

THE NATIONAL GAS TRANSMISSION COMPANY TRASGAZ SA

CONSOLIDATED REPORT ISSUED BY THE BOARD OF ADMINISTRATION

- 2020-



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THE ADMINISTRATORS' MESSAGE TO SHAREHOLDERS, INVESTORS

Dear shareholders,

Dear investors,

With a tradition for more than a century in Romania, gas transmission is a strategic activity for the national economy. The performance of this activity increased year by year through the work, passion and professionalism of those who have worked in this field and contributed to what TRANSGAZ is today - a responsible company, a company of the future, a company in which the corporate governance model is working successfully.

SNTGN TRANSGAZ is the technical operator of the National Natural Gas Transmission System and ensures the performance in terms of efficiency, transparency, safety, non-discriminatory access and competitiveness of the national strategy established for domestic and international transmission, natural gas dispatching, research and design in the field of natural gas transmission, in compliance with the national and European legislation and standards of quality, performance, environment and sustainable development.

As a transparent company, open to dialogue and good corporate practice, as a high-performance company, TRANSGAZ is today a successful national brand, a company that believes in its organizational values and invests permanently in the education and professional development of its human resources. TRANSGAZ is a company managed in a unitary management system, the Board of Administration being appointed by the General Meeting of the Shareholders in accordance with GEO 109/2011 on corporate governance of public enterprises, as further amended and supplemented .

The strategic objectives included in the Management Plan of SNTGN Transgaz SA for 2017-2021 are aligned with the Shareholders' Letter of Expectations and aim to increase the company's performance, to make the company's activity more efficient, to redefine it strategically in accordance with the requirements of the modern standards of performance and competitiveness, and to transform TRANSGAZ into an internationally recognized company, a leader of the energy market in the region, capitalizing with maximum efficiency all existing and future opportunities, so that Romania becomes an important energy corridor in the field of natural gas to Europe.

*In the context of profiling major new sources of natural gas supply, **the natural gas from the Caspian Sea region and those discovered in the Black Sea**, the investments proposed by Transgaz in the **Development Plan of the National Gas Transmission System (NTS) for 2020-2029, approved by ANRE Decision no. 2210/25.11.2020** are strategic investments in the energy field for the development of the natural gas transmission infrastructure of Romania and its compliance with the requirements of European legislation in the field.*

In recognizing the importance of TRANSGAZ both as a driver of activities in the national economy and as a vector of the economic growth of the country, by its role in the development of the energy sector and in the transformation of Romania into an energy power of Europe, the company's administrators undertook to further launch and implement one of the largest and

most important gas transmission infrastructure development plan in Romania over the past 20 years, with investment projects **estimated at more than 4 billion euro**.

The sustainable development of the Romanian natural gas infrastructure requires a comprehensive investment plan enabling NTS alignment to gas transmission network transmission operation requirements compliant with the European environmental protection regulations.

The proposed investments secure an appropriate degree of interconnectivity with neighbouring countries; creating several natural gas transmission routes at a regional level for natural gas transmission from various new sources of supply; creating the necessary infrastructure for takeover and transmission of natural gas from offshore perimeters in the Black Sea in order to capitalize them on the Romanian market and other markets in the region; extending the natural gas transmission infrastructure in order to improve natural gas supply in deficient areas; creating an integrated single market in the European Union.

Given the need to finance a complex and extensive investment plan, Transgaz envisages, in addition to its own sources of funding, attracting and using additional external funding under advantageous conditions as well. We refer to obtaining European funds, funding from international financial institutions, from other banking and financial institutions as well as financing instruments specific to the capital market.

In compliance with the principles of good corporate governance, the company administrators shall continue to act in the 2017-2021 mandate with the utmost responsibility, efficiency, transparency and professionalism for the efficient and competitive management of the company, in line with the expectations of the Shareholders' Letter of Expectations, namely: **operational efficiency and stability, energy safety and security, optimization of performance and sustainable development of the company**.

At the same time, considering the current context regarding the state of emergency established on the territory of Romania, for 30 days, between in 16.03.2020 and 16.04.2020, by Presidential Decree No. 195/16.03.2020, published in OJ of Romania No. 212/16.03.2020, Part I, as an event following the activity of 2019, presented in this report, we inform all interested parties that the executive management of Transgaz prepared and the Board of Administration of the Company approved by Resolution No. 11/13.03.2020, the implementation of the Plan of Measures for the case the COVID-19 virus epidemic is declared and Transgaz health and activity is affected. The document is published at: _ : <https://www.transgaz.ro/en/plan-measures-covid-19> and will be updated periodically, depending on the changes.

Yours sincerely,

ION STERIAN – Executive Administrator –Director - General

REMUS GABRIEL LĂPUȘAN – Non-Executive Administrator – Chairman of the Board of Administration

PETRU ION VĂDUVA – Non-Executive Administrator

BOGDAN GEORGE ILIESCU – Non-Executive Administrator

NICOLAE MINEA– Non-Executive Administrator

1. ISSUER IDENTIFICATION DATA

1.1 Report and issuer identification data

Report prepared according to the provisions of Law no. 24/2017, on issuers of financial instruments and market operations.

For the year ended: 31 Decembrie 2020

Report date: 21 March 2021

Company name: The National Gas Transmission Company TRANSGAZ SA

Telephone/Fax number: 0269-803333/0269-839029

VAT Number: RO13068733

Registration number with the Trade Register: J32/301/2000

Subscribed and paid up capital: lei 117,738,440

Regulated market on which issued securities are traded: The Bucharest Stock Exchange

1.2 Mission, vision, organizational values

Transgaz is a joint stock company, operating according to the provisions of the Romanian legislation and its updated Articles of Incorporation. It is a company listed on the Bucharest Stock Exchange, stock exchange symbol – TGN.

Mission

In line with the European energy policy requirements, Transgaz's mission represents the fulfilment in conditions of efficiency, transparency, safety and competitiveness of the national energy strategy established for domestic and international gas transmission, natural gas dispatching and research and design in the field of natural gas transmission.

Transgaz's mission is:

- The safe operation of the NTS based on economic efficiency;
- NTS rehabilitation, upgrading and development on the main consumption directions;
- NTS interconnection with the natural gas transmission systems of the neighbouring countries;
- Development of new gas transmission infrastructures towards Western Europe;
- Ensuring non-discriminatory access to the NTS;
- The implementation of participatory management in all of the company's action fields;
- Development of the organizational culture and of the national performance standards;
- Implementation of the regulations in the natural gas sector;
- Improvement of the natural gas transmission activity informatization, preparation of the normative acts draft and European actions to support them;
- The good corporate governance principles integration into the business practice.

Vision

The company intends to become a transmission operator recognized on the international gas market, a leader on the energy market in the region with a modern gas transmission system integrated at European level and with an effective management system.

Vision as a message to the community

The responsible fulfilment of the public service mission, the safe operation of the National Gas Transmission System, high quality services, safe connection to the NTS under non-discriminatory and transparent conditions for all network users and the integration at European level of the national gas market.

Vision as a message to the shareholders

A proficient company oriented towards continuous growth of the plus value for the shareholders.

Vision as a message to employees

The company as an attractive, stable and motivating working environment with a continuous commitment to professional excellence.

The organisational values defining Transgaz's business ethics are:

- tradition and professionalism;
- professional ethics and conduct;
- respect for the environment and for the people;
- responsibility towards business partners and social dialogue, towards the state institutions and the community;

Transgaz's core strengths

- The quality of licensed NTS operator - monopoly;
- The solid financial profile of the company;
- The continuity of the technical, economic and financial performance;
- The predictability of the cash-flow due to the regulated character of the gas transmission activity;
- Dividends granted to shareholders.

1.3 Shareholding

According to the provisions of Government Emergency Ordinance no. 1/04.01.2017 on the establishment of measures in the field of the central public administration and for the amendment and supplementation of regulatory acts, the Ministry of Economy was established, by the reorganisation of the activities of the Ministry of Economy, Trade and Relations with the Business Environment.

Thus, on 02.03.2017 the amendment of the account owner from the Romanian State through the Ministry of Economy, Trade and Relations with the Business Environment to the Romanian State through the Ministry of Economy was registered at Depozitarul Central S.A..

From 14 November 2019, the exercising of the rights and the fulfilment of the obligations arising from the status of shareholder of the Romanian State at the National Gas Transmission Company Transgaz SA is performed by the Romanian State through the General Secretariat of the Government, following the transfer of shares from the account of the Romanian State through the Ministry of Economy, according to GEO 68/06.11.2019 on the establishment of

measures at the level of the central public administration and for the amending and supplementation of some normative acts.

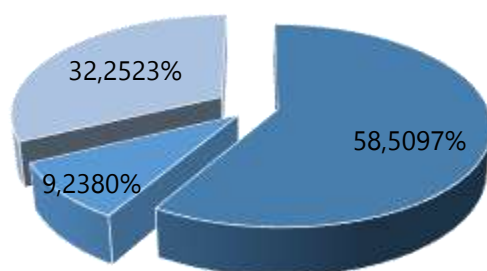
On 31.12.2020 Transgaz's shareholding structure was as follows:

Shareholder's name	Number of shares	Percentage %
The State of Romania represented by the General Secretariat of the Government	6.888.840	58,5097
Free float - Other shareholders (natural and legal persons) out of which:	4.885.004	41,4903
- natural persons	1.087.663	9,2380
- legal persons	3.797.341	32,2523
Total	11.773.844	100

Table 1 - Shareholding structure at 31.12.2020

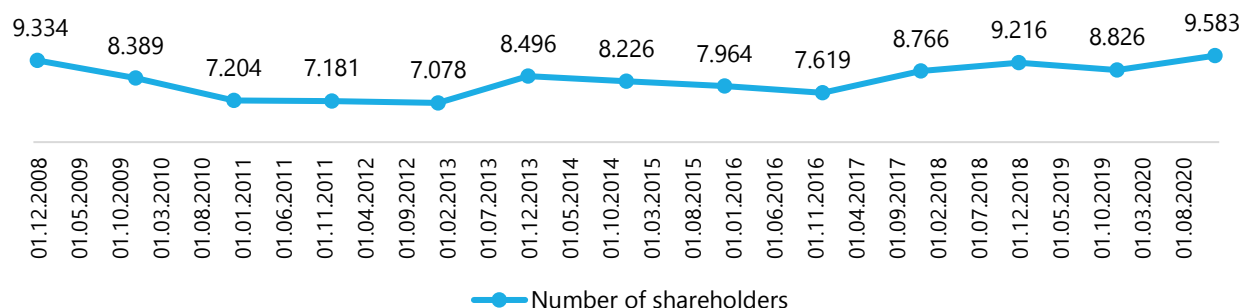
The share capital of Transgaz on 31 December 2020 amounted to Lei 117,738,440 and is divided into 11,773,844 registered shares, each share having a nominal value of Lei 10.

Shareholding at 31 December 2020



■ The Romanian State through the GSG ■ Natural persons ■ Legal persons

Regarding the number of shareholders, according to Transgaz shareholders' register at the reference date of 31.12.2020 a number of 9.583 TGN shareholders were registered, which is 757 shareholders more than on 31.12.2019.



Number of Transgaz shareholders from the listing and until 31.12.2020

1.4 Structure

Transgaz established up in 2000, based on the GR no. 334/28 April 2000 *on the reorganisation of the former National Natural Gas Company (SNGN) Romgaz SA, published in the Official Journal of Romania, Part I, no. 194/04.05.2000.*

Based on GR no. 334/2000, SNGN Romgaz SA was restructured and reorganized, by division, SNGN Romgaz S.A. being disestablished, and the main activities in the natural gas sector were separated and organized in separate activities.

Following the abovementioned reorganising, Transgaz became the technical operator of the NTS and is responsible for its functioning in conditions of quality, safety, economic efficiency and environmental protection.

By ANRE Order no. 3/22 January 2014 regarding the approval of the certification of the National Gas Transmission Company Transgaz - SA Mediaş as transmission and system operator of the National gas transport system was established that the National Gas Transmission Company Transgaz - SA Mediaş must be organized and must operate as an independent system operator.

In addition, as operator of the NTS, Transgaz has the obligation, according to the legal provisions on the measures for ensuring the natural gas supply safety and to the regulations of the European Union, to ensure the interconnection with similar natural gas transmission systems from neighbouring countries, creating the technical and technological conditions necessary for ensuring the natural gas supply safety.

SNTGN Transgaz SA (Transgaz) conducts its activity in the following locations:

- Transgaz registered office: Mediaş, 1 C. I. Motaş Square, Sibiu County, code 551130;
- Exploitation and Maintenance Department: Mediaş, 11 George Enescu Street, Sibiu County, code 551018;
- Design and Research Department: Mediaş, 6 Unirii Street, Sibiu County, code 550173;
- Bucharest Gas Market Operation Division: Bucharest, 30 Dorobanţi Blvd., District 1, code 010573;
- Transgaz Representative Office - Romania: Bucharest, 55 Primaverii Blvd.;
- Transgaz Representative Office - Brussels – Belgium: Brussels, 23 Luxembourg Street;
- Transgaz Representative Office - Chişinău – Republic of Moldova: Chisinau, 180 Stefan cel Mare si Sfant Blvd, of. 506, the Republic of Moldova;
- European Funds and International Relations Division: Bucharest, 155 Victoriei Blvd., District 1, code 010073.
- Design and Research Workshops - Braşov, 2 Nicolae Titulescu Street.
- Limited liability company EUROTRANSGAZ: MD-2004, Bvd.Ştefan cel Mare şi Sfânt, 180, of.506, Chişinău city, Republic of Moldova.
- Transgaz secondary office: Mediaş, 3 I.C. Brătianu, building 3, flat 75, Sibiu County.

Transgaz has **9 regional offices and a subsidiary**:

- **Arad Regional Office**, 56 Poetului Street, Arad, Arad County, code 310369;
- **Bacău Regional Office**, 63 George Bacovia Street, Bacău, Bacău County, code 600238;
- **Brăila Regional Office**, 5 Ion Ghica Street, Brăila, Brăila County, code 810089;
- **Braşov Regional Office**, 12A Grigore Ureche Street, Braşov, Braşov County, code 500449;
- **Bucharest Regional Office**, 24 Lacul Ursului Street, District 6, Bucharest, code 060594;
- **Cluj Regional Office**, 12 Crişului Street, Cluj-Napoca, Cluj County, code 400597;
- **Craiova Regional Office**, 33 Arhitect Ioan Mincu Street, Craiova, Dolj County, code 200011;
- **Mediaş Regional Office**, 29 George Coşbuc Street, Mediaş, Sibiu County, code 551027;
- **Constanţa Regional Office**, 2 bis Caraiman Street, Constanţa, Constanţa County, code 900117;
- **Mediaş Subsidiary**, 59 Sibiului Street, Mediaş, Sibiu County.

2. CONSOLIDATED EXECUTIVE SUMMARY

2.1 Indicators of the consolidated economic and financial results

The economic and financial activity of the National Gas Transmission Company Transgaz S.A. at 31 December 2020 was conducted based on the indicators included in the revenue and expense budget approved by OGMS Resolution No. 2/2020.

The value of the standard performance indicators on 31 December 2020 as compared to their value as of 31 December 2019 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Consolidated obtained	
					2020	2019
1.	Commissioned investments	Plan achieved	Thousand lei	0,15	2.267.731	57.400
2.	EBITDA	EBITDA increase	Thousand lei	0,15	413.213	537.004
3.	Labour productivity	Increasing labour productivity in units of value (turnover / average no. of employees);	lei/ pers.	0,15	352	433
4.	Outstanding payments	Payments made during the contract duration (in current prices)	Thousand lei	0,15	0	0

5.	Outstanding receivables	Diminished amount of outstanding receivables (in current prices)	Thousand lei	0,1	464.287	404.509
6.	NTS gas consumption	Remaining within the gas quantities representing NTS gas consumption	%	0,15	92,38%	82,97%
7	OPEX at lei 1000 operating revenue	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	877	783

Table 2 – Consolidated standard performance indicators in 2020 vs. 2019

The main consolidated economic and financial indicators obtained in 2017-2020 are as follows:

No.	Indicator	Obtained at 31 December (thousand lei)				Dynamics (%)
		2017	2018	2019	2020	
0	1	2	3	4	5	6=5/4*100
1.	Turnover	1.800.079	1.741.929	1.850.405	1.474.078	79,66
2.	Operating revenue before balancing and the construction activity according to IFRIC12	1.719.993	1.608.398	1.575.925	1.338.015	84,90
3.	Revenue from balancing	120.686	235.427	324.688	199.239	61,36
4.	Revenue from the construction activity according to IFRIC12	63.950	405.794	868.357	1.587.548	182,82
5.	Financial revenue	190.548	48.634	101.618	68.929	67,83
6.	Operating cost before balancing and the construction activity according to IFRIC12	1.055.371	1.052.177	1.234.622	1.173.521	95,05
7.	Cost of balancing gas	120.686	235.427	324.688	199.239	61,36
8.	Cost of constructed assets according to IFRIC12	63.950	405.794	868.357	1.587.548	182,82
9.	Financial cost	150.228	26.973	30.779	33.872	110,05
10.	Gross profit	704.942	577.882	412.143	199.552	48,52
11.	Profit tax	125.305	98.323	86.676	47.511	54,81
12.	Deferred profit tax revenue	3.876	10.927	15.833	13.183	83,26
13.	Net profit	583.513	490.486	341.394	165.224	48,40
14.	Total comprehensive result related to the period	601.338	487.868	340.426	153.134	44,98
15.	Transmitted gas thousand cm	12.869.908	12.975.921	13.227.501	12.380.266	93,59
16.	Investment cost	95.599	468.151	892.739	1.898.974	179,92

No.	Indicator	Obtained at 31 December (thousand lei)				Dynamics (%)
		2017	2018	2019	2020	
17.	Rehabilitation cost	13.954	21.646	12.687	17.258	136,03
18.	Technological consumption thousand lei	73.831	70.003	66.257	79.187	119,51
19.	Technological consumption thousand cm	95.243	81.034	65.208	69.325	106,31

Table 3- Main economic-financial indicators in 2017-2020

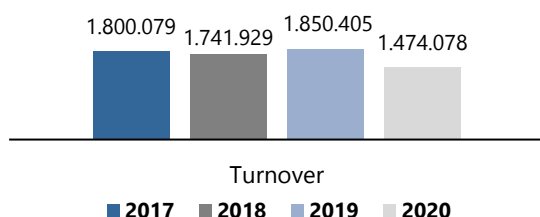


Chart 1 -Turnover 2017-2020 (thousand lei)

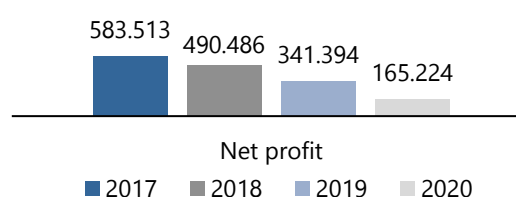


Chart 2-Net profit 2017-2020 (thousand lei)

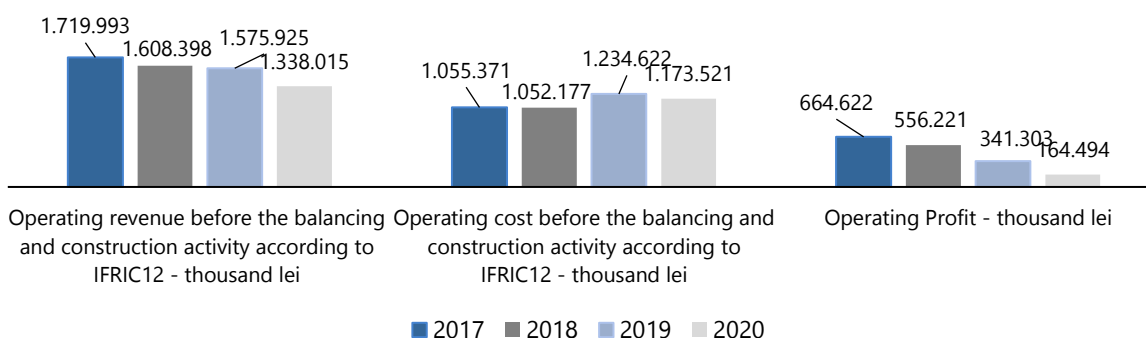


Chart 3- Operating revenue, expense and operating profit, before the construction activity according to IFRIC 12 in 2017-2020 (thousand lei)

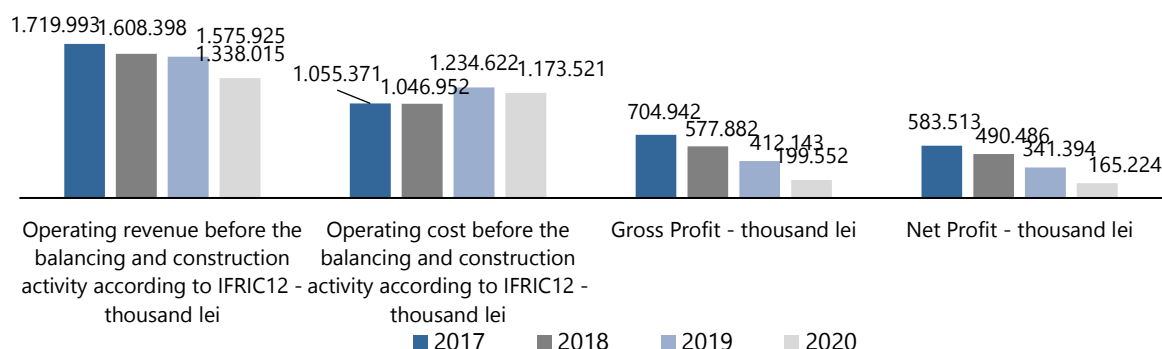


Chart 4- Main economic and financial indicators in 2017 - 2020 (thousand lei)

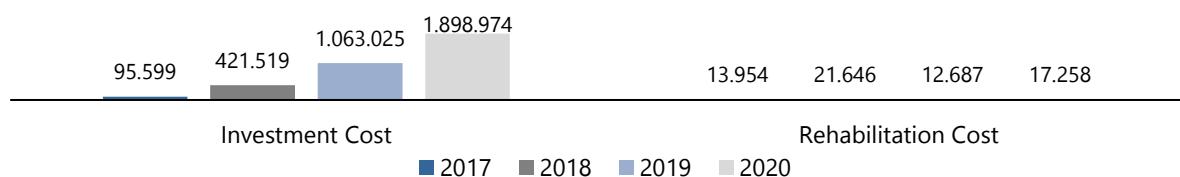


Chart 5- Investment and rehabilitation costs in 2017-2020 (thousand lei)

The values of the profitability, liquidity, risk and management indicators in 2017-2020:

No.	Indicators	Calculation formula	2017	2018	2019	2020
1.	Profitability indicators					
	EBITDA in total sales	EBITDA	47,17%	42,83%	29,02%	28,03%
		Turnover				
	EBITDA in equity	EBITDA	22,53%	20,12%	14,22%	11,03%
		Equity				
	Gross profit share	Gross profit	39,16%	33,18%	22,27%	13,54%
		Turnover				
	Return on equity	Net profit	15,48%	13,22%	9,04%	4,41%
		Equity				
2.	Liquidity indicators					
	Current liquidity indicator	Current assets	5,57	3,60	2,58	1,65
		Short term debts				
	Acid test ratio	Current assets - Stocks	5,27	2,99	1,65	1,37
		Short term debts				
3.	Risk indicators					
	Leverage indicator	Borrowed capital	1,85%	6,29%	17,51%	42,53%
		Equity				
	Interest coverage ration	EBIT	8.932,75	220,69	78,88	9,57
		Interest expense				
4.	Management indicators					
	Days' sales outstanding	Average accounts receivable x 365 days	142,85	141,49	137,09	167,42
		Turnover				
	Days' payable outstanding	Average accounts payable x 365 days	19,43	35,52	40,78	55,23
		Turnover				

Table 4 - Profitability, liquidity, risk and management indicators in 2017-2020

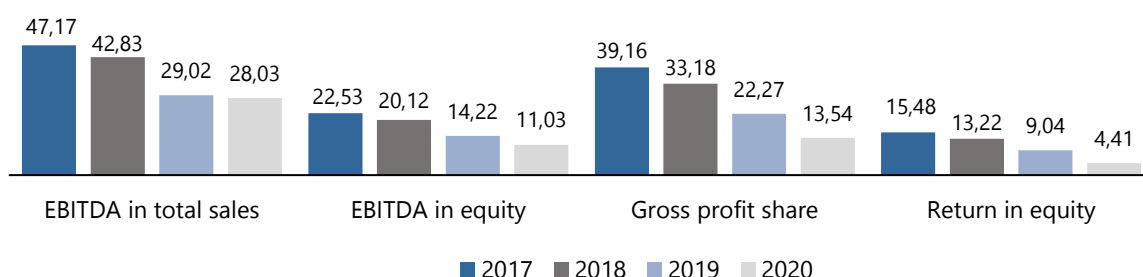


Chart 6- Profitability indicators in 2017-2020

3. INDIVIDUAL EXECUTIVE SUMMARY

3.1 Indicators of the individual economic and financial results

The economic and financial activity of the National Gas Transmission Company Transgaz S.A. in 2020 was conducted based on the indicators included in the revenue and expense budget approved by OGMS Resolution No. 2/2020.

The value of the standard performance indicators on 31 December 2020 as compared to their value as of 31 December 2019 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					2020	2019
1.	Commissioned investments	Plan achieved	Thousand lei	0,15	2.020.454	57.400
2.	EBITDA	EBITDA increase	Thousand lei	0,15	414.677	541.590
3.	Labour productivity	Increasing labour productivity in units of value (turnover / average no. of employees);	lei/ pers.	0,15	355	436
4.	Outstanding payments	Payments made during the contract duration (in current prices)	Thousand lei	0,15	0	0
5.	Outstanding receivables	Diminished amount of outstanding receivables (in current prices)	Thousand lei	0,1	464.287	404.509

6.	NTS gas consumption	Remaining within the gas quantities representing NTS gas consumption	%	0,15	92,38%	82,97%
7	OPEX at lei 1000 operating revenue	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	874	779

Table 5 – Standard performance indicators in 2020 vs. 2019

The main economic and financial indicators obtained in 2017-2020 are as follows:

No.	Indicator	Obtained at 31 December (thousand lei)				Dynamics (%)
		2017	2018	2019	2020	
0	1	2	3	4	5	6=5/4*100
1.	Turnover	1.800.079	1.741.929	1.850.405	1.474.078	79,66
2.	Operating revenue before balancing and the construction activity according to IFRIC12	1.719.993	1.608.437	1.576.667	1.333.504	84,58
3.	Revenue from balancing	120.686	235.427	324.688	199.239	61,36
4.	Revenue from the construction activity according to IFRIC12	63.950	405.794	868.357	1.587.548	182,82
5.	Financial revenue	190.546	46.844	98.952	60.666	61,31
6.	Operating cost before balancing and the construction activity according to IFRIC12	1.055.267	1.046.952	1.228.699	1.165.836	94,88
7.	Cost of balancing gas	120.686	235.427	324.688	199.239	61,36
8.	Cost of constructed assets according to IFRIC12	63.950	405.794	868.357	1.587.548	182,82
9.	Financial cost	150.227	25.449	27.818	19.156	68,86
10.	Gross profit	705.045	582.880	419.102	209.178	49,91
11.	Profit tax	125.305	98.132	86.676	47.360	54,29
12.	Deferred profit tax revenue	3.876	10.927	15.833	13.183	83,26
13.	Net profit	583.616	495.675	348.259	175.001	50,25
14.	Total comprehensive result related to the period	601.442	491.233	343.622	182.343	53,06
15.	Transmitted gas thousand cm	12.869.908	12.975.921	13.227.501	12.380.266	93,59
16.	Investment cost	95.599	468.151	1.063.025	1.699.862	159,91
17.	Rehabilitation cost	13.954	21.646	12.632	17.167	135,90
18.	Technological consumption thousand lei	73.831	70.003	66.257	79.187	119,51
19.	Technological consumption thousand cm	95.243	81.034	65.208	69.325	106,31

Table 6- Main economic-financial indicators in 2017-2020

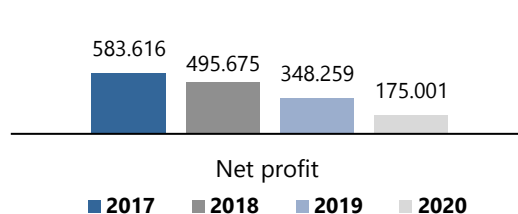
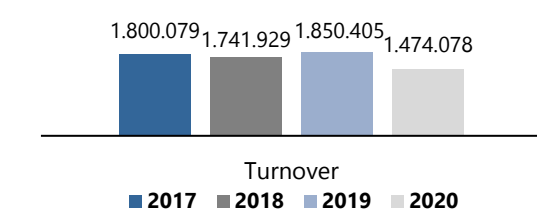


Chart 7 - Turnover 2017-2020 (thousand lei)

Chart 8 - Net profit 2017-2020 (thousand lei)

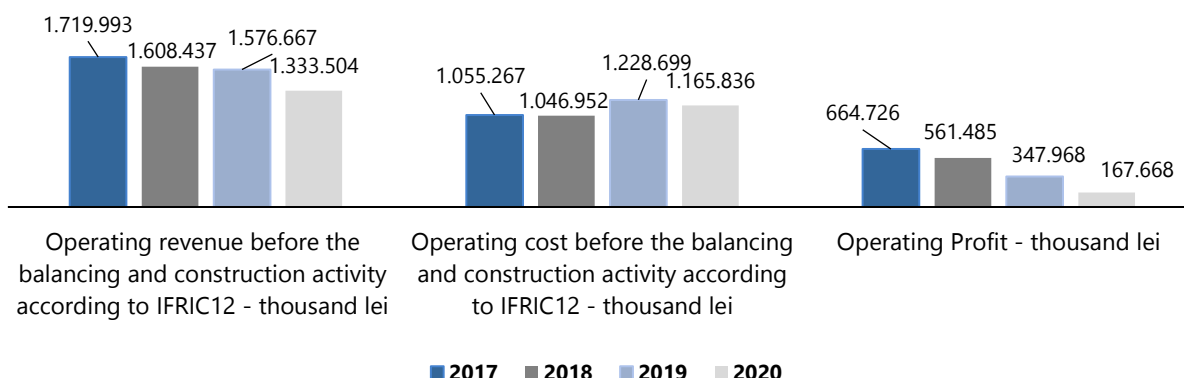


Chart 9 - Operating revenue, expense and operating profit, before the balancing and construction activity according to IFRIC 12 in 2017-2020

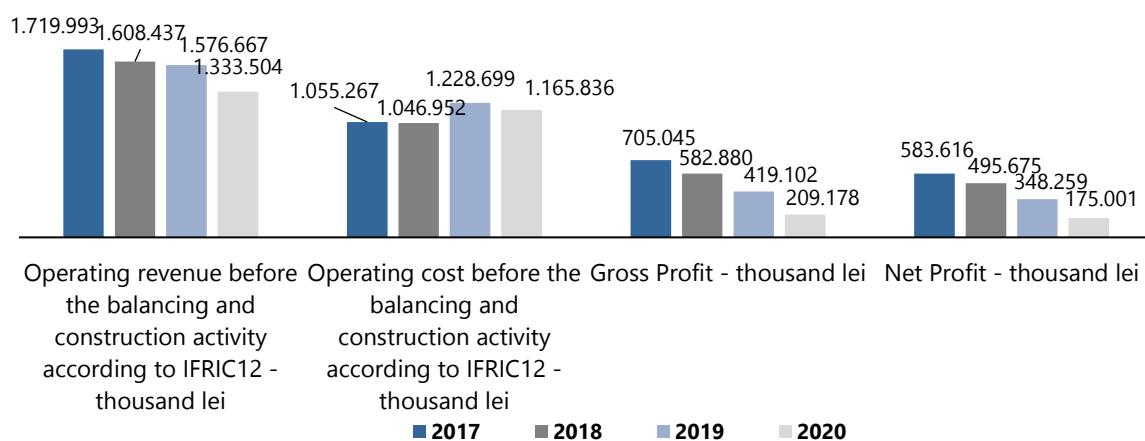


Chart 10- Main economic and financial indicators in 2017 - 2020

Transgaz holds the monopoly in Romania in terms of natural gas transmission and circulates approximately 90% of the total natural gas consumed.

As of 31 December 2020 the Company's cash in bank accounts amounted to lei 276.040 thousand of which 10% was cash denominated in foreign currency, most of it in EUR.

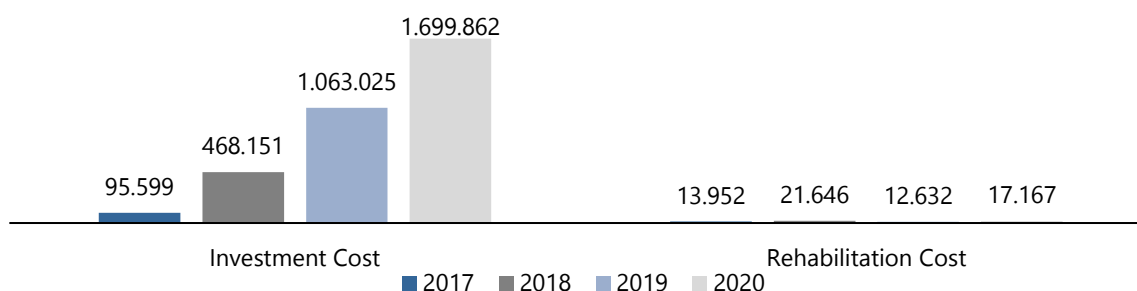


Chart 11- Investment and rehabilitation costs in 2017–2020 (thousand lei)

The values of the profitability, liquidity, risk and management indicators in 2017-2020:

No.	Indicators	Calculation formula	2017	2018	2019	2020
1.	Profitability indicators					
	EBITDA in total sales	EBITDA	47,18%	43,03%	29,27%	28,13%
		Turnover				
	EBITDA in equity	EBITDA	22,53%	20,19%	14,23%	10,96%
		Equity				
	Gross profit share	Gross profit	39,17%	33,46%	22,65%	14,19%
		Turnover				
	Return on equity	Net profit	15,48%	13,35%	9,21%	4,63%
		Equity				
2.	Liquidity indicators					
	Current liquidity indicator	Current assets	5,57	3,59	2,58	1,56
		Short term debts				
	Acid test ratio	Current assets - Stocks	5,27	2,99	1,60	1,29
		Short term debts				
3.	Risk indicators					
	Leverage indicator	Borrowed capital	1,85%	6,28%	17,44%	39,31%
		Equity				
	Interest coverage ration	EBIT	X	222,77	80,40	9,73
		Interest expense				
4.	Management indicators					
	Days' sales outstanding	Average accounts receivable x 365 days	142,85	141,49	137,09	167,42
		Turnover				
	Days' payable outstanding	Average accounts payable x 365 days	19,43	35,52	40,78	55,23
		Turnover				

Table 7 - Profitability, liquidity, risk and management indicators in 2017-2020

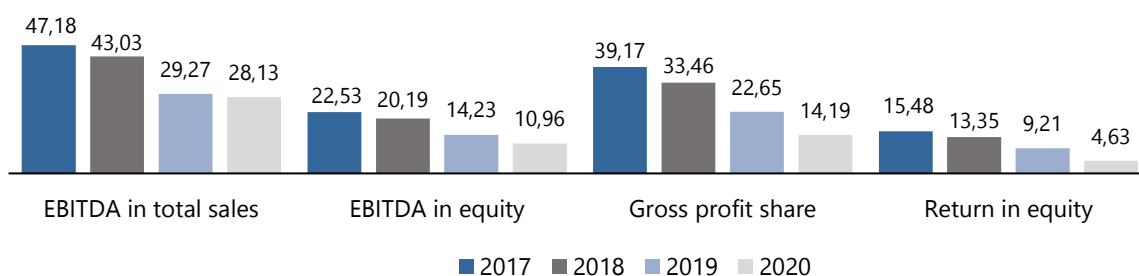


Chart 12- Profitability indicators in 2017-2020

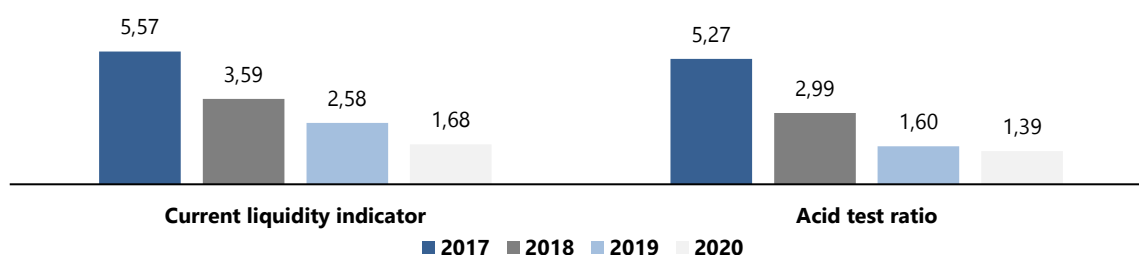


Chart 13- Liquidity indicators in 2017 - 2020

3.2 Key financial and non-financial performance indicators (KPIs)

Key financial performance indicators for the calculation of the variable component of the remuneration

The key financial performance indicators approved by OGMS Resolution 2/2020 were substantiated based on the company's Revenue and Expense Budget data approved by OGMS Resolution 2/2020.

-thousand lei-

No.	Indicator	Objective	2020		Achievement
			Budgeted	Obtained	
1.	Outstanding payments	Maintaining outstanding payments to zero	0	0	100%
2.	Operating expenses (except for depreciation, balancing, construction activity and provisions for the asset depreciation and for risks and charges)	Maintaining the level of the operating expenses at the level undertaken in the Management Plan	1.095.239	846.555	129%
3.	Acid test ratio	Acid test ratio to register annual values over 1.	1,11	1,29	116%
4.	Net debt-to-equity ratio	Maintaining a net debt-to-equity ratio under the limits set for obtaining bank financing, namely:	5,5	3,88	142%

No.	Indicator	Objective	2020		Achievement
			Budgeted	Obtained	
		3 –2017; 3- 2018; 5,5 –2019; 5,5 - 2020; 4-2021			
5.	EBITDA (thousand lei)	Achieving the EBITDA target undertaken in the Management Plan	349.317	414.677	119%

Table 8 – Key financial performance indicators for the calculation of the variable component of remuneration obtained in 2020 vs 2020 budgeted

Key non-financial performance indicators for the calculation of the variable component of the remuneration

No.	Indicator	Objective	No.	2020		Achievement degree
				Planned	Achieved	
Operational						
6.	Monitoring the Implementation and Investment Strategy	Achievement of the FID projects in the TYNDP $I=(\text{achieved}+\text{initiated actions})/\text{proposed actions}$				
		Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria Corridor (BRUA phase 1).	6.1	Construction Phase I; - Lot 1, Lot 2 and the Pui-Jupa – CS Bibești pipeline section	Completed	100%
		Interconnection of the National Transmission System with the T1 international gas transmission pipeline and reverse flow at Isaccea	6.2	- Completion of FEED and the execution details/obtaining the comprehensive decision - phase 2 – Construction and commissioning	Completed	
	Modernization of Isaccea 1 GMS and Negru Vodă 1 GMS;	6.3	Isaccea I – construction and commissioning Negru Vodă 1 – construction	-GMS Isaccea 1 - Completed - FEED completed		
		6.4	Construction (commissioning in 2021)	- pipeline execution in progress (Lot 1 and Lot 2); - CS Onești and CS Gherăști - Completed		
		6.5	- Construction (commissioning in 2021)	-execution of works in progress		

7.	Increasing energy efficiency	Maintaining the share of the NTS gas consumption in the total circulated gas below 1%	7.1	<1	0.56	100%
Oriented towards public services						
8.	Performance indicators related to the gas transmission service	Achievement of the targets provided for in the Performance Standard for the gas transmission service (ANRE Order 161/26.11.2015 entered into force as at 1 October 2016)	8.1	$IP_0^1 \geq 90\%$	99.72%	100%
			8.2	$IP_1^1 \geq 95\%$	*	
			8.3	$IP_1^2 \geq 95\%$	*	
			8.4	$IP_1^3 \geq 95\%$	100.00%	
			8.5	$IP_1^4 \geq 95\%$	100.00%	
			8.6	$IP_1^5 \geq 95\%$	100.00%	
			8.7	$IP_2^1 \geq 95\%$	97.06%	
			8.8	$IP_2^2 \geq 95\%$	*	
			8.9	$IP_3^1 \geq 95\%$	100.00%	
			8.10	$IP_3^2 \geq 95\%$	*	
			8.11	$IP_3^3 \geq 95\%$	*	
			8.12	$IP_3^4 \geq 95\%$	*	
			8.13	$IP_4^1 \geq 95\%$	*	
			8.14	$IP_5^1 \geq 98\%$	100.00%	
			8.15	$IP_5^2 \geq 98\%$	100.00%	
			8.16	$IP_6^1 \geq 98\%$	100.00%	
			8.17	$IP_6^2 \geq 98\%$	100.00%	
			8.18	$IP_7^1 \geq 80\%$	87.86%	
			8.19	$IP_8^1 \geq 98\%$	100.00%	
			8.20	$IP_8^2 \geq 98\%$	*	
			8.21	$IP_9^1 \geq 90\%$	*	
Corporate governance						

9.	Implementing the internal/management control system	Implementing the provisions of the SGG Order no. 600/2018 on the approval of the Internal/management control Code of public enterprises as subsequently amended. I = implemented standards/standards provided by Order 600/2018*100	9.1	94%	Achieved -Letter DSMC/1277/08.01.2021 sent to the General Secretariat of the Government on the Progress of the SCI/M implementation and development at SNTGN Transgaz SA on 31.12.2021; Entry no. SGG 20/1041/DC of 18.01.2021. -Centralized progress of the SCI/M implementation and development at SNTGN Transgaz SA on 31.12.2020, no. DSMC/1139/08.01.2021. -Self-Assessment Questionnaire on the progress of the SCI/M standards implementation on 31.12.2020, no. DSMC/1138/08.01.2021.. -Synthesis of self-assessment results on 31.12.2020, no. 1146/08.01.2021. - Report DSMC/1144/08.01.2021 of the Director-General on SCI/M on 31.12.2020 -Updating Decision no. 751/23.07.2018 on the establishing of Monitoring Committee with Decision no. 36/14.01.2020 and Decision no. 736/30.06.2020; - Updating Decision no. 282/15.03.2019 on the appointment of the SCI/M persons responsible with Decision no. 38/14.01.2020; - Updating the 2020 Transgaz SCI/M Development Plan no. 1264/10.01.2020; - Report on the SCI/M implementation on 31.12.2020, no. 4975/26.01.2021; - Report on 2020 Transgaz performance monitoring, no. 4973/26.01.2021. -Report to the Board of Administration on the Implementation internal / management control system and Performance Monitoring 2019, no. DG 21004/06.04.2020, BoA Resolution 14/29.04.2020 - Policy Statement on the sensitive functions within SNTGN Transgaz SA/10.08.2020 - Policy regarding the sensitive functions within SNTGN Transgaz SA No. DSMC/42754/30.07.2020 - SNTGN Transgaz SA Business Continuity Plan No. DSMC/53823/23.09.2020	100%
10.	Customer satisfaction	Achievement of the targets provided for in the management plan (According to PP 165 Evaluation of Clients satisfaction, a score between 6-8 represents the fact that the services offered	10.1	8	8	100%

		<i>satisfied accordingly the requirements of the clients)</i>				
11.	Setting the risk management policies and risk monitoring	<i>Achievement of the targets provided for in the management plan related to the implementation of the requirements of Standard 8 of SGG Order no. 600/2018 on the approval of the internal/management Control Code of public entities</i>	11.1	<i>Updating of risk management specific documents</i>	Achieved -Decision no. 737/30.06.2020 for the updating of the Risk Management Team; -2020 Tolerance Limit no. 1512/13.01.2020; ; -The risk profile of Transgaz, December 2019, no. 1512/13.01. 2020. ; -Statement – Commitment of the Director - General regarding Risk management, updated in 29.04.2020	100%
			11.2	<i>Updating the Register of Risks</i> <i>Updating the Plan of measures to mitigate risks</i>	Achieved - the Register of the Risks at the company level - year 2020, no. 1173/ 01.10.2020; -Plan of measures to mitigate risks, at the company level, year 2020, no. 1434/13.01.2020. - the Register of the Risks at the company level revised, December 2020, No. 73794/30.12.2020	
			11.3	<i>Report on risk management and monitoring</i>	Achieved -Report on risk management and monitoring within the company, for 2020, no. 3108/ 19.01.2021; -The Report to the Board of Administration on the risk management and monitoring within Transgaz for 2019, no. DG 21001/06.04.2020, BoA Resolution 14/29.04.2020.	
12.	Timely reporting of the key performance indicators	<i>Compliance with the legal deadlines for reporting I = actual reporting deadlines/reporting deadlines provided *100</i>	12.1	<i>Financial communication calendar to BSE</i>	Achieved (see company web site)	100%.
			12.2	<i>Status of achievement of the 10 year National transmission system development plan</i>	Achieved Letter DSMC/11471/26.02.2020 Deadline: 1 March 2020	
			12.3	<i>SCIM reporting</i>	Achieved Letter no. DSMC/1277/ 08.01.2021sent to the General Secretariat of the Government, on the Transgaz SCI/M progress of implementation and development on 31.12.2020; Entry no. SGG 20/1041/DC of 18.01.2021. (reported annually)	
			12.4	<i>Reporting related to the achievement of the performance indicators of the gas transmission service</i>	Achieved Letter no. 66442/19.11.2020 - ANRE report for gas year 2019-2020(reported annually)	
			12.5	<i>Reporting form S1100 on the monitoring of</i>	Achieved Letter DSMC 36417/01.07.2020	

				the application of the provisions of GEO 109/2011	S1100 report for Semester I 2020 and KPI for 2019 Letter DSMC 126/04.01.2021 S1100 report for Semester II 2019	
13.	Increasing institutional integrity by including the measures for the prevention of corruption as an element of the managerial plans	Compliance with the measures undertaken by the approved Integrity Plan <i>I = measures achieved within the deadline /proposed measures *100</i>	13.1	Publication of the SCIM assessment results	Achieved Published report on the Internal/Management Control System on 31.12.2020, no. 1144/08.01. 2021 at: http://zonapublica.transgaz.ro/Sistem%20de%20Control%20Intern%20Managerial/Sistem%20de%20Control%20Intern%20Managerial/6.%20Documente%20de%20evaluare%20interna%20si%20raportare/3.%20Raport%20anual%20al%20SCIM/Raportare%20c%C4%83tre%20SGG%20la%2031.12.2020/	100%
			13.2	Annual evaluation of the implementation of the Integrity Plan and its adaptation to the newly occurred risks and vulnerabilities	Achieved At the level of S.N.T.G.N. TRANSGAZ S.A. the annual evaluation was performed, and by Letter DG 6410/29.01.2021 Report on the evaluation of the Transgaz Integrity Plan, the Integrity Incidents Report (Annex 1) and the Report for implementing measures S.N.A. (Annex 2) were sent to the General Secretariat of the Government;	
			13.3	Annual publication of the performance indicators monitored within the company's Integrity Plan	Achieved (by the publication of the Annual Evaluation of the Integrity Plan on intranet): http://zonapublica.transgaz.ro/Strategia%20de%20lupta%20anticoruptie/	

Table 9 -Non-financial key performance indicators for the calculation of the variable component of remuneration in 2020

4. THE DEVELOPMENT STRATEGY

4.1 Strategic projects

In consideration of the compliance with European Directive EC/73/2009 Art. 22 on the obligation to prepare the **Ten-Year Network Development Plans** (TYNDP) for all European Union gas transmission system operators and Article 125 (6) of Law 123/2012, SNTGN Transgaz SA Mediaș, as technical operator of the National Gas Transmission System of Romania prepared the **2020-2029 TYNDP**, which was approved by ANRE by Decision no. 2210/25.11.2020.

The document presents the development directions of the Romanian gas transmission network and the major projects that the company intends to implement in the next 10 years in order to achieve a maximum degree of transparency in the development of the national gas transmission system.

The 2020– 2029 TYNDP complies with the European energy policy on:

- ensuring safety of natural gas supply;
- increasing the interconnection of the national gas transmission network to the European network;
- increasing the flexibility of the national gas transmission network;
- liberalization of the gas market;
- integrating the gas market at the level of the European Union.

The projects included in the **2020– 2029 TYNDP** are:

1. Development on the Romanian territory of the National Gas Transmission System along the Bulgaria - Romania - Hungary - Austria Corridor (BRUA) will be achieved in two phases:
 - 1.1 Development on the Romanian territory of the National Gas Transmission System along the Bulgaria - Romania - Hungary - Austria Corridor (BRUA)-**Phase 1**;
 - 1.2 Development on the Romanian territory of the National Gas Transmission System on the Bulgaria - Romania - Hungary - Austria Corridor (BRUA)-**Phase 2**;
2. Development on the Romanian territory of the Southern Transmission Corridor for taking over the Black Sea gas;
3. The interconnection of the national gas transmission system with the T1 international gas transmission pipeline;
4. NTS development in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova;
5. Extension of the bidirectional gas transmission corridor Bulgaria – Romania - Hungary – Austria (BRUA Phase 3);
6. Project on new developments of the NTS for taking over Black Sea gas;
7. Interconnection between the Gas Transmission Systems of Romania and Serbia;
8. Modernization of Isaccea 1 GMS and Negru Vodă 1 GMS;
9. Interconnection of the gas transmission systems of Romania and Ukraine in the Gherăești – Siret direction;
10. Development/Upgrading of the gas transmission infrastructure in the North-Western part of Romania;
11. Increase in the gas transmission capacity of the interconnection Romania- Bulgaria, in the Giurgiu-Ruse direction;

12. Easting-Romania;
13. Monitoring system, data control and acquisition for the cathodic protection stations related to the National Gas Transmission System;
14. Development of the SCADA system for the National Gas Transmission System.
15. Upgrading GMS Isaccea 2 and GMS Negru Voda 2 for enabling bidirectional flow on the T2 pipeline
16. Upgrading GMS Isaccea 3 and GMS Negru Voda 3 for enabling bidirectional flow on the T3 pipeline
17. Interconnection between NTS and the Black Sea LNG Terminal

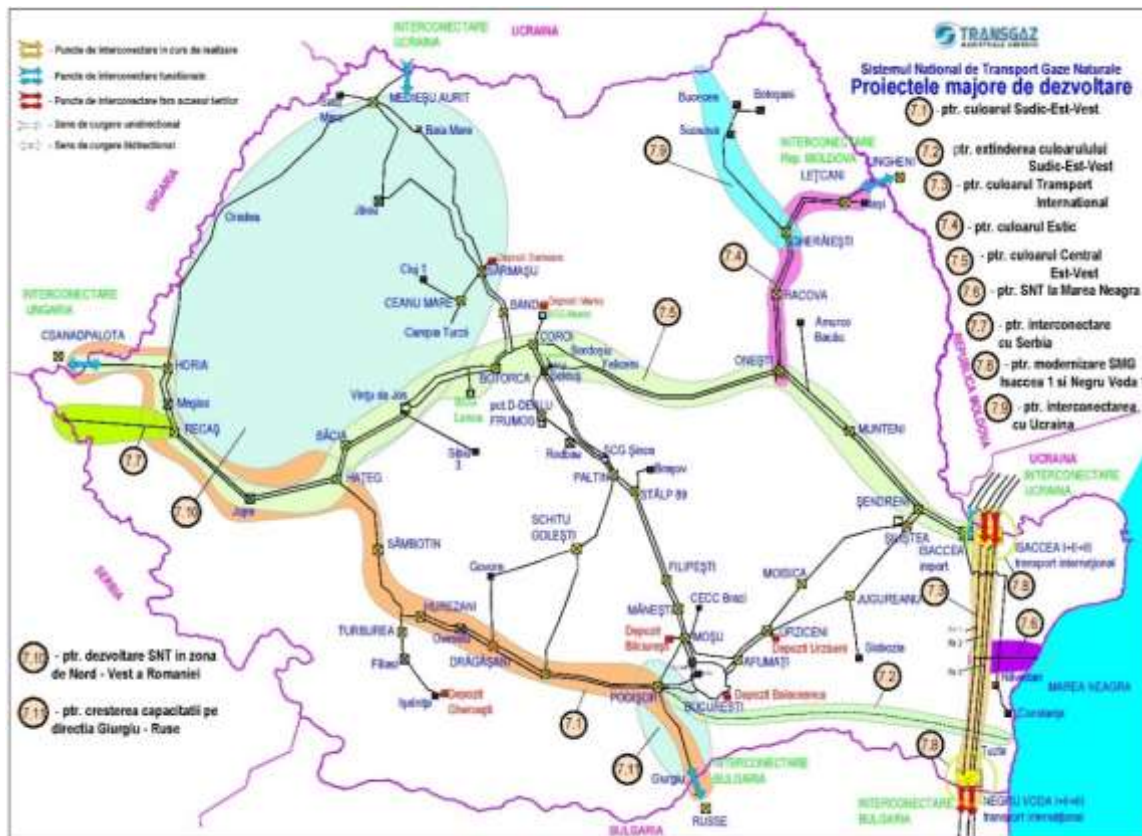


Figure 1-Map of the main NTS projects

1. Development on the Romanian territory of the National Gas Transmission System along the Bulgaria – Romania – Hungary – Austria corridor (BRUA)

Currently, at European level, the implementation of several major projects allowing for the diversification of Europe's gas supply sources by the transmission both of the Caspian gas and of the gas available from the LNG terminals to Central Europe is in progress:

- enhancement of the South Caucasus Pipeline;
- construction of the Trans-Anatolian Pipeline (TANAP);
- construction of the Trans Adriatic Pipeline (TAP);
- construction of the interconnection Greece - Bulgaria (IGB).

The implementation of these projects creates the possibility to transport Caspian gas to the Southern border of Romania.



Figure 2 – The interconnection points of the Romanian gas transmission system with the similar Bulgarian and Hungarian systems

Under such circumstances, the National Gas Transmission System needs to be adjusted to the new perspectives, by extending the transmission capacities between the existing interconnection points of the Romanian gas transmission system with the Bulgarian system (at Giurgiu) and the Hungarian system (at Nădlac). The NTS entry-exit points Giurgiu and Nădlac were linked through a system of pipelines with a long service life, with diameters of maximum 24" and design pressures of maximum 40 bar. The existing gas transmission capacities did not allow for the transmission of important gas volumes.

The project `Development on the Romanian territory of the National Gas Transmission System along the Bulgaria – Romania – Hungary – Austria Corridor`, aims at the development of the gas transmission system capacities between the interconnections between the Romanian gas transmission system and the similar systems of Bulgaria and Hungary consisting in the construction of a new transmission pipeline to connect the Podișor Technological Node to the Horia GMS.

This project asserted itself as a necessity in the second half of 2013 based on the following:

- the deselection of the Nabucco project as the route preferred for the Caspian gas transmission to the Central European markets;
- ensuring adequate gas transmission capacities at the cross-border interconnection points between Romania and Bulgaria and between Romania and Hungary for increasing interconnectivity at the European level;
- ensuring gas transmission capacities so that Black Sea gas can reach the Central European markets.

The Project was included in the updated list of Projects of Common Interest published in EU Official Journal L74/11.03.2020 as an Annex to Regulation 347/2013.

Thus, the updated list of the Union's List of Projects of Common Interest (List 4/2020) comprises the Project BRUA with both phases at sections 6.24.1 and 6.24.4-2 within ***Cluster phased capacity increase on the (Bulgaria) — Romania — Hungary — (Austria) bidirectional transmission corridor (currently known as "ROHUAT/BRUA") to enable a capacity at the Romania-Hungary interconnection of 1.75 bcm/a in the 1st phase, 4.4 bcm/a in the 2nd phase, and including new resources from the Black Sea in the 2nd phase.***

The implementation phases of the BRUA Project, in accordance with the provisions of the Fourth PCI List /2020 are:

- Development of the transmission capacity in Romania from Podișor to Receaș, including a new pipeline, metering station and three new compressor stations in Podișor, Bibești and Jupa;
- Expansion of the transmission capacity in Romania from Recas to Horia towards Hungary up to 4.4 bcm/a and expansion of the compressor stations in Podisor, Bibesti and Jupa.

Furthermore, the BRUA Project with was included in the list of priorities of the CESEC (Central East Europe Gas Connectivity) working group as follows:

- **Phase I** of the BRUA Project was included in the list of priority projects;
- **Phase II** of the BRUA Project was included in the list of conditional priority projects.

The BRUA project both of its phases (Phase I and Phase II) is included in the 2020 European TYNDP identified with the code TRA-F-358 (Phase I), and TRA-A-1322 (Phase II).

1.1 Development on the territory of Romania of the National Gas Transmission System along the Bulgaria–Romania–Hungary–Austria Corridor – Phase 1

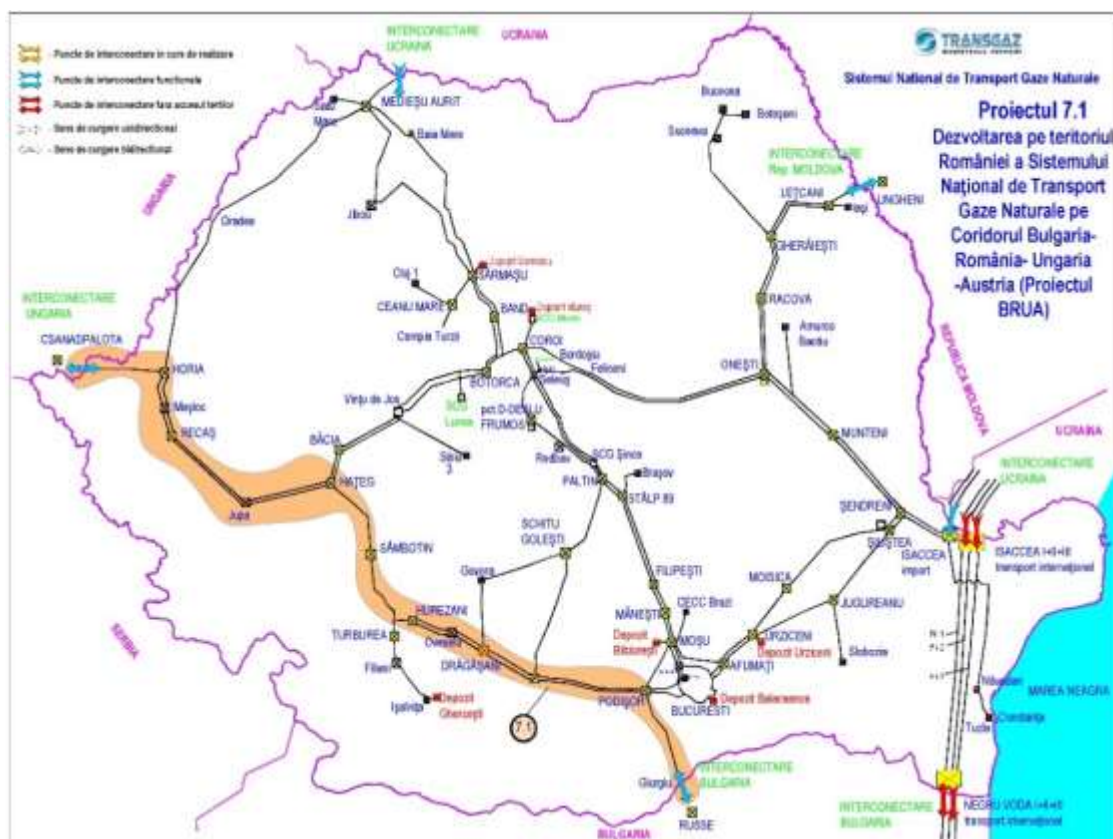


Figure 3 -Map of the key development project of the Bulgaria-Romania-Hungary-Austria Corridor-Phase 1

Project description:

BRUA Phase I consisted in the achievement of the following objectives:

- pipeline Podișor-Recaș 32" x 63 bar approximately 479 km long:
 - **LOT 1** from km 0 (in the vicinity of Podișor, Giurgiu county) to km 180 (in the vicinity of Valeni village, Zatrene locality, Valcea county)
 - **LOT 2** from km 180 in the vicinity of Valeni village, Zatrene locality, Valcea county) to km 320 (in the vicinity of Pui, Hunedoara county)
 - **LOT 3** from km 320 (in the vicinity of Pui, Hunedoara county) to km 479 (in the vicinity of Recaş, Timis county).
- three gas compressor stations (Podișor CS, Bibești CS and Jupa CS) each station being equipped with two compressor units (one in operation and one back-up), with the possibility to ensure bidirectional gas flow.

The implementation of BRUA Phase 1 results in the provision of permanent bidirectional gas flows possibilities between the interconnections with Bulgaria and Hungary, the following gas transmission capacities being ensured:

- in the Hungary direction: 1,75 bcm/a,
- in the Bulgaria direction: 1,5 bcm/a .

Indicative project development schedule

Development stages	Progress/Indicative completion date according to 2020-2029TYNDP	Progress/Indicative completion date updated at the date of the Report
Pre-feasibility study	completed	completed
Feasibility study	completed	completed
Environmental Impact Assessment	completed	completed
FEED	completed	completed
FID	obtained in 2016	completed
Environmental Permit	obtained - December 2016	completed
Construction Permit	obtained – February 2017	completed
Exhaustive decision	obtained – March 2018	completed
Conclusion of contracts for the execution works	November 2017	completed
Issuing of the pipeline execution works commencement order	issued on 4 June 2018	completed
Delivery of the pipeline site and Public consultation in the related territorial Administrative units	May–June 2018	completed
Conclusion of the contract for the compressor station execution works	March 2018	completed
Delivery to the constructor of the sites of the Compressor stations and Public consultations in the related TAUs	11-13 April 2018	completed
Issue of the works commencement order for the execution of the three compressor station	issued on 16 April 2018	completed
Conclusion of the contract for the execution works related to the pipeline automation and security	July 2018	completed
Pipeline construction –Phase I	2018–2020	completed
– Section Jupa – Recaş (part of Lot 3)	completed	completed 2019
– Lot 1, Lot 2 and Pui-Jupa section	2020	completed 2020
Construction of the compressor stations –Phase I	2018– 2020	completed
– CS Jupa	completed	completed 2019

Development stages	Progress/Indicative completion date according to 2020-2029TYNDP	Progress/ Indicative completion date updated at the date of the Report
- CS Podișor	completed	completed 2019
- CS Bibești	2020	completed 2020
Start of operation Phase 1	October 2020	completed 2020

Completion date: The project was completed in November 2020

Initial investment value: Euro 478,6 million

Final investment value: Euro 423 million

The inclusion of the project in international plans

- **PCI project (first list of European Projects of Common Interests): BRUA 7.1.5;**
- **PCI project (second list of European Projects of Common Interests): BRUA Phase I: 6.24.2;**
- **PCI project (third list of European Projects of Common Interests): BRUA Phase I: 6.24.1–position 2;**
- **PCI project (fourth list): BRUA Phase I: 6.24.1 - position 1;**
- **2020 ENTSG TYNDP: TRA-F-358**

Priority corridor: Gas interconnections on the North-South corridor of Central Europe and South-Eastern Europe («NSI East Gas»).

Project status - Completed

Considering the status of project of common interest even from the first PCI list, Transgaz received a grant through the Connecting Europe Facility (CEF) for the FEED related to the three compressor stations.

For the design of the three compressor stations a Financing Contract was signed with **Innovation and Networks Executive Agency (INEA) for a grant in the amount of 1.519.342 EUR**, representing 50% of the total estimated FEED costs for the compressor stations.

In May 2016 the design contract for the three compressor stations (CS Podișor, CS Bibești and CS Jupa) FEED contract was signed with the Polish company Gornicze Biuro Projectow PANGAZ sp. z.o.o.

In October 2015 Transgaz submitted a grant application to obtain financing for BRUA Phase I.

The grant request was submitted on the Innovation and Networks Executive Agency (INEA) portal on 12.10.2015. On 19.01.2016 the CEF Committee validated the list of proposed projects for receiving financial support through CEF.

BRUA–Phase I received a grant of EURO 179.3 million. On 9 September 2016 the Grant Agreement was signed.

Progress of the procurement procedures

Works for the construction of the three compressor stations

The works commencement order was issued on **16 April 2018**.

The works related to the compressor stations were executed by the **Association INSPET SA (LEADER) – PETROCONST SA – MOLDOCOR SA – HABAU PPS PIPELINE SYSTEMS SRL – IRIGC IMPEX SRL – SUTEC SRL – TIAB SA – ROCONSULT TECH SRL**, based on the works contract number **333/23.03.2018**.

The execution works and the specific tests were completed and all of the three compressor stations were commissioned.

- **PODIȘOR COMPRESSOR STATION (CS PODIȘOR)**
CS Podișor was inaugurated on 31 October 2019.
- **BIBESTI COMPRESSOR STATION (CS BIBESTI)**
CS Bibesti was inaugurated on 23 August 2020.
- **JUPA COMPRESSOR STATION (CS JUPA)**
CS Jupa was inaugurated on 30 September 2019.

WORKS FOR THE CONSTRUCTION OF THE PIPELINE

CONSTRUCTION WORKS PIPELINE LOT 1 (KM 0 – KM 180)

Construction works for the pipeline LOT 1 were executed from KM 0 (in the area of Podișor, the county of Giurgiu) at KM 180 (in the area of Văleni, Zătreți commune, the county of Vâlcea).

The construction of the pipeline related to LOT 1 was achieved by the **Association INSPET SA (leader) – PETROCONST SA – ARGENTA SA – IRIGC IMPEX SRL – COMESAD RO SA**, based on the works contract no **601/28.11.2017**.

The LOT 1 works were launched in the second half of September 2018.

CONSTRUCTION WORKS PIPELINE LOT 2 (KM 180 – KM 320)

Construction works for the pipeline LOT 2 were executed from km 180 (in the area of the Văleni locality, the Zătreți commune, the county of Vâlcea) at km 320 (in the area of the locality Pui, the county of Hunedoara).

The construction of the pipeline related to LOT 2 was achieved by the **Association HABAU PPS PIPELINE SYSTEMS SRL(LEADER) – INSPET SA – IPM PARTNERS ROMÂNIA SA – PETROCONST SA – MOLDOCOR SA – ARGENTA SA – ANTREPRIZĂ MONTAJ INSTALAȚII SA – ROMINSTA SA – COMESAD RO SA**, based on the works contract number **602/28.11.2017**.

The LOT 2 works were launched in the second half of September 2018.

CONSTRUCTION WORKS PIPELINE LOT 3 (KM 320 – KM 479)

Construction works for the pipeline LOT 3 were executed from km 320 (in the area of the locality Pui, the county of Hunedoara) at km 479 (in the area of the locality Recaş, the county of Timiş).

The construction of the pipeline related to LOT 3 was achieved by the **Association HABAU PPS PIPELINE SYSTEMS SRL (LEADER) – IPM PARTNERS ROMÂNIA SA - MOLDOCOR SA - ANTREPRIZĂ MONTAJ INSTALAȚII SA - ROMINSTA SA**, based on the works contract number **603/28.11.2017**.

The LOT 3 works were launched in the second half of August 2018.

LOT 4 PIPELINE AUTOMATION AND SECURING WORKS

The pipeline automation and security works were executed on the entire section, from km 0 (in the area of the locality Podișor, the county of Giurgiu) at km 479 (in the area of the locality Recaş, the county of Timiş).

The conclusion of the contract on the execution of the pipeline automation and security works took place of 24 July 2018. The works were executed by the **Association SOCIETATEA S&T ROMÂNIA SRL – ADREM ENGINEERING SRL**, based on the works contract number **585/24.07.2018**.

The works commencement order was issued on **30 August 2018**.

In Q IV 2020, the specific pipeline mounting works were completed, including the pressure tests, the execution works were accepted, the gas filling was performed and the entire pipeline was put into operation.

Also, the optical fibre assembly works and land restoration works continued.

On 2-3 December 2020, the entire system was tested, a gas quantity of 200,000 Scm/h being delivered in the Romania - Hungary direction .

Thus, the BRUA PHASE 1 project achieved its objectives of ensuring transmission capacity and permanent bidirectional flow between the interconnections with Bulgaria and Hungary..

Steps taken in order to obtain the necessary funds for the implementation of the BRUA project – Phase I from the European Reconstruction and Development Bank (EBRD) and the European Investment Bank (EIB)

Considering the status of project of common interest, Transgaz obtained EUR 1.54 million funding under Connecting Europe Facility for the FEED of the three compressor stations.

In October 2015, Transgaz submitted an application during the session for submitting applications for funding to obtain a grant for the execution works related to Phase I of the BRUA Project.

On 19 January 2016, the Meeting of the CEF-Energy Coordination Committee (responsible for managing the procedures for granting European financial assistance to Projects of Common Interest for energy) took place in Brussels and the list of projects of common interest proposed for receiving European funding under the 2015 Connecting Europe Facility was validated.

In September 2016 SNTGN Transgaz SA signed with INEA (Innovation and Networks Executive Agency) the **Financing Contract** having a value of approximately **EUR 179.3 million**.

In 2016, Transgaz worked closely with EBRD specialists to carry out the technical, economic and environmental due diligence process related to Transgaz and to the project.

The environmental and social documentation prepared according to EBRD's performance standards was published on 12.07.2017 for public consultation for a period of 120 days according to the EBRD's policy on EBRD's and Transgaz web pages. On 13 December 2017 EBRD's Board approved the funding for BRUA Phase 1 project.

On 23 February 2018, Transgaz and EBRD signed a loan agreement under which the EBRD will provide the company with a loan amounting to up to 278 million lei, equivalent to EUR 60 million, with the following essential characteristics: duration-15 years, grace period 3 years. Two disbursements were made cumulating the entire contractual amount.

On 27 October 2017 a Loan contract was concluded with the European Investment Bank for the amount of EUR 50 million with a 15 years maturity, 3 years grace period with a fixed interest negotiated for each disbursement. 3 disbursements were made summing up the entire contract amount.

A Loan Agreement was concluded with the European Investment Bank on 14 December 2017, for the amount of EUR 50 million with a maturity of 15 years, 3-year grace period with the fixed or variable interest to be negotiated at the date of the disbursement. There were 2 disbursements totalling the entire contract amount.

A loan contract for the amount of lei 186 million, i.e. EUR 40 million equivalent, was signed with Banca Comercială Română on 24 April 2019, with disbursement and reimbursement in lei, maturity of 15 years, the main loan's grace period for repayment being 3 years. There were two disbursements totalling the entire contract amount.

NORMATIVE ACTS NECESSARY FOR THE IMPLEMENTATION OF THE PROJECT

Along the route of the BRUA Phase I project, on ten counties, the gas transmission pipeline crosses the following types of land in the 10 counties: arable, clean pastures, tree pastures, hedges and bushes, wooded pastures, cultivated grasslands, vineyards, hybrid vineyards, noble vineyards, classical orchards, fruit nurseries, intensive orchard, orchard fruit bushes, clean meadows, grassy meadow and bushes, tree meadows, wooded meadows, garden, vegetable gardens, other lands.

In order to acquire the right to use agricultural and forest land for the execution of the works, it is necessary to issue two government decisions as follows:

- Obtaining a government resolution for the temporary removal of the agricultural circuit of the agricultural land located outside of the built-up areas

The Government of Romania issued Government Resolution 110/15.03.2018 for the approval of the list of agricultural land located outside of the built-up areas, for the project of common interest in the gas domain `Development on the territory of Romania of the National Gas Transmission System on the Bulgaria–Romania–Hungary–Austria Corridor – the Podișor – Horia GMS pipeline and three new compressor stations (Jupa, Bibești and Podișor) (Phase 1).

- Obtaining a government resolution for the temporary occupation of the forest lands

The Government of Romania issued Government Resolution **727/13.09.2018** on the approval of the temporary occupation of 42,1315 ha national forest area land by TRANSGAZ SA Mediaș, for the project of national importance in the gas domain `Development on the territory of Romania of the National Gas Transmission System on the Bulgaria–Romania–Hungary–Austria Corridor`.

The construction permit and the comprehensive decision

In February 2017 the Ministry of Energy issued Construction Permit No. 1/24.02.2017 authorizing the execution of the construction works related to the `Development on the Romanian territory of the National Gas Transmission System along Bulgaria - Romania - Hungary - Austria Corridor (BRUA) (including the power supply, cathodic protection and optical fibre) Phase I: Podișor –Recaș gas transmission pipeline, 479 km long, Podișor, Bibești, Jupa gas compressor stations, Site arrangements and pipe storage facilities.

Considering the status of project of common interest and the applicability of EU Regulation 347/2013 of the European Parliament and of the Council on trans-European energy infrastructures (EU Regulation No. 347/2013), the implementation of the BRUA project implies the obtaining of the Comprehensive Decision.

According to EU Regulation No. 347/2013, the Comprehensive Decision is the decision or the sum of the decisions taken by an authority or authorities of the Member States, except for the courts, which determines whether or not a project initiator is authorized to carry out a project.

Romania chose the `collaborative system` of issuing the comprehensive decision. Under this system, the Ministry of Energy, acting as the Competent National Authority responsible for facilitating and coordinating the authorization procedure for projects of common interest (ACPIC) for the implementation of Regulation (EU) No.347/2013, coordinates the issuance of the comprehensive decision and the process of issuing individual decisions.

By issuing the Comprehensive Decision, the entire authorization process necessary to execute a project of common interest, according to the provisions of Regulation (EU) 347/2013 and the national legislation is applied.

The following steps were taken for obtaining the Comprehensive Decision:

- On 19 December 2016 Transgaz S.A. sent the application file for BRUA Phase I to A.C.P.I.C for the issuing of the Comprehensive Decision (according to EU Regulation 347/2013).

- On 18 October 2017 Transgaz S.A. sent to ACPIC the Project Final Report for the permitting process and the public consultation concept for BRUA Phase I.

Following the actions taken, on 21.03.2018 the Comprehensive Decision was issued.

1.2 Development on the territory of Romania of the National Gas Transmission System on the Bulgaria–Romania–Hungary–Austria Corridor – Phase II

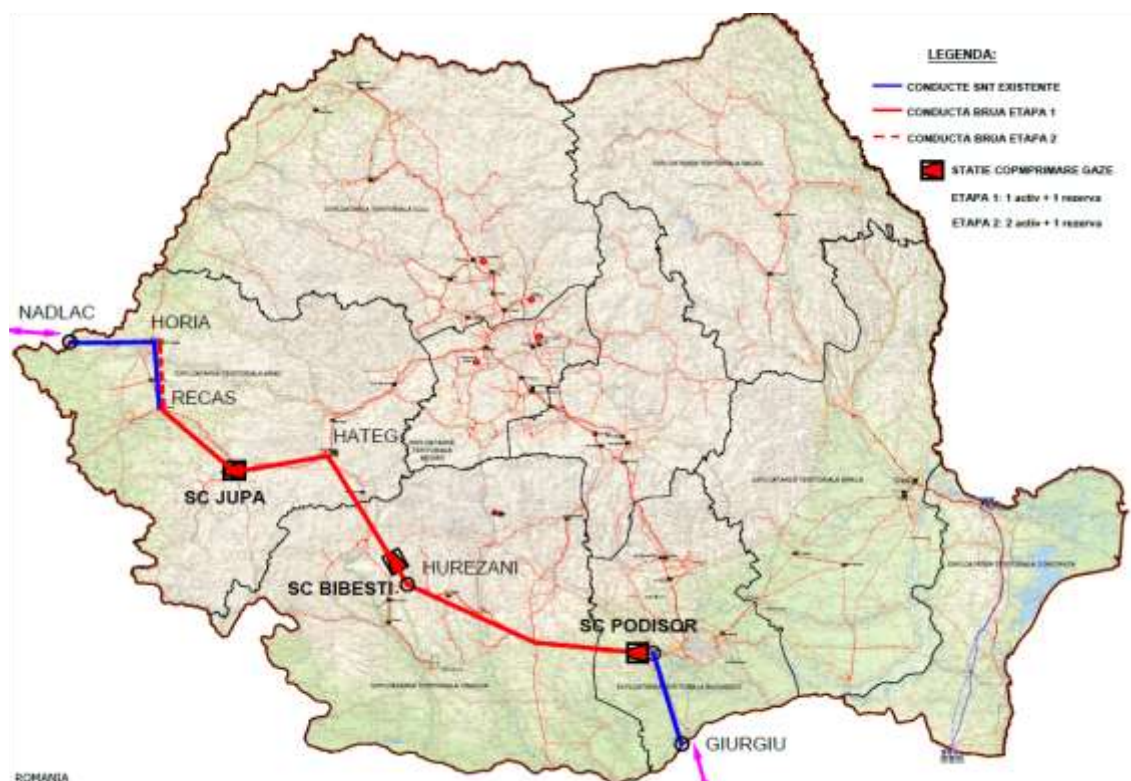


Figure 4– Map of the main development project related to the Corridor Bulgaria-Hungary-Austria – Phase II

Project description:

BRUA Phase II Project consists in the construction of the following facilities:

- 32" x 63 bar Recaş–Horia gas transmission pipeline, approximately 50 km long;
- Expansion of the three compressor stations (Podișor CS, Bibești CS and Jupa CS) each compressor station being equipped with an additional compressor;
- Extension of the Horia GMS gas metering station.

The BRUA– Phase II project generates the possibility to enable permanent bidirectional gas flow between the interconnections with Bulgaria and with Hungary ensuring at the same time the following gas transmission capacities:

- Gas transmission towards Hungary of 4.4 bcm/year, respectively of 1.5 bcm/year towards Bulgaria.

Indicative project implementation timeline:

Development stages	Progress/ Indicative completion date according to 2020-2029 TYNDP	Progress/ Indicative completion date updated at the date of the Report
Pre-feasibility study	completed	completed
Feasibility study	completed	completed
Environmental Permit	completed	completed
FEED and technical documentation for obtaining the construction permit	completed	completed
FID Phase 2	2020*	2021*
Construction Phase 2	2022*	2022-2023*
Commissioning Phase 2	2022*	2023*
Operation start-up Phase 2	2022*	2023*

*The completion of Phase II depends on capacity booking procedure at Csanadpalota IP and on the timeline of this procedure.

Indicative completion date: 2023

Estimated value: Euro 74,5 million

The inclusion of the project in international plans

- **PCI project (first list):** 7.1.5;
- **PCI project (second list):** Phase II: 6.24.7.
- **PCI project (third list):** Phase II: 6.24.4–4;
- **PCI project (fourth list):** Phase II: 6.24.4 -1 within **Cluster phased capacity increase on the Bulgaria — Romania — Hungary — Austria bidirectional transmission corridor (currently known as ROHUAT/BRUA) to enable 1.75 bcm/y in the 1st phase, 4.4 bcm/y in the 2nd phase, and including new resources from the Black Sea in the 2nd and/or 3rd phase;**
- **2020 ENTSG TYNDP:** TRA-A-1322.

Priority corridor: Gas interconnections on the North-South corridor of Central Europe and South-Eastern Europe («NSI East Gas»). Cluster number EAST 12b and 12c.

Project progress:

Since 2016 SNTGN Transgaz S.A., FGSZ – Hungary and Gas Connect – Austria and the regulatory authorities of Romania, Hungary and Austria prepared the documentation necessary for the Binding Open Season for the booking of capacity at the interconnection points between Romania and Hungary and Hungary and Austria, with the support and active participation of the European Commission.

In the autumn of 2017, FGSZ Hungary announced that the Binding Open Season procedure will be limited to the Romania – Hungary Interconnection Point, since there were available capacities at the interconnection pipelines of Hungary with the neighbouring countries, without any additional investments for the achievement of the Hungary – Austria interconnection being necessary.

Accordingly, SNTGN Transgaz S.A. together with FGSZ had developed at the end of the year 2017 the Binding Open Season Procedure for Romania - Hungary Interconnection Point. The offered capacity was over-subscribed, demonstrating thus the interest of the market and ensuring the commercial durability of BRUA project, Phase 2, the economic tests being passed successfully.

The network users who had booked capacity within the Open Season Procedure had exerted their step back right from the capacity booked up to the date of 14th December 2018; accordingly, the procedure will continue with the third period of submitting the capacity booking offers, in accordance with the provisions of the Binding Open Season Procedure Rulebook RO-HU.

The technical documentation for obtaining the construction permit is completed, and the reendorsement by the TEC of the updated FEED is in progress.

2. Development on the territory of Romania of the Southern Corridor for taking over Black Sea gas (Tuzla–Podișor pipeline)

As Europe becomes more dependent on natural gas imports, the development on the Romanian territory of a gas transmission infrastructure from the Black Sea to the Romania/Hungary border is one of TRANSGAZ's major priorities for enabling access to Black Sea gas.

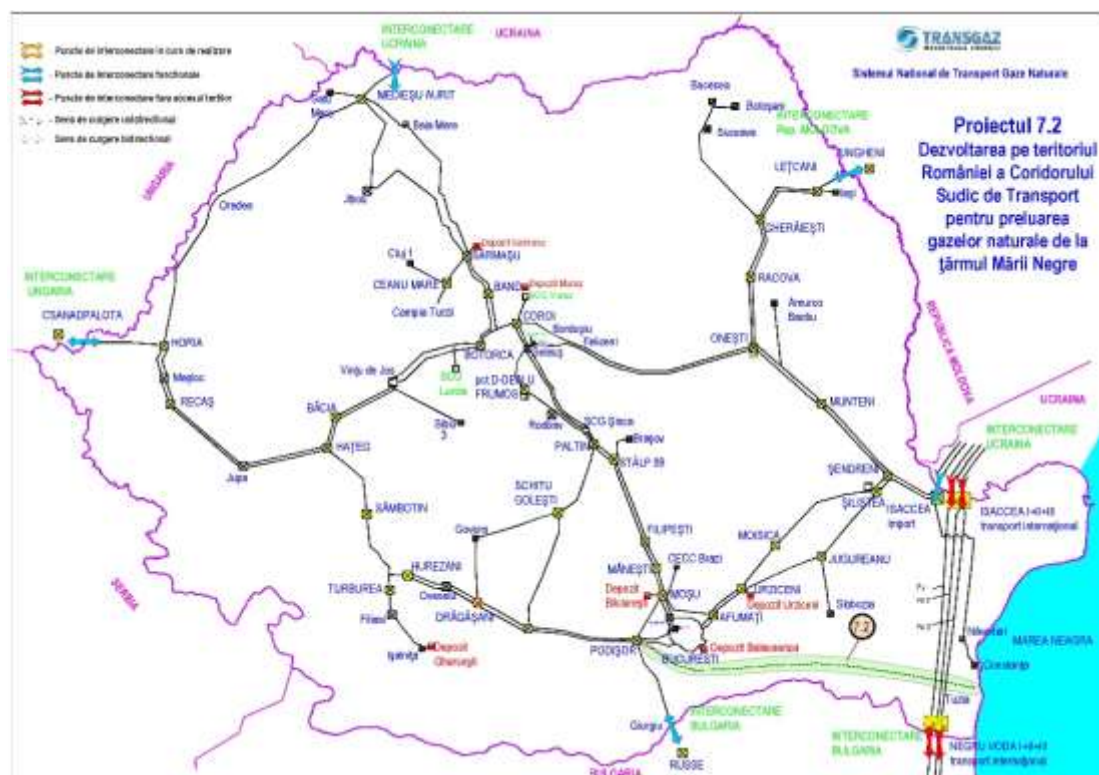


Figure 5-- Map of the major development project for taking over the gas from the Black Sea shore by extending the Southern East-West corridor

Project description:

The major objective of this investment is to construct a gas transmission telescoping pipeline Tuzla – Podișor, 308,3 km long, DN 1200 and DN 1000, linking the natural gas resources available at the Black Sea shore and the BULGARIA - ROMANIA - HUNGARY - AUSTRIA corridor, thus enabling gas transmission to Bulgaria and Hungary through the existing interconnections - Giurgiu - Ruse (with Bulgaria) and Nadlac - Szeged (with Hungary).

This pipeline will also be interconnected with the current international gas transmission pipeline - T1.

The pipeline is located in the South-Eastern part of the country and its route crosses the general direction from South-East to West, crossing the Constanța, Călărași and Giurgiu counties.

The pipeline is telescopic and consists of two sections, as follows:

- Section I, Black Sea shore – Amzacea, 32,4 km long, will have a diameter of Ø 48" (Dn1200) and the technical capacity of 12 bcm/y;
- Section II, Amzacea – Podișor, 275,9 km long, will have a diameter of Ø 40" (Dn1000) and the technical capacity of 6 bcm/y;

Indicative project implementation schedule

Development stages	Progress/ Indicative completion date according to 2020-2029 TYNDP	Progress/ Indicative completion date updated at the date of the Report

Pre-feasibility study	completed	completed
Feasibility study	completed	completed
FEED	completed	completed
Environmental assessment study	completed	completed
Environmental Permit	completed	completed
Technical documentation for obtaining the construction permit	completed	completed
Construction permit	completed	completed
Comprehensive decision	completed	completed
Final Investment Decision	2020	completed
Construction	2020 – 2022*	2021-2022
Commissioning/start-up	2022*	2022

* Subject to the final investment decision being taken

Indicative completion date: 2022

Estimated value: Euro 371,6 million

The inclusion of the project in international plans

- **PCI project (second list):** 6.24.8;
- **PCI Project (third list):** 6.24.4 6.24.4 – 5
- **PCI Project (fourth list):** 6.24.4-2 Black Sea shore — Podișor (RO) pipeline for taking over the Black sea gas within the **Cluster phased capacity increase on the Bulgaria — Romania — Hungary — Austria bidirectional transmission corridor (currently known as ROHUAT/BRUA) to enable 1.75 bcm/a in the 1st phase and 4.4 bcm/a in the 2nd phase, and including new resources from the Black Sea in the 2nd phase and the 3rd phase;**
- List of conditional priority projects prepared within CESEC;
- **2020 ENTSG TYNDP:** TRA-A-362.

Priority corridor: Gas interconnections on the North-South corridor of Central Europe and South-Eastern Europe («NSI East Gas»). Cluster number EAST 12b and 12c.

The project progress

- The **Feasibility study** was endorsed in the Technical-Economic Committee (CTE) of 26.01.2016;
- The archaeological investigations carried out in 2017 led to the modification of the pipeline route. Following these changes, the **Feasibility Study** was updated and reviewed by Transgaz's CTE on 11.05.2017;
- The **FEED** was endorsed by Transgaz's CTE. The documentation for the procurement of the execution works is being prepared. In 2019 the estimated value of the FEED was updated and endorsed;

- The activity related to the **identification of the land owners** affected by the execution works is ongoing:
 - Constanța County: 9 territorial administrative units - 100%;
 - Călărași County: 19 territorial administrative units - 100%;
 - Giurgiu County: 14 territorial administrative units - 100%.
- Environmental Agreement no. 1 of 10.05.2018 was obtained;
- Construction Permit no. 5 of 17.05.2018 was obtained, according to Law 185/2016;
- Comprehensive Decision 4/25.04.2019 was obtained according to Law 185/2016;
- The procurement procedure for the execution works was initiated. On 31.10.2019 the bids were submitted and are now under analysis (DUAE and technical);
- The **Notification in view of the initiation of the pre-submission procedure** was submitted to the Competent Authority for Projects of Common Interest (ACPIC) on 24.02.2017 and its approval was received on 23.03.2017;
- The **Stakeholder Engagement Plan** for the Project of Common Interest *Black Sea Shore - Podisor (RO) for taking over Black Sea gas* was submitted to the ACPIC on 24.05.2017 and approved by the Ministry of Energy through the Letter no.110800/27.06 .2017;
- Between 17-27.07.2017, public consultations were held on the basis of Regulation (EU) 347/2013 in the following locations: Tuzla, Amzacea, Cobadin, Alexandru Odobescu, Borcea, Frăsinet, Izvoarele, Baneasa and Stoenеști;
- The application file was submitted on 08.06.2018 in order to obtain the Comprehensive Decision. The application file was accepted by ACPIC on 12.07.2018;
- The Comprehensive Decision no 4 of 25.04.2019 was taken ;
- In 2018, the incremental **capacity booking process was carried out for MP Tuzla** and such process was completed by the capacity allocation and by the conclusion of gas transmission contracts; following the unilateral termination of the gas transmission contracts by the titleholders, the process was declared to be unsuccessfully completed.
- a new process started following the receipt of a new request for incremental capacity for the NTS entry / exit points, which was planned to be created in the area of Tuzla locality; no additional requests were received in the secondary allocation phase, the minimum threshold was not reached, so the incremental capacity booking process ended without capacity allocation.
- GR 9/2019 approved the list of agricultural land outside the built-up area which are the object of the project, according to Law 185/2016;
- the public procurement procedure for the execution works was launched; the documentation was accepted by ANAP on 05.12.2018 and the bids were submitted on 31.10.2019, according to the last deadlines;
 - • 3 bids were submitted as follows:
 - - TMK-ARTROM Association, Slatina (leader) - ZNGS Prometey, Moscow (associate)
 - - ELEC NOR S.A., Madrid, Spain
 - - KALYON INSAAT SANAYI VE TICARET ANONIM SİRKETİ, Turkey

This project is very important because:

- By its implementation a transmission corridor is created between the markets of Greece, Bulgaria, Romania and Ukraine, in the conditions in which the new interconnection between Greece and Bulgaria is achieved;
- The transmission contract for the capacity of Transit 1 (T1) pipeline expired on 1 October 2016. Starting with gas year 2016-2017, the transmission capacity of T1 pipeline is auctioned according to the European Code on capacity allocation mechanisms at the cross-border interconnection points and to ANRE Order no. 34/2016;
- Physical reverse flows could be ensured at Negru Voda 1 point in accordance with Regulation (EU) 1938/2017;
- It was created the possibility of taking over the newly discovered Black Sea gas by the Romanian gas transmission system, in order to sell them on the Romanian market and on the regional markets.



The project description:

The project consists of the following:

Phase 1 – category of energy infrastructure *Gas and biogas transmission pipelines which are part of a network mainly comprising mainly high-pressure pipelines, with the exception of high-pressure pipelines used for upstream or downstream gas distribution*, with the following investment objectives:

- Isaccea Interconnection, location: Isaccea territorial administrative unit;
- Rehabilitation of the DN 800 Onești – Cosmești pipeline.

Phase 2 – category of energy infrastructure *Any equipment or installations essential to the secure, efficient and safe operation of the system or to provide bidirectional capacity, including compressor stations*, with the following investment objectives:

- Upgrading the Siliștea Gas Compressor Station and the Siliștea Technological Node (TN), located within the Siliștea territorial administrative unit, Brăila County;
- Works within the Șendreni Technological Node, located within the Vădeni territorial administrative unit, Brăila County;
- Upgrading the Onești Gas Compressor Station and the Onești Technological Node, located within the Onești territorial administrative unit, Bacău County.

The project does not develop additional capacities at the Negru Vodă NTS entry/exit point.

Indicative project implementation schedule:

Development stages	Progress/ Indicative completion date according to 2020-2029 TYNDP	Progress/ Indicative completion date updated at the date of the Report
Phase I	2018	2018
Pre-feasibility study	completed	completed
Feasibility study	completed	completed
Environmental Impact Assessment	completed	completed
Technical documentation for permitting	completed	completed
Construction permits	completed	completed
Comprehensive decision	obtained	obtained
Construction	completed	completed
Commissioning/start up	completed	completed
Phase II	2020	2020
Pre-feasibility study	completed	completed
Feasibility study	completed	completed
Technical specifications for the design and execution	completed	completed

Development stages	Progress/ Indicative completion date according to 2020-2029 TYNDP	Progress/ Indicative completion date updated at the date of the Report
Procurement of the works of the design and execution contract	completed	completed
Comprehensive decision	completed	completed
Completion of basic design and execution details/Construction permits	2020 (under preparation)	completed
Construction	2020	completed 2020
Commissioning/start up	2020	01.01.2020

Completion date: Completed

Estimated investment value	According to 2020-2028 TYNDP	Updated at the date of the Report
Phase 1	Euro 8,8 mil.	Euro 8,8 million
Phase 2	Euro 68,9 mil.	Euro 68,9 million
TOTAL	Euro 77,7 mil	Euro 77,7 million

The inclusion of the project in international plans

- **PCI Project (second list):** 6.15;
- **PCI Project (third list):** 6.24.10 – 1 **Cluster phased capacity increase on the Bulgaria — Romania — Hungary — Austria bidirectional transmission corridor (currently known as ROHUAT/BRUA) to enable 1.75 bcm/a in the 1st phase, 4.4 bcm/a in the 2nd phase, and including new resources from the Black Sea in the 2nd and/or 3rd phase;**
- **ENTSOG 2020 TYNDP** : TRA-F-139.

Project progress:

- The **Prefeasibility Study** (endorsed on 12.06.2017), the **Feasibility Study** (03.11.2017) and the **FEED** for the Isaccea Interconnection Phase 1 were completed;
- **The documents for the endorsement of the intervention works** (DALI) and the **FEED** for the repair of the DN 800 Onești–Cosmești pipeline–Phase 1 were completed;
- For Phase 1 of the project Government Resolution 638/23.08.2018 for the approval of the agricultural land located outside the built-up area was issued and the permitting process according to the town planning certificate was completed;
- For phase 1 Construction Permit 6/07.06.2018 was issued;
- **2 regulating documents in environmental area** were obtained for Phase 1 of the project, namely:

- Isaccea interconnection– Decision of Screening Stage no. 144/06.03.2018 issued by APM Tulcea;
- Repair of the pipeline DN 800 Onești–Cosmești (3 counties) – Decision of Screening Stage no. 27/16.05.2018 issued by ANPM.
- The **Tender book for the design and execution works** Phase 2 for the procurement of the design and execution works was finalized in August 2018. It was revised with an updating of the value in 2019;
- The owners of the lands from Șendreni Technological Node, Siliștea Gas Compressor Station, Isaccea Interconnection, Onești Gas Compressor Station were identified;
- The owners of the land affected by the repair of the DN 800 Onești-Cosmești pipeline were identified;
- for Phase 2, **the FEED** for the works at the existing Șendreni Technological Node was endorsed in Transgaz's Technical Economic Committee;
- for Phase 2, **the endorsements and agreements** requested by CU were obtained, as well as the following **environmental regulating documents**, respectively:
 - Șendreni technological Node works – Screening decision 2907/09.03.2018 issued by Environmental Protection Agency Brăila was obtained;
 - Upgrading of the Siliștea Compressor Station and of the Siliștea Technological Node (existing) – Screening decision 5031/01.04.2019 issued by Environmental Protection Agency Brăila was obtained;
 - Upgrading of the Onești Compressor Station and of the Onești Technological Node (existing) - Screening decision 20/28.01.2019 issued by Environmental Protection Agency Bacău was obtained.
- Construction Permit 7/04.07.2019 for Phase 2 was obtained;
- for the Phase II, **Government Decision** no. 230/18.04.2019 for the approval of the temporary removal of the agricultural lands outside the build-up areas was issued;
- Regarding Phase 2 at the CS Silistea and CS Onesti objectives, the design an execution contract for the upgrading of CS Onești and CS Siliștea was signed in August 2019, the design and execution activities being launched;
- The **Notification for the initiation of the procedure prior to the submission of the application** was submitted to the Competent Authority for the Projects of Common Interest (ACPIC) on 20.12.2017; it was approved by ACPIC on 17.01.2018;
- **The Stakeholder Engagement Concept** was submitted to A.C.P.I.C. on 21.03.2018 and was approved by the Ministry of Energy by Letter 110638/04.04.2018;
- between 07.05.2018 and 11.05.2018, according to European Regulation 347/2013, **the public consultations** were carried out in the following locations: Onești, Buciumi (Bacău county), Mărașești (Vrancea County), Cosmești (Galați County), Isaccea (Tulcea County), Siliștea, Vădeni (Brăila County);

- **The Final Synthetic Report regarding the results of the stakeholder engagement activities** was issued, published on the Company's website and sent to A.C.P.I.C. as part of the application file;
- On 20.07.2018 **Application File** for Phase 1 of the project was sent to ACPIC and was accepted on 03.08.2018;
- On 05.09.2018 it was submitted to ACPIC **Final Report** no. 44749/04.09.2018 regarding the authorization process and the consultation and participation process of the public for the Project of Common Interest Enhancement of the Romanian transmission system between Onesti-Isaccea and reverse flow at Isaccea – Phase 1 (Reference number in the Union's List: 6.24.10.–1), including the attached documents, in order to obtain the comprehensive decision;
- **Comprehensive Decision no. 2/11.09.2018** was issued, document which certifies the ending of the authorization procedure in accordance with the provisions of the Regulation (EU) no. 347/2013 for Phase 1 of the Project
- Phase 2 of the project was completed in 2020.

4. NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities towards the Republic of Moldova

Taking into account the need for improving gas supply to North-East Romania and considering the perspective offered by the interconnection pipeline between Romania and the Republic of Moldova (Iași-Ungheni) to offer gas transmission capacities to the Republic of Moldova, a series of developments need to be performed in the Romanian gas transmission system to ensure the required technical parameters to meet the consumption need of the relevant regions.

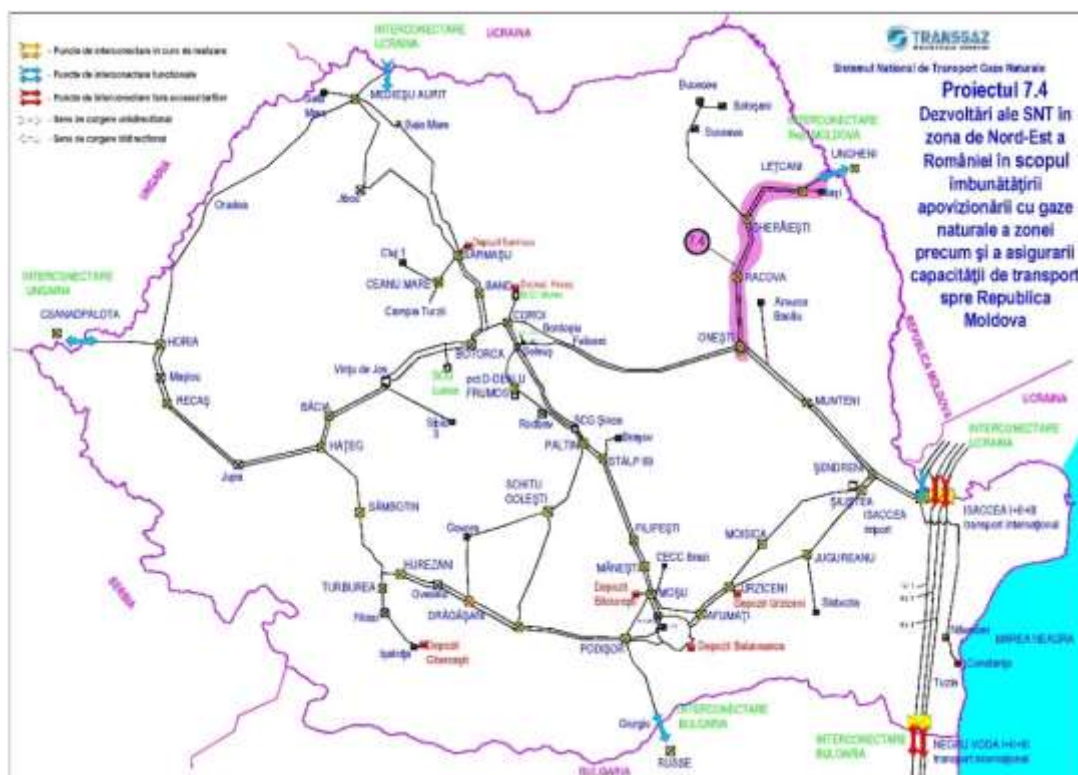


Figure 7 - NTS developments in North-East Romania

Project description:

In order to streamline the implementation and the process for absorbing grants under the EU regional development programmes, the project consists in the achievement of the following milestones:

- Construction of a new DN 700 gas transmission pipeline, Pn 55 bar, in the Onești – Gherăești direction, 104.1 km long. The route of this pipeline will be parallel mainly to the existing pipelines DN 500 Onești – Gherăești
- Construction of a new DN 700 gas transmission pipeline, Pn 55 bar, in the Gherăești – Lețcani direction, 61.05 km long. This pipeline will replace the existing DN 400 pipeline Gherăești – Iași on the Gherăești – Lețcani section
- Construction of a new gas compressor station at Onești with an installed power of 9.14 MW, 2 compressors of 4.57 MW each, one active one backup
- Construction of a new gas compressor station at Gherăești with an installed power of 9.14 MW, 2 compressors of 4.57 MW each, one active one backup.

Indicative project implementation schedule:

Development stages	Progress/ Estimated completion deadline according to 2020-2029 TYNDP	Progress/ Estimated completion deadline updated at the date of the Report
Pre-feasibility study	completed	completed
Feasibility study	completed	completed
FEED for the pipelines	completed	completed
FEED for the Compressor stations	completed	completed
Obtaining the construction permits	completed	completed
Obtaining construction permits related to Compressor stations	completed	completed
Construction	2020-2021	2020-2021
Commissioning/start-up	2021	2021

Estimated completion date: 2021

Estimated value: Euro 174,25 million, split as follows:

Estimated investment value	According to 2020-2029 TYNDP	Updated at the date of the Report
Estimated amount for the procurement of materials	Eur 64,95 mil	Eur 64,95 mil.
Construction of the gas transmission pipeline Onești–Gherăești	Eur 17,32 mil	Eur 17,32 mil.
Construction of the gas transmission pipeline Gherăești–Lețcani	Eur 15,19 mil	Eur 15,19 mil.
Onești Compressor Station	Eur 48,46 mil	Eur 48,46 mil.
Gherăești Compressor Station		
Pipeline automation and securing		
Other activities (land acquisition, design, technical consultancy, audit and technical assistance)	Eur 28,32 mil	Eur 28,32 mil.
TOTAL	Eur 174,25 mil.	Eur 174,25 mil

The inclusion of the project in international plans

- **2020 ENTSG TYNDP:** TRA-F-357

By the achievement of this project, the necessary pressure and gas transmission capacity of 1.5 billion cubic meters/a can be ensured at the interconnection point between the gas transmission systems of Romania and the Republic of Moldova.

The project meets the eligibility criteria of the Large Infrastructure Operational Programme (POIM). Priority Axis 8 - Strategic Objective (OS) 8.2, programme developed by the Management Authority of the Ministry of European Funds and receiving a non-reimbursable funding through PAP8 - Intelligent and sustainable transport systems for electricity and natural gas amounting to lei 214,496,026.71 (EUR 46.3 million).

For this purpose on 22.11.2018 Grant Agreement 226 was signed with the Ministry of European Funds.

Project progress

- **The Feasibility Study** Rev 0 was completed in January 2016; Following the clarifications on the details related to the eligibility of the costs stipulated in the Applicant's Guide and JASPERS' recommendations the Feasibility Study was revised and completed in January 2018;
- **The FEED for the gas transmission pipeline, the FEED for the two compressor stations and the FEED for the electrical installations, cathode protection, automation and security of the pipeline** were completed in January 2018;
- **The environmental agreement** was obtained in 06.07.2017;
- **The decision of the screening stage** for the revision of the environmental agreement was obtained on 09.01.2018 (**Note:** it is not necessary to obtain other documents from the environmental authority);
- In July 2018 the documentation for the issue of the Governmental Decision (according to Law no 185/2016) was submitted for the temporary removal from the agricultural circuit.
- **The construction permit** was obtained on 15.09.2017, according to Law no. 185/2016.
- Government Resolution 316/23.05.2019 was issued (according to Law 185/2016) on the temporary withdrawal from agricultural use of the land outside the built-up area;
- Following the evaluation of the financing request, the financing of the project was approved and the financing contract was signed under the Large Infrastructure Operational Programme (POIM).

PROCUREMENT

Transgaz conducted 5 public procurement procedures for this project as follows:

- Execution of the two compressor stations - Onești and Gherăești, automation and pipeline securing for the project *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities towards the Republic of Moldova*

The procedure is completed and the contract is signed;

- Execution of the Onești – Gherăești – Lețcani gas transmission pipeline (LOT 1 and LOT 2) for the project *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities towards the Republic of Moldova*

The procedure is completed and the contract is signed;

- pipe material and bends necessary for the execution of the project *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities towards the Republic of Moldova*

The procedure is completed and the contract is signed;

- valves and single-block electroinsulating joints necessary for the execution of the project *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities towards the Republic of Moldova*

The procedure is completed and the contract is signed;

- compressors – centrifugal compressors driven by gas turbines necessary for the execution of the project *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities towards the Republic of Moldova*

The procedure is completed and the contract is signed;

By G.R. no. 562/2017 the objective, designated as *National Transmission System capacity development for ensuring gas flow in the Romania–the Republic of Moldova direction*, was declared as a project of national importance, thus benefiting from the provisions of Law 185/2016 on some measures necessary for the implementation of projects of national importance in the field of natural gas.

5. Enhancement of the bidirectional gas transmission corridor Bulgaria – Romania - Hungary – Austria (BRUA Phase III)

Provided that the gas transmission capacities required to transport the Black Sea gas to the Central-Western EU market exceed the transmission potential of BRUA Phase II, Transgaz envisaged the development of the **central corridor**, which follows the route of existing pipelines currently operated at technical parameters inadequate for main pipelines.

Project description

Depending on the Black Sea gas volumes available (not be taken over on the BRUA corridor), over the long term it is considered the development of the transmission capacity on the Onești–Coroi–Hațeg–Nădlac corridor.

The development of this gas transmission corridor entails the following:

- Upgrading of the existing pipelines belonging to the NTS;
- Replacement of existing pipelines belonging to the NTS or new pipelines installed in parallel with existing ones;
- The development of 4 or 5 new compressor stations with a total installed power of approx. 66 - 82.5 MW.
- Increasing gas transmission capacity towards Hungary by 4.4 bcm/year.

Transgaz prepared the pre-feasibility study on the development of this gas transmission corridor, and in order to optimize and streamline both the implementation process and the possibilities of attracting non-reimbursable funds, the corridor was divided into two projects:

1. Ensuring the reversible flow on the Romania – Hungary interconnection:

- **PCI Project (the second list):** 6.25.3;
- **PCI Project (the third list):** 6.24.10–position 2;
- **Priority corridor:** NSI EAST;
- **2020 ENTSG TYNDP:** TRA-N-959.

- New gas transmission pipeline Băcia – Hațeg – Horia – Nădlac, approximately 280 km long ;
- Two new gas compressor stations located along the route.

2. NTS development between Onești and Băcia :
- **PCI Project (the second list):** 6.25.3;
 - **PCI Project (the third list):** 6.24.10– position 2;
 - **Priority corridor:** NSI EAST;
 - **ENTSO TYNDP 2020:** TRA-N-959.

The project consists in the following:

- Upgrading some pipeline sections;
- Replacement of existing pipelines with new pipelines with higher diameters and operating pressure ;
- Two or three new gas compressor stations.

Inclusion in international plans

The projects mentioned above were merged in the updated list (List 3/2017) of **Projects of Common Interest** published as annex to regulation 347/2013 being included at **position 6.24.10-2** under the name ***Cluster phased capacity increase on the Bulgaria — Romania — Hungary — Austria bidirectional transmission corridor (currently known as "ROHUAT/BRUA") to enable 1.75 bcm/a in the 1st phase, 4.4 bcm/a in the 2nd phase, and including new resources from the Black Sea in the 2nd and/or 3rd phase***

Estimated completion date: 2026

Estimated value: Euro 530 million

Project progress

The pre-feasibility study was completed.

SNTGN Transgaz SA will start the feasibility study when additional data and information from the title holders of the Black Sea blocks will be available (capacity requests confirmations, approximate availability of gas on the Black Sea shore, etc.).

