



CONFERENCE CALL

FOR THE DISCUSSION OF THE H1/Q2 2020 RESULTS

of ROMGAZ Group

August 17, 2020

PARTICIPANTS:

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INTRODUCTION TO THE CONFERENCE CALL for the discussion of the H1/Q2 2020 Results

Good afternoon ladies and gentlemen,

Thank you for joining our conference call to discuss the Group's results recorded in the First-Half of 2020.

We released the First-Half 2020 Report on Friday, and this includes the presentation of our operational and economic performance and the Interim Consolidated Financial Statements.

Also, an overall presentation of the group is available on our website.

We will start by presenting some highlights of the gas market environment in the First Half of 2020 compared to the same period of the previous year:

- We estimate that total natural gas consumption in Romania recorded a marginal increase of around 1% in the first 6 months; in Q2 alone - total consumption advanced by a higher rate, with imports weighting 23% of total consumption compared to only 15% in Q2/2019, according to our assessments
- Gas production sold to households and assimilated consumers remained capped until June 30 at the maximum price of 68 RON/MWh, as enforced by the Governmental Emergency Ordinance no. 114 / 2018, amended by GEO no. 19 / 2019 and GEO no. 1 / 2020
- Regarding gas sold by producers to industrial consumers on the Commodities Exchange, on Spot & Forward Markets, we note that the Average Weighted Gas Prices (of trades with delivery in the reference months) have still been supportive in H1 2020
- With respect to the Central European Gas Hub, we computed a 47% decrease of the "1st Front Month Reference Index" in the first 6 months of 2020 compared to the same period of 2019
- Last but not least, the serious pandemic impact needs to be considered.

Overall in the 1st Half of 2020, Romgaz Group presents the following operational and financial results:

- Natural Gas Production decreased by 16.8% year-on-year.

To secure a constant production level, we continued (1) the production rehabilitation programme of the main mature fields, (2) the wells workover programme (whereby 70 wells with a production potential of over 420 thousand cm/day were finalised), and (3) completed the investments in the development of production infrastructure and connection of new wells to this infrastructure.

- “Volume of Own Gas delivered to the market” decreased by 19% in H1/2020 to 2.15 bcm compared to the same period of 2019 – one reason being the higher volumes of imported gas in Romania
- We held a strong market share of 37% of total gas deliveries in Romania, according to our estimate; although lower by around 8% versus the same period of 2019, it is a good performance, considering that imports weighted 21% in the total gas consumption in the period
- We recorded “Total Revenues” of 2.19 billion RON, lower by 24% year-on-year, driven by “Revenues from gas sold from domestic production”
- “Revenue from Storage” increased by 46%, to 196 million RON, due to strong underground storage activity both in Q1 and in Q2
- Electric power production was higher but stood at only 295 GWh due to the works at the new power plant; positively, “Revenue from Electricity” added 58 million RON in H1
- On the expenses side, we favourably mention that “Gas & UGS royalties” were down by 49% year-on-year and “Windfall profit tax” also decreased by 38% compared to last year – as a result of weaker gas volumes and prices
- In addition, we recorded “Depreciation, amortisation and impairment expenses” lower by 26% compared to 2019
- Bottom line, our Net Profit stood at 801 million RON in the first 6 months – lower by 17.9% compared to the same period of the previous year
- Nevertheless, all profitability margins were strong and exceeded the level recorded last year: EBITDA margin advanced to 54.3%, EBIT margin reached 42.0% and Net profit margin climbed to 36.5%.

These aspects are presented at pages 16, 18 and 22-24 of Romgaz Group Presentation, available on our website.

For Q2 2020 alone, we highlight the following main results:

- Natural gas production of 0.88 bcm, adjusted by 30% compared to Q2 2019
- Total Revenues – down by 34% year-on-year
- Net Profit of 229 million RON (compared to 434 million RON in Q2 2019)
- Positively, profitability rates stood at favorable levels – we mention EBITDA margin of 51.0% and Net Profit margin of 30.0%.

Regarding the Balance Sheet, it continues to be robust, with zero indebtedness, and able to finance distribution of dividends and our short-term investments.

With respect to dividends, please recall that the Shareholders Meeting on April 22 approved the distribution of total gross dividends of 621 million RON – representing a Gross Dividend Pay-out Ratio of 57% for the last year.

