

To: The General Meeting of Shareholders S.N.G.N Romgaz S.A. Medias
Ref.: The 2024 Individual Income and Expenditure Budget of S.N.G.N. Romgaz S.A.

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

SUBSTANTIATION NOTE
of the 2024 Individual Income and Expenditure Budget of
S.N.G.N. Romgaz S.A.

- I. **Substantiation** of the 2024 Income and Expenditure Budget draft and the 2025-2026 forecast was based on the laws related to:
- implementing the International Financial Reporting Standards by the companies whose securities are traded on a regulated market;
 - reinforcement of financial discipline and including the wages and salaries expenses in the 2024 budget at the level of economic operators where the state or administrative territorial units are sole or majority shareholders or hold, directly or indirectly, a majority interest;
 - profit distribution by national companies and trade companies fully or majority state owned, as subsequently amended and supplemented;
 - implementation of fiscal provisions;
 - implementation of state budget law provisions;
 - layout and structure of the income and expenditure budget, as well as its related substantiation annexes;
 - setting up fiscal-budgetary measures, amending and supplementing certain laws and prorogation of deadlines.

- II. **Drafting assumptions** of the income and expenditure draft budget are those published by the National Commission for Strategy and Prognosis in "Projection of the Main Macroeconomic Indicators for 2023-2027 the Autumn Forecast - 2023" as follows:

Table 1

	2024	2025	2026
Increase of consumption prices - annual average (%)	6.0	4.0	2.9
RON/Euro - annual average	5.00	5.06	5.12
RON/USD - annual average	4.63	4.69	4.74

- III. **Outline and substantiation of indicators included in S.N.G.N. Romgaz S.A. 2024 Individual Income and Expenditure Draft Budget**

1. Substantiation of Income

The substantiation of the main income categories of the income and expenditure budget is based on the forecasted evolution of gas demand and delivery price, gas and electricity production programs, tariffs for underground gas storage of own gas. Revenues of Iernut Power Plant Branch (SPEE Iernut) are generated from electricity production and delivery, as well as from other field specific services.

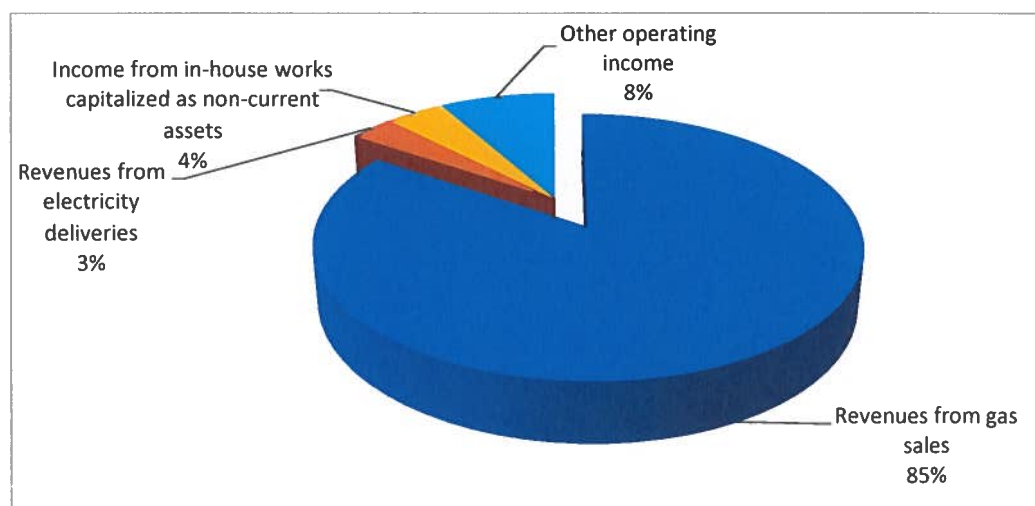
Besides the main revenue categories, income is also recorded from other activities, namely supply of services to third parties (gas transmission, dehydration and compression, rental of goods and assets, chemical analyses, sale of condensate, sale of goods, re-invoicing of gas transmission, distribution and storage services to customers).

A. Operating Income

Operating income is estimated to RON 8,281,973 thousand.

