

THE NATIONAL GAS TRANSMISSION COMPANY TRASGAZ SA

CONSOLIDATED REPORT ISSUED BY THE BOARD OF ADMINISTRATION

- Semester I 2020-



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THE ADMINISTRATORS' MESSAGE TO SHAREHOLDERS, INVESTORS

Dear shareholders,

Dear investors,

With a tradition for more than a century in Romania, gas transmission is a strategic activity for the national economy. The performance of this activity increased year by year through the work, passion and professionalism of those who have worked in this field and contributed to what TRANSGAZ is today - a responsible company, a company of the future, a company in which the corporate governance model is working successfully.

SNTGN TRANSGAZ is the technical operator of the National Natural Gas Transmission System and ensures the performance in terms of efficiency, transparency, safety, non-discriminatory access and competitiveness of the national strategy established for domestic and international transmission, natural gas dispatching, research and design in the field of natural gas transmission, in compliance with the national and European legislation and standards of quality, performance, environment and sustainable development.

As a transparent company, open to dialogue and good corporate practice, as a high-performance company, TRANSGAZ is today a successful national brand, a company that believes in its organizational values and invests permanently in the education and professional development of its human resources. TRANSGAZ is a company managed in a unitary management system, the Board of Administration being appointed by the General Meeting of the Shareholders in accordance with GEO 109/2011, as further amended and supplemented .

The strategic objectives included in the Management Plan of SNTGN Transgaz SA for 2017-2021 are aligned with the Shareholders' Letter of Expectations and aim to increase the company's performance, to make the company's activity more efficient, to redefine it strategically in accordance with the requirements of the modern standards of performance and competitiveness, and to transform TRANSGAZ into an internationally recognized company, a leader of the energy market in the region, capitalizing with maximum efficiency all existing and future opportunities, so that Romania becomes an important energy corridor in the field of natural gas to Europe.

*In the context of profiling major new sources of natural gas supply, **the natural gas from the Caspian Sea region and those discovered in the Black Sea**, the investments proposed by Transgaz in the **Development Plan of the National Gas Transmission System (NTS) for 2019-2028, approved by ANRE Decision no. 2080/11.12.2019** are strategic investments in the energy field for the development of the natural gas transmission infrastructure of Romania and its compliance with the requirements of European legislation in the field.*

In recognizing the importance of TRANSGAZ both as a driver of activities in the national economy and as a vector of the economic growth of the country, by its role in the development of the energy sector and in the transformation of Romania into an energy power of Europe, the company's administrators undertook to further launch and implement one of the largest and most important gas transmission

infrastructure development plan in Romania over the past 20 years, with investment projects **estimated at 4,03 billion euros.**

The sustainable development of the Romanian natural gas infrastructure requires a comprehensive investment plan enabling NTS alignment to gas transmission network transmission operation requirements compliant with the European environmental protection regulations .

The proposed investments secure an appropriate degree of interconnectivity with neighbouring countries; creating several natural gas transmission routes at a regional level for natural gas transmission from various new sources of supply; creating the necessary infrastructure for takeover and transmission of natural gas from offshore perimeters in the Black Sea in order to capitalize them on the Romanian market and other markets in the region; extending the natural gas transmission infrastructure in order to improve natural gas supply in deficient areas; creating an integrated single market in the European Union.

Given the need to finance a complex and extensive investment plan, Transgaz envisages, in addition to its own sources of funding, attracting and using additional external funding under advantageous conditions as well. We refer to obtaining European funds, funding from international financial institutions, from other banking and financial institutions as well as financing instruments specific to the capital market.

*In compliance with the principles of good corporate governance, the company administrators shall continue to act in the 2017-2021 mandate with the utmost responsibility, efficiency, transparency and professionalism for the efficient and competitive management of the company, in line with the expectations of the Shareholders' Letter of Expectations, namely: **operational efficiency and stability, energy safety and security, optimization of performance and sustainable development of the company.***

*At the same time, considering the current context, we inform all interested parties that the executive management of Transgaz prepared and the Board of Administration of the Company approved by Resolution No. 11/13.03.2020, the implementation of the **Plan of Measures for the case the COVID-19 virus epidemic is declared and Transgaz health and activity is affected.** The document is published at: <http://www.transgaz.ro/ro/prezentare-plan-de-masuri-covid-19> and is updated periodically, depending on the changes*

Yours sincerely,

REMUS GABRIEL LĂPUȘAN – Non-Executive Administrator – Chairman of the Board of Administration

ION STERIAN – Executive Administrator – Director General

PETRU ION VĂDUVA – Non-Executive Administrator

BOGDAN GEORGE ILIESCU – Non-Executive Administrator

NICOLAE MINEA – Non-Executive Administrator

1. ISSUER IDENTIFICATION DATA

1.1 Report and issuer identification data

Report prepared according to the provisions of Law no. 24/2017, on issuers of financial instruments and market operations.

For the semester ended: 30 June 2020

Report date: 17 August 2020

Company name: The National Gas Transmission Company TRANSGAZ SA

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

VAT Number: RO13068733

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

Subscribed and paid up capital: lei 117,738,440

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

1.2 Mission, vision, organizational values

Transgaz is a joint stock company, operating according to the provisions of the Romanian legislation and its updated Articles of Incorporation. It is a company listed on the Bucharest Stock Exchange, stock exchange symbol – TGN.

Mission

In line with the European energy policy requirements, Transgaz's mission represents the fulfilment in conditions of efficiency, transparency, safety and competitiveness of the national energy strategy established for domestic and international gas transmission, natural gas dispatching and research and design in the field of natural gas transmission.

Transgaz's mission is:

- The safe operation of the NTS based on economic efficiency;
- NTS rehabilitation, upgrading and development on the main consumption directions;
- NTS interconnection with the natural gas transmission systems of the neighbouring countries;
- Development of new gas transmission infrastructures towards Western Europe;
- Ensuring non-discriminatory access to the NTS;
- The implementation of participatory management in all of the company's action fields;
- Development of the organizational culture and of the national performance standards;
- Implementation of the regulations in the natural gas sector;
- Improvement of the natural gas transmission activity informatization, preparation of the normative acts draft and European actions to support them;
- The good corporate governance principles integration into the business practice.

Vision

The company intends to become a transmission operator recognized on the international gas market, a leader on the energy market in the region with a modern gas transmission system integrated at European level and with an effective management system.

Vision as a message to the community

The responsible fulfilment of the public service mission, the safe operation of the national gas transmission system, high quality services, safe connection to the NTS under non-discriminatory and transparent conditions for all network users and the integration at European level of the national gas market.

Vision as a message to the shareholders

A proficient company oriented towards continuous growth of the plus value for the shareholders.

Vision as a message to employees

The company as an attractive, stable and motivating working environment with a continuous commitment to professional excellence.

The organisational values defining Transgaz's business ethics are:

- tradition and professionalism;
- professional ethics and conduct;
- respect for the environment and for the people;
- responsibility towards business partners and social dialogue, towards the state institutions and the community;

Transgaz's core strengths

- The quality of licensed NTS operator - monopoly;
- The solid financial profile of the company;
- The continuity of the technical, economic and financial performance;
- The predictability of the cash-flow due to the regulated character of the gas transmission activity;
- Dividends granted to shareholders.

1.3 Shareholding

According to the provisions of Government Emergency Ordinance no. 1/04.01.2017 on the establishment of measures in the field of the central public administration and for the amendment and supplementation of regulatory acts, the Ministry of Economy was established, by the reorganisation of the activities of the Ministry of Economy, Trade and Relations with the Business Environment.

Thus, on 02.03.2017 the amendment of the account owner from the Romanian State through the Ministry of Economy, Trade and Relations with the Business Environment to the Romanian State through the Ministry of Economy was registered at Depozitarul Central S.A..

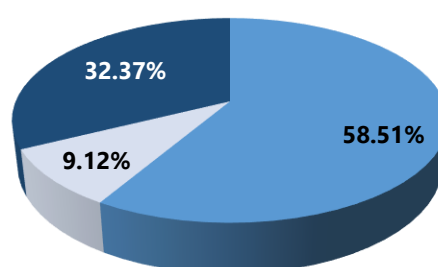
From 14 November 2019, the exercising of the rights and the fulfilment of the obligations arising from the status of shareholder of the Romanian State at the National Gas Transmission Company Transgaz SA is performed by the Romanian State through the General Secretariat of the Government, following the transfer of shares from the account of the Romanian State through the Ministry of Economy, according to GEO 68/06.11.2019 on the establishment of measures at the level of the central public administration and for the amending and supplementation of some normative acts.

On 26 June 2020 Transgaz's shareholding structure was as follows:

Shareholder's name	Number of shares	Percentage %
The State of Romania represented by the General Secretariat of the Government	6.888.840	58,5097
Free float - Other shareholders (natural and legal persons) out of which:	4.885.004	41,4903
- natural persons	1.074.123	9,1230
- legal persons	3.810.881	32,3673
Total	11.773.844	100,00

Table 1 - Shareholding on 26.06.2020

TGN shareholding on 26 June 2020



■ The Romanian State through the GSG

Chart 1 - Transgaz's shareholding on 31.12.2019

The share capital of Transgaz on 30 June 2020 amounted to Lei 117,738,440 and is divided into 11,773,844 registered shares, each share having a nominal value of Lei 10.

Regarding the number of shareholders, according to Transgaz shareholders' register at the reference date of 26.06.2020 a number of 9.260 TGN shareholders were registered, which is 178 shareholders more than on 25.06.2019.

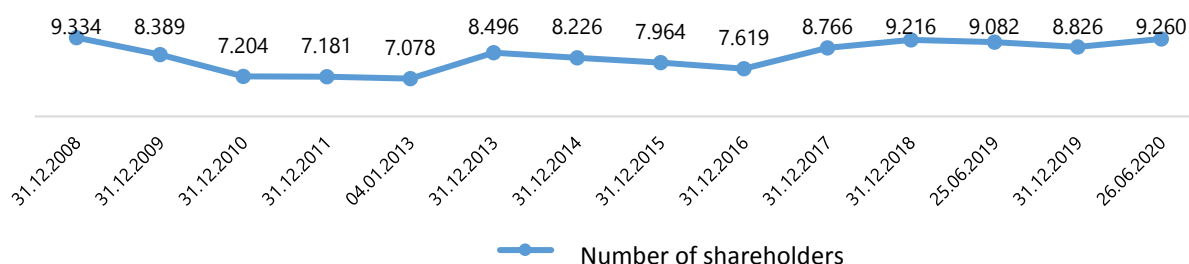


Chart 2 - Number of Transgaz shareholders from the listing and until 26.06.2020

1.4 Structure

Transgaz established up in 2000, based on the GR no. 334/ 28 April 2000 on the reorganisation of the former National Natural Gas Company (SNGN) Romgaz SA, published in the Official Journal of Romania, Part I, no. 194/04.05.2000.

Based on GR no. 334/2000, SNGN Romgaz SA was restructured and reorganized, by division, SNGN Romgaz S.A. being disestablished, and the main activities in the natural gas sector were separated and organized in separate activities.

Following the abovementioned reorganising, Transgaz became the technical operator of the NTS and is responsible for its functioning in conditions of quality, safety, economic efficiency and environmental protection.

By ANRE Order no. 3/22 January 2014 regarding the approval of the certification of the National Gas Transmission Company Transgaz - SA Mediaş as transmission and system operator of the National gas transport system was established that the National Gas Transmission Company Transgaz - SA Mediaş must be organized and must operate as an independent system operator.

In addition, as operator of the NTS, Transgaz has the obligation, according to the legal provisions on the measures for ensuring the natural gas supply safety and to the regulations of the European Union, to ensure the interconnection with similar natural gas transmission systems from neighbouring countries, creating the technical and technological conditions necessary for ensuring the natural gas supply safety.

SNTGN Transgaz SA (Transgaz) conducts its activity in the following locations:

- Transgaz registered office: Mediaş, 1 C. I. Motaş Square, Sibiu County, code 551130;
- Exploitation and Maintenance Department: Mediaş, 11 George Enescu Street, Sibiu County, code 551018;
- Design and Research Department: Mediaş, 6 Unirii Street, Sibiu County, code 550173;
- Bucharest Gas Market Operation Division: Bucharest, 30 Dorobanți Blvd., District 1, code 010573;
- Transgaz Representative Office - Romania: Bucharest, 55 Primaverii Blvd.;
- Transgaz Representative Office - Brussels – Belgium: Brussels, 23 Luxembourg Street;

- European Funds and International Relations Division: Bucharest, 155 Victoriei Blvd., District 1, code 010073.
- Design and Research Workshops - Braşov, 2 Nicolae Titulescu Street.
- Limited liability company EUROTRANSGAZ: MD-2004, Bvd.Ştefan cel Mare și Sfânt, 180, of.506, Chişinău city, Republic of Moldova.
- Transgaz secondary office: Mediaş, 3 I.C. Brătianu, building 3, flat 75, Sibiu County.

Transgaz has 9 regional offices and a subsidiary:

- Arad Regional Office, 56 Poetului Street, Arad, Arad County, code 310369;
- Bacău Regional Office, 63 George Bacovia Street, Bacău, Bacău County, code 600238;
- Brăila Regional Office, 5 Ion Ghica Street, Brăila, Brăila County, code 810089;
- Braşov Regional Office, 12A Grigore Ureche Street, Braşov, Braşov County, code 500449;
- Bucharest Regional Office, 24 Lacul Ursului Street, District 6, Bucharest, code 060594;
- Cluj Regional Office, 12 Crişului Street, Cluj-Napoca, Cluj County, code 400597;
- Craiova Regional Office, 33 Arhitect Ioan Mincu Street, Craiova, Dolj County, code 200011;
- Mediaş Regional Office, 29 George Coşbuc Street, Mediaş, Sibiu County, code 551027;
- Constanţa Regional Office, 2 bis Caraiman Street, Constanţa, Constanţa County, code 900117;
- Mediaş Subsidiary, 59 Sibiului Street, Mediaş, Sibiu County.

2. EXECUTIVE SUMMARY

2.1 Indicators of the economic and financial results

The economic and financial activity of the National Gas Transmission Company Transgaz S.A. on 30 June 2020 was conducted based on the indicators included in the revenue and expense budget approved by OGMS Resolution No. 2/2020.

The value of the standard performance indicators on 30 June 2020 as compared to their value as at 30 June 2019 is as follows:

No	Performance criteria	Performance objective	MU	Weighting factor	Achieved	
					Sem. I 2020	Sem. I 2019
1.	Commissioned investments	Plan achieved	Thousand lei	0,15	744.007	10.202
2.	EBITDA	EBITDA increase	Thousand lei	0,15	352.721	309.743
3.	Labour productivity	Increasing labour productivity in units of value (turnover / average no. of employees);	lei/ pers.	0,15	205.000	220.429
4.	Outstanding payments	Payments made during the contract duration (in current prices)	Thousand lei	0,15	0	0
5.	Outstanding receivables	Diminished amount of outstanding receivables (in current prices)	Thousand lei	0,1	418.880	392.473
6.	NTS gas consumption	Remaining within the gas quantities representing NTS gas consumption	%	0,15	46,93%	32%
7	OPEX at lei 1000 operating revenue	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	678	726

Table 2–Standard performance indicators Sem I 2020 vs. Sem I 2019

The main economic and financial indicators achieved in Semester I 2020 as compared to the same period of 2019 are as follows:

No.	Indicator	MU	Sem I 2020	Sem I 2019	Variation %
0	1	2	3	4	5=3/4*100
1.	Turnover	thousand lei	851.174	938.808	90,67
2.	Operating revenue before the balancing and the construction activity acc. to IFRIC12	thousand lei	768.733	774.045	99,31
3.	Operating cost before the balancing and the construction activity acc. to IFRIC12	thousand lei	521.453	562.136	92,76
4.	Operating profit before the balancing and the construction activity acc. to IFRIC12	thousand lei	247.281	211.909	116,69
5.	Revenue from balancing	thousand lei	111.953	183.208	61,11
6.	Cost of balancing gas	thousand lei	111.953	183.208	61,11
7.	Revenue from the construction activity acc. to IFRIC12	thousand lei	673.000	297.898	225,92
8.	Cost of constructed assets according to IFRIC12	thousand lei	673.000	297.898	225,92
9.	Operating profit	thousand lei	247.281	211.909	116,69
10.	Financial revenue	thousand lei	45.498	33.303	136,62
11.	Financial cost	thousand lei	10.383	16.482	63,00
12.	Gross profit	thousand lei	282.396	228.729	123,46
13.	Profit tax	thousand lei	46.023	36.518	126,03
14.	Net profit	thousand lei	236.373	192.211	122,98
15.	Total comprehensive result related to the period	thousand lei	237.612	188.925	125,77
16.	Transmitted gas	MWh	69.961.583	73.279.756	95,47
17.	Investment cost	thousand lei	689.820	349.797	197,21
18.	Rehabilitation cost	thousand lei	4.507	3.032	148,69
19.	NTS gas consumption	thousand lei	39.356	39.228	100,33
20.	NTS gas consumption	MWh	358.118	389.039	92,05

Table 3- The evolution of the performance indicators in Sem. I 2020 vs Sem. I 2019

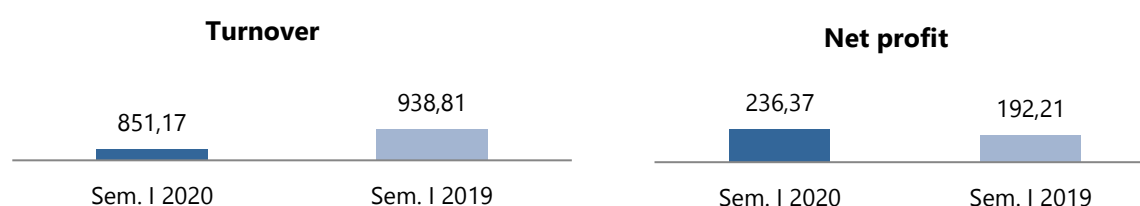


Chart 3 –Turnover Sem. I 2020 vs. Sem. I 2019 (thousand lei)

Chart 4-Net Profit Sem. I 2020 vs. Sem. I 2019 (thousand lei)

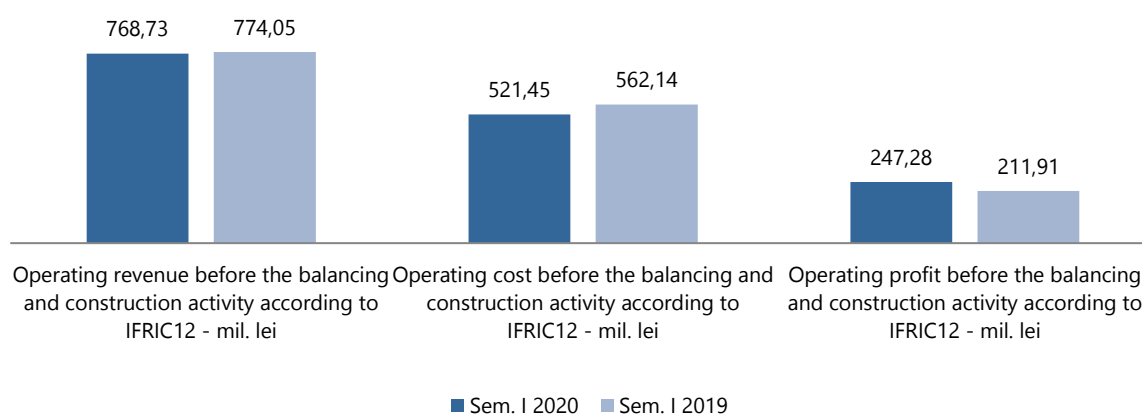


Chart 5 Operating revenue, expense and operating profit before the balancing and construction activity according to IFRIC 12 in Sem. I 2020 vs. Sem. I 2019 (mil. lei)

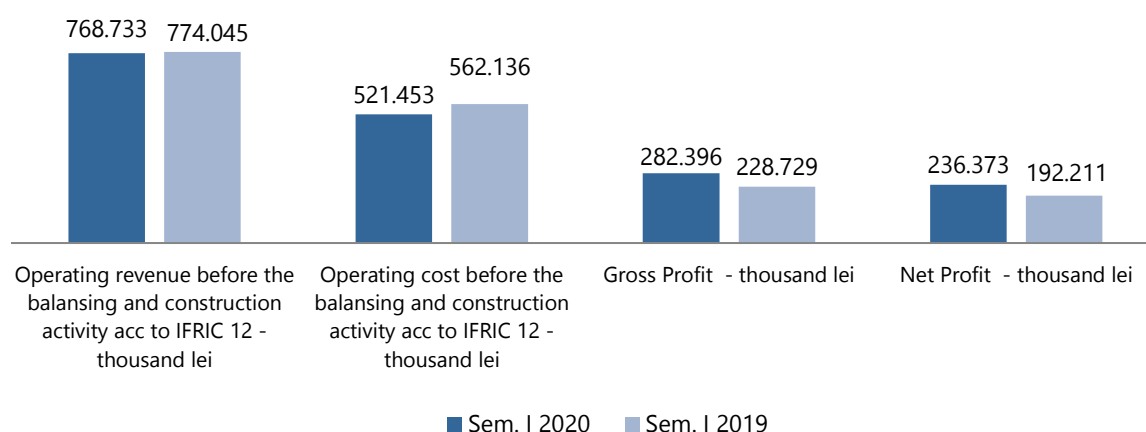


Chart 6- Evolution of the main economic-financial indicators in Sem. I 2020 vs. Sem. I 2019 (thousand lei)

Transgaz holds the monopoly in Romania in terms of natural gas transmission and circulates approximately 90% of the total natural gas consumed.

As at 30 June 2020 the Company's cash in bank accounts amounted to lei 375.208 thousand of which 15% was cash denominated in foreign currency, most of it in EUR.

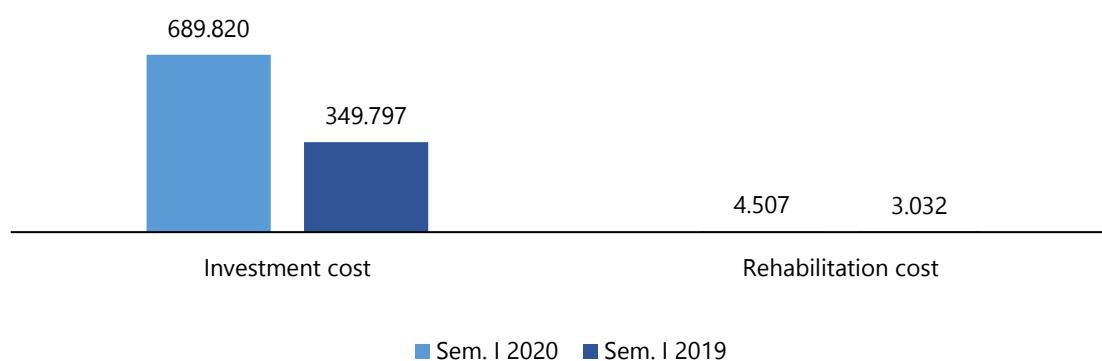


Chart 7-Evolution of the investment and rehabilitation costs Sem. I 2020 vs. Sem. I 2019 (thousand lei)

The values of the profitability, liquidity, risk and management indicators in Semester I 2020 compared to the same period of 2019:

Indicators	Calculation formula	Sem. I 2020	Sem. I 2019
Profitability indicators			
EBITDA in total sales	EBITDA	41,44%	32,99%
	Turnover		
EBITDA in equity	EBITDA	9,21%	8,48%
	Equity		
Gross profit share	Gross profit	33,18%	24,36%
	Turnover		
Return on equity	Net profit	6,17%	5,26%
	Equity		
Liquidity indicators			
Current liquidity indicator	Current assets	1,58	2,28
	Short term debts		
Quick liquidity indicator	Current assets - Stocks	1,04	1,71
	Short term debts		
Risk indicators			
Leverage indicator	Borrowed capital	26,73%	6,48%
	Equity		
Interest coverage ration	EBIT	41,69	134,24
	Interest expense		
Management indicators			
Speed of debit - clients	Average accounts receivable x 181 days	133,58	124,04
	Turnover		
Speed of credit - suppliers	Average accounts payable x 181 days	48,78	37,71
	Turnover		

Table 4- Evolution of the Profitability, liquidity, risk and management indicators Sem I 2020 vs Sem I 2019

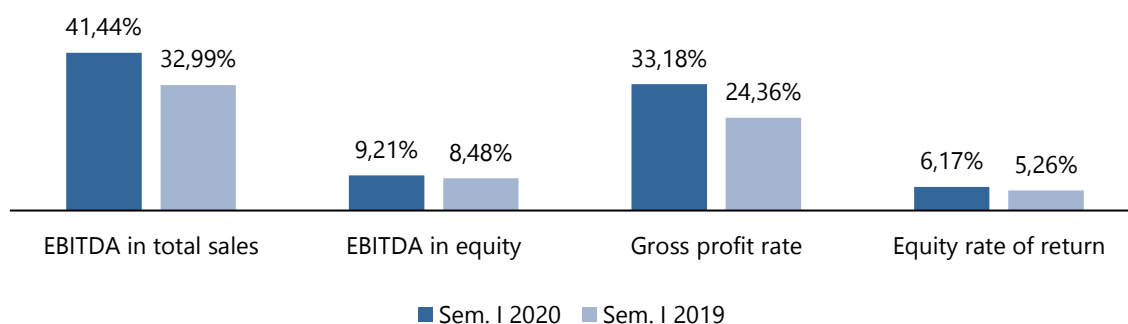


Chart 8 – Evolution of the Profitability indicators Sem. I 2020 vs. Sem. I 2019

3. THE DEVELOPMENT STRATEGY

3.1 Strategic projects

In consideration of the compliance with European Directive EC/73/2009 Art. 22 on the obligation to prepare the **Ten-Year Network Development Plans** (TYNDP) for all European Union gas transmission system operators and Article 125 (6) of Law 123/2012, SNTGN Transgaz SA Mediaș, as technical operator of the National Gas Transmission System of Romania prepared the **2019-2028 TYNDP**, which was approved by ANRE by Decision no. 2080/11.12.2019.

The document presents the development directions of the Romanian gas transmission network and the major projects that the company intends to implement in the next 10 years in order to achieve a maximum degree of transparency in the development of the national gas transmission system.

The 2019– 2028 TYNDP complies with the European energy policy on:

- ensuring safety of natural gas supply;
- increasing the interconnection of the national gas transmission network to the European network;
- increasing the flexibility of the national gas transmission network;
- liberalization of the gas market;
- integrating the gas market at the level of the European Union.

The projects included in the **2019– 2028 TYNDP** are:

1. Development on the Romanian territory of the National Gas Transmission System along the Bulgaria - Romania - Hungary - Austria Corridor (BRUA) will be achieved in two phases:
 - 1.1 Development on the Romanian territory of the National Gas Transmission System along the Bulgaria - Romania - Hungary - Austria Corridor (BRUA)-**Phase 1**;
 - 1.2 Development on the Romanian territory of the National Gas Transmission System on the Bulgaria - Romania - Hungary - Austria Corridor (BRUA)-**Phase 2**;
2. Development on the Romanian territory of the Southern Transmission Corridor for taking over the Black Sea gas;
3. The interconnection of the national gas transmission system with the T1 international gas transmission pipeline;
4. NTS development in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova;
5. Extension of the bidirectional gas transmission corridor Bulgaria – Romania - Hungary – Austria (BRUA Phase 3);
6. Project on new developments of the NTS for taking over Black Sea gas;
7. Interconnection between the Gas Transmission Systems of Romania and Serbia;
8. Modernization of Isaccea 1 GMS and Negru Vodă 1 GMS;
9. Interconnection of the gas transmission systems of Romania and Ukraine in the Gherăești – Siret direction;
10. Development/Upgrading of the gas transmission infrastructure in the North-Western part of Romania;
11. Increase in the gas transmission capacity of the interconnection Romania- Bulgaria, in the Giurgiu-Ruse direction;

12. Eastring-Romania;
13. Monitoring system, data control and acquisition for the cathodic protection stations related to the National Gas Transmission System;
14. Development of the SCADA system for the National Gas Transmission System.

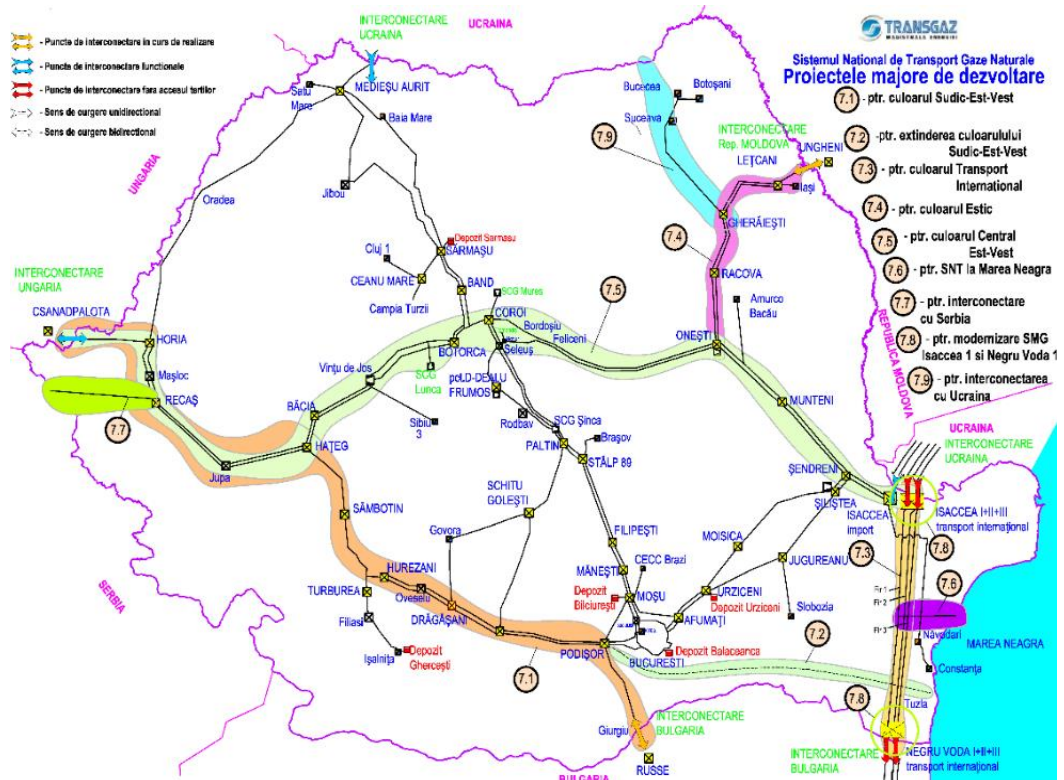


Figure 1-Map of the main NTS projects

1. Development on the Romanian territory of the National Gas Transmission System along the Bulgaria – Romania – Hungary – Austria corridor (BRUA)

Currently, at European level, the implementation of several major projects allowing for the diversification of Europe's gas supply sources by the transmission both of the Caspian gas and of the gas available from the LNG terminals to Central Europe is in progress:

- enhancement of the South Caucasus Pipeline;
- construction of the Trans-Anatolian Pipeline (TANAP);
- construction of the Trans Adriatic Pipeline (TAP);
- construction of the interconnection Greece - Bulgaria (IGB).

The implementation of these projects creates the possibility to transport Caspian gas to the Southern border of Romania.

Under such circumstances, the National Gas Transmission System needs to be adjusted to the new perspectives, by extending the transmission capacities between the existing interconnection points of the Romanian gas transmission system with the Bulgarian system (at Giurgiu) and the Hungarian system (at Nădlac).



Figure 2 – The interconnection points of the Romanian gas transmission system with the similar Bulgarian and Hungarian systems

The NTS entry-exit points Giurgiu and Nădlac are linked through a system of pipelines with a long service life, with diameters of maximum 24" and design pressures of maximum 40 bar. The existing gas transmission capacities do not allow for the transmission of important gas volumes.

The project 'Development on the Romanian territory of the National Gas Transmission System along the Bulgaria – Romania – Hungary – Austria Corridor', aims at the development of the gas transmission system capacities between the interconnections between the Romanian gas transmission system and the similar systems of Bulgaria and Hungary consisting in the construction of a new transmission pipeline to connect the Podișor Technological Node to the Horia GMS.

This project asserted itself as a necessity in the second half of 2013 based on the following:

- the deselection of the Nabucco project as the route preferred for the Caspian gas transmission to the Central European markets;
- ensuring adequate gas transmission capacities at the cross-border interconnection points between Romania and Bulgaria and between Romania and Hungary for increasing interconnectivity at the European level;
- ensuring gas transmission capacities so that Black Sea gas can reach the Central European markets.

The Project was included in the updated list of Projects of Common Interest published in EU Official Journal L74/11.03.2020 as an Annex to Regulation 347/2013.

Thus, the updated list of the Union's List of Projects of Common Interest (List 4/2020) comprises the Project BRUA with both phases at sections 6.24.1 and 6.24.4-2 within **Cluster phased capacity increase on the (Bulgaria) — Romania — Hungary — (Austria) bidirectional transmission corridor (currently known as "ROHUAT/BRUA") to enable a capacity at the Romania-Hungary interconnection of 1.75 bcm/a in the 1st phase, 4.4 bcm/a in the 2nd phase, and including new resources from the Black Sea in the 2nd phase.**

The implementation phases of the BRUA Project, in accordance with the provisions of the Fourth PCI List /2020 are:

- Development of the transmission capacity in Romania from Podișor to Recaș, including a new pipeline, metering station and three new compressor stations in Podișor, Bibești and Jupa;
- Expansion of the transmission capacity in Romania from Recaș to Horia towards Hungary up to 4.4 bcm/a and expansion of the compressor stations in Podișor, Bibești and Jupa.

Furthermore, the BRUA Project with was included in the list of priorities of the CESEC (Central East Europe Gas Connectivity) working group as follows:

- Phase I of the BRUA Project was included in the list of priority projects;
- Phase II of the BRUA Project was included in the list of conditional priority projects.

The BRUA project both of its phases (Phase I and Phase II) is included in the 2018 European TYNDP identified with the code TRA-F-358 (Phase I), and TRA-N-1322 (Phase II).

1.1 Development on the territory of Romania of the National Gas Transmission System along the Bulgaria–Romania–Hungary–Austria Corridor – Phase 1

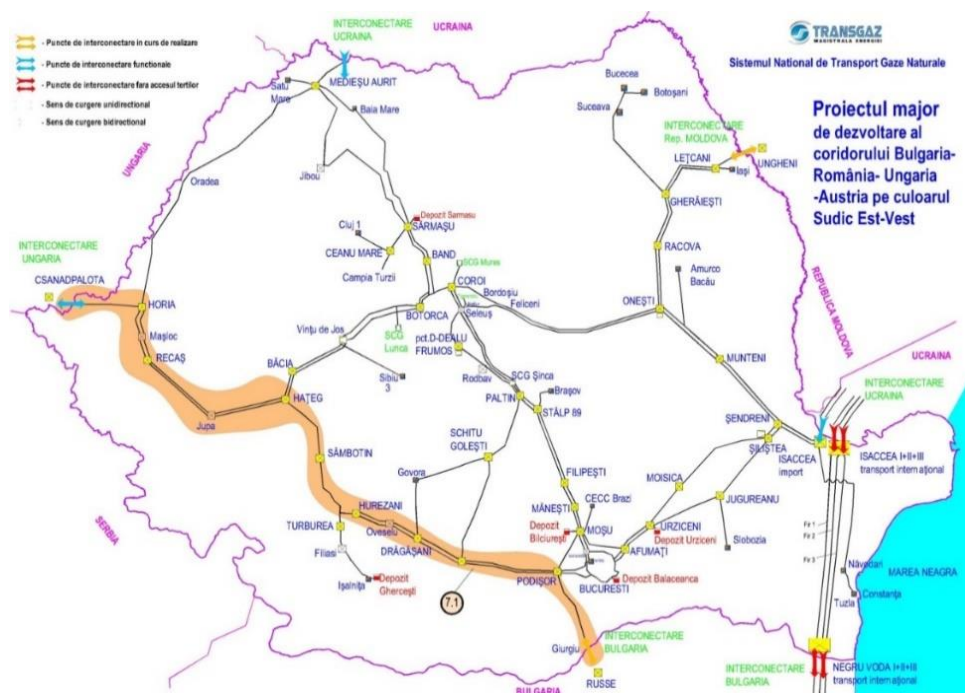


Figure 3 -Map of the key development project of the Bulgaria-Romania-Hungary-Austria Corridor – Phase 1

Project description:

BRUA Phase I consists in the achievement of the following objectives:

- pipeline Podișor-Recaș 32" x 63 bar approximately 479 km long:

- **LOT 1** from km 0 (in the vicinity of Podisor, Giurgiu county) to km 180 (in the vicinity of Valeni village, Zatrenei locality, Valcea county)
- **LOT 2** from km 180 in the vicinity of Valeni village, Zatrenei locality, Valcea county) to km 320 (in the vicinity of Pui, Hunedoara county)
- **LOT 3** from km 320 (in the vicinity of Pui, Hunedoara county) to km 479 (in the vicinity of Recas, Timis county).
- three gas compressor stations (Podisor CS, Bibești CS and Jupa CS) each station being equipped with two compressor units (one in operation and one back-up), with the possibility to ensure bidirectional gas flow.

The implementation of BRUA Phase 1 results in the provision of permanent bidirectional gas flows possibilities between the interconnections with Bulgaria and Hungary, the following gas transmission capacities being ensured:

- in the Hungary direction: 1,75 bcm/a,
- in the Bulgaria direction: 1,5 bcm/a .

Indicative project development schedule

Development stages	Progress/Indicative completion date acc. to 2019-2028 TYNDP	Progress/ Indicative completion date updated at the date of the Report
Pre-feasibility study	completed	completed
Feasibility study	completed	completed
Environmental Impact Assessment	completed	completed
FEED	completed	completed
FID	Obtained in 2016	obtained 2016
Environmental Permit	obtained - December 2016	obtained-December 2016
Construction Permit	obtained – February 2017	obtained-February 2017
Exhaustive decision	obtained – March 2018	obtained-March 2018
Conclusion of contracts for the execution works	November 2017	November 2017
Issuing of the pipeline execution works commencement order	Issued on 4 June 2018	issued on 4 June 2018
Delivery of the pipeline site and Public consultation in the related territorial Administrative units	May–June 2018	May–June 2018
Conclusion of the contract for the compressor station execution works	March 2018	March 2018
Delivery to the constructor of the sites of the Compressor stations and Public consultations in the related TAUs	11-13 April 2018	11-13 April 2018
Issue of the works commencement order for the execution of the three compressor station	Issued on 16 April 2018	issued on 16 April 2018
Conclusion of the contract for the execution works related to the pipeline automation and security	July 2018	July 2018

Development stages	Progress/Indicative completion date acc. to 2019-2028 TYNDP	Progress/Indicative completion date updated at the date of the Report
Pipeline construction –Phase I		2018–2020 (in progress)
– Section Jupa – Recaş (part of Lot 3)	2018–2020	completed
– Lot 1, Lot 2 and Pui-Jupa section	2019	
	2020	2020
Construction of the compressor stations –Phase I		2018– 2020 (in progress)
– CS Jupa	2018– 2020	completed
– CS Podişor	2019	completed
	2019	
CS Bibeşti	2020	completed
Start of operation Phase 1	December 2020	October 2020

Indicative completion date: 2020

Estimated value: Euro 478.6 million

The inclusion of the project in international plans

- **PCI project** (first list of European Projects of Common Interests): **BRUA 7.1.5**
- **PCI project** (second list of European Projects of Common Interests): **BRUA Phase I: 6.24.2**
- **PCI project** (third list of European Projects of Common Interests): **BRUA Phase I: 6.24.1–position 2**
- **PCI project (fourth list):** BRUA Phase I: 6.24.1

Priority corridor: Gas interconnections on the North-South corridor of Central Europe and South-Eastern Europe («NSI East Gas»).

Current project status

Considering the status of project of common interest even from the first PCI list, Transgaz received a grant through the Connecting Europe Facility (CEF) for the FEED related to the three compressor stations.

For the design of the three compressor stations a Financing Contract was signed with **Innovation and Networks Executive Agency (INEA)** for a **grant in the amount of 1.519.342 EUR**, representing 50% of the total estimated FEED costs for the compressor stations.

In May 2016 the design contract for the three compressor stations (CS Podişor, CS Bibeşti and CS Jupa) FEED contract was signed with the Polish company Gornicze Biuro Projectow PANGAZ sp. z.o.o.

In October 2015 Transgaz submitted a grant application to obtain financing for BRUA Phase I. The grant request was submitted on the Innovation and Networks Executive Agency (INEA) portal on 12.10.2015. On 19.01.2016 the CEF Committee validated the list of proposed projects for receiving financial support through CEF. BRUA–Phase I was proposed for receiving a grant of EURO 179.3 million. On 9 September 2016 the Grant Agreement was signed.

The Environmental Impact Assessment Procedure for the BRUA project was completed and in December 2016 the National Environmental Protection Agency issued the Environmental Agreement .

The order for the commencement of the works for pipeline LOT 1, LOT 2 and LOT 3 was issued on 4 June 2018. The mounting and construction works are ongoing.

The pipeline automation and securing works are performed along the entire route, from km 0 (in the vicinity of Podisor, Giurgiu county) to km 479 (in the vicinity of Recas, Timis county). The Contract was signed on 24 July 2018 and the works commencement order was issued on 30 August 2018.

The works commencement order for the **CS Podisor, CS Jupa and CS Bibesti construction works** was issued on 16 April 2018, and the construction and mounting works, the commissioning tests included, were completed..

The strategy for the procurement of the long-lead items and of the construction works

Having carefully analysed the options available, Transgaz' management established the following procurement strategy:

- The long-lead items (compressor groups, pipes, bends, electrically insulated joints and valves) will be procured by Transgaz and made available to the constructors;
- Considering the length of the projects, the linear pipeline was split into 3 lots;
- The 3 compressor stations will be constructed by the same contractor;
- The pipeline automation and security works will be performed under a distinct contract.

Progress of the procurement procedures

In December 2016, Transgaz launched the sectoral tenders for the procurement of the following material and equipment related to BRUA phase I by the Electronic System for Public Procurements (SEAP):

- pipe material and curves;
- compressor units;
- valves;
- electro insulating joints.

In 2017 and 2018 the activities related to the preparation of the execution works for the implementation of the BRUA project –Phase I continued:

The progress of the public procurement is as follows:

- the contract for the procurement of electro insulating joints was signed on **04.08.2017** and it is executed, all the materials being received;

- the contract for the procurement of the compressor units was signed on **24.08.2017** and it is ongoing since the contract has a technical support in operation component which is ongoing;
- the contracts for the procurement of the Lot 1, 2, and 3 pipeline execution works were signed on **28.11.2017** and are in progress;
- the contract for the procurement of the valves was signed on **28.02. 2018** and it is executed, all the materials being received;
- the contracts for the procurement of the execution works related to the compressor stations was signed **23.03.2018** and ended on 17 July 2020 when the final acceptance for the Bibesti Compressor Station was signed;
- the contract for the procurement of the pipe material and of the curves was signed on **23.04.2018** and it is in progress;
- The frame-agreements for *Biodiversity monitoring services for gas transmission pipeline and related facilities projects* was signed on **11.07.2018**. The awarding procedure related to the subsequent contracts for the BRUA project was completed and the contracts were signed on **23-24.08.2018** and are in progress;
- the contract for the execution works related to the pipeline automation and security was signed on **24.07.2018** and it is in progress.

Progress of the works for the construction of the pipeline

Works for the construction of the compressor stations

The works commencement order was issued on **16 April 2018**.

The works related to the compressor stations are executed by the **Association INSPET SA (LEADER) – PETROCONST SA – MOLDOCOR SA – HABAU PPS PIPELINE SYSTEMS SRL – IRIGC IMPEX SRL – SUTECH SRL – TIAB SA – ROCONSULT TECH SRL**, based on the works contract number **333/23.03.2018**.

The updated amount of the contract is lei 356.698.775,55 (without VAT).

The works for the construction of CS Bibesti were influenced by the need to perform intrusive archaeological inspection works beforehand.

To this effect, the works to CS Bibesti started on 06 July 2018 in phases subject to the completion of the intrusive archaeological inspection of lands related to the compressor station. The final acceptance was signed on 17 July 2020.

The progress of the works for the construction of the three compressor stations

PODIȘOR COMPRESSOR STATION (CS PODIȘOR)

CS Podișor was inaugurated on 31 October 2019.

BIBESTI COMPRESSOR STATION (CS BIBESTI)

In QII 2020 the civil construction, mechanical, electrical and automation works were completed. The specific pre-commissioning and commissioning tests were also executed. **The final acceptance was signed on 17 July 2020.**

JUPA COMPRESSOR STATION (CS JUPA) CS Jupa was inaugurated on 30 September 2019.

Works for the construction of the pipeline

Until 30 June 2020 the entire pipe material and bends quantity requested by the specification was manufactured was accepted.

PROGRESS OF THE WORKS FOR THE CONSTRUCTION OF THE PIPELINE

CONSTRUCTION WORKS PIPELINE LOT 1 (KM 0 – KM 180)

Construction works for the pipeline LOT 1 are executed from KM 0 (in the area of Podișor, the county of Giurgiu) at KM 180 (in the area of Văleni, Zătreți commune, the county of Vâlcea).

The construction of the pipeline related to LOT 1 is achieved by the **Association INSPET SA (leader) – PETROCONST SA – ARGENTA SA – IRIGC IMPEX SRL – COMESAD RO SA**, based on the works contract no **601/28.11.2017**.

The updated value of the contract is of lei **146.305.736,05** (without VAT).

The LOT 1 works were launched in the second half of September 2018.

The pipeline mounting works and the pressure tests were completed for sections T 1 – T 31, with a total length of approx. 155 km).

CONSTRUCTION WORKS PIPELINE LOT 2 (KM 180 – KM 320)

Construction works for the pipeline LOT 2 are executed from KM 180 (in the area of the locality Văleni, Zătreți commune, the county of Vâlcea) at KM 320 (in the area of the locality Pui, the county of Hunedoara).

The construction of the pipeline related to LOT 2 is achieved by the **Association HABAU PPS PIPELINE SYSTEMS SRL(LEADER) – INSPET SA – IPM PARTNERS ROMÂNIA SA – PETROCONST SA – MOLDOCOR SA – ARGENTA SA – ANTREPRIZĂ MONTAJ INSTALAȚII SA – ROMINSTA SA – COMESAD RO SA**, based on the works contract number **602/28.11.2017**.

The awarded value of the contract is of lei **193.258.281,68** (without VAT).

The LOT 2 works were launched in the second half of September 2018.

Straight line pipeline mounting works were executed.

CONSTRUCTION WORKS PIPELINE LOT 3 (KM 320 – KM 479)

Construction works for the pipeline LOT 3 are executed from KM 320 (in the area of the locality Pui, the county of Hunedoara) at KM 479 (in the area of the locality Recaș, the county of Timiș).

The construction of the pipeline related to LOT 3 is achieved by the **Association HABAU PPS PIPELINE SYSTEMS SRL (LEADER) – IPM PARTNERS ROMÂNIA SA - MOLDOCOR SA - ANTREPRIZĂ MONTAJ INSTALAȚII SA - ROMINSTA SA**, based on the works contract number **603/28.11.2017**.

The awarded value of the contract is lei **179.615.949,37** (without VAT).

The pipeline mounting works and the pressure tests were completed for the following sections:

- Section 86 - Section 100 (with a total length of approx. 70 km)
- Section 75 - Section 76 (with a total length of approx. 7 km)

LOT 4 PIPELINE AUTOMATION AND SECURITY

The pipeline automation and security works on the entire section, from KM 0 (in the area of the locality Podișor, the county of Giurgiu) at KM 479 (in the area of the locality Recaș, the county of Timiș).

The conclusion of the contract on the execution of the pipeline automation and security works took place of 24 July 2018. The works are executed by the **Association SOCIETATEA S&T ROMÂNIA SRL – ADREM ENGINEERING SRL**, based on the works contract number **585/24.07.2018**.

The value of the contract is **42.381.616,86 lei** (VAT excluded).

The works commencement order was issued on **30 August 2018**.

Until 30 June 2020 all of the specific works at the three compressor stations - CS Podisor, CS Jupa and CS Bibești were completed (optical fibre infrastructure, specific equipment mounted and installed).

Also, specific mounting works for pipeline valve stations automation systems continued.

Steps taken in order to obtain the necessary funds for the implementation of the BRUA project – Phase I from the European Reconstruction and Development Bank (EBRD) and the European Investment Bank (EIB)

Considering the status of project of common interest, Transgaz obtained EUR 1.54 million funding under Connecting Europe Facility for the FEED of the three compressor stations.

In October 2015, Transgaz submitted an application during the session for submitting applications for funding to obtain a grant for the execution works related to Phase I of the BRUA Project.

On 19 January 2016, the Meeting of the CEF-Energy Coordination Committee (responsible for managing the procedures for granting European financial assistance to Projects of Common Interest for energy) took place in Brussels and the list of projects of common interest proposed for receiving European funding under the 2015 Connecting Europe Facility was validated.

In September 2016 SNTGN Transgaz SA signed with INEA (Innovation and Networks Executive Agency) the **Financing Contract** having a value of approximately **EUR 179.3 million**.

In 2016, Transgaz worked closely with EBRD specialists to carry out the technical, economic and environmental *due diligence* process related to Transgaz and to the project.

The environmental and social documentation prepared according to EBRD's performance standards was published on 12.07.2017 for public consultation for a period of 120 days according to the EBRD's policy on EBRD's and Transgaz web pages.

On 13 December 2017 EBRD's Board approved the funding for BRUA project.

On 23 February 2018, Transgaz and EBRD signed a loan agreement under which the EBRD will provide the company with a loan amounting to up to 278 million lei, equivalent to EUR 60

million, with the following essential characteristics: duration-15 years, grace period 3 years. No disbursements were made.

On 27 October 2017 a Loan contract was concluded with the European Investment Bank for the amount of EUR 50 million with a 15 years maturity, 3 years grace period with a fixed interest negotiated for each disbursement. 3 disbursements were made summing up the entire contract amount.

A Loan Agreement was concluded with the European Investment Bank on 14 December 2017, for the amount of EUR 50 million with a maturity of 15 years, 3-year grace period with the fixed or variable interest to be negotiated at the date of the disbursement. There were 2 disbursements totalling the entire contract amount.

A loan contract for the amount of lei 186 million, i.e. EUR 40 million equivalent, was signed with Banca Comercială Română on 24 April 2019, with disbursement and reimbursement in lei, maturity of 15 years, the main loan's grace period for repayment being 3 years. There were two disbursements totalling the entire contract amount.

Aspects connected to archaeology

In August 2017, following the tender procedure 4 framework contracts were concluded for specific archaeological services necessary for the implementation of the BRUA project Phase 1 and the following Subsequent Contracts were signed:

- Archaeological surveillance of the above ground facilities;
- Intrusive archaeological diagnosis;
- Preventive archaeological research of the sites identified within the preparation of the FEED.

Decision of Screening Stage 167/09.12.2019 issued by the National Environmental Protection Agency.

NORMATIVE ACTS NECESSARY FOR THE IMPLEMENTATION OF THE PROJECT

Along the route of the BRUA Phase I project, on ten counties, the gas transmission pipeline crosses the following types of land in the 10 counties: arable, clean pastures, tree pastures, hedges and bushes, wooded pastures, cultivated grasslands, vineyards, hybrid vineyards, noble vineyards, classical orchards, fruit nurseries, intensive orchard, orchard fruit bushes, clean meadows, grassy meadow and bushes, tree meadows, wooded meadows, garden, vegetable gardens, other lands.

In order to acquire the right to use agricultural and forest land for the execution of the works, it is necessary to issue two government decisions as follows:

- Obtaining a government resolution for the temporary removal of the agricultural circuit of the agricultural land located outside of the built-up areas

The Government of Romania issued Government Resolution 110/15.03.2018 for the approval of the list of agricultural land located outside of the built-up areas, for the project of common interest in the gas domain `Development on the territory of Romania of the National Gas

Transmission System on the Bulgaria–Romania–Hungary–Austria Corridor – the Podișor – Horia GMS pipeline and three new compressor stations (Jupa, Bibești and Podișor) (Phase 1).

