

ECONOMIC DEPARTMENT

NO. 13.435/11.04.2019

To:

**SNGN ROMGAZ SA MEDIAS
GENERAL MEETING OF SHAREHOLDERS****Note on the 2019 CONSOLIDATED Income and Expenditure Budget
of Romgaz Group**

The 2019 Consolidated Income and Expenditure Budget of SNGN Romgaz S.A. group is brought to the attention of Romgaz General Meeting of Shareholders.

The 2019 Income and Expenditure Budget has been prepared for Romgaz Group due to the change to the titleholder of the Storage License no. 1942/22.01.2014 for operating the underground gas storage system, issued under ANRE (Romanian Energy Regulatory Authority) Resolution no. 151/22.01.2014, from SNGN Romgaz SA Mediaș (hereinafter referred to as "the Company"), to **SNGN Romgaz SA- Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL** (hereinafter referred to as "the Subsidiary"). According to the ANRE Resolution no. 474/30.03.2017 on modifying the Resolution of ANRE President no. 2588/31.12.2015, the change to the titleholder of License no. 1942/2014 to SNGN Romgaz SA- Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL is effective as of **April 01, 2018**.

The underground gas storage activity was taken over on April 1, 2018, and since then it has been performed by the Subsidiary.

Under these circumstances, the 2019 income and expenditure budgets of the group, that is the budget of SNGN Romgaz SA Mediaș and the budget of SNGN Romgaz SA- Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL, need to be consolidated.

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 budgets of the two entities, such budgets having been submitted to their respective Board of Directors for endorsement/approval.

RON thousand

Item no.	S P E C I F I C A T I O N	Romgaz 2019 draft budget	Subsidiary 2019 draft budget
0	1	2	3
1	TOTAL INCOME , including:	5 023 454	284 885
1.1.	Operating income	5 002 165	284 585
1.2.	Financial income	21 289	300
2	TOTAL EXPENSES	3 898 761	279 493
2.1.	Operating expenses	3 866 963	279 288
A	Expenses for goods and services	719 843	191 975
B	Expenses for taxes, duties and similar payments	1 133 393	15 253
C	Personnel-related expenses	778 163	69 636
D	Other operating expenses	1 235 564	2 425
2.2.	Financial expenses	31 798	205
3	GROSS PROFIT	1 124 694	5 391

We note that the Subsidiary's budget is based on the underground storage tariffs as approved under the ANRE Order No. 44/29.03.2019, as follows:

RON/MWh	ANRE Order No. 58/2018 for the 2018-2019 cycle	ANRE Order No. 44/2019 for the 2019-2020 cycle	Ratios (%)
	1	2	3=2/1
Booking tariff	9.9	9.98	100.81%
Injection tariff	1.68	1.90	113.10%
Withdrawal tariff	1.67	1.61	96.41%
Total	13.25	13.49	101.81%

II. Individual Budget Items to be Consolidated into the Group's Income and Expenditure Budget

Taking into account that SNGN Romgaz SA Mediaș (parent company) is the sole shareholder of SNGN Romgaz SA - Filiala de Înmagazinare 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 include the amounts (income/expenses in case of the income and expenditures budget) recorded between the parent company and the subsidiary, such transactions affecting the indicator levels.

The two separate budgets are cumulated for consolidation (income and expenditures), while the intra-group transactions are excluded, namely the transactions between the parent company and the subsidiary.

The following table shows the elements (income/expenditures) excluded 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 underground storage services		78 494	78 494		78 494	78 494
Asset lease	107 009			107 009	107 009	107 009
Natural gas delivered for technological consumption	3 335			3 335	3 335	3 335
Electric power						
Transport services	2 900			2 900	2 900	2 900
Maintenance and repair services	4 650			4 650	4 650	4 650
Other services (water, third-party expenses)	107			107	107	107
Total	118 001	78 494	78 494	118 001	196 495	196 495

III. Consolidated Income and Expenditure Budget of SNGN Romgaz SA Mediaș Group

After excluding the transactions between the parent company and the subsidiary, the main indicators in the group's income and expenditure budget are as shown in the table below:

RON thousand

Item No.	SPECIFICATION	Romgaz 2019 Draft Budget	Subsidiary 2019 Draft Budget	Consolidations	Total 2019 Consolidated Budget
0	1	2	3	4	5=2+3-4
1	TOTAL INCOME, including:	5 023 454	284 885	196 495	5 111 844
1.1.	Operating income	5 002 165	284 585	196 495	5 090 255
1.2.	Financial income	21 289	300		21 589
2	TOTAL EXPENSES, including:	3 898 761	279 493	196 495	3 981 759
2.1.	Operating expenses	3 866 963	279 288	196 495	3 949 756
A	Expenses for goods and services	719 843	191 975	196 495	715 323
B	Expenses for taxes, duties and similar payments	1 133 393	15 253		1 148 646
C	Personnel – related expenses	778 163	69 636		847 799
D	Other operating expenses	1 235 564	2 425		1 237 988
2.2.	Financial expenses	31 798	205		32 003
3	GROSS PROFIT	1 124 694	5 391		1 130 085
4	INVESTMENTS	1 245 000	133 750		1 378 750

