Financial Report 2022

Petrogas E&P Netherlands B.V.

The Hague

Contents

Directors' report

For the general company information and the principal business activities of Petrogas E&P Netherlands B.V. (PEPN) please refer to note 1.1 of the financial statements.

Business Activities 2022
2022, was another year where global events changed the outlook of the energy markets. Following the COVID19 years, this year was heavily influenced by global geopolitics that created volatile and uncertain energy markets. This has led to continued higher commodity price levels during the year compared to 2021. EU countries, including the Netherlands, took measures to reduce the dependency on Russian gas, which led to increased market constraints and a further increased price level in the second half of the year. Not only were prices increased by the shortfall in Russian gas constraining supply, gas prices were also significantly influenced by governments filling up the country's gas storages, in order to have secured supply over the winter 2022/23.

The Company continued its activities while carefully considering the business environment, safety and health of its people and the liquidity of the company. The company was able to progress its plans in the Dutch Sector of the North Sea, despite of the disruption to the supply chain and the tail-end of the COVID 19 crisis.

PEPN production volumes for the year 2022 were 2.21 million barrels of oil equivalent, compared to the 2.76 million barrels of oil equivalent produced in 2021, largely due to the cessation of our oil production from the PQ area. The average prices for the year 2022 were US$ 96.71 (2021: US$ 66.93) per barrel oil and US$ 28.52 (2021: US$ 10.76) per MSCF gas.

	2022	2021
Operating revenue (€'000)	328,584	137,624
Other income (€'000)	425	370
Current asset ratio	2.76	2.11
Solvency ratio	0.15	0.16

The current asset ratio (with a short-term nature) has increased, predominantly due to increased earnings and cash inflows of the company during 2022, as a result of the strongly improved commodity price environment. However due to the introduced solidarity contribution in Q4 2022, which was implemented on a retroactive and income tax basis, payable in 2024, the solvency ratio has decreased. Refer for further information on the ratios to Note 1.2.

The Company focused on liquidity to enable its further growth in the AB area of the Dutch continental shelf, where in Q1 of 2022, together with its partners, it sanctioned the A15 and B10 small shallow gas field developments.

Both fields finally reached the final investment decision, having been discovered in 1992 and 1983 respectively, after decades of exploration and evaluation of the subsurface, multiple engineering studies for development options and feasibility studies, 3D seismic acquisition, interpretation, reprocessing, the drilling subsequent appraisal wells (during 2019), in order to find an economic way to develop these smaller gas fields. Along with including the completion of the front-end engineering and design studies, seeking a joint development exploiting synergies and associated cost reductions, the company, along with its partners, can finally realize the return on the significant historical investment in this fields.
It is currently anticipated that both shallow gas fields will come on production during 2024, while in 2023, the platforms, pipelines and related infrastructure will be installed, connected and integrated

in the already existing AB gas operations in the A12, B13 and A18 area. The company anticipates that due to the early 2022 sanctioning of the project, supply chain challenges were timely addressed by considering longer delivery times and anticipates the above development activities will be executed, aligned with the plans. The development journey of these fields illustrates the long-time frame between exploration and production, with a significant risk that these investments could not be commercialized. Measured and careful analysis, with significant investment, coupled with a long-term stable price outlook is required to allow for these fields to be developed.

After almost forty years of oil production from the Q1 field, in early 2022 the Company discontinued its oil production from the Haven and Helder field in the Q1 area and the Horizon field in the P9 area in a staged manner. Along with the Hoorn platform, the company started the preparations to move them towards light house mode, this being the stage where all platform activities are ceased, and the platform is cleaned and ready for decommissioning. The platforms have navigation aids powered by solar panels, and access is only achieved via Boat Access.

Associated with bringing the platforms to lighthouse mode, during 2022 the Company abandoned (P&A'd) close to 30 oil wells on the Helder, Haven and Hoorn platform. The Company also cleaned its Q1 inter-field gas and oil pipelines while its subsidiary Petrogas Transportation cleaned its P and Q pipeline infrastructure.

While all the above decommissioning activities offshore were performed, the engineering preparations with the Heavy Lift contractor continued for the removal of the four platforms in Q1 and the Company agreed a contract addition with the Heavy Lift contractor to also remove the Horizon platform in the P9 license within the next 3 years.

While 2022 was a very capital and decommissioning expenditure intensive year, the Company continued its focus on safe and environmentally conscious operations and production from its fields in the AB area. The annual AB major maintenance campaign during the NOGAT shutdown was completed successfully utilizing a walk to work vessel to optimize the logistics and make use of the available facilities for accommodation.

Governance

Management System, Statistics and Compliance

While working on the above projects and its operations, PEPN also continued its focus on operations guided by its management system designed to ensure, amongst others, a safe and healthy workplace for all employees and contractors, to ensure minimal environmental impact and maximize reliability of hydrocarbon producing systems. The company's enhanced management system is ISO 14001 and ISO 45001 certified since 2017 and was re-certified in 2022.

Considering the work program of 2022 the Company created additional focus for the safety of its people, through the presence of offshore safety coaches at the workplaces where special work activities were taking place to prevent incidents. Despite the additional awareness and preparation, the Company still experienced 2 serious injuries (formerly called lost time injuries or LTI's).

The company has set out its Mission, Vision and Values, and has also communicated 'the way we want to do business' to its staff. Our business ethics and conduct principles (also publicly known as the code of conduct) are captured in policies and are part of our management system, including the communication with our employees. The communication about these principles is one of the measures in the field of integrity and compliance.

At year-end, PEPN employed a total of 113 people (2021: 110). Of this total, 29 were employed offshore (2021: 30), the remainder provided technical, administrative and logistical support from the Rijswijk office and on the Supply Base and from home. The Company does not anticipate this number will change materially during 2023. The Company does anticipate reviewing its organization in light of the closure of the PQ oil production and its additional new activities. Such review will be done with duty of care and if there are any effects to employees, the Company has a valid social plan in place.

Currently the board of directors and the management team (sub-top) consist of 11 men and 3 women. In light of the new Decree on the contents of the management report being effective as from reporting year 2022, the Company is still in the process of defining a gender target of having women in managerial positions of the Company, to ensure an appropriate and ambitious target reflecting the nature of the Company. We expect to have defined this target and a plan for implementation into the hiring processes to achieve this target throughout the course of 2023, aligned with the annual reporting requirements to the SER ("Sociaal-Economische Raad").

Results and dividends

PEPN's total operations during 2022 returned a net profit of € 129.2 million (2021: profit of € 62.2 million), the difference compared to 2021 was mainly caused by the higher gas prices in 2022 compared to the gas prices in 2021. The Board of Directors proposes to charge the result for the year to the Other Reserves.

During the year the total interim dividend distribution amounted to US$ 130 million (equivalent to € 126 million), which was requested by the shareholder of PEPN and based on the increased results, cash flows and business outlook, this was approved by the board of directors. The Company in its turn received a dividend from its subsidiary Petrogas Transportation in 2022 based on the net results of prior years of € 27 million.

The abovementioned dividend distributions, the first since 2014 Petrogas became the shareholder, were largely made to enable its immediate parent company to make further investments in the UK through its other subsidiaries and strengthen its balance sheet by the repayment of loans.

During Q4, 2022, PEPN's board was surprised by implementation of the Dutch solidarity contribution with a retroactive effect to the full year results of 2022, which had a significant negative effect on the net profit for the year. Next to this new Dutch solidarity contribution, the Company was also confronted with new Dutch Royalty regulations being enforced for 2023 and 2024.

These new fiscal measures have a significant negative effect on the Company's financial outlook and the Dutch investment climate in general for the oil and gas industry. The Board of Directors did not anticipate this to happen, considering the protection provided to oil and gas licensees in the Mining law.

Risk and Risk Management

PEPN's future revenue and earnings depend heavily on its gas production levels, gas prices and the Euro - US Dollar exchange rate. During 2022 the oil and gas prices were volatile and uncertain, where gas prices increased to unseen levels with a peak in August, over and above the higher gas prices late 2021. The high gas price environment is partially due to geopolitics, market delivery constraints and the filling of gas storages.

PEPN continues to review its opportunities for growth, based on its cash flows in 2022 and early 2023, but also is ensuring to safeguard its financial position considering the additional levies that have been set by the government.

Risk management ensures that PEPN maintains a good risk and reward balance in its pursuit of potential opportunities in the market and that consistent and controlled measures are in place for a going concern with appropriate business cases. The risks and uncertainties which PEPN faces reflect the business environment of the industry. PEPN is prepared to accept a calculated amount of risk if there is a reasonable probability that the related opportunities will contribute to the achievement of its strategic and operational goals. The group remains firm regarding the amount of risk that it is willing to accept within its financing structure and within contractual obligations to various stakeholders.

