



**CONFERENCE CALL**  
**For the discussion of Q1 2024 RESULTS**  
**of ROMGAZ GROUP**  
**May 16th, 2024**

**PARTICIPANTS:**

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**Gabriela TRÂNBIȚAȘ, CFO:**

**PRESENTATION OF THE Q1/2024 RESULTS**  
**Conference Call with Analysts and Investors**  
**May 16<sup>th</sup>, 2024**

Good afternoon, ladies and gentlemen,

Thank you for joining our conference call to discuss the results recorded by Romgaz Group in the first 3 months of 2024.

Yesterday we released the Quarterly Report, which includes the presentation of our economic performance and the Consolidated Interim Financial Statements. Also, a presentation of Romgaz 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 increased by 5.5%; Imported gas volumes recorded a significant increase of 69%, reaching a 13% weight in total consumption, compared to 8% in the similar period of the previous year;
- On the Central European Gas Hub, the average reference price dropped by around 60% according to data provided by the Romanian Agency for Mineral Resources;
- The Romanian Commodities Exchange (Spot & Forward & Balancing Markets) recorded a similar downward trend in Q1, with a weak liquidity due to the regulation in force.

**B. Regarding the fiscal environment in Q1 and for Full Year 2024, Romgaz activities continue to be influenced mainly by the Government’s Emergency Ordinance No. 27 issued in March 2022, and subsequently amended and supplemented.**

**The main legal provisions applicable to gas producers include:**

- REGULATED gas sales prices of RON 150 /MWh for the gas sold to households and suppliers of households, and to heat producers and their suppliers - for the production of thermal energy for households;

According to the GEO no. 32/2024, starting with April 1<sup>st</sup>, 2024 and until the end of 2024, the new regulated price is RON 120 /MWh.

- 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 - until the end of 2024;
- For energy producers which started operations before September 1<sup>st</sup>, 2022 - a Contribution to the Energy Transition Fund for prices exceeding RON 450 /MWh until March 31<sup>st</sup>, 2024, and for energy sold over RON 400 /MWh between April 1<sup>st</sup>, 2024 and until March 31<sup>st</sup>, 2025.

Also, the GEO no. 91 / October 2023 increased Gas royalties with approximately 1.5 percentage points, and gas storage royalties with 0.5 percentage points.

For comparison reasons, please recall that the Solidarity Contribution introduced by the GEO no. 186 / 2022 was due only for the fiscal years 2022-2023.

### C. Regarding the operational and financial performance recorded by Romgaz Group in the first 3 months of 2024, we can point out the following aspects:

1. **Natural gas production amounted to 1.29 bcm, higher by 4.4% compared to Q1 last year, and also up by 1.4% compared to Q4.**

We succeeded to achieve this good performance due to: (a) Restarted production at some inactive wells, as a result of workover operations and capital repairs; (b) Lower workover periods, and operation optimisation at gas compression & dehydration capacities; (c) Higher productivity at low-debit wells; and (d) Continuous rehabilitation projects in the main mature reservoirs.

Regarding the investments made in our gas production facilities, I can mention that: we performed drilling operations for 1 production well, finalised a number of surface facilities to stream into production 2 wells, while other surface facilities are in execution to stream another 7 wells into production, and performed reactivation and capitalizable repairs at a total number of 44 production wells.

2. **We continued to hold a strong position on the Romanian gas market in Q1: we estimate a market share of 34% of total gas delivered in Romania, and almost 39% of the consumption covered from domestically-produced gas.**
3. With respect to **“Gas Sales to third parties”**, volumes declined by 7.2% year-on-year in Q1, partially due to lower volumes withdrawn from the underground storages and lower volumes acquired and resold;

Nevertheless, compared to the 4<sup>th</sup> Quarter of last year - we succeeded to record an increase of 5.7% in the gas volumes sold in Q1 this year.

4. **“Total Revenues from the Gas Sold”** amounted to RON 1.92 billion - at a 25% decline - mainly as a result of a lower average realised gas selling price.

Compared to Q4, Total Gas Revenues were elevated by 3.8% as the average gas selling price was quite stable over the 2 mentioned quarters.

