

ECONOMIC DEPARTMENTNO. *22 028/17-07-2018*

TO,

**SNGN ROMGAZ SA MEDIAS
GENERAL MEETING OF SHAREHOLDERS****Note on the 2018 CONSOLIDATED income and expenditure budget
of Romgaz Group**

The 2018 income and expenditure budget for Romgaz Group was prepared due to changing the storage licence titleholder no. 1942/22.01.2014 for operating the underground gas storage system, licence given under ANRE (Romanian Energy Regulatory Authority) Resolution no. 151/22.01.2014 to SNGN Romgaz SA Mediaș (hereinafter referred to as “the Company”), into **SNGN Romgaz SA- Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL** (hereinafter referred to as “the Subsidiary”). In compliance with ANRE Resolution no. 474/30.03.2017 on modifying the Resolution of ANRE President no. 2588/31.12.2015, changing the titleholder of Licence no. 1942/2014 into SNGN Romgaz SA- Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL is effective as of **April 01, 2018**.

Starting with April 1, 2018 the underground gas storage activity was taken over and performed by the Subsidiary..

Under these circumstances, it is requisite to consolidate the income and expenditure budgets for 2018, namely the adjusted budgets of SNGN Romgaz SA Mediaș and SNGN Romgaz SA- Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL.

I. Main indicators of the individual income and expenditure budgets of the company and the subsidiary

Please find below the indicators representing the income, expenses and profit included in the income and expenditure budget of both entities, such budgets are submitted for endorsement/approval of their respective Board of Directors.

RON thousand

Item no.	S P E C I F I C A T I O N	Romgaz 2018 rectified budget proposal	Subsidiary 2018 budget
0	1	2	3
1	TOTAL INCOME , out of which:	4 772 987	211 746
1.1.	Operating income	4 742 706	211 696
1.2.	Financial income	30 281	50
2	TOTAL EXPENSES	3 407 297	219 304
2.1.	Operating expenses	3 378 018	219 304
A	Expenses for goods and services	780 705	151 747
B	Expenses for taxes, duties and similar payments	893 718	7 646
C	Personnel-related expenses	720 252	49 563
D	Other operating expenses	983 342	10 347
2.2.	Financial expenses	29 279	
3	GROSS PROFIT	1 365 690	- 7 558

We state that the budget of the Subsidiary recorded losses due to modifying the storage tariffs downwards by 26% as of April 1, 2018 from 17.92 RON/MWh according to ANRE Order no.19/2017 to 13.25 RON/MWh according to ANRE Order no. 58/2018. The tariffs are the following:

RON/MWh	ANRE Order no.19/2017 for 2017-2018 cycle	ANRE Order no. 58/2018 2018-2019 cycle	Ratios (%)
	1	2	3=2/1
Booking tariff	13.68	9.9	72%
Injection tariff	2.37	1.68	71%
Withdrawal tariff	1.87	1.67	89%
Total	17.92	13.25	74%

II. Items to be consolidated between the individual budgets to obtain the income and expenditure budget of the group

Taking into account that SNGN Romgaz SA Mediaș (parent company) is sole shareholder of SNGN Romgaz SA - Filiala de Îmagazinare Gaze Naturale Depogaz Ploiești SRL and that the securities of the parent company are traded on a regulated market, it is necessary to consolidate the financial statements of the group.

Consolidation at group level has the role to inform about the indicators that do not contain the amounts (income/expenses in case of the income and expenditures budget) that are recorded between the parent company and the subsidiary, transactions that influence the indicators level.

The two separate budgets are cumulated for consolidation (income and expenditures) out of which the transactions from within the group are eliminated, namely transactions between the parent company and the subsidiary.

The following table contains the elements (income/expenditures) that are eliminated by consolidation from the group's income and expenditure budget.

