



CONFERENCE CALL

**For the discussion of 2023 preliminary RESULTS
of ROMGAZ GROUP**

February 29th, 2024

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Gabriela TRÂNBIȚAȘ, CFO:

PRESENTATION OF THE 2023 PRELIMINARY RESULTS

Conference Call with Analysts and Investors

February 29th, 2024

Good afternoon, ladies and gentlemen,

Thank you for joining our conference call to discuss the preliminary results recorded by Romgaz Group in 2023.

Yesterday we published our Preliminary Consolidated Report for 2023, which comprises the key economic and financial results of Romgaz Group in the period. Also, an overall presentation 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 in 2023, which impacted our group’s performance:

- According to our estimates, natural gas consumption in Romania declined by 6.5% last year, with gas imports recording a significant drop and reaching a 17% weight in the gas consumption;
- As a result of the current regulation in force, the Romanian Commodities Exchange recorded a weak liquidity, and the Average of Wholesale Prices declined by around 36% year-on-year (prices are considered as of the month of delivery for transactions concluded on this market segment);
- Also, the average monthly reference gas price on the Central European Gas Hub adjusted downwards in 2023, according to data provided by the National Agency for Mineral Resources.

B. In respect to the fiscal environment in the gas & energy sector in Romania in 2023, Romgaz activities were mainly impacted by Government’s Emergency Ordinance No. 27 - effective April 1st, 2022, subject to subsequent amendments.

We want to remind the main provisions applied to gas producers in 2023:

- REGULATED gas sales prices of RON 150 /MWh for the gas sold to suppliers of households, and to heat producers and their suppliers - for the production of thermal energy for households;
- CAPPED prices for the gas sold to some categories of end-consumers: maximum RON 310 /MWh (VAT included) for households, and maximum RON 370 /MWh (VAT included) for small industrial clients, power plants and industrial parks;

- For the gas sold at regulated prices - exemption from payment of the Windfall Profit Tax, while Gas Royalties are computed based on these regulated prices, instead of CEGH reference prices;
- Contribution to the Energy Transition Fund of the amount exceeding RON 450 /MWh for energy producers which started operations before September 1st 2022.

Also, GEO no. 186 / December 2022 introduced for the 2022-2023 fiscal years a 60% Solidarity Contribution applied to the amount of the taxable profit that exceeded by 20% the average value of taxable profits reported during 2018-2021.

Additional fiscal legislation was introduced in October 2023 for certain operators in the oil & gas sector (including producers):

- a 0.5% tax on turnover (with some deductions) applicable for the fiscal years 2024 and 2025, and a 1% tax on turnover if this is higher than the 16% corporate profit tax, payable starting with 2024 - enforced by **Law no. 396 regarding fiscal-budgetary measures**;
- Gas royalties higher with approximately 1.5 percentage points, and gas storage royalties up by 0.5 percentage points - enforced by **GEO no. 91**.

For this new legislation, we are waiting the regulator to come up with some additional clarifications.

C. Regarding the operational and financial performance achieved by Romgaz Group in 2023, we can mention the following aspects:

1. **Our Natural Gas Production amounted to 4.79 bcm, lower by 2.99% compared to 2022**, as a result of the gas consumption dynamics in the National Gas Transmission System and specific decline in some reservoirs. Important output performance was achieved in Q4 alone, as mentioned in the related section below.

Our steady efforts to consolidate the potential of our onshore production include: (a) workover operations in low productivity or inactive wells, (b) continuous rehabilitation projects in main mature reservoirs, (c) production optimisation of gas reservoirs, and (d) investments for the development of production infrastructure and connection of new wells to this infrastructure.

2. **We continued to improve our significant position already held on the gas market:** according to our assessments, Romgaz ranked as **leading gas supplier in Romania during 2023, with a substantial market share of 50% in total gas deliveries.**

Also, we are strongly positioned in gas consumption covered from domestically-produced gas, holding a **significant market share of almost 60%** last year.

3. **With respect to “Gas sales to the market”**, volumes declined by 4.6% year-on-year, also due to lower volumes withdrawn from the underground storages.