5. “Total Revenues from Storage Services” adjusted by 9% year-on-year to RON 137 million, mainly due to lower revenues from capacity reservation while withdrawal services recorded an increase.

Still, UGS revenues improved by 7% compared to Q4, based on the contribution of withdrawal services.

6. “Revenues from Electricity” added RON 109 million, 10% lower year-on-year, as a result of declined production in the old power plant, which was almost entirely sold at a price below RON 450 /MWh in line with the GEO no. 27/2022.
7. **Overall, we reported “Total Revenues” of RON 2.27 billion, at an 11% adjustment year-on-year.**

8. **On the expenses side, the main 2 taxes** included in the “Taxes and duties” item in the P&L statement had a mixed trend, as follows:

- “Windfall Profit tax” decreased significantly to RON 77 million, due to the exemption for households and their high weight in sales;
- “Gas and UGS Royalties” rose to RON 185 million, mostly due to higher gas production and royalties quota applied starting end-October;

Altogether, these taxes (including the duty to the Energy Transition Fund) represented an expense of RON 267 million, lower by 58%, which had a positive effect on our profitability.

9. **Bottom line, we reported a NET PROFIT of RON 1.25 billion, up by 28%, and at a historically high quarterly value.**

Please note that the Solidarity Contribution is not due any more in 2024 (compared to RON 538 million recorded as an income tax expense in Q1/2023), which translated into a higher profitability this year compared to 2023.

10. **Profitability Rates were substantial and record high in Q1:**

EBITDA margin increased to 69.6%, EBIT margin at 63.6%, and NP margin stood at the strong level of 54.8%.

- D. **On the capex side, ROMGAZ Group invested a total consolidated amount of RON 460 million in Q1/2024, of which RON 338 million represented the investment of Romgaz Black Sea Limited.**

For the Full Year 2024, total investments are budgeted at RON 4.58 billion (or around 0.9 billion EUR) mainly due to the high contribution of the Neptun Deep Project.

Regarding Neptun Deep Project - progress of investments is in line with the work programs and the execution schedule. Main investment activities are related to detailed execution design, procurement of equipment, drilling preparatory works and permitting activities. The strategic focus is to finalize awarding the main contracts, focus on permitting activities, start construction and prepare to spud the first well.

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.

Neptun Deep Project represents the most important transaction in the Romanian energy sector in the past 30 years, and also a historical milestone in ROMGAZ corporate transformation and development.

**Another strategic objective is the new Combined-Cycle Gas Turbine Power Plant in Iernut.** We are now performing the remaining works to finalize the new plant until the scheduled date.

- E. In the end of this presentation, I would like to mention the approval of dividends to be paid this year.** On April 25<sup>th</sup>, the Shareholders Meeting decided upon Total Gross Dividends of RON 549 million - or a Total Gross Dividend per Share of RON 0.1425.

This results into a Total Payout Ratio of 21% for the last year, which will allow Romgaz to partially finance its ambitious investment and development plans.

Please note that the stated Total Gross Dividend/Share is computed taking into consideration the 10 times share capital increase - with 9 free shares to be granted for each share owned by shareholders on the registration date May 29<sup>th</sup>, 2024.

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

## Q&A SESSION

**Question from Ioana Andrei (Alpha Bank Romania):** Good afternoon and thank you for the presentation! I have several questions. First, this year you had a lower payout ratio. I was wondering if this is a new strategy until Neptun Deep kicks-in project or it was just a special situation this year and we should be seeing dividends higher starting next year?

Second question is regarding sales at regulated new price of 120 RON/MWh, what are your expectations regarding volumes this year?

And, third, regarding royalties, you have mentioned in the presentation an increase in royalties in some perimeters and we have already seen an increase in the first quarter. Can you tell us exactly for what percentage of the total volumes are the new higher rates applicable?

And, regarding the budget, do you take into consideration a revision of the budget or do you still consider the estimated net profit achievable?

**Answer from Gabriela TRÂNBIȚAȘ:** Thank you for the questions. Regarding the lower payout ratio, the management of Romgaz expects to have this policy until Neptun Deep goes in line. Because, as you know, it is a capital-intensive project, and we need all the available resources and also the support of our shareholders.