In general, PEPN's willingness to assume risks and uncertainties ranges from risk averse to cautious depending on the type of risk:

- Its strategic risks, including industry volatility, are seen as an inherent part of the business and therefore the Company is cautious instead of risk averse;
- For operational risks in relation to health, safety and environment, the Company is risk averse and managing these risks is a key focus;
- For other operational risks this is dependent on the type of risk and can be more towards cautious;
- For financial risks this ranges from cautious to risk averse;
- For (financial) reporting risks, the Company is risk averse to any risks that could infringe the integrity of its (financial) reporting;
- For ethics, compliance and fraud risks the Company is risk averse to the risk of non-compliance with applicable laws and regulations, as well as with its own business ethics and conduct principles.

More specifically PEPN's operations and earnings are subject to risks such as:

Fluctuating prices for oil, natural gas, oil products and chemicals;
Oil and natural gas prices rise and fall for various reasons involving supply and demand. These include natural disasters, weather, economic conditions, actions by major oil-exporting countries and geopolitical instabilities or wars. Price fluctuations can test business assumptions and can affect PEPN's investment decisions, operational performance and financial position.

Although the Company is more proactively managing these commodity price risks with its hedge strategy than in previous years, the company accepts the remaining risks as part of the common business risks within the industry.

As part of its hedge strategy, PEPN has also the opportunity to make use of derivative financial instruments. In this respect financial swap contracts were used to hedge and reduce the exposure to changes of the gas price in the market. In 2022 PEPN did not close any new financial swap contracts for its future gas sale volumes and did not have any outstanding financial hedge positions as per year-end.

For further information on risk management refer to note 4.

Competition;
PEPN faces competition within the energy industry and from other industries for licenses and reserves and developing and applying new technology. Failure to clearly understand or effectively respond to competition could affect the company's financial position. As part of the strategy of the company and monitored by its management system the company thinks to respond appropriately on the relevant opportunities and threats with respect to competition.

Currency fluctuations and exchange control;
PEPN's functional currency is Euro. However, PEPN also has transactions in foreign currencies, mainly US Dollar denominated. Changes in currency values and exchange controls could affect the operational performance and financial position of the company. Next to the natural hedge of having sales and expenditures in US dollars, the company accepts these remaining risks for the more common currencies as part of the common business risks in the jurisdiction it operates. For further information on financial risk management refer to note 4.

Economic and financial market conditions;
PEPN could be subject to differing economic and financial market conditions with its investments. Political or economic instability pose a risk to such markets. If such risks materialize, it could affect the financial position of the company with its investments.

Information and Cyber security;
As in all industries, there is potential for cyber intrusion leading to financial loss, information data loss, data privacy infringement and system irregularities. If such risks materialize, it could affect the financial position of the company with its investments. Security risks are regularly monitored and verified in accordance with common IT standards. Backup processes, Disaster Recovery and Business continuity plans are in place, networks are built and monitored to prevent and remedy any internal and external cyber-attacks. The Company focuses on preventive action including continuous training on information security.

Ethics, compliance and fraud risk;
PEPN operates according to the highest level of legal and ethical standards, ensured through the consistent application of its policies and procedures, including its Business Ethics and Conduct Policies. To manage the risks in relation to ethics, compliance and fraud risk mandatory awareness training is conducted to communicate expectations of legal compliance and ethical business conduct to staff and is integrated into supplier contracts. Next to ongoing awareness and focus from our compliance program, it also contains an annual risk self-assessment cycle performed by management and in close engagement with the directors and part of the scope of performed internal and external audits. As for all companies in the Dutch oil and gas industry, there is still a potential risk of non-compliance with legal regulations such as Anti-corruption, Anti-Money Laundering and Data Protection, as well as non-ethical business practices like fraud, bribery and corruption. However due to the fact that the Company has North Sea operations, which is seen as a low-risk area to operate with respect to bribery and corruption, this will be on lower end within the global industry. Non-compliance could lead to investigations and litigation, as well as negative impacts on reputation with shareholders, financing parties and other stakeholders. For 2022 no fraud incidents took place.

Climate Change and Energy Transition;
The Company is subject to continuous changing market conditions, political climate and the public opinion about the oil and gas industry and how this industry will evolve during the energy transition towards a low-carbon and climate-proof economy. This is an agile journey and the Company encourages initiatives and innovation to improve our carbon footprint in close contact with other industry partners, financiers, government and customers, but this is not captured in formal covenants (yet). The Company tries to embrace government policies and go beyond where possible. The Company is not expecting a significant impact for its North Sea operations from its geographical factors.

Next to financial contributions the Company makes to society by the several taxes and retributions, it also is subject to additional contributions in relation to emissions (EU ETS) and CO_2 levy. These contributions are expected to increase over time and can have an adverse effect on the Company and business cases for future investments. Also further stringent legislation could further increase the adverse effect.

If such risks or opportunities materialize, it could affect the financial position of the company with its investments. For the 2022 financial statements and financial position, the Company did not identify any significant impact due to climate related risks. See for more details also the ESG section.

Financial Reporting
The company is continuing to optimize its internal control framework, as part of its management system, including the alignment with its shareholder to conduct and evaluate the effectiveness of the company's internal control over financial reporting. Besides the audits by external parties, Corporate Audits are performed to ensure proper design, implementation and operating effectiveness of the internal controls within each Petrogas entity.

Environment Social Governance
The Company has always been focused on being vital and relevant for society without compromising on environmental aspects. The company has been working with ElementNL (formerly called NOGEPA) and in agreement with the authorities, to reduce its emissions and has been successful in delivering significant reductions in NO_x, Methane and CO_2 emissions over the last few years.

In recent years the Company's management system has been further enhanced to cater for reporting on the UN Sustainable Development Goals, related strategy and role in the energy transition, in the so-called Environment Social Governance (ESG) area. During 2022 this was also expressed by the separate publication of our sustainability report over 2021. A copy of the report can be found on the Petrogasep.com website under the legal section. In November 2022 the European commission published draft legislation and standards in the light of the Corporate Sustainability Reporting Directive (CSRD) along with the development of best practices, from which PEPN will learn and adapt.

The Company's continuous journey on being transparent on its impact on environment and society and bundling its initiatives is ongoing. Further enhancements and plans will be made during 2023, in preparation for the CSRD, while also working on its other projects.

The Company's continuous journey and its dedication on giving further insights on its role in society with minimizing its impact on the environment, will become more visible in the publication of our 2022 sustainability report, by addressing more aspects of the published legislation and best practices, which is anticipated to be published later this year. This report will also include the target setting for further reduction in emissions by the Company and optimizing its role in the energy transition, which will be governed by a steering committee.

The Company further would like to progress on the implementation of its long-term vision, strategy and target setting with respect to the energy transition and alternative use of the legacy assets.

Business Activities 2023

In 2023 the Company's work program, next to its regular operational activities, incorporates the installation of the A15 and B10 platforms, the related A15 and B10 pipelines and their umbilical connected to the already present AB infrastructure. Subsequently three A15 wells will be drilled and three B10 wells thereafter, with first production anticipated to be early 2024.

Next to this the Company will progress its B16 development, aligned with the energy transition and the energy security policies of the Dutch authorities to maximize the gas production from the Dutch continental shelf, with the aspiration to turn the field into an economic viable development in the next coming years, continuing to provide domestic gas with an associated lower GHG emission impact, compared to imported gas.

In the PQ area, PEPN will continue its staged decommissioning plan, where during the first half of 2023 all development wells on the Horizon field in P9 will be plugged and abandoned, while simultaneously the Horizon, Helder and Hoorn platforms will be brought into lighthouse mode.
It is envisaged that in the second half of the year, Hoorn & Haven will be safely removed in an environmentally responsible manner and brought to shore, where these platforms will be recycled for over 95%. The Company's Helder, Helm and Horizon platforms are anticipated to be removed in the following year.

Furthermore, the Company is investigating opportunities for the future alternative use of its legacy assets in the Q1 area in the energy transition, like for carbon transport and storage facilities or other offshore functions.

Based on the prognosed commodity prices and business plans of the company, it is anticipated that the long term positive (operating) cash flows will sustain in the next financial years. Therefore, the Company is seen as a going concern and did not identify other events or conditions that could generate significant doubts about the company's ability to continue as a going concern.

The company is committed to continue to perform its activities in a safe and environmentally responsible manner. Health, Safety, Environmental and loss control initiatives will therefore continue to have the highest priority.

Uncertainties Covid-19 and Geopolitics Ukraine Russia

Although the disruption of the supply chain and COVID 19 spreading risk continued over the year, the company was able to progress its business plans. The Company assessed the direct impact of Covid-19 based on the current circumstances as manageable and Covid-19 is no longer seen by the Dutch government as a pandemic.

In February 2022 Russia - Ukraine military conflict started leading to significant geopolitical tension in the region. The Company identified no direct financial impacts on the business given it does not have any business activities in and with Ukraine or Russia. Also based on the current knowledge, the Company is not aware of any direct material financial impact in relation to individuals or companies which are subject to sanctions. In terms of indirect adverse impact, there are cost inflation pressures that would appear a risk through drilling supplies, drill rigs and wider corporate cost inflation as the world economy sees inflation rising due to various factors including the Russia - Ukraine conflict and associated imposed sanctions.

