

No. 20955/05 April 2019

Submitted for approval in the OGMS of 15 May 2019

REPORT

on the approval of the revenue and expense budget for 2019 and of the estimations for 2020 - 2021

SUMMARY

The draft revenue and expense budget for 2019 and the estimations for 2020-2021 were approved in the Board of Administration meeting of 9 April 2019.

The substantiation of the draft was based on the programmes for NTS design, maintenance, rehabilitation, supply of materials and spare parts; programmes for the provision of services; the provisions of the Collective Labour Contract; the legislation in force; based on the quantities of gas estimated to be transmitted and the expected capacity bookings.

* Lei thousand *

No.	ITEM	REB 2018	Achieved in 2018	REB 2019
0	1	2	3	4
1.	TOTAL REVENUE, of which:	2.518.898	2.345.084	3.074.340
	REB 2018 comparison		-6,90%	22,05%
	Achieved in 2018 comparison			31,10%
1.1.	Operating revenue before the construction activity according to IFRIC 12	1.475.267	1.892.446	1.420.000
1.2.	Financial revenue	33.810	46.844	34.551
1.3.	Revenue before the construction activity according to IFRIC 12	1.009.821	405.794	1.619.788

2.	TOTAL COST	2.264.187	1.762.203	2.923.882
	REB 2018 comparison		-22,17%	29,14%
	Achieved in 2018 comparison			65,92%
2.1.	Operating costs before the construction activity according to IFRIC 12	1.239.366	1.330.961	1.289.094
2.2.	Financial costs	15.000	25.449	15.000
2.3.	Cost of assets constructed according to IFRIC 12	1.009.821	405.794	1.619.788
3.	GROSS PROFIT	254.711	582.880	150.457
	REB 2018 comparison		128,84%	-40,93%
	Achieved in 2018 comparison			-74,19%
4.	Tax on profit	41.553	87.205	25.534
5.	NET PROFIT	213.158	495.675	124.924
	REB 2018 comparison		132,54%	-41,39%
	Achieved in 2018 comparison			-74,80%

PROPOSAL:

The approval of the draft revenue and expense budget for 2019 and of the estimations for 2020 - 2021, according to GO 26/21 August 2013, Art.4 (1) (d) and to the applicable Articles of Incorporation of Transgaz, Chapter IV, Art.15 (3)(c).

General considerations regarding REB preparation

Considering GO 26/21 August 2013, as further amended and supplemented, `on strengthening the financial discipline at the level of the economic operators where the state or the territorial administrative units are unique or majority shareholders or hold a majority directly or indirectly`, regulating:

- Art. 6, paragraph (1[^]1) *The economic operators under Art.4, paragraph (1), letter d), whose shares are accepted to trade on a regulated market, as well as their affiliates submit, according to the law the revenue and expense budget and the substantiation annexes, prepared according to the applicable laws, to the General Meeting of the Shareholders, for approval, following the prior consulting of the trade unions, and publishes the revenue and expense budget including the amount for the current year within 60 days from the entering into force of the annual law on the state budget or from the date of approval of the village, town, Bucharest district, County, Bucharest local budgets, as appropriate.*

- **Art. 7, paragraph (1) *annually, the state budget law establishes salary policy objectives on which economic operators base revenue and expense budget indicators.***
- Art. 9, paragraph (1) *Economic operators consider, without limitation the following when substantiating the revenue and expense budget:*
 - a) *Compliance with the Government's and administrative-territorial units' policy on improving the economic and financial performance of the operators;*
 - b) *compliance with the salary policy objectives set by the annual state budget law;***
 - c) *the specific performance criteria and the quantified objectives for the reduction of payments and outstanding debts, the reduction of losses, the increase in profit and turnover and the labour productivity growth provided in the mandate contracts, stable in relation to the management strategy of the Board of Administration//Supervisory Board and the management plan of the directors / members of the directorate of economic operators.***

for the substantiation of the Revenue and Expense Budget of SNTGN Transgaz SA it is necessary to comply with the Government's policy on enhancing the economic and financial performance and of the salary policy objectives approved under the State Budget Law.

The Revenue and Expense Budget for 2019 is substantiated compliant with the provisions of:

- Law 50 / 15 March 2019 of the state budget for year 2019, Art.62 (1) (b);
- GO 26/21 August 2013, as further amended and supplemented, *`on strengthening the financial discipline at the level of the economic operators where the state or the territorial administrative units are unique or majority shareholders or hold a majority directly or indirectly`*,
- Ministry of Public Finance Order 3145/5 December 2017 *`on the form and structure of the revenue and expense budget and of the annexes for the substantiation of the budget*;
- GO no. 64/2001 *on the distribution of profit to the national companies, national enterprises and trading companies fully or mainly controlled by the state as well as to autonomous administrations*
- ANRE Order 32/21 May 2014 *on the approval of the Gas Transmission Regulated Revenue, Total Revenue and Regulated Tariff Setting Methodology*;

- *ANRE Order 41 / 15 March 2019 on the approval of the Methodology for setting the regulated tariffs for gas transmission services – order repealing ANRE Order no. 32/2014 on the methodology for the establishment of the total revenue and the regulated tariffs for the gas transmission activity as amended;*
- *ANRE Order 34/19 July 2016 on the approval of the Methodology for transmission capacity booking and tariff setting for natural gas transmission services through the Isaccea – Negru Vodă gas transmission pipelines;*
- *Regulation EU 312/2014 establishing a Network Code on Gas Balancing of Transmission Networks;*
- *ANRE Order 160/2015 amending and supplementing the Network Code for the National Gas Transmission System, approved by ANRE President Order 16/2013;*
- *ANRE Order 85/2017 on the approval of the Methodology for the calculation of the neutrality tariffs for balancing, including their allocation to the network users of the gas transmission network;*
- *Trading Companies` Law 31/1990, republished, as further amended and supplemented;*
- *GEO 114 / 28 December 2018 as amended on the implementation of public investment and fiscal – budgetary actions, the amendment and supplementation of legal acts and the prorogation of deadlines.*
- *ANRE Order no. 224 / 20 December 2018 on the approval of tariffs and monetary contributions charged by ANRE for 2019;*
- *ANRE Order no. 18/25 February 2019 on the approval of the Methodology for the calculation and the establishment of the annual monetary contribution under art. 2 paragraph (3¹) of GEO no. 33/2007 on the organization and functioning of ANRE approved as amended.*

The draft revenue and expense budget for 2019 was submitted for consultation to the financial management control according to Government Resolution 1.151/2012 approving the Methodological rules on the organization and exercise of the financial management control, and to the trade unions.

