

To,
THE GENERAL MEETING OF SHAREHOLDERS

REQUEST FOR APPROVAL

regarding the establishment and registration in the State Register of the legal entities of the Republic of Moldova of the limited liability company "Romgaz Furnizare M S.R.L." and the approval of its Articles of Incorporation

The regionalization of product sales represents one of the courses of action pursued by S.N.G.N. Romgaz S.A. to achieve the objective "*Increasing the market share and portfolio diversification*" included in the company's Strategy for 2021-2030.

In this respect, the company constantly analyses the markets of the neighbouring countries to identify and benefit from opportunities to expand its natural gas supply business.

The recent legislative changes and the current state of the natural gas market in the Republic of Moldova reflect the Moldovan government's efforts to increase its independence from gas supplies from the Russian Federation and offer S.N.G.N. Romgaz S.A. a number of opportunities that it could benefit from by accessing this new market.

Thus, the entry of S.N.G.N. Romgaz S.A. on the natural gas market in the Republic of Moldova is supported by the following aspects:

- ✓ The natural gas market in the Republic of Moldova is a market of about 1 billion m³/year, with a high degree of vulnerability, being 100% dependent on imported sources;
- ✓ The existence of the transmission infrastructure necessary to supply gas from Romania to the Republic of Moldova, namely Iasi - Ungheni interconnector with a capacity of 1.88 billion m³/year;
- ✓ The takeover of Ungheni - Chisinau natural gas transmission activity by Vestmoldtransgaz, company owned by S.N.T.G.N. Transgaz S.A., a Romanian company;
- ✓ The operationalization of the electronic platform for the purchase of natural gas for non-household consumers in the Republic of Moldova. The platform is managed by Bursa Romana de Marfuri (Romanian Commodities Exchange) EST S.R.L., a company established by the Romanian Commodities Exchange (BRM) in Chisinau, the Republic of Moldova;
- ✓ The existence of a difference between the natural gas prices traded in Romania and those traded in the Republic of Moldova higher than the transmission tariff between the two countries, which offers the opportunity to trade natural gas in the Republic of Moldova at a higher price than in Romania;
- ✓ The natural gas production of S.N.G.N. Romgaz S.A. will increase significantly with the completion of the Neptun Deep project and the withdrawal of gas from the Black Sea.

The access to the natural gas market in the Republic of Moldova is possible on condition of obtaining a license to operate in the natural gas sector in the Republic of Moldova (supply license or trading license), which is granted by the National Agency for Energy Regulation of the Republic of Moldova.

In the context in which, according to the specific legislation, licenses for supply and/or trading activities on the territory of the Republic of Moldova are granted only to companies registered in the State Register of the Legal Entities of the Republic of Moldova, it is necessary for S.N.G.N. Romgaz S.A. to establish a legal entity with legal personality having its registered office in the Republic of Moldova, in order to access the natural gas market in this country.

The main elements taken into consideration for **the business model** of the entity proposed to be established are set out below.

Thus, the entity Romgaz in the Republic of Moldova is to be established as a Moldovan legal entity, incorporated and organized in the form of a limited liability company (a Subsidiary of S.N.G.N. Romgaz S.A., hereinafter, the "*Subsidiary*") and will operate on the basis of the provisions of the applicable legislation in the Republic of Moldova and its Articles of Incorporation.

By establishing the Subsidiary, S.N.G.N. Romgaz S.A. aims to generate added value as compared to its current business, for the benefit of its shareholders, but also to bring a new impulse to the wholesale market in the Republic of Moldova by increasing competition with the players on this market, at competitive prices for all potential customers.

The Subsidiary will be an exclusive player on the wholesale market, addressing wholesale market participants in the Republic of Moldova.

The relationship between the Subsidiary and S.N.G.N. Romgaz S.A. will be based exclusively on the principles of transparency, competition and non-discrimination, and the two companies will not interfere in the commercial sphere in any other way.

