

To: General Meeting of Shareholders of SNGN ROMGAZ SA

Re.: Report on approval of distribution of 2023 net profit and of other amounts from retained earnings

ENDORSED BY  
CHAIRMAN  
OF THE BOARD OF DIRECTORS  
Dan Dragoş DRĂGAN

**REPORT ON APPROVAL  
OF THE DISTRIBUTION OF 2023 NET PROFIT AND OF 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 (G.O. No. 64/2001);*
- *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.*

**Proposal on the distribution of the 2023 net profit and of other amounts from retained earnings:**

*Note: The dividends will be distributed after May 30, 2024, as provided under Resolution No. 17/2023 of the Extraordinary General Meeting of Shareholders as date of payment of free shares issued following the increase of Company's share capital through incorporation of reserves, therefore the dividend per share was calculated based on the increased number of shares.*

**Option 1 - according to G.O. No. 64/2001 in force as of the date of the report**

I. The 2023 net profit (after profit tax deduction), according to individual financial statements is, **RON 2,649,276,775.22**. The profit distribution proposal has been made considering the provisions of *GO no. 64/2001*.

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 2023 (RON)
0	1	2
<b>A</b>	<b>Gross result of the financial year</b>	<b>3,322,886,111.85</b>
B	Current income tax	668,409,596.00
C	Revenue from deferred income tax	11,225,825.71
C.1	Deferred income tax	16,425,566.34
<b>D</b>	<b>Net result of the financial year [A-B+C-C.1], (accounting profit after profit tax), including:</b>	<b>2,649,276,775.22</b>
a	Legal reserves	0.00
b	Other reserves representing fiscal facilities provided by law (Law no. 227/2015 - Article 22)	73,583,376.00
c	Coverage of losses in retained earnings (in accordance with Article 1, paragraph (1), c) of GO no. 64/2001)	0.00
c1	Establishing own financing sources for co-financed projects from external loans (in accordance with Article 1, paragraph (1), c <sup>1</sup> of GO no. 64/2001)	0.00
d	Other distributions as provided by special laws	0.00
<b>E</b>	<b>Remaining net profit to be distributed (D-a-b-c-c1-d)</b>	<b>2,575,693,399.22</b>
e	Employees' participation to profit (in accordance with Article 1, paragraph (1), e) of GO no. 64/2001)	42,364,442.00
<b>f</b>	<b>Dividends due to shareholders (approx. 50.01% of net profit to be distributed) [E+e]*50.01%</b>	<b>1,309,279,892.80</b>
	f1 - dividends to the state budget	916,589,002.76
	f2 - dividends to other shareholders	392,690,890.04
	- dividend/share (RON/share)	0.3397
<b>g</b>	<b>Profit for establishing own financing sources [E-f]</b>	<b>1,266,413,506.42</b>
<b>*</b>	<b>TOTAL DISTRIBUTIONS [a+b+c+c1+d+f+g]</b>	<b>2,649,276,775.22</b>

→ RON **73,583,376.00** 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 2023 average monthly basic salary per employee, as follows:

Average number of personnel	5,287 employees;
Average monthly basic salary in 2023	8,012.9453 RON/employee/month;
Employees' participation to profit fund	<b>42,364,442 RON</b>

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 four decimal places) amounts to **RON 0.3397**.

II. In addition to the distribution of the 2023 net result, the retained earnings amounting **RON 125,663,042.38**, 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 63,209,273.60** as dividends, representing approximately 50.30% of the total value, the dividend per share being **RON 0.0164**:

	RON
<b>Dividends from retained earnings, of which:</b>	<b>63,209,273.60</b>
- dividends to the state budget	44,250,985.12
-dividends to other shareholders	18,958,288.48

b. **RON 62,453,768.78**, for own financing sources.

### Option 2 - recommended by administrative and executive management

Considering the high level of investments committed by SNGN Romgaz SA in the 2024 budget approved through Ordinary General Meeting of Shareholders' decision no. 2/March 1, 2024 of RON 4.7 billion (of which RON 3.3 billion for offshore activity), to secure a sustainable development of the Company and a financially sound gearing ratio, administrative and executive management propose profit distribution rate to be 20%. A higher payout ratio would generate an increase of the Company's gearing ratio and, consequently, higher borrowing costs that would lead to lower future profits and lower cash reserves needed to fund future investments.

