



# ROMGAZ

## FY/Q4 2017 Preliminary Financial Results

February 2018



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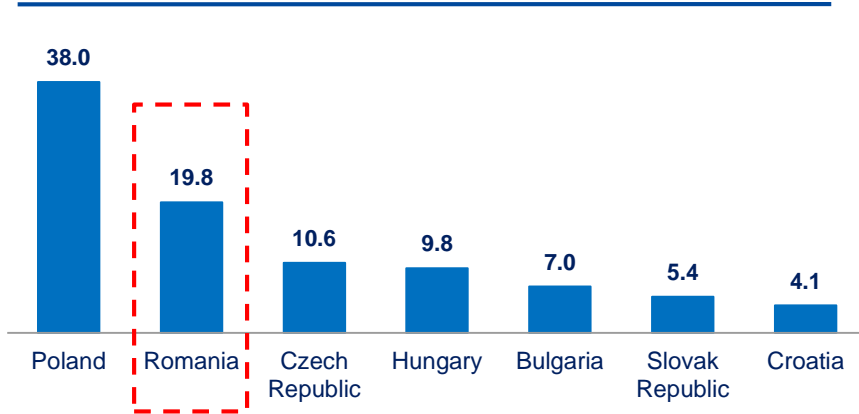


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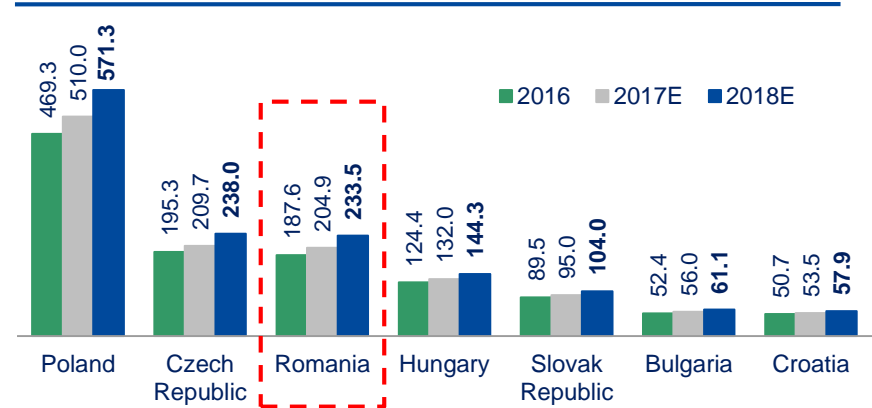
# Economic context and gas market

## Romania: Large country, favourable economy development, growth perspectives

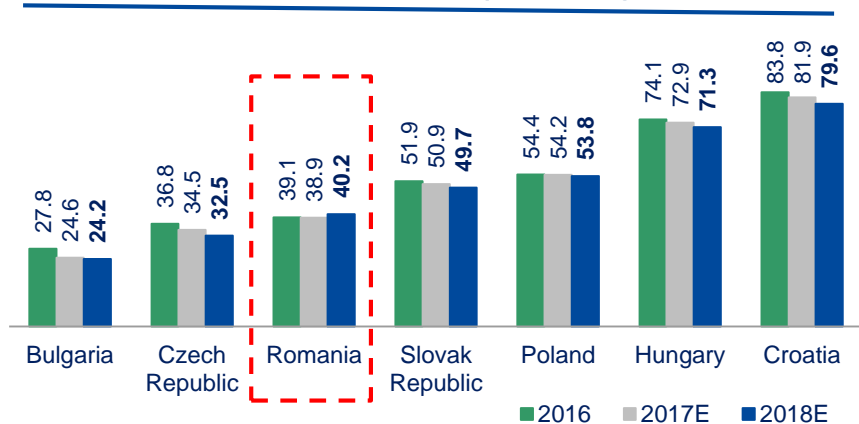
2018E Population (m)



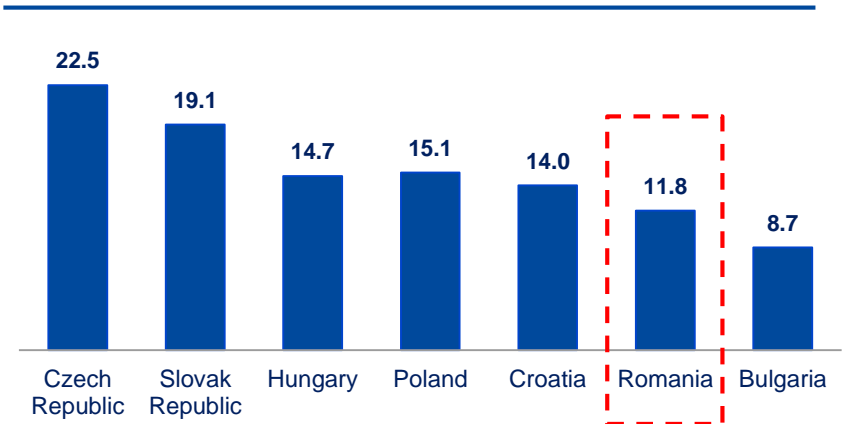
2018E GDP<sup>1</sup> (USD bn)



Public debt<sup>2</sup> (% of GDP)



2018E GDP per capita<sup>3</sup> (USD '000)



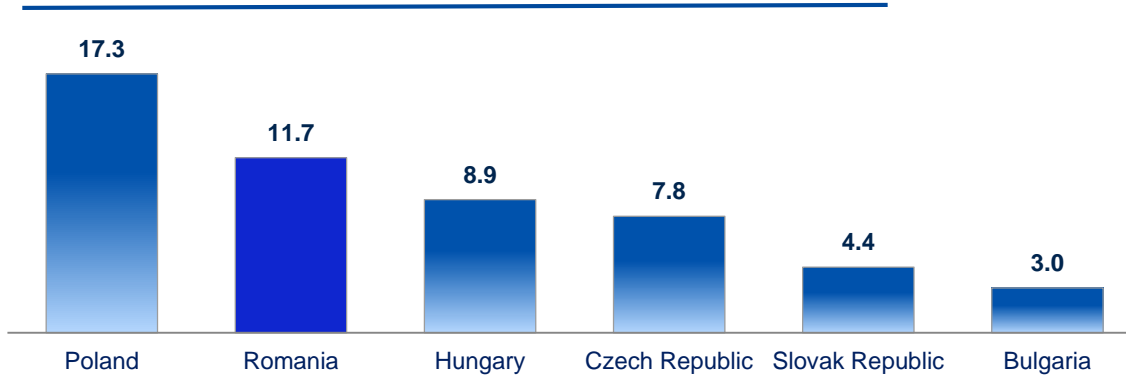
Source: IMF World Economic Outlook – October 2017

<sup>1</sup> Gross Domestic Product, current prices    <sup>2</sup> General Government Gross Debt, % of GDP    <sup>3</sup> Gross Domestic Product per Capita, current prices

# Economic context and gas market

## Romania: Well-positioned Gas Market (annual data, 2017 information not available)

Gas consumption in CEE<sup>1</sup> (2016, bcm)



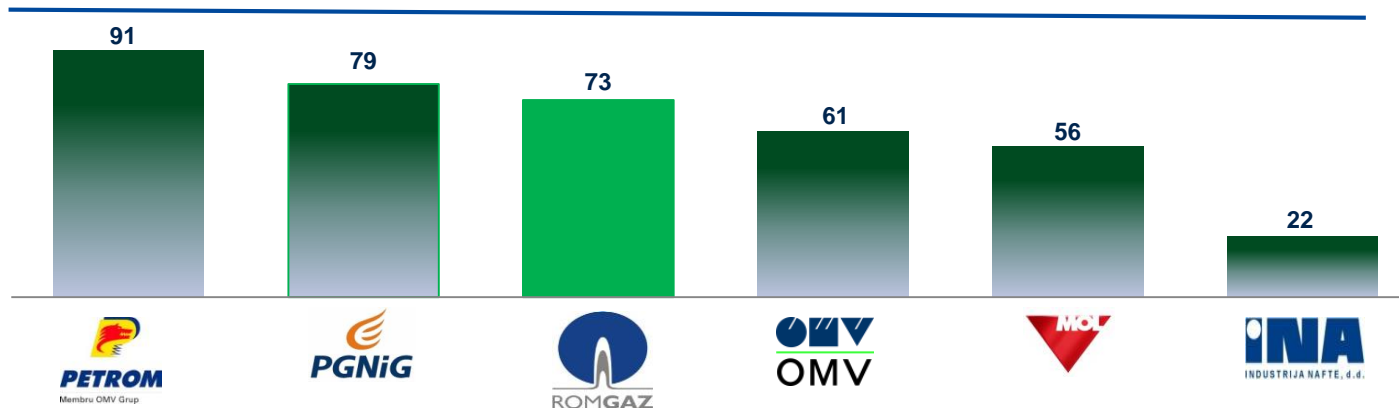
☐ Gas represents an important clean source of energy

**In the region:**

☐ Romania is one of the largest gas producers

☐ Romgaz ranks among top gas producers

Gas Producers in the region<sup>2</sup> (2016 output, kboepd)



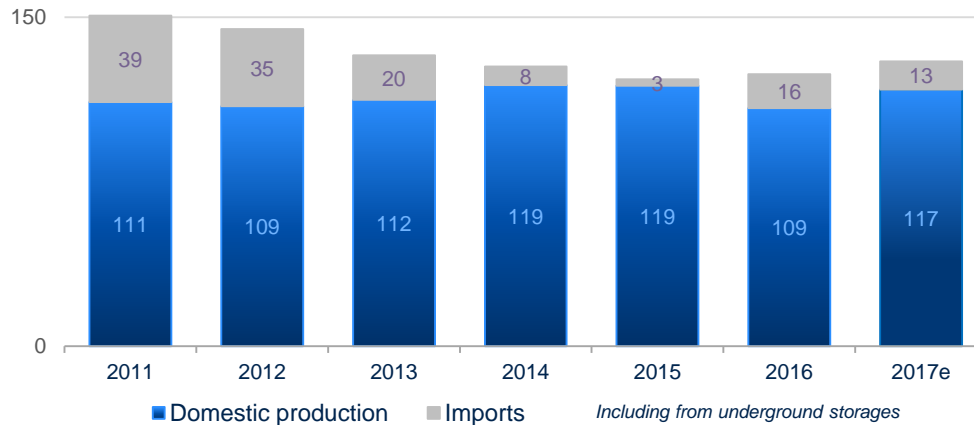
Source: <sup>1</sup> BP Annual Statistical Review of World Energy (2017), Romgaz estimate for Romania;

<sup>2</sup> Romgaz computation based on companies' reports, Petrom: Romania+abroad, OMV excluding Petrom

