



Societatea Națională de Gaze Naturale “ROMGAZ” SA

BOARD OF DIRECTORS’ REPORT

1ST HALF YEAR 2022



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Identification details on report and issuer

Report based on	<i>Law No. 24/2017 on issuers of financial instruments and market operations (Article 67) and ASF Regulation (Financial Supervisory Authority) no.5/2018 on issuers of financial instruments and market operations (Annex No.14) for the six-month period ended on June 30, 2022 (H1 of financial year 2022)</i> <i>GEO No.109 of November 30, 2011 on corporate governance of public enterprises, as subsequently amended and supplemented – art.55 para (1)</i>
Report Date	August 12, 2022
Company Name	Societatea Națională de Gaze Naturale “ROMGAZ” SA
Headquarters	Mediaș, 4 Piața Constantin I. Moțaș, 551130, Sibiu County
Telephone/fax number	0040 374 401020 / 0040 269 846901
Web/E-mail	www.romgaz.ro / secretariat@romgaz.ro
Registration No. with the Trade Register Office	J32/392/2001
Fiscal Code	RO14056826
Legal Entity Identifier (LEI)	2549009R7KJ38D9RW354
Regulated market where the company’s shares are traded	Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)
Subscribed and paid in share capital	RON 385,422,400
Shares main characteristics	385,422,400 shares, each with a nominal value of RON 1; nominative, ordinary, indivisible shares, issued dematerialised and free tradable since November 12, 2013 as SNG – for shares and SNGR – for GDRs

I. 1st Half Year 2022 Overview

1.1. Romgaz Group Performances¹

Romgaz Group keeps high operational and financial performances in the first six months of 2022.

National gas consumption recorded a decrease of roughly 13.3% for the first 6 months of 2022 as compared to the similar period of last year, while Romgaz deliveries decreased by 6.7%. Therefore, Romgaz has a **61.44%** market share in terms of deliveries from internal production, by 10.5% higher than the share held in the similar period of 2021.

Natural gas production for first half of 2022, was **2,515.1 million m³**, indicating an insignificant production decline (0.16%) related to the production recorded in H1 2021.

Romgaz electricity production reached **544.66 GWh**, higher by 341.58 GWh than the production in the similar period of 2021 (+168.2%). This production placed Romgaz at a market share of 1.95%².

Consolidated net profit per share (EPS) was RON 4.5.

Margins of main profitability indicators for H1 2022: net consolidated profit (23.02%), consolidated EBIT (26.19%) and consolidated EBITDA (29.12%) are slightly decreasing as compared to the first half of 2021 (33.9%; 38.9% and 52.7% respectively) as a consequence of higher taxes and fees paid by the Group, but maintain a high rate.

Relevant financial results (consolidated)

								RON million
Q2 2021	Q1 2022	Q2 2022	Δ Q2 (%)	Main indicators	HI 2021	HI 2022	Δ HI (%)	
922.8	3,925.8	3,570.3	286.90	Revenue	2,250.0	7,496.0	233.15	
1,002.1	3,924.4	3,680.1	267.24	Income	2,258.2	7,604.5	236.75	
662.0	2,755.0	2,792.5	321.82	Expenses	1,355.5	5,547.5	309.27	
(0.6)	(0.1)	0.3	n/a	Share of the associates' result	(0.8)	0.2	n/a	
339.6	1,169.4	887.9	161.50	Gross Profit	901.9	2,057.3	128.10	
41.7	189.7	141.6	239.51	Profit Tax	140.3	331.3	136.11	
297.8	979.6	746.3	150.57	Net Profit	761.6	1,725.9	126.62	
326.8	1,137.5	825.7	152.66	EBIT	875.4	1,963.2	124.27	
489.9	1,226.5	956.2	95.16	EBITDA	1,185.7	2,182.7	84.09	
0.8	2.5	1.9	150.57	Earnings per share *) (RON)	2.0	4.5	126.62	
32.27	24.95	20.90	-35.22	Net Profit Rate (% from Revenue)	33.85	23.02	-31.98	
35.41	28.97	23.13	-34.69	EBIT ratio (% from Revenue)	38.90	26.19	-32.68	
53.09	31.24	26.78	-49.56	EBITDA ratio (% from Revenue)	52.70	29.12	-44.74	
6,066	5,843	5,884	-3.00	Number of employees at the end of the period	6,066	5,884	-3.00	

The figures above are rounded. Therefore, small differences may result upon reconciliation.

Note: income and expenses do not include in-house works capitalized as non-current assets.

¹ **Romgaz Group** consists of SNGN Romgaz SA ("the Company"/"Romgaz") as parent company, Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL ("Depogaz"), is the subsidiary owned 100% by Romgaz, and its associates SC Depomures SA (40% of the share capital) and SC Agri LNG Project Company SRL (25% of the share capital)

² Source: CNTEE Transelectrica SA

Summary of the Group's main indicators for H1 2022:

- ↳ *Total income* is by RON 5,346.29 million higher, recording a 236.75% rise. The largest contribution is represented by the revenue from gas sales (RON 6,683.05 million in H1 2022 as compared to RON 1,965.74 million in H1 2021). Another significant contribution to the increase of income is the revenue from electricity sales (RON 498.58 million in H1 2022 as compared to RON 42.75 million in H1 2021);
- ↳ *Total Expenses* increased in H1 2022 by 309.27% mainly due to higher royalty expenses (+ RON 734.01 million) and to the windfall tax (+ RON 3,457.16 million). A new windfall tax was introduced in Q2 2022, related to electricity sales, the amount of such windfall tax was RON 62.84 million;
- ↳ *Net consolidated profit* of RON 1,725.95 million, by 126.62% higher, namely RON 964.34 million, as compared to the similar period of last year;
- ↳ *Labour productivity* increased as compared to the previous period, from RON 370.92 thousand revenue/employee in H1 2021 to 1,273.97 thousand revenue/employee in H1 2022 (+246,46%);
- ↳ *EPS of RON 4.5* is by 126.62% higher than recorded in H1 2021.

Romgaz signed in May 2022 the agreement for the acquisition of all shares issued by (representing 100% from the share capital of) ExxonMobil Exploration and Production Romania Limited (EMEPRL) which holds 50% of the acquired rights and obligations under the Petroleum Agreement for the eastern area, deep water zone of Neptun XIX offshore Block in the Black Sea.

The agreed transaction price is USD 1.6 bln. The acquisition price may be adjusted under certain conditions, subject to contractual provisions.

Upon signing, Romgaz had to pay an advance/deposit of USD 106 million.

Also in May, Romgaz signed a financing agreement of EUR 325 million with Raiffeisen Bank, for partially financing the acquisition of EMEPRL shares. In June, Romgaz signed an addendum to the financing agreement providing that the EUR 325 million loan is granted by Raiffeisen Bank and Banca Comercială Română.

Operational results

Q2 2021	Q1 2022	Q2 2022	Δ (%)	Q2 Main Indicators	HI 2021	HI 2022	Δ (%)	HI
1,207.7	1,307.2	1,207.9	0.02	Gas production (million m ³)	2,519.2	2,515.1	-0.2	
84.1	92.6	83.8	-9.5	Petroleum royalty (million m ³)	176.9	176.5	-0.2	
6,515	5,369	5,239	-19.6	Condensate production (tons)	12,865	10,607	-17.6	
1.0	345.3	199.3	19,637	Electricity production (GWh)	203.1	544.7	168.2	
130.8	1,026.4	63.7	-51.3	Invoiced UGS withdrawal services (million m ³)	1,420.7	1,090.1	-23.3	
556.6	78.8	702.2	10.8	Invoiced UGS injection services (million m ³)	559.0	781.0	39.7	

Note: the information is not consolidated, namely it contains transactions between Romgaz and Depogaz.

H1 2022 high natural gas production was supported by:

- ✓ optimisation of gas field exploitation;
- ✓ ongoing rehabilitation projects of main mature gas fields;
- ✓ well workover operations at wells with low productivity or inactive wells;

✓ investments to expand productive infrastructure and to connect new wells to it.

National gas consumption estimated for H1 2022 was 63.35 TWh, approximately 13.3% lower than the consumption recorded in H1 2021, out of which 18.27 TWh is import gas and the difference of 45.08 TWh is gas from domestic production, Romgaz deliveries being 27.56 TWh, representing 43.35 % of the national consumption and **61.44%** of the consumption covered with gas from domestic production.

Electricity production is shown in the table below and its trend was closely related to the energy demand, price trends on competitive markets and equipment maintenance and repair activities.

MWh

	2021	2022	Variation
1	2	3	$4=(3-2)/2 \times 100$
Q1	202,073	345,337	70.90%
Q2	1,010	199,323	19,634.95%
H1	203,083	544,660	168.20%

1.2. Significant events

January 6, 2022

Company's shareholders approve by Resolution No. 1 the extension of board members mandates, by two months from the expiration date, in line with the provisions of art. 64¹, para.(5) of GEO No. 109/2011 on corporate governance of public enterprises.

February 28, 2022

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

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

March 22, 2022

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

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

March 22, 2022

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

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

March 30, 2022

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

April 28, 2022

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

May 3, 2022

Romgaz signed the sale-purchase agreement of shares issued by EMEPRL.

The sale-purchased agreement was approved by the Extraordinary General Meeting of Shareholders on April 28, 2022 and transaction completion is conditioned upon fulfilment of conditions precedent provided in the contract.

May 25, 2022

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

June 2, 2022

An important investment was carried out, which is included in the priority Project Onshore Snagov, part of the Development Strategy 2021-2030, namely Cosereni gas dehydration station was commissioned. The investment amounted to roughly RON 31 million; the station treats 230 thousand m³ natural gas/day, production obtained after streaming in production three new wells, following that until the end of Q1 2023, to stream in production in phases, other new wells, increasing the dehydration capacity up to 800 thousand m³ natural gas/day.

June 8, 2022

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

June 27, 2022

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

June 28, 2022

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

June 29, 2022

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

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

II. Romgaz Group Overview

Romgaz Group performs business in the following segments:

- ✎ natural gas exploration and production;
- ✎ UGS activity;
- ✎ natural gas supply;
- ✎ special well operations and services;
- ✎ maintenance and transportation services;
- ✎ electricity generation and supply;
- ✎ natural gas distribution.

Shareholding Structure

On June 30, 2022, SNGN Romgaz SA shareholding structure was:

	Shares	%
Romanian State ³	269,823,080	70.0071
Free float – total, out of which:	115,599,320	29.9929
*legal persons	97,278,616	25.2395
*natural persons	18,320,704	4.7534
Total	385,422,400	100.0000



Company Organization

The organization of the company is of hierarchy-functional type with six hierarchical levels reaching from the company's shareholders to the execution personnel.

The company has six branches established in consideration of activities performed and territoriality (natural gas production branches), namely:

- Sucursala Mediaș (Mediaș Production Branch);
- Sucursala Târgu Mureș (Targu Mures Production Branch);
- Sucursala de Intervenții, Reparații Capitale și Operații Speciale la Sonde Mediaș (SIRCOSS) (Well Workover, Recompletions and Special Well Operations Branch);
- Sucursala de Transport Tehnologic și Mentenanță Târgu Mureș (STTM) (Technological Transport and Maintenance Branch);
- Sucursala de Producție Energie Electrică Iernut (Iernut Power Generation Branch);
- Sucursala Drobeta-Turnu Severin (Drobeta-Turnu Severin Branch).

³ The Romanian State through the Ministry of Energy.

On April 1, 2018 the subsidiary managing the gas storage activity became operational under the name of **SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL**.

Therefore, according to EC Directive 73/2009 implemented by the Electricity and Natural Gas Law 123/2012 (art. 141), the storage activity is unbundled from SNGN Romgaz SA and is performed by a storage operator, a subsidiary where SNGN Romgaz SA is sole associate.

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

The Subsidiary took over the operation of underground storages licensed to SNGN Romgaz SA, the operation of assets required for performing the activities belonging to SNGN Romgaz S.A. and the entire personnel performing storage activities.

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

Company Management

BOARD OF DIRECTORS

The company is governed by a Board of Directors consisting of 7 members, having on **June 30, 2022** the following structure:

Item no.	Name	Position	Status ^{*)}	Professional qualification	Institution of employment
1	Drăgan Dan Dragoș	chairman	non-executive non-independent	economist	Ministry of Energy
2	Jude Aristotel Marius	member	executive non-independent	legal advisor, MBA	SNGN Romgaz SA
3	Simescu Nicolae Bogdan	member	non-executive non-independent	engineer	SNGN Romgaz SA
4	Batog Cezar	member	non-executive independent	economist	Publicis Groupe Romania
5	Balazs Botond	member	non-executive non-independent	legal advisor	SNGN Romgaz SA
6	Sorici Gheorghe Silvian	member	non-executive independent	economist	SC Sobis Solutions SRL
7	Metea Virgil Marius	member	non-executive non-independent	engineer	SNGN Romgaz SA

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

Board members' CVs are available on the company's webpage at: <https://www.romgaz.ro/en/consiliu-administratie>

Members of the Board of Directors from January 1, 2022 to March 13, 2022:

Item no.	Name	Position	Status	Professional qualification	Institution of employment
1	Drăgan Dan Dragoș	chairman	non-executive non-independent	economist	Ministry of Energy
2	Jude Aristotel Marius	member	executive non-independent	legal advisor, MBA	SNGN Romgaz SA
3	Simescu Nicolae Bogdan	member	non-executive non-independent	engineer	SNGN Romgaz SA
4	Stan-Olteanu Manuela-Petronela	member	non-executive non-independent	legal advisor	Hidroelectrica SA
5	Niculescu Sergiu George	member	non-executive non-independent	legal advisor	Ministry of Energy

Item no.	Name	Position	Status	Professional qualification	Institution of employment
6	Balazs Botond	member	non-executive non-independent	legal advisor	SNGN Romgaz SA
7	Sorici Gheorghe Silvian	member	non-executive independent	economist	SC Sobis Solutions SRL

As of March 14, 2022, the Board of Directors had the following members:

Item no.	Name	Position	Status	Professional qualification	Institution of employment
1	Drăgan Dan Dragoș	chairman	non-executive non-independent	economist	Ministry of Energy
2	Jude Aristotel Marius	member	executive non-independent	legal advisor, MBA	SNGN Romgaz SA
3	Simescu Nicolae Bogdan	member	non-executive non-independent	engineer	SNGN Romgaz SA
4	Batog Cezar	member	non-executive independent	economist	Publicis Groupe Romania
5	Balazs Botond	member	non-executive non-independent	legal advisor	SNGN Romgaz SA
6	Sorici Gheorghe Silvian	member	non-executive independent	economist	SC Sobis Solutions SRL

The Board of Directors appointed Mr. Metea Virgil Marius as interim board member on May 25, 2022.

Advisory Committees

Three advisory committees support the Board of Directors activity, namely:

- ✍ nomination and remuneration committee;
- ✍ audit committee and
- ✍ strategy committee.

On June 30, 2022 the advisory committees' structure was the following:

- Nomination and remuneration committee:
 - Sorici Gheorghe Silvian – chairman
 - Batog Cezar - member
 - Drăgan Dan Dragoș – member
- Audit committee:
 - Sorici Gheorghe Silvian – chairman
 - Batog Cezar – member
 - Simescu Nicolae Bogdan – member
- Strategy committee:
 - Balazs Botond – chairman
 - Drăgan Dan Dragoș – member
 - Jude Marius Aristotel – member
 - Metea Virgil Marius – member
 - Sorici Gheorghe Silvian – member.

Information on the Board of Directors and advisory committees meetings

The Board of Directors held in H1 2022 a number of **23 meetings**, in compliance with the legal and statutory provisions, out of which:

- 21 conference-call meetings;
- 2 electronic vote meetings.

The attendance at Board of Directors' meetings:

Name	Number of meetings during the mandate	P		PA		NP	
		no.	%	no.	%	no.	%
Drăgan Dan Dragoș	23	23	100.0				
Sorici Gheorghe Silvian	23	23	100.0				
Balazs Botond	23	23	100.0				
Simescu Nicolae Bogdan	23	23	100.0				
Jude Aristotel Marius	23	23	100.0				
Batog Cezar	15	15	100.0				
Niculescu George Sergiu	8	8	100.0				
Stan Olteanu Manuela Petronela	8	8	100.0				
Metea Marius Virgil	2	2	100.0				

where:

P = participated;

PA = power of attorney;

NP = did not participate.

Board members' attendance at Advisory Committees' meetings:

Nomination and Remuneration Committee: 4 meetings

First and last name	Physical attendance
Drăgan Dan Dragoș	4
Sorici Gheorghe Silvian	4
Batog Cezar	3
Jude Aristotel Marius	4

Audit Committee: 7 meetings

First and last name	Physical attendance
Sorici Gheorghe Silvian	7
Simescu Nicolae Bogdan	7
Batog Cezar	5
Stan Olteanu Manuela Petronela	2

Strategy Committee: 1 meeting

First and last name	Physical attendance
Drăgan Dan Dragoș	1
Niculescu George Sergiu	1
Jude Aristotel Marius	1
Balazs Botond	1
Simescu Nicolae Bogdan	1

Board meetings were held in compliance with the approved agenda. The main resolutions relate to the following:

- approval of the Board's Statement on the commitment to develop and implement the internal management control system and risk management policy;
- endorse the 2022 Individual Income and Expenditures Budget;
- approval of the Annual Preliminary Consolidated Report on the economic-financial activity of Romgaz Group for 2021;
- approval of the 2021 Consolidated Board of Directors' Report;
- approval of the Report on payments to governments in 2021;
- approval of the Report on remuneration, benefits and/or other benefits granted to Board members and Romgaz managers for financial year 2021;
- endorse the Remuneration Policy of Board members and of managers that have mandate;
- endorse Romgaz Annual Individual Financial Statements for financial year ended on December 31, 2021, prepared in compliance with the International Financial Reporting Standard (IFRS) together with the Report of the Independent Auditor Ernst&Young Assurance Service SRL;
- approval of the Quarterly Report on the Economic-Financial Activity of Romgaz Group for the period January 01, 2022 – March 31, 2022;
- approval of the Interim Simplified Condensed Financial Statements ended on March 31, 2022, prepared in compliance with the International Financial Reporting Standard (IFRS);
- approval of the 2021 Directors' Activity Evaluation Report;
- approval of Romgaz Rules on capitalization of decommissioned goods;
- approval to decommission fully depreciated/non-depreciated fixed assets on December 31, 2021, under Romgaz property – headquarters and rented to Filiala Depogaz and their capitalization in compliance with Romgaz Rules on capitalization of decommissioned goods;
- approval to decommission fully depreciated/non-depreciated fixed assets for H1 2022, under Romgaz property – headquarters and rented to Filiala Depogaz and their capitalization in compliance with Romgaz Rules on capitalization of decommissioned goods;
- approval of placements as state bonds and/or term bank deposits of company cash in compliance with the Rules on placements as state bonds and term bank deposits;
- approval to report state bonds and term bank deposits concluded with banks, such being included as significant transactions with affiliates, according to the provisions of Law No. 24/2017, starting with July 1, 2022;
- approval to amend the Accounting Policies and the Procedure to set the transfer value used for gas and electricity deliveries between Romgaz Branches;
- approval of the Sustainability Report of Romgaz Group for 2021, prepared in compliance with the non-financial reporting standard Global Reporting Initiative (GRI) Standards and with the Orders of the Public Finance Ministry no.1928/2016 and no. 2844/2016;
- approval of some modifications to the company's organisational chart, such as to establish the following Department: Governance, Relation with the Capital Market and Investors;
- approval of the partial transfer of rights and obligations provided in the Facility Agreement concluded with Raiffeisen Bank to Banca Comercială Română S.A. and signing the

amended and restated facility agreement, initially dated March 30, 2022, concluded between Romgaz as borrower and Raiffeisen Bank S.A. – as agent and original lender and Banca Comercială Română S.A. – as original lender.

