

To: SNGN Romgaz SA General Meeting of Shareholders

ENDORSED

Chairman of the Board of Directors

Dan Dragoș DRĂGAN

REPORT

on increasing the share capital of SNGN Romgaz SA  
by incorporating the reserves of RON 3,468,801,600  
set up from the profit of previous financial years

Currently, SNGN Romgaz SA (Romgaz/the Company) share capital consists of 385,422,400 ordinary shares, each having the nominal value of RON 1.

According to Law No.31/1990 on companies, republished, as subsequently amended and supplemented (Law 31):

*ART. 210*

*(1) The share capital can be increased by issuing new shares or by increasing the nominal value of existing shares in exchange of new contributions in cash and/or in kind.*

*(2) Moreover, new shares are issued by incorporating reserves, except legal reserves, as well as benefits or share premiums, or by setting off certain liquid and exigible debts against the company with its own shares.*

According to Law No. 24/2017 on issuers of financial instruments and market operations, as subsequently amended and supplemented (Law 24):

*ART. 86*

*(1) Any increase of the share capital is decided by the extraordinary general meeting of shareholders.*

According to the Regulation No. 5/2018 of the Financial Supervisory Authority on issuers of financial instruments and market operations, as subsequently amended and supplemented (Regulation 5):

*Art. 97*

*(7) The provisions of this regulation that refer to the existence of the prospectus for admission to trading on a regulated market do not apply to the cases when no prospectus is prepared, in line with the provisions of Regulation (EU) 2017/1.129*

*(8) Admission to trading on a regulated market shall be performed by the operator of that market in compliance with the provisions of Law No. 24/2017, as well as of the relevant market regulations.*

ART. 176

*(1) Upon approval of a corporate event, the issuer, through its statutory bodies, sets out the details of the event, including, where applicable, ex data, the date of the guaranteed participation, the date of registration, the date of payment, the period of expressing the options and the price of the financial instrument to which it will be offset the fraction of financial instruments resulting from the application of the event-specific algorithm and the rounding of the corporate event results, which will always be done at the hole inferior.*

*(2) In the case of corporate events provided for in par. (1), the statutory body of the issuer shall determine the price of the financial instrument to which the fraction of financial instruments is offset, by complying with the provisions of art.91 para (5) of Law No.24/2017.*

*(2<sup>1</sup>) Provisions of Art. 58 para (4) and (5) apply accordingly in order to determine the price of the financial instrument to which the fraction of financial instruments is offset, according to paragraph (2).*

*(3) Simultaneously with the reports prepared and transmitted according to the regulation of A.S.F. and of the markets on which the financial instruments issued by them are traded, the issuers must send to the central depository with whom the issuer has a registry contract information on the legal representative, the information provided in par. (1), and any changes and/or updates to them, if applicable, in standardized electronic format, according to the rules issued for this purpose.*

*(4) The information provided in par. (1) containing narrative texts will also be transmitted in English language.*

ART. 178

*(4) In the case of corporate events of which results are financial instruments, the general meeting of the shareholders shall determine the payment date on the business day after the registration date, the latter being determined taking into account the legal terms necessary for the registration of the event with ORC and A.S.F.*

(EU) REGULATION 2017/1129 Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC

Article 1 - (5) The obligation to publish a prospectus set out in Article 3(3) shall not apply to the admission to trading on a regulated market of any of the following:

(g) shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out as shares of the same class as the shares in respect of which such dividends are paid, provided that the said shares are of the same class as the shares already admitted to trading on the same regulated market and that a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer or allotment.

Following Resolution No.7/2023 of the General Meeting of Shareholders, reserves representing own financing sources are RON 3,812,374,364.66.

According to the law, the Company may increase the share capital by incorporating reserves. The share capital can be increased with RON 3,468,801,600 by issuing, free of charge to existing shareholders on the registration date, 9 new shares for each share held, according to the following formula  $3,468,801,600/385,422,400$ . The possibility to increase share capital by incorporating reserves is not included in Romgaz Articles of Incorporation.

