

No. 36305 / December 22, 2014

To,

**The Extraordinary General Meeting of Shareholders of
Societatea Națională de Gaze Naturale „ROMGAZ” – S.A.**

Whereas the provisions of Article 113, Article 117 of Law No. 31/1990 R – on trading companies, we submit for competent analysis and debate the punctual requirements of the company's to approve the acquisition of legal consultancy, assistance and/or representation services for these special cases. We further mention that these requirements are duly justified and substantiated.

The approval for procurement by exception, by S.N.G.N. „ROMGAZ” – S.A. of legal consulting, legal assistance and representation and specialty services, as the case may be, on the following matters:

- The litigation occurred following to completion of ANAF, of the Thematic Fiscal Control, carried out in the calculation of supplementary obligations attributed to Romgaz, consisting in income tax and VAT, afferent penalties and increases in total amount of RON 22,424,030 (Annex I)
- The start of Iernut Power Plant (as part of Iernut Power Plant Production Branch) development project in the form of "joint venture" (Annex II)
- Establishing an Underground Gas Storage Subsidiary - named UNDERGROUND GAS STORAGE SUBSIDIARY - DEPOGAZ PLOIESTI SRL (Annex III)
- Commercial/civil litigations and possibly criminal, resulted from the performance of commercial relations with Interagro SA consumer and from granting commercial discounts to this company (Annex IV).

In law, our request takes into account the compliance with the special disposals of GEO No. 26/2012 on certain measurements of reducing the public expenses, strengthening the financial discipline and amending and completing certain normative acts, which provides that:

Article I

(1) The public authorities and institutions of the central public and local administration, regardless of the financing and subordinating modality, the national companies and trading companies with fully state-owned capital or with a majority state-owned capital, as well as the autonomous authorities (e.g. régies autonomes) which have in their organizational structure own specialized legal personnel and cannot acquire legal consultancy, assistance and/or representation services.

(2) Under duly justified circumstances, where legal consulting, assistance and/or representation activities, necessary for public authorities and institutions, provided in

Capital social: 385.422.400 RON

CIF: RO 14056826

Nr. Ord.reg.com/an : J32/392/2001

RO08 RNCB 0231 0195 2533 0001 - BCR Mediaș

RO12 BRDE 330S V024 6190 3300 - BRD Mediaș



S.N.G.N. Romgaz S.A.
551130, Piața Constantin Moțaș, nr.4,
Mediaș, jud. Sibiu - România
Telefon 004-0269-201020
Fax 004-0269-846901
E-mail secretariat@romgaz.ro
www.romgaz.ro

paragraph (1), cannot be provided by specialized legal personnel employed by these entities, these kind of services may be acquired, under the law, only with approval of:

a) main credit applicants for public authorities and institutions of the central public administration;

(3) Under duly justified circumstances, where the legal consulting, legal assistance and/or representation activities, necessary for public corporations, national companies and trading companies, as well as autonomous authorities (e.g. régies autonomes) as provided in paragraph (1), cannot be provided by specialized legal personnel employed by these entities, these kind of services may be acquired, under the law, only with approval of and mandating the management representatives of state or administrative - territorial units:

a) By the coordinating main credit applicant, for the cases where the state is a fully or majority shareholder;

In fact, by granting, by way of exception, the right of acquiring specialized external legal consulting in specific domains for these punctual cases, and by concluding some legal consulting contracts with companies specialized in certain activity fields which have a notable expertise in these fields, ROMGAZ wants and aims at promoting and defending, at the highest professional level, the superior rights and interests of the company, of all the shareholders and of the Romanian state, in the current climate where the company is listed on the Bucharest and London Stock Exchange, estimating thus that the exposed circumstances for which we require the approval to acquire external legal consultancy are duly justified. (briefly presented in the Annexes).

With the following mentions: When selecting the legal assistance and consulting companies the following principles and European law frame shall be taken into account and respected (implicitly the Romanian law frame), respectively the 7 principles: non-discrimination, equal treatment, efficiency in using the public funds, assuming responsibility as well as complying with Romgaz' s internal procedures implemented in the case of acquisitions which are not subject nor are submitted to the provisions of the updated Government Ordinance No. 34/2006.