During H1 2022, the GMS held 5 meetings (four ordinary meetings and one extraordinary meeting), and passed 5 resolutions. Detailed information on the meetings and the presented materials are published on the company's website <https://www.romgaz.ro/en/general-meeting-shareholders>

UPPER MANAGEMENT

Chief Executive Officer (CEO)

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

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

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

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

By Resolution No.17 of March 22, 2022, the Board of Directors appointed Mr. Aristotel Marius Jude as CEO of Romgaz for a period of 4 months, starting with April 16, 2022 until August 16, 2022.

Chief Financial Officer (CFO)

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

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

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

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

By Resolution No.18 of March 22, 2022, the Board of Directors appointed Mr. Răzvan Popescu, as Chief Financial Officer for 4 months, starting with April 17, 2022, until August 17, 2022.

On June 30, 2022 the following persons had managerial responsibilities without being delegated management duties by the Board of Directors:

Name	Position
ROMGAZ - headquarters	
Tătaru Argentina	Exploration-Production Division Director
Foidaş Ion	Production Department Director
Greco Marius Rareş	Human Resources Department Director
Veza Marius Leonte	Accounting Department Director
Bobar Andrei	Finance Director

Name	Position
Păunescu Octavian Aurel	Exploration-Appraisal Department Director
Sasu Rodica	Exploration-Production Support Department Director
Sandu Valentin Mircea	Drilling Department Director
Boiarcu Adrian	Information Technology Director
Lupă Leonard Ionuț	Procurement Department Director
Chertes Viorel Claudiu	Director for Technical Regulations
Moldovan Radu Costică	Energy Trading Director
Ioo Endre	Legal Department Director
Mareș Adrian Alexandru	Strategy, International Relations, European Funds Director
Antal Francisc	HSEQ Director
Pavlovschi Vlad	Technical Department Director
-	Governance, Relation with Capital Markets and Investors Department Director
Mediaș Branch	
Totan Constantin Ioan	Director
Achimeț Teodora Magdalena	Economic Director
Veress Tudoran Ladislau Adrian	Production Director
Man Ioan Ștefan	Technical Director
Târgu Mureș Branch	
Roiban Claudiu	Director
Bosca Mihaela	Economic Director
Rusu Grațian	Production Director
Ștefan Ioan	Technical Director
Iernut Branch	
Balazs Bela Atila	Director
Hățăgan Olimpiu Sorin	Economic Director
Oprea Maria Aurica	Commercial Director
Bircea Angela	Technical Director
SIRCOSS	
Rotar Dumitru Gheorghe	Director
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director
STTM	
Lucaci Emil	Director
Obreja Dan Nicolae	Economic Director
-	Technical Director
Drobeta Branch	
Săceanu Constantin	Director

The members of the upper management, except for the Chief Executive Officer and the Chief Financial Officer, are employees of the company having an individual employment contract for an indefinite period.

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

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

Human Resources

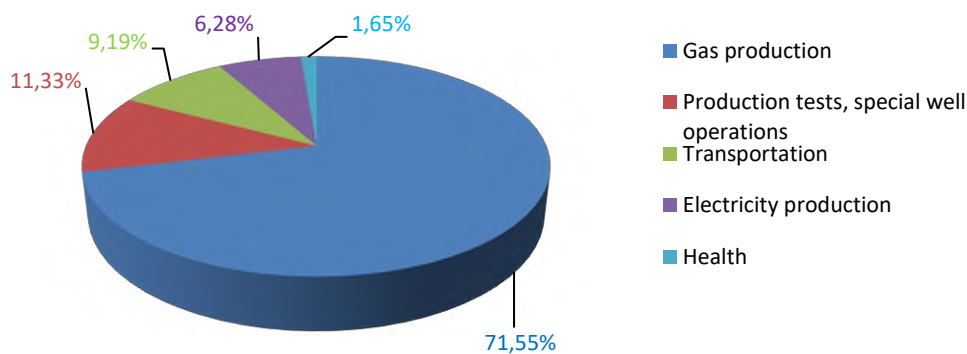
On June 30, 2022, Romgaz Group had 5,884 employees and SNGN Romgaz SA 5,384 employees.

The table below shows the evolution of the employees' number during January 1, 2019 - June 30, 2022:

Description	2019	2020	2021		H1 2022	
			Romgaz Group	SNGN Romgaz SA	Romgaz Group	SNGN Romgaz SA
Employees at the beginning of the period	6,214	6,251	6,188	5,673	5,863	5,363
Newly hired employees	264	198	179	157	165	153
Employees who terminated their relationship with the company	227	261	504	467	144	132
Employees at the end of the period	6,251	6,188	5,863	5,363	5,884	5,384

The structure of *SNGN Romgaz SA* employees at the end of the reporting period is shown below:

a) by activities



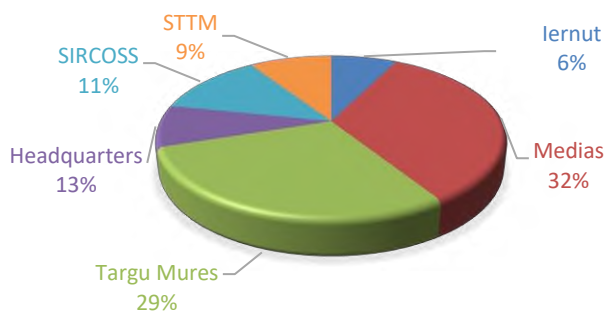
b) by level of education

- university 26.65%;
- secondary school 30.26%;
- foreman school 2.25%;
- vocational school 31.76%;
- middle school 9.08%;

c) by age

- under 30 years 5.52%;
- 30-40 years 13.09%;
- 40-50 years 30.84%;
- 50-60 years 44.69%;
- over 60 years 6.11%;

d) by headquarters and branches



e) by categories

Entity	Workers	Foremen	Office	Total
1	2	3	4	5
Headquarters	40		630	670
Mediaş Branch	1,352	83	291	1,728
Târgu-Mureş Branch	1,250	49	242	1,541
SIRCOSS	452	47	111	610
STTM	375	16	104	495
Iernut Branch	220	32	86	338
Drobeta Turnu Severin Branch			2	2
TOTAL	3,689	229	1,466	5,384

Romgaz on the stock exchange

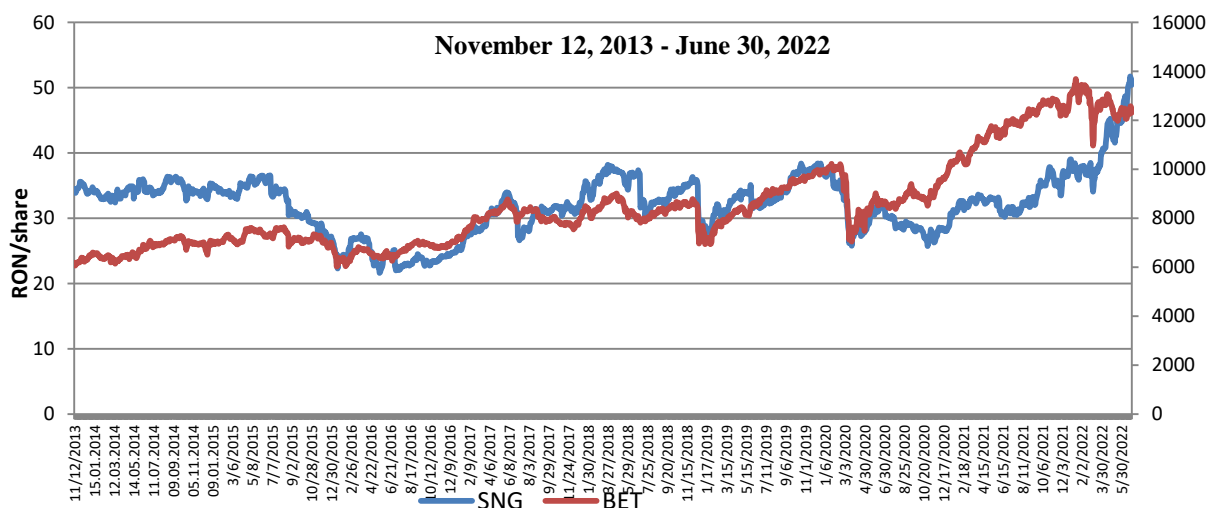
As of November 12, 2013, company's shares are traded on the regulated market governed by BVB (Bucharest Stock Exchange) – under the symbol “SNG” and on the regulated market governed by LSE (London Stock Exchange), as GDRs issued by the Bank of New York Mellon – under the symbol “SNGR”.

Romgaz is considered an attractive company for the investors in terms of dividend distribution to shareholders and the company's stability and future development perspectives, as reflected by the evolution of Romgaz securities' prices in the reviewed period.

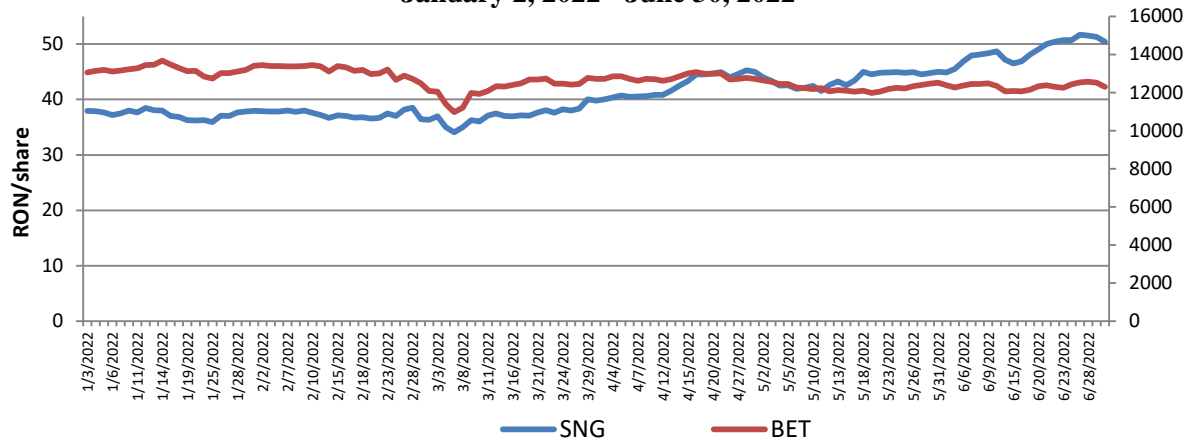
Since listing until today, Romgaz holds a significant position in the top of local issuers, being included in BVB trading indices by the end of H1 2022, as follows:

- Second place by market capitalization in the top of Premium BVB issuers. With a market capitalization of RON 19,425.28 million, namely EUR 3,927.95 million on June 30, 2022, Romgaz is the second largest listed company in Romania, being preceded by OMV Petrom with a capitalization of RON 27,614.00 million (EUR 5,583.77 million);
- Fifth place by the total amount of transactions in H1 2022 in the top of Premium BVB issuers, with RON 339.90 million;
- Weight of 11.04% and 10.99% in BET index (top 15 issuers) and BET-XT (top 25 issuers) respectively, 30.00% in BET-NG index (energy and utilities) and 11.04% in BET-TR index (BET Total Return).

Performance of Romgaz shares compared to BET index between listing and June 30, 2022, respectively H1 2022, is shown below:



January 2, 2022 - June 30, 2022



The table below shows the evolution of closing price and the company's market capitalization on the last day of H1 of 2020, 2021 and 2022:

	June 30, 2020	June 30, 2021	June 30, 2022
Number of shares	385,422,400	385,422,400	385,422,400
Closing price (RON)	31.90	31.55	50.40
Capitalization			
*mil. RON	12,295	12,160	19,425
mil. EUR	2,539	2,468	3,928 ^{)}

^{*)} –using the exchange rate set by BNR and valid for 30.06.2022, namely 4.9454 RON/EURO.

In H1 2022, the trading price of Romgaz shares and GDR's followed a similar oscillating trend, recording a steep rise in Q2 2022 reaching a new historic share price maximum on BVB of 51.70 RON/share.

Among the main factors influencing the quotation of Romgaz securities on the two stock exchanges were: the conflict in Ukraine, signing the agreement for the acquisition of shares issued by ExxonMobil Exploration and Production Romania Limited (EMEPRL), distribution of 2021 dividends with a yield of 7.3%⁴ as well as high energy prices⁵. These had a positive influence on the financial results of Q1 2022 and determined the significant increase of quotations in Q2 2022.

Romgaz share as well as GDR's recorded the minimum value of the period on March 7, 2022 following a drop of stock indices due to escalation of the war in Ukraine generating a series of sanctions against the Russian Federation⁶. On this day, the last share trading price was of RON 34.05 and USD 7.15 for the GDR's (equivalent of RON 32.69).

In Q2 2022, Romgaz securities recorded a sharp price growth, reaching the historical maximum on 27.06.2022, when the share was traded at RON 51.70 and the GDR at USD 11.20 (equivalent of RON 52.34). In this period, the share price increased by 24.3% and the GDR price by 19.3% in terms of USD and 27.1% in RON.

As compared to the beginning of the year, Romgaz shares recorded a 32.8% increase, being considered "*the shares with the best performance out of the 20 included in the structure of the main BET indices*"⁷. GDR's value increased by 33% in RON, considering the evolution of the exchange rate USD-RON in this period of +8.3%, namely USD 23.5%.

⁴ Source: Ziarul financiar 29.06.2022

⁵ Source: Ziarul financiar 19.05.2022

⁶ Source: Ziarul financiar 24.03.2022

⁷ Source: Ziarul financiar 27.06.2022

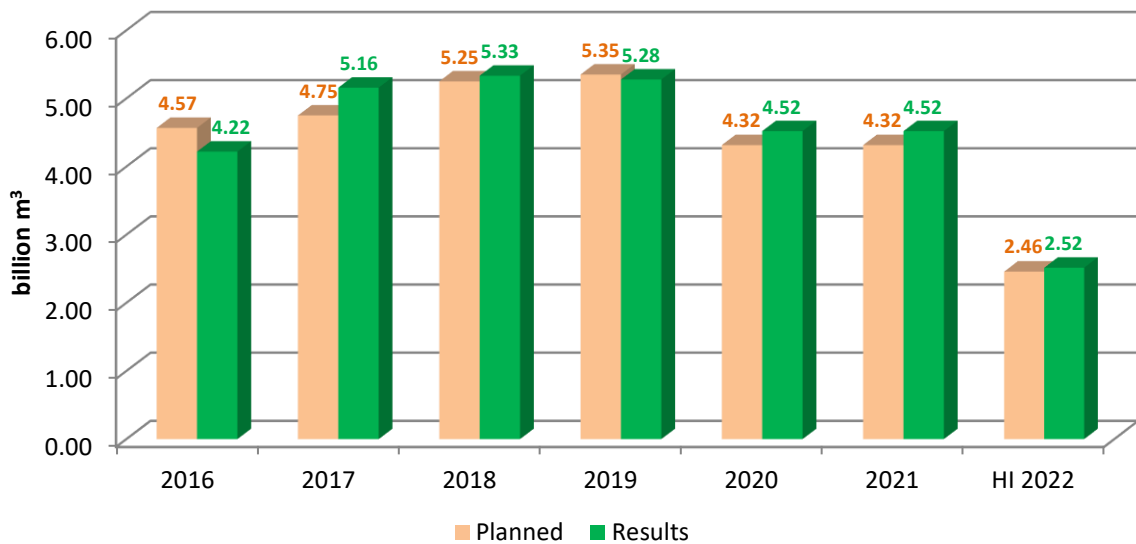
III. Review of the Group's Business

3.1. Operational Results

A retrospective analysis relating to natural gas volumes produced during 2016-2021 and H1 2022 is shown below:

Specifications	2016	2017	2018	2019	2020	2021	HI 2022
1	2	3	4	5	6	7	8
Planned (mil.m3)	4,567	4,750	5,250	5,350	4,315	5,010	2,458
Result (mil.m3)	4,219	5,158	5,333	5,277	4,520	5,029	2,515
Balance (Result vs Planned)							
*mil.m3	-348	408	83	-73	205	19	57
*%	92.4	108.6	101.6	98.6	104.7	100.4	102.3

The chart below shows the evolution of gas volumes produced during 2016-2021 and in H1 2022, planned versus result:



Analysis of the production data shows that the produced gas volumes were substantially equal to the planned level.

The achievement of such gas volumes was positively impacted by the following factors:

- streaming in new wells resulted from geological exploration activities which brought new commercial gas discoveries into the economic circuit;
- continuing rehabilitation projects performed in the main mature gas fields;
- performing well workover operations that contributed to the reactivation of a series of wells with important flow rates;
- optimizing production by applying modern water removal methods by implementing minimum invasive technologies for well workovers, by installing pressure and flow rate metering devices in the well.

The table below shows the withdrawn gas quantities (gross production), the delivered gas quantities (net production) and gas quantities injected/withdrawn in/from the underground storage during January – June 2022, as compared to the similar period of 2020 and 2021:

Item No.	Specifications	HI 2020	HI 2021	HI 2022	Indices
0	1	2	3	4	5=4/3x100
1.	Gross gas production	2,245.7	2,519.2	2,515.1	99.8%
2.	Technological consumption	32.3	35.5	37.8	106.5%
3.	Net own gas production (1.-2.)	2,213.4	2,483.7	2,477.3	99.7%
4.	Own gas injected in UGS	126.3	167.0	43.8	26.2%
5.	Own gas withdrawn from UGS	150.9	378.7	202.9	53.6%
6.	Difference from conversion to Gross Calorific Value	3.1	3.3	1.2	36.4%
7.	Delivered own gas (3.-4.+5.-6.)	2,234.9	2,692.1	2,635.2	97.9%
8.	Gas delivered to CTE Iernut and Cojocna from Romgaz gas	86.8	55.5	164.5	296.4%
9.	Own gas delivered to the market (7.-8.)	2,148.1	2,636.6	2,470.7	93.7%
10.	Gas from joint operations (Amromco - 50%)	52.6	22.7	10.4	45.8%
11.	Gas acquisitions from domestic production (including imbalance and commodity gas)	0.4	63.6	0.7	1.1%
12.	Traded domestic gas (9.+10.+11.)	2,201.1	2,722.9	2,481.8	91.1%
13.	Gas delivered from domestic production (8.+12.)	2,287.9	2,778.4	2,646.3	95.2%
14.	Delivered import gas	0.0	0.0	0.0	0.0%
15.	Gas delivered from Iernut and Cojocna from other sources (including imbalances)	2.6	8.0	0.0	0.0%
16.	Total delivered gas (13.+14.+15.)	2,290.5	2,786.4	2,646.3	95.0%
*	Invoiced UGS gas withdrawal services	923.9	1,420.7	1,090.1	76.7%
*	Invoiced UGS gas injection services *)	571.0	559.0	781.0	139.7%

Note: information are not consolidated, namely these include the transactions between Romgaz and Depogaz.

