



ROMGAZ

Societatea Națională de Gaze Naturale Romgaz S.A. - Mediaș - România



To,
SNGN ROMGAZ SA EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

Whereas:

- Resolution No. 1/January 22, 2019 of EGMS, Article 1 regarding "the approval in principle of the establishment of a joint-stock company in association with The Joint Stock Company for Management of Stakes in Energy S.A. (S.A.P.E. S.A.) having as main scope of activity the supply of gas and electricity".
- the internal analyses and negotiations conducted with S.A.P.E S.A. representatives in order to determine the conditions for the establishment of a joint stock company, having as main scope of activity the supply of gas and electricity;
- Article 15 of Resolution No. 39/November 4, 2019 of S.N.G.N. ROMGAZ S.A. BoD by which "the Board of Directors endorses the establishment of a joint stock company with the main scope of activity the supply of gas and electricity, in association with S.A.P.E. S.A. and it also endorses the form of the company's Articles of Incorporation and convenes the Extraordinary General Meeting of Shareholders for the approval of the establishment of a joint stock company having as main scope of activity the supply of gas and electricity, in association with S.A.P.E. S.A. and also the approval of the company's Articles of Incorporation".

We hereby present the considerations that underlie the proposal to establish a company in association with S.A.P.E. S.A.

1. GENERAL ASPECTS

1.1 Partner selection

Romgaz is the largest natural gas producer and the main gas supplier in Romania. In 2013, the company was admitted for trade on Bucharest Stock Exchange and on London Stock Exchange. The main shareholder is the Romanian State with a 70% stake. Romgaz has extensive experience in the field of natural gas exploration and production since its history began more than 100 years ago, in 1909 when the first natural gas reservoir was discovered in the Transylvanian Basin, in Sarmasel.

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Romgaz performs geological research operations for discovering new gas reservoirs, produces methane as a result of operating the reservoirs within the company's portfolio, stores natural gas in underground storages, performs interventions, workovers and special well operations and provides professional technological transportation services. In 2013, Romgaz expanded its scope of activity by taking over Iernut thermal power plant, becoming an electricity producer and supplier.

The company is developing by implementing state-of-the-art technologies in the field of exploration, production and underground storage, financed from own or attracted sources. The economic and financial position of the company is characterized by profit stability and liquidity. As such, Romgaz is one of the state-owned companies that fulfilled all economic growth conditions, becoming one of the largest companies in Romania.

Societatea de Administrare a Participațiilor în Energie S.A. (S.A.P.E. S.A. – The Joint Stock Company for Management of Stakes), a two-tier company, was established as a result of the division of SC DFEE – Electrica S.A., according to the division project dated December 19, 2013 and Government Decision No. 203/2014 on the amendment and addition of GD no. 85/2013 for the approval of the privatisation strategy by means of public offering for increasing the share capital through increase of private injection from Societatea Comercială de Distribuție și Furnizare a Energiei Electrice „Electrica” S.A. București as amended.

S.A.P.E. S.A. General Meeting of Shareholders of January 10, 2018 decided to change the company's management system; as such the company become a two-tier company, having its headquarters in Bucharest, Bd. Lacul Tei No. 1-3, ISPE building, 11th Floor, Room 1101-1102, district 2, registered with the Trade Registry under number J40/5394/2014, Sole registration code RO 33134190.

The company's main scope of activity, in accordance with the classification of Activities in the National Economy, is NACE no. 7022 – Business and other management consultancy activities.

S.A.P.E. S.A. can be used as a tool for the fulfilment of a general objective for the efficiency of the energy system in Romania, through involvement in visible and profitable investments in the Romanian energy sector. In order to fulfil this objective, S.A.P.E. S.A. direct involvement in the implementation of investment projects has as major advantage the reduction of risk for this projects to fall under the applicability of state-aid legislation, with the relating consequences.

2. Structure of natural gas industry in Romania

In the gas industry there are entities which have as their object natural gas production, natural gas transportation, storage companies, distribution, gas suppliers. The interconnection of gas transmission systems with the neighbouring countries is in the stage of increasing the capacities on the direction of exit from the Romanian system. Currently, there is a gas transmission capacity on the direction of entrance in Romania of 14.18 bcm/year out of which 2.22 of the EU countries and 11.96 of the non-EU countries.

The regulatory and fiscal environment is continuously developing, until the emergence of GEO 114 the evolution of the regulations was in the sense of developing a liberalized internal market with virtual trading point and trade balancing in accordance with the applicable European law.

Since the implementation of GEO 114/2018, amended by GEO 19/2019, the regulated wholesale market segment appeared for about 40% of the domestic natural gas production.

As regards **the analysis of the market demand**, the gas consumption in Romania has recovered since 2017 from its minimal values in 2015 and has remained approximately at the same level in 2018.

The natural gas market in Romania is structured into two sections: the regulated market and the competitive market, both provided in Law 123/2012, as amended so far.

Gas transportation, storage, distribution and the market segment of domestic customers (largely) enter the regulated area being monitored by the Regulatory Agency in terms of applicable tariffs and prices.

There are two market operators for natural gas trading (wholesale and retail): Romanian Commodities Exchange (BRM) and the Romanian gas and electricity market operator (OPCOM S.A.).

As of January 1, 2019 the wholesale market has been standardised, with delivery for periods from 1 day and up to 1 year (gas or calendar) and delivery at the virtual trading point (VTP) in daily tape. Short-term markets operated by both market operators (Day ahead and Intra day) were operationalized.

According to the applicable legal provisions, starting with the entry into force of the amendments made to Law 123/2012 operated by Law 167/2018, the percentage of the trading obligation on the centralized markets for producers was set at 50% of the annual production.