Obtaining a government resolution for the temporary occupation of the forest lands

The Government of Romania issued Government Resolution **727/13.09.2018** on the approval of the temporary occupation of 42,1315 ha national forest area land by TRANSGAZ SA Mediaș, for the project of national importance in the gas domain `Development on the territory of Romania of the National Gas Transmission System on the Bulgaria–Romania–Hungary–Austria Corridor`.

The construction permit and the comprehensive decision

In February 2017 the Ministry of Energy issued Construction Permit No. 1/24.02.2017 authorizing the execution of the construction works related to the `Development on the Romanian territory of the National Gas Transmission System along Bulgaria - Romania - Hungary - Austria Corridor (BRUA) (including the power supply, cathodic protection and optical fibre) Phase I: Podișor –Recaș gas transmission pipeline, 479 km long, Podișor, Bibești, Jupa gas compressor stations, Site arrangements and pipe storage facilities.

Considering the status of project of common interest and the applicability of EU Regulation 347/2013 of the European Parliament and of the Council on trans-European energy infrastructures (EU Regulation No. 347/2013), the implementation of the BRUA project implies the obtaining of the Comprehensive Decision.

According to EU Regulation No. 347/2013, the Comprehensive Decision is the decision or the sum of the decisions taken by an authority or authorities of the Member States, except for the courts, which determines whether or not a project initiator is authorized to carry out a project. Romania chose the `collaborative system` of issuing the comprehensive decision. Under this system, the Ministry of Energy, acting as the Competent National Authority responsible for facilitating and coordinating the authorization procedure for projects of common interest (ACPIC) for the implementation of Regulation (EU) No.347/2013, coordinates the issuance of the comprehensive decision and the process of issuing individual decisions.

By issuing the Comprehensive Decision, the entire authorization process necessary to execute a project of common interest, according to the provisions of Regulation (EU) 347/2013 and the national legislation is applied.

Transgaz took the following steps for obtaining the Comprehensive Decision:

- On 19 December 2016 Transgaz S.A. sent the application file for BRUA Phase I to A.C.P.I.C for the issuing of the Comprehensive Decision (according to EU Regulation 347/2013).
- On 18 October 2017 Transgaz S.A. sent to ACPIC the Project Final Report for the permitting process and the public consultation concept for BRUA Phase I.

Following the actions taken, on 21.03.2018 the Comprehensive Decision was issued.

1.2 Development on the territory of Romania of the National Gas Transmission System on the Bulgaria–Romania–Hungary–Austria Corridor – Phase II

Unlike BRUA Phase I, which is considered a Security of Supply–SoS project, BRUA Phase II is considered a commercial project, and the Final Implementation Decision will be taken only if the project is commercially viable.

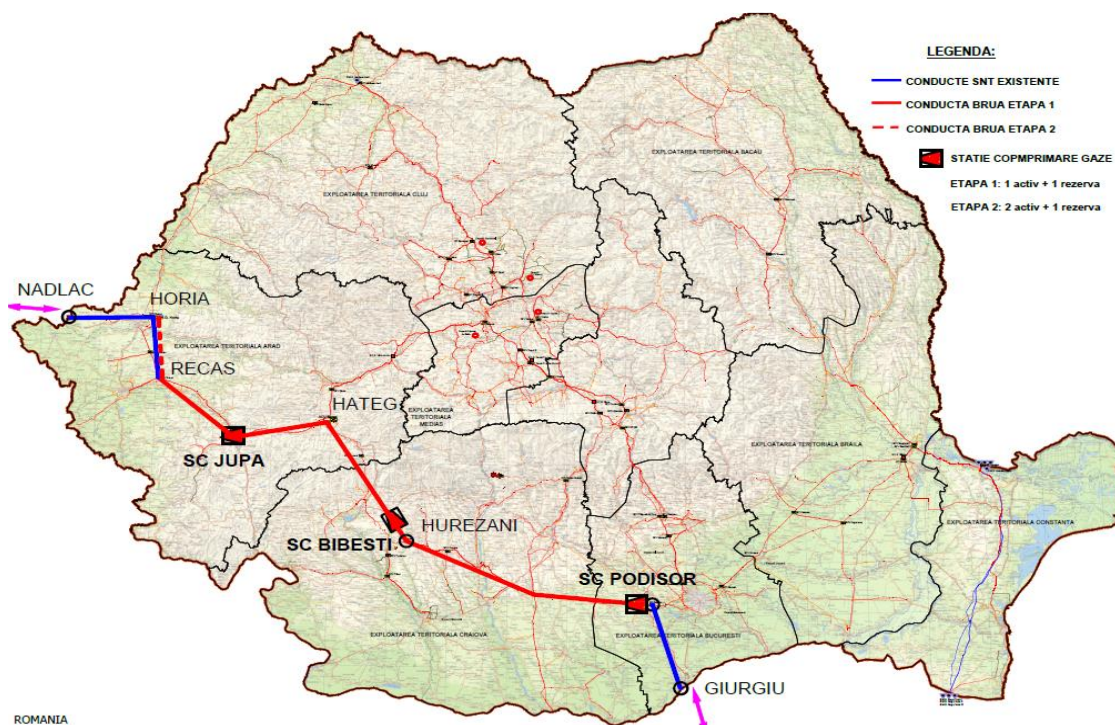


Figure 4– Map of the main development project related to the Corridor Bulgaria-Hungary-Austria – Phase II

Project description:

BRUA Phase II Project consists in the construction of the following facilities:

- 32" x 63 bar Recaș–Horia gas transmission pipeline, approximately 50 km long;
- Expansion of the three compressor stations (Podișor CS, Bibești CS and Jupa CS) each compressor station being equipped with an additional compressor;
- Extension of the Horia GMS gas metering station.

Results:

The BRUA– Phase II project generates the possibility to enable permanent bidirectional gas flow between the interconnections with Bulgaria and with Hungary ensuring at the same time the following gas transmission capacities:

- Gas transmission towards Hungary of 4.4 bcm/year, respectively of 1.5 bcm/year towards Bulgaria.

Indicative project implementation timeline:

Development stages	Progress/ Indicative date acc. to TYNDP	completion 2019-2028	Progress/ Indicative completion date updated at the date of the Report
Pre-feasibility study	Completed		Completed
Feasibility study	Completed		Completed
Environmental Permit	Completed		Completed
FEED and technical documentation for obtaining the construction permit	Completed		Completed
FID Phase 2	2019*		2020*
Construction Phase 2	2022*		2022*
Commissioning Phase 2	2022*		2022*
Operation start-up Phase 2	2022*		2022*

*The completion of Phase 2 depends on procedure for capacity booking at Csanadpalota IP and on the timeline of this procedure.

Indicative completion date: 2022

Estimated value: Euro 74.5 million

The inclusion of the project in international plans

- **PCI project** (first list): 7.1.5;
- **PCI project** (second list): Phase II: 6.24.7;
- **PCI project** (third list): Phase II: 6.24.4–position 4;
- **PCI project** (fourth list): Phase II: 6.24.4 – position 1;
- **ENTSO TYNDP 2018**: TRA-N-358;
- **ENTSO TYNDP 2020**: TRA-A-1322.

Priority corridor: Gas interconnections on the North-South corridor of Central Europe and South-Eastern Europe («NSI East Gas»). Cluster number EAST 12b and 12c.

Project progress:

Since 2016 SNTGN Transgaz S.A., FGSZ – Hungary and Gas Connect – Austria and the regulatory authorities of Romania, Hungary and Austria prepared the documentation necessary for the Binding Open Season for the booking of capacity at the interconnection points between Romania and Hungary and Hungary and Austria, with the support and active participation of the European Commission.

In the autumn of 2017, FGSZ Hungary announced that the Binding Open Season procedure will be limited to the Romania – Hungary Interconnection Point, since there were available capacities at the interconnection pipelines of Hungary with the neighbouring countries, without any additional investments for the achievement of the Hungary – Austria interconnection being necessary.

Accordingly, SNTGN Transgaz S.A. together with FGSZ had developed at the end of the year 2017 the Binding Open Season Procedure for Romania - Hungary Interconnection Point. The

offered capacity was over-subscribed, demonstrating thus the interest of the market and ensuring the commercial durability of BRUA project, Phase 2, the economic tests being passed successfully.

The network users who had booked capacity within the Open Season Procedure had exerted their step back right from the capacity booked up to the date of 14th December 2018; accordingly, the procedure will continue with the third period of submitting the capacity booking offers, in accordance with the provisions of the Binding Open Season Procedure Rulebook RO-HU.

Although SNTGN Transgaz S.A. wanted to finalize Phase II at the end of 2020 (as it was previously approved in the Company's 10 years Development Plan), FGSZ can finalize the corresponding project on the Hungarian territory only in 2022, reason for which its commissioning is estimated in October 2022.

The technical documentation for obtaining the construction permit is completed, and the reendorsement by the TEC of the updated FEED is in progress.

2. Development on the territory of Romania of the Southern Corridor for taking over Black Sea gas (Tuzla–Podișor pipeline)

As Europe becomes of course more dependent on natural gas imports, the development on the Romanian territory of a gas transmission infrastructure from the Black Sea to the Romania/Hungary border is one of TRANSGAZ's major priorities for enabling access to Black Sea gas.

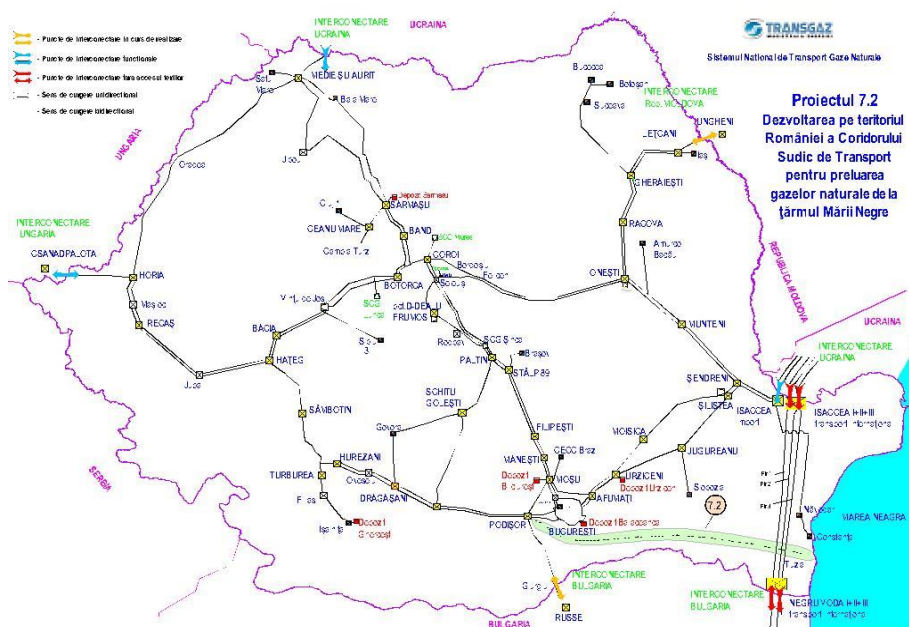


Figure 5-Southern Corridor Black Sea – Podișor

Project description:

The project consists in the construction of a 308.3 km Tuzla-Podișor telescopic gas transmission pipeline to connect the gas resources available at the Black Sea shore and the BRUA corridor, enabling gas transmission to Bulgaria and Hungary through the existing interconnections, Giurgiu – Ruse (with Bulgaria) and Nădlac – Szeged (with Hungary). This pipeline will also be interconnected with the current international gas transmission pipeline - T1.

The pipeline is telescopic and consists of two sections, as follows:

- Section I, Black Sea shore – Amzacea, 32.4 km long, will have a diameter of Ø48" (Dn1200) and the technical capacity of 12 bcm/y;
- Section II, Amzacea – Podișor, 275.9 km long, will have a diameter of Ø 40" (Dn1000) and the technical capacity of 6 bcm/y;

Indicative project implementation schedule

Development stages	Progress/ Indicative completion date acc. to 2019-2028 TYNDP	Progress/ Indicative completion date updated at the date of the Report
Pre-feasibility study	Completed	Completed
Feasibility study	Completed	Completed
FEED	Completed	Completed
Environmental assessment study	Completed	Completed
Environmental Permit	Completed	Completed
Technical documentation for obtaining the construction permit	Completed	Completed
Construction permit	Completed	Completed
Comprehensive decision	obtained in May 2019	Completed
Final Investment Decision	2019*	2020*
Construction	2019 – 2021*	2020-2022*
Commissioning/start-up	2021*	2022*

* Subject to the final investment decision being taken

Indicative completion date: 2022

The completion time depends on the upstream projects completion schedules. Transgaz has not yet taken a Final Investment Decision for this project.

Estimated value: Euro 371.6 million

If the project meets all of the eligibility criteria under Regulation (EU) 347/2013, Transgaz intends to submit an investment request for obtaining a grant for the works through the Connecting Europe Facility.

The inclusion of the project in international plans

- **PCI project (second list):** 6.24.8;
- **PCI Project (third list):** 6.24.4 6.24.4 – 5
- **Project PCI (fourth list):** 6.24.4-2 Black Sea shore — Podișor (RO) pipeline for taking over the Black sea gas within the **Cluster phased capacity increase on the Bulgaria — Romania — Hungary — Austria bidirectional transmission corridor (currently known as ROHUAT/BRUA) to enable 1.75 bcm/a in the 1st phase and 4.4 bcm/a in the 2nd phase, and including new resources from the Black Sea in the 2nd phase and the 3rd phase;**
- List of conditional priority projects prepared within CESEC;
- **ENTSO TYNDP 2020:** TRA-A-362.

Priority corridor: Gas interconnections on the North-South corridor of Central Europe and South-Eastern Europe («NSI East Gas»). Cluster number EAST 12b and 12c.

The project progress

- The **Feasibility study** was endorsed in the Technical-Economic Committee (CTE) of 26.01.2016;
- The archaeological investigations carried out in 2017 led to the modification of the pipeline route. Following these changes, the **Feasibility Study** was updated and reviewed by Transgaz's CTE on 11.05.2017;
- The **FEED** was endorsed by Transgaz's CTE. The documentation for the procurement of the execution works is being prepared. In 2019 the estimated value of the FEED was updated and endorsed;
- The activity related to the **identification of the land owners** affected by the execution works is ongoing:
 - The county of Constanța: 9 territorial administrative units - 100%;
 - The county of Călărași: 19 territorial administrative units - 100%
 - The county of Giurgiu: 14 territorial administrative units - 100%
- **Government Resolution** 9/17.01.2019 on the approval of the agricultural land outside the built-up areas was issued;
- **Environmental Agreement** no 1 of 10.05.2018 was obtained;
- **Construction Permit** no 5 of 17.05.2018 was obtained, according to Law 185/2016;

- The **Notification in view of the initiation of the pre-submission procedure** was submitted to the Competent Authority for Projects of Common Interest (ACPIC) on 24.02.2017 and its approval was received on 23.03.2017;
- The **Stakeholder Engagement Plan** for the Project of Common Interest *Black Sea Shore - Podișor (RO) for taking over Black Sea gas* was submitted to the ACPIC on 24.05.2017 and approved by the Ministry of Energy through the Letter no.110800/27.06 .2017;
- Between 17-27.07.2017, **public consultations** were held on the basis of Regulation (EU) 347/2013 in the following locations: Tuzla, Amzacea, Cobadin, Alexandru Odobescu, Borcea, Frăsinet, Isovoarele, Baneasa and Stoenești;

- The **application file** was submitted on 08.06.2018 in order to obtain the Comprehensive Decision. The application file was accepted by ACPIC on 12.07.2018;
- The **Comprehensive Decision** no 4 of 25.04.2019 was taken ;
- In 2018, the incremental **capacity booking process was carried out for MP Tuzla** and such process was completed by the capacity allocation and by the conclusion of gas transmission contracts; following the unilateral termination of the gas transmission contracts by the titleholders, the process was declared to be unsuccessfully completed.
- a new process started following the receipt of a new request for incremental capacity for the entry / exit point in /out of the NTS, which was planned to be created in the area of Tuzla locality; no additional requests were received in the secondary allocation phase, the minimum threshold was not reached, so the incremental capacity booking process ended without capacity allocation.
- GR 9/2019 approved the list of agricultural land outside the built-up area which are the object of the project, according to Law 185/2016.
- The procurement procedure for the execution works was launched. The documentation was accepted by ANAP on 05.12.2018 and the submission of tenders according to the latest deadlines shifting was on 31.10.2019. Three tenders were submitted which are under technical analysis .

3. Interconnection of the National Transmission System with the T1 international gas transmission pipeline and reverse flow at Isaccea

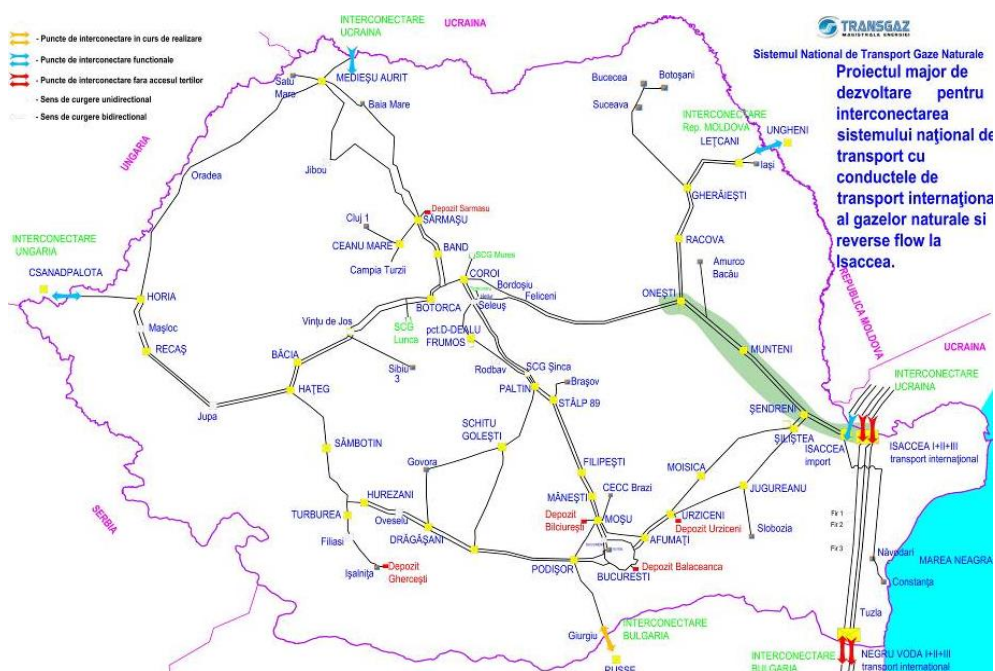


Figure 6 Map of the major development project for NTS interconnection with the international transmission pipeline Transit 1

This project is very important because:

- By its implementation a transmission corridor is created between the markets of Greece, Bulgaria, Romania and Ukraine, in the conditions in which the new interconnection between Greece and Bulgaria is achieved;
- The transmission contract for the capacity of Transit 1 pipeline expired on 1 October 2016. Starting with gas year 2016-2017, the transmission capacity of Transit 1 pipeline is auctioned according to the European Code on capacity allocation mechanisms at the cross-border interconnection points and to ANRE Order no. 34/2016;
- Physical reverse flows could be ensured at Negru Voda 1 point in accordance with Regulation (EU) 1938/2017;
- Its implementation enables the taking over of the newly discovered Black Sea gas by the Romanian gas transmission system, in order to sell them on the Romanian market and on the regional markets.

The project description:

The project consists of the following:

Phase 1 – category of energy infrastructure *Gas and biogas transmission pipelines which are part of a network mainly comprising mainly high-pressure pipelines, with the exception of high-pressure pipelines used for upstream or downstream gas distribution, with the following investment objectives:*

- Isaccea Interconnection, location: Isaccea territorial administrative unit;
- Rehabilitation of the DN 800 Onești – Cosmești pipeline.

Phase 2 – category of energy infrastructure *Any equipment or installations essential to the secure, efficient and safe operation of the system or to provide bidirectional capacity, including compressor stations, with the following investment objectives:*

- Upgrading the Siliștea Gas Compressor Station and the Siliștea Technological Node (TN), located within the Siliștea territorial administrative unit, Brăila County;
- Works within the Șendreni Technological Node, located within the Vădeni territorial administrative unit, Brăila County;
- Upgrading the Onești Gas Compressor Station and the Onești Technological Node, located within the Onești territorial administrative unit, Bacău County.

The project does not develop additional capacities at the Negru Vodă NTS entry/exit point.

Indicative project implementation schedule:

Development stages	Progress/ Indicative completion date acc. to TYNDP 2019-2028	Progress/ Indicative completion date updated at the date of the Report
Phase I	2018	2018
Pre-feasibility study	Completed	Completed
Feasibility study	Completed	Completed
Environmental Impact Assessment	Completed	Completed
Technical documentation for permitting	Completed	Completed
Construction permits	Completed	Completed
Comprehensive decision	Obtained	Obtained
Construction	Completed	Completed
Commissioning/start up	Completed	Completed
Phase II	2020	2020
Pre-feasibility study	Completed	Completed
Feasibility study	Completed	Completed
Technical specifications for the design and execution	Completed	Completed
Procurement of the works and signature of design and execution contract	2019	Completed
Comprehensive decision	2019	Completed
Completion of basic design and execution details/Construction permits	2020	2020 (in preparation)
Construction	2020	2020
Commissioning/start up	2020	2020

Estimated completion date: 2018 Phase I and 2020 Phase II

Estimated investment value: Euro 77.7 million

Estimated investment value	Acc. to TYNDP 2018-2027	Updated at the date of the Report
Phase I	Euro 8,8 mil.	Euro 8,8 million
Phase II	Euro 68,9 mil.	Euro 68,9 million
TOTAL	Euro 77,7 mil	Euro 77,7 million

The inclusion of the project in international plans

- **PCI Project (second list): 6.15;**
- **PCI Project (third list): 6.24.10 – 1** Cluster phased capacity increase on the Bulgaria — Romania — Hungary — Austria bidirectional transmission corridor (currently known

as ROHUAT/BRUA) to enable 1.75 bcm/a in the 1st phase, 4.4 bcm/a in the 2nd phase, and including new resources from the Black Sea in the 2nd and/or 3rd phase;

- **ENTSO TYNDP 2018: TRA-N-139;**
- **ENTSO TYNDP 2020: TRA-F-139.**

Priority Corridor: Gas interconnections on the North-South corridor of Central Europe and South-Eastern Europe («NSI East Gas»).

Project progress:

- The **Prefeasibility Study** (endorsed on 12.06.2017) and the **Feasibility Study** (03.11.2017) for the entire project;
- For the permitting according to Regulation (EU) 347/2013, the following actions were taken for the entire project:
 - The **notification for the initiation of the procedure prior to the submission of the application** was submitted to the Competent Authority for the Projects of Common Interest (ACPIC) on 20.12.2017; it was approved by APCIC on 17.01.2018;
 - **the Stakeholder Engagement Concept** was submitted to A.C.P.I.C. on 21.03.2018 and was approved by the Ministry of Energy by Letter 110638/04.04.2018;
 - between 07.05.2018 and 11.05.2018 **the public consultations** were carried out in the following locations: Onești, Buciumi (Bacău county), Mărășești (Vrancea County), Cosmești (Galați County), Isaccea (Tulcea County), Siliștea, Vădeni (Brăila County);
 - **the final synthetic report regarding the results of the stakeholder engagement activities** was issued, published on the Company's website and sent to A.C.P.I.C. as part of the application filed submitted for each phase of the project;

Phase 1:

- the **FEED** for the Isaccea Interconnection, the **documents for the endorsement of the intervention works** (DALI) and the **FEED** for the repair of the DN 800 Onești–Cosmești pipeline were completed;
- the landowners of the land affected by the repair of the DN 800 Onești-Cosmești pipeline and the Isaccea interconnection were identified; Government Resolution 638/23.08.2018 for the approval of the taking out of the agricultural circuit of the agricultural land located outside the built-up area was issued and the permitting process requested by town planning certificate was completed;
- **2 environmental regulatory documents** were obtained for Phase 1 of the project, namely:
 - Isaccea interconnection– Decision of Screening Stage no. 144/06.03.2018 issued by APM Tulcea;
 - Repair of the pipeline DN 800 Onești–Cosmești (3 counties) – Decision of Screening Stage no. 27/16.05.2018 issued by ANPM.
- Construction Permit 6/07.06.2018 was issued according to Law 185/2016;
- On 20.07.2018 the **Application File** was sent to APCIC and was accepted on 03.08.2018;
- On 05.09.2018 it was submitted to APCIC **Final Report** no. 44749/04.09.2018 regarding the permitting process and the public consultation and participation process for the Project of Common Interest Enhancement of the Romanian transmission system between Onești-Isaccea and reverse flow at Isaccea – Phase 1 (Reference number in

the Union's List: 6.24.10.-1), including the attached documents, in order to obtain the comprehensive decision;

- **Comprehensive Decision no.** 2/11.09.2018 was issued, document which certifies the ending of the permitting procedure in accordance with the provisions of the Regulation (EU) no. 347/2013 for Phase 1 of the Project.

Phase 2

- The **Tender book for the procurement of the design and execution works** was finalized in August 2018. It was revised with an updating of the value in 2019;
- The owners of the lands from Şendreni Technological Node, Siliştea Gas Compressor Station, Oneşti Gas Compressor Station were identified;
- the **FEED** for the works at the existing Şendreni Technological Node was endorsed in Trangaz's Technical Economic Committee;
- the **endorsements and agreements** requested by the town planning certificate were obtained, as well as the following **environmental regulating documents**:
 - Şendreni Technological Node (existing) works – Screening Decision 2907/09.03.2018 issued by Environmental Protection Agency Brăila;
 - Upgrading of the Siliştea Compressor Station and of the Siliştea Technological Node (existing) – Screening decision 5031/01.04.2019 issued by Environmental Protection Agency Brăila;
 - Upgrading of the Oneşti Compressor Station and of the Oneşti Technological Node (existing) - Screening decision 20/28.01.2019 issued by Environmental Protection Agency Bacău.
- Following the notification of A.P.M. Brăila regarding the request and obtaining of Town Planning Certificate No. 125/23.05.2019 (amendment of Town Planning Certificate No. 276/16.11.2017 issued by the Brăila County Council) and of Town Planning Certificate No. 119/21.05.2019 (amendment of Town Planning Certificate No. 277/16.11.2017 issued by the Brăila County Council) due to the reconfiguring of the land areas temporarily occupied during the execution of the works, the following were obtained:
 - Letter 9126/12.06.2019 on the maintain of the validity of Screening Decision No. 2907/09.03.2018;
 - Letter 9125/12.06.2019 on the maintain of the validity of Screening Decision No. 5031/01.04.2019.
- **Construction Permit** 7/04.07.2019 was issued according to Law 185/2016;
- **Government Resolution** 230/18.04.2019 on the approval of the temporary removal of the agricultural land outside the build-up areas was issued;
- The **Application File** was sent to ACPIC for acceptance on 04.07.2019 and was accepted by the Ministry of Energy through the issuing of the Letter of Acceptance of Application File 110908/18.07.2019;
- **Comprehensive Decision** 5/11.03.2020 was issued, certifying the completion of the permitting procedure according to Regulation (EU) 347/2013 for Phase 2 of the project.

The modernization works at the Oneşti and Silistea compressor stations are executed by the **IRIGC IMPEX SRL (leader association) – EURO CONSTRUCT INTERNATIONAL SRL – INSPET SA Association**, based on Works Contract **669/05.07.2019**.

The works commencement order was issued on **25 July 2019**.

This Order established that the start date is **5 August 2019**.

The value of the contract is EUR 64.300.000 (without VAT).

Progress of the execution works

In Semester I 2020, the following main works were carried out at the **Onești Compressor Station**:

- land development works within the station;
- civil engineering works (main equipment foundations, estacade foundations, valve foundations and pipeline support, and air/nitrogen building, demolition and decommissioning of old installations);
- fire extinguishing network works (fire extinguishing ring assembly);
- execution of technological pipelines (pre-machine suction/discharge pipelines, inlet/outlet, combustible gas, depressurization);
- execution of rack structure (pre-machine compressors rack , gas cooler racks and separator filters rack);
- main equipment assembly (compressor units, enclosure structure and piping ventilation, burned gas funnels, gas coolers, oil coolers, separator filters, station inlet separator);
- mounting tanks (technological leak tank, fire water tank);
- energy works within the compressor stations (mounting grounding belt, underground cable paths, equipping and mounting lighting pillars of the station premises, mounting electrical cables bridges, decommissioning and demolition of old networks).
- automation works (replacement of electrical cable bridges in the technological node).

In Semester I 2020, the following main works were carried out at the **Siliștea Compressor Station**:

- land development works within the station;
- civil engineering works (loess cushions, main equipment foundations, rack foundations, tap foundations and pipeline support, fire prevention building infrastructure and air/nitrogen building, demolition and decommissioning of old installations);
- fire extinguishing network works (fire extinguishing ring assembly);
- execution of technological pipelines (pre-machine suction/discharge pipelines, inlet/outlet, combustible gas, depressurization);
- execution of rack structure (pre-machine compressor racks, gas cooler rack and separator filters rack);
- main equipment assembly (compressor units, enclosure structure and piping ventilation, burned gas funnels, gas coolers, oil coolers, separator filters, station inlet separator);
- mounting tanks (technological leak tank, fire water tank);
- energy works within the compressor stations (mounting grounding belt, underground cable paths, equipping and mounting lighting pillars of the station premises, mounting electrical cables bridges, decommissioning and demolition of old networks).
- automation works (replacement of electrical cable bridges in the technological node).

4. NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities towards the Republic of Moldova

Taking into account the need for improving gas supply to the North-East Romania and also keeping in mind the perspective offered by the interconnection pipeline between Romania and the Republic of Moldova (Iași-Ungheni) to offer gas transmission capacities to the Republic of Moldova, a series of developments need to be performed in the Romanian gas transmission system to ensure the required technical parameters to satisfy the consumption need of the relevant regions.

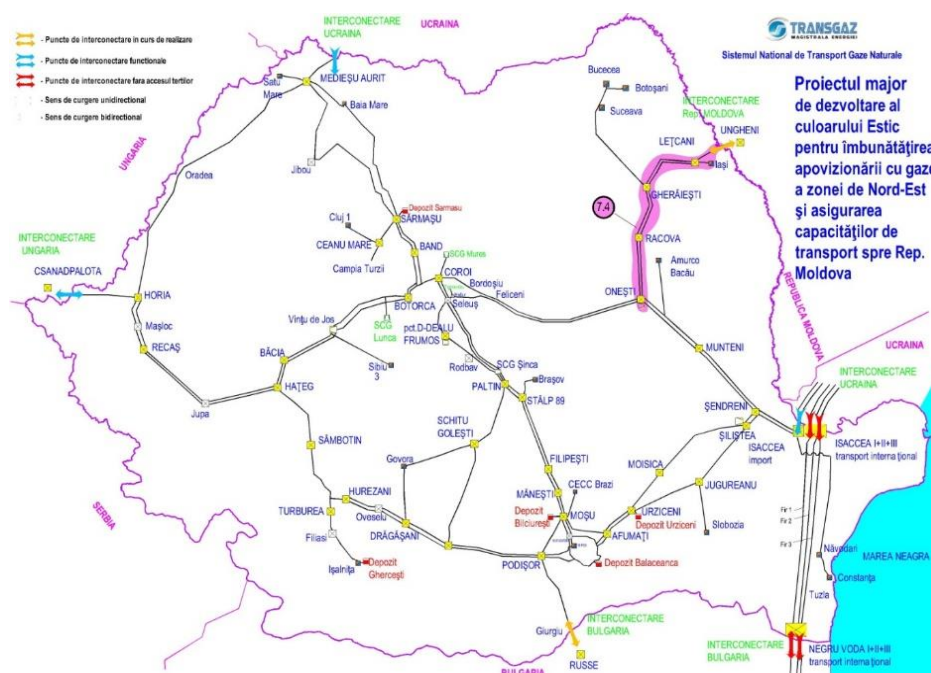


Figure 7 - NTS developments in the North-Eastern area of Romania

Project description:

In order to streamline the implementation and the process for absorbing grants under the EU regional development programmes, the project consists in the achievement of the following milestones:

- Construction of a new DN 700 gas transmission pipeline, Pn 55 bar, in the Onești – Gherăești direction, 104.1 km long. The route of this pipeline will be parallel mainly to the existing pipelines DN 500 Onești – Gherăești
- Construction of a new DN 700 gas transmission pipeline, Pn 55 bar, in the Gherăești – Lețcani direction, 61.05 km long. This pipeline will replace the existing DN 400 pipeline Gherăești – Iași on the Gherăești – Lețcani section
- Construction of a new gas compressor station at Onești with an installed power of 9.14 MW, 2 compressors of 4.57 MW each, one active one backup
- Construction of a new gas compressor station at Gherăești with an installed power of 9.14 MW, 2 compressors of 4.57 MW each, one active one backup.

Indicative project implementation schedule:

Development stages	Progress/ Estimated completion deadline acc. to 2019-2028 TYNDP	Progress/ Estimated completion deadline updated at the date of the Report
Pre-feasibility study	completed	completed
Feasibility study	completed	completed
FEED for the pipelines	completed	completed
FEED for the Compressor stations	completed	completed
Obtaining the construction permits	completed	completed
Obtaining construction permits related to Compressor stations	completed	completed
Construction	2019-2021	2020-2021
Commissioning/start-up	2021	2021

Estimated completion date: 2021

Estimated value: Euro 174,25 million, split as follows:

Estimated investment value	Acc. to 2019-2028 TYNDP	Updated at the date of the Report
Estimated amount for the procurement of materials	Eur 64,95 mil	Eur 64,95 mil.
Construction of the gas transmission pipeline Onești–Gherăești	Eur 17,32 mil	Eur 17,32 mil.
Construction of the gas transmission pipeline Gherăești–Lețcani	Eur 15,19 mil	Eur 15,19 mil.
Onești Compressor Station	Eur 48,46 mil	Eur 48,46 mil.
Gherăești Compressor Station		
Pipeline automation and securing		
Other activities (land acquisition, design, technical consultancy, audit and technical assistance)	Eur 28,32 mil	Eur 28,32 mil.
TOTAL	Eur 174,25 mil.	Eur 174,25 mil

By the achievement of this project, the necessary pressure and gas transmission capacity of 1.5 billion cubic meters/a can be ensured at the interconnection point between the gas transmission systems of Romania and the Republic of Moldova.

The project meets the eligibility criteria of the Large Infrastructure Operational Programme (POIM). Priority Axis 8 - Strategic Objective (OS) 8.2, programme developed by the Management Authority of the Ministry of European Funds and receiving a non-reimbursable funding through PAP8 - Intelligent and sustainable transport systems for electricity and natural gas amounting to lei 214,496,026.71 (EUR 46.3 million).

For this purpose the Grant Agreement 226/22.11.2018 was signed with the Ministry of European Funds.

The inclusion of the project in international plans

- **ENTSOG TYNDP 2018:** TRA-N-357
- **ENTSOG TYNDP 2020:** TRA-F-357.

Project progress

- **The Feasibility Study** Rev 0 was completed in January 2016; Following the clarifications on the details related to the eligibility of the costs stipulated in the Applicant's Guide and JASPERS' recommendations the Feasibility Study was revised and completed in January 2018;
- **The FEED for the gas transmission pipeline, the FEED for the two compressor stations and the FEED for the electrical installations, cathode protection, automation and security of the pipeline** were completed in January 2018;
- **The environmental agreement** was obtained in 06.07.2017;
- **The decision of the screening stage** for the revision of the environmental agreement was obtained on 09.01.2018 (**Note:** it is not necessary to obtain other documents from the environmental authority);
- In July 2018 the documentation for the issue of the Government Resolution (according to Law no 185/2016) was submitted for the temporary removal from the agricultural circuit;
- The project was declared a **project of national importance** by GR no. 562/2017;
- As a result of the financing request assessment, the project financing was approved and the agreement on the funding by the Large Infrastructure Operational Programme (POIM). Priority Axis 8 - Strategic Objective (OS) 8.2, programme developed by the Management Authority of the Ministry of European Funds and receiving a non-reimbursable funding through PAP8 - Intelligent and sustainable transport systems for electricity and natural gas amounting to lei 214,496,026.71 (EUR 46.3 million) was concluded.
- further to the assessment of the financing request, the financing of the project was approved and the contract for the project financing under the Large Infrastructure Operational Program (POIM) - Priority Axis (PA) 8 – Strategic Objective (SO) 8.2 - program developed by the Management Authority within the Ministry of European Funds and benefitting from a non-reimbursable financial allocation through AP8 - "Smart and sustainable power and natural gas transmission systems", amounting to lei 214.496.026,71 (46,3 million EURO) was signed.
- Government Resolution 316/23.05.2019 was issued on the approval of the temporary withdrawal of the agricultural land outside the built-up area;
- Following the evaluation of the financing request, the financing of the project was approved and the financing contract under the Large Infrastructure Operational Programme (POIM) was signed..

PROCUREMENT

Transgaz conducted 5 public procurement procedures for this project as follows:

- Execution of the two compressor stations - Onești and Gherăești, automation and pipeline securing for the project *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities towards the Republic of Moldova*; procedure completed; contract in progress.
- Execution of the Onești – Gherăești – Lețcani gas transmission pipeline (LOT 1 and LOT 2) for the project *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities towards the Republic of Moldova*; procedure completed; contract in progress.
- pipe material and bends necessary for the execution of the project *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities towards the Republic of Moldova*; procedure completed; contract in progress.
- valves and single-block electroinsulating joints necessary for the execution of the project *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities towards the Republic of Moldova*; procedure completed; contract in progress.
- compressors – the gas turbines centrifugal compressors necessary for the execution of the project *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities towards the Republic of Moldova*; procedure completed; contract in progress.

By G.R. no. 562/2017 the objective, designated as *National Transmission System capacity development for ensuring gas flow in the Romania–the Republic of Moldova direction*, was declared as a project of national importance, thus benefiting from the provisions of Law 185/2016 on some measures necessary for the implementation of projects of national importance in the field of natural gas.

5. Enhancement of the bidirectional gas transmission corridor Bulgaria – Romania - Hungary – Austria (BRUA Phase 3)

Provided that the gas transmission capacities required to transport the Black Sea gas to the Central-Western EU market exceed the transmission potential of BRUA Phase II, Transgaz envisaged the development of the **central corridor**, which follows the route of existing pipelines currently operated at technical parameters inadequate for main pipelines.

Project description

Depending on the Black Sea gas volumes available (not be taken over on the BRUA corridor), over the long term it is considered the development of the transmission capacity on the Onești–Coroi–Hațeg–Nădlac corridor.

The development of this gas transmission corridor entails the following:

- Upgrading of the existing pipelines belonging to the NTS;
- Replacement of existing pipelines belonging to the NTS or new pipelines installed in parallel with existing ones;

- The development of 4 or 5 new compressor stations with a total installed power of approx. 66 - 82.5 MW.
- Increasing gas transmission capacity towards Hungary by 4.4 bcm/year.

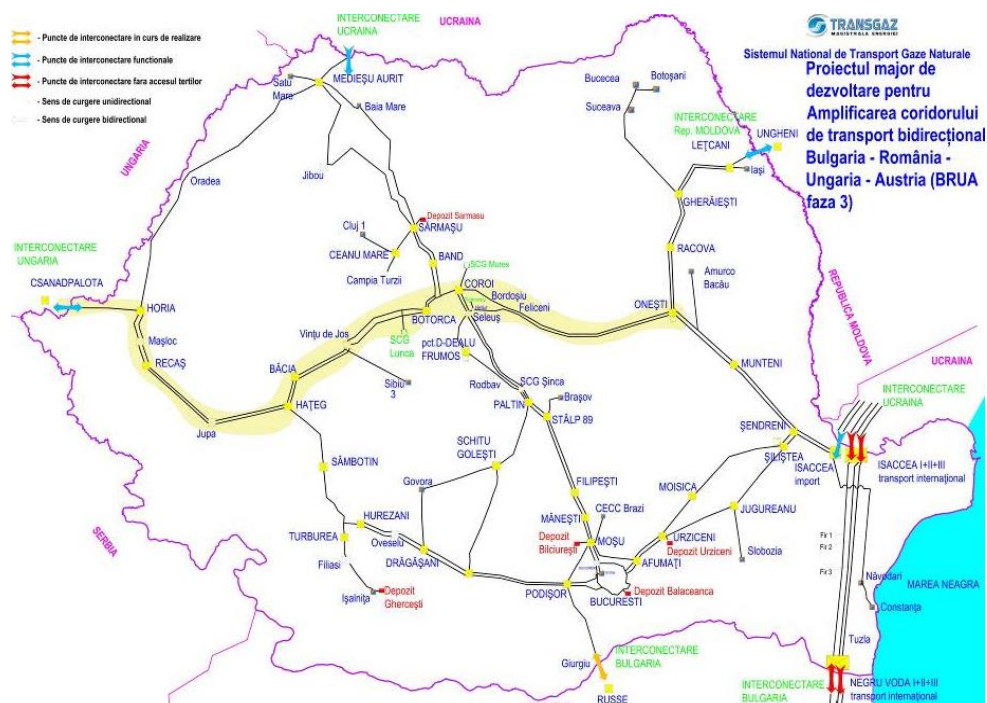


Figure 8 - Development of BRUA phase 3

Transgaz prepared the pre-feasibility study on the development of this gas transmission corridor, and in order to optimize and streamline both the implementation process and the possibilities of attracting non-reimbursable funds, the corridor was divided into two projects:

The two projects are as follows:

1. Ensuring the reversible flow on the Romania – Hungary interconnection:
 - **PCI Project (the second list):** 6.25.3;
 - **PCI Project (the third list):** 6.24.10–position 2;
 - **Priority corridor:** NSI EAST;
 - **ENTSOG TYNDP 2020:** TRA-N-959.

The project consists in the following:

- New gas transmission pipeline Băcia – Hătege – Horia – Nădlac, approximately 280 km long ;
- Two new gas compressor stations located along the route.

2. NTS development between Onești and Băcia :

- **PCI Project (the second list):** 6.25.3;
- **PCI Project (the third list):** 6.24.10– position 2;
- **Priority corridor:** NSI EAST;
- **ENTSOG TYNDP 2020:** TRA-N-959.

The project consists in the following:

- Upgrading some pipeline sections;
- Replacement of existing pipelines with new pipelines with higher diameters and operating pressure ;
- Two or three new gas compressor stations.

Inclusion in international plans

The projects mentioned above were merged in the updated list (List 3/2017) of **Projects of Common Interest** published as annex to regulation 347/2013 being included at **position 6.24.10-2** under the name ***Cluster phased capacity increase on the Bulgaria — Romania — Hungary — Austria bidirectional transmission corridor (currently known as "ROHUAT/BRUA") to enable 1.75 bcm/a in the 1st phase, 4.4 bcm/a in the 2nd phase, and including new resources from the Black Sea in the 2nd and/or 3rd phase***

Estimated completion date: 2025

Estimated value: Euro 530 million.

Project progress

The pre-feasibility study was completed.

SNTGN Transgaz SA will start the feasibility study when additional data and information from the title holders of the Black Sea blocks will be available (capacity requests confirmations, approximate availability of gas on the Black Sea shore, etc.).

We reiterate that the development of this corridor still depends on the evolution of the capacity demand, respectively on the results of the exploration / exploitation processes of the Black Sea or other on-shore blocks, a final investment decision being taken only when the demand for additional capacity is confirmed by agreements and booking contracts.

6. New NTS developments for taking over Black Sea gas

Taking into account the discovered Black Sea gas reserves, Transgaz intends to expand the NTS with the aim of creating an additional taking over point for the natural gas coming from the Black Sea off-shore blocks.

This project became necessary as a result of the discussions held/initiated by Transgaz during 2015 with holders of licenses for exploration and exploitation of the Black Sea blocks.

Project description

The project envisages the construction of a DN 500 25 km gas transmission pipeline from the Black Sea shore to the existing T1 international gas transmission pipeline.

The transmission capacity is of 1.23 bcm/year according to the Open Season procedure published on Transgaz's website.

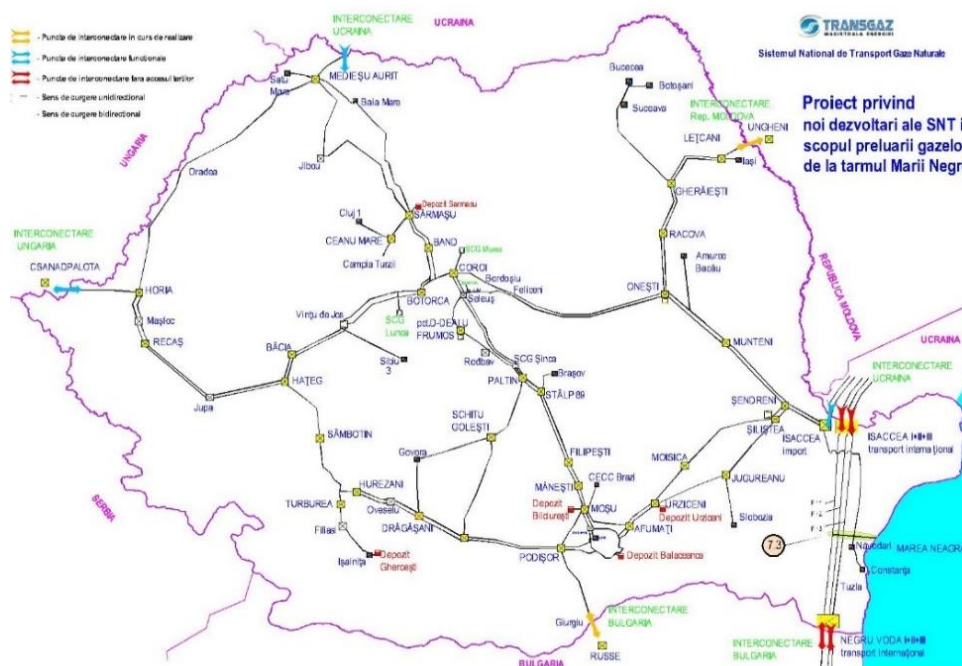


Figure 9- NTS developments related to the Black Sea

Indicative project development calendar:

Development stages	Progress/ Estimated completion deadline acc. to 2019-2028 TYNDP	Progress/ Estimated completion deadline updated at the date of the Report
Pre-feasibility study	Completed	Completed
Feasibility study	Completed	Completed
Technical documentation for obtaining the construction permits	Completed	Completed
Construction permits	Completed	Completed
Comprehensive decision	Obtained	Obtained
Final Investment Decision	2019	2020 /Completed
Construction	2019-2020	2020
Commissioning/start up	2021	2021

Estimated completion date: 2021, depending on the upstream offshore project implementation schedules.

Estimated value: EUR 9.14 million

The inclusion of the project in international plans

- **PCI project (third list) 6.24.10-3** – within *Cluster phased capacity increase on the Bulgaria — Romania — Hungary — Austria bidirectional transmission corridor (currently known as "ROHUAT/BRUA") to enable 1.75 bcm/y in the 1st phase, 4.4*

bcm/y in the 2nd phase, and including new resources from the Black Sea in the 2nd and/or 3rd phase

- **ENTSOG TYNDP 2018:** TRA-N-964
- **ENTSOG TYNDP 2020:** TRA-F-964

Priority corridor: Gas interconnections on the North-South corridor of Central Europe and South-Eastern Europe («NSI East Gas»).

Project progress:

- The Pre-feasibility Study was completed and the endorsement of the Technical and Economic Committee of Transgaz was issued on 16.09.2016;
- The Feasibility Study was completed and approved by the Technical and Economic Committee of Transgaz on 31.05.2017.
- The town planning certificates (CU) were obtained in March 2017 from the Constanța County Council and the Grădina Territorial Administrative Unit, Constanța County;
- The environmental agreement was obtained on 24.11.2017;
- The Construction Permit from the Ministry of Energy was obtained based on Law 185/2016, on 20.12.2017. All permits and authorizations requested through the town planning certificates were obtained and the Final Report was issued on 29.06.2018 by the working group established according to Order 1081/15.12.2017 of the Ministry of Energy, confirming the fulfilment of all the legal conditions and requirements for Construction Permit 4/20.12.2017, according to Law 185/2016
- FEED was endorsed by the Technical and Economic Committee of Transgaz on 19.01.2018;
- The incremental capacity process for MP Vadu was completed with the allocation of the capacity and the conclusion of the gas transmission contract;
- In November 2018, Government Resolution no. 890/9.11.2018 on the approval of the list of lands located outside the town built-up was issued;
- The notification for launching of procedure prior to bid submission was submitted to the Competent Authority for the Projects of Common Interest (ACPIC) on 06.07.2018 and was approved on 18.07.2018;
- The public consultation concept for the Project was submitted to ACPIC on 03.08.2018 and approved by the Ministry of Energy by Letter 111518/09.08.2018;
- The public consultations under Regulation (EU) 347/2013 were held on 11.09.2018 at Grădina and Săcele;
- The final synthetic report on the public participation activities results was prepared and published on the company's website (the project page)
- The application file was submitted to ACPIC on 10.10.2018 and was accepted on 22.10.2018.
- Comprehensive Decision no. 3/12.12.2018 was issued.
- The public procurement procedure for the execution works was completed and the construction contract was concluded.
- The execution works were started.

7. Romania – Serbia Interconnection – interconnection of the national gas transmission system with the similar gas transmission system in Serbia

In the context of the provisions of the EU Strategy on the Energy Union and of the actions for the implementation of the objectives of such strategy (competitiveness, sustainability and security of energy supply), Romania shows special interest to safeguarding energy security, the development of the energy infrastructure by the diversification of energy transmission sources and routes, by increasing solidarity between member states and by ensuring effective operation of the energy market.

In order to increase the interconnectivity between gas transmission systems of the EU member states and to increase energy security in the region, the project for the interconnection between the gas transmission systems of Romania and Serbia is necessary. The appraised gas export version towards Serbia is to take over gas from the future BRUA pipeline (Phase I).

The project **Romania – Serbia Interconnection – interconnection of the national gas transmission system with the similar gas transmission system in Serbia** consists in the construction of a pipeline in total length of approximately 97 km connecting the national gas transmission system with the natural gas transmission system in Serbia in the Recaş–Mokrin direction and of a gas metering station.

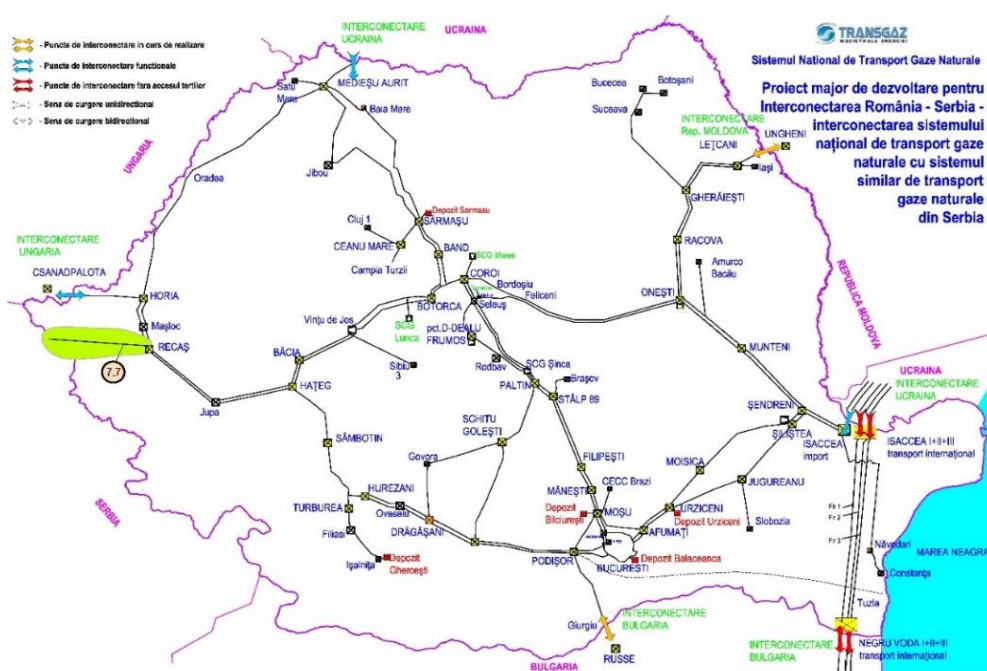


Figure 10- Interconnection of the NTS with Serbia in the Recaş – Mokrin direction

Project description:

The project *Romania – Serbia Interconnection – interconnection of the national gas transmission system with the similar gas transmission system in Serbia* consists in the construction of a new gas transmission pipeline connecting BRUA main gas transmission pipeline to the Technological Node Mokrin in Serbia.

