

DEVELOPMENT STRATEGY

MISSION, VISION, STRATEGIC OBJECTIVES

2018-2020

1. Mission

SNGN Romgaz SA mission is energy production and supply, provision of natural gas underground services under quality, safety, continuity and flexibility conditions.

The Company uses all resources, in a responsible and ethical manner, in order to have a long term profit.

Romgaz explores internal and international development opportunities aiming to become a regional leader on the gas market.



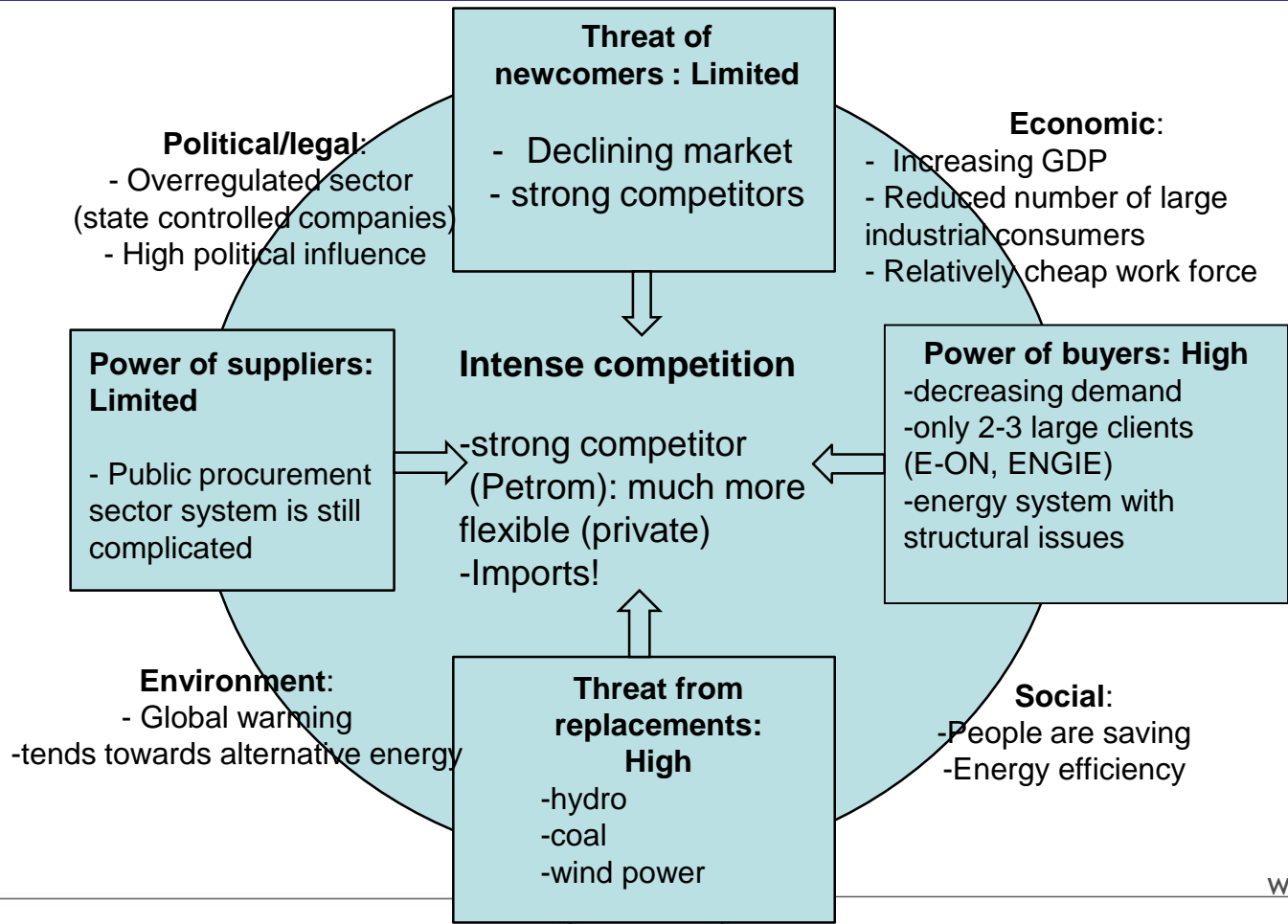
www.romgaz.ro

2. Current status

ROMGAZ has a remarkable financial and market position:

- Gas production leader in Romania;
- Increasing evolution of the revenue and net profit for the last years (the main income source was the exploration-production segment);
- 2017 the best year in Romgaz history with respect to financial indicators;
- No debts;
- Very favourable geo-economic background on the energy market.

3. Background



4. SWOT Analysis

STRENGTHS

- important national gas resources;
- Romgaz is a strong and recognized brand in the business environment;
- good business reputation;
- solid financial position (EBITDA>50%);
- important resources and assets, qualified work force, highly efficient management;
- management and operational teams with extensive experience on the Romanian energy sector;
- underground storage services provide stability and diversification;
- diverse portfolio with a low risk;
- CET Iernut: experience and perspective on the electricity market.

OPPORTUNITIES

- price liberalization, market deregulation;
- partnerships
- create the environment for access to the regional energy market – energy export
- international projects
- increasing electricity market;
- renewable energy;
- underground gas storages that can be used for trading or technological purposes

WEAKNESSES

- reserves decline, being although a natural, objective process;
- reduced risk appetite;
- high risk related to investments. Long development cycle of investment projects;
- Interim Board of Directors and executive management;
- lack of flexibility – still overregulated sector;
- lack of expertise in international energy trading;
- lack of expertise related to international exploration-production project development.

THREATS

- losing the market position, the market share
- reduced gas demand on the Romanian market;
- restrictive laws (new royalties, 90% dividends etc.);
- legislative instability;
- social pressure determined by price increases;
- collapse of the centralised heating system (powerplants)

5. Vision

Romgaz proposes to be an active, profitable and competitive player on the gas and 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.



6. Strategic objectives

- Increase the gas resource and reserves portfolio. Discovery of new resources. Increase production efficiency of current resources**
- Consolidate the position on the energy supply markets. Integration on the renewable energy market**
- Create value for shareholders by developing new services and products**
- Business development by approaching new internal and international markets**

7. Strategic development lines

		Markets	
		Existent	New
Products	Existent	<p>Penetration</p> <ul style="list-style-type: none"> • New clients in Romania (gas) • Increase the volume for existing clients • Consolidate the position on the electricity market 	<p>Market differentiation</p> <ul style="list-style-type: none"> • Natural gas export in the region • Electricity export • Natural gas exploration/production in the region
	New	<p>Product differentiation</p> <ul style="list-style-type: none"> • Renewable energy parks • GAS 2 POWER - cogeneration 	<p>Diversification</p> <ul style="list-style-type: none"> • Distribution and/or supply of Compressed Natural Gas (CNG) • Petrochemical industry