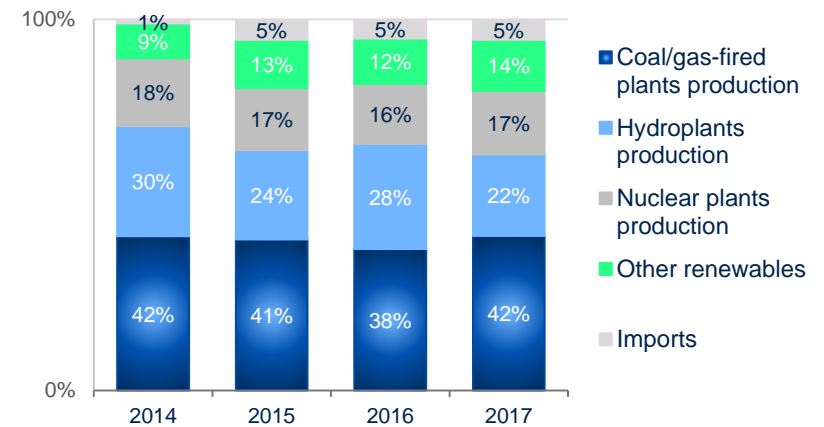
# Economic context and gas market

## Romania: Resilient gas production levels, market characteristics

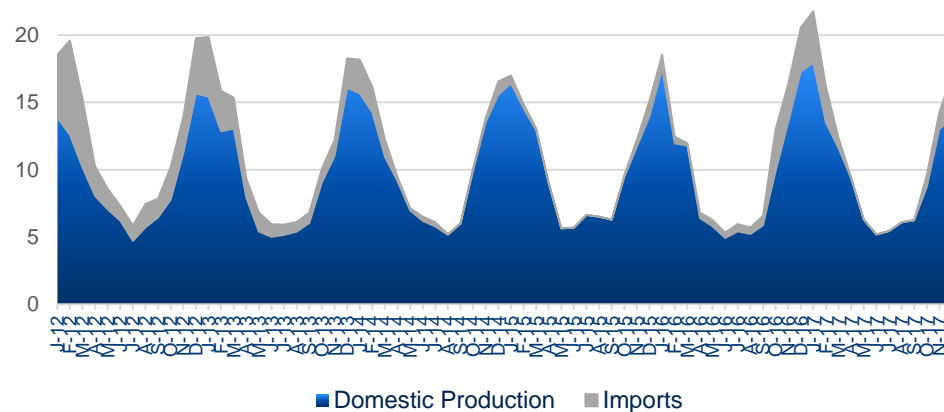
Natural Gas Consumption\* (mIn MWh)



Energy resources\*\*



Seasonality of Gas Consumption\* (mIn MWh)



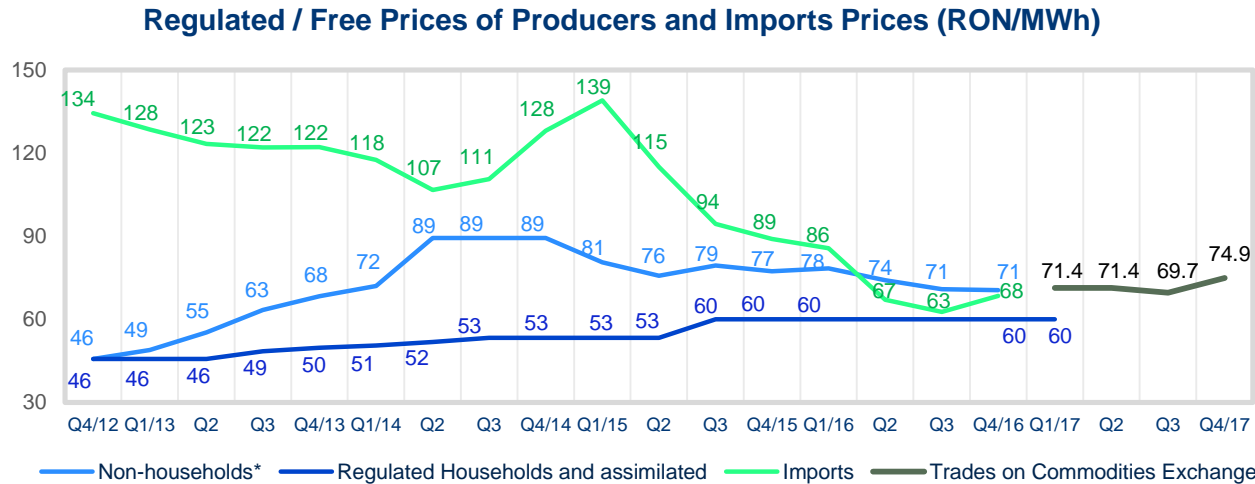
Sources:

\* ANRE Reports, Romgaz estimates for 2017

\*\* Statistics Institute

# Economic context and gas market

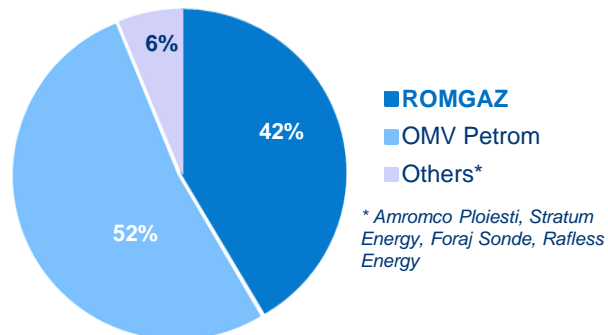
## Romania: Gas Producers and Prices, Final Consumers



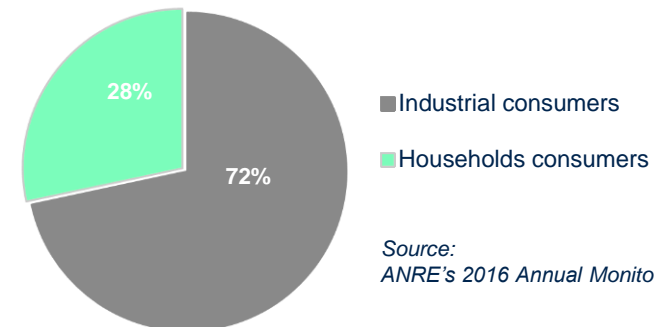
Source:  
ANRE's Annual Monitorisation Reports  
and Monthly Reports;  
Commodities Exchange

\* Producers' regulated gas prices until end-2014; 2015-2016: price of gas sold by producers to suppliers of final clients on the competitive market, weighed with volumes

### Gas producers in Romania (2016)



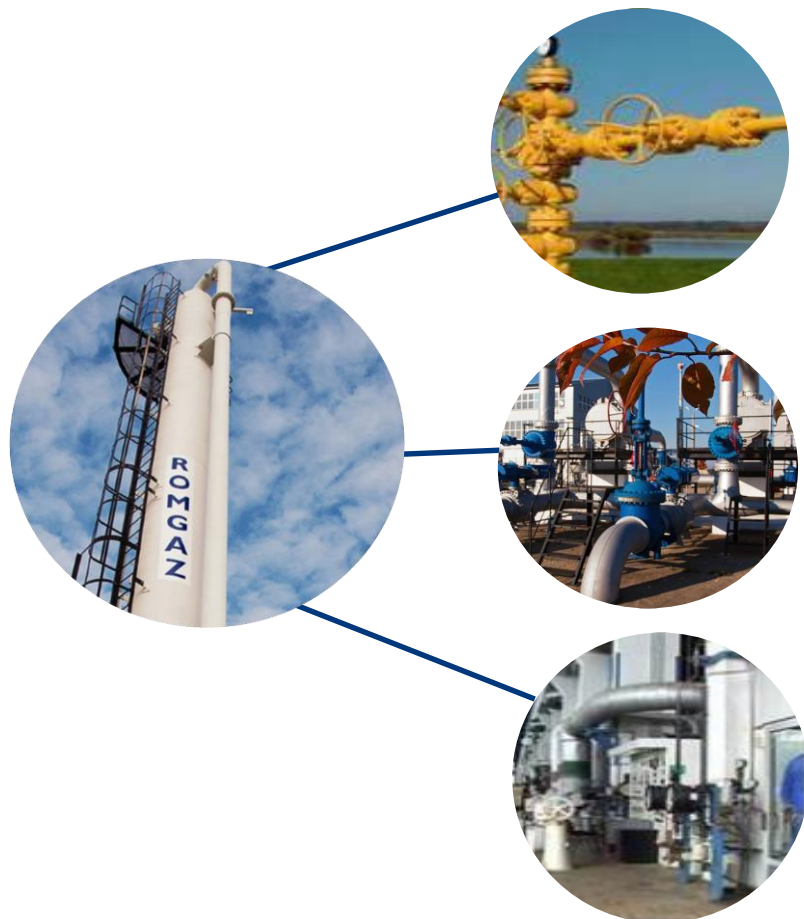
### Final Consumers in Romania (2016)



Source:  
ANRE's 2016 Annual Monitorisation Report

# ROMGAZ: Company Overview

## Major Producer and Supplier of Natural Gas in Romania



### Gas Exploration, Production & Supply

- Over 140 commercial gas fields - significant onshore and offshore exploration potential, important discoveries and enhancements made lately
- Among top gas producers in Romania (output of 5.16 bcm in 2017, compared to 4.22 bcm in 2016)
- Significant market share in the total gas supply in Romania

### Underground Gas Storage

- Working capacity: 2.92 bcm, upgraded from 2.77 bcm
- Important investments performed
- Market share of 91% in Romania
- Regulated activity (revenue-cap methodology, RR on RAB)

### Electricity Production

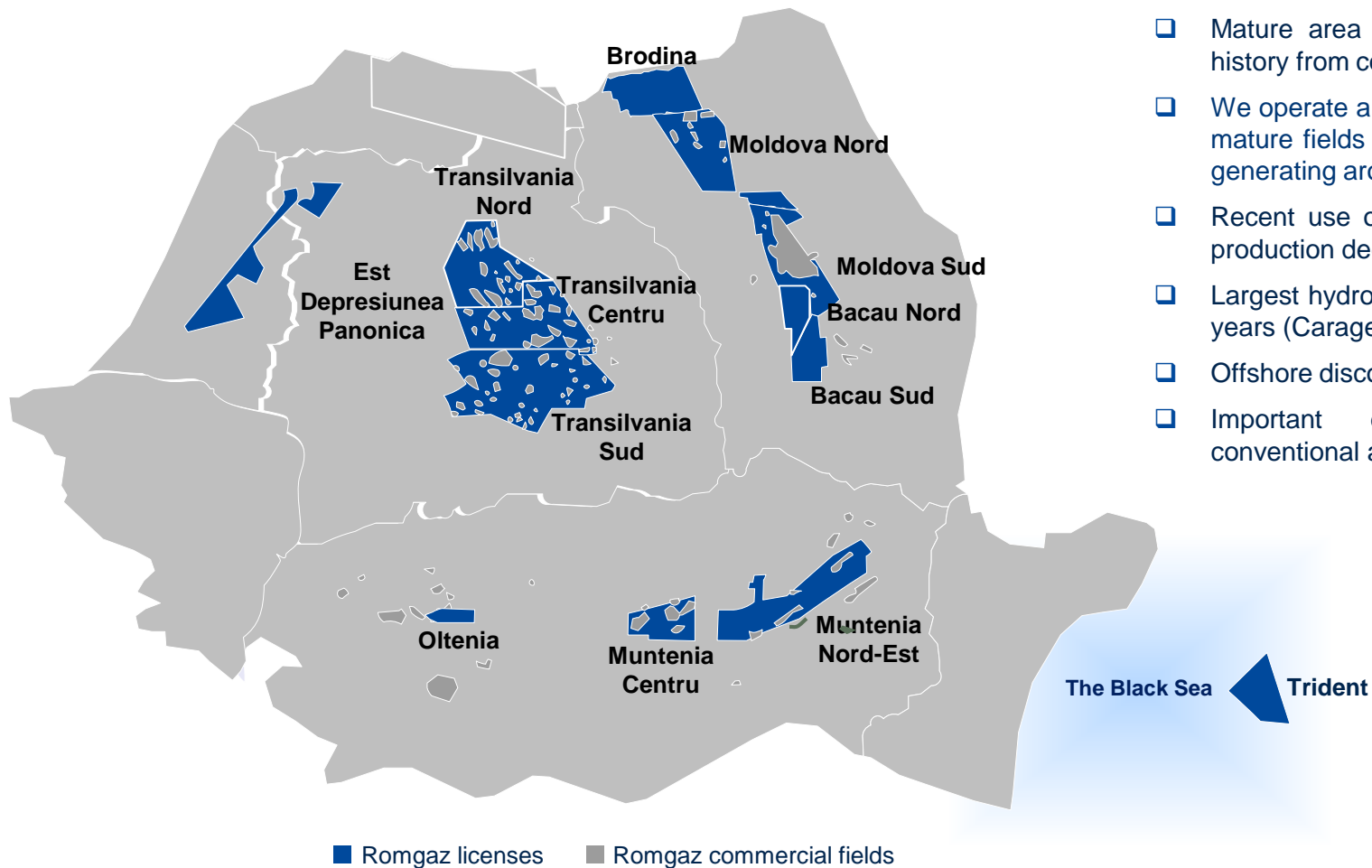
- 600 MW capacity still operational
- New power plant in construction (430 MW)
- Market share of 3.1%\* in terms of production in 9M/2017

