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1909 — 2019

# ROMGAZ

## 2018 Financial and Operational Results

April 2019



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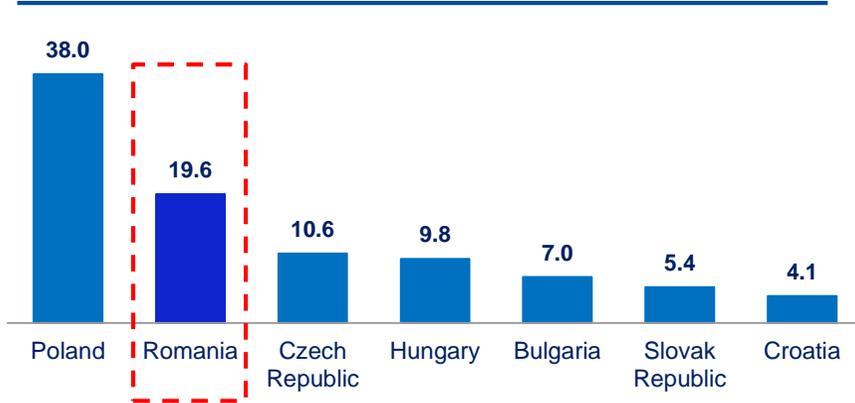
All figures included in this presentation are rounded ("round to nearest" method).

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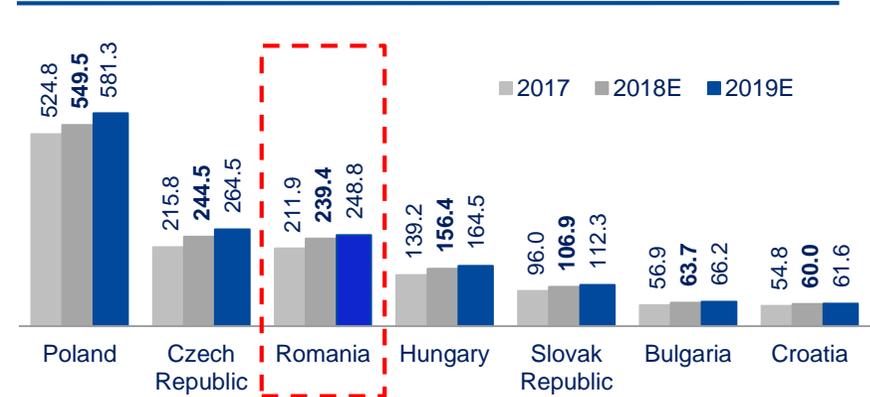
# Economic context and gas market

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

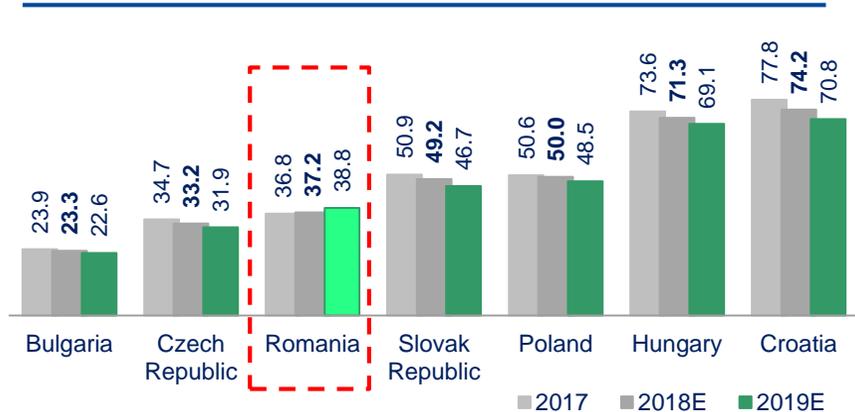
2018E Population (mln)



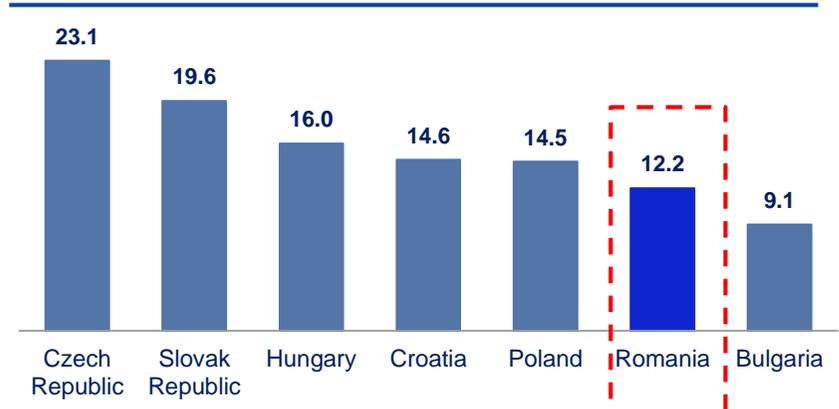
2018E GDP<sup>1</sup> (USD bn)



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



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



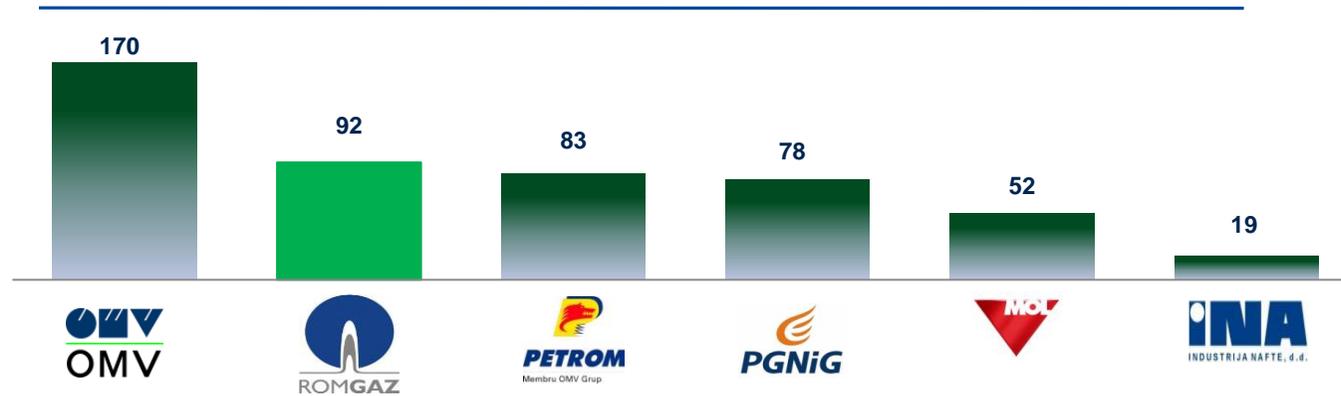
Source: IMF World Economic Outlook – Oct 2018

<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

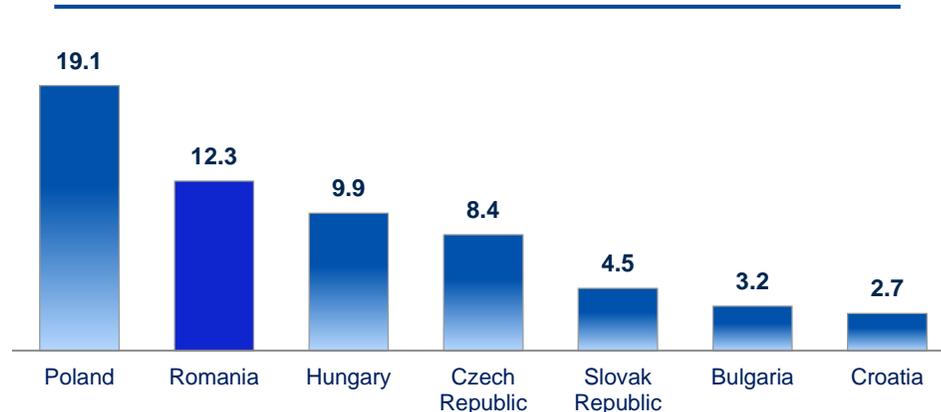
# Economic context and gas market

## Romania: Well-positioned Gas Market

Gas Producers in the region<sup>2</sup> (2018 output, kboepd)



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



☐ Natural gas represents an important clean source of energy

**In the region:**

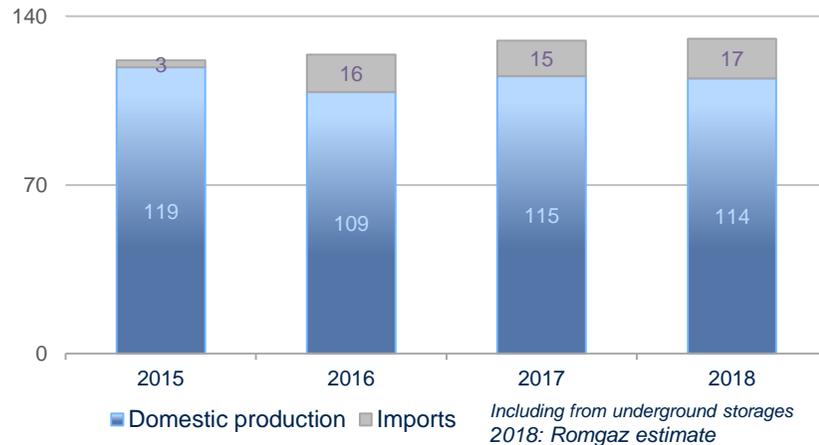
- ☐ Romgaz ranks among top gas producers
- ☐ Romania is one of the largest gas producers.

