirm that according to our knowledge, the annual consolidated financial statements for the year ended December 31, 2021, 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,
ARISTOTEL MARIUS JUDE

Chief Financial Officer,
RAZVAN POPESCU

Ernst & Young Assurance Services SRL
Bucharest Tower Center Building, 22nd Floor
15-17 Ion Mihalache Blvd., Sector 1
011171 Bucharest, Romania

Tel: +40 21 402 4000
Fax: +40 21 310 7193
office@ro.ey.com
ey.com

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, cod 551130, Sibiu county, Romania, identified by sole fiscal registration number RO 14056826, which comprise the statement of financial position as at December 31, 2021 and the statements of comprehensive income, of changes in shareholders' equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2021 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 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 impairment testing and the calculation of depreciation and amortisation The Company’s disclosures about estimation of gas reserves are included in Note 2 (“Use of estimates”) 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 production estimates used in the Company’s cash flow forecasts for impairment testing and they are also the basis for unit of production depreciation and amortization for the assets in the Upstream segment.	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;

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 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 the gas reserves with the assumptions used in the cash flows for the impairment testing of production assets and in the accounting for depreciation and amortization for the core assets in the Upstream segment; We also assessed the adequacy of the Company's disclosures about impairment testing and calculation of depreciation, and amortization.
Specific impairment testing of production assets, at individual field level, in the Upstream Gas segment The Company's disclosures about its impairment testing are included in Note 2 (Use of estimates) and in Note 12 (Property, Plant and Equipment) to the separate financial statements	
The impairment test is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions. Furthermore, as at December 31, 2021 the carrying value of the production assets and the common infrastructure and corporate assets allocated to each cash generating unit (CGU) from the Upstream property, plant and equipment, in amount of RON 2,177 million, is significant. International Financial Reporting Standards require an entity to assess, at least at each reporting date, whether indicators of impairment or reversal of impairment previously recorded, exist. Management considered that the recent changes in production and reserves at the individual field	In respect of our specific impairment testing, at individual field level, our work included, but was not limited to, the following procedures: - We analysed and evaluated the management's assessment of the existence of impairment indicators (triggering events); - We reviewed the allocation of the carrying value of common infrastructure and corporate assets to each CGU (field); - We evaluated the management's assessment of the recoverability of the carrying value of property, plant and equipment of the cash generating units for which triggering events were identified;

level constitute impairment indicators and consequently, has carried out an impairment test for the production assets in the Upstream Gas segment for which impairment indicators existed, which resulted in no additional impairment being recognised. Considering the above, we determined that specific Impairment testing of production assets, at individual field level, in the Upstream Gas segment is a key audit matter.	- We tested the reasonability of future yearly production volumes per field based on actual ANRM reports and appendixes (future production plan per field is made based on ANRM approved plan for each field); - On a sample basis, we compared the remaining reserves per field in the impairment test as of 31 December 2021 with the latest ANRM approved reserve reports; - We compared the main assumptions used in the impairment test (gas prices, operating costs, production volumes, gas reserves and discount rate) with the current forecasts approved as part of the Company's mid-term planning process; - We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance in prior years; - We analysed the assumptions used in the cash flow projections; - We involved our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by the Company for the impairment testing of upstream productions assets (checked the mathematical accuracy of model, its conformity with the requirements of the International Financial Reporting Standards, the discount rates used, future natural gas selling prices, etc) - We 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 We also assessed the adequacy of the Company's disclosures in the financial statements.

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 437.6 million at 31 December 2021) 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 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 industry benchmarking and 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 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 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 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 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 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 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 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 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 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, 2021;
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 financial statements as at December 31, 2021, 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 financial statements for the financial years ended December 31, 2021, 2022 and 2023. Total uninterrupted engagement period, for the statutory auditor, has lasted for four years, covering the years ended December 31, 2018 and 2019 and 2020 and 2021.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on March 21, 2022.

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 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, 2021, with the requirements of the Commission Delegated Regulation (EU) 2019 /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, 2021 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 Control

We apply International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements to the registered auditors in Romania.

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 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.

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.
Registrul Public Electronic: FA77

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

Autoritatea pentru Supravegherea Publică a Activității de Audit Statutar (ASPAAS)
Auditor financiar: Lupea Alexandru
Registrul Public Electronic: AF273

Name of the Auditor/ Partner: Lupea Alexandru
Registered in the electronic Public Register under No. AF273

Bucharest, Romania
28 March 2022

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

SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

PREPARED IN ACCORDANCE WITH

MINISTRY OF FINANCE ORDER 2844/2016

CONTENTS: **PAGE:**

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Revenue	**3**	5,725,214	3,926,034
Cost of commodities sold	**5**	(281,587)	(18,615)
Investment income	**4**	85,963	67,957
Other gains and losses	**6**	18,838	(5,583)
Net impairment gains/(losses) on trade receivables	**16**	349,989	17,551
Changes in inventory of finished goods and work in progress		74,787	(16,151)
Raw materials and consumables used	**5**	(68,862)	(49,629)
Depreciation, amortization and impairment expenses	**7**	(613,272)	(594,689)
Employee benefit expense	**8**	(694,324)	(696,518)
Finance cost	**9**	(16,739)	(16,999)
Exploration expense	**13**	(1,197)	(26,509)
Other expenses	**10**	(2,546,438)	(1,163,456)
Other income	**3**	169,567	25,378
Profit before tax		**2,201,939**	**1,448,771**
Income tax expense	**11**	(239,430)	(169,886)
Profit for the year		**1,962,509**	**1,278,885**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on post-employment benefits	**19 c)**	(34,357)	(16,172)
Income tax relating to items that will not be reclassified subsequently to profit or loss	**11**	5,496	2,588
Total items that will not be reclassified subsequently to profit or loss		**(28,861)**	**(13,584)**
Other comprehensive income for the year net of income tax		**(28,861)**	**(13,584)**
Total comprehensive income for the year		**1,933,648**	**1,265,301**

