



# ROMGAZ

## 9M/Q3 2017

### Financial Results

November 2017



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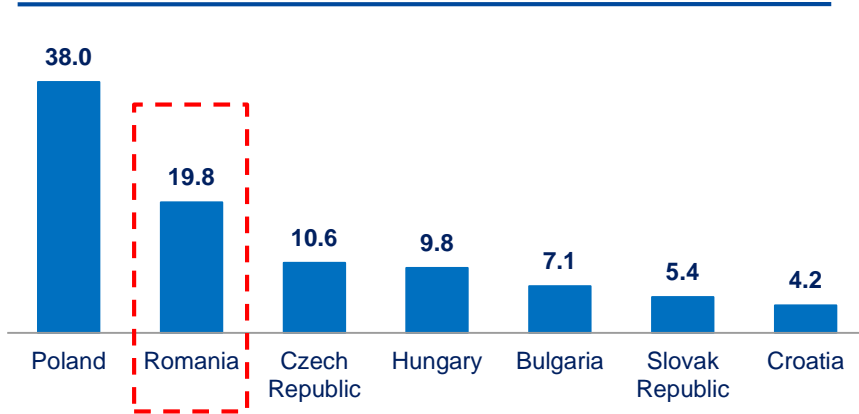


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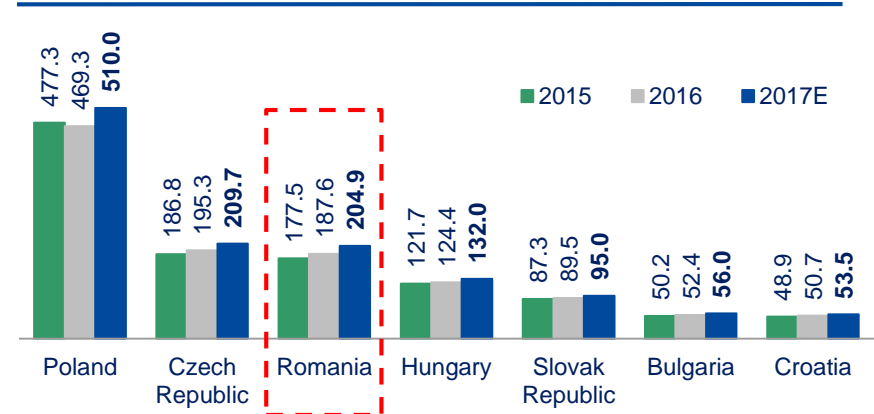
# Economic context and gas market

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

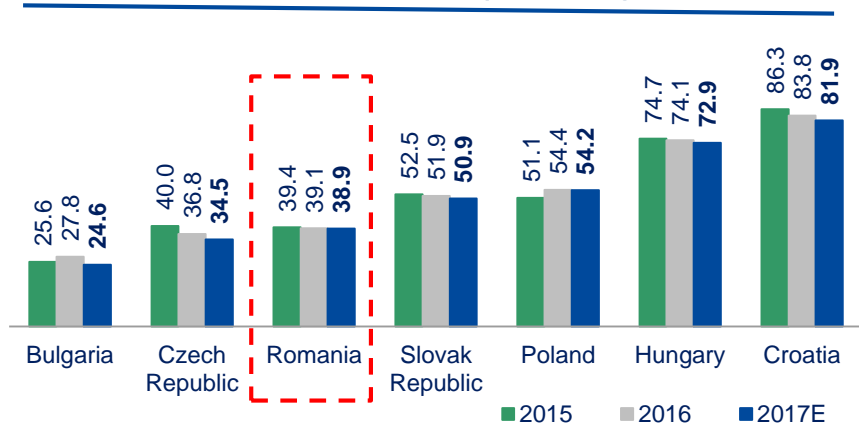
2017E Population (m)



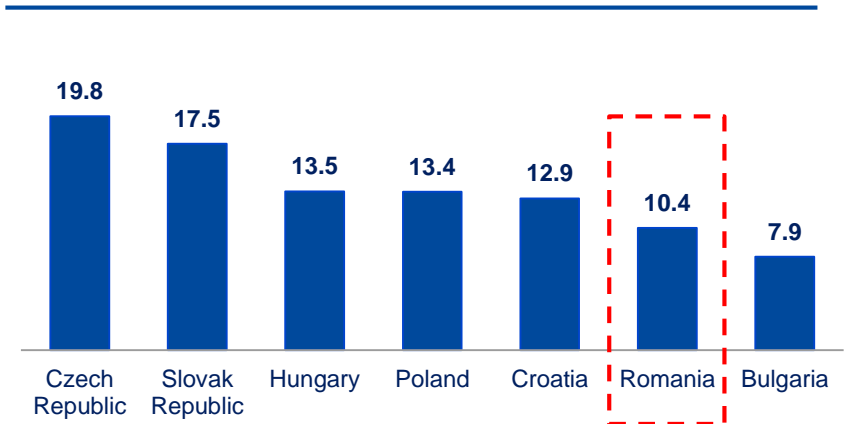
2017E GDP<sup>1</sup> (USD bn)



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



2017E GDP per capita<sup>3</sup> (USD '000)



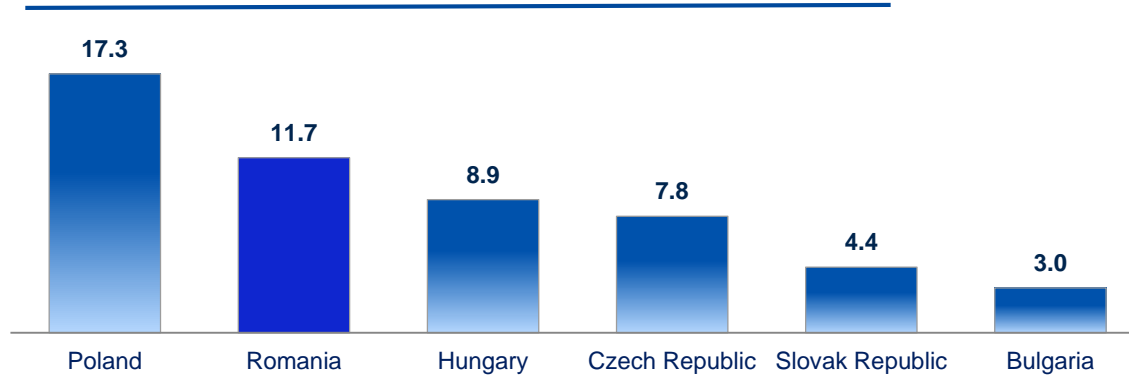
Source: IMF World Economic Outlook – October 2017

<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

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



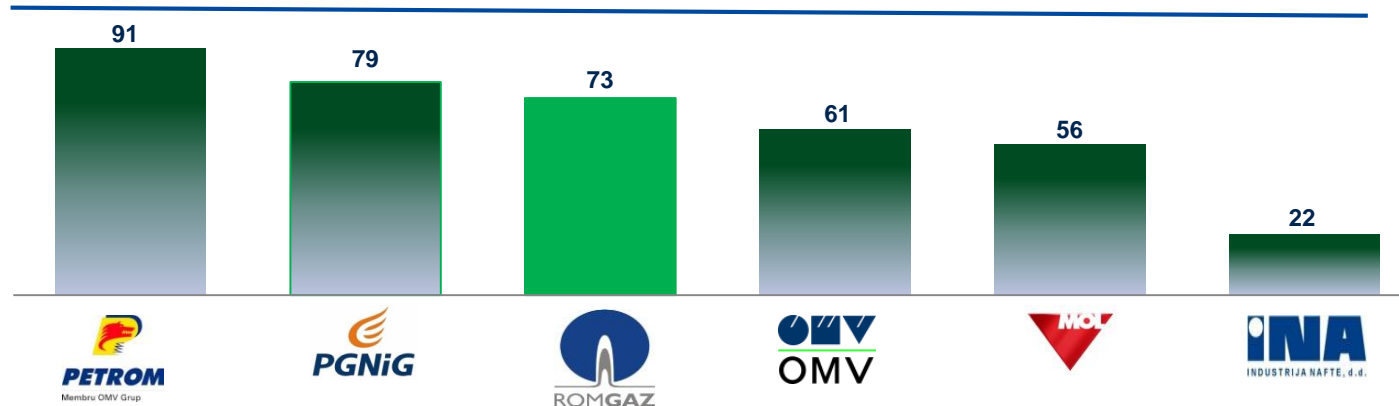
☐ Gas represents an important clean source of energy

**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)



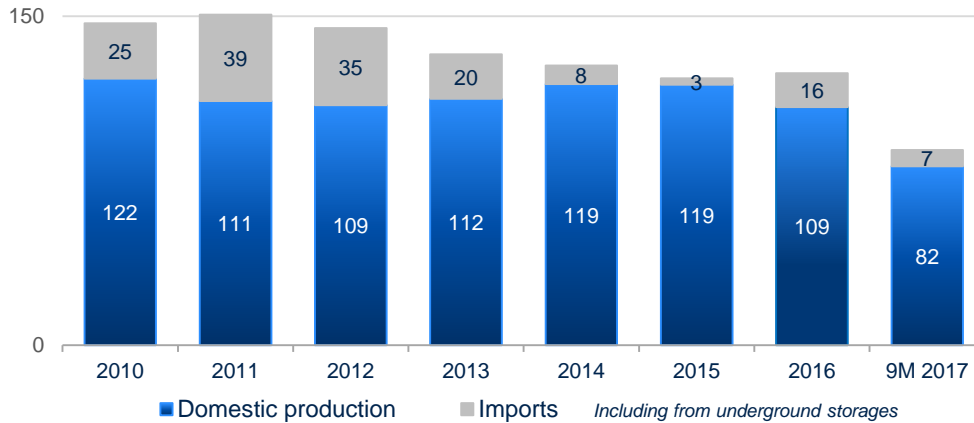
Source: <sup>1</sup> BP Annual Statistical Review of World Energy (2017), Romgaz estimate for Romania;