On the Romanian territory, the gas transmission pipeline will be connected to BRUA Phase 1 pipeline (Petrovaselo, Timis County) and will be 85.56 km long (Romanian-Serbian border – Comlosu Mare, Timis County).

The diameter determined based on the hydraulic calculations will be 24" (DN 600) at a design pressure of 63 bar.

The project consists in the following:

- Construction of an approximately 97 km long pipeline to interconnect the national gas transmission system in Serbia, in the Recas – Mokrin direction of which 85 km on the territory of Romania and 12 km on the territory of Serbia with the following characteristics:
 - Pressure of the BRUA pipeline in the Recaş area: 50 – 54 bar (PN BRUA – 63 bar);
 - Diameter of the interconnection pipeline: DN 600;
 - Transmission capacity: max. 1 bcm/y (115,000 cm/h), pressure at Mokrin: 48.4 – 52.5 bar;
 - Transmission capacity: 1.6 bcm/y (183,000 cm/h), pressure at Mokrin: 45.4- 49.9;
- Construction of a gas metering station (located on the Romanian territory).

Estimated project implementation schedule

Development stages	Progress/ Estimated completion deadline	Progress/ Estimated completion deadline
	acc. to TYNDP	updated at the date of the Report
Prefeasibility Study	Completed in February 2018	Completed
Feasibility Study	Completed in November 2018	Completed
FEED and Tender Books	Completed in January 2019	Completed
Authority engineering	2019	2020
Start of the construction works procurement procedure	2019	2020
Construction	2019 - 2020	2020 - 2021
Commissioning/start-up	2020	2021

Estimated completion date: 2021

The gas exports to Serbia will be possible as soon as BRUA (Phase I) has been completed.

If gas will be taken over from Serbia to Romania, it may be redirected towards the Timisoara – Arad consumption area, through the DN 600 Horia – Maşloc – Recaş (25 bar) pipeline, at lower pressures than through the BRUA pipeline.

Estimated investment value	Acc. to 2019-2028 TYNDP	Updated at the date of the Report
Execution works	Euro 41.93 mil	Euro 43.93 mil
Other activities (land, design, technical consultancy, audit and technical assistance)	Euro 11.83 mil	Euro 12.28 mil
TOTAL	Euro 53.76 milion	Euro 56.21 milion

Project progress

- A Memorandum of Understanding was concluded between Transgaz and Srbijagas on 30.06.2017;
- Transgaz and Srbijagas prepared the Prefeasibility Studies for the facilities related to each country, the necessary data and solutions for their completion were agreed within the joint meetings;
- The procedure for obtaining the Environmental Agreement:
 - The Decision on the initial assessment stage no. 459/08.10.2018 was obtained;
 - the following documents were submitted to the Environmental Protection Agency (EPA) Timiş: Memorandum of presentation and Notification prepared according to art. 3 of the Espoo Convention (in Romanian and English); EPA Timiş sent the documentation to the Ministry of Environment;
 - after the notification on the implementation of the project has been delivered to the Republic of Serbia, according to the provisions of the Espoo Convention, the Ministry of Environment of the Republic of Serbia notified the non-participation in the procedure for the assessment of the environmental impact in a cross-border context, thus the environmental impact assessment procedure will continue in accordance with the provisions of the national laws;
 - the Screening Decision no. 142 / 25.06.2019 was obtained;
- Following the meetings between the experts of Transgaz and Srbijagas, the following aspects were agreed/established:
 - The pipeline will be designed so as to ensure bidirectional flows of 1.6 bcm/year (183 000 Scm/h), which may be increased to up to 2.5 bcm/year (285 000 Scm/h), ensuring a 39 ÷ 45 bar pressure at Mokrin;
 - The construction on the Romanian territory (Territorial Administrative Unit Comloşu Mare, Timiş county), approximately 400 m distance from the border, of a Fiscal Gas Metering Station with two pig launching/receiving stations, one towards Petrovaselo and one towards Mokrin;
 - Configuration of the Fiscal Gas Metering Station;

- The border crossing point between Romania and Serbia (marking by poles and setting its coordinates);
- Mounting an electro insulating joint at the border, at the point of interconnection between the two gas transmission systems with the purpose to separate the two systems from a cathodic point of view.
- The Feasibility Study (endorsed in 08.11.2018) and the FEED (endorsed in 18.07.2019) were completed;
- The necessary documentation was submitted for the declaration of the project, by Governmental Resolution, as project of national importance;
- in terms of interference of the project with Natura 2000 sites, the following aspects are distinguished:
 - the route of the pipeline crosses ROSPA 0142 Teremia Mare-Tomnatic over a length of about 2300 m and passes through the vicinity of ROSCI0402 Valea din Sânaandrei at a distance of about 100 m;
 - the fiscal gas measuring station is located outside the protected natural areas, but in the vicinity of ROSPA 0142 Teremia Mare-Tomnatic, at a distance of approx. 1,620 m.
- the application for grants under the Large Infrastructure Operational Programme 2014-2020 was submitted.

The inclusion of the project in international plans

- **ENTSOG TYNDP 2018:** TRA-N-1268
- **ENTSOG TYNDP 2020:** TRA-A-1268

8. Upgrading GMS Isaccea 1 and GMS Negru Vodă 1

In order to increase the level of energy security in the region, the following Interconnection Agreements were signed:

- **Interconnection Agreement for the Interconnection Point Isaccea 1**, concluded with PJSC Ukrtransgaz, Ukraine, on 19.07.2016;
- **Interconnection Agreement for the Interconnection Point Negru Vodă 1**, concluded with Bulgartransgaz, Bulgaria, on 19.05.2016.

The actions under these agreements include the upgrading of the gas metering stations at the two interconnection points.

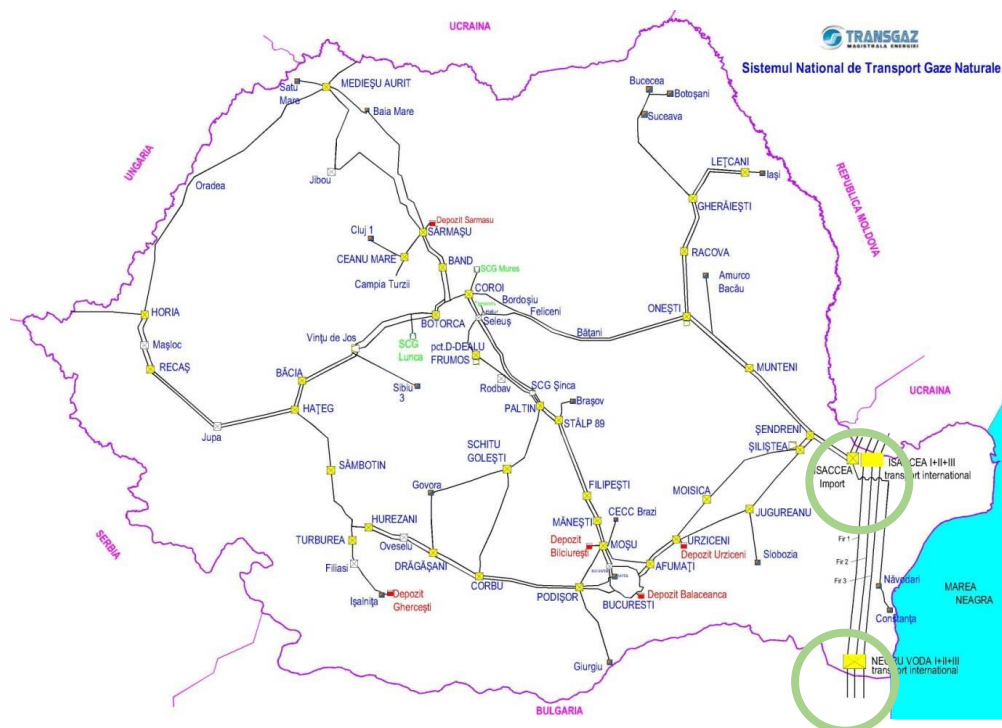


Figure 11- Upgrading GMS Isaccea 1 and Negru Vodă 1

Project description:

The project **Upgrading GMS Isaccea 1 and Negru Vodă 1** consists in the construction of two new gas metering stations to replace the current ones. In the case of the GMS Isaccea 1 the station will be constructed within the existing station, and in the case of GMS Negru Vodă 1 in a location near the one of the current station.

1. Gas Metering Station GMS Isaccea 1

The upgraded Metering Station will be equipped with a separating/filtering installation and a metering installation:

- Separation/filtering is ensured by a separating/filtering battery.
- The metering equipment will consist of several parallel metering lines (in operation and back up) equipped with ultrasonic meters for metering the delivered gas quantities, each line being equipped identically with three independent metering systems (Pay, Check and Verification). The independent systems Pay and Check will employ dual ultrasonic meters and the systems for the Verification will use a simple ultrasonic meter.

The number of the metering lines is sufficient to allow for the metering of the gas quantities to be delivered through the GMS. The number of lines in operation will depend on the quantities of natural gas to be circulated through the GMS.

To verify the traceability of ultrasonic meters on the metering lines, they will be periodically connected in series with a reference metering line equipped with a turbine meter.

If one of the systems no longer meets the established standards and/or error limits, that metering line will be closed and withdrawn from normal operation until the malfunctions' causes are remedied.

The volumes resulting from the independent metering of the Pay, Check and Verification systems will be monitored continuously.

2. The metering station GMS Negru Vodă 1

The upgraded Metering Station will be equipped with a separating/filtering installation and a metering installation

- The Separation/filtering is ensured by a separating/filtering battery.
- The metering installation will be made up of several parallel metering lines (in operation and back up) equipped with ultrasonic meters for metering the delivered gas quantities, each line being equipped identically with two independent metering systems (Pay and Check). The independent Pay and Check systems will use dual ultrasonic meters.

The number of the metering lines is sufficient to allow for the metering of the gas quantities to be delivered through the GMS. The number of lines in operation will depend on the quantities of natural gas to be circulated through the GMS. To verify the traceability of ultrasonic meters on the metering lines, they will be periodically connected in series with a reference metering line equipped with a turbine meter.

The project implies the upgrading of the two metering stations for the existing capacities and enables the bidirectional operation in Isaccea as well.

If one of the systems no longer meets the established standards and/or error limits, that metering line will be closed and withdrawn from normal operation until the causes that caused these malfunctions are remedied.

The volumes resulting from the independent metering of the Pay, Check and Verification systems will be monitored continuously.

Indicative project development calendar

Development stages	Progress/Estimated completion deadline acc. to 2019-2028 TYNDP		Progress/Estimated completion deadline updated at the date of the Report	
	GMS Isaccea 1	GMS Negru Vodă 1	GMS Isaccea 1	GMS Negru Vodă 1
Pre-feasibility study	Completed	2019 (if the necessary land is obtained)	Completed	Completed
Engineering	Completed	2019 (if the necessary land is obtained)	Completed	Under preparation
Technical documentation for obtaining the construction permits	Obtained	2019 (if the necessary land is obtained)	Completed	2020*
Construction	2019	2019 - 2021	2019 – 2020 (ongoing)	2020 - 2021
Commissioning/start up	2020	2021	2020	2021

*the deadline depends on the land legal regulation

Estimated completion date: 2020 for GMS Isaccea 1, **2021** for GMS Negru Vodă 1

Total estimated investment value	Acc. to 2019-2028 TYNDP	Updated at the date of the Report
GMS Isaccea 1	EUR 13.88 mil.	EUR 13.88 mil.
GMS Negru Vodă 1	EUR 12.77 mil.	EUR 12.77 mil.
TOTAL	EUR 26.65 mil.	EUR 26.65 mil

- Upgrading of GMS Isaccea 1 – according to the FEED
- Upgrading of GMS Negru Voda 1 – the value will be updated upon the completion of the FEED.

The inclusion of the project in international plans

- **ENTSO TYNDP 2018:** TRA-N-1277
- **ENTSO TYNDP 2020:** TRA-F-1277

Project progress

GMS Isaccea 1:

- The Feasibility Study and the FEED were completed.
- The Construction Permit was obtained.
- The public procurement procedure was completed.
- The works execution contract was signed.
- The construction works started.

GMS Negru Voda 1:

- The feasibility study was completed
- The FEED is under preparation.

9. Interconnection of the gas transmission systems of Romania and Ukraine in the Gherăești – Siret direction

Through the application of the TYNDP Transgaz intends to increase the interconnectivity between the national and the European gas transmission networks.

Therefore, in addition to the Project for NTS developments in North-Eastern Romania for improving gas supply to the region and ensuring transmission capacities to/from Ukraine, Transgaz identified the opportunity to construct an interconnection between the NTS and the gas transmission system in Ukraine, in the Gherăești – Siret direction.

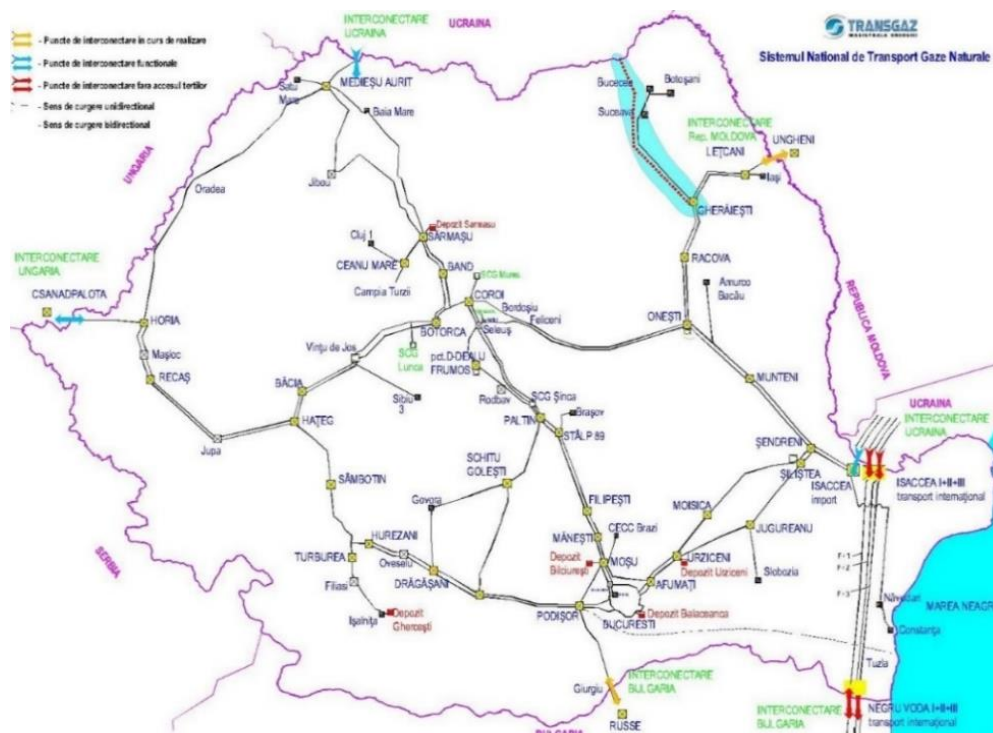


Figure 12- Interconnection between the National Gas Transmission System and the Ukrainian gas transmission system, in the direction Gherăești-Siret

Project description:

The *Interconnection between the Romanian National Gas Transmission System and the Ukrainian National Gas Transmission System, in the direction Gherăești-Siret* project consists of:

- the construction of a 130 km gas transmission pipeline and the related facilities, in the Gherăești – Siret direction;
- the construction of a cross-border gas metering station;
- the extension of the Onești and Gherăești compressor stations, if applicable.

The project is in an early stage and the capacities to be developed under the project will be established subsequently.

Estimated project development calendar

Development stages	Progress/Estimated completion deadline acc. to 2019-2028 TYNDP	Progress/Estimated completion deadline updated at the date of the Report
Pre-fesibility study	Completed	Completed
Feasibility study	2019-2020	2020-2021
Engineering	2020 – 2021*	2021-2022*
Procurement (materials and works)	2021*	2022*
Construction	2022-2024*	2022 - 2024*
Commissioning/start of operation	2025*	2025*

*It depends on setting the parameters for the interconnection point and on the schedule of implementation of the project on the territory of Ukraine.

Estimated completion date: 2025

Total estimated value of the investment: EUR 125 million

Project progress:
The Project is in an early stage and the capacities to be developed under the project will be established subsequently.

10. Development/Upgrading of the gas transmission infrastructure in the North-Western part of Romania

The project aims to achieve/upgrade objectives related to the National Gas Transmission System in the North-Western part of Romania for the creation of new gas transmission capacities or for the increase in the existing ones.

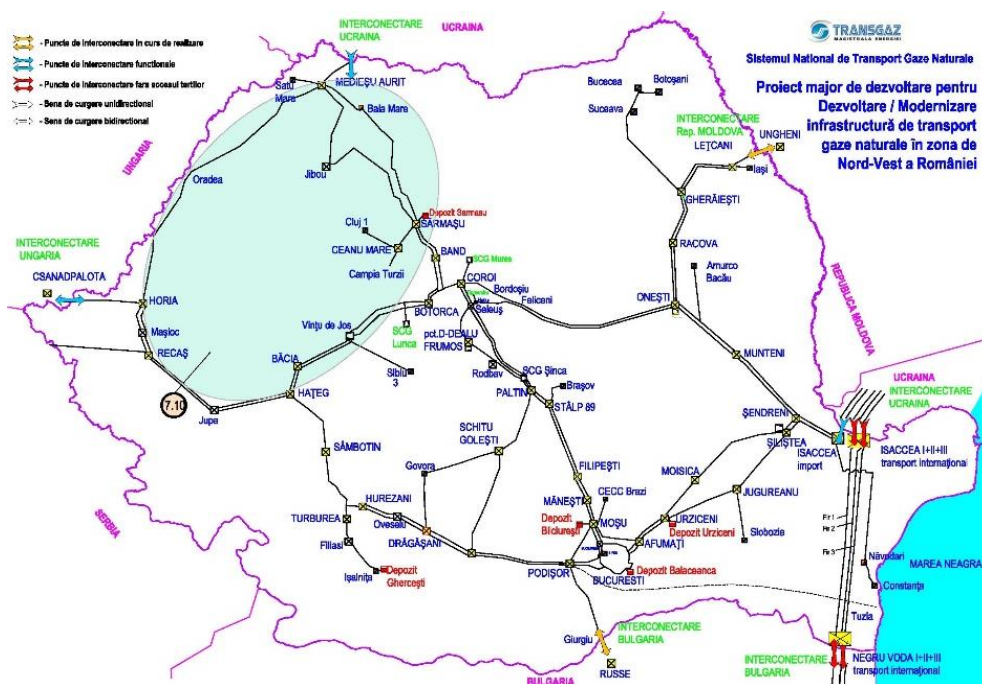


Figure 13- Development/Upgrading of the gas transmission infrastructure in the North-Western part of Romania

Project description:

According to the Pre-Feasibility study, the project consists of:

- construction of a pipeline and of the related equipment in the direction Horia–Medieșu Aurit;
- construction of a pipeline and of the related equipment in the direction Sărmășel–Medieșu Aurit;
- construction of a pipeline and of the related equipment in the direction Huedin–Aleșd;
- construction of a Gas Compressor Station at Medieșu Aurit.

The project is to be developed taking into account the ongoing key importance projects to be implemented on the territory of Romania. The prioritization of this project is based on the evolution of the other projects.

Considering the large dimension of such project, it is supposed to be implemented in stages, as follows:

- **Stage 1:**
 - construction of the pipeline and of the related equipment in the direction Horia–Borș.
- **Stage 2:**
 - construction of the pipeline and of the related equipment in the direction Borș–Abrămuț;
 - construction of a Gas Compressor Station Medieșu Aurit;
 - construction of the pipeline and of the related equipment in the direction Huedin–Aleșd.
- **Stage 3:**
 - construction of the pipeline and of the related equipment in the direction Abrămuț–Medieșu Aurit;
 - construction of the pipeline and of the related equipment in the direction Sărmășel–Medieșu Aurit.

Estimated project implementation schedule:

Milestones	Estimated completion deadline cc. to 2019-2028 TYNDP	Progress/ Estimated completion deadline updated at the date of the Report
Stage 1	2022	2022
Pre-feasibility study	Completed	Completed
Feasibility study	2019-2020	2020
FEED	2020-2021	2020-2021
Public procurement	2021	2021
Construction	2021-2022	2021-2022
Commissioning/start up	2022	2022
Stage 2	2025	2025
Pre-feasibility study	Completed	Completed
Feasibility study	2019-2020	2020
FEED	2021-2022	2021-2022
Public procurement	2022	2022
Construction	2023-2025	2023-2025
Commissioning/start up	2025	2025
Stage 3	2026	2026
Pre-feasibility study	Completed	Completed

Milestones	Estimated completion deadline cc. to 2019-2028 TYNDP	Progress/ Estimated completion deadline updated at the date of the Report
Feasibility study	2019-2020	2020
FEED	2022-2023	2022-2023
Public procurement	2023	2023
Construction	2024-2026	2024-2026
Commissioning/start up	2026	2026

Estimated completion date: 2022 Stage 1, 2025 Stage 2 and 2026 Stage 3

Estimated value: Euro 405 million

Project progress:

The project is at an early phase – completed Pre-feasibility Study.

The inclusion of the project in international plans

- **ENTSOG TYNDP 2020:** TRA-N-598

11. Increase in the gas transmission capacity of the interconnection Romania-Bulgaria, in the Giurgiu-Ruse direction

In July 2017, in Bucharest, Transgaz, Bulgartransgaz, DESFA, FGSZ and ICGB signed a Memorandum of Understanding on the Vertical Corridor. In order to achieve its scope, the parties agreed to assess the technical requirements such as new pipelines, interconnections or enhancements of the national transmission systems.

The estimations in terms of the gas transport in the Southern part of Europe illustrate a rapid evolution and the new key projects to be achieved in Southern Europe envisage gas flows in the direction South-North.

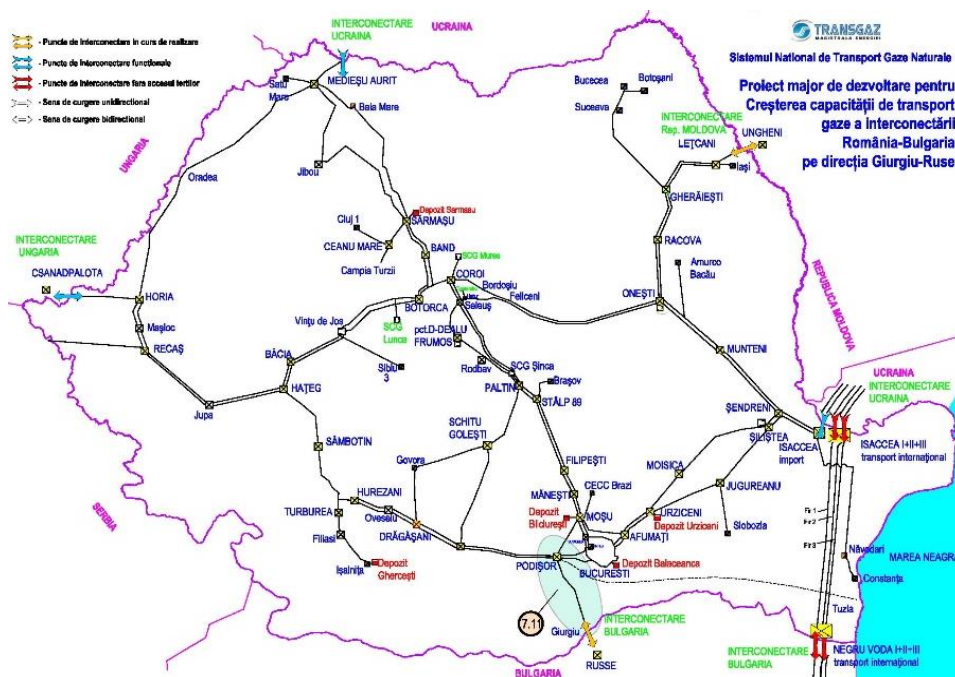


Figure 14 Increase in the gas transmission capacity of the interconnection Romania-Bulgaria, in the direction Giurgiu-Ruse

Project description

Based on the capacities, the project consists of:

- construction of a new gas transmission pipeline and of the related facilities
- construction of a new Danube undercrossing
- enhancement of SMG Giurgiu

Estimate project development schedule:

Milestones	Estimated completion cc. to 2019-2028 TYNDP	Progress/ completion updated at the date of the Report	Estimated deadline
Pre-feasibility study	2019-2020	2019-2020	
Feasibility study	2020-2021	2020-2021	
FEED	2022-2024	2022-2024	
Public procurement	2024	2024	
Construction	2025-2027	2025-2027	
Commissioning/start up	2027	2027	

Estimated completion date: 2027

Estimated value: Euro 51.8 million

Project progress:

The pre-feasibility study is in progress. The project is at an early implementation stage, the capacities to be developed within this project will be later on established and the final technical solution will be based on such capacities.

12. Eastring-Romania

The Eastring project promoted by Eustream is a bidirectional gas transmission pipeline dedicated to Central and South-Eastern Europe which is meant to interconnect the gas transmission systems of Slovakia, Hungary, Romania and Bulgaria in order to ensure access to the Caspian and Middle East gas reserves.

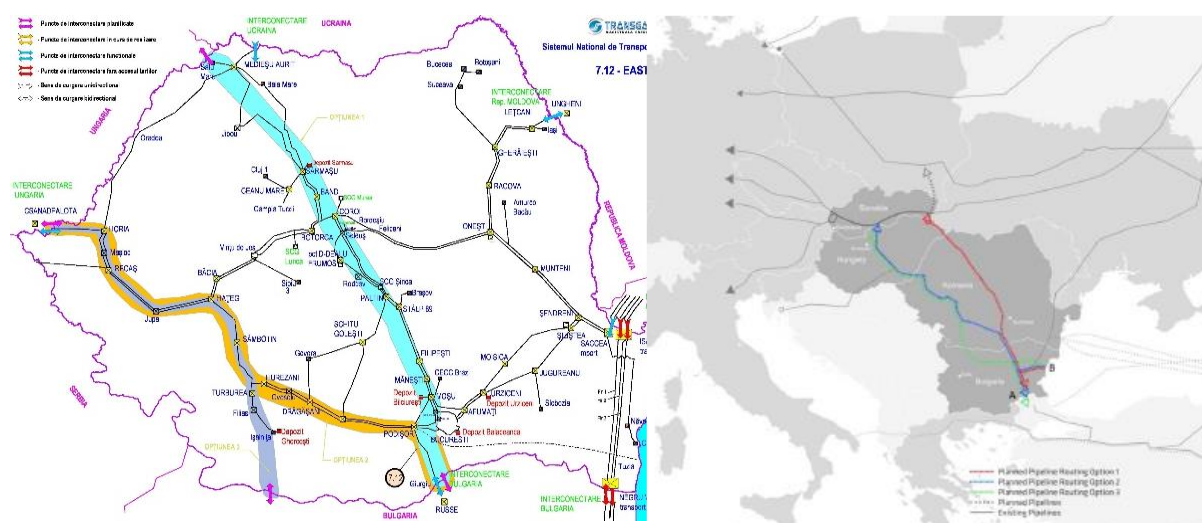


Figure 15 – Eastring

Project description

EASTRING is a bidirectional gas transmission pipeline with an annual capacity between 225.500 GWh and 451.000 GWh (approx. 20 bcm up to 40 bcm) which connects Slovakia with the EU external border through Bulgaria, Hungary and Romania.

EASTRING will ensure the most cost-reflective and direct transmission route between the gas platforms from the Western European region and the Balkans/Western Turkey – a region with very high potential to offer gas from various sources. The possibility to diversify transmission routes and gas supply sources will safeguard the regional security of gas supply to the region, mainly in the South-Eastern European countries.

According to the feasibility study, the project will be implemented in two stages as follows:

- Stage 1 – Maximum capacity 20 bcm/a;
- Stage 2 – Maximum capacity 40 bcm/a.

Estimated project implementation schedule:

Milestones	Estimated completion deadline acc. to 2019-2028 TYNDP	Progress/ Estimated completion deadline updated at the date of the Report
Stage 1	2025	2025
Pre-feasibility study	Completed	Completed
Feasibility study	Completed	Completed
FEED	2019-2023	2019-2023
Public procurement	2022-2023	2022-2023
Construction	2023-2025	2023-2025
Commissioning/start up	2025	2025
Stage 2	2030	2030
Pre-feasibility study	Completed	Completed
Feasibility study	Completed	Completed
FEED	2025-2028	2025-2028
Public procurement	2028-2029	2028-2029
Construction	2028-2030	2028-2030
Commissioning/start up	2030	2030

Estimated completion date: 2025 Stage 1, 2030 Stage 2

Estimated investment:

- **Stage 1 - Euro 1.297 mil. for Romania (2.600 mil. Euro–total);**
- **Stage 2 - Euro 357 mil. for Romania (739 mil. Euro–total).**

Project progress:

The Feasibility Study was completed in 2018. The scope of the Feasibility Study was the design of a bidirectional pipeline to interconnect the Slovakian gas transmission system with the South-Eastern European border (Black Sea or Turkey) through Hungary, Romania and Bulgaria.

The inclusion of the project in international plans

- **PCI Project (third list):** 6.25.1;
- **ENTSOG TYNDP 2018 (Eastring–Romania):** TRA-N-655.
- **ENTSOG TYNDP 2020 (Eastring–Romania):** TRA-A-655.

13. Monitoring system, data control and acquisition for the cathodic protection stations related to the National Gas Transmission System

The implementation of the data acquisition, control and monitoring system for the cathodic protection system will ensure increased durability and safety in the operation of the transmission pipelines based on the data acquired, will ensure simplicity in operation for a complex pipeline protection system with low maintenance costs.

At the same time, it will provide information about the electro-security of the pipeline as well as for the intrinsic cathodic protection (without external cathodic power source) by providing information at some points or sections for the limiting recovery of the induced alternating currents in the pipeline.

Project description

Within the NTS , the cathodic protection stations are the main active protection system of the gas transmission pipelines.

There are currently approximately 1.038 cathodic protection stations recorded (CPS). The reduction in the corrosion of the pipelines maintaining them in operation for a longer period of time and the reduction in the maintenance costs are the main objectives.

The centralized cathodic protection system will provide the possibility the remotely set, monitor and operate clearly and precisely the points of interest in the system, it will eliminate costs related to data reading it will avoid the situations when because of the weather conditions it is impossible to read data and human errors, it will allow for the distributed control of the locations, it will reduce operation and maintenance costs and considerably reduce the configuration time.

The implementation of such a system will reduce the micro-management, the testing time and the commissioning.

The architecture distributed will offer minimum unavailability risks and it will offer maximum viability of the cathodic protection system.

The system will be intuitive, easy to use and acceptable in any SCADA system structure and the training requirements for the operators are short and simple.

The implementation of such a system will reduce personnel costs and will train the personnel responsible for operation and maintenance.

The decision on the system maintenance and the related regulation of the cathodic protection station in integrated system will be the decision of a well-trained dispatcher relying on the data received in real time and based on a historical data base.

The remote control of the parameters of the cathodic protection stations and corrosion monitoring in the critical points of the gas transmission system is mandatory for corrosion reduction and proper management of the power consumers in each location.

The implementation of the SCADA system for cathodic protection will ensure increased sustainability and safety in the exploitation of the gas transmission pipelines based on the data acquired it will ensure the simple operation of a complex pipeline protection system.

Indicative project development calendar:

Development stages	Estimated completion deadline acc. to TYNDP 2019-2028	Progress/ Estimated completion deadline updated at the date of the Report
Feasibility study	2019	2020
FEED	2019-2020	2020-2021
Environmental impact assessment	N/A	-
Obtaining the Environmental Agreement =	N/A	-
Technical documentation for obtaining the construction permit	N/A	-
Obtaining the construction permit	N/A	-
Making the final investment decision	2020	2020
Construction	2020-2023	2021-2023
Commissioning/start up	2021-2023	2023

Estimated completion date: 2023

Estimated investment value: EURO 8 million

Current project progress:

The analysis and planning stages of the project *Monitoring system, data control and acquisition for the cathodic protection stations related to the National Gas Transmission System* were completed and the technical documentation - *Conceptual Note and Design Theme* - will be completed and endorsed in February-March 2020 - documents contained in the project schedule and which will be the base for the the start-up and subsequent stages of the feasibility study, FEED and execution.

14. Development of the SCADA system for the National Gas Transmission System

SNTGN Transgaz implemented and commissioned in 2015 a SCADA system structured as follows:

- 2 central dispatching centres, Mediaş and Bucharest;
- 9 local dispatching units;
- 948 MRSs;
- 106 line valves;
- 33 technological nodes;
- 3 compressor stations;
- 4 international transmission stations;
- 2 import stations;
- 7 underground storage facilities.

The National Gas Transmission System has a continuous evolution justified by the dynamics of the gas flows circulated and the strategic position Romania has in ensuring the national and European energy independence and security:

- Development of the Southern Transit Corridor on the territory of Romania for taking over the natural gas from the Black Sea shore;
- Interconnection of the national gas transmission system with the T1 natural gas international transmission pipeline and reverse flow at Isaccea;
- NTS developments in the North-East of Romania in order to improve the natural gas supply of the area and to ensure the transmission capacities to/from the Republic of Moldova;
- Enhancement of Bulgaria-Romania-Hungary-Austria bi-directional gas transmission corridor (BRUA-Phase III);
- Capitalization of Romania's technical and energy resources through the development of the NTS interconnection projects with other European transmission systems (Ukraine, Moldova, Serbia, Hungary, Bulgaria);
- 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 natural gas transmission system of Serbia;
- Upgrading GMS Isaccea 1 and GMS Negru Vodă 1;
- Interconnection of the national gas transmission system with the natural gas transmission system from Ukraine, on the Gherăesti-Siret direction;
- Expansion, development and upgrading of natural gas transmission infrastructure (development of the natural gas compressor stations, modernization of the storage system infrastructure, etc.);
- Meeting the legislative requirements imposed by the National Regulatory Authority for Energy (ANRE) regarding the integration into the SCADA system TRANSGAZ of all the exit points from the NTS, which were not included in the SCADA System implemented by the Supply Contract no.17095 / 2009.

Security of gas supply underlies any energy policy - any gas supply disruption has important consequences for the economies of EU Member States.

In order to strengthen this security, the EU countries have to diversify their energy vectors and energy sources, but at the same time they have to act in order to upgrade the gas transmission infrastructure.

The upgrading of the gas transmission infrastructure must be supported in the coming years by the development of an efficient and flexible SCADA system by modernizing the hardware and software architecture by migrating to a decentralized architecture with control distributed on organizational administrative units in accordance with the structure of SNGG TRANSGAZ.

Project description:

The project on the Development of the SCADA System (*Supervisory Control And Data Acquisition*) (*for the National Gas Transmission System*) will consist in:

- The analysis of the possibilities to optimise the SCADA system architecture
- Upgrading / Replacement of the morally and physically worn-out hardware equipment within the national/regional SCADA dispatching centres on order to ensure by the new firmware/operation systems/ software applications used the increase in the volume and data processing power as well as in the IT security
- Provision of a hardware/software capacity reserve within the national/regional SCADA dispatching centres necessary for the future integration of the NTS objectives to be commissioned during 2022-2027 with the SCADA system
- Additional integration of approx.. 170 Metering Regulating Stations into the National Gas Transmission System
- Ensuring the continuous transmission, real-time monitoring within the national and regional SCADA dispatching centres of the relevant and necessary NTS objectives technological parametres the according to the short and medium term degree and rhythm of the technological equipment development for the purpose of NTS monitoring and operation under safety, efficiency and environmental protection conditions.
- Integration of the new local automations to be commissioned by 2022 resulted from the upgrading/development of the gas compressor stations, of the technological nodes, of the block valves located on the main pipelines, etc.
- Mounting of SCADA Intrusion Detection System LAN SCADA system
- Mounting of dedicated IP&DS type systems with surveillance at the level of industrial protocols for sensitive applications (SCADA remote controlled stations: technological nodes, interconnection stations, compressor stations, future pipeline automation systems
- Installation of a simulation system and Pipeline Monitoring Software (PMS) or Network Programme Management (NSM)
- Identification and provision of technical solutions for securing the industrial data network where the SCADA systems are installed
- Analysis of the technical opportunities for design and achievement of an emergency dispatching centre if the study on the need and appropriateness of such an emergency dispatching centre proves such need; training of the SCADA operating, technical, maintenance personnel for the use of the newly implemented security technics and policies.

Indicative project development timeline:

Development stages	Estimated deadline acc. to TYNDP	completion to 2019-2028	Progress/Estimated completion deadline updated at the date of the Report
Feasibility study	2019-2020		2020-2021
FEED	2020-2022		2021-2022
Environmental impact assessment	N/A		-
Obtaining the Environmental Agreement	N/A		-
Technical documentation for obtaining the construction permit	N/A		-

Development stages	Estimated deadline acc. to TYNDP	completion to 2019-2028	Progress/Estimated completion deadline updated at the date of the Report
Obtaining the construction permit	N/A		-
Making the final investment decision	2020		2020 -2021
Construction	2020-2023		2020-2023
Commissioning/start up	2023		2023

Estimated completion date: 2023

Estimated investment amount: EURO 5.5 million

Current Project progress:

The analysis and planning stages of the project *Development of the SCADA (Supervisory Control and Data Acquisition) System for the National Gas Transmission System* were completed and the technical documentation - *Conceptual Note and Design Theme* - will be completed and endorsed - documents contained in the project schedule and which will be the base for the the start-up and subsequent stages of the feasibility study, FEED and execution.

Updates and supplementations to 2019-2028 TYNDP

At the date of the Report the updates and supplementations to *2020-2029 TYNDP* are under approval, the Plan including three new projects as follows:

15. Upgrading GMS Isaccea 2 and GMS Negru Voda 2 for enabling bidirectional flow on the T2 pipeline
16. Upgrading GMS Isaccea 3 and GMS Negru Voda 3 for enabling bidirectional flow on the T3 pipeline
17. Interconnection between NTS and the Black Sea LNG Terminal

15. Upgrading GMS Isaccea 2 and GMS Negru Voda 2 for enabling bidirectional flow on the T2 pipeline

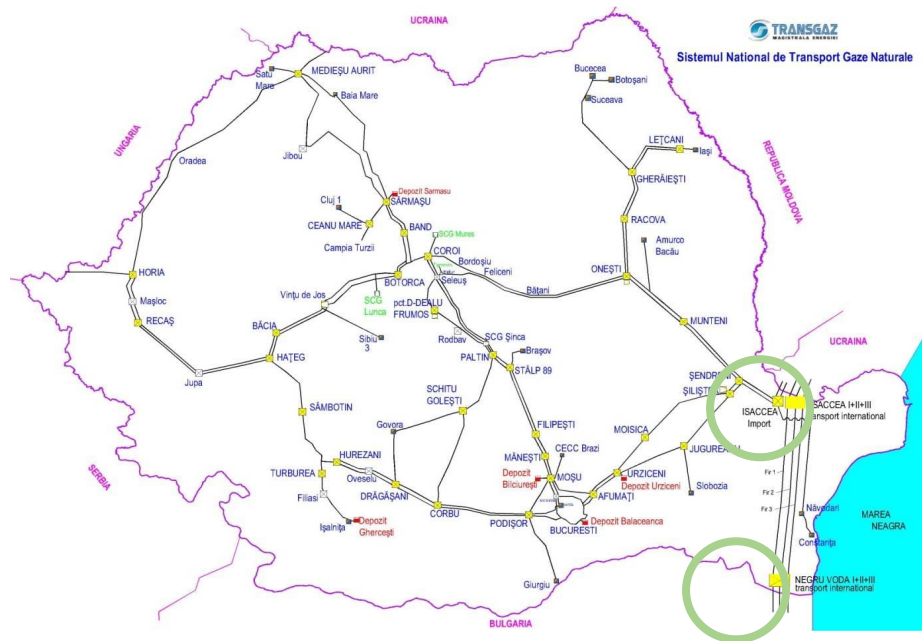


Figure 16 - Upgrading GMS Isaccea 2 and GMS Negru Voda 2 for enabling bidirectional flow on the T2 pipeline

Project description

In order to enable bidirectional flow at the border with Ukraine and Bulgaria on the T2 transit pipeline, the upgrading of the gas metering stations GMS Isaccea 2 and GMS Negru Vodă 2 is required.

1. Gas Metering Station GMS Isaccea 2

The upgraded metering station will be equipped with a separation/filtration installation and a metering installation:

- the separation/filtration is ensured by a separation/filtration battery;
- the metering installation will consist of several parallel metering lines (operating and backup) equipped with ultrasonic meters for metering the quantities of natural gas delivered, each line being identically equipped with three independent metering systems (Pay, Check and Control); the independent systems Pay and Check will use dual ultrasound meters, and the Control systems will use a simple ultrasound meter.

The number of metering lines is sufficient to allow the metering of the gas quantities which will be delivered through the GMS. The number of lines in operation will depend on the gas quantities to be circulated through the GMS. To verify the traceability of the ultrasonic meters on the metering lines, they shall be regularly connected in series with a reference metering line equipped with a turbine meter.

If one of the systems no longer meets the established standards and/or error limits, the relevant metering line shall be closed and withdrawn from normal operation until the causes of these malfunctions have been remedied.

The volumes resulting from the independent measurement of the Pay, Check and Verification systems will be continuously monitored.

2. Gas Metering Station GMS Negru Vodă 2

The upgraded Metering Station will be equipped with a separation/filtering equipment and metering equipment:

- the separation/filtering is ensured by a separation/filtering battery;
- the metering installation will consist of several parallel metering lines (operating and backup) equipped with ultrasonic meters in order to measure the gas quantities delivered, each line being identically equipped with two independent metering systems (Pay and Check); the independent Pay and Check systems will use dual ultrasonic meters.

The number of metering lines is sufficient to allow the metering of the gas quantities that will be delivered through the GMS. The number of lines in operation will depend on the quantities of natural gas to be transported through the GMS. In order to check the traceability of the ultrasonic meters on the metering lines, they shall be regularly connected in series with a reference metering line equipped with a turbine meter.

If one of the systems no longer meets the established standards and/or error limits, the respective metering line shall be closed and withdrawn from normal operation until the causes of such malfunctions have been remedied.

The project involves the upgrading of the two metering stations for the existing capacities and offers the possibility to operate bidirectionally at Isaccea as well.

The volumes resulting from the independent metering of the Pay and Check systems will be continuously monitored.

Indicative project implementation schedule:

Development stages	Progress/Estimated completion time
Feasibility study	2021-2022*
FEED	2022-2023*
Technical documentation for obtaining the construction permits	2023*
Obtaining the construction permit	2023*
Making the final investment decision	2023*
Construction	2023-2024*
Commissioning/start-up	2024*

* The project will be developed subject to the results of the evaluation of the market demand for incremental capacity at the interconnection points located on the T2 and T3 pipelines on the Bulgaria - Romania - Ukraine (Trans-Balkan Corridor) transmission direction.

Estimated completion time: 2024

Estimated investment amount: EUR 26.65 million

Progress of the project

The project is at an early stage and will be developed subject to the results of the evaluation of the market demand for incremental capacity at the interconnection points located on the T2 and T3 pipelines on the Bulgaria - Romania - Ukraine (Trans-Balkan Corridor) transmission direction.

16. Upgrading GMS Isaccea 3 and GMS Negru Voda 3 for enabling bidirectional flow on the T3 pipeline

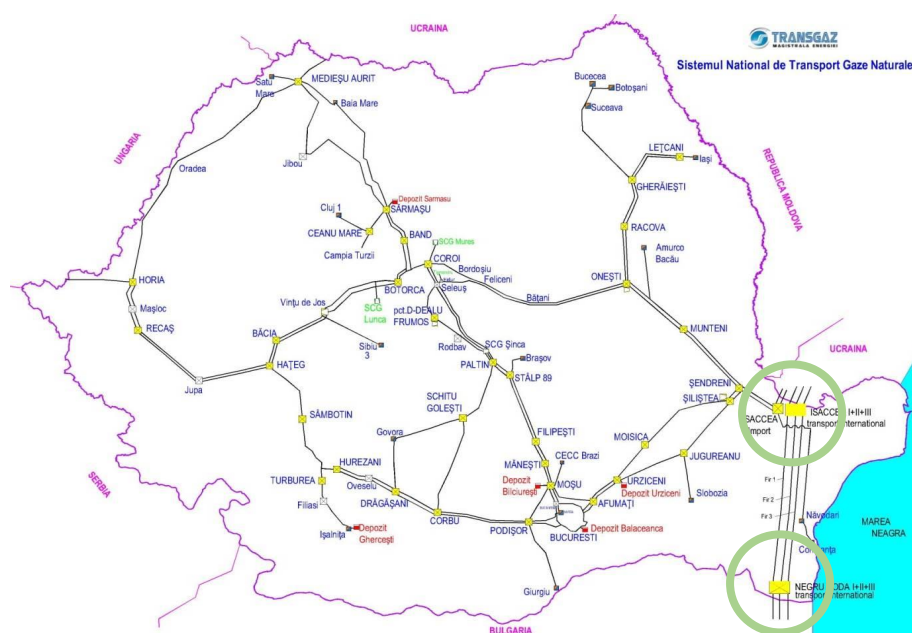


Figure 17 - Upgrading GMS Isaccea 3 and GMS Negru Voda 3 for enabling bidirectional flow on the T3 pipeline

In order to ensure the bidirectional flow at the border with Ukraine and Bulgaria on the T3 transit pipeline, it is necessary to upgrade the natural gas metering stations GMS Isaccea 3 and GMS Negru Vodă 3.

Project description

1. Gas Metering Station GMS Isaccea 3

The upgraded metering station will be equipped with a separation/filtration installation and a metering installation:

- the separation/filtration is ensured by a separation/filtration battery;
- the metering installation will consist of several parallel metering lines (operating and backup) equipped with ultrasonic meters for metering the quantities of natural gas delivered, each line being identically equipped with three independent metering

systems (Pay, Check and Control); the independent systems Pay and Check will use dual ultrasound meters, and the Control systems will use a simple ultrasound meter.

The number of metering lines is sufficient to allow the measurement of the gas quantities that will be delivered through the GMS. The number of lines in operation will depend on the quantities of natural gas to be transported through the GMS. To check the traceability of the ultrasonic meters on the metering lines, they shall be regularly connected in series with a reference metering line equipped with a turbine meter.

If one of the systems no longer meets the established standards and/or error limits, the respective metering line shall be closed and withdrawn from normal operation until the causes of these malfunctions have been remedied.

The volumes resulting from the independent metering of the Pay, Check and Control systems will be continuously monitored.

2. Gas Metering Station GMS Negru Vodă 3

The upgraded metering station will be equipped with a separation/filtration installation and a metering installation:

- the separation/filtration is ensured by a separation/filtration battery;
- the metering installation will consist of several parallel metering lines (operating and backup) equipped with ultrasonic meters for metering the quantities of natural gas delivered, each line being identically equipped with two independent metering systems (Pay, Check and Control); the independent systems Pay and Check will use dual ultrasound meters.

The number of metering lines is sufficient to allow the measurement of the gas quantities that will be delivered through the GMS. The number of lines in operation will depend on the quantities of natural gas to be transported through the GMS. To check the traceability of the ultrasonic meters on the metering lines, they shall be regularly connected in series with a reference metering line equipped with a turbine meter.

If one of the systems no longer meets the established standards and/or error limits, the respective metering line shall be closed and withdrawn from normal operation until the causes of these malfunctions have been remedied.

The project involves the upgrading of the two metering stations for the existing capacities and offers the possibility to operate bidirectionally at Isaccea as well.

The volumes resulting from the independent metering of the Pay and Check systems will be continuously monitored.

Indicative project implementation schedule:

Development stages	Progress/Estimated completion time
Feasibility study	2023-2024*
FEED	2024-2025*
Technical documentation for obtaining the construction permits	2025*
Obtaining the construction permit	2025*
Making the final investment decision	2025*
Construction	2026-2027*
Commissioning/start-up	2028*

*The project will be developed subject to the results of the evaluation of the market demand for incremental capacity for the interconnection points located on the T2 and T3 pipelines on the Bulgaria - Romania - Ukraine (Trans-Balkan Corridor) transmission direction

Estimated completion time: 2028

Estimated investment amount: EUR 26,65 million

Progress of the project

The project is at an early stage and will be developed subject to the results of the evaluation of the market demand for incremental capacity at the interconnection points located on the T2 and T3 pipelines on the Bulgaria - Romania - Ukraine (Trans-Balkan Corridor) transmission direction.

17. Interconnection between NTS and the Black Sea LNG Terminal

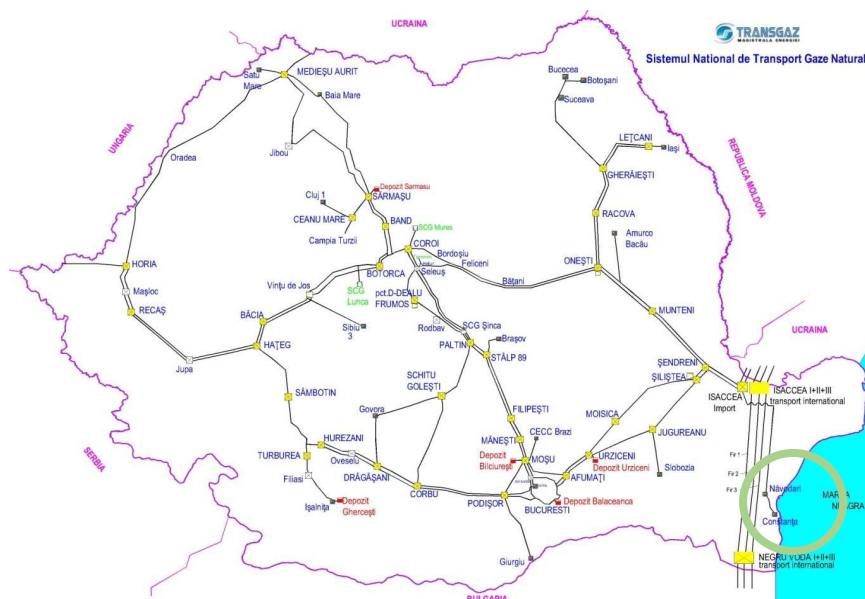


Figure 18 - Interconnection between NTS and the Black Sea LNG Terminal

Project description

The taking over of Black Sea gas through a LNG terminal involves the interconnection of the National Gas Transmission system and of the LNG terminal by the construction of a gas transmission pipeline, approximately 25 km long, from the Black Sea shore to the T1 and T2 pipelines.

The design capacity and pressure of this pipeline will be determined based on the available Black Sea gas quantities.

