



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

Board of Director’s Report

2015





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I. ROMGAZ 2015 - OVERVIEW

1.1. Highlights

Significant natural gas discovery

Romgaz completed in March 2015 the works for production testing of two new gas accumulations.

The 4,100 m deep Frasin well lies in an area where Romgaz has been producing gas since 1972. This drilling operation, completed in January 2015, discovered a gas-condensate field which is currently under the development phase.

Cris well is drilled at 2,600 m and is included in a block where some of the oldest Romanian natural gas fields are located. The discovery, made in January 2014, identified a new gas field where currently several wells are drilled to enable full assessment and development.

The daily production of these two new wells exceeds 2,600 barrels of oil equivalent per day, which is approximately 3% of the company's daily gas production. Both fields are included in the category of conventional hydrocarbon fields.

The investment project Urziceni M2 Compressor Station was successfully completed

Further to the completion of this project and its commissioning in May 2015, the working capacity of the UGS increased from 250 million m³/cycle to 360 million m³/cycle.

The investment costs were RON 123.4 million.

The investment project Roman Compressor Station was successfully completed

Romgaz commissioned Roman Compressor Station (Neamt County) in October 2015, investment made further to a geological resource assessment study and to the production performance of Roman field. The study forecasted the access to additional reserves by natural gas compression. The new compressor facility provides access to 500 million m³ of natural gas, recording an additional flow of 176,000 m³/day further to testing; such flow is expected to increase during production. This project compensates the reservoir energy decrease caused by depletion of production units and increases the recovery factor. Concurrently, it significantly improves gas access to the National Transmission System having positive effects on supply and distribution services in the areas supplied from Roman field, including in the northern half of Moldova. The investment value is approx. RON 57 million.

Lukoil, PanAtlantic and Romgaz discovered a significant gas reservoir on the Romanian continental platform

In October 2015, the works on the exploration well LIRA 1X have been completed, works that have led to the discovery of a major gas field, located in the Romanian sector of the Black Sea in the EX 30 Trident block.

Since 2011, the exploration works in this block were carried out by Lukoil Overseas Atash B.V. as Operator (which is 100% owned by the public company Lukoil) under the Concession Agreement concluded with the Romanian Government. Romgaz's interest share in the Concession Agreement is 10%, Lukoil - 72% and PanAtlantic Petroleum Ltd. - 18%.

The well was drilled to a depth of 2,700 meters. On completion of drilling, the well was temporarily abandoned, in view of carrying out further operations to evaluate LIRA field.

According to preliminary results of the data analysis obtained during drilling and to the geophysical surveys, the LIRA 1X well tested a 46m thick gas field.

Seismic data revealed that the field's surface may reach 39 km², and the reserves to be confirmed by appraisal drilling, may exceed 30 billion m³ natural gas.

1.2. Results

Natural gas consumption in Romania decreased in 2015 by 4.6% as compared to the previous year, according to the data provided by ANRE.

Natural gas production almost equalled the production of 2014 (5,563 vs 5,664 million m³). According to ANRE, Romgaz market share was 46.5% of the gas consumption from internal production having a share of 48.5% as gas producer.

Compared to Q4 of the previous year, company performances were impacted by the approximately 8.8% decrease in gas demand on the Romanian market (Romgaz estimate based on ANRE data).

Romgaz sold less gas quantities as compared to the previous year due to:

- ↳ the reduced gas consumption in Romania;
- ↳ the limited consumption imposed on customers with reduced payment capacity using gas for electric power production;
- ↳ lower gas quantities withdrawn from storages as a consequence of high temperatures recorded in Q4 2015.

Romgaz electricity production increased by 16.4% as compared to production of 2014, from 1,543,681 MW to 1,797,795 MW representing 2.74% of Romania's total electricity production.

The net profit margin (29.5%), EBIT margin (35.2%) and EBITDA margin (54.7%) achieved confirm that the company continues to maintain a high profitability.

The company recorded in 2015 a net profit of RON 1,194.3 million and a net profit per share of RON 3.10 as compared to RON 3.66 in 2014. In order to establish the net profit to be distributed, the net profit for 2015 shall be increased by the amount of RON 214 million, representing the retained earnings from previous years.

Operating expenses are higher than planned, being affected by the allowance for doubtful clients of RON 292.0 million and by the partial impairment of assets related to exploration works in the Black Sea in amount of RON 176 million that lead to a *net profit* of RON 1,194.3 million.

Compared to the previous year, company performances were mainly influenced by the reduced gas demand on the Romanian gas market.

Operational results

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

Q4 2014	Q3 2015	Q4 2015	Δ Q4 (%)	Main indicators	2014	2015	Δ '15/'14 (%)
1,436	1,358	1,428	-0.6	Gas production (million m ³)	5,664	5,563	-1.8
1,202	2,678	2,756	129.3	Condensate production (tons)	4,367	10,947	150.7
105	99	106	1	Petroleum royalty (million m ³)	415	406	-2.2
480.4	823.2	584.8	21.73	Electricity production (GWh)	1,543.6	1,797.7	16.5
				Invoiced UGS withdrawal services (million m ³)	1,915.4	1,656.7	-13.5
				Invoiced UGS injection services (million m ³)	1,737.0	1,673.1	-3.7

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

Item no.	Specifications	2013	2014	2015	Ratios
0	1	2	3	4	5=4/3x100
1	Gross production– total, out of which:	5,650.8	5,663.9	5,562.7	98.2%
1.1.	*own gas	5,467.8	5,469.0	5,359.7	98.0%
1.2.	*Schlumberger (100%)	183.0	194.9	203.1	104.2%
2	Technological consumption	78.3	81.3	78.5	96.6%
3	Net gas production (1.-1.2.-2.)	5,389.5	5,387.7	5,281.1	98.0%
4	Own gas stored in UGS	799.7	564.8	738.4	130.7%
5	Own gas withdrawn from UGS	621.3	601.0	409.5	68.1%
6	Difference from conversion to Gross Calorific Value	12.5	9.8	16.1	
7	Delivered own gas (3.-4.+5.-6.)	5,198.6	5,414.1	4,936.1	91.2%
8	Gas delivered to CTE Iernut and Cojocna	269.1	445.0	527.0	118.4%
9	Own gas delivered to the market (7.-8.)	4,929.5	4,969.1	4,409.1	88.7%
10	Gas from joint ventures – total, out of which:	188.3	180.6	168.9	93.5%
	*Schlumberger (50%)	91.5	97.5	101.5	104.1%
	Raffles Energy ^{)} (37.5%)	3.5	0.8	0.5	62.5%
	Amromco ^{)} (50%)	93.3	82.3	66.9	81.3%
11	Gas acquisition from domestic production	13.3	17.7	17.1	96.6%
12	Traded domestic gas (9.+10.+11.)	5,131.1	5,167.4	4,595.1	88.9%
13	Gas delivered from domestic production (8.+12.)	5,400.2	5,612.4	5,122.1	91.3%
14	Delivered import gas	309.5	81.1	3.0	3.7%
15	Total delivered gas (13.+14.)	5,709.7	5,693.5	5,125.1	90.0%

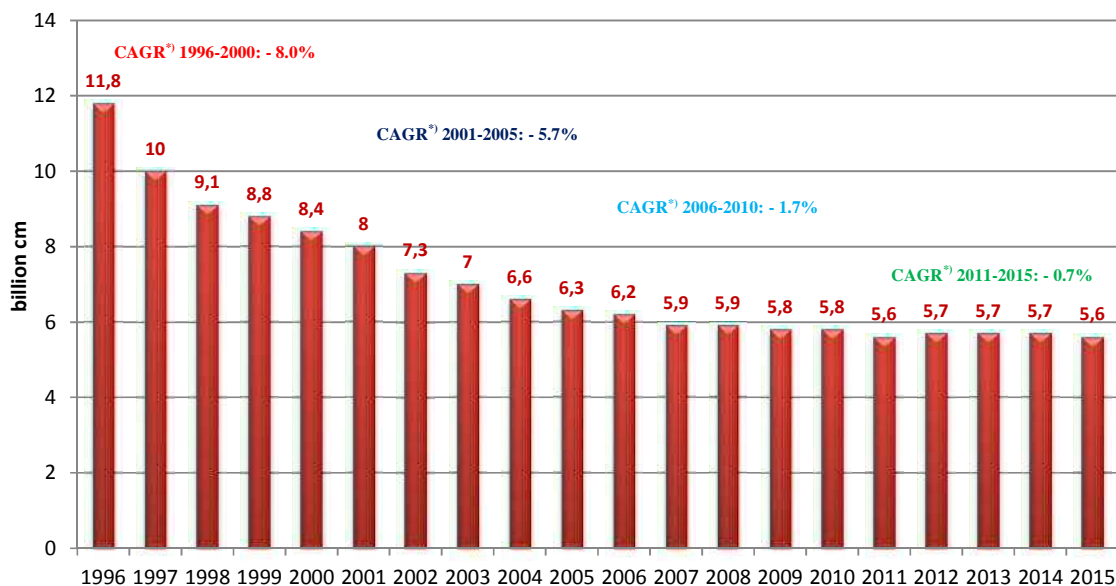
^{*)} – does not include the gas delivered to Iernut and Cojocna

Natural gas production lies in the parameters forecasted in the program for 2015, achieving 99.7% of the planned production (5,581 million m³ –planned vs 5,563 million m³ – achieved).

The production level was maintained by the ongoing production rehabilitation projects of the main fields, workovers and recompletion operations for 183 wells, installing new compressor units and bringing into production new fields. The results were however influenced by the low gas demand, especially in Q2 and Q4, leading to a decline of 1.8% as compared to the previous year.

Condensate production recorded a major increase of 151% during the reviewed period by bringing into production discoveries Frasin-Gura Humorului and Caragele, with a production of 10,947 tons.

The natural gas production during 1991-2015 is shown below:



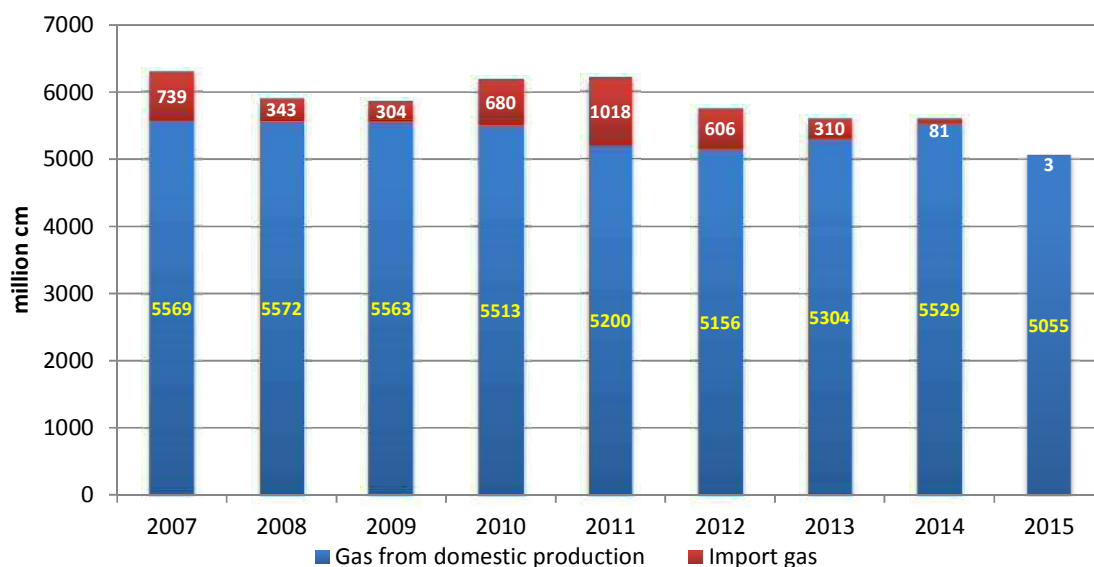
^{*)} – CAGR (Compound Annual Growth Rate)

Although most reservoirs are mature, producing for more than 30 years, and the volumes produced have decreased significantly, during the past years the production decline rate has been stabilized at around 1% due to a mix of measures taken by the company, such as:

- ↳ gas compressor stations;
- ↳ rehabilitation/enhancement of production, 3D seismic data, static and dynamic reservoir modelling;
- ↳ bringing into production of new discoveries.

Electricity delivered by CET Iernut in 2015 has been by 16.5% higher (y/y) considering the decreased hydro potential. From the total electricity, 48% was delivered to the balancing market that led to the consolidation of Romgaz position as electricity producer on the balancing market. The sale prices of electricity have exceeded the average prices on all markets.

Romgaz is the largest gas supplier in Romania. The evolution of gas supplies¹ during 2007-2015 is indicated below:



The major demand decrease in the chemical fertilizer sector, the limited consumption imposed on customers with reduced payment capacity using gas for electric power production, the delayed issue of regulations on minimum gas stock for the 2015-2016 winter, the lack of will of the main natural gas sector players to comply with regulations due to the uncertainties on carrying out the price liberalization process on the regulated market are the causes that have led to lower sales.

Relevant financial results

Item no.	Main indicators	2014	2015	Δ '15/'14 (%)
1	Revenue (RON million)	4,493.3	4,052.7	-9.8
2	Income (RON million)	4,708.9	4,315.9	-8.3
3	Expenses (RON million)	2,920.6	2,847.1	-2.5
4	Gross Profit (RON million)	1,788.3	1,468.8	-17.9
5	Profit Tax (RON million)	378.4	274.6	-27.4
6	Net Profit (RON million)	1,409.9	1,194.3	-15.3
7	EBIT (RON million)	1,713	1,425	-16.8
8	EBITDA (RON million)	2,490	2,218	-10.9
9	EPS (RON)	3.66	3.10	-15.3
10	Net Profit Rate (% from Revenue)	31.4	29.5	-6.1
11	EBIT Ratio (% from Revenue)	38.1	35.2	-7.6
12	EBITDA Ratio (% from Revenue)	55.4	54.7	-1.3
13	Number of employees at the end of the period	6344	6351	0.1

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.

¹ 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

As compared to last year, the lower revenue is related mainly to the reduced national gas demand and specifically due to the limited consumption imposed on customers having reduced payment capacities that use gas for electric power production, the delayed issue of regulations on minimum gas stock in storages.

Due to the above mentioned causes, the net profit, EBIT and EBITDA are lower as compared to 2014 when the Company recorded the best results ever. Despite all, the ratios of these financial indicators against the revenue do not record significant deviations and are highly favourable: 29.5%, 35.2% and 54.7% (as compared to 31.4%, 38.1% and, respectively, 55.4% in 2014), confirming the high profitability of the company.

Net profit per share of RON 3.10 recorded in 2015 shall be positively influenced by the allocation from the reserves made in previous years in compliance with GD no. 168/1998.

The reserves allocation, with a positive impact on the net profit to be allocated, has been in 2013 in amount of RON 157.5 million, in 2014 RON 241.90 million. In 2015 the amount to be allocated from reserves is of RON 214 million.

Romgaz is a company with *considerable contributions to the state budget*, approximately 46.4% of the total income is distributed to the state as taxes, fees, contributions and dividends.

The total amount due to the state in 2015, including VAT, amounts RON 2,894 million, some of the most important contributions represent:

✂ VAT	RON 722 million
✂ dividends	RON 849.9 million
✂ profit tax 2014	RON 343.1 million
✂ windfall tax acc. to GO no. 7/2013	RON 377.1 million
✂ petroleum royalty	RON 308.2 million
✂ tax on salaries and related social contributions	RON 240.9 million
✂ tax on special constructions	RON 65.3 million

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

For 2015, Romgaz scheduled investments worth *RON 1,100 million* and invested *RON 937.9 million*, approximately 13,6% less. Compared to the achievements of 2014, the investments were in 2015 lower by RON 147.6 million, financed exclusively from own sources.

The value of fixed assets commissioned during the analysed period was approx. *RON 730.2 million*.

The company made during 2012-2015 investments worth approx. **RON 3.39 billion**, as follows:

Year	2012	2013	2014	2015	Total
Value (RON thousand)	519,053	848,247	1,085,497	937,916	3,390,713

Summary of investments on main chapters is shown in the table below:

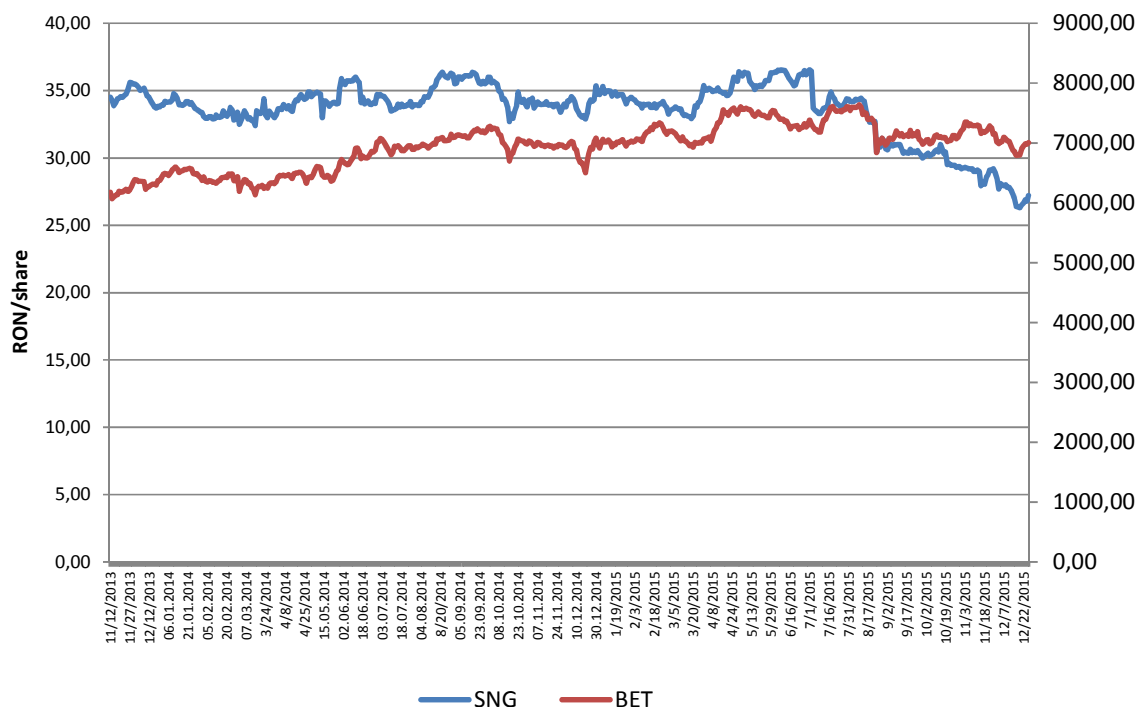
RON thousand

Item no.	Investment chapter	2014	2015		% '15/'14
			Scheduled	Achieved	
0	1	2	3	4	5=4/2x100
1.	Investment in progress – total, out of which:	584,279	358,345	352,467	60.33
1.1	Natural gas exploration, production works	424,403	319,051	319,051	75.18
1.2	Maintaining the UGS capacity	158,309	33,129	32,374	20.45
1.3	Environment protection works	1,567	6,165	1,042	66.50
2.	New investments – total, out of which:	166,480	301,897	297,039	178.42
2.1	Natural gas exploration, production works	162,722	293,155	292,440	179.72
2.2	Maintaining the UGS capacity	500	112	112	22.40
2.3	Environment protection works	3,258	8,630	4,487	137.72
3.	Investment in existing tangible assets	254,631	314,489	224,664	88.23
4.	Equipment (other acquisition of tangible assets)	63,898	90,254	54,080	84.63
5.	Other investment (studies, licenses, software, financial assets etc.)	16,209	35,015	9,666	59.63
*	TOTAL	1,085,497	1,100,000	937,916	86.4

As of November 12, 2013 the *company's shares are traded on the regulated market* governed by BVB (Bucharest Stock Exchange) - the symbol is "SNG" -, and its GDRs on the regulated market governed by LSE (London Stock Exchange) – the symbol is "SNGR".

At the closing of the first trading day, Romgaz shares were quoted at RON 34.5, 15% higher than the price paid by the institutional investors, and the closing price for GDRs was USD10.4, 13.66% higher than the subscription price.

Performance of Romgaz shares compared to the evolution of BET index (Bucharest Exchange Trading) from listing until December 31, 2015 is shown below:



1.3. Important events

Financial year 2015

January 8, 2015

Law no.11/2015 on approving Government Emergency Ordinance no. 102/2013 on amending and supplementing Law 571/2003 on the Fiscal Code and introducing financial-fiscal measures such as the tax on special constructions has been reduced starting with 2015 from 1.5% to 1% from the value of the constructions held by tax payers on December 31 of the previous year. Additionally the document amended the computation method for this tax, namely it does not apply to improvements made to rented constructions, taken into administration or in use.

March 18, 2015

By Resolution of the Ordinary General Meeting of Shareholders no.2/2015:

- ✍ Mrs. Sorana Rodica Baciu was appointed director of the company for the vacancy following the resignation of Mr. Klingensmith Davis Harris. The mandate is valid until December 30, 2017;
- ✍ Mr. Dragos Dorcioman was appointed director of the company for the vacancy following the resignation of Mr. Sergiu Cristian Manea. The mandate is valid for 1 year or until another director is appointed subject to GEO no.109/2011, if the selection is finalised before the aforesaid term.

March 27, 2015

ANRE (National Energy Regulatory Authority) issued Order no. 58/2015 on establishing the regulated tariff for natural gas storage services provided by Societatea Nationala de Gaze Naturale "ROMGAZ"-S.A. Medias, approving the regulated income of the fourth year of the

third regulatory period (April 2015- March 2016) and the regulated tariffs to be applied during this period.

A comparison of the UGS approved tariffs and the existing UGS tariffs as of March 31, 2015 is shown below:

Tariff component	M. U.	Tariffs (15.04.2014- 31.03.2015)	Tariffs (01.04.2015- 31.03.2016)
Volumetric component for the natural gas injection	RON/MWh	2.53	2.37
Fixed component for capacity reservation	RON/MWh/full storage cycle	13.14	13.68
Volumetric component for the natural gas withdrawal	RON/MWh	1.80	1.87

May 13, 2015

Government Decision no.329/2015 on approving the 2015 income and expenditures budget of Societatea Nationala de Gaze Naturale "ROMGAZ"-S.A. Medias, under the authority of the Ministry of Energy, Small and Medium Sized Enterprises and the Business Environment

June 17, 2015

Ordinary General Meeting of Shareholders no.5/2015 established the 2015 income and expenditures budget of the company

July 1, 2015

The Government issued *GD no.488/2015 determining the acquisition price of gas from domestic production for households and thermal energy producers, only for the amount of natural gas used to produce thermal energy in cogeneration power plants and in thermal power plants meant for the consumption of the population, during July 1st 2015 – June 30th 2021*

Further to discussions with the representatives of the IMF, of the European Union and of the World Bank, during the evaluation mission on 19-26 May 2015, the following deregulation calendar has been agreed for the price of gas from domestic production (acquisition price of gas from domestic production for households and thermal energy producers, only for the natural gas used to produce thermal energy in cogeneration power plants and in thermal power plants meant for the consumption of the population) to be applied as of July the 1st, 2015:

	April- June 2015	July 2015- June 2016	July 2016- March 2017	April 2017- March 2018	April 2018- March 2019	April 2019- March 2020	April 2020- June 2021
Domestic production price from current production (RON/MWh)	53.3	60.0	66.0	72.0	78.0*	84.0*	90.0*

**) Acquisition price of gas from domestic production for households and thermal energy producers, only for the natural gas used to produce thermal energy in thermal power plants meant for the consumption of the population, starting with April 2018, shall be set further to an analysis considering several influences, such as: market conditions, gas price on the domestic market and in Europe, sector developments, exchange rate differences, etc.*

II. ROMGAZ 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

Sole registration number: 14056826

Trade Registry registration number: J32/392/2001

Fiscal registration number: RO14056826

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

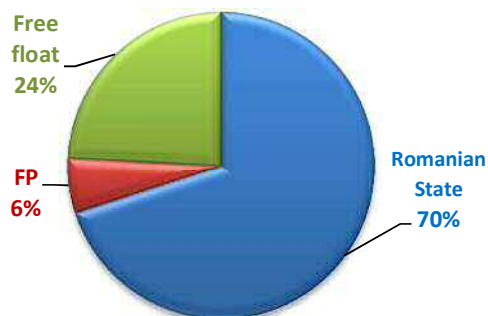
Web: www.romgaz.ro

E-mail: secretariat@romgaz.ro

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

Shareholder Structure

	Number of shares	%
The Romanian State ²	269,823,080	70.0071
SC "Fondul Proprietatea" SA (FP)	22,542,960	5.8489
Free float – total, out of which:	93,056,360	24.1440
*legal persons	78,424,341	20.3476
*natural persons	14,632,019	3.7964
Total	385,422,400	100.0000



During the financial year 2015 the Company *did not perform transactions with own shares* and on December 31, 2015 it did not hold own shares.

² the Romanian State through the Ministry of Energy, Small and Medium Sized Enterprises and the Business Environment

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.

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.

For the execution personnel there is the job description containing tasks, competencies and responsibilities.

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 Tirgu-Mures (Tirgu-Mures Branch) having its office in Tirgu-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 Tirgu-Mures (STTM – Technological Transport and Maintenance Branch) having its office in Tirgu-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, 2015 the company has a **subsidiary** “S.N.G.N. ROMGAZ S.A. – Filiala de Inmagazinare Subterana a Gazelor Naturale DEPOGAZ Ploiesti 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/CE 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 - a company which accepts performance and is determined to generate performance by undertaking all optimum efforts for meeting its objectives.

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, of predictable and profitable business deals and of a better risk management.

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% participation interest and in 4 blocks as co-titleholder, based on some concession contracts;
- ✘ 141 commercial fields;
- ✘ 5 fields recording experimental production;
- ✘ exploration and production rights in Slovakia and Poland.

Exploration

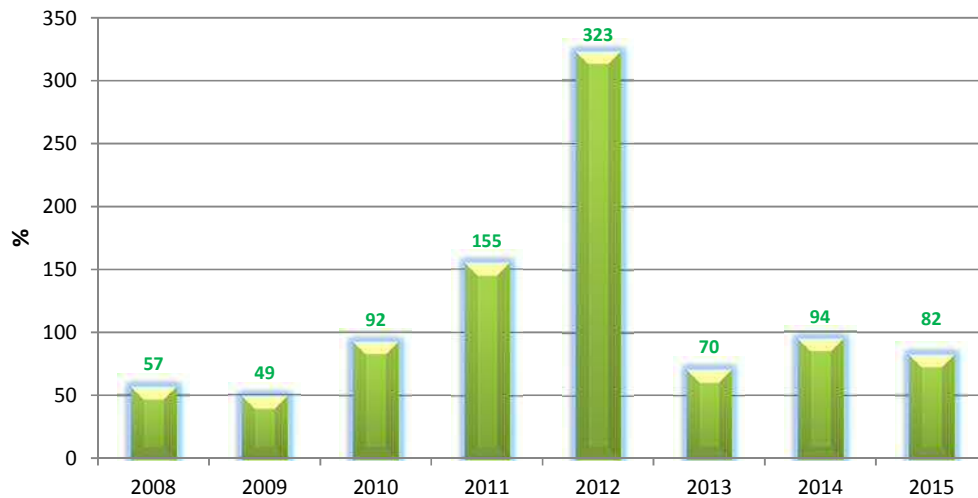
As of October 1997, exploration activity is carried out in 8 blocks in Transylvania, Moldova, Muntenia, and Oltenia in accordance with the Concession Agreement approved by Gov. Decision no. 23/2000. In 2015, drilling was completed for 41 exploration wells with the following results:

14 discoveries with a prospective geological resource (P50) of 15.6 billion m³;
confirmation of hydrocarbon accumulations with a contingent resource (2C) evaluated at cca.10 billion m³.

Romgaz designs, plans and carries out all exploration works based on its own concepts by using modern specialized software, evaluations of the geological area's prospectivity with focus on the specific features of the blocks under concession, and 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 led to a maximum reserves replacement ratio of 323% in 2012.

The table below shows the evolution of the reserves replacement ratio during 2008-2015:



Production



The 2015 annual program for petroleum operations considered the dynamics of gas demand, reactivation, recompletion and well workover operations, bringing into production of production wells and of wells resulted from exploration activities, maintenance programs of compressor stations and of dehydration stations, commissioning of new compressor units and the dynamics of import gas flows into/out of UGS.

The production of 5,563 million m³ was about 1.3% lower than the programmed one, due to:

- weather changes ;
- reducing the revision period for compressor stations;
- low gas imports and the absence of this flow through Mediesul Aurit junction point (gas production in the Transylvanian Basin has avoided the congestions generated by “take-or-pay” contracts and by the inertness of gas flows in the transmission system).

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 4.285 billion m³ and a working gas volume of 2.870 billion m³.

At national level, the ratio between the working gas volume and the annual consumption was of 21.7% in 2009 and of about 16% in 2012. This level is median in relation to international values (Great Britain 7%, Spain 12%, Holland, Poland 13%, Italy 22%, Germany 25%, France 29%, Austria 74%, Hungary 76%).

The UGS activity is a regulated business segment and can only be performed by operators licensed by ANRE (National Authority for Energy Regulation). The access to UGS is regulated. The tariffs in connection with the UGS activity are regulated and approved by ANRE.

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, UGS, distribution and supply at a regulated price).

As of July 1, 2007 the gas market is fully open for all consumers. They may freely choose a gas supplier from the ones licensed by ANRE and directly negotiate the gas supply terms and price. The consumer may directly exercise its quality as eligible consumer without an obligation to carry out any kind of administrative procedure.

Law no. 123/2012 sets the legal framework to converge the domestic gas price to the import gas price. Government Decision no. 22/January 22, 2013, as amended by Government Decision no. 511/June 26, 2014 and Government Decision no. 816/September 22, 2014, set calendars for the increase of the acquisition price of domestic gas for the regulated market. During Q3 (Government Decision no. 511/2014) and Q4 (Government Decision no. 816/2014) the domestic gas price was the same price as in Q2 (Government Decision no. 22/2013).

Until the convergence of prices is reached and to ensure equal access of all consumers to cheap natural gas sources from the domestic production, the supply of gas to the consumers is carried out according to ANRE Order no. 15/2013 as an import/domestic gas mixture established monthly according to the different consumer categories (households and producers of thermal power for the consumption of population and non-households).

In terms of supply, Romgaz held during 2008-2015 a national market share ranging between 39% and 46%:

	M.U.	2008	2009	2010	2011	2012	2013	2014	2015
National consumption	bcm	15.5	13.3	14.0	14.4	13.5	12.5	12.2	11.6
Romgaz traded volumes (domestic + import)	bcm	6.0	6.1	6.4	6.3	5.9	5.7	5.7	5.1
Romgaz market share	%	38.71	45.86	45.81	43.87	42.82	44.5	46.1	44.0

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, 2015 deliveries include gas delivered to Iernut and Cojocna for electricity production.

Well workover, recompletions and special operations

SIRCOSS was established in 2003 in accordance with the GSM Resolution No.5/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, Tirgu-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 Romgaz Electricity Generation Branch (SPEE).

It has an installed capacity of 800 MW split into 6 energy groups: four 100 MW energy units of Czechoslovakian origin and two 200 MW energy units of Soviet origin. The groups were commissioned between 1963 and 1967.

Cojocna Project occurred as a means to try experimental production from a series of wells resulted further to exploration drilling, in order to determine the production potential of the area. The wells were both far from each other and 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 electricity production units, each with a power of 1,5 MW, the connection to the National Energy System (NES) not being a major issue.

This pilot project for electricity production using units that do not need special works, is an alternative to gas production from isolated wells. In such cases building kilometre long gathering pipes is not worth because of 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 (reperforation 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.

Thus, in 2014 a new feasibility study was prepared with several versions for gas production from isolated wells, such as:

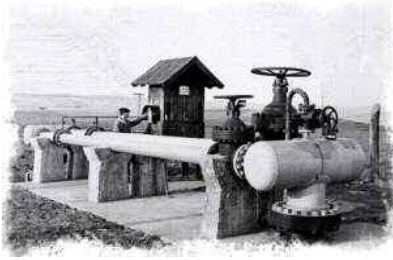
- building a pipeline network to supply the units;
- installing mobile equipment for compressed gas production for motor vehicles and transportation by carrier vehicles in different areas including to the two units (very interesting and promising idea);
- building a pipeline up to Taga compressor station.

Further to approving this study the version chosen was building a network of pipelines to collect gas from neighbouring wells and their transmission to the two electricity production units. This version is currently being implemented.

Natural Gas Distribution

The natural gas distribution activity is regulated 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 Tirgu-Mures Branch.

3.2. Historic Overview



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

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

Further to adopting Directive 2009/73/CE 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/CE, 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 [...]”*
- ❖ 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”*.

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/CE)”* 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 transmitted a request to the National Agency for Fiscal Administration for an advanced tax ruling (SFAI);
 - ✎ 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 criterion of independence laid down by the Directive 2009/73/CE and transposed in Electricity and natural gas Law no. 123/2012, as amended and supplemented, and will consult the competent institutions/authorities so as the new company to obtain the endorsements/approvals necessary for performing the activities included in the main activity.

A series of *changes to the organizational structure* have been performed during 2015, as follows:

- further the Board of Directors Resolution no. 1/2015, by the decision no. 165/June 23, 2015 of the Director General, the activity within Energy Trading Department has been reorganized based on legal aspects (ANRE Order no. 62/2014), aspects on ensuring the performance of the processes related to natural gas transmission (GMOIS nomination). A number of organizational units have been dissolved and new organizational units have been set up to meet the new legal requirements and new challenges of natural gas markets.
- Due to the fact that starting from April 1, 2016 the UGS activity will be no longer part of the activity of Ploiesti Branch, in December 2015 was approved the reorganization of the gas extraction activity, by which the Ploiesti Branch will take over from Tirgu-Mures Branch the gas extraction activity performed in south side, namely Muntenia and Oltenia Section. For this purpose, new organizational units for Ploiesti and Tirgu-Mures Branches have been approved and shall be valid as of April 1st 2016.

No mergers of the company took place in financial year 2015.

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):

No.	Description	2014	2015	Ratio (2015/2014)
0	1	2	3	4=3/2x100
1	Total Income, out of which:	4,708,906	4,315,926	91.65%
	*operating income	4,628,758	4,271,610	92.28%
	*financial income	80,148	44,316	55.29%
2	Revenue	4,493,341	4,052,684	90.19%
3	Expenses, out of which:	2,920,577	2,847,088	97.48%
	*operating expenses	2,874,912	2,817,525	98.00%
	*financial expenses	45,665	29,563	64.74%
4	Gross Profit	1,788,329	1,468,838	82.13%
5	Income Tax	378,448	274,553	72.55%
6	Net Profit	1,409,881	1,194,285	84.71%

Total income for 2015 has been lower than the 2014 income by 8.35%.

The following table presents the economic-financial indicators by business segments for financial years 2014 and 2015 (RON thousand):

Description	TOTAL 2014, out of which:	Gas production and deliveries	Underground gas storage	Other activities	Settlement between segments
1	2	3	4	5	6
Revenue	4,493,341	3,853,030	425,830	748,731	(534,250)
Cost of commodities sold	(175,638)	(121,331)	(57)	(54,250)	-
Investment income	78,729	4,549	4,755	69,425	-
Other gains and losses	(275,141)	(247,025)	(3,160)	(24,956)	-
Changes in inventories	27,743	26,895	(1,254)	2,102	-
Raw materials and consumables	(66,167)	(21,142)	(14,136)	(34,212)	3,323
Depreciation, amortization and impairment	(776,839)	(653,585)	(97,339)	(25,915)	-
Employee benefit expense	(522,785)	(320,618)	(49,061)	(153,109)	3
Finance cost	(24,476)	(24,476)	-	-	-
Exploration expense	(43,332)	(43,332)	-	-	-
Other expenses	(1,034,627)	(1,153,387)	(119,895)	(293,753)	532,408
Other income	107,521	104,994	469	3,542	(1,484)
Profit before tax	1,788,329	1,404,572	146,152	237,605	-
Income tax expense	(378,448)	-	-	(378,448)	-
Profit for the year	1,409,881	1,404,572	146,152	(140,843)	-

* RON thousand *

Description	TOTAL 2015, out of which:	Gas production and deliveries	Underground gas storage	Other activities	Settlement between segments
1	2	3	4	5	6
Revenue	4,052,684	3,511,385	332,639	697,831	(489,171)
Cost of commodities sold	(40,228)	(16,733)	(29)	(23,466)	-
Investment income	44,185	1,681	5,593	36,911	-
Other gains and losses	(318,903)	(310,017)	(1,368)	(7,518)	-
Changes in inventories	138,181	112,745	21,832	3,604	-
Raw materials and consumables	(78,262)	(53,917)	(12,345)	(16,245)	4,245
Depreciation, amortization and impairment	(793,598)	(673,420)	(88,262)	(31,916)	-
Employee benefit expense	(511,647)	(316,177)	(47,335)	(148,135)	-
Finance cost	(20,302)	(18,642)	(1,660)	-	-
Exploration expense	(42,395)	(42,395)	-	-	-
Other expenses	(1,040,670)	(1,075,831)	(95,265)	(356,256)	486,682
Other income	79,793	76,855	2,884	1,810	(1,756)
Profit before tax	1,468,838	1,195,534	116,684	156,620	-
Income tax expense	-274,553	-	-	-274,553	-
Profit for the year	1,194,285	1,195,534	116,684	-117,933	-

Revenue

The structure of the operating income comprises revenue from products, services and works, provided/ delivered to clients.