The structure of the 2024 operating income is shown in the chart below:

Chart 1



Operating Income is detailed in the table below:

Table 2

		Preliminary 2023 - RON thousand-	Proposal 2024 - RON thousand-	Ratio 2024/2023 - % -
1	Revenue from Romgaz gas sales delivered from own production	7 743 658	6 960 010	89.9
2	Revenue from joint ventures	28 711	33 981	118.4
3	Revenue from electricity deliveries	407 211	265 135	65.1
4	Income from in-house works capitalized as non-current assets	253 538	346 194	136.5
5	Other income (transmission, distribution, storage, subsidiary rent, goods, changes in inventories, CO ₂ cost recovery)	722 971	676 653	93.6
	Total operating income	9 156 089	8 281 973	90.5

Revenues from Romgaz gas delivered from own production (excluding partnerships and gas for electricity generation) were determined based on the gas quantities estimated to be delivered to customers in 2024 and on the average delivery price of gas from current production and withdrawn from UGSs. The drop of revenues from gas sales is due to the decrease by 2.5% of quantities and by 7.8% of delivery prices.

Revenues from joint ventures represent the value of natural gas delivered under joint ventures (AMROMCO ENERGY SRL) pro rata to Romgaz participating interest.

Revenues from electricity deliveries were determined based on the quantities of delivered electricity and on the estimated average delivery prices. The decrease in revenue is due to the shutdown of the old plant from September 2024 in order to carry out commissioning work on the new plant.

Income from in-house works capitalized as non-current assets represents the value of capitalizable works performed in-house.

Other income represents income from gas distribution, rentals, condensate deliveries, sale of goods, transmission/distribution/storage services re-invoiced to customers (also to be found at expenses), fines, penalties, recovery of costs with CO₂ certificates, according to GEO 27/2022 as subsequently amended.

- B. Financial Income** in amount of RON 130,524 thousand is mostly generated by dividends distributed by Depogaz and the interest for the loan granted to Romgaz Black Sea Limited for supporting operational activities and investments in Neptun Deep Black.

2. Substantiation of expenditures

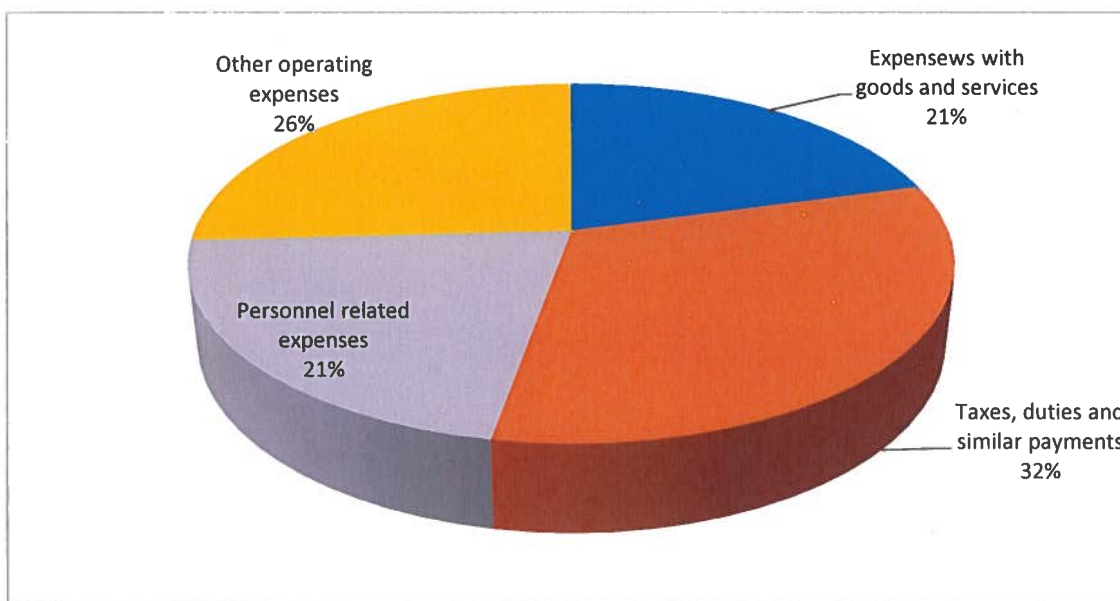
- **Operating expenses** are classified in the following main chapters:
 - A. Expenses with goods and services;
 - B. Expenses with taxes, duties and similar payments;
 - C. Personnel related expenses;
 - D. Other operating expenses.