As regards the electricity supply market, this is a very competitive market, the acquisitions being made only by wholesale trading on the centralized energy market managed by OPCOM. The electricity supply is primarily regulated by the provisions of Law 123 as amended, as well as by specific secondary legislation issued by the Romanian Energy Regulatory Authority (ANRE).

The competition in the gas supply market (and similarly on the electricity supply market) is quite increased but very fragmented, which gives a competitive advantage to the major players in this market.

3. Opportunity

It can be appreciated that the establishment of a joint stock company in association with S.A.P.E. S.A. can contribute to the fulfilment of some objectives of Romgaz S.A, in relation to:

1. The increase of Romgaz role on the supply market (final consumer market) from Romania;
2. The supply of gas distribution services;
3. The increase the regional role of Romgaz through commercial activity outside Romania;

4. The insurance of Romgaz participation in the development of projects related to the gas market (LNG, CNGV);

Considerations:

- a. The possibility to develop Romgaz business by increasing the company's presence on the final consumers market (retail market – pursuant to the definition provided by Law 123/2012), by means of a commercial tool, in terms of risk mitigation. So far for this market segment Romgaz has a low presence as compared to the other domestic producers (Romgaz market share on the final consumers market is currently at a relatively low level as reported to its weight on the wholesale market);
- b. The opportunity to consolidate to a higher level of the market share of small and medium players in the market. Currently, there is an excessive fragmentation of the supply market at the level of participants with reduced market shares (over 90 suppliers accumulating in total only a percentage between 10% and 15% of the supply market).
- c. The opportunity to contribute to the development of the supply market by creating a significant competitor for the two major players by (mainly):
 - Tendering and contracting consumers (particularly non-domestic) included in the portfolio of the current suppliers, particularly the major ones;
 - Assimilation of smaller suppliers, together with their portfolios;
 - Assimilation of other suppliers also owning distribution networks;
 - Gasification of localities by the construction and operation of distribution networks and supply of natural gas in these localities;
- d. The possibility to develop the trading activity of the company by selling additional quantities of natural gas that are not from Romgaz production;
- e. The exploitation of the opportunities given by the regional infrastructure projects, particularly those in connection with the southern corridor;
- f. The possibility to access these quantities/sources originating in the new discoveries of natural gas in the Black Sea ;
- g. The possibilities to develop the activity at regional level both as regards the acquisition of sources and their capitalization, with a view to activate and gradually increase the role of Romgaz on the regional market;
- h. The opportunity to enter also the regulated market (please refer to the definition provided by Law 123/2012) and to benefit from the security of incomes given by regulated tariffs (supply tariffs);
- i. The possibility to participate in conditions of optimization of the commercial risk to the development of important projects both in terms of the maximum capitalization of the internal gas sources (GNCV) as well as the exploration of development opportunities of Romgaz sources both for the internal as well as for the regional market (LNG).

Advantages offered by the new joint stock company provided by:

- i. The increased flexibility on an emerging market, characterized by regulatory instability, lack of price references, lack of data concerning market conditions (demand/supply) provided by independent and well-formed sources etc.;
- ii. The limited liability in third-party trades, without involving company's assets in activities bearing a relatively high risk;

- iii. The increased corporate efficiency;
- iv. The possibility to rapidly adapt to labour market as well as to the inherent conditions dependent on the company's financial situation with regard to personnel recruiting/hiring and/or reducing the number of employees during unfavourable market circumstances so as to ensure company performance.

4. Business Concept

The newly established company – a Romanian legal person, constituted and organized in the form of a joint stock company - will carry out its activity as according to the provisions of the Romanian applicable legislation and the Articles of Incorporation.

It will be a player in the retail market and it will address the final industrial, non-domestic but also domestic consumers, in a subsequent stage and it will not interfere within the commercial sphere of the parent company Romgaz SA, except on the principles of transparency, non-discrimination and competition.

At the level of principle, **the business and implicitly the level of income, the current clientele of Romgaz will not be affected** in any way by the establishment and operations of the new company.

By this new company, Romgaz proposes **to generate plus value as compared to its current business** for the benefit of its shareholders and also to bring an new impulse in the retail market by increasing the competition with the major players in this market, at competitive prices for all potential customers in the country.

The company will ensure the supply of natural gas and electricity in conditions of continuity in supply, security of supply and sustainability, at the highest quality standards in the industry and under the best contractual conditions available on the market.

The company will act on the energy market as a modern, flexible, innovative and capable company to meet the challenges both in the supply of natural gas and electricity, as well as in the field of natural gas distribution, with the purpose of satisfying the quality requirements, needs and demands of the customers.

From an economic point of view, Romgaz **estimates** that the establishment and operationalization of a supply company will lead to the achievement of adequate results for a new player on the market who wants to obtain a sustainable growth, but who is bound by the conditions of the competition on the market to accept a rate of return to the acceptable limit, so as to accomplish the entry on the market and build a prestige and significant player images.

The resolution to establish of a new company results from the internal economic analyses with a level of investment from Romgaz in amount of RON 200 million, leading after 5 years of activity to the achievement of a 6.36% Internal Rate of Return for the first considered scenario (sales of

electricity representing 20% of the sales portfolio), respectively 12.6% for the second considered scenario (sales of electricity representing 25% of the sales portfolio) given that the duration of the payment of invoices to suppliers is only 15 days and the payment of invoices issued to customers is 60 days (optimal for a utility provider). The gas sales portfolio remains constant for both scenarios, the volumes sold reaching up to 450 million cubic meters in the fifth year of the operation of the company.