Expense substantiation was based on the following:

- estimated inflation ratios and/or exchange rates projected according to the ***Projection of the main macro-economic indicators 2018-2022 - the winter forecast of the National Commission for Prognosis***, for those costs which by their nature have an approximately linear evolution;
- technical regulations in force;

- programme for NTS modernization and development (Investments), design, maintenance and rehabilitation, supply of materials and spare parts;
- service providing programs (security and safety, training, consulting, etc.);
- normative acts that are in force regarding legislated costs (contribution to social insurance, health insurance, unemployment benefit, transmission licence fee, royalty for the concession of the transmission system, etc.);
- costs of social activities under the Collective Labour Contract;

Under Art. 1 of GEO 8/2009 on granting holiday vouchers approved as amended and supplemented by Law 94/2014, stipulating that 'As of the entering into force of this emergency ordinance, for the recovery and maintenance of the working capacity of the employees, the employers hiring personnel under an individual labour contract may legally grant vouchers, hereinafter referred to as holiday vouchers' correlated with the provisions of the CLC in force, regarding the substantiation of the REB 2019 and of the estimations for 2020-2021, no holiday voucher costs were substantiated, being taken into account the rights of the employees in line with Art.189 of the current Collective Labour Contract in force regarding the partial settlement of tickets for rest and treatment.

- technological consumption costs were established based on:
 - an estimate of the specific consumption in the gas compressor stations, technological loss due to discharge as a result of new pipe couplings and planned repairs, differences due to measurement errors, etc.;
 - a purchase price of gas under Gas Selling-Buying Contract no. 619/10 August 2018 (contract price: 99.68 lei /MWh) to which the estimated unitary excise was added.
- costs of purchase of gas for NTS balancing according to ANRE Order 160/2015 amending and supplementing the Network Code for the National Gas Transmission System, approved by ANRE President Order 16/2013 and ANRE Order 1/18.01.2016;
- the expense related to the tax on the monopoly - according to Art. 51 of GEO 114/2018 *on the implementation of public investment and fiscal-budgetary actions, the amendment and supplementation of legal acts and the prorogation of some time limits* providing 'The period under Art. 6 of Government Order 5/2013 on the establishment of special tax measures of the natural monopoly activities in the electricity and natural gas domains, approved as further amended and supplemented, shall be extended until 31 December 2021, included';

- The following were considered at the substantiation of the personnel costs:
 - establishing the calculation basis at the current level of the basic salary, bonuses and benefits granted under the Collective Labour Contract in force in the Company and the individual labour contract applicable;
 - a basic salary indexation by 2.8 % as of July 2019, according to Art. 146 of the Collective Labour Contract in force in the Company;
 - the provision of a fund amounting to lei 20,211 thousand for granting compensations for the continuation of the voluntary turnover of approximately 300 employees. This fund was calculated for the estimated number of employees, at the level foreseen at Art. 47 of the Collective Labour Contract. The provision of these funds represents an increase in the cost of personnel over the short term, but over the long term it triggers benefits from the reduction of the cost with the relevant employees, employed under individual labour contracts for an indefinite period;
 - employing new personnel for the jobs created for a definite period in respect of BRUA and Moldova projects, whose salary fund will be settled in part from the funds received from the European Union and which will be cancelled after the completion of the projects. The funds provided for this purpose in the amount of Lei 18,346.9 thousand were assigned to staff salary costs, being the kind employed for business expansion. Out of this amount the allocations related to the personnel expenses will be settled from the funds attracted for the achievement of these projects.
 - Granting of salary bonuses for Easter, Christmas and Gas Worker's Day under the Collective Labour Contract, art. 181 – 400 Lei/employee/event;
 - the granting of birth, marriage, retirement and death benefits in accordance with the provisions of applicable Collective Labour Contract;
 - the amounts necessary for the granting of the food vouchers in nominal value of Lei 15 during the entire year 2019.
 - expenses incurred on behalf of an employee related to voluntary pension schemes, up to an amount representing the Lei equivalent of 400 EUR in a financial year, for each participant. The collective labour contract in force under Art. 62(4) foresees the EUR 400/employee ceiling in a financial year;
 - cost of voluntary health insurance premia up to an amount representing the Lei equivalent of EUR 400 in a financial year, for each participant. The collective labour contract applicable at the level of the Company foresees under Art.62 (5) the EUR 400/employee cap in a financial year starting with 2019;

- provision of expenses related to monetary gifts or gifts in kind offered to under-aged children and to the employees, monetary gifts or gifts in kind offered to the female employees. Under the company's applicable collective labour contract such gifts are contemplated to be offered on Women's Day, 1 June and Christmas, within the limit of a minimum 10% amount on the salary category 35F of the pay scales;
- the provision of the sums necessary to bear part of the cost of the treatment and rest benefits, including transport for the Company employees and their family members according to Art. 189 of the collective labour contract in force;
- expenses representing the participation of employees in the Company's profit under G.O. 64/2001 on profit distribution in national companies, companies publicly owned or controlled and the autonomous administrations, as further amended and supplemented corroborated with Art. 141 of the Collective Labour Contract in force within the company;
- a fund of Lei 673.7 thousand for compensations regarding the continuation of employee redundancy on some positions which will be eliminated as a result of the organizational redesigning of some of the Company's activities. This fund was calculated for an estimated number of 10 employees, according to Art. 47 of the CLC. The provision of these funds represents an increase in the cost of personnel in the short term, but in the long term it is intended the obtaining of advantages by reducing the costs with the relevant employees, employed under individual labour contracts for an indefinite period of time;

In aggregate, the salary costs for 2019 exceed the salary expenses approved under Transgaz' REB for 2018 by Lei 5,177 thousand (1.2%) as a result of the increase in the base salaries by 2.8 % starting with July 2019 to compensate the annual average inflation.

Revenue substantiation was determined considering:

- the gas quantities estimated to be transmitted (including the quantities transmitted for storage) and the capacity booking estimated for 2019 – 2021;
- the gas quantities estimated to be sold for the physical balancing of the National Transmission System;
- the regulated transmission tariffs approved by the ANRE under Order 98/29 May 2018 on the approval of the regulated revenue, total revenue and transmission tariffs for the transmission of gas through the National Transmission System for the period 1 January 2019 - 30 September 2019, and for the period 1 October 2019 -

31 December 2021 based on the methodology approved by ANRE Order no. 41/2019;

- the value of the international gas transmission service was estimated
 - according to the existing contracts concluded with Gazprom Export Ltd for lines 2 and 3;
 - based on the transmission capacities estimated for line 1 and of the regulated transmission tariffs approved by ANRE by Order 99/29 May 2018 on the mending of Annex 2 of ANRE Order 40/2016 on the approval of the total revenue and of the transmission tariffs for the gas transmission activity related to the Isaccea 1 – Negru Voda 1 transmission pipelines for the period 01.01 – 30.09.2019 and respectively the estimated tariffs for the period 1 October 2019 – 31 December 2021 based on the methodology approved by ANRE Order no. 41/2019 applicable as of 1 October 2019 in respect of the pipeline Isaccea 1 – Negru Voda as a result of this pipeline's connection to the NTS.

