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ENDORSED

Dan Dragos DRAGAN

Chairman of the Board of Directors

To: THE ORDINARY GENERAL MEETING OF SHAREHOLDERS OF S.N.G.N. ROMGAZ S.A.

REPORT

on Approval of Distribution of

2021 Financial Year Net Profit and of other Amounts from Retained Earnings

We present the legal provisions in connection with the distribution of net profit, and our proposal to distribute the net profit of 2021 financial year and of other amounts of the retained earnings, for the approval of the General Meeting of Shareholders.

1. Legal provisions that were taken into consideration:

- *Government Ordinance No. 64/2001 on profit distribution as regards national companies and companies with full or majority state-owned capital, as well as autonomous regies, as subsequently amended and supplemented;*
- *Law No. 31/1990 on companies, as subsequently amended and supplemented;*
- *Law No. 227/2015 on the Fiscal Code, as subsequently amended and supplemented;*
- *Order of the Ministry of Public Finances No. 2844/2016 on approving the Accounting Regulations compliant with International Financial Reporting Standards.*
- *Government Emergency Ordinance No. 3 of January 26, 2022 to amend and supplement the Government Emergency Ordinance No.118/2021 on establishing a compensation scheme for the consumption of electric power and natural gas for the 2021-2022 cold season, and to supplement the Government Ordinance No. 27/1996 on providing incentives to persons domiciled or working in certain localities within the Apuseni Mountains and the "Danube Delta" Biosphere Reserve.*
- *Government Decision no. 405/2022 on approving the distribution to the state budget for 2021 financial year, in form of dividends, of a 50% share of Societatea Nationala de Gaze Naturale ROMGAZ S.A. accounting profit, after income tax.*

2. Proposal to distribute the net profit of 2021 financial year and of other amounts from the retained earnings

A. The 2021 net profit (after income tax)

According to the individual financial statements, **the 2021 net profit** (after income tax) is **RON 1,962,509,236.92**.

The profit distribution proposal has been made considering the provisions of GO No. 64/2001 on *profit distribution as regards national companies and companies with full or majority state-owned capital and autonomous regies, as subsequently amended and supplemented*, and of EGO no. 3 Art. IV, par. 1, and of HD no. 405/2022, art.1.

According to GO no. 64/2001 Article 1, par. 1, letter f) the accounting profit after income tax shall be distributed "*minimum 50% ... dividends, in case of national companies and companies with full or majority state-owned capital*".

By way of derogation from the provisions indicated above, according to the provisions of GEO No. 3/2022, Article IV, par. (1), for the 2021 financial year "*as regards companies with full or majority state-owned capital and autonomous regies established by the state, the distribution of accounting profit after income tax shall be at least 90% as payments to the state budget, in case of autonomous regies, or as dividends, in case of companies with full or majority state-owned capital, under the terms of law.*"

However, in accordance with the provision of GEO no. 3/2022, Article IV, par.2) "*in duly justified cases, the Government may approve by decision the allocation to the state budget, as payments to the state budget in case of autonomous regies, or as dividends in case of companies with full or majority state-owned capital of a share less than 90% of the accounting profit after income tax, but not less than 50% thereof*".

SNGN Romgaz S.A. submitted to the Ministry of Energy a request for the approval of distributing as dividends a 50% share of the 2021 accounting profit after income tax. **In this respect, Government Decision no. 405/2022 was issued**, which approves the "distribution to the state budget, for 2021 financial year, as dividends, of a 50% share of Societatea Nationala de Gaze Naturale ROMGAZ S.A. accounting profit, after income tax.

Therefore, the percentage considered for the 2021 profit distribution to the state budget as dividends is 50%, in accordance with Article 1 of GD no. 405/2022.

Based on this provision, dividend value owed to the state budget representing 50% from the profit to be distributed was calculated, and dividend/share (rounded to two decimal places) was determined.

According to Law no. 24/2017 on Issuers of Financial Instruments and Market Operations, Article 48, par. (2) provides that "*the issuer of shares admitted for trading on a regulated market ensures equal treatment for all holders of shares of same type and class/which are in an identical situation.*"

According to Law no. 31/1990 on companies, Article 94 par. (1) "*the shares shall be of equal value; they confer to the owners equal rights*".

As such, in order to ensure equal treatment for all shareholders, the resulted dividend/share for the state budget was used for the dividend calculation for the other shareholders.

Therefore, the table below presents the proposal regarding the profit distribution:

I	Indicators	YEAR 2021 Value (RON)
0	1	2
A	Gross result of the financial year	2,201,960,854.70
B	Current income tax	228,911,106.00
B.1	Specific activities tax	21,821.00
C	Revenue from deferred income tax	15,111,593.36
C.1	Deferred income tax	25,630,284.14
D	Net result of the financial year [A-B-B1+C-C.1], (accounting profit after income tax), including:	1,962,509,236.92
a)	Legal reserves	0.00
b)	Other reserves representing fiscal facilities provided by law (Law No.227/2015-Article 22)	50,005,022.74
c)	Coverage of losses in retained earnings from previous years accounting errors (in accordance with Article1, paragraph(1),c) of GO No.64/2001)	
c1)	Set up of own financing sources for co-financed projects from external loans (in accordance with Article 1, paragraph(1), c^1 of GO No.64/2001)	
d)	Other distributions as provided by special laws	
E	Remaining net profit to be distributed (D-a-b-c-c1-d)	1,912,504,214.18
e)	Employees' participation to profit (in accordance with Article1, paragraph(1) ,e) of GO No.64/2001)	35,777,113.00
f)	Dividends due to shareholders (approx. 71.61% of net profit to be distributed (E + e))	1,395,229,088.00
	f1) - dividends for the state budget (50.13%)	976,759,549.60
	f2) - dividends for other shareholders (21.48%)	418,469,538.40
	- dividend/share (RON/share)	3.62
g)	Profit for setting up own financing sources (E-f)	517,275,126.18
*	TOTAL DISTRIBUTIONS (b+f+g)	1,962,509,236.92