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

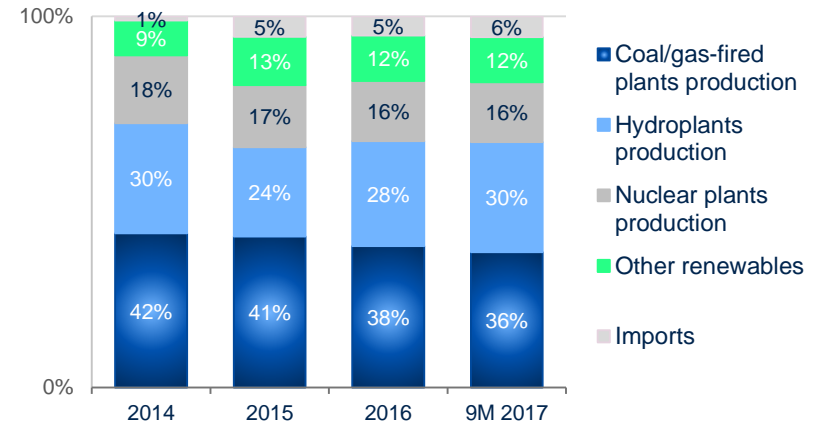
# Economic context and gas market

## Romania: Resilient gas production levels, market characteristics

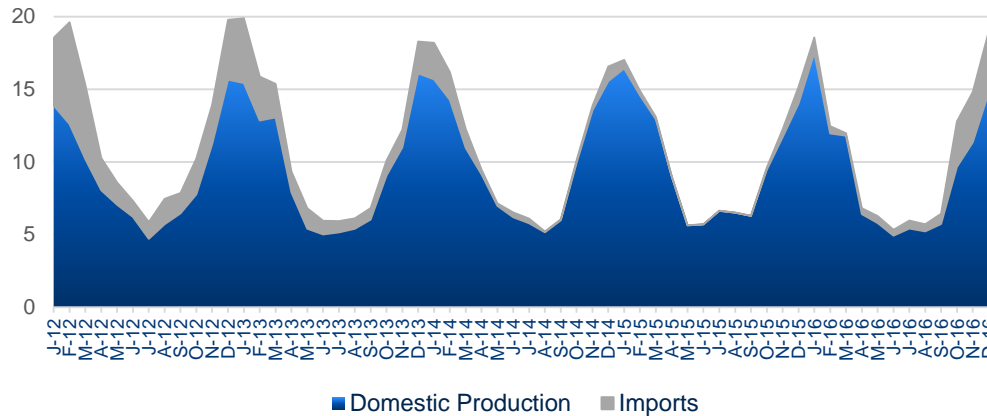
Natural Gas Consumption\* (mln MWh)



Energy resources\*\*



Seasonality of Gas Consumption\* (mln MWh)



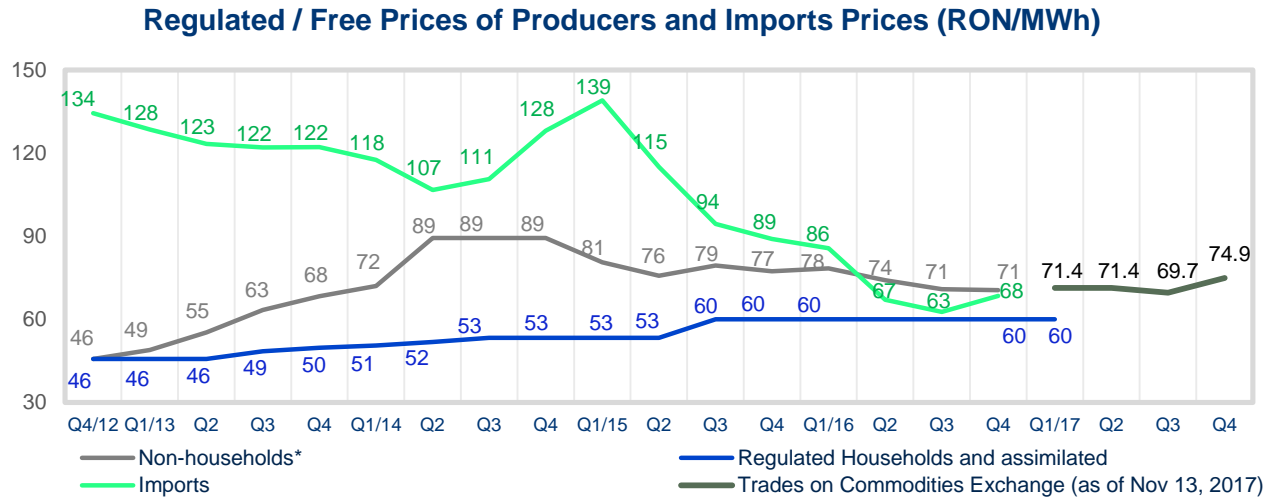
Sources:

\* ANRE - Annual Monitorisation Reports and Monthly Reports, Romgaz estimates

\*\* Statistics Institute

# Economic context and gas market

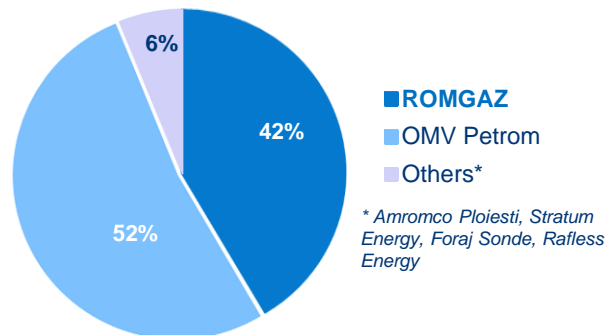
## Romania: Gas Producers and Prices, Main Gas Suppliers



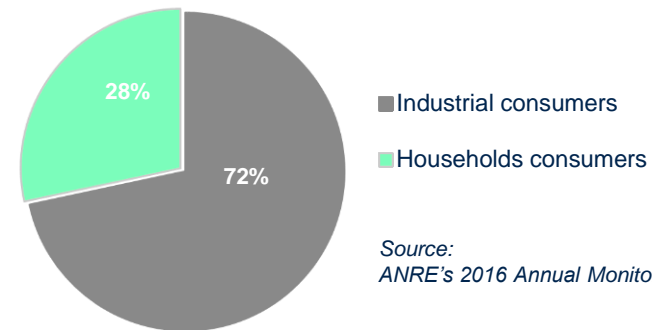
Source:  
ANRE's Annual Monitorisation Reports  
and Monthly Reports;  
Commodities Exchange

\* 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)



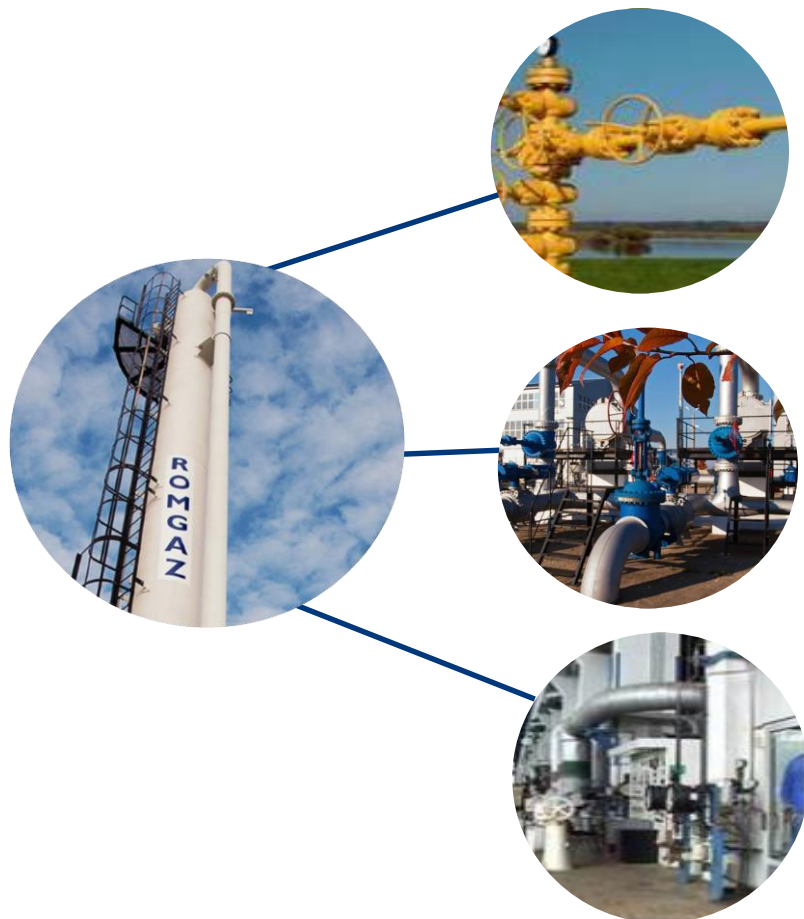
### Final Consumers in Romania (2016)



Source:  
ANRE's 2016 Annual Monitorisation Report

# ROMGAZ: Company Overview

## Largest 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 4.2 bcm in 2016, respectively 3.8 bcm in 9M/2017 )
- Significant market share in the total gas supply in Romania

