



**CONSOLIDATED REPORT  
ISSUED BY  
THE BOARD OF  
ADMINISTRATION  
FOR 2023**

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## THE ADMINISTRATORS' MESSAGE

*With a long tradition 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 SNTGN TRANSGAZ SA is today - a responsible company, a company of the future, a company in which the corporate governance model added value and the transparency needed to increase of the stakeholders in the management and performance of the company.*

*Acting with professionalism, integrity and responsibility, the members of the Board of Administration demonstrated through the results obtained every year that they have become a strong team, adapted to the current context, able to undertake and fulfil responsibilities of great scope and strategic importance not only for the future of the company but also for the sustainable development of the national economy.*

*The undertaken strategic objectives regarding the management of SNTGN Transgaz SA in 2021-2025 aim at increasing the company's performance, streamlining the company's activity, aligning it with modern standards of performance and corporate governance and making SNTGN TRANSGAZ SA an internationally recognized company, a leader on the energy market in the region, making the most of all existing and future opportunities for Romania to become an important energy corridor for natural gas to Europe.*

*For SNTGN Transgaz SA, an objective of strategic importance deriving from the European Green Deal for a transition to the green economy is the establishment and implementation of a strategy for the repurposing and retrofitting of the existing natural gas transmission infrastructure for the use of hydrogen and other green gases, for decarbonization.*

*Our guarantee for success in the face of the challenges and constraints of the external and internal context in which the company operates and will operate is the link between the efficient management strategies and the vast expertise and professional experience of the human resources employed to operationalize these strategies.*

Yours sincerely,

**ION STERIAN**  
**Executive Administrator**  
**Director - General**

**PETRU ION VĂDUVA**  
**Non-Executive Administrator**  
**Chairman of the Board of Administration**

**NICOLAE MINEA**  
**Non-Executive Administrator**

**ILINCA VON DERENTHALL**  
**Non-Executive, Interim Administrator**

**GHEORGHİȚĂ AGAFIȚEI**  
**Non-Executive, Interim Administrator**

**ADINA LĂCRIMIOARA HANZA**  
**Non-Executive, Interim Administrator**

**CSABA OROSZ**  
**Non-Executive, Interim Administrator**

## 1. REPORT AND ISSUER GENERAL DATA

<b>Basis of the report</b>	Report for 2023, prepared in accordance with the provisions of Law 24/2017 on issuers of financial instruments and market operations (Article 65) and FSA Regulation 5/2018 on issuers of financial instruments and market operations (Annex 15), as amended - <b>Financial year 2023</b>
<b>Date of the report:</b>	15 March 2023
<b>Name of the issuer</b>	The National Gas Transmission Company TRANSGAZ SA
<b>Headquarters</b>	Mediaş, 1 C.I. Motaş Square, code 551130, Sibiu county
<b>Phone/fax</b>	0269-803333/0269-839029
<b>Web/e-mail</b>	<a href="http://www.transgaz.ro">www.transgaz.ro</a> / <a href="mailto:cabinet@transgaz.ro">cabinet@transgaz.ro</a>
<b>Trade register number</b>	J32/301/2000
<b>Tax registration code</b>	RO13068733
<b>Regulated market on which the securities issued are traded</b>	Bucharest Stock Exchange
<b>Subscribed and paid-up share capital</b>	1.883.815.040 lei
<b>Main characteristics of securities issued</b>	188.381.504 shares with a nominal value of 10 lei. The shares are registered, ordinary, indivisible, issued in dematerialised form and freely tradable since 2008 under the TGN stock exchange symbol

## 2. EXECUTIVE SUMMARY 2023

### 2.1. Consolidated companies in the Transgaz group:

		Share (%)
<b>SNTGN Transgaz SA</b>	Parent company	
<b>Eurotransgaz SRL, the Republic of Moldova</b>	Company held by SNTGN Transgaz SA	100%
<b>Vestmoldtransgaz SRL, the Republic of Moldova</b>	Company held by Eurotransgaz SRL	75%

The establishment of the company EUROTRANSGAZ SRL on the territory of the Republic of Moldova was approved by Extraordinary General Meeting of the Shareholders Resolution (EGMS) 10/12.12.2017 for enabling participation in the privatization procedure of the State Enterprise Vestmoldtransgaz. Transgaz is the sole shareholder of EUROTRANSGAZ SRL.

Since 2018, following the procurement of Vestmoldtransgaz SRL of the Republic of Moldova by Eurotransgaz SRL, Transgaz, as a parent company, prepares consolidated group financial statements.

As at 25.08.2021 the European Bank for Reconstruction and Development (EBRD) became a shareholder, holding a 25% stake in the share capital of the natural gas transmission company VESTMOLDTRANSGAZ SRL, a subsidiary of TRANSGAZ in the Republic of Moldova, which owns and operates the Ungheni-Chisinau gas transmission pipeline.

As of 19 September 2023 SNTGN TRANSGAZ SA, through Vestmoldtransgaz SRL (VMTG), its subsidiary in the Republic of Moldova, the company operating, developing and dispatching the Ungheni-Chisinau gas pipeline and certified on the ownership unbundling model, took over from Moldovatransgaz SRL the operation, development, dispatching and transmission of natural gas in the Republic of Moldova.

### 2.2. Indicators of the consolidated economic and financial results

#### ***Consolidated standard performance indicators***

The economic and financial activity of the National Gas Transmission Company Transgaz S.A. from the beginning of the year until 31 December 2023 was conducted based on the indicators included in the Revenue and Expense Budget (REB) approved by OGMS Resolution 3/2022.

The value of the standard performance indicators on 31 December 2023 as compared to their value as at 31 December 2022 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					2023	2022
1.	<b>Commissioned investments</b>	Plan achieved	Thousand lei	0,15	379.600	270.438
2.	<b>EBITDA</b>	EBITDA increase	Thousand lei	0,15	602.479	584.587
3.	<b>Labour productivity</b>	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/pers.	0,15	518	602
4.	<b>Outstanding payments</b>	Payments made during the contract duration (in current prices)	Thousand lei	0,15	0	0
5.	<b>Outstanding receivables</b>	Diminished amount of outstanding receivables (in current prices)	Thousand lei	0,1	640.441	538.012
6.	<b>NTS gas consumption</b>	Remaining within the gas quantities representing NTS gas consumption	%	0,15	80,16%	83,47%
7	<b>OPEX at lei 1000 operating revenue</b>	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	933	906

**Table 1 - Consolidated standard performance indicators in 2023 compared to 2022**

### **Consolidated profitability, liquidity, risk and management indicators**

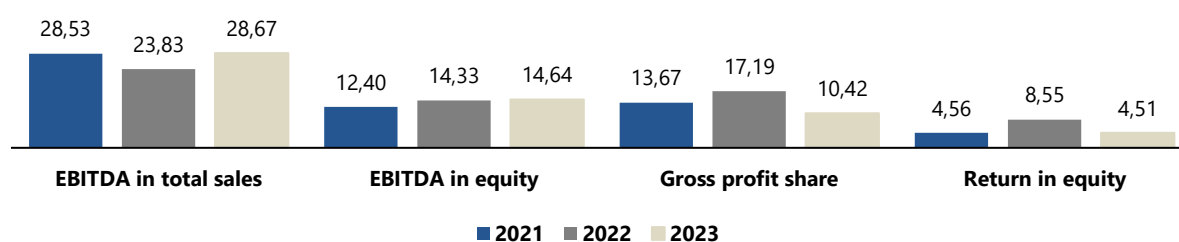
The values of the profitability, liquidity, risk and management indicators in 2021-2023:

No.	Indicators	Calculation formula	2021	2022	2023
<b>1.</b>	<b>Profitability indicators</b>				
	EBITDA in total sales	EBITDA	28,53%	23,83%	28,67%
		Turnover			
	EBITDA in equity	EBITDA	12,40%	14,33%	14,64%
		Equity			
	Gross profit share	Gross profit	13,67%	17,19%	10,42%
		Turnover			
	Return on equity	Net profit	4,56%	8,55%	4,51%
		Equity			
<b>2.</b>	<b>Liquidity indicators</b>				
	Current liquidity indicator	Current assets	1,42	1,43	1,24
		Short term debts			
	Acid test ratio	Current assets - Stocks	1,09	0,79	0,82
		Short term debts			
<b>3.</b>	<b>Risk indicators</b>				
	Leverage indicator	Borrowed capital	49,01%	50,62%	49,42%
		Equity			
	Interest coverage ratio	EBIT	9,93	3,82	2,33



No.	Indicators	Calculation formula	2021	2022	2023
		Interest expense			
<b>4.</b>	<b>Management indicators</b>				
	Days' sales outstanding	Average accounts receivable x 365 days	165,09	123,09	151,39
		Turnover			
	Days' payable outstanding	Average accounts payable x 365 days	73,14	55,95	49,85

**Table Error! Use the Home tab to apply 0 to the text that you want to appear here.2 - Consolidated profitability, liquidity, risk and management indicators in 2021-2023**



**Chart 1- Profitability indicators evolution in 2021-2023**

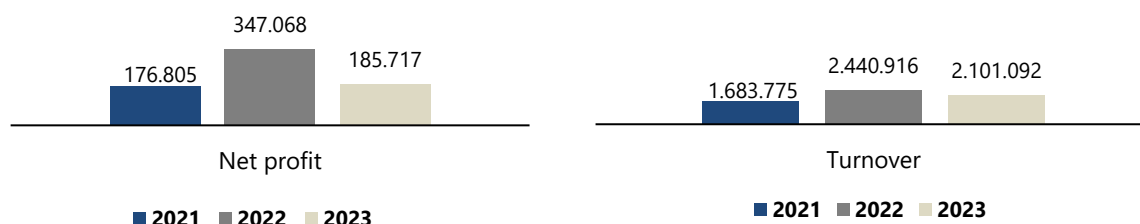
The main economic and financial indicators obtained in 2021-2023 are as follows:

Thousand lei

No.	Indicator	Achieved at 31 December (thousand lei)			Dynamics (%)
		2021	2022	2023	
<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5=4/3*100</b>
1.	Turnover	1.683.775	2.440.916	2.101.092	86,08
2.	Operating revenue before balancing and the construction activity according to IFRIC12	1.364.950	1.579.284	1.785.505	113,06
3.	Revenue from balancing	442.200	1.005.544	458.811	45,63
4.	Revenue from the construction activity according to IFRIC12	704.027	299.868	182.450	60,84
5.	Financial revenue	152.208	498.370	261.182	52,41
6.	Operating cost before balancing and the construction activity according to IFRIC12	1.244.239	1.432.968	1.665.142	116,20
7.	Cost of balancing gas	442.200	1.005.544	458.811	45,63
8.	Cost of constructed assets according to IFRIC12	704.027	299.868	182.450	60,84
9.	Financial cost	42.669	225.110	162.620	72,24

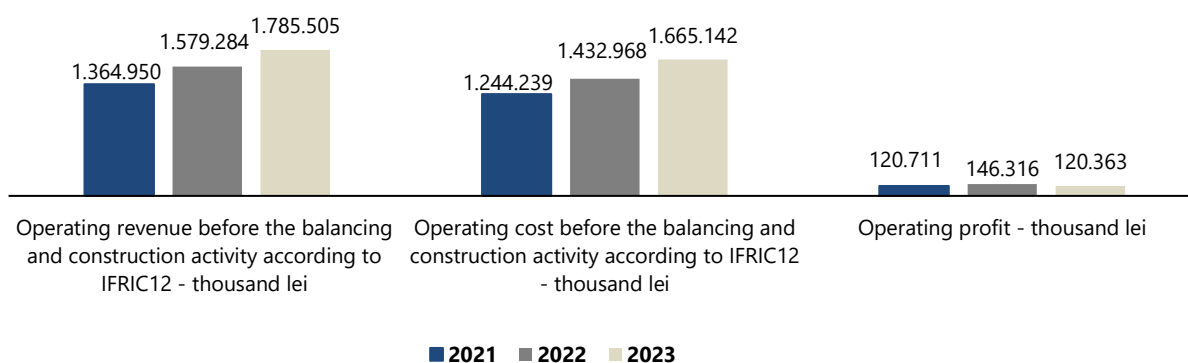
No.	Indicator	Achieved at 31 December (thousand lei)			Dynamics (%)
		2021	2022	2023	
0	1	2	3	4	$5 = 4/3 * 100$
10.	Gross profit	230.250	419.576	218.924	52,18
11.	Profit tax	53.445	72.709	33.208	51,45
12.	Net profit	176.805	347.068	185.717	53,51
13.	Total comprehensive result related to the period	224.237	341.124	207.073	60,70
14.	Transmitted gas -thousand cm-	14.026.269	13.032.066	13.055.920	100,18
15.	Investment cost	817.916	302.539	217.287	71,82
16.	Rehabilitation cost	18.717	21.341	22.922	107,41
17.	Technological consumption thousand lei	76.005	152.430	116.474	76,41
18.	Technological consumption thousand cm	70.188	70.739	57.690	81,55

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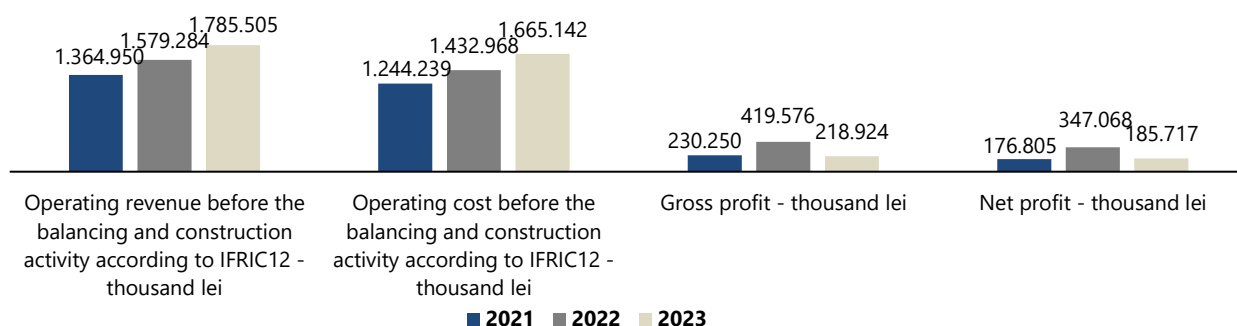
**Chart 2 - Net profit in 2021-2023**

**Chart 3- Turnover in 2021-2023**

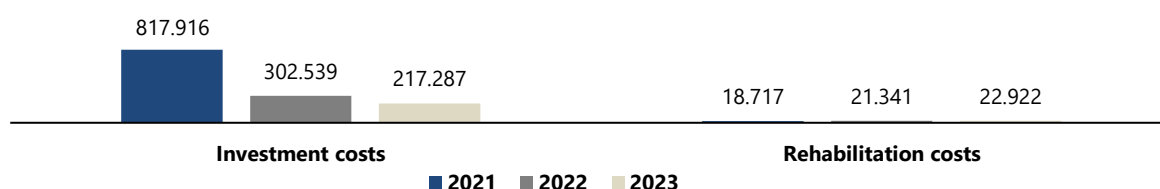




**Chart 4- Operating revenue, expense and profit, before the construction activity according to IFRIC 12 in 2021-2023 (thousand lei)**



**Chart 5- Main economic and financial indicators in 2021-2023 (thousand lei)**



**Chart 6- Investment and rehabilitation costs in 2021-2023 (thousand lei)**

## 2.3. Indicators of the individual economic and financial results

### Standard performance indicators

The economic and financial activity of the National Gas Transmission Company Transgaz S.A. from the beginning of the year until 31 December 2023 was conducted based on the indicators established in the Revenue and Expense Budget (REB) approved by Resolution 2/16.02.2023 of the Ordinary General Meeting of the Shareholders.

The value of the standard performance indicators at the end of 2023 as compared to their value at the end of 2022 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					2023	2022
1.	Commissioned investments	Plan achieved	Thousand lei	0,15	378.814	175.301
2.	EBITDA	EBITDA increase	Thousand lei	0,15	560.105	583.282
3.	Labour productivity	Increasing labour productivity in units of	Thousand lei/pers.	0,15	509	608

		value (turnover / average no. of employees);				
4.	<b>Outstanding payments</b>	Payments made during the contract duration (in current prices)	Thousand lei	0,15	0	0
5.	<b>Outstanding receivables</b>	Diminished amount of outstanding receivables (in current prices)	Thousand lei	0,1	640.441	538.012
6.	<b>Technological consumption</b>	Remaining within the gas quantities representing technological consumption	%	0,15	80,16%	83,47%
7	<b>OPEX at lei 1000 operating revenue</b>	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	940	899

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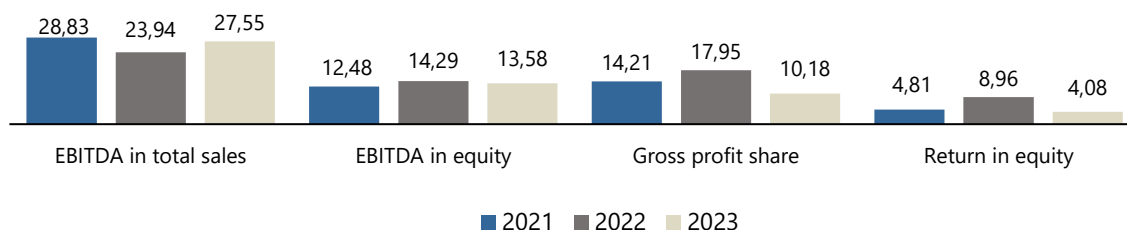
### **Profitability, liquidity, risk and management indicators**

The values of the profitability, liquidity, risk and management indicators in 2021-2023:

No.	Indicators	Calculation formula	2021	2022	2023
<b>1.</b>	<b>Profitability indicators</b>				
	EBITDA in total sales	EBITDA Turnover	28,83%	23,94%	27,55%
	EBITDA in equity	EBITDA Equity	12,48%	14,29%	13,58%
	Gross profit share	Gross profit Turnover	14,21%	17,95%	10,18%
	Return on equity	Net profit Equity	4,81%	8,96%	4,08%
<b>2.</b>	<b>Liquidity indicators</b>				
	Current liquidity indicator	Current assets Short term debts	1,25	1,39	1,25
	Acid test ratio	Current assets - Stocks Short term debts	0,92	0,75	0,81
<b>3.</b>	<b>Risk indicators</b>				
	Leverage indicator	Borrowed capital Equity	44,02%	45,84%	45,42%
	Interest coverage ratio	EBIT Interest expense	5,63	3,07	1,86
<b>4.</b>	<b>Management indicators</b>				
	Days' sales outstanding	Average accounts receivable x 365 days Turnover	165,09	114,13	156,45

	Days' payable outstanding	Average accounts payable x 365 days	73,14	56,10	51,51
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**Table 5 - Profitability, liquidity, risk and management indicators in 2021-2023**



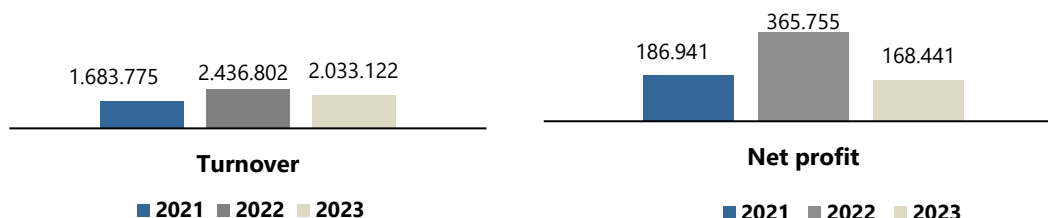
**Chart 7- Profitability indicators in 2021-2023**

The main economic and financial indicators obtained in 2021-2023 are as follows:

No.	Indicator	Achieved at 31 December (thousand lei)			Dynamics (%)
		2021	2022	2023	
0	1	2	3	4	$5=4/3*100$
1.	Turnover	1.683.775	2.436.802	2.033.122	83,43
2.	Operating revenue before balancing and the construction activity according to IFRIC12	1.364.511	1.575.186	1.712.546	108,72
3.	Revenue from balancing	442.200	1.005.544	458.811	45,63
4.	Revenue from the construction activity according to IFRIC12	704.027	299.868	182.450	60,84
5.	Financial revenue	130.013	461.287	233.094	50,53
6.	Operating cost before balancing and the construction activity according to IFRIC12	1.230.118	1.415.554	1.609.652	113,71
7.	Cost of balancing gas	442.200	1.005.544	458.811	45,63
8.	Cost of constructed assets according to IFRIC12	704.027	299.868	182.450	60,84
9.	Operating profit	134.393	159.633	102.894	64,46
10.	Financial cost	25.138	183.446	129.106	70,38
11.	Gross profit	239.268	437.474	206.881	47,29
12.	Profit tax	52.327	71.921	41.381	57,54
13.	Deferred tax income	-	202	2.940	1.455,66
14.	Net profit	186.941	365.755	168.441	46,05
15.	Total comprehensive result related to the period	202.724	368.207	172.775	46,92
16.	Transmitted gas thousand cm	14.026.269	13.032.066	13.055.920	100,18
17.	Investment cost	803.509	333.988	223.123	66,81
18.	Rehabilitation cost	18.561	21.002	22.879	108,94
19.	Technological consumption thousand lei	76.005	152.430	116.381	76,35

