

NEW SYSTEM FOR DISTRIBUTION OF COMPANIES' DIVIDENDS IN ROMANIA

As of 15 July 2018, Romanian companies are allowed to distribute dividends to shareholders either quarterly or annually. The new system regarding quarterly distribution of dividends was implemented by Law no. 163/2018 amending and supplementing Accounting Law no. 82/1991, the Companies Law no. 31/1990 as well as Law no.1/2005 on incorporation and operation of cooperative companies ("Law no. 163/2018"), published in the Romanian Official Gazette no. 595 dated 12 July 2018.

Before proceeding with the quarterly payment of dividends, **companies should verify their articles of association as such may state that dividends are to be paid only annually.**

In case shareholders opt for the quarterly distribution of dividends, the companies will have to prepare *interim financial statements* based on which the quarterly dividends will be paid to shareholders:

- (i) pro rata with their participation at the share capital of the respective company and
- (ii) within the deadline established through the general meeting of shareholders or through special laws.

Importantly, the interim financial statements must be: (i) *audited* by auditors, in case the company is required under the law to do so or has opted to audit its financial statements, or (ii) *verified by censors*, in the cases provided by law.

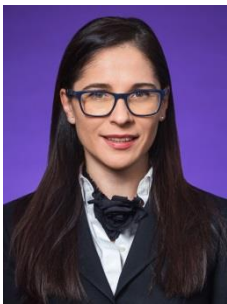
The amounts paid as dividends during the financial year will be adjusted through the annual financial statements. The adjustment may encapsulate a payment obligation either: (i) by the company towards its shareholders or (ii) by the shareholders towards the company. Such adjustment will have to be settled within 60 days from the approval of the annual financial statements. Failure to pay the adjustment will lead to the accrual of legal interest.

The receipt or payment of dividends from fictitious profits or which could have not been paid based on the interim financial statements or the annual financial statements shall be sanctioned by imprisonment of one (1) to five (5) years.

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