These financial statements were endorsed by the Board of Directors on March 28, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2021 '000 RON	December 31, 2020 '000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	**12**	4,559,588	4,888,163
Other intangible assets	**14**	15,263	14,030
Investments in subsidiaries	**25 a)**	66,056	66,056
Investments in associates	**25 b)**	120	120
Deferred tax asset	**11**	288,087	294,268
Net lease investment		354	424
Right of use asset	**14**	6,739	7,442
Other financial investments	**26**	5,616	5,378
Total non-current assets		**4,941,823**	**5,275,881**
Current assets			
Inventories	**15**	292,966	229,945
Trade and other receivables	**16 a)**	1,335,118	574,273
Contract costs		483	651
Other financial assets	**28**	392,359	1,975,507
Other assets	**16 b)**	66,485	56,025
Net lease investment		78	71
Cash and cash equivalents	**27**	3,572,651	392,857
Total current assets		**5,660,140**	**3,229,329**
Assets held for disposal	**29**	**693,035**	**710,944**
Total assets		**11,294,998**	**9,216,154**
EQUITY AND LIABILITIES			
Equity			
Share capital	**17**	385,422	385,422
Reserves	**18**	2,920,174	2,219,941
Retained earnings		5,684,411	5,140,902
Total equity		**8,990,007**	**7,746,265**
Non-current liabilities			
Retirement benefit obligation	**19**	144,880	119,432
Deferred revenue	**20**	230,438	136,308
Lease liability		7,211	7,844
Provisions	**19**	377,157	493,176
Total non-current liabilities		**759,686**	**756,760**

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Current liabilities			
Trade payables	**21**	71,268	91,060
Contract liabilities		204,384	81,318
Current tax liabilities		52,299	57,890
Deferred revenue	**20**	49	10,899
Provisions	**19**	228,877	147,566
Lease liability		809	757
Other liabilities	**21**	927,625	252,150
Total current liabilities		**1,485,311**	**641,640**
Liabilities directly associated with the assets held for disposal	**29**	**59,994**	**71,489**
Total liabilities		**2,304,991**	**1,469,889**
Total equity and liabilities		**11,294,998**	**9,216,154**

These financial statements were endorsed by the Board of Directors on March 28, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

	Share capital '000 RON	Legal reserve '000 RON	Other reserves (note 18) '000 RON	Retained earnings **) '000 RON	Total '000 RON
Balance as of January 1, 2021	**385,422**	**77,084**	**2,142,857**	**5,140,902**	**7,746,265**
Result for the year	-	-	-	1,962,509	1,962,509
Allocation to dividends *)	-	-	-	(689,906)	(689,906)
Allocation to other reserves	-	-	650,228	(650,228)	-
Increase in reinvested profit reserves	-	-	50,005	(50,005)	-
Other comprehensive income for the year	-	-	-	(28,861)	(28,861)
Balance as of December 31, 2021	**385,422**	**77,084**	**2,843,090**	**5,684,411**	**8,990,007**
Balance as of January 1, 2020	**385,422**	**77,084**	**1,502,818**	**5,136,170**	**7,101,494**
Result for the year	-	-	-	1,278,885	1,278,885
Allocation to dividends *)	-	-	-	(620,530)	(620,530)
Allocation to other reserves	-	-	580,630	(580,630)	-
Increase in reinvested profit reserves	-	-	59,409	(59,409)	-
Other comprehensive income for the year	-	-	-	(13,584)	(13,584)
Balance as of December 31, 2020	**385,422**	**77,084**	**2,142,857**	**5,140,902**	**7,746,265**

*) In 2021 the Company's shareholders approved the allocation of dividends of RON 689,906 thousand (2020: RON 620,530 thousand), dividend per share being RON 1.79 (2020: RON 1.61).

**) 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, 2021 the geological quota reserve is of RON 806.840 thousand (December 31, 2020: RON 927,499 thousand).

These financial statements were endorsed by the Board of Directors on March 28, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT OF CASH FLOW

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Cash flows from operating activities		
Net profit	**1,962,509**	**1,278,885**
Adjustments for:		
Income tax expense (note 11)	239,430	169,886
Interest expense (note 9)	557	592
Income from dividends (note 4)	(28,065)	(21,097)
Unwinding of decommissioning provision (note 9, note 19)	16,182	16,407
Interest revenue (note 4)	(57,898)	(46,860)
Net loss on disposal of non-current assets (note 6)	(321)	7
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	(20,646)	24,248
Change in other provisions (note 19)	69,366	66,134
Net impairment of exploration assets (note 7, note 13)	37,046	97,695
Exploration projects written off (note 13)	33	836
Net impairment of property, plant and equipment and intangibles (note 7)	182,470	125,997
Depreciation and amortization (note 7)	393,756	370,997
Amortization of contract costs	1,626	795
Change in investments at fair value through profit and loss (note 6)	10	10
Net receivable write-offs and movement in allowances for trade receivables and other assets	(378,352)	(19,700)
Other gains and losses	6,273	-
Net movement in write-down allowances for inventory (note 6, note 15)	3,300	7,488
Liabilities written off	(810)	(368)
Subsidies income (note 20)	(9)	(7)
	2,426,457	**2,071,945**
Movements in working capital:		
(Increase)/Decrease in inventory	(65,944)	59,201
(Increase)/Decrease in trade and other receivables	(412,742)	47,383
Increase/(Decrease) in trade and other liabilities	788,724	20,914
Cash generated from operations	**2,736,495**	**2,199,443**
Interest paid	(4)	(3)
Income taxes paid	(226,210)	(211,720)
Net cash generated by operating activities	**2,510,281**	**1,987,720**

