

**No.73833/20.09.2022**

Submitted for analysis and approval in the EGMS of 07/08.12.2022

## REPORT

**on the approval of the increase in the share capital of SNTGN Transgaz SA by incorporating the reserves from the profit of previous financial years, in the amount of 1,766,076,600 lei representing approximately 82.9969% of their total value**

## SUMMARY

- According to the law, new shares issued by the company to increase the share capital may be paid up by **incorporation of reserves, with the exception of legal reserves**, in which case they will be distributed free of charge to shareholders;
- In accordance with the provisions of Article 210 of the Law no. 31/1990 on companies - (1) The share capital may be increased by issuing new shares or by increasing the nominal value of existing shares in exchange for new contributions in cash and/or in kind.  
(2) **New shares shall be paid up by incorporation of reserves, with the exception of legal reserves**, as well as profits or share premiums, or by offsetting liquid and payable receivables from the company against shares of the company.  
(3) Favourable differences from the revaluation of assets shall be included in reserves without increasing the share capital.
- The amount recorded in the balance of account **106801 Other reserves - Profit distribution**, after the distribution approved by OGMS no. 5 of 28.04.2022, is **2,127,881,723.57 lei**.
- According to the financial statements audited and reported on 31 December 2022, the amount of retained earnings (financial indicator under which the reserves from profit distribution cumulated with retained earnings from the adoption of the International Financial Reporting Standards) is **1,816,594,475 lei**.
- The increase of the share capital will be carried out by incorporating the reserves constituted from the net profit of the previous financial years in the amount of

**1,766,076,600 lei**, representing 82.9969% of their total value, **by issuing 176,607,660 new shares with a nominal value of 10 lei/share**.

- The newly issued shares will not change the shareholders' ownership percentages and will be distributed free of charge to all shareholders of the company registered in the Register of Shareholders on the registration date established by the EGMS resolution.
- Each shareholder registered in the Register of Shareholders on the registration date will be allocated 15 shares free of charge for every 1 share held, according to the calculation algorithm indicated in point III.

## **PROPOSAL**

**According to Art.15 (4) (d) of the updated Articles of Incorporation of SNTGN Transgaz SA Mediaș, we submit the following for approval to the Extraordinary General Meeting of the Shareholders:**

- 1. Increase of the share capital by incorporation of the reserves constituted from the net profit of the previous financial years in the amount of 1,766,076,600 lei, by issuing 176,607,660 new shares, with a nominal value of 10 lei/share.**
- 2. Setting the payment date of 04.05.2023 in accordance with the Art. 2 (2) (h) and Art. 178 (4) of FSA Regulation no. 5/2018 as amended.**

## **DETAILED CONTENT OF THE REPORT**

According to the law, new shares issued by the company to increase the share capital may be released by incorporation of reserves, with the exception of legal reserves. Shares issued in exchange for reserves will be distributed to shareholders free of charge.

### **I. LEGAL FRAMEWORK**

- LAW no. 31/1990 on companies, republished, as amended
- LAW no. 24/2017 on issuers of financial instruments and market operations, republished, as amended
- ASF REGULATION no. 5/2018 on issuers of financial instruments and market operations, as amended
- REGULATION (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC

- ARTICLES OF INCORPORATION of the National Gas Transmission Company Transgaz S.A. (updated on 24.08.2020) LEGEA nr.31/1990 privind societățile, republicată, cu modificările și completările ulterioare

***Law 31/1990 on the companies, as amended***

**ART. 210** - (1) The share capital may be increased by issuing new shares or by increasing the nominal value of existing shares in exchange for new contributions in cash and/or in kind.

(2) New shares shall be released by incorporation of reserves, with the exception of legal reserves, as well as profits or share premiums, or by offsetting liquid and payable receivables from the company against shares of the company.

(3) Favourable differences from the revaluation of assets shall be included in reserves without increasing the share capital.

(4) The increase of the share capital by increasing the nominal value of the shares may be decided only by a vote of all shareholders, unless it is carried out by incorporating reserves, profits or share premia.

**ART. 216** – (1) The shares issued for the increase of the share capital shall be offered for subscription first to existing shareholders proportionally to the number of shares held by them.

(2) Pre-emptive rights may only be exercised within the period decided by the general meeting or the board of administration or directors, in accordance with the provisions of Article 220<sup>1</sup> (4), unless the articles of incorporation provide otherwise. In all cases, the period granted for the exercise of the pre-emptive rights may not be less than one month from the date of publication of the resolution of the general meeting or of the resolution of the board of administration/directors in Official Journal of Romania Part IV. After the expiry of this period, the shares may be offered for subscription to the public.

(3) Any increase of the share capital made in breach of this Article shall be voidable.

**ART. 219** - (1) The resolution of the general meeting on the increase of the share capital shall be effective only to the extent that it is carried out within one year from the date of its adoption.

