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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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

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STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

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

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

Răzvan Popescu
Chief Executive Officer

Gabriela Trânbițaș
Chief Financial Officer

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

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

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

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

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

Răzvan Popescu
Chief Executive Officer

Gabriela Trânbițaș
Chief Financial Officer

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY

	Share capital	Legal reserve	Other reserves (note 18)	Retained earnings **)	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2022	**385,422**	**85,250**	**2,913,725**	**5,596,756**	**8,981,153**
Profit for the year	-	-	-	2,546,712	2,546,712
Other comprehensive income for the year	-	-	-	13,305	13,305
Total comprehensive income for the year	**-**	**-**	**-**	**2,560,017**	**2,560,017**
Allocation to dividends *)	-	-	-	(1,464,605)	(1,464,605)
Increase in legal reserves	-	5,044	-	(5,044)	-
Allocation to other reserves	-	-	540,227	(540,227)	-
Increase in reinvested profit reserves	-	-	35,028	(35,028)	-
Balance as of December 31, 2022	**385,422**	**90,294**	**3,488,980**	**6,111,869**	**10,076,565**
Balance as of January 1, 2021	**385,422**	**83,537**	**2,168,372**	**5,149,919**	**7,787,250**
Profit for the year	-	-	-	1,914,987	1,914,987
Other comprehensive income for the year	-	-	-	(31,178)	(31,178)
Total comprehensive income for the year	**-**	**-**	**-**	**1,883,809**	**1,883,809**
Allocation to dividends *)	-	-	-	(689,906)	(689,906)
Increase in legal reserves	-	1,713	-	(1,713)	-
Allocation to other reserves	-	-	675,203	(675,203)	-
Increase in reinvested profit reserves	-	-	70,150	(70,150)	-
Balance as of December 31, 2021	**385,422**	**85,250**	**2,913,725**	**5,596,756**	**8,981,153**

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

**) Retained earnings include the geological quota reserve set up in accordance with the provisions of Government Decision no. 168/1998 on the establishment of the expense quota for the development and modernization of oil and natural gas production, refining, transportation and oil distribution. Following the Group's transition to IFRS, the reserve existing as of December 31, 2012 was transferred to retained earnings. This result is allocated based on the depreciation, respectively write-off of the assets financed using this source, based on decision of General Meeting of Shareholders. As of December 31, 2022 the geological quota reserve is of RON 714,512 thousand (December 31, 2021: RON 806,840 thousand).

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

Răzvan Popescu
Chief Executive Officer

Gabriela Trânbițaș
Chief Financial Officer

STATEMENT OF CONSOLIDATED CASH FLOW

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

STATEMENT OF CONSOLIDATED CASH FLOW

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

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

Răzvan Popescu
Chief Executive Officer

Gabriela Trânbițaș
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BACKGROUND AND GENERAL BUSINESS

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

The Group is formed of S.N.G.N. Romgaz S.A. ("the Company"/"Romgaz"), as parent company and its fully owned subsidiaries S.N.G.N. ROMGAZ S.A. - Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești S.R.L. ("Depogaz") and Romgaz Black Sea Limited.

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

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

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

The Group has as main activity:

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements ("financial statements") of the Group have been prepared in accordance with Ministry of Finance Order 2844/2016, with subsequent amendments, to approve accounting regulations in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (MOF 2844/2016). MOF 2844/2016, with subsequent amendments, is in accordance with the IFRS adopted by the European Union.

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

Basis of preparation

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

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

Fair value

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

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

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the asset or liability.

Basis for consolidation

Subsidiaries

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

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

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

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

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

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

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

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

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

Associated entities

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

Joint arrangements

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

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

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

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

Joint operations

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

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

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

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

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

Joint ventures

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

Standards and interpretations valid for the current period

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

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

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

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

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

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

The Group is currently evaluating the effect that the adoption of these standards, amendments or improvements to the existing standards and interpretations will have on the financial statements of the Group in the period of initial application.

Standards and interpretations issued by IASB and adopted by the EU, but not yet effective

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

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

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

Segment information

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

Specifically, the Group is organized in the following segments:

- upstream, which includes exploration activities, natural gas production and trade of gas extracted by Romgaz or acquired from domestic production or import, for resale; these activities are performed by the head office, Mediaș and Mureș branches and subsidiary Romgaz Black Sea Limited;
- storage activities, performed by subsidiary Depogaz;
- electricity production and distribution activities, performed by Iernut branch;
- other activities, such as technological transport, operations on wells and corporate activities.

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

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

Revenue recognition

a) Revenue from contracts with customers

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

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

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

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

Revenue is recognized over time if:

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

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

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

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

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

b) Other revenue

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

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

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

Contract liabilities

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

Exploration expenses

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

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

Foreign currencies

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

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

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

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

Employee benefits

Benefits granted upon retirement

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

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

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

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

Employee participation to profit

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

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

Provisions

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

Greenhouse gas provisions

The Group recognizes a provision for the deficit between actual CO_2 emissions and certificates held, measured at the best estimate of expenditure required to settle the obligation.

Provisions for decommissioning of wells

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

The Group recorded a provision for decommissioning wells.

