

No. 16.155/15.03.2019

Submitted for approval in the OGMS meeting of 23 April 2019

REPORT

on the proposal for the allocation of the 2018 financial year net profit

SUMMARY

The net profit was allocated according *Government Ordinance No. 64 of 30 August 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* in terms of applying the rate of 50.00875% to profit as dividends. The quota allocation foreseen in the revenue and expense budget of SNTGN Transgaz SA for year 2018 approved by OGMS Resolution 2/06.03.2018 is of 50%.

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, it was not proposed the distribution of dividends in accordance with the provisions of Art. 43 of GEO 114/2018.

PROPOSAL

We submit for approval the following, according to Art. 15.3 (f) of the updated Articles of Incorporation of SNTGN TRANSGAZ SA

1. the allocation of the net profit as follows:

- dividends to the shareholders	LEI 255.021.461,04
- profit for the establishment own financing sources	LEI 240.653.646,96

2. employee participation in profit according to Art.141 of the applicable Collective labour Contract concluded by SNTGN TRANSGAZ SA, in amount of LEI 14,278,572.

DETAILED CONTENT

Net profit to be distributed according to the financial statements and to the statement of comprehensive income` after the deduction of the income tax amounts to **LEI 495,675,108.**

The proposal for the allocation of the net profit for 2018 is according to *Government Ordinance No. 64/2001 on the allocation of profit in national companies and trading companies owned by the state or where the state is a majority shareholder and the autonomous administrations*, as further amended and supplemented, and to the specifications approved by *Order of the MPF 144/2005 on the approval of the Specifications for the determination of the amounts subject to profit allocation according to GO 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*, as amended and approved by *Law 76 /2001*, as further amended and supplemented

Net profit was allocated as dividends according to the 50.00875% quota. The allocation quota foreseen in the revenue and expense budget for year 2018 approved by OGMS Resolution 2/06.03.2018 is of 50%.

The calculations referring to the determination of net profit amounts distributed are shown in the Annex to this report, as further amended and supplemented, on which we make the following clarifications:

↳ no amounts were distributed to the legal reserves as they are presently constituted under the quota of 20% of the share capital, according to Art. 183 (1) and (2) of Law 31/1990, as further amended and supplemented;

↳ the employees participation in the profit was determined within the limits of the average monthly base salary per employee in 2018, according to the number of employees in the financial year ended;

↳ dividends due to shareholders were determined according to OMPF 144/2005, by applying the quota of 50.00875% to the net profit after its reunification with the amount of the costs representing employee participation to the profit, affecting the gross profit before taxation. ***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, it was not proposed the distribution of dividends in accordance with the provisions of Art. 43 of GEO 114/2018 (Annex 2).

↳ the retained earnings, for establishing own financing sources, were determined as the difference between net profit to be allocated and the profit proposed to be allocated according to GO No. 64/2001.

The proposal regarding profit allocation according to GO 64/2001 is presented in the table below:

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Indicators	Amount		Increase
	REB approved	Achieved	%
0	1	2	3=2/1x100
A. Gross result of the year	254,711,000.00	582,880,228.00	228.84%
B. Current income tax, of which:	46,834,000.00	98,131,983.00	209.53%
C. Deferred income tax	5,281,000.00	10,926,863.00	206.91%
D. net result of the year (A-B), of which allocated as follows:	213,158,000.00	495,675,108.00	232.54%
a) legal reserves		-	
b) other reserves representing fiscal facilities provided by the law		-	
c) the covering of the accounting losses from the previous years		-	
c ¹) the establishment of own financing sources for projects cofinanced from external loans		-	
d) other allocations provided by special laws		-	
E. net profit remained (D+c)	213,158,000.00	495,675,108.00	232.54%
e) employees participation to the profit	12,013,000.00	14,278,572.00	118.86%
f) dividends due to the shareholders	112,585,000.00	255,021,461.04	226.51%
g) profit for establishing own financing sources	100,573,000.00	240,653,646.96	239.28%
TOTAL allocations	213,158,000.00	495,675,108.00	232.54%

Chairman of the Board
Lăpușan Remus Gabriel

**Calculation of the amounts allocated from the profit for 2018 according to GO
64/2001,
as further amended and supplemented and to the specifications
approved by OMPF 144/2005**

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A. Net PROFIT to be allocated (from account 121)	495,675,108.00
a) legal reserves (Art.183, paragraphs (1) and (2) of Law 31/1990	0
- share capital	117,738,440.00
- 20% quota	23,547,688.00
- existing reserve fund	23,547,688.00
- reserve fund to be established (admitted amount)	0
b) Other reserves representing fiscal facilities provided by the law (not applicable)	
c) The covering of the accounting losses from the previous years	0.00
c¹) The establishing of own financing sources for projects cofinanced from external loans	
(not applicable – the company has other funds)	
d) Other allocations provided by special laws (not applicable)	
B) NET PROFIT REMAINED – (a+b+c+c¹+d)	495,675,108.00
e) employees participation in the profit	14,278,572.00
f) gross dividends due to the shareholders (minimum 50% of the profit remained after the deduction of the amounts foreseen at letters a, b, c, c ¹ and d corrected with the employees participation in the profit)	255,021,461.04
g) retained earnings for establishing own financing sources (point B – point f)	240,653,646.96
C) TOTAL profit allocated (a+b+f+g)	495,675,108.00
D) AMOUNTS representing employees participation in the profit, retained from the gross profit before taxation.	
-participation in the profit within the limit of 10% of the net profit remaining to be allocated (point B)	14,278,572.00
-average number of staff	4,284
-average monthly base salary achieved in 2015	3,333.00
-fund of participation of the employees in the profit, admitted	14,278,572