

No. 15.862 /May 3, 2022

ENDORSED:
Dan Dragos DRAGAN
Chairman of the Board of Directors

To,

THE GENERAL MEETING OF SHAREHOLDERS OF SNGN ROMGAZ SA

REPORT
on the proposal to ratify/approve the Natural Gas Sale Contract no. PET 15/2022 with
Societatea Electrocentrale București S.A.

Need for approval

Pursuant to the provisions of art. 52 par.(1) of GEO no.109/2011¹ “*The Board of Directors [...] convenes the general meeting of shareholders in order to approve any transaction the amount of which exceeds, individually or in a series of concluded transactions, 10% of the net assets [...] or 10% of the revenue ... with the controlling shareholders or with a company controlled by such shareholders*”.

Transaction

Pursuant to the provisions of GEO no. 27/2022², natural gas producers are required to sell, during April 1, 2022 – March 31, 2023, certain natural gas quantities to certain customer categories at certain prices, as follows:

- a) At a price of RON 150/MWh, to suppliers of household customers in order to:
 - Ensure the gas necessary to meet the underground storage obligation during April 1 – October 31, 2022; and
 - Ensure the consumption quantities during April 1, 2022 – March 31, 2023;
- b) At a price of RON 250/MWh, to suppliers of heat producers and directly to the heat producers, as applicable, only for the natural gas used to produce heat in cogeneration plants and in thermal power plants for household consumption in order to:
 - Ensure the gas necessary to meet the underground storage obligation during April 1 – October 31, 2022; and
 - Ensure the consumption quantities during November 1, 2022 – March 31, 2023.

Natural gas quantities representing the sale obligation of each producer, for each supplier of household customers, supplier of heat producers and heat producers, and for each period: April 1 – October 31, 2022 and November 1, 2022 – March 31, 2023 respectively, are determined by the TSO – Transmission and System Operator (SNTGN Transgaz SA), in accordance with the provisions of

¹ GEO no.109 of November 30, 2011 on corporate governance of public enterprises, as subsequently amended and supplemented.

² GEO no.27 of March 18, 2022 on measures applicable to end users on the natural gas and electricity market during April 1, 2022 – March 31, 2023, as well as to amend and supplement certain normative acts in the energy field, as subsequently amended and supplemented.

Annex no. 5 to GEO, based on the information sent by producers, suppliers of household clients, suppliers of heat producers and heat producers.

Further to the above mentioned and taking into consideration:

- ✍ The quantities allocated by the TSO as sale obligation of Romgaz to S Electrocentrale București SA (ELCEN) for the two periods: April 1 – October 31, 2022 and November 1, 2022 – March 31, 2023 respectively;
- ✍ ELCEN request to conclude two contracts for the two delivery periods, pursuant to letter no. 12.738 of April 21, 2022:

"We propose to sign the natural gas sale contract for May-October 2022 delivery period first and for the second period (November 2022 – March 2023) to sign an addendum/new contract immediately after finalizing discussions with Bucharest City Hall on financing the fuel necessary to produce the heat delivered to Bucharest during winter",

the Natural Gas Sale Contract no. PET 15/2022 was concluded for the sale of a gas quantity of 490,388.940 MWh, to be delivered during May 1 – October 31, 2022, at a price of RON 250 /MWh, to which the NTS entry tariff and VAT will be added; after S Electrocentrale București SA receives the required approvals we will proceed to concluding a new contract for the delivery of a gas quantity of 2,166,098.011 MWh, to be delivered during November 1, 2022 – March 31, 2023.

The main features of the natural gas sale contract are as follows:

- ✓ Natural gas quantity: 490,388.940 MWh. For gas quantities not taken over by the Buyer, such Buyer will pay the Seller a compensatory amount equal to the equivalent value of natural gas not taken over, calculated as follows: $Q_{\text{not taken over}} \times P_{\text{contractual}}$;
- ✓ Delivery point: in VTP (Virtual Trading Point) of the NTS (National Gas Transmission System);
- ✓ price: RON 250/MWh, to which the NTS entry tariff and VAT is added;
- ✓ contract amount: RON 123,641,763.44;
- ✓ payment methods:
 - when due, within maximum 30 days from the issue date of the invoice, the Buyer submitting a letter of bank guarantee covering the equivalent value of delivered natural gas (including VAT) which is to be delivered within any three consecutive months, the highest quantities being delivered during May 1 – October 31, 2022;
 - in advance, with at least 2 working days prior to the beginning of the delivery month.

The transaction itself does not exceed the limit provided in art.52 par.(1) of GEO no.109/2011, namely 10% of company's revenue; however, considering the contracts previously concluded with S Electrocentrale București SA and the Addendum no.14/2021 to the Gas Sale Contract no.8/2016 for sale of natural gas during October 1, 2021 – September 30, 2022, as ratified/approved by the company shareholders in OGMS Resolution no.9 of October 27, 2021, the limit of 10% of the company's revenue is exceeded through a "series of concluded transactions".

Draft Resolution

Further to the above mentioned, we submit the following draft resolution for approval:

"The Ordinary General Meeting of Shareholders ratifies/approves the Gas Sale Contract no. PET 15/2022 with Societatea Electrocentrale București S.A., pursuant to the provisions of art.52, par.(1) of GEO no. 109/2011."

Aristotel Marius JUDE
Chief Executive Officer

Răzvan POPESCU
Chief Financial Officer

Radu Costică MOLDOVAN
Director of the Energy Trade Department