

Societatea Națională de Gaze Naturale ROMGAZ SA
Filiale de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL

6043/30.05.2019

Evaluation report for the General Manager's Activity - 2018



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Through article 36, paragraph (5) of the Emergency Ordinance no. 109/2011 regarding corporative governance of state-owned companies, with the subsequent amendments and completions, the Board of Directors of SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL has developed the General Manager Activity evaluation report for the year 2018, based on the General Manager Report for the year 2018, ratified through Decision no. 7/22.04.2019 and modified through Decision no. 9/30.05.2019.

Head of the Board of Directors

STĂNESCU NICOLAE BOGDAN CODRUȚ

Document approved by the Decision of the Board of Directors no. 8 of May 29, 2019, amended by the Decision of the Board of Directors no. 9 from May 30, 2019

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1. Company presentation

The current strategic document elaboration is within the context of the relevant legislation at European and national level regarding corporate governance for state-owned companies, specifically the Emergency Ordinance no. 109 / 2011 with the subsequent amendments and completions and E.O. 722/2016 for the approval of the methodology norms for the enforcement of Government Ordinance no. 109/2011 regarding corporate governance of state-owned companies.

Who is DEPOGAZ?

SNGN. Romgaz S.A. – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL ("**DEPOGAZ**") is the main underground storage operator in Romania, with a market share of approximately 90.31% of the total active storage capacity in Romania.

Through the Extraordinary General Stockholders Gathering Decision of SNGN Romgaz SA no. 10/19.12.2014, based on 2009/73/CE Directive of the European Parliament and of the European Union Council, adopted into domestic legislation within the Electric energy and natural gas Law no. 123/2012, with subsequent amendments and completions, the storage of natural gas activity was separated from SNGN Romgaz SA and has been undertaken by SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL (Underground Storage of Natural Gas Subsidiary DEPOGAZ Ploiesti SRL), as independent operator starting with the 1st of April 2018.

Natural gas is stored with the purpose of:

- a) Ensuring the gas supply security to final consumers;
- b) Stabilizing seasonal, daily and hourly consumption variations with the available gas sources;
- c) Continuously balancing the National Transmission System;
- d) Undertaking other commercial activities.

DEPOGAZ VISION

To modernize the existing natural gas storage capacities and to create a high degree of flexibility, including through alternative injection/withdrawal regime, contributing to a competitive domestic gas market and to the development of the energy markets and of regional energy security mechanisms, adhering to common European Union rules.

DEPOGAZ MISSION

- Increasing the customer and stakeholders' satisfaction;
- Ensuring the natural gas storage service availability and promptitude;
- Efficiently and operatively performing storage infrastructure works without affecting client and stakeholders' interests.

DEPOGAZ VALUES

- **Continuous improvement, adaptability and growth;**
- **Social responsibility and respect for the surrounding environment;**
- **Professionalism, efficiency and performance.**
- **Excellence** is the target we aim for and encourage in all we do, through offering innovative solutions for problem resolution which ensure remarkable results for our partners.
- **Integrity** is the mandatory requirement for all Company employees. We promote **transparency, honesty and fairness** both within the organization, but more so in the relationship with our clients and partners.
- **Professionalism and Promptitude** define our team which promotes the importance of a correct and transparent clients with the highest importance.
- **Loyalty** lays at the foundation of building a long-term relationship with our clients and partners.

1.1. Company identification information

Company name	SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL
Headquarters address	184 Ghe. Gr. Cantacuzino Str., Ploiești, jud. Prahova, postal code 100492
Tel/fax no.	0374-403800 / 0344-569391
E-mail/ internet page	secretariat@depogazploiesti.ro www.depogazploiesti.ro
Unique fiscal identification number	34915261
Commerce Register number	J29/1181/21.08.2015
Main activity field	CAEN class 5210 Storage
Secondary activity fields	CAEN class 0910 – Activities and services related to the withdrawal of oil and natural gas; CAEN class 7022 – Consulting activities for business and management; CAEN class 4221 – Construction works for fluids utility projects; CAEN class 7112 – Engineering works and technical consulting related to this; CAEN class 4321 – Electrical instalations works; CAEN class 7120 – Testing and technical analysis works, including for natural gas; CAEN class 2562 – General mechanical operations; CAEN class 5224 – Handling activities.

DEPOGAZ is a state-owned company, constituted as a subsidiary, with the legal personality of a limited responsibility company (S.R.L.), in which SNGN Romgaz S.A. is sole shareholder. The company is established within the confines of Companies law no. 31/1990, republished with its subsequent addendums and completions, Emergency Ordinance no. 109/2011 regarding corporate governance for state-owned companies, with subsequent addendums and completions and functions under Romanian legislation and the Articles of Incorporation.

1.2. Activity field

DEPOGAZ, as storage operator is a legal entity which undertakes gas storage activities and is responsible for operating natural gas storage equipment in safe conditions.

The activity field is represented by the underground storage of natural gas more specifically all the activities and operations undertaken by the storage operator for or related to the storage capacity booking in the underground storage facilities and for the injection, storage and withdrawal from these facilities of determined quantities of natural gas.

The natural gas storage process takes place usually in 2 stages: the injection cycle from April until October and the withdrawal cycle, from November to March, but the cycles can be reversed alternatively upon specific exceptional requests from clients or from the TSO.

Injection cycle (April - October)

The gases from the National Transmission System (NTS) are measured, purified, compressed (when necessary) and injected into the underground storage facilities of natural gas operated by DEPOGAZ through injection/withdrawal wells.

Withdrawal cycle (November-March)

The gases withdrawn from each storage facility are directed to conditioning equipment (heating, pressure and therefore temperature reduction, impurity separation), drying, compression (if needed), measuring and delivery into the NTS at the quality parameters required by law.

2. Objective and key performance indicators

Measuring company performance represents an improvement process for its activity and for the use of required resources with the purpose of efficiently achieving the strategic goals by the company management and administrators through the company Administration plan, which contains the administration component, the management component and key performance indicators both financial and nonfinancial for the calculation of variable compensation.

Strategic objectives contained by the company Administration plan for the 2018-2022 period are derived from the Letter of Expectations issued by the Sole Shareholder SNGN ROMGAZ SA in order to accomplish the optimization, development goals and activity diversification for natural gas underground storage by reconsidering its importance, to ensure continuous security and supply flexibility for natural gas, identifying new growth opportunities and diversification for subsidiary activities both internally and regionally, performance growth

of the subsidiary, performant management and the implementation and development of corporate governance principles.

2.1. Objectives

2.1.1. The administration component

The administration component of the Administration plan for the 2018-2022 period was elaborated in accordance with art. 30 par. (1) of EO no. 109/2011 regarding corporate governance for state-owned companies with subsequent addendums and completions and Executive Decision no. 722/2016 approving the methodology norms for some stipulations of EO no. 109/2011 regarding corporate governance of state-owned companies, by the Board of Directors of SNGN Romgaz SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești SRL appointed through Sole Shareholder Decision no. 161/18.09.2018.

The administration component of the Administration plan was approved through Board of Directors Resolution no. no. 15/11.10.2018.

Detailed analysis of the company by its activity segments led to the proposal of strategic growth objectives, corroborated with the identification of the key performance indicators set for the mandate period.

