

No. 40.477/October 24, 2022

To,

THE GENERAL MEETING OF SHAREHOLDERS**REQUEST****for approval of the natural gas sale-purchase contract No. VG55/2022 concluded with S Electrocentrale București S.A.**

Societatea Electrocentrale București SA (ELCEN) is heat and hot water producer, on one hand the company ensures consumption for Bucharest and for the economic agents connected to the centralised heating and hot water system of Bucharest and, on the other hand the company is electricity producer, the plant operates in cogeneration.

Bucharest Court of Appeal – VIth Civil Section, finds by judgement no.1239/2017 (case file 35304/3/2016) the applicability of art. 77¹ of Law No.85/2014² regarding SNGN Romgaz (*Romgaz*), namely the status as captive consumer of the debtor ELCEN.

¹ „Art.77. (1) Any supplier of services – electricity, natural gas, water, telephone or similar – during the observation and reorganization period, is not entitled to change, refuse or temporarily interrupt such services towards a debtor or such debtor’s property provided such debtor has the status of captive consumer according to the law.

(2) For services supplied pursuant to paragraph (1), the debtor has the obligation to pay the equivalent value of such services being entitled to a 90 days payment deadline. In the event the contracts concluded by the debtor with the suppliers of services referred to in paragraph (1) provide for a payment deadline of less than 90 days, such deadline shall be amended accordingly upon opening of the insolvency procedure.

(3) Failure to comply with contractual obligations to provide utilities, in the event of maintaining the contract under the terms of this law, shall give rise to liability to cover damages to the debtor's assets and the application of a judicial fine between RON 10,000 and RON 30,000 for each breach of obligations, provided that the utility provider has been notified in advance of the opening of proceedings, according to Article 42 para.(3). Failure to remedy the breach of obligations or failure to resume the supply of utilities within maximum 10 calendar days from the notification received from the official receiver or liquidator shall in itself constitute a new breach and shall be sanctioned with a new fine.

(4) By exception from the provisions of paragraph (2), if the debtor fails to pay the debts related to services supplied incurred after the opening of the insolvency procedure within the deadline stipulated in paragraph (2), the utilities supplier is entitled to interrupt the supply of services.

(5) Services will be supplied after payment of debts incurred after the opening date of the insolvency procedure.”

² Law No.85 of June 25, 2014 on insolvency prevention policies and insolvency, as subsequently amended and supplemented.

Therefore, “compels the defendant [SNGN Romgaz SA] *not to change, not to interrupt or to temporary refuse natural gas supply to debtor ELCEN*”.

Since ELCEN became insolvent and acquired the status of captive consumer of Romgaz, commercial relations between Romgaz and ELCEN as regards natural gas deliveries, were performed subject to Natural Gas Sales Contract no.8/2016 and the addenda thereto, to Natural Gas Sales Contract no. 9/2016 and the addenda thereto, as well as to Contract VG35/2020.

Between October 1, 2021 – October 1, 2022, gas deliveries to ELCEN were performed under Addendum no.14/2021 to Natural Gas Sales Contract no.8/2016.

In order to apply GEO No.27/2022³, TSO (SNTGN Transgaz SA) allocated as obligation to sell to household suppliers, to suppliers of heat producers and directly to heat producers, including ELCEN, the ENTIRE natural gas quantity available at Romgaz for the period May 1, 2022 – March 31, 2023.

The allocation made by the TSO of gas quantities representing a sales obligation of producers, was made for the two periods provided in GEO no.27/2022: the first period (April 1 – October 31, 2022) and the second period (November 1, 2022 – March 31, 2023).

At ELCEN request, Natural Gas Sales Contract No. PET15/2022 was signed in April 2022 only for deliveries for the period May 1- October 31, 2022, following that deliveries for the period November 1, 2022 – March 31, 2023 will be made either under an addendum to Contract No.PET15/2022 or under a new contract. The contract for the period November 1, 2022 – March 31, 2023 is currently negotiated.

Given the fact that for October 2022, there is no sale-purchase contract between Romgaz and ELCEN to cover the consumption needs for October, combined with the lack of available quantities of natural gas from current internal production and the fact that ELCEN has quantities of natural gas in storages, the parties agreed that ELCEN's consumption needs for October 2022 will be covered from the quantities it has in storages and Romgaz will sell the quantity of 437000 MWh in November 2022 under a sale-purchase contract for natural gas with delivery from storage.

Whereas:

- ☞ Provisions of Art.52 para.(1) of GEO No. 109/2011⁴, namely: “*The Board of Directors [...] calls the general meeting of shareholders to approve any transaction if its value, individually or in a series of transactions, is higher than 10% of the net assets value [...] or exceeds 10% from the revenue ... with the shareholders who control or with a company controlled by them*”;
- ☞ Art. 77 together with the provisions of art.5 para (1) item 10 of Law 85/2014;
- ☞ Final Resolution No.1239, **July 14, 2017**, issued by Bucharest Court of Appeal – VIth Civil Section for File No. 35304/2016, which:
 - “*acknowledges the applicability of Art.77 para 1 of Law No.85/2014 for Societatea Nationala de Gaze Naturale Romgaz SA Medias and the status of captive consumer of debtor Elcen and therefore,*
 - “*compels the defendant Romgaz not to change, interrupt or temporary refuse natural gas deliveries to the debtor*”;
- ☞ the above mentioned information on the necessity to conclude a natural gas sales-purchase contract so that gas supplies remain uninterrupted;

³ Government Emergency Ordinance No.27 of March 18, 2022 on measures applicable to end users of the electricity and gas market during April 1, 2022 – March 31, 2023, as well as for amending and supplementing pieces of legislation in the energy sector.

⁴ GEO No.109 of November 30, 2011 on corporate governance of public enterprises, as subsequently amended and supplemented.

👉 the estimated contract value of RON 332,299,170 VAT exclusive, together with the value of other transactions concluded, exceeds 10% of Romgaz revenue (individual), according to audited financial statements for 2021,

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

the Ordinary General Meeting of Shareholders approves the Natural Gas Sales-Purchase Contract No. VG55/2022 concluded between SNGN Romgaz SA and Societatea Electrocentrale București SA.

CHAIRMAN OF THE BOARD OF DIRECTORS,

Dan Dragoș DRĂGAN

CHIEF EXECUTIVE OFFICER,

Răzvan POPESCU

CHIEF FINANCIAL OFFICER,

Andrei BOBAR

Energy Trading Department Director,

Radu Costică MOLDOVAN