RON thousand

Indicators	Romgaz Income	Romgaz Expenses	Subsidiary Income	Subsidiary Expenses	Total income	Total expenses
Natural gas storage services		56 295	56 295		56 295	56 295
Assets lease	83 480			83 480	83 480	83 480
Natural gas delivered for technological consumption	7 537			7 537	7 537	7 537
Electricity	24 031			24 031	24 031	24 031
Transport services	4 000			4 000	4 000	4 000
Expenses for maintenance services	3 283			3 283	3 283	3 283
Total amount related to holidays not taken during Q1 2018 by Ploiesti Branch employees		1 276	1 276		1 276	1 276
	122 331	57 571	57 571	122 331	179 902	179 902

III. Consolidated income and expenditures budget of SNGN Romgaz SA Mediaș Group

Following the removal of the transactions between the parent company and the subsidiary, the main indicators from the income and expenditures group budget are shown below:

RON thousand

Item No.	INDICATORS	Romgaz 2018 rectified budget proposal	Subsidiary 2018 budget	Consolidations	Total Consolidated Budget 2018
0	1	2	3	4	5=2+3-4
1	TOTAL INCOME, out of which:	4 772 987	211 746	179 902	4 804 831
1.1.	Operating income	4 742 706	211 696	179 902	4 774 500
1.2.	Financial income	30 281	50		30 331
2	TOTAL INCOME, out of which:	3 407 297	219 304	179 902	3 446 698
2.1.	Operating expenses	3 378 018	219 304	179 902	3 417 419
A	Expenses for goods and services	780 705	151 747	178 626	753 826
B	Expenses for taxes, duties and similar payments	893 718	7 646		901 364
C	Personnel – related expenses	720 252	49 563		769 816
D	Other operating expenses	983 342	10 347	1 276	992 412
2.2.	Financial expenses	29 279			29 279
3	GROSS PROFIT	1 365 690	- 7 558		1 358 132
4	INVESTMENTS	1 500 000	48 975		1 548 975

We present to SNGN Romgaz SA Mediaș General Meeting of Shareholders the 2018 consolidated income and expenditure budget of the group, for informational purposes.

Attached hereto:

Annex 1: 2018 Income and expenditure consolidated budget;

Annex 2: Rectified income and expenditure budget for 2018 of SNGN Romgaz SA Medias (acc. to OMFP 3145/2017 template annex 1);

Annex 3: Income and expenditure budget for 2018 of SNGN Romgaz SA- Filiala de Îmagazinare Gaze Naturale Depogaz Ploiești SRL (acc. to OMFP 3145/2017 template annex 1).

**CHAIRMAN
OF THE BOARD OF DIRECTORS
Dorin Liviu Nistoran**

**Endorsed
CHIEF EXECUTIVE OFFICER
Adrian Constantin MOLINTIRU**



**CHIEF FINANCIAL OFFICER
Andrei BOBAR**

2018 INCOME AND EXPENDITURE CONSOLIDATED BUDGET

RON thousand

		INDICATORS	Row no.	2018 Budget proposal
0	1	2	3	4
I.		TOTAL INCOME (Row1=Row2+Row5+Row6)	1	4 804 831
	1	Total operating income out of which:	2	4 774 500
		a) subsidies, according to legal provisions in force	3	
		b) transfers, according to legal provisions in force	4	
	2	Financial income	5	30 331
	3	Extraordinary income	6	
II		TOTAL EXPENSES (Row7=Row8+Row20+Row21)	7	3 446 698
	1	Operating expenses, out of which:	8	3 417 419
		A. expenses for goods and services	9	753 826
		B. expenses for taxes, duties and similar payments	10	901 364
		C. personnel-related expenses, out of which:	11	769 816
		C0 expenses for salaries and wages (Row 13+ Row14)	12	718 053
		C1 expenses for salaries	13	645 349
		C2 expenses for bonuses	14	72 704
		C3 other personnel expenses, out of which:	15	1 238
		expenses with termination benefits	16	
		C4 expenses for the mandate contract and for other management and control bodies, committees and commissions	17	4 187
		C5 expenses with contributions owed by the employer	18	46 338
		D. other operating expenses	19	992 412
	2	Financial expenses	20	29 279
	3	Extraordinary expenses	21	
III		GROSS RESULT (profit/loss)	22	1 358 133
IV		INVESTMENTS	46	1 548 975

