

ECONOMIC DEPARTMENT
NO. 33.180 / 28.11.2013

To,

**THE GENERAL MEETING OF SHAREHOLDERS
SNGN ROMGAZ SA MEDIAS**

**Notification on the approval of the rectified income and expenditure budget
for 2013**

In compliance with the provisions of article 4, paragraph 1, letter a) of the Government Ordinance 26/21.08.2013 on strengthening the financial discipline at certain business operators where the state or the administrative – territorial authorities are sole or major shareholders or, directly or indirectly, hold a major interest, the income and expenditure budgets of business operators (provided at article 1, letter a)) are approved by Government Decision.

The proposal of the rectified Income and Expenditure Budget for 2013 of SNGN Romgaz SA Medias was approved by the Government, Decision no. 924, in the meeting held on November 27, 2013.

The rectified Income and Expenditure Budget for 2013 was prepared in compliance with:

- Government Ordinance 26/21.08.2013 on strengthening the financial discipline at certain business operators where the state or the administrative – territorial authorities entities are sole or major shareholders or, directly or indirectly, hold a major interest;
- The Order of the Ministry of Public Finance no. 881/2012 on the application of the International Financial Reporting Standards by companies whose securities are admitted to trading on a regulated market;
- ANRE Order no. 24/2013 on approving the methodology for allocations of natural gas resulted from production activities, necessary for covering the consumptions on the regulated market;
- ANRE Order no.26/2013 on establishing the regulated tariff for underground gas storage services provided by SNGN Romgaz SA Medias,
- Article 4 letter a) of Resolution no. 12/22.08.2013 of SNGN Romgaz SA Medias Board of Directors,

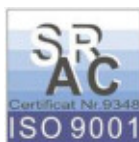
The rectified Income and Expenditure Budget for 2013 has, compared to the Income and Expenditure Budget approved by GD 395/2013, modifications at following items from Annex 1 (according to the Order of the Ministry of Public Finances no.214/2013):

Capital social: 385.422.400 lei
CIF: RO 14056826

Nr. Ord.reg.com/an : J32/392/2001

RO08 RNCB 0231 0195 2533 0001 - BCR Mediaș

RO12 BRDE 3305 V024 6190 3300 - BRD Mediaș



S.N.G.N. Romgaz S.A.
551130, Piața Constantin Motaș, nr.4,
Mediaș, jud. Sibiu - România
Telefon 004-0269-201020
Fax 004-0269-846901
E-mail secretariat@romgaz.ro
www.romgaz.ro

Modification of income items

The decrease of the total income by 11.78% as compared to the approved one is due to the following:

1. Income from sold production decreased by 2.67% due to the following influences:
 - Income from selling products decreased because a lower quantity of delivered gas was estimated and these were sold at a lower price than the one provided in the approved Income and Expenditure Budget. Gas was sold at a lower price mostly because of the change in balance between residential and non-residential consumers.
 - Income from provided services are higher further to the increase of the underground gas storage tariff according to ANRE Order no. 26/April 26, 2013 on establishing the regulated tariff for underground gas storage services provided by SNGN Romgaz SA Medias.
2. Income from selling goods decreased by 38.42% because the estimated import gas quantity to be delivered was lower by 83.7 million cm than the one provided in the approved budget and at a price lower by 4,5%.
3. Other operating income decreased by 71.43% further to the exclusion of income related to depreciation of fixed assets financed from the development quota, by applying the IFRS (according to the IFRS the development quota is not recognised) and the reduction of income from fines and penalties.

Modification of expense items

Total expenses decreased by 3.88% as compared to the approved budget.

In chapter A, goods and services expenses decreased due to following reasons:

- Expenses with goods decreased by 40.68% due to delivery of a lower import gas volume.
- Expenses with consumables increased by 5.02% due to increase of spare parts expenses and fuels expenses, on the basis of estimations made by the company's branches.
- Energy and water expenses increased by 12.48% further to commissioning of new fixed assets (field compressors from Sangeorgiu de Mures, Bordosiu, Ludus, Bogata, dehydration stations etc.).

In chapter B, the expenses with taxes, duties and similar payments expense decreased, due to the decrease of additional income tax, both as a result of reduction of delivered gas volumes, as well as due to modification of residential and non-residential consumers' share, namely the increase of deliveries to residential consumers (which pay a lower price than the non-residential consumers).

In chapter C, expenses for personnel did not change significantly as compared to the approved budget.

In chapter D, “other operating expenses”, the increase is due to exploration expenses related to unsuccessful investments (abandoned wells) and to expenses for provisions (provisions for environment, provisions for accounts receivable, provisions for pensions of the personnel taken over from CET Iernut).

All these reasons lead to a decrease of gross profit at the level of 1,221,912 thousand lei.

Investment expenses decreased from 1,022,069 thousand lei to 900,000 thousand lei as a result of lower procurement prices obtained further to application of procurement procedures in accordance with EGO 34/2006, as well as due to some unforeseen difficulties during the performance of projects, namely land access and approval for performance of works.

As related to the approved budget, the amount of accounts receivable increases from 181,000 thousand lei up to 428,000 thousand lei because certain beneficiaries of gas delivered in previous years did not comply with the payment terms of the payment reschedule agreements. On the basis of the gas trade policy, which provides for bank guarantee letters to be issued by clients on behalf of Romgaz and for existing gas trading contracts providing advance payment for the contracted gas, we estimate that the value of accounts receivable will not increase.