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.

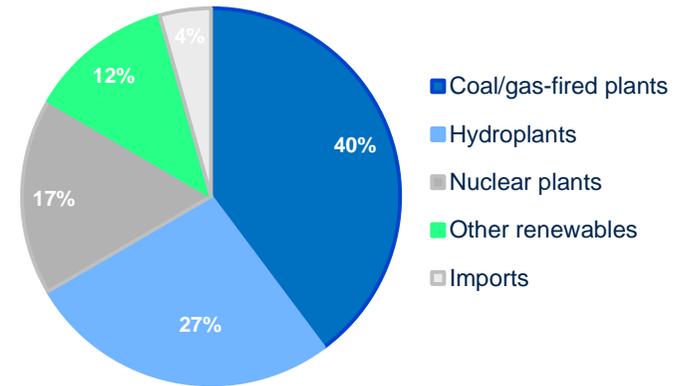
# Economic context and gas market

## Romania: Resilient gas production levels, market characteristics

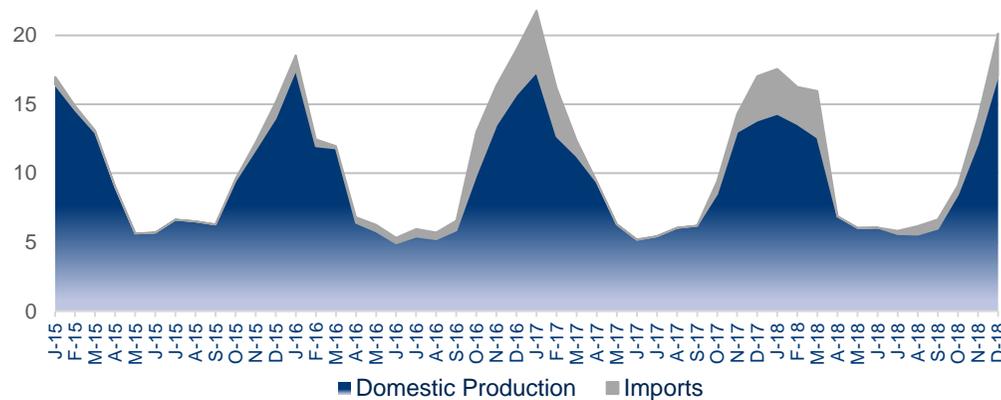
Natural Gas Consumption\* (mln MWh)



Mix of Energy Resources (2018)\*\*



Seasonality of Gas Consumption\* (mln MWh)



Sources:

\* ANRE Reports;

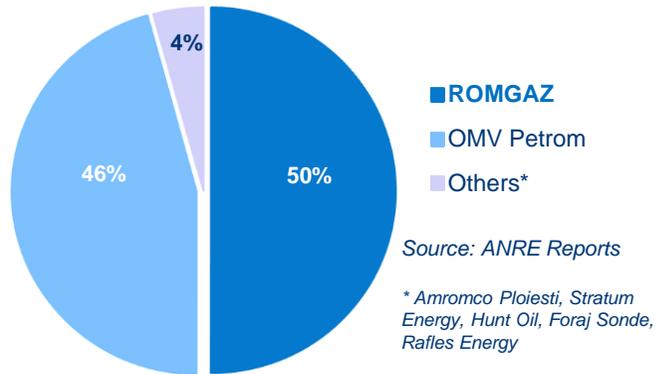
Romgaz estimates for 2018

\*\* Statistics Institute

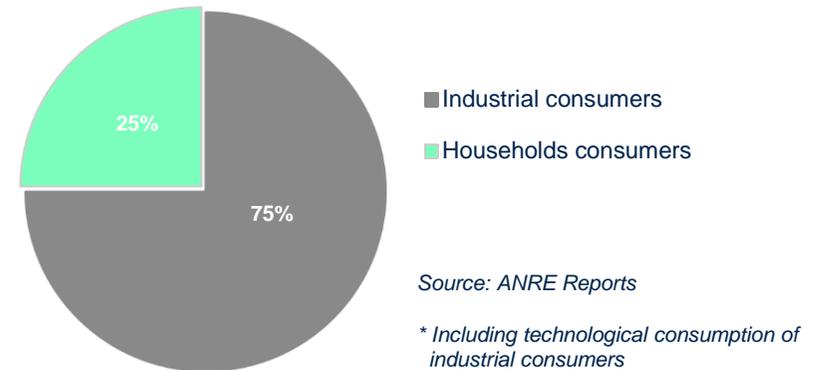
# Economic context and gas market

## Romania: Gas Producers and Final Consumers, Gas Prices until April/19

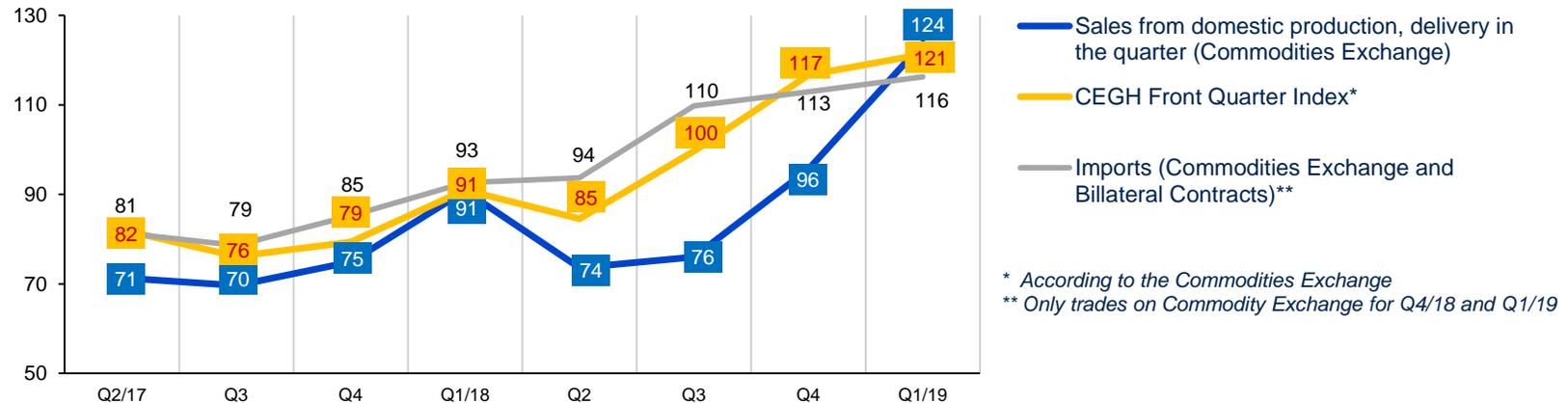
Gas producers in Romania (11M 2018)