STATEMENT OF CASH FLOW

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Cash flows from investing activities		
Investment in other entities	(250)	-
Bank deposits set up and acquisition of state bonds	(3,821,852)	(2,877,758)
Bank deposits and state bonds matured	5,394,162	1,988,026
Interest received	57,854	37,565
Proceeds from sale of non-current assets	513	1,733
Receipts from disposal of other financial investments	2	-
Dividends received	28,065	21,097
Acquisition of non-current assets	(300,072)	(515,667)
Acquisition of exploration assets	(91,865)	(66,516)
Collection of lease payments	105	103
Net cash used in investing activities	**1,266,662**	**(1,411,417)**
Cash flows from financing activities		
Dividends paid	(690,027)	(620,346)
Repayment of lease liability	(1,270)	(1,184)
Subsidies reimbursed	-	(50)
Subsidies received (note 20)	94,148	115,027
Net cash used in financing activities	**(597,149)**	**(506,553)**
Net increase/(decrease) in cash and cash equivalents	**3,179,794**	**69,750**
Cash and cash equivalents at the beginning of the year	**392,857**	**323,107**
Cash and cash equivalents at the end of the year	**3,572,651**	**392,857**

These financial statements were endorsed by the Board of Directors on March 28, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
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 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).

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 (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 applicable for the first time

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 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual periods beginning on or after April 1, 2021);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after January 1, 2021);

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective for annual periods beginning on or after January 1, 2021).

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

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

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

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective for annual periods beginning on or after January 1, 2023);
- Amendments to 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);
- 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).

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:

- IFRS 17 Insurance Contracts, including Amendments to IFRS 17 (applicable to annual periods beginning on or after January 1, 2023);
- Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2022);
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual periods beginning on or after January 1, 2022);
- Annual Improvements 2018-2020 (effective for annual periods beginning on or after January 1, 2022).

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

Transactions between Company segments occur 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.

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 2021, the Company conducted an impairment test in the Upstream segment, as the conditions existing when the previous test was conducted changed; the results of the impairment test are presented in note 12.

In 2021, no indications of impairment of storage 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 2021 financial statements, assets held for disposal are the assets used in the storage activity which will be transferred to increase the subsidiary’s 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 (Agentia Nationala pentru Resurse Minerale – ANRM) approvals are obtained in order to be written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. Costs directly associated with appraisal activity, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, an impairment is recorded for the assets, until the completion of the legal steps necessary for them to be written off. When proved reserves of natural gas are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment other than exploration assets.

(2) Impairment

At each reporting date, the 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. Management believes that the estimated fair values of these instruments approximate their carrying amounts.

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

The 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).

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.

NOTES TO THE FINANCIAL STATEMENTS

3. REVENUE AND OTHER INCOME

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Revenue from gas sold - own production	4,693,949	3,235,949
Revenue from gas sold – other arrangements	27,456	66,915
Revenue from gas acquired for resale	330,309	15,545
Revenue from electricity	321,611	189,294
Revenue from services	186,716	288,328
Revenue from sale of goods	53,955	18,189
Other revenues from contracts	384	366
Total revenue from contracts with customers	**5,614,380**	**3,814,586**
Revenues from rental activities (see below)	110,834	111,448
Total revenue	**5,725,214**	**3,926,034**
Other operating income *)	169,567	25,378
Total revenue and other income	**5,894,781**	**3,951,412**

*) 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, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Income from dividends	28,065	21,097
Interest income	57,898	46,860
Total	**85,963**	**67,957**

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

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Consumables used	37,406	31,390
Technological consumption	26,817	14,541
Cost of gas acquired for resale, sold	246,819	7,650
Cost of electricity imbalance	33,867	10,375
Cost of other goods sold	901	590
Other consumables	4,639	3,698
Total	**350,449**	**68,244**

6. OTHER GAINS AND LOSSES

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Forex gain	45	52
Forex loss	(308)	(279)
Net gain/(loss) on disposal of non-current assets	321	(7)
Net allowances for other receivables (note 16 c)	28,369	2,151
Net write down allowances for inventory (note 15)	(3,300)	(7,488)
Net gain/(loss) on financial assets at fair value through profit or loss	(10)	(10)
Other gains and losses	(6,273)	-
Losses from other debtors	(6)	(2)
Total	**18,838**	**(5,583)**

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Depreciation and amortization	393,756	370,997
out of which:		
- depreciation of property, plant and equipment	389,070	368,193
- amortization of intangible assets	3,851	1,977
- amortization of write-of use assets	835	827
Net impairment of non-current assets	219,516	223,692
Total depreciation, amortization and impairment	**613,272**	**594,689**

