

No. 21.964/21.03.2022

Submitted for approval in the OGMS meeting of 28/29 April 2022

## REPORT

### on the proposal for the distribution of the 2021 financial year net profit

## SUMMARY

The net profit was distributed according to *Government Ordinance no. 64 of 30 August 2001 on the distribution of profits national companies, national companies and trading companies fully or mainly controlled by the State, as well as autonomous companies*, as subsequently amended and supplemented and in accordance with the provisions of art IV of GEO 3/26 January 2022 for the amendments and supplementing of *Government Emergency Ordinance No 118/2021 on the establishment of a compensation scheme for the consumption of electricity and natural gas for the 2021-2022 cold season, as well as for supplementing Government Ordinance No 27/1996 on the granting of facilities to persons living or working in certain localities in the Apuseni Mountains and in the "Danube Delta" Biosphere Reservation*:

- **(1) By way of derogation from the provisions of Article 1 para. (1) letter f) of the Government Ordinance no. 64/2001 on the distribution of the profits of national companies, national companies and trading companies fully or mainly controlled by the State, as well as autonomous companies**, published in the Official Journal of Romania, Part I, no. 536 of 1 September 2001, approved with amendments by Law no. 769/2001, as amended, for the financial year 2021, in the case of companies with full or majority state capital, as well as in the case of autonomous companies established by the State, **the accounting profit remaining after deduction of the corporate income tax shall be distributed in an amount of at least 90% in the form of payments to the state budget in the case of autonomous companies established by the State or in the form of dividends in the case of companies with full or majority state capital, in accordance with the law.**
- **(2) In duly justified cases, the Government may approve by decision the distribution to the state budget, in the form of payments to the state budget in the case of autonomous companies or in the form of dividends in the case of companies fully or mainly controlled by the State, of less than 90% of the accounting profit remaining after the deduction of the corporate tax, but not less than 50% of it.**

The distribution of 50% of the net profit of S.N.T.G.N. Transgaz S.A. in 2021 in the form of dividends would make an important contribution to ensuring the source of financing needed by Transgaz to carry out the strategic investment projects included in the company's

development programme approved by the National Energy Regulatory Authority and the expansion of the natural gas transmission pipeline system to connect the country's localities to the National Transmission System, with a major positive impact on increasing the population's welfare and the development of local administrative units, as well as increasing the safe operation of the National Transmission System (NTS), for this reason, the company requested the supervisory authority to support the investment activity of SNTGN Transgaz SA by taking steps to initiate a Government Decision approving the distribution in the form of dividends for the financial year 2021 of a share of 50% of the accounting profit remaining after deduction of corporate income tax.

**At the time of drafting this report, no Government Decision has been issued in accordance with GEO 3/26 January 2022, art. IV, paragraph (2), which is why the proposal to distribute the net profit as dividends was put forth, in accordance with GEO 3/26 January 2022, art. IV, paragraph (1), at a share of 90.04007%.**

The share provided for in SNTGN Transgaz SA's revenue and expense budget for 2021 approved by OGMS Resolution no. 3/27.04.2021 was 50%.

## **PROPOSAL**

**According to Art. 15.3 point (f) of the updated Articles of Incorporation of SNTGN TRANSGAZ SA, we submit for approval:**

**1. the distribution of the net profit as follows:**

- dividends due to the shareholders **Lei 183.789.704,84**
- profit for the establishment of own financing sources **Lei 3.151.767,16**

**2. employee participation to profit according to Art.141 of the applicable Collective Labour Contract concluded by SNTGN TRANSGAZ SA, amounting to lei 17.178.424.**

## **DETAILED CONTENT**

The 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 186.941.472.**

The proposal for the distribution of the net profit related to 2021 was put forth according to:

- *Government Ordinance no 64/2001 on the distribution of profit in national companies, national companies and trading companies fully or mainly controlled by the State, as well as autonomous companies, as subsequently amended and supplemented;*
- *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 distribution according to GO no 64/2001 on the distribution of profits in national companies, national companies and trading companies fully or mainly controlled by the State, as*

well as autonomous companies, as amended and approved by Law 769/2001, as subsequently amended and supplemented;

- provisions of Article IV, paragraph (1) of GEO 3/26 January 2022 "By derogation from the provisions of Art. (1) point f) of Government Ordinance no. 64/2001 on the distribution of profits of national companies and **national companies** and trading companies fully or mainly controlled by the State, as well as autonomous companies, published in the Official Gazette of Romania, Part I, no. 536 of 1 September 2001, approved as amended by Law no. 769/2001, as subsequently amended and supplemented, for the financial year 2021, in the case of companies owned by the state or where the state is a majority shareholder, as well as in the case of autonomous state-owned companies, **the accounting profit remaining after deduction of the corporate income tax shall be distributed at least 90% in the form of payments to the State budget in the case of autonomous companies or in the form of dividends in the case of companies fully or mainly controlled by the State, in accordance with the law.**"

**The net profit was allocated as dividends at a share of 90.04007%.**

The distribution share foreseen in the revenue and expense budget for 2021 approved by OGMS Resolution 3/27.04.2021 is of 50%.

