



Company Report - Company Update

BUY

previous: BUY

TARGET PRICE 12M (RON)	28.59
Previous Target price	28.14
SHARE PRICE (RON)	23.90

Performance	1M	3M	12M	YTD
Absolute (%)	6.9%	-13.2%	-34.0%	-12.1%
Relative to BET (%)	9.2%	-6.0%	-20.3%	-1.6%
RIC			RO SNG.BX	
Bloomberg			SNG RO	
Index listed			BET, BET-XT, BET-NG	
Market Cap (RON m)			9,211.60	
Market Cap (EUR m)			2,037.15	
Shares Out (m)			385.42	
52 Week Range (RON)			21.5 / 36.65	
% from 52 Week range			11.2% / -34.8%	
Avg. daily volume 6M (shares)			271,613	

Shareholders (%)

Ministry of Economy	70.00%
Fondul Proprietatea (FP RO)	5.84%
Free float	24.16%

(IFRS)	14A	15P	16E	17E
P/E(x) adj.	9.0	11.1	9.4	11.5
EPS adj. ch. (%)	42%	-15%	-18%	-2%
EV/EBITDA(x)	3.9	4.6	3.2	4.1
Net debt/EBITDA	-1.2	-1.4	-1.5	-1.4
P/BV(x)	1.3	1.4	1.0	1.1
ROE(%)	29.0%	12.4%	10.1%	9.9%
ROIC(%)	29.0%	12.4%	10.1%	9.9%
P/S (x)	2.7	3.3	2.5	3.3
Div. Yield (%)	9.6%	7.9%	8.5%	7.0%

RON m

Revenues	4,629	4,053	3,648	3,384
EBITDA	2,486	2,218	1,968	1,974
Net income	1,410	1,194	977	959
EPS	3.66	3.10	2.53	2.49
EPS adj.	3.66	3.10	2.53	2.49
BVPS	25.15	24.96	25.12	25.22
DPS	3.15	2.70	2.03	1.99
FCF equity	7.20	6.47	7.02	7.06

TP remains at RON 28.59 and BUY recommendation in place, as we believe that households gas deregulation calendar end by July 2017 should cancel the windfall tax - royalties' regime not yet a clear picture incorporated. Overall, downside risks arise from lower volumes threatened by suppliers and lower pricing beyond 2017 horizon. CAPEX resize should be of first task for cash-flow management.

- **Valuation:** We continue to position the stock as a dividend play, given its long dividend paying history underpinned by strong recurring cash-flow and stable financial position. Also, Romgaz retains a significant cash-position on its balance sheet and no debt as for the moment the existing upstream projects and related capex need were sufficiently covered by the operating profitability.

- We update our TP at RON 28.59 mostly on the back of households' gas price deregulation calendar freeze by April 2017, offering an 8.5% upside compared to Friday's closing of RON 23/share. The stock lost 2.25% due to Brexit vote, below BET decline of 3.53%, as the market recovered significantly intra-day.

- Cash stockpile financials are still available for the short-to-medium term and earnings margins would continue supporting a BUY story but since crude oil offers rather a downtrend onwards, we believe that the gas price deregulation calendar for households will end sooner than expected, and a ceiling of RON 72/MWh will not be reached. In our previous update, we counted on the fact that the current technocratic Gvnm't does not aim in taking measures/decisions that could lower budgetary revenues and distort the estimated budgetary deficit.

- Our estimate is that in July 2017, the gas deregulation calendar for households will end at a price between RON 60-66/MWh or even at RON 60/MWh. We see major risk for both Romgaz and OMV Petrom on pricing side, as particularly Romgaz is forced to lower selling prices, as suppliers threatened to import even 50% of volumes required during the cold season, which would leave the two companies with half of the revenues registered during their most cash-worthy season. Some RON 870m were posted in Q4'15 for upstream side, own production (third party), vs. only RON 428m in Q3'15, which would significantly lower the existing cash hoarded in the B/S, should Romgaz stick to its current investment policy. On the other hand, the lack of windfall tax, which consumes an annual RON 250-300m, depending on demand and volumes produced thus, quite offsets the loss in pricing - no changes made to our previous estimated volumes yet, as we see that the import quota is rather at discussion times but paves the way for some price negotiations with local producers. We believe that in terms of volumes, Q2 and Q3 will bring a much clearer picture with respect to the import quota or if volumes will remain steady and only pricing will drop.

- **Downside risks still inherent for both pricing and volumes particularly:** Downside risks arise from the fact that ANRE thinks increasing imported gas weight in consumption basket for households, which means that price increase via deregulation will not be able to offset the drop in production for Romgaz and OMV Petrom and that the more expensive already stored gas (RON 86/MWh) will be gradually released into consumption in order the end user to benefit more from the lower pricing level existent on European markets. It remains to be seen if imports quota will exceed some 30% level and if it will be applied more during the cold season when consumption and related costs for gas heating are also higher. A brief sensitivity will translate into some RON 210-250m/year in lost revenues for each producer only from this 30% import quota applicable - considering some equally split volumes between households/households for both producers and equally split supply weights and a price range between RON 60-66/MWh.