*) – represent the gas quantities related to injection services invoiced by Depogaz.

Gas traded by Romgaz in H1 2022, representing deliveries to customers and CTE Iernut consumption is by 8.9% lower as compared to the similar period of the previous year.

3.2. Consolidated Financial Results

The Group's income originates from natural gas production and delivery (production and delivery of own gas, gas from joint operations, sales of import gas or of gas purchased from other domestic producers), from providing underground storage services, from electric power generation and supply and from other related services.

RON thousand

Item No.	Specifications	H1 2020	H1 2021	H1 2022	Ratios (2022/2021)
0	1	2	3	4	5=4/3x100
1	Income – total, out of which:	2,233,440	2,258,201	7,604,493	236.75%
	*operating income	2,210,723	2,231,621	7,508,367	236.45%
	*financial income	22,717	26,580	96,126	261.65%
2	Revenue	2,193,365	2,250,031	7,496,049	233.15%
3	Expenses – total, out of which:	1,290,260	1,355,457	5,547,454	309.27%
	*operating expenses	1,281,625	1,347,044	5,526,792	310.29%
	*financial expenses	8,635	8,413	20,662	145.60%
4	Share of associates' results	(125)	(809)	244	n/a
5	Profit before tax	943,055	901,934	2,057,283	128.10%
6	Income tax expenses	142,215	140,333	331,338	136.11%
7	Profit for the period	800,840	761,601	1,725,945	126.62%

Note: income and expenses do not include fixed production.

Total H1 2022 income were higher by 236.75% as compared to H1 2021 income.

Economic – Financial Results

The table below shows a comparison between the consolidated financial results (RON thousand):

Description	H1 2020	H1 2021	H1 2022	Ratios (2022/2021)
1	2	3	4	5=(4-3)/3x100
Operating result	929,098	884,577	1,981,575	124.01%
Financial result	14,082	18,167	75,464	315.39%
Share of associates' result	(125)	(809)	244	n/a
Profit before tax	943,055	901,934	2,057,283	128.10%
Income tax expenses	142,215	140,333	331,338	136.11%
Profit for the period	800,840	761,601	1,725,945	126.62%

The net result achieved for H1 2022 reached RON 1,725.945 thousand, higher by 126.62% than the result of H1 2021.

3.3. Investments

Investments play an important part in maintaining the production decline at current levels by discovering new reserves and improving the current recovery rate by rehabilitation, development and modernization of existing facilities.

During H1 2022, *Romgaz Group* invested RON 217.71 million, representing approx. 55% from the scheduled investments, less Neptun Deep project.

During 2019 – June 30, 2022, the *Company* invested approximately RON 2.1 billion, as follows:

Year	2019	2020	2021	H1 2022	Total
Value (thousand RON)	866,218	601,800	417,658	216,706	2,102,382

For 2022, *Romgaz* planned investments of RON 5,720.00 million, out of which it allocated for Neptun Deep RON 4,820,240 and the amount planned for H1 2022, less Neptun Deep project, is RON 395.23 million and achieved RON 216.71 million, representing:

- 54.83% of investments planned for H1 2022;
- 24.09% of the investment program for 2022;
- 99.99% as compared to the investment results of H1 2021.

Investments were financed exclusively from owns sources.

Regarding physical achievements for the reviewed period, the investments commenced in the previous year were carried out, preparatory works were carried out (design, obtaining lands, approvals, agreements, authorizations, procurement) for new investment objectives, and modernisation works and capitalizable repairs were performed at producing wells.

Such physical achievements are the prerequisite for future results.

The table below shows a comparison to the similar period of previous year split into main investment categories:

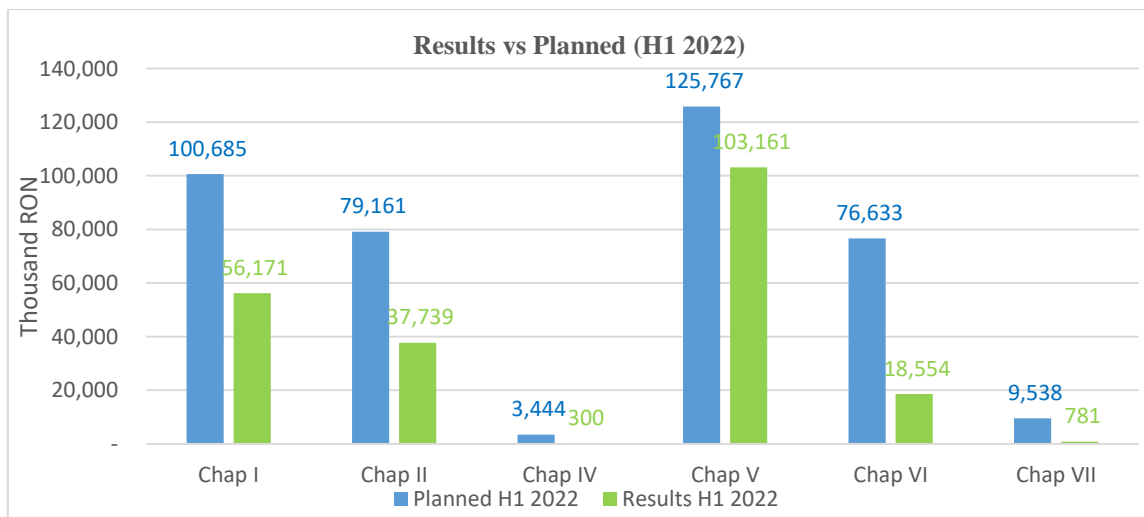
RON thousand

Investment Chapter	H1 2021	H1 2022	%
1	2	3	4=3/2x100
I. Geological exploration works to discover new gas reserves	61,405	56,171	91.48
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electricity generation	26,068	37,739	144.77
IV. Environment protection works	301	300	99.67
V. Retrofitting and revamping of installation and equipment	108,517	103,161	95.06
VI. Independent equipment and installations	17,144	18,554	108.22
VII. Expenses related to studies and projects	3,281	781	23.80
TOTAL	216,716	216,706	99.99

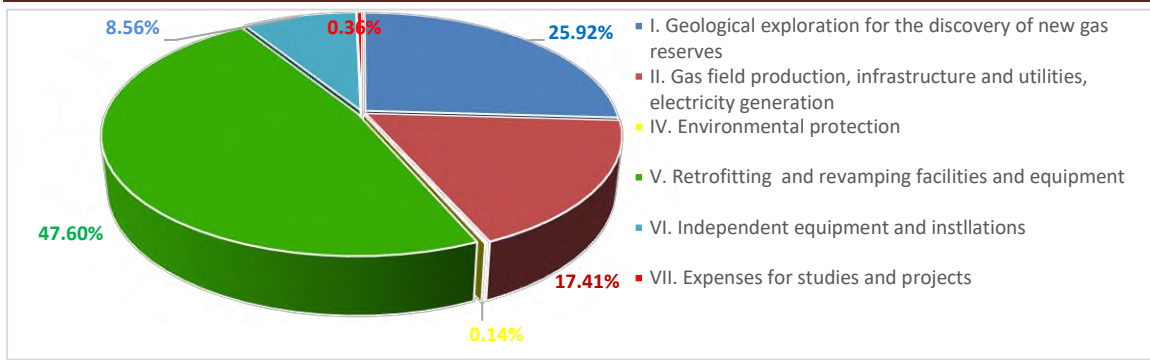
The table below shows the investment results split by main chapters, as compared to H1 2022 Investment Program, less Neptun Deep project:

RON thousand

Investment Chapter	Program	Results	%
1	2	3	4=3/2x100
I. Geological exploration works to discover new gas reserves	100,685	56,171	55.79
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electricity generation	79,161	37,739	47.67
IV. Environment protection works	3,444	300	8.71
V. Retrofitting and revamping of installation and equipment	125,767	103,161	82.02
VI. Independent equipment and installations	76,633	18,554	24.21
VII. Expenses related to studies and projects	9,538	781	8.19
TOTAL	395,228	216,706	54.83



The picture below shows the investments achieved during the reporting period:



A synthesis of outcomes shows that, to a large extent, investments were completed or are in progress:

Item No.	Main physical investment objectives	Planned	Results
1.	Exploratory drilling	9 wells	2 wells drilled 5 wells drilling under procurement
2.	Drilling design for exploration wells	23 wells	22 wells in various preparatory stages (design, permits, agreements, CA)
3.	Drilling production wells	3 wells	1 drilled well 8 design in progress
4.	Surface facilities – facilities at wells with gas; gathering pipes; compressor stations, dehydration stations	Carry out 38 surface facilities for streaming in 47 wells with gas, 4 gathering pipes; 2 dehydration stations	- 9 surface facilities for streaming in 9 wells - 7 surface facilities in progress for streaming in 7 wells; - 19 surface facilities in various stages (design, permits, agreements, CA) for streaming in 26 wells; - gathering pipeline DN 200 mm-Dn 300 mm, L = 8.2 km, Fulga-Adâncata was commissioned (Prahova county); - gathering pipeline DN 400 mm, L = 17 km, Adâncata - Coșereni dehydration station was commissioned (Ialomița county); - acceptance of works at Cosereni gas dehydration station
5.	Capitalizable well repair, recompletion operations and reactivation	roughly 160 wells, correlated with the annual program set by ANRM	Works performed in 106 wells by SIRCOSS
6.	Procurement of modern equipment and facilities specific for the core activity	Nitrogen transportation tanker; three-phase discharge, metering and separation 700 bar installation; ACF 700 cementing units; self measuring devices for well parameters; 30 TF and 50 TF installations; vans; auto	Acceptance of the following: electrical compressors, semitrailer, tractor, lab on wheels, mechanical gage, IF 2 7/8 drill rods, digital tachographs, three-phase discharge system, 700 bar gas measurement and separation,

Item No.	Main physical investment objectives	Planned	Results
		tractor; truck cranes; self-emptying; bulldozer; 6x6 dump truck; auto platform with arm; bulldozer etc.	laboratory infrared spectrometer, plastic tank, priming pumps, video-conference equipment, complete solution for migrating, upgrading and improving the storage infrastructure and data protection of Exchange and SharePoint systems, security equipment (Firewall), Server Manager licenses
7.	Electricity production	Continue works at CTE Iernut	Currently in progress the procedure for procurement of execution of works and completion of the investment
8.	Partnerships/Associations	<p><u>Lukoil Overseas:</u></p> <ul style="list-style-type: none"> - currently Romgaz share is 12,2% - perform the works provided in the minimum works program for the evaluation period, and some additional works (assess stability of well bore IX Lira) necessary for making a decision to continue works by assessment drilling if it is decided to pass to stage II of the assessment period <p><u>Amromco Energy:</u></p> <ul style="list-style-type: none"> - Romgaz share is 50% - abandoning 8 wells, according to the Annual Plan <p><u>Raffles Energy:</u></p> <ul style="list-style-type: none"> - Joint Operating Committee for E3-1 Brodina block, (Romgaz share is 50%) - Gas to Power (G2P) restream in experimental production well 1 Voitinel 	<ul style="list-style-type: none"> - completed works related to reprocessing 3D seismic data and inversions - completed the assessment of boreholes in case of two trajectories for the delineation well - update of the geo-mechanical model with new reprocessed seismic data - works for abandoning 4 wells that had ANRM approval and for dismantling facilities, drilling locations and access roads to abandoned wells <p>Currently discussions with ANRE to find a solution for small energy producers using G2P system, eventually for supplementing the order to find solutions for agreeing with small capacity generators up to 5 MWh</p>

During the reviewed period, investments amounting to RON 242,053 thousand were implemented.

Investments were lower than planned due to the following:

- Rescheduling the payment for the acquisition of EMEPRL shares, planned for April on a date following the reporting period;
- Failure to purchase computers, as well as failure to carry out the procurement of IT Datacenter Modernization (servers) due to the lack of endorsements of the Technical-Economic Committee for IT;
- Delays in drafting and submitting technical documentation that caused delays in starting procurement procedures for several investment objectives;

- after amendment of applicable laws, delayed procurement procedures for the execution of remaining works related to “*Development of CTE Iernut by building a new power plant with combined cycle gas turbines*” – taking into account termination of the old contract;
- delays in the delivery of equipment/machinery as these were not manufactured on time;
- delay in the completion of some acquisition procedures, because the estimated values of the acquisition procedures for some investment objectives were modified/updated, in the context of the current crisis situation.

Development of CTE Iernut

One of Romgaz main strategic directions, provided in “*The Development Strategy for 2015 - 2025*”, is consolidation of the company’s position on the energy supply markets. In this respect, in the field of electricity production, Romgaz planned to “*improve activity efficiency by making investments to increase Iernut Power Plant (CTE) efficiency to 55%, at least, comply with environmental requirements (NOx, CO₂ emissions) and increase operational safety*”.

As a result, a very important objective is “*The Development of CTE Iernut by building a new combined cycle gas turbine power plant*” scheduled to be put into operation at the end of 2020.

In 2021, by Notice of Termination No. 10872/April 2, 2021, Romgaz agreed to terminate the Works Contract No. 13 384/October 31, 2016 concluded between Romgaz and the Consortium of Duro Felguera S.A. and S.C. Romelectro S.A., in view of the constant breach of contractual obligations assumed by the Consortium, which did not complete the works within the deadline set out by the Addendum No. 15/May 26, 2020, namely December 26, 2020.

Within the applicable legal framework, Romgaz used all the means available in order to ensure progress and completion of the works.

Considering the intervention of a new legal framework, Romgaz will exploit all legal possibilities in order to complete the works and to put into operation the new power plant, including with the Consortium, this decision being based on the interest towards the completion of the works and the contribution of the power plant to the stability of the National Energy System (SEN).

The Romanian Government adopted the Emergency Ordinance No. 54 of April 21, 2022 supplementing Law No. 99/2016 on the sectoral procurement, published in the Official Gazette of Romania No. 393/April 21, 2022, which provides as follows:

“Sole Article:

Law 99/2016 on sectoral procurement, published in the Official Gazette of Romania, Part I, No. 391 of May 23, 2016, as subsequently amended and supplemented, is supplemented as follows:

1. *After Article 117 a new article is inserted, Article 117¹, with the following content:*

Article 117¹

By way of exception to the provisions of Article 117, the contracting entity shall have the right to apply the negotiation procedure without prior invitation to a competitive bidding procedure for the award of the sectoral contracts, having as object the execution of the remainder to be executed for the construction and development of electricity production capacities in case it represents less than 40% of the physical stage related to the investment objective.

2. *In Article 180, after paragraph (6) a new paragraph is inserted, paragraph (6¹), with the following content:*

(6¹) In case of the award of certain contracts in accordance with the provisions of Article 117¹, the contracting entity may decide not to exclude from the award procedure the economic operators referred to in paragraph (1) letter g)”.

Therefore, the procurement procedure applied by Romgaz is *negotiation without prior invitation to a bidding competitive procedure*, in accordance the provisions of Article 117¹ of Law 99/2016.

Considering that the procurement procedure for the above-mentioned work is carried out both in accordance with Romgaz internal procedures as well as in compliance with the principles provided in Article 2, paragraph 2 of Law No. 99/2016, such as: non-discrimination, equal treatment, mutual recognition, transparency, proportionality and assumption of responsibility, the executive management recommended, and Romgaz Board of Directors agreed to initiate the procurement operation having as object “*Completion of works and putting into operation of the investment objective: the Development of CTE Iernut by building a new combined cycle gas turbine power plant*” (Board of Directors Resolution No. 43/2022).

For 2022, **Filiala DEPOGAZ** has an approved investment program in amount of RON 70,000 thousand.

The Subsidiary's approved H1 2022 investment plan amounted to RON 20.190 thousand, out of which 4.97% was achieved, i.e. RON 1,004 thousand, as follows:

RON thousand

Item No.	Specification	Scheduled	Achieved
1.	Exploitation of fields and UGS, and related infrastructure and utilities	9,743	308
2.	UGS related activities	125	122
3.	Environment protection and improvement	0	0
4.	Retrofitting and revamping of installation and equipment, surface infrastructure, utilities	6,420	204
5.	Independent equipment and installations	2,216	286
6.	Expenses related to consultancy, studies and projects, software, licenses and patents, etc.	1,686	84
*	TOTAL GENERAL	20,190	1,004

Investments were financed exclusively from the Subsidiary's own sources.

The following main objectives recorded progress in H1 2022:

- Monitoring and safety system
- Compensation and land acquisitions
- Drilling of Bilciuresti Wells – taxes and expenditures related to land acquisition and permits taxes
- Butimanu – Bilciuresti collector system – Manifold SC Butimanu
- Modernization of cooling towers – SC Butimanu
- Multifunction calibrator and HART communicator
- Automatic calibration systems pressure transducers, pressure gauges
- Portable calculators
- Water softening station – SC Balaceanca
- Pulleys alignment kit
- Modernization of 12 wells Sarmasel – Technical project Stage 1
- Documentation for urban planning certificate and environmental notification for the “*increase of daily extraction capacity in Bilciuresti Storage*”

IV. Other significant aspects

4.1. Prices and Tariffs

The regulatory framework for *natural gas production, transmission, distribution, supply and storage*, organization and operation of the gas sector, market access as well as criteria and procedures for granting authorizations and/or licenses in the natural gas sector are set by Law No. 123/2012⁸.

Romgaz Group operates both on the regulated market, performing underground gas storage and gas distributions activities, and on the free market performing gas and electricity production and supply activities and underground gas storage activities.

Underground gas storage

Income and tariffs from underground storage were regulated as of April 1, 2004 when *ANRGN Decision No. 1078/2003* came into force, Decision that was repealed by *ANRE Order No.22/May 25, 2012* to approve the Methodology for price approval and establishment of regulated tariffs in natural gas sector, published in the Official Gazette No. 379/June 6, 2012, replaced by *ANRE Order No. 14/February 13, 2019* to approve the Methodology for price setting and establishing regulated tariffs for the provision of underground storage services.

Through Emergency Ordinance No. 106/2020, to amend the Law No. 123/2012 on electricity and natural gas, the Romanian Government also decided to remove the Regulation of gas storage activity. Thus, after the extraction cycle 2020 – 2021, the storage activity is no longer a regulated activity.

ANRE Order No. 21/March 16, 2021 is currently in force, repealing *ANRE Order No. 14/2019* for the approval of the Methodology to set the regulated tariffs for the provision of underground storage of natural gas and establishing certain reporting obligations as of April 1, 2021.