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

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

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

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

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

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

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

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

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

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

Current and deferred tax for the period

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

Property, plant and equipment

(1) Cost

(i) Property, plant and equipment

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

(ii) Gas cushion

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

(iii) Development expenditure

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

(iv) Maintenance and repairs

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

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

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

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

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

(2) Depreciation

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

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

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

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

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

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

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

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

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

(3) Impairment

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

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

The Group’s assets are allocated to cash-generating units. The cash-generating unit is the smallest identifiable asset group that generates independent cash inflows to a large extent from cash inflows generated by other assets or asset groups. The Group considers each commercial field as a separate cash-generating unit.

All gas storages held by the Group are considered as part of a single cash-generating unit, as the tariffs are set by analyzing the storage activity as a whole, not every single storage.

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

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

Exploration and appraisal assets

(1) Cost

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

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

(2) Impairment

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

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

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

Other intangible assets

(1) Cost

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

Intangible assets are not revalued.

(2) Amortization

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

Inventories

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

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

Financial assets and liabilities

The Group's financial assets include cash and cash equivalents, trade receivables, other receivables, bank deposits and bonds with a maturity from acquisition date of over three months and other investments in equity instruments.

Financial liabilities include interest-bearing bank borrowings and overdrafts and trade and other payables.

For each item, the accounting policies on recognition and measurement are disclosed in this note.

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

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

The loss allowance on trade receivables resulting from transactions that are subject to IFRS 15 is measured at an amount equal to lifetime expected credit losses. The Group considers the risk or probability of a default occurring, reflecting the possibility of a default to occur or not to occur, even if the possibility of a credit loss is very low.

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

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

De-recognition of financial assets and liabilities

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

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

Reserves

Reserves include (note 18):

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

Subsidies

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

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

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

Subsidies are not recognized until there is reasonable assurance that:

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

(b) subsidies will be received.

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

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

Use of estimates

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

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

Estimates related to impairment losses on trade receivables

At each period end, the Group evaluates the risks attached to current and overdue receivables and the probability of such risks to materialize. The Group's receivables are generally due in maximum 30 days from the date of issue. However, the Group may be forced by court decisions to sell gas to insolvent clients deemed "captive" according to insolvency legislation. Invoices issued to these clients for gas delivered are due in 90 days from the date of issue. Based on the information available at period end related to such clients and previous experience, the Group estimates the lifetime expected credit loss of receivables, both current and overdue, and records appropriate impairment losses (note 16).

Estimates related to the exploration expenditure on undeveloped fields

If field works prove that the geological structures are not exploitable from an economic point of view or that they do not have hydrocarbon resources available, an impairment is recorded. The impairment assessment is performed based on geological experts' technical expertise (note 7).

Estimates related to the developed proved reserves

The Group applies the depreciation method based on the unit of production in order to reflect in the income statement an expense proportionate with the production obtained from the total natural gas reserve at the beginning of the period. According to this method, the value of each production well is depreciated according to the ratio of the natural gas quantity extracted during the period compared to the gas reserve at the beginning of the period. The gas reserves are updated annually according to internal assessments that are based on certifications of ANRM (note 7).

Estimates related to the decommissioning provision

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

This provision is computed based on the estimated future expenditure determined in accordance with local conditions and requirements and it is brought to present value using the interest rate on long term treasury bonds. The rate and estimated decommissioning costs are updated annually (note 19).

Estimates related to the retirement benefit obligation

Under the Collective Labor Agreement, the Group is obliged to pay to its employees when they retire a multiplicator of the gross salary, depending on the seniority within the gas industry/electricity industry, working conditions etc. This provision is updated annually and calculated based on actuarial methods to estimate the average wage, the average number of employees to pay at retirement, the estimate of the period when they will be paid and brought to present value using a discount factor based on interest on investments with the highest degree of safety (government bonds) (note 19).

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

Contingencies

By their nature, contingencies end only when one or more uncertain future events occur or not. In order to determine the existence and the potential value of a contingent element, is required to exercise the professional judgment and the use of estimates regarding the outcome of future events (note 34).

Fair value of financial instruments

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

Comparative information

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

3. REVENUE AND OTHER INCOME

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

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

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

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

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

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

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

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

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

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

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

4. INVESTMENT INCOME

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Interest income	176,979	58,403
Total	**176,979**	**58,403**

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

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

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

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

6. OTHER GAINS AND LOSSES

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

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

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

8. EMPLOYEE BENEFIT EXPENSE

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

9. FINANCE COSTS

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

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

10. OTHER EXPENSES

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

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

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

- RON 4,903,849 thousand representing windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 with the subsequent amendments for the implementation of the windfall tax following the deregulation of prices in the natural gas sector (year ended December 31, 2021: RON 1,257,998 thousand);
- in 2022, electricity producers were charged with an 80% windfall tax on prices in excess of RON 450/MWh (April, 2022 – August, 2022) followed by a 100% contribution to the Energy Transition Fund on prices in excess of RON 450/MWh (September, 2022 to date); some deductions were allowed in determining the two taxes. These taxes amount to RON 403,801 thousand. The Group expects the 2023 contribution to be minimal, due to a regulated price of RON 450/MWh at which electricity produced by the Group must be sold;
- RON 1,640,082 thousand representing royalty on gas production and storage activity (year ended December 31, 2021: RON 749,411 thousand).