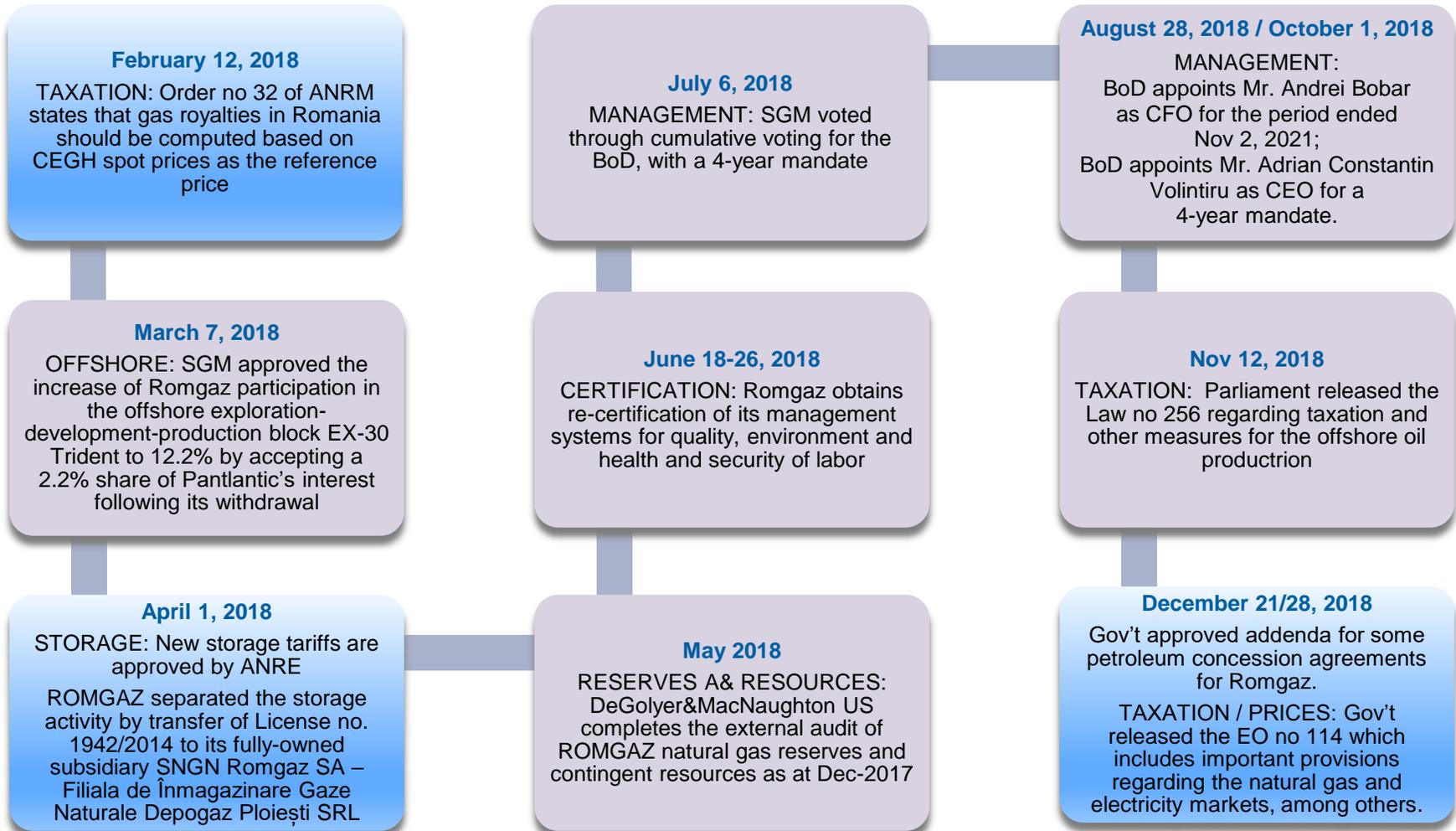
Final Consumers in Romania\* (11M 2018)



Gas Prices on Wholesale Market (at Feb/2019) (RON/MWh)



## Selected Events for 2018 – relevant for our activity



# Romanian Legal and Regulatory Environment

## Fiscal framework – main changes in 2018

- Gas royalties computation changed
- Offshore Law promulgated
- Government Emergency Ordinance no. 114/ Dec 2018 – main provisions for the gas & electricity market include:
  - Gas selling price capped for producers, for the gas sold to households and district heating plants for households: RON 68/MWh;
  - Regulated power prices for households;
  - 2% fee on gas and power revenues or on profit from resales, possibly with deductions;
  - Distribution of 35% of the equity reserves, if distribution does not impact capex plan and is available as cash.

Part of the application norms are still subject to discussion.

# ROMGAZ Group: Highlights 2018\*

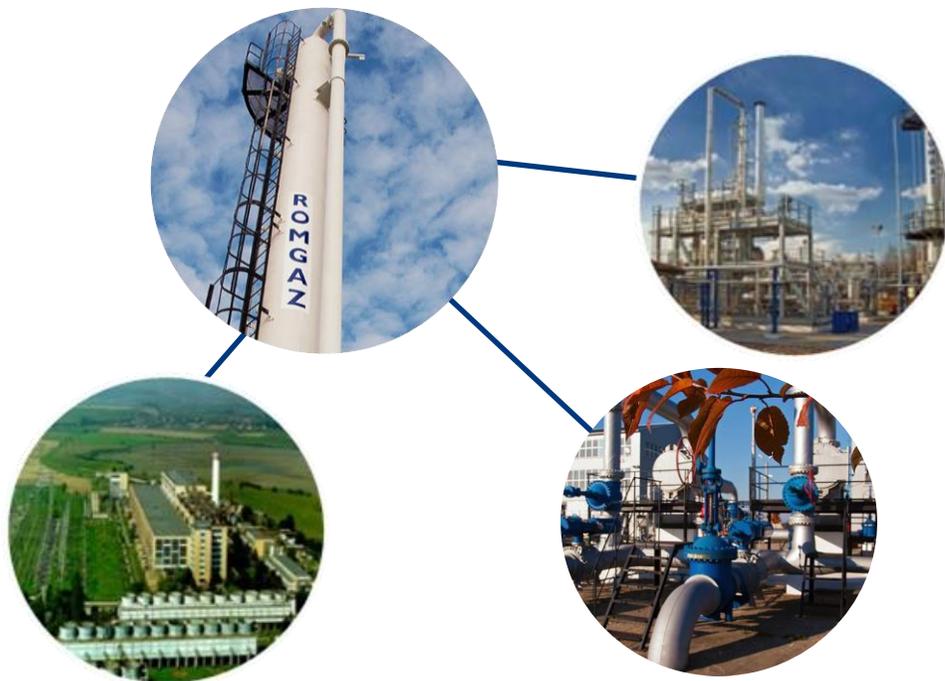
## Major developments last year

- **Gas production +3.4% y/y and +1.6% vs the guideline in 2018 !**
- **Revenues +9% y/y**
- **Strong market share of 46%** in total domestic gas consumption (and **51%** considering only domestically-produced gas)
- **Impact of changes in fiscal legislation** (gas royalty +51% y/y, windfall profit tax +43% y/y) + assets impairment (142 million RON for gas fields and 47 million RON for Iernut)
- **Profitability remains strong** (Net Profit of RON 1.37 billion, EBITDA rate of 44.8%, NP rate of 27.3%)
- **High capex** to meet our development strategy (RON 1.19 billion, +52% 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 of the external audit of our gas reserves and resources** (resources +55%, avg RRR of 78% as of end-Dec 2017)

\* Consolidated figures, 2017 restated

# ROMGAZ: Company Overview

## Major Producer and Supplier of Natural Gas in Romania



### Gas Exploration, Production & Supply

- Around 155 commercial gas fields - significant onshore and offshore exploration potential, important discoveries and enhancements made lately
- **Among top gas producers in Romania** (output of 5.33 bcm in 2018)
- Significant market share in the total gas supply in Romania.

### Underground Gas Storage

- Working capacity at end-2018: 2.92 bcm
- Important investments to secure the gas supply
- **Market share of 91% in Romania**
- Regulated activity (revenue-cap methodology, RR on RAB).

### Electricity Production

- **New power plant in construction (430 MW)**
- 400 MW old capacity still operational at end-Jan/2019
- Market share of 1.8%\* in terms of production in full year 2018.