- **Despite price downside risks, cash-flow remains soundly and Black Sea volumes outside of forecasting horizon due to estimated capex resize, should operating environment worsen.** On upstream side, we did not include yet any potential flows from Black Sea as we believe the project is still at early stage to produce effects, but however, should that be the case - somewhere at the higher end of our forecasting horizon, both Romgaz and Petrom should have the ability to export part of local market oversupply, which for the moment is lacking Transgaz capex fulfilment.

- **Dividend yields:** We estimate average dividend yield to remain around 8% for the next 3Y, as apart from the downside risks arising from pricing side, as per Romanian legislation, the company is obliged to pay as dividends a minimum of 50% of their net profit - in the past 2Y, dividend pay - out carried an average of 86% with yields avg. around 9%, and no other remarks need to be added in the current interest rate levels. B/S cash-to-mkt cap stands around 30%. Owing to the gas price deregulation calendar, in the past couple of years, Romgaz posted largest profit among state companies, followed by Hidroelectrica - hydropower producer, with market superior dividend yields delivered so far.

- Additional downside risks could arise from the fact that the dividend policy is subject to shareholder approval each year (RO state 70% stake), and we rise concerns about any other grant to be made to the state, should the state be forced to end gas price deregulation calendar ahead of time which would cut the windfall tax and clearly royalties level should encourage investments. Last grant Romgaz made to the state was around RON 400m.

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Financials & Valuation (Summary)

Financial Statements

Profit & Loss (RON th)	2014A	2015P	2016E	2017E	2018E
Revenues	4,628,604	4,052,694	3,647,954	3,383,785	3,245,797
EBITDA	2,486,475	2,218,285	1,968,473	1,974,351	1,994,647
EBIT	1,709,636	1,424,687	1,169,358	1,147,621	1,162,683
Net financials	78,693	44,151	32,154	31,578	29,971
EBT	1,788,329	1,468,838	1,201,512	1,179,199	1,192,655
Net income	1,409,881	1,194,285	976,927	958,785	969,725
IEBA net income	1,409,881	1,194,285	976,927	958,785	969,725
Dividend	1,214,081	1,040,640	781,542	767,028	775,780

Cash flow IEBA TRUST (RON th)

Net Cash flow from operations	1,943,732	1,743,888	1,753,937	1,771,718	1,703,299
Capex	-831,995	-750,000	-950,000	-950,000	-950,000
FCFF	2,775,727	2,493,888	2,703,937	2,721,718	2,653,299

Other cash flows	0	0	0	0	0
Cash flow used in investments	23,116	0	0	0	0
Change in debt	0	0	0	0	0
Change in Capital	0	0	0	0	0

Balance Sheet (RON th)

Net fixed assets	6,396,315	6,347,200	6,470,469	6,588,505	6,670,145
Current investments	100,743	100,743	100,743	100,743	100,743
Current assets	1,300,461	1,171,254	1,086,437	1,042,133	1,011,268
Cash & others	2,887,183	3,065,503	3,010,705	2,857,650	2,761,702
Total Assets	10,684,702	10,684,700	10,668,355	10,589,031	10,543,858
Current liabilities	597,296	558,348	524,492	506,808	494,488
Total debt	0	0	0	0	0
Net debt	-2,887,183	-3,065,503	-3,010,705	-2,857,650	-2,761,702
Shareholders capital	385,422	385,422	385,422	385,422	385,422
Other reserves	9,306,800	9,235,981	9,297,807	9,334,080	9,356,598
Total Equity	9,692,222	9,621,403	9,683,229	9,719,502	9,742,020
Minorities	0	0	0	0	0
EV	9,746,963	10,158,340	6,200,890	8,160,609	8,256,557
Market Cap	12,634,146	13,223,843	9,211,595	11,018,259	11,018,259

No of shares Year End (000)	385,422	385,422	385,422	385,422	385,422
No of shares Diluted (000)	385,422	385,422	385,422	385,422	385,422

Per share	2014A	2015P	2016E	2017E	2018E
EPS	3.66	3.10	2.53	2.49	2.52
IEBA EPS	3.66	3.10	2.53	2.49	2.52
DPS	3.15	2.70	2.03	1.99	2.01
BVPS	25.15	24.96	25.12	25.22	25.28
FCFPS	7.20	6.47	7.02	7.06	6.88

