



# ROMGAZ

## Q1 2017

### Financial Results

May 2017



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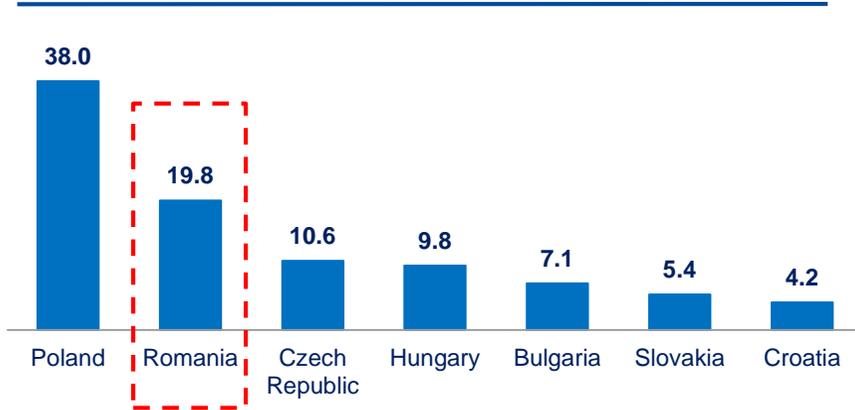


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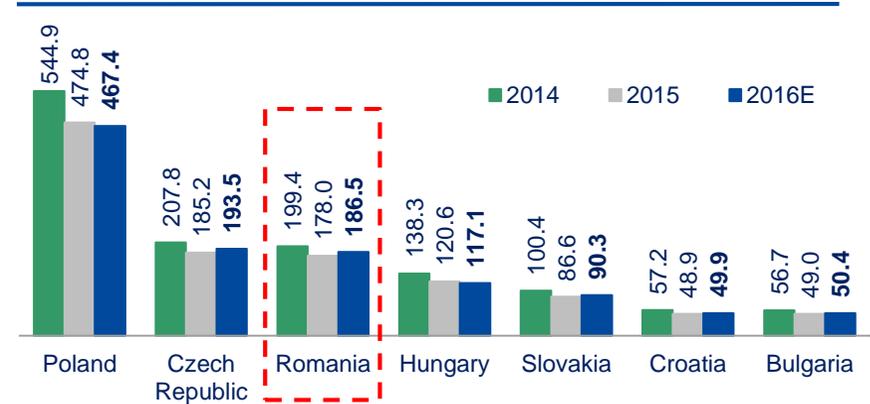
# Economic context and gas market

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

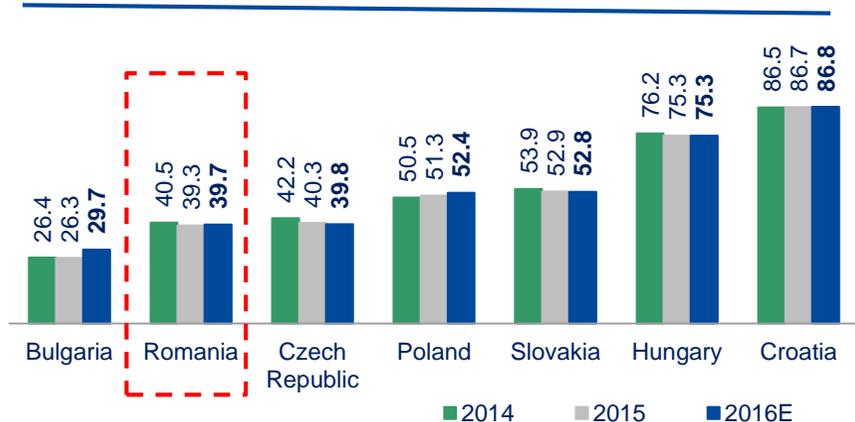
2016E Population (m)



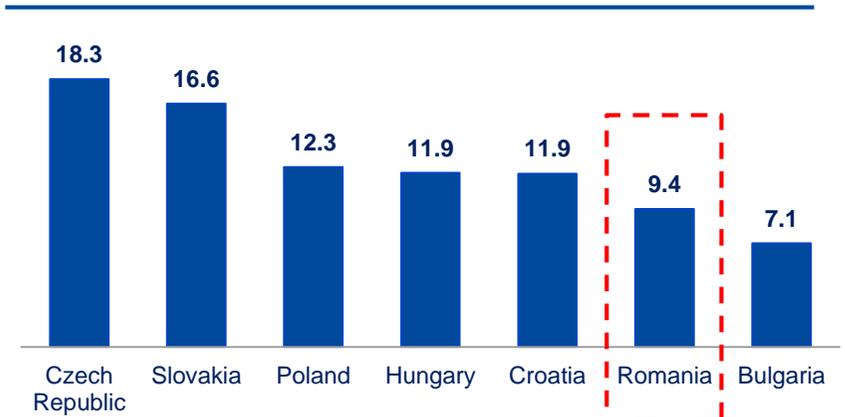
2016E GDP<sup>1</sup> (USD bn)



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



2016E GDP per capita<sup>3</sup> (USD '000)



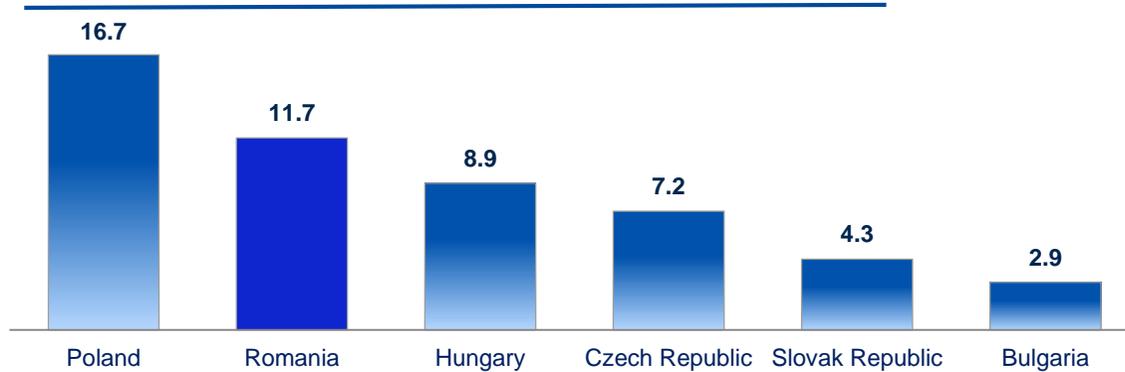
Source: IMF World Economic Outlook - October 2016

<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

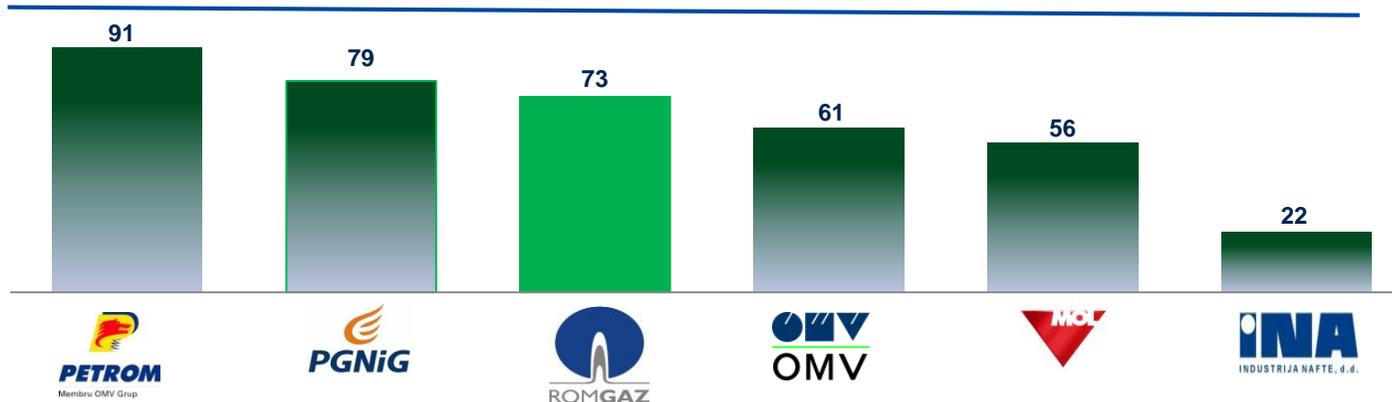
## Romania: Well-positioned Gas Market

Gas consumption in CEE<sup>1</sup> (2015, bcm)



- Gas represents an important clean source of energy
- Romgaz is among top gas producers in the region

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



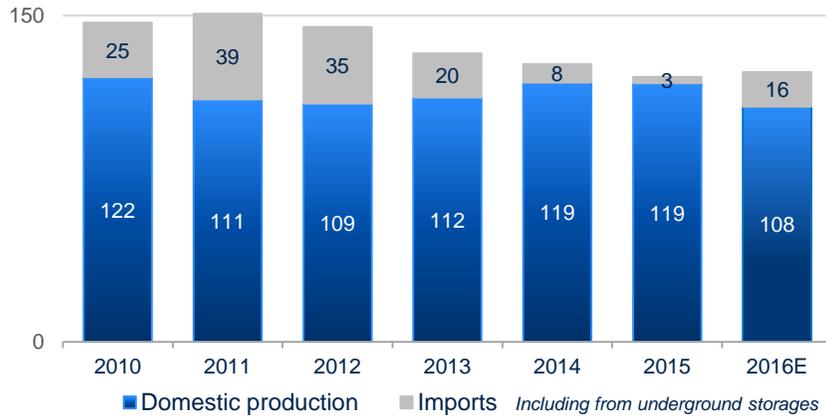
Source: <sup>1</sup> 2016 data not available; BP Annual Statistical Review of World Energy (June 2016), Romgaz computation based on ANRE data for Romania;