**Chairman of the Board of Directors,
Aurora NEGRUȚ**



ANNEX I. Litigation occurred following to completion of ANAF of Thematic Fiscal Control

During May 13, 2014 – September 30, 2014, SNGN ROMGAZ SA was subject to a fiscal inspection under endorsement no. F-AB16/March 31, 2014, issued by the General Directorate of Public Finance, Brasov – County Administration of Public Finance, Alba. The period submitted to control was 2008 – 2013, the objectives of the controlled period were income tax and respectively VAT for 2019 – 2013.

The result of this inspection carried out in the calculation of supplementary obligations attributed to Romgaz (income tax and VAT) as compared to the state budget, as well as afferent delay penalties and increases, in total amount of RON 22,424,030.

Considering that the control authority wrongly established and attributed to Romgaz certain amounts, which we do not recognize as due, after receiving the Final Report and the Taxation Decision, a part of the additional fiscal obligations, representing income tax, VAT, delay penalties and increases in amount of RON 22,424,030, are subject to the Litigation addressed by Romgaz to GDPF Brasov. In case of admission in part or rejection of the litigation, Romgaz shall appeal in court the Report and the Taxation Decision which is to be issued by the County Administration of Public Finance, Brasov, in order to resolve the litigation.

Considering, on the one hand, that the appealed amount is a significant amount, with possible negative impact on the company's activity – with direct projection on profit, and possibly generating undesirable effects which could injure the shareholders' rights and interests and on the other hand, taking into account the fact that the expenses and domains which need to be approached in this case are very complex, with commercial, legal and fiscal nature implication, we appreciate that it is opportune and it is in Romgaz's and the shareholders' interest that consultancy and representation in court be assured by independent specialized persons for each domain in part.

At the same time, we mention that the Resolution of the Board of Directors from the Meeting on September 25, 2014, following the analysis of the fiscal inspection results performed during May 13, 2014 – September 30, 2014 by ANAF (National Agency for Fiscal

Administration), respectively: *“Considering, on the one hand the fact that the result of the inspection result carried out in the calculation of the additional income tax and VAT obligations and afferent penalties and increases, and on the other hand the fact that certain accounting expenses do not justify the application of tax or additional payment tax, respectively afferent penalties and increases, from a fiscal point of view there is no legal basis, the Board of Directors establishes the following:*

- a) If ANAF does not accept ROMGAZ’s point of view in report with the inspection’s recognition, point of view included in the final Minutes of ANAF, it agrees with the appeal of ANAF Minutes and, if the situation requires, appeal in court;*
- b) After completion and signing the Minutes of ANAF, it shall be transmitted to ROMGAZ’s Directors;*
- c) It agrees with contracting, complying in terms with the legal provisions of certain legal consulting services to sustain the company’s interests for this litigation, which is why for the next General Meeting of Shareholders the right to employ legal consultancy and representation in front of the competent authorities for this case shall be required.”*

We also inform that the National Agency for Fiscal Administration – The Regional General Directorate of Public Finance, Brasov – County Administration for Public Finance, Alba, transmitted the Report No. 197522/February 30, 2014, registered at Romgaz under no. 29283/October 17, 2014, the following:

- i. Fiscal Inspection Report No. 87/September 30, 2014
- ii. Taxation Decision No. F AB417/September 30, 2014
- iii. Measurements Disposal No. 197518/September 30, 2014

Considering the above mentioned reasons of law and of fact, we appreciate that we are in a duly justified circumstance, which imposes the employment by the company of legal consulting, legal assistance and representation, in this respect.

Viorel Claudiu Chertes
Counselor of the Director General

Annex II Start of the SPEE Iernut Power Plant Development Project under the legal form of joint venture

The Romanian Government considers that the energy sector should play an essential part in the economic and social development of the country. Promoting investments, sustaining strategic national projects to ensure the energy security of the country are some of the main objectives of the Government in matters of energy security.