The table below compares the 2015 revenue with the 2014 revenue, for each activity:

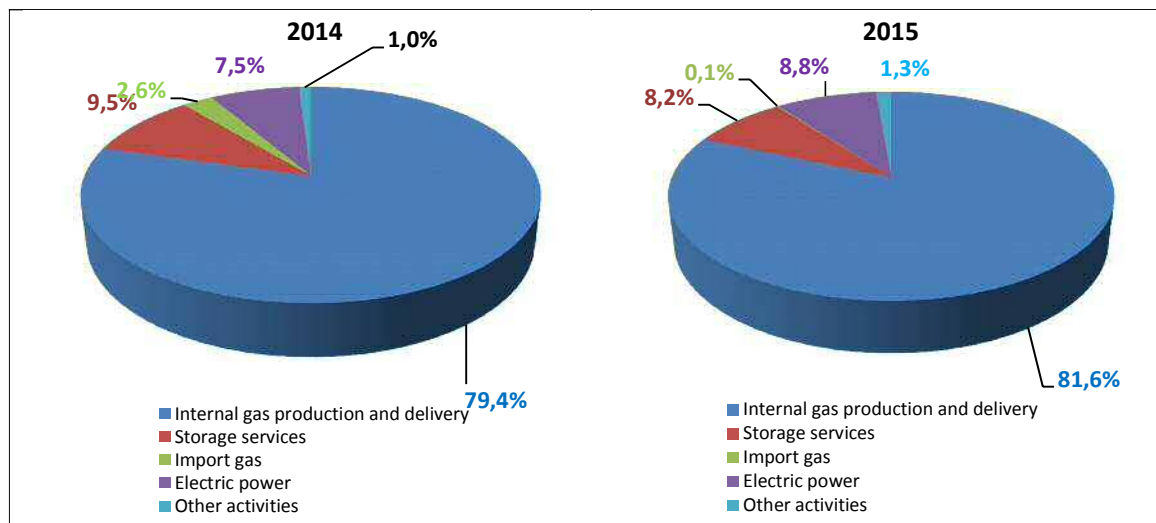
* RON thousand *

Description	2014	2015	Ratio (2015/2014)
1	2	3	4=3/2x100
Revenue, out of which:	4,493,341	4,052,684	90.19%
↳ gas production and deliveries activity, out of which:	3,853,030	3,511,385	91.13%
* sale of own domestic gas – third parties	3,413,733	3,159,884	92.56%
* sale of own domestic gas-settlements between branches	127,814	157,064	122.88%
* sale of own domestic gas produced by joint ventures	139,645	131,373	94.08%
* sale of import gas	116,443	4,169	3.58%
* sale of domestic gas from acquisitions	15,050	14,545	96.64%
* distribution services	87	192	220.69%
* other revenues from production- third parties	39,893	44,158	110.69%

* other revenues from production-settlements between branches	365	-	-
↪ underground gas storage activity	425,830	332,639	78.12%
↪ other activities- total, out of which:	748,731	697,831	93.20%
*electricity production– third parties	335,756	358,315	106.72%
* electricity production- settlements between branches	88,373	84,849	96.01%
* other activities- third parties	6,904	7,409	107.31%
* other activities- settlements between branches	317,698	247,258	77.83%
↪ settlements between branches – total	(534,250)	(489,171)	91.56%

Revenue was lower by 9.81% than the revenue of the previous year.

The 2014 and 2015 revenue structure is shown in the figures below:



Financial Income

The financial income are by 44.71% lower than the same results recorded during the previous year. Financial income consists mainly of interests on bank deposits and of interest on state bonds held by the Company. In 2015, this income decreased because of a reduction of interest rates and of interest on the state bonds held by the Company.

Expenses

Description	Year 2014 (Th. RON)	Year 2015 (Th. RON)	Ratio (2015/2014)
1	2	3	4=3/2x100
Operating expenses	2,874,912	2,817,525	98.00%
Financial expenses	45,665	29,563	64.74%
Total expenses	2,920,577	2,847,088	97.48%

Expenses incurred during January–December 2015 have been 2.52% lower than those of the same period in the previous year, as a result of the decreasing acquisition costs of imported natural gas.

Financial Expenses

Financial expenses during 2015 are 35.26% lower as compared to the previous year due to the decrease of unwinding costs applied to decommissioning provision for fixed assets.

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	2014	2015	Ratio (2015/2014)
1	2	3	4=3/2x100
Operating results	1,753,846	1,454,085	82.91%
Financial results	34,483	14,753	42.78%
Gross result	1,788,329	1,468,838	82.13%
Income tax	-378,448	-274,553	72.55%
Net result	1,409,881	1,194,285	84.71%

Gross result during January – December 2015 of **RON 1,468,838 thousand** is lower than the actual gross result of the same period of 2014 by 17.87%.

The financial results of 2015 are below those of 2014, due to the decrease of financial income.

Income tax calculated for 2015 is 27.45% lower than in 2014 due to the decrease of expenses related to current tax and increase of income resulted from deferred tax calculation.

Gross result structured by businesses is as follows (RON thousand):

Description	2014	2015	Ratio (2015/2014)
1	2	3	4=3/2x100
Gas production and delivery result	1,404,572	1,195,534	85.12%
Gas storage activity result	146,152	116,684	79.84%
Electric energy production activity result	77,278	105,051	135.94%
Other activities result	160,327	51,569	32.16%
Gross result	1,788,329	1,468,838	82.13%
Income tax	(378,448)	-274,553	72.55%
Net result	1,409,881	1,194,285	84.71%

Except the gross profit resulted from the electricity production activity, the results of the all other activities are lower as compared to 2014.

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

Indicators	Calculation formula	M.U	2014	2015
1	2	3	4	5
Working capital (WC)	$C_{lt}-A_f = E+L_{nc}+Pr+S_i-A_f$	Mil. RON	3,695	3,562
Working capital requirements (WCR)	$(A_{st}-L+P_p) - (L_{crt}-C_{rst}+I_{df})$	Mil. RON	3,169	2,821
Net cash	$WC-WCR = L-C_{rst}$	M. RON	526	740
Economic Rate of Return (ERR)	$P_g/C_{lt} \times 100$	%	17.63	14.60
Return on Equity	$P_n/E \times 100$	%	14.52	12.32
Return on Sales	$P_g/R \times 100$	%	39.80	36.24
Return on Assets	$P_n/A \times 100$	%	13.04	11.18
EBIT	$P_g+Ex_i-I_r$	Mil. RON	1,713	1,425
EBITDA	$EBIT+Am$	Mil. RON	2,490	2,218
ROCE	$EBIT/C_{emp} \times 100$	%	16.89	14.16
Current liquidity	A_{crt}/L_{crt}	-	6.52	6.69
Asset Solvency	$E/L \times 100$	%	89.83	90.71

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;
P_p	Prepayments;	C_{emp}	capital employed (total assets–current liabilities);
L_{crt}	current liabilities;	A_{crt}	current assets
C_{rst}	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 December 31, 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 to final consumers at regulated price and under frame contracts;
 - administration of centralised markets;
 - 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;
- ⌘ 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 interested parties;
- ⌘ 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. December 31, 2018.

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

The underground gas storage business is included in the regulated segment of the gas market.

The revenues from the underground gas 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 approval of prices and setting regulated tariffs in the gas sector, published in the Official Gazette No. 379 of June 6, 2012.

In accordance with the ANRE regulations, the regulated revenue is determined for five-year regulatory periods, except for the first period that lasted 3 years (April 1, 2004 – March 31, 2007). The gas year starts on April 1st, except for the first gas year of the third regulatory period that started on October 1, 2012.

The total regulated revenue is set at the beginning of the first year of a regulatory period, and starting from the second year, an adjusting formula, specific for each activity, is applied to such revenue.

Total Revenue Calculation

1. The Total Revenue (VT) of the first year of a regulatory period comprises the total regulated revenue (VTR) of the first year of the regulatory period and the total directly absorbed costs (CS):

$$VT = VTR + CS$$

The Total Regulated Revenue of the first year of the regulatory period equals the basic revenue (VB), where:

$$VB_0 = OPEX_0 + RoR \times RAB_0 + AR_0 + DV_0$$

where:

VB_0 - is the basic revenue, calculated as total revenue necessary to the license titleholder during the first year of the regulatory period;

$OPEX_0$ – are total operating expenses of the license titleholder, estimated for the first year of the regulatory period;

RoR - is the regulated rate of return, recognised by ANRE for each regulated activity;

RAB_0 - is the regulated value of the assets which consists of the value of tangible and intangible assets at the beginning of the first year of the regulatory period, including the working capital, recognized by ANRE;

AR_0 - is the regulated depreciation and amortization of tangible and intangible assets, recognized by ANRE for the first year of the regulatory period;

DV_0 - is the component of redistribution between the license titleholder and customers of the economic efficiency increment achieved during the previous regulatory period. For the first regulatory period this value was zero;

CS - directly absorbed costs: these are costs that cannot be controlled and the operator cannot directly intervene upon, such as: contributions to the wages fund, contributions to special funds, royalties, charges and taxes.

2. The Regulated Revenue is adjusted on an annual basis, for each year of any regulatory period, except for the first year.

Adjustment of the regulated revenue is calculated by the following formula:

$$VT_i^{ds} = (VRT_i^{ds} + CS_{i-1,realizat}^{ds}) + CE_i^{ds} + \Delta DP_i^{ds} + \Delta CS_{i-1}^{ds} + \Delta VRT_{i-1}^{ds} + \Delta INV_{i-1}^{ds},$$

where:

VT_i^{ds} - total revenue of year "i";

VRT_i^{ds} - total regulated revenue of year "i";

$$VRT_i^{ds} = VRT_{i-1}^{ds} \cdot (1 + RI_i - X^{ds}),$$

where:

RI_i - inflation rate estimated by the National Forecast Commission for year "i";

X^{ds} - economic efficiency growth rate of the underground storage activity, estimated by ANRE at the beginning of the regulatory period;

CS_i^{ds} - directly absorbed costs in year "i";

CE_{i-1}^{ds} - contingent costs, in year "i-1", due to the occurrence of unpredictable factors, beyond the operator's control:

$$CE_{i-1}^{ds} = (1 + RoR) \cdot CE_{i-1}^{ds},$$

where:

RoR - regulated rate of return of the regulated period;

ΔDP_i^{ds} - difference between the maximum value of the operator's costs recognized by ANRE for payment of compensations, penalties or the like resulting from the underground storage performance standard in year "i" and the value recognized for year "i-1";

ΔCS_{i-1}^{ds} - difference between directly absorbed costs, actual in year "i-1", and costs included in total revenue of the same year, calculated as follows:

$$\Delta CS_{i-1}^{ds} = (1 + RoR) \cdot (CS_{realizat}^{ds} - CS_{i-1}^{ds})$$

ΔVRT_{i-1}^{ds} - correction component of the total regulated revenue, calculated as the difference between the total regulated revenue of year "i-1" and the total actual revenue of the same year, adjusted by the regulated return on equity by the following formula:

$$\Delta VRT_{i-1}^{ds} = (1 + RoR) \cdot (VRT_{i-1}^{ds} - V_{realizat})$$

ΔINV_{i-1}^{ds} - correction component for the capital invested in year "i-1", calculated as follows:

$$\Delta INV_{i-1}^{ds} = INV_{i-1}^{ds} \cdot RoR + \frac{INV_{i-1}^{ds}}{n}$$

where:

INV_{i-1}^{ds} - value of tangible assets commissioned in year "i-1";

n - regulated duration of depreciation of commissioned tangible assets, expressed in years.

The base of regulated assets is established at the beginning of the regulatory period. The regulated value of assets is the value of tangible and intangible assets at the beginning of the

first year of the regulatory period, including working capital, and is calculated by the following formula:

$$RAB^i = RAB^{i-1} \times (1 + RI^c) - \sum D^{i-1} + \sum INV^{i-1} + \Delta CLP^i$$

where:

- RAB^i - regulated value of assets RAB for the regulatory period;
- RAB^{i-1} - regulated value of assets RAB for the previous regulatory period;
- RI^c - cumulative rate of inflation for the previous regulatory period;
- $\sum D^{i-1}$ - cumulative regulated depreciation in the previous regulatory period;
- $\sum INV^{i-1}$ - regulated value of investments commissioned during the previous regulatory period, adjusted with the cumulative inflation rate related to the year of commissioning;
- ΔCLP^i - amounts required for the adjustment of working capital and provisions recognized by ANRE as capital costs.

Calculation of Underground Storage Tariffs

Underground gas storage tariffs are established on the basis of the total regulated revenue.

Underground gas storage tariffs are set for each licensed operator and/or underground gas storage, and such tariffs have the following structure:

$$T^{ds} = RC^{ds} + I^{ds} + E^{ds}$$

where:

- T^{ds} - storage tariff;
- RC^{ds} - fixed component for underground storage capacity reservation, expressed in RON/MWh/full storage cycle;
- I^{ds} - volumetric component for gas injection into the underground storage, expressed in RON/MWh;
- E^{ds} - volumetric component for gas withdrawal from the underground storage, expressed in RON/MWh.

The Fixed Component (RC^{ds}) for capacity reservation quantifies fixed costs related to the development of underground storage capacity that are not related to stored quantities, and covers the depreciation of tangible assets and amortization of intangible assets of the storage system, direct costs to ensure continuous operation and maintenance of the storage system operation safety, as well as part of overhead costs for maintenance of the system.

Fixed costs are allocated depending on the working capacity of the underground storage.

The volumetric component for gas injection into the underground storage (I^{ds}) quantifies the variable costs generated by gas taking over, metering, treatment and transfer through surface facilities and injection into the storage.

The volumetric component for gas withdrawal from the underground storage (E^{ds}) quantifies the costs generated by gas withdrawal from the underground storage, treatment, transfer and metering in surface facilities and delivery to the transmission company and/or beneficiary.

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. 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.

Thus, the storage tariffs applied between January 2014 and December 2015 are as follows:

1) Tariffs approved by Order 26/2013 are as follows:

<i>Tariff Component</i>	<i>M.U.</i>	<i>Value</i>
Volumetric component for gas <i>injection</i>	RON/MWh	2.37
Fixed component for <i>capacity reservation</i>	RON/MWh/full storage cycle	13.12
Volumetric component for gas <i>withdrawal</i>	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 <i>injection</i>	RON/MWh	2.53
Fixed component for <i>capacity reservation</i>	RON/MWh/full storage cycle	13.14
Volumetric component for gas <i>withdrawal</i>	RON/MWh	1.80

3) Tariffs approved by Order 58/2015 are as follows:

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

Final price = Weighted average price of gas acquisition + Transmission tariff + Storage tariff + Distribution tariff + Trading component

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, than 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 2013-2015:

Description	M.U.	2013	2014	2015
1	2	3	4	5
Average supply price for internal gas production³	RON/1000 m ³	548.12	687.86	717.80
	RON/MWh	52.20	65.48	68.27
Average supply price for import gas	RON/1000 m ³	1,462.6	1,436.22	1,928.72
	RON/MWh	137.28	132.24	184.06

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. 103 of June 26, 2008 on setting regulated tariffs for gas distribution services and approval of prices for regulated gas supply performed by SNGN ROMGAZ SA, modified by ANRE Order No. 31 of August 30, 2012 (for the period January 1st–November 30,2014).

³ Including gas commodity and gas from association with Schlumberger and without storage services costs

- ↳ ANRE Order no. 120/2014 on setting regulated tariffs for gas distribution services and approval of prices for regulated gas supply performed by SNGN ROMGAZ SA Medias, (for the period December 1st 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 SNGN ROMGAZ SA Medias, (starting with July 1st, 2015).

Tariffs and prices are presented in the table below:

Description	January 1 st 2014- November 30, 2014	December 1 st , 2014- June 30, 2015	July 1 st , 2015- December 31, 2015
Distribution tariffs (RON/MWh):			
*B1 Consumption up to 23.25 MWh	21.66	44.01	44.01
*B1 Annual Consumption between 23.26 and 116.28 MWh	21.25	40.06	40.06
Final regulated prices (RON/MWH):			
*B1 Consumption up to 23.25 MWh	117.8	120.67	117.75
*B1 Annual Consumption between 23.26 and 116.28 MWh	116.95	116.03	113.13

3.4.3. Human Resources

On December 31, 2015 the company had 6,356 employees.

The evolution of the company's number of employees between January 1, 2013 and December 31, 2015 is shown in the table below:

Description	2013	2014	2015
1	2	3	4
Employees at the beginning of year	5,921	6,472	6,344
Newly hired employees	681	92	159
Employees who terminated their labour relationship with the company	130	220	147
Employees at the end of the year	6,472	6,344	6,356

The structure of employees at the end of 2015 was the following:

a) by level of education

University	22.97 %
Secondary education	25.71 %
Foreman education	4.06 %
Vocational school	34.53 %
Middle school	12.73 %

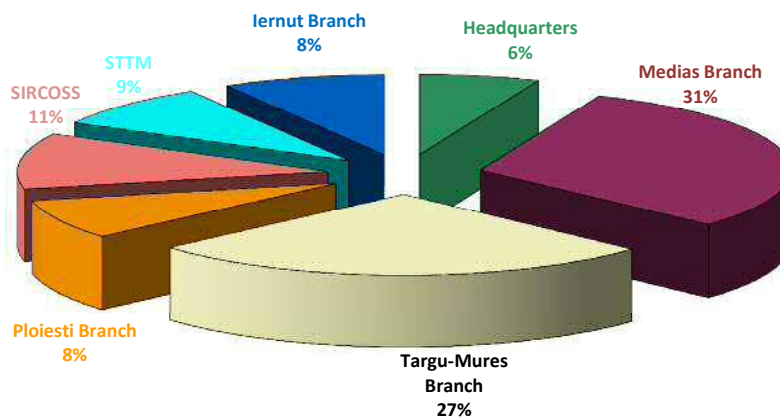
b) by age

under 30 years	3.83 %
30-40 years	16.57 %
40-50 years	40.40 %
50-60 years	31.15 %
over 60 years	8.02 %

c) by activities

Gas production	62.48 %
Production tests/well special operations	11.28 %
Health	1.27 %
Transportation	8.98 %
Gas Storage	8.09 %
Electric energy production	7.90 %

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



The employees' structure at the headquarters and branches is shown in the table below:

Entity	Workers	Foreman	Admin employees	Total
1	2	3	4	5
Headquarters	31		371	402
Medias Branch	1,525	94	351	1,970
Tirgu-Mures Branch	1,346	53	278	1,677
Ploiesti Branch	330	30	157	517
SIRCROSS	520	52	145	717
STTM	439	19	113	571
Iernut Branch	341	46	115	502
TOTAL	4,532	294	1,530	6,356

The main areas of training during 2015 were:

- 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 place;
- Skills improvement and vocational training of workers through internal training courses.

A number of 2,341 employees were trained during 2015, and the costs of such professional training and skills improvement training courses were RON 1,010,733.42.

The annual training program was implemented as follows:

in accordance with the Labour Code, a total of 913 persons who did not participate to any training over the past 2 years (including 493 administrative employees and 420 workers) were trained; 802 employees participated in training courses to obtain authorization/reauthorization in accordance with their specialization and work place.

696 persons participated to professional training programs with specialty subjects imposed by the nature of activity.

During 2015, the professional training activity focused mainly on sustaining increase of adaptability to new requirements of economy based on knowledge, in order to ensure and update required competencies for employees working in the technical, economic and research-development field, such as:

Certification of technical, petroleum-related competencies (ANRM) for 13 persons (experts and professionals) for drafting documentation relating to geological research and expertise;

20 employees benefitted of training in the field of exploration/production with focus on depleted reservoirs. The topics included the application and advantages of gaslift process for free gas and condensate gas wells;

The implementation of the International Financial Reporting Standards required training and skills improvement of employees in the economic and financial field. 12 employees participated to such training courses in 2015.

25 employees with managerial competencies participated to training courses focusing on introducing general concepts of Lean Six Sigma methodology (principles, phases and specific instruments). The courses were organized for those employees who are or will be involved in optimization projects (Yellow Belt, Green Belt or Black Belt). Their involvement means the identification of eventual improvement opportunities and participation in different project teams;

Risk Management courses were organized with a view of perfecting theoretical and practical knowledge and for developing professional abilities in the field of risk assessment and analysis. 225 employees participated to such training.

Within Romgaz there are two trade unions:

- “*Sindicatul Liber din cadrul SNGN Romgaz SA*” consisting of 6,316 members;
- “*Sindicatul Extractie Gaze si Servicii*” consisting of 20 members.

The total number of union members is 6,336 as compared to 6,356 representing the total number of employees. The union members/total number of employees' ratio is 99.69%.

Relationship between manager and employees: following negotiations, the parties have agreed to conclude a new Collective Labour Agreement, valid for 2015 and 2016.

During 2015, *there were no conflicts between the management and the trade union.*

3.4.4. Environmental Aspects

In 2015, 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 fulfilment of remedy solutions for environment aspects identified in the Due Diligence Report and assumed by the Romgaz branches.
- ↪ Rendering efficiency to environment protection, a support for Romgaz management process;
- ↪ Pursuing compliance with the legal environment-related requirements in accordance with Law no. 211/2011 on waste management.

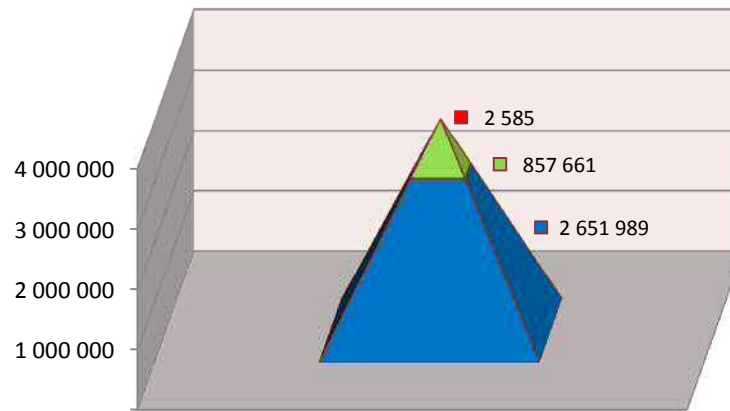
The environment protection activities during 2015 focused on:

- fulfilment of requirements deriving from the ISO:14001 and ISO:9001 standards;
- complying with permitting requirements:
 - complying with legal requirements relating to environment permits for all 135 units. The conformity degree is 100% - for 2 objectives the company has requested the review of the permit, and for 1 objective the regulation document sets a conformity plan containing measures to reduce current and future effects of the activity. Measures consist of equipping 3 wells with safety equipment (packer and TRSV safety valve). Completion dates are December 31, 2015, December 31, 2016 and December 31, 2017 and will be financed by own means. The December 31, 2015 deadline was observed, the conformity inspection was carried out by the Environment Guard – Mures County Office and by Mures Environment Protection Agency;
 - complying with legal requirements regarding waste water management permits, for:
 - 80 units for which the conformity degree is 100% - to be noted that for 4 objectives permits are renewed; and
 - 35 units related to reservoir water systems/ injection wells, out of which 5 are under renewal process and for 1 objective permitting documentation was filed (new unit).

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

- disposal of waste generated from own activity, in accordance with legal requirements in force. In 2015, the company's activity generated 3,512.235 tons of waste out of which 857.661 tons were recycled and co-incinerated (854.699 tons were recycled, 2.962 tons were disposed by co-incineration), 2.585 tons of waste were disposed by incineration and 2,651.989 tons of waste were disposed by storage;

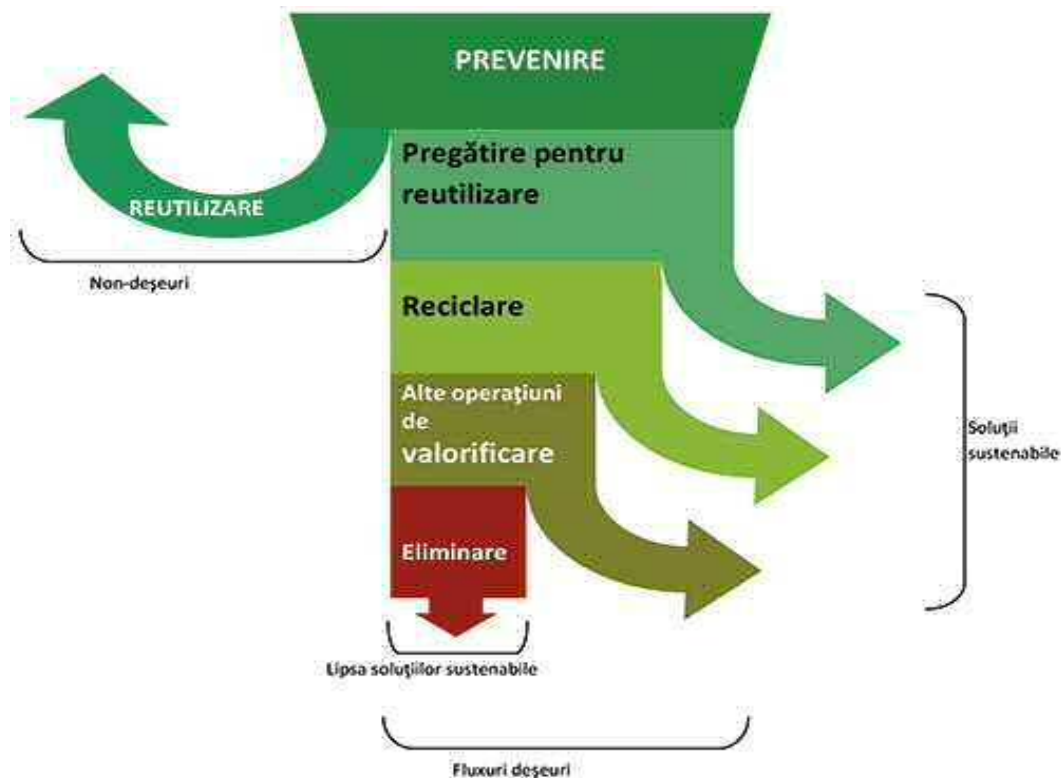
2015 AMOUNT OF GENERATED WASTE (3,512.235 tons)



■ Quantity disposed by storage ■ Quantity disposed by recycling and co-incineration ■ Quantity disposed by incineration

In 2015, the “*Program for Prevention and Reduction of Waste Generated by Romgaz Activity*” was drafted. It considers measures and methods for the prevention and reduction of quantities of waste resulting from the company’s activity. Such Program complies with the applicable regulations and contains a preferred prioritization of waste management. The Program aims at identifying objectives, targets and policy actions which the company is required to comply 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, valorization, treatment and last but not least disposal by incineration or storage. This Program was drafted in accordance with the Romgaz Quality and Environment 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 solve the exceeding of limits permitted by regulations in force. For the entire company, permanent analysis and continuous supervision is carried out in connection with the physical-chemical, bacteriological and biological indicators of emitted pollutants, the frequency and ways of using results. In 2015, Romgaz exceeded the legally allowed limit in only three instances: reservoir water discharge at a well location, exceeding the Maximum Permitted Level of equivalent noise level at the outer limit of the operation enclosure and at the outer limit of the neighboring protected receivers of a compressor station, and discharge of waste water from a production point due to works carried out in the vicinity. All these incidents were solved in a timely and operational manner. No fines were issued;
- monitoring the settlement of environment notifications and complaints against Romgaz. In 2015, two external environment complaints were recorded but only one was reasoned:
 - notification regarding excess of the maximum permitted level by the equivalent noise level at the outer limit of the operating enclosure and at the outer limit of the neighboring protected receivers. The Environment Guard review/investigated the notified events and found that there are no elements affecting the bordering dwellings, the notification was not founded;
 - notification in connection with the sewerage system of a production point, location indicated also in the notification on the excess of the maximum permitted level of emissions. The notification was reasoned and was settled.
- As a result of extending the scope of business by taking over Iernut thermoelectric power plant, complying with the legal requirements applicable in this field of activity was pursued by monitoring in 2015 a total CO₂ volume of 828,793 tons for burners IMA 1, 2, 3, 4, 5. Government Decision no. 1096/2013 for the approval of provisional free allocation of greenhouse certificates to electricity producers during 2013-2010, Romgaz is included in Annex no. 3 to the "National Investment Plan" 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 2013-2010, the National Investment Plan included). According to Annex 1 of the same Government Decision, Romgaz, as operator, received for CTE Iernut for 2015 687,204 greenhouse certificates (EUA). Romgaz acquired in 2015 a total number of 687,204 greenhouse certificates.

As of December 31, 2015, Romgaz held in the account of the Sole Register of Greenhouse Gas Emissions a number of 1,196,706 CO₂ certificates, as follows:

- 687,204 certificates acquired in September 2015, namely the first 2015 tranche (50%) and in November 2015 the second 2015 tranche (50%);

- 824,645 certificates for 2014 were used for partial conformity of 2014 emissions, namely 828,793 tons of CO₂;
- 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 2015, 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.);
- the environment internal inspection activity was scheduled and organized in order to verify conformity with legal requirements applicable to inspected activities.

In 2015, 46 environmental internal inspections were scheduled and performed (from Romgaz headquarters on authorized units of the branches), further to which 7 Reports of Determined/Potential Nonconformity were made, out of which 7 were closed within time limit; Romgaz branches also scheduled and performed 133 environment internal inspections further to which 14 Reports of Determined/Potential Nonconformity were made: 10 were closed in within time limits and 4 are open, within the time limit;

- assessment of conformity level to environment protection requirements and contractual requirements of contractors and sub-contractors of drilling works contracted by Romgaz in 2015;
- implementation of the 2015 action/measure programs for preventing and/or mitigating impact on the environment, that were implemented as follows:
 - works for noise reduction and heat recovery from moto-compressor exhaust system;
 - greening of contaminated areas;
 - landslide fighting;
 - installing waste water collection tanks;
 - installing impurities filtering systems;
 - transforming abandoned wells into reservoir water injection wells;
 - installing waste water discharge installations;
 - installing soundproof panels;
 - making payments for environment protection and permitting;
 - environment protection works required for well modernization;
 - environment protection works for modernization of well clusters by installing safety power generators;
 - modernization of technological installations and of infrastructures (platforms);

environment restoration works upon abandoning well;
maintenance and repair works at waste water treatment plants;
expenses in connection with transportation, takeover and disposal of hazardous and non-hazardous waste;
environment works at decommissioning;
expenses in connection with reservoir water transportation and waste water discharge;
expenses in connection with lab analyses;
installing environment-friendly discharge systems;
expenses in connection with maintenance and cleaning of waste industrial water separators;
CO₂ account management fee (SPEE Iernut);
CO₂ validation report fee;
Expenses in connection with metering NO_x emissions and dust at boilers 1, 4, and 5 of SPEE Iernut;
Equivalent value of CO₂ certificates;

In 2015, the Environment Guard made 52 inspections, the ABAR public institution (Administratia Bazinala Apele Romane) made 17 inspections, and the environmental protection agencies performed 10 inspections. Following such inspections ***Romgaz was not sanctioned/fined.***

In 2015, no environment accident was recorded by Romgaz.

3.4.5. 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.

Because the implementation process is relatively young within the company – it started two years ago – 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 Finance no. 946 of July 4, 2005 (updated) on the development of the internal/management control system which refers to risk management (Standard 11: “*Risk Management*”);
- 📄 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 Order 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, at the headquarters as well as the branches, related to the following:

- well drilling projects;
- technical projects related to the execution of investment objects;
- feasibility studies;
- assessment studies of geological resources and reservoir production performances.

Any major project internally or externally drafted on gas exploration, development and/or production of natural gas reservoirs and on electricity production and delivery also includes a risk management assessment.

The main benefit of the risk management process is the improvement of the company's performance by identifying, analyzing, 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.

A risk management department has been established for an efficient assessment of the company's risks. Some of the main aspects of the risk management implementation process are: risk identification, analysis, assessment and remedy. 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 analyzed 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

The internal/management control system represents an integral component of the company's management system envisaging all activities of the organizational units, at all management levels, in order to meet the objectives. By mid-2015, the construction and implementation of the internal/management control system was completed and relies on 25 internal management control standards regulated by Ministry of Public Finance Order no. 946/2005⁴. Repealing Ministry of Public Finance Order 946/2005 and entering into force of SGG Order no 400/2015⁵ in June 2015 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 activity⁶.

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;
- 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.

The preparation, implementation, development and assessment of internal/management control system for Romgaz are achieved in compliance with the provisions set in Government Ordinance No. 119/1999⁷ and with the standards provided by order no. 400/2015 grouped in five main categories:

⁴ for the approval of Internal Control Code comprising internal/management control standards at public entities and for the development of internal/management systems;

⁵ Government General Secretary Order No. 400/2015 for the approval of internal/management control systems of public entities;

⁶ issue included in 2016 in Romgaz Corporative Governance Code;

⁷ regarding internal control and preventive financial control

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 2015 internal/management control system development/improvement actions we specify the following:

- analysis and identification of sensitive function in Romgaz (completed in June, the List of Sensitive Functions was drafted);
- acquiring the consultancy services with the scope of drafting a study on implementing a management by objectives system and a remuneration policy based on the management by objectives for Romgaz management. At the end of 2015, the Ernst&Young Study was delivered;
- development of an IT application allowing all of Romgaz personnel to consult the internal decision register and to view the content;
- reviewing internal procedures on the management of objectives (completed in January 2016-PS 08);
- drafting and updating Romgaz Risk Register;
- adapting the internal application to OSGG 400/2015 requirements, which supports the auto evaluation of Internal/Management Control System, and its development;

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

According to the self-assessment results for the implementation of Internal/Management Control System, on December 31, 2014 (in relation to the 25 standards provided in Order no. 946/2005), the Internal/Management Control System is *implemented* in Romgaz.

3.4.6. Litigation

The summarized statement of litigations where Romgaz is involved in shows the following:

- ☐ 135 litigations, including:
 - ✎ 76 cases where Romgaz is complainant;
 - ✎ 56 cases where Romgaz is defendant;
 - ✎ 3 cases where Romgaz is plaintiff claiming damages/injured party
- ☐ the (approximate) total value of the files where Romgaz is complainant is RON 958,482,021;
- ☐ the (approximate) total value of the files where Romgaz is defendant is RON 12,554,054.

The detailed list of litigations is shown in Annex 3 to 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 unique gas infrastructure for those times started to outline in Europe 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 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 drying stations, gas compressor stations.

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

1. Gas wells (actually producing wells, temporary 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 drying 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 one 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 approximate maximum capacity (close to 100%).

Currently 148 gas fields are producing out of which 143 are well defined blocks and the rest are fields with experimental production.

Production from these fields is made by 3,260 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 2,000m. Pressure and flow limits of production wells are operated by 115 compressor units, 91 units are grouped in 19 compressor stations, 17 units are the so-called booster compressors and 7 units are located at well clusters.

One technical demand required by applicable laws is the quality of gas which is fulfilled more than 99% by means of 71 gas drying 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.

Processing and interpretation of these input data leads to preparing extensive technic and economic specifications called *geological studies*. These studies also analyze 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 Gas Storage

Bilciuresti Storage

Characteristics:

- ↳ Location: Dambovita county, approximately 40 km W-NW from Bucharest;
- ↳ Commissioned in 1983;
- ↳ Capacity:
 - working capacity of 1,310 million cubic meter
 - delivery capacity: 17 million cubic meter/day
- ↳ main fixed assets: 62 wells, 26 km gathering pipelines for the 62 wells, 50 gas heaters, 24 separators, 14 gas metering facilities, 7 drying stations, 33 km gathering pipeline, bi-directional fiscal metering system equipped with ultrasonic meter, compressor station (Butimanu), waste water injection station.

Currently, design works for UGS upgrading were contracted with the scope of increasing the withdrawal capacity to a maximum of 20 million m³/day.

Sarmasel 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 800 million m³
 - Delivery capacity 6.5 million m³/day
- ↪ Main fixed assets: 61 wells, 26.341 km gathering pipeline for the 61 wells; 77 separators; 4.67 km gathering pipeline, bi-directional fiscal metering system equipped with ultrasonic meters, compressor station (Sarmasel)

Currently, following investments are in progress in order to increase the working capacity from 800 million m³/cycle up to 900 million m³/cycle:

- gas compressor stations;
- drying stations;
- upgrading surface facilities;
- upgrading fiscal metering systems
- drilling of 4 wells.

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: 27 wells, 17.3 km gathering pipelines for 27 wells, 28 heaters, 6 gas metering facilities, 1 drying station; 7.131 km gathering pipelines, bi-directional fiscal metering system equipped with ultrasonic meters, optic fibre data acquisition system; compressor station (Urziceni)

Currently, following investments are in progress:

- Upgrading surface facilities;
- Drilling 2 wells;

Cetatea de Balta Storage

Characteristics:

- ↪ Location: approximately 12 km S-W from Tarnaveni
- ↪ Commissioned in 2002
- ↪ Capacity:
 - Working capacity 200 million m³
 - Delivery capacity 1 million m³/day

- ↪ Main fixed assets: 16 wells, 6.64 km gathering pipelines for 16 wells, 6 separators, 6 gas metering facilities, 9.375 km gathering pipelines, field supervising system, fiber-optic data acquisition system.