### Underground Gas Storage

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

### Electricity Production

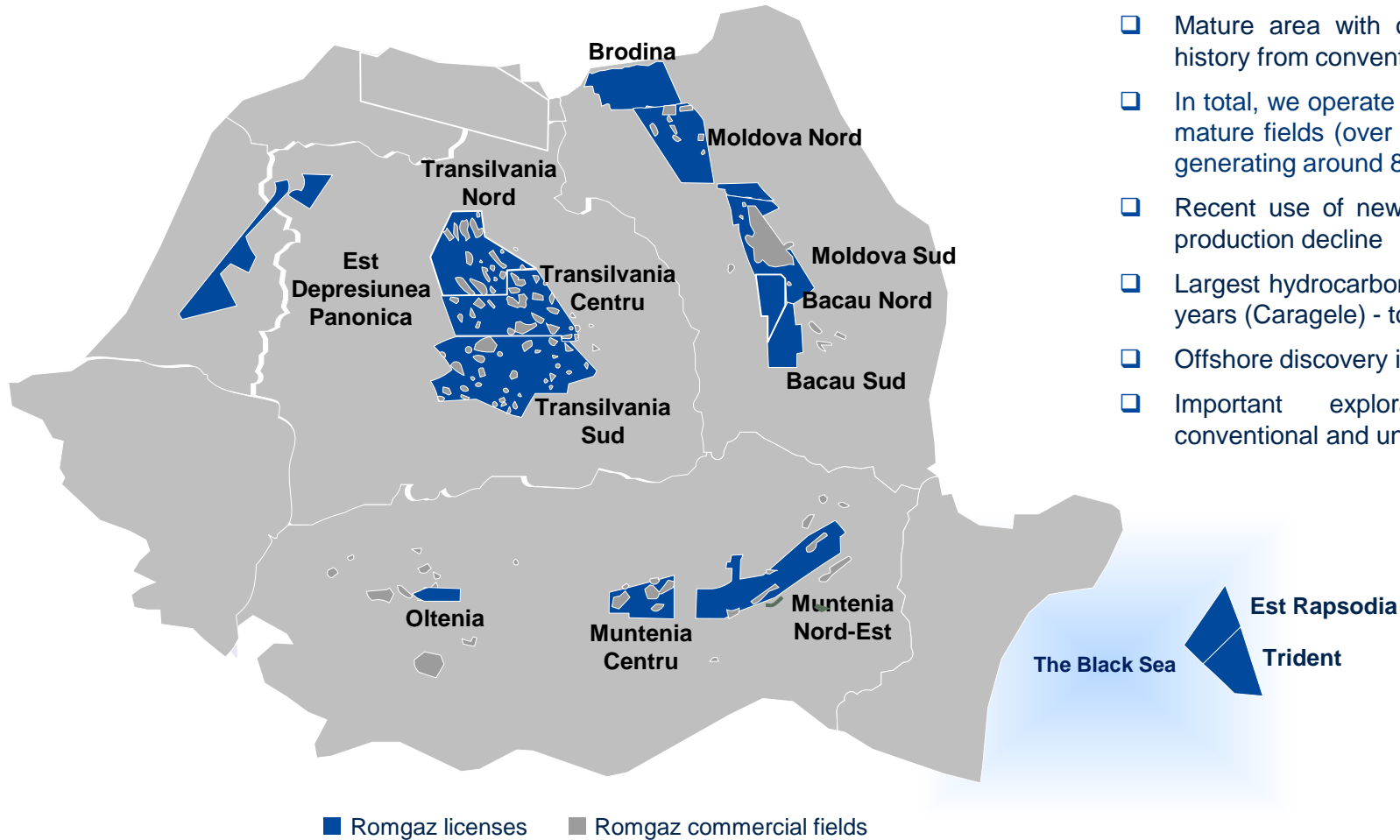
- 600 MW capacity still operational
- New power plant in construction (430 MW)
- Market share of 3.1%\* in terms of production in 9M/2017

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



# Company Overview

## Largest Producer and Supplier of Natural Gas in Romania

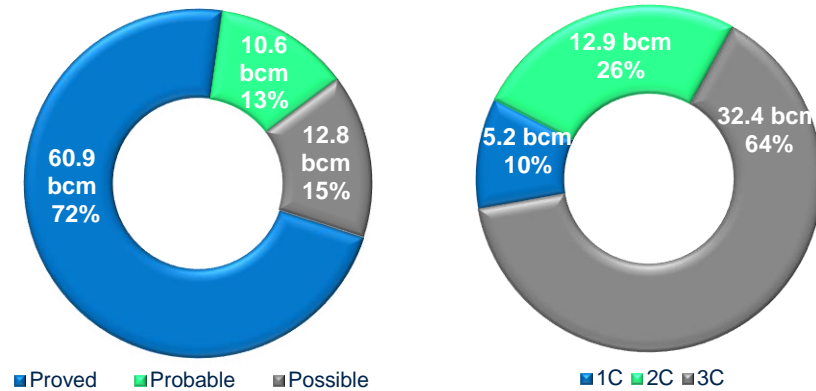


- ❑ Mature area with over 100-year production history from conventional reservoirs
- ❑ In total, we operate 148 commercial fields; 30 mature fields (over 30-year old) are currently generating around 80% of total production
- ❑ Recent use of new technologies to mitigate production decline
- ❑ Largest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

# Company Overview

**External audit: Contingent resources +88%, avg annual RRR over 83% !! RRR > 100% in 2016**

**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)

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



Reevaluation driven by investment in well workovers and installation of compressors

Bringing existing discoveries on-stream

New discoveries

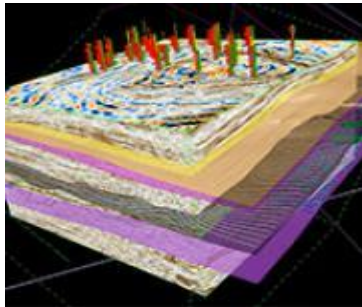
Source: External audit prepared by DeGolyer&MacNaughton as of Dec 31, 2015

<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

# Exploration Activities

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



### Significant developments

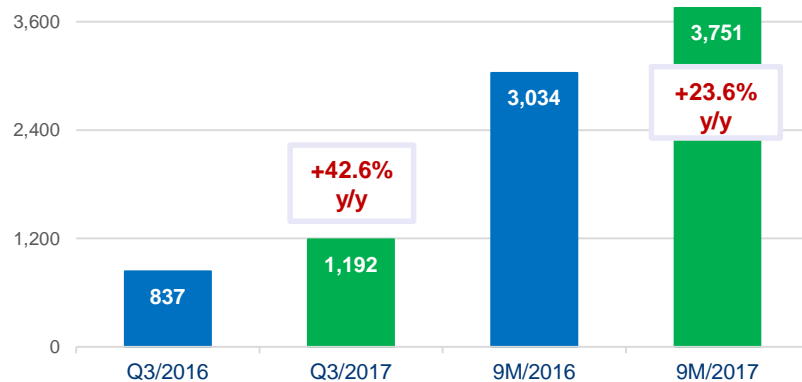
- ✓ **Largest hydrocarbon discovery in the past 30 years (June 2016):** located in NE of the Moesian Platform in Caragele structure – production tests completed at 2 exploration wells confirmed an estimated contingent resource of 25-27 bcm; as part of Romgaz' major exploration projects, the 35 km long 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: in 9M/2017 we executed drilling works for 20 wells, out of which 17 wells were completed
- ❑ New developments in Caragele: contracting and starting the execution of three important objectives in Caragele structure, which will be finalized during H1 2018.

# Natural Gas Production

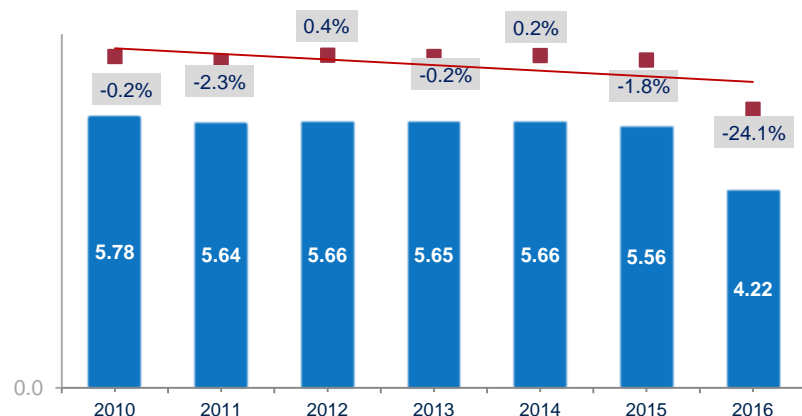
## Favorable development in 9M/Q3 2017, Natural decline arrested to a large extent

Romgaz: Significant production level in 2017 (mln cm)



- ❑ In 9M/2017, we produced 3.8 bcm of natural gas, +23.6% compared to last year and +7.6% versus the budget
- ❑ In Q3 alone, gas production rose by 42.6% vs the same period of 2016 (-2.8% vs Q2/2017, but over our budget)
- ❑ The good performance this year was triggered by the high market demand which allowed an optimal gas chain and inventory management
- ❑ Ongoing production optimization programme for the mature reservoirs
- ❑ **Favorable production perspective** – significant hydrocarbon discovery in Caragele structure

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

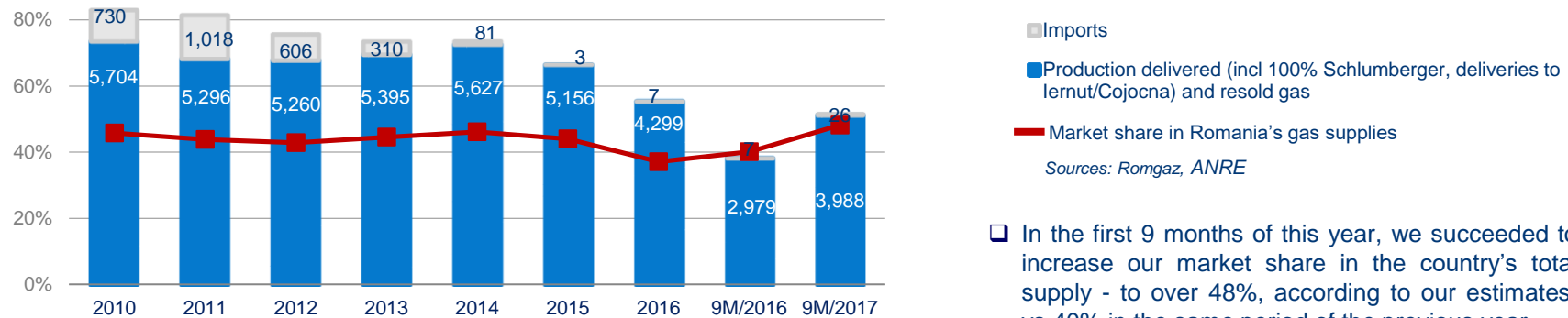


- ❑ **Overall in 2016:** gas output adjusted downward by 24% y/y as a result of a challenging gas market (unclear regulation for minimum gas stocks, competition from imports, fiscal regulation unfavorable for domestic producers, mild weather, relatively high quantity of own gas stored at the end of the 2015/2016 winter)
- ❑ **In 2015 we succeeded to stabilise the Natural Production Decline by:**
  - Installation of gas compression and production enhancement/rehabilitation
  - Acquisition of 3D seismic data, dynamic and static reservoir modelling
  - Production from new discoveries
- ❑ Production enhancement includes activities focused mainly on well workovers and new completion techniques