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

11. INCOME TAX

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

a) Current and deferred income tax

The tax rate used for the reconciliations below for the year ended December 31, 2022, respectively year ended December 31, 2021 is 16% payable by corporate entities in Romania on taxable profits.

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

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

Components of deferred tax (asset)/liability:

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

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

b) Solidarity contribution

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

12. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Impairment of property, plant and equipment

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

Impairment of assets in the Upstream segment

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

13. EXPLORATION AND APPRAISAL FOR NATURAL GAS RESOURCES

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

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

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

14. OTHER INTANGIBLE ASSETS. RIGHT OF USE ASSETS

a) Other intangible assets

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

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

b) Right of use assets

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

15. INVENTORIES

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

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

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

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

The Group is forced by court orders to sell gas to insolvent clients considered “captive” by the insolvency law. These clients provide no guarantees, do not pay for deliveries in advance and have a payment term of 90 days from invoice issue date.

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

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

b) Other assets

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

*) During the period December 2016 - April 2017 ANAF resumed the tax inspection on VAT for the period December 2010 – June 2011 and on income tax for the period January 2010 – December 2011, regarding the discounts granted by Romgaz to interruptible clients for deliveries during 2010 - 2011. This status was attributed to companies by Transgaz, the Romanian natural gas transmission operator. Following the tax inspection, additional tax obligations of RON 15,284 thousand were determined, and also penalties and late payment charges in amount of RON 3,129 thousand. The tax decision and the tax inspection report were appealed to ANAF. Romgaz paid the additional tax obligation and the late payment charges and based on the appeal, the Company recorded a receivable for which it recorded an allowance. In 2021, the court ruled in favor of the Company, so that the related allowance was released to income. The Company recovered this amount in 2023.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

d) Credit risk exposure for trade receivables

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

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

17. SHARE CAPITAL. EARNINGS PER SHARE

a) Share capital

	December 31, 2022	December 31, 2021
	'000 RON	'000 RON
385,422,400 fully paid ordinary shares	385,422	385,422
Total	**385,422**	**385,422**

The shareholding structure as at December 31, 2022 is as follows:

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

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

b) Earnings per share

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

18. RESERVES

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

19. PROVISIONS

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

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

a) Decommissioning provision

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

The Group makes full provision for the future costs of decommissioning natural gas wells on a discounted basis upon installation. The provision for the costs of decommissioning these wells at the end of their economic lives has been estimated using existing technology, at current prices or future assumptions, depending on the expected timing of the activity, and discounted using a rate of 8.19% (year ended December 31, 2021: 5.14%). While the provision is based on the best estimate of future costs and the economic lives of the wells, there is uncertainty regarding both the amount and timing of these costs

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

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

b) Other provisions

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

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

c) Retirement benefit obligation

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

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

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

- No layoffs or restructurings are planned;
- Average discount rate: 8.1% (2021: 5%);
- Average inflation rate: 16.3% in 2022; 11.2% in 2023; 6.1% in 2024; 3.6% in 2025; 2.7% in the 2026; 2.5% in 2027-2031 period, following a decreasing trend in the next years (2021: 5.9% in 2022; 3.2% in 2023; 3% in 2024; 2.8% in 2025; 2.5% in the 2026-2031 period, following a decreasing trend in the next years).

Sensitivity analysis

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

	Increase of 1% in assumptions '000 RON	Decrease of 1% in assumptions '000 RON
Average discount rate	(13,658)	16,601
Salaries' growth rate	15,584	(14,702)

Maturity analysis of payment cash flows

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

20. DEFERRED REVENUE

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

a) National Investment Plan

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

For this investment, in 2017 Romgaz signed a financing agreement with the Ministry of Energy, whereby the Ministry of Energy undertakes to grant a non-reimbursable financing of RON 320,912 thousand, representing a maximum of 25% of the total value of eligible expenditure of the investment. By December 31, 2022 the Group collected RON 230,169 thousand. Amounts received under this contract will be transferred to income based on the depreciation rate of the investment.

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

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

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

b) Projects of Common Interest

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

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

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

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

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

21. TRADE AND OTHER CURRENT LIABILITIES

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

*) The decrease in royalty liability is due to changes in national legislation, according to which prices used to determine the royalty in the fourth quarter of 2022 are capped at the level of prices the Group has the obligation to invoice some of its clients.

22. FINANCIAL INSTRUMENTS

Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

The Group is mainly exposed to currency risk generated by EUR against RON as a result of the interest-bearing loan described in note 29.

As of December 31, 2022, the official exchange rate was RON 4.9474 to EUR 1 (December 31, 2021: RON 4.9481 to EUR 1).

