



ROMGAZ

PRELIMINARY CONSOLIDATED
ANNUAL REPORT
ON THE ECONOMIC-FINANCIAL ACTIVITY
OF ROMGAZ GROUP
ON DECEMBER 31, 2023
(January 01, 2023 - December 31, 2023)

romgaz.ro

IDENTIFICATION DETAILS ON REPORT AND ISSUER

Report based on	Law No. 24/2017 on issuers of financial instruments and market operations (Art.63) for the twelve-month period ended December 31, 2023
Report Date	February 28, 2024
Company Name	Societatea Națională de Gaze Naturale "ROMGAZ" SA
Headquarters	Mediaș, Piața Constantin I. Motaș 4, 551130, Sibiu
Telephone/fax number	004 0374 401020 / 004 0374474325
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

OVERVIEW

SNGN Romgaz SA is a Romanian natural gas producer and supplier, the main business segments of the Romgaz Group¹ being: gas exploration, gas production and supply, underground gas storage and electricity production.

Relevant Consolidated Financial Results

(RON million, unless otherwise specified)

Q4 2022	Q3 2023	Q4 2023 p*	Δ Q4 (%)	Main indicators	2022	2023 p*	Δ '23/'22 (%)
2,547.1	1,913.0	2,191.6	-13.96	Revenue	13,359.7	9,001.9	-32.62
2,604.3	2,065.7	2,171.4	-16.62	Income	13,658.1	9,362.7	-31.45
1,120.5	1,025.3	1,153.3	2.93	Expenses	9,506.2	4,300.1	-54.77
0.7	1.7	1.6	128.57	Share of profit of associates	2.4	4.9	104.17
1,484.5	1,042.1	1,019.6	-31.32	Gross result: profit/(loss)	4,154.2	5,067.5	21.98
1,175.6	559.0	376.2	-68.00	Profit tax	1,607.5	2,255.4	40.30
308.9	483.1	643.4	108.29	Net result: profit/(loss)	2,546.7	2,812.1	10.42
1,457.2	1,007.7	991.4	-31.97	EBIT	3,982.3	4,897.6	22.98
1,637.3	1,114.9	1,099.7	-32.83	EBITDA	4,532.4	5,374.2	18.57
0.8	1.3	1.7	108.29	Earnings per share (EPS) (RON)	6.6	7.3	10.42
12.13	25.25	29.36	142.04	Net profit ratio (% from Revenue)	19.06	31.24	63.90
57.21	52.68	45.23	-20.94	EBIT ratio (% from Revenue)	29.81	54.41	82.52
64.28	58.28	50.18	-21.94	EBITDA ratio (% from Revenue)	33.93	59.70	75.95
5,971	5,951	5,980	0.15	Number of employees at the end of the period	5,971	5,980	0.15

*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.

Preliminary consolidated annual report on January 01, 2023 - December 31, 2023 activity

Romgaz Group's preliminary performances for the year ended December 31, 2023 were influenced by the following factors:

