

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