



# ROMGAZ

## 9M/Q3 2018

### Economic-Financial Results

November 2018



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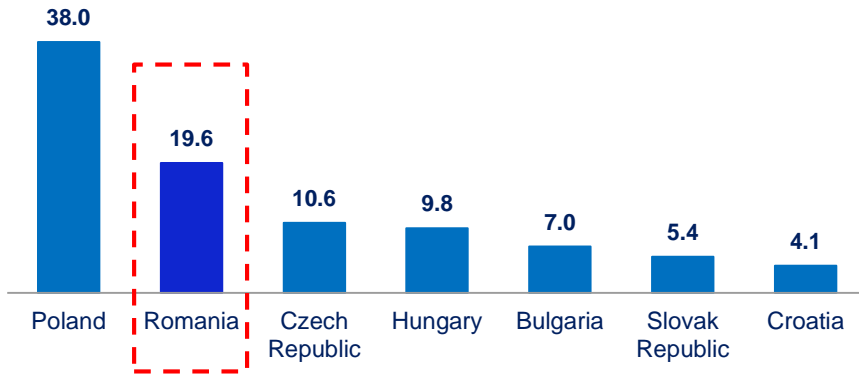
All figures included in this presentation are rounded ("round to nearest" method).

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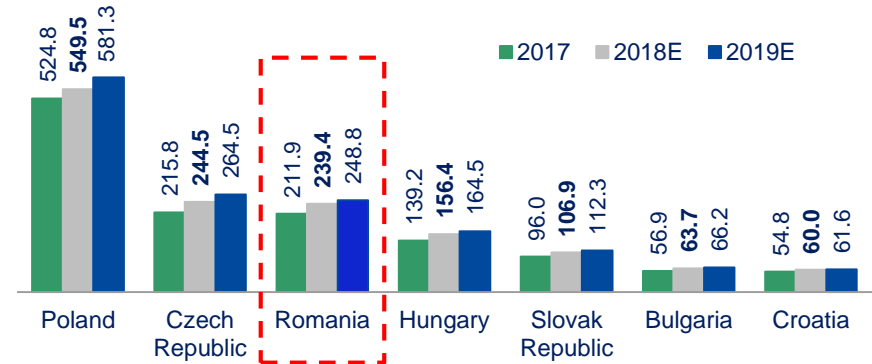
# Economic context and gas market

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

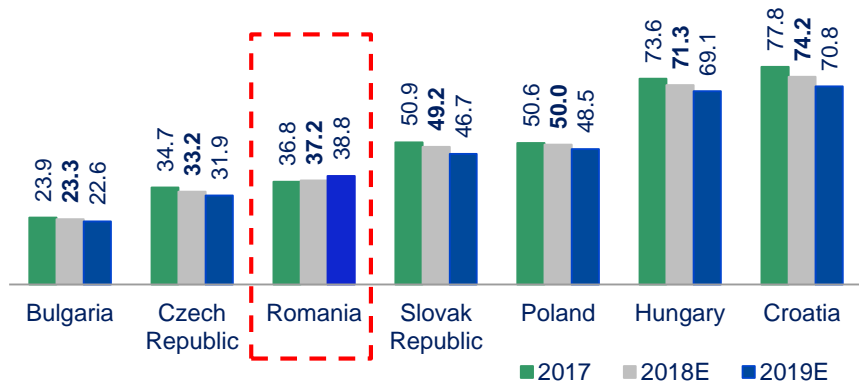
2018E Population (m)



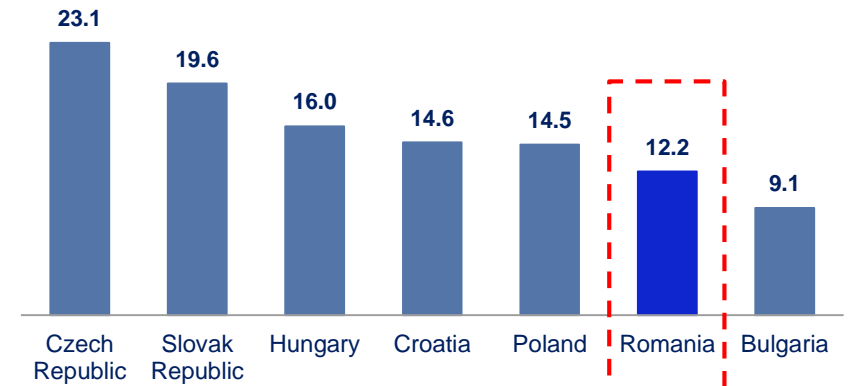
2018E GDP<sup>1</sup> (USD bn)



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



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



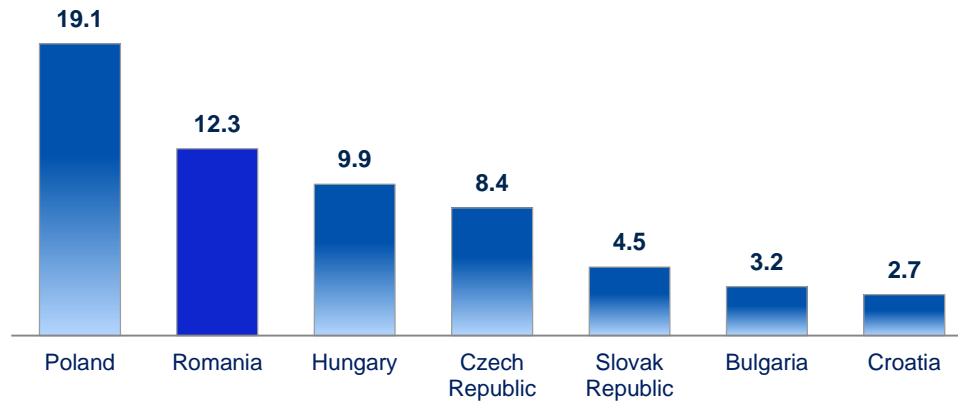
Source: IMF World Economic Outlook – Oct 2018

<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

Gas consumption in CEE<sup>1</sup> (2017, bcm)



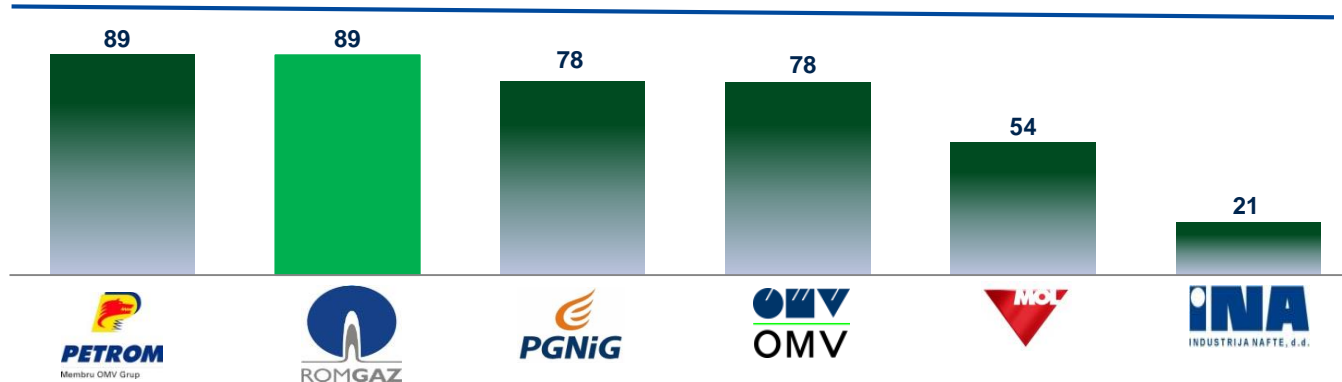
☐ Gas represents an important clean source of energy

**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> (2017 output, kboepd)

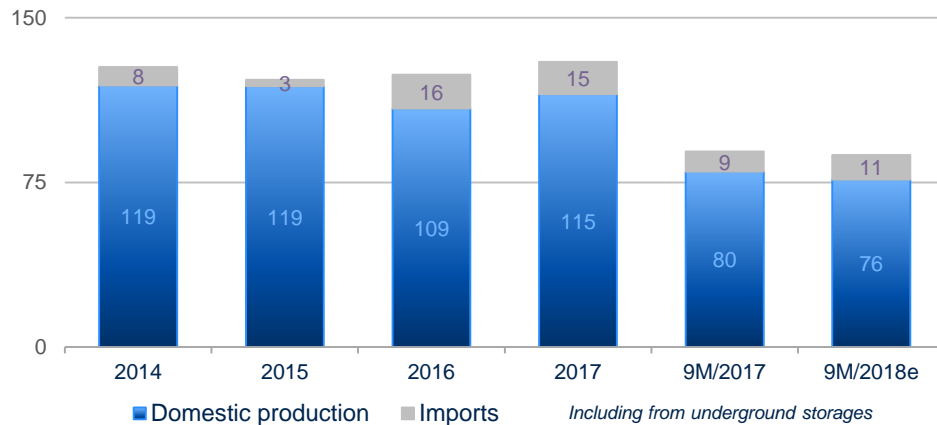


Source: <sup>1</sup> BP Annual Statistical Review of World Energy (June 2018), Romgaz estimate for Romania based on ANRE data; <sup>2</sup> Romgaz computation based on companies' reports, Petrom: Romania+abroad, OMV excluding Petrom.

