

**ROMGAZ**

**CONSOLIDATED  
BOARD OF  
DIRECTORS' REPORT  
2021**



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## I. 2021 ROMGAZ GROUP OVERVIEW

### 1.1. Romgaz Group in Figures

Romgaz Group<sup>1</sup> recorded in 2021 a **revenue** of **RON 5,852.93 million**, higher by 43.63% namely RON 1,778.03 million, as compared to the revenue of 2020 (RON 4,074.89 million).

**The Net Profit** of **RON 1,914.99 million** was higher by RON 667.08 million than the net profit for 2020 (+53.46%).

Following factors influenced Romgaz Group performances for the year ended December 31, 2021:

- ✓ **Revenue** increase as compared to the previous year triggered by following factors:
  - Quantity of natural gas sold (including gas purchased for resale) is 12.7% higher in 2021 as compared to 2020. Revenue from natural gas sales for 2021 is RON 5,043.15 million, increasing by 52.41% as compared to the previous year;
  - In Q4 2021, revenue from natural gas sales increased by 101.81% as compared to the previous quarter (+17.15% quantitatively), and by 120.62% as compared to Q4 2020 ( 15.64% quantitatively);
  - In 2021 storage activities recorded a decrease by 30.64% of the revenue at group level, following 32.3% lower capacity reservation services (RON -91.18 million) and a decrease by 31.48% (RON -15.53 million) of injection services. As for Depogaz, revenue from these services decreased by 6.14%;
  - Revenue from electricity sales increased by 69.9% as compared to last year (RON +132.31 million) against a 31.7% drop in production as compared to last year. This revenue is due to the high prices on centralised markets where the Group is active;
- ✓ In 2021, an income of RON 114.7 million was generated by executing the performance guarantee related to the works contract for development of CTE Iernut by building a new 430 MW power plant with combined cycle gas turbine concluded between S.N.G.N. Romgaz S.A. and the Consortium consisting of Duro Felguera S.A. and Romelectro S.A.;
- ✓ Romgaz won in court a litigation against ANAF (National Agency for Fiscal Administration) for the annulment of a fiscal inspection report related to an inspection carried out between December 2016 – April 2017, which led to the recognition of an income of RON 28.02 million from releasing to income the impairment set up for such receivable;
- ✓ Petroleum royalty expenses and windfall tax increased significantly due to the following:
  - Petroleum royalty expenses (including royalty for storage activities) increased by RON 552.54 million as compared to the previous year, namely by 280.65% (RON 749.4 million in 2021, as compared to RON 196.9 million in 2020), mainly as a result of the increase of the reference price considered for calculating royalty. The increase in Q4 2021 as compared to the previous quarter was by 145.7%;
  - Windfall tax increased in 2021 by RON 843.1 million (203.17%) as compared to 2020. Compared to the previous quarter, windfall tax rose by 491.48% in Q4 2021;

The table below shows the **petroleum royalty and windfall tax** related to revenues from sales of natural gas from the Group's production

Indicator	M.U.	Q3 2021	Q4 2021	2020	2021
<b>Revenue</b>	<b>RON mln</b>	<b>796.7</b>	<b>2,031.5</b>	<b>3,293.4</b>	<b>4,712.8</b>
Petroleum royalty from gas production	RON mln	160.6	399.4	185.6	737.9
Windfall tax	RON mln	151.1	894.0	414.9	1,258.0
<b>% from revenue</b>	<b>%</b>	<b>39.1</b>	<b>63.7</b>	<b>18.2</b>	<b>42.4</b>

<sup>1</sup> Romgaz Group consists of SNGN Romgaz SA ("Company"/"Romgaz") as parent company, Filiala de Inmagazinare Gaze Naturale Depogaz Ploiesti SRL ("Depogaz"), 100% owned by Romgaz, and associates SC Depomures SA (40% of the share capital) and SC Agri LNG Project Company SRL (25% of the share capital).

- ✓ The Group performed an impairment test for the gas fields it operates. The increase of sales prices was mostly offset by the increase of costs, especially of costs with petroleum royalty and windfall tax, therefore the Group did not release to income the losses from previous impairments;
- ✓ In 2021, the Group recorded a net gain from impairment of receivables of RON 349.99 million, following collection of receivables from clients under insolvency;
- ✓ The amount of RON 94.1 million was cashed in 2021, representing financing from the National Investment Plan for building the new Iernut power plant;

Net profit per share was **RON 4.97**.

The **achieved margins** of the consolidated net profit (**32.72%**) and consolidated EBIT (**35.86%**) increased as compared to 2020 (30.62% and 33.83% respectively) and show a high profitability of the Group. Consolidated EBITDA (47.58%) decreased as compared to last year (50.33%), but maintains at a high level.

**Investments** made by Romgaz Group in 2021 amount to RON **459.32 million**, lower by RON 177.98 million, respectively 27.93%, as compared to 2020, the value of commissioned fixed assets was RON 391.2 million.

**Natural gas consumption in Romania** for 2021 recorded a 2.34% increase, from 127.14 TWh to **130.11 TWh**, according to ANRE reports.

**Natural gas production** recorded in 2021 **5,028.5 million m<sup>3</sup>**, 11.3% higher than the production for 2020, mainly influenced by increased gas sales.

According to estimates, this production ensured Romgaz a **market share** of approx. **42.2%** of deliveries in the total consumption of Romania, increasing by 3.55% as compared to 2020.

In 2021, Romgaz **electricity production** was **640.0 GW**, by 31.73% lower as compared to the production of 2020. This evolution strongly related to the energy demand, the evolution of prices on competitive markets, fuel quantity allocated for electricity generation. According to preliminary data published by Transelectrica, Romgaz **market share** was **1.09%**.

## Operational Results

The table below shows a summary of the main production indicators, royalty and storage services:

Q4 2020	Q3 2021	Q4 2021	Δ Q4 (%)	Main indicators	2020	2021	Δ '21/'20 (%)
1,322	1,187	<b>1,322</b>	0.00	Gas production (million m <sup>3</sup> )	<b>4,520</b>	<b>5,029</b>	11.26
6,119	6,528	<b>5,027</b>	-17.8	Condensate production (tons)	<b>22,713</b>	<b>24,420</b>	7.52
94	84	<b>94</b>	0.00	Petroleum royalty (million m <sup>3</sup> )	<b>316</b>	<b>355</b>	12.34
319.6	223.0	<b>213.9</b>	-33.1	Electricity production (GWh)	<b>937.5</b>	<b>640.0</b>	-31.73
892.5	25.3	<b>663.3</b>	-25.7	Invoiced UGS withdrawal services (million m <sup>3</sup> )	<b>1,816.8</b>	<b>2,109.2</b>	16.1
99.6	1,070.8	<b>192.1</b>	3.4	Invoiced UGS injection services (million m <sup>3</sup> )	<b>1,115.1</b>	<b>1,821.9</b>	63.4

Natural gas quantities produced, delivered, injected into and withdrawn from gas storages are shown in the table below (million m<sup>3</sup>):

Item no.	Specifications	2019	2020	2021	Ratios
0	1	2	3	4	5=4/3x100
1.	<b>Gross gas production</b>	<b>5,276.9</b>	<b>4,519.7</b>	<b>5,028.5</b>	<b>111.3%</b>
2.	Technological consumption	78.9	63.7	69.9	113.9%
3.	<b>Net internal gas production (1.-2.)</b>	<b>5,198.0</b>	<b>4,456.0</b>	<b>4,958.6</b>	<b>111.3%</b>
4.	Internal gas volumes injected into UGS	526.0	225.9	487.9	216.0%
5.	Internal gas volumes withdrawn from UGS	257.7	367.8	422.2	114.8%
6.	Difference from conversion to Gross Calorific Value	0.0	6.4	8.6	134.4%
7.	<b>Volumes supplied from internal production (3.-4.+5.-6.)</b>	<b>4,929.7</b>	<b>4,591.6</b>	<b>4,884.3</b>	<b>106.4%</b>
8.	Gas supplied to CTE Iernut and Cojocna from Romgaz gas	173.0	277.2	192.5	69.4%
9.	<b>Gas supplied from internal production to the market (7.+8.)</b>	<b>4,756.7</b>	<b>4,314.4</b>	<b>4,691.8</b>	<b>108.7%</b>
10.	<b>Gas from partnerships – Amromco (50%)<sup>1)</sup></b>	<b>140.5</b>	<b>91.4</b>	<b>35.4</b>	<b>38.7%</b>

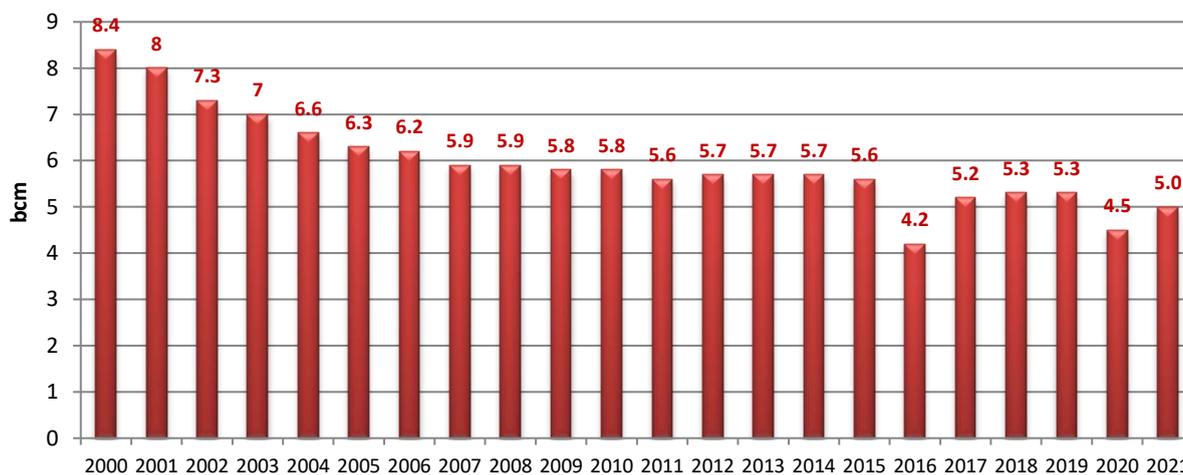
11.	Purchased internal gas volumes (including commodity gas and imbalances)	4.4	0.4	239.5	59.875%
12.	<b>Sold internal gas volumes (9.+10.+11.)</b>	<b>4,901.6</b>	<b>4,406.1</b>	<b>4,966.7</b>	<b>112.7%</b>
13.	<b>Supplied internal gas volumes (8.+12.)</b>	<b>5,074.6</b>	<b>4,683.3</b>	<b>5,159.2</b>	<b>110.2</b>
14.	Supplied import gas volumes	53.0	0.0	0.0	-
15.	Gas supplied to CTE Iernut and Cojocna from other sources (including imbalances)	4.5	4.7	8.4	178.7%
16.	<b>Total gas supplies (13.+14.+15.)</b>	<b>5,132.1</b>	<b>4,688.1</b>	<b>5,167.6</b>	<b>110.2%</b>
*	Invoiced UGS withdrawal services	1,271.8	1,816.7	2,109.2	116.1%
*	Invoiced UGS injection services	2,620.5	1,115.1	1,821.9	163.4%

Note: the information is not consolidated; these include the transactions between Romgaz and Depogaz.

) The produced gas is reflected in Romgaz revenue, according to the participating interest share in the partnership.

Production level of 2021 was supported by ongoing production rehabilitation projects of main mature fields, performance of capitalizable repair works and well recompletion works and by streaming into production new wells.

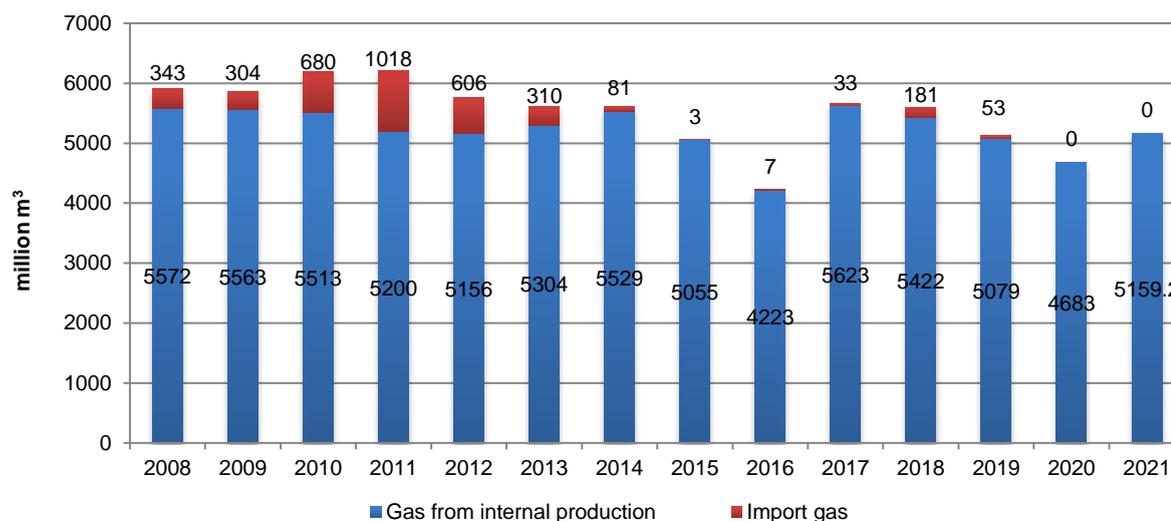
Evolution of natural gas production between 2000-2021 is shown below:



The table below shows the *quarterly electricity production* for 2021, as compared to 2020:

	*MWh*			
	2020	2021	Variation (%)	
	1	2	3	4=(3-2)/2x100
1 <sup>st</sup> Quarter	258,923	202,073		-21.96
2 <sup>nd</sup> Quarter	36,310	1,010		-97.22
3 <sup>rd</sup> Quarter	322,633	222,989		-30.88
4 <sup>th</sup> Quarter	319,634	213,930		-33.07
Year total	937,500	640,001		-31.73

Romgaz is one of the largest gas suppliers in Romania. The evolution of gas supplies<sup>2</sup> between 2008-2021 is shown below:



## Relevant Consolidated Financial Results

\*RON million\*

Q4 2020	Q3 2021	Q4 2021	Δ Q4 (%)	Main indicators	2020	2021	Δ '21/'20 (%)
1,156.5	1,246.5	2,356.4	103.76	Revenue	4,074.9	5,852.9	43.63
1,129.2	1,469.7	2,428.6	115.07	Income	4,133.9	6,156.5	48.93
810.7	1,023.0	1,620.9	99.94	Expenses	2,708.7	3,999.4	47.65
1.1	0.8	0.1	-93.35	Share of profit of associates	1.3	0.1	-93.61
319.7	447.5	807.8	152.71	Gross profit	1,426.5	2,157.3	51.23
13.7	52.7	49.2	259.28	Income tax expense	178.6	242.3	35.64
306.0	394.8	758.6	147.94	Net profit	1,247.9	1,915.0	53.46
307.4	435.7	787.8	156.25	EBIT	1,378.7	2,098.9	52.24
511.4	621.7	977.3	91.10	EBITDA	2,050.7	2,784.6	35.79
0.79	1.02	1.97	147.94	Earnings per share EPS (RON)	3.24	4.97	53.46
26.46	31.67	32.19	21.66	Net profit ratio (% from Revenue)	30.62	32.72	6.86
26.58	34.95	33.43	25.77	EBIT Ratio (% from Revenue)	33.83	35.86	6.00
44.22	49.87	41.47	-6.22	EBITDA Ratio (% from Revenue)	50.33	47.58	-5.46
6,188	5,918	5,863	-5.25	Number of employees at the end of the period	6,188	5,863	-5.25

Figures in the above table are rounded; therefore, small differences may result upon reconciliation.

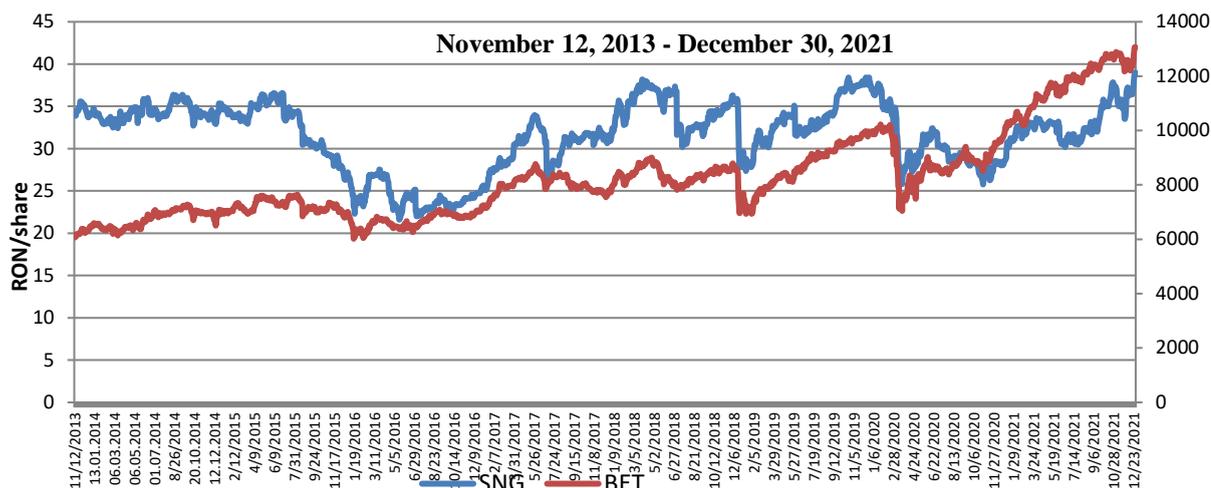
Note 1: Income and Expenses do not include those related to in-house production of non-current assets.

## Romgaz on the stock exchange

Since November 12, 2013, company's shares have been traded on the regulated market governed by BVB (Bucharest Stock Exchange) under the symbol "SNG" and the GDRs on the regulated market governed by LSE (London Stock Exchange) under the symbol "SNGR".

Performance of Romgaz shares compared to the evolution of BET index (Bucharest Exchange Trading) from listing to December 31, 2021 is shown below:

<sup>2</sup> include gas from internal production, including gas supplied to CTE Iernut and Cojocna and gas purchased from internal production.



## 1.2 Significant Events

Data	Event
<b>January 13, 2021</b>	<p>SNGN Romgaz SA Board of Directors revoked by Resolution No.1 Mr. Constantin Adrian Volintiru from the position of Chief Executive Officer, terminating the contract of mandate concluded between the company and Mr. Volintiru.</p> <p>Until the appointment of a new chief executive officer, Mr. Daniel Corneliu Pena – Deputy Chief Executive Officer, exercised the company's management including legal representation.</p>
<b>January 25, 2021</b>	<p>Following each employee's voluntary decision to get the vaccine, Romgaz undertook the responsible role to register employees' identification data on the official vaccination platform, as an engagement to facilitate vaccination for company employees by including them in the 2<sup>nd</sup> phase of the national vaccination program.</p>
<b>February 12, 2021</b>	<p>The Board of Directors convened on February 12, 2021 took note of Mr. Aristotel Marius Jude resignation as chairman of the Board, by Resolution No. 10.</p> <p>During the same meeting, the Board appointed by Resolution No. 11 Mr. Aristotel Marius Jude as SNGN Romgaz SA Chief Executive Officer as of February 13, 2021 for a temporary mandate of 2 months.</p>
<b>11 martie 2021</b>	<p>According to Resolution No.1, further to casting the cumulative vote, the company's shareholders appointed the following persons as members of the Board of Directors for a temporary four-month mandate:</p> <ul style="list-style-type: none"> <li>✍ Jude Aristotel Marius</li> <li>✍ Simescu Nicolae Bogdan</li> <li>✍ Stan Olteanu Manuela Petronela</li> <li>✍ Drăgan Dan Dragoş</li> <li>✍ Niculescu George Sergiu</li> <li>✍ Balazs Botond</li> <li>✍ Sorici Gheorghe Silvian.</li> </ul> <p>Following Board members were revoked: Mr. Ciobanu Romeo Cristian, Mr. Jansen Petrus Antonius Maria and Mr. Marin Marius Dumitru.</p>
<b>March 30, 2021</b>	<p>The Board of Directors endorsed the binding offer to acquire all shares issued by ExxonMobil Exploration and Production Romania Limited (representing 100% of the share capital), company that holds 50% of the rights and obligations under the Concession Agreement for petroleum exploration, development and production in XIX Neptun Deep Block. OMV Petrom S.A. holds the other 50% participating interest in XIX Neptun Deep Block.</p> <p>The binding offer to acquire all shares was submitted to ExxonMobil Exploration and Production Romania Limited on March 30, 2021, being conditional upon Romgaz shareholders approval.</p>

<b>April 1, 2021</b>	According to Resolution No.28, the Board of Directors expressed its agreement to terminate the Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines.
<b>April 7, 2021</b>	The Board of Directors approved by Resolution No.29, the extension of Mr. Aristotel Marius Jude mandate as Chief Executive Officer for a period of 4 months, effective as of April 13, 2021. By Resolution No. 30, the Board of Directors appointed Mr. Razvan Popescu as Chief Financial Officer as of April 14, 2021, for a 4 months term.
<b>April 8, 2021</b>	At the Contractor's request, Romgaz suspended for 14 days the termination notice related to the Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines.
<b>April 22, 2021</b>	The notice regarding termination of Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines was further suspended until May 7, 2021.
<b>April 23, 2021</b>	Romgaz and OMV Petrom issued a joint press release stating: <i>"If ExxonMobil accepts Romgaz offer, OMV Petrom shall act as operator of Neptun Deep Block"</i> .
<b>May 6, 2021</b>	Romgaz further suspended until May 20, 2021 the notice regarding termination of Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines.
<b>May 7, 2021</b>	Company's shareholders approved by Resolution No.4, the conclusion of lease contracts between Romgaz and Depogaz Subsidiary, with respect to Romgaz fixed assets necessary for Depogaz Subsidiary to perform the storage activity, for a nine-month period, as of April 1, 2021 until December 31, 2021.
<b>May 20, 2021</b>	The notice regarding termination of Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines was further suspended until June 2, 2021.
<b>June 2, 2021</b>	The notice regarding termination of Contract of Works No. 13.384/2016 for Development of CTE Iernut by building a 430 MW power plant with combined cycle gas turbines was further suspended until June 16, 2021.
<b>June 17, 2021</b>	Romgaz and ExxonMobil Exploration and Production Romania Limited signed an Exclusivity Agreement by which the seller grants Romgaz an exclusivity right for a period of 4 months (until October 15, 2021) with respect to the negotiations for the acquisition of all shares issued by (representing 100% of the share capital of) ExxonMobil Exploration and Production Romania Limited, company that holds 50% of the rights and obligations under the Concession Agreement for petroleum exploration, development and production in XIX Neptun Deep Block.
<b>June 18, 2021</b>	Romgaz informs its shareholders and investors that starting June 17, 2021 the Contract of Works No. 13384/2016, for the Development of CTE Iernut by building a new 430 MW power plant, with combined cycle gas turbine, ceased by termination, motivated by the non-completion in time, by the Contractor, of construction works and commissioning of the investment objective.
<b>June 24, 2021</b>	GD No.669/2021 extends the following: the term for completion and commissioning of investments financed from the National Investment Plan until June 30, 2022; the reimbursement term until December 31, 2022, as well as all other related terms.
<b>June 30, 2021</b>	According to Resolution No. 47, the Board of Directors appointed Mr. Aristotel Marius Jude as Chief Executive Officer for a temporary mandate of 4 months, as of August 14, 2021. According to Resolution No.48, the Board of Directors appointed Mr. Razvan Popescu as Chief Financial Officer for a temporary mandate of 4 months, as of August 15, 2021.
<b>July 9, 2021</b>	By Resolution No. 5, Romgaz shareholders approved to extend the mandates of SNGN Romgaz SA Board of Directors members by two months from the date of expiry, pursuant to the provisions of Art. 64 <sup>1</sup> , par. (5) of GEO No.109/2011 on corporate governance of public enterprises.

<b>September 9, 2021</b>	<p>By Resolution No. 7, Romgaz shareholders appointed the following persons as interim members of SNGN Romgaz SA Board of Directors, for a period of 4 months starting with September 13, 2021 until January 13, 2022:</p> <ul style="list-style-type: none"> <li>✍ Drăgan Dan Dragoș</li> <li>✍ Niculescu George Sergiu</li> <li>✍ Jude Aristotel Marius</li> <li>✍ Simescu Nicolae Bogdan</li> <li>✍ Stan Olteanu Manuela Petronela</li> <li>✍ Balazs Botond</li> <li>✍ Sorici Gheorghe Silvian.</li> </ul>
<b>September 22, 2021</b>	<p>GD No.1011 approved Addendum No. 6 to the Concession Agreement concerning 8 exploration, development and production blocks, concluded between Agenția Națională pentru Resurse Minerale (ANRM) (National Agency for Mineral Resources) and SNGN Romgaz SA, approving the extension of the exploration period for 6 years (October 2021-October 2027). The extension of the exploration period was requested by Romgaz on the basis of the prospective potential identified through works previously carried out in these blocks.</p>
<b>September 28, 2021</b>	<p>The Board of Directors endorsed Romgaz Strategy for 2021-2030 by Resolution No. 62.</p>
<b>October 5, 2021</b>	<p>Romgaz and ExxonMobil Exploration and Production Romania Holdings Limited agreed to extend the exclusivity period from October 15, 2021 until November 15, 2021.</p>
<b>October 6, 2021</b>	<p>Company's shareholders appoint by Resolution No. 8 Ernst&amp;Young Assurance Services SRL as Romgaz financial auditor and set the minimum term of the financial audit contract for 3 years to provide specific services in years 2021, 2022 and 2023 and to audit the joint accountability of the partnerships for years 2020-2023.</p>
<b>October 12, 2021</b>	<p>Romgaz receives the Technical report on the quantitative and qualitative assessment following the technical and economic inspection of the works performed related to "CTE Iernut Development by building a new power plant with combined cycle gas turbine".</p>
<b>October 26, 2021</b>	<p>Romgaz and ExxonMobil Exploration and Production Romania Holdings Limited finalized exclusive negotiations and reached an agreement on the terms and conditions of the acquisition of 100% of ExxonMobil Exploration and Production Romania Limited shares.</p>
<b>October 27, 2021</b>	<p>By Resolution No. 9, Company's shareholders approve the procedure for selection of Board members, in compliance with GEO No.109/2011. The Ministry of Energy on behalf of the shareholder, the Romanian state, will organize the selection procedure.</p>
<b>November 2, 2021</b>	<p>The Board of Directors endorsed the acquisition of 100% of ExxonMobil Exploration and Production Romania Limited shares.</p> <p>According to Resolution No. 67, the Board of Directors appointed Mr. Aristotel Marius Jude as Chief Executive Officer for a mandate of 4 months, as of December 15, 2021 until April 15, 2022.</p> <p>According to Resolution No.68, the Board of Directors appointed Mr. Razvan Popescu as Chief Financial Officer for a mandate of 4 months, as of December 16, 2021 until April 16, 2022.</p>
<b>November 3, 2021</b>	<p>GD No. 1153 of October 22, 2021 approved some Addenda to the Concession Agreement for 12 development-production and production blocks, concluded between the National Agency for Mineral Resources (ANRM) and Romgaz.</p> <p>As titleholder of petroleum agreements for these blocks, Romgaz performed petroleum operations that discovered new hydrocarbon reserves and requested extension of the production period by 6 years, namely for December 2021- December 2027.</p>
<b>November 4, 2021</b>	<p>Company's shareholders approve by Resolution No.10 S.N.G.N. Romgaz S.A. Strategy for 2021-2030.</p>
<b>December 10, 2021</b>	<p>Company's shareholders, convened in an extraordinary meeting, approved the following:</p> <ul style="list-style-type: none"> <li>✓ By Resolution No.11: <ul style="list-style-type: none"> <li>a) the transaction for S.N.G.N. ROMGAZ S.A. to acquire all shares issued by (representing 100% of the share capital of) ExxonMobil Exploration and Production Romania Limited, company that holds 50% of the rights and obligations under the Concession Agreement for petroleum exploration, development and production in XIX Neptun Deep Block.</li> </ul> </li> </ul>

	<p>b) conclusion of the share sale and purchase agreement regarding all shares issued by (representing 100% of the share capital of) ExxonMobil Exploration and Production Romania Limited, agreement to be concluded between S.N.G.N. ROMGAZ S.A., as buyer, and ExxonMobil Exploration and Production Romania Holdings Limited, ExxonMobil Exploration and Production Romania (Domino) Limited, ExxonMobil Exploration and Production Romania (Pelican South) Limited, ExxonMobil Exploration and Production Romania (Califar) Limited and ExxonMobil Exploration and Production Romania (Nard) Limited, as sellers.</p> <p>✓ By Resolution No.12:</p> <p>a) contracting of loans from one or several credit institutions in the total amount of EUR 325 million, in order to cover a part of the purchase transaction price paid by S.N.G.N. Romgaz S.A. for all the shares issued by (representing 100% of the share capital of) Exxon Mobile Exploration and Production Romania Limited, in compliance with the award criteria listed in the Resolution;</p> <p>b) the extension by 1 year, changing the granting currency and decreasing the credit limit for Credit Facility Contract No. 201812070225 concluded with Banca Comerciala Romana S.A, for issuing bank guarantee letters up to the limit of RON 350 million.</p> <p>✓ By Resolution No. 11: Approves extension of fixed assets rental contracts concluded between S.N.G.N. Romgaz S.A. and S.N.G.N. Romgaz S.A. – Filiala de Inmagazinare Gaze Naturale Depogaz Ploiesti S.R.L., No. 31655/April 1, 2021 and No. 31657/April 1, 2021, for a period of one year, as of January 1, 2022.</p>
<p><b>December 29, 2021</b></p>	<p>On December 29, 2021, the trading price of Romgaz shares on Bucharest Stock Exchange reached an historic maximum of 39 RON/share. This value represents the highest share price recorded since listing the company on BVB (November 2013) and maintained the high rate for two trading days December 29 and 30, 2021.</p>

## II. PARENT COMPANY AT A GLANCE

### 2.1. Identification data

Name: Societatea Națională de Gaze Naturale "ROMGAZ" SA

Main scope of activity: natural gas production

Address: Medias, 4 Constantin I. Motas Square, 551130, Sibiu County

Trade Registry registration number: J32/392/2001

Fiscal registration number: RO14056826

LEI Code: 2549009R7KJ38D9RW354

Legal form of establishment: joint-stock company

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

Number of shares: 385,422,400 each having a nominal value of RON 1

Regulated market where the company's shares are traded: Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)

Phone: 0040 374 401020

Fax: 0040 269 846901

Web: [www.romgaz.ro](http://www.romgaz.ro)

E-mail: [secretariat@romgaz.ro](mailto:secretariat@romgaz.ro)

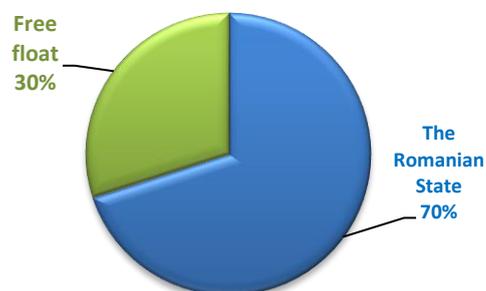
Bank accounts opened at: Banca Comerciala Romana, BRD-Groupe Soci t  G n rale, Citibank Europe, Patria Bank, Raiffeisen Bank, Banca Transilvania, ING Bank, Eximbank, CEC Bank.



