



CONFERENCE CALL
For the discussion of Q1/2023 RESULTS
of ROMGAZ Group
May 15th, 2023

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PRESENTATION OF THE Q1/2023 RESULTS
Conference Call with Investors and Analysts
May 15th, 2023

Good afternoon ladies and gentlemen,

Thank you for joining our conference call to discuss the results recorded in the first 3 months of 2023.

We released the Quarterly Report of Romgaz Group at the end of last week, and this includes the presentation of our economic and financial performance, and the Consolidated Condensed Interim Financial Statements.

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

I would like to emphasise some aspects regarding the gas market environment, and also to highlight the group’s performance.

A. Let me start with some aspects regarding the market context in the First Quarter of this year:

- According to our assessments, natural gas consumption in Romania decreased by 12% year-on-year in Q1; Imported gas volumes recorded a significant decline, reaching an 8% contribution in total consumption, compared to the high weight of 29% reported in the similar period of 2022;
- On the Central European Gas Hub, the average reference price dropped by 17% compared to the same period of 2022 according to the data provided by the Romanian Agency for Mineral Resources;
- As expected, The Romanian Commodities Exchange (Spot & Forward & Balancing Markets) recorded a weak liquidity due to the regulation in force, with the average price in the period reverting to the level recorded a year before (these prices are considered as of the month of delivery for transactions concluded on this market segment).

B. Regarding the fiscal environment, Romgaz activities continued to be influenced mainly by the Government’s Emergency Ordinance No. 27 issued in March 2022, and subsequently amended and supplemented.

The main provisions applicable to gas producers include:

- REGULATED gas selling prices of 150 RON/MWh for the gas sold to households' suppliers (starting with April 1st, 2022) and directly to (or to suppliers of) heat producers for the production of thermal energy for households (as of Sept 1st, 2022);
- For the gas sold at regulated prices, revenues are exempted from the Windfall Profit Tax, and Gas Royalties are computed based on these regulated prices, instead of CEGH reference prices (starting with April 1st, 2022);
- The 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 heat producers and for industrial clients with consumption below 50,000 MWh in the previous year;
- As of Sept 1st, 2022, energy producers which started operations before this date, are required to contribute to the Energy Transition Fund the full amount exceeding 450 lei/MWh (certain deductions do 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 the maximum between 30% of the estimated consumption of final clients during Nov 2023 - March 2024, and 90% of the underground storages' capacity.

In addition, the Government Emergency Ordinance No. 186 issued in December 2022, imposed for the 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 recorded by Romgaz Group in the first 3 months of 2023, we can point out the following aspects:

- 1. Natural gas production amounted to 1.24 billion cm, as we succeeded to exceed by 0.7% our quarterly budget.** The output was at a 5% adjustment from the high level recorded in Q1 2022, and also 1% below Q4 2022.

We continue to take efficient measures to develop our onshore gas output, and here I could mention only a few specific activities, such as: workover and recompletion programs in inactive or low productivity wells, continuous rehabilitation projects of the main mature gas fields, optimization of the gas field production, and completion of investment to extend production infrastructure and connect new wells to this infrastructure.

Regarding the investments made in our gas production facilities, I can mention that: we completed the works at surface facilities to stream into production 5 wells, and are in progress with investments at surface facilities to stream into production other 14 wells. Also, we performed intervention works at a total number of 40 production wells.

2. **Our position on the Romanian gas market continues to be significant:** we achieved a market share of **38%** of total gas delivered in Romania - higher compared to the same period of 2022, and we held almost **42%** of the consumption covered from domestically-produced gas, according to our estimates.
3. With respect to **Gas Sales to third parties**, volumes declined by 5.3% y/y in Q1, representing nevertheless a better performance than the drop of the domestic gas consumption over the period, as I mentioned earlier;
Compared to the 4th Quarter of last year, we succeeded to record an increase of 6.8% in the gas volumes sold in Q1 this year.
4. “Total Revenues from the Gas Sold” amounted to RON 2.57 billion - lower by 25% compared to the historical height recorded last year - as a result of a lower average realised gas selling price. Compared to Q4, Total Gas Revenues were elevated by 26% quarter-on-quarter due to higher volumes and prices.
5. “Total Revenues from Storage Services” grew by 71% year-on-year to RON 151 million, mainly due to higher revenues from capacity reservation and withdrawal services.
6. “Revenues from Electricity” added RON 121 million, well below the level reported last year - as a result of production lower by 6% and fiscal frame regarding prices higher than 450 RON/MWh.
7. **Overall in Q1 2023, we recorded “Total Revenues” of RON 2.91 billion, 26% below from the historical quarterly height reported in Q1 last year.**
If we compare with Q4 2022, we can note that “Total Revenues” recorded a positive performance, with a 14% increase in Q1 this year.
8. **On the expenses side, the main 2 taxes** included in the “Other expenses” item in the P&L statement recorded a decline, with a positive effect:
 - “Windfall Profit tax” amounted to RON 477 million, on lower gas prices and volumes sold;
 - “Gas and UGS Royalties” totaled RON 150 million, mostly due to lower gas prices on CEGH and in Romania, and lower production as well;

