

No. 20961/18.03.2021*Submitted for the approval of the OGMS dated 27 April 2021*

REPORT

On the approval of the revising of financial key performance indicators included in Transgaz' Administration Plan for the period 2017-2021

SUMMARY

The financial and non-financial key performance indicators, annexes to the administrators' mandate contracts, according to Annex no. 2 to Order no. 1367/GS/15/12/2017 were approved by Resolution no. 12/19.12.2017 of the Ordinary General meeting of the Shareholders. The revising of financial key performance indicators, annex to the non-executive administrators' mandate contracts was approved by Resolutions no. 2/06.03.2018 and no. 3/16.05.2019.

Following legislative changes, the values of the valid financial performance indicators for the calculation of the variable component of the BoA members' remuneration has changed.

PROPOSAL

Pursuant to the provisions of art. 30 paragraph (2) of GD 722/2016 for the approval of the Methodological Rules for the application of provisions of GEO 109/2011 on the corporate governance of public enterprises, the new financial performance indicator values are submitted to the Ordinary General Meeting of Shareholders for approval.

Detailed Contents

As a result of the legislative changes and the company's new strategic development directions, the values of financial performance indicators valid for the calculation of the variable component of the remuneration of the BoA members have changed.

The justification for the change in the value of financial performance indicators is rendered below:

In accordance with the provisions of Art. 9 paragraph (1) letter c) of Government Ordinance 26/2013 as amended:

"When substantiating revenue and expense budgets, the economic operators shall take into account, but without being limited to, the following:...

c) specific performance criteria and quantified objectives for reducing outstanding payments and receivables, reducing loss, increasing profit, turnover, and increasing labour productivity, provided for in the mandate contracts, established in connection with the administration strategy of the Board of Directors / Supervisory Board and the management plan of the directors / members of the economic operators' board";

The level of the EBITDA indicator under the Administration Plan for 2021, as approved by Resolution no. 12/2017 of the Ordinary General Meeting of the Shareholders and revised by Resolutions no. 2/2018, no. 3/2019 and no. 2/2020 of the Ordinary General Meeting of the Shareholders was mainly affected by the following factors:

- The decrease in the revenues from transmission services by Lei 296,950 thousand mainly because of the following:
 - ANRE's not approving the proposal for the recognition of the capital expenditures related to the Black Sea Connection project in the regulated revenue for 2020-2021, in the CAPEX component, in advance, with an impact of Lei 118 mil.;
 - ANRE' rejecting Transgaz proposal for the recovery of the regulated revenue correction component for a period of four years, with an impact of Lei 94 mil.;
 - introduction by Law no. 155/24 July 2020 on the amendment of the Power and Gas Law no. 123/2012 and on the amendment of other normative acts until the issue of Law no. 244 / 9 November 2020 on the approval of the Government Emergency Ordinance no. 103/2020 for the extension of the deadline for the application of the measures provided by the Government Emergency Ordinance no. 26/2018 on the adoption of measures for the safety of power supply, of the restraint on recovering royalty expenses by the approved regulated revenue, with an impact of Lei 22.8 mil..

The new values of the changed financial performance indicators are illustrated below:

Indicator		2021
EBITDA	Draft Revenue and Expense Budget 2021	399,780
	Updated Administration Plan 2020	552,922
	Differences	- 153.142
Quick ration	Draft Revenue and Expense 2021	0,91
	Updated Administration Plan 2020	>1

Pursuant to the provisions of art. 30 paragraph (2) of GD 722/2016 for the approval of the Methodological Rules for the application of provisions of GEO 109/2011 on the corporate governance of public enterprises, we submit the new financial performance indicator values to the Ordinary General Meeting of Shareholders for approval.

**Chairman
of the Board of Administration,
Remus Gabriel LĂPUȘAN**