Please find attached the annex with the rectified Income and Expenditure Budget for 2013 as it is going to be published in the Official Gazette of Romania, Part I.

**DIRECTOR GENERAL,
Marius Virgil METEA**

**ECONOMIC DIRECTOR,
Lucia Ionascu**

INCOME AND EXPENDITURE BUDGET FOR 2013

thousand lei

| | | ECONOMIC INDICATORS | Row No. | IEB year 2013 |
|------|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|------------------|
| 0 | 1 | 2 | 3 | 4 |
| I. | | TOTAL REVENUE (Rw.1=Rw.2+Rw.3+Rw.4) | 1 | 4 343 807 |
| | 1 | Operating revenues | 2 | 4 263 715 |
| | 2 | Financial revenues | 3 | 80 092 |
| | 3 | Extraordinary revenues | 4 | |
| II | | TOTAL EXPENSE (Rw.5=Rw.6+Rw.17+Rw.18) | 5 | 3 121 895 |
| | 1 | Operating expenses, out of which: | 6 | 3 096 145 |
| | A. | Expenses for goods and services | 7 | 965 635 |
| | B. | Expenses for taxes, duties and similar payments | 8 | 466 557 |
| | C. | Expenses for personnel, out of which: | 9 | 620 407 |
| | C1 | expenses for salaries and wages | 10 | 358 169 |
| | C2 | expenses with bonuses for employees | 11 | 105 171 |
| | C3 | other personnel expenses, out of which: | 12 | 442 |
| | | expenses with compensation for early release of personnel | 13 | |
| | C4 | expenses for the contract of mandate | 14 | 2 007 |
| | C5 | expenses for social security, special funds and other legal obligations | 15 | 154 617 |
| | D. | Other operating expenses | 16 | 1 043 547 |
| | 2 | Financial expenses | 17 | 25 750 |
| | 3 | Extraordinary expenses | 18 | |
| III | | GROSS RESULT (profit/loss) | 19 | 1 221 912 |
| IV | | INCOME TAX | 20 | 195 512 |
| V | | PROFIT AFTER DEDUCTION OF INCOME TAX, out of which: | 21 | 1 026 401 |
| | 1 | Legal reserves | 22 | |
| | 2 | Other reserves representing fiscal facilities provided by law | 23 | |
| | 3 | Coverage of accounting loss from previous years | 24 | |
| | 4 | Establishing equity finance for projects cofinanced from foreign loans, and establishing of sources for reimbursement of equity installments, payment of interest rates, charges, and other costs related to such loans. | 25 | |
| | 5 | Other allocations provided by law | 26 | |
| | 6 | Profit after deduction of the amounts provided at rw. 22, 23, 24, 25 and 26. | 27 | 1 026 401 |
| | 7 | Profit share payable to employees within the limit of 10% of the net profit, but not more than an average salary paid by the economic operator during the reference financial year | 28 | 12 841 |
| | 8 | Minimum 50% payments to the state budget or local budget in case of autonomous regions, 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: | 29 | 883 356 |
| | a) | - dividends to the state or local budget, as the case may be | 30 | 741 574 |
| | 9 | Retained earnings not allocated to rw.22 - rw.29 are allocated to other reserves and represent the company's own equity finance | 31 | 143 045 |
| VI | | REVENUE FROM EUROPEAN FUNDS | 32 | |
| VII | | ELIGIBLE EXPENSES FROM EUROPEAN FUNDS, out of which | 33 | |
| | a) | expenses for materials | 34 | |
| | b) | expenses for salaries | 35 | |
| | c) | expenses for services | 36 | |
| | d) | expenses for promotion and advertising | 37 | |
| | e) | other expenses | 38 | |
| VIII | | INVESTMENT FINANCING SOURCES, out of which: | 39 | 900 000 |
| | 1 | Allocations from the budget, out of which: | 40 | |
| | | budget allocations related to payments of previous years commitments | 40 bis | |
| IX | | INVESTMENT EXPENSES | 41 | 900 000 |
| X | | SUPPORTING DATA | 42 | |
| | 1 | Forecasted no. of employees at the end of the year | 43 | 6 615 |

thousand lei

| | | ECONOMIC INDICATORS | Row No. | IEB year 2013 |
|---|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------------|
| 0 | 1 | 2 | 3 | 4 |
| | 2 | Average total number of employees | 44 | 6 599 |
| | 3 | Expenses related to salaries (a+b), out of which: | 45 | 463 340 |
| | a) | salaries | 46 | 358 169 |
| | b) | bonuses | 47 | 105 171 |
| | 4 | Average monthly income per employee (lei/person) determined on basis of the salaries of the personnel employed with an individual contract of employment $(Rw.46/Rw.44)/12*1000$ | 48 | 4 523 |
| | 5 | Average monthly income per employee (lei/person) influenced by premiums and bonuses in lei or in kind $(Rw.45/Rw.44)/12*1000$ | 49 | 5 852 |
| | 6 | Labour productivity in financial units per average total number of employees in current prices (lei/person) $(Rw.2/Rw.44)$ | 50 | 646 |
| | 7 | Labour productivity per average total number of employees in comparable prices (lei/person) $(Rw.1/Rw.44*Price\ index)$ | 51 | |
| | 8 | Labour productivity in physical units per average total number of employees (physical units/ person) | 52 | |
| | 9 | Total expenses related to 1000 lei total income $(Rw.5/Rw.1)*1000$ | 53 | 719 |
| | 10 | Payments due, in current prices | 54 | |
| | 11 | Accounts receivables, in current prices | 55 | 428 000 |