Growth rates & margins

Revenues	18.9%	-12.4%	-10.0%	-7.2%	-4.1%
EBITDA	26.9%	-10.8%	-11.3%	0.3%	1.0%
EBIT	45.3%	-16.7%	-17.9%	1.9%	-1.3%
EBT	37.5%	-17.9%	-18.2%	1.8%	5.1%
Net Income	41.6%	-15.3%	-18.2%	1.9%	-1.1%
IEBA net Income	41.6%	-15.3%	-18.2%	1.9%	-1.1%
Dividend	-7.2%	-14.3%	-24.9%	-1.9%	1.1%

EPS	41.6%	-15.3%	-18.2%	-1.9%	1.1%
IEBA EPS	41.6%	-15.3%	-18.2%	-1.9%	1.1%
DPS	-7.2%	-14.3%	-24.9%	-1.9%	1.1%

EBITDA margin	53.7%	54.7%	54.0%	58.3%	61.5%
EBIT margin	36.9%	35.2%	32.1%	33.9%	35.8%
Net margin	30.5%	29.5%	26.8%	28.3%	29.9%
IEBA net margin	30.5%	29.5%	26.8%	28.3%	29.9%

Source: SSIF IEBA TRUST

Key items

Ratios and multiples	2014A	2015P	2016E	2017E	2018E
P/E(x)	8.96	11.07	9.43	11.49	11.36
P/E(x) IEBA	8.96	11.07	9.43	11.49	11.36
P/E(x) IEBA at 52wks High	0.00	0.00	0.00	0.00	0.00
P/BV(x)	1.30	1.37	0.95	1.13	1.13
ROE	29.0%	12.4%	10.1%	9.9%	10.0%
IEBA ROE	29.0%	12.4%	10.1%	9.9%	10.0%
ROCE	29.0%	12.4%	10.1%	9.9%	10.0%
IEBA ROCE	29.0%	12.4%	10.1%	9.9%	10.0%

EV/EBITDA(x)	3.92	4.58	3.15	4.13	4.14
EV/EBITDA (x) at 52wks High	n/a	n/a	-1.53	n/a	n/a
Net debt/EBITDA (x)	-1.16	-1.38	-1.53	-1.45	-1.38

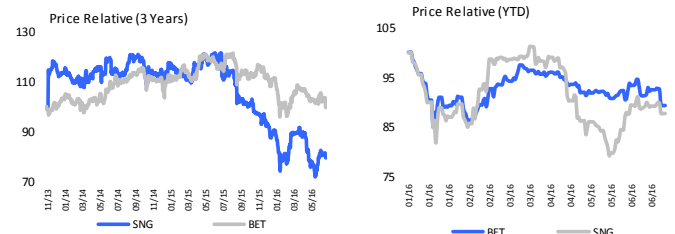
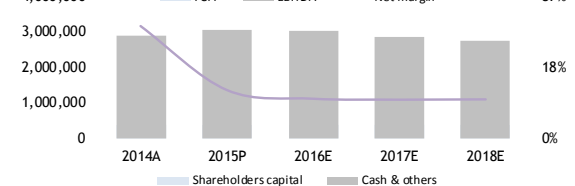
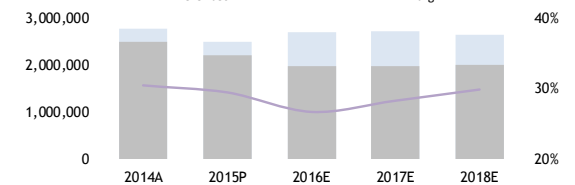
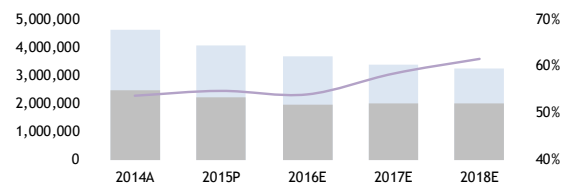
EV/CE(x)	1.01	1.06	0.64	0.84	0.85
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P/S (x)	2.73	3.26	2.53	3.26	3.39
P/FCFPS (x)	4.55	5.30	3.41	4.05	4.15
FCF Yield	22.0%	18.9%	29.4%	24.7%	24.1%
Dividend Yield	10%	8%	8%	7%	7%

Dividend payout	86.1%	87.1%	80.0%	80.0%	80.0%
Net debt/Equity	n/a	n/a	n/a	n/a	n/a
T.debt/(T.debt + Equity)	0.0%	0.0%	0.0%	0.0%	0.0%

Stock's information

Share price (RON)	23.90	Target price (RON)	28.59
52 weeks High price (RON)	36.65	Mkt Cap (RON th)	9,211,595
52 weeks Low price (RON)	21.50	EV (RON m) 16E	11,018
Country	Romania	Reuters	RO SNG.BX
Sector	Energy	Bloomberg	SNG RO



Change in estimates provided Gvnm't freeze decision for households' gas price deregulation calendar at RON 60/MWh until April 2017