We reiterate once again that the development of this corridor still depends on the evolution of the capacity demand, respectively on the results of the exploration processes of the Black Sea or other on-shore blocks, a final investment decision being taken only when the demand for additional capacity is confirmed by agreements and booking contracts.

6. New NTS developments for taking over Black Sea gas

Taking into account the discovered Black Sea gas reserves, Transgaz intends to expand the NTS with the aim of creating an additional taking over point for the natural gas coming from the Black Sea off-shore blocks.

This project became necessary as a result of the discussions held/initiated by Transgaz during 2015 with holders of licenses for exploration and exploitation of the Black Sea blocks

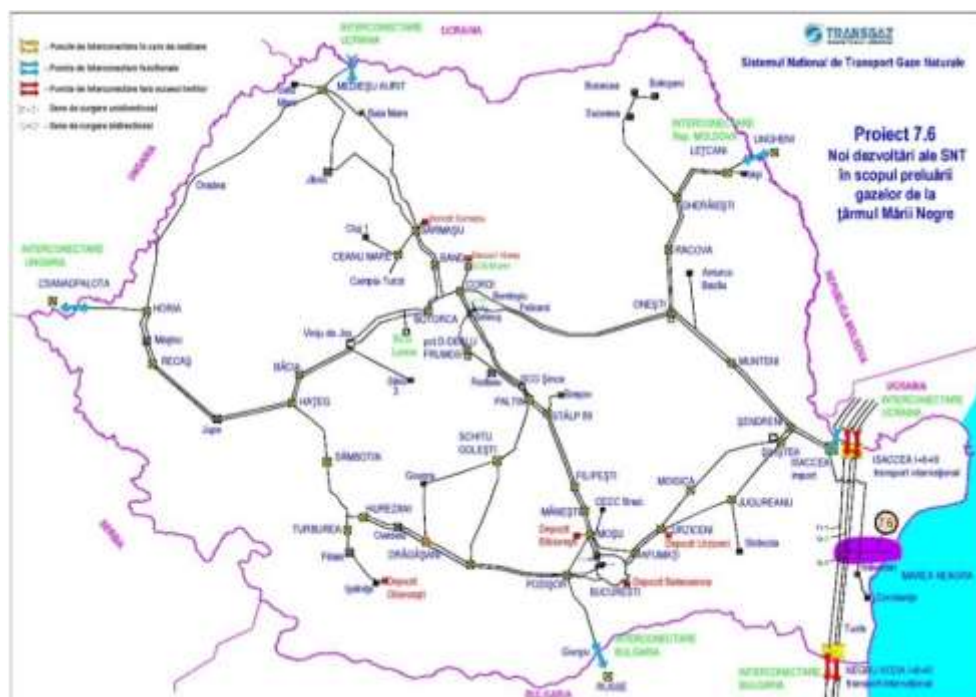


Figure 9- NTS developments at the Black Sea

Project description

Transgaz completed the feasibility study and the FEED for the DN 500 25 km gas transmission pipeline, from the Black Sea shore to the existing T1 international gas transmission pipeline. The transmission capacity is of 1,23 bcm/year according to the Open Season procedure published on Transgaz's website.

Indicative project development calendar:

Development stages	Progress/Estimated completion deadline according to 2020-2029 TYNDP	Progress/Estimated completion deadline updated at the date of the Report
Pre-feasibility study	completed	completed
Feasibility study	completed	completed
Technical documentation for obtaining the construction permits	completed	completed
Construction permits	completed	completed
Comprehensive decision	completed	completed
Final Investment Decision	2020	2020
Construction	2020	2020-2021
Commissioning/start up	2021	2021

Estimated completion date: 2021, depending on the upstream offshore project implementation schedules.

Estimated value: EUR 9,14 million

The inclusion of the project in international plans

- **PCI project (third list) 6.24.10-3** – within ***Cluster phased capacity increase on the Bulgaria — Romania — Hungary — Austria bidirectional transmission corridor (currently known as "ROHUAT/BRUA") to enable 1.75 bcm/y in the 1st phase, 4.4 bcm/y in the 2nd phase, and including new resources from the Black Sea in the 2nd and/or 3rd phase***
- **2020 ENTSOG TYNDP:** TRA-F-964

Priority corridor: Gas interconnections on the North-South corridor of Central Europe and South-Eastern Europe («NSI East Gas»).

Project progress:

- The Pre-feasibility Study was completed and the endorsement of the Technical and Economic Committee of Transgaz was issued on 16.09.2016;
- The Feasibility Study was completed and approved by the Technical and Economic Committee of Transgaz on 31.05.2017.
- The town planning certificates (CU) were obtained in March 2017 from the Constanța County Council and the Grădina Territorial Administrative Unit, Constanța County;
- The environmental agreement was obtained on 24.11.2017;
- The Construction Permit from the Ministry of Energy was obtained based on Law 185/2016, on 20.12.2017. All permits and authorizations requested through the town planning certificates were obtained and the Final Report was issued on 29.06.2018 by the working group established according to Order 1081/15.12.2017 of the Ministry of Energy, confirming the fulfilment of all the legal conditions and requirements for Construction Permit 4/20.12.2017, according to Law 185/2016
- FEED was endorsed by the Technical and Economic Committee of Transgaz on 19.01.2018;
- The incremental capacity process for MP Vadu was completed with the allocation of the capacity and the conclusion of the gas transmission contract;
- In November 2018, Government Resolution no. 890/9.11.2018 on the approval of the list of lands located outside the town built-up was issued;
- The notification for launching of procedure prior to bid submission was submitted to the Competent Authority for the Projects of Common Interest (ACPIC) on 06.07.2018 and was approved on 18.07.2018;
- The public consultation concept for the Project was submitted to ACPIC on 03.08.2018 and approved by the Ministry of Energy by Letter 111518/09.08.2018;
- The public consultations under Regulation (EU) 347/2013 were held on 11.09.2018 at Grădina and Săcele;
- The final synthetic report on the public participation activities results was prepared and published on the company's website (the project page)
- The application file was submitted to ACPIC on 10.10.2018 and was accepted on 22.10.2018.

- Comprehensive Decision no. 3/12.12.2018 was issued.
- The public procurement procedure for the execution works was performed.
- The objective execution works are in progress.

7. Romania – Serbia Interconnection – interconnection of the national gas transmission system with the similar gas transmission system in Serbia

In the context of the provisions of the EU Strategy on the Energy Union and of the actions for the implementation of the objectives of such strategy (competitiveness, sustainability and security of energy supply), Romania shows special interest to safeguarding energy security, the development of the energy infrastructure by the diversification of energy transmission sources and routes, by increasing solidarity between member states and by ensuring effective operation of the energy market.

In order to increase the interconnectivity between gas transmission systems of the EU member states and to increase energy security in the region, the project for the interconnection between the gas transmission systems of Romania and Serbia is necessary.

The appraised gas export version towards Serbia is to take over gas from the future BRUA pipeline (Phase I).

The project Romania – Serbia Interconnection – interconnection of the national gas transmission system with the similar gas transmission system in Serbia consists in the construction of a pipeline approximately 97 km long, connecting the national gas transmission system with the natural gas transmission system in Serbia in the Recaş–Mokrin direction and of a gas metering station.

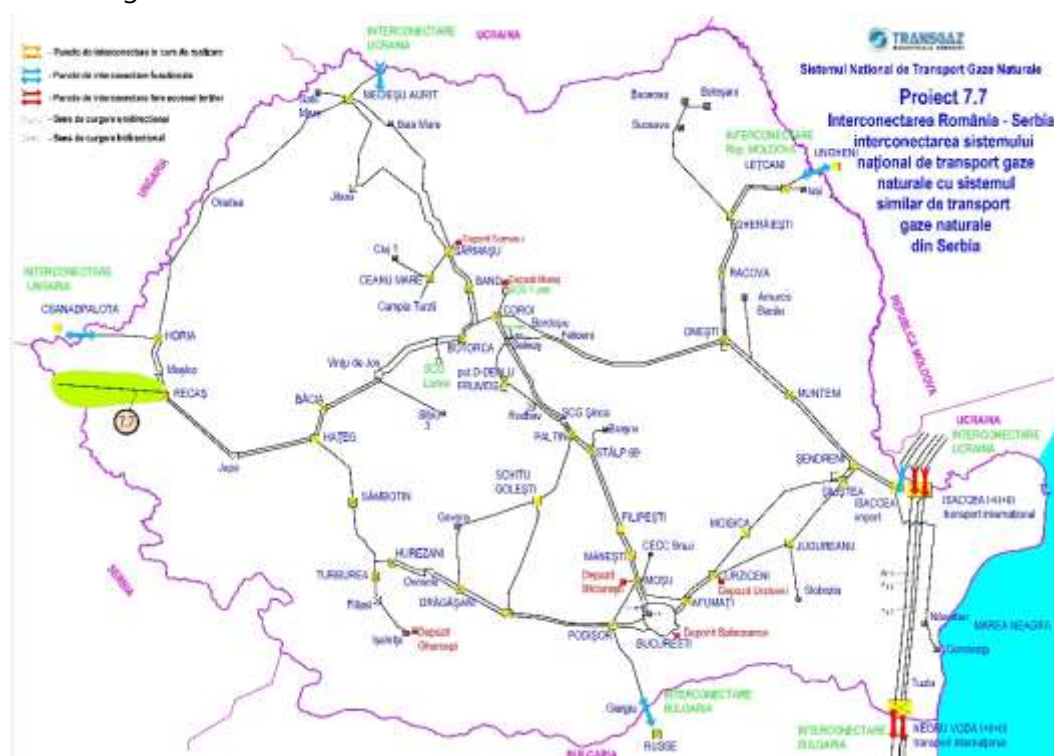


Figure 10 - Interconnection of the NTS with Serbia in the Recaş – Mokrin direction

Project description:

The project *Romania – Serbia Interconnection – interconnection of the national gas transmission system with the similar gas transmission system in Serbia* consists in the construction of a new gas transmission pipeline connecting BRUA main gas transmission pipeline to the Technological Node Mokrin in Serbia.

On the Romanian territory, the gas transmission pipeline will be connected to BRUA Phase 1 pipeline (Petrovaselo, Timis County) and will be 85.56 km long (Romanian-Serbian border – Comlosu Mare, Timis County).

The diameter determined based on the hydraulic calculations will be 24" (DN 600) at a design pressure of 63 bar.

The project consists in the following:

- Construction of an approximately 97 km long pipeline to interconnect the national gas transmission system in Serbia, in the Recas – Mokrin direction of which 85 km on the territory of Romania and 12 km on the territory of Serbia with the following characteristics:
 - Pressure of the BRUA pipeline in the Recaş area: 50 – 54 bar (PN BRUA – 63 bar);
 - Diameter of the interconnection pipeline: DN 600;
 - Transmission capacity: max. 1 bcm/y (115,000 cm/h), pressure at Mokrin: 48.4 – 52.5 bar;
 - Transmission capacity: 1.6 bcm/y (183,000 cm/h), pressure at Mokrin: 45.4- 49.9;
- Construction of a gas metering station (located on the Romanian territory).

Estimated project implementation schedule

Development stages	Progress/Estimated completion deadline according to 2020-2029 TYNDP	Progress/Estimated completion deadline updated at the date of the Report
Prefeasibility Study	completed	completed
Feasibility Study	completed	completed
FEED and Tender Books	completed	completed
Authority engineering	2020	2021
Start of the construction works procurement procedure	2020	2021
Construction	2020 - 2021	2022 - 2023
Commissioning/start-up	2021	2023

Estimated completion date: 2023

Total estimated investment amount: EUR 56,21 million of which:

The estimated value of the investment	According to 2020-2029 TYNDP	Updated at the date of the Report
Execution works	EUR 43,93 million	EUR 43,93 million
Other activities (procurement of land, design, technical consultancy, audit and technical assistance)	EUR 12,28 million	EUR 12,28 million
TOTAL	EUR 56,21 million	EUR 56,21 million

If gas will be taken over from Serbia to Romania, it may be redirected towards the Timisoara – Arad consumption area, through the DN 600 Horia – Maşloc – Recaş (25 bar) pipeline, at lower pressures than through the BRUA pipeline.

Inclusion in international plans

- **2020 ENTSOG TYNDP:** TRA-A-1268

Project progress

- A Memorandum of Understanding was concluded between Transgaz and Srbijagas on 30.06.2017;
- Transgaz and Srbijagas prepared the Prefeasibility Studies for the facilities related to each country, the necessary data and solutions for their completion were agreed within the joint meetings;
- The procedure for obtaining the Environmental Agreement:
 - The Decision on the initial assessment stage no. 459/08.10.2018 was obtained
 - The Environmental Protection Agency Timiş carried out the environmental impact assessment procedure in accordance with the provisions of Law no. 292/2018 and issued the Decision Screening Stage no. 142/25.06.2019 by which the project is not subject to environmental impact assessment, is not subject to appropriate assessment and is not subject to impact assessment on water bodies.
 - The National Agency for Natural Protected (ANANP) issued the Notice no. 451/21.05.2019 approving the works provided for in the project.
 - During the environmental impact assessment procedure, the cross-border impact procedure, coordinated by the Ministry of the Environment through the Ministry of Foreign Affairs, was carried out. A notification was sent to the Republic of Serbia of the intention to carry out the project in accordance with Article 3 of the Espoo Convention. The Ministry of Environmental Protection of the Republic of Serbia communicated by address no. 352-02-00307/2019-03 of 13.03.2019 that it does not estimate a negative environmental impact on the territory of the Republic of Serbia of the activities provided for by the project and does not consider it necessary to participate in the impact assessment procedure carried out for the project, in accordance with Article 3 point 3 of the Espoo Convention.
 - The Environmental Protection Agency Timiş issued the Declaration by the Authority responsible for monitoring Natura 2000 Sites no. 10927/23.10.2019 stating that the project is not possible to have significant effects on a Natura 2000 site.

- The Banat Basin Water Administration issued for the project the Declaration of the Competent Authority responsible for Water Management no. 14305/17.10.2019 declaring that the project does not lead to the risk of deterioration of the chemical condition and the ecological state/ ecological potential of surface and groundwater bodies in respect of which the investment is made.
- Following the meetings between the experts of Transgaz and Srbijagas, the following aspects were agreed/established:
 - The pipeline will be designed so as to ensure bidirectional flows of 1.6 bcm/year (183 000 Scm/h), which may be increased to up to 2.5 bcm/year (285 000 Scm/h), ensuring a 39 ÷ 45 bar pressure at Mokrin;
 - The construction on the Romanian territory (Territorial Administrative Unit Comloșu Mare, Timiș county), approximately 400 m distance from the border, of a Fiscal Gas Metering Station with two pig launching/receiving stations, one towards Petrovaselo and one towards Mokrin;
 - Configuration of the Fiscal Gas Metering Station;
 - The border crossing point between Romania and Serbia (marking by poles and setting its coordinates);
 - Mounting an electro insulating joint at the border, at the point of interconnection between the two gas transmission systems with the purpose to separate the two systems from a cathodic point of view.
- The Feasibility Study (endorsed by TEC in 08.11.2018) and the FEED (endorsed by TEC in 18.07.2019) were completed;
- The necessary documentation was submitted for the declaration of the project, by Governmental Resolution, as project of national importance;
- in terms of interference of the project with Natura 2000 sites, the following aspects are distinguished:
 - the route of the pipeline crosses ROSPA 0142 Teremia Mare-Tomnatic over a length of about 2300 m and passes through the vicinity of ROSCI0402 Valea din Sânaandrei at a distance of about 100 m;
 - the fiscal gas measuring station is located outside the protected natural areas, but in the vicinity of ROSPA 0142 Teremia Mare-Tomnatic, at a distance of approx. 1620 m.

8. Upgrading GMS Isaccea 1 and GMS Negru Vodă 1

In order to increase the level of energy security in the region, the following Interconnection Agreements were signed:

- **Interconnection Agreement for the Interconnection Point Isaccea 1**, concluded with PJSC Ukrtransgaz, Ukraine, on 19.07.2016;
- **Interconnection Agreement for the Interconnection Point Negru Vodă 1**, concluded with Bulgartransgaz, Bulgaria, on 19.05.2016.

The actions under these agreements include the upgrading of the gas metering stations at the two interconnection points.



Figure 11- Upgrading GMS Isaccea 1 and Negru Vodă 1

Project description:

The project Upgrading GMS Isaccea 1 and Negru Vodă 1 consists in the construction of two new gas metering stations to replace the current ones.

In the case of the GMS Isaccea 1 the station will be constructed within the existing station, and in the case of GMS Negru Vodă 1 in a location near the one of the current station.

1. Gas Metering Station GMS Isaccea 1

The upgraded Metering Station will be equipped with a separating/filtering installation and a metering installation:

- Separation/filtering is ensured by a separating/filtering battery.
- The metering equipment will consist of several parallel metering lines (in operation and back up) equipped with ultrasonic meters for metering the delivered gas quantities, each line being equipped identically with three independent metering systems (Pay, Check and Verification). The independent systems Pay and Check will employ dual ultrasonic meters and the systems for the Verification will use a simple ultrasonic meter.

The number of the metering lines is sufficient to allow for the metering of the gas quantities to be delivered through the GMS. The number of lines in operation will depend on the quantities of natural gas to be circulated through the GMS.

To verify the traceability of ultrasonic meters on the metering lines, they will be periodically connected in series with a reference metering line equipped with a turbine meter.

If one of the systems no longer meets the established standards and/or error limits, that metering line will be closed and withdrawn from normal operation until the malfunctions' causes are remedied.

The volumes resulting from the independent metering of the Pay, Check and Verification systems will be monitored continuously.

2. The metering station GMS Negru Vodă 1

The upgraded Metering Station will be equipped with a separating/filtering installation and a metering installation

- The Separation/filtering is ensured by a separating/filtering battery.
- The metering installation will be made up of several parallel metering lines (in operation and back up) equipped with ultrasonic meters for metering the delivered gas quantities, each line being equipped identically with two independent metering systems (Pay and Check). The independent Pay and Check systems will use dual ultrasonic meters.

The number of the metering lines is sufficient to allow for the metering of the gas quantities to be delivered through the GMS. The number of lines in operation will depend on the quantities of natural gas to be circulated through the GMS. To verify the traceability of ultrasonic meters on the metering lines, they will be periodically connected in series with a reference metering line equipped with a turbine meter.

The project implies the upgrading of the two metering stations for the existing capacities and enables the bidirectional operation in Isaccea as well.

If one of the systems no longer meets the established standards and/or error limits, that metering line will be closed and withdrawn from normal operation until the causes that caused these malfunctions are remedied.

The volumes resulting from the independent metering of the Pay, Check and Verification systems will be monitored continuously.

Indicative project development calendar

Development stages	Progress/ Estimated completion deadline according to 2020-2029 TYNDP		Progress/ Estimated completion deadline updated at the date of the Report	
	GMS Isaccea 1	GMS Negru Vodă 1	GMS Isaccea 1	GMS Negru Vodă 1
Pre-feasibility study	completed	completed	completed	completed
Engineering	completed	under preparation	completed	under preparation
Technical documentation for	completed	2020*	completed	2021*

obtaining the construction permits				
Construction	2019-2020 (in progress)	2020 - 2021	completed	2021
Commissioning/start up	2020	2021	2020	2021

*the deadline depends on the legal provisions regarding the land

Estimated completion date: 2020 for GMS Isaccea 1, **2021** for GMS Negru Vodă 1

Total estimated value of the investment: EURO 26,65 million, of which:

Total estimated investment value	According to 2020-2029 TYNDP	Updated at the date of the Report
GMS Isaccea 1	EUR 13.88 mil.	EUR 13.88 mil.
GMS Negru Vodă 1	EUR 12.77 mil.	EUR 12.77 mil.
TOTAL	EUR 26.65 mil.	EUR 26.65 mil

The inclusion of the project in international plans

- **2020 ENTSOG TYNDP:** TRA-N-1277

Project progress

GMS Isaccea 1 - completed

The feasibility study for the objective GMS Negru Vodă 1 was completed and endorsed by the TEC and the FEED is under preparation

9. Interconnection of the gas transmission systems of Romania and Ukraine in the Gherăești – Siret direction

In addition to the Project for NTS developments in North-Eastern Romania for improving gas supply to the region and ensuring transmission capacities to/from the Republic of Moldova, Transgaz identified the opportunity to construct an interconnection between the NTS and the gas transmission system in Ukraine, in the Gherăești – Siret direction.

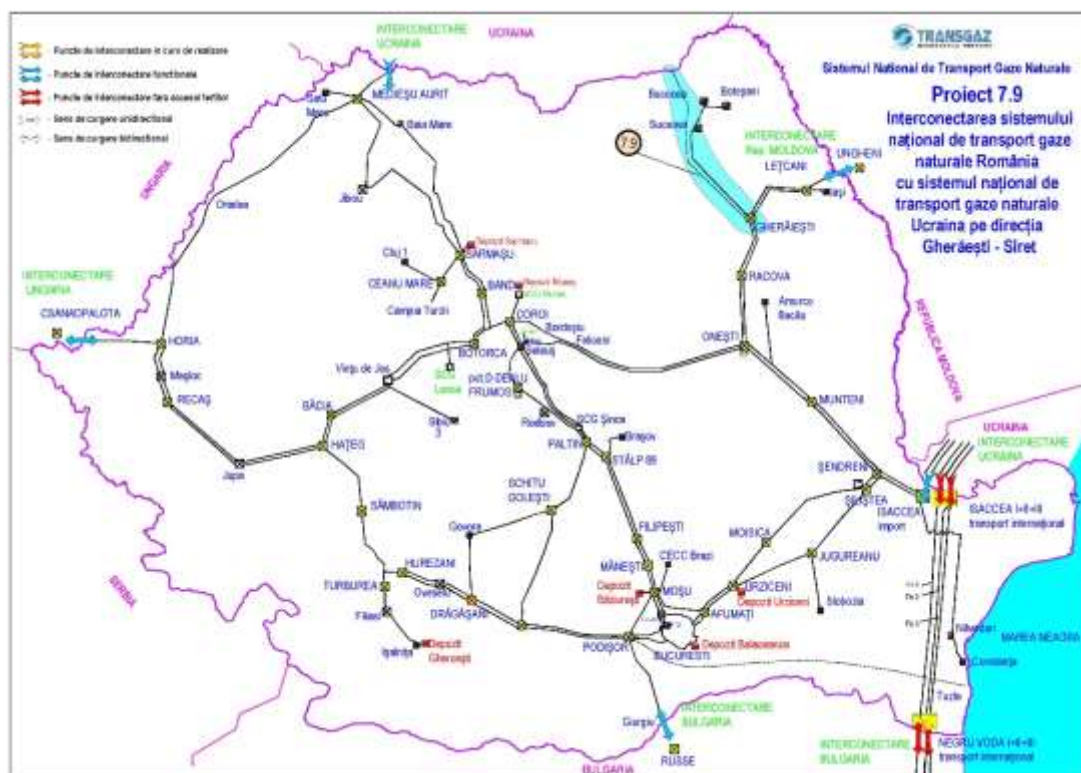


Figure 12- Interconnection between the National Gas Transmission System and the Ukrainian gas transmission system, in the Gherăești-Siret direction

Project description:

The project consists of:

- the construction of a 146km gas transmission pipeline and the related facilities, in the Gherăești – Siret direction;
- the construction of a cross-border gas metering station;
- the extension of the Onești and Gherăești compressor stations, if applicable.

Estimated project development calendar

Development stages	Progress/Estimated completion deadline according to 2020-2029 TYNDP	Progress/Estimated completion deadline updated at the date of the Report
Pre-feasibility study	completed	completed
Feasibility study	2020-2021	2021-2022
Engineering	2021 – 2022*	2022-2023*
Procurement (materials and works)	2022*	2023*
Construction	2022-2024*	2023 - 2026*
Commissioning/start of operation	2025*	2026*

*It depends on setting the parameters for the interconnection point and on the schedule of implementation of the project on the territory of Ukraine.

Estimated completion date: 2026

Total estimated value of the investment: EUR 150 million

Project progress:

The Project is in an early stage and the capacities to be developed under the project will be established subsequently.

10. Development/Upgrading of the gas transmission infrastructure in the North-Western part of Romania

The project aims to achieve/upgrade objectives related to the National Gas Transmission System in the North-Western part of Romania for the creation of new gas transmission capacities or for the increase in the existing ones.

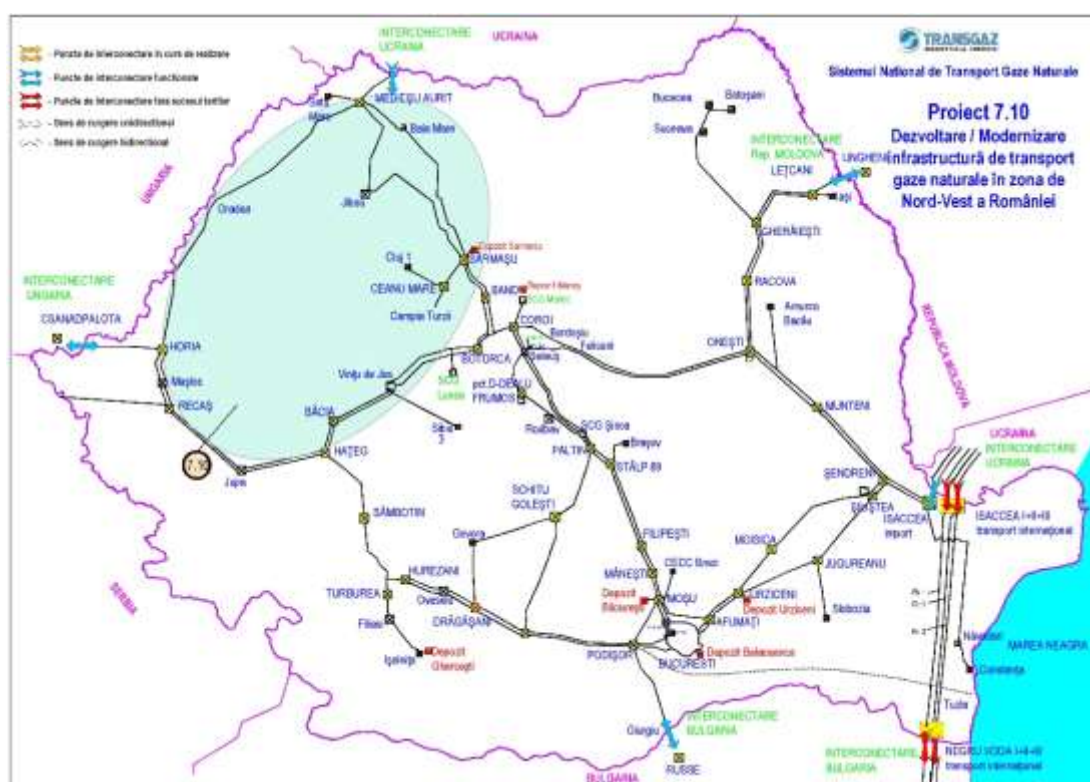


Figure 13- Development/Upgrading of the gas transmission infrastructure in the North-Western part of Romania

Project description:

According to the Pre-Feasibility study, the project consists of:

- construction of a pipeline and of the related equipment in the direction Horia–Medieșu Aurit;
- construction of a pipeline and of the related equipment in the direction Sarmășel–Medieșu Aurit;

- construction of a pipeline and of the related equipment in the direction Huedin–Aleșd;
- construction of a Gas Compressor Station at Medieșu Aurit.

The project is to be developed taking into account the ongoing key importance projects to be implemented on the territory of Romania. The prioritization of this project is based on the evolution of the other projects.

Considering the large dimension of such project, it is supposed to be implemented in stages, as follows:

- **Stage 1:**
 - construction of the pipeline and of the related equipment in the direction Horia–Borș.
- **Stage 2:**
 - construction of the pipeline and of the related equipment in the direction Borș–Abrămuț;
 - construction of a Gas Compressor Station Medieșu Aurit;
 - construction of the pipeline and of the related equipment in the direction Huedin–Aleșd.
- **Stage 3:**
 - construction of the pipeline and of the related equipment in the direction Abrămuț–Medieșu Aurit;
 - construction of the pipeline and of the related equipment in the direction Sărmășel–Medieșu Aurit.

Estimated project implementation schedule:

Milestones	Estimated completion deadline according to 2020-2029 TYNDP	Progress/ Estimated completion deadline updated at the date of the Report
Stage 1	2022	2023
Pre-feasibility study	Completed	Completed
Feasibility study	2020	2021
FEED	2020-2021	2021-2022
Public procurement	2021	2022
Construction	2021-2022	2022-2023
Commissioning/start up	2022	2023
Stage 2	2025	2025
Pre-feasibility study	Completed	Completed
Feasibility study	2020	2021
FEED	2021-2022	2022-2023
Public procurement	2022	2023
Construction	2023-2025	2023-2025
Commissioning/start up	2025	2025
Stage 3	2026	2026

Milestones	Estimated completion deadline according to 2020-2029 TYNDP	Progress/ Estimated completion deadline updated at the date of the Report
Pre-feasibility study	Completed	Completed
Feasibility study	2020	2021
FEED	2022-2023	2022-2023
Public procurement	2023	2023
Construction	2024-2026	2024-2026
Commissioning/start up	2026	2026

Estimated completion date: 2023 Stage 1, 2025 Stage 2 and 2026 Stage 3

Estimated value: Euro 405 million

The inclusion of the project in international plans

- **2020 ENTSG TYNDP** : TRA-N-598

Project progress:

The project is at an early phase – completed Pre-feasibility Study.

11. Increase in the gas transmission capacity of the interconnection Romania-Bulgaria, in the Giurgiu-Ruse direction

In July 2017, in Bucharest, Transgaz, Bulgartransgaz, DESFA, FGSZ and ICGB signed a Memorandum of Understanding on the Vertical Corridor. In order to achieve its scope, the parties agreed to assess the technical requirements such as new pipelines, interconnections or enhancements of the national transmission systems.

The estimations in terms of the gas transport in the Southern part of Europe illustrate a rapid evolution and the new key projects to be achieved in Southern Europe envisage gas flows in the direction South-North.

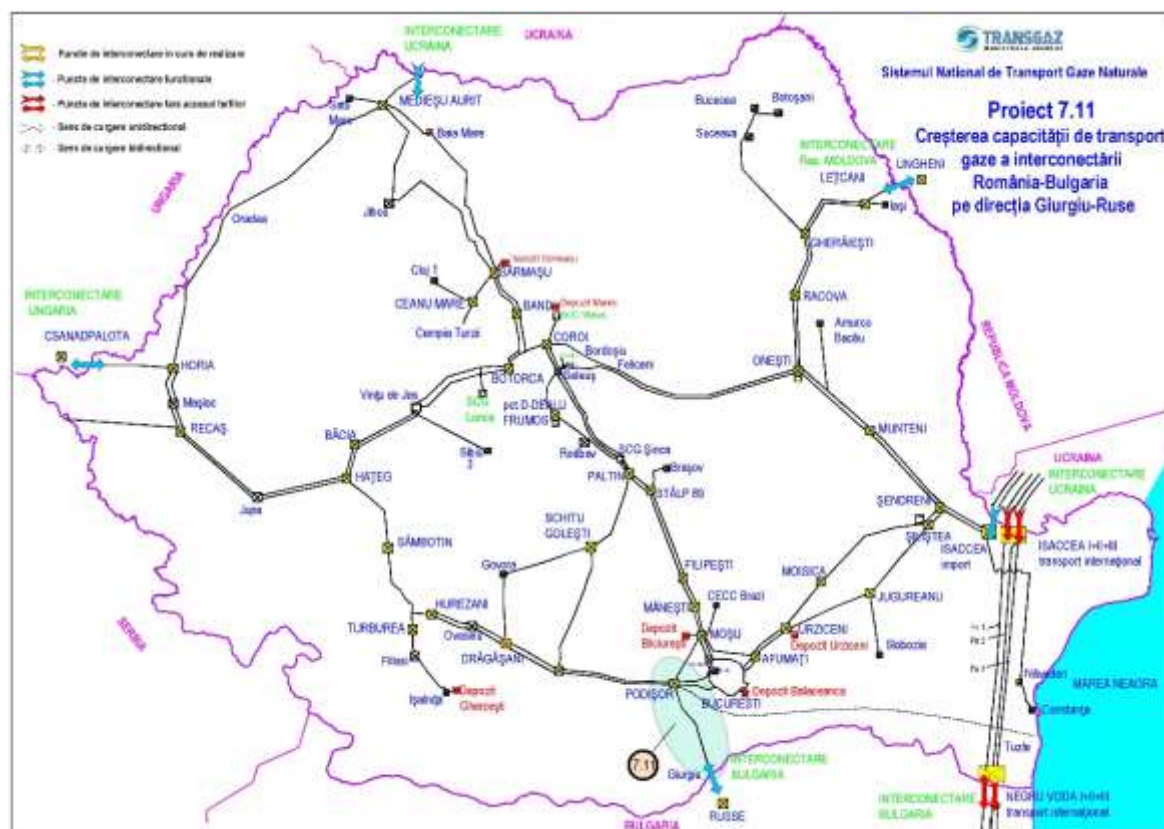


Figure 14 - Increase in the gas transmission capacity of the interconnection Romania-Bulgaria, in the Giurgiu-Ruse direction

Project description

Based on the capacities, the project consists of:

- construction of a new gas transmission pipeline and of the related facilities
- construction of a new Danube undercrossing
- enhancement of SMG Giurgiu

Estimate project development schedule:

Milestones	Estimated completion deadline according to 2020-2029 TYNDP	Progress/ Estimated completion deadline updated at the date of the Report
Pre-feasibility study	2019-2020	2021
Feasibility study	2020-2021	2021-2022
FEED	2022-2024	2023-2024
Public procurement	2024	2024
Construction	2025-2027	2025-2027
Commissioning/start up	2027	2027

Estimated completion date: 2027

Estimated value: Euro 51,8 million

Project progress:

The project is at an early implementation stage, the capacities to be developed within this project will be later on established and the final technical solution will be based on such capacities.

12. Eastring-Romania

The Eastring project promoted by Eustream Slovakia is a bidirectional gas transmission pipeline dedicated to Central and South-Eastern Europe which is meant to interconnect the gas transmission systems of Slovakia, Hungary, Romania and Bulgaria in order to ensure access to the Caspian and Middle East gas reserves.

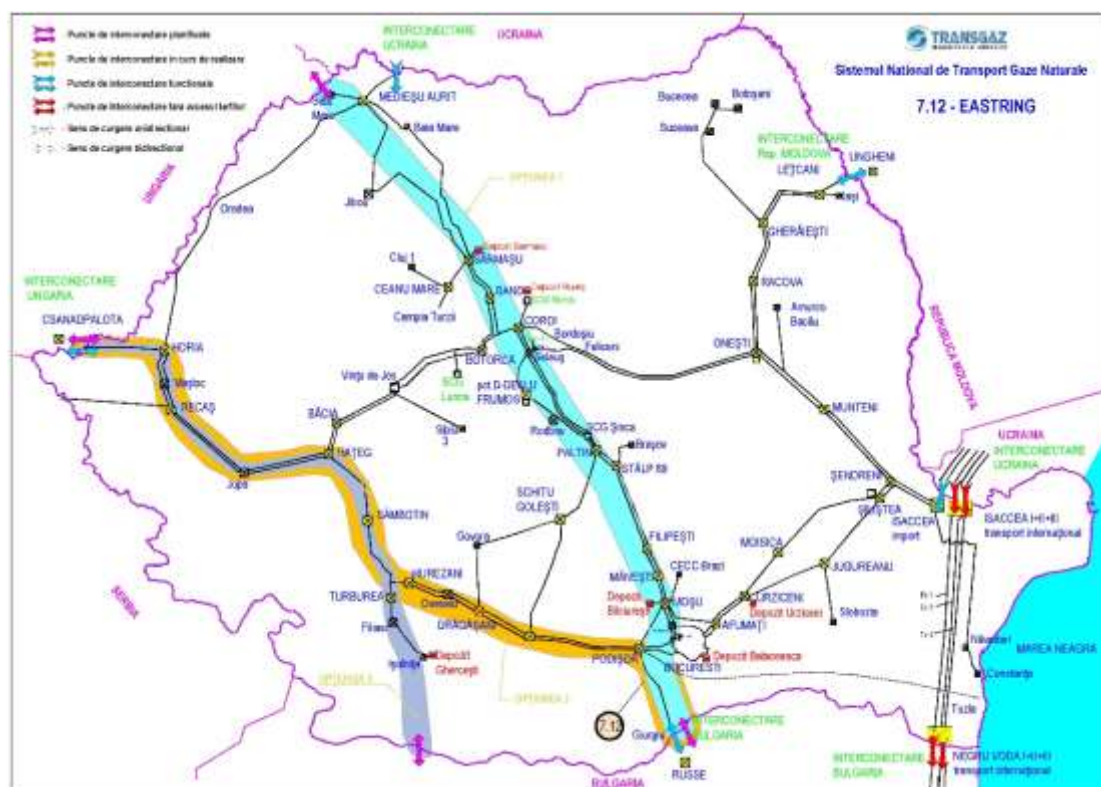


Figure 15 - Eastring

Project description

EASTRING is a bidirectional gas transmission pipeline with an annual capacity between 225.500 GWh and 451.000 GWh (approx. 20 bcm up to 40 bcm) which connects Slovakia with the EU external border through Bulgaria, Hungary and Romania.

EASTRING will ensure the most cost-reflective and direct transmission route between the gas platforms from the Western European region and the Balkans/Western Turkey – a region with very high potential to offer gas from various sources. The possibility to diversify transmission routes and gas supply sources will safeguard the regional security of gas supply to the region, mainly in the South-Eastern European countries.

According to the feasibility study, the project will be implemented in two stages as follows:

- Stage 1 – Maximum capacity 20 bcm/a;
- Stage 2 – Maximum capacity 40 bcm/a.

Estimated project implementation schedule:

Milestones	Estimated completion deadline according to 2020-2029 TYNDP	Progress/ Estimated completion deadline updated at the date of the Report
Stage 1	2025	2027
Pre-feasibility study	completed	completed
Feasibility study	completed	completed
FEED	2019-2023	2019-2025
Public procurement	2022-2023	2022-2023
Construction	2023-2025	2025-2027
Commissioning/start up	2025	2027
Stage 2	2030	2030
Pre-feasibility study	completed	completed
Feasibility study	completed	completed
FEED	2025-2028	2025-2028
Public procurement	2028-2029	2028-2029
Construction	2028-2030	2028-2030
Commissioning/start up	2030	2030

Estimated completion date: 2027 Stage 1, 2030 Stage 2

Estimated investment:

- **Stage 1 - Euro 1.297 mil. for Romania (2.600 mil. Euro–total);**
- **Stage 2 - Euro 357 mil. for Romania (739 mil. Euro–total).**

The inclusion of the project in international plans

- **PCI Project (third list):** 6.25.1;
- **2020 ENTSOG TYNDP (Eastring–Romania):** TRA-N-655.

Project progress:

The Feasibility Study was completed in 2018. The scope of the Feasibility Study was the design of a bidirectional pipeline to interconnect the Slovakian gas transmission system with the South-Eastern European border (Black Sea or Turkey) through Hungary, Romania and Bulgaria.

13. Monitoring system, data control and acquisition for the cathodic protection stations related to the National Gas Transmission System

The implementation of the data acquisition, control and monitoring system for the cathodic protection system will ensure increased durability and safety in the operation of the transmission pipelines based on the data acquired, will ensure simplicity in operation for a complex pipeline protection system with low maintenance costs.

At the same time, it will provide information about the electro-security of the pipeline as well as for the intrinsic cathodic protection (without external cathodic power source) by providing information at some points or sections for the limiting recovery of the induced alternating currents in the pipeline.

Project description

Within SNTGN TRANSGAZ SA, the cathodic protection stations are the main active protection system of the gas transmission pipelines.

There are currently approximately 1.038 cathodic protection stations recorded (CPS). The reduction in the corrosion of the pipelines maintaining them in operation for a longer period of time and the reduction in the maintenance costs are the main objectives.

The centralized cathodic protection system will provide the possibility the remotely set, monitor and operate clearly and precisely the points of interest in the system, it will eliminate costs related to data reading it will avoid the situations when because of the weather conditions it is impossible to read data and human errors, it will allow for the distributed control of the locations, it will reduce operation and maintenance costs and considerably reduce the configuration time.

The implementation of such a system will reduce the micro-management, the testing time and the commissioning.

The architecture distributed will offer minimum unavailability risks and it will offer maximum viability of the cathodic protection system.

The system will be intuitive, easy to use and acceptable in any SCADA system structure and the training requirements for the operators are short and simple.

The implementation of such a system will reduce personnel costs and will train the personnel responsible for operation and maintenance.

The decision on the system maintenance and the related regulation of the cathodic protection station in integrated system will be the decision of a well-trained dispatcher relying on the data received in real time and based on a historical data base.

The remote control of the parameters of the cathodic protection stations and corrosion monitoring in the critical points of the gas transmission system is mandatory for corrosion reduction and proper management of the power consumers in each location.

The implementation of the SCADA system for cathodic protection will ensure increased sustainability and safety in the exploitation of the gas transmission pipelines based on the data acquired it will ensure the simple operation of a complex pipeline protection system.

Indicative project development calendar:

Development stages	Estimated completion deadline according to 2020-2029 TYNDP	Progress/ Estimated completion deadline updated at the date of the Report
Feasibility study	2020	2021
FEED	2020-2021	2021-2022
Environmental impact assessment	N/A	N/A
Obtaining the Environmental Agreement =	N/A	N/A
Technical documentation for obtaining the construction permit	N/A	N/A
Obtaining the construction permit	N/A	N/A
Making the final investment decision	2020	2021
Construction	2021-2023	2022-2023
Commissioning/start up	2023	2023

Estimated completion date: 2023

Estimated investment value: EURO 8 million

Project progress:

The analysis and planning stages of the project *Monitoring system, data control and acquisition for the cathodic protection stations related to the National Gas Transmission System* were completed and the technical documentation - *Conceptual Note and Design Theme* - were

completed and endorsed - documents contained in the project schedule and which will be the base for the start-up and subsequent stages of the feasibility study, FEED and execution.

14. Development of the SCADA system for the National Gas Transmission System

SNTGN Transgaz implemented and commissioned in 2015 a SCADA system structured as follows:

- 2 central dispatching centres, Mediaş and Bucharest;
- 9 local dispatching units;
- 948 MRSs;
- 106 line valves;
- 33 technological nodes;
- 3 compressor stations;
- 4 international transmission stations;
- 2 import stations;
- 7 underground storage facilities.

The National Gas Transmission System has a continuous evolution justified by the dynamics of the gas flows circulated and the strategic position Romania has in ensuring the national and European energy independence and security:

- Development of the Southern Transmission Corridor on the territory of Romania for taking over the natural gas from the Black Sea shore;
- Interconnection of the national gas transmission system with the T1 natural gas international transmission pipeline and reverse flow at Isaccea;
- NTS developments in the North-East of Romania in order to improve the natural gas supply of the area and to ensure the transmission capacities to/from the Republic of Moldova;
- Enhancement of Bulgaria-Romania-Hungary-Austria bi-directional gas transmission corridor (BRUA-Phase III);
- Capitalization of Romania's technical and energy resources through the development of the NTS interconnection projects with other European transmission systems (Ukraine, Moldova, Serbia, Hungary, Bulgaria);
- New NTS developments for taking over gas from the Black Sea shore;
- Romania-Serbia Interconnector - interconnection of the National Gas Transmission System with the similar natural gas transmission system of Serbia;
- Upgrading GMS Isaccea 1 and GMS Negru Vodă 1;
- Interconnection of the national gas transmission system with the natural gas transmission system from Ukraine, on the Gherăesti-Siret direction;
- Expansion, development and upgrading of natural gas transmission infrastructure (development of the natural gas compressor stations, modernization of the storage system infrastructure, etc.);
- Meeting the legislative requirements imposed by the National Regulatory Authority for Energy (ANRE) regarding the integration into the SCADA system TRANSGAZ of all the

exit points from the NTS, which were not included in the SCADA System implemented by the Supply Contract no.17095 / 2009.

Security of gas supply underlies any energy policy - any gas supply disruption has important consequences for the economies of EU Member States.

In order to strengthen this security, the EU countries have to diversify their energy vectors and energy sources, but at the same time they have to act in order to upgrade the gas transmission infrastructure.

The upgrading of the gas transmission infrastructure must be supported in the coming years by the development of an efficient and flexible SCADA system by modernizing the hardware and software architecture by migrating to a decentralized architecture with control distributed on organizational administrative units in accordance with the structure of SNGG TRANSGAZ.

Project description:

The project on the Development of the SCADA System (*Supervisory Control And Data Acquisition*) (for the National Gas Transmission System) will consist in:

- Analysis of the possibilities to optimise the SCADA system architecture
- Replacement of the morally and physically worn-out hardware equipment within the national/regional SCADA dispatching centres on order to ensure by the new firmware/operation systems/ software applications used the increase in the volume and data processing power as well as in the IT security
- Provision of a hardware/software capacity reserve within the national/regional SCADA dispatching centres necessary for the future integration of the NTS objectives to be commissioned during 2022-2027 with the SCADA system
- Additional integration of approx.. 170 Metering Regulating Stations into the National Gas Transmission System
- Ensuring the continuous transmission, real-time monitoring within the national and regional SCADA dispatching centres of the relevant and necessary NTS objectives technological parameters the according to the short and medium term degree and rhythm of the technological equipment development for the purpose of NTS monitoring and operation under safety, efficiency and environmental protection conditions.
- Integration of the new local automations to be commissioned by 2022 resulted from the upgrading/development of the gas compressor stations, of the technological nodes, of the block valves located on the main pipelines, etc.
- Mounting of SCADA Intrusion Detection System LAN SCADA system
- Mounting of dedicated IP&DS type systems with surveillance at the level of industrial protocols for sensitive applications (SCADA remote controlled stations: technological nodes, interconnection stations, compressor stations, future pipeline automation systems
- Installation of a simulation system and Pipeline Monitoring Software (PMS) or Network Programme Management (NSM)

- Identification and provision of technical solutions for securing the industrial data network where the SCADA systems are installed
- Analysis of the technical opportunities for design and achievement of an emergency dispatching centre if the study on the need and appropriateness of such an emergency dispatching centre proves such need; training of the SCADA operating, technical, maintenance personnel for the use of the newly implemented security technics and policies.

Indicative project development timeline:

Development stages	Estimated completion deadline according to 2020-2029 TYNDP	Progress/Estimated completion deadline updated at the date of the Report
Feasibility study	2020-2021	2021
FEED	2021-2022	2022
Environmental impact assessment	N/A	-
Obtaining the Environmental Agreement	N/A	-
Technical documentation for obtaining the construction permit	N/A	-
Obtaining the construction permit	N/A	-
Making the final investment decision	2020-2021	2021 -2022
Construction	2020-2023	2021-2023
Commissioning/start up	2023	2023

Estimated completion date: 2023

Estimated investment amount: EURO 5,5 million

Project progress:

Regarding the project *Development of the SCADA (Supervisory Control and Data Acquisition) System for the National Gas Transmission System, the Conceptual Note and Design Theme - TP No. 14/16.04.2020*, which will be the base for the start-up and subsequent stages, the feasibility study, FEED and execution, were completed and endorsed within the TEC.

The working group established at the TRANSGAZ specialist level will set the modality of the staged approaching of the SCADA system development for SNTGN.

15. Upgrading GMS Isaccea 2 and GMS Negru Voda 2 for enabling bidirectional flow on the T2 pipeline

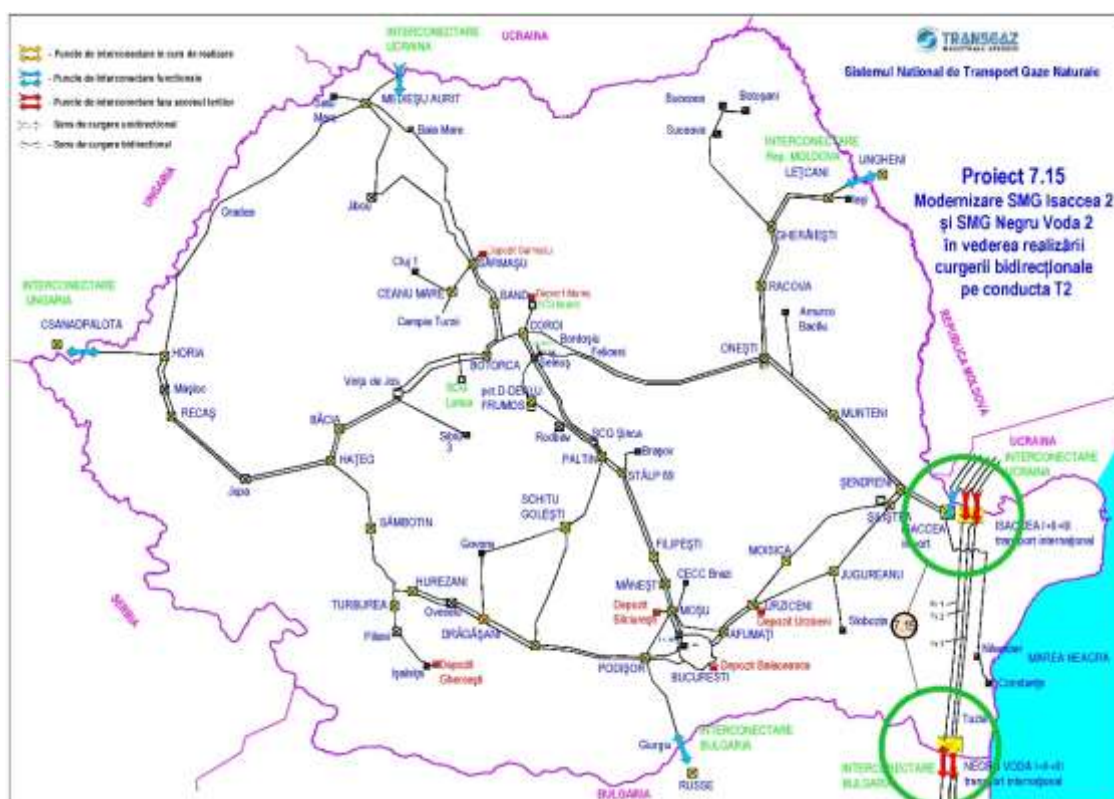


Figure 16 - Upgrading GMS Isaccea 2 and GMS Negru Voda 2 for enabling bidirectional flow on the T2 pipeline

Project description

In order to enable bidirectional flow at the border with Ukraine and Bulgaria on the T2 transit pipeline, the upgrading of the gas metering stations GMS Isaccea 2 and GMS Negru Vodă 2 is required.

1. Gas Metering Station GMS Isaccea 2

The upgraded metering station will be equipped with a separation/filtration installation and a metering installation:

- the separation/filtration is ensured by a separation/filtration battery;
- the metering installation will consist of several parallel metering lines (operating and backup) equipped with ultrasonic meters for metering the quantities of natural gas delivered, each line being identically equipped with three independent metering systems (Pay, Check and Control); the independent systems Pay and Check will use dual ultrasound meters, and the Control systems will use a simple ultrasound meter.

The number of metering lines is sufficient to allow the metering of the gas quantities which will be delivered through the GMS. The number of lines in operation will depend on the gas quantities to be circulated through the GMS. To verify the traceability of the ultrasonic meters on the metering lines, they shall be regularly connected in series with a reference metering line equipped with a turbine meter.

If one of the systems no longer meets the established standards and/or error limits, the relevant metering line shall be closed and withdrawn from normal operation until the causes of these malfunctions have been remedied.

The volumes resulting from the independent measurement of the Pay, Check and Verification systems will be continuously monitored.

2. Gas Metering Station GMS Negru Vodă 2

The upgraded Metering Station will be equipped with a separation/filtering equipment and metering equipment:

- the separation/filtering is ensured by a separation/filtering battery;
- the metering installation will consist of several parallel metering lines (operating and backup) equipped with ultrasonic meters in order to measure the gas quantities delivered, each line being identically equipped with two independent metering systems (Pay and Check); the independent Pay and Check systems will use dual ultrasonic meters.

The number of metering lines is sufficient to allow the metering of the gas quantities that will be delivered through the GMS. The number of lines in operation will depend on the quantities of natural gas to be transported through the GMS. In order to check the traceability of the ultrasonic meters on the metering lines, they shall be regularly connected in series with a reference metering line equipped with a turbine meter.

If one of the systems no longer meets the established standards and/or error limits, the respective metering line shall be closed and withdrawn from normal operation until the causes of such malfunctions have been remedied.

The project involves the upgrading of the two metering stations for the existing capacities and offers the possibility to operate bidirectionally at Isaccea as well.

The volumes resulting from the independent metering of the Pay and Check systems will be continuously monitored.

Indicative project implementation schedule:

Development stages	Progress/Estimated completion time
Feasibility study	2021-2022*
FEED	2022-2023*

Development stages	Progress/Estimated completion time
Technical documentation for obtaining the construction permits	2023*
Obtaining the construction permit	2023*
Making the final investment decision	2023*
Construction	2023-2024*
Commissioning/start-up	2024*

* depending on the results of the evaluation of the market demand for incremental capacity at the interconnection points located on the T2 and T3 pipelines on the Bulgaria - Romania - Ukraine (Trans-Balkan Corridor) transmission direction.

Estimated completion time: 2024

Estimated investment amount: EUR 26,65 million

Progress of the project

The project is at an early stage and will be developed subject to the results of the evaluation of the market demand for incremental capacity at the interconnection points located on the T2 and T3 pipelines on the Bulgaria - Romania - Ukraine (Trans-Balkan Corridor) transmission direction.

16. Upgrading GMS Isaccea 3 and GMS Negru Voda 3 for enabling bidirectional flow on the T3 pipeline

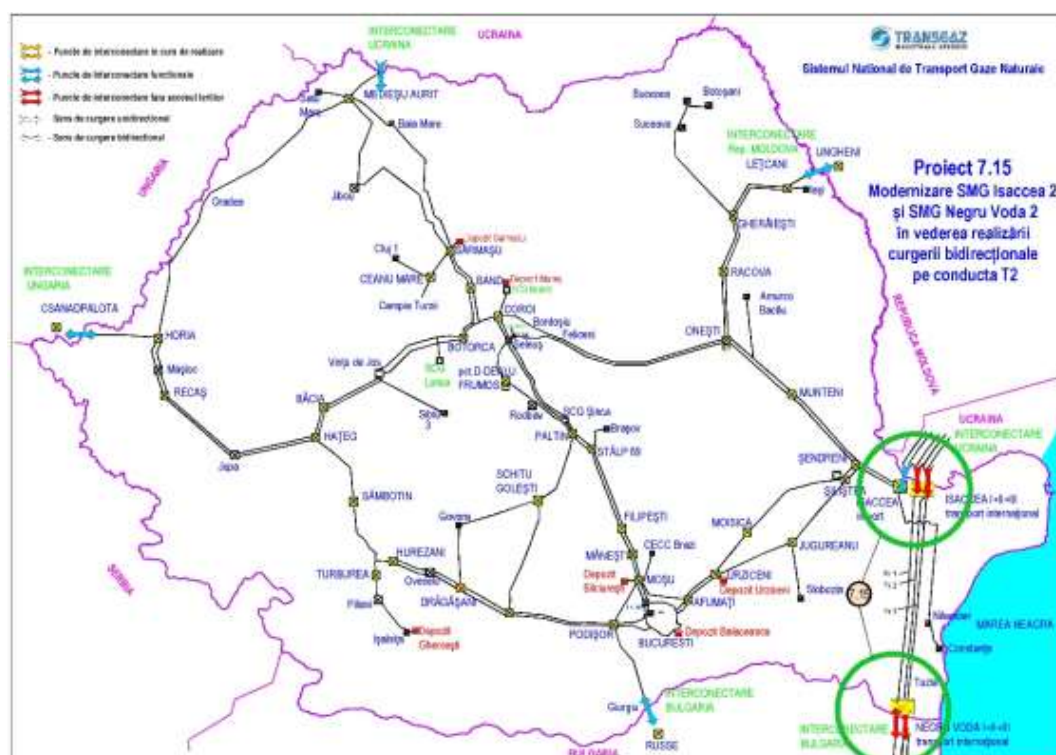


Figure 17 - Upgrading GMS Isaccea 3 and GMS Negru Vodă 3 for enabling bidirectional flow on the T3 pipeline

In order to ensure the bidirectional flow at the border with Ukraine and Bulgaria on the T3 transit pipeline, it is necessary to upgrade the natural gas metering stations GMS Isaccea 3 and GMS Negru Vodă 3.

Project description

1. Gas Metering Station GMS Isaccea 3

The upgraded metering station will be equipped with a separation/filtration installation and a metering installation:

- the separation/filtration is ensured by a separation/filtration battery;
- the metering installation will consist of several parallel metering lines (operating and backup) equipped with ultrasonic meters for metering the quantities of natural gas delivered, each line being identically equipped with three independent metering systems (Pay, Check and Control); the independent systems Pay and Check will use dual ultrasound meters, and the Control systems will use a simple ultrasound meter.

The number of metering lines is sufficient to allow the measurement of the gas quantities that will be delivered through the GMS. The number of lines in operation will depend on the quantities of natural gas to be transported through the GMS. To check the traceability of the ultrasonic meters on the metering lines, they shall be regularly connected in series with a reference metering line equipped with a turbine meter.

If one of the systems no longer meets the established standards and/or error limits, the respective metering line shall be closed and withdrawn from normal operation until the causes of these malfunctions have been remedied.

The volumes resulting from the independent metering of the Pay, Check and Control systems will be continuously monitored.

2. Gas Metering Station GMS Negru Vodă 3

The upgraded metering station will be equipped with a separation/filtration installation and a metering installation:

- the separation/filtration is ensured by a separation/filtration battery;
- the metering installation will consist of several parallel metering lines (operating and backup) equipped with ultrasonic meters for metering the quantities of natural gas delivered, each line being identically equipped with two independent metering systems (Pay, Check and Control); the independent systems Pay and Check will use dual ultrasound meters.

The number of metering lines is sufficient to allow the measurement of the gas quantities that will be delivered through the GMS. The number of lines in operation will depend on the quantities of natural gas to be transported through the GMS. To check the traceability of the

ultrasonic meters on the metering lines, they shall be regularly connected in series with a reference metering line equipped with a turbine meter.

If one of the systems no longer meets the established standards and/or error limits, the respective metering line shall be closed and withdrawn from normal operation until the causes of these malfunctions have been remedied.

The project involves the upgrading of the two metering stations for the existing capacities and offers the possibility to operate bidirectionally at Isaccea as well.

The volumes resulting from the independent metering of the Pay and Check systems will be continuously monitored.

Indicative project implementation schedule:

Development stages	Progress/Estimated completion time
Feasibility study	2023-2024*
FEED	2024-2025*
Technical documentation for obtaining the construction permits	2025*
Obtaining the construction permit	2025*
Making the final investment decision	2025*
Construction	2026-2027*
Commissioning/start-up	2028*

**depending on the results of the evaluation of the market demand for incremental capacity for the interconnection points located on the T2 and T3 pipelines on the Bulgaria - Romania - Ukraine (Trans-Balkan Corridor) transmission direction*

Estimated completion time: 2028

Estimated investment amount: EUR 26,65 million

Progress of the project

The project is at an early stage and will be developed subject to the results of the evaluation of the market demand for incremental capacity at the interconnection points located on the T2 and T3 pipelines on the Bulgaria - Romania - Ukraine (Trans-Balkan Corridor) transmission direction.

17. Interconnection between NTS and the Black Sea LNG Terminal

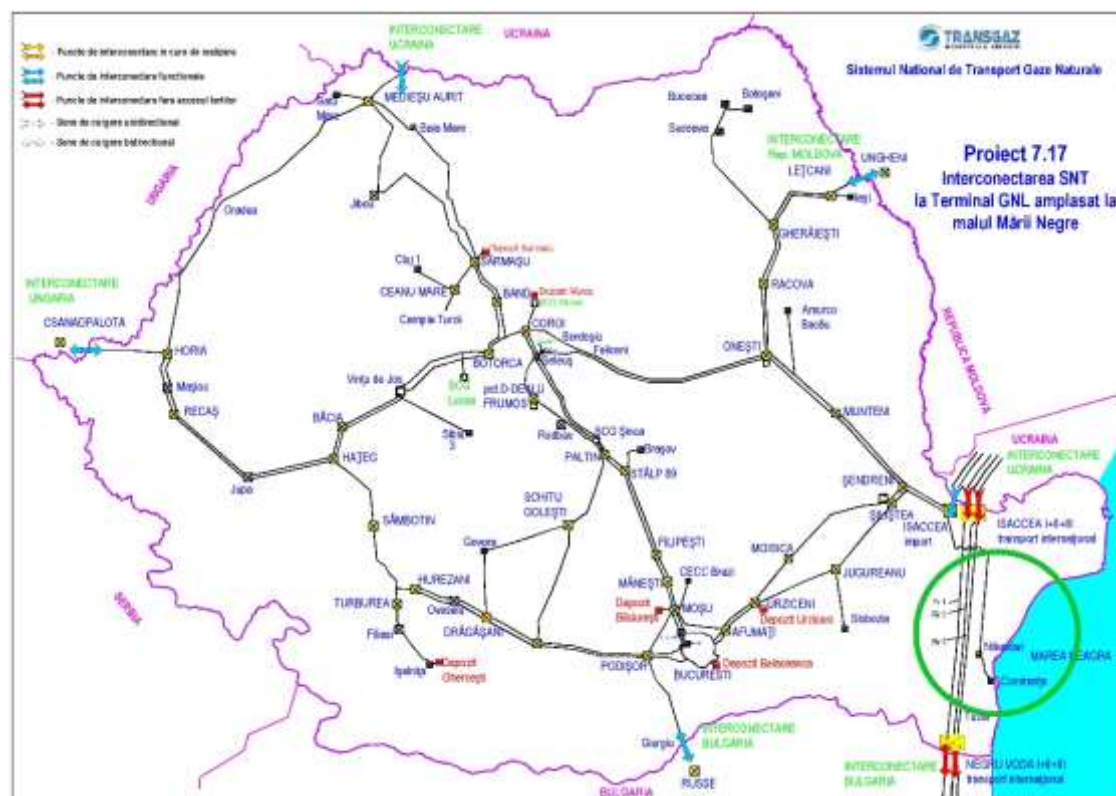


Figure 18 - Interconnection between NTS and the Black Sea LNG Terminal

Project description

The taking over of Black Sea gas through a LNG terminal involves the interconnection of the National Gas Transmission system and of the LNG terminal by the construction of a gas transmission pipeline, approximately 25 km long, from the Black Sea shore to the T1 and T2 pipelines.

The design capacity and pressure of this pipeline will be determined based on the available Black Sea gas quantities.

Indicative project implementation schedule:

Development stages	Progress/Estimated completion deadline
Feasibility study	2022-2023
FEED	2023-2024

Development stages	Progress/Estimated completion deadline
Technical documentation for obtaining the construction permits	2025
Obtaining the construction permit	2025
Making the final investment decision	2025
Construction	2026-2028
Commissioning/start-up	2028

Estimated completion time: 2028

Estimated investment amount: EUR 19,6 million

Progress of the project

The project is in an initial stage.

Achievement of TYNDP at the end of 2020

No.	Project name	Total estimated value mil.Euro	Planned	Achievements 2013-2019		Achievements 2020		TOTAL 2013-2020	
				lei	mil. Euro	lei	mil. Euro	lei	mil. Euro
1.1	Development on the Romanian territory of the National Gas Transmission System along the Bulgaria - Romania - Hungary - Austria Corridor BRUA Phase I		Feasibility studies	4.296.872	0,95	0	0	4.296.872	0,95
			FEED (without guarantees)	44.706.484	9,82	2.114.115	0,43	46.820.599	10,25
			Development	1.013.019.715	215,95	752.331.121	154,34	1.765.350.836	370,29
			TOTAL BRUA Phase I	1.062.023.071	226,72	754.445.236	154,78	1.816.468.307	381,50
1.2	Development on the Romanian territory of the National Gas Transmission System along the Bulgaria - Romania - Hungary - Austria Corridor BRUA Phase II		Feasibility studies	-	-	-	-	-	-
			FEED (without guarantees)	1.060.702	0,24	195.612	0,04	1.256.314	0,28
			Development	-	-	-	-	-	-
			TOTAL BRUA Phase II	1.060.702	0,24	195.612	0,04	1.256.314	0,28
2.	Development on the Romanian territory of the Southern Transmission Corridor for taking over the Black Sea gas		Feasibility studies	935.391	0,21	120.779	0,02	1.056.170	0,23
			FEED (without guarantees)	5.468.729	1,22	664.911	0,14	6.133.640	1,36
			Development	122.245	0,03	10.738.244	2,20	10.860.489	2,23
			TOTAL	6.526.365	1,46	11.523.934	2,36	18.050.299	3,82
3.	NTS interconnection with the international gas transmission pipeline T1 and reverse flow Isaccea		Feasibility studies	765.438	0,17	0	0	765.438	0,17
			FEED (without guarantees)	2.120.521	0,46	296.298	0,06	2.416.819	0,52
			Development	42.296.155	8,88	318.912.082	65,43	361.208.237	74,31
			TOTAL	45.182.114	9,5	319.208.380	65,49	364.390.494	75,00
4.	NTS development in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova		Feasibility studies	3.463.535	0,85	0	0	3.463.535	0,85
			FEED (without guarantees)	8.573.511	1,89	516.671	0,11	9.090.182	2,00
			Development	-	-	329.454.748	67,59	329.454.748	67,59
			TOTAL	12.037.046	2,74	329.971.420	67,69	342.008.466	70,43
5.	Extension of the bidirectional gas transmission corridor Bulgaria – Romania - Hungary – Austria (BRUA Phase III)		Feasibility studies	0	0	0	0	0	0
			FEED (without guarantees)	0	0	0	0	0	0
			Development	0	0	0	0	0	0
			TOTAL	0	0	0	0	0	0
6.	Project on new NTS developments for taking over Black Sea gas		Feasibility studies + Engineering	629.716	0,14	5.185	0,001	634.901	0,14
			Development	14.288.689	3,12	5.791.950	1,19	20.080.639	4,31
			TOTAL	14.918.405	3,26	5.797.135	1,19	20.715.540	4,45
7.	Romania - Serbia Interconnection		Feasibility studies + Engineering	2.587.216	0,54	224.081	0,05	2.811.297	0,59
			Development	1.804.997	0,38	5.288	0,001	1.810.185	0,38
			TOTAL	4.392.213	0,92	229.369	0,05	4.621.582	0,97

8.	Upgrading GMS Isaccea 1 and GMS Negru Vodă 1		Feasibility studies + Engineering	2.010.512	0,44	712.086	0,15	2.722.598	0,59
			Development	1.833.849	0,38	70.750.712	14,51	72.584.561	14,89
	TOTAL	26,65		3.844.361	0,82	71.462.798	14,66	75.307.159	15,48
9.	Romania – Ukraine Interconnection in the Gherăești - Siret direction		Feasibility studies + Engineering	-	-	-	--	-	-
			Development	-	-	-	-	-	-
	TOTAL	125		0	0	0	0	0	0
10.	Development/Upgrading of the gas transmission infrastructure in the North-Western part of Romania		Feasibility studies + Engineering	-	-	177.133	0,04	177.133	0,04
			Development	-	-	0	0	0	0
	TOTAL	405		0	0	177.133	0,04	177.133	0,04
11.	Increase in the gas transmission capacity of the interconnection Romania-Bulgaria, in the Giurgiu-Ruse direction		Feasibility studies + Engineering	-	-	-	-	-	-
			Development	-	-	-	-	-	-
	TOTAL	51,8		0	0	0	0	0	0
12.	Eastring–Romania		Feasibility studies + Engineering	-	-	-	-	-	-
			Development	-	-	-	-	-	-
	TOTAL	1.654		0	0	0	0	0	0
13.	Monitoring system, data control and acquisition for the cathodic protection stations related to the National Gas Transmission System		Feasibility studies + Engineering	-	-	449.212	0,09	449.212	0,09
			Development	-	-	-	-	-	-
	TOTAL	8		0	0	449.212	0,09	449.212	0,09
14.	Development of the SCADA system for the National Gas Transmission System		Feasibility studies + Engineering	-	-	-	-	-	-
			Development	-	-	-	-	-	-
	TOTAL	5,5		0	0	0	0	0	0
15.	Upgrading GMS Isaccea 2 and GMS Negru Vodă 2 for enabling bidirectional flow on the T2 pipeline		Feasibility studies + Engineering	-	-	-	-	-	-
			Development	-	-	-	-	-	-
	TOTAL	26,65		0	0	0	0	0	0
16.	Upgrading GMS Isaccea 3 and GMS Negru Vodă 3 for enabling bidirectional flow on the T3 pipeline		Feasibility studies + Engineering	-	-	-	-	-	-
			Development	-	-	-	-	-	-
	TOTAL	26,65		0	0	0	0	0	0
17.	Interconnection between NTS and the Black Sea LNG Terminal		Feasibility studies + Engineering	-	-	-	-	-	-
			Development	-	-	-	-	-	-
	TOTAL	19,6		0	0	0	0	0	0
GRAND TOTAL		4.120,85		1.149.984.276	245,66	1.493.460.228	306,39	2.643.444.505	552,06

Table 10 - Achievement of the TYNDP major projects

4.2 European funds

The activity for EU funds accession

Activities performed in order to identify opportunities to finance Transgaz' projects and to access grants

- constant monitoring of the non-reimbursable funding sources managed by the European Commission services and of their relevant websites in terms of project calls launching/opening
- monitoring the "Energy Community" website in terms of the relevant funding sources for Transgaz projects;
- constant monitoring of the websites of the Operational Programs managed by the Ministry of European Funds (MFE) through the Management Authorities (MA) with respect to the launching of calls for projects for which Transgaz is eligible, of the

Instructions and Orders on the implementation of projects with non-reimbursable funding;

- pursuing and acknowledging the European and national legislative novelties regarding grants, operational programmes, financial management, etc.
- participation in the structures set up by the Ministry of European Funds, for the preparation of programme documents 2021-2027 and in the online webinar supported by the European Commission on guidelines for the trans-European energy infrastructure, revising the TEN-E Regulation, (EU) no. 347/2013;
- cooperation with the Management Authority (MA) for the Large Infrastructure Operational Program (POIM) in order to identify new financing possibilities for Transgaz projects under Priority Axis (PA) 8, Specific Objective (SO) 8.2 `Increasing the degree of interconnection between the National Natural Gas Transmission System and other neighbouring states`;
- promoting the LIOP financing of the project `Interconnection between the National Natural Gas Transmission Systems of Romania and Serbia`, project included in the Development Plan of SNTGN Transgaz S.A. for 2020-2029; in this respect, the procedures for accessing non-reimbursable financing have started:
 - verification of the existence of primary documents;
 - verification, review and completion of the Feasibility Study, in order to ensure compatibility with the specific requirements of the LIOP funding and with the relevant applicable legislation;
 - completion of evaluation stage and receiving from JASPERS the Action completion note
 - preparation and completion of the Financing Request file together with the related annexes;
 - submission of the draft Financing Request file;
 - taking of all steps for the implementation of the recommendations of MALIOP by which it is requested the completion of the documentation with GR on the declaring of the project of national importance and with CA.
- identifying the financing opportunity for the `TransGasFormation` project was identified, within HCOP, PA 3, SO 3.8 `Increasing the number of employees who benefit from tools, methods, practices, etc., human resources management standard and working conditions improved in order to adapt the activity to the dynamics of the sectors with competitive potential identified according to National Research Strategy/ areas of intelligent specialization according to National Research, Development and Innovation Strategy`; to this effect, the procedures for accessing the grants for the `TransGasFormation` project were carried out:
 - verification of the existence of primary documents;
 - preparation and completion of the file of the Financing Request and of the related Annexes;
 - preparation of the project budget and identifying eligible and ineligible expenditures;
 - uploading the data on the Financing Request into the MySMIS 2014+ system (the application was submitted on 30 January 2020 and was

- admitted after the administrative and eligibility assessment stage had been completed);
 - the management of the requests for clarification coming from the HCOP MA, (the Financing Request was admitted after the technical and financial evaluation stage had been completed);
 - taking over and acknowledging the Notification from LIOP MA, by which the Financing Request was admitted for non-reimbursable financing (funds were accessed);
 - preparation/completion of the contracting file related to the `TransGasFormation` project (the Financing Contract was signed on June 17, 2020);
 - actual participation in all project management activities, the procurement procedure of the professional training service following which the service contract was concluded and in the organization of the course.
- identifying the opportunity for project financing in respect of improving the level of digital skills for employees in large enterprises, within the National Program `Digital Skills for employees in large enterprises`, funded by HCOP 2014-2020.
 - the financing request for the project TransGasDigital was submitted.

The following general activities were performed in respect of the projects under implementation which obtained EU grants:

- Preparation of progress reports, notifications, addenda, sustainability reports and letters regarding the management of Transgaz projects which obtained grants – documents which were delivered to the Financing Entities, according to the provisions of the Financing Contracts/Decisions;
- Ensuring the communication between the Project management Unit and the Management Authority.

TRANSGAZ's Projects co-financed from non-reimbursable funds, in process of implementation, are the following:

1. *Development on Romanian territory of the National Gas Transmission System in the Bulgaria-Romania-Hungary-Austria direction, execution works Stage 1 (`the action`), action number 7.1.5-0029-RO-W-M-15*

The project is co-funded by the Connecting Europe Facility. The European Funds Unit carried out the following activities:

- Ensuring the delivery of updated reports from BRUA Project Management Unit (PMU) to INEA
- Cooperation with the BRUA PMU in respect of the submission of the Interim Payment Request.

2. *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova*

The project is co-funded through the Large Infrastructure Operational Program 2014-2020. The following activities were carried out:

- Tracking the fulfilment of TRANSGAZ obligations stipulated in Financing Contract no. 226/22.11.2018, concluded with the Managing Authority for the Large Infrastructure Operational Program 2014-2020,
- Preparation of the documents related to the weekly, monthly and quarterly reports, according to the provisions of Financing Contract no. 226/22.11.2018,
- Preparation of the awarding documentation related to the contracts concluded and the submission thereof to LIOP Management Authority. The loading of the entire awarding documentation to the MySMIS platform.
- Preparation of the documents related to the amendments resulted in the process for the project implementation with the purpose of informing/notifying the LIOP 2014-2020 Management Authority:
 - Preparation of five Notifications and of an Addendum
 - Revising of the project budget and of the implementation calendar
 - Update of the information regarding the public procurement contracts, addenda, necessity report, cancelled procedures, resumed procedures, cost reimbursement requests on MySMIS platform
 - Participation in the ten reimbursement requests submitted in 2020
- Management of Transgaz account on MySMIS platform in respect of the project
- Notification to the involved departments of the legislative provisions impacting the project implementation
- Managing the communication relationship with the Managing Authority for the Large Infrastructure Operational Program 2014-2020.

3. *`TransGasFormation`*

For the project (total value of lei 2,164,155.70), financed by HCOP, PA 3, SO 3.8 `Increasing the number of employees who benefit from tools, methods, standard human resource management practices and improved working conditions in order to adapt the activity to the dynamics of the economic sectors`, a grant amounting to lei 710,259.60 was accessed.

The project implementation started by:

- preparation, completion and display of the information and publicity material;
- preparation and completion of the table contemplating the implementation activities;
- preparation and completion of the Notification on the financing contract amendment;
- preparation and completion of the report on the necessity for procuring a package of professional training services, accommodation and meals for the development of professional training courses dedicated to the staff within the Human Resource Department;
- preparation of documentation for the conclusion of Addendum No. 1 to the Financing Contract
- participat in actions specific to the project activity (activity reports, progress report, procurement procedure, organization of activities specific to the start of courses, etc.).

For the project which obtained non-reimbursable financing from European Funds, which are in the post-implementation period, the following activities were developed:

Modernisation of Şinca Turbocompressor Station and related installations

In accordance with the provisions of the Grant Agreement, the Report on Durability of Investment for the period January – December 2019, together with the attached documents, was issued and sent to the Ministry of Energy, The Intermediary Body for Energy (IBE). We participated in the monitoring visit of the OIE representatives at the location of the project.

Activities carried out on the AEGIS (Agency for the Cooperation of Energy Regulators – ACER) platform for TRANSGAZ projects comprised in the Ten-Year Network Development Plan (TYNDP)

- The documents / questionnaires on TRANSGAZ projects were extracted from ACER communication platform.
- the questionnaires of the project managers were sent for completion;
- completed information was verified, and updated data on Transgaz projects were entered on the ACER platform.

ENTSOG activities - as a result of ENTSOG's developing a new cost-benefit analysis (CBA) methodology, which supports the selection of projects of common interest (PCI), where project-specific evaluation (PS-CBA) is foreseen in the TYNDP process, the information for the company's projects was updated and sent to ENTSOG.

2021-2027 financing programs - following the launching of the financing programs for financial year 2021-2027, proposals for completion for the Sustainable Development Operational Program and the Intelligent Growth, Digitization and Financial Instruments Operational Program were developed and submitted to the Managing Authorities.

In January 2020, the accredited structures carried out a quality audit for the updating of the SCIM documents related to and / or correlated with the SMI CMSSM documents and also for the implementation of the recommendations and provisions given by the Quality Management and Internal Management Control.

The audit did not reveal any non-conformities, the activity being in accordance with the company's internal policy.

In September 2020, an accredited structure from outside the company carried out a quality audit assessing:

- the non-reimbursable funds obtaining activities;
- the SCIM documents related to and / or correlated with the SMI CMSSM documents;
- the implementation of the recommendations and provisions given by Quality Management and Internal Management Control.

No non-compliances were found on the non-reimbursable funds obtaining activity .

The activity of monitoring and implementation of projects financed from non-reimbursable funds

The main activities carried forward were focused on the identification of new lines of development for Transgaz' infrastructure fundable by EU grants or development projects which could be included to be funded by EU funds.

Other activities carried out within the unit were as follows:

- providing the necessary support for regular training activities and completing the DAFERI SSM and SU documents;
- specialized documentation on international aspects of the gas sector , focusing on European trends and their influence on the national natural gas transmission system and the national and / or European energy economy;
- preparation of detailed reports / information / analyses or synthetic profile sheets, written on our own initiative or on subjects requested in detail by the management, from the sphere of interest of natural gas transmission and international relations;
- monitoring the websites of relevant international gas transmission companies and preparation of documents signalling their activities that have an impact on the regional gas market;
- documenting, informing and analysing technologies for the innovative use of gas pipelines to transport hydrogen, whether or not mixed with natural gas, and the possibilities for obtaining non-reimbursable European funds for this transition;
- summaries and materials on green technologies under study and implementation at EU level as well as new funding trends for the new financial year 2021-2027 in accordance with the European Green Deal and carbon trading rules (European ETS Directive);
- preparation of documents on the energy transition and implementing Green Deal in Europe, gas release programs , climate change financing programs and private energy efficiency funding (PF4EE);
- documentation and preparation of requested country sheets, with a focus on the gas economic sector ;
- presentation of syntheses covering Romania's Energy Policy regarding the Black Sea and the Caspian Sea regions;
- information on recent developments on EU funding policy (non-reimbursable and reimbursable funds - EIB, EBRD) in the field of energy in general and specifically on natural gas;
- elaboration of informative documents regarding companies, projects or international energy policies having as support articles and reports published in the international media;
- permanent monitoring of the websites of gas companies , such as: Bulgartransgaz (Bulgaria), Botaş (Turkey), Socar (Azerbaijan), Eustream (Slovakia), FGSZ (Hungary), Gaz System (Poland) with regular preparation of summaries on main events;
- daily preparation of a press report on the oil and gas industry (daily monitoring of the flow of international news from official sources or specialized international publications and daily selection of the most important articles of relevance to the company or national energy policies).
- preparation of funding application for the TransGasDigital HCOP project.

4.3 International cooperation

In the current context where new gas transmission corridors or new alternative solutions are necessary to diversify the gas supply sources and to increase the energy security of the EU member States, the rapid implementation of Transgaz TYNDP (by the achievement of projects enabling future gas transmission pipelines with considerable regional impact) is crucial for Romania's strategic energy role.

Meeting strategic objectives requires a close collaboration with the national institutions (ministries, agencies, intermediate bodies, competent authorities, etc.) and with European institutions, with the European Commission Directorate General for Energy, the neighbouring gas transmission system operators (Bulgaria, Hungary, Moldova, Ukraine, Serbia), but also with gas companies and other European Union gas transmission system operators (Spain, France, Belgium, Greece, the Central Eastern European countries) and non-EU countries, but especially impacting the Balkans and the Southern Corridor for gas transmission (Turkey, Azerbaijan, Turkmenistan, Georgia and Iran).

Cooperation with the Gas Transmission System Operators from the neighbouring countries (Bulgaria, Hungary, Ukraine, Moldova, Serbia) in order to implement and jointly operate the cross-border interconnections

BULGARTRANSGAZ EAD (Bulgaria):

Regarding the joint operation of the Giurgiu-Ruse, Negru Vodă I, II and III cross-border IPs.

Joint operation of the Ruse-Giurgiu and Negru Vodă I cross-border interconnection points

Contact with the Bulgartransgaz representatives was kept for the joint operation of the Giurgiu-Ruse, Negru Vodă I, II and III cross-border IPs and for trading relevant capacity according to the applicable regulatory framework.

The cooperation between the parties is based on interconnection agreements for the Ruse/Giurgiu and Negru Voda I IPs, concluded in 2016 and related addenda.

These agreements establish the procedures for nomination, matching and allocation of gas quantities to be circulated through the interconnections and establishing the technical details regarding the operation of the gas metering stations related to the two points are governed by the provisions of Regulation (EU) 703/2015 establishing a network code on interoperability and data exchange rules.

In this regard, the Parties have collaborated to agree and sign the necessary amendments to the Interconnection Agreement for Ruse-Giurgiu Interconnection Point and the Interconnection Agreement for Negru Vodă 1 Interconnection Point.

Considering that on 21.05.2020 the Romanian National Energy Regulatory Authority (ANRE) issued Order 80/2020 amendment Order 62/2008 on the Rules for the measurement of the quantities of natural gas traded in Romania, aiming at the fact that the threshold of at least 70% methane was raised to at least 85% methane, regarding the interconnection points with

the transmission system operated by Bulgartransgaz, it was necessary to amend the relevant annexes of the Interconnection Agreement for the Ruse-Giurgiu PI and the Negru Vodă 1/Kardam IP accordingly.

Following extensive correspondence regarding the quality of natural gas, at the beginning of December, the parties concluded addenda to the interconnection agreements for the Ruse-Giurgiu and Negru Vodă 1/Kardam IPs.

The operation of the Negru Vodă 2+3/Kardam virtual interconnection point

Considering that on the territory of Bulgaria the international gas transmission pipelines Transit 2 and 3 are converging into one pipeline, Transgaz and Bulgartransgaz agreed to prepare only one interconnection agreement for the Negru Voda 2+3/Kardam virtual interconnection point.

In respect of Interconnection Point Negru Voda 2,3/Kardam, Transgaz and Bulgartransgaz resumed the discussions on the conclusion of an Interconnection Agreement. Following the completion of the public consultations according to the provisions of Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules (INT NC), the clauses of the Agreement were agreed between the parties. The Agreement will be concluded as soon as the following conditions will be met:

- Conclusion of the Interconnection Agreement for VIP Isaccea 2,3
- Amendment of the legacy contract with Gazprom Export on the T3 pipeline

In the context of the implementation of the new provisions of Order 80/2020 of the ANRE President amending Order 62/2008 on Rules for the measurement of the quantities of natural gas traded in Romania issued on 21.05.2020, regarding the modification of the minimum molar percentage of methane (CH₄) natural gas may contain, discussions were initiated between the parties on the quality of natural gas in the context of the need to sign the Interconnection Agreement between Romania and Bulgaria for PVI Negru Voda 2,3/Kardam.

During the reporting period, the Parties completed and published the Romania-Bulgaria incremental capacity Demand Assessment Report.

The Parties established the bundled capacity offers related to the joint interconnection points in both transmission directions for the annual capacity auctions scheduled to take place starting from 6 July 2020, pursuant to the ENTSOG calendar.

On 22 July, the Parties signed the Joint Method for the calculation of the technical capacity at the Ruse-Giurgiu Interconnection Point in order to maximize the supply of bundled capacity by enhancing technical capacity at this interconnection point.

FGSZ Ltd. (Hungary):

The project Development on the Romanian territory of the National Gas Transmission System on the Bulgaria — Romania — Hungary — Austria Corridor:

- The contact with FGSZ regarding the coordinated development of the BRUA project was maintained.
- The parties conducted a Binding Open Season Procedure for the allocation of the incremental gas capacity at interconnection point Csanádpalota between Romania

and Hungary, according with the Binding Opens Season Rulebook (posted on the websites of both companies). The bid submission window III ended on 31 March 2020. The result of Economic Test IV conducted by the two companies was negative, and the related Common Report was published on the websites of Transgaz and FGSZ. According to this Report, the Binding Open Season is terminated.

Joint operation of the Csanádpalota cross-border IP according to the European network codes (CAM, BAL, INT):

- Pursuant to the Interconnection Agreement concluded for the Csanádpalota Interconnection Point, concluded in 2015 between TRANSGAZ and FGSZ in accordance with the provisions of Commission Regulation no. 703 (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules;
- The parties maintained contact regarding the updating of the Interconnection Agreement on IP Csanádpalota in accordance with the provisions of the applicable European regulations.
- Considering the state of emergency declared on the territory of Romania and in Hungary in the context of the COVID-19 pandemic, all direct meetings between the representatives of Transgaz and FGSZ were cancelled starting from 12 March 2020 and all bilateral discussions were decided to be held by electronic communication means.
- During the reporting period, the parties completed and published the Romania-Hungary incremental capacity Joint Demand Assessment Report
- The parties mutually established the bundled and unbundled capacity demand related to the joint IP in both transmission directions for the annual capacity auctions scheduled to take place starting from 6 July 2020, pursuant to the ENTSOG calendar.

Implementation of the requirements imposed by the EU Regulation no. 459/2017 (CAM NC - European Network Code on Capacity Allocation Mechanisms) establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) no. 984/2013:

- According to the Cooperation and TSO Membership Agreement regarding the Regional Booking Platform (RBP) for trading the bundled and unbundled capacity of the cross-border IPs with Hungary and Bulgaria, Transgaz and FGSZ, as the RBP operator, cooperate daily for preparing and performing auctions for bundled capacity products offered jointly, the validation of applicants, guarantees and reporting the auction results;
- With a view to maximizing bundled capacity offers, TRANSGAZ cooperates annually with FGSZ so as to annually agree on the technical capacities available at the joint Interconnection Point Csanadpalota. In this respect, the parties regularly agree on the Joint method for the calculation of the technical capacity at the Csanádpalota Interconnection Point.

LLC GAS TSO OF UKRAINE (Ukraine):

Regarding the joint operation of the cross - border interconnection points Isaccea 1/Orlovka, Isaccea 2,3/Orlovka and Medieșu Aurit/Tekovo

The contact for the joint operation of the cross - border interconnection points was maintained during the entire 2020.

Joint operation of the Isaccea 1/Orlovka Cross-Border Interconnection Point

The cooperation between the parties for the joint operation of the cross-border Interconnection Point Isaccea 1/Orlovka is based on the Interconnection Agreement concluded in 2016 and on the amendment regarding the bidirectional physical gas flow at this interconnection point signed in December 2019.

This agreement is governed by the provisions of Regulation (EU) 703/2015 establishing a network code on interoperability and data exchange rules (INT NC).

Bidirectional gas flows were introduced at the Interconnection Point Isaccea 1/Orlovka in December 2019, and Transgaz, Ukrtransgaz and TSO Ukraine amended the Interconnection Agreement in this respect.

Considering that on 21.05.2020 the Romanian National Energy Regulatory Authority (ANRE) issued Order 80/2020 amendment Order 62/2008 on the Rules for the measurement of the quantities of natural gas traded in Romania, aiming at the fact that the threshold of at least 70% methane was raised to at least 85% methane, regarding the interconnection points with the transmission system operated by LLC GAS TSO of Ukraine, it was necessary to amend the relevant annexes of the Interconnection Agreement for the Isaccea 1/Orlovka IP accordingly.

In this regard, the Parties decided that it is necessary to establish a joint working group to include representatives of the national regulatory authorities in Ukraine and Romania and other stakeholders to identify optimal solutions. The parties maintained bilateral contacts in the process of installing the new flow computers at GMS Orlovka for the preparation of GMS Orlovka for operation as a commercial measuring station during the execution of the reconstruction works of the new GMS Isaccea and in the process of implementing the construction of the new gas metering station at Isaccea, designed based on the measuring principles agreed by the LLC GAS TSO of Ukraine specialists and SNTGN Transgaz SA, where the delivery and commercial taking over of the gas for the Isaccea 1/Orlovka 1 interconnection point will be performed.

Operation of the Isaccea 2,3/Orlovka Virtual Interconnection Point.

The parties' negotiations on the Interconnection Agreement are in progress. Therefore, at the end of 2017, the parties conducted joint public consultations on the business rules applicable at VIP Isaccea 2,3.

Operation of the Medieșu-Aurit-Tekovo Cross-Border Interconnection Point

Regarding the operation of cross-border IP Medieșu-Aurit-Tekovo, the parties are in the process of negotiating an Interconnection Agreement.

The Business Rules under the Interconnection Agreement on cross-border Interconnection Point Medieșu-Aurit/Tekovo were subject to a public consultation process which were

conducted during 1 July – 1 September 2017. Afterwards, the parties published a joint statement on the results of such public consultations.

In 2020, several meetings of the joint technical working groups were held and the two companies' representatives agreed upon a schedule for verifications meant to establish the conformity of all metering stations related to the Romania-Ukraine cross-border points (GMS Tekovo, GMS Medieșu Aurit, GMS Orlovka Import Romania, GMS Isaccea Import Romania) with the ISO and EN standards.

Considering the state of emergency declared on the Romanian territory as a result of the COVID-19 pandemic, measures to restrict business trips were taken and therefore the verifications were suspended, the verifications were not resumed in the relevant period, even if the parties expressed their agreement on the resuming of the verifications.

In this regard, the parties maintained their contacts during the development by LLC GAs TSO of Ukraine of the planned works at GMS Orlovka to ensure compliance of the station on the territory of Ukraine with the requirements of the ISO 5167/2003 and EN 1776 international standards, with the provisions of the Interconnection Agreement for IP Isaccea/Orlovka 1. At the same time, communications were exchanged and meetings were held during this period, which focused on the modernization works of GMS Isaccea 1.

After the resuming of the verifications programme having completed the agreed verifications, the parties aim at concluding the interconnection agreements on Interconnection Points Isaccea 2,3 and Medieșu Aurit.

VESTMOLDTRANSGAZ (Republic of Moldova):

Based on the EGMS resolution, on 18.12.2018, Eurotransgaz S.R.L. was established in Chisinau having Transgaz as a sole shareholder.

For the fulfilment of its core business, Eurotransgaz S.R.L. participated in the investment contest for Vestmoldtransgaz privatization.

On 26 February 2018, the Commission for privatisation contests of the Republic of Moldova notified the result of the contest, declaring Eurotransgaz SRL the winner of the contest.

On 28 March 2018 Eurotransgaz signed the contract for the taking over of Vestmoldtransgaz Chisinau.

The Ungheni-Chisinau project, declared of national interest for the Republic of Moldova, by Law no. 105/09.06.2017, envisaged the construction of a 120 km gas transmission pipeline, of three gas delivery stations (two in Chisinau, one in Ungheni – Semeni locality) and the refurbishment of the dispatching and steering centre Ghidighici. The gas transmission network in the direction Ungheni-Chisinau represents the second stage of the interconnection project Iasi-Ungheni-Chisinau.

In June 2020 the business rules under the Interconnection Agreement on the IP Ungheni were subject of the public consultations and the Interconnection Agreement for the IP Ungheni between SNTGN Transgaz SA and Vestmoldtransgaz SRL was concluded on 14 July 2020.

On 1 August 2020 the construction of the Ungheni-Chișinău pipeline was completed and became operational from the technical point of view. The Operation Agreement with the TSO Moldovatrangaz for IP Tohatin and IP Todirești was signed, and the negotiation of the Operation Agreement with the distribution operator Chișinău Gaz being in progress.

SRBIJAGAS (Serbia):

In 2017, Transgaz and Srbijagas signed a Memorandum of Understanding on the development of the cooperation between the two companies.

The document is part of a set of actions for strengthening the bilateral cooperation in fields of activities pertaining to the gas transmission system operators of Romania and Serbia and establishes a framework for promoting projects of mutual interest.

By creating the infrastructure necessary for the interconnection of the gas transmission systems, Transgaz and Srbijagas aim at contributing to the increase in the predictability of energy supply to the region, by alternatives which are more effective than the gas supply solutions provided by other options.

The parties are cooperating for the implementation of the project Interconnection between the National Gas Transmission Systems of Romania and Serbia in the ARAD-MOKRIN direction which envisages the construction of a new gas transmission pipeline ensuring the connection of the main gas transmission pipeline BRUA Phase 1 and the Technological Node Mokrin, of Serbia.

Transgaz and Srbijagas completed the pre-feasibility, the feasibility studies, the FEED and the Cost-Benefit Analysis.

After reviewing all documents and clarifications provided by Transgaz, the joint assistance entity for project support in European regions, JASPERS, issued in August 2020 the Action Completion Note for the Romania-Serbia Interconnector project.

In the second half of 2020, the parties repeatedly discussed the possibility of holding a meeting to analyse the progress of the Romania-Serbia Interconnector project, but in the context of the COVID 19 pandemic, Srbijagas could not respond to Transgaz's invitation.

Cooperation with other companies of the gas sector:

National and international shippers and gas producers/storage companies: (Gazprom Export, Bulgargaz, titleholders of on-shore and off-shore fields in Romania (ExxonMobil, Lukoil, OMV Petrom, Black Sea Oil and Gas, Romgaz, Depogaz, Conpet, HIDROELECTRICA).

GAZPROM EXPORT (the Russian Federation):

The parties continue their cooperation relations within a framework which reiterates the prerequisites of the conclusion by Transgaz of the interconnection agreements with LLC GAS TSO of Ukraine and Bulgartrangaz EAD - at the Isaccea 2,3 and Negru Vodă 2,3 IPs.

BULGARGAZ (Bulgaria):

After the historical gas transmission contract between Transgaz and Bulgargaz regarding the international gas transmission pipeline Transit 1 expired on 1 October 2016, the EU regulatory framework was enacted to govern capacity booking operations related to Transit 1 pipeline such as the procedures for the nomination, matching and allocation of capacities pursuant to *Regulation (EU) 703/2015 establishing a network code on interoperability and data exchange rules* and to *Regulation (EU) 984/2015 establishing a network code on the capacity allocation mechanisms*.

Such regulations also provide rules for the access of all network users to the gas transmission systems to ensure the proper functioning of the domestic gas market - rules contemplating the application of a transparent and non-discriminatory treatment in the relationship between the operators and all potential network users.

Starting with October 2016, Bulgargaz constantly participated in the annual, quarterly and monthly capacity auctions organized by Transgaz, on a transparent basis, by means of the RBP (Regional Booking Platform) platform.

TRANSGAZ collaborates with various titleholders of the on-shore and off-shore fields in Romania for a regular exchange of information of a technical, economic, financial and legal nature with the purpose of coordinating the necessary developments in the National Natural Gas Transmission System for taking over the gas discovered in the blocks explored by them.

Cooperation with the European and neighbouring gas Transmission System Operators within the Trans Balkan Corridor project

As part of the Central and South-Eastern European Gas Connectivity (CESEC) initiative, under the patronage of the European Commission Transgaz together with other gas transmission system operators signed the *Memorandum of Understanding on a joint approach and action plan to address bidirectional natural gas transportation via the Trans-Balkan pipelines to cope diversification and security of supply challenges (MoU on the Trans-Balkan Corridor)*.

On the sidelines of the CESEC High Level Group meeting held in Budapest on 8-9 September 2016, the Memorandum of Understanding (MoU) on the Trans-Balkan Corridor was concluded between the transmission system operators of Greece, Bulgaria, Romania and Ukraine (i.e. DESFA, Bulgartransgaz, Transgaz and Ukrtransgaz) in the presence of high officials from Brussels and of Ministers of Energy from the CESEC countries.

This MoU defines the common intention of the Trans-Balkan TSOs to ensure, by coordinated actions (infrastructure projects included), physical reverse flows in the direction Greece-Bulgaria-Romania-Ukraine by means of the Trans-Balkan pipelines beyond 2019 and allows for the increase in the regional gas supply.

The kick-off meeting on the MoU was hosted by Transgaz in Bucharest on 28 September 2017, in the margins of the CESEC High-Level Group Meeting, under the patronage of the European Commission and under the coordination of DG ENER. The Moldavian company Moldovagaz

that operates a gas transmission system integrated with the Trans-Balkan Corridor was also invited to attend the meeting chaired by Klaus-Dieter Borchardt (Director DG ENER).

Based on this Memorandum, a joint working group was set up to identify efficient solutions to the capacity of Trans-Balkan pipelines. Transgaz actively participates in the activity of the Working Group by contributing to the preparation of the relevant documents.

The European Commission launched the process for the amending of the CESEC MoU to cover the Trans-Balkan Corridor II and III.

In order to extend its activity **TRANSGAZ is considering the development of new partnerships with relevant international companies in the energy field** and in this respect is carrying discussions for the conclusion of cooperation agreements.

Collaboration with European and adjacent Transmission System Operators within the Vertical Gas Corridor Project (Transgaz, DESFA Greece, ICGB, Bulgartransgaz Bulgaria, FGSZ Hungary)

On 19 July 2017, in Bucharest, under the coordination of the Directorate General for Energy within the European Commission (DG ENERGY), the companies Transgaz, DESFA, ICGB (the company responsible for the development, construction and operation of the Greece-Bulgaria Interconnection), Bulgartransgaz and FGSZ and - they undertook the achievement of a south-north corridor that would allow bidirectional flows of natural gas by interconnecting the natural gas transmission systems from Greece, Bulgaria, Romania and Hungary.

In order to materialize this goal, the parties involved in the project of the Vertical Gas Corridor decided to renew their commitment by signing a new Memorandum of Understanding under the aegis of DG ENERGY.

Thus, on 12 December 2019, at the headquarters of DG ENERGY in Brussels, under the coordination of Klaus-Dieter Borchardt - Deputy Director General of DG ENERGY, the ceremony for the signing of a new Memorandum of Understanding by the CEOs of the companies involved took place (Mr Ion Sterian - Transgaz, Mr Nicola Battilana - DESFA, Mrs Teodora Georgieva - ICGB, Mr Vladimir Malinov - Bulgartransgaz, Mr István Szabolcs Ferencz – FGSZ).

The event was attended by representatives of the transmission system operators from the states involved in the Vertical Corridor, of the Moldovagaz company from the Republic of Moldova and representatives of DG ENERGY.

Collaboration with Natural Gas Transmission System Operators at regional level

Transgaz initiated contacts with natural gas transmission operators from the European Union in order to develop partnerships aimed at exchanging experiences and analysing the potential of bilateral cooperation to promote possible joint projects (Gaz-System Poland, ICGB - the company implementing the Greece-Bulgaria Interconnection project, GasConnect Austria, CEGH Austria etc.)

Cooperation with national and international bodies, the European Commission and other institutional relations

SNTGN Transgaz S.A. became member or kept its quality of member within gas national and international bodies.

The advantages and benefits of such membership are mainly: promoting the company and its objectives and interests, access to the updated information in the gas regulatory, policy, innovation, standards and products domain, and the participation in national and international events (conferences, seminars, forums, symposiums, etc.).

The EU Funds and International Relations Division manages most of the cooperation relations with the bodies where Transgaz is a member.

- International associations: Gas Infrastructure Europe (GIE), Pipping Products and Services Association (PP&SA) of UK.
- National associations: CNR- CME, the Association of the Oil and Gas Engineers, the Chamber of Commerce, Industry and Agriculture of Sibiu, Romanian Fracture Mechanics Association ARME, the Romanian Energy Centre (CRE), Oil and Gas Patronal Federation (FPPG), American Chamber of Commerce in Romania (AmCham), the ICC National Committee Romania.

In this respect:

- all membership fees were paid on time according to the association contracts.
- the membership in the national and international organizations and bodies was extended and the company was represented at the meetings organized by the structures in which TRANSGAZ is a member.

Starting with November 2020, according to the Transgaz Organization and Operation Rules, version 6 for 2020, the attributions of the Department for the Cooperation of National and International Bodies include the submission of the approval of the Director - General and the Board of Administration of the agenda with external events and documents related to this issue.

During the reported period, the management of the division, through the director of DAFERI and the specialists of the division participated in meetings with external partners and European organizations in the domain, as well as in international events dedicated to the gas sector.

During these international events, the DAFERI representatives promoted and supported the company's interests, while identifying the potential for the development of new cooperative relationships.

Of these, we highlight the following:

- January 2020 – Turkey, Istanbul `TurkStream Project Opening Ceremony`
- January 2020 – United Arab Emirates, Abu Dhabi `The Atlantic Council Global Energy Forum`;

- January 2020 – Austria, Vienna, `Meeting on the exchange of experience with representatives of Gas Connect Austria GmbH`;
- January 2020 – Austria, Vienna, `European Gas Conference` ;
- February 2020 – Belgium, Brussels, `CESEC Plenary Meeting`;
- February 2020 – Ukraine, Tekovo , `Meeting with representatives of LLC GAS TSO of Ukraine`;
- February 2020 – Azerbaijan, Baku, `The 6<sup>th</sup> Ministerial Meeting of the Advisory Council of the Southern Gas Corridor`.

As of March, in the context of the restrictions and limitations imposed by the global health situation, TRANSGAZ representatives were no longer involved in external travels, the discussions taking place online on various web platforms and applications available.

Also, during the reported period, TRANSGAZ representatives participated in a series of virtual conferences, among which we mention:

- June 2020 - `Energy at home`;
- 8 October 2020 - Energy Profit Forum, organized by Profit.ro ;
- 27 October 2020 - `Opportunities offered by the Association Agreement and the Deep and Comprehensive Free Trade Area between the EU and the Republic of Moldova for the business community`, workshop organized by the Romanian Chamber of Commerce and Industry, in partnership with the Chamber of Commerce and Industry of the Republic of Moldova;
- `How can European cooperation pave the way for easier hydrogen implementation?` - conference organized by DC brain;
- November 2020 - European Hydrogen Week.

Transgaz's representative office in Brussels

The Representative Office in Brussels aims to create new opportunities for a direct and constructive dialogue, both with the EU institutions, with important energy players and with Transgaz' partners, to promote the company's mission and vision at EU level, to contribute to the strengthening of the company's relations with the relevant EU partners and, in general, to foster the achievement of Transgaz' main strategic objectives, intended to transform our company into an internationally acknowledged natural gas transmission operator, with a top position on the regional energy market and a modern and integrated transmission system.

The Brussels Representative Office seeks to proactively identify the developments in the European and international policies that may affect or influence Transgaz' business model, its strategic objectives and the energy sector in general. Identifying the changes and evolutions of the relevant policies at an incipient stage, the Brussels Representative Office aims to prepare analyses, information and proposals that reflect and support the interests of Transgaz in particular and of Romania in general.

In this regard, the activity of the Representative Office also included the preparation and transmission of analyses and reports.

The Representative Office by the activity performed also dedicates an important part of its activity to the dialogue with the EU institutions, key energy actors, and the company's partners.

The Representative Office established contact with the EIT InnoEnergy (European Institute of Innovation and Technology), was involved in the establishment and activity of the GIE Working Group on Decarbonisation (for the CEE and EEA areas). As part of this strategy, between January and March 2020 the Representative Office participated in the meeting organized by ITRE (Industry, Research and Energy Committee) and DG ENERGY. The representative Office also actively attended all workshops organized by GIE and ENTSO-G.

Starting with September 2019, the Representative Office initiated an activity for the development of the portfolio of direct relations with the relevant institutional and private players, present in Brussels, and the promotion of new relations, with significant added value:

- coordinators of the Brussels representative offices of other TSOs;
- the new leadership of ITRE in the European Parliament;
- the team of experts serving the ITRE Commission;
- the network of think tanks with relevant activity in the field of energy policies.

By a proactive presence at European level and by the development of a network of contacts and relationships within the European institutions and relevant stakeholders, the Brussels Representative Office seeks to identify new opportunities, sources of funding for the company's projects and initiatives and potential partners.

As of 13 March 2020, a partial quarantine regime was set up in Belgium as a result of the COVID-19 pandemic, which was implemented since 18 March 2020 for a period of one month. Quarantine also extended to the European institutions. The immediate result was the cancellation of meetings, events and public access to the work of the European Parliament. Part of the events was postponed or transferred to the virtual environment.

In the new context created by the COVID-19 pandemic, the Brussels Representative Office continued its work, even managing to increase its flexibility and presence. The virtual environment offered the possibility to participate in several meetings, removing the limitations generated by distance or logistical needs. This was a positive side effect of adapting work to traffic and contact restrictions - virtual access to meetings, previously impossible.

In the context of concentrating its activity in the online environment, the Transgaz Representative Office in Brussels prepared a virtual library of relevant documents within the Transgaz intranet (W: \ Dep.FonduriUE \ RepBXL). The 15 topics of interest identified contain approximately 200 documents, recently updated, immediately accessible, resulting from the activity of the Representative Office over last 12 months.

The isolation and social distancing initiated mid-March continued throughout April, with the first relaxation measures being initiated only in May. The previously applied restrictions were resumed in September. However, the work of the main European institutions, as well as profile associations and think tanks, continued, although there were time delays on certain topics.

Since May, the first proposals related to the economic crisis, the possible relaunching measures and their coupling with the Green Deal began to take shape. In June, such proposals crystallized and confirmed: the economic recovery will be done ensured by meeting the objectives and the trajectory proposed by the Green Deal (especially the energy transition) and the new economic reality will accelerate the transition to a neutral system in terms of carbon emissions.

Considering the opportunities offered by the new European funding programmes, the Representative Office prepared the substantiation of two research projects:

- one on the potential multiplier in the national economy of the programme for the extension of the natural gas distribution network and the contribution to the achievement of targets for greenhouse gas emissions and the improvement of the living and health conditions of the population
- and one on assessing the possibilities for reducing methane emissions at the TRANSGAZ level by implementing the OGMP 2.0 standard on the measurement, verification and reporting of methane emissions.

In the last quarter of 2020, the Representative Office in Brussels continued to follow the latest policy developments with a potential impact on Transgaz's activity, both at the European and international level. At the same time, the personnel of the Representative Office participated in various virtual workshops of interest and prepared in this regard a series of reports and documents.

Cooperation with the relevant ministries

In 2020 reports on the status of strategic projects undertaken by Transgaz, on the regional gas transmission projects impacting Romania and on the cooperation relationships with external partners were sent to the Ministry of Economy, Ministry of Energy, Ministry of Foreign Affairs and Romanian Government. Moreover, replies to the relevant ministries' requests for information on Transgaz's international relations were duly submitted.

By means of the organizational structures the relationship with the Competent Authority for Projects of Common Interest (ACPIC) is managed to implement projects of common interest (PCI) included in EU list of PCIs and promoted by Transgaz, according to EU Regulation 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure repealing Decision No. 1364/2006/EC and amending Regulation (EC) No. 713/2009, (EC) No. 714/2009 and (EC) No. 715/2009.