	EUR	GBP	USD	RON	
December 31, 2022	**1 EUR = 4.9474**	**1 GBP = 5.5878**	**1 USD = 4.6346**	**1 RON**	**Total**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**	**'000 RON**
Financial assets					
Cash and cash equivalents	77,764	3	8	1,806,107	1,883,882
Other financial assets	-	-	-	90,000	90,000
Trade and other receivables	-	-	-	768,017	768,017
Total financial assets	**77,764**	**3**	**8**	**2,664,124**	**2,741,899**
Financial liabilities					
Trade payables and other payables	(18)	-	(25)	(72,896)	(72,939)
Lease liability	(5,157)	-	-	(4,523)	(9,680)
Borrowings	(1,447,115)	-	-	-	(1,447,115)
Total financial liabilities	**(1,452,290)**	**-**	**(25)**	**(77,419)**	**(1,529,734)**
Net	**(1,374,526)**	**3**	**(17)**	**2,586,705**	**1,212,165**

	EUR	GBP	USD	RON	
December 31, 2021	**1 EUR = 4.9481**	**1 GBP = 5.8994**	**1 USD = 4.3707**	**1 RON**	**Total**
	'000 RON	**'000 RON**	**'000 RON**	**'000 RON**	**'000 RON**
Financial assets					
Cash and cash equivalents	311	1	12	3,580,088	3,580,412
Other financial assets	-	-	-	404,199	404,199
Trade and other receivables	-	-	-	833,213	833,213
Total financial assets	**311**	**1**	**12**	**4,817,500**	**4,817,824**
Financial liabilities					
Trade payables and other payables	(22)	(14)	-	(41,226)	(41,262)
Lease liability	(3,656)	-	-	(4,365)	(8,021)
Total financial liabilities	**(3,678)**	**(14)**	**-**	**(45,591)**	**(49,283)**
Net	**(3,367)**	**(13)**	**12**	**4,771,909**	**4,768,541**

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

	December 31, 2022	December 31, 2021
	'000 RON	'000 RON
RON weakening – loss	(68,726)	(168)
RON strengthening – gain	68,726	168

(ii) Inflation risk

The official annual inflation rate in Romania for 2022 was 13.8% as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy.

(iii) Interest rate risk

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

An increase of 1% in the interest rate on the borrowings would lead to an increase of the interest expense of RON 4,325 thousand.

Bank deposits and treasury bills bear a fixed interest rate.

(b) Credit risk

Financial assets, which potentially subject the Group to credit risk, consist principally of trade receivables. The Group has policies in place to ensure that sales are made to customers with low credit risk. Also, sales have to be secured either through advance payments, either through bank letters of guarantee. The carrying amount of accounts receivable, net of bad debt allowances, represents the maximum amount exposed to credit risk. The Group has a concentration of credit risk in respect of its top three clients, which amounts to 86.60 % of net trade receivable balance at December 31, 2022 (its top client: 89.84% as of December 31, 2021).

In spite of the policies described above, the Group is forced by court orders to deliver gas to insolvent clients deemed "captive" by insolvency legislation. As these clients did not generate outstanding balances since the start of their insolvency proceedings, the Group estimates lifetime expected credit losses to be zero.

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

(c) Capital risk management

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

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

The Group's policy is to only resort to borrowing if investment needs cannot be financed internally. As such, in 2022 the Group obtained a loan of EUR 325 million (note 29) to finance the acquisition of ExxonMobil Exploration and Production Romania Limited.

The Group's capital management aims to ensure that it meets financial covenants attached to the interest-bearing loans. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches of the financial covenants of interest-bearing loans in the current period.

(d) Fair value estimation

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

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

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

The table below shows financial assets and financial liabilities of the Group on contractual maturities. The amounts represent non-discounted future cash flows generated by financial assets and financial liabilities.

December 31, 2022	Due in less than a month '000 RON	Due in 1-3 months '000 RON	Due in 3 months to 1 year '000 RON	Due in 1-5 years '000 RON	Due in over 5 years '000 RON	Total '000 RON
Trade receivables	589,135	116,864	62,018	-	-	768,017
Bank deposits	5,000	10,000	75,000	-	-	90,000
Total	**594,135**	**126,864**	**137,018**	**-**	**-**	**858,017**
Trade payables	(60,735)	(12,204)	-	-	-	(72,939)
Borrowings	-	(84,892)	(253,397)	(1,152,132)	-	(1,490,421)
Lease liabilities	(170)	(476)	(1,534)	(3,371)	(4,129)	(9,680)
Total	**(60,905)**	**(97,572)**	**(254,931)**	**(1,155,503)**	**(4,129)**	**(1,573,040)**
Net	**533,230**	**29,292**	**(117,913)**	**(1,155,503)**	**(4,129)**	**(715,023)**

December 31, 2021	Due in less than a month '000 RON	Due in 1-3 months '000 RON	Due in 3 months to 1 year '000 RON	Due in 1-5 years '000 RON	Due in over 5 years '000 RON	Total '000 RON
Trade receivables	441,119	392,094	-	-	-	833,213
Bank deposits	293,629	10,000	10,500	-	-	314,129
Treasury bonds	92,010	-	-	-	-	92,010
Total	**826,758**	**402,094**	**10,500**	**-**	**-**	**1,239,352**
Trade payables	(37,989)	(3,238)	(35)	-	-	(41,262)
Lease liabilities	(64)	(155)	(591)	(3,322)	(3,889)	(8,021)
Total	**(38,053)**	**(3,393)**	**(626)**	**(3,322)**	**(3,889)**	**(49,283)**
Net	**788,705**	**398,701**	**9,874**	**(3,322)**	**(3,889)**	**1,190,069**

f) Liquidity risk management

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

23. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Sales of goods and services

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Romgaz's associates	14,621	13,115
Total	**14,621**	**13,115**

The Group is controlled by the Ministry of Energy, on behalf of the Romanian State (note 17 a). As such, all companies over which the Ministry of Energy has control or significant influence are considered related parties of the Group. No other ministry or agency of the Romanian State has control or significant influence over the Group, therefore companies over which the Romanian State has control or significant influence through organizations other than the Ministry of Energy are not considered related parties of the Group.

