

To the Ministry of Economy, Energy and Business Environment  
To the attention of Mr. **Virgil Daniel POPESCU**  
Minister of Economy, Energy and Business Environment

To the attention of: **Mrs. Manuela Petronela STAN-OLTEANU**  
Chairperson of the Board of Directors

Registration no. 10404/17.03.2020

Dear Mr. Popescu,

Following the request of the Ministry of Economy, Energy and Business Environment („MEEMA”), as shareholder of SNGN ROMGAZ SA on behalf of the Romanian State, expressed in letter no. 2467/10.03.2020, to answer the questions addressed to Romgaz, we hereby communicate the following:

Question 1: in accordance with the accounting records as of December 31, 2019 the total costs incurred by Romgaz related to Svidnik Block located in the Slovak Republic amount to EUR 3,045,681.12, out of which the amount of EUR 62,700.00 represents the estimate of expenses for the period between May and December 2019 (not invoiced).

Question 2: Romgaz requested the Slovak Law Firm BDO, spol. s r.o. a price offer for the services of winding up the Bratislava Branch. In the offer it is mentioned that these costs will amount to EUR 130/hour but will not exceed EUR 1800 for the total of the services.

In addition to these costs there will be taxes related to removal from the Slovak Commerce Register, potential legal costs and translation costs.

In addition to these costs, Romgaz shall bear its share of the budget proposed by the Operator for the year 2020. For 2020, the Operator proposed a budget for the first four months only, amounting to EUR 68,000.00. Romgaz share amounts to EUR 22,664. This budget includes administrative expenses only.

Question 3: The fiscal impact related to the decision of withdrawal from the Block and decision of winding up the Bratislava Branch, respectively, has been assessed by SNGN ROMGAZ SA. **Therefore, the fiscal result of the Slovakia Branch will be entirely ignored as regards the taxation in Romanian, therefore the potential fiscal losses may be used by the Branch only in Slovakia, in accordance with the local legislation.**

In principle, the Justice Court of the European Union accepted these losses as deductible losses in the jurisdiction where they have been transferred, justifying that as soon as the permanent headquarters will be closed, these fiscal costs shall become definitive and can no longer be deducted in the country where they have been recorded (country where the permanent headquarter who registered them is located).

In this case, even if the losses are transferred to the main headquarter upon winding up the permanent headquarter, there will be no double deduction at the company level.



Considering the fact that the Fiscal Code does not expressly specify that the national authorities should take into account the decisions of Justice Court of the European Union as regards the income tax (in the field of VAT this fact is covered by Article 11, paragraph (11) of the Fiscal Code: "in the field of Value Added Tax and Excise, tax authorities and other national authorities shall take into account the jurisdiction of the European Union Justice Court"), **we consider that in the event of a potential tax inspections, the deduction of fiscal losses recorded by the Slovakian Branch could be rejected by the tax inspectors, such being a practice observed from our experience.**

Nevertheless, in the case of a potential dispute in court on this matter, the judges will have to take into account the decisions of the European Union Justice Court, mentioned above, fact that could bring arguments for a possible deduction of the losses transferred from the Slovakian Branch following its winding up.

Question 4: As mentioned in MEEMA letter No 2467/10.03.2020, Romgaz has prepared the Report no 5845/18.02.2020 submitted to EGMS to approve the withdrawal from Svidnik Block located in the Slovak Republic.

Previously, for the Board of Directors to endorse Romgaz withdrawal from the mentioned Block, the Report no 3948/31.01.2020 (with similar content Report no. 5845/18.02.2020) has been prepared and submitted to the Board of Directors, including explanations related to implications, including legal implications, of the withdrawal from the Block. It must be mentioned that the Report has been approved by the Chief Executive Officer of the company.

Subsequently, by Resolution no 4/13.02/2020 of the Board of Directors, the withdrawal from Svidnik Block has been endorsed and the EGMS has been convened in order to approve the withdrawal.

Therefore, it can be concluded that, both the executive management of Romgaz and the administrative bodies assessed the implications of the withdrawal from the Svidnik Block.

In the event all parties of the Joint Operating Agreement agree to notify their withdrawal, all the amounts recorded in Romgaz accounting records as of this date represent costs to which all other cost provided in the concluded Agreement/ Slovakian applicable law will be added upon incurrence.

Please find attached the Extract from the Board of Directors' Resolution No. 4/13.02.2020 on the company's withdrawal from Svidnik Block.

Yours sincerely,

Constantin Adrian VOLINTIRU  
Chief Executive Officer of SNGN/ROMGAZ SA





**EXCERPT**

**RESOLUTION No.4/2020**

**of Societatea Nationala de Gaze Naturale "ROMGAZ" S.A. Medias Board of Directors,  
made in the meeting on February 13, 2020**

The Board of Directors of Societatea Nationala de Gaze Naturale "ROMGAZ" S.A. convened in the meeting on February 13, 2020, 10:00 am, at SNGN Romgaz SA Bucharest office, district 1, Grigore Alexandrescu street no. 59, 5<sup>th</sup> floor, adopts the following:

**RESOLUTION:**

**Article 9**

The Board of Directors endorses Romgaz withdrawal from Svidnik concession block located in the Republic of Slovakia and calls for the Extraordinary General Meeting of Shareholders to approve Romgaz withdrawal from Svidnik concession block located in the Republic of Slovakia.

**SECRETARY OF THE BOARD OF DIRECTORS  
BRANESCU OCTAVIA-CRISTINA**

