



Preliminary Consolidated Annual Report 2022

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IDENTIFICATION DETAILS ON REPORT AND ISSUER

Preliminary annual report according to art. 63 of Law 24/2017

Financial year: 2022

Report date: February 28, 2023

Name of the Company: Societatea Nationala de Gaze Naturale (SNGN) ROMGAZ SA

Headquarters: Medias, 4 Constantin I. Motas Square, code 551130

Telephone/fax number: 004-0374-401020 / 004-0269-846901

Fiscal Code: RO14056826

LEI code: 2549009R7KJ38D9RW354

Trade Registry No: J32/392/2001

Subscribed and paid in share capital: RON 385,422,400

Regulated markets where the issued securities are traded: Bucharest Stock Exchange (BVB), London Stock Exchange (LSE)

PRELIMINARY CONSOLIDATED ANNUAL REPORT

(issued based on unaudited consolidated financial information prepared in compliance with the International Financial Reporting Standards)

ON THE ECONOMIC AND FINANCIAL ACTIVITY OF SNGN "ROMGAZ" SA GROUP¹ for 2022

OVERVIEW

SNGN Romgaz SA is a Romanian natural gas producer and supplier, the main business segments of the Group being: gas exploration, gas production and supply, underground gas storage and electricity production.

Relevant Consolidated Financial Results

(RON million, unless otherwise specified)

Q4 2021	Q3 2022	Q4 2022 p*	Δ Q4 (%)	Main indicators	2021	2022 p*	Δ '22/'21 (%)
2,356.4	3,316.5	2,567.6	8.96	Revenue	5,852.9	13,380.1	128.61
2,428.6	3,449.3	2,624.7	8.07	Income	6,156.5	13,678.6	122.18
1,620.9	2,838.2	2,148.6	32.55	Expenses	3,999.4	10,534.2	163.40
0.1	1.40	0.7	840.00	Share of profit of associates	0.1	2.4	2,664.71
807.8	612.5	476.9	-40.97	Gross result: profit/(loss)	2,157.3	3,146.7	45.86
49.2	100.6	170.2	245.85	Profit tax	242.3	602.2	148.56
758.6	511.9	306.7	-59.57	Net result: profit/(loss)	1,915.0	2,544.5	32.87
787.8	561.9	449.7	-42.92	EBIT	2,098.9	2,974.7	41.73
977.3	712.4	629.8	-35.56	EBITDA	2,784.6	3,524.8	26.58
1.97	1.33	0.80	-59.57	Earnings per share (EPS) (RON)	4.97	6.60	32.87
32.19	15.43	11.94	-62.91	Net profit ratio (% from Revenue)	32.72	19.02	-41.88
33.43	16.94	17.51	-47.62	EBIT ratio (% from Revenue)	35.86	22.23	-38.00
41.47	21.48	24.53	-40.85	EBITDA ratio (% from Revenue)	47.58	26.34	-44.63
5,863	5,909	5,971	1.84	Number of employees at the end of the period	5,863	5,971	1.84