The storage tariffs applied are shown in the table below:

Tariff Component	Unit	Tariffs (April 1, 2020 – March 31, 2021)	Tariffs (April 1, 2021 -March 31, 2022)	Tariffs (as of April 1, 2022)
Volumetric component related to gas injection	RON/MWh	3.67	2.29	4.50
Fixed component related to storage capacity booking	RON/MWh/storage cycle	7.58	9.31	11.44
Volumetric component related to gas withdrawal	RON/MWh	2.03	1.74	3,48

Natural Gas Trading

Romgaz's natural gas trading policy is based on principles governed by transparency, competition, equal and non-discriminatory treatment, efficiency and effectiveness.

In the context set in the trading policy and taking into account the specific incident regulations, natural gas is traded using two sales channels: trading on the centralized market managed by the Romanian Commodities Exchange and bilateral negotiations.

In H1 2022 natural gas sales was influenced to some extent both in terms of quantity and price formation, by two specific regulations, namely:

1. GRP (Gas Release Program)

⁸ Law No. 123 of July 10, 2022 on electricity and natural gas, as subsequently amended and completely.

In accordance with the provisions of Article 177 paragraph 3¹⁶ of Law No. 123/2012, during the period July 1 2020 – December 31, 2022, natural gas producers whose annual production for the previous year exceeds 3,000,000 MWh are obliged to tender annually the sale of 40% of their gas production, with delivery during the period July 1, 2020 – December 31, 2022, in a transparent, public and non-discriminatory manner, on centralized markets, in accordance with the regulations issued by ANRE.

The prices in the initiating tenders offering GRP gas quantities must be, according to ANRE Order No. 143/2020⁹, “at least 5% lower than the weighted average prices for the products tendered”.

The gas quantities representing Romgaz tender obligation according to GRP, are presented in the table below (MWh):

	2020	2021	2022
Tender obligation	12,434,563	17,537,059	19,704,757

Under Article 19 of GEO No. 27/2022¹⁰ GRP was suspended for the period April 1, 2022 – December 31, 2022.

In H1 2022, the gas quantity delivered by Romgaz under GRP was 7,781.1 GWh, by 23.22% lower than the quantity delivered during the same period of the previous year, when a quantity of 10,143.0 GWh was delivered.

2. GEO No. 27/2022

2.1 Supply of natural gas at a regulated price

Based on this regulation, the Transmission and System Operator – TSO (S.N.T.G.N. Transgaz S.A.), on the basis of the information transmitted by natural gas producers and household customers suppliers (HCS), the suppliers of heat producers (SHP) and, namely, directly to the heat producers (HP), determined and transmitted to each producer the gas quantities representing the contracting obligation for the period April 1, 2022 – March 31, 2023, at regulated prices, namely RON 150/MWh for HCS and RON 250/MWh for SHP and HP directly:

	2022								2023			Total
	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	
HCS	0.52	0.47	1.01	1.06	1.23	3.64	2.99	3.13	3.28	2.93	3.27	23.54
SHP and HP	0.06	0.06	0.12	0.13	0.15	0.45	0.83	0.87	0.91	0.81	0.91	3.30
Total	0.58	0.53	1.13	1.19	1.38	4.09	3.82	4.00	4.19	3.74	4.18	28.84

In H1 2022, more precisely in May and June, based on GEO No. 27/2022, Romgaz delivered a quantity of 1,100,946 MWh, out of which 987,968 MWh to HCS and 112,978 MWh to SHP and HP.

2.2 Supply of natural gas at capped price

According to the provisions of Article 1, paragraph (2) “for the consumption achieved during the period April 1, 2022 – March 31, 2023, the final price invoiced by the gas producers is:

- a) Maximum RON 0.31/kWh, VAT included, for household customers;
- b) Maximum RON 0.37/kWh, VAT included, for non-household customers with an annual gas consumption achieved at the place of consumption in 2021 of at most 50,000 MWh, as well as for heat producers.”

⁹ Order No.143 of June 17, 2020 on the obligation to tender natural gas on centralized markets to natural gas producers whose annual production achieved in the previous year exceeds 3,000,000 MWh

¹⁰ The Emergency Ordinance No. 27 of March 18, 2022 on the measures applicable to final consumers on the electricity and natural gas market between April 1, 2022 and March 31, 2023, as well as for amending and supplementing certain regulations in the energy sector

The gas quantity invoiced at capped price, since the publication of GEO No. 27/2022 and until the end of June 2022, is of only 672.56 MWh.

The gas quantity traded in H1 2022 was 26,024.7 GWh, by 2,469.4 GWh lower than the quantity traded in H1 2021 and by 711.3 GWh, namely 2.7% lower than the quantity scheduled to be traded.

From the quantity traded in H1 2022, 7,781.1 GWh (approximately 30%) represents gas from GRP, and 8,266.2 GWh (approximately 32%) represents gas delivered to S Electrocentrale Bucuresti S.A. and S Electrocentrale Constanta S.A. (ELCEN).

Trading a gas quantity lower by 711.3 GWh than the scheduled quantity is due to the following:

- Consumption by ELCEN of certain gas quantities lower by 8.9% (-811,241 MWh) than those contracted.
ELCEN Bucuresti and ELCEN Constanta have been declared captive customers of Romgaz by the courts and, as a result, "*Romgaz is obliged not to change, refuse or temporarily interrupt the supply of natural gas*" to them.
As a result of the captive status, corroborated with the significant flexibility of contracting quantities they benefit from, Romgaz is obliged to keep at ELCEN's disposal the quantities representing the flexibility, and most of the times they have not consumed them, which had a significant impact on the traded gas quantities;
- Trading (marketing), starting with the latter part of 2021, of certain GRP quantities lower by 14.92% (-1,366,099 MWh) than the quantities tendered, with delivery between January – June, due to the accelerated increase in natural gas prices. The gas quantities were tendered; sales orders were placed, in the volumes provided by ANRE but, due to prices considered high by the tenderers, they were not traded.

The gas quantity owned by Romgaz in underground storages on June 30, 2022, was of 3,050,450.5 MWh.

The table below shows the average gas supply prices for the period June 2020 – June 2022:

Specification	U.M.	2020	2021	H1 2022
1	2	3	4	5
Average gas supply price from internal production ¹¹	RON/1000 mc	751.3	1,019.66	2,697.28
	RON/MWh	73.3	96.66	256.14

Natural Gas Distribution

ANRE Orders approve the *Distribution tariffs and final regulated prices* applied for the reviewed period, namely:

- ↳ ANRE Order No. 56/2020 on setting the unitary tariff for regulated supply activity for January 1 – June 30, 2020 and for the approval of regulated prices in the natural gas sector, for S.N.G.N. ROMGAZ S.A. (as from January 1, 2020).
- ↳ ANRE Order No. 122/2020 on approving the regulated tariffs for gas distribution services, performed by Societatea Nationala de Gaze Naturale "ROMGAZ" - S.A. Mediaş (as from July 1, 2020);
- ↳ ANRE Order No. 77/2021 on approving the regulated tariffs for gas distribution services, performed by Societatea Nationala de Gaze Naturale "ROMGAZ" - S.A. Mediaş (as from July 1, 2021).
- ↳ ANRE Order No. 57/2022 for amending ANRE President Order No. 77/2021 on approving the regulated tariffs for gas distribution services, performed by Societatea Nationala de Gaze Naturale "ROMGAZ" - S.A. Mediaş (as from April 1, 2022)

¹¹ Including commodity gas and excluding the cost of storage services

The table below shows the applied tariffs and prices:

Specification	January 1, 2020 –June 30, 2020	July 7, 2020 –June 30, 2021	July 1, 2021 – March 31, 2021	April 4, 2022 - present
Distribution tariffs (RON/MWh):				
*C1 consumption up to 280 MWh	52.87	52.52	48.19	49.31
*C2 annual consumption between 280 and 2,800 MWh	0.00	46.17	42.37	43.35
*C3 annual consumption between 2,800 and 28,000 MWh	50.00	41.29	37.91	38.79
Final regulated prices (RON/MWh):				
*C1 consumption up to 280 MWh	122.71			

4.2. Litigations

The summarized breakdown of litigations involving Romgaz as of June 30, 2022 shows the following:

- ☞ The total number of litigations recorded by the company is 205 cases, out of which:
 - ✎ 97 cases where Romgaz is plaintiff;
 - ✎ 102 cases where Romgaz defendant;
 - ✎ 6 cases where Romgaz is plaintiff claiming damages/injured party;
 - ✎ 1 case of third party garnishee;
- ☞ The total value of files where Romgaz is plaintiff amounts to (approximately) RON 1,916,238,841.91;
- ☞ The total value of files where the company is defendant amounts to (approximately) RON 224,003,840.11;
- ☞ The total value of files where Romgaz is civil party amounts to RON 283,188,565.55;
- ☞ The total value of files where Romgaz is third-party garnishee to RON 3,895,186.86.

4.3. Legal documents concluded under Article 52 of GEO No. 109/2011

In accordance with the provisions of Article 52, paragraph (6) of **GEO No. 109/2011** “*In the half-year and annual reports of the Board of Directors... the legal acts concluded under the conditions of paragraphs (1) and (3) shall be mentioned ... in a special chapter, ...*”

Paragraph (1) provides as follows:

“*The Board of Directors [...] convenes the General Meeting of Shareholders for the approval of any transaction if it has, individually or in a series of concluded transactions, a value higher than 10% of the public enterprise net assets value or higher than 10% of the public enterprise revenue in accordance with the last audited financial statements, with the Board members or the managers or, where appropriate, with the members of the Supervisory Committee or the directorate, the employees, the shareholders who have control over the company or a company controlled by them*”.

Paragraph (2): “*the obligation to convene a meeting shall be the responsibility of the Board of Directors [...] and in case of transactions concluded with the spouse, relatives/affinity of fourth degree including the persons mentioned in Paragraph (1)*”.

Paragraph (3): “*the Board of Directors [...] informs the shareholders, during the first general meeting of shareholders taking place after concluding the legal act, on any transaction concluded by the public company with:*

- a) *the persons mentioned in Paragraph (1) and (2), if the value of the transaction is below the level established in Paragraph (1);*
- b) *another public company or with the public supervisory authority, in case the transaction value, individually or in a series of transactions, is equal or above the RON equivalent of EUR 100,000".*

The transactions concluded under the provisions of Article 52 of GEO No. 109/2011 are published on Romgaz website at www.romgaz.ro → Investors → Interim reports → 2022.

4.4. Main Risks and Uncertainties for H2 2022

Operational risks:

- ☞ Full/partial non-performance of gas production schedule due to the influence of several factors reducing the production capacity, such as:
 - high pressures in the National Transmission System (NTS) which negatively impact the operational results of the gas reservoirs;
 - major defaults occurred during operation of gas dehydration stations, compressor units and compression boosters;
- ☞ non-compliance with schedule of works related to new production facilities (commissioning, technological facilities, wells, collecting pipelines, fiscal metering panels);
- ☞ non-performance of maintenance works on time and within planned parameters (dehydration stations, compression stations, pipelines);
- ☞ increase of production costs as a result of local and national regulations;
- ☞ reduced usage of production facilities due to unfavourable weather (suspension of electricity supply, landslides –pipeline rupture);
- ☞ lack of materials and spare parts for performing preventive and corrective maintenance works at the company's main production facilities (wells, gas drying stations, compressor station, pipelines);
- ☞ non-compliance with environment protection legal requirements when performing the company's main activities (drilling of wells, well exploration, maintenance works, etc.).

Investment risks:

- 🔔 non-performance of the Investment Program in terms of physical investments and relating budget, in case unforeseen situations occur during the implementation of the Program;
- 🔔 defective or delayed performance of investment works due to non-compliance with tender books, technical specifications of projects and performance schedules;

4.5. Internal Public Audit

The activity of Internal Public Audit is carried out in accordance with the Annual Business Plan endorsed by the Audit Committee and approved by the company's CEO.

For the period January 1 – June 30, 2022, in accordance with the Revised Business Plan, the activity of the Internal Public Audit may be synthetized as follows:

- the following audit missions were **completed**:

- *"Evaluation of extraction and reservoir engineering activity carried out within Medias and Targu Mures Production Branches";*
 - *"Evaluation of the performance of the maintenance activities of Level 3 pipelines – Current Repairs and Level 4 pipelines - Capital Repairs";*
 - *"Evaluation of the use of the financial resources granted to Gaz Metan Medias Sports Club, based on sponsorship contracts concluded with S.N.G.N. Romgaz S.A. during 2021" and*
- The following planned audit missions were **initiated**:
- *"Analysis of how procurement is substantiated and how sectoral procurement procedures for products/services/works are carried out - as well as how contracts concluded within branches are followed up;*
 - *Evaluation of how to determine the fees and taxes owed by S.N.G.N. Romgaz S.A. (income tax, additional income tax and VAT);*
 - *Evaluation of compliance of legal activity with applicable procedure provisions".*

The audit reports prepared on the basis of the inspections carried out, endorsed by the Chief Executive Officer, were submitted for the information of the Audit Committee.

Monitoring the implementation of the recommendations made in the endorsed audit reports, increasing the efficiency of their implementation, as well as compliance with the implementation deadlines undertaken in the action plan, is a permanent concern of the Internal Public Audit.

The activity of the internal audit contributed to adding value to the company, through the recommendations made during the missions carried out. The quality of internal audit reports is one of the main objectives of Romgaz internal audit activity, as they constitute the essence of internal audit work, reflecting the professional capacity of internal auditors.

During H1 2022 the internal public audit structure did not have any cases of recommendations made through audit reports not submitted by the Chief Executive Officer and did not face with any situations of constraint/special problem nature.

4.6. Investor Relations

As a company listed on BVB and LSE (through GDRs) Romgaz carried out the following activities to meet the requirements of information and transparency on the company's business:

- ↳ Organisation of regular conference calls with investors and financial analysts to discuss the reported economic and financial results (according to the financial communication schedule approved by the company's management);
- ↳ Participation in conferences organized by brokers/local and international financial institutions (under the form of one to one meetings with investors);
- ↳ Participation in meetings/telephone discussions upon request of financial analysts/investors;
- ↳ Carrying out materials to present the company – as a support for discussions during the meetings with the investors, as well as reports including preliminary operational data – to be published on the BVB;
- ↳ providing prompt answers to analysts'/investors' requests for information as a permanent activity;
- ↳ participation in other events dedicated to the capital market.

For H1 2022, for a transparent information of investors, Romgaz participated in the following events and carried out specific activities, such as:

- For *Q1 2022*:
 - 1 conference call organized by Romgaz with financial analysts and investors to discuss the preliminary economic-financial results reported for Q4/entire 2021 – on February 28, 2022;
 - 1 virtual international conference – organized in the form of one-to-one online meetings with institutional financial investors: “Romania Investors Days”- organizer WOOD & Company; period: March 3rd, 2022;
 - providing prompt answers – both by telephone and by e-mail – to requests for information from financial analysts and investors representatives (legislative, operational, financial public information)
- For *Q2 2022*:
 - 1 conference call organized by Romgaz with financial analysts and investors to discuss the economic – financial results reported by Romgaz Group for Q1 2022 – on May 16, 2021;
 - Participation in 2 meetings with institutional financial investors;
 - Providing answers to requests for information from financial analysts and investors.

4.7. Sponsorships

The activities carried out by Romgaz in the field of social responsibility are accomplished on a voluntary basis, beyond the legal responsibilities, the company being aware of the role it plays in society.

For Romgaz, social responsibility is a business culture that includes business ethics, customer rights, economic and social equity, technologies that do not harm the environment, fair treatment of workforce, transparent relations with public authorities, moral integrity and investments in the community.

Also, Romgaz supports the sustainable development of the company and community, by financial support/sponsorship of some actions and initiatives in the following main fields: education, social, sports, health, environment, thus proving a pro-active attitude in the field of social responsibility and raising the awareness of stakeholders about the importance and benefits of applying social responsibility.

For H1 2022, Romgaz carried out sponsorships in amount of RON 10,980,437, as follows:

- RON 5,084,228 for category a) of GEO No. 2/2015 – Health;
- RON 5,476,209 for category b) of GEO No. 2/2105 – Education, Social and Sports;
- RON 420,000 category c) of GEO No.2/2015 – Others.

V. Consolidated Financial-Accounting Statement

5.1. Interim Statement of Consolidated Financial Position

The table below presents a summary of the consolidated financial position as of June 30, 2022 in comparison with December 31, 2021:

INDICATOR	December 31, 2020 (thousand RON)	June 30, 2022 (thousand RON)	Variance (%)
1	2	3	4=(3-2)/2x100
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	5,240,697	5,080,823	-3.05
Other intangible assets	16,33	15,457	-4.19
Investments in associates	26,187	26,431	0.93
Deferred tax assets	269,645	192,189	-28.73
Other financial assets	5,616	5,616	0.00
Right of use assets	7,128	7,061	-0.94
<i>Total non-current assets</i>	5,565,406	5,327,577	-4.27
<i>Current assets</i>			
Inventories	305,241	264,429	-13.37
Trade and other receivables	1,352,345	1,539,604	13.85
Contract costs	483	172	-64.39
Other financial assets	417,923	1,440,282	244.63
Other assets	67,962	570,669	739.69
Current income tax receivables	3,201	1,231	-61.54
Cash and cash equivalent	3,580,412	5,724,554	59.89
<i>Total current assets</i>	5,727,567	9,540,941	66.58
TOTAL ASSETS	11,292,973	14,868,518	31.66
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital	385,422	385,422	0.00
Reserves	2,998,975	3,539,202	18.01
Retained earnings	5,596,756	5,351,622	-4.38
<i>Total equity</i>	8,981,153	9,276,246	3.29
<i>Non-current liabilities</i>			
Retirement benefit obligation	156,420	131,955	-15.64
Deferred revenue	230,438	230,428	0.00
Bank loans	-	1,285,804	n/a
Provisions	412,846	224,705	-45.57
Lease liability	7,211	7,028	-2.54
<i>Total non-current liabilities</i>	806,915	1,879,920	132.98
<i>Current liabilities</i>			
Trade and other payables	71,317	88,488	24.08
Contract liabilities	204,384	352,491	72.47
Current income tax liabilities	52,299	126,162	141.23
Deferred revenue	49	10	-79.59
Bank loans	-	321,451	n/a
Lease liability	810	870	7.41
Provisions	237,144	184,875	-22.04
Other liabilities	938,902	2,638,005	180.97
<i>Total current liabilities</i>	1,504,905	3,712,352	146.68
<i>Total liabilities</i>	2,311,820	5,592,272	141.90
TOTAL EQUITY AND LIABILITIES	11,292,973	14,868,518	31.66

NON CURRENT ASSETS

Total non-current assets dropped by 4.27%, namely RON 237.83 million, from RON 5,565.41 million on December 31, 2021 to RON 5,327.58 million on June 30, 2022. The decrease was caused by:

- reduction in the decommissioning provision as a result of the increase of the discount rate used in the calculation (the effect on the value of the wells from the decrease in the decommissioning provision is a decrease by RON 130.66 million);
- decrease in deferred tax receivables, generated by the write-off of receivables from insolvent customers that can no longer be recovered and from bankrupt customers.