Following to the presentation of the conclusions of the internal analysis of Romgaz to the future partners, the parties agreed that the level of a share capital in total amount of RON 225,000,000 would ensure the operation of the new company in the first three years of activity. The effective contribution will be accomplished by contributing amounts (proportional to the participation of each associate). Initially, the associates will pay the amount of RON 67,500,000 - representing 30% of the subscribed share capital and the rest of the amount up to the level of the subscribed capital will be paid as required, but not later than 12 months from the date of the company's establishment, according to the legal provisions.

5. Summary of risks associated with business

- Regulatory risk
 - provided by the presence on the regulated market;
 - the unanticipated change of some regulated tariffs or imposition/modification of the legal obligations of the suppliers

- Market risk

The market risk on the two components, quantitative and price related, as well as through the interdependence between the two elements:

- risk of over or under-sale with exposure to OTS balancing at an unfavourable price;
 - risk of variation in demand, respectively supply;
 - price risk of supply sources at the disposal of the supply subsidiary;
 - price risk on the internal market from demand/supply ratio variations;
- Personnel risk
 - Risks related to the employees' professional training/selection;
 - Risk and cost of professional training taking into account the type of specialized market;
 - Risk increased storage costs:
 - related to the stored quantities.

6. Opportunity of association

To substantiate a future association the following elements were taken into account:

- a. The proposed business concept is an additional concept to the current business of Romgaz, generating plus value taking into account the new company that will supply with sources in a transparent, competitive and non-discriminatory manner;

- b. The risks associated to the commercial operations taken into account and the possibility of their mitigation;
- c. The experience on the electricity supply market limited in case of Romgaz, but consistent in the case of the associate;
- d. The potential plus value brought by the operation on the market of electricity supply and trading;
- e. The common direction of action in achieving the strategic objectives, provided by the common shareholders of partners.

The development of Romgaz business on the supply market in Romania, and not only, implies a consistent investment effort that will allow it to obtain a significant energy supplier position on the market. This investment effort is subject to the risks associated with the business and a risk mitigation and management method consists in the association with the indicated partner. In the experience of Romgaz S.A., due to the nature of the business in the field of natural resources, high-risk business, especially during the exploration phase, risk mitigation by association is a practice especially in new exploration fields for which the risk is substantially increased. By analogy, the business development in a field related to the current main activity object (natural gas production) can constitute an enterprise with a higher degree of risk than that encountered in the current affairs of the company. In this context, risk mitigation by association also in this field, of business development, is a recommended opportunity, at the company's disposal.

For such an option to have an effect in accordance with the expectations, it is recommended that the participation rate be significant. If this percentage is low, the purpose of reducing the risk by association is not reached.

On the other hand, it necessary to maintain a substantial majority quota so that at the level of decision, Romgaz can act in accordance with its strategy and is pursuing its objectives. In addition, taking into account the profitability estimates of the business, a higher participation of Romgaz is indicated.

Consequently, to keep a balance regarding the considerations recommending a partner with a higher participation in report to the considerations recommending that Romgaz should keep a weight as high as possible, it can be estimated that Romgaz share is of 60% and S.A.P.E. share is of 40%.

7. Approached Procedure

The establishment of a new company is exclusively based on Law 31/1990, the new company proposed to be established being a stock joint company.

All the requirements identified by the analysis regarding the legal, fiscal and competitive implications, with an emphasis on those of a competitive nature, will be fulfilled, subject to the legislation specific to the economic concentrations.

The rights and obligations of the parties will be established through the documents of the association, documents which will be negotiated and concluded under the suspensive condition of approval by the legal bodies of each of the associates.

Considering the above mentioned, we submit for approval of the Extraordinary General Meeting of Shareholders of S.N.G.N. ROMGAZ S.A. **the establishment of a joint stock company that will have as main object of activity the supply of natural gas and electricity, in association with S.A.P.E. S.A. having as shares:**

- Romgaz S.A. 60%
- S.A.P.E. S.A. 40%

The conditions under which the association is carried out are provided in the draft of the Articles of Incorporation attached to this Information.

Sincerely,

Constantin Adrian MOLINTIRU

CEO



Endre IOO
Director of Legal Department

A handwritten signature in black ink, appearing to read "Endre IOO", is written over the printed name and title.

ARTICLES OF INCORPORATION

of **ROMGAZ FURNIZARE S.A.**

CHAPTER I

Shareholders

SOCIETATEA NATIONALA DE GAZE NATURALE ROMGAZ S.A., registered office in Medias, 4 C.I. Motas Sq., Sibiu County, registered with the National Trade Register Sibiu under no. J32/392/2001, unique registration code RO 14056826, e-mail: secretariat@romgaz.ro, bank account RO08 RNCB0231 0195 2533 0001, duly represented by Mr. Constantin Adrian Volintiru, CEO,

and

SOCIETATEA DE ADMINISTRARE A PARTICIPATIILOR IN ENERGIE S.A. (SAPE S.A.), registered office in Bucharest, 1-3 Lacul Tei Avenue, ISPE building, floor 11, room 1101-1102, District 2, registered with the National Trade Register Bucharest under no. J40/5394/2014, unique registration code RO 33134190, e-mail: office@sape-energie.ro, bank account RO76 BRDE 450S V787 3635 4500, duly represented by the Directorate comprised of Dr. Nicolae-Bogdan-Codrut Stanescu – Chairman, Ms. Luiza Marian and Mr. Constantin Vaduva – members.

CHAPTER II

Company name. Legal form. Registered Office. Term

Article 1 – Company Name

- (1) The name of the company is ROMGAZ FURNIZARE S.A. pursuant to the name reservation issued by the Trade Register under no. 485497 as of 23.08.2019.
- (2) All documents issued by the Company shall include the following detail: company name, legal form, registered office, share capital, Trade Register registration number and unique registration code.