2.1.1.1. Strategic objectives

The strategic objectives of the company for the 2018-2022 period are formulated with the purpose of capitalizing oportunities and consolidating existing company strenghts:

- A. Increasing the daily withdrawal capacity from the storage facilities
To reach this objective DEPOGAZ has developed a project for Bilciuresti increase of daily withdrawal capacity
- B. Increasing the storage capacity for natural gas in existing storage facilities
To reach this objective, DEPOGAZ will update feasibility studies regarding:
- Storage capacity increase in the Sarmasel underground storage facility from 900 mil Cm/cycle to 1.550 mil. Cm/cycle – Stage II
 - Storage capacity increase in the Ghercesti underground storage facility from 150 mil Cm/cycle la 600 mil. Cm/cycle – Stage II
- C. New underground gas storage facilities in depleted fields
To reach this objective, DEPOGAZ will:
- Elaborate a feasibility study for the conversion to underground storage facility of a depleted field situated in North-East Romania with an active capacity of approx. 200 mil. Cm/cycle;
 - Elaborate a feasibility study for the conversion to underground storage facility of a depleted field located in the South-West of Romania with an active capacity of approx. 400 mil. Mc/cycle.

2.1.1.2. General objectives

1. Optimization, growth and diversification of the natural gas underground storage activity through reconsidering its importance, to ensure security, continuity and flexibility in the gas supply chain.
2. Increasing the storage capacity.
3. Increasing the subsidiary performance.
4. Increasing storage facilities efficiency with the purpose of increasing the natural gas withdrawal.
5. Increasing the daily withdrawal capacity from storage facilities through investments which diminish the natural gas import dependence.
6. Optimizing and improving the organizational structure of the subsidiary.
7. Extending the activity of the subsidiary to a regional level through the identification of new business opportunities.
8. Consolidating the natural gas underground storage service market position.
9. Implementing corporate governance and a new code of ethics and integrity.
10. Developing reporting capabilities, control and risk management.
11. Responsible and active involvement into corporate social responsibility actions.

2.1.2. Management component

The management component of the Administration plan for the period 2018-2022, was elaborated in accordance with art. 30 par. (1) of EO [no. 109/2011](#) regarding corporate governance for state-owned companies with subsequent addendums and completions and Executive Decision no. [722/2016](#) approving the methodology norms for some stipulations of EO no. 109/2011 regarding corporate governance of state-owned companies, by The General Manager of DEPOGAZ appointed through the Board of Directors Resolution no. 17/09.11.2018.

The Management component of the Administration plan is based on the General Manager's vision for a strategic growth of DEPOGAZ for the period 2018-2022, considering the company natural gas storage activity performance to present time, the context and current trends in the storage service market at national and international level, as well as the forecasts and perspectives which can be anticipated in order to maintain a modern, financially viable, economically sustainable company, an operator which offers quality services to its clients and is accountable to interested parties, responsible to society and the environment while maintaining sustainable growth.

The Management component of the Administration plan was approved through the Board of Directors Resolution no. 19/04.12.2018.

The Management component of the Administration plan presents the managerial team's action plan to reach objectives and performance indicators, actions which presume designing, implementing, monitoring and evaluating the suitable managerial processes, support actions in reaching the desired goals.

The Management component of the Administration plan was elaborated based on DEPOGAZ goals and strategic objectives, as natural gas storage operator, according to the sole shareholder's expectations, SNGN Romgaz SA and in the current socio-economic context.

In the elaboration of the Management component, DEPOGAZ managers have considered priorities and key targets for SNGN Romgaz SA - Filiala de Înmagazinare DEPOGAZ Ploiești SRL activities, as well as the risks to which the subsidiary may be exposed to.

The strategic objectives of DEPOGAZ for the period 2018-2022 are formulated based on the diagnostic analysis conducted and the proposed growth perspectives with the purpose of capitalizing opportunities and consolidating key strengths which exist within the company, attributing specific actions to be taken for each objective.

2.1.2.1. Strategic actions

I. Increasing subsidiary performance

Strategic directions:

- ✓ Rational use of company financial resources through the elaboration, pursuit and analysis of the budgetary execution;
- ✓ Increasing the activity profitability through the efficient use of material, human and financial resources;
- ✓ Optimizing operating expenses and maintaining a growth level for them which is lower than the operating revenue growth;
- ✓ Improving the product, works and services acquisition process through dynamic planning and prioritization, with the purpose of ensuring in a timely manner the service and product quantities necessary for day to day operations and investments;
- ✓ Continuous growth of the labor force qualification and of its motivation in order to improve company performance and work productivity;

Action plan:

Financial management:

- Consolidating the financial management of the Subsidiary through financial, risk and performance processes management;
- Ensuring capital use efficiency through continuous monitoring of the financial effort for each decision to be made within the managed period;
- Ensuring the necessary funds for the Subsidiary, at the right time, in optimal conditions required at the lowest possible cost;
- Ensuring the financial support needed to perform on the market by the Subsidiary through:
 - Monitoring the capital use and influencing the decision factors from the other responsibility centers in the direction which ensures an efficient use of all the funds within the circuit;

- Ensuring and maintaining financial balance both in the short and in the long run, according to the subsidiary's needs;
- Permanent control of the economic processes for ensuring the desired financial result and allocating it to the destinations established through the subsidiary's scope and objectives;
- Control and assessment of the results in order to identify deviations and causes which have generated them, the strengths and weaknesses of the company, as well as the measures which must be taken in order to correct and avoid such deviations in the future.

Human resources management:

- ✓ Improving human resources management at subsidiary level through continuous growth of the qualification level of the staff in order to maintain and improve the **existing technical expertise within the Subsidiary.**
- ✓ Financial and non-financial motivation of the staff in order to ensure performance improvement of the company and implicitly of the labor productivity;
- ✓ Rigorous planning of human resources necessary to ensure the natural gas storage activity continuity.

At 31st of December 2018, DEPOGAZ employed 527 people.

Personnel number evolution for the company between 01 April – 31 December 2018:

<i>Specifications</i>	<i>2018</i>
<i>Number of employees at the beginning of the period</i>	525
<i>Number of newly employed people</i>	31
<i>Number of people which ceased employment within subsidiary</i>	40
<i>Number of employees at the end of the period</i>	527

Personnel structure at the end of 2018 is as follows:

a) By education

- Higher education 176
- Secondary education 179
- Other 172

b) By age

- under 30 years old 36
- 30 – 40 years old 75

- 40 - 50 years old 169
- 50 – 60 years old 188
- Over 60 years old 59

c) By activity – gas storage 100%

Subsidiary personnel structure is presented in the table below:

Entity	Workers	Foremen	Technical, Economic, Socio- Administrative	Total
Headquarters	20	-	147	167
Craiova storage unit	52	2	6	60
Transilvania storage unit	34	2	3	39
South Storage Unit	98	7	3	108
Compression unit	123	20	10	153
TOTAL	327	31	169	527

During 2018 (April – December), the professional qualification activity goal within DEPOGAZ was to adapt each employee to the requirements his/her job and work place, to perfect professional training for each of their trade, professional conversion, obtainment of advanced knowledge, to undergo new methods and procedures necessary for their professional activities.