Table 3

	Preliminary 2023 - RON thousand -	Proposal 2024 - RON thousand -	Ratio 2024/2023 %
A. Expenses with goods and services	768,459	1,069,446	139.2
B. Taxes, duties and similar payments	3,157,897	1,648,747	52.2
C. Personnel related expenses	963,868	1,099,331	114.1
D. Other operating expenses	1,145,451	1,330,593	116.2
Total Operating Expenses	6,035,675	5,148,117	85.3

Below is a graphic representation of operating expenses divided on the 4 categories:

Chart 2



A. Expenses with Goods and Services

For this expense category, in amount of RON 1,069,446 thousand we estimate an increase by 39.2% as compared to the 2023 preliminary. The increase is mainly due to an increase compared to 2023 in transmission and distribution expenses (most of these expenses are recovered from customers and their value is also reflected in the revenue), geological survey costs and an increase in material costs.

B. Expenses with Taxes, Duties and Similar Payments

These expenses include royalty calculated as percentage from the physical production and condensate, windfall tax from gas sale, contribution to the energy transition fund, contributions due to ANRE, specific revenue tax, as well as land, building taxes, all permit taxes, environmental and other taxes and charges.

Expenses with taxes and duties represent 32% of total expenditures, the most significant being expenses on petroleum royalties and windfall tax from gas sale.

Expenses with taxes and duties decreased due to the fact that as of 2024 no solidarity contribution is due.

C. Personnel Related Expenses

Personnel related expenses were estimated based on Law no. 421/December 28, 2023 on 2024 State Budget, providing under Chapter III "Final Provisions", Article 73, the government's policy on the salary policy in order to substantiate the salary costs of economic operators to which GO No. 26/2013 applies.

The resulted salary costs in amount of RON 994,648 thousand remained at the budgeted level for 2023 and are higher by 9.6% as compared to the preliminary expenses for 2023.

Personnel related expenses are higher by 14.1% as compared to the preliminary expenses for 2023.

D. Other Operating Expenses

This category records expenses higher by 16.2% as a result of increased expenses with abandoned wells, non-depreciated value of written off fixed assets, expenses with depreciation of fixed assets and expenses with adjustments and provisions.

- **Financial expenses** amount to RON 228,208 thousand higher as compared to the previous year and include the estimation of expenses with unfavourable differences in the exchange rate, expenses with interests related to this loan and estimations related to the unwinding of the decommissioning provision.

IV. 2024 Profit Distribution Proposal

Profit distribution was made in the 2024 budget proposal in compliance with the provisions of *GO No. 64/2001 on profit distribution at fully or majority state owned national companies and trade companies*, as subsequently amended and supplemented. The profit distribution rate for dividends due to shareholders is 50% and the undistributed balance is allocated to own development sources.

V. Level of overdue receivables is estimated to RON 850,913 thousand for the end of 2024.

VI. Level of Arrears is estimated to RON 0 thousand.

VII. Investment Program

For 2024 S.N.G.N. ROMGAZ S.A. proposes to carry out an Investment Program with a total budget of RON 4,733,015 thousand consisting of:

- Investment Expenses in amount of RON 4,408,015 thousand, out of which:
 - Romgaz investments in amount of RON 1,114,741 thousand;
 - Romgaz financing of Black Sea LTD in amount of RON 3,293,274 thousand;
- Credit reimbursement of RON 325,000 thousand.

The substantiation of the 2024 Investment Program Budget was mostly based on the projects aiming the increase of reserves and resources portfolio (onshore and offshore), offset of natural decline of the gas production and electricity generation, by way of:

- Financing granted by S.N.G.N. Romgaz S.A. to Romgaz Black Sea Limited for supporting current activities and development of Neptun Deep Block;
- keeping the current participating interest with respect to Lukoil (12.2%);
- continuing geological research works by drillings new exploration wells;
- developing the electricity production potential by: continuing and finalising the Combined Cycle Gas Turbine Power Plant - Iernut and the construction of a Photovoltaic Park with an installed capacity of approx. 40 MW;
- modernising and retrofitting of well intervention and special operations equipment and facilities, capitalizable well recompletion operations/reactivation, upgrading of dehydration stations and compressor stations;
- acquisition of new equipment and high-performance facilities specific to the core business;
- acquisition of specific equipment to ensure technological transportation and maintenance of the core business and of gas fields road infrastructure.

VIII. 2025-2026 Indicator Forecast

The 2025-2026 forecast rests on those assumptions underlying the substantiation of the 2024 budget, the market demand and conditions and current legislation.

The provisions of GEO No. 7/2022 are applicable until March 2025, which determines in 2025-2026 an increase in the price of both gas and electricity, but also an increase in expenses with taxes and duties (windfall tax, royalties). The commissioning of the new Iernut power plant determines an increase in revenues from the sale of energy but also an increase in expenses generated by its production (operational expenses, tariffs, CO₂ certificates, green certificates, etc.). Also, in 2025-2026, the interest expenses generated by external financing necessary to support current activity and investments will increase.