I. The 2023 net profit (after profit tax deduction), according to individual financial statements is, **RON 2,649,276,775.22**.

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

I	Indicators	Year 2023 (RON)
0	1	2
<b>A</b>	<b>Gross result of the financial year</b>	<b>3,322,886,111.85</b>
<b>B</b>	Current income tax	668,409,596.00
<b>C</b>	Revenue from deferred income tax	11,225,825.71
<b>C.1</b>	Deferred income tax	16,425,566.34
<b>D</b>	<b>Net result of the financial year [A-B+C-C.1], (accounting profit after profit tax), including:</b>	<b>2,649,276,775.22</b>
<b>a</b>	Legal reserves	0.00
<b>b</b>	Other reserves representing fiscal facilities provided by law (Law no. 227/2015 - Article 22)	73,583,376.00
<b>c</b>	Coverage of losses in retained earnings (in accordance with Article 1, paragraph (1), c) of GO no. 64/2001)	0.00
<b>c1</b>	Establishing own financing sources for co-financed projects from external loans (in accordance with Article 1, paragraph (1), c <sup>1</sup> of GO no. 64/2001)	0.00
<b>d</b>	Other distributions as provided by special laws	0.00
<b>E</b>	<b>Remaining net profit to be distributed (D-a-b-c-c1-d)</b>	<b>2,575,693,399.22</b>
<b>e</b>	Employees' participation to profit (in accordance with Article 1, paragraph (1), e) of GO no. 64/2001)	42,364,442.00
<b>f</b>	<b>Dividends due to shareholders (approx. 20.01% of net profit to be distributed) [E+e]*20.01%</b>	<b>523,789,041.60</b>
	f1 - dividends to the state budget	366,689,565.72
	f2 - dividends to other shareholders	157,099,475.88
	- dividend/share (RON/share)	0.1359
<b>g</b>	Profit for establishing reserves used to finance major investment projects or of national interest or to finance subsidiaries involved in such projects	785.490,851.20
<b>h</b>	<b>Profit for establishing own financing sources [E-f-g]</b>	<b>1,266,413,506.42</b>
<b>*</b>	<b>TOTAL DISTRIBUTIONS [a+b+c+c1+d+f+g+h]</b>	<b>2,649,276,775.22</b>

→ RON **73,583,376.00** 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 2023 average monthly basic salary per employee, as follows:

Average number of personnel	5,287 employees;
Average monthly basic salary in 2023	8,012.9453 RON/employee/month;
Employees' participation to profit fund	<b>42,364,442 RON</b>

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 four decimal places) amounts to **RON 0.1359**.

II. In addition to the distribution of the 2023 net result, the retained earnings amounting **RON 125,663,042.38**, 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:

b. **RON 25,437,878.40** as dividends, representing approximately 20.24% of the total value, the dividend per share being **RON 0.0066**:

	RON
<b>Dividends from retained earnings, of which:</b>	<b>25,437,878.40</b>
- dividends to the state budget	17,808,323.28
-dividends to other shareholders	7,629,555.12

c. **RON 62,453,768.78**, for own financing sources;

d. **RON 37,771,395.20** for establishing reserves used to finance major investment projects or of national interest or to finance subsidiaries involved in such projects.

Considering the above, we hereby submit the following for the approval of the General Meeting of Shareholders:

#### Option I

##### 1. Distribution of 2023 net profit according to the proposal presented below:

I	Indicators	Year 2023 (RON)
0	1	2
A	Gross result of the financial year	3,322,886,111.85
B	Current income tax	668,409,596.00
C	Revenue from deferred income tax	11,225,825.71