Considering the information presented above, we provide several details, as follows:

- RON 50,005,022.74 were allocated to reserves in accordance with Article 22 of Law No. 227/2015 on the Fiscal Code, and represent the profit invested in technological equipment - machinery, work equipment and facilities, electronic computers and peripheral equipment, cash, control and billing devices, computer programs, manufactured and/or purchased. According to this article, the profit amount that benefitted from the income tax exemption, less the amount related to the legal reserve, is distributed at the end of the financial year, prevalently for establishing reserves;
- Employees' participation to profit was established within the limit of the average monthly basic salary per employee for 2021, as follows:
 - Average number of personnel: 5,340 employees;
 - Average monthly basic salary in 2021: RON 6,699.83 /pers./month;
 - Employees' participation fund to profit: **RON 35,777,113**

- Dividends due to the state budget were determined as 50% of the profit to be distributed (E+e); such amount was divided by the number of shares owned by the State (269,823,080 shares) resulting in the dividend/share value amounting to 3.62 RON/share, by rounding to two decimal places; the resulting amount due to the state budget as dividends amounts to RON 976,759,549.60 (50.13% of (E+e));
- Dividends due to other shareholders were determined by multiplying the dividend/share value amounting to RON 3.62 by the number of shares owned by other shareholders (115,599,320 shares) resulting in a total due amounting to RON 418,469,538.40 (21.48% of (E+e));
- Profit for setting-up own financing sources amounts to RON 517,275,126.18 (approx. 27% of E);
- The resulting dividend per share (rounded to two decimal places) is **RON 3.62/share**.

B. Retained earnings

Determination of due dividends from retained earnings was made in a similar way as in paragraph A.

The retained earnings amounting RON 92,327,643.88, representing the value of fixed asset depreciation and fixed assets and investment projects abandoned during the reporting year financed from the “*expenditure quota required for development and modernization of natural gas production*” source, in accordance with GD No. 168/1998, as subsequently amended and supplemented, are distributed as follows:

- **the amount of RON 69,376,032.00 as dividends** (RON 48,568,154.4 to the state budget (52.6%) and RON 20,807,877.6 (22.54%) to other shareholders, representing approximately 75.14% of the total value, with a value of **RON 0.18** dividend/share;
- the amount of **RON 22,951,611.88 for own financing sources** (24.86%).

3. Our requests for approval

Taking into account the above, we hereby submit the following for the approval of the Ordinary General Meeting of Shareholders:

A. 2021 net profit distribution in accordance with the following proposal:

I	Indicators	YEAR 2021 Value (RON)
0	1	2
A	Gross result of the financial year	2,201,960,854.70
B	Current income tax	228,911,106.00
B.1	Specific activities tax	21,821.00
C	Revenue from deferred income tax	15,111,593.36
C.1	Deferred income tax	25,630,284.14
D	Net result of the financial year [A-B-B1+C-C.1], (accounting profit after income tax), including:	1,962,509,236.92
a)	Legal reserves	0.00
b)	Other reserves representing fiscal facilities provided by law (Law No.227/2015-Article 22)	50,005,022.74

I	Indicators	YEAR 2021 Value (RON)
c)	Coverage of losses in retained earnings from previous years accounting errors (in accordance with Article1, paragraph(1),c) of GO No.64/2001)	
c1)	Set up of own financing sources for co-financed projects from external loans (in accordance with Article 1, paragraph(1), c^1 of GO No.64/2001)	
d)	Other distributions as provided by special laws	
E	Remaining net profit to be distributed (D-a-b-c-c1-d)	1,912,504,214.18
e)	Employees' participation to profit (in accordance with Article1, paragraph(1) ,e) of GO No.64/2001)	35,777,113.00
f)	Dividends due to shareholders (approx. 71.61% of net profit to be distributed (E + e))	1,395,229,088.00
	f1) - dividends for the state budget (50.13%)	976,759,549.60
	f2) - dividends for other shareholders (21.48%)	418,469,538.40
	- dividend/share (RON/share)	3.62
g)	Profit for setting up own financing sources (E-f)	517,275,126.18
*	TOTAL DISTRIBUTIONS (b+f+g)	1,962,509,236.92

- B. Dividend value amounting to **RON 3.62 /share** relating to the 2021 net profit;
- C. Employees' participation to profit in accordance with Government Ordinance No. 64/2001 in amount of **RON 35,777,113.00**;
- D. The distribution of retained earnings representing the value of fixed asset depreciation and fixed assets and investment projects abandoned during the reporting year financed from the "expenditure quota required for development and modernization of natural gas production" in accordance with GD No. 168/1998, as subsequently amended and supplemented, as follows:
1. the amount of **RON 69,376,032.00 as dividends**, representing 75.14% of the total value, with a value of **RON 0.18** dividend/ share;
 2. the amount of **RON 22,951,611.88 for own financing sources (24.86%)**.
- E. The total value of dividend per share, as resulted from the above described, (items B+D.1) amounting to **RON 3.8**.

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