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**FOR IMMEDIATE RELEASE**

**11 October 2013**

**AS PART OF THE ROMANIAN GOVERNMENT'S PRIVATISATION PROGRAMME,  
ROMGAZ ANNOUNCES INTENTION TO PROCEED WITH AN INITIAL PUBLIC OFFERING OF EXISTING  
SHARES AND GLOBAL DEPOSITARY RECEIPTS (REPRESENTING INTERESTS IN SHARES) AND LISTING  
OF THE SHARES ON THE BUCHAREST STOCK EXCHANGE AND THE GLOBAL DEPOSITARY RECEIPTS  
ON THE LONDON STOCK EXCHANGE**

**Highlights**

- IPO to comprise up to 15% of the share capital of Romgaz to be offered by the Department of Energy, on behalf of the Ministry of Economy of Romania
- Listing of Offer Shares on the Bucharest Stock Exchange and GDRs on the London Stock Exchange
- The largest natural gas producer by production volume in the Central and East European region and the leading supplier in Romania, one of the largest energy markets in Central and Eastern Europe
- Dividend payout ratio of 95% of net profit in 2012 (according to IFRS financial statements)
- Romgaz generated net profits of RON 1.1 billion (US\$339 million) on revenue of RON 3.8 billion (US\$1.2 billion) for the full year 2012 and net profits of RON 0.6 billion (US\$177 million) on revenue of RON 1.9 billion (US\$ 575 million) in the first half of 2013
- Romania is a growing economy with potential for further economic development
- The Romanian Government is committed to gas market price liberalisation
- Romgaz is entering a phase of renewed growth in production as investment in its exploration programme leads to new discoveries

As part of the Romanian Government's privatisation strategy, S.N.G.N. Romgaz SA ("Romgaz" or the "Company"), Romania's largest natural gas producer and supplier, today announces its intention to launch an Initial Public Offering (the "Offering") of existing ordinary shares in the Company ("Offer Shares") and Global Depositary Receipts ("GDRs") representing interests in the Shares, following the approval of the prospectus by the Romanian Financial Supervision Authority.

The offering is expected to comprise existing shares to be offered by the Department of Energy, on behalf of the Ministry of Economy of Romania. Romgaz intends to apply for the admission of the Shares to trading on the Bucharest Stock Exchange and for the GDRs to be admitted to listing to the standard segment of the Official List of the United Kingdom Listing Authority and to trading on the regulated market of the London Stock Exchange. Romgaz will file the prospectus with the Romanian Financial Supervision Authority for approval, before initiating the offering.

## **Romgaz**

Romgaz is the largest natural gas producer and supplier in Romania, and, according to the National Regulatory Authority in the Energy Sector, in 2012, the Company had a share of 50.1% of domestic natural gas production and it supplied 41.7% of Romania's natural gas consumption. Romgaz's core business segments include: gas exploration and production, gas supply, underground gas storage and electricity production. In 2012, Romgaz produced 5.7 billion m<sup>3</sup> of natural gas.

In Romania, Romgaz currently operates 3,257 gas producing wells which access 147 commercial fields, as well as 29 exploration wells in nine on-shore exploration blocks. As at 30 June 2013, according to an independent third party, DeGolyer & MacNaughton, the Company held net proved reserves of 62.1 billion m<sup>3</sup> (equivalent to 2,192 billion ft<sup>3</sup>) of gas and net probable reserves of 13.2 billion m<sup>3</sup> (equivalent to 464.6 billion ft<sup>3</sup>) of gas. The Company holds petroleum agreements for nine on-shore exploration blocks in Romania with a total area of approximately 17,650 km<sup>2</sup>. In total, since 1997, more than 70 new gas discoveries have been made in the exploration blocks under concession (approximately 3.8 billion m<sup>3</sup> in terms of cumulative production), which reflects a success rate of 66% for completed exploration drillings.

The Company has entered into several partnerships and other shared investment arrangements for exploration and development of license areas, both abroad and in Romania. In Slovakia and Poland, the Company holds partnership shares of 25% and 30%, respectively, in arrangements for the exploration, development and production of five exploration blocks.

Within Romania, the Company has shared interests (ranging from 37.5% to 50%) in two further blocks. In addition, the Company has a series of collaborative agreements with, Lukoil, Vanco, Amromco Energy and Schlumberger Logelco together with other joint venture agreements to explore, develop or rehabilitate various blocks or facilities in Romania and in offshore areas.

Romgaz is also the largest underground gas storage operator in Romania. The Company owns six underground storage deposits with total working volume of 2.76 billion m<sup>3</sup> and, according to ANRE, it had a market share for underground gas storage in Romania of 90% in 2012.