The Solidarity Contribution - which is recorded as a tax expense starting Q4 - amounted to RON 538 million.

Altogether these 3 taxes represented a substantial expense of 1.16 billion RON, and accounted for 40% of Total Revenues in Q1 2023 (albeit lower compared to the 59% weight recorded in Q1 2022).
9. **Bottom line, we reported Net Profit at the high level of RON 970 million, at a marginal decrease of 1% year-on-year.**

Compared to the previous quarter, the Net Profit in Q1 2023 was higher over 3 times, as the Solidarity Contribution due for the entire year 2022 was fully expensed in Q4.

10. All Profitability Rates recorded a strong advance in Q1 2023:

EBITDA margin reached 64.7%, and EBIT margin at 59.9% - both rates being more than double year-on-year, and NP margin stood at the high level of 33.3%.

D. On the capex side, ROMGAZ Group invested a total amount of RON 223 million in Q1/2023, split 58% in equipment upgrade, 16% in the storage segment, 12% in geological exploration, 12% represented the investment in Romgaz Black Sea Limited, and the 2% balance in the electricity segment.

E. With respect to the Strategic Objectives of Romgaz, we remind that these include the development of our onshore and offshore hydrocarbon resources and reserves portfolio - focused on resilient hydrocarbons, the production of energy with low CO2 emissions, and also mitigation of the effects of climate changes.

As a latest development, on May 10th the Shareholders Meeting approved the Settlement Agreement between Romgaz and Duro Felguera, and on April 3rd the Procurement Contract has been signed - with the objective to finalise the works and commission the new power plant located in Iernut.

F. In the end of this presentation, I would like to mention the approval of dividends to be paid this year. On April 26th, the Shareholders Meeting decided upon Total Gross Dividends of RON 1.32 billion - or a Total Gross Dividend per Share of RON 3.42, resulting in a Total Payout Ratio of 52% for the last year.

Dividends will be paid to shareholders in the registry on July 6th, and will be distributed during July.

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): Referring to the declining production in Q1, you still see possible a decline in the production of up to 2.5% as per strategy? That is the first question.

Secondly, how much gas was sold at regulated prices in Q1 out of total sales? And also, if you can give some guidance for the rest of the year, how much do you expect to sell at regulated prices, from the second quarter to the fourth? These would be my first patch of questions.

Answer from Razvan POPESCU: Yes, because in the first quarter we had workovers and capital repairs to a number of wells that were delayed from last year. So, given our production profile, we still expect to be in the 2.5% decline for the entire year versus last year.

Regarding to the structure of the volumes sold, we are looking in Q1 at around 90% sales at regulated prices and we are looking for around to the same amount, with a couple of points plus or minus, for the rest of the year 2023 up to March 2024.

Question from Iuliana Ciopraga (Wood & Company): You mean that you expect to sell 90% of total volumes sold this year at regulated prices. Is this right?

Answer from Razvan POPESCU: Yes, around 88% to be more exact.

Question from Iuliana Ciopraga (Wood & Company): Related to the budget for this year: in the budget we see significant increase in costs and actually a decrease in profitability for this year compared with 2022, but that is not what we see in your results that you just released for this quarter. What should we expect to see? Should we expect to see in the following quarters a significant increase in the costs or you were just cautious in the budget?

