

The National Gas Transmission Company TRASGAZ SA



CONSOLIDATED REPORT ISSUED BY THE BOARD OF ADMINISTRATION FOR 2021

CONTENTS

THE ADMINISTRATORS' MESSAGE	3
1. REPORT AND ISSUER GENERAL DATA.....	5
2. EXECUTIVE SUMMARY 2021	5
2.1. Important events.....	5
2.2. Indicators of the consolidated economic and financial results.....	10
2.3. Indicators of the individual economic and financial results.....	14
2.4. The main transactions between the affiliated parties (concluded according to Art. 92 [^] 3 of Law 24/2017 updated by Law 158/2020).....	19
2.5. Non-financial reporting.....	19
3. MAIN RISKS RELATED TO 2022	19
4. ABOUT SNTGN TRANSGAZ SA	23
4.1 Mission, vision, organizational values	23
4.2 The activity of the company	24
4.3 Shareholding	29
4.4 Structure	30
4.5 Management	32
4.6 Human resources.....	35
4.7 Transgaz on the Bucharest Stock Exchange.....	38
4.8 Dividend policy	43
4.9 List of all entities where Transgaz holds shares.....	44
5. ACTIVITY ANALYSIS.....	44
5.1 Operation activity.....	44
5.2 The investment activity	47
5.3 Maintenance activity.....	48
5.4 The procurement activity	52
5.5 The legal assistance and representation activity	55
5.6 International cooperation activity	56
5.7 Consolidated financial results (consolidated factorial analysis of the activity)	56
5.8 Individual financial results (factorial analysis of the individual activity)	59
5.9 The tariff setting methodology.....	66
6. CONSOLIDATED ECONOMIC AND FINANCIAL STATEMENT.....	67
6.1 Consolidated financial position.....	67
6.2 Consolidated comprehensive income.....	71
6.3 Consolidated cash flow statement.....	72
6.4. Evaluation of the activity related to the financial risk management.....	73
7. INDIVIDUAL ECONOMIC AND FINANCIAL STATEMENT	77
7.1 Individual financial position	77
7.2 Individual comprehensive income	81
7.3 Individual cash flow statement	83
7.4 Evaluation of the activity related to the financial risk management	85
8. CORPORATE GOVERNANCE.....	88
CORPORATE GOVERNANCE STATEMENT	90
I. STATEMENT OF COMPLIANCE WITH THE CODE.....	90
II. CORPORATE GOVERNANCE STATEMENT ITEMS	99
8.1 Key performance indicators established in the contracts of mandate	119
8.2 Key financial and non-financial performance indicators achievement.....	124

THE ADMINISTRATORS' MESSAGE

Dear shareholders, investors,

Dear stakeholders,

With a tradition for more than 108 years 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 SNTGN TRANSGAZ SA is today - a responsible company, a company of the future, a company in which the corporate governance model is working successfully.

As a transparent company, open to dialogue and good corporate practice, as a high-performance company, SNTGN TRANSGAZ SA 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. SNTGN TRANSGAZ SA 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 the legal provisions in force.

Acting with professionalism, integrity and responsibility, the members of the Board of Administration demonstrated through successful results every year that they have become a strong team, able to undertake and fulfil responsibilities of great scope and strategic importance not only for the future of the company but also for the sustainable development of the national economy.

*Prepared in accordance with the provisions of Art. 30 (1) of GEO 109/2011 on the corporate governance of public enterprises, as further amended and supplemented, the **Management Plan of SNTGN Transgaz SA for 2021-2025**, approved by BoA Resolution 29/6 October 2021, is governed by a responsible, professional and ethical attitude in relation to all stakeholders (shareholders, employees, partners, community, state authorities and institutions, media, etc.) and includes the strategic vision of the administrators regarding the directions of strategic development of the company and efficiency of its activity in accordance with the requirements of the European energy policy on energy safety and security, competitiveness and sustainable development but also with the future needs and opportunities of Romania to become an important player on the regional and European gas market.*

The strategic objectives are aligned with the LETTER OF EXPECTATIONS OF THE SHAREHOLDERS and follow the desideratum regarding the strategic development of the company in accordance with the provisions of the European Energy Union Strategy on climate change: energy security, decarbonization, energy efficiency, internal energy market and research, innovation and competitiveness.

The strategic objectives regarding the management of SNTGN Transgaz SA over the next 4 years also aim at increasing the company's performance, streamlining the company's activity, aligning it with modern standards of performance and corporate governance and making SNTGN TRANSGAZ SA an internationally recognized company, a leader on the energy market in the region, making the most of all existing and future opportunities for Romania to become an important energy corridor for natural gas to Europe.

The sustainable development of the Romanian natural gas infrastructure requires a comprehensive investment plan enabling the implementation of the Green Deal , alignment of the National Transmission System to the gas transmission network transmission and operation requirements, compliant with the European environmental protection regulations .

*We are focused on the Green Deal provisions and the way in which the new technologies will provide the mechanisms for the transition to the green economy. For SNTGN Transgaz SA, an objective of strategic importance deriving from the European Green Deal for a transition to the green economy is the **establishment and implementation of a strategy for the repurposing and retrofitting of the existing natural gas transmission infrastructure for the use of hydrogen and other green gases, for decarbonization.** Given the need to finance a complex and extensive investment plan, in addition to its own sources of funding, Transgaz envisages 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.*

And because we want continuity, efficiency and performance, we shall lead with your support, the destiny of this company between 2021-2025. Our guarantee for success in the face of the challenges and constraints of the external and internal context in which the company operates and will operate is the link between the optimal management strategies of private, professional management and the expertise and professional experience of the human resources employed to operationalize these strategies.

Yours sincerely,

ION STERIAN – Executive Administrator – Director - General

PETRU ION VĂDUVA – Non-Executive Administrator

NICOLAE MINEA– Non-Executive Administrator

CSABA OROSZ – Non-Executive, Interim Administrator

MIHAELA VIRGINIA TOADER - Non-Executive, Interim Administrator

1. REPORT AND ISSUER GENERAL DATA

The Report for 2021 prepared according to the provisions of Law 24/2017 on issuers of financial instruments and market operations (Art. 65) and the FSA Regulation 5/2018 on issuers of financial instruments and market operations (Annex 15), as further amended and supplemented – **Financial year 2021**.

Report date: 22 March 2022

Company name: The National Gas Transmission Company TRANSGAZ SA

Headquarters: Mediaş, 1 C. I. Motaş Square, 551130, Sibiu County

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

VAT Number: RO13068733

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

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

Subscribed and paid up capital: lei 117.738.440

The main characteristics of the securities issued: 11.773.844 shares with a nominal value of 10 lei. The shares are nominative, ordinary, indivisible, issued dematerialized and freely tradable since **2008** under the TGN stock symbol.

2. EXECUTIVE SUMMARY 2021

2.1. Important events

In **2021** the following events took place:

28 January 2021

- By BoA Resolution 2/28 January 2021 the Development Plan of the National Gas Transmission System for the period 2021-2030 is approved for submission to public consultation;
- By BoA Resolution 2/28 January 2021 it is approved the granting of a loan of 645,735 EUR by Eurotransgaz SRL to its subsidiary, Vestmoldtransgaz SRL, from the funds obtained by Eurotransgaz SRL from the European Investment Bank - for the implementation of the Ungheni - Chisinau project.

25 February 2021

- By BoA Resolution 4/25 February 2021, the extension of the individual labour contract concluded between EUROTRANSGAZ SRL and the appointed administrator, Mr. Niculaie-Faranga Dan was approved for a period of 1 year;
- By BoA Resolution 4/25 February 2021, the modification of the headquarters and legal address of EUROTRANSGAZ SRL was approved;
- By BoA Resolution 4/25 February 2021 the modification of the headquarters and legal address of VESTMOLDTRANSGAZ SRL was approved.

4 March 2021

- By BoA Resolution 5/4 March 2021 the corrected regulated income and regulated tariffs for natural gas transmission activity related to the third year of the fourth regulatory period, meaning 1 October 2021 - 30 September 2022, were approved for submission for analysis and approval to ANRE;

- By BoA Resolution 5/4 March 2021, the total revenue and transmission tariffs on the T2 and T3 pipelines for the period 1 October 2021 - 30 September 2022 were approved for submission for analysis and approval to ANRE;
- By BoA Resolution 5/4 March 2021 the granting of a loan of 2.595.525 Euro by Eurotransgaz SRL to its subsidiary Vestmoldtransgaz SRL from the funds obtained by Eurotransgaz SRL from the European Investment Bank - for the implementation of the Ungheni - Chisinau project is approved.
- By BoA Resolution 5/4 March 2021 it was approved the increase of the share capital of Eurotransgaz SRL by SNTGN Transgaz SA with the amount of 519.105 EUR for ensuring the necessary financial resources for granting a financing amounting to 519.105 EUR by Eurotransgaz SRL to its subsidiary, Vestmoldtransgaz SRL.

16 March 2021

- The launching of a Transgaz SA Board of Administration members selection procedure, with the application of the provisions of Art. 29 (3) of GEO 109/2011 on corporate governance of public enterprises, as further amended and supplemented.

31 March 2021

- By BoA Resolution 9/31 March 2021 it was approved the increase of the share capital of Eurotransgaz SRL by SNTGN Transgaz SA with the amount of 170.603 EUR for ensuring the necessary financial resources for granting a financing by Eurotransgaz SRL to its subsidiary, Vestmoldtransgaz SRL.

22 April 2021

- By OGMS Resolution 2/22.04.2021 the terms of office of three administrators were renewed for a period of four years, starting with 30.04.2021 and two provisional members were appointed for a period of four months, with the possibility of extending the term by another two months until the end of the selection procedure:
 - ION STERIAN – *executive administrator and Director - General*;
 - PETRU ION VĂDUVA – *non-executive administrator*;
 - NICOLAE MINEA - *independent, non-executive administrator*;
 - MIRCEA ABRUDEAN - *independent, non-executive interim administrator*;
 - LAURA RALUCA ALINA DRAGOTĂ - *independent, non-executive interim administrator*.

By OGMS Resolution 2/22.04.2021, the form of the mandate contract with the fixed remuneration allowance for both the permanent and interim administrators was approved.

26 April 2021

- By BoA Resolution 14/26 April 2021, the delegation of the management of the company to Mr. Ion Sterian, Director - General, was approved until the meeting of the new Board of Administration;
- By BoA Resolution 14/26 April 2021, the delegation of the responsibilities of Chief Financial Officer to Mr. Marius Lupean was approved until the meeting of the new Board of Administration;
- By BoA Resolution 14/26 April 2021 changes in the structure of the Board of Vestmoldtransgaz were approved.

27 April 2021

- By OGMS Resolution 3/27.04.2021, the gross dividend per share in the amount of 8,14 lei/share for financial year 2020 was approved;

- By OGMS Resolution 3/27.04.2021 the distribution of the net profit for financial year 2020 was approved;
- By OGMS Resolution 3/27.04.2021 the prescription of the dividends not collected and their registration in the company's income account were approved;
- By OGMS Resolution 3/27.04.2021 the Amendment to the Mandate Contract was approved;
- By OGMS Resolution 3/27.04.2021 the revenue and expense budget for 2021 and the estimates for the years 2022-2023 was approved;
- By OGMS Resolution 3/27.04.2021 16 July was set as the dividend payment date.

28 April 2021

- By BoA Resolution 15/28 April 2021 the increase of the share capital of Eurotransgaz SRL by SNTGN Transgaz SA with the amount of 286.512 Euro in order to ensure the necessary financial resources for granting a financing by Eurotransgaz SRL to its subsidiary Vestmoldtransgaz SRL was approved.

10 May 2021

- By BoA Resolution 16/10 May 2021, the modification of the advisory committees and of the Internal Regulations on their functioning was approved;
- By BoA Resolution 16/10 May 2021, the delegation of the company's management was approved, in compliance with the provisions of Law no. 31/1990 (Art. 143 (1)), GEO 109/2011 (Art. 35 (1) and of the Articles of Incorporation of the company (Art. 19 (2)), to Mr. Ion Sterian, for a period of four months, with the possibility of extending it up to a maximum of six months;
- By BoA Resolution 16/10 May 2021 the appointment of Mr. Marius Lupean in the position of Chief Financial Officer for a period of four months, with the possibility of extending it up to a maximum of six months was approved.
- By BoA Resolution 16/10 May 2021 the initiation of the selection procedure for the position of Director - General and Chief Financial Officer in accordance with GEO 109/2011 was approved.

13 May 2021

- On 13.05.2021, during the meeting of the Board of Administration of Transgaz, the administrators took note of SGG Letter 20/11558/THD/13.05.2021 regarding the termination of the mandates of the two interim administrators.
 - *ABRUDEAN MIRCEA – Independent, Non-Executive, Interim Administrator;*
 - *DRAGOTĂ LAURA RALUCA ALINA- Independent, Non-Executive, Interim Administrator.*

26 May 2021

- The Management Component of the Management Plan for 2021-2025 was approved by Board of Administration Resolution 18/26 May 2021.

17 June 2021

- Subsequently, by OGMS Resolution 4/17.06.2021, two other administrators were appointed as provisional members starting with 17.06.2021, for a period of 4 months, with the possibility of extending the term by another two months until the completion of the selection procedure:
 - *CSABA OROSZ – Non-Executive Interim Administrator*
 - *TOADER MIHAELA VIRGINIA - Non-Executive Interim Administrator*

23 June 2021

- By BoA Resolution 19/23 June 2021 the modification of the advisory committees was approved;
- By BoA Resolution 19/23 June 2021 it was endorsed the maintaining of the 50.01707% share in the distribution of net profit as dividends for 2020, approved by OGMS Resolution 3/2021, for submission to the GMS for approval.

29 June 2021

- By BoA Resolution 20/29 June 2021 2020 SNTGN Transgaz SA Sustainability Report was approved.

8 July 2021

- By BoA Resolution 21/8 July 2021 the increase of the share capital of Eurotransgaz SRL by SNTGN Transgaz SA with the amount of 520.870 EUR was approved;
- By BoA Resolution 21/8 July 2021 it was approved the using of the amount of 2.156.984 EUR from the funds obtained by Eurotransgaz SRL from the European Investment Bank for the funding of its subsidiary, Vestmoldtransgaz SRL, for the Ungheni -Chişinău project.

26 July 2021

- By OGMS Resolution. 5/26 July 2021 the maintaining of the 50.01707% share in the distribution of net profit as dividends for 2020 was approved.

27 July 2021

- By BoA Resolution 22/27 July 2021 the appointment of Mr Ion Sterian as Director - General and of Mr Marius Lupean as Chief Financial Officer was approved.

17 August 2021

- By BoA Resolution 24/17 August 2021 it was approved the conclusion by SNTGN Transgaz SA of a loan contract with the The Romanian Commercial Bank for the amount of lei 100 million for the funding of the project NTS developments in Nort-East Romania.

16 September 2021

- By BoA Resolution 27/16 September 2021 it was acknowledged the Management Component Management Component of the Managment Plan for 2021-2025.

29 September 2021

- By BoA Resolution 28/29 September 2021 the regulated tariffs for activities related to the operation activity for the period 1 October 2021 - 30 September 2022 and the tariff to be charged by the gas balancing market administrator for the same period were approved.

6 October 2021

- By BoA Resolution 29/6 October 2021 the Management Component Management Component of the Managment Plan for 2021-2025 were approved.

11 October 2021

- By BoA Resolution 31/11 October 2021 the financial and non-financial performance indicators for 2021-2025 were endorsed.

14 October 2021

- By OGMS Resolution 7/14 October 2021 it was approved the extension of the term of office of the provisional members:

- CSABA OROSZ – *Non-Executive Interim Administrator*
- TOADER MIHAELA VIRGINIA - *Non-Executive Interim Administrator*

27 October 2021

- By BoA Resolution 28/29 September 2021 it was approved the launching of the negotiation procedure for the selection of a bank to finance the project NTS developments in North-East Romania;
- By BoA Resolution 28/29 September 2021 it was approved the decrease of the share capital of Eurotransgaz SRL by EUR 13,15 million.

24 November 2021

- By BoA Resolution 37/24 November 2021 it was endorsed the 2021-2030 TYNDP for transmission to the Ministry of Environment, Water and Forest;
- By BoA Resolution 37/24 November 2021 it was approved the conclusion of a loan contract with the The Romanian Commercial Bank for the amount of lei 220 million for the project NTS developments in North-East Romania

6 December 2021

- By OGMS Resolution 8/6 December 2021 the financial and non-financial performance indicators for 2021-2025 were approved.

14 December 2021

- By OGMS Resolution 9/14 December 2021 it was approved the extension of the term of office of the provisional members
 - CSABA OROSZ – *Non-Executive Interim Administrator*
 - TOADER MIHAELA VIRGINIA - *Non-Executive Interim Administrator*

20 December 2021

- By BoA Resolution 39/December 2021 the annual investment plans for 2022-2024 (PMDI, PLRRM, PASM, PP, PC, PA, PASET) were approved.

The main investments objectives finalized in 2021 are:

- NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova;
- New NTS developments for taking over Black Sea gas (Vadu -T1);
- Replacement of GMS Isaccea 1;
- Interconnection of the National Transmission System with the international transmission system and reverse flow at Isaccea-Phase 2-Works at the TN Șendreni–electrical installations and automations;
- Enhancement of the Romanian transmission system between Onesti-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 –additional works;
- Replacement of the technological installations of MRS Timișoara I;
- The DN500 Craiova–Segarcea–Băilești–Calafat gas transmission pipeline, stage I, the Craiova–Segarcea section.
- Undercrossing of Dâmbovița River with the Bucharest Ring pipeline, Bălăceanca area;
- Securing of DN200 PM Alămor connection pipeline, in the Alămor area;

- Securing of DN 200 Cornăţel-Avrig gas transmission pipeline, Cornăţel–Săcădate area;
- Securing of Cormoş River abovencrossings with the DN700 Iaşu- Deal Moghioroş and DN800 Iaşu-Bâţani pipelines, in the Doboşeni village area, Covasna County.

The main repairment works finalized in 2021 are:

- The Băcia – Caransebeş gas transmission pipeline repair;
- Ø20 Adjutul Vechi pipeline, Braniştea, Schela and Independenţa areas;
- 12" Vlădeni-Măneşti pipeline securing ;
- 32`` Cosmeşti-Oneşti pipeline repairs (third party works);
- Ø6`` ELSID Titu supply pipeline connection;
- Preparation of Işalniţa-Cruce Gherceşti pipeline for pigging
- Şendreni–Albeşti pipeline (Buzău County) – preparation of pedological study of land rendering in the agricultural circuit;
- MRS Brazi building repairs;
- MRS Piatra Neamţ building repairs;
- MRS Bicaz building repairs.
- Ø20" Band-Sărmăşel pipeline (line I);
- Ø20 Oneşti-Racova-Gherăeşti pipeline line II (Bacău county);
- Replacement of 32" pipeline section of the 28" Platou Izvor Sinaia-Filipeşti pipeline, Drăgăneasa area;
- Repair of the building of the Azuga sector office and si Azuga work capacity recovery centre.

2.2. Indicators of the consolidated economic and financial results

Consolidated standard performance indicators

The economic and financial activity of the National Gas Transmission Company Transgaz S.A. from the beginning of the year until 31 December 2021 was conducted based on the indicators included in the revenue and expense budget approved by OGMS Resolution No. 3/2021.

The value of the standard performance indicators on 31 December 2021 as compared to their value as of 31 December 2020 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					2021	2020
1.	Commissioned investments	Plan achieved	Thousand lei	0,15	1.382.226	2.267.731
2.	EBITDA	EBITDA increase	Thousand lei	0,15	480.452	413.213
3.	Labour productivity	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/ pers.	0,15	407	352

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					2021	2020
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	579.741	464.287
6.	NTS gas consumption	Remaining within the gas quantities representing NTS gas consumption	%	0,15	85,46%	92,38%
7	OPEX at lei 1000 operating revenue	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	912	877

Table 1 - Consolidated standard performance indicators in 2021 compared to 2020

Consolidated profitability, liquidity, risk and management indicators

The values of the profitability, liquidity, risk and management indicators in 2017-2021 :

No.	Indicators	Calculation formula	2017	2018	2019	2020	2021
1.	Profitability indicators						
	EBITDA in total sales	EBITDA	47,17%	42,83%	29,02%	28,03%	28,53%
		Turnover					
	EBITDA in equity	EBITDA	22,53%	20,12%	14,22%	11,03%	12,40%
		Equity					
	Gross profit share	Gross profit	39,16%	33,18%	22,27%	13,54%	13,67%
		Turnover					
	Return on equity	Net profit	15,48%	13,22%	9,04%	4,41%	4,56%
		Equity					
2.	Liquidity indicators						
	Current liquidity indicator	Current assets	5,57	3,60	2,58	1,65	1,42
		Short term debts					
	Acid test ratio	Current assets - Stocks	5,27	2,99	1,65	1,37	1,09
		Short term debts					
3.	Risk indicators						
	Leverage indicator	Borrowed capital	1,85%	6,29%	17,51%	42,53%	49,01%
		Equity					

No.	Indicators	Calculation formula	2017	2018	2019	2020	2021
	Interest coverage ration	EBIT	8.932,75	220,69	78,88	9,57	9,93
		Interest expense					
4.	Management indicators						
	Days' sales outstanding	Average accounts receivable x 365 days	142,85	141,49	137,09	167,42	165,09
		Turnover					
	Days' payable outstanding	Average accounts payable x 365 days	19,43	35,52	40,78	55,23	73,14

Table 2 - Consolidated profitability, liquidity, risk and management indicators in - 2017-2021

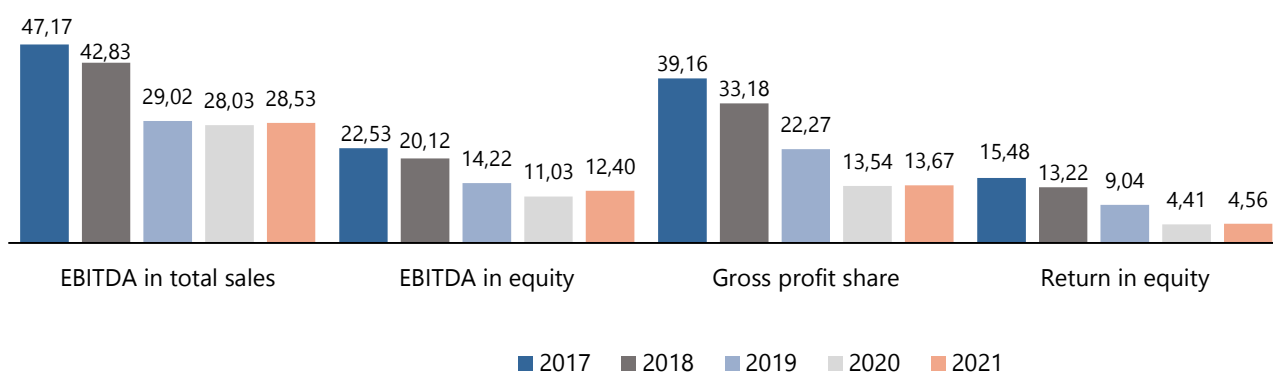


Chart 1- Profitability indicators evolution - 2017 - 2021

The main consolidated economic and financial indicators obtained in 2017 - 2021 are as follows:

No.	Indicator	Obtained at 31 December (thousand lei)					Dynamics (%)
		2017	2018	2019	2020	2021	
0	1	2	3	4	5	6	7=6/5*100
1.	Turnover	1.800.079	1.741.929	1.850.405	1.474.078	1.683.775	114,23
2.	Operating revenue before balancing and the construction activity according to IFRIC12	1.719.993	1.608.398	1.575.925	1.338.015	1.364.950	102,01
3.	Revenue from balancing	120.686	235.427	324.688	199.239	442.200	221,94
4.	Revenue from the construction activity according to IFRIC12	63.950	405.794	868.357	1.587.548	704.027	44,35
5.	Financial revenue	190.548	48.634	101.618	68.929	152.208	220,82

No.	Indicator	Obtained at 31 December (thousand lei)					Dynamics (%)
		2017	2018	2019	2020	2021	
6.	Operating cost before balancing and the construction activity according to IFRIC12	1.055.371	1.052.177	1.234.622	1.173.521	1.244.239	106,03
7.	Cost of balancing gas	120.686	235.427	324.688	199.239	442.200	221,94
8.	Cost of constructed assets according to IFRIC12	63.950	405.794	868.357	1.587.548	704.027	44,35
9.	Financial cost	150.228	26.973	30.779	33.872	42.669	125,97
10.	Gross profit	704.942	577.882	412.143	199.552	230.250	115,38
11.	Profit tax	125.305	98.323	86.676	47.511	53.445	112,49
12.	Deferred profit tax income	3.876	10.927	15.833	13.183		X
13.	Net profit	583.513	490.486	341.394	165.224	176.805	107,01
14.	Total comprehensive result related to the period	601.338	487.868	340.426	153.134	224.237	146,43
15.	Transmitted gas - thousand cm-	12.869.908	12.975.921	13.227.501	12.380.266	14.026.269	113,30
16.	Investment cost	95.599	421.519	1.055.468	1.898.974	817.916	43,07
17.	Rehabilitation cost	13.954	21.646	12.687	17.258	18.717	108,45
18.	Technological consumption thousand lei	73.831	70.003	66.257	79.187	76.005	95,98
19.	Technological consumption thousand cm	95.243	81.034	65.208	69.325	70.188	101,24

Table 3- Main consolidated economic and financial indicators - 2017 - 2021

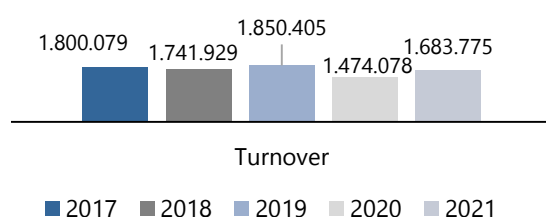


Chart 2 - Turnover 2017 - 2021 (mil lei)

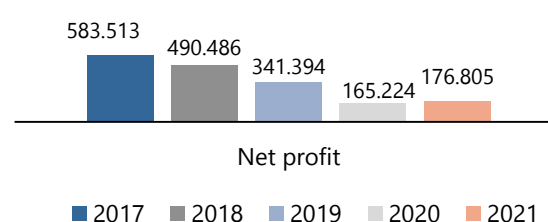


Chart 3-Net profit 2017 - 2021 (mil lei)

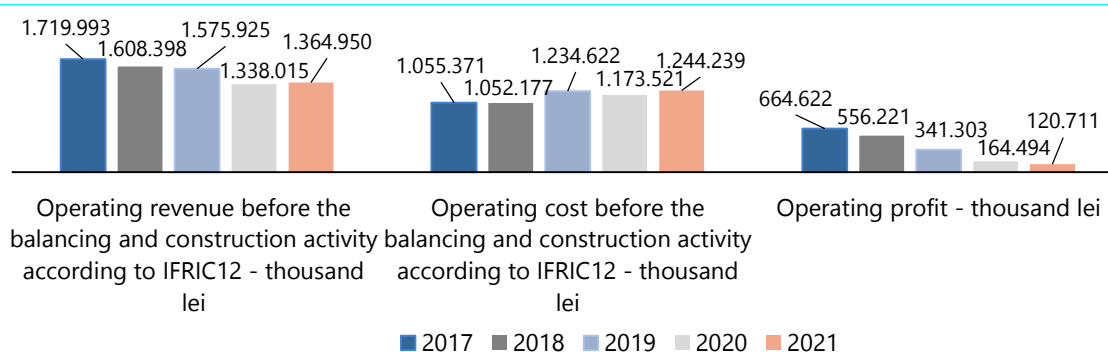


Chart 4- Operating revenue, expense and profit, before the construction activity according to IFRIC 12 - 2017 - 2021 (thousand lei)

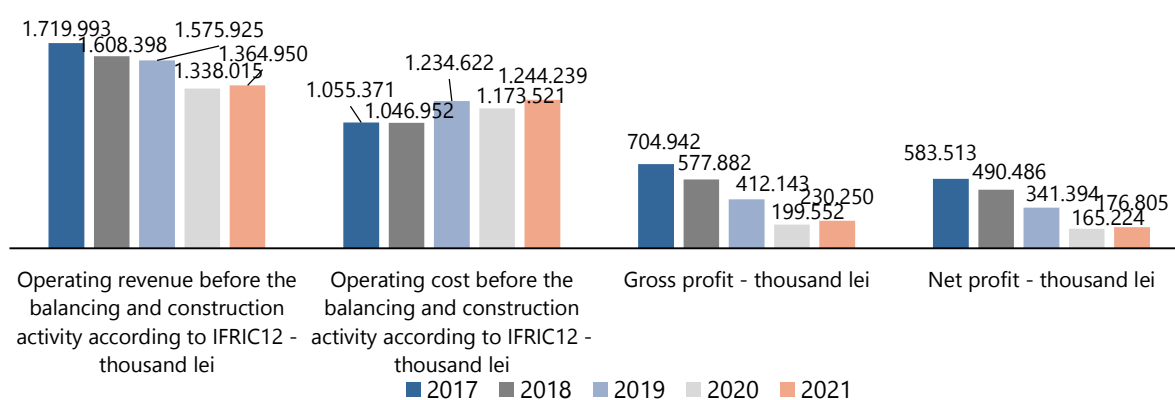


Chart 5- Main consolidated economic and financial indicators - 2017 - 2021 (thousand lei)

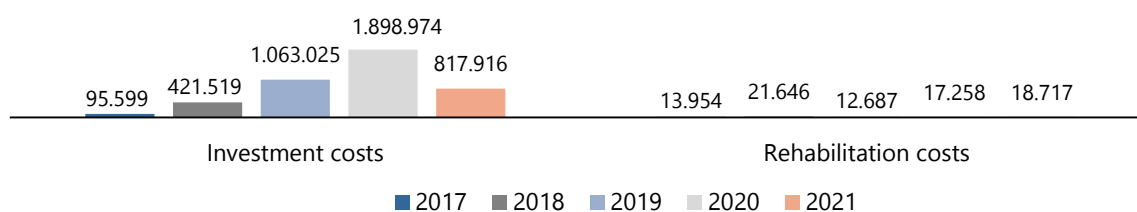


Chart 6- Investment and rehabilitation costs - 2021 vs 2020 (thousand lei)

2.3. Indicators of the individual economic and financial results

Standard performance indicators

The economic and financial activity of the National Gas Transmission Company Transgaz S.A. in 2021 was conducted based on the indicators included in the revenue and expense budget approved by OGMS Resolution No. 3/2021.