The assumptions at the basis of the substantiation of the economic and financial indicators for the period 2019-2021 are as follows:

Based on these assumptions the following economic and financial indicators resulted:

Tag no	Item	MU	2019	2020	2021
1.	Average annual inflation index	%	2,80	2,50	2,30
2.	Exchange rate	lei/EURO	4,67	4,62	4,60
3.	Exchange rate	lei/USD	4,03	3,98	3,97
4.	Transmitted gas quantity (including injection in underground storage)	MWh	149.247.474	173.388.156	174.808.138
5.	The average transmission tariff	lei/MWh	6,47	6,43	8,24
6.	Technological consumption procurement price	lei/MWh	100,00	100,00	100,00

*** Lei thousand ***

N o.	Indicators	REB 2019	Estimated for 2020	Estimated for 2021
1.	TOTAL REVENUE, of which:	3.074.340	3.901.465	3.026.109
1. 1	Operating revenue before the construction activity according to IFRIC 12	1.420.000	1.571.795	2.015.369
1. 2	Financial revenue	34.551	43.537	74.898
1. 3	Revenue from the construction activity according to IFRIC 12	1.619.788	2.286.133	935.841
2.	TOTAL COST, of which:	2.923.882	3.688.666	2.620.700
2. 1	Operating costs before the construction activity according to IFRIC 12	1.289.094	1.309.509	1.556.283
2. 2	Financial costs	15.000	93.025	128.575
2. 3	Cost of assets constructed according to IFRIC 12	1.619.788	2.286.133	935.841
3.	GROSS PROFIT	150.457	212.799	405.409
4.	TAX ON PROFIT	25.534	30.135	61.746
5.	NET PROFIT	124.924	182.663	343.663

The evolution of the economic and financial indicators during the estimated period is influenced by:

- The estimated commissioning of investment objectives;
- the progress of the National Transmission System rehabilitation and maintenance works;
- the evolution of the costs regarding the procurement of gas for technological consumption;

Profit distribution was determined taking into account the provisions of G.O. 64/2001 on profit distribution in national companies, companies publicly owned or controlled and the autonomous municipal companies, as further amended and supplemented and of the specifications approved by MPF Order 144/2005 approving the Specifications for the determination of the amounts subject to profit distribution according to G.O. 64/2001 on profit distribution in national companies, companies publicly owned or controlled and

the autonomous municipal companies, approved as amended by Law 769/2001, as further amended and supplemented as follows:

- no amounts were distributed to legal reserves as they are currently constituted under the quota of 20% of the share capital, according to Art.183, paragraphs (1) and (2) of the Law 31/1990, as further amended and supplemented, and the share capital is not expected to change;
- employees participation in the profit was determined within the limit of the monthly average base salary estimated per employee in the year for which the participation is granted, per average number of employees, obtained in the ended financial year;
- dividends to shareholders were determined according to MPF Order 144/2005, by applying 50% to remaining net profit after its recompletion with the amount of the cost representing the participation in profit, with which it was affected the gross profit before taxation;
- retained earnings for setting up own financing sources, was determined as the difference between the net profit to be distributed and the profit proposed to be allocated according to GO 64/2001.

The analysis of the REB 2019 economic and financial indicators as compared to the 2018 estimations

The REB 2019 indicators compared to the 2018 estimations are as follow:

****Lei thousand ****

No.	Item	Achieved for 2018	REB 2019	Variation
0	1	2	3	4=3/2-1
1.	TOTAL REVENUE, of which:	2.345.084	3.074.340	31,10%
1.1.	Operating revenue before the construction activity according to IFRIC 12	1.892.446	1.420.000	-24,96%
1.2.	Financial revenue	46.844	34.551	-26,24%
1.3.	Revenue from the construction activity according to IFRIC 12	405.794	1.619.788	299,17%
2.	TOTAL COST:	1.762.203	2.923.882	65,92%
2.1.	Operating cost before the construction	1.330.961	1.289.094	-3,15%

No.	Item	Achieved for 2018	REB 2019	Variation
	activity according to IFRIC 12			
2.2.	Financial cost	25.449	15.000	-41,06%
2.3.	Cost of constructed assets according to IFRIC 12	405.794	1.619.788	299,17%
3.	GROSS PROFIT	582.880	150.457	-74,19%
4.	TAX ON PROFIT	87.205	25.534	-70,72%
5.	NET PROFIT	495.675	124.924	-74,80%

I. **The revenue from the operation activity before the construction activity according to IFRIC 12** amounting to **Lei 1.420.000 thousand** is lower by **Lei 472.445 thousand** as compared to the 2018 estimated revenue, which is a decrease by 25%, mainly due to:

- *The decrease of the revenues from the international gas transmission activity by Lei 212.434 thousand mainly due to the decrease of the regulated revenue approved for the gas year 2018-2019 by Lei 71.339,39 as opposed to the previous gas year and to the following two factors:*
 - the decrease of the commodity charge by **Lei 60.712 thousand** on account of the decrease in the share of the commodity charge in the regulated revenue from 35% to 30%;
 - the decrease of the capacity booking component by **Lei 151.722 thousand** on account of the invoicing of the amount of the surplus of booked capacity in 2018 amounting to LEI 103.998 thousand in line with art 3 para (6) of NERA Order no 1/18.01.2016 (revenues which are not present in the following years) and of the decrease of the capacity estimated to be booked by 5% (19.273.619 MWh);
- The decrease in the revenues from the NTS balancing by Lei **209.887 thousand** on account of the estimation of a gas quantity intended for NTS balancing lower than the one achieved for 2018. When estimating the gas quantity for NTS physical balancing, the historical consumption data recorded in winter months/depending on temperature, as well as the amounts purchased by Transgaz on the Stock Exchange for NTS Physical Balancing;

- The decrease in other operating revenues by Lei **40.953 thousand** mainly due to the fact that in 2018 transmission contract penalty revenues which had not been estimated for 2019 were recorded.

Regarding the annual evolution of revenue from gas transmission it is worth highlighting the following aspects:

Gas transmission is regulated by the National Energy Regulatory Authority (ANRE). According to the methodology for setting the regulating revenue, the costs savings of the transmission operator in a gas year and the additional revenue obtained in a gas year diminish the regulated revenue approved in the following gas years. In other words, the more effective the company is in reducing costs, the more the revenues from gas transmission will be reduced in the coming gas years.