Article 2 – Legal Form

- (1) ROMGAZ FURNIZARE S.A. ("**Company**") is a Romanian legal person, incorporated and organised as a joint stock company carrying out its activity pursuant to the applicable Romanian legislation and to this Articles of Incorporation.

Article 3 – Registered Office

- (1) The Registered office is in Romania, Bucharest, District 1, 59 Grigore Alexandrescu St. The registered office may be changed pursuant to the legal provisions in force.
- (2) The Company may set up branches, subsidiaries and agencies, work locations and other offices pursuant to the legal provisions in force.

Article 4 - Term

- (1) The Company is incorporated for an unlimited time period as of the date of its registration with the Trade Register.

CHAPTER III

Scope and Object

Article 5 – Scope of Activity

- (1) The scope of the Company is: natural gas and electricity supply and natural gas distribution. The Company may become active in the fields of activity, individually or by participating in other companies.

Article 6 – Object of Activity

- (1) Pursuant to the Classification of Activities in the National Economy:

1. **Main field of activity:**

Electricity, gas, steam and air conditioning supply (NACE code 35)

Manufacture of gas; distribution of gaseous fuels through mains (NACE code 352)

2. **Main object of activity:** Trade of gas through mains (NACE Code 3523)

- (2) Besides the main object of activity, the company shall carry out the following **secondary activities:**

3514 – Trade of electricity

3522 – Distribution of gaseous fuels through mains

3320 - Installation of industrial machinery and equipment

3600 – Water collection, treatment and supply

4120 - Construction of residential and non-residential buildings

4221 – Construction of utility projects for fluids
4291 – Construction of water projects
4299 – Construction of other civil engineering projects n.e.c.
4312 – Site preparation
4321 – Electrical installation
4322 – Plumbing, heat and air-conditioning installation
4329 – Other construction installation
4399 – Other specialised construction activities n.e.c.
4612 Agents involved in the sale of fuels, ores, metals and industrial chemicals
4950 – Transport via pipeline
6820 – Renting and operating of own or leased real estate
7022 – Business and other management consultancy activities
7112 – Engineering activities and related technical consultancy
7490 – Other professional, scientific and technical activities n.e.c.
8299 – Other business support service activities n.e.c.
9609 – Other personal service activities n.e.c.

- (3) The Company may perform import-export operations related to any of the activities comprised in this Articles of Incorporation.
- (4) For the fulfilment of its scope of activity the Company may carry out activities with the scope of developing, upgrading and operating existing units, may acquire stakes in other companies, shares and may take any other measures that are directly related to the scope of activity, pursuant to the law.

CHAPTER IV

Share Capital. Shares

Article 7 – Share Capital

- (1) The subscribed share capital of the Company has a total value of RON 225,000,000. The share capital is divided into 22,500,000 nominal shares, issued in dematerialized form, numbered from [1] to [22,500,000], each share having a nominal value of RON [10].
- (2) The paid up share capital at the establishment of the company represents 30% of the subscribed share capital, the remaining part of the subscribed share capital shall be paid up, as necessary, until the fulfilment of the 12 month period from the registration of the company.
- (3) The company's shareholders are:

ROMGAZ SA holds 13,500,000 shares, each with a nominal value of RON [10] and a total value of RON 135,000,000, representing 60 % of the Company's share capital, having a 60% share of benefits and losses.

SAPE SA holds 9,000,000 shares, each with a nominal value of RON [10] and a total value of RON 90,000,000, representing 40 % of the Company's share capital, having a 40 % share of benefits and losses.

- (4) The share capital shall be increased pursuant to this Articles of Incorporation and in compliance with the law. The extraordinary general meeting of shareholders can decide on increasing the share capital in compliance with legal provisions in force at the time of the increase. The share capital may be increased as follows:
 - (a) New contributions in cash and/or in kind;
 - (b) Incorporation of reserves pursuant to the applicable law;
 - (c) Other sources established by the general meeting of shareholders pursuant to the law.
- (5) The share capital may be reduced based on the resolution of the general meeting of shareholders in case of losses or in other cases provided by law. In case the directors find that further to losses, the net assets, calculated as the difference between the company's total assets and debts, represent less than half of the share capital value, they shall call for the extraordinary general meeting of shareholders to decide on restoring the share capital, on reducing it to the remaining value or on dissolving the Company.
- (6) Reduction of share capital may be performed only after two months from the publication in the Official Journal of Romania, Part IV of the resolution of the extraordinary general meeting of shareholders pursuant to the legal provisions. The management of the Company shall inform the relevant Trade Register Office on any change of the shareholder structure and in the number of shares.

Article 8 - Shares

- (1) Company shares are nominative, dematerialized, and issued by registration in the Shareholders Register.
- (2) Company shares are free transferable on the condition of exercising the right of pre-emption.
- (3) The Company may acquire its own shares pursuant to the law.
- (4) The Company shall keep records of the shares and shareholders in the Shareholders Register which shall be kept open and shall be operated pursuant to legal provisions in force.

