



CONFERENCE CALL

**For the discussion of 9M/Q3 2023 RESULTS
of ROMGAZ Group**

November 16th, 2023

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PRESENTATION OF THE 9M/Q3 2023 RESULTS

Conference Call with Investors and Analysts

November 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 9 Months of 2023.

We published yesterday our Quarterly Report and the Consolidated Condensed Interim Financial Statements for the first 9-months period and the 3rd Quarter of 2023, which present our economic and financial achievements in the period.

Also, an updated presentation of Romgaz Group is available on our website, in the “Investors” Section.

A. I will start with some aspects regarding the gas market context in the first 9 Months of 2023, compared to the same period of the previous year:

- According to our assessment, natural gas consumption in Romania decreased by 12% year-on-year, while gas imports dropped to less than a half and accounted for 16% of consumption - compared to 29% in the previous year;
- As expected, the Romanian Commodities Exchange recorded a weak liquidity as a result of the current regulation in force, and the Average of Wholesale Prices was lower by around 35% year-on-year (these prices are considered as of the month of delivery for transactions concluded on this market segment);
- On the Central European Gas Hub, the average monthly reference gas price has also recorded a significant decline in the first 9 Months of 2023, according to data provided by the Romanian Agency for Mineral Resources.

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

We remind the 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 in Q2/2022;
- CAPPED prices for the gas sold to 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;

- Producers are exempted from the Windfall Profit Tax for the gas sold at regulated prices, starting April 1st, 2022. Also, 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 amount exceeding 450 RON/MWh. 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 mandatory for gas suppliers and heat producers to secure part of the estimated consumption of final clients during November 2023 - March 2024.

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 exceeds by 20% the average value of taxable profits reported during 2018-2021.

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

- **Law no. 396 regarding fiscal-budgetary measures** - enforced 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;
- **GEO no. 91** increased gas royalties with approximately 1,5 pp starting Oct 30;

For these new regulations, we are waiting for the secondary legislation and are in process to assess the financial impact.

C. We continue this presentation by highlighting the operational and financial performance recorded by Romgaz Group in the first 9 Months of 2023:

- 1. We recorded a Natural Gas Production of 3.5 bcm, lower by 4.7% compared to last year - but well below the national consumption drop of almost 12%.**

Our gas output in the first 9 Months of 2023 was impacted by the recompletion programme and certain measures to optimize production, as well as by the gas consumption level in the National Transportation System and by the natural decline in our fields.

We continue to consolidate the potential of our onshore output through: (1) production rehabilitation projects in the main mature reservoirs, (2) workover and recompletion operations, (3) optimisation of wells operation, and through (4) new wells streamed into production following successful exploration programs and completion of the infrastructure.

Also, I would like to point out that we continued to perform important investments in our production facilities: we completed 3 production wells, finalized 11 surface facilities, and performed recompletion, reactivation and capitalizable repairs for 133 wells.

2. **We improved even more our already significant position on the gas market:** our market share climbed to almost **55%** of total deliveries in Romania, and we hold **65%** of consumption covered from domestically produced gas in the first 9 months, according to our estimates.
3. **Regarding “Gas Sales” to third parties,** volumes declined by 4% year-on-year, as a result of current regulations.
4. **“Total Revenues from Gas Sold”** amounted to RON 5.91 billion - lower by 36% year-on-year from the historical high value recorded last year, as a result of the large volume sales at the regulated price of 150 RON/MWh in the First 9 Months of 2023.
5. **“Revenues from Storage Services”** grew by 31% year-on-year to RON 424 million - mainly due to capacity booking services.
6. **“Revenues from Electricity”** added RON 288 million - well below the level reported last year, as a result of production lower by 24% and the requirement to sell almost the entire production at RON 450 /MWh.
7. **Overall, in the first 9 Months of 2023, we reported “Total Revenues” of RON 6.81 billion,** at a 37% decline from the historical high value recorded last year.
8. **On the expenses side, the 2 main taxes** included in the “Other expenses” item in the P&L recorded an important drop, with a positive impact on our profitability:
 - “Windfall tax” amounted to RON 770 million (from RON 4.8 billion in the same period of the last year), due to the exemption for households and their significant weight in sales;
 - “Gas and UGS Royalties” totaled RON 425 million (from RON 1.5 billion last year), due to lower gas prices on CEGH and higher sales at regulated prices.