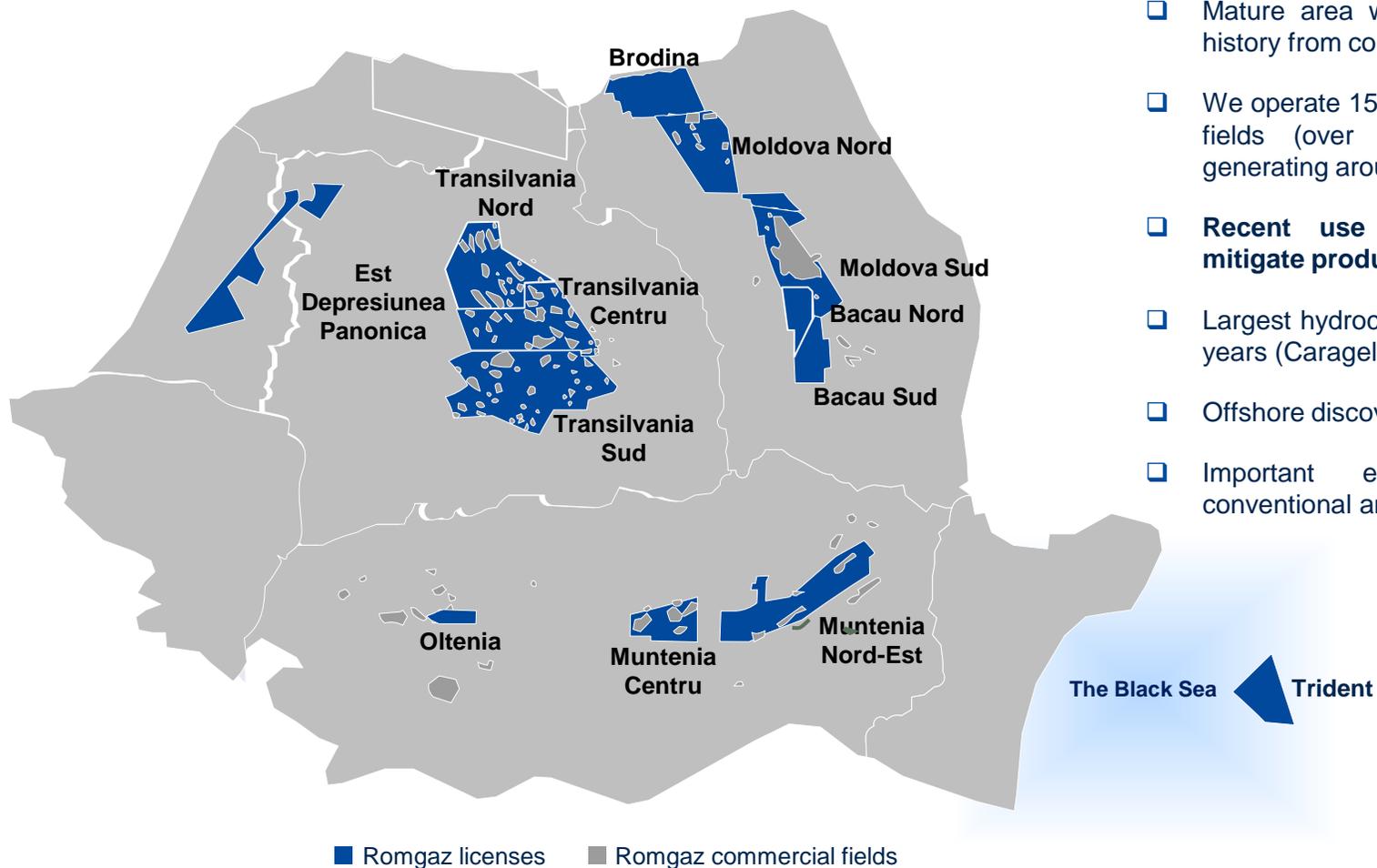
### Other activities

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

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

# Company Overview

## Major Producer and Supplier of Natural Gas in Romania

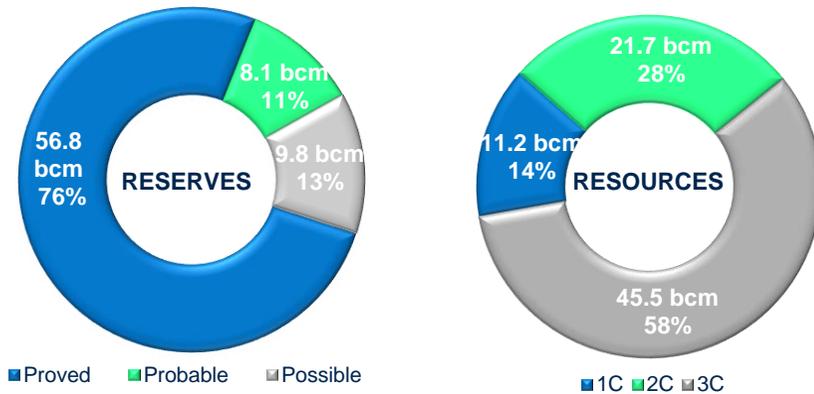


- Mature area with over 100-year production history from conventional reservoirs
- We operate 154 commercial fields; 30 mature fields (over 30-year old) are currently generating around 80% of total production
- **Recent use of new technologies to mitigate production decline**
- Largest hydrocarbon discovery 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

## 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)

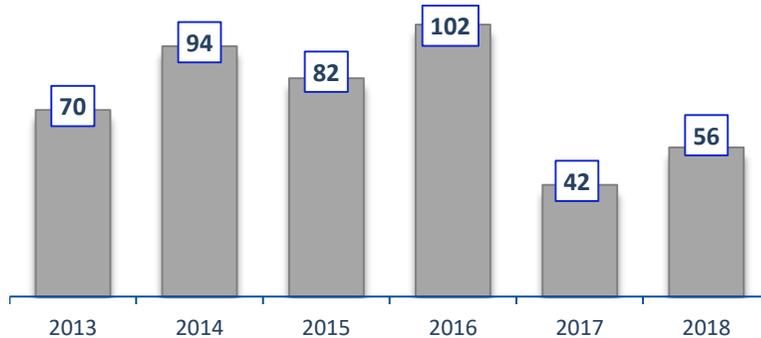


Last external audit of our gas reserves and resources was completed by US DeGolyer&MacNaughton as of Dec-2017.

**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).

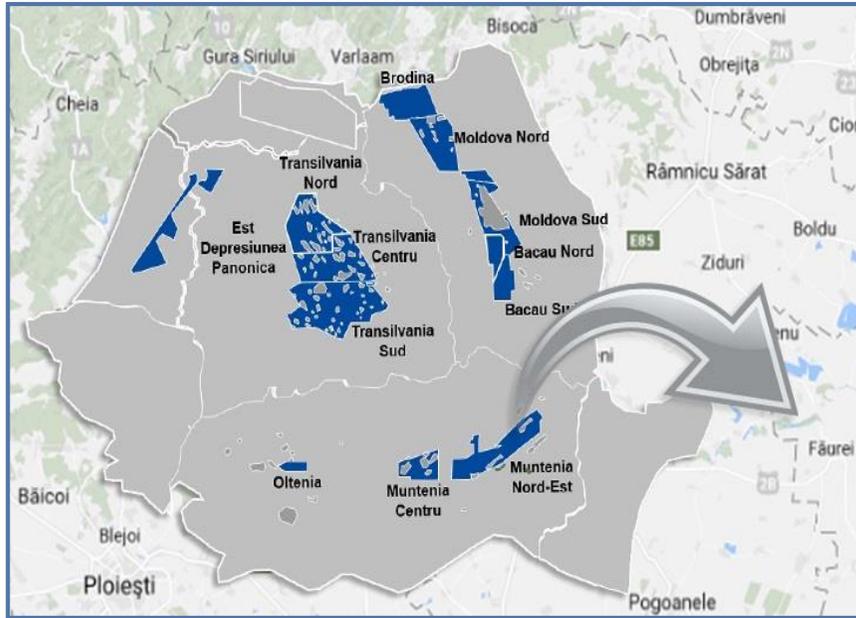
- ❑ We have petroleum agreements for 9 onshore exploration blocks (about 17,650 km<sup>2</sup> across the Transylvania, Moldova, Oltenia and Muntenia basins), with 100% working interests
- ❑ Plus 1 petroleum agreement for offshore E&P in the Black Sea (with Lukoil).

### 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
- We estimate the total amount still to be invested in Caragele discovery at around EUR 125 mln in order to bring the field into production (new exploration wells, collecting pipes, equipment and infrastructure).

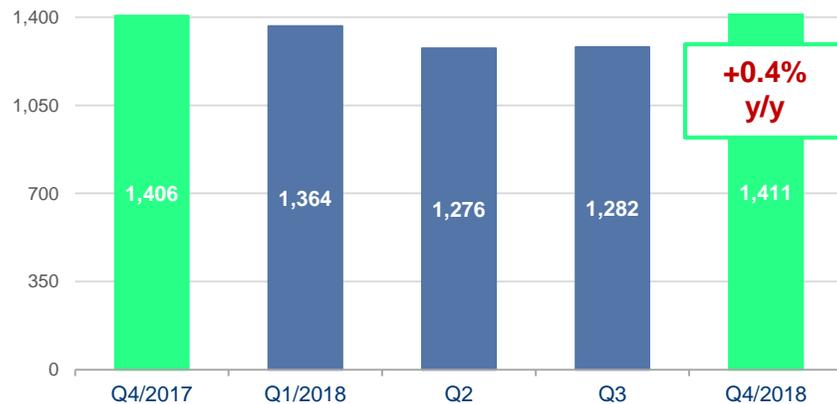
### Off-shore:

- 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 Q4 and FY2018, natural decline already arrested to a large extent

Romgaz: Significant production level in Q4 (mln cm)



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



- Q4/18 alone: natural gas production +0.4% y/y, and +10% vs Q3
- FY2018: natural gas production of 5.33 bcm, +3.4% compared to last year and +1.6% above the budget
- The good performance was mainly triggered by:
  - building of surface production infrastructure
  - installing new field / group mobile compressors
  - enhancement programmes
  - installation of SCADA production monitorisation programme.

- We succeeded to **arrest the Natural Production Decline** during the past years, mainly by: (a) production enhancement programmes in major fields; (b) development of the commercial field Caragele; (c) bringing on stream of new discoveries; (d) building of infrastructure gathering lines in the new discoveries; (d) wells workover programme
- **Favorable perspectives:** new wells in the commercial field Caragele to stream into production; other previous discoveries (e.g. Hodos, Tapu, Caragele) to enter the development stage.
- Ongoing production enhancement programme for the mature reservoirs.