According to ANRE Order no. 41/15 March 2019 *on the approval of the Methodology for setting the regulated tariffs for gas transmission services* and to GEO no. 19/2019, art. IV, paragraph (7) upon the determination of the regulated revenue corrected for the first year of the fourth regulatory period, the following are considered:

- the correction component of other amounts remained from the previous regulatory periods to be regulated;
- the efficiency gain redistribution component obtained by the transmission operator in the fourth regulatory period is fully surrendered, by linearization, over the entire duration of the fourth regulatory period;
- the failure of the **costs related to the natural monopoly tax** (estimated for Lei 86.903 thousand) to be included in the pass-through cost category;
- the rate of return for the fourth regulatory period was established for 6.9% as opposed to 7.72% approved for the third regulatory period.

As Isaccea – Negru Voda pipeline (T1) was connected to the NTS, the provisions of ANRE Order no. 41/2019 on the establishment of the regulated revenue and of the regulated tariffs for the gas transmission activity both for the NTS and for Isaccea – Negru Voda pipeline (T1) shall be applied starting with the gas year 2019-2020. The connection of T1 to the NTS determines the decrease in the revenues from international transmission for 2019 by approximately Lei 10 thousand.

All such provisions of the methodology cumulated with the integration of T1 pipeline with the NTS determine the reduction of the cumulated revenues from gas transmission through the NTS and through the Isaccea – Negru Voda pipeline (T1) and of the charges related to them implicitly.

The application of the provisions of the methodology mentioned above determined, to a large extent, the decrease in revenues from gas transmission in 2019 compared to the level achieved in 2018.

The regulated revenue estimated for the period 1 October 2019 - 30 September 2020 records decreases mainly on account of the consideration of the redistribution component of the economic efficiency gain during the period July 2012 – October 2018 in the amount of Lei 106.171,56 thousand and of the component correction of the total income in the amount of Lei 132.741 thousand.

The tariffs estimated for this period in relation with the gas transmission services record decreases mainly due to the significant increase in the capacity booking estimations and in the amounts estimated to be circulated through the NTS as a result of the cumulated estimations of capacity booking and amounts transported through the pipeline Isaccea – Negru Voda pipeline (T1).

The estimated revenue from the gas transmission activity for 2019, according to the tariffs approved by ANRE for the period 1 October 2018 - 30 September 2019 the estimated charges based on existing regulations for the fourth quarter of 2019 is Lei 965.986 thousand, by Lei 212.434 thousand less compared with the achievements for 2018. This determines a decrease in labour productivity in 2019 as compared to 2018 by about 23%.

Considering the aspects mentioned above, we believe that the provisions of the Instructions for completing the REB approved by the Order no. 3145 /5.12.2017 of the Ministry of Public Finance, Annex 6 par.II.6 according to which *'the total income and expenses are estimated, so the index related to the increase in total expenses usually does not exceed the total income growth index '* cannot be applied for Transgaz whose activity is regulated at a rate of approx. 80%.

EU Regulation 312/2014 establishing a network code on the gas transmission networks balancing provides uniform balancing rules at European level, reflecting the specific needs of the transmission system and take into account the levers of the operators for balancing the transmission systems. According to the Regulation mentioned above the role of the system operator is to perform balancing activities based on non-discriminatory market principles through the purchase/sale of natural gas quantities required for balancing. The system operator does not record gains or losses as a result of conducting the balancing activity.

The provisions of the Regulation mentioned above are taken over in the ANRE Order no.16/2013 on the approval of the Network Code for the National Gas Transmission System modified by ANRE Order no.160 /2015, which states in Article 83 (2) that *"to ensure the safe operation of the NTS, the TSO should have enough gas for system balancing as natural gas stored in pipelines and/or as balancing gas stored in underground storages, and to take NTS balancing actions including by conducting sales and/or purchasing transactions for the natural gas quantities required to balance the system in a transparent, non-discriminatory manner, by using market mechanisms"*.

Upon the estimation of the gas quantity for NTS physical balancing, the historical consumption data recorded in winter months/depending on temperature, as well as the quantities purchased by Transgaz on the Stock Exchange for physical balancing of the NTS. Such gas will be procured in 2019 as needed to balance fluctuations in gas flow and to keep pressure levels at levels that allow safe and efficient operation of the NTS.

II. Operating expenses before the construction activity according to IFRIC12

amounting to **Lei 1.289.094 thousand** are by **Lei 41.867 thousand** lower than the achieved ones for 2018, which represents their decrease by 3%, determined mainly by:

a) Savings especially in the following expense elements:

1. expenses with the royalty for the concession of the NTS lower by **Lei 22.907 thousand** on account of the decrease in the revenue from gas transmission;
2. the cost of gas procurement for NTS balancing lower by **Lei 209.887 thousand** according to ANRE Order no.16/2013 approving the Network Code for the National Gas Transmission System modified by ANRE Order no.160/2015. Because according to the provisions of EU Regulation 312/2014 the system operator does not record gains or losses as a result of conducting balancing activities the revenues and expenses related to such activities were grounded in the draft of the revenue and expenses budget in the same amount.
3. Other operating expenses and ancillary materials lower by **Lei 3.492 thousand;**

b) Overruns mainly to the following expense elements:

1. Expenses related to services executed by third parties higher by **Lei 53.213 thousand;**

2. The cost related to the technological consumption higher by Lei **33.112 thousand**, mainly due to the gas procurement price higher as compared to 2018 by 20% (17,43 Lei/ MWh);
3. Personnel salary expenses higher by Lei **42.266 thousand** mainly on account of the provision in 2019 of the funds for the payment of the salaries of the personnel employed for the BRUA and Moldova projects, and of the salary expenses necessary for awarding the compensations provided for in the Collective Labour Contract for voluntary redundancy;
4. Other material and auxiliary material costs higher by Lei **20.518 thousand**;
5. Depreciation costs higher by Lei **7.961 thousand** due to the assets commissioned in 2019.

III. The gross result estimated for 2019 is of **Lei 150.457 thousand**, by Lei 432.423 thousand (74%) lower than the achieved one for 2018.

IV. The tax on profit was calculated taking into account:

- 👉 The influence of the provisions for risks and expenses and of the provisions for the depreciation of current assets;
- 👉 The influence of the expenses related to the participation of the employees to the profit related to 2018 and of the rights related to the mandate contract to be paid in the following year;
- 👉 Sponsorship expenses granted within the legal limit (Law 227/2015 - Tax Code Art. 25 (4) let. i) of 0,5% of the turnover, but not more than 20% of the tax on profit.

Planning the investment financial effort related to 2019-2021

The total expenses for investment include funds for NTS development and modernization works, for the procurement of shares in the European operators in the field the amounts necessary for the repayment rates on loans employed by the company to finance the investments which were not covered from own sources and the amounts required for the payment of guarantees related to the removal from the statute of agricultural land.

The sources for financing investment expenses are:

- Own sources including the amortization and the amounts distributed from the net profit to finance investments according to G.O. no. 64/2001 regarding profit distribution to national companies and companies owned or majority state

owned, as well as the autonomous administrations, as amended and supplemented;

- Amounts resulting from the absorption of European funds;
- Unused own resources from previous years and other sources.

