

ROMGAZ

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

No. 34/15/04.12.2015



To,

THE GENERAL MEETING OF SHAREHOLDERS OF S.N.G.N. „ROMGAZ” – S.A. MEDIAȘ

Ref: contractual relationship between Societatea Națională de Gaze Naturale „ROMGAZ” – S.A. Mediaș and Societatea Electrocentrale București S.A.

The contractual relationship between S.N.G.N. „ROMGAZ” – S.A. Mediaș and Societatea Electrocentrale București S.A. was based, until 15 November 2015, on the Natural Gas Sale Contract No. 15/2009, supplemented and amended by 22 addendums.

Starting with 16 November 2015 a new natural gas sale contract was signed (Contact No. 34/2015), valid for one month, namely until 15 December 2015, providing that Societatea Electrocentrale București S.A. shall pay in advance, as a condition for gas delivery nominations.

Whereas, starting with April this year Electrocentrale București S.A. recorded huge outstanding debts related to gas deliveries of Q1 2015, therefore S.N.G.N. „ROMGAZ” – S.A. had:

- 1) to deliver natural gas between April and September 2015 proportionally only to the advance payments provided by Electrocentrale București;
- 2) to submit Electrocentrale București proposals to facilitate the payment of the debts by:
 - a) rescheduling of outstanding debts;
 - b) payment agreements between Electrocentrale București, S.N.G.N. „ROMGAZ” – S.A. and C.N.T.E.E. Transelectrica S.A., to assign the rights of Electrocentrale București related to power generation (the electric power delivered by Electrocentrale on the regulated market, cogeneration bonus for high efficiency, electric power delivered on the balancing market) to ROMGAZ;
- 3) to announce the specific and competent institutions and authorities on the difficulties encountered in the relationship between S.N.G.N. „ROMGAZ” – S.A. and Electrocentrale București;
- 4) to condition the future natural gas deliveries upon submission of a clear and firm action plan for payoff of debts, accepting outstanding debts rescheduling and supporting such rescheduling by submission of payment guarantees.

As of today, Electrocentrale București did not pay-off the entire gas consumption for March 2015, paying only 41.88% of this month consumption.

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 3305 V024 6190 3300 - BRD Mediaș



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Thus, on 02 December 2015 Societatea Electrocentrale București S.A.'s outstanding debt to S.N.G.N. „ROMGAZ” – S.A. was RON 445,706,716.70, out of which:

- 267,518,694.70 RON is the outstanding debt for delivered natural gas;
- 62,259,510.75 RON is the current debt;
- 3,928,511.25 RON are penalties (invoiced) until 30.11.2015 on the outstanding debt;;
- about 112,000,000 RON is the estimated value of natural gas delivered between 01 November and 30 November 2015.

Thus, analyzing the total debt of Societatea Electrocentrale București S.A. for the period January – October 2015, we notice an increase between January and March 2015 up to RON 402 million, fluctuating afterwards between RON 338 million and RON 394 million

Therefore, following the repeated requests of S.N.G.N. „ROMGAZ” – S.A. to Electrocentrale București S.A., two negotiation rounds were organized for rescheduling of the debt. These negotiations were not finalized with the conclusion of a payment rescheduling agreement and submission of guarantees on behalf of S.N.G.N. „ROMGAZ” – S.A. because the Board of Directors of Electrocentrale București S.A. set the condition of concluding similar agreements with Regia Autonomă de Distribuție Energie Termică București (R.A.D.E.T. București). The other option to reduce the debt by modifying the amount of subsidies and their payment was unsuccessful, due to Bucharest Town Hall (Primăria Generală a Municipiului București) inflexible position related to the relationship between Regia Autonomă de Distribuție a Energiei Termice București and Societatea Electrocentrale București S.A..

In the light of the above mentioned „ROMGAZ” – S.A.'s management and directors analyzed this subject in every board meeting. The first decision was to start the delivery of natural gas from April 2015 only against advance payment made by Societatea Electrocentrale București S.A., thus limiting the increase of the debt. This is the reason why during this period S.N.G.N. „ROMGAZ” – S.A. had to limit the deliveries to 10%-50% of the contracted amount when Societatea Electrocentrale București S.A. was not able to pay in advance the gas volumes or paid just part of it.

At the same time S.N.G.N. „ROMGAZ” – S.A. representatives discussed with the representatives of Societatea Electrocentrale București S.A. as well as with the representatives of the Ministry of Energy and its predecessor, hoping to reach mutual agreement on a solution to unblock the situation.

The Minister of Energy as well as his predecessor and the Prime-Minister of Romania were informed about this situation.

Considering all the above aspects, correlated with the forecast on the payments which is not at all optimistic, and due to lack of involvement of all decision makers/managers who could contribute to settlement of this dead end, namely continuing the payment at higher pace and fulfillment of all contractual obligations in a reasonable timeframe agreed by all parties, S.N.G.N. „ROMGAZ” – S.A. will be in the uncomfortable situation to limit or even to cease the deliveries to Electrocentrale București S.A.

We are fully aware that limiting or even ceasing the deliveries to Electrocentrale București S.A. could affect/cease the heat and warm water to social institutions, health care, cultural and legal institutions as well as to individuals generating negative social impact; nevertheless we would like to mention that such consequences are fully under Societatea Electrocentrale București S.A., R.A.D.E.T. and Primăria Generală a Municipiului București (Bucharest Townhall) responsibility.

This being said we would like to stress that S.N.G.N. „ROMGAZ” – S.A. has proven its interest to resolve this situation for the mutual benefit of all parties involved, as results from all the above, and currently it is in the process of negotiating with Electrocentrale București for resuming/continuing the relationship, on commercial basis and protecting the company's and its employees interests.

At the same time we request for the approval to continue the commercial relationship with Societatea Electrocentrale București S.A. under the following terms:

- concluding with Societatea Electrocentrale București S.A. the agreement for rescheduling the outstanding debts, and submission of payment guarantees for such debts;
- concluding acts/ commercial acts providing payment guarantee measures (letter of bank guarantee, assignment of debts, small payment term (15 days), advance payment or other similar form) to minimize the commercial and financial risk related to this customer.

If the above terms and conditions are not fulfilled the commercial relationship with Electrocentrale București S.A. will cease.

**Chairperson
Board of Directors
Aurora NEGRUȚ**