The table below shows the transactions of the Group with companies over which the Ministry of Energy has control or significant influence:

	Year ended Dec 31, 2022	Year ended Dec 31, 2021
	'000 RON	'000 RON
Companies controlled by the Ministry of Energy		
Electrocentrale Constanța SA	111,684	79,030
Electrocentrale București SA	1,582,639	1,190,441
Companies significantly influenced by the Ministry of Energy		
OMV Petrom SA	493,146	261,027
Engie România SA	2,702,642	877,605
E.On Energie România SA	1,955,551	827,869
Total	**6,845,662**	**3,235,973**

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

The remuneration of executives and directors

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

During the years ended December 31, 2022 and December 31, 2021, no loans and advances were granted to executives and directors of the Group, except for work related travel advances, and they do not owe any amounts to the Group from such advances.

	Year ended Dec 31, 2022	Year ended Dec 31, 2021
	'000 RON	'000 RON
Salaries paid to executives (gross)	24,794	18,622
of which, bonuses and variable component (gross)	2,516	1,406
Remuneration paid to directors (gross)	3,350	3,035
of which, variable component (gross)	745	711

	December 31, 2022	December 31, 2021
	'000 RON	'000 RON
Salaries payable to executives	754	666
Salaries payable to directors	154	116

In addition to the above, on December 31, 2022 the Group recorded a provision for bonuses for executives and directors of RON 1,067 thousand (December 31, 2021: RON 1,299 thousand).

25. INVESTMENT IN ASSOCIATES

The Company's investments in associates are accounted using the equity method. The shares are not quoted on the stock exchange. No dividends were received in the years ended December 31, 2022, respectively, December 31, 2021.

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

Name of associate	Main activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			December 31, 2022	December 31, 2021
SC Depomures SA Tg.Mures	Storage of natural gas	Romania	40	40
SC Agri LNG Project Company SRL	Feasibility projects	Romania	25	25

Name of associate	Cost as of December 31, 2022	Impairment as of December 31, 2022	Carrying value as of December 31, 2022	Cost as of December 31, 2021	Impairment as of December 31, 2021	Carrying value as of December 31, 2021
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
SC Depomures SA Tg.Mures	28,537	-	28,537	26,187	-	26,187
SC Agri LNG Project Company SRL	977	(977)	-	977	(977)	-
Total	**29,514**	**(977)**	**28,537**	**27,164**	**(977)**	**26,187**

Summarized financial information for significant investments in associates (Depomureş)

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Non-current assets	65,560	68,993
Current assets, out of which:	19,378	12,895
- Cash and cash equivalents	15,940	9,729
Non-current liabilities, out of which:	5,601	9,031
- Long term financial liabilities	5,601	9,031
Current liabilities, out of which:	4,802	4,232
- Short term financial liabilities	3,431	3,434

	Year ended December 31, 2022 '000 RON	Year ended December 31, 2021 '000 RON
Revenue	43,200	33,717
Interest income	486	17
Amortization and depreciation	(3,919)	(3,939)
Interest expense	(447)	(584)
Income tax expense	(1,087)	(153)
Net profit from continued operations	5,875	212

Reconciliation of net book value for the significant investments in associates

	2022 '000 RON	2021 '000 RON
January 1	**26,187**	**26,102**
Interest in the total comprehensive income of significant investments in associates	2,350	85
December 31	**28,537**	**26,187**

26. OTHER FINANCIAL INVESTMENTS

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

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

Company	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%) December 31, 2022	Proportion of ownership interest and voting power held (%) December 31, 2021
Electrocentrale București S.A.	Electricity and thermal power producer	Romania	2.49	2.49
Patria Bank S.A.	Other activities – financial intermediations	Romania	0.02	0.02
Mi Petrogas Services S.A.	Services related to oil and natural gas extraction, excluding prospections	Romania	10	10
Lukoil association	Petroleum exploration operations	Romania	12.2	12.2
Electricity Producers Association-HENRO	Non-governmental, non-profit, independent association	Romania	33.33	33.33

Company	Fair value as of December 31, 2022 '000 RON	Fair value as of December 31, 2021 '000 RON
Electrocentrale București S.A.*)	-	-
Patria Bank S.A.**)	79	79
Mi Petrogas Services S.A.	60	60
Lukoil association	5,227	5,227
Electricity Producers Association-HENRO	250	250
Total	**5,616**	**5,616**

*) The fair value of the investment in Electrocentrale Bucuresti was reduced to zero after entering into insolvency. The investment in Electrocentrale Bucuresti is not quoted. The company successfully concluded the restructuring plan in February 2023. These financial statements do not include any adjustments related to this event.

**) In 2016, the Company's shareholders decided to withdraw Romgaz from the bank's shareholders, as a result of the merger process in which Patria Bank was involved. In 2021, the approval of the BNR was obtained for the partial redemption of the shares that the Company holds in Patria Bank. The shares of Patria Bank S.A. are listed, but following the merger process, the price at which the redemption of the shares held by the shareholders who requested the withdrawal from the shareholding was set to a fixed value. Thus, the investment is measured at this redemption value.