Therefore the following were considered:

- ✓ Qualifying employees (TESA and workers), through participation in various area programs, in close collaboration with qualification programs suppliers;
- ✓ Licensing/relicensing, according to each person's qualification and their job;

As a result, in 2018, a number of 308 employees have participated to professional qualification courses, for which the training and professional improvement expenses amounted to 131,416 RON.

The annual professional training plan was accomplished as follows:

- 252 people participated in professional training related to their activity within the company;
- 55 people participated in licensing or relicensing courses related to their job;
- 1 person has participated in professional conversion courses.

The training activity goal was to improve adaptability to the new economic market demands based on knowledge and to ensure and update qualifications necessary for all employees. For this purpose, the professional training courses' goals were:

- *Knowledge of the necessary conditions to abide by Regulation no. 679/2016 regarding general data protection and free movement of personnel - GDPR, applicable since 25th May 2018 in all member states of the European Union, with the purpose of establishing a new department;*
- *Implementing International Financial Reporting Standards (IFRS) has required training for employees from the economic and financial departments;*
- *Major legislative changes in the public acquisition field have required training for employees which coordinate this activity, mainly through the development of skills required to use SEAP (Electronic system of Public Acquisitions);*
- *In order to conform to the law regarding workplace security and safety, as well as to raise awareness of this area, a training course was undertaken in the field for every premises of the company;*
- *Updating the information related to new activities undertaken by the subsidiary, following the organizational changes, namely: integrated management, internal control, internal public audit.*

Risk management:

- Designing, implementing and consolidating a performant managerial internal control by creating the 'Managerial internal control system program', which is updated annually. The Program contains the Subsidiary objectives in the managerial internal control field, structured based on the implementation and development stages and for each managerial internal control stage there are established activities, people responsible are nominated and deadlines as well as other relevant elements for the implementation and development of the managerial internal control system.

Realizing a suitable risk management policy for the Subsidiary requires:

- The prior analysis of all risk exposure, identifying the sources of risk being fundamental in evaluating the state-owned company's risks;
- Identifying major/strategic risks which can affect the effectiveness and efficiency of activities related to specific objectives, without ignoring rules and regulations; trusting financial information and management; protecting goods; prevention and discovery of fraud;
- Defining the acceptable tolerance/ level of exposure to risk;
- Evaluating the probability that the risk will materialize, assessing the impact and exposure;
- Making strategies (control procedures) to manage and monitor risk;
- Reducing the Subsidiary's vulnerability through risk management implementation according to its risk profile and creating the Risk register, the Risk profile and the Control measures implementation plan;
- Developing a risk management culture at Subsidiary level through the development and implementation of a performant risk management system as integrating part in the decision process.

At DEPOGAZ level, the Managerial internal control report at 31st of December 2018 - Annex 4.3 – Governmental General Secretariat Order no. 600/2018 elaborated and approved by the General Manager, which contains the following statements:

- *The monitoring comity is functional;*
- *The Managerial internal control development plan is implemented and updated annually;*

- The risk management process is organized and monitored;
- The Risks register at DEPOGAZ level is updated annually and as many times as needed;
- The documented procedures are 94.89% elaborated from the total procedural activities inventoried;
- The performance monitoring system is established and evaluated for DEPOGAZ objectives and activities through performance indicators;
- The Internal Public Audit Office is functional and composed of two people.

The report offers a clear image of the implementation and development stage of the internal control system of the Subsidiary. Based on the evaluation report at the 31st of December 2018, the managerial internal control system of SNGN ROMGAZ SA – Filiala de Înmagazinare Gaze Naturale DEPOGAZ Ploiești S.R.L. is in line with the standards contained by the Managerial internal control code.

Integrated management system:

- ✓ Maintaining and continuous improvement of the integrated management system, quality, health-environment and work safety according to SR EN standards ISO 9001:2015, SR EN ISO 14001:2015 and SR OHSAS 18001:2008
- ✓ Permanent monitoring the system reliability

The certificate audit took place according to the Audit plan during the **10.12.2018 -11.12.2018** period.

Audit criteria:

- ✓ Reference standards ISO 9001:2015, ISO: 14001:2015, OHSAS 18001:2007
- ✓ Documented information of DEPOGAZ Integrated Management System.
- ✓ No irregularities were identified during the external auditing process.

According to the Audit report, the Integrated Management System of the company is described and integrated in accordance to the requirements of SR EN ISO 9001:2015, SR EN ISO 14001:2015 and SR OHSAS 18001:2008.

The integrated Management System is effective and the certification is adequate to the activities undertaken by the company.

The Integrated Management System capacity to satisfy demands regarding the achievement of the desired results was demonstrated during the external audit process, and the internal audit processes and management analysis are effective.

- ✓ DEPOGAZ Company was certified by SRAC CERT (Certifying body).

2.1.2.2. Optimizing, developing and diversifying the underground storage activity

Strategic directions

1. **Total storage capacity increase so that natural gas supply security, continuity and flexibility are met through:**
 - a. Developing the existing capacity through capacity increase according to an investment program created both for 5 and 20 year periods, taking into account the gas market evolution.

- b. Developing the daily extraction capacity from storage facilities which will ensure energetic independence for Romania;
 - c. Developing the storage capacity in order to be able to play a significant role in S-E Europe.
- 2. Ensure high flexibility for offering new services on the gas storage market through:**
- a. Multi-cycle services;
 - b. Hourly extraction/injection services so that service beneficiaries can in turn have flexibility in their delivery to final customers.
- 3. Building new storage facilities so that supply security can be realized for areas which are vulnerable to the natural gas distribution which are:**
- a. Moldova Zone – supplying the N-E zone of the country and ensuring the natural gas supply to Moldova Republic;
 - b. S-W Zone of Romania and eventually ensuring the gas supply to Serbia and Bulgaria;
 - c. Reducing the natural gas supply dependence of Romania to the gas imports;
 - d. Depogaz to become an important player in the S-E European regional market.

The investment plan for the natural gas storage system 2018-2022

The natural gas market in Romania is a relatively mature market and one of the most developed at European level with regards to the annual demand, the available resources and the transmission infrastructure, distribution and underground storage of natural gas. Romania is also one of the few European countries to have a reduced dependence on external natural gas sources to meet internal demand, most of the natural gas supply being covered by internal production.

The capacity for the underground storage facilities operated by Depogaz, starting with the 1st of April 2018, is presented in the table below:

Storage Facility	Active capacity		Extaction capacity	Injection capacity
	Mil.St.m ³ /cycle	TWh/cycle	GWh/day	GWh/day
Bălăceanca	50	0,545	13,18	10,98
Bilciurești	1.310	14,326	152,78	109,13
Cetatea de Baltă	30	0,315	1,05	0
Ghercești	150	1,634	21,40	21,40
Sărmășel	900	9,598	79,03	68,50
Urziceni	360	4,016	50,16	33,44
TOTAL	2.800	30,466	317,60	243,45

Bălăceanca storage facility

The Bălăceanca structure is situated at approx. 4 km from Bucharest.

