



CONFERENCE CALL

**For the discussion of S1/Q2 2023 RESULTS
of ROMGAZ Group**

August 16th, 2023

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PRESENTATION OF THE H1/Q2 2023 RESULTS

Conference Call with Investors and Analysts

August 16th, 2023

Good afternoon ladies and gentlemen,

Thank you for joining our conference call to discuss the results recorded by Romgaz Group in the First-Half of 2023.

We published the Board of Directors Report last Friday, which includes a detailed presentation of our economic and operational performance, the Consolidated Interim and Standalone Interim Financial Statements.

Also, an overall presentation of the group is available on our website, in the “Investors” Section.

A. I will start by highlighting some aspects of the gas market environment in the First Half of 2023, compared to the same period of the previous year:

- We estimate that natural gas consumption in Romania dropped by 12% year-on-year, with imported gas volumes decreasing their weight to 14% - compared to 28% a year before;
- The Romanian Commodities Exchange recorded a weak liquidity as a result of the current regulation in force, and the Wholesale Average Price was lower by 19% year-on-year (these prices are considered as of the month of delivery for transactions concluded on this market segment);
- The average reference price on the Central European Gas Hub in the first 6 months recorded a decline of around 40% year-on-year according to data provided by the National Agency for Mineral Resources.

B. Regarding the gas & energy sector legislation in Romania, Romgaz activities continued to be influenced mainly by Government’s Emergency Ordinance No. 27 - effective April 1st, 2022, subject to various subsequent amendments.

The Ordinance addresses the high gas and energy prices, and includes the following main provisions applicable to gas producers:

- REGULATED gas sales prices of 150 RON/MWh for the gas sold to suppliers of households (starting April 1st, 2022) and to heat producers and their suppliers - for the production of thermal energy for households (starting September 1st, 2022); the price of gas sold to the latter category was 250 RON/MWh only during Q2/2022;

- The Ordinance also states that gas suppliers have CAPPED sale prices for some categories of end-consumers: maximum 310 RON/MWh (VAT included) for households, and maximum 370 RON/MWh (VAT included) for heat producers and for industrial clients with a consumption below 50,000 MWh in the previous year;
- For gas sold at regulated prices, starting April 1st 2022, producers' revenues are exempted from the Windfall Profit Tax. Gas Royalties are computed based on these regulated prices, instead of CEGH reference prices;
- As of September 1st, 2022, energy producers which started operations before this date, are required to contribute to the Energy Transition Fund the full amount exceeding 450 RON/MWh (certain deductions apply). In addition, gas and energy traders owe contributions to this fund for the profit in excess of 2% over the acquisition price;
- Gas storage is also mandatory for gas suppliers and heat producers to secure part of the estimated consumption of final clients during November 2023 - March 2024.

In addition, Government Emergency Ordinance No. 186 issued in December 2022, imposed for 2022-2023 fiscal years a 60% Solidarity Contribution applied to the amount of the annual taxable profit that exceeds by 20% the average value of taxable profits recorded during 2018-2021.

C. Regarding the operational and financial performance reported by Romgaz Group in the First Semester of 2023, we highlight the following results:

- 1. Natural gas production amounted to 2.38 bcm, lower by 5% compared to last year - but more importantly - approximately at the budgeted level and well below the national consumption drop of 12%.**

This was possible due to: output consolidation by streaming new wells into production as a result of successful exploration programs, rehabilitation projects in the main mature reservoirs, workover and recompletion operations to re-activate high-flows wells, and optimisation of wells operation by using modern techniques.

As regards investments performed in our production facilities in the First-Half of 2023, I would like to point out that we finalised 1 production well, 1 well is in execution, and 5 wells in drilling-works procurement. Also, we completed 5 surface facilities, 14 facilities - are in construction, and other 25 - in different preparation stages. We performed recompletion, reactivation and capitalizable repairs for a number of 81 wells.