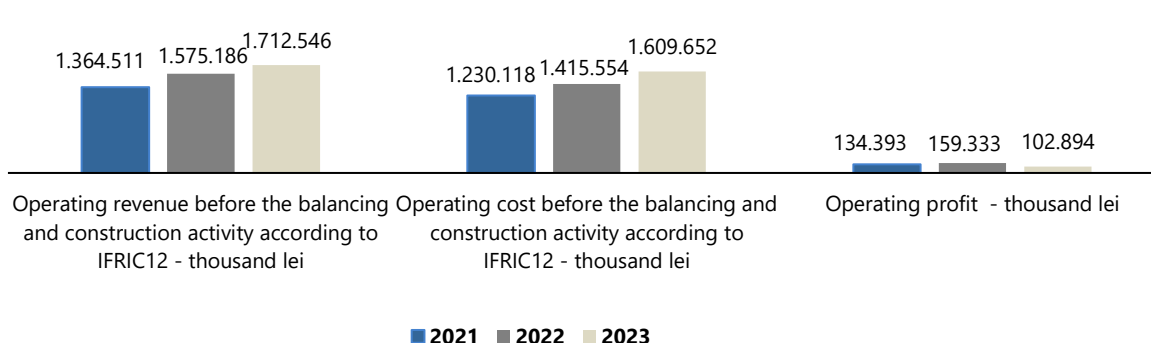
No.	Indicator	Achieved at 31 December (thousand lei)			Dynamics (%)
		2021*	2022	2023	
20.	Technological consumption thousand cm	70.188	70.739	627.163	83,21

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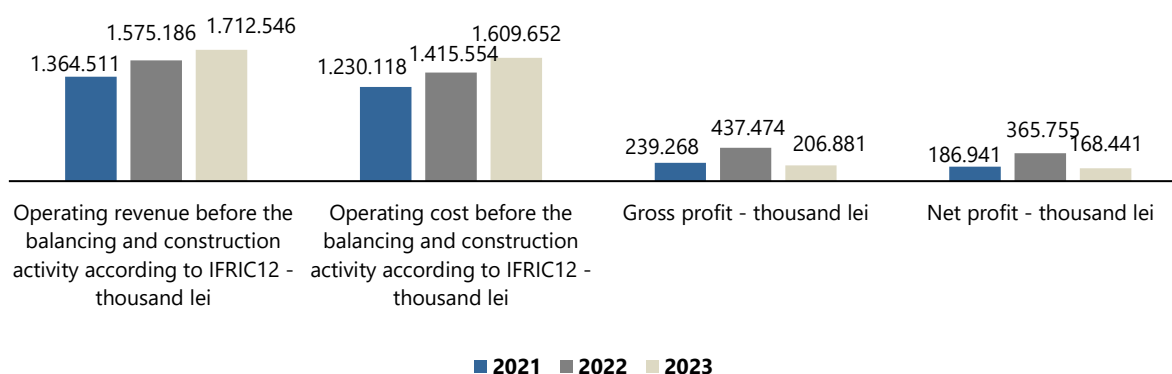


**Chart 8 - Turnover in 2021-2023 (mil lei)**

**Chart 9 - Net profit in 2021-2023 (mil lei)**



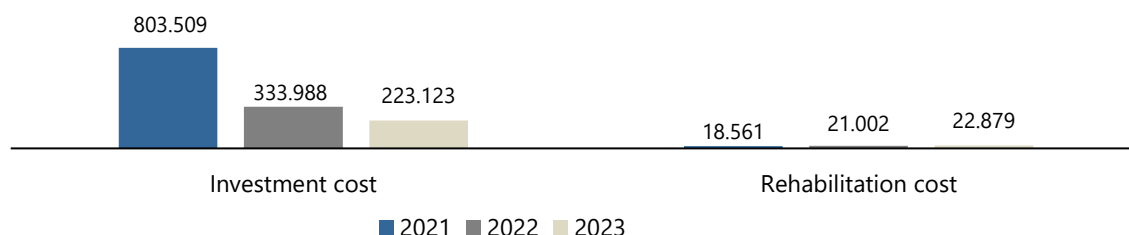
**Chart 10 - Operating revenue, expense and operating profit before the construction activity according to IFRIC 12 in 2021-2023 (thousand lei)**



**Chart 11 - Main economic and financial indicators in 2021-2023 (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 31 December 2023 the Company's cash in bank accounts amounted to lei 677.445 thousand of which 1,17% was cash denominated in foreign currency, most of it in EUR.



**Chart 12 - Investment and rehabilitation costs in 2021-2023 (thousand lei)**

## 2.4. Non-financial reporting

SNTGN Transgaz SA according to Order 1802/2014 of the Ministry of Finance on the approval of the *Accounting regulations for the annual individual and consolidated financial statements*, as amended, and according to Order 2.844/12 December 2016 of the Ministry of Finance on the approval of the Accounting Regulations in accordance with International Financial Reporting Standards, as amended, chose to disclose non-financial information through a sustainability report, which is prepared separately from the report of the administrators, and approved at the level of the Board of Administration.

The Sustainability Report prepared for 2022 is published on the company's website, under 'Sustainability' <https://www.transgaz.ro/ro/sustenabilitate/raport-de-sustenabilitate>, with communications on the fulfilment of reporting requirements and publication of sustainable information being sent to the Bucharest Stock Exchange.

In Half I 2023, in order to prepare the Sustainability Report for 2022, letters were sent to request offers from companies providing services in the field of sustainability and, following the analysis of the offers received, in accordance with the provisions of Law 99/2016 on sectoral procurement, as amended, a contract was concluded for the provision of consultancy and assistance services with Deloitte Consultantă SRL.

The sustainability report prepared in collaboration with the consultant took into account the presentation of the mandatory elements to be reported, according to the legal requirements outlined above, and of distinct aspects specific to the business carried out by the company, as well as the information required by Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (EU Taxonomy), which is directly applicable at Member State level.

In particular, this report presents the management policy dedicated to the protection of the environment, safety and health of employees, the principles underlying the company's corporate governance and social responsibility, and the information needed to understand the company's development, performance and position and the impact of its business on environmental, social and personnel issues, respect for human rights, anti-corruption, but not limited thereto.

The Sustainability Report prepared for year 2022 was structured to capture the most important aspects implemented at company level with regard to the governance structure, environmental risk management and the social component - **ESG reporting (environmental, social and governance)**.

Stakeholders were informed about the publication of the Sustainability Report prepared for year 2022 by a Transgaz press release published on the company's website, also sent to the Bucharest Stock Exchange on 30.06.2023 (<https://bvb.ro/FinancialInstruments/SelectedData/NewsItem/TGN-Disponibilitate-Raport-Sustenabilitate-2022/496A8>).

In addition to the above, we mention that, in the context of the National Strategy for Sustainable Development of Romania 2030, adopted by Government Resolution 877/2018, as amended, by Government Resolution 1.117/2023 was approved the Sustainability Reporting Methodology - the Romanian Sustainability Code for Voluntary Reporting, set out in the annex that is part of this decision (Official Journal of Romania, Part I no.1052Bis / 21.11.2023).

According to this nationally developed normative act, the Sustainability Reporting Methodology - the Romanian Sustainability Code, provides guidance and direction on the content requirements and sustainability reporting process for interested entities, which may voluntarily choose to apply and publish the sustainability report for year 2023 and with the consideration of this methodology.

At the same time, the information to be presented in the Sustainability Report for year 2023 will also take into account the measures adopted to implement the action plans set out in the Transgaz Climate and Decarbonisation Strategy, finalised in the last quarter of 2023.

In this context, until the implementation in the legislative framework developed at national level of the **CSRD requirements - Directive (EU) 2022/2464** of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No . 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, in terms of corporate sustainability reporting, and the entry into force of these provisions, SNTGN Transgaz SA will proceed, in accordance with the legal provisions, for the fulfilment of the non-financial reporting requirements in 2023, to prepare a separate sustainability report, which will be published together with the administrators report, which will include at least the data necessary for understanding the development, the performance and position of the entity and the impact of its business, information on at least environmental, social and personnel issues, respect for human rights, anti-corruption and anti-bribery, as well as information on the business model, ESG policies adopted and the results of implementation, the main ESG risks identified that are generated by, but not limited to, the operational activity of the company.

**ESG (environmental, social and governance)** reporting refers to a broad range of environmental, social and governance factors that can be used to assess how companies manage their sustainability performance and impact.

The Sustainability Reports prepared for 2020 - 2022 were structured so that the information is complementary to the information presented in the Report issued by the Board of Administration

and covers the most important aspects implemented at company level with regard to the governance structure, environmental risk management and the social component, also considering the recommendations of the guidelines issued by:

- European Commission - Guidelines on non-financial reporting C/2017/4234, published in the Official Journal of the European Union on 5 July 2017;
- Financial Supervisory Authority - Recommendations on a prudent approach to climate risk - 2021;
- Bucharest Stock Exchange - ESG Reporting Guidelines 2022.

As regards the Sustainability Report for 2023, it should be pointed out that it will be published in addition to the Report issued by the Board of Administration, according to the national laws in force at the date of reporting, with the possibility to consider also the provisions of the Romanian Sustainability Code, approved at national level by the Resolution 1.117/2023 on the approval of the Methodology for sustainability reporting, by 30 June 2024.

In this regard, the Romanian authorities issued a series of draft laws, by the end of 2022, to align the national legislative framework with the new requirements established by the new EU Corporate Sustainability Reporting Directive (CSRD), which amends the EU Non-Financial Reporting Directive (NFRD).

The reporting obligations for SNTGN Transgaz SA under the new requirements established by Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU as regards corporate sustainability reporting (CSRD) will be applicable as of the data for financial year 2024 and the first reporting under CSRD requirements will be prepared in 2025.

Sustainability reporting in 2025 will be in line with the new Sustainability Reporting Standards - ESRS, and the data will be concentrated within the Report issued by the Board of Administration, thus providing report users with an integrated picture of their impact and performance on environmental, social, human rights and governance (ESG) factors.

To this end, SNTGN Transgaz SA initiated a process of completing the internal governance structure for the implementation of ESG requirements, and in addition to the Audit Committee, a Corporate Governance and Sustainability Committee was created.

In this context, as of 01.12.2023, the Investor Relations and Sustainability Unit was established, consisting of the Investor Relations Department and the Sustainability Department, with responsibilities assigned to manage activities related to ESG requirements.

## Quality management

On 31.12.2023 the following certificates were in force at the company level obtained from the recertification audit carried out in October 2021 and covered by surveillance audit no. 2 of September 2023:

- **Certificate No. 3533/27.10.2021 related to SR EN ISO 9001:2015;**



- **Certificate No. 529/27.10.2021 related to SR EN ISO 14001:2015;**
- **Certificate No. 3276/27.10.2021 related to SR ISO 45001:2018,**

For the preparation of surveillance audit no. 2, actions were taken for the implementation of improvement area no. 4, according to the recommendations made by the audit team of the SRAC certification body at surveillance audit no. 1. At the revision of the procedure PP SA 01 - Internal audit of the SMI CMSSM, the Non-Conformity Report was also amended by introducing the heading of the auditor's agreement with the corrective action determined by the auditee, to reduce the risk of taking inappropriate action.

The findings of the SRAC (Romanian Association for Quality Assurance) audit team indicated that:

- the management system applied by the company is described, properly implemented, according to the requirements of the reference standards and is effective;
- the ability of the management system to satisfy the applicable requirements and achieve the expected results was demonstrated during the audit and the internal audit and management review processes are effective;
- for the continuous development and the efficiency of the SMI CMSSM 4 improvement areas were established one of which regards the Quality Management System.

### **Occupational health and safety**

In 2023, the occupational health and safety activity was carried out in an organized manner, according to planning, aimed at reducing and/or eliminating the risks of occurrence of events, work accidents, dangerous incidents and occupational diseases at workplaces within the company, as well as compliance with the legislative provisions in the field of safety and health at work, by implementing the measures included in the **2023 Prevention and Protection Plan** no. DMPS 94.618/29.11.2022 and fulfilling the duties established by the Rules on the Organization and Operation of the company.

**In 2023, no occupational diseases were reported/researched/declared**

### **Environmental management**

The main environmental management activities in 2023 aimed at preventing pollution, reducing the risks of environmental incidents on the company's sites, as well as complying with the legislative provisions in the field.

### **Corporate social responsibility (CSR)**

Corporate Social Responsibility is an aspect of corporate governance through which companies have initiated a range of socially responsible actions that can be quantified in terms of sustainability and sustainable performance.

SNTGN TRANSGAZ SA, consistent with the principle of applying a responsible management in fulfilling the undertaken mission, is aware of the importance that sometimes financial support for a noble cause or for an important purpose is vital and, in this respect, through the programs and

projects of social responsibility initiated, it is actively involved in community life, demonstrating his status as a *good citizen*.

Corporate social Responsibility is an aspect of corporate governance, with TRANSGAZ's key role in the energy field in Romania and Europe being naturally complemented by the desire to support the real needs of all those who are constantly contributing to the smooth way of its activity.

As part of Transgaz's sustainable development strategy, the *social responsibility policy* aims to increase the company's commitment to employees, shareholders, partners, the community and the environment, as well as streamlining the impact of social responsibility programs initiated for this purpose.

The commitment undertaken by the company's management through the *Environmental Quality Management System Policy Statement* is a definite proof that TRANSGAZ acknowledges the importance of ensuring an organizational climate where all stakeholders: employees, shareholders, customers, suppliers, community and the environment can effectively and responsibly network both from an economic and social point of view.

The company's social responsibility policy is based on a set of principles that define this interaction between Transgaz on the one hand and employees, shareholders, partners, community and the environment on the other. The priority areas in which TRANSGAZ carries out social responsibility programmes are: sport, community development ( churches, schools, kindergartens), education, arts and culture, humanitarian actions, health (hospitals), environment.

**SPORT - *We are among those who believe that sport has the power to ensure harmony between body and mind!*** We support the entire sports movement for the harmonious development of the younger generation.

**COMMUNITY DEVELOPMENT - *We are where it's needed!*** TRANSGAZ supports through financial aid the construction and/or reconstruction of churches, monasteries; restoration of national heritage vestiges; construction and/or reconstruction, renovation of buildings of educational institutions (schools, kindergartens).

**EDUCATION - *We believe in the potential of the young generation and that's why we invest in their education!*** We are involved through financial and social support in the educational construction of the young generation. We support through financial partnership technical projects, symposiums and conferences on natural gas topics and related activities organized by universities. We are active through various professional and social partnerships in the training of a new generation of gas workers. We contribute financially and through material support to the provision of teaching material in educational institutions, so necessary for a continuous education.

**ART AND CULTURE - *Development through culture ensures a sustainable development of society, and we are at the side of those who initiate projects in this regard!*** We support financially through partnerships, cultural events, the organization of theatre performances and music festivals, competitions and artistic creations of pupils and students. We support cultural foundations in their work. We support both the established values of Romanian art and culture and young talents.

**HUMANITARIAN ACTIONS - *TRANSGAZ is always there for those who really need help!*** We try through our financial support to get involved in solving some of the life problems of disabled people, needy people, people without material possibilities, or people who need medical care. We are next to those who, whether our employees or not, have suffered damage due to natural disasters. We financially support cultural, sports, artistic actions of disabled pupils and students as well as NGOs and foundations that care for these people.

**HEALTH- *We take care of other people's health as well as our own!*** We contribute financially to investments in hospitals in Romania through the project "HEALTH FOR ROMANIA" and we are present when financial support is needed to solve medical cases of our employees or their relatives.

**ENVIRONMENT- *We all want a healthy life and a clean environment, and that's why we care about everything around us!***

We financially support the partnerships concluded by NGOs with schools or public institutions for environmental protection projects and the development of green spaces; we also support greening projects initiated by the local administrations, where Transgaz has units.

Complying with the principles of financial prudence and transparency, the communication and CSR actions proposed for 2023 were rigorously quantified both in structure and value and responded to Transgaz's reporting requirements as a securities issuer, but also to the requirements related to the company's image and reputation.

Detailed information on social responsibility is available on the Transgaz website at: <http://www.transgaz.ro/responsabilitate-sociala>.

### **Internal managerial/control system**

The managerial internal control system of SNTGN Transgaz SA covers all the company's operations having the following objectives:

- the economic, efficient and effective use of resources;
- compliance with legislation, regulations and internal policies;
- fraud and error prevention and detection;
- credibility of financial reporting (accuracy, completeness and fair presentation).

SNTGN Transgaz SA considers internal/managerial control to be the continuous monitoring of activities using a set of management rules applicable in each department, in response to the question: **`What can be done to have the most effective control over the company's activities?`**

The specific activities of the Internal/Managerial Control System carried out at the company's level in 2023 were carried out in full compliance with both the requirements of the Order 600/2018 of the General Secretariat of the Government on the approval of the Internal Managerial Code of Public Entities and the provisions of internal procedures.

**The specific activities of the Internal/Managerial Control System carried out in 2023 were as follows:**

- assessment of the status of implementation and development of the company's internal/managerial control system **as at 31.12.2022**;
- submission of *Reports for 2022* to the Director - General:
  - Report on company's performance monitoring **for 2022**
  - Report on the implementation of the internal/managerial control system within SNTGN Transgaz SA **for 2022**;
  - Report on the conduct of the risk management process **for 2022**
  - Report on the analysis of the achievement of the specific objectives and directions for action set out in the Programme for the implementation of the measures set out IN THE RISK MANAGEMENT STRATEGY 2021-2025 within SNTGN TRANSGAZ SA.
- the submission of the documents evaluating the internal management control system **for 2022** to the Public Supervisory Body (GSG) within the requested deadline;
- report to the Board of Administration on the implementation of the internal managerial control system and performance monitoring **for 2022**;
- report to the Audit and Rating Committee and the Risk Management Committee on the specific activities of managerial internal control, first quarter and first half of 2023;
- updating, **for 2023**, the Internal Decision establishing the Monitoring Committee and its functioning in accordance with its own Rules of Procedure;
- approval and publication of the Programme for the Development of the Managerial Internal Control System, updated progress for **year 2023**, for the purpose of continuous development of the Internal Managerial Control System;
- documentation of the internal/managerial control system, for **year 2023**, in accordance with internal procedures, at the level of the 329 organisational structures regarding:
  - setting specific, operational objectives and performance indicators associated with operational objectives;
  - the establishment of activities and risks related to operational objectives;
  - identification of situations leading to discontinuity;
  - management of procedural actions and processes;
  - risk management;
  - establishing the monitoring system for operational and general objectives;
- evaluation of the internal managerial control system **for 2023**, an action carried out on two levels: at department level, carried out by the organisational structures by completing the Self-Assessment Questionnaires, and at company level, a task to be carried out by the Monitoring Committee. The established conclusion is that the Internal Managerial Control System, **in 2023**, maintained its degree of compliance at the Compliant stage, with all 16 internal/managerial control standards implemented, and the average degree of implementation of the standards of the Internal Managerial Control System increased to 99,79% compared to 2022 when the percentage was 99,78%;
- submission of the internal/managerial control system assessment documents **for 2023** to the Public Supervisory Body (GSG) within the requested deadline.

Through the development of the Internal/Managerial Control System, SNTGN Transgaz SA is moving to a type of management suitable for a flexible company, which includes strategic management, performance management and risk management.

## Risk Management

The strategic requirements for the safe and economically efficient operation of the National Natural Gas Transmission System lead the company to approach risk management in a forward-looking manner to identify and treat potential losses before the generating events occur.

Risk management is an integral part of the management process at all levels and adds value by increasing the probability of achieving objectives in an efficient and effective manner, based on the following internal regulations approved by the company's management:

- The Risk Management Strategy 2021-2025 - sets out both the actions required to optimise the risk management process and the framework for identifying, assessing, monitoring and controlling significant risks in order to keep them at acceptable levels within the *risk tolerance limit*;
- *The Statement of commitment by the Director - General on Risk Management for 2021-2025*;
- System Procedure PS 05 SMI Risk Management, approved on 31.07.2018 and published in the "Zonapublic" database. System Procedure PS 05 SMI establishes a uniform set of rules for risk management and for the preparation and updating of the Risk Register;
- the tolerance limit **for 2023**, using a three-step matrix representation;
- the company risk profile for 2022;
- the decisions on the establishment of the structures coordinating the risk management process - i.e. the Monitoring Committee and the Risk Management Team, updated for 2023;
- the global risk (GR), calculated as a weighted average of the risk exposure value in relation to the tolerance limit, both at the level of each division/unit/independent department/regional offices/Medias Subsidiary and at company level. This parameter was introduced starting from 2023.

Risk management **at the level of organisational structures for the 2023** was carried out in full and timely compliance with internal regulations, by going through the following stages successively:

- establishment of a coherent set of objectives, with sufficient specificity to allow risks to be identified and assessed;
- establishment of the internal/external context in which each structure operates;
- risk identification and analysis;
- risk assessment;
- responding to risk (action plans to minimise risk);
- risk monitoring;
- risk review and reporting

All 329 organisational structures completed the above steps by integrating risk management data into risk registers.

The final stage of risk management was the review and reporting of risks and the submission of *Risk Management Progress Reports for 2023* to the Technical Secretariat of the Monitoring Committee for review.

In compliance with the requirements of the Order 600/2018 of the General Secretariat of the Government on the approval of the Internal Managerial Code of Public Entities, the following were developed and approved **for 2023 at the level of the company**:

- the Transgaz Risk Register, which integrates significant risks (strategic and operational), 2023;
- the Transgaz Revised Risk Register, 2023. Thus, as at 31.12.2023, 20 significant risks were summarised and prioritised, of which 17 strategic risks and 3 operational risks;
- Plan of measures to minimise significant risks at company level, 2023;
- Report to the Board of Administration on the analysis of the specific objectives and action directions set out in the Programme for the implementation of the measures set out in the Risk Management Strategy, 2021-2025, period under review August 2021-December 2022;
- Report to the Director - General, on risk management and monitoring, within SNTGN Transgaz SA, for 2022;
- Report to the Board of Administration on risk management and monitoring within SNTGN Transgaz SA, 2022;
- Report to the Risk Management Committee, on the evolution of risk management, at SNTGN Transgaz SA, 2015 - Half I 2023;
- Regular reports of the Risk Management Committee, on significant milestones in the development of the risk management process, 2023.