### Shareholder Structure

On December 31, 2021 the shareholder structure was the following:

	Shares	%
<b>Romanian State<sup>3</sup></b>	<b>269,823,080</b>	<b>70.0071</b>
<b>Free float – total, out of which:</b>	<b>115,599,320</b>	<b>29.9929</b>
*legal persons	96,615,074	25.0673
*natural persons	18,984,246	4.9256
<b>Total</b>	<b>385,422,400</b>	<b>100.0000</b>



In financial year 2021 the Company **neither performed transactions with own shares** nor held own shares on December 31, 2021.

### 2.2. Company Organization

Romgaz organization structure is a hierarchy-functional type, with the following hierarchy levels from company's shareholders to execution personnel:

- ↳ General Meeting of Shareholders
- ↳ Board of Directors
- ↳ Chief Executive Officer, Deputy Chief Executive Officer (with mandate), Chief Financial Officer (with mandate)
- ↳ managers without contract of mandate
- ↳ heads of functional and operational departments subordinated to managers
- ↳ execution personnel

<sup>3</sup> The Romanian state through the Ministry of Energy

The duties of the Board of Directors are detailed both in the Company's Articles of Incorporation as well as in the Terms of Reference of the Board of Directors.

The Chief Executive Officer, the Chief Financial Officer, the Deputy Chief Executive Officer as well as managers without contract of mandate are key people in the structure and operation of the company. The heads of compartments (branches/departments/directions/offices etc.) representing the connection between the upper structure and the employees of the respective compartment are directly subordinated to the afore-mentioned.

Each compartment has its own duties well-defined in the company's Rules of Organization and Operation and all these elements work as a whole.

The tasks, competencies and responsibilities of the execution personnel are included in the job descriptions related to each position.

The company had at the beginning of 2021 seven branches, set up based on the specific of the activities performed and on the specific of the region (natural gas production branches) as follows:

- Sucursala Medias (Medias Branch) having its office in Medias, 5 Garii Street, postal code 551025, Sibiu County, territorially organized in 8 sections;
- Sucursala Targu Mures (Targu Mures Branch) having its office in Targu Mures, 23 Salcamilor Street, postal code 540202, Mures County, territorially organized in 9 sections;
- Sucursala de Interventii, Reparatii Capitale si Operatii Speciale la Sonde Medias (SIRCOSS – Branch for Well Workover, Recompletions and Special Well Operations) having its office in Medias, 5 Soseaua Sibiului Street, postal code 551009, Sibiu County, territorially organized in 3 sections and 5 workshops;
- Sucursala de Transport Tehnologic si Mentenanta Targu Mures (STTM – Technological Transport and Maintenance Branch) having its office in Targu Mures, 6 Barajului Street, postal code 540101, Mures County, territorially organized in 5 sections and one laboratory;
- Sucursala de Productie Energie Electrica Iernut (SPEE – Iernut Power Generation Branch) having its office in Iernut, 1 Energeticii Street, postal code 545100, Mures County, organised in 7 sections;
- Sucursala Bratislava<sup>4</sup> (Bratislava Branch) having its office in Bratislava, City Business Centre V.-Karadžičova 16, code 82108, Slovakia;
- Sucursala Drobeta-Turnu Severin (Drobeta-Turnu Severin Branch), having its office in Drobeta-Turnu Severin, 109 Traian Street, ap.2, code 220139, Caras Severin County.

As of April 1, 2018 Sucursala Ploiesti ceased its activity and **SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL** became operational, managing the natural gas underground storage activity.

Therefore, subject to EC Directive No. 73/2009 implemented by the Electricity and Natural Gas Law 123/2012 (art. 141), the storage activity is unbundled from SNGN Romgaz SA and performed by a storage operator, namely 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 the underground storages licensed by SNGN Romgaz SA, the operation of assets that contribute to performing the storage activity and the entire personnel performing storage activities.

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

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<sup>4</sup> Company shareholders approved by EGMS Resolution No. 3 of March 25, 2020 SNGN Romgaz SA withdrawal from Svidnik concession block located in Slovakia, by this decision the company withdrew from Slovakia. By Resolution No.51 of August 12, 2021 (art.5), "The Board of Directors approve the dissolution of Bratislava Branch and order deregistration from the Trade Register (ONRC)".

## 2.3. Mission, Vision and Goal

### Mission

Sustainable increase of added value for the company, employees and shareholders, resilient over the long term.

### Vision

Gaining profit by producing and trading hydrocarbons and electricity, including electricity from renewable sources, under efficiency and low emission conditions.

### Goal

Future ambition to reach NetZeRomGAZ in our business. Romgaz plans to develop its business and to reach net zero CO<sub>2</sub> emissions by 2050.



## 2.4. Strategic Objectives, Strategic Options and Secondary Objectives

### Strategic Objectives

- Minimum 10% reduction of carbon, methane and other gas emissions (10-10-10). Reduction is set for the validity term of the strategy (2021-2030) having 2020 as reference year;
- Annual natural gas production decline below 2.5%;
- EBITDA margin between 25-40%;
- ROACE equal to or higher than 12%.

### Strategic options and secondary objectives

- We continue to develop the portfolio of resources focused on mitigating climate changes effects, centred on resilient hydrocarbons and on operational safety and reliability:
  - Maximize the recovery factor of hydrocarbon reserves under safety, reliability and sustainable development conditions;
  - Increase of onshore and offshore (Black Sea) hydrocarbon resources and reserves portfolio;
- Electricity and energy with low CO<sub>2</sub> emissions with large scale use of renewable energy sources, seeking opportunities on the hydrogen market and developing a portfolio of gas clients to complete such low CO<sub>2</sub> emission energy:
  - Production of sustainable energy;
  - Minimum 10% reduction of carbon, methane and other gas emissions (10-10-10);
- Digital transformation of the company and supporting innovations to approach new customer interaction methods, to increase efficiency and to support new development directions;
  - Company digitalization;
  - Increase of market share and portfolio diversification;
- Create long-term relationships with equal profitability for both the market and social environment:
  - Training human resources to embrace future trends in the field of sustainable energy;
  - Citizens in a green society.

### III. REVIEW OF ROMGAZ GROUP BUSINESS

#### 3.1. Business Segments

Romgaz Group undertakes business in the following segments:

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

#### Exploration

Since October 1997, the exploration activity is carried out in 8 blocks located in Transylvania, Muntenia-Oltenia and Moldova, in accordance with the Concession Agreement approved by Government Decision No. 23/2000.

Currently, exploration activities are performed under Addendum No. 6 (approved by GD No.1011/22.09.2021 to the Concession Agreement for petroleum exploration-development-production approved by GD No.23/2000, with a validity term of 6 years (10.10.2021 – 9.10.2027). The approved minimum work program includes 36 wells with a total length of 92,000m and 1,000 km<sup>2</sup> 3D seismic for all eight blocks, with the total value of the program of USD 195 million.

Main works performed in 2021 are:

↳ exploration drilling:

- eight wells are finalised, out of which three are in conservation, testing gas;
- one well is currently being drilled;
- building surface facilities for one well;
- procurement of drilling works for two wells;
- preparatory works for initiating procurement of drilling works for 18 wells.

↳ two projects for the procurement of 3D seismic data in exploration-development-production blocks RG 07 Muntenia Centru and RG 06 Muntenia Nord-Est, covering an area of approx. 650 km<sup>2</sup>.

Exploration works are designed and prioritised based on technical-economic principles, in order to increase the hydrocarbon resources and reserves portfolio and to maximise the prospective potential of the eight exploration-development-production blocks licensed by Romgaz.

The table below shows the evolution of the **reserves replacement ratio** between 2013-2021:



Reserves replacement ratio is influenced by the improvement of the final recovery factor, by promoting probable and possible reserves and by investments in the infrastructure necessary for streaming in experimental production of new exploration discoveries.

## Production

The 2021 annual program for petroleum operations considered the gas demand dynamics, reactivation, recompletion and workover operations, bringing into production new wells and exploration wells; the program focused also on maintenance programs of compressor stations and of dehydration stations.

**2021-gas production was 5,028.5 million m<sup>3</sup>, by 508 million m<sup>3</sup> higher than last year's production (+11.3%) and by 2.9 million m<sup>3</sup> higher than planned (+0.05%).**

Gas production of 5,028.5 million m<sup>3</sup> recorded in 2021 was influenced by:

1. measures implemented to optimise gas field production;
2. investments to extend the production infrastructure and connection of new wells to this infrastructure;
3. continuous production rehabilitation of the main mature gas fields: Filitelnic, Delenii, Laslău, Sădinca, Copsa Mica, Nadeş-Prod-Seleuş, Roman, Corunca Sud, Târgu Mureş, Grebeniş, Bazna, Cetatea de Baltă, Mărgineni, Corunca Nord, Iclănzél Vaideiu, Sărmăşel;
4. performing capitalisable repair works and well recompletion operations for inactive or low production wells.



## Underground Gas Storage

Currently, there are six operational UGSs in depleted gas reservoirs in Romania. Romgaz owns and operates through Depogaz Subsidiary 5 UGSs having a total capacity of 3.965 bcm and a working gas volume of 2.770 bcm.

Nationally, the ratio between the working gas volume and the annual consumption was about 25% in 2021. This level is in the first upper half of the international values chart of Europe.

In 2021 the ratio between stored gas volumes and working volume of the UGSs was 95.60%.

The Romanian Government issued Emergency Ordinance No. 106/2020 amending Gas and Electricity Law No. 123/2012 ruling deregulation of storage activities. Therefore, after the withdrawal cycle 2020-2021, the storage activity is no longer regulated.



## Natural Gas Supply

After a thorough restructuring, the Romanian natural gas sector is currently split into independent activities. The Romanian natural gas market includes a NTS operator (Transgaz), producers (Romgaz and Petrom with a 97% market share), UGS operators, companies for the distribution and supply of gas to captive customers, and suppliers on the wholesale market.

In 2021, the Romanian gas market is fully liberalised, meaning that the gas price is set on competitive principles, based on demand and supply and stimulated by competition between suppliers.

In terms of supply, Romgaz held, between 2014-2021, a national market share ranging between 37%-46%:

	M.U.	2014	2015	2016	2017	2018	2019	2020	2021
National consumption	bcm	12.2	11.6	11.8	12.3	12.3	11.5	12.0	12.3
Romgaz traded volumes (domestic + import)	bcm	5.7	5.1	4.4	5.7	5.6	5.1	4.7	5.2
<b>Romgaz market share</b>	<b>%</b>	<b>46.1</b>	<b>44.0</b>	<b>37.1</b>	<b>46.3</b>	<b>45.5</b>	<b>44.1</b>	<b>39.1</b>	<b>42.4</b>

The above quantities include gas from own internal production, domestic gas purchased from third parties, 100% gas from Schlumberger joint venture and import gas. As compared to previous years, 2018÷2021 deliveries include gas delivered to Iernut and Cojocna for electricity production.

## Well Workover, Recompletions and Special Operations

SIRCOSS was set up in 2003 in accordance with GSM Resolution No. 5/June 13, 2003. The branch performs two main types of activities:

- ↳ well workover, recompletion operations and production tests;
- ↳ special well operations.

All well workover, recompletion operations and production tests are performed by means of rig installations.

The second main activity consists of *special well operations*, namely services supplied by means of different transportable equipment for downhole or surface operations.

During the past years, most services were supplied for the wells within the company's portfolio, yet, well workover and special well operations were performed also for other companies that have under concession and operate gas wells in Romania.

As regards well reactivation works for 2021, out of the 173 planned well operations the branch achieved 153 works.

The table below shows recompletion operations and capitalizable repairs performed in 2021:

	Mediaș Branch	Târgu Mureș Branch	TOTAL Romgaz
Planned	68	105	173
Achieved	75	78	153
Difference	7	-27	-20

## Transportation and Maintenance

STTM was established in October 2003, by taking over the means of transportation from Medias, Targu-Mures and Ploiesti branches.

The branch's scope of activity is transportation of goods and people, specific technological transportation, and maintenance activities for the benefit of the company and of third parties.

## Electricity Generation

CTE Iernut is an important junction point in the National Power Grid, located in the centre of the country, in Mures County, on the left bank of Mures River, between towns Iernut and Cuci, with easily accessible gas and industrial water sources and power discharge facilities.

CTE Iernut is operated by Sucursala de Producție Energie Electrică (SPEE).

CTE Iernut has an installed capacity of 800 MW comprising six energy groups: four 100 MW groups of Czechoslovakian manufacturing and two 200 MW groups of Soviet manufacturing. The groups were commissioned between 1963 and 1967. Taking into consideration the investment works at the 430 MW combined cycle power plant and the need to ensure proper conditions for works at the related cooling system, in November 2019, the 200 MW group 6 was permanently withdrawn from operation.

Groups 2 and 3 of 100 MW were permanently withdrawn from operation in January 2019, followed by group 1 (100 MW) in November 2019, all groups were withdrawn for non-compliance with environmental conditions. Therefore, at the end of 2020, SPEE Iernut held commercial licence for two groups: one 100 MW group and one 200 MW group.

In 2021, SPEE Iernut operated with energy group 5 of 200MW, energy group 4 of 100 MW was withdrawn from operation due to non-compliance with NOx emission limits, provided by effective regulations.

## Natural Gas Distribution

The natural gas distribution activity is regulated, carried out in Ghercesti and Piscu Stejari areas. Romgaz has concession agreements with the Ministry of Economy and Trade for Ghercesti area and with Piscu Stejari Town Hall for Piscu Stejari distribution. The activity is carried out by Targu-Mures Branch.

### 3.2. Brief History

Societatea Nationala de Gaze Naturale "ROMGAZ" SA is Romania's most important natural gas producer and supplier. The company's experience in the field of gas exploration and production exceeds 100 years. Its history began in 1909 when the first natural gas commercial reservoir was discovered, in the Transylvanian Basin, upon drilling of well Sarmasel-2.



The most important historic benchmarks are:

1909	• Natural gas discovery in Sarmasel (Transylvanian Basin)
1913	• First gas production recorded in Romania (113,000 m <sup>3</sup> )
1925	• Setting up the National Gas Company "SONAMETAN"
1958	• First UGS in Romania at Ilimbav, Sibiu County
1972	• Use of compressors in the course of production
1976	• Maximum gas production obtained by Romgaz (29,834 million m <sup>3</sup> )
1979	• Started to import natural gas from the Russian Federation
1991	• Centrala Gazului Metan was reorganized, by Government decision, to Regia Autonoma "ROMGAZ" RA
1998	• "ROMGAZ" RA becomes Societatea Națională de Gaze Naturale "ROMGAZ" SA
2000	• SNGN "ROMGAZ" SA was reorganized in five independent companies (SC "Exprogaz" SA Mediaș, SNDSGN "Depogaz" SA Ploiești, SNTGN "Transgaz" SA Mediaș, SC "Distrigaz Sud" SA București și SC "Distrigaz Nord" SA Tîrgu-Mureș)
2001	• <b>The current SNGN "ROMGAZ" SA Medias was established</b>
2013	• Company shares are traded on Bucharest Stock Exchange and London stock Exchange (GDR's)
2015	• Unbundling the underground gas storage activity by setting up Filiala de Înmagazinare Gaze Naturale Depogaz SRL Ploiești
2018	• As of April 1, 2018 Filiala de Înmagazinare Gaze Naturale Depogaz SRL Ploiești became operational

### 3.3. Mergers and Reorganisations, Acquisitions and Divestments of Assets

#### **Changes to the organisational structure**

The organizational structure underwent two changes in 2021:

- BoD Resolution No.22 of March 23, 2021 amended the organisational structure, by transferring the economic and human resource departments to the headquarters;
- BoD Resolution No. 44 of June 24, 2021 amended the organisational structure, by setting up the Exploration-Production Division at the headquarters.

**No mergers of the company** took place in financial year 2021.

### 3.4. Group's Business Performance

#### 3.4.1. Overall Performance

The Group's revenues are generated mainly from gas production and deliveries (own gas production and delivery, gas produced by joint ventures, import gas deliveries and gas deliveries from other domestic producers), from supply of underground gas storage services, from production and supply of electricity and from other specific services.

#### Financial Results

\*RON thousand\*

Item no	Description	2020	2021	Ratio (2021/2020)
0	1	2	3	4=3/2x100
1	<b>Total Income, out of which:</b>	<b>4,133,888</b>	<b>6,156,535</b>	<b>48.93%</b>
	*operating income	4,085,969	6,098,082	49.24%
	*financial income	47,919	58,453	21.98%
2	Revenue	4,074,893	5,852,926	43.63%
3	<b>Total Expenses, out of which:</b>	<b>2,708,710</b>	<b>3,999,369</b>	<b>47.65%</b>
	*operating expenses	2,692,628	3,982,298	47.90%
	*financial expenses	16,082	17,071	6.15%
4	Share of associates' result	1,330	85	-93.61%
5	<b>Gross Profit</b>	<b>1,426,508</b>	<b>2,157,251</b>	<b>51.23%</b>
6	Income tax	(178,604)	(242,264)	35.64%
7	<b>Net Profit</b>	<b>1,247,904</b>	<b>1,914,987</b>	<b>53.46%</b>

The total income of 2021 was higher by 48.93% as compared to 2020.

Below are the compared economic-financial indicators for 2020 and 2021 and their detailed structure split by activity:

Compared economic-financial indicators

\*RON thousand\*

Description	2020	2021	Variance (2021/2020)
1	2	3	4=(3/2-1)x100
Revenue	4,074,893	5,852,926	43.63%
Cost of commodities sold	(18,617)	(281,589)	1,412.54%
Investment Income	47,845	58,403	22.07%
Other gains or losses	(6,534)	23,388	n/a
Net losses from impairment of trade receivables	17,551	349,989	1,894.13%
Changes in inventories	(16,151)	74,787	n/a
Raw materials and consumables	(58,282)	(81,146)	39.23%
Depreciation, amortization and impairment	(672,063)	(685,772)	2.04%
Employee benefit expense	(767,251)	(766,639)	-0.08%
Finance cost	(17,000)	(16,739)	-1.54%
Exploration Expenses	(26,509)	(1,197)	-95.48%
Share of associates' result	1,330	85	-93.61%
Other Expenses	(1,158,143)	(2,539,086)	119.24%
Other Income	25,439	169,841	567.64%
<b>Profit before tax</b>	<b>1,426,508</b>	<b>2,157,251</b>	<b>51.23%</b>
Income tax expense	(178,604)	(242,264)	35.64%
<b>Profit for the year</b>	<b>1,247,904</b>	<b>1,914,987</b>	<b>53.46%</b>

Structure of indicators split by activity-2020

\* RON thousand \*

Description	TOTAL 2020 including:	Gas production and deliveries	Underground Gas Storage	Electricity	Other activities	Settlement between segments
1	2	3	4	5	6	7
Revenue	4,074,893	3,690,235	333,939	261,112	376,937	(587,330)
Cost of commodities sold	(18,617)	(7,726)	(2)	(10,375)	(514)	-
Investment Income	47,845	107	1,018	152	67,699	(21,131)

Other gains and losses	(6,534)	(8,641)	(951)	(174)	3,232	-
Net losses from impairment of trade receivables	17,551	18,221	-	(638)	(32)	-
Changes in inventories	(16,151)	(17,757)	-	35	1,571	-
Raw materials and consumables	(58,282)	(38,212)	(19,225)	(1,481)	(9,936)	10,572
Depreciation, amortization and impairment	(672,063)	(547,414)	(5,804)	(21,761)	(25,514)	(71,570)
Employee benefit expense	(767,251)	(465,561)	(70,733)	(50,866)	(180,091)	-
Finance cost	(17,000)	(14,862)	(1,582)	-	(590)	34
Exploration Expenses	(26,509)	(26,509)	-	-	-	-
Share of associates' result	1,330	-	-	-	1,330	-
Other Expenses	(1,158,143)	(1,230,603)	(169,289)	(210,677)	(124,900)	577,326
Other Income	25,439	24,531	61	34	1,403	(590)
<b>Profit before tax</b>	<b>1,426,508</b>	<b>1,375,809</b>	<b>67,432</b>	<b>(34,639)</b>	<b>110,595</b>	<b>(92,689)</b>
Income tax expense	(178,604)	-	(8,718)	-	(169,886)	-
<b>Profit for the year</b>	<b>1,247,904</b>	<b>1,375,809</b>	<b>58,714</b>	<b>(34,639)</b>	<b>(59,291)</b>	<b>(92,689)</b>

## Structure of indicators split by activity-2021

\* RON thousand \*

Description	TOTAL 2021 including:	Gas production and deliveries	Underground Gas Storage	Electricity	Other activities	Settlement between segments
1	2	3	4	5	6	7
Revenue	5,852,926	5,338,316	313,456	442,412	408,161	(649,419)
Cost of commodities sold	(281,589)	(246,933)	(2)	(33,901)	(753)	-
Investment Income	58,403	133	534	7	85,823	(28,094)
Other gains and losses	23,388	(3,599)	(7,995)	(95)	28,804	6,273
Net losses from impairment of trade receivables	349,989	362,633	-	(12,593)	(51)	-
Changes in inventories	74,787	73,538	-	25	1,224	-
Raw materials and consumables	(81,146)	(43,135)	(21,606)	(60,003)	(13,705)	57,303
Depreciation, amortization and impairment	(685,772)	(580,293)	(8,506)	(7,102)	(25,877)	(63,994)
Employee benefit expense	(766,639)	(453,144)	(72,325)	(47,959)	(193,221)	10
Finance cost	(16,739)	(14,829)	(1,387)	-	(553)	30
Exploration Expenses	(1,197)	(1,197)	-	-	-	-
Share of associates' result	85	-	-	-	85	-
Other Expenses	(2,539,086)	(2,628,583)	(169,101)	(259,850)	(74,209)	592,657
Other Income	169,841	41,036	274	126,909	2,071	(449)
<b>Profit before tax</b>	<b>2,157,251</b>	<b>1,843,943</b>	<b>33,342</b>	<b>147,850</b>	<b>217,799</b>	<b>(85,683)</b>
Income tax expense	(242,264)	-	(2,835)	-	(239,429)	-
<b>Profit for the year</b>	<b>1,914,987</b>	<b>1,843,943</b>	<b>30,507</b>	<b>147,850</b>	<b>(21,630)</b>	<b>(85,683)</b>

## Revenue

The table below shows the compared revenue and the revenue share on activity segments:

Description	2019		2020		2021	
	RON mln	% R	RON mln	% R	RON mln	% R
<b>Gas production and delivery</b>	4,709.8	92.70	3,690.2	90.56	5,338.3	91.21%
<b>UGS activity</b>	454.4	8.94	333.9	8.19	313.5	5.36%
<b>Electricity generation and delivery</b>	237.8	4.68	261.1	6.41	442.4	7.56%
<b>Other activities</b>	288.9	5.69	376.9	9.25	408.2	6.97%
<b>Settlement between branches</b>	-610.3	-12.01	-587.3	-14.41	-649.4	-11.10%
<b>TOTAL Revenue</b>	<b>5,080.5</b>	<b>100.00</b>	<b>4,074.9</b>	<b>100.00</b>	<b>5,852.9</b>	<b>100.00</b>

## Financial Income

The financial income is higher by 21.98 % than recorded in the previous year. Financial income consists mainly of interests from cash in bank deposits and in state bonds.

## Expenses

Description	Year 2020 (RON thousand)	Year 2021 (RON thousand)	Ratio (2021/2020)
1	2	3	4=(3-2)/2x100
Operating expenses	2,692,628	3,982,298	47.90%
Financial expenses	16,082	17,071	6.15%
<b>Total expenses</b>	<b>2,708,710</b>	<b>3,999,369</b>	<b>47.65%</b>

## Financial expenses

Financial expenses incurred in 2021 are higher by 6.15% as compared to the previous year.

Chapter 7 shows more details on the different expenses categories and a comparative assessment thereof.

## Economic-Financial Results

Compared economic-financial results are shown in the table below (RON thousand):

Description	2020	2021	Ratio (2021/2020)
1	2	3	4=(3-2)/2x100
Operating results	1,393,341	2,115,784	51.85%
Financial results	31,837	41,382	29.98%
Share of associates' result	1,330	85	-93.61%
<b>Gross result</b>	<b>1,426,508</b>	<b>2,157,251</b>	<b>51.23%</b>
Income tax	(178,604)	(242,264)	35.64%
<b>Net Result</b>	<b>1,247,904</b>	<b>1,914,987</b>	<b>53.46%</b>

Gross result for January – December 2021 in amount of RON 2,157,251 thousand is higher by 51.23% than the gross result of the similar period of 2020.