*\* ROMGAZ estimate based on data provided by CNTEE Transelectrica SA*



# Company Overview

## Major Producer and Supplier of Natural Gas in Romania

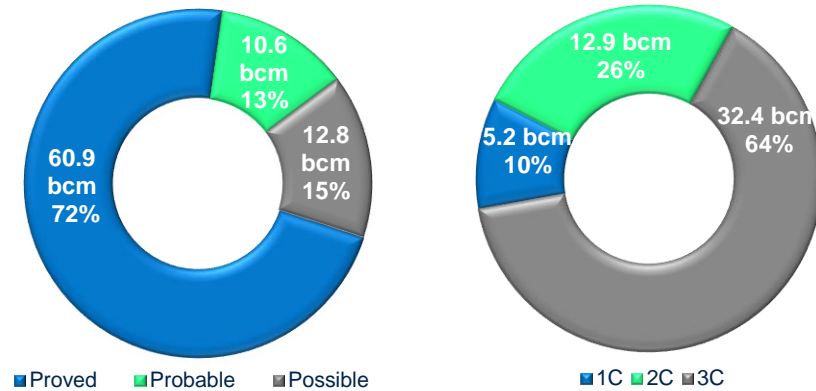


- Mature area with over 100-year production history from conventional reservoirs
- We operate around 148 commercial fields; 30 mature fields (over 30-year old) are currently generating around 80% of total production
- Recent use of new technologies to mitigate production decline
- Largest hydrocarbon discovery in the past 30 years (Caragele) - to be brought on stream
- Offshore discovery in the Black Sea as well
- Important exploration potential from conventional and unconventional reservoirs

# Company Overview

**External audit: Contingent resources +88%, avg annual RRR over 83% !!**

**Gas Audited Reserves<sup>1</sup> and Contingent Resources<sup>2</sup> Dec 31, 2015  
(bcm, % of total)**



External audit of our gas reserves/resources, completed by DeGolyer&MacNaughton US in H1 2016, revealed:

- Total Contingent Resources of 50.5 bcm vs 26.8 bcm in 2013 (+88%)
- 3-year average RRR of over 83% - exceeding our target

RRR: 104% in 2016

Average size of proved reserves per average field is of 0.45 bcm, with 15 fields over 1 bcm

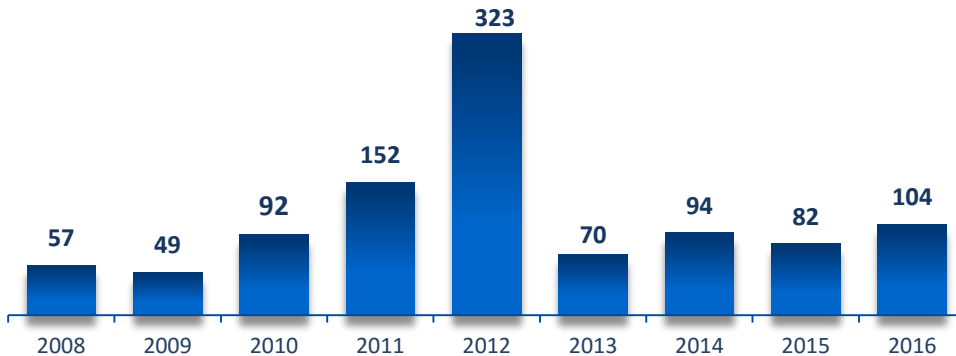
Recovery factors between 55% and 85% for most fields (90% in the more mature fields)

Reevaluation driven by investment in well workovers and installation of compressors

Bringing existing discoveries on-stream

New discoveries

**Annual Reserves Replacement Rates (RRR) (%)**



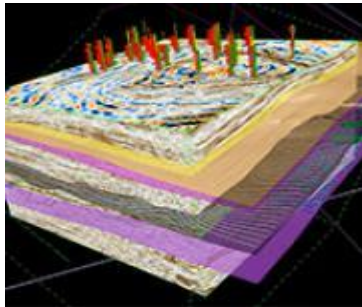
Source: External audit prepared by DeGolyer&MacNaughton as of Dec 31, 2015

<sup>1</sup> Probable and possible reserves have not been risk adjusted to make them comparable to proved reserves

<sup>2</sup> Application of any risk factor to contingent resources quantities does not equate contingent resources with reserves

# Exploration Activities

## Efforts undertaken to unlock the resource potential and secure production



- Petroleum agreements for 9 onshore exploration blocks (about 17,650 km<sup>2</sup> across the Transylvania, Moldova, Oltenia and Muntenia basins), with 100% working interests
- 1 petroleum agreement for offshore E&P in the Black Sea (with Lukoil and Pan Atlantic )
- Major projects in deep reservoirs in:
  - Moldova (Frasin Deep)
  - Muntenia (Caragele Deep)

First exploration programme agreed with the National Agency for Mineral Resources: 1997-2002

Further extensions by 2/5 years afterwards

**Our Exploration Programme in the 8 blocks was recently extended by additional 5 years:**

- ✓ Investment period: Oct 2016 – Oct 2021
- ✓ Total exploration area 16,296 km<sup>2</sup>
- ✓ Total value of over USD 289 mln (c. RON 1,100 mln)

| Romgaz: Oct/2016 – Oct/2021 Exploration Program |                               |         |
|---|-------------------------------|---------|
| Seismic activities                              | 2D studies (km)               | 200     |
|   | 3D studies (km <sup>2</sup> ) | 1,000   |
| Drilling  | No. of wells                  | 43      |
|   | Drilling (meters)             | 113,000 |
| Total investment value agreed (USD mln)         |                               | 289     |

## Efforts undertaken to unlock the resource potential and secure production



### Significant developments

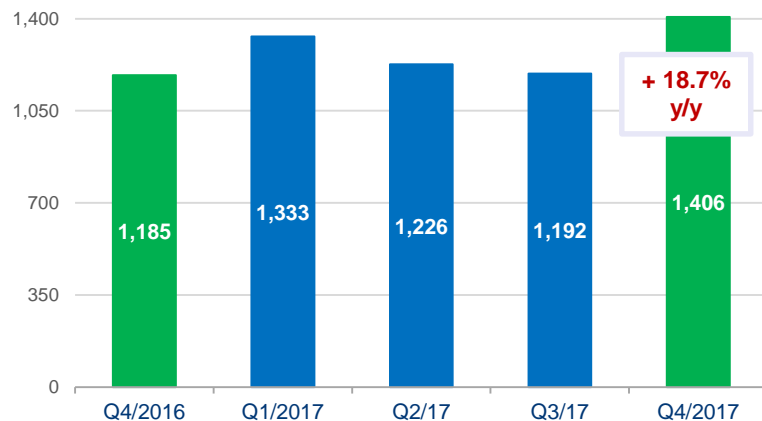
- ✓ **Largest hydrocarbon discovery in the past 30 years (June 2016):** located in NE of the Moesian Platform in Caragele structure – production tests completed at 2 exploration wells confirmed an estimated contingent resource of 25-27 bcm; as part of Romgaz' major exploration projects, the 35 km long Caragele structure has been explored for production units located at depths between 1500-5000 m;
- ✓ Large discovery announced in the Black Sea, Trident block (Oct 2015): gas estimated contingent resource can exceed 30 bcm – Current stage: discovery new data assessment, geological background reanalysis and future appraisal wells design.

- Consistent 2017 drilling work program
- New developments in Caragele commercial field: contracting and starting the execution of three important objectives in Caragele structure, which will be finalized during H1 2018.

# Natural Gas Production

## Favorable development in FY/Q4 2017, Natural decline already arrested to a large extent

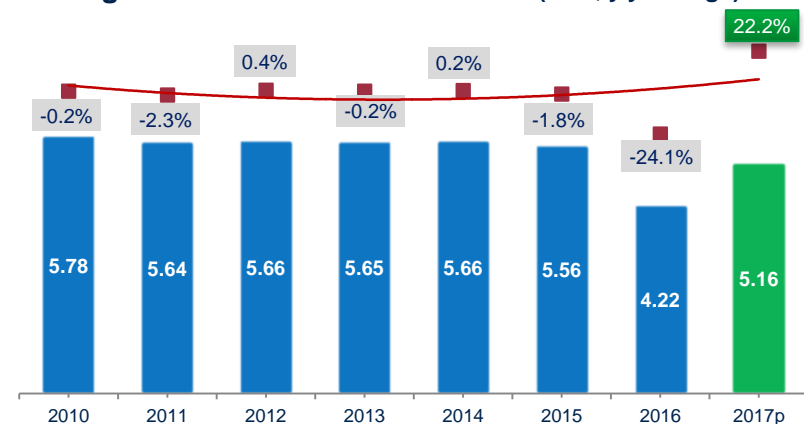
Romgaz: Significant production level in Q4 (mln cm)



- ❑ In Q4, we succeeded to achieve the highest quarterly natural gas production over the past 2 years !
- ❑ We produced 1.41 bcm in Q4, +18.7% vs the same period of 2016 (and +18.0% vs the previous quarter)
- ❑ All in all, in Full Year 2017, our natural gas production reached 5.16 bcm – higher by 22.2% compared to last year - and exceeding our annual budget by around 9%
- ❑ The good performance in 2017 was favored by low temperatures recorded during Q1 and strong gas demand from the electricity market – these allowed an optimal gas chain management
- ❑ Favorable production perspective – significant hydrocarbon discovery in Caragele structure
- ❑ Ongoing production optimization programme for the mature reservoirs

- ❑ Our gas output was adjusted downward in 2016 as a result of a challenging gas market (fiscal regulation unfavorable for domestic producers, competition from imports, unclear regulation for minimum gas stocks, mild weather)
- ❑ We succeeded to stabilise the Natural Production Decline in 2015 by (a) installation of gas compression and production rehabilitation, (b) acquisition of 3D seismic data, dynamic and static reservoir modelling, and (c) production from new discoveries
- ❑ Production enhancement includes activities focused mainly on well workovers and new completion techniques