Indicative project implementation schedule:

Development stages	Progress/Estimated completion deadline
Feasibility study	2021-2022
FEED	2022-2023
Technical documentation for obtaining the construction permits	2024
Obtaining the construction permit	2024
Making the final investment decision	2024
Construction	2025-2026
Commissioning/start-up	2026

Estimated completion time: 2026

Estimated investment amount: EUR 19.6 million

Achievement of TYNDP – Semester I 2020

No.	Project name	total estimated value mil.Euro	Planned	Achievements 2013-2019		Achievements Sem.I 2020	TOTAL 2013-Sem.I 2020		
				lei	mil. Euro		lei	lei	mil. Euro
1.1	Development on the Romanian territory of the National Gas Transmission System along the Bulgaria - Romania - Hungary - Austria Corridor BRUA Phase I		Feasibility studies	4.296.872	0,95	0	4.296.872	0,95	
			EED (without guarantees-forests)	44.706.484	9,82	1.333.607	46.040.091	10,10	
			Development	1.013.019.715	215,95	318.282.354	1.331.302.069	281,66	
			TOTAL BRUA Phase I	478,6	1.062.023.071	226,72	319.615.961	1.381.639.031	292,70
1.2	Development on the Romanian territory of the National Gas Transmission System along the Bulgaria - Romania - Hungary - Austria Corridor BRUA Phase II		Feasibility studies	-	-	-	-	-	
			EED (without guarantees-forests)	1.060.702	0,24	194.437	1.255.139	0,28	
			Development	-	-	-	-	-	
			TOTAL BRUA Phase II	74,5	1.060.702	0,24	194.437	1.255.139	0,28
2.	Development on the Romanian territory of the Southern Transmission Corridor for taking over the Black Sea gas		Feasibility studies	935.391	0,21	0	935.391	0,21	
			EED (without guarantees-forests)	5.468.729	1,22	315.312	5.784.041	1,29	
			Development	122.245	0,03	1.858.138	1.980.383	0,41	
			TOTAL	371,6	6.526.365	1,46	2.173.450	8.699.815	1,91
3.	NTS interconnection with the international gas transmission pipeline T1 and reverse flow Isaccea		Feasibility studies	765.438	0,17	0	765.438	0,17	
			EED (without guarantees-forests)	2.120.521	0,46	249.295	2.369.816	0,51	
			Development	42.296.155	8,87	156.961.814	199.257.969	41,27	
			TOTAL	77,7	45.182.114	9,5	157.211.109	202.393.223	41,96
4.	NTS development in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova		Feasibility studies	3.463.535	0,85	0	3.463.535	0,85	
			EED (without guarantees-forests)	8.573.511	1,89	179.156	8.752.667	1,93	
			Development	-	-	157.907.637	157.907.637	32,6	
			TOTAL	174,25	12.037.046	2,74	158.088.793	170.123.839	35,38
5.	Extension of the bidirectional gas transmission corridor Bulgaria – Romania - Hungary – Austria (BRUA Phase III)		Feasibility studies	0	0	0	0	0	
			EED (without guarantees-forests)	0	0	0	0	0	
			Development	0	0	0	0	0	
			TOTAL	530	0	0	0	0	
6.	Project on new NTS developments for taking over Black Sea gas		Feasibility studies + Engineering	629.716	0,14	3.260	632.976	0,14	
			Development	14.288.689	3,12	3.552.514	17.841.203	3,85	
			TOTAL	9,14	14.918.405	3,26	3.555.774	18.474.179	3,99
7.	Romania - Serbia Interconnection		Feasibility studies + Engineering	2.587.216	0,54	122.910	2.710.126	0,57	
			Development	1.804.997	0,38	5.060	1.810.057	0,38	
			TOTAL	56,21	4.392.213	0,92	127.970	4.520.183	0,95
8.	Upgrading GMS Isaccea 1 and GMS Negru Vodă 1		Feasibility studies + Engineering	2.010.512	0,44	236.300	2.246.812	0,49	
			Development	1.833.849	0,38	7.294.457	9.128.305	1,89	
			TOTAL	26,65	3.844.361	0,82	7.530.757	11.375.117	2,37
9.	Romania – Ukraine Interconnection in the Gherăești - Siret direction		Feasibility studies + Engineering	-	-	-	-	-	
			Development	-	-	-	-	-	
			TOTAL	125	0	0	0	0	
10.	Development/Upgrading of the gas transmission infrastructure in the North-Western part of Romania		Feasibility studies + Engineering	-	-	177.133	177.133	0,04	
			Development	-	-	0	0	0	
			TOTAL	405	0	0	177.133	177.133	0,04
11.	Increase in the gas transmission capacity of the interconnection Romania-Bulgaria, in the Giurgiu-Ruse direction		Feasibility studies + Engineering	-	-	-	-	-	
			Development	-	-	-	-	-	
			TOTAL	51,8	0	0	0	0	
12.	Eastring–Romania		Feasibility studies + Engineering	-	-	-	-	-	
			Development	-	-	-	-	-	
			TOTAL	1.654	0	0	0	0	
13.	Monitoring system, data control and acquisition for the cathodic protection stations related to the National Gas Transmission System		Feasibility studies + Engineering	-	-	205.001	205.001	0,04	
			Development	-	-	-	-	-	
			TOTAL	8	0	0	205.001	205.001	0,04
14.	Development of the SCADA system for the National Gas Transmission System		Feasibility studies + Engineering	-	-	-	-	-	
			Development	-	-	-	-	-	

TOTAL	5,5	0	0	0	0	0
GRAND TOTAL	4.048	1.149.984.276	245,66	648.878.385	1.798.862.661	379,62

Table 5 - Achievement of the TYNDP major projects – Sem.I 2020

GAS TRANSMISSION PIPELINE UNGHENI - CHIȘINĂU – VESTMOLDTRANSGAZ

"The pipeline for the interconnection between the National Gas Transmission System of Romania with the Gas Transmission System of the Republic of Moldova, in the direction Todirești, Ungheni-Chisinau district"



Project description

The project "Pipeline for the interconnection between the National Gas Transmission System of Romania with the Gas Transmission System of the Republic of Moldova, in the direction Iași – Ungheni – Chișinău" is meant to increase the security of gas supply to the Republic of Moldova by the diversification of the gas supply sources.

The project consisted in the construction of a natural gas pipeline, supplying natural gas from Romania to the capital of Moldova, the city of Chisinau. The new 120 km gas pipeline (of which 110 km transmission pipeline and 10 km distribution pipeline) has a diameter of 600 mm, with a capacity of 1.5 billion cubic meters per year and connects the existing gas infrastructure networks of Ungheni (Republic of Moldova) and Iasi (Romania).

The project involved the construction of the following objectives:

- 4 Gas Metering Regulation Stations (at Semeni in Ungheni, Ghidighici, Petricani and Tohatini District - Chisinau municipality);
- DN 600 pipeline, pressure 55 bar, length: 120 km;
- 11 groups of block valves along the pipeline route;
- 2 gas distribution pipelines from MRS Tohatin to the distribution system of Chisinau municipality. Length: approximately 3.2 km each;
- 1 gas distribution pipeline, medium pressure from MRS Ghidighici to the distribution system of Chisinau municipality. Length: approximately 1.5 km;
- 1 connection of 2.6 km to MRS Ghidighici, DN 300, PN 55 bar;
- A bidirectional gas metering node at Tohatini connecting the planned Ungheni - Chisinau pipeline with the existing gas transmission system of the Republic of Moldova, operated by MOLDOVATRANGAZ;
- An operational complex in Ghidighici, where the administrative headquarters of VESTMOLDTRANSGAZ / EUROTRANSGAZ will be located.

The project construction works were divided into 7 lots:

- **Lot 1**, scope of work "Natural gas transmission pipeline DN 600 - 26.07 km long located in Ungheni and Nisporeni districts";
- **Lot 2**, scope of work "Natural gas transport pipeline DN 600 - 35.89 km long located within the range of Călărași district"
- **Lot 3**, scope of work "Natural gas transport pipeline DN 600 - 32.18 km long located within the range of Straseni district"
- **Lot 4**, scope of work "Natural gas transmission pipeline DN 600 - 15.86 km long and natural gas transmission pipeline DN 300 - 2.6 km long located in the Chisinau municipality"
- **Lot 5**, scope of work "MRS Semeni, SRM Petricani, MRS Ghidighici, SRM Tohatini, Tohatin bidirectional gas metering node and Objective automation and security".
- **Lot 6**, scope of work "Natural gas distribution pipeline SRM Tohatin- CET Chisinau and SRM Tohatin-Distribution Chisinau; SRM Ghidighici-SRM Petricani connection pipeline and MRS Petricani-Chisinau distribution system connection pipeline.
- **Lot 7**, scope of work "Ghidighici administrative complex - consisting of six buildings, Main Office Building, Industrial Hall with Mechanical Workshop and Warehouse, Gate Building, Laboratory Building, Fire-fighting Pump Building, Natural Gas Regulation-Metering Station (MRS Ghidighici) and which will create the administrative headquarters of "Vestmoldtransgaz" SRL,

Transgaz, Eurotransgaz, Vestmoldtransgaz together with the constructors acted responsibly and made substantial efforts for the timely completion of the works to the Ungheni-Chisinau gas pipeline, regardless of the weather conditions and of the measures to prevent the spread of the coronavirus COVID 19.

Completion deadline: 2020

Estimated investment value: EURO 93 mil.

Project status: COMPLETED

3.2 European funds

The activity for EU funds accession

Activities performed in order to identify opportunities to finance Transgaz' projects and to access grants

- constant monitoring of the non-reimbursable funding sources managed by the European Commission services and of their relevant websites in terms of project calls launching/opening
- monitoring the "Energy Community" website in terms of the relevant funding sources for Transgaz projects;
- constant monitoring of the websites of the Operational Programs managed by the Ministry of European Funds (MFE) through the Management Authorities (MA) with respect to the launching of calls for projects for which Transgaz is eligible, of the Instructions and Orders on the implementation of projects with non-reimbursable funding;
- pursuing and acknowledging the European and national legislative novelties regarding grants, operational programs, financial management, etc.;
- participation in the structures set up by the Ministry of European Funds, for the elaboration of program documents 2021-2027 and in the online webinar supported by the European Commission on guidelines for the trans-European energy infrastructure, revising the TEN-E Regulation, (EU) no. 347/2013;
- cooperation with the Management Authority (MA) for the Large Infrastructure Operational Program (POIM) in order to identify new financing possibilities for Transgaz projects under Priority Axis (PA) 8, Specific Objective (SO) 8.2 "Increasing the degree of interconnection between the National Natural Gas Transmission System and other neighbouring states";
- • promoting the LIOP financing of the project "Interconnection between the National Natural Gas Transmission Systems of Romania and Serbia", project included in the Development Plan of SNTGN Transgaz S.A. for 2019-2028.
- In this respect, the procedures for accessing non-reimbursable financing have started:
 - verification of the existence of primary documents;
 - verification, review and completion of the Feasibility Study, in order to ensure compatibility with the specific requirements of the LIOP funding and with the relevant applicable legislation;
 - preparation and completion of the Financing Request file together with the related annexes;
 - submission of a first draft of the Financing Request file.
- the financing opportunity for the "TransGasFormation" project was identified, within HCOP, PA 3, SO 3.8 "Increasing the number of employees who benefit from tools, methods, practices, etc., human resources management standard and working conditions improved in order to adapt the activity to the dynamics of the sectors with competitive potential identified according to National Research Strategy/ areas of intelligent specialization according to National Research, Development and Innovation Strategy"; to this effect, the procedures for accessing the grants for the "TransGasFormation" project have started:

- verification of the existence of primary documents;
 - preparation and completion of the file of the Financing Request and of the related Annexes;
 - preparation of the project budget and identifying eligible and ineligible expenditures;
 - uploading the data on the Financing Request into the MySMIS 2014+ system (the application was submitted on 30 January 2020 and was admitted after the administrative and eligibility assessment stage had been completed);
 - the management of the requests for clarification coming from the HCOP MA, (the Financing Request was admitted after the technical and financial evaluation stage had been completed);
 - taking over and acknowledging the Notification from LIOP MA, by which the Financing Request was admitted for non-reimbursable financing (funds were accessed);
 - preparation / completion of the contracting file related to the "TransGasFormation" project (the financing contract was signed on June 17, 2020);
- the opportunity for project financing was identified in respect of improving the level of digital skills for employees in large enterprises, within the National Program "Digital Skills for employees in large enterprises", funded by HCOP 2014-2020.

The following general activities were performed in respect of the projects under implementation which obtained EU grants:

- Preparation of progress reports, notifications, addenda, sustainability reports and letters regarding the management of Transgaz projects which obtained grants – documents which were delivered to the Financing Entities, according to the provisions of the Financing Contracts/Decisions;
- Ensuring the communication between the Project management Unit and the Management Authority.

TRANSGAZ's Projects co-financed from non-reimbursable funds, in process of implementation, are the following:

1. *Development on Romanian territory of the National Gas Transmission System in the Bulgaria-Romania-Hungary-Austria direction, execution works Stage 1 ("the action"), action number 7.1.5-0029-RO-W-M-15*

The project is co-funded by the Connecting Europe Facility. The European Funds Unit carried out the following activities:

- Ensuring the delivery of updated reports from BRUA Project Management Unit (PMU) to INEA
- Cooperation with the BRUA PMU in respect of the submission of the Interim Payment Request and procurement of the audit services in order to complete the Audit Report.

2. *NTS developments in the North-Eastern part of Romania meant to improve gas supply in the area and to ensure transmission capacities to the Republic of Moldova*

The project is co-funded through the Large Infrastructure Operational Program 2014-2020. The European Funds Unit carried out the following activities:

- tracking the fulfillment of TRANSGAZ obligations stipulated in the Financing Contract no. 226/22.11.2018, concluded with the Managing Authority for the Large Infrastructure Operational Program 2014-2020,
- preparation of the documents related to the monthly and weekly reports, according to the provisions of the Financing Contract no. 226/22.11.2018,
- Preparation of the awarding documentation related to the contracts concluded and the submission thereof to LIOP Management Authority. The loading of the entire awarding documentation to the MySMIS platform.
- Preparation of the documents related to the amendments resulted in the process for the project implementation with the purpose of informing/notifying the LIOP 2014-2020 Management Authority:
 - Preparation of five Notifications and of an Addendum;
 - Revising of the project budget and of the implementation calendar;
 - Update of the information regarding the public procurement contracts, addenda, necessity report, cancelled procedures, resumed procedures, cost reimbursement requests on MySMIS platform;
 - Participation in Reimbursement Request no. 2 – submitted on 30 March 2020.
- Management of Transgaz account on MySMIS platform in respect of the project
- Notification to the involved departments of the legislative provisions impacting the project implementation
- Managing the communication relationship with the Managing Authority for the Large Infrastructure Operational Program 2014-2020.

3. *TransGasFormation`*

For the project (total value of lei 2,164,155.70), financed by HCOP, PA 3, SO 3.8 "Increasing the number of employees who benefit from tools, methods, standard human resource management practices and improved working conditions in order to adapt the activity to the dynamics of the economic sectors", a grant amounting to lei 710,259.60 was accessed.

The project implementation started by:

- preparation, completion and display of the information and publicity material;
- preparation and completion of the table contemplating the implementation activities;
- preparation and completion of the Notification on the financing contract amendment;
- preparation and completion of the report on the necessity for procuring a package of professional training services, accommodation and meals for the development of professional training courses dedicated to the staff within the Human Resource Department.

For the project which obtained non-reimbursable financing from European Funds, which are in the post-implementation period, the following activities were developed:

Modernisation of Şinca Turbocompressor Station and related installations

In accordance with the provisions of the Grant Agreement, the Report on Durability of Investment for the period January – December 2019, together with the attached documents, was issued and sent to the Ministry of Energy, The Intermediary Body for Energy (IBE).

Activities carried out on the AEGIS (Agency for the Cooperation of Energy Regulators – ACER) platform for TRANSGAZ projects comprised in the Ten-Year Network Development Plan (TYNDP)

- The documents / questionnaires on TRANSGAZ projects were extracted from ACER communication platform.
- the questionnaires of the project managers were sent for completion;
- completed information was verified, and updated data on Transgaz projects were entered on the ACER platform.

The main activities carried forward were focused on the identification of new lines of development for Transgaz' infrastructure fundable by EU grants or development projects which could be included to be funded by EU funds.

3.3 International cooperation

In the current context where new gas transmission corridors or new alternative solutions are necessary to diversify the gas supply sources and to increase the energy security of the EU member States, the rapid implementation of Transgaz TYNDP (by the achievement of projects enabling future gas transmission pipelines with considerable regional impact) is crucial for Romania's strategic energy role.

Meeting strategic objectives of the company requires a close collaboration with the Romanian institutions (ministries, agencies, intermediate bodies, competent authorities, etc.), with the European Commission Directorate General for Energy, the neighbouring gas transmission system operators (Bulgaria, Hungary, Moldova, Ukraine, Serbia), but also with gas companies and other European Union gas transmission system operators (Spain, France, Belgium, Greece, the Central Eastern European countries) and non-EU countries, but especially impacting the Balkans and the Southern Corridor for gas transmission (Turkey, Azerbaijan, Turkmenistan, Georgia and Iran).

Cooperation with the Gas Transmission System Operators from the neighbouring countries (Bulgaria, Hungary, Ukraine, Moldova, Serbia) in order to implement and jointly operate the cross-border interconnections

BULGARTRANSGAZ EAD (Bulgaria):

Regarding the joint operation of the Giurgiu-Ruse, Negru Vodă I, II and III cross-border IPs.

Contact with the Bulgartransgaz representatives was kept for the joint operation of the Giurgiu-Ruse, Negru Vodă I, II and III cross-border IPs and for trading relevant capacity according to the applicable regulatory framework.

The cooperation between the parties is based on interconnection agreements for the Ruse/Giurgiu and Negru Voda I IPs, concluded in 2016 and related addenda. These agreements establish the procedures for nomination, matching and allocation of gas quantities to be circulated through the interconnections and establishing the technical details regarding the operation of the gas metering stations related to the two points are governed by the provisions of Regulation (EU) 703/2015 establishing a network code on interoperability and data exchange rules.

In this regard, the Parties have collaborated to:

Agree and sign the necessary amendments to the Interconnection Agreement for Ruse-Giurgiu

Interconnection Point and the Interconnection Agreement for Negru Vodă 1 Interconnection Point.

As for the Interconnection Point Negru Vodă 2+3/Kardam, considering that on the territory of Bulgaria the international gas transmission pipelines Transit 2 and 3 are converging into one pipeline, Transgaz and Bulgartransgaz agreed to prepare only one interconnection agreement for the Negru Voda 2+3/Kardam virtual interconnection point.

In respect of Interconnection Point Negru Voda 2,3/Kardam, Transgaz and Bulgartransgaz resumed the discussions on the conclusion of an Interconnection Agreement. Following the completion of the public consultations according to the provisions of Commission Regulation (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules (INT NC), the clauses of the Agreement were agreed between the parties. The Agreement will be concluded as soon as the following conditions will be met:

- Conclusion of the Interconnection Agreement for VIP Isaccea 2,3
- Amendment of the legacy contract with Gazprom Export on the T3 pipeline

During the reporting period, the Parties completed and published the Romania-Bulgaria incremental capacity Demand Assessment Report.

The Parties established the bundled capacity offers related to the joint interconnection points in both transmission directions for the annual capacity auctions scheduled to take place on 6 July 2020, pursuant to the ENTSOG calendar.

FGSZ Ltd. (Hungary):

The project Development on the Romanian territory of the National Gas Transmission System on the Bulgaria — Romania — Hungary — Austria Corridor:

- The contact with FGSZ regarding the coordinated development of the BRUA project was maintained.
- The parties conducted a Binding Open Season Procedure for the allocation of the incremental gas capacity at interconnection point Csanádpalota between Romania and Hungary, according with the Binding Opens Season Rulebook (posted on the websites of both companies). The bid submission window III ended on 31 March 2020.

The result of Economic Test IV conducted by the two companies was negative, and the related Common Report was published on the websites of Transgaz and FGSZ. According to this Report, the Binding Open Season is terminated.

Joint operation of the Csanádpalota cross-border IP according to the European network codes (CAM, BAL, INT):

- Pursuant to the Interconnection Agreement concluded for the Csanádpalota Interconnection Point, concluded in 2015 between TRANSGAZ and FGSZ in accordance with the provisions of Commission Regulation no. 703 (EU) 2015/703 of 30 April 2015 establishing a network code on interoperability and data exchange rules;
- The parties maintained contact regarding the updating of the Interconnection Agreement on IP Csanádpalota in accordance with the provisions of the applicable European regulations.
- Considering the state of emergency declared on the territory of Romania and in Hungary in the context of the COVID-19 pandemic, all direct meetings between the representatives of Transgaz and FGSZ were cancelled on 12 March 2020 and all bilateral discussions were decided to be held by electronic communication means.
- During the reporting period, the parties completed and published the Romania-Hungary incremental capacity Joint Demand Assessment Report
- The parties mutually established the bundled and unbundled capacity demand related to the joint IP in both transmission directions for the annual capacity auctions scheduled to take place on 6 July 2020, pursuant to the ENTSOG calendar.

Implementation of the requirements imposed by the EU Regulation no. 459/2017 (CAM NC - European Network Code on Capacity Allocation Mechanisms) establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) no. 984/2013:

- According to the Cooperation and TSO Membership Agreement regarding the Regional Booking Platform (RBP) for trading the bundled and unbundled capacity of the cross-border IPs with Hungary and Bulgaria. With a view to maximizing bundled capacity offers, TRANSGAZ cooperates annually with FGSZ so as to annually agree on the technical capacities available at the joint Interconnection Point Csanadpalota.

TSO OF UKRAINE LLC (Ukraine):

The contact with the representatives of TSO of Ukraine LLC was maintained for the joint operation of the cross - border interconnection points Isaccea 1/Orlovka, Isaccea 2,3/Orlovka and Medieșu Aurit/Tekovo.

Joint operation of the Isaccea 1/Orlovka Cross-Border Interconnection Point

The cooperation between the parties for the joint operation of the cross-border Interconnection Point Isaccea 1/Orlovka is based on the Interconnection Agreement concluded in 2016 and on the amendment regarding the bidirectional physical gas flow at this interconnection point signed in December 2019.

This agreement is governed by the provisions of Regulation (EU) 703/2015 establishing a network code on interoperability and data exchange rules (INT NC).

Bidirectional gas flows were introduced at the Interconnection Point Isaccea 1/Orlovka in december 2019, and Transgaz, Ukrtransgaz and TSO Ukraine amended the Interconnection Agreement in this respect.

Operation of the Virtual Interconnection Point Isaccea 2,3/Orlovka.

The parties' negotiations on the Interconnection Agreement are in progress. Therefore, at the end of 2017, the parties conducted joint public consultations on the business rules applicable at VIP Isaccea 2,3.

Operation of the Medieșu-Aurit-Tekovo Cross-Border Interconnection Point

Regarding the operation of cross-border IP Medieșu-Aurit-Tekovo, the parties are in the process of negotiating an Interconnection Agreement.

The Business Rules under the Interconnection Agreement on cross-border Interconnection Point Medieșu-Aurit/Tekovo were subject to a public consultation process which were conducted during 1 July – 1 September 2017. Afterwards, the parties published a joint statement on the results of such public consultations.

In January and February 2020, several meetings of the joint technical working groups were held and the two companies' representatives agreed upon a schedule for verifications meant to establish the conformity of all metering stations related to the Romania-Ukraine cross-border points (GMS Tekovo, GMS Medieșu Aurit, GMS Orlovka Import Romania, GMS Isaccea Import Romania) with the ISO and EN standards.

After having completed the agreed verifications, the parties aim at concluding the interconnection agreements on Interconnection Points Isaccea 2,3 and Medieșu Aurit.

Considering the state of emergency declared on the Romanian territory as a result of the COVID-19 pandemic, measures to restrict business trips were taken and therefore the verifications were suspended; however, Transgaz resumed such verifications mid-June.

VESTMOLDTRANSGAZ (Republic of Moldova):

Based on the EGMS resolution, on 18.12.2018, Eurotransgaz S.R.L. was established in Chisinau having Transgaz as a sole shareholder. For the fulfilment of its core business, Eurotransgaz S.R.L. participated in the investment contest for Vestmoldtransgaz privatization.

On 26 February 2018, the Commission for privatisation contests of the Republic of Moldova notified the result of the contest, declaring Eurotransgaz SRL the winner of the contest.

On 28 March 2018 Eurotransgaz signed the contract for the taking over of Vestmoldtransgaz Chisinau.

Vestmoldtransgaz aims at the achievement of the assumed strategic goal for the construction of the gas transmission pipeline Ungheni-Chișinău.

The Ungheni-Chisinau project, declared of national interest for the Republic of Moldova, by Law no. 105/09.06.2017, envisages the construction of a 120 km gas transmission pipeline, of three gas delivery stations (two in Chisinau, one in Ungheni – Semeni locality) and the refurbishment of the dispatching and steering centre Ghidighici. The gas transmission network in the direction Ungheni-Chisinau represents the second stage of the interconnection project Iasi-Ungheni-Chisinau.

The Ungheni-Chișinău pipeline was completed at the end of July 2020 and became operational from 1 August 2020.

The parties are having discussions on the conclusion of an Interconnection Agreement on IP Ungheni. The business rules under the Interconnection Agreement on Interconnection Point Ungheni were subject of the public consultations conducted In June 2020.

SRBIJAGAS (Serbia):

In 2017, Transgaz and Srbijagas signed a Memorandum of Understanding on the development of the cooperation between the two companies.

The document is part of a set of actions for strengthening the bilateral cooperation in fields of activities pertaining to the gas transmission system operators of Romania and Serbia and establishes a framework for promoting projects of mutual interest.

By creating the infrastructure necessary for the interconnection of the gas transmission systems, Transgaz and Srbijagas aim at contributing to the increase in the predictability of energy supply to the region, by alternatives which are more effective than the gas supply solutions provided by other options.

The parties are cooperating for the implementation of the project Interconnection between the National Gas Transmission Systems of Romania and Serbia in the ARAD-MOKRIN direction which envisages the construction of a new gas transmission pipeline ensuring the connection of the main gas transmission pipeline BRUA and the Technological Node Mokrin, of Serbia.

Transgaz și Srbijagas completed the pre-feasibility and the feasibility studies and the FEED.

Cooperation with other companies of the gas sector:

National and international shippers and gas producers/storage companies: (Gazprom Export, Bulgargaz, titleholders of on-shore și off-shore fields in Romania (ExxonMobil, Lukoil, OMV Petrom, Black Sea Oil and Gas, Romgaz, Depogaz, Conpet)

GAZPROM EXPORT (the Russian Federation):

On 31.12.2019, the contract for Transit II pipeline concluded with Gazprom Export expired.

The bilateral contractual relations regarding Transit III pipeline are ongoing. The parties discuss the amendment of the transit contract on Transit III pipeline in order to create the conditions for the conclusion of the Interconnection Agreements with TSO Ukraine LLC and Bulgartransgaz EAD.

BULGARGAZ (Bulgaria):

After the historical gas transmission contract between Transgaz and Bulgargaz regarding the international gas transmission pipeline Transit 1 expired on 1 October 2016, the EU regulatory framework was enacted to govern capacity booking operations related to Transit 1 pipeline such as the procedures for the nomination, matching and allocation of capacities pursuant to *Regulation (EU) 703/2015 establishing a network code on interoperability and data exchange rules* and to *Regulation (EU) 984/2015 establishing a network code on the capacity allocation mechanisms*.

Such regulations also provide rules for the access of all network users to the gas transmission systems to ensure the proper functioning of the domestic gas market - rules contemplating the application of a transparent and non-discriminatory treatment in the relationship between the operators and all potential network users.

Starting with October 2016, Bulgargaz constantly participated in the annual, quarterly and monthly capacity auctions organized by Transgaz, on a transparent basis, by means of the RBP (Regional Booking Platform) platform.

TRANSGAZ collaborates with the titleholders of the on-shore and off-shore fields in Romania for a regular exchange of information of a technical, economic, financial and legal nature with the purpose of coordinating the necessary developments in the National Natural Gas Transmission System.

Cooperation with the European and neighbouring gas Transmission System Operators within the Trans Balkan Corridor project

As part of the Central and South-Eastern European Gas Connectivity (CESEC) initiative, under the patronage of the European Commission Transgaz together with other Gas Transmission System Operators signed the *Memorandum of Understanding on a joint approach and action plan to address bidirectional natural gas transportation via the Trans-Balkan pipelines to cope diversification and security of supply challenges (MoU on the Trans-Balkan Corridor)*.

On the sidelines of the CESEC High Level Group meeting held in Budapest, 8-9 September 2016, the MoU on the Trans-Balkan Corridor was concluded between the TSOs of Greece, Bulgaria, Romania and Ukraine (i.e. DESFA, Bulgartransgaz, Transgaz and Ukrtransgaz) in the presence of high officials from Brussels and of Ministers of Energy from the CESEC countries.

This MoU defines the common intention of the Trans-Balkan TSOs to ensure, by coordinated actions (infrastructure projects included), physical reverse flows in the direction Greece-Bulgaria-Romania-Ukraine by means of the Trans-Balkan pipelines beyond 2019 and allows for the increase in the regional gas supply.

The kick-off meeting on the MoU was hosted by Transgaz in Bucharest, on 28 September 2017, in the margins of the CESEC High-Level Group Meeting, under the patronage of the European Commission and under the coordination of DG ENER. The Moldavian company Moldovagaz that operates a gas transmission system integrated with the Trans-Balkan Corridor was also invited to attend the meeting chaired by Mr. Klaus-Dieter Borchardt (Director DG ENER).

Based on this Memorandum, a joint working group was set up to identify efficient solutions to the capacity of Trans-Balkan pipelines. Transgaz actively participates in the activity of the Working Group by contributing to the preparation of the relevant documents.

In order to extend its activity **TRANSGAZ is considering the development of new partnerships with a number of relevant international companies in the energy field** and in this respect is carrying discussions for the conclusion of cooperation agreements.

Collaboration with European and adjacent Transmission System Operators within the Vertical Gas Corridor Project (Transgaz, DESFA Greece, ICGB, Bulgartransgaz Bulgaria, FGSZ Hungary)

On 19 July 2017, in Bucharest, under the coordination of the Directorate General for Energy within the European Commission (DG ENERGY), the companies Transgaz, DESFA, ICGB (the company responsible for the development, construction and operation of the Greece-Bulgaria Interconnection), Bulgartransgaz and FGSZ and - they undertook the achievement of a south-north corridor that would allow bidirectional flows of natural gas by interconnecting the natural gas transmission systems from Greece, Bulgaria, Romania and Hungary.

In order to materialize this goal, the parties involved in the project of the Vertical Gas Corridor decided to renew their commitment by signing a new Memorandum of Understanding under the aegis of DG ENERGY.

Thus, on 12 December 2019, at the headquarters of DG ENERGY in Brussels, under the coordination of Mr. Klaus-Dieter Borchardt - Deputy Director General of DG ENERGY, the ceremony for the signing of a new Memorandum of Understanding by the CEOs of the companies involved took place (Mr Ion Sterian - Transgaz, Mr Nicola Battilana - DESFA, Mrs Teodora Georgieva - ICGB, Mr Vladimir Malinov - Bulgartransgaz, Mr Szabolcs Ferencs - FGSZ). The event was attended by representatives of the transmission system operators from the states involved in the Vertical Corridor, of the Moldovagaz company from the Republic of Moldova and DG ENERGY.

Collaboration with Natural Gas Transmission System Operators at regional level

Transgaz initiated contacts with natural gas transmission operators from the European Union in order to develop partnerships aimed at exchanging experiences and analysing the potential of bilateral cooperation to promote possible joint projects (Gaz-System Poland, ICGB - the company implementing the Greece-Bulgaria Interconnection project, GasConnect Austria, Plinacro Croatia, CEGH Austria etc.)

Cooperation with national and international bodies, the European Commission and other institutional relations

SNTGN Transgaz S.A. became member or kept its quality of member within gas national and international bodies. The advantages and benefits of such membership are mainly: promoting the company and its objectives and interests, access to the updated information in the gas regulatory, policy, innovation, standards and products domain, and the participation in national and international events (conferences, seminars, forums, symposiums, etc.).

The EU Funds and International Relations Division manages most of the cooperation relations with the bodies where Transgaz is a member.

- *International associations:* Gas Infrastructure Europe (GIE), Piggings Products and Services Association (PP&SA) of UK.
- *National associations:* CNR- CME, the Association of the Oil and Gas Engineers, the Chamber of Commerce, Industry and Agriculture of Sibiu, Romanian Fracture Mechanics Association ARME, the Romanian Energy Centre (CRE), Oil and Gas Patronal

Federation (FPPG), American Chamber (AmCham), the ICC National Committee Romania.

The membership in the national and international organizations and bodies was extended and the company was represented at the meetings organized by the structures in which TRANSGAZ is a member.

Transgaz's representative office in Brussels

The Representative Office in Brussels aims to create new opportunities for a direct and constructive dialogue, both with the EU institutions, with important energy players and with Transgaz' partners, to promote the company's mission and vision at EU level, to contribute to the strengthening of the company's relations with the relevant EU partners and, in general, to foster the achievement of Transgaz' main strategic objectives, intended to transform our company into an internationally acknowledged natural gas transmission operator, with a top position on the regional energy market and a modern and integrated transmission system.

The Brussels Representative Office seeks to proactively identify the developments in the European and international policies that may affect or influence Transgaz' business model, its strategic objectives and the energy sector in general. Identifying the changes and evolutions of the relevant policies at an incipient stage, the Brussels Representative Office aims to come up with analyses, information and proposals that reflect and support the interests of Transgaz in particular and of Romania in general.

In this regard, the Representative Office provided Analyses (European energy policy and the specific approach in the field of gas; Recent developments on the new European strategic objectives in the field of energy) and Information (Investment Plan for the European Green Deal and the Mechanism for a Fair Transition; New Industrial Strategy for Europe; EU Strategic Plan to Reduce Methane Emissions in the Energy Sector; Climate Target Plan 2030; Gas Disposal Program).

The Representative Office also devotes an important part of its work to the dialogue with the EU institutions, key energy actors, and the company's partners. The Representative Office established contact with the EIT InnoEnergy, was involved in the establishment and activity of the GIE Working Group on Decarbonisation (for the CEE and EEA area) and actively participated in all workshops organized by GIE and ENTSO-G.

Starting with September 2019, the Representative Office initiated an activity for the development of the portfolio of direct relations with the relevant institutional and private players, present in Brussels, and the promotion of new relations, with significant added value:

- coordinators of the Brussels representative offices of other TSOs;
- the new leadership of the the Industry, Research and Energy Committee (ITRE) in the European Parliament;
- the team of experts serving the ITRE Commission;
- the network of think tanks with relevant activity in the field of energy policies.

By a proactive presence at European level and by the development of a network of contacts and relationships within the European institutions and relevant stakeholders, the Brussels Representative Office seeks to identify new opportunities, sources of funding for the company's projects and initiatives and potential partners.

On 13 March, a partial quarantine regime was set up in Belgium as a result of the COVID-19 pandemic, which was implemented since 18 March for a period of one month. Quarantine also extended to the European institutions. The immediate result was the cancellation of meetings, events and public access to the work of the European Parliament. Part of the events was postponed or transferred to the virtual environment.

In the new context created by the COVID-19 pandemic, the Brussels Representative Office continued its work, even managing to increase its flexibility and presence. The virtual environment offered the possibility to participate in several meetings, removing the limitations generated by distance or logistical needs. This was a positive side effect of adapting work to traffic and contact restrictions - virtual access to meetings, previously impossible.

The isolation and social distancing initiated mid-March continued throughout April, with the first relaxation measures being initiated only in May. However, the work of the main European institutions, as well as profile associations and think tanks, continued, although there were time delays on certain topics.

Since May, the first proposals related to the economic crisis, the possible relaunching measures and their coupling with the Green Deal began to take shape. In June, such proposals crystallized and confirmed: the economic recovery will be done ensured by meeting the objectives and the trajectory proposed by the Green Deal (especially the energy transition) and the new economic reality will accelerate the transition to a neutral system in terms of carbon emissions.

Cooperation with the relevant authorities and ministries

In Semester I 2020 reports on the status of strategic projects undertaken by Transgaz, on the regional gas transmission projects impacting Romania and on the cooperation relationships with external partners were sent to the Ministry of Economy, Ministry of Energy, Ministry of Foreign Affairs and Romanian Government. Moreover, replies to the relevant ministries' requests for information on Transgaz's international relations were duly submitted.

By means of the organizational structures the relationship with the Competent Authority for Projects of Common Interest (ACPIC) is managed to implement projects of common interest (PCI) included in EU list of PCIs and promoted by Transgaz, according to EU Regulation 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure repealing Decision No. 1364/2006/EC and amending Regulation (EC) No. 713/2009, (EC) No. 714/2009 and (EC) No. 715/2009.

3.4. Interconnection agreements

Interconnection agreements concluded between 2013 and 2016:

- **The Operation Agreement for the Ungheni IP**, concluded with Vestmoldtransgaz, the Republic of Moldova, on 14.08.2014;
- **The Interconnection Agreement for the Csanadpalota Interconnection Point**, concluded with FGSZ Zrt., Hungary on 02.12.2015;
- **The Interconnection Agreement for the Isaccea 1 Interconnection Point**, concluded with PJSC Ukrtransgaz, Ukraine on 19.07.2016;
- **Interconnection Agreement for the Negru Voda 1 Interconnection Point**, concluded with Bulgartransgaz, Bulgaria, on 19.05.2016;
- **Interconnection Agreement for the Ruse - Giurgiu Interconnection Point**, concluded with Bulgartransgaz, Bulgaria, on 22.12.2016.

In 2017 - 2019 the following addendums were concluded:

- Amendment no. 2 / 25.01.2017 to the Interconnection **Agreement for IP Negru Voda 1 / Kardam** (regarding the application of the gas day 08:00-08:00 at IP Negru Voda 1 / Kardam until 01.10.2017);
- Amendment no. 2/23.02.2017 to the **Interconnection Agreement for IP Isaccea 1** (on suspending the application of business rules at IP Isaccea 1 until 01.05.2017);
- Amendment no. 3/28.04.2017 to the **Interconnection Agreement for IP Isaccea 1** (on suspending the application of business rules at IP Isaccea 1 until 01.07.2017);
- Amendment no. 4/23.09.2017 to the **Interconnection Agreement for IP Isaccea 1** (on suspending the application of business rules at IP Isaccea 1 until 01.10.2017);
- Amendment no. 5/28.09.2017 to the **Interconnection Agreement for IP Isaccea 1** (on suspending the application of business rules at IP Isaccea 1 until 01.01.2018);
- Amendment no. 6/27.12.2017 to the **Interconnection Agreement for IP Isaccea 1** (on suspending the application of business rules at IP Isaccea 1 until 01.07.2018).
- Amendment no. 7/22.06.2018 to the **Interconnection Agreement for IP Isaccea 1** (on suspending the application of business rules at IP Isaccea 1 until 01.01.2019).
- Agreement for the amendment of the Interconnection Agreement and the transfer of the rights and obligations arising from the **Interconnection Agreement for IP Isaccea 1/Orlovka 1**, concluded between SNTGN Transgaz SA, JSC Ukrtransgaz and LLC TSO Gas of Ukraine dated 16.12.2019
- Amendment no. 1/30.04.2019 to the Interconnection **Agreement for IP Ruse-Giurgiu** (on the new business rules applicable in the IP Ruse-Giurgiu as of 01.05.2019);
- Amendment no. 2/04.10.2019 to the **Interconnection Agreement for IP Ruse-Giurgiu** (amendment of the technical conditions for gas transmission through IP Ruse-Giurgiu in the context of the upgrading of a pipeline of the National Gas Transmission system of TRANSGAZ located upstream of GMS Giurgiu and the commissioning of CS Podișor, until 01.11.2019);
- Amendment no. 3/30.04.2019 to the Interconnection **Agreement for IP Negru Vodă 1/Kardam** (on the new business rules applicable in the IP Negru Vodă 1/Kardam as of 01.05.2019);
- Amendment no. 4/06.11.2019 to the **Interconnection Agreement for IP Negru Vodă 1/Kardam** (creation of the technical conditions for gas transmission for the physical

delivery of gas in Bulgaria towards Romania through IP Negru Vodă 1/Kardam in the context of ensuring the bidirectional physical flow on the transmission pipeline Isaccea 1 - Negru Vodă 1 until 01.01.2020 and the supplementing of the daily gas quality parameters determined in GMS Negru Vodă 1 with the low calorific power);

- Amendment no. 5/20.12.2019 to the **Interconnection Agreement for IP Negru Vodă 1/Kardam** (the new technical conditions related to gas transmission);
- Amendment no. 6/01.01.2020 **Interconnection Agreement for IP Negru Vodă 1/Kardam** (amendment of the gas quality specification in both transmission directions);
- Amendment no. 1/30.05.2019 to the **Interconnection Agreement for IP Csanádpalota** (amendment of the technical conditions for gas transmission through IP Csanádpalota as of 01.10.2019);
- Amendment no. 2/25.06.2019 to the **Interconnection Agreement for IP Csanádpalota** (on the temporary replacement of metering at GMS Csanádpalota with the metering from GMS Algyő).
- Amendment no. 3/25.10.2019 to the **Interconnection Agreement for IP Csanádpalota** (amendment of the technical conditions for gas transmission through IP Csanádpalota following the technical restriction related to the exploitation of a pipeline section related to Transgaz' Gas transmission system located upstream of GMS Csanádpalota, until the completion of the BRUA project, phase 2).
- Amendment no. 4/02.06.2020 to the **Interconnection Agreement for IP Csanádpalota** (amendment of the gas quality specification in both transmission directions);
- Amendment no. 1/18.07.2019 to the **Operation Agreement for IP Ungheni** (regarding the extension of the validity of the Operation Agreement until the completion of the Interconnection Agreement for IP Ungheni);

3.5 Retrofitting and automation - SCADA

In order to improve the quality and efficiency of the operational activity within Transgaz SA the **Data procurement and Control System SCADA** was implemented – completed on 30.11.2015.

In Semester I 2020 the SCADA retrofitting and automation activity aimed at:

- **review and verification of the technical-economic documentation in order to submit the SCADA projects for the approval of the Technical Economic Committee: 121 documentations** were analyzed and verified;
- **participation in technical assessment tender committees: 42** evaluation committees;
- **participation in works and services acceptance / monitoring committees: 20 works** and services acceptance / monitoring committees;
- in-house rehabilitation of **4 anodic surface tap**, for which the related technical documentation was prepared, as follows:

No.	CPS	Regional Office
1	CPS Jidvei 2	Mediaș
2	CPS Zăbala	Brașov
3	CPS Oțelu Roșu 1	Arad
4	CPS Piatra Neamț 1	Bacău

Layout plans were developed for the anode outlets to be rehabilitated for obtaining the rights of way.

- repair of **14 underground anode outlets** with specialist constructor under service contract:

No.	CPS	Regional Office
1	CPS Cozieni (în SRM Pantelimon)	Bucharest
2	CPS Sălcioara	Bucharest
3	CPS Podișor	Bucharest
4	CPS Ciorogârla	Bucharest
5	CPS M. Kogălniceanu	Constanța
6	CPS Midia	Constanța
7	CPS Năvodari	Constanța
8	CPS Poganu 3G	Craiova
9	CPS Negrișoara F1	Craiova
10	CPS Negrișoara F2	Craiova
11	CPS Stoenеști (în SRM Caracal)	Craiova
12	CPS Galtiu 1	Mediaș
13	CPS Galtiu 2	Mediaș
14	CPS Sântioana N1	Cluj

Integration of technological parameters at the interconnection points on 30.06.2020

Interconnection point	SEMESTER I 2020	
	Local integration of technological parameters at GMS	SCADA integration of technological parameters
GMS Horia	Fulfilled	Fulfilled
GMS Csanádpalota	Fulfilled	Fulfilled
GMS Giurgiu	Fulfilled	Fulfilled
GMS Ruse	Fulfilled (<i>the technological parameters are present also in the Giurgiu GMS</i>).	Fulfilled
GMS Negru Vodă	Fulfilled	Fulfilled
GMS Kardam	Fulfilled (<i>the technological parameters are also present at the Negru Vodă GMS</i>).	Under analysis
GMS Medieșu Aurit	Fulfilled	Fulfilled
GMS Isaccea	Fulfilled	Fulfilled
Automation centre Iași-Ungheni: TN LEȚCANI	Fulfilled	Fulfilled
Automation Centre Iași-Ungheni: TN UNGHENI	Fulfilled (<i>the technological parameters are also present at the Automation Centre at the Iasi Sector and Lețcani TN</i>).	Under analysis

3.6 Operation, development, repair, rehabilitation and maintenance of NTS maintenance services

3.6.1 Main Components of NTS Infrastructure

The main components of the National Gas Transmission System on 30.06.2020 are as follows:

Name of the NTS objective / component	U.M.	Value
Main pipelines and gas supply connections, of which international transmission pipelines (Transit II, Transit III)	km	13.436,8 369
Operating metering-regulating stations (MRS)	pc.	1126 (1230 metering directions)
Valve control stations (VCS, TN)	pc.	58
Import gas metering stations (GMS) (Giurgiu, Horia, Isaccea Import, Negru Vodă IV, Medieșu Aurit, Isaccea Transit I, Negru Vodă I)	pc.	7
Gas metering stations located on the gas transit pipelines (GMS) (Isaccea Transit II, Isaccea Transit III, Negru Vodă II, Negru Vodă III)	pc.	4
Gas compressor station (CS) (Șinca, Onești, Siliștea, Jupa , Podișor)	pc.	5
Cathodic protection stations (CPS)	pc.	1.038
Gas odorising stations (GOS)	pc.	904

Table 6 – Main components of the NTS on 30.06.2020

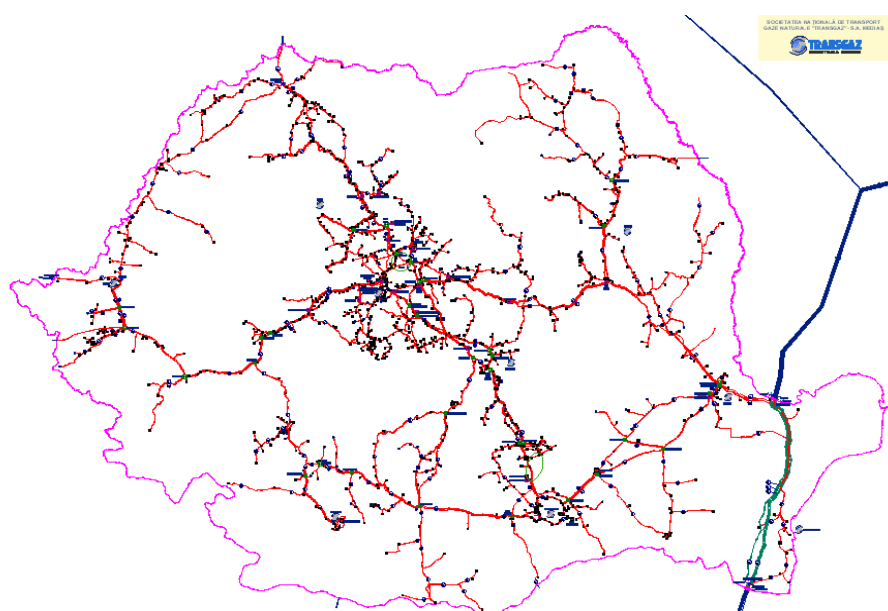


Figure 19 - Map of the National Gas Transmission System

The National Transmission System (NTS) has coverage across the entire national territory and has a radial-ring structure.

The gas transmission and transit capacity is provided through a network of pipelines and supply connections with diameters between 50 mm and 1200 mm at pressures between 6 bar and 40 bar, with the exception of international transmission (63 bar).

Description and analysis of the degree of wear of the NTS components

An analysis of the main objectives belonging to the NTS in terms of service life is shown in the table below:

Service life	Transmission pipelines (km)	Supply pipelines (km)	Number of directions of MRSs
> 40 years	7.056,17	356,549	150
Between 30 and 40 years	1.675,128	163,507	59
Between 20 and 30 years	720,123	374,737	308
Between 10 and 20 years	1.407,164	841,378	550
< 10 years	639,405	40,099	117
≤ 5 years	143,938	18,588	46
TOTAL	11.641,9	1.794,9	1.126 MRSs (1.230 metering directions)
	13.436,8		

Table 7 - The main components of the NTS on 30.06.2020, from the perspective of the service life

The pig inspection services conducted until June 2020 for approx. **2.789 km (4.495 km** due to multiple inspections) reveal quite high levels of pipe defects, mainly due to the long pipeline operation.

Inner cleaning was performed on 3 pipelines with a total length of **219 km**. Repeated cleanings (4 runs) were carried out on one of the three pipelines (L=78 km, Şendreni-Cosmeşti) to prepare it for the inspection.

Approximately **95,5%** of the pipelines and fittings that are in use have cathodic protection. In Semester I 2020 intensive metering was performed for 8,618 km km of pipeline of the planned 223,81 km.

The gas delivery to the distributors and end users is performed by the **1.230 MRSs** (metering directions), **39 MRSs** (metering directions) being temporarily inactive /in preservation. MRSs are included in the upgrading/rehabilitation programs to be integrated into the SCADA automatic control and monitoring system.

Out of the **1.230 MRSs** (consumption directions) in operation in the first stage, a total of **948** are considered for the implementation of the SCADA system.

The compression capability is provided by **5** gas compressor stations, placed on the main transmission directions.

Two of the **5** compressor stations, namely GCS Oneşti and GCS Siliştea, have entered into a modernization program, which involves replacing the existing compressor groups and the related technological installations.

From the existing *technological nodes* about 20% are new or rehabilitated. During the implementation of the SCADA system, the process of upgrading the technological nodes will continue.

Gas odorization is ensured by a number of **904** odorization facilities of which **606** systems are new, by sampling and by injection ensuring an optimal odorization of the transported gas. Out of the **606** modern systems, a total of **37** are centralized - serving several delivery points. **298** `evaporation/drip` type systems are systems that cannot provide a continuous and controlled odorization and can lead to situations of under or overodorization and thus to an increased consumption of odorant. Out of these **12** facilities are centralized.

In order to ensure the safe operation of the technological installations related to the MRSs within the NTS, in addition to the current monitoring, inspection and revision activities carried out by the personnel of the regional offices in accordance with the technical rules approved by ANRE, **19** interventions were executed for fault repairs and disposal, interventions carried out with specialised firms.

It should be stressed that although the technical condition of the NTS is maintained at an appropriate level due to the fact that the operation is carried out based on a predominantly preventive planned and corrective maintenance system and based on some upgrading programs.

These programs are based on the Technical Rules on the maintenance of the NTS as they are carried out on a longer period of time due to their high levels.

Cross-border interconnection points

Currently, the import/export of natural gas to/from Romania is achieved by 7 cross-border interconnection pipelines:

Cross-border interconnection pipeline features	
UKRAINE	Orlovka (UA)–Isaccea (RO) - DN 1000, Capacity 8.6 bcma, P _{max} =55 bar
	Tekovo (UA)–Medieșu Aurit (RO) - DN 700, Capacity =4.0 bcma, P _{max} =70 bar
	Isaccea 1/Orlovka 1 , P _{max} =49,5 bar in the import direction and P _{max} =45 bar in the export direction
HUNGARY	Szeged (HU)–Arad(RO)–Csanadpalota - DN 700, Capacity = 1.75 bcma, P _{max} = 63 bar
REPUBLIC OF MOLDOVA	Ungheni (MO) – Iași (RO) - DN 500, Capacity = 1.5 bcma, P _{max} =50 bar
BULGARIA	Ruse (BG)–Giurgiu (RO) - DN 500, Capacity = 1.5 bcma P _{max} =40 bar in the export direction and P _{max} =30 bar in the import direction
	Negru Vodă 1/Kardam , P _{max} =55 bar in both transmission directions

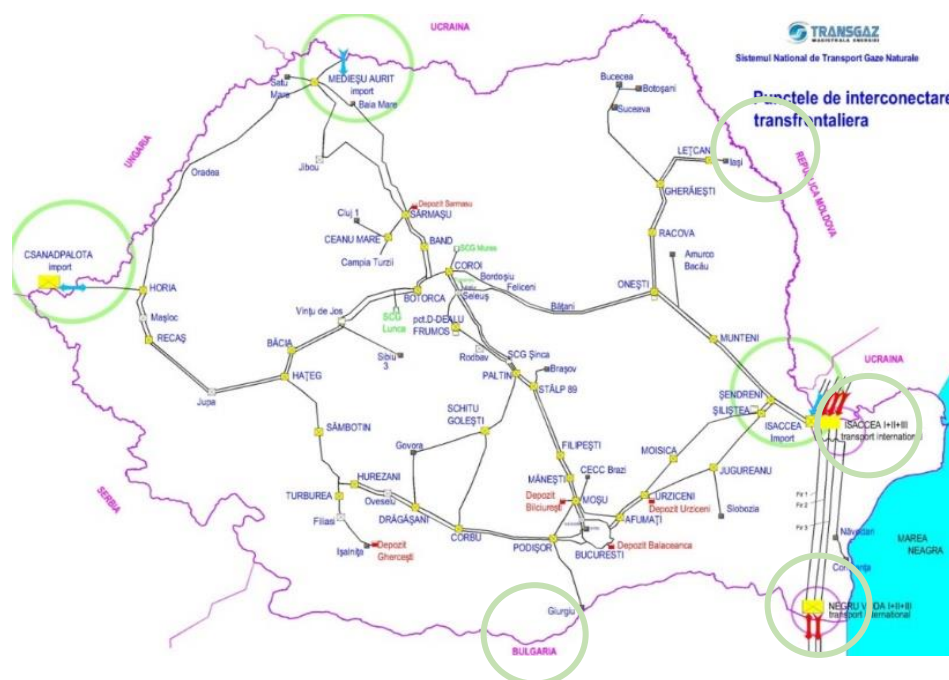


Figure 20 - Cross border NTS interconnection points

3.6.2. The operation activity

Between **1 October 2019–30 June 2020** the regulated tariffs for gas transmission for gas transmission through the National Gas Transmission System were set based on **ANRE Order 64/30 May 2019 on the approval** of regulated revenue, total revenue and transmission tariffs for gas transmission through the National Gas Transmission System.