4.4. Interconnection agreements

Interconnection agreements concluded between 2015 and 2020:

- ***The Interconnection Agreement for the Csanadpalota Interconnection Point***, concluded with FGSZ Zrt., Hungary on 02.12.2015;
- ***The Interconnection Agreement for the Isaccea 1 Interconnection Point***, concluded with PJSC Ukrtransgaz, Ukraine on 19.07.2016;
- ***Interconnection Agreement for the Negru Voda 1 Interconnection Point***, concluded with Bulgartransgaz, Bulgaria, on 19.05.2016;
- ***Interconnection Agreement for the Ruse - Giurgiu Interconnection Point***, concluded with Bulgartransgaz, Bulgaria, on 22.12.2016;
- ***Interconnection Agreement for the Ungheni Interconnection Point***, concluded with Vestmoldtransgaz, the Republic of Moldova, on 14.08.2014.

In 2017 - 2020 the following addendums were concluded:

- Amendment no. 2 / 25.01.2017 to the Interconnection **Agreement for IP Negru Voda 1 / Kardam** (regarding the application of the gas day 08:00-08:00 at IP Negru Voda 1 / Kardam until 01.10.2017);
- Amendment no. 2/23.02.2017 to the **Interconnection Agreement for IP Isaccea 1** (on suspending the application of business rules at IP Isaccea 1 until 01.05.2017);
- Amendment no. 3/28.04.2017 to the **Interconnection Agreement for IP Isaccea 1** (on suspending the application of business rules at IP Isaccea 1 until 01.07.2017);
- Amendment no. 4/23.09.2017 to the **Interconnection Agreement for IP Isaccea 1** (on suspending the application of business rules at IP Isaccea 1 until 01.10.2017);
- Amendment no. 5/28.09.2017 to the **Interconnection Agreement for IP Isaccea 1** (on suspending the application of business rules at IP Isaccea 1 until 01.01.2018);
- Amendment no. 6/27.12.2017 to the **Interconnection Agreement for IP Isaccea 1** (on suspending the application of business rules at IP Isaccea 1 until 01.07.2018);
- Amendment no. 7/22.06.2018 to the **Interconnection Agreement for IP Isaccea 1** (on suspending the application of business rules at IP Isaccea 1 until 01.01.2019);
- Amendment no. 1/30.04.2019 to the Interconnection **Agreement for IP Ruse-Giurgiu** (on the new business rules applicable in the IP Ruse-Giurgiu as of 01.05.2019);
- Amendment no. 3/30.04.2019 to the Interconnection **Agreement for IP Negru Vodă 1/Kardam** (on the new business rules applicable in the IP Negru Vodă 1/Kardam as of 01.05.2019);
- Amendment no. 1/30.05.2019 to the **Interconnection Agreement for IP Csanádpalota** (amendment of the technical conditions for gas transmission through IP Csanádpalota as of 01.10.2019);
- Amendment no. 2/25.06.2019 to the **Interconnection Agreement for IP Csanádpalota** (on the temporary replacement of metering at GMS Csanádpalota with the metering from GMS Algyő);
- Addendum no. 1/18.07.2019 to the **Operation Agreement for IP Ungheni** (regarding the extension of the validity of the Operation Agreement until the completion of the Interconnection Agreement for IP Ungheni);
- Amendment no. 2/04.10.2019 to the **Interconnection Agreement for IP Ruse-Giurgiu** (amendment of the technical conditions for gas transmission through IP Ruse-Giurgiu in the context of the upgrading of a pipeline of the National Gas Transmission system of TRANSGAZ located upstream of GMS Giurgiu and the commissioning of CS Podișor, until 01.11.2019);
- Amendment no. 3/25.10.2019 to the **Interconnection Agreement for IP Csanádpalota** (amendment of the technical conditions for gas transmission through IP Csanádpalota following the technical restriction related to the operation of a pipeline section of Transgaz's Gas Transmission System located upstream of GMS Csanádpalota, until the completion of the BRUA project, phase 2);
- Addendum no. 4/06.11.2019 to the **Interconnection Agreement for IP Negru Vodă 1/Kardam** (creation of the technical conditions for gas transmission for the physical delivery of gas in Bulgaria towards Romania through IP Negru Vodă 1/Kardam in the context of ensuring the bidirectional physical flow on the transmission pipeline Isaccea 1 - Negru Vodă 1 until 01.01.2020 and the supplementing of the daily gas quality parameters determined in GMS Negru Vodă 1 with the low calorific power); Agreement

amending the Interconnection Agreement and transferring rights and obligations from the **Interconnection Agreement for IP Isaccea 1/Orlovka 1**, concluded between SNTGN Transgaz S.A., JSC Ukrtransgaz and LLC Gas TSO of Ukraine on 16.12.2019;

- Addendum no. 5/20.12.2019 to the **Interconnection Agreement for IP Negru Vodă 1/Kardam** (the new technical conditions related to gas transmission);
- Addendum no. 6/01.01.2020 **Interconnection Agreement for IP Negru Vodă 1/Kardam** (amendment of the gas quality specification in both transmission directions);
- Amendment no. 4/02.06.2020 to the **Interconnection Agreement for IP Csanádpalota** (amendment of the gas quality specification in both transmission directions); Addendum no. 7/11.12.2020 to the **Interconnection Agreement for IP Negru Vodă 1/Kardam 1** (on the changing of the minimum chemical composition of methane (C1) to 85,0 mol percent in Annex 5A - Gas quality specifications (valid for deliveries from Romanian to Bulgaria, under reference conditions 25°C/0°C) and Annex 5B - Gas quality specifications (valid for deliveries from Bulgaria to Romania, under reference conditions 25°C/0°C) of the IA, valid until 01.10.2021;
- Amendment no. 3/11.12.2020 to the **Interconnection Agreement for IP Ruse-Giurgiu** (on the changing of the minimum chemical composition of methane (C1) to 85,0 molar percent in Annex 5A - Gas quality specifications (valid for deliveries from Romanian to Bulgaria, under reference conditions 25°C/0°C) and Annex 5B - Gas quality specifications (valid for deliveries from Bulgaria to Romania, under reference conditions 25°C/0°C) of the IA, valid until 01.10.2021.

4.5 Retrofitting and automation - SCADA

In order to maintain/improve the quality and efficiency of the operational activity within Transgaz SA the **Data procurement and Control System SCADA** was implemented. The period of guarantee of the SCADA project ended on 30.11.2018.

The implementation of the SCADA System facilitates and allows for a constant flow:

- Ensures the transmission, in real time, of the technological parameters (pressure, flow, temperature, gas quality, calorific power) to the National and all Regional Dispatching Centres;
- Exports technological values to a new data base to satisfy internal/external communication requirements according to the procedures/provisions/agreements concluded at the Company's level;
- Improves TRANSGAZ' ability to control and react promptly and efficiently to any potential risk of interruption of the activity contributing to the increase of the security of the operation of the national gas transmission system;
- Ensures the necessary conditions to offer short term gas transmission services in the entry/exit points in/out of the national transmission system and to perform the contracts related to such types of services according to the requirements of Regulation (EC) no 715/2009.

The extension of the SCADA system aims at:

- Verification of the implementation level of the automation, local monitoring and SCADA installations;
- Contracting and implementation of SCADA to NTS objectives not included in SCADA Transgaz System;
- SCADA telecommunication services;
- Determining the degree of local automation of NTS objectives;
- Design of remote control systems for NTS objectives;
- Analysis of the current mode of operation in order to elaborate the procedures;
- Preparation of the maintenance plan and identification of the relevant objectives;
- Implementation of SCADA at interconnection points:

Integration of technological parameters at the interconnection points on 31.12.2020

Interconnection point	Progress	
	Local integration of technological parameters at GMS	SCADA integration of technological parameters
GMS Horia	Fulfilled	Fulfilled
GMS Csanádpalota	Fulfilled	Fulfilled
GMS Giurgiu	Fulfilled	Fulfilled
GMS Ruse	Fulfilled (<i>the technological parameters are present also in the Giurgiu GMS</i>).	Fulfilled
GMS Negru Vodă	Fulfilled	Fulfilled
GMS Kardam	Fulfilled (<i>the technological parameters are also present at the Negru Vodă GMS</i>).	Under analysis
GMS Medieșu Aurit	Fulfilled	Fulfilled
GMS Isaccea	Fulfilled	Fulfilled
Automation centre Iași-Ungheni: TN LEȚCANI	Fulfilled	Fulfilled
Automation Centre Iași-Ungheni: TN UNGHENI	Fulfilled (<i>the technological parameters are also present at the Automation Centre at the Iasi Sector and Lețcani TN</i>).	Under analysis

In 2020 a series of activities were performed for the maintaining, development and modernization of the National Gas Transmission System according to the smart grid concept (SCADA), for ensuring the compatibility of its operation with the similar European transmission systems for the single European market integration.

4.6 Operation, development, repair, rehabilitation and maintenance of NTS maintenance services

4.6.1 Main Components of NTS Infrastructure

The main components of the National Gas Transmission System on 31.12.2020 are as follows:

Name of the NTS objective / component	U.M.	Value

Main pipelines and gas supply connections, of which international transmission pipelines (Transit II, Transit III) - BRUA	km	13.972,4 369 479
Operating metering-regulating stations (MRS)	pc.	1.129 (1.234 metering directions)
Valve control stations (VCS, TN)	pc.	58
Import gas metering stations (GMS) (Giurgiu, Horia, Isaccea Import, Negru Vodă IV, Medieșu Aurit, Isaccea Transit I, Negru Vodă I)	pc.	7
Gas metering stations located on the gas transit pipelines (GMS) (Isaccea Transit II, Isaccea Transit III, Negru Vodă II, Negru Vodă III)	pc.	4
Gas compressor station (CS) (Șinca, Onești, Siliștea, Jupa , Podișor, Bibești)	pc.	6
Cathodic protection stations (CPS)	pc.	1041
Gas odorising stations (GOS)	pc.	982

Table 11 – Main components of the NTS on 31.12.2020

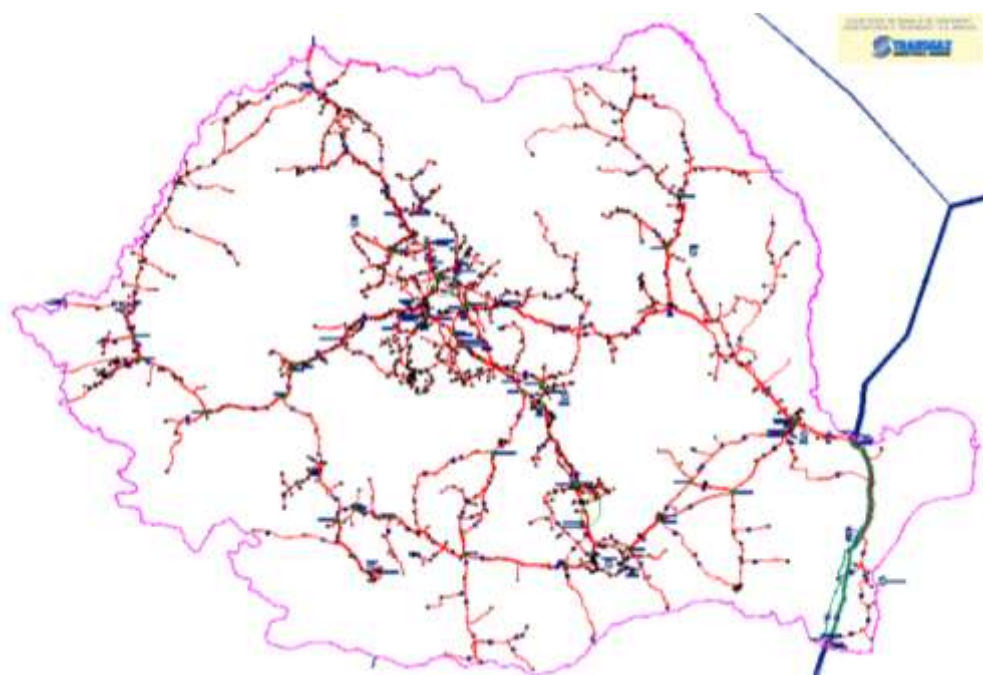


Figure 19 - Map of the National Gas Transmission System

The National Transmission System (NTS) has coverage across the entire national territory and has a radial-ring structure.

The gas transmission and transit capacity is provided through a network of pipelines and supply connections with diameters between 50 mm and 1200 mm at pressures between 6 bar and 63 bar.

Description and analysis of the degree of wear of the NTS components

An analysis of the main objectives belonging to the NTS in terms of service life is shown in the table below:

Service life	Transmission pipelines (km)	Supply pipelines (km)	Number of directions of MRSs
> 40 years	7.056,17	356,55	150
Between 30 and 40 years	1.675,13	163,51	59
Between 20 and 30 years	720,12	374,74	308
Between 10 and 20 years	1.407,16	841,38	549
< 10 years	639,41	40,10	117
≤ 5 years	666,89	31,24	51
TOTAL	12.164,88	1.807,52	1.129 MRSs (1.234 metering directions)
	13.972,4		

Table 12 - The main components of the NTS on 31.12.2020, from the perspective of the service life

The pig inspection services conducted in 2020 for approx. **2.789 km (4.495 km)** due to multiple inspections) reveal quite high levels of pipe defects, mainly due to the long pipeline operation.

In 2020 there were no smart PIG inspections performed for the identification of the possible defects and for the determination of the technical condition of the pipelines. Given the situation caused by the effects of the COVID-19 pandemic, the NTS pipeline cleaning and internal inspection activity was restricted, thus avoiding the site travel of personnel and the contact between employees or third parties. Also, due to the restrictions imposed at the international level, the company providing inner pipeline inspection services encountered logistical difficulties for travelling and mobilizing the inspection equipment.

Inner cleaning was performed on 7 pipelines with a total length of **654 km**.

Repeated cleanings (4 and 2 runs) were carried out on three of the seven pipelines (φ32" Şendreni-Cosmeşti, L=78 km, φ20" Sâmbotin-Haţeg, L=73 km and φ16" CEFA-Ştei), with a total of 948 km of pig cleaned pipelines.

79.4% of the natural gas transmission pipelines have passive insulation made through a currently bitumen system, which also leads to increased electricity consumption registered at the **1.041** pipeline cathodic protection stations.

Approximately **95,7%** of the pipelines and fittings that are in use have cathodic protection.

In 01.01.2020-31.12.2020 intensive metering was performed for 198,68 km of pipeline of the rectified plan of 195,925 km, according to Report DMEAS 65305/13.11.2020 .

The gas delivery to the distributors and end users is performed by the **1.234** MRSs (metering directions), **39** MRSs (metering directions) being temporarily inactive /in preservation.

MRSs are included in the upgrading/rehabilitation programs to be integrated into the SCADA automatic control and monitoring system.

Out of the **1.234** MRSs (consumption directions) in operation in the first stage, a total of **948** are considered for the implementation of the SCADA system.

The compression capability is provided by **6** gas compressor stations, placed on the main transmission directions.

The CS Onești and CS Siliștea compressor stations modernization works were completed in 2020.

Approximately 20% of the existing technological nodes are new or rehabilitated.

During the implementation of the SCADA system, the process of upgrading the technological nodes will continue.

Gas odorization is ensured by a number of **982** odorization facilities of which **572** systems are new, by sampling and by injection ensuring an optimal odorization of the transported gas.

Out of the **572** modern systems, a total of **37** are centralized - serving several delivery points. **410** 'evaporation/drip' type systems are systems that cannot provide a continuous and controlled odorization and can lead to situations of under or overodorization and thus to an increased consumption of odorant. Out of these **12** facilities are centralized.

In order to ensure the safe operation of the technological installations related to the MRSs within the NTS, in addition to the current monitoring, inspection and revision activities carried out by the personnel of the regional offices in accordance with the technical rules approved by ANRE, **92** interventions were executed for fault repairs and disposal, interventions carried out with specialised firms.

It should be stressed that although the technical condition of the NTS is maintained at an appropriate level due to the fact that the operation is carried out based on a predominantly preventive planned and corrective maintenance system and based on some upgrading programs.

These programs are based on the Technical Rules on the maintenance of the NTS as they are carried out on a longer period of time due to their high levels.

Cross-border interconnection points

Currently, the import/export of natural gas to/from Romania is achieved by 7 cross-border interconnection points:

Cross-border interconnection pipeline features	
UKRAINE	Orlovka (UA)–Isaccea (RO) - DN 1000, Capacity 8.6 bcma, $P_{max}=55$ bar
	Tekovo (UA)–Medieșu Aurit (RO) - DN 700, Capacity =4.0 bcma, $P_{max}=70$ bar
	Isaccea 1/Orlovka 1, $P_{max}=49,5$ bar in the import direction and $P_{max}=45$ bar in the export direction

HUNGARY	Szeged (HU)–Arad(RO)–Csanadpalota - DN 700, Capacity = 1.75 bcma, $P_{\max} = 63$ bar
REPUBLIC OF MOLDOVA	Ungheni (MO) – Iași (RO) - DN 500, Capacity = 1.5 bcma, $P_{\max} = 50$ bar
BULGARIA	Ruse (BG)–Giurgiu (RO) - DN 500, Capacity = 1.5 bcma $P_{\max}=40$ bar in the export direction and $P_{\max}=30$ bar in the import direction
	Negru Vodă 1/Kardam , $P_{\max}=55$ bar in both transmission directions

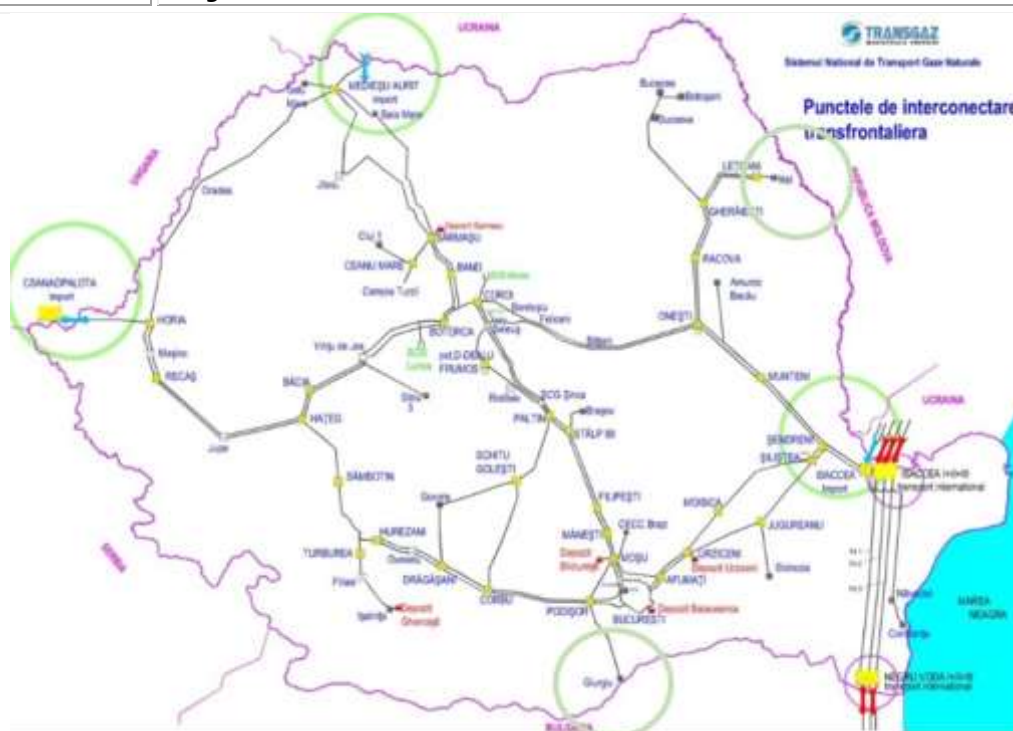


Figure 20 - Cross border NTS interconnection points

4.6.2. The operation activity

Between **1 October 2019–30 September 2020** the regulated tariffs for gas transmission for gas transmission through the National Gas Transmission System were set based on **ANRE Order 64/30 May 2019 on the approval** of regulated revenue, total revenue and transmission tariffs for gas transmission through the National Gas Transmission System.

Between **1 October 2020–31 December 2020** the regulated tariffs for the provision of the gas transmission services through the NTS were set based on **ANRE Order 83/27 May 2020**, on the approval of the regulated revenue, the total revenue and the transmission tariffs for the gas transmission activity through the National Gas Transmission System.

Domestic gas transmission ensures the fulfilling of all obligations of Transgaz to provide NTS access to network users in equivalent, non-discriminatory and transparent conditions and contract clauses.

The main beneficiaries of the gas transmission service in 1 January 2020 – 31 December 2020:

No.	Main network users	INVOICE AMOUNT WITHOUT VAT (lei)	%
1	OMV PETROM S.A.	217.333.692,37	18,72%
2	ENGIE ROMANIA S.A.	203.138.620,40	17,49%
3	SNGN ROMGAZ S.A.	147.391.902,38	12,69%
4	AIK ENERGY ROMANIA S.R.L.	112.448.433,22	9,68%
5	E.ON ENERGIE ROMANIA S.A.	68.820.002,45	5,93%
6	WIEE ROMANIA S.R.L.	68.454.451,19	5,90%
7	E.ON GAZ FURNIZARE S.A.	68.025.297,71	5,86%
8	ELECTROCENTRALE BUCURESTI S.A. (in insolvency)	44.951.475,88	3,87%
9	NORTH CHEMICAL COMPLEX S.R.L.	32.629.765,38	2,81%
10	PREMIER ENERGY S.R.L.	21.927.634,29	1,89%
11	ALȚI UR	176.088.440,06	15,16%
	TOTAL	1.161.209.715,33	100,00%

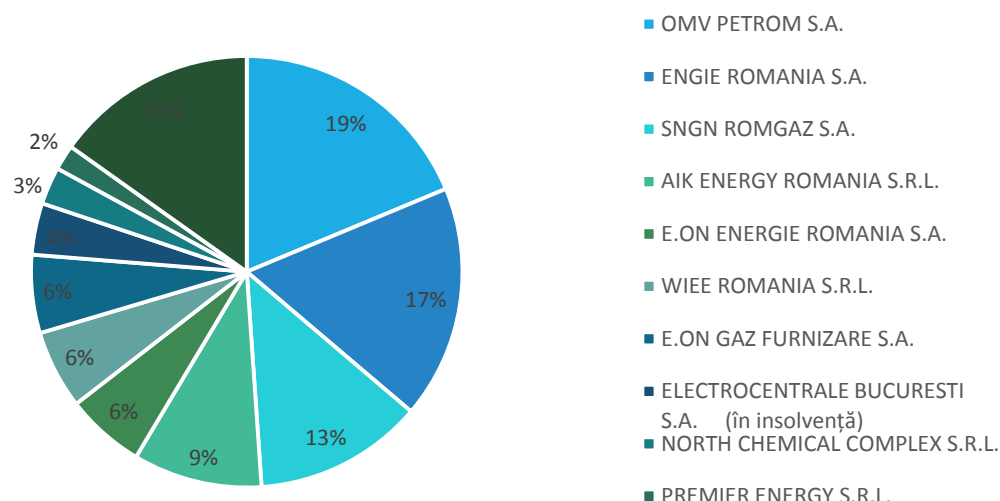


Chart 14 - Main NTS users between 1 January 2020 and 31 December 2020

1.719 contracts were concluded and signed in 2020 with the network users for annual, quarterly, monthly and daily transmission services, , for the NTS entry/exit points, including the Csanadpalota, Ruse–Giurgiu, Negru Voda 1, Negru Voda–locality, Mangalia-locality interconnection points.

Total number of NTS contracts between January and December 2020:

Contract type	Annual	Quarterly	Monthly	Daily	Total
No. of contracts	102	194	893	61	1250

Total contracts at the interconnection points concluded on the RBP between January and December 2020:

Contract type	Annual	Quarterly	Monthly	Daily	Total
No. of contracts	43	5	65	356	469

Gas quantities circulated and transmitted through the National Gas Transmission System and the technological gas consumption in 2017 - 2020 is the following:

Indicator	MU	2017	2018	2019	2020	+/-	%
0	1	3	4	5	6	7=6-5	6=6/5-1
Circulated gas	thousand cm	12.974.819	13.074.676	13.299.834	12.456.201	-843.633	-6%
Transmitted gas	thousand cm	12.872.891	12.998.423	13.227.501	12.380.266	-847.235	-6%
NTS gas consumption	thousand cm	95.242	81.034	65.208	69.325	4.117	6%
NTS gas consumption/circulated gas	%	0,73%	0,62%	0,49%	0,56%		

Table 13 - Gas quantities circulated and transmitted and the technological consumption in 2017-2020

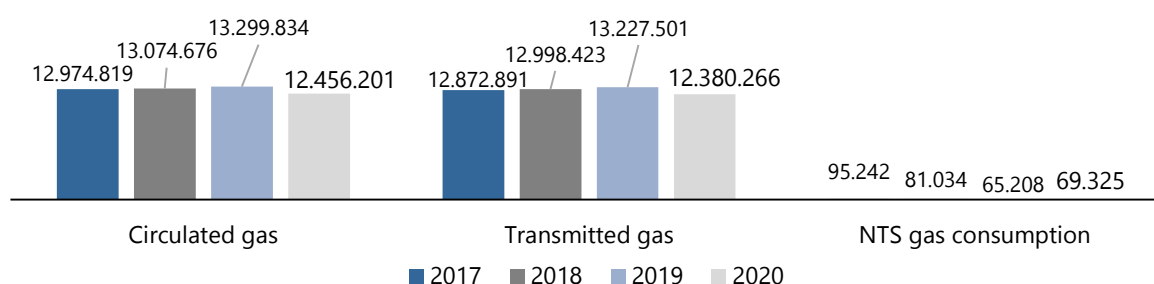


Chart 15 - Gas quantities circulated and transmitted and the technological consumption in 2017-2020

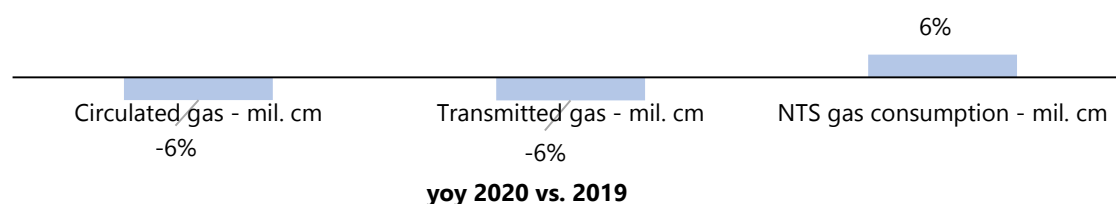


Chart 16 - Gas circulated and transmitted and NTS gas consumption - 2020 vs 2019

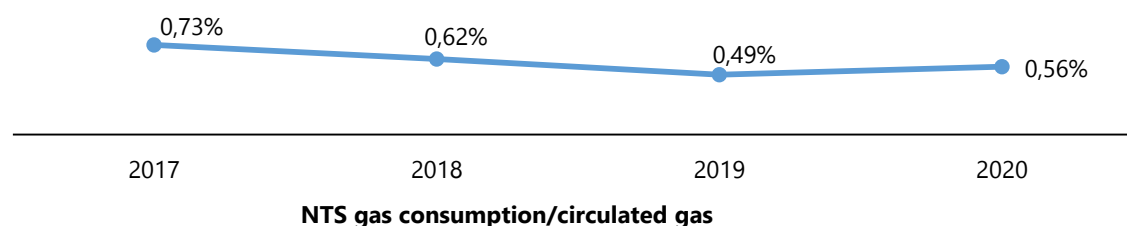
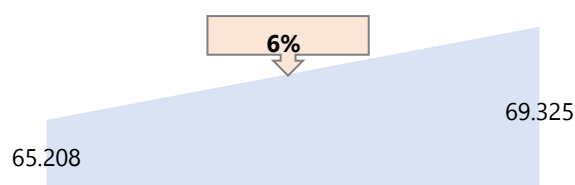


Chart 17- NTS gas consumption in total circulated gas in 2017-2020

	2017	2018	2019	2020
PLANNED NTS GAS CONSUMPTION–thousand cm	105.346	105.437	81.769	65.208
ACTUAL NTS GAS CONSUMPTION–thousand cm	95.242	81.034	65.208	69.325

Table 14- NTS gas consumption achieved vs. planned in 2017-2020



Planned NTS gas consumption (thousand cm) Actual NTS gas consumption (thousand cm)

Chart 18 - Total actual NTS gas consumption vs. total planned in 2020

Therefore, as it may be noticed, in 2020, as compared to the previous year, the evolution of the NTS gas consumption went on an upward trend being 6% higher than the one recorded in 2019 and 6% higher than the level planned for 2020.

4.6.3 The investment policy

Modernization and Investment Development Plan (PMDI)

The investment activity is mainly directed towards the modernization and development of the NTS in order to improve the efficiency and to increase its capacity, to develop new consumption areas. The value of the investment funds for 2020, approved in the 2020 revenue and expense budget, was **1.952.804.279 lei**.

The total value of the modernization and investment development plan for 2020 decreased in August from **lei 1.952.804.279** to **lei 1.881.982.926**, according to BoA Resolution 20/2020, and at the end of QIV 2020 the value of achievements is **lei 1.572.701.633**, which means that the plan is **83,57%** achieved.

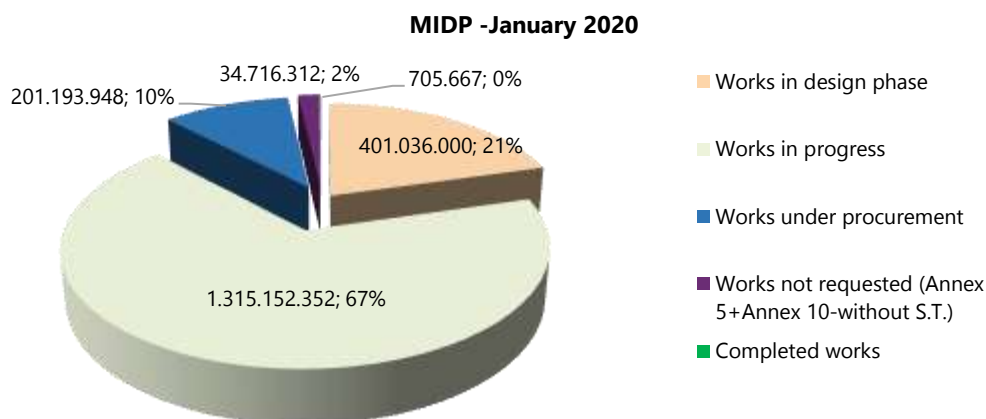


Chart 19 – PMDI - January 2020

At the end of 2020 the modernization and investment development plan includes 77,60%, execution works, 18,09% design works, 2,31%, completed works, 1,54% works under procurement, 0,47% works not started - positions in the plan included in Annex 5 and Annex 10, for which the documents necessary for the launching of the procurements were not sent .

Compared to the progress of the works at the beginning of the year, it may be noticed the increasing of the percentage of the completed works and of the works in execution corroborated mainly with the decreasing of the works under procurement, the design works and the objectives included in Annex 5 and Annex 10 of the plan, for which the documents necessary for the launching of the procurements .

The value of the works planned in Chapter D - NTS Development according to Law 123/2012 (Updated), Art.130 (e1) and (e2) decreased from the value of lei 350.000 thousand to lei 313.950 thousand, in order to ensure mainly the funds for the budgeting of additional works that appeared during the modernization of CS Onești and CS Siliștea, works that were not included in the initial technical project, but need to be executed.

The funds allocated to the planned works mentioned in Chapter D – Development of the NTS according to Law 123/2012 (Updated), Art.130 (e1) and (e2), amounting to lei 313.950 thousand, are included in the value of the design works, representing 92,22% of their value.

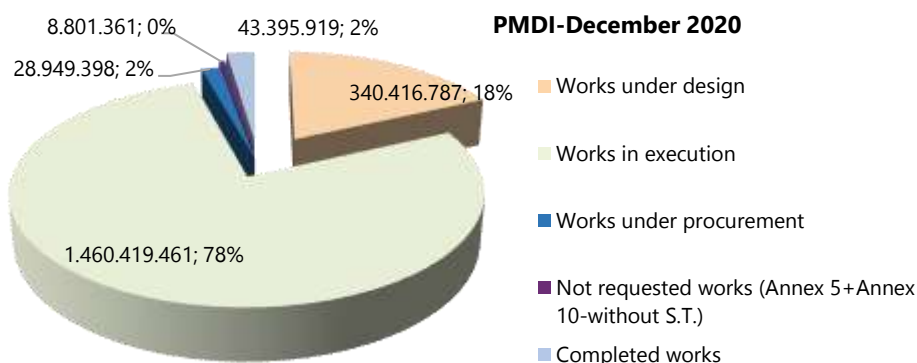


Chart 20 – PMDI – 2020 - December 2020

The main investment objectives finalized in 2020 are:

- Interconnection gas transmission pipeline between DN250 Teline - Sighisoara and DN700 Coroi - Bărcuț;
- DN700 Gănești - Idrifaia - Coroi gas transmission pipeline - works remaining to be executed at TN Coroi;
- Valea Șerpilor River DN 600, DN 700 Șinca-Paltin and DN 500 STC Șinca-Stâlp 89 pipeline crossing securing works, Șinca Noua area;
- Ialomița River DN800 Coșereni pipeline - Bucharest ring connection crossing securing works, Coșereni area;
- Pipeline systematization in the area of Moșu technological node;
- Interconnection between CS Jupa and the National Transmission System - station automation and securing;
- Interconnection between the NTS and the T1 international gas transmission pipeline and reverse flow at Isaccea;
- Olt River undercrossing by the DN300 Drăgășani - Caracal undercrossing (gas supply connection of Caracal);
- DN400 Vaslui - Iași (Vaslui – Mogoșești section) gas transmission pipeline - reunification in the area of the Bârnova forest;
- Resizing of gas connection pipeline MRS FORD Craiova
- DN200 Ocna Mureș - Aiud and DN250 Ocna Mureș - Aiud Punerea pipelines securing, Mirăslău area
- Modernization of Bogata III technological node - power supply of actuators, automation and surveillance of objective
- Various machines, equipment and machines in Annex 10
- Development on the Romanian territory of the Bulgaria-Romania-Hungary-Austria Corridor (BRUA)
 - compressor station execution works (Podișor, Bibești, Jupa) - completed;
 - pipeline execution works (Phase 1) - final acceptance;

- pipeline automation and securing works - final acceptance.

The main works in progress:

- Enhancement of the Romanian gas transmission system between Onești – Isaccea and reverse flow at Isaccea – phase 2 (interconnection of the national gas transmission system with the international transmission system and reverse flow at Isaccea) – phase 2 upgrading of GCS Onești and upgrading of GCS Siliștea;
- *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova:*
 - DN700 Onești - Gherăiești – Lețcani gas transmission pipeline;
 - Onești and Gherăiești compressor stations, pipeline automation and securing;
 - procurement of compressors;
 - archaeological works;
- New NTS developments for taking over Black Sea gas (Vadu -T1);
- Replacement of the gas metering station GMS Isaccea 1;
- Interconnection between the NTS and the T1 international gas transmission pipeline and reverse flow at Isaccea – stage 2 – works at TN Sendreni – construction works, power installations and automations;
- Replacement of the technological installations of MRS Timișoara I;
- DN 500 Craiova - Segarcea - Băilești - Calafat gas transmission pipeline, stage I, the Craiova – Segarcea section;
- DN 250 Câmpulung Moldovenesc - Vatra Dornei gas transmission pipeline (Pojorâta - Vatra Dornei section);
- DN 300 Mintia - Brad - Ștei gas transmission pipeline, stage I, Mintia – Brad section
- Restoration of Strei River undercrossing with the Vest2 and Vest 3 pipelines, the Totia area;
- Modernization of Pitești production unit;
- Mobile air compressor station 100 bar.

The main works in the procurement procedure are:

- Development on the territory of Romania of the Southern Gas Transmission Corridor for taking over Black Sea gas (Black Sea -Podisor);
- Nadeș – Sighișoara gas transmission pipeline;
- Securing DN800 Moghioroș - Onești and DN700 Moghioroș – Onești pipelines, in the Oituz area (Calcai)
- Replacement of DN 200 SRM Poiana Brașov supply pipeline section;
- Mounting pig receiving/launching trap at Posada for the DN 500 Stâlp 89 - Posada and DN 500 Posada – Moșu pipelines (the remaining part to be executed);
- MRS Timișoara I - MRS Timișoara III gas transmission pipeline (including power supply, cathodic protection and optical fiber).

There are still difficulties in achieving investment objectives such as the lack of the necessary permits to obtain the Construction Authorization from owners of the land affected by the

construction of the investment objectives and the local authorities for the following investment objectives:

- securing DN300 Agârbiciu – Sibiu gas transmission pipeline, the Șeica Mare zone;
- securing DN 350 Luna - Aiud, DN 250 Luna – Ocna Mureș (line I) and DN 250 Luna - Ocna Mureș (line II) gas transmission pipeline, the Războieni zone – under litigation at the Aiud court;

In order to solve the problems that occurred during the execution of the works and the achievement of the objectives according to the plan, the following measures were taken:

- In some more difficult areas, from the point of view of obtaining agreements from landowners or at the request of local administration, the decision was taken to redesign the pipeline route or the technical solutions for the construction;

Most of the investment objectives where there are no achievements recorded are in the design or procurement phase.

4.6.4 NTS maintenance policy

Repair, Rehabilitation and Maintenance Services Plan

The **2020 Maintenance, Repair and Maintenance Services Plan** has an allocated amount of **lei 64.055.452**, out of which lei 31.905.400 for NTS Repair and Rehabilitation Works and lei 32.150.052 for NTS Maintenance Services.

A. NTS repair and rehabilitation works

Out of the total budgeted value of the NTS repair and rehabilitation works (Chapter A, **49,81% of PRRASM 2020**), in January 2020, the executed works represented 22%, (works contracted in the previous years), design works 27%, works under procurement 48%, and the works not included in the previous categories (Security positions) 3%:

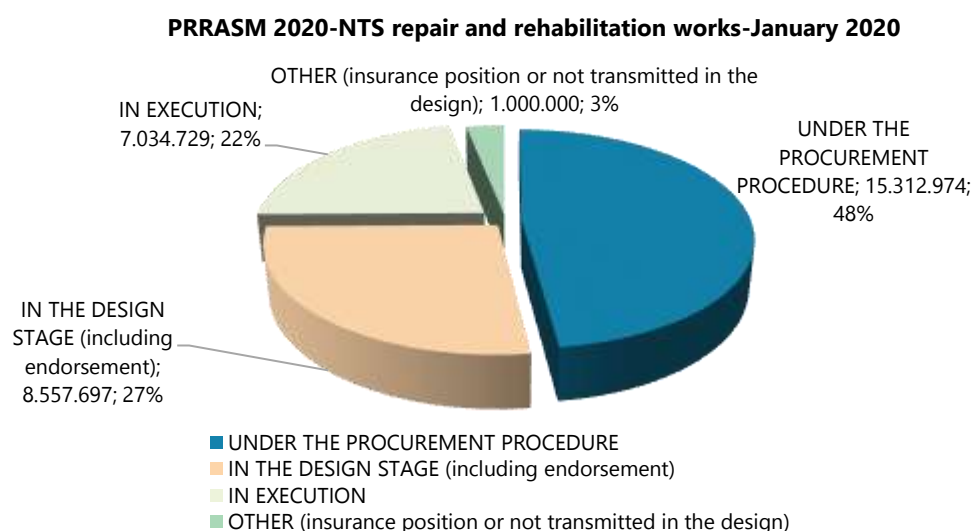


Chart 21 - PRRASM 2020 - NTS Repair and Rehabilitation - January 2020

At the end of 2020, the NTS repairs and rehabilitation works in execution had a share of 73,06% from the budgeted value .

Advanced procurement procedures at the end of 2020:

- Dn 150 mm MRS Măgureni connection pipeline securing, Măgureni area;
- Ø24`` Paltin Schitu-Golești pipeline (Brasov County);
- MRS Bicz building repairs.

In 2020 the **procurement procedures** were completed by the conclusion of execution contracts or subsequent contracts.:

- Ø20`` Onești-Racova-Gherăiești pipeline line II (Bacău County);
- Replacement of the 32`` pipeline section on the 28`` Platou Izvor Sinaia-Filipești; transmission pipeline, the Drăgăneasa area;
- Crossings repairs (framework agreements/2 years)-subsequent contracts;
- MRS Brazi building repairs;
- MRS Piatra Neamț building repairs.

On 31 December 2020, Chapter A of the PRRASM 2020 had 37 budget positions, more by one than the initial form of the plan, with launching degrees according to the following chart:

PRRASM 2020-NTS repair and rehabilitation works-December 2020

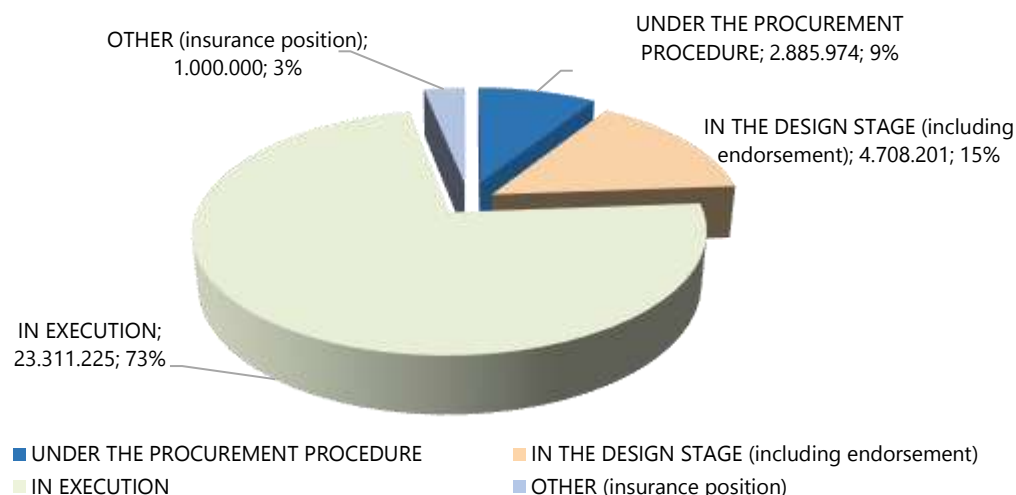


Chart 22 - PRRASM 2020 - NTS Repair and Rehabilitation Works - December 2020

PRRASM 2020 works in different execution stages in 2020:

- Ø20`` Băcia-Caransebeș pipeline (HD,CS)
- 12`` Vlădeni-Mănești pipeline securing
- 32`` Cosmești-Onești pipeline repairs (third party works)
- Ø20`` Band-Sărmășel pipeline (line I);
- Ø20`` Adjutul Vechi pipeline, Braniște, Schela and Independența areas

- Ø6" ELSID Titu supply pipeline connection
- Preparation of Ișalnița-Cruce Ghercești pipeline for pigging
- Aboveground crossings repair (framework agreements/2 years)
- Fixed station pipeline insulation works (contract 2);
- MRS Brazi building repairs;
- Arad-Horia-Csanadpalota optical fiber network repair;
- MRS Piatra Neamț building repairs.

PRRASM 2020 works completed in 2020:

- Aboveground crossings of Visa River with the Ø10"-12" PM Șoala connection pipeline, Agârbiciu area;
- Ø20" Sendreni- Albesti pipeline (Buzau County);
- Fixed stations pipeline insulation works (contract1);
- LES repair works – power supply to MRS CET II Craiova;
- LEA repair works 0.4kv power supply to CPS Oituz 1-2;
- Car repair workshop establishment;
- Exterior repair works at the FIR Vest building
- Building repair - Drăgășani sector office;

FEED completed in Semester I 2020:

- Ø20" Onești-Racova-Gherăiești pipeline line II (Bacău County)
- Replacement of 32" pipeline section on the 28" Platou Izvor Sinaia-Filipești transmission pipeline, Drăgăneasa area
- Dn 150 mm MRS Măgureni connection pipeline securing, Măgureni area
- Ø24" Paltin Schitu-Golești pipeline (Brașov County).

There were difficulties in carrying out repairs and rehabilitation of main pipelines due to certain issues external to the company:

1. Situations generated by the state of emergency/alert: The state of emergency was established on 16 March 2020 (according to Decree 195/16.03.2020) and on 14 April 2020 (according to Decree 240/14.04.2020), period in which the contractors of the works, due to the evolution of the pandemic, were unable to move their execution personnel to the construction sites, as the most of the accommodation locations were closed. The travels of the execution personnel were also limited.

The state of alert was established after 14 May 2020 with travel/accommodation restrictions for the execution personnel. The state of alert has continued when this document was prepared.

Some of the affected contractors requested the extension of the duration of the contracts due to the force majeure, certified by obtaining the force majeure certificates from the Chambers of Commerce and Industry.

2. Epidemiological situation of contractors` personnel: Some of the contractors reported infections of personnel with SARS COV 2 , suspected infection or reported contact with infected persons. This epidemiological situation led to a significant decrease in the capacity of the constructors to perform the works at the usual pace.

3. Impossibility of stopping gas flow during the cold season: In accordance with Art. 12 (2) of Law 346/2007 on measures to ensure security of gas supply, which stipulates that, *during the cold season, no current maintenance or connection works requiring interruption of the natural gas supply for a continuous period that exceeds 12 hours are scheduled and performed*, no works could be carried out, given that the interventions are made with the pipeline shut down.

Most works by their nature involve interruption of gas flow in the pipelines which makes the object of the intervention.

4. Late completion of procurement procedures for some of the works in PRRASM: The signature of the contract for most of the works was delayed which led to the non-completion of projects (e.g.: 'Preparation of the Işalnița - Cruce Ghercești pipeline for becoming piggable', 'DN 500 Onesti - Racova - line II gas transmission pipeline') Annex B

5. Problems related to the delay in granting the right of way to the national forest fund: Some works (e.g: Repair of DN 800 Cosmesti-Onesti gas transmission pipeline, DN 500 Band - Sărmasel (line I) gas transmission pipeline) could not be started until after fulfilling the legal formalities for obtaining the right of way to the national forest fund, in accordance with the provisions of Law 46/2008 - The Forestry Code. The completion of these formalities takes at least six months due to the unclear legal status of the land.

6. Non-completion of the engineering for some of the works included in PRRASM 2020:

Three of the preventive maintenance works are in the design stage:

- DN 600 Paltin Schitu gas transmission pipeline - Golesti (Arges County) - the work was carried out through the procurement procedure of engineering services with the company SC TeamOil SRL, which did not fulfil its contractual obligations, our company being obliged to start the engineering works on its own;
- DN 700 Seleuş - Cristur-Băţani gas transmission pipeline phase II B (Harghita County) - is in the design phase, the main problem being the issuance of the construction permit, conditioned by obtaining the agreements of the landowners;
- Repair of DN 1200 Isaccea - Negru Vodă Transit 3 natural gas transmission pipeline, following the smart pig inspection) - the delay in handing over the project is due to the OCPI approval, which found that part of the land where works will be executed are in the forest fund, which led to the need to obtain the environmental permit, following the procedure of temporary occupation of land from the national forest fund (lasting at least 6 months) Annex 1

7. Issues related to the constructors' supply of materials: The state of emergency/alert declared in most of the countries (implicitly also in the countries supplying specific gas products) and the epidemiological situation in these countries led to delays in the delivery of the products contracted by the contractors. These delays led to the postponement of the work stages in the execution schedules undertaken by the constructors.

8. Problems related to the technical impossibility of interrupting gas flow: The work 'DN 500 Băcia - Caransebeş gas transmission pipeline (HD, CS)' was delayed due to the impossibility of performing pressure tests (the pipeline flow could not be interrupted due

to the large quantities of gas nominated to be imported from Hungary and transmitted through the DN 500 West II pipeline , the Hațeg-Băcia section).

9. Problems related to adverse weather conditions:

At the beginning and at the end of the year, frost, snow, melting snow were unfavourable to the execution of the works on the construction sites;

The access of the machines to the work points was much difficult or even impossible due to the rains;

The coating works were slowed down on the one hand due to the rains and on the other hand due to the appearance of condensation due to the large temperature differences between the pipe exterior and interior temperature.

In addition, **internal problems arising from the evolution** of the SARS COV2 pandemic were encountered: reduction of travel, most activities were carried out from home, cumbersome communication infrastructure, reduction of partners' activity, etc.

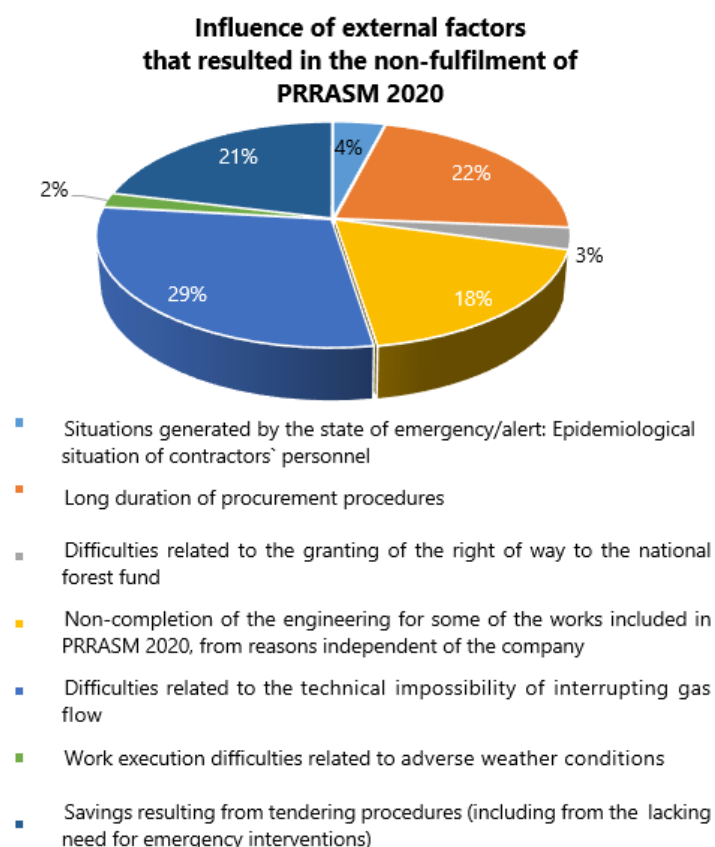


Chart 23 - Influence of external factors

To solve the problems encountered, the following measures were taken:

- Internal provisions (plans, programmes, decisions, etc.) regarding the actions to be taken during the SARS COV2 pandemic (in addition to the provisions of the regulations/recommendations issued at the national level) were developed and observed;
- Documents for obtaining opinions/authorizations were prepared again and submitted to the competent authorities;
- In some more difficult areas, from the point of view of obtaining the agreements from the landowners or at the request of the local administrations, the decision was made to redesign the pipeline route or the technical solutions for the achievement of the construction;
- The priority works were achieved inhouse (Mediaş Subsidiary and Regional Office);
- The redesign of the works by counties was approached where the situation was favourable for Transgaz.

B. NTS Maintenance Assurance Services

In the **Plan for Repair, Rehabilitation and Insurance of Maintenance Services**, in Chapter B. - **Maintenance Services** for 2020, a budget of 32.150.052 lei was approved. At the end of 2020, the achievements for the maintenance services amount to 11.338.939 lei, representing 35,27% of their plan budgeted value.

PRRASM 2020-NTS Maintenance Services January 2020

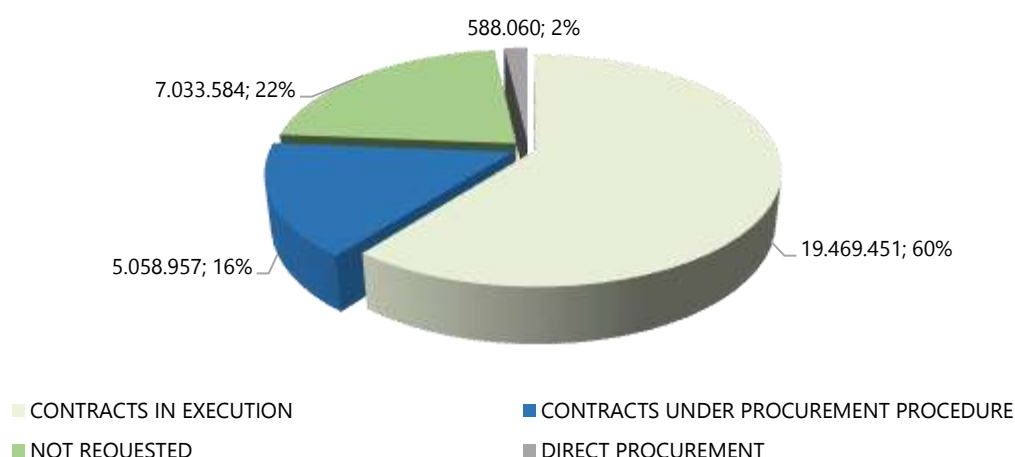


Chart 24 - PRRASM 2020 - NTS Maintenance Services – January 2020

In 2020, lei 11.338.939 of the lei 32.150.052 budget allocated to NTS Maintenance Services was achieved.

The budgeted amount of the NTS Maintenance Services for 2020 has the following allocation reported to 90 budget lines ensured:

- A number of **57 positions** with a budget amounting to **lei 26.029.885** have contract in execution or ended and recorded in 2020 achievements amounting to **lei 10.965.936**.
- **6 positions** with a total budget of **lei 3.832.543** were in the procurement procedure.
- for **14 positions** with a budget of lei **623.060** the delegation of powers was granted by decision to the directors of the regional offices and Medias Subsidiary to conclude contracts/orders by direct procurement; procurements that did not comply with the requirements of the decision were made through the Sectoral Procurements and Contracts Unit, the achievements at the end of December 2020 being of lei **373.003**.
- **13 positions** of services remained unrequested; for some of them, the procurement documents are under preparation, being insuring amounts for emergencies (e.g. weather effects management services) or amounts insured for reduced predictability with a budgetary allocation of **lei 1.664.564**.

The graphical expression of this distribution can be seen in the following chart:

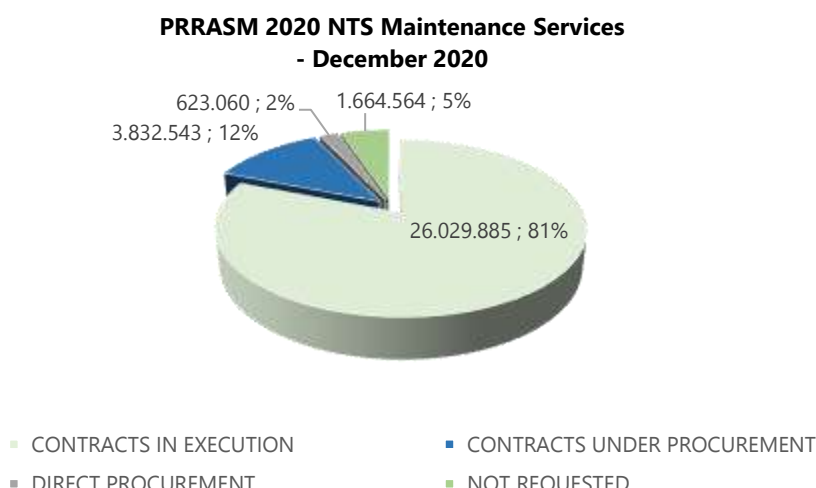


Chart 25 - PRRASM 2020 - NTS Maintenance Services – December 2020

In conclusion, at the end of 2020, the contracted services are 81% of the total budgeted services.

The main contracts concluded in 2020:

- maintenance services for backup power generators
- repair and maintenance services of cathodic protection equipment and components
- technical verification services for the authorisation of the operation of installations covered by the ISCIR
- non-destructive testing services
- energy audit and energy analysis services at NTS objectives
- repair and intervention services for Armax Gaz ordorization MRSs and installations or with components produced by Armax Gaz

- CS Şinca Solar compressor charger automatic rectifier repair service
- maintenance, overhaul and repair services of lifting machines
- maintenance services, overhauls and repairs of elevators
- (re-)accreditation of laboratory non-destructive control and personal authorization services;
- repair and intervention services for MRSs and odorization installations of the TOTALGAZ type or with components produced by TOTALGAZ;
- overhaul and repair services for automation installations at the NTS objectives (MRS, VCS, TN, GMS and CS);
- underwater inspection services for the Transit I DN 1000, Import DN 1000, Transit II DN1200 Line 1 and Line2, Transit III DN1200 pipelines;
- verification and repair services of the instrumental air technological installation of the Solar A and B groups at the Şinca Station II;
- maintenance and repair services for odorization installations of the Sudocor type;
- air inspection services for detecting gas leaks from TGN pipelines.

The services in the Plan of Repair, Rehabilitation and Maintenance Services are external services (provided on the basis of a contractual collaboration), which complete all maintenance activities. The **services** provided in order to ensure maintenance are support activities (labour and spare parts but which do not create fixed assets) offered by persons, authorized constructors, qualified and specialized in various fields, to support revision and authorized service activities for maintaining in operation or for the maintenance and control of certain components of the pipelines, technological or auxiliary installations, including mandatory periodic inspections required by equipment suppliers or regulated by law (ISCIR, RAR, Naval Authorities, etc.).

The services in PRRASM are external (provided on the basis of a contractual collaboration), which complete all maintenance activities, their budgetary allocation is necessary to be available in case of necessity.

The conclusion of contracts for these services is precautionary for the safe and efficient operation of the NTS, the practice proving that it is not necessary to spend the total amount under the contracts.

In addition, the value of the repair service contracts includes the estimated value of spare parts, which are paid only if it is necessary to replace them. The estimated value of these spare parts may amount to up to 40% of the total value of the contract.

Their budgetary allocation is needed to be available in case of necessity. The number of potential contractual service arrangements foreseen in the plan, as well as the budget allocated to them, is ensuring all the needs that may arise. The activities provided in the service contracts, which are actually concluded, have a lower level of predictability in the planning stage, so that in the budget execution phase of the maintenance plan, the number of activities and the value employed will be limited to the real situations.

For the budget positions that propose services with very low predictability such as the occurrence of events or adverse effects (damage) or consequences of natural disasters (special weather events) in the vicinity of NTS objectives, the allocation of resources needs to be provided, however, if they do not occur, the related amount from the maintenance budget remains not consumed.

Part of the amount of service contracts in the implementation phase of the plan refers to repeatable services, which provide maintenance, revision and service to the NTS objectives. The others are represented by repairs and interventions provided by third parties on a contractual basis with a medium or low degree of predictability (repairs of vehicles, valves, equipment, etc.).

There are also frequent situations, when there are differences between the budgeted values and those undertaken by contracts due either to the adjudication at lower values as a result of the tender procedures or to the completion of the execution of the contract at a lower value than the contracted one (especially in the case of the framework contract). In the context presented above, the amounts in the budget provided for the maintenance services that remained unused at the end of the execution of the plan for the services chapter, can be appreciated as savings to the budget allocated for maintenance.

4.7 Control of procurements

Procurement of the technical-material basis is based on firm contracts or orders, in compliance with the applicable laws, both on the domestic and import markets.

For the substantiation of **2020 PAAS/2020 PAAS BRUA-Phase I and Phase II/2020 PAAS–Moldova/PAAS TransGasFormation 2020, the necessary works, products and services** were taken into account, as they were included in:

- **Modernization and Investment Development Plan;**
- **Repairs, Rehabilitation and Assurance of Maintenance Services Plan**
- **Supply Plan;**
- **Plan of Other Services Executed by Third Parties**
- **Design Plan;**
- **Research Plan**, approved by the BoA Resolution no. 43/17.12.2020.

The Program includes **all the contracts/framework agreements** that SNTGN Transgaz S.A. Medias intends to award/conclude in 2020.

The 2020 PAAS contains the **procedures started in the previous years** and which **were not assigned / completed** until the end of 2019, but they were taken over in the plan for 2020, in progress since the previous years, and **exempted procurements** according to Art. 35 of Law 99/2016 included in a separate annex.

The total value of the **Sectoral Procurement Annual Program for 2020 (2020 PAAS)**, approved by Resolution no 2/14.01.2020 of the Board of Administration, was of **lei 570.456.247,60** , and the value for the Annual Program of Sectoral procurement for 2020 for the investment *„Development on the territory of Romania of the NTS along the Bulgaria-Romania-Hungary-Austria corridor, Phase 1 and Phase 2”* (2020 PAAS BRUA Phase 1 and Phase

2) was **lei 288.665.488** and the value for the Annual Program of Sectoral procurement for the investment *NTS development in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova* (PASS 2020 – Moldova) was of **lei 328.343.959,00**;

By BoA Resolution 24/30.07.2020 the TransGasFormation 2020 Annual Sectoral Procurement Plan (PAAS) amounting to an estimated value of lei 1.155.500 was approved.

Following 36 updates of 2020 PAAS which became necessary after the revision of the execution programs underlying the substantiation of the REB the total value of the PAAS became lei 1.030.361.053,21 and the value of the 2020 2020 PAASBRUA Phase I and Phase II, the value of the 2020 PAAS– Moldova and the value of the TransGasFormation 2020 2020 PAAS remained unchanged.

PROCUREMENT PROCEDURES:

On the basis of the 2020 2020 PAAS(Procedures section, updated) out of the **520 active positions, 140 procedures (26,92%)** were launched, **230 procedures were finalized (44,23%)** and **5 procedures were not initiated (0,96%)** are in progress at different stages.

The 5 procedures not initiated are currently requested with Sectoral Procurements and Contracts Division documents, and up to the total number of active positions in the program a total of **145 positions** are not requested by interested departments/ divisions/units representing **27,88%**.

From a physical point of view of the total number of procedures under PAAS, the updated achievement percentage is **44,23%** and from a **value point of view**, the achievement degree is **10,14%** (achieved value in relation with the total estimated value).

Schematically the status of the procurement procedures is as follows:

Procedures centralizer (physical)		
Total positions as of 31.12.2020, of which:	520	% PAAS achievement (procedure section)
- initiated	140	26,92%
- completed	230	44,23%
- not initiated	5	0,96%
- not requested	145	27,88%

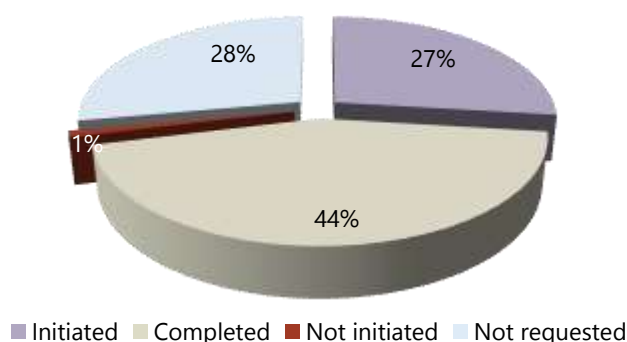


Chart 26- Procurement procedures as at 31.12.2020

Procedures centralizer (value) - lei		
Total value as of 31.12.2020, of which:	2.578.351.626,20	PAAS % achievement (procedures section)
- initiated	1.830.655.766,24	71,00%
- completed	261.504.150,58	10,14%
- not initiated (in progress at DASC)	26.290.198,73	1,02%
- not requested	410.202.254,87	15,91%

NOTE* From the value point of view, the sum of the percentages is less than 100%, for the value differences from the estimated values to those awarded (lower than the estimated value).

For the **230 positions achieved** in the 2020 2020 PAAS procedure section, the situation of the achievements against the estimated values (only these ones) is presented according to the following table:

No. positions of completed procedures under PAAS	Estimated value lei VAT excluded	Achieved value lei VAT excluded	%
230	284.240.315,92	261.504.150,58	92%

The total number of contracts concluded (including the subsequent contracts awarded under the framework agreements is presented schematically in the following table:

Contract type	No. of contracts /framework agreements/ subsequent contracts awarded	Total value of contracts/ framework agreements/ subsequent contracts awarded	Out of which number of subsequent contracts	Value of subsequent contracts	Out of which number of contracts/ framework agreements	Value of contracts/ framework agreements
	-	(lei without VAT)	-	(lei without VAT)		(lei without VAT)
0	1	2	3	4	5=1-3	6=2-4
Contracts of works	30	63.415.023,78	3	1.117.904,16	27	62.297.119,62

Contracts of services	193	152.983.059,84	78	54.990.348,65	115	97.992.711,19
Contracts of products	130	123.876.062,16	20	22.661.742,39	110	101.214.319,77
TOTAL contracts	353	340.274.145,79	101	78.769.995,20	252	261.504.150,59

Table 15 - The situation of the contracts concluded through procurement procedures (simplified procedures/open auctions/NFIPPCO)– between 01.01 and 31.12.2020

DIRECT PROCUREMENTS:

On the basis of the updated 2020 PAAS, out of **832 active positions**, **17** direct procurements were **initiated** (2,04%), **600** direct purchases were **completed (72,12%)**, and **0** direct procurement are **not initiated (3,48 %)**, and up to the total active positions of the plan **215** positions are **not requested** by the concerned divisions/units/offices (represented 25,84%).

From a physical point of view of the total number of direct procurements under the approved programme, the direct procurement achievement percentage is **72,12%** and from a **value point of view**, the achievement degree is **42,28%** (achieved value in relation with the total estimated value).

Centralizer of direct procurements (physical)		
Total positions as at 31.12.2020 where:	832	% realization direct purchases
- initiated	17	2,04%
- achieved	600	72,12%
- not initiated	0	0,00%
- not requested	215	25,84%

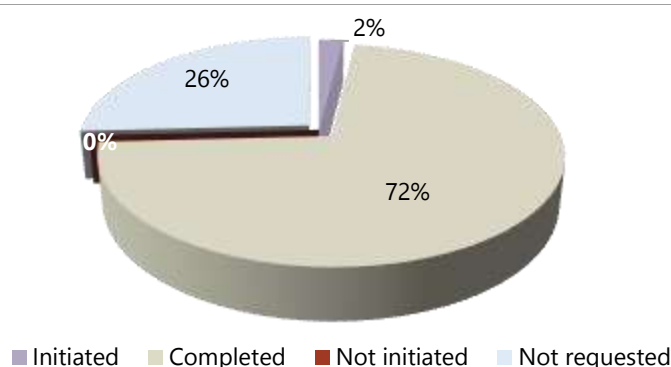


Chart 27 -The direct procurements on 31.12.2020

Centralizer of direct procurements (value)		
Total value as of 31.12.2020, of which:	28.553.804,76	% direct procurement achievement
- initiated	419.787,50	1,47%
- achieved	12.072.599,20	42,28%
- not initiated	0,00	0,00%
- not requested	14.603.007,87	51,14%

NOTE* From the value point of view, the sum of the percentages is less than 100%, for the value differences from the estimated values to those awarded (lower than the estimated amount).

For the **600 positions achieved** from 2020 PAAS - direct procurements, the situation of the achievements against the estimated values is presented in accordance with the following table:

No. positions under PAAS 2019 - AD	Estimated value (lei VAT excluded)	Achieved value (lei VAT excluded)	%
600	13.234.478,80	12.072.599,20	91%

The centralised statement of the direct procurements

Based on the updated PAAS and as a result of the requests of the relevant divisions/units/departments submitted during 01.01-31.12.2020, the centralised statement of the direct procurements is as follow:

Contract type	Total value of contracts/ Orders	No. of direct procurement contracts	Direct procurement contracts value	No. of direct procurement orders	Value of direct procurement orders	Value of procurements not included in Annex 1-AD	No. of orders in plan Approved.	Plan value Approved	Value of achievements in Annex 1-AD
	(lei without VAT)		(lei without VAT)		(lei without VAT)	(lei without VAT)		(lei without VAT)	(lei without VAT)
Works	3.647.844,87	12	3.647.844,87	0	0.00	0,00	0	0,00	3.647.844,87
Services	4.463.788,59	80	3.650.097,03	116	813.691,56	9.244,70	16	110.005,91	4.564.549,80
Products	5.299.901,94	15	2.016.284,07	290	3.283.617,87	1.916.693,75	77	476.996,34	3.860.204,53
TOTAL CONTRACTS	13.411.535,39	107	9.314.225,96	406	4.097.309,43	1.925.938,45	93	587.002,25	12.072.599,20

Table 16 - The statement of the contracts awarded by direct procurements in 01.01-31.12.2020

In the context of the current COVID-19 pandemic, according to art. 10, Annex 1 of Decree no. 195/16 March 2020 on the state of emergency declared on the Romanian territory and of Decree 240/14 April 2020 on the extension of the state of emergency, Transgaz concluded 3 (three) contracts amounting to lei 770.228,74 and 26 (twenty-six) orders with a cumulated value of Lei 1.148.732,95 by 31.12.2020.

PROCUREMENT PROCEDURES-2020 PAAS (for Moldova)

Under the 2020 PAAS (Moldova), there are **2 active positions which are completed (100,00%)**. PAAS Moldova procurement progress:

Centralizer of procedures PAAS-for Moldova (physical)		
Total pos. as at 31.12.2020, where:	2	% of achievement procedures
- initiated	0	0,00%
- achieved	2	100,00%
- not initiated	0	0,00%
- not requested	0	0,00%

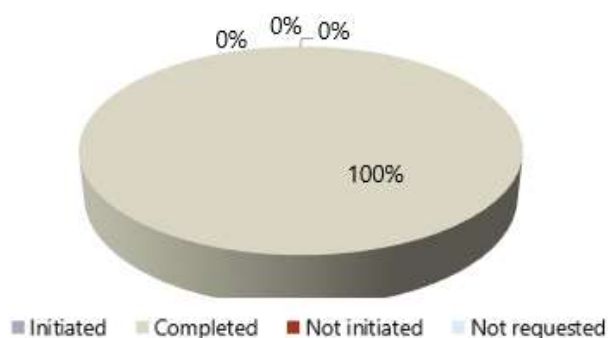


Chart 28 - PAAS procedures for Moldova on 31.06.2020

Procedures centralizer PASS Moldova (value)-lei		
Total value as at 31.12.2020 of which:	159.381.790	% of procedure achievement
- initiated (estimated)	0,00	0,00%
- completed (concluded contracts)	159.381.790	100,00%
- not initiated	0,00	0,00%
- not requested	0,00	0,00%

NOTE. In terms of value, the sum of percentages is less than 100%, the difference resulting from the estimated value of the procedures and the awarded value (different from the estimated value).

PROCUREMENT PROCEDURES-2020 BRUA (Phase I and Phase II) PAAS

Under the 2020 BRUA (Phase I and Phase II) PAAS out of the **5 existing active positions**, 4 positions are not requested (Phase II) (80.00%) and 1 position is completed (Phase I) (20.00%).

The schematic statement of the procurement achievements as follows:

Centralizer of PAAS procedures -BRUA (Phase I and Phase II) (physical)		
Total pos. as at 31.12.2020, where:	5	% of achievement procedures
- initiated	0	0,00%
- achieved	1	20,00%
- not initiated	0	0,00%
- not requested	4	80,00%

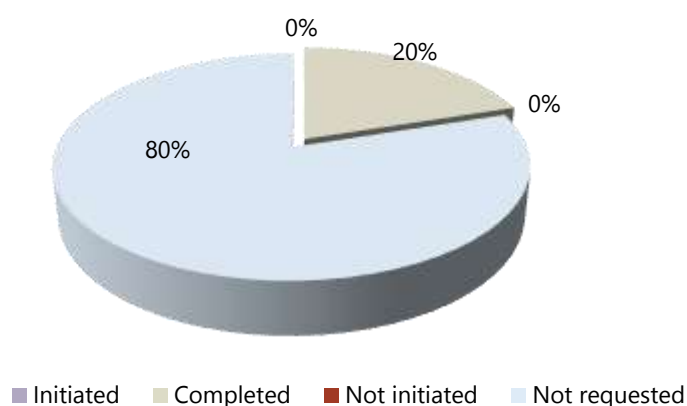


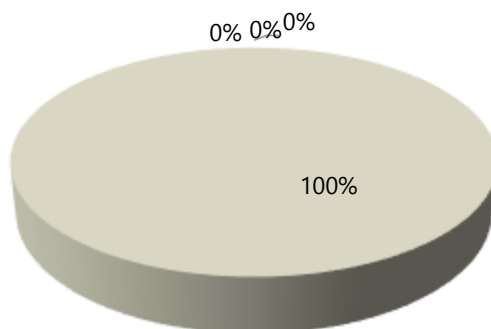
Chart 29 - PAAS procedures for BRUA as at 31.12.2020

Centralizer of PAAS procedures for BRUA (Phase I and Phase II)(value)-lei		
Total value as at 31.12.2020 , of which:	288.665.488,00	% of procedure achievement
- initiated	0,00	0,00%
- completed	20.000,00	0,01%
- not initiated	0,00	0,00%
- not requested	288.645.488,00	99,99%

PROCUREMENT PROCEDURES - TransGasFormation 2020 PAAS

Under TransGasFormation 2020 PAAS, there is **1 position**, which is **completed** (100,00%).

Centralizer of PAAS procedures -TransGasFormation 2020 (physical)		
Total pos. as at 31.12.2020, of which:	1	% of procedure achievement
- initiated	0	0,00%
- completed	1	100,00%
- not initiated	0	0,00%
- not requested	0	0,00%



■ Initiated ■ Completed ■ Not initiated ■ Not requested

Chart 30- 2020 PAAS procedures for TransGasFormation as at 31.12.2020

Centralizer of PAAS procedures -TransGasFormation 2020 (value)-lei		
Total value as at 31.12.2020 of which:	990.280,00	% of procedure achievement
- initiated	0,00	0,00%
- completed	990.280,00	100,00%
- not initiated	0,00	0,00%
- not requested	0,00	0,00%

5. CONSOLIDATED FINANCIAL REPORTING

5.1 Consolidated financial position

According to Article 1 of Order no. 881/25 June 2012 of the Ministry of Public Finance on the application of the International Financial Reporting Standards by companies having securities admitted to trading on a regulated market, starting with financial year 2012, the companies having securities admitted to trading on a regulated market are obliged to apply the International Financial Reporting Standards (IFRS) upon preparation of the individual annual financial statements.

The statement of the consolidated financial position as at 31.12.2020 as compared to 31.12.2019 is as follows:

Indicator	31.12.2020 Thousand lei	31.12.2019 Thousand lei	Dynamics (%)
0	1	2	3=1/2
Tangible assets	731.438	622.962	117,41%
Rights of use for the leased assets	19.192	9.359	205,06%
Intangible Assets	3.931.693	3.058.597	128,55%
Financial assets	0	0	-

Trade receivables and other receivables	1.364.269	723.921	188,46%
Goodwill	9.082	9.776	92,90%
Deferred tax	4.985	0	-
Fixed assets	6.060.658	4.424.615	136,98%
Inventories	194.142	494.614	39,25%
Commercial receivables and other receivables	677.396	524.500	129,15%
Cash at hand and in bank	289.452	352.985	82,00%
Current assets –TOTAL	1.160.990	1.372.099	84,61%
TOTAL ASSETS	7.221.648	5.796.714	124,58%
Debts to be paid over a one-year period	703.266	531.440	132,33%
Debts to be paid over a period of more than one year	2.772.114	1.490.000	186,05%
Total debts	3.475.380	2.021.440	171,93%
Equity	3.746.269	3.775.275	99,23%
Share capital	117.738	117.738	100,00%
Hyperinflation adjustment of share capital	441.418	441.418	100,00%
Share premium	247.479	247.479	100,00%
Other reserves	1.265.797	1.265.797	100,00%
Retained earnings	1.693.269	1.699.175	99,65%
Exchange rate differences from consolidation	-19.431	3.668	-529,75%
Total equity and debts	7.221.649	5.796.715	124,58%

Table 17- Statement of consolidated financial position at 31 December 2020 vs 31 December 2019

Tangible Assets

Tangible assets include auxiliary buildings of operating assets, office buildings, land, assets used for the transit activity, as well as objectives related to the national transmission system taken over free of charge.

Tangible assets decreased by lei **108.476** thousand as compared to the value as at 31.12.2019, mainly due to the fact that the tangible assets inflow did not exceed the depreciation cost for tangible assets.

Rights of use of leased assets

As of 1 January 2019, the company applies IFRS 16 for lease contracts complying with the recognition criteria and recognized as intangible asset right of use related to the lease contracts.

The rights of use of leased assets increased by lei 9.833 thousand as compared to 31 December 2019 due to the recording of new leased assets contracts.

Intangible Assets

IT Programs

The purchased licenses related to the rights to use the IT programs are capitalized on based on the costs incurred with the procurement and commissioning of the respective IT programs.

Such costs are depreciated over their estimated useful life (three years).

Costs related to the development or maintenance of the IT programs are recognized as costs during the period when they are registered.

Concession agreement

From 2010, in accordance with the EU approval process, the Company started to apply IFRIC 12, Service Concession Arrangements, adopted by the EU.

The scope of IFRIC 12 includes: the existing infrastructure at the time of signing the concession agreement and, also, modernization and improvement brought to the gas transmission system, which are transferred to the regulatory authority at the end of the concession agreement.

The Company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right.

Due to the fact that the Service Concession Agreement (`SCA`) had no commercial substance (i.e. nothing substantial changed in the way the Company operated assets; cash flows changed only with the payment of royalties, but, on the other hand, the transmission tariff increased to cover the royalty), the intangible asset was measured at the remaining net value of the unrecognized assets (classified in the financial statements as tangible assets on the date of application of IFRIC 12).

Consequently, the Company continued to recognize the asset, but reclassified it as intangible asset.

The company tested the intangible assets recognized at the time without identifying depreciation.

As they occur, costs of replacements are recorded as expense, while the improvements of assets used within SCA are recognized at fair value.

Intangible assets are amortized at zero value during the remaining period of the concession agreement.

Intangible assets increased by lei 873.095 thousand as compared with the value as at 31.12.2019, this increase being mainly due to the investment works related to the main projects under the TYNDP. Advance payments for intangible assets amounting to lei 99.594 thousand were recorded at the end of the period.

Trade receivables and other receivables

The receivables to ANRM on 31 December 2020 increased by the amount of lei 640.348 thousand, calculated after the entry into force of Law 127/2014 of 5 October 2014, which states that in case of termination of the concession agreement for any reason, or upon termination, the investment of the national transmission system operator shall be transferred

to the owner of the national transmission system or another concession provider on payment of a compensation equal to the regulated value remaining not amortized, established by ANRE.

The increase by lei 640.348 thousand compared to the one as at 31 December 2019 is determined mainly by the updating of the receivables with the modifications registered in the RAB and the adjustment of the regulatory asset value by the inflation rate starting with 2019, according to ANRE Order 41/2019.

Inventories

On 31 December 2020, inventories decreased by lei 300.472 thousand compared to the value as at 31 December 2019, mainly due to the recording of the materials procured for the execution of the project Development on the Romanian territory of the National Gas Transmission System Bulgaria-Romania-Hungary-Austria and of the project NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova at investments in progress.

Commercial receivables and other receivables

On **31 December 2020** the balance of the commercial receivables and other receivables increased by **lei 152.896thousand** as compared to 31 December 2019, mainly due to the following factors:

- decrease of the client receivables balance by lei 83.040thousand mainly generated by the decrease in the balance of the receivables resulted from the gas transmission and international transit activity;
- increase of the provisions for the impairment of the trade receivables and of other receivables by lei 67.031 thousand;
- increase of non-refundable grants as subventions by lei 231.525 thousand;
- increase of the balance of other receivables by lei 71.442 thousand.

Cash at hand and in bank

On 31 December 2020 the company's cash decreased by lei 63.533thousand as compared to the end of 2019.

The cash in bank accounts in lei increased by lei 144.303 thousand and the cash in bank accounts in currency decreased by lei 218.727 thousand.

Other cash elements and cash equivalent register an increase by lei 10.891 thousand compared with 2019.

Debts to be paid over a one-year period

In the structure of debts to be paid over a one-year period, the following changes were noticed compared to 31 December 2019:

- increase of the balance of the commercial debt and other debt by lei 1.839 thousand;
- increase of the provision for risks and charges by lei 3.555 thousand on account of reconsideration in the revenue of the provision for untaken holidays, and of the provision for employee participation in the profit for 2019, which were exceeded by the value of the provision established for the participation of employees to the profit recorded for 2020 at 31 December 2020;
- increase of short term loans in the amount of lei 118.542 thousand;

- increase of the short term provision for employee benefits by lei 1.044 thousand;
- increase of the short term deferred revenue in the amount of lei 46.844 thousand.

Long-term debts

The evolution of long-term debts is due to the following aspects:

- increase of loans over the long term by lei 932.323 thousand;
- decrease of the long term provision for employee benefits by lei 1.247 thousand;
- increase of deferred revenue and of the subsidies by lei 395.906 thousand;
- decrease of the debt related to the deferred tax by lei 8.071 thousand is caused mainly by the reduction of the differences between the accounting base and the fiscal base of Transgaz' tangible and intangible assets;
- decrease of the commercial debts and other debts in the amount of lei 36.796 thousand.

Equity

The subscribed and paid up capital remained unchanged.

The decreasing of the retained earnings by lei 5.906 thousand is determined by the allocation of the profit related to 2019 to dividends owed to shareholders, which exceeded the profit registered in 2020 and the loss registered by Eurotransgaz SRL Chisinau.

5.2 Consolidated comprehensive income

The situation of the consolidated profit and loss account in 2019 - 2020 as compared to the similar period of 2019 is as follows:

-lei thousand-

Indicator	Consolidated statements 2020	Consolidated statements 2019	Changes
0	1	2	3=1/2*100-100
Revenue from the domestic transmission activity	1.150.465	1.192.598	-4%
Revenue from the international transmission activity	114.223	327.696	-65%
Other revenue	73.328	55.631	32%
Operating revenue before the balancing and construction activity according to IFRIC12	1.338.015	1.575.925	-15%
Depreciation	248.718	195.701	27%
Employees costs	434.561	415.818	5%
Technological consumption, materials and consumables used	115.609	99.267	16%
Cost of royalty	107.760	151.374	-29%

Indicator	Consolidated statements 2020	Consolidated statements 2019	Changes
0	1	2	$3 = 1/2 \times 100 - 100$
Maintenance and transmission	30.407	29.899	2%
Taxes and duties due to the state	71.870	111.290	-35%
Revenue/ (Costs) of provisions for risks and charges	6.121	49.819	-88%
Other operating cost	158.474	181.453	-13%
Operational profit before the balancing and the construction activity according to IFRIC12	164.494	341.303	-52%
Revenue from the balancing activity	199.239	324.688	-39%
Cost of balancing gas	199.239	324.688	-39%
Revenue from the construction activity according to IFRIC12	1.587.548	868.357	83%
Cost of constructed assets according to IFRIC12	1.587.548	868.357	83%
Operational profit	164.494	341.303	-52%
Financial revenue	68.929	101.618	-32%
Financial cost	33.872	30.779	10%
Financial revenue, net	35.058	70.840	-51%
Profit before tax	199.552	412.143	-52%
Profit tax expense	34.328	70.749	-51%
Net profit for the period	165.224	341.394	-52%
Exchange rate differences	-19.432	3.668	-630%
Actuarial (gain)/loss for the period	7.342	-4.637	-258%
Total comprehensive income for the period	153.134	340.426	-55%

Table 18- Consolidated profit and loss account 2020 vs. 2019

5.3 Consolidated cash flows statement

The consolidated cash flow statement on 31 December 2020 as compared to 2019 is as follows:

Indicator	Financial year ended 31 December (thousand lei)	
	2020	2019
Profit before tax	199.552	412.143
Adjustments for:	0	0

Indicator	Financial year ended 31 December (thousand lei)	
	2020	2019
Depreciation	248.734	195.701
Impairment of intangible assets	0	2.129
Gain/(loss) from the transfer of fixed assets	-145	-102
Provisions for risks and charges	3.555	53.592
Adjustments for write-down of inventories	-832	647
Revenue from connection fees, grants and goods taken free of charge	-44.139	-23.347
Provisions for guarantees	-487	-969
Provisions for employees benefits	1.835	2.846
Effect of unwinding of provisions for employees benefits	5.353	4.218
Loss on amounts receivable and sundry debtors	490	13
Adjustment of impairment of receivables	67.518	81.229
Interest revenue	-28.045	-24.683
Interest expenses	2.867	0
Concession Agreement receivable adjustment	-29.334	-49.677
Adjustments for impairment of financial assets	-309	70
The effect of the currency exchange rate variation on other elements than operation	9.029	6.817
Other costs and revenue	-705	-306
Operating profit before the changes in working capital	434.936	660.321
(Increase)/decrease in trade and other receivables	41.009	-99.896
(Increase)/decrease in inventories	45.309	-239.954
Increase/(decrease) in commercial debt and other debt	-140.395	92.736
Cash from operations	380.858	413.207
Paid interest	-2.851	0
Received interest	2.105	2.067
Paid profit tax	-61.437	-69.822
Net cash inflows from operation	318.675	345.452
Cash flow from investments		
Payments for the acquisition of tangible and intangible assets	-1.500.418	-1.026.338
Financial investments/shares	0	-70
Receipts from the transfer of tangible assets	214	146
Cash from connection fees and non-reimbursable funds	252.244	151.275
Net cash used in investment activities	-1.247.961	-874.987
Cash flow from financing activities		
Contributions of the associations	114.478	0

Indicator	Financial year ended 31 December (thousand lei)	
	2020	2019
Disbursements on long term loans	637.938	0
Loan reimbursement on the long term	-2.785	423.477
Credit drawings for the working capital	299.720	0
Paid dividends	-183.867	-255.942
Net cash used in financing activities	865.484	167.535
Exchange rate difference	268	3.688
Net change in cash and cash equivalents	-63.801	-358.313
Cash and cash equivalents at the beginning of the year	352.985	711.318
Cash and cash equivalents at the end of the period	289.452	353.005

Table 19 - Consolidated cash flow statements – 2020 vs 2019

The analysis of the cashflow as of 31 December 2019 show a decrease of liquid assets by Lei **63.533** thousand as compared to 31 December 2019.

The changes to the structure of the cash flow for are:

- cash flow from operation is of lei 318.675 thousand, lower by lei 26.777thousand than in 2019;
- cash flow from the investment activity is of lei -1.247.961 thousand, lower by lei 372.973 thousand than in 2019;
- cash flow used in the financing activity is of lei 865.484 thousand, higher by lei 697.949 thousand than in 2019.

5.4 The activity's factor analysis

Indicators of the consolidated economic and financial results (SNTGN Transgaz SA, Eurotransgaz SRL, Vestmoldtransgaz SRL)

The establishment of the company EUROTRANSGAZ SRL on the territory of the Republic of Moldova was approved by Extraordinary General Meeting of the Shareholders Resolution no. 10/12.12.2017 for enabling participation in the privatization procedure of the State Enterprise Vestmoldtransgaz.

Transgaz is the sole shareholder of EUROTRANSGAZ SRL.

Since 2018, following the procurement of Vestmoldtransgaz SRL of Moldova by Eurotransgaz SRL, Transgaz, as a parent company, prepares consolidated group financial statements.

Consolidated companies in the Transgaz group:

		Share (%)
SNTGN Transgaz SA	Parent company	
Eurotransgaz SRL	Company held by SNTGN Transgaz SA	100%
Vestmoldtransgaz SRL	Company held by Eurotransgaz SRL	100%

-thousand lei-

Indicator	Consolidated statements 2020	Individual statements Transgaz 2020	ETG, VMTG, adjustments 2020
0	1=2+3	2	3
Revenue from the domestic transmission activity	1.150.465	1.150.465	0
Revenue from the international transmission activity	114.223	114.223	0
Other revenue	73.328	68.816	4.511
Operating revenue before the balancing and construction activity according to IFRIC12	1.338.015	1.333.504	4.511
Depreciation	248.718	247.009	1.710
Employees costs	434.561	431.952	2.609
Technological consumption, materials and consumables used	115.609	115.609	0
Cost of royalty	107.760	107.622	138
Maintenance and transmission	30.407	30.315	91
Taxes and duties due to the state	71.870	71.870	0
Revenue/ (Costs) of provisions for risks and charges	6.121	6.073	48
Other operating cost	158.474	155.385	3.089
Operational profit before the balancing and the construction activity according to IFRIC12	164.494	167.668	-3.174
Revenue from the balancing activity	199.239	199.239	-
Cost of balancing gas	199.239	199.239	-
Revenue from the construction activity according to IFRIC12	1.587.548	1.587.548	-
Cost of constructed assets according to IFRIC12	1.587.548	1.587.548	-
Operational profit	164.494	167.668	-3.174
Financial revenue	68.929	60.666	8.264
Financial cost	33.872	19.156	14.716
Financial revenue, net	35.058	41.510	-6.452
Profit before tax	199.552	209.178	-9.626
Profit tax expense	34.328	34.177	151
Net profit for the period	165.224	175.001	-9.776
Exchange rate differences	-19.432	0	19.432
Actuarial (gain)/loss for the period	7.342	7.342	0
Total comprehensive income for the period	153.134	182.343	-29.209

Consolidated obtained 2020 versus consolidated obtained 2019

The statement of the financial results achieved as at 31 December 2020 as opposed to 2019 is illustrated in the table below:

(thousand lei)

Name	Obtained 2020	Obtained 2019	Changes
0	1	2	$3 = \frac{1}{2} \times 100 - 100$
Operating revenue before the balancing and construction activity, according to IFRIC12	1.338.015	1.575.925	-15%
Revenue from the balancing activity	199.239	324.688	-39%
Revenue from the construction activity according to IFRIC12	1.587.548	868.357	83%
Financial revenue	68.929	101.618	-32%
Operating costs before the balancing and construction activity, according to IFRIC12	1.173.521	1.234.622	-5%
Costs of balancing gas	199.239	324.688	-39%
Cost of assets according to IFRIC12	1.587.548	868.357	83%
Financial costs	33.872	30.779	10%
Total GROSS PROFIT, of which:	199.552	412.143	-52%
· from operation	164.494	341.303	-52%
· from the financial activity	35.058	70.840	-51%
Income tax	34.328	70.749	-51%
NET PROFIT	165.224	341.394	-52%
Exchange rate difference	-19.432	3.668	X
Other elements of the comprehensive income	7.342	-4.637	X
Total comprehensive income for the period	153.134	340.426	-55%

Table 20 – Consolidated financial results 2020 vs.2019

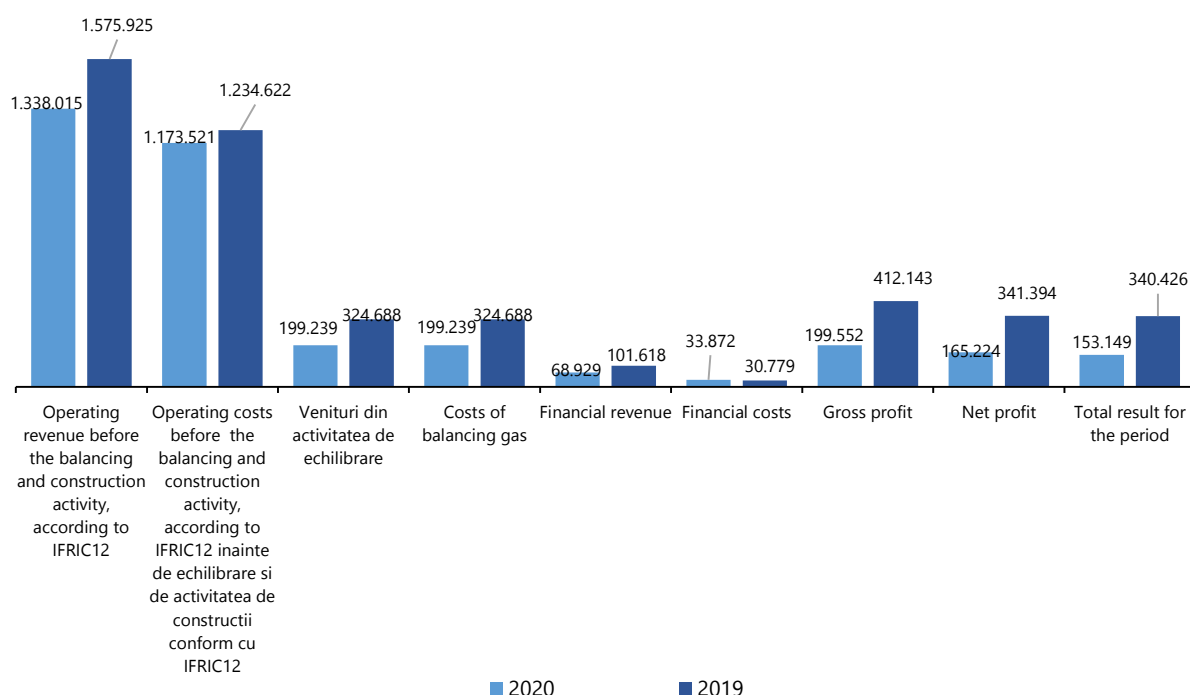


Chart 31 – Consolidated financial results 2020 vs. 2019 (thousand lei)

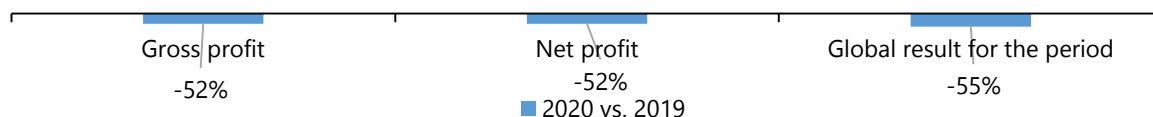


Chart 32- Consolidated financial results 2020 vs. 2019 (%)

The variation of the consolidated economic-financial indicators at 31 December 2020, compared to the indicators obtained in the similar period of 2019 is mainly determined by the variation of the individual economic-financial indicators recorded by SNTGN Transgaz SA on 31 December 2020 compared to the indicators obtained in the similar period of 2019.

The main impact of the subsidiaries in the consolidated result is determined by the evolution of the MDL (Moldavian leu) exchange rate compared to the EUR currency in which the source for financing the investment project carried out by the subsidiary was partially attracted and compared to the reporting currency of the consolidated financial statements (RON).

5.5 Evaluation of the activity related to the financial risk management

Financial risk factors

By the nature of the activities performed, the company is exposed to various risks, which include: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk.

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company does not use derivative financial instruments to protect itself from certain risk exposures.

Market risk

Currency risk

The Company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets and recognized liabilities.

The Company does not perform formal actions to minimize the currency risk related to its operations; the Company does not apply hedge accounting. The management believes, that the Company is covered in terms of the currency risk, given that sales in foreign currencies (mainly incomes from international transmission) are used to settle liabilities denominated in foreign currencies.

The following table shows the sensitivity of profit or loss and equity, to reasonably possible changes in exchange rates applied to the end of the reporting period of the functional currency of the Company, with all variables held constant:

	31 December 2020	31 December 2019
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	123.351	125.419
USD depreciation by 10%	(123.351)	(125.419)
EUR appreciation by 10%	(35.954.181)	(32.214.164)
EUR depreciation by 10%	35.954.181	32.214.164

Price risk

The Company is exposed to the commodity price risk related to the gas purchased for own consumption. If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 3.325.834 in December 2020 (December 2019: lei 2.989.892).

Interest rate risk on cash flow and fair value

The Company is exposed to interest rate risk by deposits with banks and loans with variable interest taken. The Company did not conclude any commitment to diminish the risk. For the average exposure of the period, if the interest rates had been by 50 basis points lower/higher,

with all the other variables maintained constant, the profit related to the period and equity would have been lower/higher by lei 7.705.629 (lower/higher by lei 497.755 in December 2019), as a net result of the change of interest rate for variable interest loans and interest rate for bank deposits.

Credit risk

Credit risk is especially related to cash and cash equivalents and trade receivables. The Company prepared a number of policies ensuring that products and services are sold to proper customers.

The accounting value of the receivables without the adjustments for uncertain receivables represents the maximum value exposed to credit risk.

The Company's credit risk is concentrated on the 5 main customers, which together account for 47% of the trade receivable balances as at 31 December 2020 (31 December 2019: 47%).

Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the adjustments already made.

At the end of 2020 the Company has payment guarantees from clients amounting to lei 204.839.304.

The cash is placed in financial institutions which are considered to be associated with a minimum performance risk.

	31 December 2020	31 December 2019
Without rating	1.565.253	43.030.956
BB+	129.228.022	61.134.709
BBB-	71.152.016	7.691.934
BBB	119.791	-
BBB+	86.472.555	240.441.135
A	136.721	137.355
AA-	-	363.482
AA	643.159	=
	<u>289.317.517</u>	<u>352.799.571</u>

All financial institutions are presented to Fitch rating or equivalent.

Liquidity risk

Cautious liquidity risk management involves keeping enough cash and funds available by a proper value of committed credit facilities.

The company forecasts the cash flows. The financial structure of the Company continuously monitors the Company's liquidity requirement to make sure there is enough cash to meet the operational requirements, maintaining at the same time a sufficient level of unused borrowing facilities at any time, so that the Company does not break the limits or breach loan agreements (where applicable) for any of its credit facilities.

Such forecasts consider the Company's debt financing plans, compliance with agreements, compliance with internal objectives on the balance sheet indicators and, if appropriate, external regulations or provisions.

The Financial Division of the Company invests extra cash in interest bearing current accounts and term deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide the appropriate framework, established under the provisions mentioned above. The table below shows the obligations as at 31 December 2020 in terms of remained contractual maturity. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

Analysis of financial liabilities on 31 December 2020 in terms of maturity:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	1.903.768.715	104.075.855	829.686.798	970.006.062
Commercial debts and other debts	<u>450.599.080</u>	<u>434.116.640</u>	<u>16.482.440</u>	
	<u>2.354.367.795</u>	<u>538.192.495</u>	<u>846.169.238</u>	<u>970.006.062</u>

Analysis of financial liabilities on 31 December 2019 in terms of maturity:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	733.796.269	12.395.649	181.382.883	540.017.737
Commercial debts and other debts	<u>344.728.433</u>	<u>291.449.595</u>	<u>53.278.838</u>	=
	<u>1.078.524.702</u>	<u>303.845.244</u>	<u>234.661.721</u>	<u>540.017.737</u>

Commercial and other debts comprise trade payables, suppliers of fixed assets, dividends payable and other debts which are not included> debt generated as a result of the legal provisions imposed by the authorities, debts to employees and deferred revenue.

Categories of financial instruments:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Financial assets		
Cash and cash equivalents	108.672.451	339.753.879
Term bank deposits	180.779.589	13.231.240
Credits and receivables	2.077.884.409	1.244.132.492
Financial assets - shares	24.578.237	24.887.146
Adjustments for financial assets - shares	<u>(24.578.237)</u>	<u>(24.887.146)</u>
	<u>2.367.336.449</u>	<u>1.597.117.611</u>

	<u>31 December 2020</u>	<u>31 December 2019</u>
Financial liabilities		
Debts measured at depreciated cost:		
Loans	1.714.795.911	663.930.000

-Financial guarantees related to contracts	19.125.114	75.006.895
-Commercial debts and other debts	<u>308.698.920</u>	<u>269.721.538</u>
	<u>2.042.619.945</u>	<u>1.008.658.433</u>

The loans and receivables category does not include the receivables from the relationship with employees and advance expenses.

Capital risk management

The company's objectives related to capital management refer to maintaining the Company's capacity to continue its activity in order to provide compensation to shareholders and benefits to the other stakeholders and maintain an optimal structure of the capital, as to reduce capital expenditure. There are no capital requirements imposed from outside.

Like the other companies in this sector, Transgaz monitors the capital based on the debt leverage. This factor is calculated as net debt divided by total capital.

The net debt is calculated as total borrowings (including `current and long-term borrowings`, as indicated in the statement of financial position), except cash and cash equivalent.

The total capital is calculated as `equity`, according to the statement of financial position, plus the net debt.

In 2020, the Company's strategy which remained unchanged compared to 2019, was to keep the debt leverage degree as low as possible to keep a significant borrowing capacity for future investments. The net leverage at 31 December 2020 and at 31 December 2019:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total loans	1.714.795.911	663.930.000
Less: cash and cash equivalents	<u>(289.452.040)</u>	<u>(352.985.119)</u>
Net cash position	<u>1.425.343.871</u>	<u>310.944.881</u>

Fair value estimate

The fair value of financial instruments traded on an active market is based on market prices quoted at the end of the reporting period.

The fair value of financial instruments that are not traded on an active market is set using valuation techniques.

The book value less the adjustment for the impairment of trade receivables and commercial debt is deemed to approximate their fair value.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows using the current market interest rate available to the Company for similar financial instruments.

6. INDIVIDUAL FINANCIAL REPORTING

6.1 Individual financial position

According to Article 1 of Order no. 881/25 June 2012 of the Ministry of Public Finance on the application of the International Financial Reporting Standards by companies having securities admitted to trading on a regulated market, starting with financial year 2012, the companies having securities admitted to trading on a regulated market are obliged to apply the International Financial Reporting Standards (IFRS) upon preparation of the individual annual financial statements.

The statement of the individual financial position as at 31.12.2020 as compared to 31.12.2019 is as follows:

Indicator	31.12.2020 Thousand lei	31.12.2019 Thousand lei	Dynamics (%)
0	1	2	3=1/2
Tangible assets	449.718	476.406	94,40%
Rights of use for the leased assets	19.192	9.359	205,06%
Intangible Assets	3.931.662	3.058.556	128,55%
Financial assets	284.273	215.887	131,68%
Trade receivables and other receivables	1.364.269	723.921	188,46%
Deferred tax	5.322	0	-
Fixed assets	6.054.436	4.484.129	135,02%
Inventories	191.061	488.034	39,15%
Commercial receivables and other receivables	626.163	485.867	128,88%
Cash at hand and in bank	276.174	311.138	88,76%
Current assets –TOTAL	1.093.398	1.285.039	85,09%
TOTAL ASSETS	7.147.834	5.769.168	123,90%
Debts to be paid over a one-year period	700.280	497.439	140,78%
Debts to be paid over a period of more than one year	2.655.413	1.489.789	178,91%
Total debts	3.365.693	1.987.228	169,37%
Equity	3.782.142	3.781.940	100,01%
Share capital	117.738	117.738	100,00%
Hyperinflation adjustment of share capital	441.418	441.418	100,00%
Share premium	247.479	247.479	100,00%
Other reserves	1.265.797	1.265.797	100,00%
Retained earnings	1.709.710	1.709.508	100,01%
Total equity and debts	7.147.835	5.769.168	123,9%

Table 21- Statement of individual financial position at 31 December 2020 vs 31 December 2019

Tangible Assets

Tangible assets include auxiliary buildings of operating assets, office buildings, land, assets used for the transit activity, as well as objectives related to the national transmission system taken over free of charge.

Tangible assets decreased by lei 26.688 thousand as compared to the value as at 31.12.2019, mainly due to the fact that the tangible assets inflow did not exceed the depreciation cost for tangible assets.

Rights of use of leased assets

As of 1 January 2019 the company applies IFRS 16 for lease contracts complying with the recognition criteria and recognized as intangible asset right of use related to the lease contracts.

The rights of use of leased assets increased by lei 9.833 thousand as compared to 31 December 2019 due to the recording of new leased assets contracts.

Intangible Assets

IT Programmes

The purchased licenses related to the rights to use the IT programmes are capitalized on based on the costs incurred with the procurement and commissioning of the respective IT programmes.

Such costs are depreciated over their estimated useful life (three years).

Costs related to the development or maintenance of the IT programmes are recognized as costs during the period when they are registered.

Concession agreement

From 2010, in accordance with the EU approval process, the Company started to apply IFRIC 12, Service Concession Arrangements, adopted by the EU.

The scope of IFRIC 12 includes: the existing infrastructure at the time of signing the concession agreement and, also, modernization and improvement brought to the gas transmission system, which are transferred to the regulatory authority at the end of the concession agreement.

The Company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right.

Due to the fact that the Service Concession Agreement ('SCA') had no commercial substance (i.e. nothing substantial changed in the way the Company operated assets; cash flows changed only with the payment of royalties, but, on the other hand, the transmission tariff increased to cover the royalty), the intangible asset was measured at the remaining net value of the unrecognized assets (classified in the financial statements as tangible assets on the date of application of IFRIC 12).

Consequently, the Company continued to recognize the asset, but reclassified it as intangible asset.

The company tested the intangible assets recognized at the time without identifying depreciation.

As they occur, costs of replacements are recorded as expense, while the improvements of assets used within SCA are recognized at fair value.

Intangible assets are amortized at zero value during the remaining period of the concession agreement.

Intangible assets increased by lei 873.106 thousand as compared with the value as at 31.12.2019, this increase being mainly due to the investment works related to the main projects under the TYNDP. Advance payments for intangible assets amounting to lei 105.631 thousand were recorded at the end of the period.

Financial assets

The financial assets increased by lei 68.386 thousand as compared to 31.12.2019 and it is the increase of the share capital of the company EUROTRANSGAZ SRL Chisinau, established EGMS Resolution 10/12.12.2017 of SNTGN Transgaz SA.

Trade receivables and other receivables

The receivables to ANRM on 31 December 2020 increased by the amount of lei 640.348 thousand, calculated after the entry into force of Law 127/2014 of 5 October 2014, which states that in case of termination of the concession agreement for any reason, or upon termination, the investment of the national transmission system operator shall be transferred to the owner of the national transmission system or another concession provider on payment of a compensation equal to the regulated value remaining not amortized, established by ANRE.

The increase by lei 640.348 thousand compared to the one as at 31 December 2019 is determined mainly by the updating of the receivables with the modifications registered in the RAB and the adjustment of the regulatory asset value by the inflation rate starting with 2019, according to ANRE Order 41/2019.

Inventories

On 31 December 2020, inventories decreased by lei 296.973 thousand compared to the value as at 31 December 2019, mainly due to the recording of the materials procured for the execution of the project Development on the Romanian territory of the National Gas Transmission System Bulgaria-Romania-Hungary-Austria and of the project NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova at investments in progress.

Commercial receivables and other receivables

On 31 December 2020 the balance of the commercial receivables and other receivables increased by lei **140.296** thousand as compared to 31 December 2019, mainly due to the following factors:

- decrease of the client receivables balance by lei 106.683 thousand mainly generated by the decrease in the balance of the receivables resulted from the gas transmission and international transit activity;

- increase of the provisions for the impairment of the trade receivables and of other receivables by lei 67.030 thousand;
- increase of non-refundable grants as subventions by lei 231.525 thousand;
- increase of the balance of other receivables by lei 82.484 thousand.

Cash at hand and in bank

On 31 December 2020 the company's cash decreased by lei 34.964 thousand as compared to the end of 2019.

The cash in bank accounts in lei increased by lei 143.430 thousand and the cash in back accounts in currency decreased by lei 178.343 thousand.

Other cash elements and cash equivalent register a decrease by lei 51 thousand compared with 2019.

Debts to be paid over a one-year period

In the structure of debts to be paid over a one-year period, the following changes were noticed compared to 31 December 2019:

- increase of the balance of the commercial debt and other debt by lei 36.796 thousand;
- increase of the provision for risks and charges by lei 3.555 thousand on account of reconsideration in the revenue of the provision for untaken holidays, and of the provision for employee participation in the profit for 2019, which were exceeded by the value of the provision established for the participation of employees to the profit recorded for 2020 at 31 December 2020;
- increase of the provision for employee benefits over the short term by lei 1.044 thousand;
- recording of short-term loans of lei 118.125 thousand.

Long-term debts

The evolution of long-term debts is due to the following aspects:

- increase of loans over the long term by lei 826.621 thousand;
- decrease of provision for employee benefits by lei 1.248 thousand;
- increase of deferred revenue and of the subsidies by lei 395.906 thousand;
- decrease of deferred tax by lei 7.860 thousand;
- decrease of the commercial debts and other debts in the amount of lei 36.796 thousand.

Equity

The subscribed and paid up capital remained unchanged.

The increasing of the retained earnings by lei 202 thousand is determined by the allocation of the profit related to 2019 to dividends owed to shareholders and the increase of the retained earnings, which exceeded the profit registered in 2020.

