

No. DG 3572/23.01.2020

Submitted for analysis within the OGMS dated 4/5 March 2020

## REPORT

### On the inconsistencies found by the control bodies in compliance with art.43 of GEO no. 114/2018

## SUMMARY

During 25.11.2019 – 23.12.2019, Transgaz was subject of an economic-financial inspection for the "Verification of the provisions of art. 43 under the Government Emergency Ordinance no. 114/2018 on the application of public investment and fiscal-budgetary measures, amendment and supplementation of normative acts and deadline prorogation for the fiscal year 2018".

The conclusion provided for in the report resulted from the economic-financial inspection is: **"the value of the 35% share of the liquidity account is committed by procurement contracts and Transgaz fails to comply with the conditions stipulated in art. 43 of GEO no. 114/2018 to distribute and transfer dividends from the amounts allocated to other reserves as own funding source."**

### Detailed report contents

According to the provisions of art. 43 of GEO 114/28 December 2018:

*„The economic operators mainly or fully controlled by the state applying the provisions of Government Ordinance no. 26/2013 on the on strengthening the financial discipline at certain business operators where the state or the administrative – territorial authorities are sole or major shareholders or, directly or indirectly, hold a major*

*interest, approved with additions by Law No. 47/2014, with subsequent amendments and additions, distribute and transfer according to the law, within 60 days as of the approval of the financial statements for the year 2018, in the form of dividends or payments to the state budget, in the case of autonomous administrations, 35% of the sums allocated to other reserves, under Art. 1 par. (1) letter. g) of the Government Ordinance No. 64/2001 on the distribution of the profit related to the national enterprises, national companies and fully or mainly state-owned trading companies, as well as related to the autonomous administrations, approved with additions by Law No. 769/2001, with subsequent amendments and additions, found in the cash balances and bank accounts, as well as those related to short-term investments on 31 December 2018 and which, at the same date, are not committed, through procurement contracts, to be used as own sources of funding."*

The company made the **proposal on the gross dividend per share and of the dividend payment method for the fiscal year 2018** subject to the approval of the GOSM within the GOSM meeting dated 24.04.2019 based on the Report no. 16.154/15.03.2019.

**The text of the report specified that "no dividends were distributed in accordance with the provisions of Art. 43 of GEO 114/2018 due to the fact that on 31 December 2018 35% of the amounts allocated to other reserves according to Art. (1) (g) of Government Ordinance 64/2001 on the allocation of profits in national companies and trading companies owned by the state or where the state is a majority shareholder and the autonomous administrations, approved as supplemented by Law 769/2001, as further amended and supplemented, found in the existing cash in hand and bank accounts as well as those related to short-term investments, are committed under procurement contracts, to be used as own funding sources (Annex 1).**

Annex 1 to the report no. 16154/15.03.2019 contemplated "Explanations regarding Art.43 of GEO 114/2018" and a Master-table of the Contracts in progress on 31 December 2018.

During 25.11.2019 – 23.12.2019, Transgaz was subject of an economic-financial inspection for the "Verification of the provisions of art. 43 under the Government Emergency Ordinance no. 114/2018 on the application of public investment and fiscal-budgetary measures, amendment and supplementation of normative acts and deadline prorogation for the fiscal year 2018".

The conclusion provided for in the report resulted from the economic-financial inspection is: **"the value of the 35% share of the liquidity account is committed by procurement contracts and Transgaz fails to comply with the conditions stipulated in art. 43 of GEO no. 114/2018 to distribute and transfer dividends from the amounts allocated to other reserves as own funding source."**

Over the period of the economic-financial verifications, the team of inspectors checked the documentation underlying the preparation of the master-table under Annex 1 to

Report no. 16154/15.03.2019 and decided that Transgaz' Ordinary General Meeting of the Shareholders should be notified, within their first meeting, of the inconsistencies found in the light of the compliance with art. 43 of GEO no. 114/2018.

The inspectors' findings regarding the values under Annex 1 to Report no. 16154/15.03.2019 are illustrated in Annex 1 hereto.

Annexes:

Annex 1 – shall not be published

**Chairman of the Board of Administration**

**Lăpușan Remus Gabriel**