

No. 32106 from October 13,2020

To,

The Ordinary General Meeting of Shareholders of S.N.G.N. Romgaz S.A.

Approved by,

Constantin Adrian VOLINTIRU
Chief Executive Officer

Endorsed by,

Daniel Corneliu PENA
Deputy Chief Executive Officer

INFORMATION NOTE

regarding the economic-financial inspection on the implementation of the provisions of article 43 of the GEO No. 114/2018

Short history

During the period November 27, 2019 – January 31, 2020, the General Regional Direction of Public Finance Brasov, Fiscal Inspection - Department of Economic - Financial Inspection within the National Agency for Fiscal Administration ("ANAF") carried out at S.N.G.N. ROMGAZ S.A. ("Romgaz"/"the Company") an economic – financial inspection aimed at verifying the compliance with the provisions of article 43 of the Government Emergency Ordinance No. 114/2018 ("GEO No. 114/2018") on implementing measures in the field of public investments and certain fiscal-budgetary measures, amending and supplementing specific legal acts and prorogation of terms, for the 2018 financial year.

According to article 43, "Economic operators whose capital is fully or majority state owned and applying the provisions of Government Ordinance No. 26/2013 on reinforcement of financial discipline of economic operators where the state or the territorial-administrative units are sole or majority shareholders or own, directly or indirectly, a majority ownership, as supplemented and approved by Law No. 47/2014, with subsequent amendments and additions, shall **distribute and**

pay according to the law, no later than 60 days after the approval of the 2018 financial statements, as dividends or payments to the state budget, in the case of autonomous administrations, **35% of the amounts allocated to other reserves**, under Article 1, paragraph (1), letter g) of the Government Ordinance No. 64/2001 on profit distribution of national companies and companies fully or majority state-owned, as well as autonomous administrations, approved by Law No. 769/2001, with subsequent amendments and additions, **found in the cash balances and bank accounts, as well as those related to short-term investments on December 31, 2018** and which, at the same date, are not committed, through procurement contracts, to be used as own sources of funding”.

For the implementation of Article 43 of GEO No. 114/2018, by Resolution No. 3 from April 25, 2019 of the Ordinary General Meeting of Shareholders (“OGMS”) it was approved the distribution of RON 362,297,056 as dividends representing 35% of the reserves existing on December 31, 2018, constituted under Article 1, paragraph (1), letter g) of Government Ordinance No. 64/2001 as amended.

As opposed to the Company’s understanding, ANAF considers that Article 43 of GEO No. 114/2018 also applies to the reserves which did not exist on December 31, 2018 and which were established in 2019, following OGMS Resolution No. 3 from April 25, 2019.

Therefore, the Economic-Financial Inspection Report Nr. SB 4/January 31, 2020, (“Inspection Report”) and the Mandatory Provision No. SB 4/January 31, 2020, (“Provision No. 4”) were issued. Based on them, ANAF decided that Romgaz must pay to the state budget the amount of RON 24,284,077 representing dividends due from the redistribution of 35% of RON 106,264,550.88 allocated to other reserves in 2019 by OGMS Resolution No. 3/April 25, 2020. In addition, ANAF calculated interests and delayed payment penalties of RON 1,580,893 for the period between June 25, 2019 – January 27, 2020. Romgaz must update these accessories until the actual payment of dividends. It also decided to inform the Ministry of Energy, Economy and Business Environment regarding the additional dividends to which it would be entitled.

The deadline to carry out these measures was March 18, 2020.

Romgaz informed its shareholders and stakeholders about the conclusions of the economic-financial inspection by means of the current Report No. 6855/February 18, 2020 (“Current Report”) submitted to Bucharest Stock Exchange and published on the company’s website.

As previously mentioned in the current Report above, the Company took action against the Inspection Report and Decision No. 4. The Company filed a prior complaint to the General Regional Direction of Public Finance Brasov and filed a complaint to the Court of Appeal Alba Iulia.

Following the prior complaint, the Department for the Settlement of Prior Complaints and Appeals of the Ministry of Public Finance, decided to dissolve the measure regarding the calculation of interests and delayed payment penalties and to replace them with default interests; the remaining measures were maintained.

Following this decision, ANAF issued Decision no. SB 10/June 10, 2020 (Decision no. 10) by which the accessories for the period between June 26, 2019 and January 27, 2020

have been reduced to RON 938,430. In accordance with Decision no. 10, the deadline to fulfil the payment and accessories was July 23, 2020.

Romgaz has not fulfilled the above mentioned measures, except for the notification of the Ministry of Economy, Energy and Business Environment, other shareholders and stakeholders on the conclusions of economic financial inspection through the Current Report.

Romgaz does not agree with the measures disposed by the two Decisions for the reasons indicated below which were presented in the complaints filed at ANAF and Court of Appeal:

a) In accordance with Article 43 of GEO no. 114/2018, the obligation of dividends distribution and payment is provided to be made within 60 days from the date of the approval of the 2018 financial statements, respectively 60 days after the approval of 2018 profit distribution by the shareholders. In this respect, from the Company's point of view, the legislator indicates the date of approval of the financial statements as the moment from which the deadline for paying the dividends begins and does not mention that the amounts allocated to other reserves following the resolution no. 3/2019 of the EGMS based on the 2018 financial statements fall within these provisions.

We understand that the allocation to reserves should had already been made on the date when the 2018 financial statements were approved. The allocation to other reserves, as any other economic operation, must be recorded in the appropriate account, "Other reserves", respectively. Any amount distributed from profit must be approved by shareholders and included in the company's balance sheet in accordance with the accounting regulations.

b) The Company cannot make dividend payments without shareholders' approval; the distribution of dividends is the exclusive right of shareholders.

c) The Company cannot make payments solely to the majority shareholder represented by the Ministry of Economy, Energy and Business Environment taking into account that every shareholder has equal rights, but by paying the amounts disposed by the two Decisions the majority shareholder would have an advantage.

d) Taking into account the ongoing legal case, if the Company wins this case, the amounts payed to shareholders as dividends based on the control bodies' misinterpretation of Article 43 of the GEO no 114/2018 would be considered amounts payed beyond the Company's dividend policy.

Current Status

On September 15, 2020, ANAF issued the Report no. SB 22 to monitor the fulfilment of measures disposed by the two mandatory Decisions.

By the Report no SB 22/September 15, 2020, the economic - financial inspection team disposed that the General Meeting of Shareholders must monitor the fulfilment of measures mentioned above and inform the economic financial inspection body on the fulfilment in their entirety. The responsibility to inform the Company's General Meeting of Shareholders rests upon the Company's CEO and Board of Directors.

Considering those stated in section „Short history”, the executive and administrative management of the Company maintain their point of view as regards the non-payment of amounts established by the economic –financial inspection until the settlement of the ongoing dispute.

Proposals

Taking into account:

- The information presented above regarding the economic-financial inspection referring to the implementation of provisions of Article 43 of the GEO no. 114/2018

we hereby submit for the approval of the Ordinary General Meeting of Shareholders the following proposal of resolution:

- ***The Ordinary General Meeting of Shareholders takes note of the information note on the economic-financial inspection referring to the implementation of provisions of Article 43 of GEO no. 114/2018.***

**For Economic Director
Marius Veza**

**Legal Office
Ioana Vleju**