8. EMPLOYEE BENEFIT EXPENSE

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Wages and salaries	735,649	733,979
Social security charges	25,880	26,132
Meal tickets	22,829	21,260
Other benefits according to collective labor contract	21,302	19,138
Private pension payments	10,454	10,791
Private health insurance	6,479	5,980
Total employee benefit costs	**822,593**	**817,280**
Less, capitalized employee benefit costs	(128,269)	(120,762)
Total employee benefit expense	**694,324**	**696,518**

9. FINANCE COSTS

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Interest expense	557	592
Unwinding of the decommissioning provision (note 19)	16,182	16,407
Total	**16,739**	**16,999**

10. OTHER EXPENSES

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Energy and water expenses	19,010	16,322
Expenses for capacity booking and gas transmission services	145,177	167,937
Expenses with other taxes and duties *)	2,004,377	623,012
(Net gain)/Net loss from provisions movement (note 19)	48,720	90,382
Gas storage services	69,658	67,757
Other operating expenses **)	259,496	198,046
Total	**2,546,438**	**1,163,456**

*) In the year ended December 31, 2021, the major taxes and duties included in the amount of RON 2,004,377 thousand (year ended December 31, 2020: RON 623,012 thousand) are:

- RON 1,257,998 thousand represent windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 with the subsequent amendments for the implementation of the windfall tax following the deregulation of prices in the natural gas sector (year ended December 31, 2020: RON 414,943 thousand);
- RON 740,008 thousand represent royalty on gas production (year ended December 31, 2020: RON 186,857 thousand).

**) The increase in other operating expenses compared to 2020 is mainly due to the increase in expenditure on greenhouse gas emission certificates (RON 121,583 thousand in 2021, compared to RON 24,208 thousand in 2020). The expense of RON 121,583 thousand in 2021 was partially offset by releasing to income the provision set up for these certificates on December 31, 2020 of RON 81,217 thousand (note 19) (2020: the expense of RON 24,208 thousand was offset by releasing to income the provision set up on December 31, 2019 of RON 23,410 thousand).

11. INCOME TAX

	Year ended December 31, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Current tax expense	228,911	210,174
Deferred income tax (income)/expense	10,519	(40,288)
Income tax expense	**239,430**	**169,886**

The tax rate used for the reconciliations below for the year ended December 31, 2021, respectively year ended December 31, 2020 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, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Accounting profit before tax	**2,201,939**	**1,448,771**
(Profit)/loss activities not subject to income tax	3,806	6,298
Accounting profit subject to income tax	**2,205,745**	**1,455,069**
Income tax expense calculated at 16%	352,919	232,811
Effect of income exempt of taxation	(112,807)	(71,772)
Effect of expenses that are not deductible in determining taxable profit	39,260	85,643
Effect of current income tax reduction, due to tax facilities	(19,906)	(10,424)
Effect of tax incentive for reinvested profit	(8,001)	(9,506)
Effect of the benefit from tax credits, used to reduce current tax expense	30,505	27,374
Effect of deferred tax relating to the origination and reversal of temporary differences	(24,479)	(56,239)
Effect of the benefit from tax credits, used to reduce deferred tax expense	(18,061)	(34,924)
Effect of the previous year tax expenses	-	6,923
Income tax expense	**239,430**	**169,886**

NOTES TO THE FINANCIAL STATEMENTS

Components of deferred tax (asset)/liability:

	December 31, 2021		December 31, 2020	
	Cumulative temporary differences	**Deferred tax (asset)/ liability**	**Cumulative temporary differences**	**Deferred tax (asset)/ liability**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**
Provisions	(596,010)	(95,361)	(671,907)	(107,505)
Property, plant and equipment	(187,193)	(29,951)	88,006	14,081
Exploration assets *)	(610,253)	(97,640)	(828,989)	(132,638)
Financial investments	(977)	(156)	(977)	(156)
Inventory	(33,205)	(5,313)	(29,817)	(4,771)
Receivables and other assets	(372,912)	(59,666)	(395,488)	(63,279)
Total	**(1,800,550)**	**(288,087)**	**(1,839,172)**	**(294,268)**
Assets held for disposal	167,077	26,732	184,986	29,598
Liabilities directly associated with Assets held for disposal	(39,598)	(6,336)	(50,269)	(8,044)
Total for assets held for disposal and associated liabilities	**127,479**	**20,396**	**134,717**	**21,554**
Total General	**(1,673,071)**	**(267,691)**	**(1,704,455)**	**(272,714)**
Change, out of which:		**(5,023)**		**42,876**
- In current year's result		(10,519)		40,288
- in other comprehensive income		5,496		2,588

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

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	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.*

