



Societatea Nationala de Gaze
Naturale “**ROMGAZ**” SA

Board of Directors’ Report

2017





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SUMMARY

I.	ROMGAZ 2017 Overview	5
1.1.	Highlights	5
1.2.	Romgaz in Figures	6
1.3.	Important Events	12
II.	The Company at a Glance	15
2.1.	Identification Data	15
2.2.	Company Organization	16
2.3.	Mission, Vision and Values	17
2.4.	Strategic Objectives	19
III.	Review of the Company's Business	20
3.1.	Business Segments	20
3.2.	Historic Overview	24
3.3.	Mergers and Organizations, Acquisitions and Divestments of Assets	25
3.4.	Company Business Performance	29
3.4.1.	<i>Company Overall Performance</i>	29
3.4.2.	<i>Prices and Tariffs</i>	33
3.4.3.	<i>Human Resources</i>	37
3.4.4.	<i>Environmental Aspects</i>	40
3.4.5.	<i>Occupational Safety and Health</i>	45
3.4.6.	<i>Litigations</i>	46
IV.	Tangible Assets	47
4.1.	Main Production Facilities	47
4.2.	Investment	52
V.	Securities Market	57
5.1.	Dividend Policy	59
VI.	Company Management	62
6.1.	Board of Directors	62
6.2.	Executive Management	63
VII.	Financial – Accounting Information	66
7.1.	Statement of Financial Position	66
7.2.	Statement of Comprehensive Income	68
7.3.	Statement of Cash Flows	71
VIII.	Corporate Governance	72
IX.	Performance of the Mandate Contract/Director's Agreement	88
9.1.	Objectives and Performance Criteria	89
9.2.	2017 Results	91



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I. ROMGAZ 2017 OVERVIEW

1.1. Highlights

Romgaz obtained the approval for partial financing of Iernut power plant development from the National Investment Fund

On January 18, 2017 the Ministry of Energy notified the approval of the Financing Application for the investment “*Combined Cycle Gas Turbine*”, application submitted for funds to be provided from the National Investment Plan. The Application File was submitted for the public acquisition contract No 13384/ October 31, 2016 concluded with the association Duro Felguera SA - SC Romelectro SA, having as scope the turnkey contract “*Development of Iernut Power Plant (CTE Iernut) by construction of a new gas turbine combined cycle power plant*”. On December 7, 2017 was signed the Contract for the grant for investment and on December 14, 2017 the first application for reimbursement was submitted to the Ministry of Energy.

Romgaz obtained the approval for some petroleum agreements extension

The volume of proved initial reserves increased for a number of natural gas commercial fields governed by petroleum agreements, following the performance of investment works. Thus, the period of gas recovery increased as compared to the initial estimation (which was below the legal limit of 30 years as provided under the Petroleum Law No 238/2004).

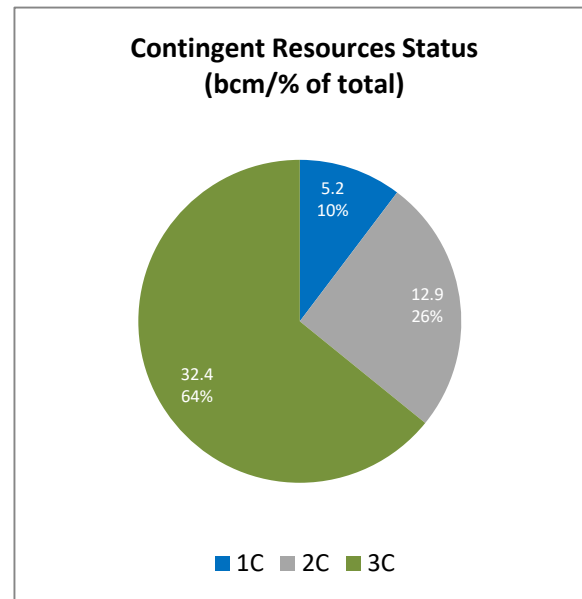
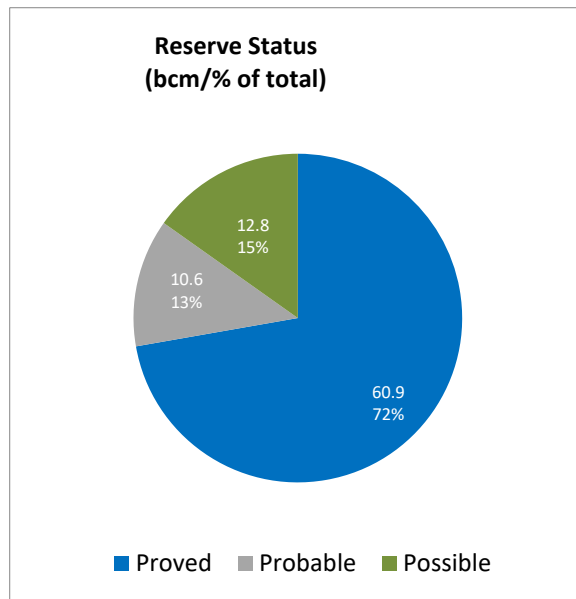
Given the above mentioned, the Government of Romania approved in the meeting of September 27, 2017:

- ✍ Licensing petroleum agreements for development-production and Licensing Petroleum Agreements for production concluded between the National Agency for Mineral Resources and Romgaz for 54 commercial fields;
- ✍ Licensing petroleum agreements for development-production concluded between the National Agency for Mineral Resources and Romgaz and Amromco Energy SRL for 8 commercial fields.

Once such petroleum agreements approved, the licensing rights and consequentially the rights to exploit related blocks are confirmed, eliminating the risk mentioned in Romgaz Prospectus of the Initial Public Offering related to the validity of such petroleum agreements.

Romgaz continues the development of Caragele project

Romgaz continues the development of the field, investments reaching EUR 40 million already. Further investment of about EUR 100 million will follow in new production and development wells. A workshop will be added to the new structure to support the company's activity in the area, as a consequence of intensification of the exploration program in North-East Muntenia. The activity will consist in drilling exploration wells, building collecting and gathering pipelines connected to the wells proving results during testing, which will be brought into production.



Works regarding the “Development of Iernut Thermal Power Plant by Building a New Combined-Cycle Power Plant (CCGT)”

One of Romgaz’ strategic direction is consolidating its position on the energy supply markets. Thus, in the field of energy generation, the implementation of this investment project aims to enhance the efficiency of activity by: increasing the efficiency of the power plant to 56% at the least, compliance with the environmental requirements (NO_x, CO₂ emissions) and enhancement of safety in exploitation. The project is financed from own resources and PNI (National Investment Plan) funds, in accordance with Government Decision No 1096/2013, updated. Romgaz concluded the works contract no 13384/ October 31, 2016 with the Partnership between Duro Felguera S.A. and SC Romelectro S.A. The contract may be summarized as follows: (1) the scope of the contract is implementation of the turnkey project (design, delivery of equipment, supply of works and start-up) “Development of the Iernut Thermal Power Plant by Building a New Combined-Cycle Power Plant (CCGT)”, (2) time limit for completion of works: 36 months from the date on which the contract enters into force (the contract enters into force in 5 working days from the date of approving the file of financing from PNI funds, in accordance with the Government Decision No 1096/2013, updated), (3) the estimated value of the contract (VAT excluded): EUR 268,836,329.82.

During 2017 land development works and power-installed foundation anchors works have been performed. The documents for obtaining the authorizations for works and exploitation of the new power plant have been prepared. Construction authorizations for the new power plant and new hydrogen plant have been obtained. One gas turbine with its related equipment and the new hydrogen plant have been delivered. The technical design project is currently subject to approval.

1.2. Romgaz in Figures

The Company recorded a net profit in 2017, in amount of RON 1,854.7 million, higher by 81.03% than in 2016, namely by RON 830.2 million, and a net income per share of RON 4.81 as compared to RON 2.66 in 2016.

The net profit margins (40.5%), EBIT margin (47.1%) and EBITDA (59.1%) are higher than the ones reported last year (30.0%, 36.9% and 46.0% respectively), confirming that the company continues to maintain a high profitability.

Natural gas consumption in Romania recorded in 2017 an increase of approx. 4.7% as compared to the previous year, according to the ANRE and the Company's consumption estimations¹.

The natural gas production of the Company was higher than in 2016 by **22.2%**, namely 939 million m³ (**5,158** million m³ in 2017 vs 4,219 million m³ in 2016). This production, according to estimated data, ensured Romgaz a 50.53% market share of gas deliveries within the consumption of domestic gas, and a 46.27% market share of deliveries of the total consumption of Romania.

The 2017 production was higher than the one recorded in the previous year due to the cumulative factors below:

1. Lower temperatures during the first period of the year, generating a higher gas consumption in Q1;
2. Significant increase of electricity production at the gas fuelled power plants;
3. Increase of natural gas consumption by Romgaz's Iernut power plant which consumed 506 million m³ of natural gas, higher by 77 million m³ than in 2016;
4. High summer temperatures leading to increased electricity consumption.

The 2017 electricity production of Romgaz was 14.5% higher than 2016 production, namely 1,863,788 MW and represents 2.68% of Romania's total electricity production. According to Transelectrica, Romgaz' market share was 2.95%.

Operational Results

The table below shows a summary of the main production indicators, royalty and storage services:

Q4 2016	Q3 2017	Q4 2017	Δ Q4 (%)	Main indicators	2016	2017	Δ '17/'16 (%)
1,185	1,192	1,406	18.7	Gas production (million m ³)	4,219	5,158	22.2
1,023	1,191	1,393	36.2	Condensate production (tons)	5,864	5,742	-2.1
84	83	103	22.6	Petroleum royalty (million m ³)	292	371	27.1
726.3	465.8	398.3	-45.2	Electricity production(GWh)	1,628.3	1,863.8	14.5
509.9	9.7	537.0	5.3	Invoiced UGS withdrawal services (million m ³)	1,440.9	1,745.5	21.1
65.0	774.3	121.8	87.4	Invoiced UGS injection services (million m ³)	1,367.4	1,497.6	9.5

Natural gas quantities produced, delivered, injected into and withdrawn from gas storages are shown in the table below (million m³):

¹ As ANRE did not publish the gas market monitoring reports from January 2017, the data used for national consumption are estimated data.

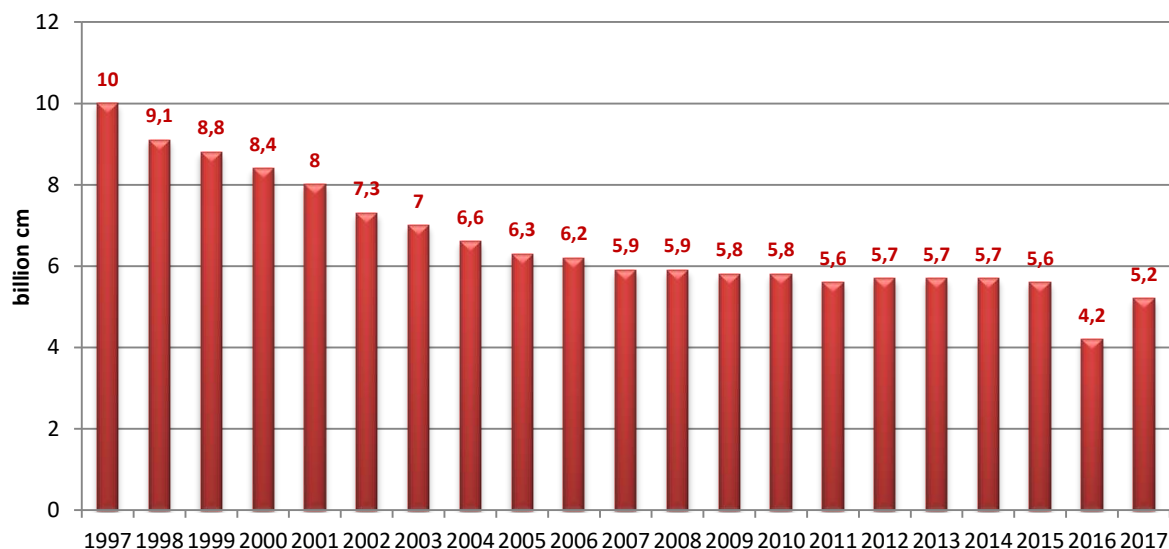
Item No	Specifications	2015	2016	2017	Ratios
0	1	2	3	4	5=4/3x100
1.	Gross production – total, including:	5,562.7	4,219.4	5,157.5	122.2%
1.1.	*own gas	5,359.7	4,068.0	4,987.7	122.6%
1.2.	*Schlumberger (100%)	203.1	151.3	169.8	112.2%
2.	Technological consumption	78.5	54.5	74.5	136.7%
3.	Net gas production (1.-1.2.-2.)	5,281.1	4,013.6	4,913.2	122.4%
4.	Own gas injected into UGS	738.4	414.7	253.5	61.1%
5.	Own gas withdrawn from UGS	409.5	462.6	723.5	156.4%
6.	Difference from conversion to Gross Calorific Value	16.1	4.5	2.7	
7.	Delivered own gas (3.-4.+5.-6.)	4,936.1	4,057.0	5,380.5	132.6%
8.1.	Gas sold in UGS	-	79.2	0.0	-
8.2.	Gas delivered to CTE Iernut and Cojocna from Romgaz's gas	527.0	463.7	506.4	109.2%
9.	Own gas delivered to the market (7.+8.1.-8.2.)	4,409.1	3,672.5	4,874.1	132.7%
10.	Gas from joint ventures– total, including:	168.9	149.0	175.5	117.8%
	*Schlumberger (50%)	101.5	75.7	84.9	112.2%
	Raffles Energy) (37.5%)	0.5	0.3	0.1	33.3%
	Amromco) (50%)	66.9	73.0	90.5	124.0%
11.	Gas purchase from domestic production (including imbalances)	17.1	11.2	27.0	241.1%
12.	Traded domestic gas (9.+10.+11.)	4,595.1	3,832.7	5,076.6	132.5%
13.	Gas delivered from domestic production (8.2+12.)	5,122.1	4,296.4	5,583.0	129.9%
14.	Delivered import gas	3.0	6.8	33.0	485.3%
15.	Gas delivered gas to CTE Iernut and Cojocna from other sources (including imbalances)		4.8	40.3	839.6%
16.	Total delivered gas (13.+14.+15.)	5,125.1	4,308.0	5,656.3	131.3%
*	Invoiced UGS withdrawal services	1,656.7	1,440.9	1,745.5	121.1%
*	Invoiced UGS injection services	1,673.1	1,367.4	1,497.6	109.5%

*) –as regards Romgaz-Schlumberger association, produced gas is fully included in Romgaz production, and then split in equal shares between the two partners, and traded separately. With respect to the joint ventures with Raffles Energy and Amromco, the obtained gas does not represent Romgaz production but the value of gas is reflected in Romgaz revenue, proportionally with its respective participating interest share in the joint ventures

Natural gas production lies in the parameters forecasted in the 2017 program, achieving 108.6% of the planned production (5,158 million m³ – achieved planned vs 4,750 million m³ – planned).

The production level was maintained by the ongoing production rehabilitation projects of the main fields, workover and recompletion operations for 188 wells, installing new compression capacities and bringing into production new fields.

The natural gas production during 1997-2017 is shown below:



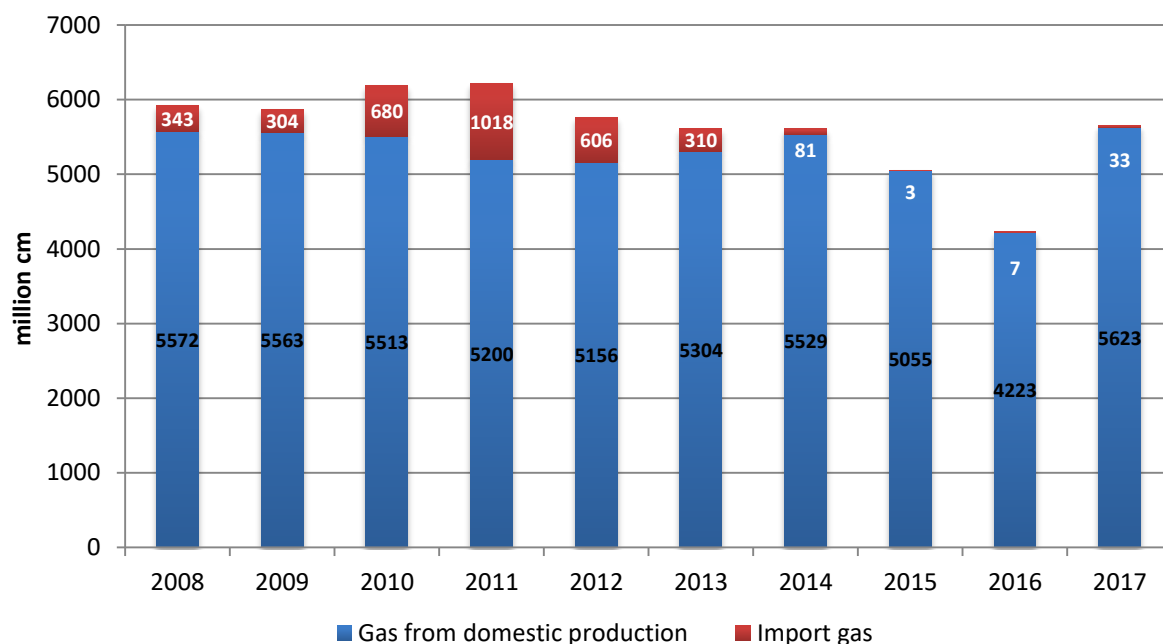
Increase in Romgaz's electricity production by 14.5% compared to previous year, as shown in the table below, is closely connected with reduced electricity production from hydro and wind sources, and to the cold or hot periods.

The table below shows the quarterly electricity production for 2017, as compared to 2016:

MWh			
	2016	2017	Variation
1	2	3	4=(3-2)/2x100
1 st Quarter	318,720	611,483	91.86%
2 nd Quarter	191,847	388,249	102.38%
3 rd Quarter	391,472	465,812	18.99%
4 th Quarter	726,300	398,300	-45.16%
Year total	1,628,339	1,863,844	14.46%

Romgaz is one of the largest gas suppliers in Romania. The evolution of gas supplies² during 2008-2017 is indicated below:

² comprises own gas from domestic production, including gas delivered to CTE Iernut and Cojocna, 50% of the gas from Schlumberger joint venture and gas purchased from Romanian domestic production from other producers



Relevant Financial Results

* million RON *

Q4 2016	Q3 2017	Q4 2017	Δ Q4 (%)	Main indicators	2016	2017	Δ '17/'16 (%)
1,010.3	849.4	1,343.5	33.0	Revenue	3,411.9	4,585.2	34.4
989.3	914.8	1,544.1	56.1	Income	3,816.8	4,786.0	25.4
627.2	547.8	763.7	21.8	Expenses	2,536.1	2,604.9	2.7
362.1	367.0	780.4	115.5	Gross profit	1,280.7	2,181.2	70.3
51.3	50.9	109.7	113.8	Profit tax	256.1	326.4	27.5
310.9	316.1	670.7	115.7	Net profit	1,024.6	1,854.7	81.0
358.1	362.1	773.7	116.1	EBIT	1,258.6	2,158.8	71.5
n/a	n/a	529.3	n/a	EBIT (adjusted) *)	n/a	1,914.5	n/a
312.6	475.7	914.9	192.7	EBITDA	1,569.6	2,707.7	72.5
n/a	n/a	670.5	n/a	EBITDA (adjusted) *)	n/a	2,463.3	n/a
0.8	0.8	1.7	112.5	Earnings per share EPS (RON)	2.7	4.8	77.8
30.8	37.2	49.9	62.0	Net profit ratio (% from Revenue)	30.0	40.5	35.0
35.4	42.6	57.6	62.7	EBIT Ratio (% from Revenue)	36.9	47.1	27.6
30.9	56.0	68.1	120.4	EBITDA Ratio (% from Revenue)	46.0	59.1	28.5
6,246	6,194	6,198	-0.8	Number of employees at the end of the period	6,246	6,198	-0.8

*) Adjusted EBIT/adjusted EBITDA are EBIT/EBITDA adjusted by the income recorded following the fiscal audit completion related to excise, taking into account the single nature of such income

The figures above are rounded and therefore there may be slight differences after reconciliation

Note: income and expenses do not include in-house works capitalized as non-current assets.

The higher revenue as compared to the previous year is mainly related to weather conditions, and especially due to the increased demand in the electricity generation sector.

Due to the above mentioned causes and thanks to company efforts, the net profit, EBIT and EBITDA are significantly higher as compared to year 2016. At the same time, the indicator ratios against the revenue are higher than the ones recorded in the previous year and continue to be highly favourable: 40.5%, 47.1% and 59.1% (as compared to 30.0%, 36.9% and 46.0% in 2016), confirming the high profitability of the company.

The previous years carried-forward results allocation, with a positive impact on the net profit, was in 2013 in amount of RON 157.5 million, in 2014 in amount of RON 241.90 million, in 2015 in amount of RON 214.0 million and in 2016 in amount of RON 547.3 million. In 2017 additional dividends in amount of RON 747.7 million have been approved to be allocated from other reserves.

Investments play an important part in arresting the production decline, which is achieved through the discovery of new reserves and the improvement of the current recovery rate due to the rehabilitation, development and modernization of existing facilities.

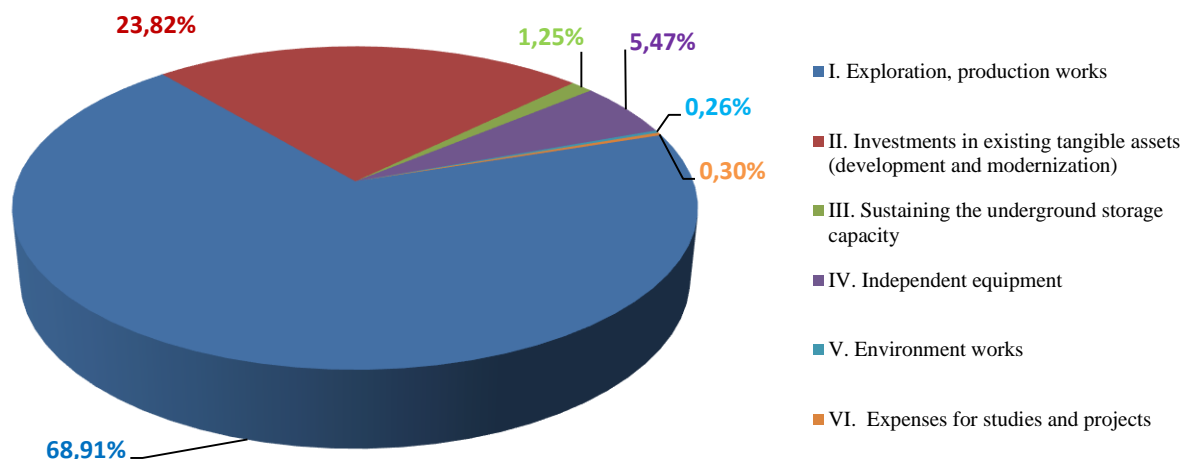
For 2017, Romgaz scheduled investments worth *RON 1,143 million* and invested *RON 781.8 million*, less by 31.6%. The 2017 investments were higher by 57.1% than the 2016 ones (RON 497.7 million). The investments were financed exclusively from own sources, and a part of investments for CTE Iernut will be reimbursed from the National Investment Plan.

The value of fixed assets commissioned during the reporting period was *RON 392 million*.

During 2013-2017, the Company made investments worth approx. **RON 4.15 billion**, as follows:

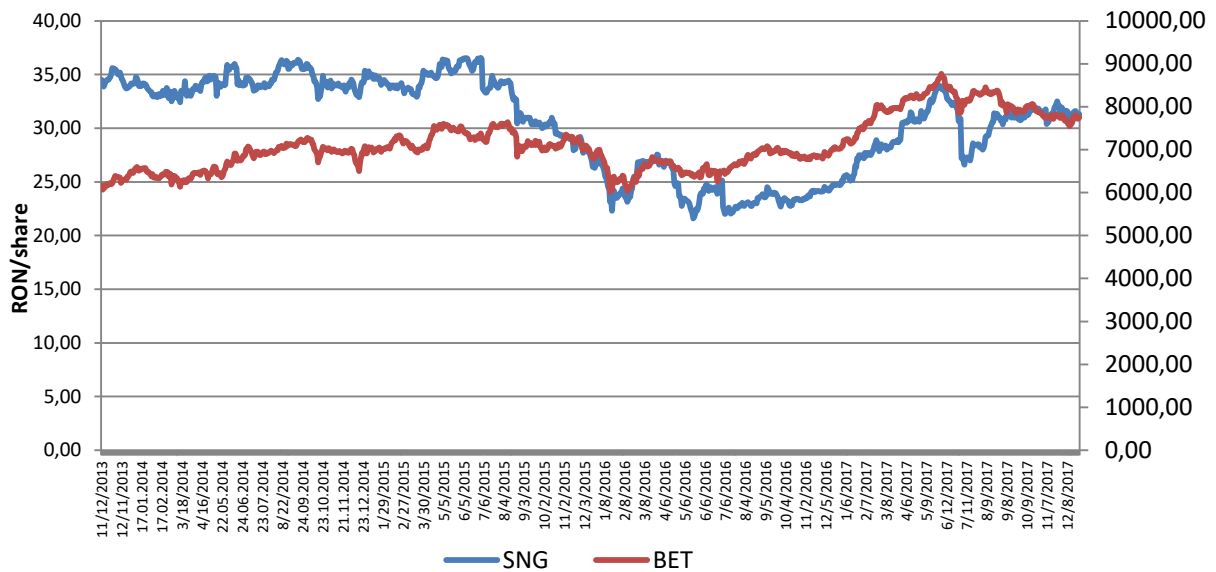
Year	2013	2014	2015	2016	2017	Total
Value (RON thousand)	848,247	1,085,497	937,916	497,716	781,768	4,151,144

The structure of investments is shown in the chart below:



Since November 12, 2013, *the company's shares have been traded on the regulated market* governed by BVB (Bucharest Stock Exchange) under the "SNG" symbol, and the GDRs on the regulated market governed by LSE (London Stock Exchange) under the "SNGR" symbol.

Performance of Romgaz shares compared to the evolution of BET index (Bucharest Exchange Trading) from listing to December 31, 2017 is shown below:



1.3. Important events

March 14, 2017

The kick-off meeting of the project for “Developing of the Iernut Thermal Power Plant by Building a New Combined-Cycle Power Plant (CCGT)” took place on March 14, 2017 at SPEE Iernut between the representatives of Romgaz and those of Duro Felguera and Romelectro.

April 1, 2017

Prices of domestic production gas have been liberalized since April 1st, 2017 in compliance with the GEO No 64/2016 for amending and supplementing the Electricity and Natural Gas Law No 123/2012.

April 25, 2017

By Resolution No 1/2017 of the Ordinary General Meeting of Shareholders:

- The income and expenditure budget of the company for 2017 was approved;
- The members of the Board of Directors of Societatea Națională de Gaze Naturale Romgaz S.A., namely Dumitru Chisăliță, Aristotel Marius Jude, Stoicescu Răzvan Florin, and Negruț Aurora were revoked, following the expiration of their mandates in May 2017;
- The following were elected as interim directors of Societatea Națională de Gaze Naturale Romgaz S.A.: Stan Bogdan – Nicolae, Chirilă Alexandru, Gheorghe Gheorghe-Gabriel and Metea Virgil Marius.

June 7, 2017

By Resolution No 14 the Board of Directors approved the renewal of the Contract of Mandate for the Director-General, Metea Virgil-Marius and the modification of 2017 performance indicators as they were approved by the General Meeting of Shareholders in the income and expenditure budget.

During the same meeting Gheorghe Gheorghe-Gabriel was elected as Chairman of the Board of Directors.

July 27, 2017

The Board of Directors ascertained under Resolution No 18 the vacancy of one director position, by resignation of Tcaciuc Sebastian-Gabriel, and appointed Baciu Sorana-Rodica as interim director until the next Ordinary General Meeting of Shareholders.

September 7, 2017

Further to company shareholders casting of cumulative vote upon the request of the Romanian State represented by the Ministry of Energy, the Ordinary General Meeting of Shareholders elected as members of the Board of Directors for 4 months period the following:

- Gheorghe Gheorghe-Gabriel;
- Stan Bogdan-Nicolae;
- Ciobanu Romeo-Cristian;
- Nistoran Dorin-Liviu;
- Cermonea Ioan-Daniel;
- Grigorescu Remus;
- Baciu Sorana-Rodica.

September 27, 2017

The Romanian Government approved the following:

- The Licensing Petroleum Agreements for Development-Production and the Licensing Petroleum Agreements for Production concluded between the National Agency for Mineral Resources and Romgaz for 54 commercial fields;
- The Licensing Petroleum Agreements for Development-Production concluded between the National Agency for Mineral Resources and Romgaz and Amromco Energy S.R.L. for 8 commercial fields.

October 17, 2017

Iernut town hall issued the construction authorizations for Developing of the Iernut thermal power plant by building a new combined-cycle power plant.

November 2, 2017

By Resolution No 30 the Board of Directors appointed Bobar Andrei as Chief Financial Officer.

December 14, 2017

- The first reimbursement application for the National Investment Plan funds for Development of CTE Iernut project was submitted to the Ministry of Energy.
- By Resolution No 36 the Board of Directors revoked the Director General's mandate for Metea Virgil Marius;
- By Resolution No 37 the Board of Directors appointed Cindrea Corin Emil as interim Director General for 4 months period, with the possible extension of 6 months, as provided under the law.

December 20, 2017

By Resolution No 9, further to company shareholders casting of cumulative vote upon the request of the Romanian State represented by the Ministry of Energy, the Ordinary General Meeting of Shareholders elected as members of the Board of Directors, as of January 8, 2018, for 4 months mandate or until the completion of the directors selection process the following:

- Nistoran Dorin-Liviu;
- Baciu Sorana-Rodica;



- Ciobanu Romeo-Cristian;
- Grigorescu Remus;
- Cermonea Daniel-Ioan;
- Volintiru Adrian-Constantin;
- Anghel Daniel-Florin.

II. THE COMPANY AT A GLANCE

2.1. Identification Data

Name: Societatea Nationala de Gaze Naturale "ROMGAZ" SA

Main scope of activity: natural gas production and UGS

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

Trade Registry registration number: J32/392/2001

Fiscal registration number: RO14056826

LEI Code: 2549009R7KJ38D9RW354

Legal form of establishment: joint-stock company

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

Number of shares: 385,422,400 each having a nominal value of RON 1

Regulated market where the company's shares are traded: Bucharest Stock Exchange (shares) and London Stock Exchange (GDRs)

Phone: 0040 269 201020

Fax: 0040 269 846901

Web: www.romgaz.ro

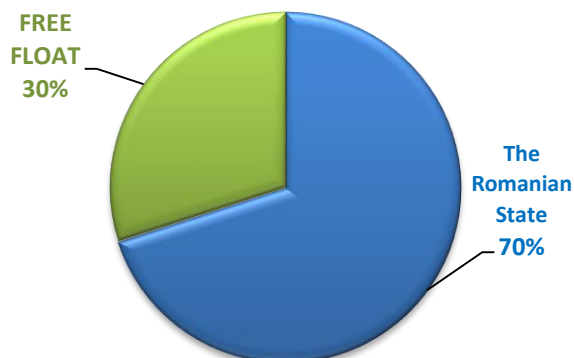
E-mail: secretariat@romgaz.ro

Bank accounts opened at: Banca Comerciala Romana, BRD-Groupe Societe Generale, Citibank Europe, Patria Bank, Raiffeisen Bank, Banca Transilvania, ING Bank, Eximbank, CEC Bank.

Shareholder Structure

As of December 31, 2017 the shareholder structure is:

	Number of shares	%
The Romanian State ³	269,823,080	70.0071
Free float – total, including:	115,599,320	29.9929
*legal persons	96,797,982	25.1148
*natural persons	18,801,338	4.8781
Total	385,422,400	100.0000



³ The Romanian State through the Ministry of Energy

During the financial year 2017, the Company *did not perform transactions with own shares*, and as of December 31, 2017 did not hold own shares.

2.2. Company organization

Romgaz organization structure is a hierarchy-functional type, with a number of six hierarchy levels, from company's shareholders to execution personnel, as follows:

- ↳ General Meeting of Shareholders
- ↳ Board of Directors
- ↳ Director General
- ↳ Deputy Directors General
- ↳ Heads of functional and operational compartments subordinated to the Director General and to the Deputy Directors General
- ↳ Execution Personnel

The responsibilities of the Board of Directors are detailed in the Company's Articles of Incorporation and as well in its Rules of Organization and Operation.

Key people in the structure and for the functionality of the company are the Director General, the Deputy Directors General, Economic Director, as well as the branches' directors. The heads of compartments (branches/departments/directions/offices etc.) representing the connection between the upper structure and the employees of the respective compartment are directly subordinated to the afore-mentioned.

Each compartment has its own well-defined attributions in the company's Organization and Operating Regulation and all these elements work as a whole.

The tasks, competencies and responsibilities of the execution personnel are included in the job descriptions related to each position.

The company has 7 *branches* set up based on the specific of the activities performed and on the region (natural gas production branches) as follows:

- ↳ Sucursala Medias (Medias Branch) having its office in Medias, 5 Garii Street, postal code 551025, Sibiu County, territorially organized in 8 sections;
- ↳ Sucursala Targu Mures (Targu Mures Branch) having its office in Targu Mures, 23 Salcamilor Street, postal code 540202, Mures county, territorially organized in 8 sections;
- ↳ Sucursala Ploiesti (Ploiesti Branch) having its office in Ploiesti, 184 G. Cantacuzino Street, 100492, Prahova County, territorially organized in 2 sections and 2 workshops;
- ↳ Sucursala de Interventii, Reparatii Capitale si Operatii Speciale la Sonde Medias (SIRCOSS – Branch for Well Workover, Recompletions and Special Well Operations) having its office in Medias, 5 Soseaua Sibiului Street, 551009, Sibiu County, territorially organized in 3 sections and 5 workshops;
- ↳ Sucursala de Transport Tehnologic si Mentenanta Targu Mures (STTM – Technological Transport and Maintenance Branch) having its office in Targu Mures, 6 Barajului Street, 540101, Mures County, territorially organized in 3 sections and 3 workshops;
- ↳ Sucursala de Productie Energie Electrica Iernut (SPEE – Iernut Power Generation Branch) having its office in Iernut, 1 Energeticii Street, 545100, Mures County;

- ✎ Sucursala Bratislava (Bratislava Branch) having its office in Bratislava, City Business Centre V.-Karadžičova 16, code 82108, Slovakia.

As of December 31, 2017 the company has a **subsidiary** “S.N.G.N. ROMGAZ S.A. – Filiala de Înmagazinare Subterană a Gazelor Naturale DEPOGAZ Ploiești S.R.L.”, with its headquarters in Ploiesti, having as scope of activity the natural gas underground storage. The subsidiary has been set up in order to comply with Directive 2009/73/EC of the European Parliament and of the Council of July 13, 2009 on common rules for the internal market in natural gas and repealing Directive 2003/55/EC, as well as with the Natural Gas and Electricity Law No 123/2012.

2.3. Mission, Vision and Values

Societatea Nationala de Gaze Naturale “ROMGAZ” SA is a company which targets performance and is determined to generate performance by best employment of energies to meet its objectives.

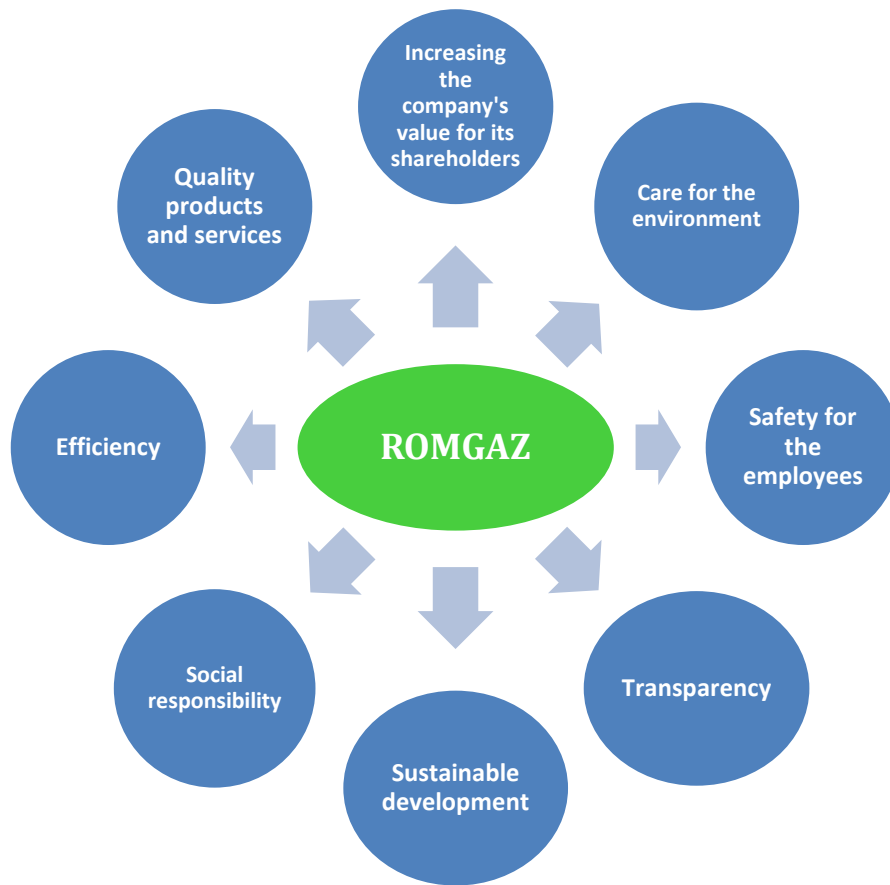
Company Mission

Performance, competition and continuous growth of the company’s value both for us and for the shareholders by means of a better valuation of the human potential and assets, by predictable and profitable business deals and a better risk management.

Company Vision

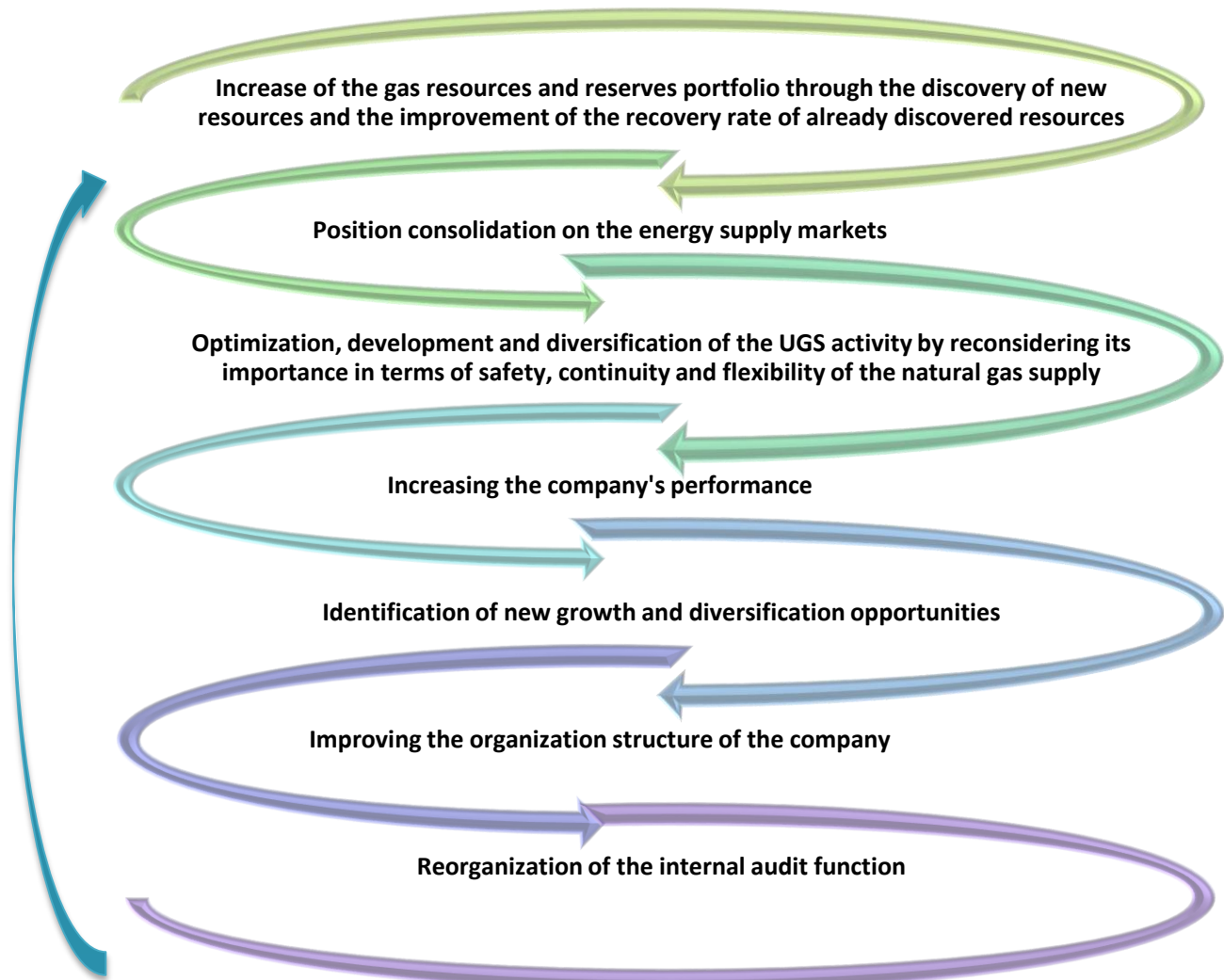
ROMGAZ has the potential and the ambition to consolidate and to develop its position as the most important natural gas company in Romania and to become a leading player on important Central and Eastern European markets by means of an efficient and competitive production able to face the increasing pressure exercised by regional and international companies.

Values



2.4. Strategic Objectives

In order to meet its main scope of activity through an efficient use of material, financial, informational and human resources, the company set the following **strategic objectives**:



III. REVIEW OF THE COMPANY'S BUSINESS

3.1. Business Segments

The company undertakes business in the following segments:

- ✎ natural gas exploration and production;
- ✎ UGS activity;
- ✎ natural gas supply;
- ✎ special well operations and services;
- ✎ maintenance and transportation services;
- ✎ power generation and supply;
- ✎ natural gas distribution.

Exploration - Production

Romgaz is titleholder or co-titleholder, in Romania, of the following petroleum agreements:

- ✎ petroleum operations for exploration-development-production in 9 blocks with 100% participating interest and in 4 blocks as co-titleholder, under certain concession agreements;
- ✎ 154 commercial fields;
- ✎ 7 fields recording experimental production;
- ✎ exploration and production rights in Slovakia and Poland (until June 2017).

Exploration

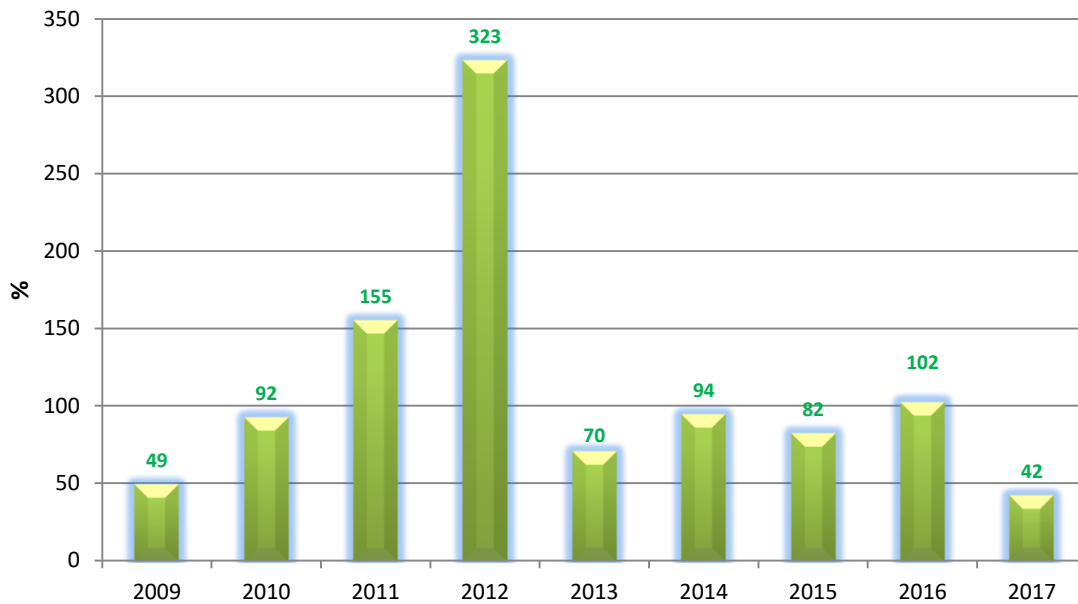
Since October 1997, the exploration activity has been carried out in 8 blocks in Transylvania, Moldova, Muntenia, and Oltenia, in accordance with the Concession Agreement approved by Government Decision No 23/2000. Fourteen exploration wells were completed in 2017, with the following results:

- 5 discoveries with a prospective geological resource (P50) of 3.5 billion m³;
- confirmation of hydrocarbon accumulations with a contingent resource (2C) evaluated at approx. 0.9 billion m³.

Romgaz designs and plans all exploration works based on its own concepts by using modern specialized software, evaluations of the geological area's prospectivity displaying specific features within the blocks under concession, and these are carried out by specific surface exploration methods for the identification of the areas with hydrocarbon accumulations (prospects), followed by exploration drilling to prove the presence of accumulations.

The results materialised in reserve replacement ratios, with a highest value of 323% reached in 2012.

The table below shows the evolution of the reserves replacement ratio during 2009-2017:



Reserves replacement ratio was influenced by the reduced volume of updating commercial reservoirs and by postponing investments related to the infrastructure necessary for commissioning production facilities. The reserves audit as of December 31, 2017 will be finalized in H1 2018.

Production



The 2017 annual program for petroleum operations considered the dynamics of gas demand, reactivation, recompletion and well work over operations, bringing in production wells resulted from exploration activities and production wells, maintenance programs of compressor stations and of dehydration stations, commissioning of new compressor units and the dynamics of import gas flows injected into/withdrawn from UGS.

The company's gas production was higher than the 2016 production (5,158 million m³ vs 4,219 million m³). According to estimates, this production ensured Romgaz a 50.53% market share of deliveries in the gas consumption from internal production and a 46.27% share of deliveries in Romania's total consumption.

The production in amount of 5,158 million m³ was 8.6% higher than the planned one, due to:

- Lower temperatures at the beginning of 2017;
- Increase of gas consumption for generation of electricity;
- Increase of gas consumption for generation of electricity by Romgaz's Iernut power plant which consumed 506 million m³ of gas, by 77 million m³ more than in 2016.
- Higher summer temperatures leading to the increase of electricity consumption.

Underground Gas Storage (UGS)



Currently, in Romania there are 8 UGSs constructed in depleted gas reservoirs out of which 7 are in operation. Romgaz owns and operates 6 UGSs having a total capacity of 4.335 billion m³ and a working gas volume of 2.920 billion m³.

At national level, the ratio between the working gas volume and the annual consumption was about 24% in 2017. This level is in the first upper half of 2015 international values (Great Britain 6.4%, Spain 9.8%, Holland 40.6%, Poland 19.9%, Italy 26.2%, Germany 29.8%, France 29.5%, Denmark 33.6%, and Hungary 69.6%).

In 2017 the ratio of stored gas volumes to the working volume of the UGS's was 69%.

Related to the obligation of each titleholder of gas supply license to store a minimum gas stock in the UGS's, Romgaz stored more gas by 283%.

The UGS activity is a business segment regulated by ANRE (National Authority for Energy Regulation) with regard to UGS operators' licensing and the access to the UGSs, as well as setting the tariffs related to UGS activity.

Natural Gas Supply



After a thorough restructuring, the natural gas sector is currently split into independent activities. The Romanian natural gas market includes a NTS operator (Transgaz), producers (Romgaz and Petrom have a 97% market share), UGS operators, companies for the distribution and supply of gas to captive customers, and suppliers on the wholesale market.

The natural gas market in Romania consists of the *competition segment*, which includes gas trading activities between suppliers and between suppliers and eligible consumers, and the *regulated segment*, which includes monopoly-like activities performed in accordance with framework contracts (transmission, underground storage, distribution and supply at a regulated price).