Ghercesti Storage

Characteristics:

- ↪ Location: Dolj county near Craiova
- ↪ Commissioned in 2002
- ↪ Capacity:
 - Working capacity 150 million m³
 - Delivery capacity 1.5 million m³/day
- ↪ Main fixed assets: 86 wells, 156.931 km gathering pipelines for 86 wells, 13 separators, 6 gas metering facilities, 1 drying station, 41.998 km gathering pipelines, bi-directional fiscal metering system with two metering lines, equipped with ultrasonic meters and communication system and fiber-optic data acquisition system.

Balaceanca Storage

Characteristics:

- ↪ Location: approximately 4 km from Bucharest;
- ↪ Commissioned in 1989;
- ↪ Capacity:
 - Working capacity 50 million cubic meter;
 - Delivery capacity 1.2 million cubic meter/day;
- ↪ Main fixed assets: 24 wells, 9.993 km gathering pipelines, 15 gas heaters, 4 separators, 4 technological gas metering facilities, 1 drying station, 1.07 km gathering pipelines, bi-directional fiscal metering system with two metering lines, equipped with ultrasonic meters, compressor station (Balaceanca) 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 the Branch for Technological Transportation and Maintenance consists of 640 vehicles and machinery, as follows:

- passenger carriers: cars (104), land vehicles (91), minibus (11), busses (2) and large busses (2);
- passengers and cargo carriers < than 3,5 t (17+22) and > than 3,5 t (94);
- vehicles for cargo transportation: dumpers (24), cesspit emptier (29), trucks (2), platform trucks (15), tank truck (3);
- vehicles for heavy transportation: truck-tractors (3) and semitrailer trucks (9);
- handling machinery: cranes from 12-18 t (6) and 24-35 t (11);
- special vehicles: mobile laboratory for equipment testing and checking (3);
- heavy machinery: bulldozers (8), caterpillar shovels (2), wheel loaders (13), motor grader (3), compactor (3), front end loaders (11);
- other machinery: tractor trucks (74), fork lift trucks, etc.;
- other vehicles: trailers for heavy transportations, trailers and semitrailers.

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).

Electric Power

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 have 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 2km 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 flue gas recirculation system for boiler no. 1, NOx 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 NOx 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 2012-2015 approximately *RON 3.39 billion*, as follows:

Year	2012	2013	2014	2015	Total
Amount (RON thousand)	519,053	848,247	1,085,497	937,916	3,390,713

For 2015, Romgaz scheduled investments worth *RON 1,100 million* and invested *RON 937.9 million*, approximately 13.6% less than scheduled. In 2015 investments were *RON 147.6 million* lower than the investments made in 2014. The company financed all investments from own sources.

The value of fixed assets commissioned during 2015 was approx. *RON 730.2 million*.

The Director General approved the 2015 investment program and the relating budget was approved as Annex 4 to the income and expenditures budget by GMS Resolution no.10 of December 17, 2015 (Government Decision no.936/November 11, 2015).

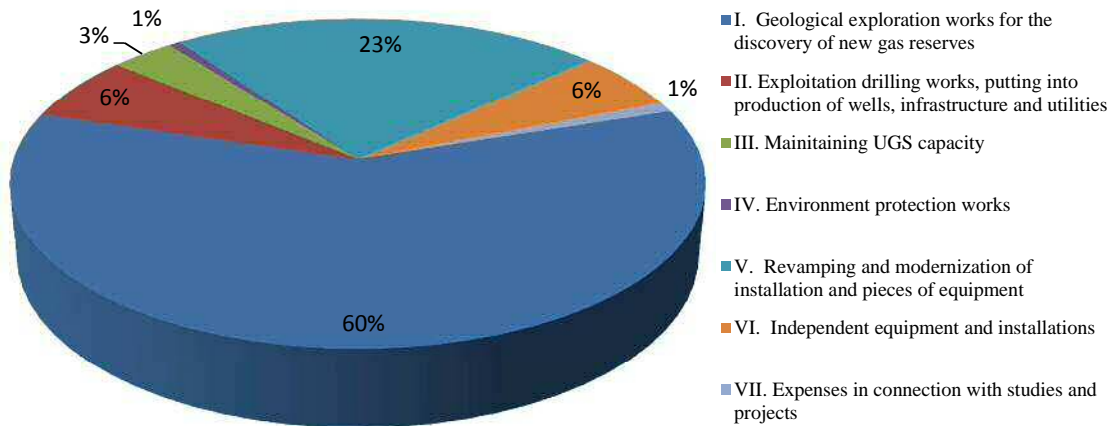
Major investments target in general projects such as:

- 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 actual investments in relation to the scheduled ones and to the 2014 results:

Crt. no.	Investment chapter	2014	2015		% '15/'14
			Schedule	Results	
0	1	2	3	4	5=4/2x100
1.	Investment in progress– total, out of which:	584,279	358,345	352,467	60.33
1.1	Natural gas exploration, production works	424,403	319,051	319,051	75.18
1.2	Maintaining UGS capacity	158,309	33,129	32,374	20.45
1.3	Environment protection works	1,567	6,165	1,042	66.50
2.	New investment – total, out of which:	166,480	301,897	297,039	178.42
2.1	Natural gas exploration, production works	162,722	293,155	292,440	179.72
2.2	Maintaining UGS capacity	500	112	112	22.40
2.3	Environment protection works	3,258	8,630	4,487	137.72
3.	Investment in existing tangible assets	254,631	314,489	224,664	88.23
4.	Equipment (other acquisition of tangible assets)	63,898	90,254	54,080	84.63
5.	Other investment (studies, licenses, software, financial assets etc.)	16,209	35,015	9,666	59.63
*	TOTAL	1,085,497	1,100,000	937,916	86.4

The chart below shows the main investment chapters:



From the beginning of the year, service/delivery contracts ensured 53.8% of the budget including the value of the projects performed by the company itself.

The firm contracts concluded in 2014 lead to the resulted high level of investments.

The high levels of resulting value generated significant physical achievements.

The summary of the achieved projects indicates a high level of objective achievement:

Item no.	Main Projects	Planned 2015	Achieved 2015
1.	Drilling, exploration	38 wells	26 wells
2.	Surveys	2D seismic	0 km
		3D seismic	801 km ²
3.	Production drilling	2 wells	1 wells
4.	Surface facilities – gas wells	30 wells	23 wells completed 3 wells in progress
5.	Compressor stations in gas fields	SC Roman	completed 100%
		SU Band	completed
6.	Maintaining storage capacity	Sarmasel UGS: - compressor station	80%
		Urziceni UGS - compressor station - drilling 3 wells	100% design completed
7.	Well modernization	125 wells	147 wells
8.	Well capitalized repair	140 wells	140 wells
9.	Electric power production	Performance of capitalized repairs and procurement of an equipment	in full
10.	Partnerships	<i>Aurelian Petroleum (Brodina):</i> - G&G works for drilling a well; - Completion of geological separation for well Voitinel 2 and drilling permits were obtained	
		<i>Raffles Energy (Bacau):</i> - completion of cogeneration works for experimental power generation	completed
		<i>Lukoil:</i> - drilling 2 wells in the Black Sea	completed
		<i>Schlumberger:</i> - surface facilities for wells 210 and 211; - commissioning 4 compressors; - fracturing works at well 210	completed

	<i>Amromco:</i> - drilling 3 wells; RK 12 wells and surface facilities for the 3 new wells	partially completed (2 wells)
	<i>Slovakia:</i> - drilling 2 wells in blocks Svidnik and Medzilaborce	not performed
	<i>Poland:</i> - <i>Torzym</i> : renewal of permits, preparation of G&G and G&A	completed
	- <i>Cybinka</i> : preparation of G&G and G&A	completed
11. Studies	Reservoir studies	100%

By the end of 2015, procurement contracts have been concluded for works to be executed in 2015 and 2016 amounting RON 520,000 thousand, including works rendered by the company.

Main investments commissioned by the end of the year, worth RON 730,185 thousand:

Drilling: 27 wells

Surface facilities : 23 facilities

Well modernization : 147 wells

Well capitalized repairs: 140 wells

Coiled tubing rig modernization

Cementing equipment modernization

Separate equipment

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. In order to solve the above-mentioned issues, the company constantly approaches the state institutions in order to have simple and short procedures for obtaining required approvals.

The level of results was negatively influenced by causes specific for the second phase:

- tenders for drilling works were cancelled (for 6 exploration wells, a renewal of design was required due to changes to the well construction required in light of new geological information);
- temporary lands for pipelines crossing tens or hundreds of properties were impossible to obtain;
- redesigning pipeline routes and approving the construction of pipeline segments with less owners in counties: Prahova, Ilfov, Ialomita – well operation facilities in structures Merii, Lipia, Maia, Salciile, Fulga;
- well 252 Tirgu-Mures was not drilled due to the fact that Tirgu-Mures City Hall did not issue the construction permit (the drilling location is a land whose owner is unknown);

- there were delays in connection with the land for gas drying station at Band compressor station;
- independent equipment is scheduled for delivery in 2016, even if it was budgeted for 2015 (equipment with long manufacturing cycle) – delivery terms were validated as a result of organizing public procurement tenders: special trucks, carriers, well intervention equipment, revamping cementing units, special well intervention instruments.

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

Crt. no.	Partnership	2015 Schedule	2015 Results	Results/ Schedule
1	Romgaz, Alpine Oil&Gas and JKK Oil&Gas - Slovakia	17,909.00	1,603.43	8.95%
2	Romgaz, Aurelian Oil&Gas Poland and Sceptre Oil&Gas - Poland (financial investments)	1,099.36	425.86	38.74%
3	Romgaz and Raffles	774.30	589.24	76.1%
4	Romgaz and Aurelian	15,411.53	1,699.17	11.03%
5	Romgaz and Amromco	28,839.08	14,243.7	49.39%
6	Romgaz and Schlumberger	10,482.48	8,697.71	82.97%
7	Romgaz, Lukoil and PanAtlantic	187,131.25	168,065.48	89.81%
*	Total work program	261,647.00	195,324.59	74.65%

Important issues to be noted:

- ☞ Within the partnership with Lukoil, the partners decided to withdraw from block Rapsodia due to negative drilling result of well 1X Helena and the disagreement of the Romanian Government to extend Phase I;
- ☞ Within the partnership with Raffles for Bilca Production area in block Brodina, due to the negative results of the past two years, Romgaz proposed for 2016 an update of the reserves assessment study. Dependent on the results of this study, Romgaz decides whether to remain or to withdraw from this partnership. In Bacau block, in the northern part, the experimental power generation started at well Lilienci 1;
- ☞ With respect to the blocks in Poland, Romgaz intends to sell 50% of its participation interest. No favorable results were recorded in this respect. The fact that not all partners intend to farm-out together with the low global oil price determined the partners to postpone the drilling decision both for the platform location and for the toe-of-slope location. The unsuccessful results of well Sosna 1, the continuous postponement of the drilling decision during the past 2 years and the accelerated decrease of the global oil price determined Romgaz management to decide to withdraw from Poland concessions;
- ☞ With respect to the blocks in Slovakia, the difficulties in obtaining the drilling permits from local authorities and the continuous decrease of oil price triggered a delay in implementing the investment plan by the end of 2015– the well drilling schedule was postponed to the first part of 2016.

V. SECURITIES MARKET

Romgaz – company listed on the Bucharest Stock Exchange (BVB) and the 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.	Specification	2013	2014	2015
1.	Number of shares	385,422,400	385,422,400	385,422,400
2.	Market capitalization ⁸			
	* million RON	13,178	14,018	10,483
	* million EUR	2,952	3,127	2,315
3.	Maximum price (RON)	35.60	36.37	36.55
4.	Minimum price (RON)	33.80	32.41	26.30
5.	Year end price (RON)	34.19	35.36	27.20
6.	Net profit per share (RON)	2.58	3.66	3.10
7.	Gross dividend per share (RON)	2.57	3.15	2.70
8.	Dividend yield (7./5.x100)	7.5%	8.9%	
9.	Exchange rate (RON/EUR)	4.4639	4.4834	4.5285

The evolution of the trade price in 2015 was adversely affected especially by the significant drop in oil and gas prices on the international markets and also by the fluctuations on the capital markets worldwide.

Hence, at the end of the year 2015, Romgaz share price was RON 27.20, lower by 23% than the closing price at year end 2014. Performance of the share reached a maximum value on July 1, 2015 (before the ex-date for dividend payment), followed by a drop in price reaching the lowest value of RON 26.30 on December 18, 2015. The downward trend continued until January 2016 (minimum price of RON 22.30 on January 20) but since February 2016, Romgaz shares have recorded increasing values (RON 26.84 on March 17).

Romgaz is considered an attractive company for investors in terms of dividends distributed to shareholders and stability of the company.

Romgaz holds a significant position in the top of local issuers, and it is included in BVB indices as well as in indices of other markets, as follows:

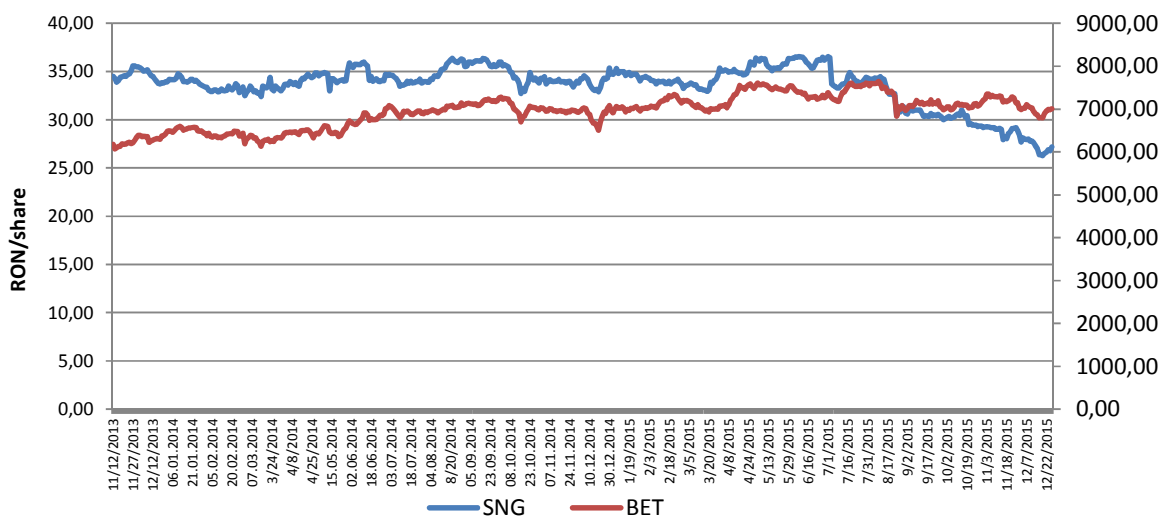
- Second place, by market capitalization, in the top of Premium BVB issuers. With a market capitalization amounting to RON 10,483 million (EUR 2,315 million) as of December 30, 2015, Romgaz is the second largest listed company in Romania, being

⁸ 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

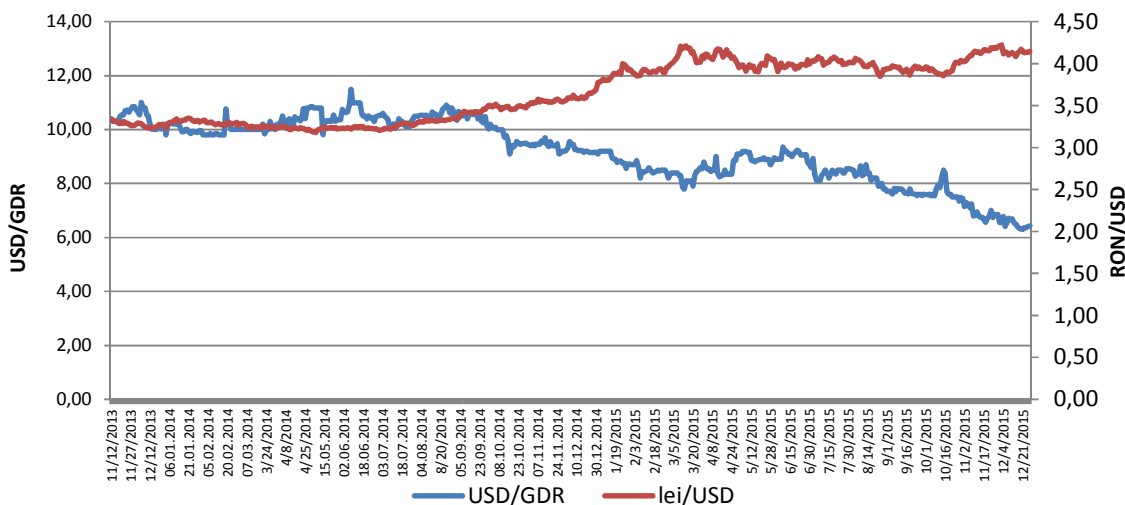
preceded by OMV Petrom with a capitalization in amount of RON 16,427 million, i.e. EUR 3,627 million;

- Third place as regards the average value of shares traded in the last 12 months in the top of local issuers in the main segment of BVB (RON 1,069 million – the Regular Segment, preceded by *Fondul Proprietatea* and *Banca Transilvania*);
- weight of 11.40% in the BET index (top 10 issuers) and 11.12% in the BET-XT index (BET extended), 25.29% in the BET-NG index (energy and utilities), 11.40% in the BET-TR (BET Total Return) index, 9% in the ROTX index (Romanian Traded Index);
- Romgaz issuer is also included in global indices with allocation for Romania, for instance in the following index groups: FTSE (Financial Times Stock Exchange), MSCI (Morgan Stanley Capital International), S&P (Standard & Poor's), STOXX (oriented mainly on the European markets), Russell Frontier.

Performance of Romgaz shares between listing and December 30, 2015 as compared 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:



Romgaz share denominated in USD (GDR) was influenced by the RON/USD quotation, with the leu that rose against the dollar over the last period of review.

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 on profits distribution as regards companies where the State acts as majority shareholder and autonomous administrations, approved by Law 769/2001, as subsequently amended and supplemented, provides at article 1, paragraph (1), item (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;
- (c¹) 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;
- (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) above is distributed to other reserves and represents own financing sources.

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. The statutory financial statements of the company for the financial year ended December 31, 2012 have been prepared according to the Order of the Ministry of Finance no. 3055/2009, as subsequently amended and supplemented, and for the financial years ended December 31, 2013 and December 31, 2014, respectively, the statutory financial statements have been prepared according to the Order of the Ministry of Finance no. 1,286/2012.

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.

For the financial years ending December 31, 2012 and December 31, 2013, respectively, the state-owned companies and the companies where the State acts as majority shareholder had the obligation, established by the Government, to distribute an 85% share of profit as dividends (under the Memorandum "*Measures which must be observed while drafting the income and expenses budgets of economic operators having whole or majority state participation*").

Furthermore, since September 6, 2012, by way of derogation from the requirements of Companies Law 31/1990 providing that dividends are to be paid no later than six months after the approval of the annual financial statements, state-owned companies are required, in accordance with the provisions of Government Ordinance no. 64/2001, to pay the dividends to their shareholders within 60 days of the legal deadline for the submission of the annual financial statements to the competent fiscal authorities.

The table below shows the status of dividends for the years 2013-2015:

Specification	2013	2014	Proposal 2015
Dividends (RON)	990,636,509	1,214,080,560	1,040,640,480
Gross dividend per share (RON/share)	2.57	3.15	2.70
Dividend distribution rate (%)	99.5	86.11	87.13
Number of shares	385,422,400	385,422,400	385,422,400

VI. MANAGEMENT

6.1. Board of Directors

Since January 1, 2013, the Board of Directors underwent several changes, bearing in mind that in 2013 the *Government Emergency Ordinance no.109/November 30, 2011 on corporate governance in state-owned enterprises* was implemented within the company, as regards the selection and appointment of members in the board of directors based on a cumulative voting procedure, and the number of the members of the board was increased from 5 to 7.

The members of the Board of Directors as of December 31, 2015 are as follows:

Item No	Name	Institution of employment	Position in the Board
1	Negrut Aurora	Ministry of Energy, Small and Medium Enterprises and Business Environment	Chairperson
2	Popescu Ecaterina	SC "Chimforex" SA	Member
3	Chisalita Dumitru	Universitatea "Transilvania" Brasov	Member
4	Metea Virgil Marius	SNGN "Romgaz" SA	Member
5	Dorcioman Dragos	Ministry of Energy, Small and Medium Enterprises and Business Environment	Member
6	Jansen Petrus Antonius Maria	Associate Lecturer London School of Business and Finance	Member
7	Baciu Sorana Rodica	SC "ACGENIO" SRL	Member

During 2015, the Board of Directors underwent the following changes:

- On January 18, 2015, Mr. Davis Harris Klingensmith resigned from the Board of Directors, and he was replaced by Mrs. Sorana Baciu on an interim basis pending full appointment at the following Ordinary General Meeting of the Shareholders;
- on January 23, 2015, Mr. Sergiu-Cristian Manea resigned from the Board of Directors;
- on February 2, 2015, Mr. Dragos Dorcioman was appointed member on an interim basis pending full appointment at the following Ordinary General Meeting of the Shareholders;
- by Resolution of the Ordinary General Meeting of Shareholders no.2/ March 18, 2015 Mrs. Sorana Baciu was appointed member of the Board of Directors with a mandate valid until December 30, 2017. Mr. Dragos Dorcioman was appointed member of the Board of Directors by the same Resolution, with a mandate of one year or until appointment of new members of the Board in accordance with the terms provided by the *Government Emergency Ordinance no.109/ 2011*, in case selection was concluded before the specified term.

The CVs of the current directors are to be found on the company's webpage www.romgaz.ro under the section Investor Relations – Corporate Governance – Board of Directors.

On February 22, 2016, Mrs. Sorana Baciu resigned from the Romgaz Board of Directors, and Mr. Sebastian-Gabriel Tcaciuc was appointed member on an interim basis pending full appointment at the following Ordinary General Meeting of the Shareholders of March 25, 2016 (OGMS). The mandate of Mr. Dragos Dorcioman expires on March 25, 2016, and at the above mentioned OGMS a new member of the Board shall be appointed by the shareholders.

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 31, 2015, Mr. Virgil-Marius Metea was the only member of the Board owning company shares (5,513 shares acquired in the IPO, representing 0.00143038% of the share capital).

6.2. Executive Management

Virgil Marius Metea - Director General (CEO)

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

Name	Position
ROMGAZ - headquarters	
Cindrea Corin Emil	Deputy Director General
Rotar Dumitru Gheorghe	Deputy Director General
Dobrescu Dumitru	Deputy Director General
Ionascu Lucia	Economic Director
Ciolpan Vasile	Energy Trade Director
Stefanescu Dan Paul	Exploration-Production Director
Terciu Iulian Ermil	Human Resources Management Director
Prisca Maria Magdalena	Financial Director
Stancu Lucian Adrian	Corporative Management, Quality, Environment Director
Bodogae Horea Sorin	Procurement Direction Director
Pavlovschi Vlad	Business Development Director
Balasz Bela Atila	Energy Management Director
Morariu Dan Nicolae	Information Technology and Telecommunication Director
Birsan Mircea Lucian	Technical Director
Medias Branch	
-	Director
Achimet Teodora Magdalena	Economic Director
Sutoiu Florinel	Production Director
Man Ioan Mihai	Technical Director
Tirgu-Mures Branch	
Avram Pantelimon	Director
Caraivan Viorica	Economic Director
Matei Gheorghe	Production Director
Stefan Ioan	Technical Director
Ploiesti Branch	
Carstea Vasile	Director
Ionescu Viorica Maria	Economic Director

Scarlatescu Virgil	Commercial Director
Vecerdea Dan Adrian	Storage Director
Iernut Branch	
Bircea Angela	Director
Vlassa Susana Ramona	Economic Director
Oprea Maria Aurica	Commercial Director
David Stefan	Technical Director
SIRCOSS	
Dinca Ispasian Ioan	Director
Bordeu Viorica	Economic Director
Gheorghiu Sorin	Technical Director
STTM	
Rusu Gratian	Director
Ilinca Cristian Alexandru	Economic Director
Cioban Cristian Augustin	Operation-Development Director

According to the Articles of Incorporation, appointment and dismissal of executive directors is made by the Board of Directors; “*executive director*” means “*the person to whom the Board of Directors delegated competences to manage the Company*” – Article 24, paragraph (15).

The members of the executive management, except the director general, are employees of the company, having an individual labor 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 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, 2015:

Item No.	Name	Number of shares held	Weight in the share capital (%)
0	1	2	3
1	Rotar Dumitru Gheorghe	10,611	0.00275308
2	Stefan Ioan	2,649	0.00068730
3	Stefanescu Dan-Paul	601	0.00015593
4	Carstea Vasile	412	0.00010690
5	Prisca Maria Magdalena	165	0.00004281
6	Ilinca Cristian Alexandru	74	0.00001920
7	Morariu Dan Nicolae	52	0.00001349
8	Dinca 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. 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, 2015:

* RON thousand *

Indicator	31.12.2013	31.12.2014	31.12.2015	Variation (2015/2014)
0	1	2	3	4=(3-2)/2*100
Assets				
<i>Non-current assets</i>				
Property, plant and equipment	5,767,267	5,962,719	5,996,460	0.57%
Other intangible assets	383,956	407,449	399,859	-1.86%
Subsidiaries	-	-	1,200	100.00%
Associates	947	738	163	-77.91%
Other financial assets	-	-	29,300	100.00%
Other financial investments	76,900	76,889	70,080	-8.86%
Other non-current assets	17,093	-	-	0.00%
Total non-current assets	6,246,163	6,447,795	6,497,062	0.76%
<i>Current assets</i>				
Inventories	463,946	392,108	559,784	42.76%
Trade and other receivables	1,086,628	1,000,195	601,065	-39.91%
Other financial assets	1,574,924	2,343,864	2,146,827	-8.41%
Other assets	146,179	101,886	139,612	37.03%
Cash and cash equivalents	959,330	526,256	740,352	40.68%
Total current assets	4,231,007	4,364,309	4,187,640	-4.05%
TOTAL ASSETS	10,477,170	10,812,104	10,684,702	-1.18%
EQUITY AND LIABILITIES				
<i>Capital and reserves</i>				
Share capital	1,892,681	385,422	385,422	0.00%
Reserves	1,949,600	2,142,347	2,581,853	20.52%
Retained earnings	5,450,493	7,184,249	6,724,947	-6.39%
Total equity	9,292,774	9,712,018	9,692,222	-0.20%
<i>Non-current liabilities</i>				
Retirement benefit obligation	79,241	97,265	102,959	5.85%
Deferred tax liabilities	146,440	131,305	62,589	-52.33%
Provisions	196,950	202,293	200,855	-0.71%
Total non-current liabilities	422,631	430,863	366,403	-14.96%

Current liabilities				
Trade and other payables	202,796	216,983	186,937	-13.85%
Current tax liabilities	200,982	93,590	90,838	-2.94%
Provisions	47,316	35,814	28,779	-19.64%
Other liabilities	310,671	322,836	319,523	-1.03%
Total current liabilities	761,765	669,223	626,077	-6.45%
Total liabilities	1,184,396	1,100,086	992,480	-9.78%
TOTAL EQUITY AND LIABILITIES	10,477,170	10,812,104	10,684,702	-1.18%

Note: According to the Company's accounting policies, bank deposits and government securities having maturities less than 3 months as of the bank account opening date/ purchase date are considered cash equivalents. Bank deposits and government securities having maturities more than 3 months as of the bank account opening date/ purchase date are considered financial assets. In the individual annual financial statements prepared before December 31, 2014, classification of bank deposits and government securities in cash equivalents and financial assets, respectively, was made based on the remaining time from the year end to the maturity thereof. In order to ensure compatibility of periods, the amount related to the years ended December 31, 2013 and December 31, 2014 have been represented.

Non-currents assets

The total non-currents assets increased by 0.76% (i.e. RON 49.27 million) mainly due to the acquisition of tangible and intangible assets for gas exploration, appraisal and production, as well as opening bank accounts with a remaining period to maturity above one year, in amount of RON 29.30 million.

Considering the Company's legal obligation to unbundle the gas storage activity from the gas production and distribution activity under the Directive 2009/73/EC of the European Parliament and the Council of July 13, 2009, and the provisions of Article 141, paragraph (1) of the Law no.123/2012, the *S.N.G.N. Romgaz S.A. – Filiala de Inmagazinare Gaze Naturale Depogaz Ploiesti S.R.L.* was filed with the Trade Register Office in August 2015, the gas storage subsidiary being wholly owned by the Company. The share capital of the subsidiary is RON 1.2 million, divided in 120,000 shares with a nominal value of RON 10/ share. The subsidiary starts operation in April 2016 pursuant to the license issued by the *Autoritatea Nationala de Reglementare in domeniul Energiei* (ANRE, the Regulatory Authority for Energy). As of the date of individual financial statements for the year ended December 31, 2015, the storage activity was still performed by the Company. ANRE has modified under the Decision of the President no.2588/December 30, 2015 the license no.1942 on operating the underground gas storage system granted to SNGN Romgaz SA by the Decision of the ANRE President no. 151/January 22, 2014 in terms of changing the license titleholder to *S.N.G.N. Romgaz S.A. – Filiala de Inmagazinare Gaze Naturale Depogaz Ploiesti S.R.L.* The amended license was granted for the period April 1, 2016 - September 13, 2056. The Company did not prepare consolidated financial statements as of December 31, 2015, given that the subsidiary did not start operation on the incorporation date.

Decrease of other financial assets was determined by the impairment of financial investments held in the Lukoil Overseas Atash BV and Panatlantic joint venture, as a result of the intention to relinquish from the Rapsodia block in the Black Sea, according to the notification given by the partners to ANRM (RON 5.2 million), as well as the investment held in Electrocentrale Titan (RON 1.6 million), following the Company's decision to withdraw from the shareholding.

Current assets

The current assets decreased by 4.05% as compared to the previous year, as follows:

- Inventory balance, as compared to December 31, 2014, increased by 42.76%, that is by RON 167.68 million, mainly due to the increase of natural gas inventory by RON 100.1 million;
- Trade receivables decreased, as compared to December 31, 2014 by 39.91% as a result of diminished gas value and lower volumes delivered in Q4 2015, and the increase of the allowance related to doubtful clients by RON 290.71 million, especially as regards the receivables recorded for Electrocentrale Bucuresti (RON 238 million) and Electrocentrale Galati (supplemental allowance in 2015 by RON 49 million);
- Other current financial assets and cash and cash equivalent have recorded an increase by 0.59% as compared to the previous year and include cash in bank deposits, fixed-term deposits and government securities;
- Other assets have increased by RON 37.73 million (37.03%) as compared to December 31, 2014, mainly as a result of the increase of prepayments representing the costs of services with gas transmission into underground storages that are to be invoiced to customers as gas is delivered.

Capital and reserves

Reserves increased by RON 439.51 million as a result of allocating a share of the 2014 net profit (RON 407.03 million) to the development fund of the Company and a share of the current period profit (RON 31.85 million), following implementation of the fiscal facilities, in accordance with the Government Decision no. 421/ 2014 on modifying and supplementing the Implementing Rules of Law no. 571/2003 on the Fiscal Code.

Retained earnings decreased by RON 459.30 million, adversely affected by the allocation of the previous years' net profit to the destinations approved by the GMS; a positive effect was generated by the value of the 2015 net profit.

Non-current liabilities

As of December 31, 2015, non-current liabilities were lower than the ones of the previous year, especially due to the decrease of deferred tax liabilities.

Current liabilities

Trade payables and other payables decreased by 13.85% at the end of the year 2015, as compared to 2014, as a result of decrease of liabilities to non-current assets suppliers, while investments increased. At the same time, an increase of advance payments performed by customers for gas sales was recorded.

Current tax liabilities decreased due to a calculated Q4 2015 income tax, lower as compared to the one of the similar period of the previous year, as a consequence of a profit lower than in the previous year.

The Company **did not issue bonds or other debt instruments** during the 2015 financial year.

7.2. Statement of Comprehensive Income

The statement of comprehensive income for the period January 1 – December 31, 2015, as compared to the similar period of the years 2014 and 2013, is shown below:

Indicator	Year 2013 (thousand RON)	Year 2014 (thousand RON)	Year 2015 (thousand RON)	Variance (2015/2014)
0	1	2	3	4=(3-2)/2*100
Revenue	3,894,267	4,493,341	4,052,684	-9.81%
Cost of commodities sold	(439,178)	(175,638)	(40,228)	-77.10%
Investment income	123,279	78,729	44,185	-43.88%
Other gains and losses	(204,396)	(275,141)	(318,903)	15.91%
Changes in inventory of finished goods and work in progress	55,673	27,743	138,181	398.08%
Raw materials and consumables used	(79,311)	(66,167)	(78,262)	18.28%
Depreciation, amortization and impairment	(782,433)	(776,839)	(793,598)	2.16%
Employee benefit expense	(503,574)	(522,785)	(511,647)	-2.13%
Finance cost	(13,229)	(24,476)	(20,302)	-17.05%
Exploration expense	(59,221)	(43,332)	(42,395)	-2.16%
Other expenses	(744,867)	(1,034,627)	(1,040,670)	0.58%
Other income	53,632	107,521	79,793	-25.79%
Profit before tax	1,300,642	1,788,329	1,468,838	-17.87%
Income tax expense	(305,088)	(378,448)	(274,553)	-27.45%
Profit for the year	995,554	1,409,881	1,194,285	-15.29%

Revenue

In 2015, Romgaz achieved revenue of RON 4.05 billion, as compared to RON 4.49 billion achieved in 2014, lower by 9.81% due to the following:

- ↳ Decrease of delivered gas volumes, as a consequence of reduction in demand given that the average delivery price increased;
- ↳ Decrease of stored gas volumes, although storage tariffs approved by ANRE changed slightly;
- ↳ reduction of import gas volumes delivered as commodity.

Cost of Commodities Sold

In 2015, cost of commodities sold decreased by 77.10%, mainly due to the reduction in sales of imported natural gas.

Investment Income

In 2015, investment income decreased by 43.88% to RON 44 million, as compared to RON 78.73 million in 2014, as a result of reduction of interest rates for cash placed in bank deposits and government securities owned by the Company.

Other Gains and Losses

The higher loss recorded in 2015, as compared to the previous year, was mainly generated by allowances on trade receivables for Electrocentrale Bucuresti, in amount of RON 238 million, and Electrocentrale Galati, in amount of RON 49 million, respectively. The variation of net loss in 2015, as compared to the previous year, is influenced by the allowance recorded in 2014 for receivables for Termoelectrica (RON 43 million) and adjustment of loans given by the Company for the Poland blocks Cybinka and Torzym (RON 17.9 million in 2014, as compared to RON 18.9 million in 2015, with the supplemental adjustment recorded in 2015 amounting to RON 1 million).

Changes in Inventory of Finished Goods and Work in Progress

In 2015 and 2014, the volumes of gas owned by Romgaz injected into UGSs were higher than the withdrawn ones, generating thus a positive variation of inventory (income). The difference between the gas volumes injected into/ withdrawn from the UGSs was higher in 2015 as compared to the difference recorded in the previous year, generating thus an increase of income by RON 110.44 million.

Raw materials and Consumables Used

The value of consumables used was higher than the one recorded in the previous year, due to a large amount of regular well operations and works performed at compressor stations.

Depreciation, Amortization and Impairment

In 2015, depreciation, amortization and impairment expense amounted to RON 560.07 million, as compared to RON 484.98 million in 2014. The advance is due to increase of the depreciation and amortization base in 2015, as compared to 2014, as a result of non-current assets put into service.

In 2015, the net impairment expenses of tangible and intangible assets amounted to RON 233.53 million, as compared to RON 291.86 million in 2014. Net impairment expense in 2015 includes the impairment recorded for the projects developed in the Black Sea, in amount of RON 176.19 million.

Employee Benefit Expenses

Employee benefit expenses have not changed significantly from the previous year.

Finance Cost

In 2015, finance costs decreased by 17.05% as compared to 2014, due to the reduction in unwinding of the decommissioning provision relating to gas production and injection/withdrawal wells, as a result of the reduction of such provision as of December 31, 2015, as compared to the one recorded on December 31, 2014.

Exploration Expense

In 2015, exploration expense did not record a significant change as compared to the previous year. Such expenses were offset by the charge to income, in 2015, of the impairment recorded for those projects as of December 31, 2014, included in amortization, depreciation and impairment, the effect for 2015 being null.