The fixed assets which are used for the storage process are the following:

- 24 wells of which 21 Injection/extraction wells and 3 piezometric wells;
- The surface infrastructure contains:
 - ✓ Gas compressor station Bălăceanca;
 - ✓ 8,4 km collecting pipelines;
 - ✓ 4 separators;
 - ✓ 4 gas technological measurement stations;
 - ✓ One gas drying unit;
 - ✓ 15 well gas heaters;
 - ✓ Communication and parameters acquisition optic fiber system;
 - ✓ Bidirectional fiscal measurement panel.

Bilciurești storage facility

The Bilciurești facility is situated in Dambovită county, at approx. 40 km W-NW of Bucharest.

The fixed assets used for the storage process are the following:

- 61 wells out of which 57 injection/extraction wells, 3 piezometric wells, 1 residual water injection well;
- The surface infrastructure contains:
 - ✓ Gas compression station Butimanu;
 - ✓ 7 gas drying units;
 - ✓ 26,5 km collecting pipelines corresponding to the 57 injection/extraction wells;
 - ✓ 50 well gas heaters;
 - ✓ 24 impurity separators;
 - ✓ 14 gas technological measurement stations;
 - ✓ 37,5 km collecting pipelines;
 - ✓ Bidirectional fiscal measurement panel;
 - ✓ Residual water injection station.

Cetatea de Baltă^{*)} storage facility

The Cetatea de Baltă structure is situated at approx. 12 km S-W of Târnoveni city.

Fixed assets used for the storage process are the following:

- 16 wells;

- The surface infrastructure contains:
 - ✓ 6,640 km pipelines connected to the 16 wells;
 - ✓ 9,375 km connecting pipelines;
 - ✓ 6 gas technological measurement stations;
 - ✓ 6 impurity separators;
 - ✓ Online field supervision system and gas chronograph;
 - ✓ Fiber optics parameter acquisition system.

**) In 2012 the deposit study for Cetatea de Baltă has confirmed the gas migration phenomenon from the Sarmațian III storage field towards the neighboring fields, Sarmațian I, Sarmațian II, Sarmațian IV și Buglovian V. The migration phenomenon causes are of technical nature, due to the connection between the fields, the improper cementing of the casing which crosses the Sarmațian III field, which permits a gas flow between Sarmațian III field and the neighboring fields.*

This phenomenon was also confirmed by the storage facility study contracted by the Medias Subsidiary on fields Sarmațiene I, II, IV and Buglovian V, where an increase in gas production was shown despite the absence of development works.

The studies made were signed by CTE Romgaz and filed for analysis at ANRM. During the storage cycle 2014-2015, the Ploiesti Subsidiary has taken the decision to cease the gas injection process at the Cetatea de Baltă storage facility.

At ANRM's request, in 2015 the storage facility study was updated and signed at CTE Romgaz with the signed report no. 29/29.03.2016, after which it was related to ANRM for analysis and approval.

Following the analysis of the filed documents, ANRM has concluded through Document no. 97-16, the following:

- 1. The storage activity in Sarmatian III field is no longer viable and stopping the storage activity is justified, while the field will return to production;*
- 2. The 245 mil. Scm quantity of gas which migrated from the Sarmatian III field into Sarmațian I, II and Buglovian V fields will be extracted through open wells at this fields and will not constitute a reserve for the hydrodynamic unit formed;*
- 3. Restarting the extraction of existing geological resources at the Sarmatian III deposit of the commercial oil field Cetatea de Balta, will be done under the conditions stipulated in the Petroleum Law no.238/2004 and under the Assignment accord of the underground storage facility Cetatea de Balta, Sarmatian III (Alba county), signed between SNGN Romgaz SA Medias and ANRM, approved through HG nr.1050/5.09.2007.*

After Document no. 97-16 was released, A.N.R.M. has asked ROMGAZ to update the commercial oil filed study Cetatea de Balta, study which was signed at C.T.E. Romgaz with Signed Statement no. 75/22.06.2018, afterwards it was sent to A.N.R.M. for analysis and approval.

Following the analysis of the documents filed, A.N.R.M. has approved through Document no. 46-18, the continuation of the oil-filed exploitation according to alternative 3 proposed in the study, the alternative which also includes the Sarmatian III deposit.

Ghercești storage facility

The Ghercesti storage facility is located in Dolj county, in close vicinity to Craiova city.

The fixed assets used for the storage process are the following:

- 85 wells out of which 79 injection/extraction wells and 6 piezometric wells;
- The surface infrastructure contains:
 - ✓ 135,7 km collecting pipelines connecting the 79 sonde;
 - ✓ 22,6 km collecting pipelines;
 - ✓ 13 separatoare de impurități;
 - ✓ 12 gas technological measurement stations;
 - ✓ One gas drying station;
 - ✓ Communication and parameters acquisition optic fiber system;
 - ✓ Bidirectional fiscal measurement panel.

Sarmașel storage facility

The Sarmașel storage facility is situated within the Sărmășel city perimeter, 35 km N-W of Târgu-Mureș, 35 km N of Luduș and 48 km E of Cluj-Napoca.

The fixed assets which are used for the storage process are the following:

- 63 wells;
- The surface infrastructure is composed of:
 - ✓ Gas compression station Sarmasel;
 - ✓ 26,7 km collecting pipelines connecting the 63 wells;
 - ✓ 13,8 km collecting pipelines;
 - ✓ 59 impurity separators;
 - ✓ Bidirectional fiscal measurement panel.

Urziceni storage facility

The Urziceni storage facility is located in Ialomita county, at approx. 50 km NE of Bucharest city.

The fixed assets used for the storage process are the following:

- 32 wells, out of which 31 injection/extraction wells and 1 piezometric well;
- The surface infrastructure contains:
 - ✓ Gas compressor station Urziceni;
 - ✓ 19,5 km collecting pipelines which connect the 31 wells;
 - ✓ 3,3 km collecting pipelines;

- ✓ 6 gas technological measurement stations;
- ✓ 31 well gas heaters;
- ✓ 1 gas drying unit;
- ✓ Fiber optics parameter acquisition system;
- ✓ Bidirectional fiscal measurement system.

In order to increase the natural gas storage capacity for the facilities operated by DEPOGAZ, the following projects were proposed:

Project 1. Gas storage facility upgrade - Bilciuresti

The project's purpose is to increase the daily gas delivery rate from the Bilciuresti storage facility to 20 million m³/day and to ensure a high level of security and exploitation.

- a. Required investments:
 - Upgrading the separator, measurement and drying equipment;
 - Systemization and upgrade of the pipeline and cooling systems for the compressing station Butimanu;
 - Upgrade 19 injection/extraction wells;
 - Drilling 4 new wells;
 - 16" gas pipeline Bilciurești –Butimanu
- b. Estimated completion year: 2025
- c. Total estimated project value: 271,15 million lei.

Project 2. Gas storage facility upgrade - Urziceni

The project's purpose is to increase the daily gas delivery rate from the Bilciuresti storage facility and to ensure a high level of security and exploitation.

- a. Required investments:
 - Upgrade 8 injection/extraction wells;
 - Drilling 2 new wells;
- b. Estimated completion year: – 2022
- c. Total estimated project value 23,95 million lei

Project 3. Gas storage facility upgrade - Balaceanca

The project's purpose is to increase the daily gas delivery rate from the Balaceanca storage facility and to ensure a high level of security and exploitation.