In terms of supply, Romgaz held during 2010-2017 a national market share ranging between 37 and 46%:

	M.U.	2010	2011	2012	2013	2014	2015	2016	2017
National consumption	bcm	14.0	14.4	13.5	12.5	12.2	11.6	11.8	12.3
Romgaz traded volumes (domestic + import)	bcm	6.4	6.3	5.9	5.7	5.7	5.1	4.4	5.7
Romgaz market share	%	45.81	43.87	42.82	44.5	46.1	44.0	37.1	46.3

The above quantities include gas from own domestic production, domestic gas purchased from third parties, 100% gas from Schlumberger joint venture and import gas. As compared to previous years, 2017 deliveries include gas delivered to Iernut and Cojocna for electricity production, as well as technological consumption.

Well Workover, Recompletions and Special Operations

SIRCOSS was established in 2003 in accordance with the GSM Resolution No5/June 13, 2003.

The branch performs two types of activities:

- ↳ well workover, recompletion operations and production tests;
- ↳ special well operations.

All *well workover, recompletion operations and production tests operations* are performed by means of rig installations.

The second activity consists of *special well operations*, namely services supplied by means of different transportable equipment for downhole or surface operations.

During the past years most of services were supplied for the wells within the company's portfolio, yet, well workover and special well operations were also supplied to other companies in Romania that have under concession and operate gas wells in Romania.

Transportation and Maintenance

STTM was established in October 2003, by taking over the means of transportation from Medias, Targu-Mures and Ploiesti branches.

The branch's scope of activity is the transportation of goods and people, the specific technological transportation, and the maintenance activity for the benefit of the company and of third parties.

Electricity Generation and Supply

CTE Iernut is an important junction point in the National Power Grid located in the centre of the country, in Mures County on the left bank of Mures River between towns Iernut and Cuci. Gas supply, industrial water and power discharge facilities are forthcoming.

CTE Iernut is operated under Romgaz Electricity Generation Branch (SPEE).

CTE Iernut has an installed capacity of 600 MW split into 4 energy groups: two 100 MW energy units of Czechoslovakian manufacturing and two 200 MW energy units of Soviet manufacturing. The groups were commissioned between 1963 and 1967. As of January 1, 2016, the energy units 2 and 3 were put into a dry storage condition.

Cojocna Project is an outcome of the pressing need of finding ways to experimentally produce from a series of wells resulted from exploratory drilling, in order to determine, as detailed as possible, the production potential of the respective area. The wells were located far from each other and also from the National Transmission System (NTS).

Thus, during 2009-2010 solutions were sought, feasibility and opportunity studies were prepared, and further to their approval it was decided to use the gas from wells 2 and 4 Cojocna as fuel gas for two 1.5 MW power generation units, bearing in mind that the connection to the National Energy System (NES) didn't raise any major issue.

This power generation pilot project using units that do not require special installations works is an alternate option for gas production and valorisation from isolated wells that would imply building kilometre long gathering pipes, thus, representing a not justifiable option due to the high costs and multiple impediments related to access on outside build-over areas belonging to legal or individual persons.

Commissioning the two electricity production units using the gas from wells 2 and 4 Cojocna was a technological success but unfortunately a short termed one, because of reduced gas flows that led to intermittent operation of wells and units.

Our specialists focused during year 2015 both on productivity stimulation from both wells (re-perforation of productive layers, addition of new pay zones) and on setting the best layout of gathering pipes where other isolated wells may deliver, ensuring thereby the necessary gas volumes for both units.

Further to approving a feasibility study, it has been decided to implement the scenario on building a pipeline network to collect gas from the neighbouring wells and transmission of gas to the two power generation units (in progress).

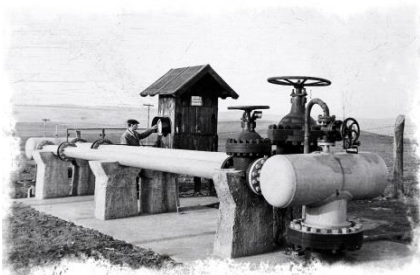
In 2016, the documentation prepared in accordance with Law No 50 as of June 29, 1991 regarding authorization of construction work performance was filed at the Cluj County Council, regarding the work: „*Pipelines and Technological Installations related to Putting wells 1 Palatca, 1 Vaida and 2 Vaida on Experimental Production*”.

Starting with the 4th Quarter of 2017, the electrical equipment is fuelled by the above mentioned wells.

Natural Gas Distribution

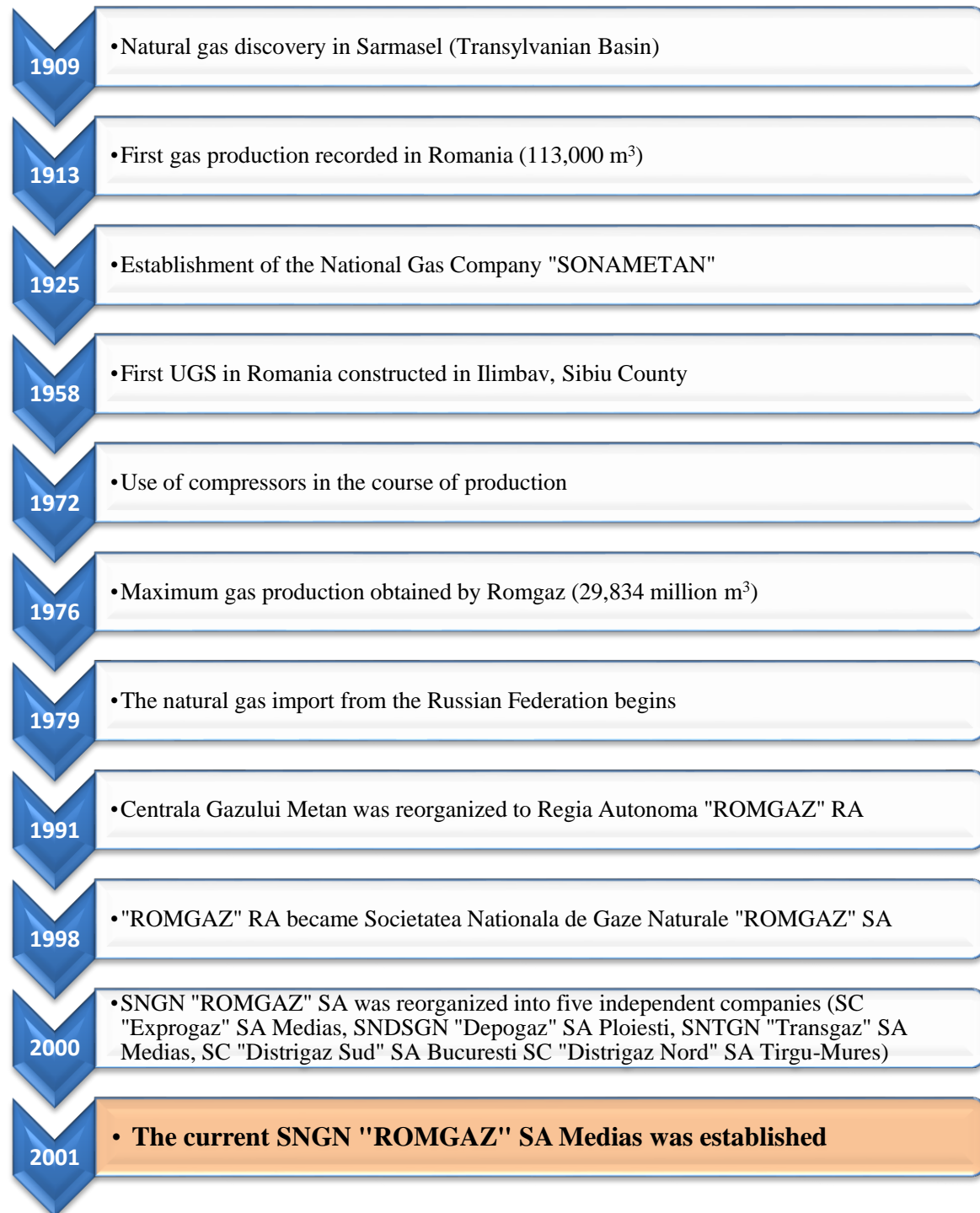
The natural gas distribution is a regulated business segment and the company's activity is currently limited to Ghercesti and Piscu Stejari areas. Romgaz has concession agreements with the Ministry of Economy for Ghercesti area and with Piscu Stejari Town Hall for Piscu Stejari distribution. The activity is carried out by Targu-Mures Branch.

3.2. Brief History



Societatea Nationala de Gaze Naturale “ROMGAZ” SA is Romania's most important natural gas producer and supplier. The company's experience in the field of gas exploration and production exceeds 100 years. Its history began in 1909 when the first natural gas commercial reservoir was discovered in the Transylvanian Basin upon the drilling of well Sarmasel-2.

The most important historic benchmarks are:



3.3. Mergers and Reorganizations, Acquisitions and Divestment of Assets

Unbundling of underground gas storage activity

In compliance with European and national applicable laws, Romgaz has to legally unbundle the gas storage activity from gas production and supply activities.

Further to adopting Directive 2009/73/EC of the European Parliament and Council on July 13, 2009 concerning common rules of the internal market in natural gas and repealing Directive 2003/55/EC, the Romanian Parliament adopted the Energy and Gas Law No 123/2012. This was published in the Official Gazette of Romania No 485 on July 16, 2012 and became effective on July 20, 2012.

According to the provisions of article 141, paragraph 1 of the Law (which transcribes article 15, paragraph 1 of the Directive) a storage operator under a vertically integrated economic operator must be independent from other activities not related to transmission, distribution and underground storage activities at least from legal, organizational and decision-making perspective.

Therefore, considering the above mentioned matters, it is compulsory to legally separate the gas storage activity from the gas production and supply activities performed by Romgaz by establishing a separate company to act as independent storage operator.

Both the Directive and the Law recommend as solution to set up an independent subsidiary that should act as storage operator, as follows:

- ❖ Article 15 paragraph 2 let. c) of the Directive provides that: *“the storage system operator shall have effective decision making rights, independent from the integrated natural gas undertaking, with respect to assets necessary to operate, maintain or develop the storage facilities. This shall not preclude the existence of appropriate coordination mechanisms to ensure the economic and management supervision rights of the parent company in respect of return on assets in a subsidiary are protected [...]”*
- ❖ Article 141 paragraph 3 let. c) of the Law also provides that: *“the storage system operator shall have effective decision making rights, independent from the parent company, with respect to assets necessary to operate, maintain or develop the storage facilities; this shall not preclude the existence of appropriate coordination mechanisms to ensure the economic and management supervision rights of the parent company in respect of return on assets owned by a subsidiary are protected”*.

For fulfilling the legal requirements set by the Directive and by Law, respectively, the following steps have been taken:

- ✎ a study has been prepared to identify the best version for performing the legal unbundling of the storage activity from the gas production and supply activity. The solution recommended by Ernst&Young was to create an independent subsidiary, owned 100% by Romgaz to perform gas storage activities;
- ✎ the Board of Directors, endorsed in Resolution No 22/30.10.2014 at article 10 the incorporation, registration an declaration to the Trade Office Register by Prahova Court the subsidiary *“SNGN Romgaz SA – Filiala de Inmagazinare Gaze Naturale “Depogaz” Ploiesti S.R.L.”*;
- ✎ the Extraordinary General Meeting of Shareholders approved by Resolution No 10/19.12.2014 (item II) to set up the subsidiary *“SNGN Romgaz SA – Filiala de Inmagazinare Gaze Naturale “Depogaz” Ploiesti S.R.L.”*;
- ✎ On March 17, 2015, the General Meeting of Shareholders approved the Article of Incorporation of the subsidiary;
- ✎ A consultancy agreement on *“Assistance in performing the legal unbundling of UGS activity in accordance with applicable law (Law No 123/2012 on Energy and natural gas and European Directive 2009/73/EC)”* has been concluded and the

Final Report prepared by the consultancy agency (K.P.M.G.) was submitted to the National Authority for Energy Regulation;

- ✘ The Company has submitted a request to the National Agency for Fiscal Administration for an advanced tax ruling (SFIA – Solutie Fiscala Individuala Anticipata);
- ✘ During the Board of Directors Meeting on August 13, 2015 the fixed assets lease Agreement to be concluded between SNGN Romgaz SA and subsidiary has been endorsed.
- ✘ The following agreements have been concluded between the company and subsidiary:
 - a) The Agreement No 9523 as of September 22, 2015 regarding the lease of fixed assets
 - b) The Agreement No 9525 as of September 22, 2015 regarding services related to gas compression and gas dehydration and services related to maintenance of the underground gas storage system;
- ✘ ANRM issued the Attestation Certificate No 1691 as of October 1st, 2015 certifying that the subsidiary meets the Attestation Procedure requirements and agreed that the subsidiary (operator) may perform the petroleum operations in the blocks where the UGS are located;
- ✘ By Resolution No 2588 as of December 30, 2015, ANRE amends the Licence No 1942/2014 on operation of UGS system by changing the owner from SNGN ROMGAZ SA Medias into SC SNGN ROMGAZ SA- Filiala de Inmagazinare Gaze Naturale “Depogaz” Ploiesti S.R.L, and shall be valid as of April 1st, 2016;
- ✘ the executive management will urgently initiate the procedure for selecting the subsidiary’s administrators. This procedure must comply with the independence criterion stipulated in Directive 2009/73/EC and implemented in Electricity and Natural Gas Law No 123/2012, as amended and supplemented, and will consult the competent institutions/authorities so that the new company obtains the endorsements/approvals necessary for performing the activities included in the main activity.
- ✘ By Decision No 446 as of March 23, 2016, ANRE postponed until April 1, 2017 the entering into force of the Decision No 2588 as of December 30, 2015 on modifying the License No 1942/2014 on operating the UGS system, in terms of changing the titleholder of such, namely from SNGN ROMGAZ S.A Medias to SC SNGN ROMGAZ S.A. - Filiala de Inmagazinare Subterana a Gazelor Naturale DEPOGAZ Ploiesti SRL;
- ✘ the National Agency for Fiscal Administration issued the final advanced tax ruling A-RFC 1527/September 05, 2016 as regards profit tax and applicable VAT, for the operations described by Romgaz, with the purpose of separating the UGS activity from the production activity and the supply activity.

- ✎ By Decision No 474 of March 30, 2017, ANRE postponed until April 1st, 2018 the entering into force of the Decision No 2588 of December 30, 2015 on modifying the License No 1942/2014 on operating the UGS system, in terms of changing the titleholder of such, namely from SNGN ROMGAZ S.A Mediaș to SC SNGN ROMGAZ S.A. - Filiala de Immagazinare Subterana a Gazelor Naturale DEPOGAZ Ploiesti SRL;
- ✎ By Resolution No 01/19.04.2017 of SNGN ROMGAZ S.A Mediaș, acting as the Sole Owner, the activity of SC SNGN ROMGAZ S.A. - Filiala de Immagazinare Subterană a Gazelor Naturale DEPOGAZ Ploiești SRL has been suspended until April 1st, 2018.

A series of *changes to the organizational structure* have been performed during 2017:

- By Decision No 59 of the Director General as of February 14, 2017 on modifying the organizational structure of SNGN ROMGAZ S.A., the GMS and BD Secretary Office was eliminated from the Corporate Governance Department and the GMS and BD Secretary Department was created under the direct subordination of the Director General.
- By Decision No 131 of the Director General as of July 6, 2017 on modifying the organizational structure of Ploiești branch the position of chief engineer was created.
- By Decisions of the Director General No 262/26.07.2017 – Romgaz Headquarters, No 264/26.07.2017 –Mediaș Branch, No 266/26.07.2017 –Târgu Mureș Branch, No 268/26.07.2017 –Ploiești Branch, No 270/26.07.2017 – SIRCROSS Mediaș, No 272/26.07.2017 – STTM Târgu Mureș, No 274/26.07.2017 – SPEE Iernut the legal requirements provided under the law on sectoral public acquisition have been implemented.
- By Decision No 306/05.09.2017 on modifying the organizational structure of SPEE Iernut the Investment Department was created, in charge to carry on the project on development and modernization of the thermal power plant under implementation;
- By Decision of the Director General No 371/30.10.2017 on modifying the organizational structure of Târgu Mureș Branch a new production workshop was established, namely Caragele Production Workshop in charge with the management and operation of Caragele gas field;
- By Resolution No 30/02.11.2017 of the Board of Directors on modifying the organizational structure of the company headquarters by turning the GMS and BD Secretary Department into Office.

No mergers of the company took place in financial year 2017.

3.4. Company Business performance

3.4.1. Company Overall Performance

The Company's revenues are generated mainly from gas production and delivery (own gas production and delivery, gas produced by joint ventures, import gas deliveries and gas deliveries from other domestic producers), from supply of underground gas storage services, from production and supply of electric energy and from other specific services.

Financial Results

* RON thousand *

Item No	Description	2016	2017	Ratio (2017/2016)
0	1	2	3	4=3/2x100
1	Total Income, out of which:	3,816,770	4,786,046	125.40%
	*operating income	3,794,123	4,762,914	125.53%
	*financial income	22,647	23,132	102.14%
2	Revenue	3,411,868	4,585,189	134.39%
3	Expenses, out of which:	2,536,075	2,604,855	102.71%
	*operating expenses	2,516,978	2,584,314	102.68%
	*financial expenses	19,097	20,541	107.56%
4	Gross Profit	1,280,695	2,181,191	170.31%
5	Income Tax	256,116	326,443	127.46%
6	Net Profit	1,024,579	1,854,748	181.03%

The Total Income was higher than the 2016 income by 25.4%.

Below are the compared economic-financial indicators for 2016 and 2017 and their detailed structure split by activity:

Compared economic-financial indicators

* RON thousand *

Description	2016	2017	Indices (2017/2016)
1	2	3	4=3/2x100
Revenue	3,411,868	4,585,189	34.39%
Cost of commodities sold	(49,878)	(61,095)	22.49%
Investment Income	22,117	22,349	1.05%
Other gains and losses	(468,218)	(120,335)	-74.3%
Changes in inventories	20,963	(186,651)	n/a
Raw materials and consumables	(54,632)	(64,329)	17.75%
Depreciation, amortization and impairment	(311,012)	(548,869)	76.48%
Employee benefit expense	(498,114)	(562,883)	13.00%
Finance cost	(18,275)	(18,624)	1.91%
Exploration Expenses	(253,348)	(137,083)	-45.89%
Other Expenses	(881,923)	(1,090,647)	23.67%
Other Income	361,147	364,169	0.84%

Profit before tax	1,280,695	2,181,191	70.31%
Income tax expense	(256,116)	(326,443)	27.46%
Profit for the year	1,024,579	1,854,748	81.03%

Structure of indicators split by activity-2016

* RON thousand *

Description	TOTAL 2016, including:	Gas production and deliveries	Underground Gas Storage	Electricity	Other activities	Settlement between segments
1	2	3	4	5	6	7
Revenue	3,411,868	2,857,683	358,568	399,042	239,230	(442,655)
Cost of commodities sold	(49,878)	(18,443)	(432)	(30,229)	(774)	-
Investment Income	22,117	844	3,949	40	17,284	-
Other gains and losses	(468,218)	(445,340)	(1,915)	(445)	(20,518)	-
Changes in inventories	20,963	2,765	13,522	233	4,443	-
Raw materials and consumables	(54,632)	(37,389)	(7,142)	(1,460)	(10,660)	2,019
Depreciation, amortization and impairment	(311,012)	(185,959)	(95,784)	(6,940)	(22,329)	-
Employee benefit expense	(498,114)	(313,449)	(47,163)	(30,028)	(107,474)	-
Finance cost	(18,275)	(16,674)	(1,601)	-	-	-
Exploration Expenses	(253,348)	(253,348)	-	-	-	-
Other Expenses	(881,923)	(915,298)	(91,057)	(256,113)	(61,076)	441,621
Other Income	361,147	356,420	2,223	122	3,367	(985)
Profit before tax	1,280,695	1,031,812	133,168	74,222	41,493	-
Income tax expense	(256,116)	-	-	-	(256,116)	-
Profit for the year	1,024,579	1,031,812	133,168	74,222	(214,623)	-

Structure of indicators split by activity-2017

* RON thousand *

Description	TOTAL 2017, including:	Gas production and deliveries	Underground gas storage	Electricity	Other activities	Settlement between segments
1	2	3	4	5	6	7
Revenue	4,585,189	3,760,366	566,246	545,317	264,544	(551,284)
Cost of commodities sold	(61,095)	(50,038)	(7)	(10,313)	(737)	-
Investment income	22,349	321	1,487	26	20,515	-
Other gains and losses	(120,335)	(82,564)	(3,271)	(1,672)	(32,828)	-
Changes in inventories	(186,651)	(117,084)	(72,025)	124	2,334	-
Raw materials and consumables	(64,329)	(46,681)	(9,695)	(1,167)	(10,369)	3,583
Depreciation, amortization and impairment	(548,869)	(420,252)	(103,818)	(6,560)	(18,239)	-
Employee benefit expense	(562,883)	(357,407)	(54,821)	(33,432)	(117,223)	-
Finance cost	(18,624)	(16,848)	(1,776)	-	-	-
Exploration expense	(137,083)	(137,083)	-	-	-	-
Other expenses	(1,090,647)	(1,108,629)	(75,003)	(389,388)	(66,063)	548,436
Other income	364,169	362,945	198	39	1,722	(735)
Profit before tax	2,181,191	1,787,046	247,515	102,974	43,656	-

Income tax expense	(326,443)	-	-	-	(326,443)	-
Profit for the year	1,854,748	1,787,046	247,515	102,974	(282,787)	-

Revenue

The table below compares the 2017 revenue with the 2016 revenue, for each activity (*RON thousand*):

Description	2016	2017	Ratios (2017/2016)
1	2	3	4=3/2x100
Revenue, including:	3,411,868	4,585,189	134.39%
↳ gas production and deliveries activity, including:	2,857,683	3,760,366	131.59%
* sale of own domestic gas – third parties	2,558,848	3,383,231	132.22%
* sale of own domestic gas-settlements between branches	136,481	155,403	113.86%
* sale of own domestic gas produced by joint ventures	108,323	128,831	118.93%
* sale of import gas	10,885	29,280	268.99%
* sale of domestic gas from acquisitions	9,332	22,020	235.96%
* distribution services	384	369	96.09%
* other revenues from production- third parties	33,430	41,232	123.34%
↳ underground gas storage activity-total, including:	358,568	566,246	157.92%
* third parties	346,141	505,815	146.13%
* settlements between branches	12,427	60,431	486.29%
↳ Electricity generation – total, including:	399,042	545,317	136.66%
* third parties	336,430	464,176	137.97%
* settlements between branches	62,612	81,141	129.59%
↳ Other activities – total, including:	239,230	264,544	110.58%
* third parties	8,095	10,235	126.44%
* settlements between branches	231,135	254,309	110.03%
↳ settlements between branches – total	(442,655)	(551,284)	124.54%

The table below shows the revenue weight in different business segments:

Description	2015		2016		2017	
	RON mil	% R	RON mil	% R	RON mil	% R
Gas production and delivery activity	3,511.4	86.64	2,857.7	83.76	3,760.4	82.01
UGS activity	332.6	8.21	358.6	10.51	566.2	12.35
Electricity generation and delivery activity	443.2	10.94	399.0	11.69	545.3	11.89
Other activities	254.7	6.28	239.2	7.01	264.5	5.77
Settlement between branches	-489.2	-12.07	-442.7	-12.98	-551.3	-12.02
TOTAL Revenue	4,052.7	100.00	3,411.9	100.00	4,585.2	100.00

Financial Income

The financial income is higher by 2.14% than the one recorded in the previous year. Financial income consists mainly of interests on bank deposits and of interest on state bonds.

Expenses

Description	Year 2016 (RON thousand)	Year 2017 (RON thousand)	Ratio (2017/2016)
1	2	3	4=3/2x100
Operating expenses	2,516,978	2,584,314	102.68%
Financial expenses	19,097	20,541	107.56%
Total expenses	2,536,075	2,604,855	102.71%

Financial Expenses

Financial expenses during 2017 are higher by 7.56% as compared to the previous year due to the negative differences of the exchange rate.

Chapter 7 shows more details on the different categories and a comparative assessment thereof.

Financial Results

Compared financial results are shown in the table below (RON thousand):

Description	2016	2017	Ratio (2017/2016)
1	2	3	4=3/2x100
Operating results	1,277,145	2,178,600	170.58%
Financial results	3,550	2,591	72.99%
Gross result	1,280,695	2,181,191	170.31%
Income tax	(256,116)	(326,443)	127.46%
Net Result	1,024,579	1,854,748	181.03%

Gross result during January – December 2017 in amount of **RON 2,181,191 thousand** is higher than the gross result of the similar period of 2016 by 70.31%.

The 2017 financial result is below the 2016 one, due to the higher increase in financial expenses than the increase in financial income.

Financial Performance of the company is also emphasized by the evolution of indicators presented in the table below:

Indicators	Calculation Formula	M.U.	2016	2017
1	2	3	4	5
Working capital (WC)	$C_{It}-A_f = E+L_{nc}+Pr+S_i-A_f$	RON mil	3,772	3,384
Working capital requirements (WCR)	$(A_{st}-L+P_p) - (L_{crt}-Cr_{st}+I_{df})$	RON mil	3,492	3,157
Net cash	$WC-WCR = L-Cr_{st}$	Ron thousand	281	227
Economic Rate of Return (ERR)	$P_g/C_{It} \times 100$	%	12.77	22.46
Return on Equity	$P_n/Ex \times 100$	%	10.59	19.92

Return on Sales	$P_g/R \times 100$	%	37.54	47.57
Return on Assets	$P_n/A \times 100$	%	9.33	17.09
EBIT	$P_g + Ex_i - I_r$	RON thousand	1,259	2,159
EBITDA	EBIT+Am	RON thousand	1,570	2,708
ROCE	$EBIT/C_{emp} \times 100$	%	12.55	22.23
Asset Solvency	$E/L \times 100$	%	88.15	85.80

where:

C_{lt}	long-term capital;	I_{df}	deferred income
A_f	non-current assets;	P_g	gross profit;
E	equity;	P_n	net profit;
L_{nc}	non-current liabilities;	R	revenue;
Pr	provisions;	A	total assets;
S_i	investment subsidies;	Ex_i	interest expense;
A_{st}	short term assets;	I_r	interest income
L	liquidity position;	Am	amortization and impairment;
Pp	Prepayments;	C_{emp}	capital employed (total assets–current liabilities);
L_{crt}	current liabilities;	A_{crt}	current assets
Cr_{st}	short-term credit;	L	total liabilities

3.4.2. Prices and Tariffs

The regulatory framework for natural gas **production**, transmission, **distribution, supply and storage**, organization and operation of the gas sector, market access as well as criteria and procedures for granting authorizations and/or licenses in the natural gas sector are set by Law No 123/2012, which provides in Chapter XII “*Prices and Tariffs*”, Article 179 for the following:

- ✎ activities in the regulated market comprise the following:
 - supply of natural gas to non-household customers at regulated price and under frame contracts until December 31, 2014. On January 1, 2015 regulated prices for non-household customers were eliminated.
 - supply of natural gas to household customers at regulated price and under frame contracts until June 30, 2021. To ensure non-discrimination between customer categories until the end of the regulated period, the household consumers and the thermal energy producers receive the same treatment in terms of security of supply and sale price of consumed gas, exclusively for the gas quantities used for producing thermal energy in cogeneration plants and thermal power plants intended for household consumption, irrespective of their option to be eligible or regulated customers ;
 - supply of last resort of natural gas;
 - natural gas transmission;
 - natural gas transmission through upstream supply pipelines, in accordance with the provisions of license validity conditions;
 - underground gas storage;

- natural gas storage in pipelines;
 - natural gas, bio-gas and bio-methane distribution;
 - related activities performed by licensed operators;
 - activities related to LNG terminal operation;
- ✗ prices and tariffs on the regulated market are set by ANRE, based on methodologies approved and published by the authority after informing and consulting all parties concerned;
- ✗ the calendar for gradual deregulation of prices for the final customers is set by the Government in compliance with the schedule of producer price progress proposed by ANRE and ANRM, taking into account possible adverse effects of price deregulation, in order to mitigate the consequences for customers;
- ✗ ANRE will annually monitor the results of the gradual price deregulation calendar and, as the case may be, submit to the Government the proposal to trade domestic gas production on the domestic market until fulfilment of the approved calendar, i.e. June 30, 2021.

Romgaz operates both on the regulated market, performing underground gas storage and distribution activities, and the free market, performing gas production and supply activities.

Underground Gas Storage (UGS)

The revenues from the underground storage business and the storage tariffs are regulated since April 1, 2004, by *ANRGN Decision No. 1078/2003*, abrogated by *ANRE Order No. 22 of May 25, 2012* on approval of the Methodology for approving prices and setting regulated tariffs in the gas sector, published in the Official Gazette of Romania No. 379 of June 6, 2012.

ANRE Order No. 26 of April 26, 2013 approved the regulated revenue for the first year of the third regulatory period (April 2012 – March 2013), the regulated revenue for the second year of the regulatory period (April 2013 – March 2014) and the regulated tariffs for the period April 2013 – March 2014.

ANRE Order No. 29 of April 9, 2014 approved the regulated revenue for the third year of the regulatory period (April 2014 – March 2015) and the regulated tariffs for the period April 2014 – March 2015.

ANRE Order No. 58 of March 27, 2015 approved the regulated revenue for the fourth year of the regulatory period (April 2015 – March 2016) and the regulated tariffs for the period April 2015 – March 2016.

Order No.9 of March 23, 2016 extended the application of *Order No. 58/2015 "until the end of the underground natural gas storage cycle 2016 - 2017"* and *Order No. 19/2017 "until the end of the underground natural gas storage cycle 2017 – 2018"*.

Therefore, the storage tariffs applied between January 2014 – December 2017 are as follows:

1) Tariffs approved by Order No. 26/2013 are as follows:

<i>Tariff Component</i>	<i>M.U.</i>	<i>Value</i>
Volumetric component for gas injection	RON/MWh	2.37
Fixed component for capacity reservation	RON/MWh/full storage cycle	13.12
Volumetric component for gas withdrawal	RON/MWh	1.80

2) Tariffs approved by Order 29/2014 are as follows:

<i>Tariff Component</i>	<i>M.U.</i>	<i>Value</i>
Volumetric component for gas injection	RON/MWh	2.53
Fixed component for capacity reservation	RON/MWh/full storage cycle	13.14
Volumetric component for gas withdrawal	RON/MWh	1.80

3) Tariffs approved by Order 58/2015, extended by Order No. 9/2016, respectively Order No. 19/2017, applicable until March 2018:

<i>Tariff Component</i>	<i>M.U.</i>	<i>Value</i>
Volumetric component for gas injection	RON/MWh	2.37
Fixed component for capacity reservation	RON/MWh/full storage cycle	13.68
Volumetric component for gas withdrawal	RON/MWh	1.87

Natural Gas Supply

The final gas price for the customer is the sum of the weighted average gas acquisition price, the tariffs of transmission, storage and distribution, and the trading component, according to the following formula:

$$\text{Final price} = \text{Weighted average price of gas acquisition} + \text{Transmission tariff} + \text{Storage tariff} + \text{Distribution tariff} + \text{Trading component}$$

The distribution tariffs depend on the distribution area and on the distribution system operator. Regulated prices and tariffs are calculated by the “revenue-cap” method for underground storage and gas transmission and by the “price-cap” method for regulated distribution and supply.

According to the provisions of Article 181, paragraph (5) of Law No. 123/2012, the domestic gas acquisition price on the regulated market is set by Government Decision, at the proposal of the competent ministry, and is updated by ANRE and ANRM, in accordance with the provisions of the Calendar for gradual deregulation of prices for the final customers.

The Romanian authorities agreed with the international financial bodies a calendar for gradual deregulation of prices until December 31, 2014 for the final non-household customers (except when on such date there is a significant difference between the trading price of domestic production and the European import price that may jeopardize the market stability, then the term would be extended until December 31, 2015); for household customers the term of

completion of the above mentioned process is December 31, 2018. The Romanian Government signed with IMF, the World Bank and the European Commission a "Memorandum on the Calendar for Gradual Deregulation of Gas Prices". This calendar for price increase until the end of 2014 was approved by *Government Decision No.22 of January 22, 2013 on setting the acquisition price of gas from domestic production on the regulated gas market*.

At the same time, according to Article 124, paragraph (1), letter e) of Law 123/2012, the gas producer has to make available gas quantities from their own production to suppliers, with precedence, to cover the regulated market, in accordance with the ANRE regulations on compliance with the price deregulation calendar, and to secure gas supply to the captive consumers, while suppliers have to keep the destination of such gas quantities. The remaining domestic production, less the gas quantity necessary for technological consumption, shall be made available to the competitive market.

Domestic gas production allocated to final customers on the regulated market comprises current gas production and a part of stored gas.

The table below shows the gas supply average prices in the period 2015-2017:

Description	M.U.	2015	2016	2017
1	2	3	4	5
Average supply price for internal gas production ⁴	RON/1000 m ³	717.80	698.30	695.74
	RON/MWh	68.27	66.36	66.33
Average price for import gas	RON/1000 m ³	1,928.72	1,597.47	898.27
	RON/MWh	184.06	105.74	83.81

Natural Gas Distribution

Distribution tariffs and final regulated prices valid during the period analysed have been approved by ANRE Orders, as follows:

- ↳ ANRE Order No.120/2014 on setting regulated tariffs for gas distribution services and approval of prices for regulated gas supply performed by Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (for the period December 1, 2014 – June 30, 2015);
- ↳ ANRE Order No. 57/2015 on modification of ANRE Order no. 120/2014 on setting regulated tariffs for gas distribution services and approval of prices for regulated gas supply performed by Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias, (as of July 1, 2015);
- ↳ ANRE Order No. 58/2016 on setting regulated tariffs for gas distribution service and approval of prices for regulated gas supply performed by Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of October 1, 2016).
- ↳ ANRE Order No. 89/2017 on setting the regulated tariffs for gas distribution services and approval of prices for regulated gas supply performed by Societatea Națională de Gaze Naturale "ROMGAZ" - S.A. Medias (as of October 1, 2017).

The applied tariffs and prices are presented in the table below:

Description	December 1, 2014 – June 30, 2015	July 1, 2015- September 30, 2016	October 1, 2016- September 30, 2017	October 1, 2017- present

⁴ Including gas commodity and gas from association with Schlumberger and without storage services costs

Distribution tariffs (RON/MWh):

*B1 consumption up to 23.25 MWh	44.01	44.01	52.48	52.70
*B1 annual consumption between 23.26 and 116.28 MWh	40.06	40.06	47.71	47.91
*B1 annual consumption between 116.29 and 1,116.78 MWh		44.01	46.81	47.01
*B1 annual consumption between 1,116.79 and 11,627.78 MWh		40.06	45.77	46.21
Final regulated prices (RON/MWh):				
*B1 consumption up to 23.25 MWh	120.67	117.75	123.27	119.10
*B1 annual consumption between 23.26 and 116.28 MWh	116.03	113.13	118.49	114.31

3.4.3. Human Resources

On December 31, 2017 the company had **6,198 employees**.

The evolution of the company's number of employees between January 1, 2015 – December 31, 2017 is shown in the table below:

Description	2015	2016	2017
1	2	3	4
Employees at the beginning of the year	6,344	6,356	6,246
Newly hired employees	159	168	233
Employees who terminated their labour relationship with the company	147	278	281
Employees at the end of the year	6,356	6,246	6,198

The structure of employees at the end of 2017 was the following:

a) by level of education

- University 23.81 %
- Secondary education 27.35 %
- Foreman education 3.45 %
- Vocational school 33.77 %
- Middle school 11.62 %

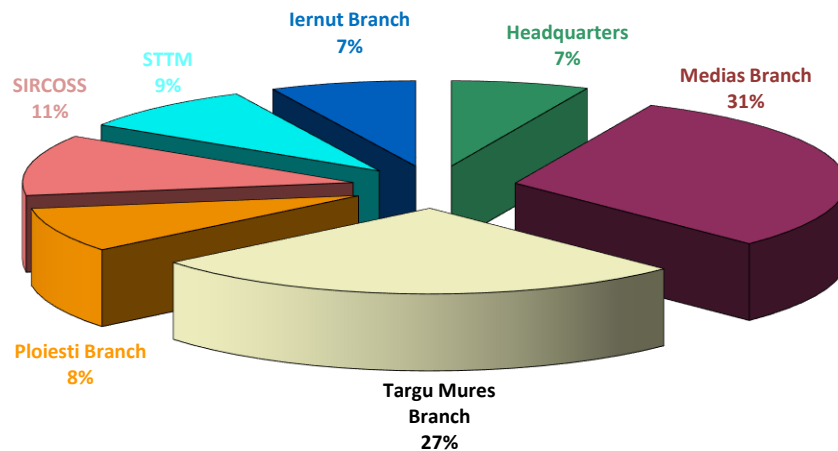
b) by age

- under 30 years 4.23 %
- 30-40 years 15.38 %
- 40-50 years 37.92 %
- 50-60 years 33.70 %
- over 60 years 8.78 %

c) by activities

- gas production 62.86 %
- production tests/well special operations 11.52 %
- health 1.24 %
- transportation 8.79 %
- gas storage 8.47 %
- electricity production 7.12 %.

Distribution of Romgaz employees by headquarters and by branches is shown in the figure below:



The structure of the company's employees from the headquarters and from branches is shown in the table below:

Entity	Workers	Foremen	Admin Employees	Total
1	2	3	4	5
Headquarters	31		387	418
Medias Branch	1,479	88	340	1,907
Targu-Mures Branch	1,319	52	277	1,648
Ploiesti Branch	336	32	157	525
SIRCROSS	512	52	150	714
STTM	418	18	109	545
Iernut Branch	293	41	107	441
TOTAL	4,388	283	1,527	6,198

The main areas of *training* during 2017 were the increase of competitiveness and professional performance by improving the professional training.

Thus, the following were taken into account:

- training of administrative employees in various areas of activity, in cooperation with training suppliers from the country and abroad;
- authorization/re-authorization, according to specialization and work;
- skills improvement and vocational training of workers through internal training courses.

A number of 2024 employees were trained during 2017 and the costs of such professional training and skills improvement training courses were of RON 1,357,409.

The annual training program was implemented as follows:

- 782 persons participated in professional training programs with professional subjects applicable to their activity;
- 807 persons participated in training courses to obtain authorization/re-authorization in accordance with their specialization and work place;
- 373 persons participated in internal training courses;
- 62 persons participated in qualification courses at work place.

During 2017, the professional training activity focused mainly on sustaining the increase of adaptability to new economy requirements based on knowledge, in order to ensure and update the required competencies for employees working in the technical, economic and research-development field, such as:

- ✍ For the purpose of a more efficient use of the seismic data, which is important to elaborate production rehabilitation projects and resources and reserves evaluation studies , a training program was carried out for 14 geologists;
- ✍ Certification of technical competencies for oil and gas drilling for 3 persons, experts and professionals, who attended IWCF certification courses at U.P.G. Ploiesti;
- ✍ Implementation of the International Financial Reporting Standards required training and skills improvement of employees in the economic and financial field. Therefore, 31 employees participates in such training courses in 2017;
- ✍ To comply with the legislation in force and to offer the employees practical information related to applicable legislation in this field, 16 employees participated in a course with the theme “*VAT Split Payment approached from a practical perspective*”;
- ✍ Romgaz is involved in 2 projects with a grant from the European Union, as follows: development of underground gas storage and research and development of a new compatible software frame 5G, specially adapted to the energy field. Thus, to increase the chance of success in obtaining the funds, 19 employees participated in training courses according to Romgaz requirements, to elaborate the application “project management and financial reporting”;
- ✍ To implement “*the Development Project of CTE Iernut by the construction of a new combined cycle power plant with gas turbines*”, the implementation team of this project, namely 18 employees, participated in a course in the field of “energy projects management”;
- ✍ The major legislation changes in the field of sectorial procurement required a training course for the employees that coordinate the sectorial procurement activity of the company. Thus, 21 employees participated in a course that included mainly a practical component in order to practice the direct use of SEAP competencies;
- ✍ For the employees with no economy studies, but who by their activity have responsibilities which imply a minimum level of knowledge in the economic field, a program was carried out presenting the basic principles and the current terms used in the financial reporting;
- ✍ For the purpose of developing, reorganization and consolidation of the company, 8 persons with top management positions participated in a program carried out in 4 course modules, thus acquiring the necessary professional instruments and methods to control the objectives, activities and actions of the subordinated employees;
- ✍ In the field of human resources, the heads of the human resources offices, but also employees within these offices, participated in distinct training programs to develop the

competencies in the human resources administration, the performance management, the human resources analysis, the personnel recruiting and selection;

- ✎ To comply with the legislation in the field of occupational safety and health and to obtain the necessary information to exercise the position as a member in the OSHC, a training program was carried out where the members of the occupational safety and health committees participated in;
- ✎ As a consequence of the legislative changes on the waste regime and the several obligations which Romgaz must comply with, 37 employees participated in a training program in the field of waste management, including hazardous waste.

Within Romgaz there are two **trade unions**, as follows:

- “*Sindicatul Liber din cadrul S.N.G.N. Romgaz S.A.*”, consisting of 6158 members;
- “*Sindicatul Extracție Gaze și Servicii*”, consisting of 16 members.

Thus, the total number of union members is 6174 as compared to 6198 representing the total number of employees. The union members/total number of employees ratio is 99.61%.

Relationship between manager and employees: following negotiations, the parties have agreed to conclude a Collective Labour Agreement, valid for 2017 and 2018.

During 2017, **there were three conflicts between the management and the trade union**, out of which two were in progress on December 31, 2017 (see Annex 2 – Litigations: Items 70 and 84) and one was completed during 2017.

3.4.4. Environmental Aspects

In 2017, the environment protection activity continued to focus on compliance of Romgaz activities with the applicable legal requirements on environment protection. Another aim was meeting specific objectives related to:

- ↳ Increase of awareness regarding compliance with legal requirements;
- ↳ Pursuing the accomplishment of all reports imposed by the environment legislation in force, by centralizing the information required and reported by Romgaz Branches and submitted to public authorities;
- ↳ Rendering efficiency to environment protection, a support for Romgaz management process.

The environment protection activities during 2017 focused on:

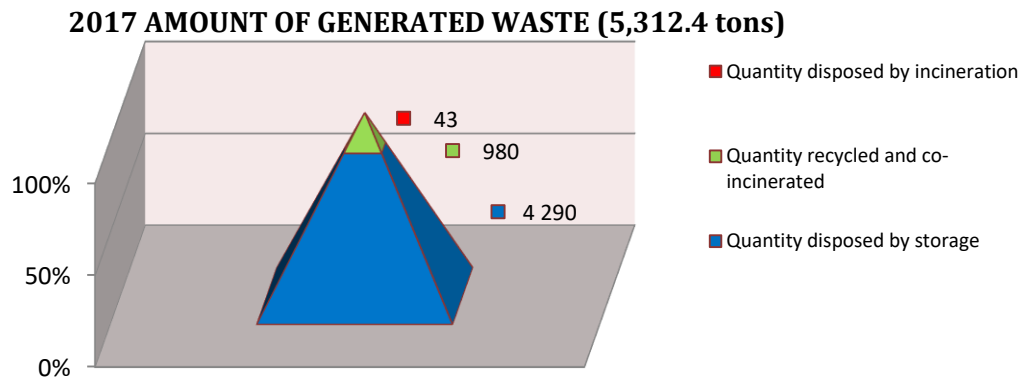
- Fulfilling the requirements deriving from the ISO: 14001 and ISO: 9001 standards;
- Complying with permitting requirements:
 - Complying with legal requirements relating to environment permits for all 141 units. In this respect, the conformity degree is 100%. Thus, for four units the company has required and obtained the review of the permits, for one unit reauthorisation was requested and obtained, and one new unit was given permit, that is “Gas compression and dehydration installation afferent to Sarmasel underground gas storage”. Considering that for one unit the regulation document set a conformity plan – measures to reduce the current and future effects of the activity, the company pursued to accomplishment the completion of a well with safety equipment (packer and TRSV safety valve). The completion date of the

investment was December 31, 2017, self-financed, the conformity inspection was carried out by the Environmental Guard – Mures County Commissioner's Office and by Mures Environmental Protection Agency;

- Complying with legal requirements regarding waste water management permits, for:
 - ✓ 83 units, for which the conformity degree is 100% - to be noted that for 11 units re-authorization permits are in process of being obtaining, for 24 units the re-authorization permits were obtained, and for 1 unit a new authorisation permit was obtained, that is "Reinforced concrete bridge over Moldova River, in Frasin, Suceava County";
 - ✓ 39 units related to reservoir water systems/injection wells, out of which 2 are in process of obtaining the re-authorization, 10 units were reauthorized, and for 1 new unit the authorization documentation was submitted, that is for "Well 283 Roman for reservoir water injection, Roman Section, Neamt County".

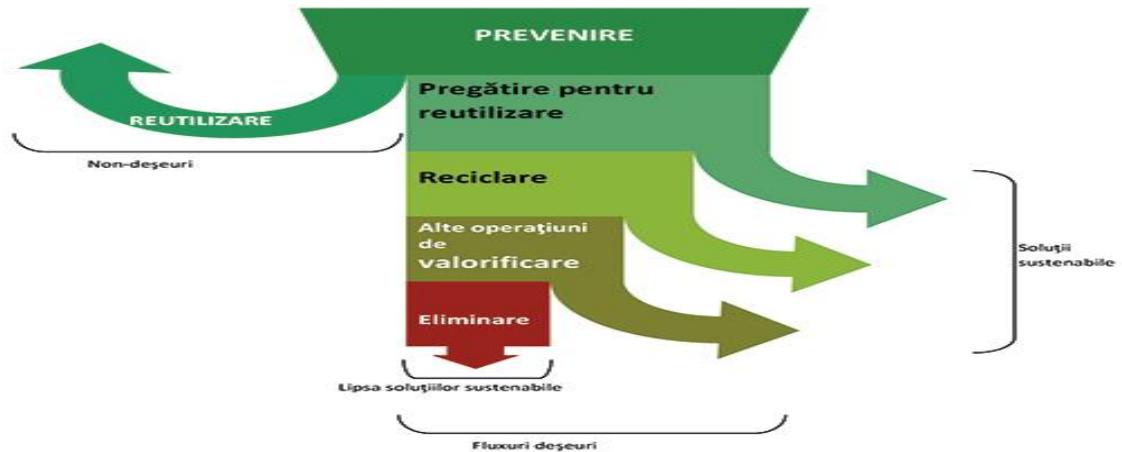
A company-wide application has been developed to monitor environment permits, and to permanently analyse and continuously supervise compliance with legal requirements in the field of environment protection;

- Disposal of waste generated from own activity, according to the legal requirements in force. In 2017, the company's activity generated 5,312.422 tons of waste, out of which 979.574 tons were recycled and co-incinerated (975.207 tons were recycled and 4.367 tons were co-incinerated), 42.623 tons of waste were disposed by incineration and 4,290.225 tons of waste were disposed by storage.



In 2017, the "Program for Prevention and Reduction of Waste Generated by S.N.G.N. Romagaz S.A." pursued the accomplishment of the measures thereunder. This program approaches the measures and methods of prevention and reduction of waste quantities resulting from the company's activity, in accordance with the applicable regulations and a preferential hierarchy of waste management. The Program aims at identifying the objectives, targets and policy actions the company is required to comply with in its waste management activity in order to fulfil the company's strategic objectives.

Romgaz Waste Flow



Measures and methods were identified in the assessments on waste quantity reduction and in the references of the internal audit relating to waste. The priority of waste management relates to reduction of waste at source, recycling, valorisation, treatment and last, but not least, disposal by incineration or storage. This Program was drafted in accordance with the Romgaz Integrated Management Policy Statement and was endorsed by the National Agency for Environment Protection.