The Subsidiary's Income and Expenditure Budget, Annex 4, provides for capital expenses in amount of RON 133,750 thousand, and the financing sources are constituted, as follows, from:

- depreciation RON 3,000 thousand;
- profit and tariff profitability RON 20,750 thousand;
- credits RON 50,000 thousand;
- capital contribution RON 60,000 thousand.

It is specified that no contribution to the Subsidiary's capital and no credit contracting by the Subsidiary shall be made unless approved by the sole shareholder, in accordance with the Articles of Incorporation.

Taking into account the above described, we hereby submit for the attention of the Ordinary General Meeting of Shareholders of SNGN Romgaz SA Medias the Group's 2019 Consolidated Income and Expenditure Budget.

Annexes:

Annex 1: 2019 Consolidated Income and Expenditure Budget;

Annex 2: 2019 Income and Expenditure Budget of SNGN Romgaz Medias (in the format of Annex 1 in accordance with OMFP 3145/ 2017);

Annex 3: 2019 Income and Expenditure Budget of SNGN Romgaz SA - Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești SRL (in the format of Annex 1 in accordance with OMFP 3145/2017).

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



**Endorsed
CHIEF EXECUTIVE OFFICER
Adrian Constantin VOLINTIRU**

A handwritten signature in blue ink, corresponding to the name Adrian Constantin Volintiru.

**CHIEF FINANCIAL OFFICER
Andrei BOBAR**

A handwritten signature in blue ink, corresponding to the name Andrei Bobar.

2019 INCOME AND EXPENDITURE BUDGET

RON thousand

		INDICATORS	Row no.	2019 Budget proposal
0	1	2	3	4
I.		TOTAL INCOME (Row1=Row2+Row5+Row6)	1	5 111 844
	1	Total operating income out of which:	2	5 090 255
		a) subsidies, according to legal provisions in force	3	
		b) transfers, according to legal provisions in force	4	
	2	Financial income	5	21 589
	3	Extraordinary income	6	
II		TOTAL EXPENSES (Row7=Row8+Row20+Row21)	7	3 981 759
	1	Operating expenses, out of which:	8	3 949 756
		A. expenses for goods and services	9	715 323
		B. expenses for taxes, duties and similar payments	10	1 148 646
		C. personnel-related expenses, out of which:	11	847 799
		C0 expenses for salaries and wages (Row 13+ Row14)	12	782 414
		C1 expenses for salaries	13	696 980
		C2 expenses for bonuses	14	85 433
		C3 other personnel expenses, out of which:	15	13 666
		expenses with termination benefits	16	12 458
		C4 expenses for the mandate contract and for other management and control bodies, committees and commissions	17	4 848
		C5 expenses with contributions owed by the employer	18	46 870
		D. other operating expenses	19	1 237 988
	2	Financial expenses	20	32 003
	3	Extraordinary expenses	21	
III		GROSS RESULT (profit/loss)	22	1 130 085
IX		INVESTMENTS	46	1 378 750

CHIEF EXECUTIVE OFFICER,
ADRIAN CONSTANTIN VOLINTIRU



CHIEF FINANCIAL OFFICER,
ANDREI BOBAR

2019 INCOME AND EXPENDITURE BUDGET

RON thousand

		INDICATORS	Row no.	2019 Budget proposal
0	1	2	3	4
I.		TOTAL INCOME (Row1=Row2+Row5+Row6)	1	5 023 454
	1	Total operating income out of which:	2	5 002 165
		a) subsidies, according to legal provisions in force	3	
		b) transfers, according to legal provisions in force	4	
	2	Financial income	5	21 289
	3	Extraordinary income	6	
II		TOTAL EXPENSES (Row7=Row8+Row20+Row21)	7	3 898 761
	1	Operating expenses, out of which:	8	3 866 963
		A. expenses for goods and services	9	719 843
		B. expenses for taxes, duties and similar payments	10	1 133 393
		C. personnel-related expenses, out of which:	11	778 163
		C0 expenses for salaries and wages (Row 13+ Row14)	12	718 283
		C1 expenses for salaries	13	638 166
		C2 expenses for bonuses	14	80 117
		C3 other personnel expenses, out of which:	15	13 666
		expenses with termination benefits	16	12 458
		C4 expenses for the mandate contract and for other management and control bodies, committees and commissions	17	2 923
		C5 expenses with contributions owed by the employer	18	43 291
		D. other operating expenses	19	1 235 564
	2	Financial expenses	20	31 798
	3	Extraordinary expenses	21	
III		GROSS RESULT (profit/loss)	22	1 124 694
IV		PROFIT TAX	23	225 571
V		PROFIT AFTER DEDUCTION OF PROFIT TAX, out of which:	24	899 122
	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	899 122
	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	28 829
	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	463 975
		a) - dividends to the state budget	33	324 783
		b) - dividends to the local budget	33 a	
		c) - dividends to other shareholders	34	139 193
	9	Profit not allocated to rws. 31-32 is allocated to other reserves and represents the company's own equity finance	35	435 147
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	

