

DIVIDEND POLICY
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Chapter 1. Preamble

In order to comply with the requirements of BSE Code of Corporate Governance, Romgaz decided to adopt a Dividend Policy.

The scope of this Dividend Policy is to set a series of guidelines on the distribution of the net profit which will be followed by the Company. The Company is aware that such policy helps potential investors to have a clear image on the financial structure of the company.

The dividend policy represents the intention of the Board of Directors upon its approval and may be reviewed in the future.

This Policy is supplemented by the provisions of the Articles of Incorporation and by: (i) Law 31/1990, (ii) GO 64/2001, (iii) Law 297/2004, (iv) CNVM Regulation 1/2006, (v) Order of the Public Finance Ministry 881/2012, (vi) Order of the Public Finance Ministry 2844/2016.

Chapter 2. Definitions

For the purposes of this Dividend Policy, the terms and expressions below shall have the following meaning:

- a) **“Articles of Incorporation”** – Romgaz Articles of Incorporation¹
- b) **“GMS”** – General Meeting of Shareholders
- c) **“BSE”** – Bucharest Stock Exchange
- d) **“GDR”** – global depository receipt
- e) **“Law 297/2004”** – Law 297 of June 28, 2004 on the capital market, as subsequently amended and supplemented;
- f) **“Law 31/1990”** – Law 31/1990 on trade companies, as subsequently amended and supplemented;
- g) **“GO 64/2001”** – Ordinance no. 64 of August 30, 2001 on profit distribution at national authorities, national companies and trading companies with full or majority state-owned capital, as well as to autonomous administrations, as subsequently amended and supplemented;
- h) **“Order of the Public Finance Ministry 2844/2016”** – Order no. 2844/2016 on approving Accounting regulations according to the International Financial Reporting Standards;
- i) **“Order of the Public Finance Ministry 881/2012”** – Order 881/2012 regarding the implementation of the International Financial reporting Standards by trading companies whose securities are traded on a regulated market, as subsequently amended and supplemented;
- j) **“the Company’s website”** – www.romgaz.ro;
- k) **“legal provision/regulation”** – any field related legal rules provided in a law published in the Official Gazette of Romania – Part I;
- l) **“CNVM Regulation 1/2006”** – CNVM Regulations 1/2006 on issuers and securities operations, as subsequently amended and supplemented;
- m) **“Romgaz” or “the Company”** - Societatea Națională de Gaze Naturale ROMGAZ SA.

¹ Published on the company’s website at Investor Relations / Corporate Governance

Chapter 3. General

A company's policy on the net profit distribution refers to its options to distribute the net profit to shareholders, to reinvest it for supporting own projects or to split it on both purposes.

Consequently, each year there may be deviations from this Policy, depending on the current situation as regards, for example, the capital necessary for investments, other specific legal requirements, etc.

Chapter 4. Dividend Distribution

Dividends are distributed to shareholders pro rata with their participating interest to the share capital of the Company, each fully paid share grants the titleholder the right to receive dividends.

Moreover, the shares issued by the Company are underlying the GDR's issued by the Bank of New York Mellon, which are traded on London Stock Exchange. The Company pays dividends to the GDR's issuer pro rata to its shareholding under the same conditions and by complying with the same procedures as for the other shareholders. GDR holders will subsequently receive dividends from the GDR issuer pro rata with their holding.

Chapter 5. Dividend Value

Romgaz, as issuer of securities traded on the regulated market governed by BSE, complies with the provisions of Order no. 881/2012 and Order no. 2844/2016 and distributes the profit according to the financial statements prepared in compliance with the IFRS.

Romgaz net profit is set based on the annual financial statements approved by the GMS and it is distributed by GMS resolution subject to the law. The Company does neither distribute nor pay partial or advance dividends.

To determine the annual dividend, the Company analyses the investment projects included in the future budgets and own sources for financing such projects. A priority for the Company is to ensure sources necessary for financing projects.

In our case, the annual distributed profit included a development quota², proportionally to the depreciation of fixed assets financed previously from this quota.

Moreover, for setting the dividend payout ratio, the Company also considers the following aspects: liquidities and indebtedness.

² The development quota for the discovery of new reserves, set up until 2013, represented a cost element, namely a financing source for developing production, set up by applying a percentage to the sold and cashed-in gas production. The manner of setting up this quota, use and other explanations were provided in Decisions 765/1994, 1049/1995, 168/1998, 768/2000, 1116/2002 and in Order 1163/2004 to approve Decision no. 4.

Chapter 6. Dividends Distributed in Previous Years

For the last 3 years, Romgaz dividend payout ratio was on average 78%³.

During 2013-2015 Romgaz profit has been distributed as follows:

RON thousand	2013	2014	2015
Gross profit	1 300 643	1 788 329	1 468 837
Profit tax	305 088	378 448	274 553
Net Profit	995 555	1 409 881	1 194 284
Retained earnings and losses (+)	157 639	241 902	214 143
Reserves (-)	- 477	- 30 668	- 31 848
Employees profit sharing fund	12 738	16 774	16 774
Profit to be distributed (calculation basis)	1 165 455	1 637 889	1 393 353
Profit to be distributed (without employee profit sharing)	1 152 717	1 621 115	1 376 579
DIVIDEND PAYOUT RATIO (applied to profit calculation basis):	85.00%	74.12%	74.69%
DIVIDENDS, out of which:	990 637	1 214 081	1 040 640
– to the state budget (70%)	693 446	849 857	728 448
– to other shareholders (30%)	297 191	364 224	312 192
Financing sources (allocated in the following year)	162 080	407 034	335 9

Chapter 7. Dividend Payment

Dividends will be paid in compliance with GMS Resolution under the terms and conditions provided by law.

Romgaz complies with the Romanian laws and applies a withholding tax on dividends. Non-resident shareholders who would like to benefit from the Double Taxation Convention between Romania and their country of residence have to submit until the payment date, the fiscal residence certificate valid for the year the dividend is paid.

Besides the purpose of the non-distributed profit and the gross dividend amounts to be paid, the GMS also approves the following:

- the registration date and the “ex date” for identifying the shareholders that are entitled to receive dividends;
- the payment date/ the payment start date of the net dividends.

³ The percentage has been calculated as an arithmetic mean of the “dividend payout ratio” percentages from the table below.

Chapter 8. Publishing Information on the Payment of Dividends

Romgaz publishes information on the payment of dividends and on other distributions made to shareholders (gross dividend, payment date, registration date, ex date, dividend payment methods) on the Company's website⁴, in compliance with the effective laws.

Chapter 9. Final Provisions

This Policy has been prepared by Romgaz Board of Directors on March 23, 2017.

The Dividend Policy may be reviewed and/or updated whenever necessary, by complying with the applicable laws or in case of binding laws or regulations on the dividend policy of trading companies.

⁴ Section Investor Relations / Dividend Policy for each financial year