Rijswijk, 30 May 2023

Board of Directors,

Original has been signed by the directors

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Financial statements

Consolidated financial statements

Consolidated balance sheet as at December 31, 2022

(before appropriation of result)

	Note	31-12-2022		31-12-2021	
		€ '000	€ '000	€ '000	€ '000
Assets					
Non-current assets					
Property, plant and equipment	5	38,671		38,645	
Deferred tax asset	6	-		-	
Long term receivables	7	166,168		170,939	
			204,839		209,584
Current assets					
Inventories	8	5,489		10,716	
Receivables	9	60,855		42,659	
Cash and cash equivalents	10	91,782		55,363	
			158,126		108,738
Total assets			**362,965**		**318,322**

	Note	31-12-2022	31-12-2021
		€ ‘000	€ ‘000
Shareholders’ equity and liabilities			
Group equity	11	52,961	50,343
Provisions	12	174,729	199,381
Non-current liabilities	13	11,686	17,141
Current liabilities	14	123,589	51,457
Total shareholders’ equity and liabilities		**362,965**	**318,322**

Consolidated income statement for the year ended December 31, 2022

		2022		2021	
	Note	€ '000	€ '000	€ '000	€ '000
Revenue					
Operating revenues	16	328,584		137,624	
Other income	16	425		370	
			329,009		137,994
Operating expenses					
Operating and administrative expenses	17	(65,878)		(46,777)	
Depreciation, depletion and impairment	5	(17,669)		(31,064)	
ARO release and accretion	12	2,211		8,681	
			(81,336)		(69,160)
Operating result			247,673		68,834
Finance income/(costs)	19		18,643		14,636
Result before tax			266,316		83,470
Income tax income/(expense)	20		(137,084)		(21,238)
Result after tax			129,232		62,232

Consolidated cash flow statement for the year ended December 31, 2022

		2022		2021	
	Note	€ ‘000	€ ‘000	€ ‘000	€ ‘000
Cash flows from operating activities					
Operating result			247,673		68,834
Adjustments for non-cash items:					
Depreciation, depletion and impairment	5	17,669		31,064	
ARO release and accretion	12	(2,211)		(8,681)	
			15,458		22,383
Operating Cash Flow before working capital changes			***263,131***		***91,217***
Changes in working capital:					
Inventories		5,227		(1,625)	
Receivables		(9,109)		(31,683)	
Current liabilities (excl. financing and income tax)		(3,968)		27,194	
			(7,850)		(6,114)
Interest received		134		-	
Interest paid		(996)		(124)	
Income tax received/(paid)		(71,249)		(12,334)	
			(72,111)		(12,458)
Net cash generated from operating activities			183,170		72,645

	Note	2022 € '000	2022 € '000	2021 € '000	2021 € '000
Cash flows from investing activities					
Purchases of property, plant and equipment		(6,239)		(15,756)	
Decommissioning expenditures		(32,093)		(7,443)	
Net cash used in investing activities			(38,332)		(23,199)
Cash flows from financing activities					
Dividends paid	29	(126,614)		-	
Other payables repayments	13	(6,632)		-	
Long term receivables proceeds / (granted)		23,144		(8,598)	
Net cash used in financing activities			(110,102)		(8,598)
Net cash flows			34,736		40,848
Exchange gains/(losses) on cash and cash equivalents			1,683		421
Net increase/(decrease) in cash and cash equivalents			36,419		41,269

Movements in cash and cash equivalents can be broken down as follows:

	2022 € '000	2021 € '000
At 1 January	55,363	14,094
Movements during the year	36,419	41,269
At 31 December	91,782	55,363

Notes to the consolidated financial statements

1 General information

1.1 Operations

Petrogas E&P Netherlands B.V. (‘the company’ or ‘PEPN’), located Laan van Zuid Hoorn 14 in Rijswijk, registered in The Hague under number 27114238. The company was incorporated on December 20, 1985 and is engaged jointly with other parties in the exploration and production of oil and natural gas in the Dutch sector of the Continental Shelf. The amounts in the balance sheet and in the profit and loss account are reflecting the net company share.

Through its subsidiary company, Petrogas Transportation B.V. (“PT”), registered in The Hague under number 27101617, the company owns and operates oil pipelines and infrastructure in the Q1 and P9 block in the Dutch sector of the Continental Shelf. Furthermore, its subsidiary also owns and operates jointly infrastructure in the A12, B13 and A18 block in the Dutch sector of the Continental Shelf.

PEPN is, via its immediate parent company Petrogas International E&P Coöperatief U.A., a member of the Petrogas E&P LLC Group with MB Holding Company (Muscat, Oman) being the ultimate parent company. The consolidated financial statements of Petrogas E&P LLC Group are filed at the Chamber of Commerce.

1.2 Going concern

These financial statements have been prepared on a going concern basis. The equity of PEPN amounts to € 53 million as at December 31, 2022 (2021: € 50.3 million).

This year the equity increased slightly due to the current year’s result after tax of €129.2 million, which is partially offset by the dividend distributions during the year of € 126.6 million. The company has a working capital surplus at the balance sheet date of € 100.9 million (2021: surplus of € 57.3 million), with the current assets of € 158.1 million being higher than the current liabilities with a short-term nature of € 57.2 million, refer to note 14 for more information.

In addition, the company did not identify other events or conditions that could generate significant doubts about the company's ability to continue as a going concern.

Based on the prognosed commodity prices and business plans of the company, it is anticipated that the long term positive (operating) cash flows will sustain in the next financial years.

As per the above, the accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are based on the assumption of continuity of the company.

1.3 Group Relations and Consolidation

Group Relations

Subsidiaries are entities in which Petrogas E&P Netherlands B.V. exercises direct or indirect control based on a shareholding of more than half of the voting rights, or of which it has the authority to govern otherwise their financial and operating policies. Potential voting rights that can be exercised directly from the balance sheet date are also taken into account.

Consolidation

Subsidiaries and other entities in which Petrogas E&P Netherlands B.V. exercises control or whose central management it conducts are consolidated in full. Participating interests in group equity and group result are disclosed separately. Participating interests over which no control can be exercised (associates) are not included in the consolidation.

The consolidation includes the financial information of Petrogas E&P Netherlands B.V. and its subsidiaries, in which it exercises control or whose central management it conducts.

The consolidation includes, next to the company, its wholly owned subsidiary Petrogas Transportation B.V. No interests in joint ventures or other participations relevant for the consolidation are applicable, as all joint arrangements are classified as joint operations.

Intercompany transactions, profits and balances between PEPN and its subsidiary Petrogas Transportation B.V. are eliminated, unless these results are realized through transactions with third parties. Transactions, profits and balances with other group companies than subsidiary Petrogas Transportation B.V. are not eliminated.

Unrealized losses on transactions between PEPN and its subsidiary Petrogas Transportation B.V. are eliminated as well, unless such a loss qualifies as an impairment. Unrealized losses on transactions with other group companies than subsidiary Petrogas Transportation B.V. are not eliminated.

Group companies

Group companies, as referred to in the notes, include affiliated companies with the same ultimate parent company.

Related-Party transactions

All group companies abovementioned are considered to be a related party. Also, entities which can control the company are considered a related party. In addition, statutory directors, other key management of Petrogas E&P Netherlands B.V. and close relatives are regarded as related parties.

The intercompany transactions are eliminated as abovementioned.

Significant transactions with related parties are transacted under normal market conditions, therefore no disclosure is included in the notes.

1.4 Changes in accounting policies

As of financial year 2022, turnover is recognised in line with the revised version of RJ 270. Further details are included in the accounting policies. This change in accounting policy is applied prospectively to new contracts that were entered into or amendments of existing contracts made on or after 1 January 2022, as such the result and equity of 2021 are not affected.

1.5 Notes to the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and cash equivalents. Cash flows denominated in foreign currencies have been translated at date of transaction.
Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognised as cash used in financing activities. The purchase consideration paid for the purchase of PPE and decommissioning expenditures has been recognised as cash used in investing activities where it was settled in cash. Transactions not resulting in inflow or outflow of cash are not recognised in the cash flow statement.

1.6 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. If necessary for the purposes of providing the view required under Section 362 (1), Book 2, of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

1.7 Financial instruments

Derivatives are initially recognised in the balance sheet at fair value, the subsequent measurement of derivative financial instruments depends on whether or not the instrument is quoted in an open market. If the underlying object of the derivative financial instrument is listed on a stock exchange, it is measured at fair value and changes in value are recognized in the profit and loss account (if no hedge accounting is applied). If the object is not listed on a stock exchange, it will be stated at cost or current value, if lower. Insofar as the fair value as determined at the balance sheet date is lower than the cost price of the derivative, the difference is recognized in the profit and loss account (if no hedge accounting).

Hedge accounting

The company applies hedge accounting. At the time of entering into a hedging relationship, this is documented by the company. The company periodically establishes the effectiveness of the hedging relationship by means of a test. This can be done by comparing the critical characteristics of the hedging instrument with those of the hedged item and / or by comparing the change in fair value of the hedging instrument and the hedged item. If there is an indication of ineffectiveness, the company determines this possibly ineffective part by means of a quantitative ineffectiveness measurement.