4. **“Total Revenues from Gas Sold”** were reported at RON 7.77 billion - at a 31% drop from the historically-high value recorded in 2022; this was the result of the Governmental Ordinance no. 27/2022 which imposed us to sell the bulk of production (or over 86% of volumes sold) at the regulated price of RON 150 /MWh.
5. **“Revenues from Storage Services”** increased by 18% year-on-year to RON 552 million - with withdrawal revenues recording the highest growth rate, and capacity reservation having the largest share.
6. **“Revenues from Electricity”** diminished contribution to RON 407 million, 3.3 times below the record-level achieved in 2022 - as almost entire production was sold at a price below RON 450 /MWh in line with the GEO no. 27/2022.
7. **Overall, in 2023, “Total Revenues” amounted to RON 9.00 billion**, registering a 33% decline from the historically high value recorded in 2022.
8. **Regarding expenses, the 2 main taxes** included in the “Taxes and Duties” item in the P&L recorded an important drop, with a positive impact on our profitability:
 - “Windfall tax” amounted to RON 890 million (from RON 4.9 billion in 2022), due to the exemption for households and their significant weight in sales;
 - “Gas and UGS Royalties” totaled RON 601 million (from RON 1.6 billion last year), due to lower gas prices on CEGH and higher production sold at regulated prices.

On the contrary, the Solidarity Contribution - recorded as an income tax expense - recorded a 68% increase to RON 1.69 billion.

Altogether, the 4 taxes (including the duty to the Energy Transition Fund) represented a significant expense of RON 3.18 billion and accounted for 35% of Total Revenues in 2023 (nevertheless lower compared to 60% in 2022).

9. **Bottom line, we reported a Preliminary NET PROFIT of RON 2.81 billion, up by 10% year-on-year, and at a historically high value.**

11. All Profitability Rates were substantial in 2023:

Both the EBITDA and the EBIT margin reached historically-high annual values - of 59.7% and 54.4% respectively, and Net Profit margin - at the strong level of 31.2%.

D. For Q4 alone, we can note the following main performance:

- Gas Production higher by 2.0% year-on-year, and by 12.5% compared to Q3;
- Electricity Production up by 18.5% year-on-year;
- Net Profit of RON 643 million, elevated by 108% compared to 2022;
- Net Profit Margin - more than double year-on-year at 29.4%.

E. Regarding Investments, we can highlight important achievements performed during 2023 - which are in line with the “Development Strategy” of Romgaz:

Neptun Deep Project represents the most important transaction in the Romanian energy sector in the past 30 years - ensuring the country’s energy security - and also

a historical milestone in ROMGAZ corporate transformation and development. We made important progress in this project:

- **On June 21st:** ROMGAZ through its subsidiary, ROMGAZ BLACK SEA LIMITED, together with OMV PETROM, submitted for approval to the National Agency for Mineral Resources (NAMR) the Development Plan for two commercial fields in Neptun Deep block;
- **On August 3rd:** NAMR has confirmed the development plan for Domino and Pelican South commercial fields - which represents the effective start of the development phase of these fields; this phase includes drilling and construction of the required infrastructure for exploiting and marketing the natural gas;
- **Overall, as of the End of 2023** - over 80% of the execution agreements required to deliver Neptun Deep Project have been awarded. As a result, ROMGAZ and OMV Petrom are on track to safely deliver the first gas from Neptun Deep in 2027, and the project remains within the up to EUR 4 billion guidance for total investment.

Another strategic objective is the new Combined-Cycle Gas Turbine Power Plant in Iernut. On August 1st, **Iernut Power Branch** submitted the hand-over report to the contractor Duro Felguera SA - which is now performing the remaining works to finalize the new plant until the scheduled date.

- F. **Regarding the capital market, the share capital increase** - as approved by the Shareholders Extraordinary Meeting on December 18th - is ongoing. The share capital of Romgaz will increase 10 times, as 9 free shares will be granted for each share owned by shareholders on the registration date May 29th, 2024 (ex-date is May 28th). The operation aims to reward shareholders and improve trading liquidity and cash flow.
- G. **I am also glad to mention that Romgaz celebrates this year the 115-year anniversary** from the first discovery of natural gas in Romania - in Sarmasel - which marked the beginning of the gas sector in our country.

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

Q&A SESSION

Question from Iuliana Ciopraga (Wood & Company): I have a number of questions, regarding 2024, if you can give us some color: what do you expect when it comes to production, what do you expect on volumes sold, anything regarding on Iernut commissioning - when will we see that. Also any fiscal impact of the capital increase. I will start with these questions and maybe later I will ask more.

Answer from Gabriela TRÂNBÎȚAȘ: Regarding the production budgeted for 2024, we are in line within the guidelines established in our strategy - we are in line with the 2.5% decrease in production, and volumes sold are marginally low. As for the Iernut commissioning, we expect the deadline of December 2024 to be met. Regarding the fiscal impact of the share capital increase, there will be a legal reserve which will be recorded according to the Romanian fiscal legislation. This will be deducted from the corporate income tax. There is no other impact.