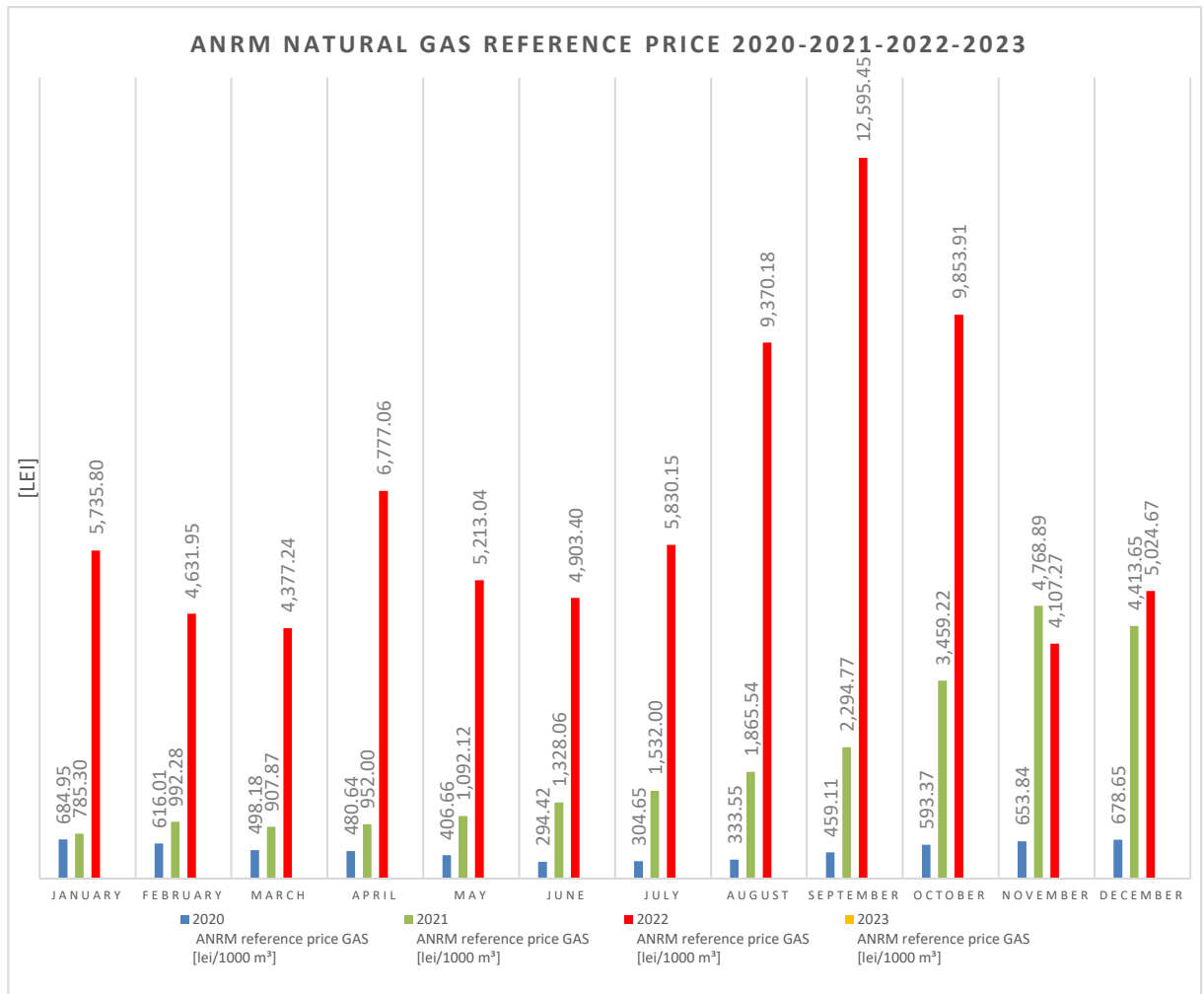
* p - preliminary

The figures above are rounded, therefore small differences may result upon reconciliation. The results shown in this report are not audited; final results may differ.

¹ Romgaz Group consists of SNGN Romgaz SA ("the Company"/"Romgaz") as parent company and the subsidiaries SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL ("Depogaz") and Romgaz Black Sea Limited (former ExxonMobil Exploration and Production Romania Limited), both owned 100% by Romgaz.

Romgaz Group's preliminary performances for the year ended December 31, 2022 were influenced by the following factors:

- ↳ **Natural gas production** estimated for 2022 was **4,935.9 mil.m³**, by 92.60 mil.m³ lower than the production of the previous year (- 1.84%).
- ↳ **Preliminary revenue** for 2022: **RON 13.38 billion** (2021: RON 5.85 billion), higher by 128.61%, influenced by the following factors:
 - estimated revenue from **natural gas** sales for 2022 is RON 11.33 billion, increasing by 124.61% as compared to the previous year. Quantity of **natural gas** sold (including gas purchased for resale) is by 4.54% lower in 2022 as compared to 2021;
 - in 2022, **storage activities** recorded an increase by 80.51% of the revenue Group-wide, following 60.18% higher booking services (RON +115.06 million), by 249.53% higher injection services (RON +84.36 million) and by 28.29% higher withdrawal services (RON +9.90 million). As for Depogaz, revenue from these services increased by 51.85%;
 - revenue from **electricity** sales increased by 313.75% as compared to last year (RON +1.01 billion) against a 73.52% rise in production as compared to last year. The revenue is due to the high prices on centralised markets where the Group is active. However, the electricity generation and sale activity recorded a RON 49.95 million loss due to overtaxing income from this activity;
- ↳ Government Emergency Ordinance No.27 was issued in 2022, setting certain obligations with respect to gas deliveries and sale prices. According to this Ordinance, updated as subsequently amended and supplemented:
 - for the period April 2022 – March 2023, the price of gas sold to household suppliers is set at RON 150/MWh; the period was successively extended until March 31, 2025;
 - for the period April 2022 – August 2023, the price of gas sold to suppliers of heat producers or directly to heat producers, as the case may be, only for the gas quantity used for heat production in cogeneration plants and in power plants, for consumption of population, is set at RON 250/MWh; as of September 2022, for the period between September 2022 – March 2025 for this client category, the sale price is set at RON 150/MWh to ensure consumption for the periods: November 1, 2022 – March 31, 2023, November 1, 2023 – March 31, 2024 and November 1, 2024 – March 31, 2025;
 - quantities sold at the above mentioned prices were established in accordance with a procedure included in Emergency Ordinance 27/2022, namely quantities that were not contracted or quantities that were not dedicated to special purposes (e.g. technological consumption).
 - generally, Romgaz concludes natural gas sales contracts for the gas year (October – September); therefore quantities available to be sold under GEO 27/2022 until September 31, 2022 represented approximately 30% from the deliveries of the period; after October 1, 2022, 90% of the gas quantity delivered by Romgaz, was sold at RON 150/MWh;
 - for the entire year 2022, deliveries under GEO 27/2022 weighted 33.3% from the deliveries of the year; for the period covered by GEO 27/2022, 53.5% deliveries were made at a regulated price;
- ↳ **Petroleum royalty** expenses (including royalty for storage activities) increased by RON 923.04 million as compared to the previous year, namely by 123.17%, mainly as a result of an increased reference price considered for calculating royalty; royalty expenses decreased significantly in Q4 2022, as over 90% of the deliveries were sold at RON 150/MWh (subject to GEO 27/2022 the royalty price for these quantities is RON 150/MWh, and not the reference price). The figure below shows the evolution of the reference price as communicated by the National Agency for Mineral Resources ("NAMR") for the period 2020 – 2023;