**Financial Performance** is also emphasized by the evolution of indicators presented in the table below:

Indicator	Formula	M.U.	2020	2021
1	2	3	4	5
Working capital (WC)	$C_{it}-A_{it} = E+L_{nc}+Pr+Si-A_{it}$	mil. RON	2,656	4,223
Working capital requirements (WCR)	$(A_{st}-L+P_p) - (L_{crit}-Cr_{st}+Idt)$	mil. RON	2,239	639
Net cash	$WC-WCR = L-Cr_{st}$	mil. RON	417	3,584
Economic Rate of Return (ERR)	$P_g/C_{it} \times 100$	%	16.59	22.04
Return on Equity	$P_n/Ex \times 100$	%	16.02	21.32
Return on Sales	$P_g/Rx \times 100$	%	35.01	36.86
Return on Assets	$P_n/Ax \times 100$	%	13.47	16.96
EBIT	$P_g+Ex_i-I_r$	mil. RON	1.379	2.099
EBITDA	$EBIT+Am$	mil. RON	2.051	2.785
ROCE	$EBIT/C_{emp} \times 100$	%	16.03	21.44
Current liquidity	$Ac/Lc$	-	5.01	3.81
Asset Solvency	$E/Lx \times 100$	%	84.08	79.53

where:

$C_{it}$	long-term capital;	$P_g$	gross profit;
$A_{it}$	non-current assets;	$P_n$	net profit;
$E$	equity;	$R$	revenue;
$L_{nc}$	non-current liabilities;	$A$	total assets;

Pr	provisions;	Ex <sub>i</sub>	interest expense;
S <sub>i</sub>	investment subsidies;	I <sub>r</sub>	interest income
A <sub>st</sub>	short term assets;	Am	amortization and impairment;
L	liquidity position;	C <sub>emp</sub>	capital employed (total assets–current liabilities)
Pp	Prepayments;	Ac	Current assets
Cr <sub>st</sub>	short-term credit;	Lc	Current liabilities
I <sub>df</sub>	deferred income	L	total liabilities

### 3.4.2. Sales

#### Sale's Evolution and Perspectives

Romgaz sold on the domestic market the entire gas quantity traded. Romgaz traded quantities on the free market both by bilateral negotiation and on the centralized market governed by the Romanian Commodities Exchange (BRM).

Description	unit	2019	2020	2021	2020/2019	2021/2020
<b>Delivered gas</b>	mil. m <sup>3</sup>	5,132.1	4,688.1	5,167.6	-8.65%	+10.2%
<b>Sales to third parties</b>	mil. m <sup>3</sup>	4,901.6	4,406.2	4,966.7	-11.15%	+12.7%
<b>Gas for electricity production in own power plant</b>	mil. m <sup>3</sup>	173.0	277.2	192.5	+62.95%	-30.6%

From the total gas quantities supplied to third parties, the following available trading means were used:

- ✍ gas delivered under contracts on centralized markets: 26.3 TWh (50.5%);
- ✍ gas delivered under bilateral negotiated contracts: 25.8 TWh (49.5%), out of which:
  - 11.8 TWh to Electrocentrale București;
  - 11.4 TWh to other customers, final customers and suppliers;
  - 2.6 TWh represent commodity gas, purchased for resale.

Romgaz gas production increased roughly by 11.3% as compared to 2020 and volumes delivered in 2021 also increased by 10.2%. As regards gas deliveries from own production, these went up by 6.4% as compared to 2020.

Gas supplied to third parties recorded an increase by 12.7%. It is worth mentioning that no import gas volumes were traded in 2021. At the same time, gas volumes used by CET Iernut decreased by 30.6% as compared to 2020.

As regards trading on Romanian centralized markets, Romgaz's share was significant, approximately 46% of the total of gas traded on these markets (forward and SPOT) with delivery in 2021 was sold by Romgaz. In terms of quantity, Romgaz traded over 26.08 TWh with delivery in 2021 on centralized markets, from the total volume of approx. 56.71 TWh that represented the total transactions performed on these markets with the same delivery period.

Romgaz was also active on the SPOT market – day ahead market, intraday market respectively in order to optimize sales on one hand and to balance the portfolio, on the other hand, Romgaz sold on these markets approximately 0.13 TWh.

2022 gas sales perspectives are characterized by:

- ✍ taking into account the national and international gas market context, the increased gas demand will keep gas prices at high rates;
- ✍ the company concluded in 2021 - 958 contracts, of which more than 95% are GRP related contracts (Gas Release Program) with gas deliveries in 2021 and in 2022;
- ✍ approximately 50% (24.06 TWh) from quantities estimated to be sold in 2022 (49.11 TWh) are based on contracts concluded in 2021;
- ✍ according ANRE Order No. 143/2020 (Gas Release Program – GRP), gas producers that record an annual production higher than 3,000,000 MWh have to trade 40% of the production on centralised markets at a required initial price, that can be determined (maximum 95% from the average weighted price of the traded products) for several products: monthly, quarterly, seasonal, half year and annual product. The program started on June 1, 2020 and ends on December 31, 2022 as regards the offering obligation and on December 31, 2023 as regards the delivery obligation of traded products. If in 2020 the trading price was less favourable from the producer's point of view, starting with Q2 2021, although prices start from a pre-set value, these are set based on the real demand and supply, reflecting the reality at the transaction time.

## Competition and Market Share of Romgaz Products and Services

In 2021, the Romanian gas market continued to progress as regards liquidity increase and reselling on centralized markets, as well as the positive trends regarding trade balancing through transactions on short-term markets.

The negative impact of ANRE Order 143/2020, setting an initial price, felt in 2020 and at the beginning of 2021, faded and even disappeared in 2021 as regards transactions with products that have delivery terms in 2021 and 2022, due to a steep increase of gas demand and of prices implicitly.

On the gas market, competition was not very high since temperatures were low for long periods in Q1 until the second half of April and large gas quantities were withdrawn from storages, Romgaz withdrew the entire stored gas quantity. Therefore, once with the beginning of the storage cycle, against a gradual economic recovery after the COVID pandemic, gas demand increased significantly, exceeding the gas supply.

Although import gas volumes recorded a significant increase, it was complementary, necessary, required by the market triggered by the demand increase and not for price reasons, such gas did not compete with Romgaz gas.

According to the company's estimates, national gas consumption rose by approximately 2% as compared to 2020. Romgaz market share in the national consumption increased by 4% as compared to 2020.

National electricity production, according to preliminary data of the system operator, was 58,560,986 MWh. On the whole-sale electricity market, Romgaz had a 1.07% market share, decreasing by 35.5% as compared to last year.

Annual evolution of electricity production and market share:

Description	2019 (MWh)	2020 (MWh)	2021 (MWh)	2020/2019 (%)	2021/2020 (%)
National production	59,454,280	55,519,195	58,560,986	-6.61	5.48
Romgaz production	590,129	937,500	640,001	58.86	-31.73
Romgaz market share	1.00	1.69	1.07	70.71	-35.50

As regards electricity generation sources, in 2021, these were as follows<sup>5</sup> :

- ↳ 29% hydro;
- ↳ 17% coal;
- ↳ 20% nuclear;
- ↳ 16% gas;
- ↳ 18% renewable sources and other producers

## Market Dependence

The Romanian gas market situation allowed the company to have an extended customer portfolio both on centralized markets and as regards contracts by direct negotiation. Moreover, the company has a balanced portfolio as regards the ratio between the final consumers market (especially power plants) and the wholesale market where it sells gas to suppliers.

### 3.4.3. Prices and Tariffs

Cadrul Law No. 123/2012 sets the regulatory framework for natural gas **production**, transmission, **distribution, supply and storage**, for organization and operation of the gas sector, for market access as well as criteria and procedures for granting authorizations and/or licenses in the natural gas sector.

On December 31, 2021, Romgaz Group operated both on the regulated market, performing distribution activities and on the free market, performing gas and electricity production and supply activities.

#### **Underground Gas Storage**

By GEO NO.106/2020 on amending Electricity and Gas Law 123/2012, the Romanian Government decided that gas storage activities will no longer be regulated. Therefore, after the withdrawal cycle 2020-2021, storage activities are not regulated anymore.

Taking into account GEO No. 106/2020 and Law No. 155/2020 on amending and supplementing Law 123/2012, starting with April 1, 2021 the price and tariffs system for storage activities is no longer set by the National Regulatory Authority for Energy.

<sup>5</sup> approximate levels - Source ANRE, market reports. Note: on the date of preparing the Report, ANRE did not publish the annual report containing the energy label.

As a result, storage tariffs for the two compared periods were those approved by ANRE Order No.44 of March 29, 2019 (01.04.2019-31.03.2020), ANRE Order No. 24 of March 23, 2020 (01.04.2020-31.03.2021) and Depogaz Board Resolution No.3/March 5, 2021 (01.04.2021-31.03.2022).

The table below shows the storage tariffs:

Tariff component	unit	Tariffs (01.04.2019- 31.03.2020)	Tariffs (01.04.2020- 31.03.2021)	Tariffs (as of 01.04.2021)
Volumetric component for gas injection	RON/MWh	1.90	3.67	2.29
Fixed component for capacity reservation	RON/MWh/storage cycle	9.98	7.58	9.31
Volumetric component for gas withdrawal	RON/MWh	1.61	2.03	1.74

### Natural Gas Supply

The final gas price for the customer is the sum of the weighted average price for gas acquisition, the tariffs for transmission, storage and distribution, and the trading component, according to the following formula:

Final price = Weighted average gas acquisition price + Transmission tariff + Storage tariff + Distribution tariff + Trading component

The distribution tariffs depend on the distribution area and on the distribution system operator. Regulated prices and tariffs are calculated by the "revenue-cap" method for underground storage and gas transmission and by the "price-cap" method for regulated distribution and supply.

According to the provisions of Article 181, paragraph (5) of Law No. 123/2012, the domestic gas acquisition price on the regulated market is set by Government Decision, at the proposal of the competent ministry, and is updated by ANRE and ANRM, in accordance with the provisions of the Calendar for gradual deregulation of prices for the final customers.

The table below shows the average gas supply prices between 2019-2021:

Description	unit	2019	2020	2021
1	2	3	4	5
Average supply price for internal gas production <sup>6</sup>	RON/1000 m <sup>3</sup>	882.2	751.3	1,019.66
	RON/MWh	83.7	73.3	96.66
Average supply price for import gas	RON/1000 m <sup>3</sup>	1,468.8	-	-
	RON/MWh	136.9	-	-

### Natural Gas Distribution

Distribution tariffs and final regulated prices valid during the analysed period are approved by ANRE Orders, as follows:

- ↳ Order No. 146/2018 on setting the unitary income for 2019 and on approving regulated prices for regulated gas supply activity performed by Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of August 1, 2018);
- ↳ Order No. 146/2019 on setting the unitary income for 2019 and on approving regulated prices for regulated gas supply activity performed by Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of July 1, 2019);
- ↳ Order No.111/2019 on setting the regulated tariffs for gas distribution services performed by Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of July 1, 2019);
- ↳ Order No. 56/2020 on setting the unitary tariff for regulated supply services between January 1- June 30, 2020 and on approving regulated gas prices for Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of January 1, 2020);
- ↳ Order No. 122/2020 on approving regulated tariffs applicable to distribution services for Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of July 1, 2020);
- ↳ Order No. 77/2021 on approving regulated tariffs applicable to distribution services for Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of July 1, 2021).

<sup>6</sup> Including commodity gas, less storage costs

The table below shows tariffs and prices:

Description	01.08.'18- 30.06.'19	01.07.'19- 31.12.'19	01.01.'20- 30.06.'20	01.07.'20- 30.06.'21	01.07.'21- present
<b>Distribution tariffs (RON/MWh):</b>					
*B1 consumption up to 23.25 MWh	52.75				
*B2 annual consumption between 23.26-116.28 MWh	47.96				
*B3 annual consumption between 116.29-1,116.78 MWh	47.07				
*B4 annual consumption between 1,116.79-11,627.78 MWh	46.26				
<b>Distribution tariffs (RON/MWh):</b>					
*C1 consumption up to 280 MWh		52.87	52.87	52.52	48.19
*C2 annual consumption between 280 and 2,800 MWh		0.00	0.00	46.17	42.37
*C3 annual consumption between 2,800 and 28,000 MWh		50.00	50.00	41.29	37.91
<b>Final regulated prices (RON/MWh):</b>					
*B1 consumption up to 23.25 MWh	152.23				
*B2 annual consumption between 23.26-116.28 MWh	147.44				
<b>Final regulated prices (RON/MWh):</b>					
*C1 consumption up to 280 MWh		139.24	122.71		

### 3.4.4. Human Resources

On December 31, 2021, Romgaz Group had 5,863 employees and SNGN Romgaz SA had 5,363 employees. The evolution of the number of employees between January 1, 2019 – December 31, 2021, is shown in the table below:

Description	2019		2020		2021	
	Romgaz Group	Romgaz	Romgaz Group	Romgaz	Romgaz Group	Romgaz
1	3	4	3	4	5	6
Employees at the beginning of the year	6,214	5,688	6,251	5,738	6,188	5,673
Newly hired employees	264	238	198	177	179	157
Employees who terminated their labour relationship with the company	227	188	261	242	504	467
Employees at the end of the year	6,251	5,738	6,188	5,673	5,863	5,363

The structure of SNGN Romgaz SA employees at the end of 2021 was the following:

a) by level of education

- University 26.48 %
- Secondary education 29.85 %
- Foreman education 2.35 %
- Vocational school 31.90 %
- Middle school 9.42 %

b) by age

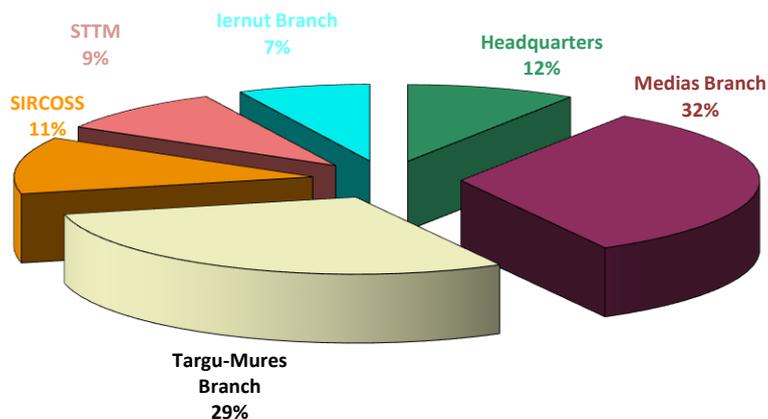
- under 30 years 5.07 %
- 30-40 years 13.00 %
- 40-50 years 31.34 %
- 50-60 years 44.14 %
- over 60 years 6.45 %

c) by activities

- gas production 71.53 %
- production tests/well special operations 11.34 %

- health 1.44 %
- transportation 9.23 %
- electricity production 6.47 %.

Distribution of Romgaz employees by headquarters and by branches is shown in the figure below:



The table below shows the structure of employees at the headquarters and branches:

Entity	Workers	Foremen	Administrative employees	Total
Headquarters	38		622	660
Mediaş Branch	1,339	83	291	1,713
Targu-Mures Branch	1,247	50	241	1,538
SIRCROSS	447	46	115	608
STTM	374	16	105	495
Iernut Branch	227	31	89	347
Drobeta Turnu Severin Branch			2	2
<b>TOTAL</b>	<b>3,672</b>	<b>226</b>	<b>1,465</b>	<b>5,363</b>

In 2021, **professional training courses** were meant to increase competitiveness and to improve professional performance.

Thus, the following were taken into account:

- training of administrative employees in various areas of activity, in cooperation with national training suppliers;
- authorization/re-authorization, according to their specialization and position;
- skills improvement and vocational training of workers through internal training courses.

A number of 1,800 employees were trained in 2021 and the costs of such professional trainings were RON 1,218,161.

The annual training program was implemented as follows:

- 480 persons participated in professional training programs on job related subject matters;
- 1,127 persons participated in training courses to obtain authorization/re-authorization in accordance with their position;
- 193 persons participated in internal training courses;

The 2021 professional training plan, as regards the number of participants, was fulfilled 44.43%. This was caused as in the previous year, but to a lesser extend, by the SARS-CoV2 pandemic. As the state of alert was still in force in 2021, the restrictive measures imposed in the country regarding organisation of courses and the fear of employees of a potential infection have led to non-fulfilment of the objectives set for this activity.

During 2021, the professional training activity focused mainly on supporting the increase of the capacity to adapt to new requirements of the knowledge-based economy, to ensure and update the necessary skills for employees holding positions in the technical, economic, research and development field, etc.

Romgaz Group has **two trade unions**:

- “Sindicatul Liber din cadrul S.N.G.N. Romgaz S.A.”, consisting of 5,499 members;
- “Sindicatul Filiala Inmagazinare DEPOGAZ”, consisting of 323 members.

Thus, the total number of union members within Romgaz is 5,822 out of the 5,863 employees, resulting a ratio of 99.30% union members.

**Relationship between manager and employees:** The parties agreed to conclude a new Collective Labour Agreement on November 27, 2019, for SNGN Romgaz SA, registered at the Territorial Labour Inspectorate Sibiu under No. 18161/04.12.2019, valid as of December 29, 2019 until December 28, 2021 inclusive.

According to the provisions of art. 20 of Law No.55/May 15, 2020 on certain measures to prevent and combat effects of COVID-19 pandemic, “*Validity of collective labour contracts and of collective labour agreements extends during the state of alert as well as for a period of 90 days after termination of the state of alert.*” Consequently, the collective labour contract extended its validity term, beyond December 28, 2021.

For Depogaz, a Collective Labour Agreement is in effect, negotiated with “Sindicatul Liber Romgaz”, to which “Sindicatul Filiala de Inmagazinare Gaze Naturale” adhered, being valid until March 27, 2021, and according to art. 20 of Law No.55/May 15, 2020, the collective labour contract extended its validity beyond such date.

During 2021, **there were no conflicts between the management and the trade union.**

### 3.4.5. Environmental Aspects

In 2021, the environmental protection activity continued to focus on ensuring compliance with the Group’s obligations in this respect. Another aim was meeting specific objectives related to:

- ↳ increasing awareness on compliance with legal requirements;
- ↳ monitor drafting of all reports required by the effective environmental legislation, by centralizing the information required and reported by Romgaz Branches and submitting it to competent authorities;
- ↳ efficiency of environmental protection activities which support the management process.

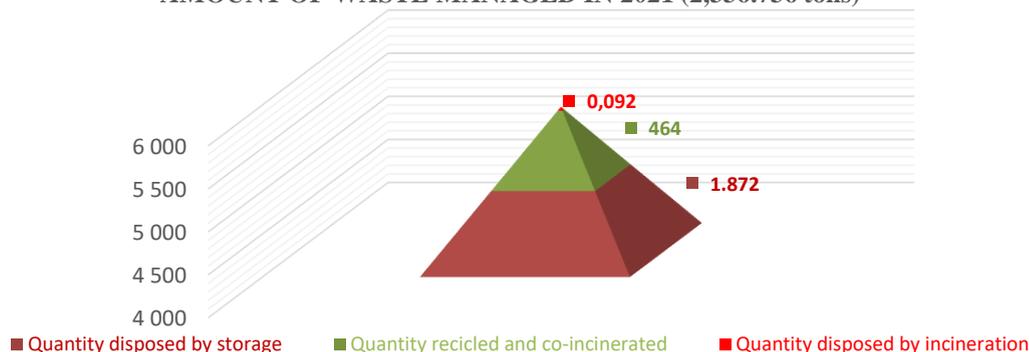
In 2021 environmental protection activities focused on:

- Compliance with permitting requirements:
  - Complying with legal requirements relating to environmental permits for all 124 units. In this respect, the compliance degree is 100%. Thus, the company took the following steps: required and obtained review of permits for 9 units; re-authorization was requested and obtained for 8 units; the annual endorsement was requested and obtained for 78 units; submitted documents for abandoning gas production wells for 47 units; submitted required documents for temporary ceasing activities at 4 units; requested and received a point of view on the necessity to obtain the Environment Authorisation (negative – it wasn’t necessary to obtain the regulatory act) from county Environment Protection Agencies;
  - Complying with legal requirements regarding waste water management permits, for:
    - ✓ 69 units, for which the conformity degree is 100% mentioning that for 22 units re-authorization documents were submitted,
    - ✓ 36 units related to reservoir water injection systems/wells, out of which 4 are in process of obtaining re-authorization and for 2 units the company submitted requests for abandonment.

A company-wide application is under development to monitor environmental/water/injection permits, permanently analysing and continuously supervising compliance with legal requirements on environment protection;

- Management of waste generated from own activities, according to the legal requirements in force. In 2021, the company managed a quantity of 2,336.736 tons of waste from its own activity, out of which 464.26 tons were recycled and co-incinerated (437.937 tons were recycled and 26.323 tons were co-incinerated), 0.09246 tons of waste were disposed by incineration and 1,872.383 tons of waste were disposed by storage.

AMOUNT OF WASTE MANAGED IN 2021 (2,336.736 tons)



In 2021, the “*Program for Preventing and Reducing Waste Generated by S.N.G.N. Romgaz S.A.*” pursued the accomplishment of the measures thereunder; it can be viewed by accessing the following link <https://www.romgaz.ro/ro/content/program-de-prevenire-si-reducere-cantitatilor-de-deseuri>.

The Program aims at continuously identifying the objectives, targets and action policies the company is required to comply with in its waste management activity in order to fulfil the company’s strategic objectives;

- Monitoring compliance with legal requirements on environment protection. In 2021 Romgaz did not exceed the limits permitted by regulations in force, with the effluents discharged into surface water bodies or sewage networks;
- In 2021, 1 external environment complaint were recorded, as follows:  
The National Environment Guard Mures (GNM CJ Mures) and Public Health District Authority Mures (DSP Mures) were notified regarding noise exceedance at Corunca compressor station in Corunca, Mures County. Following the inspection (Findings report No.189) dated March 26, 2021, DSP Mures ruled as measure installation of noise-absorbing panels around Corunca compressor station in order to reduce the noise produced by the compressor station activity, deadline October 1, 2021. In this respect, the procurement procedure was initiated to contract the investment works (design and execution noise-absorbing panels). After all procurement phases and after providing clarifications on the tender specifications, the only tenderer withdrew the offer. Under these circumstances, the procedure was cancelled and the documentation was send to the internal procurement department for re-evaluation in order to initiate the procurement procedure again. DSP Mures was notified on October 1, 2021 on restarting the procurement procedure.
- In 2021, Romgaz continued to monitor compliance with permanent or multiannual measures of implementation provided in the Remedial Report (maintenance of the perchlorethylene consumption under 1 tonne/year, for each location, so as to comply with the provisions of GD No. 699/2003 on establishing certain measures for decreasing emissions of volatile organic compounds resulting from the use of organic solvents in certain activities and installations, locating industrial units at safe distances from protected receivers;
- Reducing fugitive emissions in the areas with calibration tanks, metallic tanks and concrete reservoirs for temporary storage of reservoir waters – by equipping the tanks with ecologic dispersion systems;
- Periodic payment of the contribution towards the “Closing Fund”, until reaching the value of mandatory provision, for the Ogra specific waste facility, supervising the annual monitoring frequency for Dumbravioara drilling waste facility, closed in 2003 etc.;
- Planning and organizing the internal environmental inspection activity in order to verify compliance with the legal requirements applicable to inspected activities.

Romgaz headquarters environmental inspectors planned in 2021 36 internal environmental inspections, while 32 were actually conducted due to national pandemic circumstances and company-level circumstances, at the authorized units of branches. Thus, Romgaz activity complies with the applicable legal environmental requirements, the conformity degree identified following the implementation of a procedural assessment method for 2021 being 99%, representing a very good value indicating potential for reaching 100%;

- Assessing the conformity level regarding environmental protection requirements and contractual requirements of contractors and subcontractors of drilling works contracted by Romgaz in 2021;
- Accomplishing the actions/measures programs for prevention and/or limitation of the impact on the environment for 2020, by modernizing the reservoir water storages, mounting waste water systems, transforming abandoned wells in reservoir water injection wells etc.

In 2021, the Environmental Guard and the Water Basins Administrations carried out 39 inspections at Romgaz locations.

Following the inspection carried out at well 23 Jugureanu (located on the shore of lake Vultureni, in Vultureni, Ciresu commune, Braila county) by Environmental Guard commissioners found that the lake shore, where the well is located, was consolidated against corrosion with concrete blocks and this caused degradation of the lake bank soil. Targu Mures Branch was fined for non-compliance with effective environmental legislation according to art 68 of GEO No.195/2005 on environmental protection, with the amount of RON 15,000. The well was drilled in 1965, consolidation works were performed around that date when the well was brought in production (January 1969). The fine was paid as there were no legal grounds to challenge it.

#### *CO<sub>2</sub> Certificates - SPEE Iernut*

By GD No. 1096/2013 on approving the mechanism for the free of charge transitory allocation of greenhouse gas emissions certificates to electric power producers for 2013-2020, including the National Investment Plan (NIP), the Romanian Government intends to finance replacement of old thermoelectric installations from a fund supplied from sales of greenhouse gas emissions certificates, investments receiving a non-reimbursable funding of 25% of the value of eligible expenses based on financing contracts, within available funds, according to the order of financing request and approval.

By means of Annexes:

- Annex No. 1: provides the eligible installations for free of charge transitory allocation and the number of annually allocated certificates for 2013-2020;
- Annex No. 3: National Investment Plan beneficiaries,

Romgaz is included in the above mentioned annexes and, in 2017, launched the investment from the National Investment Plan.

Therefore, pursuant to Annex No.1 of the Order, free of charge transitory allocation of certificates is made for the period between 2016-June 30, 2019, while in 2020 free of charge transitory certificates are no longer allocated.

In order to comply with the legal requirements of GD No. 780/2006, updated (article 8, letter e) the requirement to reimburse, by April 30 of the year following the year for which greenhouse gas emissions were monitored, a number of greenhouse gas emission certificates equal to the total number of emissions from such installations. For 2021, CO<sub>2</sub> emissions equal 378,841 tons which is equivalent to 378,841 certificates. In order to comply with the legal requirements, SPEE Iernut has to purchase these certificates. The acquisition has to be finalized before April 14, 2022.

### **3.4.6. Occupational Safety and Health**

In 2021 the company concluded the subsequent contract no.2 to the framework agreement for purchasing additional voluntary health insurances for all employees.

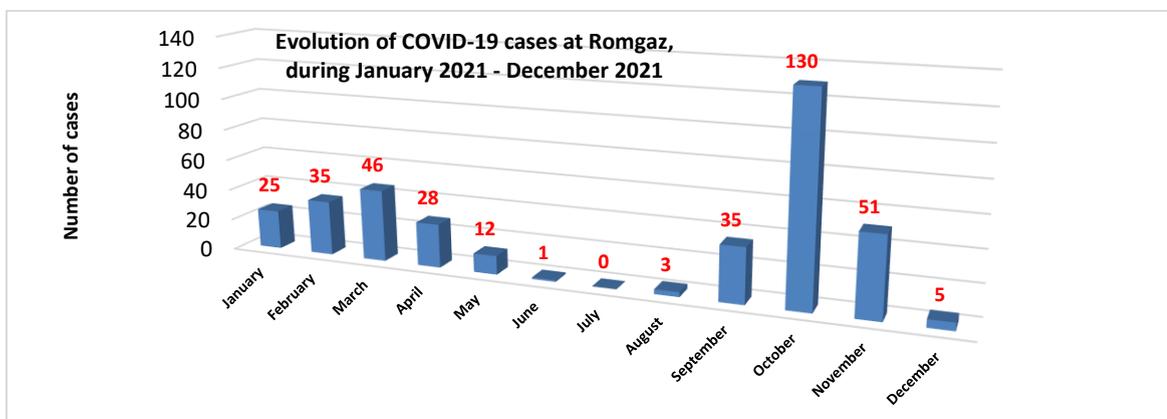
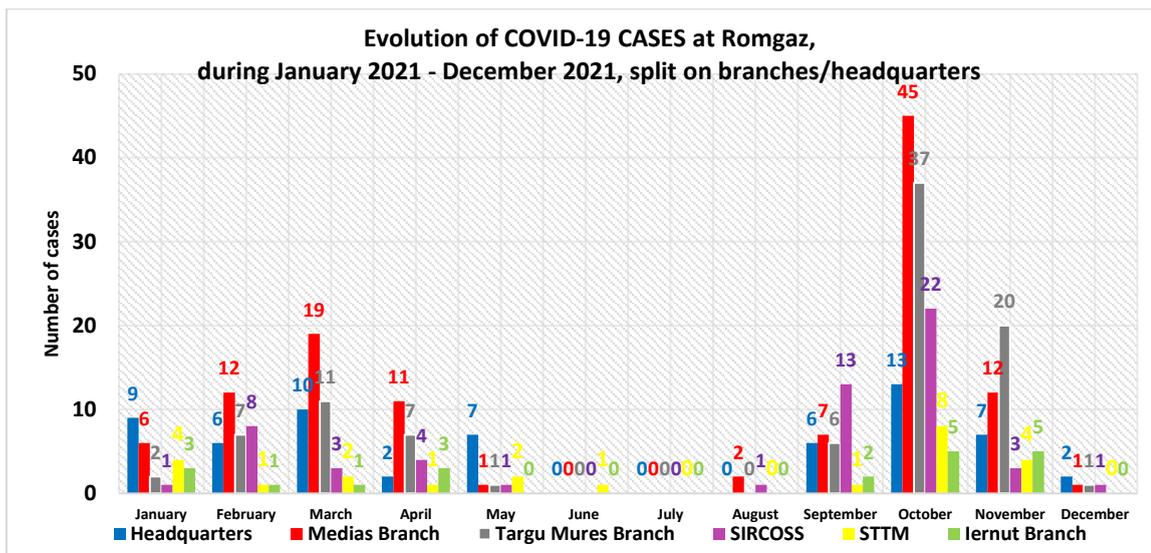
Moreover, the company concluded subsequent contracts to the framework agreements for personal protective equipment (PPE), necessary for the working personnel, namely 53 types of protective equipment.

