

To: The General Meeting of Shareholders of S.N.G.N. ROMGAZ S.A.
Ref: The 2024 rectified individual Income and Expenditure of S.N.G.N. Romgaz S.A.

ENDORSED,

CHAIRMAN OF THE BOARD OF
DIRECTORS
Dan Dragos DRAGAN

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

I. Brief history

On March 1, 2024 the Ordinary General Meeting of Shareholders of S.N.G.N. Romgaz S.A. approved by OGMS Resolution No. 2/March 1, 2024, Item 1 the 2024 Individual Income and Expenditure Budget (BVC) of S.N.G.N. Romgaz S.A.

As of April 2024, in view of the legislative changes issued by the government in the field of natural gas and electricity (in particular those related to gas and electricity recovery prices), the revenue of the current year is expected to decrease, together with the decrease by default of the gross profit approved by the Income and Expenditure Budget.

Considering that it is estimated that the revenues and profit will not be achieved in 2024 as provided for in the budget, a budget rectification is being carried out in order to update the budgeted indicators to reflect as closely as possible the company's future activity.

II. Current situation

The budget rectification falls under the provisios of GO no. 26/2013 on strengthening the financial discipline at the level of certain economic operators in which the State or administrative-territorial units are the sole or majority shareholders or directly or indirectly hold a majority stake, in Article 10) paragraph (2) letters b), c), d) because it reduces gross profit, it reduces labour productivity and it increases the level of total expenditure to RON 1,000 total revenue.

This proposal of the 2024 rectified individual income and expenditure budget of S.N.G.N. Romgaz S.A. is based on the following premises and conditions as provided.

- The assumptions for drawing up the rectified income and expenditure proposal are those communicated by the National Commission for Strategy and Prognosis in „*The Projection of the Main Macroeconomic Indicators for 2023 - 2027 for the Winter Forecast - 2023*”, as follows:

Table 1

	2024	2025	2026
1 Increase of consumption prices - annual average	5.6%	4.0%	2.9%
2 RON/Euro - annual average	5.00	5.06	5.12
3 RON/USD - annual average	4.63	4.69	4.74

- The rectified draft budget for 2024 and 2025-2026 was substantiated for the current structure of *S.N.G.N. Romgaz S.A. Medias - individual (Romgaz/ the Company)*.
- In order to be able to perform the commissioning works of the new power plant, shutting down the old power plant was taken into consideration starting with September 2024, carrying out production tests for the new power plant with its production starting with December 2024;
- For the assets specific to the natural gas storage activity leased to the underground gas storage Subsidiary Depogaz Ploiesti, the rent from the lease contract valid on January 1, 2024 was taken into account for the entire 2024-2026 budgeted period;
- In order to cover the financing requirement of Romgaz current and investment operations, in 2024 the Company will issue bonds in the amount of EUR 500 million (*RON 2,5 billion*);
- For 2024 Romgaz proposes to carry out an **investment program** (including loan repayments) with a total budget of RON 4,390,391 thousand, based on objectives aiming at finance granting to Romgaz Black Sea Limited, continuing and completing the construction of the Combined Cycle Gas Turbines Power Plant - Iernut etc.

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

1.Substantiation of Income

The substantiation of the main income categories of the rectified income and expenditure budget is based on the forecasted evolution of gas and electricity demand and delivery price, gas and electricity production programs, 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.