6.2 Individual comprehensive income

The situation of the individual profit and loss account in 2019 - 2020:

Specification	Obtained (thousand lei)		Dynamics (%)
	31.12.2020	31.12.2019	
1	2	3	4=2/3
TOTAL revenue of which:	3.180.957	2.868.664	110,89%
Operating revenue before the construction activity, according to IFRIC12	1.333.504	1.576.667	84,58%
Revenue from the balancing activity	199.239	324.688	61,36%
Revenue from the construction activity according to IFRIC12	1.587.548	868.357	182,82%
Financial revenue	60.666	98.952	61,31%
TOTAL costs of which:	2.971.779	2.449.562	121,32%
Operating costs before the construction activity, according to IFRIC12	1.165.836	1.228.699	94,88%
Cost of balancing	199.239	324.688	61,36%
Cost of constructed assets according to IFRIC12	1.587.548	868.357	182,82%
Financial costs	19.156	27.818	68,86%
GROSS PROFIT, of which:	209.178	419.102	49,91%
Result from operation	167.668	347.968	48,19%
Financial result	41.510	71.134	58,35%
PROFIT TAX	34.177	70.843	48,24%
NET PROFIT	175.001	348.259	50,25%

Table 22- Individual profit and loss account 2020 vs. 2019

Operating revenue

Operating revenue before the balancing and the construction activity according to IFRIC 12 obtained in 2020 vs 2019 is as follows:

No.	Specification	Obtained (thousand lei)		Dynamics (%)
		2020	2019	
0	1	2	3	4=2/3*100
1.	Revenue from the transmission activity			
	- Thousand lei	1.150.465	1.192.598	96,47
	- MWh	133.235.593	145.615.593	91,50
	- lei/MWh	8,63	8,19	105,43

3.	Revenue from the international transmission activity			
	- Thousand lei	114.223	327.696	34,86
4.	Other operating revenue			
	- Thousand lei	68.816	56.373	122,07
TOTAL OPERATING REVENUE before the balancing and the construction activity according to IFRIC12		1.333.504	1.576.667	84,58

Table 23 - Revenue from the operating activity –Obtained in 2020 vs. 2019

Operating expense

The operating expense obtained in 2020 as compared to 2019 is as follows:

No.	Specification	Obtained (thousand lei)		Dynamics (%)
		2020	2019	
0	1	2	3	4=2/3*100
1.	Depreciation	247.009	193.622	127,57
2.	Indemnities, salaries, other expenditures related to salaries and benefits to employees	431.952	413.647	104,43
3.	Technological consumption, materials and consumables used, of which:	115.609	99.267	116,46
	- Transmission system Technological consumption and loss	79.187	66.257	119,51
	- Technological consumption quantity - MWh*	704.997	640.705	110,03
	- Auxiliary materials	32.795	28.611	114,62
	- Other material expenditures	3.628	4.399	82,47
4.	Expenditures related to royalties	107.622	151.283	71,14
5.	Maintenance and transport, of which:	30.315	29.844	101,58
	- Works, services performed by third parties	17.167	12.632	135,90
6.	Taxes and other amounts due to the State, of which:	71.870	111.290	64,58
	- Gas transmission and international transit license fee	9.007	37.891	23,77
	- Monopoly tax	56.196	66.697	84,26
7.	Cost of the provision for risks and charges	6.073	49.819	12,19
8.	Other operating expense	155.385	179.927	86,36
TOTAL OPERATING EXPENSE before the balancing and the construction activity according to IFRIC12		1.165.836	1.228.699	94,88

Table 24 - Operating costs obtained in 2020 vs 2019

6.3 Individual cash flow statement

The individual cash flow statement on 31 December 2020 as compared to 2019 is as follows:

Indicator	Financial year ended 31 December (thousand lei)	
	2020	2019
Profit before tax	209.178	419.102
Adjustments for:	0	0
Depreciation	247.009	193.622
Impairment of intangible assets	0	2.129
Gain/(loss) from the transfer of fixed assets	-145	-102
Provisions for risks and charges	3.555	53.592
Adjustments for write-down of inventories	-832	607
Revenue from connection fees, grants and goods taken free of charge	-44.139	-23.347
Provisions for guarantees	-487	-969
Provisions for employees benefits	1.786	2.846
Effect of unwinding of provisions for employees benefits	5.353	4.218
Loss on amounts receivable and sundry debtors	490	13
Adjustment of impairment of receivables	67.518	81.229
Interest revenue	-28.025	-24.545
Interest expenses	2.867	0
Concession Agreement receivable adjustment	-29.334	-49.677
Adjustments for impairment of financial assets	-309	70
The effect of the currency exchange rate variation on other elements than operation	9.058	6.817
Other costs and revenue	-705	-306
Operating profit before the changes in working capital	442.837	665.300
(Increase)/decrease in trade and other receivables	60.175	-61.658
(Increase)/decrease in inventories	42.057	-233.400
Increase/(decrease) in commercial debt and other debt	-112.138	59.113
Cash from operations	432.931	429.355
Paid interest	-2.851	0
Received interest	2.105	1.929
Paid profit tax	-61.437	-69.822
Cash inflows from operation	370.748	361.461
Cash flow from investments		
Payments for the acquisition of tangible and intangible assets	-1.340.789	-907.675
Financial investments/shares	-68.386	-170.356
Receipts from the transfer of intangible assets	214	146

Cash from connection fees and non-reimbursable funds	252.244	151.275
Net cash used in investment activities	-1.156.717	-926.610
Cash flow from financing activities		
Disbursements on long term loans	637.938	423.477
Loan reimbursement on the long term	-2.785	0
Credit drawings for the working capital	299.720	0
Paid dividends	-183.867	-255.942
Net cash used in financing activities	751.006	167.535
Net change in cash and cash equivalents	-34.964	-397.614
Cash and cash equivalents at the beginning of the year	311.138	708.752
Cash and cash equivalents at the end of the period	276.174	311.138

Table 25 – Statement of individual cash flow – 2020 vs. 2019

The analysis of the cashflow as of 31 December 2020 show a decrease of liquid assets by Lei 34.964 thousand as compared to 30 September 2019.

The changes to the structure of the cash flow for are:

- cash flow from operation is of lei 432.931 thousand, higher by lei 3.576 thousand than in 2019;
- cash flow from the investment activity is of lei 1.156.717 thousand, lower by lei 230.107 thousand than in 2019;
- cash flow used in the financing activity is of lei 751.006 thousand, higher by lei 583.471 thousand than in 2019.

As at 31 December 2020 the balance of the resources available in the bank accounts of the company was of lei 276.174 thousand, of which 10% are liquid assets in foreign currency, mostly in EURO.

6.4 Factor analysis of the activity

Obtained in 2020 vs. Obtained in 2019

The financial results obtained on 31 December 2020 as compared to 2019 is as follows:

(thousand lei)

Name	Obtained 2020	Obtained 2019	Changes
0	1	2	$3 = \frac{1-2}{2} \times 100 - 100$
Operating revenue before the balancing and the construction activity, according to IFRIC12	1.333.504	1.576.667	-15%

Revenue from the balancing activity	199.239	324.688	-39%
Revenue from the construction activity according to IFRIC12	1.587.548	868.357	83%
Financial revenue	60.666	98.952	-39%
Operating costs before the balancing and the construction activity, according to IFRIC12	1.165.836	1.228.699	-5%
Costs of balancing gas	199.239	324.688	-39%
Cost of assets according to IFRIC12	1.587.548	868.357	83%
Financial costs	19.156	27.818	-31%
Total GROSS PROFIT, of which:	209.178	419.102	-50%
· from operation	167.668	347.968	-52%
· from the financial activity	41.510	71.134	-42%
Income tax	34.177	70.843	-52%
NET PROFIT	175.001	348.259	-50%
Other elements of the comprehensive income	7.342	-4.637	X
Total comprehensive income for the period	182.343	343.622	-47%

Table 26 - Financial results 2020 vs. 2019

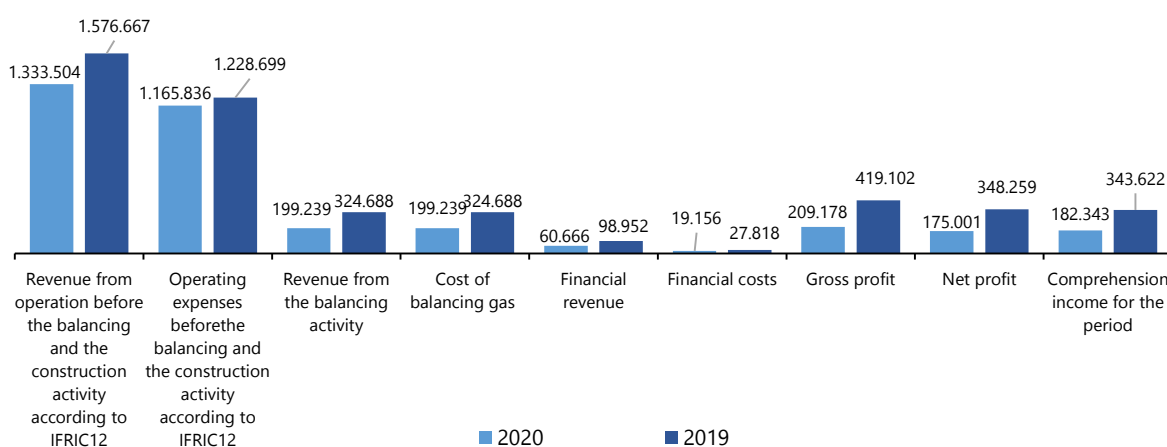


Chart 33 - Financial results 2020 vs 2019 (thousand lei)

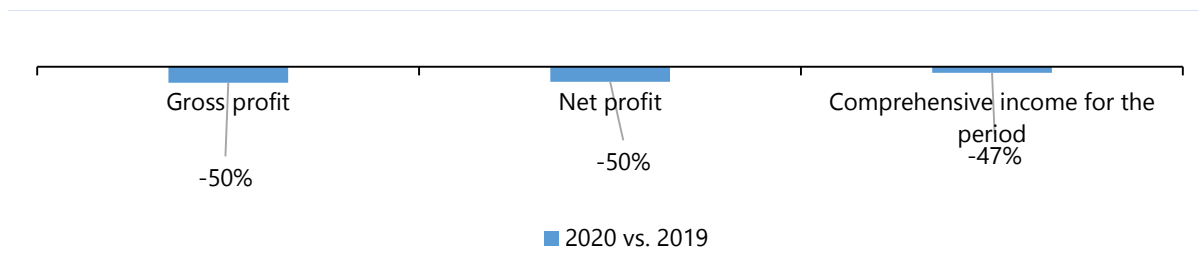


Chart 34 - Financial results 2020 vs. 2019 (%)

Operating revenue before the balancing and construction activity, according to IFRIC12 decreased by 15% as compared to 2019, which is lower by LEI 243.163 thousand.

The revenue was influenced mainly by the following factors:

- commodity revenue lower by LEI 106.379 thousand due to:
 - the commodity transmission tariff lower by LEI 0,60 /MWh, with a negative influence of LEI 73.280 thousand;
 - the transmitted gas quantity lower by 12.380.000MWh/847.235 thousand cm (▼9%), compared to 2019, with a negative influence of LEI 33.098 thousand, detailed by categories of consumers as follows:

		12 months 2020	12 months 2019	Differences
Quantity transmitted for direct consumers	MWh	57.162.565	69.513.278	-12.350.713
	thousand m3	5.309.374	6.147.306	-837.932
Quantity transmitted for distribution	MWh	76.073.028	76.102.315	-29.287
	thousand m3	7.070.892	7.080.195	-9.303
Total	MWh	133.235.593	145.615.593	-12.380.000
	thousand m3	12.380.266	13.227.501	-847.235

The commodity tariffs decreased in 2020 as compared to 2019, mainly due to:

- Order 10/2017 of the ANRE President on the amending of Order 32/2014 of ANRE President on the approval of the Gas Transmission Regulated Revenue, Total Revenue and Regulated Tariffs Methodology, which establishes the increasing by 5% per year of the percentage by which the approved revenue is recovered by the application of the capacity booking tariff, up to 85%, and the decreasing of the percentage by which the approved revenue is recovered by the application of the commodity tariff. In gas year 2019-2020 the variable component of the total revenue at the basis of the commodity tariffs is 25% of the total revenue and in gas year 2020-2021 to 20% of the total revenue;

- at the substantiation of the tariffs for gas years 2019-2020 and 2020-2021, the tax on the monopoly was not recognised by ANRE at the pass-through costs and implicitly at the regulated revenue.
- revenue from capacity booking higher by **LEI 64.246 thousand** due to:
 - capacity booking tariff higher by LEI 0,19/MWh, with a positive influence of LEI 69.510 thousand, increase mainly determined by the invoicing of revenue from the auction premium, following the capacity booking auctions performed according to the CAM-NC by interconnection points;
 - booked capacities lower by 2.213.274 MWh, with a negative influence of LEI 5.264 thousand.
- international gas transmission revenue lower by **LEI 213.474 thousand** due to the termination of the transmission contract with Gazprom Export Ltd for the Isaccea 2 - Negru Voda 2 pipeline and regulation of the Isaccea 1 – Negru Voda 1 pipeline transmission revenue according to the methodology approved by ANRE Order 41/2019 following the connection of this pipeline to the National Transmission System from 1 October 2019;
- other operating revenue higher by **LEI 12.444 thousand**.

Revenue from the balancing activity decreased by **LEI 125.449 thousand** based on the following factors:

- trading price lower by LEI 35,21/MWh, with a negative influence of LEI 108.948 thousand;
- quantity lower by 165.680 MWh with a negative influence of LEI 16.501 thousand;

Revenue from the construction activity higher by **LEI 719.192 thousand**, registered in line with IFRIC 12, according to which revenue and costs related to the construction activity or the improvement of the transmission network, in exchange of which the intangible asset is registered, must be acknowledged in line with IAS 11, Construction Contracts;

Financial revenue with a negative influence of **LEI 38.286 thousand**, mainly based on the registration of the updating of the regulated assets with the inflation rate for 2020, the 2015-2019 inflation rate being used in the previous year.

Operating costs before the balancing and construction activity according to IFRIC12 decreased by 5% as compared to 2019, which is lower by **LEI 62.864 thousand**.

The company made savings of LEI 152.140 thousand to the following cost elements:

- other operating costs: LEI 24.542 thousand, based on the decreasing of the adjustments for impairment of current assets by LEI 21.648 thousand;
- cost of taxes and duties due to the state: LEI 39.420 thousand, mainly due to the decreasing of the gas transmission license fee cost by LEI 28.884 thousand and of the monopoly tax cost by LEI 10.501 thousand;
- costs of NTS concession royalty: LEI 43.660 thousand; Transgaz pays a royalty amounting to 0,4% of the gross revenue obtained from the operations of gas transmission and transit through the national transmission systems which are the

public property of the state, after the entry into force of Law 244/09.11.2020; before that the rate was 10%;

- costs of the provision for risks and charges: LEI 43.746 thousand, mainly due to the recording in 2019 of the provision regarding the investigation performed by the Competition Council amounting to LEI 41.758 thousand, and to decreasing its value in 2020 with the amount of LEI 7.591 thousand, following the decision of the Competition Council to apply a LEI 34.166 thousand penalty on the company;
- other material costs: LEI 771 thousand.

Exceedings amounting to LEI 89.276 thousand were recorded to the following cost elements:

- transmission system gas consumption LEI 12.930 thousand, due to:
 - the quantity of natural gas for NTS gas consumption higher by 64.293 MWh as compared to 2019, with a negative influence of LEI 6.649 thousand;
 - the average purchase price obtained higher by LEI 8,91/MWh as compared to the one obtained in 2019, with a negative influence of LEI 6.281 thousand;
- employee costs: LEI 18.305 thousand;
- depreciation costs: LEI 53.386 thousand, based on the completion and commissioning of the major investment projects;
- cost of maintenance and transmission: LEI 471 thousand;
- cost of auxiliary materials: LEI 4.184 thousand.

The financial cost is lower by **LEI 8.662 thousand** mainly based on the foreign currency exchange loss.

Compared to the achievements for 2019 the gross profit obtained in 2020 decreased by 50%, which is lower by LEI 209.923 thousand.

Obtained in 2020 versus Budget 2020

The main economic and financial indicators achieved in 2020 as compared to the Revenue and Expense Budget approved by OGMS Resolution no. 2/4 March 2020 are as follows:

(thousand lei)

Name	REB 2020	Obtained 2020	Changes
0	1	2	3 = 1/2x100- 100
Operating revenue before the balancing and the construction activity, according to IFRIC12	1.400.382	1.333.504	-5%
Revenue from the balancing activity	120.150	199.239	66%
Revenue from the construction activity according to IFRIC12	2.083.209	1.587.548	-24%

Name	REB 2020	Obtained 2020	Changes
0	1	2	3 = 1/2x100- 100
Financial revenue	49.458	60.666	23%
Operating costs before the balancing and construction activity, according to IFRIC12	1.297.494	1.165.836	-10%
Costs of balancing gas	120.150	199.239	66%
Cost of assets according to IFRIC12	2.083.209	1.587.548	-24%
Financial costs	22.736	19.156	-16%
Total GROSS PROFIT, of which:	129.609	209.178	61%
· from operation	102.888	167.668	63%
· from the financial activity	26.721	41.510	55%
Income tax	21.151	34.177	62%
NET PROFIT	108.458	175.001	61%

Table 27 - Financial results 2020 vs. Budget 2020

The revenue was influenced by the following:

Gas transmission services were influenced by the following:

- gas transmission services decreased by lei **16.411 thousand** due to:
 - *booked capacity higher* by 7.874.692 MWh with a positive influence of lei **18.997 thousand**, increase influenced also by the invoicing of the booking capacity surplus for 2020 (lei 45.808 thousand), according to ANRE Order 1/18.01.2016, ANRE Order 14/30 March 2016 and ANRE Order 160/26 November 2015;
 - *gas transmitted capacities lower than planned* by 13.240.087 MWh (▼9%) with a negative influence of lei **35.408 thousand**;
- revenue from international gas transmission services decreased by lei **1.669 thousand**, mainly due to the variation of the ongoing contracts currency exchange rate;
- other operating revenue decreased by lei **48.797 thousand** as compared to the REB. The Transgaz financial statements do not present the value of revenue from the production of tangible assets or the amount of the relevant expenses according to Order 2.844/2016 on the approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

Revenue from the balancing activity increased by lei **79.089 thousand** based on the following:

- quantity higher by 2.039.715 MWh with a positive influence of lei 232.364 thousand;
- trading price lower by lei 49,53/MWh, cu with a negative influence of lei 153.275 thousand.

Financial revenue increased by **lei 11.208 thousand** as compared to the REB, mainly based on the foreign currency gain.

The operating costs before the balancing and construction activity according to IFRIC12 decreased by **10%** as compared to the plan approved, which is lower by **lei 131.658 thousand** as compared to the REB.

Savings amounting to **lei 164.802 thousand** were recorded on the following cost elements:

- personnel costs: lei 50.116 thousand;
- costs of auxiliary materials and other materials: lei 21.307 thousand;
- costs of maintenance and transmission: lei 51.731 thousand;
- transmission system consumption: lei 7.847 thousand;
- cost of taxes and duties: lei 8.929 thousand.
- NTS concession royalty cost: lei 20.654 thousand;
- cost of provision for risks and charges: lei 4.218 thousand.

An expense surplus of lei 33.144 thousand was recorded at other operating costs and depreciation costs.

The financial cost is lower by **lei 3.581 thousand** as compared to the REB, mainly based on the foreign currency exchange gain.

The gross profit increased by 61% as compared to the plan, which is higher by lei 79.569 thousand as compared to the REB and the net profit increased by 61 % as compared to the plan, which is higher by lei 66.543 thousand as compared to the REB.

	Obtained 12 months 2020 vs. Obtained 12 months 2019	Obtained 12 months 2020 vs. REB 12 months 2020
Operating revenue before the balancing and construction activity, according to IFRIC12	-15%	-5%
Operating costs before the balancing and construction activity, according to IFRIC12	-5%	-10%
Gross result	-50%	61%
Profit tax	-52%	62%
Net profit	-50%	61%

Table 28– Obtained 12 months 2020 vs. Obtained 12 months 2019 and Obtained 12 months 2020 vs. REB 12 months 2020 (%)

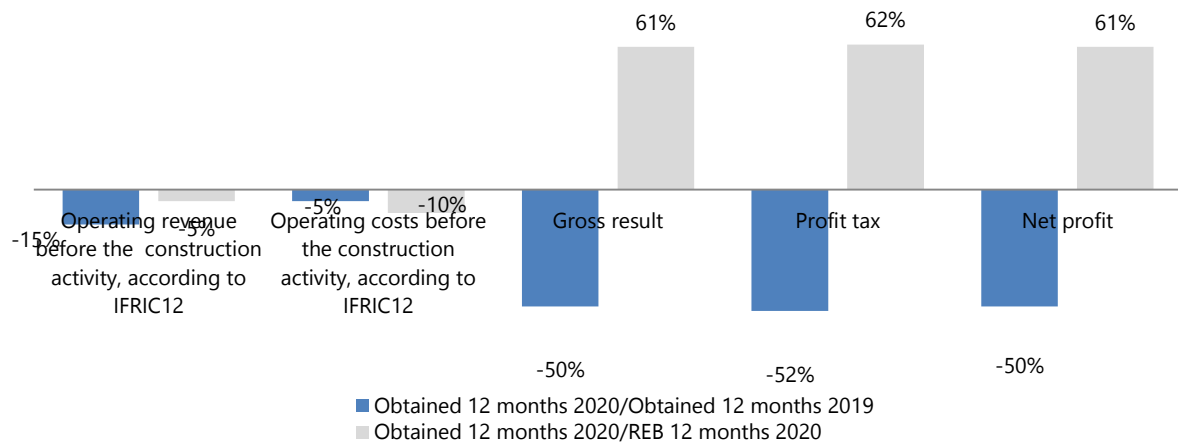


Chart 35- Obtained 12 months 2020 vs. Obtained 12 months 2019 and Obtained 12 months 2020 vs. REB 2020

Obtained 2020 versus Management Plan 2020

The key financial performance indicators were substantiated based on the company's Revenue and Expense Budget data approved by OGMS Resolution 2/2020.

The level of the financial performance indicators achieved as compared to the Management Plan is as follows:

(thousand lei)

No.	Performance criteria	Management Plan 2020	Obtained	Percentage	Difference
1.	Outstanding payments –thousand lei	0	0	100%	0
2.	Operating expense (without the depreciation, balancing, construction activity and provision for asset depreciation and for risks and charges) - thousand lei	1.095.239	846.555	129%	248.684
3.	Acid test ratio	1,11	1,29	116%	0,18
4.	Net debt-to-equity ratio	5,50	3,88	142%	1,62
5.	EBITDA – thousand lei	349.317	414.677	119%	65.360

Table 29 – Obtained 2020 vs. Management Plan 2020

6.5 Evaluation of the activity related to the financial risk management

Financial risk factors

By the nature of the activities performed, the company is exposed to various risks, which include: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk.

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company does not use derivative financial instruments to protect itself from certain risk exposures.

Market risk

Currency risk

The Company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets and recognized liabilities.

The Company does not perform formal actions to minimize the currency risk related to its operations; the Company does not apply hedge accounting. The management believes that the Company is covered in terms of the currency risk, given that sales in foreign currencies (mainly incomes from international transmission) are used to settle liabilities denominated in foreign currencies.

The following table shows the sensitivity of profit or loss and equity, to reasonably possible changes in exchange rates applied to the end of the reporting period of the functional currency of the Company, with all variables held constant:

	31 December 2020	31 December 2019
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	123.351	125.419
USD depreciation by 10%	(123.351)	(125.419)
EUR appreciation by 10%	(26.462.323)	(36.331.510)
EUR depreciation by 10%	26.462.323	36.331.510

Price risk

The Company is exposed to the commodity price risk related to the gas purchased for own consumption. If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 3.325.834 in December 2020 (lei 2.989.892 in December 2019).

Interest rate risk on cash flow and fair value

The Company is exposed to interest rate risk by deposits with banks and loans with variable interest taken. The Company did not conclude any commitment to diminish the risk.

For the average exposure of the period, if the interest rates had been by 50 basis points lower/higher, with all the other variables maintained constant, the profit related to the period and equity would have been lower/higher by lei 7.556.613 (lower/higher by lei 497.755 in

December 2019), as a net result of the change of interest rate for variable interest loans and interest rate for bank deposits.

Credit risk

Credit risk is especially related to cash and cash equivalents and trade receivables. The Company prepared a number of policies ensuring that products and services are sold to proper customers.

The accounting value of the receivables without the adjustments for uncertain receivables represents the maximum value exposed to credit risk.

The Company's credit risk is concentrated on the 5 main customers, which together account for 47% of the trade receivable balances as at 31 December 2020 (31 December 2019: 47%).

Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the adjustments already made.

At the end of 2020 the Company has payment guarantees from clients amounting to lei 204.839.304.

The cash is placed in financial institutions which are considered to be associated with a minimum performance risk.

	31 December 2020	31 December 2019
Without rating	1.565.253	1.183.999
BB+	129.210.884	61.134.709
BBB-	71.152.016	7.691.934
BBB+	73.331.714	240.441.135
A	136.721	137.355
AA-	643.159	363.482
	276,039,747	310.952.614

All financial institutions are presented to Fitch rating or equivalent.

Liquidity risk

Cautious liquidity risk management involves keeping enough cash and funds available by a proper value of committed credit facilities.

The company forecasts the cash flows.

The financial structure of the Company continuously monitors the Company's liquidity requirement to make sure there is enough cash to meet the operational requirements, maintaining at the same time a sufficient level of unused borrowing facilities at any time, so that the Company does not break the limits or breach loan agreements (where applicable) for any of its credit facilities.

Such forecasts consider the Company's debt financing plans, compliance with agreements, compliance with internal objectives on the balance sheet indicators and, if appropriate, external regulations or provisions.

The Financial Division of the Company invests extra cash in interest bearing current accounts and term deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide the appropriate framework, established under the provisions mentioned above.

The table below shows the obligations as at 31 December 2020 in terms of remained contractual maturity.

The amounts disclosed in the maturity table are contractual undiscounted cash flows.

Analysis of financial liabilities as of 31 December 2020 in terms of maturity:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	1.783.112.184	102.130.515	801.654.534	879.327.136
Commercial debts and other debts	340.396.992	323.914.552	16.482.440	-
	2.123.509.176	426.045.067	818.136.974	879.327.136

Analysis of financial liabilities as of 31 December 2019 in terms of maturity:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	733.796.269	12.395.649	181.382.883	540.017.737
Commercial debts and other debts	311.146.989	257.868.151	53.278.838	-
	1.044.943.258	270.263.800	234.661.721	540.017.737

Commercial and other debts comprise trade payables, suppliers of fixed assets, dividends payable and other debts which are not included > debt generated as a result of the legal provisions imposed by the authorities, debts to employees and deferred revenue.

Categories of financial instruments:

	31 December 2020	31 December 2019
Financial assets		
Cash and cash equivalents	95.394.681	297.906.921
Term bank deposits	180.779.589	13.231.240
Credits and receivables	2.025.294.235	1.205.939.118
Financial assets - shares	308.851.085	240.773.955
Adjustments for financial assets - shares	(24.578.237)	(24.887.146)
	2.585.741.353	1.732.964.088

	31 December 2020	31 December 2019
Financial liabilities		
Debts measured at depreciated cost:		
Loans	1.607.676.689	663.930.000
Debts assessed at the fair value:		

-Financial guarantees related to contracts	19.125.114	75.006.895
Commercial debts and other debts	304.789.438	182.861.256
	1.931.591.241	921.798.151

The loans and receivables category does not include the receivables from the relationship with employees and advance expenses.

Capital management risk

The company's objectives related to capital management refer to maintaining the Company's capacity to continue its activity in order to provide compensation to shareholders and benefits to the other stakeholders and maintain an optimal structure of the capital, as to reduce capital expenditure. There are no capital requirements imposed from outside.

Like the other companies in this sector, Transgaz monitors the capital based on the debt leverage. This factor is calculated as net debt divided by total capital. The net debt is calculated as total borrowings (including `current and long-term borrowings`, as indicated in the statement of financial position), except cash and cash equivalent. The total capital is calculated as `equity`, according to the statement of financial position, plus the net debt.

In 2020, the Company's strategy which remained unchanged compared to 2019, was to keep the debt leverage degree as low as possible to keep a significant borrowing capacity for future investments. The net leverage at 31 December 2020 and at 31 December 2019:

	31 December 2020	31 December 2019
Total loans	1.607.676.689	663.930.000
Less: cash and cash equivalents	(276.174.270)	(311.138.161)
Net cash position	1.331.502.419	352.791.839

Fair value estimate

The fair value of financial instruments traded on an active market is based on market prices quoted at the end of the reporting period. The fair value of financial instruments that are not traded on an active market is set using valuation techniques.

The book value less the adjustment for the impairment of trade receivables and commercial debt is deemed to approximate their fair value. The fair value of financial liabilities is estimated by discounting the future contractual cash flows using the current market interest rate available to the Company for similar financial instruments.

6.6 2017-2021 Economic and financial performance indicators

In line with the provisions of sub-chapter 5.4 of Transgaz's Management Plan in the period 2017-2021 entitled *Performance indicators in the period 2017-2021* the criteria and the performance objectives are defined and set as follows:

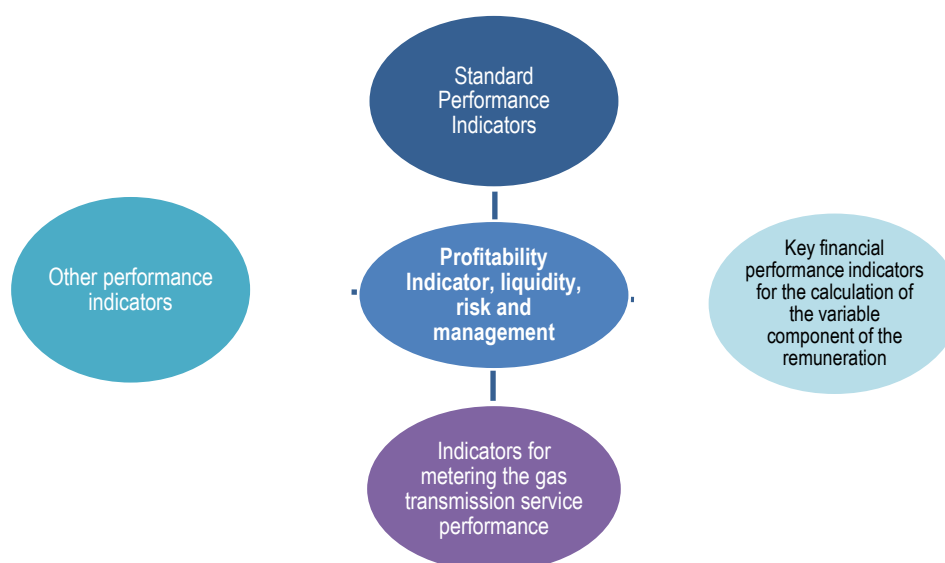


Figure 21 - Performance Indicators

6.6.1. Standard performance indicators

Performance criteria	Performance objective	Management Plan 2020	Obtained 2020	Obtained %
Commissioned investments - thousand lei	Plan achieved	524.685	2.020.454	385,08%
EBITDA- thousand lei	EBITDA increase	349.317	414.677	118,71%
Labour productivity – thousand lei/pers.	Increasing labour productivity in units of value (turnover / average no. of employees);	345	355	102,90%
Outstanding payments – thousand lei	Payments made during the contract duration (in current prices)	0	0	100,00%
Outstanding receivables – thousand lei	Diminished amount of outstanding receivables (in current prices)	387.842	464.287	83,53%
NTS gas consumption -%	Remaining within the gas quantities representing NTS gas consumption	100%	92,38%	108,25%
OPEX at lei 1000 operating revenue - lei	Diminishing of OPEX at lei 1000 operating revenue	927	874	106,06%

Table 30 - Achievement of the standard performance indicators on 31 December 2020 vs. Management Plan 2017-2021

6.6.2. Profitability, liquidity, risk and management indicators

Achievements between 2017- 2020 and estimation of Transgaz performance in 2021:

No.	Indicators	Calculation formula	Obtained 2017	Obtained 2018	Obtained 2019	Obtained 2020	Plan 2021
1.	Profitability Indicators						
	EBITDA in total sales	EBITDA	47,18%	43,03%	29,27%	28,13%	34,25%
		Turnover					
	EBITDA in equity	EBITDA	22,53%	20,19%	14,32%	10,96%	14,50%
		Equity					
	Gross profit share	Gross profit	39,17%	33,46%	22,65%	14,19%	17,94%
		Turnover					
	Return on equity	Net profit	15,48%	13,35%	9,21%	4,63%	6,48%
		Equity					
2.	Liquidity indicators						
	Current liquidity indicator	Current assets	5,57	3,59	2,58	1,56	1,30
		Short term debts					
	Immediate liquidity indicator	Current assets - Stocks	5,27	2,99	1,60	1,29	1,22
		Short term debts					
3.	Risk indicators						
	Indebtness indicator	Borrowed capital	1,85%	6,28%	17,48%	39,31%	85,26%
		Equity					
	Interest coverage ratio	EBIT	X	222,77	80,40	9,73	11,92
		Interest expense					
4.	Management indicators						
	Days sales outstanding	Average accounts receivable x 365 days	142,85	141,49	137,09	167,42	77,94
		Turnover					
	Days payable outstanding	Average accounts payable x 365 days	19,43	35,52	40,78	55,23	105,64
		Turnover					

Table 31– Profitability, liquidity, risk and management indicators in 2017-2021

7. CONSOLIDATED NON-FINANCIAL REPORTING

7.1 Non-financial statement

According to the provisions of Order 2844 of 12 December 2016 of the Ministry of Public Finance on the approval of the accounting regulations compliant with the International Financial Reporting Standards, public interest entities the securities of which are accepted for trading on a regulated market, include in the report of administrators a non-financial statement containing, to the extent to which this is necessary to understand the development,

performance and position of the entity and the impact of its activity, information on at least environmental, social and occupational issues, respect for human rights, the fight against corruption and bribery (Art. 39(1)) or must prepare a separate report (Art. 42(1)).

SNTGN Transgaz SA submitted the non-financial statement in the administrators' report.

In defining and establishing non-financial expectations, the shareholder the Romanian State, through the General Secretariat of the Government, and the other shareholders must ensure that non-financial expectations do not impede the fulfilment of financial expectations related to improving profitability and reducing losses.

For TRANSGAZ, the non-financial expectations of the public supervisory body and other shareholders expressed in the letter of expectation are.

- Compliance with the requirements of the European and national regulatory framework for natural gas transmission;
- Optimizing the quality of implementation of the principles of good corporate governance, ethics and integrity;
- Improving the process of strategic budgeting and monitoring of systems and management processes;
- Strengthening and diversifying the relations of internal and external collaboration;
- Increasing energy efficiency and reducing the negative impact of technological processes on the environment;
- Increasing the adaptability and the capacity of the company to react to the permanent changes of the environment in which it operates;
- Increasing the satisfaction of customers, business partners, suppliers and the quality of the services provided;
- Improving occupational safety and security;
- Improving the general, internal and external communication process of the company, of the image capital;
- Improving the professional training, improvement and development process of the staff;
- Increasing the market value, stock market capitalization and investor confidence in the company's shares;
- Optimizing the company's rating;
- Implementing an internal control mechanism to protect the investment made by shareholders in the company and its assets and to assist administrators in the annual assessment of the effectiveness of control mechanisms;
- Optimizing the social responsibility policy model and granting of sponsorship.

7.2 Responsible management and sustainable strategies

Starting from the definition of sustainability, 'meeting today's needs without sacrificing the ability of future generations to meet their own needs,' also known as sustainable development, we underline and support the importance of such a development policy.

Sustainable development policy helps the organization to avoid, mitigate or control the harmful impact of its activities on the environment and the population, to comply with applicable legal requirements and may be part of a trend that customers value.

Responsible management can be described as an attempt to maintain the balance between the interests of the entire world (people, companies, the environment) for the prosperity of both the present and future generations.

In order to comply with this principle, the policies adopted within the company aim at:

- minimizing the negative impact of the activity on the natural and social environment;
- generating economic benefits to the local community;
- improving working conditions;
- preserving natural heritage.

7.2.1 Integrated Management Quality-Environment, Health and Occupational Security

The company aligned itself with the international management systems and with the implementation and certification of the Quality, Environment, Occupational Health and Safety Integrated Management according to SR EN ISO 9001: 2015, SR EN ISO 14001: 2015 and SR-OHSAS 18001: 2008. The Standard allows for the control of the health and safety risks of its own employees or providers operating on the company's premises.

The advantages of OHS implementation are:

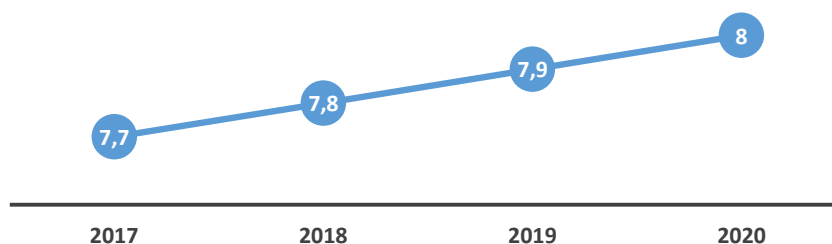
- improving the company image;
- improving relations with business partners;
- improving relations with competent authorities in the field;
- creating a unique and coherent framework for the elimination of hazards and risks related to work;
- achieving more effective control over the risk factors of injury and / or professional illness;
- improving working conditions for employees;
- improving the level of knowledge and compliance of the applicable legislation;
- alignment with best practices in the field;
- integration with the existing quality-environment integrated management system.

Customer satisfaction

In order to be successful on the internal and external market, the company is increasingly focusing on the understanding of the implicit and explicit requirements of customers, in order to continuously increase the satisfaction of their needs and expectations, taking into account both current customers and potential ones.

Customer satisfaction is also a key non-financial performance indicator for calculating the variable remuneration component of the board of administration during 2020, aiming to maintain a customer satisfaction rating of more than 7, the target being 8. (*According to PP 165- Customer Satisfaction Assessment, a score of 6-8 indicates that the services provided satisfactorily met customer requirements*). Monitoring this indicator is performed in the first quarter of this year for the previous year.

Evolution of client`s satisfaction



According to the PP 15 procedure Customer Satisfaction Survey, **127 questionnaires were sent to the users of the natural gas transmission network.**

The centralised data show that **72** of them submitted completed questionnaires.

The analysis of the questionnaires highlighted the following:

- no customer complaints were received;
- there is a good involvement of customers to support the improvement of the gas transmission services through the transmitted proposal

Quality policy

The theme addressed under the 2019 Annual Quality Management System Training Programme was Process Analysis in the Process List, Process Type Distribution and Process Map Development. The training addressed to the process managers and process owners of all organizational structures within the company. According to centralised data, the value achieved for the objective *Annual training and awareness of process managers and owners on the continuous implementation and improvement of the Quality Management System* was 85.75% within the proposed target.

At the end of the SMI CMSSO internal audits, the effectiveness of SMI CMSSO was assessed in the audited processes based on audit questionnaires. The data centralized in the following table allowed the identification of the requirements that the Quality Management Department should focus for the trainings it will perform in 2020.

Requirement Code	Requirement name	Total
4	Organizational context	85,81
5	Leadership	91,75
6	Planning	85,83
7	Support	92,20
8	Operation	89,69
9	Process performance	87,56
10	Improvement	84,90
Total		88,50

Table 32 - Training requirements 2020

The changes in SR EN ISO 19011:2018 Standard – *Guidelines for management systems auditing* imposed the dissemination of information with quality auditors in order to clarify the novelties and adapt the working forms, as follows:

- Training with internal trainer in January,
- Training with external trainer from the SRAC in November.

7.2.2. Environmental protection

The commitment assumed by the company's management through the *Policy Statement on the Quality Management System, Occupational Health and Safety Management* is a clear proof that TRANSGAZ is responsible for ensuring an organizational climate in which all stakeholders: employees, shareholders, clients, suppliers, community and environment can interact effectively and responsibly both economically and socially.

The main activities in the field of environmental protection in 2020 were planned and organized aiming to prevent pollution, to reduce the risks of environmental incidents on the sites within the company, as well as to comply with the legislative provisions in the field.

A. Monitoring of regulatory acts

At the level of the company there are 16 environmental permits authorizing 1.223 facilities of SNTGN Transgaz SA, in 2020 one requests for renewal of environmental permits was submitted for the Bacău Regional Office, the regulatory document being obtained from the Bacău Agency for Environmental Protection .

Within the department, the review of the environmental permit from the Botorca Storage was started, taking into account the change in the amount of ethyl mercaptan storage in the storage facility, it being processed, in the final phase, all the completions requested by the authorities being submitted.

With regard to the water management permits, the legislation in the field requires the obtaining of regulatory acts for all the objectives related to waters. As a result, the company holds 141 water management permits for crossing watercourses with natural gas pipelines and renewal documentation was submitted for 12 of them, being issued 10 new regulatory documents.

In accordance with the procedures issued by the national environmental protection authorities, 52 national gas transmission system development, repair and maintenance projects were registered in the Integrated Environmental System.

The projects submitted to the TEC were verified by the department and environmental protection opinions were issued for compliance with the law.

B. Assessment of compliance with relevant law

Prevention action, counselling

In Q I the environmental prevention and counselling action was launched.

This action was attended by environmental inspectors within the Environmental Management Department, establishing the working method, organizing specific documents and counselling the job managers.

Internal assessment

According to the yearly planning of the integrated internal inspections, in Q I no internal inspections were performed at the territorial units. They were launched in September.

External assessment

In 2020 S.N.T.G.N. Transgaz S.A was subjected to 7 external inspections listed in the table below. These were carried out by the control structures within the Romanian Water Administration and National Environmental Guard.

Table of the external inspections performed in 2020

No.	Name of inspection authority	Inspected site	Date of inspection
1.	ABA OLT	Braşov Regional Office – Băţani Sector	22.01.2020
2.	ABA OLT	Braşov Regional Office – Băţani Sector	29.01.2020
3.	ABA DOBROGEA – LITORAL	Constanţa Regional Office – GMS Isaccea	15.06.2020
4.	GNM ALBA	Mediaş Regional Office	29.07.2020
5.	ABA JIU	Craiova Regional Office	09.10.2020
6	SGA TULCEA	Constanţa Regional Office	16.10.2020
7	GNM SIBIU	Botorca Storage	10.11.2020

Following inspections, **no sanctions were applied**. Improvement measures were established, as shown by inspection reports of the control authorities, in the areas of water management and hazardous substances management.

C. Specialized reporting to authorities in the field

Monthly and quarterly reporting to the relevant authorities was prepared in accordance with the regulatory obligations of the company:

- according to the provisions of art. 9, c) of GEO no. 196/2005 on the Environmental Fund, the company has to pay the obligations to the **Environment Fund Administration**, which are the monthly charges for pollutant emissions into the atmosphere;
- in order to meet these financial obligations, the service follows the consumption of specific resources, quantifies and draws up the statement for the Environment Fund;
- in accordance with the provisions of Article 13 paragraph 2 of Law no. 132/2010 on Selective Collection of Waste in Public Institutions, they are tracked and centralized at

the company level and the **Waste Register** is sent quarterly to the National Environmental Protection Agency of Bucharest;

- the monitoring of waste management was performed at the company level and reports were submitted to the authorities in accordance with the obligations in the environmental permits;
- the annual Environmental Reports, related to each Territorial Operation, were elaborated and transmitted in accordance with the obligations of the environmental protection permits.
- the statistical form related to the environmental protection expenses at the company level is calculated and filled in, according to the annual request of the National Institute of Statistics;
- monitoring the consumption of hazardous chemicals and preparations and reporting data as requested by the authorities.

D. Environmental Protection Expenditure

For the purpose of carrying out the environmental protection activity, expenses related to the purchase of specific services and expenses related to the fees requested by the authorities were provided.

The required environmental services were substantiated and budgeted in the plan of the company and in the 2020 Annual Third Party External Services Plan, the most important ones being:

- services for the waste management within the company;
- physical-chemical analysis services for the characterization and classification of liquid/solid waste generated from the pigging operations/cleaning activity of the filter elements/separators;
- physical and chemical analysis services for waste water;
- services for the preparation of the technical documentation for obtaining water management permits;
- air environment factor analysis services;
- soil environment factor analysis services;
- decontamination services.

In Q I 2020, the procurement of the *Services for the preparation of technical documentation for obtaining water management permits*, and the procurement of the same type of services for the last 6 river basins has started.

Through the **2020 Procurement Plan**, environmental protection materials and products were requested at each regional offices.

In order to **comply** with the obligations of the company under the legal provisions/regulatory acts in the field of environmental protection, to **avoid environmental sanctions, to comply with environmental principles, to solve the needs of services specific to the field**, the exercising of tasks within the competence of the Director-General **was delegated** to the management of the functional entities within SNTGN Transgaz S.A. and to the directors of the regional offices and the Mediaș Subsidiary.

E. Certification of the Environmental Management System to the new ISO 14001:2015 standard

In April the Waste Monitoring/management process internal audit was performed according to ISO 14001:2015 by the Quality Management Department.

At the same time the revising of the system documents and the environmental protection procedures continued.

F. Activity carried out by the Environmental Factors Monitoring Laboratory

The planning of the activities carried out in 2020 by the Environmental Factors Monitoring Laboratory consisted of the following:

- *monitoring the pollution sources on sites within the regional offices;*
- *evaluating the environmental aspects for sites within the regional offices.*

In accordance with the requirements of the Environmental Permits issued by the National Environmental Protection Agency in Bucharest, the monitoring involved systematically conducting measurements on environmental factors at the company's sites, as follows:

- conducting measurements on the noise level;
- check of sewerage technology facilities for the detection of methane and ethyl mercaptan emissions;
- determination of emissions of atmospheric pollutants (CO, NO_x, SO₂) from the combustion gases from the compressor stations, thermal power stations, convection stoves and gas heaters;
- identification of different situations not complying with the legislation on environmental protection and/or accidental pollution;
- preparation of measuring bulletins, environmental assessment sheets and monitoring reports.

Table of the degree of achievement of pollution sources monitoring in 2020

Activity type/Reporting period - 2020	Number of proposed monitoring	Number of achieved monitoring	Achievement degree (%)
TOTAL year 2020 (after the replannification in September)	266	174	65,41%

Note: Between April and August, due to the COVID 19 pandemic there were no plans for MSP and EAM.

On the basis of the endowment with equipment, the monitoring of the sources of pollution and the assessment of the environmental issues materialized in **monitoring reports with measurement bulletins followed by corrective action plans**, prepared by the Environmental Management Department.

These plans to remedy the nonconformities found are subject to the approval of SNTGN Transgaz SA Mediaș management and also represent a **control and guidance activity** for Regional Offices.

Reducing NTS gas consumption and keeping it within reasonable limits over the NTS

As a result of the annual balances of natural gas at SNTGN Transgaz SA level, between the quantities of gas entering and exiting the NTS, there are certain differences called NTS gas consumption.

According to the Guidelines for the Determination of NTS Gas Consumption Considered Losses of Natural Gas in Transmission and Distribution Networks, a guide prepared in 1999 and published by Ministry of Industry and Trade (currently the Ministry of Economy), NTS gas consumption is divided into:

Determined NTS gas consumptions	NTS gas consumptions not determined
Consumption at the compressor stations	NTS gas consumption of equipment in technological installations (NT, SRMP.s, a) - replacement, verification, adjustment, discharging of safety valves, leaks in the removable joints of the pipelines and at the MRS;
Facilities and processes consumption	NTS gas consumption unidentified losses / defects of pipe;
Consumption of repairs, pipeline rehabilitation, NTS development	NTS gas consumption measurement error - operation of meters under improper pressure conditions. Inappropriate gas quality, accuracy class of meters and gas chromatographs.
Consumption of technical accidents – pipeline cracks, breaks.	

NTS gas consumption includes the company's own consumption and the technological loss.. Compared to the total amount of natural gas circulated, NTS gas consumption has been steadily decreasing in recent years, constituting a generator of economic efficiency for the company.

Filling in the quantities of natural gas representing the NTS gas consumption is an important indicator of operational performance.

Between 2013 and 2020, the share of NTS gas consumption in the total natural gas flowing through NTS was the following:

Indicator	2013	2014	2015	2016	2017	2018	2019	2020
0	2	3	4	5	6	7	8	9
Natural gas circulated - thousand cm	13.696.258	13.082.740	12.383.825	12.201.157	12.974.819	13.074.676	13.299.834	12.456.201
NTS gas consumption - thousand cm	160.140	96.940	88.103	108.874	95.242	81.034	65.208	69.325
Share of NTS gas consumption / circulated gas - thousand cm	1,17%	0,74%	0,71%	0,89%	0,73%	0,62%	0,49%	0,56%

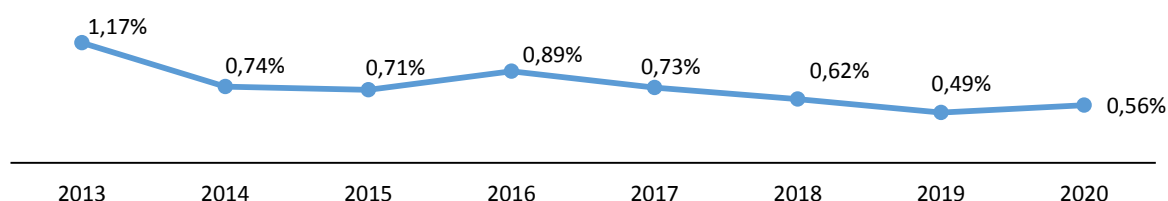


Chart 36 - Share of NTS gas consumption in total natural gas transmitted through the NTS in 2020

The cost of NTS gas consumption is recovered through the transmission tariff, which is included in the operational expenses. The decrease in the share of NTS gas consumption in the total natural gas circulated through the NTS, from 1,17% in 2013 to 0,56% in 2020, is the result of the measures taken by the company management for improving efficiency of NTS operation and use of the technical means used in this respect.

7.2.3. Human resources

The company's human resources strategy aims to cover the operational needs of the organization, through the efficient use of the human resources.

The optimal dimensioning of the number of personnel in the company is correlated with the real personnel needs required by the operational activities carried out by the company, with the modernizations and refurbishments realized for increasing the safety and efficiency in NTS operation and annex facilities, as well as the realization of the major development projects of company.

The average number of personnel in 2017 - 2020:

Personnel indicator	2017	2018	2019	2020
Personnel reduction (natural-retirements)	113	80	48	58
Average number of personnel approved by the REB	4.679	4.605	4.210	4.196
Average number of personnel achieved	4.548	4.284	4.246	4.153

Table 33 –Average number of employees in 2017-2020 approved by the management

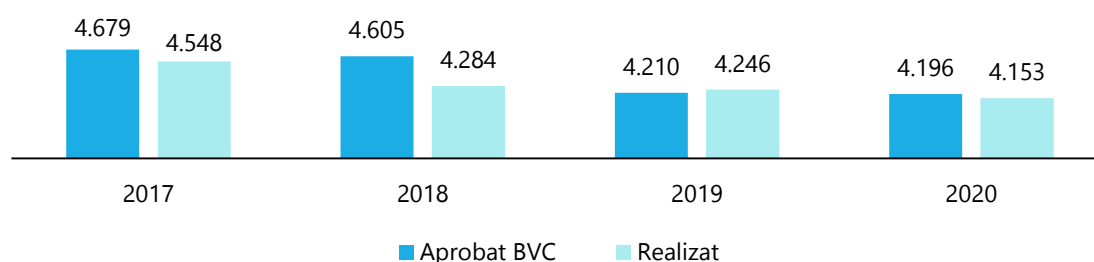


Chart 37- Average number of employees in 2017-2020 - approved vs achieved

The evolution of the number of personnel in Semester 2017 - 2020 is as follows:

Specification	2017	2018	2019	2020
Number of employees at the beginning of the period	4.607	4.405	4.202	4.089
Number of employed persons/persons who resumed activity	187	187	233	282
Number of employees who terminated/suspended their working relations with the company	389	390	346	226
Number of employees at the end of the period	4.405	4.202	4.089	4.145

Table 34 - Number of employees between 2017-2019

In 2020, 282 persons were employed and 226 employees terminated their working relations with the company.

Personnel in 2020:

Specification	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
Number of employees at the beginning of the period	4.089	4.132	4.187	4.194	4.157	4.137	4.127	4.137	4.140	4.147	4.148	4.160
Number of employed persons/persons who resumed activity	54	59	13	10	9	19	21	26	21	19	26	5
Number of employees who terminated/suspended their working relations with the company	11	4	6	47	29	29	11	23	14	18	14	20
Number of employees at the end of the period	4.132	4.187	4.194	4.157	4.137	4.127	4.137	4.140	4.147	4.148	4.160	4.145

Table 35- Average number of personnel in 2020

Personnel in 2020 as compared to the previous year:

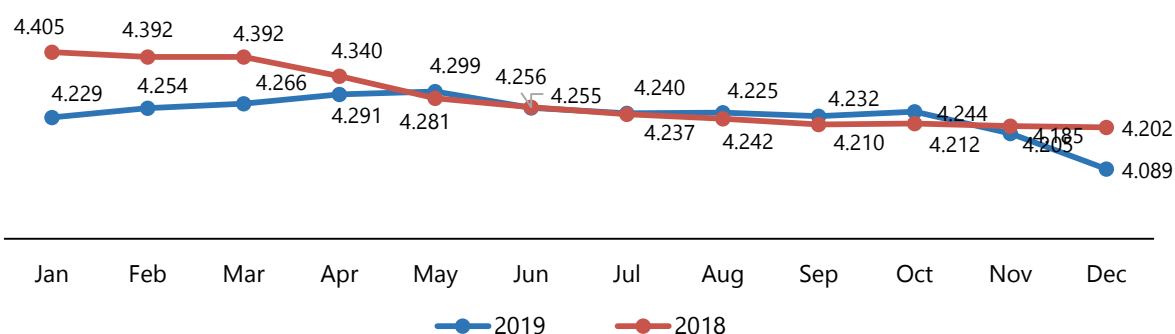


Chart 38 - Number of employees in 2020 vs. 2019

The personnel staff structure by category of studies reveals the interest of the company to cover the needs of staff through the employment of highly qualified specialists as well as the continuous improvement of the existing staff, considering the tendencies of increasing the number of employees with higher education in parallel with the decrease of the number of employed persons with secondary education and the number of employees with general education and in training.

Personnel structure by categories of studies between 2017-2020:

No.	Category	2017	2018	2019	2020
1.	Faculty graduates	1.370	1.424	1.430	1.521
2.	High school graduates	1.346	1.275	1.246	1.252
3.	Vocational school graduates	708	620	611	598
4.	General school graduates + training course	981	883	802	774
TOTAL employees		4.405	4.202	4.089	4.145

Table 36 - Personnel structure by categories of studies between 2017-2020

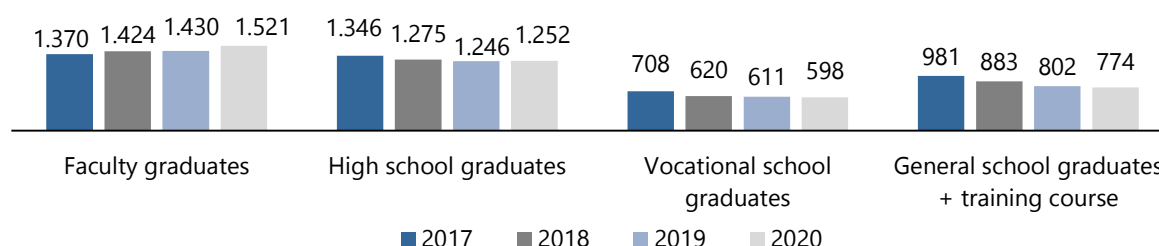


Chart 39- Personnel structure by categories of studies between 2017 - 2020

In order to streamline the use of qualified personnel for the full performance of duties in the new working conditions, in accordance with the Management Plan of SNTGN Transgaz SA, during 2020 through the Plan for breaking down the standardization of technical works within SNTGN TRANSGAZ approved by the Director - General, the time and personnel rules for the 220 technical works remaining to be standardized were to be extracted.

Considering the establishment of the state of emergency on the Romanian territory on 16.03.2020, in order not to favour the spread of the COVID virus 19, the trips to the works for carrying out the measurements were stopped during the state of emergency, thus no longer being possible to prepare the necessary documentation.

During the states of emergency and alert, the action of preparing the sheets for field measurements and extracting the time norms for the remaining technical works was achieved, whose specific activities are technically similar to the time norms of the technical works. contained in the Rules with time norms and the norming of the personnel for the operation, interventions and maintenance of NTS.

As a result of the investments and modernizations made at the company level, in 2020 38 additional technical works needed to be standardized and 14 technical works that are no longer executed at the S.N.T.G.N. Transgaz S.A.were identified .

In 2020, the company Technical Works Validation Commission validated the time and personnel work load for 244 technical works, representing 110% of the total works estimated to be validated in 2020.

Time and personnel work load validated in 2020:

Unit	Estimated 2020	Validated 2020
Regional offices	0	0
Compressor stations	14	10
Mediaș Subsidiary	206	234
Total	220	244

Table 37 - Works estimated to be validated/ works validated in 2020

VESTMOLDTRANSGAZ – Human Resources

The optimal sizing of the number of personnel within the company will be correlated with the actual staff needs imposed by the operational activities carried out, with the upgrades and retrofittings proposed in order to increase operation safety and efficiency of natural gas transmission networks and related facilities, as well as the implementation of major projects.

The current number of employees is 32, of which 23 at the Chisinau headquarters and 9 at GMS Ungheni. The number of employees may increase with the commissioning of the Iași – Ungheni – Chișinău pipeline, depending on the real needs of the future operation and development of the business.

The recruitment and selection of personnel will be carried out through transparent employment procedures, in order to stimulate and attract the best specialists to work within VESTMOLDTRANSGAZ SRL.

The staff of VESTMOLDTRANSGAZ SRL. is appointed, employed and dismissed by the company administrator.

The development of the number of personnel at Vestmoldtransgaz SRL in 2017-2020 is shown in the following table:

No.	Indicator	Period			
		2017	2018	2019	2020
1	Number of employees VMTGN	20	22	25	32
2	Average number of employees VMTGN		23	24	33
3	Average number of employees Eurotransgaz		2	2	3

Table 38 - Number of personnel at Vestmoldtransgaz in 2017-2020

Improving the training and professional development process of staff

The high level of professional competence of the employees is considered a premise in achieving the objectives of any organization, which is why the investment in human resources is considered profitable in all areas of activity.

This is regulated by the following legislative documents: Law 53/2003 (Labour Code), republished, as subsequently amended and supplemented; Government Ordinance no. 129/2000 on the professional training of adults, republished, as subsequently amended and supplemented, approved by Law 375 / 2002, as amended; Law 227 / 2015 on the Fiscal Code, as subsequently amended and supplemented.

Within the company, the staff training process of is carried out continuously and planned, through courses with external trainers from the country or abroad or/and with internal trainers.

The training aims to develop the theoretical and practical knowledge common to most professions and to develop the theoretical and practical knowledge specific to certain activity areas, both objectives being necessary in order to carry out the activity, in order to fulfil the job's tasks.

The training, improvement and professional development of the employees within the company is carried out based on the 'Annual training and professional development programme for employees', drawn up at the company level, taking into account the provisions of articles 194 and 195 of Law 53/2003 (the Labour Code), republished, as subsequently amended and supplemented, according to which the employer-legal entity that has more than 20 employees elaborates annual training programs and has the obligation to ensure the participation of the employees to courses at least every two years.

In the field of continuous training and development, the programs focus on the areas of interest for the development of the company's activity, respectively the following fields: Engineering, Management of Gas Transmission Systems, including SCADA, Research and Design, Economic, Legal, Human Resources, Strategy and Corporate Management, Information Technology and Communication and Quality - Environment, Occupational Health and Safety, Guard, Security, Internal Audit, Internal Control and Financial Management Control, as well as other topics of general interest which are necessary for carrying out the activity of the Company.

In this respect, through the **Professional Training Office**, in 01.01-31.12.2020, 111 professional training and development courses were organized with local and foreign external trainers for **1.314** participants. During this period, invoices related to 104 courses attended by 1.093 persons were paid, 7 of the courses organized for 221 participants being free of charge.

Regarding the paid courses:

- a course organized in 2019 and continued in 2020 was paid in January 2020, from the 2019 budget;
- a course organized in 2019 and started in 2020, was paid in January 2020, from the 2020 budget;

- a course organized in 2019 was paid in stages, partly from the 2019 budget, and, in February 2020, from the 2020 budget.

The participation of the employees in the courses organized within the Company through internal trainers from the Training Centre and other specialists from the structures of the company envisages either acquiring the skills specific to another profession which is different or related to the one practiced (qualification/specialization courses), or development improvement of professional skills within the same occupation or related occupations (training and improvement courses).

Accordingly, through the **Training Centre**, in 01.01.-31.12.2020, the following activities were performed:

- A.** organizing an examination session for 2 employees who participated, in 2019, in the qualification courses for the profession of security agent - `Nomenclature Code 5169.1.1, series 8 and series 9, for which SNTGN TRANSGAZ SA holds authorizations issued by AJPI Sibi; these employees could not attend the exams organized in December 2019.
- B.** submission of the file to the Sibiu County Agency for Payments and Social Inspection and authorization of SNTGN Transgaz SA as a training provider authorized by the Ministry of Labour and the Ministry of Education for the specialization course "Trainer", nomenclature code 242401.
- C.** organizing of specialization courses for the "trainer" course, delivered by internal trainers, for 35 employees, out of which 34 employees took the exam, 1 employee did not the exam due to medical reasons;
 - organizing training courses delivered by internal trainers for the development of professional skills for 37 employees, as follows:
 - 13 employees (1 group) at the `Time Management` course;
 - 11 employees (1 group) in the `Teamwork skills` course ;
 - 13 employees (1 group) at the `Teamwork skills` workshop, held during the joint event SNTGN TRANSGAZ SA – The Gas Transmission Union Mediaş.
- D.** organization of training courses, completed with written tests, at the level of each sector within the regional offices, carried out with specialized personnel within the structures of SNTGN TRANSGAZ SA, for 808 trained employees, out of which 792 employees passed the exam, as follows:
 - 68 trained and promoted employees, for the profession of electrician;
 - 212 trained and promoted employees for the profession of mechanical locksmith;
 - 511 trained employees, out of which 495 promoted employees, for the profession of pipeline transmission and gas regulation operator;
 - 17 trained and promoted employees for the profession of welder.

The courses organized for the employees of the company and the payment dates for each month in 01.01.-31.12.2020 are presented in the following table:

No.	Category	2020											
		Organized courses											
		Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
1.	No. of courses with external trainers (organized through the Professional Training Office)	5	17	7	8	8	7	10	6	11	15	8	9
TOTAL		5	17	7	8	8	7	10	6	11	15	8	9

Table 39- Training/formation courses organized in 2020

No.	Category	2020											
		Paid courses											
		Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sep	Oct	Nov	Dec
1.	No. of courses with external trainers (organized through the Professional Training Office)	4	14	8	0	4	4	22	7	4	21	7	9
TOTAL		4	14	8	0	0	4	22	7	4	21	7	9

Table 40- Training/formation courses paid in 2020

The courses organized for the employees of the company and the payment dates in 2017-2020 are presented in the following tables:

No.	Category	2017	2018	2019	2020	
		Total courses organized	Total courses organized	Total courses organized	Total courses organized	Of which paid courses
1.	No. of courses with external trainers (organized through the Professional Training Office)	110	144	139	111	104
2.	No. of courses with internal trainers (organized through the Professional Training Office)	13	17	10	5	-
TOTAL		123	154	149	116	104

Table 41- Training/formation courses for the employees of the company in 2017-2020

The number of employees which attended the courses in 2017-2020 is as follows:

No.	Category	2017	2018	2019	2020	
		No. of participants	No. of participants	No. of participants	No. of participants	Of which participants

		in organized courses	in organized courses	in organized courses	in organized courses	in paid courses
1.	No. of personnel qualified by external trainers courses	1.169	1.245	1.626	1.314	1.093
2.	No. of personnel qualified by internal trainers courses	834	903	1.092	863	-
TOTAL		2.003	2.148	2.718	2.177	1.093

Table 42- The number of employees which attended training/formation courses in 2017-2020

On 31 December 2020 the trade union members rate was 96%, of the total of 4.145 employees, 3.976 being trade union members.

There are 4 trade unions with which the SNTGN Transgaz employees are registered, namely:

- The Transport Gaz Mediaș Trade Union;
- The Free Trade Union SNTGN TRANSGAZ SA Mediaș;
- The technological research trade union CERTEH Mediaș;
- The professional trade union Metan Mediaș.

The Transport Gaz Mediaș Trade Union is the representative union at the unit level, according to the provisions of Law no. 62/2011 of the Social Dialogue, Art. 51 (c), which is why they represent the employees of the company when concluding and carrying out the collective labour agreement concluded at the level of SNTGN TRANSGAZ SA.

The relations between the employer and the employees are regulated by the Collective Labour Agreement at the company level as well as by the individual labour agreements of the employees.

Starting with 25.06.2018, the current Collective Labour Agreement concluded at the level of SNTGN TRANSGAZ S.A. came into force, with a validity period of 24 months registered with the Sibiu Territorial Labour Inspectorate under no. 121/21.06.2018 in the Single Recording Register, as well as by the individual labour agreements of the employees.

In 2020, four addenda to the Collective Labour Agreement were negotiated and concluded, on 12.02.2020, 07.05.2020, 06.08.2020 and on 30.09.2020.

By the Addendum of 07.05.2020 registered at the Regional Labour Inspectorate Sibiu under no. 121/5/04.06.2020 the Collective Labour Agreement was extended for a period of 12 months starting with 25.06.2020

The relations between the employer and the employees are in line with the legal provisions in force in 2020 and there are no conflicting elements connected to these relations.

Considering the establishment of the state of emergency on the Romanian territory starting with 16.03.2020, followed by the state of alert starting with 18.05.2020 within SNTGN TRANSGAZ S.A. active measures have been taken to limit the spread of COVID 19 virus, introducing teleworking and home work for employees whose work tasks were possible to be performed remotely by electronic means.

Within VESTMOLDTRANSGAZ SRL the professional training policy makes it mandatory for all employees to attend courses once a year. The professional training of the employees will be an ongoing and planned process by courses given by *external trainers from the country or abroad or by internal trainers*.

The training has two components: a professional one (technical, economic, other specialties) necessary to perform the tasks in the job description and a general one on professional improvement in various fields.

The training, improvement and professional development of employees will be carried out on the basis of the annual Professional Training and Improvement Programme developed at the company level, according to the provisions of the Collective Labour Contract in force, or the applicable law.

There is a Trade Union Committee at the level of company established on 02.02.2021. The collective labour contract was negotiated for 07.11.2019 – 07.11.2020, with automatic extension, this being currently in force. The Collective Labour Contract was registered on 14.11.2019, which is a mandatory action, being applicable immediately after signature, according to the Labour Code of the Republic of Moldova.

In essence, the company's policy in the field of human resources aims to attract specialists from the Republic of Moldova and the European Area in order to ensure a highly skilled, specialised workforce and which, through the contribution made and through training and development to generate added value of the work carried out.

7.2.4. Social and corporate responsibility

Corporate Social Responsibility is an aspect of corporate governance, by which a number of socially responsible actions were initiated at the level of company, which can be quantified in terms of sustainability and sustainable performance.

SNTGN TRANSGAZ SA Mediaş, consistent with the principle of applying responsible management in fulfilling the assumed mission, is aware of the importance of the fact that sometimes financial support for a noble cause or for an important purpose is vital and therefore through the programs and projects of social responsibility initiated, is actively involved in the life of the community, thus demonstrating its status as a *'good citizen'*.

The essential role of TRANSGAZ in the energy field in Romania and Europe is naturally complemented by the desire to support the real needs of all those who are constantly contributing to the smooth running of its operations.

As part of the TRANSGAZ Sustainable Development Strategy, the *social responsibility policy* aims to permanently increase the company's accountability to employees, shareholders, partners, the community and the environment, as well as streamlining the impact of social responsibility programs initiated for this purpose.

The company's social responsibility policy is based on a set of principles that define this interaction between the company on the one hand and employees, shareholders, partners, community and the environment on the other.

By observing the principles of financial prudence and transparency, the communication and CSR actions were rigorously dimensioned both in structure and value and responded to the reporting requirements of Transgaz as an issuer of securities, but also to growth requirements related to the company's image and reputation capital. Detailed information on social responsibility is available on the Transgaz website at: <http://www.transgaz.ro/responsabilitate-sociala>.

Sponsorship and financial aid activity according to the Collective Labour Agreement in 2020

SPONSORSHIP

In line with art. **XIV** of **GEO no. 2/2015**, amending and supplementing certain normative acts and other actions, it was provided that economic agents referred to in Article 1 of Government Ordinance no. 26/2013 on strengthening financial discipline at the level of economic operators where the state or administrative-territorial units are majority or sole shareholders or hold directly or indirectly a majority share, approved by Law no. 47/2014, who provide cash donations or sponsorships, in line with the regulations in force, comply with the following levels when granting such donations or sponsorships:

- a) minimum 40% of the approved amount, in the medical and healthcare field, for equipping, services, actions or other activities connected with this filed including the support for medical treatment or interventions of particular people and for national programs;
- b) minimum 40% of the approved amount, in the field of education, social or sports for equipping, services, actions or other activities connected with this filed including national programs;
- c) maximum 20% of the approved amount, for other actions and activities including for supplementing the ones provided in letters a) and b).

The level of sponsorship expenditures for SNTGN Transgaz SA is regulated in the Revenue and expense Budget for 2020, approved by OGMS Resolution no. 2/04.03.2020 in the following structure:

		(thousand lei)
		REB 2020
SPONSORSHIP CATEGORY		
Sponsorship expenditures in the health and medical field		2.000
Sponsorship expenditures in education, learning, social, sport fields		2.000
of which:		
-for sports clubs		800
Other sponsorship expenditures		1.000
TOTAL		5.000

Table 43 - Sponsorship budget 2020-REB 2020

(lei)

No.	SPONSORSHIP CATEGORY	BUDGETED AMOUNT 2020	RECTIFIED BUDGETED AMOUNT 23.11.2020	AMOUNT GRANTED 2020	REMAINING AMOUNT 2020
0	1	2	3	4	5=3-4
1.	HEALTH AND MEDICAL FIELD	2.000.000	2.000.000	1.992.000	8.000
2.	EDUCATION, LEARNING, SOCIAL, SPORT FIELDS, of which:	2.200.000	2.000.000	1.571.000	429.000
	- for sports clubs	800.000	0	0	0
3.	OTHER SPONSORSHIP EXPENDITURES	800.000	1.000.000	870.000	130.000
TOTAL SPONSORSHIP EXPENDITURES		5.000.000	5.000.000	4.433.000	567.000

Table 44- Sponsorship budget 2020 and budgeted/granted amounts until 31.12.2020

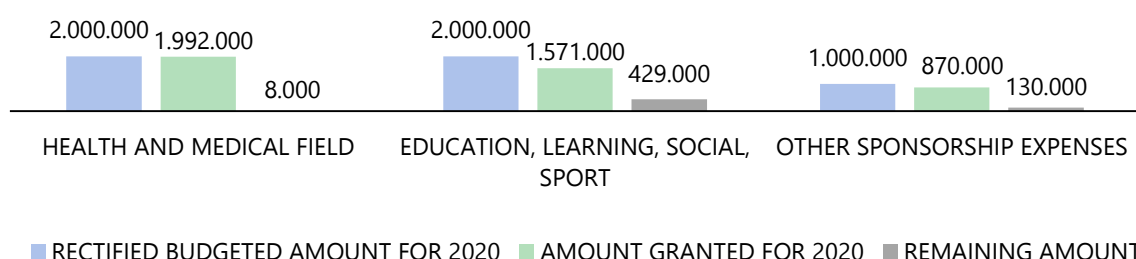


Chart 40 - Sponsorship budget for 2020 and amounts budgeted/granted until 31.12.2020

In 2020, **79 sponsorship aids** were granted in the total amount of lei **4.433.000** as follows:

- in the health and medical field – lei **1.992.000**;
- in the education, learning, social, sport fields - lei **1.571.000** ;
- other sponsorship expenditures - lei **870.000** .

Considering the need to ensure a responsible and effective management of the sponsorships and financial aid granted at the level of Transgaz:

- **The company's policy to grant sponsorship and financial aid in 2020** was prepared and implemented, a document which provides an effective framework for monitoring their progress and implementation in accordance with the legal and tax regulations in force;
- **the process procedure PP-51** of the sponsorship documents was updated in September 2019;
- **the establishment by Decision No. 61/21.01.2020** of the Director - General of the **Commission for the analysis of the sponsorship applications** .

The detailed report of the granted sponsorship aids may be found at: <http://www.transgaz.ro/ro/responsabilitate-sociala/informatii-publice-privind-activitatea-de-sponsorizare>

In order to develop this aspect of the corporate governance within VESTMOLDTRANSGAZ as well, at least the following elements should be taken into account:

- **Activities for employees to improve the quality of the workplace:** e.g. identification and provision of a new space for the company's business until the completion of the administrative complex at Ghidighici; personal and professional development and career development; safety at work; labour market inclusion for people at risk of exclusion; physical & mental well-being in the workplace, payroll and bonus policies that improve employees' living conditions, employee involvement in decisions and self-management; programs to support employees with families / children: work life balance - privacy; programs to support single parent employees; programmes for the reintegration of women into the workplace after the period of maternity and child raising, etc.
- **Activities for society and local community:** e.g. corporate civic; programmes to support democracy and respect for human rights; the development of products and services dedicated to insufficiently met community needs; supporting (financial, professional skills) of local programmes for community benefit: education, health, economic and social inclusion, democracy, culture, research; supporting social entrepreneurship at local level (funding, volunteering for consultancy, business partnerships, facilities, etc.); involvement in public-private partnerships for community development, etc.;
- **Activities for business partners:** suppliers, distributors, etc.: e.g. supporting the local economy, local markets, trade in goods and services; encouraging local entrepreneurship, in particular social entrepreneurship; encouraging innovation at local level; fairness and honesty in relations with suppliers and distributors; promoting socially and environmentally responsible suppliers and distributors;
- **Customer activities:** e.g. quality products and services, appropriate to customer needs; correct customer treatment; health and safety of customers; customer support services; protection of customers' private data.

FINANCIAL AIDS GRANTED ACCORDING TO THE COLLECTIVE LABOUR CONTRACT

At the level of SNTGN TRANSGAZ SA Mediaş, the granting of social aid to employees is regulated by the process procedure **PP- DJ-04 - Preparation of the documents for social aid** and is carried out through the **Administrative and Corporate Activities Department**, which analyses the social (financial) applications received from the employees (according to the provisions of the resolutions of the Board of Administration and applicable Collective Labour Contract, etc), are presented for approval to the Legal Endorsement Unit and then for approval and analysis to the Board of Administration.

In 2020, 47 applications for social aid were processed, of which 39 applications (amounting to lei 334.587,94) were accepted, 4 are under analysis, and 4 were closed.

7.2.5 Ethics and integrity

Considering Government Resolution 583/2016 on the approval of the 2016 – 2020 National Anticorruption Strategy, SNTGN Transgaz SA adopted on 21 November 2016 the **STATEMENT regarding the adherence to the fundamental values, principles, objectives and monitoring mechanism of the SNA 2016 -2020**, by which it condemns corruption in all forms in which it manifests and assumes the fulfilment of the specific measures related to the competence of the company included in Transgaz 2016 - 2020 **Integrity Plan** approved by Decision 181/23 February 2017.

Preventing and fighting fraud and corruption is a priority for S.N.T.G.N. Transgaz S.A., which has a constant concern for improving the quality of the management by introducing effective measures to diminish the corruption phenomenon.

Transgaz Integrity Plan aims to achieve the following objectives

GENERAL OBJECTIVE	SPECIFIC OBJECTIVES
Developing a culture of transparency for good corporate governance	Increasing institutional transparency and the transparency of decision-making processes
	Increasing the transparency of public resource management processes
Increasing institutional integrity by including corruption prevention measures as mandatory elements of managerial plans and their regular assessment as an integral part of the administrative performance	Enhancing the ability to manage management failure by correlating tools that impact early identification of institutional risks and vulnerabilities.
Strengthening integrity, reducing vulnerabilities and corruption risks in priority sectors and areas of activity	Increasing integrity, reducing vulnerabilities and corruption risks in the business environment
Increasing the level of knowledge and understanding of integrity standards by employees and beneficiaries of public services	Increasing the degree of anti-corruption education of the company's staff
	Raising public awareness of the impact of corruption

Strengthening the combat ability against corruption by criminal law and administrative means	Strengthening administrative control mechanisms
Increasing the degree of implementation of anti-corruption measures by approving the integrity plan and regular self-assessment at the company level	Strengthening institutional integrity through developed plans based on risk analysis and internal management control standards.

The implementation of the Integrity Plan is based on a set of principles that guides the behaviour, attitudes, rights, and the fulfilment of work duties by those responsible for implementation.

These principles are:

- **The principle of transparency** – the implementation of the Plan will be permanently focused on maximizing the ways and means of informing the decision-makers and employees in order to ensure clarity and understanding of ongoing processes;
- **The principle of responsibility** - involves assuming, by those responsible for implementation, of the obligations of carrying out actions to the end by assuming responsibility for consequences; *The Principle of Competence* - in implementing the Plan, the persons with the necessary knowledge and skills, invested with the exercise of these tasks and responsible for their actions will be involved;
- **The principle of cooperation with the civil company and local stakeholders** – in implementing the Plan, public authorities will collaborate in an open, fair and efficient way with the civil company and local stakeholders;
- **The principle of non-discrimination** - the implementation of the Plan will ensure the involvement of all community groups in the process of project design and implementation, including vulnerable groups;
- **The principle of professionalism** - will be manifested by the quality of solving problems based on competencies, qualities and will be characterized by the responsibility and attitude towards own obligations.

Nine main risk areas were identified within the company: human resources, procurement, NTS operation, design, work monitoring, information and communication technology, audit, corporate governance, and the risks in these areas of activity were analysed; measures have been proposed to reduce them by means of **Transgaz 2016 – 2020 Integrity Plan**.

Transgaz conducts regular and ongoing reports on important events concerning the company, including but not limited to financial status, performance, ownership and management, both in the media and on its own website (www.transgaz.ro).

The company prepares and disseminates relevant periodic and ongoing information in accordance with International Financial Reporting Standards (IFRS) and other environmental, social and governance (ESG) reporting standards. The information is disseminated in both Romanian and English.

The company organizes regular meetings with financial analysts, brokers, market specialists and investors to present the financial results (annually, quarterly, half-yearly), which are relevant meetings in their investment decision.

The general and specific strategic objectives of SNTGN TRANSGAZ SA are set in the context of alignment with the requirements of the new European energy policy on energy security and safety, sustainable development and competitiveness.

In this context, the implementation and development of corporate governance principles, the development of responsible, transparent business practices, is increasingly becoming a necessity in the substantiation and application of business strategies and business policies.

By subscribing to this goal, SNTGN TRANSGAZ SA Mediaș also aims, through its own governance regulation, to provide a rigorous framework for sizing and regulating corporate governance at the company level, developing an effective and proactive relationship system in relation to shareholders and stakeholders.

Transgaz Administrators believe that, acting in the spirit of best corporate governance practices, the proposed objectives can be achieved and the stakeholders' trust in the company's capabilities to maximize the efficiency of the business increases.

7.2.6 Compliance policy

Compliance is to act in accordance with the rules set out in the legal and regulatory framework, policies and procedures as well as standards of professional ethics and conduct

In order to achieve this objective, SNTGN TRANSGAZ SA is committed to maintaining high legal, ethical and moral standards, adhering to the principles of integrity, objectivity and honesty and declaring against fraud and corruption.

SNTGN TRANSGAZ strongly expresses its commitment to fight this phenomenon by all legal means available to it.

The anti-fraud and anti-corruption policy strengthens the message of TRANSGAZ: 'Zero Tolerance to fraud and corruption of all types and under any circumstances'

TRANSGAZ developed and adopted the policy set regarding:

- the anti-fraud and anti-corruption policy;
- the Transgaz Integrity Plan;
- the Best Practice Guide adopted on 18.02.2010 by the Organisation for Economic Cooperation and Development

Preventing corruption at organizational and employee level

At the **organizational** level, the following measures are taken to prevent corruption:

- computerisation of internal processes;
- identification of vulnerable areas of independent divisions/departments/units /Medias Representative office/Regional offices and corruption risks, simultaneously with the implementation of a corruption risk management system;

- Establishment of a complaints management and evaluation system (customer satisfaction/ feedback) for processes to be improved.

At **employee** level, the following measures are taken to prevent corruption:

- increasing the level of professional and civic education of employees, as well as assuming obligations of conduct and professional ethics;
- informing the employees on how to report the corruption cases and the institutions dealing with the prevention and fight against corruption;
- creating a strong organizational culture to discourage corruption;
- categorical rejection of the temptations offered in return for faulty performance or non-fulfilment of the service duties (amounts of money, goods, services, advantages, etc.);
- Inventory of vulnerable points in an institution and assessment of the risk of corruption;
- Implementing Integrity Management - a form of human resource management with an emphasis on internal communication and performance.

To this end, in 2019, the following actions were taken:

- according to Order 1244/2017 DCC/MEC, the Anti-Fraud Department performed three corruption prevention activities involving employees in senior positions within the company;
- the annual assessment of the implementation of the Integrity Plan;
- a campaign was initiated to inform employees about fraud and corruption;
- the declaration of wealth and interests given by all those concerned, in accordance with the applicable laws;
- the professional training of the execution personnel on topics relating to integrity, corruption and fraud was performed according to the training programme, training courses for execution staff;

7.2.7 Internal/Management Control System and Risk Management

1. Background data

Definition of the internal/management control

The necessity and obligation to organize the internal/management control in public entities are regulated by Government Ordinance 119 / 1999 on internal/management control and preventive financial control.

According to this Ordinance **internal/management control** is defined as ***all forms of control exercised at the level of the public entity, including internal audit, established by the management in accordance with its objectives and legal regulations, to ensure the management of public funds in an economical, efficient and effective manner; it also includes organizational structures, methods and procedures.***

In SNTGN Transgaz SA, internal/management the control activity is perceived as a means of analysing the activities of company, adopting and applying a new type of internal management

that is often associated with the **activity of knowledge**, thus allowing the management to coordinate the company activities in an effective manner.

Internal/management control is regarded as a **management function** and not as a verification operation.

By exercising the control function, the management observes the deviations from the established objectives, analyses the causes and disposes the necessary corrective or preventive measures.

By developing the Internal / management Control System, SNGGN Transgaz moves to a new type of management, suited to a flexible company that includes strategic management, performance management and risk management.

2. Legal framework

The implementing, development and monitoring process of the Internal/management Control System is based on the following legal acts:

- Government Ordinance 119/1999 on internal/management control and preventive financial control , republished, as further amended and supplemented;
- Order 600/20.04.2028 of the General Secretary of the Government on the approval of the Internal/Managing Control Code of Public Entities, published in Official Journal 387/07.05.2018, Part I;
- Order 1054/2019 of the General Secretariat of the Government approving Methodological Norms on coordination, methodological guidance and of the state of implementation and development of the management internal control system in public entities;
- International regulations issued by:
 - The Committee of Sponsoring Organizations of the Treadway Commission (USA);
 - Canadian Institute of Chartered Accountants;
 - The European Commission;
 - The International Organisation of Supreme Audit Institutions (INSOSAI).

3. Organizational structure of the Internal Control/Management System

The organizational structure, established according to Order of the General Secretariat of the Government No. 600/ 20.04.2018 on the approval of the Internal/Management Control Code of Public Entities, published in Official Journal of Romania No. 387/07.05.2018, Part I, is shown in the figure below:

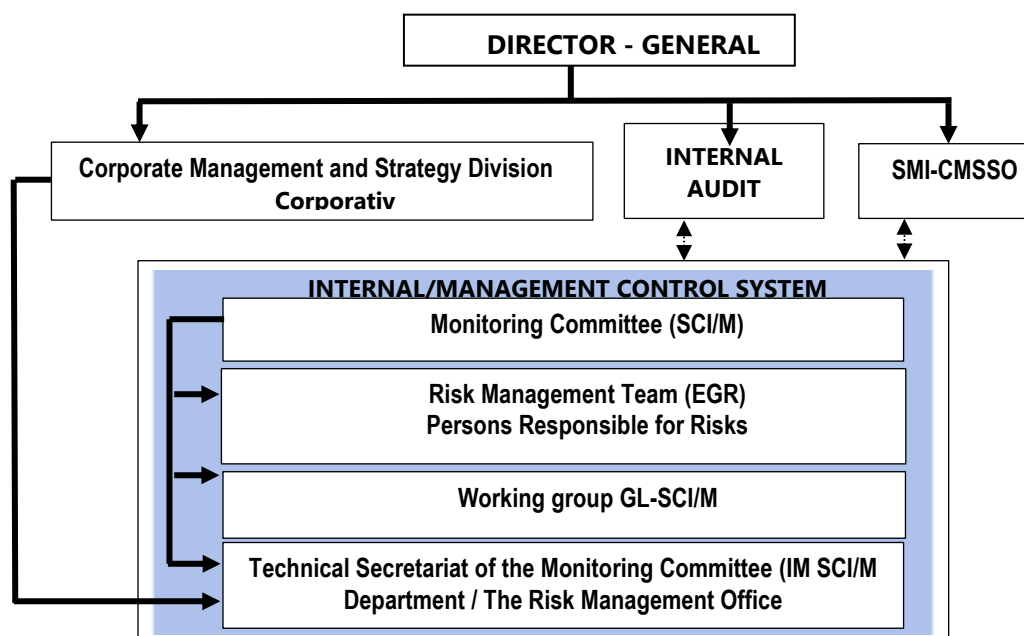


Figure 22 - Organizational structure of the Internal Control/Management System within Transgaz

NOTE: GL-SCI/M – Work group per Division/Unit/ Independent Department / Mediaș Subsidiary / Regional Office, for SCI/M development;

Taking into consideration Order No. 600/ 20.04.2018 of the General Secretariat of the Government , an internal decision document on the establishment of the Committee for Monitoring and Updating the Regulation on the Organization and Functioning of the SCI/M Monitoring Commission was issued and submitted to the approval of the Director General, according to the provisions of the order in force.

Accordingly, the Monitoring Commission was established by **Decision no. 751/23.07.2018 amended by Decision 36/14.01.2020** and **by Decision 736/30.06.2020**, and the **Rules governing the functioning and organization of SCI/M Monitoring Commission** was registered with no. 37020/23.07.2018, updated with registration number 36804/02.07.2020.

The Monitoring Commission (MC) has the following structure:

- The **chairman** of the Monitoring Committee is the Deputy Director - General of the company, Mr Gheorghe Hațegan. Mrs Elisabeta Ghidiu, Director of Strategy and Corporate Management Division, is appointed president of the Monitoring Commission by Decision 736/30.06.2020;
- The **members** of the *Monitoring Committee* are directors of divisions/units/departments/Medias Subsidiary/regional offices of the company
- The **Monitoring Committee technical secretariat** is provided by the SCI / M Implementation and Monitoring Service, within the Budget Strategy Division, the Strategy and Corporate Management Department.

The organization and working mode of the Monitoring Committee is under the responsibility of the chairman of the CM, were established on the basis of the **SCI/M Monitoring and Operation Regulation of the SCI/M Monitoring Committee**.

The activity of Monitoring Committee is advised by the Head of the **Internal Audit Unit**.

By **Decision 38/14.01.2020** the persons responsible of the SCI/M within SNTGN Transgaz SA were appointed.

4. Internal control/management standards

The establishment of the internal control/management system is the responsibility of the management of each public entity and must be based on internal/management control standards promoted by the GSG. The internal/management control standards are established, according to **Order No. 600/ 20.04.2018 of the General Secretariat of the Government** on the approval of the Internal/Management Control Code of Public Entities.

The purpose of the internal/management control standards, applied within SNTGN Transgaz SA is to create a reference system that allows the evaluation of the internal / management control system, at different times and to highlight the areas and directions of change.

It can be said that the standards provide good practices, which the management of SNTGN Transgaz SA must implement

The internal/management control includes standards grouped on 5 sections named in OGS 600/2018 as components of the internal/management control which are closely interdependent arising from the management of the activities and integrated in such activities as presented in the table below:

Internal/management control elements	Standards
I. CONTROL ENVIRONMENT	
Comprises issues related to organization, human resources management, ethics, deontology and integrity	Standard 1 - Ethics and integrity
	Standard 2 – Responsibilities, positions and tasks
	Standard 3 – Competence, performance
	Standard 4 – Organizational structure
II. PERFORMANCE AND RISK MANAGEMENT	
Refers to the target setting management, planning (multiannual planning), scheduling (management plan) performance (monitoring performance) and risk management.	Standard 5 - Targets
	Standard 6 - Planning
	Standard 7 – Monitoring performance
	Standard 8 –Risk management
III. CONTROL ACTIVITIES	
Refers to development of procedures, continuity of processes and activities, separation of responsibilities, monitoring.	Standard 9 - Procedures
	Standard 10 - Surveillance
	Standard 11 – Continuity of activity

IV. INFORMATION AND COMMUNICATION	
Refers to issues related to the creation of an informational system and of a reporting system regarding the execution of the management plan, budget, resource use and documentation management.	Standard 12 – Information and communication
	Standard 13 – Documentation management
	Standard 14 – Accounting and financial reporting
V. AUDIT AND ASSESSMENT	
Refers to the development of the capacity of assessment of the internal/management control for ensuring continuity of its improvement.	Standard 15 – Internal/management control assessment

5. Actions taken in 2020

In order to comply with GSG Order 600/2018, in 2020 the following actions were undertaken:

- acknowledgement of the List of procedural activities and the List of documented procedures, within SNTGN Transgaz, prepared by the Quality Management Department, based on the request no. 75 091/ 12.17.2019; a number of **287 activities/processes declared procedural** were highlighted; of these, a number of **7 system procedures and 125 process procedures** were prepared on 31.12.2019; it was established that the share of documented procedural activities is **45,99%**.
- starting the self-evaluation stage of achieving the objectives at the level of independent divisions/units/independent departments/Mediaș Subsidiary, by Letter 1628/14. 01.2020.
- analysis and recording of the *Reports on performance monitoring for 2019*, by the SCI/M Implementation and Monitoring Department, and preparation of the *Information sent to the Director - General of SNTGN Transgaz SA on performance monitoring, at the level of SNTGN Transgaz, for 2019*; it presents an analysis of the degree of achievement of the objectives based on the performance indicators established, through the *Monitoring System of the development of activities, as a whole and an evaluation of the degree of achievement of the objectives based on the performance indicators, established for 2019*;
- analysis and recording, by the SCI/M Implementation and Monitoring Department, of the data from the self-evaluation questionnaires sent by the organizational entities;
- establishing the conclusion resulting from the action from the point above; the conclusion was that at the level of the company the Internal/management Control System **is compliant**, 16 standards are implemented out of the 16 standards provided by Order No. 600/ 20.04.2018 of the General Secretariat of the Government on the approval of the Internal/Management Control Code of Public Entities internal/management; preparation of summary documents on the results of self-assessment;
- preparation of the *Information sent to the Director - General of SNTGN Transgaz SA regarding the implementation stage of the Internal/management Control System, at the level of SNTGN Transgaz for 2019*, as a result of the analysis and centralization of the data from the Self-Evaluation Questionnaires sent by the organizational entities; it

presents an evaluation of the implementation of each standard, by each organizational structure and a general evaluation at the company level; the internal/management control standards are considered to be implemented, partially implemented or not implemented depending on the fulfilment of the criteria specific to each standard; the degree of compliance of the internal/management control system is established according to the number of implemented standards; the implementation stage of the internal/management control system, for the **307 organizational structures**, was analysed at the level of each internal/management control standard within the 5 components of the internal/management control;

- establishing the conclusions of the Information sent to the Director General of SNTGN Transgaz SA regarding the stage of implementation of the Internal/management Control System, at the level of SNTGN Transgaz, for 2019, as follows:
 - **the degree of compliance of the internal/management control system in SNTGN Transgaz is 100%;**
 - **the average degree of implementation of the internal/management control standards**, at the level of the 307 structures, as of 31.12.2019 is **99,39%** of the implemented standards, increasing by 0.20% compared to 2018;
- organizing and conducting the meeting of the Monitoring Commission, which ended by Minutes no. 2031/15.01.2020; the documents approved during the meeting of the Monitoring Commission were sent for information/approval to the Director General, as follows:
 - the self-assessment questionnaire of the implementation stage of the internal/management control standards on 31.12.2019, at the company level, according to Order 600/2018 of the General Secretariat of the Government;
 - centralizing situation regarding the stage of implementation and development of the internal management control system as at 31 December 2019;
 - the summary of the results of the self-assessment as at 31 December 2019;
 - 2020SNTGN Transgaz SA SCI/M development plan, registered under no. 1264/10.01.2020;
 - the register of risks per company for the year 2020, registered under no. 1173/ 10.01. 2020;
 - the plan of measures for minimizing the major risks identified within SNTGN TRANSGAZ SA, year 2020, registered under no. 1434/13.01.2020;
 - information on monitoring and risk management at the level of SNTGN Transgaz SA for 2019, registered under no. 1518/ 13.01.2020;
 - the risk profile and the risk tolerance limit registered under no. 1512/13.01.2020;
- organizing and conducting the meeting of the Monitoring Commission, which ended by Minutes no. 10745/24.02.2020; the documents approved during the meeting of the Monitoring Commission were sent for information/approval to the Director General, as follows:
 - the information sent to the Director - General of SNTGN Transgaz SA regarding the implementation stage of SCI/M on 31.12.2019, registered under no. 8209/12.02.2020;
 - information to the Director - General of SNTGN Transgaz SA regarding the performance monitoring at the company level for 2019, registered under no. 8211/12.02.2020;

- sending the documents presented for approval to the Director - General to the Ministry of Economy, by Letter no. 144613.01.2020 (GSG entry no. 20/1035 /AT/16.01.2020). These are:
 - **The synthetic situation of the self-assessment results as of 31 December 2019**, prepared according to the model provided in Annex no. 4.2. from the instructions provided for in Order No. 600/ 20.04.2018 of the General Secretariat of the Government on the approval of the Internal/Management Control Code of Public Entities, no. 1385/13.01.2020;
 - **Self-assessment questionnaire of the implementation stage of the internal / management control standards** for the self-assessment of the implementation stage of the Internal / management Control System within SNTGN Transgaz SA on 31.12.2019, prepared according to the model provided in Annex no. 4.1. from the instructions provided for in Order No. 600/ 20.04.2018 of the General Secretariat of the Government on the approval of the Internal/Management Control Code of Public Entities internal/management, no. 1383 /13.01.2020;
 - **The report of the Director - General on the Internal/management Control System as at 31 December 2019**, according to the model provided in Annex no. 4.3. from the instructions provided for in the Order No. 600/ 20.04.2018 of the General Secretariat of the Government on the approval of the Internal/Management Control Code of Public Entities, no. 1427/13.01.2020.
 - **Centralizing situation regarding the stage of implementation and development of the internal/management control system within SNTGN Transgaz SA, as at 31 December 2019**, according to Annex no. 3 of GSG Order no. 600/2018, no. 1387/13.01.2020, together with the following attached documents:
 - Decision no. 751/23.07.2018 updated;
 - SCIM Development Plan according to SGG Order 600/2018, updated;
 - The general objective, strategic objectives and directions of action of SNTGN Transgaz SA;
 - List of Objectives Performance Indicators for 2019;
 - The list of processes (procedurable activities) updated on 31.12.2019;
 - The list of documented procedures updated on 31.12.2019;
 - SNTGN Transgaz SA 2020 Risk Register.
- publishing the relevant documents for 2019 in the public area at: <http://zonapublica.transgaz.ro/Sistem de Control Intern Managerial>;
- updating Annex 1 of the Decision 751/23.07.2018 establishing the Monitoring Commission, by **Decision no. 36/14.01.2020**;
- requesting the updating/preparation of the documents of the Internal/Management Control System **for 2020** (by letters no. 10744/24.02.2020 and 17176/19.03.2020), in accordance with the current organizational structure, with the general/strategic objectives established at the company level and taking into account:
 - Order 600/2018 of the Secretary General of the Government, which provides **for the annual updating of SCI/M documents**;
 - **Development program of the Internal/Management Control System, in the period 2018–2021, updated in 2020** and approved by the company's management.
- monitoring the publication of the requested documents according to the above point, both in editable format and in pdf format, in the folders dedicated to 2020 in the Trgaz

(\\intranet)\ZoneInterDep\ControlInternManagerial area; checking the content of the posted documents and sending the necessary corrections;

- updating List of objectives and performance indicators, year 2020, code F01 00/PS 05 SMI, for regional offices, so as to take into account the `Action plan and timetable for implementation of proposals/recommendations`, established as a result of advising the regional offices, in July 2029 - November 2020, regarding the Internal/Management Control System and Risk Management;
- the inventory, at the level of the organizational structures, of the situations that may generate interruptions in the development of the activities in order to prepare by the Environment, Protection and Security Unit the Continuity Plan at the level of SNTGN Transgaz SA;
- The Board of Administration took note of Information no. DG 21004/06.04.2020 on The state of implementation of the internal/management control system and performance monitoring, December 201", by BA Resolution No. 14/29.04.2020;
- updating Decision no. 751 of 23.07.2018 for establishing the Monitoring Commission, by **Decision no. 736 of 30.06.2020**;
- the request for monitoring and implementation of the actions established for 2020 in the SCI/M Development Program by Letter no. 25186/05.05.2020;
- the analysis by the Technical Secretariat of the Monitoring Commission, on 29.06.2020, of the stage of implementation of the actions provided in the Development Program of Transgaz's Internal/Management Control System 2018-2021, updated for 2020.
- advising SCI/M responsible employees from 18 organizational structures, as a result of updating the objectives and performance indicators for 2020;
- Updating of the Rules for the Organization and Functioning of the Motoring Commission No. 36804/02.07.2020, after the updating of Decision No. 751/ 23.07.2018 on the establishing of the Monitoring Commission by Decision No. 736/30.06.2020;
- preparation/approval of the `SNTGN Transgaz SA policy regarding the sensitive functions` and its publishing in the public area at <http://zonapublica.transgaz.ro/Sistem de Control Intern Managerial/Funții sensibile>
- dissemination on 10.08.2020 of the Policy Statement of the General - Director regarding the SNTGN Transgaz SA sensitive functions;
- preparation/approval and publication on the public zone of the Transgaz Business Continuity Plan and of the 2020 Plan of measures for ensuring continuity;
- preparation/transmission of the Necessity Report regarding the budgeting of the WEB platform product for the management of the Internal/Management Control System for the procurement of an electronic management platform for the entire Internal/Management Control System no. DSMC/49966/04.09.2020 for:
 - the real-time reporting of the degree of achievement of performance indicators;
 - warning of non-performance of indicators, so that corrective action can be taken in a timely manner.
- organizing and conducting the meeting of the Monitoring Commission, finalized with Minutes no. DSMC/51312/14.09.2020, having on the agenda the establishment of the measures of organization and achievement of the operation of 2020 Self-evaluation of the internal/management control system, at the level of the organizational entities within the company.

- starting the operation of self-evaluation of the 2020 internal/management control system at the level of the independent divisions/units/independent departments/Mediaș Subsidiary, by Letter 51503 / 14.09.2020;
- the completion by each structure in the company's organizational chart of the `Self-evaluation questionnaire of the stage of implementation of the internal management control standards`, and its publication in the ControlInternManagerial database.

6. Analysis of management/internal control implementation progress in SNTGN Transgaz SA on 31.12.2020

In 2020, according to the organisation chart valid on 31 December, **309 organizational entities** filled in the *Self-Assessment Questionnaire on the progress of the SCI/M standards implementation* code F 12 00/PS 07 SMI (according to OSGG no. 600/2018, Annex 4.1).

The analysis of the data reported by the organisational structures shows the following:

- a) The Management/Internal Control System implemented by SNTGN Transgaz in 2020 is *COMPLIANT*, being implemented all of the 16 management/internal control standards.**

Evolution of the SCI / M compliance rate over previous years is shown in the figure below:

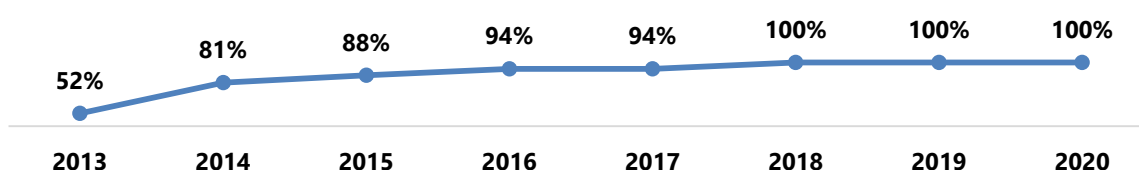


Figure 23- Evolution of the degree of conformity of SCI/M at SNTGN Transgaz SA level in 2013-2020

- b) Analysis of implementation of internal/management control standards at the level of the divisions/independent units/independent department/regional offices/Mediaș Subsidiary, on 31.12.2020**

The increase of the **average degree of implementation of internal/management control standards**, at the level of the 309 organizational structures on 31.12.2020 is 99,21%..

The formula for calculating the average degree of implementation of internal management control standards at company level:

$$= \frac{\text{Average degree of implementation of internal/managerial control standards within the company}}{\text{No. of entities within the company} \times \text{Standard no. (16)}} \times 100\%$$

$$= \frac{[\Sigma(\text{Entities with standard 1 implemented}) + \dots + \Sigma(\text{Entities with standard 16 implemented})] + (\text{No. of entities with non - applicable standards})}{\text{No. of entities within the company} \times \text{Standard no. (16)}} \times 100\%$$

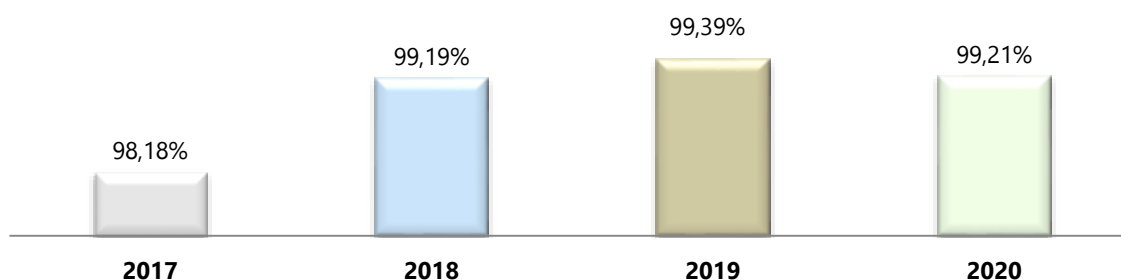


Figure 24 - Evolution of the average degree of implementation of the internal/management control standards, at the company level in 2017, 2018, 2019, 2020

7. Actions to be performed in the future period

- Updating whenever necessary Decision 751 / 23.07.2018 on the appointment of the Monitoring Commission and Decision 282 / 15.03.2019 on the appointment of the SCI / M Experts within SNTGN Transgaz SA;
- Chronologically and successively completing the stages related to the SCI / M implementation and development process according to the System Procedure: Management of the Internal / Management Control System, code PS 07 SMI.
- the preparation by the technical secretariat of the Monitoring Commission of the Synthetic report of the self-evaluation results, by centralizing the information from the self-evaluation questionnaires regarding the stage of implementation and development of the internal management control system;
- assessing the degree of compliance of the company's internal management control system with the internal control standards, in relation to the number of implemented standards;
- preparation of the report on the internal management control system for 2020;
- organization and conduct of the meeting of the Monitoring Commission having on the agenda the endorsement of the documents prepared according to the requirements communicated through the reporting templates submitted by the GSG;
 - SELF-ASSESSMENT QUESTIONNAIRE of the implementation stage of the internal/management control standards on 31.12.2020, according to GSG Order 600/2018,
 - CENTRALIZING REPORT regarding the stage of implementation and development of the internal management control system as of 31 December 2020,
 - SYNTHETIC REPORT of the results of the self-assessment as of 31 December 2020.
 - REPORT on the internal management control system as of 31 December 2020
- transmission of approved documents to the General Secretariat of the Government;
- approval of the *SCI/M Development Plan*, updated for 2021;
- analysis and centralization of the *Reports on performance monitoring* for 2020, by the SCI/M Implementation and Monitoring Department, and preparation of the *Note sent to the Director - General of SNTGN Transgaz SA on performance monitoring, in SNTGN Transgaz, for 2020*;

- *preparation of the Report sent to the Director - General of SNTGN Transgaz SA regarding the stage of implementation of the Internal / Management Control System in SNTGN Transgaz for year 2020,*
- requesting the monitoring and implementation of the actions established for 2021 in the SCI/M Development Plan;
- Continuation of the training / counselling regarding the provisions of the System Procedure: PS 07 SMI Management of the Internal / management Control System;
- Giving recommendations within the trainings / counselling regarding:
 - Establishing / implementing corrective measures by the organizational structures, to increase the degree of implementation of Standard 3: Competence, Performance, Standard 6: Planning and Standard 9: Procedures (where applicable)
 - Analysing objectives, performance monitoring indicators and their relevance;
 - Establishing actions within each Department / Independent Directorate / Independent Division / Regional offices / Mediaș Subsidiary, regarding the unachieved performance indicators and the monitoring of their achievement;
 - Establishing some directions of action / measures within the organizational structures, which will lead to the fulfilment of SCIM Development Program 2018-2021;
 - use of the standard sheets presented in the PS 07 SMI System Procedure. They aim to clarify the process of implementation and development of the internal/management control system and to orient the staff towards concrete actions and relevant documents;
- Further verification of the drafting / updating and posting of SCI / M documents for the year 2021, in compliance with the organizational structure of the company;
- Real-time completion of the analytical files by all the organizational structures, related to the internal / management control standards according to the System Procedure: SCIM Management, code PS 07 SMI;
- Procurement of an electronic platform for the management of the entire Internal / Management Control System, implicitly achieving:
 - Real-time reporting of the degree of achievement of the performance indicators;
 - Warning that indicators are not achieved, so that corrective measures can be taken in a timely manner;
- Adaptation to the ever-changing circumstances of the performance monitoring / evaluation system;
- the analysis of the implementation stage of the actions provided in Transgaz' Internal Control/Management System Development Plan 2018-2021, updated for 2021;
- Transformation of the monitoring / evaluation system into a self-assessment and learning system within the company, which would lead to the achievement of the framework for reviewing the objectives and defining future strategies.

7.2.8 Risk Management

Given the size and complexity of the processes in which TRANSGAZ is involved, the dynamics of external factors, the threats of the cyber environment, the complexity and duration of the investment projects, the changes generated by the environmental factors on the good

functioning of the company, the dynamics of the changes that take place in the energy markets and among the contractual partners with volatile financial performance, a very complex picture is created, with potential areas of risks and threats to the company

Therefore, the need for **risk management** to become an integral part of general management is an important objective of the company.

1. Legislative framework

The main normative acts underlying the regulation of risk management are the following.

- Government Ordinance no. 119/2015 on internal/management control and preventive financial control, republished as further amended and supplemented;
- Order 600/2018 of the General Secretariat of the Government on the approval of the Code of internal managerial control of public entities; in force since 07.05.2018.
- Methodology-of-risk-management-2018, prepared by the General Secretariat of the Government.
- SR ISO 31000: 2018, Risk Management- Guidelines.