Domestic gas transmission ensures the fulfilling of all obligations of Transgaz to provide NTS access to network users in equivalent, non-discriminatory and transparent conditions and contract clauses.

The main beneficiaries of the gas transmission service in Semester I 2020:

No.	Main network users	INVOICE AMOUNT WITHOUT VAT (lei)	%
1	ENGIE Romania SA	144.334.280,29	19,62
2	OMV PETROM SA	122.298.273,61	16,63
3	AIK ENERGY ROMANIA SRL (VALAHIA GAZ SRL)	82.917.237,89	11,27
4	SNGN ROMGAZ SA	82.889.189,83	11,27
5	E.ON GAZ FURNIZARE SA	62.712.332,39	8,53
6	WIEE ROMANIA SRL	60.914.376,45	8,28
7	E.ON ENERGIE ROMANIA SA	39.059.030,89	5,31
8	ELECTROCENTRALE BUCUREȘTI SA (in insolvency)	34.298.056,94	4,66

No.	Main network users	INVOICE AMOUNT WITHOUT VAT (lei)	%
9	CHEMGAS HOLDING CORPORATION SRL (in insolvency)	10.199.402,98	1,39
10	DONAU CHEM SRL (in insolvency)	9.408.409,34	1,28
11	OTHER NETWORK USERS	86.523.340,87	11,76
	TOTAL	735.553.931,48	100,00%

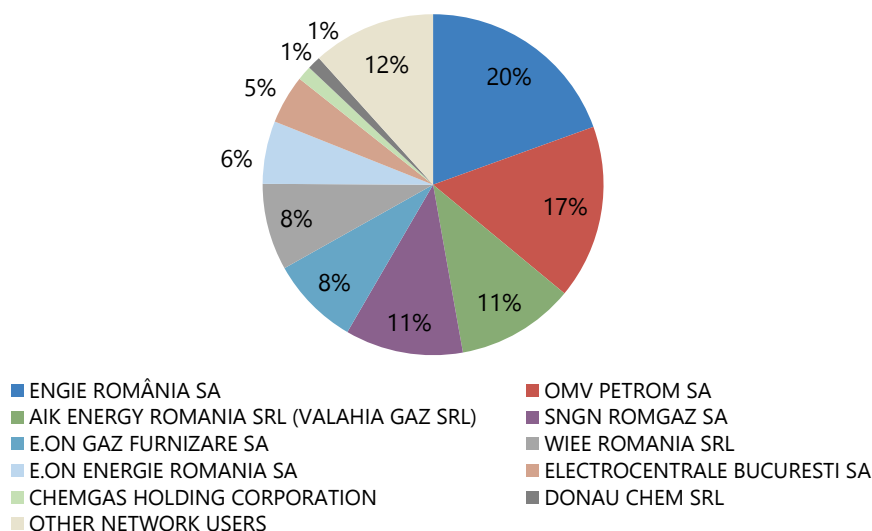


Chart 9 - Main NTS users Semester I 2020

785 contracts were concluded and signed in Semester I 2020 with the network users for transmission services, including the annual, quarterly, monthly and daily capacity products, for the NTS entry/exit points, including the Csanadpalota, Ruse-Giurgiu, Negru Voda 1, Negru Voda-locality, Mangalia-locality interconnection points.

Total number of NTS contracts in Semester I 2020:

Contract type	Annual	Quarterly	Monthly	Daily	Total
No. of contracts	3	61	422	19	505

Total contracts in the interconnection points concluded on the RBP in Semester I 2020:

Contract type	Annual	Quarterly	Monthly	Daily	Total
No. of contracts	0	3	27	250	280

Gas quantities circulated and transmitted through the National Gas Transmission System and the NTS gas consumption in the first six months of 2020, compared to the same period of the previous year, is the following:

Indicator	MU	Sem. I 2020	Sem. I 2019	+/-	%
0	1	2	3	4=3-2	5=3/2-1
Circulated gas	Thousand cm	6.540.885	6.880.328	-339.443	-5%
Transmitted gas	Thousand cm	6.507.943	6.845.935	-337.992	-5%
NTS gas consumption	Thousand cm	35.302	36.517	-1.215	-3%
NTS gas consumption/circulated gas	%	0,54%	0,53%		

Table 8 - Gas quantities circulated and transmitted and the technological consumption in Semester I 2020 vs Semester I 2019

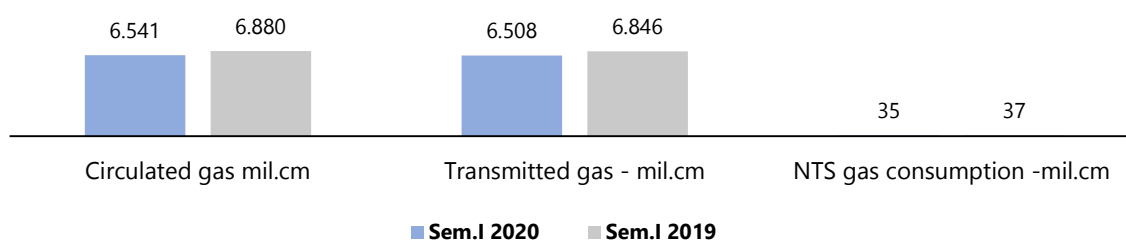


Chart 10 - Gas quantities circulated and transmitted and the technological consumption in Semester I 2020 vs Semester I 2019

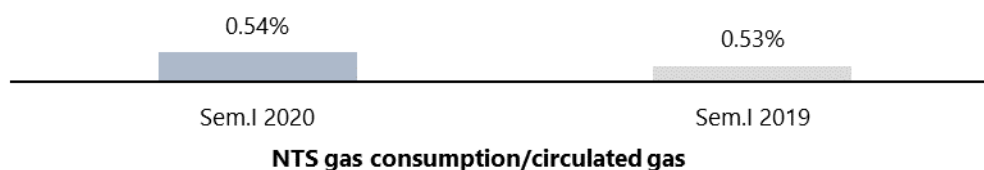


Chart 11- NTS gas consumption in total circulated gas in Semester I 2020 vs Semester I 2019

	Jan	Feb	March	Apr	May	June	TOTAL Sem.I 2020
PLANNED TECHNOLOGICAL CONSUMPTION-thousand cm	8.049	6.776	6.116	6.084	4.909	4.583	36.517
ACTUAL TECHNOLOGICAL CONSUMPTION- thousand cm	8.522	7.305	7.445	4.592	3.609	3.829	35.302

Table 9 - NTS gas consumption achieved vs. planned in Semester I 2020

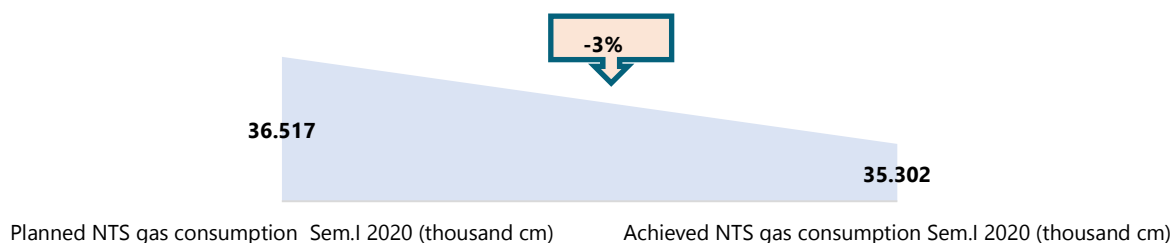


Chart 12 - Total NTS gas consumption - achieved in Semester I 2020 vs. planned in Semester I 2020

Therefore, as it may be noticed, in Semester I 2020, as compared to the same period of the previous year, the evolution of the NTS gas consumption went on the downward trend being 3% lower than the one recorded in Semester I 2019 and 3% lower than the level planned for Semester I 2020.

3.6.3 The investment policy

Modernization and Investment Development Plan (PMDI)

The investment activity is mainly directed towards the modernization and development of the NTS in order to improve the efficiency and to increase its capacity, to develop new consumption areas.

At the end of Semester I 2020 the Modernization and Investment Development Plan at the end of Semester I 2020 includes mainly 72,86% execution works, 20,48% design works, 5,30% works under procurement and 1,36% other works. ,

Compared to the progress of the works at the beginning of 2020, the end of Semester I 2020 progress of the works shows the increasing of the percentage of the works in execution (from 67% to 73%) at the same time with the decreasing of the design works (from 21% to 20%) and of the works under procurement (from 10% to 5%).

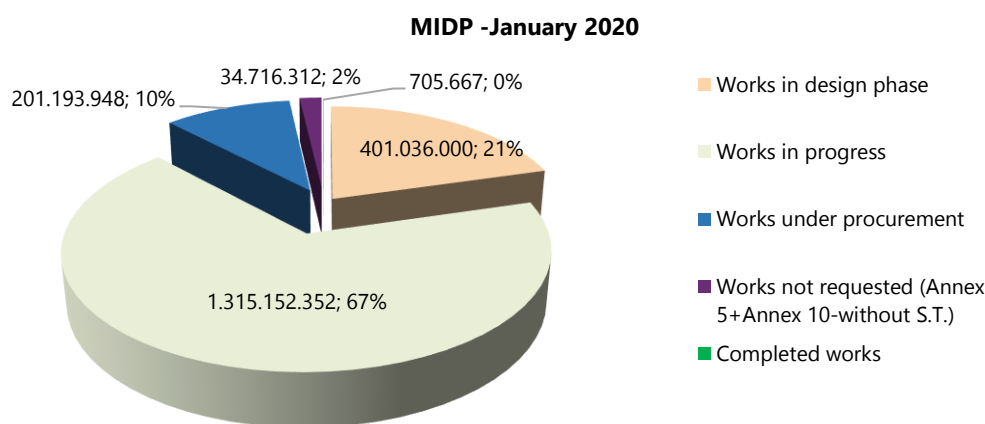


Chart 13 – PMDI 2020 - January 2020

The value of the design works includes the funds allocated to the planned works mentioned in Chapter D – Development of the NTS according to Law 123/2012 (Updated), Art.130 (e1) and (e2), amounting to lei 350.000 thousand, representing 87,53% of the value of the design works.

The main objectives finalized in Semester I 2020 are:

- Powier supply to TN Recas;
- nterconnection gas transmission pipeline between DN250 Teline - Sighisoara and DN700 Coroi - Bărcuț;

- DN700 Gănești - Idrifaia - Coroi gas transmission pipeline - works remaining to be executed at TN Coroi;
- two objectives in Annex 10 the procurement contracts of which were concluded in 2019;

The main works in progress:

- Development on the Romanian territory of the Bulgaria-Romania-Hungary-Austria Corridor (BRUA);
- Compressor station execution works (Bibești);
- Pipeline execution works (Phase 1);
- pipeline automation and securing works
- Enhancement of the Romanian gas transmission system between Onești – Isaccea and reverse flow at Isaccea – phase 2 (interconnection of the national gas transmission system with the international transmission system and reverse flow at Isaccea) – phase 2 upgrading of GCS Onești and upgrading of GCS Siliștea;
- *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova:*
 - DN700 Onești - Gherăiești – Lețcani gas transmission pipeline;
 - Onești and Gherăiești compressor stations, pipeline automation and securing;
 - procurement of compressors;
 - archaeological works;
- NTS Interconnection with the international gas transmission pipeline T1 and reverse flow Isaccea;
- Replacement of the gas metering station GMS Isaccea 1;
- DN400 Vaslui - Iași (Vaslui – Mogoșești section) gas transmission pipeline - reunification in the area of the Bârnova forest;
- NTS Interconnection with the international gas transmission pipeline and reverse flow Isaccea – stage 2 – works at TN Sendreni – construction works;
- Replacement of the technological installations of MRS Timișoara I;
- Ø20" Craiova - Segarcea - Băilești - Calafat gas transmission pipeline, stage I, the Craiova – Segarcea section;
- Undercrossing of Olt River by the Ø 12" Drăgășani – Caracal pipeline (gas supply pipeline to Caracal);
- DN 250 Câmpulung Moldovenesc - Vatra Dornei gas transmission pipeline (Pojorâta - Vatra Dornei section);
- Ø12" Mintia - Brad - Ștei gas transmission pipeline, stage I, Mintia – Brad section
- NTS Interconnection with the international gas transmission pipeline and reverse flow Isaccea – stage 2 – works at TN Sendreni – power supply installations and automation works;

The main works in the procurement procedure are:

- Development on the territory of Romania of the Southern Gas Transmission Corridor for taking over Black Sea gas (Black Sea -Podisor);
- Nadeș – Sighișoara gas transmission pipeline;

- Modernization of Pitești production unit;
- Mobile air compressor station 100 bar;
- Restoration of Strei River undercrossing with the Vest2 and Vest 3 pipelines, the Totia zone;
- Securing DN800 Moghioroș - Onești and DN700 Moghioroș – Onești pipelines, in the Oituz area (Calcai);
- Replacement of DN 200 SRM Poiana Brașov supply pipeline section;
- Mounting pig receiving/launching trap at Posada for the DN 500 Stâlp 89 - Posada and DN 500 Posada – Moșu pipelines (the remaining part to be executed).

There are still difficulties in achieving investment objectives such as the lack of the necessary permits to obtain the Construction Authorization from owners of the land affected by the construction of the investment objectives and the local authorities for the following investment objectives:

- securing DN300 Agârbiciu – Sibiu gas transmission pipeline, the Șeica Mare zone;
- securing DN 350 Luna - Aiud, DN 250 Luna – Ocna Mureș (line I) and DN 250 Luna - Ocna Mureș (line II) gas transmission pipeline, the Războieni zone – under litigation at the Aiud court;

In order to solve the problems that occurred during the execution of the works and the achievement of the objectives according to the plan, the following measures were taken:

- In some more difficult areas, from the point of view of obtaining agreements from landowners or at the request of local administration, the decision was taken to redesign the pipeline route or the technical solutions for the construction.

Most of the investment objectives were there are no achievements recorded are in the design or procurement phase.

3.6.4 NTS maintenance policy

Repair, Rehabilitation and Maintenance Services Plan

The 2020 Maintenance, Repair and Maintenance Services Plan (update 10) has an allocated amount of **lei 64.055.452**, out of which lei 31.905.400 for NTS Repair and Rehabilitation Works and lei 32.150.052 for NTS Maintenance Services.

A. NTS repair and rehabilitation works

Of the total NTS Repair and Rehabilitation Works budgeted amount (**Chapter A, with a percentage of 49.81% of PRRASM 2020**), in January 2020, the executed works represented 22%, (works contracted in the previous years), design works 27%, works under procurement 48%, and the works not included in the previous categories (Security positions) 3%;

PRRASM 2020-Repairs and NTS Upgrading-January 2020

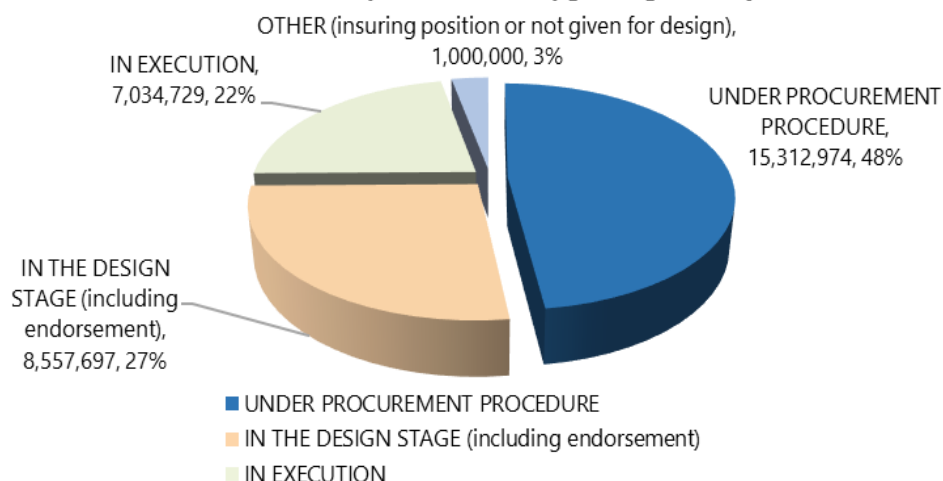


Chart 14 - PRRASM 2020 - NTS Repair and Rehabilitation - January 2020

At the end of Semester I 2020, the NTS repairs and rehabilitation works in execution had a share of 38% from the budgeted value (higher than in January 2020).

PRRASM 2020-Repairs and NTS Upgrading -June 2020

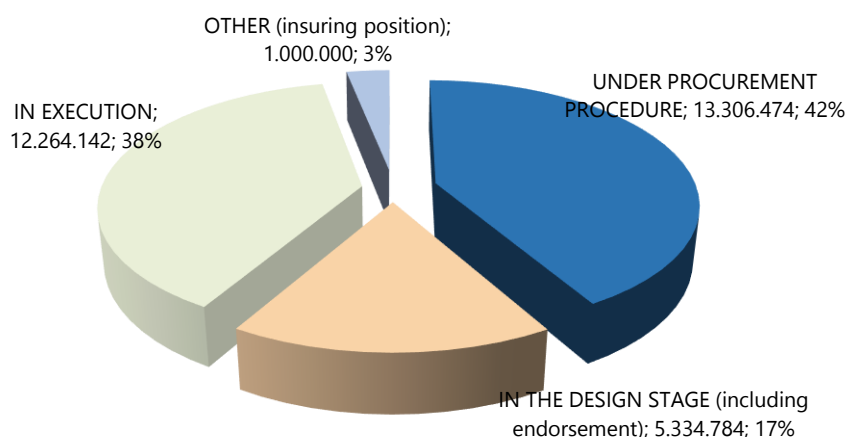


Chart 15 - PRRASM 2020 - NTS Repair and Rehabilitation - June 2020

Advanced procurement procedures :

- Ø24`` Paltin Schitu-Golești pipeline (Brasov County)
- Ø20`` Onești-Racova-Gherăiești pipeline line II (Bacău County)
- Replacement of the 32`` pipeline section on the 28`` Platou Izvor Sinaia-Filipești transmission pipeline, the Drăgăneasa area;
- Dn 150 mm MRS Măgureni connection pipeline securing, Măgureni area

The procurement procedures were completed by the conclusion of execution contracts and subsequent contracts :

- Ø6`` ELSID Titu supply pipeline connection
- Preparation of Işalniţa-Cruce Gherceşti pipeline for pigging
- Aboveground crossings repair (framework agreements/2 years)
- Drăgăşani sector office building repairs
- FIR Vest exterior repairs
- Arad-Horia-Csanadpalota optical fiber network repair
- LES repair works – power supply to MRS CET II Craiova.

PRRASM 2020 works in different execution stages in Semester I 2020:

- Ø20`` Băcia-Caransebeş pipeline (HD,CS)
- Fix stations pipeline insulation works
- 12`` Vlădeni-Măneşti pipeline securing
- 32`` Cosmeşti-Oneşti pipeline repairs (third party works)
- Ø20`` Band-Sărmăşel pipeline (line I);
- Ø20`` Adjutul Vechi pipeline, Braniştea, Schela and Independenţa areas
- Aboveground crossings of Visa River with the Ø10``-12" PM Şoala connection pipeline, Agârbiciu area;
- Drăgăşani sector office building repairs
- FIR Vest exterior repairs
- Arad-Horia-Csanadpalota optical fiber network repair
- LES repair works – power supply to MRS CET II Craiova.

FEED completed in Semester I 2020:

- Ø20`` Oneşti-Racova-Gherăieşti pipeline line II (Bacău County)
- Replacement of 32`` pipeline section on the 28" Platou Izvor Sinaia-Filipeşti transmission pipeline, Drăgăneasa area
- Dn 150 mm MRS Măgureni connection pipeline securing, Măgureni area.

There are difficulties in carrying out repairs and rehabilitation of main pipelines due to certain issues external to the company:

- problems related to stopping works due to the evolution of the SARS COV2 virus pandemic (contractor problems: travel bans, lack of personnel, impossibility of accommodation, transport problems, problems related to the supply of materials).
- problems with the ownership agreements for the following objectives: Ø48`` Isaccea - Negru Voda pipeline - TRANSIT 3 pipeline; Ø24`` Paltin Schitu - Golesti pipeline (Arges)
- absence or expiration of the necessary permits for obtaining the Construction Authorization or execution for the following objectives: Ø24`` Paltin Schitu - Golesti pipeline (Arges, stage I) Ø48`` Isaccea-Negru Vodă-TRANZIT 3 pipeline, 32" Cosmeşti-Oneşti pipeline repair, 12" Vlădeni-Măneşti pipeline.
- the need to re-design some works (following successive changes): Ø 20`` Oneşti-Racova-Gherăşti pipeline, line II (Bacău County), Iaşi-Vaslui pipeline (the remaining part to be executed).

In addition, internal problems arising from the evolution of the SARS COV2 pandemic were encountered: restriction of travel, most activities were carried out from home, cumbersome national communication circuits, reduction of partners' activity, etc.

To solve the problems encountered, the following measures were taken:

- | |
|---|
| <ul style="list-style-type: none"> ▪ Documents for obtaining opinions/authorizations were prepared again and submitted to the competent authorities; |
| <ul style="list-style-type: none"> ▪ In some more difficult areas, from the point of view of obtaining the agreements from the landowners or at the request of the local administrations, the decision was made to redesign the pipeline route or the technical solutions for the achievement of the construction; |
| <ul style="list-style-type: none"> ▪ Addenda to contracts were drawn up (and reports were prepared) for maintenance work (for the application of GEO 114/2018). |
| <ul style="list-style-type: none"> ▪ Unfinished works by contractors were performed with own forces (Mediaş Subsidiary and Regional Office). |
| <ul style="list-style-type: none"> ▪ The priority works were achieved inhouse (Mediaş Subsidiary and Regional Office); |
| <ul style="list-style-type: none"> ▪ It was proposed to perform the procurements by counties to obtain authorizations, in order not to condition the works where all the conditions are created on the difficulties encountered in the areas having approval/authorization issues from the local administration; |

B. NTS Maintenance Assurance Services

Chapter B. PRRASM NTS Maintenance Services - includes a budgetary projection of external service needed for maintenance (maintenance, repair, service, logistics facilities, etc.). As a rule, these services complete maintainable activities and the use or quantification of value is largely presumptive.

The budgeted amount of the NTS Maintenance Services for 2020, between January and June 2020, has the following allocation reported to 89 budget lines ensured:

- A number of **45 positions** with a budget amounting to lei **22.921.312** have contract in execution or ended and recorded in the first quarter achievements amounting to lei **4.326.012**;
- **12 positions** with a total budget of lei **5.097.008** were at the end of June 2020 in the procurement procedure;
- for **14 positions** with a budget of lei **623.060** the delegation of powers was granted by decision to the directors of the regional offices and Medias Subsidiary to conclude contracts/orders by direct procurement; procurements that did not comply with the requirements of the decision were made through the Sectoral Procurements and Contracts Unit, the achievements at the end of June being of lei **77.161**;
- **18 positions** of services remained unrequested; for some of them, the procurement documents are under preparation, being insuring amounts for emergencies (e.g. weather effects management services) or amounts insured for reduced predictability with a budgetary allocation of lei 3.508.672.

The graphical expression of this distribution, comparative January - June 2020, can be seen in the following charts:

PRRASM 2020-NTS Maintenance Services January 2020

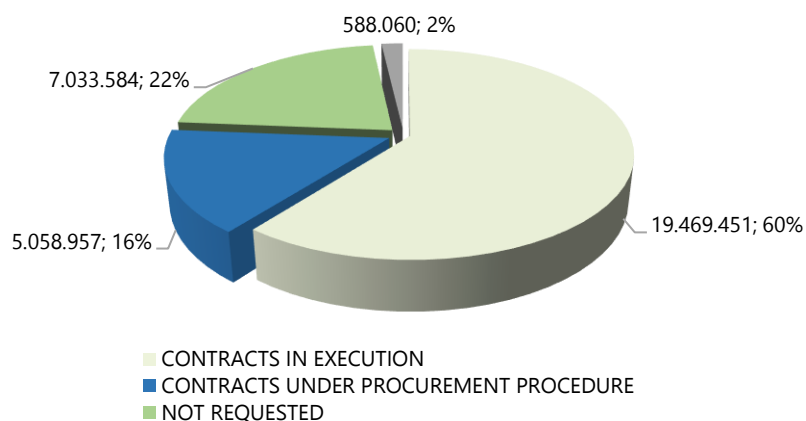


Chart 16 - PRRASM 2020 - NTS Maintenance Services – January 2020

PRRASM 2020- NTS Maintenance Services June 2020

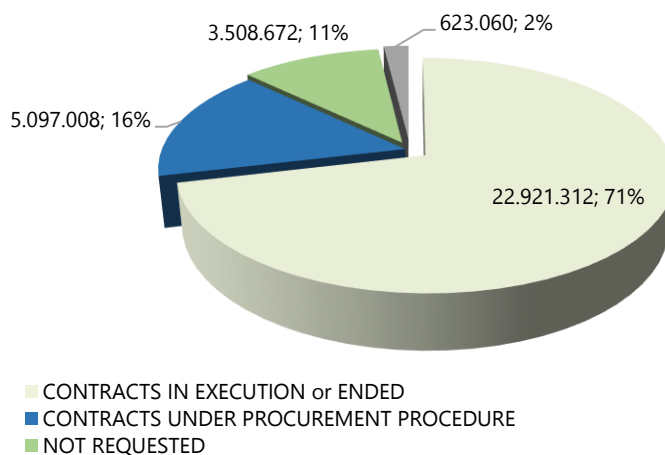


Chart 17 PRRASM 2020 - NTS Maintenance Services – Semester I, 2020

At the end of Semester I 2020, the number of services in progress is of 71%.

Main contracts concluded in Semester I 2020:

- maintenance services for backup power generators
- repair and maintenance services of cathodic protection equipment and components
- technical verification services for the authorisation of the operation of installations covered by the ISCIR
- non-destructive testing services
- energy audit and energy analysis services at NTS objectives

- repair and intervention services for Armax Gaz ordorization MRSs and installations or with components produced by Armax Gaz
- CS Șinca Solar compressor charger automatic rectifier repair service
- maintenance, overhaul and repair services of lifting machines
- maintenance services, overhauls and repairs of elevators
- (re-)accreditation of laboratory non-destructive control and personal authorization services

3.7 Procurements

Procurement of the technical-material basis is based on firm contracts or orders, in compliance with the applicable laws, both on the domestic and import markets.

For the substantiation of **PAAS 2020/PAAS 2020 BRUA-Phase I and Phase II/PAAS 2020–Moldova, the necessary works, products and services** were taken into account, as they were included in:

- **Program of Repairs, Rehabilitation and Assurance of Maintenance Services**
- **Design Program, Research Program and the Program regarding Other Services Performed by Third Parties**
- **Investment Upgrading and Development Program and the Supply Program**, approved by the BoA Resolution no. 58/16.12.2019.

The Program includes **all the contracts/framework agreements** that SNTGN Transgaz S.A. Medias intends to award/conclude in 2020.

Moreover the P.A.A.S. 2020 contains the **procedures started in 2019** and which **were not assigned / completed** until the end of 2019, but they were taken over in the program for 2020. Please note that they have been **in progress since the previous years**.

The total value of the **Sectoral Procurement Annual Program for 2020 (PAAS 2019)**, approved by Resolution no 2/14.01.2020 of the Board of Administration, was of **lei 570.456.247,60** , and the value for the Annual Program of Sectoral procurement for 2020 for the investment „Development on the territory of Romania of the NTS along the Bulgaria-Romania-Hungary-Austria corridor, Phase 1 and Phase 2” (PAAS 2020 BRUA Phase 1 and Phase 2) was **lei 288.665.488,00** and the value for the Annual Program of Sectoral procurement for the investment NTS development in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova (PASS 2020 – Moldova) was of **lei 328.343.959,00**;

Following the updates of PAAS 2020 which became necessary after the revision of the execution programs underlying the substantiation of the REB the total value of the PAAS became **lei 734.300.273,95**.

The value of the PAAS 2020 BRUA Phase I and Phase II and the value of the PAAS 2020 – Moldova remained unchanged.

By 30.06.2020, 299 direct procurements were also completed, of which 56 were concluded through contracts, 167 through orders, and 76 were carried out by the European Funds and

International Relations Division, the Operation Division and the Logistics Division based on the decisions for the delegation of competence. The cumulative value of the direct procurement achievements under PAAS 2020 is lei 6.455.889,78.

PROCUREMENT PROCEDURES:

On the basis of the PAAS 2020 (Procedures section, updated) out of the **457 active positions, 76 procedures (16.63%)**, were launched, of which **128 procedures were finalized (28,01%)** and **28 not initiated procedures (6,13%)** are in progress at different stages.

The 28 not initiated procedures are currently requested with Sectoral Procurements and Contracts Division documents, and up to the total number of active positions in the program a total of **225 positions** are not requested by interested departments/ divisions/units representing 49,23%.

From a physical point of view of the total number of procedures under PAAS, the updated achievement percentage is **28,01%** and from a **value point of view**, the achievement degree is **6,57%** (achieved value in relation with the total estimated value).

Schematically the status of the procurement procedures is as follows:

Procedures centralizer (physical)		
Total positions as of 30.06.2020, of which:	457	% PAAS achievement (procedure section)
- initiated	76	16,63%
- completed	128	28,01%
- not initiated	28	6,13%
- not requested	225	49,23%*

**The not requested positions are procurement procedures to be requested by the departments of the company until the end of the year.*

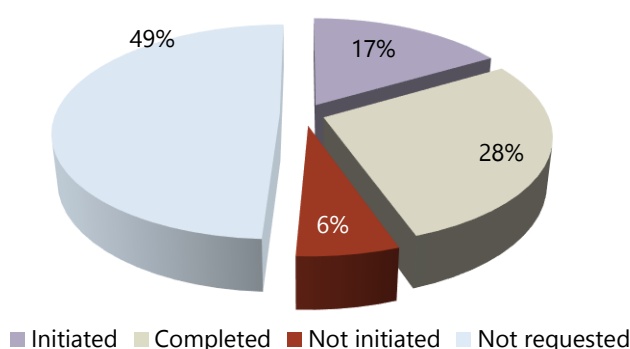


Chart 18- Procurement procedures as at 30.06.2020

Procedures centralizer (value) - lei		
Total value as of 30.06.2020, of which:	2.297.166.212,43	PAAS % achievement (procedures section)
- initiated	1.519.433.030,39	66,14%
- completed	150.833.260,17	6,57%
- not initiated (in progress at DASC)	62.149.629,52	2,71%
- not requested	533.781.631,31	23,24%

NOTE* From the value point of view, the sum of the percentages is less than 100%, for the value differences from the estimated values to those awarded (lower than the estimated value).

For the **128 positions achieved** in the PAAS 2020 procedure section, the situation of the achievements against the estimated values (only these ones) is presented according to the following table:

No. positions of completed procedures under PAAS	Estimated value lei VAT excluded	Achieved value lei VAT excluded	%
128	171.571.266,61	150.833.260,17	88%

The total number of contracts concluded (including the subsequent contracts awarded under the framework agreements is presented schematically in the following table:

Contract type	No. contracts of framework agreements awarded	Total contract value	Out of which number of subsequent contracts	Value of subsequent contracts	Value achievement from PAAS
	(lei without VAT)	(lei without VAT)	-	(lei without TVA)	(lei without TVA)
0	1	2	3	4	5=1-4
Contract of works	19	34.740.326,82	2	985.078,88	34.740.326,82
Contracts of services	60	73.287.885,25	41	40.351.506,30	73.287.885,25
Contracts of products	64	42.805.048,10	8	7.006.211,87	42.805.048,10
TOTAL CONTRACTS	143	150.833.260,18	51	48.342.797,05	150.833.260,18

Table 10 - The situation of the contracts concluded through procurement procedures- between 01.01 and 30.06.2020

DIRECT PROCUREMENTS:

On the basis of the updated PAAS 2020, out of **574 active positions**, **30 direct procurements** were initiated (5,23%), **268 direct purchases were completed (46,69%)**, and **20 direct procurement are not initiated (3,48 %)**, ongoing at different stages.

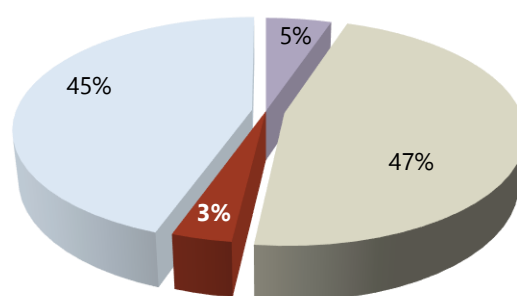
The 20 **direct procurements not initiated** are currently requested, with Sectoral Procurement and Contracting Division documentation, and up to the total active positions in the program

256 positions are not requested by interested departments / divisions/ offices (representing a percentage of **44,60%**).

From a physical point of view of the total number of direct procurements under the approved programme, the direct procurement achievement percentage is **46,69 %** and from a **value point of view**, the achievement degree is **24,54%** (achieved value in relation with the total estimated value).

Centralizer of direct procurements (physical)		
Total pos. as at 30.06.2020	574	% realization direct purchases
where:		
- initiated	30	5,23%
- achieved	268	46,69%
- not initiated	20	3,48%
- not requested	256	44,60%*

*The not requested positions are direct procurements to be requested by the departments of the company until the end of the year.



■ Initiated ■ Completed ■ Not initiated ■ Not requested

Chart 19 -The direct procurements on 30.06.2020

Centralizer of direct procurements (value)		
Total value as of 30.06.2020, of	26.309.859,92	% direct procurement achievement
which:		
- initiated	1.867.260,83	7,10%
- achieved	6.455.889,78	24,54%
- not initiated	244.306,83	0,93%
- not requested	16.491.006,96	62,68%

*NOTE** From the value point of view, the sum of the percentages is less than 100%, for the value differences from the estimated values to those awarded (lower than the estimated amount).

For the **268 positions achieved** from PAAS 2020 - Direct Purchases, the situation of the achievements against the estimated values is presented in accordance with the following table:

No. positions under PAAS 2019 - AD	Estimated value (lei VAT excluded)	Achieved value (lei VAT excluded)	%
268	6.809.422,62	6.455.889,78	95%

The centralised statement of the direct procurements

Based on the updated PAAS and as a result of the requests of the relevant divisions/units/departments submitted during 01.01-30.06.2020, the centralised statement of the direct procurements is as follow:

Tip Contract	Total value contracts / Orders	No. of contracts Direct procurements	Contract value direct procurement	No. Of orders Direct procurements	Order value direct procurement	Value of procurements not included in Annex 1-AD	No. of orders under the Supply program	Value under the Supply program	Value of achievement under Annex 1-AD
	(lei fără TVA)		(lei fără TVA)		(lei fără TVA)	(lei fără TVA)		(lei fără TVA)	(lei fără TVA)
Works	3.057.360,98	7	3.057.360,98	0	0,00	0,00	0,00	0,00	3.057.360,98
Services	1.952.893,14	40	1.523.042,59	56	394.805,46	7.870,16	13,00	35.045,09	1.945.022,99
Products	3.370.199,56	8	1.271.234,57	111	1.912.302,71	1.916.693,75	63,00	186.662,28	1.453.505,81
TOTAL CONTRACTS	8.380.453,68	56	5.851.638,14	167	2.307.108,17	1.924.563,91	76,00	221.707,37	6.455.889,78

Table 11 - The statement of the contracts awarded by direct procurements for Semester I 2020

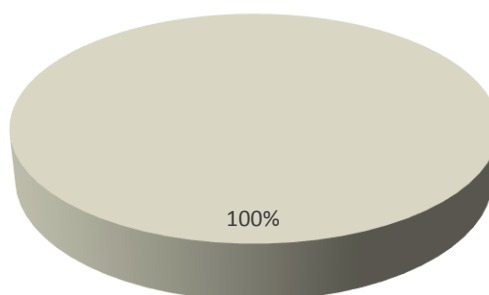
In the context of the current COVID-19 pandemic, according to art. 10, Annex 1 of Decree no. 195/16 March 2020 on the state of emergency declared on the Romanian territory and of Decree no. 240/14 April 2020 on the extension of the state of emergency, Transgaz concluded 3 (three) contracts amounting to Lei 770.228,74 and 26 (twenty-six) orders with a cumulated value of Lei 1.148.732,95 by 30.06.2020.

PROCUREMENT PROCEDURES-PAAS 2020 (for Moldova)

Under the PAAS 2020 (Moldova), there are **2 active positions which are completed (100.00%)**.

PAAS Moldova procurement progress:

Centralizer of procedures PAAS-for Moldova (physical)		
Total pos. as at 30.06.2020, where:	2	% of achievement procedures
- initiated	0	0,00%
- achieved	2	100,00%
- not initiated	0	0,00%
- not requested	0	0,00%



■ Initiated ■ Completed ■ Not initiated ■ Not requested

Chart 20 - PAAS procedures for Moldova on 30.06.2020

Procedures centralizer PASS Moldova (value)-lei		
Total value as at 30.06.2020 of which:	159.381.789,52	% of procedure achievement
- initiated (estimated)	0,00	0,00%
- completed (concluded contracts)	159.381.789,52	100,00%
- not initiated	0,00	0,00%
- not requested	0,00	0,00%

PROCUREMENT PROCEDURES-PAAS 2020 BRUA (Phase I and Phase II)

Under the PAAS 2020 BRUA (Phase I and Phase II) out of the **5 existing active positions**, 4 positions are not requested (Phase II) (80.00%) and 1 position is completed (Phase I) (20.00%).

The schematic statement of the procurement achievements as follows:

Centralizer of PAAS procurements -BRUA (Phase I and Phase II) (physical)		
Total pos. as at 30.06.2020, where:	5	% of achievement procedures
- initiated	0	0,00%
- achieved	1	20,00%
- not initiated	0	0,00%
- not requested	4	80,00%

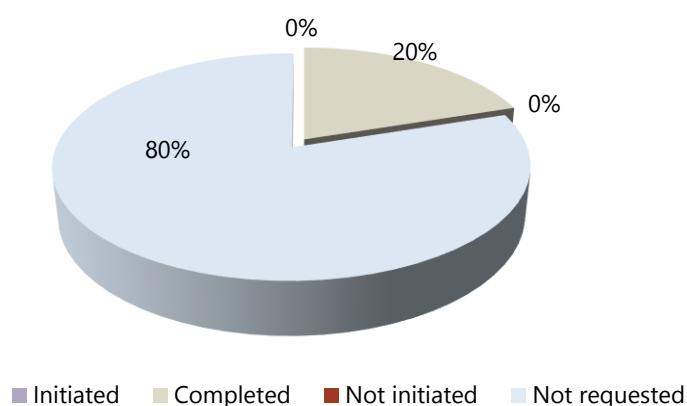


Chart 21 - PAAS procedures for BRUA as at 30.06.2020

Centralizer of PAAS procurements -BRUA (Phase I and Phase II)(value)-lei		
Total value as at 30.06.2020 of which:	288.665.488	% of procedure achievement
- initiated (estimated)	0	0,00%
- completed (concluded contracts)	20.000	0,01%
- not initiated	0	0,00%
- not requested	288.645.488	99,99%

4. CONSOLIDATED FINANCIAL REPORTING

4.1 Consolidated Financial position

According to Article 1 of Order no. 881/25 June 2012 of the Ministry of Public Finance on the application of the International Financial Reporting Standards by companies having securities admitted to trading on a regulated market, starting with financial year 2012, the companies having securities admitted to trading on a regulated market are obliged to apply the International Financial Reporting Standards (IFRS) upon preparation of the individual annual financial statements.

The statement of the consolidated financial position as at 30.06.2020 as compared to 2019 is as follows:

Indicator	30 June 2020 Thousand lei	31 December 2019 Thousand lei	Dynamics (%)
0	1	2	3=1/2
Tangible assets	703.585	622.962	112,94%
Rights of use for the leased assets	8.426	9.359	90,03%
Intangible Assets	3.537.309	3.058.597	115,65%
Financial assets	0	0	#DIV/0!
Goodwill	9.811	9.776	100,36%
Trade receivables and other receivables	928.747	723.921	128,29%
Fixed assets	5.187.878	4.424.615	117,25%
Inventories	402.163	494.615	81,31%
Commercial receivables and other receivables	299.898	524.500	57,18%
Cash at hand and in bank	469.465	352.985	133,00%
Current assets –TOTAL	1.171.526	1.372.100	85,38%
TOTAL ASSETS	6.359.404	5.796.715	109,71%
Debts to be paid over a one-year period	741.169	531.440	139,46%
Debts to be paid over a period of more than one year	1.787.488	1.490.000	119,97%
Total debts	2.528.657	2.021.440	125,09%
Equity	3.830.746	3.775.275	101,47%
Share capital	117.738	117.738	100,00%
Hyperinflation adjustment of share capital	441.418	441.418	100,00%
Share premium	247.479	247.479	100,00%
Other reserves	1.265.797	1.265.797	100,00%
Retained earnings	1.757.076	1.699.175	103,41%
Exchange rate differences from consolidation	1.238	3.668	33,75%
Total equity and debts	6.359.404	5.796.715	109,71%

Table 12 - Statement of financial position as of 30 June 2020 vs 31 December 2019

Tangible Assets

Tangible assets include auxiliary buildings of operating assets, office buildings, land, assets used for the transit activity, as well as objectives related to the national transmission system taken over free of charge.

Tangible assets recorded an increase in consolidated balance sheet by lei 80.622 thousand as compared to the value as at 31.12.2019, mainly due to the fact that the tangible assets inflow exceeded the depreciation cost for tangible assets.

Eurotransgaz SRL consolidated tangible assets are higher by lei 97.246 thousand. Advance payments for tangible assets amounting to lei 366 thousand were recorded at the end of the period.

Rights of use of leased assets

As of 1 January 2019 the company applies IFRS 16 for lease contracts complying with the recognition criteria and recognized as intangible asset a right of use related to the lease contracts, thus, the value registered as at 30 June, 2020 for the right of use is lei 8.426.

Intangible Assets

IT Programmes

The purchased licenses related to the rights to use the IT programmes are capitalized on based on the costs incurred with the procurement and commissioning of the respective IT programmes.

Such costs are depreciated over their estimated useful life (three years).

Costs related to the development or maintenance of the IT programmes are recognized as costs during the period when they are registered.

Concession agreement

From 2010, in accordance with the EU approval process, the Company started to apply IFRIC 12, **Service Concession Arrangements**, adopted by the EU.

The scope of IFRIC 12 includes: the existing infrastructure at the time of signing the concession agreement and, also, modernization and improvement brought to the gas transmission system, which are transferred to the regulatory authority at the end of the concession agreement.

The Company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right.

Due to the fact that the Service Concession Agreement ('SCA') had no commercial substance (i.e. nothing substantial changed in the way the Company operated assets; cash flows changed only with the payment of royalties, but, on the other hand, the transmission tariff increased to cover the royalty), the intangible asset was measured at the remaining net value of the unrecognized assets (classified in the financial statements as tangible assets on the date of application of IFRIC 12).

Consequently, the Company continued to recognize the asset, but reclassified it as intangible asset. The company tested the intangible assets recognized at the time without identifying depreciation.

As they occur, costs of replacements are recorded as expense, while the improvements of assets used within SCA are recognized at fair value.

Intangible assets are amortized at zero value during the remaining period of the concession agreement.

Intangible assets increased by lei 478.712 thousand as compared with the value as at 31.12.2019, this increase being mainly due to the investment works related to the main projects

under the TYNDP. Advance payments for intangible assets amounting to lei 46.958 thousand were recorded at the end of the period.

Financial assets

The financial assets are not presented in the consolidated statements. For the purpose of consolidation, the financial assets representing the investment in Eurotransgaz amounting to lei 279.958 thousand were offset by the share capital of Eurotransgaz amounting to lei 287.198 thousand being related to intragroup transactions in accordance with IFRS 10 - Consolidated Financial Statements. From the offsetting of the financial assets with Eurotransgaz's share capital exchange differences resulted amounting to lei 7.240 thousand, which were adjusted by the exchange difference and reserves, affecting only the equity value.

Trade receivables and other receivables

The receivables to ANRM on 30 June 2020 increased by the amount of lei 204.826 thousand, calculated after the entry into force of Law 127/2014 of 5 October 2014, which states that in case of termination of the concession agreement for any reason, or upon termination, the investment of the national transmission system operator shall be transferred to the owner of the national transmission system or another concession provider on payment of a compensation equal to the regulated value remaining not amortized, established by ANRE. The increase by lei 204.826 thousand compared to the one as at 31 December 2019 is determined mainly by the updating of the receivables with the modifications registered in the RAB and the adjustment of the regulatory asset value by the inflation rate starting with 2019, according to ANRE Order 41/2019.

Inventories

On 30 June 2020, inventories decreased by lei 92.452 thousand compared to the value as at 31 December 2019, mainly due to the consumption of necessary materials for the execution of the project *Development on the Romanian territory of the National Gas Transmission System Bulgaria-Romania-Hungary-Austria* and of the project *NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova*, as well as for the execution of the Ungheni - Chisinau gas pipeline construction works.

Commercial receivables and other receivables

On 30 June 2020 the balance of the commercial receivables and other receivables decreased by lei **224.602** thousand as compared to 31 December 2019, mainly due to the following factors:

- decrease of the client receivables balance by lei **113.532** thousand mainly generated by the decrease in the balance of the receivables resulted from the gas transmission and international transit activity;
- increase of the provisions for the impairment of the trade receivables and of other receivables by lei **5.898** thousand;
- decrease of the balance of the advanced paymantes to the suppliers by lei **102.789** thousand
- decrease of the balance of other receivables by lei **2.383** thousand.

Cash at hand and in bank

On 30 June 2020 the company's cash increased by lei 116.482 thousand as compared to the end of 2019.

The cash in bank accounts in lei increased by lei 215.352 thousand and the cash in bank accounts in currency decreased by lei 99.199 thousand.

Other cash elements and cash equivalent register an increase by lei 329 thousand.

Debts to be paid over a one-year period

In the structure of debts to be paid over a one-year period, the following changes were noticed compared to 31 December 2019:

- increase of the balance of the commercial debt and other debt by lei 184.624 thousand;
- decrease of the provision for risks and charges by lei 12.680 thousand on account of reconsideration in the revenue of the provision for the participation of employees to the profit, which exceeded the value of the provision established for the participation of employees to the profit in Semester I 2020;
- recording of the current profit tax debt amounting to lei 9.506 thousand;
- increase of short-term loans by lei 28.280 thousand.

Long-term debts

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

- **increase of loans by lei 362.719 thousand;**
- **decrease of deferred revenue and of the subsidies by lei 31.236 thousand;**
- **increase of the debt related to the deferred tax by lei 1.090 thousand** is caused mainly by the reduction of the differences between the accounting base and the fiscal base of the tangible and intangible assets of Transgaz and Eurotransgaz consolidated as well as of the deferred tax related to the provision for receivables and disputes;
- decrease of the commercial debts and other debts in the amount of **lei 35.085.**

Equity

The subscribed and paid up capital remained unchanged.

The increasing of the retained earnings by lei 57.901 thousand is mainly influenced by the recording of the consolidation reserve, as well as by the allocation of the profit related to 2019 to dividends owed to shareholders, which exceeded the consolidated profit registered in Semester I 2020.

The exchange rate differences decreased by lei 2.430 thousand.

4.2 Consolidated comprehensive result

The situation of the profit and loss account on 30 June 2020 as compared to the similar period of 2019 is as follows:

Specification	Obtained (thousand lei)		Dynamics (%)
	30.06.2020	30.06.2019	
1	2	3	4=2/3
TOTAL revenue, of which:	1.599.185	1.288.454	124,12%
Operating revenue before the balancing and construction activity, according to IFRIC12	768.733	774.045	99,31%
Revenue from the balancing activity	111.953	183.208	61,11%
Revenue from the construction activity according to IFRIC12	673.000	297.898	225,92%
Financial revenue	45.498	33.303	136,62%
TOTAL costs, of which:	1.316.789	1.059.725	124,26%
Operating costs before the balancing and construction activity, according to IFRIC12	521.453	562.136	92,76%
Cost of the balancing activity	111.953	183.208	61,11%
Cost of constructed assets according to IFRIC12	673.000	297.898	225,92%
Financial costs	10.383	16.482	63,00%
GROSS PROFIT, of which:	282.396	228.729	123,46%
Result from operation	247.281	211.909	116,69%
Financial result	35.115	16.821	208,76%
PROFIT TAX	46.023	36.518	126,03%
NET PROFIT	236.373	192.211	122,98%
Exchange rate differences	1.238	-3.286	-37,68%
Total comprehensive result for the period	237.612	188.925	125,77%

Table 13 – Profit and loss account Semester I 2020 vs. Semester I 2019

Operating revenue

Operating revenue before the balancing and the construction activity according to IFRIC 12 obtained in Semester I 2020 as compared to the same period of 2019 is as follows:

Specification	Obtained (thousand lei)		Dynamics (%)
	Sem. I 2020	Sem. I 2019	
1	2	3	4=2/3*100
Revenue from the transmission activity			
- Thousand lei	677.824	582.317	116,40
- MWh	69.961.583	73.279.756	95,47
- lei/MWh	9,69	7,95	121,92
Revenue from the international transmission activity			
- Thousand lei	59.231	170.431	34,75
Other operating revenue			
- Thousand lei	31.679	21.298	148,74
TOTAL OPERATING REVENUE before the balancing and the construction activity according to IFRIC12	768.733	774.045	99,31

Table 14 - Revenue from the operating activity – Obtained in Semester I 2020 vs. Obtained in Semester I 2019

Operating expense

The operating expense obtained in 01.01.-30.06.2020 as compared to the same period of 2019 is as follows:

No.	Specification	Sem. I (thousand lei)		Dynamics (%)
		2020	2019	
0	1	2	3	4=2/3*100
1.	Depreciation	105.440	97.834	107,77
2.	Indemnities, salaries, other expenditures related to salaries and benefits to employees	208.351	190.131	109,58
3.	NTS gas consumption, materials and consumables used, of which:	49.996	58.981	84,77
	- NTS gas consumption and loss	39.356	39.228	100,33
	- NTS gas consumption quantity - MWh	358.118	389.039	92,05
	- Auxiliary materials	9.141	17.605	51,92
	- Other material expenditures	1.499	2.148	69,76
4.	Expenditures related to royalties	73.796	75.316	97,98
5.	Maintenance and transport, of which:	9.319	10.795	86,33
	- Works, services performed by third parties	4.507	3.032	148,69
6.	Taxes and other amounts due to the State, of which:	31.994	48.026	66,62
	- Gas transmission and international transit licence fee	1.963	16.677	11,77
	- Monopoly tax	26.745	28.160	94,98
7.	Cost of the provision for risks and charges	-7.834	-7.993	98,00
8.	Other operating expense	50.390	89.046	56,59
TOTAL OPERATING EXPENSE before the balancing and the construction activity according to IFRIC12		521.453	562.136	92,76

Table 15 - Operating costs obtained in Semester I 2020 vs Semester I 2019

4.3 Consolidated cash flow statement

Cash flow statement on 30 June 2020 as compared to the same period of 2019 is as follows:

Indicator	Financial year ended 30 June (thousand lei)	
	2020	2019
Profit before tax	282.396	228.729
Adjustments for:		
Depreciation	105.440	97.834
Gain/(loss) from the transfer of fixed assets	-157	-124
Provisions for risks and charges	-12.652	-7.993
Investment provision	0	2.129
Revenue from connection fees, grants and goods taken free of charge	-14.266	-11.137
Concession Agreement debt adjustment	-27.749	0
Loss on amounts receivable and sundry debtors	4	0
Adjustment of impairment of receivables	5.898	50.177
Interest revenue	-13.862	-12.037
Gain/(loss) on inventory write-down	4.416	-373
The effect of the currency exchange rate variation on other elements than operation	7.013	3.296
Other revenue/costs	-709	-1.000
Operating profit before the changes in working capital	335.773	349.502
(Increase)/decrease in trade and other receivables	52.379	173.007
(Increase)/decrease in inventories	88.011	-125.207
Increase/(decrease) in commercial debt and other debt	-207.902	23.260
Cash from operations	268.262	420.561
Received interest	1.343	1.263
Paid profit tax	-21.224	0
Cash inflows from operation	248.381	421.824
Cash flow from investments		
Payments for the acquisition of tangible and intangible assets	-521.260	-369.366
Receipts from the transfer of intangible assets	214	165
Cash from connection fees and non-reimbursable funds	4.444	141.691
Net cash used in investment activities	-516.602	-227.509
Cash flow from financing activities		
Disbursements on long term loans	383.970	0
Paid dividends	-508	-1.704
Net cash used in financing activities	383.462	-1.704
Exchange rate differences	1.238	-3.286
Net change in cash and cash equivalents	116.479	189.325
Cash and cash equivalents at the beginning of the year	352.985	711.318
Cash and cash equivalents at the end of the period	469.464	900.643

Table 16 – Statement of cash flow – Semester I 2020 vs. Semester I 2019

The analysis of the cash flow as of 30 June 2020 show **a decrease of liquid assets by Lei 431.179 thousand** as compared to 30 June 2019.