To achieve the strategic objective set out in the Risk Management Strategy 2021-2025: *Optimization of the risk management methodological framework established within SNTGN Transgaz SA*, the revision of the Risk Management System Procedure PS 05 SMI was approved in 2023 and entered into force **on 03.02.2024**. The main risk management development included in the procedure revision is **the introduction of the five-step risk assessment matrix**: it is a more analytical assessment demonstrating more mature risk management. This scale can become a basic component of the basis for decisions.

## 2.5. Important events

**24 January 2023** - A day of double significance for SNTGN Transgaz SA: 164 years since the Great Union and 15 years since the company was listed on the Bucharest Stock Exchange.

On 24 January 2008, SNTGN Transgaz SA became a publicly traded company listed on the Bucharest Stock Exchange under the TGN stock symbol, in the Premium category.

As a result of being a publicly traded company, SNTGN Transgaz SA has gained much in terms of reputational capital, both in terms of managerial know-how and the rigours of transparency, communication and investor relations and all the experience gained from working under excellent conditions with all capital market institutions.

**16 March 2023** at the Government of Romania SNTGN Transgaz SA, in its capacity as national gas transmission system operator, OMV Petrom SA and SNGN Romgaz SA signed the Ceremonial Declaration on the conclusion of the gas transmission contracts concluded following the capacity booking procedure for the Tuzla Black Sea gas NTS entry/exit point .



The creation of a transmission infrastructure linking the natural gas in the Neptun Deep block to the BRUA corridor is a project of particular importance for Romania in terms of energy security, and the signing of these contracts is the main condition for the development of this infrastructure.

**20 April 2023** - Transgaz and E.ON Romania signed a Memorandum of Understanding under which they intend to work together to strengthen Romania's energy security by aligning and correlating their natural gas infrastructure development strategies with the provisions of the European Green Deal and other European legislation in the field.

The Memorandum provides for timely collaboration on several coordinates and underlines the companies' interest in developing new directions of cooperation by identifying and engaging in projects of common interest, with the aim of developing and transforming the natural gas transmission and distribution infrastructure to serve consumers with emission-free energy in the long term.

**28 April 2023** -SNTGN Transgaz SA celebrates 23 years since its establishment as a separate company by Government Resolution 334/28 April 2000, 23 years of dedication to ensuring Romania's energy security, to the development of the Romanian economy and society.

**16 June 2023** - At the Romanian Government headquarters, in the presence of the Vice Prime Minister, Mr. Marian Neacșu and the Minister of Energy, Mr. Sebastian Burduja, the Director - General of SNTGN Transgaz SA, Mr. Ion Sterian, signed the work commencement order for the Tuzla-Podișor gas pipeline.

Transgaz signed the works contract with the company KALYON INSAAT SANAYI VE TICARET ANONIM SIRKETI of Turkey. The Tuzla - Podișor gas pipeline project, amounting to approximately EUR 500 million, consists of the construction of a 308,3 km long natural gas transmission pipeline that will connect the natural gas resources in the Neptun Deep block and the BRUA corridor, thus ensuring the transmission of natural gas through the existing interconnections.

**30 June 2023** – SNTGN Transgaz SA announces that, as a result of further optimisation of the joint transmission system between Transgaz S.A. and FGSZ Zrt., the technical capacity of the Csanádpalota interconnection point (21Z00000000236Q) from Romania to Hungary will be further increased from the current level of 280 000 m<sup>3</sup>/h (3 057 174 kWh/h) to 300 000 m<sup>3</sup>/h (3 283 570 kWh/h) as of 1 October 2023. Therefore, increased technical capacity products were offered in the annual capacity auctions as of 3 July 2023.

**4 August 2023** – SNTGN Transgaz SA informs about the fact that by Decision 1956/04.08.2023 the National Energy Regulatory Authority (ANRE) approved the TYNDP 2022-2031-revised 2023 in the meeting of the Regulatory Committee held on 04.08.2023, in accordance with Art. 125 (8) of Electricity and Gas Law 123/2012, as amended.

**19 September 2023**– SNTGN Transgaz SA announces that it is taking over from Moldovatrangaz SRL, the activity of operation, exploitation, dispatching and transmission of natural gas in the Republic of Moldova, through Vestmoldtransgaz SRL, its subsidiary in the Republic of Moldova, (VMTG), the company that operates, exploits and dispatches the Ungheni-Chisinau gas pipeline and is certified on the ownership unbundling model.

**27-29 September 2023**- SNTGN Transgaz SA organized the 2023 edition of the Central European Natural Gas Congress in Sibiu, at a defining moment for Europe's energy security.

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In 2023, the Board of Administration of SNTGN Transgaz SA had 37 meetings, out of which the following were submitted for analysis, endorsement and/or approval:

### **12 January 2023**

- By Board of Administration Resolution 1/12 January 2023 the following were endorsed and/or approved:
  - Draft Revenue and Expense Budget for 2023 and the 2024-2025 forecasts;
  - Revised values for some key financial performance indicators included in SNTGN Transgaz SA's Management Plan 2021-2025;
  - Draft Revenue and Expense Budget of Vestmoldtransgaz SRL for 2023 and the 2024 - 2025 forecasts;
  - Draft Revenue and Expense Budget of the subsidiary Eurotransgaz SRL for 2023 and the 2024-2025 forecasts.
  - Annual Sectoral Procurement Program for 2023;
  - Supply Programme for 2023 and the 2024-2025 forecasts.

### **31 January 2023**

- By Board of Administration Resolution 3/31 January 2023 the following were endorsed and/or approved:
  - Policy on granting sponsorships and financial support at SNTGN Transgaz SA level in 2023;
  - Activity report of the Advisory Committees set up at the level of the Board of Administration of SNTGN Transgaz SA in 2022.

### **17 February 2023**

- The Board of Administration Resolution 4/17 February 2023 approved the Management Plan of SNTGN Transgaz SA for 2021-2025, updated in February 2023.

### **24 February 2023**

- By Board of Administration Resolution 6/24 February 2023, it took note of the Report on the preliminary individual and consolidated financial statements for 2022.

### **2 March 2023**

- By Board of Administration Resolution 7/2 March 2023 the following were approved:
  - Adjusted regulated revenue for the gas transmission activity for the fourth year of the fourth regulatory period, i.e. 1 October 2022 - 30 September 2023, for submission to the National Energy Regulatory Authority for review and approval;
  - The adjusted regulated revenue and regulated tariffs for the natural gas transmission activity for the fifth year of the fourth regulatory period, i.e. 1 October 2023 - 30 September 2024, for submission to the National Energy Regulatory Authority for approval.

### **21 March 2023**

- By Board of Administration Resolution 8/21 March 2023, the following were noted, endorsed and/or approved:
  - Annual individual and consolidated financial statements of the company for 2022;
  - Financial audit report on the annual individual financial statements for 2022;
  - Financial audit report on the annual consolidated financial statements for 2022;
  - Consolidated report issued by the Board of Administration of SNTGN Transgaz SA on the

- activity performed in 2022;
- o Remuneration report for 2022;
- o Accounting policies at the level of SNTGN Transgaz SA;
- o Assessment of the achievement of financial and non-financial performance indicators for 2022;
- o Report on the execution of the Director-General's mandate for 2022;
- o Report on the execution of the mandate of the Chief Financial Officer for 2022;
- o Individual financial statements of Eurotransgaz SRL for 2022;
- o Consolidated financial statements of Eurotransgaz SRL for the year 2022;
- o Independent auditor's report on the individual financial statements of Eurotransgaz SRL for 2022;
- o Independent auditor's report on the consolidated financial statements of Eurotransgaz SRL for 2022.

### **27 April 2023**

- By Board of Administration Resolution 9/27 April 2023 the following was approved:
  - o Evaluation report on the activity of the directors of SNTGN Transgaz SA regarding the execution of the mandate contracts and the management component of the Management Plan for 2022.

### **11 May 2022**

- By Board of Administration Resolution 11/11 May 2022, it took note of the Report on the execution of the mandate of the Director - General of SNTGN Transgaz SA for the Q I 2023 and approved the Report on the situation of the economic and financial indicators as at 31 March 2023.

### **30 June 2023**

- The Sustainability Report for year 2022 was approved by the Board of Administration Resolution 15/30 June 2023.

### **3 August 2023**

- By Board of Administration Resolution 21/3 August 2023 it was endorsed the TYNDP 2022-2031-revised 2023, for submission for approval to ANRE.

### **11 August 2023**

- By Board of Administration Resolution 22/11 August 2023 the following were noted, endorsed and/or approved:
  - o The Consolidated report issued by the Board of Administration of SNTGN Transgaz SA for the activity performed in Half I 2023;
  - o The Report on the implementation of the mandate of the Director-General for Half I 2023;
  - o The Interim individual and consolidated financial statements for six months ended 30 June 2023;

### **18 September 2023**

- By Board of Administration Resolution 28/18 September 2023 it was approved:
  - o Ratification of the natural gas transmission network lease contract concluded between Vestmoldtransgaz SRL and Moldovatrangaz SRL.

### **31 October 2023**

- By Board of Administration Resolution 32/31 October 2023 it was approved:
  - the amendment of the Internal Rules on the organization and operation of the Constitutive Committees constituted at the level of the Board of Administration of SNTGN Transgaz SA and the composition of the Advisory Committees.

### **13 November 2023**

- By Board of Administration Resolution 33/13 November 2023 the following were noted, endorsed and/or approved:
  - The Report on the implementation of the mandate of the Director-General for Q III 2023;
  - Situation of economic and financial indicators at 30 September 2023.

### **24 November 2023**

- By Board of Administration Resolution 34/24 November 2023 the following were endorsed and/or approved:
  - The Vestmoldtransgaz TYNDP 2023-2032;
  - The Vestmoldtransgaz's Revenue and Expense Budget 2024 and the REV estimates for 2025 și 2026;
  - Ratification Contract for the maintenance of the natural gas transmission networks no.25/23 of 18.09.2023 concluded between Vestmoldtransgaz SRL and Moldovatrangaz;
  - Ratification Technical Operation Contract no. 26/23 of 18.09.2023 concluded between Vestmoldtransgaz SRL and Moldovatrangaz;
  - The decrease of the share capital of Vestmoldtransgaz SRL and the amending of the By-Laws of Vestmoldtransgaz SRL to reflect the appropriate change in share capital;
  - Quality, Environment and Occupational Health and Safety Internal Audit Programme for the year 2024.

### **19 December 2023**

- By Board of Administration Resolution 36/19 December 2023 the following were approved:
  - The company's investment programmes for 2024 and the estimates for 2025-2026;
  - Annual Employee Formation and Training Programme for 2024.and the following were noted
  - Report on the completion of Transgaz's Climate and Decarbonisation Strategy;
  - Report on the transmission scenarios for the safe operation of the NTS in the 2023-2024 winter.

## **2.6. Main risks related to 2024**

### **Strategic risks**

- the national and international macroeconomic and geopolitical framework changes may affect the conclusion of gas transmission contracts as well as the implementation of the strategic projects;
- decreasing natural gas consumption following the increasing of the share of consumption of green energy, generated from natural/renewable resources, i.e. wind energy, solar energy as well as nuclear energy consumption;
- restricting funding for gas projects
- the war in Ukraine has increased the level of geopolitical risk, which is now to one of its highest levels seen in the last years;

- the evolution of the Romanian economy, the global and European macro-financial climate, the internal mix of economic policies, can determine additional financing considering the increasing in the costs of some investments and the additional costs determined by the fluctuation of qualified personnel.
- frequent changes and bottlenecks in the legislative process at national level;
- instability of gas price in Romania;
- cybersecurity - cyber attacks, company information security.

**Financial risks** - arising from the way in which the company's business is financed, given the sensitivity of the result to changes in funding conditions (lending, exchange rate fluctuations, interest rate changes, liquidity).

### **Operational risks**

- failure to perform on time and within the scheduled parameters the works provided in the Maintenance and Technical Revision Program of MRSs and pipelines or of the SCADA system;
- impossibility to perform maintenance due to external factors such as adverse weather conditions;
- increasing expenses with maintenance and repairs in the NTS due to extreme weather phenomena;
- failure to perform the contract as a result of the contractor's reduced ability to perform the contract in accordance with the contract terms;
- lack of materials and spare parts for the execution of preventive and corrective maintenance works at the main NTS facilities;
- failure to apply environmental legal requirements during the main works at the company level;
- recruitment difficulties for certain positions in specific areas of activity;
- lack of specialised/job-specific vocational training programmes on offer.

### **Investment activity risks**

- failure to realise the investment programme for the following reasons:
  - ✓ lack of landowners' agreements;
  - ✓ unforeseen soil conditions;
  - ✓ failure to obtain within the established time the approvals and agreements of the landowners necessary to obtain the Building Permit;
  - ✓ lacking information or late transmission of the information reflecting the real situation in the field;
  - ✓ provision of incomplete / inaccurate data regarding the identification of land owners, by the competent bodies;
  - ✓ deficient cadastral records, at the level of local / county authorities;
  - ✓ temporary cessation of land use as a result of the discovery of vestiges;

## 3. ABOUT SNTGN TRANSGAZ SA

### 3.1 Mission, vision, organizational values

#### **Mission**

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** aims at:

- The safe operation of the NTS based on economic efficiency;
- NTS rehabilitation, upgrading and development;
- 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 the following:

- Professionalism and performance;
- team spirit;
- mutual respect;
- responsibility towards the environment and people;

#### **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.

### 3.2 The activity of the company

SNTGN TRANSGAZ is the technical operator of the National Gas Transmission System and ensures the performance in terms of efficiency, transparency, safety, non-discriminatory access and competitiveness of the object of activity established for:

- **domestic gas transmission;**
- **international gas transmission;**
- **gas dispatching;**
- **research and design in the field of gas transmission,**

in compliance with the national and European legislation and standards of quality, performance, environment and sustainable development.

The natural gas transmission activity is carried out based on the Concession Agreement for the pipelines, installations, equipment and facilities related to NTS, in the public domain of the Romanian state, concluded with the National Agency for Mineral Resources (ANRM), as the representative of the Romanian state, approved by Government Resolution 668/20 June 2002 (published in Official Journal 486/8 July 2002), valid until 2032, as further amended and supplemented by seven addenda approved by Government resolutions, and based on the natural gas transmission system operating licence no. 1933/20.12.2013 issued by the National Energy Regulatory Authority (ANRE), effective until 08.07.2032.

*By ANRE Order 3/22 January 2014 on the approval of the certification of the National Gas Transmission Company Transgaz - SA Mediaş as transmission system operator of the National Gas Transmission System it was established that the company must be organized and must operate as an `independent system operator`.*

**The operation** by SNTGN Transgaz SA of the National Gas Transmission System mainly includes the following activities:

- commercial balancing;
- contracting natural gas transmission services;
- dispatching and technological regimes;
- measurement and monitoring of gas quality;
- gas odorization and international gas transmission.

**SNTGN TRANSGAZ S.A.** may also carry out other related activities to support the main object of activity, in accordance with the legislation in force and its own bylaws, being able to proceed even to the purchasing of gas only for the balancing and safe operation of the National Transmission System.

The quality of the transmission service is a constant concern of both SNTGN Transgaz SA and the National Energy Regulatory Authority. In order to monitor the quality of the natural gas transmission service based on specific indicators and minimum performance levels, starting with 1



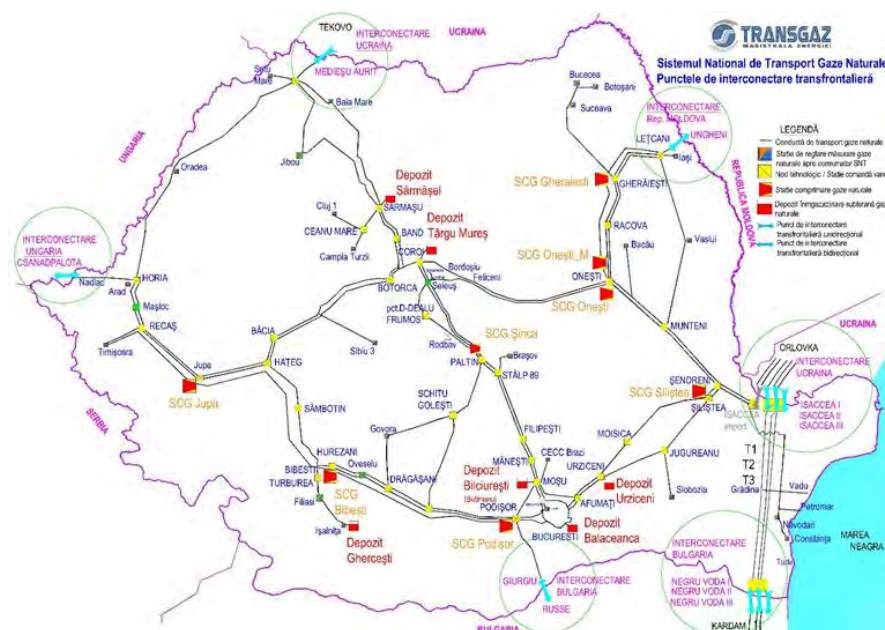
October 2022, **ANRE Order 140/2021** on the **Performance Standard for the natural gas transmission service**, as amended, entered into force, repealing ANRE Order no.161/2015.

### 3.3 NTS infrastructure

#### Main components of the National Gas Transmission System:

- 13.962,55 km of main gas transmission pipelines and connections for gas supply, of which 183,54 km international gas transmission pipelines (Transit III) and 481 km BRUA;
- 1.162 metering regulating stations (MRS) in operation (1.268 metering directions);
- 60 valve control stations (VCS, TN);
- 6 gas metering stations for import/export (GMS) Giurgiu, Medieșu Aurit, Isaccea I, Isaccea 2, Negru Vodă 1, Negru Voda 2);
- 2 gas metering stations located on gas transit pipelines (GMS) (Isaccea Transit III, Negru Vodă III);
- 8 gas compressor stations (GCS) (Șinca, Onești, Siliștea, Jupa, Podișor, Bibești, Onești M, Gherăești);
- 1.081 cathodic protection stations (CPS);
- 1.071 gas odorization units (GOU)

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 63 bar.



**Figure 1 - Map of the National Gas Transmission System and the NTS cross-border interconnection points**

#### Cross-border interconnection points

At the end of 2023, the import/export of natural gas to/from Romania was achieved by seven cross-border interconnection points, as follows:



Country	Interconnection pipeline	Technical specifications	Total technical capacity
UKRAINE	Orlovka (UA) - Isaccea (RO) * LLC GAS TSO UA → Transgaz	DN 1000, Pmax = 45 bar	6,85 Sbcm/y
	Tekovo (UA) - Medieșu Aurit (RO) ** LLC GAS TSO UA → Transgaz	DN 700, Pmax = 75 bar	2,71 Sbcm/y at Pmin=47 bar
	Isaccea 1 (RO) - Orlovka 1 (UA) Transgaz ↔ LLC GAS TSO UA	DN 1000, Pmax = 55 bar	6,85 Sbcm/y at import capacity at Pmin=46,5 bar 4,12 Sbcm/y export capacity*** at Pmin=35,4 bar
HUNGARY	Szeged (HU) - Arad (RO) - Csanádpalota (HU) FGSZ ↔ Transgaz	DN 700, Pmax = 64 bar	2,63 Sbcm/y import capacity at Pmin=40 bar 2,63 Sbcm/y export capacity at Pmin=40 bar****
REPUBLIC OF MOLDOVA	Iași (RO) - Ungheni (MO) Transgaz ↔ Vestmoldtransgaz	DN 500, Pmax = 55 bar	1,88 Sbcm/y export capacity at Pmin=39,5 bar 0,73 Sbcm/y import capacity la Pmin=24 bar
BULGARIA	Giurgiu (RO) - Ruse (BG) Transgaz. ↔ Bulgartransgaz	DN 500, Pmax = 50 bar	1,50 Sbcm/y export capacity at Pmin=40 bar 0,92 Sbcm/y import capacity at Pmin=30 bar
	Kardam (BG) - Negru Vodă 1 (RO) Transgaz ↔ Bulgartransgaz	DN 1000, Pmax = 55 bar	6,36 Sbcm/y on export capacity at Pmin=31,5 bar (of which 2,31 Sbcm/year at Pmin 41 bar available from the NTS) ***** 5,31 Sbcm/y import capacity at Pmin=45 bar

\* This interconnection point is not used since there is no interconnection agreement concluded. Gas import from Ukraine is currently performed through Isaccea 1.

\*\*For this point the Romanian TSO and the Ukrainian TSO are having discussions on the signature of a new Interconnection Agreement.

\*\*\*capacity is offered on an interruptible basis (commercially) as the Annex to the Interconnection Agreement on gas quality requirements is not signed. Capacity conditional on the capacity booking at the Negru Vodă 1 IP, in the BG-RO direction.

\*\*\*\* Increase from 2,45 billion Scm/y to 2,63 billion Scm/y as of 01.10.2023

\*\*\*\*\*The difference of capacity 6,36-2,31=4,05 billion Scm/year is available for transit, conditional on entry capacity booking at the Isaccea 1 IP in the UA-RO direction.

### 3.4 Shareholding

From 14 November 2019, the exercising of the rights and the fulfilment of the obligations arising from the quality 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.