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

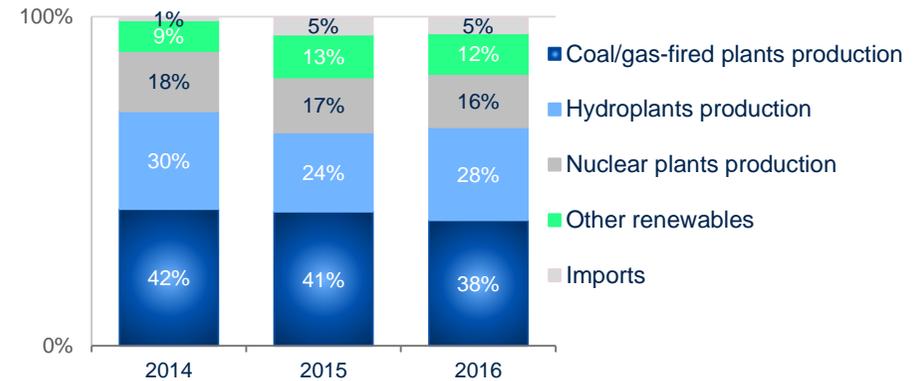
# Economic context and gas market

## Romania: Resilient gas production levels, High weight of industrials\*

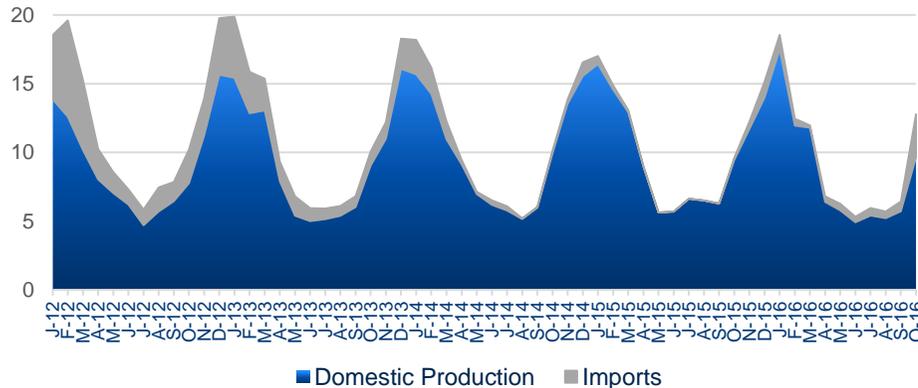
Natural Gas Consumption\*\* (mIn MWh)



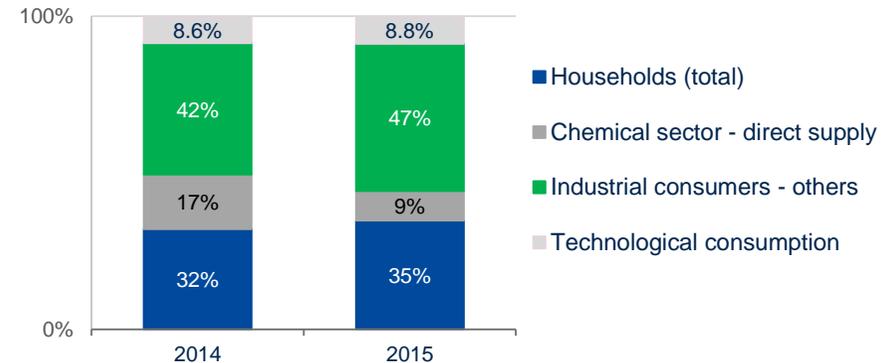
Energy resources



Seasonality of Gas Consumption 2012-Oct/2016 (mIn MWh)



Gas Consumption by Sector



\* Source: ANRE, Statistics Institute, Romgaz computation/estimates

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

# Economic context and gas market

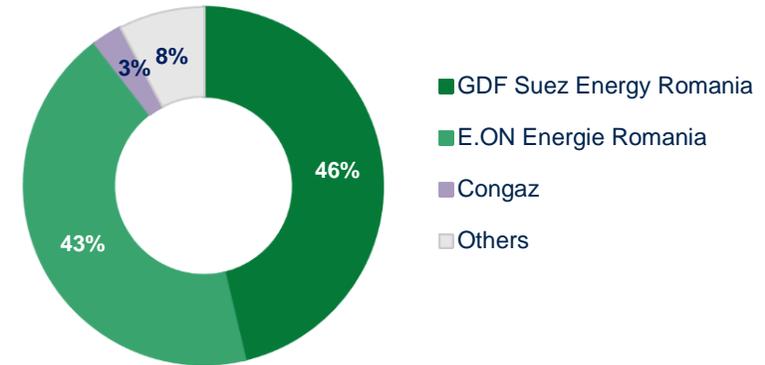
## Romania: Gas Producers and Prices, Main Gas Suppliers

Regulated/free Prices of Producers vs Imports (RON/MWh)

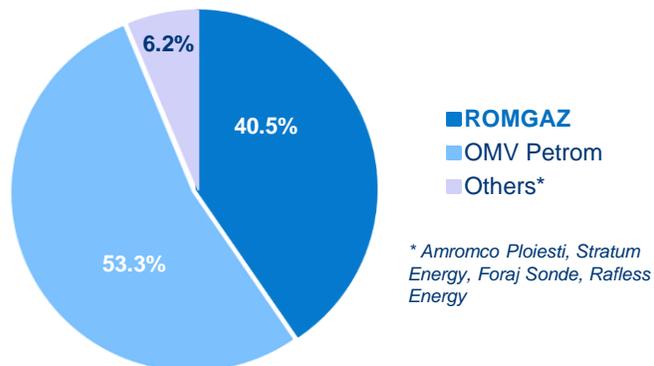


\* Producers' regulated gas prices until end-2014; afterwards - price of gas sold by producers to suppliers of final clients on the competitive market, weighed with volumes (Romgaz computation based on ANRE's Monitorisation Report 2015 and 2016 Monthly Reports)

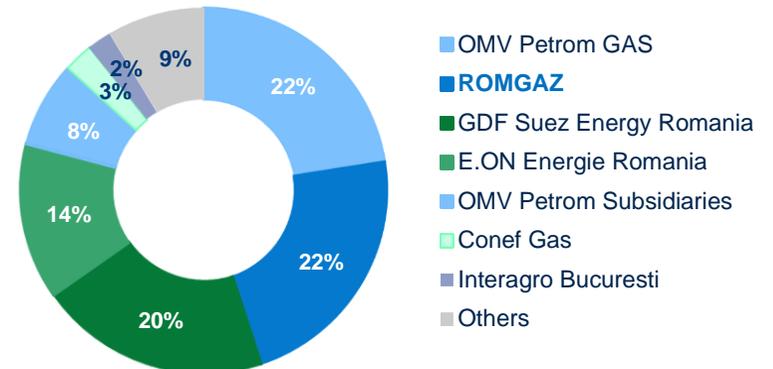
Gas Suppliers on the Regulated Market (2015)



Gas producers in Romania (10-months 2016)



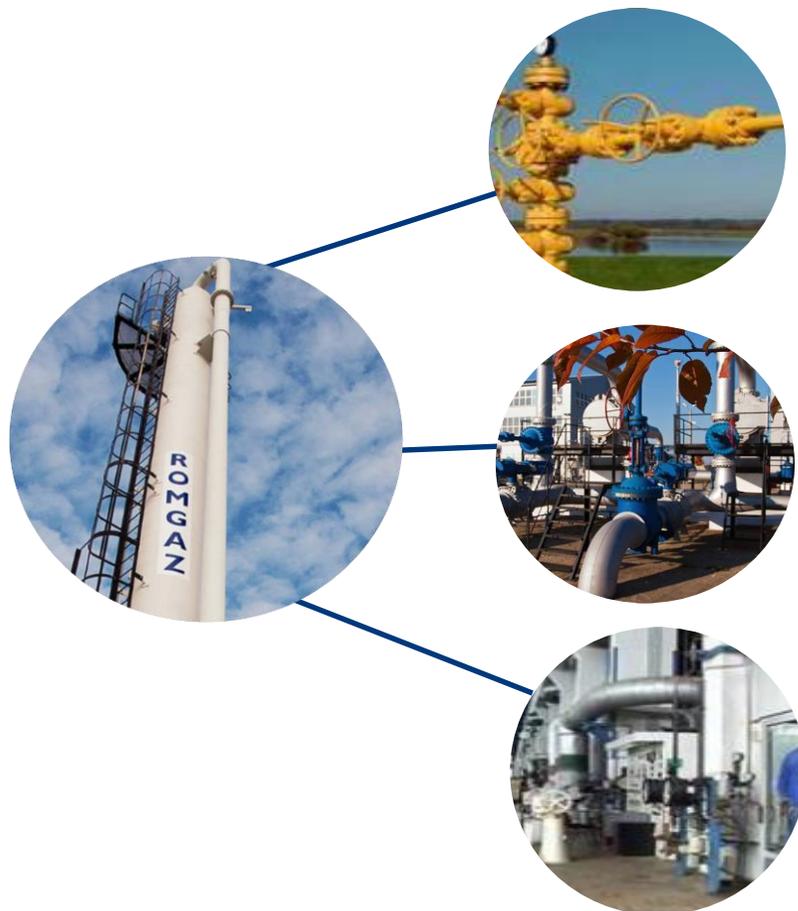
Gas Suppliers on the Eligible Market (2015)