	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, 2020	**88,688**	**686,882**	**6,730,173**	**841,835**	**91,016**	**206,470**	**402,445**	**1,794,140**	**10,841,649**
Additions	8,049	1	130,268	7	-	-	66,516	522,699	727,540
Transfers	-	3,510	259,441	81,377	8,731	-	(4,690)	(348,369)	-
Assets held for disposal	-	-	-	-	-	7,338	-	-	7,338
Disposals	-	(1,342)	(16,051)	(8,928)	(286)	(421)	(130,665)	(58,493)	(216,186)
As of December 31, 2020	**96,737**	**689,051**	**7,103,831**	**914,291**	**99,461**	**213,387**	**333,606**	**1,909,977**	**11,360,341**
Accumulated depreciation									
As of January 1, 2020	**-**	**266,495**	**4,022,145**	**585,471**	**71,643**	**7,565**	**-**	**-**	**4,953,319**
Depreciation *)	-	22,928	306,002	51,014	5,700	4,200	-	-	389,844
Disposals	-	(839)	(3,014)	(8,882)	(286)	(4,000)	-	-	(17,021)
As of December 31, 2020	**-**	**288,584**	**4,325,133**	**627,603**	**77,057**	**7,765**	**-**	**-**	**5,326,142**
Impairment									
As of January 1, 2020	**3,180**	**32,353**	**493,729**	**80,464**	**1,121**	**2,757**	**245,532**	**246,618**	**1,105,754**
Charge	-	1,664	85,085	557	76	(11,341)	100,189	106,850	283,080
Transfers	-	-	25,804	2,374	-	-	-	(28,178)	-
Assets held for disposal	-	-	-	-	-	11,341	-	-	11,341
Release	-	(382)	(50,993)	(400)	(19)	(656)	(132,323)	(69,366)	(254,139)
As of December 31, 2020	**3,180**	**33,635**	**553,625**	**82,995**	**1,178**	**2,101**	**213,398**	**255,924**	**1,146,036**
Carrying value									
As of January 1, 2020	**85,508**	**388,034**	**2,214,299**	**175,900**	**18,252**	**196,148**	**156,913**	**1,547,522**	**4,782,576**
As of December 31, 2020	**93,557**	**366,832**	**2,225,073**	**203,693**	**21,226**	**203,521**	**120,208**	**1,654,053**	**4,888,163**

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 21,649 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

Based on the current market conditions (significant increase in prices, but also in costs with royalties and windfall tax), the Company considered there are major changes in the assumptions used in the previous impairment test on upstream assets.

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

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

Following the impairment test, there was no additional impairment was recorded and there was no decrease of previously recognized impairment losses.

In the impairment test the following assumptions were used:

- Weighted average cost of capital: 10%;
- The inflation rate for the years 2022-2024 was the one reported by the National Prognosis Commission in the 2021-2025 mid-term forecast, 2021 autumn edition. For the 2025-2043 period a constant inflation rate of 2.6% was used;
- Average estimated price for the period was 190.64 lei/MWh.

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, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Exploration assets written off	(33)	(836)
Seismic, geological, geochemical studies	(1,164)	(25,673)
Exploration expenses	**(1,197)**	**(26,509)**
Net movement in exploration assets' impairment (net income)/net loss	37,046	97,695
Net cash used in exploration investing activities	(91,865)	(66,516)

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Exploration assets (note 12)	174,855	120,208
Liabilities	(7,904)	(5,285)
Net assets	**166,951**	**114,923**

14. OTHER INTANGIBLE ASSETS. RIGHT OF USE ASSETS

a) Other intangible assets

	2021 '000 RON	2020 '000 RON
Cost		
As of January 1	**184,834**	**184,797**
Additions	5,110	7,877
Disposals	(22,803)	(7,840)
As of December 31	**167,141**	**184,834**
Accumulated amortization		
As of January 1	**170,804**	**176,667**
Charge	3,851	1,977
Disposals	(22,777)	(7,840)
As of December 31	**151,878**	**170,804**
Carrying value		
As of January 1	**14,030**	**8,130**
As of December 31	**15,263**	**14,030**

b) Right of use assets

	2021 '000 RON	2020 '000 RON
Cost		
As of January 1	**8,887**	**8,657**
Effects of rent index updates	132	230
As of December 31	**9,019**	**8,887**
Accumulated amortization		
As of January 1	**1,445**	**618**
Charge	835	827
As of December 31	**2,280**	**1,445**
Carrying value		
As of January 1	**7,442**	**8,039**
As of December 31	**6,739**	**7,442**

15. INVENTORIES

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Spare parts and materials	156,144	155,965
Finished goods (gas)	189,594	123,638
Other inventories	867	681
Write-down allowance for spare parts and materials	(53,548)	(50,335)
Write-down allowance for other inventories	(91)	(4)
Total	**292,966**	**229,945**

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Trade receivables	1,747,458	1,553,276
Allowances for expected credit losses (note 16 c)	(924,030)	(1,279,164)
Accrued receivables	519,529	302,855
Allowances for expected credit losses on accrued receivables (note 16 c)	(7,839)	(2,694)
Total	**1,335,118**	**574,273**

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, 2021 '000 RON	December 31, 2020 '000 RON
Advances paid to suppliers	109	7,934
Joint operation receivables	8,201	2,384
Other receivables *)	47,103	63,638
Allowance for expected credit losses other receivables (note 16 c) *)	(186)	(28,981)
Other debtors	49,922	50,072
Allowances for expected credit losses for other debtors (note 16 c)	(49,442)	(49,016)
Prepayments	5,368	5,719
VAT not yet due	5,404	4,269
Other taxes receivable	6	6
Total	**66,485**	**56,025**

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

Following the tax inspection, an additional liability was established for Romgaz of RON 22,440 thousand, representing income tax, VAT, penalties and related interest. Of the total amount, Romgaz paid RON 2,389 thousand.

For the remaining amount of RON 20,051 thousand, Romgaz performed a legal assessment which concluded that the additional tax, penalties and interest are not correct. Romgaz filed an appeal to the Ministry of Public Finance. The appeal was partially rejected for the amount of RON 15,872 thousand.