- **Valuation:** We continue to position the stock as a dividend play, given its long dividend paying history underpinned by strong recurring cash-flow and stable financial position. Also, Romgaz retains a significant cash-position on its balance sheet and no debt as for the moment the existing upstream projects and related capex need were sufficiently covered by the operating profitability. We update our TP at RON 28.59 mostly on the back of households' gas price deregulation calendar freeze by April 2017, offering an 8.5% upside compared to Friday's closing of RON 23/share. The stock lost 2.25% due to Brexit vote, below BET decline of 3.53%, as the market recovered significantly intra-day. Cash stockpile financials are still available for the short-to-medium term and earnings margins would continue supporting a BUY story but since crude oil offers rather a downtrend onwards, we believe that the gas price deregulation calendar for households will end sooner than expected, and a ceiling of RON 72/MWh will not be reached. In our previous update, we counted on the fact that the current technocratic Gvnm't does not aim in taking measures/decisions that could lower budgetary revenues and distort the estimated budgetary deficit. Our estimate is that in July 2017, the gas deregulation calendar for households will end at a price between RON 60-66/MWh or even at RON 60/MWh. We see major risk for both Romgaz and OMV Petrom on pricing side, as particularly Romgaz is forced to lower selling prices, as suppliers threatened to import even 50% of volumes required during the cold season, which would leave the two companies with half of the revenues registered during their most cash-worthy season. Some RON 870m were posted in Q4'15 for upstream side, own production (third party), vs. only RON 428m in Q3'15, which would significantly lower the existing cash hoarded in the B/S, should Romgaz stick to its current investment policy. On the other hand, the lack of windfall tax, which consumes an annual RON 250-300m, depending on demand and volumes produced thus, quite offsets the loss in pricing - no changes made to our previous estimated volumes yet, as we see that the import quota is rather at discussion times but paves the way for some price negotiations with local producers. We believe that in terms of volumes, Q2 and Q3 will bring a much clearer picture with respect to the import quota or if volumes will remain steady and only pricing will drop.
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- **Dividend yields:** We estimate average dividend yield to remain around 8% for the next 3Y, as apart from the downside risks arising from pricing side, as per Romanian legislation, the company is obliged to pay as dividends a minimum of 50% of their net profit - in the past 2Y, dividend pay - out carried an average of 86% with yields avg. around 9%, and no other remarks need to be added in the current interest rate levels. **B/S cash-to-mkt cap stands around 30%.** Owing to the gas price deregulation calendar, in the past couple of years, Romgaz posted largest profit among state companies, followed by Hidroelectrica - hydropower producer, with market superior dividend yields delivered so far. **Additional downside risks**, could arise from the fact that the dividend policy is subject to shareholder approval each year (RO state 70% stake), and we rise concerns about any other grant to be made to the state, should the state be forced to end gas price deregulation calendar ahead of time which would cut the windfall tax and clearly royalties level should encourage investments. Last grant Romgaz made to the state was around RON 400m.

VALUATION - TP remains at RON 28.59 and BUY recommendation in place, as we believe that households gas deregulation calendar end by July 2017 should also cancel the windfall tax - royalties regime not yet a clear picture incorporated. Overall, downside risks arise from lower volumes threatened by suppliers and lower pricing beyond 2017 horizon. CAPEX resize should be of first task for cash-flow management.

We value Romgaz by making use of a DCF exercise in order to incorporate capex required for development of its mature fields, which is actually the return on its cash overload since alternative satisfactory yields investments are lacking in the current environment.

We arrive at a fair value of RON 28.59/share (19% upside potential to current price levels) and BUY rating. The stock currently trades at an even lower EV/EBITDA (16E) of 4.1x (at target price) vs. peers mostly due to decrease on both estimates and TP, or some significant discount to selected peers universe. EV/EBITDA (16E) at mkt price is 3.15x at market price. We view a relative valuation less relevant due to business model peculiarities as well as legal framework which drives it, which complicates the assessment of any potential discount to be applied to peers in order to develop a more accurate peer analysis.

Main risks are: (i) increase in royalties Romgaz has to pay (currently around 7%-8% on average on the revenues of domestically produced natural gas); (ii) gas production and reserves replacement; (iii) decline in natural gas demand (volumes) and prices following the liberalization process and (iv) mature fields, in production for more than 30 years.

Discounted Cash Flow Model

Our DCF valuation exercise results to an absolute target price of approximately RON 28.59/share, immaterially changed vs. previous update provided that in our current forecast we have taken out the windfall tax - for FY'17 weighted for the applicable time portion available.