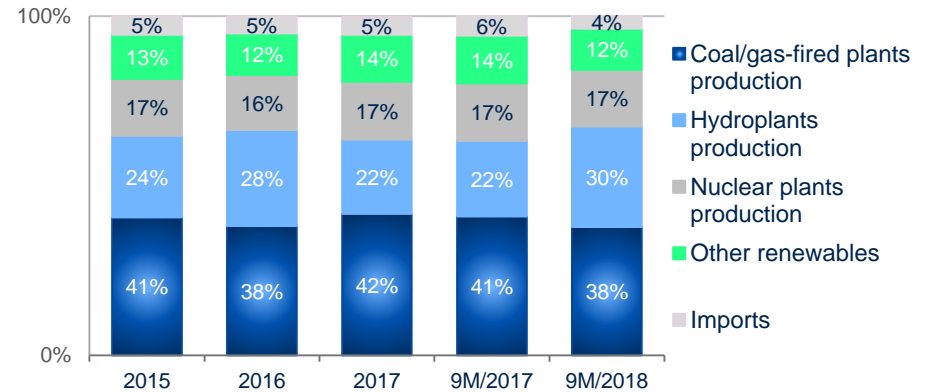
# Economic context and gas market

## Romania: Resilient gas production levels, market characteristics

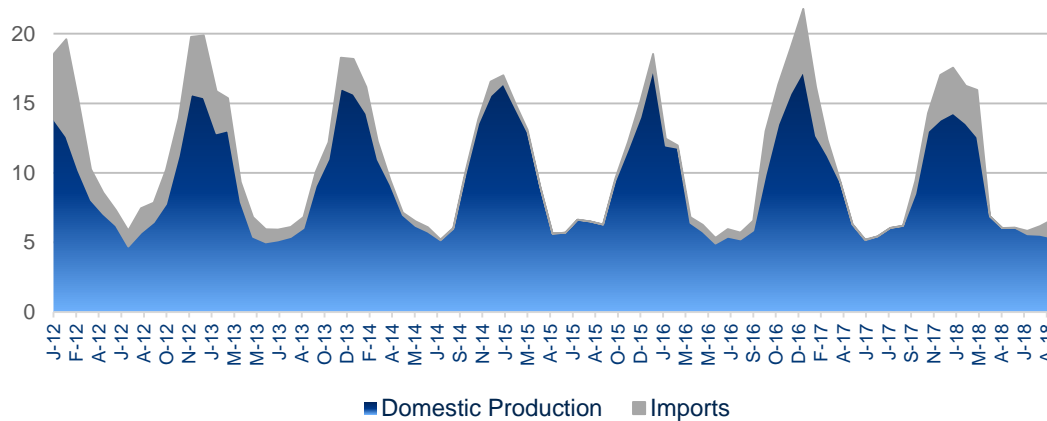
Natural Gas Consumption\* (mln MWh)



Energy resources\*\*



Seasonality of Gas Consumption\* (mln MWh)



Sources:

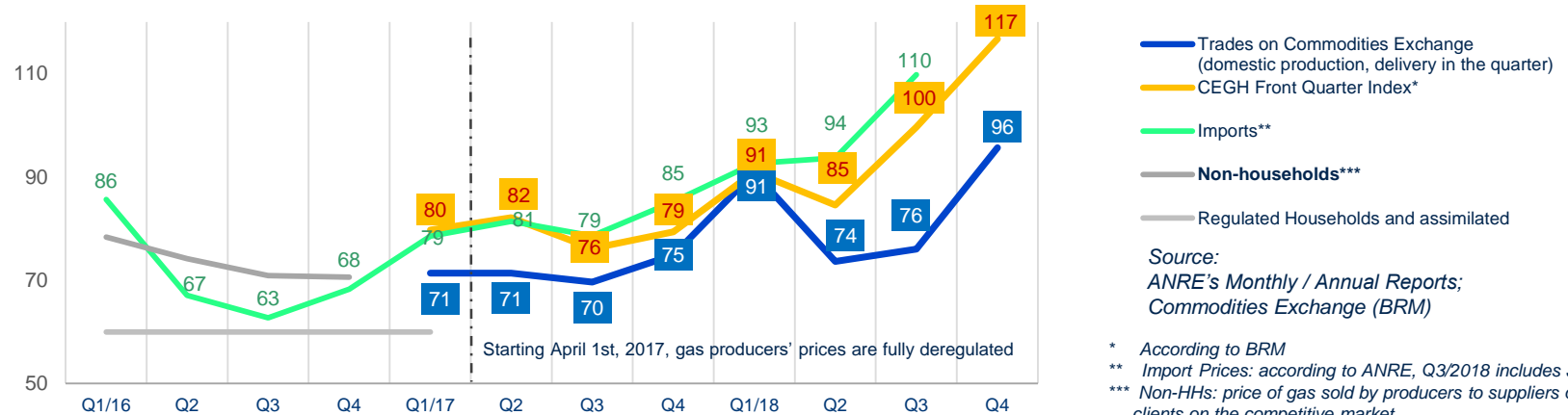
\* ANRE Reports (new format starting with Jan/2017);  
Romgaz estimates for 9M 2018

\*\* Statistics Institute

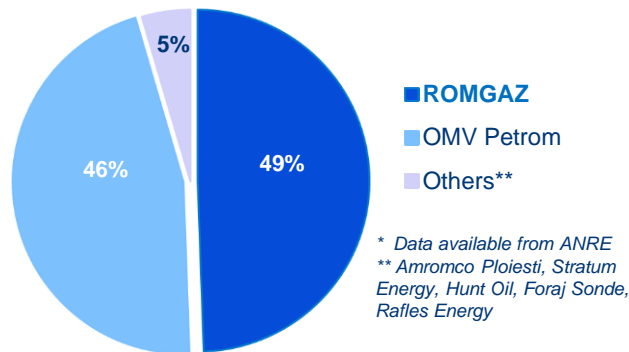
# Economic context and gas market

## Romania: Gas Producers and Prices, Final Consumers

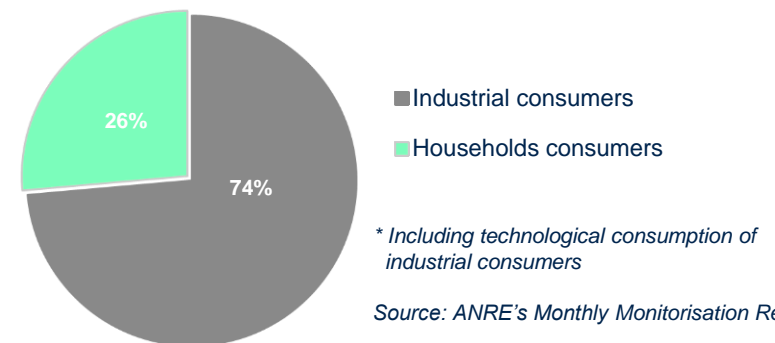
Gas Prices of Producers and Imports Prices (RON/MWh)



Gas producers in Romania (8mo 2018\*)



Final Consumers in Romania\* (Full Year 2017)



# ROMGAZ: Highlights 9M/Q3\*

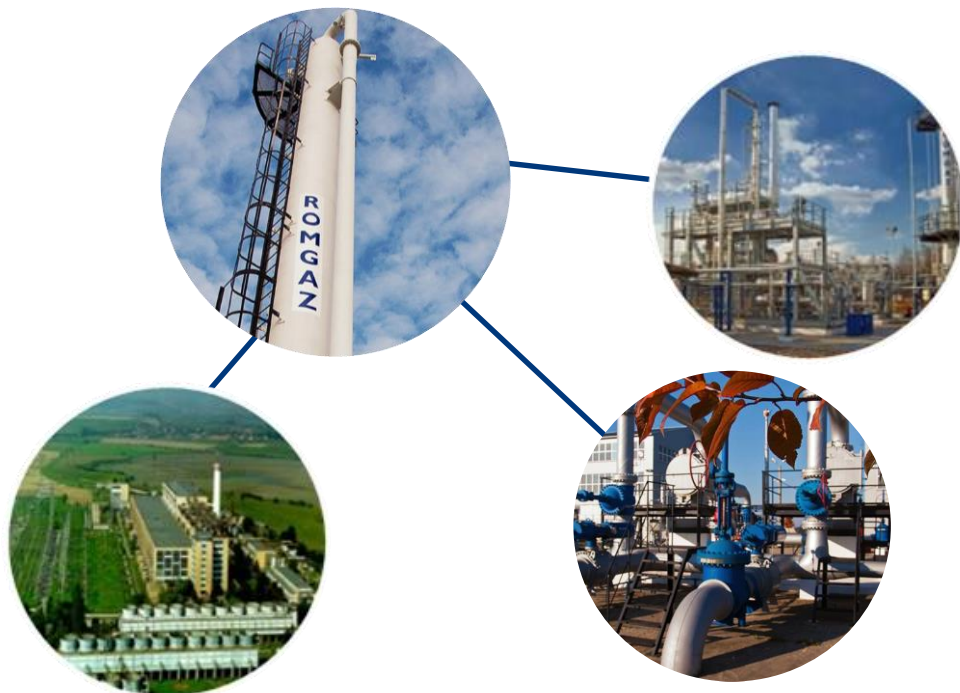
## Major developments – positive outlook in 9M/Q3 !

- **Gas deliveries - above the domestic market development !** Market share increased accordingly to 49.0% in 9M (and 53.5% considering only domestically-produced gas)
- **Gas production +4.6% y/y and +1.5% vs the guideline in 9M (+7.6% y/y in Q3) !** Due to optimization and rehabilitation programmes, and shrinking natural decline! Higher market share in terms of gas output also achieved
- **Gas chain management optimization** to mitigate storage/electricity market developments
- Changes in fiscal legislation took the toll
- **Profitability remains significant** (EBITDA / NP rates at 45.5% / 29.8% respectively in 9M)
- **High capex** to meet our development strategy (RON 824 million in 9M, +1.5x y/y)
- Also **important investments are being contemplated** in order to improve the gas value chain and diversify the portfolio of investments
- **Recall the outcomes from the new external audit of our gas reserves and resources** (resources +55%, avg RRR of 78%)
- **Significant dividends** distributed to please investors !



# ROMGAZ: Company Overview

## Major Producer and Supplier of Natural Gas in Romania



### Electricity Production

- **New power plant in construction (430 MW)**
- 600 MW old capacity still operational
- Market share of 2.95%\* in terms of production in full year 2017.

### Gas Exploration, Production & Supply

- Around 150 commercial gas fields - significant onshore and offshore exploration potential, important discoveries and enhancements made lately
- **Among top gas producers in Romania** (output of 3.92 bcm in 9M/18, 5.16 bcm in full year 2017)
- Significant market share in the total gas supply in Romania.

### Underground Gas Storage

- Working capacity: 2.92 bcm, upgraded from 2.77 bcm previously
- Important investments to secure the gas supply
- **Market share of 91% in Romania**
- Regulated activity (revenue-cap methodology, RR on RAB).