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

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

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

In 2019, the Company won some of the points claimed in the case filed against ANAF and the allowance of RON 18,499 thousand was reversed against income. The Company recovered this amount in 2021..

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. By the date of these financial statements, the court's decision was not communicated, therefore the Company could not initiate recovery proceedings.

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

	2021	2020
	'000 RON	'000 RON
At January 1	**1,359,855**	**1,379,557**
Charge in the allowance for other receivables (note 6)	1,402	2,792
Charge in the allowance for trade receivables	32,529	61,595
Release in the allowance for other receivables (note 6)	(29,771)	(4,943)
Release in the allowance for trade receivables *)	(382,518)	(79,146)
At December 31	**981,497**	**1,359,855**

*) In 2022, the Company collected RON 324,733 thousand from the old receivable from Electrocentrale Bucuresti, thus reducing the allowance recorded as of December 31, 2021.

As of December 31, 2021, the Company recorded allowances for doubtful debts, of which Interagro RON 264,529 thousand (December 31, 2020: RON 271,621 thousand), GHCL Upsom of RON 68,103 thousand (December 31, 2020: RON 68,103 thousand), CET Iasi of RON 46,271 thousand (December 31, 2020: RON 46,271 thousand), Electrocentrale Galati with RON 192,342 thousand (December 31, 2020: RON 226,338 thousand), Electrocentrale Bucuresti with RON 252,225 thousand (December 31, 2020: RON 576,080 thousand), G-ON EUROGAZ of RON 14,848 thousand (December 31, 2020: RON 14,848 thousand) and Electrocentrale Constanta of RON 60,766 thousand (December 31, 2020: RON 58,227 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, 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**

December 31, 2020	Gross carrying amount	Expected credit loss rate	Lifetime expected credit losses
	'000 RON	%	'000 RON
Current receivables, including accrued receivables	573,446	0.91	5,210
less than 30 days overdue	5,878	9.22	542
30 to 90 days overdue	4,877	86.57	4,222
90 to 360 days overdue	23,890	99.81	23,844
over 360 days overdue	1,248,040	100.00	1,248,040
Total trade receivables	**1,856,131**		**1,281,858**

17. SHARE CAPITAL

	December 31, 2021	December 31, 2020
	'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, 2021 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	96,615,074	96,615	25.07
Physical persons	18,984,246	18,984	4.92
Total	**385,422,400**	**385,422**	**100**

All shares are ordinary and were subscribed and fully paid as at December 31, 2021. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2020: RON 1/share).

18. RESERVES

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Legal reserves	77,084	77,084
Other reserves, of which:	2,843,090	2,142,857
- Company's development fund	2,003,275	1,353,047
- Reinvested profit	333,702	283,697
- Geological quota set up until 2004	486,388	486,388
- Other reserves	19,725	19,725
Total	**2,920,174**	**2,219,941**

19. PROVISIONS

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Decommissioning provision (note 19 a)	377,157	493,176
Retirement benefit obligation (note 19 c)	144,880	119,432
Total long term provisions	**522,037**	**612,608**
Decommissioning provision (note 19 a)	20,882	17,846
Litigation provision (note 19 b)	3,554	1,380
Other provisions *) (note 19 b)	204,441	128,340
Total short term provisions	**228,877**	**147,566**
Total provisions	**750,914**	**760,174**

*) On December 31, 2021, other provisions of RON 204,441 thousand include the provision for employee's participation to profit of RON 35,777 thousand (December 31, 2020: RON 33,848 thousand), the provision for taxes of RON 7,161 thousand (December 31, 2020: RON 6,716 thousand) and the provision for CO2 certificates of RON 154,904 thousand (December 31, 2020: RON 81,217 thousand).

a) Decommissioning provision

(i) Decommissioning provision movement for non-current assets

	2021 '000 RON	2020 '000 RON
At January 1	**511,022**	**345,724**
Additional provision recorded against non-current assets	9,209	130,094
Unwinding effect (note 9)	14,825	14,860
Recorded in profit or loss	(20,588)	24,130
Change recorded against non-current assets	(116,429)	(3,786)
At December 31	**398,039**	**511,022**

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 5.14% (year ended December 31, 2020: 2.97%). 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 77,109 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 102,191 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 103,485 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 79,168 thousand.

(ii) Decommissioning provision movement for assets held for disposal

	2021 '000 RON	2020 '000 RON
At January 1	**49,935**	**38,512**
Additional provision recorded against assets held for disposal	1,702	9,843
Unwinding effect (note 9)	1,357	1,547
Recorded in profit or loss	(58)	118
Change recorded against assets held for disposal	(13,338)	(85)
At December 31	**39,598**	**49,935**

b) Other provisions

	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**

	Litigation provision '000 RON	Other provisions '000 RON	Total '000 RON
At January 1, 2020	**1,337**	**59,351**	**60,688**
Additional provision recorded in the result of the period	730	142,034	142,764
Provisions used in the period	(684)	(71,618)	(72,302)
Unused amounts during the period, reversed	(3)	(1,427)	(1,430)
At December 31, 2020	**1,380**	**128,340**	**129,720**

c) Retirement benefit obligation

Movement for retirement benefit obligation	2021 '000 RON	2020 '000 RON
At January 1	**119,432**	**106,158**
Interest cost	3,721	2,441
Current service cost	5,547	5,438
Payments during the year	(18,177)	(10,777)
Actuarial (gain)/loss of the period	34,357	16,172
At December 31	**144,880**	**119,432**