Considering that the portfolio is continuously growing by an uncontrollable production of wind driven electric power it is imperative to have balancing capacities active on the balancing market, on the ancillary services, on the spot market and **the Power Plant Iernut can be an ancillary service provider in areas lacking electric power production.**

With respect to adapting Iernut to the increasingly competitive energy market, the preliminary analysis of the current status and performances of the Power Plant highlights several important aspects:

- **Comparing the efficiency of the existing power units with the global performance of units using a combine cycle leads to a difference of about 15-20% in favor of the combined cycle power units;**
- **By using a combined cycle the energy efficiency increases, adding elasticity, flexibility for operating the units as well as reduced pollutant emissions (NO_x, CO₂);**
- **The current needs to reduce power production costs together with the need to reduce gas consumption (fuel) results in adopting performant technologies with minimum specific consumptions**

Within the National Energy System (NES), Iernut Power Plant has the following duties:

- **To cover the power consumption in the NES by participating to the electricity wholesale market and to the Balancing Market;**
- **To ensure ancillary services necessary for NES**
- **To eliminate network constraints that may arise in the north- western part of Transylvania.**

The technical solution chosen for refurbishment/ upgrading SPEE Iernut Power Plant is based on the Feasibility Study prepared by ISPE Bucuresti.

Further to analyzing the scenarios of the Feasibility Study underlying the technical and financial advantages, the best scenario for upgrading/refurbishment SPEE Iernut Power Plant is scenario no.7 that provides for installing two Gas Turbine Combined Cycles each equipped with the following:

- **2 gas turbines of 69 MWe**
- **2 heat recovery steam generators, without additional burning, equipped with two modern burners with low NO_x emissions.**

- **1 steam turbine, with condensation, with an installed power of 69 MW**

In fact, Romgaz intends to upgrade/refurbish the SPEE Iernut Power Plant units. In order to accomplish this, the Board of Directors decided that the executive management should identify the legal form of association for mitigating the risks associated to Romgaz and access to funds provided in the National Investment Plan, provided for Iernut Power Plant to remain Romgaz's property.

On October 30, 2014, The Board of Directors approved, by Article 6, subject to the point of view requested to Energy Department regarding the compatibility of such joint venture with the provisions of the Government Ordinance no. 1096/2013 and based on Report no. 29870/October 22, 2014 of the Executive Management of SNGN Romgaz SA, the following:

- a) The legal form "Joint venture" for refurbishment of the SPEE Iernut Power Plant considering the mitigation of the risks associated to SNGN Romgaz SA and the access to funds provided in the National Investment Plan;
- b) The refurbishment of SPEE Iernut Power Plant by constructing a new power plant based on Gas Turbine Combined Cycle system for an installed power of maximum of 400 MW and gross electrical efficiency at a rated load of minimum 55%, under the legal form of joint venture
- c) **Authorizing the executive management of SNGN Romgaz SA to prepare the documentation necessary to select a consultant. The Consultant shall elaborate together with Romgaz, the criteria/procedures necessary for selecting the partner/investor for the commencement of SPEE Iernut Power Plant development project.**

According to the letter no. 32411/November 11, 2014 received from the Energy Department, concerning the SNGN ROMGAZ SA intention to perform the "Gas Turbine Combined Cycle" investment by accessing the non-refundable funds provided in the National Investment Plan:

- "taking into account the intention of SNGN ROMGAZ SA to accomplish the "Gas Turbine Combined Cycle" investment together with an investor under a joint venture agreement regulated by the Romanian Civil Code, and the fact that SNGN ROMGAZ SA maintains its quality of beneficiary of the investment"
- "for the Romgaz "Gas Turbine Combined Cycle" investment, provided in the NIP, a non- refundable financing of 25% from the eligible cost may be requested, under the condition of concluding a financing contract with the beneficiary of the investment.

On December 18, 2014, The Board of Directors reanalyzed, based on the Report no. 34126/December 03, 2014 of the Executive Management of Societati Nationale de Gaze Naturale "ROMGAZ"- S.A., the development project of Iernut Power Plant and approved without reservation the following:

- a) *The legal form "Joint venture" for refurbishment of the SPEE Iernut Power Plant considering the mitigation of the risks associated to SNGN Romgaz SA and the access to funds provided in the National Investment Plan;*
- b) *The refurbishment of SPEE Iernut Power Plant by constructing a new power plant based on Gas Turbine Combined Cycle system for an installed power of maximum of 400 MW*

and gross electrical efficiency at a rated load of minimum 55%, under the legal form of joint venture