Also, in this case, Romgaz developed an application for waste management control, whereby a permanent analysis and a continuous supervision of compliance with legal requirements (waste management in accordance with legal requirements, tracking of waste management performed by authorized contractors etc.);

- Monitoring the compliance with legal requirements on environment protection, by monitoring ways to clarify the exceeding of limits permitted by regulations in force. For the entire company, permanent analysis and continuous supervision are carried out in connection with the physical-chemical, bacteriological and biological indicators of emitted pollutants, the frequency and ways of using results. In 2017, Romgaz exceeded the legally allowed limits, with the effluents discharged into surface water bodies or sewage networks; penalties were paid in this respect to the National Agency “Apele Romane” or to the sewer operators, thus:
 - Exceeding the limit values of the CCOCr indicator, in the technological purified water, coming from Roman car wash. Subsequently, cleaning operations of the oil products separator were performed and the results of the analysis of water sample taken subsequently were complying with the indicators provided by NTPA 002;
 - Exceeding the maximum admitted concentration of impurities in the waste water, coming from Bazna Spa Resort; penalties were paid in this respect to the Water Basin Administration - Mures;
 - Exceeding the regulated water volume, at Roman Natural Gas Production Section; penalties were paid in this respect to the Water Basin Administration - Siret-Bacau;
- Monitoring the settlement of environment notifications and complaints against Romgaz. In 2017, one external environment complaint was recorded, as follows:
 - Notification regarding oil and water leaks, near the water settler – hydrocarbons separator pre-cleaning the effluents coming from SC Mures platform. Following the field inspections, it was decided that the rain pouring down and affecting the Corunca commune around lunch time on July 13, 2017,

generated water and mud discharges in the inspection chambers of Boema Complex (located in the neighbourhood) as well as water and oil discharges from the hydrocarbons separator pre-cleaning the effluents coming from SC Mures platform, within the surrounded limits (for a small area). SC AQUASERV, Targu Mures (the owner of the sewage network) was notified regarding this incident, and it was shortly remedied in the end. At the same time, in order to limit the effects of oil discharges from the separator, absorber was used;

- After extending the scope of business by taking over Iernut thermoelectric power plant, the aim was complying with the legal requirements applicable in this field of activity, in 2017 being monitored a total of 1,024,682 tons of CO₂ for burners IMA 1, 4, 5. In Annex 3 “The National Investment Plan” of the Government Decision No.1096/2013 for the approval of provisional free allocation of greenhouse certificates to electricity producers during 2013-2020, Romgaz is included at line 22 with the “Combined Cycle Gas Turbine” investment (according to Government Decision No.151/2015 for the amendment of Government Decision No.1096/2013 for the approval of provisional free allocation of greenhouse certificates to electricity producers during 2013-2020, the National Investment Plan included). According to Annex 1 of the same Government Decision, Romgaz, as operator, received for CTE Iernut for 2017, a number of 412,322 greenhouse certificates (EUA). In 2017, Romgaz acquired a total number of 412,322 greenhouse certificates. As of December 31, 2017, Romgaz held in the account of the Sole Register of Greenhouse Gas Emissions a number of 418,903 CO₂ certificates, as follows:

- 412,322 greenhouse certificates (EUA), for 2017, acquired in December 2017;
- 549,763 greenhouse certificates (EUA), for 2016, acquired in December 2016;
- 140,000 greenhouse certificates acquired from the Stock Exchange, for 2016 conformity;
- 895,835 greenhouse certificates (validated) were submitted in the Sole Register of Greenhouse Gas Emissions for 2016 conformity;
- 984,053 certificates were used for conformity of 2015 emissions;
- 687,204 certificates acquired in September 2015, namely the first 2015 tranche (50%) and in November 2015, namely the second 2015 tranche (50%);
- 824,645 certificates for 2014 were used for partial conformity of 2014 emissions, such as 828,793 tons of CO₂;
- Of the total of 962,085 certificates acquired for 2013, 507,620 were submitted for conformity of 2013 emissions. Therefore, Romgaz used out of the 454,465 remaining certificates – 4,148 for 2014 conformity, and was left with 450,317 certificates;
- 7,587 certificates submitted to the Register by Electrocentrale Bucuresti for conformity with the January 2013 emissions. Romgaz monitored conformity after acquiring CET Iernut, respectively in February 2013;

Starting with 2016, Romgaz - CTE Iernut lacks CO₂ certificates necessary for emissions conformity, thus:

- In 2016, the electric power plant released 895,835 tons of CO₂, the account of the Sole Register of Greenhouse Gas Emissions on December 31, 2016 being 762,416 CO₂ certificates. Thus, a shortage of 133,419 CO₂ certificates is registered, necessary for conformity of 2016, which were acquired during Q1 2017 and no later than April 30, 2017 (the legal term for conformity of 2016 emissions), from the Stock Exchange, by means of a brokerage firm.

- In 2017, the electric power plant released 1,024,682 tons of CO₂, the account of the Sole Register of Greenhouse Gas Emissions on December 31, 2017, being 418,903 CO₂ certificates. Thus, a shortage of 605,779 CO₂ certificates is registered, necessary for conformity of 2017, which are to be acquired during Q1 2018 and no later than April 30, 2018 (the legal term for conformity of 2017 emissions) from the Stock Exchange, by means of a brokerage firm.

According to Commission Regulation (EU) No.1123/2013 of November 8, 2013 on determining international credit entitlements pursuant to Directive 2003/87/EC of the European Parliament and the Council, the Protocol to the United Nations Framework Convention on Climate Change (the Kyoto Protocol) establishes two mechanisms for the creation of international credits that Parties may use to offset emissions. Joint Implementation (JI) provides for the creation of emission reduction units (ERDs), whereas the Clean Development Mechanism (CDM) provides for the creation of certified emission reductions (CRs). The industries that fall under the European emissions trading system to atmosphere (EU ETS) may use these credits to compensate their obligations as regards the greenhouse gas emissions.

In this respect, Romgaz acquired as availability of linking (availability of EUA – ERU certificates correlation) a number of 51,598 ERU certificates available to be used for conformity for 2013 – 2020.

According to Decision No.1096 of December 17, 2013 for the approval of provisional free allocation of greenhouse certificates to electricity producers during 2013-2020, as operator, Romgaz received CO₂ certificates, as follows:

Operator	Instalation	Annual allocation (tCO ₂ /year)							
		2013	2014	2015	2016	2017	2018	2019	2020
SNGN Romgaz SA	SNGN Romgaz SA - CTE Iernut	962,085	824,645	687,204	549,763	412,322	274,882	137,441	-

- based on the recommendations made by the Due Diligence Study, performed with the aim of establishing the conformity level of the company to the environmental legislation in force, identification of past and present environmental issues, as well as future environmental risks the company may face, a Report on Significant Environment Issues Remediation was prepared whereby costs, solutions and implementation terms for remedy measures were assumed. In 2017, Romgaz monitored the implementation of permanent measures and of multiannual implementation terms measures contained in the Remediation Report (maintaining the perchloroethylene consumption below 1 ton/year for each location so that the provisions of Government Decision no. 699/2003 on setting measures to reduce emissions of volatile organic compounds due to use of organic solvents for specific activities and installations; requesting the renewal of environment permits with 45 days prior to the expiration; locating industrial objectives at sufficient distance from the protected receptors; reducing fugitive emissions in the area of calibration tanks, of metal tanks and of concrete tanks for temporary storage of reservoir water by equipping the tanks with ecological dispersion systems; periodic payment to the “Closing Fund” until the set value of provision is met for the specific waste storage at Ogra; annual monitoring frequency for Dumbravioara drilling waste storage closed in 2003, etc.);
- scheduling and organizing the environmental internal inspection, in order to verify the conformity with legal requirements applicable to inspected activities.

In 2017, 50 environmental internal inspections were scheduled and performed (from Romgaz headquarters on authorized units of the branches), further to which 3 Reports of Determined Nonconformity were made, out of which 2 were closed within assumed time

limit, 1 open (within assumed time limit). Also, Romgaz branches scheduled and performed 129 environmental internal inspections further to which 3 Reports of Determined Nonconformity were made, which were closed within the time limit;

- assessment of conformity level to environmental protection requirements and contractual requirements of contractors and sub-contractors of drilling works contracted by Romgaz in 2017;
- implementation of the 2017 action/measure programs for prevention and/or minimization impact on the environment, that were implemented as follows:
 - landslide fighting;
 - modernization of reservoir water storage tanks;
 - installing waste water collection tanks;
 - transforming abandoned wells into reservoir water injection wells;
 - installing concrete mud tanks;
 - construction of wells monitoring the injection wells;
 - installing waste water discharge installations;
 - installing glass fiber tanks;
 - making payments for environment protection and permitting;
 - environment protection works required for well modernization;
 - environment protection works for access roads and well sites construction;
 - electricity supply works;
 - well recompletion works;
 - installing non-polluting discharge systems;
 - environment protection works for new wells drilling;
 - maintenance and repair works at waste water treatment plants;
 - expenses in connection with transportation, takeover and disposal of hazardous and non-hazardous waste;
 - expenses in connection with laboratory analyses;
 - CO₂ validation report fee;
 - Expenditures arising from monitoring the ichthyofauna of Mures River;
 - Expenditures with brokerage services;
 - Equivalent value of CO₂ certificates.

In 2017, the Environmental Guard and the Water Basin Administrations made 64 inspections at Romgaz locations. Following such inspections, ***Romgaz was not sanctioned/fined.***

In 2017, ***Romgaz did not record any environmental accident.***

3.4.5. Occupational Safety and Health

During 2017, the competent state institutions, namely the Territorial Labour Inspectorates, made 8 inspections and the Public Health District Authorities made 2 inspections. No deficiencies were noted.

Individual protection equipment was acquired, based on the framework agreements and subsequent contracts, for all the employees of the company.

Also, a number of 4,040 influenza vaccine doses were acquired, in accordance with the demand of the branches/headquarters.

According to the Collective Labour Contract, voluntary health insurance services were acquired, of supplementary type, for all the employees.

3.4.6. Litigation

The summarized breakdown of litigations is the following:

- ☞ 150 litigations, out of which:
 - ✎ 83 cases where Romgaz is complainant;
 - ✎ 30 cases where Romgaz is defendant;
 - ✎ 15 cases where Romgaz is plaintiff claiming damages/injured party;
- ☞ The (approximately) total value of the files where Romgaz is plaintiff is RON 2,032,928,217.97;
- ☞ The (approximately) total value of the files where Romgaz is defendant is RON 9,033,831.51 and EUR 60,000.

The detailed list of litigations is shown in Annex 2 of this Report.

IV. TANGIBLE ASSETS

4.1. Main Production Facilities

The occurrence and thereafter the development and gradual diversification of what was truly going to be the Romanian natural gas infrastructure has an important benchmark, *year 1909*, when the first gas reservoir was discovered by drilling well 2 Sarmasel (Mures county).

During the immediately following years, a gas infrastructure unique in Europe for those times started to outline at a reduced scale, consisting of the following assets:

- gas transmission pipeline, the first of this kind in Europe, build in 1914, connecting towns Sarmasel and Turda (Cluj county) and
- gas compressor station from Sarmasel; build in 1927- the first one in Europe.

It is notable that the country's large gas structures were discovered after 1960 and in parallel, a complex infrastructure started to be developed at national scale dedicated exclusively to the gas extraction process and later to the injection and underground storage process. These large gas structures located in the Transylvanian basin supply even today considerable gas quantities.

Exploration - Production

The infrastructure related to field production and to gas storage in depleted fields turned into underground storages, looks today as a particularly complex system.

As a whole, the infrastructure of the company developed continuously before and after 1989. The development of the production capacities reached the peak during 1970–1980 when the annual production was extremely high, both due to the consumption demand and to the considerable reservoir energy of most of the discovered gas fields.

Part of the company's production infrastructure (assets) resulted from the nationalisation of June 1948.

Currently, no natural or legal person, from the country or from abroad, claimed any asset of Romgaz.

Although operational, most of the production facilities are several decades old, therefore, a rehabilitation and modernisation process started a few years ago consisting of installing, replacing or upgrading gas delivery/take over fiscal panels, gas dehydration stations, gas compressor stations.

The production facilities relating to the company's infrastructure are:

1. Gas wells (currently producing wells, temporarily suspended wells waiting for reactivation or recompletion operations, wells for reservoir water injection);
2. Pipelines (gathering pipelines connecting the well clusters, waste water pipelines, industrial water pipelines);
3. Gas heaters (radiators);
4. Gas separators (underground separators, surface separators);
5. Flow metering panels (technological flow metering panels for almost every gas field, fiscal or commercial flow metering panel located at the interface with the NTS);
6. Gas dehydration stations (conditioning);
7. Gas compression units:
 - low capacity portable compressors installed at the well head or at the cluster,

- booster compressors for one or more fields,
 - compressor stations, usually consisting of two or more units, intermediate or final compressor stations (outlet to the NTS);
8. Industrial or reservoir water pumping stations;
9. Other facilities (buildings, workshops, electric lines, well access roads etc.).

Production facilities are used at their maximum capacity (close to 100%).

Currently, 154 gas fields are producing out of which 147 are well defined blocks and the rest of 7 are blocks with experimental production.

Production from these fields is made by approximately 3240 wells and by almost the same number of technological surface facilities consisting of flowlines, heaters (where the case may be) liquid separators and gas flow metering panels.

From the total number of wells, 26% of the wells produce at depths over 2,000 m. Pressure and flow limits of production wells are operated by 127 compressor units, of which 93 units are grouped in 20 compressor stations, and 17 units are the so-called booster compressors, located near well clusters.

One technical demand required by applicable laws is the quality of gas which is fulfilled in proportion of 100% by means of 74 gas dehydration stations.

The other component of the company's infrastructure, namely the information – technical system consists of all information equipment and programs (software) used to monitor the parameters related to gas research, production and storage activities. These complex information programs consist of a series of modules that process the data received further to seismic surveys of the earth crust, collects information resulting from gas wells researches, information related to production history and other technical input data for performing cash flow analyses etc.

Processing and interpretation of these input data leads to preparing extensive technic and economic specifications called *geological studies*. These studies also analyse and substantiate the investments planned for the field in question. The investments together with other production stimulation works become mandatory once the geological study is approved by the ANRM.

Underground storage

Bilciurești Storage

Characteristics:

- ↳ Location: Dâmbovița County, approximately 40 km V-NV from Bucharest;
- ↳ Commissioned in 1983;
- ↳ Capacity:
 - Working capacity: 1,310 million m³;
 - Delivery capacity: 17 million m³/day;
- ↳ Main fixed assets: 61 wells, out of which 57 injection/extraction wells, 3 piezometric wells, 1 waste water injection well, 26 km of gathering pipelines for 57 injection/extraction wells, 50 gas heaters, 24 separators, 14 gas metering facilities, 7 gas dehydration stations, 33 km gathering pipeline, 3 reservoir monitoring parameters systems, bi-dimensional fiscal metering system equipped with ultrasonic meter, two-stage

compression station (Butimanu) composed of three compression modules and waste water injection station.

Currently, design works for UGS upgrading were contracted with the scope of ensuring the quality of the supplied gas quantities through the NTS as well as to increase the withdrawal capacity to a maximum of 20 million m³/day.

Sărmășel Storage

Characteristics:

- ↪ Location: near Sarmasel, approximately 35 km NW from Tirgu-Mures, 35 km north from Ludus and 48 km east from Cluj-Napoca.;
- ↪ Commissioned in 1996;
- ↪ Capacity:
 - Working capacity: 900 million m³;
 - Delivery capacity: 9.0 million m³/day ;
- ↪ Main fixed assets: 63 wells, 26 km gathering pipeline for 63 wells, 77 separators, 9 km collector, 1 reservoir monitoring parameters system, bi-directional fiscal metering system equipped with ultrasonic meters, compressor station (Sarmasel)

In 2016, following investments were commissioned in order to increase the working capacity of the storage up to 900 million m³/cycle:

- A new gas compressor station equipped with 4 compressor units ;
- 3 gas dehydration stations;
- Upgrading and flexibility of the fiscal metering system;
- 4 injection/extraction wells, including related technological installations;
- 5.5 km gathering pipelines, connection with the new compressor station – ISM measure panel.

Urziceni Storage

Characteristics:

- ↪ Location: Ialomita county approximately 50 km NE from Bucharest
- ↪ Commissioned in 1978;
- ↪ Capacity:
 - Working capacity: 360 million m³;
 - Delivery capacity: 4.7 million m³/day;
- ↪ Main fixed assets: 20 wells, out of which 31 injection/extraction wells and 1 piezometric well, 19.4 km of gathering pipelines for 31 injection/extraction wells, 31 gas heaters, 6 technological gas metering facilities, 1 gas dehydration station, 3.3 km gathering pipelines, 3 reservoir monitoring parameters system, bi-directional fiscal metering system equipped with ultrasonic meters, optic fibre data acquisition system and compressor station equipped with 4 compressor units (Urziceni).

In 2016, the following investments were in progress in order to ensure the supplied gas quality in the NTS as well as to constantly maintain the daily extraction capacity at an average of 4 million m³/day:

- Upgrading gas dehydration station;
- Upgrading surface infrastructure.

During 2017, 2 new injection wells were drilled and put into service, works which included the related technological installations, too.

Cetatea de Baltă Storage

Characteristics:

- ↪ Location: approximately 12 km S-V from Târnăveni;
- ↪ Commissioned in 2002;
- ↪ Capacity:
 - Working capacity: 100 million m³;
 - Delivery capacity: 1 million m³/day;
- ↪ Main fixed assets: 14 wells, 7 km gathering pipelines for 14 wells, 6 separators, 6 technological gas metering facilities, 10 km gathering pipeline, field supervising system and fiber-optic data acquisition system.

Ghercești Storage

- ↪ Location: Dolj County, near Craiova;
- ↪ Commissioned in 2002;
- ↪ Capacity:
 - Working capacity: 150 million m³;
 - Delivery capacity: 1.5 million m³/day;
- ↪ Main fixed assets: 85 wells, out of which 79 injection/extraction wells, 6 piezometric wells, 153 km gathering pipelines for 79 wells, 13 separators, 6 technological gas metering facilities, 1 gas dehydration station, 42 km gathering pipeline, 7 reservoir monitoring parameters systems, bi-directional fiscal metering system with two metering lines, equipped with ultrasonic meters and communication system and fiber-optic data acquisition system.

Bălăceanca Storage

Characteristics:

- ↪ Location: approximately 4 km from Bucharest;
- ↪ Commissioned in 1989;
- ↪ Capacities:
 - Working capacity: 50 million m³;
 - Delivery capacity: 1.2 million m³/day;
- ↪ Main fixed assets: 24 wells, out of which 21 injection/extraction wells and 3 piezometric wells, 10 km gathering pipelines, 15 gas heaters, 4 separators, 4 technological gas metering facilities, 1 gas dehydration station, 1.7 km gathering pipeline, 1 reservoir monitoring parameters system, bi-directional fiscal metering system equipped with ultrasonic meters, compressor station (Balăceanca) and communication system and fiber-optic data acquisition system.

Workover and Special Operations

Well workover, capital repairs and well production tests represent all the services performed with workover rigs, as well as equipment for specific support operations such as: cement plug drilling installations, mud tank equipped with agitator, sand control-sand blender, DST- cased hole testing of productive layers, shale shaker, mud pumps.

Special Well Operations are performed with the following equipment: cementing unit, slickline, wireline, coiled tubing unit, liquid nitrogen converter, liquid nitrogen tank truck, cement container, filter unit, equipment for discharge and measurement with two-phase

separation, equipment for discharge and measurement with three-phase separation, equipment for tubing investigation, echometer, rental of tools and utilities, tubing cutting, packer assembling device, hydraulic packer recovery tools, technical assistance for special well operations, well fire-fighting equipment.

Future well workover and special well operations are required in order to stop production decline.

Transportation and Maintenance

The car fleet of STTM consists of 641 vehicles and machinery and 79 trailers, as follows:

- Passenger carriers: cars (115), land vehicles (129), minibuses (13), buses (2) and large buses (2);
- passengers and cargo carriers < than 3.5 t (61) and > than 3.5 t (82);
- vehicles for cargo transportation: dumpers (23), cesspit emptier (41), platform trucks (20), tank trucks (3);
- vehicles for heavy transportation: truck-tractors (3) and semitrailer trucks (11);
- handling machinery: cranes from 12-18 t (2) and 24-35 t (20);
- special vehicles: mobile laboratory for equipment testing and checking (1);
- heavy machinery: bulldozers (8), caterpillar shovels (2), wheel loaders (17), motor grader (3), compactor (3), front end loaders (10);
- other machinery: tractor trucks (70), fork lift trucks, etc.;
- other vehicles: trailers for heavy transportations, trailers and semitrailers (79).

STTM plans to ensure qualitative and economically efficient services due to the future dynamics of Romgaz core business over the medium term (approximately 5 years).

Electricity Production

CTE Iernut has an installed capacity of 800MW, including 6 power units: 4 Czechoslovakian power units with an installed capacity of 100 MW each and 2 Soviet power units with an installed capacity of 200 MW each. The units had been commissioned between 1963 and 1967.

The power plant is connected to the main road E60 by a 1.5km long road and to the national railway system at Cuci by a 2 km railway both owned by the CTE Iernut.

Operating restrictions imposed by applicable environmental regulations

The 100 MW Power Units 1 and 4

During 2013, by commissioning a fuel gas recirculation system for boiler no. 1, NO_x emissions were reduced from 800 mg/Ncm flue gas to 300 mg/Ncm, complying therefore with environmental regulations.

In compliance with the integrated environmental authorization for CTE Iernut, power units no.1 and 4, with an installed capacity of 100MW each, may operate on a transition period until June 30, 2020. The maximum NO_x emissions must be reduced from 300 to 100 mg/Ncm flue gas within this period.

If this last measure is not taken, the units will not be allowed to operate after June 30, 2020.

The 100MW Power Units 2 and 3

Change of environment protection legislation, namely, Directive CE 2010/75/EU allow limited time of operation for units 2 and 3 in case the emission reduction equipment of one or more groups break down and power supply is a priority requirement. Therefore, as of January 2016, units 2 and 3 shall be put in dry preservation.

The 200MW power units 5 and 6

Low NOx emission burners have been installed in years 2010 and 2011. As such, an environmental requirement included in the integrated environmental authorization was fulfilled.

Due to these measures, the power units automatically enter the new transition period during January 01, 2016 - December 31, 2020.

4.2. Investments

Investments play an important part in arresting the production decline, which is achieved by discovering of new reserves, by improvement of the current recovery rate, and by rehabilitation, development and modernization of existing facilities.

The company invested during 2013 – 2017 approximately *RON 4.15 billion*, as follows:

Year	2013	2014	2015	2016	2017	Total
Amount (RON thousand)	848,247	1,085,497	937,916	497,716	781,768	4,151,144

For 2017, Romgaz scheduled investments worth *RON 1,143 million* and invested *RON 781.8 million*, with 31.6% less than scheduled. As compared to 2016, the investments increased by *RON 284 million*. The company financed all investments from own sources, and a part of the investments related to CTE Iernut shall be refunded by the National Investment Plan.

The value of fixed assets commissioned during the reporting period was of *RON 392 million*.

By G.M.S. Resolution No.1 of April 25, 2017, the Director General approved the 2016 investment program and the relating budget, as Annex 4 to the income and expenditures budget.

Major investments target in general projects such as:

- continuing geological research works by performing surveys and drillings for the discovery of new gas reserves;
- production development by adding new facilities on existing structures;
- improving the performance of facilities and equipment and increasing production safety;
- increase of underground storage capacities, flexibility and security of the existing storages;

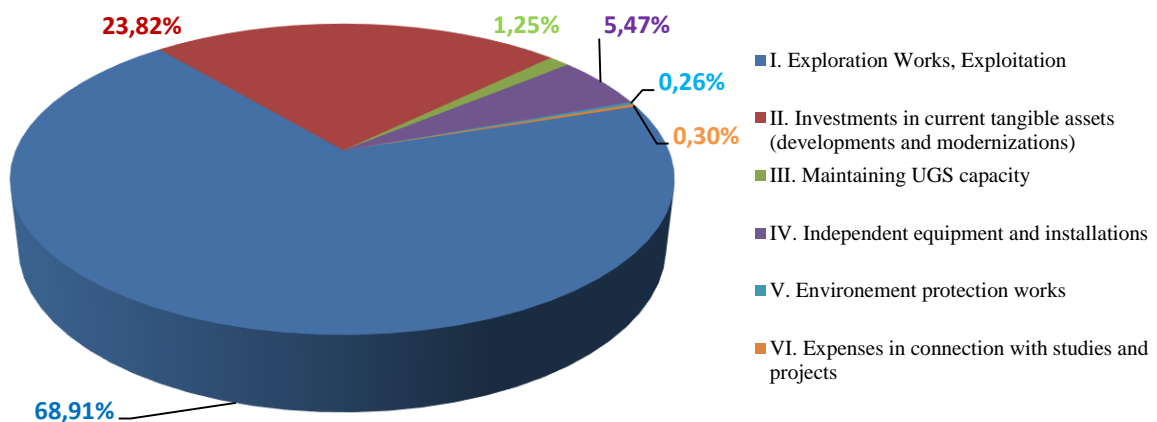
The table below shows the investments made in 2017, as compared to those scheduled and accomplished in 2016:

Item No.	Investment chapter	2016	2017		% '17/'16
			Schedule	Result	
			3	4	
1.	Investments in progress – total, out of which:	238,433	442,692	320,056	134.23
1.1	Natural gas exploration, production works	178,285	438,510	316,719	177.65

RON thousand

1.2	Maintaining UGS capacity	59,953	3,000	2,281	3.8
1.3	Environment protection works	195	1,182	1,056	541.54
2.	New investment – total, out of which:	21,316	365,884	230,409	1,080.92
2.1	Natural gas exploration, production works	19,995	354,764	221,980	1,110.18
2.2	Maintaining UGS capacity	1,287	8,000	7,480	581.19
2.3	Environment protection works	34	3,120	949	2,791.17
3.	Investment in existing tangible assets	200,983	250,173	186,234	92.66
4.	Equipment (other acquisition of tangible assets)	31,838	66,394	42,735	134.23
5.	Other investment (studies, licenses, software, financial assets etc.)	5,146	17,857	2,334	43.35
*	TOTAL	497,716	1,143,000	781,768	157.07

The chart below shows the investments for 2017:



The summary of the achieved investment projects is shown below:

Item No.	Main Projects	Planned 2017	Achieved 2017
1.	Drilling, exploration	38 wells	24 completed wells 2 wells in progress
2.	Surface exploration works	2D Seismic – 200 km 3D Seismic – 1.200 km ²	2D Seismic – 200 km 3D Seismic – 1.200 km ²
3.	Production drilling	3 wells	2 completed wells
4.	Surface facilities – gas wells	31 wells	8 completed wells 8 wells in progress
5.	Compressor stations and gas dehydration stations in gas fields	Dehydration station Galbenu II	completed
6.	Maintaining storage capacity	Sărmășel Storage: - auxiliary drilling services	completed
		Urziceni Storage - injection/extraction system - drilling 2 wells	completed completed
7.	Well recompletion	102 wells, correlated with the annual program agreed by ANRM	188 wells
8.	Well capitalized repair	140 wells	150 wells
9.	Electricity production	Execution and performance of design	In progress

		service contract CTE Iernut, completion term 2020	
10.	Partnerships/Associations	<i>Aurelian Petroleum – currently Raffles (Brodina):</i> - re-testing Voitinel 1 well	completed
		<i>Lukoil:</i> - geological and geophysical data interpretation - geological and geophysical data analysis and assessment of reservoir data - upgrading the geological model of LIRA - integrate analysis of geophysical and geological data - identifying new prospects - TT&T	completed completed completed completed completed partially completed
		<i>Amromco:</i> - seismic acquisition for 1 block - drilling 3 wells; - recompletion operations for 8 wells - surface facilities for 3 wells and increase of compressor capacity for Bibești drying station	completed completed completed completed
		<i>Slovakia:</i> - drilling 3 wells in Blocks Svidnik, Snina and Medzilaborce	incompleted
11.	Studies	Reservoir studies	100%

A very important objective is “*Developing CTE Iernut by the construction of a new powerplant, with combined cycle gas turbine*” with deadline for completion in Q1 2020.

In 2017, the Construction Authorization/Permit was obtained and the following works were performed:

- Land clearing/development by buildings demolition;
- Approach and marginal road development;
- Storage platform development (site management);
- Construction works for foundations began.

One very complex issue largely impacting the implementation of the investment plan is found in the investment preparation phase and consists of obtaining land permits, approvals, agreements and authorizations required for the performance of works and in the procurement phase.

The level of results was negatively influenced by causes specific for both phases:

- Difficult to perform the drilling activity regarding access to public roads;
- Impossibility to obtain lands and implicitly, approvals and construction permits for surface facilities and gas collectors;
- Delays when performing the 3D seismic survey works generated by the difficulties in obtaining the approvals and agreements as well as the acceptance of the land owners to enter in the above-mentioned blocks;

- Repeat procedures for procurement of drilling works for 2 wells for which the bidder did not have the available drilling installations;
- Long time interval to obtain the approvals and agreements issued by water, environment, property register, agricultural related bodies, with direct effects upon issuance of the construction authorization for the execution of surface facilities;
- Delays in the public procurement processes due to repeated dismissals by ANAP of certain award documentations (I.T. Prahova and Ialomița lots).

The work completion degree in relation to the work programs for each partnership is indicated below (RON million):

Item no.	Partnership/Association	2017 Schedule	2017 Results	Results/Schedule
1	Romgaz, Alpine Oil&Gas and JKC Oil&Gas - Slovakia	8,643.00	780.83	9.03%
2	Romgaz and Aurelian (currently Raffles)	1,118.88	917.89	82.04
3	Romgaz and Amromco	24,890.46	22,507.47	90.43
4	Romgaz, Lukoil and PanAtlantic	3,912.00	4,552.44	116.37
*	Total work program	38,564.34	28,758.64	74.57

Important issues to be noted:

- ☞ By the end of 2017, following works were performed: interpretation of geological and geophysical data, geological and geophysical data analysis and assessment of reservoir data, upgrading the geological model of Lira discovery and the calculation of Lira reserves, integrate analysis of geological and geophysical data. Also, new prospects were identified, but also the calculation of geological resource and risk evaluation were carried on. Considering that Exploration Stage II expires on May 5, 2018, the Operator started to prepare the necessary documentation for the extension with another 2 (two) years of the Exploration Stage and optionally with one and a half year. Regarding TT&T budgetary category, because during the previous years the amounts were not spent completely, the Operator used prevalently the amount deferred from the previous years. From the budgetary value for 2017 the amount of USD 500 thousand was not entirely spent, thus being deferred for the following periods (Association: *Romgaz, Lukoil and PanAtlantic*);
- ☞ In September 2017, the workover RIG was put into service for 1 Voitinell well and began re-testing the well. In December 2017, the well was tested with flows between 50-80 thousand m³/day. The documentation necessary to re-put the well into conservation until a decision is made regarding the way to exploit the discovery (Association: *Romgaz and Aurelian Petroleum – currently Raffles*);
- ☞ On June 20, 2017, all the partners signed Romgaz's Withdrawal Agreements from the two companies where Romgaz was a shareholder as well as the Loan Assignment Agreement to the general associate of the two entities. The Withdrawal Costs were established from the related obligations to 2016 budget of the two companies, to which Romgaz engaged before the withdrawal. These costs were in amount of EUR 2,985 for Cybinka Block and EUR 132,346 for Block Torzym, and were paid on June 29, 2017. (Association: *Romgaz, Aurelian Oil&Gas Poland and Sceptre Oil&Gas - Polonia*);
- ☞ For 2017, the Managing Committee of the Association approved in the Investment Program the drilling of 3 new wells and putting them into production. The drilling was

proposed to be performed during Q1 2017, for the wells that were not drilled in 2016, Bibesti 212 and 211, and it was entirely completed and the wells were put into production with costs lower than the costs previously estimated. In Q 4 began drilling well Balta Alba 120, which was also put into production. Due of the production decrease, recompletion operation were performed for 8 wells proposed in the works program in order to bring them into production and to develop the gas reserves. Surface facilities were completed for Well Bibesti 211, 212 and Balta Alba 120 by construction of a gathering pipeline, installing a new gas dehydration station with a capacity of 300000 Nm³ in order to increase the gas conditioning capacity for Bibesti Group. 3D seismic acquisition was made for a surface of 60 km² for Block Bibesti Sârdănești and abandonment works for 5 wells were completed. The works proposed and approved by the Operating Committee of the Association were performed entirely (Association: *Romgaz and Amromco*);

- ☞ Proposed works were not completed due to the difficulties which the Operator constantly encounters, difficulties determined both by the local community and the central authorities. For example, environmental impact studies were required, lasting between 6 and 12 months, for Well Smilno, Block Svidnik, Ruska Poruba, block Medzilaborce and, probably, a similar study is to be required for Well Kriva Olka, despite the fact that such requirements are unsubstantiated. Consequently, the Operator focused on securing the access to a new location, Sarisske Cierne, where the former Operator, Aurelian, planned to drill a well in 2012. For the new location, Sarisske Cierne, the prospects are optimistic, even though success cannot be guaranteed (Association: *Romgaz, Alpine Oil&Gas and JKX Oil&Gas - Slovakia*);
- ☞ The Association Agreement with Schlumberger will expire in 2018. In 2013, Schlumberger expressed its intention to extend the contractual period with another 10 (ten) years, until 2028. Following this requirement, Romgaz performed an economic analysis resulting that the association is and will be profitable both in case Romgaz explores Laslaul Mare Field, as a sole partner and in association with Schlumberger, in terms of achievement of the necessary investments for maintaining the current production trend. Because, in Schlumberger's understanding, future income to cover the value of the investments scheduled to be performed between 2017 – 2018 cannot be obtained, and because Romgaz did not agree upon any possible extension of the Agreement, the Works Program for 2017 shall not contain any investment work. In case the Association Agreement shall not be extended, Romgaz is bound to pay Schlumberger the undepreciated value of the investments made until the agreement expires. On August 31, 2018 the estimated undepreciated value is RON 21,806,108.34 (approx. USD 5,451,527) (Association: *Romgaz and Schlumberger*).

V. SECURITIES MARKET

Romgaz – company listed on Bucharest Stock Exchange (BVB) and London Stock Exchange

Government Decision No.831/August 4, 2010 on the approval of the privatization strategy by public offering of Societatea Nationala de Gaze Naturale “Romgaz” S.A. Medias, and the mandate of the public institution involved in the development of such process approved “the sale by secondary initial public offering of shares representing 15% of S.N.G.N. “Romgaz S.A. share capital by the Ministry of Economy, Trade and Business Environment, through the Office of State Ownership and Privatization in Industry”.

Since November 12, 2013, the company’s shares have been traded on the regulated market governed by BVB under the symbol “SNG”, and on the regulated market governed by LSE (the London Stock Exchange) as GDRs issued by The Bank of New York Mellon under the symbol “SNGR”.

Item No.	Description	2013	2014	2015	2016	2017
1.	Number of shares	385,422,400	385,422,400	385,422,400	385,422,400	385,422,400
2.	Market capitalization ⁵					
	*million RON	13,178	14,018	10,483	9,636	12,064
	*million EUR	2,952	3,127	2,315	2,122	2,589
3.	Maximum price (RON)	35.60	36.37	36.55	27.55	33.95
4.	Minimum price (RON)	33.80	32.41	26.30	21.60	25.10
5.	Year end price (RON)	34.19	35.36	27.20	25.00	31.30
6.	Net profit per share (RON)	2.58	3.66	3.10	2.66	4.81
7.	Gross dividend per share (RON)	2.57	3.15	2.70	5.76 ^{*)}	4.99 ^{**)}
8.	Dividend yield (7./5.x100)	7.5%	8.9%	9.9%	23.04%	15.94%
9.	Exchange rate (RON/EUR)	4.4639	4.4834	4.5285	4.5411	4.6597

^{*)} The gross dividend per share of RON 5.76 is composed of the gross dividend per share for financial year 2016 in amount of RON 2.40/share, and the additional gross dividend of RON 1.42/share resulted from the distribution of retained earnings and the additional gross dividend of RON 1.94/share assigned under the provisions of Article II and III of the Government Emergency Ordinance No.29/2017, distributed from the company’s reserves, representing own financing sources.

^{**)} proposed dividend.

For 2017, the share and GDR-s prices oscillated substantially, recording an increasing trend by the end of H 1, followed by a considerable decrease, due to ex-data dividends for 2016 during Q 3 and by a recovery during Q 4, due to the additional dividends.

Thus, at the beginning of 2017, Romgaz share price was RON 25.20, and after reaching a minimum of RON 25.10 on January 13, 2017, the share price increased considerably, reaching a maximum of RON 33.95/share on May 29, 2017. Q 3 began with a low share price (minimum RON 26.60/share on July 7, 2017, after the registration date of 2016 dividends) and subsequently it increased, reaching a maximum of RON 31.80/share on September 11, 2017, after noticing the market in respect of the distribution proposal of some additional dividends. In Q 4, the share price registered low oscillation values as compared to the rest of the year, between the range RON 30.35 – 32.50/share. For the last trading day of the year, the

⁵ Calculated on the basis of the closing price of the last trading day in the respective year, and on the basis of the exchange rate announced by BNR, valid for the last trading day in the respective year

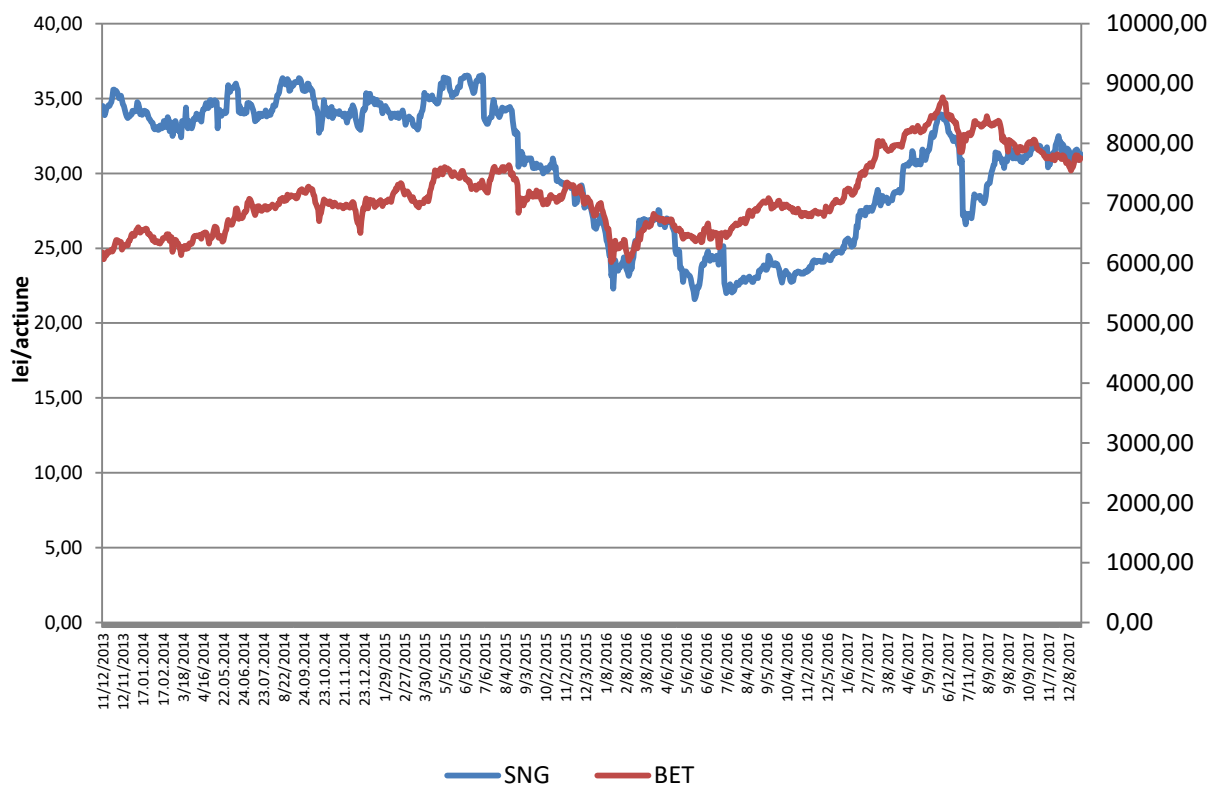
share price was RON 31.30/share, by 24.21% higher than the share value registered on January 31, 2017.

The GDR-s registered a minimum price on the first trading day of the year (USD 5.67/GDR), following the same trend as the shares, with a maximum value registered on May 26, 2017 (USD 8.21/GDR). On December 29, 2017, the GDR price was by 39.33% higher than the first trading day, namely USD 7.90/GDR.

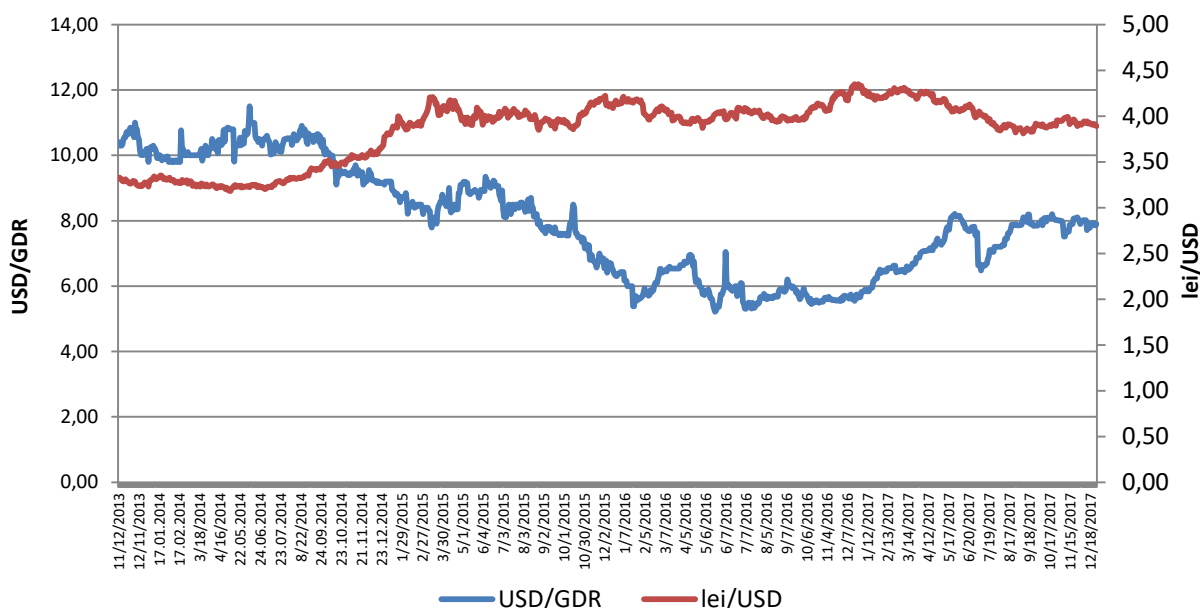
Since the listing day up to present, Romgaz is considered an attractive company for investors and holds a significant position in the top of local issuers, being included in BVB indices as well as in indices of other markets, as follows:

- Second place, by market capitalization, in the top of Premium BVB issuers. With a market capitalization amounting to RON 12,064 million (respectively EUR 2,589 million) as of December 31, 2017, Romgaz is the second largest listed company in Romania, being preceded by OMV Petrom with a capitalization in amount of RON 16,200 million, respectively EUR 3,477 million;
- Fifth place as regards the total amount of transactions in 2017, in the top of local issuers in the main segment of BVB, after Fondul Proprietatea, Banca Transilvania, BRD and OMV Petrom;
- Weight of 11,15% and 9,76% in BET index (top 13 issuers) and respectively BET-XT index (top 25 issuers), 27.35% in BET-NG index (energy and utilities) and 11.61% in BET-TR index (BET Total Return).

Performance of Romgaz shares between listing and December 31, 2017 to the BET index, is shown below:



Performance of GDRs traded on the London Stock Exchange and RON/USD exchange rate movements are shown below:



5.1. Dividend Policy

The General Meeting of Shareholders determines the value of dividends to be distributed to shareholders considering the specific legal provisions.

Therefore, Government Ordinance No. **64/2001**⁶ approved by *Law No. nr.769/2001*, as amended, provides at Article 1, par. (1), let. (f) that the profit after deduction of profit tax shall be distributed as follows, unless otherwise prescribed under special laws:

- a) legal reserves;
- b) other reserves representing tax facilities provided by law;
- c) covering accounting losses for the previous years, except for the retained accounting losses as a result of adjustments required under the application of IAS 29 “*Financial Reporting in Hyperinflationary Economies*”, according to the Accounting Regulations compliant with the International Financial Reporting Standards and the Accounting Regulations in line with the Council Directive 86/635/EEC and the International Accounting Standards applicable to credit institutions;
- c^{^1}) setting own financing sources for projects co-financed out of external loans, as well as for the amounts necessary for reimbursing capital instalments, paying interests, commissions and other costs related to these external loans;
- d) other distributions provided by law;
- e) employees’ participation to profits; national companies and companies fully or majority owned by the state, as well as autonomous administrations which undertook and established in their income and expense budgets the obligation to participate in the distribution of profits, as a result of the employees’ services in relation thereto, may grant these rights up to 10% of the net profit, however not exceeding the level of one monthly average base salary of the relevant company during the respective financial year;

⁶ Government Ordinance No. 64/August 30, 2001, on distribution of profit in state-owned companies or companies where the state is sole or majority owner, as well as in autonomous regimes

f) **a minimum of 50%** contribution to the state or local budget, in the case of autonomous administrations, **or dividends**, in the case of national companies and companies fully or majority owned by the state;

g) the profit undistributed according to items a) - f) is distributed to other reserves and represents own financing sources, and it can lately be distributed as dividends or instalments to the state or the local budget in case of autonomous regies.

Profit is distributed for the purposes and in the amounts referred to at paragraph (1) items e), f), and g) after deduction of the amounts related to the purposes determined under special laws stipulated at items a), b), c), c¹), and d) of the same paragraph.

Profit is distributed subject to the accounting profit recorded under statutory financial statements which have been prepared according to the International Financial Reporting Standards (IFRS), adopted by EU, in compliance with national legislation.

In accounting terms, participation of employees in the distribution of profit is registered as a wage related expense recognized in the financial statement of the year when the profit was obtained by the Company. The participation of employees in the distribution of profit is paid in the subsequent year.

By way of derogation from provisions of Law No. 31/1990 providing that the dividends must be paid no later than six months after the approval of the annual financial statements, the state-owned companies are required, according to the provisions of Government Ordinance nr.64/2001, to pay the due dividends to the shareholders within 60 days from the legal deadline for the submission of the annual financial statements of the competent fiscal authorities.

According to **Government Emergency Ordinance No. 29/2017⁷**:

☞ *“The amounts distributed in the previous years from other reserves under the provisions of Art. 1 let. (g) of Government Ordinance No.64/2001 [...], existing at the date of entry into force of this Emergency Ordinance, can be redistributed as dividends [...]” - Art.II;*

☞ *“After the approval of the financial statements of 2016, the entities provided in Art. 1, par. (1) of the Government Ordinance No.64/2001, [...], the retained earnings existing in the balance account on December 31, can be distributed as dividends” - Art.III par. (1).*

The table below shows the status of dividends for the years 2015-2017:

Description	2015	2016	Proposal 2017
Dividends	1,040,640,480	2,220,033,024	1,923,257,776
Gross dividends per share (RON/share)	2.70	5.76^{*)}	4.99^{**)}
Dividend distribution rate (%)	87.13	141.24	103.70
Number of share	385,422,400	385,422,400	385,422,400

^{*)} The gross dividend per share of RON 5.76 is composed of the gross dividend per share of the financial year 2016 in amount of RON 2.40/share, and the additional gross dividend of RON 1.42/share resulted from the distribution of retained earnings and the additional gross dividend of RON 1.94/share assigned under the provisions of Article II and III of the Government Emergency Ordinance No.29/2017, distributed from the company's reserves, representing own financing sources.

^{**)} proposed dividend.

⁷Government Emergency Ordinance No. 29 of March 30, 2017, to amend Art. 1 par. (1) let. g) of the Government Ordinance No. 64/2001 on the distribution of profits in national companies, and trading companies with full or majority state capital, as well as in autonomous regies, and to amend Art. 1 par. (2) and (3) of the Government Emergency Ordinance no.109/2001 on corporate governance of public enterprises.

G.M.S. Resolution No.7/October 20, 2017, approved the distribution of additional dividends in gross total amount of RON 747,719,456 (RON 1.94/share).

The Government of Romania mandated the state representatives in the General Meeting of Shareholders/the Board of Directors of national companies and majority or entirely state owned companies and of autonomous regies, to take all the necessary measures for the distribution of a minimum share of 90% of net profit achieved in 2017 (as dividends/payments) to the state budget. The Government took this decision through a Memorandum adopted at the meeting of February 8, 2018.

The internal regulation “Dividend Policy” was approved by the company’s Board of Directors in March 2017 and is currently published on the company’s webpage www.romgaz.ro, at the section “*Investor Relations – Corporate Governance – Reference Documents*”.

VI. COMPANY MANAGEMENT

6.1. Board of Directors

The selection and appointment of the company's members in the Board of Directors was accomplished in compliance with the provisions of the GEO No.109/2001 on corporate governance in state-owned enterprises, as amended, approved by Law No.111/2016 and the Methodological Norms of Application (GD No. 722/2016).