According to the recordings of Depozitarul Central, on 31.12.2023 Transgaz's consolidated summary structure of holders of financial instruments of was as follows:

Shareholder's name	Number of shares	Percentage %
The State of Romania represented by the General Secretariat of the Government	110.221.440	58,5097
Free float - Other shareholders (natural and legal persons) out of which:	78.160.064	41,4903
✓ legal persons	58.925.139	31,2797
✓ natural persons	19.234.925	10,2106
<b>Total</b>	<b>188.381.504</b>	<b>100</b>

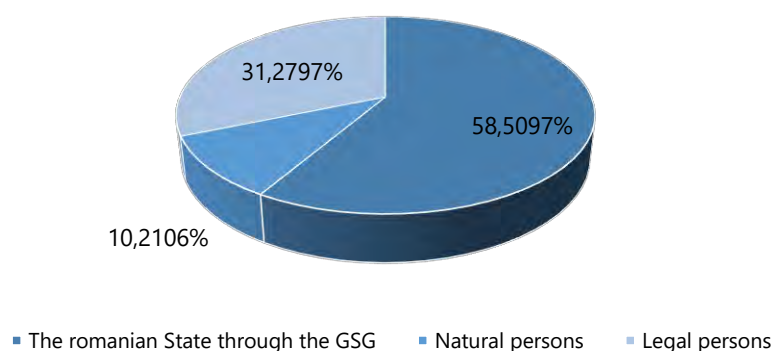
**Table Error! Use the Home tab to apply 0 to the text that you want to appear here.7 - Shareholding structure at 31 December 2023**

By Resolution 11/07.12.2022 the Extraordinary General Meeting of the Shareholders of SNTGN Transgaz SA approved the increase of the share capital by incorporating the reserves constituted from the net profit of the previous financial years in the amount of 1.766.076.600 lei, from the amount of 117.738.440 lei to the amount of 1.883.815.040 lei, by issuing 176.607.660 new shares with a nominal value of 10 lei/share.

The newly issued shares do not change the shareholders' holding quotas and were distributed free of charge to all shareholders registered in the Transgaz shareholders' register, kept by the Depozitarul Central SA, on the record date of 03.05.2023, payment date 04.05.2023.

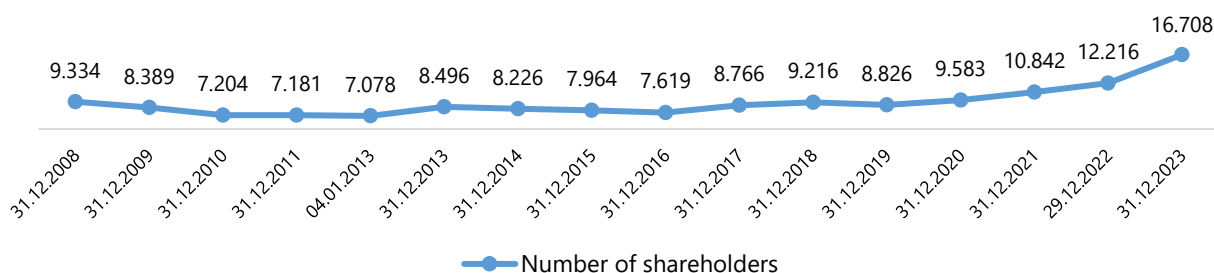
Thus, the share capital of Transgaz on 31 December 2023 was lei 1.883.815.040 and was divided into 188.381.504 registered shares, each share having a nominal value of lei 10.

### Shareholding structure on 31 December 2023



**Chart 13 - Shareholding structure at 31 December 2023**

Regarding the number of shareholders, according to the consolidated summary structure at the reference date of 31 December 2023, the company had 16.708 TGN shareholders, which is 3.916 shareholders more than on 29.12.2022.



**Chart 14 - Number of Transgaz shareholders from the BSE listing date  
31 December 2023**

### 3.5 Structure

SNTGN TRANSGAZ SA is structured into functional entities (divisions, units, departments, offices, compartments, etc.) and production entities (9 regional offices, sectors, laboratories, work units, etc.)

**SNTGN Transgaz SA** conducts its activity at the premises as follows:

#### **MEDIAS, SIBIU county - Romania**

- **Transgaz registered office:** 1 C. I. Motaş Square, code 551130;
- **Maintenance Division:** 11 George Enescu Street, code 551018;
- **Research and Design Division:** 6 Unirii Street, code 550173.

#### **BUCHAREST - Romania**

- **Transgaz Representative Office - Romania:** 55 Primaverii Blvd;
- **General Inspection Division:** 155 Victoriei Blvd., District 1, code 010073;
- **Bucharest Gas Market Operation Division:** 155 Victoriei Blvd., building D1, area 6, floor 11.

### **CHISINAU, THE REPUBLIC OF MOLDOVA**

**The SNTGN Transgaz SA subsidiaries in the Republic of Moldova are the following:**

- EUROTRANSGAZ Limited Liability Company: 7/E Balcani Road, outside the build-up area, Ghidighici village;
- VESTMOLDTRANSGAZ Limited Liability Company: 7/E Balcani Road, outside the build-up area, Ghidighici village.

**SNTGN Transgaz SA 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**, 102A Griviţei Bvd, 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.



Figure 2 - Transgaz administrative map

### 3.6 Management

#### THE ADMINISTRATIVE MANAGEMENT

The company is managed in a unitary system by the Board of Administration, consisting of 5 administrators, 1 executive administrator and 4 non-executive administrators, appointed by the General Meeting of the Shareholders. There is a **separation** between the non-executive, control function (non-executive administrator) and the executive function (directors) - mandatory separation, in the case of joint stock companies whose annual financial statements are subject to a legal auditing obligation.

The members of the company's Board of Administration on 31.12.2023 were as follows:

- **ION STERIAN** - Executive Administrator - Director – General;
- **PETRU ION VĂDUVA** - Non-Executive Administrator – Chairman ;
- **NICOLAE MINEA** - Independent Non-Executive Administrator;
- **ILINCA VON DERENTHALL** - Non-Executive Interim Administrator until 16.03.2024;
- **ADINA LĂCRIMIOARA HANZA** - Non-Executive Interim Administrator until 16.03.2024.

The CVs of the members of the Transgaz Board of Administration are available on the company's website at: [www.transgaz.ro/Despre noi/Consiliul de administrație](http://www.transgaz.ro/Despre noi/Consiliul de administrație)

## EXECUTIVE MANAGEMENT

The Board of Administration delegated the management of the company to the Director - General of Transgaz. The Director - General of Transgaz represents the company in its relations with third parties and is responsible for taking all measures related to management, within the scope of activity of the company and in compliance with the exclusive powers established by law, the Articles of Incorporation or delegated by the Board of Administration and the General Meeting of Shareholders.

The members of the executive management of the company, with the exception of the Director - General and the Chief Financial Officer, are employees of the company, with an individual labour contract for an indefinite period of time. The management and execution personnel within Transgaz is employed, promoted and discharged by the Director - General, based on the duties delegated by the Board of Administration.

The members of the executive management holding shares at Transgaz on 31 December 2023:

No.	Name and first name	Position	Number of shares on 31.12.2023	Interest share (%)
1	Tătaru Ion	Director	400	0,000212
2	Lupean Marius Vasile	Director	320	0,000169
3	Șai Alexandru	Director	160	0,000084
4	Niță Viorel	Director	80	0,000042

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### The executive management of SNTGN Transgaz SA at 31 December 2023:

No.	Name and first name	Position	Division/Unit
1.	Sterian Ion	Director - General	SNTGN Transgaz SA
2.	Lupean Marius Vasile	Chief Financial Officer	SNTGN Transgaz SA
3.	Leahu Mihai Leontin	Director/Deputy Director - General-delegated	Research and Design Division
4.	Iuga Alexandru	Deputy Director-General	SNTGN Transgaz SA
5.	Tătaru Ion	Director/Deputy Director - General-delegated	Development Division
6.	Simionescu Alexandru Adrian	PMU 1 Project Manager NTS Developments in North-East/ Deputy Director - General-delegated	Project Management Unit
7.	Ghidiu Elisabeta	Director	Strategy and Corporate Management Division
8.	Mateș Angela Aneta	Director	HR Organization Division

9.	Târsac Grigore	Deputy Director/ Development Division Director -delegated	Natural Gas Quality Measurement Unit
10.	Bunea Florin	Director	Operation Division
11.	Sârbu Ionel	Director	Land Regulation and Acquisition Division
12.	Cosma Emil Florin	Director	Maintenance Division
13.	Andronic Bogdan Constantin	Director	EU Funds and International Relations Division
14.	Luca Bogdan Avram	Director	Sectoral Procurement and Contracting Division
15.	Stoica Constantin Marius	Director	Logistics Division
16.	Costea Dragoș Vasile	Director	Gas Compression Division
17.	Iancu Cristina Daniela	Director/ Legal Division Director delegated	Projects Legal Assistance Unit
18.	Oniga Ciprian	Director/ Research and Design Division Director delegated	Special Projects and Technical Support Unit
19.	Codreanu Liudmila Gabriela	Director	Internal Audit Unit
20.	Ene Alin	Director/General Inspection Division Director delegated	Control Unit
21.	Vlahbei Andra	Deputy Director/Unit Director delegated	Gas Regulation Unit
22.	Drăghici Aurelian	Director	Projects Analysis, Checking and Endorsement Unit
23.	Lupu Emil	Director	Archaeological Unit
24.	Voican Nicolae Adrian	Subsidiary Director	Mediaș Subsidiary
25.	Colcer Elena Gabriela	Economist/Chief Financial Officer delegated	Mediaș Subsidiary
26.	Alexandru Ionel	Director	Arad Regional Office
27.	Schimdt-Hăineală Eduard-Cristian	Director	Bacău Regional Office
28.	Dumitru Nicușor	Director	Braïla Regional Office
29.	Pârlea Mirel	Engineer/Regional Office Director delegated	Brașov Regional Office
30.	Gurgu Victorel	Regional Office Director/PMU Project Manager delegated	Bucharest Regional Office
31.	Goia Petru	Cluj Sector Engineer/Regional Office Director delegated	Cluj Regional Office
32.	Andrei Romeo	Director	Constanta Regional Office
33.	Niță Viorel	Director	Craiova Regional Office
34.	Oancea Paul	Director	Mediaș Regional Office

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#### VESTMOLDTRANSGAZ SRL management team structure:

VESTMOLDTRANSGAZ	Name and Surname
------------------	------------------



1	Company Board	1. Mihai Leontin Leahu – Chairman on behalf of Transgaz 2. Marius Constantin Stoica - Member on behalf of Transgaz 3. Octavian Costas – Member on behalf of EBRD 4. Pop-Gîscă Sanda – Member on behalf of Transgaz 5. Iancu Cristina – Member on behalf of Transgaz
2	Company Administrator	Duminică Liviu Valentin

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### EUROTRANSGAZ SRL management team structure:

	EUROTRANSGAZ	Name and Surname
1	Administrator	Lupean Marius Vasile
2	Administrator	Vasilica Grăjdan
3	Administrator	Tătaru Ion

**Table 11 - Eurotransgaz management members on 31.12. 2023**

### 3.7 Human resources

The company's human resources strategy aims to cover the operational needs of the organization, through the efficient use of the human resources. 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.

As at 31 December 2023, Transgaz Group had 4.086 employees, of which SNTGN Transgaz SA had 4.022 employees.

No.	Indicator	2021	2022	2023
1	Number of Transgaz employees	4.050	4.029	4.022
2	Number of VMTG employees	34	31	61
3	Number of Eurotransgaz employees	3	3	3
<b>TOTAL</b>		<b>4.087</b>	<b>4.063</b>	<b>4.086</b>

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The evolution of the number of Transgaz personnel between 2021-2023:

Specification	2021	2022	2023
Number of employees at the beginning of the period	4.145	4.050	4.029
Number of persons employed/resuming activity	210	243	258

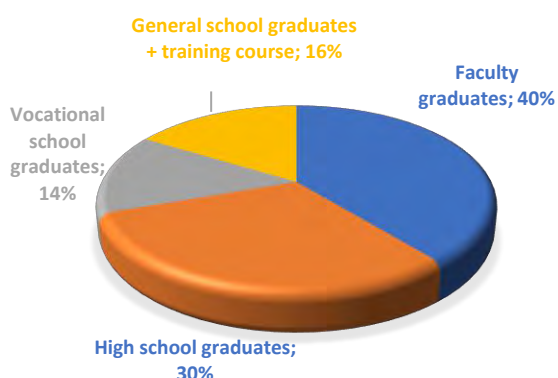


Number of employees who terminated/suspended their working relations with the company	305	264	265
<b>Number of employees at the end of the period</b>	<b>4.050</b>	<b>4.029</b>	<b>4.022</b>

**Table 13 – Number of Transgaz employees between 2021-2023**

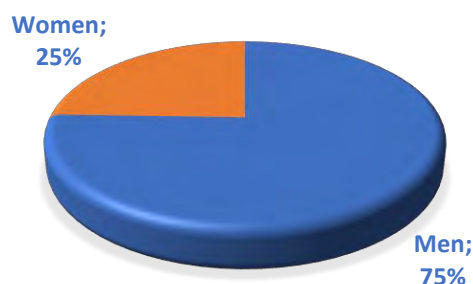
**SNTGN Transgaz SA employees structure as at 31 December 2023:**

**a) By category of studies**



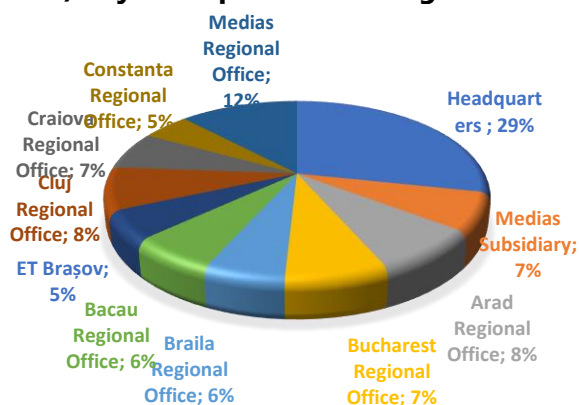
**Chart 15 - Personnel structure by categories of studies as at 31 December 2023**

**b) By gender**



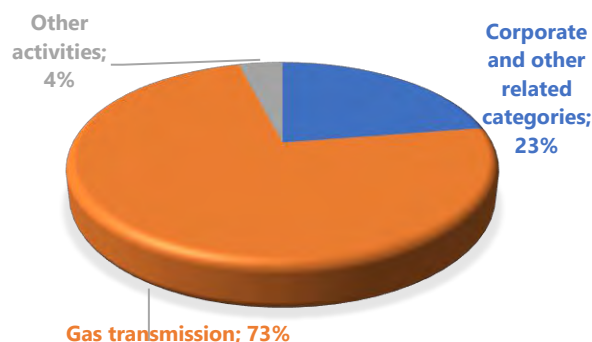
**Chart 16 - Personnel structure by gender as at 31 December 2023**

**c) By headquarters and regional offices**



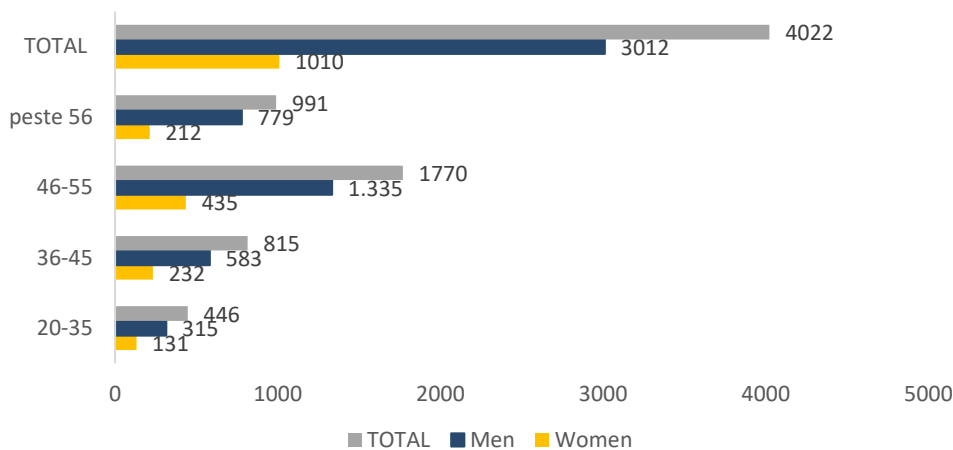
**Chart 17 – Personnel structure by headquarters and regional offices as at 31 December 2023**

**d) By activities**



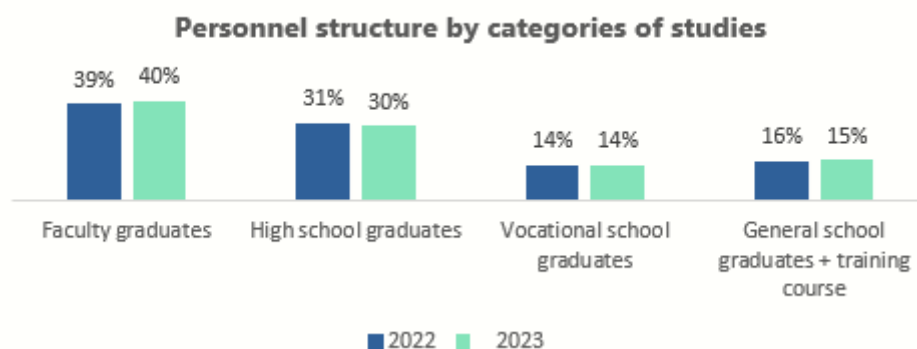
**Chart 18 - Personnel structure by activities as at 31 December 2023**

**e) By age categories**



**Chart 19 - Personnel structure by age categories as at 31 December 2023**

The personnel structure by category of studies reveals the interest of the company to cover the needs of personnel through the employment of highly qualified specialists as well as the continuous improvement of the existing personnel, 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.



**Chart 20 - Personnel structure by categories of studies in 2023**

### Improving staff training, instruction and professional development

The high level of professional competence of employees is considered a prerequisite for achieving the objectives of any organisation, which is why investment in human resources is considered profitable in all areas of activity.

The training, improvement and professional development of the company's employees is carried out on the basis of the 'Annual training and professional improvement program for employees', drawn up at company level, taking into account the provisions of Articles 194 and 195 of Law 53/2003 (Labour Code), republished, with subsequent amendments and additions, according to

which the legal entity employer with more than 20 employees shall draw up annual training programs and shall ensure the participation of employees in courses at least once every two years.

In the field of training and professional development, the programs cover the areas of interest for the company's activity, namely, engineering, management of natural gas transmission systems, including SCADA, research and design, economics, legal, human resources, corporate strategy and management, information technology and communications and quality - environment, health and safety at work, security, safety, internal audit, internal and financial management control, as well as other topics of general interest necessary for the company's activity.

**In 2023**, through the External Training and Career Management Unit, together with the Performance Evaluation and Improvement Office and the Authorization and Compliance Office, **156 training** and professional development courses were initiated and carried out for a total of **1.380** participants. Training activities with own resources (with in-house trainers) supported by the Vocational Training and Education Centre continued in 2023 by developing activities that were successful in 2022, but also by continuing activities aimed at ensuring the need for qualified personnel in disciplines and trades for which there are needs or opportunities.

Professional skills development courses, aimed at optimizing and streamlining work, with topics such as `Teamwork Skills`, `Interpersonal Communication`, `Advanced Communication Techniques`, `Remote Team Management`, `Conflict Management and Self-Control`, `Emotional Intelligence`, `Time Management` and `Leadership`, have been planned through the calendar of courses organized with internal trainers employed in the Human Resources Development Department-Transgaz Academy, and will run throughout 2023.

At the **end of 2023**, the degree of unionization of the labour force was 97,41 %, out of a total of 3.918 employees, 4.022 being union members.

At SNTGN Transgaz SA there are 4 trade union organizations that employees can choose to affiliate to, namely:

- The Transport Gaz Mediaș Trade Union;
- The Professional Trade Union Metan Mediaș.
- The Technological Research Trade Union CERTEH Mediaș;
- The Free Trade Union SNTGN TRANSGAZ SA Mediaș;

The Transport Gaz Medias Trade Union is the representative union at the unit level, according to the provisions of Law no. 367/2022 of the Social Dialogue, Art. 54 (1) 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, with the specification that at SNTGN Transgaz SA has a Collective Labour Contract registered at the Sibiu Territorial Labour Inspectorate under number 60/23.06.2021. The validity of the Collective Labour Contract was extended by the Addendum registered at Sibiu Territorial Labour Inspectorate under number 60/4 of 23.05.2023 for one year until 25.06.2024.

The relations between the employer and the employees are in line with the legal provisions in force in 2023 and there are no conflicting elements connected to these relations.

### 3.8 Transgaz on the Bucharest Stock Exchange

TGN shares are attractive portfolio shares due to the company's business scope, the monopoly Transgaz holds in the natural gas transmission, 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, the quality of the company's management and the investments in the TYNDP 2022-2031, as revised and approved by ANRE. The plan provides for an extensive investment programme, with investment projects estimated at around EUR 3,2 billion, investments that will align the NTS with the requirements related to the European transmission and operation and to the European Green Deal on decarbonisation.