## 2018: Strong market share in Romania's consumption, robust client portfolio as well

**Romgaz: Market share in domestic consumption (% , mln cm)**



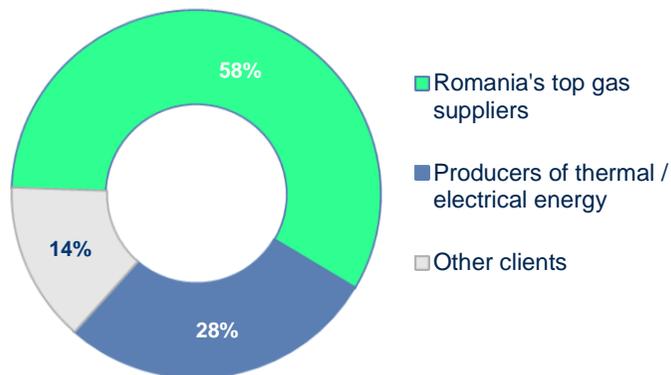
- Imports
- Production delivered (incl 100% Schlumberger, deliveries to Iernut/Cojocna), technological consumption, resold gas
- Market share in Romania's gas supplies

Sources: Romgaz, ANRE

□ In 2018, we achieved a market share of 46% of total gas deliveries in Romania, based on efforts to enhance our sale strategy

□ Considering only domestically-produced gas, we estimate a 51% market share in the domestic gas consumption !

**Romgaz: Key third-party Clients** (quantities of gas sold, 2018)



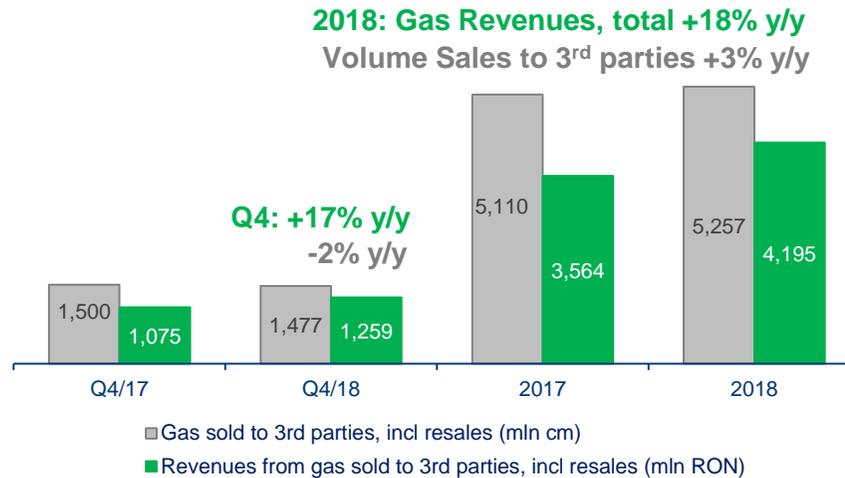
Portfolio breakdown reflects specific quarterly characteristics of gas demand

- 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>

## 2018: Strong total gas sales to third parties

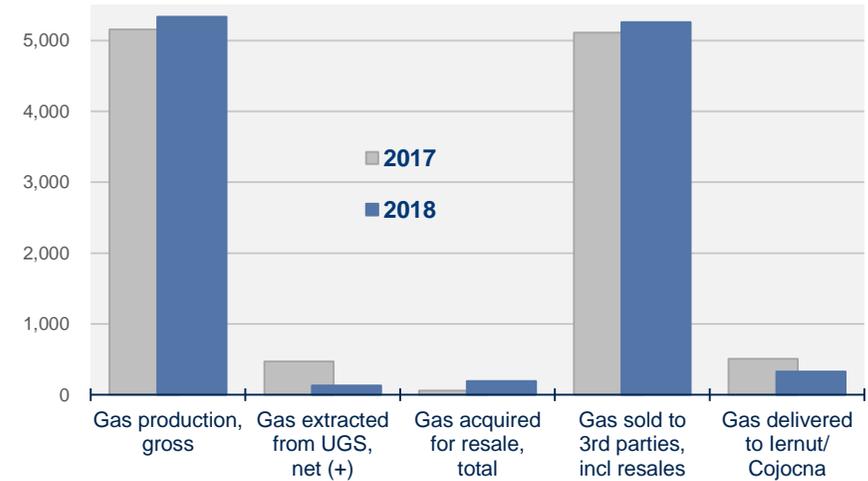
### Romgaz: Robust Total Gas Sales - revenues and volumes



- ❑ **FY2018: Gas revenues to 3<sup>rd</sup> parties (total) +18% y/y, on volumes sold +3% y/y**
- ❑ **Q4: Gas revenues to 3<sup>rd</sup> parties (total) +17% y/y, on volumes sold -2% y/y**
- ❑ We continued efforts to improve the gas sale strategy
- ❑ Optimisation of our gas value chain is a priority !

<sup>1</sup> Consolidated figures, 2017 restated

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

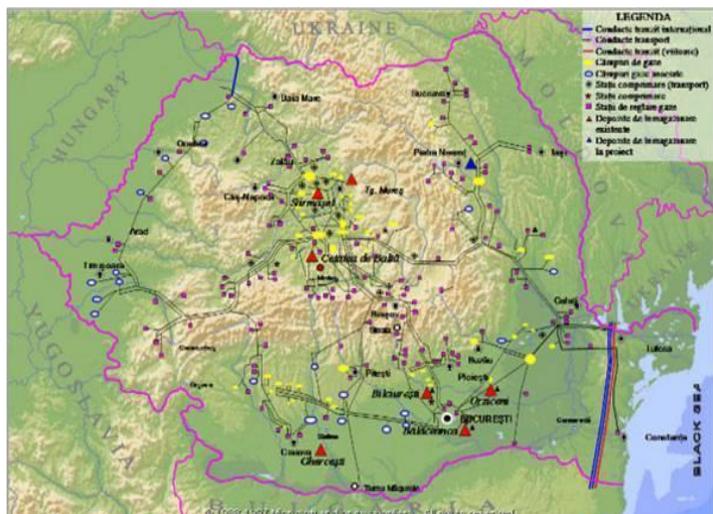


- ❑ Gas sales are accompanied by revenues from storage and electricity production & trade activities
- ❑ Management of gas flow from production to clients is important
- ❑ Gas sales are generally peaking in Q1 and Q4
- ❑ Quarterly deliveries to CTE Iernut are based on fluctuant energy demand.

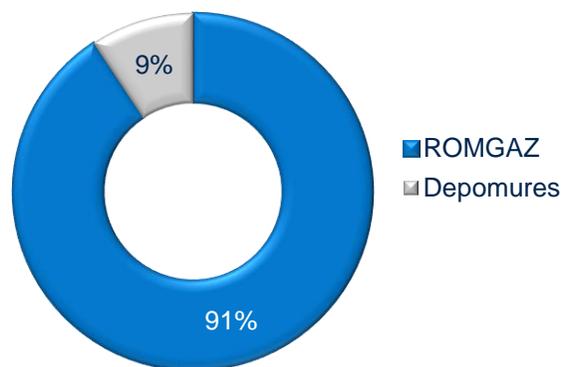
**UPSTREAM SEGMENT CONTRIBUTION: around 90% in Revenue and in EBITDA (in 2018)**

# Underground Gas Storage

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



ROMGAZ Group UGS Market share



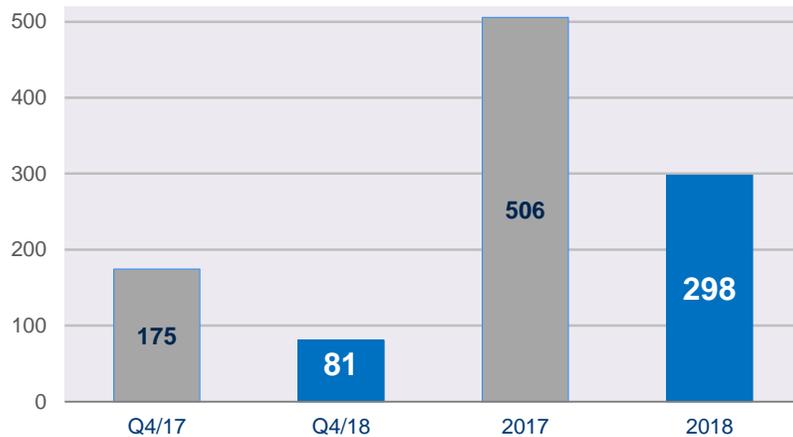
Romgaz Group: Underground Gas Storages at end-2018 - working capacities (mln cm/cycle) -			
Bilciuresti	1,310	Cetatea de Balta	100
Sarmasel	950	Ghercesti	150
Urziceni	360	Balaceanca	50
<b>Total Working Capacity: 2,920 (starting July/2016)</b>			

- ❑ In 2018 Romgaz Group operated 6 facilities, with total working capacity of 2.92 bcm. Romgaz also owns 40% of Depomures (0.30 bcm), a (former Gaz de France) JV with Engie
- ❑ 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 (DEPOGAZ) on April 01, 2018
- ❑ Starting with Jan 1st 2019, DEPOGAZ has ceased UGS activity at Cetatea de Balta
- ❑ **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.