- 2. We hold a very strong position on the Romanian gas market: in the first 6 months of this year, our market share reached almost 48% of total deliveries in Romania, and 56% in consumption covered from domestically-produced gas, according to our assessments.**

3. **Regarding “Gas Sales to third parties”**, volumes adjusted by 5.3% y/y, based on lower gas consumption in Romania, and lower volumes available for sale.
4. **“Total Revenues from Gas Sold”** amounted to RON 4.28 billion - with a decline of 36% year-on-year from the historical high value recorded last year. The drop came as a result of Romgaz obligation to sell over 86% of volumes at the regulated price of 150 RON/MWh in the First-Half of 2023, compared to only 4% in H1 2022.
5. **“Revenues from Storage Services”** added RON 287 million - up by 60% year-on-year, mainly due to higher revenues from capacity booking services.
6. **“Revenues from Electricity”** reached RON 200 million (compared to RON 499 million in H1 2022) - impacted by the requirement to sell almost the entire production at RON 450 /MWh, according to GEO No. 27/2022.
7. **Overall, we recorded “Total Revenues” of RON 4.9 billion**, 35% below the historical high value reported in the 1st Semester of last year.
8. **On the expenses side, we underline that the 2 main taxes** included in the “Other expenses” line in the P&L recorded a significant decline, with a positive effect on our profitability:
 - “Windfall tax” decreased 5.6 times year-on-year to RON 645 million, due to the exemption for households and their significantly-higher weight in sales;
 - “Gas and UGS Royalties” dropped almost 3.2 times to RON 290 million, due to lower gas prices on CEGH, but, more importantly, due to higher sales at regulated prices than in H1 2022 (as previously mentioned, 86% of volumes sold were at regulated prices, as opposed to only 4% in H1 2022).

On the other hand, the Solidarity Contribution introduced in Q4 2022- which is recorded as an income tax expense - amounted to RON 971 million.

Altogether these 3 taxes represented a substantial expense of 1.91 billion RON, and accounted for 39% of Total Revenues in the First-Half of 2023 (compared to the 61% weight in the same period of 2022).

9. **Gross Profit reached the historical high value of RON 3.01 billion** - at a significant increase of 46% compared to last year.
10. **Bottom line, Net Profit amounted to RON 1.69 billion**, at a marginal decrease of 2% year-on-year - impacted by the Solidarity Contribution.
11. **All Profitability Rates recorded a substantial performance in H1 2023:**
 EBITDA margin advanced to 64.5%, and EBIT margin at 59.2% - both rates being more than double year-on-year; net profit margin rose to the elevated level of 34.4%.

D. For Q2 alone, we highlight the following main results:

- Gross Profit at a historical quarterly height of RON 1.22 billion;
- Net Profit of RON 716 million;
- Profitability rates at very strong levels, with EBITDA margin exceeding 64%.

E. We further highlight several achievements that are in line with the “Development Strategy” of our Group:

- On August 1st, Iernut Power Branch submitted the hand-over report to the contractor Duro Felguera SA - in order to start the remaining works to complete the new Combined-Cycle Gas Turbine Power Plant. With this, the completion of this strategic project is on the right path to putting the new plant into operation in the shortest possible time;
- **Regarding Neptun Deep project**, on June 21st ROMGAZ BLACK SEA LIMITED and OMV Petrom submitted to the National Agency for Mineral Resources the Development Plan of Domino and Pelican South commercial gas reservoirs. This submission represents the Final Investment Decision.

The Development Plan was endorsed by the Agency - as the competent authority - on August 3rd, meaning that the project entered into the effective development phase, which consists of drilling and construction of required infrastructure for exploiting and marketing natural gas.

OMV Petrom and Romgaz will invest up to EUR 4 billion for the development phase - which will enable around 100 bcm of natural gas to be brought on stream.

First gas production is planned for 2027. Developing the commercial reservoirs involves an infrastructure which includes 10 wells, 3 underwater production systems and the related collecting pipelines, an offshore platform, the main pipeline towards Tuzla and a gas measurement station. The platform generates its own electricity, operating at the highest safety and environmental protection standards. The entire infrastructure shall be remotely operated through a digital twin. This allows optimizing the processes and it shall add to environment performance enhancement by making energy consumption more efficient and reducing emissions.

Neptun Deep Project represents the most important investment in the Romanian energy sector in the past 30 years, and will make Romania the largest natural gas producer in the EU.

For ROMGAZ, the project represents a historical milestone in its corporate transformation and development.

- F. I would like to state that - in line with the national and European legal requirements for non-financial reporting - at the end of June, we released the “2022 Sustainability Report” - which addresses relevant issues regarding corporate governance, ethics and anti-corruption, as well as our economic, social and environmental performance.**
- G. In the end of this presentation, I would like to mention that in July we distributed Total Gross Dividends of RON 1.32 billion. Total Gross Dividend per Share amounted to 3.42 RON, resulting in a Total Payout Ratio of 52% for the last year.**

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

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Q&A SESSION

Question from Iuliana Ciopraga (Wood & Company): I have two questions at this stage: how much was sold at regulated prices in the Second Quarter and, also, if you could give us an outlook on production for this year?