For financial year 2022, in accordance with the provisions of Resolution 5 of the Ordinary General Meeting of the Shareholders of 27.04.2023, the National Gas Transmission Company Transgaz SA makes dividend payments through Depozitarul Central SA and Banca Transilvania, the designated payment agent, as of 19 July 2023 (the payment date), for the shareholders registered as at 28 June 2023, **the value of the gross dividend/share being lei 0,70.**

#### **TGN share**

In 2023, the closing price of the TGN share followed an upward trend, recording higher values compared to the same period of 2022, with increases ranging from 3% to 57%, with a period maximum of lei 23,50/share recorded on 02.05.2023, on the background of the ex-date for the share capital increase by incorporation of reserves and a minimum of lei 15,40/share recorded on 02.06.2023, a decrease mainly influenced by the sale by investors of the holdings obtained free of charge within the operation of share capital increase by incorporation of reserves, as well as by the context of investors' expectation of Hidroelectrica's listing on BSE.

In January, following the investors' notification regarding the issuance by the Financial Supervisory Authority of the Certificate of Registration of Financial Instruments related to the increase of the company's share capital, the closing price of the TGN share was lei 289,50/share (i.e. lei 18,09/share adjusted price 1:16), 30% higher than in January 2022. Then, against the background of the share capital increase through the incorporation of reserves, which is currently under way, and investors' expectations regarding the publication of preliminary financial results for 2022, the closing price of TGN share continued its upward trend, exceeding by 57% the values recorded in February 2022 and reaching on 28.02.2023 the value of lei 314,50/share (lei 19,66/share - adjusted price 1:16).

In March, following the publication of the documents for the General Meeting of the Shareholders on the approval of the final annual financial results and the steps taken by the company's management for the signature by SNTGN Transgaz SA, OMV Petrom SA and SNGN Romgaz SA of the *Declaration on the conclusion of gas transmission contracts concluded as a result of the procedure for the booking of the capacity related to the NTS entry/exit point – Tuzla – for the Black Sea gas,*

TGN's share price reached the March maximum, namely lei 325,00/share in 08-09.03.2023 (lei 20,31/share adjusted price 1:16).

Compared to the end of March 2022, the closing price of the TGN share increased by 46%, that is up to lei 312,00/share (lei 19,50/share adjusted price 1:16) on 31.03.2023.

In April, the closing price of the TGN share was continuously increasing, reaching on 28.04.2023 the value of lei 21,03/share, 40% more than at the end of April 2022, a price influenced by the approval by the GMS of the amount of the dividend for financial year 2022 as well as by the context of the conclusion of the collaboration partnership between Transgaz and E.ON under which the two companies intend to work together to strengthen Romania's energy security, by aligning and correlating the natural gas infrastructure development strategies in line with the provisions of the European Green Deal and the other European legal provisions in the domain.

Later, on 02.05.2023, ex date related to the operation of increasing the share capital of SNTGN Transgaz SA by incorporating reserves, the TGN share price reached the maximum of the analysed period, that is lei 23,50/share, recording an increase of 11,64%.

In May, against the background of the publication of the financial results for the Q I 2023, but also the correction following the Transgaz share capital increase by the incorporation of reserves, there were fluctuations in the closing price of the TGN share within the range of lei 15,40/share and lei 22,35/share, values higher compared to the same period of 2022.

In June, in the context of Fitch's affirmation of the company's BBB- rating with a stable outlook, on 02.06.2023 TGN's share value was lei 15,40/share, and, following the signature by the company's management of the order to start the construction works of the Tuzla - Podișor gas pipeline, on 16.06.2023 the TGN share value increased to lei 17,40/share.

Then, in line with the dynamics of the European markets, at the end of June there were trading sessions with positive developments for BSE indices, so that on 29.06.2023, TGN had the best evolution in the composition of the BET index with an increase of 3,88%. In July the TGN share continued its upward trend, reaching a value of lei 18,32/share on 31.07.2023, which is 23% higher than the value recorded in the same period of 2022.

In August, the TGN share closing price fluctuated around lei 17,00 /share, exceeding the values of the same month of 2022. Moreover, according to a release of the Bucharest Stock Exchange in August, following the quarterly review of the indices by global index provider MSCI, Romania's presence in these indices increases as of 1 September 2023, from 12 to 22 companies, the six Romanian companies promoted from Small Cap to Mid Cap / Large Cap (part of the MSCI Frontier and MSCI Romania indices) being: Electrica (EL), MedLife (M), One United Properties (ONE), Teraplast (TRP), Transelectrica (TEL) and Transgaz (TGN).

In August as well, considering the funding opportunity created by the Modernization Fund, SNTGN Transgaz SA submitted applications to the Ministry of Energy for 7 non-priority projects related to the Modernization Fund within the 2<sup>nd</sup> session of 2023. The total value requested for funding under

the Modernization Fund is approximately EUR 554,3 million and the common objective of these investments is to strengthen Romania's role in the European and regional gas sector.

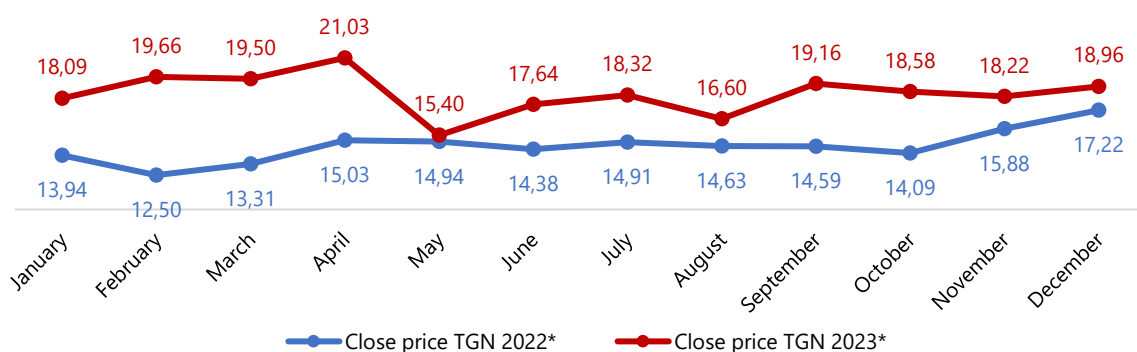
Moreover, in September, SNTGN Transgaz SA, by its subsidiary in the Republic of Moldova, Vestmoldtransgaz SRL (VMTG) the company responsible for the operation, exploitation and dispatching of the Ungheni-Chișinău pipeline and certified according to the ownership unbundling model, took over the operation, exploitation, dispatching and transmission of natural gas in the Republic of Moldova from Moldovatrangaz SRL.

Through the investments implemented by Transgaz on the territory of Romania – NTS developments in the North-East Romania - the prerequisites were created to diversify the sources and routes of natural gas supply for the Republic of Moldova, to increase the security of natural gas supply for this winter and for the coming years, as well as the possibility of expanding the natural gas transmission system in Moldova in order to connect households and industrial consumers who do not yet have access to such resources to the natural gas distribution networks to be developed later on.

As regards the stock market evolution in September, Transgaz's share continued its upward trend, reaching a value of lei 19,16/share, which is 31% higher than in the same period of 2022. Furthermore, according to the Monthly Bulletin issued by the BSE in September 2023, Transgaz ranks 5th in the Top 15 listed companies according to the change in the reference price, recording a 15,42% increase in price from the beginning of September to 30.09.2023.

In October - November 2023 the TGN share recorded a slightly downward trend but with higher values than in the same period in 2022.

Subsequently, in December 2023, the TGN share resumed its upward trend, exceeding by 10% the values reached in 2022 and recording on 11.12.2023 a maximum for December of lei 19,28/share.

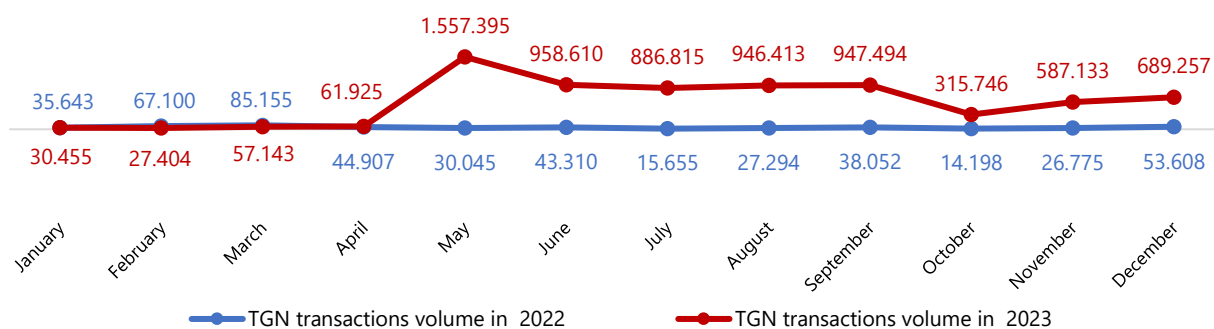


**Chart 21 - The closing price of the TGN shares in 2023 compared to 2022**

\* To ensure the most accurate reflection of the TGN share value evolution, the price indicated in the chart is adjusted by the 1:16 ratio for the period 03.01-31.12.2022 and 03.01-28.04.2023, taking into account the operation of increasing the share capital of SNTGN Transgaz SA by incorporating the reserves.

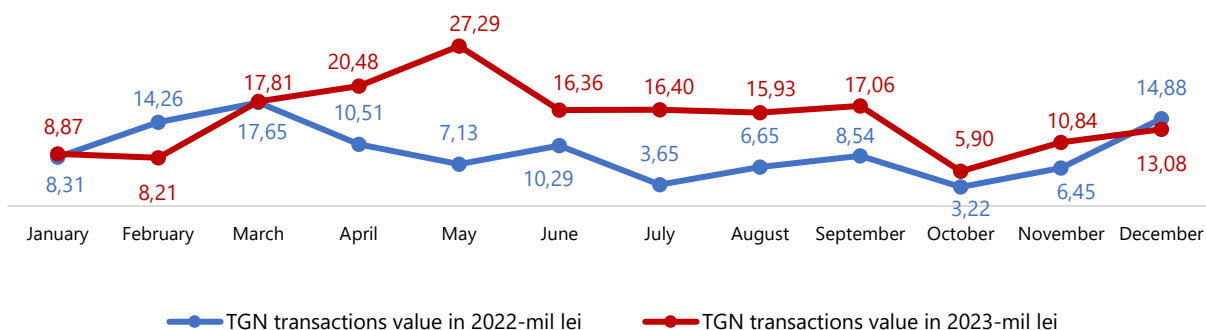
Traded volumes and transaction values for the period ended 31 December 2023 showed fluctuating values compared to 2022. Thus, traded volumes recorded decreases within the range of 14% - 59% in Q I 2023 compared to the same period of 2022.

After 02.05.2023, ex-date related to the operation of increasing the share capital of SNTGN Transgaz SA by the incorporation of reserves, traded volumes increased on an average by approximately 30 times, compared to the values recorded in the same period of 2022.



**Chart 22 - TGN transactions volume in 2023 compared to 2022**

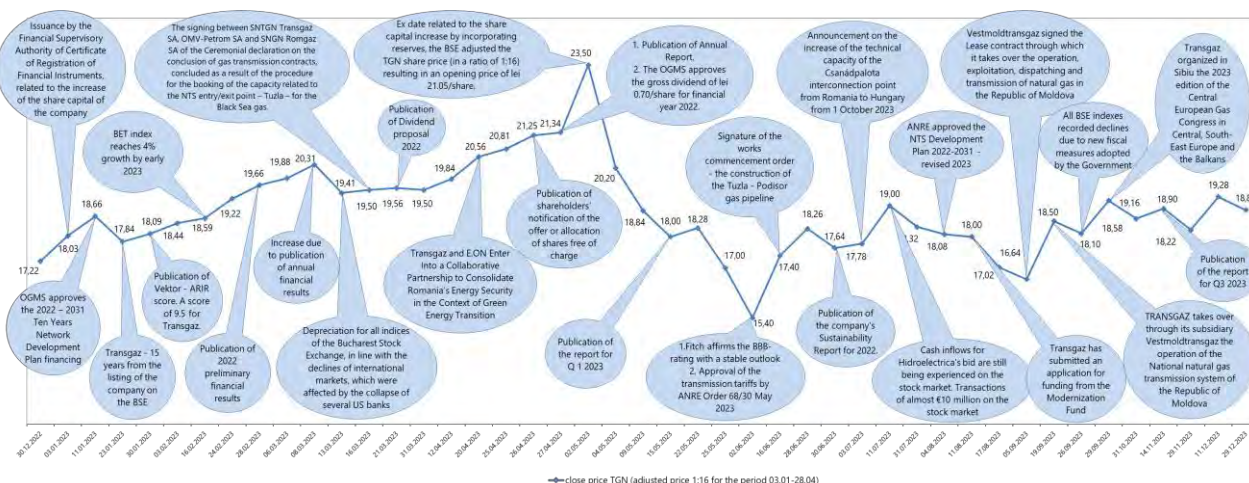
In terms of trading values, in 2023 there were mainly increases compared to 2022, the maximum values of the period being reached in May, on 31.05.2023, with a volume of 463.034 shares traded and a value of lei 7.242.454,02.



**Chart 23 - TGN transaction value – mil. lei in 2023 compared to 2022**

### Main corporate events with an impact upon the TGN share price in 2023





### Stock Market Indices: P/BV, EPS, PER, DIVY

Date	P/BV	PER*	DIVY	EPS
29.12.2023	0,89	14,77	3,71	1,28
30.12.2022	0,84	14,69	5,38	18,75

\*the indices are calculated based on the consolidated financial statements, date PER 30.06.2023 and 30.06.2022

In the period ended 31 December 2023, **the P/BV ratio** (a share price to book value ratio) increased slightly compared to the same period of 2022, the sub-unit value of this indicator indicating that the TGN share is undervalued by the market.

At the same time, **the PER ratio** (share price to earnings ratio) recorded a higher value compared to the value recorded on 30.12.2022, reflecting optimistic market expectations.

The decrease in **dividend yield (DIVY)**, compared to the value recorded on 30.12.2022, was determined by the lower value of the gross dividend for financial year 2022, namely lei 0,70/share (according to OGMS 5/27.04.2023) as compared to lei 14,82/share (according to OGMS 5/28.04.2022).

Also, from the data presented it can be seen that the **EPS (profit per share)** decreased in 29.12.2023 as compared to the same period of 2022, recording a value of 1,28, due to the increase in the number of TGN shares on the market as a result of the company's share capital increase.

### TGN share in the stock market indices (BET, BET-TR, BET Plus, BET-NG, BET-XT, BET-BK)

On 29 December 2023, the last trading day of the year, the weighting of the TGN share in the composition of the stock market indices analysed above is as follows:

Name of stock market index	Place	Share in index
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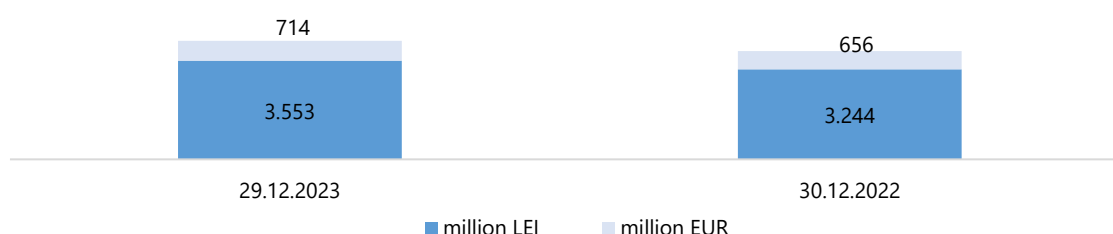
<b>BET</b> (the BSE reference index, it represents the 10 most liquid companies listed on the BSE)	8	2,79%
<b>BET-TR</b> (total return index, based on the structure of the market reference index, BET, and tracks both the price changes of the constituent companies and the dividends paid by them)	8	2,79%
<b>BET Plus</b> (free float market capitalization weighted index of the Romanian companies)	8	2,63%
<b>BET-NG</b> (sector index / energy - utilities)	5	5,19%
<b>ROTX</b> (indice de preț ponderat cu capitalizarea free floatului și reflectă în timp real mișcarea acțiunilor "blue chip" tranzacționate la BSE)	9	2,23%
<b>BET-XT</b> (blue-chip index, tracks the price changes of the most liquid 25 traded companies)	7	3,46%
<b>BET-BK</b> (benchmark index, calculated as a price index weighted by the free float capitalisation of the most traded companies listed on the BSE regulated market)	9	4,52%

### Stock market capitalization

The stock market capitalization of the company on 29.12.2023 was of lei 3.55 billion (~ euro 714 million), namely by 309 million lei (~euro 59 million) higher than the level recorded on 30.12.2022.

Currency	2023		2022	
	03.01.2023	29.12.2023	03.01.2022	30.12.2022
<b>LEI</b>	3.396.753.994	3.552.875.165	2.802.174.872	3.243.694.022
<b>EURO</b>	689.374.301	714.203.185	566.393.433	655.636.096
<b>Euro/BNR exchange rate</b>	4,9273	4,9746	4,9474	4,9474

Transgaz's stock market capitalization increased from the end of 2022 to 29 December 2023 by 9,53%, that is by lei 309.181.143 (EUR 58.567.089), from lei 3.243.694.022 (EUR 655.636.096) recorded on 30 December 2022 to lei 3.552.875.165 (EUR 714.203.185) recorded on 29.12.2023, Transgaz ranking 12th among the companies listed on the BSE, in terms of market capitalisation, according to the BSE report for December 2023.



**Chart 24 - Stock market capitalization of Transgaz on 29.12.2023 compared to 30.12.2022**

## The TGN share compared to BET, BET-BK, BET-TR, ROTX, BET-NG and BET-XT stock indices in 2023:

### TGN VERSUS BET



### TGN VERSUS BET-BK



### TGN VERSUS BET-TR



### TGN VERSUS ROTX



### TGN VERSUS BET-NG



### TGN VERSUS BET-XT



Source: <http://www.bvb.ro>

**Chart 25 – The TGN share compared to stock exchange indices BET, BET-BK, BET-TR, ROTX, BET-NG and BET-XT in 2023**

As it can be noted, in 2023, the TGN share had a similar evolution to that of the main stock market indices BET, BET-BK, ROTX, BET-NG, BET-TR and BET-XT, except for the period related to the share capital increasing operation through the incorporation of reserves, when the TGN share recorded significant fluctuations compared to the indices.

## Dividend policy

The Extraordinary General Meeting of the Shareholders of SNTGN Transgaz SA approved by Resolution 11 of 07.12.2022 the increase of the share capital by incorporating the reserves from the net profit of the previous financial years in the amount of lei 1.766.076.600, from the amount of lei 117.738.440 to the amount of lei 1.883.815.040, by the issue of 176.607.660 new shares with a nominal value of lei 10/share.

The newly issued shares will not change the shareholders' holding shares and will be distributed free of charge to all shareholders registered in the Transgaz shareholders' register, kept by Depozitarul Central SA, on the registration date 03.05.2023, payment date 04.05.2023. Thus, as of 04.05.2023 the share capital of Transgaz is lei 1.883.815.040, that is 188.381.504 shares with a nominal value of lei 10/share.

In 2023 the proposal for determining the value of the dividends for financial year 2022 was established based on the provisions of *GO 64 of 30 August 2001 on the distribution of profit to national enterprises, national companies and trading companies with full or majority state capital, as well as to autonomous administrations* with the application of the 50,04394803% quota to the distribution of profit as dividends.

According to Article 67 (2) of Law 31/1990 on trading companies, republished as amended, dividends are distributed to shareholders proportionally to their stake in the share capital.

Thus, in accordance with OGMS Resolution 5/27.04.2023, SNTGN Transgaz SA paid dividends through Depozitarul Central SA and Banca Transilvania, the appointed paying agent, starting from 19 July 2023 (the date of payment), for the shareholders registered at the registration date of 28 June 2023, the value of the gross dividend / share amounting to lei 0,70.

Until the end of 2023, Transgaz paid to the shareholders net dividends for financial year 2022 in the amount of lei 121.001.454 for 187.871.071 shares.

## Transgaz's rating

From 2006 to March 2019, S&P Global Ratings rated 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. Thus, S&P Global Ratings published the latest report in 2018, revising the outlook for Transgaz, from stable to negative, and, at the same time, it affirmed the company's credit rating at BB +.

In 2019, following the internal analysis and in compliance with all the legal provisions regarding the procurement of rating services, the company concluded a credit rating contract with Fitch Ratings. Thus, following the evaluation, on 17 July 2019 the agency awarded Transgaz the 'BBB-' rating, Stable Outlook.

Later, in 2023, Fitch Ratings affirmed the '**BBB-**, **Stable Outlook**' rating, based on the `solid business profile as a concessionaire and operator of the gas transmission network in Romania, and

our expectations of regulatory continuity into the new regulatory period from October 2024, according to their opinion presented in the rating report.

### 3.9 List of all entities where Transgaz 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;
- **SC EUROTRANSGAZ SRL** with headquarters in Chisinau, Republic of Moldova, where Transgaz owns 100% of its share capital with the objective of producing, transporting, distributing, storing and supplying natural gas, pipeline transport, storage as well as business consulting activities; management (establishment of this subsidiary was approved by EGMS Resolution No. 10 of 12.12.2017); in 2018, the subsidiary purchased State Enterprise Vestmoldtransgaz.

## 4 ACTIVITY ANALYSYS

### 4.1 Operation activity

**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.

In 2023, a total of 1.238 contracts were concluded and signed with network users, or the duration of contracts was extended, of which 1.180 contracts for domestic points and 58 contracts for cross-border interconnection points, for gas transmission services, including annual, quarterly, monthly, daily, within-day capacity products for National Gas Transmission System entry/exit points, including for the Csanadpalota, Ruse - Giurgiu, Negru Vodă 1/Kardam and Isaccea 1/Orlovka and Ungheni interconnection points.

