

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SNGN ROMGAZ S.A.

Report on the Audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SNGN ROMGAZ S.A. (the Company) and its subsidiaries (together referred to as "the Group") with official head office in Medias, Piata Constantin I. Motas nr. 4, cod 551130, Sibiu county, Romania, identified by sole fiscal registration number RO 14056826, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated financial statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Description of each key audit matter and our procedures performed to address the matter

Key audit matter	How our audit addressed the key audit matter
<p>Estimation of gas reserves used in the calculation of depreciation and amortisation The Group’s disclosures about estimation of gas reserves are included in Note 2 (Use of Estimates and “Exploration and Appraisal Assets”) to the consolidated financial statements.</p> <p>Estimation of the gas reserves is a focus area in our audit because it has a significant impact on the consolidated financial statements, as the reserves are the basis for unit of production depreciation and amortization for the assets in the Upstream segment.</p> <p>The estimation of gas reserves requires the Group’s management and engineers to make significant judgements and assumptions and therefore it was considered to be a key audit matter.</p>	<p>We assessed the management’s estimation process in the determination of gas reserves. Specifically, our work included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> ➤ We performed a detailed understanding of the Group’s internal process and related documentation flow and key controls associated with the gas reserves estimation process; ➤ We analysed the certification process for technical and commercial specialists who are responsible for gas reserves estimation; we also assessed the competence, capabilities and objectivity of management specialists; ➤ We tested whether significant increases or reductions in gas reserves were made in the period in which the new information became available and if the adjustments were made in compliance with the standards of the National Agency for Mineral Resources (“ANRM”); ➤ We compared, on a sample basis, the gas reserves with the assumptions used in the accounting for depreciation and amortization for the core assets in the Upstream segment. <p>We further assessed the adequacy of the Group’s disclosures about calculation of amortization.</p>

Accounting for the acquisition of ExxonMobil Exploration and Production Romania Limited (“EMEPRL”) shares (currently Romgaz Black Sea Limited) in the consolidated financial statements

The Group’s disclosures about the EMEPRL’s acquisition and its accounting treatment are included in note 30 to the consolidated financial statements.

During the year, the Company acquired 100% of ExxonMobil Exploration and Production Romania Limited (“EMEPRL”) shares, an entity holding 50% of the acquired rights and obligations under the Petroleum Agreement for the Deep-Water Zone of Neptun XIX offshore Block in the Black Sea.

The accounting for the acquisition of ExxonMobil Exploration and Production Romania Limited (“EMEPRL”) shares is a focus area in our audit because it has a significant impact on the consolidated financial statements and required Group’s management to make significant judgements and assumptions in:

- determining whether the transaction is a business combination or an asset acquisition;
- identifying acquired assets and allocating the purchase price to the acquired assets.

The Group’s management, considered the asset concentration test set out in IFRS 3 – Business Combinations to be met and concluded that the transaction qualifies as an acquisition of assets for the consolidated financial statements, thus recognising a newly identified Intangible asset - mineral right to exploit 50% of the reserves of the Neptun Deep perimeter - and allocating the largest part of the consideration paid to this asset.

For the purpose of the purchase price allocation, the relative fair value of the newly recognized mineral right was determined using the method of initial investment, that required Group’s management to prepare discounted cash flows in respect of the future natural gas resource exploitation.

As result of significant judgements and assumptions involved, the accounting for the acquisition of EMEPRL, was considered a key audit matter.

We assessed the management’s judgements and assumptions about the acquisition of EMEPRL’s shares. Specifically, our work included, but was not limited to, the following procedures:

- We have read the purchase agreement to gain an understanding of the key terms and conditions; we involved our internal IFRS specialists to assist us in the evaluation of the accounting treatment used by the management and its conformity with the International Financial Reporting Standards requirements;
- We analysed and evaluated the management’s assessment to determine the nature of transaction, and in particular, we analysed the asset concentration test assumptions;
- We agreed with the supporting evidence (bank statements) the consideration paid for the acquisition of 100% of EMEPRL’s shares;
- We assessed the competence of both internal and external specialists used by the management in this process and the objectivity and independence of external specialists, to consider whether they were appropriately qualified to carry out the valuation;
- We evaluated the management’s assessment of the purchase price allocation performed based on the relative fair values of assets acquired and liabilities assumed;
- In respect of the discounted cash flows model used to compute the relative fair value of the mineral right acquired, we:
 - a) tested the reasonability of future yearly production volumes per field based on actual reports of the National Agency for Mineral resources (“ANRM”) and appendixes, that approves the production plan for each field;
 - b) compared the main assumptions used in the discounted cash flow test (future gas prices, operating costs, capital expenditures, production volumes, gas reserves and discount rate) with the current and long-term forecasts approved by both parties of the joint operation: the Group’s management and the operator of the concession;
 - c) analysed the assumptions used in the cash flow projections;
 - d) involved our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by the Group for the valuation of the mineral right (checked the mathematical accuracy of the model, its conformity with the