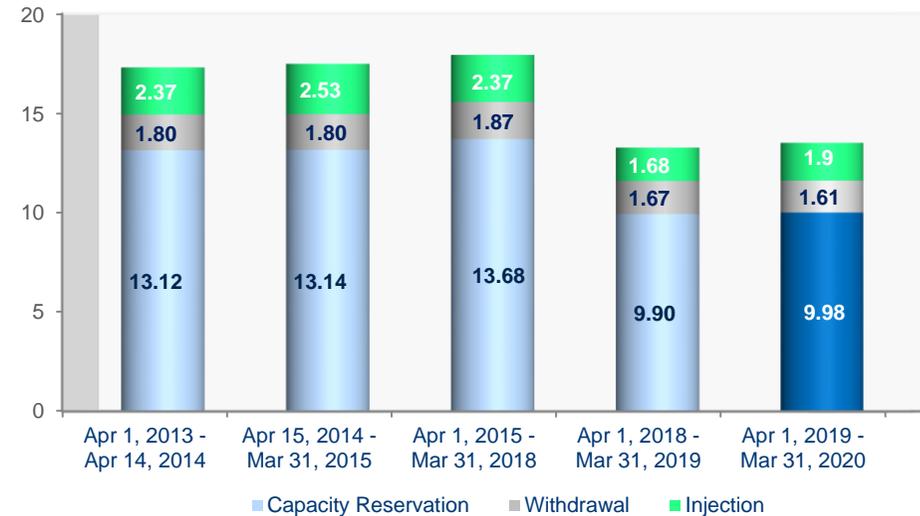
# Underground Gas Storage<sup>1</sup>

2018 performance triggered by the lower tariffs starting Q2

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



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



- ❑ **FY2018: UGS revenues of RON 298 mln, -41% y/y**
- ❑ Evolution mainly reflects the lower regulated storage tariffs enforced on April 1, 2018

- ❑ 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, 2017 restated

**STORAGE SEGMENT CONTRIBUTION: 7% in Revenue and 5% in EBITDA (in 2018)**

# 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>

## 2018: good performance in Q4

Romgaz: Revenues from Electricity (mln RON)



Romgaz: Production of Electricity (GWh)



- ❑ **2018: Revenues from Electricity -36% y/y, on energy production -37% y/y**
- ❑ **Q4 alone: Revenues from Electricity +54% y/y, on energy production +4% y/y**
- ❑ **Market share of 1.8% in 2018 in terms of electricity production**

- ❑ Lower installed capacity to make room for the new plant, robust gas demand for consumption and storage
- ❑ 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, 2017 restated

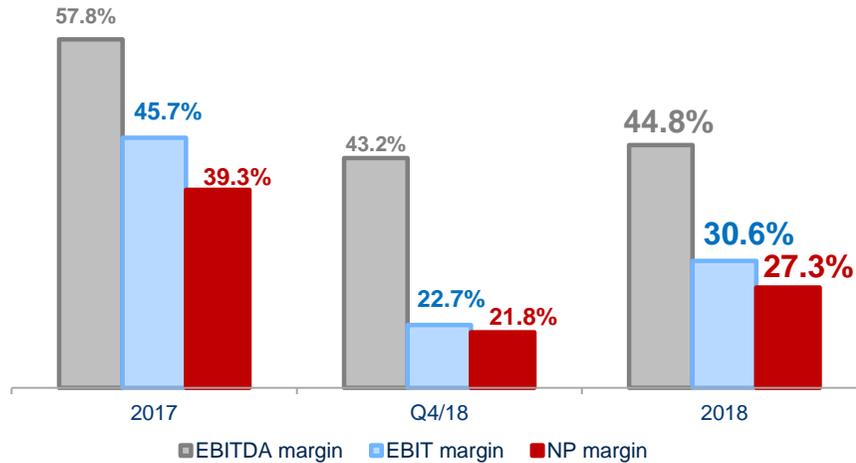
**ELECTRICITY SEGMENT CONTRIBUTION: 8% in Revenue and 2% in EBITDA (in 2018)**

<sup>1</sup> Consolidated figures, 2017 restated

# Financial Performance<sup>1</sup>

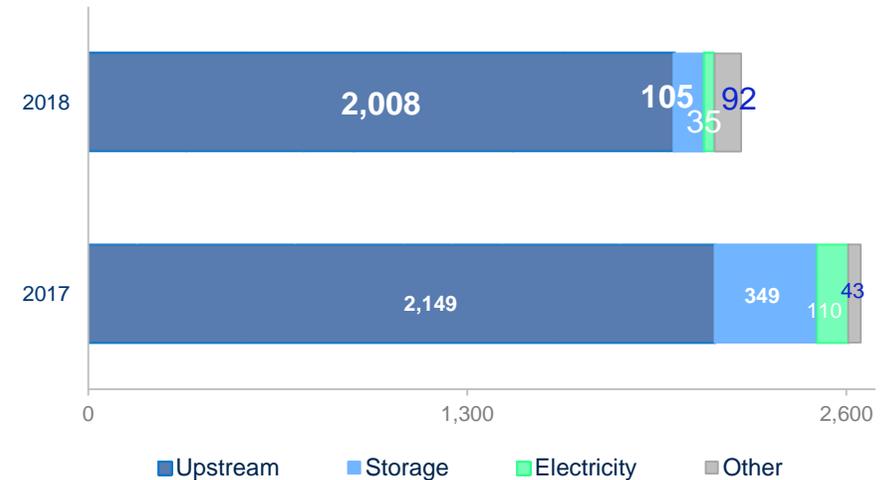
## 2018: Profitability margins remain strong

Romgaz: Robust Profitability Rates\*



\* 2017 included one-off income of RON 244 mln  
 2017 adjusted for the one-off income: EBITDA margin of 52.5%,  
 EBIT margin of 40.4%, and NP margin of 34.0%

Romgaz: EBITDA by Segments (mIn RON)



□ In 2018, profitability margins are strong in spite of the unfavourable changes in regulation:

*EBITDA of 44.8%, EBIT of 30.6% and Net Profit margin of 27.3%*

□ The bulk of Revenues and EBITDA is generated by our core segment Gas Upstream (Exploration & Production).

<sup>1</sup> Consolidated figures, 2017 restated

# Financial Performance<sup>1</sup>

## 2018: Revenues +9% y/y, Elevated profitability rates

### Summary 2018

Revenues - total	5,004 mln RON (↗9%)
EBITDA	2,240 mln RON (↘16%)
Net Profit	1,366 mln RON (↘24%)
NP margin	27.3%

### Summary Q4/18

Revenues - total	1,560 mln RON (↗16%)
EBITDA	674 mln RON (↘23%)
Net Profit	340 mln RON (↘44%)
NP margin	21.8%

### ☐ Higher taxes recorded in 2018:

- windfall profit tax of RON 551 mln (2017: RON 386 mln)
- gas&UGS royalties of RON 445 mln (2017: RON 294 mln)

### ☐ Asset impairments in 2018: RON 142 mln (following an internal analysis of gas fields assets profitability) + RON 47 mln (for CTE Iernut planned closing down in 2020)