- ↪ **Windfall tax** on the gas production sales increased in 2022 by RON 3.65 billion (289.81%) as compared to 2021; windfall tax decreased significantly in Q4 2022 due to delivering over 90% of the sold quantities at RON 150 /MWh (according to GEO 27/2022, windfall tax does not apply to such quantities);
- ↪ A **new windfall tax** was introduced in 2022 for electricity producers, on **electricity sales/a contribution to the Energy Transition Fund**; the value of both taxes was RON 403.80 million. The Group expects the value of the windfall tax to be insignificant in 2023 following the obligation to sell electricity at RON 450 /MWh;
- ↪ As of 2022, a **solidarity contribution** was introduced for gas producers, as Council Regulation (EU) 2022/1854 of 6 October 2022 on an emergency intervention to address high energy prices was implemented in the Romanian legislation; the tax for 2022 is estimated at RON 995.65 million;

↳ The table below shows the petroleum royalty, the windfall tax and the solidarity contribution compared to revenues from sales of natural gas from the Group's production and from electricity sales:

Indicator		2021	2022 p
Revenue from sale of gas and electricity production	RON mil	5,034	12,643
Petroleum royalty from gas production	RON mil	740	1,658
Windfall tax on gas sales	RON mil	1,258	4,904
Windfall tax on electricity sales/contribution to the Energy Transition Fund	RON mil	-	404
Contribution to the Solidarity Fund	RON mil	-	996
% from revenue	%	39.69	62.98

↳ **Preliminary net profit** for 2022: **RON 2.54 billion** (2021: net profit RON 1.92 billion), increasing by 32.87%.

↳ In August 2022, Romgaz finalised the acquisition of ExxonMobil Exploration and Production Romania Limited shares (currently Romgaz Black Sea Limited) which holds 50% of the rights and obligations under the Petroleum Agreement for the eastern area, deep water zone of Neptun XIX offshore block in the Black Sea. The final acquisition price was RON 5,118.99 million, the acquisition was financed from Romgaz own sources and a bank loan of RON 1,606.5 million (EUR 325 million);

↳ Consolidated net profit ratio (19.02%), consolidated EBIT ratio (22.23%) and EBITDA ratio (26.34%) decreased as compared to 2021 (32.72%; 35.86% and 47.58% respectively) mainly due to overtaxing the Group's main activity segments.

PHYSICAL INDICATORS

The table below shows the estimated volumes of gas produced, delivered, injected in/withdrawn from underground storages, gas used for electricity generation, electricity production and injection /withdrawal services invoiced for the reviewed period:

