

ROMGAZ



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

No. 4293/10.02.2014

To,

**GENERAL MEETING OF SHAREHOLDERS
of S.N.G.N. „ROMGAZ” – S.A.**

Ref: „CHEAP Tarnita - Lapustesti” Project

Whereas:

- a decision has to be made related to preliminary approval of an Agreement in Principle for performing the „CHEAP Tarnita - Lapustesti” Project, and
- the review of documents and substantiations provided by the Executive Management of „ROMGAZ” – S.A. related to the above mentioned Project, and
- the strategic impact on company development of the above mentioned Project,

following the internal review, the Board of Directors of „ROMGAZ” – S.A. decided, during the meeting held on February 10, 2014, the following:

- a) Approves the participation of S.N.G.N. „ROMGAZ” – S.A. in „CHEAP Tarnita - Lapustesti” Project, by increase of share capital of the Project Company, according to the below mentioned mechanism and conditions:
- „ROMGAZ” – S.A. participation in the Project will be performed in a staged approach; the payment of the shares representing an increase of share capital will be made as the stages of the project are performed;
 - „ROMGAZ” – S.A. will participate in the Project provided that the Project Company issues a project performance chart (providing at the end of each stage the deliverables which will be the basis for continuing the Project), and „ROMGAZ” – S.A. will provide the Project Company the required amounts (according to its interest share) for achievement of each stage.
 - if the Project Company considers the achievement of an update of the feasibility study, it will request and „ROMGAZ” – S.A. will pay in the account of the share capital of the Project Company, pro rata, the amount required for this stage. The

Capital social: 384.422.400 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



S.N.G.N. Romgaz S.A.
551130, Piața Constantin Motas, nr. 4,
Mediaș, jud. Sibiu - România
Telefon 004-0269-201020
Fax 004-0269-846901
E mail secretariat@romgaz.ro
www.romgaz.ro

- same mechanism is applicable to the next stages, such as project implementation activities (commercial, legal or fiscal consulting services).
- „ROMGAZ” – S.A. participation in this Project will be achieved according to the mechanism presented above, up to the amount provided by the Agreement in Principle; an internal review performed on the basis of the results achieved by the Project Company by that time will substantiate future investments of „ROMGAZ” – S.A. in this Project.
- b) Requires the Department for Energy, acting as major shareholder, to request the Project Company Hidro Tarnita S.A. as follow:
- The update of the Feasibility Study and completion of the study with a Market Study which should consider the legal framework in force, the market demand, offering a better view on the opportunity of investment.
 - The Market Study will be accompanied by a Business Model,
 - The Market Study will be accompanied also by and Action Plan that should include all relevant stages, from feasibility to execution, for which shareholders decision is mandatory; the Market Study and the Action Plan should add value, for medium and large term, to the shareholders of the Company;
- c) The Project Company share capital has to be achieved in a staged approach, according to the financing needs, after each relevant stage of the Action Plan is achieved, as it is not desirable to block important amounts of shareholders' equity;
- d) Authorizes the Director General to sign the Agreement in Principle for the „CHEAP Tarnita - Lapustesti” Project, under the above mentioned terms and conditions.

Whereas

1. Feasibility Study update is required, as the current version of the study provided to S.N.G.N. „ROMGAZ” – S.A. shows that the investment can be achieved on the basis of following indicators: Internal Rate of Return of 12.8%, the discount rate of 10%, the Net Present Value of 78.6 Million Euro, the benefit-cost ratio of 1.11, and the profitability index calculated as the ratio between Net Present Value and the Present (discounted) Value of the Investments of 6.6%;
2. Estimated term of investment recovery is 34 years;
3. The fees payable to the Romanian Waters Authority should be regulated, including by modification of the law in force, if required;
4. The review and possibly the modification of the legal and regulatory framework applicable to this objective is required, as well as the correlation of the renewable energy installed power, bearing in mind that this project is designed for reducing load peak curve;
5. The position of this operator on the Bilateral Contract Centralised market should be clarified, as the study shows that Tarnita Project aims at becoming active only on the following markets: on the balancing market by selling electric power; on the SPOT

- market by selling and buying electric power, as well as on the system technological services by selling secondary regulation and fast tertiary regulation (STS);
6. Bearing in mind that Iernut Power Plant Branch will activate on the same markets as above, part of the SPOT market, Balancing market and STS markets will be reduced, therefore continuous correlation of these markets with the markets that can be accessed by Iernut Power Plant Branch is required.

we submit for review and decision to the General Meeting of Shareholders of S.N.G.N. "ROMGAZ" – S.A the resolutions of the Board of Directors related to the participation of the company in the „ CHEAP Tarnita - Lapustesti" Project, under the legal and statutory provisions in force.

**Chairman of
the Board of Directors**

Aurora Negrut