When applying cost-price hedge accounting, the initial measurement and the determination of the result of the hedge instrument depend on the measurement principle of the hedged item.
This means the following:

- if the hedged item is measured in the balance sheet at cost, the derivative is also valued at cost
- as long as the hedged item in the cost-price hedge relationship is not yet recognized in the balance sheet, the hedge instrument is not revalued. This applies, for example, in the case of the hedge of the commodity price risk of a future transaction

- If the hedged item concerns a monetary item in foreign currency that is included in the balance sheet, the derivative, insofar as it contains currency elements, is also measured at the spot rate on the balance sheet date. If the derivative contains currency elements, the difference between the spot rate that applies at the time the derivative is concluded and the forward rate at which the derivative will be settled is amortized over the term of the derivative.
  If the hedged position of a future transaction results in the recognition of a non-financial asset or liability for which cost (price) hedge accounting is applied, the related gains and losses not yet recognized in the income statement are included in the initial cost or other carrying amount of the asset or liability that arises when the hedged future transactions occur.
- The ineffective part of the hedge relationship is recognized directly in the profit and loss account.

Applying cost price hedge accounting is terminated if
- the hedge instrument expires or is sold, terminated or exercised
- the hedge no longer meets the conditions for hedge accounting

The company applies cost-price hedge accounting for the commodity price swaps that reduce the exposure to changes of the gas price in the market for their future sales. The ineffective part of the change in the value of the commodity swaps is recognized in the profit and loss account under operating revenues.

2 Accounting policies for the balance sheet

2.1 General information

The consolidated financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards (DAS) for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board. The financial statements are presented in Euros in line with its functional currency. The amounts in the notes are stated in thousands of Euros unless stated otherwise.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. The balance sheet, income statement and cash flow statement include references to the notes.

2.2 Foreign currencies

Functional currency

Items included in the financial statements of group companies are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency). The consolidated financial statements are presented in Euros, which is the functional and presentation currency of PEPN.

Transactions, receivables and debts

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement.

Non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions (or the approximated rates).

2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairments. Ordinary maintenance, repairs and replacements are expensed as incurred. Improvements are capitalized and depreciated.

Depreciation of the capitalized cost of producing oil and gas properties and of well equipment is recognised using the unit-of-production method, based on proved developed oil, gas and other mineral reserves estimated to be recoverable from existing facilities.

Depreciation of property, plant and equipment, other than oil and gas facilities, is calculated on a straight-line basis over the estimated economic lives of the related assets. Depreciation in respect of the oil pipeline and related facilities is provided on a straight-line basis over the pipeline’s estimated useful life.

The estimated future capitalized discounted decommissioning costs of offshore wells, production and well platforms are depreciated based on the estimated recoverable reserves using the unit-of-production method. For more details, please refer to Note 2.10.

Allowance is made for any impairment losses expected on the balance sheet date. For details on how to determine whether property, plant or equipment is impaired, please refer to Note 2.5 below.

2.4 Financial fixed assets

Participations (associates), over which significant influence can be exercised, are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence.

Receivables from group companies

Receivables disclosed under financial assets are initially measured at the fair value of the consideration to be received. Receivables are subsequently measured at the amortized cost price. If there is no premium or discount and there are no transaction costs, the amortised cost price equals the nominal value of the accounts receivable

Other receivables

Other receivables presented under financial assets include issued loans and other receivables for which it is the intention that those will be held to their maturity date. These receivables are initially measured at fair value and subsequently carried at amortised cost. If loans are issued at a discount or premium, the discount or premium is recognised through profit or loss over the maturities of the loans using the effective interest method. Also, transaction costs are included in the initial valuation and recognised through profit or loss as part of the effective interest method. Impairment losses are deducted from amortised cost and expensed in the income statement.

2.5 Impairment of non-current assets

At each balance sheet date, the company tests whether there are any indications of assets being subject to impairment. If any such indications are present, the recoverable amount of the asset is determined. If this proves to be impossible, the recoverable amount of the cash generating unit to which the asset belongs is identified. An asset is subject to impairment if its carrying amount exceeds its recoverable amount; the recoverable amount is the higher of an asset's fair value less cost to sell and value in use.

Provision is made for any impairment, where the net carrying value, according to the above, exceeds the recoverable amount, which is the higher of the value in use and fair value less costs to sell, determined through estimated future discounted cash flows using prices and cost levels used by management in their internal business planning. If there is no decision to continue with a field specific exploration programme, the costs will be expensed at the time the decision is made.

If it is established that an impairment that was recognised in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the impairment loss is determined and recognised in the income statement.

2.6 Inventories

Oil, gas and condensate inventories are valued at the lower of cost, based on the FIFO principle or realisable value. Realisable value represents the estimated selling price less directly attributable selling expenses, net of an allowance for obsolescence of inventories where applicable.

Materials and consumables are stated at the lower of cost and net realisable value. Cost is determined using average cost.

2.7 Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, including allowances for doubtful accounts. Doubtful accounts are valued individually and reported at their probable value. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than one year. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at face value.

2.9 Group equity

For notes to group equity, reference is made to Note 29 of the notes to the company financial statements.

2.10 Provisions

General information

Provisions are recognised for legally enforceable or constructive obligations existing at the balance sheet date, the settlement of which is probable to require an outflow of resources whose extent can be reliably estimated. Provisions are measured on the basis of the best estimate of the amounts required to settle the obligations at the balance sheet date. Unless indicated otherwise, provisions are stated at the present value of the expenditure expected to be required to settle the obligations.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a partner receivable.

Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are recognised to provide for temporary differences between the tax bases of assets and liabilities, and their carrying amounts in the financial statements. Deferred income tax is determined using nominal tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax assets are only recognised insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

Deferred income tax is provided on temporary differences arising on investments in group companies, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by PEPN and it is probably that the temporary difference will not reverse in the foreseeable future. Deferred income taxes are recognised at face value.

Provision for decommissioning obligations

The liabilities for decommissioning obligations are initially recorded at the present value of the expenditure which is expected to be necessary to settle the obligations. Capitalized decommissioning costs of the related assets will be increased by equal corresponding amounts. Over time, changes in the present value of the liabilities will be accreted and expensed and the capitalized asset costs will be depreciated over the useful lives of the corresponding assets. Because the accounting method applied requires the use of interest accretion for revaluing asset retirement obligation liabilities as a result of the passage of time, associated accretion costs will be higher near the end of field lives when oil and gas production and related revenues are their lowest levels. The estimated future decommissioning costs in foreign currencies, included in the provision for decommissioning obligations, are valued at the year-end exchange rate.

2.11 Non-current liabilities

On initial recognition long-term debts are recognised at fair value. Transaction costs which can be directly attributed to the acquisition of the long-term debts are included in the initial recognition. After initial recognition long-term debts are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs.

The difference between stated book value and the mature redemption value is accounted for as interest cost in the profit and loss account on the basis of the effective interest rate during the estimated term of the long-term debts.

2.12 Current liabilities

On initial recognition current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This is usually the nominal value.

2.13 Leases

Operating lease

Leases in which a significant portion of the risks and rewards incidental to the ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recorded on a straight-line basis and charged to the income statement over the period of the lease.

3 Accounting policies for the income statement

3.1 General information

Profit or loss is determined as the difference between the realisable value of the goods delivered and services rendered, and the costs and other charges for the year. Gains or losses on transactions are recognised in the year in which they are realised; losses are taken as soon as they are foreseeable.

3.2 Revenue recognition

Operating revenue

Revenue comprises the income from the supply of goods (including crude oil, gas and condensate) and services and is shown net of value-added tax, royalty, rebates and discounts and after eliminating sales within the group.

Turnover from the sale of goods is recognized per performance obligation if the amount or the result can be reliably determined.

Revenue is recognised for the amount to which the legal entity expects to be entitled in exchange for the transfer of promised goods or services, i.e. the transaction price. This amount does not include amounts collected on behalf of third parties (including sales taxes). Credit risk is not taken into account when determining the transaction price.

The determination of the transaction price is based on the assumption that the goods or services will be transferred in accordance with the relevant agreement and that this agreement will not be cancelled, extended or otherwise modified.

There are no significant financing components and there are also no payments to buyers of goods and services.

In general the following performance obligations are distinguished in relation to the supply of goods and services:

Sales of crude oil, natural gas and condensate

Revenue from sales of crude oil, natural gas and condensate is recognised when all significant rights to economic benefits in respect of the goods have been transferred to the buyer at a point in time. This is the case when the goods have been transferred from PEPN to the buyer in accordance to the sales agreements, which is generally onshore.

Sales of services

Revenues from the services rendered are recognised in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered.

Royalty income

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Other income

Other income is comprised of proceeds not related to the core business activities. These proceeds are allocated to the reporting period in accordance with the terms of the agreement.

3.3 Cost incurred in oil and gas exploration and production activities

The company applies the successful efforts method for accounting of its oil and gas activities. Acquisition costs of exploratory acreage are capitalized. Full amortisation of the non-productive portion of such costs is provided over the shorter of the exploratory period or the lease-holding period. Costs of successful leases are transferred to proved properties.