								(million m ³ , unless otherwise specified)		
Q4 2021	Q3 2022	Q4 2022 p	Δ Q4 (%)	Description	2021	2022 p	Δ '22/'21 (%)			
1,322.1	1,172.3	1,248.5	-5.57	1.Total - gross production	5,028.5	4,935.90	-1.84			
18.4	17.8	18.0	-2.17	2.Technological consumption	69.9	73.6	5.29			
1,303.7	1,154.5	1,230.5	-5.61	3.Net internal gas production (1.-2.)	4,958.6	4,862.30	-1.94			
80.8	37.5	3.3	-95.92	4.Internal gas volumes injected in storages	487.9	84.6	-82.66			
43.5	11.7	69.3	59.31	5.Internal gas volumes withdrawn from storages	422.2	283.9	-32.76			
1.0	1.3	0.2	-80.00	6.Differences resulting from GCV	8.6	2.7	-68.60			
1,265.4	1,127.4	1,296.3	2.44	7.Volumes supplied from internal production (3.-4.+5.-6.)	4,884.3	5,058.90	3.57			
65.6	92.2	82.1	25.15	8. Gas supplied to Iernut and Cojocna Power Plants from Romgaz gas	192.5	338.8	76.00			
1,199.8	1,035.2	1,214.2	1.20	9. Gas supplied from internal production to the market (7.-8.)	4,691.8	4,720.10	0.60			
6.1	4.5	4.4	-27.87	10. Natural gas from partnerships (Amromco)	35.4	19.3	-45.48			
4.6	1.2	-	n/a	11. Purchased internal gas volumes (imbalances included)	239.5	1.9	-99.21			

Q4 2021	Q3 2022	Q4 2022 p	Δ Q4 (%)	Description	2021	2022 p	Δ '22/'21 (%)
1,210.5	1,040.9	1,218.6	0.67	12. Sold internal gas volumes (9.+10.+11.)	4,966.7	4,741.30	-4.54
1,276.1	1,133.1	1,300.7	1.93	13. Supplied internal gas volumes (8.+12.)	5,159.2	5,080.10	-1.53
-	-	-	-	14. Supplied import volumes	-	-	-
0.1	-	0.1	0.00	15. Gas supplied to Iernut and Cojocna Power Plants from other sources (imbalances included)	8.4	0.1	-98.81
1,276.2	1,133.1	1,300.8	1.93	16. Total gas supplies (13.+14.+15.)	5,167.6	5,080.20	-1.69
663.2	12.3	620.1	-6.50	Invoiced UGS withdrawal services (million m ³)	2,109.2	1,722.50	-18.33
192.0	1,185.9	483.3	151.72	Invoiced UGS injection services (million m ³) – volumes invoiced by the subsidiary	1,821.9	2,450.20	34.49
213.9	294.8	271.0	26.69	Electricity production (GWh)	640.0	1,110.5	73.52

ECONOMIC-FINANCIAL INDICATORS

The economic-financial indicators were calculated based on unaudited preliminary consolidated financial statements and may differ from the actual audited results.

The Group's revenue is mainly generated by the sale of natural gas, underground gas storage services and electricity production and sale.

Preliminary statement of consolidated comprehensive income (unaudited)

								(RON thousand)
Q4 2021	Q3 2022	Q4 2022 p	Δ Q4 (%)	Description	2021	2022 p	Δ '22/'21 (%)	
2,356,397	3,316,500	2,567,563	8.96	Revenue	5,852,926	13,380,112	128.61	
(34,025)	(123,082)	(28,142)	-17.29	Cost of commodities sold	(281,589)	(183,578)	-34.81	
20,038	50,847	32,056	59.98	Investment income	58,403	176,979	203.03	
(2,984)	(4,865)	(2,213)	-25.84	Other gains or losses	23,388	(9,441)	n/a	
323,118	(70,877)	(5,346)	n/a	Net (losses)/gains from impairment of trade receivables	349,989	(55,166)	n/a	
24,053	31,434	(13,213)	n/a	Changes in inventory	74,787	(2,197)	n/a	
(27,317)	(30,314)	(29,836)	9.22	Raw materials and consumables used	(81,146)	(118,037)	45.46	
(189,514)	(150,521)	(180,101)	-4.97	Net depreciation and amortization	(685,772)	(550,111)	-19.78	
(199,332)	(225,856)	(251,870)	26.36	Employee benefit expenses	(766,639)	(846,001)	10.35	
(4,322)	(9,443)	694	n/a	Financial costs	(16,739)	(27,295)	63.06	
(346)	(26,598)	(684)	97.69	Exploration expense	(1,197)	(59,714)	4,888.64	
75	1,401	705	840.00	Share of associates' result	85	2,350	2,664.71	
(1,486,141)	(2,168,827)	(1,637,505)	10.19	Other expenses	(2,539,086)	(8,641,309)	240.33	
28,118	22,697	24,773	-11.90	Other income	169,841	80,068	-52.86	
807,818	612,496	476,881	-40.97	Profit before tax	2,157,251	3,146,660	45.86	
(49,214)	(100,633)	(170,209)	245.85	Income tax expense	(242,264)	(602,180)	148.56	
758,604	511,863	306,672	-59.57	Profit for the period	1,914,987	2,544,480	32.87	