The inspectors performed internal controls at the headquarters and the branches, checking employees training in the field of occupational safety and health, the manner of complying measures to reduce the COVID infection risk; the inspectors also distributed PPE and reviewed the necessary PPE stocks.

#### *SARS-CoV2 infections at S.N.G.N. Romgaz S.A.*

Between January 1, 2021-December 31, 12, 2021 there were 371 infections with the virus and 5 deaths.

The two charts below show the evolution of COVID-19 cases at Romgaz in 2021 split on branches and headquarters and total Romgaz cases, respectively.



The company paid and is still paying particular attention to measures for fighting against SARS-COV2, by drafting and implementing the necessary measures and procedures to minimize its impact on the company as well as by permanently carrying out inspections to verify their implementation.

In this respect, following measures were taken:

- ✓ Drawing up lists with Romgaz employees who expressed their consent to vaccination, lists which were centralized and uploaded to the national programming platform for vaccination against COVID-19;
- ✓ Purchase of disinfectant gel for hands;
- ✓ Purchase of digital infrared thermometers (no touch) to find employees with fever at the entrance in the headquarters;
- ✓ Romgaz employees were allowed to work from home between October 25, 2021-February 1, 2022;
- ✓ Daily monitoring and updating the status/condition of Romgaz employees who are isolated/in quarantine due to suspicion of or infection with SARS-CoV-2 virus.

### 3.4.7. Litigations

The summarized breakdown of litigations in which Romgaz is involved as of December 31, 2021 is the following:

- ☞ A total number of 231 litigations are recorded in company's records, out of which:
  - ✎ 121 cases where Romgaz is plaintiff;
  - ✎ 104 cases where Romgaz is defendant;
  - ✎ 6 cases where Romgaz is civil party/injured party;
- ☞ The total value of litigations is RON 1,754,358,712.28;
- ☞ The (approximate) total value of the files where Romgaz is plaintiff (including injured party and third party garnishee) is RON 1,336,601,257.02
- ☞ The (approximate) total value of the files where Romgaz is defendant is RON 131,412,508.71;

The (approximate) total value of the files where Romgaz is civil party is RON 286,344,946.55. The detailed list of litigations can be viewed on Romgaz website [www.romgaz.ro](http://www.romgaz.ro) → Investor Relations → Annual Reports → 2021.

### 3.4.8. Legal Acts concluded under GEO No. 109/2011 Article 52

The table below shows the contracts concluded under art.52, para (1) and (3) of GEO No.109/2011:

Contracting party	Number and date of the legal act	Scope of contract	Estimated value (RON)	Deadline and payment methods	Mutual receivables	Warranties set up for contract	Penalties	Cumulated contract value (VAT inclusive)
Electrocentrale București SA	Addendum no.14/01.10.2021 to Contract no.8/2016	Gas sales (01.10.2021-30.09.2022)	2,102,633,488.70	90 days from invoice issue date	-	-	*)	4,798,774,330.73
Electrocentrale Constanța SA	Addendum no.1/30.09.2021 to Contract no.32/2020	Gas sales (01.10.2021-30.09.2022)	258,915,102.52	**)	-	-	*)	334,773,045.89
Depogaz Ploiești SRL	Contract no.VG70/26.10.2021	Gas sales (01.01.2022-31.12.2022)	37,074,549.96	Due date 30 days from invoice issue date	-	-	0.10%/day	37,074,549.96
CET Govora SA	Contract no.VG32/31.08.2021	Gas sales (01.10.2021-30.09.2022)	46,948,694.84	**)	-	-	0.10%/day	46,948,694.84
U.M. 0929 București (contracting authority)	Framework agreement no.62/31.08.2021 and Addendum no.1/28.12.2021	Subsequent gas sales (01.09.2021-31.08.2022)	12,044,198.01	Monthly invoices due at 15 days from issue date	-	-	0.10%/day	12,044,198.01
Termoficare Oradea SA	Contract no.VG 71/29.10.2021	Gas sales (01.11.2021 – 01.10.2022)	408,023,481.25	**)	-	-	0.10%/day	408,023,481.25
Termo Calor Confort SA Pitești	Contract no.VG 31/31.08.2021	Gas sales (01.10.2021 – 01.10.2022)	73,916,718.62	**)	-	-	0.10%/day	73,916,718.62
SC Modern Calor SA	Contract no.VG30/31.08.2021	Gas sales (01.10.2021-30.09.2022)	44,462,323.38	**)	-	-	0.10%/day	44,462,323.38
Depogaz Ploiești SRL	Contract no.773/01.04.2021	***)	63,498,400.00	15 days from invoice issue date	-	-	-	63,498,400.00
Depogaz Ploiești SRL	Addendum no.1/01.09.2021 to Contract no.773/2021	***)	5,556,110.00	-     -	-	-	-	69,054,520.71
Depogaz Ploiești SRL	Addendum no.2/01.10.2021 to Contract no.773/2021	***)	13,493,410.00	-     -	-	-	-	82,547,930.71
Depogaz Ploiești SRL	Addendum no.3/01.11.2021 to Contract no.773/2021	***)	-	-     -	-	-	-	82,547,930.71
Depogaz Ploiești SRL	Addendum no.4/01.12.2021 la Contract no.773/2021	***)	-	-     -	-	-	-	82,547,920.00
SNTGN Transgaz SA	Addendum no.01-23/2021 la Contract no.90/2020	PSTA <sub>E</sub>	14,132,205.61	15 days from invoice issue date	-	1,574,558.93	*)	31,118,862.47
SNTGN Transgaz SA	Addendum no.01-23/2021 to Contract no.125T/2020	PSTT <sub>I</sub> (01.01.2021 - 01.04.2021)	11,504,146.50	-     -	-	3,834,715.50	*)	19,146,297.58
SNTGN Transgaz SA	Contract no.439L/20.01.2021	PSTL <sub>I</sub> (01.02.2021 - 01.03.2021)	857,157.00	-     -	-	857,157.00	*)	857,157.00
SNTGN Transgaz SA	Contract no.441L/20.01.2021 - Addendum no.01-25/2021	PSTL <sub>E</sub> (01.02.2021 - 01.03.2021)	289,004.35	-     -	-	289,004.35	*)	165,495.69
SNTGN Transgaz SA	Contract no.520L/17.02.2021	PSTL <sub>I</sub> (01.03.2021 - 01.04.2021)	175,965.30	-     -	-	175,965.30	*)	175,728.79
SNTGN Transgaz SA	Contract no.521L/17.02.2021	PSTL <sub>E</sub> (01.03.2021 - 01.04.2021)	60,794.72	-     -	-	60,794.72	*)	39,198.20
SNTGN Transgaz SA	Contract no.153T/09.02.2021	PSTT <sub>E</sub> (01.04.2021 - 01.07.2021)	1,331,967.00	-     -	-	443,989.00	*)	383,346.60
SNTGN Transgaz SA	Contract no.605L/17.03.2021 - Addendum no.01-23/2021	PSTL <sub>E</sub> (01.04.2021 - 01.05.2021)	534,728.88	-     -	-	534,728.88	*)	313,838.11

Contracting party	Number and date of the legal act	Scope of contract	Estimated value (RON)	Deadline and payment methods	Mutual receivables	Warranties set up for contract	Penalties	Cumulated contract value (VAT inclusive)
SNTGN Transgaz SA	Contract no.616L/21.04.2021 - Addendum no.01-02/2021	PSTL <sub>E</sub> (01.05.2021 - 01.06.2021)	1,697,460.15	-     -	-	1,697,460.15	*)	541,215.81
SNTGN Transgaz SA	Contract no.695L/19.05.2021	PSTL <sub>E</sub> (01.06.2021 - 01.07.2021)	1,640,107.98	-     -	-	1,640,107.98	*)	471,011.52
SNTGN Transgaz SA	Contract no.174T/12.05.2021 - Addendum no.01-32/2021	PSTT <sub>E</sub> (01.07.2021 - 01.10.2021)	6,030,158.40	-     -	-	2,010,052.80	*)	1,723,878.03
SNTGN Transgaz SA	Contract no.781L/21.07.2021	PSTL <sub>E</sub> (01.08.2021 - 01.09.2021)	109,164.89	-     -	-	109,164.89	*)	50,996.74
SNTGN Transgaz SA	Contract no.836L/18.08.2021 - Addendum no.01-02/2021	PSTL <sub>E</sub> (01.09.2021 - 01.10.2021)	212,647.05	-     -	-	212,647.05	*)	103,890.71
SNTGN Transgaz SA	Contract no.84/20.08.2021 - Addendum no.01-11/2021	STA <sub>E</sub>	5,722,980.55	-     -	-	1,892,108.60	*)	11,321,409.18
SNTGN Transgaz SA	Contract no.18/20.08.2021	PSTA <sub>I</sub>	33,230,033.05	-     -	-	10,986,378.68	*)	45,601,607.52
SNTGN Transgaz SA	Contract no.43T/20.08.2021	PSTT <sub>I</sub> (01.10.2021 - 01.01.2022)	2,305,648.80	-     -	-	768,549.60	*)	2,306,693.03
SNTGN Transgaz SA	Contract no.44T/20.08.2021	PSTT <sub>E</sub> (01.10.2021 - 01.01.2022)	670,805.86	-     -	-	223,601.95	*)	537,097.75
SNTGN Transgaz SA	Contract no.49L/22.09.2021 - Addendum no.01-18/2021	PSTL <sub>E</sub> (01.10.2021 - 01.11.2021)	260,669.90	-     -	-	260,699.90	*)	297,073.54
SNTGN Transgaz SA	Contract no.132L/20.10.2021 - Addendum no.01-04/2021	PSTL <sub>E</sub> (01.11.2021 - 01.12.2021)	759,644.33	-     -	-	459,644.33	*)	752,420.61
SNTGN Transgaz SA	Contract no.130L/20.10.2021	PSTL <sub>I</sub> (01.11.2021 - 01.12.2021)	723,496.20	-     -	-	723,496.20	*)	723,496.20
SNTGN Transgaz SA	Contract no.204L/17.11.2021 - Addendum no.01-04/2021	PSTL <sub>E</sub> (01.12.2021 - 01.01.2022)	1,464,174.43	15 days from invoice issue date	-	1,464,174.43	*)	1,201,616.49
SNTGN Transgaz SA	Contract no.203L/17.11.2021	PSTL <sub>I</sub> (01.12.2021 - 01.01.2022)	2,548,730.10	-     -	-	2,548,730.10	*)	2,548,730.10
SNTGN Transgaz SA	Contract No.46/20.08.2021	SE	-	-     -	-	1,000.00	*)	-
SNTGN Transgaz SA	Contract No.48-RBP/30.12.2021	PSTPI	-	-     -	-	-	*)	-

\*) – at the level of late payment penalties due for failure to pay budgetary obligations on due date.

\*\*) - Advance. Settlement invoice at 30 days from issue date.

\*\*\*) – Provision of underground gas storage services.

**Where:**

- PSTA<sub>I</sub> Provision of annual gas transmission services in NTS entry points;  
PSTA<sub>E</sub> Provision of annual gas transmission services in NTS exit points;  
PSTT<sub>I</sub> Provision of quarterly gas transmission services in NTS entry points;  
PSTT<sub>E</sub> Provision of quarterly gas transmission services in NTS exit points;  
PSTL<sub>I</sub> Provision of monthly gas transmission services in NTS entry points ;  
PSTL<sub>E</sub> Provision of monthly gas transmission services in NTS exit points;  
SE balancing differences between gas entry/exit into/from NTS;  
PSTPI Provision of gas transmission services (in interconnection points).

## IV. GROUP'S TANGIBLE ASSETS

### 4.1. Main Production Facilities

The occurrence and thereafter the development and gradual diversification of what was truly going to be the Romanian natural gas infrastructure has an important benchmark, **year 1909**, when the first gas reservoir was discovered by drilling well 2 Sarmasel (Mures County).

During the immediately following years, a gas infrastructure unique in Europe for those times started to outline at a small scale, consisting of the following assets:

- gas transmission pipeline, the first of this kind in Europe, built in 1914, connecting towns Sarmasel and Turda (Cluj County), and
- gas compressor station from Sarmasel; built in 1927- the first one in Europe.

It is notable that the country's large gas structures were discovered after 1960 and in parallel, a complex infrastructure started to be developed, at national scale, dedicated exclusively to the gas extraction process and later to the injection and underground storage process. These large gas structures located in the Transylvanian basin supply considerable gas quantities even today.

### Exploitation of Natural Gas Reservoirs

The infrastructure related to exploitation of natural gas reservoirs is a particularly complex system today that needs to ensure continuous gathering, transmission, conditioning and metering of gas produced by wells ensuring continuously the quality parameters provided in applicable regulations.

As a whole, the infrastructure of the company developed continuously upon discovery and exploitation of new reservoirs. The maximum intensity of the rate of development of production capacities was reached between 1970-1980, when the annual production was extremely high both due to the consumption demand in those times and to the great volumes of resources and reserves in most of the newly discovered gas fields.

Production capacities of company's infrastructure are summarized as follows:

1. natural gas production wells and wells for reservoir water injection;
2. gathering pipelines connecting wells and well clusters;
3. collecting pipelines connecting well clusters and the NTS;
4. Gas heaters (radiators);
5. Underground and surface gas separators;
6. Flow metering panels (for technological and fiscal metering located at the interface with the NTS);
7. Gas dehydration (conditioning) stations;
8. Gas compressor units:
  - low capacity portable compressors installed at the well head or at the well cluster;
  - booster compressors for one or more gas fields;
  - gas compressor stations, usually consisting of two or more high capacity compressor units, which can be intermediate or final compressor stations (entry in the NTS);
9. Industrial or reservoir water pumping stations;
10. Other facilities (buildings, workshops, storehouses, electric lines, well access roads etc.).

Utilisation of production capacities depends on gas sales volume, generally being close to 100%.

In order to keep these production capacities in operation, under safety and efficiency conditions, Romgaz carries out extensive and continuous efforts focused on workover and special operations in wells, maintenance and rehabilitation of pipes, maintenance and modernisation of gas compressor stations and dehydration stations as well as of commercial (fiscal) gas delivery panels.

In 2021, Romgaz carried out petroleum operations in 136 gas fields out of which 124 are well defined blocks and the rest of 12 are gas fields with experimental production.

Production from these fields is obtained through more than 3,000 wells and through almost the same number of surface facilities consisting mainly of gathering pipelines, gas heaters (where applicable), liquid separators and gas flow technological metering panels.

Pressure and flow rate limits of production wells are maintained by 16 compressor stations (in which 83 compressor units are installed), 17 booster compressors and 9 well cluster compressors.

One technical demand required by applicable laws is the quality of gas, which is 100% fulfilled by means of 66 gas dehydration stations.

## Underground Gas Storage

Depogaz holds Licence No. 1942/2014 for the operation of five underground gas storages, developed in depleted gas fields, their aggregate capacity representing about 90.5 % of the total storage capacity of Romania.

The capacity of the underground gas storages operated by Depogaz, by storages, is shown in the table below:

UGS	Active capacity		Withdrawal capacity		Injection capacity	
	[mil.ScM/cycle]	[TWh/cycle]	[mil.ScM/cycle]	[GWh/day]	[mil.ScM/cycle]	[GWh/day]
Bălăceanca	50	0.545	1.2	13.080	1.0	10.900
Bilciurești	1,310	14.214	14.0	151.900	10.0	108.500
Ghercești	150	1.602	2.0	21.360	2.0	21.360
Sărmășel	900	9.522	7.5	79.350	6.5	68.770
Urziceni	360	3.953	4.5	49.410	3.0	32.940
<b>Total</b>	<b>2,770</b>	<b>29.836</b>	<b>29.2</b>	<b>315.100</b>	<b>22.5</b>	<b>242.470</b>

### 1. Balaceanca UGS

Balaceanca UGS is located at approximately 4 km from Bucharest.

The fixed assets contributing to the storage process are as follows:

- ↳ 24 wells of which 21 injection/withdrawal wells and 3 piezometric wells;
- ↳ surface infrastructure includes:
  - Balaceanca gas compressor station;
  - 8.73 km collecting pipelines;
  - 1.07 km gathering pipelines;
  - 4 separators;
  - 4 technological gas metering panels;
  - 15 gas heaters;
  - communication system and fibre-optic data acquisition system;
  - 1 bi-directional fiscal metering system.

### 2. Bilciuresti UGS

Bilciuresti UGS is located in Dambovita County, approximately 40 km W-NW of Bucharest.

The fixed assets contributing to the storage process are as follows:

- ↳ 61 wells of which 57 injection/withdrawal wells, 3 piezometric wells, 1 waste water injection well;
- ↳ surface infrastructure includes:
  - Butimanu gas compressor station;
  - 6 gas dehydration stations;
  - 26.6 km gathering pipelines for 57 injection/withdrawal wells;
  - 31.7 km gathering pipelines and fittings;
  - 50 gas heaters;
  - 20 impurities separators;
  - 14 technological gas metering panels;
  - 37.5 km gathering pipelines;
  - bi-directional fiscal metering system;
  - waste-water injection station.

### 3. Ghercesti UGS

Ghercesti UGS is located in Dolj County, near Craiova.

The fixed assets contributing to the storage process are as follows:

- ↳ 85 wells, out of which 79 active wells and 6 piezometric wells;

- ↪ surface infrastructure includes:
  - 1 gas dehydration station;
  - 135.7 km gathering pipelines for 79 injection/withdrawal wells;
  - 22.7 km gathering pipelines;
  - 13 separators;
  - 12 technological gas metering facilities;
  - communication system and fibre-optic data acquisition system;
  - bi-directional fiscal metering system.

#### 4. Sarmasel UGS

Sarmasel UGS is located near Sarmasel, approximately 35 km NW of Tirgu-Mures, 35 km north of Ludus and 48 km east of Cluj-Napoca.

The fixed assets contributing to the storage process are as follows:

- ↪ 63 wells, out of which 63 active wells;
- ↪ surface infrastructure includes:
  - Sarmasel gas compressor station;
  - 3 dehydration stations;
  - 26.9 km gathering pipelines for 63 wells;
  - 15.8 km gathering pipelines;
  - 59 impurities separators;
  - bi-directional fiscal metering system.

#### 5. Urziceni UGS

Urziceni UGS is located in Ialomita County approximately 50 km NE of Bucharest.

The fixed assets contributing to the storage process are as follows:

- ↪ 32 wells of which 30 injection/withdrawal wells and 2 piezometric wells;
- ↪ surface infrastructure includes:
  - Urziceni gas compressor station;
  - 20.7 km of collecting pipelines for 30 injection/withdrawal wells;
  - 3.3 km of collecting pipelines;
  - 6 technological gas metering facilities;
  - 30 gas heaters;
  - 1 gas dehydration station;
  - optic fibre data acquisition system;
  - bi-directional fiscal metering system.

### Workover and Special Operations

*Well workover, recompletions and well production tests* represent all the services performed with workover rigs, as well as equipment for specific support operations such as: cement plug drilling installations, mud tank equipped with agitator, sand control-sand blender, DST- cased hole testing of productive layers, shale shaker, mud pumps.

*Special Well Operations* are performed with the following equipment: cementing unit, slickline, wireline, coiled tubing unit, liquid nitrogen converter, liquid nitrogen tank truck, cement container, filter unit, equipment for discharge and measurement with two-phase separation, equipment for discharge and measurement with three-phase separation, equipment for tubing investigation, echometer, tubing cutting, packer assembling device, hydraulic packer recovery tool, well fire-fighting equipment.

Future well workover and special well operations are required in order to stop production decline, taking into consideration the continuous need for such works and the large number of works performed in the past.

### Transportation and Maintenance

On **December 31, 2021**, the car fleet of STTM consists of **716** motor vehicles as follows:

- passenger carriers: cars **92**, minibuses **15**, buses **2** and large buses **2**;
- passengers and goods utility cars - **211** are < than 3.5 t and **13** are > than 3.5 t;

- vehicles for goods transportation: dumpers **22**, cesspit emptier **42**, platform trucks **28**, tank trucks **3**;
- vehicles for heavy transportation: truck-tractors **3** and semitrailer trucks **17**;
- lifting and handling machinery: auto cranes **25** and hook and ladder trucks **5**;
- other special vehicles: mobile laboratory for equipment testing and checking **1**;
- heavy machinery: bulldozers **8**, caterpillar shovels **2**, tyre shovels **2**, wheel loaders **15**, motor grader **3**, compactor **3**, front end loaders **12**;
- other machinery: tractor trucks **95**, fork lift trucks **11**, motorized cleaning vehicles **3**;
- other vehicles: trailers for heavy transportations, trailers and semitrailers for tractors **81**.

Considering the dynamics of gas exploration – production activity performed by Romgaz, in order to achieve the activities on medium term (approx. 5 years) the perspective to develop STTM must be achieved by permanently determining methods and measures resulting from the provision of quality services and in terms of economic efficiency.

Out of the **716** vehicles existing in STTM fleet on **December 31, 2021**:

- **22** motor vehicles were approved to be put out of service;
- **34** motor vehicles are proposed to be put out of service.

## Electricity Generation

**CTE Iernut** is an important junction point of the NPG (the National Power Grid), located in the centre of the country, in Mures County, on the left bank of Mures River, between towns Iernut and Cuci, with gas and industrial water sources and power discharge facilities.

CTE Iernut is operated by Romgaz through *Sucursala de Productie Energie Electrica* (SPEE).

CTE Iernut has an installed power of 800 MW and comprises 6 power units: 4 100 MW units of Czechoslovakian manufacturing and 2 200 MW units of Soviet manufacturing. These units were commissioned between 1963 and 1967. Taking in consideration the start of investment works at the 430 MW CCGT Power Plant and the necessity to ensure appropriate conditions for the execution of works at the related cooling circuit, unit 6 of 200 MW was decommissioned in November 2019.

In January 2019, units 2 and 3 of 100 MW were decommissioned followed by unit 1 (of 100 MW) in November 2019; all units were decommissioned on the grounds of non-compliance with the environmental conditions. Thus, at the end of 2020, SPEE Iernut had the license to commercially operate 2 power units: one 100 MW unit and one 200 MW unit. In 2021, SPEE Iernut operated with energy group 5 of 200MW, energy group 4 of 100 MW was withdrawn from operation due to non-compliance with NOx emission limits, provided by effective regulations.

**Cojocna Project** is an outcome of the pressing need of finding ways to experimentally produce from a series of wells resulted from exploratory drilling, in order to determine, as detailed as possible, the production potential of such area. The wells are located far from each other and from the National Transmission System (NTS).

Therefore, gas from wells Palatca 1, Vaida 1 and 2 is used as fuel gas for 2 x 1.5 MW electric power generation units.

## 4.2. Investments

Investments play an important part in maintaining production decline which is achieved both by discovering new reserves and by improving the current recovery rate through rehabilitation, development and modernization of existing facilities.

In 2021, **Romgaz Group** invested RON 459.32 million, 27.93% (RON 177.98 million) lower than 2020 investments representing approximately 34% of the scheduled investments.

**The Company** invested RON 3.82 billion during 2017-2021, as follows:

Year	2017	2018	2019	2020	2021	Total
Value (RON thousand)	781,768	1,150,349	866,218	601,800	417,658	3,817,793

For 2021 Romgaz forecasted the achievement of an investment program with a total budget of RON 1,292.5 million, based mostly on objectives aiming to compensate natural decline and to generate electricity, such as:

- Continuation of geological research works by performing new exploration drillings for the discovery of new gas reserves;

- development of production potential by adding new facilities on existing structures (drilling of production wells, surface facilities, dehydration stations, compressor stations, compression in gas fields), improving the performance of facilities and equipment to increase operational safety, reducing energy consumption and optimising gas field production;
- modernization and upgrading of constructions, installations and equipment, as well as acquisition of new equipment and high-performance facilities specific to the core activity;
- procurement of specific machinery to ensure the technological transportation and maintenance of core activities and maintaining road infrastructure in gas fields in optimal conditions.

In absolute figures, the investment costs for 2021 reached RON 417,658 thousand, representing:

- ↳ 69.5% as compared to the achievements in 2020;
- ↳ 32.3% of the scheduled level.

The investments were financed as follows:

- from own sources and sources obtained from the National Investment Plan (approx. 22% from eligible expenses) for "The Development of CTE Iernut Power Plant by Building a New Combined Cycle Gas Turbine Power Plant"; and
- exclusively from own sources for the other approved investment objectives.

As regards physical achievements for the analysed period, the objectives initiated in the previous year were achieved, and preparatory works were carried out (design, obtaining lands, approvals, agreements, authorizations/permits, acquisitions). The Company started the works for part of the new objectives and performed modernisation works and repairs that can be capitalized at the producing wells.

The value of fixed assets commissioned during the reporting period was RON 350.09 million.