We rolled set of forecasts by one year, and assumed over 10-year forecasted model FY'(16-25E) revenues CAGR of -2% now over FY'(16-25E), reflecting EBITDA margin still at elevated levels, on average over our forecasting horizon at 59% due to steady business model and derived operating cash-flows. Our average WACC stands at 9% and a perpetuity growth of 1%. Average CAPEX for the forecasting horizon estimated at RON 800-900m, with FY'16E estimated at RON 750m, below management estimates of RON 1.12bn, as we believe that expectations for weak gas demand during Q2/Q3'16 will postpone some investments ahead as production will be actually decrease in line with demand - in line with market expectations also. Overall should weigh some 27% over the next 4Y estimated company revenues (excluding FY'16E) and some 50% in EBITDA moving forward.

VALUATION - DCF Method	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Revenues	3,755,490	3,491,321	3,353,333	3,257,203	3,199,417	3,139,962	3,140,439	3,140,200	3,140,320	3,140,260
EBITDA	1,968,473	1,974,351	1,994,647	1,901,900	1,849,833	1,793,703	1,794,565	1,794,134	1,794,349	1,794,242
Depreciation	-793,598	-799,115	-826,731	-831,964	-868,361	-885,864	-938,264	-987,582	-980,400	-968,291
EBIT	1,169,358	1,147,621	1,162,683	1,033,540	963,969	855,439	806,983	813,734	826,058	816,660
Corporate Tax (effective)	224,683	220,510	223,026	198,688	185,705	165,734	157,056	158,683	161,328	159,929
Tax rate (%)	18.7%	18.7%	18.7%	18.7%	18.7%	18.7%	18.7%	18.7%	18.7%	18.7%
WC	437,761	405,685	380,981	368,423	358,734	350,251	350,080	350,165	350,122	350,144
WC/Sales	15.09%	14.76%	14.56%	14.42%	14.33%	14.23%	14.23%	14.23%	14.23%	14.23%
Change in WC	-536,151	-32,076	-24,704	-12,558	-9,689	-8,483	-171	85	-43	21
Operating Cash Flows	1,207,640	1,721,765	1,746,917	1,690,654	1,654,439	1,619,486	1,637,338	1,635,537	1,632,979	1,634,334
CAPEX	750,000	950,000	950,000	950,000	900,000	800,000	800,000	800,000	800,000	800,000
% in revenues	20%	27%	28%	29%	28%	25%	25%	25%	25%	25%
% in EBITDA	38%	48%	48%	50%	49%	45%	45%	45%	45%	45%
FCFs	457,640	771,765	796,917	740,654	754,439	819,486	837,338	835,537	832,979	834,334
DCF's	419,430	648,272	613,509	522,588	487,870	485,688	454,834	415,962	380,065	348,899

DCF assumptions	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Long Term Free Risk Rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Estimated Beta	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.9
Equity Risk Premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Cost of Equity	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
Cost of Borrowing (2016E)	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Target Capital Gearing	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Discount rate (WACC)	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
Average growth to perpetuity	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

Present value of FCFs (16E-18E)	1,681,210
Present value of FCFs 2nd stage (19E-25E)	3,095,905
TV	10,390,762
PV of TV	4,345,172
Total FCFs	9,122,288
(+) book value of investments (-) minorities (16E)	100,743
EV	9,223,031
(-) net debt (16E)	-3,065,503
(-) other adjustments	229,634
(-) dividends to be paid	-1,040,640
Shareholder's value:	11,018,259
Shareholder's value/share:	28.59
<i>Upside/downside (%)</i>	<i>19.6%</i>

Source: SSIF IEBA TRUST

Sensitivity to FY'16E DPS

	DPS YoY	FY16E DPS +/- 10% variation band				
	ch. %	-20.0%	-10%	-24.9%	10%	20.0%
ch% from current price	Price	1.62	1.82	2.03	2.23	2.43
-20%	19.12	8.48%	9.54%	10.61%	11.67%	12.73%
-10%	21.51	7.54%	8.48%	9.43%	10.37%	11.31%
0%	23.90	6.79%	7.64%	8.48%	9.33%	10.18%
10%	26.29	6.17%	6.94%	7.71%	8.48%	9.26%
20%	28.68	5.66%	6.36%	7.07%	7.78%	8.48%

Source: SSIF IEBA TRUST

Forecasts side: New vs. Old - Households' gas price deregulation calendar freeze until April 2017

Current estimates suffered immaterial changes compared to previous ones for FY'16E - EBITDA should reach some RON 2bn, with net profitability at some RON 1bn. Overall, we do not see Romgaz assuming debt in its balance sheet, as despite its concentrated customer portfolio, we deem that Romgaz retains some low credit risk. Over our forecasting horizon, the company remains with a hefty net cash position, able to support both working capital needs - which overall are not that burdening, as well as our above management guidance implied CAPEX (roughly some RON 0.9bn on average). Starting FY'18 we have excluded from computations the windfall tax, as we believe that in July 2017, the gas price deregulation calendar for households will reach an end, due to unexpected Gvnm't decision regarding freeze by April 2017.