- ↪ **Natural gas production** estimated for 2023 is **4,788.5 million m³**, by 147.4 million m³ lower than the production of the previous year (-2.99%).
- ↪ Total revenue is lower by RON 4,295.4 million, recording a drop of 31.45% due to the following factors:
 - decrease of revenues from natural gas sales (RON 7,766.97 million in 2023 as compared to RON 11,306.97 million in the previous year); the obligation enforced by GEO No. 27/2022 had a significant impact that led to the drop of 31.31% of revenues from gas sales, therefore Romgaz sold most of production at the regulated price of RON 150/MWh (86.43% of deliveries);
 - electricity revenues also dropped (RON 406.98 million in 2023 as compared to RON 1,330.61 million in the previous year). According to GEO No.27/2022, as of 2023, Romgaz sold almost all electricity production at RON 450/MWh;
 - revenue from underground storage activities increased by 17.66% (RON 552.19 million in 2023, as compared to RON 469.33 million in 2022), mainly due to the increase of capacities booked by clients for underground gas storage;
- ↪ Total expenses decreased by 54.77% as compared to last year, mainly due to the decrease of windfall tax on revenues from natural gas (RON -4,014.05 million) and royalty expenses (RON -1,039.56 million). The Group recorded in January-December 2022 expenses of RON 403.80 million with the windfall tax on electricity sales, which became subsequently a contribution to the energy transition fund; taking into account that 90% electricity was sold at 450 RON/MWh, this contribution is insignificant for the reviewed period;
- ↪ Increase of the consolidated gross profit by 21.98% as compared to the similar period of the previous year was offset by the profit tax. Profit tax includes the solidarity contribution introduced at the end of 2022, for years 2022-2023. In 2023, the expense recorded with this contribution is RON 1,687.37 million, an increase by RON 684.58 million as compared to the previous year;
- ↪ **Preliminary net profit for 2023: RON 2.81 billion** (2022: net profit RON 2.55 billion) increase of 10.42%;
- ↪ Achieved net consolidated profit margins (31.24%), consolidated EBIT (54.41%) and EBITDA (59.70%) strengthened as compared to 2022 (19.06%; 29.81% and 33.93% respectively). The increase is due to lower royalty expenses (RON 600.52 million in 2023 as compared to RON 1,640.08 million in 2022) and to lower expense with the windfall tax from gas sales (RON 889.80 million in 2023 as compared to RON 4,903.85 million in 2022), as a result of enforcing provisions of GEO No. 27/2022. According to this ordinance, natural gas quantities sold at RON 150/MWh are exempted from payment of windfall tax, and royalty is calculated and paid at this price, and not at the reference price communicated monthly by the National Agency for Mineral Resources.

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 2022	Q3 2023	Q4 2023 p	Δ Q4 (%)	Description	2022	2023 p	Δ '23/'22 (%)
1,248.5	1,131.7	1,273.5	2.0	1.Total - gross production	4,935.9	4,788.5	-3.0
18.0	16.6	19.1	6.1	2.Technological consumption	73.6	71.6	-2.7
1,230.5	1,115.1	1,254.4	1.9	3.Net internal gas production (1.-2.)	4,862.3	4,716.9	-3.0
3.3	40.5	20.8	530.3	4.Internal gas volumes injected in storages	84.6	93.3	10.3
69.3	0.0	0.7	-99.9	5.Internal gas volumes withdrawn from storages	283.9	144.5	-49.1
-	-	-	n/a	5.1 Gas sold in storage	-	22.7	n/a
0.2	1.3	0.5	150.0	6. Differences resulting from GCV	2.7	2.5	-7.4
1,296.3	1,073.3	1,233.8	-4.8	7. Gas volumes supplied from internal production (3.-4+5.+5.1-6.)	5,058.9	4,788.3	-5.3
82.1	45.1	94.3	14.9	8.1 Gas supplied to CTE and Cojocna power plants from Romgaz gas	338.8	286.5	-15.4
-	-	0.5	n/a	8.2 Self-supplied gas	-	0.5	n/a
1,214.2	1,028.2	1,139.0	-6.2	9. Gas supplied from internal production to the market (7.-8.)	4,720.1	4,501.3	-4.6
4.4	3.8	3.6	-18.2	10. Natural gas from partnerships (Amromco)	19.3	15.3	-20.7
0.0	0.0	0.3	n/a	11. Purchased internal gas volumes (imbalances included)	1.9	8.0	321.1
1,218.6	1,032.0	1,142.9	-6.2	12. Sold internal gas volumes (9.+10.+11.)	4,741.3	4,524.6	-4.6
1,300.7	1,077.1	1,237.7	-4.8	13. Supplied internal gas volumes (8.+12.)	5,080.1	4,811.6	-5.3
-	-	-	n/a	14. Supplied import volumes	-	-	n/a
0.1	0.0	0.3	200.0	15. Gas supplied to Iernut and Cojocna Power Plants from other sources (imbalances included)	0.1	0.4	300.0
1,300.8	1,077.1	1,238.0	-4.8	16. Total gas supplies (13.+14.+15.)	5,080.2	4,812.0	-5.3
620.1	3.2	582.3	-6.1	Invoiced UGS withdrawal services	1,722.5	1,742.8	1.2
483.3	841.5	204.3	-57.7	Invoiced UGS injection services - volumes invoiced by the subsidiary	2,450.2	1,905.5	-22.2
271.0	143.9	321.1	18.5	Electricity production (GWh)	1,110.5	962.6	-13.3