Answer from Razvan POPESCU: Not necessarily, because you know, ROMGAZ's budget is done quite cautious. Because we don't want to overestimate. The increase in costs are due to the fact that we have not budgeted such a big proportion of gas being issued under the Ordinance, and this is a part of the explanation for what you are asking. We are striving to have the best costs versus income profile and we are looking to improve our profitability rates as you can well see in our Q1 data.

Question from Iuliana Ciopraga (Wood & Company): So, what you are saying is that you build the budget under the assumption that you will be selling less under the Ordinance at regulated prices?

Answer from Razvan POPESCU: Yes, exactly.

Question from Ioana Andrei (Alpha Bank Romania): I have a question regarding the average realized gas price. From my computation it stands below the first quarter of 2022, but it is higher compared with the last quarter of 2022. Considering you had similar regulated volumes, how was this possible, if prices did not increase on the free market?

Answer from Razvan POPESCU: You are correct, but this is possible because in the last quarter of 2022 almost our entire production was distributed under the ordinance and the realized gas price was lower and in Q1 23 there was some production that was available to sell on the free market and that is why the average realized price of gas was higher than in Q4 2022.

Question from Ioana Andrei (Alpha Bank Romania): When you are talking about some production, you are actually referring to the 10%?

Answer from Razvan POPESCU: Around 10%, yes.

Question from Ioana Andrei (Alpha Bank Romania): My second question was regarding the power segment: based on my computation your average realized power price stood below 450 RON/MWh, actually at around 400 RON/MWh. Can you explain how was it possible in the first quarter?

Answer from Razvan POPESCU: From our calculation it was not below 450 RON/MWh.

Question from Ioana Andrei (Alpha Bank Romania): You had 121 mln RON from power sales and you had a volume of around 300 GWh.

Answer from Andrei BOBAR: No, that was the volume of electricity produced. So, the volume of electricity sold was 259 GWh, actually the realized price is 467 RON/MWh.

Question from Ioana Andrei (Alpha Bank Romania): Can you explain how much you sold under this centralized mechanism?

Answer from Andrei BOBAR: 250 GWh, from 259 GWh, more than 90%.

Question from Tamas Pletser (Erste Bank Investment, Hungary): Hi, what was the reason that your final Q4 2022 result contains different numbers than the preliminary 4Q 2022 results?

Answer from Gabriela TRANBITAS: Preliminary information is issued before final results are accounted for. Besides that, preliminary info is not audited so auditors may have some adjustments.

Question from Oleg Galbur (Raiffeisen Bank International AG): What was the volume of gas sold in Q1 2023, which was subject to windfall tax payment?

Answer from Radu MOLDOVAN: So, the answer would be 1.6 TWh.

Question from Oleg Galbur (Raiffeisen Bank International AG): What was the total volume of gas sold to households and thermal energy producers in Q1 2023?

Answer from Radu MOLDOVAN: So, the structure of gas sold to households was: 69.49% at 150 RON/MWh; 18.78% to suppliers of heat producers and to heat producers at 150 RON/MWh, 0% to households - for 310 RON/MWh, 8.12% for non-households for 370 RON/MWh, and 3.61% - the difference.

Question from Oleg Galbur (Raiffeisen Bank International AG): How much of the 80% (as per your earlier comment) of gas projected to be sold at regulated prices in 2023 do you project at RON 150/MWh?

Answer from Razvan POPESCU: So, 88% of production will be sold at 150 RON/MWh.

Question from Ioana Andrei (Alpha Bank Romania): How does the Q1 results compare to what you have budgeted for Q1? In line, above, or below?

Answer from Andrei BOBAR: Regarding Q1 results, practically we have exceeded our Net Profit by 17.1% compared to what we have budgeted for Q1 2023. Thank you.

Question from Ioana Andrei (Alpha Bank Romania): In Q1, Romgaz reached almost 40-50% for the budgeted Net Profit for the entire year. Should we expect for Romgaz to obtain a higher Net Profit than the one you budgeted?

Answer from Razvan POPESCU: The market expectations will probably be viewed in the evolution of the share price of the company. As we said, the budget was constructed on a very realistic basis. As you can see, the market is quite volatile, prices are quite volatile and we are striving to do our best to keep the company as profitable as possible, but we also have to take into account that we have a lot of

expenses going forward, a lot of investments to be made in the last three quarters of the year.