CURRENT ASSETS

Current assets increased by 66.58% (RON 3,813.37 million) on June 30, 2022. The main influences are listed below:

Trade and other receivables

Trade receivables increased by 13.85% as compared to December 31, 2021 mainly due to higher prices in 2022 as compared to the prices the end of 2021.

Cash and cash equivalent. Other financial assets

Cash, cash equivalent and other financial assets (bank deposits and state bonds purchased) reached RON 7,164.8 million on June 30, 2022, as compared to RON 3,998.34 million at the end of 2021 (+RON 3,166.5 million). A part of the increase was generated by the cash obtained through the loan contracted for the acquisition of ExxonMobil Exploration and Production Romania Limited shares.

Out of the amount RON 7,164.8 million in balance at June 30, 2022, approximately RON 6.1 billion will be used to pay dividend to shareholders and to pay the price difference for the acquisition of ExxonMobil Exploration and Production Romania Limited.

Other assets

Other assets increased by 739.69% (RON 502.71 million) as compared to December 31, 2021 as a result of the payment during Q2 2022 of the advance for the acquisition of ExxonMobil Exploration and Production Romania Limited. The amount paid was not recorded as a financial investment, considering that the suspensive conditions included in the share purchase agreement had not been met as at 30 June 2022.

EQUITY

Group's equity increased by RON 3.29% due to the profit achieved in H1 2022.

NON-CURRENT LIABILITIES

On June 30, 2022 non-current liabilities recorded an increase by 132.98% as compared to December 31, 2021 as a result of the loan for paying the acquisition of ExxonMobil Exploration and Production Romania Limited. The amount borrowed for this purpose is EUR 325 million, refundable quarterly over a 5-year period.

Pension provisions decreased by RON 24.47 million, due to the increase in the discount rate used in the calculation of the provision. The discount rate is based on the interest rate of long-term state bonds.

Provisions recorded as at June 30, 2022 (including short-term provisions) decreased as compared to December 31, 2021 by RON 240.41 million mainly as a result of:

- the net decrease of the decommissioning provision by RON 189.30 million. The decrease is due to the increase in the discount rate used in the calculation of the provision;

- the net decrease in the provision for greenhouse gas emission certificates by RON 28.47 million, due to a lower price of certificates purchased in 2022 than estimated on December 31, 2021.

CURRENT LIABILITIES

Current liabilities increased by 146.68%, from RON 1,504.91 million on December 31, 2021, to RON 3,712,35 million recorded in June 30, 2022. The main influences are shown below.

Contract liabilities

These liabilities represent advances collected from clients for deliveries in July. Increase of these liabilities to RON 352.49 million on June 30, 2022 as compared to RON 204.38 million on December 31, 2021 is due to the rise of gas sale prices related to contracts signed in H1 2022 as compared to contract prices valid on December 31, 2021.

Current income tax liabilities

The income tax liability at December 31, 2021 relates to Q4 2021 and the income tax liability at June 30, 2022 relates to Q2 2022, as income tax is payable quarterly. In Q4 2021 Romgaz's non-taxable income was by 255.78% higher than in Q2 2022 (in Q4 2021 the net gain on impairment of receivables was RON 323.12 million, as compared to only RON 26.46 million in Q2 2022). Also, in Q4 2021 Romgaz benefited from the tax facilities introduced by Government Emergency Ordinance No. 153/2020, which are not applicable in Q2 2022. Thus, the income tax liability in Q4 2021 was significantly lower than in Q2 2022, although gross profit in Q2 2022 is about 11% higher than in Q4 2021.

Other liabilities

Other short-term liabilities increased by 180.97% (+RON 1,699.10 million) as compared to the end of 2021, mainly due to:

- dividends payable to shareholders (these were paid in July 2022);
- a windfall tax by 52.46% higher on income from natural gas (+ RON 190.96 million);
- a tax on additional income for electricity, the amount for June 2022 being RON 51.86 million. This tax was introduced in Q2 2022;
- a higher royalty liability of RON 54.08 million (+13.51%).

5.2. Interim Statement of Consolidated Comprehensive Income

The Group's profit and loss account summary for the period January 1 – June 30, 2022, as compared to the similar period of year 2021, is shown below:

Description	HI 2021 (thousand RON)	HI 2022 (thousand RON)	Variance (thousand RON)	Variance (%)
1	2	3	4=3-2	5=4/2x100
Revenue	2,250,031	7,496,049	5,246,018	233.15
Cost of commodities sold	(83,474)	(32,354)	(51,120)	-61.24
Investment income	26,563	94,076	67,513	254.16
Other gains and losses	27,878	(2,363)	n/a	n/a
Net impairment losses on trade receivables	26,462	21,057	(5,405)	-20.43
Changes in inventories	(40,547)	(20,418)	(20,129)	-49.64
Raw materials and consumables	(35,885)	(57,887)	22,002	61.31
Depreciation, amortization and impairment expenses	(310,290)	(219,489)	(90,801)	-29.26
Employee benefit expenses	(360,717)	(368,275)	7,558	2.10

Finance cost	(8,289)	(18,546)	10,257	123.4
Exploration expenses	(693)	(32,432)	31,739	4,579.94
Share of associates result	(809)	244	n/a	n/a
Other expenses	(609,965)	(4,834,977)	4,225,012	692.66
Other income	21,669	32,598	10,929	50.44
Profit before tax	901,934	2,057,283	1,155,349	128.10
Income tax expenses	(140,333)	(331,338)	191,005	136.11
Profit for the period	761,601	1,725,945	964,344	126.62

Revenue

By the end of H1 2022, the Group's revenue recorded an increase by 233.15% (+ RON 5,246.02 million) as compared to the similar period of the previous year.

The increase of the revenue comes from:

- increase by 239.98% (+RON 4,717.31 million) in consolidated revenue from the sale of natural gas. The quantity delivered in H1 2022 was lower by 6.29% than the quantity delivered in H1 2021;
- increase by 1,066.22% (+RON 455.83 million) in revenue from the sale of electricity.

Consolidated revenue from gas sales increased by 46.24% in H1 2022 as compared to H1 2021 (+RON 56.83 million). We mention that the consolidated revenue from storage services include services invoiced by Romgaz related to gas sold from storages; non-consolidated revenues from storage increased by 22.69% as compared to 2021 (+RON 32.96 million).

Cost of commodities sold

Cost of commodities sold decreased by 61.24% as compared to the similar period of 2021 as a result of lower gas quantities purchased for resale.

Net impairment losses on trade receivables

The Group calculates the impairment on trade receivables based on the risk of non-collecting such. Therefore, as regards clients undergoing bankruptcy procedure, the Group records losses from impairment for the entire non-collected amount; the same policy is applied to old debts.

For the six-months period ended June 30, 2022, the Group recorded a net gain from impairment of receivables of RON 21.1 million after collecting receivables from clients undergoing an bankruptcy procedure and after collecting old debts.

Changes in inventories

The negative change in inventories was generated in H1 2022 as a result of withdrawing larger gas quantities than the injected quantities. The decrease in the negative change in inventories in H1 2022 as compared to H1 2021 is due to a gas quantity lower by 42.42% as compared to the same period of 2021.

Raw materials and consumables

In H1 2022 expenses with raw materials and consumables increased by 61.31% as compared to H1 2021, mainly as a result of the increase of expenses with technological consumption.

Depreciation, amortization and impairment expenses

Depreciation, amortization and impairment expenses decreased by 16.94% as compared to H1 2021 as a result of the full depreciation of certain assets in prior previous periods and a low

level of investments for the recent period. Also, net impairment expense on fixed assets decrease by 73.09%.

Financial expenses

The increase in financial expenses in H1 2022 by 123.74% was generated by the increase of the discount rate used in the calculation of the decommissioning provision recorded for wells.

Exploration expenses

Exploration expenses recorded in H1 2022, in amount of RON 32.43 million, increased by 4,579.94%, as compared to the similar period of 2021.

By Government Decision No. 1011 of September 22, 2021, the Addendum No. 6 to the Concession Agreement concluded between ANRM and Romgaz was approved, whereby the exploration period of eight petroleum blocks was extended until October 2027. By this Addendum, Romgaz has to accomplish a minimal 3D seismic program, increasing these exploration expenses.

Other expenses

Other expenses increased by 692.66% as compared to H1 2021. The increase of RON 4,225.01 million is mainly due to the increase in additional income tax and royalty expenses. Royalty expenses increased by RON 734.01 million (+400.86%) as compared to H1 2021, and the windfall tax from the sale of gas and electricity increased in H1 2022 by RON 3,457.16 million (+1,624.10%) as compared to H1 2021. A tax on additional revenues from the sale of electricity was introduced in 2022; in amount of RON 62.84 million for H1 2022.

The comparative consolidated statement of interim consolidated comprehensive income by segment for the period January-June 2022 and January-June 2021, respectively is shown below:

In 2022, Romgaz has changed the modality in which gas and electricity deliveries are settled between segments. Thus, up to and including 2021, the settlement of these deliveries would take place at production cost. In 2022, settlement will be at market price. The change has been generated by the need to have a better image of the efficiency of the activities carried out. As a result of this change, the figures for H1 2021 have been restated to ensure comparability with the current period.

<i>*RON thousand*</i>						
Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation Adjustment	TOTAL
1	2	3	4	5	6	7
Revenue						
*H1 2022	13,873,841	178,277	621,382	205,594	(7,383,045)	7,496,049
*H1 2021	2,135,382	145,291	86,575	194,878	(312,095)	2,250,031
Cost of commodities sold						
* H1 2022	(6,601,281)	(1)	(27,644)	(488)	6,597,060	(32,354)
* H12021	(64,398)	(1)	(18,846)	(229)	-	(83,474)
Investment income						
* H1 2022	181	511	13	106,966	(13,595)	94,076
* H1 2021	59	355	3	54,225	(28,079)	26,563
Other gains and losses						
* H1 2022	261,126	(1,794)	(14)	(263,474)	1,793	(2,363)
* H12021	(1,396)	(6)	(8)	29,288	-	27,878
Net impairment losses on trade receivables						
*H1 2022	25,968	-	(501)	(4,410)	-	21,057
*H1 2021	38,948	-	(12,434)	(52)	-	26,462
Changes in inventories						
*H1 2022	(21,009)	-	46	545	-	(20,418)

Description	Gas production and deliveries	UGS	Electricity	Other activities	Consolidation Adjustment	TOTAL
1	2	3	4	5	6	7
*H1 2021	(41,037)	-	44	446	-	(40,547)
Raw materials and consumables used						
* H1 2022	(39,118)	(20,126)	(421,719)	(9,508)	432,584	(57,887)
* H1 2021	(21,172)	(11,370)	(1,090)	(6,827)	4,574	(35,885)
Depreciation, amortization and impairment expenses						
*H1 2022	(258,766)	(4,109)	(4,116)	(12,310)	(30,989)	(310,290)
*H1 2021	(232,342)	(2,867)	(14,181)	(10,782)	(32,773)	(292,945)
Employees benefit expenses						
*H1 2022	(214,251)	(33,472)	(21,107)	(99,445)	-	(368,275)
*H1 2021	(215,740)	(34,303)	(22,185)	(88,489)	-	(360,717)
Finance cost						
*H1 2022	(16,711)	(1,588)	-	(260)	13	(18,546)
*H1 2021	(7,339)	(693)	-	(271)	14	(8,289)
Exploration expense						
*H1 2022	(32,432)	-	-	-	-	(32,432)
*H1 2021	(693)	-	-	-	-	(693)
Share of associates' result						
*H1 2022	-	-	-	244	-	244
*H1 2021	-	-	-	(809)	-	(809)
Other expenses						
*H1 2022	(4,840,875)	(86,937)	(214,363)	(46,408)	353,606	(4,834,977)
*H1 2021	(686,672)	(70,157)	(145,066)	(15,822)	307,752	(609,965)
Other income						
*H1 2022	27,733	3	88	4,979	(205)	32,598
*H1 2021	8,774	266	12,136	724	(231)	21,669
Profit before tax						
*H1 2022	2,257,960	28,703	(69,212)	(118,699)	(41,469)	2,057,283
*H1 2021	885,950	25,273	(104,987)	154,752	(59,054)	901,934
Income tax expense						
*H1 2022	-	(5,129)	-	(326,209)	-	(331,338)
*H1 2021	-	(4,190)	-	(136,143)	-	(140,333)
Profit for the period						
*H1 2022	2,257,960	23,574	(69,212)	(444,908)	(41,469)	1,725,945
*H1 2021	885,950	21,083	(104,987)	18,609	(59,054)	761,601

5.3. Statement of Consolidated Cash Flows

Statements of consolidated cash flows recorded for the period January-June 2022 and January-June 2021, respectively, are shown in the table below:

INDICATOR	HI 2021 (RON thousand)	HI 2022 (RON thousand)	Variance (%)
1	2	3	4=(3-2)/2x100
Cash flow from operating activities			
Net profit for the period	761,601	1,725,945	126.62
Adjustments for:			
Income tax expense	140,333	331,338	136.11
Share from associates' result	809	(244)	n/a
Interest expense	274	261	-4.74
Unwinding of decommissioning provision	8,015	18,285	128.13
Interest revenue	(26,563)	(94,076)	254.16
(Gains)/Losses on disposal of non-current assets	(383)	(94)	-75.46

INDICATOR	HI 2021 (RON thousand)	HI 2022 (RON thousand)	Variance (%)
1	2	3	4=(3-2)/2x100
Change in decommissioning provision recognized in profit or loss other than unwinding	(1,530)	(63,078)	4,022.75
Changes in other provisions	(86,282)	(35,397)	-58.98
Net impairment of exploration assets	4,148	6,098	47.01
Exploration projects written-off	17	16	-5.88
Net impairment of non-current assets	63,946	12,228	-80.88
Exchange adjustment	-	780	n/a
Depreciation and amortization	242,196	201,163	-16.94
Amortization of contract costs	828	602	-27.29
Losses from financial investments valued at fair value through profit or loss	1	-	n/a
Net Losses/(Gains) from trade and other receivables	(54,479)	(19,791)	-63.67
Impairment of inventories	416	1,127	170.91
Subsidies income	(4)	(3)	-25.00
Cash generated from operations before movement in working capital	1,053,343	2,085,160	97.96
Movement of working capital			
(Increase)/Decrease in inventory	53,731	45,578	-15.17
(Increase)/Decrease in trade and other receivables	109,534	(171,384)	n/a
Increase/(Decrease) in trade and other liabilities	(1,467)	399,838	n/a
Cash generated from operations	1,215,141	2,359,192	94.15
Interest paid	(2)	(2)	0.00
Income tax paid	(135,426)	(184,478)	36.22
Net cash generated from operations	1,079,713	2,174,712	101.42
Cash flows from investing activities			
Investments in other entities	(250)	-	n/a
Bank deposits set up and acquisition of state bonds	(3,260,758)	(3,270,306)	0.29
Bank deposits and state bonds matured	2,742,593	2,265,065	-17.41
Interest received	31,676	76,918	142.83
Proceeds from sale of non-current assets	452	136	-69.91
Advances for the acquisition of financial investment	-	(499,082)	n/a
Acquisition of non-current assets	(150,743)	(147,908)	-1.88
Acquisition of exploration assets	(60,344)	(61,012)	1.11
Net cash used in investing activities	(697,374)	(1,636,189)	134.62
Cash flows from financing activities			
Dividends paid	(689,410)	(68)	-99.99
Repayment of lease liability	(715)	(788)	10.21
Net cash used in financing activities	(690,125)	1,605,619	n/a
Net increase/(decrease) in cash and cash equivalents	(307,786)	2,144,142	n/a
Cash and cash equivalents at the beginning of the period	416,913	3,580,412	758.79
Cash and cash equivalents as of June 30	109.127	5,724,554	5,145.77

VI, Performance of Contracts of Mandate of Board members, CEO and CFO

Contracts of mandate of Board members

Romgaz board members carried out their activity in H1 2022 subject to the contracts of mandate as approved by the General Meeting of Shareholders.

Until fulfilment of the selection procedure, initiated by OGMS Resolution No.9 of October 27, 2021, Board members have interim mandates, with an initial term of 4 months and a maximum term of 6 months, following their extension. Contracts signed with board members do not include performance indicators and criteria.

The Ordinary General Meeting of Shareholders appoints by Resolution No.7 of September 9, 2021 interim board members for a 4-months mandate term, starting with September 13, 2021 until January 13, 2022 and sets their fixed gross allowance.

OGMS Resolution No.1 of January 6, 2022 approves the extension of interim board members mandate term by two months from the expiration date and approves the addendum to the contract of mandate on the extension of the mandate term.

OGMS Resolution No. 2 of February 28, 2022 elects interim board members for a 4-months mandate, starting with March 14, 2022 and sets their fixed gross remuneration.

The Board of Directors appoints by Resolution No.34 of May 25, 2022 starting with May 25, 2022 and until the date of the first Ordinary General Meeting of Shareholders.

Board members contracts of mandate do not include key financial and non-financial performance indicators, therefore board members do not benefit from variable allowance.

Contracts of mandate of CEO and CFO

In H1 2022, the Chief Executive Officer and the Chief Financial Officer carried out their activities subject to the contracts of mandate as approved by the Board of Directors.

In the reporting period, the mandates of the CEO and CFO were interim mandates with a maximum term of 4 months, related to a contract of mandate.

Romgaz Board of Directors appoints on November 2, 2021, by Resolution No.67, Mr. Jude Aristotel Marius as Chief Executive Officer as of December 15, 2021 for an interim mandate of 4 months and sets the fixed monthly gross allowance.

Romgaz Board of Directors appoints on March 22, 2022, by Resolution No.17, Mr. Jude Aristotel Marius as Chief Executive Officer for an interim mandate of 4 months as of April 16, 2022 until August 16, 2022 and sets the fixed monthly gross allowance.

Romgaz Board of Directors appoints on November 2, 2021, by Resolution No.68, Mr. Popescu Razvan as Chief Financial Officer for an interim mandate of 4 months as of December 16, 2021 until April 16, 2022 and sets the fixed monthly gross allowance.

Romgaz Board of Directors appoints on March 22, 2022, by Resolution No.18, Mr. Popescu Razvan as Chief Financial Officer for an interim mandate of 4 months as of April 17, 2022 until August 17, 2022 and sets the fixed monthly gross allowance.

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



Please find attached the Simplified Interim Consolidated Financial Statements for the period ended June 30, 2022 and the Simplified Interim Individual Financial Statements for the period ended June 30, 2022, prepared in compliance with the International Accounting Standard 34 and not audited by the financial auditor.

Signatures:

CHAIRMAN OF THE BOARD OF DIRECTORS,	
<i>Dan Dragoș DRĂGAN</i>	
.....	
CHIEF EXECUTIVE OFFICER,	CHIEF FINANCIAL OFFICER,
<i>Aristotel Marius JUDE</i>	<i>Răzvan POPESCU</i>
.....