Other Expenses

The breakdown of other expenses by elements of cost is shown in the table below:

Indicator	2014 (thousand RON)	2015 (thousand RON)	Variance (2015/2014)	
			(thousand RON)	(%)
1	2	3	4=3-2	5=4/2x100
Electricity	20,755	18,472	-2,283	-11.00
Gas capacity booking	40,427	40,574	147	0.36
Other taxes and duties	816,598	787,182	-29,416	-3.60
Provisions	(4,093)	2,128	6,221	-151.99
Other operating expenses	160,940	192,314	31,374	19.49
Total	1,034,627	1,040,670	6,043	0.58

In 2015, other expenses increased by RON 6.04 million, mainly due to the following:

- on December 31, 2015 a provision for litigations was recorded amounting to RON 15.9 million related to a control made by the *Agentia Nationala de Administrare Fiscala* (Romanian National Agency for Fiscal Administration);
- as of December 31, 2015, the provision for retirement benefit granted in accordance with the Collective Labor Contract, increased by RON 5.7 million, as compared to the advance recorded on December 31, 2014 in amount of RON 18 million;
- decrease of the provision for decommissioning of gas production and injection/withdrawal wells by RON 19.7 million in 2015, as compared to RON 7.9 million in 2014;
- increase of expenses with transportation of goods and personnel as compared to the previous year.

Other Income

In 2015, other income decreased by 25.79%, as compared to the previous year, mainly due to a reduction in penalties applied to the Company's customers with overdue payments.

Income tax expense

Income tax expense in 2015 includes the current income tax expense in amount of RON 343.27 million (2014: RON 393.58 million) and the deferred tax income in amount of RON 68.72 million (2014: RON 15.13 million).

Decrease of the current income tax in 2015 as compared to 2014 is due to the decline of income.

As regards the deferred tax, such is calculated by applying the income tax quota set by the fiscal legislation to the difference between the accounting and fiscal values of the assets and liabilities. In 2015, tangible and intangible assets generated a deferred tax income in amount of RON 32.98 million, as a result of depreciation during the year. Exploration assets generated in 2015 a deferred tax income in amount of RON 38.27 million, as a result of impairment recorded during the year for abandoned projects; as of the date of obtaining all required documents related to abandonment, the generated costs are deductible in calculating the current income tax.

Profit for the Year

Pursuant to the evolution of income and expense elements as above mentioned, in 2015 the net profit of the Company decreased by RON 215.60 million, that is by 15.29%.

To determine the net profit to be allocated, the 2015 net profit will be increased by the amount of fixed assets depreciation, carrying value of decommissioned non-current assets and abandoned works that were financed from the share of expenditures required for development and upgrade of natural gas production, in accordance with the Government Decision no.168/1998 in amount of RON 214 million.

7.3. Statement of Cash Flows

Statements of cash flows recorded in the period 2014 - 2015 are shown in the table below:

thousand RON

INDICATOR	2014	2015
1	2	3
Cash flow from operating activities		
Net Profit for the year	1,409,881	1,194,285
<i>Adjustments for:</i>		
Income tax expense	378,448	274,553
Investment income	(3,268)	-
Interest expense	34	34
Unwinding of decommissioning provision	24,442	20,268
Interest revenue	(75,461)	(44,185)
Loss on disposal of non-current assets	18,024	23,084
Change in decommissioning provision recognized in profit or loss, other than unwinding	(7,877)	(19,724)
Change in other provisions	3,783	21,852
Expenses for provisions for impairment of exploration assets	154,077	228,309
Exploration costs	43,332	42,395
Impairment of property, plant and equipment	137,783	5,219
Depreciation and amortization	484,979	560,070
Impairment of investment in associates	209	1,328
Impairment of other financial assets	11	6,809
Losses from trade receivables and other assets	233,340	292,146
Income from dismantling of assets	-	(2,232)
Write-down allowance of inventory	21,907	(4,576)
	2,823,644	2,599,635
Movements in working capital		
(Increase)/Decrease in inventory	50,008	(162,187)
(Increase)/Decrease in trade and other receivables	(154,869)	54,550
(Increase)/Decrease in trade and other liabilities	95,160	(15,202)
Cash generated from operations	2,813,943	2,476,796
Interest paid	(34)	(34)
Income tax paid	(500,975)	(346,021)
Net cash generated by operating activities	2,312,934	2,130,741
Cash flows from investing activities		
Investments in affiliated parts	-	(753)
Investments in subsidiaries	-	(1,200)
(Increase)/Decrease in other financial assets	(770,854)	158,050
Interest received	77,200	53,872
Proceeds from sale of non-current assets	154	42
Loan granted to associates	-	(726)
Loans reimbursed by the associates	-	65
Dividends received	1,634	1,634
Acquisition of non-current assets	(580,708)	(357,281)
Acquisition of exploration assets	(485,147)	(555,423)

Net cash used in investing activities	(1,757,721)	(701,720)
Cash flows from financing activities		
Dividends paid	(988,287)	(1,214,925)
Net cash used in financing activities	(988,287)	(1,214,925)
Net Increase/(Decrease) in cash and cash equivalents	(433,074)	214,096
Cash and cash equivalents at the beginning of the year	959,330	526,256
Cash and cash equivalents at the end of the year	526,256	740,352

Statement of cash flows presented above presents the cash flows for the periods 2014 and 2015, classified by type of activity: operating, investing and financing. Company's Statement of cash flows is prepared using the indirect method, whereby net profit is adjusted for the effects of non-cash transactions, any deferrals or accruals of cash payments or receipts from operations, past or future, and items of income or expense associated with cash flows from investing or financing.

Reconciliation of profit before taxation to cash flow generated from operating activities (before changes in net current assets) resulted in a negative change in the net adjustments of RON 224.0 million for 2015, as compared to RON 574.8 million for 2014.

The most important movements in cash flows were the receipts for gas delivered to the customers of the Company, payments for acquisition of non-current assets (RON 357.3 million) and exploration assets in amount of RON 555.4 million, as per the investment plans approved by the Company. Dividends paid to shareholders during 2015 amount to RON 1,214.9 million, as compared to RON 988.3 million paid in 2014.

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.

Government Emergency Ordinance (OUG) No. 109 of November 30, 2011 on public companies corporate governance, as amended and supplemented (the “Ordinance”), applies to Romgaz, as national company (Article 2, Par. 2, item b).

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 shareholdership 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 Resolution No. 19 of October 18, 2013 and respectively by Resolution No. 5 of July 30, 2014, and Resolution No. 8 of October 29, 2015 (latest update of the Articles of Incorporation).

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. Admission of the company in this superior category is due to the fact that the company's shares are among the 25 most liquid securities, in terms of liquidity coefficient, the average free-float capitalization for the last 3 months exceeding EUR 40 million.

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.

The corporate Governance System was and will be 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;
- ✘ Inclusion in the Board's Annual Report of a chapter dedicated to corporate governance referring, among others, to the Board of Directors, Nomination and Remuneration Committee and Audit Committee, or to executive management presentation;
- ✘ Inclusion in the Board's Annual Report of a section referring to compliance with the provisions of the Corporate Governance Code of BVB (Annex 2);
- ✘ Diversification of 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;
- ✘ Establishment of 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.

Some of the measures to be implemented include:

- ✘ Implementation of a set of rules on transactions of shares by directors or other individuals bound by these rules;
- ✘ Implementation of remuneration policy for the management members, which should include a fixed component and a variable component that should depend on the results of their assessment. According to London Stock Exchange Corporate Governance Code long term bonus schemes should be approved by GMS.

The updated Company's Articles of Incorporation, as approved by EGMS Resolution No. 8 of October 29, 2015, is posted on the internet webpage www.romgaz.ro, at the section dedicated to Investor Relations – Corporate Governance.

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 due to shareholders;

- 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 management of the Board members;
- g) to appoint and to dismiss the financial auditor and to set the minimum term of the financial audit contract;
- h) to decide with respect to contracting bank loans with an individual or cumulated value with other bank loans in progress over a financial year of 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 governed under a one-tier system by a Board of Directors consisting of 7 (seven) directors, one of them being appointed Chairman of the Board. The majority of the Board members must consist of non-executive and independent directors and, at least one of them, must have a degree in economics and at least 5 years of experience in economics, accounting, audit or financial area.

The board members are elected by the general meeting of shareholders, in compliance with legal applicable provisions and the provisions of the Articles of Incorporation.

The board members of the company on December 31, 2015 are mentioned in Chapter VI "Management".

The Board of Directors has the following basic competencies which cannot be delegated to executive directors:

- a) to set the core business and development directions of the company;
- b) to approve the Company Management Plan;
- c) to set the accounting policies, the financial control and financial planning system;
- d) to appoint and dismiss the executive directors, including the Director General and to establish their remuneration;
- e) to control the executive directors' activity;
- f) to draft the annual report of the Board of Directors;
- g) to organise the General Meeting of Shareholders, and to enforce their resolutions;
- h) to file for insolvency prevention and for the insolvency of the company;
- i) to draft rules for its own activity, for the activity of the GMS and that of the advisory committees and of the management, without contradicting the legal provisions or the Articles of Incorporation;
- j) incorporation or dissolution of secondary offices (branches, agencies, work points or any other locations);
- k) granting project bonds with values not exceeding, individually or cumulatively with other project bonds in progress, EUR 100 million, equivalent in RON;
- l) granting loans to companies where Romgaz is shareholder for a value not exceeding, individually or cumulatively with other loans alike in progress, EUR 50 million, equivalent in RON;
- m) other competencies of the Board of Directors that cannot be delegated, according to the law.

The Board of Directors convenes whenever necessary, but at least once every three months. Board meetings may be convened by the Chairman or upon the reasonable request of at least 2 directors or of the Director General. For decisions to be valid, it is necessary that the majority of the Board members participate in the meeting and the decision has to be made by majority of the votes validly casted. If a director has, directly or indirectly, interest in a certain business, contrary to the company's interests, the director has to inform the other directors and the internal auditor of such matter and he/she will not take part in any discussion related to such business. This obligation also is valid when the Director is aware that the husband, wife, relatives or in-laws up to the IVth degree inclusively are interested in such business. A minute will be drafted after each Board meeting underlying the resolution of the Board that will include all decisions made in the meetings.

In December 2015, the Board of Directors made its first self-assessment. The result of the self-assessment outlined the following main directions to be improved: strategy, risk management, communication, transparency, investor relations. Some of the measures to be included in the Action Plan are:

- drafting, approval and implementation of anticorruption strategy in the company;
- reviewing the Board's and Advisory Committees' rules, a measure imposed by the new Corporate Governance Code of the company;
- setting the company strategy implementation methodology and drafting a plan of measures for fulfilling strategic objectives;
- implementing a centralised risk management system.

Advisory Committees

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 47 of GEO No. 90/2008 related to statutory audit of annual financial statements, which consist mainly in monitoring the financial reporting process, the internal control, the internal audit and risk management systems within the company, as well as in controlling the statutory audit activity related to annual financial statements.

The Nomination and Remuneration committee has, basically, the competence to evaluate beforehand and to recommend candidates as members of the Board of Directors and as executive directors, and it can be assisted in this approach by an independent expert specialized in human resources recruitment. As related to remuneration, the main duty of the committee is to elaborate *an annual report on the remunerations and other benefits given to directors and executive directors during the financial year*, report that is presented to the General Meeting of Shareholders which approves the annual financial statements (according to Article 55, paragraph (2) of GEO No. 109/2011).

Main Responsibilities and Duties of the Nomination and Remuneration Committee are as follows:

- ✍ advances proposals for director positions, including the position as Chairperson of the Board of Directors;
- ✍ drafts and submits the candidates selection process for executive director;
- ✍ recommends candidates for executive director positions;
- ✍ submits proposals for remuneration of executive directors;
- ✍ other responsibilities as established by the Board of Directors or as provided by law.

Main Responsibilities and Duties of the Audit Committee are as follows:

- ✍ coordinates the activity of the internal audit;
- ✍ coordinates the selection activity of the statutory auditor or of the audit firm and issues the recommendation for appointment of a statutory auditor or of an audit firm;
- ✍ verifies and monitors the independence of the statutory auditor or of the audit firm;
- ✍ monitors the financial reporting process;
- ✍ monitors the effectiveness of internal control, internal audit and risk management systems;

- ✍ endorses the annual and multiannual internal audit plan;
- ✍ endorses the internal audit reports and recommendations formulated by the internal auditors;
- ✍ monitors the statutory audit of annual financial statements and of consolidated annual financial statements;
- ✍ other responsibilities as established by the Board of Directors or as provided by law.

Main Responsibilities and Duties of the Strategy Committee are as follows:

- ✍ reviews and/or endorses the development strategy of the company and endorses the annual plan for average term (3 years) for implementation of the strategy elaborated by the executive management;
- ✍ analyses the proposals elaborated by the executive management regarding the investment plan, related to strategic proposals, to include the projection of the income and expenditure budget and to make recommendations and to endorse the investment plan afferent to strategic proposals, including the implementation mode of the strategic objectives;
- ✍ assists the Board of Directors in fulfilling its responsibilities to elaborate and update the general development strategy of the company;
- ✍ analyses the opportunities identified by the executive management regarding the business development and issues recommendations of the Board of Directors as far as regards the identified opportunities.

On December 31, 2015, the advisory committees' structure was the following:

I) Nomination and remuneration committee:

- ✍ Negrut Aurora
- ✍ Popescu Ecaterina
- ✍ Jansen Petrus Antonius Maria
- ✍ Baciu Sorana Rodica (starting with February 22, 2016 she resigned from her position as director)

II) Audit committee:

- ✍ Baciu Sorana Rodica (starting with February 22, 2016 she resigned from her position as director)
- ✍ Jansen Petrus Antonius Maria
- ✍ Chisalita Dumitru

III) Strategy committee:

- ✍ Dorcioman Dragos
- ✍ Chisalita Dumitru
- ✍ Metea Virgil Marius

- ✎ Baciú Sorana Rodica (starting with February 22, 2016 she resigned from her position as director)

Information regarding the Board of Directors' meetings and the Advisory Committees during 2015

During 2015, the Board of Directors held a number of 17 meetings, in compliance with the legal and statutory provisions, out of which:

- 10 meetings with effective meeting of the directors and
- 7 meetings by teleconference.

The situation of participation in the Board of Directors' meetings:

Name and Surname	Effective Participation	Authorization	Absence
AURORA NEGRUT	16	1	-
VIRGIL-MARIUS METEA	16	1	-
ECATERINA POPESCU	13	1	3
PETER ANTONIUS JANSEN	16	1	-
DUMITRU CHISALITA	11	4	2
SORANA BACIU*	16	-	-
DRAGOS DORCIOMAN**	13	3	-

*mandate starting with January 19, 2015

**mandate starting with February 2, 2015

The situation of the Advisory Committees' meetings:

Nomination and Remuneration Committee: 6 meetings, out of which:

Name and Surname	Effective Participation
AURORA NEGRUT	6
ECATERINA POPESCU	5
PETER ANTONIUS JANSEN	6
SORANA BACIU	6

Audit Committee: 4 meetings, out of which:

Name and Surname	Effective Participation
SORANA BACIU	4
DUMITRU CHISALITA	4
PETER ANTONIUS JANSEN	4

Strategy Committee: 2 meetings, out of which:

Name and Surname	Effective Participation
DRAGOS DORCIOMAN	2
SORANA BACIU	2
PETER ANTONIUS JANSEN	2
VIRGIL-MARIUS METEA	2

Director General

In compliance with the Articles of Incorporation “*the Board of Directors shall assign, totally or part of, the management competences of the Company to one or more executive directors, appointing one of them as Director General*” Article 24, paragraph (1), “*executive director*” means “*the person to whom the Board of Directors delegated authority to manage the company*” Article 24, paragraph (12).

The Board of Directors appointed Mr. Virgil Marius Metea as Director General and delegated him the following responsibilities and duties:

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.

The Director General must inform periodically 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

The 2015 Annual Plan draft, together with the supporting documents, were submitted for the Director General's approval on November 28, 2014, under no. 33/977.

The company's activities review was the starting point of the Annual Plan. The risks affecting the company's activities and the relating risk assessment were also included in the Annual Plan. Risk assessment factors/criteria were set by taking into account the recommendations for the following 5 factors contained in Romgaz General Internal Audit Norms:

- internal control assessment;
- quantitative assessment;
- qualitative assessment;
- legislative amendments;
- personnel service time.

The calculation methodology of the time available for the annual internal audit plan – according to the form coded by the internal procedure 18F-24, shows that there are:

- 218 days as total available calendar days;
- 169 days as days available for internal audit missions.

In compliance with the law, the remaining 49 days are used for other internal audit activities: annual reports, annual and strategic planning of the internal audit quality improvement program, professional training and other requirements made by the management etc.

The 2015 Audit Plan includes 3 conformity/regularity audit missions:

Mechanical activity	February 02 - May 22, 2015;
Authorizations and regulations in the field of natural gas activity	May 25 – July 24, 2015;
Joint Ventures activity	September 01 – November 06, 2015.

The audit missions for 2015, until December 31 were the following:

I. Assurance mission for Mechanical Activity

The main objectives are:

- Coordination of the mechanical activity regarding the Fixed Assets Evidence and Management
- Planning and carrying out of acquisitions/contracts related to the activity
- Pursuit and development of repairing services between braches
- Management of Authorizations and Certifications related to the activity

To improve the Mechanical Activity, the internal auditor team drafted 31 recommendations in Audit Report no. 17,426/June 06, 2015.

II. Assurance Mission for Authorizations and Regulations in the field of Natural Gas

The main objectives of this mission are:

Obtaining authorizations, licences and approvals issued by the competent state authorities according to the legal provisions in force necessary for the natural gas production, distribution and underground storage activities;

Management of the authorizations, licences and approvals in the activity of natural gas production, distribution and underground storage

To improve the activity of authorizations and regulations in the field of natural gas, the internal audit team drafted 19 recommendations in the Audit Report no. 23, 379/August 17, 2015.

III. Assurance Mission for Joint Ventures Activity

The main objectives of this mission are:

Monitoring the development of Joint Ventures Contracts without legal persons establishment

Monitoring the Joint Venture Agreements

To improve the Joint Venture activity, the internal audit team drafted 37 recommendations in the Audit Report no. 36,220/December 23, 2015.

The Internal Audit Plan was achieved 100%.

Corporate Social Responsibility (CSR)

Romgaz supports the sustainable development of the company and the community, based on intense knowledge of long term interconnections between causes and effect under three main aspects: environment, social and economic.

2015 started with a close assessment of the dimension reached during the assumption process of the Corporate Social Responsibility policy during the previous year, the social involvement level being highlighted by the coherence of the programs carried out, which had a positive response as far as concerns the stakeholders' expectations.

Romgaz sustains actions and programs in fields such as educations, health, environment and development of the communities. The company is receptive to the stakeholders' initiatives orientated towards the harmonizing efforts to improve the quality of life and well-being of present and future generations and who approve the company's business strategy.

CSR causes and business objectives are integrated in a coherent strategy, based on a good understanding of the communities where they develop their activity, thus the business strategy contributes to the sustainable development of the communities.

Health Field and Concern for the Environment

Investing in sustainable projects confirms the company's concern to align with the international good practice principles of social involvement. In 2015 Romgaz continued to offer support in sustaining and implementing a various range of programs in the field of health, by proving high performance medical equipment for four hospitals – Medias, Tirgu-Mures, Sibiu and Blaj –, by developing and modernizing the infrastructure of some centres for

disabled persons or by offering support as far as concerns the specialized treatment for children diagnosed with autism. In general, the hospital institution and health are considered top expectations at the level of the local communities, being given the underinvestment of the national health system. Supporting the medical units was and is an invariable concern for Romgaz, confirmed by the history of the medical units' sponsorships.

To protect the environment, beyond its legal liabilities, Romgaz involves in environmental conservation campaigns in the communities where the company has work stations. Along with the sustainable management of the already existing energy resources, Romgaz promotes environment respect, through sustaining the pollution prevention and reduction initiatives.

“Green Hospital” – energy efficiency program

At the end of 2015 the *“Green Hospital”* pilot project was finalized, a Romgaz CSR Project of energy efficiency of the main sanitary unit of the community – The Municipal Hospital, Medias. The program pointed at the contribution to the modernization and energy efficiency of a section of the Municipal Hospital from Medias. The modernization consisted in assembling a heat pump and three solar panels, which allow the administration to ensure the heat carrier for household and central heating from green resources and to reduce the energy costs with approx. 50% every year. Due to the recorded success the implementation of *“Green Hospital 2”* project is taken into consideration. The Municipal Hospital, Medias takes steps towards energy efficiency of other buildings following the pilot project.

Projects for encouraging education and social impact initiatives

„Let's go to school!” - intervention program for school participation

A program initiated by UNICEF, to which Romgaz joined, too, consisted in counselling the teaching staff, local authorities and parents, in order to ensure the access to education among children from socially and economically disadvantaged families in 5 unprivileged communities from Buzau, Dambovită, Neamț, Prahova and Suceava during the school year 2014 – 2015.

In the schools sponsored by Romgaz, the total number of pupils who benefited from the interventions carried out within the campaign was of 1,244 (689 pupils from the primary school and 555 pupils from the secondary school), out of which 170 were identified with high risk of school-drop (79 pupils from the primary school and 91 pupils from the secondary school).

At the end of 2015, Mister Virgil Marius Metea, Director General of Romgaz, together with the UNICEF representative in Romania, Mrs. Sandie Blanchet, visited School with grades I-VIII from Cilibia, the county of Buzau, sustained by Romgaz starting with year 2014 – 2015. The school from Cilibia is a good practice example, through increase of the school participation and reduction of truancy, recorded in this school due to *“Let's go to school!”* program.

All the experiences, the lessons learned and the good practices developed within the *“Let's go to school!”* campaign, shall be assumed, developed and integrated in the project carried out at the level of the county of Bacău *“Social inclusion through provision of integrated services at community level”*, intending social inclusion, increasing the participation degree in education and reduction of truancy risk and school-drop for the community children.

“Social inclusion through provision of integrated social services at community level”

With an implementation period up to 2017, this pilot project initiated by UNICEF intends to test a model of providing integrated community services in the county of Bacău. The project will be implemented in approximately 50 rural and urban communities in the county of

Bacau, from a total of 85 localities which already exist in the county. It is estimated that over 54,000 children and their families shall benefit from this model, out of which 5,400 are children exposed at high risk of social exclusion. In the above-mentioned communities there will be an evaluation of the entire population by children and their families, and, according to the identified needs, they will be provided a set of basic social, health and educational services, ensured by professional at local level, respectively: social assistant, community nurse, school and sanitary mediator, adding other services of inclusive and quality pre-school and school education, all coordinated by local authorities, with technical and methodological support from the county authorities.

The concept of supplying integrated services at community level was formulated last year as a result of a common initiative of the Ministry of Labour, Family, Social Protection and Elderly Persons, the Ministry of National Education and the Ministry of Health, with UNICEF support.

Educational Project for High School Students "Cinema Edu"

"Cinema Edu", currently at its Vth edition, is the most extended film and social education project in the country, meant for high school students in Romania. Year by year the most successful European films are presented, followed by innovative talks among high school students with special guests from the film industry and not only. The subjects discussed were inspired from the projected films and covered areas such as environmental responsibility, family, communication problems or the healing power of art. Together with the project's guests, film directors, actors or film critics, over 2,000 high school students took part in this project, where visual art represented a basic instrument for a complex education based on interdisciplinarity. For more than six months of films projections, students from Ploiesti, Craiova, Medias, Tirgu-Mures and Roman, learned to appreciate art films and, especially, to understand their viewing modes.

Romgaz supported this project together with Macondo Cultural Association, the Ministry of Education, Research, Youth and Sports, County School Inspectorates.

"Young Leaders Club Summers School" Project

Through the "Young Leaders Club Summers School" Project, developed at the beginning of 2015, Young Leaders Club (YLC) Association addressed to an interactive debates style of some topical subjects, such as financial crisis, investments, a full and deep analysis of current financial markets by organizing training sessions, seminars and conferences, addressing to a young public, eager to evolve.

During the XIth Edition, in 2015, the program concentrated upon the financial industry challenges at global level. The participants were Romanian and foreign students, future graduates of elite universities in the world, interested in the opportunity of a career in financial field. Among the lectors of the program were university professors, bankers, traders or worldwide economists and the program ended with a final examination organised with the help of Bloomberg Institute, which offers the graduates an international certification of their knowledge and abilities.

The courses of Young Leaders Club, which during the organised editions counted over 300 participants, developed under the theme of a continuous education, are meant to increase the level of knowledge of the participants, as well as practical abilities, in order to apply business concepts associated to some successful models in education.

National School Olympiads

In 2015 Romgaz supported the National Olympiad of Mathematics, 2015 – 2016, for Grades V – XII and the National Olympiad of Romanian Language and Literature, organised by the School Inspectorate of Mures County. As part of the generations' consciousness, the school

Olympiads represent the success of a long perseverant activity, creating an air of competition and boldness, stimulating the wish to be the best.

Performance Support Programs in Romanian Sport

Romgaz supports performance in Romanian sport and promotes the values which sport represents. Its involvement in the sport community includes a various sport activities range such as football, basketball, ninepins, table tennis, body building and fencing.

Supporting the community representatives abilities for sport performances, is an answer to the company's wish to invest in the development of a healthy community, sports leading to man's development and perfection as a society member, and the values which sports represent become essential instruments for social and educational integration.

National Chess Team Championship

The National Chess School Team Championship was a project organised based on a collaboration protocol with the Ministry of Education, The Romanian Chess Federation, the National Authority for Sport and Youth and Elisabeta Polihroniade Association. Supporting such a project highlights the importance which such sports, like chess may have for the education and the development of young person's intelligence.

The National Chess School Team "Elisabeta Polihroniade, reserved to mixed teams counted at national level over 10,000 participants and it ended with the awards festivity in Olanesti, where, for three days, approximately 400 children from 69 Clubs competed during seven rounds, to win the medals and the cups offered for the Grand Final.

"Kings Tournament" – Romgaz

An event of success, where Romgaz was involved together with the *Elisabeta Polihroniade* Sports Club Association and the Romanian Chess Federation, is the International Chess Championship *Kings Tournament*, which has reached its IXth edition, and since its Vth edition it has become one of the most appreciated competition of this kind worldwide, being recognized by the Romanian Chess Federation as well as by the International Chess Federation (FIDE).

As the competition has gained more and more recognition under the aegis of performance, Romgaz has been increasing its support of the Kingsport, becoming one of the most important supporters in the country for all the 9 editions. By choosing to support the organization of such a prestigious tournament, Romgaz proves its commitment to true values and to mind performance, the competition becoming part of the company's actions of social responsibility.

Sports Clubs

Due to the company's involvement in sport, Table Tennis Sport Club Medias, activating in SuperBowl, develops its activity respecting modern standards, helping its member to gain performance, which is proven by numerous distinctions received by the Sports Club sportsmen.

The women's nine-pins bowling team of Romgaz – Electromures activates in the National Championship and is one of the most emblematic team of this type from Romania. Over the time the team won several national and international titles, with a very impressive prize list: 19 national champion titles, 15 World Cup titles, as well as other international cups.

Sport Club Gaz Metan Medias is composed of several sports departments, supported by Romgaz, developing their activities in Romania's national championships, and the Basketball and Football Teams enjoy remarkable sport performances.

Art and Culture

“George Enescu” International Festival and Competition, the 12th edition

An important cultural event of the contemporary Romania, “George Enescu Festival” became a guide on the world cultural map. This year, Romgaz sustained the organization of an event marked by the excellence of the invited artists, being the most prestigious international musical event hosted in our country.

“Medias Central European Film Festival 7+1”, the Vth edition

Romgaz was involved in sustaining the Medias Central European Film Festival (MECEEFF), a cultural event which united famous names of the European and Israeli film industry, being both a cultural and multi-ethnic event.

Sibiu Jazz festival, the 45th edition

In 2015 “Sibiu Jazz Festival” was organized with Romgaz support, event which joined the promoting the jazz music values and aesthetics is the oldest festival of this kind in Romania. The festival enjoys international recognition and the appreciation of a music lover around the world.

International Theatre Festival Sibiu, the 22nd edition

Romgaz sustained the organization of the 22-nd edition of the International Theatre Festival from Sibiu. The event took place between June 12 – 21, 2015, under the title “Growing Smart – Smart Growing” and it enjoyed the presence of 2,673 artists and guests, from 70 countries, who presented 427 events in 67 playgrounds, with a daily presence of around 65,000 spectators.

Events hosted in partnership with Romgaz

“Casa Gazelor” – Events hosted in partnership with Romgaz

Casa Gazelor Naturale Romgaz (House of Natural Gas Romgaz) hosted a series of events dedicated to the community such as book launches, exhibitions of paintings and graphics, symposiums, communication sessions or the development of other events dedicated to some national or international celebrations.

During April 6th – 10th, 2015, within Romania's educational institutions developed a series of activities enrolled in “*A Different School!*” program. Casa Gazelor Natural Medias sustained the pupils and the teachers by establishing a specific program for the institution: visiting the exhibition “Natural Gas – past and present”, glass-painted icons exhibition under the title “Easter through children's eyes”, opened with the help of pupils from the school of Brateiu, documentary films visioning under the title of “The History of Natural Gas in Romania”.

The numerous events hosted and developed during 2015 in partnership with Romgaz are presented on the website of Casa Gazelor Naturale Medias.

Romgaz Volunteering

Romgaz employees gave a positive answer to the initiative to form a group of Romgaz volunteers to present the company during different actions dedicated to the local community and to respond to the programs which meet the expectations of a healthy community and a clean environment.

“Earth Hour” marked by the initiatives of Romgaz employees volunteering actions

To transmit a global message about the need to be responsible towards the environment and to involve in the construction of a sustainable future, on March 28, 2015, Romgaz turned off the lights from its headquarters in Medias, during 08:30 PM - 09:30. At the same time, the company organized at Casa Gazelor Naturale Medias a guitar concert by candlelight, sustained by a group of pupils from “Hermann Oberth” School, Medias. Another event where Romgaz volunteers participated in was running at night in Binder Bubi area, Medias, initiative developed in collaboration with Dianthus Association. The volunteering actions were the answer to the community's need to sensitize the public opinion regarding the impact of climatic changes and the need to engage in environmental actions.

Safety on the Internet

At Casa Gazelor, within the social responsibility project “Safety on the Internet”, young users of the internet, pupils attending schools in Medias, were invited to take part in interactive sessions on the risks to which they are exposed in the virtual world. A brief notice on the truthfulness of the actions on the internet and the modality in which they can protect against the cybernetic attacks, recommendations for the correct accessibility of the information on the internet and rules for the safe use of the internet, completed the sessions developed within the project.

Industry Photography Workshop, Romgaz

On April 2015, Romgaz, a promoter of an open and responsible relationship towards its employees, meet the proposal of CSR Team to organize, within the company, a workshop dedicated to industry area, for the company's photography enthusiasts. The photo session developed during 3 days and it combined elements of photographic theory with practical photo sessions at Romgaz locations. The photo workshop reunited 11 volunteers. The project intended to increase and update the photo data base of the company and to promote a healthy and open culture of the organization.

Initiative for sustaining the persons with special needs

On the occasion of Easter, Romgaz hosted, at its headquarters, an exhibition of the Romanian Association for Mentally Handicapped Persons, Medias Subsidiary (*Asociatia Romana pentru persoane cu handicap mental, Filiala Medias*), under the title “*Offering gifts on holidays*” (*Dar din dar de sarbatori*). By purchasing the exhibits, Romgaz employees voluntarily contributed to the support of the association's members with special needs.

Development of Local Communities

During 2015 Romgaz continued its social solidarity towards NGOs, institutions for sustaining and implementation of a large variety of social programs to support some educational, cultural-artistic and musical projects, congresses or scientific publications, modernization of infrastructure, such as renovation, remodelling, restoration works, construction of new edifices, construction of social centres, social educational programs and rehabilitation of religious buildings.

Social Responsibility Projects, Actions and Initiatives Results for 2015 in figures (RON)

Expenses/Activities Name	Program	Actual
Total of sponsorship expenses, out of which:	11,831,000.00	11,755,225.50
* expenses with sponsorship of Sports Clubs and the fields provided in GEO no. 2/2015 – Article XIV, letter b)	6,890,000.00	6,822,058.00
*expenses with humanitarian and social aid and the fields provided in GEO no. 2/2015 –Article XIV, letter a)	4,411,000.00	4,403,737.10
*other sponsorship expenses	530,000.00	529,429.78

Politics and Remuneration Criteria of the Executive and Non-Executive Members of the Board of Directors***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 nr. 31/1990 on trading companies, as amended;
- GEO no. 109/2011 on corporate governance of public enterprises, as amended;
- The company's Articles of Incorporation, approved by the Extraordinary General Meeting of Shareholders no. 12/September 26, 2012, as amended;
- 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 through which the Mandate Contract of the Director General of the company was approved;
- Resolution no. 12/July 26, 2013 of the Ordinary General Meeting of Shareholders through which the Directors' Contracts were approved.

The structure of the remuneration granted to non-executive directors***Fixed Remuneration***

The fixed monthly remuneration for each non-executive member of the Board of Directors was established according to Article 37, paragraph (3) of the GEO no. 109/2011 on corporate governance of public enterprises, as modified through GEO no. 51/2013 and provided in the Director Framework Contract approved through Resolution no. 12/July 26, 2013 of the General Meeting of Shareholders.

The fixed monthly salary is paid considering the following criteria:

- ✓ The Chairperson and members of the Board of Directors who belong to at least two advisory committees at Board's level benefit from a fixed monthly salary at maximum value;

- ✓ The Board members who belong to an advisory committee constituted at the board's level, benefits from a fixed monthly salary representing 90% of the fixed monthly salary at maximum value;

Variable Remuneration

The variable remuneration was established according to provisions of Article 37, paragraph (5) of the GEO no. 109/2011 on corporate governance of public enterprises, as amended through GEO no. 51/2013, which provides that:

“The level of the variable component is determined according to duly justified recommendations, formulated on the basis of a comparative study on the payment conditions for similar positions in companies, from the same activity field, whose majority shareholder is state, in and other European states, or based on the nomination committee or, if applicable, by human resources recruitment experts whose services were contracted for the procedure of selecting the Board members /supervisory committee...”

It was also corroborated with the provisions of the Directors' Contracts, whose frame content was approved through Resolution no. 12/July 26, 2013 of the General Meeting of Shareholders.

According to the Directors' Contracts the variable remuneration is divided into two sub-components, a first component depending on the fulfilment of performance indicators, while the second sub-component could be granted in case of exceeding the accomplished net profit level with a higher percentage of 0.4% as compared to the one approved through the income and expenditure budget of the company, respectively the amount which represents the difference between the actual accomplished net profit and the estimated net profit for every financial year, but not larger than the value of the annual fixed salary determined according to Article 16 from the Directors' Contract.

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

Fixed remuneration

The fixed monthly remuneration of the executive director – Director General, was established corroborating the provisions of Article 37, paragraph (4) of the GEO no. 109/2011, providing that:

“Article 37 (4)The fixed monthly remuneration of the executive members cannot exceed the mean of the average gross monthly salary on the last 12 months in the company's field of activity, as communicated by the National Statistics Institute prior to appointment.” corroborated with Resolution no. 14/2013 of the General Meeting of Shareholders, which provides that:

“Item 1.Establishes the general limits of the remuneration of the Director General of SNGN Romgaz SA, executive director of the Board of Directors, as follows:

- *For the fixed monthly average gross salary between 4 and 6 times on the last 12 months of the gross monthly salary in the company's filed of activity, as communicated by the National Statistics Institute prior to appointment”.*

Variable Remuneration

The variable remuneration was established according to provisions of Article 37, paragraph (5) of the GEO no. 109/2011 on corporate governance of public enterprises, as amended through GEO no. 51/2013, which provides that:

“(5) The level of the variable component is determined according to duly justified recommendations, formulated on the basis of a comparative study on the payment conditions for similar positions in companies, from the same activity field, whose majority shareholder is state, in and other European states, or based on the nomination committee or, if applicable, by human resources recruitment experts whose services were contracted for the procedure of selecting the Board members /supervisory committee...”

together with provisions of Article 38, paragraph (2) of the GEO no. 109/2011, providing that:

“The remuneration consists of a fixed monthly salary within the limits provided at Article 37, paragraph (4) and of a variable component, consisting of a share of the company's net profit, a retirement scheme or other forms of remuneration based on performance indicators.”

corroborated with provision of Mandate Contract and Resolution no. 14/August 26, 2013 of the General Meeting of Shareholders.

In this context, according to the provisions of the mandate contract, the variable remuneration is divided into two sub-components, a first component depending on the fulfilment of performance indicators, while the second sub-component could be granted in case of exceeding the accomplished net profit level with a higher percentage of 0.4% as compare to the one approved through the income and expenditure budget of the company, respectively the amount which represents the difference between the actual accomplished net profit and the estimated net profit for every financial year, but not larger than the value of the annual fixed salary determined according to Article 12 (i) from the Mandate Contract of the Director General.

IX. PERFORMANCE OF THE MANDATE CONTRACT/DIRECTOR'S CONTRACTS

The timeline of the directors' contracts, the mandate contract, the Management Plan and the Directors' 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** – The GSM Resolution no. 12 approves the Director's Contract to be concluded with the members of the Board of Directors;
- ✘ **September 25, 2013** – the GSM Resolution no. 16 approves the 2013-2017 Directors' Plan prepared and presented by the Board of Directors;
- ✘ **December 16, 2013** – the Board's Resolution no. 29 approves the Mandate Contract between Romgaz and Mr. Virgil Marius Metea as executive director-Director General.
- ✘ **January 29, 2014** – the Board's Resolution no. 1 approves the “Management Plan of Romgaz's Director General over the mandate contract's term *i.e.* 2013-2017”.