Regarding the regulated new price we expect that around 53% of our sales this year will be at regulated prices.

As for royalties, the new royalties rates are applicable to the entire production, not just for some fields.

As for the budget, yes, we are considering revising the budget. Once we finalize the figures, we will go to the shareholders to obtain their approval.

**Question from Ioana Andrei (Alpha Bank Romania):** So, the new higher rates of royalties are applicable to all, starting October 2023?

**Answer from Gabriela TRÂNBIȚAȘ:** Yes. Exactly. Thank you!

**Question from Oleg GALBUR (Raiffeisen Bank International):** I have three questions. You have mentioned that the domestic gas consumption increased y/y by 5.5%. I was wondering whether you could give us more details about the drivers behind this increase. For example, was it on the industrial consumption side or was it the colder weather which has triggered this increase or maybe other factors.

Second question: Looking at the earnings development in your core business - upstream- and comparing this with the evolution of the volumes sold which increase by 6% - if I'm not wrong - and the decline of benchmark prices on the European gas hubs, that would imply a significantly high realized price for Romgaz. I was wondering if you could explain us what was supporting a strong increase of the realized price? Was it the volumes sold to regulated group of consumers or maybe third parties' sales, whatever you can tell us would be very helpful.

Third question: what level of impact on earnings would you expect from the regulatory changes - and I refer to the new regulated electricity and gas prices, but also from the increase of royalties starting this October? Thank you!

**Answer from Gabriela TRÂNBÎȚAȘ:** Regarding your first question, we don't have the information of gas consumption based on market types of clients, this is an information that the regulator - ANRE - can provide.

Regarding the revenues, we don't understand your question, prices actually decreased in Q1 2024 compared to Q1 2023: while on Q1 2023 we achieved an average price of 188 RON/MWh, in Q1 2023 we obtained a price of around 150 RON/MWh.

Regarding the impact on earnings of the regulatory changes, as I have mentioned previously, we are working on a revised budget. Until then, we cannot make any information public. As for the gas royalties, the impact is estimated at about 20% increase compared to the 2023 level.

**Question from Oleg GALBUR (Raiffeisen Bank International):** Maybe just a follow ups on the second question: I was rather talking about the quarter-on-quarter comparison, so Q1 compared to Q4. Looking at the changes in the earnings before tax which were significantly higher than the volumes sold. But it's ok, maybe I can discuss this further with the IR team. And then on royalties, you said 20% increase compared to 2023, but you refer only to one quarter of 2024, which is Q4, comparing it to the full year 2023, or to Q4 of 2023?

**Answer from Gabriela TRÂNBÎȚAȘ:** Full year 2024 should be around 20% higher than the full year 2023. Thank you!

**Question from Laura Simion (BRD Groupe Societe Generale):** I have a follow up question for the volumes sold this year at the regulated price: you said 53% of the sales?

**Answer from Gabriela TRÂNBÎȚAȘ:** Yes.



**Question from Laura Simion (BRD Groupe Societe Generale):** I was thinking this is quite low because you sold over 80% in 2023.

**Answer from Gabriela TRÂNBÎȚAȘ:** These are the volumes that the National Transmission Operator submitted to us, based on the demand of the market participants.

**Question from Laura Simion (BRD Groupe Societe Generale):** And I have a question about this year Capex: out of the RON 4.5 bln, 3 bln are destined to Neptun, and for the rest if you can give us more details about the main destinations. I know you mentioned that you are looking for some renewable projects. In this year CAPEX are such projects included? And what about Iernut, how much CAPEX do you need there to complete the project?

**Answer from Gabriela TRÂNBÎȚAȘ:** Regarding the investments in Iernut plant, we expect to have a CAPEX of RON 440 million by the end of the year. Regarding other project in Romgaz CAPEX plan, we expect to spend RON 101 million in exploration activities, RON 346 million in upgrade of equipment used in gas production. We are investigating investing in renewable production facilities. At the moment, we completed a feasibility study which is under internal analysis - once we have an outcome on this, we will make the information public.

**Question from Laura Simion (BRD Groupe Societe Generale):** So, there are no projects this year in renewables, this is in an incipient phase and probably will be included in the next years' budget.