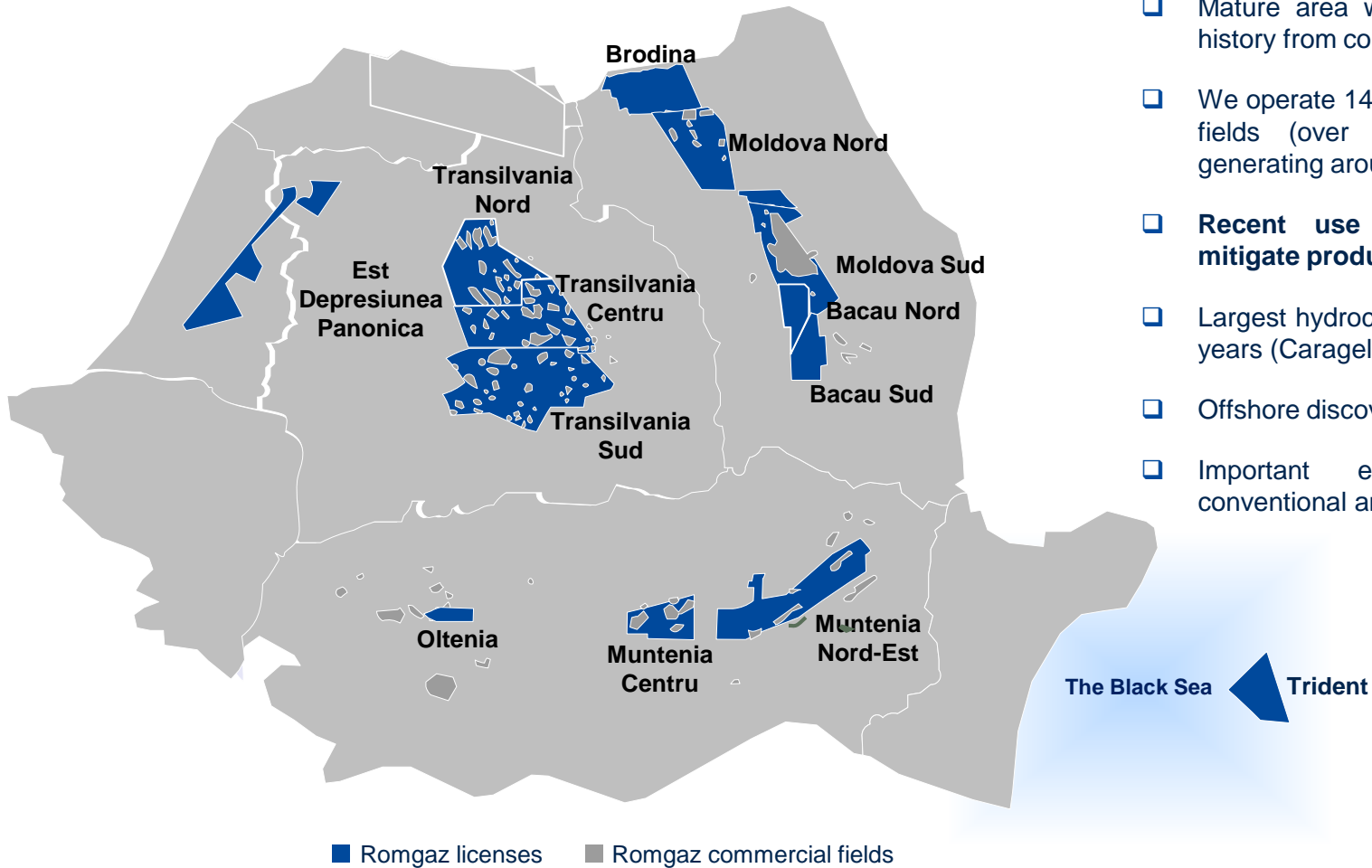
### Other activities

- Include wells workover and recompletions and special well operations, and also - technological transport and maintenance
- Support operations at Group level and third-party clients also.

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

# Company Overview

## Major Producer and Supplier of Natural Gas in Romania



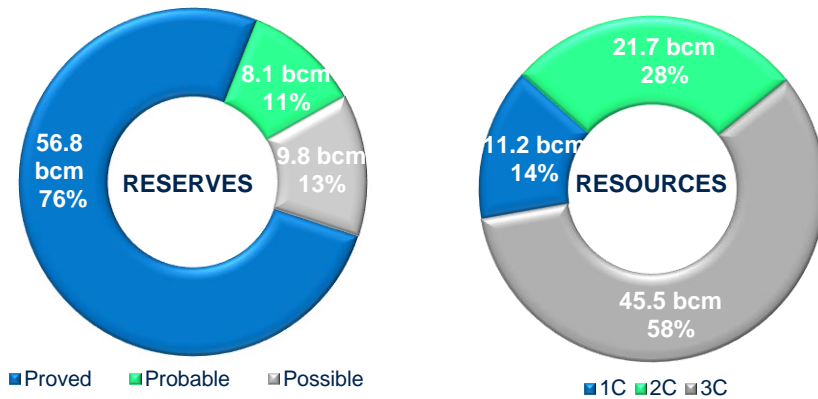
- ❑ Mature area with over 100-year production history from conventional reservoirs
- ❑ We operate 148 commercial fields; 30 mature fields (over 30-year old) are currently generating around 80% of total production
- ❑ **Recent use of new technologies to mitigate production decline**
- ❑ Largest hydrocarbon 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.

Source: Romgaz, ANRE

# Company Overview

## Last external audit (Dec-2017): Strong portfolio of resources and reserves

Gas Audited Reserves<sup>1</sup> and Contingent Resources<sup>2</sup> Dec 31, 2017  
(bcm, % of total)

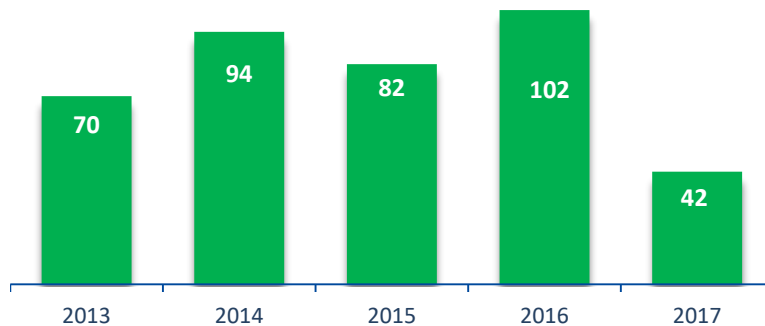


Last external audit of our gas reserves and resources was completed by US DeGolyer&MacNaughton as of Dec-2017.

**Main outcomes:**

- ❑ total C Resources +55% (78.4 bcm at end-2017 vs 50.5 bcm 2 years before)
- ❑ 5-year average RRR of 78% - well above our target of 70%.

Reserves Replacement Rates (RRR) (%)



- ❑ Maintaining and extending our gas reserves and resources represent a strategic priority !
- ❑ Our gas portfolio assures the sustainability of the gas production
- ❑ Diversification / improvement of the gas resources and reserves is achieved through:
  - New discoveries*
  - Enhancement of the recovery rate of the proved reserves*
- ❑ Recovery factors between 55% and 85% for most fields (90% in the more mature fields).

Source: External audit prepared by DeGolyer&MacNaughton USA, as of Dec 31, 2017

<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



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 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).

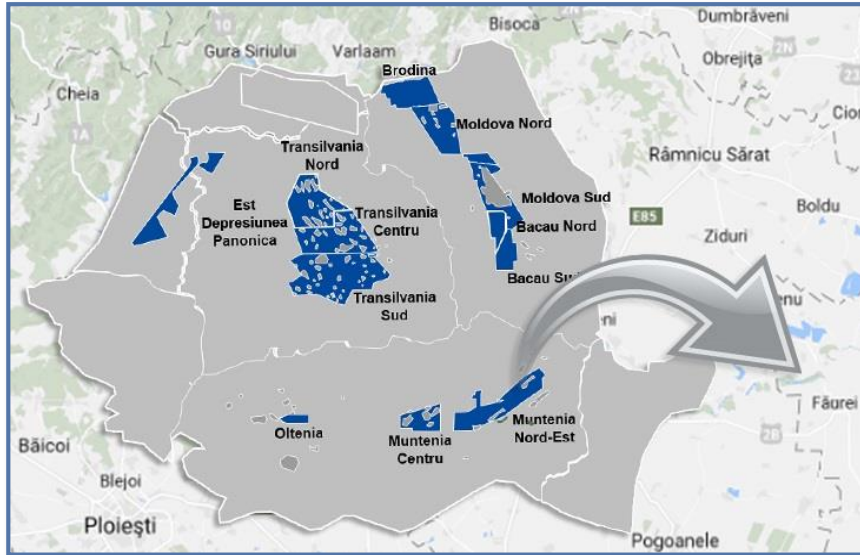
- ❑ We have petroleum agreements for 8 onshore exploration blocks (about 17,650 km<sup>2</sup> across the Transylvania, Moldova, Oltenia and Muntenia basins), with 100% working interests
- ❑ Plus 1 petroleum agreement for offshore E&P in the Black Sea (with Lukoil).

### 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

# Exploration Activities

## Significant discoveries of natural gas



### On-shore:

- **Largest hydrocarbon discovery in the past 30 years (June 2016):** located in NE of the Moesian Platform in **Caragele** structure
- Estimated contingent resource of 150-170 mln boe (25-27 bcm)
- The 35 km long Caragele structure has been explored for production units located at depths between 1500-5000 m
- Continuous development with investments reaching EUR 40 mln already and further investments following in new production and development wells of around EUR 100 mln (as at Dec/2017).

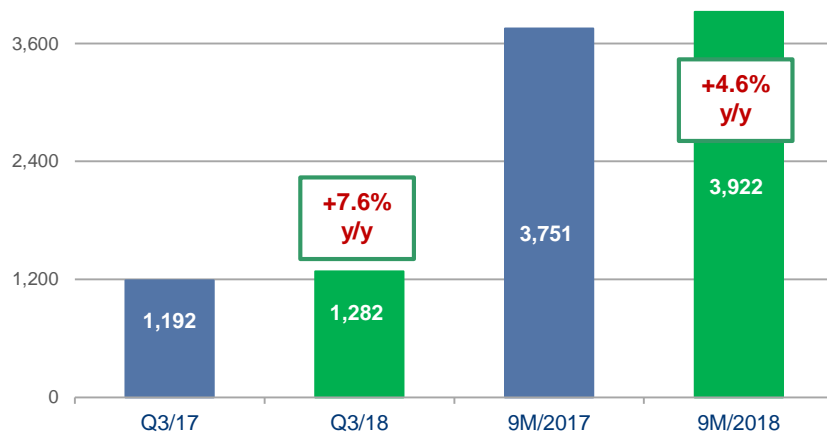
### Off-shore:

- Large discovery announced in the Black Sea, **Trident block** (Oct 2015): gas estimated contingent resource can exceed 30 bcm
- Current stage: new data assessment, geological background reanalysis and future appraisal wells design
- On March 7, 2018, SGM approved the increase of Romgaz working interest in the offshore exploration-development-production block EX-30 Trident to 12.2%.