On the other hand, the Solidarity Contribution - which is recorded as an income tax expense - amounted to RON 1.39 billion.

Altogether, these 3 taxes represented a significant expense of RON 2.58 billion and accounted for 38% of Total Revenues in the First 9 months of 2023.
9. **We reported a Gross Profit at a historical high value of RON 4.04 billion** - up by almost 52% compared to last year.
10. **Bottom line, we reported Net Profit of RON 2.17 billion,** with a marginal 3% adjustment year-on-year - impacted by the Solidarity Contribution.
11. **All Profitability Rates recorded a significant advance in the First 9 Months of 2023:**

Both the EBITDA and the EBIT margin reached a historical high value - of 62.8% and 57.4% respectively - and were more than double year-on-year; Net Profit margin increased to the strong level of 31.8%.

D. For Q3 alone, we point out the following main achievements:

- Gross Profit of RON 1.04 billion - record high for this period;
- Net Profit of RON 483 million;
- EBITDA rate - more than double, and EBIT rate - 3 times higher year-on-year.

E. On the capex side, ROMGAZ Group invested a total amount of RON 849 million in the first 9 Months of this year, split 42% in equipment upgrade, 39% represented the investment in Romgaz Black Sea Limited, 11% in the storage segment, 5% in geological exploration, and the 2% balance in the electricity segment.

F. Regarding investment, we can underline important achievements occurred in the 3rd Quarter -in line with the “Development Strategy” of Romgaz:

- On August 1st, Iernut Power Branch submitted the hand-over report to the contractor Duro Felguera SA - 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;
- On August 3rd, the Development Plan of Neptun Deep project was endorsed by the National Agency of Mineral Resources, meaning that the project entered the effective development phase.

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. The platform generates its own electricity, operating at the highest safety and environmental protection standards.

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.

G. I would also like to mention that in the 3rdQuarter (in July) we distributed Total Gross Dividends of RON 1.32 billion. Total Gross Dividend per Share amounted to RON 3.42, resulting in a Total Payout Ratio of 52% for the last year.

H. Regarding the capital market, I am glad to mention that Romgaz celebrates the 10-year anniversary from its listing on the Bucharest Stock Exchange on November 12th, 2013. This year, in mid-November, the company capitalization was RON 18 billion, which makes it the 4th largest listed company, by capitalization. With a forward-looking vision, our commitment is not focused only on meeting the current energy demands, but also on ensuring a cleaner and more sustainable energy future for the future generations.

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

Q&A SESSION

Question from Daniela Mândru (Swiss Capital, Romania): Thank you for your presentation. I have several questions regarding the new taxes: please tell us if you have an estimate for the turnover tax for the next 3 years. That would be one question.

The second question regards the royalty quota increases - please tell us if these increases in the quota will affect you or not, and the third question refers to the regulated volumes at 150 RON/MWh for the last quarter of the year and for the first quarter of next year, because I think you already have the volumes. Thank you!

Answer from Răzvan POPESCU: So, for the first question regarding the 0.5% tax, we are still waiting for the Ministry of Finance to publish the applicability of the law. But, let's say, the gross estimate that we have done is around RON 30 million a year.

For the next question, we are still assessing the impact and the applicability. We are taking each and all petroleum agreements to see if the applicability will be over them, but we definitely have to ask more questions to the National Agency for Mineral Resources and to the Ministry of Finance to see if the applicability will be for these ones as well, or just for the future ones.

Question from Daniela Mândru (Swiss Capital, Romania): And the third question referred to the volumes at regulated price of 150 RON/MWh - the volumes agreed for the last quarter of the year and for the first quarter of next year.