The investment expenses were determined based on:

- The modernization and development investment program for 2019 and estimates for the period 2020-2021. **The modernization and development investment programme and the estimates for 2020-2021 contemplated investments in NTS developments according to Law no. 123/2012, investments to ensure the extension of the National Transmission System in areas with newly established distribution systems. According to art 151 of Law 123/2012 the transmission system operator has the obligation to finance the extension works in economic efficiency conditions. In line with art 130 para e1 and e2 the gas transmission system operator has the obligation to extend the NTS in order to supply the tourist resorts of national and local interest located at a maximum 25 km distance from the connection to the NTS. The amounts budgeted for the development of the transmission network on the Romanian territory are included in the draft revenue and expense budget, Annex 4, chapter II, point 4:**

	<i>* Lei thousand*</i>		
	REB 2019	Estimated 2020	Estimated 2021
NTS development according to Law 123/2012	150.000	350.000	400.000

- The design software for investment works for 2019;
- The 10 years national transmission system development program.

By Art. 2, point 3 of the Resolution no. 10 / 12.12.2017 of Transgaz' Extraordinary General Shareholders' Meeting, Transgaz' Board of Administration was empowered to increase the share capital of the limited liability company established on the territory of the Republic of Moldova in order to successfully participate in the privatisation of Vestmoldtransgaz.

Within Transgaz revenue and expense budget for 2018 approved by Resolution no. 2/06.03.2018 of the Ordinary General Shareholders' Meeting, sources were substantiated for the procurement of shares in Vestmoldtransgaz and for the coverage of the necessary investments in the construction of the gas transmission pipeline Ungheni-Chisinau, amounting to EUR 90 mil. Expenses amounting to Lei 45.368 thousand were incurred in 2018 and the difference was allocated for 2019.

The 10-year National Transmission System Development Plan includes large-scale projects aimed at reconfiguring the natural gas transmission network, namely:

- Development on the territory of Romania of the National Gas Transmission System on the Corridor Bulgaria - Romania - Hungary - Austria
- Development on the Romanian territory of the Southern Corridor for taking-over gas from the Black Sea shore;
- Interconnection of the national gas transmission system with the T1 international gas transmission pipeline and reverse flow Isaccea;
- NTS developments in the North - Eastern area of Romania in order to improve gas supply of the area and to ensure the transmission capacities to/from the Republic of Moldova;
- Extension of Bulgaria - Romania - Hungary - Austria two-way natural gas corridor (BRUA Phase 3);
- Project on new NTS developments for taking-over gas from the Black Sea shore;
- Romania-Serbia Interconnection - interconnection of the national gas transmission system with the similar gas transmission system in Serbia;
- Upgrading GMS Isaccea 1 and GMS Negru Voda 1.
- Interconnection between the Romanian and the Ukrainian gas transmission systems in the direction Gheraiesti-Siret.

The current development plan for the Romanian gas transmission system includes large-scale projects aimed at reconfiguring the natural gas transmission network, which, although extensive and complex, was conceived at a time when the emphasis was on the gas supply to large consumers and their access to concentrated resources mostly in the centre of the country and in Oltenia as well as the only import source.

When identifying the necessary projects to be developed in the national gas transmission system the onset was the main requirements that it has to ensure in the current dynamics of the regional gas market. In view of the latest developments and trends in the field of gas transmission routes at European level, the profiling of two new sources of gas supply is obvious: the Caspian Sea gas and the recently discovered Black Sea gas.

Thus, the projects planned by the company envisage:

- ensuring an adequate degree of interconnectivity with neighbouring countries;
- creating gas transmission routes at regional level to ensure gas transmission from different new sources of supply;

- creating the necessary infrastructure for taking over and transmitting gas from the Black Sea offshore blocks for the purpose of their capitalization on the Romanian market and other markets in the region;
- extension of the gas transmission infrastructure to improve gas supply to deficit areas;
- creating a single integrated market at EU level.

In this context, it is very important that Transgaz implements the projects in a very short period of time to connect the Central European markets to such resources and to redefine itself as an important gas transmission operator.

By ensuring the connection between different gas supply sources and the European market, these investment projects contribute to the achievement of the European Union's goals, the main benefits of which can be summarized as follows:

- Integration of the gas market and interoperability of the gas transmission systems in the region;
- Price convergence in the region;
- Eliminating congestion in gas transmission on the Bulgaria-Romania-Hungary direction;
- Increasing the flexibility of the European gas transmission system by the construction of bi-directional flow interconnections;
- Through the interconnection of the Bulgaria - Romania - Hungary - Austria corridor with the Black Sea, the access of Romania and the European Union to a new gas source will be ensured;
- Increasing competition on the European gas market by diversifying sources, transmission routes and by the active companies in the region;
- Increasing the security of gas supply;
- Reducing dependence on Russian gas imports;
- Urging the development of the renewable energy at regional level (especially wind and solar energy) considering the possibility to use gas as a back-up renewable energy option which leads to the significant increase in the sustainability of the proposed projects.

The progress in the implementation of major investment projects of Transgaz SA, requires the performance of parallel steps to ensure the financing of the 10-year National Transmission System development plan. During 2020-2021 the company aims at attracting funds from the banks to complement the necessary financing.

The synthesis of the capital expenditure for the period 2019-2021 as well as its financing is indicated below:

*** Lei thousand ***

No.	Item	2019	2020	2021	Total
					2019-2021
0	1	2	3	4	5=2+3+4
I.	Investment expenses, of which:	2.441.000	2.335.414	969.118	5.745.532

No.	Item	2019	2020	2021	Total
					2019-2021
1.1.	Investments	2.421.386	2.332.642	913.603	5.667.631
1.2.	Capitalized interest	19.614	0	0	19.614
1.3.	Loan repayment	0	2.772	55.515	58.287
II.	Financing sources, of which:	2.441.000	2.335.414	969.118	5.745.532
2.1.	Own sources, of which:	164.731	123.988	262.150	550.869
	– amounts from the net profit	55.217	84.110	164.610	303.937
	– amortization	137.706	94.666	165.507	397.880
2.2.	European funds	135.135	214.496	316.157	665.788
2.3.	Bank loans	1.252.461	1.996.930	390.811	3.640.202
2.4.	Surplus/deficit from previous years	888.674	0	0	888.674
III.	SURPLUS/DEFICIT(II-I)	0	0	0	0

Other additional information

1. The substantiation of the remunerations related to the Director General, the members of the Board of Administration and the Chief Financial Officer

According to the relevant Mandate Contracts in effect, the remuneration of the Director General, of the non-executive members of the Board of Administration (BoA) and of the Chief Financial Officer consists of a monthly fixed allowance and a variable benefit.

