



CONFERENCE CALL
FOR THE DISCUSSION OF FY/Q4 2022 RESULTS
of ROMGAZ Group
March 1, 2023

PARTICIPANTS:

Razvan POPESCU	Chief Executive Officer
Gabriela TRANBITAS	Chief Financial Officer
Andrei BOBAR	Financial Director
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The Investor Relations Team	

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Mr. Razvan POPESCU, CEO:

PRESENTATION OF THE 2022 PRELIMINARY RESULTS
Conference Call with Investors and Analysts
March 1st, 2023

Good afternoon ladies and gentlemen,

Thank you for joining our conference call to discuss the preliminary results recorded by Romgaz Group in 2022.

Yesterday we published the Preliminary Annual Consolidated Report, which includes a brief presentation of our performance recorded last year. Also, an overall presentation of our group is available on our website, in the “Investors” Section.

A. I would like to take this opportunity to address certain aspects regarding the market context of 2022, which impacted our group’s performance:

- According to our estimates, total natural gas consumption in Romania decreased by 16% year-on-year, with gas imports reaching a 27% weight in total consumption. In Q4, gas consumption declined by almost 22% year-on-year, while imports decreased their weight, according to our estimates. It is worth noting that compared to other European countries, gas consumption in Romania is heavily covered by domestic output.
- Monthly Average of Wholesale Gas Prices on the Romanian Commodities Exchange (Spot, Forward and Balancing Markets) surged over 3.2 times in 2022 compared to 2021. In Q4 2022, gas prices on this exchange reversed the upward trend, and adjusted downwards by around 35% compared to Q3 2022.
- On the Central European Gas Hub, the average monthly reference price also advanced over 3 times year-on-year in 2022, according to data provided by the Romanian Agency for Mineral Resources. In Q4, prices adjusted downwards compared to the previous quarter.

B. Regarding the fiscal environment of 2022, Romgaz activities were impacted mainly by Government’s Emergency Ordinance No. 27 issued on March 22, amended several times during the year.

The main provisions applicable to gas producers include:

- REGULATED gas selling prices of 150 RON/MWh for the gas sold to households starting April 1st, 2022 and until March 31st, 2025;

- REGULATED gas selling prices of 250 RON/MWh for the gas sold to thermal plants to produce thermal energy for households, during April - August 2022, and of 150 RON/MWh starting Sept 1st, 2022 to ensure gas consumption of households during the cold months until end-March 2025;
- Exemption of Windfall Profit Tax for revenues from the gas sold at regulated prices, and computation of Gas Royalties based on the regulated prices instead of CEGH prices;
- The above mentioned Ordinance also states that gas suppliers have CAPPED selling prices for some categories of end-consumers: maximum 310 RON/MWh for households, and maximum 370 RON/MWh for thermal plants and for industrial clients with a consumption below 50,000 MWh in the previous year.

For the energy market, the Ordinance also imposed pricing levels, and an 80% windfall profit tax for energy producers during April 1st and end-August 2022 for prices exceeding 450 RON/MWh (certain deductions apply).

Starting Sept 1st, 2022, energy producers which started operations before this date, energy traders and gas traders are required to contribute to the Energy Transition Fund the full amount exceeding 450 lei/MWh (here also certain deductions apply).

Gas storage is also mandatory for gas suppliers and thermal plants to secure 30% of households' consumption starting April 2022.

In addition, the Government Emergency Ordinance No. 186 issued in December 2022 (in line with EU legislation), imposed for the 2022-2023 fiscal years a 60% Solidarity Contribution applied to the annual taxable profit that is 20% higher than the average value of taxable profits recorded during 2018-2021.

C. Regarding the operational and financial performance achieved by Romgaz Group in 2022, we can mention the following aspects:

1. **We recorded a Natural gas production of 4.94 billion of cm, 1.8% lower compared to 2021, but within the 2.5% limit of the average annual decline assumed through the Development Strategy by Romgaz.**

We continued our measures to support the development of our onshore production, namely: optimization of wells operation, extension of rehabilitation projects in the main mature reservoirs, workover and recompletion operations at inactive or low-flow wells, and completion of investments to extend production infrastructure and connect new wells to this infrastructure.

In addition, we performed workover activities for 215 wells, finalised 9 surface facilities and 1 production well, while other are in different execution stages. In Q2 we put into operation the Gas Dehydration Plant in Coşereni - an investment of RON 31 million.