Source: ANRE

# 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 )
- 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)

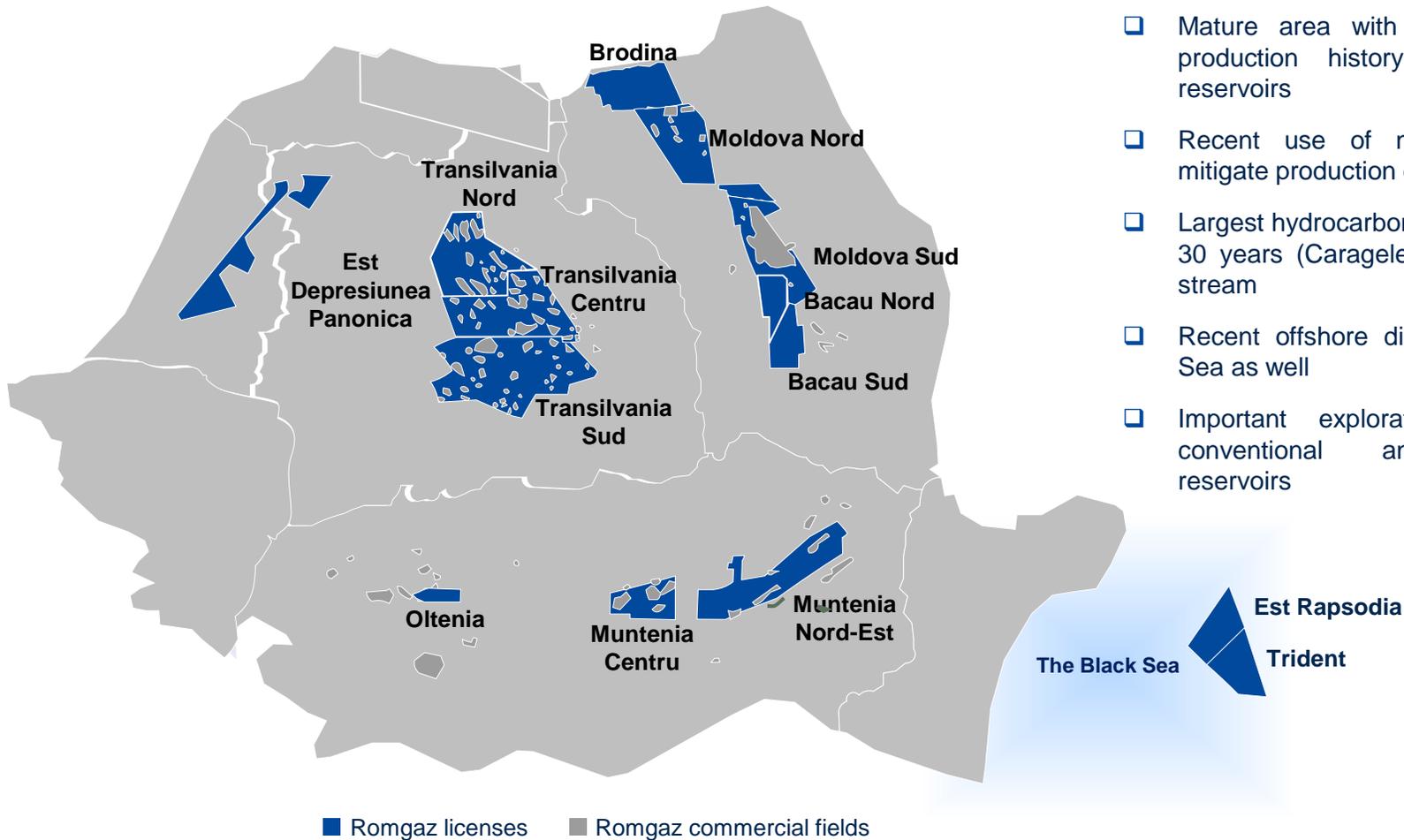
### Electricity Production

- 800 MW nameplate capacity
- Significant investment plans ongoing
- Market share of 3.6%\* in terms of production in Q1 2017

\* ROMGAZ estimates

# Company Overview

## Largest Producer and Supplier of Natural Gas in Romania

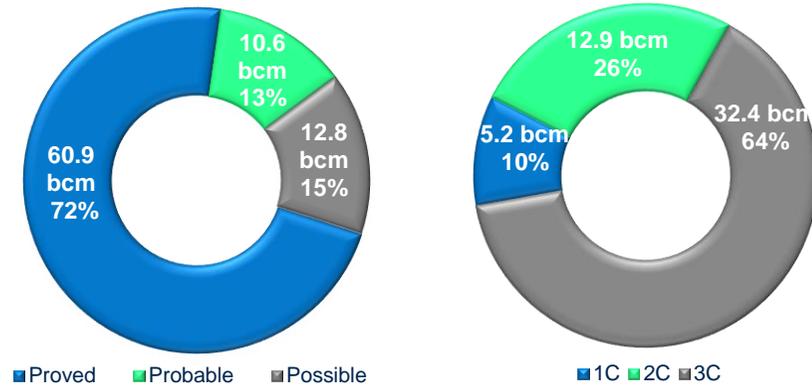


- ❑ Mature area with over 100 years of production history from conventional reservoirs
- ❑ Recent use of new technologies to mitigate production decline
- ❑ Largest hydrocarbon discovery in the past 30 years (Caragele) - to be brought on stream
- ❑ Recent offshore discovery in the Black Sea as well
- ❑ Important exploration potential from conventional and unconventional reservoirs

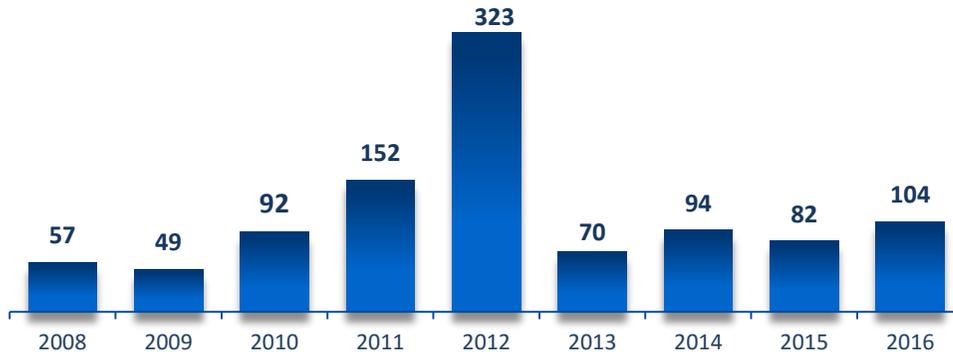
# Company Overview

**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)



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



- ❑ 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%), 3y-average RRR of over 83% exceeded our target
- ❑ RRR: 104% in 2016
- ❑ Overall: three production areas - Transylvanian Basin (around 90% of production); Muntenia Moesian Platform and Moldavia Platform
- ❑ 25 fields hold about 70% of Romgaz reserves (average size of proved reserves per average field is of 0.450 bcm, with 15 fields with over 1bcm)
- ❑ Recovery factors between 55% and 85% for most fields (90% in the more mature fields)
- ❑ Reevaluation driven by investment in well workovers and installation of compressors
- ❑ Bringing existing discoveries on-stream
- ❑ New discoveries

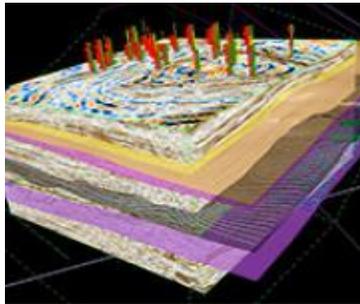
Source: External audit prepared by DeGolyer&MacNaughton as of Dec 31, 2015

<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:
  - Transilvania (Laslau Mare, Deleni Deep)
  - 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 main 8 blocks was recently extended by additional 5 years:**

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

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

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



### Significant developments

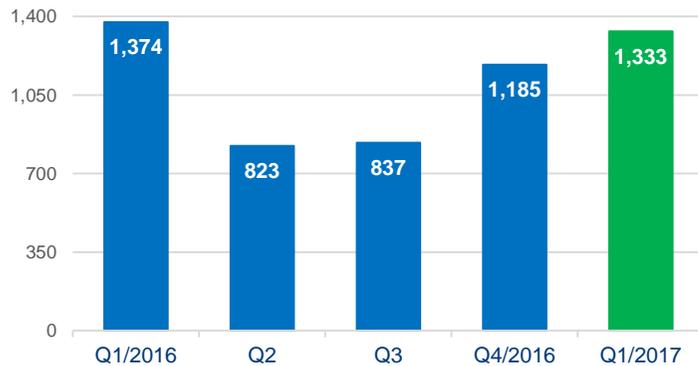
- ✓ **Largest hydrocarbon discovery in the past 30 years (June 2016):** located in NE of the Moesian Platform in Caragele structure – production tests completed at 2 exploration wells confirmed an estimated contingent resource of 25-27 bcm; as part of Romgaz' major exploration projects, the 35 km long Caragele structure has been explored for production units located at depths between 1500 -5000 m;
- ✓ Completed development of Cris discovery (Dec 2015)
- ✓ Large discovery announced in the Black Sea, Trident block (Oct 2015): gas estimated contingent resource can exceed 30 bcm
- ✓ Successful completion of production tests for 2 discoveries, Tapu and Laslau Deep

- ❑ Progress in the 10% partnership held with Lukoil in the Black Sea (Trident block): **Lira discovery new data assessment, geological background reanalysis and future appraisal wells design**
- ❑ Consistent 2017 drilling work program
- ❑ Development programme in progress for 36 new wells successfully tested in 2016; 15 wells already in production test to evaluate c.14bcm of 2C contingent resources

# Natural Gas Production

## Favorable performance in Q1/2017, Natural decline previously arrested

Romgaz: quarterly production (mln cm)