### ☐ Also, double exploration costs for 3D seismic services to discover new reserves (RON 98 mln in 2018).

Million RON	2016	2017	2018	% ch	Q4/17	Q4/18	%ch
<b>Revenues - of which</b>	<b>3,412</b>	<b>4,585</b>	<b>5,004</b>	9.1%	<b>1,344</b>	<b>1,560</b>	16.1%
Gas Production	2,667	3,512	3,978	13.3%	1,067	1,197	12.2%
Gas acquired for resale	20	51	217		9	61	
Storage	345	506	298	-41.1%	175	81	-53.7%
Electricity	336	464	297	-36.0%	82	127	54.1%
Other services	28	34	189		7	86	
<b>Other income</b>	<b>361</b>	<b>364</b>	<b>18</b>		<b>280</b>	<b>8</b>	
Cost of commodities sold	(50)	(61)	(245)		(12)	(60)	
Changes in inventory	21	(187)	(32)	-82.8%	(86)	(51)	-40.9%
Raw materials	(55)	(64)	(75)	17.3%	(16)	(22)	38.3%
Exploration expense	(253)	(183)	(247)	35.0%	(36)	(52)	45.8%
Headcount expense	(498)	(563)	(621)	10.4%	(163)	(186)	14.6%
Other gains and losses	(468)	(122)	(103)	-15.6%	(33)	(45)	35.8%
Impairment losses on trade receivables*	-	-	(20)		-	0	
Associate's result share	-	1	1		1	1	
Other expenses	(882)	(1,102)	(1,409)	27.9%	(402)	(467)	16.3%
<b>EBITDA</b>	<b>1,570</b>	<b>2,650</b>	<b>2,240</b>	-15.5%	<b>872</b>	<b>674</b>	-22.7%
<b>EBITDA margin**</b>	<b>46.0%</b>	<b>57.8%</b>	<b>44.8%</b>		<b>64.9%</b>	<b>43.2%</b>	
<b>D&amp;A</b>	<b>(311)</b>	<b>(552)</b>	<b>(708)</b>	28.2%	<b>(171)</b>	<b>(320)</b>	87.4%
<b>EBIT</b>	<b>1,259</b>	<b>2,097</b>	<b>1,532</b>	-27.0%	<b>701</b>	<b>354</b>	-49.5%
<b>EBIT margin</b>	<b>36.9%</b>	<b>45.7%</b>	<b>30.6%</b>		<b>52.2%</b>	<b>22.7%</b>	
Net Interest income	22	22	53	138.4%	7	13	98.4%
<b>PROFIT BEFORE TAX</b>	<b>1,281</b>	<b>2,120</b>	<b>1,585</b>	-25.2%	<b>708</b>	<b>367</b>	-48.1%
Income tax	(256)	(316)	(219)	-30.7%	(98)	(28)	-71.6%
<b>NET PROFIT</b>	<b>1,025</b>	<b>1,804</b>	<b>1,366</b>	-24.3%	<b>610</b>	<b>340</b>	-44.3%
<b>Net margin</b>	<b>30.0%</b>	<b>39.3%</b>	<b>27.3%</b>		<b>45.4%</b>	<b>21.8%</b>	

<sup>1</sup> Consolidated figures, 2017 restated

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

\*\* 2017: EBITDA margin of 52.7% if adjusted for the RON 244 mln one-off income

## Strong B&S Structure, Debt-free at end-2018

- **Debt-free Balance Sheet**
- **At end-2018, total cash position amounted to RON 1,448 mln** (cash, bank depos and govt's treasury bonds)

### Romgaz: Selected Cash Flow Items

Mln RON	2016	2017 restated	2018 restated
Net profit for the period	1,025	1,804	1,366
Operating Cash Flow before $\Delta$ WC and Income tax	2,321	2,957	2,537
Movements in working capital	(268)	104	(60)
Net Cash flows from operating activities	1,744	2,751	2,143
Net Cash flows from investing activities	(1,163)	(585)	814
Net Cash flows from financing activities	(1,041)	(2,220)	(2,617)
Net change in cash and cash equivalents *	(460)	(53)	340

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

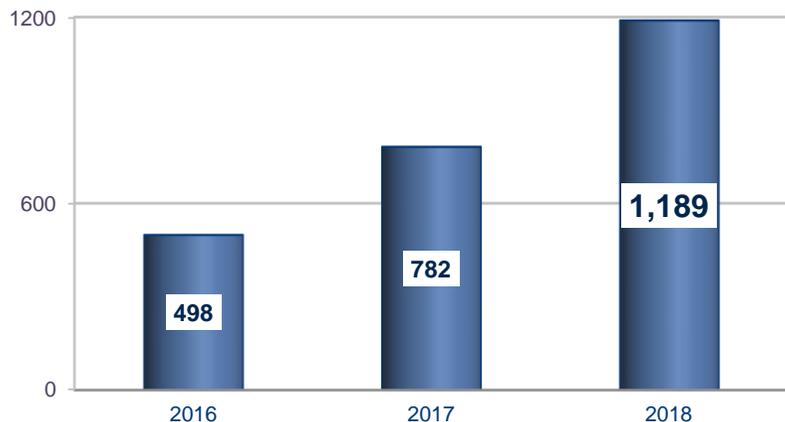
<sup>1</sup> Consolidated figures

### Romgaz: Selected Balance Sheet Items

Mln RON	Dec 31, 2016 restated	Dec 31, 2017 restated	Dec 31, 2018
<b>Total non-current assets, thereof</b>	<b>5,916</b>	<b>6,393</b>	<b>6,445</b>
Property plant and equipment	5,790	6,222	6,280
Investment in associates	21	23	23
Deferred tax asset	21	70	127
<b>Other financial assets</b>	<b>70</b>	<b>70</b>	<b>10</b>
<b>Total current assets, thereof</b>	<b>4,721</b>	<b>4,526</b>	<b>2,690</b>
Inventories	576	390	246
Trade and other receivables	829	816	826
<b>Govt securities and bank depos (+3mo maturity)</b>	<b>2,894</b>	<b>2,787</b>	<b>881</b>
<b>Cash and equivalents</b>	<b>281</b>	<b>227</b>	<b>567</b>
Contract costs	-	-	583
Other assets	142	306	169
<b>Total assets</b>	<b>10,636</b>	<b>10,919</b>	<b>9,135</b>
<b>Shareholders' Equity</b>			
Share capital	385	385	385
Reserves	3,020	2,313	1,825
Retained earnings	5,970	6,277	5,458
<b>Total Shareholders' Equity</b>	<b>9,376</b>	<b>8,975</b>	<b>7,669</b>
<b>Non-current liabilities, thereof</b>	<b>314</b>	<b>802</b>	<b>670</b>
Provisions	194	682	510
<b>Current liabilities, thereof</b>	<b>947</b>	<b>1,142</b>	<b>796</b>
Trade payables	570	606	187
Contract liabilities	-	-	46
Current tax liabilities	60	129	68
Provisions	75	77	94
<b>Total liabilities</b>	<b>1,261</b>	<b>1,943</b>	<b>1,466</b>
<b>Total equity and liabilities</b>	<b>10,636</b>	<b>10,919</b>	<b>9,135</b>

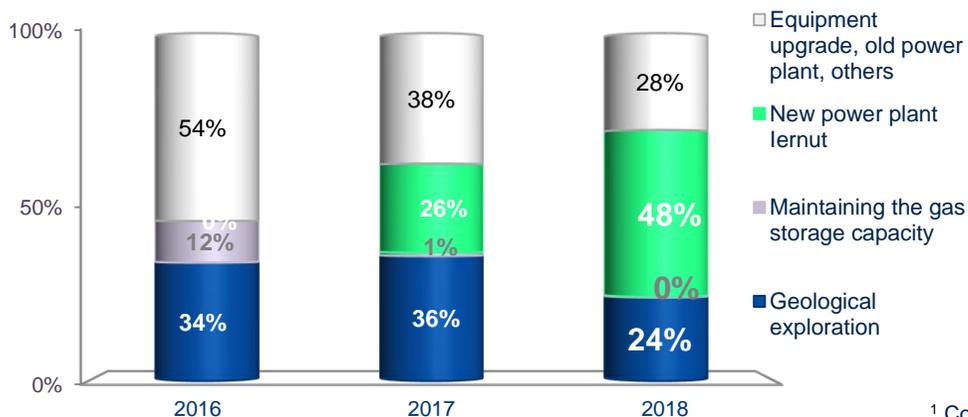
## Key role in the company's sustainable development - significant developments in 2018

Romgaz: Capital Expenditures (RON mln)



- ❑ **2018: we succeeded to invest RON 1,189 mln, +52% vs the previous year**
- ❑ **Q4 alone: capex stood at 365 mln RON**
- ❑ Investments were financed from the company's own sources and from National Investment Plan for the new Power Plant