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)

Q4 2022	Q3 2023	Q4 2023p	Δ Q4 (%)	Description	2022	2023p	Δ '23/'22 (%)
2,547,104	1,912,950	2,191,611	-13.96	Revenue	13,359,653	9,001,878	-32.62
(28,142)	(55,499)	(5,024)	-82.15	Cost of commodities sold	(183,578)	(107,130)	-41.64
32,056	46,346	40,744	27.10	Investment income	176,979	213,008	20.36
(2,213)	(13,839)	(5,990)	170.67	Other gains or losses	(9,441)	(17,748)	87.99
(5,346)	(5,635)	(61,243)	1,045.59	Net (losses)/gains from impairment of trade receivables	(55,166)	(57,546)	4.31
(13,213)	22,898	15,288	n/a	Changes in inventory	(2,197)	(5,767)	162.49
(29,836)	(28,014)	(28,827)	-3.38	Raw materials and consumables used	(118,037)	(109,441)	-7.28
(180,066)	(107,139)	(108,386)	-39.81	Net depreciation and amortization	(550,076)	(476,568)	-13.36
(251,870)	(237,851)	(235,557)	-6.48	Employee benefit expenses	(846,001)	(914,054)	8.04
(413,088)	(262,157)	(297,202)	-28.05	Taxes and duties	(6,954,380)	(1,495,473)	-78.50
694	(16,564)	(17,535)	n/a	Financial costs	(27,295)	(62,003)	127.16
(684)	(47,565)	(36,007)	5,164.18	Exploration expense	(59,714)	(84,640)	41.74
705	1,715	1,596	126.38	Share of associates' result	2,350	4,873	107.36
(196,404)	(241,745)	(353,160)	79.81	Other expenses	(658,916)	(944,191)	43.29
24,773	74,173	(80,662)	n/a	Other income	80,068	122,264	52.70
1,484,470	1,042,074	1,019,646	-31.31	Profit before tax	4,154,249	5,067,462	21.98
(1,175,566)	(559,023)	(376,228)	-68.00	Income tax expense	(1,607,537)	(2,255,353)	40.30
308,904	483,051	643,418	108.29	Profit for the period	2,546,712	2,812,109	10.42
				<i>Other comprehensive income items that will not be reclassified subsequently to profit or loss</i>			
(24,343)	-	(10,970)	-54.94	Actuarial gains/(losses) on post-employment benefits	15,839	(10,970)	n/a
3,895	-	1,755	-54.94	Income tax related to items that will not be reclassified in the comprehensive income	(2,534)	1,755	n/a
(20,448)	-	(9,215)	-54.94	Total items that will not be reclassified in the comprehensive income	13,305	(9,215)	n/a
(20,448)	-	(9,215)	-54.94	Total other comprehensive income for the period net of income tax	13,305	(9,215)	n/a
288,456	483,051	634,203	119.86	Total comprehensive income for the period	2,560,017	2,802,894	9.49

Revenue

In 2023 Romgaz estimates consolidated revenues of RON 9.0 billion as compared to RON 13.4 billion achieved in 2022.

The main components of the revenue are shown below:

Q4 2022	Q3 2023	Q4 2023p	Δ Q4 (%)	Description	2022	2023p	Δ '23/'22 (%)
2,008,312	1,623,055	1,847,063	-8.03	Revenue from gas sold - domestic production	11,234,160	7,718,798	-31.29
16,493	6,199	6,410	-61.14	Revenue from gas sold - other arrangements	58,153	28,628	-50.77
-	12	554	n/a	Revenue from gas acquired for resale	14,654	19,542	33.36
98,423	74,403	76,711	-22.06	Revenue from storage services - capacity reservation	306,245	329,512	7.60
23,125	152	36,956	59.81	Revenue from storage services - withdrawal	44,910	79,907	77.93
23,901	62,443	14,239	-40.43	Revenue from storage services - injection	118,172	142,772	20.82
321,880	88,083	118,494	-63.19	Revenue from electricity	1,330,607	406,976	-69.41
37,103	39,433	71,346	92.29	Revenue from services	173,137	202,826	17.15
15,481	16,544	17,122	10.60	Revenue from sale of goods	70,472	62,155	-11.80
2,386	2,626	2,716	13.83	Other revenues	9,143	10,762	17.71
2,547,104	1,912,950	2,191,611	-13.96	Total revenue	13,359,653	9,001,878	-32.62