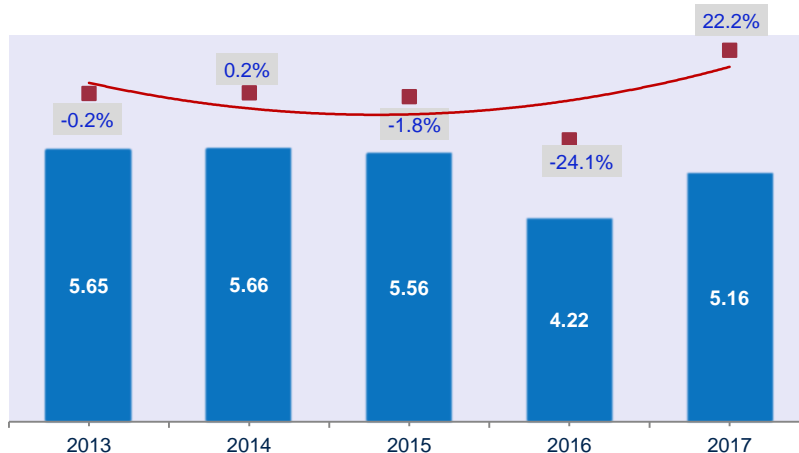
# Natural Gas Production

## Favorable developments in 9M/Q3 2018, Natural decline arrested to a large extent

Romgaz: Significant output level in 2018 (mln cm)



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



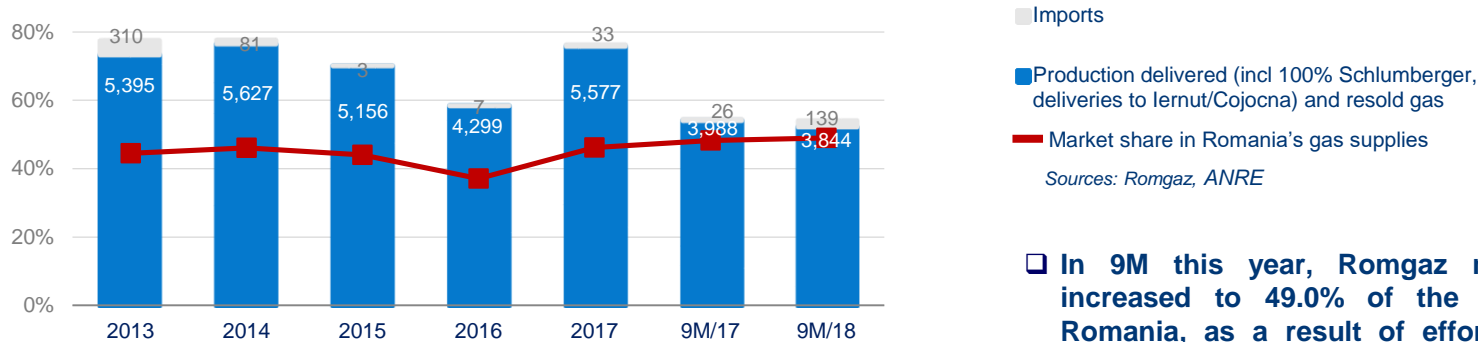
- In 9M 2018, we produced 3.92 bcm of natural gas, +4.6% compared to last year and +1.6% above the budget
- In Q3 alone, we succeeded to **increase our gas production by 7.6%** compared to the same period of 2017
- The good performance this year was mainly triggered by:
  - modernization of surface production infrastructure
  - installing new field / group mobile compressors
  - rehabilitation programmes
  - installation of SCADA production monitorisation programme.

- We succeeded to **diminish the Natural Production Decline** during the past years **to about 1.4%**, mainly 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
- **Favorable production perspective** – the significant hydrocarbon discovery in Caragele structure
- Ongoing production optimization programme for the mature reservoirs.

# Gas Supply & Sales

## 9M/2018: Higher market share in Romania's supply, robust client portfolio as well

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

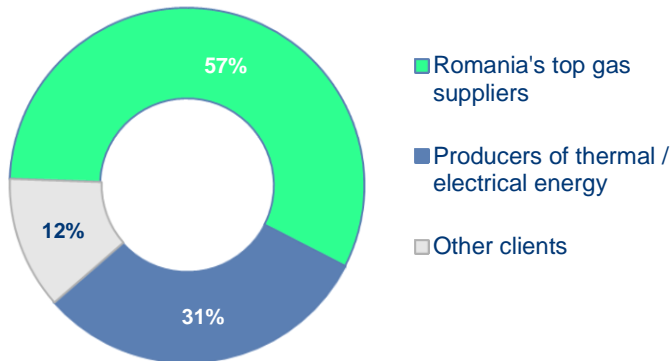


■ Imports  
■ Production delivered (incl 100% Schlumberger, deliveries to Iernut/Cojocna) and resold gas  
—■ Market share in Romania's gas supplies  
*Sources: Romgaz, ANRE*

In 9M this year, Romgaz market share favorably increased to 49.0% of the total gas deliveries in Romania, as a result of efforts to improve our sale strategy

Considering only domestically-produced gas, our market share improved to 53.5% of the domestic gas consumption !

**Romgaz: Key third-party Clients** (quantities of gas sold, FY2017)



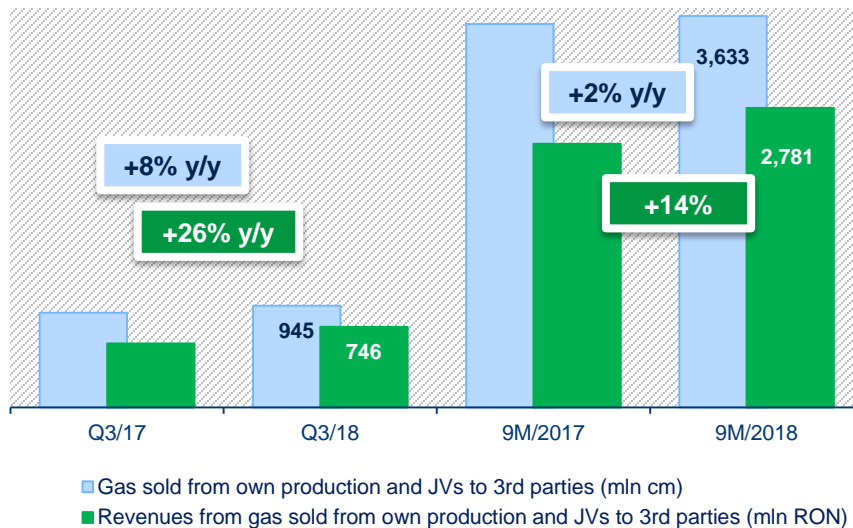
Portfolio breakdown reflects specific quarterly characteristics of gas demand

- We enjoy a strong portfolio of clients
- **Our gas trading strategy aims to:**
  - secure a balanced client portfolio
  - ensure price flexibility by trading on free markets
  - fulfill the domestic market demand.

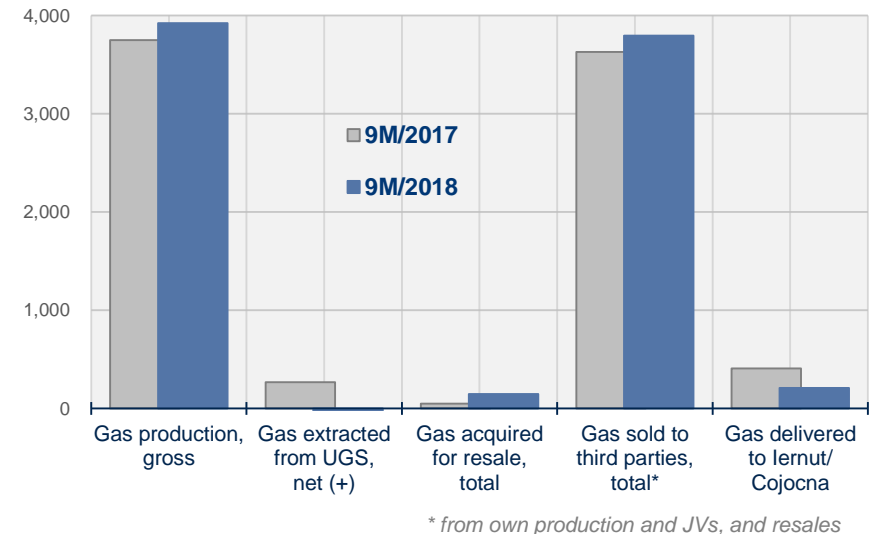
# Gas Supply & Sales<sup>1</sup>

9M/Q3 2018: We outperformed the gas market performance !

Romgaz: Strong gas sales – revenues and volumes



Romgaz: Gas Chain Management (mln cm) to meet seasonality and demand



## UPSTREAM SEGMENT CONTRIBUTION: around 90% in Revenue and in EBITDA (in 9M)

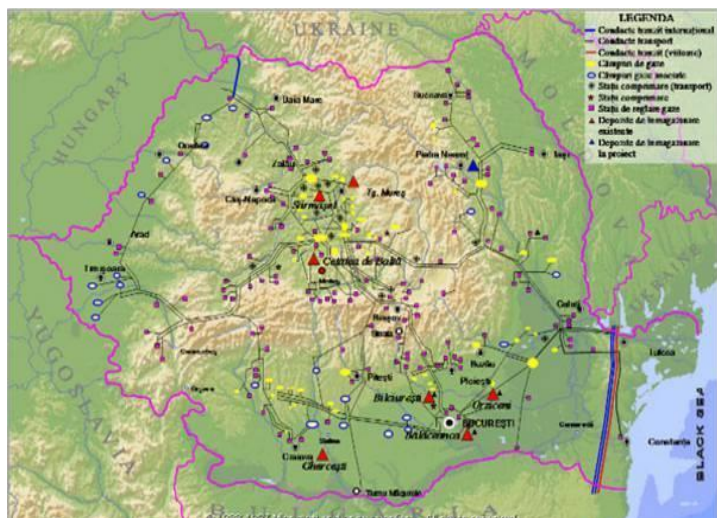
- ❑ In the first 9M, we exceeded the gas market performance due to a strong commercial policy and rose Revenues from gas sales (from own production and JVs) by almost 14% and volumes sold by 2%
- ❑ In Q3 alone, related Revenues advanced by a much as 26% y/y, and volumes sold advanced by 8% y/y
- ❑ Efforts were undertaken with respect to the gas sale strategy.
- ❑ Optimisation of our gas value chain is a priority
- ❑ Gas sales are accompanied by storage-related revenues, as well as by revenues from electricity production and trade
- ❑ Management of gas flow from production to clients is important
- ❑ On quarterly basis, gas sales are generally peaking in Q1 and Q4
- ❑ Quarterly deliveries to CTE Iernut are based on fluctuant energy demand.