The value of the standard performance indicators on 31 December 2021 as compared to their value as of 31 December 2020 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					2021	2020
1.	Commissioned investments	Plan achieved	Thousand lei	0,15	1.382.226	2.020.454
2.	EBITDA	EBITDA increase	Thousand lei	0,15	485.447	414.677
3.	Labour productivity	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/ pers.	0,15	411	355
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	579.741	464.287
6.	NTS gas consumption	Remaining within the gas quantities representing NTS gas consumption	%	0,15	85,46%	92,38%
7	OPEX at lei 1000 operating revenue	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	902	874

Table 4 – Standard performance indicators - 2021 compared to 2020

Profitability, liquidity, risk and management indicators

The values of the profitability, liquidity, risk and management indicators in 2017 - 2021:

No.	Indicators	Calculation formula	2017	2018	2019	2020	2021
1.	Profitability indicators						
	EBITDA in total sales	EBITDA	47,18%	43,03%	29,27%	28,13%	28,83%
		Turnover					
	EBITDA in equity	EBITDA	22,53%	20,19%	14,23%	10,96%	12,48%
		Equity					
	Gross profit share	Gross profit	39,17%	33,46%	22,65%	14,19%	14,21%
		Turnover					
	Return on equity	Net profit	15,48%	13,35%	9,21%	4,63%	4,81%
		Equity					

No.	Indicators	Calculation formula	2017	2018	2019	2020	2021
2. Liquidity indicators							
	Current liquidity indicator	Current assets	5,57	3,59	2,58	1,56	1,25
		Short term debts					
	Acid test ratio	Current assets - Stocks	5,27	2,99	1,60	1,29	0,92
		Short term debts					
3. Risk indicators							
	Leverage indicator	Borrowed capital	1,85%	6,28%	17,44%	39,31%	44,02%
		Equity					
	Interest coverage ratio	EBIT	X	222,77	80,40	9,73	5,63
		Interest expense					
4. Management indicators							
	Days' sales outstanding	Average accounts receivable x 365 days	142,85	141,49	137,09	167,42	165,09
		Turnover					
	Days' payable outstanding	Average accounts payable x 365 days	19,43	35,52	40,78	55,23	73,14
		Turnover					

Table 5 - Profitability, liquidity, risk and management indicators - 2017 - 2021

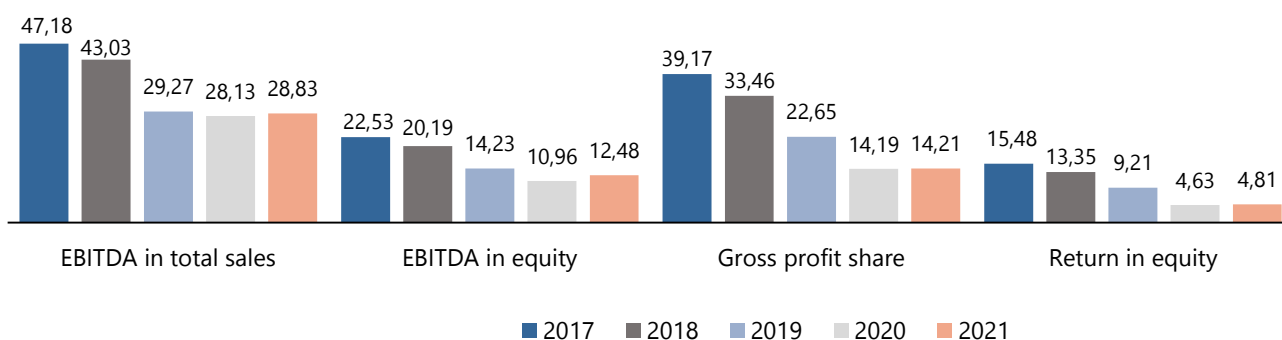


Chart 7- Profitability indicators - 2017 - 2021

The main economic and financial indicators obtained in 2017 - 2021 are as follows:

No.	Indicator	Obtained at 31 December (thousand lei)					Dynamics (%)
		2017	2018	2019	2020	2021	
0	1	2	3	4	5	6	7=6/5*100
1.	Turnover	1.800.079	1.741.929	1.850.405	1.474.078	1.683.775	114,23
2.	Operating revenue before balancing and the construction activity according to IFRIC12	1.719.993	1.608.437	1.576.667	1.333.504	1.364.511	102,33
3.	Revenue from balancing	120.686	235.427	324.688	199.239	442.200	221,94
4.	Revenue from the construction activity according to IFRIC12	63.950	405.794	868.357	1.587.548	704.027	44,35

No.	Indicator	Obtained at 31 December (thousand lei)					Dynamics (%)
		2017	2018	2019	2020	2021	
5.	Financial revenue	190.546	46.844	98.952	60.666	130.013	214,31
6.	Operating cost before balancing and the construction activity according to IFRIC12	1.055.267	1.046.952	1.228.699	1.165.836	1.230.118	105,51
7.	Cost of balancing gas	120.686	235.427	324.688	199.239	442.200	221,94
8.	Cost of constructed assets according to IFRIC12	63.950	405.794	868.357	1.587.548	704.027	44,35
9.	Financial cost	150.227	25.449	27.818	19.156	25.138	131,23
10.	Gross profit	705.045	582.880	419.102	209.178	239.268	114,38
11.	Profit tax	125.305	98.132	86.676	47.360	52.327	110,48
12.	Deferred profit tax income	3.876	10.927	15.833	13.183		X
13.	Net profit	583.616	495.675	348.259	175.001	186.941	106,82
14.	Total comprehensive result related to the period	601.442	491.233	343.622	182.343	202.724	111,18
15.	Transmitted gas - thousand cm-	12.869.908	12.975.921	13.227.501	12.380.266	14.026.269	113,30
16.	Investment cost	95.599	468.151	1.063.025	1.699.862	803.509	47,27
17.	Rehabilitation cost	13.954	21.646	12.632	17.167	18.561	108,12
18.	Technological consumption thousand lei	73.831	70.003	66.257	79.187	76.005	95,98
19.	Technological consumption thousand cm	95.243	81.034	65.208	69.325	70.188	101,24

Table 6- Main economic-financial indicators - 2017 - 2021

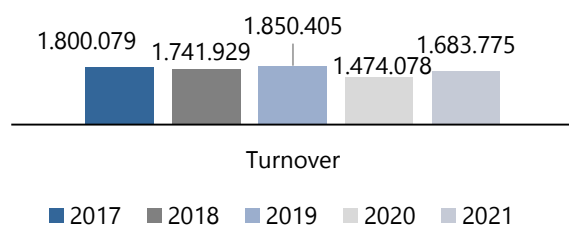


Chart 8-Turnover - 2017 - 2021 (mil lei)

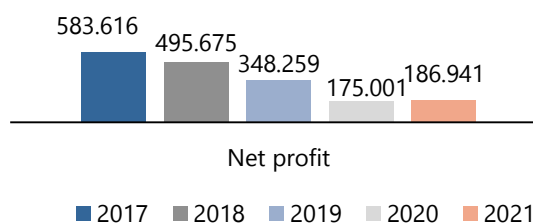


Chart 9 - Net profit - 2017 - 2021 (mil lei)

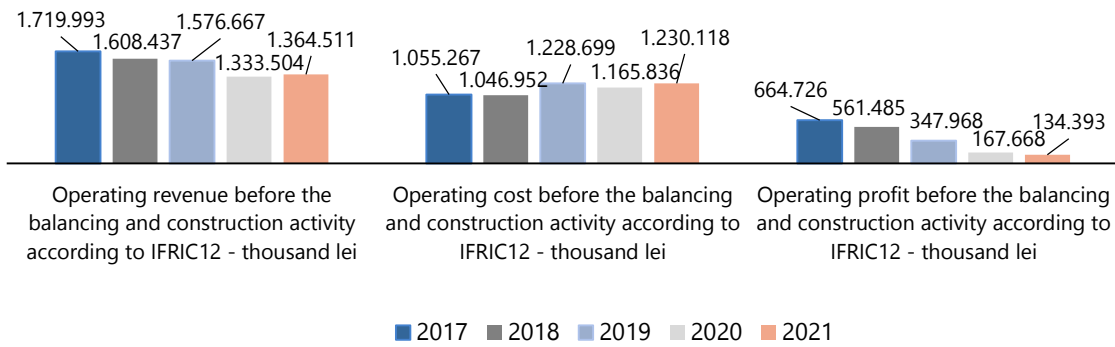


Chart 10 - Operating revenue, expense and operating profit before the construction activity according to IFRIC 12 - 2017 - 2021 (mil. lei)

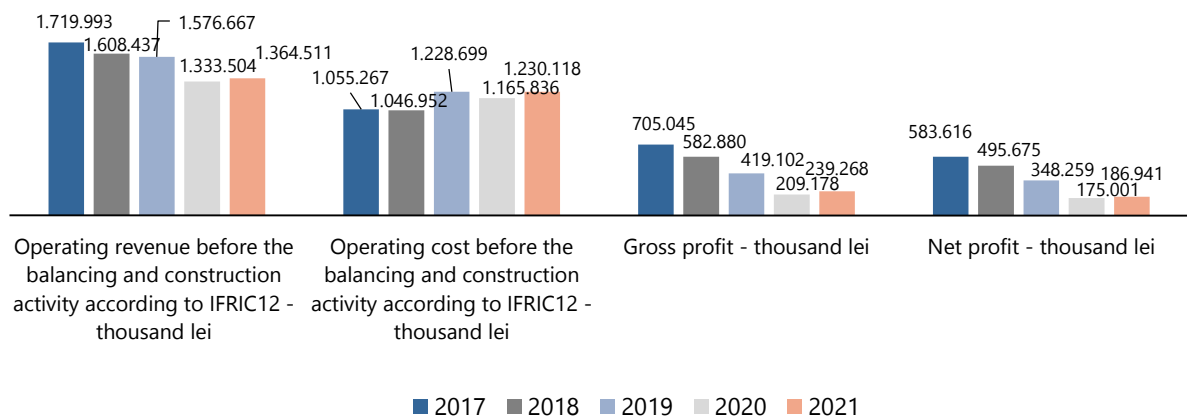


Chart 11 - Main economic and financial indicators - 2017 - 2021 (thousand lei)

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 2021 the Company's cash in bank accounts amounted to lei 321.026 thousand of which 2,87 % was cash denominated in foreign currency, most of it in EUR.

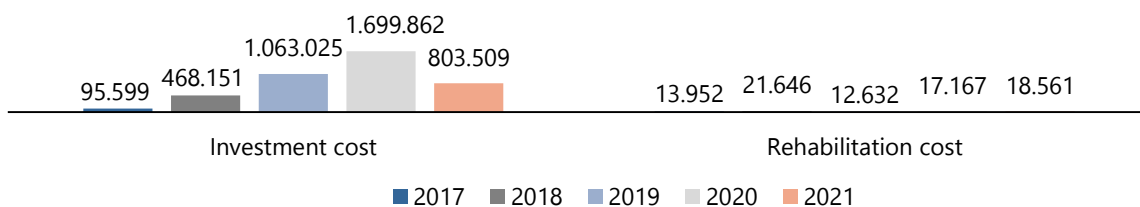


Chart 12 - Investment and rehabilitation costs - 2017 - 2021 (thousand lei)

2.4. The main transactions between the affiliated parties (concluded according to Art. 92[^]3 of Law 24/2017 updated by Law 158/2020)

Not applicable.

2.5. Non-financial reporting

Starting with 2021, SNTGN Transgaz SA published the non-financial information in a separate report according to Order 1938/2016 of the Minister of Public Finance, updated by Order 34556/2018 of the Minister of Public Finance, and published the 2020 Sustainability Report .

The report was prepared in accordance with the GRI (Global Reporting Initiative) and ESG (Environmental, Social and Governance) non-financial reporting standards and aligned with national legislative requirements on non-financial reporting. It includes both the management policy dedicated to protecting the environment, safety and health of employees and the principles underlying the company's corporate governance and social responsibilities.

The Sustainability Report for 2021 will be published in accordance with the provisions of MFP Order 2844/2017 on the approval of the Accounting Regulations in accordance with International Financial Reporting Standards, as further amended and supplemented, Chapter 7, paragraph 42 (b) and paragraph 47 (b) for consolidated reports: the report *shall be made available to the public within a reasonable period not exceeding six months from the balance sheet date, on the entity's website and shall be mentioned in the report of the administrators*, that is by 30 June 2022.

3. MAIN RISKS RELATED TO 2022

Depending on the relevant elements derived from the evaluation of the internal and external context, SNTGN TRANSGAZ SA continuously re-evaluates its risk portfolio.

The grouping of the risks identified within SNTGN Transgaz SA represents an important stage in the development of the risk management process.

SNTGN Transgaz **SA defined the Risk Grouping System, characteristic to the company, by using risk categories**. Risk categories give us a structured and manageable overview of the risks the company is facing.

Operational risks

Operational risks are directly related to the activity carried out at the level of services, offices, compartments, territorial operations, sectors and are associated with operational objectives:

1. category: efficient development of works

- lack of landowners' agreements;
- unforeseen soil conditions;

- failure to obtain in time the approvals and agreements of the landowners necessary to obtain the Building Permit;
- information unavailable / transmitted late regarding the real situation in the field;
- provision of incomplete / inaccurate data regarding the identification of land owners, by the competent bodies;
- deficient cadastral records, at the level of local / county authorities;
- temporary cessation of land use as a result of the discovery of vestiges;
- failure to fully ensure the technical and operational conditions for the inspection of pipes with intelligent PIG.

2. category: material / financial resources

Due to the lack of material / financial resources and spare parts necessary to achieve the proposed objectives, within the set time, in conditions of quality, price, costs, safety, the risks are identified:

- failure to perform on time and within the scheduled parameters the works provided in the Maintenance and Technical Revision Program of MRS and pipelines;
- the occurrence of malfunctions in the operation of the Cathodic Protection Stations;
- not performing on time and in the programmed parameters the maintenance works of the SCADA system.

3. category: technical

- low operating pressure of the NTS;
- malfunctions of the information / communication system;
- unavailability of IT Security tools;
- failure to identify in a timely, total or inadequate way the cyber vulnerabilities;
- SCADA failures;
- software / hardware failures of the IT system;
- technical problems in the operation of the GMOIS platform;
- subodorization / superodorization of natural gas delivered from NTS.

4. category: suppliers/subcontractors

- non-compliance with the contractual clauses regarding terms and quality;
- insolvency / bankruptcy of suppliers;
- delay in performing the receptions at the end of the works;
- lack of continuity of service contracts for MRSs;
- the contractor does not have the capacity to fulfil the contractual provisions;
- delays in planning revisions / repairs / technical periodical inspections / tire exchange due to lack of service contract / RCA / CASCO.

5. category: hazard:

- impossibility to perform maintenance due to weather conditions;
- increasing expenses with maintenance and repairs in the NTS due to extreme weather phenomena;
- impossibility to observe the patrol program.

6. category: clients

- malfunctions caused by some Network Users in the GMOIS platform

Strategic risks

The strategic risks are directly related to the development strategy of SNTGN Transgaz SA and are associated with the strategic objectives included in the 2021-2025 Company's Management Plan:

1. category: political

- the national and international macroeconomic and geopolitical framework changes may affect the conclusion of gas transmission contracts as well as the implementation of the strategic projects;
- The evolution of the Romanian economy, the global and European macro-financial climate, the evolution of the health crisis, the internal mix of economic policies, can determine additional financing by increasing the costs of initial investments and fluctuations of qualified personnel.
- government intervention: requesting a dividend distribution of more than 50% may lead to the materialisation of a significant risk with a direct impact on the company and its ability to finance strategic investment projects.

2. category: regulations/legislative

- Given the high value of investments, the long duration of implementation of projects in which the company is involved, a stability and predictability of the legislative environment and regulatory framework in the energy sector are necessary and the adoption of regulations without a solid basis supported by studies impact and public debate may seriously affect the energy sector
- national legislation is marked by volatility and blockages;
- the risk of non-recognition of investments in the Regulated Assets Base (RAB) recognized by ANRE, necessary for determining the transport tariffs;
- low possibility to obtain a higher profit than the regulated one, within a regulatory period;
- changes in gas prices in Romania.

3. category: competition:

- the impact of competing projects on gas flow dynamics at European level (TAP, Turk Stream and Balkan Stream);
- lack of an LNG terminal in Constanța. This will allow Bulgaria and Hungary to strengthen their energy hub positions.
- reducing the transit of natural gas through Romania.

4. category: commercial

- the risk of the price of goods related to the gas purchased for own consumption.

5. category: sustainability

Includes changes in the baseline context generated by the need to align with European directives that will ensure climate neutrality (Green Deal):

- restricting funding for gas projects;
- delays in developing new technologies for transporting green hydrogen at a competitive level;
- decreasing natural gas consumption due to increasing the share of wind, solar and nuclear energy;
- the NTS may be affected by natural disasters (earthquakes, floods, landslides, extreme temperatures, heavy snowfall), crisis situations or war.

6. category: financial:

- crediting;
- exchange rate;
- interest rate;
- liquidity.
- failure to comply with the limits laid down in the financing contracts for the financial indicators.

For risks that have a level of exposure above the risk tolerance limit approved *risk mitigation measures* are established, among which we mention:

- permanent alignment of the company's strategic objectives with European requirements for the development of the energy sector;
- making the best use of the financing opportunities necessary for the development of the investment projects;
- consolidation of the company's position in the Romanian Investor Relations Association;
- initiating discussions with government representatives to stress the importance of fiscal and legislative stability and predictability and medium and long-term investment;
- participation of the company in the analysis of specific draft regulations submitted by the competent authorities;
- consistent, effective consultation with relevant stakeholders in the decision-making process following changes to the regulatory framework;
- continuous communication with the representatives of the majority shareholder (Romanian State), of the shareholders and of all other stakeholders;
- identification of all eligibility criteria set out in Regulation 347/2013 on guidelines for trans-European energy infrastructure, with a view to identifying projects of common interest in the field of energy and mobilising the necessary private and public funds;
- compliance/monitoring of the Activity Continuity Plan at SNTGN Transgaz SA level and of the Plan of Measures to Ensure Activity Continuity at SNTGN Transgaz SA level;
- developing contingency plans and conducting simulations of emergency operations;
- continuous testing of the Security Plans drawn up at the level of the objectives;
- installation of integrated security systems for critical infrastructure targets;
- Systematic verification and reporting on the progress of the implementation of the *Priority Programme of Measures aimed at bringing the technological consumption in the NTS within the approved limits in the period 2022-2026.*

4. ABOUT SNTGN TRANSGAZ SA

4.1 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.

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:

- Professionalism and performance;
- team spirit;
- mutual respect;
- responsibility towards the environment and people;

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.

4.2 The activity of the company

The National Gas Transmission Company TRANSGAZ SA, established based on the Government Resolution 334/28 April 2000 following the restructuring of the National Gas Company ROMGAZ SA, is a Romanian legal entity having the legal form of a joint stock company and carries out its activity in accordance with Romanian laws and its bylaws.

SNTGN TRANSGAZ is the technical operator of the National 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..

The natural gas transmission activity is carried out based on the Concession Agreement for the pipelines, installations, equipment and facilities related to NTS, in the public domain of the Romanian state, concluded with the National Agency for Mineral Resources (ANRM), as the representative of the Romanian state, approved by Government Resolution 668/20 June 2002 (published in Official Journal 486/8 July 2002), valid until 2032, as further amended and supplemented by seven addenda approved by Government Resolution.

By ANRE Order 3/22 January 2014 on 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.

Main components of the National Gas Transmission System

The main components of the National Gas Transmission System as at 31.12.2021:

NTS objective / component	MU	Value
Main transmission pipelines and gas supply connections, of which: -international transmission pipelines (Transit III) -BRUA	km	14.209,55 183,5 482
Operating metering-regulating stations (MRS)	pc.	1141 (1247 metering directions)
Valve control stations (VCS, TN)	pc.	59
Import/export gas metering stations (GMS) (Giurgiu, Medieșu Aurit, Isaccea I, Isaccea former T1, Isaccea former T2, Negru Vodă former T1, Negru Vodă former T2)	pc.	7
Gas metering stations located on the gas transit pipelines (GMS) (Isaccea Transit III, Negru Vodă III)	pc.	2
Gas compressor station (CS) (Șinca, Onești, Siliștea, Jupa, Podișor, Bibești Onești M, Gherăești)	pc.	8
Cathodic protection stations (CPS)	pc.	1045
Gas odorising stations (GOS)	pc.	1026

Table 7 - Main components of the NTS on 31.12.2021

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.



Figure 1 - Map of the National Gas Transmission System

Cross-border interconnection points

As at 31.12.2021, the import/export of natural gas to/from Romania was achieved by seven cross-border interconnection points:

Country	Interconnection pipeline	Technical specifications	Total technical capacity
UKRAINE	Orlovka (UA) - Isaccea (RO) * LLC GAS TSO UA → Transgaz	DN 1000, Pmax = 45 bar	6,85 Sbcm/y at Pmin=35 bar
	Tekovo (UA) - Medieșu Aurit (RO) ** LLC GAS TSO UA → Transgaz	DN 700, Pmax = 75 bar	2,71 Sbcm/y at Pmin=47 bar
	Isaccea 1 (RO) - Orlovka 1 (UA) Transgaz ↔ LLC GAS TSO UA	DN 1000, Pmax = 55 bar	6,85 Sbcm/y at import capacity at Pmin=46,5 bar 4,12 Sbcm/y export capacity*** at Pmin=35,4 bar
HUNGARY	Szeged (HU) - Arad (RO) - Csanádpalota (HU) FGSZ ↔ Transgaz	DN 700, Pmax = 63 bar	2,63 Sbcm/y import capacity at Pmin=40 bar 1,75 Sbcm/y export capacity at Pmin=40 bar
REPUBLIC OF MOLDOVA	Iași (RO) - Ungheni (MO) Transgaz ↔ Vestmoldtransgaz	DN 500, Pmax = 55 bar	1,88 Sbcm/y export capacity at Pmin=39,5 bar 0,73 Sbcm/y import capacity la Pmin=24 bar
BULGARIA	Giurgiu (RO) - Ruse (BG) Transgaz. ↔ Bulgartransgaz	DN 500, Pmax = 50 bar	1,50 Sbcm/y export capacity at Pmin=40 bar 0,92 Sbcm/y import capacity at Pmin=30 bar
	Kardam (BG) - Negru Vodă 1 (RO) Transgaz ↔ Bulgartransgaz	DN 1000, Pmax = 55 bar	6,36 Sbcm/y on export capacity **** at Pmin=31,5 bar 5,31 Sbcm/y import capacity at Pmin=45 bar

* This interconnection point is not used since there is no interconnection agreement concluded. Gas import from Ukraine is currently performed through Isaccea 1.

**For this point the Romanian TSO and the Ukrainian TSO are having discussions on the signature of a new Interconnection Agreement.

***Capacity is offered on an interruptible commercial basis as the Annex to the Interconnection Agreement on gas quality requirements is not signed.

****Capacity conditioned by capacity booking at the Isaccea 1 IP in the UA-RO direction.

Following the completion of the connection of the T2 pipeline to T1 (NTS) at the end of 2021, Transgaz, together with the neighbouring TSOs, is currently taking the necessary steps to ensure and provide bidirectional capacity at the Isaccea 2 interconnection point with Ukraine and the Negru Voda 2 interconnection point with Bulgaria on this transmission pipeline.

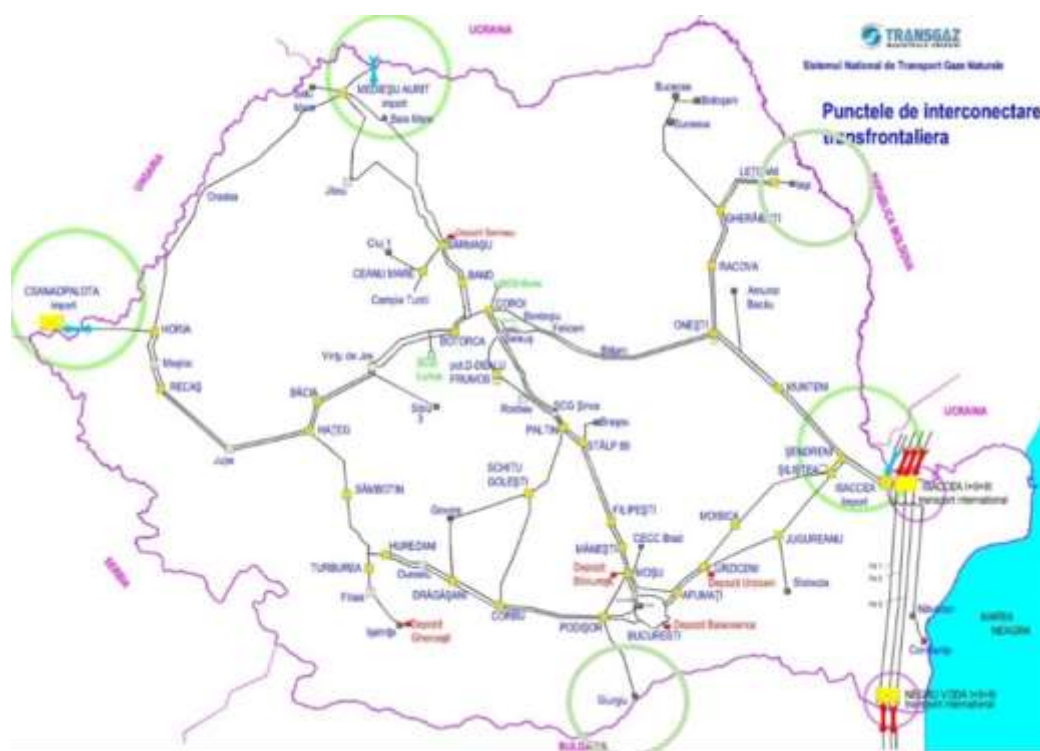


Figure 2 - Cross-border NTS interconnection points

Domestic gas transmission

The domestic gas transmission activity is carried out by Transgaz based on License 1933/20.12.2013 for operating the natural gas transmission system, issued by the National Energy Regulatory Authority (ANRE), valid until 08.07.2032.

The gas transmission is ensured by over 14.200 km of pipelines and gas supply connections with diameters between 50 mm and 1.200 mm, at pressures between 6 bar and 63 bar.

International gas transmission

The international gas transmission activity is carried out by Transgaz based on License 1933/20.12.2013 for operating the gas transmission system, issued by the National Energy Regulatory Authority (ANRE), valid until 08.07.2032, based on Electricity and Gas Law 123/2012, as further amended and supplemented, as well as based on the specific regulations in force.

The activity of international gas transmission takes place in the South-East of the country (Dobrogea), where the existing Romanian pipeline sector between Isaccea and Negru Vodă is included in the Balkan corridor of international natural gas transmission from Russia to Bulgaria, Turkey, Greece and Macedonia.

Along the mentioned route, there are three interconnections with the similar international gas transmission system in Ukraine north of **Isaccea**, and three interconnections with the similar international gas transmission system in Bulgaria south of **Negru Vodă**.

In gas year 2019-2020 the (T1) Isaccea 1 - Negru Voda 1 (T1) natural gas transmission pipeline was connected to the National Gas Transmission System in GMS Isaccea area, which enables the physical flow of gas from the T1 transmission pipeline to the NTS and vice versa.

Following the connection of the Isaccea 1 – Negru Vodă 1 (T1) Gas Transmission Pipeline to the National Gas Transmission System, Negru Vodă 1 became a NTS interconnection point and the provisions of the same tariff setting methodology apply to it (approved by ANRE Order 41/2019) applicable both at the interconnection points with the EU Member States (Csanadpalota, Giurgiu Ruse) and at the domestic points of the National Transmission System.

The transmission capacity at the points related to the T1 pipeline is traded according to Order 215/05.12.2019 of the ANRE President amending and supplementing some orders of the ANRE President, and Regulation (EU) No 459/2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) no. 984/2013.

Regarding the transmission through the T2 and T3 pipelines with the following characteristics: DN 1200, L = 186 km and the technical capacity of 10 billion Scm/year (T2) and DN 1200, L = 183,5 km and the technical capacity of 10 billion Scm/year (T3), the company concluded the Agreement for the Termination of the Legacy Contract between SNTGN Transgaz SA and Gazprom Export LLC.

At the end of 2021, the T2 gas transmission pipeline Isaccea 2 – Negru Voda 2 was connected to the National Gas Transmission System, enabling physical gas flow from T2 to the NTS and vice-versa.

Moreover, the Isaccea 2 and Negru Voda 2 gas metering stations were upgraded to ensure bidirectional gas flow at the cross-border interconnection points Isaccea 2 with Ukraine and Negru Voda 2 with Bulgaria.

After the completion of the works for the connection of the T2 pipeline to the NTS at the end of 2021, Transgaz, together with the neighbouring TSOs, has been taking actions (the conclusion of interconnection agreements) to ensure and offer bidirectional capacity at the interconnection points related to this pipeline.

The T3 Isaccea 3-Negru Vodă 3 gas transmission pipeline has not been connected to the NTS yet.

The operation by SNTGN Transgaz SA of the National Gas Transmission System mainly includes the following activities:

- commercial balancing;
- contracting natural gas transmission services;
- dispatching and technological regimes;
- measurement and monitoring of gas quality;
- gas odorization and international gas transmission.

TRANSGAZ S.A. may also carry out other related activities to support the main object of activity, in accordance with the legislation in force and its own bylaws, being able to purchase gas only for the balancing and safe operation of the National Transmission System.

In addition to the domestic and international gas transmission revenue , the company has revenue from NTS access fees , design services, the collection of penalties charged to customers and other adjacent services provided.