On upstream side, we did not include yet any potential flows from Black Sea as we believe the project is still at early stage to produce effects, but however, should that be the case - somewhere at the high end of our forecasting horizon, both Romgaz and Petrom should have the ability to export part of local market oversupply, which for the moment is lacking Transgaz capex fulfilment.

Starting FY'17 the asset tax is excluded, while royalties level is kept constant at current standards. Not yet a clear picture with respect to the new royalties' regime - some differentiated level for on-shore/off-shore level will be imposed, with expectations for higher taxation for off-shore and most probably that upstream profits will be taxed for on-shore side, but this does not generate too much revenue for the state considering that oil price is currently hovering around USD 50/bbl.

Moreover, we have assessed, for each scenario the selling price for domestic producers considering Romgaz would sell 50% to households and 50% to households. The outcome is depicted below.

In more detail, for households' gas price we used the figures from the new gas price deregulation calendar while for the industrials side we used spot and forward quotations available on CEGH OTC market - main platform for gas trading in Central Europe.

Table. Old version of gas price deregulation calendar

Date	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19
New gas calendar - RON/MWh	60	66	66	66	72	72	72	72	78	78	78	78	84	84	84
y/y chng.		10%	0%	0%	9%	0%	0%	0%	8%	0%	0%	0%	8%	0%	0%

Source: ANRE, SSIF IEBA TRUST

Table. New version of gas price deregulation calendar and comparison with old one

Date	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20
Old gas calendar, RON/MWh	60	60	66	66	66	72	72	72	72	78	78	78	78	84	84	84	84
New gas calendar, RON/MWh	60	60	60	60	60	66	66	66	72	72	72	72	78	78	78	78	84
% chng. new vs. old	0%	0%	-9%	-9%	-9%	-8%	-8%	-8%	0%	-8%	-8%	-8%	0%	-7%	-7%	-7%	0%

Source: ANRE, SSIF IEBA TRUST

Upstream revenues side - new vs. old gas price scenario outcome:

Upstream segment data	FY'14A	FY'15A	Q1'16	FY'16E	FY'17E	FY'18E	FY'19E	FY'20E	FY'21E	FY'22E	FY'23E	FY'24E	FY'25E
Upstream Production (mn cm), o/w	5,664	5,563	1,374	5,144	4,954	4,760	4,625	4,536	4,450	4,449	4,449	4,449	4,449
own gas	5,469	5,360	1,331	4,949	4,751	4,561	4,424	4,336	4,249	4,249	4,249	4,249	4,249
(%) Domestic volumes in volumes produced	97%	96%	97%	96%	96%	96%	96%	96%	95%	95%	95%	95%	95%
JV volumes	195	203	44	195	203	199	201	200	201	200	200	200	200
(%) JV volumes in volumes produced	3%	4%	3%	4%	4%	4%	4%	4%	5%	5%	5%	5%	5%
(-) technological consumption	81	79	19.8	79	79	79	79	79	79	79	79	79	79
Upstream net production (mn cm)	5,388	5,281	1,311	4,871	4,673	4,482	4,346	4,257	4,170	4,170	4,170	4,170	4,170
Volumes invoiced gas injected (mn cm) - own production	565	738	7	945	842	893	867	880	874	877	875	876	876
Volumes invoiced gas extracted (mn cm) - own production	601	410	309	505	457	481	469	475	472	474	473	473	473
(-) PCS differences	10	16	2	13	15	14	14	14	14	14	14	14	14
Total deliveries own production (mn cm)	5,414	4,936	1,611	4,418	4,274	4,057	3,933	3,838	3,755	3,753	3,754	3,754	3,754
(-) Own consumption - power segment (Iernut&Cojocna), (mn cm)	445	527	93	600	550	550	550	550	550	550	550	550	550
Total deliveries, own production, external party (mn cm)	4,969	4,409	1,518	3,818	3,724	3,507	3,383	3,288	3,205	3,203	3,204	3,204	3,204
Upstream revenues, own production, external party (RON, Th)	3,413,733	3,159,884	1,079,996	2,742,214	2,529,587	2,365,827	2,282,583	2,218,355	2,162,121	2,160,987	2,161,554	2,161,271	2,161,412
Avg. selling price (RON/1000/cm), current mkt conditions	687	717	711	718	679	675	675	675	675	675	675	675	675
Avg. realized selling price (RON/MWh), current mkt conditions	65	68	67	68.0	64.3	63.8	63.8	63.8	63.8	63.8	63.8	63.8	63.8
Difference to regulated nat gas price due to computations	1	-3	-3										
Gas price scenarios													
Gas price deregulation calendar revenues													
Regulated Nat gas price (RON/MWh) for domestic producers, new				2,742,214	2,529,587	2,365,827	2,282,583	2,218,355	2,162,121	2,160,987	2,161,554	2,161,271	2,161,271
Regulated Nat gas price (RON/MWh) for domestic producers, old				2,796,692	2,722,145	2,588,232	2,497,162	2,426,896	2,365,375	2,364,135	2,364,755	2,364,445	2,364,445
Gas price deregulation calendar													
Regulated Nat gas price (RON/MWh) for domestic producers, new	68	71	70	68.0	64.3	63.8	63.8	63.8	63.8	63.8	63.8	63.8	63.8
Regulated Nat gas price (RON/MWh) for domestic producers, old				69.3	69.2	69.8	69.8	69.8	69.8	69.8	69.8	69.8	69.8
Total deliveries from JVs	181	169	41.5	156	156	156	156	156	156	156	156	156	156
JV volumes	181	169	41.5	156	156	156	156	156	156	156	156	156	156
Upstream revenues, JV deliveries (RON, Th)	139,657	131,373	32,858	117,000	117,000	117,000	117,000	117,000	117,000	117,000	117,000	117,000	117,000
Avg. selling price (RON/1000/cm)	773	778	792	750	750	750	750	750	750	750	750	750	750
Avg. selling price (RON/MWh)	73	74	75	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0
Total resold volumes (mn cm)	99	20	11	35	35	35	35	35	35	35	35	35	35
Upstream revenues resold production of local producers (RON, Th)	15,050	14,545	3,716	11,250	11,250	11,250	11,250	11,250	11,250	11,250	11,250	11,250	11,250
Acquisitions from other local producers	17.7	17.1	4.3	15	15	15	15	15	15	15	15	15	15
Avg. selling price (RON/1000/cm)	850	851	864	750	750	750	750	750	750	750	750	750	750
Avg. selling price (RON/MWh)	80	80	82	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0	71.0
Margin (RON/MWh)	12	9	12	3.0	6.7	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Regulated Nat gas price (RON/MWh) for domestic producers	68	71	70	68.0	64.3	63.8	63.8	63.8	63.8	63.8	63.8	63.8	63.8
Upstream revenues from import gas resold (RON, Th)	116,443	4,169	10,885	31,374	31,374	31,374	31,374	31,374	31,374	31,374	31,374	31,374	31,374
Import gas delivered	81.1	3	6.8	20	20	20	20	20	20	20	20	20	20
Avg. selling price (RON/1000/cm)	1,436	1,390	1,601	1,601	1,601	1,601	1,601	1,601	1,601	1,601	1,601	1,601	1,601
Cost of resold gas - imports	108,712	4,027	10,173	29,178	29,178	29,178	29,178	29,178	29,178	29,178	29,178	29,178	29,178
Total Upstream revenues (RON, Th) - base case scenario	3,684,883	3,309,971	1,127,455	2,901,838	2,689,211	2,525,452	2,442,207	2,377,979	2,321,745	2,320,612	2,321,178	2,320,895	2,321,037
Upstream revenues, own production - incl. JV, external party	3,553,390	3,291,257	1,112,854	2,859,214	2,646,587	2,482,827	2,399,583	2,335,355	2,279,121	2,277,987	2,278,554	2,278,271	2,278,412
Upstream revenues, own production, external party	3,413,733	3,159,884	1,079,996	2,742,214	2,529,587	2,365,827	2,282,583	2,218,355	2,162,121	2,160,987	2,161,554	2,161,271	2,161,412
Upstream revenues, JV deliveries	139,657	131,373	32,858	117,000	117,000	117,000	117,000	117,000	117,000	117,000	117,000	117,000	117,000
Upstream revenues resold production of local producers	15,050	14,545	3,716	11,250	11,250	11,250	11,250	11,250	11,250	11,250	11,250	11,250	11,250
Upstream revenues from import gas resold	116,443	4,169	10,885	31,374	31,374	31,374	31,374	31,374	31,374	31,374	31,374	31,374	31,374
Total Upstream revenues (RON, Th), scenarios													
Regulated Nat gas price (RON/MWh) for domestic producers, new				2,901,838	2,689,211	2,525,452	2,442,207	2,377,979	2,321,745	2,320,612	2,321,178	2,320,895	2,321,037
Regulated Nat gas price (RON/MWh) for domestic producers, old				2,956,317	2,881,769	2,747,856	2,656,786	2,586,520	2,525,000	2,523,760	2,524,380	2,524,070	2,524,070

Source: Romgaz, SSIF IEBA TRUST computations; upstream revenues account for around 96% of total consolidated revenues

