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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SNGN ROMGAZ S.A.

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SNGN ROMGAZ S.A. (the Company) and its subsidiary (together "the Group") with official head office in Mediaş, Piaţa Constantin I. Moţaş. 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, 2020, 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, 2020 and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

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

Key audit matters

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

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

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

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

Key audit matter	How our audit addressed the key audit matter
<p>Estimation of gas reserves used in impairment testing and the calculation of depreciation and amortisation</p> <p>The Group’s disclosures about estimation of gas reserves are included in Note 2 (Use of Estimates) to the financial statements.</p>	
<p>Estimation of the gas reserves is a focus area in our audit because it has a significant impact on the financial statements, as the reserves are the basis for production estimates used in the Group’s cash flow forecasts for impairment testing and they are also the basis for unit of production depreciation and amortization for the core assets in the Upstream segment.</p>	<p>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:</p> <ul style="list-style-type: none"> - 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.

Impairment testing of production assets in the Upstream Gas segment

The Group's disclosures about its impairment testing are included in Note 2 (Use of estimates) and in Note 12 (Property, Plant and Equipment) to the financial statements

The impairment test is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions. Furthermore, as at 31 December 2020 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 2,225 million as at 31 December 2020, is significant.

In respect of impairment testing, our work included, but was not limited to, the following procedures:

- We analysed and evaluated the management's assessment of the existence of impairment indicators (triggering events);
- We reviewed the allocation of the carrying value of common infrastructure and corporate assets to each CGU (field)
- We evaluated the management's assessment of the recoverability of the carrying value of property, plant and equipment of the cash generating unit for which triggering events were identified;

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 brought by new legislation in 2020, as well as recent changes in market conditions due to Covid-19 pandemic effects, constitute impairment indicators and, consequently, has carried out an impairment test for the production assets in the Upstream Gas segment which resulted in no additional impairment being recognised.

Considering the above, we determined that Impairment testing of production assets 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 from impairment test as of 31 December 2020 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 projection considering the recent changes brought by new legislation in 2020, as well as changes in market conditions due to Covid-19 pandemic;
- 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 538.9 million at 31 December 2020) 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 benchmarking 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 for mining activities and the Corporate Governance Statement), and Corporate responsibility and sustainability report but does not include the consolidated financial statements and our auditors' report thereon. We obtained the Annual Report prior to the date of our auditor's report, and we expect to obtain the Corporate responsibility and sustainability report, as part of a separate report, after the date of our auditor's report. 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, we have read the Report and report that:

- a) in the Directors' Consolidated Report we have not identified information which is not consistent, in all material respects, with the information presented in the Group consolidated financial statements as at December 31, 2020;
- 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, 2020, we have not identified information included in the Directors' Consolidated Report that contains a material misstatement of fact.

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

Appointment and Approval of Auditor

We were appointed as auditors of the Group by the General Meeting of Shareholders on 06 December 2018 to audit the consolidated financial statements for the financial year ended December 31, 2020. Total uninterrupted engagement period, for the statutory auditor, has lasted for three years, covering the years ended December 31, 2018, 2019 and 2020.

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 23 March 2021.

Provision of Non-audit Services

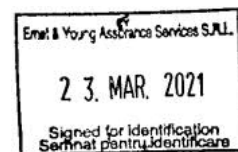
No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.

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

On behalf of

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Registered in the electronic Public Register under No. FA77



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

Bucharest, Romania
23 March 2021