# Gas Supply & Sales

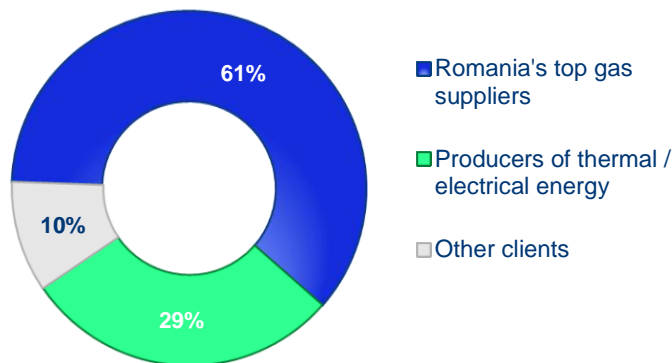
## 9M/2017: improved market share in supply, wide client portfolio as well

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



- In the first 9 months of this year, we succeeded to increase our market share in the country's total supply - to over 48%, according to our estimates, vs 40% in the same period of the previous year
- We rose our gas deliveries in 9M due to improved market demand

**Romgaz: Key third-party Clients (quantities of gas sold, 9M/2017)**



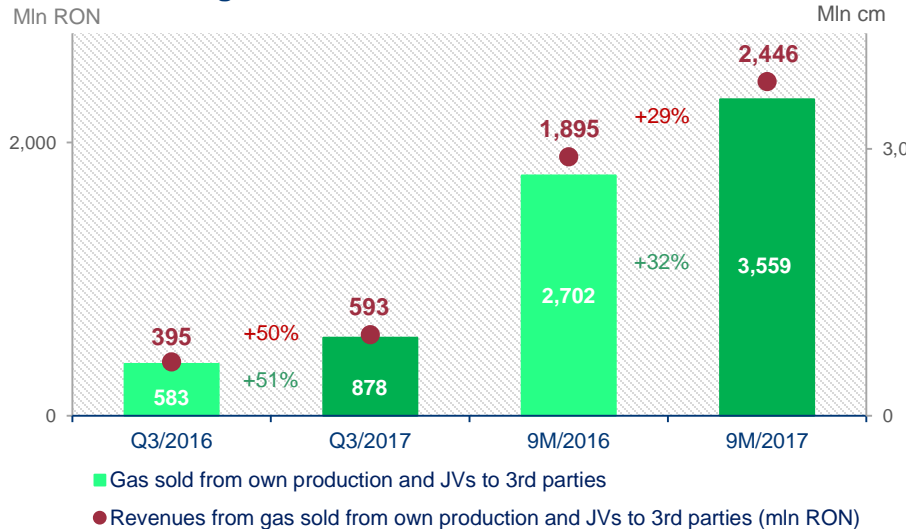
- We enjoy a strong portfolio of clients
- Around 61% of Romgaz' gas sales were to the country's large gas suppliers in 9M/2017

Portfolio breakdown reflects specific quarterly characteristics of gas demand

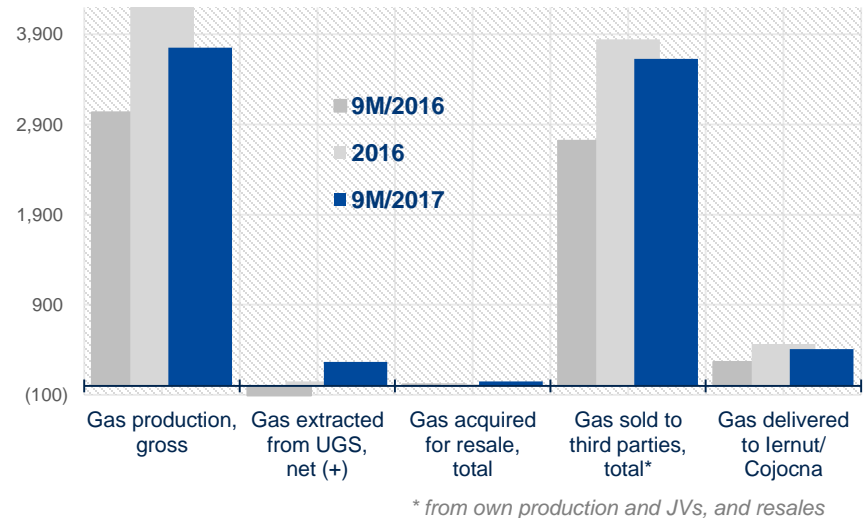
# Gas Supply & Sales

## Robust deliveries in 9M/Q3 2017, Gas Chain Management to mitigate seasonality and demand

Romgaz: Gas Sales - volumes and revenues



Romgaz: Gas Chain Management (mln cm)

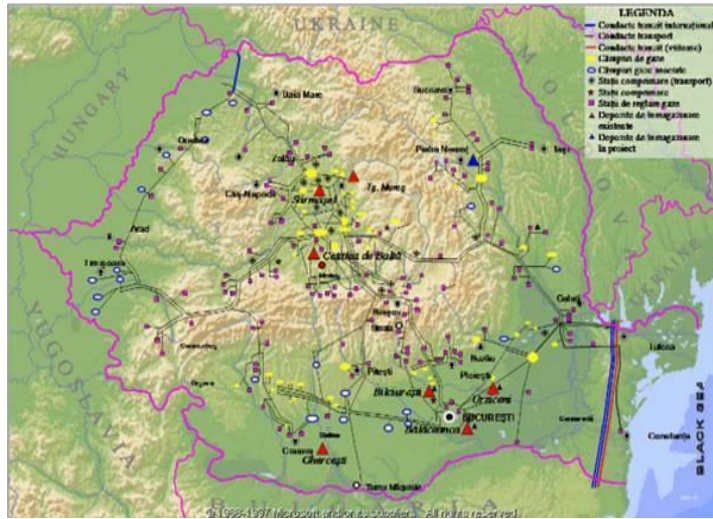


### UPSTREAM SEGMENT CONTRIBUTION: 78% in Revenue and 77% in EBITDA in 9M/2017

- ❑ In 9M/2017, gas volume sold to third parties (own gas, including JVs) hiked by 32% compared to last year; related Revenues also increased by 29% y/y – due to high gas market demand and producers' full gas price deregulation
- ❑ In Q3 alone, compared to the same period of 2016, gas volume sold to third parties increased by 51%, and related Revenues were up 50%
- ❑ 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)

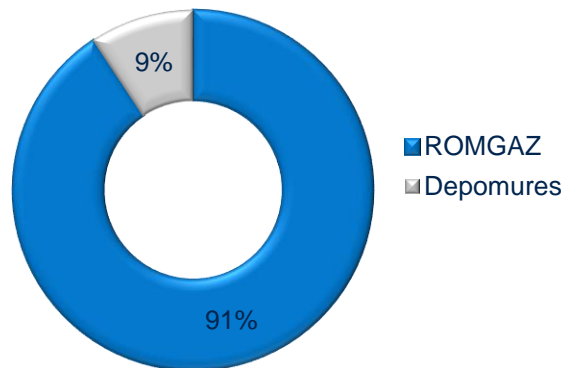
# Underground Gas Storage

## Romania's Largest Operator of UGS facilities



Romgaz: Underground Gas Storages - 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



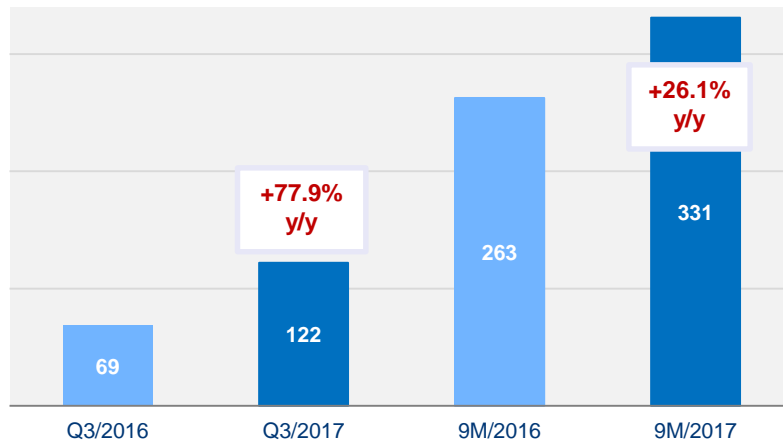
- ❑ The gas storage facilities: native gas acts as cushion gas in the storage process
- ❑ Activity regulated by ANRE using the revenue-cap methodology – third 5-year regulatory period started in Apr 2013, royalties of 3% of operating revenues
- ❑ Romgaz operates 6 facilities, with total working capacity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