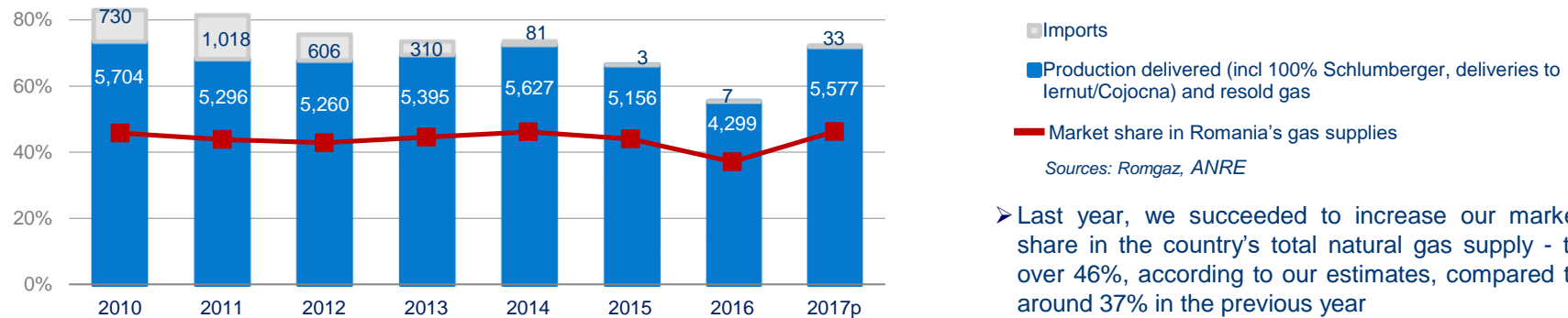
Romgaz: Annual Production Levels (bcm, y/y change)



# Gas Supply & Sales

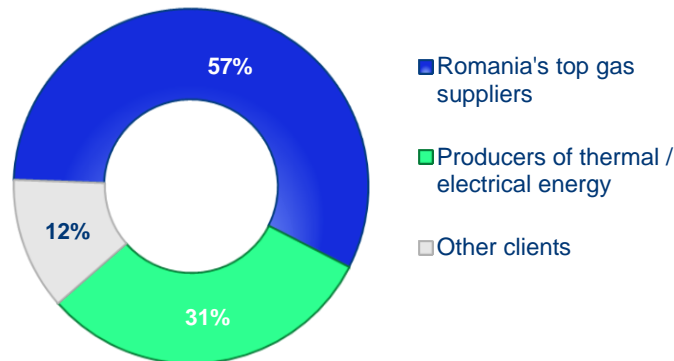
**FY/Q4 2017: Improved market share in Romania's supply, strong client portfolio as well**

**Romgaz: Gas deliveries in Romania's total supply (mln cm)**



- Last year, we succeeded to increase our market share in the country's total natural gas supply - to over 46%, according to our estimates, compared to around 37% in the previous year
- We rose our gas deliveries in 2017 due to improved market demand

**Romgaz: Key third-party Clients** (quantities of gas sold, 2017p)



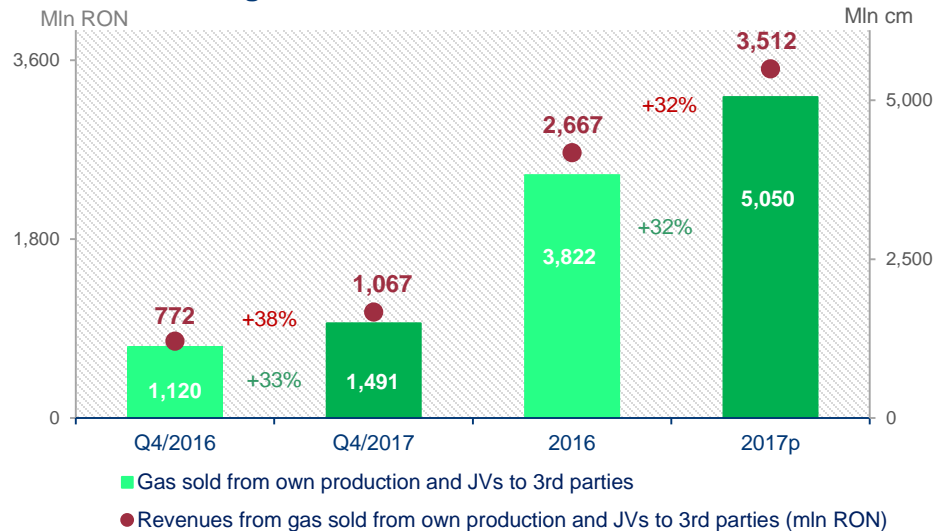
- ☐ We enjoy a strong portfolio of clients
- ☐ Around 60% of Romgaz' gas sales are generally performed to the country's large gas suppliers
- ☐ **Our gas trading strategy aims to:**
  - secure a balanced client portfolio
  - diminish the payment defaults
  - ensure price flexibility by trading on free markets.

Portfolio breakdown reflects specific quarterly characteristics of gas demand

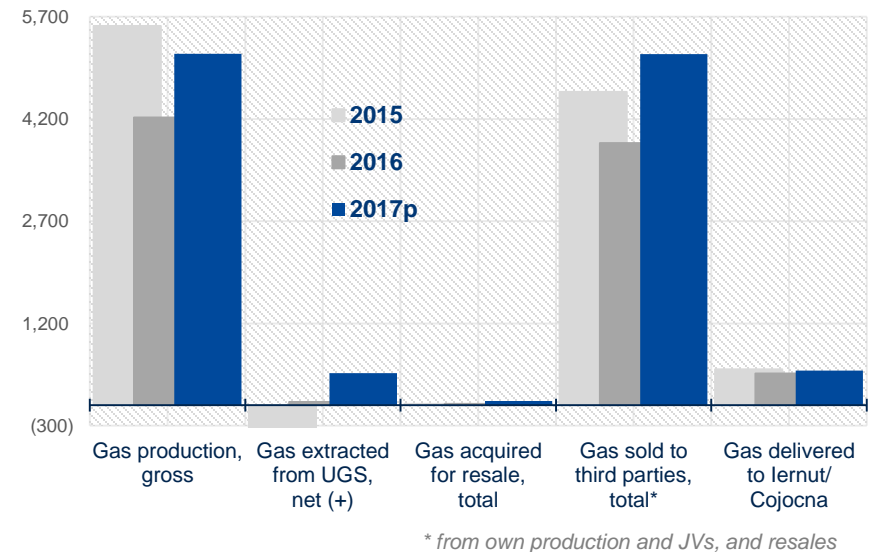
# Gas Supply & Sales

Strong deliveries in FY/Q4 2017, Gas Chain Management to mitigate seasonality and demand

Romgaz: Gas Sales – revenues and volumes



Romgaz: Gas Chain Management (mIn cm)

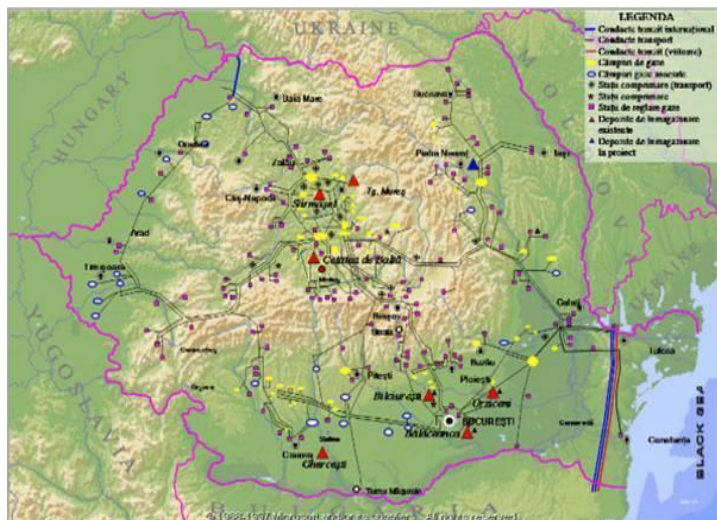


## UPSTREAM SEGMENT CONTRIBUTION: around 78% in Revenue and 81% in EBITDA

- ❑ In FY 2017, gas volume sold to third parties (own gas, including JVs) rose by 32% compared to last year due to improved gas market demand; Revenues amounted to 3.5 bn RON (+32% y/y)
- ❑ In Q4 alone, compared to the same period of 2016, gas volumes sold to third parties increased by 33%, and related Revenues were up 38%
- ❑ On quarterly basis, gas sales are generally peaking in Q1 and Q4
- ❑ Quarterly deliveries to CTE Iernut are based on fluctuant energy demand
- ❑ Efforts are undertaken to optimize the gas value chain
- ❑ Management of gas flow from production to clients is a priority
- ❑ Gas sales are accompanied by storage-related revenues as well as by electricity revenues
- ❑ Iernut plant is delivering electricity on all power market segments (including on the balancing market which is usually offering higher prices)

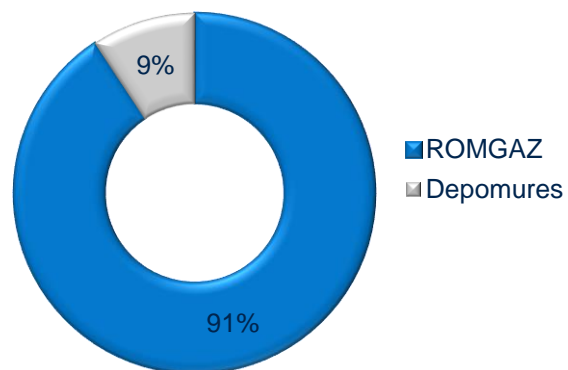
# Underground Gas Storage

## Romania's Largest Operator of UGS facilities



| Romgaz: Underground Gas Storages<br>- working capacities (mln cm/cycle) - |       |                  |     |
|---|-------|------------------|-----|
| Bilciuresti   | 1,310 | Cetatea de Balta | 100 |
| Sarmasel  | 950   | Ghercesti        | 150 |
| Urziceni  | 360   | Balaceanca       | 50  |
| <b>Total Working Capacity: 2,920 (starting July/2016)</b>                 |       |                  |     |

### ROMGAZ UGS Market share



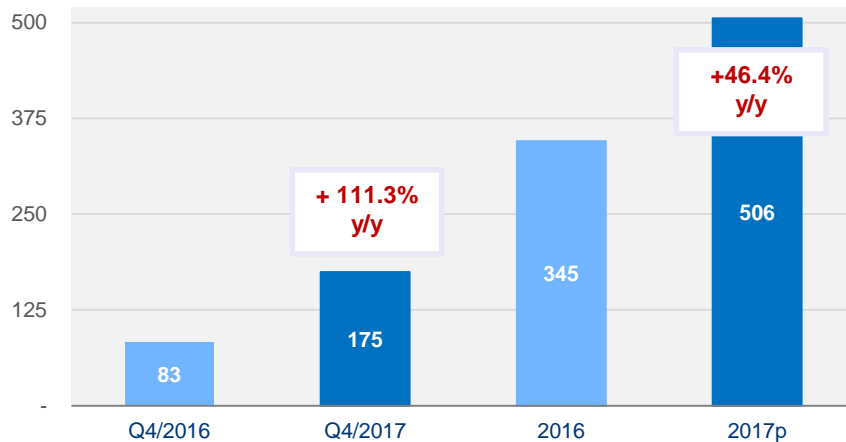
- ❑ The gas storage facilities: native gas acts as cushion gas in the storage process
- ❑ Activity regulated by ANRE using the revenue-cap methodology – third 5-year regulatory period started in Apr 2013, royalties of 3% of operating revenues
- ❑ Romgaz operates 6 facilities, with total working capacity of 2.92 bcm; it also owns a 41% stake in Depomures (0.30 bcm), a joint venture with Engie (former Gaz de France)
- ❑ **Investment plans to extend the existing capacity**
- ❑ **Performed Investments:** we extended the storage capacity of Sarmasel (completed in July/2016) and Urziceni (completed in 2014)