<sup>1</sup> Consolidated figures for 2018 and 2017



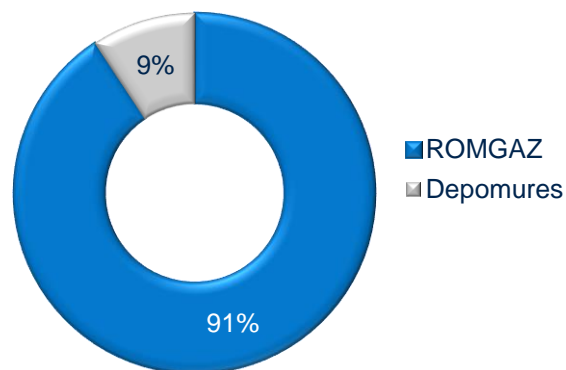
# Underground Gas Storage

## Romgaz Group: Romania's Largest Operator of UGS (Underground Storage) facilities



Romgaz: Underground Gas Storages - 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

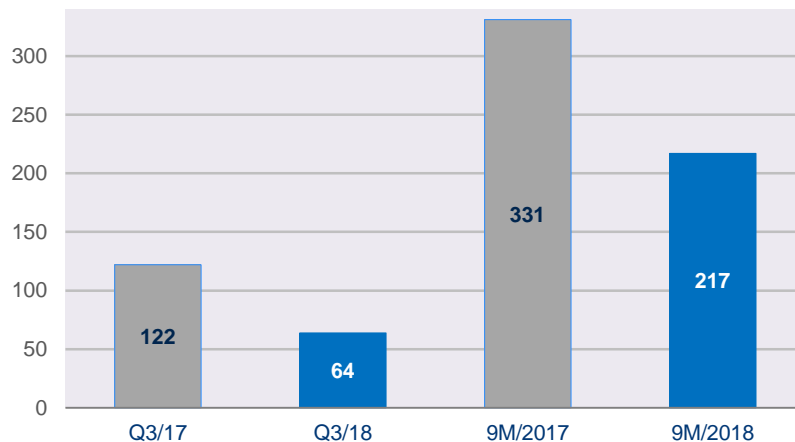


- ❑ **Romgaz Group operates 6 facilities**, with total working capacity of 2.92 bcm; it also owns a 40% stake in Depomures (0.30 bcm), a joint venture with Engie (former Gaz de France)
- ❑ **Investment plans aim to extend the existing capacity and build a new one – in order to secure gas supply long-term**
- ❑ **Performed Investments:** we extended the storage capacity of Sarmasel (completed in July/2016) and Urziceni (completed in 2014)
- ❑ The UGS activity was separated into a distinct legal entity on April 01, 2018
- ❑ **Storage activity is regulated by ANRE** using the revenue-cap methodology – fourth regulatory period (of 1-year, from 5-year before) started in Apr 2018, royalties of 3% of operating revenues.

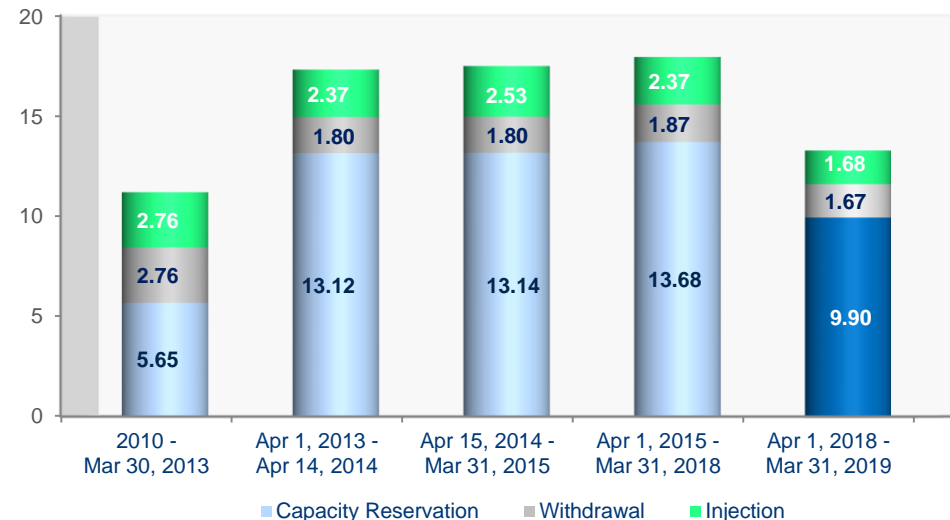
# Underground Gas Storage<sup>1</sup>

## 9M/Q3 2018 performance, new tariffs applied starting Q2

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



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



### STORAGE SEGMENT CONTRIBUTION: 7% in Revenue and 4% in EBITDA (in 9M)

- ❑ In the first 9 months, we reported UGS revenues of RON 217 mln, lower by 34% y/y
- ❑ The evolution mainly reflects the lower regulated storage tariffs, and the evolution of gas consumption on the domestic market as well
- ❑ Separation of the UGS activity into a distinct legal entity became effective as of April 01, 2018
- ❑ Capacity reservation activity provides the bulk of the UGS revenues (roughly 80% in recent years).

<sup>1</sup> Consolidated figures for 2018 and 2017

# Electricity Production & Trading

## Consolidation of position on the Power Sector: Construction of a new power plant

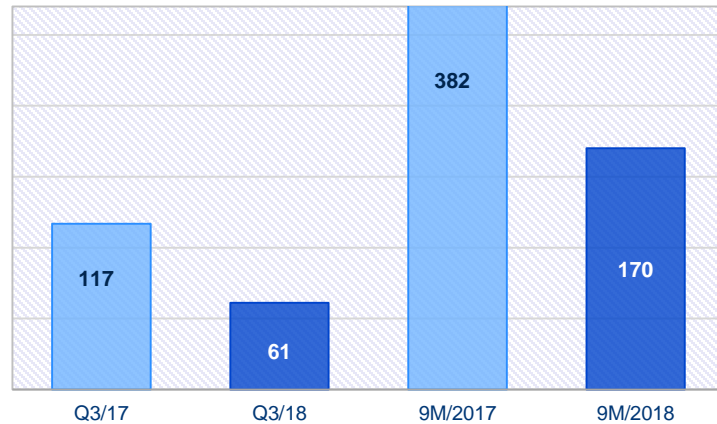
- **Gross electric power: 430 MW**
- **Gross electrical efficiency at nominal load: 56.4%**
- **CCGT Iernut benefits from a strategic positioning** – in the middle of the national electricity system
- **Main roles:** cover national power consumption by acting in the wholesale and balancing markets, ensure ancillary services to the national system, eliminate network constraints in NW Romania
- The Ministry of Energy has approved a non-refundable financing of 25% of the total eligible investment costs from the National Investment Plan
- The plant consists of:
  - 4 gas turbines*
  - 4 recovery boilers for steam production with 3 pressure levels*
  - 2 steam turbines*
- Foundation works were carried out and we delivered 4 gas turbines, 3 generators for gas turbines and other equipment.



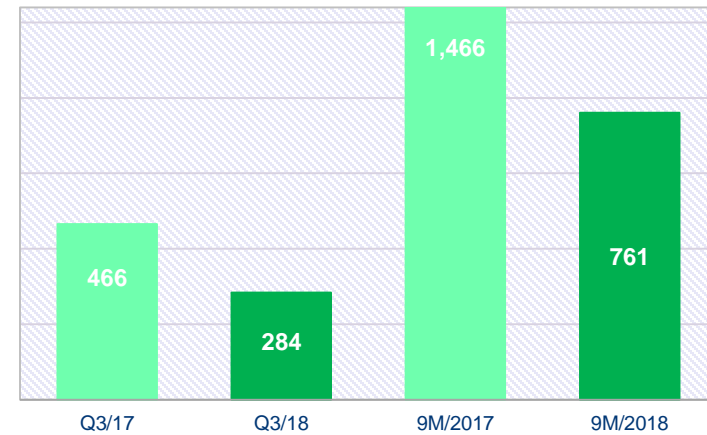
# Electricity Production & Trading<sup>1</sup>

## 9M/Q 2018: performance triggered by market evolution

Romgaz: Revenues from Electricity (mIn RON)



Romgaz: Production of Electricity (GWh)



### ELECTRICITY SEGMENT CONTRIBUTION: 7% in Revenue (in 9M)

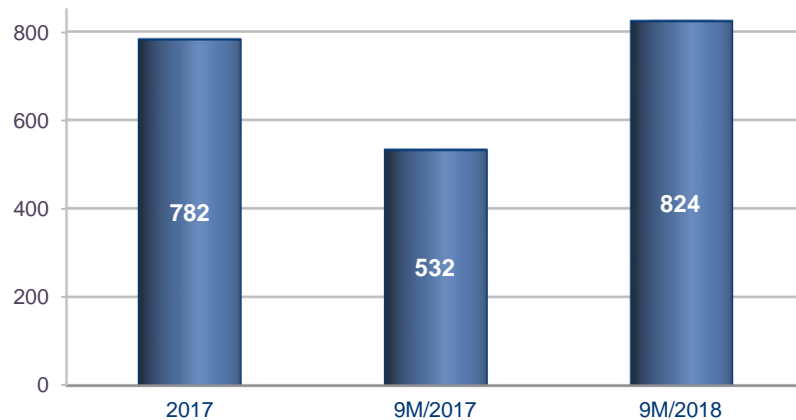
- ❑ In 9M 2018, we recorded lower electricity production and revenues compared to the same period of last year, triggered by mild weather during the winter months, availability of hydro power, and weak prices as well in Q1
- ❑ We achieved a market share of 1.9% in 9M in terms of electricity production
- ❑ Recall that in FY2017, we recorded the highest level of revenues since the transfer of Iernut plant (in 2012), due to lower hydro / wind energy production, warm summer and lower production of some gas/coal-fired/ thermal/nuclear plants as well (market share of 2.9%).

<sup>1</sup> Consolidated figures for 2018 and 2017

# Investments<sup>1</sup>

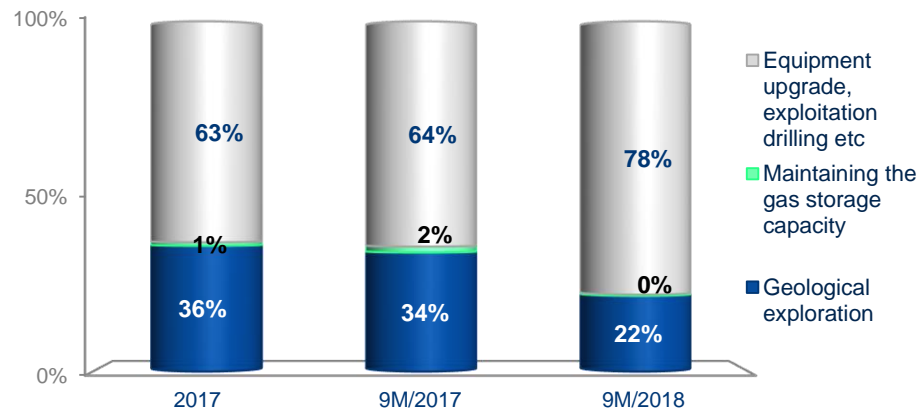
## Key role in arresting the production decline, significant developments in 9M/2018

Romgaz: Capital Expenditures (RON mln)



- ❑ In 9M, we succeeded to invest an amount 55% higher than in the same period of the previous year
- ❑ Investments were financed from the company's own sources and from National Investment Plan for the new Power Plant
- ❑ Our capex plan is budgeted at 1.5 bn RON for full year 2018 (at the group level).