9.1. Objectives and Performance Criteria

The Director General's Management Plan encloses his vision for the fulfilment of the company's strategic objectives as provided in the Directors' Plan and the fulfilment of performance criteria and objectives set in the Director's Contracts.

The Director General's performance criteria and objectives are the same with the performance criteria and objectives provided in the Director's Contracts.

The main *performance objectives* provided in the Directors' Contracts and 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.

Together with the specific measures taken for fulfilling each objective, Romgaz committed to implement general measures supporting the fulfilment of the company's strategic objectives. Such measures target the following activity segments:

- 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.

Considering that the Management Plan was approved only on January 2014, the reporting of measures and actions undertaken to fulfil the company's strategic objectives begins only in Q1 2014.

The measures and actions for the fulfilment of strategic objectives, as set in the Directors' Plan, are quarterly and annually monitored 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.	Labor productivity	RON/person	increasing	6%/ year	0.10
4.	OPEX to RON 1000 operating 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

For the purpose of mitigating pronounced fluctuations of the indicators due to external factors beyond the company's management control, the indicators are calculated by means of relating their resulting value over the reporting period to the arithmetic means of the indicators' values resulting during the past three time periods previous to the reporting period.

In view of the fact that:

- ✎ Government Decision provisions no. 831 dated August 4, 2010 approved the selling by the Ministry of Economy, Commerce and Business Environment (through OPSPI) of 15% of SNGN Romgaz S.A. share capital;
- ✎ the shares selling process, respectively the approval for trading of shares on the regulated market operated by Bucharest Stock Exchange and of GDRs on London Stock Exchange was finalized in November 2013;
- ✎ from an accounting perspective, by the time shares were admitted for trading on a regulated market Romgaz carried out its activities in accordance with Public Finance Ministry Order no. 3055/2009;
- ✎ in 2012, after issuing **Order no. 881 dated June 25, 2012**, the Public Finance Minister decided to expand the scope of IFRS. According to this piece of legislation, the companies whose securities are admitted for trading on a regulated market must apply as of 2012 the IFRS when preparing the annual financial statements;

According to Public Finance Minister Order no. 1,121/2006, these entities had the option (not the obligation) to prepare separate financial statements based on IRS for other users than the Romanian state entities.

Order no. 881/2012 repeals Article 4 of Order no. 1,121/2006 requesting the IFRS applying entities to also draft financial statements in accordance with national accounting provisions;

- ✎ the Public Finance Minister Order no. 1,286/October 1, 2012 approved the Accounting Regulations complying with IFRS applicable to companies whose securities are admitted for trading on a regulated market.

Romgaz is obliged to apply IFRS as of 2013.

Because prior to trading of shares the company's statutory accounting was according to Public Finance Minister Order 3055/2009 and as of 2013 it is according to IFRS, some clarifications are due in relation to how the performance indicators' achievement degree is calculated. The Board of Directors approved on November 13, 2013 the required clarifications:

- ✎ "quarter" means the accumulated time starting from the beginning of the year until the end of the quarter for which performance indicators are calculated;
- ✎ for comparison purposes, as of 2014, for the interim periods of the year (QI, QII and QIII), the indicators relating to the similar time periods of previous 3 years which were calculated according to Public Finance Ministry Order no. 3055/2009 are established as follows:

$$Indicator_{Q,i}(IFRS) = \frac{Indicator_{Q,i}(OMFP\ 3055)}{Indicator_{year}(OMFP\ 3055)} \times Indicator_{year}(IFRS),$$

where: $i=1\div 3$;

- ✎ for 2013, indicators were calculated based on the financial statements prepared according to Public Finance Ministry Order no. 3055/2009; at the end of the year, these are recalculated according to IFRS. Adjustments were made at the end of the year after the approval of financial statements when annual indicators are calculated according to IFRS;
- ✎ the target indicators will be set at the beginning of each year (after closing the previous year's financial statements). They are calculated as an average over the past three years and of the envisaged performance indicator.

9.2. 2015 Results

The achievement of performance indicators and criteria in 2015 is shown below:

	Weighting factor	Indicator	Average values 2011-2013	Target values	Achieved values	Achievement rate	Weight
1	2	3	4	5	6	7=6/5x100	8=2x7
EBITDA	0.25	+4.5%	2,387,315.2	2,494,744.4	2,590,280.1	103.8	25.95
CA	0.20	+6%	4,076,863.8	4,321,475.6	4,052,683.7	93.8	18.76
W	0.10	+6%	669.8	710.0	654.6	92.2	9.22
C_{expl}/V_{expl}	0.10	-0.6%	626.1	622.3	611.3	101.8	10.18
RES	0.10	+1%	2,015.0	2,035.2	2,615.0	128.5	11.72
d_Q	0.15	-1.5%	5,494.7 ⁹	5,412.3	5,562.7	102.8	15.42
Pres	0.10	0	0	0	0	110.0	11.00
Total	1.00	-	-	-	-	-	103.38

- 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 indicators and objectives achievement degree is **103.38%**.

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

- *EBITDA* – higher by RON 95.5 million (+3.83%) compared to target value;
- *Revenue* – higher by RON 268.8 million (- 6.22%) compared to target value;
- *Operating expenses to 1,000 RON operating income* – lower by RON 11 (-1.77%) compared to target value;
- *Geological resources quantity* – higher by RON 579.8 million m³ (+28.49%);
- *Gas production decline* – lower by 150.4 million m³ compared to target value.

Signatures:

Chairperson of the Board of Directors,

AURORA NEGRUT



Director General,

MARIUS VIRGIL METEA

Economic Department Director,

LUCIA IONASCU



¹ It is the production for 2012, corrected with 1.5% target decline, year 2012 considered as "base year".

S.N.G.N. "ROMGAZ" S.A. ORGANISATION CHART

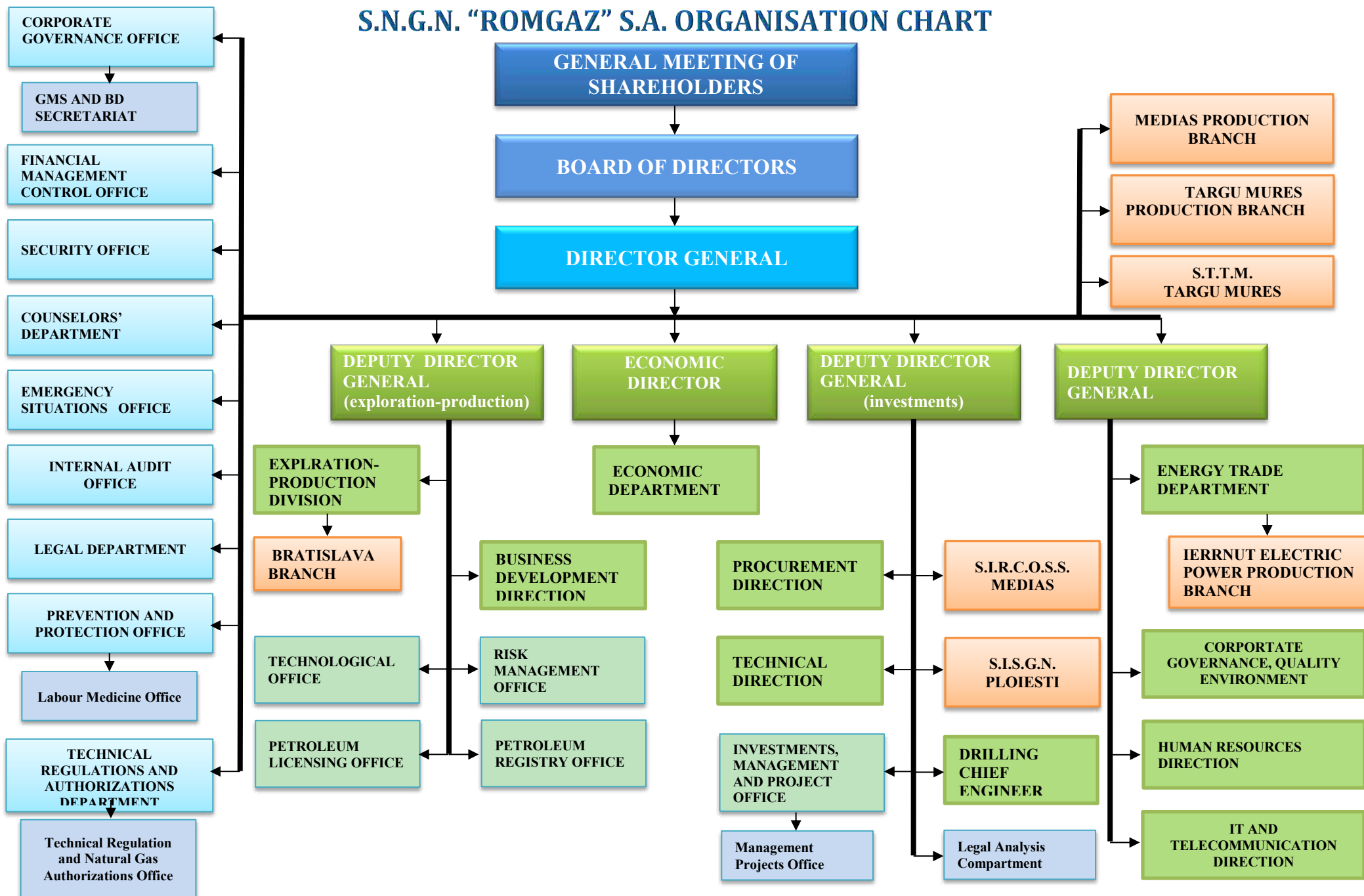


Table of Compliance with the Bucharest Stock Exchange Code of Corporate Governance

<i>Code provisions</i>		<i>Complies</i>	<i>Does not comply or partially complies</i>	<i>Reason for non-compliance</i>
1		2	3	4
A.1	The BoD and the Advisory Committees should be regulated by ToR, that apply the General Principles of Section A		x partially	This provision will be implemented by the Terms of Reference of the Board of Directors, as per Art. 8 of the Code of Corporate Governance of S.N.G.N. ROMGAZ S.A. (document to be approved during the following period - see <i>Note2</i>)
A.2	The ToR of BoD should include provisions on 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 and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest		X partially	The conflict of interests is mentioned under the current Code of Corporate Governance of Romgaz, as well as under the company's Code of Conduct. The provision on the conflict of interest management will be provided under the Terms of Reference of the Board of Directors, in compliance with Art. 8 of CCG ROMGAZ (document to be approved during the following period - see <i>Note2</i>)
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 are independent	x		
A.5	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors	x		
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		x partially	This provision, mentioned at Art. 6, par. 13 of CCG ROMGAZ, will be developed by the Terms of Reference of the Board of Directors (document to be approved during the following period - see <i>Note2</i>)
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. The first self-assessment of the Board has been done in December 2015.	x		
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 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	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. The majority of the members of the nomination committee should be independent	x		
B.1	The Board should set up an Audit Committee and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the Committee; the Audit Committee should be composed of at least three members and the majority should be independent	x		
B.2	The audit committee should be chaired by an independent non-executive member	x		
B.3	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control	x		
B.4	The Audit Committee 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		
B.5	The Audit Committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties		x partially	This provision, mentioned under Art. 8, par. 2, letter g) of CCG ROMGAZ, will be implemented by the Terms of Reference of the Board of Directors (document to be approved during the following period - see <i>Note2</i>).
B.6	The Audit Committee should evaluate the efficiency of the internal control system and risk management system	x		
B.7	The Audit Committee should monitor the application of statutory and generally accepted standards of internal auditing and should receive and evaluate the reports of the internal audit team.	x		
B.8	The ToR of the Audit Committee should include a provision on reporting to the BoD on its activities	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		
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 more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Audit Committee and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements		x	The provision, mentioned under Art. 9 of CCG ROMGAZ, will be implemented under a separate regulation.
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 report functionally to the BoD via the Audit Committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, the Internal Audit Department should report directly to the chief executive officer		x	The provision on reporting to the Board of Directors is implemented by Art. 27, par. 5 of the Articles of Incorporation. But such reporting is related directly to the Board of Directors, as Art. 50 of the GED (Government Emergency Ordinance) No. 109/2011 on public companies corporate governance provides the rule on direct reporting of internal auditors to the BoD. This provision is also provided under Art. 15, par. 3 of the CCG ROMGAZ and it is going to be developed by the Terms of Reference of the BoD and by the Internal Regulations of ROMGAZ and, as the case may be, under the specific rules on performance of internal public audit within the company.
C.1	The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review (the remuneration policy should apply all the aspects mentioned at this provision)		x	This provision is mentioned under Art. 11, par. 5, Art. 23, par. 2 letter c) and Art. 23 par. 3 of CCG ROMGAZ, and it will be implemented both by publishing it on the company's website and by including it in the Annual Report 2015.
D.1	The company should establish an investor relations organizational unit and should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	x		
D.1.1	Principal corporate regulations: the articles of incorporation, general shareholders' meeting procedures	x		

D.1.2	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions	x		
D.1.3	Current reports and periodic reports (quarterly, semi-annual and annual reports), 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 general meetings of shareholders: 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, 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 applied to such operations	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, financial statements (quarterly, semi-annual, annual), auditor reports and annual reports	x		
D.2	The BoD should adopt an annual cash distribution or dividend policy, that shall be published on the corporate website	x		
D.3	The company should have adopted a policy with respect to forecasts, whether they are distributed or not		x	This provision is mentioned under Art. 23 paragraph 2, letter d) of CCG ROMGAZ.
D.4	GSM rules and procedures should not restrict the participation of shareholders in general meetings and the exercising of their rights	x		
D.5	The external auditors should attend the shareholders' meetings when their reports are presented there	x		
D.6	The BoD should present to the annual 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, accredited journalist may participate in the shareholders' meeting upon prior invitation from the BoD or if the Chairman of the Board decides this	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 and the information presented on these occasions should be published of the company website in the IR section	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 part of its business mission and development strategy, it should publish the policy guiding its activity in this area	x		
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Note 1: On January 28, 2016, the Board of Directors of S.N.G.N. ROMGAZ S.A. approved the company's Code of Corporate Governance, updated according to the provisions of the new BVB CCG.

Note 2: The Terms of Reference of the Board of Directors and of BoD Advisory Committees will be amended according to the requirements of the new BVB CCG and of the updated CCG ROMGAZ.

Legend:

- ToR = Terms of Reference
- BoD = Board of Directors
- CV = Curriculum Vitae
- GMS = General Meeting of Shareholders
- CCG = Code of Corporate Governance
- CCG ROMGAZ = the Code of Corporate Governance of S.N.G.N. ROMGAZ S.A., approved (see *Note 1*)

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	328,646.82	By decision no. 318/2009 of Bacau Court approved SNGN ROMGAZ SA's request to open the insolvency proceedings. Currently the specific insolvency proceedings acts are performed.	February 11, 2016
2	513/87/2012 - Teleorman County Court of Law	insolvency proceedings	Romgaz - creditor	SC Termaserv SRL Alexandria - debtor	7,200,862	Receivable: RON 7,200,862.08 (on December 31, 2011 - delivered gas equivalent value, penalties, interest)	February 18, 2016
3	2177/99/2012 - Iasi County Court of Law	insolvency proceedings	Romgaz - creditor	SC CET Iasi SA - debtor	46,270,753	Receivable: RON 46,270,752.91 (delivered gas equivalent value, default fees, interest, court fees). Included in the body of creditors of the debtor by the receivable of RON 46,270,752.91	February 8, 2016
						- opening general insolvency proceedings for the debtor, interim official receiver appointed;	
4	nr.1318/87/2013 - Teleorman County Court of Law	insolvency proceedings	Romgaz - creditor	SC Termaconfort SRL Rosiorii de Vede - debtor	1,888,201	SNGN ROMGAZ SA filed an application to include the amount of 46,270,753 on the preliminary table of creditors. The application to include the creditor was accepted and it was recorded in the preliminary table by the amount of the receivable. Receivables: RON 1,888,200.99 (delivered gas price, default fees, interest/penalties calculated according to Payment Schedule Agreement, fees related to enforcement procedure).	January 11, 2016

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
5	10917/107/2010/a 2 - Alba County Court of Law	insolvency proceedings	Romgaz - creditor	SC GHCL UPSOM ROMANIA SA- debtor	68,573,109	On 29.11.2010, SNGN ROMGAZ SA filed against the SC GHCL UPSOM ROMANIA SA an application to open insolvency proceedings. (File no. 10917/107/2010). SNGN ROMGAZ SA requested acceptance of a certain, liquid and due receivable in amount of RON 60,841,881.14	February 22, 2016
6	564/2005 - Official Receiver Office Milos Cristian	enforcement proceedings	Romgaz - creditor	SC PEET Termoelectrica SA Bucuresti - debtor	42,665,005	An application for enforcement proceedings was filed to Official Receiver Office Milos Cristian under the writ of execution, (Civil matters judgement nr.181/C/2005 of Sibiu Court), declared enforceable, which binds the debtor to pay the creditor the amount of 148,826,365 (delivered gas price, default fees, interest, court fees). Following the initiation of the dissolution and voluntary liquidation of SC PEET Termoelectrica SA, for the scope of recovery of receivable, SNGN ROMGAZ SA issued a Statement of Claim for the amount of RON 42,665,005.29.	
7	6659/85/2012 - Sibiu County Court of Law	Claims	Romgaz-creditor	S.C.Grup de Comert si Investitii SRL - debtor	1,135,220	SNGN ROMGAZ SA filed a summons	
						All enforcement proceedings are stayed on the date of opening of the insolvency proceedings, according to Art. 36 of Law 85/2006.	
8	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	1,135,220	On 24.10.2013, Gorj Court allowed the application of the debtor S.C.Grup de Comert si Investitii SRL by court Decision no. 446/2013, requesting for opening the insolvency proceedings in order to reorganize its activity.	January 18, 2016

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
						On 23.06.2014, the Court confirmed the reorganization plan of the debtor..	
9	7779/85/2014 - Sibiu County Court of Law	Adjustment of work contract no. 22/2012	SC FORAJ SONDE SA	Romgaz	4,333,255	The plaintiff requested by the summons:	
						- to adjust the work contract No. 22/2012, concluded between the parties, in the sense of enforcing the payment of the amount of RON4,333,255 by the defendant, as equivalent value of additional works performed following the extension of the contract duration..	
.9	12590/3/2010 - Bucuresti Court of Law	claims (late payment of gas delivery, legal interest and late payments penalties)	Romgaz - creditor	SC Interagro SA Bucuresti - debtor	56,317,523	Amount of claim: RON 56,317,522. 52 (outstanding payment of gas delivery, statutory interest and default fees)	
						Application partly allowed by Bucharest Court Decision no. 3279/23.03.2011 and ordered for the payment of the amount of RON 40,788,031.32 gas equivalent value.	
10	6991/236/2009 - District Court of	claims	S.C. Uzina Termoelectrica	Romgaz - plaintiff	45,973	Amount of claims: RON 45,973.26 - overdue payments penalties calculated according to the Contract for acquisition of natural gas No.14/2008. Recourse. Recourse dismissed. Final and irrevocable. - Decision 495	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
	Law Giurgiu		Giurgiu - defendant			of 18.05.2011.	
11	110/228/2011 - Braila County Court of Law	proceedings for real estate claim	SC Foradex SA - plaintiff	Romgaz, SC Amromco Energy SRL - defendants	n/a	The plaintiff requested the defendants to grant/vest full possession of Well 22 Balta Alba to Foradex, decommissioning of the rig and payment of penalties.	
12	5910/228/2010 - Braila County Court of Law	eviction proceedings	SC Foradex SA - plaintiff	Romgaz, SC Amromco Energy SRL- defendants		The scope of the summons is the eviction of the defendants with respect to well 22 Est Balta Alba.	Stay of trial proceedings
						Stay of court proceedings until the irrevocable decision related to file no. 110/228/2011 is made – Braila County Court.	
13	1299/57/2011 - Alba Iulia Court of Law of Appeal	Annulment of administrative action no. 5951/08.04.2011 issued by the National Agency for Fiscal Administration DGFP Sibiu	Romgaz - plaintiff	Agentia Nationala de Administrare Fiscala; DGFP SIBIU) - defendant	1,688,843	Amount of claim: RON 1,688,843 , High Court of Cassation and Justice rejects the recourse due to lack of grounds of ANAF	
14	598/57/2011 - Sibiu County Court of Law (retrial at the High Court of Cassation and Justice)	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 actions 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	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
15	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 pay, jointly and several, the amount of :	stay of trial proceedings
						- RON 20,052,457 (14.408.931 lei – representing the undue payment made according to supply contract no. 42/2010 and RON 5.643.526 – representing the additional payment made under supply contract no. 6/2010)	
						On the trial date 28.10.2014, the court ordered stay of proceedings.	
16	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 and several, the amount of :	stay of trial proceedings
						- RON 43.059.199, representing the undue payment related to the contract for provision of works no. 217/2006	
17	8258/62/2013 - Brasov County Court of Law	Claims -undue payment, contract for provision of worksno.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 pay, jointly and several, the amount of RON 15,596,065 representing the undue payment made related to contract no.14/2009	stay of proceedings

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
18	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, jointly and several, the amount of RON 23,645,128 representing the undue payment related to the contract for provision of works no. 39/2007	stay of proceedings
19	19495/3/2013 - Bucuresti 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	Claim amount: RON 11,920,527.50 (equivalent value of delivered and unpaid natural gas)	
						The summons was made in order to recover the amount of RON 11,920,527.50 representing equivalent value of delivered and unpaid natural gas	
20	2541/96/2013 - Harghita County Court of Law	insolvency proceedings	Romgaz - creditor	SC MAVEXIM SRL - debtor		The trial date on 25.06.2013 admitted the debtor's request to file for insolvency (in compliance with art. 27 paragraph 5 of law 85/2006)	February 3, 2016
21	13991/320/2012 - Tg. Mures court	Corruption criminal offence	Romgaz - plaintiff claiming damages	Budan Marcel - defendant	579,532	Criminal complaint for investigating Mr. Budan Marcel for corruption felony (Law 78/2000) for repairing the access road to Schela Corunca. By address JE166/01.04.2013 SNGN ROMGAZ SA became injured party in the file for the amount of RON 579,532	January 19, 2016
22	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	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
23	11688/85/2012 – Sibiu Court of Law		Romgaz - plaintiff	SC TEHNOTOP GRUP SRL - defendant	112,139.15	Amount of claim: RON 112 139. 15 lei (unpaid supplied services; default fees)	
						The defendant filed an appeal – Sibiu Court of Law On the trial date January 21, 2015 the court partially allowed the appeal and changed the decision under appeal, namely it set penalties of 0.1%/day of delay to the main debt of RON 98,497.10 The remaining of the decision under appeal has remained unchanged. Enforcement of court decision	
24	28218/3/2009 - Mures County Court of Law		SC LORETO EXIM SRL – respondent / appellant	Romgaz-SIRCOSS appellant / respondent Romgaz-STTM Tg Mures (appellant)	965,612	Amount of claims: RON 965,612 the recourse is dismissed, irrevocably Litigation related to public procurements, on claims set under proceeding : RON 431,677 as equivalent value of spare parts, statutory interest, loss of profit	Currently not established
25	921/237/2013 - Gura Humorului Court of Law	complaint of violation	Romgaz SIRCOSS - petitioner	Inspectoratul pentru Situatii de Urgenta Suceava - respondent	1,750	Amount of claim: RON 1,750	
26	5768/85/2013 - Sibiu County Court of Law	claims - default fees	SC ALLSTAR PROD SRL - plaintiff	Romgaz (SIRCOSS) - defendant	13,744,98	Amount of claims : RON 13,744.98	
						The defendant appealed On the trial date January 21, 2015 the court partially allowed the appeal and changed the decision under appeal by setting penalties of 0.1% /day of delay to the main debt of RON 95,487.10. The remaining of the decision under appeal has remained unchanged. Enforcement of court decision	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
27	149/322/2014 - Targu Secuiesc Court of Law	complaint of violation	Romgaz (SIRCOSS) - petitioner	ISCTR - respondent	4,000	Court of first instance - partly allowed complaint - Decision 389/2014 of 14.05.2014 Appeal - appeal dismissed. Final. - Decision 392/2014 of 28.10.2014 Requested the certification of the decision in order to recover the fine.	
28	1213/251/2012 - Luduș Court of Law		Tegla Ciprian, Crișan Flaviu, Timar Romul, Marian Niculina, Maftai Petru, Rădulescu Gheorghe, Stoica Nicușor, Cosma Călin, Mathe Geza and Pantea Ilie – plaintiffs (employees of SNGN Romgaz SA – SPEE Iernut)	SNGN Romgaz SA - Sucursala de Producție Energie Electrică Iernut - defendant	36,000	Amount of claims: approx. RON 36,000 Appeal pending trial date	
29	1855/251/2013 - Luduș Court of Law	eviction proceeding	SNGN Romgaz SA - Sucursala de Producție Energie Electrică Iernut – plaintiff	SC Comindal Impex SRL - defendant.		Stay of trial proceedings until the decision on File n. 261/43/2013 of Tg. Mures Court of Appeal is made.	January 21, 2016

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
30	261/43/2013 - Ludus Court of Law (Tg. Mureş Court of Law of Appeal jurisdiction was declined)	The Bid Awarding Report was challenged	SC Comindal Impex SRL - complainant.	Romgaz - Sucursala de Producție Energie Electrică Iernut - respondent	-	Upon the trial date 27.09.2013, Tg. Mureş Court of Appeal disclaimed the competence in favour of Ludus Court	
						Trial date 05.05.2014 - action was dismissed - Decision 327/2014 of 15.05.2014. With appeal. Appeal - Appeal allowed by interim Decision No. 258/19.12.2014 of Commercial Court Tg. Mures. The court reversed the judgement. Retrial – the Court dismisses the complainant's application. Final decision.	
31	1471/63/2010 Dolj County Court of Law was declined (File no.)	Establish easement right	Romgaz - SISGN Ploiesti - plaintiff	Draghici Marian and others - defendants		Dolj Court of Law disclaimed the competence in favour of Craiova Court file no. 18150/215/2010) which dismisses the action.	January 18, 2016
						SNGN ROMGAZ SA applied for recourse. Recourse allowed, the action was transferred for retrial to Craiova Court (File no. 24.084/215/2013) and the court allowed for recourse. Upon the trial date 11.03.2015 the court partly allowed the application and decided on behalf of the plaintiff that it has the right of way. The defendants applied for recourse - Dolj Court. .	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
32	16181*/215/2009 - Craiova Law Court of Justice	Specific performance procedure	Covei Gheorghe - plaintiff	Romgaz - SISGN Ploiesti -defendant	169,938	The plaintiff filed an application to bind SNGN ROMGAZ SA –SISGN Ploiesti to decommission the pipelines undercrossing the plaintiff's land and to pay the value of absence of the right of use due to said pipeline. Amount of claim: EUR 37.764 Upon the trial date 11.05.2015, counterclaim was dismissed.	
33	1540/215/2013 - Craiova Law Court of Justice	Specific performance procedure. Claims.	Prunoiu Gheorghita - plaintiff	Romgaz - SISGN Ploiesti - defendant	50,000	The plaintiff filed an application to bind SNGN ROMGAZ SA to pay RON 50,000.	stayed
34	12310/63/2011 - Dolj County Court of Law	Specific performance procedure. Claims.	Constantin Victoria - plaintiff	Romgaz - SISGN Ploiesti - defendant	79,020	Amount of claim: EUR 17.560. The plaintiff filed an application to bind SNGN ROMGAZ SA to pay : EUR 17.560	stayed
35	2471/215/2012 – Craiova Court of Law		Romgaz – SISGN Ploiesti – plaintiff	Zamfiroiu Florina s.a. – defendant	4,875	The defendant paid by mistake to Beldiman Ion the amount of RON 6500 as of June 27, 2008. As a consequence, the company undertook actions to recover the amount and, in accordance with the provisions of Articles 1092, 992 and 993 civil Court, the Court obliged the defendant Beldiman Rodica, as inheritress (wife) to refund the above mentioned amount.	reinstatement
36	1463/108/2012 – Arad Court of Law		Romgaz – SISGN Ploiesti – creditor	SC Amarad SA – debtor	42,418.48	Further the debtor's request SC Amarad SA, prepared in accordance with the provision of Article 27, paragraph 5 of Law 85/2006, the insolvency procedures have been initiated.	January 28, 2016

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
						The receivables: RON 42,418.48. Arad Court of Law allowed the proceeding but, in the meantime, against the debtor the insolvency procedure has been initiated, therefore the enforcement procedure is suspended. SNGN ROMGAZ SA –SISGN Ploiesti was included in the body of creditors.	
37	10980/320/2008 – Tg. Mures Court of Law		Sipos Ioan – plaintiff	Romgaz - Suc. Tg. Mures – defendant (and plaintiff counterclaim)	450	By summons the plaintiff requested the court to oblige the defendant for paying a rent for using the land, which is the property of plaintiff.	
38	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: File suspended until the irrevocable decision of file no. 487/251/2012*	
						Currently the file is suspended until the irrevocable decision of file no. 1314/251/2007 and file no. 1315/251/2007, both pending before Ludus Court of Law. The stay was extended by decision as of December 11, 2014.	
39	4424/320/2009 – Tg. Mures Court of Law		Sipos Ioan ; Sipos Terez – plaintiffs	Romgaz - Suc. Tg. Mures – defendant	20,600	By summons the plaintiffs requested the court: value of claims EUR 4,400 and RON 800.	Trial suspended
40	302/317/2014 – Tg. Carbonești Court of Law		Daianu Maria – plaintiff	Romgaz - Suc. Tg. Mures – defendant	22,500	The defendant is obliged to pay to the plaintiff a compensation of RON 9216 representing the value of production realized during 2011, 2012, 2013. The defendant is obliged to pay to the plaintiff the amount of RON 2625.8 as court filing fees. With appeal allowed on January 22, 2016.	January 22, 2016

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
41	17666/320/2010 – Tg. Mures Court Of Law		SC Network Press Concept SRL Medias (fosta 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: 4 subscription of Part I bis and one subscription of Part IV, therefore the defendant is obliged to refund the amount of RON 6,851.25 (out of which RON 565,70 is TVA). Currently the case is suspended based on Article 36 of Law 85/2006 on Insolvency procedure.	
42	3231/320/2011 – Tg. Mures Court of Law		Cez Vanzare SA Craiova –by authorized representative ROMANIA SRL – creditor	Romgaz - Suc. Tg. Mures – debtor	5,534	Due to overdue payment of some invoices the creditor requested the court to oblige the debtor to pay the amount of RON 5,112.85 (delay penalties) and RON 421.52 (court filing fees) in accordance with GD 5/2011. As of June 28, 2011, Tg. Mures Court of Law dismissed the request for payment. The decision is not communicated.	
43	7659/320/2011 – Tg. Mures Court of Law	rent expenses	Naghy Bela – plaintiff	Romgaz - Tg. Mures Branch– defendat	100,800	By summons the defendant requested the court to oblige SNGN ROMGAZ SA-Tg. Mures Branch to pay: -The amount RON 100,800 representing rent expenses (for 3 years) for occupancy of land by the Cluster 8 Ulies (which is in the property of the defendant) -The amount of RON 2,800 /month as a rent, hereinafter - court filing fees	
44	13525/320/2011 – Tg. Mures Court of Law		Sipos Ioan - plaintiff	Romgaz – Suc. Tg. Mures – defendant	39,250	By summons the plaintiff requested the court to oblige SNGN ROMGAZ SA – Suc. Tg. Mures to pay the amount of EUR 8,500 – retroactive claim (EUR 100/ month x 85 months) and starting from October 26, 2011 to pay the amount of EUR1000/month as a rental.	Trial suspended
45	198/315/2012 – Targoviste Court of Law		Nicolescu Georgeta – plaintiff	Romgaz – Suc. Tg. Mures – defendant	96,940	By summons the plaintiff requested the court to oblige SNGN ROMGAZ SA – Suc. Tg. Mures to pay the amount of RON 96,940 as compensations for decreasing the value of the land from II category to IV category of land use. The plaintiff initiated recourse - Dambovita Court of Law. By the date of	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
						trial as of June 17, 2015 the recourse was dismissed. The decision is final.	
46	487/251/2012* – Ludus Court of Law		Romgaz – Suc. Tg. Mures – plaintiff	Bartha F. Irina; Local Comission for application of Law 18/1991 within Zau de Campie city hall; OCPI Mures; County Comission for application of Law 18/1991 within prefecture Mures – defendant		By summons SNGN ROMGAZ SA – Suc. Tg. Mures requested the court to find the absolute nullity (relative) and relative nullity of the property title no 132498/2002, by which the property title has been re-enact for Bartha F. Irina over an arable land of 11,600 m ² , located in village Barbosi, commune Zau de Campie, due to the fact that 426 m ² was fallaciously included in the title of property.	
47	493/251/2012 – Ludus Court of Law		Romgaz – Suc. Tg. Mures – palintiff	Petrea Zachei; Petrea Cornelia – defendant	-	By summons SNGN ROMGAZ SA – Suc. Tg. Mures requested the court to find the absolute nullity of contract no. 123/2005 regarding land sale purchase; the defendands are the buyers.	suspended
48	5423/320/2012 – Tg. Mures Court of Law		Kemeny Elena Antonia – plaintiff	Romgaz – Suc. Tg. Mures – defendant	200,000	By summons the plaintiff requested the court to decide: value of claims: RON 200,000. By the date of trial, December 19, 2014, the court dismissed the request. The plaintiff initiated appeal –Mures County Court of Law. By the date of trial, June 09, 2015, the appeal was dismissed. The decision is final.	As of June 09, 2015 the appeal was dismissed

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
49	7399/320/2012 – Judecatoria Tg. Mures		CEZ Distributie SA Craiova, by authorized representative COFACE ROMANIA CREDIT MANAGEMENT SRL – creditor	Romgaz – Suc. Tg. Mures – dedebtor	1,344.74	By summons, the creditor requested the recovery of claims of Ron 1,344.74 resulting from invoices regarding regularization of electricity consumption in several consumption points within SPG Oltenia. Value of claims: RON 1,344.74. By the date of retrial, April 16, 2015, Tg. Mures Court of Law dismissed the request.	
50	7070/320/2012 – Tg. Mures Court of Law		Barsan Romulus - plaintiff	Romgaz – Suc. Tg. Mures – defendant	88.000	By summons the plaintiff requested the court to decide: value of claims: RON 80,000; RON 30,000; RON 3000/month; RON 88,000. The defendant is obliged to pay the amount of RON 80,000 as compensations for lack of using the land, calculated for the last 3 years.	February 05, 2016
51	963/85//2013 – Sibiu Countu Court of Law		Romgaz – Suc. Tg. Mures – plaintiff	Borda Alexandru – defendant	1,307	The case cosists of obliging the defendant to refund to the plaintiff the amount of 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 over the defendant has been initiated.	
52	4320/328/2013 – Turda Court of Law	Claims – compensations	Lasonti Doina Maria – plaintiff	Romgaz – Suc. Tg. Mures – defendant		Cerere admisa la termenul din data de 12.05.2014. Sentinta necomunicata pana in present By summons, the plaintiff requested the court to oblige SNGN ROMGAZ SA-Suc Tg. Mures to pay compensations (which shall be later settled by an expertize) for lack of using the land of 1,221.5 m ² (during the period July 2010-July 2013) and for contaminating and damaging the land of plaintiff by a group of crossings valves belonging to the defendant and located on the plaintiff's land.	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
53	11278/320/2013 – Tg. Mures Court of Law	claims- compensations	Romgaz – Suc. Tg. Mures – defendant	Serb Neli – plaintiff	5,200	By summons, the plaintiff requested the court to oblige SNGN ROMGAZ SA-Suc Tg. Mures to pay the amount of RON 5,200 /year- as compensations for lack of using the land of 533 m ² , occupied by the defendand’s well.	Appeal initiated, without setting a date
54	6774/85/2013 – Sibiu Court of Law		Romgaz – Suc. Tg. Mures – plaintiff	SC ICPE ELECTROCOND TECHNOLOGIES SA – defendant SC ENER- G NATURAL POWER LIMITED – defendant SC INSTASERVICE SRL -defendant	441,399	Value of claims: RON 441,398.85 (delay penalties), the enforcement procedure has been suspended, payment in accordance with the agreement on payment installments.	
55	3164/330/2013 – Urziceni Court of Law	Payment order (article 1013 and Civil Procedure Code	Romgaz - Suc. Tg. Mures – Plaintiff- creditor	SC FER MINERVA SRL – defendant debtor	4,361.88	By summons for issuance of a payment order for recover the amount RON 4,361.88 out of which RON 3,896.79 (metallic waste invoices) and RON 465.09 (delay penalties). Action allowed. The enforcement order is ongoing.	Enforcemen t order
56	14630/320/2013 - Tg. Mures Court of Law	Complaint of violation	Romgaz - Suc. Tg. Mures – plaintiff	Comuna Raciú – through mayor – defendant	50,000	SNGN ROMGAZ SA – Suc. Tg. Mures filed a complaint against the Violation Notice and requested the enforcement of violation regarding the construction demolishing (2 cooling towers of Compressor Station Sanmartinu de Campie) without a demolishing approval. By complaint the plaintiff requested the court to replace the fine of RON 50,000 with warning. By the date of trial, May 28, 2014, the complaint was dismissed. SNGN ROMGAZ SA filed appeal Mures County Court of Law.	Unsettled by date

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
57	Dosar nr. 1403/3/2014 – Bucuresti Court of Law- declined its competency to Sector 6 Bucuresti Court of Law	Annulment of administrativ act	SNGN ROMGAZ SA- Suc. Tg. Mures – plaintiff	Agentia Nationala de Cadastru si Publicitate Imobiliara – defendant	13,879.72		Appeal initiated by the plaintiff , without setting the date of trial
58	4465/317/2013 – Tg. Carbonești Court of Law	Specific performance procedure	Durla Sabina – plaintiff	Romgaz - Suc. Tg. Mures - defendant	54,000	By summons, the plaintiff requested the court: Value of claims: RON 54,000 The decision is final	Appeal dismissed
59	1434/1371/2007 Mureș Comercial Court of Law	Insolvency procedure	Romgaz – STTM Tg.Mureș – Creditor	SC Poliglot Comimpex SRL - Debtor	6,783.41	As of November 22, 2007, Mures County Cpourt of Law allowed the request for initiating the insolvency procedure against the debtor SC Poliglot Coninpex RL. During the period November 22, 2007- July 08, 2010 the insolvency procedure was carried out. STTM Tg. Mures is a creditor included in the body of creditors with the amount RON 6,783.41.	January 21, 2016
60	7/1371/2009 al Mureș Comercial Court of Law		Romgaz –STTM Tg.Mureș – creditor	SC Coriz SRL, by liquidator Chertes Constanta - debtor	1,451.52	STTM Tg. Mures as creditor is included in the body of creditors with the amount of RON 1,571.82.	
61	580/1371/2010 – Mures Comercial Court of Law		Romgaz – Suc. Medias – creditor	SC Globe Trotters SRL – debtor	9,206.21	Value of claims: RON 9,206.21	March 23, 2016 as the date for initiating the insolvency procedure

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
62	12236/320/2012 – Tg. Mures Court of Law		Romgaz – Suc. Medias – plaintiffs	SC Torpi SRL; SC Manadas SRL – defendands	11,575.52	Value of claims: RON 11,575.52	Trial suspended
63	3295/104/2013 – Olt County Court of Law	Insolvency procedure	Romgaz – Suc. Medias – creditor	SC MIC PETROCHIM INDUSTRIE SRL Ganeasa – debtor	505,02	Value of claims: RON 505. 02 (RON 460.66 - unpaid invoice +penalties). By the debtor's request the insolvency procedure has been initiated (Article 27, paragraph 5 of Law 85/2005). SNGN ROMGAZ SA – Suc Medias is a creditor, its debt is included in the body of creditors)	February 01, 2016 as the date of initiating the insolvency procedure
64	2247/200/2015– Buzau Court of Law	Complaint of violation	Romgaz – Suc. Medias – petitioner	ISCTR Bucuresti - respondent	3,000	The complaint of violation against the Violation Notice and payment of sanction in amount of RON 3,000 for unlabeled condensate gas transportation. The complaint is allowed. The civil fine sanction was replaced with a warning. The decision is not final.	January 29, 2016
65	119/829/2014 – Podu Turcului Court of Law	Statutory burglary- condensate abstraction	Romgaz – Suc. Medias – plaintiff claiming damages	Stratulat, Mihoci, Grigoras – defendant	RON 363.20 (condensate abstracted)	The court decided the conviction of the defendants and obliged them to return the goods. The loss has been recovered by delivering the condensate abstracted to SNGN ROMGAS SA representatives.	
66	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 find the resolution of the Sponsorship Contract no. 178/2011 and, as a consequence, to restore the parties to the initial state by obligating the defendant ASOCIATIA SPORTIVA “DACIA ATEL” to pay the amount RON 6,247.77.	