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

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH AND THREE-MONTH PERIODS ENDED JUNE 30, 2022**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL ACCOUNTING STANDARD 34**

WITH

THE INDEPENDENT AUDITOR'S REVIEW REPORT

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of S.N.G.N. Romgaz S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of S.N.G.N. Romgaz S.A. and its subsidiary (together "the Group") for the six months and three months periods ended 30 June 2022, which comprise the condensed statement of consolidated interim financial position as at 30 June 2022, the condensed statements of consolidated interim comprehensive income and cash flows for the six months and three months periods then ended and the condensed statement of consolidated interim changes in equity for the six-month period then ended and related explanatory notes.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard Nr. 34 "Interim Financial Reporting" (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting (IAS 34).

Other matters

The comparative financial information presented for the periods ended March 31, 2021 and June 30, 2021 are not reviewed or audited.

On behalf of

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Registered in the electronic Public Register under No. FA77

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

Bucharest, Romania
11 August 2022

CONDENSED STATEMENT OF CONSOLIDATED INTERIM COMPREHENSIVE INCOME

	Note	Six months ended June 30, 2022 '000 RON	Three months ended June 30, 2022 '000 RON	Six months ended June 30, 2021 '000 RON	Three months ended June 30, 2021 '000 RON
Revenue	3	7,496,049	3,570,260	2,250,031	922,783
Cost of commodities sold	4	(32,354)	(23,440)	(83,474)	(55,649)
Investment income		94,076	62,210	26,563	12,749
Other gains and losses	5	(2,363)	296	27,878	28,320
Impairment (losses)/gains on trade receivables	10 c)	21,057	9,021	26,462	(5,097)
Changes in inventory of finished goods and work in progress		(20,418)	31,292	(40,547)	54,777
Raw materials and consumables used	4	(57,945)	(33,131)	(35,885)	(16,337)
Depreciation, amortization and impairment expenses	6	(219,489)	(130,446)	(310,290)	(163,132)
Employee benefit expense	8	(368,275)	(210,282)	(360,717)	(201,659)
Finance cost		(18,546)	(13,094)	(8,289)	(4,150)
Exploration expense		(32,432)	(31,400)	(693)	(345)
Share of profit/(loss) of associates		244	301	(809)	(599)
Other expenses	9	(4,834,977)	(2,359,145)	(609,965)	(243,923)
Other income	3	32,598	15,417	21,669	11,813
Profit before tax		2,057,283	887,917	901,934	339,551
Income tax expense	7	(331,338)	(141,593)	(140,333)	(41,705)
Profit for the period		1,725,945	746,324	761,601	297,846
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Actuarial gains/(losses) on post-employment benefits	11 b)	40,182	40,182	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss		(6,429)	(6,429)	-	-
Total items that will not be reclassified subsequently to profit or loss		33,753	33,753	-	-
Other comprehensive income for the year net of income tax		33,753	33,753	-	-
Total comprehensive income for the period		1,759,698	780,077	761,601	297,846
Basic and diluted earnings per share		0.0045	0.0019	0.0020	0.0008

These financial statements were approved by the Board of Directors on August 11, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

The accompanying notes form an integral part of these financial statements.
This is a free translation of the original Romanian version.

CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION

	<u>Note</u>	<u>June 30, 2022</u> <u>'000 RON</u>	<u>December 31, 2021</u> <u>'000 RON</u>
ASSETS			
Non-current assets			
Property, plant and equipment		5,080,823	5,240,697
Other intangible assets		15,457	16,133
Investments in associates		26,431	26,187
Deferred tax asset		192,189	269,645
Other financial assets		5,616	5,616
Right of use assets		7,061	7,128
Total non-current assets		5,327,577	5,565,406
Current assets			
Inventories		264,429	305,241
Trade and other receivables	10 a)	1,539,604	1,352,345
Contract costs		172	483
Other financial assets		1,440,282	417,923
Other assets	10 b)	570,669	67,962
Current tax receivable		1,231	3,201
Cash and cash equivalents	12	5,724,554	3,580,412
Total current assets		9,540,941	5,727,567
Total assets		14,868,518	11,292,973
EQUITY AND LIABILITIES			
Equity			
Share capital		385,422	385,422
Reserves		3,539,202	2,998,975
Retained earnings		5,351,622	5,596,756
Total equity		9,276,246	8,981,153
Non-current liabilities			
Bank loans	13	1,285,804	-
Retirement benefit obligation	11 b)	131,955	156,420
Deferred revenue		230,428	230,438
Lease liability		7,028	7,211
Provisions	11	224,705	412,846
Total non-current liabilities		1,879,920	806,915

The accompanying notes form an integral part of these financial statements.
This is a free translation of the original Romanian version.

CONDENSED STATEMENT OF CONSOLIDATED INTERIM FINANCIAL POSITION

	<u>Note</u>	<u>June 30, 2022</u> <u>'000 RON</u>	<u>December 31, 2021</u> <u>'000 RON</u>
Current liabilities			
Trade payables		88,488	71,317
Contract liabilities		352,491	204,384
Current tax liabilities		126,162	52,299
Deferred revenue		10	49
Provisions	11	184,875	237,144
Lease liability		870	810
Bank loans	13	321,451	-
Other liabilities	14	2,638,005	938,902
Total current liabilities		3,712,352	1,504,905
Total liabilities		5,592,272	2,311,820
Total equity and liabilities		14,868,518	11,292,973

These financial statements were approved by the Board of Directors on August 11, 2022.

Aristotel Marius Jude
 Chief Executive Officer

Răzvan Popescu
 Chief Financial Officer

CONDENSED STATEMENT OF CONSOLIDATED INTERIM CHANGES IN EQUITY

	Share capital	Legal reserve	Other reserves	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
Allocation to dividends *)	-	-	-	(1,464,605)	(1,464,605)
Allocation to other reserves	-	-	540,227	(540,227)	-
Other comprehensive income	-	-	-	33,753	33,753
Profit for the period	-	-	-	1,725,945	1,725,945
Total comprehensive income for the period	-	-	-	1,759,698	1,759,698
Balance as of June 30, 2022	385,422	85,250	3,453,952	5,351,622	9,276,246
Balance as of January 1, 2021	385,422	83,537	2,168,372	5,149,919	7,787,250
Allocation to dividends	-	-	-	(689,906)	(689,906)
Decrease in reserves approved by Depogaz' sole shareholder	-	(200)	-	200	-
Allocation to other reserves	-	-	675,203	(675,203)	-
Profit for the period	-	-	-	761,601	761,601
Total comprehensive income for the period	-	-	-	761,601	761,601
Balance as of June 30, 2021	385,422	83,337	2,843,575	4,546,611	7,858,945

*) 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).

These financial statements were approved by the Board of Directors on August 11, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

The accompanying notes form an integral part of these financial statements.
This is a free translation of the original Romanian version.

CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW

	Six months ended June 30, 2022 <u>'000 RON</u>	Three months ended June 30, 2022 <u>'000 RON</u>	Six months ended June 30, 2021 <u>'000 RON</u>	Three months ended June 30, 2021 <u>'000 RON</u>
Cash flows from operating activities				
Net profit	1,725,945	746,324	761,601	297,846
Adjustments for:				
Income tax expense (note 7)	331,338	141,593	140,333	41,705
Share of associates' result	(244)	(301)	809	599
Interest expense	261	140	274	147
Unwinding of decommissioning provision	18,285	12,954	8,015	4,003
Interest revenue	(94,076)	(62,210)	(26,563)	(12,749)
Net (gain)/loss on disposal of non-current assets (note 5)	(94)	7	(383)	14
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 9)	(63,078)	(62,167)	(1,530)	(786)
Change in other provisions (note 9)	(35,397)	(29,984)	(86,282)	(153,136)
Net impairment of exploration assets (note 6)	6,098	1,288	4,148	4,461
Exploration projects written off	16	-	17	5
Net impairment of property, plant and equipment and intangibles (note 6)	12,228	27,910	63,946	39,998
Net foreign exchange differences	780	780	-	-
Depreciation and amortization (note 6)	201,163	101,248	242,196	118,673
Amortization of contract costs	602	290	828	411
Change in investments at fair value through profit and loss (note 5)	-	-	1	(6)
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 10)	(19,791)	(8,736)	(54,479)	(23,811)
Net movement in write-down allowances for inventory (note 5)	1,127	(526)	416	560
Subsidies income	(3)	(1)	(4)	(2)
	2,085,160	868,609	1,053,343	317,932
Movements in working capital:				
(Increase)/Decrease in inventory	45,578	(29,762)	53,731	(48,834)
(Increase)/Decrease in trade and other receivables	(171,384)	640,869	109,534	268,090
Increase/(Decrease) in trade and other liabilities	399,838	(47,698)	(1,467)	39,558
Cash generated from operations	2,359,192	1,432,018	1,215,141	576,746
Interest paid	(2)	(2)	(2)	(2)
Income taxes paid	(184,478)	(184,478)	(135,426)	(75,594)
Net cash generated by operating activities	2,174,712	1,247,538	1,079,713	501,150

The accompanying notes form an integral part of these financial statements.
This is a free translation of the original Romanian version.

CONDENSED STATEMENT OF CONSOLIDATED INTERIM CASH FLOW

	Six months ended June 30, 2022	Three months ended June 30, 2022	Six months ended June 30, 2021	Three months ended June 30, 2021
	'000 RON	'000 RON	'000 RON	'000 RON
Cash flows from investing activities				
Investment in other entities	-	-	(250)	-
Bank deposits set up and state bonds acquired	(3,270,306)	(637,000)	(3,260,758)	(1,902,452)
Bank deposits and state bonds matured	2,265,065	1,871,367	2,742,593	1,964,499
Interest received	76,918	46,834	31,676	21,539
Proceeds from sale of non-current assets	136	-	452	(14)
Advance paid for acquisition of financial investments (note 10 b)	(499,082)	(499,082)	-	-
Acquisition of non-current assets	(147,908)	(79,717)	(150,743)	(85,205)
Acquisition of exploration assets	(61,012)	(28,110)	(60,344)	(38,461)
Net cash used in investing activities	(1,636,189)	674,292	(697,374)	(40,094)
Cash flows from financing activities				
Borrowings received	1,606,475	1,606,475	-	-
Dividends paid	(68)	(28)	(689,410)	(689,209)
Repayment of lease liability	(788)	(296)	(715)	(286)
Net cash used in financing activities	1,605,619	1,606,151	(690,125)	(689,495)
Net increase/(decrease) in cash and cash equivalents	2,144,142	3,527,981	(307,786)	(228,439)
Cash and cash equivalents at the beginning of the period	3,580,412	2,196,573	416,913	337,566
Cash and cash equivalents at the end of the period	5,724,554	5,724,554	109,127	109,127

These financial statements were approved by the Board of Directors on August 11, 2022.

Aristotel Marius Jude
 Chief Executive Officer

Răzvan Popescu
 Chief Financial Officer

The accompanying notes form an integral part of these financial statements.
 This is a free translation of the original Romanian version.

NOTES**1. BACKGROUND AND GENERAL BUSINESS*****Information regarding S.N.G.N. Romgaz S.A. Group (the "Group")***

The Group is formed of S.N.G.N. Romgaz S.A. ("the Company"/"Romgaz"), as parent company, its fully owned subsidiary S.N.G.N. ROMGAZ S.A. - Filiala de Îmagazinare Gaze Naturale DEPOGAZ Ploiești S.R.L. ("Depogaz") and its associates – S.C. Depomures S.A. (40% of the share capital) and S.C. Agri LNG Project Company S.R.L. (25% of the share capital).

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

The Company's headquarter is in Mediaș, 4 Constantin I. Motaș 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.

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 transportation system.
4. underground storage of natural gas;
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 condensed consolidated interim financial statements ("financial statements") of the Group have been prepared in accordance with the provisions of the International Accounting Standard 34 "Interim Reporting". For the purpose of the preparation of these financial statements, the functional currency of the Group is deemed to be the Romanian Leu (RON). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board (IASB), however, the differences have no material impact on the Group's financial statements for the periods presented.

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).

Basis for consolidation***Subsidiaries***

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

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

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

NOTES*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.

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 did not lead to changes in the Group's accounting policies.

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

At the date of issue of the financial statements, the following standards, amendments to existing standards and interpretations were issued by IASB and adopted by the UE, but not yet effective:

- 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 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.

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

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

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a single transaction (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IFRS 17 "Insurance Contracts": initial application of IFRS 17 and IFRS 9 - comparative information (applicable to annual periods beginning on or after January 1, 2023).

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

Seasonality and cyclicity

Natural gas and electricity consumption is seasonal and affected by weather conditions. Natural gas consumption is highest in winter time. Electricity consumption also depends on climatic conditions, being impacted both by cold weather, as it can be used to produce heat, but also by high temperatures, as air conditioning systems rely on it. Consequently, the results of the Group may vary according to the seasonal character of the demand for natural gas and electricity.

NOTES

Regarding the gas storage activity, injection normally happens during the period April-October, while gas is usually being extracted during the period October-April.

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

	Six months ended June 30, 2022	Three months ended June 30, 2022	Six months ended June 30, 2021	Three months ended June 30, 2021
	'000 RON	'000 RON	'000 RON	'000 RON
Revenue from gas sold - own production	6,664,027	3,227,767	1,868,651	759,914
Revenue from gas sold – other arrangements	15,154	9,560	16,023	5,766
Revenue from gas acquired for resale	3,867	339	81,064	55,930
Revenue from storage services- capacity reservation	119,808	57,155	90,596	31,668
Revenue from storage services- extraction	21,324	2,303	22,392	2,410
Revenue from storage services- injection	38,605	32,252	9,915	9,531
Revenue from electricity	498,583	177,630	42,752	670
Revenue from services	93,979	41,864	90,704	38,986
Revenue from sale of goods	36,258	19,125	23,961	15,882
Other revenues from contracts	164	105	239	159
Total revenue from contracts with customers	7,491,769	3,568,100	2,246,297	920,916
Other revenues	4,280	2,160	3,734	1,867
Total revenue	7,496,049	3,570,260	2,250,031	922,783
Other operating income	32,598	15,417	21,669	11,813
Total revenue and other income	7,528,647	3,585,677	2,271,700	934,596

4. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Six months ended June 30, 2022	Three months ended June 30, 2022	Six months ended June 30, 2021	Three months ended June 30, 2021
	'000 RON	'000 RON	'000 RON	'000 RON
Consumables used	29,775	17,793	21,106	10,127
Technological consumption	25,736	14,340	11,196	5,347
Cost of gas acquired for resale	3,867	339	64,321	40,089
Cost of electricity imbalance	27,644	22,686	18,816	15,292
Cost of other goods sold	843	415	338	269
Other consumables	2,376	940	3,582	862
Total	90,241	56,513	119,359	71,986

The accompanying notes form an integral part of these financial statements.
This is a free translation of the original Romanian version.

NOTES
5. OTHER GAINS AND LOSSES

	Six months ended June 30, 2022	Three months ended June 30, 2022	Six months ended June 30, 2021	Three months ended June 30, 2021
	'000 RON	'000 RON	'000 RON	'000 RON
Forex gain	2,047	891	12	8
Forex loss	(2,111)	(829)	(117)	(28)
Net gain/(loss) on disposal of non-current assets	94	(7)	383	(14)
Net allowance for other receivables (note 10 c)	(1,266)	(285)	28,017	28,908
Net write down allowances for inventory	(1,127)	526	(416)	(560)
Net gain/(loss) on financial assets at fair value through profit or loss	-	-	(1)	6
Total	(2,363)	296	27,878	28,320

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Six months ended June 30, 2022	Three months ended June 30, 2022	Six months ended June 30, 2021	Three months ended June 30, 2021
	'000 RON	'000 RON	'000 RON	'000 RON
Depreciation and amortization	201,163	101,248	242,196	118,673
out of which:				
- depreciation of property, plant and equipment	198,188	99,677	239,768	117,387
- depreciation of right of use assets	473	234	461	230
- amortization of intangible assets	2,502	1,337	1,967	1,056
Net impairment of non-current assets	18,326	29,198	68,094	44,459
Total depreciation, amortization and impairment	219,489	130,446	310,290	163,132

7. INCOME TAX

	Six months ended June 30, 2022	Three months ended June 30, 2022	Six months ended June 30, 2021	Three months ended June 30, 2021
	'000 RON	'000 RON	'000 RON	'000 RON
Current tax expense	260,311	127,518	113,090	29,809
Deferred income tax (income)/expense	71,027	14,075	27,243	11,896
Income tax expense	331,338	141,593	140,333	41,705

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NOTES
8. EMPLOYEE BENEFIT EXPENSE

	Six months ended June 30, 2022	Three months ended June 30, 2022	Six months ended June 30, 2021	Three months ended June 30, 2021
	'000 RON	'000 RON	'000 RON	'000 RON
Wages and salaries	385,714	221,630	379,961	212,943
Social security charges	13,547	7,578	13,418	7,329
Meal tickets	12,426	5,915	13,080	6,195
Other benefits according to collective labor contract	7,950	5,146	6,739	4,557
Private pension payments	5,563	2,784	5,785	2,884
Private health insurance	3,401	1,706	3,507	1,752
Total employee benefit costs	428,601	244,759	422,490	235,660
Less, capitalized employee benefit costs	(60,326)	(34,477)	(61,773)	(34,001)
Total employee benefit expense	368,275	210,282	360,717	201,659

9. OTHER EXPENSES

	Six months ended June 30, 2022	Three months ended June 30, 2022	Six months ended June 30, 2021	Three months ended June 30, 2021
	'000 RON	'000 RON	'000 RON	'000 RON
Energy and water expenses	35,276	26,380	16,889	11,178
Expenses for capacity booking and gas transmission services	86,953	35,221	78,400	29,229
Expenses with other taxes and duties *)	4,590,526	2,284,877	399,171	196,534
(Net gain)/Net loss from provisions movement **)	(98,475)	(92,151)	(87,812)	(153,922)
Other operating expenses ***)	220,697	104,818	203,317	160,904
Total	4,834,977	2,359,145	609,965	243,923

*) In the six-month period ended June 30, 2022, the major taxes and duties included in the amount of RON 4,590,526 thousand (six-month period ended June 30, 2021: RON 399,171 thousand) are:

- RON 3,670,024 thousand represent windfall tax for gas and electricity (six-month period ended June 30, 2021: RON 212,866 thousand). Windfall tax for electricity was introduced in the second quarter of 2022;
- RON 917,122 thousand represent royalty on gas production, storage activity and other activities (six-month period ended June 30, 2021: RON 183,109 thousand).

***) The net gain from provisions movement of RON 98,475 thousand relates mainly to:

- the provision for CO2 certificates (net gain of RON 28,474 thousand) due to lower prices when acquired than estimated at the end of 2021;
- the decommissioning provision (net gain of RON 63,078 thousand) generated by the increase in 2022 of the discounting factor (8.83% in 2022 vs. 5.14% used in the December 2021 computation) (note 11 a);
- payment of amounts representing employees' participation to profit, according to shareholders' decision (net gain of RON 19,655 thousand). This gain offsets the expense recorded as employees costs when granted (note 8);
- change in the provision for retirement benefits (net loss of RON 15,717 thousand) generated by a change in the collective labor agreement (note 11 b).