Answer from Razvan POPESCU: The outlook on the gas production - we are trying to keep production in check with a 2.5% decline that we assumed also in our strategy. Regarding the gas being sold, as we have stated before, 86% of the gas was sold at capped prices.

Question from Iuliana Ciopraga (Wood & Company): Regarding the 86% figure: that is 86% in the Second Quarter or in the First Half of the year? And can you give us a guidance on what to expect for the full year? I remember it was that 88%, do you still keep that?

Answer from Razvan POPESCU: Yes, we still keep that, the 86% was for the First Semester, it is close to the First Quarter as well, so it is around 85-87% at capped prices and we do keep it for the entire year - between around 85 and 88% for the entire year.

Question from Iuliana Ciopraga (Wood & Company): Can you give us a guidance for the sales excluding the regulated market? What was the price for those sales, is it close to what we see on the Exchange - on BRM, can you give us any guidance here?

Answer from Razvan POPESCU: Yes, of course, the price is close to the market, the extra gas has been sold through bilateral contracts and also on the gas Exchanges. So, the gas sold like that is very close to market prices.

Question from Iuliana Ciopraga (Wood & Company): When you refer to market prices you refer to BRM, right?

Answer from Razvan POPESCU: Yes, to the local BRM market, we only sell on the BRM local market.

Question from Iuliana Ciopraga (Wood & Company): And regarding the power plant, the current power production I see it is making loss in the Second Quarter as well. Right now the gas is transferred at 100 RON/MWh. The CO2 costs are somewhat covered by the windfall tax. What is generating the losses there and what should we expect actually until the end of the year?

Answer from Razvan POPESCU: We will expect to be in line with what we have budgeted within our sale of energy. Being an old power plant, of course it encounters a lot of problems along the way, and we are trying to keep it open until the end of next year when we will have the new power plant put into production. And the loss is being generated by the high prices of the CO2 certificates, and we are also trying to find a way to recuperate these amount from the authorities.

Question from Daniela Mandru (Swiss Capital, Romania): The first question regards the base EBT for computing the solidarity tax in the Second Quarter and if you have the data available to give us the base EBT for the next 2 quarters. In order for us to be able to compute, because the tax is quite high even compared to the budget. Maybe you can explain why the tax is so high compared to the budget, because in the budget you have 1.2-1.3 bln RON, and at the First Half of the year we are much above the budget for the entire year.

Then, I have another question regarding the outlook for power production for the entire year, I don't know if in the budget you presented the figure.

I would also like some explanation for "Other operating income", "Other operating expenses" - because there are large movements there and I don't know how to look at them.

And then, regarding the power production and the power plant, what is the number of CO2 certificates bought by power producers - some ratios. Thank you!

Answer from Gabriela TRANBITAS: Regarding your first question, I would like to mention that we prepared the budget taking into consideration the information available at that time. We prepared the budget in late December - early January 2023. At that time we assumed that around 75% of gas would be sold at regulated prices. However - later, during the year, when national transmission operator informed us on the quantities that would be sold according to the Ordinance, this weight increased to 86%. This means lower windfall tax and royalties, which translated into higher taxable profit. Higher taxable profit means higher solidarity contribution. For Q3, the 2018-2021 average of taxable income is 330 million RON, and for Q4 it is 495 million RON.

Question from Daniela Mandru (Swiss Capital, Romania): And for Q2 ?

Answer from Gabriela TRANBITAS: 335 million RON.

Question from Daniela Mandru (Swiss Capital, Romania): And the outlook for this year on power production? And here I would like to know how many certificates you need to buy for the volume of power produced? Because I have seen that you released some provisions, then bought some certificates.

Answer from Razvan POPESCU: It is also because we have budgeted the certificates at a certain price, the market is moving and we try to cover the energy produced by buying the certificates in real time. So we cannot give you an exact forward number for the entire year - because it would impact the way that we buy certificates on the market. Disclosure is a little bit too much, but you can extrapolate from the First Half results.

Question from Daniela Mandru (Swiss Capital, Romania): Ok, but you need to buy these certificates depending on the power produced.

Answer from Razvan POPESCU: And on the CO2 emitted - on tone of CO2.

Question from Daniela Mandru (Swiss Capital, Romania): And the number of certificates you need to buy? For example, if you produce 1 MWh, how many certificates you need to buy for that 1 MWh - if you have this ratio?

