

ECONOMIC DEPARTMENT  
NO. 19.592 / July 07, 2014

To the attn. of SNGN Romgaz S.A. GMS

## Report on the approval of Romgaz 2014 Budget

In accordance with the provisions under Article 4, par. 1, letter a) of Government Emergency Ordinance 26/2013 on strengthening the financial discipline of economic operators where the State or territorial-administration units are sole or majority shareholders, or where such directly or indirectly hold a majority participation, the Government approves by Government Decision the budget of economic operators (falling under the category provided under Article 1, letter a)).

On July 9, 2014, the Government approved by Government Decision no. 570/2014 SNGN Romgaz S.A. 2014 Budget.

In February 2014, in compliance with the term provided in GEO<sup>1</sup>26/2013, Romgaz submitted the Budget proposal to the Energy Department for approval; for this reason, the budget does not rely on the current prices provided in Government Decision 511/June 26, 2014.

Romgaz, as economic operator carrying out mainly activities in the field of natural gas production and UGS, prepared its 2014 Budget in consideration of the following:

- ✓ preliminary 2013 results;
- ✓ 2014 estimated income relied on gas production schedule, on import gas procurements and deliveries, on Iernut Power Plant electricity delivery program and on the prices and tariffs applicable during the budget substantiation phase;
- ✓ the budget provides for increasing the profit by 19.5% as compared to the 2013 forecast;
- ✓ expenses were estimated in compliance with legally provided expenditure caps provided by special laws;
- ✓ the expense level and structure were estimated by considering material costs, legally provided consumption rates, legal provisions on fixed assets' depreciation, legally provided contributions in connection with salaries-related expenses;
- ✓ personnel-related expenses were substantiated in compliance with article 48 of Law 356/2013 on 2014 State Budget;
- ✓ the average revenue increase relied on 60% of the labor productivity indicator increase in accordance with GEO no.26/2013 on strengthening the financial discipline of some economic operators where the State or the territorial-administrative units are sole or majority shareholders, or where they directly or indirectly hold a majority participation;

<sup>1</sup> Government Emergency Ordinance;

- ✓ the budget provides for an increase in terms of employee number as compared to the end of 2013 and for this reason, in accordance with article 48 paragraph (2) of Law 356/2013 on 2014 State Budget, a memorandum was proposed and approved which contemplated the increase of the company's number of employees from 6472 (end of 2013) to 6538 (end of 2014) and increase of salaries-related expenses by lei 15,268 thousands further to the development of production activity;
- ✓ investment-related expenses were increased by 67.7% mainly due to works associated with the discovery of new reserves and to participations in new investments.

The table below shows details on the gas deliveries, stored gas volumes and delivered energy:

– thousands MWh-	2014 Budget
Natural gas from internal production (except joint partnerships)	52 961.9
Natural gas delivered from joint partnerships	1 757.7
Import natural gas	1 060.0
Natural gas supplied for power generation	6 471.3
Natural gas injected in UGSs	25 983.6
Natural gas withdrawn from UGSs	26 721.9
Electricity deliveries	1 878.0

The prices considered for the substantiation of budget-related indicators are indicated below:

lei/MWh	2014 Budget
Average delivery price for deliveries from internal production (except joint partnerships)	69.6
Average delivery price for deliveries from joint partnerships	76.4
Average delivery price for import deliveries	127.6
Average delivery price for electricity deliveries	236.7
UGS capacity booking tariff	13.12
UGS injection tariff	2.37
UGS withdrawal tariff	1.80

Summary of the main 2014 Budget-related indicators, approved by Government Decision 570/2014:

		<b>2014 Budget</b>
<b>Total revenue</b>	<b>- million lei</b>	5 089.5
<b>Total expenses</b>	<b>- million lei</b>	3 578.7
<b>Profit before tax</b>	<b>- million lei</b>	1 510.9
<b>Profit tax expense</b>	<b>- million lei</b>	350.3
<b>Net Profit</b>	<b>- million lei</b>	1 160.6
<i>Expenses related to lei 1 000 revenues</i>		703
<b>Investment costs</b>	<b>- million lei</b>	1 341.4

Please find attached hereto the approved budget-related indicators to be published together with the Government Decision in the Romanian Official Gazette, part I.

**Chairman of the Board of Directors**  
**Aurora Negrut**