Romgaz: Breakdown of Investments



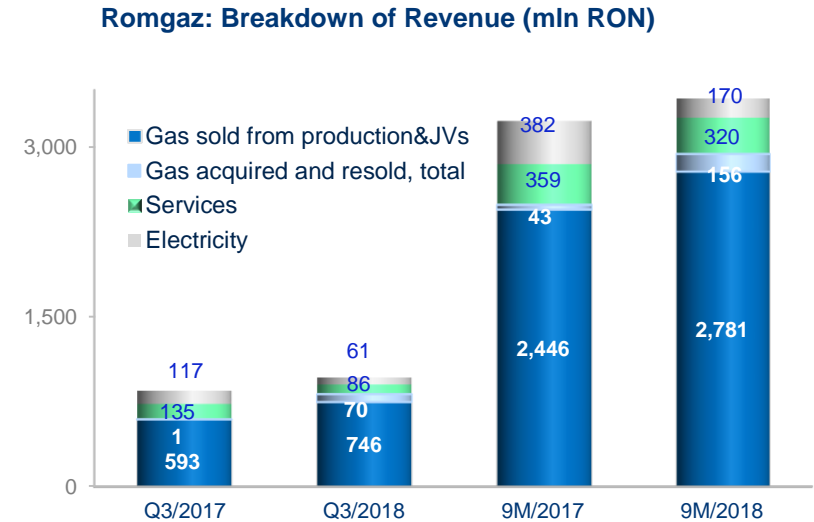
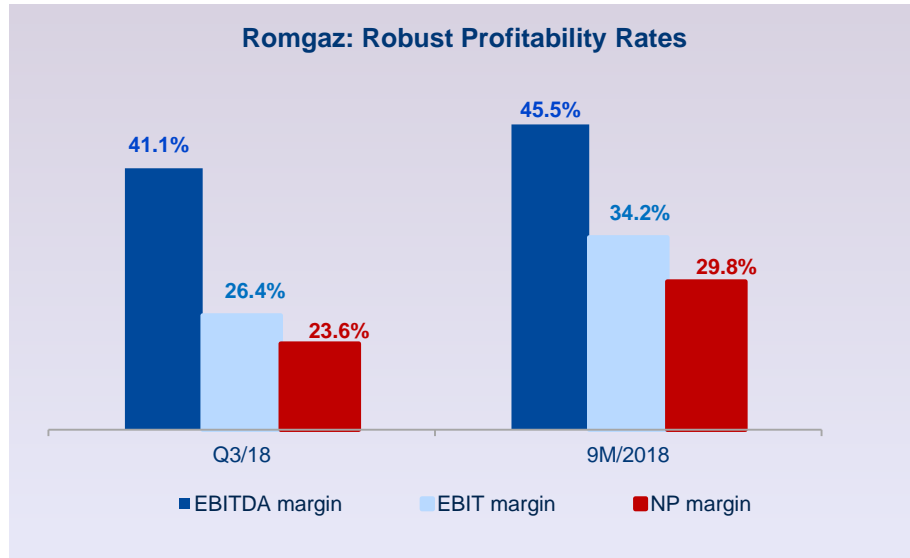
### Main achievements in 9M 2018:

- ❑ We completed the objectives started in the previous year and carried out preparatory activities for the new objectives
- ❑ We also performed modernization and workovers for the production wells in operation
- ❑ For the new power plant Iernut, we executed foundation works, and have also been delivered 4 gas turbines, 3 generators for gas turbines and other equipment.

<sup>1</sup> Consolidated figures for 9M/Q3 2017, 9M/Q3 2018

# Financial Performance<sup>1</sup>

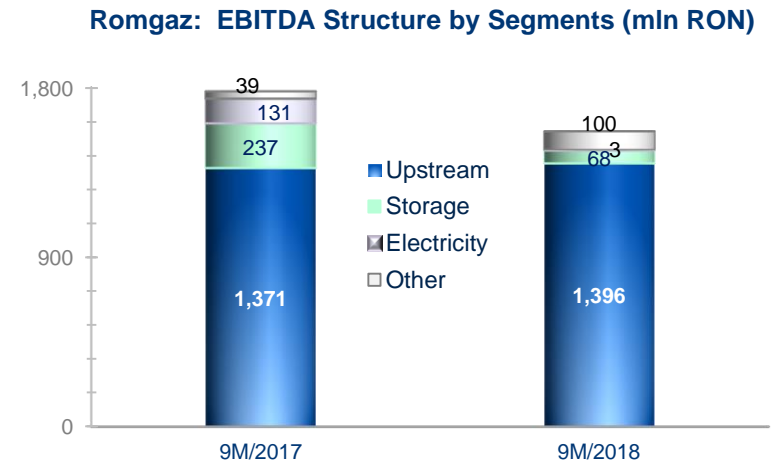
## 9M/2018: Profitability margins remain strong



- In 9M 2018, we continued to achieve significant profitability rates:

*EBITDA of 45.5%, EBIT of 34.2% and Net Profit margin of 29.8%*

- Although our margins are robust, we notice the impact of higher taxes paid (both gas royalty and the windfall profit tax)
- Also, lower natural gas consumption in Romania, lower storage tariffs and weak power generation activity took their toll.



<sup>1</sup> Consolidated figures for 2018 and 2017

# Financial Performance<sup>1</sup>

## 9M 2018: Revenues +6% y/y, NP -14% y/y, profitability rates are elevated

RON mln	2016	2017	Q3/17	Q3/18	9M/17	9M/18
<b>Revenues - of which</b>	<b>3,412</b>	<b>4,585</b>	<b>849</b>	<b>970</b>	<b>3,242</b>	<b>3,445</b>
Gas Production	2,667	3,512	593	746	2,446	2,781
Gas acquired for resale	20	51	1	70	43	156
Storage	345	540	122	64	331	217
Electricity	336	464	117	61	382	170
Other services	28	34	13	22	27	103
<b>Other income</b>	<b>361</b>	<b>364</b>	<b>19</b>		<b>85</b>	<b>10</b>
Cost of commodities sold	(50)	(61)	(4)	(82)	(50)	(185)
Changes in inventory	21	(187)	41	84	(101)	19
Raw materials	(55)	(64)	(16)	(18)	(48)	(53)
Exploration expense	(253)	(137)	(74)	(83)	(147)	(195)
Headcount expense	(498)	(563)	(139)	(149)	(400)	(435)
Other gains and losses	(468)	(120)	(24)	(12)	(89)	(58)
Impairment losses on trade receivables*	-	-	-	(1)	-	(20)
Other expenses	(882)	(1,091)	(184)	(308)	(700)	(943)
<b>EBITDA</b>	<b>1,570</b>	<b>2,708</b>	<b>464</b>	<b>398</b>	<b>1,778</b>	<b>1,566</b>
<b>EBITDA margin**</b>	<b>46.0%</b>	<b>59.1%</b>	<b>54.6%</b>	<b>41.1%</b>	<b>54.9%</b>	<b>45.5%</b>
<b>D&amp;A</b>	<b>(311)</b>	<b>(549)</b>	<b>(113)</b>	<b>(142)</b>	<b>(382)</b>	<b>(388)</b>
<b>EBIT</b>	<b>1,259</b>	<b>2,159</b>	<b>350</b>	<b>256</b>	<b>1,396</b>	<b>1,177</b>
<b>EBIT margin</b>	<b>36.9%</b>	<b>47.1%</b>	<b>41.2%</b>	<b>26.4%</b>	<b>43.1%</b>	<b>34.2%</b>
Net Interest income	22	22	5	14	16	40
<b>Profit before tax</b>	<b>1,281</b>	<b>2,181</b>	<b>355</b>	<b>270</b>	<b>1,412</b>	<b>1,218</b>
Income tax	(256)	(326)	(49)	(41)	(218)	(191)
<b>Net Profit</b>	<b>1,025</b>	<b>1,855</b>	<b>306</b>	<b>229</b>	<b>1,194</b>	<b>1,026</b>
<b>Net margin</b>	<b>30.0%</b>	<b>40.5%</b>	<b>36.1%</b>	<b>23.6%</b>	<b>36.8%</b>	<b>29.8%</b>

- ❑ Overall in 9M 2018, Revenues increased by 6% y/y, based on higher revenues from gas sales which compensated the storage and electricity sales
- ❑ Net Profit stood at RON 1,026 million (-14% y/y)
- ❑ We incurred higher expenses for taxes:
  - windfall profit tax of RON 370 mln (vs RON 266 mln in 9M/17)
  - gas&UGS royalties of RON 306 mln (vs RON 209 mln in 9M/17)
- ❑ Changes in the accounting policy occurred in 2018:
  - (1) IFR15 “Revenue from contracts with customers” starting Q1 (details provided in our 9M/2018 IFRS Report, Note 2)
  - (2) Voluntary change in the accounting of exploration costs starting Q2 (details provided in our 9M/2018 IFRS Report, Note 10)
- ❑ The financial performance shows that efforts undertaken by the company’s management to maintain an elevated profitability in a challenging environment were successful.

\* Separated from “Other gains and losses” due to the application of IFRS 15 in 2018

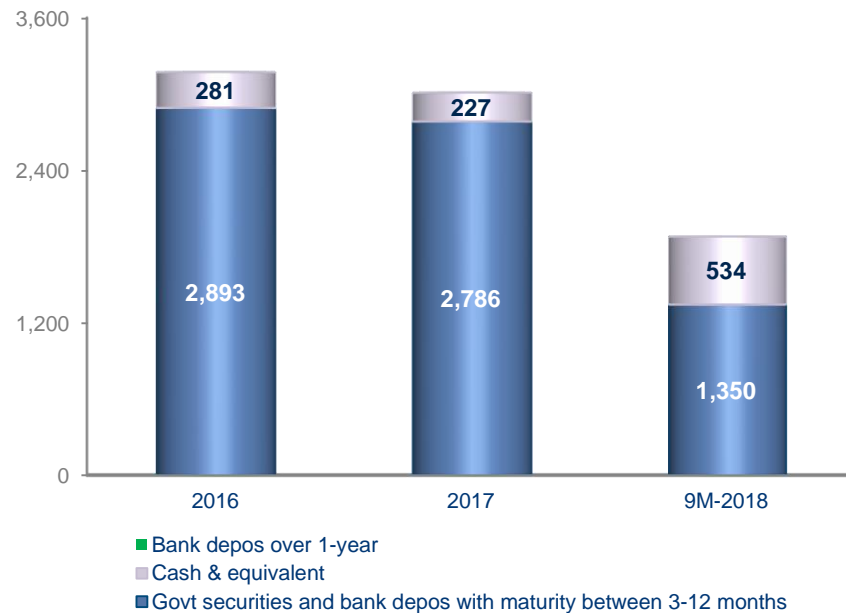
\*\* 2017: 53.7% if adjusted for the RON 244mln one-off income

<sup>1</sup> Consolidated figures for 9M/Q3 2018, 9M/Q3 2017

# Financial Performance<sup>1</sup>

## Cash position remained robust at end-9M 2018 as well

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



- At Sept 30, 2018, overall cash position (cash, bank deposits and government's treasury bonds) remained strong, amounting to RON 1,874 million in total.