On the capex side, we invested 317 million RON in the first 6 Months, which accounted for 58% of the budgeted amount – one reason being the COVID 19 pandemic.

Capex in H1 were focused 34% on geological exploration, 19% on works at the new power plant in Iernut, 43% on the upgrade of production equipment and other expenses, and the 4% balance represented investment in our gas storages.

Importantly, the Shareholders Meeting on June 15 approved the “Company’s **Development and Investment Strategy**” for 2020 to mid-2025 – with 15.7 billion RON planned to be invested.

Main strategic directions envisaged by the strategy include: (1) continuous geological exploration for the discovery of new gas reserves, (2) development of production potential by adding new facilities in operation blocks, (3) upgrade of existing equipment and (4) assessment of new growth and development opportunities.

In H1 we also made available the “2019 Sustainability Report” – which presents the key points, objectives, performance indicators and actions performed during 2019, as well as future development directions to be addressed.

In terms of 2020 perspective, we are mainly concerned with domestic gas consumption, pricing and regulation, and Romania’s macroeconomic progress under the COVID-19 pandemic, while ensuring security of gas supply with no compromise on the group’s safety.

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



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Q&A SESSION

Question from Iuliana Ciopraga (Danske Capital Bulgaria): Could you give us some guidance on 3Q prices? How much was sold on the regulated market in 2Q? Could you give us some guidance on 3Q volumes sold? Regarding the volumes sold through GRP (Gas Release Program), are you selling the gas at a premium versus the price set by ANRE? What was the average premium achieved so far?

Answers were provided below together with the answers for Irina Railean

Question from Irina Railean (BT capital Partners Romania): I have several questions. First of all, if you could provide us more details about the recent decline in Q2 of the production and gas deliveries. I know you mentioned that increased imports is one of the causes, but we had some oversupply in the market at the end of the 1st Quarter and we also had some quite depressed gas prices. What caused this situation, if you could provide us some insides on this.

Second question is related to the Gas Release Program, if you could provide us some updates on the volume that ROMGAZ sold in June and July and some average prices for this Gas Release Program.

Third question refers to the average realized prices, if you could provide us some figures about the average realized prices in the 2nd Quarter. Thank you!

Answer from Vasile Ciolpan: I will try to offer you an image about the 2nd Quarter and to extend the explanation about the Gas Release Program with the data that we have at this moment. One of the questions is the quantity sold on the regulated market in the 2nd Quarter. The quantity is 2.9 TW. This is the quantity that we sold at the price of 68 RON/MWh that was mentioned in the Authority's order.

Regarding prices on Q3, I cannot offer an image of the entire quarter because it is still running, it is not finished, but the transactions that were made are very low in this quarter, at around 30 RON/MWh - 24-35 RON /MWh on the Gas Release Program - this is the lowest in the market in the GRP. The entire quantity that we have sold under the Gas Release Program in June and July is of around 3.1 TW at an average price of 55.7 RON/MWh, depending on the product - monthly, quarterly, cold season or yearly. The prices are increased from the summer to winter.

Another question is the average price realized in Q2/2020: the price is around 79 RON/MWh. The same average price was recorded in H1 - 79 RON/MWh.

Regarding the lower quantity that we have sold, there are to main causes: one of them is the order of the Authority (ANRE) - the Decision no 463 that imposed

producers to sell to suppliers and heating plants at a price of 68 RON/MWh. The second reason is the environment created by COVID, as suppliers did not take the quantities that were meant to be sold, because they were not able to sell these quantities forward - as there was a drop in the demand on the market in the 2nd Quarter. Thank you!

Question from Irina Railean (BT capital Partners Romania): Demand was somehow flat and even slightly higher in the 2nd Quarter. I am not sure given that the demand is almost flat, I guess that there was demand in the market.

Answer from Vasile Ciolpan: The total consumption in the 2nd Quarter was increased and we consumed imported gas because this came at a lower price and there were significant quantities against our 68 RON/MWh or other prices that we had. Thank you!

Question from Iuliana Ciopraga (Danske Capital Bulgaria): Regarding volumes, any guidance for the 3rd Quarter?

Answer from Vasile Ciolpan: Regarding volumes sold in Q3, these are increased and the market is prepared for the winter. They try to inject and to ensure the quantities for the winter. Thank you!