2. The organizational framework of the risk management process

In order to manage the risks at the level of the company, the Director-General of SNTGN Transgaz SA established, by internal Decision no. 750 / 23.07.2018, a structure with attributions in this respect, called the **Risk Management Team (EGR)**, in the following composition:

- **President** of the EGR is the deputy general manager of the company Mr. Târsac Grigore;
- **Members** of the EGR are the Risk Officers assigned by the managers of the divisions/units/ Medias Subsidiary/regional offices and independent departments;
- **The EGR Secretariat** is provided by the Risk Management Office/SCI/ M Implementation and Monitoring department, within the Budget Strategy Division, the Strategy and Corporate Management Department.

Within Transgaz, in addition to the Risk Management Team (EGR), teams consisting of Heads of department in the **Risk Management Team (GL-EGR)** are constituted at the level of each department / independent directorate/ Mediaș Subsidiary/Regional offices entities concerned.

The organization and operation of the Risk Management Team is under the responsibility of the President and is established by the **Rules for the Organization and Operation of the EGR no 37021/23.07.2018**.

3. TRANSGAZ's policies and objectives on Risk Management

For the optimization of the Risk Management process, the following documents are established:

- *Statement – Commitment of the Director General on Risk Management*, by which the following objectives were established:

- Effective treatment of the risks to which the Company is exposed;
 - Integrating Risk Management into the Company's strategy and development programs;
 - Increasing the degree of information on Risk Management, with emphasis on the benefits of implementing Risk Management within the Company;
 - Anticipating and increasing the ability to respond to the requirements of the context in which the Company operates;
 - Increasing the degree of involvement of each employee in actions regarding Risk Management.
- *The Risk Management Strategy* is approved by the Decision of BoA no. 41/2018. The time horizon of this strategy is 4 years, as well as for *SNTGN TRANSGAZ Management Plan*. It establishes both the actions necessary to optimize the risk management process and the framework for identifying, evaluating, monitoring and controlling significant risks, in order to maintain them at acceptable levels depending on the *risk tolerance limit*. Through the risk management strategy it is established the risk tolerance in relation to risk exposure, using a **3-step scale** resulting in a **matrix with 9 values** for risk exposure.
 - System procedure PS 05 SMI *Risk Management* was approved on 31.07.2018. PS 05 SMI System procedure establishes a unitary set of rules for risk management and for drafting and updating of the Risk Register.

4. Actions undertaken in 2020

The essence of the risk management process within SNTGN Transgaz SA is represented by a series of five subprocesses:

- Setting the context
- Risk identification
- Risk assessment
- Risk management
- Monitoring, revision and periodical reporting of risks.

Monitoring and ongoing review of risk registers ensures that identification, analysis, assessment and risk management are always updated.

Parallel to the core process, to ensure that proper information is used in the process and to disseminate the findings and information, communication and consultation are carried out using the INTRANET network ZoneInterDep and zonapublica.transgaz.ro.

In 2020, the following actions were taken:

- Preparation of the *Report on the Advisory of organizational structures within SNTGN Transgaz on Standard 8 Risk Management within the Internal / Management Control System, and the Action Plan and Calendar of implementation of proposals/recommendations*, following the counselling of organizational structures in accordance with the *Advisory Program on Risk Management*.
- starting the evaluation action of the existing risk portfolio in SNTGN Transgaz SA, by letter no. DSMC 189/06.01.2020; in this sense, all Departments/Independent Divisions/ Independent Services/ Regional Offices/Mediaş Branch were requested (according to the

organizational chart valid in December 2019), to send the *Reports regarding the development of the risk management process, for 2019*;

- preparation by the Secretariat of the Risk Management Team, of the *Information regarding the management and monitoring of the risks at the company level for the year 2019*, based on the Reports regarding the development of the risk management process for 2019;
- the proposal to maintain the *Tolerance Limit*, for 2020, established by the Risk Management Strategy;
- preparation by the Secretariat of the Risk Management Team, of the *Risk Profile* of Transgaz, December 2019;
- concluding the process of monitoring the strategic risks, by the Secretariat of the Risk Management Team, by integrating the information / data / aspects found during 2019, in the Strategic Risk Tracking Sheets.
- reanalysis/evaluation of strategic risks;. the strategic risks for 2020 are presented in the table below:

External source
Category: the political domain
Changes in the macroeconomic environment
Geopolitical framework, political factors which may affect the conclusion of international transmission contracts
Government intervention in the sector of activity
Category: regulatory/legislative
Partial implementation/failure to implement European regulations
Changing the regulatory framework specific to the natural gas market
Changes in natural gas prices in Romania.
Legislative restrictions regarding the possibility to diversify the profit generation activity
Remuneration of performed investments and their introduction in the RAB is performed only if accepted by ANRE.
Reduced possibility to obtain a higher profit than the regulated profit during a regulatory period
Category: competitional
Impact of competing projects on gas transmission activity at European level.
Category: commercial
Seasonal fluctuation of the gas consumption.
Changes in gas price purchased by the SNTGN Transgaz
Category: financial
Lending
Currency
Interest rate
Liquidity
Capital market
Category: hazard
The NTS may be affected by natural catastrophes (earthquake, flood, land slide, extreme temperatures, heavy snowfall) , crisis or war.

- preparation of the *Company's Risk Register for 2020*; it includes the strategic risks as well as the major operational risks, escalated by the organizational structures, selected by the Secretariat of the Risk Management Team;
- preparation by the Secretariat of the Risk Management Team, based on the Strategic Risk Tracking Sheets and the Risk Management Reports submitted by the organizational structures, of the Risk Minimization Plan, at the company level for 2020;
- preparation of the report on the classification of operational risks;
- organizing and conducting the meeting of the Risk Management Team, which ended by Minutes no. 2030/15.01.2020; the documents approved during the meeting of the Risk Management Team were submitted for approval to the Monitoring Commission, as follows:
 - report on risk management and monitoring at the company level, year 2019 no. 1518 / 13.01.2020;
 - tolerance limit for the year 2020 no. 1512/01.13.2020;
 - risk profile of SNTGN, December 2019, no. 1512/01.13.2020;
 - risk register, at company level, for the year 2020, no. 1173/01.10.2020;
 - the plan of risk minimization measures, at company level, year 2020, no. 1434/01.13.2020;
 - the report of the advisory of the organizational structures within SNTGN Transgaz regarding the Standard 8 Risk Management within the Internal / Management Control System and the Action Plan and the Calendar for the implementation of the proposals / recommendations, no. 539/01.08.2020;
 - the report on the classification of operational risks no. 1516 / 13.01.2020
- triggering the action of updating/preparation of documents (by letters no. 10744/24.02.2020 and 17176/19.03.2020) in accordance with the System Procedure PS 05 SMI *Risk Management*;
- The posting of the following documents in Transgaz' data base "Trgaz (\\intranet)\ZoneInterDep\ControlInternManagerial":
 - List of Specific Objectives and Performance Indicators code F 01 00/PS 05 SMI;
 - List of Operational Objectives, Indicators, Activities and Risks, code F 02 00 / PS 05 SMI;
 - Department Risks Register, RegR-RR Office, code F 03 00/PS 05 SMI;
 - Registry of Risks at department level RegR-RD code F 05 00 / PS 05 SMI;
 - Risk minimization plan code F 06 00 / PS 05 SMI;
 - Annex 7 FUR Risk Fact Sheet code F 07 00 / PS 05 SMI.
- verification of the documents posted by the organizational structures, for compliance with the requirements of the PS 05 SMI System Procedure;
- updating Annex 1 of Decision to set up the Risk Management Team no. 750 of 23.07.2018, by Decision no. 37 from 14.01.2020;
- initiation of the Strategic Risk Tracking Sheets, for the year 2020;
- updating, on April 29, 2020, the Declaration-Commitment of the Director-General on Risk Management;
- posting on the company's website, in the Risk Management section, of the *Statement-Commitment of the Director General on Risk Management*, updated;

- The Board of Administration took note of Information no. DG 21001 / 06.04.2020 on risk management and monitoring within Transgaz, for 2019, through BA resolution no. 14/29.04.2020;
- updating Annex 1 of Decision to set up the Risk Management Team no. 750 of 23.07.2018, by Decision no. 737 of 30.06.2020
- filling in the Strategic Risk Tracking Sheets, for 2020 with the stage of implementing the internal/ managerial control measures, the difficulties encountered and proposals for new actions.
- the analysis by the Secretariat of the Risk Management Team, of the stage of implementation of the internal/management control measures established in the Plan of risk minimization measures, at the level of SNTGN Transgaz, year 2020.
- advising SCI/M managers from 8 departments, 2 Independent Services, 4 Regional Operation centres, as a result of updating the risk registers and risk minimization plans, the year 2020.
- classification of operational risks in the categories established by the *Report on the classification of operational risks*.
- classification of operational risks in the following categories: human resources; information/communication; control of activities; organizational environment; location availability; material/financial resources; design/construction; infrastructure/working environment; compliance; technical; force majeure;
- classification in the established risk categories of the operational risks identified by the organizational structures.
- revision of the risk registers, at the level of all organizational structures, action initiated by Letter DSMC 65824/17.11.2020 and completed on 21.12.2020;
- preparation by the organizational structures of the *Reports on the development of the risk management and monitoring process*, for year 2020 and publication in the ControllInternManagerial database;
- approval of the Strategic Risk Monitoring Sheets;
- analysis of the 2020 Plan of measures for mitigating risks at company level;
- revision of the Risk Register at the level of the company, December 2020, registration no. 73794/ 30.12.2020;
- preparation of the document *Analysis of the approval, at the level of SNTGN Transgaz SA, of the Risk Tolerance Limit, on a 5-steps scale*.

One of the concerns of the company's management is also the development and implementation of the internal/managerial control system within Vestmoldtransgaz SRL.

5. Actions to be taken for the upcoming period

- Updating as necessary Decision 750/23.07.2018 on the appointing of the Risk Management Team;
- Chronologically and successively completion of the risk management process stages according to the Risk Management System Procedure, code PS 05 SMI.
- the procurement of an electronic management platform for the entire Internal/Management Control System, this performing by default:

- the real time reporting of the achievement degree of the performance indicators and applying risk management to specific objectives and performance criteria, automatically performing the necessary calculations;
 - automatic application of calculation matrices in risk management for risk assessment and treatment.
- Analysis of the implementation status of the Program for the implementation of the measures set out in the Risk Management Strategy;
 - Internal trainings of newly established organizational structures on the elaboration of documents related to the PS 05 SMI System Risk Management Procedure.
 - advising organizational structures, whenever necessary, on the implementation/development of the risk management process
- a) preparation of the *Risk Register at the level of the company, for 2021*;
- b) preparation by the Secretariat of the Risk Management Team, based on the *Strategic Risk Monitoring Sheets of the Risk Mitigation Plan, at the level of the company for 2021*;
- preparation by the Secretariat of the Risk Management Team, of the *Report on risk management and monitoring at the company level, for 2020*, based on the reports on risk management submitted by the organizational structures;
 - organizing and conducting the meeting of the Risk Management Team, for approving the documents during the meeting of the Risk Management Team:
 - information on risk management and monitoring at company level, 2020;
 - tolerance limit for 2021;
 - risk profile of Transgaz, December 2020;
 - risk register, at company level, for 2021;
 - the plan for risk minimization measures, at company level, for 2021;

7.2.9 Communication

A part of the company's development strategy, **communication policy and social responsibility** aims at a permanent increase in the company's transparent communication and accountability to employees, shareholders, partners, community and the environment, as well as the efficiency of all the actions carried out in this sense.

Under the slogan **`A RESPONSIBLE COMPANY IS A FOUNDATION OF THE FUTURE`**, the entire internal and external communication activity of the company is modelled on and is carried out in accordance with the principles of professional deontology, ethics, transparency and good business and collaboration practices, culture and organizational values .

Infographic monitoring of news on Transgaz activity

Following the monitoring of news on Transgaz's activity, which appeared on media channels in 2020, we mention that this year there were 222 of which:

No	News category	12 months		%	Percentage	
		2020	2019		2020	2019

1.	Neutral news	191	167	14	86%	87%
2.	Positive news	31	20	55	14%	11%
3.	Negative news	0	4	-100	0%	2%
Total news		222	191	16	100%	100%

Table 45- Infographic monitoring of the news of Transgaz' activity in 2020 vs 2019

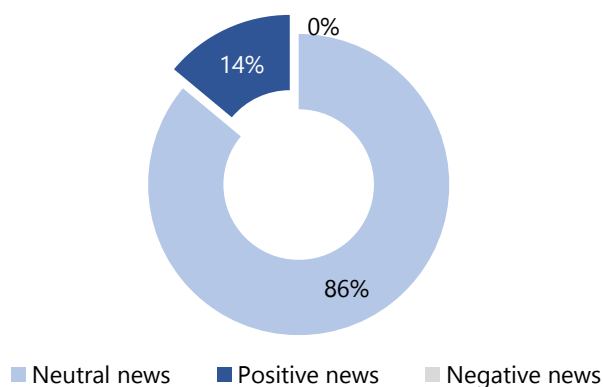


Chart 41 -Share of positive, neutral,negative news on Transgaz's activity in 2020

The monthly distribution in 2020 of positive, neutral, negative media references is the following:

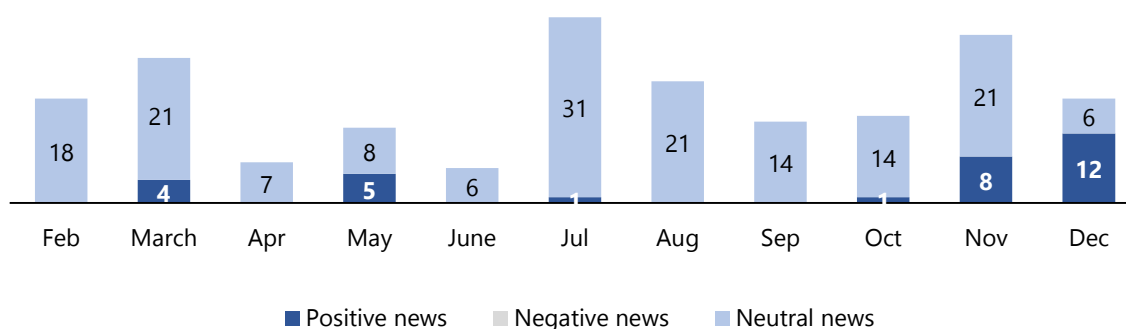


Chart 42 -Positive, negative and neutral news regarding the activity of Transgaz in 2020

The total distribution in 2020 of the references made by the topic, investments, financial results, European financing, capital market, development program is presented as follows:

News monitoring per topic as of 31.12.2020

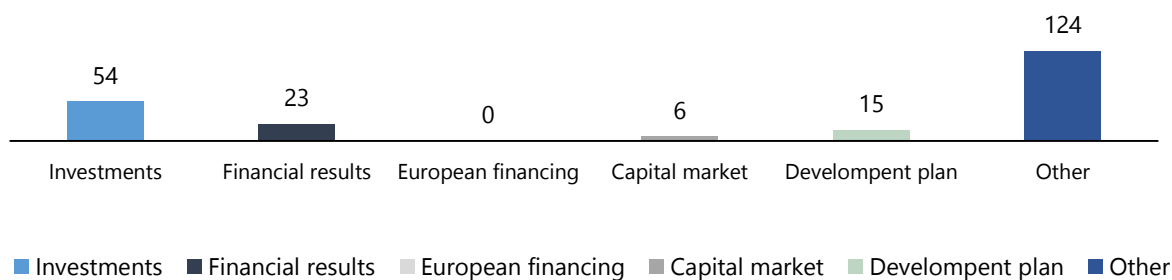


Chart 43 – News monitoring per issue in 2020

Monthly distribution in 2020 of the references made by the topic

News monitoring by topic per month

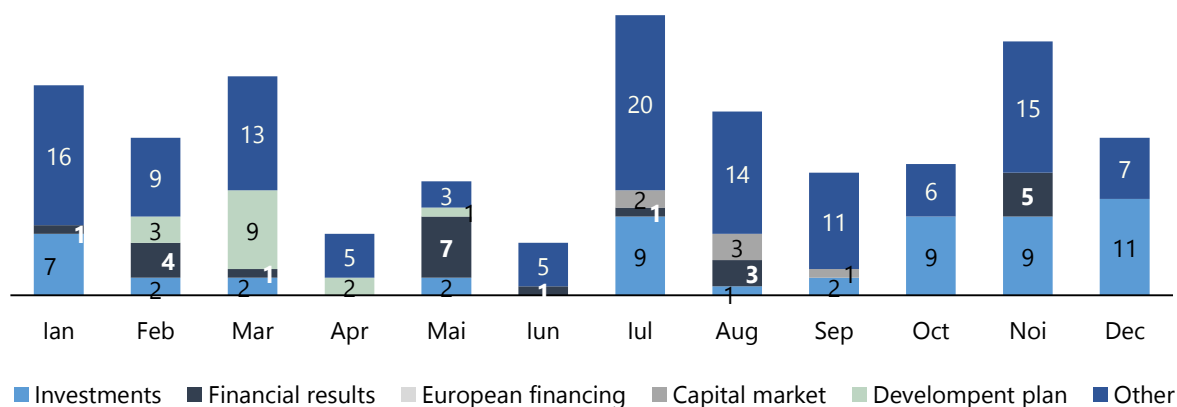


Chart 44 -Monthly monitoring of news by topic in 2020

The share of the references which occurred in 2020 depending on the approached theme is as follows:

News monitoring per topic

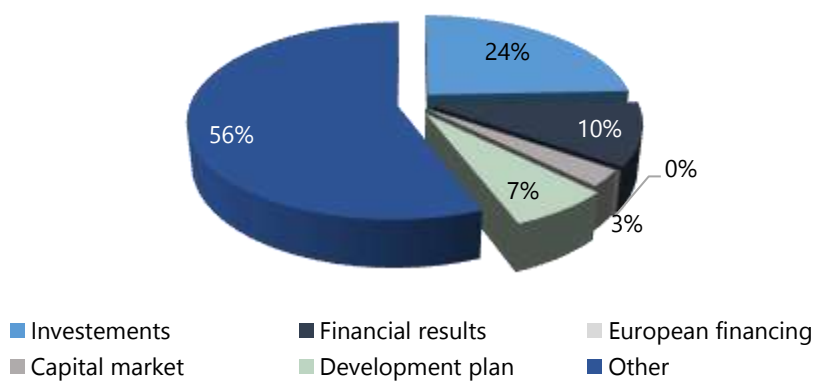


Chart 45 -News by topic in 2020

7.2.10 Key non-financial performance indicators

From the category of the **non-financial operational performance indicators** (presented in Annex 2a of GD 722/2016 for the approval of the Methodological Rules for the application of some provisions of the Governmental Emergency Ordinance no.109/2011 on the corporate governance of public enterprises) within the company the following indicators are monitored:

Key non-financial performance indicators for the calculation of the variable component of the remuneration

No.	Indicator	Objective	No.	2020		Achievement degree
				Planned	Achieved	
Operational						
6.	Monitoring the Implementation and Investment Strategy	Achievement of the FID projects from the 10 years Development Plan $I=(achieved+initiated\ actions)/proposed\ actions$				
		Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria Corridor (BRUA phase 1).	6.1	Construction Phase I; - Lot 1, Lot 2 and the Pui-Jupa – CS Bibești pipeline section	Completed	100%
		Interconnection of the National Transmission System with the T1 international gas transmission pipeline and reverse flow at Isaccea	6.2	- Completion of FEED and the execution details/obtaining the comprehensive decision - phase 2 – Construction and commissioning	Completed	
		Modernization of Isaccea 1 GMS and Negru Vodă 1 GMS;	6.3	Isaccea I – construction and commissioning Negru Vodă 1 – construction	-GMS Isaccea 1 - Completed - FEED - Completed	
		NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova	6.4	Construction (commissioning in 2021)	- pipeline execution in progress (Lot 1 and Lot 2); - CS Onești and CS Gherăști - Completed	
		New NTS developments for taking over Black Sea gas	6.5	- Construction (commissioning in 2021)	-execution of works in progress	

7.	Increasing energy efficiency	Maintaining the share of the NTS gas consumption in the total circulated gas below 1%	7.1	<1	0.56	100%
Oriented towards public services						
8.	Performance indicators related to the gas transmission service	Achievement of the targets provided for in the Performance Standard for the gas transmission service (ANRE Order 161/26.11.2015 entered into force as at 1 October 2016)	8.1	$IP_0^1 \geq 90\%$	99.72%	100%
			8.2	$IP_1^1 \geq 95\%$	*	
			8.3	$IP_1^2 \geq 95\%$	*	
			8.4	$IP_1^3 \geq 95\%$	100.00%	
			8.5	$IP_1^4 \geq 95\%$	100.00%	
			8.6	$IP_1^5 \geq 95\%$	100.00%	
			8.7	$IP_2^1 \geq 95\%$	97.06%	
			8.8	$IP_2^2 \geq 95\%$	*	
			8.9	$IP_3^1 \geq 95\%$	100.00%	
			8.10	$IP_3^2 \geq 95\%$	*	
			8.11	$IP_3^3 \geq 95\%$	*	
			8.12	$IP_3^4 \geq 95\%$	*	
			8.13	$IP_4^1 \geq 95\%$	*	
			8.14	$IP_5^1 \geq 98\%$	100.00%	
			8.15	$IP_5^2 \geq 98\%$	100.00%	
			8.16	$IP_6^1 \geq 98\%$	100.00%	
			8.17	$IP_6^2 \geq 98\%$	100.00%	
			8.18	$IP_7^1 \geq 80\%$	87.86%	
			8.19	$IP_8^1 \geq 98\%$	100.00%	
			8.20	$IP_8^2 \geq 98\%$	*	
			8.21	$IP_9^1 \geq 90\%$	*	
Corporate governance						

9.	Implementing the internal/management control system	Implementing the provisions of the SGG Order no. 600/2018 for the approval of the Internal/management control Code of public enterprises as subsequently amended. I = implemented standards/standards provided by Order 600/2018*100	9.1	94%	Achieved -Letter DSMC/1277/08.01.2021 sent to the General Secretariat of the Government on the Progress of the SCI/M implementation and development at SNTGN Transgaz SA on 31.12.2021; Entry no. SGG 20/1041/DC of 18.01.2021. -Centralized progress of the SCI/M implementation and development at SNTGN Transgaz SA on 31.12.2020, no. DSMC/1139/08.01.2021. -Self-Assessment Questionnaire on the progress of the SCI/M standards implementation on 31.12.2020, no. DSMC/1138/08.01.2021.. -Synthesis of self-assessment results on 31.12.2020, no. 1146/08.01.2021. - Report DSMC/1144/08.01.2021 of the Director-General on SCI/M on 31.12.2020 -Updating Decision no. 751/23.07.2018 on the establishing of Monitoring Committee with Decision no. 36/14.01.2020 and Decision no. 736/30.06.2020; - Updating Decision no. 282/15.03.2019 on the appointment of the SCI/M persons responsible with Decision no. 38/14.01.2020; - Updating the 2020 Transgaz SCI/M Development Plan no. 1264/10.01.2020; - Report on the SCI/M implementation on 31.12.2020, no. 4975/26.01.2021; - Report on 2020 Transgaz performance monitoring, no. 4973/26.01.2021. -Report to the Board of Administration on the Implementation internal / management control system and Performance Monitoring 2019, no. DG 21004/06.04.2020, BoA Resolution 14/29.04.2020 - Policy Statement on the sensitive functions within SNTGN Transgaz SA/10.08.2020 - Policy regarding the sensitive functions within SNTGN Transgaz SA No. DSMC/42754/30.07.2020 - SNTGN Transgaz SA Business Continuity Plan No. DSMC/53823/23.09.2020	100%
10.	Customer satisfaction	Achievement of the targets provided for in the administration plan (According to PP 165 Evaluation of Clients satisfaction, a score between 6-8 represents the fact that the services offered	10.1	8	8	100%

		<i>satisfied accordingly the requirements of the clients)</i>				
11.	Setting the risk management policies and risk monitoring	<i>Achievement of the targets provided for in the administration plan related to the implementation of the requirements of Standard 8 of SGG Order no. 600/2018 for the approval of the internal/management Control Code of public entities</i>	11.1	<i>Updating of risk management specific documents</i>	Achieved -Decision no. 737/30.06.2020 for the updating of the Risk Management Team; -2020 Tolerance Limit no. 1512/13.01.2020; ; -The risk profile of Transgaz, December 2019, no. 1512/13.01. 2020. ; -Statement – Commitment of the Director - General regarding Risk management, updated in 29.04.2020	100%
			11.2	<i>Updating the Register of Risks</i> <i>Updating the Plan of measures to mitigate risks</i>	Achieved - the Register of the Risks at the company level - year 2020, no. 1173/ 01.10.2020; -Plan of measures to mitigate risks, at the company level, year 2020, no. 1434/13.01.2020. - the Register of the Risks at the company level revised, December 2020, No. 73794/30.12.2020	
			11.3	<i>Report on risk management and monitoring</i>	Achieved -Report on risk management and monitoring within the company, for 2020, no. 3108/ 19.01.2021; -The Report to the Board of Administration on the risk management and monitoring within Transgaz for 2019, no. DG 21001/06.04.2020, BoA Resolution 14/29.04.2020.	
12.	Timely reporting of the key performance indicators	<i>Compliance with the legal deadlines for reporting I = actual reporting deadlines/reporting deadlines provided *100</i>	12.1	<i>Financial communication calendar to BSE</i>	Achieved (see company web site)	100%.
			12.2	<i>Status of achievement of the 10 year National transmission system development plan</i>	Achieved Letter DSMC/11471/26.02.2020 Deadline: 1 March 2020	
			12.3	<i>SCIM reporting</i>	Achieved Letter no. DSMC/1277/ 08.01.2021sent to the General Secretariat of the Government, on the Transgaz SCI/M progress of implementation and development on 31.12.2020; Entry no. SGG 20/1041/DC of 18.01.2021. (reported annually)	
			12.4	<i>Reporting related to the achievement of the performance indicators of the gas transmission service</i>	Achieved Letter no. 66442/19.11.2020 - ANRE report for gas year 2019-2020(reported annually)	
			12.5	<i>Reporting form S1100 on the monitoring of the application of the</i>	Achieved Letter DSMC 36417/01.07.2020	

				provisions of GEO 109/2011	S1100 report for Semester I 2020 and KPI for 2019 Letter DSMC 126/04.01.2021 S1100 report for Semester II 2019	
13.	Increasing institutional integrity by including the measures for the prevention of corruption as an element of the managerial plans	Compliance with the measures undertaken by the approved Integrity Plan <i>I = measures achieved within the deadline /proposed measures *100</i>	13.1	Publication of the SCIM assessment results	Achieved Published report on the Internal/Management Control System on 31.12.2020, no. 1144/08.01. 2021 at: http://zonapublica.transgaz.ro/Sistem%20de%20Control%20Intern%20Managerial/Sistem%20de%20Control%20Intern%20Managerial/6.%20Documente%20de%20evaluare%20interna%20si%20raportare/3.%20Raport%20anual%20al%20SCIM/Raportare%20c%C4%83tre%20SGG%20la%2031.12.2020/	100%
			13.2	Annual evaluation of the implementation of the Integrity Plan and its adaptation to the newly occurred risks and vulnerabilities	Achieved At the level of S.N.T.G.N. TRANSGAZ S.A. the annual evaluation was performed, and by Letter DG 6410/29.01.2021, 31.12.2020 Report on the evaluation of the Transgaz Integrity Plan, the Integrity Incidents Report (Annex 1) and the Report for implementing measures S.N.A. (Annex 2) were sent to the General Secretariat of the Government;	
			13.3	Annual publication of the performance indicators monitored within the company's Integrity Plan	Achieved (by the publication of the Annual Evaluation of the Integrity Plan on intranet): http://zonapublica.transgaz.ro/Strategia%20de%20lupta%20anticoruptie/	

Table 46 -Non-financial key performance indicators for the calculation of the variable component of remuneration in 2020

8. CORPORATE GOVERNANCE

Corporate governance is a concept with a very broad connotation, which includes elements such as: managers' responsibility for the accuracy of information in financial reports, the existence of very close deadlines for reporting communication and full transparency on financial results, transparency of internal audit, processes and external auditing.

Corporate governance refers to how the rights and responsibilities are divided between the categories of participants in the company's activities, such as the board of administration, managers, shareholders, and other interest groups, while also specifying how business decisions are made, how to define strategic objectives, how to reach them and how to monitor economic performance.

The practice confirms the need to intensify efforts to accept corporate governance, as it has been noted that organisations which are committed to implementing its principles managed to maximise their performance.

The general and specific strategic objectives of Transgaz are set in the context of the alignment with the requirements of the new European energy policy on energy security and safety, sustainable development and competitiveness.

In this context, the implementation and development of corporate governance principles as well as the development of responsible, transparent business practices, is increasingly becoming a necessity in the substantiation and application of business strategies and business policies.

By subscribing to this aim, Transgaz aims to provide, by its own Corporate Governance Rules, a rigorous framework for sizing and regulating corporate governance principles at the company level.

The Corporate Governance Rules of our company were endorsed by the Board of Administration by Resolution 3/18.01.2011 and approved by the Ordinary General Meeting of the Shareholders on 2 March 2011, by GMS Resolution 1/2011 (Art. 4).

The document has a structure in line with the requirements in the field and includes **9 chapters**, as follows:

- Chapter 1 - **Corporate Governance Structures:** Board of Administration, Advisory Committees, Executive Management. The tasks of the executive management are set out in the Transgaz Rules of Procedure and organization and the Code of Conduct sets out the ethical rules of mandatory conduct for all employees and applies to all organizational and hierarchical structures of the company.
- Chapter 2 - **Shareholder rights:** shareholder rights, shareholder treatment.

- Chapter 3 - **Board of Administration**: the role and obligations of the Board of Administration, the structure of the Board of Administration, the appointment of the members of the Board of Administration, the remuneration of the members of the Board of Administration.
- Chapter 4-**Transparency, financial reporting, internal control and risk management**: transparency and financial reporting.
- Chapter 5 - **Conflict of interests and transactions with persons involved**: conflict of interests; transactions with persons involved.
- Chapter 6 - **Corporate Information Regime**.
- Chapter 7 - **Social Responsibility**.
- Chapter 8 - **Administration system**.
- Chapter 9 - **Final Provisions**.

8.1 Corporate Governance Statement

I. STATEMENT OF COMPLIANCE WITH THE CODE

II. CORPORATE GOVERNANCE STATEMENT ITEMS

- Section A - Information on the composition, responsibilities and activities of the Board and the Committees.
- Section B - Risk and internal control information.
- Section C - Remuneration Information.
- Section D - Shareholder Information.

I. STATEMENT OF COMPLIANCE WITH THE CODE

SNTGN Transgaz SA, as a company listed on the BSE in the Premium category, voluntarily adopted the CGC provisions of the BSE and reports as of 2010 total or partial compliance by the **Statement on compliance or non-compliance with the provisions of the Corporate Governance Code (the 'apply or explain' Statement)** contained in the Administrators' Report.

In September 2015, a **new BSE Corporate Governance Code** was launched for companies listed on the main market, applicable from 4 January 2016. The new Code was developed by the BSE as part of a new corporate governance framework for promoting higher governance and transparency standards for the listed companies .

The implementation of the new rules is based on the "apply and explain" principle, which provides the market with clear, accurate and timely information on how listed companies comply with corporate governance rules.

Transgaz is in full compliance with most of the provisions of the new Code, and the provisions with which the company is not yet in compliance were explicitly presented in a current report sent to the BSE in January 2016, which was also published on the company's website at the section: *Informații investitori/Raportări curente/2016*.

Later, on 12 October 2016, by a Current Report sent to SNTGN TRANSGAZ SA BSE, SNTGN TRANSGAZ SA reported to the market the compliance with the new Governance Code provision A.2., which was included in the BoA Rules of Procedure and Organization at Art. 17 and approved by OGMS Resolution 4/23.06.2016.

Any further compliance of the company in this respect will be reported to the capital market.

Table of compliance or non-compliance with the provisions of the new Code

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
Section A-Responsibilities				
A.1	All companies must have an internal Board Regulation that includes the terms of reference / responsibilities of the Board and the key management functions of the company and which applies, inter alia, the General Principles of Section A.	X		
A.2	Provisions for managing conflicts of interest should be included in the Board Regulation. In any event, Board members must notify the Board of any conflicts of interest that have arisen or may arise and refrain from participating in the discussions (including by non-attendance, unless the failure to attend would hamper the formation of the quorum) and from the vote for the adoption of a decision on the issue giving rise to the conflict of interest concerned.	X		
A.3	The Board of Administration or the Supervisory Board must be composed of at least 5 members.	X		
A.4	Most members of the Board of Administration should not hold executive positions. At least one member of the Board of Administration or the Supervisory Board must be independent in the case of companies from the Standard Category. In the case of Premium Category companies, no less than two non-executive members of the Board of Administration or the Supervisory Board must be independent. Each independent member of the Board of Administration or the Supervisory Board, as the case may be, must file a statement at	X		

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
	the time of his/her nomination for election or re-election, and when any change of his/her status occurs, indicating the elements based on which he/she is considered as independent from the point of view of his/her character and judgment and according to the following criteria:			
	A.4.1. He / she is not the General Manager / Chief Executive Officer of the company or of a company controlled by the company and has not held such a position in the last 5 years.	X		
	A.4.2. He / she is not the employee of the company or of a company controlled by the company and has not held such a position in the last 5 years.	X		
	A.4.3. He/she does not receive and has not received any additional remuneration or other benefits from the company or a company controlled by it, other than those corresponding to the capacity of non-executive administrator.	X		
	A.4.4. He/she is not or was not the employee or does not or did not have a contractual relationship in the previous year with a significant shareholder of the company, a shareholder controlling over 10% of the voting rights, or a company controlled by it.	X		
	A.4.5. He/she has not and did not have a business or professional relationship with the company or a company controlled by it, either directly or as a client, partner, shareholder, member of the Board / Administrator, general manager / executive manager or employee of a company if, by virtue of its substantive nature, this relationship may affect his/her objectivity.	X		
	A.4.6. He/she is not and was not, in the last 3 years, an external or internal auditor or a partner or employed associate of the current external financial auditor or the	X		

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
	internal auditor of the company or a company controlled by it.			
	A.4.7. He/she is not the general manager / executive director of another company where another general manager / executive director of the company is the non-executive administrator.	X		
	A.4.8. He/she has not been a non-executive administrator of the company for more than 12 years.	X		
	A.4.9. He/she has no family ties with a person in the cases mentioned in A.4.1 and A.4.4.	X		
A.5	Other relatively permanent commitments and obligations of a member of the Board, including executive or non-executive positions in the Board of Non-Profit organizations and companies, should be disclosed to potential shareholders and investors prior to nomination and during his/her term of office.	X		
A.6	Any member of the Board must report to the Board any relationship with a shareholder directly or indirectly owning shares representing more than 5% of all voting rights. This obligation refers to any relationship that may affect the member's position on matters decided by the Board.		X	Information will be requested from Board of Administration members Transgaz will send to the BSE a current report at the time of compliance.
A.7	The company must designate a Board Secretary responsible for supporting the work of the Council.	X		
A.8	The Corporate Governance Statement will inform whether a Board assessment has taken place under the leadership of the Chairman or the nomination committee and, if so, will summarize the key measures and the resulting changes. The company must have a policy / guidance on the Council's assessment with regard to the		X	The activity of the Board of Administration is evaluated on the basis of the performance criteria included in the management plan as well as in the mandate contracts, and the extent to which they are fulfilled

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
	purpose, criteria and frequency of the assessment process.			is included in the Board of Administration annual report. The company does not have a policy / guide for assessing the activity of the Board of Administration, the assessment being made on the basis of the above-mentioned criteria. TGN will send a current compliance report when drafting this policy.
A.9	The corporate governance statement should contain information on the number of Board and committee meetings over the past year, the participation of administrators (in person and in absentia), and a report by the Board and committees on their activities.	X		
A.10	The corporate governance statement should include information on the exact number of independent members of the Board of Administration or the Supervisory Board.	X		
A.11	The Boards of Premium Category Companies must establish a nomination committee composed of non-executive members, which will lead the nomination process of new members of the Board and make recommendations to the Board. Most members of the nomination committee must be independent.	X		
Section B - Risk Management System and Internal Control System				
B.1	The Board should establish an audit committee in which at least one member has to be a non-executive independent administrator. Most members, including the Chairman, must have demonstrated that they have appropriate qualifications relevant to the functions and	X		

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
	responsibilities of the Committee. At least one member of the audit committee must have proven and appropriate auditing or accounting experience. In the case of Premium Category companies, the audit committee must consist of at least three members and the majority of the members of the audit committee must be independent.			
B.2	The Chairman of the Audit Committee should be an independent non-executive member.	X		
B.3	Within its responsibilities, the audit committee must carry out an annual assessment of the internal control system.	X		
B.4	The assessment should take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the audit committee of the Board, the promptness and effectiveness with which executive management addresses the deficiencies or weaknesses identified following the internal control and the submission of relevant reports to the Board.	X		
B.5	The audit committee should assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with affiliated parties.	X		
B.6	The audit committee should assess the effectiveness of the internal control system and risk management system.	X		
B.7	The Audit Committee should monitor the application of generally accepted legal standards and auditing standards. The Audit Committee should receive and evaluate internal audit team reports.	X		
B.8	Whenever the Code mentions reports or analyses initiated by the Audit Committee, they should be followed by regular reports	X		

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
	(at least annually) or ad-hoc reports to be submitted to the Board.			
B.9	No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements entered into by the company with shareholders and their affiliates.	X		
B.10	The Board must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relationships with a value equal to or greater than 5% of the net assets of the company (according to the latest financial report) is approved by the Board following a binding opinion of the Board's Audit Committee and properly disclosed to shareholders and potential investors, to the extent that such transactions fall within the category of events subject to reporting requirements.		X	This policy will be developed and approved in accordance with the BoA Rules of Procedure and organization and the Articles of Incorporation.
B.11	Internal audits should be performed by a separate structural division (audit department) within the company or by hiring an independent third party.	X		
B.12	In order to ensure the main functions of the internal audit department, it must report functionally to the Board through the audit committee. For administrative purposes and within the management's responsibility to monitor and mitigate risks, it must report directly to the Director General.	X		
Section C – Fair rewards and motivation				
C.1	The company must publish its remuneration policy on its intranet page and include a statement on the implementation of the remuneration policy in the annual report during the annual period under review.		X	Transgaz partially applies this provision by observing the provisions of GEO 109/2011 art.39 and art. 55 (2).

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
	The remuneration policy should be formulated in such a way as to enable shareholders to understand the principles and arguments underpinning the remuneration of the members of the Board and of the Director General as well as the directors in the dualist system. It should describe the management of the decision-making process on remuneration and detail the components of the executive management's remuneration (such as salaries, annual bonuses, long-term incentives related to the value of shares, benefits in kind, pensions, etc.) and describe the purpose the principles and assumptions underlying each component (including general performance criteria for any form of variable remuneration). In addition, the remuneration policy must specify the duration of the contract of the executive director and the notice period stipulated in the contract, as well as possible compensation for unjustified revocation. The remuneration report should present the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review. Any major change in the remuneration policy should be published in a timely manner on the company's website.			
Section D-Building value by the relationship with investors				
D.1	The company must organize an Investor Relations Service-indicating to the general public the responsible person(s) or organizational unit. In addition to the information required by law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:	X		

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
	D.1.1. Main corporate regulations: the Articles of Incorporation, the procedures for the general meetings of the shareholders.	X		
	D.1.2. Professional CVs of members of the company's governing bodies, other professional engagements of Board members, including executive and non-executive positions in boards of administration in non-profit companies or institutions.	X		
	D.1.3. Current reports and regular reports (quarterly, half-yearly and annually) - at least those under D.8 - including current reports with detailed information on non-compliance with this Code;	X		
	D.1.4. Information on the general meetings of the shareholders: agenda and informative materials; the procedure for electing the members of the Board; the arguments that support the proposals of candidates for election in the Board together with their professional CVs; the shareholders' questions about the agenda items and the company's replies, including the resolutions adopted.		X	The Company partially applies this provision, in accordance with art. 29 of GEO 109/2011 on Corporate Governance of Public Enterprises, as subsequently amended and supplemented.
	D.1.5. Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of the rights of a shareholder, including the deadlines and the principles applied to such operations. Such information will be published within a time frame that will allow investors to make investment decisions.	X		
	D.1.6. Names and contact details of a person who will be able to provide relevant information upon request.	X		
	D.1.7. Company presentations (e.g., investor presentations, quarterly results presentations, etc.), financial statements	X		

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
	(quarterly, half-yearly, annually), audit reports, and annual reports.			
D.2	The Company will have a policy on the annual distribution of dividends or other benefits to shareholders proposed by the Director General or the Directorate and adopted by the Board in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the policy regarding annual distribution to shareholders will be published on the company's website.		X	The distribution of the company's profits is made in accordance with the provisions of Government Emergency Ordinance 64/2001 on the distribution of profits of national companies, and trade companies with full or majority state capital, as well as autonomous administrations.
D.3	The company will adopt a policy in relation to the forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of studies aimed at determining the overall impact of a number of factors over a future period (so-called assumptions): by its nature, this projection has a high level of uncertainty, the actual results may differ significantly from the forecasts originally presented. The forecasting policy will determine the frequency, the period considered and the content of the forecasts. If published, the forecasts can only be included in the annual, half-yearly or quarterly reports. The forecasting policy will be published on the company's website.		X	The activity of the company is regulated by ANRE. The management plan of Transgaz includes the management strategy during the mandate. It is rigorously structured and includes strategic action directions for managing all the resources, operational and management processes of the company in order to achieve, with maximum efficiency, the established performance targets.
D.4	The rules of the general meetings of the shareholders must not limit the participation of shareholders to general meetings and the exercise of their rights. Changes to the rules will take effect at the earliest, starting with the next meeting of the shareholders.	X		
D.5	External auditors will be present at the general meeting of the shareholders when	X		

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
	their reports are presented at these meetings.			
D.6	The Board will give a brief assessment to the Annual General Meeting of the Shareholders on the internal control and risk management systems as well as opinions on matters subject to the decision of the general meeting.	X		This information is included in the annual report of the Board of Administration as well as in the Statement of the management, drawn up in accordance with art. 30 of the Accounting Law no. 82/1991.
D.7	Any specialist, consultant, expert, or financial analyst may attend the meeting of the shareholders on the basis of a prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	X		
D.8	The quarterly and half-yearly financial reports will include both Romanian and English information on the key factors that affect changes in sales, operating profit, net profit and other relevant financial ratios from one quarter to another quarter, and from one year to another.	X		
D.9	A company will hold at least two meetings / teleconferences with analysts and investors each year. The information presented on these occasions will be published in the Investor Relations section of the company's website at the date of the meetings / teleconferences.	X		
D.10	If a company supports different forms of artistic and cultural expression, sporting activities, educational or scientific activities, and considers that their impact on the innovation and competitiveness of the company is part of its mission and development strategy, it will publish its activity policy in this area.	X		

II. CORPORATE GOVERNANCE STATEMENT ITEMS

Section A - Information on the composition, responsibilities and activities of the Board of Administration and of the Advisory Committees

Administration system

Transgaz has a unitary management system and is managed by a Board of Administration. It has the general competence to take out all necessary actions in order to successfully carry out the object of the company, except for the issues that are within the competence of the General Meeting of the Shareholders according to the provisions of the Articles of Incorporation updated on 24.08.2020, or the applicable laws.

The management of Transgaz is provided by a Board of Administration formed mostly by non-executive and independent administrators within the meaning of Art.138² of the Companies Law no. 31/1990, republished, as subsequently amended and supplemented.

The Board of Administration is composed of 5 members that guarantee the efficiency of the supervisory, analysing and evaluating capacity of the company as well as the fair treatment of the shareholders. Members of the Board of Administration are elected by the General Meeting of Shareholders for a four-year term, and if the duties are duly fulfilled, the mandate may be renewed or they may be revoked by the Ordinary General Meeting in case of failure to meet the main objectives.

Members of the Board of Administration may be shareholders. The Transgaz Board of Administration is chaired by a Chairman appointed by the Board of Administration, from among its, which ensures the optimal functioning of the company's bodies. Members of the Board of Administration will participate in all the General Meetings of the Shareholders and will exercise their mandate in good faith and knowledge for the interest of the Company with due diligence and care without disclosing the confidential information and trade secrets of the Company during the term of office and after its termination.

The Articles of Incorporation of Transgaz, updated on 24.08.2020 and approved by the Board of Administration by Resolution 27/24.08.2020, regulates the duties, responsibilities and powers of the Board of Administration as well as the obligations of the company's administrators.

The Board of Administration operates in accordance with its own regulations and legal regulations in force. Following the implementation of the new Corporate Governance Code of the BSE, the Board of Administration approved the amendment of the *Regulation of Organization and Functioning of the Board of Administration of SNTGN Transgaz SA* in order to comply with its provisions and was approved in Art. 2 of the Resolution no. 8/ 17 December 2018 of the Ordinary General Meeting of the Shareholders .

The structure of the Transgaz Board of Administration ensures a balance between executive and non-executive members, so that no individual or restricted group of persons can dominate the decision-making process of the Board of Administration.

The decision-making process within the company will remain a collective responsibility of the Board of Administration, which will be held jointly and severally responsible for all decisions taken in the exercise of its powers. The renouncement of the mandate by independent administrators shall be accompanied by a detailed statement of the reasons for such renouncement.

Members of the Board of Administration will constantly update their competencies and improve their knowledge of the company's business and best corporate governance practices in order to fulfil their role.

Members of the Board of Administration of SNTGN Transgaz SA

The composition of Transgaz's Board of Administration as of 11.07.2017, following OGMS Resolution 3/19.06.2017:

ION STERIAN	Executive Administrator-Chairman, Director- General
PETRU ION VĂDUVA	Non-Executive Administrator
BOGDAN GEORGE ILIESCU	Non-Executive Independent Administrator
NICOLAE MINEA	Non-Executive Independent Administrator
REMUS-GABRIEL LĂPUȘAN	Non-Executive Independent Administrator Chairman of the Board of Administration - as of 18.03.2019

The CVs of the members of Transgaz's Board of Administration are available on the company's website at: www.transgaz.ro/Despre noi/Management/Consiliul de administratie.

Role and duties of the Board of Administration

Transgaz' management is provided by a Board of Administration meeting at the company's headquarters or at another decided location whenever necessary but at least once every three months.

The Board of Administration is chaired by the Chairperson. If the Chairperson is temporarily unable to perform his/her duties, the Board of Administration may appoint another Administrator to act as President for the relevant duration.

In the organizational structure of the company the Administration Board and General Meeting of the Shareholders Secretariat Service is established, with responsibilities in supporting the activity of the Board of Administration.

The meetings of the Board of Administration may take place by telephone or video-conference or other means of communication through which all persons present at the meeting may hear each other and participation in such a meeting shall be deemed to be participation for the

purpose of fulfilling quorum and voting requirements.

In 2020 there were 44 meetings of the Board of Administration, and the presence of the Board of Administration members in these meetings was as follows:

Administrator	Participation in the meetings	
	In person	in absence (by empowered person)
ION STERIAN	43	1 by empowered person
PETRU ION VĂDUVA	39	5 by empowered person
BOGDAN GEORGE ILIESCU	41	3 by empowered person
NICOLAE MINEA	44	-
REMUS GABRIEL LĂPUȘAN	43	1 by empowered person and 1 by absence

The debates shall be recorded in the minutes of the meeting, which shall include the names of the participants, the order of the discussions, the decisions made, the number of votes cast and the separate opinions. Minutes shall be signed by the chairman of the meeting and by at least one other administrator. Based on the minutes, the Secretary of the Board of Administration shall draw up the decision, which shall be signed by the Chairman.

The Board of Administration delegated the management of the company to the Director - General of SNTGN Transgaz SA, which is not the Chairman of the Board of Administration. The Director - General of the National Gas Transmission Company Transgaz S.A. represents the company in its relations with third parties.

The Director shall prepare and submit to the Board of Administration a proposal for the management component of the management plan for the duration of the mandate in order to achieve the financial and non-financial performance indicators.

The Board of Administration may require that the management plan be amended or revised if it does not provide for measures to achieve the objectives set out in the letter of expectation and does not include the expected results to ensure the assessment of the financial and non-financial performance indicators.

After the approval of the management plan by the board of administration, the management component or, as appropriate, the approved financial and non-financial performance indicators are an annex to the mandate contract concluded with the director.

The assessment of the directors' activity by the board of administration will concern both the execution of the mandate contract and the management plan management component.

The Director - General shall prepare and submit to the Board of Administration the reports provided by law.

The Director - General shall submit to the Board of Administration for approval the transactions concluded with the administrators or directors, employees or shareholders holding control over Transgaz or with a company controlled by them, if the transaction has, individually or in a series of transactions, a value of at least the equivalent in lei of EUR 50,000.

The executive directors and the directors of subsidiaries are appointed by the Director-General and are subordinate to it, are officials of TRANSGAZ S.A., carry out its operations and are accountable to it for the performance of their duties under the same conditions as the members of the Board of Administration.

The duties of the executive directors and of the directors within the branches are established by Transgaz' Rules of Procedure.

Persons who are incompatible under the Companies Law no. 31/1990, republished, as amended and supplemented, may not be executive directors or Subsidiary directors.

According to Art. 19 (8) of the Articles of Incorporation, updated on 28 November 2019, the Board of Administration informs, at the first general meeting of the shareholders following the conclusion of the legal act, on:

- any transaction with the administrators or with the directors, with the employees, with the shareholders who control the company or with a company controlled by them,
- the transactions concluded with the spouse, relatives or affiliates up to the fourth degree, including the persons mentioned above,
- any transaction concluded between TRANSGAZ SA with another public enterprise or with the public supervisory body, if the transaction has a value, individually or in a series of transactions, of at least the equivalent in lei of euro 100,000.

The Board of Administration is required to make available, at the general meeting of shareholders and financial auditors, Transgaz S.A. documents and activity reports according to the legal provisions.

Liability of administrators

The liability of the administrators is governed by the legal provisions regarding the mandate as well as the special provisions of the Companies Law no. 31/1990, republished, as subsequently amended and supplemented.

Incompatibility

The persons provided for in the Companies Law no. 31/1990, republished, as subsequently amended and supplemented, are incompatible with the membership of the Board of Administration

The person who is incompatible with the status of administrator, according to the Companies Law no. 31/1990, republished, as amended and supplemented, may not be the general director of TRANSGAZ S.A.

Duties of the Board of Administration

The Board of Administration has the following main tasks:

- to establish the main directions of activity and development of the company, to prepare the policy of Transgaz S.A., according to the applicable laws;
- to draw up the management plan, which includes the management strategy for the duration of the mandate to achieve the objectives and performance criteria set by mandate contracts;
- to approve the internal regulation on the organization and functioning of the advisory committees set up at the level of the Board of Administration and their composition;
- to establish accounting policies and the financial control system and approve financial planning;
- to approve the organizational structure and the regulation of organization and functioning of TRANSGAZ S.A. ;
- to appoint and revoke the general director of TRANSGAZ S.A. and determine his/her remuneration;
- to approve the management plan for the duration of the mandate and for the first year of the term of the general director of TRANSGAZ S.A. ;
- to supervise the work of the general director;
- to prepare the annual report, organize the general meeting of shareholders and implement its decisions;
- to introduce the request for initiating insolvency proceedings for TRANSGAZ S.A., in accordance with the legal regulations in force;
- to approve the level of guarantees for persons who are managers;
- to conclude legal documents by which to acquire, lease, rent, change or warrant assets in the patrimony of TRANSGAZ S.A., with the approval of the general meeting of shareholders when the law imposes this condition;
- to approve the competences of the branches by field of activity (economic, commercial, technical, administrative, financial, legal etc.) in order to achieve the activity of TRANSGAZ SA;
- to approve the change of the secondary activity scope of SNTGN Transgaz S.A;
- to approve the set-up or closure of secondary establishments: subsidiaries, agencies, representative offices or other such establishments without legal personality, as well as objective work points of NTS;
- to approve the conclusion of any contracts for which it has not delegated the competence of the general director of TRANSGAZ S.A. ;
- to submit annually to the general meeting of the shareholders, after the end of the financial year, the report on the activity of TRANSGAZ S.A., the balance sheet and the profit and loss account for the previous year;
- to submit to the general meeting of the shareholders the activity program and the draft income and expenditure budget for the following year;
- to convene the general meeting of shareholders whenever necessary;
- to establish the rights, obligations and responsibilities of the TRANSGAZ SA staff, according to the approved organizational structure;
- to decide on the contracting of bank loans, including foreign ones; to establish the competencies and level of contracting of bank loans in the domestic and foreign markets, of trade credits and guarantees, including by pledging shares related to holdings held in other companies according to the law; to approve the release of

guarantees;

- to approve the number of posts and the normative act for the establishment of functional and production departments;
- to approve production, research, development and investment programs;
- to approve policies for environmental protection, occupational safety, according to the legal regulations in force;
- to approve, within the limits of the revenue and expenditure budget approved by the general meeting of shareholders, changes in its structure within the limits of the powers for which it was mandated;
- to negotiate the collective labour agreement by mandating the general director and to approve the status of the staff;
- to ensure and to be responsible for the fulfilment of any other tasks and duties established by the general meeting of the shareholders or which are provided by the legislation in force;
- to decide on behalf of and for the General Meeting of the Shareholders of the limited liability company on the territory of the Republic of Moldova;
- to adopt any other decisions concerning the activity of the company, except those which are within the competence of the general meeting of the shareholders.

Appointment of Board members

The Company set up a Nomination and Remuneration Committee to coordinate the process of appointing Board members and to make recommendations for both the position of administrator and the vacant positions within the Board in accordance with GEO 109/2011 on Corporate Governance in Public Enterprises, as subsequently amended and supplemented. When a vacancy is created in the Board of Administration, the election of a new member is made under the conditions stipulated by the law. The duration for which the new administrator is elected to fill the vacancy shall be equal to the period remaining until the expiry of his/her predecessor's term.

Advisory Committees set up at the level of the Board of Administration

Starting with 27 May 2013 the Board of Administration Decision no. 7 of May 27, 2013 approved the new structure of the Advisory Committees set up at the level of the Board of Administration of SNTGN Transgaz SA, as follows:

- Nomination and Remuneration Committee;
- Audit and Rating Committee;
- NTS Safety and Security Committee;
- Strategy and Development Committee;
- Regulatory and Public Authority Relations Committee.

The Rules of procedure of the Advisory Committees set up at the level of the Board of Administration of SNTGN Transgaz SA, updated on 28.02.2018, can be found on its own website in the **About us/Board of Administration** section.

The last update of the rules aimed at the responsibilities of the audit and rating committee.

Task sheets of the five advisory committees set up at the level of the Board of Administration:

ADVISORY COMMITTEE	REMARKS	DUTIES
NOMINATION AND REMUNERATION COMMITTEE	will be composed of at least two members of the Board of Administration; will be composed of non-executive administrators, at least one of the members of the committee will be an independent non-executive administrator; the tasks of this Committee are set out in the Corporate Governance Code.	▪ coordinates the process of appointing the members of the Board of Administration; ▪ elaborates and proposes to the Board of Administration the Procedure for the election of the members of the Board of Administration; ▪ addresses recommendations on both the position of administrator and the filling of vacant positions within the Board of Administration; ▪ assesses the cumulative professional skills, knowledge and experience at the level of the Board of Administration, directors and other management functions; ▪ establishes the requirements for occupying a certain position in the management of the company; ▪ elaborates and proposes to the Board of Administration the procedure for the selection of candidates for the positions of director and other management positions; ▪ recommends to the Board of Administration candidates for the listed positions; ▪ apply best practices of corporate governance by improving knowledge of the company's business and constantly updating the professional competencies of board members; ▪ develops the remuneration policy for administrators; ▪ submits such remuneration policy for approval to the General Meeting of Shareholders; ▪ formulates proposals on the remuneration of directors and other management functions; ▪ informs about the remuneration policy in the Corporate Governance Statute / Regulations of the company; ▪ presents in the Annual Report the total amount of the direct and indirect remuneration of administrators and directors, separately, according to the fixed and variable components of such remuneration; ▪ in determining the remuneration of non-executive directors, it will observe the principle of proportionality of this remuneration with the responsibility and time devoted to the exercise of their functions by them; ▪ draws up an annual report on the remuneration and other advantages granted to the administrators and directors during the financial year, which shall be presented to the general meeting of the shareholders and includes the information provided in art. 55 paragraph (3) of GEO no. 109/2011 on Corporate Governance of Public Enterprises;

ADVISORY COMMITTEE	REMARKS	DUTIES
		may, where appropriate, call on external experts to assist with the tasks they are required to perform.
AUDIT AND RATING COMMITTEE	will be composed of at least three members of the Board of Administration and the majority of members must be independent; will be composed of non-executive administrators, at least one of the members of the committee will be an independent non-executive administrator; at least one member of the committee must have proven and appropriate audit or accounting experience; the chairman of the committee must be an independent non-executive member; the tasks of this Committee are set out in the Corporate Governance Code.	- assists and recommends the Board of Administration, proposes the establishment of the accounting and financial control system and approves the financial and budgetary planning; - monitors the effectiveness of the entity's internal quality control systems and risk management systems and, where applicable, internal auditing of the financial reporting of the audited entity without prejudice to its independence; - monitors the statutory audit of the annual financial statements and the consolidated annual financial statements, in particular the performance of the annual financial statements, taking into account the findings and conclusions of the competent authority in accordance with Article 26 (6) of EU Regulation no. 537/2014; - performs an annual assessment of the internal control system and presents relevant reports to the Board of Administration; - assesses conflicts of interest in relation to the transactions of the company and its subsidiaries with related parties; - monitors the application of generally accepted legal standards and internal audit standards; - receives and evaluates internal audit team reports; - submits regular reports to the Board of Administration; - elaborates and submits to the Board of Administration for approval an opinion on the policy by which to ensure that any transaction of the company with any of the companies with which it has close relationships, the value of which is equal to or greater than 5% of the net assets of the company (according to the latest financial report) is approved by the Board; - meets as often as necessary, but at least twice a year for drafting half-yearly and annual results, when their dissemination to shareholders and the general public is performed; - checks the compliance of the audit reports with the approved audit plan at the company level; - provides support to the Board of Administration in monitoring the credibility and completeness of the financial information provided by the Company, in particular by - reviewing the relevance and consistency of accounting standards applied by the Company;

ADVISORY COMMITTEE	REMARKS	DUTIES
		▪ collaborates with the company's external financial audit, which will provide a report describing all the relationships between the latter, on the one hand, and the company and the group to which it belongs, on the other; ▪ is liable for the selection procedure of the financial auditor or audit firm and recommends to the general meeting of the shareholders the financial auditor or audit firm (s) to be designated / designated in accordance with Article 16 of EU Regulation No.537 / 2014, unless Article 16 (8) of EU Regulation No.537 / 2014 applies; ▪ evaluates and monitors the independence of financial auditors or audit firms in accordance with Articles 21-25, 28 and 29 of Law no. 162/2017 on statutory audit of annual financial statements and consolidated annual financial statements and amending certain acts normative and Article 6 of EU Regulation No.537 / 2014 and, in particular, the opportunity to provide services that are not audit to the audited entity in accordance with Article 5 of that Regulation; ▪ informs the members of the Board of Administration of the audited entity about the results of the statutory audit and explain how the statutory audit contributed to the integrity of the financial reporting and the role of the committee in the process; ▪ monitors the financial reporting process and submits recommendations or proposals to ensure the integrity thereof; ▪ fulfils the duties provided in art. 47 of GEO no. 90/2008, approved with amendments by Law no. 278/2008, in accordance with Art. 34 (3) of GEO 109/2011.
SAFETY AND SECURITY COMMITTEE OF NTS	will be composed of at least two members of the Board of Administration; at least one member of the committee shall be an independent non-executive administrator;	▪ periodically reviews the critical infrastructure criteria list of Transgaz and the established security measures; ▪ provides the necessary conditions for the implementation of measures to protect all critical infrastructure objectives of the company or under the authority/coordination of the company; ▪ monitors / updates its own programs for preventing and combating terrorism through optimal physical and organizational protection measures, with recommendations to the Board of Administration; ▪ monitors the fulfilment of programs for maintenance and modernization of NTS development as well as the observance of the technical norms for operation and maintenance of production capacities.

ADVISORY COMMITTEE	REMARKS	DUTIES
	the tasks of this Committee are set out in the Corporate Governance Code.	
STRATEGY AND DEVELOPMENT COMMITTEE	will be composed of at least two members of the Board of Administration; at least one member of the committee shall be an independent non-executive administrator; the tasks of this Committee are set out in the Corporate Governance Code.	▪ assists the Board of Administration in fulfilling its responsibilities in the field of elaboration and updating of the general strategy of the development of company; ▪ analyses the opportunities identified for business development and issues recommendations to the Board of Administration on these; ▪ analyses and assists the Board of Administration on the direction of international development and cooperation of the company; ▪ monitors and analyses the implementation of strategic and action plans / programs regarding the obligations of Transgaz as an NTS technical operator and stock exchange issuer; ▪ develops proposals for improving and streamlining strategic activity, development and collaboration; ▪ addresses recommendations to the Board of Administration on the effective operation of strategic and action plans / programs; ▪ monitors and analyses the performance indicators of the transport system and the economic and financial performance of the company's activity.
REGULATORY AND PUBLIC AUTHORITY RELATIONS COMMITTEE	will be composed of at least two members of the Board of Administration; at least one member of the committee shall be an independent non-executive administrator; the tasks of this Committee are set out in the	▪ assists the Board of Administration in analysing the regulatory activity and legal obligations of the company in this field; ▪ monitors the fulfilment by the company of the obligations stipulated by the regulations that are incident to the performed activity; ▪ analyses and submits proposals to the Board of Administration on the regulatory framework; ▪ monitors collaborative relationships with public authorities and assists the Board of Administration in establishing and managing the collaboration policy.

ADVISORY COMMITTEE	REMARKS	DUTIES
	Corporate Governance Code.	

Composition of advisory committees set up at the level of the company's Board of Administration

Following OGMS Resolution no. 3/19.06.2017 and OGMS Resolution no. 13/28.12.2017 for the appointing new administrators, namely Mr Nicolae Minea and Mr Remus-Gabriel Lăpușan, at the meeting of the Board of Administration of 11 July 2017 it was decided to change the composition of the advisory committees established at the level of the Board of Administration the company. As of this date, the composition of the committees is as follows:

Name of the Advisory Committee	Composition of the Committee	
Nomination and Remuneration Committee	Văduva Petru Ion	- non-executive administrator
	Minea Nicolae	- non-executive, independent administrator
	Iliescu Bogdan George	- non-executive, independent administrator
Audit and Rating Committee	Iliescu Bogdan George	- non-executive, independent administrator, Chairman of the Audit and Rating Committee
	Minea Nicolae	- non-executive, independent administrator
	Lăpușan Remus Gabriel	- non-executive, independent administrator
NTS Security and Safety Committee	Sterian Ion	- executive administrator
	Văduva Petru Ion	- non-executive administrator
	Lăpușan Remus Gabriel	- non-executive, independent administrator
Strategy and Development Committee	Sterian Ion	- executive administrator
	Văduva Petru Ion	- non-executive administrator
	Iliescu Bogdan George	- non-executive, independent administrator
	Minea Nicolae	- non-executive, independent administrator
Regulatory and Public Authority Relations Committee	Sterian Ion	- executive administrator
	Văduva Petru Ion	- non-executive administrator
	Lăpușan Remus Gabriel	- non-executive, independent administrator

The activity carried out in 2019 by the five advisory committees set up at the level of the Board of Administration on the basis of:

- Law no. 31/1990, as subsequently amended and supplemented, republished, Art. 138¹ (2), Art. 138² (2), Art. 140² (1) and (2);
- GEO no 109/2011 on corporate governance of public companies, Art. 34 and Art. 55 (2) and (3);
- Law no 162/2017 on the statutory audit of the annual financial statements and consolidated annual financial statements and on the amending of some normative acts;
- The Corporate Governance Code of the Bucharest Stock Exchange;

- The updated Articles of Incorporation of Transgaz SA, Chapter V, Art.19 (11);
- The Board of Administration resolutions 22/11.07.2017, 15/16.05.2017, 39/17.12.2015, 43/19.11.2014, 21/ 16.06.2014, 2/ 10.02.2014, 13/ 29.07.2013, 7/ 27.05.2013, 16/ 30.10.2009, 13/ 24.09.2009.

intended to monitor the actions of the members of the Advisory Committees in accordance with the areas in which they were designated and is reflected in their half-yearly activity report, which highlights:

- how the materials and documents of the different organizational structures of SNTGN Transgaz SA were consulted by the members of the Advisory Committees;
- analyses by members of the Advisory Committees on the content of documents and materials submitted;
- proposals / measures / recommendations of the members of the Advisory Committees regarding the content of materials and documents submitted for analysis and approval / endorsement to the Board of Administration; and
- the documents by which the Board of Administration in its plenary decided on the content and the issues addressed in the documents submitted for analysis/approval/endorsement.

The way of presenting the activity report of the advisory committees set up at the Board of Administration level in 2020 was designed so as to reflect in a comprehensive and accurate manner the entire activity regarding the analysis, consultation and the decision making process regarding the activity of the company.

No.	Description	Responsible	Composition of the Committee
1.	Activity Report of the Nomination and Remuneration Advisory Committee between January and June 2020	Nomination and Remuneration Advisory Committee	Văduva Petru Ion Minea Nicolae Iliescu Bogdan George
2.	Activity Report of the Strategy and Development Advisory Committee during January-June 2020	Strategy and Development Advisory Committee	Sterian Ion Văduva Petru Ion Iliescu Bogdan George Minea Nicolae
3.	Activity Report of the Regulatory and Public Authority Relations Advisory Committee during January-June 2020	Regulatory and Public Authority Relations Advisory Committee	Sterian Ion Văduva Petru Ion Lăpușan Remus Gabriel
4.	Activity Report of the Safety and Security Advisory Committee of NTS during January-June 2020	Safety and Security Advisory Committee of NTS	Sterian Ion Văduva Petru Ion Lăpușan Remus Gabriel
5.	Activity Report of the Audit and Rating Advisory Committee during January-June 2020	Audit and Rating Advisory Committee	Iliescu Bogdan George Minea Nicolae Lăpușan Remus Gabriel
6.	Activity Report of the Nomination and Remuneration Advisory Committee between January and December 2020	Nomination and Remuneration Advisory Committee	Văduva Petru Ion Minea Nicolae Iliescu Bogdan George
7.	Activity Report of the Strategy and Development Advisory Committee during January-December 2020	Strategy and Development Advisory Committee	Sterian Ion Văduva Petru Ion Iliescu Bogdan George Minea Nicolae

No.	Description	Responsible	Composition of the Committee
8.	Activity Report of the Regulatory and Public Authority Relations Advisory Committee during January-December 2020	Regulatory and Public Authority Relations Advisory Committee	Sterian Ion Văduva Petru Ion Lăpușan Remus Gabriel
9.	Activity Report of the Safety and Security Advisory Committee of NTS during January-December 2020	Safety and Security Advisory Committee of NTS	Sterian Ion Văduva Petru Ion Lăpușan Remus Gabriel
10.	Activity Report of the Audit and Rating Advisory Committee during January-December 2020	Audit and Rating Advisory Committee	Iliescu Bogdan George Lăpușan Remus Gabriel Minea Nicolae

Section B - Risk and internal control information

At the level of Transgaz an Audit Committee was initially established, but following the approval of the new structure of the Advisory Committees by the Board of Administration Decision no. 7 of May 27, 2013, the *Audit and Rating Committee* was established to regularly review the compliance of financial reporting, internal control, and the company's risk management and rating system. The audit committee must be composed of at least three members and the majority of the members must be independent. The Chairman of the Audit Committee should be an independent non-executive member. Most members, including the Chairman, must have demonstrated that they have appropriate qualifications relevant to the functions and responsibilities of the Committee.

The members of the Committee shall assist and make recommendations to the Board of Administration on the establishment of the accounting and financial control system as well as the financial and budgetary planning.

The Committee conducts auditing analyses and draws up audits reports based on them, while verifying the compliance of the audit reports with the approved audit plan at the company level. Within the company the Internal Audit Service is established, which is under the direct subordination of the Board of Administration. It reports to the Audit and Rating Committee on a quarterly basis, a synthesis of the internal audit work carried out.

The Committee provides support to the Board of Administration in monitoring the credibility and completeness of the financial information provided by the Company, in particular by reviewing the relevance and consistency of accounting standards applied by the Company.

The Committee collaborates with the company's external financial audit, which will provide a report describing all the relationships between the latter, on the one hand, and the company and the group to which it belongs, on the other;

The Audit and Rating Committee monitors the independence and accountability of the financial auditor, in particular by monitoring the rotation of the company's dedicated partners in the audit firm, and makes recommendations to the Board of Administration on the selection, appointment, re-appointment, replacement of the financial auditor, and terms and conditions of its remuneration.

Conflict of interests

The members of the Board of Administration will make decisions in the sole interest of the company and will not take part in the debates or decisions that create a conflict between their personal interests and those of the company or the subsidiaries controlled by it. In this respect, the Board of Administration approved the *Conflict of Interest Management Policy* in order to comply with Art. A.2. of the new Corporate Governance Code of the BSE, and was approved at art. 2 by the OGMS Decision no. 4 of June 23, 2016.

Transactions with involved persons

Each member of the Board of Administration shall ensure that there is no conflict of interest either directly or indirectly with the company or a subsidiary controlled by it, and in the event of such conflict, it will refrain from debating and voting on those matters, in accordance with the legal provisions in force.

In order to ensure the procedural fairness of the transactions with the parties involved, the members of the Board of Administration resort to the following criteria, but not limited to:

- retaining the competence of the Board of Administration or the GMS, as appropriate, to approve the most important transactions;
- asking for a prior opinion on the most important transactions from internal control structures;
- entrusting negotiations relating to these transactions to one or more independent administrators or to administrators who have no links with the concerned parties;
- the use of independent experts.

Section C - Remuneration Information

The Company set up a Nomination and Remuneration Committee that prepares the remuneration policy for administrators and directors set up by the Board of Administration Decision no. 7 of May 27, 2013.

The Committee will submit to the Board of Administration proposals for the remuneration of administrators and directors, ensuring that these proposals are in line with the remuneration policy adopted by the company.

The remuneration of board members is made up of a fixed monthly allowance and a variable component based on financial and non-financial performance indicators.

Remuneration and other benefits to administrators and directors are recorded in the annual financial statements and in the annual report of the nomination and remuneration committee.

Section D - Shareholder Information

All holders of financial instruments issued by Transgaz of the same type and class of securities receive equal treatment and the company always makes sustained efforts to achieve effective, active and permanent communication in order to exercise rights in a fair manner.

All Transgaz shareholders will be treated fairly. All issued shares give the holders equal rights; any modification of the rights conferred by them will be subject to the approval of the holders directly affected in the special meetings of the respective holders.

Transgaz makes every effort to facilitate the participation of shareholders in the works of the General Meetings of the Shareholders, the dialogue between shareholders and members of the Board of Administration and / or management, as well as the full exercise of their rights. The participation of the shareholders in the works of the General Meetings of the Shareholders is fully encouraged, and shareholders who cannot participate in the meetings are given the possibility of voting in absentia - on a special proxy basis, or by correspondence.

The Company created a special section, called *Investor Relations*, on its own website, where relevant information on procedures for access to and participation in the General Meeting of Shareholders (GMS), GMS notices to attend, GMS completions, exercise of rights voting in the GMS, GMS agenda materials, special proxy templates, GMS decisions, current reports, company financial statements, dividend information, financial calendar, corporate governance are constantly updated and accessible, thus contributing to transparent and fair information to all interested.

At the same time, Transgaz set up a specialized organizational structure for the management of the capital market activity, namely the *Investor Relations Service*, whose activity is dedicated to the relationship with investors and shareholders. The staff of the service is permanently instructed / prepared / professionally trained on issues related to the company's relationship with its shareholders, the capital market institutions as well as the principles of corporate governance.

Transparency

Transgaz performs regular continuous reports on the important events related to the company, including, without limitation, the financial standing, performance, ownership structure and management both in mass media and on its own webpage (www.transgaz.ro).

The company prepares and disseminates regular continuous and relevant information on the International Financial Reporting Standards (IFRS) and other reporting standards, namely environmental, social and governance (ESG –Environment, Social and Governance). The information is disseminated both in Romanian and English.

The company organizes regular meetings with financial analysts, brokers, market specialists and investors for the presentation of the financial results (annual, quarterly, half-yearly), relevant meetings in their investment decision.

The general and specific strategic objectives of SNTGN TRANSGAZ SA are set in the context of alignment with the requirements of the new European energy policy on energy security and security, sustainable development and competitiveness.

In this context, the implementation and development of corporate governance principles, the development of responsible, transparent business practices, is increasingly becoming a necessity in substantiating and implementing corporate business strategies and policies.

By subscribing to this goal, SNTGN TRANSGAZ SA Mediaș also aims, through its own governance regulation, to provide a rigorous framework for sizing and regulating corporate governance at the company level, developing an effective and proactive relationship system with shareholders and stakeholders.

Transgaz administrators appreciate that, acting in the spirit of the best corporate governance practices, the proposed objectives can be attained and the stakeholders' confidence can be increased in the capabilities of the company to maximize the efficiency of the activity.

Corporate social responsibility (CSR)

Corporate Social Responsibility is an aspect of corporate governance through which companies have initiated a range of socially responsible actions that can be quantified in terms of sustainability and sustainable performance.

The national gas transmission company TRANSGAZ SA Mediaș, consistent with the principle of applying a responsible management in fulfilling the undertaken mission, is aware of the importance that sometimes financial support for a noble cause or for an important purpose is vital and therefore through the programs and projects of social responsibility initiated, it is actively involved in community life, demonstrating his status as a *good citizen*.

Corporate social Responsibility is an aspect of corporate governance, with TRANSGAZ' key role in the energy field in Romania and Europe being naturally complemented by the desire to support the real needs of all those who are constantly contributing to the smooth way of its activity.

As part of Transgaz' sustainable development strategy, the social responsibility policy aims to increase the company's commitment to employees, shareholders, partners, the community and the environment, as well as streamlining the impact of social responsibility programs initiated for this purpose.

The commitment undertaken by the company's management through the *Environmental Quality Management System Policy Statement* is a definite proof that TRANSGAZ acknowledges the importance of ensuring an organizational climate where all stakeholders: employees, shareholders, customers, suppliers, community and the environment can effectively and responsibly network both from an economic and social point of view.

The company's social responsibility policy is based on a set of principles that define this interaction between Transgaz on the one hand and employees, shareholders, partners, community and the environment on the other.

Complying with the principles of financial prudence and transparency, the communication and CSR actions proposed for 2020 were rigorously quantified both in structure and value and responded to Transgaz' reporting requirements as a securities issuer, but also to the requirements related to the company's image and reputation. Detailed information on social responsibility is available on the Transgaz website at: <http://www.transgaz.ro/responsabilitate-socială>.

LEGAL DOCUMENTS CONCLUDED ACCORDING TO ART. 52 (1) AND (6) OF GEO 109/30.11.2011

According to Art. 82 of Law 24/2017, Transgaz reported in 2020 the following legal documents with companies directly or indirectly controlled by the Romanian State and which have a cumulated value of at least the lei equivalent of EUR 50.000:

Contract data	Contract clauses
Contract Parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and S.N.G.N. ROMGAZ S.A.
Contract date and type	Contract no. 335L/18.12.2019 for January 2020
Contract scope	NTS entry points quarterly transmission services
Contract value	1.192.284,80 lei – estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 18

Contract data	Contract clauses
	(1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the average value of the monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within two working days after the end date of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the

Contract data	Contract clauses
	Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as `monthly invoices`), as follows: a) an invoice for the transmission services provided for the previous month; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS entry point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision. ART. 7 (1) Invoices issued according to Art. 6 (5) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and S.N.G.N. ROMGAZ S.A.
Contract date and type	Contract no. 337L/18.12.2019 for January 2020
Contract scope	NTS exit points monthly transmission services
Contract value	1.231.572,65 lei – estimated amount of the legal act VAT included (lei)
Mutual debts	-

Contract data	Contract clauses
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1) of this article, the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the 'investment grade' level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 18 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 5 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the average value of the monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service

Contract data	Contract clauses
	commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within two working days after the end date of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.

Contract data	Contract clauses
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices') prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU chooses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) (ii) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and ELECTROCENTRALE BUCUREȘTI S.A. (in insolvency)
Contract date and type	Contract no. 295L/18.12.2019 for January 2020
Contract scope	NTS exit points monthly transmission services
Contract value	3.275.784,17 lei – estimated amount of the legal act VAT included (lei)
Mutual debts	-

Contract data	Contract clauses
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1) of this article, the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the 'investment grade' level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 18 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service

Contract data	Contract clauses
	commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within two working days after the end date of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 91st calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation at the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 90 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.

Contract data	Contract clauses
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as `monthly invoices`) prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) (ii) shall be paid within 90 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and COMPLEXUL ENERGETIC HUNEDOARA S.A. (in insolvency)
Contract date and type	Contract no. 134T/18.12.2019 for Q I 2020
Contract scope	NTS exit points quarterly transmission services
Contract value	512.193,97 lei – estimated amount of the legal act VAT included (lei)
Mutual debts	-

Contract data	Contract clauses
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1) of this article, the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the 'investment grade' level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 17 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 5 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoices for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service

Contract data	Contract clauses
	commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within two working days after the end of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. (8) The NU may renounce the advance payment option provided it establishes a financial guarantee according to Art. 14 (3) or to Art. 15. ART. 20 (1) The payment guarantee issued according to Art. 17 (1) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (2) If the level of the financial guarantee: a) decreases by more than 5% below the level specified in Art. 17 (2), the NU shall supplement the financial guarantee accordingly; b) is more than 5% above the level specified in Art. 17 (2), the TSO shall return to the NU the difference between the actual level of the guarantee and the one specified in Art. 17 (2). (3) The payment guarantee shall be adjusted within no more than 5 working days from the date of recording of the diminishing/increasing as compared to the level specified in Art. 17 (2). (4) The TSO shall be entitled to make claims against the guarantee under this Article within the limits of the damage incurred, unless the NU fulfils its contract obligations completely or partly or if it delays fulfilling such obligations. (5) Prior to making any claim against such guarantee, the TSO shall notify the NU on the non-fulfilled obligations. (6) The TSO shall send the guarantee execution notification by fax within 24 hours from the expiration of the period set at Art.23 (1) (a). (7) If the guarantee is executed partly or completely, the NU shall re-establish the guarantee within 5 days from execution. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 91st calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation at the maturity date;

Contract data	Contract clauses
	b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 90 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices') prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable;

Contract data	Contract clauses
	c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) (ii) shall be paid within 90 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and S.N.G.N. ROMGAZ S.A.
Contract date and type	Contract no. 438L/22.01.2020 for February 2020
Contract scope	NTS exit points monthly transmission services
Contract value	868.435,52 lei – estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1) of this Article, the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or

Contract data	Contract clauses
	b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the 'investment grade' level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 18 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 2 working days after the end date of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur:

Contract data	Contract clauses
	a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate

Contract data	Contract clauses
	invoices (hereinafter referred to as `monthly invoices`) prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) (ii) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and ELECTROCENTRALE BUCUREȘTI S.A. (in insolvency)
Contract date and type	Contract no. 403L/22.01.2020 for February 2020
Contract scope	NTS exit points monthly transmission services
Contract value	2.121.696,40 lei – estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1) of this article, the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance.

Contract data	Contract clauses
	(4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 18 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 2 working days after the end date of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use.

Contract data	Contract clauses
	(6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 91st calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation at the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 90 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable

Contract data	Contract clauses
	in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as `monthly invoices`) prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) (ii) shall be paid within 90 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between SNTGN Transgaz SA and COMPLEXUL ENERGETIC HUNEDOARA S.A. (in insolvency)
Contract date and type	Contract no. 135T/11.02.2020 for Q II 2020
Contract scope	NTS exit points quarterly transmission services
Contract value	309.433,42 - estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14

Contract data	Contract clauses
	(1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the 'investment grade' level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 17 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 5 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract.

Contract data	Contract clauses
	(4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 7 working days after the end of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. (8) The NU may renounce the advance payment option provided it establishes a financial guarantee according to Art. 14 (3) or to Art. 15. ART. 20 (1) The payment guarantee issued according to Art. 17 (1) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (2) If the level of the financial guarantee: a) decreases by more than 5% below the level specified in Art. 17 (2), the NU shall supplement the financial guarantee accordingly; b) is more than 5% above the level specified in Art. 17 (2), the TSO shall return to the NU the difference between the actual level of the guarantee and the one specified in Art. 17 (2). (3) The payment guarantee shall be adjusted within no more than 5 working days from the date of recording of the diminishing/increasing as compared to the level specified in Art. 17 (2). (4) The TSO shall be entitled to make claims against the guarantee under this Article within the limits of the damage incurred, unless the NU fulfils its contract obligations completely or partly or if it delays fulfilling such obligations. (5) Prior to making any claim against such guarantee, the TSO shall notify the NU on the non-fulfilled obligations. (6) The TSO shall send the guarantee execution notification by fax within 24 hours from the expiration of the period set at Art.23 (1) (a). (7) If the guarantee is executed partly or completely, the NU shall re-establish the guarantee within 5 days from execution. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 91st calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation at the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3

Contract data	Contract clauses
	calendar days, starting with the day following the period of 90 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices'), prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point.

Contract data	Contract clauses
	(6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) (ii) shall be paid within 90 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and S.N.G.N. ROMGAZ S.A.
Contract date and type	Contract no. 155T/11.02.2020 for Q II 2020
Contract scope	NTS entry points quarterly transmission services
Contract value	2.117.177,79 lei – estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date.

Contract data	Contract clauses
	(2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 17 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 5 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 7 working days after the end of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. (8) The NU may renounce the advance payment option provided it establishes a financial guarantee according to Art. 14 (3) or to Art. 15. ART. 20 (1) The payment guarantee issued according to Art. 17 (1) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (2) If the level of the financial guarantee: a) decreases by more than 5% below the level specified in Art. 17 (2), the NU shall supplement the financial guarantee accordingly; b) is more than 5% above the level specified in Art. 17 (2), the TSO shall return to the NU the difference between the actual level of the guarantee and the one specified in Art. 17 (2).

Contract data	Contract clauses
	(3) The payment guarantee shall be adjusted within no more than 5 working days from the date of recording of the diminishing/increasing as compared to the level specified in Art. 17 (2). (4) The TSO shall be entitled to make claims against the guarantee under this Article within the limits of the damage incurred, unless the NU fulfils its contract obligations completely or partly or if it delays fulfilling such obligations. (5) Prior to making any claim against such guarantee, the TSO shall notify the NU on the non-fulfilled obligations. (6) The TSO shall send the guarantee execution notification by fax within 24 hours from the expiration of the period set at Art.23 (1) (a). (7) If the guarantee is executed partly or completely, the NU shall re-establish the guarantee within 5 days from execution. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.

Contract data	Contract clauses
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices'), as follows: a) an invoice for the transmission services provided for the previous month; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS entry point. (6) If the NU chooses to make an advance payment, the TSO shall issue and send the NU an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) (ii) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and S.N.G.N. ROMGAZ S.A.
Contract date and type	Contract no. 156T/11.02.2020 for Q II 2020
Contract scope	NTS exit points quarterly transmission services
Contract value	2.565.400,93 lei – estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on:

Contract data	Contract clauses
	a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the 'investment grade' level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 17 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 5 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 7 working days after the end of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use.

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	(6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. (8) The NU may renounce the advance payment option provided it establishes a financial guarantee according to Art. 14 (3) or to Art. 15. ART. 20 (1) The payment guarantee issued according to Art. 17 (1) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (2) If the level of the financial guarantee: a) decreases by more than 5% below the level specified in Art. 17 (2), the NU shall supplement the financial guarantee accordingly; b) is more than 5% above the level specified in Art. 17 (2), the TSO shall return to the NU the difference between the actual level of the guarantee and the one specified in Art. 17 (2). (3) The payment guarantee shall be adjusted within no more than 5 working days from the date of recording of the diminishing/increasing as compared to the level specified in Art. 17 (2). (4) The TSO shall be entitled to make claims against the guarantee under this Article within the limits of the damage incurred, unless the NU fulfils its contract obligations completely or partly or if it delays fulfilling such obligations. (5) Prior to making any claim against such guarantee, the TSO shall notify the NU on the non-fulfilled obligations. (6) The TSO shall send the guarantee execution notification by fax within 24 hours from the expiration of the period set at Art.23 (1) (a). (7) If the guarantee is executed partly or completely, the NU shall re-establish the guarantee within 5 days from execution. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees.

Contract data	Contract clauses
	(2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices'), prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services

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	provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) (ii) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and ELECTROCENTRALE BUCUREȘTI S.A. (in insolvency)
Contract date and type	Contract no. 463L/19.02.2020 for March 2020
Contract scope	NTS exit points monthly transmission services
Contract value	665.794,86 lei – estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website.

Contract data	Contract clauses
	ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 18 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within two working days after the end date of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 91st calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation at the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 90 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees.

Contract data	Contract clauses
	(2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall sent the NU separate invoices (hereinafter referred to as 'monthly invoices'), prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5

Contract data	Contract clauses
	calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) (ii) shall be paid within 90 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and S.N.G.N. ROMGAZ S.A.
Contract date and type	Contract no. 510L/19.02.2020 for March 2020
Contract scope	NTS exit points monthly transmission services
Contract value	938.260,26 lei – estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website.

Contract data	Contract clauses
	ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 18 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within two working days after the end date of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees.

Contract data	Contract clauses
	(2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices'), prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services

Contract data	Contract clauses
	provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) (ii) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	BENEFICIARY: Vestmoldtransgaz S.R.L.. SUPPLIER: S.N.T.G.N. Transgaz S.A.
Contract date and type	Service Contract No. 6, concluded on 20.03.2020, SNTGN TRANSGAZ S.A. under no. 172 on 23.03.2020.
Contract Parties	BENEFICIARY: Vestmoldtransgaz S.R.L. PROVIDER: S.N.T.G.N. Transgaz S.A.
Contract scope	Provision by the Provider of technical assistance in favour of the Beneficiary, within the process of implementation of the investment project Interconnection gas pipeline between the Natural Gas Transmission System of Romania and the Natural Gas Transmission System of the Republic of Moldova on the Iasi-Ungheni-Chisinau direction, Phase II, in the interests of VMTG.
Contract value	The contract value was calculated according to Art. 2.1. and Art. 2.3. of the Contract to 104,470 euro: 2.1. In exchange for the Assistance, the Beneficiary undertakes to pay the Provider the invoices related to the fulfilment of the contractual objectives in accordance with the offer submitted by the Provider. 2.3. Miscellaneous and contingencies of 10 % may be added to the Contract Price for services related to the scope of the contract.
Mutual debts	N/A
Guarantees established and penalties stipulated	The penalties were established according to Art. 7 of the Contract: 7.1. If the Provider fails to perform, executes with delay or defectively the obligations undertaken by the Contract, it shall pay to the Beneficiary penalties amounting to 0.05 of the value of the services not provided, provided late or defectively. 7.2 If the Beneficiary fails to meet the obligation to pay at the maturity date, then the Provider shall be entitled to claim penalties amounting to 0.05 of the amount of the unpaid invoice for each day of delay, from the maturity date to the actual meeting of the obligation.
Contract Parties	Concluded between SNTGN Transgaz SA and ELECTROCEENTRALE BUCUREȘTI S.A. (in insolvency)
Contract date and type	Contract no. 547L/18.03.2020 for April 2020
Contract scope	NTS exit points monthly transmission services

Contract data	Contract clauses
Contract value	1.902.753,59 lei- estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 18

Contract data	Contract clauses
	(1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within two working days after the end date of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 91st calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation at the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 90 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry.

Contract data	Contract clauses
	ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices'), prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at an NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7

Contract data	Contract clauses
	(1) Invoices issued according to Art. 6 (5) and (6) (ii) shall be paid within 90 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and S.N.G.N. ROMGAZ S.A.
Contract date and type	Contract no. 589L/18.03.2020 for April 2020
Contract scope	NTS entry points monthly transmission services
Contract value	1.944.211,29 lei – estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in

Contract data	Contract clauses
	accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 18 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within two working days after the end date of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees.

Contract data	Contract clauses
	(2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices'), as follows: a) an invoice for the transmission services provided for the previous month; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS entry point. (6) If the NU chooses to make an advance payment, the TSO shall issue and send the NU an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision. ART. 7

Contract data	Contract clauses
	(1) Invoices issued according to Art. 6 (5) and (6) (ii) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between SNTGN TRANSGAZ SA and S.N.G.N. ROMGAZ S.A
Contract date and type	Contract no. 188T/12.05.2020 for Q III 2020
Contract scope	NTS exit points quarterly transmission services
Contract value	2.480.816,80 lei- estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), of this article the TSO shall make the proof of the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in

Contract data	Contract clauses
	accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 17 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoices for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 7 working days after the end of the capacity booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. (8) The NU may waive the option regarding the advance payment, subject to the establishment of a financial payment guarantee under the conditions of art. 14 para. (3) or art. 15. ART. 20 (1) The payment guarantee issued according to Art. 17 (1) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (2) If the level of the financial guarantee: a) decreases by more than 5% below the level specified in Art. 17 (2), the NU shall supplement the financial guarantee accordingly; b) is more than 5% above the level specified in Art. 17 (2), the TSO shall return to the NU the difference between the actual level of the guarantee and the one specified in Art. 17 (2). (3) The payment guarantee shall be adjusted within no more than 5 working days from the date of recording of the diminishing/increasing as compared to the level specified in Art. 17 (2). (4) The TSO shall be entitled to make claims against the guarantee under this Article within the limits of the damage incurred, unless the NU fulfils its

Contract data	Contract clauses
	contract obligations completely or partly or if it delays fulfilling such obligations. (5) Prior to making any claim against such guarantee, the TSO shall notify the NU on the non-fulfilled obligations. (6) The TSO shall send the guarantee execution notification by fax within 24 hours from the expiration of the period set at Art.23 (1) (a). (7) If the guarantee is executed partly or completely, the NU shall re-establish the guarantee within 5 days from execution. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment

Contract data	Contract clauses
	when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices') prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) point (ii) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) point (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between SNTGN TRANSGAZ SA and S.N.G.N. ROMGAZ S.A
Contract date and type	Contract no. 755L/17.06.2020 for July 2020
Contract scope	NTS exit points monthly transmission services
Contract value	703.861,20 lei- estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14

Contract data	Contract clauses
	(1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), of this article the TSO shall make the proof of the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 18 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the value of the estimated monthly invoice for the transmission services for the following period of use.

Contract data	Contract clauses
	(3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within two working days after the end date of the capacity booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter;

Contract data	Contract clauses
	(2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices') prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) point (ii) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) point (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.

Contract data	Contract clauses
Contracting parties	BENEFICIARY: Vestmoldtransgaz S.R.L. SUPPLIER: The National Gas Transmission Company Transgaz S.A.
Contract date and type	Service contract no. 8, concluded on 24.06.2020, registered with SNTGN TRANSGAZ S.A. under no. 390 on 25.06.2020.
Contract scope	Submission on lease by the Contractor to VMTG, for the period of the lease period, of the right of possession and use over four (4) gas metering regulating stations.
Contract value	The value of the rent was calculated according to Art. 3.1. and Annex 2 of the Contract, respectively 938.053 Euro: „3.1. VMTG will pay the Contractor for the possession and use of the MRSs the rent in the total amount of EUR 938,053, excluding VAT, (hereinafter "Rent") in monthly instalments according to the schedule detailed in Annex 2 to the Contract."
Mutual debts	Not applicable.
Guarantees established and penalties stipulated	The penalties were established in accordance with Art. 10.5 and Art. 10.6 of the Contract: "10.5. Penalties payable by the Contractor VMTG will be able to request the Contractor to pay penalties in case the Contractor: a) does not perform, in whole or in part, or performs late the Works undertaken within the deadline agreed in the Contract in Article 4.1. b) does not ensure the undisturbed use of MRSs during the Contract. In such cases the Contractor will owe VMTG penalties, as follows: a) starting with the delay premium and until the 90th day: 0.00%/day of delay from the contract price; b) as of the 91st day until the date of the actual remedy: 0.10%/day of delay from the contract price In no case will the cumulative value of the penalties exceed 10% of the value of the Contract. 10.6. Penalties payable by VMTG The Contractor will be able to request VMTG penalties for non-payment/late payment of the monthly payment instalments of the Rent in the amount of 0.1% per day of delay from the amount due and unpaid."
Payment terms and modalities	The terms and methods of payment have been established in accordance with Art. 2 of the Contract: "2.1The contract enters into force on the date of issue by VMTG of a contract commencement order ("Commencement Order"). 2.2. The term of the MRS lease will begin on the date on which the following were cumulatively met: a) The Contract Commencement Order was issued by VMTG and b) A Delivery-receipt Report has been signed by the Parties in the form agreed by the Parties, which will confirm the delivery and receipt of the MRSs at the locations indicated in the Annex 3. 2.3. The contract will terminate at the expiration of 12 months calculated from the date of commencement of the lease period (hereinafter "Lease Period"), unless the Parties agree to extend the period of the lease by Addendum."
Contract Parties	Concluded between SNTGN TRANSGAZ SA and S.N.G.N. ROMGAZ S.A
Contract date and type	Contract no. 820L/22.07.2020 for August 2020

Contract data	Contract clauses
Contract scope	NTS exit points monthly transmission services
Contract value	1.007.097,00 lei- estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), of this article the TSO shall make the proof of the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 18

Contract data	Contract clauses
	(1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within two working days after the end date of the capacity booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry.

Contract data	Contract clauses
	ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), of this article the TSO shall make the proof of the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the 'investment grade' level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing.

Contract data	Contract clauses
	(2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 18 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within two working days after the end date of the capacity booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24

Contract data	Contract clauses
	If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Contract Parties	Concluded between SNTGN Transgaz SA and S.N.G.N. ROMGAZ S.A
Contract date and type	Contract no. 24/21.08.2020 (1 October 2020 – 1 October 2021)
Contract scope	NTS entry points yearly transmission services
Contract value	125.254.495,47 lei- estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or

Contract data	Contract clauses
	c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 17 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 5 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 7 working days after the end of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. (8) The NU may renounce the advance payment option provided it establishes a financial guarantee according to Art. 14 (3) or to Art. 15. ART. 20 (1) The payment guarantee issued according to Art. 17 (1) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (2) If the level of the financial guarantee:

Contract data	Contract clauses
	a) decreases by more than 5% below the level specified in Art. 17 (2), the NU shall supplement the financial guarantee accordingly; b) is more than 5% above the level specified in Art. 17 (2), the TSO shall return to the NU the difference between the actual level of the guarantee and the one specified in Art. 17 (2). (3) The payment guarantee shall be adjusted by no more than 5 working days from the date of recording of the diminishing/increasing as compared to the level specified in Art. 17 (2). (4) The TSO shall be entitled to make claims against the guarantee under this Article within the limits of the damage incurred, unless the NU fulfils its contract obligations completely or partly or if it delays fulfilling such obligations. (5) Prior to making any claim against such guarantee, the TSO shall notify the NU on the non-fulfilled obligations. (6) The TSO shall send the guarantee execution notification by fax within 24 hours from the expiration of the period set at Art.23 (1) (a). (7) If the guarantee is executed partly or completely, the NU shall re-establish the guarantee within 5 days from execution. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO`s request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25

Contract data	Contract clauses
	(1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices'), as follows: a) an invoice for the transmission services provided for the previous month; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS entry point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision. ART. 7 (1) Invoices issued according to Art. 6 (5) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between SNTGN Transgaz SA and S.N.G.N. ROMGAZ S.A
Contract date and type	Contract no. 90/21.08.2020 (1 October 2020 – 1 October 2021)
Contract scope	NTS exit points yearly transmission services
Contract value	18.894.707,13 lei- estimated amount of the legal act VAT included (lei)

Contract data	Contract clauses
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1) of this article, the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the 'investment grade' level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 17 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 5 working days before the start of the transmission service.

Contract data	Contract clauses
	(2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 7 working days after the end of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. (8) The NU may renounce the advance payment option provided it establishes a financial guarantee according to Art. 14 (3) or to Art. 15. ART. 20 (1) The payment guarantee issued according to Art. 17 (1) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (2) If the level of the financial guarantee: a) decreases by more than 5% below the level specified in Art. 17 (2), the NU shall supplement the financial guarantee accordingly; b) is more than 5% above the level specified in Art. 17 (2), the TSO shall return to the NU the difference between the actual level of the guarantee and the one specified in Art. 17 (2). (3) The payment guarantee shall be adjusted by no more than 5 working days from the date of recording of the diminishing/increasing as compared to the level specified in Art. 17 (2). (4) The TSO shall be entitled to make claims against the guarantee under this Article within the limits of the damage incurred, unless the NU fulfils its contract obligations completely or partly or if it delays fulfilling such obligations. (5) Prior to making any claim against such guarantee, the TSO shall notify the NU on the non-fulfilled obligations. (6) The TSO shall send the guarantee execution notification by fax within 24 hours from the expiration of the period set at Art.23 (1) (a). (7) If the guarantee is executed partly or completely, the NU shall re-establish the guarantee within 5 days from execution. Penalties:

Contract data	Contract clauses
	ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code.

Contract data	Contract clauses
	(4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices') prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) point (ii) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) point (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between SNTGN Transgaz SA and S.N.G.N. ROMGAZ S.A
Contract date and type	Contract no. 17T/21.08.2020 for Q IV 2020
Contract scope	NTS exit points quarterly transmission services
Contract value	965.919,05 lei- estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1) of this article, the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on:

Contract data	Contract clauses
	a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 17 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 5 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 7 working days after the end of the booking period.

Contract data	Contract clauses
	(5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. (8) The NU may renounce the advance payment option provided it establishes a financial guarantee according to Art. 14 (3) or to Art. 15. ART. 20 (1) The payment guarantee issued according to Art. 17 (1) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (2) If the level of the financial guarantee: a) decreases by more than 5% below the level specified in Art. 17 (2), the NU shall supplement the financial guarantee accordingly; b) is more than 5% above the level specified in Art. 17 (2), the TSO shall return to the NU the difference between the actual level of the guarantee and the one specified in Art. 17 (2). (3) The payment guarantee shall be adjusted by no more than 5 working days from the date of recording of the diminishing/increasing as compared to the level specified in Art. 17 (2). (4) The TSO shall be entitled to make claims against the guarantee under this Article within the limits of the damage incurred, unless the NU fulfils its contract obligations completely or partly or if it delays fulfilling such obligations. (5) Prior to making any claim against such guarantee, the TSO shall notify the NU on the non-fulfilled obligations. (6) The TSO shall send the guarantee execution notification by fax within 24 hours from the expiration of the period set at Art.23 (1) (a). (7) If the guarantee is executed partly or completely, the NU shall re-establish the guarantee within 5 days from execution. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3

Contract data	Contract clauses
	calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used as well as the tariff related to the volumetric component, applicable in the same period, for the quantity of natural gas transported, established on the basis of the final allocations. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices'), prepared based on the final allocations, as follows: a) an invoice for the transmission services provided for the previous month prepared based on the final allocations; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable;

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	c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision to which is added the value of the volumetric component, calculated at the contractual level of capacity for the same period; (ii) within 15 working days from the end of the month of provision of services, an invoice for regularization of payment, drawn up based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) point (ii) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) point (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between SNTGN Transgaz SA and S.N.G.N. ROMGAZ S.A
Contract date and type	Contract no. 885L/19.08.2020 for September 2020
Contract scope	NTS exit points monthly transmission services
Contract value	1.038.870,00 lei - estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1) of this article, the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as:

Contract data	Contract clauses
	a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 18 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within maximum two working days after the end of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. Penalties:

Contract data	Contract clauses
	ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the NU imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used as well as the tariff related to the volumetric component, applicable in the same period, for the quantity of natural gas transported, established on the basis of the final allocations. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract.

Contract data	Contract clauses
	(5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as `monthly invoices`), prepared based on the final allocations, as follows: a) an invoice for the transmission services provided for the previous month prepared based on the final allocations; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision to which is added the value of the volumetric component, calculated at the contractual level of capacity for the same period; (ii) within 15 working days from the end of the month of provision of services, an invoice for regularization of payment, drawn up based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) point (ii) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) point (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between SNTGN Transgaz SA and ELECTROCENTRALE BUCUREȘTI S.A. (in insolvency)
Contract date and type	Contract no. 47/21.08.2020 (period 1 October 2020-1 October 2021)
Contract scope	NTS exit points yearly transmission services
Contract value	37.478.410,97 lei- estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1) of this article, the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on:

Contract data	Contract clauses
	a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 17 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 5 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 7 working days after the end of the booking period.

Contract data	Contract clauses
	(5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. (8) The NU may renounce the advance payment option provided it establishes a financial guarantee according to Art. 14 (3) or to Art. 15. ART. 20 (1) The payment guarantee issued according to Art. 17 (1) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (2) If the level of the financial guarantee: a) decreases by more than 5% below the level specified in Art. 17 (2), the NU shall supplement the financial guarantee accordingly; b) is more than 5% above the level specified in Art. 17 (2), the TSO shall return to the NU the difference between the actual level of the guarantee and the one specified in Art. 17 (2). (3) The payment guarantee shall be adjusted within no more than 5 working days from the date of recording of the diminishing/increasing as compared to the level specified in Art. 17 (2). (4) The TSO shall be entitled to make claims against the guarantee under this Article within the limits of the damage incurred, unless the NU fulfils its contract obligations completely or partly or if it delays fulfilling such obligations. (5) Prior to making any claim against such guarantee, the TSO shall notify the NU on the non-fulfilled obligations. (6) The TSO shall send the guarantee execution notification by fax within 24 hours from the expiration of the period set at Art.23 (1) (a). (7) If the guarantee is executed partly or completely, the NU shall re-establish the guarantee within 5 days from execution. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 91st calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation at the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3

Contract data	Contract clauses
	calendar days, starting with the day following the period of 90 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the NU imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices') prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable;

Contract data	Contract clauses
	c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) point (ii) shall be paid within 90 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) point (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between SNTGN Transgaz SA and ELECTROCENTRALE CONSTANȚA S.A. (in insolvency)
Contract date and type	Contract no. 48/21.08.2020 (1 October 2020 – 1 October 2021)
Contract scope	NTS exit points yearly transmission services
Contract value	1.476.928,99 lei- estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1), the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as:

Contract data	Contract clauses
	a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 17 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 5 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 7 working days after the end of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. (8) The NU may renounce the advance payment option provided it establishes a financial guarantee according to Art. 14 (3) or to Art. 15. ART. 20

Contract data	Contract clauses
	(1) The payment guarantee issued according to Art. 17 (1) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (2) If the level of the financial guarantee: a) decreases by more than 5% below the level specified in Art. 17 (2), the NU shall supplement the financial guarantee accordingly; b) is more than 5% above the level specified in Art. 17 (2), the TSO shall return to the NU the difference between the actual level of the guarantee and the one specified in Art. 17 (2). (3) The payment guarantee shall be adjusted within no more than 5 working days from the date of recording of the diminishing/increasing as compared to the level specified in Art. 17 (2). (4) The TSO shall be entitled to make claims against the guarantee under this Article within the limits of the damage incurred, unless the NU fulfils its contract obligations completely or partly or if it delays fulfilling such obligations. (5) Prior to making any claim against such guarantee, the TSO shall notify the NU on the non-fulfilled obligations. (6) The TSO shall send the guarantee execution notification by fax within 24 hours from the expiration of the period set at Art.23 (1) (a). (7) If the guarantee is executed partly or completely, the NU shall re-establish the guarantee within 5 days from execution. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 91st calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation at the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 90 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the

Contract data	Contract clauses
	period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as `monthly invoices`) prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation.

Contract data	Contract clauses
	ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) point (ii) shall be paid within 90 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) point (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between SNTGN Transgaz SA and ELECTROCENTRALE CONSTANȚA S.A. (in insolvency)
Contract date and type	Contract no. 7T/21.08.2020 for QIV 2020
Contract scope	NTS exit points quarterly transmission services
Contract value	407.213,05 - estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1) of this article, the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website.

Contract data	Contract clauses
	ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 17 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 5 working days before the start of the transmission service. (2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 7 working days after the end of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. (8) The NU may renounce the advance payment option provided it establishes a financial guarantee according to Art. 14 (3) or to Art. 15. ART. 20 (1) The payment guarantee issued according to Art. 17 (1) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (2) If the level of the financial guarantee: a) decreases by more than 5% below the level specified in Art. 17 (2), the NU shall supplement the financial guarantee accordingly; b) is more than 5% above the level specified in Art. 17 (2), the TSO shall return to the NU the difference between the actual level of the guarantee and the one specified in Art. 17 (2). (3) The payment guarantee shall be adjusted within no more than 5 working days from the date of recording of the diminishing/increasing as compared to the level specified in Art. 17 (2).

Contract data	Contract clauses
	(4) The TSO shall be entitled to make claims against the guarantee under this Article within the limits of the damage incurred, unless the NU fulfils its contract obligations completely or partly or if it delays fulfilling such obligations. (5) Prior to making any claim against such guarantee, the TSO shall notify the NU on the non-fulfilled obligations. (6) The TSO shall send the guarantee execution notification by fax within 24 hours from the expiration of the period set at Art.23 (1) (a). (7) If the guarantee is executed partly or completely, the NU shall re-establish the guarantee within 5 days from execution. Penalties: ART. 23 (1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 91st calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation on the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 90 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.

Contract data	Contract clauses
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract. (5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as `monthly invoices`) prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS exit point. (6) If the NU choses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and 96) point (ii) shall be paid within 90 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) point (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.
Contract Parties	Concluded between SNTGN Transgaz SA and COMPLEXUL ENERGETIC HUNEDOARA SA (in insolvency)
Contract date and type	Contract no. 190T/12.05.2020 for Q III 2020
Contract scope	NTS exit points quarterly transmission services

Contract data	Contract clauses
Contract value	322.472,41 lei- estimated amount of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	Guarantees: Art. 14 (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code. (2) For fulfilling the obligation under paragraph (1) of this article, the TSO shall provide the credit rating. (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on: a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract; b) pays the transmission services in advance. (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfilment of its guarantee obligations under this Chapter no later than 5 working days from the change. ART. 15 (1) The payment guarantee shall be submitted by the NU as: a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4) and/or b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date. (2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website. ART. 16 (1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing. (2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect. ART. 17 (1) The NU shall submit to the TSO the financial guarantee according to (2) at least 5 working days before the start of the transmission service.

