

No. 30852/September 20, 2021

To,

THE GENERAL MEETING OF SHAREHOLDERS

REPORT

on the proposal to ratify/approve the Addendum No. 14/2021 to the Gas Sales Contract No. 8/2016 concluded with Electrocentrale București S.A.

A. Background

Beginning with **July 2016** the commercial relationship between SNGN Romgaz SA (Romgaz) and Electrocentrale București SA (ELCEN) with respect to natural gas deliveries, was carried out on the basis of Gas Sales Contract No. 8/2016 and the addenda thereto – for natural gas intended for non-household customers, of Gas Sales Contract No. 9/2016 and the addenda thereto – for natural gas used for heat generation in cogeneration plants and thermal power plants intended for population consumption as well as on the basis of Contract No.VG35/2020 for gas that has the same destination as that of Contract No. 9/2016, the latter not being extended through addenda.

Taking into account the following:

- Contract No. 8/2016, as amended and supplemented by Addenda No. 1 – No. 13 the last one being concluded for the period October 1, 2020 – October 1, 2021;
- Contract No. 9/2016, as amended and supplemented by Addenda No. 1 – No. 15, the last one being valid until March 31, 2020;
- Contract No.VG35/2020 concluded for the period between July 2020 – September 2021;
- Court Resolution issued on **October 6, 2016** by Bucharest Court - VIIth Civil Section, in File No. 35.304/2016, pursuant to Art. 71 paragraph 1 of Law No. 85/2014¹, which rules filing of the general insolvency procedure for debtor SC Electrocentrale București SA;
- Provisions of Art. 77², together with the provisions of Art. 5 paragraph (1) item 10 of Law No. 85/2014;

¹ Law No.85 of June 25, 2014 on procedures to prevent insolvency and insolvency as subsequently amended and supplemented.

² “Art.77

- Final Resolution No. 1.239 of **July 14, 2017** issued by Bucharest Court of Appeal – VIth Civil Section in File No. 35.304/2016, by which the court:
 - “*acknowledges the applicability of Art.77 paragraph 1 of Law No. 85/2014 to Societatea Nationala de Gaze Naturale Romgaz S.A. Medias and the status of captive consumer of debtor Elcen*” and consequently,
 - “*compels the defendant Romgaz not to change, interrupt or temporarily refuse supply of natural gas to the debtor*”;
- In Romgaz and ELCEN contractual relationship, beginning with the date of filing the general insolvency procedure against ELCEN, provisions of Art. 77 paragraph (1) of Law No. 85/2014 apply and, as a consequence, during the observation and ELCEN reorganization period, **Romgaz has the obligation not to change, refuse or temporarily interrupt supply of gas to ELCEN.**

Subject to this obligation that compels Romgaz not to change, refuse or temporarily interrupt supply of gas to ELCEN during the observation and reorganization period, Romgaz and ELCEN contractual relation was extended by means of successive addenda and, beginning with 2020, Contract No. 9/2016 was replaced with Contract No.VG35/2020, by which natural gas quantities and prices were agreed,

in June 2021, ELCEN sent Romgaz the request for offer No.18.477/June 16, 2021 (attached hereto) proposing “*extension of the validity period of the two sale-purchase contracts (No. 8/2016 and No. VG35/2020) to September 30, 2022 (namely for the duration of 2021-2022 gas year) by means of concluding the appropriate addenda*”.

B. Request for offer and the offer for 2021-2022 gas year

ELCEN proposes in the request for offer No. 18477 of June 16, 2021 „*to extend the validity term of the two gas sale-purchase contracts (no.8/2016 and no. VG35/2020) until 30.09.2022 (i.e. during 2021-2022 gas year) by concluding appropriate addenda*”, informing us on the necessary gas quantities.

The request was made „*in order to continue heat supply public services for Bucharest population, taking into account that heat is produced in cogeneration and as regards the Buyer, SNGN Romgaz SA Medias continues to be bound by Art. 77, paragraph 1 of Law no.85/2014, Electrocentrale SA being under reorganisation*”

The request for offer was sent by complying with the provisions of effective contracts, namely “*by minimum 90 days before expiration of the delivery period provided in the contract*”.

On July 21, 2021, in accordance with the Trading Polices as approved by the Board of Directors, Romgaz substantiated the following gas delivery offer to ELCEN Bucuresti.

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- (1) Any supplier of services – electricity, natural gas [...] – 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) [...].
 - (4) By exception from the provisions of paragraph (2), if the debtor fails to pay the debts related to supplied services 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) The supply of service shall be resumed after payment of debts incurred after the opening of the insolvency procedure. [...]

Between August 4, 2021 – September 16, 2021, representatives of the two parties negotiated gas deliveries for 2021-2022 gas year, finalised by concluding the Addendum No. 14 to the Natural Gas Sales Contract No.8/2016.

C. Proposals

Whereas:

- 👉 the above stated information related to Addendum No.14/2021 to the Natural Gas Sales Contract No.8/2016 concluded with Electrocentrale Bucuresti SA;
- 👉 since filing for insolvency until today, Societatea Electrocentrale Bucuresti SA has no outstanding debts for the gas quantities delivered by SNGN Romgaz SA;
- 👉 Addendum No. 14/2021 has an estimated value of RON 1,766,914,397.10, VAT exclusive, representing 45.01% of Romgaz revenue (individual), according to 2020 audited financial statements;
- 👉 Article 52, para (1) of GEO No.109/2011, as subsequently amended and supplemented;
- 👉 Article 77 together with Article 5 para (1) item 10 of Law No.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*”,

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

the Ordinary General Meeting of Shareholders ratifies/approves Addendum No.14/2021 to the Natural Gas Sales Contract No.8/2016 concluded with Societatea Electrocentrale Bucuresti SA.

CHIEF EXECUTIVE OFFICER

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