

No. 8.858 /March 24, 2017

REPORT
on the approval of the net profit distribution
for financial year 2016

The proposal for net profit distribution for 2016 was made considering the following:

- ✎ The provisions of *Government Ordinance no. 64/2001 regarding profit distribution to national authorities, national companies and trading companies with full or majority state-owned capital, as well as to autonomous administrations, including subsequent amendments and additions;*
- ✎ The specifications approved by *Order no. 144/2005 of the Ministry of Public Finance regarding the approval of Specifications for determination of the amounts subject to profit distribution in accordance with GO no. 64/2001 regarding profit distribution to national authorities, national companies and trading companies with full or majority state-owned capital, as well as to autonomous administrations, approved with amendments by Law no. 769/2001, including subsequent amendments and additions;*
- ✎ The Income and Expenditures Budget as approved by Resolution of the Ordinary General Meeting of Shareholders no.5 of June 16, 2016;
- ✎ The memorandum of the Ministry of Public Finance, send by the Ministry of Energy under address no. 260176/February 1, 2017, whereby the state representatives in the General Meeting of Shareholders/Board of Directors are authorised to decide on the distribution of a minimum share of 90% of the net achieved profit for year 2016 as dividends, upon the approval of the Financial Statements of such year.

The net profit according to the financial statements is **RON 1,024,579,217.66** and the net profit to be distributed is **RON 1,346,772,463.44**.

The proposal for net profit distribution was made considering the Income and Expenditure Budget, substantiated and approved by the shareholders based on a distribution share of the net profit of 70%.

In regard to this provision and according to the accounting policy approved by the Board of Directors, the retained earnings was added to the net profit and the set up reserve was deducted according to article 22 (5) of Law no.227/2015 on the Fiscal Code.

The share of net profit distributions in the form of dividends is 71.26% resulting further to rounding off two decimal places of the gross dividend per share. The share of net profit distribution for 2016 is 93.67%, higher than recommended in the memorandum of the Ministry of Public Finance.

The proposal regarding the profit distribution by destination as provided in GO no. 64/2001 is presented in the table below:

	Indicators	Value (RON)
0	1	2
A.	Gross result of financial year	1,280,695,680.62
B.	Current income tax	278,582,478.00
C.	Deferred income tax	22,466,015.04
D.	Net result of financial year [A.-B.+C.], from which:	1,024,579,217.66
a)	Legal reserve	-
b)	Other reserves representing fiscal facilities provided by law (Law no. 227/2015-Article 22)	83,256,708.00
c)	Retained earnings of accounting income of the previous years	405,449,953.78
c ¹⁾	Set up own financing sources for projects co-financed from external loans	-
d)	Other distributions provided by special laws	-
E.	Remaining net profit to be distributed [D.-b+c]	1,346,772,463.44
e)	Employees participation to profit	23,060,501.00
f)	Dividends due to shareholders (71.26% of the net profit to be distributed) - dividend / share	959,701,776.00 2.49
g)	Profit for setting up own financing sources (E-g)	387,070,687.44
*	TOTAL DISTRIBUTIONS	1,430,029,171.44

Establishing the amounts distributed from the profit are shown in the annex to the present report, to which the following specifications are made:

→ RON 83,256,708.00 were allocated to reserves in accordance with Article 22 of Law no. 227/2015 on the Fiscal Code and represent the profit invested in technological equipment - vehicles, work equipment and facilities. According to this article, the profit amount that benefitted from the profit tax exemption,

less the amount related to the legal reserve, is distributed at the end of the financial year, prevalently for setting up reserves;

- The retained earnings (profit) in amount of RON 405,449,953.78 represents the depreciated cost of fixed assets and fixed assets and investment projects abandoned in the reporting year and having as financing source "*the share of expenditures necessary for the development and modernization of the natural gas production*", according to Government Decision no. 168/1998, as subsequently amended and supplemented;
- Employees participation to profit was established within the limit of the average monthly basic salary per employee for 2016;
- The dividends due to shareholders were determined taking into account the provisions of the Income and Expenditure Budget approved by the General Meeting of Shareholders and the provisions of the Memorandum of the Ministry of Public Finance, by applying the 71.26% share to the net profit to be distributed and the share of 93.67% to the net profit achieved in 2016.

Considering the above mentioned, we submit for review and approval the following:

- 1. Profit distribution by destination as provided in the this report;**
- 2. Employees participation to profit in accordance with Government Ordinance no. 64/2001.**

PRESIDENT OF BOARD OF DIRECTORS

Dumitru Chisăliță



**Establishing the amounts distributed from the profit for 2016 according to
G.O. no.64/2001, as subsequently amended and supplemented and the
specifications approved by OMFP no.144/2005 and the Memorandum of the
Ministry of Public Finance**

RON

A.	Net profit to be distributed	1,024,579,217.66
a)	Legal reserve (art.183 par.(1) and (2) of Law no.31/1990 - share capital - Share of 20% where: • Existent reserve fund • Set up reserve fund (admitted amount)	385,422,400.00 77,084,480.00 77,084,480.00 -
b)	Other reserves representing fiscal facilities provided by law	83,256,708.00
c)	Retained earnings, accounting profit from previous years	405,449,953.78
c ¹)	Setting up own financing sources for projects co-financed from external loans	-
d)	Other distributions provided by special laws	-
B.	REMAINING NET PROFIT TO BE DISTRIBUTED (A+c-b)	1,346,772,463.44
e)	Employees participation to profit	23,060,501.00
f)	Gross dividends due to shareholders (71.26% of the net remaining profit to be distributed).	959,701,776.00
g)	Undistributed profit for setting up own financing sources [B.-f)]	387,070,687.44
C.	TOTAL DISTRIBUTED PROFIT [a)+b)+f)+g)]	1,430,029,171.44
D.	Amounts representing the employees participation to profit, retained from the gross profit before taxation ➤ Participation to profit within the 10% limit of net profit remained to be distributed (B.) ➤ average number of employees ➤ average monthly basic salary in 2016 ➤ fund related employees participation to distributed profit	23,060,501.00 6,102 3,779.17 23,060,501.00

CHIEF FINANCIAL OFFICER

Andrei Bobar