- a. Required investments:
 - Upgrading the separator, measurement and drying equipment;

- Upgrading the energetic and automation installations for the compressor station Balaceanca;
 - Upgrading 9 injection/extraction wells;
 - Drilling 2 new wells;
- b. Estimated completion year: 2022
- c. Total estimated project value: 32,2 million lei

Project 4. Underground natural gas storage at the Sarmasel storage facility

The project's purpose is to increase the storage capacity of the existing underground storage facility at Sarmasel from 900 million m³/cycle la 1550 million m³/cycle (an increase by 650 million m³/cycle), an increase in the injection capacity by 4 million m³/day, to a total of 10 million m³/day, an increase in the extraction capacity by 4 million m³/day, to a total of 12 million m³/day.

- a. Required investments:
- Compressor station extension;
 - Drying and gas measuring stations extension;
 - Technical equipment for injection/extraction wells;
 - Upgrade 46 injection/extraction wells;
 - Drilling 15 new wells;
 - Gas cushion.
- b. Estimated completion year: 2024
- c. Total estimated project value: 756,350 million lei

Project 5. Underground natural gas storage at the Ghercesti storage facility

The project's purpose is to upgrade the underground storage infrastructure for the Ghercesti storage facility to ensure the operating capacity to 600 million m³/cycle.

- a. Required investments:
- Compressor station;
 - Gas drying and measuring equipment upgrade;
 - Upgrading 20 injection/extraction wells;
 - Ghercesti storage facility collecting pipeline - NTS;
 - Gas cushion.
- b. Estimated completion year: 2025
- c. Total estimated project value: 564,45 million lei

Project 6. New underground gas storage facility in Moldova

The project's purpose is to build a new underground storage facility in N-E Romania (Moldova region) with an approx. capacity of 200 million m³/cycle, injection capacity of approx. 1,4 million m³/day, extraction capacity of approx. 2 million m³/day, by transforming one or several depleted fields, such as Pocoleni, Comănești, Todirești și Davideni into an underground storage facility.

- a. Required investments:
- Compressor station;
 - Gas drying and measurement installations;
 - Technological injection/extraction well installations;
 - Drilling injection/extraction wells;
 - Storage facility gas collector - NTS;
 - Gas cushion.
- b. Estimated completion year: 2025
- c. Total estimated value of the project: 405,7 million lei

*The development stage of the natural gas storage system projects contained by **the natural gas system INVESTMENT PLAN 2018-2022** is:*

1. Upgrading the natural gas storage infrastructure system - Bilciuresti

In 2018 the following works were started and finalized for the following locations:

- a. *Upgrading the separator, measurement and drying equipment for units no. 57 and 101 Bilciurești;*
- b. *Elaborate the acquisition documents for upgrading 3 injection/extraction wells, start works for upgrading well no. 136;*

Value of works done amounts to 22,5 mil lei, equivalent to 4,83 mil euro.

2. Natural gas storage capacity increase for the Ghercesti storage facility

During 2018 acquisition works started for data required in the feasibility study theme elaboration.

3. New underground natural gas storage facility in Moldova

During 2018, feasibility study theme elaboration actions was undertaken.

4. Sarmasel underground natural gas storage capacity increase Sarmășel (Transilvania)

During 2018, the following were started and finalized:

- *Acquisition documents and acquisition of works for upgrading 6 injection/extraction wells, finalizing upgrading works for number 94 and 171 wells Sarmasel;*
- *Acquisition of designing services for the feasibility study elaboration.*
- *Project entry on the IV PCI list for European financing „Dezvoltare depozit de înmagazinare gaze Sărmășel” (PCI 6.20.6-Sărmășel underground gas storage in Romania).*

The estimated value of works done amounts to 2,75 milion lei, equivalent to 0,59 mil euro.

*Underground natural gas storage system development projects are contained by **the natural gas National Transmission System Development Plan for the period 2018-2027**, approved by ANRE through decision no. 1954 from 14.12.2018.*

2.2. Key performance indicators

Key performance indicators (KPIs) financial and non-financial for the variable component of the remuneration are defined within Chapter II of the *Key performance indicators both financial and non-financial and the variable component of remuneration methodology* – from EO no. 722/2016 updated for the Methodology norms approval for the application of EO no. 109/2011 updated regarding corporate governance for state-owned companies, with the subsequent addendums and completions.

Key performance indicators for the annual variable component of the executive administrator remuneration – General Manager, period 2018-2022 were approved through Sole Shareholder Decision no. 4/05.02.2019.

2.2.1. Target values

Crt. No.	Key performance indicators (KPIs)	2018	2019	2020	2021	2022
Financial KPIs						
1	EBITDA [%]	3	3	40	40	40
2	Turnover (T) [thousand lei]	215.688	287.729	313.306	317.528	320.111
3	Bad debts. [thousand lei]	0	0	0	0	0
Operational KPI						
4	Injected quantity [thousand Mwh]	18.300	18.600	18.900	19.000	19.230
5	Monitoring the investment schedule stage [%]	100	100	100	100	100
Public services oriented KPIs						
6	Customer satisfaction level [%]	90-95	90-95	90-95	90-95	90-95
Corporate governance KPIs						
7	Monitoring the implementation stage for the IMCS. [%]	75	90	90	90	90

2.2.2. The key performance indicators weight coefficient

Crt. No.	Key performance indicators (KPIs)	Objective	KPIs weight
Financial KPIs			40%
1	EBITDA [%]	≥3	15%
2	Turnover (T) [thousand lei]	Reaching the target set through the Administration Plan	15%
3	Bad debts. [thousand lei]	Maintaining the level to 0	10%
Operational KPIs			30%
4	Injected quantities [Mwh]	Reaching the target set through the Administration Plan	15%
5	Monitoring the investment schedule stage [%]	Trimestral and annual reporting within the deadline	15%

	Public services oriented KPIs		10%
6	Customer satisfaction level [%]	90-95	10%
	Corporate governance KPIs		20%
7	Monitoring the implementation stage for the IMCS. [%]	Over ≥75 percent completion of the development program of the S.C.I.M.	20%

2.2.3. Key performance indicators achievement rate – General Manager

Considering the target value for the key performance indicators approved by the Sole Shareholder SNGN Romgaz S.A. in the Administration Plan for the period 2018-2022 of the Board of Directors of S.N.G.N. Romgaz S.A. – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiești S.R.L., the key performance indicators which constitute an annex to the mandate contracts, the achievement rate for these in the year 2018 is detailed in the following:

Crt. No.	Key performance indicators (KPIs)	Achieved Value within year	Targeted Value within year	Achievement Rate	KPI Weight	Weight %
1	EBITDA [%]	0.18	3.00	6.00	15%	0.90
2	Turnover (T) [thousand lei]	207,356	215,688	96.14	15%	14.42
3	Bad debts [thousand lei]	0	0	100.00	10%	10.00
4	Injected quantities [Mwh]	18,382	18,300	100.45	15%	15.07
5	Monitoring the investment schedule stage [%]	100.00	100.00	100.00	15%	15.00
6	Customer satisfaction level [%]	99.87	95.00	105.13	10%	10.51
7	Monitoring the implementation stage for the IMCS. [%]	75.00	75.00	100.00	20%	20.00
						85.90

• Financial KPIs

The key performance indicators values for the year 2018 are:

- The revenue for 2018 was 207.356 thousand lei;
- DEPOGAS has not registered bad debts in 2018.
- EBITDA = Total operations revenue - Total operations expenses - Depreciation) =
= 208.678 – (208.377 – 65) = 366 thousand lei
- EBITDA (%) = (EBITDA / Total operations revenue) × 100 =
= (366/208.678) × 100 = 0,18%

**for EBITDA calculation, values from the F20 "The Profit or Loss Account" and F30 "Informative data" were used*

Turnover		207356
Total revenue		208678
Total expenses		208377

Depreciation		65
		366
EBITDA		0.18

a. The financial standing at the end of the period – Balance sheet

In the table below, the financial standing as of 31st December 2018.