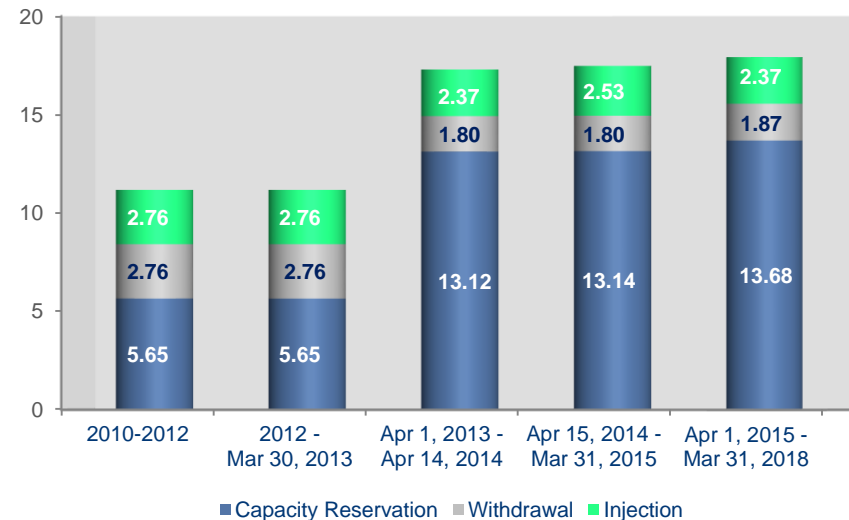
# Underground Gas Storage

Robust FY/Q4 2017 performance - highest revenues ever recorded in IFRS !

**Romgaz: Revenue from Storage Services (mIn RON)**  
- capacity reservation, withdrawal, injection -



**Romgaz: Regulated storage tariffs (RON/MWh)**



## STORAGE SEGMENT CONTRIBUTION: 11% in Revenue and 13% in EBITDA

- ❑ In FY 2017, UGS revenues were up by 46% y/y to RON 506 mln – *the highest annual level achieved over the past years !*
- ❑ In Q4 alone, we succeeded to more than double the UGS revenues: +111% y/y vs the same period of last year (+43% vs the previous quarter of this year) – *again, the highest revenues recorded quarterly !*
- ❑ Capacity reservation activity provides the bulk of the UGS revenues (around 80% in recent period)
- ❑ Separation of the UGS activity into a separate legal entity was postponed to the end of the storage cycle 2017-2018.

# Electricity Production & Trading

Player in the Power Sector as well, Important ongoing investment plans

## Romgaz: Electricity Production

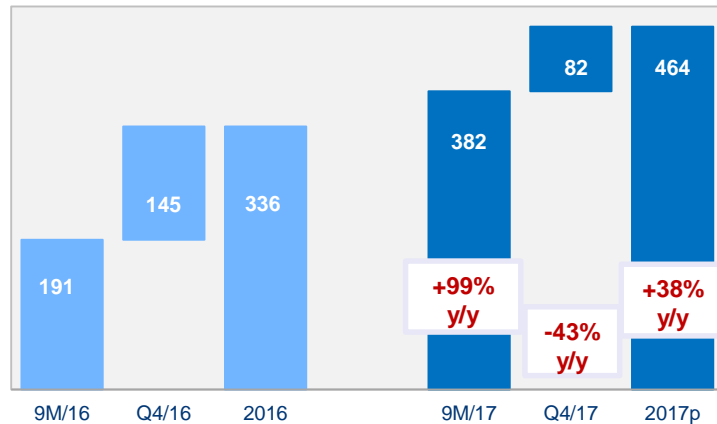


- **The new electrical power plant (430 MW capacity, minimum 55% efficiency rate) is presently under construction** (completion due in 2019); Ministry of Energy approved a non-reimbursable financing of 25% of the total eligible investment from the National Investment Plan
- The existing power plant CTE Iernut currently operates at a capacity of 600 MW (split in 4 units of 100/200 MW each)
- In FY 2017, CTE Iernut produced 1.9 TWh of electricity, achieving among the highest utilization rates - of 48% - since it was transferred to Romgaz back in 2013 ! (considering an operating capacity of 75%)
- Good strategic positioning in the middle of the Romanian electricity system
- Main roles are to cover national power consumption by acting in the electricity wholesale and balancing markets, ensure ancillary services to the national system, eliminate possible network constraints in NW Romania

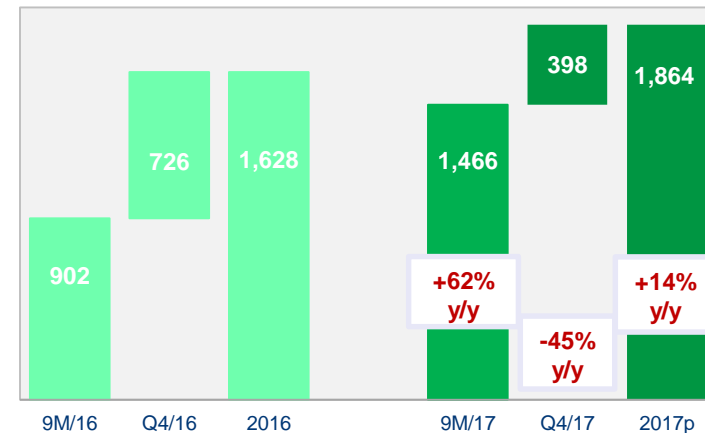
# Electricity Production & Trading

Significant performance in 2017 – the best revenues ever achieved !

Romgaz: Revenues from Electricity (mln RON)



Romgaz: Production of Electricity (GWh)



## ELECTRICITY SEGMENT CONTRIBUTION: 10% in Revenue and 5% in EBITDA

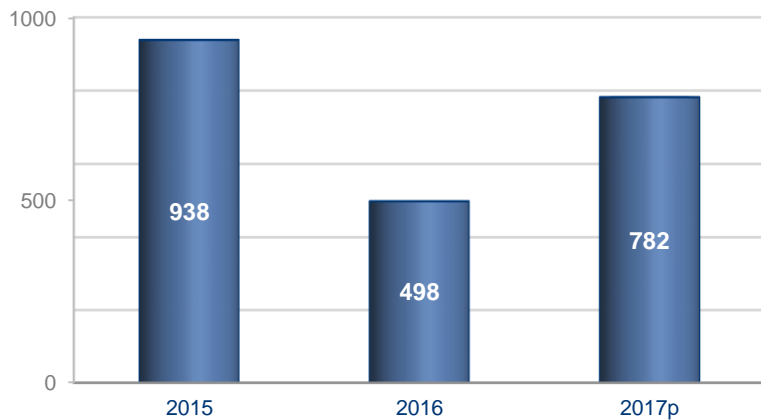
- ❑ In FY 2017, Revenues from Electricity reached RON 464 mln – *the highest level ever achieved\* !*
- ❑ Recall that in 9M/17, Revenues from Electricity exceeded the level recorded in FY2016, due to favorable market environment
- ❑ In Q4 alone, revenues from electricity and related output adjusted downward by 43-45% y/y
- ❑ The positive developments in FY 2017 are due to lower hydro and wind energy production, warm summer, lower production of other gas/coal-fired plants and of some thermal/nuclear plants as well
- ❑ We achieved a market share of 3.1% in terms of electricity production in Romania (9M/2017)

\* Romgaz started power production in 2012, upon the transfer of Iernut power plant into its accounts

# Investments

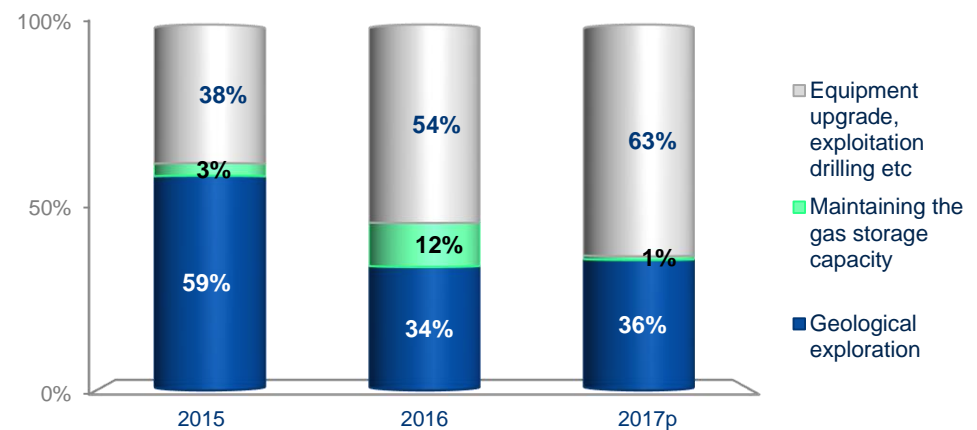
## Key role in arresting the production decline, FY 2017 developments

Romgaz: Capital Expenditures (RON mln)



- ❑ In FY 2017, we succeeded to invest an amount higher by 57% compared to the previous year
- ❑ Investments were exclusively financed from the company's own sources
- ❑ Over the past years, capital investments were impacted by extended deadlines for obtaining land plots and delayed authorization for exploration wells, difficult access to wells location, delays in the public procurement process caused by ANAP (National Agency for Public Procurement), repetition of procurement procedures resulting from the lack of submitted bids;