Geological and geophysical costs for exploration and leasehold rentals for unproved properties are expensed. Exploratory and Appraisal drilling costs are initially capitalized. When drilling is completed, the costs are expensed if the wells are deemed to be non-productive or non-commercial. Development costs of proved properties, including development seismic costs, are capitalized.

Production costs, overhead and all exploration costs other than exploratory drilling costs are charged against income as incurred. Costs resulting in discovery of commercial reserves are capitalized.

3.4 Operating and administrative expenses

Operating and administrative expenses comprise costs chargeable and attributable to the year.

3.5 Amortisation and depreciation

Gains and losses from the occasional sale of intangible and tangible fixed assets are included in depreciation.

For the depreciation of property, plant and equipment reference is made to Note 2.3. Future depreciation and amortisation is adjusted if there is a change in estimated useful life.

3.6 Employee benefits

Short-term employee benefits

Salaries, wages and social security contributions are taken to the income statement based on the terms of employment, where they are due to employees.

Pensions

PEPN has defined benefit schemes and a defined contribution scheme.

The defined benefit plans are based on final pay and index-linked career average salary scheme until the maximum cap as per the Dutch legislation, which provides benefits to its members in the form of a pension payable for life. PEPN has opted since 2008 to apply the Dutch standard (DAS 271.3) with respect to pension accounting and therefore applies the liability method. Under this Standard, the employer's annual pension contributions are recognized as personnel expenses for the year. Prepaid contributions are recognized as receivables if these lead to a refund or reduction of future payments. Contributions that are due but have not been paid yet are presented as liabilities.

The above schemes are classified as pension annuity contracts. Contributions are based on the contractual arrangements with the insurance company. The contracts include entitlements to pension, spouse pension and orphan pension and provides for payments in case of disability.

PEPN decides annually upon adjustment of the pension entitlements for indexation of former employees.

For the defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

3.7 Government subsidies

Government subsidies are recognized when it is probable that it will be received and is recorded in the income statement in the year in which the subsidized costs were incurred. The Group has chosen to deduct the subsidy from the related expense for which it is intended to compensate.

3.8 Finance income and costs

Interest paid and received

Interest paid and received is recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs on loans received.

Exchange differences

Exchange differences arising upon the settlement of monetary items are recognised in the income statement in the period that they arise unless they are hedged.

3.9 Income tax expense

Income tax is calculated on the profit/loss before tax in the income statement, taking into account any losses carried forward from previous financial years (where not included in deferred income tax assets) and tax-exempt items, and plus non-deductible expenses. Changes in deferred income tax assets and liabilities owing to changes in the applicable tax rates are also taken into account.

PEPN is part of the fiscal unity with Petrogas International E&P Coöperatief U.A. being the head of the fiscal unity. Each entity of the fiscal unity calculates its corporate income tax position on a standalone basis as it would not have been part of the fiscal unity. The estimated corporation tax relating to the entities forming part of the fiscal unity are charged to or benefits are claimed by these entities. Settlement of Dutch income tax within the fiscal unity is based on fiscal results as per the abovementioned estimates. The corporate income tax payable or receivable of these subsidiaries are settled through the current accounts with Petrogas International E&P Coöperatief U.A.

4 Financial instruments and risk management

All on-balance financial instruments are valued at cost, which usually equals face value, unless stated otherwise. The company applies cost price hedge accounting, for its financial hedge contracts, see for further details 1.7 Financial instruments.

4.1 Market risk

Oil and natural gas price risk

Oil and natural gas prices rise and fall for various reasons involving supply and demand. These include, natural disasters, weather, economic conditions or geopolitical factors including actions by major oil-exporting countries and wars. Price fluctuations can affect PEPN's investment decisions, operational performance and financial position.

For the gas price risk, the company closed hedge contracts in line with the hedge strategy to reduce the exposure to changes of the gas price in the market for their future sales.

Currency risk

PEPN mainly operates in the European Union. The currency risk for PEPN largely concerns positions and future transactions in US dollars.

No financial derivatives for hedging of the currency risks are contracted with regard to the (financial) assets and (financial) liabilities.

Interest rate and cash flow risk

The company incurs interest rate risk on interest-bearing receivables and on interest-bearing non-current and current liabilities (including borrowings).

No financial derivatives for hedging of the interest rate risks are contracted with regard to the (financial) assets and (financial) liabilities.

4.2 Credit risk

PEPN does not have any significant concentrations of credit risk. Sales are made to customers that meet the company's credit rating. Goods and services are sold and provided subject to contracted payment deadlines.

4.3 Liquidity risk

PEPN uses the agreements with the parent company with respect to the long-term receivable facility to avail itself of overdraft facilities for its decommissioning expenditures when required.

5 Property, plant and equipment

Movements in property, plant and equipment can be broken down as follows:

	Assets under construction	Exploration and Development Facilities		Pipeline and related Development Infrastructure for Transportation	Total
	€ '000		€ '000	€ '000	€ '000
At January 1, 2022					
Cost or manufacturing price	-		788,930	249,736	1,038,666
Accumulated depreciation and impairments	-		(756,965)	(243,056)	(1,000,021)
Carrying amount	-		31,965	6,680	38,645
Movements					
Investments	10,510		(2,790)	1,368	9,088
Changes in ARO estimates	-		8,607	-	8,607
Disposals	-		(141,177)	-	(141,177)
Depreciation	-		(16,630)	(1,304)	(17,934)
Impairment reversals	-		265	-	265
Depreciation on disposals	-		141,177	-	141,177
Total	10,510		(10,548)	64	26
At December 31, 2022					
Cost or manufacturing price	10,510		653,570	251,104	915,184
Accumulated depreciation and impairments	-		(632,153)	(244,360)	(876,513)
Carrying amount	10,510		21,417	6,744	38,671
Depreciation rate	0%	U.O.P.	3 – 5 years	U.O.P.	

The assets relating to Exploration and Development Facilities are owned by PEPN and the assets relating to Pipeline and related Development Infrastructure for Transportation are owned by Petrogas Transportation B.V., PEPN's wholly owned subsidiary. The assets under construction are largely owned by Petrogas Transportation B.V. € 9,819, the remainder is owned by Petrogas E&P Netherlands B.V.

In 2022 the company reversed € 0.3 million of the impairment charges taken in 2021 on the Horizon West Development, as the actual capital expenditures seemed to be lower.

The disposal relates to a number of wells in the Q1 block, that were decommissioned in 2022.

6 Deferred tax asset

	31-12-2022	31-12-2021
	€ '000	€ '000
At January 1	-	418
Reclassified from/(to) deferred tax liabilities	-	(418)
At December 31	-	-

7 Long term receivables

	31-12-2022	31-12-2021
	€ '000	€ '000
At January 1	170,939	146,338
Drawdowns	6,325	8,608
Accrued interest additions	6,088	3,718
Repayments	(29,638)	-
FX revaluation	12,454	12,275
At December 31	166,168	170,939

During 2014, Petrogas E&P Netherlands B.V. and its subsidiary Petrogas Transportation B.V. provided a loan to parent company Petrogas International E&P Coöperatief U.A. These loans carry interest at LIBOR rate plus a spread and were extended during 2022 until 2025. The outstanding balance at December 31, 2022 is US$ 177 million (2021: US$ 194 million), which equals € 166 million (2021: € 171 million).

The interest of the above loans is based on LIBOR. In case the LIBOR will cease to exist, the Lender and the Borrower shall determine amongst each other an equivalent rate to replace the LIBOR.

8 Inventories

	31-12-2022	31-12-2021
	€ '000	€ '000
Materials and supplies	1,598	1,584
Crude oil and condensate	3,425	8,291
Gas	466	841
	5,489	10,716

The oil and gas inventory is valued at the lowest of the market value or weighted average cost in line with the accounting policies, being the realisable value.

Oil inventory is currently valued at market price, determined by using the Euro Brent Price FOB, as the weighted average cost price of the company exceeds the market price (2021: idem).

The gas inventory is currently valued at weighted average cost price (2021: idem).

9 Receivables

	31-12-2022	31-12-2021
	€ '000	€ '000
Trade receivables	41,636	38,368
Group company receivables	6,387	1,732
Value added tax	1,919	855
Income tax	8,137	142
Other receivables and prepayments	2,776	1,562
	60,855	42,659

All receivables fall due within one year.

Trade receivables

The trade receivables are presented at face value which approximates fair value. The increase of the trade receivables is a consequence of the high gas prices compared to last year.

Group company receivables

The receivables have the nature of normal accounts receivables and are settled on a frequent basis.

Income tax

The parent company Petrogas International E&P Coöperatief U.A. is the head of the fiscal unity of the Group with its subsidiaries registered in the Netherlands as of November 11, 2014. PEPN was head of the fiscal unity prior to this period. The positions above relate to the period that PEPN was the head of fiscal unity.