The total number of gas contracts concluded for gas transmission with capacity booking at the domestic NTS entry/exit points, concluded in 2023, by booking period:

Contract type	Annual	Quarterly	Monthly	Daily	Total
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No. of contracts	85	190	852	53	<b>1.180</b>
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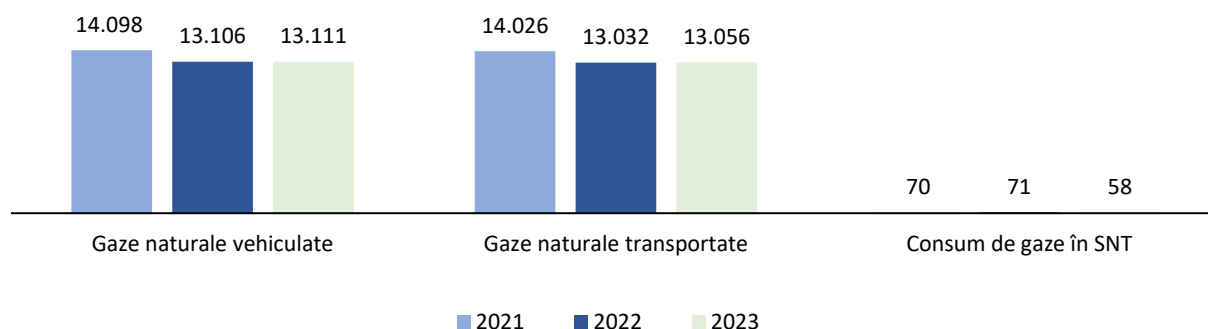
Capacity was booked for the following products under the 58 framework gas transmission contracts for capacity booking at the interconnection points between the Romanian National Gas Transmission System and the gas transmission systems of the states neighbouring Romania, valid in January 2023 - December 2023:

Contract type	Annual	Quarterly	Monthly	Daily	Within-day	Total
No. of products	58	42	97	2.629	486	<b>3.312</b>

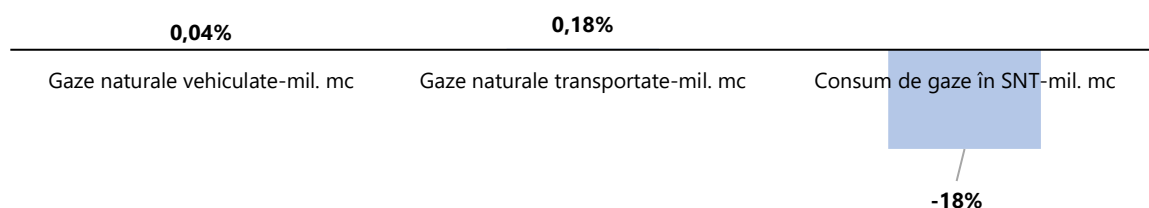
The gas quantities circulated and transmitted through the National Transmission System (NTS) and the technological consumption in 2021 - 2023 are as follows:

Indicator	MU	2021	2022	2023	+/-	%
1	2	3	4	5	6=5-4	7=5/4-1
<b>Circulated gas</b>	thousand cm	14.098.211	13.106.226	13.110.875	4.649	0,04%
<b>Transmitted gas</b>	thousand cm	14.026.269	13.032.066	13.055.920	23.854	0,18%
<b>NTS gas consumption</b>	thousand cm	70.188	70.739	57.690	-13.049	-18,45%
<b>The share of NTS gas consumption / circulated gas</b>	%	0,50%	0,54%	0,44%		

**Table 14 - Gas quantities circulated, transmitted, and NTS gas consumption in 2021-2023**

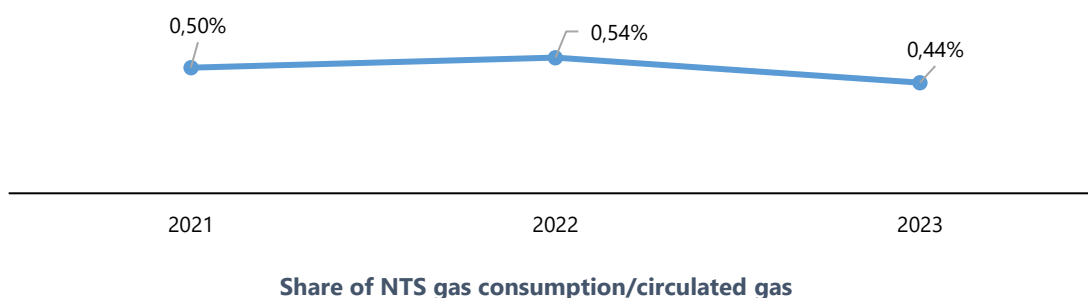


**Chart 26 - Gas quantities circulated, transmitted and NTS consumption in 2021-2023**



**Chart 27 - Gas quantities circulated and transmitted and NTS gas consumption**

– 2023 compared to 2022

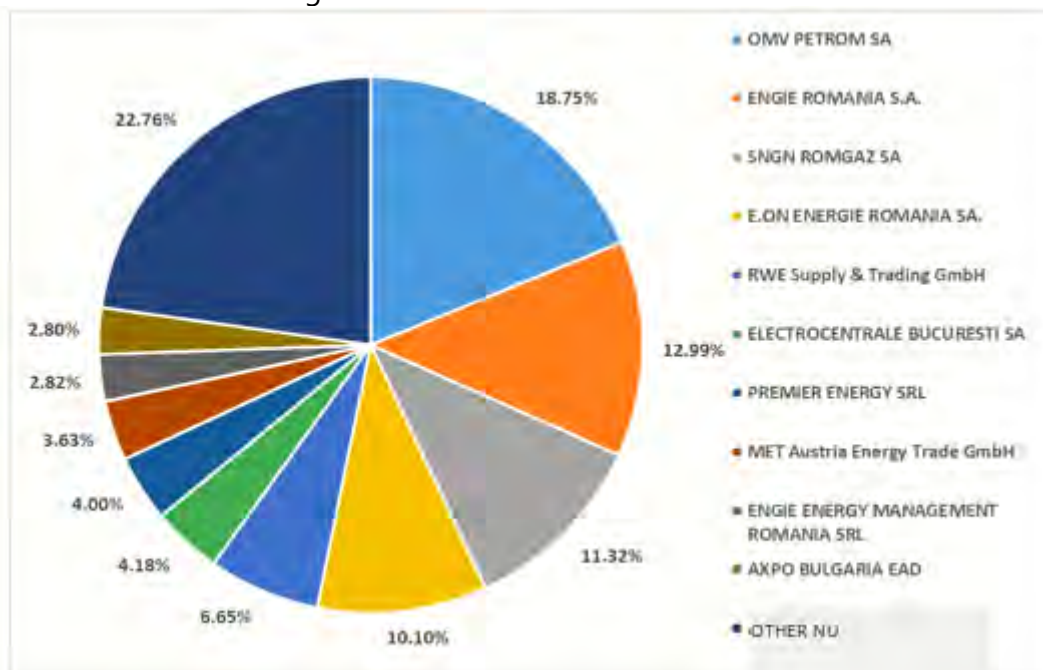


**Chart 28 – The share NTS gas consumption in total circulated gas in 2021-2023**

	2021	2022	2023
<b>PLANNED NTS GAS CONSUMPTION–thousand cm</b>	79.423	86.136	60.880
<b>ACHIEVED NTS GAS CONSUMPTION–thousand cm</b>	70.188	70.739	57.690

**Table Error! Use the Home tab to apply 0 to the text that you want to appear here. 15 – Gas quantities as planned compared to achieved NTS gas consumption in 2021-2023**

**The main beneficiaries** of the gas transmission service in 2023:



**Chart 29 - The share of the main NTS users in 2023**

Through the transmission services contracted in 2023, the total quantity of 139.973.553,599820 MWh (13.055.920,285 thousand cubic meters) was transmitted to:



	MWh	thousand cm	%
<b>Distribution</b>	69.624.750,476893	6.507.679,240	49,74
<b>Direct customers</b>	24.109.333,306663	2.262.010,156	17,22
<b>Storage</b>	22.581.021,400026	2.114.253,110	16,13
<b>Export Csanadpalota, Giurgiu Ruse, Negru Voda, Ungheni</b>	23.658.448,416000	2.171.977,779	16,90

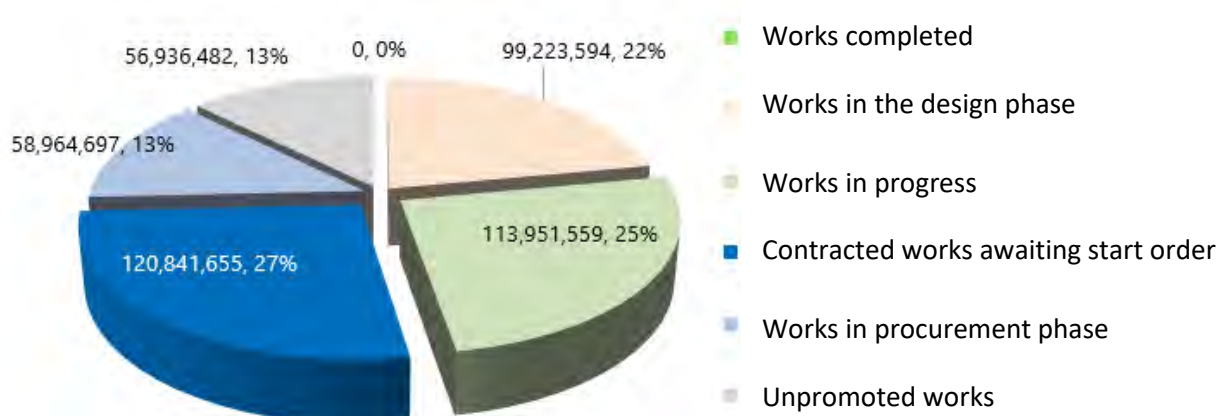
## 4.2 The investment activity

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

**For 2023 the amount of the Modernisation and Investment Development Plan of S.N.T.G.N. Transgaz S.A.** approved by the resolution of the Board of Administration was **lei 210.474.510,47**.

In January 2023, the structure of the Modernisation and Investment Development Plan was as follows: 27% contracted works awaiting start order, 25% works in progress from 2022, 22% works in the design phase, 13% works in the procurement procedure, 13% works not requested.

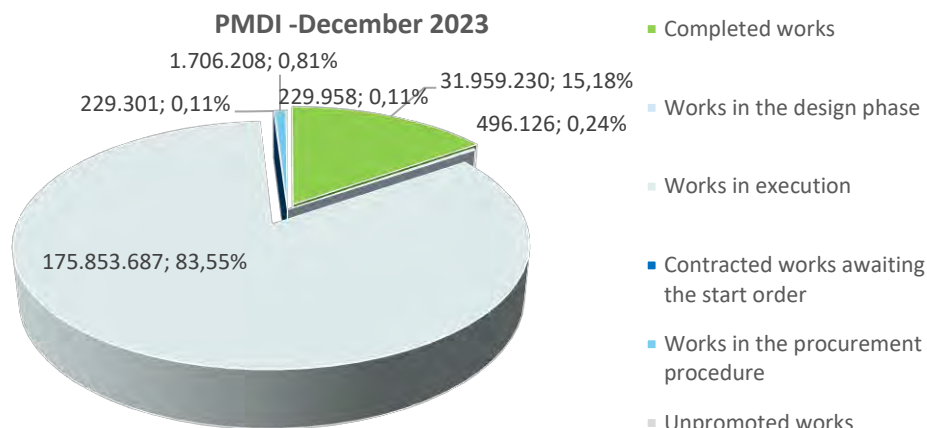
### Modernisation and Investment Development Plan – January 2023



**Chart 30 – PMDI 2023 – January 2023**

**At the end of 2023 the structure of the Modernisation and Investment Development Plan was as follows:** 84% works in progress, 15% works completed, and 1% works in the procurement procedure, in the design phase or awaiting the start order.

Compared with the situation of the works at the end of January, the percentage of works in progress increased, mainly in conjunction with a decrease in the percentage of works in the design and procurement phase.



**Chart 31 – PMDI 2023 – December 2023**

Compared to the total value of the plan of **lei 210.475 thousand**, the total value of achievements was **lei 182.266 thousand**, meaning that **86,60%** of the plan was achieved.

**The main investment objectives completed in 2023 are the following:**

- Sighetul Marmației – Borșa gas transmission pipeline
- DN 250x40 bar Vernești - Mărăcineni-Poșta Câlnău gas transmission pipeline, phase I: DN 250x40 bar, Vernești - Mărăcineni gas transmission pipeline, Buzău county (including power supply and cathodic protection)
- Nadeș-Sighișoara gas transmission pipeline
- Power supply of actuators, automation and objective monitoring components at the Gherăiești Technological Node
- Securing the Târgului river undercrossing with the DN 500 Schitu Golești - Slătioara and DN 500 Schitu Golești - Stâlpeni gas transmission pipeline, Furnicoși area
- Securing DN 500 Medieșu Aurit – Abrămuț gas transmission pipeline at the abovecrossing of the Someș river, the Culciu Mare area
- Installation of control valve at TN Munteni, Galati county
- Power supply to the actuator, automation and surveillance components of the objective at the Gherăiești Technological Node
- Câmpulung Moldovenesc - Vatra Dornei gas transmission pipeline, revision 1- phase II, L=26.394 km, Pojorâta-Vatra Dornei section
- Cathodic protection on the DN250 pipeline gas supply connection to MRS Oarja, Mureș County

**The main works in progress at the end of 2023 are the following:**

- Development on the Romanian territory of the Souther Transmission Corridor for taking over the Black Sea gas Gas Transmission Pipeline Black Sea–Podișor
- DN600 Mihai Bravu – Siliștea gas transmission pipeline and transformation into a piggable pipeline. Danube Undercrossing Dunăre Măcin Arm and Borcea Arm

- MRS Timișoara I – MRS Timișoara III gas transmission pipeline (including power supply, cathodic protection and optical fiber)
- DN 500 Plătărești – Bălăceanca gas transmission pipeline
- Deta - Moravița gas transmission pipeline, Timiș County
- Securing Târnava Mica river abovecrossing with the DN200 Fantanele-Sovata gas transmission pipeline, Chibed area, Mureș County
- Replacement of the undercrossing of county road, Bucharest Belt highway railway and Progresu railway of DN 700 Bucharest Ring gas transmission pipeline, Moara Domnească - Măgurele section
- Securing DN 300 gas transmission pipeline connection PM Stejari near the Amărăzuia river Stejari area, Gorj County
- Securing DN 500 Filipești - Răzvad and DN 400 Filipești - Moreni gas transmission pipelines Cricovul Dulce river undercrossing, I.L. Caragiale zone, Dâmbovița county
- Securing DN 500 Hurezani - Corbu - București, F1 and F2 gas transmission pipelines at the abovecrossing of the Amărăzuia river, Stejari area, Gorj County
- Securing DN 500 Tigveni - Govora pipeline at the undercrossing of a stream flowing into the Sîmnic river, Golești area, Vâlcea County
- Securing DN 500 Turcinești-Isalnita gas transmission pipeline at the abovecrossing of the Bradesti river, Almaj area, Dolj County
- Securing abovecrossing of the Valea Tarsei river with DN 700 Platou Izvor Sinaia - Filipești gas transmission pipeline, Valea Tarsei, Prahova County
- MRS Moinești I (Dealul Mare) connection to the NGNTS and to the natural gas Distribution System
- TN Racova - power supply of the actuator and automation components
- Odorization installations
- Deviation of DN 800 Onești-Han Domnești and DN 500 Onești-Adjudul Vechi gas transmission pipeline, Căiuți area, Bacău County.

In order to solve the problems encountered during the execution of the works and the achievement of the planned objectives, the following measures were taken:

- in some more difficult areas, in terms of obtaining agreements from landowners or local administrations, it was taken the decision to redesign the pipeline route or the technical solutions for construction.

## MAJOR PROJECTS

For compliance with Art. 22 of European Directive EC/73/2009 on the obligation of all EU gas transmission system operators to prepare **TYNDPs**, SNTGN Transgaz SA Mediaș, as the technical operator of the National Gas Transmission System of Romania, prepared the **Development Plan for the gas transmission system for 2022-2031, approved by ANRE by Decision No.1944/01.11.2022 updated and approved by ANRE by Decision No. 1956/04.08.2023.**

Through the proposed major projects, the company aims to become an energy hub in Eastern Europe both from the perspective of achieving a gas transmission network strongly interconnected with similar gas transmission networks in the region, and from the perspective of gas supplying.

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

In Half I 2023, the tender documents for the purchase of compression units were finalised. The Technical Documentation for obtaining the Building Permit is completed and submitted to the Competent Authority for Projects of Common Interest and the updated Technical Design is approved by the TEC.

The BRUA Phase II project involves increasing Romania's natural gas transmission capacity from Recaş at Horia to Hungary to 4,4 billion cubic metres per year and expanding the compression stations at Podișor, Bibești and Jupa, as well as the bi-directional flow between Romania and Hungary.

### ***Development on the Romanian territory of the transmission pipeline for taking over the Black Sea gas (Tuzla – Podișor)***

On 16 June 2023, the works commencement order for the Tuzla-Podișor gas pipeline was signed at the Romanian Government headquarters. The contract for the execution of the works amounting to approximately euro 500 million was concluded with KALYON INSAAT SANAYI VE TICARET ANONIM SIRKETI of Turkey.

The works commencement order comes three months after the signing ceremony of the natural gas transmission contracts concluded as a result of the capacity booking procedure for the Tuzla Black Sea gas NTS entry/exit point by Transgaz, OMV-Petrom and Romgaz, which took place on 16 March, also at the Romanian Government headquarters.

The project Black Sea-Podisor natural gas transmission pipeline is included in the TYNDP and in the list of EU projects of common interest and was submitted for funding through the Modernisation Fund, obtaining a financing of euro 85 million. The funding gap will be covered by a competitive financial mix.

The pipeline will be located in the south-eastern part of the country and crosses 3 counties: Constanța, Călărași and Giurgiu, i.e. 42 administrative territorial units (TAU). This investment will significantly contribute to increasing the security of natural gas supply in Romania, to diversifying the sources of natural gas supply, to the social and economic development of the areas crossed, through the creation of new jobs, both during the implementation of the project and during its operation.

## **4.3 Maintenance activity**

### **Repair and Rehabilitation Works Programme for NTS Maintenance**

The **Repair and Rehabilitation Work Plan for NTS Maintenance (PLRRM) 2023** had an allocated value of **lei 11.001.237,00**.

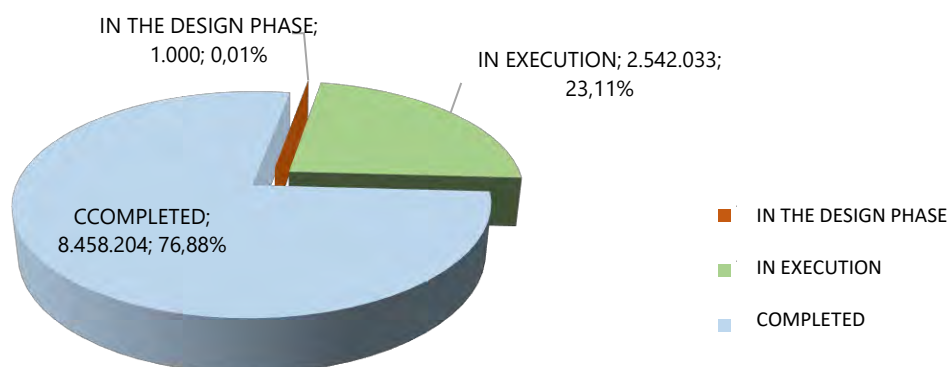
The implementation of the Repair and Rehabilitation Works Programme for NTS Maintenance at 31 December 2023 compared to the planned level is as follows:

No.	Chapter name	Programme 2023	Achieved in 31.12.2023	%
0	1	2	3	$4=3/2*100$
<b>Chap. A. REPAIR AND REHABILITATION WORKS FOR NTS MAINTENANCE (lei)</b>				
1.	Repairs and rehabilitation of main pipelines	9.528.250,00	9.223.226,15	96,68%
2.	Metering regulating stations (MRS) repairs	-	-	-
3.	Repair of technological nodes	429.300,00	428.936,89	99,92%
4.	Compressor stations repairs	-	-	-
5.	Repairs to special constructions related to MRSs and VCSs	-	-	-
6.	Cathodic protection systems (CPS) repairs	-	-	-
7.	Repairs to CT installations and equipment	47.000,00	46.641,61	99,24%
8.	Building repairs	996.687,00	994.781,30	99,81%
<b>TOTAL WORKS</b>		<b>11.001.237,00</b>	<b>10.693.585,95</b>	<b>97,20%</b>

**Table 16 - Implementation of the Repair and Rehabilitation Works Programme for NTS Maintenance (PLRRM)-31 December 2023**

At the end of 2023, the works under PLRRM were at different stages: 76,88% completed works, 23,11% works in progress and 0,01% works in the design phase.