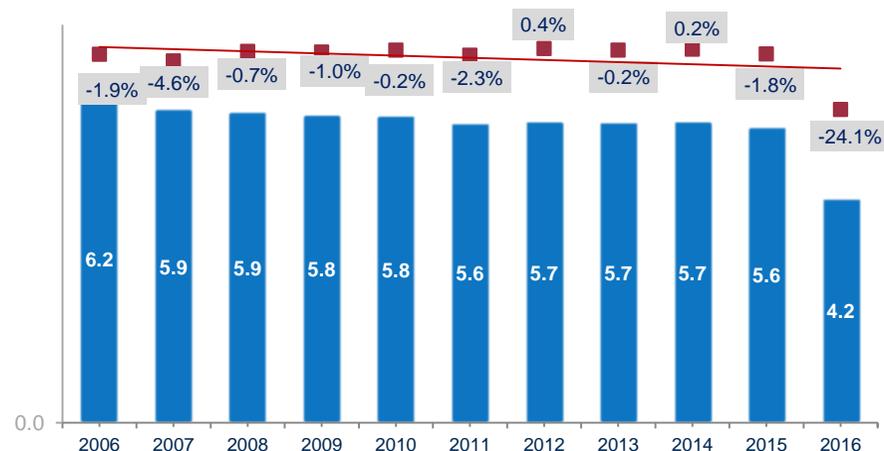


### Romgaz: Enhanced Production in Selected Fields

- Main actions include:
  - Adding of compression stations
  - Rehabilitation of production
  - New producing fields
- Production enhancement includes activities focused mainly on well workovers and new completion techniques
- Rehabilitation programme was extended by additional fields in 2016

- In Q1 2017, our gas output stood at 1.33 bcm, +12.5% vs Q4 2016 (-3.0% y/y)
- **Favorable production perspective** – significant hydrocarbon discovery in 2016 (Caragele structure): further development plans are to stream into production the new wells
- **Overall in 2016:** gas output was adjusted downward by 24% y/y as a result of a challenging gas market (unclear regulation for minimum gas stocks, relatively high quantity of own gas stored at the end of the 2015/2016 winter, competition from imports, fiscal regulation unfavorable for domestic producers, mild weather)
- **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

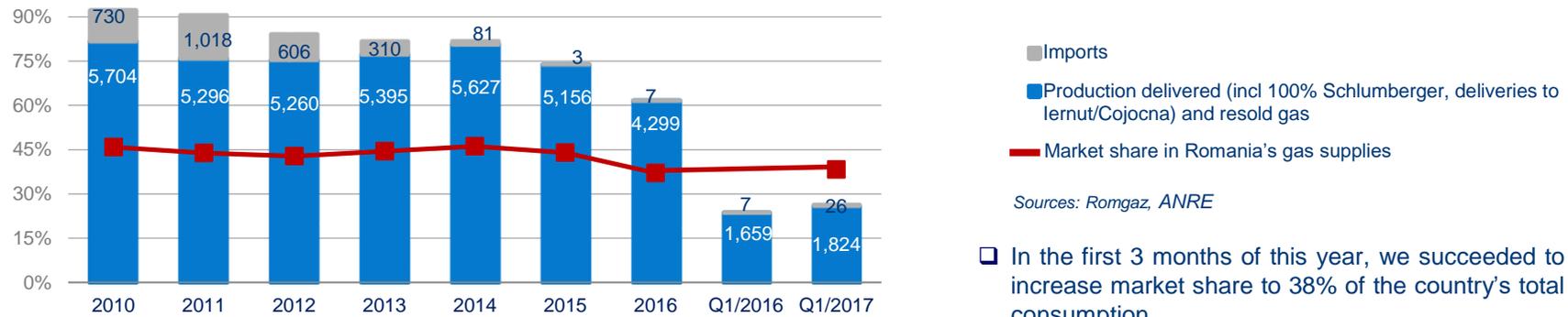
Romgaz: Production Levels (bcm, y/y change)



# Gas Supply & Sales

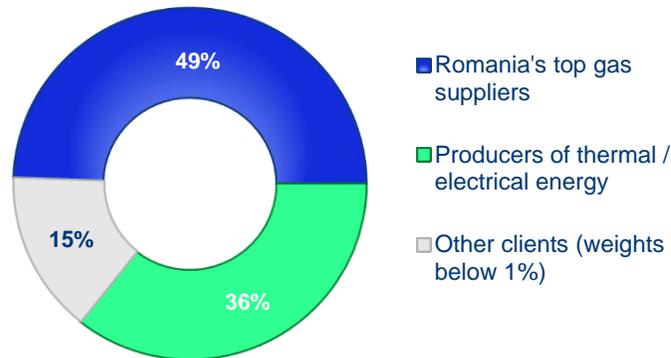
## Q1/2017: strong market share in supply, key clients

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



- In the first 3 months of this year, we succeeded to increase market share to 38% of the country's total consumption

**Romgaz: Key Clients (quantities of gas sold, Q1/2017)**



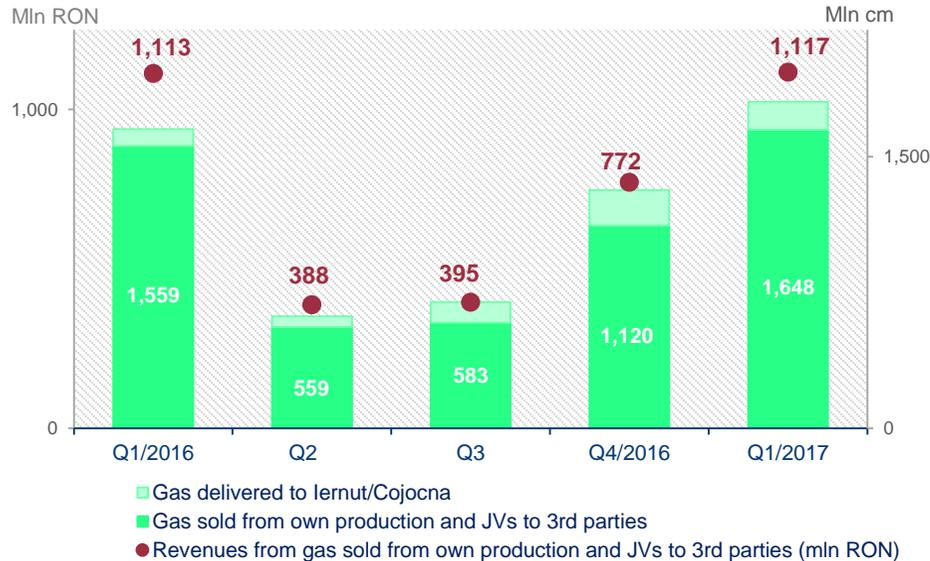
- Around 49% of Romgaz' gas sales were to the country's large gas suppliers in Q1/17
- Breakdown of gas sales in Q1/17: 47% at regulated prices to Households (HHs) and thermal plants for the gas used for HHs heating and 53% at free prices to other industrial consumers (including quantities delivered from UGS)

Portfolio breakdown reflects specific quarterly characteristics of gas demand

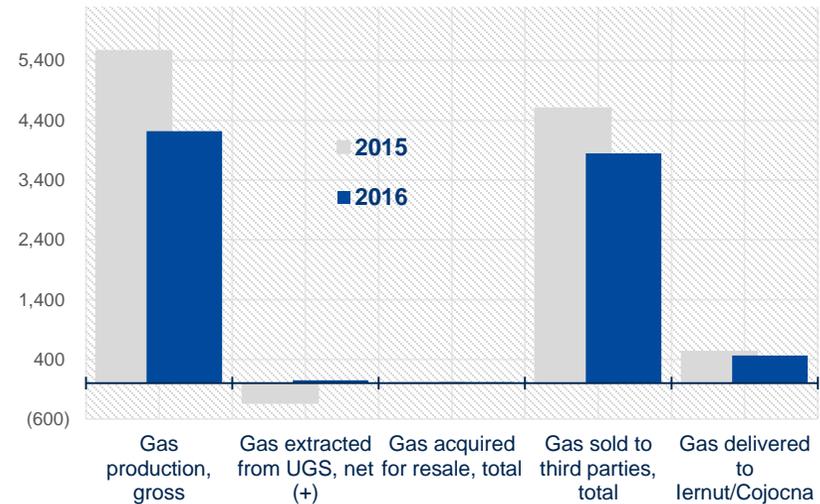
# Gas Supply & Sales

## Q1/2017 developments, Gas Chain Management to mitigate seasonality and demand

Romgaz: Quarterly Seasonality of Gas Supply and Revenues



Romgaz: Gas Chain Management on annual basis (mIn cm)

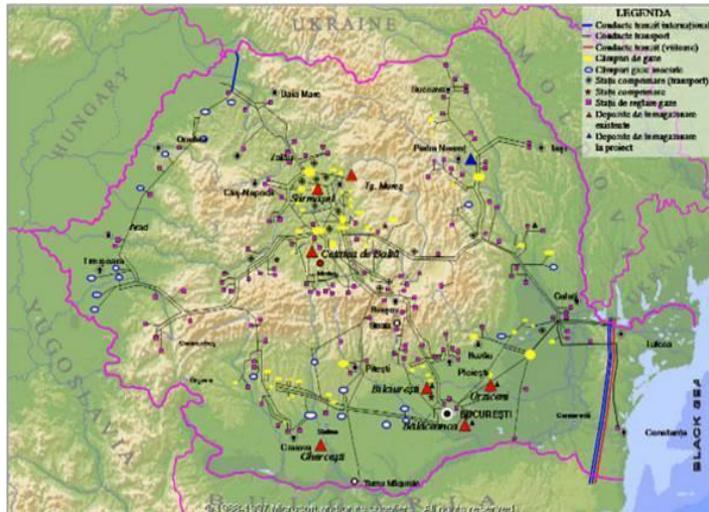


### UPSTREAM SEGMENT CONTRIBUTION: 77-78% in Revenue and EBITDA in Q1/2017

- ❑ In Q1/17, gas volume sold to third parties (own gas, including JVs) and the related Revenues hiked by 47% and 45% respectively compared to Q4 last year
- ❑ Compared to the same period of 2016, gas volume sold to third parties increased by 6%, and related Revenues were up 0.4% in Q1/17
- ❑ 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, with a focus on the balancing market to take advantage of higher prices