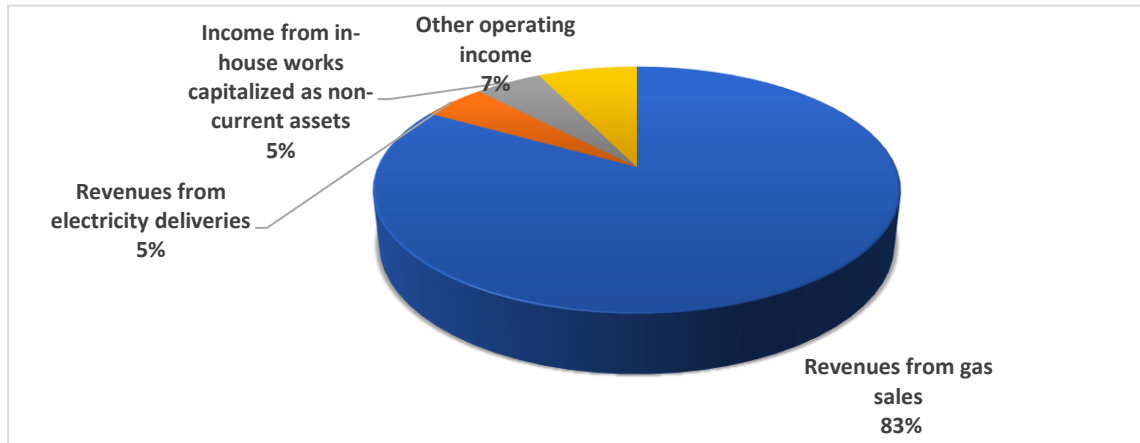
Besides the main revenue categories, income is also recorded from other activities, namely supply of services to third parties (gas transmission, dehydration and compression, rental of goods and assets, chemical analyses, sale of condensate, sale of goods, re-invoicing of gas transmission, distribution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

A. Operating Income

Operating income is estimated to **RON 7,522,562** 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

		Results 2023 - RON thousand -	2024 rectified BVC - RON thousand -	Ratios 2024/2023 - % -
1	Revenue from Romgaz gas sales delivered from own production	7,747,762	6,225,727	80.4
2	Revenue from joint ventures	28,099	28,814	102.5
3	Revenue from electricity deliveries	406,480	352,298	86.7
4	Income from in-house works capitalized as non-current assets	250,977	369,371	147.2
5	Other income (transmission, distribution, storage, subsidiary rent, goods, changes in inventories, CO ₂ cost recovery)	554,986	546,353	98.4
	Total operating income	8,988,303	7,522,562	83.7

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 decrease in revenues from gas sales as compared to 2023 is due to the decrease by 2.8% of quantities and by 17.3% of delivery price.

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 production tests for the new power plant with its production starting with December 2024.

Income from in-house works capitalized as non-current assets represents the value of capitalizable works performed in-house. We mention that these revenues do not affect the result of the Company, having a direct correspondent in expenses.

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.

- B. Financial Income** in the amount of RON 129,902 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 Block.

2. Substantiation of expenditures

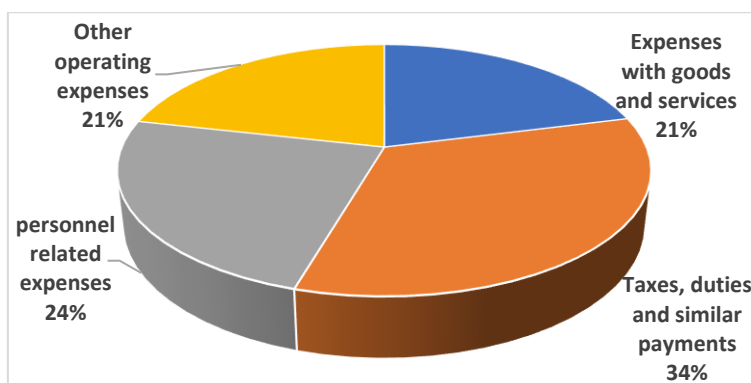
- **Operating expenses** are classified in the following main chapters:
 - A. Expenses with goods and services;
 - B. Expenses with taxes, duties and similar payments;
 - C. Personnel related expenses;
 - D. Other operating expenses.

Table 3

	Results 2023 - RON thousand -	2024 rectified BVC - RON thousand -	Ratios 2024/2023 %
A. Expenses with goods and services	728,297	1,075,562	147.7
B. Taxes, duties and similar payments	3,176,272	1,709,041	53.8
C. Personnel related expenses	962,957	1,224,339	127.1
D. Other operating expenses	1,002,157	1,096,089	109.4
Total Operating Expenses	5,869,684	5,105,030	87.0

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 the amount of RON 1,075,562 thousand, we estimate an increase by 47.7% as compared to the 2023 results. 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, spare parts necessary to carry out repair work, periodic revisions.