Contract data	Contract clauses
	(2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoice for the transmission services for the following period of use. (3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 7 working days after the end of the booking period. (5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use. (6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made. (7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date. (8) The NU may renounce the advance payment option provided it establishes a financial guarantee according to Art. 14 (3) or to Art. 15. ART. 20 (1) The payment guarantee issued according to Art. 17 (1) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract. (2) If the level of the financial guarantee: a) decreases by more than 5% below the level specified in Art. 17 (2), the NU shall supplement the financial guarantee accordingly; b) is more than 5% above the level specified in Art. 17 (2), the TSO shall return to the NU the difference between the actual level of the guarantee and the one specified in Art. 17 (2). (3) The payment guarantee shall be adjusted within no more than 5 working days from the date of recording of the diminishing/increasing as compared to the level specified in Art. 17 (2). (4) The TSO shall be entitled to make claims against the guarantee under this Article within the limits of the damage incurred, unless the NU fulfils its contract obligations completely or partly or if it delays fulfilling such obligations. (5) Prior to making any claim against such guarantee, the TSO shall notify the NU on the non-fulfilled obligations. (6) The TSO shall send the guarantee execution notification by fax within 24 hours from the expiration of the period set at Art.23 (1) (a). (7) If the guarantee is executed partly or completely, the NU shall re-establish the guarantee within 5 days from execution. Penalties: ART. 23

Contract data	Contract clauses
	(1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur: a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 91st calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation on the maturity date; b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 90 calendar days foreseen at letter a); c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees. (2) If the due date or the day following the warranty expiration date is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly. ART. 24 If, upon TSO`s request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry. ART. 25 (1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter; (2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.
Payment terms and modalities	ART.6 (1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used, and the commodity tariff, applicable in the same period for the transmitted gas quantity established based on the final allocation. (2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity. (3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code. (4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract.

Contract data	Contract clauses
	(5) Until the 15th day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices') prepared based on the final allocation, as follows: a) an invoice for the transmission services provided for the previous month, prepared based on the final allocation; b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable; c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at an NTS exit point. (6) If the NU chooses to make an advance payment, the TSO shall issue and send the NU: (i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the prior to the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added; (ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation. ART. 7 (1) Invoices issued according to Art. 6 (5) and (6) point (ii) shall be paid within 90 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day. (2) Invoices issued according to Art. 6 (6) point (i) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.

In accordance with Art. 234 (1) (i) of FSA Regulation 5/2018, SNTGN Transgaz SA reports a legal act whose value exceeds 10% of the net turnover for the financial year 2019:

Contract data	Contract clauses
Contract Parties	Concluded between SNTGN TRANSGAZ SA and Banca Transilvania
Contract date and type	Loan contract concluded on 15 July 2020
Contract scope	Covering the working capital need
Loan value	Lei 300.000.000
Contract duration	2 years
Contract Parties	Concluded between SNTGN Transgaz SA and Banca Comerciala Romana
Date of signature and type of contract	Loan contract concluded on 28 October 2020
Contract scope	Financing of two of the investment projects of SNTGN Transgaz SA, respectively NTS Developments of the National Transmission System in North-East Romania (Onesti - Gheraesti - Letcani) and Interconnection of the National Transmission

	System with the T1 international gas transmission pipeline and reverse flow at Isaccea Phase II (Onesti - Silistea)
Loan value	360.000.000 lei
Contract duration	13 years

8.2 Capital Market Activity

Through the efficient use of managerial instruments and the responsible execution of the measures committed towards shareholders, investors, business and community, **SNTGN TRANSGAZ SA** managed to perform on the capital market as well, being in the **Top 10 trading on the Bucharest Stock Exchange**, depending on the value traded. Also, in December 2020 Transgaz was ranked **9th in the Top 15 listed companies, depending on the stock market capitalization**.

TGN shares are attractive portfolio shares due to the company's business scope, the monopoly Transgaz holds in the natural gas transport, the company's position on the national and international energy market, the strong financial profile and the capacity of the company to generate performance, stable and predictable income, and attractive dividend policy.

In accordance with Resolution 4/27.04.2020 of the Ordinary General Meeting of the Shareholders, Transgaz makes the payment of dividends for financial year 2019 through Depozitarului Central SA and Banca Transilvania, the designated payment agent, as of 17 July 2020 (payment date) for the shareholders registered on the date of registration of 26 June 2020, **the amount of the gross dividend/share being lei 15,47**.

TGN share

In 2020, in the context of the SARS Cov-2 pandemic, the closing price of the TGN share followed a downward trend, with values lower than in 2019, the peak of the period of lei 357,50/share being recorded on the first trading day of 2020.

On the last trading day of January 2020, the closing price of the TGN share was 330.50 lei/share, 0.15% more than at the end of January 2019. Then, during February and March, the closing price of the TGN share followed a downward trend, with values below those of 2019, registering at the end of February the value of 297.00 lei /share, and on 31.03.2020 the value of 240.00 lei/share, 29% less than the similar period of the previous year.

Subsequently, during April and May, amid investor expectations regarding the approval by the GMS of the value of the dividend for the financial year 2019, the closing price of the TGN share registered an upward trend, but with lower values than in 2019.

In June, after the registration date of 26 June 2020 for the payment of dividends for the financial year 2019, on the background of the ex-dividend date, the TGN share registered a decrease compared to previous months, reaching the price of 292,00 lei/share. Then, against the background of the publication of the financial results for Semester I 2020, the closing price of the Transgaz share increased by 6% in August, compared to the previous month, followed by the decrease to the value of 284,00 lei/share in September.

In QIV 2020, the closing price of the TGN share oscillated around lei 286/share, registering an average decrease of 21% compared to the values reached in the similar period of 2019.

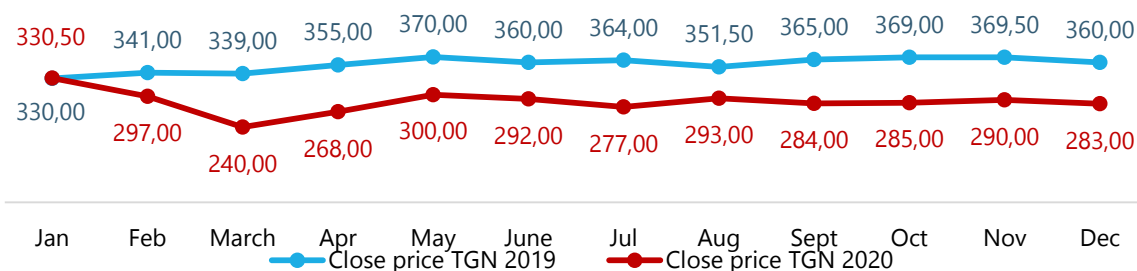


Chart 46 - The closing price of TGN shares in 01.01.2020–31.12.2020 vs. 01.01.2019–31.12.2019

Transaction values and traded volumes evolved similarly during 2020, registering mainly higher values compared to the same period of 2019. The peaks of the period were reached on 17.09.2020, with a volume of 127.156 traded shares and a value of lei 36.748 thousand, due to the deal transaction, consisting in the portfolio rearrangement of the Dedeman shareholder, respectively the transfer of holdings from Dedeman SRL to Pavăl Holding.

In the context of the Covid-19 pandemic, the price of the TGN share decreased in 2020, which had a positive influence on the liquidity of the share, so that the annual volume of transactions was higher than in the previous year, reaching 1.051.616 shares traded in 2020 compared to 447.082 shares traded in 2019. The annual value of TGN shares transactions evolved similarly to the traded volumes, registering in 2020 the value of lei 300 million, compared to lei 157 million in 2019.

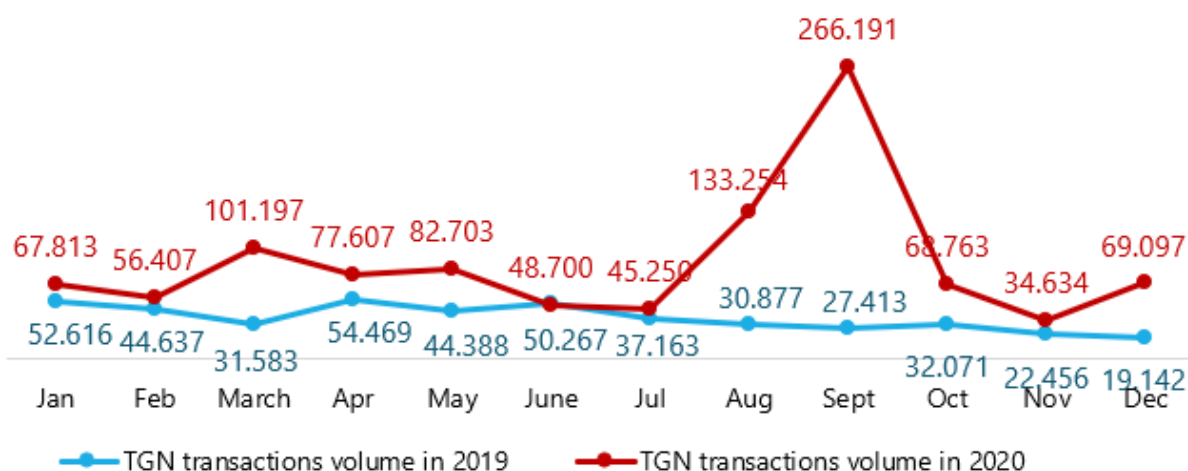


Chart 47 - TGN transactions volume 01.01.2020 – 31.12.2020 vs. 01.01.2019 – 31.12.2019

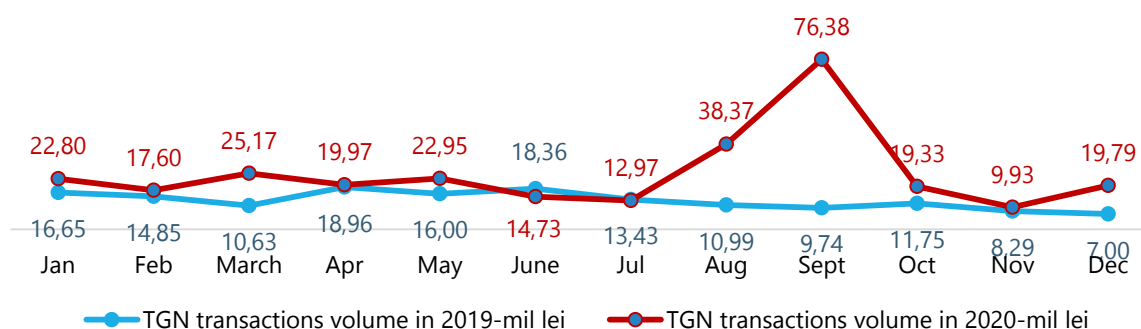
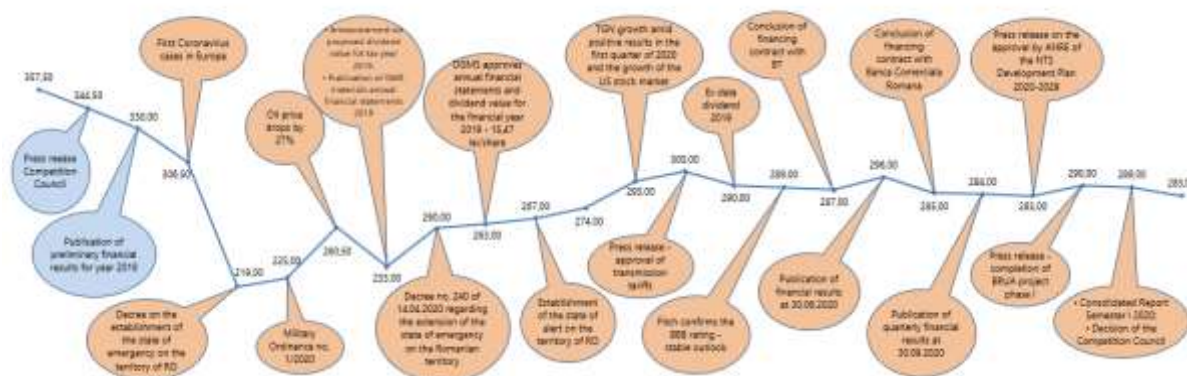


Chart 48 - TGN transaction value – mil lei in 01.01.2020–31.12.2020 vs. 01.01.2019–31.12.2019

Main corporate events with an impact upon the share price in 2020



Stock Market Indices: P/BV, EPS, PER, DIVY

Date	P/BV	PER	DIVY	EPS
31.12.2020	0,88	9,57	5,47	29,58
31.12.2019	1,14	8,55	6,09	42,10

*values reported on 31 December 2020 and on 31 December 2019

In the period ended 31 December 2020, **P/BV stock index** (report of price per the accounting value of a share) registered a slight decrease as compared to 2019, indicating that the TGN share is understated by the market.

At the same time, the **PER indices** (price of the share/profit per share) registered an increase due to the higher price of the TGN share on 31.12.2019, of 360.00 lei/share, as compared to the price recorded on 31.12.2018, of 316,00 lei/share.

The decrease in **dividend yield (DIVY)**, as compared to the value on 31.12.2019, is due to the lower value of the dividend for the financial year 2019, respectively lei 15,47 /share (according

to OGMS 4/27 April 2020) as compared to lei 21,66 /share as compared to the gross dividend of financial year 2018 (according to OGMS of 06.06.2019).

Also, from the presented data it can be observed that the **EPS (profit per share)** registered on 31.12.2020 as compared to the same period of the year 2019 registering the value of 29,58.

The value of Transgaz stock indicators compared to similar companies in Europe at the beginning of 2021 is as follows:

Company		P/E	P/BV	EV/EBITDA
Enagas	Spain	11,30	1,50	9,20
SNAM Rete Gas	Italy	13,30	2,40	12,60
Fluxys	Belgium	29,46	3,70	
Media			2,53	
Transgaz	Romania		0,90	
Premium /Discount			-64,47%	

Source: Bloomberg; 24.01.2021

Table 47 - The value of Transgaz stock exchange indices compared to similar companies in Europe

Stock market capitalization

The stock market capitalization of the company on 31.12.2020 was lei 3,33 billion (~ EUR 684 million) namely lei 906 million (~ 203 million euro) below the level recorded on 31.12.2019.

Currency	2020		2019	
	03.01.2020	31.12.2020	03.01.2019	31.12.2019
lei	4.209.149.230	3.331.997.852	3.696.987.016	4.238.583.840
EURO	880.777.842	683.570.871	792.392.622	887.011.372
Euro/BNR exchange rate	4,7789	4,8744	4,6656	4,7785

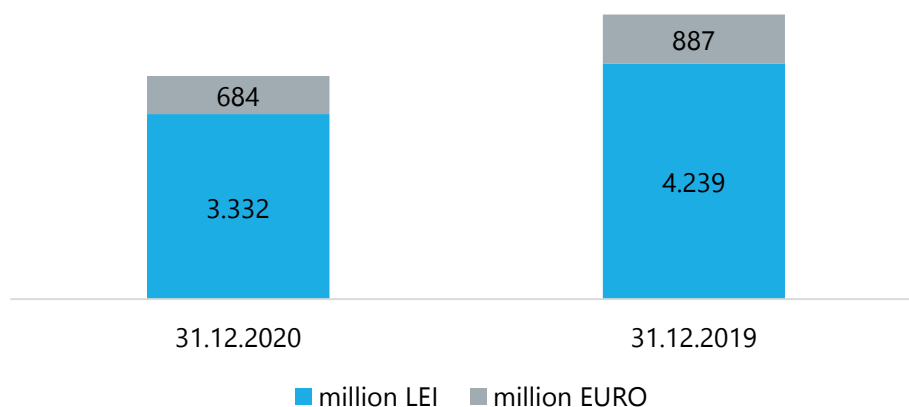


Chart 49 - Stock market capitalization of Transgaz on 31.12.2020 vs. 31.12.2019

Thus, due to the value of the stock market capitalization recorded by the company in December 2020, the Bucharest Stock Exchange ranked Transgaz **9th in the Top 15 companies listed at the BSE, depending on the stock market capitalization.**

The evolution of the TGN share compared to the stock indices BET, BET-NG and BET-BK in 2020

TGN VERSUS BET



TGN VERSUS BET-BK

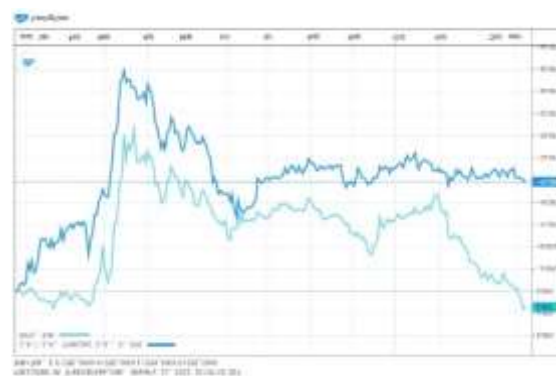


TGN VERSUS BET-TR

TGN VERSUS ROTX



TGN VERSUS BET-NG



TGN VERSUS BET-BK



Source: <http://www.bvb.ro>

Chart 50 – Evolution of TGN share compared to stock exchange indices BET, BET-NG and BET-BK in 2020

As it can be observed, over the duration of 2020, TGN's share had a similar evolution to that of the main stock indices, but with lower values.

8.3 Dividend policy

In 2020, the proposal for the determination of the value of the dividends for financial year 2019 was determined based on the provisions of GO no 64 of 30 August 2001 on the distribution of profits to national companies with full or majority state capital, as well as to autonomous utilities under the conditions of applying the quota of 50.02608% to the distribution of profits as dividends.

Thus, in accordance with OGMS Resolution No. 4/27.04.2020, Transgaz SA pays the dividends for the financial year 2019 through Depozitarul Central and Banca Transilvania, the appointed paying agent, starting with 17 July 2020 (date of payment) for the shareholders registered at the registration date of 26 June 2020, **the value of the gross dividend/share amounting to lei 15,47.**

By the end of 2020, the company paid shareholders net dividends for the financial year 2019 amounting to lei 179.071.499,76 for 11.703.065 shares.

Transgaz's rating

From 2006 until March 2019, S&P Global Ratings also provided and monitored the Transgaz rating. Getting this rating was a necessary step in addressing an openness policy to international capital markets, with a view to attracting the most advantageous sources of funding and also providing a valuable instrument investors in the IPO stock listing process as well as the SPO.

In this respect, on June 20, 2018, S&P Global Ratings published the last report on the revision of the prospects of the operator of the National Gas Transmission System Transgaz SA from stable to negative, and, at the same time, they affirmed the company's credit rating at BB +.

Following the internal analysis and in compliance with all legal provisions regarding the acquisition of rating services, on 28.03.2019, the company concluded with Fitch a contract for the award of a private rating at a given time (PPIT). As a result of the assessment, on 28 June 2019, the agency awarded Transgaz, the private rating granted at a given time 'BBB-' with Stable Outlook and on 10 July 2019 following the conclusion of a contract for the publication and surveillance of the rating obtained the International Rating Agency Fitch made public on 17.07.2019, at the request of Transgaz, the rating granted to the company, namely 'BBB-' with Stable Outlook.

On 8 July 2020, the Fitch Rating Agency reaffirmed the rating granted to the company, i.e. 'BBB-' with Stable Outlook, reflecting 'the solid profile of Transgaz's activity as a concessionaire and operator of the Romanian natural gas transmission network, as well as the perspective of a progressive contraction of the international gas transit activity deriving from traditional routes. The rating is supported by gas transport regulations in the country and our expectations that a significant current investment in the Bulgaria-Romania-Hungary-Austria (BRUA) corridor will be added to Transgaz's regulated asset base (RAB) which underpins future gains, according to the Agency's report.

8.4 Mergers or significant reorganizations

In 2020 there were no mergers or reorganizations within Transgaz.

The list of all the entities in which Transgaz holds shares

- **SC MEBIS SA Bistrita**, based in Bistrita, (J06 / 150/1991), where Transgaz owns 17.47% of the share capital, having as object the realization of metal structures and complex welded assemblies, assemblies and hydraulic products; is in liquidation proceedings, which is why the shareholding in SC MEBIS SA was fully provisioned. Transgaz has no obligations towards SC MEBIS SA;
- **SC Resial SA** with headquarters in Alba Iulia (J01 / 77/1991), where Transgaz owns 68.16% of the share capital, having as object the production and marketing of silico aluminous refractory products, entered into liquidation procedure in year 2006; the procedure is

carried out by a court bailiff appointed by the court and is independent of the control of Transgaz, which is why the share is not consolidated and is recorded at the cost less the impairment provision established at 100% of the cost. The loan granted to SC RESIAL SA is fully serviced. The management does not expect Transgaz to recover any amount of this share and does not record any residual liabilities for SC RESIAL SA.

- **SC EUROTRANSGAZ SRL** with headquarters in Chisinau, Republic of Moldova, where Transgaz owns 100% of its share capital with the objective of producing, transporting, distributing, storing and supplying natural gas, pipeline transport, storage as well as business consulting activities; management (establishment of this subsidiary was approved by EGMS Resolution No. 10 of 12.12.2017); in 2018, the subsidiary purchased State Enterprise Vestmoldtransgaz operating the Iasi-Ungheni pipeline on the territory of Moldova.

9. THE MANAGEMENT OF THE COMPANY

9.1 STRATEGIC OBJECTIVES RELATED TO TRANSGAZ' MANAGEMENT DURING 2017-2021

Aiming to pursue the full achievement of the proposed goals and the achievement of the strategic objectives regarding operational efficiency, optimization of performance and sustainable development of the company, respecting the principles of good corporate governance, **the Board of Administration of the company wishes to continue with the same responsibility, efficiency, transparency and professionalism towards all stakeholders, the road opened in the 2013-2017 mandate for the construction and development of a solid and performing future of the national gas transmission infrastructure of the Romanian energy sector.**

Thus, the strategic objectives set out in the 2013-2017 mandate in the context of alignment with the requirements of the European energy policy, **ENERGY SAFETY AND SECURITY, COMPETITIVENESS AND SUSTAINABLE DEVELOPMENT** are taken over in the Management Plan of SNTGN Transgaz SA for the period 2017-2021 and completed with objectives and new directions of action specific to the company's activity in the current context.

Structured according to the four perspectives of the Balance Score Card (BSC), **the action directions provided in the Management Component of the Management Plan of SNTGN Transgaz SA in the period 2017-2021 aim at:**

Perspective of the stakeholders
STRATEGIC OBJECTIVE 1: The continuity of the activity and ensuring energy safety and security
Lines of action
▪ Increasing the level of NTS security and ensuring the security of gas supply ▪ Competitive energy markets – by creating the necessary technical conditions for the development of the gas market ▪ Upgrading the Corporate Governance System
Internal perspective/ processes

STRATEGIC OBJECTIVE 2: Increasing the degree of the company's COMPETITIVITY

Lines of action

- Development and upgrading of all of the operational processes
- Increasing energy efficiency and reducing the negative impact of the technological processes upon the environment

Development perspective/staff

STRATEGIC OBJECTIVE 3: Increasing the degree of SUSTAINABLE DEVELOPMENT of the company due to the increase of the human, informational, organizational capital of the company, and the alignment to the European regulations related to the activity of the company and ensuring sustainability.

Lines of action

- Optimization of the management processes of human resources
- Alignment to European regulations related to the activity of the company and ensuring sustainability.

Financial outlook

STRATEGIC OBJECTIVE 4: Maintaining the financial balance and the operational stability

Lines of action

- Ensuring the sustainable financial, economic and social performance

The actions of the executive management are directed towards the meeting of the strategic goals of the Company by the implementation of the measures set in the management component.

9.2 Executive Management

Members of the executive management have individual labour agreements concluded for indefinite periods. The management and execution staff within Transgaz is appointed, hired or laid off by the Director General.

According to the information available, there is no agreement, covenant or family tie between the mentioned persons and another person due to which they were appointed as members of the executive management.

The members of the executive management holding shares at Transgaz on 31.12.2020:

No.	Name and first name	Position	Number of shares on 31.12.2020	Interest share (%)
1	Lupean Marius	Director	20	0,000169
2	Tătaru Ion	Director	25	0,000212
3	Comanita Adela	Director	7	0,000059
4	Șai Alexandru	Director	10	0,000084
5	Nita Viorel	Director	5	0,000042

Table 48 - Members of Transgaz's executive management owning shares in the company as at 31.12.2020

The executive management of the company on 31.12.2020:

No.	Surname and name	Position	Division/Unit
1.	Sterian Ion	Executive Administrator Director - General	SNTGN Transgaz SA
2.	Leahu Mihai Leontin	Director/Deputy Director - General- delegated	Research and Design Division
3.	Târsac Grigore	Deputy Director - General	SNTGN Transgaz SA
4.	Iuga Alexandru	Director/Deputy Director- General with delegation	Logistics Division
5.	Lupean Marius Vasile	Chief Financial Officer	Economic Division
6.	Ghidiu Elisabeta	Director	Strategy and Corporate Management Division
7.	Tătaru Ion	Director	Development Division
8.	Stroia Gheorghe Marius	Director	Operation Division
9.	Cosma Emil Florin	Director	Exploitation and Maintenance Division
10.	Beldiman Ion	Director	Energy Management, Automation and SCADA Division
11.	Luca Bogdan Avram	Director	Sectoral Procurement and Contracting Division
12.	Mateş Angela Aneta	Director	HR Organization Division
13.	Sarbu Ionel	Director	Land Regulation and Acquisition Division
14.	Sasu Elena	Director	Budgeting Finances Unit
15.	Comănița Adela Marinela	Director	Accounting Unit
16.	Niculaie-Faranga Dan	Director	Financing, Representative Offices Support and Special Projects Unit
17.	Niculescu Oana Cristina	Director	Budgeting Strategy Unit
18.	Mihai Cornel	Director	Corporate Activities and Representation Unit/entare
19.	Oniga Ciprian	Director	Special Projects and Technical Support Unit
20.	Banu Larisa	Director	VTP Operation Unit
21.	Bunea Florin	Director	The National Gas Dispatching Centre
22.	Rău Ioan	Director	Commercial Unit
23.	Șai Ioan Alexandru	Director	Gas Metering, Gas Quality Unit
24.	Dragoman Irina Georgiana	Director	Gas Regulation Unit
25.	Barbu Viorel	Director	NTS Rehabilitation Unit
26.	Petrescu Monica Alexandra	Director	Special Projects Procurement Unit
27.	Grăjdan Vasilica	Director	HR Planning and Organization Unit
28.	Ene Alin	Director	General Inspection Unit
29.	Codreanu Liudmila Gabriela	Director	Internal Audit Unit
30.	Constantin Razvan Anghel	Director	Administrativ Management Unit
31.	Drăghici Aurelian	Director	Projects Analysis, Checking and Endorsement Unit
32.	Achim Viorel Ciprian	Director	HSQE Unit
33.	Lupu Emil	Manager	Archaeological Research Unit

34.	Iancu Cristina Daniela	Director	Projects Legal Assistance Unit
35.	Vlahbei Andra Ioana	Deputy Director	Gas Regulation Unit
36.	Voican Nicolae Adrian	Head of Department with delegation of powers for Subsidiary Director	Mediaș Subsidiary
37.	Velicea Angela	Financial Director	Mediaș Subsidiary
38.	Gurgu Victorel	Regional Office Director with delegation of powers for PMU Manager	Regional Office Bucharest
39.	Alexandru Ionel	Director	Regional Office Arad
40.	Cristoloveanu Gheorghe	Director	Regional Office Brașov
41.	Schmidt Hăineală Eduard-Cristian	Director	Regional Office Bacău
42.	Dumitru Nicușor	Head of Department with delegations of power for Director of Regional Office	Regional Office Brăila
43.	Niță Viorel	Director	Regional Office Craiova
44.	Calburean Ioan Eugen	Chief Engineer with delegations of power for Director of Regional Office	Regional Office Cluj
45.	Andrei Romeo	Chief Engineer with delegations of power for Director of Regional Office	Regional Office Constanța
46.	Oancea Paul	Chief Engineer with delegations of power for Director of Regional Office	Regional Office Mediaș

Table 49 -Transgaz's executive management on 31.12.2020

10. DISCHARGE OF ADMINISTRATORS

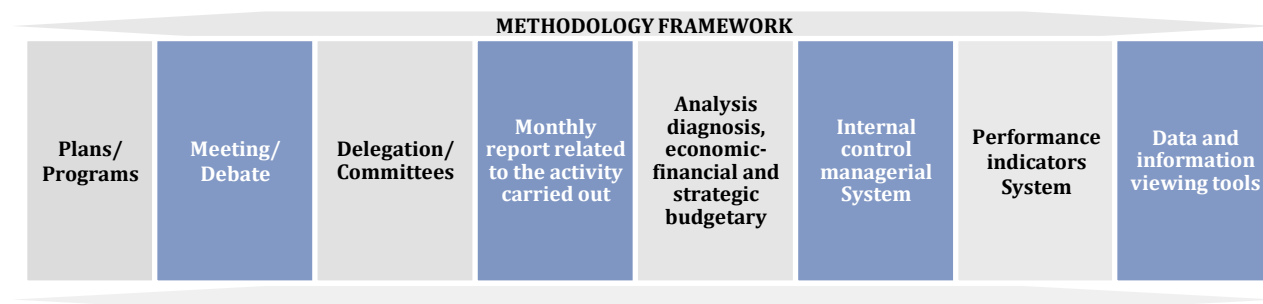
According to Article 55 and Article 56 of GEO 109/2011, further amended and supplemented, the administrators of SNTGN Transgaz SA forward for approval to the General Meeting of Shareholders, the Consolidated Report issued by the Administrators for 2020.

Based on the following legal provisions:

- Art. 111 (2) (d); Art. 155 and Art. 186 of Companies's Law 31/1990, republished and further amended and supplemented;
- Art. 15 3 (h) of SNTGN Transgaz SA updated bylaws;
 - Art. 4.1 (h) of the Administrators' Mandate Contract concluded on 28.12.2017 the administrators of the company submit to the approval of the General Meeting of the

Shareholders the discharge for the activity carried out in 2020, as presented in this Report.

For optimizing the activity the company's management will act responsibly and will efficiently use modern and adequate management techniques and methods in order to optimize all the processes and activities carried out by the company as presented:



REMUS GABRIEL LĂPUȘAN– Non-executive Administrator – Chairman of the Board of Administration

ION STERIAN – Executive Administrator - Director -General

PETRU ION VĂDUVA – Non-executive Administrator

BOGDAN GEORGE ILIESCU – Non-executive Administrator

NICOLAE MINEA – Non-executive Administrator

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**THE NATIONAL GAS TRANSMISSION COMPANY
TRANSGAZ S.A.**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2020**

**PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION**

This version of the consolidated financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(expressed in lei, unless otherwise stated)



	<u>Note</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
ASSET			
Fixed assets			
Tangible Assets	7	731.437.847	622.962.093
Rights of use of the leased assets	9	19.192.069	9.359.179
Intangible Assets	9	3.931.692.560	3.058.597.272
Goodwill	10	9.082.127	9.775.599
Trade receivables and other receivables	12	1.364.268.828	723.921.414
Deferred tax	18	<u>4.985.106</u>	<u>-</u>
		6.060.658.537	4.424.615.557
Current assets			
Inventories	11	194.141.876	494.614.492
Commercial receivables and other receivables	12	677.396.485	524.500.459
Cash and cash equivalent	13	<u>289.452.040</u>	<u>352.985.119</u>
		1.160.990.401	1.372.100.070
Total asset		7.221.648.938	5.796.715.627
EQUITY AND DEBTS			
Equity			
Share capital	14	117.738.440	117.738.440
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865
Other reserves	15	1.265.796.861	1.265.796.861
Retained earnings	15	1.693.268.334	1.699.175.132
Consolidation exchange rate conversion difference		<u>(19.432.339)</u>	<u>3.668.307</u>
		3.746.268.557	3.775.276.001
Long-term debts			
Long-term loans	16	1.593.385.489	661.062.420
Provision for employee benefits	21	118.611.004	119.858.608
Deferred revenue	17	1.043.635.227	647.728.922
Deferred tax payment	18	-	8.071.065
Commercial debt and other debts	19	<u>16.482.440</u>	<u>53.278.838</u>
		2.772.114.160	1.489.999.853

Notes 1 to 33 are part of these financial statements.

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**CONSOLIDATED STATEMENT OF FINANCIAL
POSITION**

(expressed in lei, unless otherwise stated)



	<u>Note</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Current debts			
Commercial debts and other debts	19	434.132.013	432.292.265
Deferred revenue		69.030.913	22.186.786
Provision for risks and charges	20	75.794.781	72.239.710
Short-term loans	16	121.410.422	2.867.580
Provision for employee benefits	21	<u>2.898.092</u>	<u>1.853.432</u>
		<u>703.266.221</u>	<u>531.439.773</u>
Total debts		<u>3.475.380.381</u>	<u>2.021.439.626</u>
Total equity and debts		7.221.648.938	5.796.715.627

Endorsed and signed on behalf of the Board of Administration on 22 March 2021 by:

Chairman of the Board of Administration
Remus Gabriel Lăpușan

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

This version of the financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
(expressed in lei, unless otherwise stated)



		The year ended 31 December 2020	The year ended 31 December 2019
	<u>Note</u>		
Revenue from the domestic transmission activity		1.150.464.877	1.192.597.737
Revenue from the international transmission activity		114.222.513	327.696.392
Other revenue	22	<u>73.327.808</u>	<u>55.630.757</u>
Operational revenue before the balancing and construction activity according to IFRIC12		1.338.015.198	1.575.924.886
Depreciation	7, 9	(248.718.205)	(195.700.887)
Employees costs	24	(434.561.188)	(415.818.106)
NTS gas consumption, materials and consumables used		(115.609.386)	(99.266.835)
Expenses with royalties		(107.760.493)	(151.374.380)
Maintenance and transmission		(30.406.540)	(29.899.092)
Taxes and other amounts owed to the state		(71.869.930)	(111.290.048)
Revenue/ (Expenses) with provisions for risks and charges		(6.121.086)	(49.818.887)
Other operating cost	23	<u>(158.473.942)</u>	<u>(181.453.361)</u>
Operational profit before the balancing and construction activity according to IFRIC12		164.494.428	341.303.290
Revenue from the balancing activity		199.239.242	324.687.807
Cost of balancing gas		(199.239.242)	(324.687.807)
Revenue from the construction activity according to IFRIC12	32	1.587.548.396	868.356.796
Cost of assets constructed according to IFRIC12	32	<u>(1.587.548.396)</u>	<u>(868.356.796)</u>
Operational profit		164.494.428	341.303.290
Financial revenue	25	68.929.384	101.618.158
Financial cost	25	(33.871.638)	<u>(30.778.655)</u>
Financial revenue, net		35.057.746	70.839.503
Profit before tax		199.552.174	412.142.793
Profit tax expense	18	<u>(34.327.858)</u>	<u>(70.748.512)</u>
Net profit for the period		165.224.316	341.394.281
Exchange rate difference		(19.432.339)	3.668.307
Basic and diluted earnings per share (expressed in lei per share)	28	14,03	29,00
Actuarial gain / loss for the period		7.341.946	(4.636.774)
Total comprehensive income for the period		153.133.924	340.425.814

Chairman of the Board of Administration
Remus Gabriel Lăpușan

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(expressed in lei, unless otherwise stated)



	<u>Note</u>	<u>Share Capital</u>	<u>Share capital adjustments</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance on 1 January 2019, retreated		<u>117.738.440</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>1.636.830.544</u>	<u>3.709.263.106</u>
Net profit for the period, reported		-	-	-	-	341.394.281	341.394.281
Actuarial gain / loss for the period		-	-	-	-	(4.636.774)	(4.636.774)
Dividends related to 2018	15	-	-	-	-	(255.021.461)	(255.021.461)
Deferred tax adjustment loss						(19.391.459)	(19.391.459)
Consolidation exchange rate conversion difference		-	-	-	-	3.668.307	3.668.307
Balance on 31 December 2019		<u>117.738.440</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>1.702.843.439</u>	<u>3.775.276.001</u>
Net profit for the period, reported		-	-	-	-	165.224.316	165.224.316
Actuarial gain / (loss) for the period						7.341.946	7.341.946
Dividends related to 2019						(182.141.367)	(182.141.367)
Consolidation exchange rate conversion difference		-	-	-	-	(19.432.339)	(19.432.339)
Balance on 31 December 2020		<u>117.738.440</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>1.673.835.995</u>	<u>3.746.268.557</u>

Chairman of the Board of Administration
Remus Gabriel Lăpușan

Director - General
Ion Steria

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
(expressed in lei, unless otherwise stated)

	<u>Note</u>	The year ended 31 December 2020	The year ended 31 December 2019
Cash generated from operations	26	387.454.357	413.207.215
Interest paid		(3.667.607)	-
Interest received		2.104.548	2.066.705
Paid profit tax		(61.436.932)	(69.822.103)
Net cash inflow from operation activities		<u>324.454.366</u>	<u>345.451.817</u>
Cash flow from investment activities			
Payments to acquire tangible and intangible assets		(1.499.119.494)	(1.026.337.953)
Receipts from the disposal of tangible assets		214.050	146.396
Financial investment/shares		-	(70.432)
Cash flow from connection fees and grants		<u>252.243.711</u>	<u>151.274.740</u>
Net cash used in investment activities		<u>(1.246.661.733)</u>	<u>(874.987.249)</u>
Cash flow from financing activities			
Shareholder's contributions		-	-
Long term loans drawings		745.338.331	423.477.000
Long term loans repayments		(2.785.320)	-
Credit withdrawals for working capital		299.720.329	-
Dividends paid		<u>(183.867.440)</u>	<u>(255.942.380)</u>
Net cash used in financing activities		<u>858.405.900</u>	<u>167.534.620</u>
Exchange rate conversion difference		268.388	3.668.307
Net change in cash and cash equivalents		<u>(63.801.467)</u>	<u>(358.332.505)</u>
Cash and cash equivalent as at the beginning of the year	13	<u>352.985.119</u>	<u>711.317.624</u>
Cash and cash equivalent as at the end of the period	13	<u>289.452.040</u>	<u>352.985.119</u>

Chairman of the Board of Administration
 Remus Gabriel Lăpușan

Director – General
 Ion Sterian

Chief Financial Officer
 Marius Lupean

Notes 1 to 33 are part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

1. GENERAL INFORMATION

The National Gas Transmission Company - SNTGN Transgaz SA (`company`) has as main activity the transmission of natural gas. Also, the company maintains and operates the national gas transmission system and carries out research and design activities in the area of natural gas transmission. On 31 December 2020, the majority shareholder of the company is the Romanian state, through the General Secretariat of the Government.

The company was established in May 2000, following several reorganizations of the gas sector in Romania: its predecessor was part of the former national gas monopoly SNGN Romgaz SA (`predecessor company`), which was reorganized under Government Decision 334/2000.

The natural gas sector is regulated by the `National Energy Regulatory Authority` - `ANRE`. ANRE's main responsibilities are the following:

- issuing or withdrawing licenses for companies operating in the natural gas sector;
- publishing framework contracts for the sale, transmission, acquisition and distribution of natural gas;
- setting the criteria, requirements and procedures related to the selection of eligible consumers;
- setting the pricing criteria and the calculation methods for the natural gas sector.

The company is headquartered in 1 C.I. Motaş Square, Mediaş, Romania.

From January 2008, the company is listed at the Bucharest Stock Exchange, as a Tier 1 company, under the TGN symbol.

On 18 December 2017, the limited liability company EUROTRANSGAZ SRL Chisinau (EUROTRANSGAZ S.R.L.) was established in the Republic of Moldova. In relation to EUROTRANSGAZ S.R.L., SNTGN Transgaz SA Mediaş is the sole shareholder, as per EGMS Decision no. 10/12 December 2017, regarding the establishment of this company.

The main object of activity of EUROTRANSGAZ consists of:

1. Natural gas production; natural gas transmission; natural gas distribution; natural gas storage; natural gas supply
2. Pipeline transport
3. Storage
4. Business and management consulting activities.

The share capital of EUROTRANSGAZ S.R.L. as of 31 December 2020, amounts to 1,170,997,657 Moldovan lei (RON equivalent of 269,914,960 lei), and is wholly owned by SNTGN Transgaz SA Mediaş - the company's founder, as sole shareholder.

By the BOA Decision of March 2018 the signing of the Contract of sale and purchase of I.S Vestmoldtransgaz and payment of the price offered for privatization and all taxes and duties related to the privatization process were approved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

The financial statements will be authorized for publication on 22 March 2021.

The financial statements do not change after publication.

By the Decision no.39 / 05.09.2019, the Board of Administration of SNTGN Transgaz SA approved to empower the administrators of Eurotransgaz (ETG) to register the sale-purchase contract and the transfer of ownership of the unique patrimonial complex IS "Vestmoldtransgaz" and also take any action necessary to carry out the reorganization procedure of Vestmoldtransgaz (VTMG) in a limited liability company.

2. OPERATIONAL FRAMEWORK OF THE COMPANY

Romania

The continuation of the economic reforms by the Romanian authorities is necessary for the consolidation of the internal macro-financial framework. Thus the premises of the correct administration of the possible unfavourable developments are created, developments, which may appear if the high aversion towards risk occurs again in the international financial markets. The positive performances the Romanian economy registered must be consolidated by the application of a coherent mix of policies. In this context it can be noticed that:

- (i) According to Ziarul Financiar, the European Commission published the Winter 2021 Economic Forecasts, according to which Romania's GDP will grow by 3.8% in 2021 and 4% in 2022. In November 2020, the European Commission expected an advance of 3.3% in 2021, and of 3.8% in 2022 for the Romanian economy. At the level of the euro area, the economy will grow by 3.8% both in 2021 and in 2022, and at the level of the EU states, the economy will increase by 3.7% in 2021 and by 3.9% in 2022.

The Commission's report predicts that euro area and EU economies will reach pre-crisis output levels earlier than anticipated in the autumn 2020 economic outlook, largely due to the expected growth rate in the second half of 2021, and in 2022. `After strong growth in the third quarter of 2020, economic activity contracted again in the fourth quarter as a second wave of the pandemic triggered renewed containment measures. With those measures still in place, the EU and euro area economies are expected to contract in the first quarter of 2021`, notes the report of the European Commission.

Economic growth is set to resume in the spring and gather momentum in the summer as vaccination programmes progress and containment measures gradually ease. An improved outlook for the global economy is also set to support the recovery. The economic impact of the pandemic remains uneven across Member States and the speed of the recovery is also projected to vary significantly. `The EU economy should return to pre-pandemic GDP levels in 2022, earlier than previously expected – though the output lost in 2020 will not be recouped so quickly, or at the same pace across our Union. This forecast is subject to multiple risks, related for instance to new variants of COVID-19 and to the global epidemiological situation. On the other hand, the impact of Next Generation EU should

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

provide a strong boost to the hardest-hit economies over the coming years, which is not yet integrated into today's projections.`, says Paolo Gentiloni, Commissioner for Economy.

The inflation rate in Romania is forecast to slightly increase to 2.6%, in 2021 and to decline somewhat to 2.4% in 2022. In autumn the European Commission forecast an increase of the inflation rate to 2.5% for 2021 and to 2.4% for 2022.

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

- (ii) On 15 January 2021, the Board of the National Bank of Romania decided: to lower the monetary policy rate to 1,25% per year, from 1,50% per year from 18 January 2021; to lower the interest rate for the deposit facility to 0,75% per year from 1,00% per year and the interest rate for the (Lombard) credit facility to 1,75 % per year from 2,00% per year; to maintain the current levels of the mandatory minimum reserves for the lei and currency liabilities of the credit institutions;

- (iii) Based on BNR's Inflation Report in November 2020, the annual CPI inflation rate followed in Q3 2020 the downward trend visible since early this year and neared in September the mid-point of the flat target, standing at 2,45%, compared to 2,58% in June. The disinflationary trend has mainly reflected the effects of the favourable vegetables and fruit crops this year at local and community level.
 At the same time, however, the simultaneous occurrence of demand- and supply-side shocks, the latter arising from the measures taken to to keep the pandemic under control, put the annual adjusted CORE2 inflation rate on a stable course, continuing to be around 3,7%. Given the below expectations trajectory of the volatile prices, in September, the annual CPI dynamics stood 0,1 percentage points below the latest macroeconomic projection (in the August 2020 *Inflation Report*). Moreover, in the course of QIII, the average annual HICP inflation rate decreased marginally compared to the European average, falling to the level of 2.8 percent.

- (iv) On 8 July 2020 Fitch Ratings affirmed Transgaz`s (TGN) rating at `BBB-` with a Stable Outlook, according to the release sent to the Bucharest Stock Exchange. The report of the agency shows that the 'BBB-' rating of Transgaz with a Stable Outlook `reflects its solid business profile as a concessionaire and operator of the gas transmission network in Romania as well as our expectation of a progressive contraction of its international gas transit business derived from traditional routes. The rating is supported by the country's regulation for gas transmission and our expectation that a significant current investment related to the Bulgaria-Romania-Hungary-Austria corridor (BRUA) will be added to Transgaz's regulated asset base (RAB), supporting future earnings`.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

- (v) According to a release issued on 30 October 2020 Fitch Ratings affirmed Romania's sovereign rating at 'BBB-' with a negative outlook, this being the last notch in the 'investment-grade' category, recommended for investments. According to Fitch, Romania's rating is supported by moderate levels of government debt and debt service, and GDP per capita, governance and human development indicators that are above 'BBB' category peers. These are balanced against larger budget and current account deficits as well as higher net external debt ratios compared with peers.

'The Negative Outlook reflects the weakening public finance metrics due to pro-cyclical policies in recent years and the impact from the coronavirus pandemic on economic and fiscal performance. Although Fitch expects the economy to recover from 2021, uncertainty around political and policy developments, combined with a resurgence in domestic and global coronavirus infections, continue to cloud the economic and fiscal outlook. A weak track record of fiscal consolidation despite high growth in recent years and high budget rigidities will also continue to pose significant public finance challenges over the medium term' states Fitch Ratings.

At the end of 2019, the leu depreciated against the EURO ('EUR') and the US dollar ('USD'). Thus, compared to the end of 2018, the leu depreciated by 2.47% against the EUR (4.7793 at 31 December 2019; 4.6639 at 31 December 2018) and depreciated by 4.60% against the USD (4.2608 at 31 December 2019; 4.0736 at 31 December 2018).

At the end of 2020, the leu depreciated against the EURO ('EUR') and appreciated against the US dollar ('USD'). Thus, compared to the end of 2019, the leu depreciated by 1.89% against the EUR (4.8694 at 31 December 2020; 4.7793 at 31 December 2019) and appreciated by 6.92% against the USD (3.9660 on 31 December 2020; 4.2608 on 31 December 2019).

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in the preparation of these financial statements are presented below. These policies were consistently applied to all the financial years considered, unless otherwise stated.

3.1 Basis of preparation

The financial statements of the company were prepared in accordance with the International Financial Reporting Standards adopted by the European Union ('EU IFRS'). The financial statements were prepared based on the historical cost convention, except for the financial assets which are measured at fair value by the profit and loss account or at the fair value among other elements of the comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3.SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The preparation of the financial statements in accordance with EU IFRS requires the use of critical accounting estimates. Also, the management is required to use judgment in applying the company's accounting policies. Areas with a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 5.

Since 2017, the year when EUROTRANSGAZ was founded by SNTGN Transgaz SA, the company has had the obligation to prepare the consolidated financial statements in accordance with IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities and IAS 21 - The Effects of Changes in Foreign Exchange Rates.

Since 2018, as a result of the procurement of Vestmoldtransgaz SRL in Moldova by Eurotransgaz SRL, Transgaz, as a parent company, has presented consolidated financial statements which include the consolidation of Eurotransgaz SRL with Vestmoldtransgaz SRL in Moldova.

Transgaz's consolidation with ETG was performed step by step, meaning the consolidation of ETG with VTMG in a first phase, followed by their consolidation in the financial statements of the parent company, Transgaz.

The annual Financial Statements of non-resident companies are converted using the closing rate method, which means that for the balance sheet the NBR exchange rate issued on 30 June 2020 is used (closing rate) and for the profit and loss account the income and expense was expressed at the annual average rate published by the National Bank of Romania for 2020. The use of these different exchange rates has as a consequence the highlighting of the conversion difference.

According to Accounting Law 82/1991 republished, as further amended and supplemented, and to OMPF 2844/2016, as further amended and supplemented, on the approval of the accounting regulations in line with the International Financial Reporting Standards, the parent company must prepare both its own individual financial statements and consolidated financial statements of the group.

IFRS 10 sets out the application of the control principle to determine whether an investor controls an investee and therefore needs to consolidate the investee and also sets the accounting provisions for the preparation of the consolidated financial statements.

The parent company must prepare consolidated financial statements using uniform accounting policies for transactions and similar events in similar circumstances. The consolidation of an investee must start at the date the investor has acquired control and must cease when the investor loses control of the investee.

The parent company must disclose the interests that do not control in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent company. Changes in a parent's equity interest in a subsidiary that do not result in the parent company's loss of control of the subsidiary are equity transactions (ie transactions with owners in their capacity as owners).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3.SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If a parent company loses control over a subsidiary, the parent company must: (a) derecognise the assets and liabilities of the former subsidiary from the consolidated financial position; (b) recognize any undistributed investment in the former subsidiary at its fair value when it has lost control and will subsequently account for those investments and the amounts owed by or to the former subsidiary in accordance with the relevant IFRSs. That fair value should be considered as the fair value at the time of the initial recognition of a financial asset in accordance with IFRS 9 or, where applicable, the cost of the initial recognition of an investment in an associate or in a joint venture; (c) recognizes the gain or loss associated with the loss of control attributable to the former majority interest.

The consolidated financial statements include the Company`s financial statements and the financial statement of the affiliated entity, EUROTRANSGAZ, which is controlled by the company, combining similar parent company – affiliated company assets, liabilities, equity, costs and cash flow items, compensating (eliminating) the accounting value of the investment made by the parent company in each subsidiary, and the share of the parent company in the equity of each subsidiary, and eliminating in full all intragroup assets and liabilities, equity and cash flows related to the intragroup transactions performed.

A company controls an entity in which it had invested when it is exposed or has variable income rights on the basis of its participation in the investee and has the ability to influence the relevant income through its authority over the investee. The control principle thus establishes the following three elements of control:

1. the authority over the investee;
2. the exposure or variable income rights based on participation in the investee; and
3. the ability to use the authority over the investee to influence the value of the investor's results.

The company presents the investments in the the affiliated entity in the individual financial statements as Financial Assets.

IFRS 3 requires the acquirer, after recognizing the identifiable assets, the liabilities and all interests, which do not control, to identify any differences between:

- a) the aggregation of the transferred counter-performance, any interest which does not control in the acquired entity and in a business combination made in stages, the fair value from the acquisition date of the equity interests of the acquired entity previously held by the acquirer, and
- b) the net identifiable net assets acquired.

Generally, the difference will be recognized as a goodwill. In accordance with IAS 36 - Impairment of Assets, goodwill acquired in a business combination will be tested for depreciation annually.

Consolidation procedures according to IFRS 10

The consolidated financial statements:

-combine similar items of assets, liabilities, equity, income, expenses and cash flows of the parent company with those of its subsidiaries;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3.SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- compensate (eliminate) the accounting amount of the investment made by the parent company in the subsidiary and the parent`s share of the equity of the subsidiary; accounting is according to IFRS 3;
- eliminate in full all intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the entities of the group: profit or loss from the intragroup transactions recognised in the assets, such as inventories and the fixed assets are totally eliminated.

Accounting regulations applicable as of 2016

Amendments to various Improvements to IFRSs (2014-2016 Cycle) resulting from the project to improve IFRSs (IFRS 1, IFRS 12, IAS 28) mainly to eliminate inconsistencies and to clarify certain formulations (Amendments to IFRS 12 are applicable for the annual periods beginning on or after 1 January 2017 and the Amendments to IFRS 1 and IAS 28 are applicable for the annual periods beginning on or after 1 January 2018).

(a) Standards and interpretations applicable as of 2017

The following standards and amendments of the current standards, issued by the International Accounting Standard Board (IASB) and adopted by the European Union (EU) became applicable in 2017:

Amendments to IAS 12 "Income Tax"

Recognition of Deferred Tax Assets for Unrealised Losses (applicable for the annual periods beginning on or after 1 January 2017);

Amendments to deferred tax recognition for unrealized assets clarify the following aspects:

- Unrealized loss on debt instruments measured at fair value and at cost for tax purposes will give rise to a deductible temporary difference regardless of whether the holder of the debt instrument expects to recover the accounting value of the debit instrument by sale or by use;
- The accounting value of an asset does not limit the estimation of the future taxable profits
- Estimates of future taxable profits exclude tax deductions resulting from the lapse of taxable temporary differences;
- The entity estimates a deferred tax in combination with other deferred taxes. Where tax law restricts the use of tax loss, an entity will estimate deferred tax in combination with other deferred tax of the same type.

The Amendments are applicable for the period starting from or after 2017. The previous application is allowed;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative (applicable for the annual periods beginning on or after 1 January 2017);

(b) Standards and interpretations applicable as of 2018

At the date of reporting of these Financial Statements, the following standards, revisions and interpretations became applicable:

- **IFRS 9 Financial Instruments** - adopted by the UE on 22 November 2016 (applicable for the annual periods beginning on or after 1 January 2018) replaces IAS 39 – Financial Instruments - Recognition and Measurement;

IFRS 9 includes the requirements on financial instruments referring to recognition, classification, evaluation, depreciation loss, derecognition and hedge accounting against risks:

- *Classification and evaluation:* IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at amortized cost, at fair value through other comprehensive income elements, at fair value through profit or loss. The IFRS 9 classification is determined by the cash flow and business model in which an asset is held. This unitary approach based on principles eliminates the financial asset classification categories in IAS 39: held-to-maturity, loans and advances and available-for-sale financial assets. The new model will also determine the existence of a single depreciation model applicable to all financial instruments.

According to IFRS 9, derivatives incorporated into contracts, where the host instrument is a financial instrument for the purpose of this standard, are not separate, but the entire hybrid instrument is considered for classification.

- *Depreciation loss:* IFRS 9 introduces a new anticipated impairment loss model based on expected loss, which will require anticipated recognition of expected loss from impairment of receivables. The standard requires entities to recognize the anticipated impairment loss on receivables from the time of initial recognition of financial instruments, and to recognize the anticipated impairment loss over their lifetime. The amount of expected loss will be updated for each reporting period so as to reflect changes in credit risk as compared to initial recognition.
- *Depreciation:* applies to commercial receivables that do not have a funding component is measured at amortized cost (the condition is that assets are held within a business model whose objective is to collect cash flows;
- *Hedge accounting:* IFRS 9 introduces a significantly improved hedge accounting model which includes additional disclosure requirements for risk management activity. The new model is a

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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significant revision of the hedge accounting principles, which allows the alignment of the accounting treatment with the risk management activities.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 15 "Revenue from Contracts with Customers" as subsequently amended and amendments to IFRS 15 "Effective Date of IFRS 15" adopted by the EU on 22 September 2016 (applicable for the annual periods beginning on or after 1 January 2018);

IFRS 15 establishes a single model for the entities for revenue accounting resulting from customer contracts, replacing the following standards and interpretations from the date of entry into force:

- IAS 18 - Revenue;
- IAS 11 - Construction Contracts
- IFRIC 13 - Customer Loyalty Programmes;

Standards and interpretations that will come into force/applicable as of 2019 or at a future date

- IFRIC 15 - Agreements for the Construction of Real Estate;
- IFRIC 18 - Transfers of Assets from Customers;
- SIC 31 – Income - Barter Transactions Involving Advertising Services

The core principle of IFRS 15 is that an entity recognizes revenue when the goods or services promised to customers are transferred at a value that reflects the consideration the entity expects to have the right to exchange for those goods or services. An entity recognizes revenue in accordance with this core principle by applying the following steps: contract identification; identifying performance obligations from the contract; determining the transaction price; allocating the transaction price for the contract performance obligations; recognizing revenue when (or as) it fulfils an execution obligation.

The revenue from services provision is recognized as follows:

- based on the tariffs regulated by ANRE for firm/ interruptible natural gas transmission services through the National Transmission System;
- based on the transmission tariffs approved by ANRE for the transmission capacity booking on the entry/ exit points in/out of the natural gas transmission pipeline Isaccea 2-Negru Vodă 2;
- based on the tariffs negotiated within the transmission contract for the transmission capacity booking on the Isaccea 3-Negru Vodă 3 gas transmission pipeline;
- by auction, on the Regional Capacity Booking Platform (RBP) for the trading of bundled and unbundled capacity at cross-border interconnection points with transmission systems from European Union member countries,
- on the basis of regulated tariffs for activities related to the operation of the gas transmission system;
- prices determined on the basis of ANRE regulations for the balancing and neutrality activity within the provision of the transmission service;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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- tariffs determined based on ANRE regulations for the administration of the balancing market.

For goods developed under the Concession Agreement, achieved in-house, the revenue is recognized at the level of the costs incurred.

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendments to IAS 40 "Property Investment"—*property related to Investment transactions (applicable for the annual periods beginning on or after 1 January 2018);*

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (applicable for the annual periods beginning on or after 1 January 2018); the interpretation refers to the determination of the transaction date to determine the exchange rate to be used for the initial recognition of an asset, expense or income (or part thereof) in the derecognition of a non-monetary asset or non-monetary debt generated by a payment in advance in foreign currency. IFRIC 22 does not provide for guidance on the definition of the monetary and non-monetary items. A payment or advance payment generally leads to the recognition of a non-monetary asset/liability, but it may also lead to the recognition of a monetary asset/liability.

At the date of the reporting of these Financial Statements the following standards and interpretations are not applicable and they will enter into force on or after 1 January 2019:

- **IFRS 16 Leases** (applicable for the annual periods beginning on or after 1 January 2019); at the date of entry into force IFRS 16 will replace the following standards and interpretations:
 - IAS 17 - Leases;
 - IFRIC 4- Determining whether an Arrangement Contains a Lease;
 - SIC 15 – Operating Leases - Incentives;
 - SIC 27- Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 provides a model of control for lease identification by establishing principles for the recognition, measurement and presentation of lease contracts, that is the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of the identified asset exists if the client has the right to obtain substantially all the economic benefits and also the right to determine the manner and purpose in which the asset is used.

IFRS 16 introduces significant changes in lease accounting, in particular by eliminating the distinction between finance lease and operating lease, and requires the lessee to recognize a usable asset and a lease liability at the date of commencement of the contract, except for short-term leases or low-value asset lease.

As of 1 June 2020, IFRS 16 was amended to provide a practical expedient to lessees`s rent concessions occurring as direct consequence of the COVID-19 pandemic and meeting the following criteria:

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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) the reduction in lease payments relates only to payments due on or before 30 June 2021; and (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions meeting these criteria can be accounted according to the practical opportunity, which means that the lessee does not assess whether the rent concession meets the definition of a lease modification. The lessees apply other IFRS 16 requirements in the accounting of the accounting for the concession.

Amendments to IFRS 2 `Share-based Payment` – Classification and measurement of share-based payment transactions (applicable for the annual periods beginning on or after 1 January 2018);

- Amendments to IFRS 4 `Insurance Contracts` - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applicable for the annual periods beginning on or after 1 January 2018 or at the application for the first time of IFRS 9 `Financial Instruments`;
- Amendments to IFRS 10 `Consolidated Financial Statements` and IAS 28 `Investments in Associates and Joint Ventures` - Sale or contribution of assets between an investor and its associate or joint venture and its further amendments (the effective date was deferred indefinitely until completion of the research on the equity method);
- IFRIC 23- `Uncertainty over Income Tax Treatment` was prepared as an interpretation regarding IAS 12 Income Taxes, to specify the way of the uncertainty over the income tax accounting is presented.

The IFRS Interpretation Committee developed IFRIC 23 to clarify uncertainties over how tax law applies to a particular transaction or circumstance or the extent to which a tax authority will accept a company`s tax treatment company. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty .

In 2020, the IASB finalizes the amendments to IAS 1 and IAS 8 on the definition of "significant" *"information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity based on that financial statement, which provides financial information about a particular reporting entity."*

New standards, interpretations and amendments with subsequent applicability.

The company has chosen not to apply in advance these standards, interpretations and amendments to be subsequently applicable

The following changes are valid for the period beginning on 1 January 2022:

- Onerous contracts - The cost of performing a contract (Amendments to IAS 37);
- Tangible assets: receipts before intended use (amendments to IAS 16);
- Annual improvements to IFRS 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to the conceptual framework (Amendments to IFRS 3).

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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following changes are valid for the period beginning on 1 January 2023

The International Accounting Standards Board (IASB) issued "Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)" providing a more general approach to the classification of liabilities in accordance with IAS 1 based on existing contractual arrangements in the Data Reporting.

The changes were initially valid for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was postponed to annual reporting periods beginning on or after 1 January 2023:

Changes in the Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position - not the amount or timing of the recognition of any assets, income or expenses or the information that entities disclose about these items.

The following is clarified:

The classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period and the wording shall be aligned in all relevant paragraphs to refer to the "right" to defer settlement by at least twelve months and clarify that only the rights in force "at the end of the reporting period" should affect the classification of a debt;

The classification is not affected by expectations that an entity will exercise its right to defer the settlement of a debt;

Settlement refers to the transfer to the counterparty of the cash, equity instruments, other assets or services.

An entity applies this interpretation for annual reporting periods beginning on at or after 1 January 2019. Application prior to this date is permitted.

An 'uncertain tax treatment' is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under the tax law.

3.2 Reporting on segments

Reporting on business segments is made consistently with the internal reporting by the main operating decision-maker. The main operating decision-maker, which is in charge with resource allocation and assessment of business segments' performance, was identified as being the Board of Administration, which makes the strategic decisions.

3.3 Transactions in foreign currency

a) Functional currency

The items included in the financial statements of the company are valued using the currency of the economic environment where the entity operates ('functional currency'). The financial statements are presented in Romanian leu ('lei'), which is the functional currency and the currency of company presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) The rounding level used in the presentation of the financial statements

In the financial statements the value are presented rounded by units.

c) Transactions and balances

Transactions in foreign currency are converted into functional currency using the exchange rate valid on the date of transactions or valuation at the balance sheet date. Profit and loss resulting from exchange rate differences following the conclusion of such transactions and from the conversion at the exchange rate at the end of the reporting period of monetary assets and liabilities denominated in foreign currency are reflected in the statement of the comprehensive income.

3.4 Accounting for the effects of hyperinflation

Romania has gone through periods of relatively high inflation and was considered hyperinflationary under IAS 29 'Financial Reporting in Hyperinflationary Economies'. This standard required financial statements prepared in the currency of a hyperinflationary economy to be presented in terms of purchasing power as of 31 December 2003. As the characteristics of the economic environment in Romania indicate the cessation of hyperinflation, from 1 January 2004, the company no longer applies IAS 29.

Therefore, values reported in terms of purchasing power on 31 December 2003 are treated as basis for the accounting values of these financial statements.

3.5 Intangible Assets

Computer Software

Licenses acquired related to rights of use of the computer software are capitalized on the basis of the costs incurred with the acquisition and operation of the software in question. These costs are amortized over their estimated useful lives (three years).

Costs associated with developing or maintaining computer software are recognized as expenses in the period in which they are registered.

Service Concession Agreement

From 2010, the company started to apply IFRIC 12 **Service Concession Arrangements**, adopted by the EU. The scope of IFRIC 12 includes: the existing infrastructure at the time of signing the concession agreement and, also, the modernization and improvement brought to the gas transmission system, which are transferred to the regulatory authority at the end of the concession agreement.

As presented in Note 8, the company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right.

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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due to the fact that the Service Concession Agreement (`SCA`) had no commercial substance (i.e. nothing substantial changed in the way the company operated assets; cash flows changed only with the payment of royalties, but, on the other hand, the transmission tariff increased to cover the royalty), the intangible asset was measured at the remaining net value of the derecognized assets (classified in the financial statements as tangible assets on the date of application of IFRIC 12). Consequently, the company continued to recognize the asset, but reclassified it as intangible asset. The company tested the intangible assets recognized at the time without identifying depreciation.

As they occur, costs of replacements are recorded as expense, while the improvements of assets used within SCA are recognized at cost.

Intangible assets are amortized at zero value during the remaining period of the concession agreement.

3.6 Tangible Assets

Tangible assets include buildings, land, assets used for the non-regulated international transmission activity (e.g. pipelines, compressors, filtering installations, devices).

The company's policy is to reflect intangible assets at their cost at their cost less any accumulated depreciation and any impairment accumulated losses.

Buildings include particularly ancillary buildings of operating assets, a research centre and office buildings.

Further expenses are included in the book value of the asset or recognized as separate asset, as the case may be, only when the entry of future economic benefits for the company associated to the item is likely and the cost of the respective item can be valued in a reliable manner. The book value of the replaced asset is taken off the books. All the other expenses with repairs and maintenance are recognized in the statement of comprehensive income in the financial period when they occur.

Land is not depreciated. Depreciation on other items of tangible assets is calculated based on the straight-line method in order to allocate their cost minus the residual value, during their useful life, as follows:

Number of years

Buildings	50
Assets of the gas transmission system	20
Other fixed assets	4 - 20

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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Before 31 December 2008, costs of indebtedness were incurred as they occurred. As of 1 January 2009, costs of indebtedness attributable directly to the acquisition, construction or production of an asset with a long production cycle are capitalized as part of the cost of the respective asset. Costs of indebtedness attributable directly to the acquisition, construction or production of a long lead asset are those costs of indebtedness that would have been avoided if expenses with the asset hadn't been made. To the extent that funds are borrowed specifically for obtaining a long-lead asset, the borrowing costs eligible for the capitalization of the respective asset is determined by the actual cost generated by that borrowing during the period, minus the revenue from the temporary investments of those borrowings. To the extent that funds are generally borrowed and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset.

The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for obtaining the long-lead asset.

The costs of the funds borrowed for obtaining a long lead asset (achievement of the investment) are capitalized by the company on the asset as a difference between the current leverage costs related to such loan during the period and any revenue from the investments obtained from the temporary investment of these loans.

Borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred, unless the operator has the contractual right to receive an intangible asset, in which case the borrowing costs attributable to an arrangement are capitalized during the engagement stage.

The residual values of the assets and their useful lives are reviewed and adjusted as appropriate, at the end of each reporting period.

The book value of the asset is written down immediately to its recoverable amount if the book value of the respective asset is greater than its estimated recoverable amount (Note 3.7).

Gain and loss on disposal are determined by comparing amounts to be received with the book value and are recognized in the statement of comprehensive income in the period in which the sale took place.

3.7. Impairment of non-financial assets

Depreciated assets are reviewed for impairment loss whenever events or changes in circumstances indicate that the book value may not be recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The impairment loss is the difference between the book value and the recoverable amount of the asset. The recoverable amount is the greater of the asset's fair value minus costs to sell and value in use. An impairment loss recognized for an asset in prior periods is reversed if there are changes in the estimates used to determine the recoverable amount of the asset at the date the last impairment loss was recognized. For the calculation of this impairment, assets are grouped at the lowest levels for which there are identifiable independent cash flows (cash generating units).

Depreciated non-financial assets are reviewed for possible reversal of the impairment at each reporting date.

3.8 Assets of public domain

In accordance with Public Domain Law No. 213/1998, pipelines for gas transmission are public property. Government Decision 491/1998, confirmed by Government Decision 334/2000, states that fixed assets with a gross historical statutory book value of lei 474,952,575 (31 December 2017: RON 474,952,575), representing gas pipelines, are managed by the company. Therefore, the company has the exclusive right to use such assets during the concession and shall return them to the state at the end of this period (see Note 8). The company receives most of the benefits associated with the assets and is exposed to most of the risks, including the obligation to maintain network assets over a period at least equal to the remaining useful life, and the financial performance of the company is directly influenced by the state of the network. Therefore, before 1 January 2010, the company recognized those assets as tangible assets, with a proper reserve in the shareholders' equity (see Note 5.2.). Accounting policies applied to these assets were the same as those applied to the company's tangible assets (Notes 3.7 and 3.6).

The company adopted IFRIC 12 as of 1 January 2010 and reclassified these assets and the subsequent improvements as intangible assets (except for international transmission pipelines).

Starting with 01.01.2018, IFRS 15 "Revenues from the contracts with the clients" became applicable in Romania. This standard replaces a set of older standards (such as IAS 11, IAS 18) and changes IFRIC 12 giving a new interpretation to the contract notion. Therefore, our company registered the discounted receivables related to the regulated value remained undepreciated at the end of the concession agreement as a counterperformance and an intangible asset at a value diminished with the amount of the discounted receivables.

In accordance with Public Concession Law No. 238/2004, a royalty is due for public goods managed by companies other than state-owned. The royalty rate for using the gas transmission pipelines is set by the government. As of October 2007, the royalty was set at 10% of the revenue. The duration of the concession agreement is 30 years, until 2032.

Subsequent to entry into force of the provisions of art. 103 para. 2 of Law no. 123/2012, as of 12 November 2020, the royalty was set at 0.4%, from the domestic and international gas transmission services provided by the company.

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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets

The company classifies its financial assets into the following categories: measured at fair value through profit or loss, measured at depreciated cost and measured at fair value by other elements of the comprehensive income. Classification is made depending on the purpose for which the financial assets were acquired. The management sets the classification of these fixed assets upon initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are included in the current assets, except for those which have a maturity greater than 12 months after the end of the reporting period. These are classified as fixed assets. Loans and receivables of the company include `trade receivables and other receivables` and cash and cash equivalent in the statement of the financial position (Notes 3.11 and 3.13). Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor on payment of compensation equal to the regulated value which was not depreciated fixed by ANRE. The company recognized for the investments made until the balance sheet date an updated receivable related to the regulated value remained undepreciated at the end of the concession agreement, at a counterperformance and an intangible asset at a value less the updated receivable. The discount rate used to calculate the present value of the debt is long-term government bonds, zero coupon, over a period close to the remainder of the concession agreement. The initial measurement of the compensation is made at the fair value which reflects the credit risk which applies to the regulated amount remaining unamortized at the end of the contract. Subsequent valuation is done at amortized cost using the effective interest method. The actual interest rate used is based on historical data and does not change according to market interest rate.

In 2019, ANRE Order no. 41/2019 on the adjustment of asset regulated value to the inflation rate. The company records the present value of the contractual cash flows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

(b) Financial assets measured at fair value through the profit or loss account or measured at fair value by other elements of the comprehensive income

IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at amortized cost, at fair value through other comprehensive income, at fair value through profit or loss. The classification on IFRS 9 is determined by the cash flow characteristics and the business model in which an asset is held. This unitary approach based on principles eliminates the classification of financial assets in IAS 39: held-to-maturity investments, loans and receivables, and available for sale financial assets. The new model will also determine the existence of a single depreciation model applicable to all financial instruments.

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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upon initial recognition, an entity may make an irrevocable choice to present to other comprehensive income elements the subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor is it a recognized contingent consideration by an acquirer in a business combination to which IFRS 3 applies. In this case it will recognize the dividends from that investment in the income statement.

(c) *Impairment of financial assets*

At each reporting date, the company assesses whether there is objective evidence that a financial asset or group of financial assets suffered impairment. A financial asset or group of financial assets is impaired and impairment loss is incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss generating event') and if such event (or events) which generates loss has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or debtor;
- breach of contract, such as default or delinquency in interest or loan payment;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise have had in view;
- it is likely that the debtor will go bankrupt or enter another form of financial reorganization;
- disappearance of the active market for that financial asset because of financial difficulties; or
- observable data indicate that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for individual financial assets in the portfolio, including:
 - adverse changes in the payment status of debtors in the portfolio; and
 - economic conditions, at national or local level, that correlate with defaults, relating to the assets in the portfolio.

The company assesses first whether objective evidence of impairment exists.

(i) *Assets registered at amortized cost*

Impairment testing of trade receivables is described above.

For loans and receivables, the amount of the loss is measured as the difference between the book value of the asset and the updated value of estimated future cash flows (excluding future credit loss which was not incurred), discounted at the asset's original rate; the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. In practice, the company may measure impairment based on the fair value of an instrument using an observable market price.

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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the credit rating of the borrower), the reconsidered of impairment loss recognized previously in profit or loss.

(ii) Assets measured at cost

The share held at Eurotrangaz SRL is recognized at its fair value as of the date of trading, being evaluated, after the initial recognition, at cost according to Art.4.1.2 of IFRS 9 and Art.10.a- IAS 27- Separate Financial Statements:

‘When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IFRS 9 or using the equity method.’

In 2020 the company evaluated the stake held in Eurotrangaz SRL in order to identify any possible impairment losses. No impairments were found.

3.10. Inventories

Inventories are stated at the lower of cost and net achievable value.

The components recovered from disassemblings and repairs of pipelines built by the company are recorded as stocks at a value determined by a technical committee. The amount so determined does not exceed the net achievable value.

The cost is determined based on the first in, first out method. Where necessary, adjustment is made for obsolete and slow moving inventories. Individually identified obsolete inventories are adjusted for the full value or written off. For slow moving inventory, an estimate is made of the age of each main category on inventory rotation.

The calculation of the general adjustment for the depreciation of stocks is made monthly depending on the age of the existing items in stock, applying the following percentages according to age: 0 - 12 months 0%; 1 - 2 years 10%; 2 - 3 years 30% - 40%; over 3 years 75% - 80%.

The cost of natural gas used for the balancing activity related to the transmission system is determined based on the average weighted cost method.

The minimum gas stock that the company, as holder of the national natural gas transmission system operating license is required to have in underground storage facilities, is established by decision of the President of the National Energy Regulatory Authority. Decision no. 1773/16.10.2019 of the ANRE President provided that the company was obliged to have a minimum level of natural gas stock of 939.894,097 MWh on 31 October 2019, and Decision no. 588/08.04.2020 of the ANRE President established the obligation for the company to have a minimum level of natural gas stock of 560.724,517 MWh until 31 October 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Trade receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If the collection period is one year or less (or in the normal operating cycle of the business), they are classified as current assets. If not, they are presented as fixed assets.

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, minus the adjustments for impairment.

The debt adjustment policy according to IFRS9 is presented in note 12.

3.12. Value Added Tax

The value added tax must be paid to tax authorities based on the monthly VAT declaration by the 25th of the following month, regardless of the collection of receivables from customers. Tax authorities allow the settlement of VAT on a net basis. If the deductible VAT is higher than the output VAT, the difference is refundable at the request of the company. That VAT can be refunded after a tax audit, or, even in its absence, if certain conditions are met. VAT on sales and purchases which are not settled at the end of the reporting period is recognized in the statement of financial position at net value and disclosed separately as a current asset or liability. In cases where adjustments were made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including the VAT. The related VAT must be paid to the state and can be recovered only in the event of debtor prescription, as a result of bankruptcy decision.

3.13. Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, cash in current accounts with banks, other short-term investments with high liquidity and with maturity terms of up to three months and overdrafts from banks. In the statement of financial position, overdraft facilities are registered at loans, under current liabilities.

3.14 Equity

Share capital

Ordinary shares are classified as equity.

Additional costs directly attributable to the issue of new shares or options are registered at equity as a deduction, net of tax, from the receipts.

Dividends

Dividends are recognized as liabilities and deducted from equity at the end of the reporting period if they are declared before or at the end of the reporting period. Dividends are recognized when they are proposed before the end of the reporting period, or when they were proposed or declared after the end of the reporting period but before the date the financial statements were approved for issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs recorded. Subsequently, borrowings are stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss during the borrowings, based on the effective interest method.

Borrowings are classified as current liabilities, unless the company has an unconditional right to defer payment of debt for no less than 12 months after the end of the reporting period.

3.16 Current and deferred profit tax

Tax expense for the period includes the current tax and the deferred tax and is recognized in profit or loss, unless it is recognized in other items of the comprehensive income or directly in equity because it relates to transactions that are, in turn, recognized in the same or in a different period, in other items of the comprehensive income or directly in equity.

Current profit tax expense is calculated based on the tax regulations in force at the end of the reporting period. The management periodically evaluates positions on tax returns regarding situations where the applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, based on the estimated amounts due to tax authorities.

The deferred profit tax is recognized based on the liability method, on temporary differences arising between the tax bases of assets and liabilities and their book values in the financial statements. However, the deferred profit tax arising from the initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction does not affect the accounting profit and the taxable revenue is not recognized. The deferred profit tax is determined based on tax rates (and legal regulations) in force until the end of the reporting period and which are expected to apply in the period in which the deferred profit tax asset is realized or the deferred profit tax liability is settled.

Deferred revenue tax assets are recognized to the extent that it is probable that future taxable profit be derived from temporary differences.

3.17 Commercial payables and other payables

Suppliers and other payables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method. Commercial payable accounts and other payables are closed as a result of the payment of debts, offsetting with receivables or their write-off through the profit and loss account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Deferred revenue

Deferred revenue is recorded for connection fees applied to customers upon their connection to the gas transmission network, for the objectives received free of charge and for grants collected.

The grants collected are assimilated to the governmental subsidies.

The governmental subsidies are acknowledged to their market value when there is a reasonable assurance that they will be received and that the relevant conditions will be met.

For the connection fees applied to the clients for their connection to the gas transmission network and to the facilities received free of charge, for the grants the company chose to record the total asset value and a deferred revenue.

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor on payment of compensation equal to the regulated value which was not depreciated fixed by ANRE. The company recognized for the investments made until the balance sheet date an updated receivable related to the remaining unamortised value at the end of the concession agreement at a counterperformance and an intangible asset at a value less the updated receivable.

3.19 Employee benefits

In the normal course of business, the company makes payments to the Romanian state on behalf of its employees, for health funds, pensions and unemployment benefits. All the company employees are members of the pension plan of the Romanian state, which is a fixed contribution plan. These costs are recognized in the profit and loss account with the recognition of salary expenses.

Benefits granted on retirement

Under the collective agreement, the company must pay the employees on retirement a compensatory amount equal to a certain number of gross salaries, depending on the time worked in the gas industry, working conditions etc. The company recorded a provision for such payments (see Note 21). The obligation recognized in the balance sheet represents the present value of the obligation at the balance sheet date. The obligation is calculated annually by independent experts

using the Projected Unit Credit Method. The present value is determined by discounting future cash flows with the interest rate of the long-term government bonds.

The current service cost is recognized in the profit and loss account in the employee costs. Interest expense is included in the profit and loss account in the financial costs.

Actuarial gain or loss due to changes in actuarial assumptions is recognized in the statement of comprehensive income in the period for which the actuarial calculation is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Social insurance

The company records expenses related to its employees, as a result of granting social insurance benefits. These amounts mainly include the implicit costs of employing workers and, therefore, are included in the salary expenses.

Profit sharing and bonuses

The company recognizes an obligation and expense for bonuses and profit sharing, based on a formula taking into account the profit attributable to the company's shareholders, after certain adjustments. The company recognizes an obligation where it is required under contract or where there is a past practice which created an implicit obligation.

3.20 Provisions for risks and charges

The provisions for risks and charges are recognized when the company has a legal or implicit obligation as a result of past events, when for the settlement of the obligation an outflow of resources is required, which incorporates economic benefits and for which a credible estimate can be made in terms of the obligation value. Where there are similar obligations, the probability for an outflow of resources to be necessary for settlement is set after the assessment of the obligation class as a whole.

The provision is recognized even if the probability of an outflow of resources related to any item included in any obligation class is reduced. Where the company expects the writing back to revenue of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is theoretically certain.

Provisions are measured at the discounted value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.21 Revenue recognition

Revenue covers the fair value of amounts received or receivable from the sale of services and/or goods in the normal course of business of the company. Revenue is recorded net of value added tax, returns, rebates and discounts.

The company recognizes the revenue when their amount can be estimated with certainty, when it is probable that the entity collects future economic benefits and when certain criteria are met for each of the company's activities as described below. The amount of revenue is not considered reliably estimated until all contingencies relating to the sale are settled. The company bases its estimates on historical results, taking into account the type of customer, type of transaction and the specifics of each commitment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Revenue from services

Revenue from the domestic and international gas transmission results from the booking the transmission capacity and from the transmission through the NTS of the determined quantities of natural gas, expressed in units of energy, during the validity of a gas transmission contract, and are recognized at the moment of their delivery. During the administration of the transmission contracts, the TSO issues and submits to the NU, by day 15 of the month following the month for which the transmission service was provided: an invoice for the transmission services provided for the previous month, based on the final allocations; an invoice related to the final daily imbalances registered in the previous month; and an invoice exceeding of the capacity booked.

b) Revenue from the sale of goods

Revenue from the sale of goods is registered when the goods are delivered.

c) Interest revenue

Interest revenue is recognized proportionally, based on the effective interest method.

d) Revenue from dividends

Dividends are recognized when the right to receive payment is recognized.

e) Mutual compensation and barter transactions

A relatively reduced part of the sales and purchases are compensated by mutual agreements, barter or non-cash agreements. These transactions generally occur in the form of cancellation of balances, either bilaterally or through a chain involving several companies (see Note 28).

Sales and purchases that are intended to be offset by mutual agreements, barter or non-cash agreements are recognized based on management's estimates of their fair value to be received or disposed of in non-cash compensation. Fair value is determined based on the available market information.

Non-cash transactions were excluded from the cash flow statement, so investing activities, financing activities, and all operational activities represent current cash flows.

No barter transactions were performed in 2020 and in 2019.

f) Revenue from penalties

Revenue from penalties for late payment is recognized when future economic benefits are expected for the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

By the nature of the activities performed, the company is exposed to various risks, which include: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk. company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the company. The company does not use derivative financial instruments to protect itself from certain risk exposures.

(a) *Market risk*

(i) Currency risk

The company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets (Note 12) and recognized liabilities.

The company does not perform formal actions to minimize the currency risk related to its operations; therefore the company does not apply hedge accounting. However, the management believes that the company is covered in terms of the currency risk, given that the foreign currency incoming payments (mainly revenue from international transmission) are used to settle liabilities denominated in foreign currency.

The following table shows the sensitivity of profit or loss and equity, to reasonably possible changes in exchange rates applied at the end of the reporting period of the functional currency of the company, with all variables held constant:

	<u>31 December 2020</u>	<u>31 December 2019</u>
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	123.351	125.419
USD depreciation by 10%	(123.351)	(125.419)
EUR appreciation by 10%	(35.954.181)	(32.214.164)
EUR depreciation by 10%	35.954.181	32.214.164

(ii) Price risk

The company is exposed to the commodity price risk related to gas purchased for own consumption. If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 3,325.834 on December 2020 (December 2019: lei 2,989.892).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Interest rate risk on cash flow and fair value

The company is exposed to interest rate risk by its bank deposits and variable interest loans. The company did not conclude any commitment to diminish the risk. For the average exposure of the period, if the interest rates had been lower/higher by 50 basis points, with all the other variables maintained constant, the profit related to the period and equity would have been lower/higher by cu 7.705.629 (December 2019: lei 497.755 lower/higher) as a result of reducing the interest rate for variable interest loans and the interest rate on the bank deposits.

(b) *Credit risk*

Credit risk is especially related to cash and cash equivalents and trade receivables. The company drew up a number of policies, through their application ensuring that sales of products and services are made to proper customers. The book value of receivables, net of adjustments for doubtful debts, represents the maximum value exposed to credit risk. The company's credit risk is concentrated on the 5 main customers, which together account for 47% of the trade receivable balances on 31 December 2020 (31 December 2019: 47%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the adjustments already made. In the end on 2020 the company has available payment guarantees from its clients amounting to lei 204.839.304.

Cash is placed with financial institutions, which are considered as associated to a minimum performance risk.

	<u>30 December 2020</u>	<u>31 December 2019</u>
Without rating	1.565.253	43.030.956
BB+	129.228.022	61.134.709
BBB-	71.152.016	7.691.934
BBB	119.791	-
BBB+	86.472.555	240.441.135
A	136.721	137.355
AA-	<u>643.159</u>	<u>363.482</u>
	<u>289.317.517</u>	<u>352.799.571</u>

All the financial institutions are presented in the Fitch rating or equivalent.

(c) *Liquidity risk*

Preventive liquidity risk management involves keeping enough cash and funds available by a proper value of committed credit facilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The company projects cash flows. The financial function of the company continually monitors the company's liquidity requirements to ensure that there is sufficient cash to meet operational requirements, while maintaining a sufficient level of unused borrowing facilities (Note 16) at any time, so the company does not violate the limits or loan agreements (where applicable) for any of its borrowing facilities. These projections take into account the company's debt financing plans, compliance with agreements, compliance with internal targets on the balance sheet indicators and, where appropriate, external regulations or legal provisions.

The Financial Division of the company invests extra cash in interest bearing current accounts and term deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide the appropriate framework, established under the provisions mentioned above.

The table below shows obligations on 31 December 2020 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

Maturity analysis of financial liabilities on 31 December 2020 is as follows:

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	1.903.768.715	104.075.855	829.686.798	970.006.062
Commercial payables and other payables	<u>450.599.080</u>	<u>434.116.640</u>	<u>16.482.440</u>	
	<u>2.354.367.795</u>	<u>538.192.495</u>	<u>846.169.238</u>	<u>970.006.062</u>

Maturity analysis of financial liabilities on 31 December 2019 is as follows:

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>over 5 years</u>
Loans	733.796.269	12.395.649	181.382.883	540.017.737
Commercial payables and other payables	<u>344.728.433</u>	<u>291.449.595</u>	<u>53.278.838</u>	<u>-</u>
	<u>1.078.524.702</u>	<u>303.845.244</u>	<u>234.661.721</u>	<u>540.017.737</u>

Commercial payables and other payables include trade payables, suppliers of fixed assets, dividends payable, payables and other payables (see Note 19) and are not included: payables generated as a result of the legal provisions imposed by the authorities, payables to the employees and advance registered revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments categories:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Financial assets		
Cash and cash equivalents	108.672.451	339.753.879
Term bank deposits	180.779.589	13.231.240
Loans and receivables	2.077.884.409	1.244.132.492
Financial assets - stakes	24.578.237	24.887.146
Provisions related to financial assets - stakes	<u>(24.578.237)</u>	<u>(24.887.146)</u>
	<u>2.367.336.449</u>	<u>1.597.117.611</u>
Financial liabilities		
Debts evaluated to amortised cost		
Loans	1.714.795.911	663.930.000
Liabilities evaluated at fair value		
Financial securities for contracts	19.125.114	75.006.895
Commercial liabilities and other liabilities	<u>308.698.920</u>	<u>269.721.538</u>
	<u>2.042.619.945</u>	<u>1.008.658.433</u>

In the category including loans and liabilities, the liabilities related to employees and payables registered in advance are not included.

Capital risk management

The company's objectives related to capital management refer to keeping the company's capacity to continue its activity to provide compensation to shareholders and benefits to the other stakeholders and to maintain an optimal structure of the capital, as to reduce capital expenditure. There are no capital requirements imposed from outside.

As for the other companies in this sector, the company monitors the capital based on the indebtedness degree. This coefficient is calculated as net debt divided by total capital. The net debt is calculated as total borrowings (including `current and long-term borrowings`, according to the statement of financial position), except for cash and cash equivalent. The total capital is calculated as `equity`, according to the statement of the financial position, plus the net debt.

In 2020 the company's strategy, unchanged since 2019, is to keep the indebtedness degree as low as possible, to keep a significant capacity to borrow funds for future investments. The net

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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indebtedness degree on 30 June 2020 and on 31 December 2019 is reflected in the table below:

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total borrowings	1.714.795.911	663.930.000
Except: cash and cash equivalents (Note 13)	<u>(289.452.040)</u>	<u>(352.985.119)</u>
Net cash position	<u>1.425.343.871</u>	<u>310.944.881</u>

Fair value estimate

The fair value of the financial instruments traded on an active market is based on market prices quoted at the end of the reporting period. The fair value of the financial instruments that are not traded on an active market is set using valuation techniques.

It is considered that the book value less the impairment adjustment of trade receivables and payables approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows using the current market interest rate available to the company for similar financial instruments.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Critical accounting estimates and assumptions

The company develops estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including predictions of future events considered reasonable under certain circumstances.

The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and assumptions that have a significant risk of causing an important material adjustment to the book value of assets and liabilities within the next financial year are presented below.

5.1 Assumptions for the determination of the provision for retirement benefits

This provision was calculated based on estimates of the average wage, the average number of employees and the average number of wage payment at retirement, as well as based on the benefits payment scheme. The provision was brought to the present value by applying a discount factor calculated based on the risk-free interest rate (i.e. interest rate on government bonds).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

The present value of the obligations at 31 December 2020 is of lei 121,509.096 (on 31 December 2019: 121,712.041 lei) (Note 21).

The presentation of the current value for the 2019 depending on the following variables:

Analysis of the maturity of benefits payments:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Up to one year	3,198.877	1,853.432
Between 1 and 2 years	2,376.495	3,391.582
Between 2 and 5 years	9,156.180	8,555.516
Between 5 and 10 years	63,538.232	46,416.350

5.2 The accounting treatment of the concession agreement

As indicated in Note 8, in May 2002 the company concluded a Concession Agreement with the National Agency for Mineral Resources (`ANRM`), which entitles the company to use the main pipelines of the national gas transmission system for a period of 30 years. Before concluding this agreement, the pipelines were managed by the company according to Public Domain Law No. 213/1998, Government Decision (`GD`) No. 491/1998 and GD No. 334 of 2000 by which the company was established. According to the provisions of this agreement, the company receives most of benefits associated to assets and is exposed to most of the risks. Therefore, the company recognized these assets in the statement of the financial position, with an appropriate reserve in equity.

Regarding the already existing infrastructure on the date of signing the Concession Agreement, given that the company has no payment obligations at the time of terminating the Concession Agreement (but only obligations on maintenance and modernization, investments in new pipelines), the company's management considered that it is, in substance, an equity component, defined as the residual interest in the company's assets after the deduction of all debts. In addition, because the company and its predecessor, SNGN Romgaz SA, were controlled by the Romanian state, the publication of Public Patrimony Law (i.e. loss of property) and the reorganization of SNGN Romgaz SA into 5 companies can be treated as transactions with shareholders, in its capacity of shareholder, which supports the recognition of transactions in equity. As of 2010, the company applied IFRIC 12 (Note 3.5).

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5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

5.3 The accounting treatment of royalties payable for using the national gas transmission system

As indicated in Note 8, the company pays royalties, calculated as percentage of the gross revenue achieved from the operation of pipelines of the national gas transmission system. These costs were recognized as expenses, rather than deduction from revenue, because they are not of the nature of taxes collected from customers and sent to the state, given the nature of activity and the regulatory framework:

- the company's revenue is based on tariffs approved by another regulator than the one setting the level of royalties;
- expense with royalties is an item taken into consideration at the calculation of the transmission tariff;

According to ANRE Order no.18/ 2019, as the holder of the operating license of the national natural gas transmission system issued by ANRE, in 2019 the company had the obligation to pay ANRE an annual contribution equal to 2% of the turnover achieved from the activities which are the subject of the licenses granted and as of 1 January 2020, according to ANRE Order no. 1/2020, the company has the obligation to pay annually to ANRE a tariff amounting to 0.062 lei MWh applied to the quantity of natural gas transmitted for carrying out activities in the natural gas sector based on a license.

5.4 Long-term receivables

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor in exchange for the payment of a compensation equal to the unamortized regulated value set by ANRE.

The company believes that the legislative change represents a compensation for the value of the investments made, which the company will not recover through the tariff, implicitly the value of the intangible asset not recovered through the tariff, recognized for the right to charge users.

From 01.01.2018, IFRS 15 Revenue from Contracts with Customers became applicable in Romania. This standard replaces some older standards (such as IAS 11, IAS 18) and amends IFRIC 12 by introducing new interpretations to the notion of a contract. As a result, the company applies the bifurcated model registering the updated receivable related to the regulated amount remaining unamortized at the end of the concession agreement as a financial asset the intangible asset will be presented in the financial statements by the residual method resulted less the value of the construction works, achieved at fair value with the amount of the updated long term receivable (compensation) upon the commissioning of the investment.

The present value was determined for the remaining period of the concession contract (the year 2032), because it is estimated that it will not be terminated before the expiration date (see Note 3.9 (a)).

In 2019 ANRE Order no. 41/2019 on the adjustment of the regulated value of the assets at the inflation rate entered into force. The company records the present value of the contractual cashflows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. INFORMATION ON SEGMENTS

Reporting segments are set according to the nature of the activities conducted by the company: the regulated activity, the unregulated activity and other activities. As transmission system operator, the company reported annually to the National Regulatory Authority on the activity performed on the four reporting segments.

The segment information provided to the Board of Administration, which makes strategic decisions for reportable segments, for the period ended 31 December 2020 is:

	Domestic gas transmission	International gas transmission	Balancing	Unallocated	Total
Revenue from domestic transmission	1.150.464.877				1.150.464.877
Revenue from international transmission		114.222.513			73.327.808
Other revenue	<u>35.482.494</u>	<u>-</u>	<u>-</u>	<u>37.845.314</u>	<u>73.327.808</u>
Operating revenue before the balancing and the construction activity according to IFRIC12	1.185.947.371	114.222.513	-	37.845.314	1.338.015.198
Depreciation	(210.753.927)	(32.832.755)		<u>(5.131.523)</u>	(248.718.205)
Operating expenses other than depreciation	<u>(873.080.040)</u>	<u>(30.433.535)</u>	<u>-</u>	<u>(21.288.989)</u>	<u>(924.802.565)</u>
Profit from operation before the balancing and construction activity according to IFRIC12	102.113.404	50.956.223	-	11.424.801	164.494.428
Revenue from the balancing activity			199.239.242 (199.239.242)		199.239.242 (199.239.242)
Cost of balancing gas					
Revenue from the construction activity according to IFRIC12				1.587.548.396	1.587.548.396
Cost of constructed assets according to IFRIC12				<u>(1.587.548.396)</u>	<u>(1,587,548.396)</u>
Operating profit	102.113.404	50.956.223	-	11.424.801	164.494.428
Net financial gain					35.057.746
Profit before tax					199.552.174
Profit tax					(34.327.858)
Net profit					165.224.316
Assets on segments	6.055.456.830	279.152.072	195.837.081	691.202.955	7.221.648.938
Liabilities on segments	3.328.503.170	4.163.151	28.904.878	113.809.182	3.475.380.381
Capital expenditure - increases in assets in progress	1.685.352.244	165.633	-	-	1.685.517.877
Non-cash expenses other than depreciation	69.618.015	2.630.286	-	520.504	72.768.805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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6. INFORMATION ON SEGMENTS (CONTINUED)

In 2020, the subsidiaries Eurotransgaz SRL and Vestmoldtransgaz did not carry out transmission activity, the assets registered by them in amount of lei 390,592,250 and respectively the debts in amount of lei 110,856,374 being presented in the unallocated segment.

Assets indicated for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. The presented assets for the balancing segment are mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

Assets shown for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. Assets shown for the balancing segment comprise mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

Unallocated assets include:

Tangible and intangible assets	314.037.923
The right of use of the leased assets	19.192.069
Financial assets	
Goodwill	9.082.127
Deferred tax	4.995.106
Cash	289.452.041
Other assets	<u>54.453.690</u>
	691.202.955

Unallocated liabilities include:

Dividends payable	2.710.686
Other debts	<u>111.098.496</u>
	113.809.182

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the write-down of inventories, other provisions for risks.

International transmission services are performed for several foreign clients, while the domestic transmission activity is performed for several domestic clients.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6. INFORMATION ON SEGMENTS (CONTINUED)

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from the domestic transmission	1.133.243.470	17.221.407	1.150.464.877
Revenue from international transmission		114.222.513	114.222.513
Other revenue	<u>72.401.793</u>	<u>926.015</u>	<u>73.327.808</u>
	1.205.645.263	132.369.935	1.338.015.198

Domestic clients with over 10% of the total revenue include:

Percentage of the total revenue

OMV PETROM S.A..	16%
ENGIE ROMANIA S.A.	15%
SNGN ROMGAZ S.A.	11%

All parent company's assets are located in Romania. All parent company's activities are carried out in Romania.

The company has external receivables amounting to lei 12.203.130 (31 December 2019: lei 22.635.726).

The *domestic gas transmission* segment includes information related to the activity of domestic gas transmission, which is regulated by the National Regulatory Authority as well as the operating and financial revenue related to the claims for the regulated value of the regulated asset base remained undepreciated at the end of the Concession Agreement; the *international gas transmission* segment includes information related to the activity of pipeline gas transmission without the transshipment of the Romanian territory, of which the activity performed through Isaccea 2 – Negru Vodă 2 and Isaccea 3 – Negru Vodă 3 pipelines is not regulated, the related tariffs being set on commercial bases by negotiation between the parties, and the activity carried out on the Isaccea 1 - Negru Vodă 1 pipeline is regulated starting with 1 October 2016; the *balancing* segment includes expenses and revenue related to the national transmission system balancing activity developed starting with 1 December 2015, neutral in financial terms, any profit or loss from this activity will be distributed to clients for whom domestic transmission services are provided; the *unallocated* segment includes activities with a low share in the company's revenue such as sales of assets, rents, royalties.

The information on segments provided to the Board of Administration, who makes strategic decisions for the reporting segments, related to the financial year ended 31 December 2019, is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

	Domestic gas transmission	International gas transmission	Balancing	Unallocated	Total
Revenue from					
domestic transmission	1.192.597.737	-	-	-	1.192.597.737
Revenue from international transmission	-	327.696.392	-	-	327.696.392
Other revenue	21.800.936	-	-	33.829.821	55.630.757
Operating revenue before the balancing and the construction activity according to IFRIC12	<u>1.214.398.673</u>	<u>327.696.392</u>	<u>-</u>	<u>33.829.821</u>	<u>1.575.924.886</u>
Depreciation	(155.537.705)	(32.526.688)	-	(7.636.494)	(195.700.887)
Operating expense other than depreciation	<u>(882.272.506)</u>	<u>(60.509.135)</u>	<u>-</u>	<u>(96.139.068)</u>	<u>(1.038.920.709)</u>
Profit from operation before the balancing activity according to IFRIC12	176.588.462	234.660.569	-	(69.945.741)	341.303.290
Revenue from the balancing activity			324.687.807		324.687.807
Cost of balancing gas			(324.687.807)		(324.687.807)
Revenue from the construction activity according to IFRIC12				868.356.796	868.356.796
Cost of constructed assets according to IFRIC12				(868.356.796)	(868.356.796)
Profit from operation	176.588.462	234.660.569	-	(69.945.741)	341.303.290
Net financial gain					70.839.503
Profit before tax					412.142.793
Profit tax					<u>(70.748.512)</u>
Net profit					341.394.281
Assets on segments	4.658.293.396	322.200.917	193.537.441	622.683.873	5.796.715.627
Liabilities on segments	1.889.794.698	19.136.500	64.937.857	47.570.571	2.021.439.626
Capital expenditure - increases in assets in progress	938.315.311	2.056	-	117.150.665	1.055.468.032
Non-cash expenses other than depreciation	139.384.077	3.811.365	-	7.992.841	151.188.283

Assets indicated for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. The presented assets for the balancing segment are mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

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6. INFORMATION ON SEGMENTS (CONTINUED)

Unallocated assets include:

Tangible and intangible assets	179.597.749
Right of use of leased assets	9.359.179
Financial assets	0
Goodwill	9.775.599
Cash	352.985.119
Other assets	<u>70.966.227</u>
	622.683.873

Unallocated liabilities include:

Deferred tax	8.071.065
Payable tax	
Dividends payable	4.436.759
Other debts	<u>35.062.747</u>
	47.570.571

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the expense with the write-down of inventories, other provisions for risks.

International transmission services are provided for several foreign customers, while the domestic transmission activity is performed for several domestic customers.

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from domestic transmission	1.135.092.073	57.505.664	1.192.597.737
Revenue from international transmission	335.328	327.361.064	327.696.392
Other revenue	<u>54.451.915</u>	<u>1.178.842</u>	<u>55.630.757</u>
	1.189.879.316	386.045.570	1.575.924.886

Domestic clients with over 10% of the total revenue include:

Percentage of the total revenue

ENGIE ROMANIA S.A.	15%
OMV PETROM S.A.	12%
SNGN ROMGAZ S.A.	11%

All the company's assets are located in Romania. All the company's activities are carried out in Romania.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

7. TANGIBLE ASSETS

	<u>Lands and buildings</u>	<u>Transmission system assets</u>	<u>Other fixed assets</u>	<u>Assets in progress</u>	<u>Total</u>
On 31 December 2019					
Cost on 1 January 2019	280.587.744	957.069.630	315.757.267	5.278.644	1.558.693.285
Depreciation accumulated	(154.054.392)	(636.565.831)	(222.779.945)	-	(1.013.400.168)
Adjustments for impairment	-	-	-	(1.656.183)	(1.656.183)
Initial net book value	<u>126.533.352</u>	<u>320.503.799</u>	<u>92.977.322</u>	<u>3.622.461</u>	<u>543.636.934</u>
Inflows	-	-	-	139.909.884	139.909.884
Inflows/Reclassifications	1.193.893	-	1.513.773	-	2.707.666
Transfers	796.177	-	18.226.792	-19.022.969	-
Outflow (net book value)	(5.334)	(302)	(40.446)	-	(46.082)
Expense with depreciation	(6.708.249)	(30.809.468)	(25.728.592)	-	(63.246.309)
Final net book value	<u>121.809.839</u>	<u>289.694.029</u>	<u>86.948.849</u>	<u>124.509.376</u>	<u>622.962.093</u>
On 31 December 2020					
Initial net book value	<u>121.809.839</u>	<u>289.694.029</u>	<u>86.948.849</u>	<u>124.509.376</u>	<u>622.962.093</u>
Inflows	-	-	1.395.120	187.454.782	188.849.902
Reclassification	(7.179.646)	-	-	-	(7.179.646)
Transfers	40.913.681	4.673.800	248.815.630	(294.403.111)	-
Outflow (net book value)	(52.065)	-	(17.338)	-	(69.403)
Expense with depreciation	(6.369.306)	(30.762.377)	(25.671.795)	-	(62.803.478)
Exchange rate conversion difference	(9.787)	-	(2.004.610)	(8.307.224)	(10.321.621)
Final net book value	<u>149.112.716</u>	<u>263.605.452</u>	<u>309.465.856</u>	<u>9.253.823</u>	<u>731.437.847</u>
Cost	315.990.135	961.742.372	566.670.110	10.910.005	1.855.312.622
Accumulated depreciation	(166.899.579)	(698.136.920)	(257.867.504)	-	(1.122.904.003)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Exchange rate conversion difference	22.160	-	663.250	-	685.410
Final net book value	<u>149.112.716</u>	<u>263.605.452</u>	<u>309.465.856</u>	<u>9.253.823</u>	<u>731.437.847</u>

The gross book value of the fully depreciated assets, still used, is lei 309.479.594 (31 December 2019: lei 292.791.713).

On 31 December 2020 no advances granted for the procurement of tangible assets are registered (lei 366.000 on 31 December 2019 and presented in the ongoing assets).

Regarding the assets developed by the company, which are complementary to the provision of services according to the concession agreement, the State has the option to acquire these assets at the end of the concession agreement. The company does not have the obligation to keep these assets until the end of the concession agreement and it is allowed to sell them. These assets do not fall

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within the scope of IFRIC 12. All the other assets related to the domestic transmission activity and which are part of the national gas transmission system, including improvements made after signing the concession agreement and which must be handed over to the ANRM at the end of the concession agreement fall within the scope of IFRIC 12.

7. TANGIBLE ASSETS (CONTINUED)

The assets used for the provision of the international transmission services through the Isaccea 2 - Negru Vodă 2 and Isaccea 3 – Negru Vodă 3 pipelines do not fall within the scope of IFRIC 12.

The company does not depreciate the tangible assets approved for discarding.

8. SERVICE CONCESSION AGREEMENT

In May 2002, the company concluded a Service Concession Agreement (`SCA`) with the ANRM, which entitles the company to operate the main pipelines of the national gas transmission system for a period of 30 years. Before concluding this agreement, the pipelines were managed by the company according to Public Domain Law No. 213/1998, GD No. 491/1998 and GD No. 334/2000 by which the company was established. All modernizations and improvements made by the company to the system are considered part of the system and become property of the ANRM at the end of their useful life. The company cannot sell or discard any asset part of the national transmission system; withdrawals can only be made with the approval of the state.

At the expiration of the agreement, the assets belonging to the public domain, existing upon signing the agreement and all investments made in the system will be returned to the State. The company owns and will develop other assets that are not directly part of the national gas transmission system, but are complementary assets for gas transmission operations. The ANRM has the option to buy these assets at the end of the concession agreement, at the fair value.

The main terms of the Concession Agreement are the following:

- The company is entitled to operate directly the assets subject to the concession agreement and to apply and collect tariffs for domestic and international transmission from clients in exchange for services provided; the company is the only entity authorized to operate the pipelines of the national gas transmission system, no sub-concession being allowed;
- Any change of tariffs must be proposed by the company and then approved by the ANRE;
- The company is exempt from the payment of import duties for the assets acquired for operation, improvement or development of the system;
- The company must annually publish by 30 October the available capacity of the system for the following year;
- The company must annually respond to the clients' orders by 30 November and the ANRM must be informed on all rejected orders decided by the company's management;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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8. SERVICE CONCESSION AGREEMENT (CONTINUED)

- The company must keep a specific level of functioning (guaranteed through a mandatory minimum investment programme);
- royalties are paid as percentage (by 30 September 2007: 5%, as of October 2007: 10%) of the gross revenue from the operation of the national transmission system (domestic and international transmission);
- all operating expenses for operating the system are incurred by the company;
- The company may cancel the agreement by notifying the ANRM 12 months in advance;
- The ANRM may cancel the agreement by a 6-month prior notice, if the company fails to comply with the contractual conditions; it also has the option to cancel the agreement with a 30-day prior notice for 'national interest' reasons; in this case, the company will receive compensation equal to the average net profit of the past 5 years multiplied by the remaining duration of the agreement.

The Concession Agreement does not include an automatic renewal clause.

The terms of the Concession Agreement were not amended after June 2003, except for the approval of the minimum investment plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. INTANGIBLE ASSETS

	Assets related to the ACS		Information programmes	Intangible assets in progress	Total
On 31 december 2019					
Cost on 1 January 2019	6.157.978.033	-	54.066.289	521.560.905	6.733.605.227
Accumulated depreciation	(3.944.317.080)	-	(49.923.003)	-	(3.994.240.083)
Consolidation goodwill	-	9.413.102	-	-	9.413.102
Adjustments for impairment	-	-	-	(7.014.250)	(7.014.250)
Concession Agreement receivables	(551.741.263)	-	-	-	(551.741.263)
Concession Agreement receivable depreciation	121.196.619	-	-	-	121.196.619
Initial Net book value	1.783.116.309		9.413.102	4.143.286	514.546.655
Final net book value					
Final net book value	1.783.116.309	9.413.102	4.143.286	514.546.655	2.311.219.352
Inflow	-	-	-	915.558.148	915.558.148
Reclassifications	(1.206.388)	-	43.626	(590)	(1.163.352)
Transfers	36.264.864	-	2.111.363	(38.376.227)	-
Depreciation	(164.137.743)	-	(2.572.825)	-	(166.710.568)
Adjustment for impairment	-	-	-	(2.128.527)	(2.128.527)
Concession Agreement receivables	(21.872.728)	-	-	-	(21.872.728)
Concession Agreement receivable depreciation	33.108.049	-	-	-	33.108.049
Exchange rate conversion differences	-	362.497	-	-	362.497
Final net book value	1.665.272.363	9.775.599	3.725.450	1.389.599.459	3.068.372.871
On 31 December 2020					
Net book value	1.665.272.363	9.775.599	3.725.450	1.389.599.459	3.068.372.871
Inflow	-	-	-	1.637.034.903	1.637.034.903
Reclassifications	7.179.646	-	-	-	7.179.646
Transfers	1.971.010.381	-	2.316.198	(1.973.326.579)	-
Outflow	(2.245)	-	-	-	(2.245)
Depreciation	(228.783.590)	-	(2.612.428)	-	(231.396.018)
Concession Agreement receivables	(585.582.081)	-	-	-	(585.582.081)
Concession Agreement receivable depreciation	45.863.492	-	-	-	45.863.492
Exchange rate conversion differences	-	(693.473)	(2.408)	-	(695.881)
Final net book value	2.874.957.966	9.082.126	3.426.812	1.053.307.783	3.940.774.687

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Cost	8.171.222.202	-	58.534.013	1.062.450.560	9.292.206.774
Accumulated depreciation	(4.337.236.324)	-	(55.108.164)	-	(4.392.344.488)
Adjustments for impairment	-	-	-	(9.142.777)	(9.142.777)
Consolidation goodwill	-	9.413.102	-	-	9.413.102
Concession Agreement receivables	(1.159.196.071)	-	-	-	(1.159.196.071)
Concession Agreement receivable depreciation	200.168.159	-	-	-	200.168.159
Exchange rate conversion differences	-	(330.976)	963	-	(330.013)
Net book value	2.874.957.966	9.082.126	3.426.812	1.053.307.783	3.940.774.687

9. INTANGIBLE ASSETS (CONTINUED)

The minimum NTS gas quantity required to ensure the pressures and flow rates for the end consumers under the contractual conditions (NTS linepack) is recognized in the value of the right to use, as an intangible asset. On 31 December 2020 the NTS linepack is of 689.357 MWh and amounts to lei 56.389.212. On 31 December 2019 the NTS linepack was 398.504 MWh and amounted to lei 28.997.944.