Question from Ioana Andrei (Alpha Bank Romania): At what prices will Romgaz sell the gas bought from import operations? Do you expect that the Romanian Government to cap the price at which Romgaz can sell the imported gas? If yes, this could result in losses, since Romgaz pays the market price for the imported gas.

Answer from Razvan POPESCU: In case Romgaz will import gas, we will only sell it at market prices and we will not take any losses or we will not assume any negative difference between the final selling price of the gas and the import price.

Question from Florin Turcas (Individual investor): Have you thought of hedging on gas prices if futures markets will be opened at Bucharest Stock Exchange, have you thought of proposing derivatives on weather conditions?

Answer from Razvan POPESCU: This is something that we have taken into account, is something that is going to be analysed by our commercial department, but it's not something that we are doing at the moment.

Question from Florin Turcas (Individual investor): When do you expect the produce resources to be depleted?

Answer from Razvan POPESCU: According to our latest audit, we still have explorable resources of over 55 bcm. Romgaz is a company that will always replace and replenish its resources; that's why we are conducting exploration operations and we are trying to find new possibilities and new resources that are going to be extracted. Also, this is our main focus right now - the Neptun Deep project, that could bring an addition to Romgaz's reserves. So, Romgaz's reserves are not something that we depleted in a number of years or can give such a calculation, because we are always replenishing those resources and reserves.

Question from Florin Turcas (Individual investor): You have substantial losses (actual and probable) from receivables. Can these be avoided in the future?

Answer from Gabriela TRANBITAS: The provisions that we have recorded from receivables come from old outstanding debts. Currently our commercial policy says that we can only sell gas to customers, to clients who provide a guarantee or who pay gas in advance. So, these provisions shouldn't go any higher.

Question from Florin Turcas (Individual investor): Have you thought of exploring other related activity fields, such as gas engines or LNG?

Answer from Razvan POPESCU: Yes, we have. Romgaz is constantly looking for new ways to expand its business and also new ways to have done the supply chain more added value for the gas that we extract. Right now we are in a joint-venture with SOCAR to explore the possibility of having a commercial relationship with them regarding an LNG terminal in Romania.

Question from Ioana Andrei (Alpha Bank Romania): Just a follow-up question on the power side, you mentioned that volumes sold are lower than the ones produced. Do you disclose the volumes sold somewhere?

Answer from Andrei BOBAR: At the moment, we are not disclosing the volumes sold, but we are discussing internally that we should disclose them in the future. Thank you.

Question from Iuliana Ciopraga (Wood & Company): So, just to clarify, should we expect 80% or 90%? I understood that 88% sold at 150 RON for the full year; you said right? Did I understand correctly?

Answer from Razvan POPESCU: That is the estimation that we have at this point in time.

Question from Iuliana Ciopraga (Wood & Company): If you can provide us an update on Iernut and when it will become operational, and also, regarding salaries, I see an increase around 36% in Q1 compared with Q1 2022. Should we expect something similar for the full year? Thank you.

Answer from Razvan POPESCU: So, to the second question, the answer is no. And to the first question, regarding the Iernut power plant, as we have informed the market and our shareholders on 10th of May, our General Shareholders Meeting has approved the transaction. Romgaz and Duro Felguera have signed the contract to finalise the power plant, and the time to finish the power plant and put it into production is 16 months from the date that the works will start.

Question from Iuliana Ciopraga (Wood & Company): And regarding salaries, what should we expect for this year? If it's not 26%, how much do you expect? What kind of increase do you expect for the salaries?

Answer from Andrei BOBAR: Regarding the salaries expense, we believe that they will not exceed the budgeted ones, which are 1.06 billion RON for 2023. Thank you.

Question from Cristian Petre (NN Pensii): Hi, can you give more details on Trident project? FID, volumes?

Answer from Razvan POPESCU: At this time, we cannot give any extra information than what has been published. The operators reprocessing the seismic data and they will probably come with the new investment profile and investment structure. When we will have more information, we will announce according to all market regulations in force.

Question from Iuliana Ciopraga (Wood & Company): Regarding solidarity tax, what was the average EBT for 2018-2021 taken into account for the calculation of the tax?

Answer from Andrei BOBAR: Our Investor Relations team will answer to this question later.

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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