Article 9 – Right of pre-emption

- (1) A party wishing to transfer Shares (“Seller”) shall send the other party (“Existing Shareholder”) a written notification (“Notification of Transfer”), indicating the details of proposed transfer, including the identity of potential buyer and price of Shares.
- (2) Within 35 (thirty-five) days from the receipt of the Notification of Transfer, the Existing Shareholder(s) may send a notification announcing its/their wish to:

 - (i) buy the Shares contemplated by the Notification of Transfer, at the indicated price;
 - or
 - (ii) buy the Shares contemplated by the Notification of Transfer, but the indicated price is too high.
- (3) If the Existing Shareholder wishes to buy the Seller’s Shares but it considers that the price is too high, the parties shall endeavour to agree on a price. If the parties cannot reach an agreement in 35 (thirty-five) days from the Notification of Transfer, the parties shall appoint an Evaluator to determine the Fair Price of Shares, based on elements such Evaluator deems relevant, among which:

 - (a) key market conditions;
 - (b) relevant percentage of the value of all such Shares;
 - (c) value of net assets of the Company; and
 - (d) current value of future cash flows of the Company.
- (4) The Evaluator shall determine the Fair Price of such Shares within 60 (sixty) days from the date of its appointment, taking in consideration any extension of the term that the parties may agree upon. The decision of the Evaluator regarding the price specified in the evaluation report shall be final and binding upon the parties.
- (5) If the Seller does not accept the Fair Price determined by the Evaluator, it shall be entitled to revoke the Notification of Transfer, by means of a written notification given within 7 (seven) days from the receipt of Evaluator’s report.
- (6) Under the assumption covered by paragraph (5), the Seller shall have the right to transfer its Shares to the third party buyer mentioned in the Notification of Transfer, at a price not lower than the one indicated in the Notification of Transfer (or not lower than the Fair Price, if the latter is lower);
- (7) If the Existing Shareholder does not accept the Fair Price certified in the written notification of the Evaluator, it shall inform the Seller, within 7 days from the issuance of the Evaluator’s written notice that it does not wish to buy the Shares.
- (8) Under the assumption covered by paragraph (7), the Seller shall have the right to transfer its Shares to the third party buyer mentioned in the Notification of Transfer, at a price not lower than the one indicated in the Notification of Transfer (or not lower than the Fair Price, if the latter is lower);
- (9) By means of transferring the shares, the Seller shall cause any assignee, who is not a party to this Articles of Incorporation, to comply with the provisions of this Articles of Incorporation.

Article 10 – Rights and Obligations of Shareholders

- (1) Each subscribed share gives the right to one vote in the general meeting of shareholders, the right to elect and to be elected in the management bodies of the Company, the right to participate in profit distribution, as well as any other rights provided under this Articles of Incorporation.
- (2) Owning of shares certifies the legal adherence to the Articles of Incorporation.
- (3) The rights and obligations in connection with shares pass along with the shares if their ownership is transferred to other persons.
- (4) When a nominal share becomes the property of more than one person, its transfer shall not be recorded unless such persons appoint a sole representative to exercise the rights arising from such share.
- (5) The obligations of the Company are guaranteed by its share capital and the shareholders are liable within the limits of the value of owned shares.
- (6) Company assets cannot encumber any personal debts or obligations of the shareholders.
- (7) Shares are indivisible, the Company recognizing only one owner for each share. Partial or total assignment of shares between shareholders or towards third parties shall be carried out in compliance with the law.
- (8) Transfer of property rights regarding nominal shares issued by the Company shall be implemented by registration in shareholders register.

CHAPTER V

General Meeting of Shareholders

Article 11 – Powers and Duties of the General Meeting of Shareholders

- (1) The General Meeting of Shareholders is the ultimate management body of the Company deciding on its activity and establishing its economic and commercial policy. The General Meetings of Shareholders are ordinary or extraordinary.
- (2) The main powers and duties of the Ordinary General Meeting of Shareholders are the following:
 - a. Discussing, approving or modifying the annual financial statements of the Company on the basis of the reports submitted by the Board of Directors and by the financial auditor;
 - b. Approving the distribution of profit and establishment of dividends;
 - c. Appointing and dismissing the members of the Board of Directors and the financial auditor;
 - d. Establishing the level of remuneration of the members of the Board of Directors, of the financial auditor for the current fiscal year;

- e. Deciding over company administration matters, evaluating the performance of the members of the Board of Directors and discharging them of liability;
 - f. Instituting legal proceedings against the members of the Board of Directors for damages caused to the Company, if applicable;
 - g. Approving the income and expenditure budget and the business plan for the next financial year;
 - h. Approving the minimum value of the insured amount and the maximum value of insurance premium for the civil liability insurance of the members of the Board of Directors, general manager and executive managers;
 - i. Deciding over any other matter regarding the Company, pursuant to its legal powers, provided such matters are on the agenda of the Ordinary General Meeting of Shareholders.
- (3) The main powers and duties of the Extraordinary General Meeting of Shareholders are the following:
- a. Changing the legal form of the company;
 - b. Moving the registered office of the company;
 - c. Changing the scope of activity of the company;
 - d. Establishing or closing secondary offices: branches, agencies, representations or other such units without legal personality if the Articles of Incorporation does not provide otherwise;
 - e. Extending the term of the company;
 - f. Increasing the share capital;
 - g. reduction of the share capital or restoring it by issuing new shares;
 - h. Merger with other companies or dividing the company;
 - i. Early winding-up of the company;
 - j. Conversion of shares from one category to another;
 - k. Conversion of bonds from one category to another or to shares;
 - l. Issuance of bonds;
 - m. Any other amendment to the Articles of Incorporation or any other resolution requiring the approval of the Extraordinary General Meeting of Shareholders.

Article 12 – Convening the General Meeting of Shareholders

- (1) The General Meeting of Shareholders shall be convened by the Board of Directors. The convening notice shall be signed by the Chairman of the Board of Directors or by one of its members on the basis of a power of attorney given by the Chairman.
- (2) The Ordinary General Meetings of Shareholders shall take place at least once per year, no later than five (5) months from the closing of the financial year in order to review the balance sheet and the profit and loss account of the previous year and to decide on the development strategy and the income and expenditure budget for the current year.
- (3) The General Meeting of Shareholders shall be convened whenever necessary, pursuant to the legal provisions in force and this Articles of Incorporation, at least 30 (thirty) days before the established date.