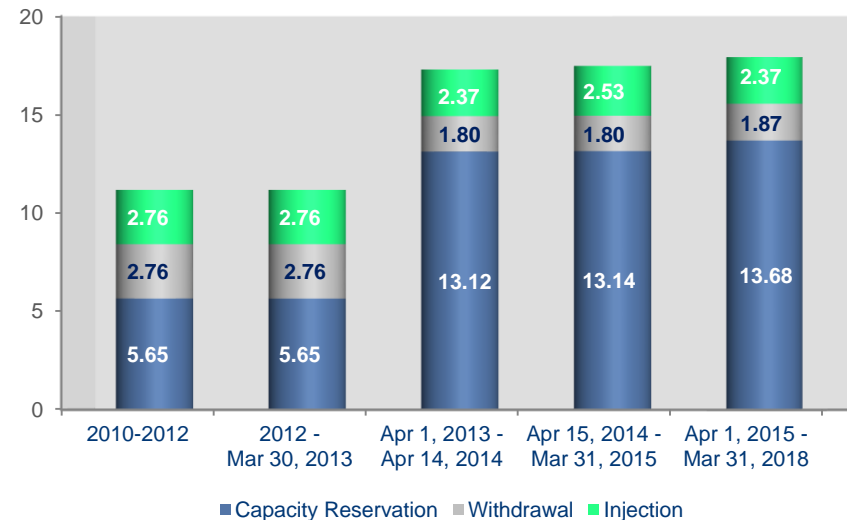
# Underground Gas Storage

## Favorable 9M/Q3 2017 performance, approved tariffs

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



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



### STORAGE SEGMENT CONTRIBUTION: 10% in Revenue and 13% in EBITDA in 9M/2017

- ❑ In 9M/2017, UGS revenues increased by 26% compared to 2016 – almost reaching the level achieved in FY2016 !
- ❑ In Q3 alone, we succeeded to rise the UGS revenues by almost 78% y/y vs the same period of last year (+80% vs the previous quarter of this year)
- ❑ 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

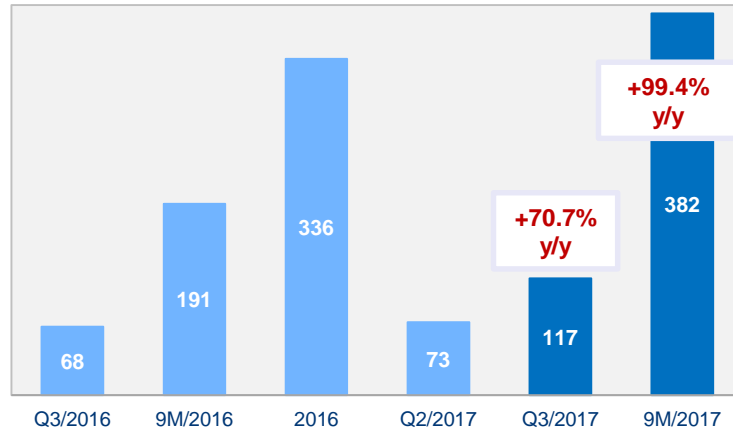


- **The new electrical power plant (430 MW capacity, minimum 55% efficiency rate) is presently under construction** (completion due in 2019); Ministry of Energy approved a non-reimbursable financing of 25% of the total eligible investment from the National Investment Plan
- The existing power plant CTE Iernut currently operates at a capacity of 600 MW (split in 4 units of 100/200 MW each)
- In the first 9 months of 2017, CTE Iernut produced 1.5 TWh of electricity, achieving the highest utilization rate – of 50% (considering an operating capacity of 75%) since it was transferred to Romgaz back in 2013
- 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

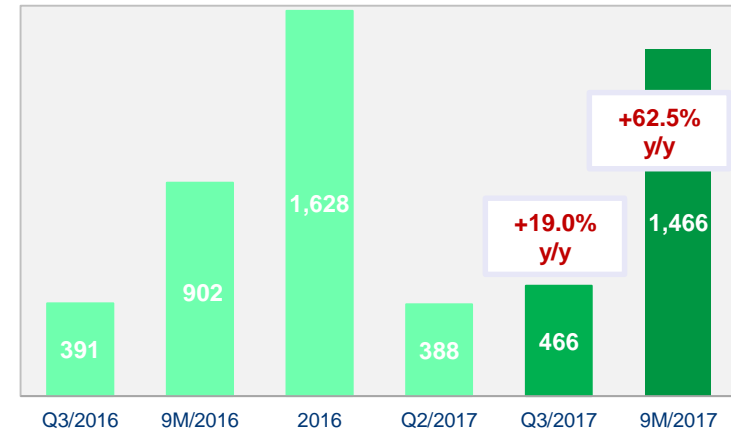
# Electricity Production & Trading

Significant performance in 9M/2017 – revenues over the FY2016 level !

Romgaz: Revenues from Electricity (mIn RON)



Romgaz: Production of Electricity (GWh)



## ELECTRICITY SEGMENT CONTRIBUTION: 12% in Revenue and 7% in EBITDA in 9M/2017

### □ Main developments in 9M/2017:

- Revenues exceeded the level achieved in FY2016 ! and were double compared to the same period of 2016 due to favorable market environment

- In volume terms, we hiked the production of electricity by 63% y/y

### □ In Q3 alone, revenues from electricity increased by 71% vs the same period of 2016, and output advanced by 19%

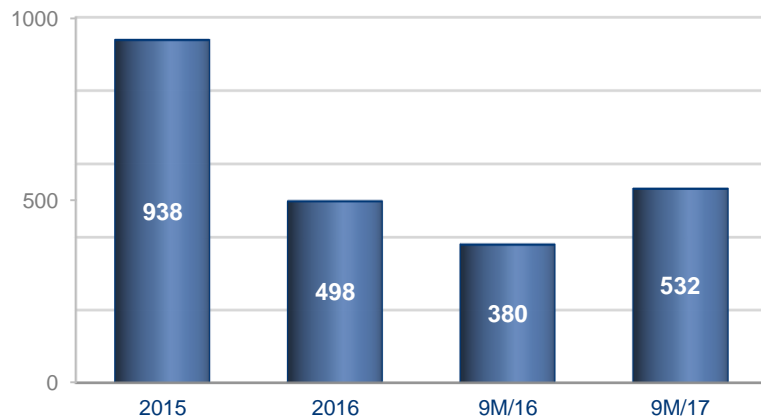
- The positive 9M developments are due to lower hydro and wind energy production, warm summer, lower production of other gas/coal-fired plants and of some thermal/nuclear plants as well

- We achieved a market share of 3.1% in terms of electricity production in Romania

# Investments

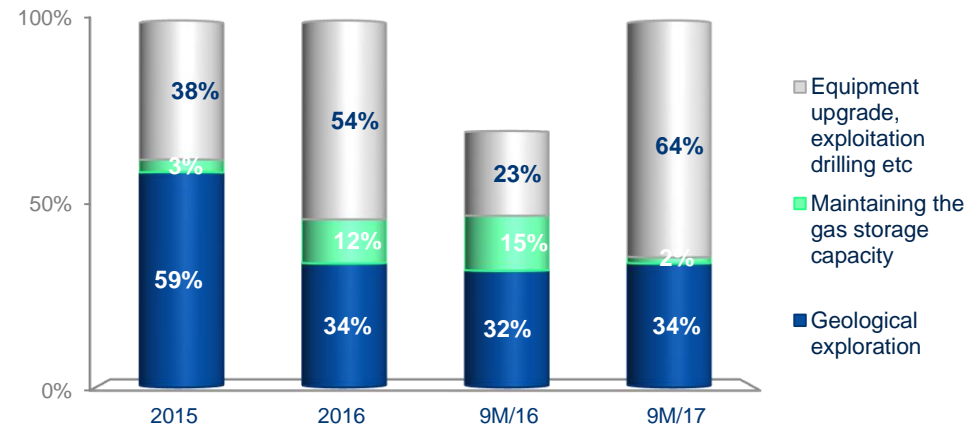
## Key role in arresting the production decline, 9M/2017 developments

Romgaz: Capital Expenditures (RON mln)



- ❑ In 9M/2017, 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;
- ❑ Investments are exclusively financed from the company's own sources.

Romgaz: Breakdown of Investments

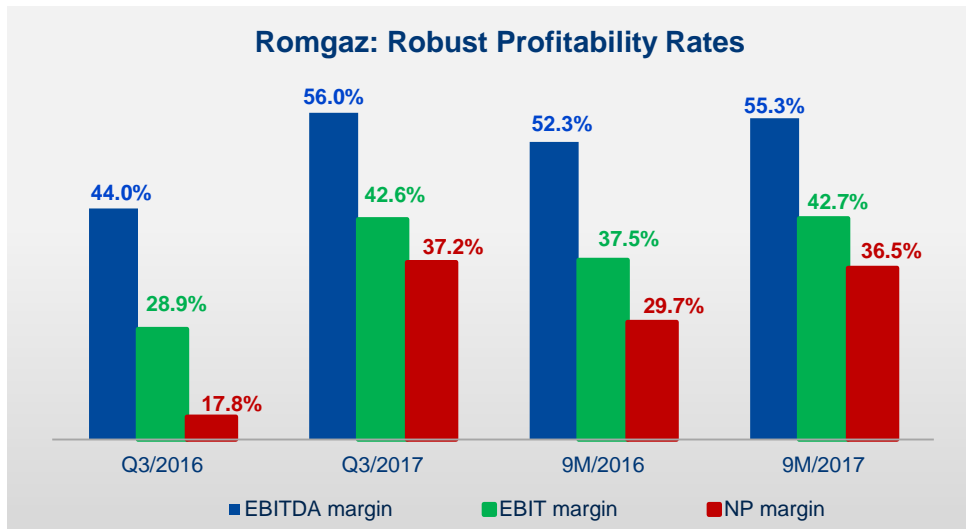


### Main achievements of the first three quarters include:

- ❑ Execution of drilling works for 20 wells, out of which 17 wells were completed;
- ❑ Contracting and starting the execution of three 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 SIRCROSS;
- ❑ Completion of scheduled modernization works carried out at the underground storage in Urziceni.