- c) **Authorizing the executive management of SNGN Romgaz SA to prepare the documentation necessary to select a consultant. The Consultant shall elaborate together with S.N.G.N. "ROMGAZ" S.A. the criteria/procedures necessary for selecting the partner/investor for the start of SPEE Iernut Power Plant development project.**

Given the above mentioned and the investment value and complexity, which will require the allocation of own resources, access to NIP, bank credits and eventually access to the structural funds, as the case may be, domestic and international contracts, personnel involvement etcetera,

we hereby propose that is opportune and necessary to procure legal and professional assistance

- both for obtaining a point of view with respect to the most proper legal form of association for carrying out the investment "Upgrading/refurbishment of the Electric Power Generation Branch Iernut units" considering the mitigation of risks and given the fact that the Board of Directors of Romgaz approved the necessity of accessing 25% of funds provided in NIP,
- and for the next steps on negotiation with possible investors, concluding joint venture, agreements, contracts, negotiation of terms, implementation and creation of the legal framework for a medium and long term functioning by means of the compliance with the Romanian, European and environment legislation and also for the creation of the optimum legal framework and respecting and protecting Romgaz's interests and implicit of shareholders' interest and especially of the majority shareholder's and Romanian state interest - in correlation with the national energy strategy that is about to be prepared and with the investment profit and the profitability,

with the mention that if the General Meeting of Shareholders approves this, the assistance shall be made in two or several proportionally remunerated stages based on the corporate approvals.

Also, we have to mention the fact that both during the procedure for selecting the legal consultant and the procedure for selecting the partner/investor, S.N.G.N. Romgaz S.A. reserves the right to interrupt the procedure without paying damages/compensations and other claims, if Romgaz's Management and Board of Directors and/or General Meeting of Shareholders consider necessary to interrupt the procedure.

Viorel Claudiu CHERTES

Counselor of the Director General

ANNEX III. Establishment of the underground gas storage Subsidiary SNGN ROMGAZ SA- UNDERGROUND GAS STORAGE SUBSIDIARY DEPOGAZ PLOIESTI

Romgaz is obligated to separate the activity of underground gas storage from the activity of gas production and supply, obligation which is provided by the European Directive 2009/73/CE and Council as of July 13, 2014 on the common rules for the internal market of natural gas and by the provisions of Article no. 141, item 1 of Law 123/2012, according to which an underground storage operator who is part of an economic operator vertically integrated must be independent at least as regards the legal form, organization and the process of taking decisions on other activities which are not related to the transport, distribution or storage activity.

In accordance with Item II of the Resolution no. 10/December 12, 2014 of the Extraordinary General Meeting of Shareholders, the establishment of the underground gas storage subsidiary was approved, with the identification data described below:

Name: SNGN ROMGAZ SA- UNDERGROUND GAS STORAGE SUBSIDIARY DEPOGAZ PLOIESTI SRL

Address: Street Gh. Gr. Cantacuzino no. 148, Ploiesti, Prahova County

Scope of activity, in accordance with CAEN code Rev. 2:5210- Storage

Secondary activities:

0910 Support activities for petroleum and natural gas extraction

7022 Business and management consultancy activities

Personnel Number: 20 jobs

Pursuant to the provisions of article 113 of Law no. 31/2009 and the provisions of Article 12, item 5, the Article of Organization of ROMGAZ was updated, given the new modifications, and transmitted to the Romgaz General Meeting of Shareholders for approval of establishment, registration and declaration at the Trade Registry Office of Prahova Court of Law of the Underground Gas Storage Subsidiary Depogaz Ploiesti SRL.

Please take into consideration the complexity of this process which is a priority for Romgaz and not only, when you are taking the decision.

After the establishment, registration and declaration at the Trade Registry Office of Prahova Court Of Law of the new subsidiary we consider that in order to comply with the obligations set by the European Directive 2009/73/CE and Board of Directors Resolutions is necessary to analyze and determine the optimum solutions, hire legal and professional assistance to transfer the business of SISGN Ploiesti to the new established underground gas storage subsidiary Depogaz Ploiesti SRL, and further to implement the process, conclude rental of goods contracts which will be used by the new company (legal personality subsidiary), transfer the personnel,

conclude Service Legal Agreement between companies, given the fact that we are talking about the affiliated companies etcetera.