CHIEF EXECUTIVE OFFICER,
ADRIAN CONSTANTIN VOLINIRU



CHIEF FINANCIAL OFFICER,
ANDREI BOBAR

**RECTIFIED INCOME AND EXPENDITURE BUDGET FOR 2018
SNGN ROMGAZ SA MEDIAS**

RON thousand

		INDICATORS	Row no.	2018 Budget proposal
0	1	2	3	4
I.		TOTAL INCOME (Row1=Row2+Row5+Row6)	1	4 772 987
	1	Total operating income out of which:	2	4 742 706
		a) subsidies, according to legal provisions in force	3	
		b) transfers, according to legal provisions in force	4	
	2	Financial income	5	30 281
	3	Extraordinary income	6	
II		TOTAL EXPENSES (Row7=Row8+Row20+Row21)	7	3 407 297
	1	Operating expenses, out of which:	8	3 378 018
	A.	expenses for goods and services	9	780 705
	B.	expenses for taxes, duties and similar payments	10	893 718
	C.	personnel-related expenses, out of which:	11	720 252
	C0	expenses for salaries and wages (Row 13+ Row14)	12	671 791
	C1	expenses for salaries	13	602 473
	C2	expenses for bonuses	14	69 318
	C3	other personnel expenses, out of which:	15	1 238
		expenses with termination benefits	16	
	C4	expenses for the mandate contract and for other management and control bodies, committees and commissions	17	3 345
	C5	expenses with contributions owed by the employer	18	43 879
	D.	other operating expenses	19	983 342
	2	Financial expenses	20	29 279
	3	Extraordinary expenses	21	
III		GROSS RESULT (profit/loss)	22	1 365 690
IV		PROFIT TAX	23	242 459
V		PROFIT AFTER DEDUCTION OF PROFIT TAX, out of which:	24	1 123 231
	1	Legal reserve	25	
	2	Other reserves representing fiscal facilities provided by law	26	
	3	Coverage of accounting loss from previous years	27	
	4	Establishing equity finance for projects co-financed from foreign loans, and establishing sources for reimbursement of installments, payment of interest rates, charges and other costs related to such loans.	28	
	5	Other distributions provided by law	29	
	6	Accounting profit after deduction of the amounts provided at Rws. 25, 26, 27, 28 and 29.	30	1 123 231
	7	Profit share payable to employees within the limit of 10% of the net profit, but not more than one monthly average base salary paid by the economic operator during the reference financial year	31	28 000
	8	Minimum 50% payments to the state budget or local budget in case of autonomous companies, or as dividends paid to shareholders in case of national companies and companies which are fully state-owned or where the state is the major shareholder, out of which:	32	575 616
	a)	- dividends to the state budget	33	402 931
	b)	- dividends to the local budget	33 a	
	c)	- dividends to other shareholders	34	172 685

		INDICATORS	Row no.	2018 Budget proposal
0	1	2	3	4
	9	Profit not allocated to rws. 31-32 is allocated to other reserves and represents the company's own equity finance	35	547 616
VI		INCOME FROM EUROPEAN FUNDS	36	
VII		ELIGIBLE EXPENSES FROM EUROPEAN FUNDS, out of which:	37	
	a)	expenses for materials	38	
	b)	expenses for salaries	39	
	c)	expenses for services	40	
	d)	expenses for promotion and advertising	41	
	e)	other expenses	42	
VIII		INVESTMENT FINANCING SOURCES, out of which:	43	1 500 000
	1	Allocations from the budget, out of which:	44	
		budget allocations related to payments of previous years commitments	45	
IX		INVESTMENTS	46	1 500 000
X		SUPPORTING DATA	47	
	1	Forecasted no. of employees at the end of the year	48	5 923
	2	Total average number of employees	49	5 877
	3	Average monthly income per employee (RON/ person) determined on basis of salary-related expenses	50	8 819
	4	Average monthly income per employee (RON/ person) determined on basis of salary expenses recalculated under the Annual Law of the State Budget	51	7 387
	5	Labour productivity in financial units per total average number of employees (thousand RON/person) (Rw.2/Rw.49)	52	807
	6	Labour productivity in financial units per total average number of employees recalculated under the Annual Law of the State Budget	53	807
	7	Labour productivity in physical units per total average number of employees (thousand RON/person)	54	
	8	Total expenses related to RON 1 000 total income (Rw.7/Rw.1)x1000	55	714
	9	Outstanding payments	56	
	10	Overdue accounts receivables	57	1 194 626

CHIEF EXECUTIVE OFFICER
ADRIAN CONSTANTIN VOLINTIRU



CHIEF FINANCIAL OFFICER,
ANDREI BOBAR

**INCOME AND EXPENDITURE BUDGET APRIL-DECEMBER 2018 OF SNGN Romgaz
SA- Filiala de înmagazinare Gaze Naturale Depogaz Ploiești SRL**