10 Cash and cash equivalents

Cash and cash equivalents include no deposits (2021: € 0). All cash and cash equivalents are at the company's free disposal, except from the issued bank guarantees of € 180 thousand.

11 Group equity

For notes to group equity, reference is made to Note 29 of the notes to the company financial statements.

12 Provisions

	31-12-2022	31-12-2021
	€ ‘000	€ ‘000
Decommissioning	158,624	191,106
Deferred income taxes	16,105	8,275
	174,729	199,381

Movements in provisions were as follows:

	Decommissioning	Deferred income taxes	Total
	€ ‘000	€ ‘000	€ ‘000
At January 1, 2022	191,106	8,275	199,381
Charge for the year	1,683	7,830	9,513
Change in estimates	4,713	-	4,713
Expenditures	(38,878)	-	(38,878)
At December 31, 2022	158,624	16,105	174,729

Decommissioning

The estimated decommissioning costs have been updated during 2022. The net present value of the decommissioning provision has been calculated using a discount factor of 3.55% (2021:1.12%). The decommissioning years are expected to be in the range of 2023 to 2035 (2021: 2022 to 2032). Petrogas assumes that future benefits of technology and process advances will offset inflation with respect to asset retirement activities.

The charge for the year relates to the annual accretion. The changes to the decommissioning estimates are added to (increase of the ARO) or deducted from (decrease of the ARO) the ARO asset. If the decrease in provision exceeds the carrying amount of the ARO asset, the excess is recognised immediately in the income statement. Changes that result in an addition to the ARO asset are assessed to determine if the new carrying amount is fully recoverable or not. An impairment test is required if there is an indication that the asset may not be fully recoverable.

The change in estimates of € 4.7 million is mainly a result of increased costs in the new decommissioning study € 21.3 million, foreign exchange effects € 0.6 million, and the change in the discount rates and timing of the cash flows € -17.2 million.

The change in estimates of € 4.7 million consists of a decrease of € -3.9 million and an increase of € 8.6 million. The € -3.9 million decrease (release) is a result from lower decommissioning cost estimates for those fields for which the release of the provision is higher than the carrying amount of the capitalized decommissioning costs. The € -3.9 million release is together with the accretion charge for the year of € 1.7 million, reported under the line ARO release and accretion gain/(expenses) of € 2.2 million in the income statement.

Deferred income taxes

The deferred income taxes are recognised to account for taxable temporary differences, mainly between the tax base of property, plant and equipment and decommissioning provision and their carrying amounts in the financial statements.

It is anticipated that these differences will be predominantly utilized after more than 1 year from the balance sheet date. The provisions qualify predominantly as non-current.

13 Non-current liabilities

	Other Payables Non-current	Other Payables Current	Other Payables Total
	€ '000	€ '000	€ '000
At January 1, 2022	17,141	5,142	22,283
Repayments	-	(6,632)	(6,632)
Accrued interest	1,644	-	1,644
Transfer non-current to current	(7,099)	7,099	-
At December 31, 2022	11,686	5,609	17,295

Other Payables

During the year 2020, Petrogas E&P Netherlands B.V., signed a natural gas sales agreement under which the Buyer is entitled to a certain net quantity of Natural Gas. The maturity date of the agreement is January 2026. Under the agreement an advance payment of € 20 million has been received by Petrogas E&P Netherlands B.V. in exchange for the future quantities of Natural Gas delivered by Petrogas E&P Netherlands B.V.

A monthly fixed interest fee is accrued and added to the outstanding advance payment balance, with the first repayments made under this agreement occurred as from February 2022 based on the delivered quantities.

This agreement with advance payment balance is secured by pledge of shares, bank accounts, trade receivables and intercompany receivables of Petrogas E&P Netherlands B.V. and Petrogas Transportation B.V. under Dutch law.
Further both entities have assigned, under Dutch Law, all their rights, titles, benefits and interests, whether present or future, arising under the Contracts, including rights to any sums payable to them and the full benefit of any Security, options, indemnities, guarantees and warranties in respect of the same.

14 Current liabilities

	31-12-2022	31-12-2021
	€ '000	€ '000
Trade payables	5,589	19,373
Group company payables	-	12,152
Payroll tax	788	794
Current portion of other payables	5,609	5,142
Income tax	75,087	-
Accruals and other liabilities	36,516	13,996
	123,589	51,457

All current liabilities fall due in less than one year, except for the solidarity contribution. The fair value of the current liabilities approximates the book value due to their short-term character.

Accruals and other liabilities

The accruals are relating to operating activities including accruals for capital and decommissioning projects and employee benefits.

Group company payables

These payables have the nature of normal accounts payables and are settled on a frequent basis, including those with a service and tax nature.

Income tax

Income tax comprises largely of accrued solidarity contribution classified as income tax of € 66.3 million and the remainder relates to corporate income tax.

Corporate income tax

The parent company Petrogas International E&P Coöperatief U.A. is the head of the fiscal unity of the Group with its subsidiaries registered in the Netherlands as of November 11, 2014. PEPN was head of the fiscal unity prior to this period.

The tax payable balance above relates to the stand-alone tax position of the current fiscal unity. The tax balance of the company is offset and settled within the fiscal unity on a regular basis, offsetting of losses within the fiscal unity is based on the recoverability assessment. The current fiscal unity has an overall current income tax payable balance of € 1.3 million, as at December 31, 2022.

Solidarity contribution classified as income tax

A retroactive Dutch solidarity contribution has been introduced for the fiscal year 2022 linked to the corporate income tax regime for entities largely involved in oil and gas activities. The solidarity contribution rate applicable is 33% on excessive taxable profits, being defined as above 120% of the average taxable results of the preceding 4 years. The Dutch solidarity contribution has been recognized on a retroactive basis and is payable in 2024.

15 Commitments and contingencies not included in the balance sheet

Long-term financial obligations

There are no long-term financial obligations per balance sheet date other than already disclosed as part of Note 13 Non-Current Liabilities.

Tax group liability

As per December 31, 2022, Petrogas International E&P Coöperatief U.A (the parent company) is head of the fiscal unity for income tax, together with Petrogas E&P Netherlands B.V., Petrogas Transportation B.V. and Petrogas UK Holding B.V.

Prior to November 11, 2014, the company was head of the fiscal unity for income tax, formed with its subsidiary under the standard conditions.

The members of the fiscal unity or tax group are jointly and severally liable for any taxes payable by the group.

Lease commitments

The company and its subsidiary have long-term operational lease commitments until 2027 for office, office equipment, communication services, automobile, supply base, warehouse, supply vessels, pipeline reserved capacity and operations and maintenance.

The minimum lease obligations can be specified as follows:

	31-12-2022	**31-12-2021**
	€ '000	€ '000
< 1 year	11,125	12,710
> 1 and < 5 years	2,445	3,513
> 5 years	-	-
	13,570	16,223

The yearly charge for the usage of the items above are included in the operating and administrative expenses and are approximately € 16 million net company share (2021: € 13 million).

Investment commitments

The company and its subsidiary have a minimum investment commitment of € 13 million net of partner share as per December 31, 2022.

Other contingencies

Derivative financial instruments for hedging

PEPN has the opportunity to make use of derivative financial instruments for hedging (e.g. financial swap contracts). Depending on the gas price in the market these instruments can either result in a cash inflow or cash outflow when realized, in case of a cash outflow this will be offset by (higher) gas revenue. At year-end there are no outstanding financial hedge positions.

Government royalty (Cijns)
For 2023 and 2024 A Dutch Government Royalty ("Cijns") has been introduced on excessive gas revenues for entities with E&P activities. The royalty tax rate applicable is 65% on excessive gas revenues, being defined as above € 0,50 per m3 (with a caloric value of 35.1692).

16 Revenue

Operating revenue
The operating revenues can be specified as follows:

	2022	2021
	€ '000	€ '000
Sale of crude oil, natural gas, condensate and royalty income	328,579	137,621
Fees and tariffs from the operation of the pipeline and related facilities	5	3
	328,584	137,624

All operating revenues and other income are realized in the Netherlands. The company does not have foreign sales.

Other income
Other income relates mainly to allocation charges to joint ventures for miscellaneous capital investments and material sales.

17 Operating and administrative expenses

The operating and administrative expenses mainly comprises of short-term employee benefits, transportation costs, direct platform costs, contract labour and professional services.

Short term employee benefits

	2022	2021
	€ '000	€ '000
Salaries and wages	17,505	12,980
Social security contributions	814	698
Pension contributions	3,841	2,191
	22,160	15,869

The above employee benefits expense is included in operating and administrative expenses for the company's interest in its joint operations. The increased short term employee benefits are mainly caused by the incentive scheme and pension contribution due to indexation.

Average number of employees

During the year 2022, the average number of employees was 112 (2021: 115). Of these employees, 0 were employed outside the Netherlands (2021: 0). All employees are employed by Petrogas E&P Netherlands B.V.

Remuneration of the board

The remuneration of the board of directors was € 1,263 (2021: € 959). This includes periodically paid remuneration, such as salaries, holiday allowance and social premiums, remuneration to be paid after a certain term, such as pensions, allowances on termination of employment and bonus payments, to the extent that these items were charged to the Company and its subsidiaries.