The members of the Board of Directors as of December 31, 2017, are as follows:

Item No.	Name	Position in the Board	Status ^{*)}	Professional Qualification	Institution of Employment
1	Nistoran Dorin Liviu	Chairman	independent non-executive	Engineer	SC Televoice Grup SRL
2	Ciobanu Romeo Cristian	member	independent non-executive	PhD Engineer	Universitatea Tehnică Iași
3	Cermonea Ioan Daniel	member	independent non-executive	Engineer	Consiliul Județean Sibiu
4	Grigorescu Remus	member	independent non-executive	PhD in Economics	Universitatea "Constantin Brâncoveanu"
5	Baciu Sorana Rodica	member	independent non-executive	Economist	SC Acgenio SRL
6	Volintiru Adrian Constantin	member	independent non-executive	Economist	SC Exclusiv Clean International SRL
7	Anghel Daniel Florin	member	non-executive	Legal adviser -Economist	Agenția Națională de Administrare Fiscală

^{*)} - members of the Board of Directors submitted the independent statements in compliance with the provisions of Romgaz Corporate Governance Code.

During 2017, The Board of Directors underwent the following changes:

- On April 25, 2017: By G.M.S Resolution No.1/2017, Mr. Chisalita Dumitru, Mr. Jude Aristotel Marius, Mr. Stoicescu Razvan Florin and Mrs. Negrut Aurora were revoked from their positions as members of the Board, as a result of their mandates' expiration on May 2017;
- On April 25, 2017: By Resolution No.1/2017, the G.M.S. appointed Mr. Stan Bogdan Nicolae, Mr. Chirila Alexandru, Mr. Gheorghe Gheorghe Gabriel and Mr. Metea Virgil Marius as interim members of the Board;
- On May 10, 2017: By Resolution No.11, the Board of Directors appointed Mr. Tcaciuc Sebastian Gabriel as chairman of the Board of Directors, by Resolution no.11; he was expected to exercise his duties as of May 15, 2017;
- On June 7, 2017: By Resolution No.14, The Board of Directors appointed Mr. Gheorghe Gheorghe Gabriel as chairman of the Board;
- On July 27, 2017: By Resolution No.18, the Board of Directors took note of Mr. Tcaciuc Sebastian Gabriel's resignation from his position as a member of the Board, as of August 11, 2017 and acknowledged the vacancy of a position as member in the Board;
- On July 27, 2017: By Resolution No.18, the Board of Directors appointed Mrs. Baciu Sorana Rodica as interim member of the Board, as of August 11, 2017, until the next meeting of the G.M.S.;

- On September 7, 2017: By Resolution No.5/2017, the G.M.S. elected, by cumulative vote, Mr. Gheorghe Gheorghe Gabriel, Mr. Stan Bogdan Nicolae, Mr. Ciobanu Romeo Cristian, Mr. Nistoran Dorin Liviu, Mr. Cermonea Ioan Daniel, Mr. Grigorescu Remus and Mrs. Baci Sorana Rodica as members of the Board, for a 4 months mandate;
- On September 14, 2017: By Resolution No.26, the G.M.S. appointed Mr. Gheorghe Gheorghe Gabriel, as the chairman of the Board;
- On October 19, 2017: By Resolution No.29, the Board of Directors took note of Mr. Gheorghe Gheorghe Gabriel's resignation from his position as chairman of the Board and acknowledged the vacancy of a position as member in the Board as of October 20, 2017;
- On October 19, 2017: By Resolution No.29, the Board of Directors appointed Mr. Nistoran Dorin Liviu as the chairman of the Board;
- On November 27, 2017: By Resolution No.33, the G.M.S. took note of Mr. Stan Bogdan Nicolae's resignation from his position as a member of the Board, as of November 7, 2017 and acknowledged the vacancy of a position as member in the Board;
- On November 27, 2017: By Resolution No.33, the G.M.S. appointed Mr. Volintiru Adrian Constantin and Mr. Anghel Daniel Florin as interim members of the Board, until the next meeting of the G.M.S.;
- On December 20, 2017: By Resolution No.9/2017, the G.M.S. elected, by cumulative vote, Mr. Nistoran Dorin Liviu, Mrs. Baci Sorana Rodica, Mr. Ciobanu Romeo Cristian, Mr. Grigorescu Remus, Mr. Cermonea Daniel Ioan, Mr. Volintiru Adrian Constantin and Mr. Anghel Daniel Florin as members of the Board, for a 4 months mandate, as of January 8, 2018, or until the completion of the selection procedure of the directors according to the G.E.O. No.109/2011;

The Curricula Vitae of the current Board directors of the company are to be found on the company's webpage www.romgaz.ro, at "*Investor Relations – Corporate Governance – The Board of Directors*".

According to the information supplied by each director, *there is no agreement, understanding or family relationship* between them and another person that contributed to their appointment as directors.

As of December 31st, 2017, no member of the Board *holds any shares within the company*.

6.2. Executive Management

Virgil Marius Metea - Director General (CEO) January 1- December 14, 2017

By Resolution no. 8 of June 12, 2013 the Board of Directors appointed Mr. Virgil Marius Metea as director general and delegated internal management powers and representation competences to him. The Mandate Contract was concluded on a 4 year period (June 12, 2013- June 13, 2017) and can be renewed by addendum upon the resolution of the Board of Directors.

By Resolution no. 14 of June 7, 2017 the Board of Directors approved the renewal of Mr. Virgil Marius Metea contract of mandate - Director General.

By Resolution no. 36 of December 14, 2017 the Board of Directors revoked the mandate of Mr. Virgil Marius Metea as director general.

Cindrea Corin Emil - Director General (CEO) starting with December 14, 2017

The Board of Directors appointed Mr. Cindrea Corin Emil by Resolution no. 37 of December 14, 2017 as interim director general for a 4 month period, having the possibility to extend the mandate up to maximum 6 months, according to legal provisions, and delegated internal management powers and representation competences to him.

Bobar Andrei – Chief Financial Officer (CFO)

The Board of Directors appointed Mr. Bobar Andrei by Resolution no. 30 of November 2, 2017 as chief financial officer. The contract of mandate was concluded for a 4 month period, starting with November 2, 2017 and it will be automatically extended for successive periods of 4 months until appointment of a Board of Directors, whose members will be selected in compliance with GEO no. 109/2011. Thereafter the Board of Directors will set the performance indicators and objectives based on the Management Plan, as well as the term of the mandate.

The table below shows the management positions to which the Board of Directors did not delegate managing powers:

Name	Position
ROMGAZ - headquarters	
Rotar Dumitru Gheorghe	Deputy Director General
Dobrescu Dumitru	Deputy Director General
Bobar Andrei	Chief Financial Officer (until November 2, 2017)
Chertes Viorel Claudiu	Management Support Director
Ciolpan Vasile	Energy Trade Director
Ștefănescu Dan Paul	Exploration-Production Director
Stan Ioan	Human Resources Director
Stancu Lucian Adrian	Corporate Management Director
Bodogae Horea Sorin	Procurement Direction Director
Pavlovski Vlad	Business Development Director
Balasz Bela Atila	Energy Management Director
Morariu Dan Nicolae	Information Technology and Telecommunication Director
Bîrsan Mircea Lucian	Technical Director
Sorescu Eugen	Exploration Director
Pleșa Vasile Gabriel	Quality, Health, Safety and Environment Director
Mediaș Branch	
Man Mihai Ioan	Director
Achimeț Teodora Magdalena	Economic Director
Șutoiu Florinel	Production Director
Seician Daniel	Technical Director
Tîrgu Mureș Branch	
Dincă Ispasian Ioan	Director
Papoi Ilona	Economic Director
Rusu Grațian	Production Director
Baciu Marius Tiberiu	Technical Director
Ploiești Branch	
Cârstea Vasile	Director
Ionescu Viorica Maria	Economic Director

Vecerdea Dan Adrian	Storage Director
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Iernut Branch

Bircea Angela	Director
Vlassa Susana Ramona	Economic Director
Oprea Maria Aurica	Commercial Director
Ocrainiciuc Mihai	Technical Director

SIRCOSS

Stăncicu Sorin	Director
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director

STTM

Pop Traian	Director
Ilinca Cristian Alexandru	Economic Director
Cioban Cristian Augustin	Operation-Development Director

The members of the executive management, except the director general and the chief financial officer (starting with November 2, 2017), are employees of the company, having an individual labour contract for an indefinite period.

The management and operating personnel are employed, promoted and dismissed by the director general based on the competences delegated to him by the Board of Directors.

According to our information, *there is no agreement, understanding or family relationship between the members of the above mentioned executive management and another person that contributed to their appointment as members of the executive management.*

The table below shows the number of *shares held by the members of the executive management* as of December 31, 2017:

Item no.	Name and Surname	Number of shares held	Weight in the capital share (%)
0	1	2	3
1	Rotar Dumitru Gheorghe	20,611	0.00534764
2	Bobar Andrei	4,400	0.00114160
3	Ștefănescu Dan-Paul	601	0.00015593
4	Cârstea Vasile	412	0.00010690
5	Stăncicu Sorin	76	0.00001972
6	Ilinca Cristian Alexandru	74	0.00001920
7	Morariu Dan Nicolae	52	0.00001349
8	Dincă Ispasian Ioan	48	0.00001245
9	Vecerdea Dan Adrian	45	0.00001168
10	Balasz Bela Atila	38	0.00000986

To the best of our knowledge, the persons mentioned at 6.1 and 6.2 above, *have not been involved in litigations or administrative proceedings* related to their activity in Romgaz *in the last 5 years*, nor in proceedings related to their capacity of fulfilling the duties.

VII. FINANCIAL-ACCOUNTING INFORMATION

7.1. Statement of Financial Position

The individual financial statements of the Company have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union and provisions of PFM Order no. 2844/2016. For the purposes of the preparation of these individual financial statements, the functional currency of the Company is deemed to be the Romanian Leu (RON). IFRS, as adopted by the EU, differs in certain respects from IFRS as issued by the IASB. However, the differences have no impact on the Company's individual financial statements for the years presented.

The individual financial statements have been prepared on a going concern basis in accordance with the historical cost convention.

The table below presents a summary of the statement of individual financial position as of December 31, 2017:

Indicator	31.12.2015 (RON thousand)	31.12.2016 (RON thousand)	31.12.2017 (RON thousand)	Variance (2017/2016)
0	1	2	3	4=(3-2)/2*100
Assets				
<i>Non current Assets</i>				
Property, plant and equipment	5,996,460	5,789,262	5,842,366	0.92%
Other intangible assets	399,859	397,864	412,284	3.62%
Subsidiaries	1,200	1,200	1,200	0.00%
Associates	163	120	120	0.00%
Other Financial Investments	70,080	69,657	69,678	0.03%
Other non-current assets	29,300	-	-	-
Deferred tax asset	-	-	1,464	n/a
Total non-current assets	6,497,062	6,258,103	6,327,112	1.10%
<i>Current Assets</i>				
Inventories	559,784	575,983	389,515	-32.37%
Trade and other receivables	601,065	828,610	816,086	-1.51%
Other financial assets	2,146,827	2,892,751	2,786,166	-3.68%
Other Assets	139,612	141,525	305,908	116.15%
Cash and cash equivalents	740,352	280,526	227,165	-19.02%
Total current assets	4,187,640	4,719,395	4,524,840	-4.12%
TOTAL ASSETS	10,684,702	10,977,498	10,851,952	-1.14%
EQUITY AND LIABILITIES				
<i>Capital and reserves</i>				
Share capital	385,422	385,422	385,422	0.00%
Reserves	2,581,853	3,020,152	2,312,532	-23.43%
Retained earnings	6,724,947	6,270,587	6,612,922	5.46%
Total capital and reserves	9,692,222	9,676,161	9,310,876	-3.78%
<i>Non current liabilities</i>				
Retirement benefit obligation	102,959	119,986	119,482	-0.42%
Deferred tax liabilities	62,589	40,123	-	n/a
Provisions	200,855	194,048	280,601	44.60%
Total non current liabilities	366,403	354,157	400,083	12.97%

	0	1	2	3	4=(3-2)/2*100
Current liabilities					
Trade and other payables		186,937	569,941	606,109	6.35%
Current tax liabilities		90,838	60,295	128,520	113.15%
Income in advance		-	4,924	970	-80.30%
Provisions		28,779	50,437	76,290	51.26%
Other liabilities		319,523	261,583	329,104	25.81%
Total current liabilities		626,077	947,180	1,140,993	20.46%
Total liabilities		992,480	1,301,337	1,541,076	18.42%
TOTAL EQUITY AND LIABILITIES		10,684,702	10,977,498	10,851,952	-1.14%

NON-CURRENT ASSETS

Other intangible assets

Other intangible assets increased by 3.62% (RON 14.4 million) further to investments in 2D and 3D seismic and geochemistry due to the 5-year extension at the end of 2016 of the petroleum concession agreement for exploration-development-production for eight blocks.

Deferred income tax

Deferred income tax is based on the temporary differences between the accounting value and the fiscal value of balance sheet items. These temporary differences may be taxable, meaning they will result in taxable values when determining the taxable result of future periods, or deductible, meaning they will result in values that are deductible when determining the taxable result of future periods. As a consequence of the increase of deductible temporary differences generated by the increase of the decommissioning provision and asset write offs from the exploration activity, which according to the effective fiscal code, will generate deductions in the income tax calculation for the future periods, the Company recorded at the end of 2017 a receivable related to the deferred tax.

CURRENT ASSETS

Inventories

Inventories decreased at the end of 2017 as compared to 2016 by 32.37% because of a gas stock decrease due to higher gas volumes withdrawn from the storage as compared to the previous year by 56.4% and due to 38.9% lower gas volumes injected in storages.

Other assets

Other assets increased in 2017 as compared to 2016 by 116.15% especially due to recording the receivables for the excises on the technological consumption to be recovered from ANAF further to finalising the fiscal inspection.

Cash and cash equivalent. Other financial assets

On December 31, 2017, cash and cash equivalent and other financial assets (bank deposits and purchased state bonds) were of RON 3,013.33 million, as compared to RON 3,173.28 million at the end of 2016, the decrease being generated by distributing additional dividends in 2017, besides the dividends for 2016.

CAPITAL AND RESERVES

Company's equity decreased by 3.78% (RON 365.29 million) as compared to the end of 2016, due to distributing to shareholders as dividends the result of 2016 and part of the result of the previous years, in compliance with the resolution of the general meeting of shareholders. Additional dividends were distributed from Company reserves in 2017.

NON-CURRENT LIABILITIES

Provisions

Long-term provisions increased by 44.64% in 2017 as compared to 2016, as a result of increasing the provision for decommissioning wells that are going to be written off in the future. This increase is due to the rise of estimated costs for abandoning wells.

CURRENT LIABILITIES

Trade payables and other payables

Trade payables and other payables increased on December 31, 2017 by 12.47% due to an increased gas production in the last quarter of 2017 as compared to the similar period of 2016, generating an increased petroleum royalty liability at the end of the year, and due to increase of delivered gas volumes and to the increased income from gas sales, that led to higher debts with the windfall tax obtained further to the price deregulation in the natural gas sector and higher VAT debts.

Provisions

Short term provisions increased on December 31, 2017 by 51.26% due to the increase of the well decommissioning provision, as stated above and of the provision for restoring land to its agricultural use after decommissioning non-productive wells.

The Company **did not issue bonds or other debt instruments** in financial year 2017.

7.2. Statement of Comprehensive Income

The statement of comprehensive income for the period January 1 – December 31, 2017, as compared to the similar period of the years 2016 and 2015, is shown below:

Indicator	Year 2015 (thousand RON)	Year 2016 (thousand RON)	Year 2017 (thousand RON)	Variance (2017/2016)
0	1	2	3	4=(3-2)/2*100
Revenue	4,052,684	3,411,868	4,585,189	34.39%
Cost of commodities sold	(40,228)	(49,878)	(61,095)	22.49%
Investment income	44,185	22,117	22,349	1.05%
Other gains and losses	(318,903)	(468,218)	(120,335)	-74.30%
Changes in inventory of finished goods and work in progress	138,181	20,963	(186,651)	n/a
Raw materials and consumables used	(78,262)	(54,632)	(64,329)	17.75%
Depreciation, amortization and impairment	(793,598)	(311,012)	(548,869)	76.48%
Employee benefit expense	(511,647)	(498,114)	(562,883)	13.00%
Finance cost	(20,302)	(18,275)	(18,624)	1.91%
Exploration expense	(42,395)	(253,348)	(137,083)	-45.89%
Other expenses	(1,040,670)	(881,923)	(1,090,647)	23.67%
Other income	79,793	361,147	364,169	0.84%
Profit before tax	1,468,838	1,280,695	2,181,191	70.31%
Income tax expense	(274,533)	(256,116)	(326,443)	27.46%
Profit for the year	1,194,285	1,024,579	1,854,748	81.03%

Revenue

In 2017, Romgaz recorded revenue of RON 4.59 billion compared to RON 3.41 billion achieved in 2016.

The increase resides from a 32.6% rise of income from gas sales both from Romgaz production and gas purchased to be resold and from partnerships, as well as further to the increase of income from electricity sales (38%) and underground storage activities (46.44%)

Cost of Commodities Sold

In 2017, cost of commodities sold increased by 22.49%, due to an increase by 172.81% of the cost of commodity gas sold, due to a quantity higher by 233% of commodity gas sold from import and from internal production. Costs generated by negative unbalances on the electricity balancing market decreased by 66.1%.

Other Gains and Losses

In 2017 the Company estimated a net loss of RON 120.33 million, lower by RON 348 million as compared to the same period of the previous year, due to net losses from allowances for doubtful debts with exceeded due date that are lower than in the previous year by RON 348.5 million. In 2017 there were recorded allowances for doubtful debts of RON 6 million.

Changes in Inventory

In 2017, Romgaz own gas quantities withdrawn from storages have been higher than the injected ones, generating an unfavourable change in inventories (loss).

Raw Materials and Consumables Used

The cost of raw materials was higher in 2017 than in the previous year due to a higher technological consumption generated by the production increase.

Depreciation, Amortization and Impairment

Depreciation, amortization and impairment of non-current assets, tangible and intangible increased in 2017 by 76.48% compared to 2016 mainly due to impairment of fixed assets and of exploration assets. 2017 recorded a net loss from these adjustments of RON 5.5 million, as compared to a net gain of RON 216.9 million in 2016.

Employee benefit expense

The increase of employee benefit expenses by 13% compared to 2016 is due both to the indexation of salaries to cover the inflation and granting incentive bonuses for remarkable results, according to the human resource policy, as well as to the expenses with employees participation to profit, awarded in compliance with the resolution of the general meeting of shareholders on the distribution of the profit for 2016; the expense recorded in 2017 was offset by releasing to income the provision set up in this respect at the end of 2016; the result of the current year was not influenced by this expense.

Exploration expense

Exploration expenses recorded a decrease of 45.89% as compared to the previous year due to a lower value of exploration projects that were relinquished in 2017.

Other expenses

In 2017, other expenses recorded an increase as compared to the previous year by 23.67% reaching RON 1,090.65 million, as compared to RON 881.92 million in 2016. The increase of this expense is mainly due to the increase of production and of gas quantities sold in the

current year as compared to the previous year, leading to the increase of the windfall tax, a higher petroleum royalty and higher expenses with the transmission of the delivered gas. A positive effect on other expenses was the elimination of the tax on special constructions.

Other income

The fiscal inspection related to the excise on the technological consumption was finalised in 2017. The fiscal inspection team concluded that, with respect to the technological gas used for maintaining the production capacity, storage, transmission and gas distribution, the Company does not have to pay excises. Romgaz calculated, declared and paid excises worth RON 244 million for the technological consumption between 2010-2016, which is to be recovered by the Company. By the issue of the final report for 2017 the Company recovered RON 113 million, by compensating debts with VAT and petroleum royalty, recorded on December 31, 2017.

7.3. Statement of Cash Flows

Statements of cash flows recorded in the period 2015 – 2017 are shown in the table below:

thousand RON

INDICATOR	2015	2016	2017
1	2	3	4
Cash flow from operating activities			
Net Profit for the year	1,194,285	1,024,579	1,854,748
Adjustments for:			
Income tax expense	274,553	256,116	326,443
Interest expense	34	15	3
Unwinding of decommissioning provision	20,268	18,260	18,621
Interest revenue	(44,185)	(22,117)	(22,349)
Loss on disposal of non-current assets	23,084	108,057	72,668
Change in decommissioning provision recognized in profit or loss, other than unwinding	(19,724)	(5,941)	11,693
Change in other provisions	21,852	18,919	11,389
Expenses for provisions for impairment of exploration assets	228,309	(173,701)	(17,711)
Exploration costs	42,395	253,348	137,083
Impairment of property, plant and equipment	5,219	(43,228)	23,206
Depreciation and amortization	560,070	527,941	543,374
Impairment of investments in associates	1,328	43	(12,462)
Impairment of other financial assets	6,809	(1,554)	(21)
Losses from disposal of other financial investments	-	1,577	12,308
Losses from trade receivables and other assets	292,146	354,321	38,575
Income from dismantling fixed assets	(2,232)	(1,287)	-
Write down allowance of inventory	(4,576)	5,714	8,147
Income from prescribed debts	-	-	(610)
Income from subsidies	-	-	(150)
	2,599,635	2,321,062	3,004,955
Movements in working capital			
(Increase)/Decrease in inventory	(162,187)	(21,646)	178,363
(Increase)/Decrease in trade and other receivables	54,550	(583,600)	(180,283)
(Increase)/Decrease in trade and other liabilities	(15,202)	337,707	105,983
Cash generated from operations	2,476,796	2,053,523	3,109,018
Interest paid	(34)	(15)	(3)
Income tax paid	(346,021)	(309,125)	(309,956)
Net cash generated by operating activities	2,130,741	1,744,383	2,799,059
Cash flows from investing activities			
Investments in affiliated parts	(753)	-	-
Investments in subsidiaries	(1,200)	-	-
Payments for investment increase in associates	-	-	(144)
(Increase)/Decrease in other financial assets	158,050	(720,480)	104,964
Interest received	53,872	25,178	20,908
Proceeds from sale of non-current assets	42	144	207
Loan granted to associates	(726)	-	-
Loans reimbursed by the associates	65	-	-
Dividends received	1,634	-	-
Collection from sales of other financial investments	-	400	-
Acquisition of non-current assets	(357,281)	(296,511)	(478,404)
Acquisition of exploration assets	(555,423)	(172,178)	(280,659)
Proceeds from disposal of associates	-	-	298
Net cash used in financing activities	(701,720)	(1,163,447)	(632,830)
Cash flows from financing activities			
Dividends paid	(1,214,925)	(1,040,762)	(2,220,003)
Subsidies received	-	-	413
Net cash used in financing activities	(1,214,925)	(1,040,762)	(2,219,590)
Net Increase/(Decrease) in cash and cash equivalents	214,096	(459,826)	(53,361)
Cash and cash equivalents at the beginning of the year	526,256	740,352	280,526
Cash and cash equivalents at the end of the year	740,352	280,526	227,165

VIII. CORPORATE GOVERNANCE

Corporate governance accommodates continuously to the requirements of a modern economy, to increasing globalization of social life and to investors and interested parties need for information on companies business.

As a national company Romgaz has to comply with GEO No. 109 of November 30, 2011 on public companies corporate governance, as amended and supplemented (the “Ordinance”), approved by Law 111/2016 and Government Decision no. 772 of September 28, 2016 on Methodological Norms for establishing the financial and nonfinancial performance criteria and variable component of remuneration of Board members, or if applicable, of the supervisory board members, and of managers and members of the directorate.

The Ordinance sets up a number of principles and provisions to ensure their application.

Principles included in the Ordinance are as follows:

- ☞ *Clear separation of authorities deriving from shareholder from those deriving from directorship/managing of the company.*
- ☞ *Principle of transparency, non-discrimination and equal treatment in the selection process of Board members;*
- ☞ *Principle of proportional representation in the Board of Directors;*
- ☞ *Minority shareholders protection by observing transparency principles;*
- ☞ *Transparency principle;*
- ☞ *Principle of mandatory reporting to the GMS as prescribed by law.*

Ordinance provisions are observed by the company, and are included in the Company’s Articles of Incorporation, as amended and approved by the company’s shareholders in the following resolutions no. 19 of October 18, 2013; no. 5 of July 30, 2014, no. 8 of October 29, 2015, no.9 of October 28, 2016 and no.4 of August 9, 2017 (latest update of the Articles of Incorporation).

The updated Company’s Articles of Incorporation is posted on the webpage www.romgaz.ro, at “*Investor Relations – Corporate Governance - Reference Documents*”.

Since November 12, 2013, Romgaz shares have been traded on the regulated market governed by BVB, at category I, under the symbol “SNG”, as well as on the London Stock Exchange (where GDRs are traded) under the symbol “SNGR”.

On January 5, 2015, after the Financial Supervisory Authority approved the proposals to amend BVB’s regulations, Romgaz was admitted into the PREMIUM category of BVB regulated market.

As issuer of securities traded on the regulated market, Romgaz has to fully comply with the corporate governance standards provided by applicable national regulations, namely the Corporate Governance Code of BVB, posted on the internet webpage www.bvb.ro, at “*Investor Relations – Regulations - BVB Regulation*”.

The corporate Governance System was and will be continuously improved according to rules and recommendations applicable to Companies listed on Bucharest Stock Exchange and on London Stock Exchange.

Some of the *already implemented measures include:*

- ✎ Elaboration of a new Corporate Governance Code, in accordance with the new Corporate Governance Code of BVB applicable since January 4, 2016 – the document was approved by Romgaz Board of Directors by Resolution no.2/ January 28, 2016. The Corporate Governance Code was updated and shall be submitted for approval of the Board of Directors.

The Company's Articles of Incorporation is posted on the webpage www.romgaz.ro, at "*Investor Relations – Corporate Governance – Reference Documents*".

- ✎ Board of Directors approval and update of the Internal Rules for the advisory committees during the meetings held on March 24, 2016 (for all committees) and March 23, 2017 (update of the Internal Rules of the Strategy Committee). All other Internal Rules of the advisory committees were amended in 2017 to include the latest legal changes on corporate governance (Law No. 111/2016 and GD No. 722/2016). The rules were updated and are going to be submitted for approval of the Board of Directors.
- ✎ Update of the Terms of Reference of the Board of Directors to include the latest legal changes on corporate governance. The Terms of Reference were approved by the Board of Directors on March 23, 2017 and update subsequently in January 2018;
- ✎ Elaboration of internal regulation in compliance with the new Corporate Governance Code of BVB.

Policy regarding Dividends and the Policy regarding Forecasts were approved by the Board of Directors on March 23, 2017 and all other policies were update and are going to be submitted for approval of the Board of Directors.

Other rules/policies were elaborated/updated by the members of the committees and of the Board in 2017, such are going to be finalised and approved in the following period.

- ✎ Include in the Board of Directors' Report a chapter dedicated to corporate governance referring, among others, to : the applicable Corporate Governance Code, the duties of the executive management and of the three advisory committees of the Board of Directors (Nomination and Remuneration Committee and Audit Committee and the Strategy Committee), aspects related to remuneration of members of the Board and of managers, measures to improve the corporate governance, aspects related to internal control and risk management system and aspects related to social responsibility;
- ✎ Include in the Board of Directors' Report a section referring to compliance with the provisions of BVB Corporate Governance Code (Annex 1);
- ✎ Diversify communication ways with shareholders and investors by posting on the website announcements addressed to market players, half year and quarterly financial statements, annual reports, procedures to follow for access and participation to GMS, and by setting up of an "*Infoline*" for shareholders/investors to respond to their requirements and/or questions;
- ✎ Establish a specialized department dedicated to investor and shareholder relations;
- ✎ Conclusion of professional liability insurance for directors and managers and appointment of a person to monitor such contracts;
- ✎ Starting the procedures necessary for the adopting and implementing the National Anticorruption Strategy. Therefore, a Commission has been established, responsible with the implementation of the strategy provisions; the Director General has adopted the Statement of Adherence to the National Anticorruption Strategy and Integrity Plan for 2017 and 2018, documents published on the internet website at "*Investor Relations – Corporate Governance – Transparency*".

Some of the measures to be implemented:

- ↳ Implement a remuneration policy for the executive management, with a fixed and variable component that depends on the results of their evaluation. According to the Corporate Governance Code of London Stock Exchange, long term bonus schemes should be submitted for approval of the shareholders (GMS).

Aspects related to shareholders

The shareholders structure is described in Chapter II “*Romgaz at a glance*”

Romgaz respects and protects the rights and legitimate interests of shareholders. The Company undertakes all the necessary efforts to facilitate the exercitation of shareholders' rights, under the law and in compliance with the Articles of Incorporation.

A separate document on rules and procedures of the general meeting of shareholders setting the framework for Romgaz GMS is drafted and is going to be submitted for the approval of the Board of Directors in the first months of 2018.

General Meeting of Shareholders

The General Meeting of Shareholders is called by the Board of Directors, whenever necessary, in accordance with the legal provisions. The convening notices and the GMS resolutions are sent to Bucharest Stock Exchange, London Stock Exchange and to the Financial Supervisory Authority in compliance with the regulations of the capital market and will be published on the company's website at “*Investor Relations – General Meeting of Shareholders*”.

The Ordinary General Meeting of Shareholders has the following main competencies:

- a) to approve the company's strategic objectives;
- b) to discuss, approve or amend, as the case may be, the annual financial statements of the company based on the reports submitted by the Board of Directors and the financial auditor, and to set the dividends;
- c) to discuss, approve or request, as the case may be, the addition or review of the company's management plan, under legal provisions.
- d) to set the income and expenditure budget for the following financial year;
- e) to appoint and to dismiss the Board members and to set their remuneration;
- f) to make an opinion on the governance of the Board of Directors;
- g) to appoint and to dismiss the financial auditor and to set the minimum term of the financial audit contract;
- h) to approve contracting bank loans, whose value exceeds, individually or cumulated with other bank loans in progress over a financial year, EUR 100 million, equivalent in RON;
- i) approval of documents for establishing guarantees, other than guarantees for the company's non-current assets, with individual or cumulated value with other established guarantees other than guarantees in progress for the company's non-current assets over a financial year of EUR 50 million, equivalent in RON.

The Extraordinary General Meeting of Shareholders has the following main competencies:

- a) to change company's legal form;
- b) to move the headquarters;
- c) to change the company's scope of activity;
- d) to incorporate and to conclude or amend incorporation documents of the companies where Romgaz is managing partner;
- e) to conclude or amend joint venture contracts where the company is contracting party;

- f) to increase the share capital;
- g) to reduce the share capital or to restore it by issuing new shares;
- h) to merge with other companies or to spin-off the company;
- i) the anticipated winding up of the company;
- j) to convert shares from a category into the other;
- k) to convert one category of bonds into another one or in shares;
- l) to issue bonds;
- m) to conclude the documents related to the acquisition of non-current assets whose value exceeds, separately or cumulatively, during a financial year, 20% of the total non-current assets of the company, except for receivables;
- n) to conclude the documents related to disposal, exchange and set up of guaranties referring to non-current assets whose value exceeds, separately or cumulatively, during a financial year, 20% of the total non-current assets, except for receivables;
- o) to conclude the documents related to rental for a period longer than 1 (one) year of tangible assets to the same contractors or to persons involved or acting together, whose value exceeds, separately or cumulatively, 20% of the total tangible assets, except for receivables at the document conclusion date;
- p) any other change in the articles of incorporation or any other resolution that requires the approval of the extraordinary general meeting of shareholders.

Board of Directors

Romgaz is a joint-stock company governed under an one-tier system.

The Board of Directors consists of 7 (seven) directors elected by the general meeting of shareholders, in compliance with legal applicable provisions and the provisions of the Articles of Incorporation, one of its members is appointed Chairman of the Board.

Board of Directors composition observes the legal criteria/conditions on the share of non-executive and independent directors, the studies and competencies, experience and gender diversity (criteria detailed in the Board of Directors Terms of Reference).

Board of Directors composition on December 31, 2017 is presented in Chapter VI “*Company management*”. According to the independency declarations sent to the company, five directors have declared to be independent and one as non-independent. Independence of Board members is determined based on criteria detailed in Romgaz Corporate Governance Code (art.6).

Aspects on directors' rights, obligations and competencies, as well as aspects related to Board meetings are detailed in the Articles of Incorporation and in the Board of Directors Terms of Reference.

Until December 31, 2017 the Board of Directors did not make a self- assessment for 2017.

Advisory Committee

In its activity, the Board of Directors is supported by three advisory committees, namely: the nomination and remuneration committee, the audit committee and the strategy committee.

The Audit Committee has legal competencies provided in Article 65 of Law No. 162/2107⁸ consisting mainly in monitoring the financial reporting process, the internal control systems, the internal audit and risk management systems within the company, as well as in controlling the statutory audit activity related to annual financial statements and managing the relationship with the external auditor.

⁸ Law No. 162 of July 15, 2017 on the statutory audit of annual financial statements and of annual consolidated financial statements and of amending pieces of legislation

The Nomination and Remuneration committee has, basically, the competence to set the procedures for selecting the candidates for the director and manager positions, and to make proposals for the director's position and to get involved in the selection and recruitment procedure or managers, and to make proposals on their remunerations. The committee has also the obligation to elaborate during the financial year an *annual report on the remuneration and other benefits awarded to directors and managers*.

The main scope of the strategy committee is to coordinate drafting/update and monitoring of the company's development strategies, correlated with the national and European energy strategy, to analyse the implementation of such strategies and the measures needed to reach the objectives set, to monitor the business diversification projects by achieving investments.

The detailed presentation of attributions and responsibilities of each committee may be found in their respective Internal Rules published on the company's webpage www.romgaz.ro at "*Investor Relations – Corporate Governance – Reference Documents*".

On December 31, 2017, the advisory committees' structure was the following:

I) Nomination and Remuneration Committee:

- ✎ Cermonea Daniel Ioan (chairman)
- ✎ Nistoran Dorin Liviu
- ✎ Baciu Sorana Rodica
- ✎ Grigorescu Remus

II) Audit Committee

- ✎ Baciu Sorana Rodica (chairman)
- ✎ Grigorescu Remus
- ✎ Cermonea Daniel Ioan
- ✎ Ciobanu Romeo Cristian

III) Strategy Committee

- ✎ Grigorescu Remus (chairman)
- ✎ Nistoran Dorin Liviu
- ✎ Baciu Sorana Rodica

Information regarding the Board of Directors' meetings and the Advisory Committees during 2017

During 2017, the Board of Directors held a number of 27 meetings, in compliance with the legal and statutory provisions, out of which:

- 15 effective meetings of the directors and
- 12 conference-call meetings.

The attendance at the Board of Directors' meetings:

First name and last name	Number of meetings during the mandate	P		A		NP	
		no.	%	no.	%	no.	%
Chisăliță Dumitru	8	8	100.0				

Negruț Aurora	8	7	87.5			1	12.5
Jude Aristotel Marius	8	6	75.0	1	12.5	1	12.5
Stoicescu Florin Răzvan	8	6	75.0	1	12.5	1	12.5
Jansen Petrus Antonius Maria	18	15	83.3	1	5.6	2	11.1
Tcaciuc Sebastian Gabriel	16	15	93.75			1	6.25
Buzatu Florin Dănuț	18	15	83.3	1	5.6	2	11.1
Chirilă Alexandru	10	9	90.0	1	10.0		
Stan Bogdan Nicolae	14	5	35.7			9	64.3
Gheorghe Gheorghe Gabriel	13	13	100.0				
Metea Virgil Marius	10	10	100.0				
Baciu Sorana Rodica	11	9	81.8			2	18.2
Nistoran Dan Liviu	9	9	100.0				
Ciobanu Romeo Cristian	9	7	77.8			2	22.2
Cermonea Daniel Ioan	9	8	88.9			1	11.1
Grigorescu Remus	9	9	100.0				
Volintiru Adrian Constantin	2	2	100.0				
Anghel Daniel Florin	2	2	100.0				

where:

P = participate

A = power of attorney

NP = did not participate

Attendance at Advisory Committees' meetings:

Nomination and Remuneration Committee: 11 meetings

First name and last name	physical attendance
Tcaciuc Sebastian Gabriel	7
Negruț Aurora	3
Jansen Peter Antonius Maria	5
Stoicescu Răzvan Florin	3
Buzatu Florin Dănuț	5
Chirilă Alexandru	3
Gheorghe Gheorghe Gabriel	5
Nistoran Dorin Liviu	4
Stan Bogdan	1
Cermonea Ioan Daniel	4
Grigorescu Remus	3

Audit committee: 4 meetings

First name and last name	physical attendance
Jansen Peter Antonius Maria	1
Tcaciuc Sebastian Gabriel	1
Jude Marius Aristotel	1
Buzatu Florin Dănuț	1
Stoicescu Răzvan Florin	1
Baciu Sorana Rodica	3
Ciobanu Romeo Cristian	3

Grigorescu Remus	3
Cermonea Ioan Daniel	2

Strategy Committee: 2 meetings

First name and last name	physical attendance
Negruț Aurora	2
Chisăliță Dumitru	2
Tcaciuc Sebastian Gabriel	1
Jude Marius Aristotel	2
Buzatu Florin Dănuț	1

Director General

In compliance with the company's Articles of Incorporation "*the Board of Directors shall assign, totally or part of, the management competences of the Company to one or more managers, appointing one of them as Director General*" Article 24, paragraph (1), "manager" meaning "*the person to whom the Board of Directors delegated authority to manage the company*" Article 24, paragraph (12).

Mr. Metea Virgil Marius acted as Director General between January 1 – December 14, 2017 having the following responsibilities and duties delegated by the Board of Directors:

A. Responsibilities and duties related to internal management:

- ↪ approves the organization and functioning chart;
- ↪ approves the Organization and Functioning Regulations as well as other internal documents regulating the activity of the company related to its employees;
- ↪ approves the employment, promotion and dismissal of employees;
- ↪ approves the responsibilities and duties of the employees;
- ↪ approves the disciplinary reward and sanction of the employees;
- ↪ approves the specific operations necessary and useful for achieving the scope of activity;
- ↪ fulfils any accessory duties, namely any acts and special operations necessary and useful for achieving the above mentioned duties ;

B. Responsibilities and duties related to the representation of the company:

- ↪ represents the company when concluding/issuing legal documents;
- ↪ represents the company in pre-contractual, administrative and/legal procedures;
- ↪ fulfills any accessory duties, namely any acts and special operations necessary and useful for achieving the above mentioned duties.

Starting with December 14, 2017 the interim Director General is Mr. Cindrea Corin Emil, being delegated a series of competencies related to company management.

The Director General must periodically inform the Board of Directors on the manner of achieving the assigned duties, as well as the right to request and to obtain instructions on the manner of exercising the assigned duties.

Internal Audit

Internal audit activity is organised and conducted in compliance with:

- ✚ Law 672/2002 on the internal public audit;
- ✚ Own methodological norms, issued under GD No. 1086/2013 on approving the General Norms on exercising the internal public audit;
- ✚ Order of the Ministry of Public Finances No. 252/2004, Code of ethics of the internal auditor, as subsequently amended and supplemented;
- ✚ SNGN Romgaz SA Corporate Governance Code;
- ✚ SNGN Romgaz SA Internal Audit Charter.

Romgaz sets and keeps the internal audit activity operational, being performed independently from other functions and activities. According to the effective laws, the Internal Audit Department is directly subordinated to the Director General, but reports to the Board of Directors through the Audit Committee.

Internal auditing mission, attributions and responsibilities are defined in the Internal Audit Charter approved by the Director General. The charter sets the position of the internal audit within the company, sets the manner for accessing company's documents in order to duly fulfil audit missions and defines their scope of activity.

Internal auditing is conducted permanently in order to provide an independent evaluation of operations, control and its management processes, evaluates the potential risk exposure of various business segments (asset security, compliance with laws and contracts, integrity of operational and financial information etc.) makes recommendation for improving the systems, controls and procedures to ensure efficiency of operations and observes the proposed corrective actions and the results.

Internal auditing is conducted as follows:

- ✚ Evaluate the management and internal control systems – system audit;
- ✚ Evaluate results of the monitored objectives and examine the effective impact – performance audit;
- ✚ Ensure conformity of procedures and operations with legal requirements – regularity audit.

The internal audit activity was performed in 2017 according to the audit plan prepared based on the risk analysis related to auditable activities of the company within their scope of activity. The audit plan and the resources necessary for performing the activity were endorsed by the Audit Committee and approved by the Director General, aiming to include the company's activities and operations that fall within the audit's scope of activity. Internal auditing activity is independent and objective ensuring the company on the control of the operations, being conducted according to approved procedures. Each audit mission has a detailed program comprising the applicability area, objectives, resources allocated thereto and the term.

Objectives of the internal audit are supporting the company in identifying and evaluating significant risks in order to provide an independent evaluation of risk management, of control and management processes and supporting the company in maintaining an efficient and effective control system.

The main activities and operations of the company that underwent an internal audit in 2017 were:

- ✓ Production and production management;
- ✓ Investments and project management;

- ✓ Analysis of the progress on conformity with BVB Corporate Governance Code according to the “Comply or Explain” Statement.

The internal auditor reports to the Director General and to the Audit Committee on the scope of the audit activity, its results, conclusions, recommendations and proposals made. Activities and operations performed by the company in 2017 that were audited, can be considered as compliant with the company's policies, programs and management, with the legal provisions and internal rules. No significant situations were identified to require a Form for findings and irregularities reporting (F.C.R.I.⁹).

Risk Management and Internal Control

Company's Policies and Objectives related to Risk Management

In accordance with the Corporate Governance Code, one important role played by the company's management is to ensure that an efficient risk management system is in place.

One major concern of the management is to raise the awareness on the objectives of the risk management process, the necessity of direct implication in the risk management process, as well as the alignment to the latest practices in the sector by complying with the effective laws, standards and norms related to such process.

The company's risk management system is implemented in accordance with:

- 📄 the Order of the Ministry of Public Finances no. 400 of June 12, 2015 for approval of the Internal / Management Control Code
- 📄 Government Ordinance no.119/1999 (Article 4) on the internal control and the preventive financial control;
- 📄 Law no. 234 of December 7, 2010 amending and supplementing Government Ordinance no. 119/1999,
- 📄 International Standard ISO 31010:2009: “*Risk management – risk assessment techniques*”;
- 📄 International Standard ISO 31000:2009: “*Risk management/Principles and guidelines*”;
- 📄 Romanian Standard SR Guidelines 73:2009: “*Risk management-Vocabulary*”.

Consequently, in compliance with the risk management process, the company systematically analyses, at least once a year, the risks related to its objectives and activities and prepares adequate remedy plans in order to mitigate the possible consequences of such risks, and appoints employees responsible for implementing those plans.

Moreover, the risk management system implemented within the company is an integral part of the decision making process by setting the requirement to use a risk management analysis when drafting any and every complex document (technical projects, execution projects, reservoir studies).

The main benefit of the risk management process is the improvement of the company's performance by identifying, analysing, assessing and managing all risks within the company, in order to minimize the negative risk consequences or to increase the positive risk consequences, as the case may be.

⁹ F.C.R.I - Form for findings and irregularities reporting

A risk management department has been established for an efficient assessment of the company's risks. One major task of this department is drafting the company's final documents in terms of risk management: Final Risk Register, Final Risk Report, Final Measure Implementation Plan and the Company's Risk Profile.

Three role levels are set up in the risk management system:

- *base level*, represented by those who identify risks and by the risk managers (head of each organizational unit) who are responsible for preparing risk management documents related to the level of the unit they manage;
- *middle level*, represented by the company's middle management, who together with the heads of the organizational units form the Risk Management Commission that facilitates and coordinates the management process within the respective direction/department/division;
- *high level*, represented by the executive upper management through the Risk Analysis and Management Commission that approves the company's risk appetite and risk profile in accordance with its objectives.

General scope of the risk management activity:

1. setting the general uniform framework for risks identification, analysis and management;
2. providing the appropriate tool for a controlled and efficient risk management;
3. describing the manner in which control measures are set and implemented in order to prevent the occurrence of negative risks.

Some of the analysed risk categories are: financial risks, market risks, occupational health and safety risks, personnel risks, risks related to information systems, and legal and regulatory risks.

All risks are analysed from following perspectives:

- specific objective the risk refers to;
- causes of risk occurrence;
- consequences further to risk materialization;
- occurrence probabilities;
- risk materialization impact;
- risk exposure;
- risk response strategy;
- recommended control (remedy) measures;
- residual risks remaining after treatment of initial risks.

Internal control

In Romgaz, the internal control system operates in a control environment in a continuous change that requires the adjustment of control at the level of every activity, differentially and integrative, established in relation to the company's interests.

The internal control has to be perceived as a management function and it is the manager's and each employer's task to organise and to ensure functioning of the internal management

control system so as to observe the general frame set by legal provisions and to be adapted to the company's specificity.

Internal control is a process carried out by the personnel at all levels: board of directors, executive management, entire personnel, respectively. It is carried out by the top management and bottom management, such as compartments responsible and the other employees as well. Each member of the company is responsible with his internal control.

The control system developed and implemented in Romgaz, as part of the management process, targets all the activities of the organizational units, at all levels of management, and aims to achieve the objectives under the condition of risk identification and management related to such.

The internal management control has to ensure the following:

- compliance with the law in force;
- applying the management resolutions;
- a good functioning of internal activity;
- efficiency of operations;
- efficient use of resources;
- prevention and control of risks of non-fulfilment of set objectives.

Repealing Ministry of Public Finance Order 946/2005¹⁰ and entering into force of SGG Order no 400/2015¹¹ in June 2015 supplemented by SGG Order no. 200/2016¹² generated a new conceptualization of the main internal control directions in Romgaz aiming at creating a tighter and more coherent bond with the other management control instruments – internal audit and risk management system, and internal audit and risk management system, and to establish a reporting and monitoring system for the Board of Director through its Audit Committee for monitoring such activity.

The internal/management control system developed and implemented in Romgaz targets the achievement of the following objectives:

- compliance with legal regulation, with internal rules, with contracts and administrative and jurisdictional decisions applicable to the company's activity;
- fulfilling Romgaz objectives under efficiency, economy and efficiency conditions;
- protect Romgaz patrimony against losses due to errors, waste of money, fraud or abuse;
- development and maintenance of collection, storage, processing, updating and distribution of financial and management data and information, as well as of proper systems/procedures to inform the public.

Drafting, implementation, development and assessment of internal/management control system for Romgaz are achieved in compliance with the provisions set in Government

¹⁰ Public Finance Ministry Order no. 946 as of July 4, 2005 for the approval of Internal Control Code comprising internal/management control standards at public entities and for the development of internal/management systems;

¹¹ Government General Secretary Order No. 400/2015 for the approval of internal/management control systems of public entities;

¹² Government General Secretary Order No. 200 of February 26/2016 on amending and supplementing Government General Secretary Order No. 400 of June 12/2015 for the approval of internal/management control systems of public entities;

Ordinance No. 119/1999¹³ and with the standards provided by Order SGG No. 400/2015, supplemented with Order SGG No. 200/2016¹⁴ grouped in five main categories:

Category	Main aspects
Control environment	Company organization, human resources management, ethics principles and rules, deontology and integrity
Risk management and performance	Applicable to all of the company's processes and activities, targets how objectives were set, sets risk identification methods and risk management, planning (multiannual planning), scheduling (governing plan and management plan) and performance monitoring
Control activities	Internal procedures are documented and drafted in relation to the main processes so that the initiation and verification functions separation is maintained in order to mitigate error and fraud risk, and in relation to operation continuity by means of continuous supervision and management of deviations from set procedures
Information and communication	Targets the creation and development of a flexible and rapid information system to ensure both information quality and usage of proper communication methods and channels for each information type. Development of reporting system for the implementation of the governing and management plan, entity budget, management of resources use and document.
Evaluation and audit	Drafting and implementation of policies, plans and schedules for the development of internal/management control in terms of perfecting such by the assessment of the implementation carried out by the internal audit compartment

Among the 2017 internal/management control system development/improvement actions we specify the following:

- Romgaz adherence to the principles and fundamental values promoted by the National Anticorruption Strategy 2016-2020 – elaborate the Integrity Plan no. 70/24.02.2017 posted on the website - correlated with the Development Program of the Internal Management Control for 2017;
- Consulting all employees to identify vulnerabilities to corruption by using a questionnaire drafted by the Commission responsible for implementing the National Anticorruption Strategy, according to report no. 7592/14.03.2017.
- Identify sensitive positions and other positions considered to be exposed, especially to corruption and review the list of employees occupying such positions, the procedure being approved by the Director General in report no. 10815/12.04.2017 – correlated with the National Anticorruption Strategy 2016-2020 and the requirements of Standard 1 “Ethics, integrity” and Standard 2 “Attributions, positions and tasks” provided by Order no. 400/2015, supplemented by Order no. 200/2016;
- The project on listing the vulnerabilities to corruption specific for company's activities was submitted for review and endorsed by the Commission for monitoring the internal management system according to Protocol no. 29190/12.10.2017;

¹³ Government Ordinance no. 119 as of August 31, 1999 regarding internal control and preventive financial control

¹⁴Government General Secretary Order No. 200/ February 26, 2016 regarding the amendment and supplementation of Government General Secretary Order No. 400/2015 for the approval of internal/management control systems of public entities;

- Prepare by the end of 2017 the “List with sensitive positions and/or exposed positions specially to corruption and the list with the persons occupying such positions;
- Review the Internal Rules according to the Decision of the Director General no. 259/21.01.2017 – amended and/or supplemented articles – “privileged information”;
- Disseminate informative documents in order to raise awareness and anticorruption education of all employees and correlated by enhanced activities for implementing the internal management system to all managers and heads of departments. PowerPoint presentations were sent by email on September 28, 2017;
- Update procedure PS-06 Communication and Instruction 00IL-061 External information Communication – correlated with Standard 12 “Information and Communication” provided by Order no. 400/2015, supplemented by Order no. 200/2016;
- Update instruction 00IL-011 Document archiving, correlated with Standard 13 “Document management” provided by Order no.400/2015, supplemented by Order no.200/2016;
- Training project to improve risk management, therefrom two activity fields were selected, namely trading and purchase/investments. This project was initiated in July 2017 and is in progress;
- Draft and update Romgaz Risk Register.