27. SEGMENT INFORMATION

a) Segment assets and liabilities

December 31, 2022	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments '000 RON	Total '000 RON
Property, plant and equipment	2,641,773	825,378	1,184,636	591,036	(203,509)	5,039,314
Other intangible assets	5,122,643	918	-	16,864	-	5,140,425
Investments in associates	-	-	-	28,537	-	28,537
Other financial investments	-	-	-	5,616	-	5,616
Deferred tax asset	428	1,357	-	197,231	-	199,016
Other financial assets	1	91,116	-	8,480	-	99,597
Inventories	256,982	9,472	2,695	14,858	-	284,007
Other assets	165,085	4,562	41,371	54,214	-	265,232
Trade and other receivables	1,268,528	59,380	54,110	11,525	(19,879)	1,373,664
Contract costs	3	-	-	-	-	3
Cash and cash equivalents	21,307	14,567	516	1,847,492	-	1,883,882
Right of use asset	1,643	328	-	6,786	9	8,766
Net investments in leasing	-	-	-	374	(374)	-
Total assets	**9,478,393**	**1,007,078**	**1,283,328**	**2,783,013**	**(223,753)**	**14,328,059**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments '000 RON	Total '000 RON
Retirement benefit obligation	-	9,896	-	158,934	-	168,830
Contract liabilities	263,340	-	-	-	-	263,340
Provisions	234,697	32,388	230,691	34,551	-	532,327
Trade payables	62,564	42,581	4,621	20,119	(19,879)	110,006
Current tax liabilities	1,002,790	5,625	-	169,083	-	1,177,498
Deferred revenue	258	-	230,169	3	-	230,430
Borrowings	-	-	-	1,447,115	-	1,447,115
Lease liability	1,573	374	-	8,107	(374)	9,680
Other liabilities	216,806	14,265	18,049	63,148	-	312,268
Total liabilities	**1,782,028**	**105,129**	**483,530**	**1,901,060**	**(20,253)**	**4,251,494**

December 31, 2021	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Consolidation adjustments	Total '000 RON
Property, plant and equipment	2,786,660	810,784	1,183,357	589,114	(129,218)	5,240,697
Other intangible assets	3,666	870	-	11,597	-	16,133
Investments in associates	-	-	-	26,187	-	26,187
Other financial investments	-	-	-	5,616	-	5,616
Deferred tax asset	-	1,953	-	267,692	-	269,645
Other financial assets	-	25,564	-	392,359	-	417,923
Inventories	275,930	12,276	2,435	14,600	-	305,241
Other assets	11,153	1,477	1,712	53,620	-	67,962
Trade and other receivables	1,312,736	34,635	11,239	11,142	(17,407)	1,352,345
Contract costs	483	-	-	-	-	483
Cash and cash equivalents	20,312	7,761	412	3,551,927	-	3,580,412
Right of use asset	-	388	-	6,739	1	7,128
Current tax receivable	-	3,201	-	-	-	3,201
Net investments in leasing	-	-	-	432	(432)	-
Total assets	**4,410,940**	**898,909**	**1,199,155**	**4,931,025**	**(147,056)**	**11,292,973**
Retirement benefit obligation	-	11,540	-	144,880	-	156,420
Contract liabilities	204,384	-	-	-	-	204,384
Provisions	418,997	43,955	157,438	29,600	-	649,990
Trade payables	51,647	17,456	7,033	12,588	(17,407)	71,317
Current tax liabilities	-	-	-	52,299	-	52,299
Deferred revenue	276	-	230,169	42	-	230,487
Lease liability	-	434	-	8,019	(432)	8,021
Other liabilities	805,835	11,276	5,003	116,788	-	938,902
Total liabilities	**1,481,139**	**84,661**	**399,643**	**364,216**	**(17,839)**	**2,311,820**

b) Segment revenues, results and other segment information

In 2022, the chief operating decision maker of Romgaz decided to change the way Romgaz reports for gas and electricity deliveries between its branches. In the past, these deliveries were accounted for at cost. Starting 2022, deliveries are accounted for at market prices or at regulated prices, as the case may be. This change allows the management to have a better view of the performance of its business segments.

Due to this change, comparative segment information for the previous period was restated. The results of Romgaz or the Group are not affected by the change.

Year ended December 31, 2022	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	12,355,984	475,989	1,646,783	438,097	(1,557,200)	13,359,653
Less: revenue between segments	(759,166)	(52,028)	(317,706)	(428,300)	1,557,200	-
Third party revenue	11,596,818	423,961	1,329,077	9,797	-	13,359,653
Interest income	609	2,547	40	174,172	(389)	176,979
Interest expense	(46)	-	-	(5,038)	44	(5,040)
Share of profit of associates	-	-	-	2,350	-	2,350
Depreciation and amortization *)	(291,744)	(12,329)	(3,893)	(26,171)	(74,766)	(408,903)
Impairment losses recognized during the period in profit or loss	(195,815)	-	(6,380)	(89)	(1,015)	(203,299)
Impairment losses reversed during the period in profit or loss	61,221	-	114	791	-	62,126
Segment result before tax profit/(loss)	**4,229,534**	**115,767**	**(49,952)**	**(53,235)**	**(87,865)**	**4,154,249**

*) The amount of RON 74,766 thousand representing adjustments of the depreciation and amortization expense stands for depreciation of assets used in the storage segment. This depreciation expense is not recorded in the accounting records of any of the Group's companies, being a consolidation adjustment.