(Ron)

Indicator		
ASSETS		
<i>Fixed assets</i>		
Property, plant and equipment	0	37.842.548
Other intangible assets	0	235.377
Other fixed assets	0	0
Total fixed assets	0	38.077.925
<i>Current assets</i>		
Inventory	0	16.080.709
Trade receivable and other receivables	5.920	37.321.914
Cash and cash equivalents	1.092.684	17.088.328
Total current assets	1.102.604	70.490.951
Prepayments		72.350
TOTAL ASSETS	1.102.604	108.641.226
OWNER'S CAPITAL AND LIABILITIES		
<i>Retained earnings</i>		
Paid-in capital	1.200.000	66.056.160
Reserves	0	28.073
Financial result (loss)	(83.031)	(97.396)
Profit/Loss financial period	(14.365)	(732.510)
Total owner's equity	1.102.604	65.226.256
<i>Current liabilities</i>		
Accounts payable	0	7.937.603
Debts to companies within the group	0	16.566.860
Other liabilities		10.470.036
Total current liabilities	0	34.974.499
<i>Accruals and bad dept provisions</i>		
Accrual for employees' benefits and other accruals	0	8.440.471
<i>Long-term liabilities</i>		
Accounts payable	0	0
Current profit tax accrual	0	0
Other liabilities	0	0
Total long-term liabilities	0	0
TOTAL liabilities & owner's equity	1.102.604	108.641.226

Out of the total assets of 108.641.226 RON, fixed assets amount to **38.077.925** RON, representing 35% and current assets in amount of **70.490.951** RON, and representing 65%.

The capital of the company is entirely paid-in at 31st December 2018.

At the company's incorporation date (2015), it had a paid-in capital in cash of 1.200.000 lei. In April, when the company started its activity, the capital was increased by 48.800.000 lei in cash, and in November 2018 it was increased again by 16.056.160 lei in materials and stocks.

Accounts receivable and other receivables are detailed below:

Receivables (Ron)	Balance as of 31 st December 2018	Liquidity term	
		under 1 year	over 1 year
Accounts receivable	27.883.285	27.883.285	
Amounts receivable from affiliated companies	8.536.376	8.536.376	
Other receivables	<u>902.253</u>	<u>902.253</u>	
TOTAL	37.321.914	37.321.914	

Accounts receivable are not interest carriers and generally have a 30-day due date.

The amounts included in "other receivables" mainly contain: medical leaves to be recuperated from FNUAS, prepaid vacation bonuses granted in December 2018 for January 2019, VAT under settlement related to invoices issued in January 2019 for services rendered in December 2018.

Cash and cash equivalent are represented by:

Cash and cash equivalent (Ron)	Balance as of 31 st December 2018
Bank accounts in lei	12.066.191
Petty cash	<u>2.277</u>
Other amounts (bank deposits)	5.019.861
Total	17.088.329

The liabilities in the balance sheet are the following:

Liabilities (Ron)	Balance at 31 st December 2018	Maturity	
		under 1 year	over 1 year
Supplier invoices not yet received	3.648.147	3.996.627	
Supplier	4.289.456	4.289.456	
Payables to employees	3.265.188	3.265.188	
Taxes for employees' salaries	1.736.916	1.736.916	
Profit tax	1.020.224	2.204.207	
taxes -VAT	2.102.636	2.102.636	
Amounts payable to affiliated companies	16.566.860	16.566.860	
Royalty and environment fund	2.128.142	2.378.154	
Other liabilities	<u>216.930</u>	<u>216.930</u>	
Total	34.974.499	34.974.499	

b. Global result – PROFIT OR LOSS ACCOUNT

Profit or loss account synthesis (Ron):

Indicator	2017	2018
<i>Total revenue from operations</i>	0	208.678.439
<i>Raw materials, materials and electric energy expenses</i>	0	40.640.807
<i>Salaries</i>	10.997	43.227.502
<i>Revaluation of fixed and intangible assets</i>	0	65.518
<i>Other operational expenses (external services rendered)</i>	3.945	116.002.886
<i>Provisions and accruals</i>	0	8.440.471
Total operational expenses	14.942	208.377.184
Profit or loss from operations	-14.942	301.255
<i>Financial – interest revenue</i>	595	261.160
<i>Financial expenses - exchange rate loss/gain</i>	0	1.000
Financial Profit	595	260.160
Total revenue	595	208.939.599
Total expenses	14.942	208.378.184
Accounting profit /loss	(14.347)	561.415
<i>Micro-company/profit tax</i>	18	1.293.925
Loss	-14.365	-732.510

From the total of 208.678.439 RON operational revenue in 2018, 207.348.589 RON, representing 99,30 % come from gas storage services rendered.

From the total of 208.377.184 RON operational expenses, the most semnificative are:

- Raw materials and materials expenses in total value of 15.302.659 RON, of which, technological expenditures, including fules: 13.116.744 RON;
- Electric energy: 25.019.135 RON;
- Personnel expenses, including taxes: 43.227.502 Ron;
- Third party services rendered expenses: 106.935.939 Ron;
- Tax expenses: 7.131.991 Ron.

Out of the total provisions and accruals expensed and reversed in 2018 which amount to 8.440.471 RON, 8.134.038 RON represent work contract expiry provision which is 96.37% o the total. Work contract expiry provisions are constituted for obligations the Company has to the employees at the contract termination.

The financial revenue are comprised of revenues from interests and deposits in total value of 261.145 RON.

Cash and cash equivalent at the end of the financial period	12.068.468
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As the company has started its activity on 1st of April 2018, an increase in cash and cash equivalent was observed at the end of the financial period compared to the beginning.

c. Economic and financial indicators

We present below the main economic and financial indicators of the company for 2018

	2018
1. Indicators of liquidity	
Current ratio	2.02
Immediate ratio	0.46
2. Risk indicator	
Indicator of indebtedness	31%
3. Activity indicators	
Clients' debts rotation speed (number of times)	5.69
The rotation speed of the total assets	1.91
4. Profitability indicators	
Gross margin on sales	0.27
Economic rentability	-0.35

Between april and december 2018 Depogaz had a labor productivity of 406,497 lei/employee.

Taxation

The company is registered with the National Agency for Fiscal Administration – Bucharest in large taxpayer's category.

The company is a tax payer. The tax calculated for 2018 was 1.293.769 Ron.

