

NO. 12474/24.03.2023

**Endorsed by
Chairman of the Board of Directors
Dan Dragoș DRĂGAN**

**TO:
GENERAL MEETING OF SHAREHOLDERS OF SNGN ROMGAZ SA**

**REPORT ON APPROVAL
FOR THE DISTRIBUTION OF 2022 FINANCIAL YEAR NET PROFIT AND OTHER AMOUNTS
FROM RETAINED EARNINGS**

Applicable Legislation

- *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 31/1990 on companies, as subsequently amended and supplemented;*
- *Law 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 the International Financial Reporting Standards;*
- *Letter no. 220567/March 10, 2023 issued by the Ministry of Energy acting through the Department for Managing the State's Participations in Energy (D.A.P.S.E.) whereby the company is informed that on March 1, 2023 the Romanian Government approved a Memorandum stipulating the distribution of a minimum share of 90% of the 2022 net profit in form of dividend. According to this letter, the Ministry of Energy requires to dispose required measures to implement said provision.*
- *Letter no. 90724/CB/March 22, 2023 issued by the Ministry of Energy which informs the company that on March 22, 2023 the Romanian Government approved the Memorandum on the "authorization of the Ministry of Energy to mandate, by order of the minister of energy, the state's representatives in the general meeting of shareholders of S.N.G.N. Romgaz S.A. to vote for 50% distribution of dividends from 2022 distributable profit, after deducting the amounts allocated according to GO no. 64/2001".*

Proposal on the distribution of the 2022 net profit and of other amounts from retained earnings:

I. The 2022 net profit (after profit tax deduction), according to individual financial statements is, **RON 2,531,945,414.40**. The profit distribution proposal has been made considering the provisions of GO no.64/2001 and Ministry of Energy letter no. 90724/CB/22.03.2023.

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*".

The proposal regarding the profit distribution is shown in the table below:

I	Indicators	Year 2022 (RON)
0	1	3
A.	Gross result of the financial year	3,121,128,038.94
B.	Current income tax	520,954,180.00
B.1	Specific activities tax	23,719.00
C.	Revenue from deferred income tax	1,847,115.36
C.1	Deferred income tax	70,051,840.90
D.	Net result of the financial year [A-B-B1+C-C.1], (accounting profit after profit tax), including:	2,531,945,414.40
a)	Legal reserves	-
b)	Other reserves representing fiscal facilities provided by law (Law no. 227/2015 - Article 22)	31,826,789.00
c)	Coverage of losses in retained earnings (in accordance with Article 1, paragraph (1), c) of GO no. 64/2001)	-
c1)	Establishing 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)	2,500,118,625.40
e)	Employees' participation to profit (in accordance with Article 1, paragraph (1), e) of GO no. 64/2001)	38,093,584.00
f)	Dividends due to shareholders (approx. 50.11% of net profit to be distributed) [E+e]*50.11%	1,271,893,920.00
	f1) – dividends to the state budget	890,416,164.00
	f2) – dividends to other shareholders	381,477,756.00
	- dividend/share (RON/share)	3.30
g)	Profit for establishing own financing sources [E-f]	1,228,224,705.40
*	TOTAL DISTRIBUTIONS [b+f+g]	2,531,945,414.40

- RON 31,826,789 were allocated to reserves in accordance with Article 22 of Law no. 227/2015 on the Fiscal Code, and represents profit invested in technological equipment, in assets used in production and processing activity, in assets representing retrofitting, in electronic computers and peripheral equipment, in machines and cash, control and billing devices, in software and in user rights relating to software, manufactured and/or purchased, including under financial leasing and commissioned for the scope of performing the economic activity. According to this article, the amount of the profit for which the tax exemption operated, less the legal reserve, is distributed at the end of the financial year, the establishment of reserves being a priority;
- Employees' participation to profit was established within the limit of the 2022 average monthly basic salary per employee, as follows:
- | | |
|---|--------------------------------|
| Average number of personnel | 5,228 employees; |
| Average monthly basic salary in 2022 | 7,286.4545 RON/employee/month; |
| Employees' participation to profit fund | 38,093,584 RON |

According to Article 138 par. (1) of S.N.G.N. Romgaz S.A. Collective Labour Agreement, the individual distribution of the employees' participation to profit fund is pro rata with the base salary for actual work time per year.

- The resulting dividend per share (rounded up to two decimal places) amounts to **RON 3.30**.

II. In addition to the distribution of the 2022 net result, the retained earnings amounting **RON 86,900,431.92**, 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 GO no. 168/1998, as subsequently amended and supplemented, are distributed as follows:

- a. RON 46,250,688.00 lei as dividends, representing approximately 53.22% of the total value, the dividend per share being RON 0.12:**

	RON
Dividends from retained earnings, of which:	46,250,688.00
- dividends to the state budget	32,378,769.60
-dividends to other shareholders	13,871,918.40

- b. RON 40,649,743.92, for own financing sources.**

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

1. Distribution of 2022 net profit according to the proposal presented below:

I	Indicators	2022 (RON)
0	1	2
A.	Gross result of financial year	3,121,128,038.94
B.	Current income tax	520,954,180.00
B.1	Specific activities tax	23,719.00
C.	Revenue from deferred income tax	1,847,115.36
C.1	Deferred income tax	70,051,840.90
D.	Net result of financial year [A-B-B1+C-C.1], (accounting profit after profit tax deduction), including:	2,531,945,414.40
a)	Legal reserve	-
b)	Other reserves representing fiscal facilities provided by law (Law no.227/2015 - Article 22)	31,826,789.00
c)	Coverage of losses in retained earnings (in accordance with Article 1, paragraph (1), c) of GO no.64/2001)	-
c1)	Establishing 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]	2,500,118,625.40
e)	Employees' participation to profit (in accordance with Article1, paragraph(1), e) of GO no. 64/2001)	38,093,584.00
f)	Dividends due to shareholders (approx.50.11% of net profit to be distributed) [E+e]*50.11%	1,271,893,920.00
	f1) dividends to the state budget	890,416,164.00
	f2) dividends to other shareholders	381,477,756.00
	-dividend per share (RON/share)	3.30
g)	Profit for establishing own financing sources [E-f]	1,228,224,705.40
*	TOTAL DISTRIBUTIONS [b+f+g]	2,531,945,414.40

2. The value of the dividend amounting RON 3.30/share relating to 2022 net profit;

3. Employees' participation to profit in accordance with Government Ordinance no. 64/2001 in amount of RON 38,093,584;

4. 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 GO no. 168/1998, as subsequently amended and supplemented, as follows:

- a) **RON 46,250,688.00 as dividends, representing approximately 53.22% of the total value, the dividend/share being RON 0.12;**
 - b) **RON 40,649,743.92 for own financing sources.**
- 5. The total value of dividend per share, as resulted from the above described (items 2+4.a), is RON 3.42.**

CHIEF EXECUTIVE OFFICER
Răzvan POPESCU

CHIEF FINANCIAL OFFICER
Gabriela TRÂNBIȚAȘ