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: 5%;
- Average inflation rate: 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	(13,694)	15,914
Salaries' growth rate	15,993	(13,991)

Maturity analysis of payment cash flows

	Benefit payments '000 RON
Up to 1 year	8,659
1-2 years	8,148
2-5 years	31,859
5-10 years	80,837
Over 10 years	391,421

20. DEFERRED REVENUE

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Amounts collected from NIP *)	230,169	136,021
Other deferred revenue	157	167
Other amounts received as subsidies	112	120
Total long term deferred revenue	**230,438**	**136,308**
Other amounts received as subsidies	7	8
Other deferred revenue	42	10,891
Total short term deferred revenue	**49**	**10,899**
Total deferred revenue	**230,487**	**147,207**

*) 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, Romgaz signed a financing agreement with the Ministry of Energy in 2017, 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, 2021 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. 669/2021 the deadline until the investments financed from the National Investment Plan must be put into operation has been extended until June 30, 2022.

Until December 31, 2021, 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 in the process of identifying solutions for completing the works.

	Amounts collected from NIP '000 RON	Other amounts received as subsidies '000 RON	Total '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**

	Amounts collected from NIP '000 RON	Other amounts received as subsidies '000 RON	Total '000 RON
At January 1, 2020	**20,994**	**185**	**21,179**
Received	115,027	-	115,027
Other decreases (reimbursements)	-	(50)	(50)
Amounts in revenue	-	(7)	(7)
At December 31, 2020	**136,021**	**128**	**136,149**

21. TRADE AND OTHER CURRENT LIABILITIES

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Accruals	28,123	28,268
Trade payables	23,830	27,315
Payables to fixed assets suppliers	19,315	35,477
Total trade payables	**71,268**	**91,060**
Payables related to employees	39,487	63,452
Royalties	397,887	60,714
Social security taxes	31,668	24,341
Other current liabilities	7,413	5,711
VAT	84,764	62,740
Dividends payable	1,116	2,047
Windfall tax	363,996	31,842
Other taxes	1,294	1,303
Total other liabilities	**927,625**	**252,150**
Total trade and other liabilities	**998,893**	**343,210**

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.

As at December 31, 2021, the official exchange rates were RON 4.3707 to USD 1 and RON 4.9481 to EUR 1 and (December 31, 2020: RON 3.9660 to USD 1 and RON 4.8694 to EUR 1).

The Company is mainly exposed to currency risk generated by EUR and USD against RON. The currency risk is not significant, as the Company has limited foreign exchange transactions.

(ii) *Inflation risk*

The official inflation rate in Romania, during the year ended December 31, 2021 was under 10% as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy.

(iii) *Interest rate risk*

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

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the 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 client, which amounts to 90.91% of net trade receivable balance at December 31, 2021 (top 4 clients: 85.14% as of December 31, 2020).

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. In respect of these clients, the Company makes estimates of the lifetime expected credit losses and records appropriate impairment losses.

Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the 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.

NOTES TO THE FINANCIAL STATEMENTS

(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. 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.

e) Maturity analysis for financial assets and financial liabilities at amortized cost

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**

December 31, 2020	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	138,091	135,993	28	-	-	274,112
Bank deposits	137,000	371,259	397,157	-	-	905,416
Treasury bonds	-	270,000	797,505	-	-	1,067,505
Total	**275,091**	**777,252**	**1,194,690**	**-**	**-**	**2,247,033**
Trade payables	(60,271)	(2,519)	(2)	-	-	(62,792)
Lease liabilities	(57)	(144)	(556)	(3,364)	(4,480)	(8,601)
Total	**(60,328)**	**(2,663)**	**(558)**	**(3,364)**	**(4,480)**	**(71,393)**
Net	**214,763**	**774,589**	**1,194,132**	**(3,364)**	**(4,480)**	**2,175,640**

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, 2021 '000 RON	Year ended Dec 31, 2020 '000 RON
Subsidiaries *)	116,086	117,322
Associates	21,858	17,584
Total	**137,944**	**134,906**

*) Of RON 116,086 thousand representing revenue obtained from transactions with subsidiaries, RON 103,300 thousand relate to rental revenues (2020: RON 104,045 thousand).

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

ii. Purchase of goods and services

	Year ended Dec 31, 2021 '000 RON	Year ended Dec 31, 2020 '000 RON
Subsidiaries	69,658	67,757
Total	**69,658**	**67,757**

iii. Trade receivables

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Subsidiaries	11,131	15,371
Total	**11,131**	**15,371**

iv. Trade payables

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Subsidiaries	5,663	8,389
Total	**5,663**	**8,389**

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, 2021 and December 31, 2020, 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, 2021 '000 RON	Year ended December 31, 2020 '000 RON
Salaries paid to executives (gross)	15,728	15,509
of which, bonuses (gross)	1,191	775
Remuneration paid to directors (gross)	1,580	1,629
of which, variable component (gross)	-	-

	December 31, 2021 '000 RON	December 31, 2020 '000 RON
Salaries payable to executives	616	520
Salaries payable to directors	80	81

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, 2021	December 31, 2020
SNGN ROMGAZ SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL	Natural gas storage	Romania	100	100