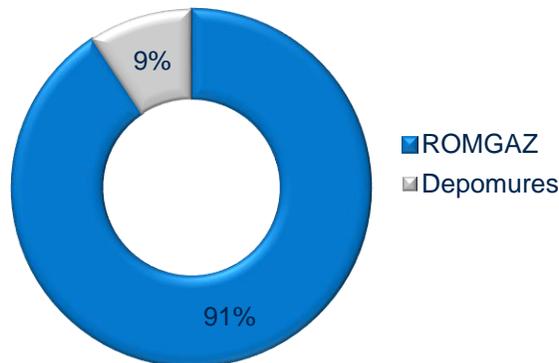
# Underground Gas Storage

## 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

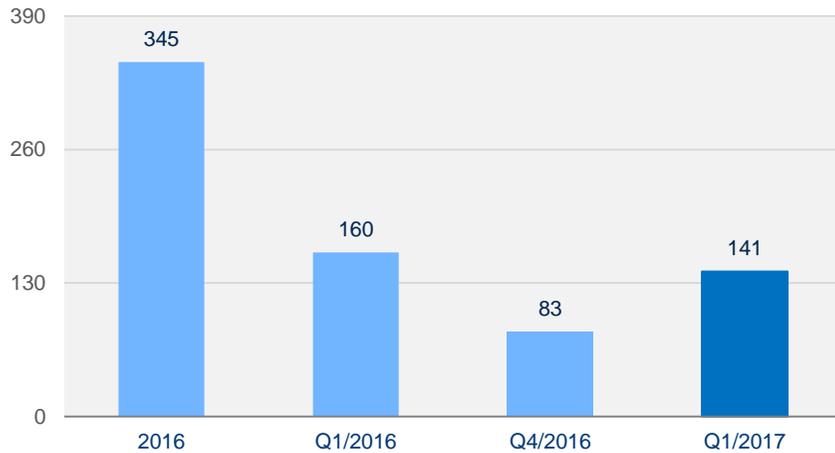


- ❑ The gas storage facilities: native gas acts as cushion gas in the storage process
- ❑ Activity regulated by ANRE using the revenue-cap methodology – third 5-year regulatory period started in Apr 2013, royalties of 3% of operating revenues
- ❑ Romgaz operates 6 facilities, with total working capacity 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) .

# Underground Gas Storage

Favorable Q1/2017 performance, approved tariffs

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



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



## STORAGE SEGMENT CONTRIBUTION: 9% in Revenue and 14% in EBITDA in Q1/2017

- ❑ In Q1/2017, UGS revenues hiked by 71% compared to Q4 last year (-12% y/y)
- ❑ Capacity reservation activity provides the bulk of the UGS revenues (around 80% in past years)
- ❑ 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

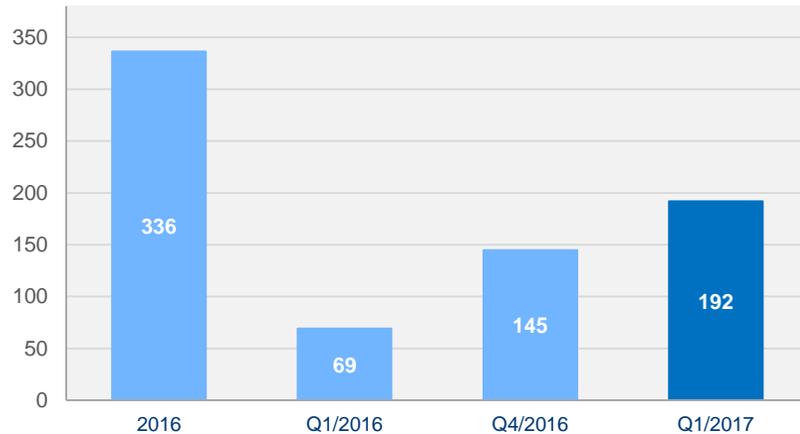


- CTE Iernut power plant enjoys a good strategic positioning in the middle of the Romanian electricity system
- Main roles are to cover national power consumption by acting in the electricity wholesale and balancing markets, ensure ancillary services to the national system, eliminate possible network constraints in NW Romania
- Nameplated capacity of 800 MW built in '60s, with flexible operational structure (4x100 MW, 2x200 MW)
  - Units 1 & 4 (2x100 MW) being modernized (to reduce NO<sub>x</sub> emissions)
  - Units 5 & 6 (2x200 MW) can operate until 2020
  - Units 2 & 3 (2x100 MW) out of service since January 2016 (environmental issues)
- Estimated market share of 2.7% in terms of production in 2016 (3.6% in Q1/2017)
- Optimizing gas production - electricity production - storage injection
- **Romgaz is in process to consolidate its position on the energy market.** In the field of electric power generation, we plan to improve CTE Iernut Power Plant efficiency to a 56% rate. The Board decided in June/2016 to finance Iernut development by our own funds and through the National Investment Plan.

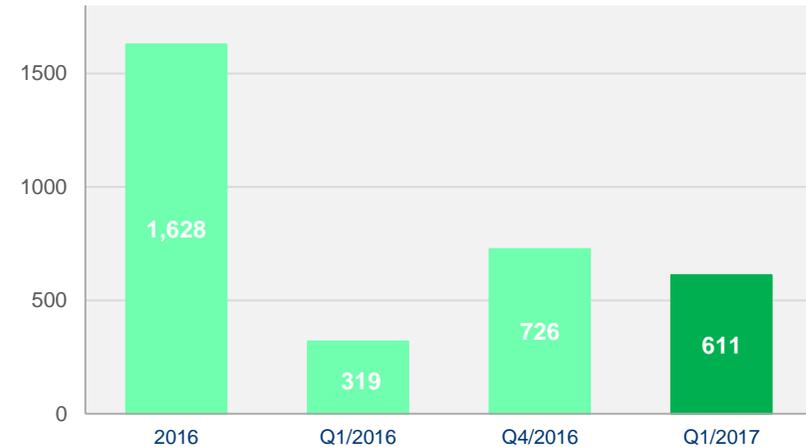
# Electricity Production & Trading

Significant performance in Q1/2017, production capacity previously adjusted

Romgaz: Revenues from Electricity (mIn RON)



Romgaz: Production of Electricity (GWh)



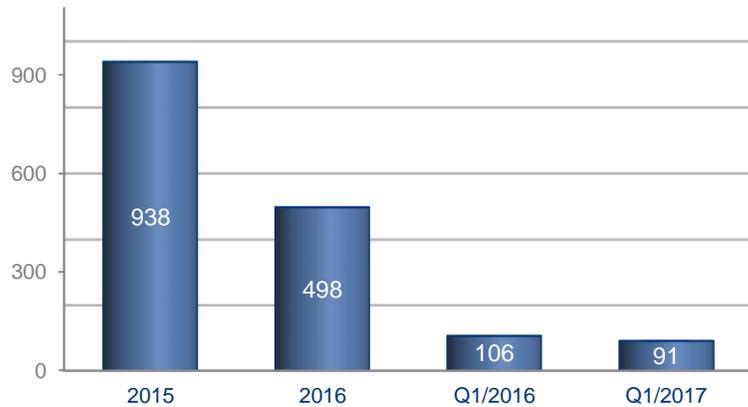
## ELECTRICITY SEGMENT CONTRIBUTION: 12% in Revenue and 5% in EBITDA in Q1/2017

- Main developments in Q1/2017:
  - Revenues advanced by as much as 177% y/y due to favorable market environment (and +32% vs Q4)
  - Also, we hiked electricity production by 92% y/y in Q1 this year (-16% vs Q4)
  - Market share grew to 3.6% in Q1 (vs 2.0% in Q1/2016) according to Transelectrica
- Recall that in January 2016 we have adjusted downwards by 25% the capacity of CTE Iernut

# Investments

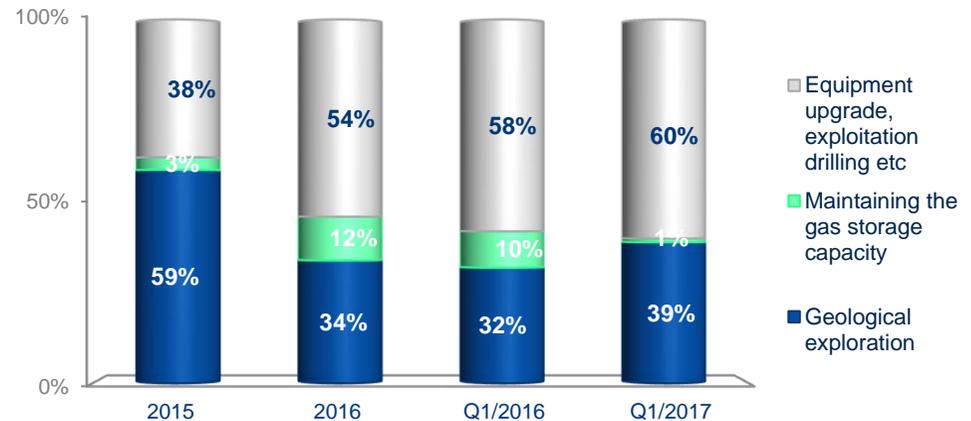
## Key role in arresting the production decline, Q1/2017 developments

Romgaz: Capital Expenditures (RON mln)



- ❑ In Q1, capital investments were impacted by unfavorable weather, extended deadlines for obtaining land plots and delayed authorization for exploration wells, technological equipment and for demolishing works at Iernut power plant
- ❑ Also in 2016 capex was low because of lower investment in associations, delay in the public procurement process due to changes in legislation, difficult access to wells location, delay of projects with low profitability etc
- ❑ Investments are exclusively financed from the company's own sources