Also, at the end of June, DeGolyer & MacNaughton, US completed the external audit of our gas portfolio. The audit states total Gas Reserves at 65.9 bcm, and total Gas Resources at 55.9 bcm as of December 31st, 2021.

2. **We continued to improve our significant position already held on the gas market:** we reached **49%** of total supplies in Romania, and **68%** of consumption covered from domestic gas, according to our estimates.
 3. “Total Gas supplies” (including those to Iernut power plant) declined by 1.7% year-on-year, as a result of lower volume of gas acquired and resold.
 4. “Total Revenues from the Gas Sold” were at a record-high of RON 11.33 billion – over 2.2 times higher year-on-year – due to the market environment which led to a significant increase in our average realised gas selling price for the first 9 months especially.
 5. The Electricity Segment had a strong contribution, with record high Revenues of RON 1.33 billion – over 4 times higher year-on-year, due to elevated prices and production 74% higher year-on-year.
 6. “Revenues from Storage Services” also soared by 81% year-on-year to RON 469 million, mainly due to higher capacity reservation and injection services.
 7. **Overall in 2022, we reported “Total Revenues” of RON 13.38 billion**, almost 2.3 times higher year-on-year, and at a historical record.
 8. **Regarding expenses**, we can underline the extremely-high level of taxes and contributions for last year:
 - “Windfall Profit tax” increased almost 4 times to RON 4.90 billion;
 - “Total Royalties” were over 2.2 higher at RON 1.67 billion;
 - Windfall profit tax for electricity, respectively, the Contribution to the Energy Transition fund were RON 404 million, and
 - Solidarity Contribution amounted to RON 1 billion.
- Altogether these 4 taxes reached the substantial amount of RON 8 billion, elevated 4 times compared to 2021.
- Also, expenses with these 4 taxes accounted for 60% of Total Revenues in 2022 (compared to only 34% in the previous year).
9. **Bottom line, Net Profit was record-high at RON 2.54 billion**, 33% higher compared to 2021.
 10. **Profitability rates continued to be robust**, albeit impacted by high tax expenses: EBITDA margin at 26.3%, EBIT margin at 22.2%, and NP margin at 19%.

D. If we analyze strictly the 4th quarter of 2022, we can note the following main results:

- Gas production declined by 5.6% year-on-year, but recorded an increase of 6.5% compared to Q3;
- Total Revenues were at the quarterly record-high of RON 2.57 billion, +9% year-on-/year;
- Royalties and Windfall Tax diminished almost 4 times year-on-year, due to the measures enforced to limit and even decrease the gas prices in the market;
- Also, the Net Profit was reported at RON 307 million, mainly impacted by the Solidarity Contribution of RON 1 billion that is due for the entire fiscal year, but was recorded entirely in Q4, as it was introduced in late December;
- Profitability rates remained at favourable levels: EBITDA margin at 24.5% and Net Profit margin at 11.9%.

E. On the capex side, in 2022 ROMGAZ Group invested a total amount of RON 5.6 billion, which included the acquisition of 50% of Neptun Deep project.

We remind you that **on August 1st, 2022, Romgaz finalised the transaction with ExxonMobil** for the acquisition of all shares issued by ExxonMobil Exploration and Production Romania Limited, which owns 50% of the rights and obligations related to Neptun Deep Project. We partially financed the acquisition through a credit facility of EUR 325 million that was signed on March 30.

This important achievement is in line with the “Development Strategy for 2021-2030” of Romgaz, which includes the development of our onshore and offshore hydrocarbon resources and reserves portfolio - focusing on resilient hydrocarbons and mitigating the effects of climate changes.

F. As regards the perspectives for this year, the 2023 budget proposal was endorsed by our Shareholders Meeting held on February 20.

For 2023, the consolidated guidelines include a Profit before Tax of RON 2.41 billion, and total investments of RON 2.17 billion. The 2023 capex program is mostly based on projects aiming to increase the reserves and resources portfolio and offset the natural decline of gas production, as well as on electricity generation.

With this, I would like to close our presentation and thank you for your attention!

Q&A SESSION

Question from Irina Railean (BT Capital Partners): Could you detail the reason for such a high income tax expense in the 4th Quarter?

Answer from Gabriela TRANBITAS: Although the result for the 4th Quarter of 2022 was only RON 300 million, we want to remind that the Contribution Tax is a non-deductible expense, so that explains the high income tax.

Question from Irina Railean (BT Capital Partners): What is the financing mix you envisage for Neptun Deep? How much additional debt do you expect to take in to finance this project?