# Financial Performance

**9M/2017: Among the highest 9M margins ever recorded !**

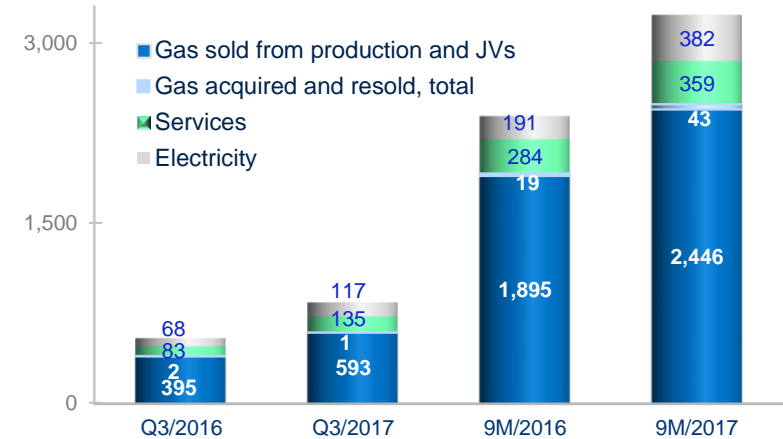


- In 9M this year, we continue to achieve significant profitability rates, possibly among the best rates reported by listed issuers in Romania:

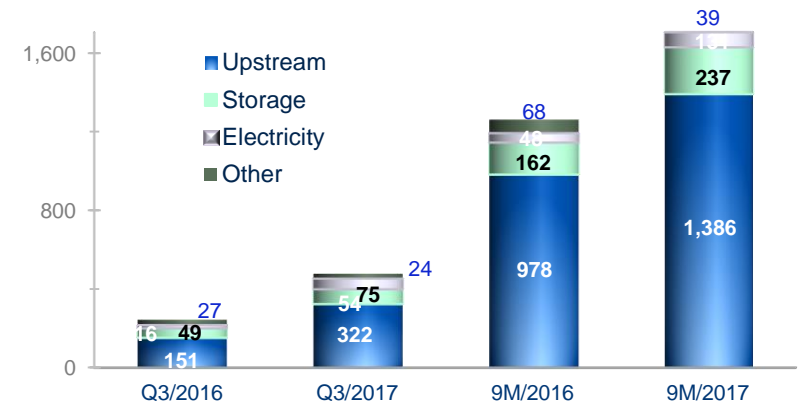
*EBITDA of 55.3%, EBIT of 42.7% and Net Profit margin of 36.5%*

- All 3 segments (upstream, storage services and electricity production) have reported significant growth rates (of 2 digits) - both in terms of revenues and EBITDA, and both in Q3 and in 9M

**Romgaz: Breakdown of Revenue (mln RON)**



**Romgaz: EBITDA Structure by Segments (mln RON)**



# Financial Performance

## 9M/Q3 2017: Selected P&L items – Net Profit +65.9% y/y in 9M and +221.2% y/y in Q3 alone

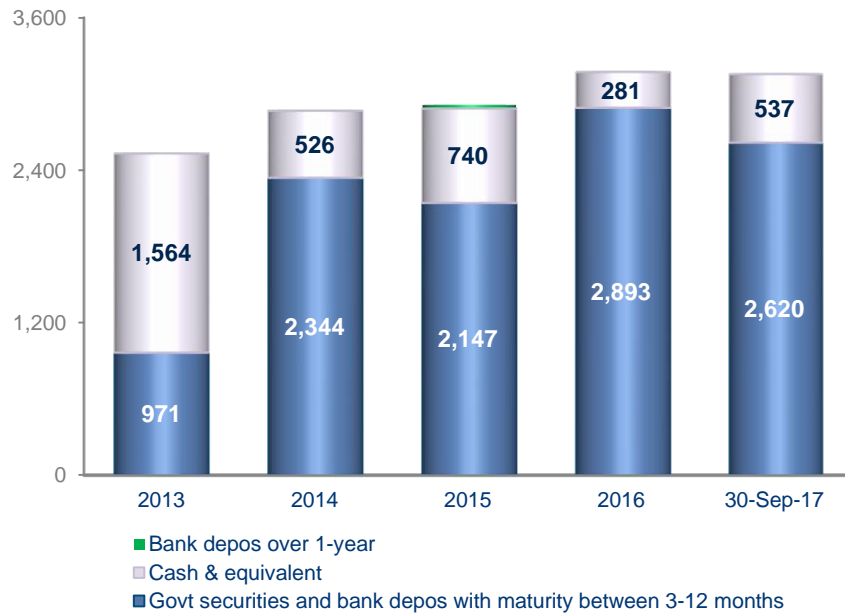
RON mIn	2013	2014	2015	2016	Q3/16	Q3/17	9M/16	9M/17
<b>Revenues - of w hich</b>	<b>3,894</b>	<b>4,493</b>	<b>4,053</b>	<b>3,412</b>	<b>552</b>	<b>849</b>	<b>2,401</b>	<b>3,242</b>
Gas Production	2,808	3,553	3,291	2,667	395	593	1,895	2,446
Gas Resales	461	131	19	20	2	1	19	43
Services	394	455	365	373	83	135	284	359
Electricity	207	335	357	336	68	117	191	382
<b>Other income</b>	<b>54</b>	<b>108</b>	<b>80</b>	<b>361</b>	<b>270</b>	<b>19</b>	<b>334</b>	<b>85</b>
Cost of commodities sold	(439)	(176)	(40)	(50)	(8)	(4)	(46)	(50)
Changes in inventory	56	28	138	21	91	41	74	(101)
Raw materials	(79)	(66)	(78)	(55)	(12)	(16)	(41)	(48)
Exploration expense	(59)	(43)	(42)	(253)	(81)	(62)	(81)	(133)
Headcount expense	(504)	(523)	(512)	(498)	(126)	(139)	(356)	(400)
Other gains and losses	(204)	(275)	(319)	(468)	(277)	(24)	(408)	(89)
Other expenses	(745)	(1,035)	(1,041)	(882)	(161)	(184)	(606)	(700)
<b>EBITDA</b>	<b>1,960</b>	<b>2,490</b>	<b>2,218</b>	<b>1,570</b>	<b>243</b>	<b>476</b>	<b>1,257</b>	<b>1,793</b>
<b>EBITDA margin</b>	<b>50.3%</b>	<b>55.4%</b>	<b>54.7%</b>	<b>46.0%</b>	<b>44.0%</b>	<b>56.0%</b>	<b>52.3%</b>	<b>55.3%</b>
<b>D&amp;A</b>	<b>(782)</b>	<b>(777)</b>	<b>(794)</b>	<b>(311)</b>	<b>(83)</b>	<b>(114)</b>	<b>(356)</b>	<b>(408)</b>
<b>EBIT</b>	<b>1,177</b>	<b>1,713</b>	<b>1,425</b>	<b>1,259</b>	<b>159</b>	<b>362</b>	<b>901</b>	<b>1,385</b>
<b>EBIT margin</b>	<b>30.2%</b>	<b>38.1%</b>	<b>35.2%</b>	<b>36.9%</b>	<b>28.9%</b>	<b>42.6%</b>	<b>37.5%</b>	<b>42.7%</b>
Net Interest income	123	75	44	22	4	4	18	16
<b>Profit before tax</b>	<b>1,301</b>	<b>1,788</b>	<b>1,469</b>	<b>1,281</b>	<b>164</b>	<b>367</b>	<b>919</b>	<b>1,401</b>
Income tax	(305)	(378)	(275)	(256)	(65)	(51)	(205)	(217)
<b>Net Profit</b>	<b>996</b>	<b>1,410</b>	<b>1,194</b>	<b>1,025</b>	<b>98</b>	<b>316</b>	<b>714</b>	<b>1,184</b>
<b>Net margin</b>	<b>25.6%</b>	<b>31.4%</b>	<b>29.5%</b>	<b>30.0%</b>	<b>17.8%</b>	<b>37.2%</b>	<b>29.7%</b>	<b>36.5%</b>

- ❑ In Q3 this year, we reported a Net Profit of RON 316 mln, over 3 times higher vs the same period of 2016, due to improved gas sales and producers' gas price liberalisation
- ❑ Overall in 9M, Net profit grew by 66% compared to last year; also, EBITDA and EBIT advanced by 43%, respectively 54% y/y
- ❑ "Exploration Expenses" in 9M are fully offset by a net income in the D&A line as the impairment of certain exploration projects was recorded previously
- ❑ "Other expenses" in 9M include the windfall profit tax of RON 266 mln and gas and UGS royalties of RON 209 mln
- ❑ Margins are significant – showing 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 in 9M/2017 as well

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



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)

- At Sept 30, 2017, overall cash position (cash, bank deposits and gov't treasury bonds) remained strong, amounting to RON 3,157 mln jointly

## Strong B&S Structure, Debt-free in 9M/2017 as well

### Romgaz: Selected Balance Sheet Items

RON mln	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016	Sept 30, 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>6,181</b>
Property plant and equipment	5,767	5,963	5,996	5,789	5,728
Other intangible assets	384	407	400	398	383
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>4,169</b>
Inventories	464	392	560	576	525
Trade and other receivables	1,087	1,000	601	829	437
<b>Govt securities and bank depos (+3mo maturity)</b>	<b>1,575</b>	<b>2,344</b>	<b>2,147</b>	<b>2,893</b>	<b>2,620</b>
<b>Cash and equivalents</b>	<b>959</b>	<b>526</b>	<b>740</b>	<b>281</b>	<b>537</b>
Other assets	146	102	140	142	50
<b>Total assets</b>	<b>10,477</b>	<b>10,812</b>	<b>10,685</b>	<b>10,977</b>	<b>10,350</b>
<b>Shareholders' Equity</b>					
Share capital	1,893	385	385	385	385
Reserves	1,950	2,142	2,582	3,020	3,036
Retained earnings	5,450	7,184	6,725	6,271	5,966
<b>Total Shareholders' Equity</b>	<b>9,293</b>	<b>9,712</b>	<b>9,692</b>	<b>9,676</b>	<b>9,388</b>
<b>Non-current liabilities, thereof</b>	<b>423</b>	<b>431</b>	<b>366</b>	<b>354</b>	<b>328</b>
Provisions	197	202	201	194	193
<b>Current liabilities, thereof</b>	<b>762</b>	<b>669</b>	<b>626</b>	<b>947</b>	<b>634</b>
Trade and other payables	203	217	187	570	351
<b>Total liabilities</b>	<b>1,184</b>	<b>1,100</b>	<b>992</b>	<b>1,301</b>	<b>962</b>
<b>Total equity and liabilities</b>	<b>10,477</b>	<b>10,812</b>	<b>10,685</b>	<b>10,977</b>	<b>10,350</b>