• Operational KPI

a. *Injected / withdrawn quantities*

The storage program for 2018 gas year was drafted in September 2017. The following quantities of natural gas were planned for injection / withdrawal:

- Injection: 1.655.000 thousand cm (17.874.000 MWh);
- Withdrawal: 1.645.100 thousand cm (17.923.290 MWh).

The natural gas quantity used as technological consumption was also estimated for the proper functioning of the installations and equipment within the compressor stations and the well groups, both during the injection cycle and withdrawal. The estimated quantity was approximately 11.245 thousand mc (121.444 MWh).

A total quantity of 1.713.612, 813 thousand mc (18,382,002.305842 MWh) was injected between April and October 2018, translating into an increase of approximately 3% from the estimated injection value.

A total quantity of 851.689,269 thousand mc (9.150.556, 396588 MWh) was withdrawn between October and December 31st. In January and February 2019 the total withdrawn quantity was 772.835,435 thousand mc (8.282.024, 121096 MWh).

The technological consumption value was of 11.420 thousand mc between April 2018 and February 2019, bigger than estimated due to injecting a bigger quantity than estimated.

b. Monitoring the stage of investment realization

For 2018 SNGN ROMGAZ SA – Natural Gas Storage Subsidiary DEPOGAZ Ploiesti SRL had an approved investment plan of approximately 48975 thousand lei, structured as presented below

Chapter III: “Underground storage of natural gas” – 3992 mii lei

Chapter IV: “Environment protection” – 20 mii lei

Chapter V: “Modernization and retechnologisation of installations and equipment and of the surface infrastructure of utilities “ - 41502 thousand lei

Chapter VI: “Independant equipment and machinery” – 1879 thousand lei

Chapter VII : “Consulting, studies and projects, software and licenses” - 1582 thousand lei

Throughout 2018, works have been performed for a total value of 38155,2 thousand lei, representing 78%, as explained in the table below:

Program chapter	Objective name	Plan 2018	Achievements 2018
Chapter III: Activities for underground storage of natural gas			
1	Access road to storage natural gas storage Ghercesti	1000	871
2	Compensations and land acquisitions	310	128.1
3	Access road to Well 909 Ghercesti	450	400
4	Access road to Well 21 Ghercesti	450	28
5	Access road to Well 912 Ghercesti	450	235
6	Access road to Well 915 Ghercesti	450	319
7	Infrastructure modernization in Ghercesti Storage facility (sd 909)	432	432
TOTAL CHAPTER III		3,992	2,413
Chapter IV: Protection environment and improvement			
8	Upgrade of wastewater disposal facilities at SC Balaceanca	20	20
TOTAL CAPITOL IV		20	20

Chapter V: Modernization and re-technologization of installations, equipment and surface infrastructure			
9	Well upgrading	13348	8005.3
10	Safety electrical power supply at Sarmasel fiscal metering unit	150	137.45
11	Safety electrical power supply at Butimanu fiscal metering unit	90	77.6
12	Modernization of the exterior lighting system of the Bilciuresti storage facility and offices	100	94.89
13	Safety electrical power supply at Ghercesti storage facility (UPS uninterruptible power source)	90	49.75
14	Upgrade of Urziceni storage facility (SCADA system)	300	20
15	Increase of safety operation of the 0.4 kV network at the Balaceanca compressor station	215	212.2
16	Upgrade of supply in fire water basin at the Urziceni compressor station	40	31.22
17	Capital improvements	400	51.5
18	Upgrade for the automation cabinets at the Butimanu compressor station	3170	3166
19	Upgrade of Bilciuresti Storage Facility (SUTEG grup 57 Bilciuresti)	10616	10615.28
20	Upgrade of Bilciuresti Storage Facility (SUTEG grup 101 Bilciuresti)	10000	9771.8
21	Pipeline route configuration ISM Sarmasel	165	154.75
22	Distributor upgrade 20 kV;6 kV;0,4 kV and control cabinets upgrade at Balaceanca storage facility	400	381
23	Access road at probe 96 Sarmasel	454	446
24	Access road at probe 210 Sarmasel	438	437.19
25	IT adaptation M2 Butimanu	326	326

26	Surface area 180 Sarmasel	447	446.1
27	Surface area 605 Sarmasel	440	439.05
28	Access road and surface area 176 Sarmasel	3	3
TOTAL FOR CHAPTER V		41,502	34,866
Capitolul VI: Dotari si utilaje independente			
29	Computers	235	177.94
30	Server	120	102.4
31	Expansion tank	6	6
32	Submersible pumps to evacuate water	10	10
33	Gas heater	133	133
34	Thermo-hygro-barometer	9	9
35	Thermostatic bath	103	103
36	Portable gas detector for CH4 and CO2	26	26
37	Flue gas analyser	14	14
TOTAL CHAPTER VI		1,879	581
Chapter VII: Expenses for consultancy, studies and projects, software, licenses and patents, etc.			
38	Software license eXLerate	140	124
39	Software packages for calibrating the measuring equipment	20	18.5
40	Various software licenses	110	109
41	Upgrade on the cooling system at M3 Butimanu	57	57
TOTAL CHAPTER VII		1,582	309
GRAND TOTAL		48,975	38,189

The investments were made from own sources.

Fixed assets worth of 26692 thousand lei were put into operation.

The main objectives included in the 2018 Investment program were:

- Upgrade of Bilciuresti Storage facility (SUTEG group 57 Bilciurești) – In order to ensure an high level of safety in operation and the modernization of the existing infrastructure in the Bilciurești storage, a feasibility study on the modernization of the gas storage system infrastructure in Bilciuresti storage facility was completed in 2016. This study highlighted the possibility of increasing the daily production capacity from the Bilciurești storage facility up to 20 million Nmc / day, provided that some investment works were completed. This work is the first stage of the modernization project, respectively the modernization of the drying unit belonging to Bilciurești Group 57. The work began in 2017 and was completed in 2018.

- Modernization of Bilciurești storage facility (SUTEG group 101 Bilciurești) – The work represents the second stage of modernization project at Bilciurești storage facility in order to reach a daily production capacity of 20 million Nmc / day. This work was fully executed in 2018.
- Probe upgrades - The works are needed due to the fact that the wells have poor performance in the injection / withdrawal process and affect the daily injection capacity and, in particular, the daily extraction capacity of the storage facilities. It will also improve operational safety by equipping them with safety valves. These works are imposed both for the improvement of the performances of the storage facilities and to comply with the provisions of the security reports drafted according to Law no. 59/2016.
- **KPI - service quality**

Customer satisfaction

In the 2018-2019 storage cycle, commercial activities for the 27 beneficiaries of the storage services were managed. 35 storage contracts and 93 additional acts to the contracts were signed.

The assessment of customer satisfaction was carried out based on an operational procedure that establishes how the information regarding the customer's perception on the satisfaction of its requirements is obtained and used.

The process consists of three main steps:

- Data collection regarding customer satisfaction and customer perception regarding the company's performance. For this purpose a questionnaire is sent to the clients on an annual basis, "Questionnaire to assess the degree of customer satisfaction".
- Evaluation of customer answers and interpretation of results, by the end of the first quarter, using the "Customer satisfaction assessment sheet";
- Sending the "Customer satisfaction assessment sheet" to the Integrated Management Department

Following the evaluation of the degree of customer satisfaction, the result was an overall satisfaction index of 99.87%, compared to the target value of 95% set for 2018.

