

ROMGAZ

Societatea Națională de Gaze Naturale Romgaz S.A. - Medias - România



REPORT ON PAYMENTS TO GOVERNMENTS

In compliance with art.64 of Law no. 24/2017

Report date: April 26, 2017

Company name: Societatea Nationala de Gaze Naturale ROMGAZ S.A.

Address: Medias, 4 Constantin I. Motas Square, Sibiu County – Romania, 551130

Phone/fax no: 004-0269-201020 / 004-0269-846901

Fiscal Code: RO14056826

Trade Register registration number: J32/392/2001

Subscribed and paid in share capital: 385,422,400 RON

Regulated market where the issued securities are traded: Bucharest Stock Exchange (BVB), London Stock Exchange (LSE)

Significant event to be reported:

- **Report on Payments to Governments for 2016**

This report shows the payments made by S.N.G.N. Romgaz S.A. ("Company", "SNGN Romgaz") for 2016 financial year according to Order No. 2844/19.12.2016 of Ministry of Public Finance ("OMPF 2844/2016").

This order is applicable to public entities and transposes into national legislation the provisions of Directive 2013/34/EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

Based on these regulations, S.N.G.N. Romgaz S.A., a company traded on Bucharest Stock Exchange (BVB) and London Stock Exchange (LSE), with main scope of activity: prospecting and exploration, discovery, development and exploitation of petroleum from fields in the company's portfolio, is required to prepare the Report on Payments to Governments.

This report can be found on the Company website: www.romgaz.ro – *Investor Relations – Annual Reports*.

Definitions

Regulatory framework: The Report was prepared in accordance with Chapter 8 of OMPF 2844/2016.

Reporting entity: the report refers to a single reporting entity, S.N.G.N. Romgaz S.A.

Activities: The payments disclosed in this report arise from SNGN Romgaz activities in the field of exploration, prospection, discovery and production of natural gas and other extractive materials under licenses granted by the authorities. This report excludes SNGN Romgaz activities in natural gas underground storage, electric power generation and other auxiliary activities of the gas extractive industry that are included in the scope of activity.

Government: means any national, regional or local authority of a Member State or of a third country. It includes a department, agency or undertaking controlled by that authority.

Project: means the operational activities that are governed by a single contract, license, lease, concession or similar legal agreements and form the basis for payment liabilities with a government. None the less, if multiple such agreements are substantially interconnected, and form the basis for a payment obligation to the government, this shall be considered a project.

Payment: The types of payments included in this report refer to:

a) Production entitlements

These refer to the government's share of production in a project jointly undertaken with a governmental authority. The Company has no ongoing projects of this kind, thus the report does not include this type of payments to governments.

b) Taxes and fees

Taxes and fees include the taxes levied on income from gas production activities (tax on additional income obtained further to the deregulation of gas prices) and the tax on the company's profit (tax on profit). The report does not show the taxes levied on consumption, such as the value added tax, the tax on personal income, taxes and fees related to properties or environmental taxes and fees.

c) Royalties

Royalties represent the amounts paid under petroleum agreements concluded in compliance with applicable laws for the exploitation of a petroleum field (petroleum royalties) for exploitation of mineral resources, respectively (mineral resource royalty).

d) Dividends

Refers to dividends paid to governments, amounts that do not represent the dividends paid off to a government as common or ordinary shareholder of the Company as long as the dividend is paid to the government on the same terms as to other shareholders. The Company did not pay in 2016 other amounts as dividends to governments except for the dividends paid to a government as common shareholder.

e) Signature, discovery and production bonuses

Signature, discovery and production bonuses refer to bonuses that might be paid by the Company upon signature of a contract, bonuses owed further to the discovery of a commercial reservoir or bonuses owed after exceeding a certain production volume.

The effective contractual provisions applicable to the Company do not stipulate signature, discovery and production bonuses. The Company did not make such payments during 2016.

f) Licence fees, rental fees, entry fees and other considerations for licences and/or concessions

The report shows the fees paid for authorizations and licenses in the gas field, the amounts paid for approvals upon conclusion or amendment of concession agreements, approvals paid at the request of the petroleum agreement titleholder for conclusion, amendment and termination of a petroleum agreement, payments made for annual approvals for the Petroleum Operations Program as well as for modifying the Petroleum Operations Program, approvals for performing well operations and fees related to investments and technology transfer. This includes royalties also, that were paid to several authorities for the concessions granted.

g) Payments for infrastructure improvements

Payments for infrastructure improvements in this report refer to improvements of the infrastructure only if these are used for other purposes than exploration, development and production. Moreover these payments refer to the improvement of the local infrastructure and not to the Company's infrastructure. The report includes their value at the time of payment. Constructions, infrastructure improvements performed only socially are not included in this report.

During 2016 the Company did not make payments for infrastructure improvements.

Joint Ventures

With respect to operations performed within joint ventures where SNGN Romgaz is operator, the amounts shown in this report are the amounts paid by the company pro rata with its interest share. In case the Company is part of a joint venture where it is not the operator; the amounts are stated based on the data made available by the operator.

Material

A payment, either a unique payment or a series of related payments, is not shown in the report if it is below RON 443,400 within a financial year (equivalent of EUR 100,000 exchange rate published in the Official Journal of the European Union on July 19, 2013).

Payment in kind

The Company does not make payments in kind.

Reporting currency

The report is prepared in RON. Payments made in other currencies than the national currency are shown in this report in RON at their payment value.

The payments made for the operations performed in Slovakia and Poland in 2016 are below the significant threshold.

In compliance with the reporting obligations previously mentioned, SNGN Romgaz publishes the **Report on payments to governments for financial year 2016**, under the model stated at Section 8.3 of the OMFP 2844/2016 as follows:

No.	Payment type	Amounts paid to Governments per countries (thousand RON)		
		Romania	Slovakia	Poland
a)	Total amount of payments	855,190	N/A	N/A
1	Production rights	N/A		
2	taxes levied on the income, production or profits of companies, excluding taxes levied on consumption such as value added taxes, personal income taxes or sales taxes	608,998		
3	royalties	239,080		
4	dividends	N/A		
5	signature, discovery and production bonuses	N/A		
6	licence fees, rental fees, entry fees and other considerations for licences and/or concessions	7,112		
7	payments for infrastructure improvements	N/A		

Director General
Virgil - Marius METES