Answer from Razvan POPESCU: We need to buy approximately 0.59 certificates for 1 MWh of electricity produced.

Question from Daniela Mandru (Swiss Capital, Romania): And for the new power plant, these emissions will be much lower, right?

Answer from Razvan POPESCU: Yes, of course.

Question from Daniela Mandru (Swiss Capital, Romania): And in “Other operating income” for example? I have read your report and I have seen that “Other operating income” stood at 129 million RON in H1 2023. What are these amounts about? Can you explain?

Answer from Gabriela TRANBITAS: In “Other income” we recorded an income of around 97 million RON regarding the CO2 certificates that we would have to recover from the Romanian state according to Ordinance 27.

Question from Daniela Mandru (Swiss Capital, Romania): I am not aware of the provisions of this ordinance, but probably the most important question is for the next half of the year - are there more other operating income to add here?

Answer from Gabriela TRANBITAS: Yes, we would probably add to the 97 million RON - the amount of certificates to be recovered for the Second Half of the year.

Question from Daniela Mandru (Swiss Capital, Romania): So another 100 million RON?

Answer from Gabriela TRANBITAS: We will see.

Question from Daniela Mandru (Swiss Capital, Romania): And from what I read here, this is a provision or an amount you accrue actually, because you do not cash in this money.

Answer from Gabriela TRANBITAS: The Ordinance 27 says that we should collect this amount from the Romanian State. However, the ordinance does not mention the mechanism and the procedure to recover this amount. We are discussing with the authorities to clear everything, so that we can submit a claim for this amount.

Question from Daniela Mandru (Swiss Capital, Romania): So, going forward, for this year probably you will have other operating income double compared with the first half of the year.

Answer from Gabriela TRANBITAS: It depends on the cost of the CO2.

Daniela Mandru (Swiss Capital, Romania): Ok, thank you very much for the answers.

Question from Iuliana Ciopraga (Wood & Company): Just a clarification regarding profit tax for this quarter - it's quite low. I mean, this percentage of earnings before tax, before solidarity tax, it's quite low. What should we expect for the upcoming quarters?

Answer from Gabriela TRANBITAS: Could you please repeat what is low?

Question from Iuliana Ciopraga (Wood & Company): Profit tax - the tax from profit it's normally 16%. I mean, in my understanding, solidarity tax is not deductible, right, for profit tax purposes?

Answer from Gabriela TRANBITAS: Correct.

Question from Iuliana Ciopraga (Wood & Company): But profit tax - I mean what you recorded as profit tax in the second quarter - was quite low, as percentage of earnings before tax and before solidarity tax, of course. And I was wondering if we will see something similar in the upcoming quarters or not.

Answer from Gabriela TRANBITAS: Current profit tax is 428 million RON, which is almost double compared to last year. We determine the tax according to the provisions of the tax code.

Question from Iuliana Ciopraga (Wood & Company): Yes, I was more referring to the percentage. You usually look at 16% of earnings before tax as profit tax, but, in this case, in the second quarter, the percentage was much lower. I was wondering if this is something that we should take into account in the following quarters as well, or if that is not the case.

Answer from Gabriela TRANBITAS: We will get back to you with an answer on this.

Clarification added - Note 7 in the Consolidated Condensed Interim Financial Report shows the requested details on the Income Tax. We provided there the Income Tax split on components, which explains the computation.

Question from Tamas Pletser (Erste Bank Investment, Hungary): Just a follow up on this certificate issue - can you tell us how much you spent on CO2 certificates during the First Half of this year?

Answer from Gabriela TRANBITAS: In the First Half of 2023, we bought certificates amounting to 258 million RON. At the same time, we have a clarification: from the 258 million RON - the amount of 228 million RON relates to the CO2 certificates for 2022.

Question from Tamas Pletser (Erste Bank Investment, Hungary): So, you spent also money or you also made a provision for this CO2 certificates, which you would recoup from the Government? Do I understand this correctly?

Answer from Gabriela TRANBITAS: There are two separate things. The mechanism for the provision for CO2 is that if we don't buy the certificates by the end of the period, then we estimate how much would these CO2 certificates cost and we record the provision. When we buy the certificates, we record the actual expense with how much we paid for the certificates and we release the previous provision to income.

Question from Tamas Pletser (Erste Bank Investment, Hungary): So, this means that 228 million RON was a provision, so that's still the certificates you have to buy throughout the year.