C.1	Deferred income tax	16,425,566.34
D	Net result of the financial year [A-B+C-C.1], (accounting profit after profit tax), including:	2,649,276,775.22
a	Legal reserves	0.00
b	Other reserves representing fiscal facilities provided by law (Law no. 227/2015 - Article 22)	73,583,376.00
c	Coverage of losses in retained earnings (in accordance with Article 1, paragraph (1), c) of GO no. 64/2001)	0.00
c1	Establishing own financing sources for co-financed projects from external loans (in accordance with Article 1, paragraph (1), c <sup>1</sup> of GO no. 64/2001)	0.00
d	Other distributions as provided by special laws	0.00
E	Remaining net profit to be distributed (D-a-b-c-c1-d)	2,575,693,399.22
e	Employees' participation to profit (in accordance with Article 1, paragraph (1), e) of GO no. 64/2001)	42,364,442.00
f	Dividends due to shareholders (approx. 50.01% of net profit to be distributed) [E+e]*50.01%	1,309,279,892.80
	f1) - dividends to the state budget	916,589,002.76
	f2) - dividends to other shareholders	392,690,890.04
	- dividend/share (RON/share)	0.3397
g	Profit for establishing own financing sources [E-f]	1,266,413,506.42
*	TOTAL DISTRIBUTIONS [a+b+c+c1+d+f+g]	2,649,276,775.22

2. The value of the dividend amounting RON 0.3397/share relating to 2023 net profit;
3. Employees' participation to profit in accordance with Government Ordinance no. 64/2001 in amount of RON 42,364,442.00;
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 63,209,273.60 as dividends, representing approximately 50.30% of the total value, the dividend/share being RON 0.0164;
  - b) RON 62,453,768.78 for own financing sources.

The total value of dividend per share, as resulted from the above described (items 2+4.a), is RON 0.3561.

## Option II

## 1. Distribution of 2023 net profit according to the proposal presented below:

I	Indicators	Year 2023 (RON)
0	1	2
A	Gross result of the financial year	3,322,886,111.85
B	Current income tax	668,409,596.00
C	Revenue from deferred income tax	11,225,825.71
C.1	Deferred income tax	16,425,566.34
D	Net result of the financial year [A-B+C-C.1], (accounting profit after profit tax), including:	2,649,276,775.22
a	Legal reserves	0.00
b	Other reserves representing fiscal facilities provided by law (Law no. 227/2015 - Article 22)	73,583,376.00
c	Coverage of losses in retained earnings (in accordance with Article 1, paragraph (1), c) of GO no. 64/2001)	0.00
c1	Establishing own financing sources for co-financed projects from external loans (in accordance with Article 1, paragraph (1), c <sup>1</sup> of GO no. 64/2001)	0.00
d	Other distributions as provided by special laws	0.00
E	Remaining net profit to be distributed (D-a-b-c-c1-d)	2,575,693,399.22
e	Employees' participation to profit (in accordance with Article 1, paragraph (1), e) of GO no. 64/2001)	42,364,442.00
f	Dividends due to shareholders (approx. 20.01% of net profit to be distributed) [E+e]*20.01%	523,789,041.60
	f1) - dividends to the state budget	366,689,565.72
	f2) - dividends to other shareholders	157,099,475.88
	- dividend/share (RON/share)	0.1359
g	Profit for establishing reserves used to finance major investment projects or of national interest or to finance subsidiaries involved in such projects	785,490,851.20
h	Profit for establishing own financing sources [E-f-g]	1,266,413,506.42
*	TOTAL DISTRIBUTIONS [a+b+c+c1+d+f+g+h]	2,649,276,775.22

2. The value of the dividend amounting RON 0.1359/share relating to 2023 net profit;
3. Employees' participation to profit in accordance with Government Ordinance no. 64/2001 in amount of RON 42,364,442.00;
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 25,437,878.40 as dividends, representing approximately 20.24% of the total value, the dividend/share being RON 0.0066;
  - b) RON 62,453,768.78 for own financing sources;
  - c) RON 37,771,395.20 for establishing reserves used to finance major investment projects or of national interest or to finance subsidiaries involved in such projects.
5. The total value of dividend per share, as resulted from the above described (items 2+4.a), is RON 0.1425.

CHIEF EXECUTIVE OFFICER  
Răzvan POPESCU

CHIEF FINANCIAL OFFICER  
Gabriela TRÂNBIȚAȘ