The quality of the transmission service is a constant concern of both SNTGN Transgaz SA and the National Energy Regulatory Authority. In order to monitor the quality of the natural gas transmission service based on specific indicators and minimum performance levels, starting with 1 October 2016, the **Performance Standard for the natural gas transmission service approved by ANRE Order 161 / 26.11.2015** entered into force.

4.3 Shareholding

According to the provisions of Government Emergency Ordinance 1/04.01.2017 on the establishment of measures in the field of the central public administration and for the amendment and supplementation of some regulatory acts, the Ministry of Economy was established, through the reorganisation of the activities of the Ministry of Economy, Trade and Relations with the Business Environment. Thus, on 02.03.2017 it was registered at Depozitarul Central S.A. 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.

From 14 November 2019, the exercising of the rights and the fulfilment of the obligations arising from the quality 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 31.12.2021 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	1.168.244	9,9224
- legal persons	3.716.760	31,5679
Total	11.773.844	100

Table 8 - Shareholding structure at 31.12.2021

The share capital of Transgaz on 31 December 2021 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 structure on 31 December 2021

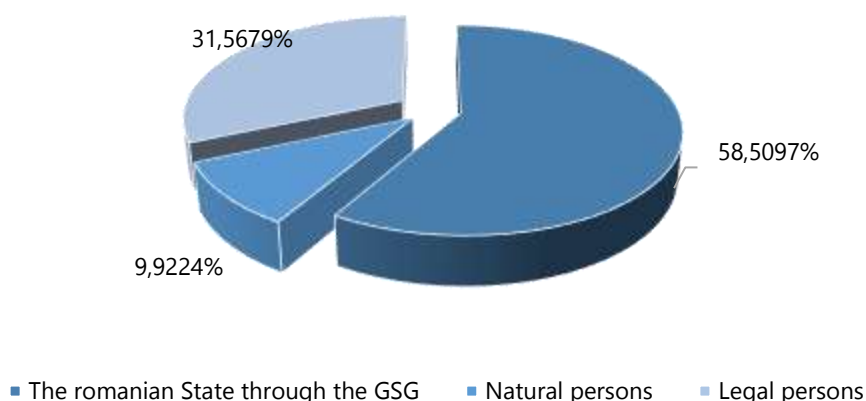


Chart 13 - Shareholding structure at 31.12.2021

Regarding the number of shareholders, according to Transgaz shareholders' register at the reference date of 31 December 2021 a number of 10.842 TGN shareholders were registered, which is 1.259 shareholders more than on 31 December 2020.

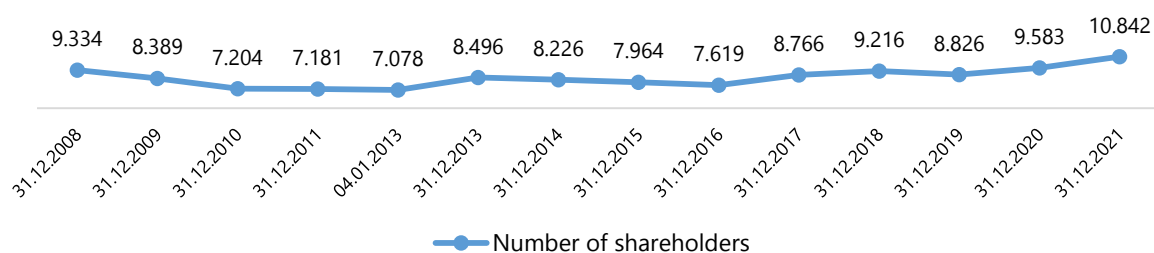


Chart 14 - Number of Transgaz shareholders from the listing and until 31.12.2021

4.4 Structure

SNTGN Transgaz SA is managed in a unitary system by the Board of Administration.

There is a **separation** between the non-executive, control function (non-executive administrator) and the executive function (directors) - mandatory separation, in the case of joint stock companies whose annual financial statements are subject to a legal auditing obligation.

The Board of Administration delegated the management of the company to the Director - General of Transgaz. The Director - General of Transgaz represents the company in its relations with third parties and is responsible for taking all measures related to management, within the scope of activity of the company and in compliance with the exclusive powers granted by law or the Articles of Incorporation, the Board of Administration and the General Meeting of Shareholders.

SNTGN Transgaz SA conducts its activity in the following locations:

- Transgaz registered office: Mediaș, 1 C. I. Motaș Square, Sibiu County, code 551130;
- Exploitation and Maintenance Department: Mediaș, 11 George Enescu Street, Sibiu County, code 551018;
- Design and Research Department: Mediaș, 6 Unirii Street, Sibiu County, code 550173;
- Bucharest Gas Market Operation Division: Bucharest, 30 Dorobanți Blvd., District 1, code 010573;
- Transgaz Representative Office - Romania: Bucharest, 55 Primaverii Blvd.;
- Transgaz Representative Office - Brussels – Belgium: Brussels, 23 Luxembourg Street;
- General Inspection Unit: Bucharest, 155 Victoriei Blvd., District 1, code 010073.
- Design and Research Workshops - Brașov, 2 Nicolae Titulescu Street.
- Transgaz secondary office: Mediaș, 3 I.C. Brătianu Street, building 3, flat 75, Sibiu County.

The SNTGN Transgaz SA subsidiaries in the Republic of Moldova are the following:

- EUROTRANSGAZ Limited Liability Company: 7/E Balcani Road, out of town, Ghidighici village, Chisinau, Moldova;
- VESTMOLDTRANSGAZ Limited Liability Company: 7/E Balcani Road, out of town, Ghidighici village, Chisinau, Moldova;

SNTGN Transgaz SA 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;
- **Brașov Regional Office**, 102A Griviței Bvd, Brașov, Brașov County, code 500449;
- **Bucharest Regional Office**, 24 Lacul Ursului Street, District 6, Bucharest, code 060594;
- **Cluj Regional Office**, 12 Crișului Street, Cluj-Napoca, Cluj County, code 400597;
- **Craiova Regional Office**, 33 Arhitect Ioan Mincu Street, Craiova, Dolj County, code 200011;
- **Mediaș Regional Office**, 29 George Coșbuc Street, Mediaș, Sibiu County, code 551027;
- **Constanța Regional Office**, 2 bis Caraiman Street, Constanța, Constanța County, code 900117;
- **Mediaș Subsidiary**, 59 Sibiului Street, Mediaș, Sibiu County.



4.5 Management

Members of the Board of Administration of SNTGN Transgaz SA on 31.12.2021

Name and Surname	Position in the Board of Administration/Legal basis for appointment		Term of office
ION STERIAN	OGMS Resolution 2/22.04.2021	Executive Administrator	4 years
	BoA Resolution 22/27.07.2021	Appointed as Director - General	
PETRU ION VĂDUVA	OGMS Resolution 2/22.04.2021	Non-Executive Administrator	4 years
NICOLAE MINEA	OGMS Resolution 2/22.04.2021	Independent Non-Executive Administrator	4 years
CZABA OROSZ	OGMS Resolution 4/17.06.2021	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure;
	OGMS Resolution 7/14.10.2021	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 9/14.12.2021	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure ;
MIHAELA VIRGINIA TOADER	OGMS Resolution 4/17.06.2021	Non-Executive, Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure ;
	OGMS Resolution 7/14.10.2021	Non-Executive, Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 9/14.12.2021	Non-Executive, Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure ;

The CVs of the members of the Transgaz Board of Administration are available on the company's website at: <https://www.transgaz.ro/ro/despre-noi/consiliul-de-administratie>

Special agreements/arrangements or kinship

According to the information provided by the administrators, there is no agreement of understanding or kinship between the relevant person and another person by virtue of which the respective person was appointed administrator.

Participation of administrators to Transgaz's share capital

The company's administrators do not hold shares in the company's share capital.

Litigation or administrative proceedings

There have been no disputes or administrative proceedings over the last five years involving the administrative or executive management.

Executive management

The members of the executive management of the company, with the exception of the Director - General and the Chief Financial Officer, are employees of the company, with an individual labour contract for an indefinite period of time. The management and execution personnel within Transgaz is employed, promoted and discharged by the Director - General, based on the duties delegated by the Board of Administration.

According to the information available, there is no agreement, covenant or kinship 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 31.12.2021:

No.	Name and first name	Position	Number of shares on 30.06.2021	Interest share (%)
1	Tătaru Ion	Director	25	0,000212
2	Lupean Marius	Director	20	0,000169
3	Șai Alexandru	Director	10	0,000084
4	Comanita Adela	Director	7	0,000059
5	Nita Viorel	Director	5	0,000042

Table 9 - Members of Transgaz's executive management holding shares in the company on 31.12.2021

The executive management of the company on 31.12.2021:

No.	Name and first name	Position	Division/Unit
1.	Sterian Ion	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 delegated	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.	Bunea Florin	Director	Operation Division

9.	Cosma Emil Florin	Director	Maintenance Division
10.	Mateş Angela Aneta	Director	HR Organization Division
11.	Ciprian Oniga	Director with delegation of powers	Research and Design Division
12.	Beldiman Ion	Director	Energy Management, Automation and SCADA Division
13.	Luca Bogdan Avram	Director	Sectoral Procurement and Contracting Division
14.	Lascu Sergiu Alin Marius	Director with delegation of powers	Information Technology and Communications Division
15.	Iancu Cristina Daniela	Director with delegation of powers	Legal Division
16.	Sârbu Ionel	Director	Land Regulation and Acquisition Division
17.	Andronic Bogdan Constantin	Director	EU Funds and International Relations Division
18.	Maxim Cosmin Romeo	Director with delegation of powers	The National Gas Dispatching Centre
19.	Dragoman Irina Georgiana	Director	Gas Regulation Unit
20.	Ene Alin	Director	General Inspection Unit
21.	Codreanu Liudmila Gabriela	Director	Internal Audit Unit
22.	Drăghici Aurelian	Director	Projects Analysis, Checking and Endorsement Unit
23.	Mamotă Cosmin	Director with delegation of powers	HSQE Unit
24.	Voican Nicolae Adrian	Director with delegation of powers	Mediaş Subsidiary
25.	Gurgu Victorel	Regional Office Director / delegation of powers for PMU Manager	Bucharest Regional Office
26.	Alexandru Ionel	Director	Arad Regional Office
27.	Pîrlea Mirel	Director with delegation of powers	Braşov Regional Office
28.	Schimdt-Hăineală Eduard-Cristian	Director	Bacău Regional Office
29.	Dumitru Nicuşor	Head of Department with delegations of powers for Director of Regional Office	Brăila Regional Office
30.	Niţă Viorel	Director	Craiova Regional Office
31.	Goia Petru	Engineer with delegations of powers for Director of Regional Office	Cluj Regional Office
32.	Andrei Romeo	Chief Engineer with delegations of powers for Director of Regional Office	Constanta Regional Office
33.	Oancea Paul	Director	Mediaş Regional Office

Table 10 -Transgaz's executive management on 31.12.2021

VESTMOLDTRANSGAZ SRL management team structure:

	VESTMOLDTRANSGAZ	Name and Surname
1	Company Board	1. Mihai Leontin Leahu – Chairman on behalf of Transgaz 2. Marius Constantin Stoica - Member on behalf of Transgaz 3. Octavian Costas – Member on behalf of EBRD 4. Pop-Gîscă Sanda – Member on behalf of Transgaz 5. Dragoman Irina Georgiana – Member on behalf of Transgaz
2	Company Administrator	Duminică Liviu Valentin

Table 11 - Vestmoldtransgaz management members on 31.12.2021

EUROTRANSGAZ SRL management team structure:

	EUROTRANSGAZ	Name and Surname
1	Administrator	Dan Niculae-Faranga
2	Administrator	Vasilica Grăjdan
3	Administrator	Ion Tătaru

Table 12 - Eurotransgaz management members on 31.12.2021

4.6 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 evolution of the number of personnel between 2017-2021:

Specification	2017	2018	2019	2020	2021
Number of employees at the beginning of the period	4.607	4.405	4.202	4.089	4.145
Number of persons employed/resumed their activity	187	187	233	282	210
Number of employees who terminated/suspended their working relations with the company	389	390	346	226	305
Number of employees at the end of the period	4.405	4.202	4.089	4.145	4.050

Table 13 – Number of employees between 2017-2021

On 31 December 2021, SNTGN TRANSGAZ SA has 4.050 employees with individual employment contracts, of which 3.837 for an indefinite period and 213 for a fixed period.

The number of personnel in 2021 compared to the same period of the previous year is as follows:

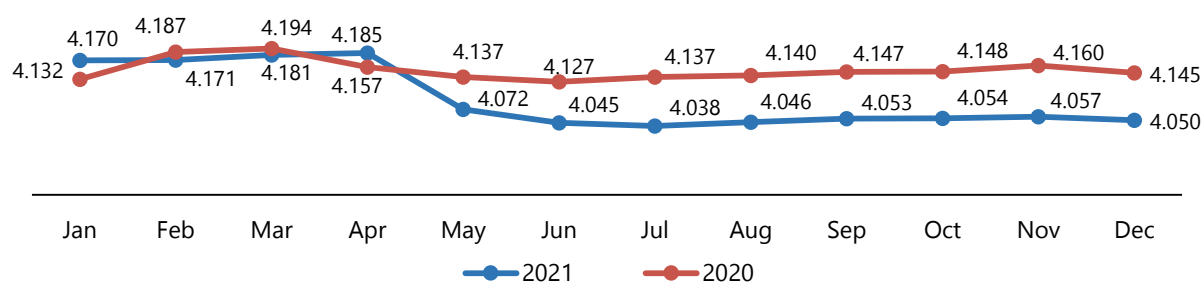


Chart 15 - Number of employees in 2021 compared to 2020

The personnel structure by category of studies reveals the interest of the company to cover the needs of personnel 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.

The personnel structure by category of studies between 2017-2021:

No.	Category	2017	2018	2019	2020	2021
1.	Faculty graduates	1.370	1.424	1.430	1.521	1.545
2.	High school graduates	1.346	1.275	1.246	1.252	1.229
3.	Vocational school graduates	708	620	611	598	573
4.	General school graduates + training course	981	883	802	774	703
TOTAL employees		4.405	4.202	4.089	4.145	4.050

Table 14 - Personnel structure by categories of studies in 2017 - 2021

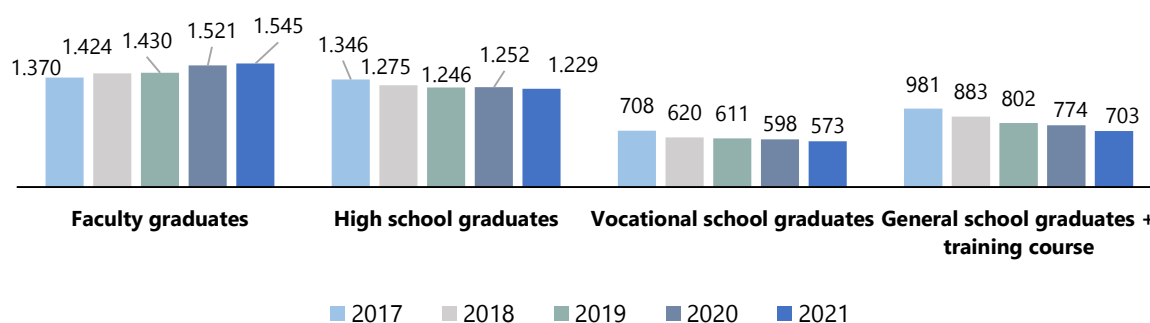


Chart 16 - Personnel structure by categories of studies between 2017-2021

At the **end of the 2021**, the degree of unionization of the labour force was 96,5%, out of a total of 4.050 employees, 3.908 being union members.

There are four trade unions with which the SNTGN Transgaz SA employees are registered, namely:

- The Transport Gaz Mediaş Trade Union;
- The Professional Trade Union Metan Mediaş.
- The Technological Research Trade Union CERTEH Mediaş;
- The Free Trade Union SNTGN TRANSGAZ SA Mediaş;

The Transport Gaz Mediaş 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 25.06.2021, 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 number 60/23.06.2021 in the Single Recording Register.

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.

VESTMOLDTRANSGAZ – Human Resources

The optimal sizing of the number of personnel within the company is correlated with the actual personnel 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 34, of which 25 at the Chisinau headquarters and 9 at GMS Ungheni. The number of employees may increase with the commissioning of the Iaşi – Ungheni – Chişinău 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 personnel of VESTMOLDTRANSGAZ SRL is appointed, employed and discharged by the company administrator.

The number of personnel within Vestmoldtransgaz SRL, as at 31.12.2021 compared to 31.12.2020 is presented in table below:

No.	Indicator	2021	2020
1	Number of employees at VMTG	34	33
2	Average number of employees at VMTG	33	31
3	Average number of employees at Eurotransgaz	3	3

Table 15 - Number of personnel at Vestmoldtransgaz and Eurotransgaz in 2021 compared to 2020

4.7 Transgaz on the Bucharest Stock Exchange

SNTGN TRANSGAZ SA, through the efficient use of managerial tools and the responsible execution of the measures assumed in front of the shareholders, investors, business and community, managed to also perform on the capital market, ranking **12th** in 2021 **in Top 15 transactions on the Bucharest Stock Exchange**, depending on the traded value. Also, in December 2021, Transgaz was ranked **12th in Top 15 listed companies, according to 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.

For financial year 2020, **a gross dividend per share amounting to 8,14 lei** was approved in the OGMS meeting of 27 April 2021, determined based on the provisions of GO no. 64 of 30 August 2001 on the distribution of profit to national companies, national companies and commercial companies with full or majority state capital, as well as to autonomous utilities under the conditions of applying the quota of 50,01707% to the distribution of profit in the form of dividends.

TGN share

In 2021, the closing price of the TGN share followed a downward trend, mainly with lower values than in 2020, with a peak of the period of 314,00 lei/share recorded on 05.02.2021.

As compared to the similar period of 2020, the TGN share closing price recorded in January and February 2021, values below those of 2020, (306,00 lei/share on 29.01.2021 and 294,00 lei/share on 28.02.2022), and then, in March and April 2021, the TGN share closing price exceeded the values recorded in the similar period of the previous year by 21,25% and by 8,96%.

As of May, the TGN share closing price followed a downward trend, at first with values close to those recorded in the same period of 2020, and then, their impairment increased mainly from August 2021.

In September 2021 the TGN share appreciated slightly, recording on 30.09.2021 the value of 264 lei/share, resuming the downward trend in October - December, with lower values compared to the same period of 2020.

The minimum of 212,00 lei/share of the period under review, was recorded on 14/15.12.2021 amid the correction on the developed equity markets, which led to five consecutive sessions of depreciations on the BSE, thus exceeding the previous minimum of 219,00 lei/share, recorded in March 2020. However, the decreases recorded by the TGN share were mainly within 1%, fluctuations considered within normal limits on the stock exchange, without a general negative context.

Subsequently, the trend of the TGN share changed into an upward one, at first with low variations, and then a sharp increase of 7,83% was recorded on 28.12.2021, i.e. a value of 234,00 lei/share, and on 29.12.2021 an increase of 2,99%, i.e. a value of 241,00 lei/share. These increases came amid a positive climate for the stock markets, which also attracted buyers to the Bucharest Stock Exchange. Increases were widespread and the volumes moderate, but the Romanian stock exchange reached a new record in its history of more than a quarter of a century, with the BET index exceeding the 13.000-point level.

On 30.12.2021, the last trading day of 2021, the TGN share closed the session at 236 lei/share.

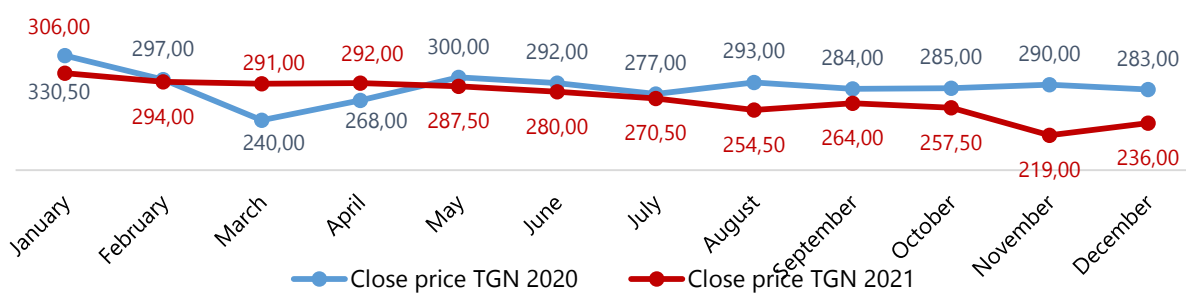


Chart 17 - The closing price of the TGN shares between 01.01.2021-31.12.2021 compared to 01.01.2020-31.12.2020

The values of the transactions and volumes traded evolved similarly in 2021 and registered mainly lower values compared to the same period of 2020, the peaks of the period being reached on 16.06.2021, with a volume of 99.143 traded shares and a value of lei 28.123 thousand.

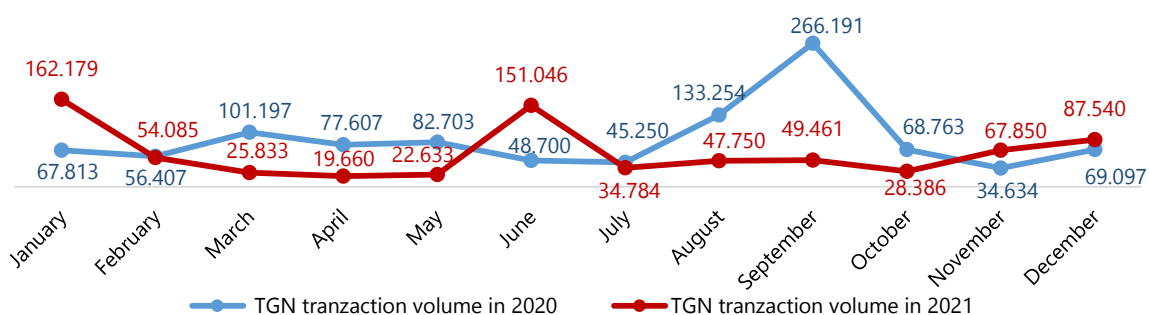


Chart 18 - TGN transactions volume between 01.01.2021-31.12.2021 compared to 01.01.2020-31.12.2020

TGN share in the stock market indices (BET, BET-NG, BET-XT, BET-BK, ROTX)

On 30 December 2021, the last trading day of the year, the TGN share in the stock market indices analysed above is as follows:

Name of stock market index	Place	Share in index
BET (the BSE reference index, it represents the 10 most liquid companies listed on the BSE)	10	2,58%
BET-TR (total return index, based on the structure of the market reference index, BET, and tracks both the price changes of the constituent companies and the dividends paid by them)	10	2,58%
BETPlus (free float market capitalization weighted index of the Romanian companies)	10	2,45%
ROTX (price index weighted by free float capitalisation and reflects in real time the movement of blue chip shares traded on the BSE)	8	3,73%
BET-NG (sector index / energy - utilities)	5	8,57%
BET-XT (blue-chip index, tracks the price changes of the most liquid 25 traded companies)	10	2,54%
BET-BK (benchmark index, calculated as a price index weighted by the free float capitalisation of the most traded companies listed on the BSE regulated market)	12	4,61%

Transgaz intends to purchase its own shares

It is not applicable.

The number and nominal value of shares issued by the parent company and owned by subsidiaries

It is not applicable.

Bonds and / or other debt securities

It is not applicable.

Significant mergers or reorganizations during the financial year

in 2021 there were no mergers or reorganizations within SNTGN Transgaz SA.

Stock market capitalization

The stock market capitalization of the company on 31.12.2021 was of lei 2,78 billion (~ euro 561 million), namely by 553 million lei (~euro 122 million) below the level recorded on 31.12.2020.

Currency	2021		2020	
	04.01.2021	31.12.2021	03.01.2020	31.12.2020
LEI	3.402.640.916	2.778.627.184	4.209.149.230	3.331.997.852
EURO	698.823.379	561.497.632	880.777.842	683.570.871
Euro/BNR exchange rate	4,8691	4,9489	4,7789	4,8744

The company's market capitalization decreased from the beginning of 2021 to 30 December 2021 by 18,34%, that is by lei 624.013.732 (EUR 137.325.747), from the value of lei 3.402.640.,916 (EUR 698.823.379) recorded on 04.01.2021 to the value of lei 2.778.627.184 (EUR 561.497.632) recorded on 30.12.2021, Transgaz ranking 12th in Top 15 companies listed on the BSE, according to market capitalisation, drawn up by the BSE for December 2021.



Chart 20 - Stock market capitalization of Transgaz on 31.12.2021 compared to 31.12.2020

The TGN share compared to BET, BET-BK, BET-TR, ROTX, BET-NG și BET-XT stock indices in 2021:



TGN VERSUS BET-TR



TGN VERSUS ROTX



Source: <http://www.bvb.ro>

Chart 21 – The TGN share compared to stock exchange indices BET, BET-NG and BET-BK in 2021

4.8 Dividend policy

In 2021 the proposal for determining the value of the dividends for financial year 2020 was determined based on the provisions of GO 64 of 30 August 2001 on the distribution of profit to national enterprises, national companies and trading companies with full or majority state capital, as well as to autonomous administrations with the application of the 50.01707% quota to the distribution of profit as dividends.

Thus, in accordance with OGMS Resolution 3/27.04.2021, Transgaz SA pays dividends for financial year 2020 through Depozitarul Central SA and Banca Transilvania, the appointed paying agent, starting with 16 July 2021 (the date of payment), for the shareholders registered at the registration date of 25 June 2021, **the value of the gross dividend / share amounting to lei 8,14**.

By the end of 2021, the company paid to the shareholders net dividends for financial year 2020 in the amount of lei 94.418.857,12 for a number of 11.705.592 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. Thus, S&P Global Ratings published the latest report in 2018, revising the outlook for Transgaz, from stable to negative, and, at the same time, it affirmed the company's credit rating at BB +.

In 2019, following the internal analysis and in compliance with all the legal provisions regarding the procurement of rating services, the company concluded a contract with Fitch for rating services. Thus, following the evaluation, on 17 July 2019 the agency awarded Transgaz the 'BBB-' rating, Stable Outlook.

Later, in 2021, Fitch Ratings affirmed the 'BBB-', Stable Outlook rating assigned to the company, a rating that reflects its solid business profile as a concessionaire and operator of the gas transmission network in Romania, as well as Fitch's expectation of a progressive contraction of its international gas transit business derived from traditional routes.', according to the agency's report.

4.9 List of all entities where 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.

5 ACTIVITY ANALYSIS

5.1 Operation activity

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.

In 2021, a total of 1,147 contracts were concluded and signed with network users, or the duration of contracts was extended, of which 1,099 contracts for domestic points and 48 contracts for cross-border interconnection points, for gas transmission services, including annual, quarterly, monthly, daily, within-day capacity products for National Gas Transmission System entry/exit points, including for the Csanadpalota, Ruse - Giurgiu, Negru Vodă 1/Kardam and Isaccea 1/Orlovka and Ungheni interconnection points.

Total gas transmission contracts with capacity booking at the domestic NTS entry/exit points, concluded in January 2021- December 2021:

Contract type	Annual	Quarterly	Monthly	Daily	Total
No. of contracts	95	166	790	48	1099

Under the **48** gas transmission contracts for capacity booking at the interconnection points between the Romanian National Gas Transmission System and the gas transmission systems of the states neighbouring Romania, valid in January 2021 - December 2021, capacity was booked for the following products:

Contract type	Annual	Quarterly	Monthly	Daily	Within-day	Total
No. of products	7	26	70	1266	1125	2494

The gas quantities circulated and transmitted by the National Gas Transmission System (NTS) and the NTS technological consumption between 2017-2021 are as follows:

Indicator	MU	2017	2018	2019	2020	2021	+/-	%
1	2	3	4	5	6	7	8=7-6	9=7/6-1
Circulated gas	thousand cm	12.974.819	13.074.676	13.299.834	12.456.201	14.098.211	1.642.010	13%
Transmitted gas	thousand cm	12.872.891	12.998.423	13.227.501	12.380.266	14.026.269	1.646.003	13%
NTS gas consumption	thousand cm	95.242	81.034	65.208	69.325	70.188	863	1%
The share of NTS gas consumption / circulated gas	%	0,73%	0,62%	0,49%	0,56%	0,50%		

Table 16 - Gas quantities circulated and transmitted, and NTS gas consumption between 2017 vs 2021

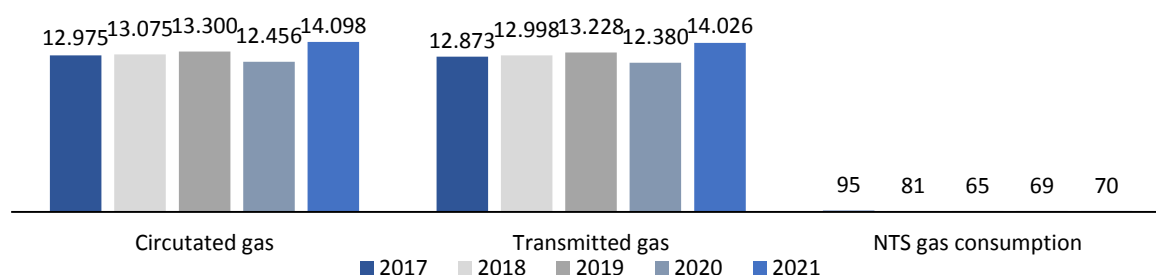


Chart 22 - Gas quantities circulated and transmitted and NTS consumption in 2017-2020

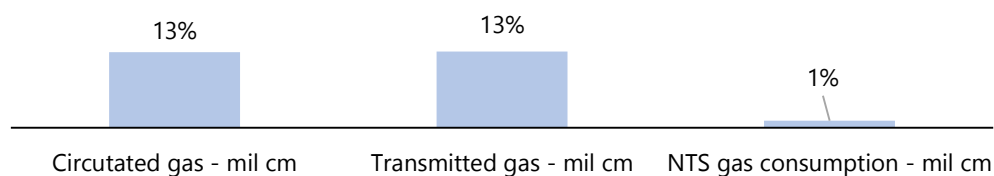


Chart 23 - Gas quantities circulated and transmitted and NTS gas consumption – 2021 compared to 2020

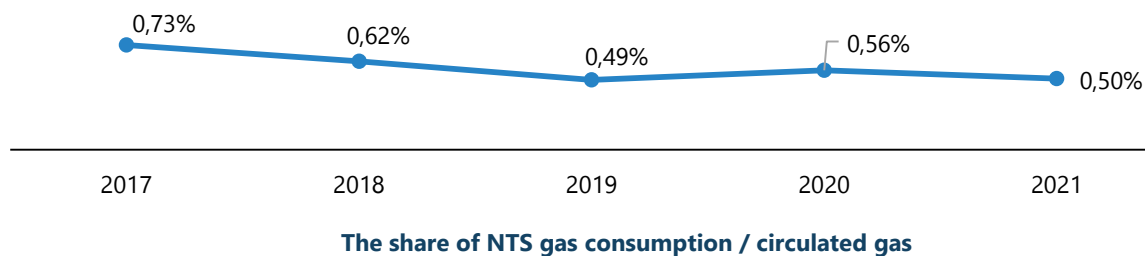


Chart 24 – The share NTS gas consumption in total circulated gas in 2017-2021

	2017	2018	2019	2020	2021
Planned NTS gas consumption–thousand cm	105.346	105.437	81.769	65.208	79.423
Achieved NTS gas consumption – thousand cm	95.242	81.034	65.208	69.325	70.188

Table 17 – Gas quantities for NTS gas consumption planned compared to achieved in 2017-2021

Thus, compared to the previous year, in 2021 NTS gas consumption went on a slightly upward trend (although its share in total transmitted gas decreased), being higher by 1% than in 2020, but lower by 13% than the level planned for 2021.