Q4 2021	Q3 2022	Q4 2022 p	Δ Q4 (%)	Description	2021	2022 p	Δ '22/'21 (%)
				<i>Other comprehensive income Items that will not be reclassified subsequently to profit or loss</i>			
(37,116)	-	(24,343)	-34.41	Actuarial gains/(losses) on post-employment benefits	(37,116)	15,839	n/a
5,938	-	3,895	-34.41	Income tax related to items that will not be reclassified in the comprehensive income	5,938	(2,534)	n/a
(31,178)	-	(20,448)	-34.42	Total items that will not be reclassified in the comprehensive income	(31,178)	13,305	n/a
(31,178)	-	(20,448)	-34.42	Other comprehensive income for the period net of income tax	(31,178)	13,305	n/a
727,426	511,863	286,224	-60.65	Total comprehensive income for the period	1,883,809	2,557,785	35.78

Revenue

In 2022, Romgaz estimates consolidated revenues of RON 13.4 billion as compared to RON 5.9 billion achieved in 2021.

The increase resides in a 124.61% increase of revenue from sales of gas produced by Romgaz and of gas purchased for resale, as well as a 313.75% increase of revenue from electricity sales and 80.51% increase of consolidated revenue from storage services.

The main components of revenue are shown below:

(RON thousand)							
Q4 2021	Q3 2022	Q4 2022 p	Δ Q4 (%)	Description	2021	2022 p	Δ '22/'21 (%)
2,025,620	2,561,821	2,028,773	0.16	Revenue from gas sold – domestic production	4,685,389	11,254,621	140.21
5,892	26,506	16,493	179.92	Revenue from gas sold – other arrangements	27,456	58,153	111.80
26,239	10,787	-	n/a	Revenue from gas acquired for resale	330,309	14,654	-95.56
48,697	88,014	98,423	102.11	Revenue from storage services – capacity reservation	191,184	306,245	60.18
12,150	461	23,125	90.33	Revenue from storage services – withdrawal	35,006	44,910	28.29
3,546	55,666	23,901	574.03	Revenue from storage services – injection	33,809	118,172	249.53
175,951	510,144	321,880	82.94	Revenue from electricity	321,596	1,330,607	313.75
40,997	42,055	37,102	-9.50	Revenue from services	166,270	173,136	4.13
15,337	18,733	15,481	0.94	Revenue from sale of goods	53,959	70,472	30.60
1,968	2,313	2,385	21.19	Other revenues	7,948	9,142	15.02
2,356,397	3,316,500	2,567,563	8.96	Total revenue	5,852,926	13,380,112	128.61

As regards gas sales, in April 2022 Emergency Ordinance 27/2022 reinstated regulated prices for certain client categories such as household suppliers, suppliers of heat producers or heat producers solely for the natural gas quantity used for the production of heat in cogeneration plants and in power plants dedicated for the consumption of population.

Tariffs of storage services were:

- April 1, 2021 – March 31, 2022 storage cycle:
 - o Capacity reservation tariff: RON 9.31/MWh/annual cycle;
 - o Injection tariff: RON 2.29/MWh;
 - o Withdrawal tariff: RON 1.74/MWh.
- April 1, 2022 – March 31, 2023 storage cycle:
 - o Capacity reservation tariff: RON 11.44/MWh/annual cycle (a 22.88% increase);
 - o Injection tariff: RON 4.50/MWh (a 96.51% increase);
 - o Withdrawal tariff: RON 3.48/MWh (a 100% increase).

The increase of revenues from storage activities was generated by the war in Ukraine which led regulating authorities and market players to take measures to prevent a gas crisis in the cold season. Therefore, it increased the booked capacity and the gas quantity injected in storages.

Please note that consolidated storage revenues include revenue from services invoiced by Romgaz for the gas sold from storages; non-consolidated storage revenues are up by 51.85% as compared to 2021.

As for volumes, compared with 2021, the Group estimates that in 2022:

- it sold 4.54% less gas (including gas acquired for resale);
- it provided by 18.33% less gas withdrawal services from storages and 34.49% higher gas injection services in storages;
- it produced 73.52% more electricity.

Investment income

Investment income represents the interest gained from placing cash in bank deposits and state bonds. Increase of this income resides from the increase of interest rates.

Cost of commodities sold

In 2022, cost of commodities sold is mainly represented by the cost of imbalances from electricity sales (RON 167.41 million in 2022). During the period when electricity generation was ceased, the Group had to purchase the necessary electricity quantities from the market to fulfil contractual delivery obligations.