Question from Iuliana Ciopraga (Wood & Company): Can you clarify please, this will reduce the corporate income tax?

Answer from Gabriela TRÂNBÎȚAȘ: Yes, the legal reserve is deductible for tax profit computation.

Question from Iuliana Ciopraga (Wood & Company): What will be the legal reserve? What is the level?

Answer from Gabriela TRÂNBÎȚAȘ: 5% of the net profit, up to 20% of the share capital. So, each year we will set up a 5% legal reserve from the net profit until we reach the level of 20% from the share capital.

Question from Iuliana Ciopraga (Wood & Company): So, basically, the impact in 2024 would be up to 20% from the share capital?

Answer from Gabriela TRÂNBÎȚAȘ: No, 5% from the net profit, we will not reach the 20% from the share capital this year.

Question from Iuliana Ciopraga (Wood & Company): So, 5% of the current year's net profit, from 2024 earnings before tax will be deductible.

Question from Iuliana Ciopraga (Wood & Company): And regarding volumes sold, how much do you expect to sell on the regulated market, do you have more visibility now?

Answer from Gabriela TRÂNBÎȚAȘ: We did not receive any information from the transmission operator, this information should come in March.

Question from Iuliana Ciopraga (Wood & Company): How about the first quarter, how much do you expect to sell in the Q1 2024?

Answer from Gabriela TRÂNBÎȚAȘ: We estimate that around 90% of the quantities delivered in Q1 will be according to the Government Ordinance No. 27.

Question from Iuliana Ciopraga (Wood & Company): Can you comment anything on the regulations that have been mentioned in the media recently regarding the changes in energy regulation?

Answer from Gabriela TRÂNBÎȚAȘ: We saw the news in the media, we did not receive any official from the authorities. We are running different scenarios, but I cannot comment more on that.

Question from Iuliana Ciopraga (Wood & Company): But, just briefly, if I may: assuming that you continue to sell at 150 RON/MWh to households, but you begin paying windfall tax, have you run a scenario on what that would mean?

Answer from Gabriela TRÂNBÎȚAȘ: We have a scenario in place, but considering there is no official information from the authorities, I cannot issue such an information.

Question from Adam Milewicz (PKO Bank Polski): How do you assess the probability of potential changes in gas markets - selling gas to households and CETs at market price, imposition of supplementary taxation on regulated gas sales? Did you calculate impact on 2024 EBITDA if it materializes?

Answer from Gabriela TRÂNBÎȚAȘ: Regarding potential changes in the gas market, as I already mentioned, we saw the news in the media, we do not have official information from the authorities, so I cannot give further information at the moment.

Question from Marius Ciornei (individual investor): Will you succeed to finalize the new Iernut power plant in 18 months?

Answer from Gabriela TRÂNBIȚAȘ: We are according to the schedule. If there will be any delays, which I hope it will not happen, we will announce the markets.

Question from Tamas Pletser (Erste Investment LTD Ungaria): I got a question regarding your CAPEX in 2024. Can you tell me how what the plan for CAPEX is, how do you plan to finance NEPTUN. And I also have a question regarding your dividend payment: when can we expect the dividend announcement and can you tell anything about the size of the dividend? Thank you!

Answer from Gabriela TRÂNBIȚAȘ: Our investment budget for 2024 is around RON 4.4 billion, this includes Neptun deep with about RON 3.3 billion. As Our CEO has told in various occasions, we are planning on issuing an MTN programme this year with the first tranche of around EUR 500 million. Regarding the dividend payment, we will submit to the shareholders' approval our proposal in April.

Question from Krizsák István (individual investor): Congratulations on the decent results! 3 practical questions if I may: 1. We have seen the visit to the Caragele project last Saturday. By finalizing drilling and confirming data, what is your estimated yearly output that you could reach from Caragele Deep or at least the magnitude by 2027? 2. Could you give us some colour around the Iernut power plant project? what is the estimated completion rate in Q1 2024 bearing in mind start up by the end of the year? 3. Regarding Item No. 1 of the Agenda of the April 4 OGMS, could you give some details about the magnitude of the damaged caused to Romgaz and what is the process that you envisage?

Answer from Gabriela TRÂNBIȚAȘ: Regarding Caragele, in 2023 the production from Caragele accounted for 5.4% of our production. By the investments that we will make, we expect an increase to around 8% of total production.

At the moment, I cannot give the completion rate, as it is a work in progress. What I can say is that we have an independent supervisor overseeing the works. So, we expect any delay that may or may not occur to be brought to our attention in due time, so that we can take the measures to limit the impact.