The drop in revenue resides from the decrease by 31.31% of revenues from gas sales, both of gas from Romgaz production and of gas acquired for resale, and from the decrease of revenue from electricity sales by 69.41%. Consolidated revenue from storage services increased by 17.66%.

During 2023, Romgaz was appointed as Supplier of Last Resort for the period February - September 2023. According to legislation, for this type of clients, Romgaz has to supply gas under Supplier of Last Resort conditions for one month, if the annual consumption of the consumption location exceeds 28,000 MWh, or for at least 12 months, if the annual consumption of the consumption location is below this limit. In 2023, revenue from this activity (including the consideration for services) was RON 314.41 million.

Consolidated revenue from gas storage services increased by 17.66% in 2023 as compared to 2022 (RON +82.86 million). We mention that the consolidated revenue from storage services include services invoiced by Romgaz related to gas sold from storage.

Storage tariffs for the reviewed period are shown below:

- Storage cycle April 01, 2022 - March 31, 2023:
 - o Capacity booking tariff: RON 11.44/MWh/annual cycle;
 - o Injection tariff: RON 4.50/MWh;
 - o Withdrawal tariff: RON 3.48/MWh.
- Storage cycle April 01, 2023 - March 31, 2024:
 - o Capacity booking tariff: RON 9.82 lei/MWh/annual cycle (decrease by 14.16%);
 - o Injection tariff: RON 7.27/MWh (increase by 61.55%);
 - o Withdrawal tariff: RON 5.94/MWh (increase by 70.69%).

We state that the consolidated revenue from storage services include revenue from services invoiced by Romgaz for gas sold from storages; not consolidated revenues from storage increased by 15.58% as compared to 2022.

As regards volumes, compared to 2022, the Group estimates for 2023:

- 4.57% less gas sales (including gas acquired for resale);
- 1.18% higher gas withdrawal services from storages and 22.23% lower gas injection services;
- 13.32% less electricity production following some damages at group 5 of Iernut power plant.

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 2023, cost of commodities sold decreased by 41.64% as compared to the similar period of 2022, mainly due to the decrease of imbalances in the electricity market.

Net losses/gains from impairment of trade receivables

In 2023, the Group recorded a net loss from impairment of receivables of RON 57.5 million. Adjustments were made during the year for impairment of receivables of RON 109.2 million, out of which RON 28.4 million related to penalties invoiced but not collected and RON 72.86 million related to a client as penalties for gas volumes contracted but not taken over. In 2023, the Group recovered outstanding debts of RON 51.56 million.

Raw materials and consumables used

Decrease of expenses with raw materials and consumables is mainly due to a 33.22% lower technological consumption in the reviewed period, as compared to 2022.

Net depreciation and amortization

Depreciation, amortization and impairment expenses decreased by 13.36% due to reducing depreciation expenses by 3.73% generated by full depreciation of certain assets in the previous periods and less investments in 2023 as compared to the previous year. Moreover, the net expense with impairment of fixed assets decreased by 41.28%.

Financial costs

Increase of financial costs by 127.16% was generated by the costs with the interest related to the bank loan of EUR 325 million contracted in 2022 for the acquisition of ExxonMobil Exploration and Production Romania Limited shares.

Exploration expenses

Exploration expenses recorded in 2023 of RON 84.64 million increased from RON 59.71 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.

Taxes and duties

The expense with taxes and duties decreased by 43.29% in the year ended December 31, 2023 as compared to 2022. The drop of RON 5,458.91 million resides from lower expenses with the windfall tax and lower royalty expenses. Royalty expenses (including royalty for storage activities) decreased by RON 1,039.56 million (-63.39%) as compared to 2022, and the windfall tax on natural gas decreased in 2023 by RON

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4,014.05 million (-81.86%) as compared to 2022. The decrease of such taxes and duties was generated by the provisions of Government Emergency Ordinance No. 27/2022 as subsequently amended, according to which gas sold at regulated prices are not subject to windfall tax and royalty is calculated at the regulated price, lower than the reference price calculated and communicated by the National Agency for Mineral Resources.