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
67	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 find the resolution 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.	
68	5026/85/2013 – Sibiu County Court of Law	compensations	Romgaz – plaintiff	Paltan Radu Dan – defendant	4,681.01	By summons, SNGN ROMGAZ SA requested the court to incur property liability of Mr. Dan Palta, former employee of SNGN ROMGAZA SA, and, as a consequence, obliged him to pay the amount RON 681.01 paid by SNGN ROMGAZ SA pursuant to Article 192, paragraph 1, letter d) of CCM, supplemented with inflation rate until the fully payment of the amount. The enforcement order was initiated- BEJ Tamas Ovidiu. Enforcement file no. 1203/2014	
116	1765/85/2015 – Sibiu County Court of Law	Contestation of public acquisition	Sindicatul Liber “ROMGAZ” – appellant	Romgaz - respondent		The subject matter of the dispute is settlement of the challenge filed against the specifications prepared by ROMGAZ SA under the award procedure of the contract having as subject “Consultancy services for developing a strategy for reorganizing and organization redesign of ROMGAZ SA”. On the trial date of June 30, 2015, the challenge was dismissed. Decision not communicated. Filed appeal was dismissed on September 15, 2015	
117	1644/85/2015 – Sibiu County Court of Law	claims	Romgaz - SIRCOSS Medias - plaintiff	Inspectoratul de Stat in Constructii - defendant	487.44	The subject matter of the dispute is settlement of claims for the recovery of undue tax in amount of RON 487. 44. On the trial date of December 17, 2015 the application was dismissed	
118	1532/1/2015 - 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	January 29, 2016
119	1492/102/2015 – Mures County Court of Law	Challenge of disciplinary sanction decision	Timar Romul - plaintiff	Romgaz - SPEE Iernut - defendant		The challenge requested the annulment of Disciplinary Investigation Decision no 137/2015 and to compel defendant to pay the amounts representing calculation differences with respect to base salary due for May 2015, amounts withheld as a result of disciplinary sanctions. The court allows the plaintiffs challenge. Appeal was filed.	No trial date was established

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
120	797/251/2015 – Ludus Court of Law	Payment injunction procedure	Romgaz - SPEE lernut - plaintiff	SC Romarcom SRL - defendant	40,002.40	In the summons, the court was requested to compel the defendant to pay RON 40,002.04 representing the equivalent value of unpaid rent and two public utilities invoices) for the buffet space rented to the defendant. On July 17, 2015, the plaintiff request was dismissed with entitlement to request annulment within 10 days.	
121	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 16, 2016
122	1208/1371/2014 Targu Mures Court of Law	claims	Romgaz	Rocada SRL	24,045.92	Decision was postponed to October 20, 2015	
123	28323/3/2014	declaratory action	Romgaz	Elcen B	240,000,000	Request allowed. Decision was not published, it is possible for ELCEN to file for appeal	
124	4783/121/2011	insolvency	Romgaz	Elcen Galati	162,281,861.83	Challenge of the nominal table	
125	1960/257/ 2015	complaint of violation	Romgaz	ANRE	75,000	Request dismissed, appeal was filed	No trial date was established
126	2411/257/2015	complaint of violation	Romgaz	ANRE	50,000	Decision pending	
127	509/1371/2015	insolvency	Romgaz	Foraj Sonde Ernei	1,428.98	First trial date	January 13, 2016
128	4488/317/2015	Stay of execution	Romgaz	Bej Daianu Ghe.	13,891	First trial date	January 29, 2016
129	2496/102/2015	claims	Romgaz	Kovacs Ladislau	318,881.96	First trial date	January 14, 2016
130	847/1285/2014	insolvency	Romgaz	Marele alb SRL turda	64,742	Total receivables listed in the preliminary receivables table RON 60,605.36. The calculation difference of RON 4,136.64 is current receivables	February 12, 2016
131	1208/1371/2014	claims	Rocada SRL	Romgaz	24,045.92	Dismisses the plaintiff's request	
132	1560/251/2015	claims	Romgaz	Romarcom SRL	62,972.85	Court of first instance	January 20, 2016
133	28218/3/2009	litigation GEO 34/2006	Romgaz SA	Loreto	431, 677	Dismisses the parties' request on December 10, 2015	
134	3702/257/2015	Specific performance	Viromet SA	Romgaz		Court of first instance	No trial date was established
135	8029/2/2015	Annulment of document	Romgaz	ANAF Brasov	20,051,139	Court of first instance	No trial date

No.	File No./ Court of Law	Case	Plaintiff	Defendant	Amount (RON)	Description	Next procedural deadline
							was established

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

**INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION**

TOGETHER WITH

THE INDEPENDENT AUDITOR'S REPORT

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To the shareholders of,
S.N.G.N. ROMGAZ S.A.

INDEPENDENT AUDITOR'S REPORT

Report on the Individual Financial Statements

- 1 We have audited the accompanying individual financial statements of S.N.G.N. ROMGAZ S.A. ("the Company") which comprise the statement of individual financial position as at December 31, 2015, and the statement of individual comprehensive income, statement of individual changes in equity and individual cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Individual Financial Statements

- 2 Management is responsible for the preparation and fair presentation of these individual financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of the individual financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these individual financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the individual financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the individual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the individual financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the individual financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the accompanying individual financial statements present fairly, in all material respects, the individual financial position of S.N.G.N. ROMGAZ S.A. as at December 31, 2015, and its individual financial performance and its individual cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

Other Matters

7. This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Report on Conformity of the Administrators' report with the Individual Financial Statements

The administrators are responsible for the preparation and presentation of the administrators' report in accordance with the requirements of the Ministry of Public Finance Order no. 1286/2012, Chapter II, articles 10-14, which does not contain material misstatements and for such internal control as management determines is necessary to enable the preparation of the administrators' report that is free from material misstatement, whether due to fraud or error.

Our opinion on the individual financial statements does not cover the administrators' report.

In connection with our audit of the individual financial statements, we have read the attached administrators' report and we report as follows:

- a) in the administrators' report, we have not identified information which is not consistent, in all material respects, with the information presented in the individual financial statements attached;

- b) the administrators' report identified above contains, in all material respects, the required information according to the provisions of Ministry of Public Finance Order no. 1286/2012, Chapter II, articles 10-14;
- c) based on our knowledge and understanding concerning the Company and its environment gained during the audit on the individual financial statements prepared as of December 31, 2015, we have not identified information included in the administrators' report that contains a material misstatement of fact.

Farrukh Khan, Audit Partner

For signature, please refer to the original Romanian version.

Registered with the Romanian Chamber of Financial Auditors
under no. 1533/25.11.2003

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Romanian Chamber of Financial auditors
under no. 25/25/06/01

Bucharest, Romania
March 24, 2016

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	Year ended December 31, 2015 '000 RON	Year ended December 31, 2014 '000 RON
Revenue	3	4,052,684	4,493,341
Cost of commodities sold	5	(40,228)	(175,638)
Investment income	4	44,185	78,729
Other gains and losses	6	(318,903)	(275,141)
Changes in inventory of finished goods and work in progress		138,181	27,743
Raw materials and consumables used	5	(78,262)	(66,167)
Depreciation, amortization and impairment expenses	7	(793,598)	(776,839)
Employee benefit expense	8	(511,647)	(522,785)
Finance cost	9	(20,302)	(24,476)
Exploration expense	13	(42,395)	(43,332)
Other expenses	10	(1,040,670)	(1,034,627)
Other income	3	79,793	107,521
Profit before tax		1,468,838	1,788,329
Income tax expense	11	(274,553)	(378,448)
Profit for the year		1,194,285	1,409,881
Basic and diluted earnings per share		0.0031	0.0037
Total comprehensive income for the year		1,194,285	1,409,881

These individual financial statements were authorized for issue by the Board of Directors on March 24, 2016.

Virgil Metea
General Manager

Lucia Ionascu
Economic Director

* Certain amounts shown here do not correspond to the 2014 published financial statements (note 33)
The accompanying notes form an integral part of these individual financial statements.
This is a free translation from the original Romanian version.

STATEMENT OF INDIVIDUAL FINANCIAL POSITION AT DECEMBER 31, 2015

	Note	December 31, 2015 '000 RON	December 31, 2014 '000 RON (represented)*	January 1, 2014 '000 RON (represented)*
ASSETS				
Non-current assets				
Property, plant and equipment	12	5,996,460	5,962,719	5,767,267
Other intangible assets	14	399,859	407,449	383,956
Investments in subsidiaries	24 a)	1,200	-	-
Investments in associates	24 b)	163	738	947
Other financial assets	28	29,300	-	-
Other financial investments	25	70,080	76,889	78,900
Other assets		-	-	17,093
Total non-current assets		6,497,062	6,447,795	6,246,163
Current assets				
Inventories	15	559,784	392,108	463,946
Trade and other receivables	16a	601,085	1,000,195	1,086,628
Other financial assets	28	2,148,827	2,343,864	1,574,924
Other assets	16b	139,612	101,886	146,179
Cash and cash equivalents	27	740,352	528,256	959,330
Total current assets		4,187,640	4,364,309	4,231,007
Total assets		10,684,702	10,812,104	10,477,170
EQUITY AND LIABILITIES				
Equity				
Share capital	17	385,422	385,422	1,892,681
Reserves	18	2,581,853	2,142,347	1,949,600
Retained earnings		6,724,947	7,184,249	5,450,493
Total equity		9,692,222	9,712,018	9,292,774
Non-current liabilities				
Retirement benefit obligation	19	102,959	97,265	79,241
Deferred tax liabilities	11	62,589	131,305	146,440
Provisions	19	200,855	202,293	196,950
Total non-current liabilities		366,403	430,863	422,631

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STATEMENT OF INDIVIDUAL FINANCIAL POSITION AT DECEMBER 31, 2016

	Note	December 31, 2015 '000 RON	December 31, 2014 '000 RON (represented)*	January 1, 2013 '000 RON (represented)*
Current liabilities				
Trade and other payables	20	186,937	216,983	202,796
Current tax liabilities		90,838	93,590	200,982
Provisions	19	28,779	35,814	47,316
Other liabilities	20	319,523	322,836	310,671
Total current liabilities		626,077	669,223	761,765
Total liabilities		992,480	1,100,086	1,184,396
Total equity and liabilities		10,684,702	10,812,104	10,477,170

These individual financial statements were authorized for issue by the Board of Directors on March 24, 2016.

Virgil Metea
General Manager



Lucia Ionascu
Economic Director

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The accompanying notes form an integral part of these individual financial statements.
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STATEMENT OF INDIVIDUAL CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital	Legal reserve	Other reserves	Retained earnings	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Balance as of January 1, 2015	385,422	77,084	2,065,263	7,184,249	9,712,018
Allocation to dividends *)	-	-	-	(1,214,081)	(1,214,081)
Transfer to other reserves	-	-	407,658	(407,658)	-
Reinvested profit	-	-	31,848	(31,848)	-
Total comprehensive income for the year	-	-	-	1,194,285	1,194,285
Balance as of December 31, 2015	385,422	77,084	2,504,769	6,724,947	9,692,222
Balance as of January 1, 2014	1,892,681	77,084	1,872,516	5,450,493	9,292,774
Allocation to dividends *)	-	-	-	(990,637)	(990,637)
Transfer to other reserves	-	-	162,079	(162,079)	-
Reinvested profit	-	-	30,668	(30,668)	-
Share capital decrease	(1,507,259)	-	-	1,507,259	-
Total comprehensive income for the year	-	-	-	1,409,881	1,409,881
Balance as of December 31, 2014	385,422	77,084	2,065,263	7,184,249	9,712,018

*) In 2015, the Company's shareholders approved the allocation of RON 1,214,081 thousand to dividends (2014: RON 990,637 thousand), the dividend per share being RON 3.15 (2014: RON 2.57 per share).

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 to shareholders based on the depreciation, respectively write-off of the assets financed using this source. As of December 31, 2015 the geological quota reserve, before profit allocation, is of RON 2,431,376 thousand (December 31, 2014: RON 2,673,278 thousand).

These individual financial statements were authorized for issue by the Board of Directors on March 24, 2016.

Virgil Metea
General Manager

Lucia Ionascu
Director Economic

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

STATEMENT OF INDIVIDUAL CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2015

	Year ended December 31, 2015	Year ended December 31, 2014
	'000 RON	'000 RON (represented)*
Cash flows from operating activities		
Net profit for the year	1,194,285	1,409,881
Adjustments for:		
Income tax expense (note 11)	274,553	378,448
Interest expense (note 9)	34	34
Investment income (note 3)	-	(3,268)
Unwinding of decommissioning provision (note 9)	20,268	24,442
Interest revenue (note 4)	(44,185)	(75,461)
Loss on disposal of non-current assets (note 6)	23,084	18,024
Change in decommissioning provision recognized in profit or loss, other than unwinding (note 19)	(19,724)	(7,877)
Change in other provisions	21,852	3,783
Impairment of exploration assets (note 12, note 14)	228,309	154,077
Exploration projects written-off	42,395	43,332
Impairment of non-current assets	5,219	137,783
Depreciation and amortization (note 7)	560,070	484,979
Impairment of financial investments (note 6, note 24 b)	1,328	209
Impairment of other financial investments (note 6, note 25)	6,809	11
Receivable write-offs and movement in allowances for trade receivables and other assets (note 6)	292,146	233,340
Revenues from dismantling of assets	(2,232)	-
Movement in write-down allowances for inventory (note 6)	(4,576)	21,907
	2,599,635	2,823,644
Movements in working capital:		
Decrease/(Increase) in inventory	(162,187)	50,008
Decrease/(Increase) in trade and other receivables	54,550	(154,869)
(Decrease)/Increase in trade and other liabilities	(15,202)	95,160
Cash generated from operations	2,476,796	2,813,943
Interest paid	(34)	(34)
Income taxes paid	(346,021)	(500,975)
Net cash generated by operating activities	2,130,741	2,312,934

* Certain amounts shown here do not correspond to the 2014 published financial statements (note 33)
The accompanying notes form an integral part of these individual financial statements.
This is a free translation from the original Romanian version.

STATEMENT OF INDIVIDUAL CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2015

	Year ended December 31, 2015	Year ended December 31, 2014
	'000 RON	'000 RON (represented)*
Cash flows from investing activities		
Increase in investments in associates (note 24 b)	(753)	-
Investment in subsidiaries (note 24 a)	(1,200)	-
(Increase)/Decrease in other financial assets	158,050	(770,854)
Interest received	53,872	77,200
Proceeds from sale of non-current assets	42	154
Loans granted to associates	(726)	-
Reimbursements of loans granted to associates	65	-
Dividends received	1,634	1,634
Acquisition of non-current assets	(357,281)	(580,708)
Acquisition of exploration assets	(555,423)	(485,147)
Net cash used in investing activities	(701,720)	(1,757,721)
Cash flows from financing activities		
Dividends paid	(1,214,925)	(988,287)
Net cash used in financing activities	(1,214,925)	(988,287)
Net increase/(decrease) in cash and cash equivalents	214,096	(433,074)
Cash and cash equivalents at the beginning of the year	526,256	959,330
Cash and cash equivalents at the end of the year	740,352	526,256

These individual financial statements were authorized for issue by the Board of Directors on March 24, 2016.

Virgil Metea
General Manager



Lucia Ionascu
Economic Director

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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 Mediaş, 4 Constantin I. Moţaş Square, 551130, Sibiu County.

The Ministry of Energy, Small and Medium Enterprises and Business Environment as representative of the Romanian State, is 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. exploitation, 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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 (EU). 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 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 individual financial statements for the years presented.

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

Basis of preparation

The individual 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).

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

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

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".

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 venturers.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements (continued)

Joint operations

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

Standards and interpretations effective in the current period

The following standards, amendments or improvements to the existing standards issued by the IASB and adopted by the EU are effective for the current period:

- annual improvements to IFRSs – cycle 2011 - 2013, adopted by the EU on December 18, 2014 (effective for annual periods beginning on or after January 1, 2015);
- IFRIC 21 "Levies" adopted by the EU on June 13, 2014 (effective for annual periods beginning on or after June 17, 2014).

The adoption of these amendments, interpretations or improvements to the existing standards has not led to any 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 individual financial statements, the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were issued, but not yet effective:

- annual improvements to IFRS – cycle 2010-2012 adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards and interpretations issued by IASB and adopted by the EU but not yet effective (continued)

- amendments to IAS 19: Defined benefit plans: employee contributions - adopted by the EU on December 17, 2014 (effective for annual periods beginning on or after February 1, 2015);
- amendments to IAS 27: Equity method in separate financial statements, adopted by EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- amendments to IAS 1: Disclosure initiative, adopted by EU on December 18, 2015 (effective for annual periods beginning on or after January 1, 2016);
- annual improvements to IFRSs – cycle 2012-2014, adopted by EU on December 15, 2015 (effective for annual periods beginning on or after January 1, 2016);
- amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization, adopted by EU on December 2, 2015, (effective for annual periods beginning on or after January 1, 2016);
- amendments to IFRS 11: Accounting for acquisitions of interests in joint operations, adopted by EU on November 24, 2015 (effective for annual periods beginning on or after January 1, 2016);
- amendments to IAS 16 and IAS 41: Bearer plants adopted by EU on November 23, 2015 (effective for annual periods beginning on or after January 1, 2016).

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 individual financial statements:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after January 1, 2018);
- IFRS 14 "Regulatory deferral accounts" (effective for annual periods beginning on or after January 1, 2016);
- IFRS 15 "Revenue from contracts with customers" including amendments to IFRS 15: Effective date of IFRS 15 (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);
- amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: applying the consolidation exception (effective for annual periods beginning on or after January 1, 2016);
- 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 IAS 12: Recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after January 1, 2017);
- amendments to IAS 7: Disclosure initiative (effective for annual periods beginning on or after January 1, 2017).

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Company anticipates that the adoption of these standards, amendments or improvements to the existing standards and interpretations will have no material impact on the individual financial statements of the Company in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Company's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the individual financial statements, if applied as at the end of the reporting date.

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;
- 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 individual 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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 was 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 was brought to present value using a discount factor based on interest related to a maximum degree of security investments (government securities).

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

At year end, the Company records an expense with a liability related to the fund for employee participation to profit in compliance with legislation in force. The expense is presented as an employee benefit expense.

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.

Provisions for decommissioning of wells and restoration of lands 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.

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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Provisions for decommissioning of wells and restoration of lands damaged by the activity of exploiting natural gas resources (continued)

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 shall account 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 year 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 years 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 statement of financial position date.

Deferred tax

Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the individual 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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 balance sheet date. 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 set off 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 comprehensive income. Deferred tax for the period is recognized as an expense or income in the statement of 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 acquiree'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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

(2) Depreciation

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.

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

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 retired or otherwise disposed of are eliminated from the statement of 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 year.

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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and appraisal assets (continued)

(1) Cost (continued)

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 written off as a dry hole. 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;
- 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, trademarks 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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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 year.

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 year.

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, 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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserves

Reserves include:

- legal reserves, which are used annually to transfer profits from profits, up to 5% of the statutory profit being transferred each year, but not to exceed 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;
- reserves from tax incentives, set up based on Emergency Ordinance no. 19/April 23, 2014. The amount of profit that benefited from tax exemption under the above Ordinance less the legal reserve, was distributed at the end of the period 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;
- other reserves.

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 individual 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 certified at the beginning of the year. According to this method, the value of each production well is depreciated according to the ratio of the natural gas quantity extracted during the year compared to the gas reserve certified at the beginning of the year. The gas reserves are updated annually based on internal assessment approved by the National Authority for Mineral Resources.

Estimates related to the decommissioning provision

Liabilities for decommissioning costs are recognized for the Company's an 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. 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 using the weighted average capital cost.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 was 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 was 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.

Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 3 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The Company works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Economic Director reports the valuation findings to the board of directors of the Company on a regular basis to explain the cause of fluctuations in the fair value of the assets and liabilities.

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.

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. 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 individual financial statements, which has a material impact on the Company.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

3. REVENUE AND OTHER INCOME

	Year ended December 31, 2015	Year ended December 31, 2014
	'000 RON	'000 RON
Revenue from gas sold - domestic production	3,159,884	3,413,733
Revenue from gas sold - joint venture	131,373	139,657
Revenue from gas acquired for resale – import gas	4,169	116,443
Revenue from gas acquired for resale – domestic gas	14,545	15,050
Revenue from electricity	356,778	334,684
Revenue from sale of goods	13,876	11,242
Revenue from services	32,636	29,908
Revenue from storage services	332,528	425,575
Other operating revenues	86,690	114,570
Total	4,132,477	4,600,862

4. INVESTMENT INCOME

	Year ended December 31, 2015	Year ended December 31, 2014
	'000 RON	'000 RON
Interest income	44,185	75,461
Income from dividends	-	3,268
Total	44,185	78,729

5. COST OF COMMODITIES SOLD, RAW MATERIALS AND CONSUMABLES

	Year ended December 31, 2015	Year ended December 31, 2014
	'000 RON	'000 RON
Consumables used	73,988	62,235
Cost of gas acquired for resale, sold – import	4,027	108,712
Cost of gas acquired for resale, sold – domestic	12,639	12,411
Cost of electricity imbalance	22,673	53,395
Cost of other goods sold	888	1,120
Other consumables	4,275	3,932
Total	118,490	241,805

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

6. OTHER GAINS AND LOSSES

	Year ended December 31, 2015	Year ended December 31, 2014
	'000 RON	'000 RON
Forex gain	131	1,419
Forex loss	(243)	(3,069)
Loss on disposal of non-current assets	(23,084)	(18,024)
Receivable allowances and write offs, net (note 16 c)	(292,039)	(233,336)
Impairment of financial investments (note 24 b, note 25)	(8,137)	(220)
Write down allowances for inventory, net (note 15)	4,576	(21,907)
Losses from trade receivables	(107)	(4)
Total	(318,903)	(275,141)

7. DEPRECIATION, AMORTIZATION AND IMPAIRMENT EXPENSES

	Year ended December 31, 2015	Year ended December 31, 2014
	'000 RON	'000 RON
Depreciation	560,070	484,979
out of which:		
- depreciation of property, plant and equipment	541,874	469,297
- amortization of intangible assets	18,196	15,682
Impairment of non-current assets	233,528	291,860
Total depreciation, amortization and impairment	793,598	776,839

8. EMPLOYEE BENEFIT EXPENSE

	Year ended December 31, 2015	Year ended December 31, 2014
	'000 RON	'000 RON
Wages and salaries	454,732	443,316
Social security charges	108,828	120,162
Meal tickets	12,191	12,233
Other benefits according to collective labor contract	20,990	16,354
Private pension payments	10,775	10,534
Total employee benefit costs	607,516	602,599
Less, capitalised employee benefit costs	(95,869)	(79,814)
Total employee benefit expense	511,647	522,785

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

9. FINANCE COSTS

	Year ended December 31, 2015	Year ended December 31, 2014
	'000 RON	'000 RON
Interest expense	34	34
Unwinding of the decommissioning provision (note 19)	20,268	24,442
Total	20,302	24,476

10. OTHER EXPENSES

	Year ended December 31, 2015	Year ended December 31, 2014
	'000 RON	'000 RON
Energy and water expenses	18,472	20,755
Expenses for capacity booking and gas transmission services	40,574	40,427
Expenses with other taxes and duties	787,182	816,598
(Gain)/Loss from provisions movement	2,128	(4,093)
Other operating expenses	192,314	160,940
Total	1,040,670	1,034,627

In the year ended December 31, 2015, the major taxes included in the amount of RON 787,182 thousand (year ended December 31, 2014: RON 816,598 thousand) for taxes and duties are:

- RON 367,165 thousand, including amounts related to joint ventures, represent windfall tax resulting from the deregulation of prices in the natural gas sector according to Government Ordinance no. 7/2013 modified by the Emergency Ordinance no. 13/2014 for the implementation of the windfall tax following the deregulation of prices in the natural gas sector (year ended December 31, 2014: RON 369,685 thousand);
- RON 64,988 thousand, including amounts related to joint ventures, represent tax on special construction according to Government Ordinance no. 102/2013 for the modification and completion of Law 571/2003 regarding the Fiscal Code and for the regulation of certain financial-fiscal measures (year ended December 31, 2014: RON 91,745 thousand);
- RON 304,671 thousand, including amounts related to joint ventures, represent royalty on gas production and storage activity (year ended December 31, 2014: RON 303,232 thousand).

11. INCOME TAX EXPENSE

	Year ended December 31, 2015	Year ended December 31, 2014
	'000 RON	'000 RON
Income tax		
Current tax expense	343,269	393,583
Deferred income tax (income)/expense	(88,716)	(15,135)
Income tax expense	274,553	378,448

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

11. INCOME TAX EXPENSE (continued)

The tax rate used for the reconciliations below for the years ended December 31, 2015, respectively December 31, 2014 is the corporate tax rate of 16% payable by corporate entities in Romania on taxable profits.

The total charge for the year can be reconciled to the accounting profit as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
	'000 RON	'000 RON
Accounting profit before tax	1,468,838	1,788,329
Income tax expense calculated at 16%	235,014	286,133
Effect of income exempt of taxation	(48,705)	(18,130)
Effect of expenses that are not deductible in determining taxable profit	188,807	162,563
Tax incentives	(5,118)	(4,907)
Effect of temporary differences	(95,445)	(47,211)
Income tax expense	274,553	378,448

Components of deferred tax liability:

	December 31, 2015		December 31, 2014	
	Cumulative temporary differences	Deferred tax (asset)/ liability	Cumulative temporary differences	Deferred tax (asset)/ liability
	'000 RON	'000 RON	'000 RON	'000 RON
Provisions	(302,388)	(48,382)	(320,227)	(51,236)
Property, plant and equipment	844,937	135,190	1,290,285	208,448
Receivables and other assets	(151,367)	(24,219)	(149,399)	(23,905)
Total	391,182	62,589	820,669	131,305
Charged to Income		(68,716)		(15,135)

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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 - WIP	Capital work in progress - other	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Cost									
As of January 1, 2015	104,058	457,028	4,872,197	1,096,588	157,645	1,604,301	852,508	548,085	9,692,410
Reclassification	-	355,583	256,831	(434,327)	(76,280)	(101,807)	-	-	-
Additions *)	2,359	19,573	551,968	48,349	7,108	111,363	469,322	743,720	1,953,760
Disposals *)	(18)	(747)	(47,562)	(5,754)	(518)	(12,055)	(663,968)	(491,180)	(1,221,802)
As of December 31, 2015	106,399	831,437	5,633,432	704,856	87,955	1,601,802	657,862	800,625	10,424,368
Accumulated depreciation									
As of January 1, 2015	-	84,071	2,030,012	505,872	113,502	370,324	-	-	3,103,781
Reclassification	-	86,055	108,394	(126,928)	(60,862)	(4,859)	-	-	-
Charge for the year**)	-	31,922	397,204	56,778	8,770	81,042	-	-	573,716
Disposals during the year	-	(142)	(2,858)	(4,634)	(504)	(9,525)	-	-	(17,663)
As of December 31, 2015	-	201,906	2,530,752	431,088	59,106	436,982	-	-	3,659,834
Impairment									
As of January 1, 2015	3,180	15,176	174,085	24,881	298	6,253	339,084	62,953	625,910
Reclassification	-	810	14	(404)	58	(478)	-	-	-
Transfers	-	-	3,110	-	-	2,402	(28,957)	23,445	-
Charge for the year	-	337	59,778	4,777	131	2	216,017	27,361	308,403
Release during the year	-	(788)	(51,547)	(5,351)	(67)	(4,290)	(81,259)	(22,937)	(166,239)
As of December 31, 2015	3,180	15,535	185,440	23,903	420	3,889	444,885	90,822	768,074
Carrying value									
As of January 1, 2015	100,878	357,781	2,668,100	565,835	43,845	1,227,724	513,424	485,132	5,962,719
As of December 31, 2015	103,219	613,998	2,917,240	249,865	28,429	1,160,931	212,977	709,803	5,996,460

*) Amounts include put in functions/transfers in amount of RON 722,377 thousand.

***) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 28,264 thousand.

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and land improvements	Buildings	Gas properties	Plant, machinery and equipment	Fixtures, fittings and office equipment	Storage assets	Tangible exploration assets - WIP	Capital work in progress - other	Total
Cost	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
As of January 1, 2014	103,110	449,978	4,539,218	1,002,118	153,893	1,539,539	691,696	312,332	8,791,884
Additions *)	948	7,371	364,588	98,411	4,302	65,588	362,434	614,297	1,517,937
Disposals *)	-	(321)	(31,807)	(3,941)	(550)	(826)	(201,622)	(378,544)	(617,411)
As of December 31, 2014	104,058	457,028	4,872,197	1,096,588	157,645	1,604,301	852,508	548,085	9,692,410
Accumulated depreciation									
As of January 1, 2014	-	54,773	1,739,256	415,026	89,594	297,858	-	-	2,596,507
Charge for the year **)	-	29,423	295,323	94,115	24,354	72,741	-	-	515,956
Disposals during the year	-	(125)	(4,567)	(3,269)	(446)	(275)	-	-	(8,682)
As of December 30, 2014	-	84,071	2,030,012	505,872	113,502	370,324	-	-	3,103,781
Impairment									
As of January 1, 2014	3,180	14,383	69,645	22,780	124	-	276,880	41,118	428,110
Charge for the year	-	793	106,256	2,268	174	6,253	124,622	27,772	268,136
Release during the year	-	-	(1,816)	(165)	-	-	(62,418)	(5,937)	(70,336)
As of December 31, 2014	3,180	15,176	174,085	24,881	298	6,253	339,084	62,953	625,910
Carrying value									
As of January 1, 2014	99,930	380,822	2,730,317	564,312	64,175	1,241,681	414,816	271,214	5,767,267
As of December 31, 2014	100,878	357,781	2,668,100	665,835	43,845	1,227,724	513,424	485,132	5,962,719

*) Amounts include put in functions/transfers in amount of RON 515,414 thousand.

**) The amounts include depreciation of tangible assets used in the production of other fixed assets, capitalized in their cost, amounting to RON 46,659 thousand.

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2015</u>	<u>Year ended December 31, 2014</u>
	'000 RON	'000 RON
Exploration projects written-off	42,395	43,332
Net movement in exploration assets' impairment	228,309	154,077
Net cash used in exploration investing activities	<u>(555,423)</u>	<u>(485,147)</u>
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	'000 RON	'000 RON
Exploration assets	592,715	894,705
Liabilities	<u>(67,076)</u>	<u>(125,496)</u>
Net assets	<u>525,639</u>	<u>769,209</u>

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

14. OTHER INTANGIBLE ASSETS

	Other intangible assets	Licenses	Intangible exploration assets - WIP	Intangible work in progress - other	Total
Cost	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
As of January 1, 2015	14,584	168,266	497,329	2,606	682,785
Additions	2,682	12,000	92,008	10,382	117,072
Disposals	(2,187)	(2,025)	-	(12,823)	(17,035)
As of December 31, 2015	15,079	178,241	589,337	165	782,822
Accumulated amortization					
As of January 1, 2015	5,056	152,045	-	-	157,101
Charge for the year	2,204	15,992	-	-	18,196
Disposals during the year	-	(1,933)	-	-	(1,933)
As of December 31, 2015	7,260	166,104	-	-	173,364
Impairment					
As of January 1, 2015	-	-	116,048	2,187	118,235
Charge for the year	-	-	167,733	-	167,733
Transfers during the year	2,187	-	-	-	-
Release during the year	(2,187)	-	(74,182)	(2,187)	(76,369)
As of December 31, 2015	-	-	209,599	-	209,599
Carrying value					
As of January 1, 2015	9,528	16,221	381,281	419	407,449
As of December 31, 2015	7,819	12,137	379,738	165	399,859

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

14. OTHER INTANGIBLE ASSETS (continued)

	Other intangible assets '000 RON	Licenses '000 RON	Intangible exploration assets - WIP '000 RON	Intangible work in progress - other '000 RON	Total '000 RON
Cost					
As of January 1, 2014	4,133	160,044	381,577	4,834	550,588
Additions	10,506	9,216	118,260	6,623	144,605
Disposals	(55)	(994)	(2,508)	(8,851)	(12,408)
As of December 31, 2014	14,584	168,266	497,329	2,606	682,785
Accumulated amortization					
As of January 1, 2014	4,088	138,369	-	-	142,457
Charge for the year	1,023	14,659	-	-	15,682
Disposals during the year	(55)	(983)	-	-	(1,038)
As of December 31, 2014	5,056	152,045	-	-	157,101
Impairment					
As of January 1, 2014	-	-	24,175	-	24,175
Charge for the year	-	-	94,378	2,187	96,565
Release during the year	-	-	(2,505)	-	(2,505)
As of December 31, 2014	-	-	116,048	2,187	118,235
Carrying value					
As of January 1, 2014	45	21,675	357,402	4,834	383,956
As of December 31, 2014	9,528	16,221	381,281	419	407,449

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

15. INVENTORIES

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	'000 RON	'000 RON
Spare parts and materials	158,034	142,687
Work in progress	594	144
Finished goods	351,773	240,104
Residual products	86	105
Inventories at third parties	65,248	39,816
Goods for resale (gas)	10,344	122
Other inventories	95	96
Write-down allowance for spare parts and materials	(25,789)	(24,060)
Write-down allowance for residual products	(22)	-
Write-down allowance for inventories at third parties	(579)	(6,906)
Total	559,784	392,108

16. ACCOUNTS RECEIVABLE

a) Trade and other receivables

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	'000 RON	'000 RON
Trade receivables	1,438,204	1,528,203
Bad debt allowances (note 16 c)	(856,676)	(565,968)
Accrued receivables	19,537	37,960
Total	601,065	1,000,195

b) Other assets

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	'000 RON	'000 RON
Advance paid to suppliers	13,933	34,999
Joint venture receivables	5,113	436
Loans to associates (note 22 iv)	17,887	17,054
Interest on loan to associates (note 22 iv)	1,041	846
Bad debt allowance on loans to associates (note 16 c, note 22 iv)	(18,928)	(17,900)
Other receivables	5,499	9,289
Bad debt allowance for other receivables	(549)	-
Other debtors	45,148	45,404
Bad debt allowances for other debtors (note 16 c)	(42,692)	(42,757)
Prepayments	84,481	42,015
VAT not yet due	28,679	12,500
Total	139,612	101,886

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

16. ACCOUNTS RECEIVABLE (continued)

c) Changes in the allowance for doubtful debts

	2015	2014
	'000 RON	'000 RON
At January 1	<u>626,625</u>	<u>393,289</u>
Charge during the year	321,998	249,701
Forex on revaluation of foreign currency balances	181	-
Release during the year	<u>(29,959)</u>	<u>(16,365)</u>
At December 31	<u>918,845</u>	<u>626,625</u>

As of December 31, 2015, the Company recorded allowances for doubtful debts, of which Interagro RON 273,229 thousand (December 31, 2014: RON 268,660 thousand), GHCL Upsom of RON 60,371 thousand (December 31, 2014: RON 60,371 thousand), CET Iasi of RON 46,271 thousand (December 31, 2014: RON 46,271 thousand), Electrocentrale Galati with RON 209,907 thousand (December 31, 2014: RON 160,678 thousand), Electrocentrale Bucuresti with RON 238,094 thousand (December 31, 2014: RON 0 thousand) and G-ON EUROGAZ of RON 14,848 thousand (December 31, 2014: RON 14,903 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, 2015	December 31, 2014
	'000 RON	'000 RON
Current receivables but not impaired	559,927	958,596
Overdue receivables but not impaired		
less than 30 days overdue	7,186	10,534
30 to 90 days overdue	14,396	1
90 to 360 days overdue	19	749
over 360 days overdue	<u>-</u>	<u>-</u>
Total overdue receivables but not impaired	<u>21,601</u>	<u>11,284</u>
Total trade receivables	<u>581,528</u>	<u>969,880</u>

Overdue receivables but not impaired were collected during 2016.