Romgaz: Breakdown of Investments



### Main achievements in 2018:

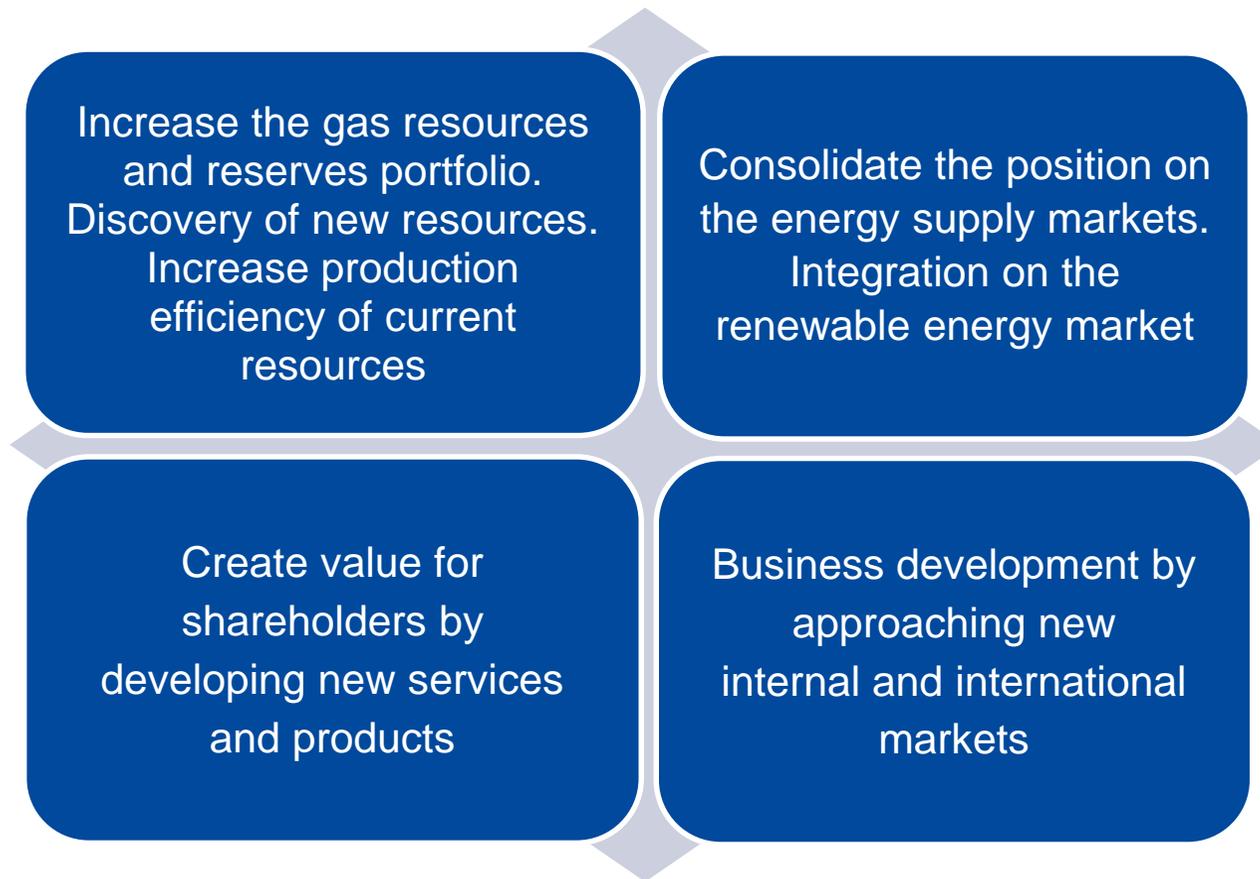
- ❑ We completed the objectives started in the previous year and carried out preparatory activities for the new objectives
- ❑ We also performed modernization works for the production wells and infrastructure in operation
- ❑ For the new power plant Iernut, significant work is in progress.

<sup>1</sup> Consolidated figures

## Strong Commitment for Business Development

### VISION

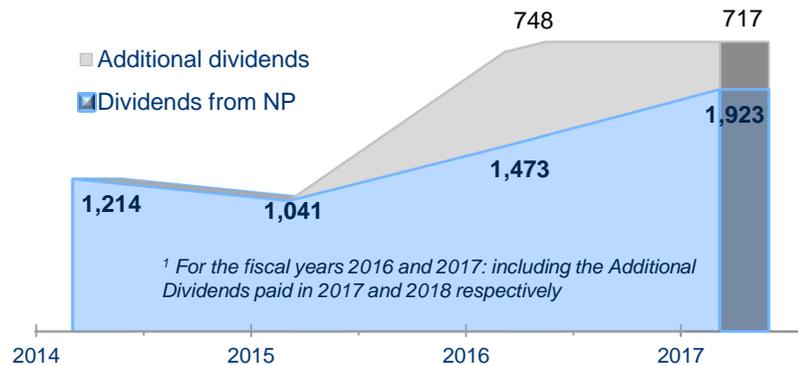
- Romgaz proposes to be an active, profitable and competitive player on the gas & electricity production market
- Romgaz has to pursue both an intensive development on the local market and an international development in order to become an important player on the regional energy market



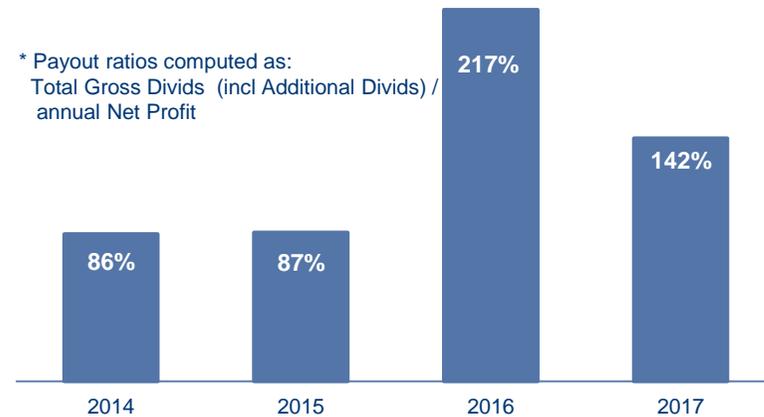
# Dividend distribution

## Dividend history, and proposal for April SGM

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



Romgaz: Gross Dividend Payout ratios\*



- ❑ **Gross Dividend proposal for the April 25 SGM: 4.18 RON in total (3.15 RON from the NP + 0.94 RON from equity reserve), proposed Registration Date May 31<sup>st</sup>**
- ❑ Ordinance no 114/2018 requires majority-state owned companies to distribute min 35% of some equity reserves
- ❑ Majority state-owned companies are required to distribute at least 50% of the annual NP in the form of dividends to shareholders

# 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 44.8% in FY18 EBIT margin of 30.6%, Net Profit margin of 27.3% as well</p>
<ul style="list-style-type: none"> <li>➤ <b>High dividend payout ratios to please investors</b></li> </ul>	<p>High divid proposed to be approved by the SGM at end-April; Gross Dividend payout ratio of 142% for 2017 (computed as Total Gross Dividends per 2017 Net Profit; Source of dividends: net profit and retained earnings)</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 =12% (share price at March 27, 2019)</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 - now we focus on building a new power plant to strengthen position on the electricity market; also we plan to diversify our investment portfolio in order to increase profitability</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 31.12.2018, consolidated figure

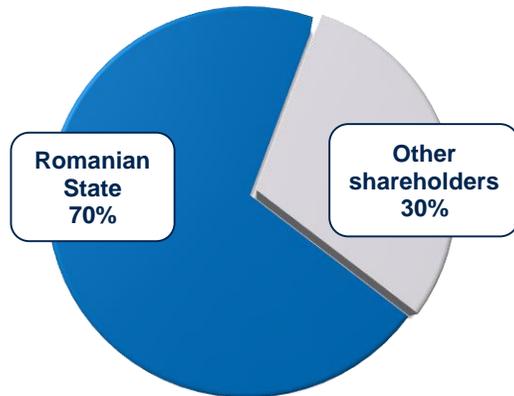
# The Board: Balanced Team of Professionals



<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 Independent 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 Independent 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 Brâncoveanu" 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>

# Shareholding Structure and Stock Performance

Among blue-chips on the domestic capital market Romgaz

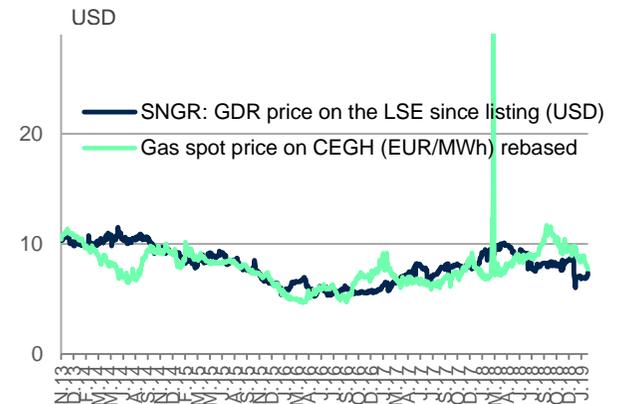


2018 - Share Price Performance on the BVB

Period	Min (RON)	Max (RON)
Q1	31.80	38.20
Q2	34.35	38.00
Q3	30.20	36.85
Q4	27.80	36.30

**Total Value of Trades in 2018:**

1.06 billion RON or 0.9 million EUR/day



- ❑ Shareholding structure: the Romanian State (Ministry of Energy) majority shareholder – 70%, Free Float - 30% (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 – mktcap of EUR 2.6 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 March 27, 2019, and on BVB’s past 6m/12m trading statistics

# THANK YOU FOR YOUR ATTENTION !



## ROMGAZ Investor Relations

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Călin-Dumitru Banea  
Anca Deac

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



## Financial Calendar 2019

- Feb 15: Release of the 2018 Preliminary Financial Results  
Confcall with financial analysts & investors  
Press Conference
- April 25: SGM to approve the 2018 Financial Results  
Release of the 2018 Annual Report
- May 15: Release of the Q1 2019 Financial Results  
Confcall with financial analysts & investors
- Aug 14: Release of the H1/Q2 2019 Financial Results  
Confcall with financial analysts & investors  
Press Conference
- Nov 14: Release of the 9M/Q3 2019 Financial Results  
Confcall with financial analysts & investors