Following this increase, the new value of the share capital shall be RON 3,854,224,000, divided in 3,854,224,000 shares, each with a nominal value of RON 1. Shareholding structure shall not be modified by this increase.

Following the increase of the share capital it is required to amend the Articles of Incorporation, as follows:

*Art. 6 - Share capital*

- (1) ROMGAZ S.A. share capital is RON 3,854,224,000, fully subscribed and paid up.*
- (2) The share capital is divided in 3,854,224,000 shares, each having a nominal value of RON 1.*
- (3) The Romanian State holds a number of 2,698,230,800 shares.*
- (4) The rights of the Romanian State, as shareholder of ROMGAZ S.A., are exercised by the Ministry of Energy.*
- (5) A number of 1.155.993.200 shares is held by natural and legal persons, Romanian and foreign, other than the Romanian State.*

*Art. 7 - Increase and reduction of the share capital*

*(1) The share capital may be increased by issuing new shares or by increasing the nominal value of existing shares in exchange of a contribution in cash and/or in kind. New shares may be issued by incorporating reserves, except legal reserves, as well as benefits or share premiums, or by offsetting liquid or exigible debts against the Company with its shares.*

Increase of a company's share capital is decided by the Extraordinary General Meeting of Shareholders, according to Law 31 (art.113) and Romgaz Articles of Incorporation (art. 12 para (6) letter f)).

On November 12, 2013, Romgaz was listed to trading on Bucharest Stock Exchange (BVB) and on London Stock Exchange (LSE). As of this date, Company's shares are traded on the regulated market governed by BVB under "SNG" and on the regulated market governed by LSE, as depositary receipts issued by the Bank of New York Mellon (1 depositary receipt = 1 share), under "SNGR". Following this capital increase by issuing free shares, 1 depositary receipt equals to 1 share.

This share capital increase ensures:

- a) Increase of liquidity of shares issued by Romgaz

Stock exchange liquidity is defined as the operation by which shares, bonds and other securities may be converted rapidly into cash without influencing their price.

FTSE Russel and MSCI use different methodologies to include companies in indices, such as the size of the company, share liquidity, level of market capitalization, stock transactions, etc. A stock exchange may be included in these indices following fulfilment of criteria and may influence investors much easier, depending on their investment strategies, to select such assets.

For example, a stock exchange considered a developed market such as New York Stock Exchange (NYSE) shall attract substantial amounts as compared to Bucharest Stock exchange, that is still an emerging market. Practically, the inclusion in indices offers a certainty to future investors as regards quality.

Large investment funds have policies for allocating investments to the capital market according to the status of the stock exchange. A developed market such as the NYSE shall receive a much higher allocation than an emerging market such as the BVB, because the NYSE (which has higher liquidity) can more easily absorb a billion dollars, for example, than the BVB (which has low liquidity), for which a billion dollars would mean high price volatility for listed assets. So we can see how the liquidity of an exchange is a factor that can determine which companies are more likely to receive funding (at a much lower cost) from investors.

Stock market liquidity is influenced by a company's free float. Free float is the number of shares in a company that are freely traded on the stock exchange at any given time. In other words, it is a share of the total number of shares that are not blocked in the accounts of the majority shareholders. For example, in case of Romgaz, 70% of the shares are owned by the Romanian state and cannot be traded. To increase liquidity, the free float needs to be increased.

BVB is currently considered an emerging market only by FTSE Russell. However, Romgaz, is not included in FTSE Russell indexes, as it does not meet the liquidity criteria. Issuing these free shares would increase Romgaz chances for being included in these indexes, which would provide the following advantages:

- better negotiating position for future project financing through the capital market-> the financing of investment projects could also be achieved through the issuance of bonds and share capital increases with cash contribution; these financings can be obtained at lower cost if the issuer is included in an international index family;
- increased visibility on the capital market;
- improved trading liquidity on the capital market;
- increased attractiveness of issued shares- for retail investors, as well institutional investors;
- strengthening the issuer's capital structure;
- improving the investor portfolio - as a considerable number of international investment funds replicate some indexes as their strategy, including FTSE Russel indexes, (meaning they invest in the shares of issuers that fall into the structure of some indexes families);
- favorable impact on the Company's visibility.

b) Shareholders reward

Distribution of bonus shares to shareholders is a more favorable way of rewarding shareholders than distribution of dividends. Shares received pro bono are not taxable at shareholder level, while dividends, as a general rule, are currently taxed at 8%.