Romgaz: Breakdown of Investments

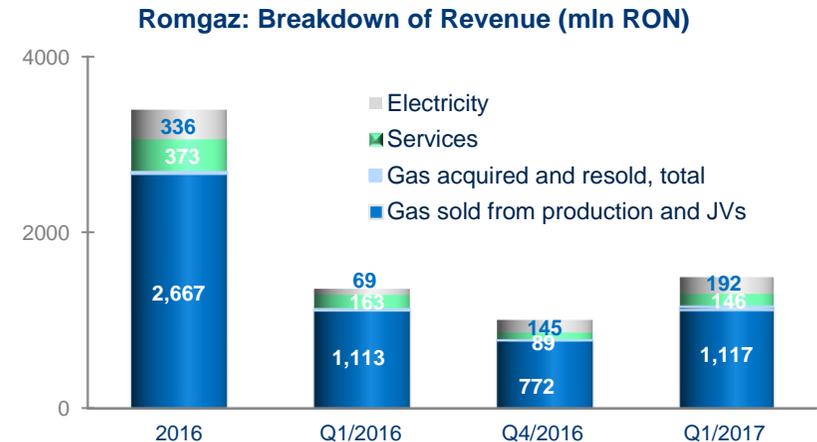
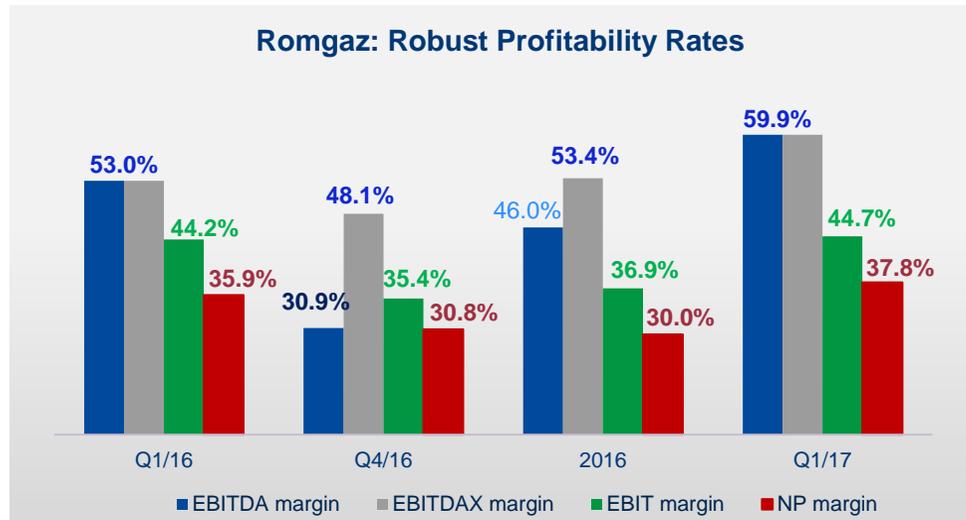


Major investments target projects such as:

- ❑ continue geological research works by surveys and drillings for the discovery of new gas reserves
- ❑ production development by adding new facilities on existing structures
- ❑ improve performance of facilities and equipment and increase production safety
- ❑ increase of UGS capacities, flexibility and security of existing storages
  - ❑ Investment in a new electricity plant

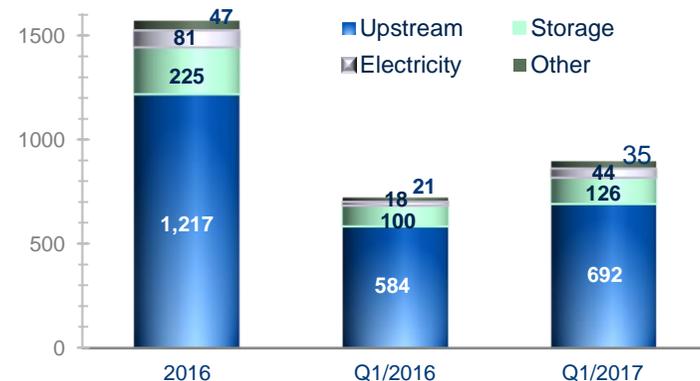
# Financial Performance

Q1/2017: We improved our - already high - profitability margins !



- In Q1 this year, we succeeded to improve even more our already robust profitability rates: EBITDA / EBITDAX advanced to 59.9%, EBIT reached 44.7% and Net Profit margin increased to 37.8% - well above the 2016 figures !
- In Q1, revenues from gas production (including JVs) were marginally higher by 0.4% y/y, revenues from electricity rose by 177% y/y and revenues from services (mainly storage activity) added to the top line though lower by 10% y/y
- We built a balanced client portfolio to enjoy flexible prices and diminish the non-payment risk

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



# Financial Performance

## Selected P&L items – NP +15.6% y/y and +82% q/q in Q1/17

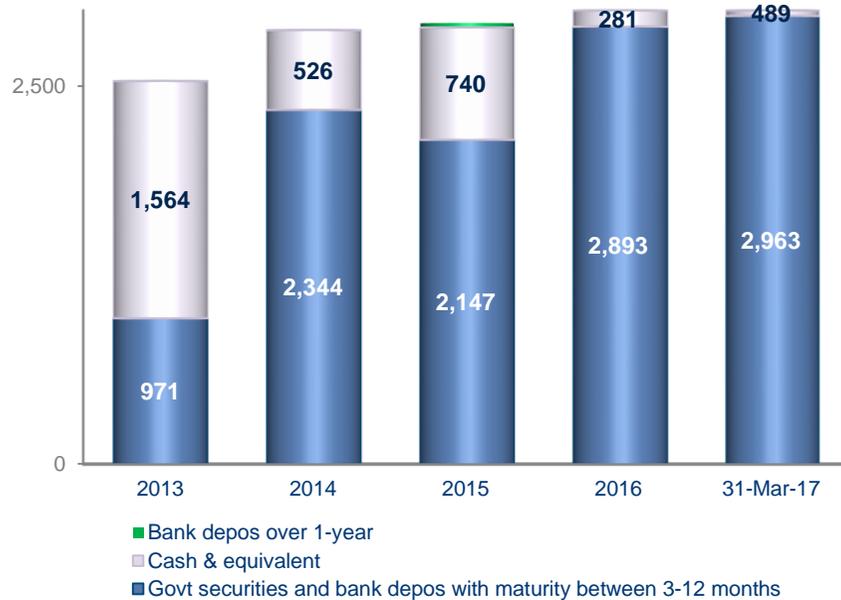
RON mln	2013	2014	2015	2016	Q1/16	Q4/16	Q1/17
<b>Revenues - of which</b>	<b>3,894</b>	<b>4,493</b>	<b>4,053</b>	<b>3,412</b>	<b>1,364</b>	<b>1,010</b>	<b>1,498</b>
Gas Production	2,808	3,553	3,291	2,667	1,113	772	1,117
Gas Resales	461	131	19	20	15	1	39
Services	394	455	365	373	163	89	146
Electricity	207	335	357	336	69	145	192
<b>Other income</b>	<b>54</b>	<b>108</b>	<b>80</b>	<b>361</b>	<b>44</b>	<b>27</b>	<b>51</b>
Cost of commodities sold	(439)	(176)	(40)	(50)	(21)	(4)	(32)
Changes in inventory	56	28	138	21	(100)	(53)	(164)
Raw materials	(79)	(66)	(78)	(55)	(18)	(13)	(16)
Exploration expense	(59)	(43)	(42)	(253)	-	(173)	-
Headcount expense	(504)	(523)	(512)	(498)	(112)	(142)	(114)
Other gains and losses	(204)	(275)	(319)	(468)	(138)	(61)	(5)
Other expenses	(745)	(1,035)	(1,041)	(882)	(292)	(276)	(316)
<b>EBITDA</b>	<b>1,960</b>	<b>2,490</b>	<b>2,218</b>	<b>1,570</b>	<b>723</b>	<b>313</b>	<b>897</b>
<b>EBITDA margin</b>	<b>50.3%</b>	<b>55.4%</b>	<b>54.7%</b>	<b>46.0%</b>	<b>53.0%</b>	<b>30.9%</b>	<b>59.9%</b>
<b>D&amp;A</b>	<b>(782)</b>	<b>(777)</b>	<b>(794)</b>	<b>(311)</b>	<b>(120)</b>	<b>45</b>	<b>(228)</b>
<b>EBIT</b>	<b>1,177</b>	<b>1,713</b>	<b>1,425</b>	<b>1,259</b>	<b>603</b>	<b>358</b>	<b>669</b>
<b>EBIT margin</b>	<b>30.2%</b>	<b>38.1%</b>	<b>35.2%</b>	<b>36.9%</b>	<b>44.2%</b>	<b>35.4%</b>	<b>44.7%</b>
Net Interest income	123	75	44	22	7	4	5
<b>Profit before tax</b>	<b>1,301</b>	<b>1,788</b>	<b>1,469</b>	<b>1,281</b>	<b>610</b>	<b>362</b>	<b>674</b>
Income tax	(305)	(378)	(275)	(256)	(121)	(51)	(108)
<b>Net Profit</b>	<b>996</b>	<b>1,410</b>	<b>1,194</b>	<b>1,025</b>	<b>489</b>	<b>311</b>	<b>566</b>
<b>Net margin</b>	<b>25.6%</b>	<b>31.4%</b>	<b>29.5%</b>	<b>30.0%</b>	<b>35.9%</b>	<b>30.8%</b>	<b>37.8%</b>

- ❑ In Q1 this year, we reported a Net Profit of RON 566 mln, higher by 15.6% vs Q1/16 and significantly up by 82.0% compared to Q4/16, mainly due to optimisation of the gas chain
- ❑ We continue to observe our “0 new overdue receivable” target assessed in Q2/16 !
- ❑ As a result, EBITDA advanced by 24.1% y/y in Q1/17 and almost 3 times compared to Q4
- ❑ “Other expenses” include the windfall profit tax of RON 129 mln, gas and UGS royalties of RON 74 mln in Q1 (FY2016: RON 286 mln and RON 219 mln respectively, plus the special construction tax of RON 71 mln)
- ❑ Recall that in 2016, as in the previous years, the “Exploration Expenses” were compensated by revenues on D&A; this amount mainly represents the value of drilling projects abandoned during 2016, that were approved by the National Agency for Mineral Resources but have previously been provisioned (mostly related to Rapsodia block in the Black Sea)
- ❑ Margins are robust – 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 Q1/17 as well

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



Romgaz: Selected Cash Flow Items

RON mln	2014	2015	2016	Q1/17
Net profit for the period	1,410	1,194	1,025	566
Operating Cash Flow before $\Delta$ WC and Income tax	2,824	2,600	2,321	903
Movements in working capital	(10)	(123)	(268)	(484)
Net Cash flows from operating activities	2,313	2,131	1,744	359
Net Cash flows from investing activities	(1,758)	(702)	(1,163)	(150)
Net Cash flows from financing activities	(988)	(1,215)	(1,041)	(0)
Net change in cash and cash equivalents *	(433)	214	460	209

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

- At March 31, 2017, overall cash position (cash, bank deposits and gov't treasury bonds) remained strong, amounting to RON 3,452 mln jointly.