The calculations for the net profit amounts distributed are indicated in the annex to this report on which we make the following clarifications:

- ↳ no amounts were distributed to the legal reserves as they are presently established under 20% of the share capital, according to Art. 183 (1) and (2) of Law 31/1990, as subsequently amended and supplemented;
- ↳ the employees' participation to the profit was determined within the limits of the average monthly base salary per employee in 2021, according to the average number of employees in the financial year ended;
- ↳ dividends due to shareholders were determined according to OMPF 144/2005, by applying the share of 90,04007% to the net profit after its reunification with the amount of the costs representing employees' participation to the profit, affecting the gross profit before taxation; Distribution of 50% of the net profit of S.N.T.G.N. Transgaz S.A. in 2021 in the form of dividends would make an important contribution to ensuring the source of financing needed by Transgaz to carry out the strategic investment projects included in the company's development programme approved by the National Energy Regulatory Authority and the extensions of the natural gas transmission pipeline system intended to connect the country's localities to the National Transmission System, with a major positive impact on increasing the population's welfare and the development of local administrative units, as well as increasing the safe operation of the National Transmission System (NTS), for this reason, the company requested the supervisory authority to support the investment activity of SNTGN Transgaz SA by taking steps to initiate a

Government Decision approving the distribution in the form of dividends for the financial year 2021 of a share of 50% of the accounting profit remaining after deduction of corporate income tax. **At the time of drafting this report, no Government Decision has been issued in accordance with GEO 3/26 January 2022, art. IV, paragraph (2), which is why the proposal to distribute the net profit as dividends was put forth, in accordance with GEO 3/26 January 2022, art. IV, paragraph (1), at a share of 90.04007%.**

↳ 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 distribution according to GO no 64/2001 is presented in the table below:

| <i>Indicators</i>  | <i>Amount</i>         |                       | <i>-lei-</i><br><i>Increase</i> |
|--|-----------------------|-----------------------|---------------------------------|
|  | <i>REB approved</i>   | <i>Achieved</i>       | <i>%</i>                        |
| 0  | 1                     | 2                     | 3=2/1x100                       |
| <b>A. Gross result of the financial year</b>   | <b>116.020.000,00</b> | <b>239.268.327,00</b> | <b>206,23%</b>                  |
| <b>B. Current income tax</b>   | 24.020.000,00         | 48.447.397,00         | 201,70%                         |
| <b>C. Deferred income tax</b>  | 5.281.000,00          | -3.879.458,00         |                                 |
| <b>D. Net result of the financial year (A-B+C), of which allocated as follows:</b>                       | 97.281.000,00         | 186.941.472,00        | 192,17%                         |
| 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 <sup>1</sup> ) the establishment of own financing sources for projects co-financed from external loans |                       | -                     |                                 |
| d) other allocations provided by special laws  |                       | -                     |                                 |
| <b>E. Net profit remained (D+c)</b>  | <b>97.281.000,00</b>  | <b>186.941.472,00</b> | <b>192,17%</b>                  |
| e) employees` participation to the profit  | 17.172.000,00         | 17.178.424,00         | 100,04%                         |
| f) dividends due to the shareholders   | 57.227.000,00         | 183.789.704,84        | 321,16%                         |
| g) profit for establishing own financing sources   | 40.054.000,00         | 3.151.767,16          | 7,87%                           |
| <b>TOTAL allocations</b>   | <b>97.281.000,00</b>  | <b>186.941.472,00</b> | <b>192,17%</b>                  |

**Chairman of the Board of Administration**

**VĂDUVA PETRU ION**

**Calculation of the amounts allocated from the profit for 2021 according to GO no 64/2001, as subsequently amended and supplemented and to the specifications approved by OMPF 144/2005**

*-lei-*

|   |                       |
|---|-----------------------|
| <b>A. Net PROFIT to be allocated (from account 121)</b>   | <b>186.941.472,00</b> |
| <b>a) legal reserves (Art.183 (1) and (2) of Law 31/1990</b>  | <b>0</b>              |
| - share capital   | 117.738.440,00        |
| - 20% share   | 23.547.688,00         |
| - existing reserve fund   | 23.547.688,00         |
| - reserve fund to be established (admitted amount)  | 0                     |
| <b>b) Other reserves representing fiscal facilities provided by the law (not applicable)</b>  |                       |
| <b>c) The covering of the accounting losses from the previous years</b>   | <b>0</b>              |
| <b>c<sup>1</sup>) The establishing of own financing sources for projects co-financed from external loans</b>  |                       |
| (not applicable – the company has other funds)  |                       |
| <b>d) Other allocations provided by special laws (not applicable)</b>   |                       |
| <b>B) NET PROFIT REMAINED A– (a+b-c+c<sup>1</sup>+d)</b>  | <b>186.941.472,00</b> |
| <b>e) employees` participation to the profit</b>  | <b>17.178.424,00</b>  |
| <b>f) gross dividends due to the shareholders</b> (minimum 50% of the profit remained after the deduction of the amounts foreseen at letters a, b, c, c <sup>1</sup> and d corrected with the employees` participation in the profit) | <b>183.789.704,84</b> |
| <b>g) retained earnings for establishing own financing sources (point B – point f)</b>  | <b>3.151.767,16</b>   |
| <b>C) TOTAL profit allocated (a+b+f+g)</b>  | <b>186.941.472,00</b> |
| <b>D) AMOUNTS</b> representing employees` participation to 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)  | <b>17.178.424,00</b>  |
| -average number of employees  | 4.094                 |
| -average monthly base salary achieved in 2021   | 4.196                 |
| -fund of employees' participation in the profit, admitted   | 17.178.424            |