

Translation from the Romanian language into the English language

**ECONOMIC DEPARTMENT****Accounting Division****Registration No. 8582/March 15, 2021****TO THE GENERAL MEETING OF SHAREHOLDERS OF SNGN ROMGAZ SA MEDIAS****Note on the economic-financial inspection carried out by ANAF at SNGN ROMGAZ SA**

We hereby inform you that during the period between December 22, 2017 and November 25, 2020, S.N.G.N. ROMGAZ S.A. was under economic-financial inspection carried out by inspectors from ANAF Regional General Direction of Public Finance Brasov- Fiscal Inspection- Economic-Financial Inspection Office and following this inspection, on December 15, 2020, it received an economic financial inspection report no. SB 25/November 25, 2020 and Mandatory provision No. SB 20/November 25, 2020. The period under review was between January 1<sup>st</sup>, 2012 and September 30, 2017. The economic – financial inspection was carried out in accordance with the provisions of GEO No. 94/2011 on organization and functioning of the economic-financial inspection, amended and supplemented by Law. 107/2012, the methodological norms for the establishment, organization and functioning of the economic-financial inspection, approved by Government Decision No. 101/2012.

The objectives of the economic financial inspection were to review the following:

- substantiation and performance of the income and expenditure budget;
- Compliance with the budgetary, economic-financial and accounting discipline;
- Compliance with the legal provisions on goods in the public and private sector of the state and the administrative-territorial units;
- set up, declaration and payment of dividends;
- organization and exercising the mandatory forms of internal/management control;

By note no. 440/January 7, 2021, the executive management of SNGN Romgaz SA informed the Board of Directors on the aspects found in the administrative documents mentioned above; the Board of Directors took note of this information pursuant to article 10 of the Board of Directors Resolution No. 6/January 29, 2021.

The economic-financial inspection body disposed that **Measure no.1** of the Mandatory Provision No. SB 20/November 25, 2020 to be brought to the attention of the General Meeting of Shareholders. This measure shall be described as follows:

**1. The shortcomings found:**

a) **The actual reason:** *shortcomings related to the approval, substantiation and performance of the income and expenditure budget for the years 2013, 2014, 2016 and 2017 were found, by means of:*

- i. *The income and expenditure draft budgets for the period between 2012 and 2017 have been late submitted for the approval of the central public administrative bodies and the General Meeting of Shareholders, respectively, therefore the provisions of Article 28, paragraph (1) of Law No. 329/2009, as subsequently amended and supplemented and Article 6, paragraph (1) and paragraph (1<sup>A</sup>) of GD No. 26/2013 as subsequently amended and supplemented have been infringed. The deed constitutes a contravention pursuant to article 13, paragraph (1) letter a) of GD no 26/2013 as subsequently amended and supplemented and it will be subject to a fee between RON 2,000 and RON 10,000 provided in Article 13 paragraph (2) in the same normative act; the company was sanctioned with a written warning;*
- ii. *At the substantiation of the income and expenditure budget for 2016, the company did not comply with the provisions of article 54 of Law no 339/2015 of State budget for 2016 corroborated with Article 7 of GD no 26/2013, as subsequently amended and supplemented, the expenditure with salaries were planned with an increase of RON 13,185 thousand compared to the level approved by rectified IEB 2015, out of which only the amount of RON 1,407 is related to an average number of new hired personnel of 19 persons.*
- iii. *In 2013 and 2016 the economic operator exceeded, during execution, the level approved of the indicator “the employee’s average monthly earnings determined on the basis of salary related expenditures”.*
- iv. *In the performance of 2016 IEB the provisions of Article 10, paragraph (1) letter b) of GD no 26/2013, as subsequently amended and supplemented, were not complied with, meaning that the achieved level of the total expenditures exceeded the level of achievement of the total incomes. Differences of financial nature of RON 18,307 thousand representing the total expenditures made over the level of achievement of total incomes were established. Non-compliance with the provisions of Article 10, paragraph (1) constitutes contravention pursuant to Article 13, paragraph (1), letter e) of GD no. 26/2013, as subsequently amended and supplemented, and it will be subject to a fee between RON 2,000 and RON 10,000 provided in Article 13 paragraph (2) in the same normative act; the company was sanctioned with a written warning;*
- v. *In 2016 and on September 30, 2019, in the performance of IEB, the company did not fall within the planned level of outstanding receivables.*

**b) Measure no. 1:**

*The shortcomings found in the economic-financial inspection Report referring to the substantiation, approval and performance of Income and Expenditure*

*Budget for the reviewed period will be brought to the attention of the Board of Directors and General Meeting of Shareholders in order to dispose measures to remedy and avoid shortcomings in the future. The solution agreed by the Board of Directors will be communicated to the economic-financial inspection body.*

*The person responsible for fulfilling these measures: Mr. Volintiru Adrian as Chief Executive Officer.*

*Deadline for implementation: 30 days from the date of which such mandatory provisions measures are acknowledged.*

### **Actions undertaken in relation to Measure no. 1**

Following the notification of the Board of Directors on updating the measures undertaken by the executive management, by Resolution No. 16/February 24, 2021, article 5 of the Board of Directors, the executive management was requested to extend the internal control for the period that was not reviewed by the control body and to dispose measures to eliminate the causes and recover the identified amounts.

As regards this measure, the executive management of SNGN Romgaz SA carried out steps to remedy and avoid shortcomings of this kind in the future. The executive management analysed the shortcomings found and identified the aspects resolved during the economic –financial inspection; for the aspects unsolved from the date of finalising the control until the present day, the executive management ordered an internal verification.

If aspects similar with those identified in the economic financial inspection will be identified following such internal control, measures to eliminate the causes generating noncompliance with the legal provisions and recovery of the identified amount will be taken.

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Aristotel Marius JUDE

Economic Director  
Razvan POPESCU

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