- **KPI – corporate governance**

Monitoring the implementation stage of the Internal Managerial Control System

Internal control should be perceived as one of the management functions, and it is the responsibility of both the managers and of each individual employee to ensure the functioning of the internal management control system, so that the general framework is compliant with the legal provisions.

Internal control is a process carried out by companies employees at all levels, namely the board of directors, the executive management, the entire staff. Each member of the entity is responsible for its internal control.

The control system developed and implemented within the subsidiary, as part of the management process, targets all the activities of the organizational units, at all levels of management, and aims to achieve the set up objectives in terms of identifying and managing the risks associated with them.

The internal management control, at the subsidiary level, has the role to ensure:

- compliance with the legislation in force;
- the application of decisions taken;
- the good functioning of the internal activity of the company;

- the efficiency of operations;
- efficient use of resources;
- management of objectives;
- risk management.

The implementation, development, maintenance and evaluation of the internal managerial control system in the company is carried out in compliance with the requirements of the Order of the Government Secretariat no. 600/2018 for the approval of the Code of Internal Managerial Control of Public Entities.

Comprising a minimal set of management rules, the standards of the Order of the Government Secretariat no. 600/2018 for the approval of the Code of Internal Managerial Control of Public Entities represents a general model of managerial control, and provides a series of criteria to be used while assessing the quality of the internal control system of the companies.

The internal managerial control system's purpose is to ensure the achievement of the objectives of the subsidiary, therefore it is necessary to highlight the close links existing between the three big groups of general objectives and the internal managerial control system:

- The effectiveness and efficiency of the operations and activities
- Reliability of information (financial and non-financial);
- Compliance with laws, regulations and internal politics;

as well as the five key elements, components of internal managerial control (themselves being interdependent), that group the management / internal control standards, namely:

❖ **Control environment.**

This one groups organizational aspects, management of human resources, ethics and integrity;

❖ **Performance and risk management.**

This key element concerns management issues related to goal setting, planning (multi-year planning), management planning and performance (monitoring of performance);

❖ **Control activities.**

The standards grouped in this key element of internal managerial control focalizes on: documenting procedures, continuity in operations, segregation of responsibilities, supervision;

❖ **Information and communication.**

This section groups the issues related to creating a proper informational system and reporting system regarding the execution of the management plan, of the budget, of the use of resources and also regarding document management;

❖ **Evaluation and audit.**

The issues addressed by this group of standards concern the development of the capacity of assessment of the internal managerial control, in order to ensure the continuity of its improvement process.

At subsidiary level a General Program for the Development of the Internal Managerial Control System (PDIMCS) for 2018 was elaborated and approved by the General Manager. This program was developed in compliance with the requirements of the Order of the General Secretariat of the Government no. 600/2018 for the approval of the Code of Internal Managerial Control of Public Entities.

Then five objectives for the internal managerial control system included in this program are:

- Ensuring and maintaining an adequate control environment within the company;
- Ensuring the achievement of the company's objectives by monitoring the performances, evaluating and maintaining the significant risks at an acceptable level;
- Ensuring by the executive personnel of the supervision of activities and fulfilling the obligation to act in a corrective manner when there are violations from legality or regularity in carrying out operations;
- Ensuring and maintaining an adequate information system within the company
- Developing of the Internal Management Control System at the branch level

Regarding the objectives included in PDIMCS, the following were achieved in Depogaz during May-December 2018:

By decision of the General Manager:

1. The monitoring and coordination commission for the implementation and development of the internal managerial control system within DEPOGAZ was appointed;
 2. The ethics counselor within DEPOGAZ;
 3. Employees responsible for determining and managing risks at the level of each organizational unit within DEPOGAZ;
 4. In June 2018 the following activities took part:
 - The Commission for the implementation of the National Anticorruption Strategy for 2016-2020 was appointed at DEPOGAZ level by the Decision of the General Manager.
 - The necessary measures have been established in order to implement the provisions of Decision no. 583/2016 of 10.08.2016.
 - The Commission elaborated and transmitted for approval of the General Manager, the Declaration of Accession to the fundamental values, principles, objectives and monitoring mechanism of the National Anticorruption Strategy 2016 - 2020, which was approved on June 5th, 2018.
 - The Commission for the implementation of the National Anticorruption Strategy for 2016-2020 at DEPOGAZ level elaborated the draft of the DEPOGAZ Integrity Plan.
 - By the Decision no. 160/12.09.2018 of the General Manager, the Integrity Plan was approved and the coordinator of the implementation of the integrity plan was appointed, at executive level, as well as the contact person, at staff level.
- The Regulation for the organization and functioning of the Monitoring and Coordination Commission for the implementation and development of the internal managerial control system within DEPOGAZ was drafted and approved;
 - The Ethics Code for DEPOGAZ was drafted and approved;
 - The "List of procedural activities within DEPOGAZ" was drafted and approved, according to Order 600/2018 of the General Secretariat of the Government on the approval of the Internal Managerial Control Code of Public Entities – Standard no. 9 – Procedures;
 - The committee members were analyzed and endorsed during the meetings of the Committee for Monitoring the Documented Procedures, which were subsequently approved by the General Manager - as Chairman of the Monitoring Commission;
 - The document "Information on risk management within DEPOGAZ" was elaborated, analyzed and approved by the President of the Commission for the monitoring of the internal managerial control system;
 - The document "Information on the inventory of sensitive and / or especially exposed to corruption functions and the associated risks" was elaborated, analyzed and approved;

- The objectives for 2018, as well as the associated risks within DEPOGAZ, were centralized;
- The stage of meeting the objectives for 2018 has been reported;
- The Reports on risk management process for 2018 objectives, elaborated by each head of organizational unit according to the organizational chart of the company, were centralized;
- At the end of 2018, all the organizational units within DEPOGAZ reassessed the objectives and the associated risks for 2019;
- The documents underlying the reporting on the implementation stage of the internal managerial control standards according to OSG 600/2018 on 31.12.2018 are the following:
 - The self-assessment questionnaire of the implementation stage of the internal managerial control standards/2018 - Annex 4.1 OSG 600/2018 assumed by each head of organizational unit according to the organizational chart of the subsidiary approved on December 13th 2018, regarding data conformity, information and findings based on the principle of responsible management;
 - The reporting regarding the stage of implementation and development of the internal managerial control system as of December 31st, 2018 - "General Information" (Annex 3 - Chapter I Order SG no. 600/2018), elaborated by the Technical Secretariat Monitoring Commission and approved by the Chairman of the Monitoring Commission;
 - Synthetic situation of self-assessment results (Annex 4.2 - Order SG no. 600/2018), elaborated by Technical Secretariat Monitoring Commission and approved by the Chairman of the Monitoring Commission

Based on the above-mentioned documents, the Report on the internal managerial control system was prepared and approved on December 31st, 2018 - Annex 4.3 - OSG 600/2018.

The report provides a clear picture of the stage of implementation and development of the internal control system of the company. *Based on the results of the self-assessment as of December 31st, 2018, the internal management control system of DEPOGAZ complies with the standards written in the Code of internal managerial control*