18 Audit fees

The following fees charged by the accounting firm of the company's independent external auditor were expensed in the income statement in the reporting year:

	2022	2021
	€ '000	€ '000
Audit of the financial statements	118	101
Other audit services	20	27
Other non-audit services	36	-
	174	128

The fees listed above relate to the procedures applied to the Company and its subsidiary by the accounting firms of its external independent auditor as referred to in Section 1, sub section 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties - Wta') as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

The fees relate to the external independent auditor PricewaterhouseCoopers Accountants N.V. The abovementioned audit of the financial statements fees relate to the audit of the 2022 financial statements, regardless whether the work was performed during the financial year based on the estimates per the publication of this report.

19 Finance income/(costs)

	2022	2021
	€ '000	€ '000
Interest and similar income	7,314	3,786
Interest and similar expense	(2,640)	(1,854)
Foreign exchange differences	13,969	12,704
	18,643	14,636

20 Income tax income/(expense)

The income tax expense can be broken down as follows:

	2022	2021
	€ '000	€ '000
Profit before tax	266,316	83,470
Income tax expense	(137,084)	(21,238)
Effective tax rate	51.5%	25.4%
Applicable nominal tax rate PEPN	83.0%	25.0%
Applicable nominal tax rate PT	25.8%	25.0%
Income tax (income)/expense related to current tax	129,254	12,546
Income tax (income)/expense related to deferred tax	7,830	8,692

The applicable tax rate differs between PEPN and PT, as PEPN is subject to Corporate Income Tax, State Profit Share (SPS) and the newly introduced Solidarity contribution for 2022 bringing it to a total simplified nominal tax rate of 83%, while PT is only subject to Corporate Income Tax of 25.8%. With respect to the fiscal payable position reference is made to note 14.

21 Events after the balance sheet date

There are no post balance sheet events to report, which are not included in the report already.

Company financial statements

Company balance sheet as at December 31, 2022

(before appropriation of result)

	Note	31-12-2022		31-12-2021	
		€ '000	€ '000	€ '000	€ '000
Assets					
Non-current assets					
Property, plant and equipment	5	22,108		31,965	
Financial fixed assets	23	57,537		36,590	
Deferred tax asset	24	-		-	
Long term receivables	25	112,636		128,175	
			192,281		196,730
Current assets					
Inventories	26	5,351		10,617	
Receivables	27	58,383		43,180	
Cash and cash equivalents	28	90,027		48,534	
			153,761		102,331
Total assets			**346,042**		**299,061**

		31-12-2022		31-12-2021	
	Note	€ ‘000	€ ‘000	€ ‘000	€ ‘000
Shareholders’ equity and liabilities					
Shareholders’ equity					
Share capital	29	300		300	
Share premium	29	5,652		5,652	
Other reserves	29	44,391		(17,841)	
Undistributed result for the year	29	2,618		62,232	
			52,961		50,343
Provisions	31		148,823		167,650
Non-current liabilities	13		11,686		17,141
Current liabilities	32		132,572		63,927
Total shareholders’ equity and liabilities			**346,042**		**299,061**

Company income statement for the year ended December 31, 2022

	Note	2022	2021
		€ '000	€ '000
Net result from participations	23	47,947	45,144
Company net result		81,285	17,088
Result after tax		129,232	62,232

Notes to the company financial statements

22 General information

The company financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards as issued by the Dutch Accounting Standards Board.

Since the consolidated income statement for 2022 Petrogas E&P Netherlands B.V. is included in the consolidated financial statements, an abridged income statement has been disclosed (in the company financial statements) in accordance with Section 402, Book 2 of the Dutch Civil Code.

The accounting policies for the company financial statements and the consolidated financial statements are the same. Group companies are stated at net asset value in accordance with the policy below.

For the accounting policies for the company balance sheet and income statement, reference is made to the notes to the consolidated balance sheet and income statement starting from note 3.

The company has prepared the financial statements on a going concern basis. Further reference is made to note 1.2 of this annual report.

Investments in and results of subsidiaries
Investments in subsidiaries are measured according to the net asset value method.
If the measurement of a participation based on the net asset value is negative, it will be stated at nil. If and insofar as the company can be held fully or partially liable for the debts of the participation or has the firm intention of enabling the participation to settle its debts, a provision is recognised for this.

Newly acquired subsidiaries are initially recognised based on the fair value of their identifiable assets and liabilities at the acquisition date. For subsequent measurement, the principles that apply for these financial statements are used, with the values upon their initial recognition as the basis.

The amount by which the carrying amount of the investment in subsidiaries has changed since the previous financial statements as a result of the net result achieved by the subsidiary is recognised in the income statement account.

Any dividend declared represent the result from these subsidiaries in the reporting year, whereby dividend not distributed in cash is measured at fair value.

In the event of an impairment loss, measurement takes place at the recoverable amount; an impairment is recognised and charged to the income statement account.

23 Financial fixed assets

Movements in Financial fixed assets can be broken down as follows:

	31-12-2022	31-12-2021
	€ '000	€ '000
At January 1	36,590	251,446
Net result from participations	47,947	45,144
Dividend received from participations	(27,000)	(260,000)
At December 31	57,537	36,590

List of participations

PEPN has direct interests in the following participations:

Name, registered office	**Share in equity (%)**
Subsidiaries (fully consolidated)	
Petrogas Transportation B.V., The Hague, Netherlands	100.00

Dividend

In 2022, a dividend has been declared by the board of directors of PT of € 27 million (2021: € 260 million), which has been offset by group company payables.

24 Deferred tax asset

	31-12-2022	31-12-2021
	€ '000	€ '000
At January 1	-	3,404
Reclassified from/(to) deferred tax liability	-	(3,404)
At December 31	-	-

25 Long-term receivables

	31-12-2022	31-12-2021
	€ '000	€ '000
At January 1	128,175	115,473
Drawdowns	-	-
Accrued interest	4,738	2,911
Repayments	(29,638)	-
FX revaluation	9,361	9,791
At December 31	112,636	128,175

During 2014, Petrogas E&P Netherlands B.V. provided a loan to parent company Petrogas International E&P Coöperatief U.A. This loan carries interest at LIBOR rate plus a spread and was extended during 2022 until 2025. The outstanding balance at December 31, 2022 is US$ 120 million (2021: US$ 145 million), which equals € 113 million (2021: € 128 million).

The interest of the above loan is based on LIBOR. In case the LIBOR will cease to exist, the Lender and the Borrower shall determine amongst each other an equivalent rate to replace the LIBOR.

26 Inventories

	31-12-2022	31-12-2021
	€ '000	€ '000
Materials and supplies	3,425	1,485
Crude oil and condensate	466	8,291
Gas	1,460	841
	5,351	10,617

For more detailed information, reference is made to the consolidated financial statements.

27 Receivables

	31-12-2022	31-12-2021
	€ '000	€ '000
Trade receivables	41,637	40,002
Group company receivables	5,823	1,732
Value-added tax	1,399	658
Income tax	8,137	142
Other receivables and prepayments	1,387	646
	58,383	43,180

All receivables fall due within one year.

Trade receivables

The trade receivables are presented at face value which approximates fair value. The increase of the trade receivables is a consequence of the high gas prices compared to last year.

Income tax

The parent company Petrogas International E&P Coöperatief U.A. is the head of the fiscal unity of the Group with its subsidiaries registered in the Netherlands as of November 11, 2014. PEPN was head of the fiscal unity prior to this period. The positions above relate to the period that PEPN was the head of fiscal unity.

The receivables have the nature of normal accounts receivables and are settled on a frequent basis, including those with a service and tax nature.

28 Cash and cash equivalents

Cash and cash equivalents include no deposits (2021: € 0). All cash and cash equivalents are at the company's free disposal, except from the issued bank guarantees of € 180 thousand.

29 Shareholders' equity

	Share capital	Share premium	Other reserves	Undistributed result for the year	Total
	€ '000	€ '000	€ '000	€ '000	€ '000
At January 1, 2021	**300**	**5,652**	**(14,340)**	**(3,501)**	**(11,889)**
Changes					
Result appropriation	-	-	(3,501)	3,501	-
Result for financial year	-	-	-	62,232	62,232
At January 1, 2022	**300**	**5,652**	**(17,841)**	**62,232**	**50,343**
Changes					
Result appropriation	-	-	62,232	(62,232)	-
Dividend distribution	-	-	-	(126,614)	(126,614)
Result for financial year	-	-	-	129,232	129,232
At December 31, 2022	**300**	**5,652**	**44,391**	**2,618**	**52,961**

The company's authorized share capital comprises 4,538 shares (2021: 4,538) with a nominal value of €100 each, of which 3,003 shares (2021: 3,003) have been issued and fully paid-up.

An interim dividend of € 126.6 million has been distributed to Petrogas International E&P Coöperatief U.A. in 2022, which has been reflected above.