Table below shows the investments made in 2021, as compared to those scheduled and accomplished in 2020 and is similar to Annex 4 to the Income and Expenditure Budget:

\*RON thousand\*

Item No.	Investment Chapter	2020	2021		% 2021/2020
			Program	Achieved	
0	1	2	3	4	5=4/2x100
<b>1.</b>	<b>Investments in progress – total, out of which:</b>	204,843	187,839	78,688	38.41
1.1	Natural gas exploration, production works	203,990	180,528	76,854	37.68
1.2	Maintaining UGS capacity	0	0	0	0.0
1.3	Environmental protection works	853	7,311	1,834	215.01
<b>2.</b>	<b>New investments – total, out of which:</b>	<b>105,196</b>	<b>143,702</b>	<b>65,462</b>	<b>62.23</b>
2.1	Natural gas exploration, production works	105,000	135,847	64,767	61.68
2.2	Maintaining UGS capacity	0	0	0	0.00
2.3	Environmental protection works	196	7,855	695	354.59
<b>3.</b>	<b>Investment in existing tangible assets</b>	<b>206,677</b>	<b>319,170</b>	<b>222,957</b>	<b>107.88</b>
<b>4.</b>	<b>Equipment (other acquisitions of tangible assets)</b>	<b>77,270</b>	<b>128,727</b>	<b>46,415</b>	<b>60.07</b>
<b>5.</b>	<b>Other investments (studies, licenses, software, financial assets etc.)</b>	<b>7,814</b>	<b>513,062</b>	<b>4,136</b>	<b>52.93</b>
<b>*</b>	<b>TOTAL</b>	<b>601,800</b>	<b>1,292,500</b>	<b>417,658</b>	<b>69.40</b>

Table below shows the achieved investments according to Romgaz Investment Program for 2021:

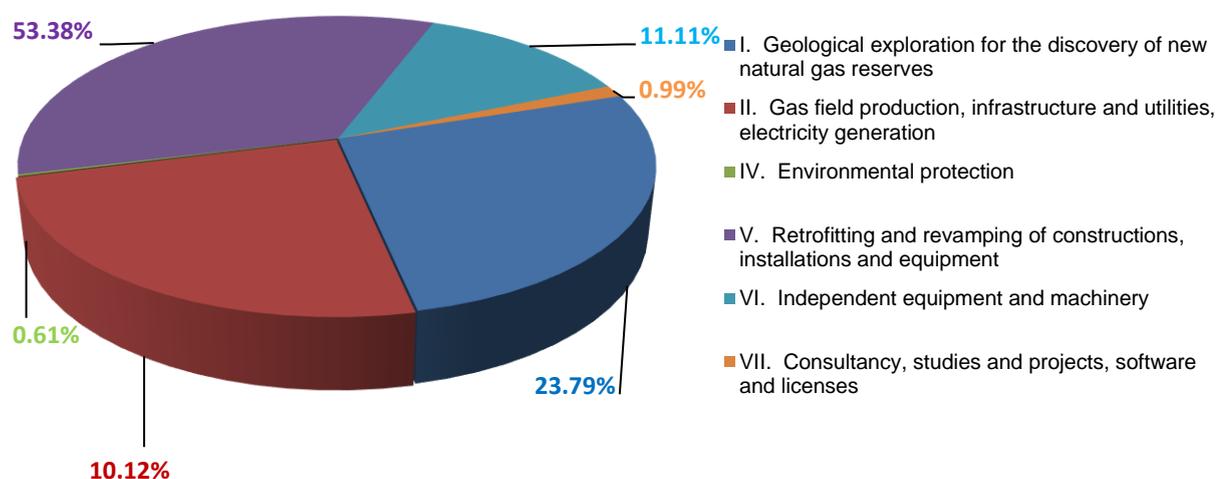
\*RON thousand\*

Investment Chapter	Program 2021	Achieved on December 31, 2021	%
<b>I. Geological exploration works to discover new gas reserves</b>	149,057	99,360	66.66%

\*RON thousand\*

Investment Chapter	Program 2021	Achieved on December 31, 2021	%
II. Exploitation drilling works, putting into production of wells, infrastructure and utilities and electricity generation	167,318	42,261	25.26%
IV. Environmental protection works	15,166	2,529	16.68%
V. Retrofitting and revamping of installation and equipment	319,170	222,957	69.86%
VI. Independent equipment and machinery	128,727	46,415	36.06%
VII. Expenses related to studies and projects	513,062	4,136	0.81%
<b>TOTAL</b>	<b>1,292,500</b>	<b>417,658</b>	<b>32.31%</b>

The following chart shows the structure of investments achieved in 2021:



A summary of outcomes shows that, to a large extent, investments were completed.

Item No	Main physical objectives	Planned	Results
1.	Performance of exploration drilling	20 wells	<b>5 sonde</b> completed <b>3 sonde</b> drilling in progress <b>2 sonde</b> drilling works procurement in progress <b>5 sonde</b> drilling works procurements in preparation
2.	Drilling design	34 wells	<b>24 sonde</b> design/redesign in progress
3.	Performance of production drilling	3 wells	1 well completed 1 well drilling works in progress 1 well drilling works procurement in progress
4.	Construction of surface facilities – successfully tested gas wells to be tied-in	Construction of 30 surface facilities to bring into production 36 successfully tested gas wells to be tied-in	- 9 surface facilities completed; - 3 surface facilities in progress; - 6 surface facilities procurement of construction works in progress to bring into production 9 wells; - 11 surface facilities obtaining approvals and land in progress to bring into production 15 wells; - 10 surface facilities preparation of feasibility studies or technical projects in progress to bring into production 10 wells;

Item No	Main physical objectives	Planned	Results
5.	Well recompletion operations, reactivation and capitalizable repairs	approx. 160 wells, correlated with the annual program agreed by ANRM	Workovers in 162 wells, works performed in-house by SIRCOSS
6.	Acquisition of high-performance equipment and installations specific to the core activity	Nitrogen tank truck; 700 bar three-phase gas discharge, metering and separation system; ACF 700 cementing units ; Well parameters automatic measurement equipment ; 1 ½ x 3500 m coiled tubing unit; 7 9/16 x 700 bar and 7 9/16 x 350 bar etc. blow out preventers.	Acceptance: Multifunctional wheeled excavator Well parameters automatic measurement equipment Nitrogen tank truck 1 ½ x 3500 m Coiled tubing unit
7.	Electricity generation	Continuing works at CTE lernut	Connection tariff to the electricity grid was paid. Works execution contract was terminated. Solutions are being sought to finalize the investment.

## 8. Partnerships

Planned	Achieved
<b>Raffles Energy SRL:</b> - land preparation and obtaining authorizations for well 1 Voitineli; - acquisition of generator for well 1 Voitineli; - surface facilities;	- EIII-1 Brodina Block – Bilca Gas Area Through Bilca E III-1 Group processing facilities only the gas processing activity was carried out, gas entirely coming from Suceava block, titleholder Raffles. - EIII-1 Brodina Block – Non Bilca Gas Area Completion of putting into production well 1 Voitineli in progress in accordance with the legislative changes made by the European Commission and transposed in the Romanian legislation by means of ANRE Order No. 208/2018 and No. 5/2019, namely the conditions that the motor-generator group needs to meet for the Gas to Power facility. - Bacau Block The operating mode of the electricity generator well 1 Lilioci was established. The time intervals correspond to maximum prices for selling electricity on PZU platform. In 2021, the generator operated in accordance with the projected schedule with short interruptions due to maintenance.
<b>Lukoil:</b> - restoration and expert examination of the economic model of the Project in order to prepare for making the investment decision regarding continuation of works within the block	- By means of Confirmation no. 13215/September 29, 2021 ANRM approved the evaluation-confirmation of gas resources of LIRA structure for a period of 5 years
<b>Amromco:</b> - drilling wells; - surface facilities; - well recompletion operations; - well abandonment expenses	- Well 122 Balta Albă was drilled with negative results; well is proposed for abandonment; - Well 120 Frasin-Brazi – recompletion works were carried out; - Well 206 Bibești - recompletion works were carried out; - wells were abandoned and the surface facility was demolished in fields for which the concession was relinquished
<b>Slovakia:</b> - Romgaz Board of Directors approved dissolution of Bratislava Branch	- the branch was closed on December 31, 2021.

### 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 case, in the field of electricity generation, Romgaz planned to have “*a more efficient activity by making investments to increase the efficiency of Iernut Thermoelectric Plant to a minimum of 55%, complying with the environmental requirements (NOx, CO<sub>2</sub>) and increasing the operational safety*”.

Therefore, a very important objective is “*The Development of CTE Iernut by building a new combined cycle gas turbine power plant*”, with a deadline for completion the end of 2020.

In 2021, pursuant to the notice of termination no. 10872/April 02, 2021, Romgaz decided to terminate the Contract of Works no.13384/October 31, 2016 between Romgaz and DURO FELGUERA S.A. and ROMELECTRO S.A Consortium, considering the continuous breach of contractual obligations undertaken by the Consortium which failed to finalise works within the deadline established under Addendum No. 15/May 26, 2020, namely December 26, 2020.

Romgaz further undertook all necessary steps to identify optimum solutions to finalise remaining works:

- Protocol no.11418/April 08, 2021 and addenda no. 1-4 thereto successively suspending the effects of the notice of termination until June 16, 2021;
- Actual termination of the Contract of Works following the failed negotiations between the parties as of June 17, 2021;
- Decision no. 833/August 08, 2021 appointing a Project Management Team (PMT) to finalise this complex project establishing the specific tasks of the PMT as well as other necessary and useful tasks for the Completion of Combined Cycle Gas Turbine Power Plant SNGN ROMGAZ – SPEE Iernut project (managing all necessary activities, partial acceptance of works performed under Contract No. 133843/October 31, 2016, drawing up the Tender Book and the tender documents for awarding the Consultancy, Project Management and Supervision Services Contract, identification of procurement procedures, drafting all documents and documentations necessary to finalize remaining works).

The main reasons causing delays in meeting the objectives included in the 2021 Investment Program, with a direct impact on the achievements were the following:

- Failure to pay the advance payment for Neptun Deep Partnership – Acquisition of Exxon Mobile Exploration and Production Romania Limited shares;
- Tenders submitted in some procurement procedures exceeded the estimated/budgeted value of the investment objectives, requiring resumption of the procurement procedures;
- Completion of certain procurement procedures was lagged/delayed;
- Late delivery of certain fixed assets (independent machinery and specific equipment);
- Capitalizable repair works performed with delay (delay penalties are charged);
- Lukoil Partnership – it was decided not to enter phase two which included drilling of two wells;
- Delays in finalizing the contract due to the COVID-19 pandemic for the “*MAIS, BI, Hyperion configuration, programming services*” objective;
- Delays in carrying out activities in relation to institutions that grant approvals and in supplying import materials (tubing) – as a result of Covid 19 pandemic;
- Failure to conclude or conclusion with additional deadlines compared to the planned ones of contracts for renting/purchasing lands due to legislative changes and lack of property deeds (delayed deadlines for decisions concerning land removal from agricultural use – Ministry of Agriculture);
- Conduct of redesigning activities on a prolonged period (for certain production units) and delays in the acquisition of drilling works – due to challenges submitted by bidders;
- Difficulties in obtaining construction permits for certain objectives (e.g. well 9 Urziceni, well 2 Linia Dealului, well 3 Ștefănești, Merii gathering pipeline - Ialomița County);
- Interruption of works carried out for „*The Development of CTE Iernut by Building a New Combined Cycle Gas Turbine Power Plant*” project generated by the differences between contractual partners which led to contract termination;
- Decision of the executive management to reconsider the portfolio of exploration wells under different preparatory stages following internal researches coordinated by the Exploration-Appraisal Department, reconsideration of geological assumptions and rethinking of the exploration strategy by taking into consideration the contingency of exploration wells as regards key wells from the point of view of viability of geological concepts.

Investment objectives that were not achieved or that were delayed during 2021 will continue to be carried out in 2022.

In 2021, **Depogaz Subsidiary** had an approved investment program of RON 50,000 thousand and achieved investments of RON 41,665.26 thousand, representing 83.31%, as follows:

Item no.	Description	Program	Results
1.	Research activities for the discovery of new gas reserves	0	0
2.	Gas fields and UGSs exploitation, infrastructure and utilities in fields and underground storages	1,531	690.00
3.	Underground gas storage activities	500	260.00
4.	Environmental protection and improvement	0	0
5.	Modernisation and upgrading of installations and equipment, surface facilities, utilities	43,823	38,554.38
6.	Independent equipment and machinery	1,069	734.44
7.	Costs with consultancy, studies and projects, software, licences and patents etc.	3,077	1,416.44
<b>*</b>	<b>TOTAL</b>	<b>50,000</b>	<b>41,665.26</b>

The investments were financed entirely from own sources.

For the reporting period, fixed assets were commissioned in amount of RON 41,106 thousand.

The main objectives recording achievements in 2021 were:

- Well drilling design, Bilciurești – RON 640 thousand;
- Modernisation of gas metering system, Bilciurești UGS – RON 1,565 thousand;
- Feasibility study, Ghercești UGS – RON 521 thousand;
- Triethylene glycol dehydration station, 145 Ghercești Group – RON 34,969 thousand;
- Oil separator discharge automation, Butimanu Compressor Station – RON 600 thousand;
- Compressor suction control loop in the withdrawal cycle, Sărmășel Compressor Station – RON 505 thousand.

## V. SECURITIES MARKET

### Romgaz – company listed on Bucharest Stock Exchange and London Stock Exchange

Government Decision No. 831/2010<sup>7</sup> approved “the sale by secondary initial public offering of shares representing 15% of S.N.G.N. Romgaz S.A. share capital by the Ministry of Economy, Trade and Business Environment, through the State Ownership and Privatization in Industry Office”.

On November 12, 2013, the company was listed on Bucharest Stock Exchange (BVB) and on London Stock Exchange (LSE). As of this date, the shares of the company have been traded on the regulated market governed by BVB under the symbol “**SNG**”, and on the regulated market governed by LSE as GDRs issued by the Bank of New York Mellon (1 GDR = 1 share) under the symbol “**SNGR**”.

Table below shows a series of specific indicators, the number of shares being the same from listing to present, namely 385,422,400:

Item no.	Description	2013	2014	2015	2016	2017	2018	2019	2020	2021
1.	Market capitalization <sup>8</sup>									
	*million RON	13,178	14,018	10,483	9,636	12,064	10,714	14,299	10,830	15,031
	*million EUR	2,952	3,127	2,315	2,122	2,589	2,297	2,992	2,224	3,038
2.	Maximum price (RONi)	35.60	36.37	36.55	27.55	33.95	38.20	38.40	37.70	39.00
3.	Minimum price (RON)	33.80	32.41	26.30	21.60	25.10	27.80	27.35	25.75	28.35
4.	Year-end price (RON)	34.19	35.36	27.20	25.00	31.30	27.80	37.10	28.10	39.00
5.	Net profit per share (RON)	2.58	3.66	3.10	2.66	4.81	3.53	2.83	3.24	4.97
6.	Gross dividend per share (RON)	2.57	3.15	2.70	5.76 <sup>1)</sup>	6.85 <sup>2)</sup>	4.17 <sup>2)</sup>	1.61 <sup>4)</sup>	1.79 <sup>5)</sup>	3.80 <sup>6)</sup>
7.	Dividend yield (6./4.x100)	7.5%	8.9%	9.9%	23.0%	21.9%	15.0%	4.3%	6.4%	9.7%
8.	Exchange rate (RON/EUR)	4.4639	4.4834	4.5285	4.5411	4.6597	4.6639	4.7785	4.8694	4.9481

<sup>1)</sup> The gross dividend per share of RON 5.76 is composed of the gross dividend per share for financial year 2016 (RON 2.40 per share), the additional gross dividend (RON 1.42 per share) resulted from the distribution of retained earnings and the additional dividend (RON 1.94 per share) assigned under the provisions of Article II and III of Government Emergency Ordinance No.29/2017, distributed from the company's reserves, representing own financing sources.

<sup>2)</sup> The gross dividend per share of RON 6.85 is composed of the gross dividend per share for financial year 2017 (RON 4.34 per share), the additional gross dividend (RON 0.65 per share) resulted from the distribution of retained earnings and the additional dividend (RON 1.86 per share) assigned under the provisions of Article II and III of Government Emergency Ordinance No. 29/2017, distributed from the company's reserves representing own financing sources.

<sup>3)</sup> The gross dividend per share of RON 4.17 is composed of the gross dividend per share for financial year 2018 (RON 3.15 per share), the additional gross dividend (RON 0.08 per share) resulted from the distribution of retained earnings and the additional dividend (RON 0.94 per share) assigned under the provisions of Article 43 of Government Emergency Ordinance No 114/2018.

<sup>4)</sup> The gross dividend per share of RON 1.61 is composed of the gross dividend per share for financial year 2019 (RON 1.39 per share) and the additional gross dividend (RON 0.22 per share) resulted from the distribution of retained earnings representing the impairment value of fixed assets and the value of fixed assets and abandoned investment projects in the reporting year that were financed from “the share of expenses necessary for the development and modernisation of gas production” according to GD No. 168/1998 as subsequently amended and supplemented.

<sup>5)</sup> The gross dividend per share of RON 1.79 is composed of the gross dividend per share for the financial year 2020 (RON 1.63 per share) and the additional gross dividend (RON 0.16 per share) resulted from the distribution of retained earnings representing the impairment value of fixed assets and the value of fixed assets and abandoned investment projects in the reporting year that were financed from “the share of expenses necessary for the development and modernisation of gas production” according to GD No. 168/1998 as subsequently amended and supplemented.

<sup>6)</sup> The proposed gross dividend of RON 3.80 is composed of the gross dividend per share for the financial year 2021 in amount of RON 3.62 per share and the additional gross dividend of RON 0.18 per share resulted from the distribution of retained earnings representing the impairment value of fixed assets and the value of fixed assets and abandoned investment projects in the reporting year that were financed from “the share of expenses necessary for the development and modernisation of gas production” according to GD No. 168/1998 as subsequently amended and supplemented.

In 2021, the trading prices of shares had an oscillating evolution, generally increasing, from January when the minimum value of the period was recorded namely RON 28.35 per share (on January 05, 2021) to the end of December when the maximum value was reached in the last trading days of the year, namely December 29, 2021 and December 30, 2021 (RON 39 per share). Noteworthy is the fact that the share price of RON 39

<sup>7</sup> GD No. 831 of August 4, 2010 on the approval of the privatisation strategy by public offering of Societatea Națională de Gaze Naturale “Romgaz” – S.A. Medias and of the mandate of the public institution involved in the conduct of such process.

<sup>8</sup> Calculated based on the closing price of the last trading day of the year, namely based on the exchange rate communicated by the National Bank of Romania and valid in the last trading day of the year.

represents the maximum value of Romgaz share on Bucharest Stock Exchange during the trading period (November 2013 – December 2021).

The average price in 2021 was RON 33.03 per share the highest quarterly average being recorded during October-December, namely RON 36.12 per share. On December 30, 2021, share price was 37.08% higher than the price recorded in the first trading day of the year.

The increasing trend of the share price was mainly determined by the positive results of the activity carried out by the company in 2021, highlighted in the regular reports during the year (Q1, H1 and Q3), by the information on Romgaz' acquisition of ExxonMobil Exploration and Production Romania Limited<sup>9</sup> shares, and by the "strong buy" recommendation made by the Swiss Capital on December 6, 2021. Decreases in the share price were recorded in June 2021 (after ex-date for 2020 dividends) and November 2021, when European stock exchanges (including BVB) were affected by the discovery of a new, extremely contagious, version of SARS-CoV-2 in South Africa.

Global Depository Receipts (GDRs), traded on London Stock Exchange, recorded a similar trend, especially if we also take into consideration the evolution of USD-RON exchange rate which increased in 2021 by 10.35%.

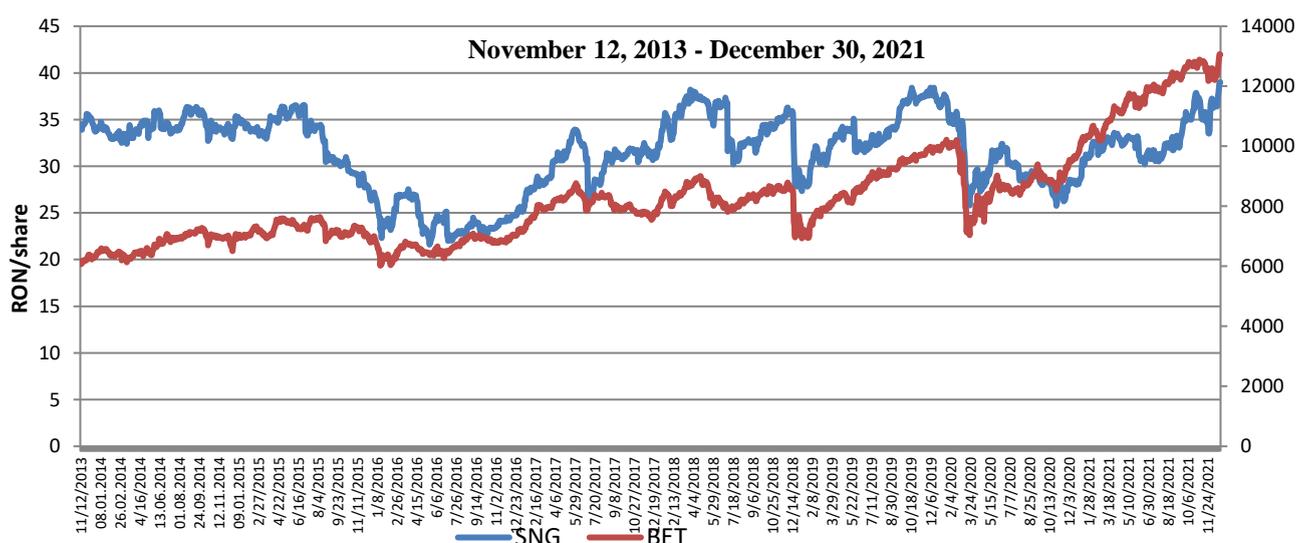
GDRs annual average price was USD 7.70 per GDR, RON 32.07 per GDR respectively, with the minimum and the maximum values of the period (in relation to USD) recorded in Q4 2021, namely USD 6.20 (RON 27.07) on December 16 (following a transaction made at the end of the daily session) and USD 8.80 (RON 38.39) on November 2.

As a result of the increase of USD-RON exchange rate in 2021, on December 31 the trading price of GDRs was USD 8.20, RON 35.84 equivalent, increasing by 17.14%, in USD and by 29.26% in RON, since the beginning of the year.

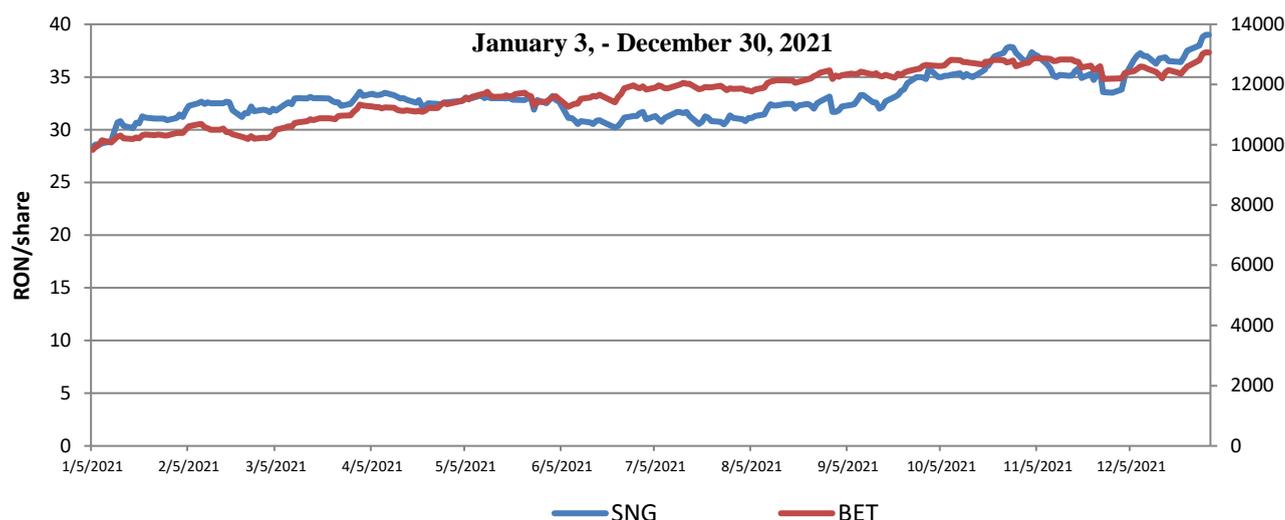
Since the listing day up to present, Romgaz has been considered an attractive company for investors and holds a significant position in the top of local issuers, being included in BVB trading indices by the end of 2021, as follows:

- Third place by market capitalization in the top of Premium BVB issuers. With a market capitalization amounting to RON 15,031.47 million, EUR 3,037.82 million respectively, on December 31, 2021, Romgaz is the third largest listed company in Romania, being preceded by OMV Petrom with a capitalization of RON 28,265.41 million (EUR 5,712.37 million) and by Banca Transilvania with a capitalization of RON 16,283.59 million (EUR 3,290.87 million);
- Fourth place as regards the total amount of transactions in 2021 in the top of Premium BVB issuers (RON 596.70 million), after Banca Transilvania, OMV Petrom and Fondul Proprietatea;
- Weight of 8.13 % and 7.98% in BET index (top 15 issuers) and BET-XT (top 25 issuers) respectively, 28% in BET-NG index (energy and utilities) and 8.13% in BET-TR index (BET Total Return).

Performance of Romgaz shares compared to BET index between listing and December 31, 2021, is shown below:



<sup>9</sup> Publication of the information on the transmission of the binding acquisition offer to Exxon, on March 31, 2021 and approval of the acquisition transaction by Romgaz Extraordinary General Meeting of Shareholders, on December 9, 2021.



## 5.1. Dividend Policy

The General Meeting of Shareholders determines the value of dividends to be distributed to shareholders considering the specific legal provisions.

Therefore, **Government Ordinance No. 64/2001**<sup>10</sup> approved by *Law No. nr.769/2001* as subsequently amended and supplemented, provides at Article 1, paragraph (1), letter f) that the accounting profit after deduction of profit tax is distributed in proportion of *minimum 50%* as dividends.

Consequently, the percentage taken into consideration in the distribution of 2021 profit as dividends was 76.48%. By way of derogation from provisions of *Law No. 31/1990* providing that the dividends must be paid no later than six months after the approval of the annual financial statements, the state-owned companies are required, according to the provisions of *Government Ordinance nr.64/2001*, to pay the due dividends to the shareholders *within 60 days* from the legal deadline for the submission of the annual financial statements to the competent fiscal authorities.

According to **Government Emergency Ordinance No. 29/2017**<sup>11</sup>:

- ☐ “The amounts distributed in the previous years to other reserves under the provisions of Article 1 paragraph (1) letter (g) of *Government Ordinance No.64/2001* [...], existing at the date of entry into force of this *Emergency Ordinance*, can be redistributed as dividends [...]” – Article II;
- ☐ “After the approval of the financial statements of 2016, the entities provided in Article 1, paragraph (1) of the *Government Ordinance No.64/2001*, [...], the retained earnings existing in the balance account on December 31 of each year, can be distributed as dividends” – Article III paragraph (1).

Table below shows the status of dividends for years 2019-2021:

Description	2019	2020	2021 Proposal
Dividends	620,530,064	689,906,096	1,464,605,120
Gross dividend per share (RON/share)	1.61 <sup>*)</sup>	1.79 <sup>*)</sup>	3.80 <sup>***)</sup>
Dividend distribution rate (%)	56.95	55.29	76.48
Number of shares	385,422,400	385,422,400	385,422,400

<sup>\*)</sup> The gross dividend per share of RON 1.61 is composed of the gross dividend per share for financial year 2019 in amount of RON 1.39 per share and the additional gross dividend of RON 0.22 per share resulted from the distribution of retained earnings representing the impairment value of fixed assets and the value of fixed assets and abandoned investment projects in the reporting year that were financed from “the share of expenses necessary for the development and modernization of gas production” according to *GD No.168/1998*, as subsequently amended and supplemented.

<sup>\*\*)</sup> The gross dividend per share of RON 1.79 is composed of the gross dividend per share for financial year 2020 in amount of RON 1.63 per share and the additional gross dividend of RON 0.16 per share resulted from the distribution of retained earnings representing the impairment value of fixed assets and the value of fixed assets and abandoned investment projects in the reporting year that were financed from “the

<sup>10)</sup> *Government Ordinance No. 64/August 30, 2001* on distribution of profit in majority state-owned companies as well as in autonomous regies.

<sup>11)</sup> *Government Emergency Ordinance No.29 of March 30, 2017* to amend Article 1 paragraph (1) letter g) of *Government Ordinance No. 64/2001* on the distribution of profit in national companies, and trading companies with full or majority state capital, as well as in autonomous regies, and to amend Article 1 paragraph (2) and (3) of *Government Emergency Ordinance no.109/2001* on corporate governance of public enterprises.

share of expenses necessary for the development and modernization of gas production" according to GD No.168/1998, as subsequently amended and supplemented.

"" The proposed gross dividend of RON 3.80 is composed of the gross dividend per share for the financial year 2021 in amount of RON 3.62 per share and the additional gross dividend of RON 0.18 per share resulted from the distribution of retained earnings representing the impairment value of fixed assets and the value of fixed assets and abandoned investment projects in the reporting year that were financed from "the share of expenses necessary for the development and modernisation of gas production" according to GD No. 168/1998 as subsequently amended and supplemented.

The internal regulation "*Dividend Policy*" was approved by the company's Board of Directors in March 2017 and is currently published on the company's webpage [www.romgaz.ro](http://www.romgaz.ro) at "*Investors – Corporate Governance – Reference Documents*".