**PLLRM 2023-NTS maintenance repair and rehabilitation works-December 2023**



**Chart 32 - PLRRM 2023 - NTS maintenance repair and rehabilitation works - December 2023**

The works completed in 2023 are as follows:

- Securing DN 500 Lunca-Sibiu and DN 500 Sădinca-CS Lunca pipeline in the Valea Țapului area;

- DN 150 supply connection ELSID Titu pipeline;
- DN 600 Paltin Schitu-Golești pipeline (Brașov County)-pedological study;
- Repair of DN 1200 Isaccea-Negru Vodă, Transit 3 pipeline, following smart pig inspection
- Repairs/aerial painting at Bacău Regional Office;
- Repairs/aerial painting at Constanța Regional Office;
- Repairs/aerial painting at Craiova Regional Office;
- Repairs/abov crossings Cluj III;
- Repairs/abov crossings on the connections of Huși and Vaslui;
- pipeline insulation works in fixed stations

**Preventive works** are the works preparing the pipelines for diagnosis, followed by one-off rehabilitation works designed on the basis of diagnosis to restore nominal gas transmission capacity. Preparing pipelines to be traversed by cleaning and diagnostic equipment is achieved by replacing or reconsidering components that do not allow their passage. The technological activity of internal pipeline cleaning has also the aim of maintaining the pipeline at its original gas transmission capacity by periodically removing impurities (solid and liquid) from upstream sources. All these activities are geared towards carrying out maintenance of necessity, based on the principle of in-service risk assessment.

As described above, an important category of the **repair works is that based on diagnosis**, resulting from the interpretation and evaluation of the reports obtained by analysing the information provided by running intelligent pigs, which resulted in spot or area repair projects carried out using welding or seamless technologies.

**With regard to the efficiency and effectiveness of the process of carrying out the repair and rehabilitation works on main pipelines**, we present the main external factors with a negative impact:

- late delivery of the materials (pipes and valves) needed to carry out the work in the current economic and political context;
- lack or expiry of the necessary permits;
- lack of landowner agreements.

**The following measures were taken to address the problems of carrying out repair and rehabilitation works:**

- documentation for obtaining permits/authorisations was re-drafted and submitted to the competent authorities;
- in some more difficult areas, in terms of obtaining agreements from landowners or at the request of local administrations, it was taken the decision to re-design the pipeline route and the technical solutions for construction;
- The priority works were achieved inhouse (Mediaș Subsidiary and Regional Office).

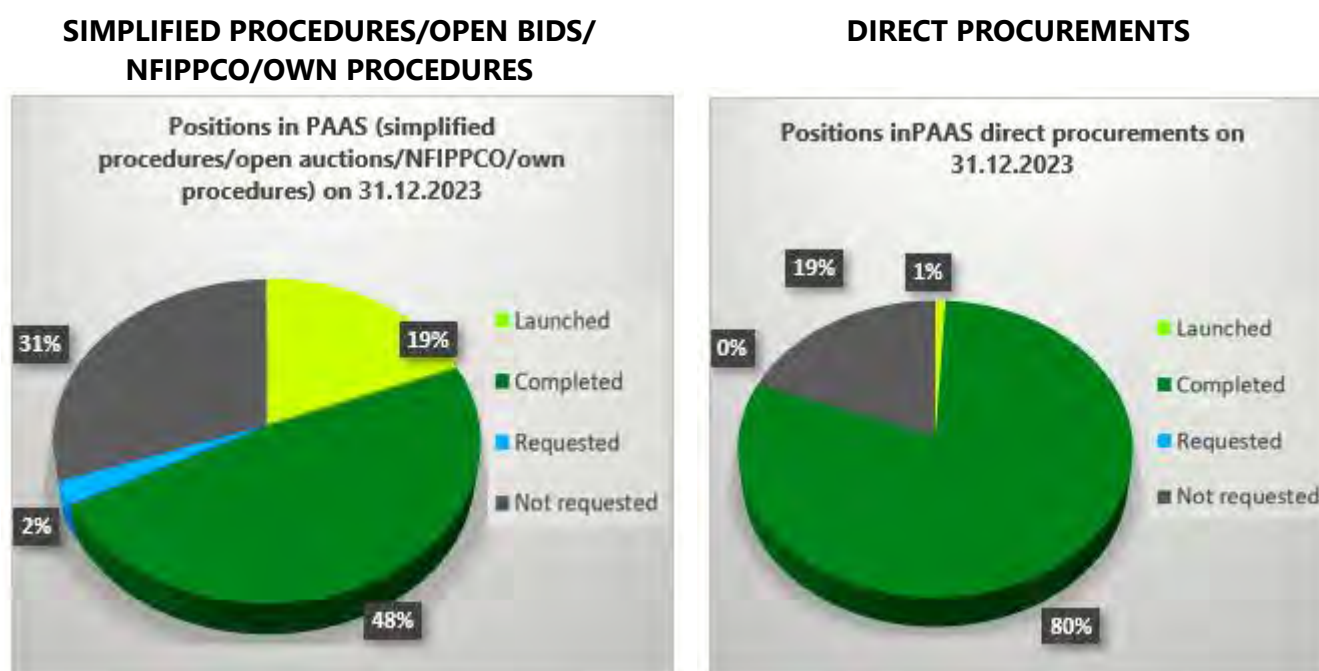
#### 4.4 The procurement activity

The **Annual Sectoral Procurement Plan** (PAAS) includes all contracts that the company is to award during a year, following the conduct of procurement procedures, direct procurement and framework agreements based on which subsequent contracts are awarded, in accordance with the



provisions of Law 99/2016 on sectoral procurement, as further amended and supplemented. **The Annual Sectoral Procurement Plan for 2023 (PAAS 2023)** had an assigned value of lei **2.239.148.226,77**.

**The situation of the physical implementation** of procurement procedures is as follows:



*Chart 33 – Actual status of procurement procedures on 31.12.2023*

#### 4.5 The legal assistance and representation activity

**The activity of legal assistance and representation of SNTGN Transgaz SA before the courts and other bodies with jurisdictional activity** aimed mainly at:

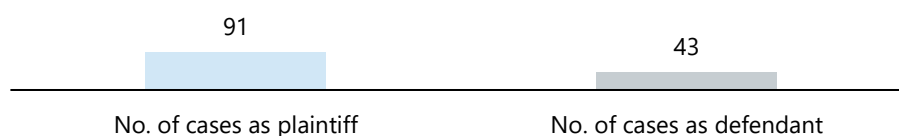
- ensuring legal assistance before courts of all levels of jurisdiction and other bodies with jurisdictional activity;
- initiating legal actions, establishing claims, filing statement of defence, preparing answers to statements of defence, examinations, setting objectives of expertise and / or objecting to judicial expertises approved by the court, administration of evidence, etc.
- promoting remedies at law;
- enforcement of the enforceable titles obtained;



- assistance and legal representation of Transgaz within the enforcement procedure (formulation of enforcement requests and any other steps specific to the enforcement procedure);
- preparation of various reports/evidence on the state of litigation to which the company is a party;
- participation in commissions set up to evaluate tenders submitted under the sectoral procurement procedures;
- participation in various working groups/committees in order to support normative acts promoted by various public institutions with an impact on Transgaz's activity.

According to case registry records, until 31.12.2023 there were a total of **134 cases** in which SNTGN Transgaz SA was plaintiff and defendant as follows:

- 91 cases as plaintiff;
- 43 cases as defendant;



**Chart 34 - Structure and number of cases in which the company was involved in 2023**

#### **Solutions:**

- **37 favourable decision cases** Transgaz (final decisions);
- **15 unfavourable decision cases** Transgaz (final decisions).

## **4.6 International cooperation activity**

In 2023 the international cooperation activity mainly was directed to:

- the 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 interconnection;
- the cooperation with the European and neighbouring gas Transmission System Operators within the Trans Balkan Corridor project
- the collaboration with European and adjacent Transmission System Operators within the Vertical Gas Corridor Project (Transgaz, DESFA Greece, ICGB, Bulgartransgaz Bulgaria, FGSZ Hungary)
- the cooperation with national and international bodies, the European Commission and other institutional relations
- the cooperation with gas transmission operators at the regional level for the development of new relevant partnerships for the energy sector and the conclusion of cooperation agreements or memoranda.

In order to expand its activity, **TRANSGAZ is considering the development of new partnerships with various international companies relevant to the energy sector** and, to this end, is engaged in sustained discussions to conclude cooperation agreements

Over the years, SNTGN Transgaz SA has initiated contacts with natural gas transmission operators in the European Union and not only with a view to developing partnership relations aimed at exchanging experience and analysing the potential for bilateral cooperation to promote possible joint projects (Gaz-System Poland, ICGB - the company implementing the Greece-Bulgaria Interconnection project, Botaş-Turkiye, GasConnect Austria, CEGH Austria, FGSZ – Hungary, SOCAR – Azerbaijan, EGAS Egypt, Energy Community Secretariat (SEEGAS initiative), etc.).

On 21 December 2022, according to Resolution 2/25 January 2022 of the Extraordinary General Meeting of the Transgaz Shareholders, the company signed the agreement for the participation in the work programme of the European Hydrogen Backbone for 2023, thus continuing the activities started under this initiative.

Based on the proposal addressed to the President of the European Commission by the transmission system operators in Bulgaria, Romania, Hungary and Slovakia to offer the existing infrastructures operated by Bulgartransgaz, Transgaz, FGSZ and Eustream for the delivery of Azerbaijani natural gas to the region, according to the framework established by the EU-Azerbaijan Strategic Cooperation Agreement signed on 18 July 2022, the Memorandum of Understanding for enhancing the cooperation between Bulgartransgaz (the Republic of Bulgaria), Transgaz (Romania), FGSZ (Hungary), Eustream (the Slovak Republic) and SOCAR (the Republic of Azerbaijan) was signed at ministerial level in Sofia, on 25 April 2023, thus laying the foundations for the Solidarity Ring - STRING initiative.

After a series of meetings between Transgaz and MEDITERRANEAN GAS SA (MedGas) - the developers of the MEDGAS ARGO FSRU project in Volos - held in the second part of 2022 and the first part of 2023, and taking into account the common interest of the two companies in diversifying supply sources and routes and ensuring energy security in Central and Eastern Europe and the Balkans, by Letter 27991/11.04.2023, Transgaz expressed its intention to acquire a stake of up to 15% in MEDGAS ARGO FSRU.

During the bilateral meetings, several aspects of this process were discussed: the steps to be taken in the process of acquiring a stake of up to 15% in MEDGAS ARGO FSRU; the calendar of corporate actions required by this process and the responsibilities of each company, the concrete road map.

On 16 March 2023, SNTGN Transgaz SA, OMV-Petrom SA and SNGN Romgaz SA signed the Ceremonial Declaration on the conclusion of the gas transmission contracts concluded as a result of the procedure for the booking of the capacity related to the NTS entry/exit point – Tuzla – for the Black Sea gas.

On 19 September 2023, SNTGN TRANSGAZ SA, through Vestmoldtransgaz SRL (VMTG), its subsidiary in the Republic of Moldova, the company that operates, exploits and dispatches the Ungheni-Chisinau gas pipeline and is certified on the ownership unbundling model, took over from

Moldovatrangaz SRL the activity of operating, exploiting, dispatching and transmitting natural gas in the Republic of Moldova.

In 27 - 29 September 2023, Transgaz organised in Sibiu the 2023 edition of the Central European Natural Gas Congress in Central, South-East Europe and the Balkans.

#### 4.7. Internal audit

According to the plan approved for 2023, a total of ten internal audit missions were planned to be carried out over the year.

The 2023 Annual Plan approved by the Director - General and endorsed by the Board of Administration by BoA Resolution 3/31.01.2023 was updated twice, changing the time period allocated to the missions.

In 2023, all planned missions and two ad hoc audit missions were carried out:

No.	Internal audit mission	Planned mission	Ad hoc mission	Current status
1.	Evaluation of advisory, legal and litigation activity	X		Planned, insurance engagement
2.	Evaluation of the activity of the Natural Gas Market Monitoring Office	X		Planned, insurance engagement
3.	Evaluation of the Automation Unit	X		Planned, insurance engagement
4.	Evaluation of transport and road safety activity at the company's headquarters	X		Planned, insurance engagement
5.	Evaluation of the activity of the General Inspection Division		X	Ad-hoc
6.	Evaluation of sectoral service procurement	X		Planned, insurance engagement
7.	Evaluation of the corruption prevention system - 2023	X		Planned, insurance engagement - system
8.	Evaluation of file no. 133/90/2014 (Bălăşoiu Marian)		X	Ad-hoc
9.	Evaluation of the activity of the Financing Contracts Department	X		Planned, insurance engagement
10.	Evaluation of the activity of issuance of construction permits and pipeline protection areas	X		Planned, insurance engagement
11.	Evaluation of third party works	X		Planned, insurance engagement
12.	Evaluation of the activity of of the Technical - Economic Analysis Department	X		Planned, insurance engagement

The audit reports prepared following the verifications carried out and endorsed by the Director-General were sent to the Audit Committee for information.

A permanent concern of the internal audit structure is to monitor the implementation of the recommendations made in the audit reports and to increase the efficiency of their implementation, as well as compliance with the implementation deadlines set in the action plan.

#### 4.8. Investor relations

SNTGN TRANSGAZ SA set up a specialized organizational structure to manage the capital market activity, namely - *Investor Relations Department* - structure whose activity is dedicated to the relationship with investors and shareholders. The personnel of the department is permanently formed, instructed, professionally trained on the aspects concerning the company's relationship with its shareholders, the principles of corporate governance, management, customer relations.

TRANSGAZ prepares and communicates relevant regular and continuous information in accordance with International Financial Reporting Standards (IFRS), the European Single Electronic Format (ESEF) and other reporting standards, i.e. environmental, social and governance (ESG). These are published on the Bucharest Stock Exchange, Financial Supervisory Authority and Transgaz websites in Romanian and in English.

In accordance with the provisions of the legal regulations on the capital market, the company prepared and published in December 2022 the *Financial Communication Calendar* for year 2023, by which it informs the public of the dates of which the general meetings of shareholders: the approval of the financial statements for the previous year and the publication of the annual report, the dates of publication of the quarterly and half-yearly reports, the dates on which meetings with financial analysts, investment advisors, brokers, SSIF are held for the presentation of financial results.

The company organizes meetings with financial analysts, brokers, market specialists and investors at the notification of the financial statements, on which occasion it publishes material relevant to the investment decision.

In 2023 SNTGN Transgaz SA held the following video conferences dedicated to the presentation of the financial results of the company:

- video conference held on 6 March 2023 with financial analysts, fund placement advisors, brokers and investors to present the preliminary annual financial results for 2022;
- video conference held on 18 May 2023 with financial analysts, fund placement advisors, brokers and investors to present the interim financial results for Q I 2023;
- video conference held on 18 August 2023 with financial analysts, fund placement advisors, brokers and investors to present the interim financial results for Half I 2023;
- video conference held on 16 November 2023 with financial analysts, fund placement advisors, brokers and investors to present the interim financial results for nine months ended 30 September 2023.

To meet the expectations of investors/financial analysts, the video conferences held were bilingual and for a transparent information of all those concerned, the company has published their registration on the Transgaz website [www.transgaz.ro](http://www.transgaz.ro) - Investors - Financial reports

The company also created a special section on its website called Investor Relations, where relevant information of the company is published in Romanian and English with regard to the procedures for access and participation in the General Meeting of Shareholders (GMS), GMS summons, supplementations to the GMS agenda, BoA's answers to shareholders' questions, exercise of voting rights at the GMS, GMS agenda materials, special and general proxy forms, forms of vote by correspondence, current reports, company financial statements, financial calendar, corporate governance, dividend distribution, ratings, transaction notifications, etc. They are constantly updated and accessible to stakeholders, thus contributing to transparent and fair information for them.

#### **4.9 The tariff setting methodology**

GEO 27/2022 provides that in order to cover the additional costs related to own technological consumption and technological consumption generated by the increase in prices on the wholesale market above the value taken into account by the regulator when calculating natural gas transmission tariffs in 2021, the Energy Regulatory Authority (ANRE) modifies the regulated tariffs, applicable from 1 April 2022. The resulting tariffs remain unchanged for the period 1 April 2022 - 31 March 2023. ANRE did not modify the transmission tariffs with the price increase substantiated by the company.

By Order 95/18.05.2022, ANRE extends the deadlines laid down in ANRE Order 32/2021 on the approval of the adjusted regulated revenue and transmission tariffs for the natural gas transmission activity through the National Transmission System until 30 September 2023 and establishes that the differences resulting from the recalculation of the regulated revenue and the adjusted regulated revenue for the fourth regulatory year, 1 October 2022 - 30 September 2023, of the fourth regulatory period, are determined and adjusted with the adjustment of the regulated revenue and the approval of the revenue for the last year of the fourth regulatory period, i.e. for 1 October 2023 - 30 September 2024.

By Order 68/30 May 2023 ANRE approved the regulated revenue and the corrected regulated revenue for the fourth and fifth regulatory year, 1 October 2022 - 30 September 2023 and 1 October 2023 - 30 September 2024, of the fourth regulatory period, for the natural gas transmission activity through the National Transmission System.

#### **4.10 Consolidated financial results (consolidated factorial analysis of the activity)**

##### **Indicators of the consolidated economic and financial results (SNTGN Transgaz SA, Eurotransgaz SRL, Vestmoldtransgaz SRL)**

The establishment of the company EUROTRANSGAZ SRL on the territory of the Republic of Moldova was approved by Extraordinary General Meeting of the Shareholders Resolution no. 10/12.12.2017 for enabling participation in the privatization procedure of the State Enterprise Vestmoldtransgaz.

Transgaz is the sole shareholder of EUROTRANSGAZ SRL.

Since 2018, following the procurement of Vestmoldtransgaz SRL of the Republic of Moldova by Eurotransgaz SRL, Transgaz, as a parent company, prepares consolidated group financial statements.

As at 25.08.2021 the European Bank for Reconstruction and Development (EBRD) became a shareholder, holding a 25% stake in the share capital of the natural gas transmission company VESTMOLDTRANSGAZ SRL, a subsidiary of TRANSGAZ in the Republic of Moldova, which owns and operates the Ungheni-Chisinau gas transmission pipeline.

### Consolidated companies in the Transgaz group:

		Share (%)
<b>SNTGN Transgaz SA</b>	Parent company	
<b>Eurotransgaz SRL</b>	Company held by SNTGN Transgaz SA	100%
<b>Vestmoldtransgaz SRL</b>	Company held by Eurotransgaz SRL	75%

(thousand lei)

Indicator	Consolidated statements 2023	Transgaz individual statements 2023	ETG, VMTG, adjustments 2023
0	1=2+3	2	3
Revenue from the domestic transmission activity	1.519.952	1.451.982	67.970
Revenue from the international transmission activity	116.306	116.306	0
Other revenue	149.247	144.258	4.988
<b>Operating revenue before the balancing and construction activity according to IFRIC12</b>	<b>1.785.505</b>	<b>1.712.546</b>	<b>72.958</b>
Depreciation	482.116	457.211	24.905
Employees costs	575.331	570.794	4.536
Technological consumption, materials and consumables used	148.294	148.201	93
Cost of royalty	55.285	55.285	0
Maintenance and transport	41.606	41.563	43
Taxes and duties due to the state	87.663	87.507	157
Revenue/ (Costs) of provisions for risks and charges	10.771	10.599	172
Other operating cost	264.076	238.492	25.583
<b>Operational profit before the balancing and the construction activity according to IFRIC12</b>	<b>120.363</b>	<b>102.894</b>	<b>17.469</b>
Revenue from the balancing activity	458.811	458.811	-
Cost of balancing gas	458.811	458.811	-

Indicator	Consolidated statements 2023	Transgaz individual statements 2023	ETG, VMTG, adjustments 2023
0	1=2+3	2	3
Revenue from the construction activity according to IFRIC12	182.450	182.450	-
Cost of constructed assets according to IFRIC12	182.450	182.450	-
<b>Operational profit</b>	<b>120.363</b>	<b>102.894</b>	<b>17.469</b>
Financial revenue	261.182	233.094	28.088
Financial cost	162.620	129.106	33.514
<b>Financial revenue, net</b>	<b>98.561</b>	<b>103.988</b>	<b>-5.426</b>
<b>Profit before tax</b>	<b>218.924</b>	<b>206.881</b>	<b>12.043</b>
Profit tax expense	33.208	38.441	-5.233
<b>Net profit for the period</b>	<b>185.717</b>	<b>168.441</b>	<b>17.276</b>
Attributable to the parent company	<b>181.441</b>		<b>181.441</b>
Attributable to the non-controlling interests	<b>4.275</b>		
Exchange rate differences	17.022		17.022
Actuarial gain/loss for the period	4.334	4.334	0
<b>Total comprehensive income for the period</b>	<b>207.073</b>	<b>172.775</b>	<b>34.298</b>

**Table 17 - Indicators of consolidated economic and financial results (SNTGN Transgaz SA, Eurotransgaz SRL, Vestmoldtransgaz SRL)**

### Consolidated achievements 2023 compared to consolidated achievements 2022

The statement of the consolidated financial results achieved as at 31 December 2023 as compared to 2022 is presented below:

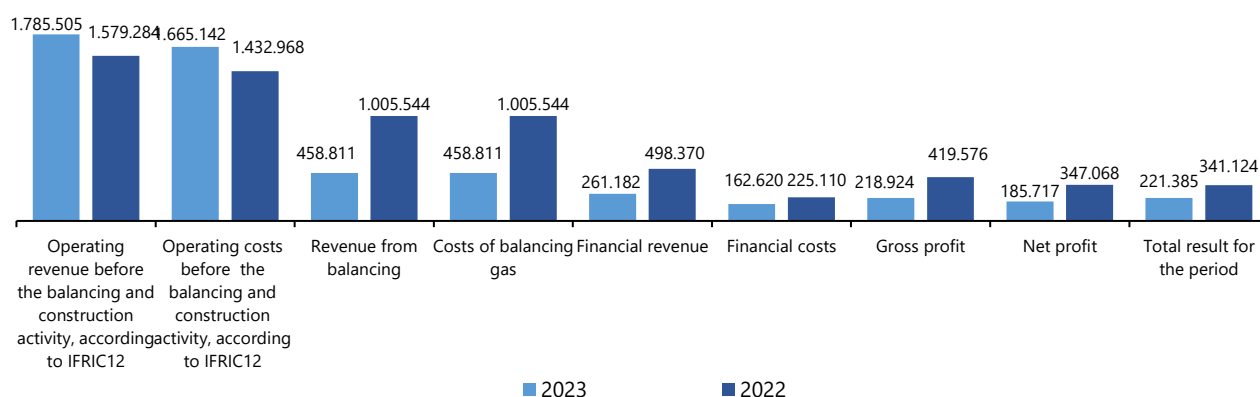
(thousand lei)