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 34% 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 421/December 28, 2023 on 2024 State Budget, providing under Chapter III "Final Provisions", Article 73, as amended, (GEO 31/2024, Article XIII) establishing the government's policy on the salary policy in order to substantiate the salary costs of economic operators to which GO 26/2013 applies.

As a result of the market context and the legislative limitations on the price of gas and electricity (amending GEO 27/2022 through GEO 32/2024), Romgaz cannot obtain a profit increase as compared to 2023 (the profit is lower by RON 974,468 thousand as compared to the profit achieved in 2023). According to the legislative provisions (Article 73 paragraph (7) of the State Budget Law No. 421/2023) in order to be able to grant the salary increases mentioned in the State Budget Law on the state budget (increase by the average index of increase of prices forecasted for 2024 and by the amounts representing increases in salary expenses, the, related to their reinstatement), Romgaz has prepared a financial analysis attached to the budget presentation material (Annex 6). The financial analysis justifies the decrease of the budgeted profit in 2024 compared to 2023 due to causes beyond Romgaz control and as result of factors beyond the Company's action/lack of action resulting from the application of the legislative provisions (reduction of gas and electricity prices).

Thus, the salary expenses resulting from the inflation of 5.6% and the reinstatements are in the amount of RON 1,113,754 thousand, higher by 22.8% than those achieved in 2023 and personnel expenses are in the amount of RON 1,224,339 thousand higher by 27.1% as compared to those achieved in 2023.

D. Other operating expenses

This category records expenses higher by 9.4% as compared to 2023, 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** in the amount of RON 199,015 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 percentage for dividends due to shareholders for the years 2024-2025 is 20% and the retained difference is allocated to own development sources.

V. **Level of overdue receivables** is estimated to RON 829,178 thousand for the end of 2024.

VI. **Level of Arrears** is estimated 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 4,414,391 thousand** (including loan repayments) (Annex 4) consisting of:

- Investment Expenses in the amount of **RON 4,089,862 thousand**, out of which:
 - Romgaz investments in amount of RON 1,232,843 thousand;
 - Romgaz financing of Black Sea LTD in amount of RON 2,858,019 thousand;
 - loan repayments in the amount of RON 324,529 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** to support the current activity and the development of the 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;

- 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 27/2022, as amended, 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

Item No.	Indicators	2024 Rectified BVC RON thousand	2025 Estimates RON thousand	2026 Estimates RON thousand	Ratio 2025/2024 %	Ratio 2026/2025 %
0	1	2	3	4	5=3/2	6=4/3
1	Total income	7,652,464	9,288,590	9,374,531	121.4	100.9
2	Total expenses	5,304,046	7,411,432	8,180,008	139.7	110.4
3	Gross result	2,348,418	1,877,158	1,194,522	79.9	63.6
4	Income tax	320,178	272,396	186,734	85.1	68.6
5	Net profit	2,028,240	1,604,761	1,007,788	79.1	62.8

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 rectified Income and Expenditures Budget Proposal and the 2025-2026 Forecast.

In accordance with Article 4 paragraph (1) item d) of Government Ordinance No. 26/2013, we hereby submit to the Ordinary General Meeting of Shareholders to approve the 2024 rectified individual Income and Expenditure Budget of Romgaz.

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

- Annex 1: The 2024 Rectified Income and Expenditure Budget (including estimates for 2025 - 2026);
- Annex 2: Detailed information on the economic-financial indicators included in the rectified 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;
- Annex 6: Financial analysis of the justification for the decrease in budgeted gross profit in 2024 as compared to 2023.

Information related to years 2025 - 2026 of Annex 1 and Annexes 2-6 are not public. We mention that these may be reviewed only by Romgaz shareholders at ROMGAZ headquarters in No. 4, Piata Constantin I. Motas, Sibiu County, Romania, until the date of the Ordinary General Meeting of Shareholders.

Proposals

In view of the above information regarding “The 2024 rectified Income and Expenditure of S.N.G.N. Romgaz S.A. - individual” we hereby submit the following budget proposal to the General Meeting of Shareholders for approval:

- “The General Meeting of Shareholders approves the 2024 rectified Income and Expenditure of S.N.G.N. Romgaz S.A. - individual”

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