

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of: **Societatea Naționala de Transport Gaze Naturale TransGaz SA**

Headquarter: Piața Constantin I. Moțaș, nr. 1, Mediaș, Jud. Sibiu, Postal Code 551130, Romania  
Fiscal registration code: 13068733

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

1. We have audited the consolidated financial statements of Societatea Naționala de Transport Gaze Naturale TransGaz S.A. („the Company” or „S.N.T.G.N. TransGaz S.A.”), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the consolidated financial statements.
2. The financial statements as at and for the year ended 31 December 2021 are identified as follows:

Net assets/Total equity:	3,889,027,037 RON
Net profit for the year:	186,941,472 RON

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU (“Order 2844/2016”).

#### *Basis for Opinion*

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The “Regulation”) and Law 162/2017 (“the Law”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Emphasis of matter*

5. We draw attention to Note 30 to the consolidated financial statements which describe that the company has significant ongoing litigation as at December 31, 2021. The impact on the consolidated financial statements is uncertain and cannot be quantified at the current stage of litigation. Our opinion is not qualified in respect of this matter.

## **Key Audit Matters**

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **1. Revenue Recognition**

Revenues represent a significant value of RON 1,365 million, consisting of a large volume of transactions. Identified types of transactions, related to revenue recognition, lead to the following risks:

- ▶ Completeness and existence of recorded revenue;
- ▶ Complex accounting policies and estimates;
- ▶ Transactions with the same partner on the basis of several contracts;
- ▶ Numerous transactions recorded near the end of the financial year;
- ▶ Changes and updates of prices and their application according to the gas year;
- ▶ The revenue recognition policy is set out in Note 3 “Summary of significant accounting policies”.

### **Audit tests performed:**

Our audit procedures included, but are not limited to:

- ▶ Assessment of the principles of revenue recognition in accordance with the provisions of IFRS and in relation to the Company's accounting policies;
- ▶ Performing detail tests in order to verify the correct registration of transactions;
- ▶ Verification of capacity bookings by network users through the booking platform, with electronic approval and generated contract;
- ▶ Reconciling reserved capacity through platform versus billed reserved capacity;
- ▶ Verification of delivery minutes signed by network users (quantity confirmation);
- ▶ Sample verification of manual debit records in the booking platform for technology points for which readings are not automatically imported;
- ▶ Conversion of flows from cubic meters and calorific value into MWh, for the year 2021;
- ▶ Calculation of billing quantities per partner starting from the flows in MWh recorded for the technological points;
- ▶ Reconciling quantities calculated on partners versus quantities invoiced for 2021;
- ▶ Examining the accuracy of the adjustments made by the Company or those to be made, in order to respect the principle of independence of the exercises;

Testing trade receivables on a sample basis by sending confirmation letters.

## **Application of IFRIC 12 "Service Concession Agreements" *Audit tests performed:***

IFRIC 12, although not an accounting standard, is an interpretation that implies a great deal of professional reasoning, especially in the Romanian legislative context.

According to IFRIC 12, Transgaz may receive an intangible asset, a financial asset, or a combination of the two, in exchange for construction work (upgrading / expansion) on the infrastructure (SNTG).

The Service Concession Agreement (ACS) was concluded by Transgaz in 2002 for a period of 30 years and IFRIC 12 was applicable starting with 2010. Law 127/2014, which entered into force on 5 October 2014, states that in the event of termination of the concession contract for any reason, the investment made by Transgaz shall be transferred to the owner of SNTG or another operator in exchange for the payment of a compensation equal to the net regulated accounting value established according to the regulations imposed by ANRE.

According to the latest methodologies for establishing the tariffs regulated by ANRE, approved by Order 41/2016, Transgaz obtains the right to adjust to the inflation the net regulated accounting value and, consequently, the assessment of the long-term receivable.

Transgaz presents all the details related to the application of IFRIC 12 and the impact of ANRE Order no. 41/2019 in Note 3.5 "Intangible assets" and Note 12 „Accounts receivable”.

Our audit procedures included, but are not limited to:

- ▶ The analysis of the service concession agreement concluded in 2002, as well as the specific legislation supplementing the contractual provisions (especially Law 127/2014).
- ▶ The reasonableness of applying the bifurcated model in the context of first-time application of IFRS 15 and restatement of comparative information has been revised.
- ▶ The criteria for recognizing the financial asset as well as the method for assessing the long-term receivable as mentioned in Note 5.4 to the consolidated financial statements (the residual value, the discount rate used) were also reviewed.
- ▶ We've also examined how the information required by IFRIC 12 was disclosed in the financial statements.
- ▶ Consultations have taken place with the management of the Company.