Net losses/gains from impairment of trade receivables

The Group calculates impairments for trade receivables depending on non-collection risks. Therefore, as regards clients undergoing a bankruptcy procedure, the Group records losses from impairment for the entire non-collected amount; the same policy is applied to old debts.

In 2022, the Group recorded a net loss from impairment of receivables of RON 55.2 million.

Changes in inventories

In 2022, the gas quantity injected by Romgaz in storages was lower by 70.20% than the quantity withdrawn from storages, thus generating negative changes in inventory. The gas quantities injected in and withdrawn from storages in 2022 as compared to 2021, decreased by 82.66%, respectively, by 32.76%. The decrease of the volume of gas injected into storage was due to the allocation of non-contracted production to delivery to the destinations provided by GEO 27/2022.

Raw materials and consumables used

Increase of expenses with raw materials and consumables is mainly due to a 70.63% higher technological consumption for the reviewed period of 2022 as compared to 2021 (+57% on volumes used for gas and electricity production) and due to the increase of expenses with spare parts used for current repairs.

Depreciation, amortization and impairment

Depreciation, amortization and impairment expenses decreased by 19.78% due to reducing depreciation expenses by 11.83% generated by full depreciation of certain assets in the previous periods and less investments in the recent period. Moreover, the net expense with impairment of fixed assets decreased by 36.41%.

Due to existing market conditions, the Group considered it would not be necessary to update the impairment test for assets used in natural gas production activity.

Financial costs

Increase of financial costs by 63.06% was generated by the costs with the interest related to the bank loan of EUR 325 million contracted for the acquisition of ExxonMobil Exploration and Production Romania Limited (RON 5.04 million) and increase of the discount rate used for calculating the well decommissioning provision.

Exploration expenses

Exploration expenses recorded in 2022 of RON 59.71 million increased from RON 1.20 million recorded in the similar period of last year. Government Decision No. 1011 of September 22, 2021, approved Addendum no. 6 to the Concession Agreement concluded between ANRM and Romgaz, extending the exploration period for eight petroleum blocks until October 2027. Pursuant to this addendum, Romgaz undertook to perform a certain minimum 3D seismic program that resulted in increased exploration expenses.

Other expenses

In 2022, other expenses increased by 240.33% as compared to 2021. The increase of RON 6.10 billion is mainly due to a higher windfall tax expense on gas sales, to higher windfall tax expense/contribution to the Energy Transition Fund related to electricity sales, to royalty expenses and expenses with the contribution to the solidarity fund, as shown in the introduction to the report.

Other income

Other income decreased by 52.86% in the year ended December 31, 2022 as compared to the same period of 2021. Mostly, these include interest and late payment penalties invoiced to clients for failure to pay in due time or to suppliers for delays in providing works.

Preliminary Statement of Consolidated Financial Position (unaudited)

INDICATOR	(RON thousand)		
	December 31, 2021	December 31, 2022	Δ '22/'21 (%)
ASSETS			
Non-current assets			
Tangible assets	5,240,697	5,039,386	-3.84
Other intangible assets	16,133	5,140,319	31,762.14
Investments in associates	26,187	28,537	8.97
Deferred tax assets	269,645	199,016	-26.19
Other financial assets	5,616	5,616	0.00
Right of use assets	7,128	8,766	22.98
Total non-current assets	5,565,406	10,421,640	87.26
Current assets			
Inventories	305,241	284,005	-6.96
Trade and other receivables	1,352,345	1,291,051	-4.53
Contract costs	483	3	-99.38
Other financial assets	417,923	99,597	-76.17
Other assets	67,962	415,286	511.06
Current income tax receivables	3,201	-	n/a
Cash and cash equivalents	3,580,412	1,883,882	-47.38
Total current assets	5,727,567	3,973,824	-30.62
TOTAL ASSETS	11,292,973	14,395,464	27.47