In 2020, the company capitalized depreciation expenses of 2.646.453 and interest expense amounting to lei 16.332.693 (in 2019 the company capitalized depreciation expenses of lei 3,695,598, and interest expenses amounting to lei 4,382.216).

On 31 December 2020 the advances granted for the procurement of national gas transmission system development works in the amount of lei 99.594.303 are presented in the intangible assets in progress (lei 42.259.826 on 31 December 2019).

On 31 December 2020, the advance payments in the amount of 26.794.807 recognized as trade receivables and other receivables in December 2019, are presented at the current intangible assets.

The remaining life of the intangible assets is presented in Note 3.5 and Note 3.8.

Following the acquisition of Vestmoldtransgaz SRL (VTMG) by Eurotransgaz SRL (ETG), goodwill was recorded in the consolidated financial statements as intangible assets calculated as the difference between the value of the investment and the value of equity of VTMG weighted by the percentage of participation held, respectively of 100%. The calculation of goodwill was made on the date of acquisition, respectively in March 2018, in the consolidated financial statements being presented at the closing rate.

The rights of use of the leased assets (IFRS 16)

As of 1 January 2019 the company applies IFRS 16 for the leasing contracts complying with the recognition criteria and recognized the intangible asset as a right of use related to the leasing contract:

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9. INTANGIBLE ASSETS (CONTINUED)

	<u>Leases according to IFRS16</u>
Cost on 1 January 2020	12.254.498
Accumulated depreciation	(2.895.319)
<u>Initial net book value</u>	<u>9.359.179</u>
Inflow	14.596.522
Outflow	(453.974)
Depreciation	(4.309.658)
Final net book value on 31 December 2020	<u>19.192.069</u>

Detailed information on IFRS 16 as at 31 December 2020:

	31 December 2020	Of which related to the class of low value assets-Forestry conventions
Value as use (DU)	26.397.047	11.824.197
Depreciation related to DU	7.204.978	1.746.588
DU interest	1.213.101	861.679
Debt regarding DU	19.834.45	10.440.891
From which		
Short term	3.352.014	735.198
Long term	16.482.440	9.705.693

Debt according to IFRS 16 is presented in the balance sheet at long-term and short-term trade payables.

In 2020, the company chose to recognize a class of support assets with a cumulative value of more than \$ 5,000 - forestry conventions.

The impact of the recognition of this intangible asset on 2019:

	31 December 2019
The value of the right of use	11.824.197
The value related to depreciation in 2019	870.275
The value related to the interest for 2019	442.701

Expenses related to forestry conventions qualifies for capitalization and has no tax impact.

In 2020, depreciation expenses amounting to lei 657,500 and interest amounting to 310,805 lei were capitalized.

The value of the expenses related to low value contracts of to the ones lasting less than one year for which no right of use was recognized according to IFRS 16: lei 453.510 of which less than one-year lei 42.682, more than one year and low value lei 370.832 and other rents lei 39.996.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. FINANCIAL ASSETS

Financial assets consist of unlisted stakes in the following companies:

<u>company</u>	<u>Activity</u>	<u>%</u>	<u>%</u>	<u>31 December</u>	<u>31 December</u>
		<u>owned</u>	<u>owned</u>	<u>2020</u>	<u>2019</u>
Resial SA	Production	68,16	68,16	18.116.501	18.116.501
Mebis SA	Gas production distribution and supply	17,47	17,47	6.461.736	6.461.736
Phaedra's SHA	Gas transmission	-	33,33	-	308.909
Minus adjustments for impairment of investments in: Resial SA, Mebis SA and Phaedra's SHA				<u>(24.578.237)</u>	<u>(24.887.146)</u>
				<u>-</u>	<u>-</u>

Shares in Resial SA

Shares owned in Resial SA were obtained in December 2003, as a result of a procedure for the recovery of claims due from a client. Resial SA went into liquidation in 2006; the procedure is carried out by a bailiff appointed by the court and is outside the control of the company, which is why the stake is not consolidated and is recorded at cost less the adjustment for impairment amounting to 100% of the cost. The loan granted to Resial SA is also fully adjusted. The management does not expect the company to recover any amount of this stake and the company does not guarantee any type of residual obligations for Resial SA.

Shares in Mebis SA

Shares owned in Mebis SA were obtained in February 2004, as a result of a procedure for the recovery of claims due from a client. Mebis SA is in the liquidation procedure, which is why the stake in Mebis SA was fully adjusted. The company has no obligations to Mebis SA.

Participation in Phaedra's SHA

The consortium consisting in Reganosa, Transgaz and EBRD submitted a tender for the participation in the second round of the privatization of a 66% stake of the company DESFA, the Greek operator of the gas transmission network. The consortium did not win the tender for the procurement of DESFA. The company sold its share in Phaedra's SHA and it decreased the depreciation adjustments made in the previous years by 100% of the stake value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10. FINANCIAL ASSETS (CONTINUED)

In case of the financial assets held by Transgaz, i.e. Mebis SA and Resial SA, the application of IFRS 9 has no impact whatsoever, as such assets are measured at the fair value by the profit and loss account and 100% impairment adjustments were established.

Goodwill

On 28 March 2018 the Moldovan company Eurotransgaz SRL, owned by SNTGN Transgaz SA Romania, concluded as a buyer the sale purchase contract for the of the unique heritage complex - Vestmoldtransgaz State Enterprise with the Public Property Agency of the Republic of Moldova.

Name	Fair value MDL
Net assets	140.798.149
Fair value of paid consideration	180.200.000
Goodwill MDL	39.401.851
Goodwill – the lei equivalent on 31.12.2020	<u>9.082.127</u>

At the date of purchase, the net assets of Vestmoldtransgaz SRL amounted to 140,798,149 MDL, and the registered share capital and unregistered share capital to 177,408,819 MDL. The fair value of the consideration paid at the date of purchase was 180,200,000 MDL. The difference between the fair value of the consideration paid and the share capital, including the unregistered capital, is found in the goodwill and amounts to 2,791,181 MDL.

The goodwill is found in the financial statement of Eurotransgaz SRL (parent entity) as a result of the consolidation of the financial statements, obtained through the difference between the sale value of the subsidiary - Vestmoldtransgaz SRL and the value of the net assets recorded in the accounting books of the subsidiary at the date of the purchase.

By EGMS Resolution 10/12.12.2017 it was approved the establishment of Eurotransgaz SRL on the territory of the Republic of Moldova for participation in the privatization of State Enterprise Vestmoldtrasgaz.

The investment made for the purpose of the purchase was compensated with the share capital of the purchased entity Vestmoldtransgaz SRL. In 2019 Eurotransgaz SRL made contributions related to the increase of the share capital of Vestmoldtransgaz in the amount of 491,665,568 MDL, the total investment of Eurotransgaz SRL on 31 December 2019 amounting to 675,587,478 MDL, and in 2020 the share capital contribution is of 477.816.169 MDL.

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11. INVENTORIES

	<u>31 December 2020</u>	<u>31 December 2019</u>
Gas inventories	68.130.252	43.828.469
Gas for NTS gas consumption	21.728.153	39.924.352
Spare parts and materials	72.009.330	117.176.515
Materials in custody at third parties	60.851.179	323.094.475
Adjustments for write-down of inventories	<u>(28.577.038)</u>	<u>(29.409.319)</u>
	<u>194.141.876</u>	<u>494.614.492</u>

ANRE Order 160/2015 sets the obligations of Transgaz, as the transmission system operator, regarding the balancing of the national transmission system.

Within the materials in custody to third parties inventories are included in the amount of lei 25.490.142 procured by the company for the achievement of the BRUA Phase I project and 25.416.561 lei for the project *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova*.

Movements in the adjustments account are analysed below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Adjustment on 1 January	29.409.319	28.762.730
(Revenue)/expense with adjustment for write-down of inventories (Note 23)	<u>(832.281)</u>	<u>646.589</u>
Adjustment at the end of the period	<u>28.577.038</u>	<u>29.409.319</u>

In 2020 adjustments for write-down of inventories were established according to Note 3.10.

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES

	<u>31 December 2020</u>	<u>31 December 2019</u>
Trade receivables	718.257.047	698.644.947
Advance payments to suppliers for goods and services	279.444	102.931.731
Loan to Resial SA (Note 27)	1.770.346	1.770.346
Receivable related to the unamortized regulated value at the end of the concession agreement	1.364.268.828	723.921.414
Non-refundable loans as subsidies	234.652.532	3.127.035
Other receivables	229.378.063	157.936.652
Adjustment of impairment of trade receivables	<u>(453.599.959)</u>	<u>(407.023.748)</u>
Adjustment of impairment of other receivables	<u>(53.340.988)</u>	<u>(32.886.504)</u>
	<u>2.041.665.313</u>	<u>1.248.421.873</u>

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The company challenged administratively the tax decision on additional tax payment obligations in the amount of lei 25,409,833 issued in 2016 by ANAF consisting of revenue tax, VAT, penalties and late payments, and set up an adjustment. The company paid the amounts mentioned in the tax decision in order to be able to carry out the activities in the directions set by the management and to facilitate the financing of future projects.

In 2020, the Company administratively challenged the tax decision regarding additional fiscal payment obligations amounting to lei 7,462,671 issued by ANAF in 2020 consisting of profit tax and VAT and constituted an adjustment.

As per 31 December 2020, the Company registers VAT to be reimbursed in the amount of lei 109,814,918, which is presented in Other receivables (31 December 2019: lei 61,612,362).

The advance payments granted to the company in the context of the contractual relationships are guaranteed by the suppliers by letters of bank guarantee.

On 31 December 2020, the amount of lei 195.182.480 (31 December 2019: lei 25.442.815) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 1% in USD (31 December 2019: 5%) and 99% in EUR (31 December 2019: 95%).

With a view to consolidation in 2020, internal transactions were eliminated, meaning trade payables amounting to lei 1.341.155 and trade receivables amounting to lei 1.356.528 (2019: lei 102.853)

VAT receivables are debts to the budget consisting in deductible VAT through service provision and raw material supply within the gas distribution network construction process managed by Vestmoldtransgaz S.R.L. The advance payments granted in the country are advance payments to the developer partners and third parties to execute the Ungheni – Chişinău pipeline construction works. In 2019 and in 2020 no provision was established for receivables from insolvent companies or companies that encountered significant financial difficulties.

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to lei 27.749.154 according to IFRS 9.

Eliminated Intragroup transactions are in amount of lei 1.356.528.

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12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Commercial receivables analysis according to IFRS9 is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Current and unamortized		
Transit receivables	8.498.496	21.230.996
Doubtful or insolvency receivables	164.471.856	183.501.584
Affiliated party receivables	297.317.672	224.348.642
Other trade receivables	198.371.653	269.563.725
	668.659.677	698.644.947
Amortization		
Transit receivables	-	-
Doubtful or insolvency receivables	164.468.159	182.858.709
Affiliated party receivables	196.531.429	172.569.149
Other trade receivables	92.600.371	51.595.890
Total amortization	453.599.959	407.023.748
 Total trade receivables net of provision	 215.059.718	 291.621.199

IFRS 9 introduces a new model for forecasting impairment loss based on the estimated loss. This model entails the anticipated recognition of the loss from receivables impairment. The standard provides for the fact that the entities register the anticipated loss by receivables impairment from the moment of the financial instrument initial recognition and recognize the anticipated loss from the impairment over their entire life. The value of the anticipated loss will be discounted for each reporting period so that it reflects the credit risk changes as opposed to the initial recognition.

The value of the fully adjusted receivables as of December 31, 2020 is lei 196,167,798.

For the application of IFRS 9 on the held receivables, based on a loss estimation model, the clients categories were reconsidered starting from the IFRS 9 principle for the anticipation of a non-cashing in risk related to the current receivables.

To estimate the trade receivables non-collection risk, a non-collection rate based on risk categories was applied as follows:

- international transmission receivables - receivables with no risk of on-time collection ;
- doubtful or contested other than affiliated parties receivables - receivables with high risk of non-collection that are subject to certain court actions. Impairment adjustments of 100% of the receivables amount are calculated;

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12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

- affiliated parties receivables - risk-free receivables are provisioned by seniority instalments, i.e. within the range 31-60 a 10% percentage, 61-90 a 20% percentage, 91-120 a 30% percentage, 121-150 a 35%, 151-180 a 60%, and over 181 with a 100% percentage. Doubtful receivables subject to court actions are provisioned with up to 100% of the amount. A provision of 100% for receivables exceeding 30 days and of 5% for current receivables is made up for the receivables that are not subject to court actions and have a non-collection risk.
- Various clients (other trade receivables and various clients receivables) - the risk-free receivables are provisioned by seniority instalments, 10% for the range 31-60, 20% for the 61-90, 30% for the range 91-120, 35% for the range 121-150, 60% for the range 151-180, and 100% for the receivables over 181. Doubtful receivables subject to court actions are provided with up to 100% of the amount. For receivables that are not subject to court actions and have a risk of non-collection, a provision of 100% for the receivables exceeding 30 days and 5% for the current receivables is made up.

In the context of the pandemic, the company considers that maintaining the adjustment rates of trade receivables used in the previous year covers the risks of non-collection, the Company providing a public service of national interest, included in the regulated segment of the internal gas market. The natural gas transmission activity is regulated by the National Energy Regulatory Authority. The company constantly analyzes the customers' situation and records adjustments whenever there are indications of an increase in the non-collection risk.

The payment of the equivalent value of the invoices for the natural gas transmission services, issued according to the provisions of the Network Code, is made within 15 calendar days from the date of issuing the invoice. If the due date is a non-working day, the deadline is considered fulfilled on the next working day.

Movements in the provision account are analysed below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Adjustment on 1 January	439.910.253	359.649.878
(Revenue)/expense with the adjustment for doubtful clients (Note 23)	<u>67.030.695</u>	<u>80.260.375</u>
Adjustment at the end of the period	<u>506.940.947</u>	<u>439.910.253</u>

In 2020, adjustments were made for receivables from insolvent companies or companies that encountered significant financial difficulties.

In 2020, the company recorded adjusting expenses for the clients recording an increased non-collection risk, mainly for receivables registered with AIK group (30.656.450), Hunedoara Energy Complex and Donau Chem for which the non-collection risk increased in 2020.

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13. CASH AND CASH EQUIVALENT

	<u>31 December 2020</u>	<u>31 December 2019</u>
Cash at bank in RON	248.540.934	104.237.988
Cash at bank in foreign currency	29.833.747	248.561.584
Other cash equivalents	<u>11.077.359</u>	<u>185.547</u>
	<u>289.452.040</u>	<u>352.985.119</u>

Cash at bank in foreign currency is mostly denominated in EUR.

On 31 December 2020 the company has established security and trust for third parties as two letters of bank guarantee in the total amount of 11,000,000 lei issued by Banca Comerciala Romana, valid until the date of 31.03.2021.

Letters are guaranteed by collateral deposit of the same value, amounts related the related amounts being unavailable until the expiration of a period.

The weighted average of the effective interest related to short-term bank deposits was of 2,38% on 31 December 2020 (0,98% on 31 December 2019) and these deposits have a maximum maturity of 30 days, except for the ones mentioned in the previous paragraph.

14. SHARE CAPITAL AND SHARE PREMIUM

IFRS	Number of ordinary shares	Share capital	Share premium	Total
On 31 December 2019	11.773.844	117.738.440	247.478.865	365.217.305
On 31 December 2020	11.773.844	117.738.440	247.478.865	365.217.305
Capital adjustment to the hyperinflation accumulated on 31 December 2003	<u>-</u>	<u>441.418.396</u>	<u>-</u>	<u>441.418.396</u>
On 31 December 2019, 31 December 2020	<u>11.773.844</u>	<u>559.156.836</u>	<u>247.478.865</u>	<u>806.635.701</u>

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14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

The authorized number of ordinary shares is 11,773,844 (31 December 2019: 11,773,844) with a nominal value of RON 10 each. Each share represents one vote. The ownership structure on 31 December 2020 is the following:

	<u>Number of ordinary shares</u>	<u>Statutory value (lei)</u>	<u>Percentage (%)</u>
The Romanian state, represented by the General Secretariat of the Government	6.888.840	68.888.400	58,5097
Other shareholders	<u>4.885.004</u>	<u>48.850.040</u>	<u>41,4903</u>
	<u>11.773.844</u>	<u>117.738.440</u>	<u>100,0000</u>

The ownership structure on 31 December 2019 is the following:

	<u>Number of ordinary shares</u>	<u>Statutory value (lei)</u>	<u>Percentage (%)</u>
The Romanian state, represented by the General Secretariat of the Government	6.888.840	68.888.400	58,5097
Other shareholders	<u>4.885.004</u>	<u>48.850.040</u>	<u>41,4903</u>
	<u>11.773.844</u>	<u>117.738.440</u>	<u>100,0000</u>

In the statutory accounting, before 1 January 2012, the company included in the share capital certain reserves from revaluation for revaluations made before 31 December 2001. In order to prepare these financial statements according to EU IFRS, such increases were not recognized, because adjustments to hyperinflation for fixed assets were annually recognized in the statement of comprehensive income by 31 December 2003. Therefore, in these financial statements, the company recorded only the share capital from cash or in-kind contribution, adjusted to inflation from the date of the initial contribution on 31 December 2003 and the increase in the share capital that took place after 1 January 2004 was recognized in nominal terms.

Other reserves

Before IFRIC 12, a proper reserve related to assets belonging to the public domain (Notes 3.8 and 5.2) was included in equity as `Reserve of the public domain` at the value of the respective assets restated depending on inflation until 1 January 2004. It was renamed `Other reserves` at the adoption of IFRIC 12 (Note 3.5), to reflect the change in the statute of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. OTHER RESERVES, LEGAL RESERVE AND RETAINED EARNINGS

Legal reserve

In accordance with the Romanian law and the company's Articles of Incorporation, the Transgaz must transfer five percent of the profit from the statutory financial statements in a statutory reserve of up to 20% of the statutory share capital. The balance of the statutory reserve, which is not available for allocation on 31 December 2020, amounts to lei 23.547.688 (31 December 2019: lei 23.547.688). The legal reserve is included in the `Retained earnings` in these financial statements.

Dividend allocation

In 2020, the parent company declared and allocated a dividend of lei 14,35 /share, related to the profit of the previous year (2019: lei 21,66/share). The total dividends declared from the profit of 2019 are lei 182.141.366,68 (dividends declared from the profit of 2018: lei 255.021.461,04).

16. LONG-TERM BORROWINGS

The value of the long term loans recorded by the company on 31 December 2020:

	<u>31 December 2020</u>	<u>31 December 2019</u>
BEI 83644RO	<u>240.548.360</u>	<u>238.965.000</u>
BEI 88825RO	<u>243.470.000</u>	<u>238.965.000</u>
BEI ETG 90703	107.119.222	
BCR 20190409029	<u>186.000.000</u>	<u>186.000.000</u>
BCR 20201028056	<u>360.000.000</u>	=
BERD	<u>277.938.000</u>	=
BT	<u>299.720.329</u>	=
Total	<u><u>1.714.795.911</u></u>	<u><u>663.930.000</u></u>

The European Investment Bank (EIB)

The company signed with the European Investment Bank the following loans for the financing of the project `Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

- Loan Agreement no. 83644RO concluded on 27.10.2017 for the amount of EUR 50 million, fixed interest rate, maturity of 15 years, grace period of 3 years at principal repayment.
- Loan Agreement no.88825RO concluded on 14.12.2017 for the amount of EUR 50 million, with disbursements in lei or EUR (at the choice of the company), with fixed or variable interest (at the choice of the company), maturity of 15 years, the grace period of 3 years of repayment of the principal.

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16. LONG-TERM BORROWINGS (CONTINUED)

The company signed with the EIB Loan Agreement no.89417RO on 17.12.2018 for the financing of the project `Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas` (Black Sea - Podișor) for the amount of EUR 50 million, maturity of 15 years, grace period of 3 years at principal repayment. The open-ended contract allows the use of the loan in lei or in EUR (at the option of the company) with fixed or variable interest (at the option of the company)

On 24 January 2019, the company signed a loan agreement with the European Investment Bank for the amount of EUR 100 million, maturity 15 years, grace period of 3 years at the repayment of the principal, in order to finance the project `Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas`.

On 24 January 2019, the Company signed a loan agreement with the European Investment Bank for the amount of EUR 38 million, maturity 15 years, grace period of 3 years upon repayment of the principal amount, in order to finance the project "Construction of the pipeline for the interconnection between the gas transmission systems of the Republic of Moldova and the natural gas transmission system of the the European Union, through Romania, in the direction Ungheni - Chisinau".

The financial commitments undertaken by the loan agreements requires the company to comply with the negotiated limits of the following financial indicators: the ratio of the total net debts to the Borrower's RAB, the net leverage ratio and the Interest coverage rate.

In 2017 the company received the first tranche of Loan Agreement number 83644RO of EUR 15 million issued by EIB on 30 November 2017, in 28 February 2018 the second tranche of the loan amounting to EUR 15 million and on 30 April 2018, the third tranche of the loan amounting to EUR 20 million was received.

The maturity of the loan 83644RO from the EIB is presented below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Within 1 year	15.582.080	2.867.580
Between 1 and 5 years	77.910.400	73.601.220
Over 5 years	<u>147.055.880</u>	<u>162.496.200</u>
	<u>240.548.360</u>	<u>238.965.000</u>

In 2019 the company received under Loan Agreement no. 88825RO two tranches totalling EUR 50 million.

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16. LONG-TERM BORROWINGS (CONTINUED)

The maturity of the loan 88825RO from the EIB is presented below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Within 1 year	-	-
Between 1 and 5 years	77.665.783	55.333.340
Over 5 years	<u>165.804.217</u>	<u>183.631.660</u>
	<u>243.470.000</u>	<u>238.965.000</u>

The book value of the short term loans approximates their fair values.

On 24 April 2020, the Company received the first tranche of EUR 22 million under the EIB loan no. 90703 RO.

The maturity of the 90703EN EIB loan is illustrated below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Within 1 year	370.940	-
Between 1 and 5 years	22.183.602	-
Over 5 years	<u>84.564.680</u>	-
	<u>107.119.222</u>	-

The European Bank for Reconstruction and Development (EBRD)

On 23 February 2018 Transgaz signed with EBRD a contract amounting to lei 278 million, the equivalent of EUR 60 million, for the financing of the BRUA Project.

The loan was fully disbursed by two equal disbursements: on 29 April 2020 and on 29 May 2020.

The EBRD loan maturity is presented below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Within 1 year	22.235.040	-
Between 1 and 5 years	88.940.160	-
Over 5 years	<u>166.762.800</u>	-
	<u>277.938.000</u>	-

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16. LONG-TERM BORROWINGS (CONTINUED)

The Romanian Commercial Bank (BCR)

The company signed on 24.04.2019 the contract no. 20190409029 with the Romanian Commercial Bank for committing the financing in the amount of 186 million lei, the equivalent of 40 million EUR, with drawing and repayment in lei, maturity 15 years, grace period for principal repayment of 3 years, variable interest for the financing of the project Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

The BCR loan no. 20190409029 is fully disbursed and its maturity is presented below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Within 1 year	14.880.000	-
Between 1 and 5 years	59.520.000	29.760.000
Over 5 years	<u>111.600.000</u>	<u>156.240.000</u>
	<u>186.000.000</u>	186.000.000

On 29.10.2020, the Company signed contract no.20201028056 with Banca Comercială Română contemplating the Company's benefiting from a lei 360 million loan for a period of 13 years, destined to refinance two major projects carried out by Transgaz: "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)" and "The interconnection of the National Transmission System with the international gas transmission pipeline T1 and reverse flow at Isaccea Phase II (Onești - Siliștea)".

BCR loan no. 20201028056 is fully collected and its maturity is presented below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Within 1 year	14.400.000	-
Between 1 and 5 years	115.200.000	-
Over 5 years	<u>230.400.000</u>	-
Total	<u>360.000.000</u>	=

Transilvania Bank (BT)

On 15 July 2020, as a result of a competitive negotiation procedure, the company signed a contract with Transilvania Bank allowing the company to benefit from a credit facility amounting to lei 300 million, for 2 years, to cover the necessary working capital. As of 31 December 2020, the amount of lei 299,720,329 is used. The repayment of the credit line of lei 300.000.000 is due during 2022.

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16. LONG-TERM BORROWINGS (CONTINUED)

As of 31 December 2020, the balance of interest due for the loans of the company is lei 3,538,011 broken down by loans as follows:

	31 December 2020	31 December 2019
BEI 83644RO	625.124	616.616
BEI 88825RO	13.748	44.501
BCR 20190409029	419.738	599.521
BCR 20201028056	1.575.794	-
BERD	903.607	-
Total	3.538.011	1.260.638

The exposure of the company's loans to the changes of the interest rate is as follows:

	31 December 2020	31 December 2019
Variable interest rate	1.474.508.986	424.965.000

17. DEFERRED REVENUE

Deferred revenue consists of connection fees charged to clients for their connection to the national gas transmission system, assets taken over for free for connection to the network, grants and the right to recover the unamortized regulated value of the assets related to the investments made as a licensee. The company uses the connection fee to achieve the connection of the client's facilities to the national transmission system. Deferred revenue (presented as 'revenue from the connection fees') is registered as revenue for the period when the related assets are depreciated and estimating the duration of the relationship with the client (Note 22).

Based on the connection contracts, the necessary infrastructure is built to ensure the estimated transmission capacity to be used over the duration of the concession agreement.

	31 December 2020	31 December 2019
Initial balance	669.915.709	541.987.503
Increases	486.886.462	151.274.740
Revenue from connection fees (Note 22)	(12.848.165)	(12.795.370)
Income from non-reimbursable funds and goods taken over free of charge (Note 22)	<u>(31.290.538)</u>	<u>(10.551.164)</u>
Final balance	<u>1.112.663.468</u>	<u>669.915.709</u>

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17. DEFERRED REVENUE (CONTINUED)

On 31 December 2020 the amount of lei 69.030.913 representing the current share of the deferred revenue is presented in the commercial debts and other debts (on 31 December 2019: lei 22.268.687)

The balance of the deferred revenue consists of:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Connections and assets received free of charge	237.013.637	249.756.541
Grants	<u>875.652.503</u>	<u>420.159.168</u>
	<u>1.112.666.140</u>	<u>669.915.709</u>

For the BRUA project the company obtained from the European Union through the National Agency for Innovation and Networks (INEA) a grant of 1.519.342 Euros, representing 50% of the estimated eligible costs for financing the FEED for the three compressor stations (Podișor, Bibești and Jupa) and a grant of 179.320.400 Euro, representing 40% of the estimated eligible costs, for financing the BRUA Phase I project implementation.

The following amounts were received as pre-financing to finance the implementation of the BRUA Phase I project: EUR 25.834.489,60 (in 2016) and EUR 13.839.087,37 (in 2018) and EUR 29.192.463,92 in 2019.

The company carries out the necessary activities to extend the duration of the financing contract, following the extension of the deadlines for the completion of the BRUA phase I project.

On 22.11.2018 the company signed with the Ministry of European Funds AM POIM Financing Contract 226 for non-reimbursable financing for the implementation of the draft project code MYSMIS 2014-122972 NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova within the Specific objective 8.2 – Increasing the interconnectivity of the National Transmission System with neighbouring states. The amount of the grant is lei 214.496.026,71, namely 32,53% of the value of the eligible expenses. For the financing of the works for the implementation of the project NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova, the amount of lei 77.067.478,60 eligible expenses was collected as reimbursement.

On 18.06.2020 the company signed Grant Agreement no. HCOP/685/3/8/132556 on the implementation of the project „TransGasFormation” Code 132556 for the amount of Euro 624.326 with the Ministry of European Funds, as Management Authority for the Human Capital Operational Programme.

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17. DEFERRED REVENUE (CONTINUED)

The company recognizes a right to collect the grant when there is reasonable assurance that it will comply with the conditions attached to its award and that the grant will be received. Prior to 2020, for prudential reasons, the company recognized the grant on the basis of approved reimbursement claims. Starting with 2020, the Company considers that the reasonable assurance that the grant will be received can be confirmed by the fulfillment of the eligibility conditions in the funding applications, prior to the approval of the funding application.

Therefore, on 31 December 2020, the company registered the right to receive non-reimbursable financing in the amount of lei 195,892,346 for eligible investment expenses made until the end of 2020 that meet the conditions of the financing contracts and for which no reimbursement requests were approved in 2020.

According to the grant agreement concluded with INEA, the expenses incurred with the project implementation until 31 August 2021 are eligible.

The income from the grant is recognized proportionally from the amortization of the financed assets, applying the percentage of financing of the eligible expenses on the monthly amortization.

18. PROFIT TAX

Profit tax expense

	The year ended 31 December 2020	The year ended 31 December 2019
Expense with the profit tax - current	47.384.029	86.675.856
Deferred tax - impact of temporary differences	(13.056.171)	<u>(15.927.344)</u>
Profit tax expense	<u>34.327.858</u>	<u>70.748.512</u>

In 2020 and in 2019 the parent company calculated the profit tax at the rate of 16% applied to the profit determined in accordance with the Romanian laws.

	The year ended 31 December 2020	The year ended 31 December 2019
Profit before tax	209.178.079	412.142.793
Profit / loss (ETG – VTMG)	(9.625.905)	(6.958.788)
Theoretical expense with the tax the statutory rate of 16% (2019: 16%)	33.619.035	67.056.253
Non-taxable expenses, net	<u>708.823</u>	<u>3.692.59</u>
Profit tax expense	<u>34.327.858</u>	<u>70.748.512</u>
Profit tax related liability, current	—	—

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Depreciation of tangible assets hyperinflation adjustments is a deductible expense with the adoption of EU IFRS as framework of statutory reporting.

At Eurotransgaz, the current revenue tax expenses are calculated on the basis of taxable revenue from the statutory financial statements. For tax purposes, the deductibility of certain expenses, such as protocol expenses, is limited to a certain percentage of the profit specified in the tax legislation. On 31 December 2020, the standard revenue tax rate was set at 12% (2019: 12%).

Deferred tax

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 31 December 2020 (31 December 2019: 16%). Deferred tax payment and recoverable tax, as well as expenses with/(revenue from) deferred tax recognized in the statement of comprehensive income are attributable to the following items:

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18. PROFIT TAX (CONTINUED)

	<u>31 December 2020</u>	<u>Movement</u>	<u>31 December 2019</u>	<u>Movement</u>	<u>1 January 2019</u>
Deferred tax payment					
Tangible and intangible assets	95.502.442	1.693.076	93.809.366	19.273.965	74.535.401
Recoverable deferred tax					
Provision for employee benefits	(21.578.081)	(2.095.407)	(19.482.674)	(1.880.765)	(17.601.909)
Risks and charges	(6.084.129)	(1.758.005)	(4.326.124)	(1.389.893)	(2.936.231)
Receivables and other assets	<u>(72.825.338)</u>	<u>(10.895.835)</u>	<u>(61.929.503)</u>	<u>(12.530.444)</u>	<u>(49.399.059)</u>
	<u>(4.985.106)</u>	<u>(13.056.171)</u>	<u>8.071.065</u>	<u>3.472.863</u>	<u>4.598.202</u>

Deferred revenue tax liability related to tangible and intangible assets is determined by the fact that: a) the fiscal value of intangible assets does not include inflation update; and b) the nature of public domain property does not represent depreciable assets from a tax perspective, regardless of how they are reflected in the accounts. In 2019, the company recorded a loss out of the adjustment of the deferred tax related to the previous years amounting to lei 19.391.459. The data related to the previous periods were not restated as the error was not considerable.

In the consolidated statements of ETG with VTMG, a deferred tax liability was recognized in the amount of lei 337,312 calculated for the period 2016-2018 with reference to obligations to staff for unpaid leave representing tax recoverable in the amount of lei 10,474, respectively the balance of payment for tangible fixed assets is lei 347,786lei

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

18. PROFIT TAX (CONTINUED)

The amounts presented in the statement of the financial position include the following:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Deferred tax liabilities/receivables in more than 12 months as reported	<u>(4.985.106)</u>	<u>8.071.065</u>

19. TRADE PAYABLES AND OTHER PAYABLES

Short term payables

	<u>31 December 2020</u>	<u>31 December 2019</u>
Trade payables	103.709.812	154.103.081
Suppliers of fixed assets	157.660.975	68.607.676
Dividends payable	2.710.686	4.436.759
Debts related to royalties	11.081.799	47.331.297
Other taxes	42.924.687	25.811.320
Amounts payable to employees	15.176.051	16.325.024
VAT not applicable	8.582.016	13.654.334
Deferred revenue	69.030.913	22.186.787
Transmission service guarantees	13.907.055	24.299.678
Transmission services advance payments	30.029.743	37.720.694
Other debts	<u>48.349.190</u>	<u>40.002.401</u>
	<u>503.162.927</u>	<u>454.479.051</u>

Long term payables

	<u>31 December 2020</u>	<u>31 December 2019</u>
Transmission service guarantees	-	46.167.789
Other debts	<u>16.482.440</u>	<u>7.111.049</u>
	<u>16.482.440</u>	<u>53.278.838</u>

On 31 December 2020, of the total trade payables and other debts the amount of lei 1.810.054 (31 December 2019: lei 57.444.558) is expressed in foreign currency, especially in EUR.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

20. PROVISIONS FOR RISKS AND CHARGES

	<u>31 December 2020</u>	<u>31 December 2019</u>
<i>Current provision</i>		
Provision for litigation	39.068.876	47.211.887
Provision term contract	2.612.537	2.575.281
Provision for employee participation in profits	16.711.493	15.833.774
Provision for voluntary leaving employment	<u>12.011.100</u>	=
Provision for untaken holidays	<u>5.500.742</u>	<u>6.618.768</u>
	<u>75.904.748</u>	<u>72.239.710</u>

Employees' participation in the profit is calculated within the limit of 10% of the net profit, but not more than a monthly average salary achieved in the relevant financial year.

In 2017, one of the Company's administrators during the mandate 2013-2017 filed a lawsuit in order to recover sums of money representing an unpaid difference. He considered such amounts to be due to him as a result of the mandate contract he executed during 2014-2016. For this case, the Company set up a provision for litigation amounting to lei 876.882.

The company was the subject of an investigation of the Competition Council regarding the way in which procedures for the awarding of the contracts for the procurement of works carried out by Transgaz in 2009 -2011, before the implementation of the private management, according to the provisions of GEO 109/2011 on corporate governance of public enterprises, and established in 2019 a provision for litigation amounting to lei 41.758.087.

In 2020, the Competition Council communicated Decision no. 43/11.08.2020 sanctioning the Company with a fine in the amount of lei 34,166,616. The company diminished the previously established provision at the level of the communicated fine and challenged in court the Decision of the Competition Council.

For the strategic redefinition and efficiency of the activity, the Company drafted the Program of voluntary departures for the period 2019-2021 in the amount of 26,948 thousand lei, the annual value being adjusted by the budget of revenues and expenses approved by the GMS.

The company provided through the budget of revenues and expenses for 2021, a fund for granting compensation for voluntary departures and in 2020 constituted a provision for voluntary departures amounting to lei 12,011,100. This fund was calculated for a number of 150 employees.

The company did not register a provision for voluntary departures before 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

According to the collective labour contract, the company must pay to employees upon retirement a compensatory amount equal to a certain number of salaries, calculated as the average of the monthly salary average achieved over the last 12 months, depending on the period worked in the gas industry, working conditions etc. The present value of the provision was determined based on the Projected Unit Credit Method. Retirement benefits received by an employee were first raised by the contributions of the employer and then every benefit was updated taking into account the rotation of employees, layoffs and the probability of survival until retirement. The number of years until retirement was calculated as the difference between retirement age and age at time of reporting. The expected average of the remaining work period was calculated based on the number of years until retirement, also taking into account the rate of layoffs, employee rotation rate and the probability of survival.

Assumptions 2020

The amount of the provision has been calculated individually for each distinct employee/beneficiary of the company using the actuarial calculation method and taking into account International Accounting Standards, in particular the IAS 19. The provision is calculated taking into account the long-term liabilities undertaken by the company under the collective labour contract. The calculation assumptions and specifications for the calculation model were established based on the company's previous experience and a set of assumptions about the company's future experience. The most important actuarial assumptions used are as follows:

- for the benefit consisting of basic salaries paid at retirement, this benefit is paid for company employees who reach retirement;
- the dismissal rate is zero because there is no program for collective or individual dismissals;
- the mortality of the entity's employees is calculated according to the data provided by the National Institute of Statistics for the years 2010 – 2019;
- the employee turnover rate is calculated according to the departures from the company and a probability has been allocated for each age group and gender;
- the method used is the projected credit factor method, the values being allocated for each employee and updated at 31.12.2020;
- the plan is not financed by the entity and employees.
- It has been estimated that people approaching retirement age are likely to retire early
- For the death benefit, for retired former employees, in the case of death in the first year after retirement, mortality at the age of 66 men and 64 years women was used by simplification, analyzing the data for the periods 2018-2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Financial assumptions

The discount rate is the interest rate curve in lei without adjustments provided by EIOPA for December 2020.

The long-term salary growth rate was considered equal to the forecast inflation rate for the euro area, being 1.7% and in the short term was considered equal to the forecast inflation rate for RON being 2.5% within 5 years for both feminine as well as masculine genders.

Movement in the provision for employee benefits

1 January 2019	<u>110.011.929</u>
of which:	
Short-term	2.939.793
Long-term	107.072.136
Interest cost	4.217.605
Current service cost	6.119.488
Payments from provisions during the year	(3.273.756)
Actuarial gain/loss related to the period	4.636.774
31 December 2019	<u>121.712.040</u>
of which:	
Short-term	1.853.432
Long-term	119.858.608
Interest cost	5.352.541
Current service cost	6.321.939
Payments from provisions during the year	(4.535.478)
Actuarial gain/loss related to the period	(7.341.948)
31 December 2020	<u>121.509.086</u>
of which:	
Short-term	2.898.092
Long-term	118.610.994

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

22. OTHER REVENUE

	The year ended 31 December 2020	The year ended 31 December 2019
Revenue from penalties applied to clients for delay payments	8.414.707	10.048.295
Revenue from connection fees	12.848.165	12.795.370
Revenue from connection fees, grants and goods taken free of charge	31.290.538	10.551.164
Revenue from the sale of residual materials	2.785.433	961.572
Revenue from leases	5.534.398	1.561.698
Revenue from recovered materials	1.835.333	8.758.767
Revenue from won dispute	9.588.662	
Other revenue from operation	<u>1.030.572</u>	<u>10.953.891</u>
	<u>73.327.808</u>	<u>55.630.757</u>

Within the operating revenues in 2020, the amount of lei 9,821,169 (40,070,047 MDL) was recognized, which represents the non-reimbursable offer guarantee for the construction works of the Ungheni - Chisinau gas pipeline.

In 2020, the intra-group revenues that must be eliminated are in the amount of lei 5,309,799, and in 2019 the intra-group revenues eliminated are in the amount of lei 1,051,630lei.

23. OTHER OPERATING EXPENSES

	The year ended 31 December 2020	The year ended 31 December 2019
Loss/gain on impairment of receivables	67.030.695	87.687.475
Sponsorship expenses	4.432.207	3.991.000
Utilities	8.617.178	8.641.824
Insurance premium	989.349	863.356
Maintenance expenses	2.347.344	1.111.940
Security and protection expenses	23.729.513	23.169.098
Professional training	1.237.810	1.409.607
Telecommunications	4.315.084	2.681.899
Net loss on disposal of fixed assets	-	(102.155)
Bank charges and other fees	2.416.899	2.729.473
Rents	906.253	1.014.592
Loss on amounts receivable	489.645	13.044
Gain/(loss) on inventory write-down	(832.281)	646.589
Survey and research expenses	204.497	328.515
Marketing and protocol expenses	115.911	368.677
Penalties and fines	744.872	1.679.690
Gas storage capacity booking	11.966.614	11.875.976
Intangible asset depreciation cost	-	2.128.527
Other	<u>29.762.352</u>	<u>31.214.234</u>
	<u>158.473.942</u>	<u>181.453.361</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

24. EMPLOYEE COSTS

	The year ended 31 December 2020	The year ended 31 December 2019
Salaries and benefits	402.805.841	380.732.309
Cost of insurance and social security	26.744.433	24.192.135
Other employee costs	<u>5.010.915</u>	<u>10.893.662</u>
	<u>434.561.189</u>	<u>415.818.106</u>

Average number of employees in financial year:

	The year ended 31 December 2020	The year ended 31 December 2019
Blue collars	2.464	2.604
White collars	<u>1.689</u>	<u>1.642</u>
	<u>4.153</u>	<u>4.246</u>
Eurotransgaz S.R.L.	3	2
Vestmoldtransgaz S.R.L.	<u>33</u>	<u>24</u>
	<u>36</u>	<u>26</u>

25. NET FINANCIAL REVENUE/(EXPENSES)

	The year ended 31 December 2020	The year ended 31 December 2019
Foreign exchange gains	11.181.504	27.210.706
Interest revenue	28.044.718	24.682.897
Other financial revenue	29.703.162	49.724.555
Financial revenue	68.929.384	101.618.158
Foreign exchange loss	(24.889.666)	(26.490.617)
Interest loss IFRS16	(453.890)	
The effects of the update of the provision for employee benefits	(5.352.542)	(4.217.605)
Adjustments for impairment of financial assets	-	(70.433)
Interest loss	(2.866.631)	-
Other financial loss	<u>(308.909)</u>	<u>-</u>
Financial loss	(33.871.638)	(30.778.655)

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to lei 26.812.574 according to IFRS 9 .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26. CASH FROM OPERATION

	The year ended 31 December 2020	The year ended 31 December 2019
Profit before tax	199.552.174	412.142.793
<i>Adjustments for:</i>		
Depreciation	248.733.551	195.700.887
Adjustments for impairment of intangible assets	-	2.128.527
Gain/(loss) on transfer of fixed assets	(144.553)	(102.155)
Provisions for risks and charges	3.555.070	53.591.923
Adjustments for impairment of inventories	(832.281)	646.589
Revenue from connection fees, grants and goods taken free of charge	(44.138.703)	(23.346.534)
Provisions for guarantees	(487.404)	(968.881)
Provisions for employee benefits	1.834.717	2.845.732
The effect of updating the provision for employee benefits	5.352.542	4.217.605
Sundry debtors and receivable loss	489.645	13.044
Adjustments for impairment of receivable	67.518.099	81.229.256
Adjustments for impairment of financial assets	(308.909)	70.432
Interest revenue	(28.044.891)	(24.682.897)
Interest expenses	2.866.632	-
Adjustment of the Claim regarding the Concession Agreement	(29.334.109)	(49.677.210)
Effect of exchange rate fluctuation on other items than from operation	16.121.142	6.817.482
Other expenses and revenue	(704.624)	(305.653)
Operating profit before the changes in working capital	<u>442.028.098</u>	<u>660.320.940</u>
(Increase)/decrease in trade and other receivables	41.008.776	(99.896.215)
(Increase)/decrease in inventories	45.309.337	(239.953.721)
Increase/(decrease) in trade payables and other debts	<u>(140.891.854)</u>	<u>92.736.211</u>
Cash generated from operations	387.454.357	413.207.215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES

The Parties are considered related if one of the parties has the ability to control the other party, to exercise a significant influence over the other party in financial or operational decision making, if they are under the common control with another party, if there is a joint venture in which the entity is an associate or a member of the management as described in the IAS 24 `Related Party Disclosures`. In evaluating each possible related party relationship, the focus is on the essence of this relationship and not necessarily on its legal form. Related parties may enter into transactions which unrelated parties cannot conclude, and transactions between related parties will not apply the same terms, conditions and values as for unrelated parties.

The prices / tariffs related to the transport and balancing contracts are approved by the National Energy Regulatory Authority (ANRE), are regulated and are not established under market conditions.

Procurement is carried out in compliance with the legal regulations on public procurement.

In the periods ended 31 December 2020 and 31 December 2019 the following transactions with related parties were performed and the following balances were payable / receivable from related parties at the respective dates.

i) Benefits granted to the members of the Board of Administration and of the management

	The year ended 31 December 2020	The year ended 31 December 2019
Salary paid to the members of the Board of Administration and management	17.952.709	17.727.886
Social contribution of the company	<u>392.147</u>	<u>391.965</u>
	<u>18.344.856</u>	<u>18.119.851</u>

In the periods ended 31 December 2020 and 31 December 2019, no advance payments and loans were granted to the company's administrators and management, except for advance payments from salaries and those for business trips, and they don't owe any amount from such advance payments to the company at the end of the period .

The company has no contractual obligations related to pensions towards the current administrators and directors.

The provision for the mandate contract is presented in Note 20.

The company has no contractual obligations regarding pensions to former directors and administrators of the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

ii) Loan to a related party

	<u>31 December 2020</u>	<u>31 December 2019</u>
Loan to Resial SA	1.770.346	1.770.346
Minus the adjustment for loan impairment	<u>(1.770.346)</u>	<u>(1.770.346)</u>

Dividends allocated are presented in Note 15. Royalties paid are presented in Note 3.8.

iii) Revenue from related parties – services supplied (VAT excluded)

	<u>Relationship</u>	<u>The year ended 31 December 2020</u>	<u>The year ended 31 December 2019</u>
SNGN Romgaz	Entity under common control	147.295.880	172.591.525
Electrocentrale Deva SA	Entity under common control	1.294.875	2.244.386
Electrocentrale București SA	Entity under common control	42.235.642	51.361.684
Electrocentrale Constanța	Entity under common control	3.621.008	4.398.855
Termo Calor Pitesti	Entity under common control	873.940	585.545
E.ON Energie Romania	Entity under common control	<u>80.054.563</u>	<u>76.864.207</u>
		<u>275.375.909</u>	<u>308.046.202</u>

iv) Sales of goods and services (VAT excluded)

	<u>Relationship</u>	<u>The year ended 31 December 2020</u>	<u>The year ended 31 December 2019</u>
SNGN Romgaz	Entity under common control	36.286	3.789
Electrocentrale Deva SA	Entity under common control	-	74.985
Electrocentrale Bucharest	Entity under common control	3.244	-
Electrocentrale Galati SA	Entity under common control	339.660	428.983
Electrocentrale Constanta	Entity under common control	-	271.700
E.ON Energie Romania	Entity under common control	<u>1.800</u>	<u>35.373</u>
		<u>380.991</u>	<u>814.827</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

v) Gas sales – the balancing activity (VAT excluded)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	3.898.973	9.790.667
Electrocentrale Deva SA	Entity under common control	9.950.723	7.317.040
Electrocentrale București	Entity under common control	6.042.853	4.136.921
Termo Calor Pitesti	Entity under common control	1.666.338	237.432
Electrocentrale Constanta	Entity under common control	12.523.830	17.716.283
E.ON Energie Romania	Entity under common control	<u>14.529.556</u>	<u>29.777.924</u>
		<u>48.612.272</u>	<u>68.976.267</u>

vi) Receivables from related parties (without the adjustment)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	20.063.741	20.178.007
Electrocentrale Deva SA	Entity under common control	217.789	235.032
Electrocentrale București	Entity under common control	14.272.524	19.089.977
Electrocentrale Constanța	Entity under common control	16.748	1.577.907
Termo Calor Pitesti	Entity under common control	1.377.538	(19.181)
E.ON Energie Romania	Entity under common control	41.266.500	19.821.687
		<u>77.214.841</u>	<u>60.883.429</u>

vii) Client receivables – the balancing activity (without the adjustment)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	905	925.753
Electrocentrale Deva SA	Entity under common control	307.252	4.144.671
Electrocentrale Bucuresti	Entity under common control	263.825	1.973.340
Electrocentrale Constanța	Entity under common control	18.517.877	1.238.865
Termo Calor Pitesti	Entity under common control	-	122.677
E.ON Energie Romania	Entity under common control	<u>1.922.192</u>	<u>3.596.095</u>
		<u>21.012.052</u>	<u>12.001.401</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

viii) Procurement of gas from related parties (VAT excluded)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	<u>77.109.716</u>	<u>108.165.746</u>
		<u>77.109.716</u>	<u>108.165.746</u>

ix) Procurement of services from related parties (other services – VAT excluded)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	13.448.302	141.151.079
Electrocentrale București SA	Entity under common control	5.676	6.080
E.ON Energie Romania	Entity under common control	<u>(179.911)</u>	<u>995.261</u>
		<u>13.274.067</u>	<u>15.152.420</u>

x) Procurement of gas – the balancing activity (VAT excluded)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	3.878.665	22.760.033
Electrocentrale Deva SA	Entity under common control	405.133	974.902
Electrocentrale București	Entity under common control	2.398.484	12.352.849
Termo Calor Pitești	Entity under common control	-	718.181
Electrocentrale Constanța	Entity under common control	4.398.672	4.088.509
E.ON Energie Romania	Entity under common control	<u>17.605.929</u>	<u>38.787.443</u>
		<u>28.686.884</u>	<u>79.681.917</u>

xi) Debts to affiliated parties from gas supplies (VAT included)

	<u>Relationship</u>	31 December 2020	31 December 2019
SNGN Romgaz	Entity under common control	-	<u>18.117.465</u>
		-	<u>18.117.465</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

xii) Debts to affiliated parties from services (other services - VAT included)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	1.426	1.722.034
Electrocentrale București	Entity under common control	511	454
E.ON Energie Romania	Entity under common control	<u>851</u>	<u>817.722</u>
		<u>2.788</u>	<u>2.540.210</u>

xiii) Debts to suppliers – balancing activity (VAT included)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	2.597.055	1.371.051
Electrocentrale Deva SA	Entity under common control	-	61.253
Electrocentrale București	Entity under common control	1.331.820	563.026
Electrocentrale Constanța	Entity under common control	91.539	1.745.405
Termo Calor Pitești	Entity under common control	-	525.679
E.ON Energie Romania	Entity under common control	<u>3.721.798</u>	<u>8.367.448</u>
		<u>7.742.212</u>	<u>12.633.862</u>

xiv) Guarantees from affiliates (bank guarantee letter)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	25.429.588	33.849.251
Termo Calor Pitești	Entity under common control	210	1.000
Electrocentrale Deva SA	Entity under common control	4.501.000	1.000
E.ON Energie Romania	Entity under common control	<u>28.216.606</u>	<u>22.882.012</u>
		<u>58.147.194</u>	<u>56.733.263</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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28. EARNINGS PER SHARE

The company shares are listed on the first category of the Bucharest Stock Exchange.

Basic earnings per share are calculated by dividing the profit attributable to the company's equity holders to the average number of ordinary shares existing during the year.

	The year ended 31 December 2020	The year ended 31 December 2019
Profit attributable to the company's equity holders	165.224.316	341.335.709
Weighted average of the number of shares	11.773.844	11.773.844
Basic and diluted earnings per share (lei per share)	14,03	29,00

29. SIGNIFICANT TRANSACTIONS NOT INVOLVING CASH

Compensations

Approximately 0,82 % of the receivables were settled by transactions that haven't involved cash outflows during the period ended 31 December 2020 (31 December 2019: 0,58%). Transactions mainly represent sales of products and services in exchange for raw materials and services or offsets with clients and suppliers within the operating cycle.

Barter transactions

No barter transactions were made in 2020 and 2019.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

i) Commitments

The Service Concession Agreement (S.C.A. - Note 8) provides that, at the end of the agreement, the ANRM is entitled to receive back, all goods of public property existing when the agreement was signed and all investments made into the national transmission system, in accordance with the investment program stipulated in the service concession agreement. The company also has other obligations related to the concession agreement, which are described in Note 8.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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30 . CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or to another grantor on payment of compensation equal to the unamortized regulated value established by ANRE, as presented in Note 3.18.

On 31 December 2020 the value of the contractual firm obligations for the purchase of tangible and intangible assets is of lei 504.375.834.

The company is a guarantor of the loan agreement concluded on 24 January 2019 between the European Investment Bank and Eurotransgaz, in total amount of Euro 38 milion, for the funding of the construction by Vestmoldtransgaz of the Ungheni-Chisinau gas transmission pipeline.

Eurotransgaz SRL, the company established and owned by Transgaz in Moldova, was appointed the winner of the privatization investment contest for the single patrimonial complex State Enterprise Vestmoldtransgaz operating the Iasi-Ungheni gas transmission pipeline on the territory of Moldova under the following conditions: payment of the sale price and making investments in the next two years for the construction of a gas transmission pipeline between Ungheni and Chisinau, as well as the necessary equipment for the operation of this pipeline.

On 11 December 2019 the European Bank for Reconstruction and Development approved project no. 50410, which represents capital investments in the form of a capital increase in exchange for the participation in the share capital of Vestmoldtransgaz SRL, a subsidiary of Eurotrasngaz SRL, which is eventually owned and controlled by the Romanian gas transmission operator SNTGN Transgaz SA. The Bank's investment will finance the construction of the Ungheni-Chisinau gas pipeline in Moldova with a length of approx. 120 km and a planned capacity of 1.5 bcm.

ii) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European law. However, there are still various interpretations of the tax law. In Romania, the tax year remains open for fiscal verification for 5 years. The company's management believes that fiscal obligations included in these financial statements are properly presented and that it is not necessary for any additional provisions to be established to cover the uncertainties related to tax treatment.

iii) Insurance policies

The company does not have insurance policies related to operations, complaints on products, or for the public debt. The company has insurance policies for buildings and mandatory civil liability policies for the car fleet. Moreover, the company has contracted professional liability insurance services for the members of the Board of Administration and for 54 managers in 2020 (54 managers in 2019).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

iv) Environmental aspects

Environmental regulations are under development in Romania and the company did not record any obligation on 31 December 2020 and 31 December 2019 related to anticipated expenses that include legal and consulting fees, analysis of locations, preparing and implementing recovery measures related to environmental protection. The management of the company believes there are no significant obligations related to environmental aspects.

v) Lawsuits and other actions

During the normal activity of the company, there were complaints against it. The company has pending disputes for the lack of use of lands occupied with NTS objectives, commercial and labour disputes. Based on its own estimates and internal and external consulting, the company's management believes there will be no material loss exceeding the provisions established in these financial statements and is not aware of circumstances that give rise to potentially significant obligations in this regard.

In 2012, the Company received a request for data and information in the Competition Council investigation opened by Order 759 of 29 September 2011 and extended by Order 836 of 1 November 2011. Additional requests for data and information in the Competition Council investigation were received in 2015. The company provided the requested data and information.

Control Y Montajes Industriales SA

Within the statements of 31 December 2019, Vestmoldtransgaz is involved in a dispute with Control Y Montajes Industriales S.A. The dispute arose during the procurement procedure in connection with the disagreement of the participant Control Y Montajes Industriales S.A. regarding the manner in which the auction was conducted. In court, the plaintiff requests the annulment of the results of the procurement procedure invoking some clauses of the regulation of the National Energy Regulatory Agency. The probability of winning by Vestmoldtransgaz is qualified as high.

As of 6 June 2016, the company is subject to an inspection carried out by the European Commission - Directorate General for Competition under Art. 20 (4) of Council Regulation (EC) No 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty, which became Articles 101 and 102 of the Treaty on the Functioning of the European Union, namely:

- to provide a minimum export capacity of 1.75 billion cubic meters per year at the interconnection point between Romania and Hungary (Csanádpalota);
- to make available minimum export capacities of 3.7 billion cubic meters per year in total at two interconnection points between Romania and Bulgaria (Giurgiu / Ruse and Negru Vodă I / Kardam);
- to make sure that the tariffs to be proposed to the Romanian Energy Regulatory Authority (ANRE) will not make any difference between the export and the domestic markets, thus avoiding interconnection tariffs that render exports commercially non-feasible;
- refrain from using any other means of obstructing exports.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

Based on their own estimates, the company's management considers that there are no circumstances that would give rise to significant potential liabilities in this regard.

In 2017, the Company was inspected for a breach of the rules provided for in Article 101 of the Treaty on the Functioning of the European Union (TFEU), in the AT.40483 case. There was no formal opening decision for this investigation. During this stage, no actions / activities were carried out that Transgaz should be aware of. Based on its own estimates, the Company's management considers that there are no circumstances that would give rise to potentially significant obligations in this regard.

In 2020 an administrator initiated court proceedings to recover some amounts of money representing unpaid difference, amounts they consider to be due as a result of the mandate contract carried out in 2015-2017. Based on its own estimates, the company considers that there are no circumstances that could lead to potential significant obligations in this respect.

The company is in arbitration proceedings with Bulgargaz EAD, who requests the return or payment of the quantity of natural gas from the Isaccea 1- Negru Vodă 1 gas transmission pipeline. The company does not recognize the claims and based on its own estimates, it considers that there are no circumstances to give rise to significant potential obligations in this regard.

The company is in dispute with two network users who challenge the calculation of the imbalance transaction price on the grounds that there are inconsistencies between the relevant regulations, from the implementation of the provisions of GEO114 / 2018 until the entry into force of the Order of President ANRE no. 170/2019. The company collected the disputed invoices and based on its own estimates, considers that there are no circumstances that would give rise to potentially significant obligations in this regard.

The company has the capacity of intervener in a procedure by which a network user requests the annulment of ANRE decision of 2017 regarding the interpretation and application of the provisions of Art. 99 of the Network Code. There are seven resolutions issued down by the Bucharest Court of Appeal which confirm the lawfulness of the decisions of ANRE commission pronounced in cases having the same object and an unfavorable one which is judged at the High Court of Cassation and Justice. If the HCCJ maintained the solution of the Court of Appeal it does not mean that the network user is entitled to the requested amount of money because, it is necessary to establish first which is the correct interpretation of the provisions of art.99 of the Network Code. Moreover, the revenue being regulated, the reduced amount would be subject to recovery from the regulated revenue of the following gas year. In 2020, the network user initiated court proceedings and requests the recalculation of the tariff related to the exceeding of the capacity booked during November 2016-February 2017 and the payment of the amount of lei 57.444.164 and 17.789.789. Based on its own estimations, the company's management considers that there are no circumstances that would give rise to significant potential obligations in this regard.

The company is under dispute with two network users who challenge the calculation of the imbalance transaction price on the grounds that there are inconsistencies between the relevant regulations, in between the implementation of the provisions of GEO114 / 2018 and the entry into force of ANRE President's Order no. 170/2019. The company has collected the amounts related to the invoices under the dispute and on the basis of its own estimates, it considers that there are no circumstances creating potentially significant obligations in this regard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

Secieru Ștefan

Within the statements of 31 December 2020, the Company is involved in a dispute with Secieru Ștefan. The dispute arose in connection with the works related to the investment project. In court, the plaintiff requests the recovery of the damage caused as a result of the alleged non-compliant works of the constructor of the works within the investment project. The litigation is in the phase of preparing the case for judicial debates in the court of first instance. The probability of winning by Vestmoldtransgaz is qualified as high.

vi) Government policies in the gas sector in Romania

ANRE is an autonomous public institution and sets tariffs for the natural gas transmission activity charged by the company. It is likely that the Agency decides the implementation of changes of the government strategies in the gas sector, determining changes in the tariffs approved for the company and, thus, having a significant impact on the company's revenue. At the same time, the Romanian government could decide to change the royalty applied to the company for using the assets part of the public domain according to SCA.

Currently, the effects cannot be determined, if they exist, of the future government policies in the gas sector in Romania on the company's asset and liability.

There are various interpretations of the legislation in force. In certain situations, ANRE may treat differently certain aspects, proceeding to the calculation of additional tariffs and of delay penalties.

The company's management believes that its obligations to ANRE are properly presented in these financial statements.

vii) The political and economic situation in Ukraine

The company has contracts for gas transmission from Russia to Bulgaria, Turkey, Greece and other countries. Also, Romania annually imports part of the necessary transported gas through the company's pipelines. It's likely that Gazprom Export stops the supplies of gas transported domestically or internationally through Romania or that Ukraine prevents the transit of gas supplied by Gazprom Export on its territory.

viii) Commitments under the sale-purchase agreement between Vestmoldtransgaz and the European Investment Bank

The deadline for completion of the Investment Program according to the IS Vestmoldtransgaz sale-purchase agreement is 23 months from the date when all the necessary conditions for starting the construction of the Investment Program (Ungheni - Chisinau gas pipeline) have been met, respectively November 2021.

The deadline for the execution of the Ungheni Chisinau gas pipeline project agreed by Eurotransgaz with the European Investment Bank is Q4 2021..

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

ix) The impact of COVID-19

In the context of the COVID-19 pandemic, the company cooperates with the authorities and takes the necessary measures to ensure the provision of the gas transmission service in a safe manner and to ensure the safety of the personnel. The company prepared and published a plan of measures approved by the Board of Administration, which aims to minimize the effects of the epidemic on the health and safety of the employees and to ensure the continuity of the natural gas transmission service and the safety of the National Transmission System.

The company provides a public service of national interest being included in the regulated segment of the internal gas market. The gas transmission activity is regulated by the National Energy Regulatory Authority.

The company aims to achieve the indicators provided for in the Income and Expenditure Budget for 2020 and to provide the necessary financing sources for the development of the investment program whose execution rate could be influenced by the ability of the contracting companies to provide the equipment and personnel necessary to carry out the works in the context of the isolation or quarantine situations generated by COVID-19.

The legislative changes adopted offer the possibility of small and medium-sized enterprises to delay the payment of utilities, which could have an indirect impact on the company's activity. Although there are still many uncertainties, at this moment we consider that the short-term impact of such legislative changes on the activity and recoverability of the assets of the company will not be significant.

31. FEES OF THE STATUTORY AUDITOR

The fees for the financial year ended 31 December 2020 charged by BDO Audit SRL are: lei 79.682 (VAT excluded) for limited revision as at 30 June 2020 and lei 22.320 (VAT excluded) for other services than the statutory audit.

The fees for the financial year ended 31 December 2019 charged by BDO Audit SRL, invoiced in 2020, are: lei 174. 989 (VAT excluded) for the statutory audit, and lei 14.880 (VAT excluded) for other services than the statutory audit.

The fees invoiced in 2020 by BDO Audit & Consulting SRL Chisinau, are lei 110,795 for the statutory audit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

32. REVENUE AND COSTS FROM THE CONSTRUCTION OF ASSETS

In accordance with IFRIC 12 the revenue and costs of network construction should be recognized in accordance with IFRS 15 Revenue from Contracts with Customers.

	The year ended 31 December 2020	The year ended 31 December 2019
Revenue from the construction activity according to IFRIC12	1.587.548.396	868.356.796
Cost of assets constructed according to IFRIC12	(1.587.548.396)	(868.356.796)

The related costs were equal to the revenue, the company did not obtain any profit from the construction activity.

33. EVENTS SUBSEQUENT TO THE BALANCE DATE

In 2021, Transgaz participated in the increase of the share capital of EUROTRANSGAZ with the amount of EUR 519,105 in order to operate and ensure the financial sources necessary to carry out the investment program of the state enterprise Vestmoldtransgaz.

By Decision no. 10/5 October 2020 of the EGMS, the conclusion of a transaction with EBRD involving the subscription by the EBRD of a new share issued by Vestmoldtransgaz SRL (VTMG) for the amount of EUR 20 million is approved. Thus, EBRD becomes a partner of VTMG by 25% from the share capital and Eurotransgaz and Transgaz' jointly undertaking the obligation to buy from the EBRD an interest in the VTMG at a predetermined price at the moment it will exercise its option to sell the EBRD's share in VMTG. By Decision no.1 / 4 January 2021 of the Sole Shareholder of Eurotransgaz, the decrease in the share capital of Eurotransgaz by the amount of EUR 9.6 million after the completion of the transaction by which EBRD becomes a partner of VMTG was requested.

The conclusion of the Legacy Contract Termination Agreement between SNTGN Transgaz SA and Gazprom Export LLC creates the necessary framework for concluding the Interconnection Agreements for Interconnection Points Isaccea 2,3 and Negru Vodă / Kardam 2,3, enabling third parties' free access to T2 and T3 transit pipelines capacity booking, ensures the collection of the remaining amounts to be paid under the legacy contract and creates the conditions for increasing the use of the natural gas transmission infrastructure in Romania. The revenues collected from transmission are regulated according to ANRE Order 41/2019 and ANRE Order 34/2014, respectively, subject to the points where capacity is booked.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

By ANRE Order no. 2/2021, the following amendments were approved to the methodology for establishing regulated tariffs for natural gas transmission services:

- for the investments in tangible and intangible assets, commissioned / accepted during the fourth regulatory period, which represent objectives of the natural gas transmission system, achieved from equity in projects where
- European grants were also attracted, an incentive of 2 percentage points above the approved regulated rate of return on investment is established, except for the ones carried out following the development of investment projects provided for in Regulation (EU) no. 347/2013 of the European Parliament and of the Council of 17 April 2013 for which European grants were obtained;
- the royalties for the concession of the state public property assets, the royalties under the contracts for the concession of the natural gas transmission service and / or of the related state public property assets or of an administrative-territorial unit, the rents under the contracts for the lease of assets making up the TS, which are in the public property of the state or of an administrative-territorial unit, as well as the local taxes established by the authorities in respect of the transmission service, except for the period between the date of entry into force of Law no. 155/2020 on the amendment of Power and Gas Law no. 123/2012 and regarding the amendment of other normative acts and the date of entry into force of Law no. 244/2020 on the approval of the Government Emergency Ordinance no. 103/2020 for the extension of the term of application of the measures provided for by the Government Emergency Ordinance no. 26/2018 on the adoption of measures for the security of electricity supply, are recognized in the regulated income.

Chairman of the Board of Administration
Remus Gabriel Lăpușan

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

**THE NATIONAL GAS TRANSMISSION COMPANY
TRANSGAZ S.A.**

**INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2020**

**PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION**

This version of the interim financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

FINANCIAL STATEMENTS

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STATEMENT OF FINANCIAL POSITION
(expressed in lei, unless otherwise stated)



	<u>Note</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
ASSET			
Fixed assets			
Tangible Assets	7	449.717.871	476.405.816
Rights of use of the leased assets	9	19.192.069	9.359.179
Intangible Assets	9	3.931.662.402	3.058.556.071
Financial assets	10	284.272.848	215.886.809
Trade receivables and other receivables	12	1.364.268.828	<u>723.921.414</u>
Deferred tax	12	<u>5.322.418</u>	<u>-</u>
		6.054.436.436	4.484.129.289
Current assets			
Inventories	11	191.061.018	488.033.645
Commercial receivables and other receivables	12	626.162.839	485.867.200
Cash and cash equivalent	13	<u>276.174.270</u>	<u>311.138.161</u>
		1.093.398.127	1.285.039.006
Total asset		7.147.834.563	5.769.168.295
EQUITY AND DEBTS			
Equity			
Share capital	14	117.738.440	117.738.440
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865
Other reserves	15	1.265.796.861	1.265.796.861
Retained earnings	15	<u>1.709.709.168</u>	<u>1.709.507.825</u>
		3.782.141.730	3.781.940.387
Long-term debts			
Long-term loans	16	1.486.684.049	661.062.420
Provision for employee benefits	21	118.611.004	119.858.608
Deferred revenue	17	1.043.635.227	647.728.922
Deferred tax payment	18	-	7.860.382
Commercial debt and other debts	19	<u>16.482.440</u>	<u>53.278.838</u>
		2.665.412.720	1.489.789.170

Notes 1 to 33 are part of these financial statements.

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STATEMENT OF FINANCIAL POSITION
(expressed in lei, unless otherwise stated)



	<u>Note</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Current debts			
Commercial debts and other debts	19	431.563.686	398.291.230
Deferred revenue	17	69.030.914	22.186.786
Provision for risks and charges	20	75.794.781	72.239.710
Short-term loans	16	120.992.640	2.867.580
Provision for employee benefits	21	<u>2.898.092</u>	<u>1.853.432</u>
		<u>700.280.113</u>	<u>497.438.738</u>
Total debts		<u>3.365.692.833</u>	<u>1.987.227.908</u>
Total equity and debts		7.147.834.563	5.769.168.295

Endorsed and signed on behalf of the Board of Administration on 22 March 2021 by:

Chairman of the Board of Administration
Remus Gabriel Lăpușan

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

This version of the financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

STATEMENT OF COMPREHENSIVE INCOME
(expressed in lei, unless otherwise stated)



		The year ended	The year ended
	<u>Note</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Revenue from the domestic transmission activity		1.150.464.877	1.192.597.737
Revenue from the international transmission activity		114.222.513	327.696.392
Other revenue	22	<u>68.816.438</u>	<u>56.372.901</u>
Operational revenue before the balancing and construction activity according to IFRIC12		1.333.503.828	1.576.667.030
Depreciation	7, 9	(247.008.520)	(193.622.482)
Employees costs	24	(431.952.348)	(413.647.347)
NTS gas consumption, materials and consumables used		(115.609.386)	(99.266.835)
Expenses with royalties		(107.622.364)	(151.282.768)
Maintenance and transmission		(30.315.180)	(29.844.354)
Taxes and other amounts owed to the state		(71.869.830)	(111.290.009)
Revenue/ (Expenses) with provisions for risks and charges		(6.073.259)	(49.818.887)
Other operating cost	23	<u>(155.384.709)</u>	<u>(179.926.744)</u>
Operational profit before the balancing and construction activity according to IFRIC12		167.668.232	347.967.604
Revenue from the balancing activity		199.239.242	324.687.807
Cost of balancing gas		(199.239.242)	(324.687.807)
Revenue from the construction activity according to IFRIC12	32	1.587.548.396	868.356.796
Cost of assets constructed according to IFRIC12	32	<u>(1.587.548.396)</u>	<u>(868.356.796)</u>
Operational profit		167.668.232	347.967.604
Financial revenue	25	60.665.649	98.951.903
Financial cost	25	<u>(19.155.801)</u>	<u>(27.817.927)</u>
Financial revenue, net		41.509.848	71.133.976
Profit before tax		209.178.080	419.101.580
Profit tax expense	0	<u>(34.177.316)</u>	<u>(70.842.564)</u>
Net profit for the period		175.000.764	348.259.016
Basic and diluted earnings per share (expressed in lei per share)	28	14,86	29,58
Actuarial gain / loss for the period		7.341.946	(4.636.774)
Total comprehensive income for the period		182.342.710	343.622.242

Chairman of the Board of Administration
Remus Gabriel Lăpușan

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
(expressed in lei, unless otherwise stated)



	<u>Note</u>	<u>Share Capital</u>	<u>Share capital adjustments</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance on 1 January 2019, reported		<u>117.738.440</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>1.640.298.503</u>	<u>3.712.731.065</u>
Net profit for the period, reported		-	-	-	-	195.500.934	195.500.934
Actuarial gain / loss for the period		-	-	-	-	(4.636.774)	(4.636.774)
Deferred tax adjustment loss		-	-	-	-	(19.391.459)	(19.391.459)
Transactions with shareholders:							
Dividends related to 2018	15	-	-	-	-	(255.021.461)	(255.021.461)
Balance on 31 December 2019		<u>117.738.440</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>1.709.507.825</u>	<u>3.781.940.387</u>
Net profit for the period		-	-	-	-	175.000.764	175.000.764
Actuarial gain / loss for the period		-	-	-	-	7.341.946	7.341.946
Transactions with shareholders:							
Dividends related to 2019		-	-	-	-	(182.141.367)	(182.141.367)
Balance on 31 December 2020		<u>117.738.440</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>1.709.709.168</u>	<u>3.782.141.730</u>

Chairman of the Board of Administration
Remus Gabriel Lăpușan

Director - General
Ion Steria

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

CASH FLOW STATEMENT

(expressed in lei, unless otherwise stated)

	<u>Note</u>	<u>The year ended 31 December 2020</u>	<u>The year ended 31 December 2019</u>
Cash generated from operations	26	432.931.137	429.354.660
Interest paid		(2.850.840)	-
Interest received		2.104.548	1.928.625
Paid profit tax		<u>(61.436.931)</u>	<u>(69.822.103)</u>
Net cash inflow from operation activities		<u>370.747.914</u>	<u>361.461.182</u>
Cash flow from investment activities			
Payments to acquire tangible and intangible assets		(1.340.789.096)	(907.674.681)
Financial investment/shares		(68.386.039)	(170.356.413)
Receipts from the disposal of tangible assets		214.050	146.396
Cash flow from connection fees and grants		<u>252.243.711</u>	<u>151.274.740</u>
Net cash used in investment activities		<u>(1.156.717.374)</u>	<u>(926.609.958)</u>
Cash flow from financing activities			
Long term loans drawings		637.938.000	423.477.000
Long term loans repayments		(2.785.320)	-
Credit withdrawals for working capital		299.720.329	-
Dividends paid		<u>(183.867.440)</u>	<u>(255.942.380)</u>
Net cash used in financing activities		751.005.569	167.534.620
Net change in cash and cash equivalents		<u>(34.963.891)</u>	<u>(397.614.156)</u>
Cash and cash equivalent as at the beginning of the year	13	<u>311.138.161</u>	<u>708.752.317</u>
Cash and cash equivalent as at the end of the period	13	<u>276.174.270</u>	<u>311.138.161</u>

 Chairman of the Board of Administration
 Remus Gabriel Lăpușan

 Director – General
 Ion Sterian

 Chief Financial Officer
 Marius Lupean

Notes 1 to 33 are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

1. GENERAL INFORMATION

The National Gas Transmission Company - SNTGN Transgaz SA (`company`) has as main activity the transmission of natural gas. Also, the company maintains and operates the national gas transmission system and carries out research and design activities in the area of natural gas transmission. On 31 December 2020, the majority shareholder of the company is the Romanian state, through the General Secretariat of the Government.

The company was established in May 2000, following several reorganizations of the gas sector in Romania: its predecessor was part of the former national gas monopoly SNGN Romgaz SA (`predecessor company`), which was reorganized under Government Decision 334/2000.

The natural gas sector is regulated by the `National Energy Regulatory Authority` - `ANRE`. ANRE's main responsibilities are the following:

- issuing or withdrawing licenses for companies operating in the natural gas sector;
- publishing framework contracts for the sale, transmission, acquisition and distribution of natural gas;
- setting the criteria, requirements and procedures related to the selection of eligible consumers;
- setting the pricing criteria and the calculation methods for the natural gas sector.

The company is headquartered in 1 C.I. Motaş Square, Mediaş, Romania.

From January 2008, the company is listed at the Bucharest Stock Exchange, as a Tier 1 company, under the TGN symbol.

The financial statements will be authorized for publication on 22 March 2021.

The financial statements do not change after publication.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY

Romania

The continuation of the economic reforms by the Romanian authorities is necessary for the consolidation of the internal macro-financial framework. Thus the premises of the correct administration of the possible unfavourable developments are created, developments, which may appear if the high aversion towards risk occurs again in the international financial markets. The positive performances the Romanian economy registered must be consolidated by the application of a coherent mix of policies. In this context it can be noticed that:

- (i) According to Ziarul Financiar, the European Commission published the Winter 2021 Economic Forecasts, according to which Romania's GDP will grow by 3.8% in 2021 and 4% in 2022. In November 2020, the European Commission expected an advance of 3.3% in 2021, and of 3.8% in 2022 for the Romanian economy. At the level of the euro area, the economy will grow by 3.8% both in 2021 and in 2022, and at the level of the EU states, the economy will increase by 3.7% in 2021 and by 3.9% in 2022.

The Commission's report predicts that euro area and EU economies will reach pre-crisis output levels earlier than anticipated in the autumn 2020 economic outlook, largely due to the expected growth rate in the second half of 2021, and in 2022. After strong growth in the third quarter of 2020, economic activity contracted again in the fourth quarter as a second wave of the pandemic triggered renewed containment measures. With those measures still in place, the EU and euro area economies are expected to contract in the first quarter of 2021, notes the report of the European Commission.

Economic growth is set to resume in the spring and gather momentum in the summer as vaccination programmes progress and containment measures gradually ease. An improved outlook for the global economy is also set to support the recovery. The economic impact of the pandemic remains uneven across Member States and the speed of the recovery is also projected to vary significantly. The EU economy should return to pre-pandemic GDP levels in 2022, earlier than previously expected – though the output lost in 2020 will not be recouped so quickly, or at the same pace across our Union. This forecast is subject to multiple risks, related for instance to new variants of COVID-19 and to the global epidemiological situation. On the other hand, the impact of Next Generation EU should provide a strong boost to the hardest-hit economies over the coming years, which is not yet integrated into today's projections, says Paolo Gentiloni, Commissioner for Economy.

The inflation rate in Romania is forecast to slightly increase to 2.6%, in 2021 and to decline somewhat to 2.4% in 2022. In autumn the European Commission forecast an increase of the inflation rate to 2.5% for 2021 and to 2.4% for 2022.

- (ii) On 15 January 2021, the Board of the National Bank of Romania decided: to lower the monetary policy rate to 1,25% per year, from 1,50% per year from 18 January 2021; to lower the interest rate for the deposit facility to 0,75% per year from 1,00% per year and the interest rate for the (Lombard) credit facility to 1,75 % per year from 2,00% per year; to maintain the current levels of the mandatory minimum reserves for the lei and currency liabilities of the credit institutions;

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

- (iii) Based on BNR's Inflation Report in November 2020, the annual CPI inflation rate followed in Q3 2020 the downward trend visible since early this year and neared in September the mid-point of the flat target, standing at 2,45%, compared to 2,58% in June. The disinflationary trend has mainly reflected the effects of the favourable vegetables and fruit crops this year at local and community level.

At the same time, however, the simultaneous occurrence of demand- and supply-side shocks, the latter arising from the measures taken to keep the pandemic under control, put the annual adjusted CORE2 inflation rate on a stable course, continuing to be around 3,7%. Given the below expectations trajectory of the volatile prices, in September, the annual CPI dynamics stood 0,1 percentage points below the latest macroeconomic projection (in the August 2020 *Inflation Report*). Moreover, in the course of QIII, the average annual HICP inflation rate decreased marginally compared to the European average, falling to the level of 2.8 percent.

- (iv) On 8 July 2020 Fitch Ratings affirmed Transgaz`s (TGN) rating at `BBB-` with a Stable Outlook, according to the release sent to the Bucharest Stock Exchange. The report of the agency shows that the 'BBB-' rating of Transgaz with a Stable Outlook `reflects its solid business profile as a concessionaire and operator of the gas transmission network in Romania as well as our expectation of a progressive contraction of its international gas transit business derived from traditional routes. The rating is supported by the country's regulation for gas transmission and our expectation that a significant current investment related to the Bulgaria-Romania-Hungary-Austria corridor (BRUA) will be added to Transgaz's regulated asset base (RAB), supporting future earnings`.
- (v) According to a release issued on 30 October 2020 Fitch Ratings affirmed Romania`s sovereign rating at `BBB-` with a negative outlook, this being the last notch in the `investment-grade` category, recommended for investments. According to Fitch, Romania`s rating is supported by moderate levels of government debt and debt service, and GDP per capita, governance and human development indicators that are above 'BBB' category peers. These are balanced against larger budget and current account deficits as well as higher net external debt ratios compared with peers.

`The Negative Outlook reflects the weakening public finance metrics due to pro-cyclical policies in recent years and the impact from the coronavirus pandemic on economic and fiscal performance. Although Fitch expects the economy to recover from 2021, uncertainty around political and policy developments, combined with a resurgence in domestic and global coronavirus infections, continue to cloud the economic and fiscal outlook. A weak track record of fiscal consolidation despite high growth in recent years and high budget rigidities will also continue to pose significant public finance challenges over the medium term` states Fitch Ratings.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

At the end of 2019, the leu depreciated against the EURO (`EUR`) and the US dollar (`USD`). Thus, compared to the end of 2018, the leu depreciated by 2.47% against the EUR (4.7793 at 31 December 2019; 4.6639 at 31 December 2018) and depreciated by 4.60% against the USD (4.2608 at 31 December 2019; 4.0736 at 31 December 2018).

At the end of 2020, the leu depreciated against the EURO (`EUR`) and appreciated against the US dollar (`USD`). Thus, compared to the end of 2019, the leu depreciated by 1.89% against the EUR (4.8694 at 31 December 2020; 4.7793 at 31 December 2019) and appreciated by 6.92% against the USD (3.9660 on 31 December 2020; 4.2608 on 31 December 2019).

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in the preparation of these financial statements are presented below. These policies were consistently applied to all the financial years considered, unless otherwise stated.

3.1 Basis of preparation

The financial statements of the company were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (`EU IFRS`). The financial statements were prepared based on the historical cost convention, except for the financial assets which are measured at fair value by the profit and loss account or at the fair value among other elements of the comprehensive income.

The preparation of the financial statements in accordance with EU IFRS requires the use of critical accounting estimates. Also, the management is required to use judgment in applying the company's accounting policies. Areas with a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 5.

Accounting regulations applicable as of 2016

Amendments to various Improvements to IFRSs (2014-2016 Cycle) resulting from the project to improve IFRSs (IFRS 1, IFRS 12, IAS 28) mainly to eliminate inconsistencies and to clarify certain formulations (Amendments to IFRS 12 are applicable for the annual periods beginning on or after 1 January 2017 and the Amendments to IFRS 1 and IAS 28 are applicable for the annual periods beginning on or after 1 January 2018).

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

3.SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Standards and interpretations applicable as of 2017

The following standards and amendments of the current standards, issued by the International Accounting Standard Board (`IASB`) and adopted by the European Union (EU) became applicable in 2017:

Amendments to IAS 12 "Income Tax"

Recognition of Deferred Tax Assets for Unrealised Losses (applicable for the annual periods beginning on or after 1 January 2017);

Amendments to deferred tax recognition for unrealized assets clarify the following aspects:

- Unrealized loss on debt instruments measured at fair value and at cost for tax purposes will give rise to a deductible temporary difference regardless of whether the holder of the debt instrument expects to recover the accounting value of the debit instrument by sale or by use;
- The accounting value of an asset does not limit the estimation of the future taxable profits
- Estimates of future taxable profits exclude tax deductions resulting from the lapse of taxable temporary differences;
- The entity estimates a deferred tax in combination with other deferred taxes. Where tax law restricts the use of tax loss, an entity will estimate deferred tax in combination with other deferred tax of the same type.

The Amendments are applicable for the period starting from or after 2017. The previous application is allowed;

The amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative (applicable for the annual periods beginning on or after 1 January 2017);

(b) Standards and interpretations applicable as of 2018

At the date of reporting of these Financial Statements, the following standards, revisions and interpretations became applicable:

- **IFRS 9 Financial Instruments** - adopted by the UE on 22 November 2016 (applicable for the annual periods beginning on or after 1 January 2018) replaces IAS 39 – Financial Instruments - Recognition and Measurement;

IFRS 9 includes the requirements on financial instruments referring to recognition, classification, evaluation, depreciation loss, derecognition and hedge accounting against risks:

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Classification and evaluation:* IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at amortized cost, at fair value through other comprehensive income elements, at fair value through profit or loss. The IFRS 9 classification is determined by the cash flow and business model in which an asset is held. This unitary approach based on principles eliminates the financial asset classification categories in IAS 39: held-to-maturity, loans and advances and available-for-sale financial assets. The new model will also determine the existence of a single depreciation model applicable to all financial instruments.

According to IFRS 9, derivatives incorporated into contracts, where the host instrument is a financial instrument for the purpose of this standard, are not separate, but the entire hybrid instrument is considered for classification.

- *Depreciation loss:* IFRS 9 introduces a new anticipated impairment loss model based on expected loss, which will require anticipated recognition of expected loss from impairment of receivables. The standard requires entities to recognize the anticipated impairment loss on receivables from the time of initial recognition of financial instruments, and to recognize the anticipated impairment loss over their lifetime. The amount of expected loss will be updated for each reporting period so as to reflect changes in credit risk as compared to initial recognition.
- *Depreciation:* applies to commercial receivables that do not have a funding component is measured at amortized cost (the condition is that assets are held within a business model whose objective is to collect cash flows;
- *Hedge accounting:* IFRS 9 introduces a significantly improved hedge accounting model which includes additional disclosure requirements for risk management activity. The new model is a significant revision of the hedge accounting principles, which allows the alignment of the accounting treatment with the risk management activities.

IFRS 15 "Revenue from Contracts with Customers" as subsequently amended and amendments to IFRS 15 "Effective Date of IFRS 15" adopted by the EU on 22 September 2016 (applicable for the annual periods beginning on or after 1 January 2018);

IFRS 15 establishes a single model for the entities for revenue accounting resulting from customer contracts, replacing the following standards and interpretations from the date of entry into force:

- IAS 18 - Revenue;
- IAS 11 - Construction Contracts
- IFRIC 13 - Customer Loyalty Programmes;

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards and interpretations that will come into force/applicable as of 2019 or at a future date

- IFRIC 15 - Agreements for the Construction of Real Estate;
- IFRIC 18 - Transfers of Assets from Customers;
- SIC 31 – Income - Barter Transactions Involving Advertising Services

The core principle of IFRS 15 is that an entity recognizes revenue when the goods or services promised to customers are transferred at a value that reflects the consideration the entity expects to have the right to exchange for those goods or services. An entity recognizes revenue in accordance with this core principle by applying the following steps: contract identification; identifying performance obligations from the contract; determining the transaction price; allocating the transaction price for the contract performance obligations; recognizing revenue when (or as) it fulfils an execution obligation.

The revenue from services provision is recognized as follows:

- based on the tariffs regulated by ANRE for firm/ interruptible natural gas transmission services through the National Transmission System;
- based on the transmission tariffs approved by ANRE for the transmission capacity booking on the entry/ exit points in/out of the natural gas transmission pipeline Isaccea 2-Negru Vodă 2;
- based on the tariffs negotiated within the transmission contract for the transmission capacity booking on the Isaccea 3-Negru Vodă 3 gas transmission pipeline;
- by auction, on the Regional Capacity Booking Platform (RBP) for the trading of bundled and unbundled capacity at cross-border interconnection points with transmission systems from European Union member countries,
- on the basis of regulated tariffs for activities related to the operation of the gas transmission system;
- prices determined on the basis of ANRE regulations for the balancing and neutrality activity within the provision of the transmission service;
- tariffs determined based on ANRE regulations for the administration of the balancing market.

For goods developed under the Concession Agreement, achieved in-house, the revenue is recognized at the level of the costs incurred.

Amendments to IAS 40 "Property Investment"—*property related to Investment transactions (applicable for the annual periods beginning on or after 1 January 2018);*

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (applicable for the annual periods beginning on or after 1 January 2018); the interpretation refers to the determination of the transaction date to determine the exchange rate to be used for the initial recognition of an asset, expense or income (or part thereof) in the derecognition of a non-monetary asset or non-monetary debt generated by a payment in advance in foreign currency. IFRIC 22 does not provide for guidance on the definition of the monetary and non-monetary items. A payment or advance payment generally leads to the recognition of a non-monetary asset/liability, but it may also lead to the recognition of a monetary asset/liability.

At the date of the reporting of these Financial Statements the following standards and interpretations are not applicable and they will enter into force on or after 1 January 2019:

- **IFRS 16 Leases** (applicable for the annual periods beginning on or after 1 January 2019); at the date of entry into force IFRS 16 will replace the following standards and interpretations:
 - IAS 17 - Leases;
 - IFRIC 4- Determining whether an Arrangement Contains a Lease;
 - SIC 15 – Operating Leases - Incentives;
 - SIC 27- Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 provides a model of control for lease identification by establishing principles for the recognition, measurement and presentation of lease contracts, that is the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of the identified asset exists if the client has the right to obtain substantially all the economic benefits and also the right to determine the manner and purpose in which the asset is used.

IFRS 16 introduces significant changes in lease accounting, in particular by eliminating the distinction between finance lease and operating lease, and requires the lessee to recognize a usable asset and a lease liability at the date of commencement of the contract, except for short-term leases or low-value asset lease.

As of 1 June 2020, IFRS 16 was amended to provide a practical expedient to lessees`s rent concessions occurring as direct consequence of the COVID-19 pandemic and meeting the following criteria:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) the reduction in lease payments relates only to payments due on or before 30 June 2021; and (c) there is no substantive change to other terms and conditions of the lease.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rent concessions meeting these criteria can be accounted according to the practical opportunity, which means that the lessee does not assess whether the rent concession meets the definition of a lease modification. The lessees apply other IFRS 16 requirements in the accounting of the accounting for the concession.

Amendments to IFRS 2 `Share-based Payment` – Classification and measurement of share-based payment transactions (applicable for the annual periods beginning on or after 1 January 2018);

- Amendments to IFRS 4 `Insurance Contracts` - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applicable for the annual periods beginning on or after 1 January 2018 or at the application for the first time of IFRS 9 `Financial Instruments`;
- Amendments to IFRS 10 `Consolidated Financial Statements` and IAS 28 `Investments in Associates and Joint Ventures` - Sale or contribution of assets between an investor and its associate or joint venture and its further amendments (the effective date was deferred indefinitely until completion of the research on the equity method);
- IFRIC 23- `Uncertainty over Income Tax Treatment` was prepared as an interpretation regarding IAS 12 Income Taxes, to specify the way of the uncertainty over the income tax accounting is presented.

The IFRS Interpretation Committee developed IFRIC 23 to clarify uncertainties over how tax law applies to a particular transaction or circumstance or the extent to which a tax authority will accept a company`s tax treatment company. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty .

In 2020, the IASB finalizes the amendments to IAS 1 and IAS 8 on the definition of “significant” *“information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity based on that financial statement, which provides financial information about a particular reporting entity.”*

New standards, interpretations and amendments with subsequent applicability.

The company has chosen not to apply in advance these standards, interpretations and amendments to be subsequently applicable

The following changes are valid for the period beginning on 1 January 2022:

- Onerous contracts - The cost of performing a contract (Amendments to IAS 37);
- Tangible assets: receipts before intended use (amendments to IAS 16);
- Annual improvements to IFRS 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to the conceptual framework (Amendments to IFRS 3).

The following changes are valid for the period beginning on 1 January 2023

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The International Accounting Standards Board (IASB) issued "Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)" providing a more general approach to the classification of liabilities in accordance with IAS 1 based on existing contractual arrangements in the Data Reporting.

The changes were initially valid for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was postponed to annual reporting periods beginning on or after 1 January 2023:

Changes in the Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position - not the amount or timing of the recognition of any assets, income or expenses or the information that entities disclose about these items.

The following is clarified:

The classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period and the wording shall be aligned in all relevant paragraphs to refer to the "right" to defer settlement by at least twelve months and clarify that only the rights in force "at the end of the reporting period" should affect the classification of a debt;

The classification is not affected by expectations that an entity will exercise its right to defer the settlement of a debt;

Settlement refers to the transfer to the counterparty of the cash, equity instruments, other assets or services.

An entity applies this interpretation for annual reporting periods beginning on at or after 1 January 2019. Application prior to this date is permitted.

An 'uncertain tax treatment' is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under the tax law.

3.2 Reporting on segments

Reporting on business segments is made consistently with the internal reporting by the main operating decision-maker. The main operating decision-maker, which is in charge with resource allocation and assessment of business segments' performance, was identified as being the Board of Administration, which makes the strategic decisions.

3.3 Transactions in foreign currency

a) *Functional currency*

The items included in the financial statements of the company are valued using the currency of the economic environment where the entity operates ('functional currency'). The financial statements are presented in Romanian leu ('lei'), which is the functional currency and the currency of company presentation.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) *The rounding level used in the presentation of the financial statements*

In the financial statements the value are presented rounded by units.

c) *Transactions and balances*

Transactions in foreign currency are converted into functional currency using the exchange rate valid on the date of transactions or valuation at the balance sheet date. Profit and loss resulting from exchange rate differences following the conclusion of such transactions and from the conversion at the exchange rate at the end of the reporting period of monetary assets and liabilities denominated in foreign currency are reflected in the statement of the comprehensive income.

3.4 Accounting for the effects of hyperinflation

Romania has gone through periods of relatively high inflation and was considered hyperinflationary under IAS 29 'Financial Reporting in Hyperinflationary Economies'. This standard required financial statements prepared in the currency of a hyperinflationary economy to be presented in terms of purchasing power as of 31 December 2003. As the characteristics of the economic environment in Romania indicate the cessation of hyperinflation, from 1 January 2004, the company no longer applies IAS 29.

Therefore, values reported in terms of purchasing power on 31 December 2003 are treated as basis for the accounting values of these financial statements.

3.5 Intangible Assets

Computer Software

Licenses acquired related to rights of use of the computer software are capitalized on the basis of the costs incurred with the acquisition and operation of the software in question. These costs are amortized over their estimated useful lives (three years).

Costs associated with developing or maintaining computer software are recognized as expenses in the period in which they are registered.

Service Concession Agreement

From 2010, the company started to apply IFRIC 12 **Service Concession Arrangements**, adopted by the EU. The scope of IFRIC 12 includes: the existing infrastructure at the time of signing the concession agreement and, also, the modernization and improvement brought to the gas transmission system, which are transferred to the regulatory authority at the end of the concession agreement.

As presented in Note 8, the company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due to the fact that the Service Concession Agreement (`SCA`) had no commercial substance (i.e. nothing substantial changed in the way the company operated assets; cash flows changed only with the payment of royalties, but, on the other hand, the transmission tariff increased to cover the royalty), the intangible asset was measured at the remaining net value of the derecognized assets (classified in the financial statements as tangible assets on the date of application of IFRIC 12). Consequently, the company continued to recognize the asset, but reclassified it as intangible asset. The company tested the intangible assets recognized at the time without identifying depreciation.

As they occur, costs of replacements are recorded as expense, while the improvements of assets used within SCA are recognized at cost.

Intangible assets are amortized at zero value during the remaining period of the concession agreement.

3.6 Tangible Assets

Tangible assets include buildings, land, assets used for the non-regulated international transmission activity (e.g. pipelines, compressors, filtering installations, devices).

The company's policy is to reflect intangible assets at their cost at their cost less any accumulated depreciation and any impairment accumulated losses.

Buildings include particularly ancillary buildings of operating assets, a research centre and office buildings.

Further expenses are included in the book value of the asset or recognized as separate asset, as the case may be, only when the entry of future economic benefits for the company associated to the item is likely and the cost of the respective item can be valued in a reliable manner. The book value of the replaced asset is taken off the books. All the other expenses with repairs and maintenance are recognized in the statement of comprehensive income in the financial period when they occur.

Land is not depreciated. Depreciation on other items of tangible assets is calculated based on the straight-line method in order to allocate their cost minus the residual value, during their useful life, as follows:

Number of years

Buildings	50
Assets of the gas transmission system	20
Other fixed assets	4 - 20

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Before 31 December 2008, costs of indebtedness were incurred as they occurred. As of 1 January 2009, costs of indebtedness attributable directly to the acquisition, construction or production of an asset with a long production cycle are capitalized as part of the cost of the respective asset. Costs of indebtedness attributable directly to the acquisition, construction or production of a long lead asset are those costs of indebtedness that would have been avoided if expenses with the asset hadn't been made. To the extent that funds are borrowed specifically for obtaining a long-lead asset, the borrowing costs eligible for the capitalization of the respective asset is determined by the actual cost generated by that borrowing during the period, minus the revenue from the temporary investments of those borrowings. To the extent that funds are generally borrowed and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset.

The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for obtaining the long-lead asset.

The costs of the funds borrowed for obtaining a long lead asset (achievement of the investment) are capitalized by the company on the asset as a difference between the current leverage costs related to such loan during the period and any revenue from the investments obtained from the temporary investment of these loans.

Borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred, unless the operator has the contractual right to receive an intangible asset, in which case the borrowing costs attributable to an arrangement are capitalized during the engagement stage.

The residual values of the assets and their useful lives are reviewed and adjusted as appropriate, at the end of each reporting period.

The book value of the asset is written down immediately to its recoverable amount if the book value of the respective asset is greater than its estimated recoverable amount (Note 3.7).

Gain and loss on disposal are determined by comparing amounts to be received with the book value and are recognized in the statement of comprehensive income in the period in which the sale took place.

3.7. Impairment of non-financial assets

Depreciated assets are reviewed for impairment loss whenever events or changes in circumstances indicate that the book value may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The impairment loss is the difference between the book value and the recoverable amount of the asset. The recoverable amount is the greater of the asset's fair value minus costs to sell and value in use. An impairment loss recognized for an asset in prior periods is reversed if there are changes in the estimates used to determine the recoverable amount of the asset at the date the last impairment loss was recognized. For the calculation of this impairment, assets are grouped at the lowest levels for which there are identifiable independent cash flows (cash generating units).

Depreciated non-financial assets are reviewed for possible reversal of the impairment at each reporting date.

3.8 Assets of public domain

In accordance with Public Domain Law No. 213/1998, pipelines for gas transmission are public property. Government Decision 491/1998, confirmed by Government Decision 334/2000, states that fixed assets with a gross historical statutory book value of lei 474,952,575 (31 December 2017: RON 474,952,575), representing gas pipelines, are managed by the company. Therefore, the company has the exclusive right to use such assets during the concession and shall return them to the state at the end of this period (see Note 8). The company receives most of the benefits associated with the assets and is exposed to most of the risks, including the obligation to maintain network assets over a period at least equal to the remaining useful life, and the financial performance of the company is directly influenced by the state of the network. Therefore, before 1 January 2010, the company recognized those assets as tangible assets, with a proper reserve in the shareholders' equity (see Note 5.2.). Accounting policies applied to these assets were the same as those applied to the company's tangible assets (Notes 3.7 and 3.6).

The company adopted IFRIC 12 as of 1 January 2010 and reclassified these assets and the subsequent improvements as intangible assets (except for international transmission pipelines).

Starting with 01.01.2018, IFRS 15 "Revenues from the contracts with the clients" became applicable in Romania. This standard replaces a set of older standards (such as IAS 11, IAS 18) and changes IFRIC 12 giving a new interpretation to the contract notion. Therefore, our company registered the discounted receivables related to the regulated value remained undepreciated at the end of the concession agreement as a counterperformance and an intangible asset at a value diminished with the amount of the discounted receivables.

In accordance with Public Concession Law No. 238/2004, a royalty is due for public goods managed by companies other than state-owned. The royalty rate for using the gas transmission pipelines is set by the government. As of October 2007, the royalty was set at 10% of the revenue. The duration of the concession agreement is 30 years, until 2032.

Subsequent to entry into force of the provisions of art. 103 para. 2 of Law no. 123/2012, as of 12 November 2020, the royalty was set at 0.4%, from the domestic and international gas transmission services provided by the company.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Financial assets

The company classifies its financial assets into the following categories: measured at fair value through profit or loss, measured at depreciated cost and measured at fair value by other elements of the comprehensive income. Classification is made depending on the purpose for which the financial assets were acquired. The management sets the classification of these fixed assets upon initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are included in the current assets, except for those which have a maturity greater than 12 months after the end of the reporting period. These are classified as fixed assets. Loans and receivables of the company include 'trade receivables and other receivables' and cash and cash equivalent in the statement of the financial position (Notes 3.11 and 3.13). Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor on payment of compensation equal to the regulated value which was not depreciated fixed by ANRE. The company recognized for the investments made until the balance sheet date an updated receivable related to the regulated value remained undepreciated at the end of the concession agreement, at a counterperformance and an intangible asset at a value less the updated receivable. The discount rate used to calculate the present value of the debt is long-term government bonds, zero coupon, over a period close to the remainder of the concession agreement. The initial measurement of the compensation is made at the fair value which reflects the credit risk which applies to the regulated amount remaining unamortized at the end of the contract. Subsequent valuation is done at amortized cost using the effective interest method. The actual interest rate used is based on historical data and does not change according to market interest rate.

In 2019, ANRE Order no. 41/2019 on the adjustment of asset regulated value to the inflation rate. The company records the present value of the contractual cash flows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

(b) *Financial assets measured at fair value through the profit or loss account or measured at fair value by other elements of the comprehensive income*

IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at amortized cost, at fair value through other comprehensive income, at fair value through profit or loss. The classification on IFRS 9 is determined by the cash flow characteristics and the business model in which an asset is held. This unitary approach based on principles eliminates the classification of financial assets in IAS 39: held-to-maturity investments, loans and receivables, and available for sale financial assets. The new model will also determine the existence of a single depreciation model applicable to all financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upon initial recognition, an entity may make an irrevocable choice to present to other comprehensive income elements the subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor is it a recognized contingent consideration by an acquirer in a business combination to which IFRS 3 applies. In this case it will recognize the dividends from that investment in the income statement.

(c) *Impairment of financial assets*

At each reporting date, the company assesses whether there is objective evidence that a financial asset or group of financial assets suffered impairment. A financial asset or group of financial assets is impaired and impairment loss is incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss generating event') and if such event (or events) which generates loss has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or debtor;
- breach of contract, such as default or delinquency in interest or loan payment;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise have had in view;
- it is likely that the debtor will go bankrupt or enter another form of financial reorganization;
- disappearance of the active market for that financial asset because of financial difficulties; or
- observable data indicate that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for individual financial assets in the portfolio, including:
 - adverse changes in the payment status of debtors in the portfolio; and
 - economic conditions, at national or local level, that correlate with defaults, relating to the assets in the portfolio.

The company assesses first whether objective evidence of impairment exists.

(i) *Assets registered at amortized cost*

Impairment testing of trade receivables is described above.

For loans and receivables, the amount of the loss is measured as the difference between the book value of the asset and the updated value of estimated future cash flows (excluding future credit loss which was not incurred), discounted at the asset's original rate; the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. In practice, the company may measure impairment based on the fair value of an instrument using an observable market price.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the credit rating of the borrower), the reconsidered of impairment loss recognized previously in profit or loss.

(ii) Assets measured at cost

The share held at Eurotrangaz SRL is recognized at its fair value as of the date of trading, being evaluated, after the initial recognition, at cost according to Art.4.1.2 of IFRS 9 and Art.10.a-IAS 27-Separate Financial Statements:

‘When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IFRS 9 or using the equity method.’

In 2020 the company evaluated the stake held in Eurotrangaz SRL in order to identify any possible impairment losses. No impairments were found.

3.10. Inventories

Inventories are stated at the lower of cost and net achievable value.

The components recovered from disassemblings and repairs of pipelines built by the company are recorded as stocks at a value determined by a technical committee. The amount so determined does not exceed the net achievable value.

The cost is determined based on the first in, first out method. Where necessary, adjustment is made for obsolete and slow moving inventories. Individually identified obsolete inventories are adjusted for the full value or written off. For slow moving inventory, an estimate is made of the age of each main category on inventory rotation.

The calculation of the general adjustment for the depreciation of stocks is made monthly depending on the age of the existing items in stock, applying the following percentages according to age: 0 - 12 months 0%; 1 - 2 years 10%; 2 - 3 years 30% - 40%; over 3 years 75% - 80%.

The cost of natural gas used for the balancing activity related to the transmission system is determined based on the average weighted cost method.

The minimum gas stock that the company, as holder of the national natural gas transmission system operating license is required to have in underground storage facilities, is established by decision of the President of the National Energy Regulatory Authority. Decision no. 1773/16.10.2019 of the ANRE President provided that the company was obliged to have a minimum level of natural gas stock of 939.894,097 MWh on 31 October 2019, and Decision no. 588/08.04.2020 of the ANRE President established the obligation for the company to have a minimum level of natural gas stock of 560.724,517 MWh until 31 October 2020.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Trade receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If the collection period is one year or less (or in the normal operating cycle of the business), they are classified as current assets. If not, they are presented as fixed assets.

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, minus the adjustments for impairment.

The debt adjustment policy according to IFRS9 is presented in note 12.

3.12. Value Added Tax

The value added tax must be paid to tax authorities based on the monthly VAT declaration by the 25th of the following month, regardless of the collection of receivables from customers. Tax authorities allow the settlement of VAT on a net basis. If the deductible VAT is higher than the output VAT, the difference is refundable at the request of the company. That VAT can be refunded after a tax audit, or, even in its absence, if certain conditions are met. VAT on sales and purchases which are not settled at the end of the reporting period is recognized in the statement of financial position at net value and disclosed separately as a current asset or liability. In cases where adjustments were made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including the VAT. The related VAT must be paid to the state and can be recovered only in the event of debtor prescription, as a result of bankruptcy decision.

3.13. Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, cash in current accounts with banks, other short-term investments with high liquidity and with maturity terms of up to three months and overdrafts from banks. In the statement of financial position, overdraft facilities are registered at loans, under current liabilities.

3.14 Equity

Share capital

Ordinary shares are classified as equity.

Additional costs directly attributable to the issue of new shares or options are registered at equity as a deduction, net of tax, from the receipts.

Dividends

Dividends are recognized as liabilities and deducted from equity at the end of the reporting period if they are declared before or at the end of the reporting period. Dividends are recognized when they are proposed before the end of the reporting period, or when they were proposed or declared after the end of the reporting period but before the date the financial statements were approved for issue.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs recorded. Subsequently, borrowings are stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss during the borrowings, based on the effective interest method.

Borrowings are classified as current liabilities, unless the company has an unconditional right to defer payment of debt for no less than 12 months after the end of the reporting period.

3.16 Current and deferred profit tax

Tax expense for the period includes the current tax and the deferred tax and is recognized in profit or loss, unless it is recognized in other items of the comprehensive income or directly in equity because it relates to transactions that are, in turn, recognized in the same or in a different period, in other items of the comprehensive income or directly in equity.

Current profit tax expense is calculated based on the tax regulations in force at the end of the reporting period. The management periodically evaluates positions on tax returns regarding situations where the applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, based on the estimated amounts due to tax authorities.

The deferred profit tax is recognized based on the liability method, on temporary differences arising between the tax bases of assets and liabilities and their book values in the financial statements. However, the deferred profit tax arising from the initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction does not affect the accounting profit and the taxable revenue is not recognized. The deferred profit tax is determined based on tax rates (and legal regulations) in force until the end of the reporting period and which are expected to apply in the period in which the deferred profit tax asset is realized or the deferred profit tax liability is settled.

Deferred revenue tax assets are recognized to the extent that it is probable that future taxable profit be derived from temporary differences.

3.17 Commercial payables and other payables

Suppliers and other payables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method. Commercial payable accounts and other payables are closed as a result of the payment of debts, offsetting with receivables or their write-off through the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Deferred revenue

Deferred revenue is recorded for connection fees applied to customers upon their connection to the gas transmission network, for the objectives received free of charge and for grants collected.

The grants collected are assimilated to the governmental subsidies.

The governmental subsidies are acknowledged to their market value when there is a reasonable assurance that they will be received and that the relevant conditions will be met.

For the connection fees applied to the clients for their connection to the gas transmission network and to the facilities received free of charge, for the grants the company chose to record the total asset value and a deferred revenue.

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor on payment of compensation equal to the regulated value which was not depreciated fixed by ANRE. The company recognized for the investments made until the balance sheet date an updated receivable related to the remaining unamortised value at the end of the concession agreement at a counterperformance and an intangible asset at a value less the updated receivable.