Question from Ioana Andrei (Alpha Bank Romania): I have a question regarding the budget proposal, actually a follow up question on the regulated market sales. Can you please share exactly - the budget proposal was made considering what percentage of regulated sales?

Answer from Gabriela TRÂNBÎȚAȘ: The budget was prepared based on an estimate that somewhere between 60% and 70% of sales would be under the ordinance.

Question from Iuliana Ciopraga (Wood & Company): Regarding the financials for 2023 - in the 4th Quarter you booked something in other income which is basically an expense. Can you comment a bit what was that?

Answer from Gabriela TRÂNBÎȚAȘ: Yes. According to Government Emergency Ordinance no. 27, for the electricity sold at RON 450 /MWh - if the cost of the CO2 certificates used in the production would exceed the energy transition fund contribution - electricity producers had the right to receive this difference. We recorded up to 3rd Quarter an income on this, however, considering that up to now there is still no procedure in place on how we can recover the amount, we analyzed in more detail the accounting standards and concluded that the recognition criteria for the receivable and the revenue were not met, so we reversed that income.

Question from Iuliana Ciopraga (Wood & Company): So basically that means that you booked the CO2 cost in 2023, right? You received RON 450 /MWh net for the power sold, but then you have to deduct the CO2 cost. Is that right?

Answer from Gabriela TRÂNBÎȚAȘ: Yes.

Question from Iuliana Ciopraga (Wood & Company): And I guess you follow the same accounting rules for 2024, right?

Answer from Gabriela TRÂNBÎȚAȘ: Yes, until we will have some assurance that this amount will be recoverable.

Question from Ciornei Marius Calin (individual investor): Do you have projects for green hydrogen?

Answer from Gabriela TRÂNBÎȚAȘ: We do not have such projects.

Question from Ciornei Marius Calin (individual investor): For Neptun Deep, do you have a profit estimate to be obtained when producing 4 billion cubic meter/year for 10 years? How will you use the profit?

Answer from Gabriela TRÂNBÎȚAȘ: We have a business plan for Neptun Deep. However, information is continuously changing, we cannot advance at the moment any financial information on this project. The profit that will be generated will be used to repay the loans and the bonds that we will issue. It will be also reinvested in other projects.

Question from Adam Milewicz (PKO Bank, Polonia): What was the reason for significant deterioration of electricity segment margin in Q4 vs Q3?

Answer from Gabriela TRÂNBÎȚAȘ: The reason for the lower results was the one I mentioned earlier. The reversal of the income we recognized up to Q3 regarding the cost of the CO2 certificates that will be recoverable under Ordinance 27. However, considering the reasonable procedure in place to actually claim the money from the Romanian state, we considered that this revenue does not meet the recognition criteria according to accounting standards, so it was reversed.

Question from Iuliana Ciopraga (Wood & Company): About Neptun Deep - do you have any idea how you plan to sell the gas, I mean what do you want to do with the gas from Neptun Deep? Because you are talking about the cash - what do you want to do with the cash, but first - what do you want to do with the volumes? And what projects do you want to finance with the cash from Neptun Deep? Any color on that?

Answer from Gabriela TRÂNBÎȚAȘ: Gas that will be extracted from Neptun Deep will be sold to clients on the best conditions that we can achieve.

Question from Iuliana Ciopraga (Wood & Company): But you don't plan another gas fired power plant for example, right? Or chemical plant?

Answer from Gabriela TRÂNBÎȚAȘ: At the moment, we don't have specific plans. Of course, based on how the market will progress until 2027, we will have more clarity on the investments that we will make and which eventually will take.

Question from Krizsák István (individual investor): You mentioned before you would like to or you expect to receive investment grade rating from one of the 3 biggest rating agencies. Can you give information from which exact agency and when do you expect to receive the rating? I guess that it should be obtained before going to the market for financing Neptun Neep in the 2nd half of this year?

Answer from Gabriela TRÂNBIȚAȘ: We appointed Fitch as a credit rating agency. We expect the rating to be issued by the end of April.

Question from Ciornei Marius Calin (individual investor): Will the bond issue be addressed only to institutional investors, or will you have a tranche for retail investors? Do you have an estimate when will you launch the bond emission?

Answer from Gabriela TRÂNBIȚAȘ: We are considering various scenarios. We will appoint an advisor with the experience on this type of transactions. Based on the advice we will get, we will decide the market and the investors to which the bonds will be issued. We plan to issue the bonds in the 3rd Quarter the latest.

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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