According to the self-assessment results for the implementation of Internal/Management Control System, in 2017 (in relation to the 16 internal/management control standards provided in Order no. 400/2015, supplemented by Order no.200/2016), the Internal/Management Control System is partially implemented.

In order to increase the quality of the internal control activity and the performance of management act as regards the use of public resources, the following are recommended:

- increase the managers responsibility as regards the organization of internal control and implementation of control findings;
- supervising the systematic update of the procedures in terms of legal changes and risks evolution;
- coordinating the internal control system of the company with the risk management
- supporting the management in implementation of the internal auditors recommendations
- ensuring the consultancy requested by the management.

Code of Conduct

Romgaz's Code of Conduct was prepared first in 2013.

The periodical reports on the indicators relevant for compliance with the rules of conduct have been prepared by the person responsible with monitoring the compliance of the Code of Conduct and have been posted on the intranet webpage of the Company.

Subsequently, considering the need to comply with the legal requirements on corporate governance, internal control and National Anticorruption Strategy, the company's executive management updated in 2017 the Code of Conduct. The updated document – SNGN Romgaz

SA Ethics and Integrity Code – was approved by the Director General in February 2018 and has to be ratified by the Board of Directors.

The most important amendments/supplements of this Ethics and Integrity Code are the following: conflict of interests, trade of company's shares, compliance with laws on competition, integrity insurance and preventing corruption deeds, prevention and reporting frauds, money laundry etc.

Corporate Social Responsibility

Romgaz activities in the field of social responsibility are performed voluntarily, beyond the legal responsibilities, the company being aware of its role in society.

Social responsibility means for Romgaz a business culture including business ethics, customer rights, economic and social equity, environmental friendly technologies, fair treatment of workforce, transparent relationship with the public authorities, moral integrity and investment in the community.

Moreover, Romgaz supports a sustainable development of the society and community, through financial support/ total or partial sponsorship for some actions and initiatives in the following main domains: education, social, sport, health and environment.

Granting financial support/partial or total sponsorship for actions and initiatives, within the budgeted limits, Romgaz has shown a pro-active attitude of social responsibility and increased the awareness of the parties involved as regards to the importance and benefits of social responsibility actions.

In 2017, Romgaz supported, totally or partially, actions and initiatives stipulated in Government Emergency Ordinance (“GEO”) no.2/2015, complying with the budget, as follows:

Expenses/activities	Achieved (RON)
Total of sponsorship expenses, out of which	7,731,870
Expenses with sponsorships in medical and health domains - Article.XIV letter.a)	2,589,632
Expenses with sponsorships in education and sport domains – Article XIV letter.b) – total, out of which:	3,884,848
For Sports Clubs	3,450,920
Sponsorships for other actions and activities - Article.XIV letter.c)	1,257,390

The detailed description of the projects as regards the sponsorship provided in GEO no.2/2015 is included in the *Annual Report on Social Responsibility and Patronage for 2017* published on www.romgaz.ro at “Investor Relations - Corporate Governance - Social Responsibility”.

The projects carried out in 2017 had besides the positive impact on the environment and community, an important benefit for the company by inspiring the organisational culture and the goodwill being a responsible employer, and also an involved social partner, promotor of a transparent and open relationship. This is positively reflected in Romgaz image, domestically and internationally, both for investors, central and local authorities and for other stakeholders.

When supporting/performing projects, actions, social responsibility initiatives, Romgaz took into consideration the provisions of Sponsorship Policy and Sponsorship Guide applicable in 2017, published on the company's website at Social Responsibility.

(<https://www.romgaz.ro/en/content/social-responsibility-0>)

Politics and Remuneration Criteria of the Executive and Non-Executive Members of the Board of Directors and of managers

Legal Framework

The politics and remuneration criteria of the executive and non-executive members of the Board of Directors are based on the following norms:

- Law no. 31/1990 on trading companies, as subsequently amended and supplemented;
- GEO no. 109/2011 on corporate governance of public enterprises, as subsequently amended and supplemented, approved by Law no.111/2016;
- The company's Articles of Incorporation, approved by the Extraordinary General Meeting of Shareholders no. 9/October 28, 2016 and no.4/ August 9, 2017 (last update of the Articles of Incorporation);
- Resolution no. 14/August 26, 2013 of the Ordinary General Meeting of Shareholders which established the general limits of the remuneration of the director general, executive member of the Board of Directors;
- Resolution no. 29/December 16, 2013 of the Board of Directors approving the Mandate Contract of the Director General;
- OGMS Resolutions no. 12/26.07.2013 and no. 13/30.12.2016 approving the Director Agreements for Board members;
- Resolution no.14/07.06.2017 on the 4 year renewal of the Director General Contract of Mandate;
- Resolution no.35/14.12.2017 approving the contract of mandate that is going to be concluded with the Chief Financial Officer.

For compliance with the Requirements of BVB Corporate Governance Code and GEO no. 109/2011, Romgaz drafted the Policy on remuneration which shall be submitted for approval of the Board of Directors.

The structure of the remuneration granted to non-executive directors

The fixed monthly remuneration as well as the variable one were established according to applicable legal provisions (detailed in the 2017 Annual Report on remunerations and other benefits granted to SNGN Romgaz SA directors and managers) and provided in the Director Agreement of each directors, as approved by the applicable GMS resolution.

The following criteria are relevant for the fixed remuneration for 2017:

- The Chairman and Board members who are at least on two (2) advisory committees benefit from a fixed maximum monthly remuneration;
- Board members who are at least on one (1) advisory committee benefitted from a monthly fixed allowance of 90% of the fixed maximum monthly remuneration;
- Board members who do not belong to any advisory committee benefit from a fixed monthly remuneration representing 85% of the fixed maximum monthly allowance.

The following criteria are relevant for the variable remuneration for 2017:

- Part of the directors that carried on activities in 2017 received strictly a fixed allowance, while another part received remuneration also;
- Variable remuneration was set depending on the achievement of objectives, namely fulfilment of the performance indicators target value, that were set in the director agreement and approved by the GMS in 2013 Governing Plan;
- The value of the variable remuneration of non-executive board members did not exceed the value of 12 monthly fixed remunerations.

The variable remuneration is made up of two (2) components, a first component depending on the fulfilment of performance indicators determined quarterly, by considering the share of each indicator and the variation from the target level, and the second one depends on the exceeding value by a percentage higher than 0.4% of the achieved net profit as compared to the one approved in the company's income and expenditure budget, namely the amount representing the difference between the actual achieved net profit and the estimated net profit for every financial year, but not higher than the value of the annual fixed allowance.

The structure of the remuneration granted to the executive director, namely Director General

While acting as executive member of the Board of Directors, the Director General concluded both a director agreement for the membership in the Board and a contract of mandate for the position as Director General. The Director General was entitled strictly to payment of the remuneration according to the contract of mandate.

The structure of the remuneration granted to managers

The monthly fixed remuneration, as well as the *variable remuneration* were granted under the legal applicable provisions (detailed in the Annual Report on remunerations and other benefits granted to SNGN Romgaz SA directors and managers), such being provided in the Contract of mandate of each manager, approved by Board resolutions.

As regards solely the Director General the variable remuneration was granted considering the fulfilment of objectives and performance indicators. In 2017 the interim Director General and the Chief Financial Officer did not benefit from the variable remuneration.

NON-FINANCIAL STATEMENT Romgaz prepares a *separate report* for financial year 2017, that will be public on the company's website by the end of June 2018, according to the Order of the Ministry for Public Finances no. 2844/2016¹⁵ (chapter 7, item 42, para (1)).

¹⁵ Order of the Ministry of Public Finances no.2844 of December 12, 2016 on approving Accounting Regulations compliant with the International Financial Reporting Standards

IX. PERFORMANCE OF THE MANDATE CONTRACT/DIRECTORS' AGREEMENTS

The timeline of the directors agreements, the contract of mandate, the Governing Plan and the Management Plan is the following:

- ✎ **June 12, 2013** – The Board of Directors' Resolution no. 8 approves the appointment of “*Mr. Virgil Marius Metea as executive director - Director General*”;
- ✎ **July 26, 2013** – GSM Resolution no. 12 approves the Director Agreement to be concluded with the members of the Board of Directors;
- ✎ **September 25, 2013** – GSM Resolution no. 16 approves the Governing Plan 2013-2017 prepared and presented by the Board of Directors;
- ✎ **December 16, 2013** – Board's Resolution no. 29 approves the Contract of Mandate between Romgaz and Mr. Virgil Marius Metea as executive director-Director General.
- ✎ **January 29, 2014** – Board's Resolution no. 1 approves the “Management Plan of Romgaz's Director General over the mandate contract's term *i.e.* 2013-2017”.
- ✎ **November 15, 2016** - By Resolution no.10, the Board of Directors revoked *Mr. Virgil Marius Metea* from the position of executive director.
- ✎ **December 30, 2016** – by Resolution no.13, the General Meeting of Shareholders approved the Directors Agreement which shall be concluded with the new members of the Board of Directors.
- ✎ **April 25, 2017** – GMS Resolution no.1 appointed as interim directors: Mr. Stan Bogdan Nicolae, Mr. Chirila Alexandru, Mr. Gheorghe Gheorghe Gabriel and Mr. Metea Virgil Marius and approved the director agreement;
- ✎ **June 7, 2017** – Board's Resolution no. 14 decided upon the renewal of the Director General contract of mandate – *Mr. Metea Virgil Marius* ;
- ✎ **September 7, 2017** – GMS Resolution no.5 appointed as interim directors: Mr. Gheorghe Gheorghe Gabriel, Mr. Stan Bogdan Nicolae, Mr. Ciobanu Romeo Cristian, Mr. Nistoran Dorin Liviu, Mr. Ceremonea Ioan Daniel, Mr. Grigorescu Remus and Mrs. Baci Sorana Rodica and approves the director agreement;
- ✎ **November 2, 2017** – Board's Resolution no.30 appointed Mr. Bobar Andrei as Chief Financial Officer. The contract of mandate was concluded for 4 months, starting with November 2, 2017, it will be automatically extended for successive periods of 4 months until the appointment of a Board of Directors, whose members will be selected in compliance with GEO no. 109/2011. Thereafter the Board of Directors will set the performance indicators and objectives based on the Management Plan, as well as the term of the mandate.
- ✎ **December 14, 2017** – Board's Resolution no.35 approved the contract of mandate to be concluded with the Chief Financial Officer, appointed by Resolution no.30 of November 2, 2017;
- ✎ **December 14, 2017** – Board's Resolution no.36 revoked the mandate of Mr. Metea Virgil Marius as director general;
- ✎ **December 14, 2017** – Board's Resolution no.37 appointed Mr. Cindrea Corin Emil as interim director general for a 4 month term, with the possibility to be extended up to maximum 6 months.

9.1. Objectives and Performance Criteria

“*SNGN Romgaz SA Governing Plan for 2013-2017*” was approved by Resolution no. 16 of September 25, 2013 of the General Meeting of Shareholders.

“*The Contract of Mandate of SNGN Romgaz SA Director General*” was approved by the Board of Directors Resolution no.29 of December 16, 2013 and became effective “*starting with June 17, 2013*” according to the same resolution. The contract of mandate was concluded for a 4 year term.

“*The Management Plan for the term of SNGN Romgaz SA Director General mandate, namely for 2013-2017*” – was approved by the Board of Directors Resolution no.1 of January 29, 2014.

The Management Plan encloses the vision of the Director General for the fulfilment of the strategic objectives as provided in the Governing Plan and the achievement of performance criteria and objectives.

Therefore, the performance criteria and objectives set in the Director Agreement are performance criteria and objectives of the director general activity.

The main *performance objectives* provided in the director agreement and in the management contract may be summarized as follows:

- ✎ Increasing the company’s gas resources and gas reserves portfolio by discovering new resources and by developing and improving the recovery degree of already discovered resources;
- ✎ Consolidating the company’s position on the electricity supply market;
- ✎ Optimizing, developing and diversifying the underground storage activity by reconsidering its importance for ensuring safety, continuity and flexibility in supplying natural gas;
- ✎ Increasing the company’s performance;
- ✎ Identifying of new growth and diversification opportunities;
- ✎ Improving the company’s organization structure, including the reorganization of the internal audit function.

Besides the specific measures for fulfilling each objective, the company proposed to implement general measures that will also contribute to the fulfilment of the company’s strategic objectives, in the following areas:

- Human resources management;
- Corporate governance and social responsibility;
- Optimization of budgeting and control process;
- Improving the company’s image;
- Implementation of legal provisions on legal separation of UGS activity;
- Developing the role of the company’s risk management.

The measures and actions for the fulfilment of strategic objectives, as set in the Governing Plan, are monitored periodically, quarterly and annually by the following *indicators and performance criteria*:

No.	Indicator	M.U.	Performance criterion	Indicator	Weighting coefficient
0	1	2	3	4	5
1.	EBITDA	thousand RON	increasing	4.50%/year	0.25
2.	Revenue	thousand RON	increasing	6%/ year	0.20
3.	Labour productivity	RON/person	increasing	6%/ year	0.10
4.	OPEX to RON 1000 operating income (op. expense/op. income)	RON	decreasing	0.60%/ year	0.10
5.	Geological resources	million m ³	increasing	1%/ year	0.10
6.	Natural gas production decline	%	keeping stable	1.5%/ year	0.15
7.	Outstanding payments	thousand RON	keeping stable	0	0.10

With the expiration of the 4 year director agreements of directors appointed by the General Meeting of Shareholders in 2013, interim directors were successively appointed, they have no performance indicators and criteria included in the director agreements approved by the GMS.

The Board of Directors approved by Resolution no.14 of June 7, 2017 besides the renewal of Mr. Metea Virgil Marius contract of mandate as – Director General, also the modification of the performance indicators' value for 2017 as those approved by the GMS in the income and expenditure budget.

The Board of Directors revoked by Resolution no.36 of December 14, 2016 the director general mandate of Mr. Metea Virgil Marius.

The Board appoints by resolution no.37 of December 14, 2017 Mr. Cindrea Corin Emil as interim director general for a 4 month term, with the possibility to be extended up to maximum 6 months.

The contract of mandate concluded by the Director General with the Board included no performance indicators and criteria.

Likewise, the contract of mandate concluded by the Chief Financial Officer Mr. Bobar Andrei with the Board included no performance indicators and criteria. These will be set in an addendum by the Board of Directors that will be appointed further to the selection procedure compliant with GEO no.109/2011, based on the management plan.

9.2. 2017 Results

Directors

The achievement of performance indicators and criteria of directors who had such included in their director agreements and whose contracts expired in 2017 are shown in the table below:

9 months 2017

	Weighting factor	Indicator	Average values 9 months 2014-2016	Target values	Achieved values	Achievement rate	Weight
1	2	3	4	5	6	$7=6/5 \times 100$	$8=2 \times 7$
EBITDA	0.25	+4.5%	1,908,812.5	1,994,709.1	1,826,043.5	91.5	22.88
CA	0.20	+6%	2,873,798.6	3,046,226.5	3,241,648.5	106.4	21.28
W	0.10	+6%	465.4	493.3	535.5	108.5	10.85
C_{expl}/V_{expl}	0.10	-0.6%	580.5	577.0	582.8	99.0	9.90
RES	0.10	+1%	1.876.7	1.895.4	1.267.0	66.8	6.68
d_q	0.15	-1.5%	3.959.0	3.899.6 ¹⁶	3.751.1	96.2	14.43
P_{res}	0.10	0	0	0	0	110.0	11.00
Total	1.00	-	-	-	-	-	97.02

- EBITDA – (RON thousand);
 CA – revenue (RON thousand);
 W – labour productivity (RON thousand/employee);
 C_{expl}/V_{expl} – operating expenses to 1000 RON operating income;
 RES – volume of geological resources (million m³);
 d_q – gas production decline (%);
 P_{res} – outstanding payments (thousand RON).

The performance criteria and objectives achievement degree is **97.02%**.

The achievement of the performance indicators and criteria was positively influenced by:

- 👍 *Revenue* – higher than the target by RON 195.4 million (+6.4%);
- 👍 *Labour productivity* – higher than targeted by 42.2 thousand RON/employee (+8.5%);
- 👍 *Outstanding payments*.

The following indicators were not fully achieved:

- 👎 *EBITDA* – lower by RON 168.67 million (-8.5 %) compared to target value;
- 👎 *Operating expenses to RON 1000 operating income* – higher by RON 5.8 (+1%) compared to target value;
- 👎 *Volume of geological resources* – lower by 628.4 million m³ (-33.2%);
- 👎 *Natural gas production* – lower by 148.5 million m³

¹⁶ Production of 2012 corrected with the target decline of 1.5%, 2012 being considered “base year”.

2017 Total

	Weighting factor	Indicator	Average values 2014-2016	Target values	Achieved values	Achievement rate	Weight
1	2	3	4	5	6	7=6/5x100	8=2x7
EBITDA	0.25	+4.5%	2,481,269.9	2,592,927	2,810,436	108.4	27.10
CA	0.20	+6%	3,985,964.2	4,225,122	4,585,189	108.5	21.70
W	0.10	+6%	645.5	684.2	758.4	110.8	11.08
C_{expl}/V_{expl}	0.10	-0.6%	597.6	594.0	548.7	108.3	10.83
RES	0.10	+1%	2.461	2.485.6	1.282	51.6	5.16
d_q	0.15	-1.5%	5.331.1	5.251.1 ¹⁷	5.157.5	98.2	14.73
P_{res}	0.10	0	0	0	0	110.0	11.00
Total	1.00	-	-	-	-	-	101.60

The performance criteria and objectives achievement degree is **101.60%**.

The achievement of the performance indicators and criteria was mainly influenced by:

- ↳ *EBITDA* – higher by RON 217.5 million (+8.4%) compared to target value;
- ↳ *Revenue* – higher by RON 360.1 million (+8.5%) compared to target value;
- ↳ *Labour productivity* – higher than targeted by 74.2 thousand RON/employee (+10.8%);
- ↳ *Operating expenses to RON 1000 operating income* – lower by RON 45.3 (-7.6%) compared to target value;
- ↳ *Volume of geological resources* – lower by 1,203 million m³ (-48.4%);
- ↳ *Gas production decline* – lower by 93.6 million m³ compared to target value.

Director General

The Board of Directors sets by Resolution no.14 on June 7, 2017 “*the performance indicators for the Director General approved in the Board meeting on 23.03.2017*”.

Addendum no.5 to the Contract of Mandate was concluded subject to Board Resolution no.14/2017, registered under no. 17702 of June 15, 2017.

By Resolution no.36 of December 14, 2017 the Board **revoked** the mandate as director general of Mr. Metea Virgil Marius.

The Board **appointed** by Resolution 37 of December 14, 2017 Mr. Cindrea Emil Corin as interim director general for a 4 month term, with the possibility to be extended up to maximum 6 months, in compliance with the law. The contract of mandate concluded by the Director General with the Board included no performance indicators and criteria.

The fulfilment of the performance criteria and objectives is shown in the table below:

¹⁷ Production of 2012 corrected with the target decline of 1.5%, 2012 being considered “*base year*”.

	M. U.	Performance criterion	Weighting factor	Target values ¹⁸	Achieved values	Achievement rate	Weight value
1	2	3	4	5	6	7=6/5x100	8=2x7
EBITDA	thousand RON	increasing	0.25	1,925,007	2,810,436	146.0	36.50
CA	thousand RON	increasing	0.20	3,801,946	4,585,189	120.6	24.12
W	thousand RON	increasing	0.10	602.53	758.38	125.9	12.59
C_{expl}/V_{expl}	RON	decreasing	0.10	653.21	548.68	119.1	11.91
RES	million m ³	increasing	0.10	2,500.0	1,282.0	51.3	5.13
d_Q		keeping stable	0.15	4,751	5,158	108.6	16.29
P_{res}	million m ³	keeping stable	0.10	0	0	110.0	11.00
Total	-	-	1.00	-	-	-	117.54

The performance criteria and objectives achievement degree is **117.54%**.

The achievement of the performance indicators and criteria was positively influenced by:

- ☛ *EBITDA* – higher than targeted by RON 885 million (+46%);
- ☛ *Revenue* – higher by RON 783 million (+20.6%);
- ☛ *Labour productivity* – higher than targeted by 155.9 thousand RON/employee (+25.9%);
- ☛ *Operating expenses to RON 1000 operating income* – lower by RON 104.5 (-16%) compared to target value;
- ☛ *Natural gas production* – higher by 406.5 million m³ ;
- ☛ *Outstanding payments*.

Only “*the volume of geological resources*” was not fully achieved – lower by 1,218 million m³ (-48.7%).

¹⁸Represents the values approved by the General Meeting of Shareholders Resolution no.1 of April 25, 2017

Signatures

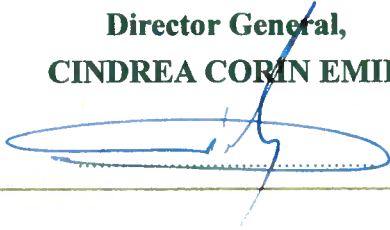
Chairman of the Board of Directors,

NISTORAN DORIN LIVIU



.....

**Director General,
CINDREA CORIN EMIL**



.....



**Chief Financial Officer,
ANDREI BOBAR**



.....

Table of Compliance with the Bucharest Stock Exchange Code of Corporate Governance

Code provisions		Complies	Does not comply or partially complies	Reasons for non-compliance
<i>1</i>		<i>2</i>	<i>3</i>	<i>4</i>
A.1	All the companies must have an Internal Regulation of BoD that includes the reference terms/ the responsibilities of the Board and the company's key management positions, and that applies, among others, the General Principles in section A.	x		
A.2	The ToR of the BoD should include provisions for the management of conflict of interest stating that members of the Board should notify any conflicts of interest which have arisen or may arise to the Board and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest.	x		
A.3	The BoD has at least five members	x		
A.4	The majority of the members of the BoD is non-executive; not less than two non-executive members of the BoD must be independent. Each independent member of the BoD must submit a statement at the time of his/her nomination for election or re-election, as well as whenever a change in his/her status occurs, indicating the elements on which it is deemed independent in terms of its character and his judgment.	x		
A.5	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and non-profit organizations, should be disclosed to shareholders and to potential investors prior to his/her nomination and during his/her mandate.	x		



Code provisions		Complies	Does not comply or partially complies	Reasons for non-compliance
<i>1</i>		<i>2</i>	<i>3</i>	<i>4</i>
A.6	Any member of the BoD should submit to the Board information on any relationship with a shareholder who holds, directly or indirectly, shares representing more than 5% of all voting rights. This also applies to any report which may affect the member's position on matters decided by the Council.	x		
A.7	The company should appoint a Board secretary responsible for supporting the work of the BoD	x		
A.8	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the BoD containing the purpose, criteria and frequency of the evaluation process.		x partially	<p>The section on <i>Statement on corporate governance</i> in the Annual Board of Directors' Report includes statements on the evaluation of the BoD.</p> <p>Romgaz prepared the <i>Policy regarding evaluation</i> and it will be submitted for the approval of the Board in a meeting subsequent to this statement.</p> <p>Following the approval it will be published on the company website.</p>
A.9	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (personally and in their absence) and a report of the Board and committees on their activities.	x		
A.10	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors.	x		
A.11	<p>The BoD should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board.</p> <p>The majority of the members of the nomination committee should be independent</p>	x		



Code provisions		Complies	Does not comply or partially complies	Reasons for non-compliance
<i>1</i>		<i>2</i>	<i>3</i>	<i>4</i>
B.1	<p>The Board should set up an Audit Committee and at least one member should be an independent non-executive.</p> <p>The Audit Committee should be formed of at least three members and the majority should be independent.</p> <p>The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the Committee. At least one member of the Audit Committee should have a proven and appropriate accounting and auditing experience.</p>	x		
B.2	The President of the Audit Committee should be an independent non-executive member.	x		
B.3	Among its responsibilities, the Audit Committee should undertake an annual assessment of the internal control system.		x partially	The responsibility for monitoring the effectiveness of the company's internal control, internal audit and risk management systems is specified in the ToR of the Audit Committee.
B.4	The provision mentioned in section B.3 should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the Audit Committee of the Board, and management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and submit relevant reports to the Board.		x partially	See section B.3
B.5	The Audit Committee should review conflicts of interests in transactions of the company and its subsidiaries with affiliated parties.		x partially	<p>This provision is already mentioned under Art. 8, par. 2 of CCG ROMGAZ.</p> <p>The ToR of the Audit Committee approved by the BoD in the meeting of March 24, 2016 contains provisions in relation to this obligation.</p> <p>During 2017, the ToR of the Audit Committee has been revised to include provisions on the evaluation of conflict of interest in connection with the Company's transactions with the affiliated parties.</p> <p>The updated ToR will be</p>



Code provisions		Complies	Does not comply or partially complies	Reasons for non-compliance
1		2	3	4
				<p>submitted for approval of BoD in a meeting subsequent to this statement.</p> <p>Also, during 2017 Romgaz has developed a <i>Policy on affiliated parties</i> and the document will be submitted for approval of the BoD in a meeting subsequent to this statement.</p> <p>Following the approval it will be published on the company website.</p>
B.6	The Audit Committee should evaluate the efficiency of the internal control system and risk management system		x partially	<p>The responsibility for monitoring the effectiveness of the company's internal control systems, internal audit and risk management systems is specified in the ToR of the Audit Committee.</p> <p>For 2017, the Audit Committee performed the annual assessment of the risk management system.</p>
B.7	The Audit Committee should monitor the application of statutory and generally accepted standards of internal auditing. The Audit Committee should receive and evaluate the reports of the internal audit team.	x		
B.8	The Audit Committee should report periodically (at least annually) or adhoc to BoD with regard to the reports or analyzes undertaken by the committee.	x		
B.9	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties	x		



Code provisions		Complies	Does not comply or partially complies	Reasons for non-compliance
<i>1</i>		<i>2</i>	<i>3</i>	<i>4</i>
B.10	The BoD should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations that is equal to or higher than 5% of the company's net assets (as stated in the latest financial report), should be approved by the Board following a mandatory opinion of the Audit Committee and fairly disclosed to the shareholders and potential investors, to the extent such transactions fall under the category of events subject to disclosure requirements.		x	The provision is already mentioned under Art. 9 of CCG ROMGAZ and will be implemented by the <i>Policy for transactions with affiliated parties</i> which will be submitted for approval to the BoD in a meeting subsequent to its drafting. Following the approval, the policy will be published on the company website.
B.11	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity	x		
B.12	The Internal Audit Department should functionally report to the BoD via the Audit Committee. For administration purposes and for the scope related to the obligations of the management to monitor and mitigate risks, the Internal Audit Department should report directly to the Director General.	x		

Code provisions		Complies	Does not comply or partially complies	Reasons for non-compliance
1		2	3	4
C.1	<p>The company should publish on its website the Remuneration Policy. The Remuneration Policy must be formulated so as to allow the shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and of the General Director. Any significant change occurred in the Remuneration Policy must be posted in due time on the company's website.</p> <p>The company must include in its Annual Report a statement on the implementation of this Policy during the annual period under review.</p> <p>The Report on Remuneration must present the implementation of the Remuneration Policy for persons identified in this Policy during the annual period under review.</p>		x partially	<p>The provision is already mentioned under Art. 11, par. 5 of CCG ROMGAZ.</p> <p>The section <i>Statement on corporate governance</i> in the Annual Board of Directors' Report includes statements regarding the implementation of the Remuneration Policy and the remuneration of the Board of Directors members and of the directors.</p> <p>A separate document on Remuneration Policy was drafted and it will be submitted for approval to the BoD in a meeting subsequent to its drafting.</p> <p>Following the approval, the policy will be published on the company website.</p> <p>The Annual Report on Remuneration is presented together with the Annual Board of Directors' Report. It presents details of the principles applied for the determination of the Board Members and directors.</p>
D.1	<p>The company should establish an Investors Relation Department - indicating to the public the responsible person/persons or the organizational unit.</p> <p>Besides the information required by the legal provisions, the company should also include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all the relevant information of interest for investors, including:</p>	x		
D.1.1	<p>Principal corporate regulations: the articles of incorporation, general meeting of shareholders procedure</p>		x partially	<p>Items on the GMS organization are presented to shareholders at each meeting.</p> <p>A separate document on the <i>GMS Procedure and Rules</i> was prepared in 2017 and it will be submitted for BoD approval in a meeting subsequent to this statement of conformity.</p>
D.1.2	<p>Professional CVs of the members of the company's governing bodies, other professional commitments of Board member's, including executive and non-executive Board positions in companies and non-</p>	x		



Code provisions		Complies	Does not comply or partially complies	Reasons for non-compliance
<i>1</i>		<i>2</i>	<i>3</i>	<i>4</i>
	profit organizations.			
D.1.3	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least those specified in Note D.8- including current reports with detailed information related to non-compliance with the Bucharest Stock Exchange Code of Corporate Governance	x		
D.1.4	Information related to GMS: the agenda and supporting materials; the procedure approved for the election of BoD members, the rationale for the proposal of candidates for the election to the Board together with their professional CVs; shareholders' questions related to the agenda and the company's answers, inclusively the decisions taken by the GMS	x		
D.1.5	Information on corporate events (such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder) including the deadlines and principles applicable to such operations. The information will be published within a period of time allowing investors to take investment decisions.	x		
D.1.6	The names and contact data of the persons who should be able to provide knowledgeable information on request;	x		
D.1.7	Corporate presentations (for example presentations for investors, presentations on quarterly results etc.), financial statements (quarterly, semi-annual, annual), audit reports and annual reports	x		
D.2	The company will have a policy for annual cash distribution of dividend or other benefits for shareholders, proposed by the Director General and adopted by the BoD as the company's Guideline on net profits distribution. The principles of the annual distribution of dividends policy to Shareholders will be published on the company's website.	x		



Code provisions		Complies	Does not comply or partially complies	Reasons for non-compliance
<i>1</i>		<i>2</i>	<i>3</i>	<i>4</i>
D.3	The company shall adopt a policy with respect to forecasts, whether they are made public or not. The Policy on forecasts will determine the forecasts' frequency, period and content and will be published on the company's website.	x		
D.4	GSM rules should not restrict the participation of shareholders in general meetings and the exercising of their rights. The modification of rules will become effective no sooner than the following shareholders' meeting.	x		
D.5	The external auditors should attend the shareholders' meetings when their reports are presented there.	x		External auditors are invited to attend GMS meetings when their reports are presented in said meeting.
D.6	The BoD should present to the GMS a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	x		
D.7	Any professional, consultant, expert, financial analyst, may participate in the shareholders' meeting upon prior invitation from the BoD. Accredited journalists may also attend the GMS, unless the Chairman of the Board decides otherwise.	x		
D.8	The quarterly and semi-annual financial reports should include information in both, Romanian and English, regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	x		
D.9	The company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published on the company website in the IR section at the time of meetings/teleconferences.	x		
D.10	If the company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company is part of its business mission and	x		



Code provisions	Complies	Does not comply or partially complies	Reasons for non-compliance
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
development strategy, it should publish the policy guiding its activity in this area.			

Legend:

GMS = General Meeting of Shareholders

BSE = Bucharest Stock Exchange

BoD = Board of Directors

CCG = Code of Corporate Governance

CCG ROMGAZ = the Code of Corporate Governance of S.N.G.N. ROMGAZ S.A., approved on January 28, 2016.

CV = Curriculum Vitae

ToR = Terms of Reference

Litigations

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
0	1	2	3	4	5	6	7
1	3878/110/2007 - Bacau County Court of Law	insolvency proceedings	Romgaz - creditor	S.C.Uzina Termica Comanesti S,A - debtor	328,645.82	Decision no. 318/2009 of Bacau Court approved SNGN ROMGAZ SA's request to initiate insolvency proceedings. Currently, specific insolvency proceedings acts are performed. A hearing is set for the continuation of procedure.	January 18, 2018
2	513/87/2012 - Teleorman County Court of Law	insolvency proceedings	Romgaz - creditor	SC Termaserv SRL Alexandria - debtor	7,200,862.02	Receivables: RON 7,200,862.08 (on December 31, 2011 - equivalent value of delivered gas, penalties, interest). Specific insolvency procedures are performed. A hearing is set for the continuation of procedure.	January 18, 2018
3	2177/99/2012 - Iasi County Court of Law	insolvency proceedings	Romgaz - creditor	SC CET Iasi SA - debtor	46,270,752.91	Receivables: RON 46,270,752.91 (equivalent value of delivered gas, late payment penalties, interest, court fees). Civil court resolution no. 697/April 17, 2012 issued by Iasi County Court of Law established the initiation of the general insolvency procedure for the debtor, allowed the lodgement of claim as formulated by Romgaz, the insolvency procedure continued	February 02, 2018
4	1318/87/2013 - Teleorman County Court of Law	insolvency proceedings	Romgaz - creditor	SC Termaconfort SRL Rosiorii de Vede - debtor	1,888,200.99	Receivables: RON 1,888,200.99 (delivered gas price, late payment penalties, interest/penalties calculated according to Payment Schedule Agreement, fees related to enforcement procedure).	January 1, 2018
5	10917/107/2010/a 2 - Alba County Court of Law	insolvency proceedings	Romgaz - creditor	SC GHCL UPSOM ROMANIA SA- debtor	68,573,109.11	On 29.11.2010, SNGN ROMGAZ SA filed against the SC GHCL UPSOM ROMANIA SA an application to initiate insolvency proceedings. (File no. 10917/107/2010). SNGN ROMGAZ SA requested the acceptance of certain, liquid and due receivables in amount of RON 60,841,881.14 (representing the equivalent value of natural gas, penalties calculated according to Payment Schedule Agreement no. 100/May 5, 2009, late payment penalties calculated until February 28, 2011, equivalent value of assignment of receivables according to Assignment of Receivables Contract no. 1/June 2, 2009). Against decision no. 351/F/May 18, 2011, the debtor filed recourse. Alba Court of Appeal Law allowed the recourse, ruled the cassation of the decision and remanded the case for retrial at Alba County Court of Law.	February 19, 2018

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
6	9526/3/2016 Bucharest County Court of Law	insolvency proceedings	Romgaz - creditor	SC PEET Termoelectrica SA Bucuresti - debtor	42,665,005.29	Allows the request of SC PEET TERMOELECTRICA S.A. Bucuresti to initiate bankruptcy procedures in simplified form. Allows Romgaz lodgment of claims in amount of RON 42,665,005.29. Bankruptcy procedure continues. Hearings are set in this respect.	March 27, 2018
7	8028/95/2013 - Gorj County Court of Law	insolvency proceedings	Romgaz - creditor	S.C. Grup de Comert si Investitii SRL (by the official receiver- Divizia de Reorganizare Judiciara si Executare Creante IPURL) - debtor	1,135,219.95	On October 24, 2013, Gorj Court allowed the request of the debtor S.C.Grup de Comert si Investitii SRL by Decision no. 446/2013, requesting the initiation of insolvency proceedings in order to reorganize its activity. Acts specific to the insolvency procedure are performed. Hearing is set for the continuation of proceedings.	January 29, 2018
8	6991/236/2009 - Giurgiu Court of Law	Claims	S.C. Uzina Termoelectrica Giurgiu - defendant	Romgaz - plaintiff	45,973.26	Amount of claims: RON 45,973.26 - late payment penalties calculated according to Natural Gas Sale Contract No.14/2008. Recourse. Recourse dismissed by Giurgiu Court of Law.	Finalized, enforcement of judgement, the receivables is partially recovered, amount to recover: RON 5.746.67
9	598/57/2011 - Sibiu County Court of Law	Bring the action before administrative appeal	Romgaz - plaintiff	Court of Accounts of Romania - defendant	102,357,059	SNGN ROMGAZ SA brought the action before administrative appeal requesting annulment of decisions issued by the Romanian Court of Accounts – Sibiu Chamber of Accounts, namely: Note no.3/2011; Decision No.10/24.01.2011; Finding report registered at SNGN Romgaz SA under no. 2033/10.12.2010. According to Ruling no. 950/2016 the action was denied. Recourse was filed. On January 10, 2018 the court allowed the recourses filed by the plaintiffs SNGN Romgaz S.A. and by the interveners CAMERON INTERNATIONAL CORPORATION, SC INSPET SA PLOIEȘTI, SC INDUSTRIAL TRADING SRL, SC CONDMAG SA, SC PETROSTAR SA against ruling 950/2016 issued by Sibiu County Court of Law. Part of the ruling is annulled and retains the file for retrial of findings and measures no. 4, 5, 6 of Decision 10/January 24, 2001 issued by Sibiu Court of Accounts. Sets a hearing	March 07, 2018

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
						on March 7, 2018 for the presentation of merits in connection with findings and measures no. 4, 5, 6 of Decision 10/January 24, 2001 with summoning the parties. The remaining part of the Ruling 950/2016 issued by Sibiu County Court of Law is maintained. Dismisses the recourse filed by SNGN Romgaz S.A. against ruling no. 1421/2017 issued by Sibiu County Court of Law. Final ruling no. 1/2018 dated January 10, 2018.	
10	7852/85/2013 - Sibiu County Court of Law	Claims -undue payment	Romgaz - plaintiff	SC APROV SA; SC ROMOIL SA - defendant	20,052,457	In the summons, SNGN ROMGAZ SA requested the court to compel the defendants to a jointly payment of monies.	stay of trial proceedings
11	8259/62/2013 - Brasov County Court of Law	Claims -undue payment	Romgaz - plaintiff	SC Condmag SA; Cameron International Corporation - defendants	43,059,199	In the summons, SNGN ROMGAZ SA requested the court to compel the defendants to pay jointly the amount of RON 43.059.199, representing an undue payment in connection with labor contract no. 217/2006	stay of trial proceedings
12	8258/62/2013 - Brasov County Court of Law	Claims -undue payment, works contract no.14/2009	Romgaz - plaintiff	SC INSPET SA; SC Condmag SA; SC Petrostar SA; SC Industrial Trading SRL - defendants	15,596,065	In the summons, SNGN ROMGAZ SA requested the court to compel the defendants to a jointly payment of monies.	stay of trial proceedings
13	8260/62/2013 - Brasov County Court of Law	Claims -undue payment	Romgaz - plaintiff	SC Condmag SA - defendant	23,645,128	In the summons, SNGN ROMGAZ SA requested the court to compel the defendants to pay.	stay of trial proceedings
14	19495/3/2013 - Bucharest Court of Law	claims (equivalent value of delivered and unpaid natural gas, according to gas sale-purchase contract no. 2/2010)	Romgaz - plaintiff	SC G-ON Eurogaz SRL - defendant	11,920,527.50	Claimed amount: RON 11,920,527.50 (equivalent value of delivered and unpaid natural gas)	compulsory enforcement
15	2541/96/2013 - Harghita County Court of Law	insolvency proceedings	Romgaz - creditor	SC MAVEXIM SRL - debtor		On the trial date of June 25, 2013, the court allowed the debtor's request to file for insolvency (in compliance with art. 27 paragraph 5 of law 85/2006). The debtor initiated insolvency procedures.	February 14, 2018

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
16	781/85/2014 Sibiu Court of Law (Bucuresti Court of Law file no. 28323/3/2014	Claims	Romgaz - plaintiff	SC Electrocentrale SA Bucuresti - defendant	240,280,906	Amount of claim: RON 240,280,906.05. The court allows the summons and issued ruling 2514/May 13, 2015. The defendant files an appeal. The court of appeal allows the appeal filed by SC Electrocentrale Bucuresti S.A. through its Official Receiver KPMG Restructuring SPRL, partly changes the appealed ruling meaning that it partly allows the case and compels the defendant to pay RON 40,511,915.91 as legal interest. Recourse may be filed within 30 days from communication of ruling no. 1176/June 26, 2017. Recourse filed.	Not established
17	1540/215/2013 - Craiova Court of Law	Claims	Prunoiu Gheorghita - plaintiff	Romgaz - SISGN Ploiesti - defendant	50,000	According to the summons, the plaintiff requests the decommissioning of pipelines allegedly undercrossing the plaintiff's land and to compel the defendant to the payment of the equivalent value for non-use of land affected by such pipelines. The case is under stay of proceedings because the plaintiff did not comply with the court's dispositions. The case is reinstated. A topographical and agricultural expertise was order.	February 12, 2018
18	1463/108/2012 – Arad Court of Law	Insolvency proceedings	Romgaz – SISGN Ploiesti – creditor	SC Amarad SA – debtor	42,418.48	Upon the debtor's request, prepared in accordance with the provision of Article 27, paragraph 5 of Law 85/2006, insolvency procedures were initiated.	January 25, 2018
19	488/251/2008 – Ludus Court of Law		Petrea Zachei, Petrea Cornelia – plaintiffs	Romgaz - Tg. Mures Branch– defendant	20,000	By summons, the plaintiffs requested the court to establish the property title in connection with an unincorporated parcel of 11,600sq.m. Case suspended until the irrevocable decision of file no. 487/251/2012*. Reinstated upon plaintiffs' request.	January 21, 2018
20	2375/85/2016 Sibiu County Court of Law	challenge	Romgaz – plaintiff	Romanian Court of Accounts – defendant	Subject of dispute cannot be evaluated in money	Challenge of Decision no. 26/2016 issued by the Romanian Court of Accounts – Sibiu Court of Accounts. Proceedings on the merits. Two relating expertizes were approved in connection with accounting and natural gas matters.	January 26, 2018
21	2798/85/2016 Alba Iulia Court of Appeal	Suspending the implementation of decision 94/August 17, 2017 issued by the Romanian Court of Accounts	Romgaz – plaintiff	Romanian Court of Accounts – defendant	Subject of dispute cannot be evaluated in money	Romgaz summoned the Court of Accounts whereby it requested the suspension of Decision 94/August 17, 2017 issued by the Romanian Court of Accounts in solving the challenge against decision 26/June 01, 2016 until the settlement of case 2375/85/2016. Sibiu County Court of Law partially allowed the suspension request in connection with the irregularities 1 and 2 established by the Court of Accounts. Recourse. Alba Iulia Court of Accounts by Decision 665/March 15, 2017 allows the recourse filed by the Court of Accounts dismissing Romgaz request for suspension. Dismisses the recourse filed by Romgaz. Final ruling.	Finalized

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
22	17666/320/2010 – Tg. Mures Court Of Law	claims	SC Network Press Concept SRL Medias (former RODIPET) – defendant	Romgaz - Suc. Tg. Mures – defendant	6,851.25	The defendant failed to meet the contractual obligation to deliver the Romanian Official Journal for Q2 and Q3/2008: 3 subscriptions to Part I, 3 subscriptions to Part I bis and 1 subscription to Part VI, therefore the defendant is obliged to refund RON 6,851.25 (out of which RON 565,70 is VAT). Currently the case is suspended based on Article 36 of Law 85/2006 on Insolvency procedure.	stay of trial proceedings
23	7070/320/2012 – Tg. Mures Court of Law	claims	Barsan Romulus - plaintiff	Romgaz – Suc. Tg. Mures – defendant	88.000	By summons the plaintiff requested the court to compel the payment of the following claims: RON 80,000; RON 30,000; RON 3,000/month; RON 88,000. Tg. Mures local court of law allowed Romgaz request during the hearing of January 9, 2018, whereby additional clarifications were requested from expert Dirija Marcel in connection with the expertise report dated December 22, 2017. The case was postponed to February 06, 2018	February 06, 2018
24	963/85//2013 – Sibiu County Court of Law	claims	Romgaz – Suc. Tg. Mures – plaintiff	Borda Alexandru – defendant	1,307	The case consists of compelling the defendant to refund the plaintiff RON 1,304 representing the holiday allowance and the holiday remuneration for the period he didn't work and received holiday leave, because after effectuating the holiday leave for the year 2012 (34 days) in March and May 2012, the defendant had a number of 32 (working days) of unjustified absences, which lead to his disciplinary dismissal. Court allowed the action. The enforcement order was initiated.	enforcement
25	1434/1371/2007 Mureş Commercial Court of Law	Insolvency procedure	Romgaz – STTM Tg.Mureş – Creditor	SC Poliglot Comimpex SRL - Debtor	6,783.41	As of November 22, 2007, Mures County Court of Law allowed the request for initiating the insolvency procedure against the debtor SC Poliglot Coninpex RL. STTM Tg. Mures is a creditor included in the body of creditors with the amount RON 6,783.41.	February 22, 2018
26	2899/62/2015 Brasov County Court of Law	Insolvency procedure	SNGN Romgaz SA –STTM Tg.Mureş – creditor	SC Condmag SA Brasov, debtor, represented by the Official Receiver Rominsolv SPRL Bucuresti	70,467.25	STTM Tg. Mures is creditor, its RON 70,467.25 receivable being included in the final body of creditors. Hearing is allowed for confirmation of reorganization plan and for filing the general bankruptcy procedure filed by AJFP Braşov. The request is allowed.	February 13, 2018
27	580/1371/2010 – Mures Commercial Court	claims	Romgaz – Suc. Medias – creditor	SC Globe Trotters SRL – debtor	9,206.21	Value of claims: RON 9,206.21	January 21, 2018

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
	of Law						
28	12236/320/2012 – Tg. Mures Court of Law		Romgaz – Suc. Medias – plaintiffs	SC Torpi SRL; SC Manadas SRL – defendants	11,575.52	Value of claims: RON 11,575.52	stay of trial proceedings
29	3128/257/2013 – Medias Court of Law	Claims	Romgaz – plaintiff	Asociatia sportiva “Dacia Atel” – defendant	6,247.77	By summons, the court is requested to establish the termination of the Sponsorship Contract no. 178/2011 and, as a consequence, to restore the parties to their initial state by obligating the defendant ASOCIATIA SPORTIVA “DACIA ATEL to pay RON 6,247.77, RON 5,000 as financial support provided under Contract 178/2011.	compulsory enforcement
30	3127/257/2013 – Medias Court of Law	claims	Romgaz – plaintiff	Asociatia transparenta deciziei administrative Medias – defendant	2,926.64	By summons, the court is requested to establish the termination of the Sponsorship Contract no. 8/February 25, 2010 and, as a consequence, to restore the parties to the initial state by obligating the defendant ASOCIATIA “TRANSPARENTA DECIZIEI ADMINISTRATIVE MEDIAS” to pay the amount RON 2,926.64.	compulsory enforcement
31	1542/102/2017- Mures County Court of Law	Challenge against disciplinary sanction decision	Stoica Eugen– plaintiff	SNGN ROMGAZ S.A. – STTM Tg. Mures – defendant	993 lei	STTM issued a disciplinary sanction decision against its employee, the plaintiff, whereby he was sanctioned with a 10% reduction of the base salary for 3 months. Ruling no. 779/10.10.2017 – allows the challenge. Annulment of the defendant’s Decision 98/April 24, 2017. Compels the defendant to refund the amount retained from the plaintiff’s salary, amount to be updated and indexed on its actual payment and to pay court fees of RON 2,000. The defendant filed for appeal. Appeal hearing established.	January 30, 2018
32	1733/102/2017- Mures County Court of Law	Challenge against disciplinary sanction decision	Popeanu Sebastian- plaintiff	SNGN ROMGAZ S.A. – STTM Tg. Mures – defendant	1,560	The case consists of a challenge raised against the sanction decision issued by the defendant, whereby the plaintiff was sanctioned with a 10% reduction of the base salary for 3 months. The case was deferred. The testimony of one witness is to be taken. The ruling 988/07.12.2017 – dismisses the civil case.	Ruling not communicated
33	3513/320/2016 – Mures County Court of Law	Complaint of violation	SNGN ROMGAZ S.A. – STTM Tg. Mures – plaintiff	IPJ Mures , Traffic Office – defendant	4,000	SNGN ROMGAZ SA -STTM Tg. Mures filed a complaint of violation in connection with Record of Findings 0074811/2016 whereby IPJ Mures fined Romgaz with RON 4,000 on grounds that for the special transportation vehicle (cesspool emptier) license plate MS-86-TTM, the driver failed to present tachometer records for the past 28 days. The car is equipped with a digital device, making therefore available to the	Finalized