IX. Summary of Main Indicators

Table 4

		Preliminary 2023 -RON thousand-	BVC Proposals 2024 - RON thousand -	Estimates 2025 - RON thousand -	Estimates 2026 - RON thousand -	Ratios 2025/ 2024 %	Ratios 2026/ 2025 %
1	Total income	9 433 444	8 412 497	10 167 048	10 304 009	120.9	101.3
2	Total expenses	6 144 740	5 376 325	7 745 647	8 881 008	144.1	114.7
3	Gross result	3 288 704	3 036 172	2 421 401	1 423 000	79.8	58.8
4	Income tax	782 112	468 262	375 004	240 720	80.1	64.2
5	NET profit	2 506 592	2 567 910	2 046 397	1 182 280	79.7	57.8

Please note that the preliminary indicators for 2023 may change and there may be differences from the preliminary indicators for 2023 to be published according to the financial calendar on February 28, 2024.

We would like to emphasize that the indicators forecasted for 2025 and 2026 are indicative only and are not the final indicators of the company's performance for the respective years; they are going to be updated in accordance with the effective law when preparing the income and expenditure budgets for each of the respective years.

Romgaz Board of Directors endorsed the 2024 Income and Expenditures Budget Proposal and the 2025-2026 Forecast during the meeting held on January 29, 2024.

In accordance with Article 4 paragraph (1) item d) of Government Ordinance No. 26/2013, we hereby request the Ordinary General Meeting of Shareholders to approve S.N.G.N. Romgaz S.A. Medias 2024 Individual Income and Expenditure Budget.

The **General Framework** of the Income and Expenditure Budget includes the following Annexes:

- Annex 1: 2024 Income and Expenditure Budget (including 2025-2026 estimates);
- Annex 2: Detailed information on the economic-financial indicators included in the income and expenditure budget and their quarterly distribution;
- Annex 3: Total income level of achievement;
- Annex 4: Investment program, equipment and financing sources;
- Annex 5: Measures to improve gross result and to reduce outstanding payments.

Information related to years 2025 - 2026 of Annex 1 and Annexes 2-5 are not public. These may be reviewed only by Romgaz shareholders at ROMGAZ headquarters in Medias, No. 4, Piata Constantin I. Motas, Sibiu County, Romania, until the date of the Ordinary General Meeting of Shareholders.