- financial and market operations as amended and supplemented.

c) Improving cash flows

According to Law no. 31/1990 on companies, each year at least 5% of the company's profits must be taken for the reserve fund until it reaches at least one fifth of the share capital. According to the tax code, this legal reserve is deductible in the calculation of corporate income tax, reducing the tax burden.

Once the Extraordinary General Meeting of Shareholders has approved the share capital increase, the following steps must be completed:

- Publication in the Official Gazette of Romania Part IV and registration at the Sibiu Trade Register Office of EGMS Resolution and issuance of the Certificate of Entries Registration;
- Registration of the capital increase at the Trade Register Office;
- Forwarding to the Financial Supervisory Authority the documents necessary for the issuance of the Certificate of Registration of Financial Instruments;
- Transmission of the documents to the Central Depository SA Bucharest for the registration of the share capital increase in Romgaz's register of shareholders;
- Transmission to the Bucharest Stock Exchange of the document informing shareholders about the offer of shares without cash consideration;
- Taking all steps necessary for issuing depositary receipts on London Stock Exchange.

Therefore, we propose for approval of S.N.G.N. Romgaz S.A. Extraordinary General Meeting of Shareholders, the following:

1. Approval of S.N.G.N. Romgaz S.A. share capital increase in the amount of RON 3,468,801,600 by issuing 3,468,801,600 shares with a nominal value of RON 1/share, each shareholder registered on the Registration Date being entitled to 9 pro bono shares for each share held. The total amount of share capital shall be increased from the current amount of RON 385,422,400 to RON 3,854,224,000. The share capital increase shall be made to support the current activity of the Company.
2. Approval of the incorporation into the share capital of the amount of RON 3,468,801,600 representing reserves for own sources of financing.
3. Approval of S.N.G.N. Romgaz S.A. Articles of Incorporation amendment as follows:

*Art. 6 - Share capital*

- (1) ROMGAZ S.A. share capital is of RON 3,854,224,000, being subscribed and paid in full.*
- (2) the share capital is divided into 3,854,224,000 shares, each share having a nominal value of RON 1.*
- (3) The Romanian State holds 2,698,230,800 shares.*
- (4) The rights of the Romanian State, in its capacity as shareholder of ROMGAZ S.A., are exercised through the Ministry of Energy.*
- (5) A total of 1,155,993,200 shares are held by natural and legal persons, Romanian and foreign, other than the Romanian State.*

*Art. 7 - Increase and reduction of share capital*

- (1) The share capital may be increased by issuing new shares or by increasing the nominal value of existing shares in exchange for new contributions in cash and/or in kind. New shares may also be released by incorporation of reserves, with the exception of statutory reserves and profits or share premiums, or by offsetting liquid and payable claims on the company against shares of the company.*
4. Authorizing Mr. Răzvan POPESCU, as Chief Executive Officer, to carry out the necessary formalities for implementing the share capital increase, to draw up and sign any and all documents required for this purpose, including for the signing of the updated Articles of Incorporation, in order to comply with the disclosure requirements provided for by Law no. 31/1990 on companies, republished, as subsequently amended and supplemented.
5. Approval of 28 May 2024 as an ex-date.
6. Approval of 29 May 2024 as the date of registration of the shareholders on whom the effects of the Extraordinary General Meeting of Shareholders' Decision will be passed.
7. Approval of 30 May 2024 as the date of payment of the bonus shares.

**Chief Executive Officer**  
**Răzvan POPESCU**

**Chief Financial Officer**  
**Gabriela TRÂNBIȚAȘ**

**Head of Legal Department**  
**Monica STAFIE**

**Head of Capital Markets**  
**Adina ȘTEFĂNESCU**