(2) If the proposed increase in capital is not fully subscribed, the capital shall be increased by the amount of the subscriptions received only if the conditions of issue provide for this possibility.

***Law no. 24/2017 on issuers of financial instruments and market operations, as amended***

**Art. 49.** - (1) The admission of securities to trading on a regulated market shall be made in accordance with the provisions of [Regulation \(EU\) 2017/1.129](#), and the European regulations issued in connection therewith, which shall apply accordingly.

(2) The provisions of chapters I and II of Title II shall also apply accordingly in the case of admission to trading on a regulated market.

(3) The A.S.F. shall issue regulations on admission to trading on a regulated market in accordance with the applicable European legislation..

**Art. 86** - (1) Any increase in the share capital shall be decided by the extraordinary general meeting of shareholders.

(2) The instruments of incorporation or resolution of the extraordinary general meeting may authorize the increase in the share capital up to a maximum level. Within the limits of the indicated level, the management board may decide, following the delegation of duties, the increase in the share capital. Such competence shall be granted to administrators for maximum 3 years and may be renewed by the general meeting for a period which may not exceed three years for each renewal.

(3) The board of administration/directors may be delegated by resolution of the extraordinary general meeting of shareholders, in addition to the power to decide to increase the share capital, also the power to waive the pre-emptive right in such operation, subject to the quorum and majority requirements set out in Article 88. In the case of a waiver of pre-emptive rights by the board of administration/directors, the provisions of Article 88 (2) shall apply accordingly.

(4) The resolutions adopted by the management board of an issuer in the exercise of the duties delegated by the extraordinary general meeting of shareholders shall have the same regime as the resolutions of the general meeting of shareholders as regards their disclosure and the possibility to be challenged in court.

(5) The fees charged to the shareholders requesting copies of the documents issued for the application of paragraph (3) shall not exceed the costs necessary for duplication.

### ***ASF Regulation no. 5/2018 on issuers of financial instruments and market operations, as amended***

**Art. 2** - (1) The terms and expressions in this regulation shall have the meaning specified in Art. 2 par. (1) of Law no. 24/2017. (2) Also, for the purposes of this regulation, the expressions below shall have the following meaning:

h) **payment date** – expressly specified calendar date, i.e. dd/mm/yyyy, on which the results of a corporate event, relating to the holding of financial instruments, are owed, on which debit and/or credit entries of moneys and/or financial instruments should be made, respectively;

m) **corporate events** – events referring to certain financial instruments, initiated by the issuer of the respective financial instruments further to a decision made by statutory bodies or by a tenderer, such as those provided under annex 20;

**Art. 97** - (7) The provisions of this Regulation which refer to the existence of a prospectus for admission to trading on a regulated market shall not apply in situations where a prospectus is not prepared in accordance with the provisions of Regulation (EU) 2017/1129.

(8) Admission to trading on a regulated market shall be performed by the operator of that market in compliance with the provisions of Law no. 24/2017, as well as of the relevant own market regulations.

**Art. 176** - (1) Upon approval of a corporate event, the issuer, through its statutory bodies, sets out the details of the event, including, where applicable, ex data, the date

of the guaranteed participation, the date of registration, the date of payment, the period of expressing the options and the price of the financial instrument to which it will be offset the fraction of financial instruments resulting from the application of the event-specific algorithm and the rounding of the corporate event results, which will always be done at the hole inferior.

(2) In the case of corporate events provided for in par. (1), the statutory body of the issuer shall determine the price of the financial instrument to which the fraction of financial instruments is offset, with appropriate compliance with the provisions of Art. 91 (5) of Law no. 24/2017.

(2<sup>1</sup>) The provisions of Article 58 (4) and (5) shall also apply accordingly for the purpose of determining the price of the financial instrument at which the fractions of financial instruments are offset in accordance with paragraph (2).

(3) Simultaneously with the reports prepared and transmitted according to the regulation of A.S.F. and of the markets on which the financial instruments issued by them are traded, the issuers must send to the central depository with whom the issuer has a registry contract information on the legal representative, the information provided in par. (1), and any changes and/ or updates to them, if applicable, in standardized electronic format, according to the rules issued for this purpose.

(4) The information provided in par. (1) containing narrative texts will also be transmitted in English language.

**Art. 178** - (4) In the case of corporate events of which results are financial instruments, the general meeting of the shareholders shall determine the payment date on the business day after the registration date, the latter being determined taking into account the legal terms necessary for the registration of the event with ORC and A.S.F.