Answer from Răzvan POPESCU: It is going to be around 90%. So, volumes at regulated prices for the last quarter is going to be a bit higher than we expected - around 90% for the last quarter of 2023, and also for the first quarter of 2024.

Question from Daniela Mândru (Swiss Capital, Romania): Some comments on the royalties quota increases. What are you looking for to see if this quota increases apply to your concession's agreement, to the new or the old. Because, according to Petrom, these quota increases apply only to the new concessions.

Answer from Răzvan POPESCU: This is our initial estimate as well, but we have to look in each concession agreement and be sure if the royalties quotas are inserted in these agreements. And we must see if by law this will be modified or not.

Question from Ioana Andrei (Alpha Bank Romania): Just a follow up question on the royalties: Is Neptun Deep subject to the new royalties or to the old ones?

Answer from Răzvan POPESCU: No, Neptun Deep is not subject to the new royalties.

Question from Ioana Andrei (Alpha Bank Romania): I would have a question regarding the production: Do you consider revising your target of 2.5% decline for the next year?

Answer from Răzvan POPESCU: Yes, there will be a possibility of that target to be a bit larger, but it's not going to be a big difference. So, it will be in the 3% range.

Question from Ioana Andrei (Alpha Bank Romania): Just for the next year?

Answer from Răzvan POPESCU: Just for 2023. We are still expecting for the next year to be in line with our strategy of a maximum 2.5% decrease.

Question from Ioana Andrei (Alpha Bank Romania): Ok. Thank you. And if I may, one more question, regarding this share capital increase: Can you please give a little bit of more insights? Why have you decided to take this action? Besides remunerating shareholders, obviously.

Answer from Răzvan POPESCU: No, I think it's very important given the fact that we are looking to tap the capital markets for our debt options as well. It's something that we were looking for the past months, it's also real incentive for our shareholders to be part of our company, it's a way to, let's say, reimburse our shareholders for keeping our company in their portfolios, and it's also a way to have a bit of a tax deductions from this operation.

Ioana Andrei (Alpha Bank Romania): Thank you very much. This is all from my side.

Question from Iuliana Ciopraga (Wood & Company): I have a question regarding the EU legislation actually, are you aware of any changes in that legislation that allowed the Government to impose the Solidarity Tax? And, I'm referring to a change that allow it to prolong the tax after 2023, so that's one thing. Regarding royalties, I'm not sure I understood fully, so, in the contracts where royalties are already included, you don't expect changes there, right? That's my understanding. Only when they will be renewed, I understand that those might change; but otherwise, I just wanted to check that I got this correctly. And third, I see in the 3rd Quarter an increase in "Cost of goods sold", if you could explain a bit what has been driving that. That's all from my side.

Answer from Răzvan POPESCU: Regarding the royalties, our initial assessment was exactly as you have said. We are looking only if the royalties are imbedded in the contracts, then just through an additional act this change could be possible, but we are still in analysis because we are taking every petroleum agreement by hand.

Regarding the EU legislation, of course this must be transposed into national legislation, so this is something that is going to be the decision of the Government.

And I will ask our CFO, Gabriela, to answer your third question.

Answer from Gabriela TRÂNBIȚAȘ: The main element of “Cost of goods sold” relates to the cost of electricity imbalances. Because we had some technical defects, let’s say, on the Iernut power plant, we had to buy electricity from the market. However, this caused some imbalances.

Question from Iuliana Ciopraga (Wood & Company): And I guess they are not deducted from the windfall tax, right?

Answer from Gabriela TRÂNBIȚAȘ: No.

Question from Iuliana Ciopraga (Wood & Company): But regarding my question on the EU legislation, I was just wondering if the legislation was changed to allow them to prolong the tax. I mean, I remember the law only said 2022, 2023. Has there been any amendment? because I couldn’t find it, but I think you probably know that better.

Answer from Răzvan POPESCU: From what we know, no. We don’t know of any amendment in that respect. 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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