### ***Other information - Consolidated Administrators' Report***

7. Administrators are responsible for the preparation and presentation of Other information. The Other information comprises the consolidated Administrator's report, including the non-financial representation, and the Remuneration Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the consolidated Administrator's report, which includes the non-financial representation, we read and report whether the consolidated Administrators' report is prepared, in all material respects, in accordance with the Order of Minister of Public Finance no 2844/2016, articles 15-19, 26-28 respectively 39-42 of the accounting regulations in accordance with International Financial Reporting Standards.

With respect to the Remuneration Report, we have read and reported whether it has been prepared, in all material respects, in accordance with the provisions of the Law on issuers of financial instruments and market operations no. 24/2017 ("Law 24/2017"), article no. 107.

Based solely on the work required to be undertaken in the course of the audit of the consolidated financial statements, in our opinion:

- a) The information given in the Administrators' for the financial year for which the financial statements are prepared, is consistent, in all material respects, with the consolidated financial statements;
- b) The administrators' Report, including the non-financial representation has been prepared, in all material respects, in accordance with OMFP no. 2844/2016, points 15-19, respectively 39-42, of the accounting regulations compliant with the International of Financial Reporting Standards.
- c) The remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, articles no. 106-107

In addition, based on our knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Administrators' report. We have nothing to report in this regard.

#### ***Responsibilities of Management and Those Charged with Governance for the Consolidated financial statements***

8. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

10. Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### ***Auditor's Responsibilities for the Audit of the Consolidated financial statements***

11. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, consolidated or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

12. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

16. We have been appointed by the General Assembly of Shareholders on December 03, 2018 to audit the consolidated financial statements of **S.N.T.G.N. Transgaz S.A.** for the financial years ended December 31, 2018 to December 31, 2022. The uninterrupted total duration of our commitment is 4 year, covering the financial years 2018 - 2021.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- We have not provided for the Company the non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014

## Report on compliance with Commission Delegated Regulation (EU) 2018/815 (European Single Electronic Format Regulatory Technical Standard or ESEF)

17. We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2018/815 applicable to the consolidated financial statements included in the annual financial report of **S.N.T.G.N. Transgaz S.A.** (the Company) as shown in the digital files containing the unique code 254900R11L2IUTHIZ779 (Digital Files).

## Responsibility of management and those charged with governance for Digital Files prepared in accordance with ESEF

18. Management is responsible for preparing the Digital Files in accordance with ESEF. This responsibility includes:

- the design, implementation and maintenance of the internal control relevant to the application of ESEF;
- ensuring consistency between the Digital Files and the consolidated financial statements that will be published in accordance with Order no. 2844/2016 with subsequent amendments.
- selection and application of appropriate iXBRL markers

19. Those in charge of governance are responsible for overseeing the preparation of Digital Files in accordance with ESEF.

## Auditor's Responsibilities for Audit the Digital Files

20. Our responsibility is to express a conclusion on whether the consolidated financial statements included in the annual financial report complies in all material respects with the requirements of the ESEF, based on the evidence we have obtained. We conducted our reasonable assurance assignment in accordance with International Standard on Assurance Assignments 3000 (revised), Assurance Assignments other than audits or reviews of historical financial information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

21. A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing, and extent of the procedures selected depend on the auditor's judgement, including the assessment of the risk of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:



- obtaining an understanding of the Company's process for the preparation of the Digital Files in accordance with the ESEF, including the relevant internal controls;
- reconciling the Digital Files with the audited consolidated financial statements of the Company that will be published in accordance with Order no. 2844/2016 with subsequent amendments.
- evaluating if all consolidated financial statements that are included in the annual financial report have been prepared in a valid XHTML format.
- assessing whether all iXBRL markings comply with ESEF requirements

22. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the consolidated financial statements for the financial year ended December 31, 2021 included in the annual financial report and presented in the Digital Files comply, in all material respects, with the requirements of ESEF.

23. In this section we do not express an audit opinion, a review conclusion or any other assurance conclusion on consolidated financial statements. Our audit opinion on the Company's consolidated financial statements for the financial year ended December 31, 2021 is included in the " Report on the Audit of the Consolidated financial statements" section above.

#### **Other matters**

24. This report of the Independent Auditor is addressed exclusively to the Company's shareholders, as a body. Our audit was undertaken in order to report to the Company's shareholders all those aspects that we are required to state to them in a financial audit report and for no other purposes whatsoever. To the extent permitted by law, we do not accept or take responsibility to anyone other than the Company and its shareholders, as a body, for our audit work, for the report on the consolidated financial statements and the report on the Administrators' Report, or for the opinion we have formed.

#### **On behalf of, BDO AUDIT**

Victory Business Center, 24 Invingatorilor Street  
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Registered on Financial Auditors Public Register, code FA18

**Name of signing person:**  
**Mircea Tudor**

Bucharest, Romania  
23.03.2022

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