As regards electricity, windfall tax expenses and the contribution to the energy transition fund recorded by the Group in 2022 were in amount of RON 403.80 million. In 2023, considering that most of electricity produced was sold at the regulated price of RON 450/MWh, the Group recorded an insignificant expense with these taxes. According to GEO No.27/2022, electricity producers that sell electricity at RON 450/MWh, have to receive from the Romanian state the positive difference between the value of CO2 certificates for the energy sold at this price, on one hand and the contribution to the energy transition fund, on the other hand. As this right cannot be exercised so far due to lack of legal provisions, it was considered that the conditions for recognition of this subsidy were not met and the Group did not record any income in this respect. The amount to be recovered by the Group on December 31, 2023 is RON 167.74 million; representing a contingent asset at the end of 2023.

Other expenses

In 2023, Romgaz shareholders approved conclusion of a transaction agreement with Duro Felguera to unlock the investment in the new Iernut power plant. One of the clauses included in the transaction agreement provided that Duro Felguera returns the performance bond once with termination of the previous works contract, conditioned upon fulfilment of certain obligations. The guarantee of RON 114 million was paid in 2023.

Other income

Other income increased by 52.70% in the year ended December 31, 2023 as compared to 2022. These include mostly interests and late payment penalties invoiced to clients for late payment or for not taking over the contracted gas quantities, namely to suppliers for delays in providing works.

Preliminary Statement of Consolidated Financial Position (unaudited)

(RON thousand)

INDICATOR	December 31, 2022	December 31, 2023p	Δ '23/'22 (%)
ASSETS			
Non-current assets			
Tangible assets	5,039,314	5,891,788	16.92
Other intangible assets	5,140,425	5,135,930	-0.09
Investments in associates	28,537	33,410	17.08
Deferred tax assets	199,016	324,175	62.89
Other financial assets	5,616	5,616	0.00
Right of use assets	8,766	11,596	32.28
Total non-current assets	10,421,674	11,402,515	9.41
Current assets			
Inventories	284,007	301,690	6.23
Trade and other receivables	1,373,664	1,398,953	1.84
Contract costs	3	-	n/a
Other financial assets	99,597	2,505,463	2,415.60
Other assets	265,232	113,181	-57.33
Cash and cash equivalents	1,883,882	535,210	-71.59
Total current assets	3,906,385	4,854,497	24.27
TOTAL ASSETS	14,328,059	16,257,012	13.46
EQUITY AND LIABILITIES			
Equity			
Issued capital	385,422	385,422	0.00

Preliminary consolidated annual report on January 01, 2023 - December 31, 2023 activity

INDICATOR	December 31, 2022	December 31, 2023p	Δ '23/'22 (%)
Reserves	3,579,274	4,971,109	38.89
Retained earnings	6,111,869	6,204,783	1.52
Total equity	10,076,565	11,561,314	14.73
Non-current liabilities			
Retirement benefit obligation	168,830	189,314	12.13
Deferred income	230,419	370,941	60.99
Lease liability	7,499	10,450	39.35
Bank loans	1,125,534	808,373	-28.18
Provisions	210,838	373,536	77.17
Total non-current liabilities	1,743,120	1,752,614	0.54
Current liabilities			
Trade payables and other liabilities	110,006	146,111	32.82
Contract liabilities	263,340	153,723	-41.63
Current tax liabilities	1,177,498	1,766,637	50.03
Deferred income	11	7	-36.36
Provisions	321,489	121,732	-62.13
Lease liability	2,181	2,579	18.25
Bank loans	321,581	323,349	0.55
Other liabilities	312,268	428,946	37.36
Total current liabilities	2,508,374	2,943,084	17.33
TOTAL LIABILITIES	4,251,494	4,695,698	10.45
TOTAL EQUITY AND LIABILITIES	14,328,059	16,257,012	13.46

NON-CURRENT ASSETS

Total non-current assets recorded an increase of 9.41%, namely RON 980.84 million, from RON 10,421.67 million on December 31, 2022 to RON 11,402.52 million on December 31, 2023. The increase is generated mainly by the investments made in 2023 in well rehabilitation and the investments in Neptun Deep Project. The investment in Neptun Deep was RON 535.41 million. The investment related to Iernut power plant was RON 56,026.32.