**CHIEF EXECUTIVE OFFICER,
Răzvan POPESCU**

**CHIEF FINANCIAL OFFICER,
Gabriela TRÂNBIȚAȘ**

**HEAD OF PREVENTIVE FINANCIAL CONTROL OFFICE,
Anica Mariana SÂNPETREAN**

**HEAD OF LEGAL DEPARTMENT,
Monica STAFIE**

**ACCOUNTING DEPARTMENT DIRECTOR,
Marius Leonte VEZA**

**Prepared by,
HEAD OF BUDGETS AND ECONOMIC ANALYSIS OFFICE,
Ionela Ghizela CHINDEA**

2024 INCOME AND EXPENDITURE BUDGET - INDIVIDUAL

RON thousand

		INDICATORS	Row No.	Preliminary 2023	Proposals 2024	Ratios 2024 / 2023 (%)
0	1	2	3	4	5	6=5/4
I.		TOTAL INCOME (Row1=Row2+Row5)	1	9.433.444	8.412.497	89,2%
	1	Total operating income out of which:	2	9.156.089	8.281.973	90,5%
	a)	subsidies, according to legal provisions in force	3	184.979	202.649	109,6%
	b)	transfers, according to legal provisions in force	4			
	2	Financial income	5	277.355	130.524	47,1%
II		TOTAL EXPENSES (Row6=Row7+Row19)	6	6.144.740	5.376.325	87,5%
	1	Operating expenses (row7=row8+row9+row10+row18),out of which:	7	6.035.675	5.148.117	85,3%
	A.	expenses for goods and services	8	768.459	1.069.446	139,2%
	B.	expenses for taxes, duties and similar payments	9	3.157.897	1.648.747	52,2%
	C.	personnel-related expenses (Row10=Row11+Row14+Row16+Row17), out of which:	10	963.868	1.099.331	114,1%
	C0	Wages and Salaries Expense (Row11=Row12+Row13)	11	907.473	994.648	109,6%
	C1	Salaries expense	12	810.742	864.557	106,6%
	C2	Bonus expense	13	96.731	130.091	134,5%
	C3	other personnel expense, out of which:	14	109	37.974	34838,5%
		expenses with termination benefits	15	0		
	C4	expenses for the mandate contract and for other management and control bodies, committees and commissions	16	4.763	9.549	200,5%
	C5	expenses with contributions owed by the employer	17	51.523	57.159	110,9%
	D.	other operating expenses	18	1.145.451	1.330.593	116,2%
	2	Financial expenses	19	109.065	228.208	209,2%
III		GROSS RESULT (profit/loss) (Row20=Row1-Row6)	20	3.288.704	3.036.172	92,3%
IV		CURRENT PROFIT TAX	21	765.451	507.631	66,3%
		DEFERRED PROFIT TAX	22	16.660	0	0,0%
		INCOME FROM DEFERRED PROFIT TAX	23	0	39.369	
		ACTIVITY SPECIFIC TAX	24	0	0	
		OTHER TAXES NOT REPRESENTED IN THE ABOVE ELEMENTS	25	0	0	
V		NET PROFIT/LOSS of the reporting period (Row 26=Row20-Row21-Row22+Row23-Row24-Row25), out of which:	26	2.506.592	2.567.910	102,4%
	1	Legal Reserves	27		151.809	
	2	Other reserves representing fiscal facilities provided by law	28			
	3	Coverage of accounting loss from previous years	29			
	4	Establishing equity finance for projects co-financed from foreign loans, and establishing sources for reimbursement of installments, payment of interest rates, charges and other costs related to such loans	30			
	5	Other distributions provided by law	31			
	6	Accounting profit after deduction of the amounts provided at Rows 27, 28, 29, 30, 31 (Row 32= Row26-(Row27 to Row31)>= 0)	32	2.506.592	2.416.102	96,4%

RON thousand

		INDICATORS	Row No.	Preliminary 2023	Proposals 2024	Ratios 2024 / 2023 (%)
0	1	2	3	4	5	6=5/4
	7	Profit share payable to employees within the limit of 10% of the net profit, but not more than one monthly average base salary paid by the economic operator during the reference financial year	33	42.998	42.998	100,0%
	8	Minimum 50% payments to the state budget or local budget in case of autonomous companies, or as dividends paid to shareholders in case of national companies and companies fully or majority state-owned, out of which:	34	1.274.795	1.229.550	96,5%
	a)	- dividends to the state budget	35	892.356	860.685	96,5%
	b)	- dividends to the local budget	36			
	c)	- dividends to other shareholders	37	382.438	368.865	96,5%
	9	Profit not allocated to rows 33-34 is allocated to other reserves and represents the company's equity finance	38	1.231.797	1.186.552	96,3%
VI		INCOME FROM EUROPEAN FUNDS	39			
VII		ELIGIBLE EXPENSES FROM EUROPEAN FUNDS, out of which:	40			
	a)	expenses for materials	41			
	b)	Salaries expense	42			
	c)	expenses for services	43			
	d)	expenses for promotion and advertising	44			
	e)	other expenses	45			
VIII		INVESTMENT FINANCING SOURCES, out of which:	46	1.860.083	4.733.015	254,5%
	1	Allocations from the budget, out of which:	47			
		budget allocations related to payments of previous years commitments	48			
IX		INVESTMENTS EXPENSES	49	1.860.083	4.733.015	254,5%
X		SUPPORTING DATA				
	1	Forecasted number of employees at the end of the year	50	5.462	5.800	106,2%
	2	Total average number of employees	51	5.287	5.711	108,0%
	3	Average monthly income per employee (RON/ person) determined on basis of salary-related expenses	52	13.328	13.328	100,0%
	4	Average monthly income per employee (RON/ person) determined on basis of salary expenses recalculated under the Annual Law of the State Budget	53	13.328	13.328	100,0%
	5	Labour productivity in financial units per total average number of employees (thousand RON/person) (Row2/Row51)	54	1.732	1.450	83,7%
	6	Labour productivity in financial units per total average number of employees recalculated under the Annual Law of the State Budget	55	1.732	1.450	83,7%
	7	Labour productivity in physical units per total average number of employees (thousand cm/person)	56	0	0	
	8	Total expenses related to RON 1 000 total income (Row57=(Row6/Row1)x1000)	57	651	639	98,2%
	9	Outstanding payments	58			
	10	Overdue accounts receivables	59	779.450	850.913	109,2%

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