## VI. COMPANY MANAGEMENT

### 6.1. Board of Directors

The selection and nomination of members in the Board of Directors was accomplished in compliance with the provisions of GEO No.109/2001 on corporate governance of public enterprises, as subsequently amended and supplemented, approved by Law No.111/2016 and with Enforcement Guidelines (GD No. 722/2016)).

Members of the Board of Directors on January 1<sup>st</sup>, 2021:

Item no.	Last name and first name	Position in the Board	Status <sup>*)</sup>	Professional Qualification	Institute of Employment
1	Jude Aristotel Marius	president	Non-executive Non-independent	MBA Legal Adviser	SNGN Romgaz SA
2	Marin Marius-Dumitru	member	Non-executive independent	PhD Engineer	MDM Consultancy Deva
3	Stan-Olteanu Manuela-Petronela	member	Non-executive Non-independent	Legal Adviser	General Secretariat of the Government
4	Balazs Botond	member	Non-executive Non-independent	Legal Adviser	SNGN Romgaz SA
5	Simescu Nicolae Bogdan	member	Non-executive Non-independent	Engineer	SNGN Romgaz SA
6	Ciobanu Romeo Cristian	member	Non-executive Independent	PhD Engineer	Iași Technical University
7	Jansen Petrus Antonius Maria	member	Non-executive Independent	Economist	London School of Business and Finance

<sup>\*)</sup> - members of the Board of Directors submitted the independent statements in compliance with the provisions of Romgaz Code of Corporate Governance.

By Resolution No. 10 of **February 12, 2021**, the Board of Directors acknowledges Mr. Aristotel Marius Jude's resignation as Chairman of the Board and appoints Mr. Bogdan Nicolae Simescu to temporarily exercise the powers of the Chairman of the Board of Directors.

In 2021, the Board of Directors underwent several changes. Thus, on **March 11, 2021**, by OGMS Resolution No. 1/2021, the company shareholders appointed the following persons as interim members of the Board:

- ✍ Jude Aristotel Marius
- ✍ Simescu Nicolae Bogdan
- ✍ Stan Olteanu Manuela-Petronela
- ✍ Drăgan Dan Dragoș
- ✍ Niculescu George Sergiu
- ✍ Botond Balazs
- ✍ Sorici Gheorghe Silvian

By Resolution No. 19 of March 17, 2021, the Board of Directors appoints Mr. Drăgan Dan Dragoș as Chairman of the Board.

On December 31, 2021 the Board of Directors had the following composition:

Item no.	Last name and first name	Position in the Board	Status <sup>*)</sup>	Professional Qualification	Institution of Employment
1	Drăgan Dan Dragoș	chairman	Non-executive non-independent	economist	Ministerul Energiei
2	Jude Aristotel Marius	member	Executive non-independent	jurist, MBA	SNGN Romgaz SA

Item no.	Last name and first name	Position in the Board	Status <sup>*)</sup>	Professional Qualification	Institution of Employment
3	Simescu Nicolae Bogdan	member	Non-executive non-independent	Engineer	SNGN Romgaz SA
4	Stan-Olteanu Manuela-Petronela	member	Non-executive non-independent	Legal Adviser	Hidroelectrica SA
5	Balazs Botond	membru	Non-executive non-independent	Legal Adviser	SNGN Romgaz SA
6	Niculescu Sergiu George	member	Non-executive non-independent	Legal Adviser	Ministry of Energy
7	Sorici Gheorghe Silvian	member	Non-executive independent	Economist	SC Sobis Solution SRL

<sup>\*)</sup> - members of the Board of Directors submitted the independent statements in compliance with the provisions of Romgaz Code of Corporate Governance.

**The Curricula Vitae of the current Board members** are to be found on the company's webpage [www.romgaz.ro](http://www.romgaz.ro) at "Investors – Corporate Governance – Board of Directors".

According to the information supplied by each director, **there is no agreement, understanding or family relationship** between them and another person that contributed to their appointment as directors.

On December 31, 2021, the following directors **hold shares in the company**:

Item no.	Last name and first name	Number of shares held	Weight in the share capital (%)
0	1	2	3
1	Drăgan Dan Dragoș	18,757	0.00486661
2	Niculescu George Sergiu	1,500	0.00038918
3	Simescu Nicolae Bogdan	30	0.00000778
4	Balasz Botond	11	0.00000285

## 6.2. Executive management

### Chief Executive Officer (CEO)

SNGN Romgaz SA Board of Directors revoked by Resolution No.1/January 13, 2021 Mr. **Constantin Adrian Volintiru** from the position as Chief Executive Officer, terminating his contract of mandate concluded with the company. Until the appointment of a new chief executive officer, Mr. Daniel Corneliu Pena – Deputy Chief Executive Officer (with mandate), temporary exercised the company's management including legal representation.

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 months 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 months 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 mandate of 4 months, starting with December 15, 2021 until April 15, 2022.

### Deputy Chief Executive Officer

By Resolution No.32 of August 26, 2020, the Board of Directors appointed Mr. **Daniel Corneliu Pena** as Deputy Chief Executive Officer for 2 months (with an interim mandate) as of August 28, 2020.

By Resolution No. 41 of October 14, 2020, the Board of Directors approved the extension by 120 days of the interim mandate of **Mr. Daniel Corneliu** Pena, SNGN Romgaz SA Deputy Chief Executive Officer, namely until February 24, 2021.

On February 15, 2021, the Board of Directors took note of Mr. Daniel Corneliu Pena's resignation from the position as Deputy CEO (with mandate) and agreed to terminate his mandate.

*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 months 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.

Other persons holding management positions without being delegated management powers by the Board of Directors:

Last name and first name	Position
<b>ROMGAZ - headquarters</b>	
Tataru Argentina	Exploration-Production Department Director
Greco Marius Rareș	Human Resources Director
Foidaș Ion	Production Department Director
Sandu Mircea Valentin	Drilling Department Director
Sasu Rodica	Exploration-Production Support Department Director
Bîrsan Mircea Lucian	Technical Department Director
Pinca Gheorghe Ovidiu	Exploration-Appraisal Department Director
Veza Marius Leonte	Accounting Department Director
Bobar Andrei	Financial Department Director
Boiariuc Adrian	Information Technology Department Director
Lupă Leonard Ionuț	Procurement Department Director
Chertes Viorel Claudiu	Regulations Department Director
Moldovan Radu Costică	Energy Trading Department Director
Ioo Endre	Legal Department Director
Mareș Adrian Alexandru	Strategy, International Relations, European Funds Director
Antal Francisc	Quality, Environment, Emergency Situations and Infrastructure Department
Achimeț Teodora Magdalena	Economic Director – Mediaș Branch
Boșca Mihaela	Economic Director – Târgu-Mureș Branch
Bordeu Viorica	Economic Director – SIRCOSS Branch
Obreja Dan Nicolae	Economic Director – STTM Târgu-Mureș Branch
Hățagan Olimpiu Sorin	Economic Director – SPEE Iernut Branch
<b>Mediaș Branch</b>	
Totan Constantin Ioan	Branch Director
Veress Tudoran Ladislau Adrian	Production Director
Man Ioan Mihai	Technical Director
<b>Târgu Mureș Branch</b>	
Roiban Claudiu	Branch Director
Grațian Rusu	Production Director
Ștefan Ioan	Technical Director
<b>Iernut Branch</b>	
Balazs Bela Atila	Branch Director
Oprea Maria Aurica	Commercial Director
Bircea Angela	Technical Director
<b>SIRCOSS Branch</b>	
Rotar Dumitru Gheorghe	Branch Director
Gheorghiu Sorin	Technical Director
<b>STTM Branch</b>	
Lucaci Emil	Branch Director
Cioban Cristian Augustin	Technical Director
<b>Drobeta Turnu – Severin Branch</b>	
Săceanu Constantin	Branch Director

The members of the executive management, except for the mandated managers (Chief Executive Officer, Deputy 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 executive management of Depogaz is available on the website: <https://www.depogazploiesti.ro/ro/despre-noi/conducere>.

According to our information, **there is no agreement, understanding or family relationship between the members of the above mentioned executive management and another person that contributed to their appointment as members of the upper management.**

Table below shows the number of **company shares held by the members of the executive management** on December 31, 2021:

Item no.	Last name and first name	Number of shares held	Weight in the share capital (%)
0	1	2	3
1	Ștefan Ioan	2,945	0.00076410
2	Dincă Ispasian Ioan	2,095	0.00054356
3	Obreja Dan Nicolae	1,200	0.00031135
4	Andrea Nicolae	200	0.00005189
5	Balasz Bela Atila	38	0.00000986

Therewith, from Depogaz executive management the following members hold shares in the Company: Mr. Cârstea Vasile – 412 shares, representing a weight of 0.00010690% in the share capital and Mr. Gîrlicea Victor Cristian – 125 shares, representing a weight of 0.00003243% in the share capital.

To the best of our knowledge, the persons mentioned at 6.1 and 6.2 above, **have not been involved in litigations or administrative proceedings** related to their activity in Romgaz **in the last 5 years**, nor in proceedings related to their capacity of fulfilling the duties within Romgaz, except for the litigations arising out of the application of Decision No.26/2016 of the Court of Accounts – Sibiu Chamber of Accounts, having as scope the recovery of the amounts paid as regular overtime pay to persons holding management positions and litigations on Labour Law No. 235/102/2020 and 2751/85/2019<sup>(\*)</sup> (see “Litigations” posted on Romgaz website at [www.romgaz.ro](http://www.romgaz.ro) → Investors → Annual Reports → 2021).

## VII. CONSOLIDATED FINANCIAL-ACCOUNTING INFORMATION

### 7.1. Statement of Consolidated Financial Position

The consolidated financial statements of the Group have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union and the provisions of the Ministry of Finance Order No. 2844/2016. For the purposes of preparing these consolidated 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 IASB. However, the differences have no significant impact on the Group's consolidated financial statements for the years presented.

The consolidated financial statements have been prepared on the basis of business as a going concern principle in accordance with the historical cost convention.

Table below presents a summary of the statement of consolidated financial position as of December 31, 2019, December 31, 2020 and December 31, 2021:

Indicator	31.12.2019 (thousand RON)	31.12.2020 (thousand RON)	31.12.2021 (thousand RON)	Variance (2021/2020)
0	1	2	3	4=(3-2)/2*100
<b>ASSETS</b>				
<i>Non current assets</i>				
Property, plant and equipment	5,543,177	5,613,122	5,240,697	-6.63%
Other intangible assets	9,164	14,774	16,133	9.20%
Investments in associates	24,772	26,102	26,187	0.33%
Deferred tax assets	230,947	275,328	269,645	-2.06%
Other financial assets	5,388	5,378	5,616	4.43%
Right of use asset	8,590	7,915	7,128	-9.94%
<b>Total non-current assets</b>	<b>5,822,038</b>	<b>5,942,619</b>	<b>5,565,406</b>	<b>-6.35%</b>
<i>Current assets</i>				
Inventories	311,013	244,563	305,241	24.81%
Trade and other receivables	638,158	592,875	1,352,345	128.10%
Contract costs	312	651	483	-25.81%
Other financial assets	1,075,224	1,995,523	417,923	-79.06%
Other assets	42,485	68,023	67,962	-0.09%
Current tax receivable	-	-	3,201	n/a
Cash and cash equivalents	363,943	416,913	3,580,412	758.79%
<b>Total current assets</b>	<b>2,431,135</b>	<b>3,318,548</b>	<b>5,727,567</b>	<b>72.59%</b>
<b>TOTAL ASSETS</b>	<b>8,253,173</b>	<b>9,261,167</b>	<b>11,292,973</b>	<b>21.94%</b>
<b>EQUITY AND LIABILITIES</b>				
<i>Equity</i>				
Issued capital	385,422	385,422	385,422	0.00%
Reserves	1,587,409	2,251,909	2,998,975	33.17%
Retained earnings	5,201,222	5,149,919	5,596,756	8.68%
<b>TOTAL EQUITY</b>	<b>7,174,053</b>	<b>7,787,250</b>	<b>8,981,153</b>	<b>15.33%</b>
<i>Non current liabilities</i>				
Retirement benefit obligation	114,876	128,690	156,420	21.55%
Provisions	366,393	538,931	412,846	-23.40%
Deferred income	21,244	136,308	230,438	69.06%
Lease liability	8,285	7,845	7,211	-8.08%

Indicator	31.12.2019 (thousand RON)	31.12.2020 (thousand RON)	31.12.2021 (thousand RON)	Variance (2021/2020)
0	1	2	3	4=(3-2)/2*100
<b>Total non-current liabilities</b>	510,798	811,774	806,915	-0.60%
<b>Current liabilities</b>				
Trade payables and other liabilities	109,910	89,132	71,317	-19.99%
Contract liabilities	42,705	81,318	204,384	151.34%
Current tax liabilities	64,342	59,831	52,299	-12.59%
Deferred income	3,729	10,899	49	-99.55%
Provisions	82,701	156,415	237,144	51.61%
Lease liability	694	767	810	5.61%
Other liabilities	264,241	263,781	938,902	255.94%
<b>Total current liabilities</b>	568,322	662,143	1,504,905	127.28%
<b>TOTAL LIABILITIES</b>	1,079,120	1,473,917	2,311,820	56.85%
<b>TOTAL EQUITY AND LIABILITIES</b>	8,253,173	9,261,167	11,292,973	21.94%

### NON-CURRENT ASSETS

The total of non-current assets decreased by 6.35% by the end of 2021 compared to the end of 2020, namely by RON 377.2 million. The decrease was caused by amortization and depreciation expenses and impairments of abandoned projects higher than 2021 investments and the decrease of decommissioning assets recorded as a result of reducing the well decommissioning provision.

In 2021, the Group invested a total of RON 458.17 million, representing 34.13% of the investment budget.

### CURRENT ASSETS

Current assets increased by RON 2,409.02 million on December 31, 2021, due to the increase of cash, cash equivalents and other financial assets by RON 1,585.9 million; this increase is due to a lower level of investments compared to the previous year. The Group intends to use this surplus for the investment activities provided in the strategy approved by the shareholders.

#### Inventories

Inventories increased at the end of 2021 as compared to December 31, 2020 by 24.81%.

During 2021, Romgaz injected 487.9 million cm in UGSs while it extracted 422.2 million cm.

#### Trade and other receivables

Trade receivables increased in 2021 as compared to December 31, 2020 by 128.1% as a result of the increase of gas prices on the open market. Moreover, the Group recorded a net decrease of trade receivables impairment of RON 349.99 million following receipt of outstanding amounts in 2021 and 2022 (event following 2021).

### NON-CURRENT LIABILITIES

At the end of 2021, non-current liabilities decreased by 0.60% as compared to December 31, 2020.

In 2021, an additional amount of 94.1 million was received from the National Investment Plan for financing the "Combined cycle gas turbine"- Iernut project (the amount is recorded under "Deferred income"). Also in 2021, the Romanian Government decided to extend the investment completion deadline until June 30, 2022, the reimbursement deadline from the National Investment Plan being extended to December 31, 2022.

Decrease of the decommissioning provision (including the short term part) by 21.98% on December 31, 2021 as compared to December 31, 2020 was caused by the increase of the discount rate used in the calculation of this provision and the decrease of estimated well decommissioning costs.

### CURRENT LIABILITIES

Current liabilities increased by RON 842.76 million, from RON 662.14 million recorded on December 31, 2020, to RON 1,504.91 million at the end of 2021.

#### Trade payables and other liabilities

Trade payables decreased by 19.99% compared to December 31, 2020 due to lower payables to providers of investments (RON -15.69 million) due to a lower level of investments in 2021.

#### Contract liabilities

These liabilities represent advances received from customers on December 31, 2021 for 2022 deliveries. The increase is due to the increase in the gas sale price as compared to the previous year.

#### Other liabilities

Other liabilities recorded a significant increase of 255.94% as compared to December 31, 2020. Most of these liabilities are represented by the petroleum royalty owed in Q4 and the windfall tax for deliveries made in December.

#### Provisions

On December 31, 2021, short term provisions recorded an increase of 51.61% as compared to December 31, 2020. This increase is mainly due to the provision for greenhouse gas emission certificates (RON 154.9 million on December 31, 2021, the equivalent of 377,905 certificates, compared to RON 81.2 million on December 2020, the equivalent of 525,067 certificates).

The Group **did not issue bonds or other debt instruments** in financial year 2021.

## 7.2. Statement of Consolidated Comprehensive Income

The Group profit and loss account summary for the period January 1 – December 31, 2021, as compared to the similar period of the years 2019 and 2020, is shown below:

Indicator	Year 2019 (thousand RON)	Year 2020 (thousand RON)	Year 2021 (thousand RON)	Variance (2021/2020)
0	1	2	3	4=(3-2)/2*100
Revenue	5,080,482	4,074,893	5,852,926	43.63%
Cost of commodities sold	(107,800)	(18,617)	(281,589)	1,412.54%
Investment income	38,124	47,845	58,403	22.07%
Other gains and losses	7,519	(6,534)	23,388	n/a
Net impairment gains/(losses) on trade receivables	(81,221)	17,551	349,989	1,894.13%
Changes in inventories	80,008	(16,151)	74,787	n/a
Raw materials and consumables used	(76,048)	(58,282)	(81,146)	39.23%
Depreciation, amortization and net impairment expenses	(1,451,766)	(672,063)	(685,772)	2.04%
Employee benefit expense	(670,408)	(767,251)	(766,639)	-0.08%
Finance costs	(24,740)	(17,000)	(16,739)	-1.54%
Exploration expense	(1,636)	(26,509)	(1,197)	-95.48%
Share of associates' result	1,474	1,330	85	-93.61%
Other expenses	(1,551,642)	(1,158,143)	(2,539,086)	119.24%
Other income	32,834	25,439	169,841	567.64%
<b>Profit before tax</b>	<b>1,275,180</b>	<b>1,426,508</b>	<b>2,157,251</b>	<b>51.23%</b>
Income tax expense	(185,557)	(178,604)	(242,264)	35.64%
<b>Profit for the period</b>	<b>1,089,623</b>	<b>1,247,904</b>	<b>1,914,987</b>	<b>53.46%</b>

#### Revenue

In 2021, Romgaz recorded consolidated revenues of RON 5.9 billion, as compared to RON 4.1 billion achieved in 2020.

The increase resides in a 52.41% increase of revenue from sales of gas produced by Romgaz and of gas purchased for resale, as well as a 69.9% increase of revenue from sales of electricity. On the other hand, consolidated revenue from storage services decreased by 30.64%.

Please note that consolidated revenues from storage include revenue from services invoiced by Romgaz for gas sold from storages; non-consolidated revenues from storages are 6.14% down compared to 2020.

In terms of volumes, compared to 2020, in 2021 the Group:

- Sold 12.7% more gas (including gas purchased for resale);

- Provided 16.1% higher gas withdrawal services and 63.4% higher gas injection services;
- Produced 31.7% less electricity.

#### *Cost of Commodities Sold*

In 2021, cost of commodities sold increased by 1,412.5% (+RON 263.0 million) as compared to the previous year, due to the increase of gas quantities purchased on the domestic market for resale. Revenues from sale of such gas increased by 2,024.9% (+RON 314.8 million) during this period.

#### *Other Gains and Losses*

Other net gains of RON 23.4 million include the income recorded following a final settlement in favour of Romgaz in a litigation against ANAF for cancelling a report issued further to a fiscal investigation performed in December 2016 - April 2017. Following this investigation, the Company paid RON 28.98 million representing additional taxes and penalties that are going to be recovered. The decision of the court has not been communicated by the date of this report so that the Company could not take the necessary steps to recover the amounts.

#### *Net Gains from Impairment of Trade Receivables*

The Group calculates impairment of trade receivables depending on non-collection risk. Thus, for clients undergoing bankruptcy procedures the Group records losses from impairment for the entire non-collected amount; the same policy is applied to old debts.

In 2021, the Group recorded a net gain from impairment of receivables of RON 349.99 million, following collection of old debts from clients undergoing insolvency procedures.

#### *Changes in Inventories*

During 2021 the gas quantity injected by Romgaz in storages was higher by 15.6% than the quantity withdrawn from storages, thus generating positive changes in inventories. The quantity of gas injected in storages by the Company in 2021 as compared to 2020 increased by 116%, while the withdrawn quantity increased by 14.8%.

#### *Raw Materials and Consumables Used*

Increase of expenses with raw materials and consumables is mainly due to a 72.71% higher technological consumption for the reviewed period of 2021 as compared to 2020 and due to the increase of expenses with spare parts used for current repairs.

#### *Depreciation, amortization and net impairment*

The depreciation, amortization and net impairment expenses increased by 2.04% due to the increase by 3.4% of depreciation and amortization expenses and a decrease of 0.76% of net losses from fixed assets impairment.

Due to existing market conditions, the Group considered necessary to update the impairment test for assets used in natural gas production activity. Considering that the increase of sale prices generated a significant increase in petroleum royalty costs and windfall tax costs, the test did not result in the cancellation of previously set up impairments. In 2021, the Group recorded impairment only for specific assets as a result of abandoning wells that proved to be dry holes or as a result of deciding to stop operation in certain gas fields.

#### *Exploration expenses*

Exploration expenses recorded in 2021 of RON 1.2 million decreased by 95.48% compared to the previous year, performing significantly fewer surveys than in the previous period (-RON 24.5 million).

Government Decision No. 1011 of September 22, 2021, approved the 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 will result in increased exploration expenses.

#### *Other expenses*

In 2021, other expenses increased by 119.24% as compared to 2020. The increase of RON 1.4 billion is mainly due to higher windfall tax and royalties. Royalty expenses increased by RON 552.54 million (+280.65%) compared to previous year, and windfall tax increased by RON 843.1 million (+203.17%) in 2021 compared to 2020.

#### *Other income*

Other income increased by 567.64% in the year ended December 31, 2021 as compared to the same period of 2020 following execution of the performance guarantee (RON 114.7 million) after terminating the works contract for development of CTE Iernut by building a 430 MW combined cycle gas-turbine power plant, concluded between S.N.G.N. Romgaz S.A. and the Consortium consisting of Duro Felguera S.A. and Romelectro S.A.

### **7.3. Statement of Consolidated Cash Flows**

Statements of cash flows recorded in the period 2019 – 2021 are shown in the table below:

\*RON thousand\*

INDICATOR	2019	2020	2021
<b>Cash flow from operating activities</b>			
<b>Net profit for the year</b>	1,089,623	1,247,904	1,914,987
<i>Adjustments for:</i>			
Income tax expense	185,557	178,604	242,264
Share from associates' result	(1,474)	(1,330)	(85)
Interest expense	543	593	557
Unwinding of decommissioning provision	24,197	16,407	16,182
Interest revenue	(38,124)	(47,845)	(58,403)
(Gain)/loss on disposal of non-current assets	(2,542)	7	(321)
Change in decommissioning provision recognized in profit or loss, other than unwinding	(51,760)	24,273	(20,750)
Change in other provisions	(5,402)	66,467	68,578
Net impairment of exploration assets	231,278	97,695	37,046
Exploration projects written-off	123	836	33
Net impairment of non-current assets	699,531	125,997	184,943
Depreciation and amortization	520,957	448,371	463,783
Amortization of contract costs	651	795	1,626
(Gains)/(losses) on financial investments evaluated at fair value through profit or loss	4,424	10	10
Net(losses)/gains from trade receivables and other receivables	67,297	(19,700)	(378,352)
Other gains and losses	(52)	-	-
Net impairment of inventories	5,125	8,427	5,014
Income from liabilities written off	(89)	(368)	(810)
Income from subsidies	(81)	(7)	(9)
<b>Cash generated from operations before movement in working capital</b>	2,729,782	2,147,136	2,476,293
<b>Movements of working capital</b>			
(Increase)/decrease in inventories	(38,428)	58,516	(64,913)
(Increase)/decrease in trade and other receivables	116,143	38,311	(400,838)
Increase/(decrease) in trade and other liabilities	(78,115)	17,600	790,347
<b>Cash generated from operational activities</b>	2,729,382	2,261,563	2,800,889
Interest paid	-	(3)	(3)
Income tax paid	(297,059)	(224,796)	(233,084)
<b>Net cash generated by operating activities</b>	2,432,323	2,036,764	2,567,802
<b>Cash flows from investing activities</b>			
Investments in other entities	-	-	(250)
Bank deposits set up and acquisition of state bonds	(2,591,658)	(2,964,757)	(3,896,521)
Bank deposits and state bonds matured	2,387,686	2,060,925	5,463,332
Interest received	43,470	38,601	58,340
Proceeds from sale of non-current assets	1,305	1,733	513
Proceeds from disposal of other investments	-	-	2
Acquisition of non-current assets	(694,349)	(547,215)	(340,695)
Acquisition of exploration assets	(173,563)	(66,516)	(91,865)
<b>Net cash used in investment activities</b>	(1,027,109)	(1,477,229)	1,192,856
<b>Cash flows from financing activities</b>			
Dividends paid	(1,607,246)	(620,346)	(690,027)
Subsidies received	-	115,027	94,148
Repayment of lease liability	(861)	(1,196)	(1,280)
Subsidies reimbursed	-	(50)	-
<b>Net cash used in financing activities</b>	(1,608,107)	(506,565)	(597,159)
<b>Net increase/(decrease) in net cash and cash equivalents</b>	(202,893)	52,970	3,163,499
<b>Net cash and cash equivalents at the beginning of the year</b>	566,836	363,943	416,913
<b>Cash and cash equivalents at the end of the year</b>	363,943	416,913	3,580,412

## VIII. CORPORATE GOVERNANCE

**Corporate governance** accommodates continuously to the requirements of a modern economy, to increasing globalization of social life and to investors and interested parties need for information on companies business.

As a national company Romgaz has to comply with GEO No. 109 of November 30, 2011 on corporate governance of public enterprises, as subsequently amended and supplemented (the "Ordinance"), approved by Law 111/2016 and Government Decision no. 722 of September 28, 2016 on Methodological Norms for establishing the financial and nonfinancial performance indicators and variable component of remuneration of Board members, or if applicable, of the supervisory board members, and of managers and members of the directorate.

The Ordinance sets up a number of principles and provisions to ensure their application.

The provisions of the Ordinance are observed by the company, and are included in the Company's Articles of Incorporation, as amended and approved by the company's shareholders in resolutions no. 19 of October 18, 2013, no. 5 of July 30, 2014, no. 8 of October 29, 2015, no.9 of October 28, 2016 and no.4 of August 9, 2017 (latest update of the Articles of Incorporation).

**The updated Company's Articles of Incorporation** is published on the webpage [www.romgaz.ro](http://www.romgaz.ro), at "*Investors – Corporate Governance – Reference Documents*".

Since November 12, 2013, Romgaz shares have been traded on the regulated market governed by BVB, under the symbol "SNG", as well as on London Stock Exchange (where GDRs are traded) under the symbol "SNGR".

On January 5, 2015, after the Financial Supervisory Authority approved the proposals to amend BVB's regulations, Romgaz was admitted into the PREMIUM category of BVB regulated market.

As issuer of securities traded on the regulated market, Romgaz has to fully comply with the corporate governance standards provided by applicable national regulations, namely the Code of Corporate Governance of BVB, published on the internet webpage [www.bvb.ro](http://www.bvb.ro), at "*Investors – Regulations - BVB Regulations*".

The Corporate Governance system of the company was and will be continuously improved according to the rules and recommendations applicable to companies listed on Bucharest Stock Exchange and on London Stock Exchange.