INDICATOR	December 31, 2021	December 31, 2022	Δ '22/'21 (%)
EQUITY AND LIABILITIES			
<i>Equity</i>			
Issued capital	385,422	385,422	0.00
Reserves	2,998,975	3,579,368	19.35
Retained earnings	5,596,756	6,109,543	9.16
Total equity	8,981,153	10,074,333	12.17
<i>Non-current liabilities</i>			
Retirement benefit obligation	156,420	168,830	7.93
Deferred income	230,438	230,419	-0.01
Lease liability	7,211	7,499	3.99
Bank loans	-	1,125,534	n/a
Provisions	412,846	210,838	-48.93
Total non-current liabilities	806,915	1,743,120	116.02
<i>Current liabilities</i>			
Trade payables and other liabilities	71,317	110,006	54.25
Contract liabilities	204,384	128,238	-37.26
Current tax liabilities	52,299	172,143	229.15
Deferred income	49	182,092	371,516.33
Provisions	237,144	321,489	35.57
Lease liability	810	2,181	169.26%
Bank loans	-	321,581	n/a
Other liabilities	938,902	1,340,281	42.75
Total current liabilities	1,504,905	2,578,011	71.31
TOTAL LIABILITIES	2,311,820	4,321,131	86.91
TOTAL EQUITY AND LIABILITIES	11,292,973	14,395,464	27.47

NON CURRENT ASSETS

In the reviewed period, total non-current assets increased by RON 4.86 billion, meaning 87.26%. The increase was due to the acquisition of ExxonMobil Exploration and Production Romania Limited, the cost of the acquisition being RON 5.12 billion. As of the date of acquisition, the company is consolidated in Romgaz Group.

CURRENT ASSETS

Current assets decreased by RON 1.75 billion on December 31, 2022 due to the decrease of cash, cash equivalents and other financial assets by RON 2.01 billion.

Inventories

At the end of 2022 natural gas inventories decreased by RON 60.4 million as compared to December 31, 2021. During 2022 a gas quantity of 84.60 million m³ was injected in the underground gas storages, while the withdrawn gas quantity was of 283.90 million m³. From a quantitative point of view, the Group's gas inventories in storage deposits decreased by 45% as compared to the previous year.

Cash and cash equivalents. Other financial assets.

Cash, cash equivalents and other financial assets (bank deposits and purchased state bonds) were of RON 1,983.48 million on December 31, 2022, as compared to RON 3,998.34 million at the end of 2021 (RON -2,014.86 million). This decrease was mainly generated by the acquisition of ExxonMobil Exploration and Production Romania Limited, as shown in the consolidated cash flow statement.

Other assets

On December 2022 other assets include RON 150.1 million representing amounts to be recovered from gas sales in line with the provisions of GEO 27/2022 and RON 182.3 million representing windfall tax on natural gas and electricity sale, paid in excess. These amounts will be recovered in 2023.

NON-CURRENT LIABILITIES

At the end of 2022, non-current liabilities increased by 116.02% as compared to the similar period of 2021, mainly due to contracting the loan in amount of RON 1,606.5 million (the equivalent of EUR 325 million) necessary to partly finance the acquisition of ExxonMobil Exploration and Production Romania Limited.

CURRENT LIABILITIES

Current liabilities increased by RON 1,073.1 million, from RON 1,504.90 million, recorded on December 31, 2021 to RON 2,578.0 million at the end of 2022. The main influences are shown below:

- in the next 12 months, Romgaz has to reimburse RON 321.58 million of the above-mentioned contracted bank loan;
- the Group's royalty liability increased by RON 220.95 million;
- the Solidarity Fund contribution liability was in amount of RON 995.65 million;

Contract liabilities

These liabilities represent advance received from customers on December 31, 2022 for 2023 deliveries. The decrease is due to capping the gas sale price for some client categories as provided for in Ordinance 27/2022 as amended.

Deferred income

Deferred income are invoices issued in 2022 for 2023 deliveries, but which were not collected in advance.

Provisions

On December 31, 2022, current provisions were up by 35.57% as compared to December 31, 2021. This increase is mainly due to the provision for the payment of greenhouse gas emission certificates (RON 228.13 million on December 31, 2022, the equivalent of 560,586 certificates, as compared to RON 154.90 million on December 31, 2021, the equivalent of 377,905 certificates). The increase in the number of certificates to be purchased in 2023, for 2022 compliance is due to the increase in electricity production as compared to the previous year, which required a higher natural gas consumption and, therefore, an increase of CO₂ emissions.

Other liabilities

Other liabilities recorded a significant increase of 42.75% as compared to December 31, 2021. Most of these liabilities are petroleum royalties due for Q4 (RON 179.3 million on December 31, 2022, as compared to RON 400.3 million on December 31, 2021). The decrease in royalty liabilities was due to the decrease in the royalty price for certain customer categories as provided in GEO 27/2022. Nonetheless, the decrease was cancelled by the introduction in 2022 of the contribution to the Solidarity Fund, the amount for 2022 being RON 995.65 million.