- (4) The Convening Notice shall include the place and date of the meeting as well as the agenda, explicitly indicating all the matters under debate.
- (5) When the agenda includes proposals to amend the Articles of Incorporation, the convening notice shall include the full text of such proposals.
- (6) The General Meeting of Shareholders shall meet at the headquarters of the Company or in any other place specified in the convening notice.
- (7) The convening notice of the first General Meeting of Shareholders may establish the day and time of the second meeting in the event the quorum is not achieved at the first meeting.
- (8) Shareholders representing 100% of the share capital and voting rights may decide, if no shareholder objects, to hold a General meeting of Shareholders and to decide on any matters under the powers and duties of the General Meeting of Shareholders, without following the above mentioned convening formalities or those provided by the Companies Law.

Article 13 – Organizing the General Meeting of Shareholders

(1) Quorum and voting rights of the Ordinary General Meeting of Shareholders

(i) First convening

Except for appointing the chairman and the secretary of a meeting (and one or more technical secretaries, if applicable) no activity shall be carried out during the Ordinary General Meeting of Shareholders unless the quorum conditions are met. For the purposes of this Article, the quorum is met only if shareholders representing at least one-fourth of the value of the share capital are present or represented.

When the quorum is met, decisions may be made only having the vote of the shareholders representing absolute majority (i.e. more than fifty percent) of the value of the share capital represented at such meeting.

(ii) Second convening

If within 30 minutes from the established hour of the Ordinary General Meeting of Shareholder (or an extended term granted by the chairman) the quorum is not met or if, during the meeting, the quorum is no longer met, the Ordinary General Meeting of Shareholders shall be postponed for the day, time and place indicated in the convening notice.

If the Ordinary General Meeting of Shareholder is postponed, the Ordinary General Meeting of Shareholders may take place after notifying the second convening and may decide on the items of the agenda of the first convened meeting, regardless of the number of shareholders present or represented, by majority of votes of the shareholders present or represented at such second meeting.

(2) Quorum and voting rights of the Extraordinary General Meeting of Shareholders

(i) First convening

Except for appointing the chairman and the secretary of a meeting (and one or more technical secretaries, if applicable) no activity shall be carried out during the Extraordinary General Meeting of Shareholders unless the quorum conditions are met. For the purposes of this Article, the quorum is met only if shareholders representing at least one-fourth of the value of the share capital are present or represented.

(ii) Second convening

If within 30 (thirty) minutes from the time set for the Extraordinary General Meeting of Shareholders (or a longer time period decided by the chairman of the meeting) there is no quorum, or if during the meeting quorum conditions are not fulfilled, the Extraordinary General Meeting of Shareholders shall be postponed for the day, time and place mentioned in the convening notice.

For the second convening of the Extraordinary General Meeting of Shareholders, except for appointing the chairman and the secretary of the meeting, no activities shall be performed unless quorum conditions are fulfilled. According to this article, quorum conditions are fulfilled upon the presence or representation of shareholders representing at least one fifth (1/5) of the share capital.

For the second convening of the Extraordinary General Meeting of Shareholders, if quorum conditions are fulfilled, decisions can be made on the items of the agenda of the first convening, by shareholders votes representing at least one fifth (1/5) of the share capital.

The decision related to amending the main business of the company, to reduce or increase the share capital, to change the legal form, merger, splitting or dissolution of the company shall be made with at least two thirds (2/3) of the voting rights held by present or represented shareholders.

Art. 14 – Procedures related to the General Meeting of Shareholders

(1) General Meeting of Shareholders

The General Meeting of Shareholders is chaired by the chairman of the board of directors and in his/her absence, by another director appointed by the chairman.

The chairman of the board of directors appoints two or more technical secretaries to check compliance with all formalities required by law for the meeting and to draft the minutes of the meeting.

(2) Minutes of Meeting

The minutes of the meeting, signed by the Chairman and by two or more secretaries shall state the fulfilment of the convening conditions, the date and place of the meeting, the agenda, the attending shareholders, the number of shares, a summary of the debates, the resolutions made, and upon shareholders' request, the declarations made in the meeting.

The minutes of the General Meeting of Shareholders shall be recorded in a sealed register.

The resolutions of the General Meeting of Shareholders are drafted based on the minutes of meeting and signed by the present or represented shareholders, by the Chairman of the Board of Directors or by another person appointed by the chairman and shall be kept in the general meeting's register together with the minutes of meetings.

(3) Other procedures

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 (fifteen) days, in order to be included in the register and published in the Official Gazette of Romania.

The resolutions shall not be carried out before fulfilling such procedures.

CHAPTER VI

Company's Management

Article 15 – Company's Management

- (1) The company is governed by the Board of Directors composed of an uneven number of directors (“**Directors**”).
- (2) The Directors may also be foreign citizens.

