

No. 3798/ 23.01.2020

Submitted for analysis and approval in the OGMS of 4/5 March 2020

REPORT

on the approval of the revision of certain key financial performance indicators included in Transgaz' Management Plan for the period 2017 – 2021

SUMMARY

By the Resolution of the General Ordinary Shareholders Meeting no 12 dated 19 December 2017 the key financial and non-financial performance indicators attached to the mandate contracts of the administrators were approved in line with Annex no 2 of Order no 1367/GS/15/12/2017. By the Resolutions of the General Ordinary Shareholders Meeting no 2 of 6 March 2018, no. 3 of 16 May 2019 respectively, the revision of some key financial performance indicators was approved, which are attached as annex to the mandate contract of the non-executive administrators.

Following some legislative amendments, the values of some performance financial indicators valid for the calculation of the variable component of the remuneration of the members of the Board of Administration underwent changes.

PROPOSAL

As per the provisions of article 30 para (2) of GD 722/2016 for the approval of the Rules for implementing some provisions of GEO 109/2011 on the corporate governance of public enterprises, we submit to the General Ordinary Shareholders Meeting, for approval, the new values of some financial performance indicators.

Detailed content

Subsequent to the legislative amendments and to the company's new strategic lines of development, the values of some performance financial indicators valid for the calculation of the variable component of the remuneration of the members of the Board of Administration underwent changes.

Please find below the rationale for the amendment of the value of some financial performance indicators:

In accordance with the provisions of Article 9 (1) (c) of GO 26/2013, as further amended and supplemented:

‘Upon the substantiation of the revenue and expense budgets, economic operators consider without limitation the following:

c) the specific performance criteria and the quantified targets for reducing outstanding payments and claims, for reducing loss, for profit, turnover and labour productivity growth, provided for in the contracts of mandate, correlated with the management strategy of the Board of Administration/ Supervisory Committee and of the management plan of the directors/members of the management of the economic operators’;

According to Art. 48 (8) of Law 5/2020 on the State Budget for 2020, it is required that *‘upon the determination of the salary expenses, the necessity to comply with the level of the performance indicators resulted from the administration plans prepared pursuant to the applicable laws shall be considered.’*

The level of the EBITDA indicator foreseen under the 2020 Administration Plan approved by OGMS Resolution 12/2017 and revised by OGMS Resolution 2/2018 and OGMS Resolution 3/2019 was affected mainly by the following factors:

- the decreasing of the revenue from international gas transmission due to the expiration of the transmission contract with Gazprom Export Ltd for the Isaccea 2 - Negru Voda 2 pipeline, and to the regulation of the revenue related to the Isaccea 1 - Negru Voda 1 pipeline as of 1.10.2019, according to the Methodology approved by ANRE Order 41/2019;
- The non-recognition of the tax on the monopoly in the regulated transmission revenue, following the modification of the regulated gas transmission tariff setting Methodology by Order 41/15 March 2019.

The new values of the amended financial performance indicators are presented in the table below:

Indicator		2020	2021
EBITDA	Draft REB 2020	349 317	552 922
	Updated Administration Plan 2019	468 933	850 773
	Differences	- 119 616	- 297 851

As per the provisions of article 30 para (2) of GD 722/2016 for the approval of the Rules for implementing some provisions of GEO 109/2011 on the corporate governance of public enterprises, we submit to the General Ordinary Shareholders Meeting, for approval, the new values of some financial performance indicators.

CHAIRMAN
Of the Board of Administration,
Lăpușan Remus Gabriel