## Strong B&S Structure, Debt-free in Q1/17 too

### Romgaz: Selected Balance Sheet Items

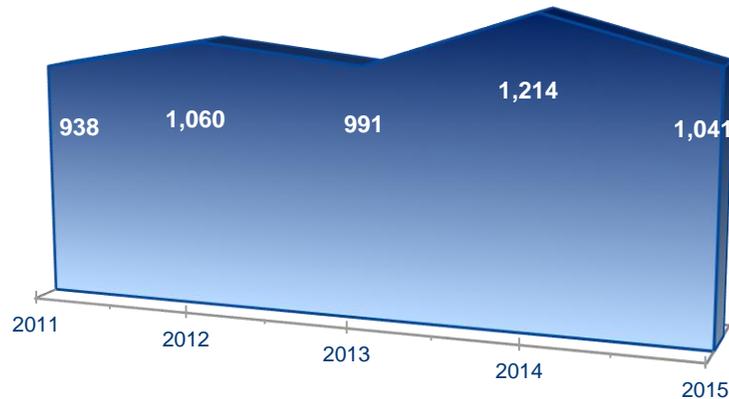
RON mln	Dec 31, 2013	Dec 31, 2014	Dec 31, 2015	Dec 31, 2016	Mar 31, 2017
<b>Total non-current assets, thereof</b>	<b>6,246</b>	<b>6,448</b>	<b>6,497</b>	<b>6,258</b>	<b>6,114</b>
Property plant and equipment	5,767	5,963	5,996	5,789	5,644
Other intangible assets	384	407	400	398	399
Trade and other receivables	-	-	-	-	-
<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>5,099</b>
Inventories	464	392	560	576	405
Trade and other receivables	1,087	1,000	601	829	1,122
<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>2,963</b>
<b>Cash and equivalents</b>	<b>959</b>	<b>526</b>	<b>740</b>	<b>281</b>	<b>489</b>
Other assets	146	102	140	142	120
<b>Total assets</b>	<b>10,477</b>	<b>10,812</b>	<b>10,685</b>	<b>10,977</b>	<b>11,212</b>
<b>Shareholders' Equity</b>					
Share capital	1,893	385	385	385	385
Reserves	1,950	2,142	2,582	3,020	3,020
Retained earnings	5,450	7,184	6,725	6,271	6,836
<b>Total Shareholders' Equity</b>	<b>9,293</b>	<b>9,712</b>	<b>9,692</b>	<b>9,676</b>	<b>10,242</b>
<b>Non-current liabilities, thereof</b>	<b>423</b>	<b>431</b>	<b>366</b>	<b>354</b>	<b>343</b>
Provisions	197	202	201	194	197
<b>Current liabilities, thereof</b>	<b>762</b>	<b>669</b>	<b>626</b>	<b>947</b>	<b>627</b>
Trade and other payables	203	217	187	570	225
<b>Total liabilities</b>	<b>1,184</b>	<b>1,100</b>	<b>992</b>	<b>1,301</b>	<b>970</b>
<b>Total equity and liabilities</b>	<b>10,477</b>	<b>10,812</b>	<b>10,685</b>	<b>10,977</b>	<b>11,212</b>



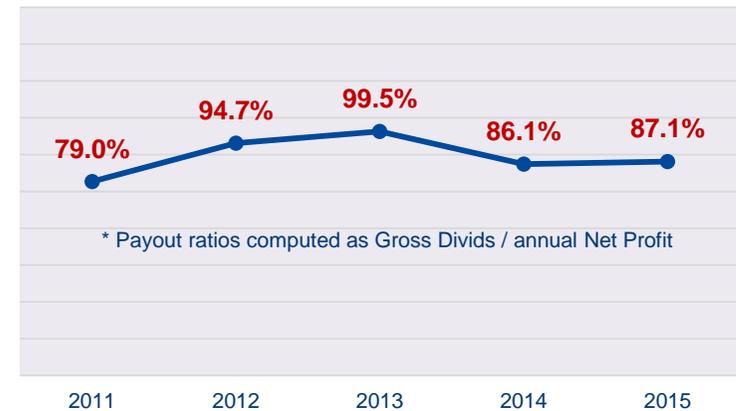
# Dividend distribution

**+80% Dividend Payout Ratios in the past**

Romgaz: History of Gross Dividend Distribution (RON mln)



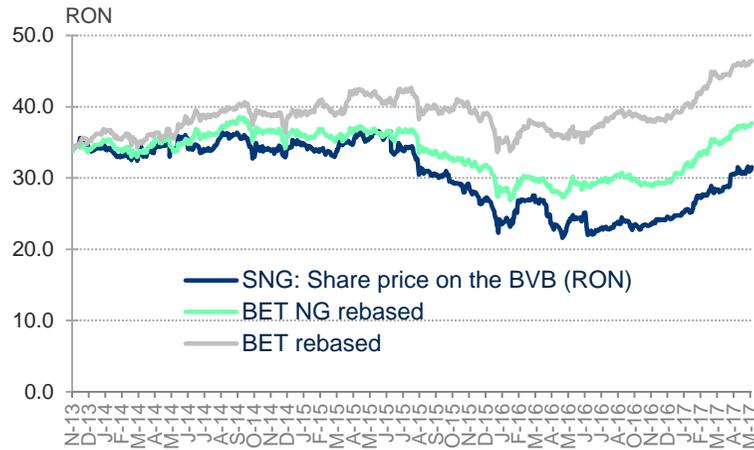
Romgaz: Gross Dividend Payout ratios\*



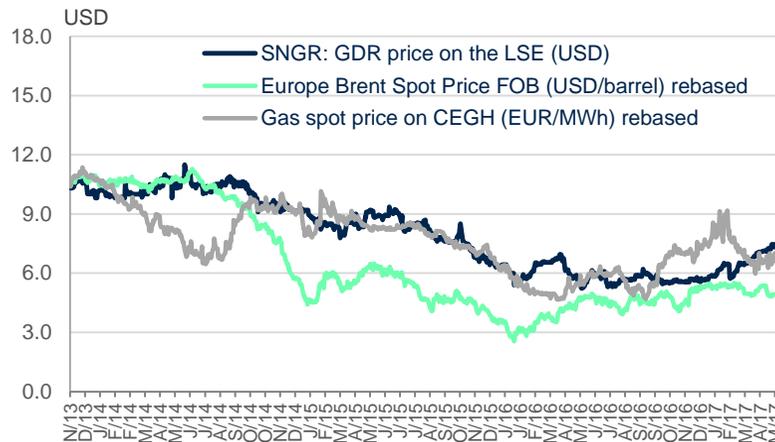
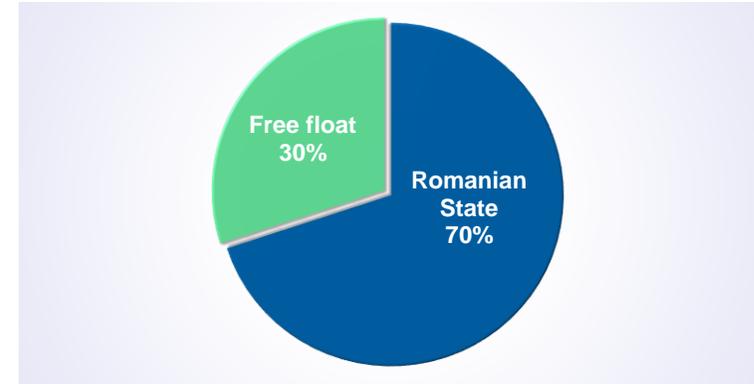
- ❑ The 2016 NP distribution was rejected by the SGM on April 25; a new dividend proposal is awaited from the Board
- ❑ For the fiscal year ending Dec 31, 2016, in a recent memorandum, the gov't has mandated its representatives in majority state-owned companies to distribute as dividends minimum 90% of the annual NP; also, OUG no 29 / 30.03.2017 allows these companies to distribute retained earnings as dividends
- ❑ Majority state-owned companies are required by law to distribute minimum 50% of the annual NP to shareholders in the form of dividends; for 2012 and 2013, the obligation was increased to 85%

# Shareholding Structure and Stock Performance

Among blue-chips on the domestic capital market



Romgaz: Shareholding Structure



- ❑ Current shareholding structure: the Romanian State (Ministry of Energy) – majority shareholder with a **70% stake**; Free Float - **30%** (includes shares traded on the BVB and GDRs traded on the LSE)
- ❑ Romgaz ranks the **2<sup>nd</sup> largest** domestic stock traded on the BVB – with a mktcap of EUR 2.7 bn (after OMV Petrom) \*)
- ❑ The **3<sup>rd</sup> most traded** stock on the BVB (after Banca Transilvania and Fondul Proprietatea) \*)
- ❑ Included in BVB's main indices (weighing 22 % în energy and utilities BET-NG index, and between 8%-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 May 9, 2017, and on BVB's past 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