Romgaz: Breakdown of Investments

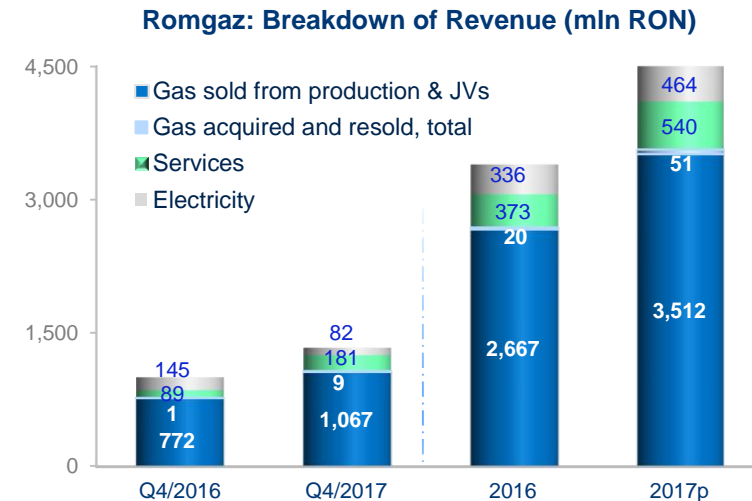
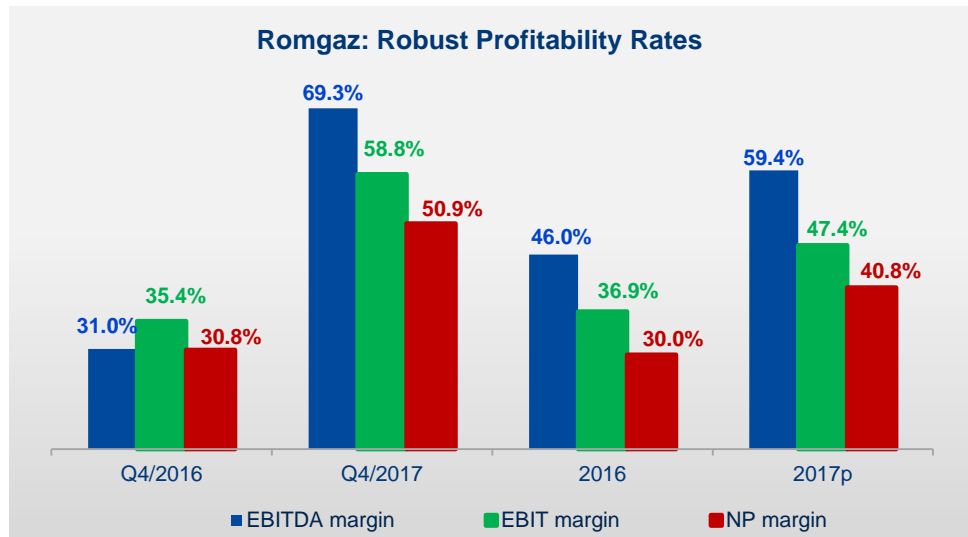


### Main achievements last year:

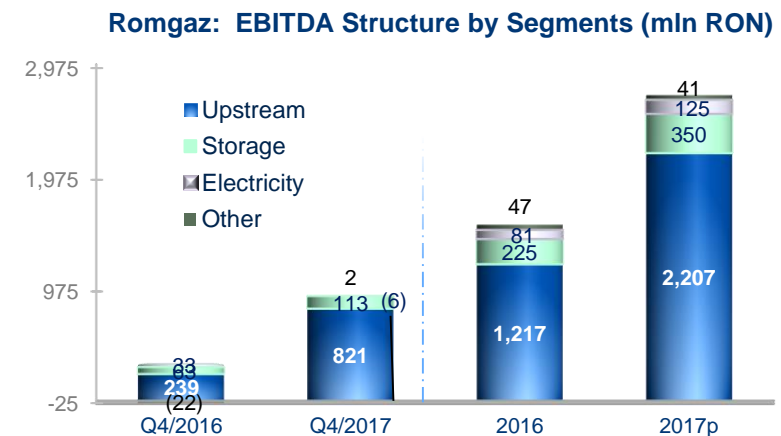
- ❑ Execution of drilling works for 20 wells, out of which 17 wells were completed (*in 9M/2017*);
- ❑ Contracting and starting the execution of 3 important objectives in Caragele structure, which will be finalized during H1 2018;
- ❑ Achievement and commissioning of technological installations at 8 wells, execution of overhauling and upgrades of wells at the planned level (about 100 wells), performed by SIRCOSS (*in 9M/2017*);
- ❑ Completion of scheduled modernization works carried out at the underground storage in Urziceni.

# Financial Performance

**FY/Q4 2017: The highest anual / quarterly margins recorded since our listing !**



- In FY 2017, we continue to achieve significant profitability, with *the highest margins reported since our listing on the BVB/LSE !* EBITDA of 59.4%, EBIT of 47.4% and Net Profit margin of 40.8%
- *Our quarterly margins are also the best achieved in recent years !*
- All 3 main segments (upstream, storage services and electricity production) have reported significant growth rates in FY2017 - both in terms of revenues and EBITDA



# Financial Performance

## FY/Q4 2017: Selected P&L items – Net Profit +82.4 % y/y in 2017 and +120% y/y in Q4 alone

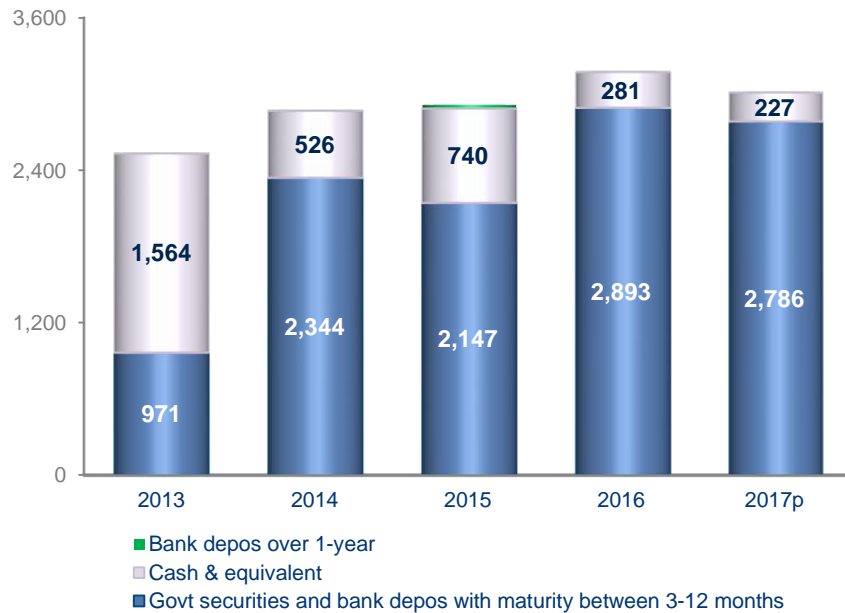
| RON mln                    | 2013         | 2014         | 2015         | 2016         | 2017p        | Q4/16        | Q3/17        | Q4/17        |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenues - of which</b> | <b>3,894</b> | <b>4,493</b> | <b>4,053</b> | <b>3,412</b> | <b>4,585</b> | <b>1,010</b> | <b>849</b>   | <b>1,344</b> |
| Gas Production             | 2,808        | 3,553        | 3,291        | 2,667        | 3,512        | 772          | 593          | 1,067        |
| Gas Resales                | 461          | 131          | 19           | 20           | 51           | 1            | 1            | 9            |
| Services                   | 394          | 455          | 365          | 373          | 540          | 89           | 135          | 181          |
| Electricity                | 207          | 335          | 357          | 336          | 464          | 145          | 117          | 82           |
| <b>Other income</b>        | <b>54</b>    | <b>108</b>   | <b>80</b>    | <b>361</b>   | <b>364</b>   | <b>27</b>    | <b>19</b>    | <b>280</b>   |
| Cost of commodities sold   | (439)        | (176)        | (40)         | (50)         | (61)         | (4)          | (4)          | (12)         |
| Changes in inventory       | 56           | 28           | 138          | 21           | (187)        | (53)         | 41           | (86)         |
| Raw materials              | (79)         | (66)         | (78)         | (55)         | (64)         | (13)         | (16)         | (15)         |
| Exploration expense        | (59)         | (43)         | (42)         | (253)        | (137)        | (173)        | (62)         | (5)          |
| Headcount expense          | (504)        | (523)        | (512)        | (498)        | (563)        | (142)        | (139)        | (163)        |
| Other gains and losses     | (204)        | (275)        | (319)        | (468)        | (120)        | (61)         | (24)         | (32)         |
| Other expenses             | (745)        | (1,035)      | (1,041)      | (882)        | (1,075)      | (276)        | (184)        | (375)        |
| <b>EBITDA</b>              | <b>1,960</b> | <b>2,490</b> | <b>2,218</b> | <b>1,570</b> | <b>2,724</b> | <b>313</b>   | <b>476</b>   | <b>931</b>   |
| <b>EBITDA margin</b>       | <b>50.3%</b> | <b>55.4%</b> | <b>54.7%</b> | <b>46.0%</b> | <b>59.4%</b> | <b>30.9%</b> | <b>56.0%</b> | <b>69.3%</b> |
| <b>D&amp;A</b>             | <b>(782)</b> | <b>(777)</b> | <b>(794)</b> | <b>(311)</b> | <b>(549)</b> | <b>45</b>    | <b>(114)</b> | <b>(141)</b> |
| <b>EBIT</b>                | <b>1,177</b> | <b>1,713</b> | <b>1,425</b> | <b>1,259</b> | <b>2,175</b> | <b>358</b>   | <b>362</b>   | <b>790</b>   |
| <b>EBIT margin</b>         | <b>30.2%</b> | <b>38.1%</b> | <b>35.2%</b> | <b>36.9%</b> | <b>47.4%</b> | <b>35.4%</b> | <b>42.6%</b> | <b>57.8%</b> |
| Net Interest income        | 123          | 75           | 44           | 22           | 22           | 4            | 4            | 7            |
| <b>Profit before tax</b>   | <b>1,301</b> | <b>1,788</b> | <b>1,469</b> | <b>1,281</b> | <b>2,197</b> | <b>362</b>   | <b>367</b>   | <b>797</b>   |
| Income tax                 | (305)        | (378)        | (275)        | (256)        | (329)        | (51)         | (51)         | (112)        |
| <b>Net Profit</b>          | <b>996</b>   | <b>1,410</b> | <b>1,194</b> | <b>1,025</b> | <b>1,868</b> | <b>311</b>   | <b>316</b>   | <b>684</b>   |
| <b>Net margin</b>          | <b>25.6%</b> | <b>31.4%</b> | <b>29.5%</b> | <b>30.0%</b> | <b>40.7%</b> | <b>30.8%</b> | <b>37.2%</b> | <b>50.9%</b> |

- ❑ In 2017, we reported a Net Profit of RON 1.868 mln (+82.4% y/y) with a net profit margin of almost 41% - **the best performance recorded over past years !**
- ❑ The other profitability margins remained robust in 2017 - EBITDA of over 59% and EBIT margin of over 47% - again the best over the past years !
- ❑ In Q4 alone, Net profit more than doubled to RON 684 mln – **the best level achieved on quarterly basis !**
- ❑ **One-off income in 2017:** RON 244 mln, representing excises related to technological consumption, to be recovered by the company (*adjusted EBITDA: RON 687 mln, adjusted EBITDA margin: 51.1%*)
- ❑ “Other expenses” in 2017 included the windfall profit tax of RON 386 mln and gas and UGS royalties of RON 293 mln
- ❑ The financial performance shows that efforts undertaken by the company’s management to maintain an elevated profitability in a challenging environment were successful

# Financial Performance

## Cash position remained robust at end-2017 as well

Romgaz: Cash & equivalent and treasury bonds (RON mln)



- At Dec 31, 2017, overall cash position (cash, bank deposits and gov't treasury bonds) remained strong, amounting to RON 3,013 mln in total

Romgaz: Selected Cash Flow Items

| RON mln   | 2014    | 2015    | 2016    | 9M/17   |
|---|---------|---------|---------|---------|
| Net profit for the period                             | 1,410   | 1,194   | 1,025   | 1,184   |
| Operating Cash Flow before $\Delta$ WC and Income tax | 2,824   | 2,600   | 2,321   | 1,995   |
| Movements in working capital                          | (10)    | (123)   | (268)   | (203)   |
| Net Cash flows from operating activities              | 2,313   | 2,131   | 1,744   | 1,955   |
| Net Cash flows from investing activities              | (1,758) | (702)   | (1,163) | (226)   |
| Net Cash flows from financing activities              | (988)   | (1,215) | (1,041) | (1,472) |
| Net change in cash and cash equivalents *             | (433)   | 214     | (460)   | 256     |

