

To: The General Meeting of Shareholders of S.N.G.N Romgaz S.A.
Subject: *Increase of reserves*

ENDORSED,
Dan Dragoș DRĂGAN,
Chairman of the Board of Directors

**REQUEST FOR APPROVAL
OF THE INCREASE OF RESERVES RELATED TO FINANCING OF MAJOR INVESTMENT OR
NATIONAL INTEREST PROJECTS OR TO FINANCING OF SUBSIDIARIES THAT MAKE SUCH
INVESTMENTS**

Legal Framework:

- *Government Ordinance No. 64/2001 on distribution of profit at national companies and companies with full or majority state capital, as well as at autonomous regies as subsequently amended and supplemented (G.O. No. 64/2001);*
- *Law No. 31/1990 on companies, republished, as subsequently amended and supplemented;*
- *Government Emergency Ordinance No. 31/2024 on the regulation of certain fiscal-budgetary measures and on the amendment and supplementation of certain normative acts.*

Background:

Pursuant to Resolution No. 6/April 25, 2024, The Ordinary General Meeting of Shareholders approved a 20% rate of 2023 profit distribution, considering the increased level of investments undertaken by SNGN Romgaz SA in 2024 income and expenditure budget approved by Resolution No. 2/March 1, 2024 of the Ordinary General Meeting of Shareholders, of RON 4.7 billion (of which RON 3.3 billion for the offshore activity), to ensure a sustainable development of the company and a financially healthy degree of indebtedness.

The same GMS Resolution approved setting up reserves related to financing of major investment or national interest projects or related to financing of subsidiaries that make such investments in amount of RON 823,262,246.2 (RON 785,490,851.2 allocated from the net profit and the amount of RON 37,771,395.2 from retained earnings). This amount represents the difference between the dividends due to shareholders calculated at 50% (as per Article 1, paragraph 1 of G.O. No. 64/2001) and the dividends due to shareholders calculated at 20% - approved by the Ordinary General Meeting of Shareholders. Shareholders' approval was based on the Request for Approval No. 12395/March 22, 2024.

On March 22, 2024, the Ministry of Energy sent a letter to S.N.G.N. ROMGAZ S.A. informing the company on the approval of a memorandum for the distribution of a minimum 90% share of 2023 allocated net profit as dividends/payments to the state budget during the Government Meeting dated March 07, 2024.

On March 28, 2024 Government Emergency Ordinance No. 31/2024 (G.E.O. No. 31/2024) was issued amending and supplementing G.O. No. 64/2001 pursuant to Article XI, as follows:

1. *In Article 1, after paragraph (1¹) a new paragraph (1²) is introduced, which reads as follows:*

„(1²) By way of exception from the provisions of paragraph (1) letter f), under a memorandum initiated by the public supervisory authority and endorsed by the Ministry of Finance, the Government can approve the distribution by the national companies and companies with full or majority state capital as well as the autonomous regies established by the state carrying out major investment projects of national interest for the increase of Romania's energy capacity or financing such projects carried out by their subsidiaries, of less than 50% of the net profit remaining after deducting the amounts allocated on the destinations provided in paragraph (1) letter a)-d) as dividends/payments to the state budget to carry out such investments.

(2¹) In the case of national companies and companies with full or majority state capital as well as autonomous regies established by the state, under a memorandum drawn up by the Ministry of Finance, the Government can approve the distribution of a share of the achieved net profit, remaining after deduction of amounts allocated on the destinations provided in paragraph (1) letter a)-d) as dividends due to shareholders or payments to the state budget in the case of autonomous regies, to be higher than the limit set in paragraph (1) letter f) taking into consideration the fiscal-budgetary framework.

[...]

(2⁶) The amount representing the difference between the share established in accordance with paragraph (2¹) and the share approved in accordance with paragraph (1²) not used/committed at the end of the financial year shall be transferred as dividends/payments to the state budget within 60 days from the end of the financial year as regards major investment projects of national interest finalized during the reference year.”

At the time of the Request for Approval No. 12395/March 22, 2024 on approving the distribution of 2023 net profit and of other amounts from the retained earnings, the company was not aware of any memorandum that provides for the transfer of the 90% share of 2023 distributed net profit as dividends. Moreover, the company was not aware of the issuance of G.E.O. No. 31/2024 on March 28, 2024. Thus, the Company requested approval for setting up reserves for financing major investment or national interest projects or for financing of subsidiaries which carry out such

investments, which are calculated as difference between the 50% dividend payout ratio and the 20% share.

Taking into consideration the amendments to G.O. No. 64/2001 pursuant to G.E.O. No. 31/2024 and the memorandum mandating representatives of the state in the General Meeting of Shareholders of national companies, for taking the measures necessary to distribute a minimum 90% share of 2023 distributed net profit, the amount allocated for setting up reserves related to the financing of major investment or national interest projects or the financing of subsidiaries carrying out such investments is changed. This amount shall be calculated as the difference between the 90% share established under the Memorandum approved by the Romanian Government on March 07, 2024 pursuant to paragraph (2¹) and the 20% share approved pursuant to paragraph (1²), resulting in RON 1,920,559,819.2 (in accordance with column 4 in Tabel 2).

Given that the General Meeting of Shareholders approved by Resolution No. 6/2024 the setting up of reserves related to financing of major investment or national interest projects or to the financing of subsidiaries making such investments in amount of RON 823,262,246.40, it is necessary to supplement this reserve with RON 1,097,297,572.80 up to RON 1,920,559,819.2 by transferring RON 1,097,297,572.80 from the reserve set up according to G.O. No. 64/2001, Article 1 letter g) to ensure own financing sources in reserves related to financing major investment or national interest projects or financing subsidiaries carrying out such investments (in accordance with column 6 in Table 2).

Table 1

Item No.	RON Description	Dividend Payout Ratio		
		20%	50%	90%
		1	2	3
1=2+3	Total dividend, out of which:	549,226,920.00	1,372,489,166.40	2,469,786,739.20
2	Dividends from current profit	523,789,041.60	1,309,279,892.80	2,356,472,553.60
3	Dividends from retained earnings	25,437,878.40	63,209,273.60	113,314,185.60

Table 2

Item No.	RON Description	Total amounts to be recorded under reserves *)		
		Total amounts to be allocated recorded under reserves (90%-20%)	Differences allocated to reserves (50%-20%) (Approved by GMS No. 6/2024	Additional differences allocated to reserves subject to approval (90%-50%)
		4=3-1	5=2-1	6=3-2
1=2+3	Total reserves *), out of which:	1,920,559,819.20	823,262,246.40	1,097,297,572.80
2	Reserves from current profit	1,832,683,512.00	785,490,851.20	1,047,192,660.80
3	Reserves from retained earnings	87,876,307.20	37,771,395.20	50,104,912.00

*) reserves related to financing major investment or national interest projects or to financing subsidiaries carrying out such investments

We note that G.O. No. 64/2001 amended by GEO No. 31/2024 does not provide for the obligation to set up a separate reserve, but we believe it is necessary to distinctively reflect these amounts for better evidence in order to monitor implementation of Article 2⁶ of GO No. 64/2001.

Draft Resolution:

Considering the above mentioned, we hereby submit, to the General Meeting of Shareholders for approval, the transfer of RON 1,097,297,572.80 from the reserves set up pursuant to O.G. No. 64/2001 Article 1, letter g) to ensure own financing sources in reserves for financing major investment or national interest projects or for financing subsidiaries carrying out such investments.

**Răzvan POPESCU,
Chief Executive Officer**

**Gabriela TRÂNBIȚAȘ
Chief Financial Officer**