Romgaz: Selected Cash Flow Items

RON mln	2016	2017	9M/18
Net profit for the period	1,025	1,855	1,026
Operating Cash Flow before $\Delta$ WC and Income tax	2,321	3,005	1,764
Movements in working capital	(268)	104	57
Net Cash flows from operating activities	1,744	2,799	1,536
Net Cash flows from investing activities	(1,163)	(633)	671
Net Cash flows from financing activities	(1,041)	(2,220)	(1,900)
Net change in cash and cash equivalents *	(460)	(53)	307

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

<sup>1</sup> Consolidated figures for 9M/Q3 2017, 9M/Q3 2018



# Financial Performance<sup>1</sup>

## Strong B&S Structure, Debt-free in 9M 2018

### Romgaz: Selected Balance Sheet Items

RON mln	Dec 31, 2016 restated	Dec 31, 2017 restated	Sept 30, 2018
<b>Total non-current assets, thereof</b>	<b>5,916</b>	<b>6,010</b>	<b>6,251</b>
Property plant and equipment	5,790	5,843	6,096
Investment in associates	21	23	23
<b>Other financial assets</b>	<b>70</b>	<b>70</b>	<b>45</b>
<b>Total current assets, thereof</b>	<b>4,721</b>	<b>4,526</b>	<b>2,899</b>
Inventories	576	390	342
Trade and other receivables	829	816	228
<b>Govt securities and bank deposits (+3mo maturity)</b>	<b>2,894</b>	<b>2,787</b>	<b>1,350</b>
<b>Cash and equivalents</b>	<b>281</b>	<b>227</b>	<b>534</b>
Contract assets and contract costs	-	-	240
Other assets	142	306	205
<b>Total assets</b>	<b>10,636</b>	<b>10,536</b>	<b>9,149</b>
<b>Shareholders' Equity</b>			
Share capital	385	385	385
Reserves	3,020	2,313	2,498
Retained earnings	5,970	6,297	5,196
<b>Total Shareholders' Equity</b>	<b>9,376</b>	<b>8,995</b>	<b>8,080</b>
<b>Non-current liabilities, thereof</b>	<b>314</b>	<b>400</b>	<b>398</b>
Provisions	194	281	285
<b>Current liabilities, thereof</b>	<b>947</b>	<b>1,141</b>	<b>672</b>
Trade and other payables	570	606	203
Contract liabilities	-	-	46
Current tax liabilities	60	129	49
Provisions	75	76	50
<b>Total liabilities</b>	<b>1,261</b>	<b>1,541</b>	<b>1,070</b>
<b>Total equity and liabilities</b>	<b>10,636</b>	<b>10,536</b>	<b>9,149</b>

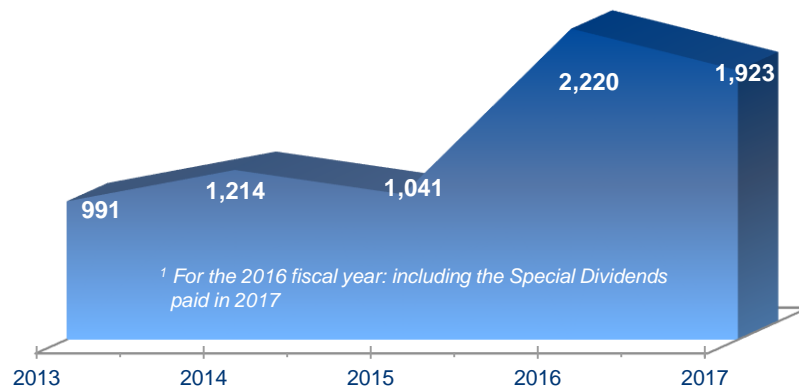


<sup>1</sup> Consolidated figures for 2016, 2017 and 9M 2018

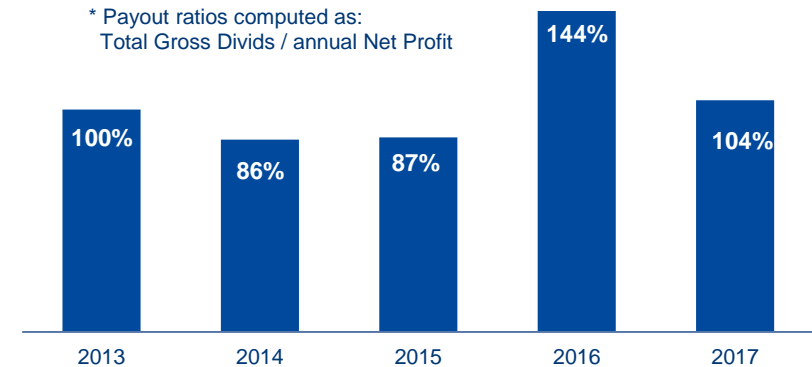
# Dividend distribution

## Strong Dividend Payout Ratios

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



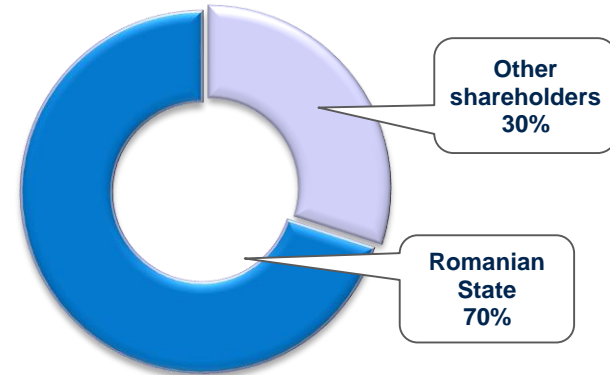
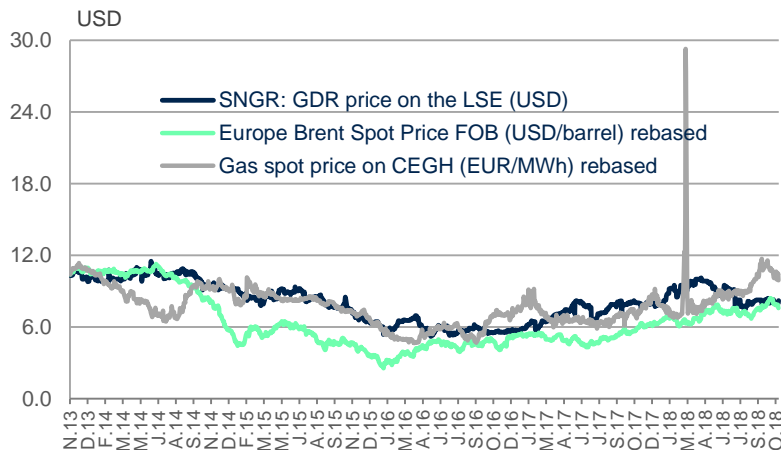
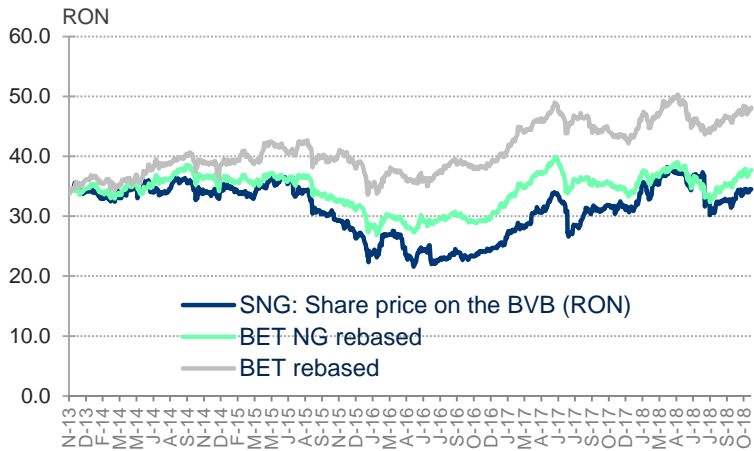
Romgaz: Gross Dividend Payout ratios\*



- ❑ **The agenda of the SGM called on Dec 6/7, 2018** was supplemented to include distribution of supplementary dividends of RON 717 mln or 1.86 RON / share from equity reserves (proposed registration date: Dec 21, 2018 / ex-dividend date: Dec 20, 2018)
- ❑ 2017 NP distribution: gross dividend of RON 4.99 / share (RON 4.34 from 2017 NP + RON 0.65 from retained earnings)
- ❑ For the fiscal years ending Dec 31, 2017 and 2016, the gov't mandated its representatives in majority state-owned companies to distribute as dividends minimum 90% of the annual NP; also, OUG no 29 / 30.03.2017 allows these companies to distribute retained earnings as dividends
- ❑ Generally, majority state-owned companies are required by law to distribute minimum 50% of the annual NP as dividends.

# 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 2.9 bn \*)
- ❑ The **4<sup>th</sup> most traded** stock on the BVB \*)
- ❑ Included in BVB's main indices (weighing 29% in energy and utilities BET-NG index, and between 10%-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).