30 Proposed result appropriation

Following the result appropriation proposed by the Board of Directors and pursuant to Article 18 of the Articles of Association, the result for the year will be at the disposal of the general meeting of the shareholder. The shareholder is able, at any time, to declare interim dividends, provided the level of earnings so permits.

The Board of Directors proposes to appropriate the profit for the year of € 129,232 with deducting the dividend distribution of € 126,614 to the other reserves. The proposed appropriation is not yet reflected in the accompanying financial report.

31 Provisions

	31-12-2022	31-12-2021
	€ '000	€ '000
Decommissioning	133,872	163,127
Deferred income taxes	14,951	4,523
	148,823	167,650

Movements in provisions were as follows:

	Decommissioning	Deferred income taxes	Total
	€ '000	€ '000	€ '000
At January 1, 2022	163,127	4,523	167,650
Charge for the year	1,507	10,428	11,935
Change in estimates	5,603	-	5,603
Expenditures	(36,365)	-	(36,365)
At December 31, 2022	133,872	14,951	148,823

For more detailed information on the provision for decommissioning costs and deferred income taxes, reference is made to the consolidated financial statements.

The provisions qualify predominantly as non-current.

32 Current liabilities

	31-12-2022	31-12-2021
	€ '000	€ '000
Trade payables	2,353	19,090
Group company payables	26,571	27,117
Payroll tax	788	794
Current portion of other payables	5,609	5,142
Income tax	69,189	-
Accruals and other liabilities	28,062	11,784
	132,572	63,927

All current liabilities fall due in less than one year, except for the solidarity contribution. The fair value of the current liabilities approximates the book value due to their short-term character.

The accruals are relating to operating activities including accruals for capital and decommissioning projects and employee benefits.

Income tax

Income tax comprises largely of accrued solidarity contribution classified as income tax of € 66.3 million and the remainder relates to corporate income tax.

Corporate income tax

The parent company Petrogas International E&P Coöperatief U.A. is the head of the fiscal unity of the Group with its subsidiaries registered in the Netherlands as of November 11, 2014. PEPN was head of the fiscal unity prior to this period.

The tax payable balance above relates to the stand-alone tax position of the current fiscal unity. The tax balance of the company is offset and settled within the fiscal unity on a regular basis, offsetting of losses within the fiscal unity is based on the recoverability assessment. The current fiscal unity has an overall current income tax payable balance of € 1.3 million, as at December 31, 2022.

Solidarity contribution classified as income tax

A retroactive Dutch solidarity contribution has been introduced for the fiscal year 2022 linked to the corporate income tax regime for entities largely involved in oil and gas activities. The solidarity contribution rate applicable is 33% on excessive taxable profits, being defined as above 120% of the average taxable results of the preceding 4 years. The Dutch solidarity contribution has been recognized on a retroactive basis and is payable in 2024.

33 Commitments and contingencies not included in the balance sheet

Contingent liabilities

The company has filed a statement with the Chamber of Commerce in accordance with Article 2:403 sub 1 of the Dutch Civil Code that it accepts joint and several liability for debts resulting from legal acts of Petrogas Transportation B.V.

Tax group liability

As per December 31, 2022, Petrogas International E&P Coöperatief U.A (the parent company) is head of the fiscal unity for income tax, together with Petrogas E&P Netherlands B.V., Petrogas Transportation B.V. and Petrogas UK Holding B.V.

The members of the fiscal unity or tax group are jointly and severally liable for any taxes payable by the group.

Lease commitments

The company has long-term operational lease commitments until 2027 for office, office equipment, communication services, automobile, supply base, warehouse, supply vessels, pipeline reserved capacity and operations and maintenance.

For more detailed information, reference is made to the consolidated financial statements.

The yearly charge is included in the operating and administrative expenses.

Investment commitments

The company and its subsidiary have a minimum investment commitment of € 13 million net of partner share as per December 31, 2022.

Other contingencies

Derivative financial instruments for hedging
PEPN has the opportunity to make use of derivative financial instruments for hedging (e.g. financial swap contracts). Depending on the gas price in the market these instruments can either result in a cash inflow or cash outflow when realized, in case of a cash outflow this will be offset by (higher) gas revenue. At year-end there are no outstanding financial hedge positions.

Government royalty (Cijns)
For 2023 and 2024 A Dutch Government Royalty ("Cijns") has been introduced on excessive gas revenues for entities with E&P activities. The royalty tax rate applicable is 65% on excessive gas revenues, being defined as above € 0,50 per m3 (with a caloric value of 35.1692).

34 Events after the balance sheet date

There are no post balance sheet events to report, which are not included in the report already.

Rijswijk, 30 May 2023

Petrogas E&P Netherlands B.V.
Laan van Zuid Hoorn 14
2289 DE Rijswijk

Board of Directors,

Original has been signed by the directors

U.M.A. Al Barwani K. Sen P.N. Dancer

R.J.G. Koeleman

Other information

Articles of association governing profit appropriation

Article 18 of the articles of association show, that the general meeting is authorized to appropriate the profits which have been determined by adopting the annual accounts, and to determine distributions, to the extent the equity of the company exceeds the reserves which must be maintained under Dutch law.

Independent auditor's report

The independent auditor's report has been included on the following pages.

Independent auditor's report

Independent auditor's report

To: the general meeting of Petrogas E&P Netherlands B.V.

Report on the financial statements 2022

Our opinion

In our opinion, the financial statements of Petrogas E&P Netherlands B.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the company together with its subsidiaries) as at 31 December 2022, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2022 of Petrogas E&P Netherlands B.V., Rijswijk. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2022;
- the consolidated and company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

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Independence

We are independent of Petrogas E&P Netherlands B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Information in support of our opinion

We designed our audit procedures with respect to fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to the audit approach fraud risk and the audit approach going concern, was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit, we obtained an understanding of the entity and its environment and the components of the internal control system. This included the board of director's risk assessment process and their process for responding to the risks of fraud and monitoring the internal control system. We refer to the section Ethics, Compliance and Fraud Risk of the directors' report for management's fraud, bribery and corruption risk assessment.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, as well as the business ethics and conduct policies. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked members of the board of directors as well as the financial and tax department whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting on fraud, misappropriation of assets, and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks	*Our audit work and observations*
Management override of controls Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the risk of management override of controls, including risks of potential misstatements due to fraud based on an analysis of potential interests of management. In this respect, we gave specific considerations to: • the appropriateness of journal entries and other adjustments made in the preparation of the financial statements; • possible management bias in management's significant estimates; and • significant transactions and events, if any, outside the normal course of business for the entity.	Where relevant to our audit, we evaluated the design and implementation of the internal control system in the processes of generating and processing journal entries and making estimates. We also paid specific attention to the access safeguards in the IT system and the possibility that these lead to violations of the segregation of duties. We selected journal entries based on risk criteria and conducted specific audit activities for these entries. These procedures included, among others, validating the entries to supporting documentation. We also paid particular attention to material consolidation adjustments including the manual adjustments made outside the ERP-system in the preparation of the financial statements, focusing on testing adjustments that affect revenue and results. With regard to management's accounting estimates, we evaluated important estimates and judgements for bias through retrospective reviews of prior year estimates where relevant. In this context, we paid specific attention to the following estimates: the asset retirement obligations, depreciation of the oil and gas assets, and the valuation of receivables. We evaluated whether there were any significant transactions or events that were outside the normal course of business for the Company. None were noted. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.

We incorporated an element of unpredictability in our audit. We reviewed lawyer's letters and correspondence with regulators. During the audit, we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

Audit approach going concern

As disclosed in note 1.2 Going Concern of the financial report management performed their assessment of the entity's ability to continue as a going concern for at least twelve months from the date of preparation of the financial statements and has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going-concern risks). Our procedures to evaluate directors' going-concern assessment included, among others:

- considering whether the board of directors' going-concern assessment includes all relevant information of which we are aware as a result of our audit;
- inquiring with the board of directors' regarding their most important assumptions underlying their going-concern assessment;
- considering whether the board of directors identified going-concern risks including potential impact of Russia's invasion of Ukraine and associated global sanctions;
- analysing any changes in the financial results and position of the Company to assess whether events or circumstances exist that may lead to a going-concern risk;
- analysing whether the current and the required financing has been secured to enable the continuation of the entirety of the entity's operations; and
- performing inquiries of the board of directors as to their knowledge of going-concern risks beyond the period of their assessment.

Our procedures did not result in outcomes contrary to the board of directors' assumptions and judgements used in the application of the going concern assumption.

Report on the other information included in the financial report

The financial report contains other information. This includes all information in the financial report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The directors are responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

The directors are responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors are responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the directors should prepare the financial statements using the going-concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so. The board of directors should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They 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 the financial statements.

Materiality affects the nature, timing, and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 30 May 2023
PricewaterhouseCoopers Accountants N.V.

Original has been signed by B.E. Evers RA

Appendix to our auditor's report on the financial statements 2022 of Petrogas E&P Netherlands B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements, and independence requirements. Our audit consisted, among other things, of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concluding on the appropriateness of the directors' use of the going-concern basis of accounting, and, based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure, and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision, and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the directors 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.