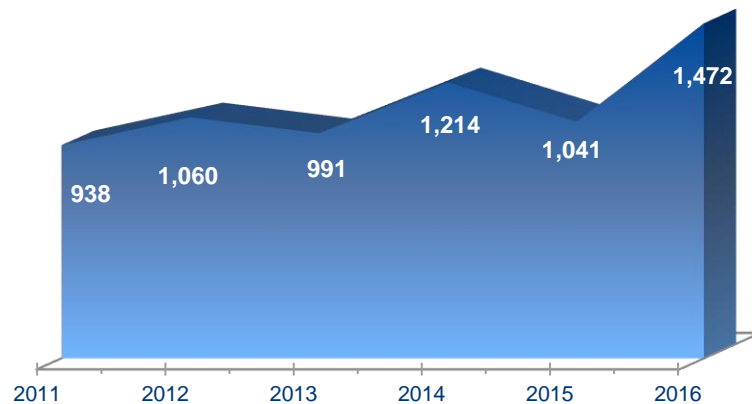




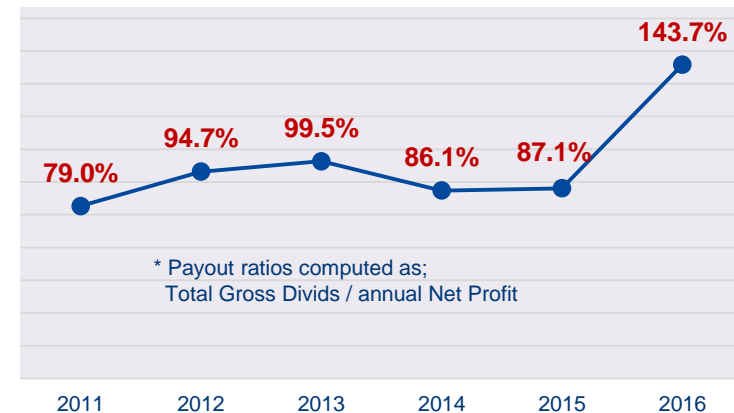
# Dividend distribution

## Strong Dividend Payout Ratios

Romgaz: History of Gross Dividend Distribution (RON mln)



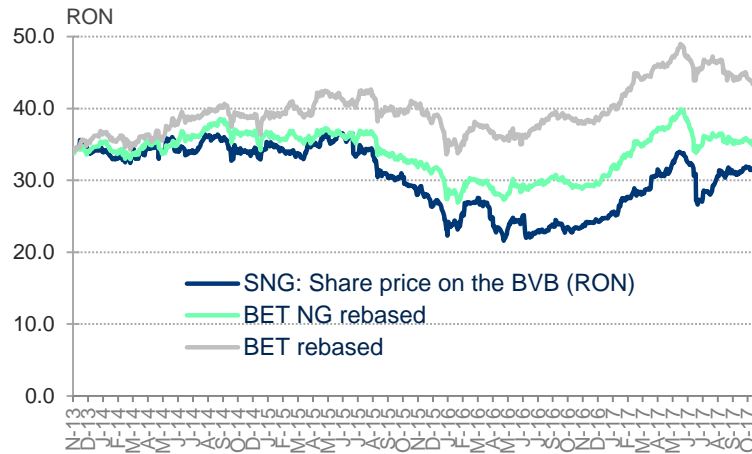
Romgaz: Gross Dividend Payout ratios\*



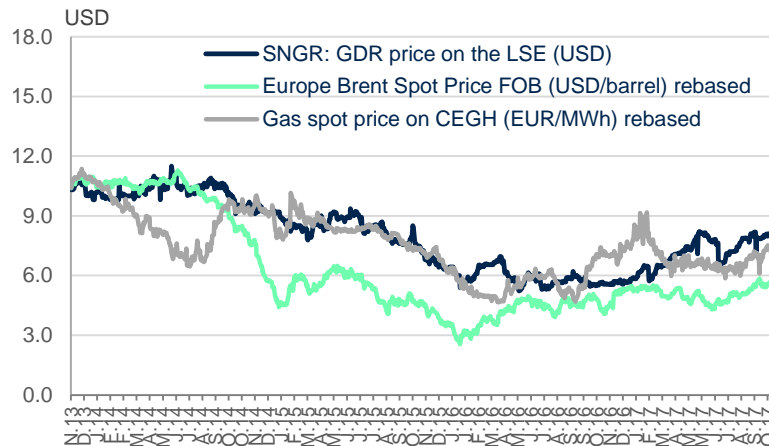
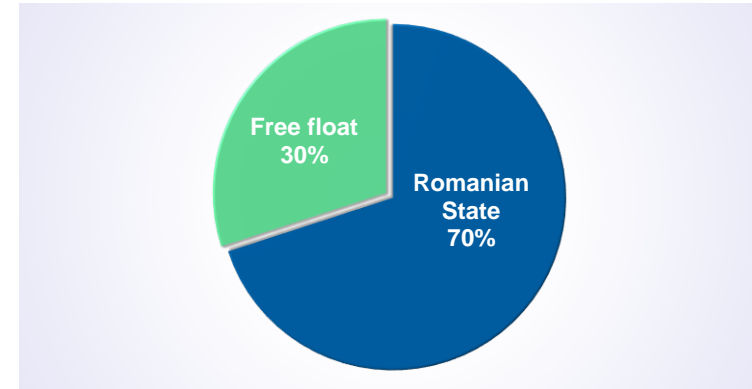
- ❑ For FY2016, total gross dividends amounted to RON 1,472 mln in total (RON 925 mln from the annual Net Profit + RON 547 mln from retained earnings) or **RON 3.82 / share**
- ❑ In October this year, shareholders approved the distribution of **Special Dividends of RON 748 mln (RON 1.94 / share, registration date: Nov 8, 2017)**
- ❑ For the fiscal year ending Dec 31, 2016, the gov't has 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 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 2.6 bn \*)
- ❑ The **4<sup>th</sup> most traded** stock on the BVB \*)
- ❑ Included in BVB's main indices (weighing 24% in energy and utilities BET-NG index, and between 9%-11% 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, 2017, 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

