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

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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	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**	**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.

NOTES TO THE FINANCIAL STATEMENTS

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).

NOTES TO THE FINANCIAL STATEMENTS

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 '000 RON	Deferred tax (asset)/ liability '000 RON	Cumulative temporary differences '000 RON	Deferred tax (asset)/ liability '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.*

NOTES TO THE FINANCIAL STATEMENTS

Impairment of property, plant and equipment

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

Impairment of assets in the Upstream segment

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	2020
	'000 RON	'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	2020
	'000 RON	'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 '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 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**

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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

	Amounts collected from NIP	Other amounts received as subsidies	Total
	'000 RON	'000 RON	'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	December 31, 2020
	'000 RON	'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	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	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	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	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**

NOTES TO THE FINANCIAL STATEMENTS

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	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	Fair value as of December 31, 2020
	'000 RON	'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	December 31, 2020
	'000 RON	'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	**Răzvan Popescu**
Chief Executive Officer	Chief Financial Officer