The Subsidiary will carry out natural gas trading activities under conditions of competition, security of supply, transparency and sustainability, at the highest quality standards in the sector and under the best contractual conditions available on the market.

The Subsidiary aims to operate in the natural gas market in the Republic of Moldova as a modern, flexible, innovative and capable of meeting the challenges that may arise in the natural gas trading activity, aiming to meet the requirements, needs and quality demands of customers.

As regards the resources needed by the Subsidiary to carry out its activities, the following aspects will be taken into account:

- A level of the Subsidiary's share capital of MDL 1,000,000, equivalent to the minimum amount required to be available throughout the validity period of the license for the activity of trading/supply of natural gas. The share capital shall represent 1 (one) share, held by S.N.G.N. Romgaz S.A. as sole associate.
- The office area rented by S.N.G.N. Romgaz S.A. in the building at No. 70 Mihai Eminescu Street, Chisinau, the Republic of Moldova, will serve as the headquarters of the Subsidiary.
- In the first stage of development of the Subsidiary, a number of 4 posts will be orientated towards the core business and related flows, such as, for example, procurement, transmission capacity booking and, where appropriate, underground storage capacities, post-sale operations.

From the point of view of the profitability of the Subsidiary's activity, internal economic analyses show that the „zero” profitability point (namely, the point at which the revenues fully cover the expenses or „break even point”) would be reached at a sales level of about 100,000 MWh/year at a price of about EUR 38/MWh, according to the worst case scenario.

According to the optimistic scenario, which corresponds to the current market situation, the profit margin of the Subsidiary's activity for the first 3 years of activity is between 8.5% and 10.5%, reflecting reasonable results for a new player on the market, which wants to have a sustainable growth and to build an image of prestige and of a serious and important player on the market.

The Articles of Incorporation is the essential document of a limited liability company, representing the company's deed of establishment, setting out how the company's legal liability towards the authorities and third parties is undertaken and the procedures to be followed in different situations.

Considering that the Articles of Incorporation is also one of the documents required to be submitted to the Public Services Agency of the Republic of Moldova for the registration of the Subsidiary, the draft the Articles of Incorporation attached to this request for approval has also been elaborated.

Considering that:

- The Board of Directors endorsed the establishment and the registration in the State Register of Legal Entities of the Republic of Moldova of the Subsidiary of S.N.G.N. Romgaz S.A. in the Republic of Moldova, as well as its draft Articles of Incorporation;

- Article 12 paragraph (6) letter d) of the Articles of Incorporation of S.N.G.N. Romgaz S.A. stipulating that *“The Extraordinary General Meeting of Shareholders shall meet whenever necessary to decide the following: [...] d) the establishment of the companies, as well as the conclusion or modification of the Articles of Incorporation of the companies in which the Company is associate”*,

We submit for S.N.G.N. Romgaz S.A. Extraordinary General Meeting of Shareholders approval of the following Resolution draft:

S.N.G.N. Romgaz S.A. Extraordinary Meeting of Shareholders approves:

- a) *the establishment and registration in the State Register of the legal entities of the Republic of Moldova of the limited liability company “Romgaz Furnizare M S.R.L.” with registered office in Chisinau, No. 70 Mihai Eminescu Street, the Republic of Moldova, having as main business trading of gas fuels through pipelines;*
- b) *the draft Articles of Incorporation of the company “Romgaz Furnizare M S.R.L.”;*
- c) *the mandate for S.N.G.N. Romgaz S.A. Chief Executive Officer - Mr. Răzvan Popescu to sign the Articles of Incorporation of “Romgaz Furnizare M S.R.L.”.*

Chairman of the Board of Directors
Dan Dragoș DRĂGAN

Chief Executive Officer
Răzvan POPESCU

Deputy Chief Executive Officer
Aristotel Marius JUDE

Chief Financial Officer
Gabriela TRÂNBIȚAȘ

Director of Energy Trading Department
Radu Costică MOLDOVAN