The Company has recently entered into the electricity generation sector, through the acquisition in February 2013 of the Iernut gas-fired power plant, which had an installed capacity of 800 MW in 2012.

## **Financial Results**

Romgaz recorded EBITDA of RON 1.1 billion (US\$ 342 million) in the first six months of 2013 (compared to RON 1.2 billion (US\$ 371 million) in the first six months of 2012) and revenues of RON 3.8 billion (US\$ 1.16 billion), RON 4.2 billion (US\$ 1.27 billion) and RON 3.5 billion (US\$ 1.06 billion) in the financial years ended 31 December 2012, 2011 and 2010, respectively.

Romgaz recorded high EBITDA margins, achieving results of 48.3% in 2012 and 58.7% in H1 2013, compared to margins of 46.2% in 2011.

Romanian Government legislation on the distribution of profits by state owned companies states that at least 50% of the profit of state owned companies must be distributed in dividends. For the years 2011 and 2012 the Company's dividend payout ratios stood at 79% and 95% , respectively. Romgaz expects to pay out approximately 85% of 2013 net income as dividends to its shareholders subject to the financial position and investment requirements of the company.

## **The Romanian Gas Market**

Romania is the third largest Central and Eastern European country by total GDP in 2012 and has the second largest population, at 19 million, among these 18 countries. The Government has pursued responsible macroeconomic policies, resulting in low and declining levels of public debt and budget deficits.

Romania is the second largest natural gas market in Central and Eastern Europe after Poland, with consumption standing at 13.5 billion cubic meters in 2012.

The Romanian Government has begun the deregulation of domestic gas prices. As part of market liberalisation gas consumers may already choose between suppliers and the Government has stated that it intends to achieve full price deregulation for non-household customers by the end of 2014 and for household customers by the end of 2018.

## **The Offering**

The IPO will comprise an offer of up to 15% of existing shares in the form of Offer Shares and GDRs held by the Ministry of Economy of Romania, acting through the Department of Energy.

The Offering will be made to institutional and retail investors in Romania and to qualified international institutional investors outside the United States in reliance on Regulation S and to certain qualified institutional buyers in the United States under Rule 144A. The Offering is expected to be completed by the end of 2013, subject to market conditions.

Goldman Sachs International and Erste Group Bank AG have been appointed as Joint Global Coordinators and Joint Bookrunners for the Offering. Banca Comerciala Romana SA and SSIF Raiffeisen Capital & Investment SA have been appointed as Domestic Lead Managers.

The Offering is part of Romania's privatisation programme, in accordance with its established policies of economic liberalisation and deregulation.

### **Shareholder Structure**

Following the Offering the Ministry of Economy will hold at least a 70% interest in the Company's shares. SC Fondul Proprietatea will maintain its existing holding of a 15% interest in the Company's shares and public free float will comprise the remaining shares.

### **Comment**

Constantin Nita, the Minister Delegate for Energy, commented:

"Romgaz is a strategic company for Romania, and can rightly be called the jewel in the crown of the Romanian energy sector, due to its track record of performance over time. The listing of Romgaz, the largest gas producer and supplier in the local market, is part of the ambitious programme initiated by the Romanian Government to introduce private investors into strategic companies, in the context of reforming the energy sector in line with the principles of real competition on the basis of market liberalization. The Romgaz IPO will have a major impact on the Romanian energy sector and I believe that Romanian and international investors will seize the opportunity. At the same time, it is an opportunity for the local capital market, due to the major offering on the Bucharest Stock Exchange. The quality of the company and its growth potential make it the right choice to be a flagship for Romania as the first Romanian privatisation to be listed on the London Stock Exchange. This is a further step in the company's strategy of internationalisation."

Virgil Metea, Chief Executive Officer of Romgaz, commented:

"Our IPO announced today represents a new phase in the development of Romgaz. We are building on our more than 100 year track record of upstream operations in Romania to develop new fields in our home market, expand into new frontier areas (such as deep zones and deep water in the Black Sea) and prepare for full domestic market and price liberalisation. We believe Romgaz offers investors an attractive combination of strong cashflows from the supply of gas to the Romanian market with the potential for stabile production from our exploration assets. "

Ends

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Goldman Sachs International, Erste Group Bank AG, Banca Comerciala Romana SA and SSIF Raiffeisen Capital & Investment SA, are acting exclusively for the Ministry of Economy of Romania and no one else in connection with the Offering and will not regard any other person as its client in relation to the Offering and will not be responsible to anyone other than the Ministry of Economy of Romania for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering, the contents of this announcement or any transaction, arrangement or other matter referred to herein.