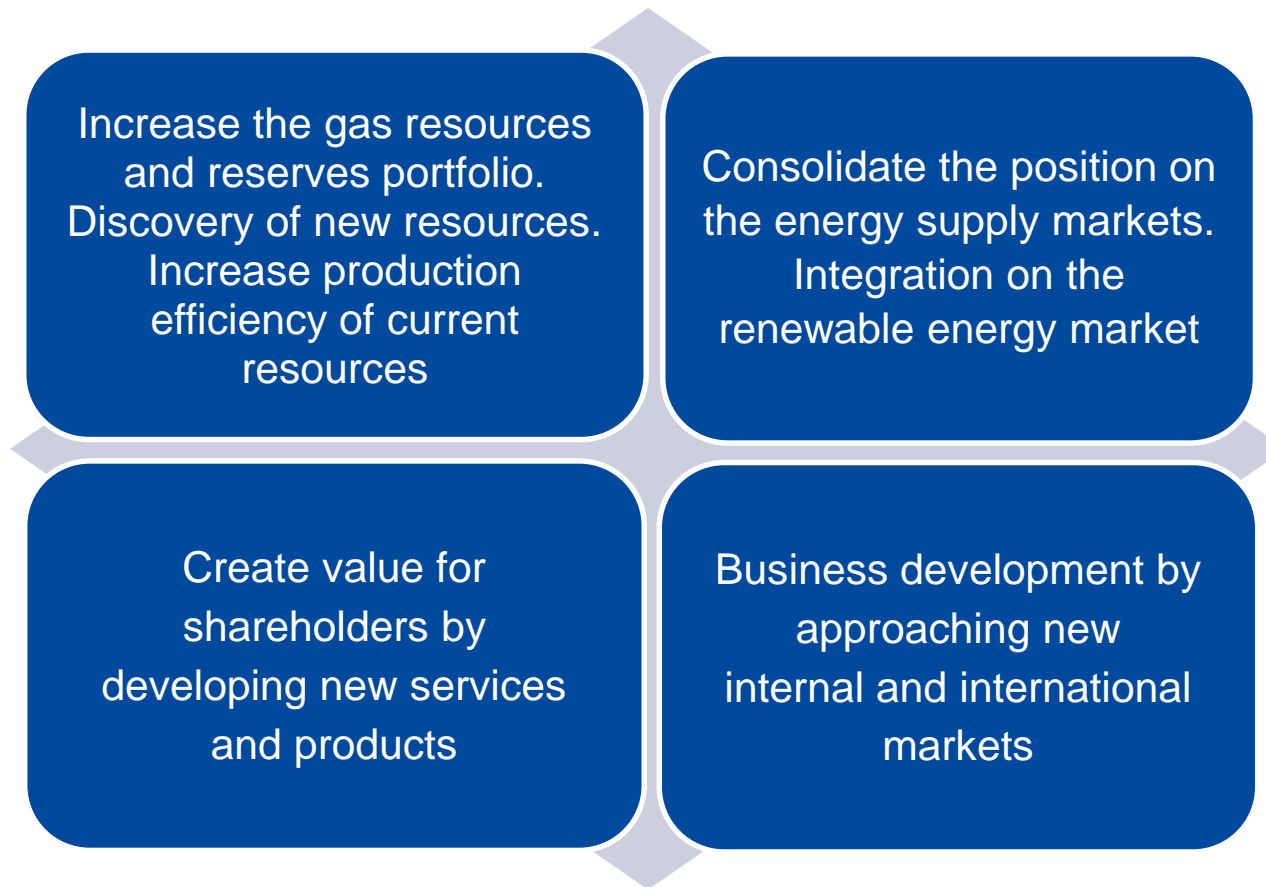
Total no of shares: 385.42m

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

## Strong Commitment for Business Development

### VISION

- Romgaz proposes to be an active, profitable and competitive player on the gas & electricity production market
- Romgaz has to pursue both an intensive development on the local market and an international development in order to become an important player on the regional energy market



# 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 margin of 45.5% at 9M/18 EBIT margin of 34.2%, Net margin of 29.8% 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 104% for 2017 (computed as Total Gross Dividends per 2017 Net Profit; Source of dividends: net profit and retained earnings) + Additional dividends subject to the SGM approval in Dec/2018</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 Cash<sup>1</sup> / Mktcap =14% (share price at Nov 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 Main operator of the Underground Gas Storages in Romania 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 (avg of 78% during 2013-2017)</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 generally focused on exploration; also - we will build a stronger position on the electricity market and aim to diversify our investment portfolio</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>

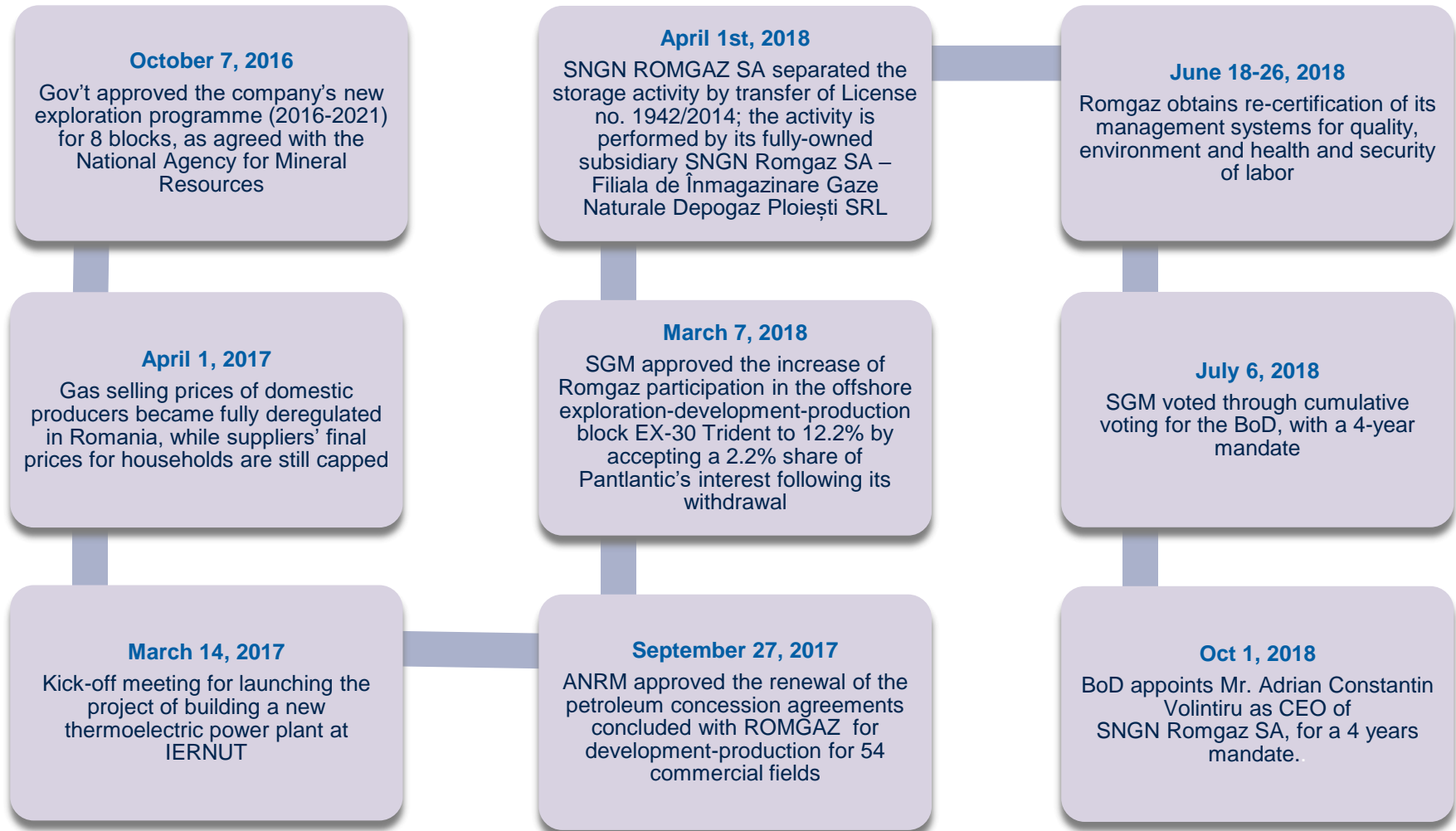
<sup>1</sup> considering all cash equivalents at 9M 2018, consolidated figure

# The Board: Balanced Team of Professionals



<p><b>Adrian Constantin Volintiru</b> Executive Member</p>	<p><b>Ramona Ungur</b> Non-executive Independent Member</p>	<p><b>Remus Grigorescu</b> Non-executive Member</p>	<p><b>Romeo Cristian Ciobanu</b> Non-executive Independent Member</p>	<p><b>Aristotel Marius Jude</b> Non-executive Member</p>	<p><b>Petrus Antonius Maria Jansen</b> Non-executive Member</p>
<p><b>Selected Experience:</b></p> <ul style="list-style-type: none"> <li>- Secretary of State, Ministry of Economy (2013-2014)</li> <li>- Chairman, AVAS (2012-2013)</li> <li>- Board Chairman, Posta Romana (2012-2013), Board member of Romgaz (2013) and Marexin (2008-2011)</li> <li>- Top positions -Relad, Vulcan, Upetrom, Rompetrol etc</li> <li>- MBA, Harvard BS</li> </ul>	<p><b>Selected Experience:</b></p> <ul style="list-style-type: none"> <li>- Board Member, Oil Terminal SA (since 2017)</li> <li>- Top positions in Banca Comerciala Romana (2010 - 2018)</li> <li>- Director, Eximbank Romania (2008-2009)</li> </ul>	<p><b>Selected Experience:</b></p> <ul style="list-style-type: none"> <li>- Associate Professor, other positions with "Constantin Brancoveanu" University of Pitesti (since 2000)</li> <li>- Inspector, Ministry of National Education (2012-2013)</li> <li>- PhD in Economy</li> </ul>	<p><b>Selected Experience:</b></p> <ul style="list-style-type: none"> <li>- Director of Politech (since 2016)</li> <li>- Professor, Technical University of Iasi (since 2000),</li> <li>- PhD in Electronic Technology and Reliability</li> <li>- PhD in Chemistry and Chemical Technology</li> <li>- MBA, Technical University of Iasi</li> </ul>	<p><b>Selected Experience:</b></p> <ul style="list-style-type: none"> <li>- Secretary of State for the Ministry of Energy (2015-2017)</li> <li>- SNGN Romgaz SA (various management positions)</li> <li>- Board member of Depomures SA (during 2010-2014) and of Amgaz SA (2009-2015)</li> <li>- MBA, Bucuresti</li> </ul>	<p><b>Selected Experience:</b></p> <ul style="list-style-type: none"> <li>- Board Member, SNGN Romgaz SA (2015-2017)</li> <li>- London School of Business and Finance, Lecturer (since 2013)</li> <li>- Cohn &amp; Jansen JWT, Partner (since 2002)</li> <li>- MBA - NIMBAS, Utrecht, University of Bradford UK</li> </ul>

## Selected Events – relevant for our activity



# THANK YOU FOR YOUR ATTENTION !



## ROMGAZ Investor Relations

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Anca Deac

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

## Financial Calendar 2018

*Feb 15: Release of the 2017 Preliminary Financial Results*

*Feb 16: Confcall 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: Confcall with financial analysts / investors*

*Aug 14: Release of the H1/Q2 2018 Financial Results and confcall with  
financial analysts / investors*

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

**Press Conference to discuss the results**

**Nov 16: Confcall with financial analysts / investors to discuss the results**