***REGULATION (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC***

**Articolul 1** - (5) The obligation to publish a prospectus set out in Article 3(3) shall not apply to the admission to trading on a regulated market of any of the following:

(g) shares offered, allotted or to be allotted free of charge to existing shareholders, and dividends paid out in the form of shares of the same class as the shares in respect of which such dividends are paid, provided that the said shares are of the same class as the shares already admitted to trading on the same regulated market and that a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer or allotment;

***Articles of Incorporation of the National Gas Transmission Company Transgaz S.A. (updated on 24.08.2020 )***

**Article 9 Increase and reduction of the share capital**

**1. Increase in the share capital**

1.1 The increase in share capital shall be made in accordance with the law

1.2. Any increase in share capital shall be decided by an extraordinary general meeting of shareholders.

1.3 The Extraordinary General Meeting of Shareholders may authorize the increase in the share capital by the Board of Administration of TRANSGAZ S.A. up to a maximum threshold set by the meeting, which may not exceed half of the subscribed share capital existing at the time of authorization. The period of validity of the delegation granted by the extraordinary general meeting of shareholders on the basis of this article may not exceed one year, and may be renewed for periods not exceeding one year for each renewal. The share capital may be increased by:

- a) issuing new shares or increasing the nominal value of existing shares in exchange for contributions in cash and/or in kind;
- b) incorporation of reserves, with the exception of legal reserves, as well as profits or share premiums, or by offsetting liquid and payable claims on TRANSGAZ S.A. with shares of TRANSGAZ S.A.; favourable differences from the revaluation of assets shall be included in reserves, without increasing the share capital.

## II. STATEMENT OF ACCOUNT - OTHER RESERVES

The amount recorded in the balance of account 106801 Other reserves - Profit distribution after distribution approved by OGMS no. 5 of 28.04.2022 is 2,127,881,723.57 lei. The financial statements of SNTGN Transgaz SA as at 31 December 2021 were audited and approved by OGMS Resolution no. 5/28.04.2022.

According to the audited and reported financial statements as at 31 December 2022, the amount of retained earnings (financial indicator in which the reserves from the distribution of profit accumulated with retained earnings from the adoption of International Financial Reporting Standards are presented) is **1,816,594,475 lei**.

## III. PROCEDURE FOR THE ALLOCATION OF SHARES

In determining the amount of the share capital increase, the reserves established from the profit of previous financial years, amounting to **1,766,076,600.00 lei**, representing **82.9969% of their total value**, were taken into account.

The share capital shall be increased, by incorporation of reserves, by the amount of 1,766,076,600.00 lei, through the issue of 176,607,660 new shares with a nominal value of 10 lei/share, to the benefit of shareholders registered in the Shareholders' Register kept by Depozitarul Central on the record date set by the EGMS.

The securities offered are dematerialised registered shares. Each shareholder registered on the record date will receive free of charge a number of 15 shares for every 1 share held, calculated according to the formula **1.766.076.600,00 lei/117.738.440 lei**, on the payment date of **04.05.2023** established in accordance with the provisions of art. 2 par. 2 letter h) and art. 178 paragraph (4) of FSA Regulation no. 5/2018. The newly issued shares will not change the shareholding ratios of the shareholders.

## IV. STEPS AFTER EGMS APPROVAL

1. Publication in the Official Journal of Romania Part IV and registration at the Sibiu CRO of the EGMS Resolution and issue of the Certificate of registration of entries;

2. Registration of the increase at the Trade Register Office;
3. Submission to the FSA of the necessary documents for the issue of the Certificate of Registration of Financial Instruments;
4. Submission of the documents to Depozitarul Central SA Bucharest for the registration of the share capital increase in the Transgaz shareholders' register;
5. Submission to the Bucharest Stock Exchange of the document informing shareholders about the offer of shares without cash consideration.

## **V. PURPOSE OF THE PROCESS**

The performance of such an operation will bring the company back to the attention of the public and investors due to the large number of shares available for trading, which will increase the liquidity of SNTGN Transgaz SA shares on the stock exchange.

At the same time, an increase in the liquidity of the shares will allow the company to meet the individual liquidity criterion required for the inclusion of SNTGN Transgaz SA in the composition of the FTSE Russell indices, in the context of the new emerging market status of the Bucharest Stock Exchange.

Transgaz' inclusion in the FTSE Russell indices will also reflect positively on the company, including in terms of international investment perception and addressability as well as by attracting capital from fund managers.

The share capital increase will also lead to increased investor/stakeholder confidence in SNTGN Transgaz SA, a company involved in a broad investment process of sustainable development and modernization of the national natural gas transmission infrastructure, business reshaping and international development, in order to increase efficiency and competitiveness, technical, economic and social performance of the company, in the current context of national and international energy sector dynamics.

The company also aims to stimulate Romania's clean energy transition, thus contributing to the country's climate ambitions through the development of a decarbonisation strategy, an approach supported by the EIB, as the European Climate Bank, confirming the company's commitment to the transition to climate-neutral activity.

**Chairman of the Board of Administration,  
Petru Ion Văduva**