Answer from Razvan POPESCU: We are looking at having a mix of debt that includes a credit line with a banking consortium and also the issuance of bonds to cover the high capex peaks that we will have during 2025 and 2026. We are looking to around 1 - 1.2 billion EUR, in our estimates.

Question from Iuliana Ciopraga (Wood & Company): Can you please disclose our production estimate for 2023? How much do you expect to sell on the regulated market in 2023?

Answer from Razvan POPESCU: We are looking to keep production in line with the strategy with no more than a 2.5% decrease, and also, we have not yet received from the OTS the reglemented situation regarding the gas that Romgaz has to supply to the final consumer and to thermal plants for the next gas year.

Answer from Radu MOLDOVAN: As regards the sales to the regulated market for the 1st Quarter, 89% from the deliveries are according to the GEO No. 27, and as from April 1st, we are expecting for the transmission system operator to distribute the quantities.

Question from Tamas Pletser (Erste Bank Investment, Hungary): What was the proportion of eligible customers (households, municipality heating companies) from total sales in the 4th Quarter?

Answer from Razvan POPESCU: The last quarter I think it had the higher proportion - around 90% have been shipped at regulated levels on the regulated market.

Answer from Radu MOLDOVAN: And we would like to add that for households - about 74%, and for heat producers - 16%.

Question from Istvan Sarkany (Individual investor): Some companies started to contest in the courts of justice the solidarity tax. Is there any chance, in case they succeed, for Romgaz to take similar steps?

Answer from Razvan POPESCU: It is not our business what other companies are doing, because they have to look at their own mix of gas and their own percentages related to the wording of the Ordinance. Romgaz has analysed the Ordinance in detail, also using our external advisors and how it is written at this point in time. As you can see in the budget, we have budgeted the solidarity tax as applicable to Romgaz.

Question from Iuliana Ciopraga (Wood & Company): A question from me regarding the budget that you have made public some months ago, and mostly about the operating cost and increasing operating cost that we are seeing there. Can you please clarify what is triggering these increases and actually, a bit more colour on the budget will be highly appreciated.

Secondly, of course if you can discuss a bit of the dividend and what you expect to pay out of 2022 Net Profit and 2023 as well.

Answer from Razvan POPESCU: Regarding the high operational cost, we have envisaged a larger intervention for our mature wells than in the other years, we have budgeted more operations - more workover operations. Also – we considered the drilling with our own internal services of a couple of wells, and took into account the high inflation and raising costs, given that we see a lot of bottlenecks in the supply chain and in the part of demand for this type of parts.

We have seen very high prices, we are looking at higher prices, and we are also looking at a higher consumption and at a higher volume - due to the advanced workover and optimization operations that we intend to implement.

Regarding the dividend policy, we are hoping and looking at having a minimum dividend payout of 50% - that is required by the GEO No. 64 - to be taken out of Romgaz coffers, considering that we are also paying the Solidarity Tax.

Question from Ioana Andrei (Alpha Bank Romania): On the power market, can you please disclose what are your expected sales on the centralized power acquisition market at the regulated price of RON 450/MWh?

Answer from Andrei BOBAR: We have the obligation to sell minimum 50% of our production at 450 RON/MWh.

Question from Cristian Petre (NN Pensii): Can you give more details on Iernut power progress?

Answer from Razvan POPESCU: Yes, we are in the final steps of the negotiation regarding restarting of the plant and we will inform the market shortly, taken into account that we are looking to finalise the negotiations in a very short period of time. The market will be informed accordingly, regarding both the way that is going to be restarted and the total amount.

Question from Laura Simion (BRD GSG, Romania): The profit from 2023 will be compared to the 2018-2021 average, or to 2019-2022?

Answer from Andrei BOBAR: So, the average will remain the same. It will be the average between 2018 and 2021.

Question from Ioana Andrei (Alpha Bank Romania): Regarding dividends. Do you maintain your expectations of a 50% payout, or in the light of today's discussions your proposal will more likely reach 90%?

Answer from Razvan POPESCU: No, our proposal for payout dividends is 50%, given the high degree of investments that Romgaz has to implement in the coming years.

Question from Irina Railean (BT Capital Partners): What is the stand-alone (individual) Net Profit for Romgaz? Is the 2.38 billion RON indicated in the budget (for 2022 preliminary) still a good indication?

Answer from Gabriela TRANBITAS: The 2022 Net Profit is estimated at 2.5 billion RON.