CURRENT ASSETS

Current assets increased by RON 948.11 million on December 31, 2023 mainly due to increase of cash, cash equivalents and other financial assets by RON 1.06 billion. The main influences on current assets are shown below.

Inventories

At the end of 2023 natural gas inventories decreased as compared to the end of 2022 by RON 38.60 million. During 2023 a gas quantity of 93.3 million m³ was injected in the underground gas storages, while the withdrawn gas quantity was of 144.5 million m³. From a quantitative point of view, the Group's gas inventories in storage deposits decreased by 29.76% 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 3,040.67 million on December 31, 2023, as compared to RON 1,983.48 million at the end of 2022 (RON +1,057.19 million). The increase was mainly due to collections during 2023. The Group received RON 46.35 million from the National Investment Plan for the investment in the new power plant from Iernut and RON 94.19 million following conclusion of a grant agreement with the European Climate, Infrastructure and Environment Executive Agency to increase daily withdrawal capacity at Bilciuresti UGS. These amounts are also included in deferred income (non-current section).

Other assets

Other assets decreased on December 31, 2023 as compared to December 31, 2022 due to the receivable recovered by Romgaz representing windfall tax (RON 142.23 million) and some receivables of RON 28.98 million generated by receiving favourable decisions in the disputes with the National Agency for Fiscal Administration in the previous periods.

NON-CURRENT LIABILITIES

Non-Current liabilities increased by 0.54% at the end of 2023 as compared to the similar period of 2022. Significant variations were recorded by the elements listed below.

Deferred income

The Group received in 2023 RON 46.35 million from the National Investment Plan for the investment in the new Iernut power plant and RON 94.19 million following conclusion of a grant agreement with the European Climate, Infrastructure and Environment Executive Agency to increase daily withdrawal capacity at Bilciuresti UGS.

Provisions

The increase of the decommissioning provision recorded for the Groups' wells was determined by the decrease of the discount rate considered.

CURRENT LIABILITIES

Current liabilities increased by RON 434.71 million, from RON 2,508.37 million recorded on December 31, 2022, to RON 2,943.08 million at the end of 2023. Main influences are shown below.

Current tax liabilities

Current tax liabilities on December 31, 2023 includes the profit tax liability of RON 79.72 million (RON 174.71 million on December 31, 2022) and the liability related to the solidarity contribution of RON 1,686.92 million (RON 1,002.79 million on December 31, 2022).

Provisions

The decrease of current provisions by RON 199.76 million as compared to December 31, 2022 is mainly caused by using in 2023 the provision for CO2 certificates. Moreover, this year the Group purchased the CO2 certificates needed for compliance during the year, unlike in previous years when the purchase took place after the end of the calendar year. The costs related to these certificates are reflected at other expenses.

Other liabilities

Other liabilities recorded an increase of 37.36% as compared to the end of 2022. Most of these liabilities are related to petroleum royalties due for Q4 (RON 174.77 million on December 31, 2023, as compared to RON 146.96 million on December 31, 2022) and to amounts due to the operator for works performed to develop Neptun Deep block.

EQUITY AND RESERVES

Group's equity increased by 14.73%. The changes in the Group's equity in 2023, namely 2022 are shown below:

	(RON thousand)				
Description	Share capital	Legal reserve	Other reserves	Retained earnings	Total
Balance as of January 1, 2023	385,422	90,294	3,488,980	6,111,869	10,076,565
Allocation to dividends	-	-	-	(1,318,145)	(1,318,145)
Allocation to other reserves	-	-	1,315,735	(1,315,735)	-
Profit for the year	-	-	-	2,812,109	2,812,109
Reinvested profit reserves	-	-	76,100	(76,100)	-

Preliminary consolidated annual report on January 01, 2023 - December 31, 2023 activity