The main beneficiaries of the gas transmission service in 2021:

No.	Main network users (NU)	INVOICE AMOUNT VAT EXCLUDED (LEI)	%
1.	ENGIE ROMANIA S.A.	218.558.839,30	18,67%
2.	OMV PETROM S.A.	167.897.628,08	14,34%
3.	SNGN ROMGAZ S.A.	162.609.568,29	13,89%
4.	E.ON ENERGIE ROMANIA S.A.	139.990.992,87	11,96%
5.	ELECTROCENTRALE BUCUREȘTI S.A. (insolvent)	47.658.420,08	4,07%
6.	IMEX OIL LIMITED NICOSIA	46.754.671,57	3,99%
7.	WIEE ROMANIA S.R.L.	42.604.806,40	3,64%
8.	MET AUSTRIA ENERGY TRADE GmbH	42.400.867,39	3,62%
9.	AZOMURES S.A.	33.445.314,87	2,86%
10.	NORTH CHEMICAL COMPLEX S.R.L.	25.781.269,69	2,20%
	OTHER NU	242.729.420,03	20,74%
	TOTAL NU	1.170.431.798,57	100,00%

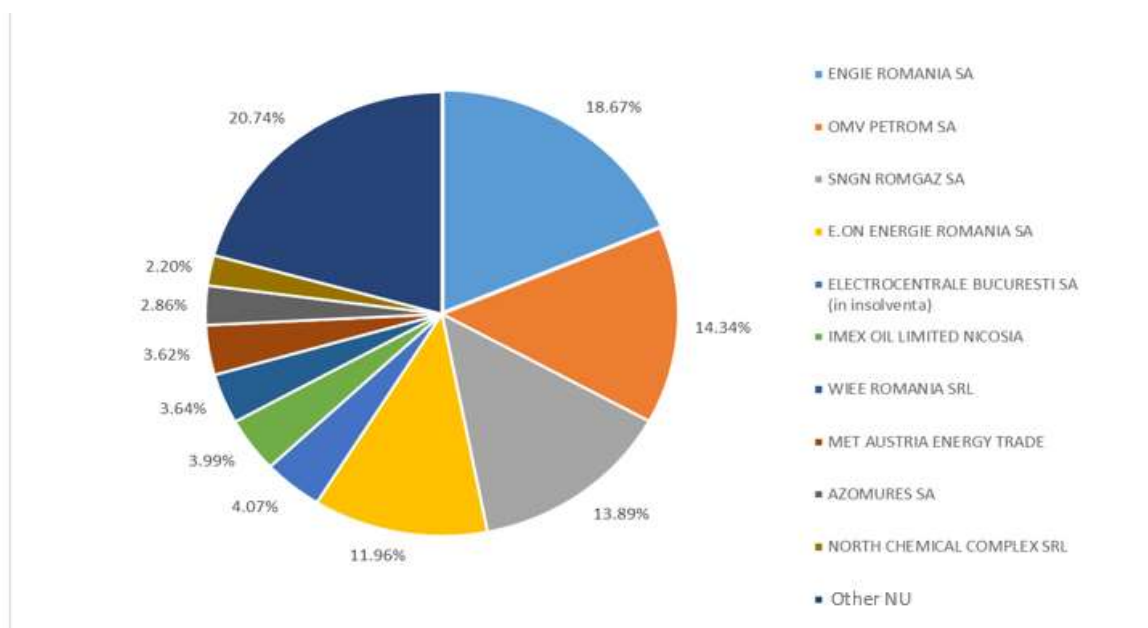


Chart 25 - The share of the main NTS users in 2021

Through the **transmission services** contracted between 1 January – 31 December 2021, the total quantity of 150.142.598,041578 MWh (14.026.268,609 thousand cubic meters) was transmitted to:

	MWh	thousand cm	%
Distribution	83.418.644,552926	7.788.488,997	55,56
Direct customers	36.801.888,367090	3.452.419,353	24,51
Storage	22.089.138,227562	2.068.568,208	14,71
Export Csanadpalota, Giurgiu Ruse, Negru Voda, Ungheni	7.832.926,894000	716.792,051	5,22

5.2 The investment activity

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 Modernisation and Investment Development Plan for 2021, initially approved in the revenue and expenditure budget is of **lei 1.044.658.841** according to BoA Resolution 43/2020, but was subsequently reduced to **lei 1.019.724.841**, according to BoA Resolution no.13/16.04.2021 and then to **lei 1.005.724.841**, according to BoA Resolution 18/26.05.2021

At the end of January 2021, the structure of the Modernisation and Investment Development Plan was as follows: 54% works in progress from 2020, 37% works in the procurement procedure, 7% works in design phase, 2% works not requested.

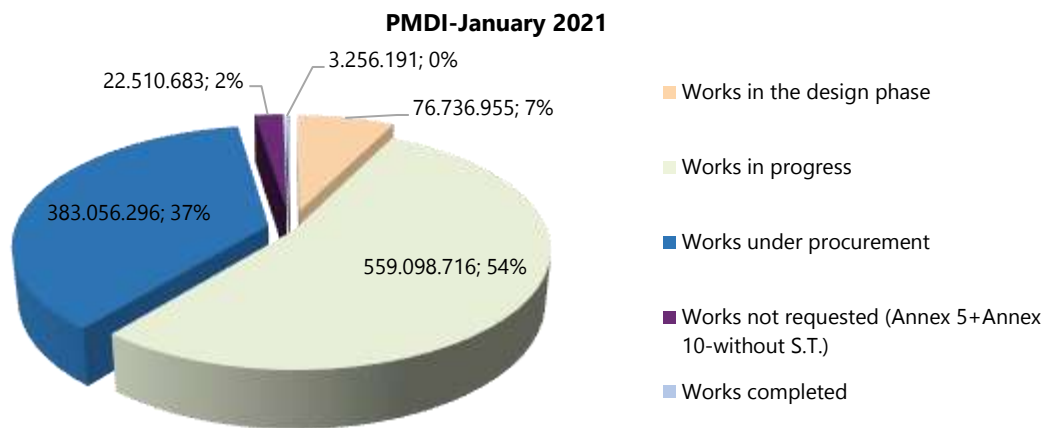


Chart 26 – PMDI 2021 – January 2021

At the end of 2021 the PMDI achievements amounted to **lei 720.050 thousand**.

At the end of 2021, the structure of the Modernisation and Development Investment Plan was as follows: 73% works in progress, 20% completed works, 3% works in the design phase, 3% works in the procurement procedure, 1% not requested works.

Compared with the situation of the works at the end of January, the percentage of works completed and in progress has increased, mainly in conjunction with a decrease in the percentage of works in the design and procurement phase.

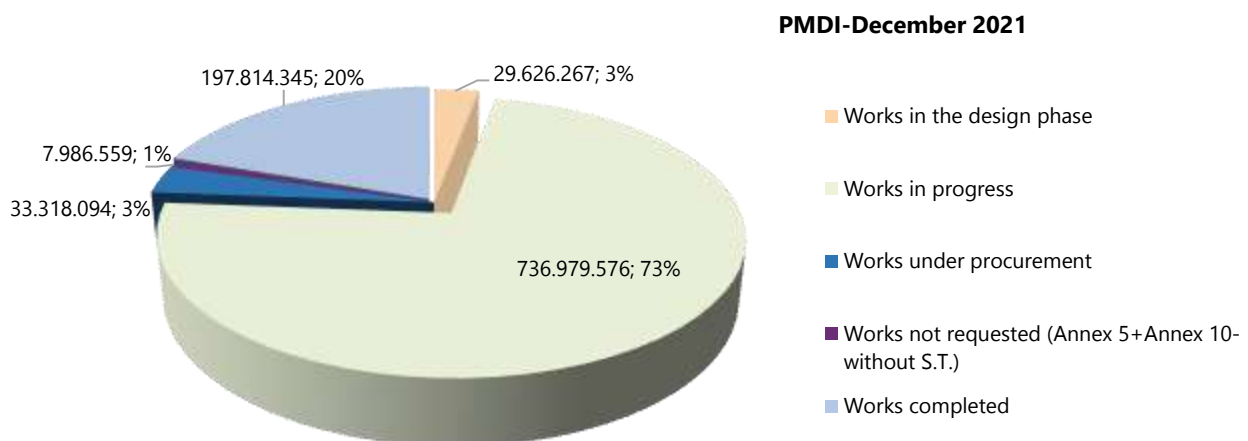


Chart 27 – PMDI 2021 – December 2021

5.3 Maintenance activity

The **2021 Repair, Rehabilitation and Maintenance Services Plan (PRRASM 2021)** has an allocated value of **lei 50.412.418.54**, of which **lei 21.907.190.35** for *NTS repair and rehabilitation works* and **lei 28.505.228.19** for services related to the *NTS maintenance services*.

Chap.A - NTS repair and rehabilitation works

Out of the total budgeted value of the NTS repair and rehabilitation works (**Chapter A**), as at 31.12.2021:

- works at different stages of execution represented 41% (works in progress);
- works accepted 26%;
- works in the design stage represented 15%;
- works in the procurement stage represented 5%,
- works not included in the previous categories (assuring positions) represented 2%,
- works not started (lack of technical documentation) represented 3%;
- savings from contract execution represented 8% :

This distribution of the status of the NTS repair and rehabilitation works on 31.12.2021 is also shown in the following chart:

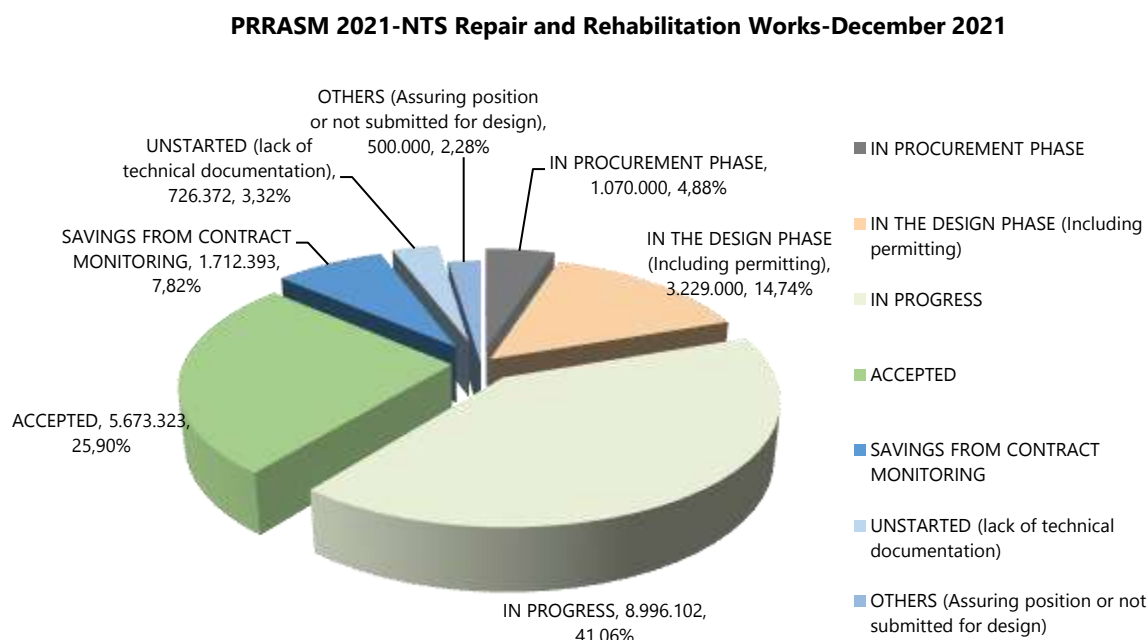


Chart 28 - PRRASM 2020 - NTS Repair and Rehabilitation - December 2021

The main NTS repair and rehabilitation works in progress in 2021 are:

- Ø24 Paltin-Schitu Golești pipeline (Brasov county);
- Dn 150 mm pipeline securing. MRS Măgureni connection. Măgureni area;
- Repairs to abovecrossings (framework agreements/2 years);
- Pipeline insulation works in fixed stations (contract 2);
- Optical fibre network repair Arad-Horia-Csanadpalota;
- Securing the Bistrita river undercrossing with a 300 mm Dn pipeline. Piatra Neamt- Bicaz in Vișoara area;
- Securing the Dn 500 mm Abramut-Salonta-Arad pipeline in the Abramut oil park area.

The main NTS repair and rehabilitation works in the procurement procedure in 2021 are:

- Repair of Ø48" Isaccea-Negru Voda-TRANSIT 3 pipeline following smart pig inspection

Main NTS repair and rehabilitation works planned for 2021:

- Ø24" Paltin Schitu-Golești pipeline (Arges county);
- Preparation of the Ø28" Seleuș-Cristur-Bățani gas transmission pipeline for conversion into a piggable pipeline - stage 2B (Harghita county);
- Rehabilitation of the Bățani-Onești pipeline. Stage 1 - Preparing the pipeline for conversion into a piggable pipeline.

The main NTS repair and rehabilitation works completed in 2021 are:

- Repair of the Băcia-Caransebeș gas transmission pipeline (Caras Severin and Hunedoara counties);
- Ø20 Adjudul Vechi pipeline, Braniștea, Schela and Independența areas;
- 12" Vlădeni-Mănești pipeline securing ;
- 32" Cosmești-Onești pipeline repairs (third party works);
- Ø6" ELSID Titu supply pipeline connection;
- Preparation of Ișalnița-Cruce Ghercești pipeline for pigging
- Șendreni-Albești pipeline (Buzău County) – preparation of pedological study of land rendering in the agricultural circuit;
- MRS Brazi building repairs;
- MRS Piatra Neamț building repairs;
- MRS Bicaz building repairs.
- Ø20" Band-Sărmășel pipeline (line I);
- Ø20 Onești-Racova-Gherăești pipeline line II (Bacău county);
- Replacement of 32" pipeline section of the 28" Platou Izvor Sinaia-Filipești pipeline, Drăgăneasa area;
- Repair of the building of the Azuga sector office and si Azuga work capacity recovery centre.

There were difficulties in carrying out repair and upgrading works to the main pipelines due to problems beyond the company's control:

- problems related to works slowdown, due to the evolution of the SARS COV2 pandemic (constructor problems related to the supply of materials, insufficient personnel, engaged in several works or with suspected illness, transport problems);
- missing or expired approvals necessary to acquire the Construction Permit or the approvals necessary for the construction of the following objectives: Ø24" Paltin Schitu-Golești pipeline (Arges 1st stage).

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 and the technical solutions for the achievement of the construction, or preparation of documentation for obtaining the Prefect's Order for entry into the location;
- The priority works were achieved inhouse (Mediaş Subsidiary and Regional Office);

Chap. B NTS Maintenance Ensuring Services

Out of the budget allocated to the NTS Maintenance Assurance Services of lei **28.505.228,19**, representing **56,54%** of the total value of the Maintenance Programme, at the end of December 2021 the amount of lei **14.983.011,86** was realised.

The budgeted amount for NTS maintenance services for 2021 has the following breakdown in relation to the 91 budget lines provided (according to rectification No 21/2021):

- a number of **73 positions** with a total budget of **lei 27.093.059** have ongoing or completed contracts and recorded in 2021 achievements amounting to **lei 14.983.011,86**;
- **2 positions** with a total budget of **lei 679.720** are in procurement procedure;
- **16 service positions** with a budget allocation of **lei 732.449** are not requested, mainly for two reasons:
 - ✓ Items have amounts insured in case of emergencies (e.g. weather management services, air transport services for operational interventions and inspections in the NTS) or are amounts insured for services with low predictability needs (e.g. verification, rectification/repair services for surveying equipment).
 - ✓ It was not possible to conclude contracts due to third party reasons related to the procurement procedures (lack of tenderers, cancellation of the procurement procedure, e.g.: services for checking and repairing the automation systems and the keyboard of station I, and the systems for measuring the operating parameters of Ingersoll Rand compressor units).

PRRASM 2021 NTS Maintenance Services - December 2021

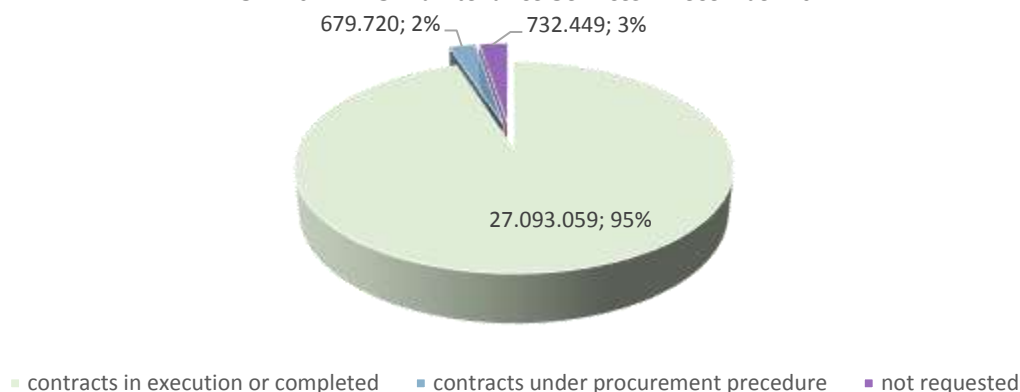


Chart 29 - PRRASM 2020 - NTS Maintenance Services – December 2021

The main contracts concluded in 2021 were for:

- repairs (reactive maintenance) to automation installations in the NTS objectives (MRS, VCS, TN, GMS and CS);
- preventive maintenance (regular technical checks and overhauls), reactive maintenance (repairs) and authorisation services for user installations and thermal equipment;
- CIPS equipment checking and recalibration services;
- services of piggable pipeline inspection;
- services of technical verifications in use for granting authorization for the operation of installations/equipment falling under ISCIR;
- preventive maintenance services (overhauls) and reactive maintenance services (repairs) for back-up power generators within SNTGN Transgaz SA;
- preventive maintenance services (overhauls) and reactive maintenance (repairs) for uninterruptible power supplies (UPS) equipped by SNTGN TRANSGAZ SA;
- inspection and repair services for underground pipe detection equipment;
- odorization level detectors maintenance and repair services;
- welding qualification and training services;
- overhauls (preventive maintenance) and repairs (reactive maintenance) to automation installations in the NTS objectives (MRS, VCS, TN, GMS and CS);
- 32" Jupa-Bibești-Podișor gas transmission pipeline, BRUA L≈408 km, smart pig inspection;
- repair and intervention services for MRSs and odorization control systems of Tartarini, Fiorentini and RMG type or with components produced by Tartarini, Fiorentini and RMG
- overhaul services (preventive maintenance) and repairs (reactive maintenance) to hydro-pneumatically operated valves in NTS objectives (MRS, VCS, TN, GMS CS main pipelines);
- repair services of electronic diaphragm metering systems;
- ultrasonic and turbine meter calibration services;
- energy audit and energy analysis services at NTS objectives.

5.4 The procurement activity

The **Annual Sectoral Procurement Plan** (PAAS) includes all contracts that the company is to award during a year, following the conduct of procurement procedures, direct procurement and framework agreements based on which subsequent contracts are awarded, in accordance with the provisions of Law 99/2016 on sectoral procurement, as further amended and supplemented.

The Annual Sectoral Procurement Plan for 2021 (2021 PAAS) had an assigned value of lei 2.464.836.092,19 of which:

- BRUA PAAS value – Phase 1 and Phase 2 – lei 288.422.488;
- Moldova PAAS value – lei 350.000;
- TransGasDigital PAAS value – lei 2.200.000.

I. PROCUREMENT PROCEDURES (SIMPLIFIED PROCEDURES / OPEN AUCTIONS / NEGOTIATED PROCEDURE WITHOUT PRIOR CALL FOR COMPETITION (NFIPPCO) / OWN PROCEDURES) - PAAS 2021

In 2021 388 procurement contracts/framework agreements/ subsequent contracts for a total value of 1.958.391.558,96 of which 247 contracts/ framework agreements for the value of lei 1.878.956.647,04 and 141 subsequent contracts for a value of 79.434.911,92 were concluded.

Procedures value master table (simplified procedures/open tenders/NFIPPCO/own procedures):

Total procedures on 31.12.2021	3.809.561.090,92	%
Started, of which:	716.128.159,42	18,80%
-PAAS 2021	716.128.159,42	18,80%
-Annex 1 – Procurement in progress	0,00	0,00%
- Annex 2 – Social services	0,00	0,000%
Completed, of which:	1.878.956.647,05	49,32%
-PAAS 2021	246.413.856,12	6,47%
-Annex 1 – Procurement in progress	1.632.419.990,93	42,85%
- Annex 2 – Social services	122.800,00	0,00%
Submitted to Sectoral Procurement and Contracting Division but not started, of which:	632.774,45	0,02%
-PAAS 2021	632.774,45	0,02%
-Annex 1 – Procurement in progress	0,00	0,00%
- Annex 2 – Social services	0,00	0,00%
Not requested, of which:	1.082.458.717,74	28,41%
-PAAS 2021	1.077.492.847,74	28,28%
-Annex 1 – Procurement in progress	0,00	0,00%
- Annex 2 – Social services	4.965.870,00	0,13%

Schematically the procurement procedures actual achievement is as follows:

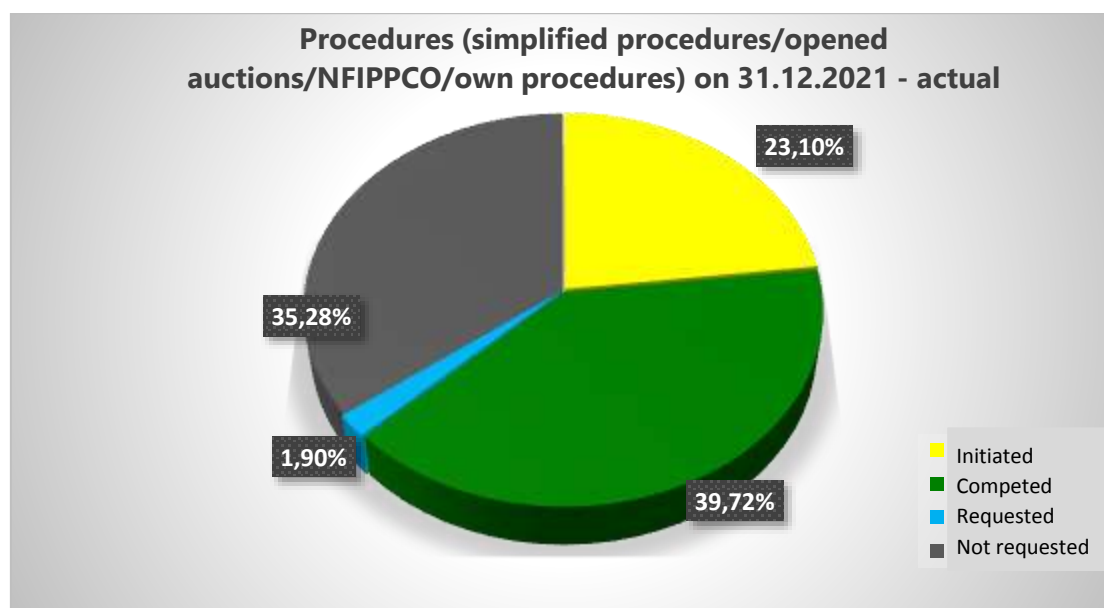


Chart 30 – Actual status of procurement procedures on 31.12.2021

II. DIRECT PROCUREMENTS:

In 2021 810 direct procurements were completed, of which 107 by contract, 698 by order, and 5 acquisitions were carried out by the Maintenance Division and by the European Funds and International Relations Divisions, on the basis of competence delegation decisions. The total value of the 2021 PAAS direct procurements achieved amounts to 11.988.967,86 lei.

Direct procurement value master table (lei)

Total direct procurement on 31.12.2021	31.402.744,95	%
Started, of which:	709.289,36	2,26%
-PAAS 2021	709.289,36	2,26%
-Annex 1 – Procurement in progress	0,00	0,00%
- Annex 2 – Exceptions art. 35	0,00	0,00%
Completed, of which:	11.988.967,86	38,18%
-PAAS 2021	9.771.682,92	31,12%
-Annex 1 – Procurement in progress	290.363,69	0,92%
- Annex 2 – Exceptions art. 35	1.926.921,25	6,14%
Submitted to Sectoral Procurement and Contracting Division but not started, of which:	0,00	0,00%
-PAAS 2021	0,00	0,00%
-Annex 1 – Procurement in progress	0,00	0,00%
- Annex 2 – Exceptions art. 35	0,00	0,00%
Not requested, of which:	17.484.591,47	55,68%
-PAAS 2021	6.770.248,42	21,56%
-Annex 1 – Procurement in progress	0,00	0,00%
- Annex 2 – Exceptions art. 35	10.714.343,05	34,12%

To summarize, the direct procurement actual achievement is as follows:

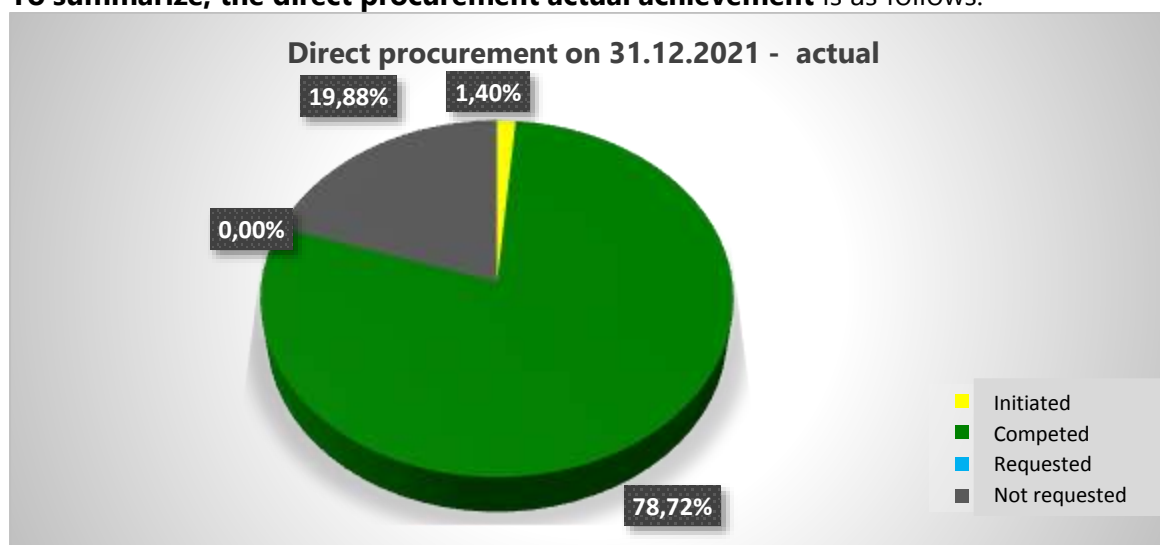


Chart 31 – Actual status of direct procurement on 31.12.2021

5.5 The legal assistance and representation activity

The activity of legal assistance and representation of SNTGN Transgaz SA before the courts and other bodies with jurisdictional activity aimed mainly at:

- ensuring legal assistance before courts of all levels of jurisdiction and other bodies with jurisdictional activity;
- initiating legal actions, establishing claims, filing statement of defence, preparing answers to statements of defence, examinations, setting objectives of expertise and / or objecting to judicial expertises approved by the court, administration of evidence, etc.
- promoting remedies at law;
- enforcement of the enforceable titles obtained;
- assistance and legal representation of Transgaz within the enforcement procedure (formulation of enforcement requests and any other steps specific to the enforcement procedure);
- participation in commissions set up to evaluate tenders submitted under the sectoral procurement procedures.

According to case registry records, in 2021, there were a total of **87 cases** in which SNTGN Transgaz SA was:

- plaintiff in 66 cases;
- defendant in 21 cases;

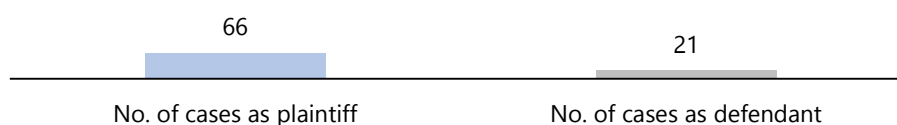


Chart 32 - Structure and number of cases in which the company was involved in 2021

Values:

- values of cases in which Transgaz is a plaintiff (files registered in 2021): **131.969.772,06 lei**;
- values of cases in which Transgaz is a defendant (files registered in 2021): **5.800.133,26 lei + 87.200 EUR**.