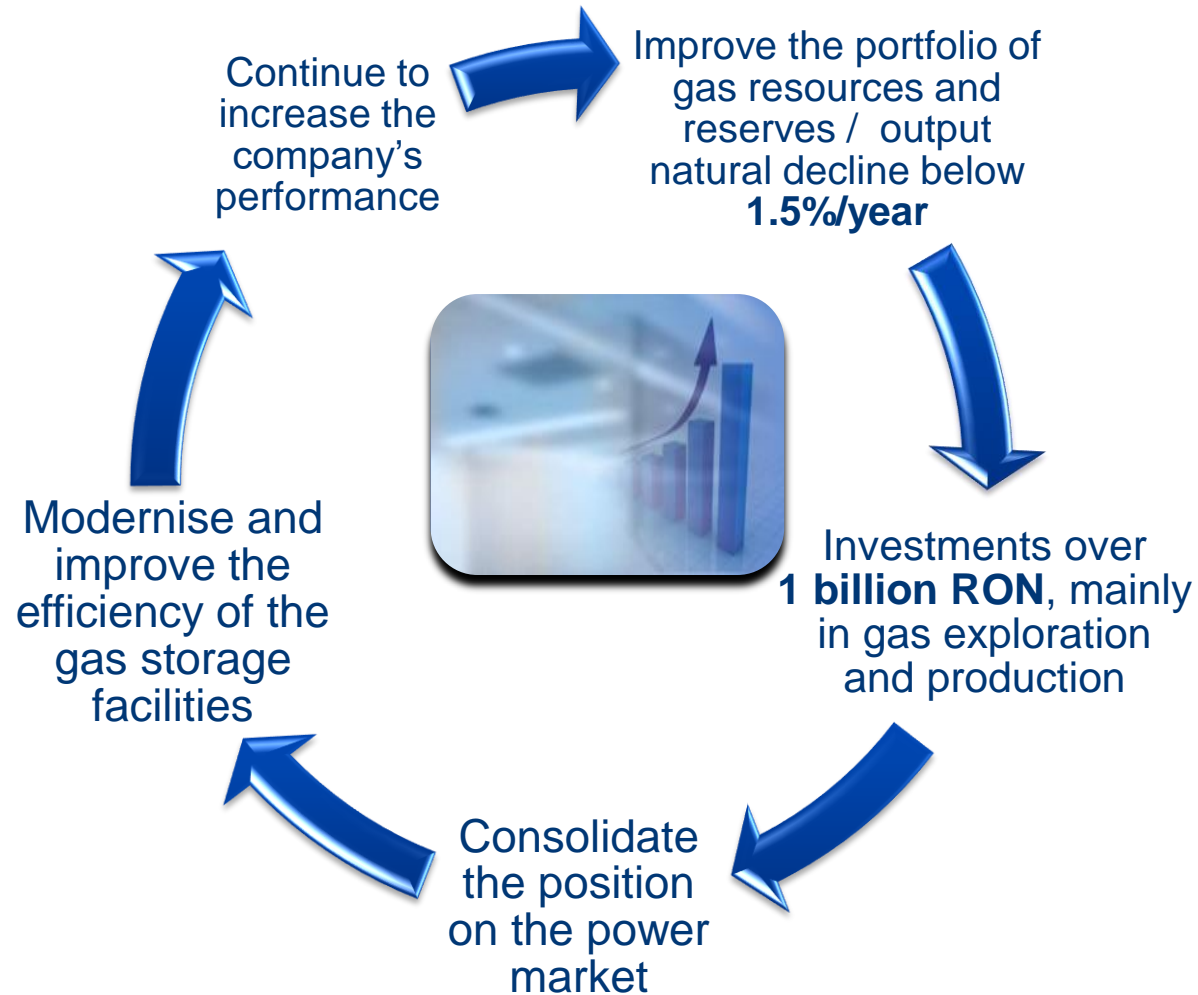
Increasing the company's performance

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 2017



# Romgaz – Investment Case

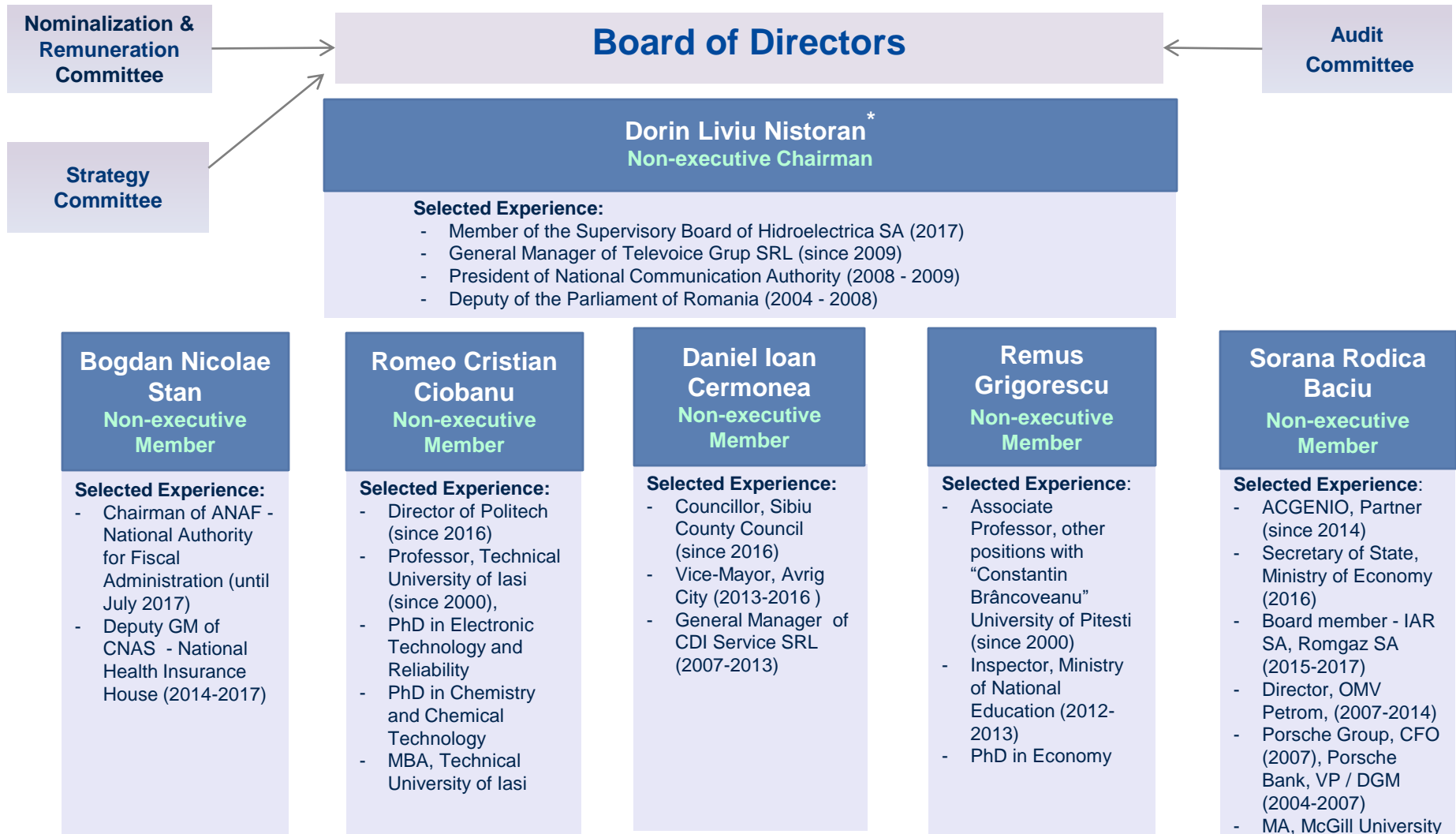


## Why to invest in Romgaz shares

<ul style="list-style-type: none"> <li>➤ <b>Operational excellence / robust margins</b></li> </ul>	<p>EBITDA and EBITDAX margins of 55% and 59% respectively in 9M/2017 EBIT margin of almost 43%, Net margin at almost 37% 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) – <b>Special dividends</b> also to be distributed in November !</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 = 26% (share price at Nov 13, 2017)</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 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 intend to 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>

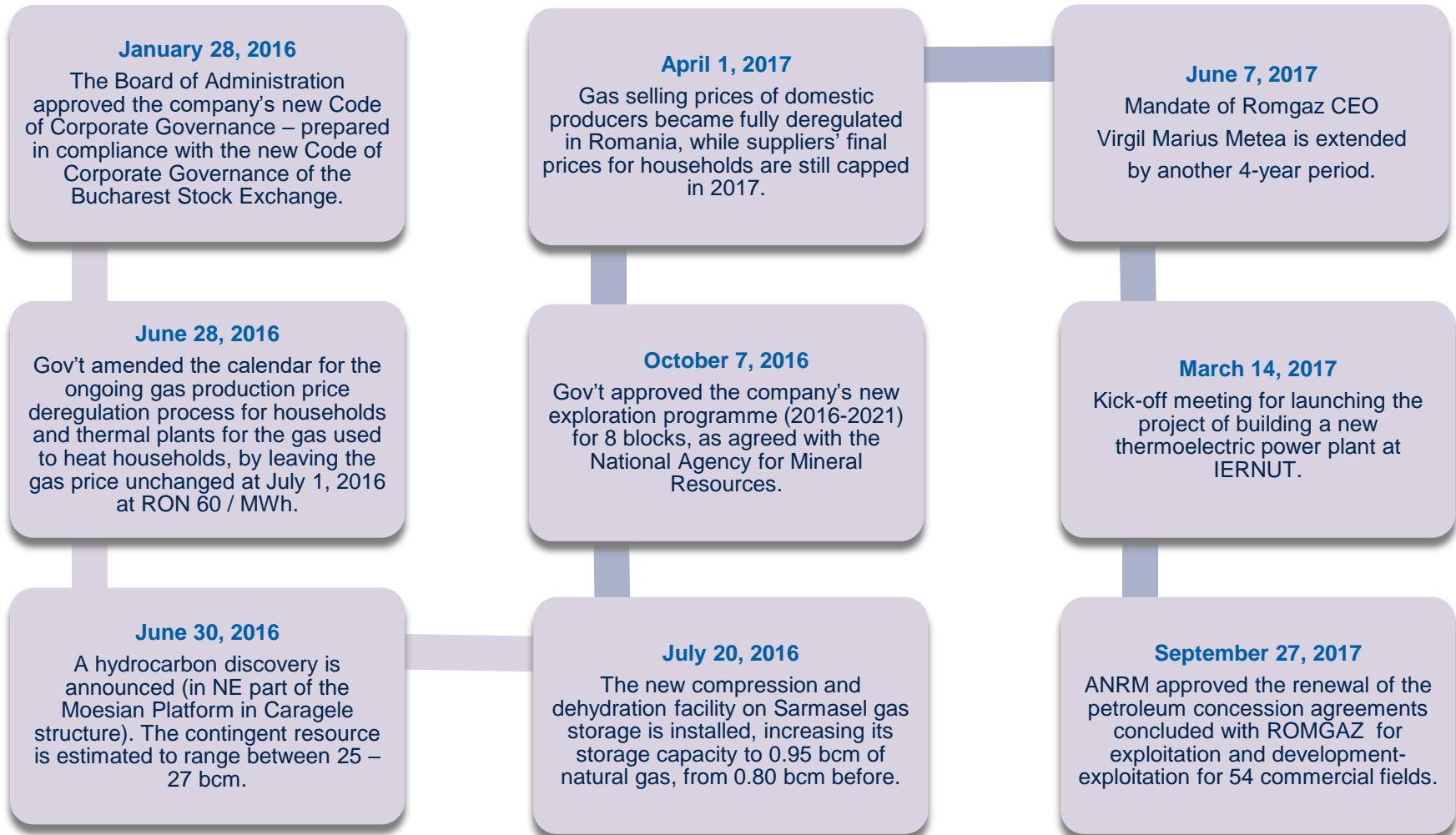
<sup>1</sup> considering all cash equivalents

# The Board: Balanced Team of Professionals



\* Mr Dorin Liviu Nistoran was appointed Chairman of the Board on Oct 20, 2017, replacing Mr Gheorghe Gabriel Gheorghe who resigned

## Selected Events – relevant for our activity



# THANK YOU FOR YOUR ATTENTION !



## ROMGAZ Investor Relations

**E-mail:** [investor.relations@romgaz.ro](mailto:investor.relations@romgaz.ro)

**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

Nov 14: Release of the 9M/Q3 2017 Financial Results

Confcall to discuss the 9M/Q3 2017 results

Details regarding confcalls with financial analysts / investors are announced timely