During the period when GEO 109/2011 as amended is applicable in the form which is effective as at the date of the mandate contracts' approval, the monthly fixed allowance due to the non-executive members of the Board of Administration may not exceed twice the means of the monthly gross average salary output over the last twelve months relevant for the mandator's branch of activity reported by the National Statistics Institute before the appointment of such mandators and, as for the Member of the BoA also acting as Director General, executive administrator, the monthly gross fixed allowance may not exceed 6 (six) times the means of monthly gross average salary output over the last 12 months relevant for the company's branch of activity, reported by the National Statistics Institute before the appointment of the mandatory.

By Resolution no. 2 of the Ordinary General Shareholders' Meeting, the following were approved:

- the value of the fixed monthly gross allowance for the non-executive administrators of the Board of Administration representing twice the mean of the monthly gross average salary over the last 12 months relevant for the activity

performed according to the Company's registered core business, at a category pursuant to the classification of activities of the national economy as notified by the National Institute for Statistics before the appointment, re-calculated to be aligned with the new mandatory social contributions payable in compliance with Law 227/2015;

- the maximum value of the Director-General's monthly gross fixed allowance which will amount to Lei 35,740.
- The maximum value of the Chief Financial Officer monthly gross fixed allowance which will amount to Lei 29,783.

According to art. 38(1) of GEO 109/2011 the directors' remuneration is set by the Board of Administration and may not exceed the level of the remuneration set for the executive members of the Board.

Additionally to the monthly fixed gross allowance, the members of the BoA, the Director General and the Chief Financial Officer are entitled to an annual variable benefit.

The level of the variable component is established as follows:

- For the non-executive members of the BoA, the annual variable allowance component was substantiated within the limit of 12 monthly fixed allowances, according to GEO 109/2011 (art. 37, paragraph (2)) on corporate governance, as amended by Law 111/2016 for the approval of GEO 109/2011, in gross amount of 149.760 Lei.
- For the Director General and the Chief Financial Officer – the variable component was substantiated based on Resolution no. 3 of the Ordinary General Shareholders' Meeting approving the limits of the variable component of the Director General's remuneration in gross amount of EUR 377.5 thousand /year and of the Chief Financial Officer in gross amount of EUR 36 thousand/year

According to GEO 109/2011 (art. 37, paragraph (2)) on corporate governance, as amended by Law 111/2016 for the approval of GEO 109/2011, the value of the variable benefit due to the non-executive members of the BoA may not exceed maximum 12 monthly fixed allowances; therefore, as far as the non-executive members of the BoA are concerned, the annual variable allowance component was substantiated within the limit of 12 monthly fixed allowances.

The maximum lawful amount of the variable benefit over the term of the mandate contract may be amended pursuant to Decision no 22/2016 of the Romanian

Government on the approval of Methodological rules for the approval of GEO 109/2011 on the corporate governance of public enterprises, Annex 2, Chapter II, section 5 – *"The Methodology for revising the variable component of the non-executive and executive administrators' remuneration"*.

The annual variable remuneration = the value of the variable remuneration established based on the study x the indicator achievement total degree.

The total degree of the key performance indicator achievement (TD_{KPI}) is the weighted average by the weighing factor related to each KPI of each KPI achievement degree.

$$GTICP = \sum(GIICP * \text{weighing factor})$$

The KPI achievement degree (GIICP) may be higher than 100% and lower than 0%, but upon the calculation of the total KPI (GIICP) achievement degree, the following will be factored in:

- GIICP > 100% means GIICP = 100%;
- GIICP < 0% means GIICP = 0%.

KPIs are annually assessed based on the annual audited financial statements and other verification tools.

2. The substantiation of the economic-financial indicators which are facing material changes as compared to the previous year

- The increase in the energy and water expenses (41%) due to the increase in electricity consumption because of the new objectives' being connected to the power supply network to be put into operation (technology nodes, SCADA system, metering regulating stations);
- The increase in the expenses related to the maintenance and repair by Lei 53.213 thousand (243,65%) due to the increase in the maintenance program for 2019. The program for the scheduled repairs to pipelines for 2019 includes mainly: the works started and unfinished under the relevant program of 2018, as well as an insuring amount for events caused by unpredictable circumstances such as > acts of god, landslides, flood impacting the NTS, the works under the program for 2018 but which were not promoted to execution (mainly due to the lack of the execution documentation or permits). All the works were initiated as a necessity by the design themes underlying the execution based on the FEED or reports for the assessment of the pipelines by means of diagnostic methods (external or by intelligent pig). Out of the works proposed under the program, most of them are substantiated by projects endorsed by the T.E.C of Transgaz;

- The increase in the insurance premium expenses comprising expenses related to insurance policies for buildings part of Transgaz' assets, civil liability, motor vehicle liability and car insurance of the company's administrators, with a forecasted increase by 361,84%. This increase is justified by the extension of the company's fleet, by the increase in the motor vehicle liability and car insurance policies and by the conclusion of civil and professional insurance policies for potential damage to third parties as a result of the specific activity for the operation and maintenance of Transgaz objectives;
- Increase in the expenses related to the company's collaborators. Such expenses are related to the land assessment committees. According to GD no. 834/1991 on the establishment and assessment of lands owned by state-owned companies, as amended, Transgaz is undergoing the process for the certification of the title on the lands part of the company's assets.

Pursuant to art. 2 of Criteria no. 2665/28.02.1992 issued by the Ministry of Finance and published in the Official Journal no. 54/31.03.1992 on the establishment and assessment of lands owned by state-owned companies, as amended, the committee for the assessment and establishment of the lands being part of Transgaz' assets was appointed by order of the relevant minister. Pursuant to art. 29(2) of the Criteria, as amended By Amendments no. 21541/8392/NN/15.10.1998 issued by the Ministry of Finance and published in the Romanian Official Journal, Part I no. 437/1998 *"the members of the committee for the establishment and assessment of lands owned by state-owned companies, appointed under GD no. 834/1991 as amended, will receive as at the date when the certificate certifying the land title has been issued an allowance of up to the half gross salary as approved by the Board of Administration."* The company's BoA, by Decision no. 35/10.11.2015, art. 7, approved the monthly gross allowance due to the assessment committee members.