**Answer from Gabriela TRÂNBÎȚAȘ:** Yes. Thank you!

**Question from Ioana Andrei (Alpha Bank Romania):** I have a follow up question on Iernut power plant. Considering the level of works in progress, do you believe that it will be fully functional starting with the beginning of 2025, or we might witness some delays again?

**Answer from Gabriela TRÂNBÎȚAȘ:** We expect the project to be completed in time, we have constant communication with the constructor, we also have a site supervisor which is constantly monitoring the evolution of the project. Based on the information we have, we will be able to complete the project. Thank you!

**Individual investor:** Do you plan to sell the gas from Neptun Deep internally - on the Romanian market, or do you plan to export it? In case you plan to do some exports, can you tell us if capacity reservation has been done already, or if it is physically feasible at all? Thank you!

**Answer from Gabriela TRÂNBÎȚAȘ:** Currently we are working on setting up the strategy to sell the gas from Neptun Deep. Once we will finalize this, we will inform the market.

**Individual Investor:** Can you tell us what is actually the export capacity to Hungary that Transgaz can make available to Romgaz, for example?

**Answer from Gabriela TRÂNBÎȚAȘ:** This information should be available on Transgaz website. Thank you!

**Question from Daniela Mandru (Swiss Capital, Romania):** Regarding the volumes sold at a regulated prices for this year, can you disclose the volumes in TWh?

The second question relates to the budget: how come you budgeted such a low profit compared to the Q1 results? In Q1 you achieved half of the budget for the full year. What was wrong or what is going to be expensed further to reach that level of profit that you budgeted?

**Answer from Gabriela TRÂNBÎȚAȘ:** Regarding your first question, in Q1 we sold 91.7% on the regulated market. Regarding the second question, we will get back to you on that. (\*)

**Question from Daniela Mandru (Swiss Capital, Romania):** But regarding the first question, the question was about the quantities to be sold this year at regulated price. What I wanted from you is the volumes in TW for the remaining of the year.

**Answer from Gabriela TRÂNBÎȚAȘ:** We will get back to you with that information through the Investor Relations. (\*)

**Question from Daniela Mandru (Swiss Capital, Romania):** Ok, thank you.

**Question from Oleg Galbur (Raiffeisen Bank International):** Regarding the dividend pay-out which you said that it's rather to stay at last year's level if Neptun Deep goes live. Assuming or based on the expected capex for the development of Neptun Deep and assuming that gas prices stay around current levels - your level of indebtedness in equity ratio would not go or should not go at least above 30% during this high capex years.

And still, which means that you would have sufficient cash to pay, let's say, a higher share of your net profit in dividends, and yet you try to be very conservative here. Can you explain the reason for such a conservative approach? Does it mean that you plan to spend more capex on other large size projects such as renewables maybe, or this is just to maintain an extremely healthy balance sheet? What is the status behind this? Thank you!

**Answer from Gabriela TRÂNBIȚAȘ:** Currently we estimate that on the Neptun Deep project we are going to spend around 2 billion EUR. Apart from the investment in this project, we also have investments in our onshore production facilities. As already mentioned, we are considering issuing an MTN program this year. However, this is a process that is taking some time, so we consider that a low level of dividends is securing the cash needed to buffer let's say any cash shortfall that may come up if the dividend payout ratio would be higher. Also, please have in mind that in June we will have to pay the solidarity contribution which amounts to about 1.8 billion RON.

**Question from Daniela Mândru (Swiss Capital, Romania):** I'm turning back to my second question that from my understanding was not answered. So, regarding the budget for 2024, the question was - why is so different from the first quarter of 2024. I mean, the results in the first quarter of this year, the net profit is about half of the full budget for the year. So, from where these differences? Or if you budgeted something for the following quarters, a large expense in order to reduce the full year profit to just to 2.5 billion RON, while in the first quarter of the year you recorded about half of this amount.

**Answer from Gabriela TRÂNBIȚAȘ:** As already said, we will get back to you on that question. Thank you! (\*)

**Question from Oleg Galbur (Raiffeisen Bank International):** What I wanted to ask, does your dividend policy - or is your dividend policy somehow correlated with the level of indebtedness that you would like to have during this high capex years? In terms of the equity or capital structure or whatever. Meaning that you don't want to go above a certain level of indebtedness and that's why you decided to stay more cautious with the dividend payout.