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

- cash flow from operation is of lei 248.381 thousand, lower by lei 173.443 thousand than in semester I of 2019;
- cash flow from the investment activity is of lei -516.602 thousand, lower by lei 289.093 thousand than in semester I of 2019;
- cash flow used in the financing activity is of lei 383.46 thousand, higher by lei 385.165 thousand than in semester I of 2019.

On 30 June 2020 the balance of the resources available in the bank accounts of the company was of lei 375.208 thousand, of which 15% are liquid assets in foreign currency, mostly in EURO.

4.4 Factor analysis of the activity

NTS gas transmission covers more than 90% of the natural gas consumed in Romania and for this reason it can be considered that the company:

- does not face competitive situations in the field;
- does not depend significantly on a client/group of clients in its portfolio.

Specification	Obtained Sem. I		Dynamics %
	2020	2019	
Revenue from the transmission activity			
- Thousand lei	677.824	582.317	116,40
- MWh	69.961.583	73.279.756	95,47
- lei/MWh	9,69	7,95	121,92
Revenue from the international transmission activity			
- Thousand lei	59.231	170.431	34,75
Other operating revenue			
- Thousand lei	31.679	21.298	148,74
TOTAL OPERATING REVENUE before the balancing and the construction activity according to IFRIC12	768.733	774.045	99,31

Table 17- Domestic and international gas transmission - Semester I 2020 vs. Semester I 2019

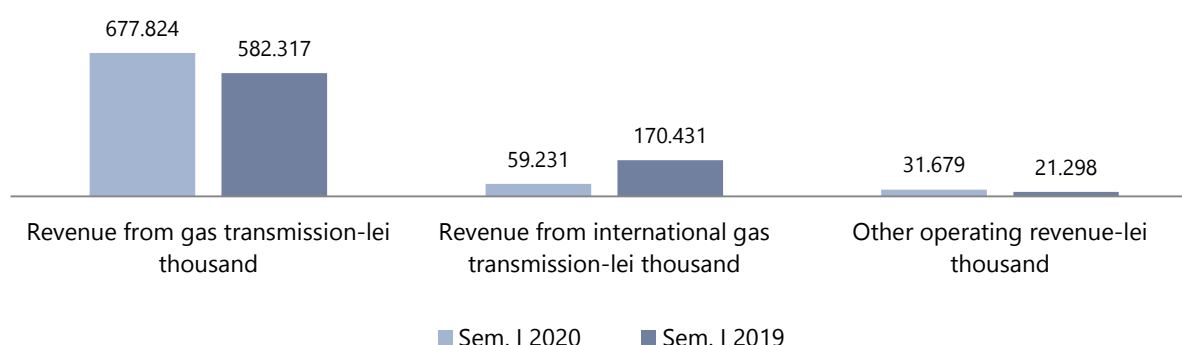


Chart 22 - Operating revenue structure Semester I 2020 vs. Semester I 2019

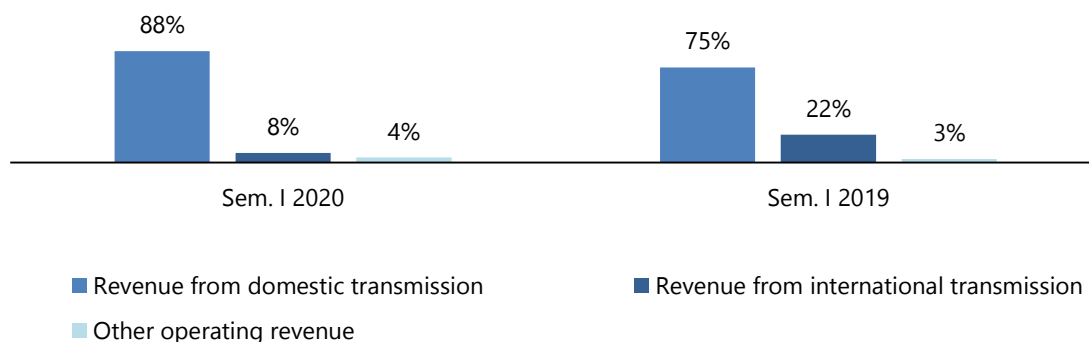


Chart 23 – Share of activities in the total operating revenue Semester I 2020 vs. Semester I 2019

Obtained in Semester I 2020 vs. Obtained in Semester I 2019

The financial results obtained on 30 June 2020 as compared to the same period of 2019 is as follows:

(thousand lei)

Name	Obtained in Semester I 2020	Obtained in Semester I 2019	Changes
0	1	2	$4 = \frac{1}{2} \times 100 - 100$
Operating revenue before the balancing and construction activity, according to IFRIC12	768.733	774.045	-1%
Revenue from the balancing activity	111.953	183.208	-39%
Revenue from the construction activity according to IFRIC12	673.000	297.898	126%
Financial revenue	45.498	33.303	37%
Operating costs before the balancing and construction activity, according to IFRIC12	521.453	562.136	-7%
Costs of balancing gas	111.953	183.208	-39%
Cost of assets according to IFRIC12	673.000	297.898	126%
Financial costs	10.383	16.482	-37%
GROSS PROFIT, of which:	282.396	228.729	23%
· from operation	247.281	211.909	17%
· from the financial activity	35.115	16.821	109%
Income tax	46.023	36.518	26%
NET PROFIT	236.373	192.211	23%

Table 18 - Financial results Sem. I 2020 vs. Sem. I 2019

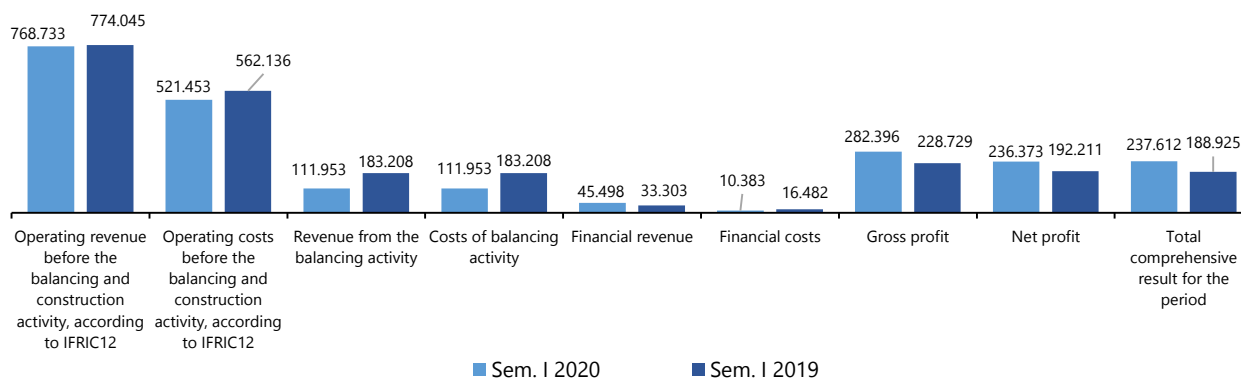


Chart 24 - Financial results Semester I 2020 vs Semester I 2019 (thousand lei)

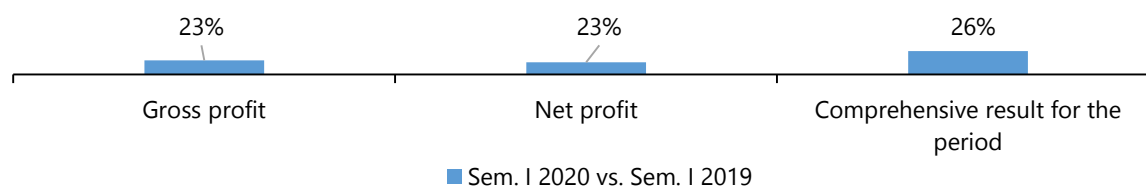


Chart 25 - Financial results Semester I 2020 vs. Semester I 2019 (%)

Operating revenue before the balancing and construction activity, according to IFRIC12 decreased by 1% as compared to Semester I 2019, which is lower by lei 5.312 thousand.

The revenue was influenced mainly by the following factors:

- commodity component revenue lower by **lei 59.551 thousand** due to:
 - the commodity transmission tariff lower by lei 0,74 lei/MWh, with a negative influence of lei 51.931 thousand;
 - the gas transmitted capacities lower by 3.318.172 MWh/337.992 thousand cm (▼5%), as compared Semester I 2019, with a negative influence of lei 7.620 thousand, detailed by categories of consumers as follows:

		Semester I 2020	Semester I 2019	Differences
Quantity transmitted for direct consumers	MWh	26.331.627	27.775.663	-1.444.036
Quantity transmitted for distribution	MWh	43.629.956	45.504.092	-1.874.136
Total*)	MWh	69.961.583	73.279.756	-3.318.172

*) transmitted quantity for which transmission services are invoiced

The tariffs decreased in 01.01-30.06.2020 as compared to 01.01-30.06.2019 was mainly triggered by:

- Order 10/2017 of the ANRE President on the amending and supplementing of Order 32/2014 of ANRE President on the approval of the Gas Transmission Regulated Revenue, Total Revenue and Regulated Tariffs Methodology, which establishes the increasing by 5% per year of the percentage by which the approved revenue is recovered by the application of the capacity booking tariff, up to 85%, and the decreasing of the percentage by which the approved revenue is recovered

- by the application of the commodity tariff. In gas year 2018-2019 the variable component of the total revenue at the basis of the commodity tariffs is 30% of the total revenue and in gas year 2019-2020 it decreased to 25% of the total revenue;
- o the nonrecognition of the monopoly tax by ANRE in the category of the costs passed-through and implicitly in the regulated revenue at the substantiation of the tariffs for gas year 2019-2020.
 - revenue from capacity booking higher by **lei 155.058 thousand** due to:
 - capacity booking tariff higher by 9.250.046 MWh, with a positive influence of lei 20.131 thousand;
 - booked capacities higher by 0,67 lei/MWh, with a positive influence of lei 134.927 thousand, increase mainly determined by the invoicing of revenue from the auction premium, following the capacity booking auctions performed according to the CAM-NC by interconnection points;
 - international gas transmission revenue lower by **lei 111.200 thousand** due to the termination of the transmission contract with Gazprom Export Ltd for the Isaccea 2 - Negru Voda 2 pipeline and regulation of the Isaccea 1 – Negru Voda 1 pipeline transmission revenue according to the methodology approved by ANRE Order 41/2019 following the connection of this pipeline to the National Transmission System from 1 October 2019;
 - other operating revenue higher by **lei 10.381 thousand**.

Revenue from the balancing activity decreased by **lei 71.256 thousand** based on the following factors:

- trading price lower by lei 41,74 lei/MWh, with a negative influence of lei 73.278 thousand.
- quantity higher by 19.165 MWh with a positive influence of lei 2.022 thousand.

Revenue from the construction activity higher by **lei 375.102 thousand**, registered in line with IFRIC 12, according to which revenue and costs related to the construction activity or the improvement of the transmission network, in exchange of which the intangible asset is registered, must be acknowledged in line with IAS 11, Construction Contracts.

Financial revenue has a positive influence of **lei 12.196 thousand due to the** increasing of exchange gain.

Operating costs before the balancing and construction activity according to IFRIC12 decreased by **7%** as compared to Semester I 2019, which is lower by **lei cu 40.684 thousand**. **The company made savings of lei 68.273 thousand**, in relation to the following cost elements:

- other operating costs: lei 38.656 thousand, in Semester I 2020 the establishing/recording of adjustments for impairment of current assets was not recorded;
- cost of taxes and amounts due to the state: lei 16.032 thousand;
- costs of NTS concession royalty: lei 1.520 thousand;
- cost of auxiliary materials and other material costs: lei 9.113 thousand;
- cost of maintenance and transmission: lei 2.952 thousand.

Exceedings amounting to lei 27.590 thousand were recorded to the following cost elements:

- transmission system gas consumption amounting to **lei 128 thousand**, due to the following:
 - average purchase price higher by lei 9,06/MWh as compared to the one obtained in Semester I 2020, with a negative influence of lei 3.246 thousand;
 - amount of gas for NTS gas consumption lower by 30.921 MWh as compared to Semester I 2019 , with a positive influence of LEI 3.118 thousand;
- costs of personnel: lei 18.220 thousand;
- cost of depreciation: lei 7.606 thousand;
-
- cost of provision for risks and charges: lei 160 thousand;
- cost of repairs: lei 1.476 thousand .

The financial cost is lower by **lei 6.099 thousand** based on the increasing of the foreign exchange loss.

As compared to Semester I 2019 the gross profit obtained in Semester I 2020 increased by 23%, which is higher by lei 53.667 thousand.

Achievements Semester I 2020 versus Budget Semester I 2020

The main economic and financial indicators achieved in Semester I 2020 as compared to the Revenue and Expense Budget approved by OGMS Resolution 2/4 March 2020 are as follows:

(thousand lei)

Name	REB 6 months 2020	Obtained 6 months 2020	Changes
1	2	3	$4=3/2 \times 100 - 100$
Operating revenue before the balancing and construction activity, according to IFRIC12	741.835	768.733	4%
Revenue from the balancing activity	43.553	111.953	157%
Revenue from the construction activity, according to IFRIC12	2.039.614	673.000	-67%
Financial revenue	24.729	45.498	84%
Operating costs before the balancing and construction activity, according to IFRIC12	647.538	521.453	-19%
Cost of balancing gas	43.553	111.953	157%
Cost of assets according to IFRIC12	2.039.614	673.000	-67%
Financial costs	9.259	10.383	12%
GROSS PROFIT - total, of which:	109.767	282.396	157%

Name	REB 6 months 2020	Obtained 6 months 2020	Changes
1	2	3	$4=3/2 \times 100 - 100$
from operation	94.297	247.281	162%
from the financial activity	15.470	35.115	127%
Income tax	13.216	46.023	248%
NET PROFIT	96.551	236.373	145%

Table 19 - Financial results 6 months 2020 vs. Budget 6 months 2020

Operating revenue before the balancing and construction activity according to IFRIC12 increased by **lei 26.898 thousand** as compared to the REB. The revenue was influenced by the following:

- Gas transmission services increased by **lei 45.575 thousand** due to:
 - capacities booked higher by 6.383.899 MWh with a positive influence of **lei 52.197 thousand**, increase influenced also by the invoicing of the booking capacity surplus for Semester I 2020, according to ANRE Order 1/18.01.2016, ANRE Order 14/30 March 2016 and ANRE Order 160/26 November 2015;
 - gas transmitted capacities lower than planned by 4.263.675 MWh (▼6) with a negative influence of **lei 6.622 thousand**;
- revenue from international gas transmission services increased by **lei 1.285 thousand**, due to exchange gain regarding the contract currency;
- other operating revenue decreased by **lei 19.961 thousand** as compared to the REB. The Transgaz financial statements do not present the value of revenue from the production of tangible assets or the amount of the relevant expenses according to Order 2.844/2016 on the approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

Revenue from the balancing activity increased by **lei 68.400 thousand** based on the following:

- quantity higher by 1.373.415 MWh with a positive influence of lei 156.459 thousand;
- trading price lower by lei 50,16 /MWh, cu with a negative influence of lei 88.060 thousand.

Financial revenue increased by **lei 20.770 thousand** as compared to the REB, based on the foreign currency gain.

The operating costs before the balancing and construction activity according to IFRIC12 decreased by **19%** as compared to the plan approved, which is lower by **lei 126.085 thousand** as compared to the REB.

Savings amounting to lei 141.500 thousand were recorded mainly the following cost elements:

- cost of depreciation: lei 17.775 thousand;

- costs of personnel: lei 34.955 thousand;
- costs of auxiliary materials and other materials: lei 32.206 thousand;
- costs of maintenance and transmission: lei 31.693 thousand;
- other operating costs: lei 18.431 thousand;
- transmission system consumption: lei 5.753 thousand;
- cost of taxes and duties: lei 687 thousand.

An expense surplus of lei 15.415 thousand was recorded mainly in relation to the following cost elements:

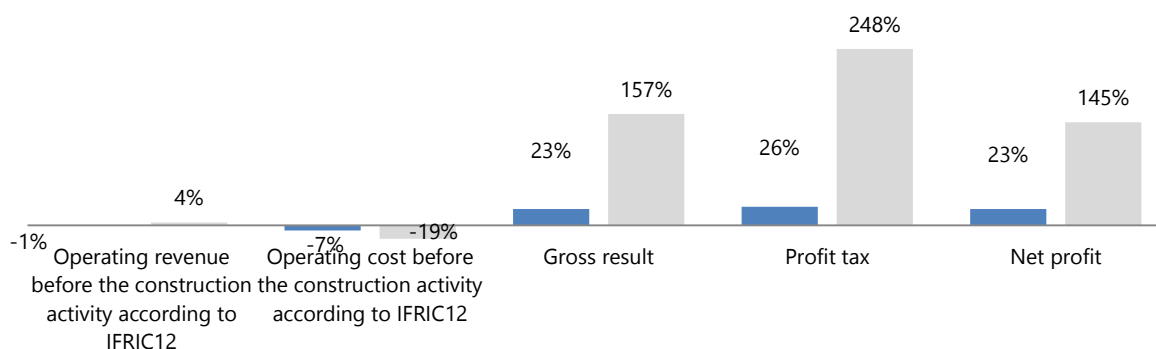
- NTS concession royalty cost: lei 4.777 thousand;
- cost of provision for risks and charges: lei 10.638 thousand;

The financial cost is higher by **lei 1.124 thousand** as compared to the REB, based on the foreign currency exchange gain.

The gross profit increased by 157% as compared to the plan, which is higher by lei 172.629 thousand as compared to the REB, and the net profit increased by 145% as compared to the plan, which is higher by lei 139.822 thousand as compared to the REB.

	Obtained 6 months 2020 vs. Obtained 6 months 2019	Obtained 6 months 2020 vs. REB 6 months 2020
Operating revenue before the balancing and construction activity, according to IFRIC12	-1%	4%
Operating costs before the balancing and construction activity, according to IFRIC12	-7%	-19%
Gross result	23%	157%
Profit tax	26%	248%
Net profit	23%	145%

Table 20– Obtained Semester I 2020 vs. Obtained Semester I 2019 and Obtained Semester I 2020 vs. REB (%)



■ Obtained 6 months 2020/ Obtained 6 months 2019 ■ Obtained 6 months 2020/REB 6 months 2020

Chart 26- Obtained Semester I 2020 vs. Obtained Semester I 2019 and Obtained Semester I 2020 vs. REB 2020

Obtained 6 months 2020 versus Management Plan 2020

The key financial performance indicators were substantiated based on the company's Revenue and Expense Budget data approved by OGMS Resolution 2/2020.

The level of the financial performance indicators achieved as compared to the Management Plan is as follows:

(thousand lei)

No.	Performance criteria	Management Plan 2020	Obtained 6 months 2020	Percentage	Difference
1.	Outstanding payments – thousands lei	0	0	100%	0
2.	Operating expense (without the depreciation, balancing, construction activity and provision for asset depreciation and for risks and charges) - thousands lei	1.095.239	413.532	265%	681.707
3.	Acid test ratio	1,11	1,04	94%	-0,07
4.	Net debt-to-equity ratio	5,50	2,99	184%	2,51
5.	EBITDA – thousand lei	349.317	352.721	101%	3.404

Table 21 - Obtained 6 months 2020 vs. Management Plan 2020

4.5 Evaluation of the activity related to the financial risk management

Financial risk factors

By the nature of the activities performed, the company is exposed to various risks, which include: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk.

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments to protect itself from certain risk exposures.

Market risk

Currency risk

The Company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets and recognized liabilities.

The Company does not perform formal actions to minimize the currency risk related to its operations; thus, the Company does not apply hedge accounting.

The management believes, however, that the Company is covered in terms of the currency risk, given that sales in foreign currencies (mainly incomes from international transmission) are used to settle liabilities denominated in foreign currencies.

The following table shows the sensitivity of profit or loss and equity, to reasonably possible changes in exchange rates applied to the end of the reporting period of the functional currency of the Company, with all variables held constant:

	30 June 2020	31 December 2019
<i>Impact on profit and loss and on equity of:</i>		
USA dollar appreciation by 10%	143.489	125.419
USA dollar depreciation by 10%	(143.489)	(125.419)
Euro appreciation by 10%	(48.200.251)	(32.214.164)
Euro depreciation by 10%	48.200.251	32.214.164

Price risk

The Company is exposed to the commodity price risk related to the gas purchased for own consumption.

If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 1.652.964 in June 2020 (December 2019: lei 2.989.892).

Interest rate risk on cash flow and fair value

The Company is exposed to interest rate risk by deposits with banks. The Company did not conclude any commitment to diminish the risk.

For the average exposure of the period, if the interest rates had been by 50 basis points lower/higher, with all the other variables maintained constant, the profit related to the period and equity would have been lower/higher by lei 3.597.019 (December 2019: lei 497.755 lower/higher), as a net result of the change of interest rate for variable interest loans.

Credit risk

Credit risk is especially related to cash and cash equivalents and trade receivables. The Company prepared a number of policies ensuring that products and services are sold to proper customers.

The accounting value of the receivables without the adjustments for uncertain receivables represents the maximum value exposed to credit risk.

The Company's credit risk is concentrated on the 5 main customers, which together account for 49% of the trade receivable balances as at June 2020 (31 December 2019: 47%).

Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the adjustments already made.

On 30 June 2020 the Company has payment guarantees from clients amounting to lei 107.028.586 .

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

	30 June 2020	31 December 2019
Without rating	612.424	43.030.956
BB+	11.007.859	61.134.709
BBB-	1.452.881	7.691.934
BBB	16.444	-
BBB+	455.524.651	240.441.135
A	136.916	137.355
AA-	<u>303.421</u>	<u>363.482</u>
	<u>469.054.596</u>	<u>352.799.571</u>

All financial institutions are presented to Fitch rating or equivalent.

Liquidity risk

Cautious liquidity risk management involves keeping enough cash and funds available by a proper value of committed credit facilities.

The company forecasts the cash flows.

The financial structure of the Company continuously monitors the Company's liquidity requirement to make sure there is enough cash to meet the operational requirements, maintaining at the same time a sufficient level of unused borrowing facilities at any time, so that the Company does not break the limits or breach loan agreements (where applicable) for any of its credit facilities.

Such forecasts take into account the Company's debt financing plans, compliance with agreements, compliance with internal objectives on the balance sheet indicators and, if appropriate, external regulations or provisions.

The Company invests extra cash in interest bearing current accounts and term deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide the appropriate framework, established under the provisions mentioned above.

The table below shows the obligations as at 30 June 2020 in terms of remained contractual maturity.

The amounts disclosed in the maturity table are contractual undiscounted cash flows.

Analysis of financial liabilities on 30 June 2020 in terms of maturity:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	1.197.650.259	49.015.593	381.711.436	766.923.230
Commercial debts and other debts	<u>526.335.291</u>	<u>508.141.715</u>	<u>18.193.576</u>	=
	<u>1.723.985.550</u>	<u>557.157.308</u>	<u>399.905.012</u>	<u>766.923.230</u>

Analysis of financial liabilities on 31 December 2019 in terms of maturity:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	733.796.269	12.395.649	181.382.883	540.017.737
Commercial debts and other debts	<u>344.728.433</u>	<u>291.449.595</u>	<u>53.278.838</u>	-
	<u>1.078.524.702</u>	<u>303.845.244</u>	<u>234.661.721</u>	<u>540.017.737</u>

Commercial and other debts comprise trade payables, suppliers of fixed assets, dividends payable and other debts which are not included > debt generated as a result of the legal provisions imposed by the authorities, debts to employees and advanced revenue.

Categories of financial instruments:

	30 June 2020	31 December 2019
Financial assets		
Cash and cash equivalents	453.568.983	339.753.879
Term bank deposits	15.894.778	13.231.240
Credits and receivables	1.277.144.819	1.244.132.492
Financial assets - shares	24.887.146	24.887.146
Adjustments for financial assets - shares	<u>-24.887.146</u>	<u>(24.887.146)</u>
	<u>1.746.608.580</u>	<u>1.597.117.611</u>

	30 June 2020	31 December 2019
Financial liabilities		
Debts measured at depreciated cost	-	-
Loans	1.054.928.470	663.930.000
Debts assessed at the fair value:		
-Financial guarantees related to contracts	51.701.341	75.006.895
-Commercial debts and other debts	474.633.950	269.721.538
	<u>1.581.263.761</u>	<u>1.008.658.433</u>

The loans and receivables category does not include the receivables from the relationship with employees and advance expenses.

Capital risk management

The company's objectives related to capital management refer to maintaining the Company's capacity to continue its activity in order to provide compensation to shareholders and benefits to the other stakeholders and maintain an optimal structure of the capital, as to reduce capital expenditure. There are no capital requirements imposed from outside.

Like the other companies in this sector, Transgaz monitors the capital based on the debt leverage. This factor is calculated as net debt divided by total capital.

The net debt is calculated as total borrowings (including `current and long-term borrowings`, as indicated in the statement of financial position), except cash and cash equivalent.

The total capital is calculated as `equity`, according to the statement of financial position, plus the net debt.

In 2020, the Company's strategy which remained unchanged compared to 2019, was to keep the debt leverage degree as low as possible to keep a significant borrowing capacity for future investments.

The net leverage at 30 June 2020 and at 31 December 2019 is shown in the table below:

	30 June 2020	31 December 2019
Total loans	1.054.928.470	663.930.000
Less: cash and cash equivalents	<u>(469.463.761)</u>	<u>(352.985.119)</u>
Net cash position	<u>585.464.709</u>	<u>310.944.881</u>

Fair value estimate

The fair value of financial instruments traded on an active market is based on market prices quoted at the end of the reporting period.

The fair value of financial instruments that are not traded on an active market is set using valuation techniques.

The book value less the adjustment for the impairment of trade receivables and commercial debt is deemed to approximate their fair value.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows using the current market interest rate available to the Company for similar financial instruments.

4.6 2017-2021 economic and financial performance indicator

In line with the provisions of sub-chapter 5.4 of Transgaz's Management Plan in the period 2017-2021 entitled *Performance indicators in the period 2017-2021* the criteria and the performance objectives are defined and set as follows:

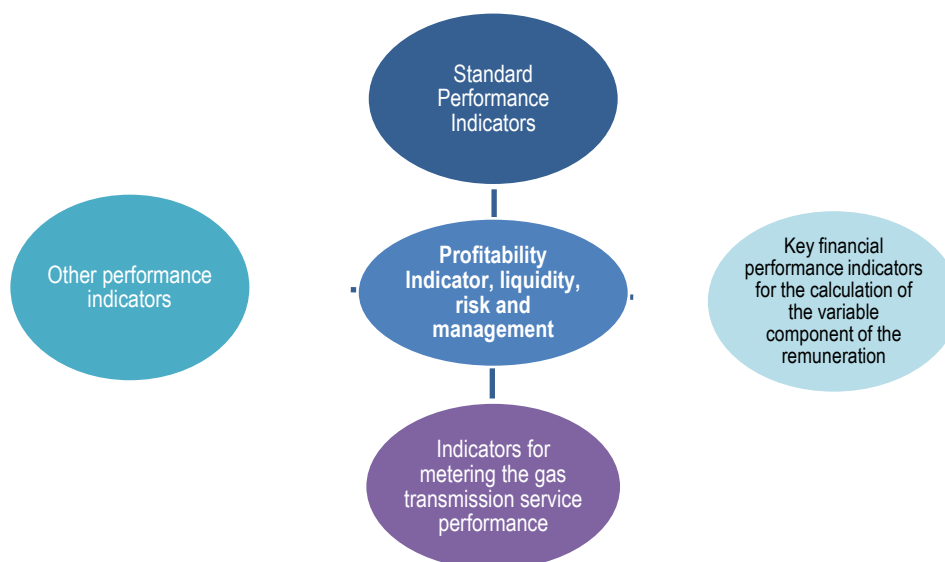


Figure 21 – Performance Indicators

4.6.1. Standard performance indicators

Performance criteria	Performance objective	Management Plan 2020	Obtained Sem. I 2020	Achievement %
Commissioned investments -thousand lei	Plan achieved	524.685	744.007	141,80%
EBITDA– thousand lei	EBITDA increase	349.317	352.721	100,97%
Labour productivity – thousand lei/pers.	Increasing labour productivity in units of value (turnover / average no. of employees);	336	205	61,01%
Outstanding payments –thousand lei	Payments made during the contract duration (in current prices)	0	0	100,00%
Outstanding receivables –thousand lei	Diminished amount of outstanding receivables (in current prices)	387.842	418.880	92,59%
NTS gas consumption -%	Remaining within the gas quantities representing NTS gas consumption	100%	46,93%	213,08%
OPEX at lei 1000 operating revenue - lei	Diminishing of OPEX at lei 1000 operating revenue	906	678	133,63%

Table 22 – Achievement of the standard performance indicators on 30 June 2020

4.6.2. Profitability, liquidity, risk and management indicators

Achievements between 2017- 2019 and estimation Transgaz performance between 2020-2021:

No.	Indicators	Calculation formula	Obtained 2017	Obtained 2018	Obtained 2019	Obtained Sem. I 2020	Plan 2021
1.	Profitability Indicators						
	EBITDA in total sales	EBITDA	47,18%	43,03%	29,27%	41,44%	34,25%
		Turnover					
	EBITDA in equity	EBITDA	22,53%	20,19%	14,23%	9,21%	14,50%
		Equity					
	Gross profit share	Gross profit	39,17%	33,46%	22,65%	33,18%	17,94%
		Turnover					
	Return on equity	Net profit	15,48%	13,35%	9,21%	6,17%	6,48%
		Equity					
2.	Liquidity indicators						
	Current liquidity indicator	Current assets	5,57	3,59	2,58	1,58	1,30
		Short term debts					
	Immediate liquidity indicator	Current assets - Stocks	5,27	2,99	1,60	1,04	1,22
		Short term debts					
3.	Risk indicators						
	Indebtness indicator	Borrowed capital	1,85%	6,28%	17,44%	26,73%	85,26%
		Equity					
	Interest coverage ration	EBIT	X	222,77	80,40	41,69	11,92
		Interest expense					
4.	Management indicators						
	Speed of debit clients	Average accounts receivable x 365 days	142,85	141,49	137,09	133,58	77,94
		Turnover					
	Speed of credit suppliers	Average accounts payable x 365 days	19,43	35,52	40,78	48,78	105,64
		Turnover					

Table 23 – Profitability, liquidity, risk and management indicators in 2017-2021

5. CONSOLIDATED NON-FINANCIAL REPORTING

5.1 Non-financial statement

According to the provisions of Order of the Ministry of Public Finance. 1938 of 17 August 2016 on the amendment and supplementing of accounting regulations public interest entities the securities who at the balance date exceed the criteria of having an average number of 500 employees during the financial year include in the administrators' report a non-financial statement containing, to the extent to which this is necessary to understand the development, performance and position of the entity and the impact of its activity, information on at least environmental, social and staff issues, respectively human rights, the fight against corruption and bribery (Art. I (2) (492[^]1)(1)) or must draw up a separate report (Art. I (2) (492[^]4) (1)).

SNTGN Transgaz SA submitted the non-financial statement in the administrators' report.

In defining and establishing non-financial expectations, the majority shareholder, the Romanian State, the majority shareholder, through the Generat Secretariat of the Government, and the other shareholders must ensure that non-financial expectations do not impede the fulfilment of financial expectations related to improving profitability and reducing losses.

For TRANSGAZ, the non-financial expectations of the public supervisory body and other shareholders expressed in the letter of expectation are.

- Compliance with the requirements of the European and national regulatory framework for natural gas transmission;
- Optimizing the quality of implementation of the principles of good corporate governance, ethics and integrity;
- Improving the process of strategic budgeting and monitoring of systems and management processes;
- Strengthening and diversifying the relations of internal and external collaboration;
- Increasing energy efficiency and reducing the negative impact of technological processes on the environment;
- Increasing the adaptability and the capacity of the company to react to the permanent changes of the environment in which it operates;
- Increasing the satisfaction of customers, business partners, suppliers and the quality of the services provided;
- Improving occupational safety and security;
- Improving the general, internal and external communication process of the company, of the image capital;
- Improving the professional training, improvement and development process of the staff;
- Increasing the market value, stock market capitalization and investor confidence in the company's shares;
- Optimizing the company's rating;
- Implementing an internal control mechanism to protect the investment made by shareholders in the company and its assets and to assist administrators in the annual assessment of the effectiveness of control mechanisms;
- Optimizing the social responsibility policy model and granting of sponsorship.

5.2 Responsible management and sustainable strategies

Starting from the definition of sustainability, 'meeting today's needs without sacrificing the ability of future generations to meet their own needs,' also known as sustainable development, we underline and support the importance of such a development policy.

Sustainable development policy helps the organization to avoid, mitigate or control the harmful impact of its activities on the environment and the population, to comply with applicable legal requirements and may be part of a trend that customers value.

Responsible management can be described as an attempt to maintain the balance between the interests of the entire world (people, companies, the environment) for the prosperity of both the present and future generations.

In order to comply with this principle, the policies adopted within the company aim at:

- minimizing the negative impact of the activity on the natural and social environment;
- generating economic benefits to the local community;
- improving working conditions;
- preserving natural heritage.

5.2.1 Integrated Management Quality-Environment, Health and Occupational Security

The company aligned itself with the international management systems and with the implementation and certification of the Quality, Environment, Occupational Health and Safety Integrated Management according to SR EN ISO 9001: 2015, SR EN ISO 14001: 2015 and SR-OHSAS 18001: 2008. The Standard allows for the control of the health and safety risks of its own employees or providers operating on the company's premises.

The advantages of OHS implementation are:

- improving the company image;
- improving relations with business partners;
- improving relations with competent authorities in the field;
- creating a unique and coherent framework for the elimination of hazards and risks related to work;
- achieving more effective control over the risk factors of injury and / or professional illness;
- improving working conditions for employees;
- improving the level of knowledge and compliance of the applicable legislation;
- alignment with best practices in the field;
- integration with the existing quality-environment integrated management system.

Quality policy of VESTMOLDTRANSGAZ SRL

Given that, within VESTMOLDTRANSGAZ SRL, the operational activity is at a start, there is no identification of the organization's processes, a clear-cut definition of responsibilities and authorities, internal and external communication proceedings. Activities carried out within the company are not regulated by operational procedures.

In order to meet the new regulations, one of the priorities of VESTMOLDTRANSGAZ SRL is the implementation, within the company, of an integrated quality-environment, occupational safety and health management system, which should be a definite proof that VMTG grants great importance to ensuring an organizational climate in which all interested parties: employees, shareholders, customers, suppliers, community and the environment can interact efficiently and responsibly both economically and socially.

In this respect, the Administrator of the company will commit to this end and sign the *Policy Statement on the Integrated Quality-Environment, Health and Occupational Safety Management System*.

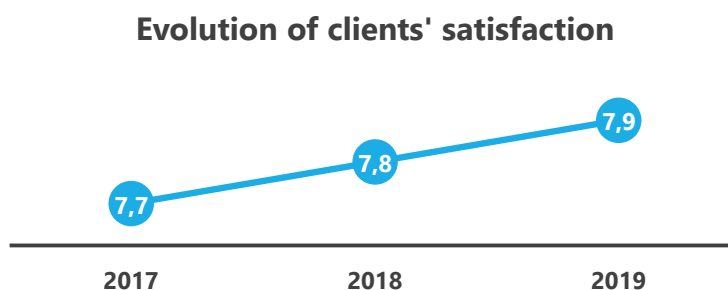
A system of internal procedures on the method of calculating the budget, operationalising, monitoring, control and evaluation of all activities to be carried out will be defined, developed and implemented.

According to the 2020-2029 TYNDP, Vestmoldtransgaz SRL plans to become a gas transmission system operator on the domestic market, with a modern and intelligent national transmission system, integrated at an European level and a management system aligned with international performance standards and legislative regulations.

Customer satisfaction

In order to be successful on the internal and external market, the company is increasingly focusing on the understanding of the implicit and explicit requirements of customers, in order to continuously increase the satisfaction of their needs and expectations, taking into account both current customers and potential ones.

Customer satisfaction is also a key non-financial performance indicator for calculating the variable remuneration component of the board of administration during 2019, aiming to maintain a customer satisfaction rating of more than 7, the target being 7.9. (*According to PP 165- Customer Satisfaction Assessment, a score of 6-8 indicates that the services provided satisfactorily met customer requirements*). Monitoring this indicator is performed in the first quarter of this year for the previous year.



According to the PP 15 procedure Customer Satisfaction Survey, **123 questionnaires were sent to the users of the natural gas transmission network.**

The centralised data show that 74 of them submitted completed questionnaires.

The analysis of the questionnaires highlighted the following:

- no customer complaints were received;
- **Excellent scores were given by clients to the professionalism and appropriate behaviour of the company's employees.**

5.2.2. Environmental protection

The commitment assumed by the company's management through the *Policy Statement on the Quality Management System, Occupational Health and Safety Management* is a clear proof that TRANSGAZ is responsible for ensuring an organizational climate in which all stakeholders: employees, shareholders, clients, suppliers, community and environment can interact effectively and responsibly both economically and socially.

The main activities in the field of environmental protection in Semester I 2020 were planned and organized aiming to prevent pollution, to reduce the risks of environmental incidents on the sites within the company, as well as to comply with the legislative provisions in the field.

A. Monitoring of regulatory acts

At the level of the company there are **16 environmental permits** authorizing a number of 1,223 facilities of SNTGN Transgaz SA, in Semester I **one requests for renewal of environmental permits** was submitted for the Bacău Regional Office, which is still being processed, in the final stage, as the Agency for Environmental Protection of Bacău has already issued the draft environmental permit.

Within the department, the review of the environmental permit from the Botorca Storage was started, taking into account the change in the amount of ethyl mercaptan storage in the storage facility, it being processed, in the final phase, all the completions requested by the authorities being submitted. With regard to the water management permits, the legislation in the field requires the obtaining of regulatory acts for all the objectives related to waters.

As a result, the company holds **141 water management permits** for crossing watercourses with natural gas pipelines and **renewal documentation was submitted for 11 of them**, being issued 8 new regulatory documents.

In accordance with the procedures issued by the national environmental protection authorities, **30 national gas transmission system development, repair and maintenance projects** were registered in the Integrated Environmental System.

The projects submitted to the TEC were verified by the department and environmental protection opinions were issued for compliance with the law.

B. Assessment of compliance with relevant law

Prevention action, counselling

In Semester I 2020 the environmental prevention and counselling action was launched. This action was attended by environmental inspectors within the Environmental Management Department, establishing the working method, organizing specific documents and counselling the job managers.

Internal assessment

According to the yearly planning of the integrated internal inspections, in Semester I 2020 no internal inspections were performed at the territorial units, they will be performed only in Q III 2020.

External assessment

In Semester I 2020 S.N.T.G.N. Transgaz S.A was subjected to 3 external inspections listed in the table below. These were carried out by the control structures within the Romanian Water Administration and National Environmental Guard.

Table of the external inspections achieved in semester I 2020

No.	Name of inspection authority	Inspected site	Date of inspection
1.	ABA OLT	Braşov - Sector Băţani Regional Office	22.01.2020
2.	ABA DOBROGEA	Braşov - Sector Băţani Regional Office	29.01.2020
3.	ABA Dobrogea –Sea shore	Constanţa Regional Office-GMS Isaccea	15.06.2020

Following controls and inspections, **no sanctions were applied** and improvement measures were established, as shown by inspection reports drafted by the control authorities, in the areas of water management, waste and dangerous substances management.

C. Specialized reporting to authorities in the field

Monthly and quarterly reporting to the relevant authorities was prepared in accordance with the regulatory obligations of the company:

- according to the provisions of art. 9, c) of GEO no. 196/2005 on the Environmental Fund, the company has to pay the obligations to the **Environment Fund Administration**, which are the monthly charges for pollutant emissions into the atmosphere; in order to meet these financial obligations, the service follows the consumption of specific resources, quantifies and draws up the statement for the Environment Fund;
- in accordance with the provisions of Article 13 paragraph 2 of Law no. 132/2010 on Selective Collection of Waste in Public Institutions, they are tracked and centralized at the company level and the **Waste Register** is sent quarterly to the National Environmental Protection Agency of Bucharest;
- the monitoring of waste management was performed at the company level and reports were submitted to the authorities in accordance with the obligations in the environmental permits;

- the annual Environmental Reports, related to each Territorial Operation, were elaborated and transmitted in accordance with the obligations of the environmental protection permits.
- the statistical form related to the environmental protection expenses at the company level is calculated and filled in, according to the annual request of the National Institute of Statistics;
- monitoring the consumption of hazardous chemicals and preparations and reporting data as requested by the authorities.

D. Environmental Protection Expenditure

For the purpose of carrying out the environmental protection activity, expenses related to the purchase of specific services and expenses related to the fees requested by the authorities were provided.

The required environmental services were funded and budgeted, the most important ones being:

- services for the waste management within the company;
- physical-chemical analysis services for the characterization and classification of liquid/solid waste generated from the pigging operations/cleaning activity of the filter elements/separators;
- physical and chemical analysis services for waste water;
- services for drawing up technical documentation for obtaining water management permits;
- air environment factor analysis services;
- soil environment factor analysis services;
- decontamination services.

In Semester I 2020, the procurement of the *Services for the preparation of technical documentation for obtaining water management permits*, and the procurement of the same type of services for the last 6 river basins has started.

Through the **2020 Procurement Plan**, environmental protection materials and products were requested at each regional offices.

In order to **comply** with the obligations of the company under the legal provisions/regulatory acts in the field of environmental protection, to **avoid environmental sanctions, to comply with environmental principles, to solve the needs of services specific to the field**, the exercising of tasks within the competence of the Director-General **was delegated** to the management of the functional entities within SNTGN Transgaz S.A. and to the directors of the regional offices and the Mediaş Subsidiary.

E. Certification of the Environmental Management System to the new ISO 14001:2015 standard

In April the Waste Monitoring/management process internal audit was performed according to ISO 14001:2015 by the Quality Management Department.

At the same time the revising of the system documents and the environmental protection procedures continued.

F. Activity carried out by the Environmental Factors Monitoring Laboratory

The planning of the activities carried out in 2020 by the Environmental Factors Monitoring Laboratory consisted of the following:

- monitoring the pollution sources on sites within the regional offices;
- evaluating the environmental aspects for sites within the regional offices.

In accordance with the requirements of the Environmental Permits issued by the National Environmental Protection Agency in Bucharest, the monitoring involved systematically conducting measurements on environmental factors at the company's sites, as follows:

- conducting measurements on the noise level;
- check of sewerage technology facilities for the detection of methane and ethylmercaptan emissions;
- determination of emissions of atmospheric pollutants (CO, NO_x, SO₂) from the combustion gases from the compressor stations, thermal power stations, convection stoves and gas heaters;
- identification of different situations not complying with the legislation on environmental protection and/or accidental pollution;
- preparation of measuring bulletins, environmental assessment sheets and monitoring reports.

Table of the degree of achievement of pollution sources monitoring in Semester I 2020

Activity type	Number of proposed monitoring	Number of achieved monitoring	Achievement degree (%)
Monitoring of pollution sources (MPS) and assessment of environmental aspects (EAM) -total of which:	148	97	65,54
▪ January	32	32	100,00
▪ February	65	65	100,00
▪ March	51	0	0,00
▪ April	0	0	0,0
▪ May	0	0	0,0
▪ June	0	0	0,0
TOTAL SEM. I 2020	148	97	65,54
TOTAL YEAR 2020-MSP	706	97	13,74
TOTAL YEAR 2020-EAM	674	65	9,66

Table 24 - degree of achievement of pollution sources monitoring in Semester I 2020

Note: In April, May and June due to the COVID 19 pandemic there were no plans for MSP and EAM.

On the basis of the endowment with equipment, the monitoring of the sources of pollution and the assessment of the environmental issues materialized in **monitoring reports with measurement bulletins followed by corrective action plans**, prepared by the Environmental Management Department.

These plans to remedy the nonconformities found are subject to the approval of SNTGN Transgaz SA Mediaș management and also represent a **control and guidance activity** for Regional Offices.

In Semester I 2020, three service contracts were started for the equipment and when the epidemiological situation generated by the SARS – COV 2 coronavirus will allow it, the effective service operations for the equipment will take place.

Reducing NTS gas consumption and keeping it within reasonable limits over the NTS

As a result of the annual balances of natural gas at SNTGN Transgaz SA level, between the quantities of gas entering and exiting the NTS, there are certain differences called NTS gas consumption.

According to the Guidelines for the Determination of NTS Gas Consumption Considered Losses of Natural Gas in Transmission and Distribution Networks, a guide prepared in 1999 and published by Ministry of Industry and Trade (currently the Ministry of Economy), NTS gas consumption is divided into:

Determined NTS gas consumptions	NTS gas consumptions not determined
Consumption at the compressor stations	NTS gas consumption of equipment in technological installations (NT, SRMP.s, a) - replacement, verification, adjustment, discharging of safety valves, leaks in the removable joints of the pipelines and at the MRS;
Facilities and processes consumption	NTS gas consumption consumption unidentified losses / defects of pipe;
Consumption of repairs, pipeline rehabilitation, NTS development	NTS gas consumption consumption measurement error - operation of meters under improper pressure conditions. Inappropriate gas quality, accuracy class of meters and gas chromatographs.
Consumption of technical accidents – pipeline cracks, breaks.	

NTS gas consumption includes the technological consumption and non-closure of NTS balance. Compared to the total amount of natural gas circulated, NTS gas consumption has been steadily decreasing in recent years, constituting a generator of economic efficiency for the company.

Filling in the quantities of natural gas representing the NTS gas consumption is an important indicator of operational performance.

Between 2013 and Semester I 2020, the share of NTS gas consumption in the total natural gas flowing through NTS was the following:

Indicator	UM	2013	2014	2015	2016	2017	2018	2019	Sem 2020 I
0	1	2	3	4	5	6	7	8	9
Natural gas circulated	Thousand cm	13.696.258	13.082.740	12.383.825	12.201.157	12.974.819	13.074.676	13.299.834	6.540.885
NTS gas consumption	Thousand cm	160.140	96.940	88.103	108.874	95.242	81.034	65.208	35.302
Share of NTS gas consumption / gas emissions	%	1,17%	0,74%	0,71%	0,89%	0,73%	0,62%	0,49%	0,54%

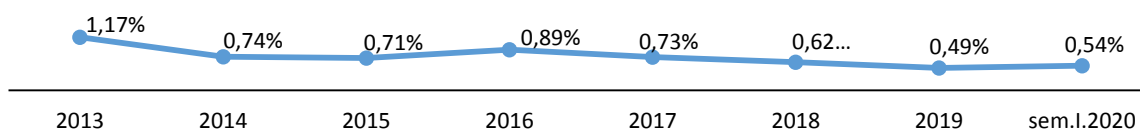


Chart 27 - Share of NTS gas consumption in total natural gas transmitted through the NTS in Sem I 2020

The cost of NTS gas consumption is recovered through the transmission tariff, which is included in the operational expenses. The decrease in the share of NTS gas consumption in the total natural gas circulated through the NTS, from 1,17% in 2013 to 0,54% in Semester I 2020, is the result of the efficient management of NTS operation and use of the technical means used in this respect

5.2.3. Human resources - Transgaz

The optimal dimensioning of the number of personnel in the company is correlated with the real personnel needs required by the operational activities carried out by the company, with the modernizations and refurbishments realized for increasing the safety and efficiency in NTS operation and annex facilities, as well as the realization of the major development projects of company.

In general, the human resource policy is to reduce the number of staff by retirement in the coming years and to maintain a level of the increase in salary expenses within the inflation rate. The average number of personnel in Semester I 2020 was as follows:

Specification	Ian	Feb	Mar	Apr	Mai	Iun
Number of employees in the beginning of the period	4.089	4.132	4.187	4.194	4.157	4.137
Number of newly employed persons	54	59	13	10	9	19
Number of persons who finished their employment with the company	11	4	6	47	29	29
Number of employees at the end of the period	4.132	4.187	4.194	4.157	4.137	4.127

Table 25 - Evolution of the number of employees in Sem I 2020

On 30 June 2020, SNTGN TRANSGAZ SA registered 4,127 employees out of which 3,996 employees with individual labour contracts for an indefinite term and 131 for a determined term.

The evolution of the number of staff in Semester I 2020 compared to the same period of the previous year is as follows:

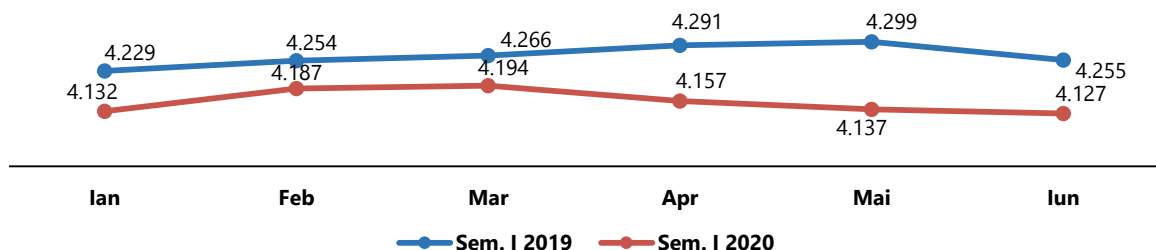


Chart 28 - Evolution of the number of employees Sem I 2020 vs Sem I 2019

The development of the staff structure by category of studies reveals the interest of the company to cover the needs of staff through the employment of highly qualified specialists as well as the continuous improvement of the existing staff, considering the tendencies of increasing the number of employees with higher education in parallel with the decrease of the number of employed persons with secondary education and the number of employees with general education and in training.

No.	Category	Sem. 2019	Sem. 2020
1.	Faculty graduates	1.467	1.494
2.	High school graduates	1.288	1.236
3.	Vocational school graduates	627	604
4.	General school graduates + training course	873	793
TOTAL employees		4.255	4.127

Table 26 – Evolution of the personnel structure by categories of studies – Sem I 2019 vs Sem I 2020

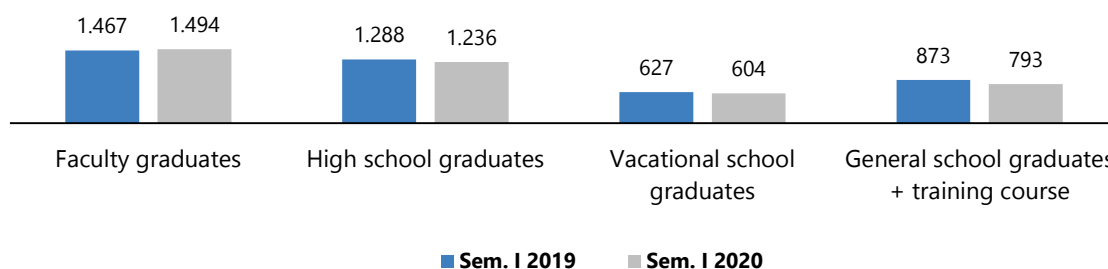


Chart 29- Personnel structure evolution by categories of studies – Sem I 2019 vs Sem I 2020

In order to streamline the use of qualified personnel for the full performance of duties in the new working conditions, in accordance with the Management Plan of SNTGN Transgaz SA, during 2020 through the Plan for breaking down the standardization of technical works within SNTGN TRANSGAZ approved by the Director - General, the time and personnel rules for all 220 technical works remaining to be standardized were to be extracted.