Solutions:

- **26 favourable decision cases** Transgaz (final decisions);
- **23 unfavourable decision cases** Transgaz (final decisions).

5.6 International cooperation activity

In 2021 the international cooperation activity mainly was directed to:

- the 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 interconnection;
- the cooperation with the European and neighbouring gas Transmission System Operators within the Trans Balkan Corridor project
- the collaboration with European and adjacent Transmission System Operators within the Vertical Gas Corridor Project (Transgaz, DESFA Greece, ICGB, Bulgartransgaz Bulgaria, FGSZ Hungary)
- the cooperation with national and international bodies, the European Commission and other institutional relations
- the cooperation with gas transmission operators at the regional level for the development of new relevant partnerships for the energy sector and the conclusion of cooperation agreements or memoranda:
 - in June 2021, TRANSGAZ SA, concluded a Memorandum of Understanding with the Polish TSO, GAZ-SYSTEM SA. By signing the Memorandum, the Parties confirm the intention and commitment to endeavour to establish cooperation relations and identify opportunities for substantiation of mutual support directions;
 - in June 2021 Transgaz proposed to the gas transmission operators in Hungary, Poland and Slovakia, meaning FGSZ, Gas System and Eustream, a draft Memorandum of Understanding on hydrogen, to analyse the possibility to use at large scale the hydrogen produced from natural gas, for identifying technologies for the production of hydrogen to ensure the energy transition in accordance with the relevant European regulations.
 - In 2021, Transgaz expressed its interest to the Energy Community Secretariat to join the Memorandum of Understanding on Trans-Regional Cooperation on the Development of an Integrated Gas Market in Eastern and South-Eastern Europe (SEEGAS) whose purpose is to create a cooperation framework for trans-regional integration with a view to developing cross-border gas trading based on European best practices. Thus, Transgaz joined the SEEGAS Memorandum in September 2021.

5.7 Consolidated financial results (consolidated factorial analysis of the activity)

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 the Republic 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	75%

Indicator	Consolidated statements 2021	Individual statements Transgaz 2021	ETG, VMTG, adjustments 2021
0	1=2+3	2	3
Revenue from the domestic transmission activity	1.164.419	1.164.419	0
Revenue from the international transmission activity	72.037	72.037	0
Other revenue	128.494	128.055	438
Operating revenue before the balancing and construction activity according to IFRIC12	1.364.950	1.364.511	438
Depreciation	359.742	351.054	8.687
Employees costs	467.705	464.596	3.109
Technological consumption, materials and consumables used	112.818	112.818	0
Cost of royalty	4.946	4.946	0
Maintenance and transmission	32.925	32.769	156
Taxes and duties due to the state	86.201	86.201	0
Revenue/ (Costs) of provisions for risks and charges	-7.227	-7.308	82
Other operating cost	187.128	185.042	2.086
Operational profit before the balancing and the construction activity according to IFRIC12	120.711	134.393	-13.682
Revenue from the balancing activity	442.200	442.200	-
Cost of balancing gas	442.200	442.200	-
Revenue from the construction activity according to IFRIC12	704.027	704.027	-
Cost of constructed assets according to IFRIC12	704.027	704.027	-
Operational profit	120.711	134.393	-13.682
Financial revenue	152.208	130.013	22.196
Financial cost	42.669	25.138	17.532
Financial revenue, net	109.539	104.875	4.664
Profit before tax	230.250	239.268	-9.018
Profit tax expense	53.445	52.327	1.118
Net profit for the period	176.805	186.941	-10.137
Exchange rate differences	31.650		-31.650
Actuarial loss/gain for the period	15.783	15.783	0
Total comprehensive income for the period	224.237	202.724	21.513

Table 18 - Indicators of consolidated economic and financial results (SNTGN Transgaz SA, Eurotransgaz SRL, Vestmoldtransgaz SRL)

Consolidated achievements 2021 compared to consolidated achievements 2020

The statement of the financial results achieved as at 31 December 2021 as compared to 2020 is presented below:

(thousand lei)

Name	Obtained 2021	Obtained 2020	Changes
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	1.364.950	1.338.015	2%
Revenue from the balancing activity	442.200	199.239	122%
Revenue from the construction activity according to IFRIC12	704.027	1.587.548	-56%
Financial revenue	152.208	68.929	121%
Operating costs before the balancing and construction activity, according to IFRIC12	1.244.239	1.173.521	6%
Costs of balancing gas	442.200	199.239	122%
Cost of assets according to IFRIC12	704.027	1.587.548	-56%
Financial costs	42.669	33.872	26%
Total GROSS PROFIT, of which:	230.250	199.552	15%
· from operation	120.711	164.494	-27%
· from the financial activity	109.539	35.058	212%
Income tax	53.445	34.328	56%
NET PROFIT	176.805	165.224	7%
Exchange rate differences	31.650	-19.432	x
Actuarial loss/gain for the period	15.783	7.342	115%
Total comprehensive income for the period	224.238	153.134	46%

Table 19 – Consolidated financial results - 2021 compared to 2020

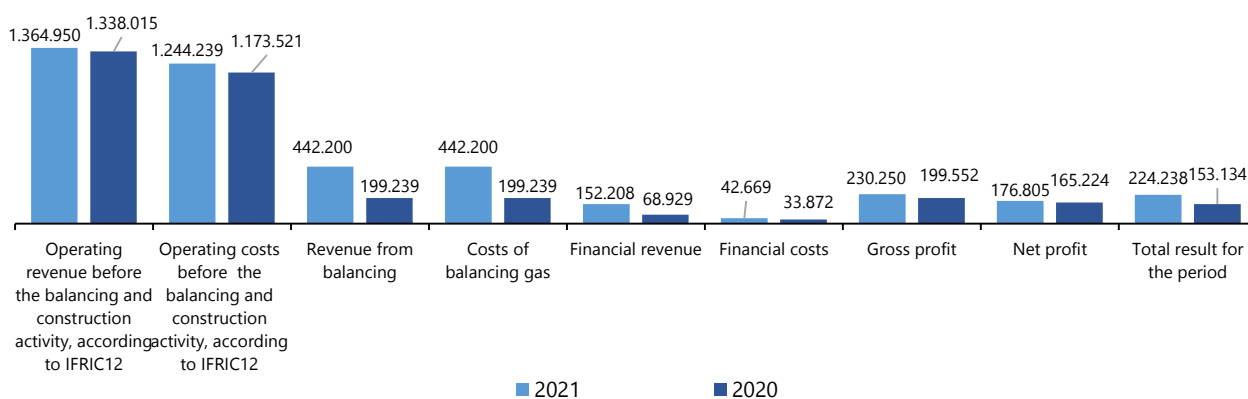


Chart 33 – Consolidated financial results - 2021 compared to 2020 (thousand lei)

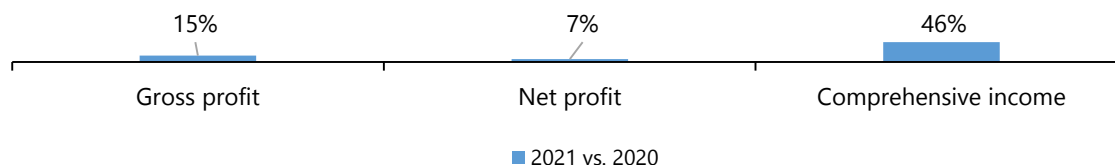


Chart 34 - Consolidated financial results - 2021 compared to 2020 (%)

The variation of the consolidated economic-financial indicators at 31 December 2021, compared to the indicators obtained at 31.12.2020 is mainly determined by the variation of the individual economic-financial indicators recorded by SNTGN Transgaz SA on 31 December 2021 compared to the indicators obtained at 31.12.2020.

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).

5.8 Individual financial results (factorial analysis of the individual activity)

Achievements in 2021 vs. achievements in 2020

The individual financial results obtained at 31 December 2021 as compared to 2020 is as follows:

(lei thousand)

Name	Obtained 2021	Obtained 2020	Changes
0	1	2	$3=1/2 \times 100 - 100$
Operating revenue before the balancing and construction activity, according to IFRIC12	1.364.511	1.333.504	2%
Revenue from the balancing activity	442.200	199.239	122%
Revenue from the construction activity according to IFRIC12	704.027	1.587.548	-56%
Financial revenue	130.013	60.666	114%
Operating costs before the balancing and construction activity, according to IFRIC12	1.230.118	1.165.836	6%
Costs of balancing gas	442.200	199.239	122%
Cost of assets according to IFRIC12	704.027	1.587.548	-56%

Name	Obtained 2021	Obtained 2020	Changes
0	1	2	3=1/2x100-100
Financial costs	25.138	19.156	31%
GROSS PROFIT -total, of which:	239.268	209.178	14%
· from operation	134.393	167.668	-20%
· from the financial activity	104.875	41.510	153%
Profit tax	52.327	34.177	53%
NET PROFIT	186.941	175.001	7%
Other elements of the comprehensive income	15.783	7.342	115%
Total comprehensive income for the period	202.724	182.343	11%

Table 20 - Financial results - 2021 compared to 2020

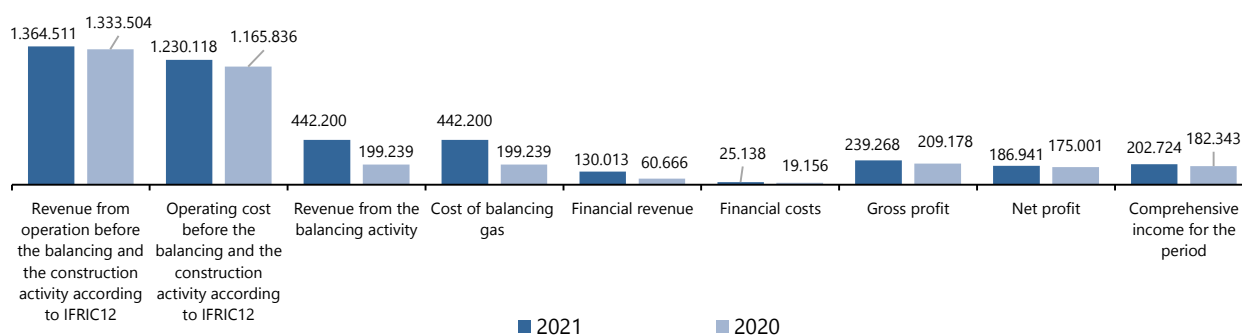


Chart 35 - Financial results - 2021 compared to 2020 (thousand lei)

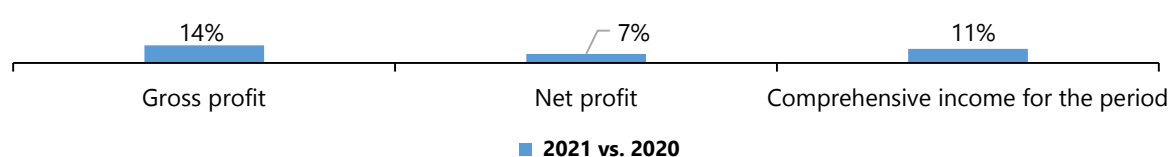


Chart 36 - Financial results - 2021 compared to 2020 (%)

Operating revenue before the balancing and construction activity, according to IFRIC12 increased by **2%** as compared to 31 December 2020, which is higher by **lei 31.007 thousand**.

The revenue was influenced mainly by the following factors:

- **commodity revenue** higher by **lei 9.702 thousand** due to:
 - *the gas transmitted capacities* higher by 19.913.890 MWh/1.646.003 thousand cm (**▲15%**), as compared to 31 December 2020, with a positive influence of lei 29.846 thousand, detailed by categories of consumers as follows:

		12 months 2021	12 months 2020	Differences
Quantity transmitted for direct consumers	MWh	68.657.931	57.162.565	11.495.366
	thousand m ³	6.237.780	5.309.374	928.406
Quantity transmitted for distribution	MWh	84.491.552	76.073.028	8.418.524
	thousand m ³	7.788.489	7.070.892	717.597
Total	MWh	153.149.483	133.235.593	19.913.890
	thousand m ³	14.026.269	12.380.266	1.646.003

- *the commodity transmission tariff lower by lei 0,13 lei/MWh, with a negative influence of lei 20.144 thousand;*

The commodity tariffs decreased at 31 December 2021 as compared to 31 December 2020 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, while in gas year 2020-2021 it decreased 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 4.251 thousand due to:*
 - *revenue from the auction premium lower by lei 146.248 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points. Revenue from the auction premium at 31 December 2020 amounted to lei 159.793 thousand, and at 31 December 2021 to lei 13.545 thousand;*
 - *booked capacity higher by 27.708.174 MWh, with a positive influence of lei 57.966 thousand;*
 - *capacity booking tariff higher by lei 0,179/MWh, with a positive influence of lei 68.780 thousand;*
 - *capacity surplus revenue higher by lei 23.753 thousand. Capacity surplus revenue at 31 December 2020 amounted to lei 45.808 thousand, and at 31 December 2021 to lei 69.562 thousand;*
- *international gas transmission revenue and similar lower by lei 42.185 thousand. According to the Agreement for the termination of the legacy Contract between SNTGN Transgaz SA and GPE, the remaining amounts will be paid over a period of maximum three years and the transmission revenue is regulated according to ANRE Order 41/2019 and ANRE Order 34/2014, based on the points where capacity is booked, the monthly difference being classified as similar income.*

- *other operating revenue* higher by **lei 59.239 thousand**, mainly due to the recording to revenue of the grants obtained for the financing of the major investment projects following their completion and commissioning, higher by lei 38.168 thousand.

The revenue from the balancing activity was higher by **lei 242.961 thousand** based on the following factors:

- trading price higher by lei 128,15 /MWh, with a positive influence of lei 267.253 thousand;
- quantity lower by 289.566 MWh with a negative influence of lei 24.292 thousand;

The revenue from the construction activity lower by **lei 883.522 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;

The financial revenue has a positive influence of **lei 69.347 thousand**, mainly due to the recording of the updating of the regulated assets value with the inflation rate for year 2021 (lei 87.973 thousand at 31 December 2021 as compared to lei 29.394 thousand at 31 December 2020).

Operating costs before the balancing and construction activity according to IFRIC12 increased by **6%** as compared to 31 December 2021, which is higher by **lei 64.283 thousand**.

The company made savings of lei 119.240 thousand, due to two factors:

- transmission system gas consumption of lei 3.181 thousand due to:
 - the average purchase price obtained lower by lei 10,23 lei/MWh as compared to the one obtained at 31 December 2020, with a positive influence of lei 7.619 thousand;
 - the quantity of natural gas for NTS gas consumption higher by 39.512MWh as compared to 31 December 2020, with a negative influence of lei 4.438 thousand;
- cost of NTS concession royalty: lei 102.677 thousand; Transgaz pays a royalty of 0,4% of the value of gross revenue from the gas transmission and transit operations through the national transmission systems in the public property of the state, following the entry into force of Law 244/09.11.2020; previously the royalty payment obligation amounted to 10%;
- cost of provision for risks and charges: lei 13.382 thousand.

A cost surplus amounting to lei 183.523 thousand was recorded to the following cost elements:

- employee costs: lei 32.644 thousand; at 31.12.2021 the amount of lei 14.641 is recorded for voluntary departures as employee costs;
- cost of depreciation: lei 104.046 thousand, based on the completion and commissioning of the major investment projects;
- costs of maintenance and transport: lei 2.454 thousand;
- costs auxiliary materials: lei 390 thousand;

- costs of monopoly tax and other duties and taxes: lei 14.331 thousand;
- other operating costs: lei 29.658 thousand, mainly based on the increasing of the cost of the adjustment for impairment of current assets by lei 25.243 thousand.

The **financial cost** is higher by **lei 5.982 thousand** mainly based on the non-capitalized interest expenses related to the credits to finance the completed investments.

Compared to 31 December 2020 the gross profit obtained at 31 December 2021 increased by 14%, which is higher by lei 30.090 thousand.

Obtained in 2021 versus Budget 2021

The main economic and financial indicators achieved in 2021 as compared to the Revenue and Expense Budget approved by OGMS Resolution no. 3/27 April 2021 are as follows:

(thousand lei)

Name	REB 2021	Obtained 2021	Changes
0	1	2	3=1/2x100-100
Operating revenue before the balancing and the construction activity, according to IFRIC12	1.336.272	1.364.511	2%
Revenue from the balancing activity	304.727	442.200	45%
Revenue from the construction activity according to IFRIC12	1.083.672	704.027	-35%
Financial revenue	95.114	130.013	37%
Operating costs before the balancing and construction activity, according to IFRIC12	1.282.586	1.230.118	-4%
Costs of balancing gas	304.727	442.200	45%
Cost of assets according to IFRIC12	1.083.672	704.027	-35%
Financial costs	32.778	25.138	-23%
Total GROSS PROFIT, of which:	116.021	239.268	106%
· from operation	53.686	134.393	150%
· from the financial activity	62.335	104.875	68%
Income tax	18.739	52.327	179%
NET PROFIT	97.282	186.941	92%

Table 21 - Results 2021 compared to Budget 2021

Operating revenue before the balancing and construction activity according to IFRIC12 increased by **lei 28.239 thousand** as compared to the REB. The revenue was influenced by the following:

- Gas transmission services increased by **lei 84.318 thousand** due to:

- *capacities booked* higher by 28.093.573 MWh with a positive influence of **lei 73.167 thousand**, also influenced by the invoicing of the booking capacity surplus for 2021 (lei 69.562 thousand), according to ANRE Order 1/18.01.2016, ANRE Order 14/30 March 2016 and ANRE Order 160/26 November 2015;
- *the gas transmitted capacities* higher than planned by 13.188.486 MWh (▲9%) with a positive influence of **lei 11.150 thousand**;
- Revenue from international gas transmission services and similar decreased by **lei 23.183 thousand**;
- Other operating revenue decreased by **lei 32.895 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 137.473 thousand** based on the following:

- trading price higher by lei 124,71 lei/MWh, with a positive influence of lei 260.062 thousand;
- quantity lower by 1.403.581 MWh with a negative influence of lei 122.589 thousand;

Financial revenue increased by **lei 34.899 mii lei thousand** as compared to the REB mainly due to the recording of the updating of the regulated assets value with the inflation rate.

Operating costs before the balancing and construction activity according to IFRIC12 decreased by **4%** as compared to the approved plan, which is lower by **lei 54.469 thousand** as compared to the REB.

Savings amounting to lei 134.343 thousand were recorded mainly the following cost elements:

- employee costs: lei 37.939 thousand;
- costs auxiliary materials and other material costs: lei 48.186 thousand;
- costs of maintenance and transport: lei 32.225 thousand;
- transmission system gas consumption: lei 5.908 thousand;
- cost of provision for risks and charges: lei 10.085 thousand.

An expense surplus of lei 81.874 thousand was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: lei 245 thousand;
- cost of depreciation: lei 4.965 thousand;
- cost of taxes and duties: lei 4.788 thousand;
- other operating costs: lei 71.876 thousand mainly based on the increase of the adjustment of impairment on receivables amounting to lei 91.800 thousand and savings registered at other operating costs categories;

The financial cost is lower by **lei 7.641 thousand** as compared to the REB based on the decrease of the non-capitalized interest expenses.

The gross profit increased by lei 123.247 thousand as compared to the REB.

	Obtained 12 months 2021 compared to Obtained 12 months 2020	Obtained 12 months 2021 compared to REB 12 months 2021
Operating revenue before the balancing and construction activity, according to IFRIC12	2%	2%
Operating costs before the balancing and construction activity, according to IFRIC12	6%	-4%
Gross result	14%	106%
Profit tax	53%	179%
Net profit	7%	92%

Table 22– Obtained 12 months 2021 compared to. Obtained 12 months 2020 and Obtained 12 months 2021 compared to REB 2021 (%)

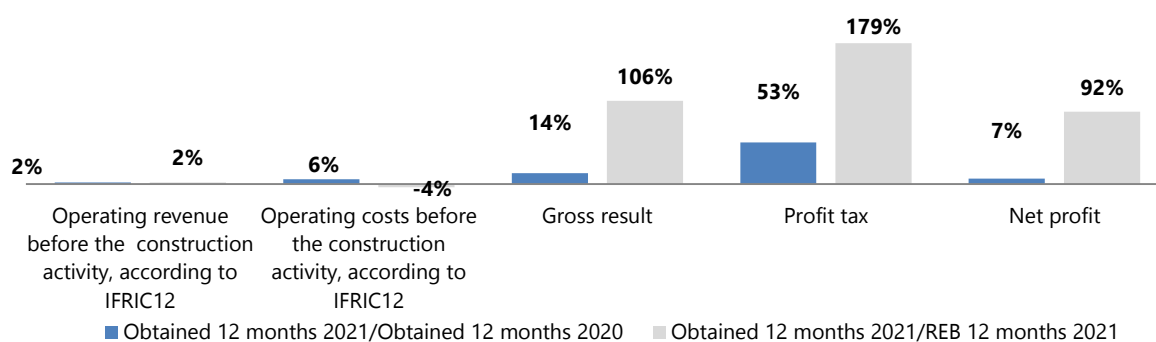


Chart 37 - Obtained 12 months 2021 vs. Obtained 12 months 2020 and Obtained 12 months 2021 vs. REB 2021

Achievements 2021 compared to the Management Plan 2017-2021

The key financial performance indicators were substantiated on the basis of data from the company's Revenue and Expense Budget approved by OGMS Resolution No. 3/2021. The level of financial performance indicators achieved compared to those set out in the 2017-2021 Management Plan is presented in the table below:

<i>(thousand lei)</i>					
No.	Performance criteria	Management plan 2017-2021	Achieved 2021	Percentage	Difference
1.	Outstanding payments-thousand lei	0	0	100%	0
2.	Operating expenses (less depreciation, balancing, construction activity and provisions for impairment of	1.136.843	794.931	143%	341.912

No.	Performance criteria	Management plan 2017-2021	Achieved 2021	Percentage	Difference
	assets and for risks and charges)-thousand lei				
3.	Quick liquidity ratio	0,91	0,92	101%	0,01
4.	Net leverage	4	3,80	105%	0,20
5.	EBITDA-thousand lei	399.780	485.447	121%	85.667

Table 23 – Achievements 2021 compared to the Management Plan 2017-2021

Achievements 2021 compared to the Management Plan 2021-2025

The level of the financial performance indicators achieved compared to those set out in the Management Plan 2021-2025 is presented in the table below:

(thousand lei)

No.	Performance criteria	Management plan 2021-2025	Achieved 2021	Percentage	Difference
1.	Outstanding payments-thousand lei	0	0	100%	0
2.	Operating expenses (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges)-thousand lei	1.136.843	794.931	143%	341.912
3.	Overall liquidity ratio	1	1,25	125%	0,25
4.	Net leverage	5	3,14	159%	1,86
5.	EBITDA-thousand lei	399.780	485.447	121%	85.667

Table 24 – Achievements 2021 compared to the Management Plan 2021-2025

5.9 The tariff setting methodology

In 1 October 2020–30 June 2021 the regulated tariffs for the gas transmission services through the NTS were set based on ANRE Order 83/27 May 2020 on the approval of the National Transmission System gas transmission regulated revenue, total revenue and transmission tariffs .

For the period 1 October 2021 - 30 September 2022, the regulated tariffs for the NTS gas transmission services are established based on ANRE Order 32/27 May 2021 on the approval of the regulated revenue, total revenue and transmission tariffs for the gas transmission activity through the National Transmission System.

6. CONSOLIDATED ECONOMIC AND FINANCIAL STATEMENT

6.1 Consolidated financial position

According to Article 1 of Order 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 31.12.2021 as compared to 31.12.2020 is as follows:

Indicator	31.12.2021	31.12.2020	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2
Tangible assets	852.178	731.438	116,51%
Rights of use for the leased assets	19.617	19.192	102,21%
Intangible Assets	3.997.052	3.931.693	101,66%
Goodwill	9.705	9.082	106,86%
Trade receivables and other receivables	1.788.571	1.364.269	131,10%
Deferred tax	353	4.985	7,08%
Fixed assets	6.667.476	6.060.658	110,01%
Inventories	311.708	194.142	160,56%
Commercial receivables and other receivables	612.007	677.396	90,35%
Cash at hand and in bank	414.955	289.452	143,36%
Current assets –TOTAL	1.338.670	1.160.990	115,30%
TOTAL ASSETS	8.006.146	7.221.648	110,86%
Debts to be paid over a one-year period	946.030	703.266	134,52%
Debts to be paid over a period of more than one year	3.091.747	2.772.113	111,53%
Total debts	4.037.777	3.475.379	116,18%
Shareholders' equity	3.968.369	3.746.269	105,93%
Non-controlling interests	93.549	0	
Equity	3.874.820	3.746.269	103,43%
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%

Indicator	31.12.2021	31.12.2020	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2
Other reserves	1.265.797	1.265.797	100,00%
Retained earnings	1.785.866	1.687.774	105,81%
Exchange rate differences from consolidation	16.521	-13.942	-118,50%
Total equity and debts	8.006.146	7.221.648	110,86%

Table 25- Statement of consolidated financial position in 31.12.2021 compared to 31.12.2020

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 increased by **lei 120.740 thousand** as compared to the value as at 31.12.2020, mainly due to the fact that the inflow of tangible assets of the parent company and of the Eurotransgaz SRL Chisinau exceeded 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 425 thousand as compared to 31 December 2020 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.

Service 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 65.360 thousand as compared with the value as at 31.12.2020, 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 27.534 thousand were recorded at the end of the period.

Trade receivables and other receivables

The receivables to ANRM on 31 December 2021 increased by the amount of lei 424.302 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 contract ending, 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 depreciated, established by ANRE.

The increase by lei 424.302 thousand compared to the one as at 31 December 2020 is determined mainly by the discount 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 2021, the inventories decreased by lei 117.566 thousand compared to the value as at 31 December 2020, 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 along the Bulgaria-Romania-Hungary-Austria Corridor’ and of the project ‘NTS developments in North-Eastern part of 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 2021** the balance of the commercial receivables and of other receivables **decreased by lei 65.389 thousand** as compared to 31 December 2020, mainly due to the following factors:

- Increase in the client receivables balance by lei 213.276 thousand mainly generated by the increase in the balance of the receivables resulted from the gas transmission activity, balancing activity and VAT to be recovered by the Eurotransgaz subsidiary, resulted from the execution of the construction works for the Ungheni – Chişinău gas pipeline;
- increase in the provisions for the impairment of the trade receivables and of other receivables by lei 90.592 thousand;
- decrease in non-refundable loans as subsidies by lei 91.503 thousand;
- decrease in the balance of other receivables by lei 96.570 thousand.

Cash at hand and in bank

As at 31 December 2021 the company's cash increased by lei 125.503 thousand as compared to the end of 2020. The cash in the bank accounts in lei increased by lei 85.737 thousand and the cash in bank accounts in currency decreased by lei 19.933 thousand.

Other cash elements and cash equivalent record an increase by lei 59.699 thousand compared with 2020.

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 2020:

- increase of the balance of the commercial debt and other debt by lei 216.335 thousand;
- decrease of the provision for risks and charges by lei 8.015 thousand on account of the reconsideration in the revenue of the provision for untaken holidays which was exceeded by the value of the provision established for the employees share in to profit recorded for 2021 and 2020;
- increase of the provision for employee benefit over the short term by lei 1.109 thousand;
- increase in the short term deferred revenue by lei 22.641 thousand;
- decrease in the short term loans by lei 10.694 thousand.

Long-term debts

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

- increase in the long term loans by lei 305.808 thousand;
- decrease of provision for employee benefit over the long term by lei 12.570 thousand;
- increase in deferred revenue and of the subsidies by lei 26.178 thousand;
- increase in the commercial debts and other debts in the amount of lei 217 thousand.

Equity

The subscribed and paid up capital remained unchanged.

The increase in the retained earnings by lei 98.092 thousand is determined by the recording of the consolidated profit related to Half I 2021 which exceeded the appropriation of the profit for establishing own financing sources.

6.2 Consolidated comprehensive income

The situation of the profit and loss account in 2020-2021:

Specification	Obtained (thousand lei)		Dynamics (%)
	31 December 2021	31 December 2020	
1	2	3	4=2/3
TOTAL revenue of which:	2.663.385	3.193.732	83,39%
Operating revenue before the construction activity, according to IFRIC12 and balancing	1.364.950	1.338.015	102,01%
Revenue from the balancing activity	442.200	199.239	221,94%
Revenue from the construction activity according to IFRIC12	704.027	1.587.548	44,35%
Financial revenue	152.208	68.929	220,82%
TOTAL costs of which:	2.433.135	2.994.180	81,26%
Operating costs before the construction activity, according to IFRIC12, and balancing	1.244.239	1.173.521	106,03%
Cost of balancing	442.200	199.239	221,94%
Cost of constructed assets according to IFRIC12	704.027	1.587.548	44,35%
Financial costs	42.669	33.872	125,97%
GROSS PROFIT, of which:	230.250	199.552	115,38%
Result from operation	120.711	164.494	73,38%
Financial result	109.539	35.058	312,45%
PROFIT TAX	53.445	34.328	155,69%
NET PROFIT	176.805	165.224	107,01%
Attributable to the parent company	178.146	165.224	107,82%
Attributable to the non-controlling interests	-1.341	0	
Other elements of the comprehensive income	15.783	7.342	214,97%
Exchange rate differences	31.650	-19.432	
Total comprehensive income for the period	224.237	153.134	146,43%
Attributable to the parent company	224.390	153.134	146,53%
Attributable to the non-controlling interests	-153	0	

Table 26 - Consolidated profit and loss account on 31 December 2021 compared to 31.12.2020

6.3 Consolidated cash flow statement

The consolidated cash flow statement on 31 December 2021 is as follows:

Indicator	Financial year ended 31 December(thousand lei)	
	2021	2020
Profit before tax	230.250	199.552
Adjustments for:		
Depreciation	359.742	248.734
Gain/(loss) from the transfer of fixed assets	-743	-145
Provisions for risks and charges	-8.348	3.555
Provisions for write-down of inventories	849	-832
Revenue from connection fees, grants and goods taken free of charge	-82.528	-44.139
Provisions for guarantees	0	-487
Provisions for employee benefits	1.239	1.835
Effect of discounting of the provision for employee benefits	3.165	5.353
Loss on amounts receivable and sundry debtors	248	490
Adjustment of impairment of receivables	90.592	67.518
Interest revenue	-38.979	-28.045
Interest expenses	13.563	2.867
Concession Agreement receivable adjustment	-87.970	-29.334
Adjustments for impairment of financial assets	0	-309
The effect of the currency exchange rate variation on other elements than operation	-761	16.121
Other revenue/costs	0	-705
Operating profit before the changes in working capital	480.318	442.028
(Increase)/decrease in trade and other receivables	-75.165	41.009
(Increase)/decrease in inventories	-171.968	45.309
Increase/(decrease) in commercial debt and other debt	389.358	-140.892
Cash from operations	622.543	387.454
Paid interest	-7.370	-3.668
Received interest	973	2.105
Paid profit tax	-24.096	-61.437
Net cash inflows from operation	592.050	324.454
Cash flow from investments		
Payments for the acquisition of intangible assets	-941.370	-1.459.153
Payments for the acquisition of tangible assets	-47.305	-34.441
Financial investments/shares	0	0

Indicator	Financial year ended 31 December(thousand lei)	
	2021	2020
Receipts from the transfer of tangible assets	862	214
Cash from connection fees and non-reimbursable funds	206.422	252.244
Net cash used in investment activities	-781.391	-1.241.136
Cash flow from financing activities		
Disbursements on long term loans	403.248	745.338
Contributions of the shareholders	103.086	0
Loan reimbursement on the long term	-70.180	-2.785
Credit drawings/payments for the working capital	-20.285	299.720
Leasing payments (IFRS 16)	-4.704	-5.526
Paid dividends	-96.322	-183.867
Net cash used in financing activities	314.843	852.880
Exchange rate difference	0	268
Net change in cash and cash equivalents	125.503	-63.801
Cash and cash equivalents at the beginning of the year	289.452	352.985
Cash and cash equivalents at the end of the period	414.955	289.452

Table 27 - Consolidated cash flow statements -31.12.2021 compared to 31.12.2020

The analysis of the cashflow as of 31 December 2021 show an **increase of liquid assets** by lei **125.503** as compared to 31 December 2020.