Also, we are taking into account the date of entering into force of the European Directive 2009/73/CE and the Board of Directors Resolution no. 22/2014 and their legal provisions and the fact that sanctions can be given and infringement procedure against Romania can be started, if the separation of activities is not performed in accordance with the European regulations.

Given the above mentioned and the legal complexity of the process, we consider that is necessary for the company to hire legal and professional assistance.

Viorel Claudiu CHERTES

Counselor of the Director General

ANNEX IV. Commercial/civil litigations and possibly criminal, further to performance of commercial relationship with Interagro SA

Further to the commercial-civil relationship between the parties, Interagro SA owes to SNGN Romgaz SA, hereinafter referred to as Romgaz, the amount of Lei 161 625 789.19. In order to recover the due amounts, Romgaz has taken all legal steps to recover the receivables by enforcement of guarantees (registered office of the accused, urea) that constitutes enforcement titles, according to legal provisions.

In response of the activities related to the recovery of the receivables, Interagro SA and the guarantor Interaction SRL challenged in court all enforcement titles, requesting suspension of the enforced execution and then annulment, because, according to the debtor, these do not constitute enforcement titles. 11 files are pending before the law court, namely Bucharest Law Court District 6 and Bucharest Tribunal, in different performance phases.

On the date hereof the bank accounts of the debtor have been garnished, the equity interests where Interagro SA is shareholder have been blocked, the request issued by District 6 Law Court has been admitted on validating garnishments on garnished third parties that refused to enforce the obligations set by the officer of the court, the order has been issued to sell the package of 235,000,000 shares held by Interagro SA at Cerealcom Teleorman.

These cases on the forced execution of the debtor Interagro SA and of the guarantor Interaction SRL are investigated by the Legal Office of the company.

As regards the possible criminal aspects. Following DIICOT investigation regarding former and current ROMGAZ employees and high ranking officials (ministers and government employees) because, during 2005-2010 according to Romgaz GMS Resolution and Romgaz Board Decision and to commercial contracts concluded, commercial discounts have been granted for gas delivery contracts concluded with SC Interagro SRL. The file is under examination, authorised bodies perform an economical-legal investigation. After finalising the investigation and depending on its results measures shall be taken accordingly.

At the request of the Prosecution Department attached to the High Court of Cassation and Justice Bucharest – DIICOT Central Organisation, Romgaz has made available company documents, as follows: natural gas sale –purchase contracts and their related addendums, documents that were the basis for performing transactions and commercial operations related to gas delivery or exchange between Romgaz and beneficiaries, invoices issued and/or in balance related to gas deliveries, invoices with penalties, accounting notes, analytical account

forms, annual investment programs, reports/analyses on write off and decommissioning of fixed assets, substantiation of values related to indicators of the Income and Expenditure Budget, price statements, credit statements, report of the board of directors, monthly production statement. In addition, Romgaz made available audio recordings of Board and GMS meetings for the period between 2007 – 2011.

Currently, Romgaz is not able to give detailed information on the status of the DIICOT investigation because the company does not have access to information from the criminal investigation file. Due to the fact that the persons which are under criminal proceedings are investigated for facts committed as Romgaz employees, at the request of the criminal prosecution body the company has made available all documents and information requested in order to perform the criminal prosecution/investigation.

According to Romanian law in force (Penal Code, Rules of Criminal Procedure) currently the investigation is in the criminal prosecution phase whose scope is raising necessary evidence for the existence of crimes, identifying offenders and establishing their accountability, in order to find whether the case will or won't be referred to court.

Further to finalising the investigations, based on the conclusions of the criminal prosecution body and on the legal report, there may be the situation of setting a prejudice and the necessity to recover the prejudice by Romgaz, by instituting a civil action in a criminal case. For this possible hypothesis we believe it will be opportune too approve the conclusion of a legal service provision contract with specialists on matters of penal and civil laws in order to promote and sustain the proceedings in front of law courts.

Please bear in mind the complexity and implications of this notorious investigation with impact in the media. We believe it should be treated with maximum responsibility considering that Romgaz is a company where the state is major shareholder, listed on London Stock Exchange and on Bucharest Stock Exchange, and any negative news, inside or outside the company may impact negatively on the activities of the company as well as on the stock quotations.

Viorel Claudiu Chertes
(Counsellor to the General Director)