Answer from Gabriela TRANBITAS: Yes, 228 million RON was a provision in December 2022, and this year - when we bought the certificates worth 258 million RON - we released an income of 228 million RON, which was recorded in December. So it's a net effect of around 30 million RON, an extra expense.

Question from Tamas Pletser (Erste Bank Investment, Hungary): Ok, but it doesn't tell anything of what you have to do during the second half of the year?

Answer from Gabriela TRANBITAS: No, because as I said, it depends on the cost of the CO2 certificates.

Question from Tamas Pletser (Erste Bank Investment, Hungary): And how much percentage of this CO2 certificates you are receiving free from the Government, and how much do you have to buy in the market? Can you tell any estimates on that?

Answer from Gabriela TRANBITAS: At the moment, we are not receiving any free certificates. It was a mechanism in place valid, I think, until 2019 if I am not mistaken. Now, we have to buy all the certificates.

But regarding the income that I was talking about earlier, that we need to collect from the Romanian state: GEO no. 27 introduced a mechanism according to which if we sell electricity at 450 RON/MWh, and if the production cost is not covered by this price, we would recover the value of the CO2 certificates for the power sold.

Question from Tamas Pletser (Erste Bank Investment, Hungary): So, the Government gives you back if you cannot sell at a certain price?

Answer from Gabriela TRANBITAS: Exactly.

Question from Tamas Pletser: And you cannot say how much percentage of your production - I mean how much percentage of the CO2 need is covered by the Government or not, or is this a public information?

Answer from Gabriela TRANBITAS: No, it is not public information.

Question from Iuliana Ciopraga (Wood & Company): Coming back to the same CO2 question - how does it work in practice? So, you have CO2 emissions by producing power, I guess that in each quarter you account for those emissions, right? This is what we see in the P&L, and then - when you have to buy them effectively, you release the provision as well. That's what you're talking about - when you mentioned expense, you mentioned impact on cash flow and you basically released a provision. But when do you buy them? You buy them in 2023, you buy the whole amount needed for 2022 in 2023, or how does this process work? When do you buy them effectively? So, for the emissions of this year, when will you buy the certificates?

Answer from Gabriela TRANBITAS: Until now, we usually bought the certificates in the following year. This year, we took the decision to buy the certificates during the year.

Question from Iuliana Ciopraga (Wood & Company): Ok, so you are buying right now during the year - you are buying right now for 2023.

Answer from Gabriela TRANBITAS: Yes.

Question from Iuliana Ciopraga (Wood & Company): And regarding what you mentioned above, money to be recovered from the state - is that related only to the sales at 450 RON/MWh or is it related to the windfall tax? Because if I remember correctly, there is a provision there in the windfall tax - windfall tax related to power - saying that you would recover somehow the CO2. So, what I am asking is if what you estimated in other income, is that related only to the sales on the centralized market at 450 RON/MWh or not?

Answer from Gabriela TRANBITAS: It relates to the electricity sold at 450 RON/MWh.

Question from Iuliana Ciopraga (Wood & Company): Not to the tax, not to the contribution to energy transition. Ok, thank you.

Question from Daniela Mandru (Swiss Capital, Romania): I remembered that I didn't get the answer for power production outlook for this year - total power production.

Answer from Razvan POPESCU: We will come back with this information.

Question from Daniela Mandru (Swiss Capital, Romania): Ok, and now, regarding the gas production, you are reiterating a 2.5% decline, but actual figures contradict you each quarter. I understand that this is in your strategy, but are you confident that the production will decline just by 2.5% by the end of the year?

Answer from Razvan POPESCU: On our production outlook, at this point in time, we can say that we will keep in check the 2.5% decline. We've had a lot of workovers operation this summer and in the first quarter as well, and all these had an impact on production, as well as the revisions that happened in the Iernut power plant. So, we expect to catch up on the production till the end of the year.

Question from Ioana Andrei (Alpha Bank Romania): Can you please tell us what are your plans for financing the Neptun Deep project? What you expect over the next year?

Answer from Razvan POPESCU: Over the next year we are planning to finance at least half of the sums that Romgaz will have to invest. We will probably go to issue bonds as we stated before, we are looking right now at an MTN bond issuance - and it will depend on the final budgeting to see the exact cash flow that we will have over the three years. So it's a work in progress. We do not have, let's say, something very set up regarding the timeline, but probably in the first half or maybe a bit later - in the second half of 2024, we'll have to tap the market for the first bond issuance. 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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