****) Other operating expenses include mainly the cost of CO2 certificates acquired in 2022 (RON 140,744 thousand), part of which is offset by the gain in provision mentioned above.

NOTES
10. ACCOUNTS RECEIVABLE
a) Trade and other receivables

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
	'000 RON	'000 RON
Trade receivables	1,558,936	1,757,243
Allowances for expected credit losses for trade and other receivables (note 10 c)	(646,205)	(924,030)
Accrued receivables	628,839	526,971
Allowances for expected credit losses on accrued receivables (note 10 c)	(1,966)	(7,839)
Total	1,539,604	1,352,345

b) Other assets

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
	'000 RON	'000 RON
Advances paid to suppliers	3,525	109
Joint operation receivables	8,977	8,201
Other receivables	39,032	47,941
Allowance for expected credit losses for other receivables (note 10 c)	(187)	(186)
Other debtors *)	550,408	49,932
Allowance for expected credit losses for other debtors (note 10 c)	(50,707)	(49,442)
Prepayments	15,308	5,606
VAT not yet due	4,307	5,795
Other taxes receivable	6	6
Total	570,669	67,962

*) In May 2022, Romgaz signed the contract for the acquisition of all shares issued by ExxonMobil Exploration and Production Romania Limited ("EMEPRL").

The agreed price of this transaction is USD 1.06 billion. The purchase price can be adjusted under certain circumstances, according to the provisions of the acquisition contract.

According to the acquisition contract, upon signing, the Company had to pay an advance/deposit of USD 106 million (RON 499 million).

In order for Romgaz to become shareholder of the company, several conditions precedent had to be met, of which:

- approval or deemed approval of National Supreme Council for Defence ("CSAT") regarding the transaction;
- notification of the Competition Council, and following the notification the receipt from the Romanian Competition Council of i) a decision clearing the transaction (or deemed approval of the transaction by expiration of the legal deadline for issuing such decision) or (ii) a communication confirming that no approval, consent or clearance by the Romanian Competition Council is required for the transaction;
- notification on the transaction and change in control of EMEPRL to the National Agency for Mineral Resources and, in this context, issuance by the Government of Romania of an approval for maintaining the validity of Petroleum Agreement, thereby satisfying the requirements of Article 34.5 of the Romanian Petroleum Law.

Until June 30, 2022, the conditions precedent were not met. According to the acquisition contract, should the conditions precedent not be met for no fault of Romgaz, Romgaz would be entitled to get the deposit back. Thus the advance paid is presented as "Other assets".

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

	2022	2021
	'000 RON	'000 RON
At January 1	981,497	1,359,855
Charge in the allowance for receivables (note 5, note 10 b)	1,303	1,089
Charge in the allowance for trade receivables (note 10 a)	28,304	21,655
Write-off against trade receivables*) (note 10 a)	(262,641)	-
Release in the allowance for receivables (note 5, note 10 b)	(37)	(29,106)
Release in the allowance for trade receivables (note 10 a)	(49,361)	(48,117)
At June 30	699,065	1,305,376

*) The allowance write-off was recorded against trade receivables that can no longer be recovered from customers through insolvency proceedings or as a result of their bankruptcy. The effect on the Group's result is 0.

11. PROVISIONS

	June 30, 2022	December 31, 2021
	'000 RON	'000 RON
Decommissioning provision (note 11 a)	224,705	412,846
Retirement benefit obligation (note 11 b)	131,955	156,420
Total long term provisions	356,660	569,266
Decommissioning provision (note 11 a)	23,637	24,792
Litigation provision	6,897	3,554
Other provisions *)	154,341	208,798
Total short term provisions	184,875	237,144
Total provisions	541,535	806,410

*) Other provisions include the provision for CO2 certificates of RON 126,430 thousand (December 31, 2021: RON 154,904 thousand).

a) Decommissioning provision

Decommissioning provision movement	2022	2021
	'000 RON	'000 RON
At January 1	437,638	560,958
Additional provision recorded against non-current assets	100	29
Unwinding effect	18,285	8,015
Recorded in profit or loss	(63,078)	(1,530)
Decrease recorded against non-current assets	(144,603)	(6,737)
At June 30	248,342	560,735

NOTES
b) Retirement benefit obligation

Movement of the retirement benefit obligation	2022	2021
	'000 RON	'000 RON
At 1 January	156,420	128,690
Interest cost	3,525	-
Cost of current service	4,368	-
Payments during the period	(6,160)	(8,800)
Past service cost	13,984	-
Actuarial (gain)/loss for the period	(40,182)	-
At June 30	131,955	119,890

Usually, the Group updates the retirement benefit obligation at year end only. As in 2022 the collective labor agreement applicable in Romgaz changed, Romgaz updated the obligation at June 30, 2022. There were no such changes in the agreement applicable in Depogaz, thus Depogaz did not update the obligation at June 30, 2022.

12. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021
	'000 RON	'000 RON
Current bank accounts in RON *)	105,037	78,216
Current bank accounts in foreign currency **)	1,610,104	326
Petty cash	43	48
Term deposits in RON	4,008,186	3,500,288
Restricted cash ***)	1,163	1,534
Amounts under settlement	21	-
Total	5,724,554	3,580,412

*) Current bank accounts include overnight deposits.

**) Current bank accounts in foreign currency include the EUR 325 million facility fully drawn at June 30, 2022 (see note 13). The amount borrowed was not paid to the sellers of ExxonMobil Exploration and Production Romania Limited, as the conditions precedent according to the acquisition contract were not met by June 30, 2022 (see note 10 b).

***) At June 30, 2022 restricted cash refers to bank accounts used only for dividend payments to shareholders, according to stock market regulations.

13. BANK LOANS

	Interest rate	Maturity	June 30, 2022	December 31, 2021
			'000 RON	'000 RON
EUR 325,000 thousand bank loan	EURIBOR 3M + 0,05% p.a.	June 30, 2027	1,607,255	-
Total			1,607,255	-

In March 2022, Romgaz signed a EUR 325 million financing deal with Raiffeisen Bank S.A. to finance part of the purchase price of the shares of EMEPRL that holds 50% of the rights and obligations for the Neptun Deep block.

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.

NOTES
14. OTHER LIABILITIES

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
	'000 RON	'000 RON
Payables related to employees	30,848	43,800
Royalties	454,355	400,278
Social security taxes	24,349	34,053
Other current liabilities	7,006	7,567
VAT	44,785	86,763
Dividends payable	1,465,653	1,116
Windfall tax	606,807	363,996
Other taxes	4,202	1,329
Total	<u>2,638,005</u>	<u>938,902</u>

15. RELATED PARTY TRANSACTIONS AND BALANCES
(i) Sales of goods and services

	<u>Six months ended June 30, 2022</u>	<u>Three months ended June 30, 2022</u>	<u>Six months ended June 30, 2021</u>	<u>Three months ended June 30, 2021</u>
	'000 RON	'000 RON	'000 RON	'000 RON
Romgaz's associates	6,509	5,309	6,475	5,244
Total	<u>6,509</u>	<u>5,309</u>	<u>6,475</u>	<u>5,244</u>

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

(ii) Trade receivables

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
	'000 RON	'000 RON
Romgaz's associates	4,145	-
Total	<u>4,145</u>	<u>-</u>

16. SEGMENT INFORMATION
a) Products and services from which reportable segments derive their revenues

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, storage services, electricity production and distribution, and others, 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 for resale; these activities are performed by Medias, Mures and in part by the Company's headquarters;
- storage activities, performed by Depogaz subsidiary. The Company's associate Depomures is also operating in the gas underground storage business;
- electricity production and distribution activities, performed by Iernut branch;
- other activities, such as technological transport, operations on wells and corporate activities.

NOTES
b) Segment assets and liabilities

June 30, 2022	Upstream	Storage	Electricity	Other	Adjustments and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Total assets	<u>4,472,336</u>	<u>913,641</u>	<u>1,190,000</u>	<u>8,471,814</u>	<u>(179,273)</u>	<u>14,868,518</u>
Total liabilities	<u>1,675,887</u>	<u>89,399</u>	<u>418,848</u>	<u>3,430,307</u>	<u>(22,169)</u>	<u>5,592,272</u>
December 31, 2021	Upstream	Storage	Electricity	Other	Adjustments and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Total assets	<u>4,410,940</u>	<u>898,909</u>	<u>1,199,155</u>	<u>4,931,025</u>	<u>(147,056)</u>	<u>11,292,973</u>
Total liabilities	<u>1,481,139</u>	<u>84,661</u>	<u>399,643</u>	<u>364,216</u>	<u>(17,839)</u>	<u>2,311,820</u>

c) 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. 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 previous periods was restated. The results of Romgaz or the Group are not affected by the change.

Six months ended						
June 30, 2022	Upstream	Storage	Electricity	Other	Adjustments and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	13,873,841	178,277	621,382	205,594	(7,383,045)	7,496,049
Less: revenue between segments	<u>(7,029,681)</u>	<u>(29,398)</u>	<u>(123,282)</u>	<u>(200,684)</u>	<u>7,383,045</u>	<u>-</u>
Third party revenue	6,844,160	148,879	498,100	4,910	-	7,496,049
Segment profit/(loss) before tax	<u>2,257,960</u>	<u>28,703</u>	<u>(69,212)</u>	<u>(118,699)</u>	<u>(41,469)</u>	<u>2,057,283</u>
Three months ended						
June 30, 2022	Upstream	Storage	Electricity	Other	Adjustments and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	10,076,896	100,805	240,873	111,172	(6,959,486)	3,570,260
Less: revenue between segments	<u>(6,774,295)</u>	<u>(14,113)</u>	<u>(63,539)</u>	<u>(107,539)</u>	<u>6,959,486</u>	<u>-</u>
Third party revenue	3,302,601	86,692	177,334	3,633	-	3,570,260
Segment profit/(loss) before tax	<u>909,927</u>	<u>10,663</u>	<u>(89,192)</u>	<u>83,563</u>	<u>(27,044)</u>	<u>887,917</u>

The accompanying notes form an integral part of these financial statements.
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NOTES

Six months
ended
June 30, 2021
(restated)

	<u>Upstream</u>	<u>Storage</u>	<u>Electricity</u>	<u>Other</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	2,135,381	145,291	86,576	194,878	(312,095)	2,250,031
Less: revenue between segments	(42,166)	(33,774)	(43,996)	(192,159)	312,095	-
Third party revenue	2,093,215	111,517	42,580	2,719	-	2,250,031
Segment profit/(loss) before tax	885,950	25,273	(104,987)	154,752	(59,054)	901,934

Three months
ended
June 30, 2021
(restated)

	<u>Upstream</u>	<u>Storage</u>	<u>Electricity</u>	<u>Other</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	879,155	56,975	24,504	101,622	(139,473)	922,783
Less: revenue between segments	(2,686)	(13,432)	(23,860)	(99,495)	139,473	-
Third party revenue	876,469	43,543	644	2,127	-	922,783
Segment profit/(loss) before tax	310,503	(6,254)	(24,497)	103,160	(43,361)	339,551

17. COMMITMENTS UNDERTAKEN

In 2021, Romgaz signed an addendum to the credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of RON 350,000 thousand. On June 30, 2022 are still available for use RON 269,412 thousand.

As of June 30, 2022, the Group's contractual commitments for the acquisition of non-current assets are of RON 243,655 thousand (December 31, 2021: RON 267,246 thousand).

18. EVENTS AFTER THE BALANCE SHEET DATE
a) Completion of acquisition of ExxonMobil Exploration and Production Romania Limited

On August 1, 2022, Romgaz successfully completed the acquisition of ExxonMobil Exploration and Production Romania Limited. The amount paid (excluding the deposit paid on May 3, 2022) was USD 954,754 thousand, the equivalent of RON 4.6 billion.

b) Payment of dividends

In July 2022, Romgaz paid dividends as approved by shareholders (RON 1.5 billion).

These two events led to a cash outflow of RON 6.1 billion in the period after the balance sheet date.

19. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on August 11, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT

in accordance with the provisions of art. 67 (2) c) of Law No. 24/2017
regarding issuers of financial instruments and market operations

Entity: Societatea Nationala de Gaze Naturale ROMGAZ S.A.
County: 32--SIBIU
Address: MEDIAȘ, 4 C.I. Motaș Square, tel. +4-0374-401020
Registration Number in the Trade Register: J32/392/2001
Form of Property: 14--State owned companies and enterprises
Main activity (CAEN code and denomination): 0620—Natural Gas Production
Tax Identification Number: 14056826

The undersigned,
ARISTOTEL MARIUS JUDE as Chief Executive Officer and
RĂZVAN POPESCU as Chief Financial Officer

hereby confirm that according to our knowledge, the interim condensed consolidated financial statements for the half year ended June 30, 2022, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, namely IAS 34, offer a true and fair view of the assets, liabilities, financial position, statement of profit and loss of the S.N.G.N. ROMGAZ S.A. Group and that the Board of Directors' report presents correctly and completely the information about S.N.G.N. ROMGAZ S.A. Group.

**CHIEF EXECUTIVE OFFICER,
ARISTOTEL MARIUS JUDE**

**CHIEF FINANCIAL OFFICER,
RĂZVAN POPESCU**

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

**SEPARATE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(UNAUDITED)**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL ACCOUNTING STANDARD 34**

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CONDENSED STATEMENT OF INTERIM COMPREHENSIVE INCOME

	Note	Six months ended June 30, 2022 '000 RON	Six months ended June 30, 2021 '000 RON
Revenue	3	7,411,776	2,196,632
Cost of commodities sold	4	(32,352)	(83,474)
Investment income		107,160	54,287
Other gains and losses	5	(4,156)	27,884
Impairment (losses)/gains on trade receivables	10 c)	21,057	26,463
Changes in inventory of finished goods and work in progress		(20,418)	(40,547)
Raw materials and consumables used	4	(49,081)	(29,089)
Depreciation, amortization and impairment expenses	6	(183,639)	(275,192)
Employee benefit expense	8	(334,802)	(326,414)
Finance cost		(18,546)	(8,289)
Exploration expense		(32,432)	(693)
Other expenses	9	(4,830,726)	(627,126)
Other income	3	32,595	21,404
Profit before tax		2,066,436	935,846
Income tax expense	7	(326,209)	(136,143)
Profit for the period		1,740,227	799,703
Other comprehensive income <i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gains/(losses) on post- employment benefits	11 b)	40,182	-
Income tax relating to items that will not be reclassified subsequently to profit or loss		(6,429)	-
Total items that will not be reclassified subsequently to profit or loss		33,753	-
Other comprehensive income for the year net of income tax		33,753	-
Total comprehensive income for the period		1,773,980	799,703

These financial statements were approved by the Board of Directors on August 11, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

CONDENSED STATEMENT OF INTERIM FINANCIAL POSITION

	<u>Note</u>	<u>June 30, 2022</u> <u>'000 RON</u>	<u>December 31, 2021</u> <u>'000 RON</u>
ASSETS			
Non-current assets			
Property, plant and equipment		4,448,276	4,559,588
Other intangible assets		14,780	15,263
Investments in subsidiaries		66,056	66,056
Investments in associates		120	120
Deferred tax asset		211,068	288,087
Net lease investment		330	354
Right of use assets		6,685	6,739
Other financial investments		5,616	5,616
Total non-current assets		4,752,931	4,941,823
Current assets			
Inventories		255,331	292,966
Trade and other receivables	10 a)	1,512,406	1,335,118
Contract costs		172	483
Other financial assets		1,400,101	392,359
Other assets	10 b)	564,539	66,485
Net lease investment		85	78
Cash and cash equivalents		5,708,647	3,572,651
Total current assets		9,441,281	5,660,140
Assets held for disposal		677,297	693,035
Total assets		14,871,509	11,294,998
EQUITY AND LIABILITIES			
Equity			
Share capital		385,422	385,422
Reserves		3,460,401	2,920,174
Retained earnings		5,453,559	5,684,411
Total equity		9,299,382	8,990,007
Non-current liabilities			
Bank loans	13	1,285,804	-
Retirement benefit obligation	11 b)	121,017	144,880
Deferred revenue		230,428	230,438
Lease liability		7,028	7,211
Provisions	11	201,385	377,157
Total non-current liabilities		1,845,662	759,686

The accompanying notes form an integral part of these financial statements.
This is a free translation of the original Romanian version.

CONDENSED STATEMENT OF INTERIM FINANCIAL POSITION

	<u>Note</u>	<u>June 30, 2022</u> <u>'000 RON</u>	<u>December 31, 2021</u> <u>'000 RON</u>
Current liabilities			
Trade payables		69,188	71,268
Contract liabilities		352,491	204,384
Current tax liabilities		126,162	52,299
Deferred revenue		10	49
Provisions	11	180,863	228,877
Lease liability		870	809
Bank loans	13	321,451	-
Other liabilities	14	2,628,344	927,625
Total current liabilities		3,679,379	1,485,311
Liabilities directly associated with the assets held for disposal		47,086	59,994
Total liabilities		5,572,127	2,304,991
Total equity and liabilities		14,871,509	11,294,998

These financial statements were approved by the Board of Directors on August 11, 2022.