	Cost at December 31, 2021 '000 RON	Cost at December 31, 2020 '000 RON
SNGN ROMGAZ SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiesti SRL	66,056	66,056
Total	**66,056**	**66,056**

b) Investment in associates

Name of associate	Main activity	Place of incorporation and operation	Proportion of interest held (%)	
			December 31, 2021	December 31, 2020
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, 2021	Impairment as of December 31, 2021	Carrying value as of December 31, 2021	Cost as of December 31, 2020	Impairment as of December 31, 2020	Carrying value as of December 31, 2020
	'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, 2021	Proportion of ownership interest and voting power held (%) December 31, 2020
Electrocentrale București S.A.	Electricity and thermal power producer	Romania	2.49	2.49
Patria Bank S.A.	Other activities – financial intermediations	Romania	0.03	0.03
Mi Petrogas Services S.A.	Services related to oil and natural gas extraction, excluding prospections	Romania	10	10
GHCL Upsom	Manufacture of other chemical, anorganic base products	Romania	-	4.21
Lukoil association	Petroleum exploration operations	Romania	12.2	12.2
Electricity Producers Association-HENRO	Non-governmental, non-profit, independent association	Romania	33.33	-

Company	Fair value as of December 31, 2021 '000 RON	Fair value as of December 31, 2020 '000 RON
Electrocentrale București S.A. *)	-	-
Patria Bank S.A.**)	79	91
Mi Petrogas Services S.A.	60	60
GHCL Upsom	-	-
Lukoil association	5,227	5,227
Electricity Producers Association-HENRO	250	-
Total	**5,616**	**5,378**

*) The fair value of the investment in Electrocentrale Bucuresti at December 31, 2021 was reduced to zero, due to the difficulties encountered in implementing the restructuring plan in the insolvency procedure. The investment in Electrocentrale Bucuresti is not quoted.

**) 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, 2021 '000 RON	December 31, 2020 '000 RON
Current bank accounts in RON *)	70,458	101,014
Current bank accounts in foreign currency	326	174
Petty cash	46	53
Term deposits in RON	3,500,287	289,203
Restricted cash **)	1,534	2,412
Amounts under settlement	-	1
Total	**3,572,651**	**392,857**

*) Current bank accounts include overnight deposits.

**) At December 31, 2021 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, 2021 '000 RON	December 31, 2020 '000 RON
Treasury bonds in RON	90,070	1,045,593
Bank deposits in RON	288,629	905,416
Accrued interest receivable on bank deposits	11,720	2,586
Accrued interest on bonds	1,940	21,912
Total other financial assets	**392,359**	**1,975,507**

29. 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, 2021 and December 31, 2020. 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, 2021 '000 RON	December 31, 2020 '000 RON
Property, plant and equipment	693,020	710,929
Other intangible assets	15	15
Assets held for disposal	**693,035**	**710,944**
Provisions	39,598	49,935
Deferred tax liabilities	20,396	21,554
Liabilities directly associated with the assets held for disposal	**59,994**	**71,489**
Net assets directly associated with the disposal group	**633,041**	**639,455**

30. COMMITMENTS UNDERTAKEN

	December 31, 2021	December 31, 2020
	'000 RON	'000 RON
Endorsements and collaterals granted	62,947	224,063
Total	**62,947**	**224,063**

In 2021, 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 350,000 thousand. On December 31, 2021 are still available for use RON 289,745 thousand.

As of December 31, 2021, the Company's contractual commitments for the acquisition of non-current assets are of RON 264,129 thousand (December 31, 2020: RON 379,808 thousand).

31. COMMITMENTS RECEIVED

	December 31, 2021	December 31, 2020
	'000 RON	'000 RON
Endorsements and collaterals received	1,251,309	1,508,192
Total	**1,251,309**	**1,508,192**

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

32. CONTINGENCIES

(a) *Litigations*

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

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

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

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

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

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

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

At the date of endorsement of these financial statements the case in which Romgaz is a civil party a ruled by the High Court of Cassation and Justice. By the date the financial statements were endorsed for issue, no court decision was issued.

(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, 2021 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 437,637 thousand (December 31, 2020: RON 560,958 thousand), representing the decommissioning liability.

33. JOINT ARRANGEMENTS

In January 2002, Romgaz signed a petroleum agreement with Amromco for rehabilitation operations in order to achieve additional production in 11 blocks, namely: Bibeşti, Strâmba, Finta, 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.

34. 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 2021 annual financial statements is RON 350 thousand.

The fees charged for other assurance services in 2021 are RON 300 thousand.

35. EVENTS AFTER THE BALANCE SHEET DATE

In the context of the conflict between Russia and Ukraine, started on February 24, 2022, the EU, USA, UK and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies as well as personal sanctions against a number of individuals.

Considering the geopolitical tensions, since February 2022, there has been an increase in financial markets volatility and exchange rate depreciation pressure.

It is expected that these events may affect the activities in various sectors of the economy, could result in further increases in European energy prices and increased risk of supply chain disturbances.

The Company does not have direct exposures to related parties and/or key customers or suppliers from those countries.

The Company regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. Currently, the Company's management is analyzing the possible impact of changing micro- and macroeconomic conditions on the Company's financial position and results of operations.

36. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on March 28, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT
in accordance with the provisions of art. 65 (2) c) of Law No. 24/2017
regarding issuers of financial instruments and market operations

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,
ARISTOTEL MARIUS JUDE as Chief Executive Officer and
RAZVAN POPESCU as Chief Financial Officer,

hereby confirm that according to our knowledge, the annual financial statements for the year ended December 31, 2021, 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,
ARISTOTEL MARIUS JUDE

Chief Financial Officer,
RAZVAN POPESCU