\* This line reflects only the change in cash and cash equivalent (i.e. bank accounts with maturity lower than 3 months)

## Strong B&S Structure, Debt-free at end-2017

### Romgaz: Selected Balance Sheet Items

| RON mln   | Dec 31,<br>2013 | Dec 31,<br>2014 | Dec 31,<br>2015 | Dec 31,<br>2016 | Dec 31,<br>2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Total non-current assets, thereof</b>                  | <b>6,246</b>    | <b>6,448</b>    | <b>6,497</b>    | <b>6,258</b>    | <b>6,327</b>    |
| Property plant and equipment                              | 5,767           | 5,963           | 5,996           | 5,789           | 5,842           |
| Other intangible assets                                   | 384             | 407             | 400             | 398             | 412             |
| Trade and other receivables                               | -               | -               | -               | -               | -               |
| <b>Bank depos</b>   | <b>-</b>        | <b>-</b>        | <b>29</b>       | <b>-</b>        | <b>-</b>        |
| <b>Total current assets, thereof</b>                      | <b>4,231</b>    | <b>4,364</b>    | <b>4,188</b>    | <b>4,719</b>    | <b>4,541</b>    |
| Inventories   | 464             | 392             | 560             | 576             | 406             |
| Trade and other receivables                               | 1,087           | 1,000           | 601             | 829             | 816             |
| <b>Govt securities and bank depos<br/>(+3mo maturity)</b> | <b>1,575</b>    | <b>2,344</b>    | <b>2,147</b>    | <b>2,893</b>    | <b>2,786</b>    |
| <b>Cash and equivalents</b>                               | <b>959</b>      | <b>526</b>      | <b>740</b>      | <b>281</b>      | <b>227</b>      |
| Other assets  | 146             | 102             | 140             | 142             | 306             |
| <b>Total assets</b>                                       | <b>10,477</b>   | <b>10,812</b>   | <b>10,685</b>   | <b>10,977</b>   | <b>10,868</b>   |
| <b>Shareholders' Equity</b>                               |                 |                 |                 |                 |                 |
| Share capital   | 1,893           | 385             | 385             | 385             | 385             |
| Reserves  | 1,950           | 2,142           | 2,582           | 3,020           | 2,312           |
| Retained earnings   | 5,450           | 7,184           | 6,725           | 6,271           | 6,627           |
| <b>Total Shareholders' Equity</b>                         | <b>9,293</b>    | <b>9,712</b>    | <b>9,692</b>    | <b>9,676</b>    | <b>9,324</b>    |
| <b>Non-current liabilities, thereof</b>                   | <b>423</b>      | <b>431</b>      | <b>366</b>      | <b>354</b>      | <b>400</b>      |
| Provisions  | 197             | 202             | 201             | 194             | 281             |
| <b>Current liabilities, thereof</b>                       | <b>762</b>      | <b>669</b>      | <b>626</b>      | <b>947</b>      | <b>1,144</b>    |
| Trade and other payables                                  | 203             | 217             | 187             | 570             | 606             |
| <b>Total liabilities</b>                                  | <b>1,184</b>    | <b>1,100</b>    | <b>992</b>      | <b>1,301</b>    | <b>1,544</b>    |
| <b>Total equity and liabilities</b>                       | <b>10,477</b>   | <b>10,812</b>   | <b>10,685</b>   | <b>10,977</b>   | <b>10,868</b>   |

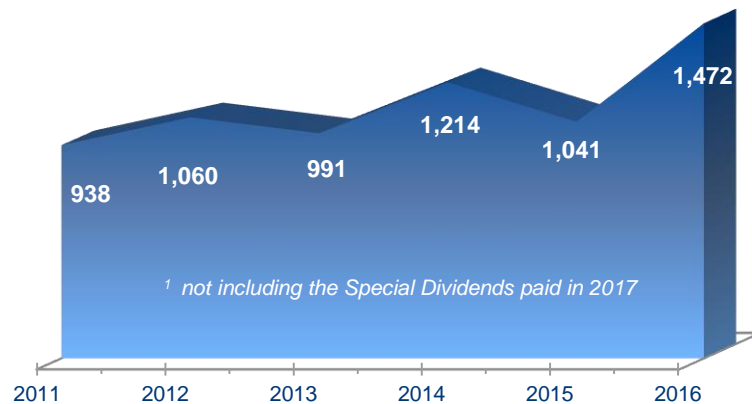




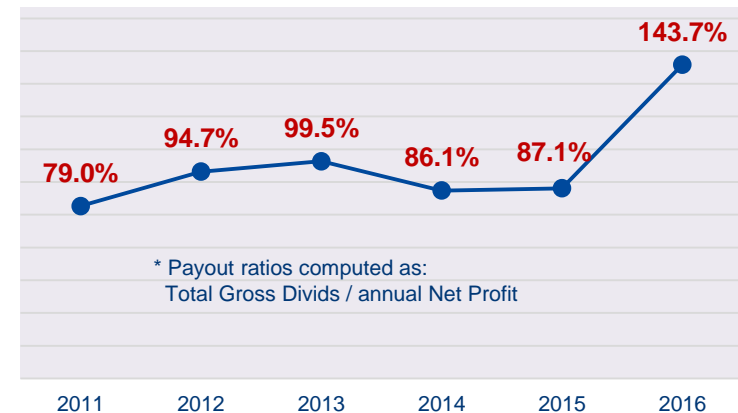
# Dividend distribution

## Strong Dividend Payout Ratios

Romgaz: History of Gross Dividend Distribution<sup>1</sup> (RON mln)



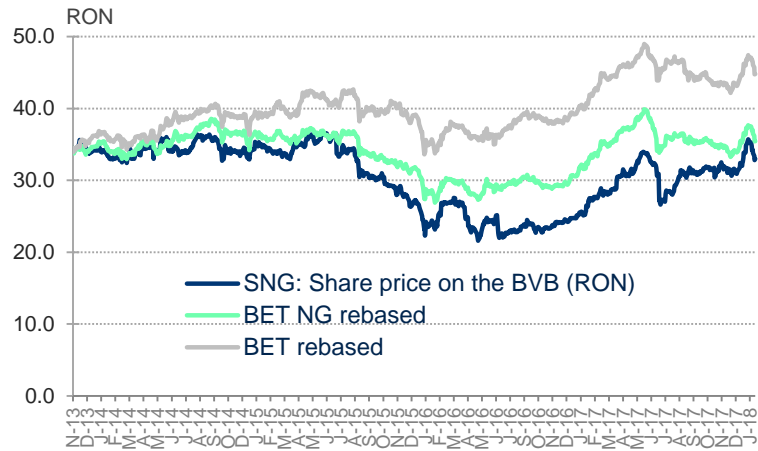
Romgaz: Gross Dividend Payout ratios\*



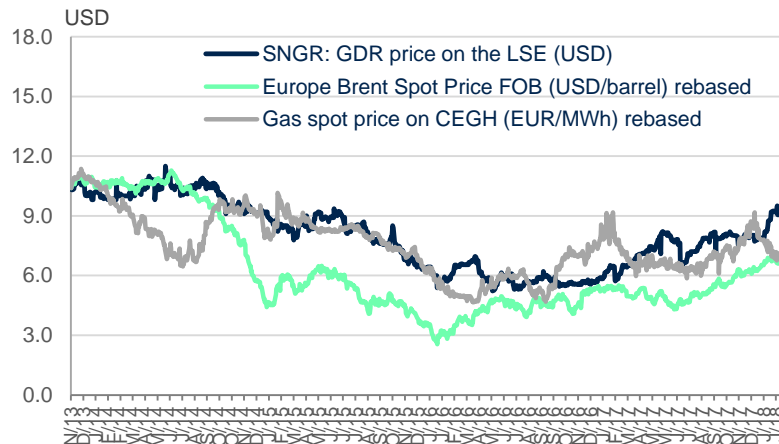
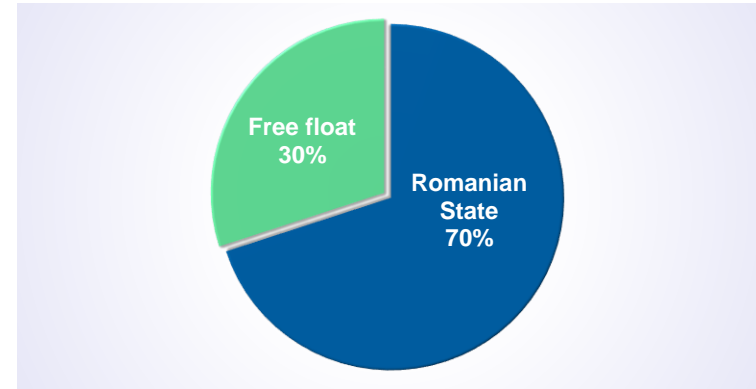
- ❑ According to official statements, for the fiscal years ending Dec 31, 2017, the gov't mandated its representatives in majority state-owned companies to distribute as dividends minimum 90% of the annual NP (like it happened in 2016); also, OUG no 29 / 30.03.2017 allows these companies to distribute retained earnings as dividends
- ❑ For FY2016, total gross dividends amounted to **RON 1,472 mln** in total (RON 925 mln from the annual Net Profit + RON 547 mln from retained earnings) or **RON 3.82 / share**
- ❑ Additionally, in October 2017, shareholders approved the distribution of **Special Dividends of RON 748 mln (RON 1.94 / share)**
- ❑ Generally, majority state-owned companies are required by law to distribute minimum 50% of the annual NP to shareholders in the form of dividends; for 2012 and 2013, the obligation was increased to 85%

# Shareholding Structure and Stock Performance

Among blue-chips on the domestic capital market



Romgaz: Shareholding Structure



- ❑ Current shareholding structure: the Romanian State (Ministry of Energy) – majority shareholder with a **70% stake**; Free Float - **30%** (includes shares traded on the BVB and GDRs traded on the LSE)
- ❑ Romgaz ranks the **2<sup>nd</sup> largest** domestic stock traded on the BVB – with a mktcap of EUR 2.7 bn \*)
- ❑ The **4<sup>th</sup> most traded** stock on the BVB \*)
- ❑ Included in BVB's main indices (weighing 27% in energy and utilities BET-NG index, and between 9%-12% in BET, BET-XT, BET-TR, ROTX)
- ❑ Included in main global indices with allocation on Romania (such as FTSE, MSCI, S&P, STOXX, Russell Frontier).