Some of the already implemented measures include:

- ✎ drafting a new Code of Corporate Governance, in accordance with the new Code of Corporate Governance of BVB applicable since January 4, 2016 – the document was approved by Romgaz Board of Directors by Resolution no.2/January 28, 2016. The Code of Corporate Governance was updated and will be submitted for approval to the Board of Directors.  
The Company's Code of Corporate Governance is posted on the webpage [www.romgaz.ro](http://www.romgaz.ro), at "*Investors – Corporate Governance – Reference Documents*";
- ✎ Board of Directors approval and update of the Internal Rules of the advisory committees during the meetings held on March 24, 2016 (for all committees) and March 23, 2017 (update of the Internal Rules of the Strategy Committee) and May 14, 2018 (update of the Internal Rules of the Audit Committee). The Internal Rules of the Nomination and Remuneration Committee was updated to include the latest legal amendments on corporate governance (Law No. 111/2016 and GD No. 722/2016) and approved by the Board of Directors on August 28, 2018;
- ✎ Update of the Terms of Reference of the Board of Directors to include the latest legal changes on corporate governance. The Terms of Reference were approved by the Board of Directors on March 23, 2017 and subsequently updated in January 2018 and in February 2019;
- ✎ Approval of the Policy related to the assessment of the Board of Directors during March 12, 2019 meeting;
- ✎ Approval of the Policy related to remuneration of Board members and managers by the OGMS during April 27, 2021 meeting;
- ✎ Approval of Romgaz Policy related to transactions with affiliates and the draft statement on Board of Directors commitment to develop and implement the internal management control system and the risk management policy on March 20, 2019;
- ✎ Drafting/updating a series of internal regulations/policies in compliance with BVB Code of Corporate Governance;
- ✎ Inclusion in the Board of Directors Annual Report of a chapter dedicated to corporate governance referring, among others, to : the applicable Code of Corporate Governance, the duties of the corporate management bodies and of the three advisory committees of the Board of Directors (the Nomination and Remuneration

Committee, the Audit Committee and the Strategy Committee), aspects related to remuneration of members of the Board and of managers, measures to improve corporate governance, aspects related to internal control and risk management system, internal audit and aspects related to social responsibility;

- ✎ Incorporation in the Board of Directors Annual Report of a section referring to compliance with the provisions of BVB Code of Corporate Governance (Annex 1);
- ✎ Diversification of communication with shareholders and investors by posting on the website press releases addressed to market players, half year and quarterly financial statements, annual reports, procedures to follow for access and participation to GMS, and by setting up an “Infoline” for shareholders/investors to respond to their requirements and/or questions;
- ✎ Setting up a specialized department dedicated to investor and shareholder relations;
- ✎ Continuation of the necessary steps for the implementation of 2016-2020 National Anti-corruption Strategy in 2021. In this regard, the Commission responsible for the implementation of the strategy drafted and submitted to the Ministry of Energy – Antifraud, Integrity and Inspection Department the Narrative Report on the status of implementation of the measures provided in the NAS, the Inventory of institutional transparency and corruption prevention measures as well as evaluation indicators for 2021.

Among the measures to be implemented, we mention:

- Revision of the Remuneration Policy for the members of the Board and managers with mandate and submission to shareholders for approval;
- Conclusion of professional liability insurance contracts for members of the Board and managers and appointment of a person to monitor these contracts;
- Commencement of necessary actions to align with the new 2021-2025 National Anti-Corruption Strategy, approved by Government Decision No. 1269/December 17, 2021;
- Drafting the organizational integrity agenda and company integrity plan in compliance with NAS 2021-2025.

### Aspects related to shareholders

The shareholders structure is presented within Chapter II “Parent Company at a Glance”.

Romgaz respects and protects the rights and legitimate interests of all shareholders, constantly informing them on the rules and procedures governing the General Meeting of Shareholders, on decisions concerning corporate changes and significant events within the company. Rights of minority shareholders are also protected in accordance with the legal provisions in force and with the Articles of Incorporation.

All relevant information on exercising all legitimate rights of shareholders are to be found on company's website, [www.romgaz.ro](http://www.romgaz.ro), under “Investors”.

### General Meeting of Shareholders

The General Meeting of Shareholders is convened by the Board of Directors, whenever necessary, in accordance with the legal provisions. The convening notices and afterwards, the GMS resolutions, are sent to Bucharest Stock Exchange, London Stock Exchange and to the Financial Supervisory Authority in compliance with the regulations of the capital market and are published on the company's website at “Investors – General Meeting of Shareholders”.

**The Ordinary General Meeting of Shareholders** has the following main competencies:

- a) to approve the company's strategic objectives;
- b) to discuss, approve or amend, as the case may be, the annual financial statements of the company based on the reports submitted by the Board of Directors and the financial auditor, and to set the dividend;
- c) to discuss, approve or request, as the case may be, supplementation or review of the company's governance plan, under legal provisions;
- d) to set the income and expenditure budget for the following financial year;
- e) to appoint and revoke Board members and to set their remuneration;
- f) to make an opinion on the governance of the Board of Directors;
- g) to appoint and to dismiss the financial auditor and to set the minimum term of the financial audit contract;
- h) to approve the contracting of bank loans, the value of which exceeds, individually or cumulatively with other bank loans in progress, over a financial year, the equivalent in RON of EUR 100 million;
- i) to approve conclusion of documents establishing guarantees, other than guarantees for the company's non-current assets, the value of which exceeds, individually or cumulatively with other guarantees in progress,

other than guarantees for the company's non-current assets, over a financial year, the equivalent in RON of EUR 50 million.

**The Extraordinary General Meeting of Shareholders** has the following main competencies:

- a) to change company's legal form;
- b) to move the headquarters;
- c) to change the Company's scope of activity;
- d) to establish companies, as well as conclude or amend incorporation documents of the companies where Romgaz is associate;
- e) to conclude or amend joint venture contracts where the company is contracting party;
- f) to increase the share capital;
- g) to reduce the share capital or to restore it by issuing new shares;
- h) to merge with other companies or to spin-off the company;
- i) the anticipated winding up of the company;
- j) to convert shares from a category into the other;
- k) to convert one category of bonds into another one or in shares;
- l) to issue bonds;
- m) to conclude documents related to the acquisition of non-current assets the value of which exceeds, individually or cumulatively, during a financial year, 20% of the total non-current assets of the company, except for receivables;
- n) to conclude the documents related to disposal, exchange or set up of guaranties referring to non-current assets the value of which exceeds, individually or cumulatively, during a financial year, 20% of the total non-current assets, except for receivables;
- o) to conclude the documents related to rental of tangible assets to the same contractors or to persons involved or acting together, for a period longer than 1 (one) year, the value of which exceeds, individually or cumulatively, 20% of the total non-current assets, except for receivables at the document conclusion date;
- p) any other change in the Articles of Incorporation or any other resolution that requires the approval of the extraordinary general meeting of shareholders.

## Board of Directors

Romgaz is a joint-stock company governed under a one-tier system.

The Board of Directors consists of 7 (seven) members elected by the Ordinary General Meeting of Shareholders, in compliance with applicable legal provisions and with the Articles of Incorporation and one of its members is appointed Chairman of the Board.

Board of Directors composition complies with the legal criteria/conditions on the share of non-executive and independent members, studies and competencies, experience and gender diversity (criteria detailed in the Board of Directors Terms of Reference).

Board of Directors competence on December 31, 2021 is presented in Chapter VI "*Company management*". According to the statements of independency sent to the company, three board members declared to be independent and four declared to be non-independent. The independence of Board members is determined based on the criteria detailed in Romgaz Code of Corporate Governance (art.6).

Aspects on board members' rights, obligations and competencies, as well as aspects related to Board Meetings are detailed in the Articles of Incorporation and in the Board of Directors Terms of Reference.

Until December 31, 2021, the Board of Directors did not make a self- assessment for 2021.

## Advisory Committees

The activity of the Board of Directors is supported by three advisory committees, namely: the nomination and remuneration committee, the audit committee and the strategy committee.

The Audit Committee has legal duties provided in Article 65 of Law No. 162/2017<sup>12</sup> consisting mainly in monitoring the financial reporting process, the internal control systems, the internal audit and risk management systems within the company, as well as in supervising the statutory audit activity related to annual financial statements and in managing the relationship with the external auditor.

The Nomination and Remuneration Committee has, basically, the competence to set the procedures for selecting the candidates for the board members and manager positions, and to make proposals for the position as board member and to get involved in the selection and recruitment procedure of managers, and to make proposals for

<sup>12</sup> Law No. 162 of July 15, 2017 on the statutory audit of annual financial statements and of annual consolidated financial statements and on amending pieces of legislation

their remunerations. During the financial year, the committee has also the obligation to elaborate an *annual report on the remuneration and other benefits awarded to directors and managers*.

The main scope of the Strategy Committee is to coordinate drafting/updating and monitoring of the company's development strategies, correlated with the national and European energy strategy, to analyse the implementation of such strategies and the measures needed to reach the objectives set, and to monitor the business diversification projects by carrying out some investment objectives.

The detailed presentation of duties and responsibilities of each advisory committee can be found in their respective Internal Rules published on the company's webpage [www.romgaz.ro](http://www.romgaz.ro) at "*Investors– Corporate Governance – Reference Documents*".

On December 31, 2021, the advisory committees' structure was the following:

I) Nomination and Remuneration Committee:

- ✎ Sorici Gheorghe Silivan (chairman)
- ✎ Drăgan Dan Dragoș
- ✎ Jude Aristotel Marius

II) Audit Committee

- ✎ Sorici Gheorghe Silivan (chairman)
- ✎ Simescu Nicolae Bogdan
- ✎ Stan-Olteanu Manuela-Petronela

III) Strategy Committee

- ✎ Balazs Botond (chairman)
- ✎ Drăgan Dan Dragoș
- ✎ Jude Aristotel Marius
- ✎ Niculescu George Sergiu
- ✎ Simescu Nicolae Bogdan.

*Information regarding the Board of Directors' meetings and the Advisory Committees meetings held in 2021*

The Board of Directors held in 2021 a number of 36 meetings, in compliance with the legal and statutory provisions, out of which:

- 26 meetings with physical attendance of board members and
- 10 electronic vote meetings.

The attendance at the Board of Directors' meetings:

Last name and first name	Number of meetings during mandate	P		PA		NP	
		No.	%	No.	%	No.	%
Stan Manuela Petronela	36	36	100.0				
Jude Aristotel Marius	36	36	100.0				
Marin Marius Dumitru	6	6	100.0				
Ciobanu Romeo Cristian	6	6	100.0				
Jansen Petrus Antonius Maria	6	5	83.33			1	16.67
Balazs Botond	36	36	100.0				
Simescu Nicolae Bogdan	36	36	100.0				
Drăgan Dan Dragoș	30	30	100.0				
Sorici Gheorghe Silivan	30	25	83.33			5	16.67
Niculescu George	30	25	83.33			5	16.67

*where:*

**P** = participation;

**PA** = power of attorney;

**NP** = non-participation.

Board members' attendance at Advisory Committee meetings:

**Nomination and Remuneration Committee: 10 meetings**

Last name and first name	Physical attendance
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Ciobanu Romeo Cristian	4/4
Balazs Botond	4/4
Jansen Petrus Antonius Maria	3/4
Jude Aristotel Marius	10/10
Drăgan Dan Dragoș	6/6
Sorici Gheorghe Silvian	6/6
Marin Marius Dumitru	1/4

**Audit Committee: 12 meetings**

Last name and first name	Physical attendance
Jansen Petrus Antonius Maria	5/5
Marin Marius Dumitru	5/5
Jude Aristotel Marius	4/5
Balazs Botond	5/5
Sorici Gheorghe Silvian	7/7
Stan Manuela Petronela	7/7
Ciobanu Romeo Cristian	4/5
Simescu Nicolae Bogdan	7/7

**Strategy Committee: 4 meetings**

Last name and first name	Physical attendance
Jansen Petrus Antonius Maria	1/1
Jude Aristotel Marius	4/4
Ciobanu Romeo Cristian	1/1
Balazs Botond	4/4
Niculescu George Sergiu	2/3
Drăgan Dan Dragoș	2/3
Simescu Bogdan Nicolae	4/4

## Chief Executive Officer

In compliance with the company's Articles of Incorporation "the Board of Directors shall assign, in whole or in part, the management competences of the Company to one or more managers, appointing one of them as Chief Executive Officer" Article 24, paragraph (1), "manager" meaning "the person to whom the Board of Directors delegated authority to manage the company" Article 24, paragraph (12).

The Board of Directors decided by Resolution No. 45 of October 1, 2018 to appoint Mr. Volintiru Adrian Constantin as Chief Executive Officer for a four year mandate.

By Resolution No. 1 of January 13, 2021, the Board of Directors revoked as of January 13, 2021, Mr. Constantin Adrian Volintiru as Chief Executive Officer of Romgaz, company management including legal representation being assigned to the Deputy Chief Executive Officer until appointment of a new CEO no later than February 13, 2021.

The Board of Directors appointed Mr. Aristotel Marius Jude as SNGN Romgaz SA CEO for a 2 months temporary mandate starting from February 13, 2021.

By Resolution No. 29 of April 7, 2021, the Board of Directors approved the extension of Mr. Aristotel Marius Jude CEO mandate, for a 4 months 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 a 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 mandate of 4 months, starting with December 15, 2021 until April 15, 2022

The powers of the CEO were established by Board of Directors Resolution No. 47 of June 30, 2021 amended by Resolution No. 54 of August 12, 2021.

Thus, the powers delegated to the interim CEO are as follows:

- a) Approves the employment, promotion and dismissal of employees;
- b) Approves work duties and tasks of employees;
- c) Approves employees' awards and sanctions;

- d) Approves material operations (technical, economical, commercial etc. actions or processes) that are necessary and useful to fulfil the business scope of the company;
- e) Approves operations having as object conclusion/issuance of legal documents:
  - Up to an amount of RON 400 million, concluded on centralized markets (stock exchange) or subject to sector specific procurement law;
  - Up to an amount of RON 400 million, concluded outside centralized markets (stock exchange) or outside the scope of sector specific procurement law;
- f) Approves sponsorship and patronage contracts;
- g) Approves the Rules of Organization and Operation;
- h) Change and appointment of managers (with individual employment contract);
- i) Any other duty except those not assigned pursuant to the above mentioned BoD Resolution;
- j) Fulfilment of any ancillary duties, material acts and operations necessary and useful to perform the duties under a) – i).

The Board of Directors established duties that are not delegated to the interim CEO such as:

- a) Approves Romgaz organizational chart;
- b) Approves operations the scope of which is to conclude/issue legal acts other than those provided at article 2) letter e);
- c) Management powers which cannot be delegated to company managers pursuant to legal provisions and to the Articles of Incorporation.

### Deputy Chief Executive Officer

By Resolution No. 32/ August 26, 2020, The Board of Directors appointed Mr. Pena Daniel Corneliu as Deputy Chief Executive Officer with an interim mandate of two months, from August 28 until October 26, 2020. By Resolution no. 41, October 14, 2020, the Board of Directors approved the extension by 120 days of the interim mandate, namely until February 24, 2021. On February 15, 2021, the Board of Directors took note of Mr. Daniel Corneliu Pena's resignation as Deputy Chief Executive Officer (with mandate) and agreed on the termination of his mandate as of February 15, 2021.

Prin Hotărârea nr.32 din 26 august 2020, Consiliul de Administrație delegă Directorului General Adjunct următoarele atribuții:

By Resolution No. 32/ August 26, 2020, the Board of Directors delegated to the deputy chief executive officer the following duties:

- a) Endorses legal acts on behalf, in the interest and on the account of the Company, in compliance with the Articles of Incorporation, Board of Directors' Resolutions, General Meeting of Shareholders' Resolutions, company's scope of activity and objectives.
- b) Monitors implementation of the accounting and financial control policies and endorses the financial statements and financial planning reports;
- c) Endorses the Company's' organizational and functional chart and any amendments to it as well as the other internal documents which regulate the Company's' activity at employees level;
- d) Negotiates together with the Chief Executive Officer the Collective Labour Agreement;
- e) Endorses the personnel's competencies, attributions, duties and responsibilities on departments, except for executive board members and managers that signed a contract of mandate;
- f) Endorses the documents required and useful for personnel selection, hiring, awarding, sanctioning and dismissal, as the case may be, in order to ensure an optimal performance of the activity, in compliance with the provisions of labour legislation and collective labour agreement;
- g) Endorses the appointment, suspension and/or dismissal of the units' managers and executive managers hired by the company;
- h) Endorses the Rules of Organization and Operation, the organizational structure;
- i) prospects, together with the Chief Executive Officer, business opportunities with partners inside and outside the country in the interest of the Company;
- j) Ensures efficiency of the internal control system and the management system in compliance with legal provisions and applicable corporate rules;
- k) ensures and promotes the company's image;
- l) any other duties delegated by the Board of Directors, except those which may not be delegated by the Board of Directors, in accordance with the law and the Articles of Incorporation.

## Chief Financial Officer

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 a 4 month mandate, starting with December 16, 2021, until April 16, 2022

The Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Financial Officer have the obligation to inform the Board of Directors periodically on the manner of achieving the assigned duties, as well as the right to request and to obtain instructions on the manner of exercising the assigned duties.

## Internal Audit

Internal audit activity is organised and conducted in compliance with:

- Law No. 672/2002 on the public internal audit, as subsequently amended and supplemented;
- Methodological norms, issued under GD No. 1086/2013 on approving the General Norms on exercising the public internal audit;
- Minister of Public Finance Order No. 252/2004, code of ethics of the internal auditor, as subsequently amended and supplemented;
- SNGN Romgaz SA Internal Audit Charter.

Therefore, pursuant to Law No. 672/2002 the public internal audit aims at improving management by means of:

- assurance activities that represent objective examinations of evidence, carried out in order to make an independent assessment of risk management, control and governance processes, and
- advisory activities aimed at adding value and improving governance processes without the public internal auditors taking management responsibilities.

With respect to how the internal public audit is carried out, the types of audit are:

- system audit - represents an in-depth assessment of management and internal control systems in order to determine whether they are economically, effectively and efficiently operating in order to identify deficiencies and to make recommendations for corrective actions and
- performance audit – examines whether the criteria set for implementing the objectives and duties of the public entity are correct in order to evaluate the results and assesses whether the results are consistent with the objectives.

In order to achieve its objectives, the Public Internal Audit Department prepares the draft Annual Public Internal Audit Plan.

The draft plan is prepared based on the assessment of risk associated with the different activities, programs/projects or operations, as well as by taking the suggestions of the Chief Executive Officer, Board of Directors and by taking into account the recommendations made by the Romanian Court of Accounts.

Moreover, it performs public internal audit activities to assess whether the financial management and control systems of the public entity are transparent and consistent with the criteria of legality, regularity, economy, efficiency and effectiveness.

Romgaz sets and permanently and operatively maintains the internal audit function which is carried out independently of other functions and activities.

According to the applicable laws, the Internal Audit Department is directly subordinated to the Chief Executive Officer but also reports to the Board of Directors through the Audit Committee.

The mission, attributions and responsibilities of the internal audit are defined in the Internal Audit Charter approved by the Chief Executive Officer.

The Charter sets the following as a minimum:

- the position of the internal audit within the company;
- the way of accessing company documents in order to properly fulfil audit missions and defines the scope of public internal audit.

The internal audit activity is independent and objective giving the company an assurance on the degree of control over operations and is carried out in compliance with drafted and approved procedures.

In order to observe and to meet the above mentioned conditions and subject to the *2021 Activity Plan of the Public Internal Audit Department*, No. 37253/November 25, 2020, endorsed by the Audit Committee and approved by the Chief Executive Officer, in 2020, the audit activity consisted of 8 assurance audit missions aimed at confirming regularity/conformity of procedures and operations with the regulatory framework, by comparing reality with the established reference system. In 2021, the annual audit plan was updated pursuant to Report No. 24445/July 27, 2021, approved by the CEO.

Therefore, a total of 8 audit missions were performed in 2021:

- 7 planned missions, in accordance with 2021 annual plan, revision 1;
- 1 ad-hoc mission;

The missions were performed in the following fields:

- financial-accounting;
- public procurement;
- human resources;
- entity specific functions;
- internal management control system.

The level of fulfilment of the internal audit plan for 2021 was **88%**, due to one ad-hoc audit mission requested by the Board of Directors and to the postponement of the planned public internal audit mission, " *Organisation of In-House Preventive Financial Control*", approved by the Chief Executive Officer.

The missions analysed the actions with financial effects on the budget, evaluating observance of applicable principles and procedural and methodological rules. The missions evaluated the effectiveness and performance of functional structures in implementing policies, programs and actions, aiming at their continuous improvement.

Table below shows the assurance level for each audit mission carried out in 2021:

Item No.	Audited activity	Global Assessment Result	Mission Type
1.	Assessment of the activity related to provision of social assistance in accordance with applicable regulations		Planned
2.	Assessment of sector specific procurement process within SIRCOSS		Planned
3.	Assessment of the conformity and legality of carrying out the remuneration process		Ad-hoc
4.	Assessment of the corruption prevention system – year 2021		Planned
5.	Assessment of the manner of carrying out the inventory of receivables and liabilities towards third parties		Planned
6.	Assessment of the activity of granting site approvals requested by third parties		Planned
7.	Assessment of the activity of well drilling design within SNGN Romgaz SA		Planned
8.	Assessment of the manner of carrying out pipe maintenance activities within S.N.G.N		Planned

High assurance level   
 Medium assurance level 

Low assurance level ●

Internal auditing is conducted permanently in order to provide an independent assessment of operations, control and management processes, evaluates the potential risk exposure of various business segments (asset security, compliance with laws and contracts, integrity of operational and financial information etc.) makes recommendations for improving the systems, controls and procedures to ensure efficiency and effectiveness of operations and monitors the proposed corrective actions and the results.

As a general note, Romgaz focused on compliance with internal integrity rules and on a continuous self-assessment of the implementation level of internal anti-corruption mechanisms, as described in the 2016 – 2020 National Anti-Corruption Strategy and other subsequent documents (Order No.600/2018 on approving the Internal Management Control Code of public entities).

## Risk Management and Internal Control

### **Policies and Objectives related to Risk Management**

*Risk management* is a complex process of identifying, analysing and responding to possible company risks through a documented approach which uses material, financial and human resources to achieve the objectives, aiming at reducing exposure to losses.

One major concern of the management is to raise awareness on the objectives of the risk management process and on the necessity to be directly involved in the risk management process, as well as on the alignment to the latest practices in the field by complying with the applicable law, standards and norms related to such process.

In March 2019, the Board of Directors approved the draft BoD Statement on the commitment to develop and implement the internal management control system and the risk management policy.

The company's risk management system is implemented in accordance with:

- ▣ Government Ordinance No.119/1999 on internal/management control and preventive financial control, republished, as subsequently amended and supplemented;
- ▣ O Emergency Ordinance No. 109 of November 2011 on corporate governance of public enterprises;
- ▣ Law No. 174/2015 for the approval of Government Emergency Ordinance No. 86/2014 on establishing certain reorganisation measures for the central public administration and for amending and supplementing certain legislative acts. International Standard ISO 31010: 2011: "*Risk Management: Risk Assessment Techniques*";
- ▣ Order of the General Secretary of the Government No. 600/2018 for the approval of the Code of Internal Management Control of public entities;
- ▣ Order of the General Secretary of the Government No. 201/2016 for the approval of methodological norms concerning coordination, methodological guidance and supervision of the implementation and development status of the internal management control system of public entities;
- ▣ BVB Code of Corporate Governance
- ▣ SNGN Romgaz S.A. Code of Corporate Governance

Considering that the risk management standard is unanimously accepted in EU, being one of the important standards of the internal management control system (SCIM)<sup>3</sup> in risk management, the company systematically reviews risks associated with its objectives and activities, drafts appropriate treatment plans towards limiting the possible consequences of such risks and establishes the responsibilities related to their implementation.

The main benefits of the risk management process are the improvement of company's performance by identifying, analysing, assessing and managing all risks of the company, in order to minimize the negative risk consequences or to increase the positive risk consequences, as the case may be.

A risk management department has been established for an efficient assessment of the company's risks. One major task of this department is drafting the company's documents in terms of risk management: Risk Register, Risk Report, Plan for Implementing Measures and Company's Risk Profile.

**Three role levels** are set up in the risk management system:

- *base level*, represented by risk identifiers and by the risk responsible persons (head of each organizational unit) who are responsible for preparing risk management documents of their organizational unit;
- *middle level*, represented by the company's middle management which together with the heads of the organizational units make up the Risk Management Commission that facilitates and coordinates the risk management process within the respective direction/department/division;
- *high level*, represented by the executive upper management through the Monitoring Commission that approves the company's risk appetite and risk profile in accordance with the objectives of the company.

*General objectives of the risk management activity:*

1. setting the general uniform framework for risks identification, analysis and management;
2. providing the appropriate tool for a controlled and efficient risk management;
3. providing a description of the manner in which control measures are set and implemented in order to prevent the occurrence of negative risks.

Some of the analysed risk categories are: financial risks, market risks, occupational health and safety risks, personnel risks, risks related to IT systems, legal and regulatory risks. All risks are analysed from following perspectives:

- the specific objective addressed by the risk;
- causes of risk occurrence;
- consequences further to risk materialization;
- probability of occurrence;
- risk materialization impact;
- risk exposure;
- risk response strategy;
- recommended control (treatment) measures;
- residual risks remaining after handling initial risks.

### **Financial and Commercial Risk Exposure**

The Company is exposed to a variety of **financial risks**: market risk (which includes currency risk, inflation risk, interest rate risk), credit risk, liquidity risk. The Company's risk management program is focused on the unpredictability of financial markets and seeks to minimize, within some limits, the potential negative consequences on the Company's financial performance. However, this approach does not prevent losses outside these limits in case of significant variations on the market. The Company does not use derivatives to cover the exposure to certain risks.

The Company faces *currency risks* following the exposure to different foreign currencies. The currency risk arises from future commercial transactions and from recorded receivables and payables.

The financial assets exposing the Group to a potential credit risk comprise mainly trade receivables. The Group's policies provide for gas sales to clients with low *credit risk*. Moreover, sales have to be secured either by advanced payments or by letters of bank guarantee. The net value of receivables following the adjustment for impairment of doubtful debts, represents the maximum value exposed to credit risk. The Group has a credit risk concentration related to its biggest clients.

Despite the above-mentioned policies, the Group is compelled by court orders to supply gas to insolvent clients considered "captive" according to insolvency laws. In respect of these clients, the Group estimates losses throughout the entire life of current and outstanding receivables and records corresponding impairment losses.

Even though collection of receivables might be influenced by economic factors, the management believes that there is no significant risk of loss for the Group, besides the impairment of doubtful debts, already established.

The final responsibility for the *liquidity risk* lies with the company's management, which established a suitable framework for liquidity risk management for the Company's short, medium and long-term financing and for complying with requirements concerning liquidity risk management. The Company manages liquidity risk by maintaining an adequate level of the reserves by continuous monitoring of the forecasts and current cash flows and by connecting the maturity profile of financial assets with those of financial debts.

The risk management system continuously evaluates the **commercial risks** faced by the Company. A new vision is about to be implemented in this respect so that the market risks impact, quantitative as well as price risks, to which the Company is naturally exposed in its trading activity, is systematically and continuously assessed and quantified, evaluated and minimized/treated, as the case may be.

The main risks identified are quantitative (volatility of demand/supply ratio on the market) with consequences in underselling or overselling, as well as price risks, inherent on a volatile market, emerging under the aspect of liquidity but also influenced by a multitude of internal factors (regulatory/political) and also external factors related to import sources and weather conditions.

By not adapting to market conditions, sales strategy and tactics, besides offering opportunities, represent a risk which needs to be constantly assessed and mitigated through specific marketing actions in order to optimize sale results.

Currently, one of the main risk factors with direct consequences on the company's commercial outcome is the political and regulatory risk. The Company uses all available instruments in order to minimize/treat this risk

through dialogue with competent authorities, in the phase of drafting the regulatory documents as well as afterwards in the phase of enforcement. In recent years, the regulatory framework underwent major changes in order to adopt a European market model of the Network Code. However, the Group is exposed to unfavourable changes of the primary and/or secondary legislative framework. The amendments made to the primary legislation or the ones that are going to be made as well as ANRE secondary regulations may bring major changes to the commercial activity of the company as well as financial exposure caused by the legislative volatility.

External risk factors (the context of the regional and even of the global energy market) may provide supply alternatives for the Romanian market, generating a quantitative commercial risk.

### **Internal Control**

The internal control system operates in a continuously changing control environment that requires the adjustment of control at the level of every activity in relation to the company's interests.

Internal control is a process carried out by personnel at all levels: Board of Directors, executive management, entire personnel.

Romgaz internal management control system is developed and implemented in order to reach the following objectives:

- compliance with legal regulations, with internal rules, with contracts and administrative and jurisdictional decisions applicable to the company's activity;
- fulfilment of Romgaz objectives under effectiveness, economy and efficiency conditions;
- protection of Romgaz patrimony against losses due to errors, waste, fraud or abuse;
- development and maintenance of collection, storage, processing, updating and distribution of financial and management data and information, as well as of proper systems/procedures to inform the public.