In the first half of 2020, the Commission for the validation of technical works set up at the company level validated the time and personnel rules for 135 technical works, representing 61.3% of the total works estimated to be validated in 2020.

Time and staff rules validated in Semester I 2020:

Unit	Estimated 2020	Validated – Sem. I 2020
Regional Offices	0	0
Compressor stations	14	8
Mediaş Subsidiary	206	127
Total	220	135

Table 27 - Scheduled technical works / standardized technical works in Sem. I 2020

In accordance with the Standardization Plan approved for 2020, 74 timings were planned to be executed for the technical works executed at the Mediaş Subsidiary, the standardization team succeeding following the activity carried out to time 49 technical works at the end of Semester I 2020 , split as follows.

2019	JAN	FEB	MAR	APR	MAY	JUN	TOTAL Sem. I 2020
R.O. ARAD							
R.O. BACĂU							
R.O. BRAŞOV							
R.O. BRĂILA							
R.O. BUCUREŞTI							
R.O. CLUJ							
R.O. CONSTANŢA							
R.O. CRAIOVA							
R.O. MEDIAŞ							
MEDIAŞ SUBSIDIARY	2	20	1	0	0	26	49
GCS*							
Total timed works	2	20	1	0	0	26	49

**At the level of the GCS the technical works will be scheduled depending on the completion of the modernization works*

Table 28 – Total timed works -Semester I 2020

Considering the establishment of the state of emergency on the Romanian territory on 16.03.2020, in order not to favor the spread of the COVID virus 19, the trips to the works for carrying out the measurements were stopped during the state of emergency, thus no longer being possible to prepare the necessary documentation.

During the states of emergency and alert, the action of drawing up the sheets for field measurements and extracting the time norms for the remaining technical works was started, whose specific activities are technically similar to the time norms of the technical works contained in the Rules with time norms and the norming of the personnel for the operation, interventions and maintenance of NTS.

Also in Semester I 2020, the databases necessary for the dimensioning of the working personnel in relation to the job descriptions and the activity carried out according to the Specific Technical Norms of the NTS were updated monthly.

VESTMOLDTRANSGAZ – human resources

The optimal sizing of the number of staff within the company will be correlated with the actual staff needs imposed by the operational activities carried out, with the upgrades and retrofittings proposed in order to increase operation safety and efficiency of natural gas transmission networks and related facilities, as well as the implementation of major projects. The current number of employees is 33, of which 19 at the Chisinau headquarters and 14 at GMS Ungheni. The number of employees may increase with the commissioning of the Iași – Ungheni – Chișinău pipeline, depending on the real needs of the future operation and development of the business.

The recruitment and selection of staff will be carried out through transparent employment procedures, in order to stimulate and attract the best specialists to work within VESTMOLDTRANSGAZ SRL.

The staff of VESTMOLDTRANSGAZ SRL is appointed, employed and dismissed by the company administrator.

The development of the number of staff at Vestmoldtransgaz SRL during the period 2017- Half Year 1 is shown in the following table:

Tag no.	Indicator	Period			
		2017	2018	2019	Sem I 2020
1.	Number of employees VMTGN	20	22	25	33
2.	Average number of employees VMTGN		23	24	31
3.	Average number of employees Eurotransgaz		2	2	3

Table 29 - Evolution of the number of employees within Vestmoldtransgaz

Improving the training and professional development process of staff

The high level of professional competence of the employees is considered a premise in achieving the objectives of any organization, which is why the investment in human resources is considered profitable in all areas of activity.

The professional training of the employees is regulated by the following legislative documents: Law 53/2003 (Labour Code), republished, as subsequently amended and supplemented; Government Ordinance no. 129/ 2000 on the professional training of adults, republished, as

subsequently amended and supplemented, approved by Law 375 / 2002, as amended; Law 227 / 2015 on the Fiscal Code, as subsequently amended and supplemented.

Within the company, the staff training process of is carried out continuously and planned, through courses with external trainers from the country or abroad or/and with internal trainers.

After the establishment of the state of emergency and subsequently of the state of alert on the territory of Romania, most of these courses were held online, in order not to favor the spread of coronavirus.

The training aims to develop the theoretical and practical knowledge common to most professions and to develop the theoretical and practical knowledge specific to certain activity areas, both objectives being necessary in order to carry out the activity, in order to fulfil the job's tasks.

The training, improvement and professional development of the employees within the company is carried out based on the 'Annual training and professional development programme for employees', drawn up at the company level, taking into account the provisions of articles 194 and 195 of Law 53/2003 (the Labour Code), republished, as subsequently amended and supplemented, according to which the employer-legal entity that has more than 20 employees elaborates annual training programs and has the obligation to ensure the participation of the employees to courses at least every two years.

In the field of continuous training and development, the programs focus on the areas of interest for the development of the company's activity, respectively the following fields: Engineering, Management of Gas Transmission Systems, including SCADA, Research and Design, Economic, Legal, Human Resources, Strategy and Corporate Management, Information Technology and Communication and Quality - Environment, Occupational Health and Safety, Guard, Security, Internal Audit, Internal Control and Financial Management Control, as well as other topics of general interest which are necessary for carrying out the activity of the Company.

In this respect, through the **Professional Training Office**, in Semester I 2020, **52 professional training and development courses** were organized with local and foreign external trainers for **602 participants**.

The participation of the employees in the courses organized within the Company through internal trainers from the Training Centre and other specialists from the structures of the company envisages either acquiring the skills specific to another profession which is different or related to the one practiced (qualification courses), or development / improvement of professional skills within the same occupation or related occupations (training and improvement courses).

Considering the establishment of the state of emergency on the Romanian territory on 16.03.2020, in order not to favor the spread of the COVID virus 19, the trips were stopped during the state of emergency, including those for the participation in the courses organized with internal trainers. Subsequently, with the establishment of the alert state, the trips were

resumed, but in a very small number, limited to the trips for the urgent works, a situation that did not make possible the participation in professional training courses with internal trainers.

Accordingly, through the **Training Centre**, in Semester I 2020, the following activities were performed:

- organizing an examination session for 2 employees who participated, in 2019, in the qualification courses for the profession of "Security Agent" - Nomenclature Code 5169.1.1, series 8 and series 9, for which SNTGN TRANSGAZ SA holds authorizations issued by AJPI Sibi. These employees could not attend the exams organized in December 2019.
- submission of the file to the Sibiu County Agency for Payments and Social Inspection, in order to authorize SNTGN Transgaz SA as a training provider authorized by the Ministry of Labor and the Ministry of Education, of the specialization course "Trainer", nomenclature code 242401.
- updating and improving the existing course materials for the training courses in the trades: gas transmission and regulation operator, welder and mechanical locksmith.
- preparation of course supports for the advanced courses "Teamwork skills" and "Time Management".
- preparation of the course materials for the specialization course "Trainer".

The courses organized for the employees of the company for each month in Semester I 2020 are presented in the following table:

No.	Category	Organized courses in Semester I 2020					
		Jan	Feb	Mar	Apr	May	June
1.	No. of courses with external trainers (organized through the Professional Training Office)	5	17	7	8	8	7
2.	No. of courses with internal trainers (through our own Training Centre)	-	3*	3*	3*	2*	1*
TOTAL		5	17	7	8	8	7

* The 3 courses with internal trainers were carried out over several months and highlighted throughout their development period.

Table 30 - Situation of the qualification/training courses in Sem I 2020

The courses organized for the Company employees in Semester I 2020 compared to the same period of 2019, are presented below:

No	Category	Sem I 2020	Sem I 2019
1.	No. of courses with external trainers (organized through the Professional Training Office)	52	56
2.	No. of courses with internal trainers (through our own Training Centre)	-	3
TOTAL		52	59

Table 31- Situation of the qualification/training courses organized for the Company employees in Sem I 2020 vs. Sem I 2019

The situation of the number of employees who participated at courses in Semester I 2020 compared with the same period of 2019 is the following:

No.	Category	Sem I 2020	Sem I 2019
1.	No. of trained staff by courses with external trainers	602	588
2.	No. of trained staff by courses with internal trainers	-	83
	TOTAL	602	671

Table 32-The situation of the participants in qualification / training courses in Sem. I 2020 vs Sem I 2019

At the end of Semester I 2020 the trade union members rate was 95.14 %, of the total of 4,127 employees, 3,968 were trade union members.

There are 4 trade unions with which the SNTGN Transgaz employees are registered, namely:

- The Transport Gaz Mediaş Trade Union;
- The Free Trade Union SNTGN TRANSGAZ SA Mediaş;
- The technological research trade union CERTEH Mediaş;
- The professional trade union Metan Mediaş.

The Transport Gaz Medias Trade Union is the representative union at the unit level, according to the provisions of Law no. 62/2011 of the Social Dialogue, Art. 51 (c), which is why they represent the employees of the company when concluding and carrying out the collective labour agreement concluded at the level of SNTGN TRANSGAZ SA.

The relations between the employer and the employees are regulated by the Collective Labour Agreement at the company level as well as by the individual labour agreements of the employees.

Starting with 25.06.2018, the current Collective Labour Agreement concluded at the level of SNTGN TRANSGAZ S.A. came into force, with a validity period of 24 months registered with the Sibiu Territorial Labour Inspectorate under no. 121/21.06.2018 in the Single Recording Register, as well as by the individual labour agreements of the employees.

In Semester I 2020, two addenda to the Collective Labour Agreement were negotiated and concluded, on 12.02.2020 and on 07.05.2020, documents also registered at the Regional Labor Inspectorate Sibiu. By the Addendum of 07.05.2020 registered at the Regional Labor Inspectorate Sibiu under no. 121/5/04.06.2020 the Collective Labour Agreement was extended for a period of 12 months starting with 25.06.2020

The relations between the employer and the employees are in line with the legal provisions in force in Semester I 2020 and there are no conflicting elements connected to these relations.

Considering the establishment of the state of emergency on the Romanian territory starting with 16.03.2020, followed by the state of alert starting with 18.05.2020 within SNTGN TRANSGAZ S.A. active measures have been taken to limit the spread of COVID 19 virus, introducing teleworking and home work for employees whose work tasks were possible to be performed remotely by electronic means.

Within VESTMOLDTRANSGAZ SRL the professional training policy makes it mandatory for all employees to attend courses once a year. The professional training of the employees will be an ongoing and planned process by courses given by external trainers from the country or abroad or by internal trainers.

The training has two components: a professional one (technical, economic, other specialties) necessary to perform the tasks in the job description and a general one on professional improvement in various fields.

The training, improvement and professional development of employees will be carried out on the basis of the annual Professional Training and Improvement Programme developed at the company level, according to the provisions of the Collective Labour Contract in force, or the applicable law.

There is no Trade Union Committee at the level of company. The collective labour contract was negotiated for the period 2017-02.02.2019, its registration with ITOFM is not compulsory, it becomes enforceable immediately after the signing

In essence, the company's policy in the field of human resources aims to attract specialists from the Republic of Moldova and the European Area in order to ensure a highly skilled, specialised workforce and which, through the contribution made and through training and development to generate added value of the work carried out.

During 2020, several meetings between the specialists of SNTGN TRANSGAZ SA and of VESTMOLDTRANSGAZ were held in order to facilitate an exchange of experience in all areas, mainly in the operation of the Ungheni-Chisinau pipeline, but also in the operation and maintenance of pipelines. Such activities will be carried forward next years as well.

5.2.4. Social and corporate responsibility

Corporate Social Responsibility is an aspect of corporate governance, by which a number of socially responsible actions were initiated at the level of company, which can be quantified in terms of sustainability and sustainable performance.

SNTGN TRANSGAZ SA Mediaş, consistent with the principle of applying responsible management in fulfilling the assumed mission, is aware of the importance of the fact that sometimes financial support for a noble cause or for an important purpose is vital and therefore through the programs and projects of social responsibility initiated, is actively involved in the life of the community, thus demonstrating its status as a *`good citizen`*.

The essential role of TRANSGAZ in the energy field in Romania and Europe is naturally complemented by the desire to support the real needs of all those who are constantly contributing to the smooth running of its operations.

As part of the TRANSGAZ Sustainable Development Strategy, the *social responsibility policy* aims to permanently increase the company's accountability to employees, shareholders, partners, the community and the environment, as well as streamlining the impact of social responsibility programs initiated for this purpose.

The company's social responsibility policy is based on a set of principles that define this interaction between the company on the one hand and employees, shareholders, partners, community and the environment on the other.

By observing the principles of financial prudence and transparency, the communication and CSR actions were rigorously dimensioned both in structure and value and responded to the reporting requirements of Transgaz as an issuer of securities, but also to growth requirements related to the company's image and reputation capital. Detailed information on social responsibility is available on the Transgaz website at: <http://www.transgaz.ro/responsabilitate-sociala>.

Sponsorship and financial aid activity according to the Collective Labour Agreement in Semester I 2020

SPONSORSHIP

In line with art. **XIV** of **GEO no. 2/2015**, amending and supplementing certain normative acts and other actions, it was provided that economic agents referred to in Article 1 of Government Ordinance no. 26/2013 on strengthening financial discipline at the level of economic operators where the state or administrative-territorial units are majority or sole shareholders or hold directly or indirectly a majority share, approved by Law no. 47/2014, who provide cash donations or sponsorships, in line with the regulations in force, comply with the following levels when granting such donations or sponsorships:

- a) minimum 40% of the approved amount, in the medical and healthcare field, for equipping, services, actions or other activities connected with this filed including the support for medical treatment or interventions of particular people and for national programs;
- b) minimum 40% of the approved amount, in the field of education, social or sports for equipping, services, actions or other activities connected with this filed including national programs;
- c) maximum 20% of the approved amount, for other actions and activities including for supplementing the ones provided in letters a) and b).

The level of sponsorship expenditures for SNTGN Transgaz SA is regulated in the Revenue and expense Budget for 2020, approved by OGMS Resolution no 2/04.03.2020 in the following structure:

No.	SPONSORSHIP CATEGORIES	BUDGETED AMOUNT 2020	BUDGETED AMOUNT SEMESTER 2020	GRANTED AMOUNT SEMESTER 2020	REMAINING AMOUNT
0	1	2	3	4	5=3-4
1.	HEALTH AND MEDICAL FIELD	2.000.000	800.000	542.000	258.000
2.	EDUCATION, LEARNING, SOCIAL, SPORT FIELD, of which:	2.200.000	880.000	375.000	505.000
	- for sports clubs	800.000	490.000	0	490.000
3.	OTHER SPONSORSHIP EXPENSES	800.000	320.000	275.000	45.000
TOTAL SPONSORSHIP EXPENSES		5.000.000	2.000.000	1.192.000	808.000

Table 33 – Statement of sponsorship budget 2020 and the budgeted/granted amounts until 30.06.2020

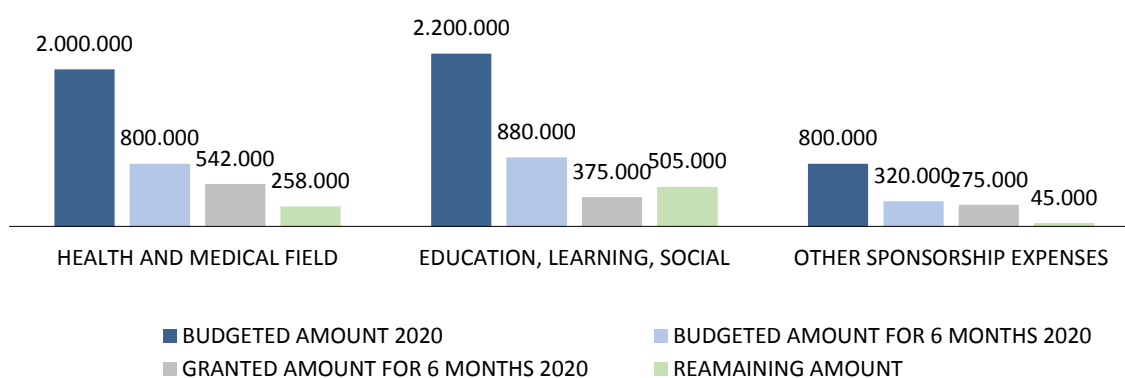


Chart 30 - Sponsorship budget for 2019 and amounts granted in Semester I 2020.

In Semester I of 2020, 27 sponsorship aids were granted in the total amount of 1.192.000 lei as follows: in the *Health and Medical field* – 542.000 lei, in the *Education, Learning, Social, Sport fields* -375.000 lei, *Other Sponsorship Expenditures* -275.000 lei.

Considering the need to ensure a responsible and effective management of the sponsorships and financial aid granted at the level of Transgaz:

- the internal document entitled **The company's policy to grant sponsorship and financial aid in 2020**, a document which provides an effective framework for monitoring their progress and implementation in accordance with the legal and tax regulations in force;
- **the process procedure PP-51** of the sponsorship documents was updated in December 2014;
- **the establishment** by Decision No. 61/21.01.2020 of the Director General, of the **Commission for the review of the applications for sponsorship**.

In order to develop this aspect of the corporate governance within VESTMOLDTRANSGAZ as well, at least the following elements should be taken into account:

- **Activities for employees to improve the quality of the workplace:** e.g. identification and provision of a new space for the company's business until the completion of the administrative complex at Ghidighici; personal and professional development and career development; safety at work; labour market inclusion for people at risk of exclusion; physical & mental well-being in the workplace, payroll and bonus policies that improve employees' living conditions, employee involvement in decisions and self-management; programs to support employees with families / children: work life balance - privacy; programs to support single parent employees; programmes for the reintegration of women into the workplace after the period of maternity and child raising, etc.
- **Activities for society and local community:** e.g. corporate civism; programmes to support democracy and respect for human rights; the development of products and services dedicated to insufficiently met community needs; supporting (financial, professional skills) of local programmes for community benefit: education, health, economic and social inclusion, democracy, culture, research; supporting social entrepreneurship at local level (funding, volunteering for consultancy, business partnerships, facilities, etc.); involvement in public-private partnerships for community development, etc.;
- **Activities for business partners:** suppliers, distributors, etc.: e.g. supporting the local economy, local markets, trade in goods and services; encouraging local entrepreneurship, in particular social entrepreneurship; encouraging innovation at local level; fairness and honesty in relations with suppliers and distributors; promoting socially and environmentally responsible suppliers and distributors;
- **Customer activities:** e.g. quality products and services, appropriate to customer needs; correct customer treatment; health and safety of customers; customer support services; protection of customers' private data.

FINANCIAL AIDS GRANTED ACCORDING TO THE COLLECTIVE LABOUR CONTRACT

At the level of SNTGN TRANSGAZ SA Mediaş, the granting of social aid to employees is regulated by the process procedure **PP-52 Preparation of the documents for social aid** and is carried out through the Administrative and Corporate Activities Department, which analyses the social (financial) applications received from the employees (according to the provisions of the resolutions of the Board of Administration and applicable Collective Labour Contract, etc), are presented for approval to the Legal Endorsement Unit and then for approval and analysis to the Board of Administration.

In Semester I 2020, 25 applications for social aid were processed, which are submitted for analysis and approval of the Board of Administration in 2020.

5.2.5 Ethics and integrity

Considering Government Resolution 583/2016 on the approval of the 2016 – 2020 National Anticorruption Strategy, SNTGN Transgaz SA adopted on 21 November 2016 the **STATEMENT regarding the adherence to the fundamental values, principles, objectives and**

monitoring mechanism of the SNA 2016 -2020, by which it condemns corruption in all forms in which it manifests and assumes the fulfilment of the specific measures related to the competence of the company included in Transgaz 2016 - 2020 **Integrity Plan** approved by Decision 181/23 February 2017.

Preventing and fighting fraud and corruption is a priority for S.N.T.G.N. Transgaz S.A., which has a constant concern for improving the quality of the management by introducing effective measures to diminish the corruption phenomenon.

Transgaz Integrity Plan aims to achieve the following objectives

GENERAL OBJECTIVE	SPECIFIC OBJECTIVES
Developing a culture of transparency for good corporate governance	Increasing institutional transparency and the transparency of decision-making processes Increasing the transparency of public resource management processes
Increasing institutional integrity by including corruption prevention measures as mandatory elements of managerial plans and their regular assessment as an integral part of the administrative performance	Enhancing the ability to manage management failure by correlating tools that impact early identification of institutional risks and vulnerabilities.
Strengthening integrity, reducing vulnerabilities and corruption risks in priority sectors and areas of activity	Increasing integrity, reducing vulnerabilities and corruption risks in the business environment
Increasing the level of knowledge and understanding of integrity standards by employees and beneficiaries of public services	Increasing the degree of anti-corruption education of the company's staff Raising public awareness of the impact of corruption
Strengthening the combat ability against corruption by criminal law and administrative means	Strengthening administrative control mechanisms
Increasing the degree of implementation of anti-corruption measures by approving the integrity plan and regular self-assessment at the company level	Strengthening institutional integrity through developed plans based on risk analysis and internal managerial control standards.

The implementation of the Integrity Plan is based on a set of principles that guides the behaviour, attitudes, rights, and the fulfilment of work duties by those responsible for implementation.

These principles are:

- **The principle of transparency** – the implementation of the Plan will be permanently focused on maximizing the ways and means of informing the decision-makers and employees in order to ensure clarity and understanding of ongoing processes;
- **The principle of responsibility** - involves assuming, by those responsible for implementation, of the obligations of carrying out actions to the end by assuming responsibility for consequences; *The Principle of Competence* - in implementing the Plan, the persons with the necessary knowledge and skills, invested with the exercise of these tasks and responsible for their actions will be involved;
- **The principle of cooperation with the civil company and local stakeholders** – in implementing the Plan, public authorities will collaborate in an open, fair and efficient way with the civil company and local stakeholders;
- **The principle of non-discrimination** - the implementation of the Plan will ensure the involvement of all community groups in the process of project design and implementation, including vulnerable groups;
- **The principle of professionalism** - will be manifested by the quality of solving problems based on competencies, qualities and will be characterized by the responsibility and attitude towards own obligations.

Nine main risk areas were identified within the company: human resources, procurement, NTS operation, design, work monitoring, information and communication technology, audit, corporate governance, and the risks in these areas of activity were analysed; measures have been proposed to reduce them by means of **Transgaz 2016 – 2020 Integrity Plan**.

Transgaz conducts regular and ongoing reports on important events concerning the company, including but not limited to financial status, performance, ownership and management, both in the media and on its own website (www.transgaz.ro).

The Company prepares and disseminates relevant periodic and ongoing information in accordance with International Financial Reporting Standards (IFRS) and other environmental, social and governance (ESG) reporting standards. The information is disseminated in both Romanian and English.

The Company organizes regular meetings with financial analysts, brokers, market specialists and investors to present the financial results (annually, quarterly, half-yearly), which are relevant meetings in their investment decision.

The general and specific strategic objectives of SNTGN TRANSGAZ SA are set in the context of alignment with the requirements of the new European energy policy on energy security and safety, sustainable development and competitiveness.

In this context, the implementation and development of corporate governance principles, the development of responsible, transparent business practices, is increasingly becoming a necessity in the substantiation and application of business strategies and business policies.

By subscribing to this goal, SNTGN TRANSGAZ SA Mediaş also aims, through its own governance regulation, to provide a rigorous framework for sizing and regulating corporate governance at the company level, developing an effective and proactive relationship system in relation to shareholders and stakeholders.

Transgaz Administrators believe that, acting in the spirit of best corporate governance practices, the proposed objectives can be achieved and the stakeholders' trust in the company's capabilities to maximize the efficiency of the business increases.

5.2.6 Compliance policy

Compliance is to act in accordance with the rules set out in the legal and regulatory framework, policies and procedures as well as standards of professional ethics and conduct

In order to achieve this objective, SNTGN TRANSGAZ SA is committed to maintaining high legal, ethical and moral standards, adhering to the principles of integrity, objectivity and honesty and declaring against fraud and corruption.

SNTGN TRANSGAZ strongly expresses its commitment to fight this phenomenon by all legal means available to it.

The anti-fraud and anti-corruption policy strengthens the message of TRANSGAZ: `Zero Tolerance to fraud and corruption of all types and under any circumstances`

TRANSGAZ developed and adopted the policy set regarding:

- the anti-fraud and anti-corruption policy;
- the Transgaz Integrity Plan;
- the Best Practice Guide adopted on 18.02.2010 by the Organisation for Economic Cooperation and Development

Preventing corruption at organizational and employee level

At the **organizational** level, the following measures are taken to prevent corruption:

- computerisation of internal processes;
- identification of vulnerable areas of independent divisions/departments/units /Medias Representative office/Regional offices and corruption risks, simultaneously with the implementation of a corruption risk management system;
- Establishment of a complaints management and evaluation system (customer satisfaction/ feedback) for processes to be improved.

At **employee** level, the following measures are taken to prevent corruption:

- increasing the level of professional and civic education of employees, as well as assuming obligations of conduct and professional ethics;

- informing the employees on how to report the corruption cases and the institutions dealing with the prevention and fight against corruption;
- creating a strong organizational culture to discourage corruption;
- categorical rejection of the temptations offered in return for faulty performance or non-fulfilment of the service duties (amounts of money, goods, services, advantages, etc.);
- Inventory of vulnerable points in an institution and assessment of the risk of corruption;
- Implementing Integrity Management - a form of human resource management with an emphasis on internal communication and performance.

5.2.7 Internal/Management Control System and Risk Management

1. Background data

Definition of the internal/management control

According to Government Ordinance no.119 / 1999 on internal/managerial control and preventive financial control, as further supplemented, **internal/management control** is defined as ***all forms of control exercised at the level of the public entity, including internal audit, established by the management in accordance with its objectives and legal regulations, to ensure the management of public funds in an economical, efficient and effective manner; it also includes organizational structures, methods and procedures.***

In **SNTGN Transgaz SA**, internal/managerial control activity is perceived as a means of analysing the activities of company, adopting and applying a new type of management that is often associated with the ***activity of knowledge***, thus allowing the coordinating of activities in an effective manner.

Internal/managerial control is regarded and seen as a ***managerial function*** and not as a verification operation. By exercising the control function, the management observes the deviations from the established objectives, analyses the causes and disposes the necessary corrective or preventive measures.

By developing the Internal / Managerial Control System, SNGGN Transgaz moves to a new type of management, suited to a flexible company that includes strategic management, performance management and risk management.

2. Legal framework

The implementing, development and monitoring process of the Internal/managerial Control System is based on the following legal acts:

- Government Ordinance 119/1999 on internal/managerial control and preventive financial control , republished, as further amended and supplemented;
- Order 600/20.04.2028 of the General Secretary of the Government on the approval of the Managing Internal Control Code of Public Entities, published in Official Journal 387/07.05.2018, Part I;
- Order 1054/2019 of the General Secretariat of the Government approving Methodological Norms on coordination and supervision by methodological guidance

- missions of the state of implementation and development of the managerial internal control system in public entities;
- International regulations issued by:
 - The Committee of Sponsoring Organizations of the Treadway Commission (USA);
 - Canadian Institute of Chartered Accountants (CRITERIA OF CONTROL) -COCO;
 - The European Commission;
 - The International Organisation of Supreme Audit Institutions (INSOSAI).

3. Organizational structure of the Internal Control/Management System

The organizational structure, established according to the Order of the General Secretariat of the Government No. 600/ 20.04.2018 is shown in the figure:

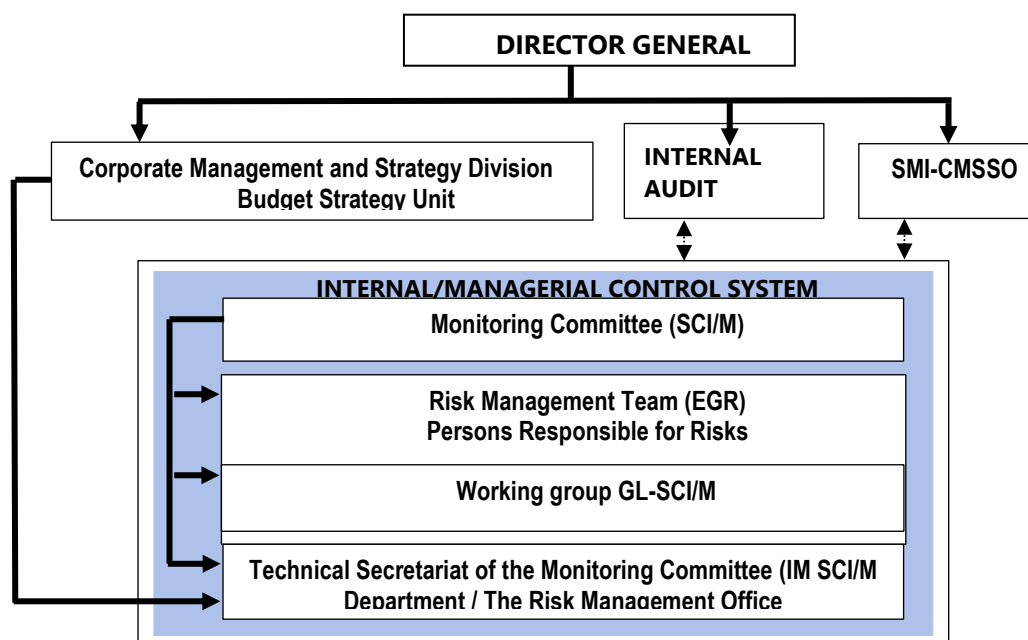


Figure 22 - Organizational structure of the Internal Control/Management System within Transgaz

NOTE: GL-SCI/M – Work group per Division/Unit/ Independent Department / Mediaș Subsidiary / Regional Office, for SCI/M development;

Taking into consideration Order SGG 600/2018, an internal decision document on the establishment of the Committee for Monitoring and Updating the Regulation on the Organization and Functioning of the SCI/M Monitoring Commission was issued and submitted to the approval of the Director General, according to the provisions of the order in force.

Accordingly, the Monitoring Commission was established by **Decision no. 751/23.07.2018 amended by Decision no. 36/14.01.2020** and the **Rules governing the functioning and organization of SCI/M Monitoring Commission**, updated, was registered with no. 37020/23.07.2018.

The Monitoring Commission (MC) has the following structure:

- The **chairman** of the Monitoring Committee is the Deputy director general of the company, Mr Gheorghe Hațegan.
- The **members** of the *Monitoring Committee* are directors of divisions/units/departments/Medias Subsidiary/regional offices of the company
- The Monitoring Committee technical **secretariat** is provided by the SCI / M Implementation and Monitoring Service, within the Budget Strategy Division, the Strategy and Corporate Management Department.

The organization and working mode of the Monitoring Committee is under the responsibility of the chairman of the CM, were established on the basis of the ***SCI/M Monitoring and Operation Regulation of the SCI/M Monitoring Committee.***

The activity of Monitoring Committee is advised by the Head of the **Internal Audit Unit.**

By **Decision 38/14.01.2020** the persons responsible of the SCI/M within SNTGN Transgaz SA were appointed.

4. Internal control/management standards

The establishment of the internal control/management system is the responsibility of the management of each public entity and must be based on internal/managerial control standards promoted by the GSG. The internal/managerial control standards are established, according to the Order 600/2018 of the General Secretary of the Government on the approval of the Code of internal/ managerial control of public entities.

The purpose of the internal/managerial control standards, applied within SNTGN Transgaz SA is to create a reference system that allows the evaluation of the internal / managerial control system, at different times and to highlight the areas and directions of change. It can be said that the standards provide good practices, which the management of SNTGN Transgaz SA must implement

The internal/managerial control includes standards grouped on sections named in OGS 600/2018 as components of the internal/managerial control which are closely interdependent arising from the management of the activities and integrated in such activities as presented in the table below:

Internal/management control elements	Standards
I. CONTROL ENVIRONMENT	
Comprises issues related to organization, human resources management, ethics, deontology and integrity	Standard 1 - Ethics and integrity
	Standard 2 – Responsibilities, positions and tasks
	Standard 3 – Competence, performance
	Standard 4 – Organizational structure
II. PERFORMANCE AND RISK MANAGEMENT	
Refers to the target setting management, planning (multiannual planning), scheduling (management plan) performance (monitoring performance) and risk management.	Standard 5 - Targets
	Standard 6 - Planning
	Standard 7 – Monitoring performance
	Standard 8 –Risk management
III. CONTROL ACTIVITIES	
Refers to development of procedures, continuity of processes and activities, separation of responsibilities, monitoring.	Standard 9 - Procedures
	Standard 10 - Surveillance
	Standard 11 – Continuity of activity
IV. INFORMATION AND COMMUNICATION	
Refers to issues related to the creation of an informational system and of a reporting system regarding the execution of the management plan, budget, resource use and documentation management.	Standard 12 – Information and communication
	Standard 13 – Documentation management
	Standard 14 – Accounting and financial reporting
V. AUDIT AND ASSESSMENT	
Refers to the development of the capacity of assessment of the internal/management control for ensuring continuity of its improvement.	Standard 15 – Internal/management control assessment

Table 34- Internal management control elements according to GSG Order 600/2018

5. Actions taken in Semester I 2020

In order to comply with GSG Order 600/2018, in Semester I 2020 the following actions were undertaken n:

- acknowledgement of the List of procedural activities and the List of documented procedures, within SNTGN Transgaz, prepared by the Quality Management Department, based on the request no. 75 091/ 12.17.2019; a number of **287 activities/processes declared procedural** were highlighted; of these, a number of **7 system procedures and 125 process procedures** were prepared on 31.12.2019; it was established that the share of documented procedural activities is **45.99%**.
- starting the self-evaluation stage of achieving the objectives at the level of independent divisions/units/independent departments/ Mediaș Branch, by Letter 1628/ 14.01.2020.
- analysis and recording of the *Reports on performance monitoring for 2019*, by the SCI/M Implementation and Monitoring Department, and preparation of the *Information sent to the Director General of SNTGN Transgaz SA on performance monitoring, at the level of SNTGN Transgaz, for 2019*; it presents an analysis of the degree of achievement of

the objectives based on the performance indicators established, through the *Monitoring System of the development of activities, as a whole and an evaluation of the degree of achievement of the objectives based on the performance indicators, established for 2019*;

- analysis and recording, by the SCI/M Implementation and Monitoring Department, of the data from the self-evaluation questionnaires sent by the organizational entities;
- establishing the conclusion resulting from the action from the point above; the conclusion was that at the level of the company the Internal/Managerial Control System **is compliant**, 16 standards are implemented out of the 16 standards provided by the Order of the Secretary General of the Government no. 600/2018 regarding the approval of the Code of internal/managerial control of public entities; preparation of summary documents on the results of self-assessment;
- preparation of the *Information sent to the Director General of SNTGN Transgaz SA regarding the implementation stage of the Internal/Managerial Control System, at the level of SNTGN Transgaz for 2019*, as a result of the analysis and centralization of the data from the Self-evaluation Questionnaires sent by the organizational entities; it presents an evaluation of the implementation of each standard, by each organizational structure and a general evaluation at the company level; the internal/managerial control standards are considered to be implemented, partially implemented or not implemented depending on the fulfillment of the criteria specific to each standard; the degree of compliance of the internal/managerial control system is established according to the number of implemented standards; the implementation stage of the internal/managerial control system, for the **307 organizational structures**, was analyzed at the level of each internal/managerial control standard within the 5 components of the internal/managerial control;
- establishing the conclusions of the Information sent to the Director General of SNTGN Transgaz SA regarding the stage of implementation of the Internal/Managerial Control System, at the level of SNTGN Transgaz, for 2019, as follows:
 - **the degree of compliance of the internal/managerial control system in SNTGN Transgaz is 100%**;
 - **the average degree of implementation of the internal/managerial control standards**, at the level of the 307 structures, as of 31.12.2019 is **99.39%** of the implemented standards, increasing by 0.20% compared to 2018;
- organizing and conducting the meeting of the Monitoring Commission, which ended by the Minutes no. 2031/15.01.2020; the documents approved during the meeting of the Monitoring Commission were sent for information/approval to the Director General, as follows:
 - the self-assessment questionnaire of the implementation stage of the internal/managerial control standards on 31.12.2019, at the company level, according to OSGG 600/2018;
 - centralizing situation regarding the stage of implementation and development of the internal managerial control system as at 31 December 2019;
 - the summary of the results of the self-assessment as at 31 December 2019;
 - 2020SNTGN Transgaz SA SCI/M development plan, registered under no. 1264/10.01.2020;

- the register of risks per company for the year 2020, registered under no. 1173/10.01.2020;
- the plan of measures for minimizing the major risks identified within SNTGN TRANSGAZ SA, year 2020, registered under no. 1434/13.01.2020;
- information on monitoring and risk management at the level of SNTGN Transgaz SA for 2019, registered under no. 1518/13.01.2020;
- the risk profile and the risk tolerance limit registered under no. 1512/13.01.2020;
- organizing and conducting the meeting of the Monitoring Commission, which ended by the Minutes no. 10745/24.02.2020; the documents approved during the meeting of the Monitoring Commission were sent for information/approval to the Director General, as follows:
 - the information sent to the Director General of SNTGN Transgaz SA regarding the implementation stage of SCI/M on 31.12.2019, registered under no. 8209/12.02.2020;
 - information to the Director General of SNTGN Transgaz SA regarding the performance monitoring at the company level for 2018, registered under no. 8211/12.02.2020;
- sending the documents presented for approval to the Director General, to the General Secretariat of the Government, by the letter no. 144613.01.2020 (SGG entry no. 20/1035/AT/16.01.2020); These are:
 - **The synthetic situation of the self-assessment results as of 31 December, 2019**, prepared according to the model provided in Annex no. 4.2. from the instructions provided for in the Order of the General Secretariat of the Government no. 600/2018 regarding the approval of the Code of internal / managerial control of public entities, no. 1385/13.01.2020;
 - **Self-assessment questionnaire of the implementation stage of the internal / managerial control standards** for the self-assessment of the implementation stage of the Internal / Managerial Control System within SNTGN Transgaz SA on 31.12.2019, prepared according to the model provided in Annex no. 4.1. from the instructions provided for in the Order 600/2018 of the Secretary General of the Government on the approval of the Code of internal/managerial control of public entities, no. 1383 /13.01.2020;
 - **The report of the Director General on the Internal/Managerial Control System as at 31 December 2019**, according to the model provided in Annex no. 4.3. from the instructions provided for in the Order of the Secretary General of the Government no. 600/2018 regarding the approval of the Code of internal / managerial control of public entities, no. 1427/13.01.2020.
 - **Centralizing situation regarding the stage of implementation and development of the internal/managerial control system within SNTGN Transgaz SA, as at 31 December 2019**, according to Annex no. 3 of SGG Order no. 600/2018, no. 1387/13.01.2020, together with the following attached documents:
 - Decision no. 751/23.07.2018 updated;
 - SCIM Development Plan according to SGG Order no. 600/2018, updated;
 - The general objective, strategic objectives and directions of action of SNTGN Transgaz SA;

- List of Objectives Performance Indicators for 2019;
 - The list of processes (procedurable activities) updated on 31.12.2019;
 - List of documented procedures updated on 31.12.2019;
 - SNTGN Transgaz SA 2020 Risk Register.
- publishing the relevant documents for 2019, in the public area at: <http://zonapublica.transgaz.ro/Sistem de Control Intern Managerial>;
 - updating Annex 1 of the Decision 751/23.07.2018 establishing the Monitoring Commission, by **Decision no. 36/14.01.2020**;
 - requesting the updating/preparation of the documents of the Internal/Managerial Control System **for 2020** (by letters no. 10744/24.02.2020 and 17176/19.03.2020), in accordance with the current organizational structure, with the general/strategic objectives established at the company level and taking into account:
 - Order 600/2018 of the Secretary General of the Government, which provides **for the annual updating of SCI/M documents**;
 - **Development program of the Internal/Managerial Control System, in the period 2018–2021, updated in 2020** and approved by the company's management.
 - monitoring the publication of the requested documents according to the above point, both in editable format and in pdf format, in the folders dedicated to 2020 in the rgTrgaz (\\intranet)\ZonaInterDep\ControlInternManagerial area; checking the content of the posted documents and sending the necessary corrections;
 - updating List of objectives and performance indicators, year 2020, code F 01 00/PS 05 SMI, for regional offices, so as to take into account the `Action plan and timetable for implementation of proposals/recommendations`, established as a result of advising the regional offices, in July 2029 ÷ November 2020, regarding the Internal/Managerial Control System and Risk Management;
 - the inventory, at the level of the organizational structures, of the situations that may generate interruptions in the development of the activities in order to prepare by the Environment, Protection and Security Unit the Continuity Plan at the level of SNTGN Transgaz SA;
 - The Board of Administration took note of Information no. DG 21004/06.04.2020 on The state of implementation of the internal/managerial control system and performance monitoring, December 201", by BA Resolution No. 14/29.04.2020;
 - updating the Decision for setting up the Monitoring Commission no. 751 of 23.07.2018, by **Decision no. 736 of 30.06.2020**;
 - the request, by the Letter no. 25186/05.05.2020, for monitoring and implementation of the actions established, for 2020, in the SCI/M Development Program.
 - the analysis by the Technical Secretariat of the Monitoring Commission, on 29.06.2020, of the stage of implementation of the actions provided in the Development Program of Transgaz's Internal/Managerial Control System 2018-2021, updated for 2020.
 - advising SCI/M responsible employees from 8 departments, 2 Independent Services, 4 regional offices, as a result of updating the objectives and performance indicators, for 2020.

6. Analysis of management/internal control implementation progress in SNTGN Transgaz SA

In 2019, according to the organisation chart valid on 31 December, **307 organizational entities** filled in the *Self-Assessment Questionnaire on the progress of the SCI/M standards implementation* code F 12 00/PS 07 SMI (according to OSGG no. 600/2018, Annex 4.1).

The degree of implementation and development of the internal / managerial control system at the company level **remains the one established for 2019, until the next evaluation** that will take place in December 2020.

The analysis of the data reported by the organisational structures shows the following:

a) The Management/Internal Control System implemented by SNTGN Transgaz in 2019 is COMPLIANT, being implemented all of the 16 management/internal control standards.

Evolution of the SCI / M compliance rate over previous years is shown in the figure below

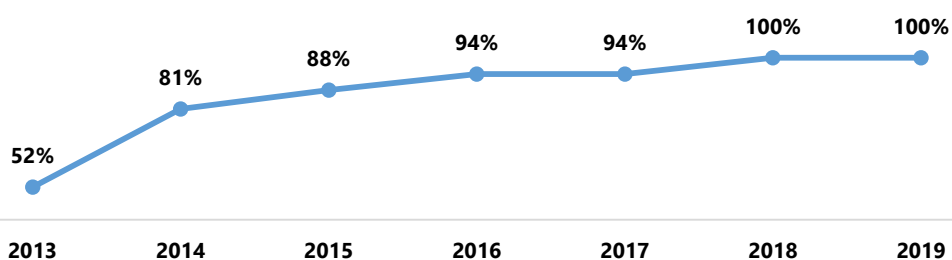


Figure 23- Evolution of the degree of conformity of SCI/M at SNTGN Transgaz SA level in 2013-2019

b) Increase in the average degree of the implementation of internal/managerial control standards at the level of the company

The increase of the **average degree of implementation of internal/managerial control standards**, at the level of the 307 organizational structures on 31.12.2019 is 99.39%, up by 0.2% from 2018. (figure 24).

The formula for calculating the average degree of implementation of internal management control standards at company level:

$$\text{Average degree of implementation of internal/managerial control standards within the company} = \frac{[\Sigma(\text{Entities with standard 1 implemented}) + \dots + \Sigma(\text{Entities with standard 16 implemented})] + (\text{No. of entities with non - applicable standards})}{\text{No. of entities within the company} \times \text{Standard no. (16)}} \times 100\%$$

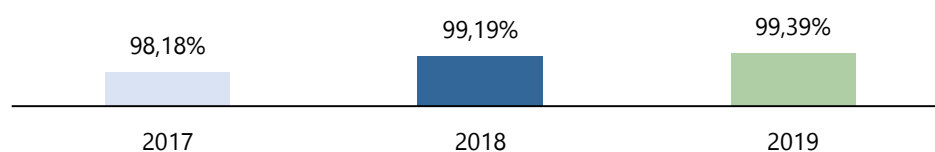


Figure 24 - Evolution of the average degree of implementation of the internal/managerial control standards, at the company level in 2017- 2019

7. Actions to be performed in the future period

- Updating whenever necessary Decision 751 / 23.07.2018 on the appointment of the Monitoring Commission and Decision 282 / 15.03.2019 on the appointment of the SCI / M Experts within SNTGN Transgaz SA;
- Chronologically and successively completing the stages related to the SCI / M implementation and development process according to the System Procedure: Management of the Internal / Managerial Control System, code PS 07 SMI.
- Continuation of the training / counseling regarding the provisions of the System Procedure: PS 07 SMI Management of the Internal / Managerial Control System;
- Giving recommendations within the trainings / counseling regarding:
 - Establishing / implementing corrective measures by the organizational structures, to increase the degree of implementation of Standard 3: Competence, Performance, Standard 6: Planning and Standard 9: Procedures (where applicable)
 - Analyzing objectives, performance monitoring indicators and their relevance;
 - Establishing actions within each Department / Independent Directorate / Independent Division / Regional offices / Mediaș Subsidiary, regarding the unachieved performance indicators and the monitoring of their achievement;
 - Establishing some directions of action / measures within the organizational structures, which will lead to the fulfillment of SCIM Development Program 2018-2021;
 - use of the standard sheets presented in the PS 07 SMI System Procedure. They aim to clarify the process of implementation and development of the internal/managerial control system and to orient the staff towards concrete actions and relevant documents;
- Further verification of the drafting / updating and posting of SCI / M documents for the year 2020, in compliance with the organizational structure of the company;
- Real-time completion of the analytical files by all the organizational structures, related to the internal / managerial control standards according to the System Procedure: SCIM Management, code PS 07 SMI;
- Procurement of an electronic platform for the management of the entire Internal / Managerial Control System, implicitly achieving:
 - Real-time reporting of the degree of achievement of the performance indicators;
 - Warning that indicators are not achieved, so that corrective measures can be taken in a timely manner.
- Adaptation to the ever-changing circumstances of the performance monitoring / evaluation system
- following the analysis of the implementation stage of the actions provided in Transgaz' Internal Control/Management System Development Program 2018-2021, updated for 2020, the Technical Secretariat of the Monitoring Commission disseminates the identified corrections to the departments involved and will monitor their implementation, so ensure the implementation of the proposed actions by December 2020.
- updating the Rules of Organization and Operation of the Monitoring Commission, as a result of updating the Decision establishing the Monitoring Commission no. 751/ 23.07.2018, by Decision no. 736 of 30.06.2020.

- Transformation of the monitoring / evaluation system into a self-assessment and learning system within the company, which would lead to the achievement of the framework for reviewing the objectives and defining future strategies.

5.2.8 Risk Management

Given the size and complexity of the processes in which TRANSGAZ is involved, the dynamics of external factors, the threats of the cyber environment, the complexity and duration of the investment projects, the changes generated by the environmental factors on the good functioning of the company, the dynamics of the changes that take place in the energy markets and among the contractual partners with volatile financial performance, a very complex picture is created, with potential areas of risks and threats to the company

Therefore, the need for **risk management** to become an integral part of general management is an important objective of the company.

1. Legislative framework

The main normative acts underlying the regulation of risk management are the following.

- Government Ordinance no. 119/2015 on internal/managerial control and preventive financial control, republished as further amended and supplemented;
- Order 600/2018 of the General Secretariat of the Government on the approval of the Code of internal managerial control of public entities; in force since 07.05.2018.
- Methodology-of-risk-management-2018, prepared by the General Secretariat of the Government.
- SR EN 31000: 2018, Risk Management- Guidelines
- SR EN 31010: 2010, Risk Management - Risk Assessment Techniques

2. The organizational framework of the risk management process

In order to manage the risks at the level of the company, the Director General of SNTGN Transgaz SA established, by internal Decision no. 750 / 23.07.2018, a structure with attributions in this respect, called the **Risk Management Team (EGR)**, in the following composition:

- **President** of the EGR is the deputy general manager of the company Mr. Târsac Grigore;
- **Members** of the EGR are the Risk Officers assigned by the managers of the divisions/units/ Medias Subsidiary/regional offices and independent departments;
- **The EGR Secretariat** is provided by the Risk Management Office/SCI/ M Implementation and Monitoring department, within the Budget Strategy Division, the Strategy and Corporate Management Department.

Within SNTGN Transgaz, in addition to the Risk Management Team (EGR), teams consisting of Heads of department in the **Risk Management Team (GL-EGR)** are constituted at the level of each department / independent directorate/ Mediaș Subsidiary/Regional offices entities concerned.

The organization and operation of the Risk Management Team is under the responsibility of the President and is established by the ***Rules for the Organization and Operation of the EGR no 37021/23.07.2018.***

3. TRANSGAZ' policies and objectives on Risk Management

For the optimization of the Risk Management process, the following documents are established:

- *Statement – Commitment of the Director General on Risk Management*, by which the following objectives were established:
 - Effective treatment of the risks to which the Company is exposed;
 - Integrating Risk Management into the Company's strategy and development programs;
 - Increasing the degree of information on Risk Management, with emphasis on the benefits of implementing Risk Management within the Company;
 - Anticipating and increasing the ability to respond to the requirements of the context in which the Company operates;
 - Increasing the degree of involvement of each employee in actions regarding Risk Management.
- *The Risk Management Strategy* is approved by the Decision of BoA no. 41/2018. The time horizon of this strategy is 4 years, as well as for SNTGN TRANSGAZ *Management Plan*. It establishes both the actions necessary to optimize the risk management process and the framework for identifying, evaluating, monitoring and controlling significant risks, in order to maintain them at acceptable levels depending on the *risk tolerance limit*. Through the risk management strategy it is established the risk tolerance in relation to risk exposure, using a **3-step scale** resulting in a **matrix with 9 values** for risk exposure.
- System procedure PS 05 SMI *Risk Management* was approved on 31.07.2018. PS 05 SMI System procedure establishes a unitary set of rules for risk management and for drafting and updating of the Risk Register.

4. Actions undertaken in Semester I 2020

Monitoring and ongoing review of risk registers ensures that identification, analysis, assessment and risk management are always updated.

Parallel to the core process, to ensure that proper information is used in the process and to disseminate the findings and information, communication and consultation are carried out using the INTRANET network ZonelInterDep and zonapublica.transgaz.ro.

In Semester I 2020, the following actions were taken:

- Preparation of the *Report on the Advisory of organizational structures within SNTGN Transgaz on Standard 8 Risk Management within the Internal / Managerial Control System, and the Action Plan and Calendar of implementation of proposals/recommendations,*

following the counseling of organizational structures in accordance with the *Advisory Program on Risk Management*.

- starting the evaluation action of the existing risk portfolio in SNTGN Transgaz SA, by letter no. DSMC 189/06.01.2020; in this sense, all Departments/Independent Divisions/ Independent Services/ Regional Offices/Mediaș Branch were requested (according to the organizational chart valid in December 2019), to send the *Reports regarding the development of the risk management process, for 2019*;
- preparation by the Secretariat of the Risk Management Team, of the *Information regarding the management and monitoring of the risks at the company level for the year 2019*, based on the Reports regarding the development of the risk management process for 2019;
- the proposal to maintain the *Tolerance Limit*, for 2020, established by the Risk Management Strategy;
- preparation by the Secretariat of the Risk Management Team, of the *Risk Profile of Transgaz*, December 2019;
- concluding the process of monitoring the strategic risks, by the Secretariat of the Risk Management Team, by integrating the information / data / aspects found during 2019, in the Strategic Risk Tracking Sheets.
- reanalysis/evaluation of strategic risks. The strategic risks for 2020 are presented in the table below:

External source
Category: the political domain
Changes in the macroeconomic environment
Geopolitical framework, political factors which may affect the conclusion of international transmission contracts
Government intervention in the sector of activity
Category: regulatory/legislative
Partial implementation/failure to implement European regulations
Changing the regulatory framework specific to the natural gas market
Changes in natural gas prices in Romania.
Legislative restrictions regarding the possibility to diversify the profit generation activity
Remuneration of performed investments and their introduction in the RAB is performed only if accepted by ANRE.
Reduced possibility to obtain a higher profit than the regulated profit during a regulatory period
Category: competitional
Impact of competing projects on gas transmission activity at European level.
Category: commercial
Seasonal fluctuation of the gas consumption.
Changes in gas price purchased by the SNTGN Transgaz
Category: financial
Lending
Currency
Interest rate

Liquidity
Capital market
Category: hazard
The NTS may be affected by natural catastrophes (earthquake, flood, land slide, extreme temperatures, heavy snowfall) , crisis or war.