3.19 Employee benefits

In the normal course of business, the company makes payments to the Romanian state on behalf of its employees, for health funds, pensions and unemployment benefits. All the company employees are members of the pension plan of the Romanian state, which is a fixed contribution plan. These costs are recognized in the profit and loss account with the recognition of salary expenses.

Benefits granted on retirement

Under the collective agreement, the company must pay the employees on retirement a compensatory amount equal to a certain number of gross salaries, depending on the time worked in the gas industry, working conditions etc. The company recorded a provision for such payments (see Note 21). The obligation recognized in the balance sheet represents the present value of the obligation at the balance sheet date. The obligation is calculated annually by independent experts

using the Projected Unit Credit Method. The present value is determined by discounting future cash flows with the interest rate of the long-term government bonds.

The current service cost is recognized in the profit and loss account in the employee costs. Interest expense is included in the profit and loss account in the financial costs.

Actuarial gain or loss due to changes in actuarial assumptions is recognized in the statement of comprehensive income in the period for which the actuarial calculation is made.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Social insurance

The company records expenses related to its employees, as a result of granting social insurance benefits. These amounts mainly include the implicit costs of employing workers and, therefore, are included in the salary expenses.

Profit sharing and bonuses

The company recognizes an obligation and expense for bonuses and profit sharing, based on a formula taking into account the profit attributable to the company's shareholders, after certain adjustments. The company recognizes an obligation where it is required under contract or where there is a past practice which created an implicit obligation.

3.20 Provisions for risks and charges

The provisions for risks and charges are recognized when the company has a legal or implicit obligation as a result of past events, when for the settlement of the obligation an outflow of resources is required, which incorporates economic benefits and for which a credible estimate can be made in terms of the obligation value. Where there are similar obligations, the probability for an outflow of resources to be necessary for settlement is set after the assessment of the obligation class as a whole.

The provision is recognized even if the probability of an outflow of resources related to any item included in any obligation class is reduced. Where the company expects the writing back to revenue of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is theoretically certain.

Provisions are measured at the discounted value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.21 Revenue recognition

Revenue covers the fair value of amounts received or receivable from the sale of services and/or goods in the normal course of business of the company. Revenue is recorded net of value added tax, returns, rebates and discounts.

The company recognizes the revenue when their amount can be estimated with certainty, when it is probable that the entity collects future economic benefits and when certain criteria are met for each of the company's activities as described below. The amount of revenue is not considered reliably estimated until all contingencies relating to the sale are settled. The company bases its estimates on historical results, taking into account the type of customer, type of transaction and the specifics of each commitment.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Revenue from services

Revenue from the domestic and international gas transmission results from the booking the transmission capacity and from the transmission through the NTS of the determined quantities of natural gas, expressed in units of energy, during the validity of a gas transmission contract, and are recognized at the moment of their delivery. During the administration of the transmission contracts, the TSO issues and submits to the NU, by day 15 of the month following the month for which the transmission service was provided: an invoice for the transmission services provided for the previous month, based on the final allocations; an invoice related to the final daily imbalances registered in the previous month; and an invoice exceeding of the capacity booked.

b) Revenue from the sale of goods

Revenue from the sale of goods is registered when the goods are delivered.

c) Interest revenue

Interest revenue is recognized proportionally, based on the effective interest method.

d) Revenue from dividends

Dividends are recognized when the right to receive payment is recognized.

e) Mutual compensation and barter transactions

A relatively reduced part of the sales and purchases are compensated by mutual agreements, barter or non-cash agreements. These transactions generally occur in the form of cancellation of balances, either bilaterally or through a chain involving several companies (see Note 28).

Sales and purchases that are intended to be offset by mutual agreements, barter or non-cash agreements are recognized based on management's estimates of their fair value to be received or disposed of in non-cash compensation. Fair value is determined based on the available market information.

Non-cash transactions were excluded from the cash flow statement, so investing activities, financing activities, and all operational activities represent current cash flows.

No barter transactions were performed in 2020 and in 2019.

f) Revenue from penalties

Revenue from penalties for late payment is recognized when future economic benefits are expected for the company.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

By the nature of the activities performed, the company is exposed to various risks, which include: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk. company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the company. The company does not use derivative financial instruments to protect itself from certain risk exposures.

(a) *Market risk*

(i) Currency risk

The company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets (Note 12) and recognized liabilities.

The company does not perform formal actions to minimize the currency risk related to its operations; the company does not apply hedge accounting. The management believes that the company is covered in terms of the currency risk, given that the foreign currency incoming payments (mainly revenue from international transmission) are used to settle liabilities denominated in foreign currency.

The following table shows the sensitivity of profit or loss and equity, to reasonably possible changes in exchange rates applied at the end of the reporting period of the functional currency of the company, with all variables held constant:

	<u>31 December 2020</u>	<u>31 December 2019</u>
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	123.351	125.419
USD depreciation by 10%	(123.351)	(125.419)
EUR appreciation by 10%	(26.462.323)	(36.331.510)
EUR depreciation by 10%	26.462.323	36.331.510

(ii) Price risk

The company is exposed to the commodity price risk related to gas purchased for own consumption. If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 3.325.834 on December 2020 (December 2019: lei 2.989.892).

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Interest rate risk on cash flow and fair value

The company is exposed to interest rate risk by its bank deposits and variable interest loans. The company did not conclude any commitment to diminish the risk. For the average exposure of the period, if the interest rates had been lower/higher by 50 basis points, with all the other variables maintained constant, the profit related to the period and equity would have been higher/lower by 7.556.613 (December 2019: lei 497.755 lower/higher) as a result of reducing the interest rate for variable interest loans and the interest rate on the bank deposits.

(b) *Credit risk*

Credit risk is especially related to cash and cash equivalents and trade receivables. The company drew up a number of policies, through their application ensuring that sales of products and services are made to proper customers. The book value of receivables, net of adjustments for doubtful debts, represents the maximum value exposed to credit risk. The company's credit risk is concentrated on the 5 main customers, which together account for 47% of the trade receivable balances on 31 December 2020 (31 December 2019: 47%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the adjustments already made. In the end on 2020 the company has available payment guarantees from its clients amounting to lei 204.839.304.

Cash is placed with financial institutions, which are considered as associated to a minimum performance risk.

	<u>30 December 2020</u>	<u>31 December 2019</u>
Without rating	1.565.253	1.183.999
BB+	129.210.884	61.134.709
BBB-	71.152.016	7.691.934
BBB+	73.331.714	240.441.135
A	136.721	137.355
AA-	<u>643.159</u>	<u>363.482</u>
	<u>276,039,747</u>	<u>310.952.614</u>

All the financial institutions are presented in the Fitch rating or equivalent.

(c) *Liquidity risk*

Preventive liquidity risk management involves keeping enough cash and funds available by a proper value of committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The company projects cash flows. The financial function of the company continually monitors the company's liquidity requirements to ensure that there is sufficient cash to meet operational requirements, while maintaining a sufficient level of unused borrowing facilities (Note 16) at any time, so the company does not violate the limits or loan agreements (where applicable) for any of its borrowing facilities. These projections take into account the company's debt financing plans, compliance with agreements, compliance with internal targets on the balance sheet indicators and, where appropriate, external regulations or legal provisions.

The Financial Division of the company invests extra cash in interest bearing current accounts and term deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide the appropriate framework, established under the provisions mentioned above.

The table below shows obligations on 31 December 2020 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

Maturity analysis of financial liabilities on 31 December 2020 is as follows:

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	1.783.112.184	102.130.515	801.654.534	879.327.136
Commercial payables and other payables	<u>340.396.992</u>	<u>323.914.552</u>	<u>16.482.440</u>	<u>-</u>
	<u>2.123.509.176</u>	<u>426.045.067</u>	<u>818.136.974</u>	<u>879.327.136</u>

Maturity analysis of financial liabilities on 31 December 2019 is as follows:

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>over 5 years</u>
Loans	733.796.269	12.395.649	181.382.883	540.017.737
Commercial payables and other payables	<u>311.146.989</u>	<u>257.868.151</u>	<u>53.278.838</u>	<u>-</u>
	<u>1.044.943.258</u>	<u>270.263.800</u>	<u>234.661.721</u>	<u>540.017.737</u>

Commercial payables and other payables include trade payables, suppliers of fixed assets, dividends payable, payables and other payables (see Note 19) and are not included: payables generated as a result of the legal provisions imposed by the authorities, payables to the employees and advance registered revenue.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments categories:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Financial assets		
Cash and cash equivalents	95.394.681	297.906.921
Term bank deposits	180.779.589	13.231.240
Loans and receivables	2.025.294.235	1.205.939.118
Financial assets - stakes	308.851.085	240.773.955
Provisions related to financial assets - stakes	<u>(24.578.237)</u>	<u>(24.887.146)</u>
	<u>2.585.741.353</u>	<u>1.732.964.088</u>
	<u>31 December 2020</u>	<u>31 December 2019</u>
Financial liabilities		
Debts evaluated to amortised cost		
Loans	1.607.676.689	663.930.000
Liabilities evaluated at fair value		
Financial securities for contracts	19.125.114	75.006.895
Commercial liabilities and other liabilities	<u>304.789.438</u>	<u>182.861.256</u>
	<u>1.931.591.241</u>	<u>921.798.151</u>

In the category including loans and liabilities, the liabilities related to employees and payables registered in advance are not included.

Capital risk management

The company's objectives related to capital management refer to keeping the company's capacity to continue its activity to provide compensation to shareholders and benefits to the other stakeholders and to maintain an optimal structure of the capital, as to reduce capital expenditure. There are no capital requirements imposed from outside.

As for the other companies in this sector, the company monitors the capital based on the indebtedness degree. This coefficient is calculated as net debt divided by total capital. The net debt is calculated as total borrowings (including `current and long-term borrowings`, according to the statement of financial position), except for cash and cash equivalent. The total capital is calculated as `equity`, according to the statement of the financial position, plus the net debt.

In 2020 the company's strategy, unchanged since 2019, is to keep the indebtedness degree as low as possible, to keep a significant capacity to borrow funds for future investments. The net indebtedness degree on 30 June 2020 and on 31 December 2019 is reflected in the table below:

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

	<u>31 December 2020</u>	<u>31 December 2019</u>
Total borrowings	1.607.676.689	663.930.000
Except: cash and cash equivalents (Note 13)	<u>(276.174.270)</u>	<u>(311.138.161)</u>
Net cash position	<u>1.331.502.419</u>	<u>352.791.839</u>

Fair value estimate

The fair value of the financial instruments traded on an active market is based on market prices quoted at the end of the reporting period. The fair value of the financial instruments that are not traded on an active market is set using valuation techniques.

It is considered that the book value less the impairment adjustment of trade receivables and payables approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows using the current market interest rate available to the company for similar financial instruments.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Critical accounting estimates and assumptions

The company develops estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including predictions of future events considered reasonable under certain circumstances.

The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and assumptions that have a significant risk of causing an important material adjustment to the book value of assets and liabilities within the next financial year are presented below.

5.1 Assumptions for the determination of the provision for retirement benefits

This provision was calculated based on estimates of the average wage, the average number of employees and the average number of wage payment at retirement, as well as based on the benefits payment scheme. The provision was brought to the present value by applying a discount factor calculated based on the risk-free interest rate (i.e. interest rate on government bonds).

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

The present value of the obligations at 31 December 2020 is of lei 121.509.096 (on 31 December 2019: 121.712.041 lei) (Note 21).

The presentation of the current value for the 2019 depending on the following variables:

	<u>31 December 2020</u>
Inflation rate +1%	137.780.682
Inflation rate -1%	107.470.989
Investment return +10%	117.004.460
Investment return -10%	126.343.862

Analysis of the maturity of benefits payments:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Up to one year	3.198.877	1.853.432
Between 1 and 2 years	2.376.495	3.391.582
Between 2 and 5 years	9.156.180	8.555.516
Between 5 and 10 years	63.538.232	46.416.350

5.2 The accounting treatment of the concession agreement

As indicated in Note 8, in May 2002 the company concluded a Concession Agreement with the National Agency for Mineral Resources (`ANRM`), which entitles the company to use the main pipelines of the national gas transmission system for a period of 30 years. Before concluding this agreement, the pipelines were managed by the company according to Public Domain Law No. 213/1998, Government Decision (`GD`) No. 491/1998 and GD No. 334 of 2000 by which the company was established. According to the provisions of this agreement, the company receives most of benefits associated to assets and is exposed to most of the risks. Therefore, the company recognized these assets in the statement of the financial position, with an appropriate reserve in equity.

Regarding the already existing infrastructure on the date of signing the Concession Agreement, given that the company has no payment obligations at the time of terminating the Concession Agreement (but only obligations on maintenance and modernization, investments in new pipelines), the company's management considered that it is, in substance, an equity component, defined as the residual interest in the company's assets after the deduction of all debts. In addition, because the company and its predecessor, SNGN Romgaz SA, were controlled by the Romanian state, the publication of Public Patrimony Law (i.e. loss of property) and the reorganization of SNGN Romgaz SA into 5 companies can be treated as transactions with shareholders, in its capacity of shareholder, which supports the recognition of transactions in equity. As of 2010, the company applied IFRIC 12 (Note 3.5).

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

5.3 The accounting treatment of royalties payable for using the national gas transmission system

As indicated in Note 8, the company pays royalties, calculated as percentage of the gross revenue achieved from the operation of pipelines of the national gas transmission system. These costs were recognized as expenses, rather than deduction from revenue, because they are not of the nature of taxes collected from customers and sent to the state, given the nature of activity and the regulatory framework:

- the company's revenue is based on tariffs approved by another regulator than the one setting the level of royalties;
- expense with royalties is an item taken into consideration at the calculation of the transmission tariff;

According to ANRE Order no.18/ 2019, as the holder of the operating license of the national natural gas transmission system issued by ANRE, in 2019 the company had the obligation to pay ANRE an annual contribution equal to 2% of the turnover achieved from the activities which are the subject of the licenses granted and as of 1 January 2020, according to ANRE Order no. 1/2020, the company has the obligation to pay annually to ANRE a tariff amounting to 0.062 lei MWh applied to the quantity of natural gas transmitted for carrying out activities in the natural gas sector based on a license.

5.4 Long-term receivables

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor in exchange for the payment of a compensation equal to the unamortized regulated value set by ANRE.

The company believes that the legislative change represents a compensation for the value of the investments made, which the company will not recover through the tariff, implicitly the value of the intangible asset not recovered through the tariff, recognized for the right to charge users.

From 01.01.2018, IFRS 15 Revenue from Contracts with Customers became applicable in Romania. This standard replaces some older standards (such as IAS 11, IAS 18) and amends IFRIC 12 by introducing new interpretations to the notion of a contract. As a result, the company applies the bifurcated model registering the updated receivable related to the regulated amount remaining unamortized at the end of the concession agreement as a financial asset the intangible asset will be presented in the financial statements by the residual method resulted less the value of the construction works, achieved at fair value with the amount of the updated long term receivable (compensation) upon the commissioning of the investment.

The present value was determined for the remaining period of the concession contract (the year 2032), because it is estimated that it will not be terminated before the expiration date (see Note 3.9 (a)).

In 2019 ANRE Order no. 41/2019 on the adjustment of the regulated value of the assets at the inflation rate entered into force. The company records the present value of the contractual cashflows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS

Reporting segments are set according to the nature of the activities conducted by the company: the regulated activity, the unregulated activity and other activities. As transmission system operator, the company reported annually to the National Regulatory Authority on the activity performed on the four reporting segments.

The segment information provided to the Board of Administration, which makes strategic decisions for reportable segments, for the period ended 31 December 2020 is:

	<u>Domestic gas transmission</u>	<u>International gas transmission</u>	<u>Balancing</u>	<u>Unallocated</u>	<u>Total</u>
Revenue from domestic transmission	1.150.464.877	-	-	-	1.150.464.877
Revenue from international transmission	-	114.222.513	-	-	114.222.513
Other revenue	40.792.293	-	-	28.024.145	68.816.438
Operating revenue before the balancing and the construction activity according to IFRIC12	<u>1.191.257.170</u>	<u>114.222.513</u>	-	<u>28.024.145</u>	<u>1.333.503.828</u>
Depreciation	(210.753.927)	(32.832.755)	-	(3.421.838)	(247.008.520)
Operating expenses other than depreciation	<u>(873.080.040)</u>	<u>(30.433.535)</u>	-	<u>(15.313.501)</u>	<u>(918.827.076)</u>
Profit from operation before the balancing and construction activity according to IFRIC12	107.423.203	50.956.223	-	9.288.806	167.668.232
Revenue from the balancing activity	-	-	199.239.242	-	199.239.242
Cost of balancing gas	-	-	(199.239.242)	-	(199.239.242)
Revenue from the construction activity according to IFRIC12	-	-	-	1.587.548.396	1.587.548.396
Cost of constructed assets according to IFRIC12	-	-	-	(1.587.548.396)	(1.587.548.396)
Operating profit	107.423.203	50.956.223	-	9.288.806	167.668.232
Net financial gain					41.509.848
Profit before tax					209.178.080
Profit tax					(34.177.316)
Net profit					175.000.764
Assets on segments	6.055.456.830	279.152.072	195.837.082	617.388.579	7.147.834.563
Liabilities on segments	3.328.503.170	4.163.151	28.904.878	4.121.634	3.365.692.833
Capital expenditure - increases in assets in progress	1.685.352.244	165.633	-	618.639	1.686.136.516
Non-cash expenses other than depreciation	69.618.015	2.630.286	-	520.505	72.768.806

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

Assets shown for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. Assets shown for the balancing segment comprise mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

Unallocated assets include:

Tangible and intangible assets	32.287.788
The right of use of the leased assets	19.192.069
Financial assets	284.272.848
Cash	276.174.270
Deferred tax	5.322.418
Other assets	<u>139.186</u>
	617.388.579

Unallocated liabilities include:

Dividends payable	2.710.686
Other debts	<u>1.410.948</u>
	4.121.634

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the write-down of inventories, other provisions for risks.

International transmission services are performed for several foreign clients, while the domestic transmission activity is performed for several domestic clients.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from the domestic transmission	1.133.243.470	17.221.407	1.150.464.877
Revenue from international transmission		114.222.513	114.222.513
Other revenue	<u>67.890.424</u>	<u>926.014</u>	<u>68.816.438</u>
	1.201.133.894	132.369.934	1.333.503.828

Domestic clients with over 10% of the total revenue include:

Percentage of the total revenue

OMV PETROM S.A..	16%
ENGIE ROMANIA S.A.	15%
SNGN ROMGAZ S.A.	11%

All company's assets are located in Romania. All company's activities are carried out in Romania.

The company has external receivables amounting to lei 11.637.282 (31 December 2019: lei 22.635.726).

The *domestic gas transmission* segment includes information related to the activity of domestic gas transmission, which is regulated by the National Regulatory Authority as well as the operating and financial revenue related to the claims for the regulated value of the regulated asset base remained undepreciated at the end of the Concession Agreement; the *international gas transmission* segment includes information related to the activity of pipeline gas transmission without the transshipment of the Romanian territory, of which the activity performed through Isaccea 3 – Negru Vodă 3 pipeline is not regulated, the related tariffs being set on commercial bases by negotiation between the parties; the *balancing* segment includes expenses and revenue related to the national transmission system balancing activity developed starting with 1 December 2015, neutral in financial terms, any profit or loss from this activity will be distributed to clients for whom domestic transmission services are provided; the *unallocated* segment includes activities with a low share in the company's revenue such as sales of assets, rents, royalties.

The information on segments provided to the Board of Administration, who makes strategic decisions for the reporting segments, related to the financial year ended 31 December 2019, is as follows:

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

	Domestic gas transmission	International gas transmission	Balancing	Unallocated	Total
Revenue from					
domestic transmission	1.192.597.737	-	-	-	1.192.597.737
Revenue from international transmission	-	327.696.392	-	-	327.696.392
Other revenue	21.800.936	-	-	34.571.965	56.372.901
Operating revenue before the balancing and the construction activity according to IFRIC12	<u>1.214.398.673</u>	<u>327.696.392</u>	=	<u>34.571.965</u>	<u>1.576.667.030</u>
Depreciation	(155.537.705)	(32.526.688)	-	(5.558.089)	(193.622.482)
Operating expense other than depreciation	<u>(882.272.506)</u>	<u>(60.509.135)</u>	=	<u>(92.295.303)</u>	<u>(1.035.076.944)</u>
Profit from operation before the balancing activity according to IFRIC12	176.588.462	234.660.569	-	(63.281.427)	347.967.604
Revenue from the balancing activity	-	-	324.687.807	-	324.687.807
Cost of balancing gas	-	-	(324.687.807)	-	(324.687.807)
Revenue from the construction activity according to IFRIC12	-	-	-	868.356.796	868.356.796
Cost of constructed assets according to IFRIC12	-	-	-	(868.356.796)	(868.356.796)
Profit from operation	<u>176.588.462</u>	<u>234.660.569</u>	=	<u>(63.281.427)</u>	<u>347.967.604</u>
Net financial gain	-	-	-	-	71.133.976
Profit before tax					419.101.580
Profit tax					<u>(70.842.564)</u>
Net profit					348.259.016
Assets on segments	4.658.396.249	322.200.917	193.537.441	595.033.688	5.769.168.295
Liabilities on segments	1.889.897.551	19.136.500	64.937.857	13.256.000	1.987.227.908
Capital expenditure - increases in assets in progress	938.315.311	2.056	-	47.131	938.364.498
Non-cash expenses other than depreciation	139.384.077	3.811.365	-	1.374.073	144.569.515

Assets indicated for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. The presented assets for the balancing segment are mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

Unallocated assets include:

Tangible and intangible assets	33.000.271
Right of use of leased assets	9.359.179
Financial assets	215.886.809
Cash	311.138.161
Other assets	<u>25.649.268</u>
	595.033.688

Unallocated liabilities include:

Deferred tax	7.860.382
Dividends payable	4.436.759
Other debts	<u>958.859</u>
	13.256.000

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the expense with the write-down of inventories, other provisions for risks.

International transmission services are provided for several foreign customers, while the domestic transmission activity is performed for several domestic customers.

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from domestic transmission	1.135.092.073	57.505.664	1.192.597.737
Revenue from international transmission	335.328	327.361.064	327.696.392
Other revenue	<u>55.194.059</u>	<u>1.178.842</u>	<u>56.372.901</u>
	1.190.621.460	386.045.570	1.576.667.030

Domestic clients with over 10% of the total revenue include:

Percentage of the total revenue

ENGIE ROMANIA S.A.	15%
SNGN ROMGAZ S.A.	11%
OMV PETROM S.A.	12%

All the company's assets are located in Romania. All the company's activities are carried out in Romania.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

7. TANGIBLE ASSETS

	<u>Lands and buildings</u>	<u>Transmission system assets</u>	<u>Other fixed assets</u>	<u>Assets in progress</u>	<u>Total</u>
On 31 December 2019					
Cost on 1 January 2019	280.188.081	957.069.630	278.280.052	5.278.644	1.520.816.407
Depreciation accumulated	(153.962.398)	(636.565.831)	(215.368.858)	-	(1.005.897.087)
Adjustments for impairment	-	-	-	(1.656.183)	(1.656.183)
Initial net book value	<u>126.225.683</u>	<u>320.503.799</u>	<u>62.911.194</u>	<u>3.622.461</u>	<u>513.263.137</u>
Inflows	-	-	-	22.806.350	22.806.350
Reclassifications	1.178.503	-	27.885	-	1.206.388
Transfers	796.176	-	18.226.794	(19.022.970)	-
Outflow (net value)	(5.334)	(302)	(40.445)	-	(46.081)
Expense with depreciation	(6.681.147)	(30.809.468)	(23.333.363)	-	(60.823.978)
Final net book value	<u>121.513.881</u>	<u>289.694.029</u>	<u>57.792.065</u>	<u>7.405.841</u>	<u>476.405.816</u>
On 31 December 2020					
Cost	282.132.936	957.068.832	289.379.956	9.062.024	1.537.643.748
Accumulated depreciation	(160.619.055)	(667.374.803)	(231.587.891)	-	(1.059.581.749)
Adjustments for impairment	-	-	-	(1.656.183)	(1.656.183)
Final net book value	<u>121.513.881</u>	<u>289.694.029</u>	<u>57.792.065</u>	<u>7.405.841</u>	<u>476.405.816</u>
On 31 December 2020					
Initial net book value	<u>121.513.881</u>	<u>289.694.029</u>	<u>57.792.065</u>	<u>7.405.841</u>	<u>476.405.816</u>
Inflows	-	-	-	41.689.904	41.689.904
Reclassification	(7.179.646)	-	-	-	(7.179.646)
Transfers	8.992.172	4.673.800	26.365.653	(40.031.625)	-
Outflow (net value)	(52.065)	-	(17.338)	-	(69.402)
Expense with depreciation	(6.118.890)	(30.762.377)	(24.247.533)	-	(61.128.800)
Final net book value	<u>117.155.452</u>	<u>263.605.452</u>	<u>59.892.847</u>	<u>9.064.120</u>	<u>449.717.871</u>
Cost	283.683.016	961.742.372	306.625.921	10.720.302	1.562.771.611
Accumulated depreciation	(166.527.564)	(698.136.920)	(246.733.074)	-	(1.111.397.558)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Final net book value	<u>117.155.452</u>	<u>263.605.452</u>	<u>59.892.847</u>	<u>9.064.120</u>	<u>449.717.871</u>

The gross book value of the fully depreciated assets, still used, is lei 309.479.594 (31 December 2019: lei 292.791.713).

On 31 December 2020 no advances granted for the procurement of tangible assets are registered (lei 366.000 on 31 December 2019 and presented in the ongoing assets).

Regarding the assets developed by the company, which are complementary to the provision of services according to the concession agreement, the State has the option to acquire these assets at the end of the concession agreement. The company does not have the obligation to keep these assets until the end of the concession agreement and it is allowed to sell them. These assets do not fall within the scope of IFRIC 12. All the other assets related to the domestic transmission activity and which are part of the national gas transmission system, including improvements made after signing the concession agreement and which must be handed over to the ANRM at the end of the concession agreement fall within the scope of IFRIC 12.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

7. TANGIBLE ASSETS (CONTINUED)

The assets used for the provision of the international transmission services through the Isaccea 2 - Negru Vodă 2 and Isaccea 3 – Negru Vodă 3 pipelines do not fall within the scope of IFRIC 12.

The company does not depreciate the tangible assets approved for discarding.

8. SERVICE CONCESSION AGREEMENT

In May 2002, the company concluded a Service Concession Agreement (`SCA`) with the ANRM, which entitles the company to operate the main pipelines of the national gas transmission system for a period of 30 years. Before concluding this agreement, the pipelines were managed by the company according to Public Domain Law No. 213/1998, GD No. 491/1998 and GD No. 334/2000 by which the company was established. All modernizations and improvements made by the company to the system are considered part of the system and become property of the ANRM at the end of their useful life. The company cannot sell or discard any asset part of the national transmission system; withdrawals can only be made with the approval of the state.

At the expiration of the agreement, the assets belonging to the public domain, existing upon signing the agreement and all investments made in the system will be returned to the State. The company owns and will develop other assets that are not directly part of the national gas transmission system, but are complementary assets for gas transmission operations. The ANRM has the option to buy these assets at the end of the concession agreement, at the fair value.

The main terms of the Concession Agreement are the following:

- The company is entitled to operate directly the assets subject to the concession agreement and to apply and collect tariffs for domestic and international transmission from clients in exchange for services provided; the company is the only entity authorized to operate the pipelines of the national gas transmission system, no sub-concession being allowed;
- Any change of tariffs must be proposed by the company and then approved by the ANRE;
- The company is exempt from the payment of import duties for the assets acquired for operation, improvement or development of the system;
- The company must annually publish by 30 October the available capacity of the system for the following year;
- The company must annually respond to the clients' orders by 30 November and the ANRM must be informed on all rejected orders decided by the company's management;
- The company must keep a specific level of functioning (guaranteed through a mandatory minimum investment programme);

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

8. SERVICE CONCESSION AGREEMENT (CONTINUED)

- royalties are paid as percentage (by 30 September 2007: 5%, between October 2007 and 11 November 2020: 10% as of 12 November 2020: 0,4%) of the gross revenue from the operation of the national transmission system (domestic and international transmission);
- all operating expenses for operating the system are incurred by the company;
- The company may cancel the agreement by notifying the ANRM 12 months in advance;
- The ANRM may cancel the agreement by a 6-month prior notice, if the company fails to comply with the contractual conditions; it also has the option to cancel the agreement with a 30-day prior notice for 'national interest' reasons; in this case, the company will receive compensation equal to the average net profit of the past 5 years multiplied by the remaining duration of the agreement.

The Concession Agreement does not include an automatic renewal clause.

The terms of the Concession Agreement were not amended after June 2003, except for the approval of the minimum investment plans.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

9. INTANGIBLE ASSETS

	Assets related to the ACS	Information programmes	Intangible assets in progress	Total
On 31 december 2019				
Cost on 1 January 2019	6.157.978.033	54.061.094	521.560.905	6.733.600.032
Accumulated depreciation	(3.944.317.080)	(49.919.119)	-	(3.994.236.199)
Adjustments for impairment	-	-	(7.014.250)	(7.014.250)
Concession Agreement receivables	(551.741.263)	-	-	(551.741.263)
Concession Agreement receivable depreciation	<u>121.196.619</u>	<u>-</u>	<u>-</u>	<u>121.196.619</u>
Net book value	1.783.116.309	4.141.975	514.546.655	2.301.804.939
Inflow	-	-	915.558.148	915.558.148
Reclassifications	(1.206.388)	-	(590)	(1.206.978)
Transfers	36.264.864	2.111.363	(38.376.227)	-
Outflow	-	-	-	-
Depreciation	(164.137.743)	(2.569.089)	-	(166.706.832)
Adjustment for impairment	-	-	(2.128.527)	(2.128.527)
Concession Agreement receivables	(21.872.728)	-	-	(21.872.728)
Concession Agreement receivable depreciation	<u>33.108.049</u>	<u>-</u>	<u>-</u>	<u>33.108.049</u>
Final net book value	1.665.272.363	3.684.249	1.389.599.459	3.058.556.071
Cost	6.193.036.508	56.172.457	1.398.742.236	7.647.951.201
Accumulated depreciation	(4.108.454.822)	(52.488.208)	-	(4.160.943.030)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(573.613.990)	-	-	(573.613.990)
Concession Agreement receivable depreciation	<u>154.304.667</u>	<u>-</u>	<u>-</u>	<u>154.304.667</u>
Net book value	1.665.272.363	3.684.249	1.389.599.459	3.058.556.071
On 31 December 2020				
Initial net book value	1.665.272.363	3.684.249	1.389.599.459	3.058.556.071
Inflow	-	-	1.637.034.902	1.637.034.902
Reclassifications	7.179.646	-	-	7.179.646
Transfers	1.971.010.381	2.316.198	(1.973.326.579)	-
Outflow	(2.245)	-	-	(2.245)
Depreciation	(228.783.590)	(2.603.793)	-	(231.387.383)
Concession Agreement receivables	(585.582.081)	-	-	(585.582.081)
Concession Agreement receivable depreciation	<u>45.863.492</u>	<u>-</u>	<u>-</u>	<u>45.863.492</u>
Final net book value	2.874.957.966	3.396.654	1.053.307.782	3.931.662.402
Cost	8.171.222.202	58.488.655	1.062.450.559	9.292.161.416
Accumulated depreciation	(4.337.236.324)	(55.092.001)	-	(4.392.328.325)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.159.196.071)	-	-	(1.159.196.071)
Concession Agreement receivable depreciation	<u>200.168.159</u>	<u>-</u>	<u>-</u>	<u>200.168.159</u>
Net book value	2.874.957.966	3.396.654	1.053.307.782	3.931.662.402

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

9. INTANGIBLE ASSETS (CONTINUED)

The minimum NTS gas quantity required to ensure the pressures and flow rates for the end consumers under the contractual conditions (NTS linepack) is recognized in the value of the right to use, as an intangible asset. On 31 December 2020 the NTS linepack is of 689.357 MWh and amounts to lei 56.389.212. On 31 December 2019 the NTS linepack was 398.504 MWh and amounted to lei 28.997.944.

In 2020, the company capitalized depreciation expenses of 2.646.453 and interest expense amounting to lei 16.332.693 (in 2019 the company capitalized depreciation expenses of lei 3,695,598, and interest expenses amounting to lei 4,382.216).

On 31 December 2020 the advances granted for the procurement of national gas transmission system development works in the amount of lei 99.594.303 are presented in the intangible assets in progress (lei 42.259.826 on 31 December 2019).

On 31 December 2020, the advance payments in the amount of 26.794.807 recognized as trade receivables and other receivables in December 2019, are presented at the current intangible assets.

The remaining life of the intangible assets is presented in Note 3.5 and Note 3.8.

The rights of use of the leased assets (IFRS 16)

As of 1 January 2019 the company applies IFRS 16 for the leasing contracts complying with the recognition criteria and recognized the intangible asset as a right of use related to the leasing contract:

	<u>Leases according to IFRS16</u>
Cost on 1 January 2020	12.254.498
Accumulated depreciation	(2.895.319)
<u>Net book value</u>	<u>9.359.179</u>
Inflow	14.596.522
Outflow	(453.974)
Depreciation	(4.309.658)
Final net book value on 31 December 2020	<u>19.192.069</u>

Detailed information on IFRS 16 as at 31 December 2020:

	31 December 2020	Of which related to the class of low value assets-Forestry conventions
Value as use (DU)	26.397.047	11.824.197
Depreciation related to DU	7.204.978	1.746.588
DU interest	1.213.101	861.679
Debt regarding DU	19.834.45	10.440.891
From which		
Short term	3.352.014	735.198
Long term	16.482.440	9.705.693

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

9. INTANGIBLE ASSETS (CONTINUED)

Debt according to IFRS 16 is presented in the balance sheet at long-term and short-term trade payables.

In 2020, the company chose to recognize a class of support assets with a cumulative value of more than \$ 5,000 - forestry conventions.

The impact of the recognition of this intangible asset on 2019:

	31 December 2019
The value of the right of use	11.824.197
The value related to depreciation in 2019	870.275
The value related to the interest for 2019	442.701

Expenses related to forestry conventions qualifies for capitalization and has no tax impact.

In 2020, depreciation expenses amounting to lei 657,500 and interest amounting to 310,805 lei were capitalized.

The value of the expenses related to low value contracts of to the ones lasting less than one year for which no right of use was recognized according to IFRS 16: lei 453.510 of which less than one-year lei 42.682, more than one year and low value lei 370.832 and other rents lei 39.996.

10. FINANCIAL ASSETS

Financial assets consist of unlisted stakes in the following companies:

<u>company</u>	<u>Activity</u>	<u>Percentage</u>	<u>Percentage</u>	<u>31 December</u>	<u>31 December</u>
		<u>owned</u>	<u>owned</u>	<u>2020</u>	<u>2019</u>
Resial SA	Production	68,16	68,16	18.116.501	18.116.501
	Gas production				
Mebis SA	distribution and supply	17,47	17,47	6.461.736	6.461.736
Phaedra's SHA	Gas transmission	-	33,33	-	308.909
Eurotransgaz	Gas transmission	100	100	284.272.848	215.886.809
Minus adjustments for impairment of investments in:					
Resial SA, Mebis SA and Phaedra's SHA				(24.578.237)	(24.887.146)
				<u>284.272.848</u>	<u>215.886.809</u>

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

10. FINANCIAL ASSETS (CONTINUED)

Shares in Resial SA

Shares owned in Resial SA were obtained in December 2003, as a result of a procedure for the recovery of claims due from a client. Resial SA went into liquidation in 2006; the procedure is carried out by a bailiff appointed by the court and is outside the control of the company, which is why the stake is not consolidated and is recorded at cost less the adjustment for impairment amounting to 100% of the cost. The loan granted to Resial SA is also fully adjusted. The management does not expect the company to recover any amount of this stake and the company does not guarantee any type of residual obligations for Resial SA.

Shares in Mebis SA

Shares owned in Mebis SA were obtained in February 2004, as a result of a procedure for the recovery of claims due from a client. Mebis SA is in the liquidation procedure, which is why the stake in Mebis SA was fully adjusted. The company has no obligations to Mebis SA.

Participation in the Limited liability company Eurotransgaz Ltd.

By EGMS Resolution 10/12.12.2017 the establishment of the company EUROTRANSGAZ Ltd. on the territory of the Republic of Moldova was approved for the successful participation in the privatization of the State Enterprise Vestmoldtransgaz. In 2018, Transgaz participated in the increase of Eurotransgaz's share capital to ensure the financial sources necessary for the procurement of the State Enterprise Vestmoldtransgaz.

In 2018 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of 9.735.000 euro for the operation and ensuring the financial sources necessary for the procurement of the State Enterprise Vestmoldtransgaz.

In 2019 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of 31.467.089 euro and 83.471.503 Moldavian lei for the operation and ensuring the financial sources necessary for the performance of the investment program of the State Enterprise Vestmoldtransgaz.

In 2020 Transgaz participated in the increase of the share capital of EUROTRANSGAZ by the amount of EUR 14.236.983 in order to operate and to ensure the financial sources necessary to carry out the investment program of the State Enterprise Vestmoldtransgaz.

The equity securities held at Eurotransgaz S.R.L represent a capital investment recognized according to IFRS 9, at the date of the transaction being measured at its fair value at the date of the transaction, being assessed, after the initial recognition, at the cost.

Participation in Phaedra's SHA

The consortium consisting in Reganosa, Transgaz and EBRD submitted a tender for the participation in the second round of the privatization of a 66% stake of the company DESFA, the Greek operator of the gas transmission network. The consortium did not win the tender for the procurement of DESFA. The company sold its share in Phaedra's SHA. On 31.12.2020, Transgaz does not hold a share in Phaedra's SHA. As at 31.12.2020 it does not hold a stake in Phaedra SHA and it decreased the depreciation adjustments made in the previous years by 100% of the stake value.

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(expressed in lei, unless otherwise stated)

10. FINANCIAL ASSETS (CONTINUED)

In case of the financial assets held by Transgaz, i.e. Mebis SA and Resial SA, the application of IFRS 9 has no impact whatsoever, as such assets are measured at the fair value by the profit and loss account and 100% impairment adjustments were established.

11. INVENTORIES

	<u>31 December 2020</u>	<u>31 December 2019</u>
Gas inventories	67.870.158	83.752.821
Gas for technological consumption	21.728.153	39.924.352
Spare parts and materials	69.149.208	77.127.360
Materials in custody at third parties	60.851.179	316.599.072
Adjustments for write-down of inventories	(28.537.680)	<u>(29.369.960)</u>
	<u>191.061.018</u>	<u>488.033.645</u>

ANRE Order 160/2015 sets the obligations of Transgaz, as the transmission system operator, regarding the balancing of the national transmission system.

Within the materials in custody to third parties inventories are included in the amount of lei 25.490.142 procured by the company for the achievement of the BRUA Phase I project and 25.416.561 lei for the project *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova*.

Movements in the adjustments account are analysed below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Adjustment on 1 January	29.369.960	28.762.730
(Revenue)/expense with adjustment for write-down of inventories (Note 23)	<u>(832.280)</u>	<u>607.230</u>
Adjustment at the end of the period	<u>28.537.680</u>	<u>29.369.960</u>

In 2020 adjustments for write-down of inventories were established according to Note 3.10.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES

	<u>31 December 2020</u>	<u>31 December 2019</u>
Trade receivables	667.303.149	698.747.784
Advance payments to suppliers for goods and services	114.250	89.161.237
Loan to Resial SA (Note 27)	1.770.346	1.770.346
Receivable related to the unamortized regulated value at the end of the concession agreement	1.364.268.828	723.921.414
Non-refundable loans as subsidies	234.652.532	3.127.035
Other receivables	229.263.509	132.971.050
Adjustment of impairment of trade receivables	(453.599.959)	(407.023.748)
Adjustment of impairment of other receivables	(53.340.988)	(32.886.504)
	<u>1.990.431.667</u>	<u>1.209.788.614</u>

The company challenged administratively the tax decision on additional tax payment obligations in the amount of lei 25,409,833 issued in 2016 by ANAF consisting of revenue tax, VAT, penalties and late payments, and set up an adjustment. The company paid the amounts mentioned in the tax decision in order to be able to carry out the activities in the directions set by the management and to facilitate the financing of future projects.

In 2020, the Company administratively challenged the tax decision regarding additional fiscal payment obligations amounting to lei 7,462,671 issued by ANAF in 2020 consisting of profit tax and VAT and constituted an adjustment.

As per 31 December 2020, the Company registers VAT to be reimbursed in the amount of lei 109,814,918, which is presented in Other receivables (31 December 2019: lei 61,612,362).

The advance payments granted to the company in the context of the contractual relationships are guaranteed by the suppliers by letters of bank guarantee.

On 31 December 2020, the amount of lei 195.182.480 (31 December 2019: lei 25.442.815) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 1% in USD (31 December 2019: 5%) and 99% in EUR (31 December 2019: 95%).

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to lei 29.334.109 according to IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Commercial receivables analysis according to IFRS9 is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Current and unamortized		
Transit receivables	8.498.496	21.230.996
Doubtful or insolvency receivables	164.471.856	183.501.584
Affiliated party receivables	295.961.144	224.451.479
Other trade receivables	198.371.653	269.563.725
Total receivables	667.303.149	698.747.784
Amortization		
Transit receivables	-	-
Doubtful or insolvency receivables	164.468.159	182.858.709
Affiliated party receivables	196.531.429	172.569.149
Other trade receivables	92.600.371	51.595.890
Total amortization	453.599.959	407.023.748
Total trade receivables net of provision	213.703.190	291.724.036

IFRS 9 introduces a new model for forecasting impairment loss based on the estimated loss. This model entails the anticipated recognition of the loss from receivables impairment. The standard provides for the fact that the entities register the anticipated loss by receivables impairment from the moment of the financial instrument initial recognition and recognize the anticipated loss from the impairment over their entire life. The value of the anticipated loss will be discounted for each reporting period so that it reflects the credit risk changes as opposed to the initial recognition.

The value of the fully adjusted receivables as of December 31, 2020 is lei 196,167,798.

For the application of IFRS 9 on the held receivables, based on a loss estimation model, the clients categories were reconsidered starting from the IFRS 9 principle for the anticipation of a non-cashing in risk related to the current receivables.

To estimate the trade receivables non-collection risk, a non-collection rate based on risk categories was applied as follows:

- international transmission receivables - receivables with no risk of on-time collection ;
- doubtful or contested other than affiliated parties receivables - receivables with high risk of non-collection that are subject to certain court actions. Impairment adjustments of 100% of the receivables amount are calculated;

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

- affiliated parties receivables - risk-free receivables are provisioned by seniority instalments, i.e. within the range 31-60 a 10% percentage, 61-90 a 20% percentage, 91-120 a 30% percentage, 121-150 a 35%, 151-180 a 60%, and over 181 with a 100% percentage. Doubtful receivables subject to court actions are provisioned with up to 100% of the amount. A provision of 100% for receivables exceeding 30 days and of 5% for current receivables is made up for the receivables that are not subject to court actions and have a non-collection risk.
- Various clients - the risk-free receivables are provisioned by seniority instalments, 10% for the range 31-60, 20% for the 61-90, 30% for the range 91-120, 35% for the range 121-150, 60% for the range 151-180, and 100% for the receivables over 181. Doubtful receivables subject to court actions are provided with up to 100% of the amount. For receivables that are not subject to court actions and have a risk of non-collection, a provision of 100% for the receivables exceeding 30 days and 5% for the current receivables is made up.

In the context of the pandemic, the company maintained the adjustment rates of trade receivables used in the previous year covers the risks of non-collection, the Company providing a public service of national interest, included in the regulated segment of the internal gas market. The natural gas transmission activity is regulated by the National Energy Regulatory Authority. The company constantly analyzes the customers' situation and records adjustments whenever there are indications of an increase in the non-collection risk.

The payment of the equivalent value of the invoices for the natural gas transmission services, issued according to the provisions of the Network Code, is made within 15 calendar days from the date of issuing the invoice. If the due date is a non-working day, the deadline is considered fulfilled on the next working day.

Movements in the provision account are analysed below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Adjustment on 1 January	439.910.253	359.649.877
(Revenue)/expense with the adjustment for doubtful clients (Note 23)	<u>67.030.695</u>	<u>80.260.376</u>
Adjustment at the end of the period	<u>506.940.948</u>	<u>439.910.253</u>

In 2020, adjustments were made for receivables from insolvent companies or companies that encountered significant financial difficulties.

In 2020, the company recorded adjusting expenses for the clients recording an increased non-collection risk, mainly for receivables registered with AIK group (lei 30.656.450), Hunedoara Energy Complex and Donau Chem for which the non-collection risk increased in 2020.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

13. CASH AND CASH EQUIVALENT

	<u>31 December 2020</u>	<u>31 December 2019</u>
Cash at bank in RON	248.244.742	103.525.100
Cash at bank in foreign currency	27.795.005	207.427.515
Other cash equivalents	<u>134.523</u>	<u>185.546</u>
	<u>276.174.270</u>	<u>311.138.161</u>

Cash at bank in foreign currency is mostly denominated in EUR.

On 31 December 2020 the company has established security and trust for third parties as two letters of bank guarantee in the total amount of 11,000,000 lei issued by Banca Comerciala Romana, valid until the date of 31.03.2021.

Letters are guaranteed by collateral deposit of the same value, amounts related the related amounts being unavailable until the expiration of a period.

The weighted average of the effective interest related to short-term bank deposits was of 2,38% on 31 December 2020 (0,98% on 31 December 2019) and these deposits have a maximum maturity of 30 days, except for the ones mentioned in the previous paragraph.

14. SHARE CAPITAL AND SHARE PREMIUM

IFRS	<u>Number of ordinary shares</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Total</u>
On 31 December 2020	11.773.844	117.738.440	247.478.865	365.217.305
On 31 December 2019	11.773.844	117.738.440	247.478.865	365.217.305
Capital adjustment to the hyperinflation accumulated on 31 December 2003	<u>-</u>	<u>441.418.396</u>	<u>-</u>	<u>441.418.396</u>
On 31 December 2019, 31 December 2020	<u>11.773.844</u>	<u>559.156.836</u>	<u>247.478.865</u>	<u>806.635.701</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

The authorized number of ordinary shares is 11,773,844 (31 December 2019: 11,773,844) with a nominal value of RON 10 each. Each share represents one vote. The ownership structure on 31 December 2020 is the following:

	<u>Number of ordinary shares</u>	<u>Statutory value (lei)</u>	<u>Percentage (%)</u>
The Romanian state, represented by the General Secretariat of the Government	6.888.840	68.888.400	58,5097
Other shareholders	<u>4.885.004</u>	<u>48.850.040</u>	<u>41,4903</u>
	<u>11.773.844</u>	<u>117.738.440</u>	<u>100,0000</u>

The ownership structure on 31 December 2020 is the following:

	<u>Number of ordinary shares</u>	<u>Statutory value (lei)</u>	<u>Percentage (%)</u>
The Romanian state, represented by the General Secretariat of the Government	6.888.840	68.888.400	58,5097
Other shareholders	<u>4.885.004</u>	<u>48.850.040</u>	<u>41,4903</u>
	<u>11.773.844</u>	<u>117.738.440</u>	<u>100,0000</u>

In the statutory accounting, before 1 January 2012, the company included in the share capital certain reserves from revaluation for revaluations made before 31 December 2001. In order to prepare these financial statements according to EU IFRS, such increases were not recognized, because adjustments to hyperinflation for fixed assets were annually recognized in the statement of comprehensive income by 31 December 2003. Therefore, in these financial statements, the company recorded only the share capital from cash or in-kind contribution, adjusted to inflation from the date of the initial contribution on 31 December 2003 and the increase in the share capital that took place after 1 January 2004 was recognized in nominal terms.

15. OTHER RESERVES, LEGAL RESERVE AND RETAINED EARNINGS

Other reserves

Before IFRIC 12, a proper reserve related to assets belonging to the public domain (Notes 3.8 and 5.2) was included in equity as `Reserve of the public domain` at the value of the respective assets restated depending on inflation until 1 January 2004. It was renamed `Other reserves` at the adoption of IFRIC 12 (Note 3.5), to reflect the change in the statute of the related assets.

NOTES TO THE FINANCIAL STATEMENTS

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Legal reserve

In accordance with the Romanian law and the company's Articles of Incorporation, the Transgaz must transfer five percent of the profit from the statutory financial statements in a statutory reserve of up to 20% of the statutory share capital. The balance of the statutory reserve, which is not available for allocation on 31 December 2019, amounts to lei 23.547.688 (31 December 2019: lei 23.547.688). The legal reserve is included in the `Retained earnings` in these financial statements.

Dividend allocation

In 2020, the company declared and allocated a dividend of lei 15,47/share, related to the profit of the previous year (2019: lei 21,66/share). The total dividends declared from the profit of 2019 are lei 182.141.366,68 (dividends declared from the profit of 2018: lei 255.021.461,04).

16. LONG-TERM BORROWINGS

The value of the long term loans recorded by the company on 31 December 2020:

	<u>31 December 2020</u>	<u>31 December 2019</u>
BEI 83644RO	<u>240.548.360</u>	<u>238.965.000</u>
BEI 88825RO	<u>243.470.000</u>	<u>238.965.000</u>
BCR 20190409029	<u>186.000.000</u>	<u>186.000.000</u>
BCR 20201028056	<u>360.000.000</u>	-
BERD	<u>277.938.000</u>	-
BT	<u>299.720.329</u>	-
	<u>1.607.676.689</u>	<u>663.930.000</u>

The European Investment Bank (EIB)

The company signed with the European Investment Bank the following loans for the financing of the project `Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

- Loan Agreement no. 83644RO concluded on 27.10.2017 for the amount of EUR 50 million, fixed interest rate, maturity of 15 years, grace period of 3 years at principal repayment.
- Loan Agreement no.88825RO concluded on 14.12.2017 for the amount of EUR 50 million, with disbursements in lei or EUR (at the choice of the company), with fixed or variable interest (at the choice of the company), maturity of 15 years, the grace period of 3 years of repayment of the principal.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

The company signed with the EIB Loan Agreement no.89417RO on 17.12.2018 for the financing of the project `Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas` (Black Sea - Podișor) for the amount of EUR 50 million, maturity of 15 years, grace period of 3 years at principal repayment. The open-ended contract allows the use of the loan in lei or in EUR (at the option of the company) with fixed or variable interest (at the option of the company)

On 24 January 2019, the company signed a loan agreement with the European Investment Bank for the amount of EUR 100 million, maturity 15 years, grace period of 3 years at the repayment of the principal, in order to finance the project `Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas`.

The financial commitments undertaken by the loan agreements requires the company to comply with the negotiated limits of the following financial indicators: the ratio of the total net debts to the Borrower's RAB, the net leverage ratio and the Interest coverage rate.

In 2017 the company received the first tranche of Loan Agreement number 83644RO of EUR 15 million issued by EIB on 30 November 2017, in 28 February 2018 the second tranche of the loan amounting to EUR 15 million and on 30 April 2018, the third tranche of the loan amounting to EUR 20 million was received.

The maturity of the loan 83644RO from the EIB is presented below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Within 1 year	19.477.600	2.867.580
Between 1 and 5 years	77.910.400	73.601.220
Over 5 years	<u>143.160.360</u>	<u>162.496.200</u>
	<u>240.548.360</u>	<u>238.965.000</u>

In 2019 the company received under Loan Agreement no. 88825RO two tranches totalling EUR 50 million.

The maturity of the loan 88825RO from the EIB is presented below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Within 1 year	-	-
Between 1 and 5 years	77.665.783	55.333.340
Over 5 years	<u>165.804.217</u>	<u>183.631.660</u>
	<u>243.470.000</u>	<u>238.965.000</u>

NOTES TO THE FINANCIAL STATEMENTS
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The book value of the short term loans approximates their fair values.

16. LONG-TERM BORROWINGS (CONTINUED)

The European Bank for Reconstruction and Development (EBRD)

On 23 February 2018 Transgaz signed with EBRD a contract amounting to lei 278 million, the equivalent of EUR 60 million, for the financing of the BRUA Project.

The loan was fully disbursed by two equal disbursements: on 29 April 2020 and on 29 May 2020.

The EBRD loan maturity is presented below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
	22.235.040	-
Within 1 year	88.940.160	-
Between 1 and 5 years	<u>166.762.800</u>	-
Over 5 years	<u>277.938.000</u>	-

The Romanian Commercial Bank (BCR)

The company signed on 24.04.2019 the contract no. 20190409029 with the Romanian Commercial Bank for committing the financing in the amount of 186 million lei, the equivalent of 40 million EUR, with drawing and repayment in lei, maturity 15 years, grace period for principal repayment of 3 years, variable interest for the financing of the project Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

The BCR loan no. 20190409029 is fully disbursed and its maturity is presented below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Within 1 year	14.880.000	-
Between 1 and 5 years	59.520.000	29.760.000
Over 5 years	<u>111.600.000</u>	<u>156.240.000</u>
	<u>186.000.000</u>	186.000.000

On 29.10.2020, the Company signed contract no.20201028056 with Banca Comercială Română contemplating the Company's benefiting from a lei 360 million loan for a period of 13 years, destined to refinance two major projects carried out by Transgaz: "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)" and "The interconnection of the National Transmission System with the international gas transmission pipeline T1 and reverse flow at Isaccea Phase II (Onești - Siliștea)".

NOTES TO THE FINANCIAL STATEMENTS

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BCR loan no. 20201028056 is fully collected and its maturity is presented below:

16. LONG-TERM BORROWINGS (CONTINUED)

	<u>31 December 2020</u>	<u>31 December 2019</u>
Within 1 year	14,400,000	-
Between 1 and 5 years	115,200,000	-
Over 5 years	<u>230,400,000</u>	-
Total	<u>360.000.000</u>	<u>-</u>

Transilvania Bank (BT)

On 15 July 2020, as a result of a competitive negotiation procedure, the company signed a contract with Transilvania Bank allowing the company to benefit from a credit facility amounting to lei 300 million, for 2 years, to cover the necessary working capital. As of 31 December 2020, the amount of lei 299,720,329 is used. The repayment of the credit line of lei 300.000.000 is due during 2022.

During 2021, the Company intends to cover the credit line for short periods of time by the amount of lei 50 million, for the payment of current debts, in order to streamline financing costs.

As of 31 December 2020, the balance of interest due for the loans of the company is lei 3,538,011 broken down by loans as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
BEI 83644RO	625.124	616.616
BEI 88825RO	13.748	44.501
BCR 20190409029	419.738	599.521
BCR 20201028056	1.575.794	-
BERD	903.607	-
Total	<u>3.538.011</u>	<u>1.260.638</u>

The exposure of the company's loans to the changes of the interest rate is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Variable interest rate	1.367.128.329	424.965.000

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(expressed in lei, unless otherwise stated)

17. DEFERRED REVENUE

Deferred revenue consists of connection fees charged to clients for their connection to the national gas transmission system, assets taken over for free for connection to the network, grants and the right to recover the unamortized regulated value of the assets related to the investments made as a licensee. The company uses the connection fee to achieve the connection of the client's facilities to the national transmission system. Deferred revenue (presented as 'revenue from the connection fees') is registered as revenue for the period when the related assets are depreciated and estimating the duration of the relationship with the client (Note 22).

Based on the connection contracts, the necessary infrastructure is built to ensure the estimated transmission capacity to be used over the duration of the concession agreement.

	<u>31 December 2020</u>	<u>31 December 2019</u>
Initial balance	669.915.709	541.987.503
Increases	486.886.462	151.274.740
Revenue from connection fees (Note 22)	(12.848.165)	(12.795.370)
Income from non-reimbursable funds and goods taken over free of charge (Note 22)	<u>(31.290.538)</u>	<u>(10.551.164)</u>
Final balance	<u>1.112.663.468</u>	<u>669.915.709</u>

On 31 December 2020 the amount of lei 69.030.914 representing the current share of the deferred revenue is presented in the commercial debts and other debts (on 31 December 2019: lei 22.186.786)

The balance of the deferred revenue consists of:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Connections and assets received free of charge	237.010.965	249.756.541
Grants	<u>875.652.503</u>	<u>420.159.168</u>
	<u>1.112.663.468</u>	<u>669.915.709</u>

For the BRUA project the company obtained from the European Union through the National Agency for Innovation and Networks (INEA) a grant of 1.519.342 Euros, representing 50% of the estimated eligible costs for financing the FEED for the three compressor stations (Podișor, Bibești and Jupa) and a grant of 179.320.400 Euro, representing 40% of the estimated eligible costs, for financing the BRUA Phase I project implementation.

The following amounts were received as pre-financing to finance the implementation of the BRUA Phase I project: EUR 25.834.489,60 (in 2016) and EUR 13.839.087,37 (in 2018) and EUR

NOTES TO THE FINANCIAL STATEMENTS**(expressed in lei, unless otherwise stated)**

29.192.463,92 in 2019 and EUR 37.740.347 in 2020.

17. DEFERRED REVENUE (CONTINUED)

On 22.11.2018 the company signed with the Ministry of European Funds AM POIM Financing Contract 226 for non-reimbursable financing for the implementation of the draft project code MYSMIS 2014-122972 NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova within the Specific objective 8.2 – Increasing the interconnectivity of the National Transmission System with neighbouring states. The amount of the grant is lei 214.496.026,71, namely 32,53% of the value of the eligible expenses. For the financing of the works for the implementation of the project NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova, the amount of lei 77.067.478,60 eligible expenses was collected as reimbursement.

On 18.06.2020 the company signed Grant Agreement no. HCOP/685/3/8/132556 on the implementation of the project „TransGasFormation” Code 132556 for the amount of Euro 624.326 with the Ministry of European Funds, as Management Authority for the Human Capital Operational Programme.

The company recognizes a right to collect the grant when there is reasonable assurance that it will comply with the conditions attached to its award and that the grant will be received. Prior to 2020, for prudential reasons, the company recognized the grant on the basis of approved reimbursement claims. Starting with 2020, the Company considers that the reasonable assurance that the grant will be received can be confirmed by the fulfillment of the eligibility conditions in the funding applications, prior to the approval of the funding application.

Therefore, on 31 December 2020, the company registered the right to receive non-reimbursable financing in the amount of lei 195,892,346 for eligible investment expenses made until the end of 2020 that meet the conditions of the financing contracts and for which no reimbursement requests were approved in 2020.

According to the grant agreement concluded with INEA, the expenses incurred with the project implementation until 31 August 2021 are eligible.

The income from the grant is recognized proportionally from the amortization of the financed assets, applying the percentage of financing of the eligible expenses on the monthly amortization.

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18. PROFIT TAX

Profit tax expense

	The year ended 31 December 2020	The year ended 31 December 2019
Expense with the profit tax - current	47.360.116	86.675.856
Deferred tax - impact of temporary differences	<u>(13.182.800)</u>	<u>(15.833.292)</u>
Profit tax expense	<u>34.177.316</u>	<u>70.842.564</u>

In 2020 and in 2019 the company calculated the profit tax at the rate of 16% applied to the profit determined in accordance with the Romanian laws.

	The year ended 31 December 2020	The year ended 31 December 2019
Profit before tax	209.178.080	419.101.580
Theoretical expense with the tax the statutory rate of 16% (2020: 16%)	33.468.493	67.056.253
Non-taxable expenses, net	<u>708.823</u>	<u>3.786.311</u>
Profit tax expense	<u>34.177.316</u>	<u>70.842.564</u>
Profit tax related liability, current	<u>-</u>	<u>-</u>

Depreciation of tangible assets hyperinflation adjustments is a deductible expense with the adoption of EU IFRS as framework of statutory reporting.

Deferred tax

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 31 December 2020 (31 December 2019: 16%). Deferred tax payment and recoverable tax, as well as expenses with/(revenue from) deferred tax recognized in the statement of comprehensive income are attributable to the following items:

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18. PROFIT TAX (CONTINUED)

	<u>31 December 2020</u>	<u>Movement</u>	<u>31 December 2019</u>	<u>Movement</u>	<u>1 January 2019</u>
Deferred tax payment					
Tangible and intangible assets	95.138.519	1.548.584	93.589.935	19.350.521	74.239.414
Recoverable deferred tax					
Provision for employee benefits	(21.569.333)	(2.095.407)	(19.473.926)	(1.872.017)	(17.601.909)
Risks and charges	(6.084.129)	(1.758.005)	(4.326.124)	(1.389.893)	(2.936.231)
Receivables and other assets	<u>(72.807.475)</u>	<u>(10.877.972)</u>	<u>(61.929.503)</u>	<u>(12.530.444)</u>	<u>(49.399.059)</u>
	<u>(5.322.418)</u>	<u>(13.182.800)</u>	<u>7.860.382</u>	<u>3.558.167</u>	<u>4.302.215</u>

Deferred revenue tax liability related to tangible and intangible assets is determined by the fact that: a) the fiscal value of intangible assets does not include inflation update; and b) the nature of public domain property does not represent depreciable assets from a tax perspective, regardless of how they are reflected in the accounts. In 2019, the company recorded a loss out of the adjustment of the deferred tax related to the previous years amounting to lei 19.391.459. The data related to the previous periods were not restated as the error was not considerable.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

18. PROFIT TAX (CONTINUED)

The amounts presented in the statement of the financial position include the following:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Deferred tax liabilities/receivables in more than 12 months as reported	<u>(5.322.418)</u>	<u>7.860.382</u>

19. TRADE PAYABLES AND OTHER PAYABLES

Short term payables

	<u>31 December 2020</u>	<u>31 December 2019</u>
Trade payables	101.726.906	120.521.636
Suppliers of fixed assets	157.660.975	68.607.676
Dividends payable	2.710.686	4.436.759
Debts related to royalties	11.081.799	47.331.297
Other taxes	42.924.687	25.618.942
Amounts payable to employees	15.030.890	16.097.811
VAT not applicable	8.582.016	13.654.334
Transmission service guarantees	13.907.055	24.299.678
Transmission services advance payments	30.029.743	37.720.694
Other debts	<u>47.908.929</u>	<u>40.002.403</u>
	<u>431.563.686</u>	<u>398.291.230</u>

Long term payables

	<u>31 December 2020</u>	<u>31 December 2019</u>
Transmission service guarantees	-	46.167.789
Other debts	<u>16.482.440</u>	<u>7.111.049</u>
	<u>16.482.440</u>	<u>53.278.838</u>

On 31 December 2020, of the total trade payables and other debts the amount of lei 1.705.305 (31 December 2019: lei 57.259.331) is expressed in foreign currency, especially in EUR.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

20. PROVISIONS FOR RISKS AND CHARGES

	<u>31 December 2020</u>	<u>31 December 2019</u>
<i>Current provision</i>		
Provision for litigation	39.068.876	47.211.887
Provision term contract	2.612.537	2.575.281
Provision for employee participation in profits	16.612.000	15.833.774
Provision for voluntary leaving employment	<u>12.011.100</u>	=
Other provision	<u>5.490.268</u>	<u>6.618.768</u>
	<u>75.794.781</u>	<u>72.239.710</u>

Employees' participation in the profit is calculated within the limit of 10% of the net profit, but not more than a monthly average salary achieved in the relevant financial year.

In 2017, one of the Company's administrators during the mandate 2013-2017 filed a lawsuit in order to recover sums of money representing an unpaid difference. He considered such amounts to be due to him as a result of the mandate contract he executed during 2014-2016. For this case, the Company set up a provision for litigation amounting to lei 876.882.

The company was the subject of an investigation of the Competition Council regarding the way in which procedures for the awarding of the contracts for the procurement of works carried out by Transgaz in 2009 -2011, before the implementation of the private management, according to the provisions of GEO 109/2011 on corporate governance of public enterprises, and established in 2019 a provision for litigation amounting to lei 41.758.087.

In 2020, the Competition Council communicated Decision no. 43/11.08.2020 sanctioning the Company with a fine in the amount of lei 34,166,616. The company diminished the previously established provision at the level of the communicated fine and challenged in court the Decision of the Competition Council.

For the strategic redefinition and efficiency of the activity, the Company drafted the Program of voluntary departures for the period 2019-2021 in the amount of 26,948 thousand lei, the annual value being adjusted by the budget of revenues and expenses approved by the GMS.

The company provided through the budget of revenues and expenses for 2021, a fund for granting compensation for voluntary departures and in 2020 constituted a provision for voluntary departures amounting to lei 12,011,100. This fund was calculated for a number of 150 employees.

The company did not register a provision for voluntary departures before 2020.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

According to the collective labour contract, the company must pay to employees upon retirement a compensatory amount equal to a certain number of salaries, calculated as the average of the monthly salary average achieved over the last 12 months, depending on the period worked in the gas industry, working conditions etc. The present value of the provision was determined based on the Projected Unit Credit Method. Retirement benefits received by an employee were first raised by the contributions of the employer and then every benefit was updated taking into account the rotation of employees, layoffs and the probability of survival until retirement. The number of years until retirement was calculated as the difference between retirement age and age at time of reporting. The expected average of the remaining work period was calculated based on the number of years until retirement, also taking into account the rate of layoffs, employee rotation rate and the probability of survival.

Assumptions 2020

The amount of the provision has been calculated individually for each distinct employee/beneficiary of the company using the actuarial calculation method and taking into account International Accounting Standards, in particular the IAS 19. The provision is calculated taking into account the long-term liabilities undertaken by the company under the collective labour contract. The calculation assumptions and specifications for the calculation model were established based on the company's previous experience and a set of assumptions about the company's future experience. The most important actuarial assumptions used are as follows:

- for the benefit consisting of basic salaries paid at retirement, this benefit is paid for company employees who reach retirement;
- the dismissal rate is zero because there is no program for collective or individual dismissals;
- the mortality of the entity's employees is calculated according to the data provided by the National Institute of Statistics for the years 2010 – 2019;
- the employee turnover rate is calculated according to the departures from the company and a probability has been allocated for each age group and gender;
- the method used is the projected credit factor method, the values being allocated for each employee and updated at 31.12.2020;
- the plan is not financed by the entity and employees.
- It has been estimated that people approaching retirement age are likely to retire early
- For the death benefit, for retired former employees, in the case of death in the first year after retirement, mortality at the age of 66 men and 64 years women was used by simplification, analyzing the data for the periods 2018-2020.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Financial assumptions

The discount rate is the interest rate curve in lei without adjustments provided by EIOPA for December 2020.

The long-term salary growth rate was considered equal to the forecast inflation rate for the euro area, being 1.7% and in the short term was considered equal to the forecast inflation rate for RON being 2.5% within 5 years for both feminine as well as masculine genders.

Movement in the provision for employee benefits

1 January 2019	<u>110.011.929</u>
of which:	
Short-term	2.939.793
Long-term	107.072.136
Interest cost	4.217.605
Current service cost	6.119.488
Payments from provisions during the year	(3.273.756)
Actuarial gain/loss related to the period	4.636.774
31 December 2019	<u>121.712.040</u>
of which:	
Short-term	1.853.432
Long-term	119.858.608
Interest cost	5.352.542
Current service cost	6.321.939
Payments from provisions during the year	(4.535.479)
Actuarial gain/loss related to the period	(7.341.946)
31 December 2020	<u>121.509.096</u>
of which:	
Short-term	2.898.092
Long-term	118.611.004

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

22. OTHER REVENUE

	The year ended 31 December 2020	The year ended 31 December 2019
Revenue from penalties applied to clients for delay payments	8.414.707	10.048.295
Revenue from connection fees	12.848.165	12.795.370
Revenue from grants and goods taken free of charge	31.290.538	10.551.164
Revenue from the sale of residual materials	2.785.433	961.572
Revenue from leases	5.534.398	1.561.698
Revenue from recovered materials	1.835.333	8.758.767
Other revenue from operation	6.107.864	11.696.035
	<u>68.816.438</u>	<u>56.372.901</u>

23. OTHER OPERATING EXPENSES

	The year ended 31 December 2020	The year ended 31 December 2019
Loss/gain on impairment of receivables	67.030.695	87.726.834
Sponsorship expenses	4.432.207	3.991.000
Utilities	8.617.178	8.641.824
Insurance premium	989.349	863.356
Maintenance expenses	2.347.344	1.111.940
Security and protection expenses	23.729.513	23.163.148
Professional training	1.237.810	1.409.607
Telecommunications	4.315.084	2.681.899
Net loss on disposal of fixed assets	-	(102.155)
Bank charges and other fees	1.838.108	2.729.473
Rents	906.253	1.014.592
Loss on amounts receivable	489.645	13.044
Gain/(loss) on inventory write-down	(832.280)	607.230
Survey and research expenses	204.497	328.515
Marketing and protocol expenses	115.911	347.295
Penalties and fines	744.872	1.679.690
Gas storage capacity booking	11.966.614	11.875.976
Intangible asset depreciation cost	-	2.128.527
Other	<u>27.251.909</u>	<u>29.714.949</u>
	<u>155.384.709</u>	<u>179.926.744</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

24. EMPLOYEE COSTS

	The year ended 31 December 2020	The year ended 31 December 2019
Salaries and benefits	400.197.000	378.561.550
Cost of insurance and social security	26.744.433	24.192.135
Other employee costs	<u>5.010.915</u>	<u>10.893.662</u>
	<u>431.952.348</u>	<u>413.647.347</u>

Average number of employees in financial year:

	The year ended 31 December 2020	The year ended 31 December 2019
Blue collars	2.464	2.604
White collars	<u>1.689</u>	<u>1.642</u>
	<u>4.153</u>	<u>4.246</u>

25. NET FINANCIAL REVENUE/(EXPENSES)

	The year ended 31 December 2020	The year ended 31 December 2019
Foreign exchange gains	2.937.080	24.682.530
Interest revenue	28.025.407	24.544.818
Other financial revenue	<u>29.703.162</u>	<u>49.724.555</u>
Financial revenue	60.665.649	98.951.903
Foreign exchange loss	(10.173.829)	(23.104.876)
The effects of the update of the provision for employee benefits	(5.352.542)	(4.217.605)
Interest loss related to IFRS16	(453.890)	(425.013)
Interest loss	(2.866.632)	-
Adjustments for impairment of financial assets	=	(70.432)
Other financial loss	<u>(308.908)</u>	<u>-</u>
Financial loss	(19.155.801)	(27.817.927)

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to lei 29.334.109 according to IFRS 9 (lei 49.677.210 in 2019).

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

26. CASH FROM OPERATION

	The year ended 31 December 2020	The year ended 31 December 2019
Profit before tax	209.178.080	419.101.580
<i>Adjustments for:</i>		
Depreciation	247.008.520	193.622.482
Adjustments for impairment of intangible assets	-	2.128.527
Gain/(loss) on transfer of fixed assets	(144.553)	(102.155)
Provisions for risks and charges	3.555.070	53.591.923
Provisions for impairment of inventories	(832.281)	607.230
Revenue from connection fees, grants and goods taken free of charge	(44.138.703)	(23.346.534)
Provisions for guarantees	(487.404)	(968.881)
Provisions for employee benefits	1.786.461	2.845.732
The effect of updating the provision for employee benefits	5.352.542	4.217.605
Sundry debtors and receivable loss	489.645	13.044
Adjustments for impairment of receivable:	67.518.099	81.229.256
Interest revenue	(28.025.407)	(24.544.818)
Interest expenses	2.866.632	
Adjustment of the Claim regarding the Concession Agreement	(29.334.109)	(49.677.210)
Adjustments for impairment of financial assets	(308.909)	70.432
Effect of exchange rate fluctuation on other items than from operation	9.057.505	6.817.419
Other expenses and revenue	(704.624)	(305.653)
Operating profit before the changes in working capital	<u>442.836.564</u>	<u>665.299.979</u>
(Increase)/decrease in trade and other receivables	60.175.429	(61.658.376)
(Increase)/decrease in inventories	42.057.015	(233.399.535)
Increase/(decrease) in trade payables and other debts	<u>(112.137.871)</u>	<u>59.112.592</u>
Cash generated from operations	<u>432.931.137</u>	<u>429.354.660</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES

The Parties are considered related if one of the parties has the ability to control the other party, to exercise a significant influence over the other party in financial or operational decision making, if they are under the common control with another party, if there is a joint venture in which the entity is an associate or a member of the management as described in the IAS 24 `Related Party Disclosures`. In evaluating each possible related party relationship, the focus is on the essence of this relationship and not necessarily on its legal form. Related parties may enter into transactions which unrelated parties cannot conclude, and transactions between related parties will not apply the same terms, conditions and values as for unrelated parties.

The prices / tariffs related to the transport and balancing contracts are approved by the National Energy Regulatory Authority (ANRE), are regulated and are not established under market conditions.

Procurement is carried out in compliance with the legal regulations on public procurement.

Transactions with Vestmoldtransgaz were concluded at the market value established by the cost plus method and represent services provided by specialized personnel for the conduct of the procurement and equipment rental procedures.

In the periods ended 31 December 2020 and 31 December 2019 the following transactions with related parties were performed and the following balances were payable / receivable from related parties at the respective dates.

i) Benefits granted to the members of the Board of Administration and of the management

	The year ended 31 December 2020	The year ended 31 December 2019
Salary paid to the members of the Board of Administration and management	17.428.850	17.420.723
Social contribution of the company	<u>392.147</u>	<u>391.965</u>
	<u>17.820.997</u>	<u>17.812.688</u>

In the periods ended 31 December 2020 and 31 December 2019, no advance payments and loans were granted to the company's administrators and management, except for advance payments from salaries and those for business trips, and they don't owe any amount from such advance payments to the company at the end of the period .

The company has no contractual obligations related to pensions towards the current administrators and directors.

The provision for the mandate contract is presented in Note 20.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

The company has no contractual obligations regarding pensions to former directors and administrators of the company.

ii) Loan to a related party

31 December 2020 31 December 2019

Loan to Resial SA	1.770.346	1.770.346
Minus the adjustment for loan impairment	<u>(1.770.346)</u>	<u>(1.770.346)</u>

Dividends allocated are presented in Note 15. Royalties paid are presented in Note 3.8.

iii) Revenue from related parties – services supplied (VAT excluded)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	147.295.880	172.591.525
Electrocentrale Deva SA	Entity under common control	1.294.875	2.244.386
Electrocentrale București SA	Entity under common control	42.235.642	51.361.684
Electrocentrale Constanța	Entity under common control	3.621.008	4.398.855
Termo Calor Pitesti	Entity under common control	873.940	585.545
E.ON Energie Romania	Entity under common control	<u>82.516.763</u>	<u>76.864.207</u>
		<u>277.838.108</u>	<u>308.046.202</u>

iv) Sales of goods and services (VAT excluded)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	36.286	3.789
Electrocentrale Deva SA	Entity under common control	-	74.985
Electrocentrale Bucharest	Entity under common control	3.244	-
Electrocentrale Galati SA	Entity under common control	412.529	428.983
Electrocentrale Constanta	Entity under common control	7.838	271.700
E.ON Energie Romania	Entity under common control	<u>91.684</u>	<u>35.373</u>
		<u>551.580</u>	<u>814.827</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

v) Gas sales – the balancing activity (VAT excluded)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	3.898.973	9.790.667
Electrocentrale Deva SA	Entity under common control	9.950.723	7.317.040
Electrocentrale București	Entity under common control	6.042.853	4.136.921
Termo Calor Pitesti	Entity under common control	1.666.338	237.432
Electrocentrale Constanta	Entity under common control	12.523.830	17.716.283
E.ON Energie Romania	Entity under common control	<u>14.529.556</u>	<u>29.777.924</u>
		<u>48.612.273</u>	<u>68.976.267</u>

vi) Receivables from related parties (without the adjustment)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	20.063.741	20.178.007
Electrocentrale Deva SA	Entity under common control	217.789	235.032
Electrocentrale București	Entity under common control	14.272.524	19.089.977
Electrocentrale Constanța	Entity under common control	1.377.538	1.577.907
Electrocentrale Galați SA	Entity under common control	16.748	-
Termo Calor Pitesti	Entity under common control	1.377.538	(19.181)
E.ON Energie Romania	Entity under common control	41.266.500	19.821.687
Vestmoldtransgaz SRL	Entity owned by the Company's subsidiary	<u>1.356.528</u>	<u>102.853</u>
		<u>78.571.368</u>	<u>60.986.282</u>

vii) Client receivables – the balancing activity (without the adjustment)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	905	925.753
Electrocentrale Deva SA	Entity under common control	307.252	4.144.671
Electrocentrale Bucuresti	Entity under common control	263.825	1.973.340
Electrocentrale Constanța	Entity under common control	18.517.877	1.238.865
Termo Calor Pitesti	Entity under common control	-	122.677
E.ON Energie Romania	Entity under common control	<u>1.922.192</u>	<u>3.596.095</u>
		<u>21.012.051</u>	<u>12.001.401</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

viii) Procurement of gas from related parties (VAT excluded)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	<u>77.109.716</u>	<u>108.165.746</u>
		<u>77.109.716</u>	<u>108.165.746</u>

ix) Procurement of services from related parties (other services – VAT excluded)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	13.448.302	14.151.079
Electrocentrale București SA	Entity under common control	5.676	6.080
E.ON Energie Romania	Entity under common control	<u>(179.911)</u>	<u>995.261</u>
		<u>13.274.067</u>	<u>15.152.420</u>

x) Procurement of gas – the balancing activity (VAT excluded)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	3.878.665	22.760.033
Electrocentrale Deva SA	Entity under common control	405.133	974.902
Electrocentrale București	Entity under common control	2.398.484	12.352.849
Termo Calor Pitești	Entity under common control	-	718.181
Electrocentrale Constanța	Entity under common control	4.398.672	4.088.509
E.ON Energie Romania	Entity under common control	<u>17.605.929</u>	<u>38.787.443</u>
		<u>28.686.883</u>	<u>79.681.917</u>

xi) Debts to affiliated parties from gas supplies (VAT included)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	-	<u>18.117.465</u>
		-	<u>18.117.465</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

xii) Debts to affiliated parties from services (other services - VAT included)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	1.426	1.722.034
Electrocentrale București	Entity under common control	511	454
E.ON Energie Romania	Entity under common control	<u>851</u>	<u>817.722</u>
		<u>2.788</u>	<u>2.540.210</u>

xiii) Debts to suppliers – balancing activity (VAT included)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	2.597.055	1.371.051
Electrocentrale Deva SA	Entity under common control	-	61.253
Electrocentrale București	Entity under common control	1.331.820	563.026
Electrocentrale Constanța	Entity under common control	91.539	1.745.405
Termo Calor Pitești	Entity under common control	-	525.679
E.ON Energie Romania	Entity under common control	<u>3.721.798</u>	<u>8.367.448</u>
		<u>7.742.212</u>	<u>12.633.862</u>

xiv) Guarantees from affiliates (bank guarantee letter)

	<u>Relationship</u>	The year ended 31 December 2020	The year ended 31 December 2019
SNGN Romgaz	Entity under common control	25.429.588	33.849.251
Termo Calor Pitești	Entity under common control	210	1.000
Electrocentrale Deva SA	Entity under common control	4.501.000	1.000
E.ON Energie Romania	Entity under common control	<u>28.216.606</u>	<u>22.882.012</u>
		<u>58.147.404</u>	<u>56.733.263</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

28. EARNINGS PER SHARE

The company shares are listed on the first category of the Bucharest Stock Exchange.

Basic earnings per share are calculated by dividing the profit attributable to the company's equity holders to the average number of ordinary shares existing during the year.

	The year ended 31 December 2020	The year ended 31 December 2019
Profit attributable to the company's equity holders	175.000.764	348.259.016
Weighted average of the number of shares	11.773.844	11.773.844
Basic and diluted earnings per share (lei per share)	14,86	29,58

29. SIGNIFICANT TRANSACTIONS NOT INVOLVING CASH

Compensations

Approximately 0,82 % of the receivables were settled by transactions that haven't involved cash outflows during the period ended 31 December 2020 (31 December 2019: 0,58%). Transactions mainly represent sales of products and services in exchange for raw materials and services or offsets with clients and suppliers within the operating cycle.

Barter transactions

No barter transactions were made in 2020 and 2019.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

i) Commitments

The Service Concession Agreement (S.C.A. - Note 8) provides that, at the end of the agreement, the ANRM is entitled to receive back, all goods of public property existing when the agreement was signed and all investments made into the national transmission system, in accordance with the investment program stipulated in the service concession agreement. The company also has other obligations related to the concession agreement, which are described in Note 8.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

30 . CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or to another grantor on payment of compensation equal to the unamortized regulated value established by ANRE, as presented in Note 3.18.

On 31 December 2020 the value of the contractual firm obligations for the purchase of tangible and intangible assets is of lei 504.375.834.

The company is a guarantor of the loan agreement concluded on 24 January 2019 between the European Investment Bank and Eurotransgaz, in total amount of Euro 38 milion, for the funding of the construction by Vestmoldtransgaz of the Ungheni-Chisinau gas transmission pipeline.

Eurotransgaz SRL, the company established and owned by Transgaz in Moldova, was appointed the winner of the privatization investment contest for the single patrimonial complex State Enterprise Vestmoldtransgaz operating the Iasi-Ungheni gas transmission pipeline on the territory of Moldova under the following conditions: payment of the sale price and making investments in the next two years for the construction of a gas transmission pipeline between Ungheni and Chisinau, as well as the necessary equipment for the operation of this pipeline.

ii) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European law. However, there are still various interpretations of the tax law. In Romania, the tax year remains open for fiscal verification for 5 years. The company's management believes that fiscal obligations included in these financial statements are properly presented and that it is not necessary for any additional provisions to be established to cover the uncertainties related to tax treatment.

iii) Insurance policies

The company does not have insurance policies related to operations, complaints on products, or for the public debt. The company has insurance policies for buildings and mandatory civil liability policies for the car fleet. Moreover, the company has contracted professional liability insurance services for the members of the Board of Administration and for 54 managers in 2020 (54 managers in 2019).

iv) Environmental aspects

Environmental regulations are under development in Romania and the company did not record any obligation on 31 December 2020 and 31 December 2019 related to anticipated expenses that include legal and consulting fees, analysis of locations, preparing and implementing recovery measures related to environmental protection. The management of the company believes there are no significant obligations related to environmental aspects.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

v) Lawsuits and other actions

During the normal activity of the company, there were complaints against it. The company has pending disputes for the lack of use of lands occupied with NTS objectives, commercial and labour disputes. Based on its own estimates and internal and external consulting, the company's management believes there will be no material loss exceeding the provisions established in these financial statements and is not aware of circumstances that give rise to potentially significant obligations in this regard.

The company was the subject of an investigation by the Competition Council regarding the manner in which procedures were awarded for works contracts carried out by Transgaz during 2009-2011, before the implementation of private management according to the provisions of GEO 109/2011 on corporate governance of public enterprises.

In 2020, the Competition Council communicated Decision no. 43 / 11.08.2020 sanctioning the Company with a fine in the amount of lei 34,166,616. The company challenged in court the decision of the Competition Council. (Note 20)

As of 6 June 2016, the company was subject to an inspection carried out by the European Commission - Directorate General for Competition under Art. 20 (4) of Council Regulation (EC) No 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty, which became Articles 101 and 102 of the Treaty on the Functioning of the European Union. In 2020, the European Commission approved the Company's commitments to address concerns related to a possible breach of Article 102 of the Treaty on the Functioning of the European Union, namely:

- to provide a minimum export capacity of 1.75 billion cubic meters per year at the interconnection point between Romania and Hungary (Csanádpalota);
- to make available minimum export capacities of 3.7 billion cubic meters per year in total at two interconnection points between Romania and Bulgaria (Giurgiu / Ruse and Negru Vodă I / Kardam);
- to make sure that the tariffs to be proposed to the Romanian Energy Regulatory Authority (ANRE) will not make any difference between the export and the domestic markets, thus avoiding interconnection tariffs that render exports commercially non-feasible;
- refrain from using any other means of obstructing exports.

Based on their own estimates, the company's management considers that there are no circumstances that would give rise to significant potential liabilities in this regard.

In 2017, the Company was inspected for a breach of the rules provided for in Article 101 of the Treaty on the Functioning of the European Union (TFEU), in the AT.40483 case. There was no formal opening decision for this investigation. During this stage, no actions / activities were carried out that Transgaz should be aware of. Based on its own estimates, the Company's management considers that there are no circumstances that would give rise to potentially significant obligations in this regard.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

In 2020 an administrator initiated court proceedings to recover some amounts of money representing unpaid difference, amounts they consider to be due as a result of the mandate contract carried out in 2015-2017. Based on its own estimates, the company considers that there are no circumstances that could lead to potential significant obligations in this respect.

The company is in arbitration proceedings with Bulgargaz EAD, who requests the return or payment of the quantity of natural gas from the Isaccea 1- Negru Vodă 1 gas transmission pipeline. The company does not recognize the claims and based on its own estimates, it considers that there are no circumstances to give rise to significant potential obligations in this regard.

The company is under dispute with two network users who challenge the calculation of the imbalance transaction price on the grounds that there are inconsistencies between the relevant regulations, in between the implementation of the provisions of GEO114 / 2018 and the entry into force of ANRE President's Order no. 170/2019. The company has collected the amounts related to the invoices under the dispute and on the basis of its own estimates, it considers that there are no circumstances creating potentially significant obligations in this regard.

The company has the capacity of intervener in a procedure by which a network user requests the annulment of ANRE decision of 2017 regarding the interpretation and application of the provisions of Art. 99 of the Network Code. There are seven resolutions issued down by the Bucharest Court of Appeal which confirm the lawfulness of the decisions of ANRE commission pronounced in cases having the same object and an unfavorable one which is judged at the High Court of Cassation and Justice. If the HCCJ maintained the solution of the Court of Appeal it does not mean that the network user is entitled to the requested amount of money because, it is necessary to establish first which is the correct interpretation of the provisions of art.99 of the Network Code. Moreover, as the revenue is regulated, the amount deducted would be subject to recovery from the regulated revenue of the following gas year. In 2020, the network user initiated court proceedings and requests the recalculation of the tariff related to the exceeding of the capacity booked during November 2016-February 2017 and the payment of the amount of lei 57.444.164 and 17.789.789. Based on its own estimations, the company's management considers that there are no circumstances that would give rise to significant potential obligations in this regard.

vi) Government policies in the gas sector in Romania

ANRE is an autonomous public institution and sets tariffs for the natural gas transmission activity charged by the company. It is likely that the Agency decides the implementation of changes of the government strategies in the gas sector, determining changes in the tariffs approved for the company and, thus, having a significant impact on the company's revenue. At the same time, the Romanian government could decide to change the royalty applied to the company for using the assets part of the public domain according to SCA.

Currently, the effects cannot be determined, if they exist, of the future government policies in the gas sector in Romania on the company's asset and liability.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

There are various interpretations of the legislation in force. In certain situations, ANRE may treat differently certain aspects, proceeding to the calculation of additional tariffs and of delay penalties.

The company's management believes that its obligations to ANRE are properly presented in these financial statements.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

vii) The political and economic situation in Ukraine

The company has contracts for gas transmission from Russia to Bulgaria, Turkey, Greece and other countries. Also, Romania annually imports part of the necessary transported gas through the company's pipelines. It's likely that Gazprom Export stops the supplies of gas transported domestically or internationally through Romania or that Ukraine prevents the transit of gas supplied by Gazprom Export on its territory.

viii) The impact of COVID-19

In the context of the COVID-19 pandemic, the company cooperates with the authorities and takes the necessary measures to ensure the provision of the gas transmission service in a safe manner and to ensure the safety of the personnel. The company prepared and published a plan of measures approved by the Board of Administration, which aims to minimize the effects of the epidemic on the health and safety of the employees and to ensure the continuity of the natural gas transmission service and the safety of the National Transmission System.

The company provides a public service of national interest being included in the regulated segment of the internal gas market. The gas transmission activity is regulated by the National Energy Regulatory Authority.

The company aims to achieve the indicators provided for in the Income and Expenditure Budget for 2021 and to provide the necessary financing sources for the development of the investment program whose execution rate could be influenced by the ability of the contracting companies to provide the equipment and personnel necessary to carry out the works in the context of the isolation or quarantine situations generated by COVID-19.

The legislative changes adopted offer the possibility of small and medium-sized enterprises to delay the payment of utilities, which could have an indirect impact on the company's activity. Although there are still many uncertainties, at this moment we consider that the short-term impact of such legislative changes on the activity and recoverability of the assets of the company will not be significant.

31. FEES OF THE STATUTORY AUDITOR

The fees for the financial year ended 31 December 2020 charged by BDO Audit SRL are: lei 79.682 (VAT excluded) for limited revision as at 30 June 2020 and lei 22.320 (VAT excluded) for other services than the statutory audit.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

The fees for the financial year ended 31 December 2019 charged by BDO Audit SRL, invoiced in 2020, are: lei 174. 989 (VAT excluded) for the statutory audit, and lei 14.880 (VAT excluded) for other services than the statutory audit.

32. REVENUE AND COSTS FROM THE CONSTRUCTION OF ASSETS

In accordance with IFRIC 12 the revenue and costs of network construction should be recognized in accordance with IFRS 15 Revenue from Contracts with Customers.

	The year ended 31 December 2020	The year ended 31 December 2019
Revenue from the construction activity according to IFRIC12	1.587.548.396	868.356.796
Cost of assets constructed according to IFRIC12	(1.587.548.396)	(868.356.796)

The related costs were equal to the revenue, the company did not obtain any profit from the construction activity.

33. EVENTS SUBSEQUENT TO THE BALANCE DATE

In 2021, Transgaz participated in the increase of the share capital of EUROTRANSGAZ with the amount of EUR 519,105 in order to operate and ensure the financial sources necessary to carry out the investment program of the state enterprise Vestmoldtransgaz.

By Decision no. 10/5 October 2020 of the EGMS, the conclusion of a transaction with EBRD involving the subscription by the EBRD of a new share issued by Vestmoldtransgaz SRL (VTMG) for the amount of EUR 20 million is approved. Thus, EBRD becomes a partner of VTMG by 25% from the share capital and Eurotransgaz and Transgaz' jointly undertaking the obligation to buy from the EBRD an interest in the VTMG at a predetermined price at the moment it will exercise its option to sell the EBRD's share in VTMG. By Decision no.1 / 4 January 2021 of the Sole Shareholder of Eurotransgaz, the decrease in the share capital of Eurotransgaz by the amount of EUR 9.6 million after the completion of the transaction by which EBRD becomes a partner of VTMG was requested. The conclusion of the Legacy Contract Termination Agreement between SNTGN Transgaz SA and Gazprom Export LLC creates the necessary framework for concluding the Interconnection Agreements for Interconnection Points Isaccea 2,3 and Negru Vodă / Kardam 2,3, enabling third parties' free access to T2 and T3 transit pipelines capacity booking, ensures the collection of the remaining amounts to be paid under the legacy contract and creates the conditions for increasing the use of the natural gas transmission infrastructure in Romania. The revenues collected from

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

transmission are regulated according to ANRE Order 41/2019 and ANRE Order 34/2014, respectively, subject to the points where capacity is booked.

33. EVENTS SUBSEQUENT TO THE BALANCE DATE (CONTINUED)

By ANRE Order no. 2/2021, the following amendments were approved to the methodology for establishing regulated tariffs for natural gas transmission services:

- for the investments in tangible and intangible assets, commissioned / accepted during the fourth regulatory period, which represent objectives of the natural gas transmission system, achieved from equity in projects where European grants were also attracted, an incentive of 2 percentage points above the approved regulated rate of return on investment is established, except for the ones carried out following the development of investment projects provided for in Regulation (EU) no. 347/2013 of the European Parliament and of the Council of 17 April 2013 for which European grants were obtained;
- the royalties for the concession of the state public property assets, the royalties under the contracts for the concession of the natural gas transmission service and / or of the related state public property assets or of an administrative-territorial unit, the rents under the contracts for the lease of assets making up the TS, which are in the public property of the state or of an administrative-territorial unit, as well as the local taxes established by the authorities in respect of the transmission service, except for the period between the date of entry into force of Law no. 155/2020 on the amendment of Power and Gas Law no. 123/2012 and regarding the amendment of other normative acts and the date of entry into force of Law no. 244/2020 on the approval of the Government Emergency Ordinance no. 103/2020 for the extension of the term of application of the measures provided for by the Government Emergency Ordinance no. 26/2018 on the adoption of measures for the security of electricity supply, are recognized in the regulated income.

Chairman of the Board of Administration
Remus Gabriel Lăpușan

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **S.N.T.G.N. Transgaz S.A.**

Opinion

1. We have audited the consolidated financial statements of S.N.T.G.N. Transgaz S.A. (the Company), with registered office in Medias, Piata Constantin I. Motas, no. 1, identified by the unique tax registration code RO13068733, which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the consolidated financial statements.
2. The consolidated financial statements as at December 31, 2020 are identified as follows:
 - Net assets/Equity: Ron 3.746.268.557
 - Net profit for the financial year: Ron 165.224.316
3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU ("Order 2844/2016").

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

5. We draw attention to Note 30 to the financial statements which describes the litigation with one the clients which require the annulment of the National Agency of Mineral Resources Decision from 2017, regarding the interpretation and application of the article 99 from the Network Code for the National Gas Transmission System. Although the Company's management is optimistic about the chances of winning at ICCJ, the Court may uphold the unfavorable decision issued by the Court of Appeal. The Company have not recognized any provision because the probability and the impact of this decision have a high level of uncertainty. Our opinion is not qualified in respect of this matter.

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Application of IFRIC 12 "Service Concession Agreements" IFRIC 12, although not an accounting standard, is an interpretation that implies a great deal of professional reasoning, especially in the Romanian legislative context. According to IFRIC 12, Transgaz may receive an intangible asset, a financial asset, or a combination of the two, in exchange for construction work (upgrading / expansion) on the infrastructure (SNTG). The Service Concession Agreement (ACS) was concluded by Transgaz in 2002 for a period of 30 years and IFRIC 12 was applicable starting with 2010. Law 127/2014, which entered into force on 5 October 2014, states that in the event of termination of the concession contract for any reason, the investment made by Transgaz shall be transferred to the owner of SNTG or another operator in exchange for the payment of a compensation equal to the net regulated accounting value established according to the regulations imposed by ANRE. According to the latest methodologies for establishing the tariffs regulated by ANRE, approved by Order 41/2016, Transgaz obtains the right to adjust to the inflation the net regulated accounting value and, consequently, the assessment of the long-term receivable. Transgaz presents all the details related to the application of IFRIC 12 and the impact of ANRE Order no. 41/2019 in Note 3.5 "Intangible assets" and Note 12 „Accounts receivable”.	Our specific procedures focused primarily on the analysis of the service concession agreement concluded in 2002, as well as the specific legislation supplementing the contractual provisions (especially Law 127/2014). The reasonableness of applying the bifurcated model in the context of first-time application of IFRS 15 and restatement of comparative information has been revised. The criteria for recognizing the financial asset as well as the method for assessing the long-term receivable as mentioned in Note 5.4 to the consolidated financial statements (the residual value, the discount rate used) were also reviewed. We've also examined how the information required by IFRIC 12 was disclosed in the financial statements. Consultations have taken place with the management of the Company and the Audit Committee.
Recoverability of the accounting value of return assets and tangible assets According to IFRS, tangible and intangible assets should be tested for impairment, when the facts and circumstances suggest that the carrying amount of such an asset could exceed its recoverable amount. Management needs to apply professional judgement and make significant estimates when analyzing the book value, to determine if there is an indication of any depreciation at the end of the year and make an estimation of such a depreciation. As described in Note 8 "Intangible assets", at December 31, 2020 the value of the return assets recorded as intangible assets under IFRIC 12 was significant, Ron 2.874.958.000. Since much of the value of these assets will be recovered through use during the duration of the	Our audit activity included, among others, the following specific procedures: • Discussions with management members about the status of the largest investment projects; • Analysis of actual versus budget achievements for the last financial years ended, as well as the ability of Transgaz to finance the planned investments. • Evaluation of the key assumptions and methodologies applied by the Company, as well as the sensitivity of the result to their possible variations; • Verifying the adequacy of the information contained in the financial statements. • Non-SNTG assets have been tested separately, based on specific cash flows.

Key Audit Matter	How our audit addressed the key audit matter
concession agreement, which expires in 2032, the Company regularly performs a depreciation test. This depreciation is significant to our audit because the valuation process is complex, involves significant management professional judgment and is based on assumptions that are affected by applicable law.	
Contingences and provisions As presented in Note 30 "Contingencies, Commitments and Operational Risks", the company is involved in various litigations and disputes, some of them with major potential impact. These issues are important in the context of our audit due to inherent uncertainties about their outcome, the complexity of the cases and the significant reasoning applied by management in estimating the outcome and the exposure. Depending on these estimates (especially the probability of realization), the Company may decide to record liabilities, provisions or contingent liabilities in the financial statements. Due to the importance and complexity of these disputes, their possible unfavorable results could have a major impact on the Company's financial performance and balance sheet position.	Our audit activity included, among others, the following specific procedures: • Obtaining confirmations from external lawyers of the Company who provide assistance regarding these disputes. • Examine the minutes of the Board of Directors and participate in meetings with the management to discuss and understand the evolution and stage of the legal procedures initiated for each significant case. • We also evaluated the accounting policies and estimates of the management to ensure that they are correlated with the opinions of the internal and external lawyers, as well as the representations included in the financial statements regarding contingent liabilities, provisions and liabilities. • Assessing the adequacy of the information presented in the financial statements

Other information - Administrator's Report

7. Management is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report, which includes the non-financial information declaration, but does not include the consolidated financial statements and our audit auditor.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements for the year ended December 31, 2020, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator's report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

On the sole basis of the procedures performed within the audit of the consolidated financial statements, in our opinion:

- a) the information included in the administrators' report for the financial year for which the

consolidated financial statements have been prepared are consistent, in all material respects, with these consolidated financial statements;

b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2020, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated financial statements

8. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated financial statements

9. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, consolidatedly or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- e) Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

10. We have been appointed by the General Assembly of Shareholders on December 03, 2018 to audit the consolidated financial statements of **S.N.T.G.N. Transgaz S.A.** for the financial years ended December 31, 2018 to December 31, 2022. The uninterrupted total duration of our commitment is 3 year, covering the financial years 2018 - 2020.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided for the Company the non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014.

On behalf of:

BDO Audit SRL

Registered at Authority for Public Supervision of
Statutory Audit Activity (ASPAAS) under no. 18

Dan Apostol, Engagement partner
Registered at Authority for Public Supervision of
Statutory Audit Activity (ASPAAS) under no. 1671

Bucharest, Romania
March 23, 2020

For stamp and signature please refer to the original Romanian version

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **S.N.T.G.N. Transgaz S.A.**

Opinion

1. We have audited the individual financial statements of S.N.T.G.N. Transgaz S.A. (the Company), with registered office in Medias, Piata Constantin I. Motas, no. 1, identified by the unique tax registration code RO13068733, which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the individual financial statements.
2. The individual financial statements as at December 31, 2020 are identified as follows:
 - Net assets/Equity: Ron 3.782.141.730
 - Net profit for the financial year: Ron 175.000.764
3. In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU ("Order 2844/2016").

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Individual financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

5. We draw attention to Note 30 to the financial statements which describes the litigation with one the clients which require the annulment of the National Agency of Mineral Resources Decision from 2017, regarding the interpretation and application of the article 99 from the Network Code for the National Gas Transmission System. Although the Company's management is optimistic about the chances of winning at ICCJ, the Court may uphold the unfavorable decision issued by the Court of Appeal. The Company have not recognized any provision because the probability and the impact of this decision have a high level of uncertainty. Our opinion is not qualified in respect of this matter.

Key Audit Matters

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual financial statements of the current period. These matters were addressed in the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Application of IFRIC 12 "Service Concession Agreements" IFRIC 12, although not an accounting standard, is an interpretation that implies a great deal of professional reasoning, especially in the Romanian legislative context. According to IFRIC 12, Transgaz may receive an intangible asset, a financial asset, or a combination of the two, in exchange for construction work (upgrading / expansion) on the infrastructure (SNTG). The Service Concession Agreement (ACS) was concluded by Transgaz in 2002 for a period of 30 years and IFRIC 12 was applicable starting with 2010. Law 127/2014, which entered into force on 5 October 2014, states that in the event of termination of the concession contract for any reason, the investment made by Transgaz shall be transferred to the owner of SNTG or another operator in exchange for the payment of a compensation equal to the net regulated accounting value established according to the regulations imposed by ANRE. According to the latest methodologies for establishing the tariffs regulated by ANRE, approved by Order 41/2016, Transgaz obtains the right to adjust to the inflation the net regulated accounting value and, consequently, the assessment of the long-term receivable. Transgaz presents all the details related to the application of IFRIC 12 and the impact of ANRE Order no. 41/2019 in Note 3.5 "Intangible assets" and Note 12 „Accounts receivable”.	Our specific procedures focused primarily on the analysis of the service concession agreement concluded in 2002, as well as the specific legislation supplementing the contractual provisions (especially Law 127/2014). The reasonableness of applying the bifurcated model in the context of first-time application of IFRS 15 and restatement of comparative information has been revised. The criteria for recognizing the financial asset as well as the method for assessing the long-term receivable as mentioned in Note 5.4 to the individual financial statements (the residual value, the discount rate used) were also reviewed. We've also examined how the information required by IFRIC 12 was disclosed in the financial statements. Consultations have taken place with the management of the Company and the Audit Committee.
Recoverability of the accounting value of return assets and tangible assets According to IFRS, tangible and intangible assets should be tested for impairment, when the facts and circumstances suggest that the carrying amount of such an asset could exceed its recoverable amount. Management needs to apply professional judgement and make significant estimates when analyzing the book value, to determine if there is an indication of any depreciation at the end of the year and make an estimation of such a depreciation. As described in Note 9 "Intangible assets", at December 31, 2020 the value of the return assets recorded as intangible assets under IFRIC 12 was significant, Ron 2.874.958.000 lei. Since much of the value of these assets will be recovered through use during the duration of the	Our audit activity included, among others, the following specific procedures: • Discussions with the Management about the status of the largest investment projects; • Analysis of actual versus budget achievements for the last financial years ended, as well as the ability of Transgaz to finance the planned investments. • Evaluation of the key assumptions and methodologies applied by the Company, as well as the sensitivity of the result to their possible variations; • Verifying the adequacy of the information contained in the financial statements. • Non-SNTG assets have been tested separately, based on specific cash flows.

Key Audit Matter	How our audit addressed the key audit matter
concession agreement, which expires in 2032, the Company regularly performs a depreciation test. This depreciation is significant to our audit because the valuation process is complex, involves significant management professional judgment and is based on assumptions that are affected by applicable law.	
The recoverable value of the investment in the Eurotransgaz subsidiary in the Republic of Moldova As it results from Note 10 “Financial instruments” the Company’s management performed an assessment of the recoverability of the value of the investment made in Eurotransgaz Moldova and, indirectly, in Vestomoldtransgaz, using an independent valuator. Two approaches were used to measure participation: the income approach based on discounted cash flows, and the asset approach, which seeks to measure adjusted net assets. The discounted cash flow model requires the use of professional reasoning and significant estimates, mainly regarding the forecasted revenues (based on the specific methodology for determining regulated income in the Republic of Moldova), discount rate (RRR) and residual value. This aspect is considered key due to the complexity of the estimates and reasoning used in the evaluation, but also to the significant value of the participation.	Our audit work included, among others, the following specific procedures: • Obtaining the evaluation performed to test the impairment of participation. • Analysis of the reasonableness of the estimates made and the hypotheses used. • Adequacy of the methods used with the activity of companies. • Assessing the adequacy of the information contained in the financial statements, including the explanatory notes.
Contingences and provisions As presented in Note 30 “Contingencies, Commitments and Operational Risks”, the company is involved in various litigations and disputes, some of them with major potential impact. These issues are important in the context of our audit due to inherent uncertainties about their outcome, the complexity of the cases and the significant reasoning applied by management in estimating the outcome and the exposure. Depending on these estimates (especially the probability of realization), the Company may decide to record liabilities, provisions or contingent liabilities in the financial statements. Due to the importance and complexity of these disputes, their possible unfavorable results could have a major impact on the Company’s financial performance and balance sheet position.	Our audit activity included, among others, the following specific procedures: • Obtaining confirmations from external lawyers of the Company who provide assistance regarding these disputes. • Examine the minutes of the Board of Directors and participate in meetings with the management to discuss and understand the evolution and stage of the legal procedures initiated for each significant case. • We also evaluated the accounting policies and estimates of the management to ensure that they are correlated with the opinions of the internal and external lawyers, as well as the representations included in the financial statements regarding contingent liabilities, provisions and liabilities. • Assessing the adequacy of the information presented in the financial statements

Other information - Administrator's Report

7. Management is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report, which includes the non-financial information declaration, but does not include the individual financial statements and our audit auditor.

Our opinion on the individual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual financial statements for the year ended December 31, 2020, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the individual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator's report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

On the sole basis of the procedures performed within the audit of the individual financial statements, in our opinion:

- a) the information included in the administrators' report for the financial year for which the individual financial statements have been prepared are consistent, in all material respects, with these individual financial statements;
- b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the individual financial statements prepared as at December 31, 2020, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Individual financial statements

8. Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.
- In preparing the individual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Individual financial statements

9. Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- a) Identify and assess the risks of material misstatement of the individual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

10. We have been appointed by the General Assembly of Shareholders on December 03, 2018 to audit the individual financial statements of **S.N.T.G.N. Transgaz S.A.** for the financial years ended December 31, 2018 to December 31, 2022. The uninterrupted total duration of our commitment is 3 year, covering the financial years 2018 - 2020.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided for the Company the non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014.

On behalf of:

BDO Audit SRL

Registered at Authority for Public Supervision of
Statutory Audit Activity (ASPAAS) under no. 18

Dan Apostol, Engagement partner

Registered at Authority for Public Supervision of
Statutory Audit Activity (ASPAAS) under no. 1671

Bucharest, Romania

March 23, 2021

For stamp and signature please refer to the original Romanian version

No. 21742 / 22.03.2021

STATEMENT

of Transgaz' responsible persons in accordance with Art. 223, letter A, para.(1), point c of Regulation no. 5/2018 of the Financial Surveillance Authority

According to Art 223, letter A para (1), point c of Regulation no. 5/2018 of the Financial Surveillance Authority on the issuers of financial instruments and market operations we declare the following:

- To the best of our knowledge, the annual consolidated financial statement as at 31 December 2020 was prepared in compliance with the International Financing Reporting Standards adopted by the European Union and offers a true and correct image of the assets, liabilities, financial standing, profit and loss account of the Company;
- The Consolidated Report Issued by the Board of Administration includes a correct analysis of the company's development and performances as well as a description of the main activity-specific risks and uncertainties.

Lăpușan Remus Gabriel – Chairman of the Board of Administration

Sterian Ion – Director General, Executive Administrator

Văduva Petru Ion – Non-executive Administrator

Iliescu Bogdan George – Non-executive Administrator

Minea Nicolae – Non-executive Administrator

No.21745/ 22.03.2021

STATEMENT

of Transgaz' responsible persons in accordance with Art. 223, letter A, para.(1), point c of Regulation no. 5/2018 of the Financial Surveillance Authority

According to Art 223, letter A para (1), point c of Regulation no. 5/2018 of the Financial Surveillance Authority on the issuers of financial instruments and market operations we declare the following:

- To the best of our knowledge, the annual financial statement as at 31 December 2020 was prepared in compliance with the International Financing Reporting Standards adopted by the European Union and offers a true and correct image of the assets, liabilities, financial standing, profit and loss account of the Company;
- The Report Issued by the Board of Administration includes a correct analysis of the company's development and performances as well as a description of the main activity-specific risks and uncertainties.

Lăpușan Remus Gabriel – Chairman of the Board of Administration

Sterian Ion – Director General, Executive Administrator

Văduva Petru Ion – Non-executive Administrator

Iliescu Bogdan George – Non-executive Administrator

Minea Nicolae - Non-executive Administrator