Question from Eugen Ludovic Daradics, individual investor: In what stage is the Mintia Power Plant investment?

Answer from Mihaela Toader: For Mintia, in the previous Board of Directors meeting, the feasibility study was approved. Now we are under development with the public procurement process for technical assistance and, at the beginning of 2021, maybe the 1st Semester, we will start the public procurement for project execution for Mintia. Thank you!

Question from Daniela Mandru, Swiss Capital Romania: Can you provide an estimate for Romgaz gas sales and production in FY2020?

Answer from Vasile Ciolpan: We are not very sure on how we will close the year 2020, but as an estimation, we can disclose now an around 15% decrease of the production and the sales according to this quantities. Thank you!

Question from Iuliana Ciopraga (Danske Capital Bulgaria): Regarding the volumes sold through GRP, are you selling the gas at a premium versus the price set by ANRE? What was the average premium achieved so far?

Answer from Vasile Ciolpan: Regarding the prices which were set through the order of ANRE, we obtained a higher price but depends on the product sold. The yield we had was between 4% and 40%, depending on the product sold. Thank you!

Question from Iuliana Ciopraga (Danske Capital Bulgaria): Update on Iernut? When will it start operating?

Answer from Mihaela Toader: According to the general constructor, finalization of works is to be met by the end of December 2020 - this means also commissioning. Now, we expect the partner to respect the contract and to end in term. We will be following closely the general constructor to see if they stick to the terms by the end of 2020. Probably you are aware that the document decision of extending the deadline for the National Investment Program that finances 25% of Iernut was prolonged till the end of 2020. Thank you!

Question from Eugen Daradics, individual investor: There will be acquisitions, in the short term, of renewable energy producers?

Answer from Mihaela Toader: Regarding the investment in renewables, you have seen our development strategy, we want to diversify and start producing energy from renewables. Now we will probably sign in the next days a technical assistance contract regarding an opportunity study on what kind of renewables we can invest in, on what are the most suitable locations, and in what configuration - if it will be mix solar with wind or geothermal. The study will be finished in 6 months and then we will see where we will invest in renewables.

Right now we are not discussing about the acquisition of energy producers of renewables, we are studying the opportunity and the locations and to see if we will invest in Greenfield projects - this is probably the best option at this moment.

Question from Iuliana Ciopraga (Danske Capital Bulgaria): What generated the increase in salaries expenses? What should we expect for FY 2020?

Answer from Manuela Ogrinja: Regarding the increase in salaries over the 1st Half of 2020, we can mention the fact that at the group level, salaries have been adjusted with inflation in November last year. Also, in the first 6 months of this year compared with the same period of 2019, we had an increase of the number of employees of around 1%, more exactly, 0.6%. So, the increase in salaries is due to this factors. As regards the FY2020 we do not expect at this moment any increase in salaries at the group level. Thank you!

Question from Eugen Daradics, individual investor: Can you offer some insight of the partnership with Alro Slatina about the Power Plant?

Answer from Vasile Ciolpan: Regarding the partnership with ALRO Slatina, now we are evaluating which technical solution is proper for their consumption, we discussed the needs for the consumption and tried to approximate a production price and location – which is Slatina - the main location of consumption for ALRO.

This part is included in our business line - to develop solutions for industrial consumers. This project is one of this business line, it is at the beginning, but we think that in the future we can develop a solution and then to offer a concept to solve the problem of the consumption for ALRO. We will probably have a CCGT that will follow the consumption and dynamics of consumption in their location. This is the situation at the moment for this project. Thank you!

Question from Andreea Palici, individual investor: You included in your CAPEX plan a methanol production facility. Can you give us details on the project?

Answer from Mihaela Toader: This investment is also in our strategy that was approved on the 15 of June. It is an investment that will diversify the activities and also we will increase the chain of production from gas to other products. Right now we are preparing, in the next few weeks, to start the public procurement procedure for the prefeasibility study and the feasibility study. According to our plans, we hope that by the 2nd Semester of 2021, November-December 2021, to finalize the feasibility study and to have the location identified, and start the actual works – probably the construction of the plant would last another two years.

So, it is a long term project and now we are preparing for the prefeasibility and feasibility study. Thank you!

Thank you very much for your questions!

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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