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

- cash flow from operation is of lei 592.050 thousand, higher by lei 267.596 thousand than in 2020;
- cash flow from the investment activity is of lei -781.391 thousand, lower by lei 459.745 thousand than in 2020;
- cash flow used in the financing activity is of lei 314.843 thousand, lower by lei 538.037 thousand than in 2020.

6.4. 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 2021	31 December 2020
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	130.464	123.351
USD depreciation by 10%	(130.464)	(123.351)
EUR appreciation by 10%	(45.921.358)	(35.954.181)
EUR depreciation by 10%	45.921.358	35.954.181

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 3.040.424 (December 2020 : lei 3.325.834).

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 7.912.653 (lower/higher by lei 7.705.629 in December 2020), 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 five main customers, which together account for 45% of the trade receivable balances as at 31 December 2021 (31 December 2020: 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.

On 31 December 2021 the Company has payment guarantees from clients amounting to lei 222.103.520.

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

	31 December 2021	31 December 2020
Without rating	331.743	1.565.253
BB+	168.203.478	129.228.022
BBB-	1.250.380	71.152.016
BBB	9.243	119.791
BBB+	244.753.841	86.472.555
A	-	136.721
A+	136.085	-
AA	112.021	643.159
	414.796.791	289.317.517

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 2021 in terms of remained contractual maturity. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

The analysis of financial liabilities on 31 December 2021 in terms of maturity is as follows:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	2.278.593.629	171.952.005	984.570.956	1.122.070.668
Commercial debts and other debts	588.649.616	571.950.291	16.699.325	-
	2.867.243.245	743.902,296	1.001.270.281	1.122.070.668

The analysis of financial liabilities on 31 December 2020 in terms of maturity is as follows:

	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	450.599.080	434.116.640	16.482.440	-
	2.354.367.795	538.192.495	846.169.238	970.006.062

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 2021	31 December 2020
Financial assets		
Cash and cash equivalents	249.195.225	108.672.451
Term bank deposits	165.759.831	180.779.589
Credits and receivables	2.344.915.484	1.978.290.105
Financial assets - shares	24.578.237	24.578.237
Adjustments for financial assets - shares	(24.578.237)	(24.578.237)
	2.759.870.540	2.267.742.145
Financial liabilities		
Debts measured at depreciated cost:		
Loans	2.031.297.592	1.714.795.911
Debts measured at fair value:		
-Financial guarantees related to contracts	50.028.771	19.125.114
-Commercial debts and other debts	522.356.500	308.676.443
	2.603.682.863	2.042.597.468

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 2021, the Company's strategy, which remained unchanged compared to 2020, 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 2021 and at 31 December 2020 is as follows:

	31 December 2021	31 December 2020
Total loans	2.031.297.592	1.714.795.911
Less: cash and cash equivalents	(414.955.056)	(289.452.040)
Net cash position	1.616.342.536	1.425.343.871

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.

7. INDIVIDUAL ECONOMIC AND FINANCIAL STATEMENT

7.1 Individual financial position

According to Article 1 of Order 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 31.12.2021 as compared to 31.12.2020 is as follows:

Indicator	31.12.2021	31.12.2020	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2
Tangible assets	454.059	449.718	100,97%
Rights of use for the leased assets	19.617	19.192	102,21%
Intangible Assets	3.997.028	3.931.662	101,66%
Financial assets	296.576	284.273	104,33%
Trade receivables and other receivables	1.788.571	1.364.269	131,10%
Deferred tax	1.443	5.322	27,11%
Fixed assets	6.557.294	6.054.436	108,31%
Inventories	308.541	191.061	161,49%
Commercial receivables and other receivables	536.070	626.163	85,61%
Cash at hand and in bank	321.185	276.174	116,30%
Current assets –TOTAL	1.165.796	1.093.398	106,62%
TOTAL ASSETS	7.723.090	7.147.834	108,05%
Debts to be paid over a one-year period	929.707	700.280	132,76%
Debts to be paid over a period of more than one year	2.904.357	2.665.413	108,96%
Total debts	3.834.064	3.365.693	113,92%
Equity	3.889.026	3.782.141	102,83%
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	1.816.594	1.709.709	106,25%
Total equity and debts	7.723.090	7.147.834	108,05%

Table 28- Statement of financial position of the company at 31.12.2021 compared to 31.12.2020

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 increased by lei 4.341 thousand as compared to the value as at 31.12.2020, mainly due to the fact that the inflow of tangible assets exceeded 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 425 thousand as compared to 31 December 2020 due to the fact that the input value of the leased assets contracts was higher than the cost of depreciation.

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.

Service 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.

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 65.366 thousand as compared with the value as at 31.12.2020, this increase being mainly due to the achieved investment works related to the main projects under the TYNDP.

Financial assets

The financial assets increased by lei 12.303 thousand as compared to 31.12.2020 following the increase of the share capital of the company EUROTRANSGAZ SRL Chisinau in the Republic of Moldova, established by EGMS Resolution 10/12.12.2017 of SNTGN Transgaz SA.

Trade receivables and other receivables/ Fixed assets

The receivables regarding the right to collect the regulated value remaining unamortized at the end of the concession agreement on 31 December 2021 increased by the amount of lei 424.302 thousand, receivables registered according to Law 127/2014 of 5 October 2014, which states that in case of termination of the concession agreement for any reason, or upon contract ending, 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 depreciated, established by ANRE.

The increase by lei 439.323 thousand compared to the one as at 31 December 2020 is determined mainly by the discount 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 2021, the inventories increased by lei 117.480 thousand compared to the value as at 31 December 2020, mainly due to the increasing of the value of the natural gas procured within the balancing activity.

Commercial receivables and other receivables

On 31 December 2021 the balance of the commercial receivables and of other receivables **decreased by lei 90.093 thousand** as compared to 31 December 2020, mainly due to the following factors:

- Increase in the client receivables balance by lei 188.552 thousand mainly generated by the increase in the balance of the receivables resulted from the gas transmission activity;
- increase in the provisions for the impairment of the trade receivables and of other receivables by lei 90.592 thousand;
- decrease of collection of the grants as subventions by lei 91.503 thousand;
- decrease of the balance of other receivables by lei 96.550 thousand, mainly due to the receivables representing income taxes and VAT to be recovered.

Cash at hand and in bank

As at 31 December 2021 the company's cash increased by lei 45.011 thousand as compared to the end of 2020. The cash in the bank accounts in lei increased by lei 65.564 thousand and the cash in bank accounts in currency decreased by lei 18.577 thousand.

Other cash elements and cash equivalent record an increase by lei 24 thousand compared with 2020.

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 2020:

- increase of the balance of the commercial debt and other debt by lei 202.913 thousand;
- decrease of the provision for risks and charges by lei 8.348 thousand mainly on account of reconsideration in the revenue of the provision for voluntary departures, the provision for litigations and the decrease of the provision for employees share in to profit, which exceeded the values of those established in 2021;
- increase of the provision for employee benefit over the short term by lei 1.109 thousand;
- increase in the short term deferred revenue by lei 22.641 thousand;
- decrease in the short-term loans by lei 11.112 thousand.

Long-term debts

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

- increase in the long term loans by lei 225.118 thousand;
- decrease of provision for employee benefit by lei 12.570 thousand;
- increase in deferred revenue and of the subsidies by lei 26.178 thousand;
- increase in the commercial debts and other debts in the amount of lei 217 thousand.

Equity

The subscribed and paid up capital remained unchanged.

The increase in the retained earnings by lei 106.885 thousand is determined by the recording of the profit related to 2021 which exceeded the appropriation of the profit for establishing own financing sources.

7.2 Individual comprehensive income

The statement of the comprehensive income at 31 December 2021 as compared to 2020 is presented below:

Specification	Obtained (thousand lei)		Dynamics (%)
	31.12.2021	31.12.2020	
1	2	3	4=2/3
TOTAL revenue of which:	2.640.751	3.180.957	83,02%
Operating revenue before the construction activity, according to IFRIC12 and balancing	1.364.511	1.333.504	102,33%
Revenue from the balancing activity	442,200	199,239	221,94%
Revenue from the construction activity according to IFRIC12	704,027	1.587.548	44,35%
Financial revenue	130.013	60.666	214,31%
TOTAL costs of which:	2.401.482	2.971.779	80,81%
Operating costs before the construction activity, according to IFRIC12, and balancing	1.230.118	1.165.836	105,51%
Cost of balancing	442.200	199.239	221,94%
Cost of constructed assets according to IFRIC12	704.027	1.587.548	44,35%
Financial costs	25.138	19.156	131,23%
GROSS PROFIT, of which:	239.268	209.178	114,38%
Result from operation	134.393	167.668	80,15%
Financial result	104.875	41.510	252,65%
PROFIT TAX	52.327	34.177	153,10%
NET PROFIT	186.941	175.001	106,82%
Other elements of the comprehensive income	15.783	7.342	214,97%
Total comprehensive income for the period	202.724	182.343	111,18%

Table 29 - Individual profit and loss account on 31 December 2021 compared to 31 December 2020

Operating revenue

Operating revenue before the balancing and the construction activity according to IFRIC 12 obtained in 2021 as compared to 2020 is as follows:

No.	Specification	Obtained (thousand lei)		Dynamics (%)
		2021	2020	
0	1	2	3	4=2/3*100
1.	Revenue from the transmission activity			
	- Thousand lei	1.164.419	1.150.465	101,21
	- MWh	153.149.483	133.235.593	114,95
	- lei/MWh	7,60	8,63	88,05
3.	Revenue from the international transmission activity			
	- Thousand lei	72.037	114.223	63,07
4.	Other operating revenue			
	- Thousand lei	128.055	68.816	186,08
TOTAL OPERATING REVENUE before the balancing and the construction activity according to IFRIC12		1.364.511	1.333.504	102,33

Table 30 - Revenue from the operating activity –Obtained in 2021 compared to Obtained in 2020

Operating expense

The operating expense obtained in 2021 as compared to 2020:

No.	Specification	2021	2020	Dynamics (%)
0	1	2	3	4=2/3*100
1.	Depreciation	351.054	247.009	142,12
2.	Indemnities, salaries, other expenditures related to salaries and benefits to employees	464.596	431.952	107,56
3.	Technological consumption, materials and consumables used, of which:	112.818	115.609	97,59
	- Transmission system technological loss and consumption	76.005	79.187	95,98
	- technological consumption quantity - (MWh)	744.510	704.997	105,60
	- Auxiliary materials	33.474	32.795	102,07
	- Other material expenditures	3.339	3.628	92,04
4.	Expenditures related to royalties	4.946	107.622	4,60
5.	Maintenance and transport, of which:	32.769	30.315	108,10
	- Works, services performed by third parties	18.561	17.167	108,12

No.	Specification	2021	2020	Dynamics (%)
0	1	2	3	4=2/3*100
6.	Taxes and other amounts due to the State, of which:	86.201	71.870	119,94
	- Gas transmission and international transit license fee	10.784	9.007	119,74
	- Monopoly tax	66.808	56.196	118,89
7.	Cost of the provision for risks and charges	-7.308	6.073	X
8.	Other operating expense	185.042	155.385	119,09
TOTAL OPERATING EXPENSE before the balancing and the construction activity according to IFRIC12		1.230.118	1.165.836	105,51

Table 31 - Operating costs obtained at 31.12.2021 vs. obtained at 31.12.2020

7.3 Individual cash flow statement

The cash flow statement at 31 December 2021 is as follows:

Indicator	Financial year ended 31 December (thousand lei)	
	2021	2020
Profit before tax	239.268	209.178
Adjustments for:		
Depreciation	351.054	247.009
Gain/(loss) from the transfer of fixed assets	-743	-145
Provisions for risks and charges	-8.348	3.555
Provisions for write-down of inventories	849	-832
Revenue from connection fees, grants and goods taken free of charge	-82.528	-44.139
Provisions for guarantees	0	-487
Provisions for employee benefits	1.157	1.786
Effect of discounting of the provision for employee benefits	3.165	5.353
Loss on amounts receivable and sundry debtors	248	490
Adjustment of impairment of receivables	90.592	67.518
Interest revenue	-38.975	-28.025
Interest expenses	13.515	2.867
Concession Agreement receivable adjustment	-87.970	-29.334
Adjustments for impairment of financial assets	0	-309
The effect of the currency exchange rate variation on other elements than operation	6.087	9.058
Other revenue/costs	0	-705
Operating profit before the changes in working capital	487.371	442.837
(Increase)/decrease in trade and other receivables	-54.939	60.175

Indicator	Financial year ended 31 December (thousand lei)	
	2021	2020
(Increase)/decrease in inventories	-172.088	42.057
Increase/(decrease) in commercial debt and other debt	377.412	-112.138
Cash from operations	637.756	432.931
Received interest	973	2.105
Paid interest	-5.089	-2.851
Paid profit tax	-24.096	-61.437
Net cash inflows from operation	609.545	370.748
Cash flow from investments		
Payments for the acquisition of intangible assets	-840.718	-1.300.823
Payments for the acquisition of tangible assets	-47.305	-34.441
Financial investments/shares	-12.303	-68.386
Receipts from the transfer of tangible assets	862	214
Cash from connection fees and non-reimbursable funds	206.422	252.244
Net cash used in investment activities	-693.042	-1.151.192
Cash flow from financing activities		
Disbursements on long term loans	320.000	637.938
Loan reimbursement on the long term	-70.180	-2.785
Credit drawings/payments for the working capital	-20.285	299.720
Leasing payments (IFRS 16)	-4.704	-5.526
Paid dividends	-96.322	-183.867
Net cash used in financing activities	128.508	745.480
Net change in cash and cash equivalents	45.011	-34.964
Cash and cash equivalents at the beginning of the year	276.174	311.138
Cash and cash equivalents at the end of the period	321.185	276.174

Table 32 - Cash flow statements as at 31.12.2021 compared to 31.12.2020

The analysis of the cashflow as of 31 December 2021 show an increase of **liquid assets** by **lei 45.011** as compared to 31 December 2020.

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

- cash flow from operation is of lei 609.545 thousand, higher by lei 238.797 thousand than in 2020;
- cash flow from the investment activity is of lei –693.042 thousand, lower by lei 458.150 thousand than in 2020;
- cash flow used in the financing activity is of lei 128.508 thousand, lower by lei 616.971 thousand than in 2020.

On 31 December 2021 the Company's cash in bank accounts amounted to lei 321.026 thousand of which 2,87% was cash denominated in foreign currency, most of it in EUR.

7.4 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 2021	31 December 2020
Impact on profit and loss and on equity of:		
USD appreciation by 10%	130.464	123.351
USD depreciation by 10%	(130.464)	(123.351)
EUR appreciation by 10%	(36.386.664)	(26.462.323)
EUR depreciation by 10%	36.386.664	26.462.323

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 3.040.424 (December 2020 : lei 3.325.834).

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 higher/lower by lei 6.981.227 (lower/higher by lei 7.556.613 in December

2020), 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 five main customers, which together account for 45% of the trade receivable balances as at 31 December 2021 (31 December 2020: 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.

On 31 December 2021 the Company has payment guarantees from clients amounting to lei 222.103.520.

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

	31 December 2021	31 December 2020
Without rating	331.743	1.565.253
BB+	168.175.800	129.210.884
BBB-	1.250.380	71.152.016
BBB+	151.020.967	73.331.714
A	-	136.721
A+	136.085	-
AA-	-	643.159
AA	112.021	-
	321.026.996	276.039.747

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 2021 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 2021 in terms of maturity:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	2.071.100.560	169.478.217	924.070.250	977.552.093
Commercial debts and other debts	572.954.064	556.254.739	16.699.325	-
	2.644.054.624	725.732.956	940.769.575	977.552.093

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	1.783.112.184	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

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 2021	31 December 2020
Financial assets		
Cash and cash equivalents	155.425.430	95.394.681
Term bank deposits	165.759.831	180.779.589
Credits and receivables	2.268.837.728	1.925.699.931
Financial assets - shares	321.154.407	308.851.085
Adjustments for financial assets - shares	(24.578.237)	(24.578.237)
	2.886.599.159	2.486.147.049
	31 December 2021	31 December 2020
Financial liabilities		
Debts measured at depreciated cost:		
Loans	1.843.906.821	1.607.676.689
Debts measured at fair value:		
Financial guarantees related to contracts	50.028.771	19.125.114
Commercial debts and other debts	506.225.968	304.789.438
	2.400.161.560	1.931.591.241

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.

The net leverage at 31 December 2021 and at 31 December 2020 is as follows:

	31 December 2021	31 December 2020
Total loans	1.843.906.821	1.607.676.689
Less: cash and cash equivalents	(321.185.261)	(276.174.270)
Net cash position	1.522.721.560	1.331.502.419

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.

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 3/18.01.201 1 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 - **Shareholders` rights:** shareholder rights, shareholder treatment.
- Chapter 3 - **The 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.**

CORPORATE GOVERNANCE STATEMENT

I. STATEMENT OF COMPLIANCE WITH THE GOVERNANCE 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 BSE in the Premium category, voluntarily adopted the provisions of the BSE Corporate Governance Code and had been reporting since 2010 total or partial compliance with its provisions.

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 provides the market with clear, accurate and timely information on how listed companies comply with corporate governance rules, drawing up for this purpose - Declaration of compliance or non-compliance with the provisions of the BSE Corporate Governance Code.

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		

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
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 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:	X		
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		

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
<p>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.</p>	X		
<p>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.</p>	X		
<p>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 internal auditor of the company or a company controlled by it.</p>	X		
<p>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.</p>	X		
<p>A.4.8. He/she has not been a non-executive administrator of the company for more than 12 years.</p>	X		
<p>A.4.9. He/she has no family ties with a person in the cases mentioned in A.4.1 and A.4.4.</p>	X		
<p>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.</p>	X		
<p>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.</p>		X	Information will be requested from Board of Administration members Transgaz will send to the BSE a current report at the time of compliance.

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-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 purpose, criteria and frequency of the assessment process.		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 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				

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
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 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.	X		
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. 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		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	
<p>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.</p> <p>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.</p> <p>Any major change in the remuneration policy should be published in a timely manner on the company's website.</p>				
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		
	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		

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
<p>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.</p>		X	<p>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.</p>
<p>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.</p>	X		
<p>D.1.6. Names and contact details of a person who will be able to provide relevant information upon request.</p>	X		
<p>D.1.7. Company presentations (e.g., investor presentations, quarterly results presentations, etc.), financial statements (quarterly, half-yearly, annually), audit reports, and annual reports.</p>	X		
<p>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.</p>		X	<p>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.</p>
<p>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</p>		X	<p>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</p>

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
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.			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 their reports are presented at these meetings.	X		
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	X		

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
	published in the Investor Relations section of the company's website at the date of the meetings / teleconferences.			
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 further 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 by Art. 2 of OGMS 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

Following OGMS Resolution 3/22.04.2021 the mandates of three administrators were renewed for a four-year term, as of 30.04.2021:

ION STERIAN	Executive Administrator- Director-General
PETRU ION VĂDUVA	Non-Executive Administrator
NICOLAE MINEA	Independent, Non-Executive Administrator

and two provisional members were appointed for a period of 4 months, with the possibility of extending the term by another two months until the completion of the selection procedure:

ABRUDEAN MIRCEA	Independent, Non-Executive Interim Administrator
DRAGOTĂ LAURA RALUCA ALINA	Independent, Non-Executive Interim Administrator

On 13.05.2021 during the Transgaz Board of Administration Meeting the administrators took note of General Secretariat of the Government Letter 20/11558/THD/13.05.2021 on the termination of the mandates of the two interim administrators.

Thus, by OGMS Resolution 4/17.06.2021 two other administrators were appointed as provisional members starting from 17.06.2021, for a period of four months, with the possibility to extend the mandate by another two months until the completion of the selection procedure:

CSABA OROSZ	Independent, non-executive, interim administrator
MIHAELA VIRGINIA TOADER	Independent, non-executive, interim administrator

By OGMS Resolution 7/14.10.2021 it was approved to extend the term of office of the provisional members of the Board of Directors of SNTGN Transgaz SA by two months from the date of expiry, i.e. 17.10.2021.

Subsequently, by OGMS Resolution 9/14.12.2021, the same administrators were appointed as provisional members, for a maximum term of office of 4 months, starting on 17.12.2021, with the possibility of extending the term of office by another 2 months, until the completion of the selection procedure.

The CVs of the members of Transgaz's Board of Administration are available on the company's website at: www.transgaz.ro/Despre noi/ Consiliul de administrație.

Role and duties of the Board of Administration

Transgaz's management is ensured by a Board of Administration, which meets at the company's headquarters or at another location decided 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.

The BoA and GMS Secretariat was established in the organizational structure of the company, 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 2021 39 meetings of the Board of Administration were held, 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	39	-
PETRU ION VĂDUVA	38	1 by empowered person
BOGDAN GEORGE ILIESCU	14	1 by empowered person
NICOLAE MINEA	39	-
REMUS GABRIEL LĂPUȘAN	15	-
MIRCEA ABRUDEAN	1	-
LAURA RALUCA ALINA DRAGOTĂ	1	-
CSABA OROSZ	21	-
MIHAELA VIRGINIA TOADER	21	-

The debates are recorded in the minutes of the meeting, which include the names of the participants, the agenda of the discussions, the decisions made, the number of votes cast and the separate opinions. The minutes is 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 prepares the decision, which is signed by the Chairman.

The Board of Administration delegates 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 prepares and submits 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 prepares and submits to the Board of Administration the reports provided by law.

The Director - General submits 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's 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 24.08.2020, 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, the employees, the shareholders who control the company or with a company controlled by them;

- the transactions concluded with the spouse, with relatives or kin up to the 4th degree including any of the persons above;
- any transaction concluded between TRANSGAZ S.A. and another public undertaking or with the public supervisory body, if the transaction has the value, individually or in a series of transactions, of at least the RON equivalent of EUR 100.000.

The Board of Administration has the obligation to provide the general meeting of the shareholders and the financial auditors the documents of TRANSGAZ S.A. and the activity reports in accordance with the law.

Liability of administrators

The liability of the administrators is governed by the legal provisions regarding the mandate as well as the special provisions of Companies Law no. 31/1990, republished, as further amended and supplemented.

Incompatibility

The persons provided for in Companies Law no. 31/1990, republished, as further 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 Companies Law no. 31/1990, republished, as further amended and supplemented, may not be 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 director - general of TRANSGAZ S.A. ;
- to supervise the work of the director - general;
- 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 director - general 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 positions 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 director - general 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 Board of Administration vacancies, in accordance with GEO 109/2011

on Corporate Governance of Public Enterprises, as further amended and supplemented.

In case of a Boar of Administration vacancy, the election of a new member is made according to the law. The duration for which the new administrator is elected to fill the vacancy is 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 by Board of Administration Resolution 7 of 27 May 2013 it was 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 23.06.2021, can be found on its own website in the www.transgaz.ro/Relatii_investitori/Guvernanta_Corporativa section.

Task sheets of the five advisory committees set up at the level of the Board of Administration:

ADVISORY COMMITTEE	MENTIONS	DUTIES
THE NOMINATION AND REMUNERATION COMMITTEE	<ul style="list-style-type: none"> ▪ shall consist of at least two members of the Board of Administration in accordance with Article 140²(1) of Companies Law, republished and updated; ▪ shall consist of non-executive administrators, at least one of the committee members shall be an independent non-executive administrator, in accordance with Article 140²(1) of Companies Law, republished and updated and Article 34(4) of GEO 109/2011 on corporate governance of public companies. 	<ul style="list-style-type: none"> ▪ coordinates the appointment process of the members of the Board of Administration; ▪ draws up and proposes to the Board of Administration the procedure for electing the members of the Board of Administration; ▪ makes recommendations regarding both the position of administrator and the filling of Board of Administration vacancies; ▪ assess the accumulation of professional skills, knowledge and experience at Board of Administration, directors and other management positions; ▪ establishes the requirements for a particular position in the management of the company; ▪ draws up and proposes to the Board of Administration the procedure for the selection of candidates for the position of director and other management positions; ▪ recommends to the Board of Administration candidates for the positions listed; ▪ applies best corporate governance practices by improving the knowledge of the company's business and continuously

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<p>updating the professional skills of the members of the Board of Administration;</p> <ul style="list-style-type: none"> ▪ draws up the remuneration policy for administrators; ▪ submit this remuneration policy to the General Meeting of Shareholders for approval; ▪ makes proposals for the remuneration of directors and other management functions; ▪ informs about the remuneration policy in the Articles of Incorporation/Corporate Governance Regulations of the company; ▪ present in the Annual Report the total amount of the direct and indirect remuneration of administrators and directors, separately by fixed and variable component of such remuneration; in determining the remuneration of non-executive administrators, it shall respect the principle of proportionality of such remuneration to the responsibility and time dedicated to the performance of their duties; ▪ prepares an annual report on the remuneration and other benefits granted to administrators and directors during the financial year, which is submitted to the general meeting of shareholders and contains the information provided for in Article 55(3) of GEO no. 109/2011 on corporate governance of public companies; ▪ can, if necessary, call on the assistance of external experts to carry out the required tasks.
AUDIT AND RATING COMMITTEE	<ul style="list-style-type: none"> ▪ shall consist of at least three members of the Board of Administration and the majority of the members must be independent, in accordance with Article B.1. of the BSE Governance Code; ▪ shall be composed of non-executive administrators, at least one of the committee members shall be an independent non-executive administrator, in accordance with Article 140²(1) of Companies Law, republished and updated, and Article 34(4) of GEO 109/2011 on corporate governance of public enterprises; 	<ul style="list-style-type: none"> ▪ assists and recommends to the Board of Administration proposals for the establishment of the accounting and financial control system and approves the financial-budgetary planning; ▪ monitors the effectiveness of the entity's internal quality control and risk management systems and, where applicable, internal audit in relation to the audited entity's financial reporting, without infringing its independence; ▪ monitor the statutory audit of the annual financial statements and the annual consolidated financial statements, in particular the conduct of the statutory audit, taking into account the findings and conclusions of the competent authority, in accordance with Article 26(2). (6) of EU Regulation 537/2014;

ADVISORY COMMITTEE	MENTIONS	DUTIES
	<ul style="list-style-type: none"> ▪ at least one member of the committee must be competent in the field of accounting and statutory audit, proven by qualification documents for the respective fields, in accordance with Article 65 paragraph (3) of Law 162/2017 on statutory audit of annual financial statements and annual consolidated financial statements and amending some normative acts; ▪ the chairman of the committee must be an independent non-executive member, in accordance with Article B.2. of the BSE Corporate Governance Code; ▪ the chairman of the committee is appointed by its members or by the board of administration of the audited entity and is independent of the audited entity, in accordance with Article 65 (5) of Law 162/2017 on statutory audit of annual financial statements and annual consolidated financial statements and on amendment of some normative acts. 	<ul style="list-style-type: none"> ▪ carries out an annual assessment of the internal control system and submits relevant reports to the Board of Administration; ▪ assess conflicts of interest in relation to transactions of the company and its subsidiaries with related parties; ▪ monitors the application of legal standards and generally accepted internal auditing standards; ▪ receives and evaluates internal audit team reports; ▪ reports regularly to the Board of Administration; ▪ prepares and submits to the Board of Administration for approval an opinion on the policy to ensure that any transaction of the Company with any of its closely related companies whose value equals or exceeds 5% of the net assets of the Company (as per the latest financial report) is approved by the Board; ▪ meets as often as necessary, but at least twice a year when the half-yearly and annual reports are drawn up, when it ensures that they are disseminated to shareholders and the general public; ▪ verifies the conformity of the audit reports drawn up with the audit plan approved at 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 the accounting standards applied by the company; ▪ collaborates with the company's external financial auditors who will provide them with a report describing all the relationships between the latter and the company and the group to which it belongs; ▪ is responsible for the selection procedure of the financial auditor or audit firm and recommends to the general meeting of shareholders the financial auditor or audit firm(s) to be appointed in accordance with Article 16 of EU Regulation 537/2014, unless Article 16(8) of EU Regulation 537/2014 applies; ▪ assesses and monitors the independence of financial auditors or audit firms in accordance with Articles 21 to 25, 28 and 29

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<p>of Law No.162/2017 on statutory audit of annual financial statements and annual consolidated financial statements and amending certain regulatory acts and Article 6 of EU Regulation No.537/2014 and, in particular, the appropriateness of providing non-audit services to the audited entity in accordance with Article 5 of that Regulation;</p> <ul style="list-style-type: none"> ▪ informs the Board members of the audited entity of the results of the statutory audit and explains how the statutory audit contributed to the integrity of the financial reporting and what the committee's role was in this process; ▪ monitors the financial reporting process and makes recommendations or proposals to ensure its integrity; ▪ performs the duties provided for in Article 47 of GEO 90/2008, approved with amendments by Law 278/2008, in accordance with Article 34(3) of GEO 109/2011.
<p>NTS SAFETY AND SECURITY COMMITTEE</p>	<p>shall consist of at least two members of the Board of Administration in accordance with Article 140²(1) of Companies Law, republished and updated;</p> <p>at least one of the committee members shall be an independent non-executive administrator in accordance with Article 140²(2) of Companies Law, republished and updated.</p>	<ul style="list-style-type: none"> ▪ regularly reviews the list of Transgaz's critical infrastructure targets and the security measures established; ▪ ensures the necessary conditions for the implementation of protection measures for all critical infrastructure objectives of the company or under the authority/coordination of the company; ▪ monitors/updates its own programmes to prevent and combat terrorism through optimal physical and organisational protection measures, with recommendations to this effect to the Board of Administration; ▪ monitors the fulfilment of the maintenance and modernisation programmes for the development of the NTS as well as compliance with the technical regulations for the operation and maintenance of production capacities.
<p>STRATEGY AND DEVELOPMENT COMMITTEE</p>	<p>shall consist of at least two members of the Board of Administration in accordance with Article 140²(1) of Companies Law, republished and updated;</p> <p>at least one of the committee members shall be an independent non-executive administrator in accordance with Article</p>	<ul style="list-style-type: none"> ▪ assists the Board of Administration in fulfilling its responsibilities in the area of developing and updating the company's overall development strategy; ▪ analyses identified business development opportunities and makes recommendations to the Board of Administration in this respect; ▪ analyses and assists the Board of Administration with regard to the

ADVISORY COMMITTEE	MENTIONS	DUTIES
	140 ² (2) of Companies Law, republished and updated.	<p>company's development and international cooperation directions;</p> <ul style="list-style-type: none"> ▪ monitors and analyses the fulfilment of strategic and action plans/programmes relating to Transgaz' obligations as technical operator of the NTS and issuer on the stock exchange; ▪ develops proposals for improving and streamlining strategic, development and collaborative work; ▪ makes recommendations to the Board of Administration on the effective implementation of strategic and action plans/programmes; ▪ monitors and analyses the achievement of the performance indicators of the transport system and the economic and financial performance of the company's activity.
REGULATORY AND PUBLIC RELATIONS COMMITTEE	<p>shall consist of at least two members of the Board of Administration in accordance with Article 140²(1) of Companies Law, republished and updated;</p> <p>at least one of the committee members shall be an independent non-executive administrator in accordance with Article 140²(2) of Companies Law, republished and updated.</p>	<ul style="list-style-type: none"> ▪ assists the Board of Administration in analysing regulatory activity and the legal obligations incumbent on the company in this area; ▪ monitors the company's compliance with the obligations laid down in the regulations applicable to its activities; ▪ considers and submits proposals to the Board of Administration on the regulatory framework; ▪ monitors collaborative relations with public authorities and assists the Board in establishing and managing the collaboration policy.