The internal management control system is drafted, implemented, developed and assessed in compliance with the provisions of Government Ordinance No. 119/1999 and with the standards provided by SGG<sup>[1]</sup> Order No. 600/2018.

Below are some of the development/improvement actions of the internal management control system during 2021:

- to raise awareness among employees, the company made available a Guideline on internal rules related to each internal control standard and the actions necessary to be undertaken by every head of organizational unit in order to implement the standards;
- in order to strengthen the knowledge on the regulations concerning the internal management control system, the Internal Management Control Office carried out a methodological guidance action concerning the implementation of internal management control system and NAS<sup>[2]</sup> between September 09, 2021 and September 30, 2021;
- During April 07, 2021 and July 07, 2021 an internal public audit mission was carried out under the "Assessment of corruption prevention system – year 2021" theme. The scope of the audit mission was to verify compliance with the legal framework provided in Annex 3 to the 2016-2020 National Anticorruption Strategy, for each of the following measures: conflict of interest, incompatibilities and pantouflage. Based on the findings of the internal audit report no. 24560 of July 27, 2021, the opinion of the audit team given on each preventive measure included in the scope of the internal public audit mission, is as follows:
  - Conflict of interest – implemented measure;
  - Incompatibilities – partially implemented measure;
  - Pantouflage – implemented measure;
- During 2021 the Internal Management Control Office prepared the Methodology on managing non-conformities and irregularities in accordance with the recommendation - "Drafting a system methodology on reporting SNGN Romgaz SA non-conformities to define specific terminology and types of non-conformities", issued following the public internal audit mission on "The Assessment of corruption prevention system year – 2019".
- Analysis and identification of sensitive positions at the level of each organisational unit pursuant to PS-16 Inventory of Sensitive Positions procedure. Risks identified further to the analysis were centralised and submitted to the monitoring commission which, following debates and final vote, drafted the inventory of sensitive positions and the list of persons holding such positions no.5262/February 12, 2021;
- Drafting and updating the Risk Register at company level.

<sup>[1]</sup> General Secretariat of the Government.

<sup>[2]</sup> National Anticorruption Strategy.

As a result of the ample action of self-assessing the status of implementation of the internal management control system for 2021 (relative to the 16 internal management control standards set out in Order No. 600/2018), the system is **compliant**.

Non-achievements:

- the methodological guidance action performed at the beginning of each year by the Internal Management Control Office was carried out online in 2021. The Company tried to comply with all the measures to prevent the spread of COVID-19;
- Lack of professional training courses organized by external lecturers for all employees holding management positions which would have raised awareness on the importance of internal management control, but which could not be organized due to COVID-19 pandemic.

## Code of Ethics and Integrity

In order to improve the activity, starting with July 1<sup>st</sup>, 2020 the upper management appointed a full-time ethics adviser.

Romgaz Code of Conduct, which was first prepared in 2013, underwent many amendments, the latest was in November 2020, resulting in SNGN Romgaz SA Code of Ethics and Integrity - November 2020, approved by the Board of Directors Resolution No. 48/ November 20, 2020.

With this Code of Ethics and Integrity the company complies with the provisions of Standard 1 of Internal Management Control which highlights the importance of knowing and supporting ethical values and integrity.

The Code of Ethics and Integrity contributes to the protection of company integrity and highlights the importance of ethical values both in professional and interpersonal relations within the company and in relations with clients, suppliers, investors, partners, public authorities and the community.

The Code governs the following key aspects: health and safety at work, fight against corruption, avoidance of conflict of interest and incompatibility, protection of company image, efficient use of resources, confidentiality of information, harassment, relationship with authorities/business partners/community, transparency etc.

The Code of Ethics and Integrity was brought to the attention of Romgaz personnel by means of training sessions and, in order to assess the implementation of employees' professional conduct rules, actions will be carried out annually.

In order to monitor compliance of Romgaz's personnel with the rules of conduct, the ethics adviser prepares analyses and half-yearly reports on aspects brought to the attention of the Chief Executive Officer. The reports and analyses are sent for information to the Commission that monitors and coordinates the implementation and development of the internal management control system and to the Audit Committee.

The Code of Ethics and Integrity can be accessed by any interested person at [www.romgaz.ro](http://www.romgaz.ro), under "Investors – Corporate Governance – Reference Documents".

## Corporate Social Responsibility (CSR)

Romgaz activities in the field of social responsibility are performed voluntarily, beyond the legal responsibilities, the company being aware of its role in society.

Social responsibility means for Romgaz a business culture which includes business ethics, customer rights, economic and social equity, environmental friendly technologies, fair treatment of workforce, transparent relationship with public authorities, moral integrity and investments in community.

Moreover, Romgaz supports a sustainable development of society and community, through financial support/ full or partial sponsorship for some actions and initiatives in the following main fields: education, social, sport, health and environment.

Granting financial support/partial or full sponsorship for actions and initiatives, within the budgeted limits, Romgaz had a pro-active attitude towards social responsibility and increased the awareness of the parties involved regarding the importance and benefits of social responsibility actions.

In 2021, Romgaz supported, fully or partially, actions and initiatives in the fields stipulated in Government Emergency Ordinance No.2/2015, complying with the budget, as follows:

Expenses/activities	Achieved (RON)
<b>Total of sponsorship expenses, out of which:</b>	<b>22,839,891</b>
• Expenses with sponsorships in medical and health fields – Article XIV letter a)	<b>11,266,731</b>
• Expenses with sponsorships in education, training, social and sports fields – Article XIV letter b) – total, out of which:	<b>10,012,360</b>

○ For sports clubs	4,235,000
• Sponsorships for other actions and activities – Article XIV letter c)	1,560,800

A detailed description of the projects for each sponsorship category provided in GEO No.2/2015 is included in the 2021 Annual Report on Social Responsibility and Patronage published on [www.romgaz.ro](http://www.romgaz.ro) at “Investors - Corporate Governance - Social Responsibility”.

Besides the positive impact on the environment and community, projects supported in 2021 had an important benefit for the company by inspiring the organisational culture and gaining a good reputation of being a responsible employer as well as an involved social partner and a promotor of transparent and open relationships. This is positively reflected in Romgaz image, at national and international level, in relations with investors, government and local authorities as well as in relations with other interested parties.

When supporting/participating in the implementation of projects, actions and social responsibility initiatives, Romgaz took into consideration the provisions of Sponsorship Policy and Sponsorship Guide applicable in 2021, published on the company's website at Corporate Social Responsibility.

(link: <https://www.romgaz.ro/sponsorizari>).

## Remuneration Policy and Criteria of the Executive and Non-Executive Members of the Board of Directors and of Managers

### Legal Framework

The remuneration policy and criteria of the executive and non-executive members of the Board of Directors are based on the following norms:

- Law No. 31/1990 on trading companies, as subsequently amended and supplemented;
- GEO No. 109/2011 on corporate governance of public enterprises, as subsequently amended and supplemented, approved by Law No.111/2016;
- The company's Articles of Incorporation, approved by the Extraordinary General Meeting of Shareholders No. 9/October 28, 2016 and No. 4/August 9, 2017 (latest update of the Articles of Incorporation);
- SNGN Romgaz SA remuneration policy, endorsed by the Board of Directors by Resolution No. 22 of March 23, 2021 and approved by the OGMS by Resolution No. 2 of April 27, 2021;
- Resolution No. 8/ July, 2018 of the Ordinary General Meeting of Shareholders approving the form of the contract signed with the board members elected for a 4 year mandate;
- BoD Resolution No. 45/ October 1, 2018 appointing the Chief Executive Officer for a 4 year term;
- BoD Resolution No. 48 /October 9, 2018 approving CEO's mandate contract;
- BoD Resolution No. 32/August 26, 2020 appointing the interim Deputy Chief Executive Officer for a 2 month mandate as of August 28, 2020 until October 26, 2020;
- BoD Resolution No. 39/ September 30, 2020 approving the contract of mandate concluded with the Deputy Chief Executive Officer.
- BoD Resolution No.41/ October 14, 2020 extending the interim mandate of the Deputy Chief Executive Officer by 120 days, namely until February 24, 2021;
- BoD Resolution No.50/December 9, 2020, appointing the interim Chief Financial Officer for a 4 month mandate as of December 14, 2020;
- BoD Resolution No.53/December 14, 2020, approving the interim Chief Financial Officer's contract of mandate;
- OGMS Resolution No.14/ December 21, 2020 appointing five interim members of the Board of Directors, approving the form and content of the contract of mandate to be concluded with the interim members of the Board for a 4 month mandate and the amount of the gross fixed allowance of such members;
- BoD Resolution No.1/January 13, 2021 terminating the contract of mandate concluded on October 9, 2018 between Romgaz and the Chief Executive Officer;
- BoD Resolution No. 11/February 12, 2021 appointing the Chief Executive Officer for a 2 month mandate and establishing the gross fixed allowance;
- BoD Resolution No.12/February 12, 2021 approving the conclusion of an addendum to the contract of mandate concluded between Romgaz and the Chief Financial Officer;

- BoD Resolution No.13/February 15, 2021 acknowledging Deputy Chief Executive Officer's resignation and approving termination of his mandate as of February 15, 2021;
- BoD Resolution No.18/February 24, 2021 approving the conclusion of Chief Executive Officer's contract of mandate;
- OGMS Resolution No.1/March 11, 2021 approving the form of the mandate contracts of interim members of the Board appointed for 4 months and their gross fixed allowance.
- BoD Resolution No.29/April 7, 2021 extending Chief Executive Officer's mandate for a period of 4 months as of April 13, 2021;
- BoD Resolution No. 30/ April 7, 2021 appointing the Chief Financial Officer for a period of 4 months as of April 14, 2021 and establishing his gross fixed allowance;
- BoD Resolution No. 32/April 13, 2021 approving the addendum to Chief Executive Officer's mandate contract and the mandate contract concluded with the Chief Financial Officer;
- BoD Resolution No. 47/June 30, 2021, appointing Romgaz Chief Executive Officer for an interim mandate of 4 months as of August 14, 2021, approving conclusion of the mandate contract and establishing the monthly gross fixed allowance;
- BoD Resolution No.48/June 30, 2021, appointing Romgaz Chief Financial Officer for an interim mandate of 4 months as of August 15, 2021, approving conclusion of the mandate contract and establishing the monthly gross fixed allowance;
- GMS Resolution No.5/July 9, 2021, approving extension of interim members' mandate for 2 months from the expiry date and approving the form of the addendum to the mandate contract concerning the extension of the term ;
- GMS Resolution No.7/September 9, 2021, appointing the interim members of the Board of Directors for a 4 month term, approving the form of the mandate contract and establishing the monthly gross fixed allowance;
- BoD Resolution No.67/November 2, 2021 appointing Romgaz Chief Executive Officer for a 4 month term as of December 15, 2021, approving conclusion of the mandate contract and the monthly gross fixed allowance;
- BoD Resolution No.68/November 2, 2021 appointing Romgaz Chief Financial Officer for a 4 month term as of December 16, 2021, approving conclusion of the mandate contract and the monthly gross fixed allowance.

For compliance with the requirements of BVB Code of Corporate Governance, GEO No. 109/2011 and Law No.24/2017 on issuers of financial instruments and market operations amended and supplemented by Law No. 158/2020, the Policy on Remuneration was revised and approved by the Ordinary General Meeting of Shareholders by Resolution No. 2/April 27, 2021.

#### ***The structure of the remuneration granted to non-executive members of the Board of Directors***

*The fixed monthly remuneration* was established in accordance with the applicable legal provisions (detailed in the 2021 Annual Report on Remuneration and Other Benefits Granted to Members of the Board and Managers of SNGN Romgaz SA) and provided in the Director Agreement of each board member, as approved by the applicable GMS resolutions.

The fixed monthly remuneration for 2021 was established at a gross monthly allowance equal to twice the average of the gross monthly average salary over the last 12 months for the activity carried out pursuant to the company's main business, at the level of class of activity, in accordance with the classification of activities in the national economy, as communicated by the National Institute of Statistics prior to appointment.

The variable remuneration will be established and granted depending on the achievement of the objectives included in the governance plan and of the financial and non-financial performance indicators approved by the General Meeting of Shareholders. The variable component as well as the conditions to revise the objectives and performance indicators will be subject to an addendum to the director agreement.

Director agreements do not include key financial and non-financial performance indicators, therefore members of the Board of Directors do not benefit from a variable allowance.

#### ***The structure of the remuneration granted to the executive member of the Board of Directors, namely the Chief Executive Officer***

The Interim Chief Executive Officer, who is also an executive member of the Board of Directors, concluded a director agreement as member of the Board of Directors as well as a mandate contract as Chief Executive Officer. The Chief Executive Officer was strictly entitled to receive remuneration pursuant to the mandate contract.

#### ***The structure of remuneration granted to managers***

*The fixed monthly remuneration*, was granted under the applicable legal provisions (detailed in the 2021 Annual Report on the Remuneration and Other Benefits Granted to Members of the Board and Managers of SNGN

Romgaz SA), being provided in the contract of mandate concluded with each manager and approved by Board resolutions.

The fixed monthly remuneration for 2021 was set at a gross monthly allowance of up to 6 times the average of the gross monthly average salary over the last 12 months for the work carried out in accordance with the company's main business as communicated by the National Institute of Statistics prior to appointment. The fixed allowance is updated at the beginning of each year based on the data provided by the National Institute of Statistics. Thus, for the Chief Executive Officer the fixed monthly remuneration was six times the average, for the interim Chief Financial Officer the fixed monthly remuneration increased from 4 to 6 times the average and for the interim Deputy Chief Executive Officer the fixed remuneration was set to 5.2 times the average.

The variable remuneration established depending on the fulfilment of the objectives and of the approved financial and non-financial performance indicators will be subject to an addendum to the mandate contract. In 2021, the Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Financial Officer did not benefit from a variable remuneration.

## NON-FINANCIAL STATEMENT

Romgaz prepares a **separate report** for financial year 2021, that will be public on the company's website by the end of June 2022, according to the Order of the Ministry of Public Finance No. 2844/2016<sup>13</sup> (chapter 7, item 42, paragraph (1))

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<sup>13</sup> Order of the Ministry of Public Finances no.2844 of December 12, 2016 on approving Accounting Regulations compliant with the International Financial Reporting Standards.

## IX. PERFORMANCE OF DIRECTOR AGREEMENTS AND CONTRACTS OF MANDATE

### **Director Agreement**

The General Meeting of Shareholders approved the template and the content of director agreements.

In 2021, board members' mandates were interim mandates with an initial term of four months and a maximum term of six months, following their extension. Two board members make an exception from interim mandates as they exercised in Q1 2021 a four-year mandate, started in 2018 and ended in March 2021 before expiration term.

By Resolution No.8/July 6, 2018 the Ordinary General Meeting of Shareholders appointed following the cumulative vote, the members of the Board of Directors for a four-year mandate.

Following drafting and approval of the Governance Plan, the General Meeting of Shareholders was called to negotiate and approve the financial and non-financial performance indicators to be included in the director agreements by an addendum thereto. By Resolution No.4 /May 15, 2019, the General Meeting of Shareholders "did not approve the key financial and non-financial performance indicators, resulting from SNGN Romgaz SA Governance Plan prepared for 2018-2022.

By Resolution no. 14/December 21, 2020, of the Ordinary General Meeting of Shareholders, the shareholders appointed five interim board members, approved the contract of mandate to be concluded with interim board members for a four-month mandate and set the fixed gross allowance.

The Ordinary General Meeting of Shareholders appointed by Resolution No.1 of March 11, 2021, by cumulative vote, interim board members for a four-month mandate, approved the contract of mandate and set the fixed gross allowance.

GMS Resolution No.5 of July 9, 2021 approved to extend the interim board members mandate by two months from the expiration date, approved the addendum to the contract of mandate related to the term extension.

By Resolution No7 of September 9, 2021, company shareholders appointed interim board members for four months, set the monthly fixed gross allowance and the contract of mandate.

The director agreement does not include key financial and non-financial performance indicators, therefore the board members do not benefit from the variable component.

### **Contract of Mandate**

The Board of Directors approved the template and the content of the contract of mandate for the Chief Executive Officer, Deputy Chief Executive Officer and for the Chief Financial Officer.

The mandates of Romgaz managers were interim ones with a term of minimum two months and maximum four months. Exception thereof, was the mandate held by Mr. Constantin Adrian Volintiru, Chief Executive Officer, appointed in 2018 for a four-year mandate, whose contract of mandate terminated before its expiration, in January 2021.

#### *Chief Executive Officer*

The Board of Directors appointed under Resolution No. 45 of October 1, 2018 Mr. Constantin Adrian Volintiru as Chief Executive Officer for a four-year mandate and approved by Resolution No.48 of October 9, 2018 his contract of mandate.

The Board of Directors revoked by Resolution No.1 of January 13, 2021 Mr. Constantin Adrian Volintiru from the position of Chief Executive Officer, terminating the contract of mandate concluded between the company and Mr. Volintiru.

As of February 13, 2021, Mr. Aristotel Marius Jude was appointed Chief Executive Officer. The Board of Directors approved his appointment and the contract of mandate by successive resolutions, as follows:

- ↳ Resolution No. 11 of February 12, 2021: appointment for a two month period, as of February 13, 2021;
- ↳ Resolution No.18 of February 24, 2021: conclusion of the contract of mandate;
- ↳ Resolution No.29 of April 7, 2021: extended the interim mandate by four months, as of April 13, 2021;
- ↳ Resolution No.47 of June 30, 2021: appointment for an interim mandate of four months as of August 14, 2021 and conclusion of the contract of mandate
- ↳ Resolution No.67 of November 2, 2021: appointment for four months as of December 15, 2021 and conclusion of the contract of mandate.

#### *Deputy Chief Executive Officer*

By Resolution no. 32/August 26, 2020, the Board of Directors appointed Mr. Daniel Corneliu Pena as Deputy Chief Executive Officer for an interim mandate of two months, from August 28, 2020 and by Resolution No.39 of September 30, 2020, the Board approved his contract of mandate.

By Resolution No. 41/October 14, 2020, the Board of Directors extended the interim mandate as Deputy Chief Executive Officer by 120 days, until February 24, 2021 and conclusion of an addendum to the contract of mandate.

The Board of Directors takes note on February 15, 2021 of Mr. Daniel Corneliu Pena resignation as Deputy Chief Executive Officer and agreed with the termination of his mandate as Deputy Chief Executive Officer as of February 15, 2021.

#### *Chief Financial Officer*

The Board of Directors appointed on December 14, 2020, Mr. Razvan Popescu as Chief Financial Officer and approved the contract of mandate. The Board of Directors approved his appointment and the contract of mandate by successive resolutions, as follows:

- ↳ Resolution No. 50 of December 9, 2020: appointment for an interim four-month mandate, as of December 14, 2020;
- ↳ Resolution No.53 of December 14, 2020: conclusion of the contract of mandate;
- ↳ Resolution No.12 of February 12, 2021: conclusion of an addendum to the contract of mandate;
- ↳ Resolution No.30 of April 7, 2021: appointment for a new four-month mandate, as of April 14, 2021;
- ↳ Resolution No.32 of April 13, 2021: conclusion of the contract of mandate;
- ↳ Resolution No.48 of June 30, 2021: appointment for a four-month interim mandate, as of August 15, 2021 and conclusion of the contract of mandate;
- ↳ Resolution No.68 of November 2, 2021: appointment for a four-month mandate as of December 16, 2021 and conclusion of a contract of mandate.

The contracts of mandate concluded with the Chief Executive Officer, the Deputy Chief Executive Officer and the Chief Financial Officer, respectively, 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 financial and non-financial key performance indicators.

#### **Signatures:**

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**Chairman of the Board of Directors,**

**DRĂGAN DAN DRAGOȘ**

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**Chief Executive Officer,**  
**JUDE ARISTOTEL MARIUS**

**Chief Financial Officer,**  
**POPESCU RĂZVAN**

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**Table on compliance with BVB Code of Corporate Governance**

BVB CGC Provisions		Compliance	Noncompliance/ Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
A.1	All companies should have in place Regulations of the Board of Directors that include the terms of reference / the responsibilities of the Board and the company's key management positions, and that apply, among others, the General Principles in section A.	x		
A.2	The BoD Regulations should include provisions for the management of conflict of interest. The members of the Board should notify the Board on any conflicts of interest which have arisen or may arise and should refrain from taking part in the discussion (including by absence, except where such absence prevents quorum to be attained) and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	x		
A.3	The BoD should comprise at least five members.	x		
A.4	The majority of the members of the BoD should be non-executive; not less than two non-executive members of the BoD should be independent.  Each independent member of the BoD shall submit a statement at the time of his/her nomination for election or re-election, as well as whenever a change in his/her status occurs, indicating the elements on which it is deemed independent in terms of its character and his judgment.		x partially	One member of the Board is a non-executive independent Director
A.5	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and non-profit organizations, should be disclosed to shareholders and to potential investors prior to his/her nomination and during his/her mandate.	x		
A.6	Any member of the BoD should submit to the Board information on any relationship with a shareholder who holds, directly or indirectly, shares representing more than 5% of all voting rights. This also applies to any relationship which may affect the member's position on matters decided by the Board.	x		
A.7	The company should appoint a Board secretary responsible for supporting the work of the BoD	x		

BVB CGC Provisions		Compliance	Noncompliance/ Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
A.8	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the Chairman or the nomination committee and, if so, summarize key action points and changes resulting from it. The company should have a policy/ guidelines regarding the evaluation of the BoD containing the purpose, criteria and frequency of the evaluation process.	x		In 2021 the evaluation of the Board of Directors was carried out
A.9	The Corporate Governance Statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (personally and in their absence) and a report of the Board and committees on their activities.	x		
A.10	The Corporate Governance Statement should contain information on the precise number of the independent members of the Board of Directors.	x		
A.11	The BoD should set up a nomination committee comprised of non-executives, which will lead the nomination process for new Board members and make recommendations to the Board.  The majority of the members of the nomination committee should be independent		x partially	One member of the Nomination and Remuneration Committee is a non-executive independent Director
B.1	The Board should set up an Audit Committee and at least one member should be an independent non-executive.  The Audit Committee should be comprised of at least three members and the majority should be independent.  The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the Committee. At least one member of the Audit Committee should have a proven and appropriate auditing and/or accounting experience.		x partially	One member of the Audit Committee is a non-executive independent Director
B.2	The Chairperson of the Audit Committee should be an independent non-executive member.	x		
B.3	Among its responsibilities, the Audit Committee should perform an annual assessment of the internal control system.	x		
B.4	The assessment mentioned in section B.3 should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the Audit Committee of the Board, and the management's responsiveness and effectiveness in dealing with the failures and weak points identified during the internal control, and submit relevant reports to the Board.	x		

BVB CGC Provisions		Compliance	Noncompliance/ Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
B.5	The Audit Committee should review conflicts of interests in transactions of the company and its subsidiaries with affiliated parties.		x partially	<p>This provision is already mentioned in Article 8, par. 2 of Romgaz CCG.</p> <p>The Audit Committee Rules approved by the BoD in the meeting of May 14, 2018 includes provisions on such obligation.</p> <p>Moreover, a <i>Policy on related party transactions</i> was developed by Romgaz, and it obtained BoD approval on March 20, 2019.</p> <p>Following approval it was published on the company's website.</p>
B.6	The Audit Committee should evaluate the effectiveness of the internal control system and the risk management system	x		
B.7	The Audit Committee should monitor the application of statutory and generally accepted standards of internal auditing. The Audit Committee should receive and evaluate the reports of the internal audit team.	x		
B.8	The Audit Committee should report periodically (at least annually) or <i>ad hoc</i> to BoD with regard to the reports or analyses undertaken by the committee.	x		
B.9	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	x		
B.10	The BoD should adopt a policy ensuring that any transaction of the company with any of the companies in close relationship, with a value equal to or higher than 5% of the company's net assets (as stated in the latest financial report), is approved by the Board based on a mandatory opinion of the Audit Committee and fairly disclosed to the shareholders and potential investors, to the extent such transactions are events requiring disclosure.	x		
B.11	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by hiring an independent third-party entity.	x		

BVB CGC Provisions		Compliance	Noncompliance/ Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
B.12	The Internal Audit Department should functionally report to the BoD via the Audit Committee. For administration purposes and as part of the management obligations to monitor and mitigate risks, the Internal Audit Department should report directly to the Director General.	x		
C.1	<p>The company should publish the Remuneration Policy on its website. The Remuneration Policy should be formulated so as to allow the shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and of the General Director. Any significant change occurred in the Remuneration Policy should be posted in due time on the company's website.</p> <p>The company should include in its Annual Report a statement on the implementation of the Remuneration Policy during the annual period under review.</p> <p>The Report on Remuneration should present the implementation of the Remuneration Policy for persons identified in this Policy during the annual period under review.</p>	x		
D.1	<p>The company should establish an Investors Relation Department - indicating to the public the responsible person/persons or the organizational unit.</p> <p>Besides the information required by the legal provisions, the company should also include on its website a dedicated Investor Relations section, both in Romanian and English, with all the relevant information of interest for investors, including:</p>	x		
D.1.1	Main corporate regulations: the articles of incorporation, general meeting of shareholders procedure;		x partially	Items on the GMS organization are presented to shareholders at each meeting.
D.1.2	Professional CVs of the members of the company's governing bodies, other professional commitments of Board member's, including executive and non-executive Board positions in companies and non-profit organizations.	x		
D.1.3	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least those specified at item D.8 - including current reports with detailed information related to non-compliance with the Bucharest Stock Exchange Code of Corporate Governance;	x		
D.1.4	Information related to GMS: the agenda and supporting materials; the Board of Directors election procedure; the arguments in support of the proposal of candidates to the Board of Directors	x		

BVB CGC Provisions		Compliance	Noncompliance/ Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
	together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including decisions taken;			
D.1.5	Information on corporate events (such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder) including the deadlines and principles applicable to such operations.  Such information will be published within due course of time so as to allow investors to take investment decisions;	x		
D.1.6	The names and contact data of the persons who should be able to provide knowledgeable information on request;	x		
D.1.7	Corporate presentations (for example presentations for investors, presentations on quarterly results, etc.), financial statements (quarterly, semi-annual, annual), audit reports and annual reports.	x		
D.2	The company should have a policy for the annual distribution of dividends or other benefits to shareholders, proposed by the Director General and adopted by the BoD as the company's Guideline on net profit distribution.  The principles of the policy on annual distribution of dividends to shareholders shall be published on the company's website.	x		
D.3	The company shall adopt a policy with respect to forecasts, whether or not made public. The Policy on forecasts should determine the frequency, period and content of the forecasts and should be published on the company's website.	x		
D.4	GMS rules should not restrict the participation of shareholders in general meetings and should not limit the exercise of their rights. The modification of rules will become effective no sooner than the following shareholders' meeting.	x		
D.5	The external auditors should attend those shareholders' meetings where their reports are presented.	x		
D.6	The BoD should submit to the GMS a brief assessment of the internal control and significant risk management systems, as well as opinions on matters to be submitted to the GMS for decision.	x		
D.7	Any professional, consultant, expert or financial analyst, may participate in the shareholders' meeting upon prior invitation from the BoD.	x		

BVB CGC Provisions		Compliance	Noncompliance/ Partial compliance	Reason for noncompliance/ Explanation on compliance
1		2	3	4
	Accredited journalists may also attend the GMS, unless the Chairman of the Board decides otherwise.			
D.8	The quarterly and semi-annual financial reports, in the Romanian and English languages, should include information on the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, on a quarter-on-quarter and year-on-year basis.	x		
D.9	The company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published on the company's website in the IR section at the date of the meetings/teleconferences.	x		
D.10	If the company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers that their resulting impact on the innovativeness and competitiveness of the company is part of its business mission and development strategy, the company should publish the policy guiding its activity in such field.	x		

*Legend:*

GMS = General Meeting of Shareholders

BVB = Bucharest Stock Exchange

BoD = Board of Directors

CCG = Code of Corporate Governance

ROMGAZ CCG = Code of Corporate Governance of S.N.G.N. ROMGAZ S.A., as approved on January 28, 2016

CV = Curriculum Vitae

ToR = Terms of Reference