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
						police officer the tachometer card. IPJ Mures did not take such into account because it had no technical devices for reading and interpreting such data. Ruling 5685/24.11.2016 allows the complaint and cancels the Record of Findings. Appeal filed. Appeal dismissed.	
34	30/257/2017- Medias Court of Law	Embezzlement Art. 295 Criminal Code	SNGN ROMGAZ S.A. – STTM Tg. Mures – civil party claiming damages	Tarnu Razvan Cornel-defendant	1,024	Indictment drafted by the Public Prosecutor's Office of Medias Court of Law ordered the trial of the defendant Tarnu Razvan charged with embezzlement as stipulated in Art.295 par.1 Penal Code. Romgaz, is civil party claiming damages in amount of RON 1,024, equivalent value of 200 l of fuel stolen by the defendant. Penal ruling 223/CC/08.06.2017 issued by Medias Court of Law orders the consideration of case. The ruling was challenged by the defendant. The challenge was dismissed by Sibiu County Court of Law ruling 72/CCP/2017/26.07.2017. Term established for the defendant to employ defense and for witness hearings.	January 22, 2018
35	3104/85/2014 - Sibiu County Court of Law	Public procurement related litigation	Romgaz plaintiff	S.C. ICPE Electrocond Tehnologies S.A., Energ Natural Power Limited, S.C. Instaservice S.R.L.: defendants	274.900,60	Romgaz requested the court to compel the defendants to the joint updated payment of RON 274,900.60 representing the prejudice caused to Romgaz representing the equivalent value of electricity generation not made during December 16, 2013-January 14, 2014 and to the payment of court fees. Accounting expertise was performed. Deadline was set for the expert to reply to challenges made in connection with the expertise. Postponement for filing an addendum to the expertise	January 23, 2018
36	1794/85/2014 - Sibiu County Court of Law	Adjustment of Work Contract no. 233/September 26, 2012	S.C. Dafora S.A Medias: plaintiff	Romgaz: defendant	3.840.149,47 plus TVA	In the summons, the plaintiff requested the court to establish the adjustment of work contract no. 233/September 26, 2012 meaning the increase of contract price by RON 3,840,149.47 plus VAT and to compel Romgaz to the payment thereof. This amount represents the equivalent value of additional and unforeseen works and the legal interest. Alternately, to compel Romgaz to pay RON 3,840,149.47 plus VAT as damages for contract default, and the relating court fees. The case benefitted from a technical and legal expertise in the field of natural gas, the trial date was September 2, 2015 when the expertise finding was filed. Appeal was filed. Response to appeal. Recourse dismissed. Money refund notification was sent.	finalized

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
37	4760/102/2013 - Mures County Court of Law	Criminal court - corruption (Law 78/2000)	Romgaz - Sucursala Medias: injured party	Giurgea Teodor s.a.: defendant		In this case file, Romgaz – Sucursala Medias is injured party as it is creditor to SC Globe Trotters SRL, a company in insolvency. In fact, the prejudice to Romgaz – Sucursala Medias is due to an agreement between the defendants and the directors of SC Globe Trottes SRL for the creation of an unlawful assignment (by making use of fictional documents).	January 22, 2018
38	2699/251/2014 - Ludus Court of Law	Eviction	Romgaz - SPEE Iernut: plaintiff	SC Marele Alb Prodimpex SRL: defendant		The scope of file is the settlement of the eviction request initiated by the plaintiff due to the fact that the defendant has late rent payments. On May 7, 2015, the court allowed the request. The compulsory enforcement procedure was initiated.	Compulsory enforcement
39	2415/284/2015 Racari Court of Law separated from case 770/284/2014	claims	Tudor Gheorghita s.a: plaintiff	Romgaz - SISGN Ploiesti: defendant		The plaintiffs request the payment of an allowance in exchange for easement rights in order to gain access to wells 116 and 131 Bilciuresti. On November 08, 2017 the ruling was pending. The case was dismissed.	
40	2042/320/2015 – Tg. Mures Court of Law	claims - compensation	Chiciudean Vasile - plaintiff	Romgaz - Suc. Tg. Mures - defendant	5,112	On November 25, 2016, at the first trial of Tg. Mures Court of Law, the ruling was postponed to December 6, 2016 when according to Decision 5880/2016 the request of the plaintiff was allowed. The defendant is compelled to pay RON 5,112 as damages, to pay the court expenses. The ruling was not communicated.	January 29, 2018
41	3843/121/2014 – Galati County Court of Law	Insolvency procedure	Romgaz - creditor	Electrocentrale Galati SA - debtor	162,281,861.83	The subject matter of the case file is the settlement of the request filed by the debtor SC Electrocentrale Galati SA, under Law no.85/2006 on insolvency procedure. On June 16, 2014, the Court allowed the application, decided to open the general insolvency procedure against the debtor. SNGN ROMGAZ SA filed an application to acknowledge the outstanding debt in amount of RON 162,281,861.83 (equivalent value of natural gas, penalties and interests). In relation to this amount to be included for Romgaz in the body of creditors, only RON 139,056,681.91 was allowed by the liquidator of assets of SC Electrocentrale Galati SA. Romgaz, as creditor, challenged the preliminary table of receivables. (Currently, the challenges to the preliminary table are on trial) For subsequent procedure – trial date:	January 29, 2018

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
42	2190/257/2015-Medias Court of Law	Complaint of violation	Romgaz - complainant	Autoritatea Nationala de Reglementare in Domeniul Energiei (Romanian National Regulatory Authority for Energy)-respondent	75,000	The scope of the dispute is the settlement of the complaint of violation filed by SNGN ROMGAZ SA that mainly requested the annulment of the Finding Report and Sanctioning of Non-Criminal Offences no. 43376/June 11, 2015 prepared by ANRE, and, alternatively, replacement of the fine sanction by a warning. Complainant's application allowed. Appeal possible. Appeal filed. Appeal dismissed.	The RON 25,000 fine is to be recovered.
43	1532/1/2015 – ICCJ 2303/1/2017/ - ICCJ	Corrupt payment	Romgaz – plaintiff claiming damages	Rudel Obreja s.a. - defendant	410,000	In the case file, SNGN ROMGAZ SA is plaintiff claiming damages in amount of RON 410,000. Dismissing the request to be plaintiff claiming damages. Appeal filed.	January 29, 2018
44	2899/62/15 – Brasov County Court of Law	insolvency	Romgaz	SC Condmag SA	83,225,512.28	Recovery of undue payment found by the Court of Accounts	February 27, 2018
45	4783/121/2011 Galati County Court of Law	insolvency	Romgaz- creditor	Elcen Galati-debtor	162,281,861.83	Challenge of the nominal table	April 3, 2018
46	509/1371/2015 Mures County Court of Law	insolvency	Romgaz- creditor	Foraj Sonde Ernei-debtor	1,428.98	Trial date. Insolvency procedure is continued.	February 14, 2018
47	2496/102/2015* - Sibiu County Court of Law	claims	Romgaz - SA Suc. Tg. Mures - plaintiff	Kovacs Ladislau - defendant	318,881.96	Dismisses the complaint filed by the plaintiff against the defendant. Compels the defendant to the payment of RON 1,950 as court expenses. Right to appeal exercisable in 10 days from the communication of ruling. Ruling 1316/2017	
48	1560/251/2015 Ludus Court of Law	claims	Romgaz-plaintiff	Romarcom SRL-defendant	62,972.85	The civil actions for claiming damages filed by Romgaz-SPEE Iernut against SC Romarcom SRL is partially allowed and consequently: - the defendant is obliged to pay the plaintiff RON 16,605.35 as damages; - the defendant is obliged to pay the plaintiff RON 935	Currently not established

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
						representing court fees. - SC Romarcom filed for appeal. Appeal dismissed. Right to recourse.	
49	8029/2/2015 Bucharest Court of Appeal	Challenge of administrative document	Romgaz	ANAF Brasov	22,424,030	Bucharest Court of Appeal partially allows Romgaz action. Ruling is challenged with appeal by both parties.	Currently not established
50	774/308/2016 Sighisoara Court of Law	Specific performance	Romgaz - Sucursala Medias	Topliceanu N.: defendant	Equivalent value of ordered expertize	The defendant requests the registration in the Land Register 2500 Nades of the housing Nades canton, which Romgaz has sold by means of Sale Contract no. 10723/December 9, 1997.	Stay of trial proceedings due to non-payment of expertize
51	775/308/2016 Sighisoara Court of Law	Specific performance	Romgaz - Sucursala Medias	Moldovan Vasile: defendant	Equivalent value of ordered expertize	The defendant requests the registration in the Land Register 2500 Nades of the housing Nades canton, which Romgaz has sold by means of Sale Contract no. 10724/December 9, 1997. Case file joint with case file 774/308/2016.	Stay of trial proceedings
52	8237/107/2012 Alba County Court of Law	Insolvency	Romgaz - Sucursala Medias-creditor	SC AgroValea Lunga SRL: debtor	986.52	Equivalent value of unpaid invoice.	January 16, 2018
53	8057/320/2016 - Targu Mures Court of Law	claims	SC Ambient SA: plaintiff	Romgaz - STTM Targu Mures: defendant	130,496.59	The plaintiff requests the payment of RON 130,496.59 representing outstanding payment obligations under the Debt Assumption Contract no. 121/September 21, 2012 concluded with Romgaz-STTM, to which the legal interest is added. Ruling no. 847/2017 dismisses the request. The defendant requests the supplementation of ruling with the order to compel the plaintiff to payment of court expenses already paid by the defendant. Plaintiff filed an appeal.	Currently not established
54	9261/320/2016 - Targu Mures Court of Law	unjust enrichment	SC Rocada Serv SRL: plaintiff	Romgaz - STTM Targu Mures: defendant	24,045.92	The plaintiff requests to compel the defendant to the payment of RON 24.045,92 representing the equivalent value of transportation services supplied and not paid and relating late payment penalties applied against the principal debt until the actual date of payment. Ruling no. 1196/2017 partially allows the claim, dismisses the plaintiff's claim	Appeal not filed until the date hereof

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
						against the defendant as unfounded. Compels the defendants to the joint payment of RON 1,307 as court expenses and dismisses the plaintiff's request to compel the defendant to the payment of lawyer fee, as unfounded. Right of appeal in 30 days from the communication of the ruling.	
55	413/257/2017-Medias Court of Law	Complaint against ordinance of non-lieu (art. 340 New Criminal Code of Procedure)	Tarnu Razvan Cornel- defendant	SNGN ROMGAZ S.A. – STTM Tg. Mures – civil party	1,024	Claim filed by the defendant against the Prosecutor's Office Ordinance whereby the defendant Tarnu R was ordered to trial on charge of embezzlement as stipulated in Art.295 par.1 Criminal Code. Final ruling of disinvestment conjoins this case file with case file 30/257/2017.	Final ruling
56	30/257/2017/a1-Medias Court of Law	Measures and exceptions ordered by the preliminary chamber judge in connection with in connection with the trial start.	Tarnu Razvan Cornel- defendant	SNGN ROMGAZ S.A. – STTM Tg. Mures – civil party	1,024	Request filed by the defendant for the establishment of nullity of the evidence examined during the criminal prosecution phase. Romgaz, through STTM, constituted as civil party claiming damages for the amount of RON 1.024 representing equivalent value of 200l of fuel stolen by the defendant. Penal ruling 223/CC/2017 establishes the legality of filing the indictment and orders the trial.	Final ruling
57	31/257/2017 Medias Court of Law	Confirmation of release from criminal prosecution	Crisan Mircea - defendant	SNGN ROMGAZ S.A. – STTM Tg. Mures – civil party	101.6	Indictment of penal case 2507/P/2016 of the Public Prosecutor's Office ordering the release from criminal prosecution of defendant Crisan Mircea in connection with the embezzlement offense on ground of lack of public interest in pursuing this matter based on Criminal Code of Procedure provisions. Romgaz, through STTM established as civil party claiming damages for RON 101.6 representing the equivalent value of 20 l of fuel stolen by the defendant. Penal ruling 38/CC/27.01.2017 dismisses the confirmation request annulling the latter. Criminal prosecution to be continued and completed; final ruling	
58	5991/303/2016 Bucharest Sector 6 Court of Law	Claims	Romgaz – SIRCOSS and Romgaz – STTM Tg. Mures	SC Loreto Exim SRL	26,099.4	Sector 6 Bucuresti Court of Law – action filed for restitution for the recovery from SC Loreto Exim SRL of RON 26,099.4 representing undue payment generating for the defendant an unjust enrichment. The claim was partially allowed. Right to appeal in 30 days from the communication date. Appeal filed by STTM on April 07, 2016 and by the two litigating parties, Romgaz Sircoss and Loreto Exim SRL, term for appeal set by Bucharest County Court of Law for missing proper summons procedure in relation to the defendant	March 22, 2018

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
59	3183/306/2016 – Sibiu Court of Law	claims	Romgaz - SPEE lernut : plaintiff	SC Laromet Metal Star-D SRL: defendant	4,000.03	Recovery of receivables. Request is allowed.	Compulsory enforcement
60	847/1285/2014 - Cluj County Specialized Court of Law	Insolvency proceedings	Romgaz - SPEE lernut - creditor	SC Marele Alb Prodimpex SRL - debtor	64,742	Continuation of insolvency procedure	March 14, 2018
61	1335/251/2016 – Ludus Court of Law	claims	Romgaz - SPEE lernut: plaintiff	PFA Cormos Daniela: defendant	4,184.00	Recovery of receivables. Request allowed. Dismisses the appeal filed by the defendant.	Compulsory enforcement
62	698/251/2016 – Ludus Court of Law	Claims, separated from File Case no. 1855/251/2013	PFA Cormos Daniela: plaintiff	Romgaz - SPEE lernut: defendant; SC Comindal Impex SRL: defendant	150,000	Damages. Dismisses the plaintiff's request. Right to file an appeal.	Ruling not communicated
63	509/1371/2015 – Mures Commercial Court of Law	Insolvency proceedings	Romgaz: creditor	SC Foraj Sonde SA Ernei: debtor	1,428.98	Request to initiate insolvency proceedings.	February 13, 2018
64	2899/62/15 – Brasov County Court of Law	insolvency	Romgaz	SC Condmag SA	3,291.41	Request to initiate insolvency proceedings. Stay of proceedings	
65	5452/320/2016 - Targu Mures Court of Law	Complaint of violation	Romgaz - Sucursala Targu Mures: appellant	Politia Municipiului Targu Mures: respondent	2,000	Complaint of violation against the offence report. Complaint of violation dismissed. Appeal filed by the appellant. Appeal dismissed. Ruling 1452/2017.	Finalized

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
66	5453/320/2016 - Targu Mures Court of Law	Complaint of violation	Romgaz - Sucursala Targu Mures: appellant	Politia Municipiului Targu Mures: respondent	2,000	Complaint of violation against the offence report. Complaint of violation allowed. Respondent files for appeal. Appeal allowed. The complaint of violation is entirely dismissed due to lack of substantiation of such complaint filed against the offence report PMSY no. 000169 dated April 26, 2014. Final ruling: 1309/2017.	Finalized
67	319/1371/2016 – Mures Commercial Court of Law	claims	LEX Guard Security SRL Reghin: plaintiff	Romgaz - Sucursala Targu Mures: defendant	126,483.91	Claims arising in connection with the abusive termination of Security Services Contract. Action dismissed. Court issues ruling no. 94/2016. Appeal may be filed within 30 days. Ruling is not communicated.	Currently not established
68	627/102/2016 – Mures County Court of Law	corruption	Romgaz: injured party and plaintiff claiming damages	Avram Pantelimon, Olaru Ioan Tiberiu, Mincan Emil Valentin, Ștefan Ioan: defendants	146,637.06	Criminal action against corruption.	February 7, 2018
69	9526/3/2016 Bucharest County Court of Law	insolvency proceedings	Romgaz - creditor	SC PEET Termoelectrica SA Bucuresti - debtor	42,665,005.29	Insolvency	March 27, 2018
70	681/57/2015	Action for annulment	Romgaz: plaintiff	Consiliul National pentru Combaterea Discriminarii si Sindicatul "Extractie Gaze si Servicii"		The scope of the action is to partially allow Decision no. 371/September 2, 2015 issued by Colegiul Director al CNCD, the use of the wording "signing syndicate" in Romgaz Collective Labor Contract 2015-2016 does not constitute a discrimination based on syndicate membership and on access to its facilities; consequently the deletion from Romgaz Collective Labor Contract of the above-indicated wording is not required, the issuance of a fine to Romgaz is not grounded and the publishing of the resolution in a nation-wide paper is not required. Alba Court of Appeal allowed the action. CNCD filed recourse. ICCJ did not set a trial date.	Currently not established
71	1284/102/2016 Mures County Court of Law	Labour related litigation	Sturza Ioan: plaintiff	Romgaz	158,272	Discrimination. Stay of proceedings until the final settlement of file 249/57/2016.	Stay of proceedings

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
72	249/57/2016 Alba Iulia Court of Appeal	Labour related litigation	Romgaz: plaintiff	CNCD and Sturza loan: defendants		Alba-Iulia Court of Appeal: annulment of Decision no. 603/December 09, 2015. Recourse will be filed with the Higher Court of Cassation and Justice.	Currently not established
73	1300/102/2016	Labour related litigation	Tegla Nicodim Ciprian: plaintiff	Romgaz: defendant	130,000	Mures County Court of Law: scope of case file is to compel Romgaz to: - review salary-related rights starting with 2013 until now and onwards; - pay salary-related monetary difference starting with June 2013 until the full payment thereof amounting RON 130,000 at the record date of the action, for 36 months; - pay legal interest on salary-related monetary differences starting with June 2013 until the full payment thereof. Accounting expertize shall be performed. Term established for filing the expertize.	February 20, 2018
74	1311/257/2016 – Medias Court of Law	claims	Romgaz	Asociatia "Creation Transylvania"	7,000	Summons, reimbursement of amount. Action allowed. Final ruling.	Finalized
75	4887/306/2016 – Sibiu Court of Law	claims	Romgaz	Asociatia "Sf. Patrick"	1,750	According to the summons, the partial unilateral resolution of Sponsorship Contract no. 8207/2015 and reimbursement of amount is petitioned. Sibiu Court of Law dismissed the request. Romgaz filed for appeal in May 19, 2017. Appeal dismissed. Final ruling 1207/2017.	Finalized
76	3595/279/2016 - Piatra Neamt Court of Law	claims	SC Accent Service SRL	Romgaz	11,395.30	Payment of equivalent value of car repair services for cars in Romgaz property. Allows the request of Accent Service as per Ruling 1170/2017 (final).	Finalized
77	5243/257/2016 - Medias Court of Law	Complaint of violation	Romgaz	ANRE		Complaint of violation in relation to Offence Report no. 87670/December 14, 2016. Complaint dismissed. Appeal filed. Appeal dismissed. Ruling 1174/2017.	Finalized

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
78	5217/257/2016 Medias Court of Law	Complaint of violation	Romgaz	ANRE		Complaint of violation in relation to Offence Report no. 87105/December 12, 2016. Complaint allowed. Appeal filed. Ruling postponed. Appeal allowed. Modifies the appeal ruling – the complaint of violation is dismissed. Final Ruling 1170/2017.	Finalized
79	35304/3/2016 - Bucharest Court of Law	Insolvency	Romgaz: creditor	SC Electrocentrale Bucuresti SA: debtor	569,945,968.48	Insolvency – table of receivables was filed. Challenge was filed. Allows the challenge of debtor DistrigazSud Retele. Appeal may be filed within 7 days from its publication in the Official Journal of Romania.	Term not established
80	2625/2017 Bucharest Court of Appeal	Insolvency	Romgaz: creditor - appellant	SC Electrocentrale Bucuresti SA: debtor- appellant		Challenge of table of receivables	January 30, 2018
81	6909/2017 Bucharest Court of Appeal	Insolvency	Romgaz: creditor- claimant in revision	SC Electrocentrale Bucuresti SA: debtor-		Motion for revision of appeal Ruling 1239/2017 whereby the court compels Romgaz not the change, suspend or to temporary decline the supply of gas to the debtor.	Not established
82	341/257/2017- Medias Court of Law	Complaint of violation	Romgaz - complainant	Autoritatea Nationala de Reglementare in Domeniul Energiei (Romanian National Regulatory Authority for Energy)- respondent	50,000	Complaint of violation. Complaint dismissed. Ruling 1332/2017. Appeal filed. Appeal dismissed by the complainant is dismissed. Final Ruling 1519/2017	Finalized
83	1582/85/2017 – Sibiu County Court of Law	Claims	Ecaterina Popescu, former member of Romgaz Board - defendant	Romgaz - plaintiff	81,267.96	The defendant requests the payment of RON 81,267.96 as damages for the sudden and abusive revocation of her mandate as member of the board. On October 4, 2017 the cross examining was allowed (suggested by the defendant). Ruling 790/2017 partly allowed the defendant's claim and compelled Romgaz to payment of damages of RON 72.630 and of RON 2,552 as court expenses. Romgaz to file an appeal by February 09, 2018 against the aforementioned Ruling.	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
84	2093/102/2016 – Alba Iulia Court of Appeal	Annulment of act	Trade Union Sindicatul Liber SNGN ROMGAZ SA- complainant	Romgaz - respondent		On January 10, 2017 the court declined its competency in favor of Sibiu County Court of Law. The ruling is appealed. Final settlement resulting from dismissal of appeal filed by the complainants	Finalized
85	2806/85/2017- Sibiu County Court of Law	Claims – Labor-related litigation	Pepene Laurentiu - plaintiff	Romgaz – Suc. Medias - defendant		Claims unsettled retirement rights according to the Collective Labour Agreement. Allows the claim filed by the plaintiff. Compels the defendant to the payment of retirement allowance for a gas industry service term of 45 years+. Ruling 1390/2017. Appeal may be filed within 10 days from the communication.	
86	3129/85/2017 - Sibiu County Court of Law	Challenge of termination of employment notice/decision	Iakab Zoltan - plaintiff	ROMGAZ Suc.Medias – defendant		Trial terminated – plaintiff deceased. Settlement in brief: case reinstated and establishes the date of August 21, 2017 to assess the stay of proceedings until the inclusion of the deceased's legal successors according to 412, art. 1 Criminal Procedure Code.	Stay of proceedings
87	207/102/2017 Mures Court of Law	Monetary rights	413 employees of SPEE Iernut - plaintiff	Romgaz - defendant		Revision of monetary rights from February 1, 2014 until the current date. Stay of proceedings until de final settlement of case file 249/57/2016	Stay of proceedings
88	4483/320/2017	impleader	Romgaz – plaintiff	FGA (Fondul de garantare a asiguratorilor) - defendant		Impleader request separated from case file no. 11776/320/2016. Dismisses the impleader request filed by Romgaz against FGA as inadmissible. Right to file an appeal within 30 days from the communication. Ruling 5197/2017	
89	1301/85/2017 – Sibiu County Court of Law	Additional works	Dafora S.A. plaintiff	Romgaz - defendant	1,332,000	Amendment of works contract no. 9468/16.09.2015 having as object the performance of exploration drilling works at well 1 Pocoleni Nord, Suceava county reflecting the extension of contract duration by 202.89 hours and the increase of contract price by RON 1,332,000 (plus VAT) based on art. 14.1 of the Works Contract and on Art. 1270 New Civil Procedure Code – to compel of the defendant to the above-mentioned payment representing the equivalent value of additional performed works due to the extension of contract term. -subsidiarity, the adjustment of Contract no.9468/16.09.2015 as a result of occurrence of hardship (art. 1271 par. 2 and 3 of the New Civil Procedure Code) and in accordance with article 252 letter j) of GEO	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
						34/2006 in force at the contract signing date; - to compel the defendant to pay RON 1,332,000 (plus VAT) representing the equivalent value of additional performed works due to the extension of contract term. A specialized expertise in the oil and gas filed is ordered. On January 16, 2018, the court postpones ruling.	
90	2158/257/2015 Medias Court of Law	Validation of garnishment	Drilling Equipment SRL – Creditor	Dafora SA – Debtor	163,164	Romgaz – garnishee	stay of proceedings resulting from the debtor's insolvency
91	2157/257/2015 Medias Court of Law	Validation of garnishment	Drilling Equipment SRL – Creditor	Dafora SA – Debtor	163,164	Romgaz – garnishee	stay of proceedings resulting from the debtor's insolvency
92	2154/257/2015 Medias Court of Law	Validation of garnishment	Drilling Equipment SRL – Creditor	Dafora SA – Debtor	163,164	Romgaz – garnishee	stay of proceedings resulting from the debtor's insolvency
93	2156/257/2015 Medias Court of Law	Validation of garnishment	Drilling Equipment SRL – Creditor	Dafora SA – Debtor	131,305.83	Romgaz – garnishee	stay of proceedings resulting from the debtor's insolvency
94	2153/257/2015 Medias Court of Law	Validation of garnishment	Drilling Equipment SRL – Creditor	Dafora SA – Debtor	163,164	Romgaz – garnishee	stay of proceedings resulting from the debtor's insolvency

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
95	2152/257/2015 Medias Court of Law	Validation of garnishment	Drilling Equipment SRL – Creditor	Dafora SA – Debtor	131,305.83	Romgaz – garnishee	stay of proceedings resulting from the debtor's insolvency
96	2018/257/2015 Medias Court of Law	Validation of garnishment	Drilling Equipment SRL – Creditor	Dafora SA – Debtor	5,012.08	Romgaz – garnishee	stay of proceedings resulting from the debtor's insolvency
97	2155/257/2015 Medias Court of Law	Validation of garnishment	Drilling Equipment SRL – Creditor	Dafora SA – Debtor	163,164	Romgaz – garnishee	stay of proceedings resulting from the debtor's insolvency
98	2097/257/2015 Medias Court of Law	Validation of garnishment	SC Macro-Tur – Creditor	Dafora SA – Debtor	8,437.98	Romgaz – garnishee	stay of proceedings resulting from the debtor's insolvency
99	2095/257/2015 Medias Court of Law	Validation of garnishment	SC Macro-Tur – Creditor	Dafora SA – Debtor	40,000	Romgaz – garnishee	stay of proceedings resulting from the debtor's insolvency
100	461/1371/2016 – Mures Commercial Court of Law	Insolvency	Romgaz: creditor	SC InstaService SRL: debtor	275,535.60	Insolvency proceeding.	February 28, 2018

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
101	589/102/2017 – Mures County Court of Law	Monetary rights	Romgaz – STTM Tg. Mures- plaintiff	Negrea Alexandru - defendant	14,048.62	Action in patrimonial liability of the operative employee for the damage of the company, established at inventory. Ruling 496/2017 dismisses civil action. Allows the defendant's counterclaim. (The plaintiff is compelled to order in favor of the defendant the release of the entire amount retained as warranty, namely RON 1,500, as court expenses, dismissing other claims in connection with court expenses.	Term for appeal not established
102	696/1371/2016 – Tg. Mures Commercial Court of Law	insolvency	Romgaz- Suc. Tg Mures-creditor	SC Best InstalGas&Water SRL - debtor	317,66	The initial receivables amounted RON 1,214,940.44. Subsequently, the debtor performed also the outstanding works in the contract and the late payment penalties were recovered from the contract performance warranty. The remaining difference is RON 317.66.	March 8, 2018
103	5978/317/2016 Tg. Carbonești Court of Law	Claims-damages	Durla Sabina - plaintiff	Romgaz-Suc. Tg. Mures - defendant	Not specified	Compensation for loss of land usage during 2015-2016 to be set by judicial expertise. No expertise reports were filed.	February 14, 2018
104	275/257/2017-competency declined to Mures County Court of Law	Claims	SC Agmus S.A. Iasi – plaintiff	Romgaz-Suc. Tg. Mures - defendant	52,332.77	The claims consist of contract performance warranty and penalties. Also court fees were requested, which are not specified. The contract performance was released and the plaintiff withdrew the legal action before the declination of competency. Settled in the court of first instance. According to Ruling 666/2017 allowed the defense of lack of passive capacity to stand trial of Romgaz and dismissed payment ordinance request of Agmus as being introduced against a party with no passive capacity to stand trial. The Ruling was communicated on September 20, 2017 and may be attacked by request for annulment.	-
105	1517/320/2017-Tg. Mures Court of Law	Validation of garnishment	SC Agropetruvlad Tg. Mures – creditor and B.E.J. Ursulescu Floarea, Tg. Mures	Romgaz- Suc. Tg. Mures - garnishee	17,795	The amount was not paid during March 2015-September 2016. Ruling 4095/2017 dismissed the garnishment validation request filed by the creditor (insolvent) through B.E.J. Ursulescu Floarea as official receiver against Cozos Petru – debtor – and Romgaz-Suc. Tg. Mures – garnishee due to late submission. The ruling was communicated. Appeal can be filed.	-
106	4009/320/2017 – Tg. Mures Court of Law	Challenge on enforcement	Romgaz-Suc. Tg. Mures-challenger-debtor	B.E.J. Daianu Gheorghe – respondent and Daianu Maria	9,181.48	The amount represents compensation for the loss of land usage 2014-2016 and costs in connection with the enforcement. Settled in the court of first instance. Request dismissed. Right to file an appeal.	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
107	1453/330/2017 – Urziceni Court of Law	Complaint of violation	Romgaz-Suc.Tg. Mures - petitioner	Politia Urziceni - respondent	2,000	Complaint of violation against the Record of Findings. Settled in the court of first instance. The case was scheduled for trial on August 16, 2017 the ruling being postponed to August 23, 2017 when Ruling 1143/2017 allowed the complaint of violation and annulled the Record of Findings Pily 06179 of March 28, 2017. Consequently, the petitioner was relieved from paying the RON 2,000 fine. The ruling was not communicated and appeal can be filed.	-
108	Criminal Case file 3212/257/2017 – Medias Court of Law	Embezzlement – continuing form and accessory to embezzlement – continuing form (Art. 295 par. 1 Criminal Code with the application of Art. 35 par. 1 Criminal Code art. 48 par. 1 Criminal Code in relation to art. 295 par. 1 Criminal Code	Medias Court of Law Prosecutor's Office – Romgaz SIRCOSS – injured party	Defendants (14) Dan Ioan, Podar Nicolae, Popa Nicolae, Serban Vasile Florin, Moldovan Sorin, Manciu Ioan, Dragomir Vicentiu Catalin, Chis Ciprian , Gyorke Aladar, Morariu Ovidiu Pavel, Biro Mihai, Nicola Lucian, Marinescu Alexandru Mircea, Moldovan Claudiu Liviu		The criminal prosecution represented the scope of case file no. 1278/P/2015 filed with Medias Court of Law Prosecutor's Office – embezzlement. The case was pending before the preliminary chamber. On October 27, 2017 the commencement of trial was ordered.	Not established
109	5202/257/2016 / Medias Court of Law	Medias Court of Law - Prosecutor's Office concluded an agreement of admission of guilt with the defendant Bordi Adrian, investigated for the criminal offence of complicity to embezzlement in continuing form. The prosecutor refers the case to the competent court of first instance, Medias Court of Law.	Medias Court of Law - Prosecutor's Office Romgaz – SIRCOSS – injured party	Bordi Adrian - defendant		Medias Court of Law dismissed the agreement of admission of guilt by Ruling 10/2017. Ruling appealed by the Medias Court of Law - Prosecutor's Office and the defendant, and appeal allowed in 20.04.2017, thus admitting the agreement of admission. Alba-Iulia Court of Appeal allowed the appeal and the agreement of admission, respectively. The injured party has not concluded with the defendant a mediation or transaction agreement regarding the civil action. Depending on the investigations made by the Medias Court of Law - Prosecutor's Office regarding the reintroduction in the main file 1278/P/2015 or concluding of a new agreement, corresponding actions shall be taken. After the appeal ruling will be communicated, it is necessary to file a civil action to recovery the damage suffered by the company because the injured party and the defendant have not concluded any mediation or transaction agreement regarding the civil action. Awaited is taking of evidence under File 3212/257/2017 to be	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
						used in this case as proof of damage cause by the defendant.	
110	5203/257/2016 / Medias Court of Law	Medias Court of Law - Prosecutor's Office concluded an agreement of admission of guilt with the defendant Bordi Adrian, investigated for the criminal offence of complicity to embezzlement in continuing form	Romgaz – SIRCOSS – injured party	Lorincz Levente - defendant		Medias Court of Law dismissed the agreement of admission of guilt by Ruling 10/2017. Ruling appealed by the Medias Court of Law - Prosecutor's Office and the defendant, and appeal allowed in 20.04.2017, thus admitting the agreement of admission. Alba-Iulia Court of Appeal allowed the appeal and the agreement of admission, respectively. The injured party has not concluded with the defendant a mediation or transaction agreement regarding the civil action. Depending on the investigations made by the Medias Court of Law - Prosecutor's Office regarding the reintroduction in the main file 1278/P/2015 or concluding of a new agreement, corresponding actions shall be taken. After the appeal ruling will be communicated, it is necessary to file a civil action to recovery the damage suffered by the company because the injured party and the defendant have not concluded any mediation or transaction agreement regarding the civil action. Awaited is taking of evidence under File 3212/257/2017 to be used in this case as proof of damage cause by the defendant.	
111	5240/257/2016 Medias Court of Law	Medias Court of Law - Prosecutor's Office concluded an agreement of admission of guilt with the defendant Dragomir Vicentiu, investigated for the criminal offence of complicity to embezzlement in continuing form	Romgaz – SIRCOSS – injured party	Dragomir Vicentiu - defendant		Medias Court of Law - Prosecutor's Office has concluded an agreement of admission of guilt with the defendant Dragomir Vicentiu, investigated for the criminal offence of complicity to embezzlement in a continued form. The prosecutor referred the case to the competent court of first instance for trial, i.e. the Medias Court of Law, and that action is included in Case File 5240/257/2016. Medias Court of Law dismissed the agreement of admission by Ruling 10/2017. Ruling appealed by the Medias Court of Law - Prosecutor's Office and the defendant, and appeal dismissed in 12.04.2017, thus dismissing the agreement of admission. Communication of ruling is awaited. The injured party has not concluded with the defendant a mediation or transaction agreement regarding the civil action, and depending on the investigations made by the Medias Court of Law - Prosecutor's Office regarding the reintroduction in the main file 1278/P/2015 or concluding a new agreement, corresponding actions shall be taken.	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
112	5223/257/2016 Medias Court of Law	Medias Court of Law - Prosecutor's Office concluded an agreement of admission of guilt with the defendant Morariu Ovidiu Pavel, investigated for the criminal offence of complicity to embezzlement in continuing form	Romgaz – SIRCROSS – injured party	Morariu Ovidiu Pavel defendant		The Medias Court of Law - Prosecutor's Office has concluded an agreement of admission of guilt with the defendant Morariu Ovidiu Pavel, investigated for the criminal offence of complicity to embezzlement in continuing form. The prosecutor referred the case to the competent court of first instance for trial, i.e. the Medias Court of Law, and that action is included in Case File 5223/257/2016. Medias Court of Law dismissed the agreement of admission by Ruling 2/2017. The injured party has not concluded with the defendant a mediation or transaction agreement regarding the civil action, and depending on the investigations made by the Medias Court of Law - Prosecutor's Office regarding the reintroduction in the main file 1278/P/2015 or concluding a new agreement, corresponding actions shall be taken.	
113	928/85/2016 County Court of Sibiu	Labor related litigation Challenge of dismissal decision	Dan Ioan - Challenger	Romgaz – SIRCROSS - Respondent		On the hearing of September 05, 2016, the Court ordered the stay of proceedings until the final settlement of the file, the ruling of which shall be decisive in the settlement of this case.	Stay of proceedings
114	927/85/2016 County Court of Sibiu	Labor related litigation Challenge of dismissal decision	Podar Nicolae - Challenger	Romgaz – SIRCROSS - Respondent		On the hearing of October 13, 2016, the Court ordered the stay of proceedings until the final settlement of the file, the ruling of which shall be decisive in the settlement of this case.	Stay of proceedings
115	944/85/2016 County Court of Sibiu	Labor related litigation Challenge of dismissal decision	Lorincz Levente - Challenger	Romgaz – SIRCROSS - Respondent		On the hearing of September 6, 2016, the Court ordered the stay of proceedings until the final settlement of the file, the ruling of which shall be decisive in the settlement of this case.	Stay of proceedings
116	9741/320/2016 Tg. Mures Court of Law. In appeal Mures County Court of Law	Complaint of violation Annulment of record of findings fining the company for lack of tachograph	ROMGAZ-SIRCROSS – Challenger	IPJ Mures - Respondent	4,000	The Court of First Instance dismissed as unfounded the complaint of violation filed by the complainant ROMGAZ, in contradiction with the respondent IPJ Mures, and as a consequence it allows the Record of Findings series PMSX no. 0123915/26.07.2016 as legally and duly prepared. Right to appeal within 30 days of communication. Request for appeal filed with Tg Mures Court of Law. Ruling made in accordance with Art. 396 paragraph 2 Civil Procedure Code as of 27.01.2017. Ruling 468/ 2017. Appeal recorded on March 24, 2017. Appeal to be settled at Mures County Court of Law. On the hearing of December 15, 2017 the Court requested the provision of evidence of	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
						documents belonging to IPJ Mures.	
117	2206/85/2009/ a1 2 Sibiu County Court of Law	Challenging the insolvency procedure. Claims: performance guarantee	SC GRANIT SRL by liquidator CITR S.P.R.L. - Challenger	Romgaz – SIRCOSS / Respondent		SC GRANIT SRL, being in the winding up process (bankruptcy) claims the release of the remaining amount (30%) of the performance guarantee issued in favor of SIRCOSS (valid guarantee) by Patria Bank, the former NEXTEBANK S.A.	Obsolete Ruling 549/18.09.2 017
118	3421/85/2017 Sibiu County Court of Law	Labor related litigation Recovery of undue amounts	ROMGAZ- SIRCOSS – plaintiff	Deac Horatiu Teodor (former employee) - defendant		Recovery of undue amount. Status of litigation: filed in June 06,2017. Settled as of November 16, 2017 by allowing the action and compelling Mr. Deac Horatiu to pay the amount of 2,746 RON. Ruling under appeal.	Not established
119	2307/257/2016 Medias Court of Law	Complaint of violation against a fine penalty for lack of ROvignette	ROMGAZ- SIRCOSS – petitioner	CNADNR – CESTRIN - Respondent	3,000	Claims: Record of Findings No R16 0294469/07.06.2016, mainly annulment of fine or, alternatively, replacement of fine with warning. Complaint dismissed by the Court of First Instance, Ruling 1374/10.10.2016. Status of litigation: Appeal dismissed 29.06.2017 Ruling 855/2017 (Sibiu County Court of Law). Ruling communicated to the Economic Department. Amounts are being recovered.	
120	4253/257/2016 Medias Court of Law	Complaint of violation against a fine penalty for lack of ROvignette	ROMGAZ- SIRCOSS – petitioner	CNAIR former CNADNR – CESTRIN - Respondent	2,750	Claims: converting the fine penalty into warning, Record of Findings R16 0416380/30.08.2016. Complaint dismissed by the Court of First Instance, Ruling 2036/15.12.2016. Status of litigation: Appeal dismissed on 21.09.2017. Ruling to be communicated	Finalized; amount of RON 1,415 to be recovered
121	1571/257/2017 Medias Court of Law under appeal Sibiu County Court of Law	Complaint of violation against a fine penalty for lack of ROvignette	ROMGAZ- SIRCOSS – petitioner	CNAIR former CNADNR – CESTRIN - Respondent	250	Claims: converting the fine penalty into warning, Record of Findings R17 0148052/21.02.2017. Status of litigation: Complaint dismissed on 19.06.2017. Ruling 1434/2017 to be communicated. Appeal filed on 11.09.2017	January 26, 2018
122	3339/257/2017 Medias Court of Law	Complaint of violation against a fine penalty for lack of RO vignette	ROMGAZ- SIRCOSS – petitioner	CNAIR former CNADNR – CESTRIN - Respondent	2,750	Claims: converting the fine penalty into warning, Record of Findings R17/0346605/13.06.2017. Complaint dismissed by the Court of First Instance as of 04.10.2017, Ruling 1950/04.10.2017. Ruling to be communicated. Right to appeal within 30 days of communication. Appeal filed	Not established

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
123	10073/63/2015* Dolj County Court of Law	Claims	Paunescu Dan S.A. - plaintiff	Transgaz, Romgaz Ploiesti - defendant	EUR60,000	compensation payment for loss of land usage due to the undercrossing by the ND 300 Clapeta-SDE pipeline	January 16, 2018
124	31572/215/2015 Craiova Court of Law	Claims	Dica Viorel - plaintiff	Romgaz Ploiesti - defendant	16,500	Compensation payment for loss of easement right due to the Ghercesti Cluster 7. A topographic and agricultural expertise was ordered.	February 14, 2018
125	900/105/2016 Prahova	Claims	Romgaz Ploiesti - plaintiff	Filip Gheorghe - defendant	673	Labor related litigation to recover the amount of 673 RON; equivalent value of undue days of leave. Action allowed	Enforcement request filed
126	11305/215/2017- Craiova Court of Law	Establishment of easement right+claims	Irimescu Simona- plaintiff	Romgaz Suc. Ploiesti- defendant	6,000	The plaintiff requests a right of access to the land where well 211 Ghercesti is located. She also claims that she cannot construct on this privately-owned land because of existing pipelines.	February 12, 2018
127	53/1285/2017- Cluj County Specialized Court of Law	Insolvency	Romgaz – Suc Ploiesti - creditor	SC Energon Power&Gas SRL - debtor	318,135.78	Request for admission of RON 318,135.78 debt. The request filed by the interim official receiver Societate Redresare Lichidare SPRL was allowed and the simplified insolvency of SCE.P.&G. SRL as well as its winding up was ordered.	March 13, 2018
128	28104/281/2016- Ploiesti Court of Law	Specific performance, damages	Fundatia Semper Fidelis Domus Bucuresti - plaintiff	Romgaz – Suc. Ploiesti - defendant	2,000/annum/pa st 3 years	Request to deviate the gathering pipeline PN 150 Butimanu-Bilciuresti and to demolish constructions erected without construction permit.	January 12, 2018
129	774/105/2016- Prahova Court of Law	Establishment of occupational category	Stan Gheorghe - plaintiff	Romgaz Suc. Ploiesti SC Rompetrol S.A. - defendant		Labor-related litigation for establishment of occupational category I. Action was partially allowed. Action in relation to Romgaz was dismissed. Ruling 2073/2017. Right to file an appeal.	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
130	3246/317/2017 Tg Carbonești Court of Law	Complaint of violation	Romgaz-Suc. Tg. Mures – petitioner	I.T.M. Gorj - respondent	3,500	Complaint of violation against the Record of Findings. Allows the complaint. Right to file an appeal.	Not established
131	4199/85/2017 – Sibiu County Court of Law	claims	SC Develtor SRL-plaintiff	Romgaz- defendant	2,920,371.34	The plaintiff requests the court to compel the defendant to the payment of RON 2,920,371.34 (plus VAT) representing the equivalent value of additional works performed by the plaintiff in phases II, III and IV and of the pieces of equipment used additionally for the performance of works at well Radeni 1, in accordance with the work contract no. 11197/2016	February 13, 2018
132	1885/93/2015- Ilfov County Court of Law	Administrative court – annulment of administrative document	Romgaz – Suc. Ploiesti SC Rompetrol S.A. plaintiff	Ilfov Prefect's Office Cernica Commune City Hall - defendants		The plaintiff requested the partial annulment of the Prefect's Oder no. 545/2009 whereby the usage category "pasture-land" for a 10,730sq.m. land was established. The land relates to some of its investment. This action was filed because due to the change from "arable" usage category, proceedings relating to the certification of title for the above-specified land could not be continued.	February 07, 2018
133	2279/327/2017 Tulcea County Court of Law	claims	Romgaz - plaintiff	Crisan Commune City Hall - defendant	10,000	The court was requested to establish the unilateral termination of sponsorship contract no. 34667/2015 and the refund of RON 10,000.	January 29, 2018
134	4720/2/2017 Bucharest Court of Appeal	Annulment of decision	Romgaz Petitioner	FGA - respondent		Romgaz filed a reexamination request given Minute no. 34667/2015 whereby the annulment of the challenge was ordered on grounds of missing stamp duty.	February 20, 2018
135	7034/303/2014 Bucharest County Court of Law	Garnishment validation - appeal	Romgaz creditor	SC Interagro SA – debtor SC Energy Cogeneration; Bio Fuel Energy, Fish&Fish Prodcom Inter-Sport Assets, Cotidianul Curentul, Inter Tourism Management, Power Plant Fagaras,	100,615,007.42 according to Civil ruling no.3279/2011 – enforceable	According to Civil Ruling1492/2016, the courts of first instance allowed the garnishment validation request filed by Romgaz against the garnishee. Interagro and the garnishees filed an appeal. The Minute dated November 2, 2016 ordered the stay of appeals on grounds of non-compliance with all obligations established for the respondents. The stay of proceedings is valid at present.	Stay of proceedings

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
				Scorpions Construct, Giurgiu BiomassHet&Power, Interagro Exploration - garnishee			
136	6838/303/2014 Bucharest County Court of Law	Garnishment validation - appeal	Romgaz creditor	SC Interagro SA – debtor SC TM Power SA, Asirom Leasing IFN, Cotidianul Curentul, IFN INT, Intercereal – garnishee	100,615,007.42 according to Civil ruling no.3279/2011 – enforceable	According to Civil Ruling 8486/2015, the court of first instance allowed the garnishment validation request filed by Romgaz against the garnishee. Interagro and the garnishees filed an appeal. The Minute dated September 02, 2016 ordered the stay of file because against the debtor insolvency proceedings were initiated according to case file 36095/3/2015. The stay of proceedings is valid at present.	Stay of proceedings
137	34079/303/2015 Sector 6 Bucharest Court of Law	Challenge on enforcement	Interagro - petitioner	Romgaz, Agricolferm SRL, BEJ Cristian Milos – respondent	100,615,007.42 according to Civil ruling no.3279/2011 – enforceable	Challenge on enforcement against the tendering minutes relating to the construction located in Bucharest, sector 6, Apusului Str., no.50 belonging to the debtor concluded in the enforcement file no. 28/2014 of BEJ Cristian Milos. The request is found obsolete. Right to file a recourse.	
138	36095/3/2015 Bucharest County Court of Law	insolvency	Romgaz – creditor Creditors included in the preliminary table of receivables	Interagro - debtor	284,208,986.85	The receivable to be included in the body of creditors is of RON 284,208,986.85 and is included in the table of receivables. The insolvency procedure is in observation phase. At the end of the first Creditors' Assembly held on May 16, 2016, the Creditors' Committee was appointed formed by Pireus Bank, Romgaz, Banca Transilvania, Intercereal and EON Energie. CITR Ilfov subsidiary was conformed as Official Receiver. Following the settlement of challenges to the preliminary table, the final table is to be drafted and to make a decision regarding the debtor's reorganization or performance of bankruptcy procedures.	February 19, 2018
139	8453/2/2016 Bucharest Court of Appeal	Challenge of administrative document	Romgaz - claimant	ANAF Brasov - respondent	2,980,868	The Court of Appeal dismissed the summons on inadmissibility grounds because of the unlawful statute of limitations to establish fiscal obligations and because of lack of grounds for the remaining part. (Ruling 1836/May 19, 2017). Against this decision, a recourse was filed on May 25, 2017. At present the decision of the court of first instance is not communicated. The memorandum containing the reasons for recourse is to be drafted after the communication of the decision.	Not established

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
140	4271/85/2017 Bucharest Court of Appeal	Tort liability proceedings	Romgaz plaintiff	Piteiu Maria Iuliana, Piteiu Vladimir – defendants	282,630,330.49 (rough estimation)	Tort liability proceedings initiated against the legal successors for maintaining precautionary measures established in the criminal prosecution file no. 146/D/P/2010 in relation to the property of the deceased Marcel Adrian Piteiu	Stay of proceedings
141	1692/1/2017/a1 High Court of Cassation and Justice	Directions hearings	Romgaz-civil party	NICULAE IOAN VIDEANU ADRIEAN - MIREA MARIN - ALESANDRU DAN- VICTOR - PALASCA VIOREL - APAN IOANA - KRAMER ALPAR - TOTH FRANCISC - STANCU LUCIAN ADRIAN - VEZA MARIUS LEONTE - IONASCU LUCIA - SC INTERAGRO SA -	282,630,330.49 (rough estimation)	Directions hearings. Ruling is postponed	February 22, 2018
142	1692/1/2017/A1/a1 High Court of Cassation and Justice	Maintaining precautionary measures	Romgaz – civil party	Piteiu Maria Iuliana, Piteiu Vladimir – defendants	282,630,330.49 (rough estimation)	On the trial date of September 15, 2017, the file was enclosed in case file no. 1980/2017.	
143	1980/1/2017 High Court of Cassation and Justice	Lifting precautionary measures	Piteiu Maria Iuliana, Piteiu Vladimir – petitioners	Romgaz – civil party	282,630,330.49 (rough estimation)	On the trial date of September 15, 2017, the court dismissed as unfounded the petitioner's claim to lift precautionary measures (distrain upon property) established by Ordinance 146/D/P/2010 of June 8, 2012 of the High Court of Cassation and Justice Prosecutor's Office and the request filed by Romgaz – civil party – for the establishment of the same measures, due to loss of scope. The petitioner and the civil party are each compelled to pay RON 100 as court fees. Final ruling.	
144	1692/1/2017/a1.2 High Court of Cassation and Justice	Lifting precautionary measures	Romgaz – civil party	Barbu Florin Andrei – petitioner Interagro -defendant	282,630,330.49 (rough estimation)	Lifting precautionary measures. Dismisses the challenge filed by the petitioner against the lifting of precautionary measures (distrain upon property) established by Ordinance 146/D/P/2010 of September 2, 2016 of the High Court of Cassation and Justice – Criminal Offence Investigation Department (...) regarding the construction of 32,500	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
						sq.m. located in Nanov, Teleorman County (...). Compels the petitioner to the payment of RON 200 representing legal expenses. The RON 130 honorary for the appointed defense of Interagro is paid from the Ministry of Justice funds. Ruling given in October 19, 2017. Final.	
145	3098/2518/2017 Ludus Court of Law	Complaint of violation	Romgaz-SPEE Iernut - petitioner	ANRE - defendant	4,000 (half of minimum range of value)	Complaint of violation against Record of Findings 84958/2017, fine 50 000 art. 93 par (2) point 2, letter a) of Law 123/2012, for "non-transmittal of data requested correctly and completely"	File recorded on December 28/2017
146	4270/102/2017 Mures County Court of Law	Damages	Negrea Alexandru Stelian - plaintiff	Romgaz STTM - defendant	30,000	The plaintiff filed a civil action to compel Romgaz STTM to the payment of RON 30,000 as civil damages for the moral prejudice and to relating legal interest from the date of filing the action until the actual payment thereof. The court set the first trial date.	February 20, 2018
147	32542/3/2017 Bucharest County Court of Law	claims	Romgaz - plaintiff	SC C-Gaz &Energy Distributie SRL Bucuresti -defendant	1,109,398.89	Romgaz requests that the defendant is compelled to: <ul style="list-style-type: none"> - Payment of RON 1,089,351.21 as unpaid price for gas contracted and not taken, as outlined in invoices 40401160/09.05.2017, no. 40401161/10.04.2017 - Payment of RON 20,047.68 as legal interest relating to the debit calculated until July 31, 2017 and further on the payment of legal interest until the full restitution of the main debit. - Payment of legal expenses. 	March 01, 2018
148	30568/325/2017 Timisoara Court of Law	Claims	Romgaz-SIRCOSS plaintiff	SC ETA AUTOMATIZARI INDUSTRIALE SRL defendant	74,524.7	To compel the defendant to the payment of RON 74,524.7 plus late payment penalties	Not established
149	13745/63/2017 Dolj County Court of Law	Reimbursement of undue payment	Romgaz - plaintiff	SC Foraj Sonde SA Craiova - defendant	10,972 (judicial stamp duty)	Action filed for the reimbursement of undue payments Declines competency in favor of Sibiu Court of Law. No right to recourse/appeal. Ruling 35/2018	Not established

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
150	5362/317/2017 Tg Carbunesti Court of Law	Action for recovery of possession of real property	Jianu Dumitru - plaintiff	Romgaz Suc. Tg. Mures - defendant		The summons was received on January 18, 2018. Within the legal 25 days term a statement of defense is to be filed.	Not established

S.N.G.N. ROMGAZ S.A.

**INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017
PREPARED IN ACCORDANCE WITH**

**INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION
AND
MINISTRY OF FINANCE ORDER 2844/2016**

CONTENTS:	PAGE:
Independent auditor's report	I - V
Statement of individual comprehensive income for the year ended December 31, 2017	1
Statement of individual financial position as of December 31, 2017	2
Statement of individual changes in equity for the year ended December 31, 2017	4
Statement of individual cash flow for the year ended December 31, 2017	5
Notes to the individual financial statements for the year ended December 31, 2017	7
1. Background and general business	7
2. Significant accounting policies	7
3. Revenue and other income	18
4. Investment income	18
5. Cost of commodities sold, raw materials and consumables	18
6. Other gains and losses	19
7. Depreciation, amortization and impairment expenses	19
8. Employee benefit expense	19
9. Finance costs	20
10. Other expenses	20
11. Income tax	20
12. Property, plant and equipment	22
13. Exploration and appraisal for natural gas resources	24
14. Other intangible assets	25
15. Inventories	27
16. Accounts receivable	27
17. Share capital	28
18. Reserves	29
19. Provisions	29
20. Trade and other current liabilities	31
21. Financial instruments	31
22. Related party transactions and balances	34
23. Information regarding the members of the administrative, management and supervisory bodies	34
24. Investment in subsidiaries and associates	35
25. Other financial investments	37
26. Segment information	38
27. Cash and cash equivalents	40
28. Other financial assets	40
29. Commitments undertaken	41
30. Commitments received	41
31. Contingencies	41
32. Joint arrangements	44
33. Auditor's fees	45
34. Events after the balance sheet date	45
35. Approval of financial statements	45

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
S.N.G.N. ROMGAZ S.A.

Report on the Audit of the Financial Statements

Opinion

1. We have audited the financial statements of S.N.G.N. ROMGAZ S.A. (the Company), with registered office in Medias, 4 Constantin I. Motas Square, 551130, Sibiu County, identified by the unique tax registration code 14056826, which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.
2. The financial statements as at December 31, 2017 are identified as follows:
 - Net assets/ Equity Th. RON 9,310,876
 - Net profit/(loss) for the financial year Th. RON 1,854,748
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	How our audit addressed the key audit matter
<p>Property Plant and Equipment and Intangible Assets valuation</p> <p>As presented in Note 12 and Note 14 to the individual financial statements, S.N.G.N. ROMGAZ S.A. ("the Company") has tangible assets amounting to RON 5,842,366 thousand as at December 31, 2017 and intangible assets amounting to RON 412,284 thousand. Following a thorough review of the business, the outlook of the industry and future operating plans, management has assessed the carrying values of the property plant and equipment and of the intangible assets as at year-end. As result of the assessment, the closing balance of impairment of tangible and intangible assets as at December 31, 2017 is of RON 534,749 thousand and RON 231,490 thousand, respectively. These conclusions are dependent upon significant management judgement, in respect of:</p> <ul style="list-style-type: none"> - technical and physical assessment of the status of the assets as at year end; - analysis of future reserves and production plans for the assets; - assessment based on history of success for exploration assets; - status of regulators decisions for wells in conservation as at year end; and - decommissioning calculations for assets in use. <p>Because of the significance of management estimates and judgements involved in assessing this area and, also, considering the significant amount of these assets, we consider that the Property Plant and Equipment and Intangibles Assets valuation is a key audit matter.</p>	<p>Our procedures in relation to management's impairment assessment of property plant and equipment and intangible assets valuation included:</p> <ul style="list-style-type: none"> - Evaluating of the appropriateness of the Entity's judgments regarding identification of assets which may be impaired; - Critically reviewing management's assumptions for each decision taken in the valuation exercise; - Discussions held with representatives from technical departments to understand and confirm managements assumptions regarding technical aspects included in the valuation exercise; - Performed parallel assessment of ageing analysis for old assets with no movement and no production on the period and held discussions with management and technical department on a sample basis; - Reviewed and analyzed reports approved by the regulators for assets that are kept in conservation; - Reviewed decommissioning calculation and assessed the reasonability of the variables included in the calculation (WACC and inflation rates used, average cost of decommissioning per type of well, period before decommissioning liability starts etc.). - Evaluation of the adequacy of disclosures in respect of the assets in discussion. - Analyzed the success rates for exploration projects used in the valuation of intangible assets exercise.

Other information - Administrators' Report

6. The Administrators are responsible for preparation and presentation of the other information. The other information comprises the Administrators' report but does not include the separate financial statements and our auditors report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements for the year ended December, 31, 2017, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrators' report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

- a) the information included in the administrators' report for the financial year for which the financial statements have been prepared are consistent, in all material respects, with these financial statements;
- b) the Administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared as at December 31, 2017, we are required to report if we have identified a material misstatement of this Administrators' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs / Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. 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 level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 these financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 override of internal control.
 - Obtain 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.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events 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. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. We communicate with those charged with governance 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.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders to audit the financial statements of S.N.G.N. ROMGAZ S.A. for the financial year ended December 31, 2017. The uninterrupted total duration of our commitment is 9 years, covering the financial years ended 31.12.2009 until the 31.12.2017.

Deloitte.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided for the Company the non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014.

The engagement partner on the audit resulting in this independent auditor's report is Openshaw Steve.

Steve Openshaw, Audit Partner

For signature, please refer to the original Romanian version.

Registered with the Chamber of Financial Auditors of Romania under certificate no. 5469 / 22.03.2018

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Chamber of Financial Auditors of Romania under certificate no. 25/25.06.2001

Sos. Nicolae Titulescu nr. 4- 8, America House, Intrarea de Est,
Etajul 2 - zona Deloitte și Etajul 3, sector 1,
Bucharest, Romania
March 22, 2018

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	Year ended December 31, 2017	Year ended December 31, 2016
		'000 RON	'000 RON
Revenue	3	4,585,189	3,411,868
Cost of commodities sold	5	(61,095)	(49,878)
Investment income	4	22,349	22,117
Other gains and losses	6	(120,335)	(468,218)
Changes in inventory of finished goods and work in progress		(186,651)	20,963
Raw materials and consumables used	5	(64,329)	(54,632)
Depreciation, amortization and impairment expenses	7	(548,869)	(311,012)
Employee benefit expense	8	(562,883)	(498,114)
Finance cost	9	(18,624)	(18,275)
Exploration expense	13	(137,083)	(253,348)
Other expenses	10	(1,090,647)	(881,923)
Other income	3	364,169	361,147
Profit before tax		2,181,191	1,280,695
Income tax expense	11	(326,443)	(256,116)
Profit for the year		1,854,748	1,024,579
Basic and diluted earnings per share		0.0048	0.0027
Total comprehensive income for the year		1,854,748	1,024,579

These financial statements were endorsed by the Board of Directors on March 22, 2018.


 Corin Cindrea
 Chief Executive Officer


 Andrei Bobar
 Chief Financial Officer

The accompanying notes form an integral part of these financial statements.
 This is a free translation of the original Romanian version.

STATEMENT OF INDIVIDUAL FINANCIAL POSITION AS OF DECEMBER 31, 2017

	Note	December 31, 2017	December 31, 2016
		'000 RON	'000 RON
ASSETS			
Non-current assets			
Property, plant and equipment	12	5,842,366	5,789,262
Other intangible assets	14	412,284	397,864
Investments in subsidiaries	24 a)	1,200	1,200
Investments in associates	24 b)	120	120
Deferred tax asset	11	1,464	-
Other financial investments	25	69,678	69,657
Total non-current assets		6,327,112	6,258,103
Current assets			
Inventories	15	389,515	575,983
Trade and other receivables	16 a)	816,086	828,610
Other financial assets	28	2,786,166	2,892,751
Other assets	16 b)	305,908	141,525
Cash and cash equivalents	27	227,165	280,526
Total current assets		4,524,840	4,719,395
Total assets		10,851,952	10,977,498
EQUITY AND LIABILITIES			
Equity			
Share capital	17	385,422	385,422
Reserves	18	2,312,532	3,020,152
Retained earnings		6,612,922	6,270,587
Total equity		9,310,876	9,676,161
Non-current liabilities			
Retirement benefit obligation	19	119,482	119,986
Deferred tax liabilities	11	-	40,123
Provisions	19	280,601	194,048
Total non-current liabilities		400,083	354,157

The accompanying notes form an integral part of these financial statements.
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STATEMENT OF INDIVIDUAL FINANCIAL POSITION AS OF DECEMBER 31, 2017

	<u>Note</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
		'000 RON	'000 RON
Current liabilities			
Trade payables	20	606,109	569,941
Current tax liabilities		128,520	60,295
Deferred revenue		970	4,924
Provisions	19	76,290	50,437
Other liabilities	20	329,104	261,583
Total current liabilities		<u>1,140,993</u>	<u>947,180</u>
Total liabilities		<u>1,541,076</u>	<u>1,301,337</u>
Total equity and liabilities		<u>10,851,952</u>	<u>10,977,498</u>

These financial statements were endorsed by the Board of Directors on March 22, 2018.


 Corin Cindrea
 Chief Executive Officer


 Andrei Bobar
 Chief Financial Officer

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STATEMENT OF INDIVIDUAL CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

	Share capital	Legal reserve	Other reserves (note 18)	Retained earnings (**)	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2017	385,422	77,084	2,943,068	6,270,587	9,676,161
Allocation to dividends *)	-	-	(747,719)	(1,472,314)	(2,220,033)
Allocation to other reserves, according to Shareholders' decision	-	-	16,309	(16,309)	-
Reinvested profit reserves (note 2)	-	-	23,790	(23,790)	-
Total comprehensive income for the year	-	-	-	1,854,748	1,854,748
Balance as of December 31, 2017	385,422	77,084	2,235,448	6,612,922	9,310,876
Balance as of January 1, 2016	385,422	77,084	2,504,769	6,724,947	9,692,222
Allocation to dividends *)	-	-	-	(1,040,640)	(1,040,640)
Transfers	-	-	19,102	(19,102)	-
Allocation to other reserves, according to Shareholders' decision	-	-	335,940	(335,940)	-
Reinvested profit reserves (note 2)	-	-	83,257	(83,257)	-
Total comprehensive income for the year	-	-	-	1,024,579	1,024,579
Balance as of December 31, 2016	385,422	77,084	2,943,068	6,270,587	9,676,161

*) In the year ended December 31, 2017, shareholders of the Company approved the allocation of RON 2,220,033 thousand to dividends (2016: RON 1,040,640 thousand), the dividend per share being RON 5.76 (2016: 2.70 RON /share). The dividend per share paid in 2017 includes an extra dividend of RON 3.36.

***) Retained earnings include the geological quota reserve set up in accordance with the provisions of Government Decision no. 168/1998 on the establishment of the expense quota for the development and modernization of oil and natural gas production, refining, transportation and oil distribution. Following the Company's transition to IFRS, the reserve was no longer set up, the reserve existing as of December 31, 2012 being included in retained earnings. The reserve is allocated based on the depreciation, respectively write-off of the assets financed using this source, based on decision of General Meeting of Shareholders. As of December 31, 2017 the geological quota reserve is of RON 1,781,845 thousand (December 31, 2016: RON 2,217,232 thousand).

These financial statements were endorsed by the Board of Directors on March 22, 2018.


Corin Cindrea
Chief Executive Officer


Andrei Bobar
Chief Financial Officer

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STATEMENT OF INDIVIDUAL CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2017

	Year ended December 31, 2017	Year ended December 31, 2016
	'000 RON	'000 RON
Cash flows from operating activities		
Net profit	1,854,748	1,024,579
Adjustments for:		
Income tax expense (note 11)	326,443	256,116
Interest expense (note 9)	3	15
Unwinding of decommissioning provision (note 9, note 19)	18,621	18,260
Interest revenue (note 4)	(22,349)	(22,117)
Net loss on disposal of non-current assets (note 6)	72,668	108,057
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	11,693	(5,941)
Change in other provisions (note 19)	11,389	18,919
Net impairment of exploration assets (note 7, note 12, note 13, note 14)	(17,711)	(173,701)
Exploration projects written off (note 13)	137,083	253,348
Net impairment of property, plant and equipment and intangibles (note 7, note 12, note 14)	23,206	(43,228)
Depreciation and amortization (note 7)	543,374	527,941
Impairment of investment in associates (note 6, note 24 b)	(12,462)	43
Impairment of other financial investments (note 6, note 25)	(21)	(1,554)
Gain/Loss from disposal of investment in associates and other financial investments (note 6, note 24 b)	12,308	1,577
Net receivable write-offs and movement in allowances for trade receivables and other assets	38,575	354,321
Revenues from dismantling of assets	-	(1,287)
Net movement in write-down allowances for inventory (note 6, note 15)	8,147	5,714
Liabilities written off	(610)	-
Subsidies income	(150)	-
	3,004,955	2,321,062
Movements in working capital:		
(Increase)/Decrease in inventory	178,363	(21,646)
(Increase)/Decrease in trade and other receivables	(180,283)	(583,600)
Increase/(Decrease) in trade and other liabilities	105,983	337,707
Cash generated from operations	3,109,018	2,053,523
Interest paid	(3)	(15)
Income taxes paid	(309,956)	(309,125)
Net cash generated by operating activities	2,799,059	1,744,383

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STATEMENT OF INDIVIDUAL CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2017

	Year ended December 31, 2017	Year ended December 31, 2016
	'000 RON	'000 RON
Cash flows from investing activities		
Payments to increase the investment in associates	(144)	-
(Increase)/Decrease in other financial assets	104,964	(720,480)
Interest received	20,908	25,178
Proceeds from sale of non-current assets	207	144
Sale of other financial investments	-	400
Acquisition of non-current assets	(478,404)	(296,511)
Acquisition of exploration assets	(280,659)	(172,178)
Proceeds from disposal of associates (note 24 b)	298	-
Net cash used in investing activities	(632,830)	(1,163,447)
Cash flows from financing activities		
Dividends paid	(2,220,003)	(1,040,762)
Subsidies received	413	-
Net cash used in financing activities	(2,219,590)	(1,040,762)
Net increase/(decrease) in cash and cash equivalents	(53,361)	(459,826)
Cash and cash equivalents at the beginning of the year	280,526	740,352
Cash and cash equivalents at the end of the year	227,165	280,526

These financial statements were endorsed by the Board of Directors on March 22, 2018.


Corin Cindrea
Chief Executive Officer


Andrei Bobar
Chief Financial Officer

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

1. BACKGROUND AND GENERAL BUSINESS

Information regarding S.N.G.N. Romgaz S.A. (the "Company"/"Romgaz")

S.N.G.N. Romgaz S.A. is a joint stock company, incorporated in accordance with the Romanian legislation.

The Company's headquarter is in Mediaș, 4 Constantin I. Moțaș Square, 551130, Sibiu County.

The Romanian State, through the Ministry of Energy, is the majority shareholder of S.N.G.N. Romgaz S.A. together with other legal and physical persons (note 17).

Romgaz has as main activity:

1. geological research for the discovery of natural gas, crude oil and condensed reserves;
2. operation, production and usage, including trading, of mineral resources;
3. natural gas production for:
 - ensuring the storage flow continuity;
 - technological consumption;
 - delivery in the transportation system.
4. underground storage of natural gas;
5. commissioning, interventions, capital repairs for wells equipping the deposits, as well as the natural gas resources extraction wells, for its own activity and for third parties;
6. electricity production and distribution.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The individual financial statements ("financial statements") of the Company have been prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and Ministry of Finance Order 2844/2016 to approve accounting regulations in accordance with IFRS (MOF 2844/2016). For the purposes of the preparation of these financial statements, the functional currency of the Company is deemed to be the Romanian Leu (RON). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board (IASB), however, the differences have no material impact on the Company's financial statements for the periods presented.

The same accounting policies and methods of computation are used in these financial statements as compared with the most recent annual individual financial statements issued by the Company.

Basis of preparation

The financial statements have been prepared on a going concern basis. The principal accounting policies are set out below.

Accounting is kept in Romanian and in the national currency. Items included in these individual financial statements are denominated in Romanian lei. Unless otherwise stated, the amounts are presented in thousand lei (thousand RON).

The Company prepared individual financial statements, as its subsidiary S.N.G.N. ROMGAZ S.A. – Filiala de Îmagazinare Gaze Naturale Depogaz Ploiești S.R.L., registered at the Trade Register on August 21, 2015 had no activity until December 31, 2017.

These individual financial statements are prepared for general purposes, for users familiar with the IFRS as adopted by EU; these are not special purpose financial statements. Consequently, these individual financial statements must not be used as sole source of information by a potential investor or other users interested in a specific transaction.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these individual financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventory" or value in use in IAS 36 "Impairment of assets".

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance to the Company of the inputs to the fair value measurement, which are described as follows:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the asset or liability.

Associated entities

An associate is a company over which the Company exercises significant influence through participation in decision making on financial and operational policies of the entity invested in. Investments are recorded at cost less accumulated impairment.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint ventures.

Joint operations

The Company recognizes in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

As joint operator, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

If the Company participates in, but does not have joint control of, a joint operation it accounts for its interest in the arrangement in accordance with the paragraphs above if it has rights to the assets, and obligations for the liabilities, relating to the joint operation.

If the Company participates in, but does not have joint control of, a joint operation, does not have rights to the assets, and obligations for the liabilities, relating to that joint operation, it accounts for its interest in the joint operation in accordance with the IFRSs applicable to that interest.

Joint ventures

As a partner in a joint venture, in its financial statements, the Company recognizes its interest in a joint venture as investment, at cost, if it has joint control.

Standards and interpretations valid for the current period

The following standards and amendments or improvements to existing standards issued by the IASB and adopted by the EU have entered into force for the current period:

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses (effective for annual periods beginning on or after 1 January 2017);
- Amendments to IAS 7 Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017).

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

The adoption of these amendments, interpretations or improvements to existing standards has not led to changes in the Company's accounting policies.

Standards and interpretations issued by IASB and adopted by the EU, but not yet effective

At the date of issue of the financial statements, the following standards were issued, but not yet effective:

- IFRS 9 Financial Instruments, adopted by EU on November 22, 2016 (effective for annual periods beginning on or after January 1, 2018);
- IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15: Effective date of IFRS 15, issued by IASB and adopted by the EU on September 22, 2016 (effective for annual periods beginning on or after January 1, 2018).
- IFRS 16 Leases (effective for annual periods beginning on or after January 1, 2019);
- Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018);
- Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after January 1, 2018);
- Annual Improvements to IFRS Standards 2014–2016 Cycle (effective for annual periods beginning on or after January 1, 2018).

Standards and interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from IFRS adopted by the IASB except from the following standards, amendments or improvements to the existing standards and interpretations, which were not endorsed for use in EU as at date of publication of financial statements:

- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after January 1, 2021);
- Amendments to IFRS 10 and IAS 28: Sale or contribution of assets between an investor and its associate or joint venture (the effective date of the amendments has been deferred indefinitely);
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2018);
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after January 1, 2018);
- Amendments to IAS 40 Transfers of Investment Property (effective for annual periods beginning on or after January 1, 2018);
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after January 1, 2019);
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective for annual periods beginning on or after January 1, 2019);
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2019);
- Annual Improvements to IFRS Standards 2015–2017 Cycle (effective for annual periods beginning on or after January 1, 2019);
- Amendments to IAS 19: Plan amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019).

The Company is currently evaluating the effect that the adoption of these standards, amendments or improvements to the existing standards and interpretations will have on the financial statements of the Company in the period of initial application.

Revenue recognition

Revenues refer to goods sold (gas) and services supplied.

Revenue from the sale of goods is recognized when all of the following conditions are met:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from rendering of services is based on the stage of completion as a percentage from total revenues from the service contract, the percentage being determined by the fraction between the performed services until the end of the reporting date and the total services to be performed.

Rental revenue is recognized on an accrual basis in accordance with the substance of the relevant agreements.

Interest income is recognized periodically and proportionally as the respective income is generated, on accrual basis.

Dividends are recognized as income when the legal right to receive them is established.

Foreign currencies

The functional currency is the currency of the primary economic environment in which the Company operates and is the currency in which the Company primarily generates and expends cash. The Company operates in Romania and it has the Romanian Leu (RON) as its functional currency.

In preparing the financial statements of the Company, transactions in currencies other than the functional currency (foreign currencies) are recorded at the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

Exchange differences are recognized in the statement of comprehensive income in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Employee benefits

Benefits granted upon retirement

In the normal course of business, the Company makes payments to the Romanian State on behalf of its employees at legal rates. All employees of the Company are members of the Romanian State pension plan. These costs are recognized in the statement of comprehensive income together with the related salary costs.

Based on the Collective Labor Agreement, the Company is liable to pay to its employees at retirement a number of gross salaries, according to the years worked in the gas industry/electrical industry, work conditions etc. To this purpose, the Company recorded a provision for benefits upon retirement. This provision is updated annually and computed according to actuary methods based on estimates of the average salary, the average number of salaries payable upon retirement, on the estimate of the period when they shall be paid and it is brought to present value using a discount factor based on interest related to a maximum degree of security investments (government securities).

As the benefits are paid, the provision is reduced together with the reversal of the allowance against income.

The Company does not operate any other pension scheme or post-retirement benefit plan and, consequently, has no obligation in respect of pensions.

Employee participation to profit

The Company records in its financial statements a provision related to the fund for employee participation to profit in compliance with legislation in force.

Liabilities related to the fund for employee participation to profit are settled in less than a year and are measured at the amounts estimated to be paid at the time of settlement.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Provisions for decommissioning of wells and restoration of land damaged by the activity of exploiting natural gas resources

Liabilities for decommissioning costs are recognized due to the Company's obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made.

The Company recorded a provision for decommissioning wells and restoring lands used in the activity of exploiting natural resources and returning them to the economic circuit.

This provision was computed based on the estimated future expenditure determined in accordance with local conditions and requirements and it was brought to present value using a discount factor based on the weighted average cost of capital. The weighted average cost of capital is updated annually.

A corresponding item of property, plant and equipment of an amount equivalent to the provision is also recognized. The item of property, plant and equipment is subsequently depreciated as part of the asset.

The Company applies IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities" related to changes in existing decommissioning, restoration and similar liabilities.

The change in the decommissioning provision for wells is recorded as follows:

- a. subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- b. the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in the statement of comprehensive income;
- c. if the adjustment results in an addition to the cost of an asset, the Company considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Company tests the asset for impairment by estimating its recoverable amount, and accounts for any impairment loss.

Once the related asset has reached the end of its useful life, all subsequent changes of debt are recognized in the income statement in the period when they occur.

The periodical unwinding of the discount is recognized periodically in the comprehensive income as a finance cost, as it occurs.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of individual comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The accompanying notes form an integral part of these financial statements.

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current tax for the period is recognized as an expense in the statement of individual comprehensive income. Deferred tax for the period is recognized as an expense or income in the statement of individual comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where it arises from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

Property, plant and equipment**(1) Cost***(i) Property, plant and equipment*

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of any decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

(ii) Development expenditure

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including the commissioning of wells, is capitalized within property, plant and equipment and is depreciated from the commencement of production as described below in the property, plant and equipment accounting policies.

(iii) Maintenance and repairs

The Company does not recognize within the assets costs the current expenses and the accidental expenses for that asset. These costs are expensed in the period in which they are incurred.

The cost for current maintenance are mainly labor costs and consumables and also small inventory items. The purpose of these expenses is usually described as "repairs and maintenance" for property, plant and equipment.

The expenses with major activities, inspections and repairs comprise the replacement of the assets or other asset's parts, the inspection cost and major overhauls. These expenses are capitalized if an asset or part of an asset, which was separately depreciated, is replaced and is probable that they will bring future economic benefits for the Company. If part of a replaced asset was not considered as a separate component and, as a result, was not separately depreciated, the replacement value will be used to estimate the net book value of the asset/(assets) which is/(are) replaced and is/(are) immediately written-off. The inspection costs associated with major overhauls are capitalized and depreciated over the period until next inspection.

The cost for major overhauls for wells are also capitalized and depreciated using the unit of production depreciation method.

All other costs with the current repairs and usual maintenance are recognized directly in expenses.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

(2) Depreciation

For directly productive tangible assets (natural gas resources extraction wells), the Company applies the depreciation method based on the unit of production in order to reflect in the statement of individual comprehensive income, an expense proportionate with income realized from sale of production obtained from the total natural gas reserve certified at the beginning of the period. According to this method, the value of each production well is depreciated according to the ratio of the natural gas quantity extracted during the period compared to the proved developed reserves at the beginning of the period.

For indirectly productive tangible assets, depreciation is computed using the straight-line method over the estimated useful life of assets, as follows:

<u>Asset</u>	<u>Years</u>
Specific buildings and constructions	10 - 50
Technical installations and machines	3 - 20
Other plant, tools and furniture	3 - 30

Land is not depreciated as it is considered to have an indefinite useful life.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at historical cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Items of tangible fixed assets that are disposed of are eliminated from the statement of individual financial position along with the corresponding accumulated depreciation. Any gain or loss resulting from such retirement or disposal is included in the result of the period.

For items of tangible fixed assets that are retired from use, an impairment adjustment is recorded for the carrying value at the time of retirement.

Exploration and appraisal assets

(1) Cost

Natural gas exploration, appraisal and development expenditure is accounted for using the principles of the successful efforts method of accounting.

Costs directly associated with an exploration well are initially capitalized as an asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, drilling costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well is eliminated from the statement of individual financial position, by recording an impairment, until National Agency for Mineral Resources (Agentia Nationala pentru Resurse Minerale – ANRM) approvals are obtained in order to be written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. Costs directly associated with appraisal activity, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, an impairment is recorded for the assets, until the completion of the legal steps necessary for them to be written off. When proved reserves of natural gas are determined and development is approved by management, the relevant expenditure is transferred to property, plant and equipment other than exploration assets.

(2) Impairment

At each reporting date, the Company's management reviews its exploration assets and establishes the necessity for recording in the financial statements of an impairment loss in these situations:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of gas resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of gas resources in the specific area have not led to the discovery of commercially viable quantities of gas resources and the Company has decided to discontinue such activities in the specific area;

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This is a free translation of the original Romanian version.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Other intangible assets

(1) Cost

Licenses for software, patents and other intangible assets are recognized at acquisition cost. Operation licenses issued by the Regulatory Authority for Energy (Autoritatea Nationala de Reglementare in domeniul Energiei – ANRE) are recognized at cost from the moment they are obtained by the Company.

Intangible assets are not revalued.

(2) Amortization

Patents and other intangible assets are amortized using the straight-line method over their useful life, but not exceeding 20 years. Licenses related to the right of use of computer software are amortized over a period of 3 years. Operation licenses are amortized over the period for which they were issued.

Inventories

Inventories are recorded initially at cost of production, or acquisition cost, depending on the case. The cost of finished goods and production in progress includes materials, labour, expense incurred for bringing the finished goods at the location and in the existent form and the related indirect production costs. Write down adjustments are booked against slow moving, damaged and obsolete inventory, when necessary.

At each reporting date, inventories are evaluated at the lower of cost and net realizable value. The net realizable value is estimated based on the selling price less any completion and selling expenses. The cost of inventories is assigned by using the weighted average cost formula.

Financial assets and liabilities

The Company's financial assets include cash and cash equivalents, trade receivables, other receivables, loans, bank deposits and bonds with a maturity from acquisition date of over three months and other investments. Financial liabilities include interest-bearing bank borrowings and overdrafts and trade and other payables. For each item, the accounting policies on recognition and measurement are disclosed in this note. Management believes that the estimated fair values of these instruments approximate their carrying amounts.

Financial assets are classified into the following categories: "held-to-maturity investments" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables, including trade and other receivables, bank balances and cash and other receivables, are initially recognized at fair value, net of transaction costs. Subsequently these are recorded at amortized cost using the effective interest method, less any impairment. Any difference between the initial recognition and repayable amount is recognized in profit and loss over the period of the loan, using the effective interest rate method.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities, other than financial liabilities at fair value through profit or loss, are deducted from the fair value of financial liabilities on initial recognition.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The classification of investment depends on the nature and purpose and is determined at the time of initial recognition.

Available for sale (AFS) financial assets

Financial assets available for sale are non-derivatives financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or other financial assets measured at fair value through profit or loss.

Shares held in unquoted equity instrument are classified as being AFS and are stated at fair value, where it can be measured. Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each reporting period.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset, including trade receivables, is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, after the Board of Directors' approval, it is written off, together with the reversal of the allowance against income. Subsequent recoveries of amounts previously written off are credited as income in the period when the cash is collected. Changes in the carrying amount of the allowance account are recognized in profit or loss.

De-recognition of financial assets and liabilities

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Reserves

Reserves include (note 18):

- legal reserves, which are used annually to transfer to reserves up to 5% of the statutory profit, but not more than 20% of the Company's statutory share capital;
- other reserves, which represent allocations from profit in accordance with Government Ordinance no. 64/2001, paragraph (g) for the Company's development fund;

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

- reserves from reinvested profit, set up based on Emergency Ordinance no. 19/April 23, 2014 and Fiscal Code. The amount of profit that benefited from tax exemption under the above Ordinance less the legal reserve, is distributed at the end of the year by setting up the reserve;
- development quota reserve, non-distributable, set up until 2004. Development quota reserve set up after 2004 is distributable and presented in retained earnings. Development quota set up after 2004 is allocated with the approval of General Meeting of Shareholders, based on depreciation, respectively write-off of the assets financed using the development quota;
- other non-distributable reserves, set up from retained earnings representing translation differences recorded at transition to IFRS. These reserves are set up in accordance with MOF 2844/2016.

Subsidies

Subsidies are non-reimbursable financial resources granted to the Company with the condition of meeting certain criteria. In the category of subsidies are included grants related to assets and grants related to income.

Grants related to assets are government grants for whose primary condition is that the Company qualifying for them should purchase, construct, or otherwise acquire long-term assets.

Grants related to income are government grants other than those related to assets.

Subsidies are not recognized until there is reasonable assurance that:

- (a) The Company will comply with the conditions attaching to it; and
- (b) Subsidies will be received.

Grants related to assets are presented in the statement of financial position as "Deferred revenue", which is then recognized in profit or loss on a systematic basis over the useful life of the asset.

Grants related to income are recognized in the statement of profit or loss under "Other income", as the related expenses are recorded. Until the time of the expense, the grant received is recognized as "Deferred revenue".

Use of estimates

The preparation of the financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the end of reporting date, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments that the management has made in the process of applying the Company's accounting policies, and that have the most significant effect on the amounts recognized in the financial statements.

Estimates related to the exploration expenditure on undeveloped fields

If field works prove that the geological structures are not exploitable from an economic point of view or that they do not have hydrocarbon resources available, an impairment is recorded. The impairment assessment is performed based on geological experts' technical expertise.

Estimates related to the developed proved reserves

The Company applies the depreciation method based on the unit of production in order to reflect in the income statement an expense proportionate with the income realized from sale of production obtained from the total natural gas reserve at the beginning of the period. According to this method, the value of each production well is depreciated according to the ratio of the natural gas quantity extracted during the period compared to the gas reserve at the beginning of the period. The gas reserves are updated annually according to internal assessments that are based on certifications of ANRM.

Estimates related to the decommissioning provision

Liabilities for decommissioning costs are recognized for the Company's obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

This provision was computed based on the estimated future expenditure determined in accordance with local conditions and requirements and it was brought to present value using the weighted average capital cost.

Estimates related to the retirement benefit obligation

Under the Collective Labor Agreement, the Company is obliged to pay to its employees when they retire a multiplier of the gross salary, depending on the seniority within the gas industry/electricity industry, working conditions etc. This provision is updated annually and calculated based on actuarial methods to estimate the average wage, the average number of employees to pay at retirement, the estimate of the period when they will be paid and brought to present value using a discount factor based on interest on investments with the highest degree of safety (government bonds).

The Company does not operate any other pension plan or retirement benefits, and therefore has no other obligations relating to pensions.

Estimates regarding the environment provision

The Company records a provision for the restoration of land and for the redemption of the land to the agricultural circuit, based on management's estimate of the necessary costs to be incurred in order to restore the land to its original state. The estimate is based on previous experience.

Contingencies

By their nature, contingencies end only when one or more uncertain future events occur or not. In order to determine the existence and the potential value of a contingent element, is required to exercise the professional judgment and the use of estimates regarding the outcome of future events (note 31).

Comparative information

For each item of the statement of individual financial position, the statement of individual comprehensive income and, where is the case, for the statement of individual changes in equity and for the statement of individual cash flows, for comparative information purposes is presented the value of the corresponding item for the previous period ended, unless the changes are insignificant. In addition, the Company presents an additional statement of individual financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements, which has a material impact on the Company.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

3. REVENUE AND OTHER INCOME

	Year ended December 31, 2017	Year ended December 31, 2016
	'000 RON	'000 RON
Revenue from gas sold - domestic production	3,383,231	2,558,848
Revenue from gas sold - joint operations	129,196	108,543
Revenue from gas acquired for resale – import gas	29,280	10,885
Revenue from gas acquired for resale – domestic gas	22,020	9,332
Revenue from storage services-capacity reservation	422,180	278,909
Revenue from storage services-extraction	32,133	28,217
Revenue from storage services-injection	51,444	38,233
Revenue from electricity	464,170	336,349
Revenue from services	34,090	27,767
Revenue from sale of goods	10,216	7,661
Other revenues	7,229	7,124
Total revenue	4,585,189	3,411,868
Other operating income *)	364,169	361,147
Total revenue and other income	4,949,358	3,773,015

*) The tax inspection on excise for the period January 2010 – March 2013 was completed in 2017. The tax inspection report concluded that the Company did not owe excises for technological consumption. Based on this report, the Company recorded income of RON 244,385 thousand (included in RON 364,169 thousand), of which RON 130,470 thousand refers to the period April 2013 – November 2016, for which the Company filed corrective tax statements. By the date the financial statements are endorsed for issue, the Company recovered RON 113,915 thousand, by offsetting it with other tax liabilities in balance as of December 31, 2017. As for the amount of RON 130,470 thousand, the Company will be subject to a new tax inspection for the reimbursement to be granted. However, the management of Romgaz is of the opinion that the chances to be denied reimbursement are minimal, considering that legal provisions and method of computation of the excise have not changed over the period 2010 – 2016. 2016 financial statements included information on this tax inspection in note 31 (b) ii).

The amount of RON 361,147 thousand in 2016 included penalties charged to customers for late payment of RON 291,561 thousand.

4. INVESTMENT INCOME

	Year ended December 31, 2017	Year ended December 31, 2016
	'000 RON	'000 RON
Interest income	22,349	22,117
Total	22,349	22,117

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Year ended December 31, 2017	Year ended December 31, 2016
	'000 RON	'000 RON
Consumables used	61,032	51,087
Cost of gas acquired for resale, sold – import	27,732	10,173
Cost of gas acquired for resale, sold – domestic	22,184	8,124
Cost of electricity imbalance	10,219	30,158
Cost of other goods sold	961	1,423
Other consumables	3,296	3,545
Total	125,424	104,510

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

6. OTHER GAINS AND LOSSES

	Year ended December 31, 2017	Year ended December 31, 2016
	'000 RON	'000 RON
Forex gain	484	131
Forex loss	(1,794)	(191)
Net loss on disposal of non-current assets	(72,668)	(108,057)
Net loss on disposal of associates and other financial investments (note 24 b)	(12,308)	(1,577)
Net receivable allowances (note 16 c *)	(19,018)	(354,316)
Net impairment of associates and other financial investments (note 24 b, note 25)	12,483	1,511
Net write down allowances for inventory (note 15)	(8,147)	(5,714)
Losses from other debtors *)	(19,367)	(5)
Total	(120,335)	(468,218)

*) In April 2017, the Board of Directors approved the concession of rights and obligations under loan agreements concluded with associates Cybinka and Torzym for EUR 1 each. The loans and related interest, in amount of EUR 4,223 thousand, were fully written off. The impairment recorded was released to income, being included in the net receivable allowance above, of RON 19,018 thousand.

The amount of RON 354,316 thousand recorded in 2016 include an allowance of RON 332,180 thousand for one of the Company's largest clients, mainly due to penalties invoiced in 2016.

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Year ended December 31, 2017	Year ended December 31, 2016
	'000 RON	'000 RON
Depreciation	543,374	527,941
out of which:		
- depreciation of property, plant and equipment	535,127	516,208
- amortization of intangible assets	8,247	11,733
Net impairment of non-current assets (note 12, note 14) *)	5,495	(216,929)
Total depreciation, amortization and impairment	548,869	311,012

*) The net impairment income of RON 216,929 thousand recorded in 2016 include income from decrease of impairments of RON 396,731 thousand from which RON 346,153 thousand relate to net loss on disposal of non-current assets (RON 108,057 thousand – note 6) and exploration expenses (RON 253,348 thousand).

8. EMPLOYEE BENEFIT EXPENSE

	Year ended December 31, 2017	Year ended December 31, 2016
	'000 RON	'000 RON
Wages and salaries*)	503,152	441,840
Social security charges	120,338	109,797
Meal tickets	16,278	12,242
Other benefits according to collective labor contract	22,121	20,033
Private pension payments	10,746	10,739
Private health insurance	6,727	-
Total employee benefit costs	679,362	594,651
Less, capitalised employee benefit costs	(116,479)	(96,537)
Total employee benefit expense	562,883	498,114

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

*) The amount of RON 503,152 thousand recorded as wages and salaries for the year ended December 31, 2017 includes the employees' participation to profit of RON 23,061 thousand, granted based on shareholders' approval. 2017 wages and salaries, net of this amount, are RON 480,091 thousand. 2016 wages and salaries do not include employees' participation to profit.

9. FINANCE COSTS

	Year ended December 31, 2017	Year ended December 31, 2016
	'000 RON	'000 RON
Interest expense	3	15
Unwinding of the decommissioning provision (note 19)	18,621	18,260
Total	18,624	18,275

10. OTHER EXPENSES

	Year ended December 31, 2017	Year ended December 31, 2016
	'000 RON	'000 RON
Energy and water expenses	21,209	16,964
Expenses for capacity booking and gas transmission services	61,311	37,449
Expenses with other taxes and duties *)	688,873	604,243
(Net gain)/Net loss from provisions movement (note 19)	23,082	12,978
Other operating expenses	296,172	210,289
Total	1,090,647	881,923

*) In the year ended December 31, 2017, the major taxes and duties included in the amount of RON 688,873 thousand (year ended December 31, 2016: RON 604,243 thousand) are:

- RON 386,312 thousand, including amounts related to joint operations, represent windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 with the subsequent amendments for the implementation of the windfall tax following the deregulation of prices in the natural gas sector (year ended December 31, 2016: RON 285,619 thousand);
- Starting 2017, the tax on special constructions is no longer in force. In the year ended December 31, 2016, the tax on special constructions was RON 70,916 thousand;
- RON 293,846 thousand, including amounts related to joint operations, represent royalty on gas production and storage activity (year ended December 31, 2016: RON 218,745 thousand).

11. INCOME TAX

	Year ended December 31, 2017	Year ended December 31, 2016
	'000 RON	'000 RON
Current tax expense	368,031	278,582
Deferred income tax (income)/expense	(41,588)	(22,466)
Income tax expense	326,443	256,116

The tax rate used for the reconciliations below for the year ended December 31, 2017, respectively year ended December 31, 2016 is 16% payable by corporate entities in Romania on taxable profits.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

The total charge for the period can be reconciled to the accounting profit as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
	'000 RON	'000 RON
Accounting profit before tax	2,181,191	1,280,695
(Profit)/loss activities not subject to income tax	2,205	-
Accounting profit subject to income tax	2,183,396	1,280,695
Income tax expense calculated at 16%	349,343	204,911
Effect of income exempt of taxation	(54,142)	(71,067)
Effect of expenses that are not deductible in determining taxable profit	89,173	167,275
Effect of current income tax reduction, due to VAT split	(4,805)	-
Effect of tax incentive for reinvested profit	(3,806)	(13,321)
Effect of the benefit from tax credits, used to reduce current tax expense	10,442	4,183
Effect of deferred tax relating to the origination and reversal of temporary differences	(25,774)	3,091
Effect of the benefit from tax credits, used to reduce deferred tax expense	(33,988)	(38,956)
Income tax expense	326,443	256,116

Components of deferred tax (asset)/liability:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Cumulative temporary differences	Deferred tax (asset)/ liability	Cumulative temporary differences	Deferred tax (asset)/ liability
	'000 RON	'000 RON	'000 RON	'000 RON
Provisions	(460,329)	(73,653)	(355,508)	(56,881)
Property, plant and equipment	611,628	97,860	766,715	122,674
Receivables and other assets	(160,451)	(25,672)	(160,438)	(25,670)
Total	(9,152)	(1,465)	250,769	40,123
Charged to income		(41,588)		(22,466)

The accompanying notes form an integral part of these financial statements.
This is a free translation of the original Romanian version.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

12. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2017	106,991	881,566	5,772,824	893,944	94,404	1,676,928	416,874	659,927	10,503,458
Additions	1,429	1	83,470	-	144	-	231,309	497,754	814,107
Transfers	89	3,855	316,223	43,546	3,214	24,997	(74,562)	(317,362)	-
Disposals	(107)	(2,509)	(52,204)	(10,422)	(620)	(5,289)	(135,350)	(42,779)	(249,280)
As of December 31, 2017	108,402	882,913	6,120,313	927,068	97,142	1,696,636	438,271	797,540	11,068,285
Accumulated depreciation									
As of January 1, 2017	-	233,949	2,868,192	475,904	63,308	516,200	-	-	4,157,553
Charge *)	-	33,031	376,291	66,507	6,380	78,758	-	-	560,967
Transfers	-	-	759	-	-	(759)	-	-	-
Disposals	-	(1,177)	(12,253)	(9,519)	(563)	(3,838)	-	-	(27,350)
As of December 31, 2017	-	265,803	3,232,989	532,892	69,125	590,361	-	-	4,691,170
Impairment									
As of January 1, 2017	3,180	15,933	152,862	23,474	442	3,421	210,783	146,548	556,643
Charge	-	908	102,631	774	71	696	94,236	30,516	229,832
Transfers	-	-	24,814	-	-	-	(8,334)	(16,480)	-
Release	-	(810)	(56,217)	(875)	(127)	(1,965)	(139,336)	(52,396)	(251,726)
As of December 31, 2017	3,180	16,031	224,090	23,373	386	2,152	157,349	108,188	534,749
Carrying value									
As of January 1, 2017	103,811	631,684	2,751,770	394,566	30,654	1,157,307	206,091	513,379	5,789,262
As of December 31, 2017	105,222	601,079	2,663,234	370,803	27,631	1,104,123	280,922	689,352	5,842,366

*) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 22.973 thousand.

The accompanying notes form an integrant part of these financial statements.
This is a free translation of the original Romanian version.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets	Capital work in progress	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2016	106,399	831,437	5,633,432	704,866	87,955	1,601,802	657,862	800,625	10,424,368
Additions	460	-	14,653	-	2	-	165,951	320,680	501,746
Transfers	160	50,765	248,834	202,693	8,882	80,231	(161,780)	(429,785)	-
Disposals	(28)	(636)	(124,095)	(13,605)	(2,435)	(5,105)	(245,159)	(31,593)	(422,656)
As of December 31, 2016	106,991	881,566	5,772,824	893,944	94,404	1,676,928	416,874	659,927	10,503,458
Accumulated depreciation									
As of January 1, 2016	-	201,906	2,530,752	431,088	59,106	436,982	-	-	3,659,834
Charge *)	-	32,239	370,748	56,304	6,552	84,015	-	-	549,858
Disposals	-	(196)	(33,308)	(11,488)	(2,350)	(4,797)	-	-	(52,139)
As of December 31, 2016	-	233,949	2,868,192	475,904	63,308	516,200	-	-	4,157,553
Impairment									
As of January 1, 2016	3,180	15,535	185,440	23,903	420	3,889	444,885	90,822	768,074
Charge	-	993	55,979	1,321	137	4,113	85,449	29,124	177,116
Release	-	(595)	(96,445)	(1,750)	(115)	(4,581)	(253,652)	(31,409)	(388,547)
Transfers	-	-	7,888	-	-	-	(65,899)	58,011	-
As of December 31, 2016	3,180	15,933	152,862	23,474	442	3,421	210,783	146,548	556,643
Carrying value									
As of January 1, 2016	103,219	613,996	2,917,240	249,865	28,429	1,160,931	212,977	709,803	5,996,460
As of December 31, 2016	103,811	631,684	2,751,770	394,566	30,654	1,157,307	206,091	513,379	5,789,262

*) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 26,598 thousand

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

13. EXPLORATION AND APPRAISAL FOR NATURAL GAS RESOURCES

The following financial information represents the amounts included within the Company's totals relating to activity associated with the exploration for and appraisal of natural gas resources. All such activity is recorded within the Upstream segment.