Question from Daniela Mandru (Swiss Capital, Romania): I have several questions. The first one: please disclose the quantities sold last year for households and thermal power producers. I am referring at total quantities, not only the quantities sold at regulated prices - in order for us to make an estimation for this year.

The second question, because I think I didn't understand very well: what do you estimate as investments for Neptun Deep until the exploration starting in 2026-2027, and if you have some investments planned for this year in Neptun Deep?

The third question refers to Iernut power plant, what would be the estimated production for this year? Thank you.

Answer from Radu Moldovan: So, related to total volumes sold in 2022: according to the GEO no 27 - 16 TWh (of which for households - 14 TWh, and for thermal power plant producers - 2.6 TWh), according to the GRP - it would be 10.8 TWh, on the Commodities Exchange Market - 616.9 GWh, and in bilateral contracts with thermal heat producers - 22 TWh (out of which 11.7 TWh for thermal heat producers).

Question from Daniela Mandru (Swiss Capital, Romania): So, last year, how much did you sell to households and thermal power producers?

Answer from Razvan Popescu: Just to give you an idea, if you are trying to extrapolate what happened last year - to this year, I don't think it's going to work. Because the GEO No. 27 was introduced starting with 1st of April, and started with an injection period. So, when we are looking at the entire production for last year, it is around 33% sold at regulated prices over the whole year.

We have not yet received the allocation for 1st of April, 2023 until March 31, 2024 from the OTS, if that answers your question.

Question from Daniela Mandru (Swiss Capital, Romania): My extrapolation was: if you sold last year 35% to households and thermal producers, probably the same quantity will be allocated to you because these are your clients.

Answer from Razvan Popescu: Not necessarily, because you had 3 months - almost 4 months in which we had a free market on which to sell, then the allocations came. So, it should be higher, if you ask.

And looking to the Neptun Deep, we have budgeted for 2023 almost 150 million EUR in investments, and we are waiting for the operator partner to take the FID. Romgaz, as I have stated, has taken the FDI the moment we decided to acquire Exxon's stake, so for us the FID is implicit. We are looking at total investments in this perimeter until 2026-2027 of up to around 2 billion EUR - as Romgaz investment in the project.

Question from Daniela Mandru (Swiss Capital, Romania): I just wanted to compare your estimates with Petrom estimates, so you are at the same level.

Answer from Razvan Popescu: Because the operator and the non-operator, through the operating committee, have this setup together. So, of course, they have to be similar, given just a few difference of estimations, but they should always be similar in terms of costs throughout the project.

Question from Daniela Mandru (Swiss Capital, Romania): But here, do you have an estimate for the net present value of the Neptun Project?

Answer from Razvan Popescu: We cannot share this type of information.

Question from Daniela Mandru (Swiss Capital, Romania): The last question was regarding the estimated power production of this year.

Answer from Andrei Bobar: It will be almost in line with the production that we realized in 2022. We will have 2 months in which we will do the maintenance - in April and October. And our estimate is that our production will reach the same level as in 2022.

We don't estimate that finalizing the new power plant will affect the production this year, but once we will have more information, we will communicate with the investors.

Question from Adam Milewicz (PKO Bank Polski): Is it good assumption that you sell 75% of your production at regulated gas price of 150 RON /MWh in 2023? Do you expect FID on Deep Neptun in mid-2023 or you expect any delays?

Answer from Razvan Popescu: We cannot give the assumption, because we have made our own assumption regarding this and we have budgeted it, but as I stated before - we have not yet received the quantities that we have to supply under the premises of the Ordinance no 27.

Regarding the FID, we do not expect any delay, and we prepared the budget in accordance with having FID in mid-2023. We see no delays at this point in time.

Question from Tamas Pletser (Erste Bank Investment, Hungary): Can you please repeat your production target for 2023? Thank you.

Answer from Razvan Popescu: Our production target is in line with our multi-annual strategy at keeping it in check at a maximum 2.5% decline in production. Our aim is to keep production as close as to the 4.9 bcm per year.

Question from Daniela Mandru: I do not know if there is the same situation for you as for Petrom, but when you are selling gas for power plant, you are selling it at 100 RON /MWh, or at the market price?

Answer from Razvan Popescu: It is regulated by the Ordinance no 27, at 100 RON/MWh, starting with September 2022. Thank you.

If you need further information, please contact our IR team.

On behalf of ROMGAZ team, thank you for attending today's conference call !

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