Composition of advisory committees set up at the level of the company's Board of Administration

Within the meeting of the Board of Administration held on 10.05.2021, it was decided to change the composition of the advisory committees set up at the level of the company's Board of Administration, according to Resolution 3/22.04.2021 of the Ordinary General Meeting of the Shareholders establishing the renewal of the mandates of three directors and appointing two members as interim administrators. Within the meeting of the Board of Administration held on 23.06.2021 it was decided to change of the composition of the advisory committees established at the level of the company's Board of Administration, according to Resolution 4/17.06.2021 of the Ordinary General Meeting of the Shareholders establishing the appointing of two new interim administrators, Ms. Mihaela Virginia Toader and Mr. Csaba Orosz.

As of this date, the composition of the committees is as follows:

Name of advisory committee	Composition of the committee	
Nomination and Remuneration Committee	Petru Ion Văduva	- non-executive administrator
	Nicolae Minea	- non-executive, independent administrator
	Csaba Orosz	- non-executive, independent administrator
Audit and Rating Committee	Nicolae Minea	- non-executive, independent administrator, Chairman of the Audit and Rating Committee
	Csaba Orosz	- non-executive, independent administrator
	Mihaela Virginia Toader	- non-executive, independent administrator
	Petru Ion Văduva	- non-executive administrator
NTS Security and Safety Committee	Ion Sterian	- executive administrator
	Petru Ion Văduva	- non-executive administrator
	Mihaela Virginia Toader	- non-executive, independent administrator
Strategy and Development Committee	Ion Sterian	- executive administrator
	Nicolae Minea	- non-executive, independent administrator
	Mihaela Virginia Toader	- non-executive, independent administrator
Regulatory and Public Authority Relations Committee	Ion Sterian	- executive administrator
	Mihaela Toader Virginia	- non-executive, independent administrator
	Csaba Orosz	- non-executive, independent administrator

The activity carried out in 2021 by the five advisory committees set up at the level of the Board of Administration on the basis of:

- ✓ **Law no. 31/1990**, as further 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: BoA Resolution 19/23.06.2021; BoA Resolution 16/10.05.2021; BoA Resolution 10/28.02.2018; BoA Resolution 22/11.07.2017; BoA Resolution 15/16.05.2017; BoA Resolution 39/17.12.2015; BoA Resolution 43/19.11.2014; BoA Resolution 21/ 16.06.2014; BoA Resolution 2/ 10.02.2014; BoA Resolution 13/ 29.07.2013; BoA Resolution 7/ 27.05.2013; BoA Resolution 16/ 30.10.2009; BoA Resolution 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/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 2021 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 2021	Nomination and Remuneration Advisory Committee	Ion Văduva Petru Minea Nicolae Bogdan George Iliescu (<i>until 29.04.2021</i>) <i>Mircea Abrudean</i> (between 10.05.2021 - 13.05.2021) <i>Csaba Orosz</i> (starting on 23.06.2021)
2.	Activity Report of the Strategy and Development Advisory Committee during January-June 2021	Strategy and Development Advisory Committee	Ion Sterian Petru Ion Văduva (<i>until 09.05.2021</i>) Bogdan George Iliescu (<i>until 29.04.2021</i>) Nicolae Minea <i>Laura Raluca Alina Dragotă</i> (between 10.05.2021 - 13.05.2021) <i>Mihaela Virginia Toader</i> (starting at 23.06.2021)
3.	Activity Report of the Regulatory and Public Authority Relations Advisory Committee during January-June 2021	Regulatory and Public Authority Relations Advisory Committee	Ion Sterian Petru Ion Văduva (<i>until 09.05.2021</i>) Remus Gabriel Lăpușan (<i>until 29.04.2021</i>) <i>Laura Raluca Alina Dragotă</i> (between 10.05.2021 - 13.05.2021) <i>Mircea Abrudean</i> (between 10.05.2021 - 13.05.2021) <i>Toader Mihaela Virginia</i> (starting at 23.06.2021) <i>Orosz Csaba</i> (starting at 23.06.2021)
4.	Activity Report of the Safety and Security Advisory Committee of NTS during January-June 2021	Safety and Security Advisory Committee of NTS	Ion Sterian Petru Ion Văduva Remus Gabriel Lăpușan (<i>until 29.04.2021</i>) <i>Mircea Abrudean</i> (between 10.05.2021 - 13.05.2021)

No.	Description	Responsible	Composition of the Committee
			<i>Mihaela Virginia Toader (starting at 23.06.2021)</i>
5.	Activity Report of the Audit and Rating Advisory Committee during January-June 2021	Audit and Rating Advisory Committee	Bogdan George Iliescu (until 29.04.2021) Minea Nicolae Remus Gabriel Lăpușan (until 29.04.2021) <i>Laura Raluca Alina Dragotă (between 10.05.2021 - 13.05.2021)</i> <i>Mircea Abrudean (between 10.05.2021 - 13.05.2021)</i> <i>Mihaela Virginia Toader (starting at 23.06.2021)</i> <i>Csaba Orosz (starting at 23.06.2021)</i>
6.	Activity Report of the Nomination and Remuneration Advisory Committee between January and December 2021	Nomination and Remuneration Advisory Committee	Petru Ion Văduva Nicolae Minea Bogdan George Iliescu (until 29.04.2021) <i>Mircea Abrudean (between 10.05.2021 - 13.05.2021)</i> <i>Mihaela Virginia Toader (starting at 23.06.2021)</i> <i>Csaba Orosz (starting at 23.06.2021)</i>
7.	Activity Report of the Strategy and Development Advisory Committee during January-December 2021	Strategy and Development Advisory Committee	Ion Sterian Petru Ion Văduva (until 09.05.2021) Bogdan George Iliescu (until 29.04.2021) Nicolae Minea <i>Laura Raluca Alina Dragotă (between 10.05.2021 - 13.05.2021)</i> <i>Mihaela Virginia Toader (starting at 23.06.2021)</i>
8.	Activity Report of the Regulatory and Public Authority Relations Advisory Committee during January-December 2021	Regulatory and Public Authority Relations Advisory Committee	Ion Sterian Petru Ion Văduva (until 09.05.2021) Remus Gabriel Lăpușan (until 29.04.2021) <i>Laura Raluca Alina Dragotă (between 10.05.2021 - 13.05.2021)</i> <i>Mircea Abrudean (between 10.05.2021 - 13.05.2021)</i> <i>Mihaela Virginia Toader (starting at 23.06.2021)</i> <i>Csaba Orosz (starting at 23.06.2021)</i>

No.	Description	Responsible	Composition of the Committee
9.	Activity Report of the Safety and Security Advisory Committee of NTS during January-December 2021	Safety and Security Advisory Committee of NTS	Ion Sterian Petru Ion Văduva Remus Gabriel Lăpușan (until 29.04.2021) <i>Mircea Abrudean (between 10.05.2021 - 13.05.2021)</i> <i>Mihaela Virginia Toader (starting at 23.06.2021)</i>
10.	Activity Report of the Audit and Rating Advisory Committee during January-December 2021	Audit and Rating Advisory Committee	Bogdan George Iliescu (until 29.04.2021) Nicolae Minea Remus Gabriel Lăpușan (until 29.04.2021) <i>Laura Raluca Alina Dragotă (between 10.05.2021 - 13.05.2021)</i> <i>Mircea Abrudean (between 10.05.2021 - 13.05.2021)</i> <i>Mihaela Virginia Toader (starting at 23.06.2021)</i> <i>Csaba Orosz (starting at 23.06.2021)</i>

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 Resolution no. 7 of 27 May 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 Resolution 4 of 23 June 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

At the level of the Board of Administration the company established a Nomination and Remuneration Committee approved by BoA Resolution 7 of 27.05.2013, which, in accordance with Law 24/2017 on issuers of financial instruments and market operations, as amended, develops the Remuneration Policy for Transgaz's Administrators', Director-General and Chief Financial Officer, and assists the Board of Administration in establishing/supervising the remuneration policies and practices.

In accordance with the provisions of Article 37 of GEO 109/2011 on the corporate governance of public enterprises, as amended, the General Meeting of the Shareholders establishes the remuneration of the Board of Administration members.

Based on the legal provisions and in accordance with the Bucharest Stock Exchange Governance Code, by Article 13 of OGMS Resolution 3/27.04.2021 it was approved the **Remuneration Policy and Criteria for the Administrators, Director-General and CFO of SNTGN TRANSGAZ S.A.**, which mainly regulate the following:

1. Legal framework
2. Scope, coverage, field of application and decision-making process
3. Objectives of the Remuneration Policy
4. General principles underlying the remuneration policy
5. Structure of the remuneration of the administrators, director general and financial officer chief of SNTGN TRANSGAZ S.A.
6. Other types of benefits
7. Duration of the mandate contracts, applicable notice periods, conditions of termination/termination of contracts
8. Making payments
9. Conflict of interest
10. Policy derogations

The remuneration policy is consistent with the company's business strategy, objectives, values and long-term interests and includes measures to avoid conflicts of interest and ensure effective corporate governance of the company.

The remuneration and other benefits provided to administrators and directors are disclosed in the annual financial statements and in the annual report of the nomination and remuneration committee on remuneration and other benefits provided to administrators and directors.

The remuneration policy sets the general framework for the remuneration of the administrators, director general and the chief financial officer in the company, which is supplemented in its implementation by the legal provisions applicable to the core business, the provisions of the Collective Labour Contract of SNTGN TRANSGAZ SA, the mandate contracts as well as the resolutions of the Board of Administration and of the General Meeting of the Shareholders.

STATEMENT ON THE IMPLEMENTATION OF THE REMUNERATION POLICY IN 2021

The remuneration policy of SNTGN TRANSGAZ S.A. was approved by Resolution 3 / 27.04.2021 of the Ordinary General Meeting of the Shareholders, Art.13 and is based on the good national and international practices as well as on the applicable legislative amendments.

The remuneration policy sets the general framework for the remuneration of the administrators, director general and the chief financial officer in the company, which is supplemented in its implementation by the legal provisions applicable to the core business, the provisions of the Collective Labour Contract of SNTGN TRANSGAZ SA, the mandate contracts as well as the resolutions of the Board of Administration and of the General Meeting of the Shareholders.

The remuneration policy is consistent with the company's business strategy, objectives, values and long-term interests and includes measures to avoid conflicts of interest and ensure the company's effective corporate governance.

The remuneration and benefits provided under the law or the mandate contract to the administrators, the director-general and the chief financial officer under the unitary system shall be disclosed in the annual financial statements, the annual report of the nomination and remuneration committee and the annual report of the administrators.

The role of the Nomination and Remuneration Committee is to assist the Board in establishing and monitoring remuneration policies and practices.

The Nomination and Remuneration Committee is responsible for proposing the remuneration policy, monitors its implementation and will ensure that conflicts of interest are avoided.

Upon the recommendation of the Nomination and Remuneration Committee, in 2021, SNTGN TRANSGAZ S.A. contracted a specialized company to conduct a benchmarking study on the conditions for the remuneration of the members of the Board of Administration, the Director-General and the Chief Financial Officer, a study necessary to determine the remuneration of the directors, pursuant to Article 38 of GEO No. 109/2011 on the corporate governance of public companies. The level of the variable component of the remuneration is determined according to the well-founded recommendations, formulated on the basis of the benchmarking study on the conditions for the remuneration of similar positions within companies in the same field of activity, with majority or full state capital of other European countries.

By Resolution 2 / 22.04.2021 of the Ordinary General Meeting of the Shareholders, the mandate of the administrators Mr. Ion Sterian, Mr. Petru Ion Văduva and Mr. Nicolae Minea was renewed.

By Resolution 4 / 17.06.2021 of the Ordinary General Meeting of Shareholders Mr. Orosz Csaba and Ms. Toader Mihaela-Virginia were appointed as interim administrators starting with 17.06.2021 for a period of 4 months with the possibility of having their term of office extended by another 2 months.

By Resolution 9 / 14.12.2021 of the Ordinary General Meeting of the Shareholders, Mr. Csaba Orosz and Ms. Mihaela-Virginia Toader were appointed interim administrators starting with 17.12.2021 for a period of 4 months with the possibility of having their term of office extended by another 2 months.

During the meeting of 10 May 2021, by Board of Administration Resolution 16, Art. 4, 5, the initiation of the procedure for the selection of the Director-General and of the Chief Financial Officer of SNTGN TRANSGAZ S.A. was approved and the procedure was carried out by the Nomination and Remuneration Advisory Committee between 10 May and 20 July 2021.

On 20.07.2021, the Nomination and Remuneration Advisory Committee prepared the Report on the final appointments for the position of Director-General and Chief Financial Officer of SNTGN TRANSGAZ SA, recommending to the Board of Administration the appointment of Mr. Ion Sterian for the position of Director-General and of Mr. Lupean Marius Vasile for the position of Chief Financial Officer of SNTGN TRANSGAZ SA.

By Resolution 22 of July 27, 2021 of the Board of Administration, it was approved the appointment of Mr. Ion Sterian for the position of Director-General of SNTGN TRANSGAZ S.A. starting with 27.07.2021 until 26.07.2025 and the appointment of Mr. Lupean Marius Vasile for

the position of Chief Financial Officer of SNTGN TRANSGAZ S.A. starting with 27.07.2021 until 26.07.2025.

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 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, 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 2021 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-sociala>.

LEGAL DOCUMENTS CONCLUDED ACCORDING TO ART. 52 (1) AND (6) OF GEO 109/30.11.2011

In accordance with Art. 234 (1) (i) of FSA Regulation 5/2018, Transgaz reported in 2021 a legal document the value of which exceeds 10% of the net turnover related to the financial year 2020:

Contract data	Contract clauses
Contracting parties	Contract concluded between SNTGN Transgaz SA and The Romanian Commercial Bank (Banca Comerciala Romana)
Contract date and type	Loan contract dated 24 November 2021, signed on 25.11.2021
Contract scope	Funding and/or refunding of a Transgaz's investment project, i.e. <i>NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to/from the Republic of Moldova</i>
Loan value	220.000.000 lei
Contract duration	12 years

8.1 Key performance indicators established in the contracts of mandate

Until 29 April 2021, the mandate contracts of the administrators appointed by Ordinary General Meeting of Shareholders no. 3/19.06.2017 for a period of four years were applicable, in which the financial and non-financial performance indicators that were negotiated and approved by the Ordinary General Meeting of the Shareholders no 12/19 December 2017 and revised by OGMS Resolution 2/6.03.2018, OGMS Resolution 3/16.05.2019, OGMS Resolution 2/4.02.2020 and OGMS Resolution 3/27.04.2021 were included by addendum.

By OGMS Resolution 2/22.04.2021 the mandates of three administrators were renewed for a period of four years and two provisional members were appointed for a period of four months, members who were subsequently, by OGMS Resolution 4 / 17.06.2021, were replaced with two other administrators as provisional members for a period of four months, with the possibility of extending the term by another to months until the completion of the selection procedure.

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

- according to the 2017-2021 Management Plan

No.	Indicator	Objective	2021
			Budgeted
1.	Outstanding payments	Maintaining outstanding payments to zero	0
2.	Operating expenses (except for depreciation, balancing, construction activity and	Maintaining the level of the operating expenses at the level undertaken in the Management Plan	1.136.843

No.	Indicator	Objective	2021
			Budgeted
	provisions for the asset depreciation and for risks and charges) (thousand lei)		
3.	Acid test ratio	Acid test ratio to register annual values over 1.	0,91
4.	Net debt-to-equity ratio	Maintaining a net debt-to-equity ratio under the limits set for obtaining bank financing, namely: 3 -2017; 3- 2018; 5,5 -2019; 5,5 -2020; 4-2021	4
5.	EBITDA (thousand lei)	Achieving the EBITDA target undertaken in the Management Plan	399.780

Table 33 - Key financial performance indicators for the calculation of the variable component of the remuneration in 2021

▪ according to the 2021-2025 Management Plan

No.	Indicator	Objective	2021
			Budgeted
1.	Outstanding payments	Maintaining outstanding payments to zero	0
2.	Operating expenses (except for depreciation, balancing, construction activity and provisions for the asset depreciation and for risks and charges) (thousand lei)	Maintaining the level of the operating expenses (except for depreciation, balancing, construction activity and provisions for the asset depreciation and for risks and charges) at the level undertaken in the Management Plan	1.136.843
3.	Liquidity ratio	Liquidity ratio register annual values over 1.	1
4.	Net debt-to-equity ratio	Maintaining a net debt-to-equity ratio under the limits set for obtaining bank financing, namely: 5-2021, 5.5-2022, 5 - 2023-2024, 4.5 2025	5
5.	EBITDA (thousand lei)	Achieving the EBITDA target undertaken in the Management Plan	399.780

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

▪ according to the 2017-2021 Management Plan

No.	Indicator	Objective	No.	2021
				Planned
Operational				
6		Achievement of the FID projects from the 10 years Development Plan <i>I=(achieved+initiated actions)/proposed actions</i>		

	Monitoring the Implementation and Investment Strategy	<i>Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria Corridor (BRUA phase 1).</i>	6.1	Construction Phase I; - Lot 1, Lot 2 and the Pui-Jupa – CS Bibești pipeline section
		<i>Interconnection of the National Transmission System with the T1 international gas transmission pipeline and reverse flow at Isaccea</i>	6.2	- Completion of FEED and the execution details/obtaining the comprehensive decision – phase 2 - Construction and commissioning
		<i>Modernization of Isaccea 1 GMS and Negru Vodă 1 GMS;</i>	6.3	Isaccea I – construction and commissioning
		<i>NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova</i>	6.4	Construction (commissioning in 2021)
		<i>New NTS developments for taking over Black Sea gas</i>	6.5	- Construction (commissioning in 2021)
7	Increasing energy efficiency	<i>Maintaining the share of the NTS gas consumption in the total circulated gas below 1%</i>	7.1	<1
Public service oriented				
8	Performance indicators related to the gas transmission service	<i>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)</i>	8.1	$IP_0^1 \geq 90\%$
			8.2	$IP_1^1 \geq 95\%$
			8.3	$IP_1^2 \geq 95\%$
			8.4	$IP_1^3 \geq 95\%$
			8.5	$IP_1^4 \geq 95\%$
			8.6	$IP_1^5 \geq 95\%$
			8.7	$IP_2^1 \geq 95\%$
			8.8	$IP_2^2 \geq 95\%$
			8.9	$IP_3^1 \geq 95\%$
			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	$IP_5^1 \geq 98\%$
			8.15	$IP_5^2 \geq 98\%$
			8.16	$IP_6^1 \geq 98\%$
			8.17	$IP_6^2 \geq 98\%$
			8.18	$IP_7^1 \geq 80\%$
			8.19	$IP_8^1 \geq 98\%$
			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>I</i> = implemented standards/standards provided by Order 600/2018*100	9.1	94%
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 satisfied accordingly the requirements of the clients)	10.1	8
11	Setting the risk management policies and risk monitoring	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 for the approval of the internal/management Control Code of public entities	11.1	Updating of risk management specific documents
			11.2	Updating the Register of Risks Updating the Plan of measures to mitigate risks
			11.3	Report on risk monitoring
12	Timely reporting of the key performance indicators	Compliance with the legal deadlines for reporting <i>I</i> = actual reporting deadlines/reporting deadlines provided *100	12.1	Financial communication calendar to BSE
			12.2	Status of achievement of the 10 year National transmission system development plan
			12.3	SCIM reporting
			12.4	Reporting related to the achievement of the performance indicators of the gas transmission service
			12.5	Reporting form S1100 on the monitoring of the application of the provisions of GEO 109/2011
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</i> = measures achieved within the deadline /proposed measures *100	13.1	Publication of the SCIM assessment results
			13.2	Annual evaluation of the implementation of the Integrity Plan and its adaptation to the newly occurred risks and vulnerabilities
			13.3	Annual publication of the performance indicators monitored within the company's Integrity Plan

Table 34 - Key financial performance indicators for the calculation of the variable component of remuneration in 2021 according to the 2017-2021 Management Plan

■ according to the 2021-2025 Management Plan

	Indicator	Objective	No.	2021
				Planned
Operational				
6	Monitoring investment strategy and implementation	Achievement of FID projects under the TYNDP <i>I</i> = (achieved actions + started) / proposed actions Development on the Romanian territory of the Gas Transmission System along the	6.1	Construction Phase 1; - Lot 1, Lot 2 and section Pui-Jupa -TCS Bibești

		Corridor Bulgaria – Romania – Hungary – Austria (BRUA Phase 1).		
		Interconnection between the National Gas Transmission System and the international gas transmission pipeline T1 and reverse flow Isaccea	6.2	- completion of the FEED and of the detailed design/ obtaining of construction permits – phase 2 - Construction and commissioning
		Upgrading of GMS Isaccea 1 and Negru Vodă 1	6.3	Isaccea 1 – Construction and commissioning
		Project for NTS developments in the North Eastern part of Romania in order to improve the gas supply to the region and to ensure transmission capacities to the Republic of Moldova	6.4	- Construction (Commissioning in 2021)
		Project for new NTS developments to take over gas from the Black Sea shore	6.5	- Construction (Commissioning in 2021)
		Achievement of the pilot project for the metering and use of gas and hydrogen blending	6.6	The design, execution and mounting of the installation of the pilot project related to the use of hydrogen gas blend and the studying of the influences on materials, metering systems and combustion equipment at MRS Târnăveni.
7	Energy efficiency increase	Maintenance of the NTS gas consumption share in the total circulated gas under 1%	7.1	<1
8	Client satisfaction	Achievement of the targets provided for in the management plan (According to PP 165 Assessment of customer satisfaction, a score between 6-8 means that the services provided have adequately met the customer's requirements)	8.1	8
9	Strengthening and diversification of the cooperation and collaboration relations with gas transmission system operators of the European Union	Conclusion of memoranda of cooperation and collaboration with gas transmission system operators of the European Union (minimum 5 operators) on hydrogen injection.	9.1	1
10	Performance indicators of the gas transmission service	Achievement of the targets provided for in the Performance Standard for natural gas transmission system service (ANRE order 161/26.11.2015, in force since 1 October 2016)	10.1	$IP_0^1 \geq 90\%$
			10.2	$IP_1^1 \geq 95\%$
			10.3	$IP_1^2 \geq 95\%$
			10.4	$IP_1^3 \geq 95\%$
			10.5	$IP_1^4 \geq 95\%$
			10.6	$IP_1^5 \geq 95\%$
			10.7	$IP_2^1 \geq 95\%$
			10.9	$IP_3^1 \geq 95\%$
			10.10	$IP_3^2 \geq 95\%$
			10.13	$IP_4^1 \geq 95\%$
			10.14	$IP_5^1 \geq 98\%$
10.15	$IP_5^2 \geq 98\%$			

			10.16	$IP_6^1 \geq 98\%$
			10.17	$IP_6^2 \geq 98\%$
Corporate governance				
11	Optimization of the internal control / management system	Implementation of the provisions of Order no. 600/2018 of the General Secretariat of the Government for the approval of the Internal/Management Control Code of Public Entities as amended. $I = \text{standards implemented/standards provided for by Order 600/2018} * 100$ Implementation of the measures provided for in the IMCS Implementation Programme $I = \text{implemented measures /proposed measures} * 100$	11.1 11.2	Development of the internal/managerial control system in order to maintain it at a level deemed to be compliant with the standards contained in the Internal/Management Control Code. Streamlining of the processing and management of IMCS documentation by implementing an IMCS Web Platform .
12	Optimizing the risk management process	Implementation of the requirements of Standard 8 of Order No 600/2018 of the General Secretariat of the Government for the approval of the Internal/Management Control Code of the public entities as amended. Transition to the 5-step risk assessment scale.	12.1 12.2 12.3	Continuous monitoring and adaptation of the organisational, conceptual and methodological framework of the risk management process Systematic analysis of risks associated with operational objectives at the level of organisational structures. Implementation of Risk Management policy, procedures and legal requirements in the field of Risk Management and the monitoring of their application at company level.
13	Timely reporting of key performance indicators	Compliance with legal reporting deadlines $I = \text{actual reporting deadlines/ expected reporting deadlines} * 100$	13.1 13.2 13.3 13.4 13.5	Calendar of the financial communication to BSE TYNDP achievement status IMCS reporting Reporting on the achievement of natural gas transmission service performance indicators Reporting form S1100 on monitoring the application of the provisions of GEO 109/2011
14	ANS Implementation 2021-2025	Implementation of the NSA measures = $\text{measures achieved to the deadline/proposed measures} * 100$		The Action Plan will be developed in 2022 as the National Anti-Corruption Strategy was approved in December 2021

Table 35 - Key financial performance indicators for the calculation of the variable component of remuneration in 2021, according to the 2021-2025 Management Plan

8.2 Key financial and non-financial performance indicators achievement

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

The key financial performance indicators approved by OGMS Resolution 3/2021 were substantiated based on the company's Revenue and Expense Budget data approved by OGMS Resolution 3/2021.

▪ according to the 2017-2021 Management Plan

No.	Indicator	Objective	2021		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) (thousand lei)	Maintaining the level of the operating expenses at the level undertaken in the Management Plan	1.136.843	794.931	143%
3.	Immediate liquidity ratio "Acid test"	Current liquidity ratio (Acid test) to register annual values over 1.	0,91	0,92	101%
4.	Net debt-to-equity ratio	Maintaining a net debt-to-equity ratio under the limits set for obtaining bank financing, namely: 3 -2017; 3- 2018; 5,5 -2019; 5,5 -2020; 4-2021	4	3,80	105%
5.	EBITDA (thousand lei)	Achieving the EBITDA target undertaken in the Management Plan	399.780	485.447	121%

Table 36 – Key financial performance indicators value for the calculation of the variable component of remuneration (according to the 2017-2021 Management Plan)

The key financial performance indicators for 2021-2025 were approved by OGMS Resolution 8/06.12.2021.