Article 16 - Directors

- (1) The Company is governed by a Board of Directors composed of five (5) members. The Directors may be shareholders of the company. The first Board of Directors is composed of the following members:
 1. _____.
 2. _____.
 3. _____;
 4. _____;
 5. _____.
- (2) Board members are appointed by the general meeting in compliance with the provisions of the law and of this Articles of Incorporation, in compliance with the participation share held by shareholders. The mandate of board members has a 4 (four) years term with the possibility of renewing the mandate. The first board members are appointed for 2 (two) years.
- (3) The Company shall bear the costs for the professional liability insurance of board members.
- (4) The chairman of the Board of Directors is elected by board members among themselves. The chairman of the Board of directors cannot be the company's general manager.
- (5) If a position in the board becomes vacant, the board of directors shall immediately call the general meeting to appoint another member. Until the convening of the general meeting of shareholders, the board members shall appoint an interim director. The provisions of paragraph (2) shall be enforced accordingly. The new director appointed on the vacant position shall have a mandate lasting until the expiration of its predecessor mandate, unless the entire board of directors is reconfirmed for a new two years mandate.
- (6) The General Meeting revokes members of the board of directors. Directors can be revoked only if the General Meeting simultaneously appoints their successors in compliance with this Articles of Incorporation.

- (7) Board meetings shall be convened as follows:
- (i) by the Chairman of the Board of Directors (or by a Board member authorised by the Chairman) whenever necessary, but at least once a month;
 - (ii) by the Chairman of the Board of Directors at the request of any board member;
 - (iii) by two members of the Board of Directors;
 - (iv) at the request of the general manager by using any of the methods provided at points (i) – (iii).
- (8) Board meetings shall be convened by a notice sent with at least 5 (five) working days before the meeting date. The notice period shall neither include the dispatch date or the deemed dispatch date nor the meeting day. The notice shall be sent to all directors according to the procedure below.
- (9) The convening notice of the board of directors shall be sent by registered mail, by fax or by electronic mail at the address, fax number or e-mail of each director. Each director shall inform the Company by registered mail, fax or electronic mail with respect to changes occurred in his/her address, fax number or e-mail, as the case may be, and the director shall not raise objections to the Company in connection with the change of address, fax number or e-mail if such has not been communicated, in writing, by said director.
- (10) The convening notice of the board of directors shall indicate the date and time of the meeting, as well as the location, namely the Company's headquarters (except for the case when directors decide to hold the meeting in another place, by indicating the new address). Board meetings may take place by means of electronic communication (including conference calls or videoconferences or e-mail). The convening notice shall also include the agenda. The board of directors cannot decide upon matters that are not included on the agenda, except emergencies and provided that the resolutions taken are ratified in the following meeting by absent members. The chairman shall decide upon the urgency of matters.
- (11) The Board of directors may convene at any moment, however at least once a month. If the board is called at the request of a director, other than the Chairman, the meeting shall take place within at most seven days from the date the request is received by the Chairman.
- (12) The board meeting is chaired by the Chairman of the Board of Directors, and in his absence, by one member, subject to the mandate given by the Chairman. The Chairman may appoint a secretary which is not a board member.

- (13) The resolutions shall be valid upon the presence or representation of all board members. Resolutions of the Board of Directors are taken with the affirmative vote of the absolute majority of present or represented board members.
- (14) Board of directors discussions are recorded in the minutes of the meeting, recorded in a register, sealed and stamped by the Chairman of the Board of Directors. The minutes of the meeting shall be signed by the person who chaired the meeting and by the secretary.
- (15) Any board member may be represented in Board meetings, subject to a power of attorney, by another director. One director may represent only one director.
- (16) The Board of Directors may delegate to one or to several members duties related to limited matters and may also resort to experts for studying certain matters.
- (17) Members of the Board of Directors may, in the interest of the company, exercise any act related to company governing, within the limit of their rights.
- (18) According to the law, the Chairman of the Board of Directors shall make available for financial auditors, upon their request, the Company's documents.
- (19) Members of the board of directors have duties of diligence and loyalty towards the Company. They shall exercise these duties in the interest of all shareholders and not of a particular shareholder. Board members shall make business decisions following a thorough information on the relevant circumstances. Board members have the right to rely on the information made available by executive managers and company employees, as well as on information provided by professional external consultants.
- (20) The Board of Directors shall perform all acts that are required and useful to achieve the Company's business scope, except for those under the competence of the General Meeting of Shareholders as provided by law.
- (21) Duties of the Board of Directors
- The board of directors has the following main duties:
- a) approves the company's organisational structure and the organizational and operational rules;
 - b) appoints and revokes the general manager;
 - c) concludes legal documents to acquire, alienate, rent, change or set up as security goods belonging to the Company's patrimony with the approval of the general shareholders meeting, according to the law;
 - d) approves delegation of competencies for the general manager for performing company's operations;
 - e) approves conclusion of contracts for which the board did not delegate competencies to the general manager, according to Annex 1;

- f) submits annually to the general meeting of shareholders the report on the Company's activity, the accounting balance sheet and the profit and loss account for the previous year, as well as the draft of the company's income and expenditure budget for the current year;
- g) convenes the general meeting of shareholders;
- h) endorses the value of current loans, commercial credits and submits such for approval of the general meeting of shareholders;
- i) sets and approves the company's policies;
- j) approves documents such as norms and regulations related to own activities;
- k) sets the marketing and sales strategy;
- l) within the limit of the income and expenditure budget approved by the general meeting of shareholders, the board sets and approves its amendment in compliance with the law;
- m) mandates the general manager to negotiate the collective labour agreement;
- n) endorses the Company's participation to incorporate new legal persons or the partnership with other Romanian legal or natural persons;
- o) filing for initiating the company's insolvency;
- p) solves any other matters set by the general meeting of shareholders and by the law.

Article 17 - Company's Managers

A. General manager

(1) The general manager represents the company in relation to third parties and is appointed by the Board of Directors.

(2) The company shall bear the costs of the professional liability insurance of the General Manager and executive managers.