Other comprehensive income	-	-	-	(9,215)	(9,215)
Balance as of December 1, 2023	385,422	90,294	4,880,815	6,204,783	11,561,314

(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	-	-	-	2,546,712	2,546,712
Reinvested profit reserves	-	-	35,028	(35,028)	-
Other comprehensive income	-	-	-	13,305	13,305
Balance as of December 31, 2022	385,422	90,294	3,488,980	6,111,869	10,076,565

Preliminary Statement of Consolidated Cash Flows (unaudited)

The consolidated cash flows for 2023 and 2022 are as follows:

(RON thousand)

INDICATOR	2022	2023p	Δ '23/'22 (%)
Cash flows from operating activities			
Net profit for year	2,546,712	2,812,109	10.42
<i>Adjustments for:</i>			
Income tax expense	1,607,537	2,255,353	40.30
Share of associates' result	(2,350)	(4,873)	107.36
Interest expense	5,627	43,838	679.07
Unwinding of decommissioning provision	21,668	18,165	-16.17
Interest revenue	(176,979)	(213,008)	20.36
Loss on disposal of non-current assets	451	6,867	1,422.62
Change in decommissioning provision recognized in the result of the period, other than unwinding	(75,652)	33,861	n/a
Change in other provisions	111,564	(196,640)	n/a
Impairment of exploration assets	66,447	23,361	-64.84
Exploration projects written-off	16	3	-81.25
Net impairment of non-current assets	74,726	59,537	-20.33
Forex	(453)	7,382	n/a
Depreciation and amortization	408,903	393,670	-3.73
Amortization of contract costs	773	59	-92.37
(Gain)/loss on financial investments at fair value through profit or loss	55,765	53,523	-4.02
Net impairment of inventories	5,438	5,647	3.84
Income from liabilities written-off	(512)	(172)	-66.41
Income from subsidies	(7)	(7)	0.00
Cash generated from operational activities before movements in working capital	4,649,674	5,298,675	13.96
Movements in working capital			
(Increase)/Decrease in inventories	21,731	(22,571)	n/a
(Increase)/Decrease in trade and other receivables	(276,839)	(35,114)	-87.32
Increase/(Decrease) in trade and other liabilities	(526,915)	122,199	n/a

INDICATOR	2022	2023p	Δ '23/'22 (%)
Cash generated by operational activities	3,867,651	5,363,189	38.67
Interest paid	(5,040)	(43,183)	756.81
Income tax paid	(410,976)	(1,781,868)	333.57
Net cash generated by operational activities	3,451,635	3,538,138	2.51
Cash flows from investing activities			
Bank deposits set up and acquisition of state bonds	(3,355,306)	(6,184,938)	84.33
Bank deposits and state bonds matured	3,669,504	3,790,236	3.29
Interest received	181,067	201,844	11.47
Proceeds from sale of non-current assets	1,033	1,684	63.02
Payments for acquisition of non-current assets	(5,529,611)	(1,141,956)	-79.35
Payments for acquisition of exploration assets	(96,500)	(50,746)	-47.41
Net cash used in investing activities	(5,129,813)	(3,383,876)	-34.04
Cash flows from financing activities			
Loans received	1,606,475	-	n/a
Loan repayment	(158,907)	(322,775)	103.12
Dividends paid	(1,463,984)	(1,317,745)	-9.99
Subsides received	-	140,541	n/a
Repayment of lease liability	(1,936)	(2,955)	52.63
Net cash generated/used in financing activities	(18,352)	(1,502,934)	8,089.48
Net increase/(decrease) in cash and cash equivalents	(1,696,530)	(1,348,672)	-20.50
Cash and cash equivalents at the beginning of the year	3,580,412	1,883,882	-47.38
Cash and cash equivalents at the end of the year	1,883,882	535,210	-71.59

CHAIRMAN OF THE BOARD OF DIRECTORS

Dan Dragoș DRĂGAN

CHIEF EXECUTIVE
OFFICER

Răzvan POPESCU

DEPUTY CHIEF EXECUTIVE
OFFICER

Aristotel Marius JUDE

CHIEF FINANCIAL OFFICER

Gabriela TRÂNBIȚAȘ