Year ended December 31, 2021 (restated)	Upstream	Storage	Electricity	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	5,486,486	313,456	458,656	408,161	(813,833)	5,852,926
Less: revenue between segments	(205,533)	(69,658)	(137,668)	(400,974)	813,833	-
Third party revenue	5,280,953	243,798	320,988	7,187	-	5,852,926
Interest income	133	534	7	57,759	(30)	58,403
Interest expense	(3)	-	-	-	-	(3)
Share of profit of associates	-	-	-	85	-	85
Depreciation and amortization	(362,185)	(8,506)	(5,484)	(26,087)	(61,521)	(463,783)
Impairment losses recognized during the period in profit or loss	(263,383)	-	(1,618)	(745)	(2,472)	(268,218)
Impairment losses reversed during the period in profit or loss	45,275	-	-	954	-	46,229
Segment result before tax profit/(loss)	**1,976,101**	**33,342**	**15,923**	**217,566**	**(85,681)**	**2,157,251**

In the year ended December 31, 2022, the Group's three largest clients each individually represents more than 10% of revenue, sales to these clients being of RON 2,564,071 thousand, RON 2,064,087 thousand, RON 1,783,998 thousand, (in the year ended December 31, 2021 the Group's three largest customers represented individually, over 10% of revenue, sales to these clients being of RON 1,013,764 thousand, RON 894,491 thousand, RON 834,420 thousand), together totaling 48.00% of total revenue (year ended December 31, 2021: 46.86%). Of the total revenue generated by those three clients, 3.54% are shown in the "Storage" segment and 91.73% in the "Upstream" segment (year ended December 31, 2021: 4.94% in the "Storage" segment, 95.06% in the "Upstream" segment).

28. CASH AND CASH EQUIVALENTS

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Current bank accounts *)	122,559	78,542
Petty cash	50	48
Term deposits	1,759,683	3,500,288
Restricted cash **)	1,584	1,534
Amounts under settlement	6	-
Total	**1,883,882**	**3,580,412**

*) Current bank accounts include overnight deposits.

**) At December 31, 2022 restricted cash refers to bank accounts used only for dividend payments to shareholders, according to stock market regulations.

29. INTEREST BEARING BORROWINGS

	Interest rate	Maturity	December 31, 2022 '000 RON	December 31, 2021 '000 RON
EUR 325,000 thousand bank borrowing	EURIBOR 3M + 0.05% p.a.	June 30, 2027	1,447,115	-
Total			**1,447,115**	**-**

In March 2022, Romgaz signed a EUR 325 million financing deal with Raiffeisen Bank S.A. to finance part of the purchase price of the shares of ExxonMobil Exploration and Production Romania Limited that holds 50% of the rights and obligations for the Neptun Deep block (note 30).

In June 2022, an addendum to the facility contract was signed between Romgaz acting as borrower and Raiffeisen Bank S.A. and Banca Comerciala Romana S.A. as lenders.

The facility's final maturity is in five years from utilization. There are no borrowing costs other than interest. The loan is repayable in quarterly installments. The loan is not secured.

The fair value of the loan approximates its carrying value as it was obtained recently and it carries a variable rate of interest.

30. ACQUISITION OF EXXONMOBIL EXPLORATION AND PRODUCTION ROMANIA LIMITED

On August 1, 2022, Romgaz completed the acquisition of ExxonMobil Exploration and Production Romania Limited (currently Romgaz Black Sea Limited). This company holds 50% of the acquired rights and obligations under the Petroleum Agreement for the Deep Water Zone of Neptun XIX offshore Block in the Black Sea. Following this transaction, Romgaz became the sole shareholder of the acquired company. Therefore Romgaz has control over Romgaz Black Sea Limited.

According to the provisions of the shares' acquisition agreement, the price paid by Romgaz was RON 5,126,347 thousand. Based on the acquisition agreement, this price was decreased by the end of 2022 with RON 7,352 thousand, based on the level of working capital of Romgaz Black Sea Limited at completion date. This amount was received in 2023.

According to IFRS 3, the "concentration test" is an optional method used to perform a simplified assessment of whether an acquisition is a business combination or an acquisition of assets. Based on the analysis of the provisions of International Financial Reporting Standard 3 "Business Combinations", the Group considers this transaction to be an asset acquisition, the main asset acquired being the mineral right related to the 50% share of the reserves of the

Deep Water Zone of Neptun XIX offshore Block in the Black Sea. At acquisition date the company acquired did not have an organized workforce capable to apply the processes needed to generate outputs. As such, substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets, namely the mineral right.

Thus, the Group did not recognize a potential goodwill; instead it recognized assets acquired and liabilities assumed in accordance with the applicable accounting standards based on a valuation carried out to allocate the acquisition price.