17. SHARE CAPITAL

	December 31, 2015	December 31, 2014
	'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>

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

17. SHARE CAPITAL (continued)

The shareholding structure as at December 31, 2015 is as follows:

	<u>No. of shares</u>	<u>Value</u> '000 RON	<u>Percentage (%)</u>
The Romanian State through the Ministry of Energy, Small and Medium Enterprises and Business Environment	289,823,080	289,823	70
Legal persons	100,967,301	100,967	26
Physical persons	14,632,019	14,632	4
Total	385,422,400	385,422	100

All shares are ordinary and were subscribed and fully paid as at December 31, 2015. All shares carry equal voting rights and have a nominal value of RON 1/share (December 31, 2014: RON 1/share).

18. RESERVES

	<u>December 31, 2015</u> '000 RON	<u>December 31, 2014</u> '000 RON
Legal reserves	77,084	77,084
Other reserves, of which:	2,504,769	2,065,263
- Company's development fund	1,955,242	1,548,207
- Tax incentives	62,516	30,668
- Geological quota set up until 2004	486,368	486,368
- Other reserves	623	-
Total	2,581,853	2,142,347

19. PROVISIONS

	<u>December 31, 2015</u> '000 RON	<u>December 31, 2014</u> '000 RON
Decommissioning provision	184,983	202,293
Retirement benefit obligation	102,959	97,265
Litigation provision *)	15,872	-
Total long term provisions	303,814	299,558
Decommissioning provision	12,629	19,950
Provisions for land restoration	14,253	15,146
Litigation provision	79	-
Other provisions	1,818	718
Total short term provisions	28,779	35,814
Total provisions	332,593	335,372

This is a free translation from the original Romanian version.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

19. PROVISIONS (continued)

*) 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. In 2015 Romgaz started a legal case against the Ministry of Public Finance for the cancelation of the above decisions, including the partial cancelation of the decision issued for the appeal.

For RON 4,179 thousand a new fiscal control was ordered, which resulted in a tax burden of RON 2,981 thousand. Against this decision, Romgaz filed an appeal to ANAF. To the date of the financial statements, the appeal was not resolved.

Based on the above and to prevent the forced execution of the tax liabilities subject to the appeal, on October 23, 2014 (in accordance with provisions of art. 148¹ of Government Ordinance no. 92/2003 regarding the Tax Procedure Code, respectively art. 235 of Law no. 2017/2015 regarding the Tax Procedure Code), Romgaz issued a bank letter of guarantee in favor of the Ministry of Public Finance for the amount of the additional liabilities, respectively RON 20,051 thousand, valid until October 13, 2016. For the tax decision related to the RON 2,981 thousand, on November 11, 2015 the Company issued a bank letter of guarantee in favor of the Ministry of Public Finance, valid until November 10, 2016.

Decommissioning provision**Decommissioning provision movement**

	<u>2015</u>	<u>2014</u>
	'000 RON	'000 RON
At January 1	222,243	214,161
Additional provision recorded against non-current assets	3,883	8,527
Unwinding effect (note 9)	20,268	24,442
Recorded in profit or loss	(19,724)	(7,877)
Release against non-current assets	(29,058)	(17,010)
At December 31	197,612	222,243

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 9.3% (December 31, 2014: 8.8%). 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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

20. TRADE AND OTHER CURRENT LIABILITIES

	December 31, 2015	December 31, 2014
	'000 RON	'000 RON
Accruals	65,283	48,844
Trade payables	23,976	39,324
Payables to fixed assets suppliers	40,967	110,859
Advances from customers	56,711	17,956
Total trade payables	186,937	216,983
Payables related to employees	49,141	55,353
Royalties	81,711	77,097
Social security taxes	16,160	28,465
Other current liabilities	40,785	31,600
Joint venture payables	977	4,089
VAT	81,348	70,260
Dividends payable	1,506	2,350
Windfall tax	43,596	50,188
Other taxes	4,299	5,434
Total other current liabilities	319,523	322,836
Total trade and other current liabilities	506,460	539,819

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 programme focuses on the unpredictability of financial markets and seeks to minimise 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 not exposed to currency risk as a result of reduced exposure to various currencies. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

As at December 31, 2015, the official exchange rates were RON 4.1477 to USD 1 and RON 4.5245 to EUR 1 and (December 31, 2014: RON 3.6868 to USD 1 and RON 4.4821 to EUR 1).

(ii) Inflation risk

The official inflation rate in Romania, during the year ended December 31, 2015 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 hyperinflation economy.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

21. FINANCIAL INSTRUMENTS (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk

The Company is exposed to interest rate risk due to loans granted to related parties.

As of December 31, 2015, the Company had granted variable interest bearing loans having a gross value and the related interest of RON 18,928 thousand (December 31, 2014: RON 17,900 thousand).

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 cash and cash equivalents, bank deposits, trade receivables and loans. The Company has policies in place to ensure that sales are made to customers with an appropriate credit history. 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, cash and cash equivalents and loans, 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 94% of trade receivable balance at December 31, 2015 (92% as of December 31, 2014). 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.

In order to maintain or adjust the capital structure, the Company may adjust 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 year end, the Company makes an assessment to determine whether there is any indication of impairment. As of December 31, 2015 the Company did not identify any indication of impairment of other financial investments, except for the impairment already recorded.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

21. FINANCIAL INSTRUMENTS (continued)

e) Maturity analysis for non-derivative financial assets and financial liabilities

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	329,707	251,770	51	-	-	581,528
Deposits	23,750	395,100	913,710	29,300	-	1,361,860
Treasury bills	-	400,430	410,440	-	-	810,870
Total	353,457	1,047,300	1,324,201	29,300	-	2,754,258
Trade payables	(52,787)	(12,155)	(1)	-	-	(64,943)
Total	(52,787)	(12,155)	(1)	-	-	(64,943)
Net	300,670	1,035,145	1,324,200	29,300	-	2,689,315

December 31, 2014	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	497,013	472,569	298	-	-	969,880
Deposits	232,805	920,755	435,030	-	-	1,588,590
Treasury bills	149,991	123,980	488,016	-	-	741,987
Total	879,809	1,517,304	903,344	-	-	3,300,457
Trade payables	(216,983)	-	-	-	-	(216,983)
Total	(216,983)	-	-	-	-	(216,983)
Net	662,826	1,517,304	903,344	-	-	3,083,474

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

21. FINANCIAL INSTRUMENTS (continued)

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.

22. RELATED PARTY TRANSACTIONS

(i) Sales of goods and services

	<u>Year ended December 31, 2015</u>	<u>Year ended December 31, 2014</u>
	'000 RON	'000 RON
Romgaz's associates	23,736	21,464
Total	23,736	21,464

(ii) Interest revenue

	<u>Year ended December 31, 2015</u>	<u>Year ended December 31, 2014</u>
	'000 RON	'000 RON
Romgaz's associates	186	176
Total	186	176

(iii) Trade receivables

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	'000 RON	'000 RON
Romgaz's associates	-	1,306
Total	-	1,306

(iv) Loans granted to associates

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	'000 RON	'000 RON
Romgaz's associates (note 16 b)	18,928	17,900
Bad debt allowance (note 16 b)	(18,928)	(17,900)
Total	-	-

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 years ended December 31, 2015 respectively December 31, 2014, 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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2015 and, respectively, December 31 2014, 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

	<u>Year ended December 31, 2015</u>	<u>Year ended December 31, 2014</u>
	'000 RON	'000 RON
Salaries paid to directors	11,407	11,931
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	'000 RON	'000 RON
Salaries payable to directors	486	400

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.

As of the date the individual financial statements for the year ended December 31, 2015 were authorized for issue, the storage activity is being further carried 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 operations of the underground gas storage facilities granted to Romgaz by ANRE presidential decision no. 151/January 22, 2014 in the sense of changing the licence holder with S.N.G.N Romgaz S.A. – Filiala de Înmagazinare Gaze Naturale Depogaz Ploiesti S.R.L. The modified license was granted starting April 1, 2016 to September 13, 2056.

The Company did not prepare consolidated financial statements as of December 31, 2015 given the fact that the subsidiary did not carry out any activity since incorporation.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

24. INVESTMENT IN SUBSIDIARIES AND ASSOCIATES (continued)

b) Investment in associates

Name of associate	Main activity	Place of incorporation and operation	Proportion of ownership interest and voting power held (%)	
			December 31, 2015	December 31, 2014
SC Amgaz SA Medias	Gas production	România	35	35
SC Depomures SA Tg.Mures	Storage of natural gas	România	40	40
Energia Torzym	Gas production	Polonia	30	30
Energia Cybinka	Gas production	Polonia	30	30
SC Agri LNG Project Company SRL	Feasibility projects	România	25	25

Name of associate	Value as of 31 December, 2015	Impairment as of 31 December, 2015	Carrying value as of 31 December, 2015	Value as of 31 December, 2014	Impairment as of 31 December, 2014	Carrying value as of 31 December, 2014
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
SC Amgaz SA Medias	9,214	(9,214)	-	8,549	(8,200)	349
SC Depomures SA Tg.Mures	120	-	120	120	-	120
Energia Torzym	1,750	(1,750)	-	1,750	(1,750)	-
Energia Cybinka	1,642	(1,642)	-	1,642	(1,642)	-
SC Agri LNG Project Company SRL	833	(790)	43	745	(476)	269
Total	13,559	(13,396)	163	12,806	(12,068)	738

This is a free translation from the original Romanian version.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

25. OTHER FINANCIAL INVESTMENTS

Company	Principal activity	Place of Incorporation and operation	Proportion of ownership interest and voting power held (%)			
			31 decembrie 2015		31 decembrie 2014	
Electrocentrale București S.A.	Electricity and thermal power producer	România	2.49			2.49
Electrocentrale Titan S.A.	Electricity and thermal power producer	România	0.74			0.74
MKB Romexterra Bank S.A.	Other activities – financial intermediations	România	0.04			0.04
Mi Petrogas Services S.A.	Services related to oil and natural gas extraction, excluding prospections	România	10			10
GHCL Upsom	Manufacture of other chemical, anorganic base products	România	4.21			4.21
Pan Atlantic and Lukoil association (note 32)	Petroleum exploration operations	România	10			10

Compania	Value as of 31 December, 2015	Impairment as of 31 December, 2015	Carrying value as of 31 December, 2015	Value as of 31 December, 2014	Impairment as of 31 December, 2014	Carrying value as of 31 December, 2014
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Electrocentrale București S.A.	64,310	-	64,310	64,310	-	64,310
Electrocentrale Titan S.A.*	1,977	(1,577)	400	1,977	-	1,977
MKB Romexterra Bank S.A.	840	(757)	83	840	(752)	88
Mi Petrogas Services S.A.	60	-	60	60	-	60
GHCL Upsom Pan Atlantic and Lukoil association	17,100	(17,100)	-	17,100	(17,100)	-
	10,454	(5,227)	5,227	10,454	-	10,454
Total	94,741	(24,661)	70,080	94,741	(17,852)	76,889

* In November 2015, Electrocentrale Titan S.A.'s shareholders approved its merger by absorption by S.C. Electrocentrale Grup S.A.. In the shareholders' meeting, the Company voted against the merger. As a result of the vote, Romgaz exercised its right to withdraw as a shareholder, by selling its shares to S.C. Electrocentrale Titan S.A., according to legal provisions.

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

25. OTHER FINANCIAL INVESTMENTS (continued)

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 year end, the Company makes an assessment to determine whether there are any indications of impairment. As of December 31, 2015 the Company did not identify any indication of impairment of other financial investments, other than adjustments already recorded.

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 and others, including headquarter activities and electricity production. The Directors of the Company have chosen to organize the Company around difference 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 for resale; these activities are performed by Medias, Mures and Bratislava branches;
- storage activities, performed by the Ploiesti branch;
- other activities, such as electricity production, technological transport, well operations and corporate activities.

Except for Bratislava branch, all assets and operations are in Romania. In Bratislava branch as of December 31, 2015 are recorded exploration assets in amount of RON 18,122 thousand (December 31, 2014 RON 12,553 thousand).

Gas deliveries between segments are made at actual cost. Deliveries of electricity produced by CET Iernut between segments are made at actual cost. The services (technological transport, well operations) between segments are made at actual costs starting 2015. Any internally generated profits are eliminated in the individual statement of comprehensive income

b) Segment assets and liabilities

December 31, 2016	<u>Upstream</u>	<u>Storage</u>	<u>Other</u>	<u>Total</u>
	'000 RON	'000 RON	'000 RON	'000 RON
Property, plant and equipment	4,040,574	1,565,895	389,991	5,996,460
Other intangible assets	392,675	731	6,453	399,859
Investments in subsidiaries	-	-	1,200	1,200
Investments in associates	-	-	163	163
Other financial investments	-	-	70,080	70,080
Other financial assets	42	410,548	1,765,537	2,176,127
Inventories	435,822	98,206	25,756	559,784
Trade and other receivables	549,138	26,356	25,571	601,065
Other assets	12,812	13,080	113,720	139,612
Cash and cash equivalents	80,089	4,275	655,988	740,352
Total assets	6,511,162	2,119,091	3,054,469	10,684,702

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

26. SEGMENT INFORMATION (continued)

b) Segment assets and liabilities (continued)

December 31, 2016	Upstream	Storage	Other	Total
	'000 RON	'000 RON	'000 RON	'000 RON
Retirement benefit obligation	-	-	102,959	102,959
Deferred tax liabilities	-	-	62,589	62,589
Provisions	194,651	17,294	17,689	229,634
Trade and other payables	148,627	2,294	36,016	186,937
Current tax liabilities	-	-	90,838	90,838
Other liabilities	184,499	3,593	131,431	319,523
Total liabilities	527,777	23,181	441,522	992,480
December 31, 2014 (represented)*	Upstream	Storage	Other	Total
	'000 RON	'000 RON	'000 RON	'000 RON
Property, plant and equipment	3,977,468	1,603,858	381,393	5,962,719
Other intangible assets	395,279	709	11,461	407,449
Investments in associates	-	-	738	738
Other financial investments	-	-	76,889	76,889
Other financial assets	67,734	260,402	2,015,728	2,343,864
Inventories	294,926	72,427	24,755	392,108
Trade and other receivables	930,283	34,858	35,054	1,000,195
Other assets	24,542	19,963	57,381	101,886
Cash and cash equivalents	85,891	1,800	438,565	526,256
Total assets	5,776,123	1,994,017	3,041,964	10,812,104
Retirement benefit obligation	-	-	97,265	97,265
Deferred tax liabilities	-	-	131,305	131,305
Provisions	237,389	-	718	238,107
Trade and other payables	188,682	4,333	23,968	216,983
Current tax liabilities	-	-	93,590	93,590
Other liabilities	191,210	3,995	127,631	322,836
Total liabilities	617,281	8,328	474,477	1,100,086

* Certain amounts shown here do not correspond to the 2014 published financial statements (note 33)
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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

26. SEGMENT INFORMATION (continued)

c) Segment revenues, results and other segment information

Year ended December 31, 2015	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3,511,385	332,639	697,831	(489,171)	4,052,684
Less: revenue between segments	(157,064)	-	(332,107)	489,171	-
Third party revenue	3,354,321	332,639	365,724	-	4,052,684
Interest income	1,681	5,593	36,911	-	44,185
Interest expense	(34)	-	-	-	(34)
Depreciation, amortization and impairment	(673,420)	(88,262)	(31,916)	-	(793,598)
Segment profit before tax	1,195,534	116,684	156,620	-	1,468,838
Year ended December 31, 2014	Upstream	Storage	Other	Adjustment and eliminations	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
Revenue	3,853,030	425,830	748,731	(534,250)	4,493,341
Less: revenue between segments	(128,179)	-	(406,071)	534,250	-
Third party revenue	3,724,851	425,830	342,660	-	4,493,341
Interest income	4,549	4,755	66,157	-	75,461
Interest expense	(34)	-	-	-	(34)
Depreciation, amortization and impairment	(653,585)	(97,339)	(25,915)	-	(776,839)
Segment profit before tax	1,404,572	146,152	237,605	-	1,788,329

In the "Other" segment is included the Electricity Production Branch (CET Iernut). Sales of CET Iernut in the year ended December 31, 2015, including the sales to the rest of Romgaz's segments were of RON 443,164 thousand, of which RON 84,849 thousand were deliveries made to other Romgaz segments (year ended December 31, 2014: total sales of RON 424,175 thousand, of which deliveries within Romgaz were in amount of RON 88,419 thousand).

The profit obtained by CET Iernut in the year ended December 31, 2015, including deliveries to other segments of Romgaz, was of RON 105,051 thousand (year ended December 31, 2014: profit RON 77,278 thousand).

In the year ended December 31, 2015, the Company's three largest clients each individually represents more than 10% of revenue, sales to these clients being of RON 1,182,742 thousand, RON 1,116,151 thousand, respectively RON 750,645 thousand (in the year ended December 31, 2014 the Company's three largest customers represented individually, over 10% of revenue, sales to these clients being of RON 1,290,930 thousand, RON 1,301,112 thousand, respectively RON 628,565 thousand), together totaling 75% of total revenue (year ended 31 December 2014: 72%). Of the total revenue generated by those three clients, 4.6% are shown in the "Storage" segment and 95.3% in the "Upstream" segment (year ended December 31, 2014: 5.3% in the "Storage" segment, 94.4% in the "Upstream" segment).

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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

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.

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	'000 RON	'000 RON (represented)*
Current bank accounts in RON *)	86,532	76,108
Current bank accounts in foreign currency	92	24
Petty cash	30	23
Term deposits	653,686	450,100
Amounts under settlement	12	1
Total	740,352	626,256

*) Current bank accounts include overnight deposits.

28. OTHER FINANCIAL ASSETS

Other financial assets represent mainly treasury bonds and deposits with a maturity of over 3 months.

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	'000 RON	'000 RON (represented)*
Bank deposits	29,300	-
Total other long-term financial assets	29,300	-
Treasury bonds	810,870	741,987
Bank deposits	1,332,580	1,588,590
Accrued interest receivable	3,397	13,287
Total other short-term financial assets	2,146,827	2,343,864
Total other financial assets	2,176,127	2,343,864

29. COMMITMENTS UNDERTAKEN

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	'000 RON	'000 RON
Endorsements and collaterals granted	41,044	34,551
Total	41,044	34,551

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, valid up to March 23, 2016. On December 31, 2015 are still available for use USD 4,700 thousand (December 31, 2014: USD 5,436 thousand).

As of December 31, 2015, the Company's contractual commitments for the acquisition of non-current assets are of RON 93,319 thousand (December 31, 2014: RON 290,199 thousand).

* Certain amounts shown here do not correspond to the 2014 published financial statements (note 33)
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NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

30. COMMITMENTS RECEIVED

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
	'000 RON	'000 RON
Endorsements and collaterals received	1,135,697	1,266,819
Total	1,135,697	1,266,819

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.

(b) *Ongoing legal procedures for which S.N.G.N. Romgaz S.A. is neither claimant nor defendant*

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 which are suspected to have been granted unauthorized discounts 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 individual financial statements. 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. At the moment, the objections are not known, nor whether they will be taken into account by the investigators. We can not say that the expertise (as it is currently formulated) provides a clear conclusion on the existence or nonexistence of the loss.

On March 16, 2016, DIICOT – Central Structure informed the persons involved in the cause about the start of legal actions against them.

(c) *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 individual financial statements are fairly stated.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

31. CONTINGENCIES (continued)

(d) *Environmental contingencies*

Environmental regulations are developing in Romania and the Company has not recorded any liability at December 31, 2015 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 197,812 thousand (December 31, 2014: RON 222,243 thousand), representing the decommissioning liability, and a provision for land restoration of RON 14,253 thousand (December 31, 2014: RON 15,146 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", starting 2014 (according to Government Decision no. 151/2015 amending and supplementing GD no. 1096/2013).

According to Annex no. 1 of the same decision, S.N.G.N. Romgaz S.A. was allocated for CTE Iernut 687,204 greenhouse gas certificates (EUA) for 2015.

In accordance with Government Decision no. 151/March 4, 2015 amending and supplementing Government Decision no. 1096/2013, the payment of the greenhouse gas emission certificates allocated free of charge is made in two instalments, as follows:

- first installment, between April 5 to December 31 of the year of allocation, with reference to the market price provided in para. (4) a);
- the second installment between October 5 to December 31 of the year of allocation, with reference to the market price provided in para. (4) b).

Romgaz acquired the 687,204 greenhouse gas certificates for the ended year December 31, 2015.

As of December 31, 2015, Romgaz holds in the Greenhouse Gas Emissions Unique Registry 1,196,706 CO2 certificates, as follows:

- 687,204 certificates acquired in 2015;
- a total of 824,645 certificates related to 2014, used for partial compliance with the 2014 emissions, namely 828,793 CO2 tons;
- of the 962,085 certificates acquired for 2013, 507,620 certificates were submitted for the 2013 emissions. Thereby, Romgaz holds in its account 454,465 certificates, of which 4,148 certificates were used for 2014 compliance. In the account remained 450,317 certificates;
- 7,587 certificates submitted to the Registry by Electrocentrale Bucuresti, related to the January 2013 emissions. Romgaz started to monitor the compliance when CET Iernut was taken over in February 2013.

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).

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

31. CONTINGENCIES (continued)

(d) *Environmental contingencies (continued)***Green-house gas emission certificates (CO2 certificates) (continued)**

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, S.N.G.N. Romgaz S.A. 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. - CET Iernut	962,085	824,645	687,204	549,763	412,322	274,882	137,441	-

(e) *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.

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.

32. JOINT ARRANGEMENTS

On December 31, 2015, 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 Viădeni. For the base production, Romgaz holds a quota of 100% and for the additional production, Romgaz owns a quota 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 others work 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.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

32. JOINT ARRANGEMENTS (continued)

- 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, the operator performed stimulation works on wells 1 Vicsani and 1 Fratauti, which led to the abandonment of well 1 Vicsani, 1 Fratauti well will be also abandoned in 2016, thus remaining only one productive well, 1 Bilca.

Romgaz's share in the Brodina Exploration Area is 50% and the share of Aurelian Petroleum SRL, operator of the association, is 50%. The concession agreement for this area is in the assessment phase of the Voitin field, which will expire on March 23, 2016. By this time, a well has to be drilled, as required by ANRM. The works needed to start the drilling were initiated.

- 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%. In June 2015, Liliaci 1 well was commissioned to convert natural gas into electricity, through a generator. This step marks the transition to the development-operational phase.
- d) In September 2003, Romgaz has concluded an operation agreement with Schlumberger for the rehabilitation of the Lasiău 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 quota of Romgaz is 50% and that of Schlumberger is also 50%. Romgaz is the operator of the petroleum operations performed under the agreement.
- e) In June 2008, Romgaz signed a joint operation agreement for exploration, evaluation, development, exploitation 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 the last quarter of 2015, clearances for the execution of three wells were obtained, one in each block.
- f) In January 2009, Romgaz signed the amendment to partnership agreements through which it holds a quota in the share capital of Energia Torzym spolka ograniczona odpowiedzialnoscia spolka komanditowa (Energia Torzym) and that of Energia Cybinka spolka ograniczona odpowiedzialnoscia spolka komanditowa (Energia Cybinka), the two companies holding exploration licenses for Cybinka and Torzym blocks in Poland. The agreement was signed for exploration, development and operation of the two blocks above. Participation shares are: Romgaz - 30%, Aurelian Oil & Gas Poland Sp. Zo.o - 45% and GB Petroleum Plc (currently SceptreOil&Gas Limited LTD) - 25%.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

32. JOINT ARRANGEMENTS (continued)

- g) In July 2012, Romgaz signed the amendments to the joint operations agreements 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 blocks EX-29 Est Rapsodia and EX-30 Trident of the Black Sea continental shelf. The participation quotas are: Lukoil 72%, Panatlantic 18% and Romgaz 10%. In the Rapsodia block, the drilling of a well was completed, generating negative results leading to the abandonment of the well. Consequently, following solid analysis, the partners have decided to notify the National Agency of Mineral Resources about their intention to cease petroleum operations within the Rapsodia block. At this moment, analysis are carried out on the notification sent by the partners and to carry out the formalities necessary to terminate the petroleum agreement that will cease once it is published in the Official Gazette. During 2015, two wells were drilled in the Trident block, one of which being abandoned, while the other generated positive results, leading to gas discoveries.

33. REPRESENTATION OF FINANCIAL STATEMENTS

According to the Company's accounting policies, bank deposits and bonds with a maturity under 3 months from the acquisition date are considered cash equivalents. Bank deposits and bonds with a maturity over 3 months from acquisition date are considered financial assets. In the annual financial statements up to December 31, 2014, the classifications of bank deposits and bonds as cash equivalents and other financial assets, respectively, was done based on the period remaining from year end to maturity.

The changes in the individual financial position compared to the published financial statements, following the reclassification above, are presented below:

	<u>January 1, 2014</u> '000 RON (published)	<u>Reclassifications</u> '000 RON	<u>January 1, 2014</u> '000 RON (represented)
Other financial assets	970,664	604,260	1,574,924
Cash and cash equivalents	<u>1,563,590</u>	<u>(604,260)</u>	<u>959,330</u>
Total	<u>2,534,254</u>	<u>-</u>	<u>2,534,254</u>
	<u>December 31, 2014</u> '000 RON (published)	<u>Reclassifications</u> '000 RON	<u>December 31, 2014</u> '000 RON (represented)
Other financial assets	916,333	1,427,531	2,343,864
Cash and cash equivalents	<u>1,953,787</u>	<u>(1,427,531)</u>	<u>526,256</u>
Total	<u>2,870,120</u>	<u>-</u>	<u>2,870,120</u>

34. EVENTS AFTER THE BALANCE SHEET DATE

Withdrawal from joint arrangements

On January 2016 the shareholders approved the Company's exit as partner in the partnerships concluded with Aurelian Oil & Gas Poland and Sceptre Oil & Gas for the performance of petroleum operations in Cybinka and Torzym blocks, and the Company's withdrawal as limited partner in the two limited liability partnerships Energia Torzym and Energia Cybinka.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

34. EVENTS AFTER THE BALANCE SHEET DATE (continued)

Due to the nature of the obligations that derive from the joint operation agreements until the effective exit date, in February 2016, amendments to the original loan contracts were signed with Energia Torzym and Energia Cybinka, which state that the initial maturity for the repayment of the loans was extended from December 31, 2015 to December 31, 2016.

Subsequently, during February 2016, Romgaz notified its partners about its withdrawal as partner in the two agreements and its withdrawal as shareholder of the two entities effective March 31, 2016.

35. AUDITOR'S FEES

The fee charged by the Company's statutory auditor for the audit of the 2015 financial statements is RON 124 thousand.

The fees charged by the Company's statutory auditor for assurance services, other than audit services, provided in 2015 or related to 2015 are RON 852 thousand.

36. APPROVAL OF INDIVIDUAL FINANCIAL STATEMENTS

These individual financial statements were authorized for issue by the Board of Directors on March 24, 2016.



Virgil Mefea
General Manager



Lucla Ionascu
Economic Director

STATEMENT

in accordance with the provisions of Article 30 of the Accounting Law No. 82/1991

The annual financial statements as of December 31, 2015 were prepared for:

Entity: Societatea Nationala de Gaze Naturale ROMGAZ S.A.

County: 32--SIBIU

Address: MEDIAS, 4 C.I. Motas Square, phone +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

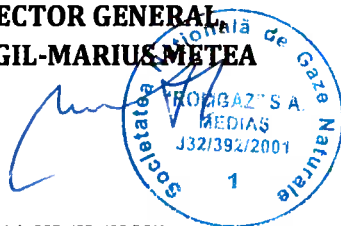
Tax Identification Number: 14056826

The undersigned VIRGIL-MARIUS METEA, as Director General
and LUCIA IONASCU, as Economic Director,
in accordance with Article 10, paragraph (1) of the Accounting Law No. 82/1991,

hereby assume responsibility for the preparation of the annual financial statements as of
December 31, 2015 and we confirm the following:

- a) The accounting policies used for preparation of the annual financial statements comply with the applicable accounting regulations;
- b) The annual financial statements give true image of the financial position, the financial performance and other information referring to the performed activity;
- c) The legal entity performs its activity on a continuous basis.

**DIRECTOR GENERAL,
VIRGIL-MARIUS METEA**



**ECONOMIC DIRECTOR,
LUCIA IONASCU**



ARTICLES OF INCORPORATION

of Societatea Nationala de Gaze Naturale “Romgaz” - SA

updated on October 29, 2015

Article 1 - Business Name

The name of the company is Societatea Nationala de Gaze Naturale “Romgaz” - SA, hereinafter referred to as “ROMGAZ S.A.” or the “Company”.

Article 2 - Legal Form

ROMGAZ S.A is a Romanian legal entity, its legal form is a joint-stock company and it performs its activities according to the Romanian Law and this Articles of Incorporation.

Article 3 - Registered Office

- (1) ROMGAZ S.A. headquarters is located in Medias, C.I. Motas Square 4, Sibiu County.
- (2) ROMGAZ S.A headquarters may be changed subject to a resolution of the Extraordinary General Meeting of Shareholders.
- (3) ROMGAZ S.A is composed of 7 (seven) branches, provided for in annex “Branches of Societatea Naturala de Gaze Naturale “ROMGAZ” - S.A” attached hereto.
- (4) ROMGAZ S.A may set up or dissolve secondary offices (branches, agencies, offices or any other work locations) subject to a resolution of the Board of Directors.

Article 4 - Duration

The Company is set up for an unlimited time period.

Article 5 – Field and Scope of Activities

- (1) The core business of the Company, according to the Classification of Activities in the National Economy (CAEN Rev. 2) is extraction of natural gas (CAEN code: 062).
- (2) The main scope of activity is extraction of natural gas (CAEN code: 0620);
- (3) The Company may perform the following secondary activities:

<i>CAEN Code</i>	<i>Activity</i>
5210	Underground storage of natural gas
0910	Support activities for petroleum and natural gas extraction
3522	Distribution of gaseous fuels through mains
3523	Trade of gas through mains
4671	Wholesale of solid, liquid and gaseous fuels and related products
0610	Extraction of crude petroleum
0899	Other mining and quarrying n.e.c.
0990	Support activities for other mining and quarrying
1920	Manufacture of refined petroleum products
2011	Manufacture of industrial gases

7120 Technical testing and analysis, including of natural gas
 4950 Transport via pipeline, other than main pipelines
 4941 Freight transport by road
 4939 Other passenger land transport n.e.c
 5221 Service activities incidental to land transportation
 5224 Cargo handling
 4520 Maintenance and repair of motor vehicles
 3311 Repair of fabricated metal products
 3312 Repair of machinery
 3313 Repair of electronic and optical equipment
 3314 Repair of electrical equipment
 3317 Repair and maintenance of other transport equipment n.e.c.
 3319 Repair of other equipment
 2562 Machining
 7112 Engineering activities and related technical consultancy
 7490 Other professional, scientific and technical activities n.e.c.
 7711 Renting and leasing of cars and light motor vehicles
 7712 Renting and leasing of trucks
 7732 Renting and leasing of construction and civil engineering machinery and equipment
 7739 Renting and leasing of other machinery, equipment and tangible goods
 6820 Renting and operating of own or leased real estate
 3511 Production of electricity
 3512 Transmission of electricity
 3513 Distribution of electricity
 3514 Trade of electricity
 3600 Water collection, treatment and supply
 3530 Steam and air conditioning supply
 7120 Technical testing and analysis, including of natural gas
 2059 Manufacture of other chemical products n.e.c.
 3821 Treatment and disposal of non-hazardous waste
 3811 Collection of non-hazardous waste
 3812 Collection of hazardous waste
 3831 Dismantling of wrecks
 3832 Recovery of sorted materials
 4120 Construction of residential and non-residential buildings
 4211 Construction of roads and motorways
 4212 Construction of railways and underground railways
 4213 Construction of bridges and tunnels
 4221 Construction of utility projects for fluids
 4222 Construction of utility projects for electricity and telecommunications
 4299 Construction of other civil engineering projects n.e.c.
 4311 Demolition
 4312 Site preparation
 3320 Installation of industrial machinery and equipment
 4321 Electrical installation
 4322 Plumbing, heat and air conditioning installation
 4332 Joinery installation
 4333 Floor and wall covering

4339	Other building completion and finishing
4329	Other construction installation
4399	Other specialised construction activities n.e.c.
4662	Wholesale of machine tools
4663	Wholesale of mining, construction and civil engineering machinery
4675	Wholesale of chemical products
4677	Wholesale of waste and scrap
4711	Retail sale in non-specialised stores with food, beverages or tobacco predominating
4778	Other retail sale of new goods in specialised stores
4779	Retail sale of second-hand goods in stores
2529	Manufacture of other tanks, reservoirs and containers of metal
2511	Manufacture of metal structures and parts of structures
2512	Manufacture of doors and windows of metal
2599	Manufacture of other fabricated metal products n.e.c.
3299	Other manufacturing n.e.c.
2711	Manufacture of electric motors, generators and transformers
2712	Manufacture of electricity distribution and control apparatus
6010	Radio broadcasting
6020	Television programming and broadcasting activities
6110	Wired telecommunications activities
6120	Wireless telecommunications activities
6130	Satellite telecommunications activities
6190	Other telecommunications activities
6492	Other credit granting
6499	Other financial service activities, except insurance and pension funding n.e.c.
6612	Security and commodity contracts brokerage
6619	Other activities auxiliary to financial services, except insurance and pension
7022	Business and other management consultancy activities
7111	Architectural activities
8020	Security systems service activities
8532	Technical and vocational secondary education
8560	Educational support activities
7911	Travel agency activities
7912	Tour operator activities
5510	Hotels and similar accommodation
5520	Holiday and other short-stay accommodation
5530	Camping grounds, recreational vehicle parks and trailer parks
5590	Other accommodation
7990	Other reservation service and related activities
5610	Restaurants and mobile food service activities
5621	Event catering activities
5629	Other food service activities
5630	Beverage serving activities
4619	Agents involved in the sale of a variety of goods
8621	General medical practice activities
8622	Specialist medical practice activities

8710	Residential nursing care activities
8623	Dental practice activities
8690	Other human health activities
9311	Operation of sports facilities
9312	Activities of sport clubs
9313	Fitness facilities
9319	Other sports activities
9329	Other amusement and recreation activities n.e.c.