**Answer from Gabriela TRÂNBIȚAȘ:** Yes, the dividend policy is correlated with the level of indebtedness. Higher dividends mean higher indebtedness which in the end means higher interest expenses, which translates into lower profit and therefore lower dividends going forward for the shareholders.

**Question from Oleg Galbur (Raiffeisen Bank International):** Yes, that's clear of course, but I was wondering if you have a level in mind which you don't want to cross in terms of that equity ratio or some sort of indebtedness ratios, because so far you have a very healthy balance sheet and it will not deteriorate much even if you increase the level of debt. This is what I have in mind.

**Answer from Gabriela TRÂNBÎȚAȘ:** According to our plans, we want to keep the Indebtedness lower than 4.5 Net Debt to EBITDA.

**Question from Adam Milewicz (PKO Bank):** First question - how much gas did you sell to regulated clients, I mean households and thermal producers in Q1?

And second question - this 53% of gas sales to regulated clients, is it related to the whole 2024 or the period between April and December 2024? Thank you!

**Answer from Gabriela TRÂNBÎȚAȘ:** In Q1 we sold 91.7% of gas at regulated prices, which means roughly 11.6 million MWh. As for the full year 2024, we expect that around 53% of gas will be sold at regulated prices.

**Question from Adam Milewicz (PKO Bank):** Ok, so I understand that from April - even lower than this 53% should be sold to households and thermal energy producers given the fact that 91% was sold in Q1, am I right?

**Answer from Gabriela TRÂNBÎȚAȘ:** Yes, you are correct.

**Question from individual investor:** Regarding the solidarity contribution - can you tell us if it was booked as an expense in the previous quarters or will it be booked later this year? Because I understand that the payment will be made later this year. Thank you!

**Answer from Gabriela TRÂNBÎȚAȘ:** Solidarity contribution was recorded in 2023. The liability is due in June 2024.

**Question from Daniela Mândru (Swiss Capital, Romania):** Regarding the budget again - how much power do you budget to sell this year? I am referring to volumes, of course.

**Answer from Gabriela TRÂNBÎȚAȘ:** We estimate that in 2024 we will sell 589.000 MWh. Please be aware that starting 1<sup>st</sup> of September we plan to shut down the current plant in order to start the tests on the new plant.

**Question from Daniela Mândru (Swiss Capital, Romania):** Regarding this segment, I don't know if my computation is correct, you may confirm, I noticed an increase in realised power price year on year in this quarter, is it correct? Just by computing, I assume the 7% technological consumption, I divided the sales - the net sales, of course, so production minus technological consumption and I obtained a higher realised price compared with Q1 2023.

**Answer from Gabriela TRÂNBÎȚAȘ:** Are you talking about electricity, right? Or gas?

**Question from Daniela Mândru (Swiss Capital, Romania):** Yes, electricity. For me it was just a curiosity, we can follow-up with the IR, but I just noticed this and I don't have any explanation for it.

**Answer from Gabriela TRÂNBÎȚAȘ:** Actually, the price was lower. In 2023 we had an average price of around 467 RON/MWh and in this quarter - around 445 RON/MWh.

**Question from Adam Milewicz (PKO Bank Polski):** Just follow-up questions. Assuming that 53% of gas sales in this year will be dedicated to regulated clients, it means that these sales will decrease by, I think 50%. So, who will be selling gas to households and thermal producers in place of you? Because it means that your sales to households and thermal producers could decrease by 50%. Thank you.

**Answer from Gabriela TRÂNBÎȚAȘ:** The quantities we are going to sell at regulated prices were determined by the National Gas Transmission Operator - Transgaz. We don't know how the suppliers calculated the quantities needed. Maybe they have the remainder of the quantity in storages. Thank you!

(\*) The answers to these questions have been included on Romgaz website, at the Investors>Frequently Asked Questions section:

<https://www.romgaz.ro/en/frequently-asked-questions?%2Fintrebari-frecvente=>

**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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