- epreparation of the *Company`s Risk Register for 2020*; it includes the strategic risks as well as the major operational risks, escalated by the organizational structures, selected by the Secretariat of the Risk Management Team;
- preparation by the Secretariat of the Risk Management Team, based on the Strategic Risk Tracking Sheets and the Risk Management Reports submitted by the organizational structures, of the Risk Minimization Plan, at the company level for 2020;
- preparation of the report on the classification of operational risks;
- organizing and conducting the meeting of the Risk Management Team, which ended by Minutes no. 2030/15.01.2020; the documents approved during the meeting of the Risk Management Team were submitted for approval to the Monitoring Commission, as follows:
 - report on risk management and monitoring at the company level, year 2019 no. 1518 / 13.01.2020;
 - tolerance limit, for the year 2020 no. 1512/01.13.2020;
 - risk profile of SNTGN, December 2019, no. 1512/01.13.2020;
 - risk register, at company level, for the year 2020, no. 1173/01.10.2020;
 - the plan of risk minimization measures, at company level, year 2020, no. 1434/01.13.2020;
 - the report of the advisory of the organizational structures within SNTGN Transgaz regarding the Standard 8 Risk Management within the Internal / Managerial Control System and the Action Plan and the Calendar for the implementation of the proposals / recommendations, no. 539/01.08.2020;
 - the report on the classification of operational risks no. 1516 / 13.01.2020
- triggering the action of updating/preparation of documents (by letters no. 10744/24.02.2020 and 17176/19.03.2020) in accordance with the System Procedure PS 05 SMI *Risk Management*;
- The posting of the following documents in Transgaz' data base "Trgaz (\\intranet)\ZoneInterDep\ControlInternManagerial":
 - List of Specific Objectives and Performance Indicators code F 01 00/PS 05 SMI;
 - List of Operational Objectives, Indicators, Activities and Risks, code F 02 00 / PS 05 SMI;
 - Department Risks Register, RegR-RR Office, code F 03 00/PS 05 SMI;
 - Registry of Risks at department level RegR-RD code F 05 00 / PS 05 SMI;
 - Risk minimization plan code F 06 00 / PS 05 SMI;
 - Annex 7 FUR Risk Fact Sheet code F 07 00 / PS 05 SMI.
- verification of the documents posted by the organizational structures, for compliance with the requirements of the PS 05 SMI System Procedure;
- updating Annex 1 of Decision to set up the Risk Management Team no. 750 of 23.07.2018, by Decision no. 37 from 14.01.2020;
- initiation of the Strategic Risk Tracking Sheets, for the year 2020;

- updating, on April 29, 2020, the Declaration-Commitment of the Director-General on Risk Management;
- posting on the company's website, in the "Risk Management" section, of the *Statement-Commitment of the Director General on Risk Management*, updated;
- The Board of Administration took note of Information no. DG 21001 / 06.04.2020 on risk management and monitoring within Transgaz, for 2019, through BA resolution no. 14/29.04.2020;
- updating Annex 1 of Decision to set up the Risk Management Team no. 750 of 23.07.2018, by Decision no. 737 of 30.06.2020
- filling in the Strategic Risk Tracking Sheets, for 2020 with the stage of implementing the internal/ managerial control measures, the difficulties encountered and proposals for new actions.
- the analysis by the Secretariat of the Risk Management Team, of the stage of implementation of the internal/managerial control measures established in the Plan of risk minimization measures, at the level of SNTGN Transgaz, year 2020.
- advising SCI/M managers from 8 departments, 2 Independent Services, 4 Regional Operation centres, as a result of updating the risk registers and risk minimization plans, the year 2020.
- classification of operational risks in the categories established by the *Report on the classification of operational risks*.

The risk profile of SNTGN Transgaz SA on 31.12.2019 improved from the risk profile set at 31.12.2018, as can be seen in figure 22:

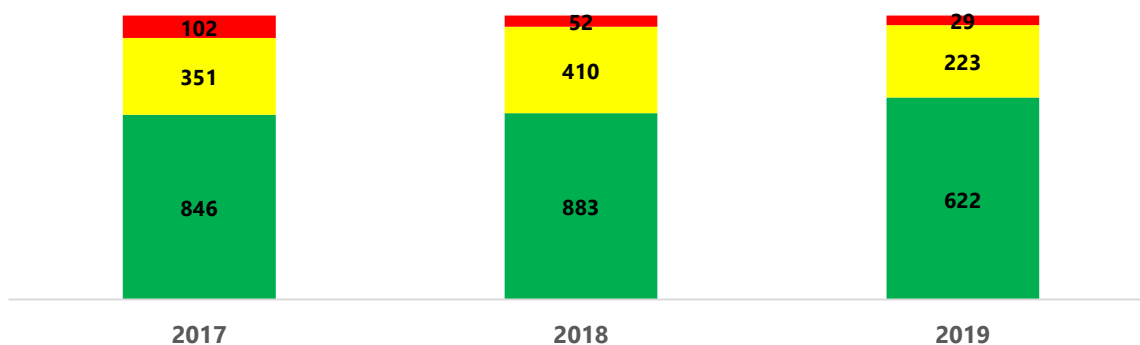





Figure 25 – Comparative risk profile 2017, 2018, 2019

Note:

-  Acceptable risks
-  Low tolerance risks
-  Intolerable risks

One of the company's concerns is the development and implementation of the internal/managerial control system within Vestmoldtransgaz SRL.

5. Actions to be taken for the upcoming period

- Updating as necessary Decision 750/23.07.2018 on the establishment of the Risk Management Team;
- Chronologically and successively completion of the risk management process stages according to the Risk Management System Procedure, code PS 05 SMI.
- the procurement of an electronic management platform for the entire Internal/Managerial Control System, this performing by default:
 - the real time reporting of the achievement degree of the performance indicators and applying risk management to specific objectives and performance criteria, automatically performing the necessary calculations;
 - automatic application of calculation matrices in risk management for risk assessment and treatment.
- Updating, whenever necessary, the Strategic Risk Tracking Sheets;
- Monitoring the implementation status of the Program for the implementation of the measures set out in the Risk Management Strategy;
- Monitoring the stage of implementation of the actions included in the Action Plan and the schedule for implementing proposals/recommendations, approved following the advising of the organizational structures in line with the *Risk Management Counseling Program*;
- Internal trainings of newly established organizational structures on the elaboration of documents related to the PS 05 SMI System Risk Management Procedure.
- advising organizational structures, whenever necessary, on the implementation/development of the risk management process

5.2.9 Communication

A part of the company's development strategy, communication policy and social responsibility aims at a permanent increase in the company's transparent communication and accountability to employees, shareholders, partners, community and the environment, as well as the efficiency of all the actions carried out in this sense.

Under the slogan **`A RESPONSIBLE COMPANY IS A FOUNDATION OF THE FUTURE`**, the entire internal and external communication activity of the company is modelled on and is carried out in accordance with the principles of professional deontology, ethics, transparency and good business and collaboration practices, culture and organizational values .

Infographic monitoring of news on Transgaz activity in Semester I 2020

Following the monitoring of news on Transgaz's activity, which appeared on media channels in Semester I 2020, we mention that this year there were 93 of which:

No	News category	Sem. I		%	Percentage	
		2020	2019		2020	2019
1.	Neutral news	84	122	-31	90%	92%
2.	Positive news	9	6	50	10%	5%
3.	Negative news	0	4	-100	0%	3%
Total news		93	132	-30	100%	100%

Table 35- Infographic monitoring of the news of Transgaz' activity in Sem. I 2020

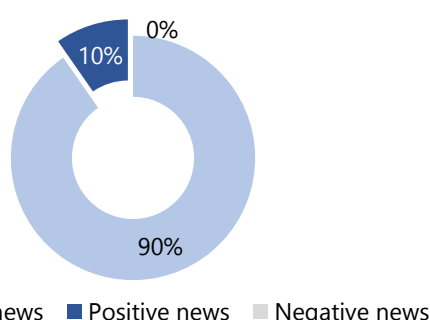


Chart 31 -share of positive, neutral,negative news of Transgaz' activity in Sem. I 2020

The monthly distribution in Semester I 2020 of positive, neutral, negative media references is the following:

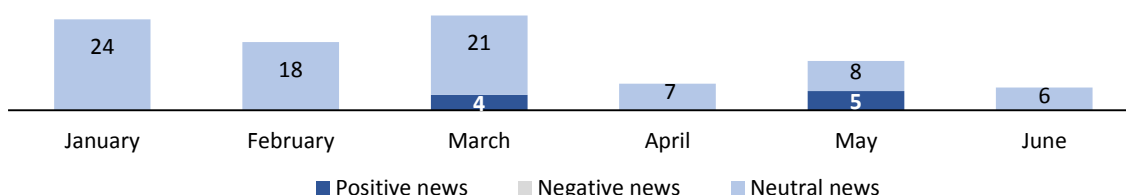


Chart 32 -Positive, negative and neutral news regarding the activity of Transgaz in Semester I 2020

The total distribution in Semester I 2020 of the references made by the topic, investments, financial results, European financing, capital market, development program is presented as follows:

News monitoring per topic as of 30.06.2020

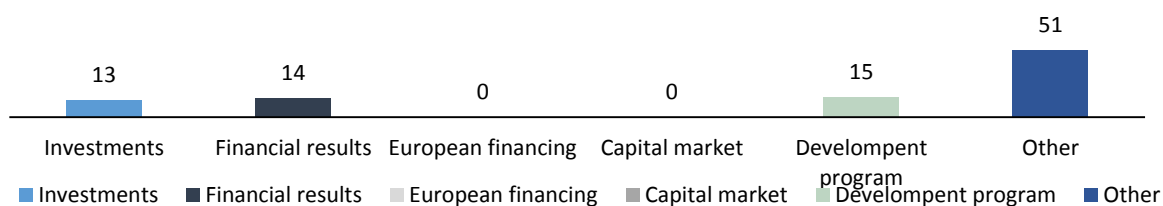


Chart 33 - News monitoring per issue in Semester I 2020

Monthly distribution in Semester I 2020 of the references made by the topic is presented:

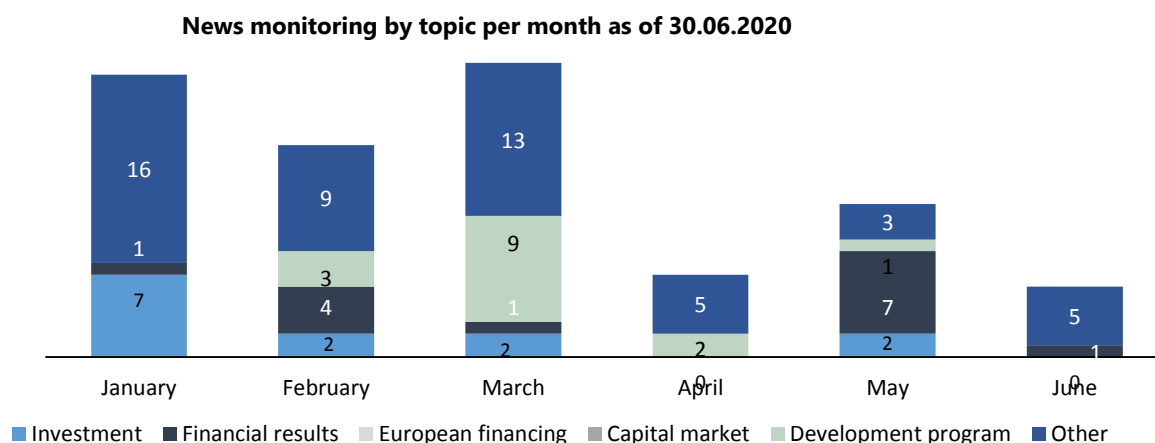


Chart 34 -Monthly monitoring of news by topic in Semester I 2020

The share of the references which occurred in Semester I 2020 depending on the approached theme is as follows:

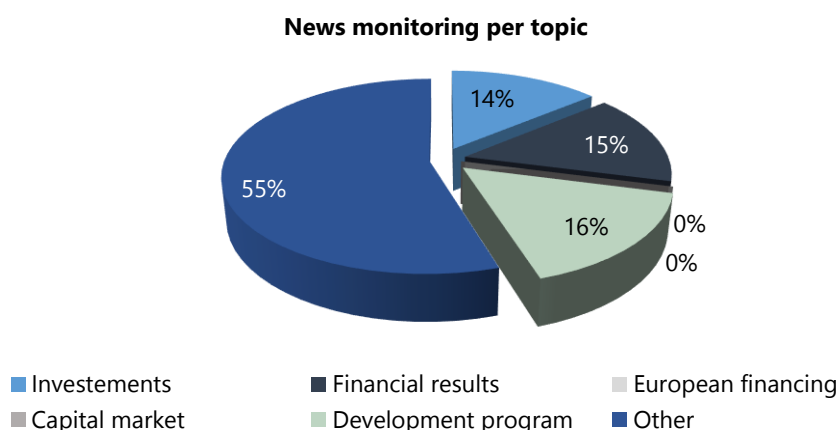


Chart 35 -News by topic in Semester I 2020

6. CORPORATE GOVERNANCE

Corporate governance refers to how the rights and responsibilities are divided between the categories of participants in the company's activities, such as the board of administration, managers, shareholders, and other interest groups, while also specifying how business decisions are made, how to define strategic objectives, how to reach them and how to monitor economic performance.

The general and specific strategic objectives of Transgaz are set in the context of the alignment with the requirements of the new European energy policy on energy security and safety, sustainable development and competitiveness.

In this context, the implementation and development of corporate governance principles as well as the development of responsible, transparent business practices, is increasingly

becoming a necessity in the substantiation and application of business strategies and business policies.

By subscribing to this aim, Transgaz aims to provide, by its own Corporate Governance Rules, a rigorous framework for sizing and regulating corporate governance at the company level.

The TRANSAZ's Corporate Governance Rules were endorsed by the Board of Administration by Resolution 3/18.01.201 1 and approved by the Ordinary General Meeting of Shareholders on 2 March 2011, by GMS Resolution 1/2011 (Art.4).

The document has a structure in line with the requirements in the field and includes **9 chapters**, as follows:

- Chapter 1 - Corporate Governance Structures: Board of Administration, Advisory Committees, Executive Management. Code of professional conduct.
- Chapter 2 - Shareholder rights: shareholder rights, shareholder treatment.
- Chapter 3 - Board of Administration: the role and obligations of the Board of Administration, the structure of the Board of Administration, the appointment of the members of the Board of Administration, the remuneration of the members of the Board of Administration.
- Chapter 4- Transparency, financial reporting, internal control and risk management: transparency and financial reporting.
- Chapter 5 - Conflict of interests and transactions with persons involved: conflict of interests; transactions with persons involved.
- Chapter 6 - Corporate Information Regime.
- Chapter 7 - Social Responsibility.
- Chapter 8 - Administration system.
- Chapter 9 - Final Provisions.

SNTGN Transgaz SA, as a company listed on the BSE in the Premium category, voluntarily adopted the CGC provisions of the BSE and reports as of 2010 total or partial compliance by filling in the **Statement on compliance or non-compliance with the provisions of the Corporate Governance Code (the `apply or explain` Statement)** contained in the Administrators' Report.

In 2015, within the project dedicated to corporate governance, the Bucharest Stock Exchange rewrote the Corporate Governance Code of BSE, in force in its first form since 2008.

Thus, on 22 September 2015, **a new Corporate Governance Code** was launched for companies listed on the main market, with the main objective of facilitating investors' access to information and protecting their rights

The new Code is structured in four sections: **Responsibilities, Risk Management System and Internal Control, Fair Reward and Motivation**, and **Adding Value through Investor Relations**. Each section presents the `General Principles`, followed by `Provisions to be observed`.

The implementation of the new rules is based on the "apply and explain" principle, which provides the market with clear, accurate and timely information on how listed companies comply with corporate governance rules. To this end, companies will include a corporate governance statement in the annual report in a separate section, which will include a self-assessment of how the `provisions to be complied with` are met, as well as the measures taken to comply with the provisions which are not fully fulfilled. All cases of non-compliance by a company with a provision in the sections of the Code entitled `Provisions to be observed` will be reported to the market as of 4 January 2016, in the form of a current report.

Transgaz is in full compliance with most of the provisions of the new Code, and the provisions with which the company is not yet in compliance were explicitly presented in a current report sent to the BSE in January 2016, which was also published on the company's website at the section: *Investor Relations / Financial Reports*.

Later, on 12 October 2016, by a Current Report sent to SNTGN TRANSGAZ SA BSE, SNTGN TRANSGAZ SA reported to the market the compliance with the new Governance Code provision A.2., which was included in the BoA Rules of Procedure and Organization at Art. 17 and approved by OGMS Resolution 4/23.06.2016.

Any further compliance of the company in this respect will be reported to the capital market.

Administration system

Transgaz has a unitary management system and is managed by a Board of Administration. It has the general competence to take out all necessary actions in order to successfully carry out the object of the company, except for the issues that are within the competence of the General Meeting of the Shareholders according to the provisions of the Articles of Incorporation updated on 18 November 2019, or the applicable laws.

The management of Transgaz is provided by a Board of Administration formed mostly by non-executive and independent administrators within the meaning of Art.138² of the Companies Law no. 31/1990, republished, as subsequently amended and supplemented.

The Board of Administration is composed of 5 members that guarantee the efficiency of the supervisory, analysing and evaluating capacity of the company as well as the fair treatment of the shareholders. Members of the Board of Administration are elected by the General Meeting of Shareholders for a four-year term, and if the duties are duly fulfilled, the mandate may be renewed or they may be revoked by the Ordinary General Meeting in case of failure to meet the main objectives.

Members of the Board of Administration may be shareholders. The Transgaz Board of Administration is chaired by a Chairman appointed by the Board of Administration, from among its, which ensures the optimal functioning of the company's bodies. Members of the Board of Administration will participate in all the General Meetings of the Shareholders and will exercise their mandate in good faith and knowledge for the interest of the Company with due diligence and care without disclosing the confidential information and trade secrets of the Company during the term of office and after its termination.

The Articles of Incorporation of Transgaz, updated on 18.11.2019 and approved by the Board of Administration by Decision no. 55/18.11.2019, regulates the duties, responsibilities and powers of the Board of Administration as well as the obligations of the company's administrators.

The Board operates in accordance with its own regulations and legal regulations in force. Following the implementation of the new Corporate Governance Code of the BSE, the Board of Administration approved the amendment of the *Regulation of Organization and Functioning of the Board of Administration of SNTGN Transgaz SA* in order to comply with its provisions and was approved in Art. 2 of the Resolution no. 8/ 17 December 2018 of the Ordinary General Meeting of the Shareholders .

The structure of the Transgaz Board of Administration ensures a balance between executive and non-executive members, so that no individual or restricted group of persons can dominate the decision-making process of the Board of Administration.

The decision-making process within the company will remain a collective responsibility of the Board of Administration, which will be held jointly and severally responsible for all decisions taken in the exercise of its powers. The renouncement of the mandate by independent administrators shall be accompanied by a detailed statement of the reasons for such renouncement.

Members of the Board of Administration will constantly update their competencies and improve their knowledge of the company's business and best corporate governance practices in order to fulfil their role.

Members of the Board of Administration of SNTGN Transgaz SA

The componence of Transgaz's Board of Administration as of 11.07.2017, following OGMS Resolution 3/19.06.2017 and OGMS Resolution no 13/28.12.2017:

ION STERIAN	Executive Administrator-Chairman, Director- General
PETRU ION VĂDUVA	Non-Executive Administrator
BOGDAN GEORGE ILIESCU	Non-Executive Independent Administrator
NICOLAE MINEA	Non-Executive Independent Administrator
REMUS-GABRIEL LĂPUȘAN	Non-Executive Independent Administrator Chairman of the Board of Administration

Subsequently, during the meeting of Transgaz's Board of Administration on 18.03.2019, in accordance with the provisions of Art. 19 point 2.3 of the Articles of Incorporation, updated on 18.11.2019 and in accordance with the provisions of GEO 109/2011 on Corporate Governance of Public Enterprises as subsequently amended and supplemented, the company's administrators elected Mr. Remus Gabriel Lăpușan as Chairman of Board of Administration of SNTGN Transgaz SA.

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

The Board of Administration delegated the management of the company to the Director - General of SNTGN Transgaz SA, which is not the Chairman of the Board of Administration.

The Director - General of the National Gas Transmission Company Transgaz S.A. represents the company in its relations with third parties.

The Director shall prepare and submit to the Board of Administration a proposal for the management component of the management plan for the duration of the mandate in order to achieve the financial and non-financial performance indicators.

The Board of Administration may require that the management plan be amended or revised if it does not provide for measures to achieve the objectives set out in the letter of expectation and does not include the expected results to ensure the assessment of the financial and non-financial performance indicators.

After the approval of the management plan by the board of administration, the management component or, as appropriate, the approved financial and non-financial performance indicators are an annex to the mandate contract concluded with the director.

The assessment of the directors' activity by the board of administration will concern both the execution of the mandate contract and the management plan management component.

The Director - General shall prepare and submit to the Board of Administration the reports provided by law.

The Director - General shall submit to the Board of Administration for approval the transactions concluded with the administrators or directors, employees or shareholders holding control over Transgaz or with a company controlled by them, if the transaction has, individually or in a series of transactions, a value of at least the equivalent in lei of EUR 50,000.

The executive directors and the directors of subsidiaries are appointed by the Director-General and are subordinate to it, are officials of TRANSGAZ S.A., carry out its operations and are accountable to it for the performance of their duties under the same conditions as the members of the Board of Administration.

The duties of the executive directors and of the directors within the branches are established by Transgaz' Rules of Procedure.

Persons who are incompatible under the Companies Law no. 31/1990, republished, as amended and supplemented, may not be executive directors or Subsidiary directors.

According to Art. 19 (8) of the Articles of Incorporation, updated on 28 November 2019, the Board of Administration informs, at the first general meeting of the shareholders following the conclusion of the legal act, on:

- any transaction with the administrators or with the directors, with the employees, with the shareholders who control the company or with a company controlled by them,
- the transactions concluded with the spouse, relatives or affiliates up to the fourth degree, including the persons mentioned above,
- any transaction concluded between TRANSGAZ SA with another public enterprise or with the public supervisory body, if the transaction has a value, individually or in a series of transactions, of at least the equivalent in lei of euro 100,000.

The Board of Administration is required to make available, at the general meeting of shareholders and financial auditors, Transgaz S.A. documents and activity reports according to the legal provisions.

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

In Semester I 2020 Transgaz concluded the following legal documents with companies directly or indirectly controlled by the Romanian State and which have a cumulated value of at least the lei equivalent of EUR 50.000:

Contract data	Contractual clauses provided in the contract
Contracting parties	Concluded between SNTGN TRANSGAZ SA and SNGN ROMGAZ SA
Contract date and type	Contract no. 335L/18.12.2019 for January 2020
Contract scope	monthly transmission services related to NTS entry points
Contract value	lei 1.192.284,80 – estimated amount of the legal act VAT included (lei)
Contracting parties	Concluded between SNTGN TRANSGAZ SA and SNGN ROMGAZ SA
Contract date and type	Contract nr. 337L/18.12.2019 pentru luna ianuarie 2020
Contract scope	monthly transmission services related to NTS exit points
Contract value	1.231.572,65 lei – estimated amount of the legal act VAT included (lei)
Contracting parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and ELECTROCENTRALE BUCUREȘTI S.A. (in insolvency)
Contract date and type	Contract no. 295L/18.12.2019 for January 2020
Contract scope	monthly transmission services related to NTS exit points
Contract value	3.275.784,17 lei – estimated amount of the legal act VAT included (lei)
Contracting parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and COMPLEXUL ENERGETIC HUNEDOARA S.A. (in insolvency)
Contract date and type	Contract no. 134T/18.12.2019 for quarter I 2020
Contract scope	Quarterly transmission services related to NTS exit points
Contract value	512.193,97 lei – estimated amount of the legal act VAT included (lei)

Contracting parties	Concluded between SNTGN TRANSGAZ SA and SNGN ROMGAZ SA
Contract date and type	Contract no. 438L/22.01.2020 for February 2020
Contract scope	monthly transmission services related to NTS exit points
Contract value	868.435,52 lei – Estimated amount of the legal act VAT included (lei)
Contracting parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and ELECTROCENTRALE BUCUREȘTI S.A. (în insolvență)
Contract date and type	Contract no. 403L/22.01.2020 for February 2020
Contract scope	monthly transmission services related to NTS exit points
Contract value	2.121.696,40 lei – Estimated amount of the legal act VAT included (lei)
Contracting parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and COMPLEXUL ENERGETIC HUNEDOARA S.A. (în insolvență)
Contract date and type	Contract no. 135T/11.02.2020 for quarter II 2020
Contract scope	quarterly transmission services related to NTS exit points
Contract value	309.433,42 lei – Estimated amount of the legal act VAT included (lei)
Contracting parties	Concluded between SNTGN TRANSGAZ SA and SNGN ROMGAZ SA
Contract date and type	Contract no. 155T/11.02.2020 for quarter II 2020
Contract scope	Quarterly transmission services related to NTS entry points
Contract value	2.117.177,79 lei – Estimated amount of the legal act VAT included (lei)
Contracting parties	Concluded between SNTGN TRANSGAZ SA and SNGN ROMGAZ SA
Contract date and type	Contract no. 156T/11.02.2020 for quarter II 2020
Contract scope	Quarterly transmission services related to NTS exit points
Contract value	2.565.400,93 lei – Estimated amount of the legal act VAT included (lei)
Contracting parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and ELECTROCENTRALE BUCUREȘTI S.A. (în insolvență)
Contract date and type	Contract no. 463L/19.02.2020 for March 2020
Contract scope	monthly transmission services related to NTS exit points
Contract value	665.794,86 lei – Estimated amount of the legal act VAT included (lei)
Contracting parties	Concluded between SNTGN TRANSGAZ SA and SNGN ROMGAZ SA
Contract date and type	Contract no. 510L/19.02.2020 for March 2020
Contract scope	monthly transmission services related to NTS exit points
Contract value	938.260,26 lei – Estimated amount of the legal act VAT included (lei)
Contracting parties	BENEFICIARY: Vestmoldtransgaz S.R.L.

	PROVIDER: S.N.T.G.N. Transgaz S.A.
Contract date and type	Service Contract No. 6, concluded on 20.03.2020, registered at SNTGN TRANSGAZ S.A. under no. 172 on 23.03.2020
Contract scope	Provision by the Provider of technical assistance in favour of the Beneficiary, within the proces of implementation of the investment project Interconnection gas pipeline between the Natural Gas Transmission System of Romania and the Natural Gas Transmission System of the Republic of Moldova on the Iasi-Ungheni-Chisinau direction, Phase II, in the interests of VMTG.
Contract value	The contract value was calculated according to Art. 2.1. and Art. 2.3. of the Contract to 104,470 euro: `2.1. In exchange for the Assistance, the Beneficiary undertakes to pay the Provider the invoices related to the fulfilment of the contractual objectives in accordance with the offer submitted by the Provider. 2.3. Miscellaneous and contingencies of 10 % may be added to the Contract Price for services related to the scope of the contract.”
Contracting parties	Concluded between S.N.T.G.N. TRANSGAZ S.A. and ELECTROCENTRALE BUCUREȘTI S.A. (în insolvență)
Contract date and type	Contract no. 547L/18.03.2020 for April 2020
Contract scope	monthly transmission services related to NTS exit points
Contract value	1.902.753,59 lei – Estimated amount of the legal act VAT included (lei)
Contracting parties	Concluded between SNTGN TRANSGAZ SA and SNGN ROMGAZ SA
Contract date and type	Contract no. 589L/18.03.2020 for April 2020
Contract scope	monthly transmission services related to NTS exit points
Contract value	1.944.211,29 lei – Estimated amount of the legal act VAT included (lei)
Contracting parties	Concluded between SNTGN TRANSGAZ SA and SNGN ROMGAZ SA
Contract date and type	Contract no. 188T/12.05.2020 for quarter III 2020
Contract scope	Quarterly transmission services related to NTS exit points
Contract value	2.480.816,80 lei – Estimated amount of the legal act VAT included (lei)

6.1 Capital Market Activity

Through the efficient use of managerial instruments and the responsible execution of the measures committed towards shareholders, investors, business and community, **SNTGN TRANSGAZ SA Mediaș** managed to perform on the capital market as well, being **at the end o Semester I 2020 ranked 8th in the Top 10 trading on the Bucharest Stock Exchange**, depending on the value traded.

Also, in June 2020 Transgaz was ranked **9th in the Top 15 listed companies, depending on the stock market capitalization.**

TGN shares are attractive portfolio shares due to the company's business scope, the monopoly Transgaz holds in the natural gas transport, the company's position on the national

and international energy market, the strong financial profile and the capacity of the company to generate performance, stable and predictable income, and attractive dividend policy.

For the financial year 2019, a **gross dividend per share amounting to 15.47 lei** was approved in the OGMS meeting of 27 April 2020, determined based on the provisions of *G.O. no. 64 of 30 August 2001 on the distribution of profit to national companies and commercial companies with full or majority state capital*, as well as to autonomous utilities under the conditions of applying the quota of 50.02608% to the distribution of profit as dividends

TGN shares

In the first half of 2020, amid the pandemic caused by the appearance of the SARS Cov-2 virus, the closing price of the TGN share followed a downward trend, with a maximum of 357.50 lei/share, recorded on the first trading day of 2020.

On the last trading day of January 2020, the closing price of the TGN share was 330.50 lei/share, 0.15% more than at the end of January 2019. Then, during February and March, the closing price of the TGN share followed a downward trend, with values below those of 2019, registering at the end of February the value of 297.00 lei /share, and on 31.03.2020 the value of 240.00 lei/share, 29% less than the similar period of the previous year.

Subsequently, during April and May, amid investor expectations regarding the approval by the GMS of the value of the dividend for the financial year 2019, the closing price of the TGN share registered an upward trend, but with lower values than in 2019.

In June, after the registration date of 26 June 2020 for the payment of dividends for the financial year 2019, on the background of the ex-dividend date, the TGN share registered a decrease compared to previous months, reaching the price of 292.00 lei/share.

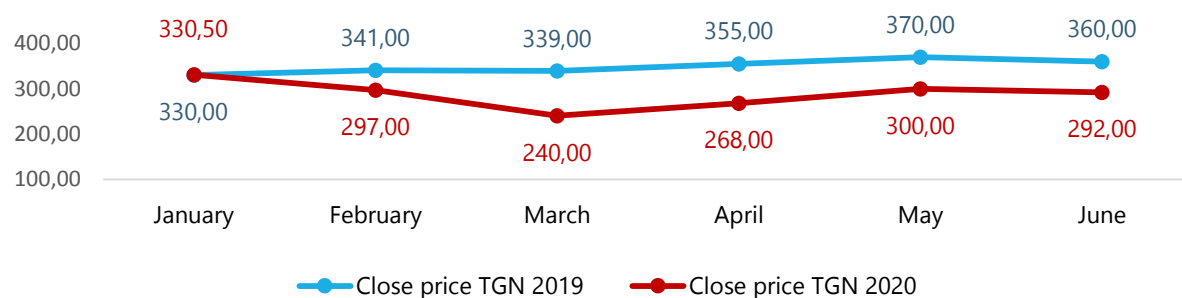


Chart 36 - The closing price of TGN shares in sem I 2020 vs sem I 2019

The traded volumes and the values of the transactions in the period ended on 30 June 2020 registered mainly higher values compared to the first half of 2019, respectively the traded volumes increased on average by approximately 56% and the transaction values by 29%, reaching on 20.05.2020 the maximums of the period, with a volume of 20,140 traded shares and a value of 5,538 thousand lei.

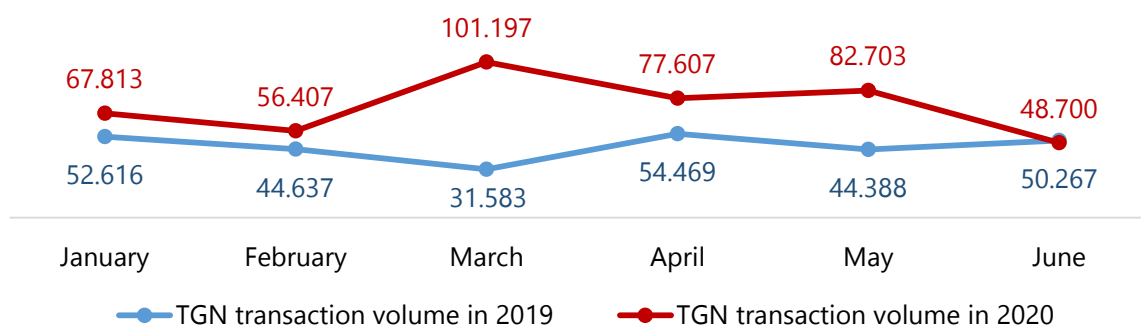


Chart 37 - TGN transactions volume in sem I 2020 vs sem I 2019

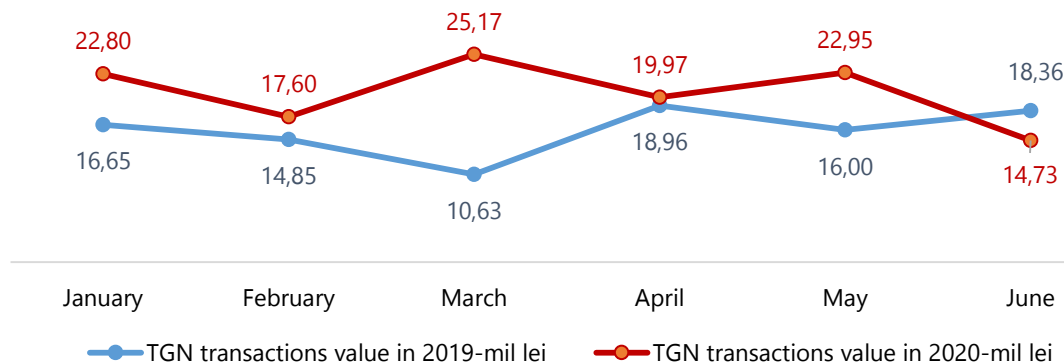
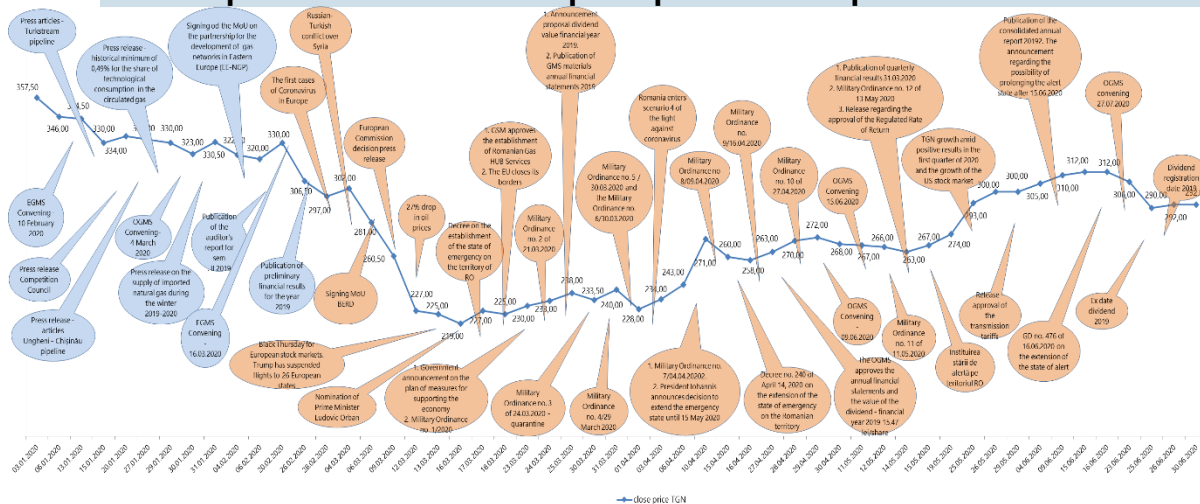


Chart 38 - TGN transaction value – mil lei between sem I 2020 vs sem I 2019

Main corporate events with an impact upon the share price in Semester I 2020



Stock Market Indices: P/BV, EPS, PER, DIVY

Date	P/BV	PER	DIVY	EPS
30.06.2020	0,91	9,87	5,30	29,58
30.06.2019	1,14	8,55	6,02	42,10

*values reported on 31 December 2019 and on 31 December 2018

In the six months period ended 30 June 2020, **P/BV stock index** (report of price per the accounting value of a share) registered a slight decrease as compared to the same period of the year 2019.

At the same time, the **PER indices** (price of the share/profit per share) registered an increase due to the higher price of the TGN share on 31.12.2019, of 360.00 lei/share, as compared to the price recorded on 31.12.2018, of 316.00 lei/share.

The decrease in **dividend yield (DIVY)**, as compared to the value on 30.06.2019, is due to the lower value of the dividend for the financial year 2019, respectively 15.47 lei/share (according to OGMS no 4 dated 27 April 2020) as compared to 21.66 lei/share (according to OGMS dated 06.06.2019) gross dividend.

Also, from the presented data it can be observed that the **EPS (profit per share)** registered in Semester I 2020 as compared to the same period of the year 2019 registering the value of 29.58.

The value of Transgaz stock indicators compared to similar companies in Europe at the end of Semester I 2020 is as follows:

Company		P/E	P/BV	EV/EBITDA
Enagas	Spain	12,60	1,70	9,70
SNAM SpA	Italy	13,30	2,30	12,10
Fluxys	Belgium	33,30	2,90	12,30
Media		19,73	2,30	11,37
Transgaz	Romania	9,77	0,90	11,05
Premium /Discount		-50,49%	-60,87%	-2,81%

Source: Bloomberg: 14.07.2020

Table 36 - The value of Transgaz stock exchange indices compared to similar companies in Europe

Stock market capitalization

The stock market capitalization of the company on 30.06.2020 was lei 3,44 billion (~ EUR 710 million) namely lei 801 million (~ 185 million euro) below the level recorded on 28.06.2019.

Currency	2020		2019	
	03.01.2020	30.06.2020	03.01.2019	28.06.2019
lei	4.209.149.230	3.437.962.448	3.696.987.016	4.238.583.840
EURO	880.777.842	709.985.430	792.392.622	895.141.357
Euro/BNR exchange rate	4,7789	4,8423	4,6656	4,7351



Chart 39 - Stock market capitalization of Transgaz on 30.06.2020 vs. 28.06.2019

The share of TGN in the composition of the stock indices (BET, BET-NG, BET-XT, BET-BK, ROTX)

STOCK INDEX NAME	Share of TGN 30.06.2020	Position held in the componence of the index ocupată în componența indicelui
BET (BSE reference index, representing the 10 most liquid companies listed on BSE)	4,98%	6
ROTX (free float capitalization weighted price index reflecting in real time the movement of "blue chip" shares traded on BSE)	5,78%	6
BET-NG (sectoral index / energy - utilities)	13,69%	3
BET-XT (blue-chip index, reflecting the evolution of the prices of the 25 most liquid traded companies)	4,60%	6
BET-BK (benchmark index, calculated as a price index weighted by the free-float capitalization of the most traded companies listed on the BSE regulated market)	4,52%	14

Evolution of TGN shares versus BET, BET-NG and BET-BK stock market indices in Semester I 2020





Chart 40 – Evolution of TGN share compared to stock exchange indices BET, BET-NG and BET-BK in Semester I 2020

As it can be observed, over the duration of six months ended on 30.06.2020, TGN's share had a similar evolution to that of the main BET, BET-NG and BET-BK stock indexes, but with lower values.

6.2 Dividend policy

In 2020, the proposal for the determination of the value of the dividends for financial year 2019 was determined based on the provisions of GO no 64 of 30 August 2001 on the distribution of profits to national companies with full or majority state capital, as well as to autonomous utilities under the conditions of applying the quota of 50.02608% to the distribution of profits as dividends.

Thus, in accordance with the OGMS Resolution No. 4/27.04.2020, Transgaz SA pays the dividends for the financial year 2019 through Depozitarul Central and Banca Transilvania, the appointed paying agent, starting with 17 July 2020 (date of payment) for the shareholders

registered at the registration date of 26 June 2020, **the value of the gross dividend/share amounting to 15.47 lei.**

At the end of the semester ended on 30.06.2020, the company had paid shareholders the net dividends for the financial year 2018 amounting to lei 250.498.421,87.

Transgaz's rating review

From 2006 until March 2019, S&P Global Ratings also provided and monitored the Transgaz rating. Getting this rating was a necessary step in addressing an openness policy to international capital markets, with a view to attracting the most advantageous sources of funding and also providing a valuable instrument investors in the IPO stock listing process as well as the SPO.

In this respect, on June 20, 2018, S&P Global Ratings published the last report on the revision of the prospects of the operator of the National Gas Transmission System Transgaz SA from stable to negative, and, at the same time, they affirmed the company's credit rating at BB +.

Following the internal analysis and in compliance with all legal provisions regarding the acquisition of rating services, on 28.03.2019, the company concluded with Fitch a contract for the award of a private rating at a given time (PPIT). As a result of the assessment, on 28 June 2019, the agency awarded Transgaz, the private rating granted at a given time 'BBB-' with Stable Outlook and on 10 July 2019 following the conclusion of a contract for the publication and surveillance of the rating obtained the International Rating Agency Fitch made public on 17.07.2019, at the request of Transgaz, the rating granted to the company, namely 'BBB-' with Stable Outlook.

As of 8 July 2020, the Fitch Rating Agency confirmed the rating granted to the company, i.e. 'BBB-' with Stable Outlook, reflecting 'the solid profile of Transgaz's activity as a concessionaire and operator of the Romanian natural gas transmission network, as well as the perspective of a progressive contraction of the international gas transit activity deriving from traditional routes. The rating is supported by gas transport regulations in the country and our expectations that a significant current investment in the Bulgaria-Romania-Hungary-Austria (BRUA) corridor will be added to Transgaz's regulated asset base (RAB) which underpins future gains, according to the Agency's report.

The list of all the entities in which Transgaz-Eurotransgaz holds shares

- **SC MEBIS SA Bistrita**, based in Bistrita, (J06 / 150/1991), where Transgaz owns 17.47% of the share capital, having as object the realization of metal structures and complex welded assemblies, assemblies and hydraulic products; is in liquidation proceedings, which is why the shareholding in SC MEBIS SA was fully provisioned. Transgaz has no obligations towards SC MEBIS SA;
- **SC Resial SA** with headquarters in Alba Iulia (J01 / 77/1991), where Transgaz owns 68.16% of the share capital, having as object the production and marketing of silico aluminous refractory products, entered into liquidation procedure in year 2006; the procedure is carried out by a court bailiff appointed by the court and is independent of the control of

Transgaz, which is why the share is not consolidated and is recorded at the cost less the impairment provision established at 100% of the cost. The loan granted to SC RESIAL SA is fully serviced. The management does not expect Transgaz to recover any amount of this share and does not record any residual liabilities for SC RESIAL SA.

7. THE MANAGEMENT OF THE COMPANY

7.1 STRATEGIC OBJECTIVES RELATED TO TRANSGAZ' MANAGEMENT DURING 2017-2021

Aiming to pursue the full achievement of the proposed goals and the achievement of the strategic objectives regarding operational efficiency, optimization of performance and sustainable development of the company, respecting the principles of good corporate governance, **the Board of Administration of the company wishes to continue with the same responsibility, efficiency, transparency and professionalism towards all stakeholders, the road opened in the 2013-2017 mandate for the construction and development of a solid and performing future of the national gas transmission infrastructure of the Romanian energy sector.**

Thus, the strategic objectives set out in the 2013-2017 mandate in the context of alignment with the requirements of the European energy policy, **ENERGY SAFETY AND SECURITY, COMPETITIVENESS AND SUSTAINABLE DEVELOPMENT** are taken over in the Management Plan of SNTGN Transgaz SA for the period 2017-2021 and completed with objectives and new directions of action specific to the company's activity in the current context.

Structured according to the four perspectives of the Balance Score Card (BSC), **the action directions provided in the Management Component of the Management Plan of SNTGN Transgaz SA in the period 2017-2021 aim at:**

Perspective of the stakeholders
STRATEGIC OBJECTIVE 1: The continuity of the activity and ensuring energy safety and security
Lines of action
<ul style="list-style-type: none"> ▪ Increasing the level of NTS security and ensuring the security of gas supply ▪ Competitive energy markets – by creating the necessary technical conditions for the development of the gas market ▪ Upgrading the Corporate Governance System
Internal perspective/ processes
STRATEGIC OBJECTIVE 2: Increasing the degree of the company's COMPETITIVITY
Lines of action
<ul style="list-style-type: none"> ▪ Development and upgrading of all of the operational processes ▪ Increasing energy efficiency and reducing the negative impact of the technological processes upon the environment
Development perspective/staff
STRATEGIC OBJECTIVE 3: Increasing the degree of SUSTAINABLE DEVELOPMENT of the company due to the increase of the human, informational, organizational capital of the company, and the alignment to the European regulations related to the activity of the company and ensuring sustainability.

Lines of action
<ul style="list-style-type: none"> Optimization of the management processes of human resources Alignment to European regulations related to the activity of the company and ensuring sustainability.
Financial outlook
STRATEGIC OBJECTIVE 4: Maintaining the financial balance and the operational stability
Lines of action
<ul style="list-style-type: none"> Ensuring the sustainable financial, economic and social performance

The actions of the executive management are directed towards the meeting of the strategic goals of the Company by the implementation of the measures set in the management component.

7.2 Executive Management

Members of the executive management have individual labour agreements concluded for indefinite periods. The management and execution staff within Transgaz is appointed, hired or laid off by the Director General.

According to the information available, there is no agreement, covenant or family tie between the mentioned persons and another person due to which they were appointed as members of the executive management.

The table below indicates the members of the executive management holding shares in Transgaz are presented below:

No	Name and first name	Position	Number of shares as at 30.06.2020	Interest share (%)
1.	Lata Ilie	Director	46	0,000390
2.	Tătaru Ion	Director	25	0,000212
3.	Lupean Marius	Director	20	0,000169
4.	Șai Alexandru	Director	10	0,000084
5.	Comănița Adela	Director	7	0,000059
6.	Nita Viorel	Director	5	0,000042

Table 37 - Members of Transgaz' executive management owning shares in the company as at 30.06.2020

The executive management of the company on 30.06.2020:

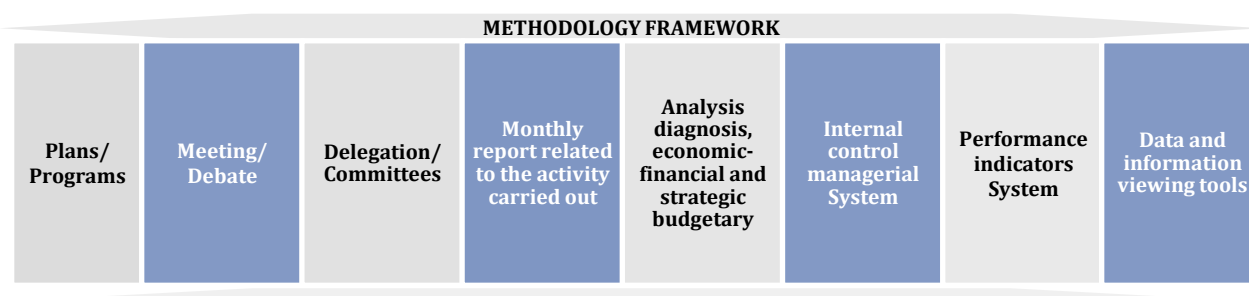
No.	Name and surname	Position	Division/Unit
1.	Sterian Ion	Director General	SNTGN Transgaz SA
2.	Târsac Grigore	Deputy Director General	SNTGN Transgaz SA
3.	Leahu Mihai Leontin	Deputy Director General-delegated	SNTGN Transgaz SA
4.	Iuga Alexandru	Deputy Director-General with delegation	SNTGN Transgaz SA
5.	Lupean Marius Vasile	Chief Financial Officer	Economic Division

6.	Ghidiu Elisabeta	Director	Strategy and Corporate Management Division
7.	Tătaru Ion	Director	Development Division
8.	Stroia Gheorghe Marius	Director	Operation Division
9.	Cosma Emil Florin	Director	Exploitation and Maintenance Division
10.	Beldiman Ion	Director	Energy Management, Automation and SCADA Division
11.	Luca Bogdan Avram	Director	Sectoral Procurement and Contracting Division
12.	Mateş Angela Aneta	Director	HR Organization Division
13.	Sarbu Ionel	Director	Land Regulation and Acquisition Division
14.	Sasu Elena	Director	Budgeting Finances Unit
15.	Comănița Adela Marinela	Director	Accounting Unit
16.	Niculaie-Faranga Dan	Director	Financing, Representative Offices Support and Special Projects Unit
17.	Niculescu Oana Cristina	Director	Budgeting Strategy Unit
18.	Mihai Cornel	Director	Corporate Activities and Representation Unit
19.	Mocanu Daniela Meri	Director	EU Funds Unit
20.	Oniga Ciprian	Director	Special Projects and Technical Support Unit with delegation for Research and Design Division
21.	Banu Larisa	Director	VTP Operation Unit
22.	Bunea Florin	Director	The National Gas Dispatching Centre
23.	Rău Ioan	Director	Commercial Unit
24.	Șai Ioan Alexandru	Director	Gas Metering, Gas Quality Unit
25.	Dragoman Irina Georgiana	Director	Gas Regulation Unit
26.	Barbu Viorel	Director	NTS Rehabilitation Unit
27.	Petrescu Monica Alexandra	Director	Special Projects Procurement Unit
28.	Grăjdan Vasilica	Director	HR Planning and Organization Unit
29.	Ene Alin	Director	General Inspection Unit
30.	Drăghici Aurelian	Director	Projects Analysis, Checking and Endorsement Unit
31.	Achim Viorel Ciprian	Director	HSQE Unit
32.	Lupu Emil	Manager	Archaeological Research Unit
33.	Iancu Cristina Daniela	Deputy Director - with delegation of powers of director	Legal Unit
34.	Vlahbei Andra Ioana	Deputy Director	Gas Regulation Unit
35.	Ilie Lața	Subsidiary Director	Mediaș Subsidiary
36.	Velicea Angela	Financial Director	Mediaș Subsidiary
37.	Gurgu Victorel	Regional Office Director / Director with delegation of powers for PMU Manager	Regional Office Bucharest
38.	Alexandru Ionel	Director	Regional Office Arad

39.	Cristoloveanu Gheorghe	Director	Regional Office Braşov
40.	Schmidt Hăineală Eduard-Cristian	Director	Regional Office Bacău
41.	Dumitru Nicuşor	Head of Department with delegations of power for Director of Regional Office	Regional Office Brăila
42.	Niţă Viorel	Director	Regional Office Craiova
43.	Calburean Ioan Eugen	Chief Engineer with delegations of power for Director of Regional Office	Regional Office Cluj
44.	Andrei Romeo	Chief Engineer with delegations of power for Director of Regional Office	Regional Office Constanţa
45.	Oancea Paul	Chief Engineer with delegations of power for Director of Regional Office	Regional Office Mediaş

Table 38 -Transgaz's executive management

For optimizing the activity the company's management will act responsibly and will efficiently use modern and adequate management techniques and methods in order to optimize all the processes and activities carried out by the company as presented:



REMUS GABRIEL LĂPUŞAN– Non-executive Administrator – Chairman of the Board of Administration

ION STERIAN – Executive Administrator - Director general

PETRU ION VĂDUVA – Non-executive Administrator

BOGDAN GEORGE ILIESCU – Non-executive Administrator

NICOLAE MINEA – Non-executive Administrator

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