	<p>requirements of the International Financial Reporting Standards, the discount rates used, future natural gas sales prices);</p> <ul style="list-style-type: none"> e) evaluated the management's sensitivity analysis over key assumptions in the future cash flow model in order to assess the potential impact of possible changes; f) Inquired whether the Group has the ability to finance 50% of the investments necessary for the exploitation of the Neptun Deep perimeter; g) We also reviewed the Executive Board minutes of meetings for any indications about the lack of such ability or intention and we checked that the investment budget for the next year and beyond includes funds for these investments. <p>We also assessed the adequacy of the Group's disclosures in the consolidated financial statements.</p>
<p>Estimation of decommissioning provisions The Group's disclosures about decommissioning obligations are included in Note 2 (Use of estimates) and Note 19 (Provisions) to the consolidated financial statements.</p>	
<p>The Group's core activities regularly lead to obligations related to dismantling and removal of equipment and installations, asset retirement and soil remediation activities.</p> <p>The decommissioning provision is significant to our audit because of its magnitude (carrying value of RON 236.49 million at 31 December 2022) and because management makes estimates and judgments in determining the respective provisions.</p> <p>The key estimates and assumptions relate to the envisaged future dismantling costs, forecasted inflation rates and discount rates to determine the present value of the obligations.</p>	<p>Our work in respect of management's estimation of decommissioning and restoration provisions included, but was not limited to, the following procedures:</p> <ul style="list-style-type: none"> ➤ We performed a detailed understanding of the Group's estimation process and the related documentation flow and assessed the design and implementation of the controls within the process; ➤ We compared the current estimates of decommissioning costs with the actual costs incurred in previous periods; ➤ We reviewed the timing of works to be performed for surface and subsurface decommissioning for wells; ➤ We inspected supporting evidence for any material revisions in cost estimates during the year; ➤ We involved our valuation specialists to assist us in performing industry bench marking and analysis over discount rates and inflation rates; ➤ We tested the mathematical accuracy of management's decommissioning provision calculations; ➤ We assessed the competence, capabilities and objectivity of management specialists. <p>We also assessed the adequacy of the Group's disclosures in the consolidated financial statements relating to decommissioning obligations.</p>

Other information

The other information comprises the Annual Report (which includes the Directors' Consolidated Report, the Report on Payments to Governments, the Corporate Governance Statement and the Remuneration Report), but does not include the consolidated financial statements and our auditors' report thereon. The Corporate responsibility and sustainability report will be published separately at a later date. Management is responsible for the other information.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the consolidated financial statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Directors' Consolidated Report and Remuneration Report, we have read these reports and report that:

- a) in the Directors' Consolidated Report we have not identified information which is not consistent, in all material respects, with the information presented in the in the accompanying consolidated financial statements as at December 31, 2022;
- b) the Directors' Consolidated Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 – 19 and 26-27;
- c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated financial statements as at December 31, 2022, we have not identified information included in the Directors' Consolidated Report that contains a material misstatement of fact;
- d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Group by the General Meeting of Shareholders on 06 October 2021 to audit the consolidated financial statements for the financial year ended December 31, 2021, 2022 and 2023. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for five years, covering the years ended December 31, 2018 till December 31, 2022.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Group, which we issued on the same date as the issue date of this report.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.

In addition to statutory audit services and other audit related services, as disclosed in the consolidated financial statements, no other services were provided by us to the Group and its controlled undertakings.

Report on the compliance of the electronic format of the consolidated financial statements, with the requirements of the ESEF Regulation

We have performed a reasonable assurance engagement on the compliance of the electronic format of the consolidated financial statements of SNGN Romgaz SA (the Company) and its subsidiaries (together referred to as “the Group”) for the year ended December 31, 2022, included in the attached electronic file „2549009R7KJ38D9RW354-2022-12-31.zip “ (identified with the key 25f2479a8d872c99c5260809efee3c575ed8edb97b1766ef167dd688b0d4404c) with the requirements of the Commission Delegated Regulation (EU) 2018 /815 of 17 December 2018 supplementing Directive 2004/ 109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation). Our opinion is expressed only in relation to the electronic format of the consolidated financial statements.

Description of the subject matter and the applicable criteria

The Management has prepared electronic format of consolidated financial statements of the Group for the year ended December 31, 2022 in accordance and to comply with ESEF Regulation requirements. The requirements for the preparation of the consolidated financial statements in ESEF format are specified in the ESEF Regulation and represent, in our opinion, applicable criteria for us to express an opinion providing reasonable assurance.

Responsibilities of the Management and Those Charged with Governance regarding the electronic format of the consolidated financial statements

The Management of the Group is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the consolidated financial statements in XHTML format. Such responsibility includes the selection and application of appropriate iXBRL tags using the taxonomy specified in the ESEF Regulation, ensuring consistency between the human-readable layer of electronic format of the consolidated financial statements and the audited consolidated financial statements. The responsibility of Group’s Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the consolidated financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process for the preparation of consolidated financial statements of the Group, including the application of the ESEF Regulation.

Auditor's Responsibility

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation.

We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the consolidated financial statements of the Group is prepared, in all material respects, in accordance with the applicable criteria, specified above. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

Our Independence and Quality Management

We apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, designs, implements and operates a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

Summary of procedures performed

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the consolidated financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic (XHTML) reporting format of the consolidated financial statements of the Group, we have maintained professional skepticism and applied professional judgment. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the consolidated financial statements of the Group, including the preparation of the consolidated financial statements of the Group in XHTML format and its tagging in machine readable language (iXBRL);
- tested the validity of the applied XHTML format;
- checked whether the human-readable layer of electronic format of the consolidated financial statements (XHTML) corresponds to the audited consolidated financial statements;
- assessed the completeness of the tagging of information in the consolidated financial statements while using the machine-readable language (iXBRL) under the requirements of the ESEF Regulation;
- assessed the appropriateness of the applied iXBRL tags selected from the core taxonomy and the creation of extensions to the elements in the extended taxonomy specified in the ESEF Regulation when there were no suitable elements in the core taxonomy;
- evaluated the anchoring of the taxonomy extensions to the elements in the extended taxonomy specified by the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation

Based on the procedures performed, in our opinion, the electronic format of the consolidated financial statements of the Group for the year ended 31 December 2022 is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.



On behalf of
Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania
Registered in the electronic Public Register under No. FA77

Name of the Auditor / Partner: Verona Cojocaru
Registered in the electronic Public Register under No. AF1568

Bucharest, Romania
23 March 2023