(3) The general manager mainly has the following duties:

- a) Applies the company's strategy and development policies established by the Board of Directors;
- b) Hires, promotes and dismisses the employees, according to the law;
- c) Appoints, suspends or revokes the executive managers and the managers of branches and/or of working points, previously informing the board of directors;
- d) Takes part in negotiating the collective labour agreement, within the limits of the mandate given by the Board of Directors;
- e) Negotiates, according to the law, the individual employment contracts;
- f) Concludes legal acts on account and behalf of the Company, according to the powers given by the Board of Directors, pursuant to Annex no. 1;

- g) Establishes personnel duties and responsibilities, on each department, in order to be approved by the board of directors approval;
- h) Approves and signs operations, according to Annex no.1;
- i) Empowers the deputy general manager, executive managers, managers of working points and any other person to exercise any of its duties, informing the Board of Directors.
- j) Deals with any matter set by the board of directors.

B. Company's Managers

- (1) The Company's managers are hired by and subordinated to the general manager.
- (2) The executive managers duties are established by the Company's organizational and operational rules.
- (3) Duties of managers of branches/working points shall be established by the General Manager with the Board of Directors approval.

CHAPTER VII

Article 18 – Company Representation

- (1)** In the relation with third parties, the Company is represented and committed by the General Manager's signature.
- (2)** The General Manager may specifically empower a person, employee of the Company, to represent the Company for an act, by informing the Board of Directors.
- (3)** Branch managers and those of other secondary headquarters of the Company shall have the capacity to represent the Company in transactions, according to the competences established by the General Manager, with the consent of the Board of Directors.

CHAPTER VIII

Company's activity

Article 19 – Financial year

- (1)** The financial year begins on the 1st of January and ends on the 31 of December each year, except for the year when the company is incorporated.

Article 20 – Accounting and balance sheet

- (1) The accounting shall be kept in Romanian and in the national currency. The accounting for operations made in a foreign currency shall be kept both in the national currency and in the foreign currency, according to the regulations in this respect. The Company shall prepare an annual balance sheet, the financial statements as well as a statement related to the profit and loss account, according to the applicable law.
- (2) The balance sheet and the loss and profit account shall be submitted by the directors to the competent authorities within maximum 15 days as of the date of their approval by the Meeting of Shareholders. A copy of the balance sheet and the loss and profit account, approved by the fiscal authorities, shall be submitted to the Trade Register.

Article 21 – Shareholders participation in profit and loss

- (1) The company's profit is established according to the law. The profit remaining after paying the corporate tax, shall be assigned according to the resolution of the General Meeting of Shareholders.
- (2) The company establishes its mandatory reserves and other funds according to the law.
- (3) The dividends shall be established by the General Meeting of Shareholders according to the applicable law. Upon establishing the value of the dividends, the General Meeting of Shareholders also establishes the term of payment to the shareholders.
- (4) In case the General meeting of Shareholders does not establish the dividends payment date, dividends shall be paid within 60 days as of the deadline provided by the law for submitting annual financial statements, according to the applicable law.
- (5) If the company registers losses the General Meeting of Shareholders shall analyse the causes of such losses and shall decide accordingly pursuant to the law.
- (6) Shareholders participation in the company's incurred profit and losses shall be pro rata to their share of the share capital.
- (7) The shareholders are liable for losses only up to the subscribed share capital.

Article 21 – Auditor

- (1) The company's first financial auditor is Company.... with the headquarters in ... represented by... for the period...

CHAPTER IX

Changing the legal form. Winding-up. Liquidation and Disputes

Article 22 – Changing the legal form

- (1) The company may change its legal form, based on the resolution of the General Meeting of Shareholders and in compliance with the applicable law.

Article 23 – Company winding-up and liquidation

- (1) The following situations lead to the company's winding-up:

- a) expiry of the period established as the company's term;
 - b) impossibility to perform company's scope of activity;
 - c) establish company's nullity;
 - d) resolution of the General Meeting of Shareholders;
 - e) court's decision, upon the request of any of the shareholders, for reasonable grounds such as serious misunderstandings between shareholders which prevent the company's functioning;
 - f) company bankruptcy;
 - g) other causes provided by the law or the company's articles of incorporation.
- (2) Together with the company's winding-up, the shareholders may decide, with the quorum and majority necessary to amend the article of incorporation, the liquidation method, when agreeing on the way the company's assets are allocated and liquidated and when they ensure payment or regularisation of debts in agreement with creditors.
- (3) The company's winding-up and liquidation shall be registered with the Trade Register and published in the Official Gazette.
- (4) The company's liquidation and capital assets allocation shall be made according to the applicable law.

Article24 - Disputes

The disputes that may arise between shareholders related to this Article of Incorporation shall be amicably settled by the parties. In the event this is not possible, potential disputes shall be settled by the competent national courts.

CHAPTER X

Final provisions

- (1) The provisions of this Article of Incorporation shall be completed with the provisions of the Company's Law.
- (2) This Article of Incorporation, as updated, is signed today, [], in 3 (three) original copies, each having the same legal power.

SHAREHOLDERS

S.N.G.N. Romgaz S.A.

S.A.P.E. S.A.

ANNEX¹

CONTRACTS /OPERATIONS VALUE

NO.	VALUES*	GENERAL MANAGER	BOARD OF DIRECTORS	GMS
1	EUR 0 -5,000,000	APPROVAL	INFORMATION	-
2	EUR 5,000,001 – 15,000,000	SUBMISSION	APPROVAL	INFORMATION
3	Over EUR 15,000,001	SUBMISSION	INFORMATION	APPROVAL

***these values apply to natural gas sale - purchase contracts, through bilateral contracts, and do not apply to contracts concluded on centralized markets.**

¹ Purchase delimitation