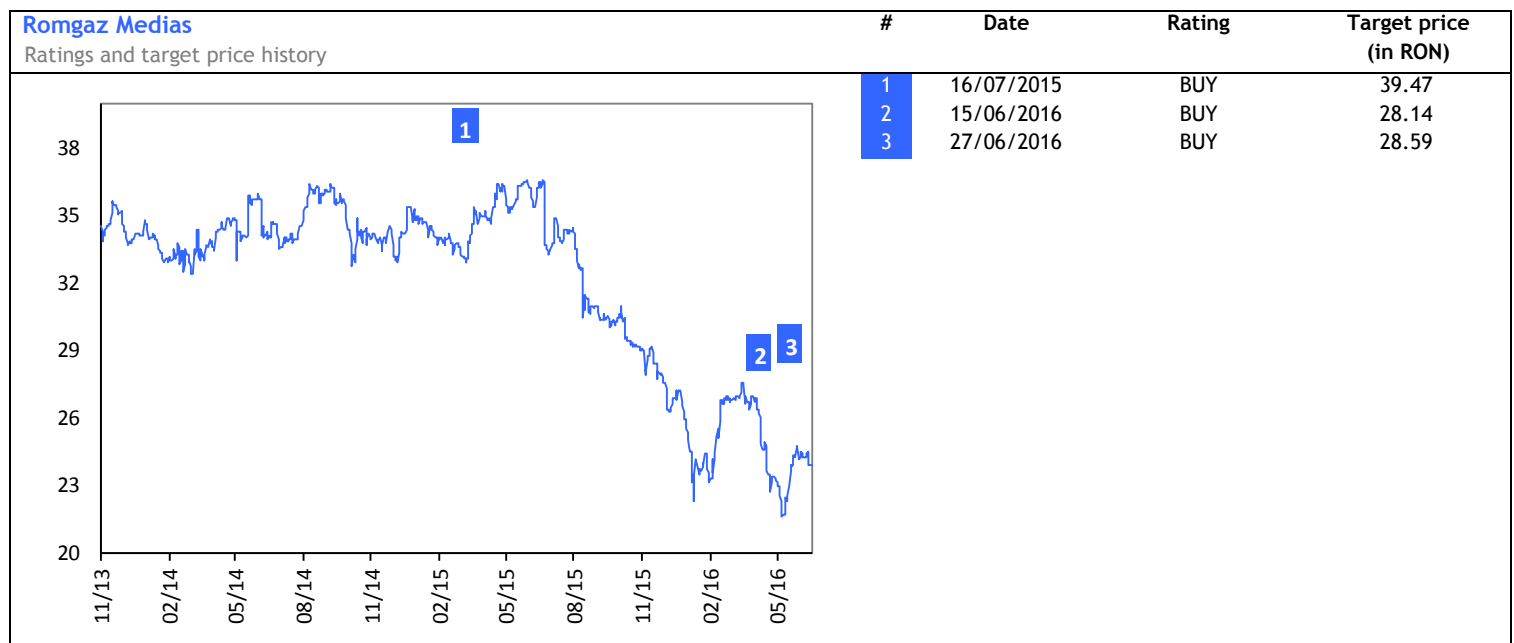
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ACCUMULATE	The stock is expected to generate potential excess return of 5 to 15%
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SSIF IEBA TRUST Net Income	Adjusted Net Income for one-off items	
Net Cash Flow from operations	EBITDA (+/-) other provisions (+/-)(Increase)/Decrease in Working Capital	
FCF Equity	Net Cash Flow from operations (-) CAPEX	
Net debt	Total short-term and long-term bank debt (-) cash	
EV	Market Cap (avg historic or current) + book value of minorities + Net debt	
FCFPS	FCF Equity	Diluted no of shares
EPS (or SSIF IEBA TRUST)	Reported (or SSIF IEBA TRUST) Net Income	Diluted no of shares
BVPS	Total Equity	Year end no of shares
P/E (or SSIF IEBA TRUST)	Share Price (avg historic or current)	Reported (or SSIF IEBA TRUST) EPS
P/E SSIF IEBA TRUST at 52wks High	52 weeks High price (avg historic or current)	SSIF IEBA TRUST EPS / Diluted SSIF IEBA TRUST Earnings Per Share
P/BV	Share Price (avg historic or current)	BVPS
ROE	Reported Net Income	Average Total Equity
ROCE	Reported Net Income	Average (Total debt + Total Equity)
EV/EBITDA	EV (with avg historic or current)	Reported EBITDA
EV/EBITDA (x) at 52wks High	EV using 52 weeks High market cap (avg historic or current)	Reported EBITDA
EBITDA/Net financials	Reported EBITDA	Net financials: Net interest (+/-) Net financials
EV/CE (x)	EV (with avg historic or current)	CE: Total bank debt + Total Equity
FCF Yield	FCFPS	Share Price (avg historic or current)
Dividend Yield	DPS	Share Price (avg historic or current)
Dividend Payout	Dividend	Reported Net Income

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