Aristotel Marius Jude
 Chief Executive Officer

Răzvan Popescu
 Chief Financial Officer

CONDENSED STATEMENT OF INTERIM CHANGES IN EQUITY

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2022	385,422	77,084	2,843,090	5,684,411	8,990,007
Allocation to dividends *)	-	-	-	(1,464,605)	(1,464,605)
Allocation to other reserves	-	-	540,227	(540,227)	-
Other comprehensive income	-	-	-	33,753	33,753
Profit for the period	-	-	-	1,740,227	1,740,227
Total comprehensive income for the period	-	-	-	1,773,980	1,773,980
Balance as of June 30, 2022	385,422	77,084	3,383,317	5,453,559	9,299,382
Balance as of January 1, 2021	385,422	77,084	2,142,857	5,140,902	7,746,265
Allocation to dividends	-	-	-	(689,906)	(689,906)
Allocation to other reserves	-	-	650,228	(650,228)	-
Profit for the period	-	-	-	799,703	799,703
Total comprehensive income for the period	-	-	-	799,703	799,703
Balance as of June 30, 2021	385,422	77,084	2,793,085	4,600,471	7,856,062

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

These financial statements were approved by the Board of Directors on August 11, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

The accompanying notes form an integral part of these financial statements.
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CONDENSED STATEMENT OF INTERIM CASH FLOW

	Six months ended June 30, 2022	Six months ended June 30, 2021
	'000 RON	'000 RON
Cash flows from operating activities		
Net profit	1,740,227	799,703
Adjustments for:		
Income tax expense (note 7)	326,209	136,143
Interest expense	261	260
Income from dividends	(13,583)	(28,065)
Unwinding of decommissioning provision	18,285	8,015
Interest revenue	(93,577)	(26,208)
Net (gain)/loss on disposal of non-current assets (note 5)	(94)	(383)
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 9)	(63,078)	(1,530)
Change in other provisions (note 9)	(30,541)	(81,136)
Net impairment of exploration assets (note 6)	6,098	4,148
Exploration projects written off	16	17
Net impairment of property, plant and equipment and intangibles (note 6)	11,213	63,946
Net foreign exchange differences	780	-
Depreciation and amortization (note 6)	166,328	207,098
Amortization of contract costs	602	828
Change in investments at fair value through profit and loss (note 5)	-	1
Net receivable write-offs and movement in allowances for trade receivables and other assets (note 10)	(19,791)	(54,480)
Other gains and losses	1,793	-
Net movement in write-down allowances for inventory (note 5)	1,127	416
Subsidies income	(3)	(4)
	2,052,272	1,028,769
Movements in working capital:		
(Increase)/Decrease in inventory	42,401	53,412
(Increase)/Decrease in trade and other receivables	(156,760)	98,855
Increase/(Decrease) in trade and other liabilities	382,203	(4,894)
Cash generated from operations	2,320,116	1,176,142
Interest paid	(2)	(2)
Income taxes paid	(182,295)	(128,554)
Net cash generated by operating activities	2,137,819	1,047,586

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CONDENSED STATEMENT OF INTERIM CASH FLOW

	Six months ended June 30, 2022	Six months ended June 30, 2021
	'000 RON	'000 RON
Cash flows from investing activities		
Investment in other entities	-	(250)
Bank deposits set up and state bonds acquired	(3,220,306)	(3,211,589)
Bank deposits and state bonds matured	2,229,566	2,702,424
Interest received	76,523	31,416
Proceeds from sale of non-current assets	136	452
Dividends received	13,583	28,065
Advance paid for acquisition of financial investments (note 10 b)	(499,082)	-
Acquisition of non-current assets	(146,907)	(143,229)
Acquisition of exploration assets	(61,012)	(60,344)
Collection of lease payments	56	52
Net cash used in investing activities	(1,607,443)	(653,003)
Cash flows from financing activities		
Borrowings received	1,606,475	-
Dividends paid	(68)	(689,410)
Repayment of lease liability	(787)	(712)
Net cash used in financing activities	1,605,620	(690,122)
Net increase/(decrease) in cash and cash equivalents	2,135,996	(295,539)
Cash and cash equivalents at the beginning of the period	3,572,651	392,857
Cash and cash equivalents at the end of the period	5,708,647	97,318

These financial statements were approved by the Board of Directors on August 11, 2022.

Aristotel Marius Jude
 Chief Executive Officer

Răzvan Popescu
 Chief Financial Officer

NOTES**1. BACKGROUND AND GENERAL BUSINESS*****Information regarding S.N.G.N. Romgaz S.A. (the “Company”/“Romgaz”)***

S.N.G.N. Romgaz S.A. is a joint stock company, incorporated in accordance with the Romanian legislation.

The Company's headquarter is in Mediaș, 4 Constantin I. Motaș 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.

Romgaz has as main activity:

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

2. SIGNIFICANT ACCOUNTING POLICIES***Statement of compliance***

The separate financial statements (“financial statements”) of the Company have been prepared in accordance with the provisions of Ministry of Finance Order no. 2844/2016 to approve accounting regulations in accordance with IFRS (MOF 2844/2016). For the purposes of the preparation of these financial statements, the functional currency of the Company is deemed to be the Romanian Leu (RON).

Basis of preparation

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

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

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 did not lead to changes in the Company's accounting policies.

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

At the date of issue of the financial statements, the following standards, amendments to existing standards and interpretations were issued by IASB and adopted by the UE, but not yet effective:

- 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);

The accompanying notes form an integral part of these financial statements.
This is a free translation of the original Romanian version.

NOTES

- IFRS 17 Insurance Contracts including Amendments to IFRS 17 (effective for annual periods beginning on or after January 1, 2023).

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

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

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

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a single transaction (effective for annual periods beginning on or after January 1, 2023);
- Amendments to IFRS 17 "Insurance Contracts": initial application of IFRS 17 and IFRS 9 - comparative information (applicable to annual periods beginning on or after January 1, 2023).

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

Seasonality and cyclicalit

Natural gas and electricity consumption is seasonal and affected by weather conditions. Natural gas consumption is highest in winter time. Electricity consumption also depends on climatic conditions, being impacted both by cold weather, as it can be used to produce heat, but also by high temperatures, as air conditioning systems rely on it. Consequently, the results of the Company may vary according to the seasonal character of the demand for natural gas and electricity.

Comparative information

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

3. REVENUE AND OTHER INCOME

	Six months ended June 30, 2022	Six months ended June 30, 2021
	'000 RON	'000 RON
Revenue from gas sold - own production	6,674,374	1,872,942
Revenue from gas sold – other arrangements	15,154	16,023
Revenue from gas acquired for resale	3,867	81,064
Revenue from electricity	498,590	42,758
Revenue from services	127,450	104,266
Revenue from sale of goods	36,251	23,961
Other revenues from contracts	143	235
Total revenue from contracts with customers	7,355,829	2,141,249
Revenues from rental activities	55,947	55,383
Total revenue	7,411,776	2,196,632
Other operating income	32,595	21,404
Total revenue and other income	7,444,371	2,218,036

The accompanying notes form an integrant part of these financial statements.
This is a free translation of the original Romanian version.

NOTES

4. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Six months ended June 30, 2022	Six months ended June 30, 2021
	'000 RON	'000 RON
Consumables used	24,836	17,904
Technological consumption	22,451	8,065
Cost of gas acquired for resale	3,867	64,321
Cost of electricity imbalance	27,644	18,816
Cost of other goods sold	841	337
Other consumables	1,794	3,120
Total	81,433	112,563

5. OTHER GAINS AND LOSSES

	Six months ended June 30, 2022	Six months ended June 30, 2021
	'000 RON	'000 RON
Forex gain	2,046	11
Forex loss	(2,110)	(110)
Net gain/(loss) on disposal of non-current assets	94	383
Net allowance for other receivables (note 10 c)	(1,266)	28,017
Net write down allowances for inventory	(1,127)	(416)
Other gains and losses	(1,793)	-
Net gain/(loss) on financial assets at fair value through profit or loss	-	(1)
Total	(4,156)	27,884

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Six months ended June 30, 2022	Six months ended June 30, 2021
	'000 RON	'000 RON
Depreciation and amortization	166,328	207,098
out of which:		
- depreciation of property, plant and equipment	163,586	204,786
- depreciation of right of use assets	433	418
- amortization of intangible assets	2,309	1,894
Net impairment of non-current assets	17,311	68,094
Total depreciation, amortization and impairment	183,639	275,192

7. INCOME TAX

	Six months ended June 30, 2022	Six months ended June 30, 2021
	'000 RON	'000 RON
Current tax expense	256,158	110,513
Deferred income tax (income)/expense	70,051	25,630
Income tax expense	326,209	136,143

The accompanying notes form an integral part of these financial statements.
This is a free translation of the original Romanian version.

NOTES

8. EMPLOYEE BENEFIT EXPENSE

	Six months ended June 30, 2022	Six months ended June 30, 2021
	'000 RON	'000 RON
Wages and salaries	355,533	348,993
Social security charges	12,645	12,463
Meal tickets	11,362	11,960
Other benefits according to collective labor contract	7,316	6,185
Private pension payments	5,090	5,302
Private health insurance	3,183	3,284
Total employee benefit costs	395,129	388,187
Less, capitalized employee benefit costs	(60,327)	(61,773)
Total employee benefit expense	334,802	326,414

9. OTHER EXPENSES

	Six months ended June 30, 2022	Six months ended June 30, 2021
	'000 RON	'000 RON
Energy and water expenses	13,812	9,401
Expenses for capacity booking and gas transmission services	86,953	78,400
Expenses with other taxes and duties *)	4,585,159	394,800
(Net gain)/Net loss from provisions movement **)	(93,619)	(82,666)
Gas storage services	29,398	33,774
Other operating expenses ***)	209,023	193,417
Total	4,830,726	627,126

*) In the six-month period ended June 30, 2022, the major taxes and duties included in the amount of RON 4,585,159 thousand (six-month period ended June 30, 2021: RON 394,800 thousand) are:

- RON 3,670,024 thousand represent windfall tax for gas and electricity (six-month period ended June 30, 2021: RON 212,866 thousand). Windfall tax for electricity was introduced in the second quarter of 2022;
- RON 911,774 thousand represent royalty on gas production and other activities (six-month period ended June 30, 2021: RON 178,750 thousand).

***) The net gain from provisions movement of RON 93,619 thousand relates mainly to:

- the provision for CO2 certificates (net gain of RON 28,474 thousand) due to lower prices when acquired than estimated at the end of 2021;
- the decommissioning provision (net gain of RON 63,078 thousand) generated by the increase in 2022 of the discounting factor (8.83% in 2022 vs. 5.14% used in the December 2021 computation) (note 11 a);
- payment of amounts representing employees' participation to profit, according to shareholders' decision (net gain of RON 16,755 thousand). This gain offsets the expense recorded as employees costs when granted (note 8);
- change in the provision for retirement benefits (net loss of RON 16,319 thousand) generated by a change in the collective labor agreement (note 11 b).

****) Other operating expenses include mainly the cost of CO2 certificates acquired in 2022 (RON 140,744 thousand), part of which is offset by the gain in provision mentioned above.

NOTES

10. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
	'000 RON	'000 RON
Trade receivables	1,544,344	1,747,458
Allowances for expected credit losses for trade and other receivables (note 10 c)	(646,205)	(924,030)
Accrued receivables	616,233	519,529
Allowances for expected credit losses on accrued receivables (note 10 c)	(1,966)	(7,839)
Total	1,512,406	1,335,118

b) Other assets

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
	'000 RON	'000 RON
Advances paid to suppliers	147	109
Joint operation receivables	8,977	8,201
Other receivables	38,454	47,103
Allowance for expected credit losses for other receivables (note 10 c)	(187)	(186)
Other debtors *)	550,374	49,922
Allowance for expected credit losses for other debtors (note 10 c)	(50,707)	(49,442)
Prepayments	13,964	5,368
VAT not yet due	3,511	5,404
Other taxes receivable	6	6
Total	564,539	66,485

*) In May 2022, Romgaz signed the contract for the acquisition of all shares issued by ExxonMobil Exploration and Production Romania Limited ("EMEPRL").

The agreed price of this transaction is USD 1.06 billion. The purchase price can be adjusted under certain circumstances, according to the provisions of the acquisition contract.

According to the acquisition contract, upon signing, Romgaz had to pay an advance/deposit of USD 106 million (RON 499 million).

In order for Romgaz to become shareholder of the company, the following conditions precedent must be met:

- approval or deemed approval of National Supreme Council for Defence ("CSAT") regarding the transaction;
- notification of the Competition Council, and following the notification the receipt from the Romanian Competition Council of i) a decision clearing the transaction (or deemed approval of the transaction by expiration of the legal deadline for issuing such decision) or (ii) a communication confirming that no approval, consent or clearance by the Romanian Competition Council is required for the transaction;
- notification on the transaction and change in control of EMEPRL to the National Agency for Mineral Resources and, in this context, issuance by the Government of Romania of an approval for maintaining the validity of Petroleum Agreement, thereby satisfying the requirements of Article 34.5 of the Romanian Petroleum Law.

Until June 30, 2022, the conditions precedent were not met. According to the acquisition contract, should the conditions precedent not be met for no fault of Romgaz, Romgaz would be entitled to get the deposit back. Thus the advance paid is presented as "Other assets".

NOTES

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

	<u>2022</u>	<u>2021</u>
	'000 RON	'000 RON
At January 1	981,497	1,359,855
Charge in the allowance for receivables (note 5, note 10 b)	1,303	1,089
Charge in the allowance for trade receivables (note 10 a)	28,304	21,655
Write-off against trade receivables*) (note 10 a)	(262,641)	-
Release in the allowance for receivables (note 5, note 10 b)	(37)	(29,106)
Release in the allowance for trade receivables (note 10 a)	(49,361)	(48,118)
At June 30	699,065	1,305,375

*) The allowance write-off was recorded against trade receivables that can no longer be recovered from customers through insolvency proceedings or as a result of their bankruptcy. The effect on the Company's result is 0.

11. PROVISIONS

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
	'000 RON	'000 RON
Decommissioning provision	201,385	377,157
Retirement benefit obligation	121,017	144,880
Total long term provisions	322,402	522,037
Decommissioning provision	19,728	20,882
Litigation provision	6,897	3,554
Other provisions *)	154,238	204,441
Total short term provisions	180,863	228,877
Total provisions	503,265	750,914

*) Other provisions include the provision for CO2 certificates of RON 126,430 thousand (December 31, 2021: RON 154,904 thousand).

a) Decommissioning provision

(i) Decommissioning provision movement for non-current assets

	<u>2022</u>	<u>2021</u>
	'000 RON	'000 RON
At January 1	398,039	511,022
Additional provision recorded against non-current assets	101	27
Unwinding effect	16,709	7,337
Recorded in profit or loss	(63,078)	(1,530)
Decrease recorded against non-current assets	(130,658)	(6,185)
At June 30	221,113	510,671

NOTES

(ii) Decommissioning provision movement for assets held for disposal

	2022	2021
	'000 RON	'000 RON
At January 1	39,598	49,935
Additional provision recorded against assets held for disposal	-	3
Unwinding effect	1,576	678
Change recorded against assets held for disposal	(13,945)	(552)
At June 30	27,229	50,064

b) Retirement benefit obligation

Movement of the retirement benefit obligation	2022	2021
	'000 RON	'000 RON
At 1 January	144,880	119,432
Interest cost	3,525	-
Cost of current service	4,368	-
Payments during the period	(5,558)	(8,285)
Past service cost	13,984	-
Actuarial (gain)/loss for the period	(40,182)	-
At June 30	121,017	111,147

Usually, the Company updates the retirement benefit obligation at year end only. As in 2022 the collective labor agreement applicable in Romgaz changed, Romgaz updated the obligation at June 30, 2022.

12. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021
	'000 RON	'000 RON
Current bank accounts in RON *)	89,134	70,458
Current bank accounts in foreign currency **)	1,610,104	326
Petty cash	39	46
Term deposits in RON	4,008,186	3,500,287
Restricted cash ***)	1,163	1,534
Amounts under settlement	21	-
Total	5,708,647	3,572,651

*) Current bank accounts include overnight deposits.

**) Current bank accounts in foreign currency include the EUR 325 million facility fully drawn at June 30, 2022 (see note 13). The amount borrowed was not paid to the sellers of ExxonMobil Exploration and Production Romania Limited, as the conditions precedent according to the acquisition contract were not met by June 30, 2022 (see note 10 b).

***) At June 30, 2022 restricted cash refers to bank accounts used only for dividend payments to shareholders, according to stock market regulations.

NOTES
13. BANK LOANS

	<u>Interest loan</u>	<u>Maturity</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>
			<u>'000 RON</u>	<u>'000 RON</u>
EUR 325,000 thousand bank loan	EURIBOR 3M + 0.05% p.a.	June 30, 2027	1,607,255	-
Total			1,607,255	-

In March 2022, Romgaz signed a EUR 325 million financing deal with Raiffeisen Bank S.A. to finance part of the purchase price of the shares of EMEPRL that holds 50% of the rights and obligations for the Neptun Deep block.

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.

14. OTHER LIABILITIES

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Payables related to employees	28,462	39,487
Royalties	451,331	397,887
Social security taxes	22,458	31,668
Other current liabilities	6,915	7,413
VAT	42,555	84,764
Dividends payable	1,465,653	1,116
Windfall tax	606,807	363,996
Other taxes	4,163	1,294
Total	2,628,344	927,625

15. RELATED PARTY TRANSACTIONS AND BALANCES
(i) Sales of goods and services

	<u>Six months ended June 30, 2022</u>	<u>Six months ended June 30, 2021</u>
	<u>'000 RON</u>	<u>'000 RON</u>
Subsidiaries *)	64,606	58,119
Associates	10,848	10,791
Total	75,454	68,910

*) Of RON 64,606 thousand representing revenue obtained from transactions with subsidiaries, RON 51,667 thousand relate to rental revenues (2021: RON 51,651 thousand).

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

NOTES

(ii) Acquisitions of goods and services

	Six months ended June 30, 2022	Six months ended June 30, 2021
	'000 RON	'000 RON
Subsidiaries	29,398	33,774
Total	29,398	33,774

(iii) Trade receivables

	June 30, 2022	December 31, 2021
	'000 RON	'000 RON
Subsidiaries	17,391	11,131
Associates	4,145	-
Total	21,536	11,131

(iv) Trade payables

	June 30, 2022	December 31, 2021
	'000 RON	'000 RON
Subsidiaries	4,778	5,663
Total	4,778	5,663

16. COMMITMENTS UNDERTAKEN

In 2021, Romgaz signed an addendum to the credit agreement with BCR SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of RON 350,000 thousand. On June 30, 2022 are still available for use RON 269,412 thousand.

As of June 30, 2022, the Group's contractual commitments for the acquisition of non-current assets are of RON 223,340 thousand (December 31, 2021: RON 264,129 thousand).

17. EVENTS AFTER THE BALANCE SHEET DATE

a) *Completion of acquisition of ExxonMobil Exploration and Production Romania Limited*

On August 1, 2022, Romgaz successfully completed the acquisition of ExxonMobil Exploration and Production Romania Limited. The amount paid (excluding the deposit paid on May 3, 2022) was USD 954,754 thousand, the equivalent of RON 4.6 billion.

b) *Payment of dividends*

In July 2022, Romgaz paid dividends as approved by shareholders (RON 1.5 billion).

These two events led to a cash outflow of RON 6.1 billion in the period after the balance sheet date.

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on August 11, 2022.

Aristotel Marius Jude
Chief Executive Officer

Răzvan Popescu
Chief Financial Officer

STATEMENT

in accordance with the provisions of art. 67 (2) c) of Law No. 24/2017
regarding issuers of financial instruments and market operations

Entity: Societatea Nationala de Gaze Naturale ROMGAZ S.A.
County: 32--SIBIU
Address: MEDIAȘ, 4 C.I. Motaș Square, tel. +4-0374-401020
Registration Number in the Trade Register: J32/392/2001
Form of Property: 14--State owned companies and enterprises
Main activity (CAEN code and denomination): 0620—Natural Gas Production
Tax Identification Number: 14056826

The undersigned,
ARISTOTEL MARIUS JUDE as Chief Executive Officer and
RĂZVAN POPESCU as Chief Financial Officer

hereby confirm that according to our knowledge, the interim condensed financial statements for the half year ended June 30, 2022, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, namely IAS 34, offer a true and fair view of the assets, liabilities, financial position, statement of profit and loss of the S.N.G.N. ROMGAZ S.A. and that the Board of Directors' report presents correctly and completely the information about S.N.G.N. ROMGAZ S.A.

**CHIEF EXECUTIVE OFFICER,
ARISTOTEL MARIUS JUDE**

**CHIEF FINANCIAL OFFICER,
RĂZVAN POPESCU**