RON thousand

		INDICATORS	Row no.	2019 Budget proposal
0	1	2	3	4
	d)	expenses for promotion and advertising	41	
	e)	other expenses	42	
VIII		INVESTMENT FINANCING SOURCES, out of which:	43	1 245 000
	1	Allocations from the budget, out of which:	44	
		budget allocations related to payments of previous years commitments	45	
IX		INVESTMENTS	46	1 245 000
X		SUPPORTING DATA	47	
	1	Forecasted no. of employees at the end of the year	48	5 943
	2	Total average number of employees	49	5 812
	3	Average monthly income per employee (RON/ person) determined on basis of salary-related expenses	50	9 430
	4	Average monthly income per employee (RON/ person) determined on basis of salary expenses recalculated under the Annual Law of the State Budget	51	9 211
	5	Labour productivity in financial units per total average number of employees (thousand RON/person) (Rw.2/Rw.49)	52	861
	6	Labour productivity in financial units per total average number of employees recalculated under the Annual Law of the State Budget	53	861
	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	776
	9	Outstanding payments	56	
	10	Overdue accounts receivables	57	1 202 046

CHIEF EXECUTIVE OFFICER,
ADRIAN CONSTANTIN VOLINTIRU



CHIEF FINANCIAL OFFICER,
ANDREI BOBAR

INCOME AND EXPENDITURE BUDGET YEAR 2019 OF SNGN Romgaz SA- Filiala de
Înmagazinare Gaze Naturale Depogaz Ploiești SRL

			RON thousand	
INDICATORS			Row no.	2019 Budget proposal
0	1	2	3	4
I.		TOTAL INCOME (Row1=Row2+Row5+Row6)	1	284 885
	1	Total operating income out of which:	2	284 585
		a) subsidies, according to legal provisions in force	3	
		b) transfers, according to legal provisions in force	4	
	2	Financial income	5	300
	3	Extraordinary income	6	
II		TOTAL EXPENSES (Row7=Row8+Row20+Row21)	7	279 493
	1	Operating expenses, out of which:	8	279 288
		A. expenses for goods and services	9	191 977
		B. expenses for taxes, duties and similar payments	10	15 253
		C. personnel-related expenses, out of which:	11	69 635
		C0 expenses for salaries and wages (Row 13+ Row14)	12	64 130
		C1 expenses for salaries	13	58 814
		C2 expenses for bonuses	14	5 316
		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	1 926
		C5 expenses with contributions owed by the employer	18	3 580
		D. other operating expenses	19	2 424
	2	Financial expenses	20	205
	3	Extraordinary expenses	21	
III		GROSS RESULT (profit/loss)	22	5 391
IV		PROFIT TAX	23	648
V		PROFIT AFTER DEDUCTION OF PROFIT TAX, out of which:	24	4 743
	1	Legal reserve	25	270
	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	4 473
	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	465
	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	2 469
		a) - dividends to the state budget	33	
		b) - dividends to the local budget	33 a	
		c) - dividends to other shareholders	34	2 469
	9	Profit not allocated to rws. 31-32 is allocated to other reserves and represents the company's own equity finance	35	2 004
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	

			RON thousand	
		INDICATORS	Row no.	2019 Budget proposal
0	1	2	3	4
		d) expenses for promotion and advertising	41	
		e) other expenses	42	
VIII		INVESTMENT FINANCING SOURCES, out of which:	43	133 750
	1	Allocations from the budget, out of which:	44	
		budget allocations related to payments of previous years commitments	45	
IX		INVESTMENTS	46	133 750
X		SUPPORTING DATA	47	
	1	Forecasted no. of employees at the end of the year	48	545
	2	Total average number of employees	49	545
	3	Average monthly income per employee (RON/ person) determined on basis of salary-related expenses	50	9 298
	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	522
	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	981
	9	Outstanding payments	56	
	10	Overdue accounts receivables	57	947

DIRECTOR GENERAL,
VASILE CARSTEA

ECONOMIC DIRECTOR
VIORICA IONESCU