EQUITY AND RESERVES

Group's equity increased by 26.53%. The changes in the Group's equity in 2022, namely 2021 are presented below:

(RON thousand)					
Description	Share capital	Legal reserve	Other reserves	Retained earnings	Total
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)
Increase in legal reserves	-	5,044	-	(5,044)	-
Allocation to other reserves	-	-	540,227	(540,227)	-
Profit for the year	-	-	-	2,544,480	2,544,480
Reinvested profit reserves	-	-	35,122	(35,122)	-
Other comprehensive income	-	-	-	13,305	13,305
Balance as of December 31, 2022	385,422	90,294	3,489,074	6,109,543	10,074,333

(RON thousand)					
Description	Share capital	Legal reserve	Other reserves	Retained earnings	Total
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)
Increase in legal reserves	-	1,713	-	(1,713)	-
Allocation to other reserves	-	-	675,203	(675,203)	-
Profit for the year	-	-	-	1,914,987	1,914,987
Reinvested profit reserves	-	-	70,150	(70,150)	-
Other comprehensive income	-	-	-	(31,178)	(31,178)
Balance as of December 31, 2021	385,422	85,250	2,913,725	5,596,756	8,981,153

Preliminary Statement of Consolidated Statement of cash flows (unaudited)

The consolidated cash flows for January-December 2022 and the similar period of 2021 are as follows:

(RON thousand)			
INDICATOR	2021	2022 p	Δ '22/'21(%)
Cash flows from operating activities			
Net profit for year	1,914,987	2,544,480	32.87
<i>Adjustments for:</i>			
Income tax expense	242,264	602,180	148.65
Share of associates' result	(85)	(2,350)	2,664.71
Interest expense	557	5,627	910.23
Unwinding of decommissioning provision	16,182	21,668	33.90
Interest revenue	(58,403)	(176,979)	203.03
Loss on disposal of non-current assets	(321)	451	n/a
Change in decommissioning provision recognized in the result of the period, other than unwinding	(20,750)	(75,652)	264.59
Change in other provisions	68,578	111,564	62.68

INDICATOR	2021	2022 p	Δ '22/'21(%)
Impairment of exploration assets	37,046	66,447	79.36
Exploration projects written-off	33	16	-51.52
Net impairment of non-current assets	184,943	74,726	-59.60
Forex	-	(453)	n/a
Depreciation and amortization	463,783	408,938	-11.83
Amortization of contract costs	1,626	773	-52.46
(Gain)/loss on financial investments at fair value through profit or loss	10	0	n/a
Loss/(Gain) on trade receivables and other receivables	(378,352)	55,765	n/a
Net impairment of inventories	5,014	5,438	8.46
Income from liabilities written-off	(810)	(512)	-36.79
Income from subsidies	(9)	(7)	-22.22
Cash generated from operational activities before movements in working capital	2,476,293	3,642,120	47.08
Movements in working capital			
(Increase)/Decrease in inventories	(64,913)	21,734	n/a
(Increase)/Decrease in trade and other receivables	(400,838)	(331,061)	-17.41
Increase/(Decrease) in trade and other liabilities	790,347	540,644	-31.59
Cash generated by operational activities	2,800,889	3,873,437	38.29
Interest paid	(3)	(5,040)	176,900.00
Income tax paid	(233,084)	(410,974)	76.32
Net cash generated by operational activities	2,567,802	3,457,423	34.65
Cash flows from investing activities			
Investments in other entities	(250)	-	n/a
Bank deposits set up and acquisition of state bonds	(3,896,521)	(3,355,306)	-13.89
Bank deposits and state bonds matured	5,463,332	3,669,504	-32.83
Interest received	58,340	181,067	210.37
Proceeds from sale of non-current assets	513	1,033	101.36
Proceeds from sale of other financial investments	2	-	n/a
Acquisition of ExxonMobil Exploration and Production Romania Limited	-	(5,125,597)	n/a
Acquisition of non-current assets	(340,695)	(409,802)	20.28
Acquisition of exploration assets	(91,865)	(96,500)	5.05
Net cash used in investing activities	1,192,856	(5,135,601)	n/a
Cash flows from financing activities			
Borrowings received	-	1,606,475	n/a
Repayment of borrowings	-	(158,907)	n/a
Dividends paid	(690,027)	(1,463,984)	112.16
Subsidies received	94,148	-	n/a
Subsidies reimbursed	(50)	-	-100.00
Repayment of lease liability	(1,280)	(1,936)	51.25
Net cash used in financing activities	(597,159)	(18,352)	-96.93
Increase/(decrease) in net cash and cash equivalents	3,163,499	(1,696,530)	n/a
Net cash and cash equivalents at the beginning of the year	416,913	3,580,412	758.79
Cash and cash equivalents at the end of the year	3,580,412	1,883,882	-47.38

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