- The increase in expenses with the commissions and fees by 371,73 %. Such expenses consist mainly of expenses for legal advice (Lei 9.400 thousand), representing consultancy, assistance and the legal representation of a law firm with international expertise in the Community competition law, approved by the Resolution of the EGMS no 10/2017 and consultancy, assistance and the legal representation needed to implement the European regulations in force and future incidence in the company's business, the implementation of rules relating to the financing of energy infrastructure by CEF mechanism and providing legal expertise in international and European regulations, approved by the EGSM Decision no.2 / April 29, 2014;

- Increase in the security assurance expenses (60.76%). The increase in the security related budget is a result of the requirements determined under the analysis of the risks associated with the physical security and temporary work sites prepared in 2018, as follows:
 - The increase in the national minimum wages which represented an increase of the renegotiated tariff substantiation base
 - Increase in the number of facilities benefitting from security and intervention services by approx. 200 permanent positions
 - Increase in the number of facilities benefitting from monitoring and intervention services to maximum 1000 monitored facilities
 - The same services for the surveillance of the main pipeline routes were included during 2019 - 2020 for a total of 276 km benefitting from intervention and monitoring services, particularly:
 - ✓ The gas transmission pipeline located between Halmeu and Medieșul Aurit, located in Maramureș county – approximately 30 km
 - ✓ The gas transmission pipeline located between Nădlac and Arad, Arad county, part of Szeged - Arad pipeline- approximately 40 km.
 - ✓ The gas transmission pipeline located between Isaccea and Negru Vodă (three lines), located in the counties of Tulcea and Constanța – approximately 206 km.
- Increase in the expenditure related to the maintenance and operation of computer technology (87.79%) due to the increase in the prices related to the weather forecast data, metered data and weather warnings provided by the National Weather Agency necessary for the functioning of the IT Weather system used in Transgaz National Gas Dispatching Centre;
- Expenses on the annual tariff related to the license for the operation of the gas transmission system were calculated based on the gas quantities estimated to be transported in 2019, on the tariff approved by Order no. 118/2016 of the Romanian Energy Regulatory Authority (ANRE) on the approval of tariffs and money contributions and on the money contributions charged by ANRE in 2018.

- The increase in other expenses with services performed by third parties (33,53%). Such expenses were substantiated based on the program for other services performed by third parties.

We would like to mention that the programs for the design, maintenance, NTS rehabilitation and supply of materials and spare parts underlying the substantiation of the abovementioned expenses were approved by Resolution no. 1 / 18.01.2019 of the Board of Administration and the programme for the upgrading and development of the NTS (investments) and the programme for other services executed by third parties is to be made subject to the approval of the BoA within the meeting to be convened on 9 April 2019.

3. Substantiation of the economic-financial indicators which are facing material changes as opposed to the plan of administration

Art. 9, paragraph (1) (c) of GO 26/2013 as amended contemplates as follows:

"Upon the substantiation of the Revenue and Expense Budget, the economic agents envisage, without being limited to, the following:

c) quantified specific performance criteria and objectives for the reduction of payments and outstanding receivables, reduction of loss, increase in profit, turnover and labour output as provided for in the mandate contracts established in relation with the administration strategy of the Board of Administration/Supervisory Board and the management plan of the economic agents' directors/members of the board of directors."

According to art. 62 (6) of Law 50/2019 on the State Budget for 2019, 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 indicators "Operating expenses (except depreciation, balancing, construction and provisions for asset depreciation and for risks and expenses) and EBITDA under the Administration Plan for 2019 as approved by Resolution no. 2/2018 of the General Ordinary Shareholders' Meeting is impacted by the following factors:

- Decrease in the revenues from gas transmission by Lei 38.034 thousand. The gas transmission activity is regulated by the National Energy Regulatory Activity (ANRE). According to the methodology for setting the regulated revenue, the TSO's cost savings made in a gas year and the additional revenues achieved in a gas year decrease the regulated revenue approved during the following gas years. In other words, the more efficient is the company in reducing costs the lower will be the revenues from gas transmission during the following gas years. For the gas year 2018-2019, a total regulated revenue of Lei 882.982,99 thousand was approved by

ANRE Order no. 98/2018, with a decrease of 7.48% (Lei 71.339,4 thousand) as opposed to the revenue approved for the period 1 October 2017 – 30 September 2018. The regulated revenue approved for the period 1 October 2018 – 30 September 2019 contains negative adjustments amounting to Lei – 383.516,82 thousand diminishing the revenue related to gas transmission activity – adjustments mainly determined due to the factor in of the economic efficiency increase redistribution component during July 2011 – June 2012 amounting to Lei - 127.087,45 thousand and of the total revenue correction component amounting to Lei – 215.777 thousand.

- The increase in the tax expenses by **Lei 111.160** - upon the preparation of the Administration Plan and the calculation of the revised financial indicators – was not substantiated for 2019-2021:
 - the monopoly tax (**Lei 67.001 thousand**) – pursuant to art. 51 of GEO no. 114/2018 on fiscal-budgetary actions, amendment and supplementation of normative acts and deadline prorogation *“The Deadline under art. 6 of GO no. 5/2013 on the establishment of special measures for the taxation of natural monopoly activities in the power and gas sector, approved as amended, is extended by 31 December 2021, included”*.
 - the expense with the 2% monetary contribution applied to the turnover from the activities subject to the licence granted by ANRE (44,159 thousand lei): Order 18 / 25.02.2019 of the ANRE President on the approval of the Methodology for the calculation and establishment of the annual money contribution under Art. 2 (31) of GEO 33/2007 on the organization and functioning of ANRE, approved with amendments and supplementations by Law 160/2012, as introduced by GEO 114/2018, and amending Order 224/2018 of the ANRE President on the approval of the tariffs and monetary contributions levied by ANRE in 2019 stipulates the following:
 - Art. 5 (1): ‘The holders of the licences granted by ANRE in the electricity and / or natural gas domain shall pay annually to ANRE a monetary contribution equal to 2% of the turnover achieved in year n of the activities subject to the granted licence.’
 - The expenses with the salaries of the personnel employed based on individual labour contract are recording an increase by **Lei 11.093 thousand** in the REB 2019 proposal as opposed to the amounts considered upon the calculation of the revised financial indicators for 2019. This increase is determined by the provision of the amounts necessary for the granting of compensation under the Collective labour Contract for redundancy, calculated for an additional number of 200 employees, including the contributions payable to the Health Insurance Fund, Social Health Insurance Fund:
 - Increase of costs with taxes and fees by 9,845 thousand lei: for the calculation of the revised financial indicators, costs regarding taxes and fees were not

substantiated for year 2019. These are mainly legal advisory costs for the investigations launched against Transgaz by the European Commission and for the disputes which may arise from the investigations in which Transgaz and the European Commission are parties.

- Increase in insurance premium expenses by Lei 3,526 thousand. Insurance policies, estimated additionally from 2019, are mainly needed to cover the damage caused to third parties by events occurring within the National Gas Transmission System, such as defects in pipelines on the route and in risk areas, lack of transmission service continuity, inappropriate quality of delivered gas (odorization, liquids), delays in completion of system access works, accidental pollution (mercaptan, pipeline fluids), coverage of possible sanctions set by the authorities, penalties resulting from non-fulfilment of the contractual clauses, court decisions unfavourable to our company and by which we are obliged to pay damages, etc.