The evaluation performed to allocate the purchase price on the assets acquired was based on the relative fair values of the acquired assets. The relative fair value of the acquired mineral right was determined using the discounted cash flow method and based on the following assumptions:

- the inflation rate used was communicated by the National Commission for Strategy and Prognosis (2022: 10.1%, 2023: 5.4%, 2024: 3%; a constant inflation rate of 2.7% was considered for the following years);
- gas selling prices were estimated at an average level of RON 221.98/MWh for the period 2027-2045;
- the weighted average rate of capital used was 16.2%.

The Group recognized the following assets and liabilities on acquisition date:

	August 1, 2022
	'000 RON
ASSETS	
Property, plant and equipment	66
Other intangible assets (note 14)	5,119,745
Deferred tax asset	66
Right of use assets	2,126
Cash and cash equivalents	750
Other assets	3,675
Total assets	**5,126,428**
LIABILITIES	
Trade payables	13
Provisions	170
Lease liability	2,023
Other liabilities	5,227
Total liabilities	**7,433**
Price paid	**5,118,995**

31. OTHER FINANCIAL ASSETS

Other financial assets represent mainly treasury bonds and deposits with a maturity of over 3 months, from acquisition date. The Group did not identify any risk of loss for these assets, therefore it did not record any impairment.

	December 31, 2022	**December 31, 2021**
	'000 RON	**'000 RON**
Treasury bonds in RON	-	90,070
Bank deposits in RON	90,000	314,129
Accrued interest receivable on bank deposits	9,597	11,784
Accrued interest on bonds	-	1,940
Total other financial assets	**99,597**	**417,923**

32. COMMITMENTS UNDERTAKEN

	December 31, 2022	**December 31, 2021**
	'000 RON	**'000 RON**
Endorsements and collaterals granted	312,689	62,947
Total	**312,689**	**62,947**

In 2022, Romgaz signed an addendum to the credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of RON 420,000 thousand. On December 31, 2022 are still available for use RON 112,637 thousand.

As of December 31, 2022, the Group's contractual commitments for the acquisition of non-current assets are of RON 396,551 thousand (December 31, 2021: RON 267,246 thousand).

33. COMMITMENTS RECEIVED

	December 31, 2022 '000 RON	December 31, 2021 '000 RON
Endorsements and collaterals received	2,127,764	1,255,235
Total	**2,127,764**	**1,255,235**

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

34. CONTINGENCIES

(a) *Litigations*

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

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

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

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

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

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

In June 2017, DIICOT issued a press release announcing the referral to court of several persons involved in the case. In January 2018, the High Court of Cassation and Justice ruled that the indictment prepared by DIICOT was not legal. The Court issued a decision in December, 2022 stating there is no offence and the civil complaint filed by Romgaz was left unresolved. Romgaz appealed the decision.

(b) *Taxation*

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

(c) *Environmental contingencies*

Environmental regulations are developing in Romania and the Group has not recorded any liability at December 31, 2022 for any anticipated costs, including legal and consulting fees, impact studies, the design and implementation of remediation plans related to environmental matters, except the amount of RON 236,490 thousand (December 31, 2021: RON 437,638 thousand), representing the decommissioning liability.

35. JOINT ARRANGEMENTS

a) Joint arrangement with Amromco

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

b) Joint arrangement with OMV Petrom SA

In August 2022, the Group became a party to a joint arrangement with OMV Petrom SA (operator) for the offshore block Neptun Deepwater in the Black Sea, through the acquisition of ExxonMobil Exploration and Production Romania Limited, currently Romgaz Black Sea Limited. The joint arrangement is classified as joint operation. Each party to the joint agreement has a 50% interest in the concession agreement for the Neptun Deepwater block. Marketing and sales of hydrocarbons are not part of the joint arrangement.

All the rights and interests in and under the joint arrangement, all joint property and any hydrocarbons produced from the Neptun Deepwater block is owned by each party in accordance with its participating interest.

As a general rule, all decisions of the operating committee require unanimity.

36. AUDITOR'S FEES

The fee charged by the Group's statutory auditor, S.C. Ernst & Young Assurance Services S.R.L. for the statutory audit of the 2022 annual financial statements is RON 435 thousand.

The fees charged for other assurance services in 2022 are RON 286 thousand.

37. EVENTS AFTER THE BALANCE SHEET DATE

a) In 2023 Romgaz and Socar Trading, a subsidiary of the State Oil Company of the Republic of Azerbaijan, signed a contract for gas deliveries from Azerbaijan to Romania. The contract ensures the possibility of gas deliveries up to 1 billion cm until March 31, 2024 and shall enter in force on April 1st, 2023. According to the contract, Romgaz has no obligation to buy the quantity contracted, but has to provide a bank letter of guarantee of EUR 30 million over the period of the contract.

b) In 2023, Romgaz Black Sea Limited and S.N.T.G.N. Transgaz S.A., the national gas transmission system operator, signed a transmission framework agreement for transportation of natural gas to be produced from Neptun Deep through the National Transmission System. According to the agreement, the required technical capacity is booked for acceptance in the National Transmission System, allowing natural gas from Neptun Deep block to enter the market. The agreement was concluded for September 2026 - September 2042. According to the agreement, Romgaz Black Sea Limited has to provide a bank letter of guarantee of RON 209 million valid until December 2023.

38. APPROVAL OF FINANCIAL STATEMENTS

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

Răzvan Popescu	**Gabriela Trânbițaș**
Chief Executive Officer	Chief Financial Officer