Article 6 – Share Capital

- (1) ROMGAZ S.A share capital is RON 385,422,400, fully subscribed and paid up.
- (2) The share capital is divided in 385,422,400 shares, each having a nominal value of Ron 1.
- (3) The Romanian State owns 269,823,080 shares.
- (4) The Romanian State exercises its rights as shareholder of ROMGAZ S.A through the Ministry of Energy, Small and Medium Enterprises and the Business Environment, having the headquarters in Bucharest, 202E Splaiul Independentei, District 6.
- (5) A number of 115,599,320 shares are held by Romanian or foreign, legal and individual shareholders, other than the Romanian State.

Article 7 - Increase and Reduction of Share Capital

- (1) The share capital may be increased by issue of new shares or by increasing the nominal value of existing shares in exchange of new contribution in cash and/or in kind.
- (2) The share capital may be reduced by reducing the number of shares, by reducing the nominal value of shares, as well as by buyback of own shares for subsequent annulment.
- (3) In case the Board of Directors observes that further to losses stated in the annual financial statements, approved according to the law, the net asset of the Company, representing the difference between total assets and total debts, has decreased to less than half of the subscribed share capital, it shall immediately call for the Extraordinary General Meeting of Shareholders in order to decide on the reduction or restoring of the share capital or on dissolving the Company.

Article 8 – Shares

- (1) Company shares are nominative, ordinary, non-divisible, dematerialized and free transferable.
- (2) Preference shares may be issued in compliance with the law, subject to a Resolution of the Extraordinary General Meeting of Shareholders, with priority to dividends and without voting right.

- (3) Issue, conversion and sale of shares shall be done in compliance with the legal provisions and this Articles of Incorporation.
- (4) When a nominative share is owned by several persons, the transfer of the ownership shall be recorded only after a single representative is appointed for voting purposes resulted from such share.
- (5) An independent registrar company shall supervise the Company shares and shareholders, by complying with legal conditions and proceedings.
- (6) For the period when the Company shares are traded on a regulated Romanian market depositary receipts may be issued, the shares issued by the Company underlying such depositary receipts. The depositary receipts may be issued by an entity, other than the Company, considering that the depositary receipts shall be admitted to trading on a regulated market in another member state of the European Union, with the approval of the Extraordinary General Meeting of Shareholders.

Article 9 – Depositary Receipts

- (1) Depositary receipts are securities, granting the holder the rights and obligations for the shares underlying them.
- (2) Depositary receipts grant the right to obtain Company shares through conversion. Conversion is made according to applicable laws.
- (3) In addition and without violating the above mentioned, depositary receipt holders are granted the right to own Company shares.

Article 10 – Shareholders Rights and Obligations

- (1) When a person acquires the property right of a share, it also acquires the rightful position as shareholder of ROMGAZ S.A together with all rights and obligation arising out of this position, according to the law and this Articles of Incorporation.
- (2) In compliance with all exceptions provided by law, each share whose value was subscribed and fully paid up, grants the shareholder the right:
 - a) to participate in the general meetings of shareholders;
 - b) to obtain information necessary for exercising the voting right and the information related to the voting result in the General Meeting of Shareholders;
 - c) to cast a vote in the General Meeting of Shareholders;
 - d) to receive the dividends due;
 - e) preference right for subscribing for newly issued shares;
 - f) to equal treatment for all shareholders of the same class;
 - g) any other rights provided by law and this Articles of Incorporation.
- (3) Shareholders have to exercise their rights in good faith by complying with the lawful rights and interests of the Company and of the other shareholders.
- (4) If, related to a certain operation, a shareholder, either personally or as representative of another person, has an interest contrary to that of the Company; it shall abstain from the deliberations on such operation.

- (5) Shareholders shall transmit to the Company ex officio or at the request of the Company, all identification and contact data necessary for complying with all conditions related to the exercise of rights and to the fulfilment of Company obligations, provided by law or by this Articles of Incorporation.
- (6) If the data transmitted change, the new data shall be sent by the shareholders ex officio, according to paragraph 5.

Article 11 – Exercise of Rights by Holders of Depositary Receipts (DR)

- (1) Rights and obligations with respect to shares underlying depositary receipts rest on holders of depositary receipts pro rata with their holding and in consideration of the conversion rate between underlying shares and depositary receipts.
- (2) The issuer of depositary receipts on whose behalf shares underlying depositary receipts are recorded is shareholder within the meaning of and according to Regulation 6/2009 on the exercise of certain rights of shareholders within the general meetings of shareholders of trading companies. To this effect, the issuer of depositary receipts is fully responsible for providing accurate, complete and timely information to holders of depositary receipts, by complying with the instructions written on the documents related to the issue of depositary receipts, referring to informational documents and materials of a General Meeting of Shareholders supplied by the Company for the shareholders.
- (3) For a DR holder to exercise his obligations and rights with respect to a General Meeting of Shareholders, such holder shall transmit to the entity where his depositary receipt account is open, the voting instructions related to the agenda of the General Meeting of Shareholders, so that such information may be sent to the DR issuer.
- (4) The issuer of depositary receipts casts his vote in the General Meeting of Shareholders of the Company in compliance with and within the limits of the instructions received from the DR holders, which have this right on the reference date established according to applicable legal provisions and by complying with the instructions written on the document related to the issue of depositary receipts.
- (5) For certain underlying shares, the DR issuer may cast in the General Meeting of Shareholders different votes than those casted for other underlying shares.
- (6) The DR issuer is fully responsible for taking all necessary measures so that the entity keeping record of DR holders, intermediaries providing custody services on the market DR are traded and/or any other entities involved in keeping record of DR holders report the voting instructions of DR holders on the agenda of the General Meeting of Shareholders.

Article 12 – Organization and Powers of the General Meeting of Shareholders

- (1) The general meetings of shareholders are ordinary and extraordinary.
- (2) The ordinary general meetings of shareholders shall meet at least once a year, within 5 months from closing of financial year.

- (3) The Ordinary General Meeting of Shareholders is authorized to decide upon any issues related to Company's activity, except for those provided by law to fall within the powers of the Extraordinary General Meeting of Shareholders.
- (4) The main powers of the Ordinary General Meeting of Shareholders are the following:
 - a) Approving the strategic objectives of the Company;
 - b) Discussing, approving or modifying, as the case may be, the annual financial statements of the Company on the basis of the reports submitted by the Board of Directors and by the financial auditor, and to set the dividend ;
 - c) Discussing, approving or requiring the supplementation or review, as the case may be, of the governing plan, under the provisions of the law;
 - d) Establishing the income and expenditure budget for the next financial year;
 - e) Selecting and dismissing the members of the Board of Directors, and to establish their remuneration;
 - f) Assessing the Board of Directors' governing activity.
 - g) Appointing and dismissing the financial auditor, and setting the minimum duration of the financial audit contract;
 - h) Approval for contracting of bank loans having the value, individual or cumulated, with other ongoing bank loans, for the period of one financial year, higher than the equivalent value in lei of EUR100 million.
 - i) Approval for concluding documents for guarantees, other than those related to non-current assets of the Company having, for the period of one financial year, an individual or cumulated value with other ongoing guarantees other than guarantees related to non-current assets, higher than the equivalent value in lei of EUR 50 million.
- (5) The Ordinary General Meeting of Shareholders cannot mandate the Board of Directors to carry out the powers provided under paragraph (4).
- (6) The Extraordinary General Meeting of Shareholders meets as often as required to decide upon the following:
 - a) Changing the legal status of Company;
 - b) Changing the head office of the Company;
 - c) Modifying the scope of activity of the Company;
 - d) Establishing companies, as well as elaboration or modification of articles of association of the companies where the Company acts as partner;
 - e) Concluding or modifying the association in participation agreements where the Company acts as contracting party;
 - f) Increasing the share capital;
 - g) Reducing the share capital or replenish it by issue of new shares;
 - h) Company's merger with other companies or Company's spin-off;
 - i) Early winding-up of the Company;
 - j) Conversion of shares from one category to the other;
 - k) Conversion of a category of bonds to another category or to shares;
 - l) Issue of bonds;

- m) Concluding acquisition documents for non-current assets having an individual or cumulated value exceeding during one financial year 20% of the Company's total value of non-current assets, excluding receivables;
 - n) Concluding documents for divestiture, exchange or submission of guarantees for Company's non-current assets having an individual or cumulated value exceeding during one financial year 20% of the Company's total value of non-current assets, excluding receivables;
 - o) Concluding leasing documents, for a period longer than 1 (one) year, for some tangible assets whose individual or cumulated value in relation to the same co-contractor or involved persons acting by joint agreement during one financial year exceeds 20% of the Company's total value of non-current assets, excluding receivables, on the date of conclusion of the legal documents;
 - p) Any other amendment to the Articles of Incorporation or any other decision requiring the approval of the Extraordinary General Meeting of Shareholders.
- (7) The Extraordinary General Meeting of Shareholders may delegate to the Board of Directors the powers provided under paragraph (6), items b) and c), in compliance with the legal provisions and these Articles of Incorporation.

Article 13 – Convening the General Meeting of Shareholders

- (1) The General Meeting of Shareholders shall be convened by the Board of Directors, whenever necessary.
- (2) The Board of Directors convenes the General Meeting of Shareholders at once, upon the shareholders request representing, individually or together, at least 5 % of the share capital. In this case the General Meeting of Shareholders will be convened within 30 days and will meet within 60 days from the receipt of the request.
- (3) The General Meeting of Shareholders will meet at Company's headquarters or in a place indicated in the convening notice.
- (4) Convening of General Meeting of Shareholders shall be made in compliance with the conditions, terms and publicity proceedings provided by law.
- (5) The Convening Notice will include the place and date of the meeting, the meeting commencement time, the agenda that will mention explicitly all the issues under debate, the reference date, how the votes can be casted and a detailed description of the procedure that has to be followed by the shareholders in order to be able to cast their votes.
- (6) Modification or supplementation, as the case may be, of the agenda after convening of the General Meeting of Shareholders, shall be made in compliance with the conditions, terms and proceedings provided by law.
- (7) If the Board of Directors does not convene the General Meeting of Shareholders according to paragraph 2, the shareholders who submitted the request for convening may require the competent court to authorize the convening of the General Meeting of Shareholders, to approve the agenda and to set the reference date, the date and time of the meeting and to appoint one of the shareholders to chair the meeting.

Article 14 - Organizing the General Meeting of Shareholders

- (1) General Meeting of Shareholders are chaired by the Chairman of the Board of Directors.
- (2) The General Meeting of Shareholders shall elect, from among the present shareholders, 1(one) to 3(three) secretaries who will check the record of attendance indicating the share capital represented by each and the minutes of the meeting prepared by the technical secretary/secretaries in order to note the fulfilment of all legal and statutory formalities for holding the meeting.
- (3) The Chairman of the Board will appoint from among the employees of the Company one or more technical secretaries that will check the fulfilment of all legal and statutory formalities for holding the meeting.
- (4) The minutes of the meeting signed by the Chairman of the Board of Directors and by the meeting secretary, will note the fulfilment of all convening formalities, the date and place of the meeting, the present or represented shareholders, the total number of shares/voting rights, a summary of the debates, the decisions made, and correlatively the number and kind of votes casted for each decision and at the shareholders' request, the statements they made during the meeting.
- (5) All documents related to convening and the record of attendance shall be attached to the minutes of the meeting prepared according to paragraph (2).
- (6) In case the General Meeting of Shareholders was not held on the date and time set in the convening notice, minutes of the meeting shall be prepared containing the reasons for such case.
- (7) The minutes of the meeting provided at paragraph 6 shall be signed by the Chairman of the Board of Directors and by at least one technical secretary.

Article 15 – General Meeting of Shareholders

- (1) During the General Meeting of Shareholders, the shareholders may exercise their voting rights either personally or by representative.
- (2) Except as provided by law, each share grants the right to one vote in the General Meeting of Shareholders.
- (3) Voting during the General Meeting of Shareholders shall always be casted in writing on voting ballots.
- (4) The conventional representation of shareholders during the General Meeting of Shareholders shall be made subject to a special or general written power of attorney, according to the law.
- (5) The conventional representative of the shareholder cannot be replaced by another person.
- (6) In case the conventional representative is a legal person, it can exercise its power of attorney through any person who is a member of its board of directors, its management or is one of its employees.
- (7) In case the shareholder expressed its vote by correspondence for a General Meeting of Shareholders and it participates in person or by conventional representative to the

meeting of the respective General Meeting of Shareholders, the vote expressed by correspondence is considered waived by that shareholder by effect of law without further formalities.

- (8) In case another person than the person who casted the vote by correspondence participates as conventional representative of the shareholder to the General Meeting of Shareholders, he/she shall present to the General Meeting of Shareholders a written waiver of the vote by correspondence signed by the shareholder or by the conventional representative who has expressed the vote by correspondence. This is not required in case the shareholder or the legal representative of the shareholder attends the General Meeting of Shareholders.
- (9) The voting ballots containing the vote by correspondence shall be filed in original copy at the Registry Desk of the Company, or shall be electronically communicated to the Company having the electronic signature incorporated, attached or logically associated, with at least 24 hours prior to the General Meeting of the Shareholders for which the vote by correspondence is exercised, if the law does not stipulate otherwise, under the penalty the vote is not binding.
- (10) In case of voting by conventional representative, the powers of attorney containing general or special mandates shall be filed with the Company's Registry Desk, or shall be electronically communicated to the Company having the electronic signature incorporated, attached or logically associated, with at least 24 hours prior to the General Meeting of the Shareholders for which such shall be exercised or exercised for the first time, if the law does not stipulate otherwise, under the penalty of losing the right to exercise the vote for that meeting.
- (11) In case of vote by legal representative, the proof of such authority shall be made simultaneously with filing/transmitting the vote by correspondence, or with accessing the General Meeting of Shareholders, as the case may be.
- (12) The deliberation of the Ordinary General Meeting of Shareholders at its first convening is valid if shareholders holding at least half of total voting rights are present, and the decisions are to be made by majority of validly casted votes.
- (13) For the second convening, with the same agenda, the Ordinary General Meeting of Shareholders will be able to make decisions irrespective of the quorum and with the majority of votes validly casted.
- (14) The deliberation of the first convening of the Extraordinary General Meeting of Shareholders is valid if shareholders holding at least half of total voting rights are present and decisions are made by majority of votes validly casted.
- (15) For the second convening with the same agenda, the Extraordinary General Meeting of Shareholders will be able to make decisions in case shareholders holding at least a quarter of the total number of voting rights are present and more than half of the votes are validly casted.
- (16) Relating to the validity of a decision of the General Meeting of Shareholders, should there be legal provisions mandatorily stipulating a different quorum or a different majority of votes than provided in the Articles of Incorporation, than such laws shall apply accordingly.
- (17) Upon calculating the quorum of a General Meeting of Shareholders, the following shall be taken into consideration:

- a) the number of shares for which the shareholders attending the meeting in person or by representative cast a vote “in favour” or “against” or exercise the option to “abstain”;
 - b) the number of underlying shares for which the GDR issuers attending the meeting in person or by representative cast a vote “in favour” or “against” or exercise the option to “abstain”, according to the instructions received from the GDR holders.
- (19) The issuer of GDRs notifies the issuer of underlying shares on the number of underlying shares for which it votes during the General Meeting of Shareholders simultaneously with the filing/transmittal of the vote by correspondence, or upon calculating the quorum of the General Meeting of Shareholders.
 - (20) The decision of a General Meeting of Shareholders to modify the rights and obligations related to a category of shares will be effective only upon the approval of such decision by the special meeting of shareholders included in that category.
 - (21) The provisions of these Articles of Incorporation related to convening, quorum and performance of the General Meeting of Shareholders shall apply to the special meetings accordingly.
 - (22) The decisions initiated by special meetings shall be subject to the approval of the corresponding General Meetings.

Article 16 – Resolutions of the General Meeting of Shareholders

- (1) The resolutions of the General Meeting of Shareholders will be prepared based on the minutes of meeting and will be signed by the Chairman of the Board of Directors and by the secretary of the meeting.
- (2) In order to be binding upon third parties, the resolutions of the General Meeting of Shareholders shall be filed with the Trade Register within 15 days, in order to be included in the register and published in the Official Gazette of Romania, Part IV.
- (3) The decisions made in the General Meeting of Shareholders are binding even upon the shareholders who were not present in the meeting or who voted against.
- (4) The decisions of the General Meeting of Shareholders that are not in compliance with the law or with the Articles of Incorporation can be challenged in court, under the conditions and terms provided by the law.

Article 17 – Organization of the Board of Directors

- (1) The Company is governed by a Board of Directors composed of 7 (seven) Directors.
- (2) The majority of the members of the Board of Directors shall be non-executive and independent Directors. At least one of the Directors shall have a degree in economics and at least 5 years of experience in the fields of economics, accounting, audit or finance.
- (3) Directors are selected by the General Meeting of Shareholders in compliance with the applicable law and these Articles of Incorporation.

- (4) In case the cumulative vote method is applied, the Directors in office on the date of the General Meeting of Shareholders where the cumulative vote is applied shall be included on the list of candidates along with the candidates proposed by the shareholders.
- (5) The mandate of the Director in office on the date of the Ordinary General Meeting of Shareholders where the cumulative vote is applied who is not reconfirmed by cumulative vote as member of the Board of Directors shall be deemed to be revoked by the resolution of the Ordinary General Meeting of Shareholders.
- (6) The mandate of the Directors in office on the date of the General Meeting of Shareholders where the cumulative vote was applied shall continue, in case they are reconfirmed by the cumulative vote method.
- (7) The Board of Directors elects from its membership the Chairman of the Board. The Board of Directors may revoke the mandate of the Chairman at any time.
- (8) No person shall serve simultaneously as Chairman of the Board of Directors and manager of the Company, or exercise both the mandates of Chairman of the Board of Directors and manager of the Company.
- (9) When the Chairman of the Board is temporarily unable to fulfil his/her duties, the Board of Directors may appoint another Director to exercise the mandate of the Chairman of the Board.
- (10) For the period when the Board of Directors has no chairperson and/or an alternate appointed, or if, although appointed neither is able to exercise the chairmanship, during such period the Board of Directors may appoint another director to act as chairperson.
- (11) All references herein to the Chairman of the Board of Directors shall also mean his/her substitute, to the extent the latter exercises the Chairman's mandate.
- (12) The Board of Directors shall appoint a Secretary who shall fulfil the registry and secretary works in connection with the Board's activity and shall support its activity.
- (13) The duration of the mandate of the members of the Board of Directors shall be 4 years, except as otherwise provided by law or herein.
- (14) The mandate of a Director and the mandate of the Chairman of the Board shall commence on the date provided in the appointment resolution or, in case such is not stipulated, on the first day following the resolution of appointing the person in charge with exercising the mandate of Director or Chairman of the Board of Directors, as the case may be.
- (15) The Director's mandate shall terminate upon its expiry, when revoked, upon his or her resignation, or for any other grounds of termination as provided by law, this Articles of Incorporation or the mandate contract.
- (16) The mandate of the Chairman of the Board of Directors shall terminate upon its expiry, when revoked, upon his or her resignation, and in all cases of termination of a Director's mandate.
- (17) The position of Director or Chairman of the Board of Directors becomes vacant upon termination of the mandate of Director or Chairman of the Board, as the case may be.
- (18) Vacancy of the positions of Director or Chairman of the Board shall be determined by resolution of the Board of Directors.

- (19) In case the position of Director becomes vacant before the expiry of the mandate, the newly appointed Director shall continue the term of its predecessor's mandate.
- (20) In case the Ordinary General Meeting of Shareholders decides on supplementing the number of Board members, the mandate duration of the first Directors appointed in the supplemented positions shall equal the remaining duration of the ongoing mandates as of the date of supplementing the number of Board members.
- (21) Appointment of a Director shall not be valid unless such person expressly acknowledges such appointment within 15 days of the appointment resolution or the date she or he has taken note of the appointment resolution, by written statement, submitted to the Company.
- (22) Resignation of the mandate as Director or Chairman shall be notified to the Board of Directors at least 30 days prior to the date intended to vacate the position by resignation, under the penalty of payment of compensation.

Article 18 – Directors' Rights and Obligations

- (1) Directors' rights and obligations, as well as their incompatibility cases, are provided by the Director Agreements/Contracts of Mandate concluded with the Company, these Articles of Incorporation and the applicable legal provisions.
- (2) The Directors submit to the Company, *ex officio* or upon the Company's request, all identification and contact data and any other personal data required to ensure the conditions to fulfil the Company's obligations, as provided by law or by these Articles of Incorporation.
- (3) In case data provided in accordance with paragraph 2 is modified, the new data shall be submitted *ex officio* by the Director.

Article 19 – Board of Directors Competencies

- (1) The Board of Directors shall perform all acts that are required and useful to achieve the scope of business of the Company, except for those under the competence of the General Meeting of Shareholders as provided by law.
- (2) The Board of Directors shall delegate the competencies of managing the Company in accordance with the conditions and limitations provided by law and these Articles of Incorporation.
- (3) The Board of Directors shall have the following basic competencies that may not be delegated to managers:
 - a) Establishing the core business and the development directions of the Company;
 - b) Approval of the Company Management Plan;
 - c) Establishing the accounting policies, the internal administration control system as well as approval of financial planning;
 - d) Appointment and dismissal of the managers, including the Director General and establishment of their remuneration;
 - e) Control of managers' activity;
 - f) Preparing the Board of Directors annual report;

- g) Organising the meetings of the General Meeting of Shareholders, and implementing its resolutions;
 - h) Filing requests for opening proceedings to prevent insolvency and insolvency proceedings of the Company;
 - i) Elaboration of rules regarding the own activity, the activity of the General Meeting of Shareholders, advisory committees and managers so as not to contravene the provisions of law and these Articles of Incorporation;
 - j) Establishing or dissolution of secondary offices (branches, agencies, branch offices or any other work locations);
 - k) Granting loans by bonds acquisition, which individually or cumulated with other ongoing bond acquisitions, do not exceed the equivalent value of EUR 100 million;
 - l) Granting loans to companies where the Company acts as partner, which individually or cumulated with other ongoing similar loans, do not exceed the equivalent value of EUR 50 million;
 - m) Other competencies of the Board of Directors that cannot be delegated in accordance with the law.
- (4) The Chairman of the Board of Directors shall have the following competencies:
- a) Chairs the General Meeting of Shareholders;
 - b) Convenes, establishes the agenda and chairs the Board of Directors meetings;
 - c) Coordinates the Board of Directors activity;
 - d) Overlooks the activity of Company bodies;
 - e) Represents the Board of Directors in the relationship with the managers of the Company;
 - f) Other competencies provided by law or herein;

Article 20 – Convening the Board of Directors Meetings

- (1) The Board of Directors convenes as often as it is necessary, but at least every three months.
- (2) Meetings of the Board of Directors shall be convened by the Chairman: *ex officio*, upon the reasonable request of at least 2 Directors or upon the Director General's request.
- (3) If a meeting of the Board of Directors is convened by Directors or by the Director General, the agenda shall be established by the requestors, and the Chairman shall have to comply with the request.
- (4) Meetings of the Board of Directors are usually held by meeting in person of the Directors at the registered office of the Company or in another location established by the convening notice.
- (5) Meetings of the Board of Directors may be also held by conference call or videoconference, under the terms established by the resolution of the Board of Directors.
- (6) The convening notice shall include the venue by indicating the address, the date and time of the meeting, the agenda and how the voting rights may be exercised.

- (7) In the case provided at paragraph (5), the convening notice shall include the date and time of the meeting, the agenda, how the communication is to be made, and how the voting rights may be exercised.
- (8) The convening notice accompanied by materials related to the items on the agenda shall be submitted to the Directors not later than 5 days prior to the date set for the meeting of the Board of Directors.
- (9) The Board of Directors, while convened, may adopt resolutions on issues that are not included on the agenda proposed in the convening notice only in exceptional situations, justified by the emergent nature of such situation and by the Company's interest. The Board of Directors shall decide whether the exceptional nature of such situation and the Company's interest require adoption of resolutions during the respective meeting.
- (10) In exceptional situations, justified by their emergent nature and the Company's interest, the Board of Directors may take decisions by unanimous vote expressed in writing by the Directors even without convening a meeting. The Chairman of the Board of Directors shall decide whether the exceptional nature of such situation and the Company's interest require adoption of resolutions in writing without convening a meeting.

Article 21 – Meetings of the Board of Directors

- (1) Board meetings shall be chaired by the Chairman.
- (2) The Directors shall have to be present and participate actively in the meetings of the Board of Directors.
- (3) No decision shall be valid unless taken in a meeting where the majority of the Board members are present and with the majority of the valid casted votes.
- (4) Votes in the meetings of the Board of Directors may be casted directly or by representative.
- (5) Vote by representative may not be casted unless the representative is another Director under a special mandate.
- (6) For voting purposes, a Director may represent only one absent Director.
- (7) The direct vote may be casted by correspondence or by electronic means, under the conditions set by the resolution of the Board of Directors.
- (8) Each Director has the right to cast a single vote, directly or by representative, when a decision is taken by the Board of Directors.
- (9) In case of parity of votes, the Chairman's vote is decisive.
- (10) If in a certain business a Director has an interest to the contrary to the Company's interests, directly or indirectly, the Director shall have to inform the other Directors and the internal auditor of such, and he/she shall not take part in any deliberation related to such business. Such Director shall have the same obligation in case he/she is aware that, for a certain business, his/her husband, wife, relatives or in-laws up to the 4th degree inclusively are interested in such business.

- (11) The meetings of the Board of Directors shall be audio recorded and such recordings shall be archived by due care of the Secretary of the Board of Directors.

Article 22 – Minutes of the Meeting and the Resolution of the Board of Directors

- (1) Minutes of meetings shall be prepared after each Board meeting and shall include: first and last name of the participating Directors, the representing Directors, the order of deliberations, the decisions taken, the number and nature of votes casted, for each decision, the manner of voting and, upon request, the separate opinions.
- (2) The minutes shall be recorded in the Register of Board Meetings and shall be signed by the Chairman and by the Directors present at the meeting.
- (3) The Board resolution shall be issued based on the minutes of the meeting and shall include all the decisions taken during that meeting.
- (4) The resolution prepared in accordance with the above mentioned paragraph shall be signed by the Chairman.
- (5) A file shall be prepared for each Board meeting comprising all documents related to the convening, the materials presented in the meeting to support the items of the agenda, the resolution of the Board, and, as the case may be, the power of attorney for the vote by representative, the letters for casting the vote by correspondence and the copies of the letters for casting the vote by electronic means, certified by the Secretary.
- (6) Except as provided by law, the resolutions of the Board may be challenged in court under the terms and conditions provided by law.

Article 23 – Advisory Committees

- (1) The Nomination and Remuneration Committee and the Audit Committee shall be established within the Board of Directors.
- (2) The Board of Directors may also establish other advisory committees.
- (3) The Board of Directors shall appoint the members of each advisory committee, whereby one shall be appointed as chairman of the committee. The Chairman and the majority of the Nomination and Remuneration Committee and the Audit Committee members shall be independent directors.
- (4) The capacity as member of the advisory committees terminates by revoking, resignation, and in all cases of termination of the Director's mandate.
- (5) In case of termination of the capacity as member or chairman of an advisory committee, the Board appoints another Director for the vacant position.
- (6) The meetings of each committee shall be convened by the respective chairman and shall contain at a minimum the venue, date and time of the meeting, as well as the agenda.
- (7) The chairman of each advisory committee shall chair the meetings and represent the committee in the relationship with the Board.

- (8) If the chairman of the committee is not able to exercise his/her competences, he/she may authorise another person to exercise the competences, inclusive the voting right, subject to a special mandate.
- (9) The members of the advisory committees shall have to participate in the meetings of the committee.
- (10) Each member of the committee has the right to cast a single vote, personally or by representative, on a decision of the committee. In case of an equal number of votes, the chairman's vote will be decisive.
- (11) No decision shall be valid unless the two conditions stated below are cumulatively fulfilled:
 - a) the decision is taken in a meeting where the majority of the Board members are present;
 - b) the decision is taken with the majority of the valid casted votes.
- (12) The minutes of the meeting shall be prepared for each meeting of the advisory committee and shall comprise the first and last name of the present members, the decisions taken, the number and kind of votes casted for each decision and, upon request, separate opinions.
- (13) The Board of Directors may subsequently regulate the activity of the advisory committees, so as not to contravene the legal provisions or these Articles of Incorporation.
- (14) Main responsibilities of the Nomination and Remuneration Committee are the following:
 - a) formulates nominations for director positions, including the Chairman of the Board of Directors;
 - b) prepares and submits the procedure for selection of candidates for management positions;
 - c) recommends candidates for management positions;
 - d) prepares recommendations on remuneration of managers;
 - e) other duties that are established by the Board of Directors, or provided by the law.
- (15) Main responsibilities of the Audit Committee are as follows:
 - a) coordinates the internal audit;
 - b) coordinates the selection of the statutory auditor or audit firm and issues a recommendation on the appointment of the statutory auditor or audit firm;
 - c) verifies and monitors the independence of the statutory auditor or audit firm;
 - d) monitors the financial reporting process;
 - e) monitors the effectiveness of internal control, internal audit, and risk management systems;
 - f) endorses the annual and multiannual internal audit plan;

- g) endorses the internal audit reports and the recommendations of the internal auditors;
- h) monitors the statutory audit of annual financial statements and consolidated annual financial statements;
- i) other duties established by the Board of Directors or provided by the law.

Article 24 –Managers

- (1) The Board of Directors delegates, fully or partially, the managing competencies of the Company to one or more managers, appointing one of them as Director General.
- (2) The Board of Directors shall appoint the manager/managers to whom the managing competencies of the Company shall be delegated, according to paragraph (1), in compliance with applicable legal provisions related to appointment of public companies managers.
- (3) Manager/managers shall be responsible for taking all measures relating to the management of the Company, within the scope of the Company’s activity and in compliance with the exclusive competencies of the Board of Directors and of the General Meeting of Shareholders, provided by the law or these Articles of Incorporation.
- (4) Manager/managers shall inform the Board of Directors upon the performed and considered operations on a regular basis and comprehensively.
- (5) The Director General shall represent the Company in the relationship with third party, including the law court.
- (6) The duration of the manager’s mandate shall last 4 years and may be renewed.
- (7) The manager’s mandate shall terminate upon expiry, by revocation of mandate, resignation, as well as any other cause of termination of mandate provided by law, these Articles of Incorporation or the Contract of Mandate.
- (8) In case the mandate is revoked on reasons not imputable to the manager/managers, he/she/they is/are entitled to a compensation for the remaining period of the contract, irrespective of the date of revocation.
- (9) The appointment of a manager shall not be valid unless such person expressly acknowledges such appointment within 15 days of the appointment resolution or the date she or he has taken note of the appointment resolution, by written statement, submitted to the Company.
- (10) Resignation of the manager shall be notified to the Board of Directors at least 30 days prior to the date intended to vacate the position by resignation, under the penalty of payment of compensation.
- (11) Vacancy of a manager position shall be determined by resolution of the Board of Directors.
- (12) For the purpose of these Articles of Incorporation, “*manager*” means the person to whom the Board of Directors delegated the managing competencies, in accordance with Paragraph (1). At the same time, for the purpose of these Articles of Incorporation, the term “*manager*” includes also the Director General.

Article 25 – Rights and Obligations of the Managers and the Director General

- (1) The managers' rights and obligations, including the Director General's ones, as well as their incompatibility situations are those provided by the Contracts of Mandate, the Resolution of the Board of Directors on delegating the Company managing competencies, the provisions of these Articles of Incorporation, and the legal provisions applicable to managers of joint stock companies.
- (2) The managers shall submit to the Company, *ex officio* or upon the request of the Chairman of the Board of Directors, the identification and contact data required to exercise the rights and fulfil the Company's obligations, as provided by law or these Articles of Incorporation.
- (3) In case data provided in accordance with paragraph 2 is modified, the new data shall be submitted *ex officio* by the managers.

Article 26 - Company Interdictions in the Relationship with Directors and Managers

- (1) The Company shall not credit its directors or managers by operations such as:
 - a) Loans;
 - b) Guarantee, directly or indirectly, fully or partially, any loans contracted by directors or managers, whether concurrently or subsequently to contracting the loan;
 - c) Guarantee, directly or indirectly, fully or partially, fulfilment of personal obligations of directors and managers to third parties.
 - d) Acquisition of a receivable by onerous title, fully or partially, related to a loan given by a third party to directors or managers or related to supply of personal services to them.
- (2) The provisions of paragraph (1) are also applicable to operations where the husband or wife, relatives or in-laws up to the 4th degree inclusively of the directors or managers are interested in, or to a non-stock professional corporation or trading company where one of the above mentioned persons is associated.

Article 27 – Financial Audit and Internal Audit

- (1) The Company's financial statements shall be audited by a financial auditor in accordance with the law.
- (2) The annual financial statements audited in accordance with the law shall be filed with the district units of the Ministry of Public Finance in accordance with the law.
- (3) The Company shall contract the services of the auditor in accordance with the applicable law.
- (4) The company shall organize the internal audit in accordance with the applicable law related to internal public audit.
- (5) Internal auditors report directly to the Board of Directors on their activity.

Article 28 – Personnel

- (1) The Company's personnel shall have the statute of salaried employees and shall be hired under individual labour contracts.
- (2) The Company may also have executive managers for activity fields involving a high amount and/or complexity of activities, as well as for activities organized and performed through branches, agencies or branch offices.
- (3) The executive managers are salaried employees of the Company.
- (4) The rights and obligations of the Company's employees are established by the labour contracts concluded with the Company, the applicable legal provisions related to labour relationship, and the internal rules of Company organisation.

Article 29 – Financial Year

- (1) The financial year begins on January 1st and ends on December 31st in each year.
- (2) The first financial year begins on the registration date of ROMGAZ S.A. at the Trade Register Office.

Article 30 – Income and Expenditure Budget and Business Financing

- (1) During the period when the Company does not have an approved income and expenditure budget, the provisions of the latest approved budget shall be applicable.
- (2) The Company's business shall be financed from financing sources established in accordance with the law.

Article 31 – Fixed Assets Depreciation

Depreciation of the Company's fixed assets shall be calculated in accordance with the depreciation method established by the Board of Directors in accordance with the legal provisions.

Article 32 Accounting Records and Financial Statements

- (1) ROMGAZ S.A. shall keep the accounting records in RON and shall prepare annual financial statements in compliance with the law.
- (2) Upon approval, the financial statements shall become public under the terms and conditions of the law.

Article 33 – Profit Calculation and Allocation

- (1) ROMGAZ S.A. profit is established on the basis of the annual financial statements approved by the General Meeting of Shareholders.
- (2) ROMGAZ S.A. profit remaining after payment of the income tax shall be allocated in accordance with the law, as provided by the resolution of the Ordinary General Meeting of Shareholders.

- (3) Dividends shall be paid in accordance with the resolution of the Ordinary General Meeting of Shareholders, under the terms and conditions of the law.
- (4) The Company shall pay the dividends to the issuer of DRs proportionally to its stockholding as of the record date set by the General Meeting of Shareholders approving the distribution of such dividends, under the same terms and conditions and in compliance with the same procedure as for the other shareholders. The issuer of DRs is fully responsible to ensure that the holders of DRs shall receive the amounts resulting from payment of the received dividends, proportionally to their stockholding as of the record date set by the General Meeting of Shareholders approving the distribution of such dividends.
- (5) The Company shall not distribute and pay dividends either partially or in advance.

Article 34 –Dissolution and Winding-Up

ROMGAZ S.A. dissolution and winding up shall be performed in accordance with the law.

Article 35 – Final Provisions

The provisions of these Articles of Incorporation shall be supplemented by the provisions of the applicable law related to trading companies.

This deed is the updated form of the Articles of Incorporation of Societatea Nationala de Gaze Naturale “ROMGAZ” – S.A., as approved by Resolution No. 8 of, October 29 2015 of the Extraordinary General Meeting of Shareholders.

BOARD OF DIRECTORS

CHAIRPERSON

Aurora NEGRUT



LIST
comprising the Branches of
Societatea Nationala de Gaze Naturale “ROMGAZ” – S.A.:

<i>Item No.</i>	<i>Branch Name</i>	<i>Location</i>	<i>Headquarters</i>
1.	S.N.G.N. “ROMGAZ” – S.A. Medias Branch	Medias	4 Unirii Street, Sibiu County
2.	S.N.G.N. “ROMGAZ”- S.A. Targu Mures Branch	Targu Mures	23 Salcamilor Street, Mures County
3.	S.N.G.N. “ROMGAZ”- S.A. Ploiesti Branch	Ploiesti	184 Gheorghe Grigore Cantacuzino Street, Prahova County
4.	S.N.G.N. “ROMGAZ”- S.A. Technological Transportation and Maintenance Branch	Targu Mures	6 Barajului Street, Mures County
5.	S.N.G.N. “ROMGAZ”- S.A. Well Special Operations and Workover Branch	Medias	5 Sibiului Street, Sibiu County
6.	S.N.G.N. “ROMGAZ”- S.A. Bratislava Branch	Bratislava	City Business Centre V., Karadžičova 16, 821 08, Republic of Slovakia
7.	S.N.G.N. “ROMGAZ”- S.A. Iernut Electric Power Production Branch	Iernut	1 Energeticii Street, Mures County