



**SOCIETATEA NAȚIONALĂ DE TRANSPORT
GAZE NATURALE "TRANSGAZ" SA MEDIAȘ**
Capital social: 117 738 440,00 LEI
ORC: J32/301/2000; C.I.F.: RO13068733
P-ța C. I. Moțaș nr. 1, cod: 551130, Mediaș, Jud. Sibiu
Tel.: 0040 269 803333, 803334; Fax: 0040 269 839029
<http://www.transgaz.ro>; E-mail: cabinet@transgaz.ro



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REPORT on the proposal for the allocation of the 2014 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 50.00156% to profit as dividends. The quota allocation foreseen in the income and expense budget of SNTGN Transgaz SA for year 2014 approved by Government Decision No. 462 / 06.04.2014 is of 50%.

PROPOSAL

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

1. the allocation of the net profit as follows:

- covering accounting losses from previous years	RON 25,922,696.60
- dividends to the shareholders	RON 56,669,799.20
- profit for the establishment own financing sources	RON 19,923,67.20

2. employee participation in profit according to Art.141 of the applicable Collective labour Contract concluded by SNTGN TRANSGAZ SA, in amount of RON 10,807,480.00.

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 **RON 502,516,063**.

The proposal for the allocation of the net profit for 2014 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 50.00156% quota. The allocation quota foreseen in the income and expense budget for year 2014 approved by Government Decision No. 462/06.04.2014 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, paragraphs (1) and (2) of Law 31/1990, as further amended and supplemented;

↳ regarding the amount of RON 25,922,696.60 allocated for `Covering accounting losses from previous years` we make the following clarifications:

- ✓ according to the collective labour contract the Company must pay its employees at retirement a compensatory amount equal to a certain number of salaries calculated as the average monthly salaries in the last 12 months, depending on the time worked in the gas industry In 2012 and 2013 the Company included in the calculation of the provision for employee benefits the average monthly gross employment salaries and not the average monthly salaries achieved. The recalculation of the provision for employee benefits resulted in a loss on the previous years amounting to RON 30,697,291 and also profit earnings for previous years amounting to RON 4,774,594.4, due to the recalculation of the deferred tax;
- ✓ accounting errors related to previous years are corrected based on the retained earnings and not on the current result of the year;
- ✓ Art. 1, paragraph (1), letter (c) of GO 64/2001 provides the covering of the accounting losses from previous years from the accounting profit remaining after the deduction of the income tax;

↳ the employees participation in the profit was determined within the limits of the average monthly base salary per employee in 2014, 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 50.00156% 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;

↳ 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:

-RON-

<i>Indicators</i>	<i>Amount</i>		<i>Increase</i>
	<i>IEB approved</i>	<i>Achieved</i>	<i>%</i>
0	1	2	3=2/1x100
A. Gross result of the year	408108.000,00	610.587.212,00	49,61%
B. Current income tax, of which:	66.978.000,00	108.071.149,00	61,35%
C. Deferred income tax		7.306.196,00	-
D. net result of the year (A-B), of which allocated as follows:	341.130.000,00	502.516.063,00	47,31%
a) legal reserves	-	-	-
b) other reserves representing fiscal facilities provided by the law	-	-	-
c) the covering of the accounting losses from the previous years	-	25.922.696,60	-
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)	341.130.000,00	476.593.366,40	39,71%
e) employees participation to the profit	10.596.000,00	10.807.480,00	2,00%
f) dividends due to the shareholders	175.863.000,00	256.669.799,20	45,95%
g) profit for establishing own financing sources	165.267.000,00	219.923.567,20	33,07%
TOTAL allocations	341.130.000,00	476.593.366,40	39,71%

Chairman of the Board of Administration

Ion Sterian

**Calculation of the amounts allocated from the profit for 2014 according to GO 64/2001,
as further amended and supplemented and to the specifications
approved by OMPF 144/2005**

-RON-

A. Net PROFIT to be allocated (from account 121)	502.516.063,00
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	25.922.696,60
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)]	476.593.366,40
e) employees participation in the profit	10.807.480,00
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)	256.669.799,20
g) retained earnings for establishing own financing sources (point B – point f)	219.923.567,20
C) TOTAL profit allocated (a+b+f+g)	476.593.366,40
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)	10.807.480,00
-average number of staff	4.854
-average monthly base salary achieved in 2014	2.226,51
-fund of participation of the employees in the profit, admitted	10.807.480