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

Indicator		2019	2020	2021
EBITDA	Draft REB 2019	329 594	468 933	850 773
	Updated Administration Plan 2018	503 477	666 322	1 015 013
	Differences	- 173 883	- 197 389	- 164 240
Operating expenses except for the depreciation, balancing, construction and provision for the impairment of assets and for the risks and expenses	Draft REB 2019	1 070 891	1 095 239	1 136 843
	Updated Administration Plan 2018	933 300	948 385	968 346
	Differences	- 137 591	- 146 854	- 168 497

The revision of the performance indicators approved by Resolutions no. 12/2017 and no. 2/2018 of the General Ordinary Shareholders' Meeting will be made subject of the General Shareholders Meeting at the same time with the REB 2019 proposal and the estimations for 2020-2021, in compliance with the provisions of GO no. 26/2013.

4. Debt cost capitalization according to IAS 23

Transgaz employs bank loans in the period 2019 - 2021 for financing projects in the development plan, which is why, in accordance with IAS 23 "Borrowing Costs", the company capitalized interest and expense attributable to those loans.

According to the provisions of Transgaz' Articles of Incorporation, in force, Chapter IV, art. 15, par 3, letter m), **we would like to kindly ask the General Meeting of the Shareholders to approve the revenue and expense budget for 2019 and the estimates for 2020-2021**, according to the provisions of GO no. 26 on 21 August 2013, art. 4, par. 1, letter d).

Enclosures:

- The revenue and expense budget for 2019 and the estimates for 2020-2021: Annex no.1*;
- The detailing of the economic-financial indicators provided in the revenue and expense budget and their split by quarters: Annex no 2*,
- The execution rate of the total revenues: Annex no.3*;
- The investment program and sourcing of investment funding: Annex no.4*;
- Means to improve the gross result and the reduction of outstanding payments: Annex no. 5*;
- The revenue and expense budget for 2019: Annex no. 6.

****Note: Annexes 1 – 5 will not be made public.***

Remus Gabriel Lapusan
Chairman of the Board of Administration

Operatorul economic: S.N.T.G.N. Transgaz S.A. Medias

Sediul: Medias, P-ta C.I. Motas nr.1

Cod de inregistrare fiscala: RO 13068733

BUGETUL DE VENITURI SI CHELTUIELI
pe anul 2019

RON thousand

		INDICATORS	Row no.	REB 2019
0	1	2	3	4
I.		TOTAL REVENUE (row1=row2+row5a+row5+row6)	1	3,074,340
	1	Tota operating revenue before the construction activity according to IFRIC 12	2	1,420,000
		a) subsidies according to the applicable laws	3	
		b) transfers according to the applicable laws	4	
	2	Revenue from the construction activity according to IFRIC12	5a	1,619,788
	3	Financial revenue	5	34,551
	4	Extraordinary revenue	6	
II		TOTAL EXPENSE (row7=row8+row20+row20a+row21)	7	2,923,882
	1	Operating expense before the construction activity according to IFRIC12, of which:	8	1,289,094
		A. Expense with goods and services	9	377,744
		B. Expenses with taxes, charges and similar	10	254,899
		C. Expense with personnel, of which:	11	461,066
		C0 Salary-related costs (row13+row14)	12	426,112
		C1 Salary costs	13	378,651
		C2 Bonuses	14	47,461
		C3 Other personnel expense, of which:	15	674
		Compensation expense related to employees layoffs	16	674
		C4 Expense on mandate contract and other governing and control bodies, commissions and committees	17	3,915
		C5 Expense on employer contributions	18	30,365
		D. Other operating costs	19	195,384
	2	Cost of assets built according to IFRIC12	20a	1,619,788
	3	Financial costs	20	15,000
	4	Extraordinary costs	21	
III		GROSS RESULT (profit/loss)	22	150,457
IV		TAX ON PROFIT	23	25,534
V		ACCOUNTING PROFIT REMAINING AFTER THE DEDUCTION OF THE TAX ON PROFIT, of which:	24	124,924
	1	Legal reserves	25	
	2	Other reserves representing tax incentives provided according to the law	26	
	3	Covering accounting losses in the previous years	27	
	4	Establishment of own financial sources for the projects cofinanced by foreign loans as well as establishment of the sources necessary for the capital repayments, interest payment and other costs related to these foreign loans	28	

		INDICATORS	Row no.	REB 2019
0	1	2	3	4
	5	Other assignments provided by law	29	
	6	Accounting profit left after the deduction of the amounts in row 25, 26, 27, 28 and 29.	30	124,924
	7	Employees share to the profit within the limit of 10% of the net profit, but no more than the level of an average monthly salary of the economic operator during the reference financial year	31	14,490
	8	Minim 50 % payments to the State or local budget, for the autonomous companies, or dividends for the national companies or the entirely or partially owned-by the state companies, of which:	32	69,707
	a)	- dividends to the state budget	33	40,785
	b)	- dividends to the local budget	33a	
	c)	- dividends to other shareholders	34	28,922
	9	Profit not assigned for the destinations provided at row 31 - row 32 is assigned to other reserves and it is an own financing source	35	55,217
VI		INCOME FROM EUROPEAN FUNDS	36	
VII		ELIGIBLE COSTS FROM EUROPEAN FUNDS, of which:	37	
	a)	material costs	38	
	b)	salary costs	39	
	c)	service supply costs	40	
	d)	publicity costs	41	
	e)	other costs	42	
VIII		INVESTMENT FUNDING SOURCES, of which:	43	2,441,000
	1	Budget allocations	44	
		Budget allocations regarding payment of commitments from the previous years	45	
IX		INVESTMENT COSTS	46	2,441,000
X		SUBSTANTIATION DATA	47	
	1	No. of personnel estimated at the end of the year	48	4,089
	2	Total average no. of employees	49	4,210
	3	Average monthly income per employee (RON/person) determined based on the salary costs*)	50	7,807
	4	Average monthly income per employee (RON/person) determined based on the salary costs, re-calculated acc. to annual State Budget Law**	51	7,807
	5	Labour productivity in units of value per total average personnel (thousand RON/person) (row 2/row 49)	52	337
	6	Labour productivity in units of value per total average personnel re-calculated acc. to the annual State Budget Law	53	368
	7	Labour productivity in physical units per total average personnel (qty of finite p	54	0.0000
	8	Total costs at RON 1000 total income (row 7/row 1)x1000	55	951
	9	Outstanding payments	56	0
	10	Outstanding debt	57	299,855

		INDICATORS	Row no.	REB 2019
0	1	2	3	4

*) Row 50 = Row 154 of Substantiation Annex 2

**) Row 51 = Row 155 of Substantiation Annex 2

DIRECTOR GENERAL,
Sterian Ion

CHIEF FINANCIAL OFFICER,
Lupean Marius