	<u>Year ended December 31, 2017</u>	<u>Year ended December 31, 2016</u>
	'000 RON	'000 RON
Exploration expenditure written off (note 12, note 14)	137,083	253,348
Net movement in exploration assets' impairment (note 12, note 14) (net income)/net loss	(17,711)	(173,701)
Net cash used in exploration investing activities	(280,659)	(172,178)
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	'000 RON	'000 RON
Exploration assets (note 12, note 14)	684,577	589,364
Liabilities	(35,870)	(23,332)
Net assets	648,707	566,032

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

14. OTHER INTANGIBLE ASSETS

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of January 1, 2017	15,079	170,921	587,374	34	773,408
Additions	-	252	49,504	2,809	52,565
Transfers	-	2,792	-	(2,792)	-
Disposals	-	(5,384)	(1,733)	-	(7,117)
As of December 31, 2017	15,079	168,581	635,145	51	818,856
Accumulated amortization					
As of January 1, 2017	9,477	161,966	-	-	171,443
Charge	2,217	6,030	-	-	8,247
Disposals	-	(4,608)	-	-	(4,608)
As of December 31, 2017	11,694	163,388	-	-	175,082
Impairment					
As of January 1, 2017	-	-	204,101	-	204,101
Charge	-	-	29,143	-	29,143
Release	-	-	(1,754)	-	(1,754)
As of December 31, 2017	-	-	231,490	-	231,490
Carrying value					
As of January 1, 2017	5,602	8,955	383,273	34	397,864
As of December 31, 2017	3,385	5,193	403,655	51	412,284

The accompanying notes form an integral part of these financial statements
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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost					
As of January 1, 2016	15,079	178,241	589,337	165	782,822
Additions	-	939	6,337	5,264	12,540
Transfers	-	5,395	-	(5,395)	-
Disposals	-	(13,654)	(8,300) *)	-	(21,954)
As of December 31, 2016	15,079	170,921	587,374	34	773,408
Accumulated amortization					
As of January 1, 2016	7,260	166,104	-	-	173,364
Charge	2,217	9,516	-	-	11,733
Disposals	-	(13,654)	-	-	(13,654)
As of December 31, 2016	9,477	161,966	-	-	171,443
Impairment					
As of January 1, 2016	-	-	209,599	-	209,599
Charge	-	-	2,686	-	2,686
Release	-	-	(8,184)	-	(8,184)
As of December 31, 2016	-	-	204,101	-	204,101
Carrying value					
As of January 1, 2016	7,819	12,137	379,738	165	399,859
As of December 31, 2016	5,602	8,955	383,273	34	397,864

*) In the amount of RON 8,300 thousand representing disposals of exploration assets during the year, the amount of RON 8,189 thousand relates to exploration projects written off (exploration expense).

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

15. INVENTORIES

	December 31, 2017	December 31, 2016
	'000 RON	'000 RON
Spare parts and materials	149,728	157,879
Work in progress	373	335
Finished goods (gas)	212,057	353,731
Residual products	85	123
Inventories at third parties	66,971	95,758
Goods for resale (gas)	471	171
Other inventories	81	90
Write-down allowance for spare parts and materials	(35,038)	(29,183)
Write-down allowance for residual products	(44)	(44)
Write-down allowance for inventories at third parties	(5,169)	(2,877)
Total	389,515	575,983

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	December 31, 2017	December 31, 2016
	'000 RON	'000 RON
Trade receivables	1,518,568	1,322,274
Bad debt allowances (note 16 c)	(1,198,247)	(1,192,029)
Accrued receivables	495,765	698,365
Total	816,086	828,610

b) Other assets

	December 31, 2017	December 31, 2016
	'000 RON	'000 RON
Advances paid to suppliers	20,891	2,061
Joint operation receivables	3,951	4,838
Other receivables *)	59,992	27,225
Bad debt allowance for other receivables (note 16 c) *)	(51,302)	(19,192)
Other debtors	46,248	65,097
Bad debt allowances for other debtors (note 16 c)	(42,889)	(62,009)
Prepayments	5,298	101,550
VAT not yet due	19,255	21,955
Other taxes receivable (note 3)	244,464	-
Total	305,908	141,525

*) (i) During May 13, 2014 – September 30, 2014 the National Agency for Tax Administration (Agentia Nationala de Administrare Fiscala - ANAF) ran a tax investigation at Romgaz regarding the tax statements and/or operations relevant for the investigation as well as the organization and management of tax and accounting evidence. The period under control was 2008 – 2013 for income tax and 2009 – 2013 for VAT.

Following the tax inspection, an additional liability was established for Romgaz of RON 22,440 thousand, representing income tax, VAT, penalties and related interest. Of the total amount, Romgaz paid RON 2,389 thousand. For the remaining amount of RON 20,051 thousand, Romgaz performed a legal assessment which concluded that the additional tax, penalties and interest are not correct. Romgaz filed an appeal to the Ministry of Public Finance. The appeal was partially rejected for the amount of RON 15,872 thousand.

For RON 4,179 thousand a new fiscal control was ordered, which resulted in a tax burden of RON 2,981 thousand. The appeal filed to ANAF was rejected.

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

In 2015, Romgaz sued the Ministry of Finance to cancel the above mentioned administrative acts, including the partial cancellation of the decision issued for the appeal.

The payment made in 2016 generated additional penalties of RON 13,697 thousand, also paid. Considering the disagreement regarding the conclusions of the tax control, the Company recorded a receivable and an allowance.

The total receivable impaired in connection with this control is RON 32,550 thousand.

(ii) During the period December 2016 - April 2017 ANAF resumed the tax inspection on VAT for the period December 2010 – June 2011 and on income tax for the period January 2010 – December 2011, regarding the discounts granted by Romgaz to interruptible clients for deliveries during 2010 - 2011. This status was attributed to companies by Transgaz, the Romanian natural gas transmission operator. Following the tax inspection, additional tax obligations of RON 15,284 thousand were determined, and also penalties and late payment charges in amount of RON 3,129 thousand. The tax decision and the tax inspection report were appealed to ANAF. Romgaz paid the additional tax obligation and the late payment charges and based on the appeal, the Company recorded a receivable for which it recorded an allowance.

The total receivable impaired in connection with this control is RON 18,413 thousand.

c) Changes in the allowance for trade and other receivables and other assets

	2017	2016
	'000 RON	'000 RON
At January 1	<u>1,273,230</u>	<u>918,845</u>
Charge (note 6)	38,451	366,705
Forex	190	69
Release (note 6)	<u>(19,433)</u>	<u>(12,389)</u>
At December 31	<u>1,292,438</u>	<u>1,273,230</u>

As of December 31, 2017, the Company recorded allowances for doubtful debts, of which Interagro RON 275,961 thousand (December 31, 2016: RON 275,961 thousand), GHCL Upsom of RON 60,371 thousand (December 31, 2016: RON 60,371 thousand), CET Iasi of RON 46,271 thousand (December 31, 2016: RON 46,271 thousand), Electrocentrale Galati with RON 217,585 thousand (December 31, 2016: RON 211,370 thousand), Electrocentrale Bucuresti with RON 570,274 thousand (December 31, 2016: RON 570,274 thousand) and G-ON EUROGAZ of RON 14,848 thousand (December 31, 2016: RON 14,848 thousand), due to existing financial conditions of these clients as well as ongoing litigating cases related to these receivables or exceeding payment terms.

	December 31, 2017	December 31, 2016
	'000 RON	'000 RON
Current receivables not impaired	295,017	113,050
Overdue receivables but not impaired		
less than 30 days overdue	8,692	17,070
30 to 90 days overdue	88	65
90 to 360 days overdue	<u>16,524</u>	<u>60</u>
Total overdue receivables but not impaired	<u>25,304</u>	<u>17,195</u>
Total trade receivables	<u>320,321</u>	<u>130,245</u>

17. SHARE CAPITAL

	December 31, 2017	December 31, 2016
	'000 RON	'000 RON
385,422,400 fully paid ordinary shares	<u>385,422</u>	<u>385,422</u>
Total	<u>385,422</u>	<u>385,422</u>

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

The shareholding structure as at December 31, 2017 is as follows:

	<u>No. of shares</u>	<u>Value</u> <u>'000 RON</u>	<u>Percentage (%)</u>
The Romanian State through the Ministry of Energy	269,823,080	269,823	70.01
Legal persons	96,797,982	96,798	25.11
Physical persons	<u>18,801,338</u>	<u>18,801</u>	<u>4.88</u>
Total	<u>385,422,400</u>	<u>385,422</u>	<u>100</u>

All shares are ordinary and were subscribed and fully paid as at December 31, 2017. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2016: RON 1/share).

18. RESERVES

	<u>December 31, 2017</u> <u>'000 RON</u>	<u>December 31, 2016</u> <u>'000 RON</u>
Legal reserves	77,084	77,084
Other reserves, of which:	<u>2,235,448</u>	<u>2,943,068</u>
- Company's development fund	1,559,772	2,291,182
- Reinvested profit	169,563	145,773
- Geological quota set up until 2004	486,388	486,388
- Other reserves	<u>19,725</u>	<u>19,725</u>
Total	<u>2,312,532</u>	<u>3,020,152</u>

19. PROVISIONS

	<u>December 31, 2017</u> <u>'000 RON</u>	<u>December 31, 2016</u> <u>'000 RON</u>
Decommissioning provision	280,601	194,048
Retirement benefit obligation	<u>119,482</u>	<u>119,986</u>
Total long term provisions	<u>400,083</u>	<u>314,034</u>
Decommissioning provision	30,483	16,523
Provisions for land restoration	16,043	8,963
Litigation provision	79	-
Other provisions *)	<u>29,685</u>	<u>24,951</u>
Total short term provisions	<u>76,290</u>	<u>50,437</u>
Total provisions	<u>476,373</u>	<u>364,471</u>

*) On December 31, 2017, other provisions of RON 29,685 thousand include the provision for employee's participation to profit of RON 23,725 thousand (December 31, 2016: RON 23,061 thousand).

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Decommissioning provision

Decommissioning provision movement	2017	2016
	'000 RON	'000 RON
At January 1	210,571	197,612
Additional provision recorded against non-current assets	83,290	14,444
Unwinding effect (note 9)	18,621	18,260
Recorded in profit or loss	11,693	(5,941)
Change recorded against non-current assets	(13,091)	(13,804)
At December 31	311,084	210,571

The Company makes full provision for the future cost of decommissioning natural gas wells on a discounted basis upon installation. The provision for the costs of decommissioning these wells at the end of their economic lives has been estimated using existing technology, at current prices or future assumptions, depending on the expected timing of the activity, and discounted using a weighted average cost of capital of 9.1% (year ended December 31, 2016: 8.9%). While the provision is based on the best estimate of future costs and the economic lives of the wells, there is uncertainty regarding both the amount and timing of these costs.

Other provisions

	Litigation provision '000 RON	Retirement benefit obligations '000 RON	Other provisions '000 RON	Land restoration provision '000 RON	Total '000 RON
At January 1, 2017	-	119,986	24,951	8,963	153,900
Additional provision in the period	79	6,653	43,933	16,043	66,708
Provisions used in the period	-	(7,157)	(24,235)	(2,368)	(33,760)
Unused amounts during the period, reversed	-	-	(14,964)	(6,595)	(21,559)
At December 31, 2017	79	119,482	29,685	16,043	165,289
	Litigation provision '000 RON	Retirement benefit obligations '000 RON	Other provisions '000 RON	Land restoration provision '000 RON	Total '000 RON
At January 1, 2016	15,951	102,959	1,818	14,253	134,981
Additional provision in the period	39	22,593	25,863	8,963	57,458
Provisions used in the period	(15,990)	(5,566)	(1,762)	(3,313)	(26,631)
Unused amounts during the period, reversed	-	-	(968)	(10,940)	(11,908)
At December 31, 2016	-	119,986	24,951	8,963	153,900

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

20. TRADE AND OTHER CURRENT LIABILITIES

	December 31, 2017	December 31, 2016
	'000 RON	'000 RON
Accruals	61,998	29,067
Trade payables	45,621	43,906
Payables to fixed assets suppliers	112,782	32,916
Advances from customers	385,708	464,052
Total trade payables	606,109	569,941
Payables related to employees	36,368	46,296
Royalties	85,521	62,430
Social security taxes	23,927	14,438
Other current liabilities	32,090	35,931
Joint operations payables	3,800	3,904
VAT	95,959	61,788
Dividends payable	804	1,384
Windfall tax	50,190	34,068
Other taxes	445	1,344
Total other liabilities	329,104	261,583
Total trade and other liabilities	935,213	831,524

21. FINANCIAL INSTRUMENTS

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, inflation risk, interest rate risk), credit risk, liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance within certain limits. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. The Company does not use derivative financial instruments to hedge certain risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Company is exposed to currency risk as a result of exposure to various currencies. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

As at December 31, 2017, the official exchange rates were RON 3.8915 to USD 1 and RON 4.6597 to EUR 1 and (December 31, 2016: RON 4.3033 to USD 1 and RON 4.5411 to EUR 1).

	EUR	GBP	USD	RON	
	1 EUR = 4.6597	1 GBP = 5.2530	1 USD = 3.8915	1 RON	Total
December 31, 2017	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Financial assets					
Cash and cash equivalents	450	-	9	226,706	227,165
Other financial investments	-	-	-	2,786,166	2,786,166
Trade and other receivables	-	-	-	816,086	816,086
Total financial assets	450	-	9	3,828,958	3,829,417
Financial liabilities					
Trade payables and other payables	(63,366)	(7)	(17,797)	(139,231)	(220,401)
Total financial liabilities	(63,366)	(7)	(17,797)	(139,231)	(220,401)
Net	(62,916)	(7)	(17,788)	3,689,727	3,609,016

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

	EUR	GBP	USD	RON	
December 31, 2016	1 EUR = 4.5411	1 GBP = 5.2961	1 USD = 4.3033	1 RON	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Financial assets					
Cash and cash equivalents	44	-	4	280,478	280,526
Other financial investments	-	-	-	2,892,751	2,892,751
Trade and other receivables	-	-	-	828,610	828,610
Total financial assets	44	-	4	4,001,839	4,001,887
Financial liabilities					
Trade payables and other payables	(1,666)	(9)	(120)	(104,094)	(105,889)
Total financial liabilities	(1,666)	(9)	(120)	(104,094)	(105,889)
Net	(1,622)	(9)	(116)	3,897,745	3,895,998

The Company is mainly exposed to currency risk generated by EUR and USD against RON. The table below details the sensitivity of the Company to a 5% increase/decrease in the EUR and USD exchange rate against the RON. The 5% rate is the rate used in internal reports to management on foreign currency risk and represents management's assessment of reasonable changes in the exchange rate. Sensitivity analysis includes only monetary items denominated in foreign currency in the balance sheet, and considers the transfer at the end of the period to a modified rate of 5%.

	December 31, 2017	December 31, 2016
	'000 RON	'000 RON
RON weakening - loss	4,035	87

(ii) *Inflation risk*

The official inflation rate in Romania, during the year ended December 31, 2017 was under 10% as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy.

(iii) *Interest rate risk*

The Company is not exposed to interest rate risk.

Bank deposits and treasury bills bear a fixed interest rate.

(b) *Credit risk*

Financial assets, which potentially subject the Company to credit risk, consist principally of trade receivables and loans. The Company has policies in place to ensure that sales are made to customers with low credit risk. Also, sales have to be secured, either through advance payments, either through bank letters of guarantee. The carrying amount of accounts receivable, net of bad debt allowances, represent the maximum amount exposed to credit risk. The Company has a concentration of credit risk in respect of its top 4 clients, which together amount to 91.25% of net trade receivable balance at December 31, 2017 (top 4 clients: 70% as of December 31, 2016). Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the bad debt allowance already recorded.

(c) *Capital risk management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to minimize the cost of capital.

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

In order to maintain or adjust the capital structure, the Company may adjust the dividend policy, issue new shares or sell assets to reduce debt.

The Company's policy is to only resort to borrowing if investment needs cannot be financed internally.

(d) Fair value estimation

Carrying amount of financial assets and liabilities is assumed to approximate their fair values.

Financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, other financial assets, short-term loans and borrowings and trade and other payables. The estimated fair values of these instruments approximate their carrying amounts. The carrying amounts represent the Company's maximum exposure to credit risk for existing receivables.

The shares held in available for sale financial investments are not listed in an active market and their fair value cannot be reliably measured, therefore they are measured at cost. At each period end, the Company makes an assessment to determine whether there is any indication of impairment. As of December 31, 2017 the Company did not identify any indication of impairment of other financial investments, except for the impairment already recorded.

e) Maturity analysis for non-derivative financial assets and financial liabilities

December 31, 2017	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	195,137	125,142	42	-	-	320,321
Bank deposits	349,174	577,171	1,459,639	-	-	2,385,984
Treasury bonds	55,540	230,710	109,550	-	-	395,800
Total	599,851	933,023	1,569,231	-	-	3,102,105
Trade payables	(149,614)	(8,727)	(62)	-	-	(158,403)
Total	(149,614)	(8,727)	(62)	-	-	(158,403)
Net	450,237	924,296	1,569,169	-	-	2,943,702
December 31, 2016	Due in less than a month	Due in 1-3 months	Due in 3 months to 1 year	Due in 1-5 years	Due in over 5 years	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Trade receivables	129,264	935	46	-	-	130,245
Bank deposits	399,200	761,500	749,680	-	-	1,910,380
Treasury bonds	100,530	105,220	774,070	-	-	979,820
Total	628,994	867,655	1,523,796	-	-	3,020,445
Trade payables	(61,862)	(14,894)	(66)	-	-	(76,822)
Total	(61,862)	(14,894)	(66)	-	-	(76,822)
Net	567,132	852,761	1,523,730	-	-	2,943,623

f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Company's management, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and current cash flows and by matching the maturity profiles of financial assets and liabilities.

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

22. RELATED PARTY TRANSACTIONS AND BALANCES

(i) Sales of goods and services

	Year ended Dec 31, 2017	Year ended Dec 31, 2016
	'000 RON	'000 RON
Romgaz's associates	22,925	19,284
Total	22,925	19,284

Most of the Company's clients are companies in which the Romanian State has control or continues to have a significant influence after their privatization, given the strategic importance of the industry in which both the Company and its clients operate. In the year ended December 31, 2017, respectively, December 31, 2016, the Company conducted transactions with these companies only in the normal course of business. These transactions are done on the basis of standard contractual relationships.

ii) Trade receivables

	December 31, 2017	December 31, 2016
	'000 RON	'000 RON
Romgaz's associates	111	827
Total	111	827

23. INFORMATION REGARDING THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The remuneration of executives and directors

The Company has no contractual obligations on pensions to former executives and directors of the Company.

During the years ended December 31, 2017 and December 31, 2016, no loans and advances were granted to executives and directors of the Company, except for work related travel advances, and they do not owe any amounts to the Company from such advances.

	Year ended Dec 31, 2017	Year ended Dec 31, 2016
	'000 RON	'000 RON
Salaries paid to directors (gross)	14,601	12,057
of which, bonuses (gross)	2,767	1,496
Remuneration paid to administrators (gross)	1,237	1,229
of which, variable component (gross)	568	798
	December 31, 2017	December 31, 2016
	'000 RON	'000 RON
Salaries payable to directors	910	353
Salaries payable to administrators	58	36

Beside the amounts mentioned above, for the remuneration related to directors on mandate contract and members of the Board of Directors, the Company set up a provision as December 31, 2017 of RON 546 thousand (December 31, 2016: RON 1,891 thousand), presented in note 19 as Other provisions.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

24. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

a) Investment in subsidiaries

Given the Company's legal obligation to separate the natural gas storage activity from the production and supply of natural gas activity, under Directive 2009/73/EC of the European Parliament and of the Council of July 13, 2009 and the provisions of art. 141, paragraph (1) of Law 123/2012, the shareholders decided at the end of 2014 to establish a subsidiary for the natural gas underground storage activity.

In August 2015 the subsidiary S.N.G.N. Romgaz S.A. – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești S.R.L., 100% owned by the Company, was registered at the Trade Register. The share capital of the subsidiary is RON 1,200 thousand, divided into 120,000 shares with a nominal value of RON 10/share.

At the date the financial statements for the year ended December 31, 2017 are endorsed for issue, the storage activity is being further carried out by the Company.

The Regulatory Authority for Energy (Autoritatea Nationala de Reglementare in Domeniul Energiei – ANRE), by Presidential decision no. 2588/December 30, 2015, had changed license no. 1942 regarding the operation of the underground gas storage facilities granted to Romgaz by ANRE presidential decision no. 151/January 22, 2014 in the sense of changing the license holder with S.N.G.N Romgaz S.A. – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești S.R.L. The modified license was granted starting April 1, 2016 to September 13, 2016. Through ANRE decisions no. 446 issued on March 23, 2016 and 474 issued on March 30, 2017, the effective date of the license was postponed until April 1, 2018. In 2017 the activity of the subsidiary was suspended, being reactivated on February 14, 2018.

The Company did not prepare consolidated financial statements as of December 31, 2017 given the fact that the subsidiary is dormant and did not carry out any activity since incorporation.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

24. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES

b) Investment in associates

Name of associate	Main activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			December 31, 2017	December 31, 2016
SC Amgaz SA Medias *)	Gas production	Romania	-	35
SC Depomures SA Tg.Mures	Storage of natural gas	Romania	40	40
Energia Torzym	Gas production	Poland	-	-
Energia Cybinka	Gas production	Poland	-	-
SC Agri LNG Project Company SRL	Feasibility projects	Romania	25	25

Name of associate	Cost as of	Impairment as of	Carrying value as of	Cost as of	Impairment as of	Carrying value as of
	December 31, 2017	December 31, 2017	December 31, 2017	December 31, 2016	December 31, 2016	December 31, 2016
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
SC Amgaz SA Medias *)	-	-	-	9,214	(9,214)	-
SC Depomures SA Tg Mures	120	-	120	120	-	120
Energia Torzym	-	-	-	1,750	(1,750)	-
Energia Cybinka	-	-	-	1,642	(1,642)	-
SC Agri LNG Project Company SRL	977	(977)	-	833	(833)	-
Total	1,097	(977)	120	13,559	(13,439)	120

*) In 2017 the Company collected the amount of RON 298 thousand, representing the share of assets resulting from the liquidation of SC Amgaz SA

The accompanying notes form an integral part of these financial statements.
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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

25. OTHER FINANCIAL INVESTMENTS

Company	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			December 31, 2017	December 31, 2016
Electrocentrale București S.A.	Electricity and thermal power producer	Romania	2.49	2.49
Patria Bank S.A. *)	Other activities – financial intermediations	Romania	0.05	0.05
Mi Petrogas Services S.A.	Services related to oil and natural gas extraction, excluding prospections	Romania	10	10
GHCL Upsom	Manufacture of other chemical, anorganic base products	Romania	4.21	4.21
Pan Atlantic and Lukoil association (note 32)	Petroleum exploration operations	Romania	10	10

Company	Cost as of December 31, 2017 '000 RON	Impairment as of December 31, 2017 '000 RON	Carrying value as of December 31, 2017 '000 RON	Cost as of December 31, 2016 '000 RON	Impairment as of December 31, 2016 '000 RON	Carrying value as of December 31, 2016 '000 RON
Electrocentrale București S.A.	64,310	-	64,310	64,310	-	64,310
Patria Bank S.A. *)	840	(759)	81	840	(780)	60
Mi Petrogas Services S.A.	60	-	60	60	-	60
GHCL Upsom	17,100	(17,100)	-	17,100	(17,100)	-
Pan Atlantic and Lukoil association	10,454	(5,227)	5,227	10,454	(5,227)	5,227
Total	92,764	(23,086)	69,678	92,764	(23,107)	69,657

*) In 2016, the Company's shareholders decided to withdraw from the bank's shareholding, as a result of the merger process involving Patria Bank. At December 31, 2017 the withdrawal from the bank's shareholding was not completed.

The shares held in the share capital of the companies above are not quoted in an active market and their fair value cannot be reliably measured, therefore they are measured at cost. At each period end, the Company makes an assessment to determine whether there are any indications of impairment. As of December 31, 2017 the Company did not identify any indication of impairment of other financial investments, other than adjustments already recorded.

The accompanying notes form an integrant part of these financial statements.
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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

26. SEGMENT INFORMATION

a) Products and services from which reportable segments derive their revenues

The information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the upstream segment, storage services, electricity production and distribution, and others, including headquarter activities. The Directors of the Company have chosen to organize the Company around differences in activities performed.

Specifically, the Company is organized in the following segments:

- upstream, which includes exploration activities, natural gas production and trade of gas extracted by Romgaz or acquired from domestic production or import, for resale; these activities are performed by Medias, Mures and Bratislava branches;
- storage activities, performed by Ploiesti branch;
- electricity production and distribution activities, performed by Iernut branch;
- other activities, such as technological transport, operations on wells and corporate activities.

Except for Bratislava branch, all operations are in Romania. As of December 31, 2017, in Bratislava branch are recorded exploration assets in amount of RON 20,846 thousand (December 31, 2016: RON 19,962 thousand).

b) Segment assets and liabilities

December 31, 2017	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Total '000 RON
Property, plant and equipment	3,775,092	1,487,124	265,757	314,393	5,842,366
Other intangible assets	410,249	658	9	1,368	412,284
Investments in subsidiaries	-	-	-	1,200	1,200
Investments in associates	-	-	-	120	120
Other financial investments	-	-	-	69,678	69,678
Other financial assets	12	54	1,705	2,784,395	2,786,166
Deferred tax asset	-	-	-	1,464	1,464
Inventories	334,504	34,173	3,608	17,230	389,515
Trade and other receivables	761,722	30,230	23,593	541	816,086
Other assets	275,799	4,012	3,243	22,854	305,908
Cash and cash equivalents	46,761	62,706	469	117,229	227,165
Total assets	5,604,139	1,618,957	298,384	3,330,472	10,851,952
Retirement benefit obligation	-	-	-	119,482	119,482
Provisions	296,340	48,943	1,345	10,263	356,891
Trade payables	493,753	3,803	89,050	19,503	606,109
Current tax liabilities	-	-	-	128,520	128,520
Deferred revenue	-	-	-	970	970
Other liabilities	199,843	5,010	5,261	118,990	329,104
Total liabilities	989,936	57,756	95,656	397,728	1,541,076

The accompanying notes form an integral part of these financial statements
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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

December 31, 2016	<u>Upstream</u>	<u>Storage</u>	<u>Electricity</u>	<u>Other</u>	<u>Total</u>
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Property, plant and equipment	3,859,686	1,549,707	62,172	317,697	5,789,262
Other intangible assets	393,218	721	37	3,888	397,864
Investments in subsidiaries	-	-	-	1,200	1,200
Investments in associates	-	-	-	120	120
Other financial investments	-	-	-	69,657	69,657
Other financial assets	67,070	461,618	2,206	2,361,857	2,892,751
Inventories	442,937	109,189	4,158	19,699	575,983
Trade and other receivables	695,155	59,284	73,214	957	828,610
Other assets	16,294	480	1,857	122,894	141,525
Cash and cash equivalents	69,241	44,262	329	166,694	280,526
Total assets	5,543,601	2,225,261	143,973	3,064,663	10,977,498
Retirement benefit obligation	-	-	-	119,986	119,986
Deferred tax liabilities	-	-	-	40,123	40,123
Provisions	211,569	22,003	1,346	9,567	244,485
Trade payables	542,675	1,912	14,846	10,508	569,941
Current tax liabilities	-	-	-	60,295	60,295
Deferred revenue	1,155	-	-	3,769	4,924
Other liabilities	154,132	3,699	3,013	100,739	261,583
Total liabilities	909,531	27,614	19,205	344,987	1,301,337

c) Segment revenues, results and other segment information

Year ended December 31, 2017	<u>Upstream</u>	<u>Storage</u>	<u>Electricity</u>	<u>Other</u>	<u>Adjustment and eliminations</u>	<u>Total</u>
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3,760,366	566,246	545,317	264,544	(551,284)	4,585,189
Less: revenue between segments	(155,403)	(60,431)	(81,141)	(254,309)	551,284	-
Third party revenue	3,604,963	505,815	464,176	10,235	-	4,585,189
Interest income	321	1,487	26	20,515	-	22,349
Interest expense	(3)	-	-	-	-	(3)
Depreciation, amortization and impairment	(420,252)	(103,818)	(6,560)	(18,239)	-	(548,869)
Segment profit before tax profit/(loss)	1,787,046	247,515	102,974	43,656	-	2,181,191

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Year ended December 31, 2016	Upstream '000 RON	Storage '000 RON	Electricity '000 RON	Other '000 RON	Adjustment and eliminations '000 RON	Total '000 RON
Revenue	2,857,683	358,568	399,042	239,230	(442,655)	3,411,868
Less: revenue between segments	(136,481)	(12,426)	(62,612)	(231,136)	442,655	-
Third party revenue	2,721,202	346,142	336,430	8,094	-	3,411,868
Interest income	844	3,949	40	17,284	-	22,117
Interest expense	(15)	-	-	-	-	(15)
Depreciation, amortization and impairment	(185,959)	(95,784)	(6,940)	(22,329)	-	(311,012)
Segment profit before tax profit/(loss)	1,031,812	133,168	74,222	41,493	-	1,280,695

In the year ended December 31, 2017, the Company's three largest clients each individually represents more than 10% of revenue, sales to these clients being of RON 1,291,627 thousand, RON 1,131,379 thousand, respectively RON 659,023 thousand (in the year ended December 31, 2016 the Company's three largest customers represented individually, over 10% of revenue, sales to these clients being of RON 935,113 thousand, RON 735,945 thousand, respectively RON 468,150 thousand), together totaling 67% of total revenue (year ended December 31, 2016: 63%). Of the total revenue generated by those three clients, 5.24% are shown in the "Storage" segment and 94.16% in the "Upstream" segment (year ended December 31, 2016: 5.94% in the "Storage" segment, 93.19% in the "Upstream" segment).

27. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks, short term deposits with maturity under 3 months from the acquisition date.

	December 31, 2017 '000 RON	December 31, 2016 '000 RON
Current bank accounts in RON *)	63,007	180,573
Current bank accounts in foreign currency	451	41
Petty cash	29	20
Term deposits in RON	73,507	99,880
Restricted cash **)	90,158	-
Amounts under settlement	13	12
Total	227,165	280,526

*) Current bank accounts include overnight deposits.

***) Restricted cash includes bank accounts used strictly for VAT transactions, as the Company opted in to the application of the split-VAT system (RON 89,345 thousand). It also includes bank accounts used only for dividend payments to shareholders, according to stock market regulations (RON 813 thousand).

28. OTHER FINANCIAL ASSETS

Other financial assets represent mainly treasury bonds and deposits with a maturity of over 3 months, from acquisition date.

	December 31, 2017 '000 RON	December 31, 2016 '000 RON
Treasury bonds in RON	393,694	974,262
Bank deposits in RON	2,385,984	1,910,380
Accrued interest receivable	4,382	2,551
Accrued interest on bonds	2,106	5,558
Total other financial assets	2,786,166	2,892,751

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

29. COMMITMENTS UNDERTAKEN

	December 31, 2017	December 31, 2016
	'000 RON	'000 RON
Endorsements and collaterals granted	151,911	62,982
Total	151,911	62,982

In 2015 a facility agreement was signed with CitiBank Europe plc, Dublin – Romanian Branch for bank loans for issuing and/or confirmation of letters of credit and letters of guarantee for a maximum amount of USD 14,000 thousand, subsequently increased to USD 20,000 thousand, validity extended until December 31, 2017. The facility agreement terminated on December 31, 2017 and it was not extended.

In 2016, a credit agreement has been signed with BRD-Groupe Societe Generale, representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 20,000 thousand, valid up to December 31, 2017. The credit agreement terminated on December 31, 2017 and it was not extended.

In 2017, a credit agreement has been signed with Raiffeisen Bank SA representing a facility for issuing letters of guarantee, and opening letters of credit for a maximum amount of USD 100,000 thousand, as follows: the maximum amount available until December 31, 2017 is USD 60,000 thousand; from January 1, 2017 the maximum amount available will be USD 100,000 thousand. On December 31, 2017 are still available for use USD 23,538 thousand.

As of December 31, 2017, the Company's contractual commitments for the acquisition of non-current assets are of RON 1,551,675 thousand (December 31, 2016: RON 298,424 thousand), of which, the contract for CET Iernut development represents RON 1,138,445 thousand.

30. COMMITMENTS RECEIVED

	December 31, 2017	December 31, 2016
	'000 RON	'000 RON
Endorsements and collaterals received	1,534,757	1,041,197
Total	1,534,757	1,041,197

Endorsements and collateral received represent letters of guarantee and other performance guarantees received from the Company's clients.

31. CONTINGENCIES

(a) *Litigations*

The Company is subject to several legal actions arisen in the normal course of business. The management of the Company considers that they will have no material adverse effect on the results and the financial position of the Company.

On December 28, 2011, 27 former and current employees were notified by DIICOT regarding an investigation related to sale contracts signed with one of the Company's clients for allegedly unauthorized discounts granted to this client during the period 2005-2010. DIICOT mentioned that this may have resulted in a loss of USD 92,000 thousand for the Company. On that sum, an additional burden to the state budget consists of income tax in amount of USD 15,000 thousand and VAT in amount of USD 19,000 thousand. The internal analysis carried out by the Company's specialized departments concluded that the agreement was in compliance with the legal provisions and all discounts were granted based on Orders issued by the Ministry of Economy and Finance and decisions of the General Shareholders' Board and Board of Directors. The management of the Company believes the investigation will not have a negative impact on the financial statements, to justify the registration of an adjustment. The Company is fully cooperating with DIICOT in providing all information necessary. On March 18 2014, Romgaz received an address from DIICOT, by which the investigators ordered an accounting expertise, indicating the objectives of the expertise.

Romgaz was notified that, as injured party, it may submit comments relating to objectives of the expertise (additions/changes), and may appoint an additional expert to participate in the expertise.

Thus, Romgaz proceeded to identify and appoint an expert with accounting and financial expertise that can participate to the expertise. After the report was completed, the parties could submit objections by November 2, 2015.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

On March 16, 2016, DIICOT – Central Structure informed the persons involved in the cause about the start of legal actions against them. At the request of investigators, the Company announced that in case of a prejudice being established during the investigation, the Company will join the case as civil party.

In November 2016, DIICOT informed the Company the prejudice established in amount of RON 282,630 thousand. Following this request, Romgaz announced that will join the case as a civil party for the amount of RON 282,630 thousand to recover this amount from the respective client and any other person that may be found guilty for causing the prejudice.

In June 2017, DIICOT issued a press release announcing the referral to court of several persons involved in the case. In January 2018, the High Court of Cassation and Justice ruled that the indictment prepared by DIICOT was not legal; the ruling is not definitive.

(b) *Taxation*

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties. In Romania, tax periods remain open for fiscal verification for 5 years. The Company's management considers that the tax liabilities included in these financial statements are fairly stated.

(c) *Environmental contingencies*

Environmental regulations are developing in Romania and the Company has not recorded any liability at December 31, 2017 for any anticipated costs, including legal and consulting fees, impact studies, the design and implementation of remediation plans related to environmental matters, except the amount of RON 311,084 thousand (December 31, 2016: RON 210,571 thousand), representing the decommissioning liability, and a provision for land restoration of RON 16,043 thousand (December 31, 2016: RON 8,963 thousand).

Green-house gas emission certificates (CO2 certificates)

In accordance with Government Decision no. 1096/2013 for the approval of the mechanism for free transitional allocation of green-house gas emission certificates to electricity producers for the period 2013-2020, Annex no. 3 "National Investment Plan" position 22, Romgaz is included with the investment project "Combined cycle with gas turbines", ending in 2016 (according to Government Decision no. 151/2015 amending and supplementing GD no. 1096/2013, including the National Investment Plan).

According to Annex no. 1 of the same decision, S.N.G.N. Romgaz S.A. was allocated for CTE Iernut 412,322 greenhouse gas certificates (EUA) for 2017.

As of December 31, 2017, Romgaz holds in the Greenhouse Gas Emissions Unique Registry 418.903 CO2 certificates, after meeting compliance obligations for the previous years and submitting the certificates to the Registry.

According to EU Regulation No. 1123/2013 of November 8, 2013 regarding the establishment of the rights to international credits, pursuant to Directive 2003/87/EC of the European Parliament and of the Council, the Protocol to the Framework-Convention of the United Nations on Climate Change (Kyoto Protocol) sets up two mechanisms for the creation of international credits that Companies can use to reduce emissions. Joint Implementation provides for the creation of emission reduction units (ERU), while the Clean Development Mechanism (CDM) provides for the creation of certified emission reductions (CER). Industries that fall under the European Trading System of atmosphere emissions (EU ETS) can use these credits to offset their obligations on emissions of greenhouse gas. In this respect, Romgaz holds as linking availability (correlation availability EUA – ERU certificates) a number of 51,598 ERU certificates available to be used for compliance in the 2013-2020 period.

According to Government Decision no 1096/December 17, 2013, Romgaz was allocated CO2 certificates as follows:

Operator	Installation	Annual Allocation (tCO ₂ /year)							
		2013	2014	2015	2016	2017	2018	2019	2020
SNGN Romgaz - S.A.	SNGN Romgaz - S.A. - CTE Iernut	962,085	824,645	687,204	549,763	412,322	274,882	137,441	-

(d) *CET Iernut*

In the Romanian Government's view, the energy sector must play a key role in the economic and social development of Romania. Promoting investments, supporting strategic projects of national interest in order to secure the energy security of the country, are two of the Government's objectives related to the energy security.

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

Considering that there is a steadily growing portfolio with an uncontrolled production of electricity, in particular through wind power plants, it is necessary to commission balancing capacities which will be active in the balancing market, ancillary services market, spot markets, CET Iernut having the ability to be a provider of ancillary services in an area deficient in electricity power generation.

Within the National Power System (NPS), CET Iernut performs the following functions:

- coverage of NPS electricity consumption through groups' participation in the wholesale electricity market and balancing market;
- providing ancillary services needed for the functioning of NPS;
- eliminate the network congestion which may occur in the north-west of Transylvania.

According to current environmental protection legislation, CTE Iernut energy groups are allowed to function until June 30, 2020. By implementing measures to reduce NOx emissions to levels lower than 100 mg/m³, the operation of the plant would still be possible after this date, but the investments required to meet these emission levels would require a high volume of resources. These investments will not add any improvement to efficiency, nor will they increase the reliability of these groups.

One of the main strategic directions of Romgaz, detailed in the 2015-2025 Development strategy, is to consolidate its position on the energy market. Related to energy production, Romgaz planned to increase efficiency by investing to increase the yield of the Iernut power plant to a minimum of 55%, to comply with environmental requirements (NOx, CO2 emissions) and to increase safety in operation. Thus, the Board of Directors approved the refurbishment of CTE Iernut by constructing a new power plant based on gas turbine combined cycle system for an installed power of maximum 430 MW and gross electrical efficiency at a rated load of minimum 56%. In this respect, in 2016, an agreement for the development of CTE Iernut has been signed by the Company, in amount of EUR 268.8 million.

In 2017, the Ministry of Energy approved the application for funds from the National Investment Plan for the investment "Combined cycle CCGT power plant". The finance agreement was signed at the end of 2017 for the amount of RON 227,224 thousand, which can be increased to maximum RON 320,912 thousand. Further to this, the Company submitted the first reimbursement claim of RON 20,994 thousand; the claim is being reviewed at the date these financial statements are endorsed for issue.

(e) *Controls by The Romanian Court of Accounts and the European Commission*

In year ended 2016, the Company came under scrutiny from the Romanian Court of Accounts, the European Commission through the Romanian Competition Council.

- (i) One of the Romanian Court of Accounts' conclusions is that during 2013-2015 Romgaz delivered gas on the regulated market over the quantities it was legally allowed to, according to the existing legislation. The price on the regulated market being lower than the one on the free market. The Romanian Court of Accounts issued Decision number 26/01.06.2016 and ordered Romgaz to determine and to recover the prejudice as a price difference on gas quantities delivered on the regulated market over its legal obligation, having January 2017 as due date for implementation. The alleged prejudice estimated by the Court of Accounts is over RON 160 million. Romgaz appealed the decision, but the Court of Accounts dismissed the appeal. Subsequently, the Company started legal proceedings against the Court of Accounts' decision no. 26/01.06.2016 and, also, contracted legal services for the annulment of the Court of Accounts' decision and to carry out the measures order by the Court of Accounts' decision. In December 2017, the term over which the Company has to implement the measures was extended by the Court of Accounts until end of June 2018.
- (ii) According to European Commission decision, Romgaz might be suspected of entering into anti-competitive deals with other Romanian companies active in the gas market, deals by which Romgaz supposedly committed not to export natural gas, or blocked or delayed the measures necessary for the creation of the legal and technical framework by which gas exports could be achieved. During September 2016, a meeting between Romgaz and the European Commission was held at the EC's headquarters, regarding the control, in which the Company's opinion was presented. From that date, Romgaz has not received any request concerning the control.

The Company's management does not agree with the conclusions of the control done by the Romanian Court of Accounts. The final conclusions of the controls of the European Commission are not known and cannot be anticipated. Therefore the financial statements as of December 31, 2017 do not include adjustments about these matters.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

32. JOINT ARRANGEMENTS

On December 31, 2017, the Company is part of the following joint arrangements:

- a) In January 2002, Romgaz signed a petroleum agreement with Amromco for rehabilitation operations in order to achieve additional production in 11 blocks, namely: Bibești, Strâmba, Finta, Fierbinți-Târg, Frasin-Brazi, Zătreni, Boldu, Roșioru, Gura-Șuții, Balta-Albă and Vlădeni. For the base production, Romgaz holds a share of 100% and for the additional production, Romgaz owns a share of 50% and Amromco Energy SRL - 50%. As the agreement was signed to execute rehabilitation operations to obtain additional production, the mandatory work program is in accordance with the studies approved by ANRM. Accordingly, the annual work program, which includes both works provided in the studies and other works necessary and proposed by the partners, is approved annually by the Board of the joint arrangement before the start of each year. The duration of the joint arrangement is in line with the time frame of each individual concession agreements of the 11 perimeters stated above, which differs for each block.
- b) In February 2003, Romgaz signed a joint operation agreement for exploration, development and operation in the Brodina block, with Aurelian Petroleum SRL and Raffles Energy SRL. In November 2007, the partners agreed to split the Brodina block in two areas: area of Gas Constructions Bilca (Production Area Bilca) and the area other than the Gas Construction Bilca Area (Brodina Exploration Area).
- Currently, the participation of Romgaz in the Production Area Bilca is 37.5% and the participation of the operator, Raffles Energy SRL, is 62.5%. The wells have clearances issued by ANRM. As the fields are in an advanced stage of depletion, only two wells produced gas this year. Beside the revenue obtained from this structure, revenue is also obtained from processing natural gas from Suceava block.
- In June 2017, ANRM approved the transfer of 50% of the participation owned by Aurelian SRL to Raffles Energy SRL, now operator. Romgaz's share in the Brodina Exploration Area is 50% and the share of Raffles Energy SRL, operator, is 50%. In the scope of evaluating the Voitinel discovery, drilling operations began at Voitinel 2 well in the first half of 2016, but due to negative results obtained by the drilling operations, the gas well was abandoned. A new production program for this structure will be decided by the joint operation's management only after positive production test results from Voitinel 1 well.
- c) Romgaz has a joint operation agreement for exploration, development and operation in the North Bacau area, with Raffles Energy SRL, the operator of the joint operation. Romgaz holds 40% of the joint operation and Raffles Energy SRL - 60%. Proceeds from this perimeter stem from natural gas produced by Liliaci 1 well that is then transformed into electric energy via a generator. The concession agreement is in development-operation phase.
- d) In September 2003, Romgaz has concluded an operation agreement with Schlumberger for the rehabilitation of the Laslău Mare block, in order to obtain additional production by using advanced techniques and technologies for the exploitation of the reserves and of the know-how owned by Schlumberger. The mandatory work program is in line with the study approved by ANRM. Therefore, the annual working program, which includes the workings from the study, is approved annually, before the start of each year, by the Operation Committee of the joint operation. The participation share of Romgaz is 50% and that of Schlumberger is also 50%. Romgaz is the operator of the petroleum operations performed under the agreement. On September 1, 2017 was signed an addendum to the Schlumberger agreement by which a new base production was agreed.
- e) In June 2008, Romgaz signed a joint operation agreement for exploration, appraisal, development, operation in three blocks in Slovakia, namely: Svidnik, Snina and Medzilaborce. The owners of the exploration licenses are Aurelian Oil & Gas Slovakia, currently Alpine Oil & Gas (50% - operator), JKX (25%) and Romgaz through Bratislava branch (25%). In 2016 the operator obtained part of drilling clearances for three wells however, due to protests from environmental groups no drilling operations were undertaken.
- f) In July 2012, Romgaz signed the amendments to the joint operations agreement with Lukoil Overseas Atash BV and Panatlantic (originally Vanco International Ltd), the three companies being holders of petroleum agreements. The agreement is for exploration, development and operation of offshore block EX-30 Trident of the Black Sea continental shelf. The participation shares are: Lukoil 72%, Panatlantic 18% and Romgaz 10%. During 2015, two wells were drilled in the Trident block, one of which was abandoned, while the other generated positive results, leading to gas discoveries. In October 2016, ANRM approved the extension of the second exploration phase with another year and a half for the execution of additional works.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

33. AUDITOR'S FEES

The fee charged by the Company's statutory auditor, S.C. Deloitte Audit S.R.L. for the audit of 2017 financial statements is RON 137 thousand.

The fees charged by the Company's statutory auditor for assurance services, other than audit services, provided in 2017 or related to 2017 are RON 161 thousand.

34. EVENTS AFTER THE BALANCE SHEET DATE

Separation of gas storage activity

In March 2018, the separation method of the natural gas underground storage activity was decided by the Board of Directors, for the subsidiary to become operational starting April 1, 2018. This separation involves:

- separation with no transfer of fixed assets; the assets needed for the underground storage activity will be rented to the subsidiary; the investments needed for the maintenance and development of the storage installations will be performed by the subsidiary;
- the investments in progress at the time of separation will be taken by the subsidiary at the carrying value;
- the takeover by the subsidiary of the client contracts;
- the concession agreements related to the underground storage will remain to the Company;
- the transfer of the license regarding the operations of the underground gas storage to the subsidiary;
- the inventories related to the storage activity will be transferred to the subsidiary as an equity contribution;
- the storage branch employees will be transferred to the subsidiary;
- the Company will increase the subsidiary's share capital, in order to support the start of the subsidiary's activity.

Increase of the Company's working interest in the offshore exploration development production block EX-30 Trident located in the Black Sea

In March 2018, the shareholders approved the increase of the Company's working interest in the offshore exploration development – production block EX-30 Trident located in the Black Sea by taking an additional 2.2% share free of charge, following the withdrawal of one partner.

35. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on March 22, 2018.


Corin Cindrea
Chief Executive Officer


Andrei Bobar
Chief Financial Officer

ROMGAZ



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

STATEMENT

in accordance with the provisions of art. 63 (2) c) of Law No. 24/2017
regarding issuers of financial instruments and market operations

Entity: Societatea Nationala de Gaze Naturale ROMGAZ S.A.
County: 32--SIBIU
Address: MEDIAȘ, 4 C.I. Motaș Square, tel. +40269201020
Registration Number in the Trade Register: J32/392/2001
Form of Property: 14--State owned companies and enterprises
Main activity (CAEN code and denomination): 0620—Natural Gas Production
Tax Identification Number: 14056826

The undersigned, DORIN-LIVIU NISTORAN as Chairman of The Board of Directors,
CORIN CINDREA as CEO and
ANDREI BOBAR as CFO,

hereby confirm that according to our knowledge, the annual financial statements for the year ended December 31, 2017, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and Order of Ministry of Public Finance no. 2844/2016 for the approval of Accounting regulations in accordance with International Financial Reporting Standards, offer a true and fair view of the assets, liabilities, financial position, statement of profit and loss of the Company and that the Board of Directors' report comprises a fair analysis of the development and performance of the Company, as well as a description of the main risks and uncertainties specific to its activity. The Company is a going concern.

**Chairman of the Board of Directors,
DORIN-LIVIU NISTORAN**

**CEO,
CORIN CINDREA**



**CFO,
ANDREI BOBAR**

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

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