▪ according to the 2021-2025 Management Plan

No.	Indicator	Objective	2021		Achievement
			Budgeted	Achieved	
1.	Outstanding payments	<i>Maintenance of the outstanding payments at zero.</i>	0	0	100%
2.	Operating expenses (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges) (lei thousand)	<i>Maintenance of the operating expenses at the level under the Management Plan</i>	1.136.843	794.931	143%
3.	Liquidity ratio	<i>Liquidity ratio to record values higher than 1</i>	1	1,25	125%

No.	Indicator	Objective	2021		Achievement
			Budgeted	Achieved	
4.	Net leverage rate	Maintenance of a net leverage rate below the limits set for obtaining bank financing, i.e.: 5-2021, 5,5-2022, 5 – 2023-2024, 4,5 2025	5	3,14	159%
5.	EBITDA (lei thousand)	Achievement of the EBITDA target under the Management Plan	399.780	485.447	121%

Table 37 - Value of key financial performance indicators for the calculation of the variable component of remuneration (according to the management Plan 2021-2025)

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

▪ according to the 2017-2021 Management Plan

No.	Indicator	Objective	No.	2021		Achievement
				Planned	Achieved 2021	
Operational						
6.	Monitoring the Implementation and Investment Strategy	Achievement of the FID projects from 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	-GMS Isaccea 1 – 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)	Work accepted		

		<i>New NTS developments for taking over Black Sea gas</i>	6.5	- Construction (commissioning in 2021)	Work accepted	
7.	Increasing energy efficiency	<i>Maintaining the share of the NTS gas consumption in the total circulated gas below 1%</i>	7.1	<1	0.50%	100%
Public service oriented						
8.	Performance indicators related to the gas transmission service	<i>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)</i>	8.1	$IP_0^1 \geq 90\%$	99,35%	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	$IP_2^1 \geq 95\%$	100,00%	
			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	$IP_5^1 \geq 98\%$	99,98%	
			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	$IP_7^1 \geq 80\%$	83,87%	
			8.19	$IP_8^1 \geq 98\%$	100,00%	
			8.20	$IP_8^2 \geq 98\%$	100,00%	
			8.21	$IP_9^1 \geq 90\%$	*	

Corporate governance					
9.	Implementing the internal/management control system	<p>Implementing the provisions of GSG Order 600/2018 for the approval of the Internal/management control Code of public enterprises as subsequently amended.</p> <p>I = implemented standards/standards provided by Order 600/2018*100</p>	9.1	94%	<p>Achieved</p> <ul style="list-style-type: none"> -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; SGG Entry no. 20/1041/DC of 18.01.2021. -Centralized progress of the SCI/M implementation and development at SNTGN Transgaz SA on 31.12.202, 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. 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. 15/12.01.2021; - Updating Decision no. 282/15.03.2019 on the appointment of the SCI/M persons responsible with Decision no. 45/25.01.2021; - Updating the 2021 Transgaz SCI/M Development Plan no. 1142/08.01.2021; - List of sensitive functions at SNTGN Transgaz SA, year 2021, no. DORU 180/13.01.2021; -Register of employees occupying sensitive positions at SNTGN Transgaz SA, year 2021, no. DORU 219/15.01.2021; -The plan for ensuring the mitigation of risks associated with sensitive functions at SNTGN Transgaz SA, year 2021, no. DORU 220/15.01.2021; - 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 2020, no. DSMC/25327/01.04.2021 BoA Resolution no. 14/26.04.2021 - Letter DSMC/2649/12.01.2022 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 17/876/12.01.2022

					<ul style="list-style-type: none"> - Centralized progress of the SCI/M implementation and development at SNTGN Transgaz SA on 31.12.2021, no. DSMC/2649/12.01.2022. - Self-Assessment Questionnaire on the progress of the SCI/M standards implementation on 31.12.2021, no. DSMC/2649/12.01.2022. - Synthesis of self-assessment results on 31.12.2021, no. 2649/12.01.2022. - Report no. DSMC/2649/12.01.2022 of the Director-General on SCI/M on 31.12.2021, - 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 	
10.	Customer satisfaction	Achievement of the targets established in the management plan (According to PP 165 Evaluation of Clients satisfaction, a score between 6-8 represents the fact that the services offered satisfied accordingly the requirements of the clients)	10.1	8	<ul style="list-style-type: none"> - Achieved <p>Report SMC/ 13434/18.02.2022 on the evaluation of SNTGN Transgaz SA clients satisfaction for 2021</p>	100%
11.	Setting the risk management policies and risk monitoring	Achievement of the targets established in the management plan related to the implementation of the requirements of Standard 8 of SGG Order 600/2018 for the approval of the Internal/Management Control Code of public enterprises	11.1	Updating of risk management specific documents	<p>Achieved</p> <ul style="list-style-type: none"> -Decision no. 30/21.01.2021 for the updating of the Risk Management Team; -Tolerance Limit for 2021 no. 3114/19.01.2021; -The risk profile of Transgaz, December 2020, no. 3114/19.01.2021. - The risk profile of SNTGN, December 2021, no. 4711/19.01. 2022 - Development of the Risk Management Strategy, period 2021-2025, registration no. DSMC/38586/19.05.2021. 	100%
			11.2	Updating the Register of Risks Updating the Plan of measures to mitigate risks	<p>Achieved</p> <ul style="list-style-type: none"> - the Register of the Risks at the company level - year 2021, no DSMC/3116/19.01.2021; -Plan of measures to mitigate risks, at the company level, year 2021, no. DSMC/3112/19.01.2021. - the Register of the Risks at the company level revised, 31 December 2021, no. DSMC/3116/31.12.2021; 	
			11.3	Report on risk management and monitoring	<p>Achieved</p> <ul style="list-style-type: none"> -Report on risk management and monitoring within the company, for 2020, no. 3108/ 19.01.2021. The Board of Administration took note of the 	

					<p>Information, by means of BoA Decision no. 14/26.04.2021;</p> <p>-The Report to the Board of Administration on the analysis of the achievement of the specific objectives and the measures established in the Risk Management Strategy implementation, SNTGN Transgaz SA for May 2019-April 2021, registration no. DSMC 25324/01.04.2021, BoA Resolution 14/26.04.2021.</p> <p>-Report on risk management and monitoring within the company, for 2021, no. DSMC/4715/19.01.22</p>		
12.	Timely reporting of the key performance indicators	Compliance with the legal deadlines for reporting	I = actual reporting deadlines/reporting deadlines provided *100	12.1	Financial communication calendar to BSE	Achieved (see company web site)	100%.
				12.2	Status of achievement of the TYNDP	Achieved Letter DSMC/14103/25.02.2021 Deadline: 1 March 2021	
				12.3	SCIM reporting	Achieved - Letter DSMC/ 2649/12.01.2022 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 17/876 data 12.01.2022. - Letter no. DSMC/1277/ 08.01.2021 sent 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	Reporting related to the achievement of the performance indicators of the gas transmission service	Achieved - Letter no. 89362/ 22.11.2021- Report to the ANRE for gas year 2020-2021 (reported annually)	
				12.5	Reporting form S1100 on the monitoring of the application of the provisions of GEO 109/2011	Achieved -Letter DSMC 126/04.01.2021 - S1100 report for Semester II 2020 Letter DSMC 49566/01.07.2021 S1100 report for Half I 2021 - Letter DSMC 99237/28.12.2021 - Report S1100 for Half II 2021	

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	<p>Achieved Report on the Internal/Management Control System on 31.12.2020, no. 1144/08.01. 2021 published 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%20C4%83tre%20SGG%20la%2031.12.2020/Raport%20asupra%20SCIM_31.12.2020.pdf</p> <p>Report on the Internal/Management Control System on 31.12.2020, no. 1144/08.01. 2021 published 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%20C4%83tre%20SGG</p>	100%	
				13.2	Annual evaluation of the implementation of the Integrity Plan and its adaptation to the newly occurred risks and vulnerabilities		<p>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;</p>
				13.3	Annual publication of the performance indicators monitored within the company's Integrity Plan		<p>Achieved (by the publication of the Annual Evaluation of the Integrity Plan on intranet): http://zonapublica.transgaz.ro/Strategia%20de%20lupta%20anticoruptie/</p>

Table 38 - Key non-financial performance indicators achievements for the calculation of the variable component of remuneration 2021

■ according to the 2021-2025 Management Plan

Indicator	Objective	No.	2021		Achievement
			Planned	Achieved 2021	
Operational					
6	Monitoring the Implementation	Achievement of the FID projects from the TYNDP <i>I = (achieved+initiated actions)/proposed actions</i>			

	and Investment Strategy	<i>Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria Corridor (BRUA phase 1).</i>	6.1	Construction Phase 1; - Lot 1, Lot 2 and the Pui-Jupa section -CS Bibești	- Completed	100%
		<i>Interconnection of the National Transmission System with the T1 international gas transmission pipeline and reverse flow at Isaccea</i>	6.2	- Completion of FEED and the execution details/obtaining the construction permits–phase 2 - Construction and commissioning	- Completed	
		<i>Modernization of Isaccea 1 GMS and Negru Vodă 1 GMS;</i>	6.3	Isaccea 1 – construction and commissioning	- Completed	
		<i>NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova</i>	6.4	- Construction (commissioning in 2021)	- Work accepted	
		<i>New NTS developments for taking over Black Sea gas</i>	6.5	- Construction (commissioning in 2021)	- Work accepted	
		<i>Achievement of the pilot project for metering and using the hydrogen gas blending</i>	6.6	The design, execution and mounting of the installation of the pilot project related to the use of hydrogen gas blend and the studying of the influences on materials, metering systems and combustion equipment at MRS Târnaveni.	All activities related to the design, execution and the mounting of the installation of the pilot project for the use of the hydrogen gas blend and the studying of the influences on the materials, metering systems and combustion equipment were performed at MRS Târnaveni.	
7	Increasing energy efficiency	<i>Maintaining the share of the NTS gas consumption in the total circulated gas below 1%</i>	7.1	<1	0,50%	100%
8	Customer satisfaction	<i>Achievement of the targets established in the management plan (According to PP 165 Evaluation of Clients satisfaction, a score between 6-8 represents the fact that the services offered satisfied accordingly the requirements of the clients)</i>	8.1	8	- Achieved Report SMC/ 13434/18.02.2022 on the evaluation of SNTGN Transgaz SA clients satisfaction for 2021	100%
9	Strengthening and diversifying cooperation and collaboration relations with European gas transmission system operators	<i>Conclusion of memoranda of cooperation and collaboration with European gas transmission system operators (minimum 5 operators) regarding the collaboration on hydrogen injection</i>	9.1	1	The Memorandum is in the process of obtaining corporate approvals from each of the TSOs which are part of the MoU.	100%
Public service oriented						
10			10.1	$IP_0^1 \geq 90\%$	99,35%	

Performance indicators related to the gas transmission service	<i>Achievement of the targets established in the Performance Standard for the gas transmission service (ANRE Order 161/26.11.2015 entered into force as at 1 October 2016)</i>	10.2	$IP_1^1 \geq 95\%$	*	100%	
		10.3	$IP_1^2 \geq 95\%$	*		
		10.4	$IP_1^3 \geq 95\%$	100,00%		
		10.5	$IP_1^4 \geq 95\%$	100,00%		
		10.6	$IP_1^5 \geq 95\%$	100,00%		
		10.7	$IP_2^1 \geq 95\%$	100,00%		
		10.9	$IP_3^1 \geq 95\%$	100,00%		
		10.10	$IP_3^2 \geq 95\%$	*		
		10.13	$IP_4^1 \geq 95\%$	*		
		10.14	$IP_5^1 \geq 98\%$	99,98%		
		10.15	$IP_5^2 \geq 98\%$	100,00%		
		10.16	$IP_6^1 \geq 98\%$	100,00%		
		10.17	$IP_6^2 \geq 98\%$	100,00%		
Corporate governance						
11	Optimization of internal/management control system	<i>Implementing the provisions of GSG Order 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 Implementation of the measures established in the SCIM Implementation Plan I = Implemented measures /proposed measures *100</i>	11.1	Development of the internal/management control system for maintaining it at a level considered compliant with the standards included in the Internal/Management Control Code.	Achieved -Decision no. 15/12.01.2021; -Letter DSMC/1277/08.01.2021 sent to the General Secretariat of the Government, Entry no. SGG 1041/18.01.2021. SGG SCIM IT platform loading data. - SCI/M Development Plan no. 1142/08.01.2022, updated for 2021; -Progress of the internal/management control system at Transgaz for 2020, no. 4975/26.01.2021; -Report on 2020 Transgaz performance monitoring no. 4973/26.01.2021; -Presentation in the BoA meeting of 26 April 2021 of the SCIM reports for 2020. -Process sheet edition 1 revision 1 dated 21.01.2021.	100%
			11.2	Streamline the processing and management of SCI/M documentation by implementing an SCI/M web platform (preparation of procurement documents).	Achieved -Specification no. 43806/08.06.2021 for the design and implementation of the SCI/M web platform . The analysis, diagnosis, assessment of the Internal/Managerial Control System is included in Chapter 2 of the Specifications. The implementation of the platform was postponed to 2023.	100%
12	Optimization of risk management process	<i>Implementation of the requirements of Standard 8 of GSG Order no. 600/2018 for the approval of the</i>	12.1	<i>Continuous monitoring and adaptation of the organisational, conceptual and</i>	Achieved - Decision no. 30/21.01.2021 -Report no. DSMC/67/04.01.2021 on the	100%

		<i>internal/management Control Code of public entities as further amended. Moving to a 5-step risk assessment scale</i>		<i>methodological framework of the risk management process</i>	<p>opportunity to move the using of the 5-step risk Tolerance Limit</p> <p>- 2021-2025 Risk Management Strategy, no. DSMC/38586/19.05.2021</p> <p>-2021 Tolerance Limit Report no. 3114/19.01.2021</p>	
			12.2	<i>Systematic analysis of risks associated with operational objectives at the level of organisational structures.</i>	<p>Achieved</p> <p>According to Letter DSMC/15092/01.03.2021 all organisational structures:</p> <p>-published the List of objectives, performance indicators, activities, risks for year 2021, at the level of organizational structures;</p> <p>-published the registers of risks, at the departments level;</p> <p>-published the risk mitigation plans of measures, at the level of the departments;</p> <p>According to Letter DSMC/88836/23.11.2021 all organisational structures:</p> <p>published the revised registers of risk, December 2021 and the Risk Management Report at the level of the departments, independent divisions, independent offices, regional offices, Medias Subsidiary.</p>	
			12.3	<i>Implementation of risk management policy, procedures and legal requirements and monitoring their application at company level.</i>	<p>Achieved</p> <p>- the Register of the Risks at the company level no.. 3116/19.01.2021;</p> <p>- Plan of measures to mitigate risks, at the company level no. 3112/19.01.2021;</p> <p>- Report on risk management and monitoring within the company, for 2020, no. 3108/19.01.2021;</p> <p>-The Report DSMC/25325/01.04.2021 to the Board of Administration on the risk management, year 2020, BoA meeting of 26.04.2021</p>	
13	Timely reporting of the key performance indicators	Compliance with the legal deadlines for reporting $I = \frac{\text{actual reporting deadlines}}{\text{reporting deadlines}} \times 100$	13.1	Financial communication calendar to BSE	Achieved (see the company's website)	100%
			13.2	Status of achievement of the TYNDP	Achieved Letter DSMC/14103/25.02. 2021 Deadline 1 March 2021	
			13.3	SCIM reporting	Achieved Letter DSMC/ 2649/12.01.2022 sent to the General Secretariat of the Government on the Progress of the SCI/M implementation and	

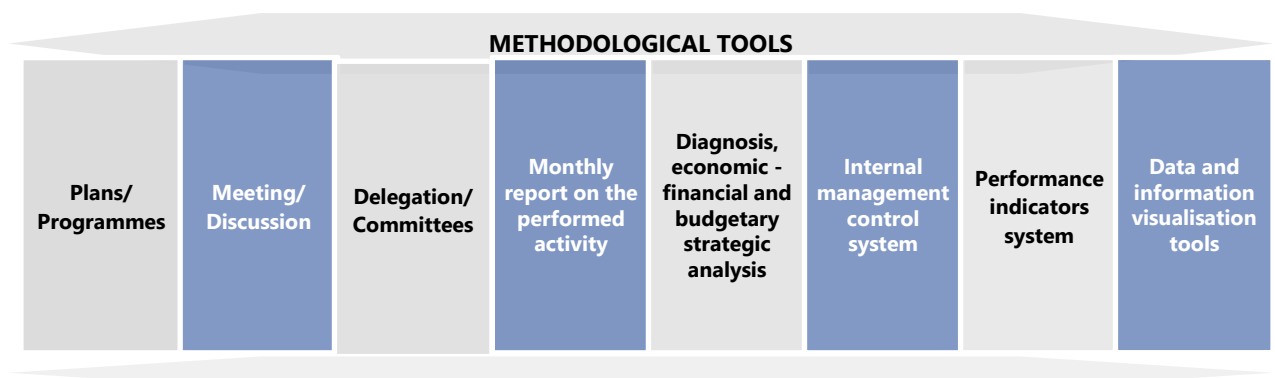
				development at SNTGN Transgaz SA on 31.12.2021; Entry no. SGG 17/876/12.01.2022. - Letter DSMC/1277/08.01.2021 sent to the General Secretariat of the Government on the Progress of the SCI/M implementation and development at SNTGN Transgaz SA on 31.12.2021; Entry no. SGG 20/1041/DC/18.01.2021. (reported annually)	
			13.4	Reporting related to the achievement of the performance indicators of the gas transmission service Achieved -Letter. 89362/22.11.2021 ANRE report for gas year 2020-2021	
			13.5	Reporting form S1100 on the monitoring of the application of the provisions of GEO 109/2011 Achieved Letter DSMC 126/ 04.01.2021 - S1100 report for Semester II 2020 Letter DSMC 49566/01.07.2021 - S1100 report for Semester I 2021 Letter DSMC 99237/28.12.2021 S1100 report for Semester II 2021	
14	2021-2025 NAS implementation	Implementation of the measures established in the NAS I = measures achieved within the deadline /proposed measures *100 Given that the 2021-2025 National Anti-Corruption Strategy was approved by GR 1269/17 December 2021, the Integrity Plan for the implementation of the measures established in the NAS will be developed in 2022. For 2021 we shall refer to the Compliance with the measures undertaken in the approved Integrity Plan. I = measures implemented within the deadline/proposed measures*100	14.1	Publication of the results of the SCIM assessment Achieved Report on the Internal/Management Control System on 31.12.2020, no. 1144/08.01. 2021 published at: http://zonapublica.transgaz.ro/Sistem%20de%20Control%20Intern%20Managerial/Sistem%20de%20Control%20Intern%20Managerial/6.%20Documente%20de%20evaluare%20intern%20si%20raportare/3.%20Raport%20anual%20al%20SCIM/Raportare%20c%4%83tre%20SGG%20la%2031.12.2020/Raport%20asupra%20SCIM 31.12.2020.pdf 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%20intern%20si%20raportare/3.%20Raport%20anual%20al%20SCIM/Raportare%20c%4%83tre%20SGG	100%

			14.2	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;
			14.3	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/

Note: Given that in the period analysed for the performance indicators of the gas transmission service marked * no requests/notifications/complaints are registered, it results that the indicators are met according to the requirements of the Performance Standard, but the degree of fulfilment of these indicators cannot be determined by mathematical calculation.

Table 39 – Key non-financial performance indicators achievements for the calculation of the variable component of remuneration 2021

In order to optimize the performed activities, the company's administrators and management will continue to act with maximum responsibility and will efficiently use modern administration/management methods and techniques, adequate for the optimization of all processes and activities carried out by the company, as they are presented:



ION STERIAN – Executive Administrator – Director - General

PETRU ION VĂDUVA – Non-Executive Administrator

NICOLAE MINEA– Non-Executive Administrator

CSABA OROSZ – Non-Executive, Interim Administrator

MIHAELA VIRGINIA TOADER - Non-Executive, Interim Administrator

LIST OF TABLES

TABLE 1 - CONSOLIDATED STANDARD PERFORMANCE INDICATORS IN 2021 COMPARED TO 2020 ...	11
TABLE 2 - CONSOLIDATED PROFITABILITY, LIQUIDITY, RISK AND MANAGEMENT INDICATORS IN - 2017-2021	12
TABLE 3- MAIN CONSOLIDATED ECONOMIC AND FINANCIAL INDICATORS - 2017 - 2021	13
TABLE 4 – STANDARD PERFORMANCE INDICATORS - 2021 COMPARED TO 2020	15
TABLE 5 - PROFITABILITY, LIQUIDITY, RISK AND MANAGEMENT INDICATORS - 2017 - 2021	16
TABLE 6- MAIN ECONOMIC-FINANCIAL INDICATORS - 2017 - 2021	17
TABLE 7 - MAIN COMPONENTS OF THE NTS ON 31.12.2021	25
TABLE 8 - SHAREHOLDING STRUCTURE AT 31.12.2021	29
TABLE 9 - MEMBERS OF TRANSGAZ'S EXECUTIVE MANAGEMENT HOLDING SHARES IN THE COMPANY ON 31.12.2021	33
TABLE 10 -TRANSGAZ'S EXECUTIVE MANAGEMENT ON 31.12.2021	34
TABLE 11 - VESTMOLDTRANSGAZ MANAGEMENT MEMBERS ON 31.12.2021	35
TABLE 12 - EUROTRANSGAZ MANAGEMENT MEMBERS ON 31.12.2021	35
TABLE 13 – NUMBER OF EMPLOYEES BETWEEN 2017-2021	35
TABLE 14 - PERSONNEL STRUCTURE BY CATEGORIES OF STUDIES IN 2017 - 2021	36
TABLE 15 - NUMBER OF PERSONNEL AT VESTMOLDTRANSGAZ AND EUROTRANSGAZ IN 2021 COMPARED TO 2020	38
TABLE 16 - GAS QUANTITIES CIRCULATED AND TRANSMITTED, AND NTS GAS CONSUMPTION BETWEEN 2017 VS 2021	45
TABLE 17 – GAS QUANTITIES FOR NTS GAS CONSUMPTION PLANNED COMPARED TO ACHIEVED IN 2017-2021	46
TABLE 18 - INDICATORS OF CONSOLIDATED ECONOMIC AND FINANCIAL RESULTS (SNTGN TRANSGAZ SA, EUROTRANSGAZ SRL, VESTMOLDTRANSGAZ SRL)	57
TABLE 19 –CONSOLIDATED FINANCIAL RESULTS - 2021 COMPARED TO 2020	58
TABLE 20 - FINANCIAL RESULTS - 2021 COMPARED TO 2020	60
TABLE 21 - RESULTS 2021 COMPARED TO BUDGET 2021	63
TABLE 22– OBTAINED 12 MONTHS 2021 COMPARED TO. OBTAINED 12 MONTHS 2020 AND OBTAINED 12 MONTHS 2021 COMPARED TO REB 2021 (%)	65
TABLE 23 – ACHIEVEMENTS 2021 COMPARED TO THE MANAGEMENT PLAN 2017-2021	66
TABLE 24 – ACHIEVEMENTS 2021 COMPARED TO THE MANAGEMENT PLAN 2021-2025	66
TABLE 25- STATEMENT OF CONSOLIDATED FINANCIAL POSITION IN 31.12.2021 COMPARED TO 31.12.2020	68
TABLE 26 - CONSOLIDATED PROFIT AND LOSS ACCOUNT ON 31 DECEMBER 2021 COMPARED TO 31.12.2020	71
TABLE 27 - CONSOLIDATED CASH FLOW STATEMENTS –31.12.2021 COMPARED TO 31.12.2020	73
TABLE 28- STATEMENT OF FINANCIAL POSITION OF THE COMPANY AT 31.12.2021 COMPARED TO 31.12.2020	78
TABLE 29 - INDIVIDUAL PROFIT AND LOSS ACCOUNT ON 31 DECEMBER 2021 COMPARED TO 31 DECEMBER 2020	81
TABLE 30 - REVENUE FROM THE OPERATING ACTIVITY –OBTAINED IN 2021 COMPARED TO OBTAINED IN 2020	82
TABLE 31 - OPERATING COSTS OBTAINED AT 31.12.2021 VS. OBTAINED AT 31.12.2020	83
TABLE 32 - CASH FLOW STATEMENTS AS AT 31.12.2021 COMPARED TO 31.12.2020	84
TABLE 33 - KEY FINANCIAL PERFORMANCE INDICATORS FOR THE CALCULATION OF THE VARIABLE COMPONENT OF THE REMUNERATION IN 2021	120
TABLE 34 - KEY FINANCIAL PERFORMANCE INDICATORS FOR THE CALCULATION OF THE VARIABLE COMPONENT OF REMUNERATION IN 2021 ACCORDING TO THE 2017-2021 MANAGEMENT PLAN	122

TABLE 35 - KEY FINANCIAL PERFORMANCE INDICATORS FOR THE CALCULATION OF THE VARIABLE COMPONENT OF REMUNERATION IN 2021, ACCORDING TO THE 2021-2025 MANAGEMENT PLAN.....	124
TABLE 36 – KEY FINANCIAL PERFORMANCE INDICATORS VALUE FOR THE CALCULATION OF THE VARIABLE COMPONENT OF REMUNERATION (ACCORDING TO THE 2017-2021 MANAGEMENT PLAN)	125
TABLE 37 - VALUE OF KEY FINANCIAL PERFORMANCE INDICATORS FOR THE CALCULATION OF THE VARIABLE COMPONENT OF REMUNERATION (ACCORDING TO THE MANAGEMENT PLAN 2021-2025).....	126
TABLE 38 - KEY NON-FINANCIAL PERFORMANCE INDICATORS ACHIEVEMENTS FOR THE CALCULATION OF THE VARIABLE COMPONENT OF REMUNERATION 2021	131
TABLE 39 – KEY NON-FINANCIAL PERFORMANCE INDICATORS ACHIEVEMENTS FOR THE CALCULATION OF THE VARIABLE COMPONENT OF REMUNERATION 2021	136

LIST OF CHARTS

CHART 1- PROFITABILITY INDICATORS EVOLUTION - 2017 - 2021	12
CHART 2 -TURNOVER 2017 - 2021 (MIL LEI).....	13
CHART 3-NET PROFIT 2017 - 2021 (MIL LEI).....	13
CHART 4- OPERATING REVENUE, EXPENSE AND PROFIT, BEFORE THE CONSTRUCTION ACTIVITY ACCORDING TO IFRIC 12 - 2017 - 2021 (THOUSAND LEI).....	14
CHART 5- MAIN CONSOLIDATED ECONOMIC AND FINANCIAL INDICATORS - 2017 - 2021 (THOUSAND LEI)	14
CHART 6- INVESTMENT AND REHABILITATION COSTS - 2021 VS 2020 (THOUSAND LEI)	14
CHART 7- PROFITABILITY INDICATORS - 2017 - 2021	16
CHART 8-TURNOVER - 2017 - 2021 (MIL LEI)	17
CHART 9 - NET PROFIT - 2017 - 2021 (MIL LEI).....	17
CHART 10 - OPERATING REVENUE, EXPENSE AND OPERATING PROFIT BEFORE THE CONSTRUCTION ACTIVITY ACCORDING TO IFRIC 12 - 2017 - 2021 (MIL. LEI).....	18
CHART 11 - MAIN ECONOMIC AND FINANCIAL INDICATORS - 2017 - 2021 (THOUSAND LEI)	18
CHART 12 - INVESTMENT AND REHABILITATION COSTS - 2017 - 2021 (THOUSAND LEI).....	18
CHART 13 - SHAREHOLDING STRUCTURE AT 31.12.2021	30
CHART 14 - NUMBER OF TRANSGAZ SHAREHOLDERS FROM THE LISTING AND UNTIL 31.12.2021	30
CHART 15 - NUMBER OF EMPLOYEES IN 2021 COMPARED TO 2020.....	36
CHART 16 - PERSONNEL STRUCTURE BY CATEGORIES OF STUDIES BETWEEN 2017-2021.....	36
CHART 17 - THE CLOSING PRICE OF THE TGN SHARES BETWEEN 01.01.2021-31.12.2021 COMPARED TO 01.01.2020-31.12.2020.....	39
CHART 18 - TGN TRANSACTIONS VOLUME BETWEEN 01.01.2021-31.12.2021 COMPARED TO 01.01.2020-31.12.2020.....	39
CHART 19 - TGN TRANSACTION VALUE – MIL BETWEEN 01.01.2021-31.12.2021 COMPARED TO 01.01.2020-31.12.2020.....	40
CHART 20 - STOCK MARKET CAPITALIZATION OF TRANSGAZ ON 31.12.2021 COMPARED TO 31.12.2020.....	42
CHART 21 – THE TGN SHARE COMPARED TO STOCK EXCHANGE INDICES BET,BET-NG AND BET-BK IN 2021.....	43
CHART 22 - GAS QUANTITIES CIRCULATED AND TRANSMITTED AND NTS CONSUMPTION	45
CHART 23 - GAS QUANTITIES CIRCULATED AND TRANSMITTED AND NTS GAS CONSUMPTION.....	46
CHART 24 – THE SHARE NTS GAS CONSUMPTION IN TOTAL CIRCULATED GAS IN 2017-2021	46
CHART 25 - THE SHARE OF THE MAIN NTS USERS IN 2021.....	47

CHART 26 – PMDI 2021 – JANUARY 2021	48
CHART 27 – PMDI 2021 – DECEMBER 2021	48
CHART 28 - PRRASM 2020 - NTS REPAIR AND REHABILITATION - DECEMBER 2021	49
CHART 29 - PRRASM 2020 - NTS MAINTENANCE SERVICES – DECEMBER 2021	51
CHART 30 – ACTUAL STATUS OF PROCUREMENT PROCEDURES ON 31.12.2021	53
CHART 31 – ACTUAL STATUS OF DIRECT PROCUREMENT ON 31.12.2021	54
CHART 32 - STRUCTURE AND NUMBER OF CASES IN WHICH THE COMPANY WAS INVOLVED IN 2021	55
CHART 33 – CONSOLIDATED FINANCIAL RESULTS - 2021 COMPARED TO 2020 (THOUSAND LEI)	58
CHART 34 - CONSOLIDATED FINANCIAL RESULTS - 2021 COMPARED TO 2020 (%)	59
CHART 35 - FINANCIAL RESULTS - 2021 COMPARED TO 2020 (THOUSAND LEI)	60
CHART 36 - FINANCIAL RESULTS - 2021 COMPARED TO 2020 (%)	60
CHART 37 - OBTAINED 12 MONTHS 2021 VS. OBTAINED 12 MONTHS 2020 AND OBTAINED 12 MONTHS 2021 VS. REB 2021	65

LIST OF FIGURES

FIGURE 1 - MAP OF THE NATIONAL GAS TRANSMISSION SYSTEM	25
FIGURE 2 - CROSS-BORDER NTS INTERCONNECTION POINTS	27