

No. 20.277/16.03.2023

Submitted for approval to the OGMS meeting of 26/27 April 2023

REPORT

on the proposal for the gross dividend per share and for the means of dividend pay-out for the financial year 2022

SUMMARY

The approval of a gross dividend per share amounting to LEI 0,70, 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 **50,04394803%** upon profit distribution as dividends.

The Extraordinary General Shareholders' Meeting of SNTGN TRANSGAZ SA approved by Resolution no. 11/07.12.2022 the increase in the share capital by incorporating reserves from the net profit of the previous financial years in amount of Lei 1.766.076.600 from Lei 117.738.440 to Lei 1.883.815.040, by issuing 176.607.660 new shares with the nominal value of 10 lei/share. The newly issued shares do not modify the shareholders' interest shares and they will be distributed free of charge to the shareholders registered with Transgaz' shareholders' registry held by the Depozitarul Central SA as at the registration date 03.05.2023, payment date 04.05.2023.

Under the memorandum on "**Mandating State representatives in the General Meeting of Shareholders/Board of Administration, as appropriate, in national companies, national companies and companies where the State has a full or a controlling interest, as well as in autonomous administrations, with a view to taking the necessary measures for the distribution of at least 90% of the net profit for the year 2022 as dividends/pay-outs to the State budget**" the following are proposed:

- mandating state representatives in the General Meeting of Shareholders/Board of Administration to consider and decide on the distribution of a minimum share of 90% of the net profit for 2022 as dividends/pay-outs to the state budget upon the approval of the financial statements for that year,
- in duly justified cases, the Government may approve, with the opinion of the Ministry of Finance, by Memorandum, the mandate of State representatives in the General Meeting of Shareholders/Board of Administration, as appropriate, to decide on the distribution of less than 90% of the net achieved profit for the year 2022 as dividends/pay-outs to the State budget, in compliance with the provisions of G.O. no. 64/2001,

Transgaz justified the need to distribute a share of 50% as dividends from the distributable profit determined after the deduction of the sums related to the destinations determined based on the legislative acts specifically provided for by Government Order 64/2001 and requested the Romanian Government and the Secretariat-General of the Government to take the necessary steps to issue a legislative act to this effect.

Distribution to dividends of 50% share of the distributable profit determined after the deduction of the sums related to the destinations determined based on the legislative acts specifically provided for by Government Order 64/2001 ensures the establishment of own funding sources absolutely necessary during this period when the company is carrying out 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 extent of Teritorial Administrative Units' development, as well as increasing the safety of the operation and functioning of the National Transmission System (NTS).

Under the Revenue and Expense Budget, the Company substantiated for the period 2023-2025 investment expenses amounting to Lei 6,03 billion. The attraction of loans amounting to Lei 3,19 billion is budgeted for the implementation of these investments. Repayments of instalments related to the loans contracted to finance projects over the period 2023-2025 amount to Lei 400 million.

The share under Transgaz' revenue and expense budget for 2022, as approved by OGMS Resolution 3/28.02.2022 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 0,70;**
- 2) Dividend pay-out to the shareholders starting with 19 July 2023.**

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 365.754.868** according to *Government Ordinance 64/30 August 2001 on the distribution of profits within national companies and trading companies fully owned by the state or where the state has a controlling interest and within the autonomous administrations* is as follows:

- legal reserves	Lei 21.873.676,02
- other reserves representing tax incentives provided for by Law 237/2015 on the Tax Code, profit invested in technological equipment-machinery, plant and working equipment, electronic computers and peripheral equipment, cash register, control and billing machines and devices, as well as in software, produced and/or purchased and commissioned, used for the purpose of carrying out the economic activity	Lei 17.275.596,46
- the establishment of own financing sources for projects co-financed by external loans	Lei 81.129.494,21
- dividends owed to shareholders	Lei 131.867.052,80
- profit for the establishment of own financing sources	Lei 113.609.048,51

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 Extraordinary General Meeting of Shareholders of SNTGN Transgaz SA approved by Resolution no. 11 of 07.12.2022 the increase in the share capital by incorporating the reserves established from the net profit of the previous financial years in the amount of lei 1.766.076.600, from the amount of lei 117.738.440 to the amount of lei 1.883.815.040, by issuing 176.607.660 new shares with a nominal value of 10 lei/share. The newly issued shares do not change the shareholders' interest shares and will be distributed free of charge to all shareholders registered with the Transgaz shareholders' registry held by Depozitarul Central SA on the registration date **03.05.2023**, **payment date 04.05.2023**.

On 22.12.2022, the Trade Register Office of the Court of Sibiu accepted the application of SNTGN Transgaz SA, and ordered the registration of the entries contained in EGMS resolution no. 11 of 07.12.2022.

Subsequently, the Financial Supervisory Authority issued on 27.12.2022 the Certificate of Registration of Financial Instruments no. AC -3371-2/27.12.2022, related to the increase in the share capital of the company by 1.766.076.600 lei from the amount of 117.738.440 lei to the amount of 1.883.815.040 lei, by issuing 176.607.660 new shares with a nominal value of 10 lei/share.

On 03.01.2023, SNTGN Transgaz SA requested Depozitarul Central to register the share capital increase **on the registration date 03.05.2023 and the payment date 04.05.2023**, in view of the EGMS Resolution no. 11 of 07.12.2022, as well as the Certificate of Registration of Financial Instruments issued by the Financial Supervisory Authority no. AC -3371-2 of 27.12.2022.

Therefore, the share capital of Transgaz as of 04.05.2023 will be Lei 1.883.815.040, i.e. 188.381.504 shares with a nominal value of 10 lei/share.

Thus, the value of the gross dividend is of **Lei 0,70/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 Depozitarul Central and through the participants to its system.

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

- According to the provisions of 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 appropriate, 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 for by the law for the submission of the annual financial statements"*. According to Order of the Ministry of Public Finance no. 4.268/15.12.2022, 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.

PETRU ION VĂDUVA
Chairman of the Board of Administration