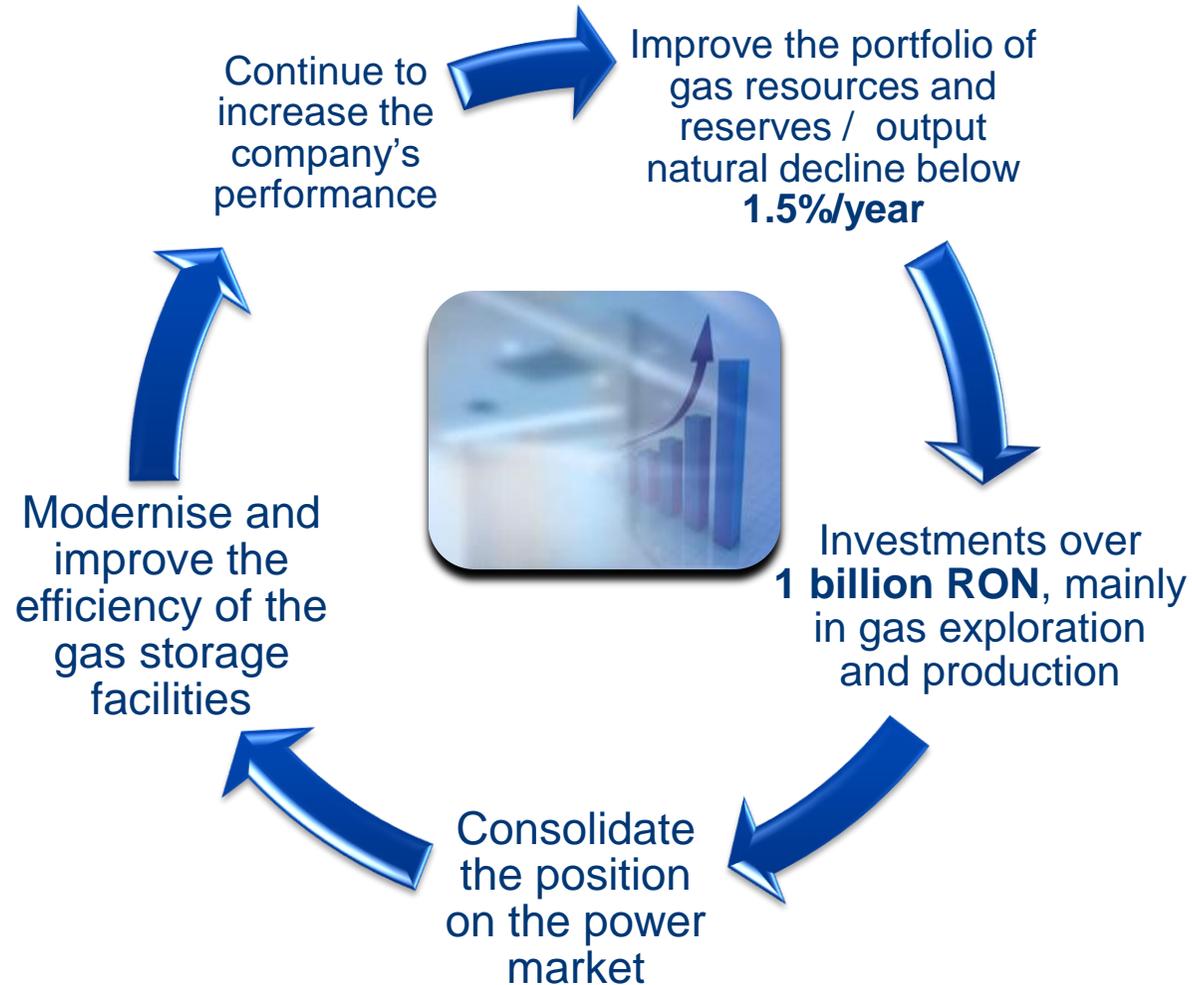
Increasing the company's performance

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



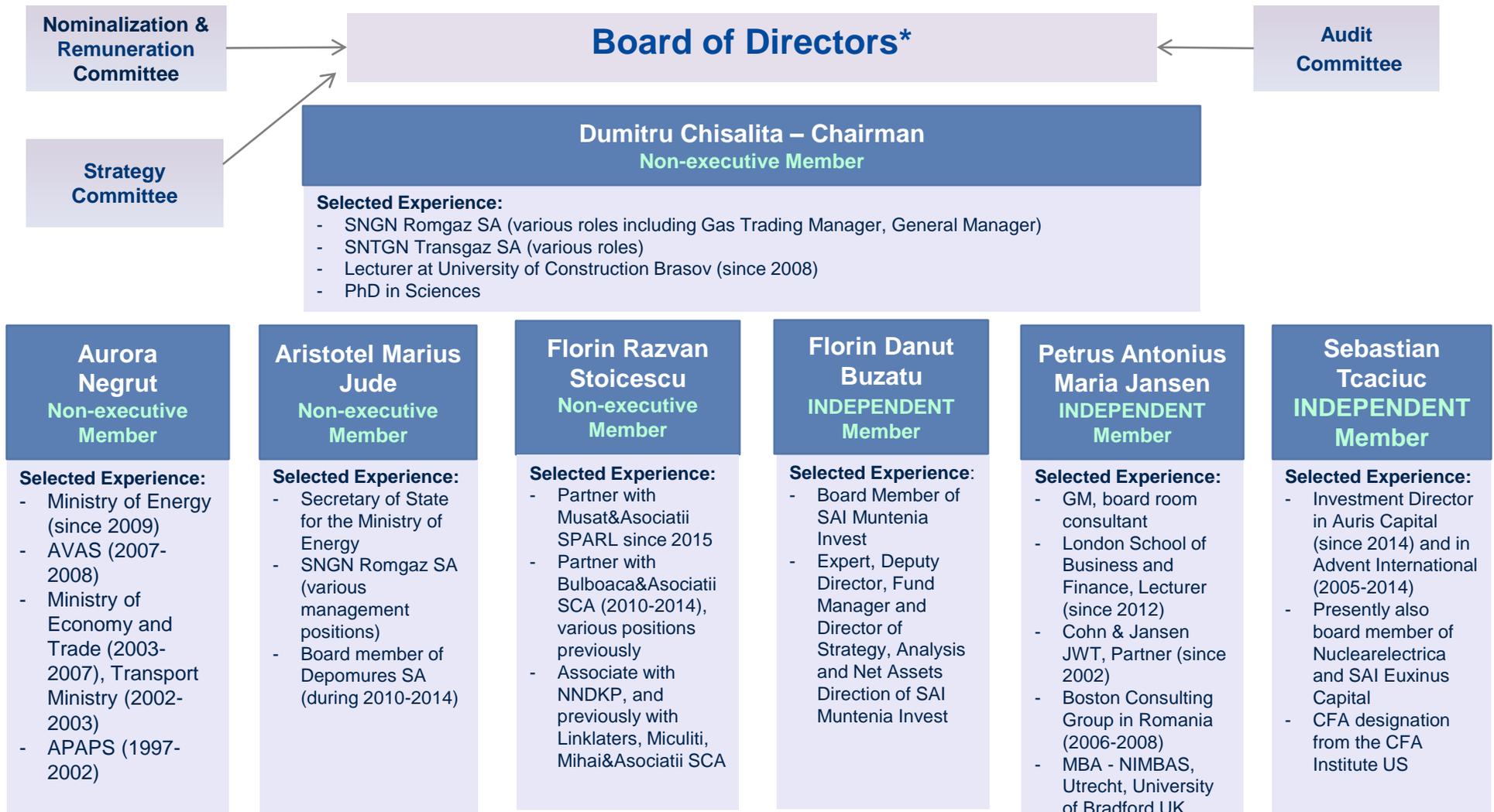
# Romgaz – Investment Case

## 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 60% in Q1/2017 EBIT margin of almost 45%, Net margin at 38% as well</p>
<ul style="list-style-type: none"> <li>➤ <b>High dividend payout ratios to please investors</b></li> </ul>	<p>A new proposal for the 2016 NP distribution to be issued</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 = 28% (at May 9, 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 and expand 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



\* SGM on April 25 2017 appointed Virgil Marius Metea, Bogdan Nicolae Stan, Alexandru Chirila and Gheorghe Gabriel Gheorghe as interim members for a 4-month mandate to replace the expiring contracts of Dumitru Chisalita, Aurora Negrut, Aristotel Marius Jude and Florin Razvan Stoicescu (these contracts expire in mid May 2017); signing of the new administration contracts is in progress

## Selected Recent Events – relevant for our activity

**October 12, 2015**

Roman compressor station is installed, providing access to 0.5 bcm of natural gas. The completion of this project compensates the drop of reservoir energy due to depletion of production units.

**October 14, 2015**

The drilling of the exploratory well Lira 1X in the Black Sea was completed, leading to the discovery of an important gas field of up to 30 bcm of natural gas.

**January 28, 2016**

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

**June 30, 2016**

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

**June 28, 2016**

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

**March 23, 2016**

ANRE decided to delay until April 1, 2017 the change of the titleholder of the license for the UGS activity – from Romgaz to its subsidiary Romgaz Filiala de Inmagazinare Depogaz Ploiesti.

**July 20, 2016**

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

**October 7, 2016**

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

**April 1, 2017**

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

# THANK YOU FOR YOUR ATTENTION !



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## Financial Calendar 2017\*

May 11: Release of the Q1 2017 Financial Results

May 12: Confcall to discuss the Q1 2017 results

Aug 11: Release of the H1/Q2 2017 Financial Results

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

\* details regarding confcalls with financial analysts / investors will be announced timely