RON thousand

		INDICATORS	Row no.	2018 Budget proposal
0	1	2	3	4
I.		TOTAL INCOME (Row1=Row2+Row5+Row6)	1	211 746
	1	Total operating income out of which:	2	211 696
		a) subsidies, according to legal provisions in force	3	
		b) transfers, according to legal provisions in force	4	
	2	Financial income	5	50
	3	Extraordinary income	6	
II		TOTAL EXPENSES (Row7=Row8+Row20+Row21)	7	219 304
	1	Operating expenses, out of which:	8	219 304
		A. expenses for goods and services	9	161 749
		B. expenses for taxes, duties and similar payments	10	7 646
		C. personnel-related expenses, out of which:	11	49 563
		C0 expenses for salaries and wages (Row 13+ Row14)	12	46 262
		C1 expenses for salaries	13	42 876
		C2 expenses for bonuses	14	3 386
		C3 other personnel expenses, out of which:	15	
		expenses with termination benefits	16	
		C4 expenses for the mandate contract and for other management and control bodies, committees and commissions	17	842
		C5 expenses with contributions owed by the employer	18	2 460
		D. other operating expenses	19	10 346
	2	Financial expenses	20	
	3	Extraordinary expenses	21	
III		GROSS RESULT (profit/loss)	22	- 7 558
IV		PROFIT TAX	23	298
V		PROFIT AFTER DEDUCTION OF PROFIT TAX, out of which:	24	
	1	Legal reserve	25	
	2	Other reserves representing fiscal facilities provided by law	26	
	3	Coverage of accounting loss from previous years	27	
	4	Establishing equity finance for projects co-financed from foreign loans, and establishing sources for reimbursement of instalments, payment of interest rates, charges and other costs related to such loans.	28	
	6	Other distributions provided by law	29	
	6	Accounting profit after deduction of the amounts provided at Rws. 26, 26, 27, 28 and 29.	30	
	7	Profit share payable to employees within the limit of 10% of the net profit, but not more than one monthly average base salary paid by the economic operator during the reference financial year	31	
	8	Minimum 60% payments to the state budget or local budget in case of autonomous companies, or as dividends paid to shareholders in case of national companies and companies which are fully state-owned or where the state is the major shareholder, out of which:	32	
	a)	- dividends to the state budget	33	
	b)	- dividends to the local budget	33 a	
	c)	- dividends to other shareholders	34	
	9	Profit not allocated to rws. 31-32 is allocated to other reserves and represents the company's own equity finance	35	
VI		INCOME FROM EUROPEAN FUNDS	36	
VII		ELIGIBLE EXPENSES FROM EUROPEAN FUNDS, out of which:	37	
	a)	expenses for materials	38	

RON thousand

		INDICATORS	Row no.	2018 Budget proposal
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	b)	expenses for salaries	39	
	c)	expenses for services	40	
	d)	expenses for promotion and advertising	41	
	e)	other expenses	42	
VIII		INVESTMENT FINANCING SOURCES, out of which:	43	48 975
	1	Allocations from the budget, out of which:	44	
		budget allocations related to payments of previous years commitments	45	
IX		INVESTMENTS	46	48 975
X		SUPPORTING DATA	47	
	1	Forecasted no. of employees at the end of the year	48	545
	2	Total average number of employees	49	540
	3	Average monthly income per employee (RON/ person) determined on basis of salary-related expenses	50	9 101
	4	Average monthly income per employee (RON/ person) determined on basis of salary expenses recalculated under the Annual Law of the State Budget	51	
	5	Labour productivity in financial units per total average number of employees (thousand RON/person) (Rw.2/Rw.49)	52	392
	6	Labour productivity in financial units per total average number of employees recalculated under the Annual Law of the State Budget	53	
	7	Labour productivity in physical units per total average number of employees (thousand RON/person)	54	
	8	Total expenses related to RON 1 000 total income (Rw.7/Rw.1)x1000	55	1 036
	9	Outstanding payments	56	
	10	Overdue accounts receivables	57	

DIRECTOR GENERAL,
VASILE CARȘTEA

CHIEF FINANCIAL OFFICER,
VIORICA IONESCU



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