

No. 21.965/21.03.2022

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

REPORT

on the proposal for the gross dividend per share and for the means of dividend pay-out for the financial year 2021

SUMMARY

The approval of a gross dividend per share amounting to LEI 15.61, determined based on the provisions of *Government Ordinance No. 64/30 August 2001 on the allocation of profits within national companies and trading companies fully owned by the state or where the state is a majority shareholder and within the autonomous administrations* in the context of the application of a share of **90.04007%** upon the distribution of profits in the form of dividends, in accordance with the provisions of Article IV of GEO 3/26 January 2022 for the modification and completion of *Government Emergency Ordinance no. 118/2021 on the establishment of a compensation scheme for the consumption of electricity and natural gas for the cold season 2021-2022, as well as for the completion of Government Ordinance no. 27/1996 on the granting of facilities to persons residing or working in certain localities in the Apuseni Mountains and in the "Danube Delta" Biosphere Reserve:*

- (1) Notwithstanding the provisions of Article 1 para. (1) letter f) of the *Government Ordinance no. 64/2001 on the distribution of profits of national corporations, national companies and commercial companies wholly or majority owned by the State, as well as autonomous administrations, published in the Official Journal of Romania, Part I, no. 536 of 1 September 2001, approved with amendments by Law no. 769/2001, with subsequent amendments and additions, for the financial year 2021, in the case of companies with wholly or majority state capital, as well as in the case of autonomous administrations set up by the state, the accounting profit remaining after deduction of corporation 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 or in the form of dividends in the case of companies with wholly 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 administrations or in the form of dividends in the case of wholly or majority state-owned companies, of less than 90% of the accounting profit remaining after deduction of corporate income tax, but not less than 50% thereof.*

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 standard of living and the degree of development of the local authorities, as well as increasing the safety of the operation and functioning of the National Transmission System (NTS), which is why 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 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 proposed distribution of net profit in the form of dividends has been made, in accordance with GEO 3/26 January 2022, art. IV, paragraph (1), in a proportion of 90.04007%.

The share under Transgaz' revenue and expense budget for 2021, as approved by OGMS Resolution 3/27.04.2021, was 50%.

PROPOSAL

We submit the following for approval, according to Art. 15.3, letter (e) of Transgaz' updated Articles of Incorporation:

- 1) The value of the gross dividend per share in amount of LEI 15.61;**
- 2) Dividend pay-out to the shareholders starting with 14 July 2022.**

DETAILED CONTENT

According to Art. 111, paragraph (2) (a) of Law 31/1990 on the trading companies, as amended, and to Art.15, paragraph (3) (e) of Transgaz' Articles of Incorporation, the establishment of the dividend is within the competence of the Company's General Meeting of the Shareholders.

The proposal to distribute by destination the net profit amounting to **LEI 186,941,472** according to *Government Ordinance 64/30 August 2001 on the allocation of profits within national companies and trading companies fully owned by the state or where the state is a majority shareholder and within the autonomous administrations* and GEO 3/26 January 2022, art. IV, para. (1) is 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

According to the provisions of Art.67, paragraph (2) of Law 31/1990, republished, on trading companies, as amended, dividends are distributed to the shareholders pro rata with their interest in the share capital.

The share capital of Transgaz is LEI 117,738,440 divided into **11,773,844** ordinary, nominative, indivisible **shares** with a nominal value of LEI 10/share.

Thus, the value of the gross dividend is of **LEI 15.61/share**.

According to Art. 86 (5) of Law 24/2017 on the issuers of financial instruments and market operations, the pay-out of the dividends due to shareholders is to be made through the central depository and through the participants to its system.

The date for the start of the dividend pay-out was established considering the following:

- 👉 According to Art. 67 (2) of Law 31/1990 on trading companies, "The dividends shall be distributed to the shareholders pro rata with their interest in the paid-up capital, optionally on a quarterly basis, based on the interim financial statements, and annually, after the regularization performed under the annual financial statements, unless the articles of incorporation provides otherwise. These may optionally be paid quarterly, within the deadline established by the general meeting of the shareholders, as the case may be, established by special laws, and the differences resulting from the distribution of dividends during the year shall be settled by the annual financial statements. The payment of the differences resulted from the settlement shall be made within 60 days from the date when the annual financial statements related to the closed financial year were approved.
- 👉 The provisions of Art. 178(2) of Regulation 5/2018 of the Financial Supervisory Authority contemplate that "*in the case of the dividends, the General Meeting of the Shareholders shall establish as payment date a business day which falls after the registration date within 15 working days, at the most, but not later than 6 months from the date of the General Meeting of the Shareholders establishing the dividends*";

☝ According to Art. 1 (3) of GO 64/2001, as updated, "*by derogation from the provisions of Art. 67, paragraph (2) of Law 31/1990 ... the national companies where the state is the sole, majority or controlling shareholder shall transfer dividends to shareholders within 60 days from the deadline provided by the law for the submission of the annual financial statements*". According to Order of the Ministry of Public Finance no. 85/26.01.2022, Annex 1, the deadline for the submission of the annual financial statements and of the annual accounting reports for year 2022 for the companies/national companies is of 150 days from the end of the financial year.

Chairman of the Board of Administration
VĂDUVA PETRU ION