Total no of shares: 385.42m

\*) Based on the trading price on Feb 13, 2018, and on BVB's past 6m/12m trading statistics

# Main Strategic Goals

## Strong Commitment for Business Development

### Enhanced recovery and development of already discovered resources

- Extend the life of and the amounts recoverable from existing fields
- Appraisal of substantial contingent resource base and subsequent conversion into reserves
- Continue cooperation with Schlumberger and other partners

### Discovery of new resources in established geological plays

- Further exploration program (existing and new licenses)
- Acquire additional blocks for exploration and development of conventional onshore gas resources

Increase the gas resources and reserves portfolio through the discovery of new resources and the improvement of the recovery rate

### Frontier Reservoirs

- Further development of on-shore sub-salt reservoirs
- Exploration of unconventional potential in Romania
- Increasing focus on deep water reservoirs (Black Sea)

### Potential international opportunities

Seeking new and diversified growth opportunities

Optimizing the Company's Policies and Procedures (monitoring and reporting)  
Risk and Controls Management  
IT systems

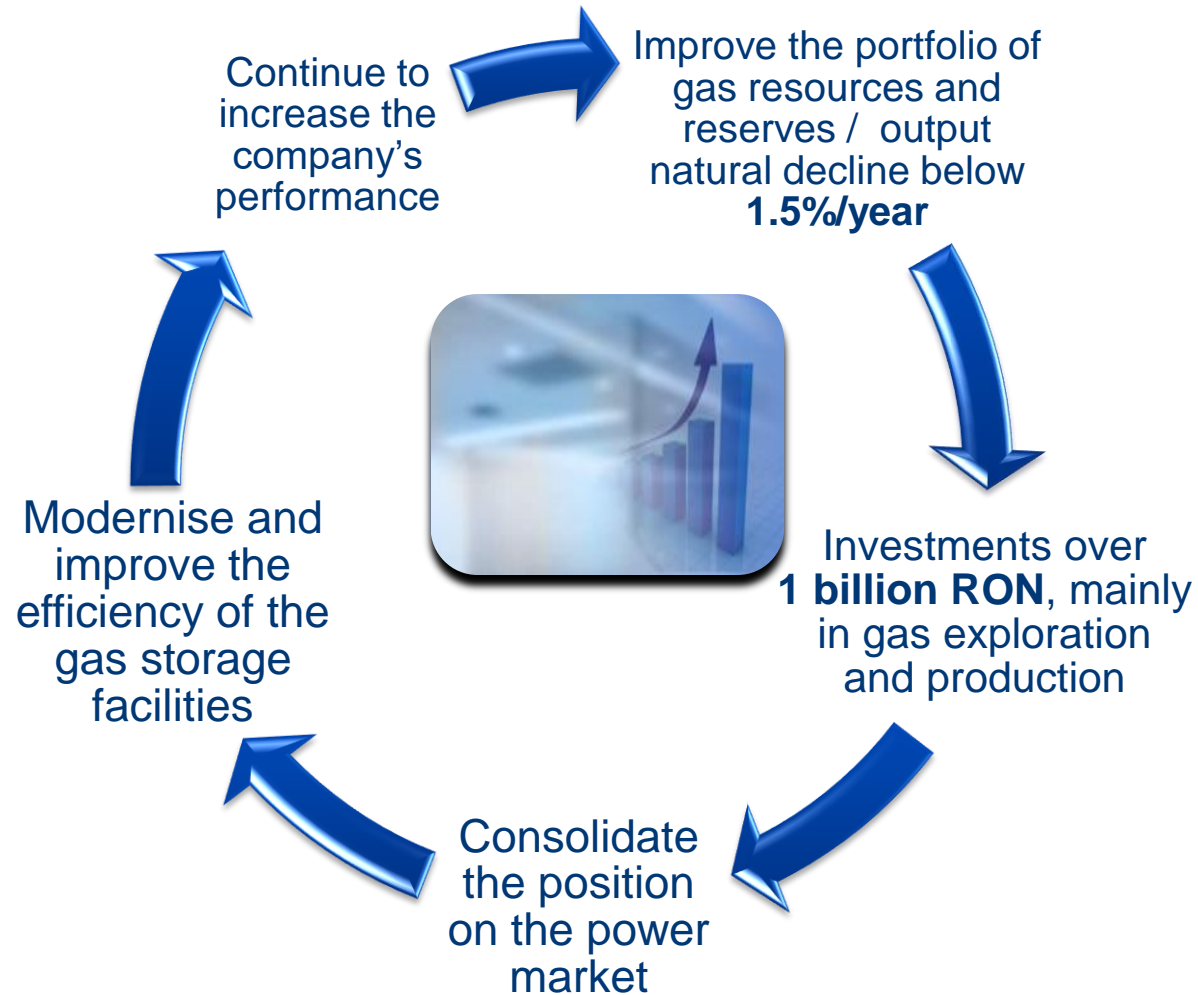
Increasing the company's performance

Increase the efficiency of the gas storage facilities in order to Enhance Gas Trading Capabilities

Optimization, development and diversification of the UGS activity

# Main Strategic Goals

## Management Agenda 2018



# Romgaz – Investment Case



## Why to invest in Romgaz shares

|  |   |
|--|---|
| <ul style="list-style-type: none"> <li>➤ <b>Operational excellence / robust margins</b></li> </ul>   | <p>EBITDA and EBITDAX margins of 59.4% and 62.4% respectively in 2017<br/>EBIT margin of over 47%, Net margin - almost 41% as well</p>  |
| <ul style="list-style-type: none"> <li>➤ <b>High dividend payout ratios to please investors</b></li> </ul>                                 | <p>Gross Dividend payout ratio of 144% for 2016 (computed as Total Gross Dividends Paid per 2016 Net Profit; Source of dividends: net profit and retained earnings)<br/>Special dividends also distributed in November 2017</p> |
| <ul style="list-style-type: none"> <li>➤ <b>Strong cash reserves</b></li> <li>➤ <b>Debt free B&amp;S</b></li> </ul>                        | <p>We are able to finance by ourselves the investment program<br/>Cash<sup>1</sup> / Mktcap = 23% (share price at Feb 13, 2018)</p>   |
| <ul style="list-style-type: none"> <li>➤ <b>Among top gas producers in Romania and one of the largest in the region as well</b></li> </ul> | <p>Favorable market share in terms of gas production in Romania<br/>Main operator of the Underground Gas Storages<br/>Holder of large gas reserves among European countries</p>   |
| <ul style="list-style-type: none"> <li>➤ <b>Strong base of gas reserves in Romania</b></li> </ul>  | <p>Based on our investment policy, we intend to maintain the reserves level and the high RRR (RRR: 104% in 2016, avg 83% during 2013-2015)</p>  |
| <ul style="list-style-type: none"> <li>➤ <b>Expected opening of the export gas markets</b></li> </ul>                                      | <p>Export markets will enlarge our client portfolio, with positive outcome on revenues</p>  |
| <ul style="list-style-type: none"> <li>➤ <b>Important investment plans in Romania</b></li> </ul>   | <p>Capex are focused on exploration; also - we will build a stronger position on the electricity market and to increase efficiency of the UGS</p>   |
| <ul style="list-style-type: none"> <li>➤ <b>Prudent investment policy for projects abroad</b></li> </ul>                                   | <p>Minority participations aimed to minimize the operational risk and to avoid the waste of our cash reserves</p>   |
| <ul style="list-style-type: none"> <li>➤ <b>Strong management team, skilled workforce</b></li> </ul>                                       | <p>Management team has significant expertise in the sector, headcount is strongly committed</p>   |

<sup>1</sup> considering all cash equivalents

# The Board: Balanced Team of Professionals



**Romeo Cristian Ciobanu**  
Non-executive Independent Member

- Selected Experience:**
- Director of Politech (since 2016)
  - Professor, Technical University of Iasi (since 2000),
  - PhD in Electronic Technology and Reliability
  - PhD in Chemistry and Chemical Technology
  - MBA, Technical University of Iasi

**Daniel Ioan Cermonea**  
Non-executive Independent Member

- Selected Experience:**
- Councillor, Sibiu County Council (since 2016)
  - Vice-Mayor, Avrig City (2013-2016)
  - General Manager of CDI Service SRL (2007-2013)

**Remus Grigorescu**  
Non-executive Member

- Selected Experience:**
- Associate Professor, other positions with "Constantin Brâncoveanu" University of Pitesti (since 2000)
  - Inspector, Ministry of National Education (2012-2013)
  - PhD in Economy

**Sorana Rodica Baciu**  
Non-executive Independent Member

- Selected Experience:**
- ACGENIO, Partner (since 2014)
  - Secretary of State, Ministry of Economy (2016)
  - Board member - IAR SA, Romgaz SA (2015-2017)
  - Director, OMV Petrom, (2007-2014)
  - Porsche Group, CFO (2007), Porsche Bank, VP / DGM (2004-2007)
  - MA, McGill University

**Adrian Constantin Volintiru**  
Interim Member

- Selected Experience:**
- Secretary of State, Ministry of Economy (since 2013)
  - Chairman, AVAS (2012-2013)
  - Board Chairman, Posta Romana (2012-2013), Board member of Romgaz (2013) and Marexin (2008-2011)
  - Top positions in Vulcan, Relad and Rompetrol groups
  - MBA, Harvard BS

**Daniel Florin Anghel**  
Interim Member

- Selected Experience:**
- Vice-Chairman, ANAF (2017), other positions (2013-2017)
  - Manager, Ministry of Agriculture (2013)
  - Mgt positions in the General Department of Public Finances (2010-2013)

## Selected Events – relevant for our activity

**January 28, 2016**

The Board of Administration approved the company's new Code of Corporate Governance – prepared in compliance with the new Code of Corporate Governance of the Bucharest Stock Exchange.

**June 28, 2016**

Gov't amended the calendar for the ongoing gas production price deregulation process for households and thermal plants for the gas used to heat households, by leaving the gas price unchanged at July 1, 2016 at RON 60 / MWh.

**June 30, 2016**

A hydrocarbon discovery is announced (in NE part of the Moesian Platform in Caragele structure). The contingent resource is estimated to range between 25 – 27 bcm.

**April 1, 2017**

Gas selling prices of domestic producers became fully deregulated in Romania, while suppliers' final prices for households are still capped in 2017.

**October 7, 2016**

Gov't approved the company's new exploration programme (2016-2021) for 8 blocks, as agreed with the National Agency for Mineral Resources.

**July 20, 2016**

The new compression and dehydration facility on Sarmasel gas storage is installed, increasing its storage capacity to 0.95 bcm of natural gas, from 0.80 bcm before.

**March 14, 2017**

Kick-off meeting for launching the project of building a new thermoelectric power plant at IERNUT.

**September 27, 2017**

ANRM approved the renewal of the petroleum concession agreements concluded with ROMGAZ for exploitation and development-exploitation for 54 commercial fields.

**December 15, 2017**

The Board of Administration appointed Mr. Corin-Emil CINDREA as interim CEO of ROMGAZ for a 4 month period with the possibility to extend up to 6 months.

# THANK YOU FOR YOUR ATTENTION !



## ROMGAZ Investor Relations

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**IR:** Manuela Ogrinja, CFA; Alexandra Posea

**Capital Market:** Adina Stefanescu; Cristina Hulpus;  
Călin-Dumitru Banea; Anca Deac

**Homepage:** [www.romgaz.ro](http://www.romgaz.ro)

## Financial Calendar 2017

Feb 15: Release of the 2017 Preliminary Financial Results

Feb 16: Confcalls with financial analysts / investors

April 26: SGM to approve the 2017 Financial Results

April 27: Release of the 2017 Annual Report

May 15: Release of the Q1 2018 Financial Results

May 16: Confcalls with financial analysts / investors

Aug 14: Release of the H1/Q2 2018 Financial Results

Aug 16: Confcalls with financial analysts / investors

Nov 15: Release of the 9M/Q3 2018 Financial Results

Nov 16: Confcalls with financial analysts / investors