No.	Name	Obtained 2023	Obtained 2022	Changes
0	1	2	3	4=2/3x100-100
1.	Operating revenue before the balancing and construction activity, according to IFRIC12	1.785.505	1.579.284	13%
2.	Revenue from the balancing activity	458.811	1.005.544	-54%
3.	Revenue from the construction activity according to IFRIC12	182.450	299.868	-39%
4.	Financial revenue	261.182	498.370	-48%
5.	Operating costs before the balancing and construction activity, according to IFRIC12	1.665.142	1.432.968	16%
6.	Costs of balancing activity	458.811	1.005.544	-54%
7.	Cost of constructed assets according to IFRIC12	182.450	299.868	-39%
8.	Financial costs	162.620	225.110	-28%
9.	<b>GROSS RESULT</b> , of which:	<b>218.924</b>	<b>419.576</b>	<b>-48%</b>
	• from operation	120.363	146.316	-18%

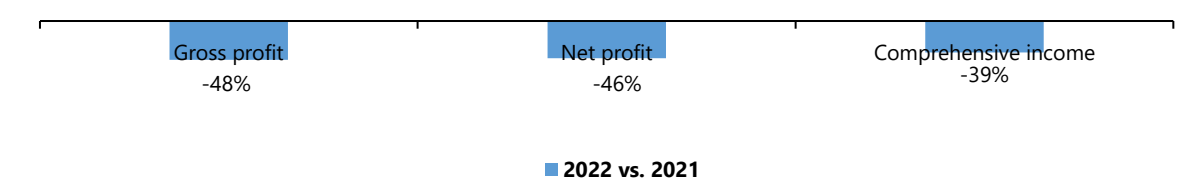


No.	Name	Obtained 2023	Obtained 2022	Changes
0	1	2	3	4=2/3x100-100
	• from the financial activity	98.561	273.260	-64%
10.	<b>Income tax</b>	33.208	72.507	-54%
11.	<b>NET PROFIT</b>	<b>185.717</b>	<b>347.068</b>	<b>-46%</b>
12.	<b>Exchange rate difference</b>	<b>17.022</b>	<b>-8.396</b>	<b>x</b>
13.	<b>Actuarial gain/loss for the period</b>	<b>4.334</b>	<b>2.452</b>	<b>77%</b>
14.	<b>Rezultatul global total aferent perioadei</b>	<b>207.073</b>	<b>341.124</b>	<b>-39%</b>

**Table 18 – Consolidated financial results in 2023 compared to 2022**



**Chart 35 – Consolidated financial results in 2023 compared to 2022 (thousand lei)**



**Chart 36 - Consolidated financial results in 2023 compared to 2022 (%)**

The variation of the preliminary consolidated economic-financial indicators at 31 December 2023, compared to the indicators obtained in 2022 is mainly determined by the variation of the individual economic-financial indicators recorded by SNTGN Transgaz SA on 31 December 2023 compared to the indicators obtained in 2022.

In 2023 Vestmoldtransgaz SRL of the Republic of Moldova provided natural gas delivery services amounting to lei 67.970 thousand).

#### 4.11 Individual financial results (factorial analysis of the individual activity)

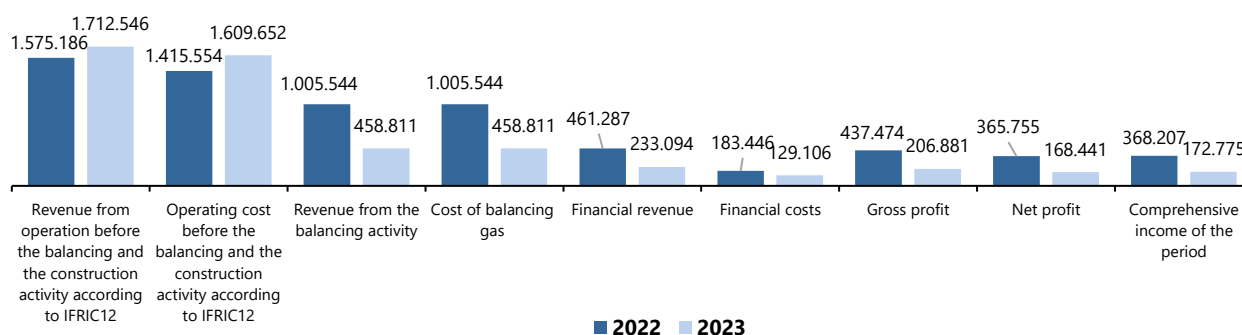
## Individual achievements in 2023 vs. individual achievements in 2022

The individual financial results obtained in 2023 as compared to 2022 is as follows:

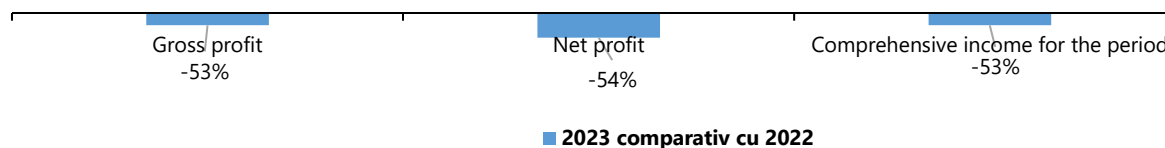
*(thousand lei)*

Name	Obtained 2023	Obtained 2022	Changes
0	1	2	3 = 1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	1.712.546	1.575.186	9%
Revenue from the balancing activity	458.811	1.005.544	-54%
Revenue from the construction activity according to IFRIC12	182.450	299.868	-39%
Financial revenue	233.094	461.287	-49%
Operating costs before the balancing and construction activity, according to IFRIC12	1.609.652	1.415.554	14%
Costs of balancing gas	458.811	1.005.544	-54%
Cost of assets according to IFRIC12	182.450	299.868	-39%
Financial costs	129.106	183.446	-30%
<b>GROSS PROFIT -total, of which:</b>	<b>206.881</b>	<b>437.474</b>	<b>-53%</b>
· from operation	102.894	159.633	-36%
· from the financial activity	103.988	277.841	-63%
Profit tax	38.441	71.719	-46%
<b>NET PROFIT</b>	<b>168.441</b>	<b>365.755</b>	<b>-54%</b>
Other elements of the comprehensive income	4.334	2.452	77%
<b>Comprehensive income of the period</b>	<b>172.775</b>	<b>368.207</b>	<b>-53%</b>

**Table 19 - Individual financial results in 2023 compared to 2022**



**Chart 37 - Individual financial results in 2023 compared to 2022 (thousand lei)**



**Chart 38 - Individual financial results in 2023 compared to 2022 (%)**

**Operating revenue before the balancing and construction activity, according to IFRIC12** increased by 9% compared to the one achieved at 31 December 2022, which is higher by lei 137.360 thousand.

This revenue was obtained under the conditions of the prorogation for the period 1 October 2022 - 30 September 2023 of the tariffs approved by Order 32/26.05.2021 of ANRE President.

By the Order 68/30.05.2023 of the ANRE President the corrected regulated revenue for 1 October 2022 - 30 September 2023 was approved, amounting to lei 1.363.977,17 thousand, 30,97% higher than the revenue approved by ANRE Order 32/2021, amounting to lei 1.041.465,61 thousand. Neither the revenue approved by ANRE Order 68/2023 nor the related transmission tariffs were applied in 1 October 2022 - 30 September 2023 due to the unchanged transmission tariffs for 1 October 2021 - 30 September 2023.

From 1 October 2023, the natural gas transmission tariffs approved by the Order 68 of 30.05.2023 of the ANRE President are applicable. The approved regulated revenue for natural gas transmission for 1 October 2023 - 30 September 2024 is lei 1.647.347.820.

**The revenue was influenced mainly by the following factors:**

- *revenue from capacity booking* higher by **lei 80.564 thousand** due to:
  - *capacity booking tariff* higher by lei cu 0,344/MWh, with a positive influence of lei 123.343 thousand;
  - *booked capacity* higher by 2.489.350 MWh, with a positive influence of lei 6.220 thousand;

- *capacity overrun revenue* higher by lei 45.459 thousand. Capacity overrun revenue at 31 December 2022 amounted to lei 75.737 thousand, and at 31 December 2023 to lei 121.196 thousand;
- *revenue from the auction premium* lower by lei 94.458 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points; revenue from the auction premium at 31 December 2022 amounted to lei 227.801 thousand, and at 31 December 2023 to lei 133.343 thousand.
- *commodity revenue* higher by **lei 19.488 thousand** due to:
  - *the commodity transmission tariff* higher by lei 0,14 lei/MWh, with a positive influence of lei 19.985 thousand;
  - *the gas transmitted capacities* lower by 448.256 MWh as compared to 31 December 2022, with a negative influence of lei 498 thousand, detailed by categories of consumers as follows:

		12 months 2023	12 months 2022	Differences
Quantity transmitted for direct consumers	MWh	71.894.881	68.472.756	3.422.125
	thousand m <sup>3</sup>	7.548.241	6.185.284	1.362.957
Quantity transmitted for distribution	MWh	69.624.750	73.495.131	-3.870.381
	thousand m <sup>3</sup>	5.507.679	6.846.782	-1.339.103
Total	MWh	141.519.631	141.967.887	-448.256
	thousand m <sup>3</sup>	13.055.920	13.032.066	23.854

- *international gas transmission revenue and similar* higher by **lei 42.379 thousand**; according to the Agreement for the termination of the legacy Contract between SNTGN Transgaz SA and GPE, the remaining amounts will be paid over a period of maximum three years and the transmission revenue is regulated according to ANRE Order 41/2019 and ANRE Order 34/2014, based on the points where capacity is booked, the monthly difference being classified as similar income.
- *other operating revenue* lower by **lei 5.071 thousand**.

*The revenue from the balancing activity* was lower by **lei 546.733 thousand** based on the following factors:

- trading price lower by lei 301,86/MWh, with a negative influence of lei 602.597 thousand;
- quantity higher by 105.068 MWh with a positive influence of lei 55.863 thousand;

*The revenue from the construction activity* lower by **lei 117.419 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;

*The financial revenue* has a negative influence of **lei 228.193 thousand** mainly due to the recording of the updating of the regulated assets value with the inflation rate of 6,61% at 31 December 2023 compared to 16,37% at 31 December 2022 (lei 144.616 thousand at 31 December 2023 as compared to lei 286.877 thousand at 31 December 2022). In 2022 Transgaz record revenue from shareholdings following the reduction of Eurotransgaz's share capital by EUR 13,15 million and in

2023 the share capital of Eurotransgaz was diminished by lei 13.504 thousand, amount received in August 2023.

**Operating costs before the balancing and construction activity according to IFRIC12** increased by **14%** as compared to 31 December 2022, which is higher by **lei 194.099 thousand**.

**The company made savings of lei 45.986 thousand** to the following cost elements:

- transmission system gas consumption of lei 36.049 thousand due to:
  - the quantity of natural gas for NTS gas consumption lower by 126.518 MWh as compared to 31 December 2022, with a positive influence of lei 25.588 thousand;
  - the average purchase price achieved lower by lei 16,68/MWh as compared to the one achieved at 31 December 2022, with a positive influence of lei 10.461 thousand;
- cost of licensing fee: lei 2.448 thousand
- cost of provision for risks and charges: lei 7.490 thousand.

**A surplus amounting to lei 240. 085 thousand** was recorded to the following cost elements:

- employee costs: lei 79.206 thousand;
- cost of royalty: lei 49.582 thousand due to the increasing of the royalty rate from 0,4% to 11,5% of the value of the gross revenue from transmission and transit operations through the national transmission systems, according to Article 49(2)(b) of Petroleum Law 238/2004 as of 30 October 2023;
- cost of depreciation: lei 33.562 thousand, based on the completion and commissioning of investments projects;
- cost of auxiliary materials: lei 9.231 thousand;
- cost of maintenance and transmission: lei 4.649 thousand;
- cost of monopoly tax: lei 2.522 thousand;
- other operating costs: lei 60.682 thousand. In 2023 the company recorded costs with the depreciation of trade receivables in the amount of lei 108.175 thousand, higher by lei 52.800 thousand compared to 2022. The amount of depreciation of trade receivables was mainly determined by the non-collection of receivables from Gazprom Export LLC (lei 120.908 thousand) decreased by the collection of receivables from Electrocentrale Constanta (lei 20.546 thousand) and Mehedinți Gaz SA (lei 3.214 thousand). As at 31 December 2023, the Company capitalized the amount of lei 10.113 thousand (lei 3.345 thousand as of 31 December 2022), representing the difference between the costs of technological consumption realized over the one approved in the transmission tariff, in accordance with GEO 27/2022;
- other costs: lei 651 thousand.

**The financial cost** is lower by **lei 54.340 thousand**, due to the decrease in the share capital of EUROTRANSGAZ Chisinau of the Republic of Moldova. In 2022 Transgaz recorded revenue from shareholdings following the reduction of Eurotransgaz's share capital by EUR 13,15 million and in 2023 the share capital of Eurotransgaz was reduced by lei 13.504 thousand, amount received in August 2023.

Compared to 31 December 2022 the gross profit realized at 31 December 2023 decreased by 53%, which is lower by lei 230.592 thousand, and the net profit is decreased by 54%, which is lower by lei 197.315 thousand.

### Individual achievements in 2023 compared to the Revenue and Expense Budget 2023

The main preliminary economic and financial indicators realized in 2023, compared to the revenue and expense budget approved by OGMS Resolution 2/16 February 2023:

(thousand lei)

Indicator	REB 2023	Achieved 2023	Changes
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	1.669.099	1.712.546	3%
Revenue from the balancing activity	1.280.455	458.811	-64%
Revenue from the construction activity, according to IFRIC12	954.064	182.450	-81%
Financial revenue	267.074	233.094	-13%
Operating costs before the balancing and construction activity, according to IFRIC12	1.734.349	1.609.652	-7%
Costs with balancing gas	1.280.455	458.811	-64%
Cost of assets according to IFRIC12	954.064	182.450	-81%
Financial costs	121.520	129.106	6%
<b>GROSS PROFIT</b>	<b>80.305</b>	<b>206.881</b>	<b>158%</b>
<b>Income tax</b>	<b>16.380</b>	<b>38.441</b>	<b>135%</b>
<b>NET PROFIT</b>	<b>63.924</b>	<b>168.441</b>	<b>163%</b>

Table 20 - Financial results in 2023 compared to the Budget for 2023

**Operating revenue before the balancing and construction activity according to IFRIC12** increased by **lei 43.448 thousand** as compared to the REB.

The revenue was influenced by the following:

- Gas transmission services increased by **lei 14.902 thousand** due to:
  - *capacities booked* higher by 26.064.839 MWh with a positive influence of **lei 91.116 thousand**;
  - *average capacity booking tariff, determined by the structure of the booked products*, lower by lei 0,117/MWh, with a negative influence of lei **43.988 thousand**
  - *the gas transmitted capacities* lower than planned by 9.628.138 MWh (▼6%) with a negative influence of **lei 13.971 thousand**;
  - *commodity transmission tariff* lower by lei 0,134/MWh, with a negative influence of **lei 18.255 thousand**.

- Revenue from international gas transmission services and similar increased by **lei 46.890 thousand**;
- Other operating revenue decreased by **lei 18.345 thousand** as compared to the REB; the financial statements of Transgaz 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 decreased by **lei 821.644 thousand** based on the following:

- trading price lower by lei 318,38/MWh, with a negative influence of lei 635.587 thousand;
- quantity lower by 339.388 MWh with a negative influence of lei 186.057 thousand;

**Financial revenue** decreased by **lei 33.980 thousand** as compared to the REB.

**Operating costs before the balancing and construction activity according to IFRIC12** decreased by **7%** as compared to the approved plan, which is lower by **lei 124.696 thousand** as compared to the REB.

**Savings amounting to lei 286.806 thousand** were recorded mainly the following cost elements:

- employee costs: lei 51.570 thousand;
- transmission system gas consumption: lei 98.084 thousand;
- auxiliary materials and other material costs: lei 77.796 thousand;
- cost of maintenance and transport: lei 42.839 thousand;
- cost of taxes and duties: lei 4.039 thousand;
- cost of provision for risks and charges: lei 12.478 thousand.

**A surplus of lei 162.111 thousand** was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: lei 49.259 thousand due to the increasing of the royalty rate from 0,4% to 11,5% of the value of the gross revenue from transmission and transit operations through the national transmission systems, according to Article 49(2)(b) of Petroleum Law 238/2004, as of 30 October 2023;
- cost of depreciation: lei 14.041 thousand, based on commissionings;
- other operating costs: lei 98.811 thousand, mainly determined by the adjustments for impairment of current assets due to non-collection of receivables from Gazprom.

**The financial cost** is higher by **lei 7.587 thousand**, mainly due to costs regarding the financial fixed assets transferred. By SNTGN Transgaz SA BoA Resolution 38/2022 it was approved the reduction of the share capital of Eurotransgaz by lei 13.504 thousand, amount received in August 2023.

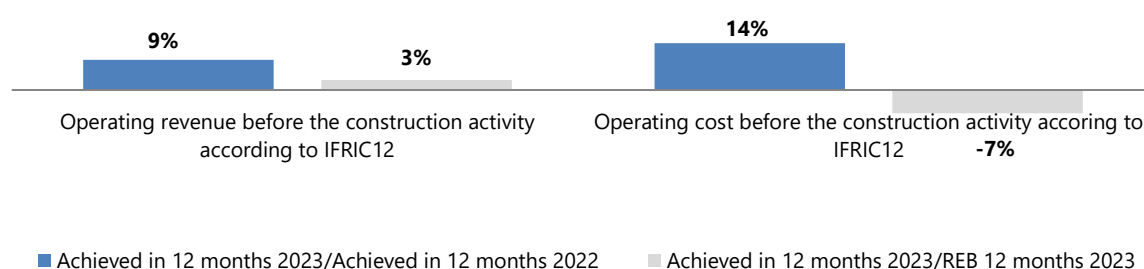
**The gross profit increased by lei 126.576 thousand as compared to the REB.**

	<b>Achieved in 12 months 2023 compared to Achieved in 12 months 2022</b>	<b>Achieved in 12 months 2023 compared to</b>
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		REB for 12 months 2023
Operating revenue before the balancing and construction activity, according to IFRIC12	9%	3%
Operating costs before the balancing and construction activity, according to IFRIC12	14%	-7%
Gross result	-53%	158%
Profit tax	-46%	135%
Net profit	-54%	163%

**Table 21– Achieved in 12 months 2023 compared to Achieved in 12 months 2022 and Achieved in 12 months 2023 compared to REB (%)**



**Chart 39 - Individual achievements in 12 months 2023 vs. individual achievements in 12 months 2022 and individual achievements in 12 months 2023 vs. REB for 12 months 2023**

### Individual achievements 2023 compared to the Management Plan 2023

The key financial performance indicators were substantiated on the basis of data from the company's Revenue and Expense Budget approved by Resolution 2/2023 of the General Meeting of the Shareholders.

The level of financial performance indicators achieved compared to those set out in the Management Plan is presented in the table below:

*(thousand lei)*

No.	Performance criteria	Management plan 2023	Achieved 2023	Percentage	Difference
1.	Outstanding payments-thousand lei	0	0	100%	0
2.	Operating expenses (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges)-thousand lei	1.296.063	1.025.167	126%	270.896
3.	Acid test ratio	1	1,25	125%	0,25
4.	Net leverage	5,5	2,90	190%	-2,60
5.	EBITDA-thousand lei	377.921	560.105	148%	182.184

*Table 22 – Individual achievements in 2023 compared to the Management Plan 2023*

## 5. CONSOLIDATED ECONOMIC AND FINANCIAL STATEMENT

### 5.1 Consolidated financial position

According to Article 1 of Order 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 annual financial statements.

The statement of the consolidated financial position as at 31.12.2023 as compared to 31.12.2022 is as follows:

Indicator	31.12.2023	31.12.2022	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2
Tangible assets	769.080	801.193	95,99%
Rights of use for the leased assets	173.446	16.935	1024,19%
Intangible assets	3.643.272	3.909.591	93,19%
Goodwill	10.126	9.567	105,84%
Trade receivables and other receivables	2.423.669	2.141.205	113,19%
Deferred tax	5.116	0	-
<b>Restricted cash</b>	<b>1.956</b>	<b>1.564</b>	<b>125,14%</b>
<b>Fixed assets</b>	<b>7.026.666</b>	<b>6.880.055</b>	<b>102,13%</b>
Inventories	583.515	613.183	95,16%
Commercial receivables and other receivables	441.071	346.799	127,18%
Cash at hand and in bank	710.857	417.104	170,26%
<b>Current assets –TOTAL</b>	<b>1.735.443</b>	<b>1.377.086</b>	<b>126,02%</b>
<b>TOTAL ASSETS</b>	<b>8.762.109</b>	<b>8.257.141</b>	<b>106,12%</b>
Debts to be paid over a one-year period	1.403.076	964.708	145,67%
Debts to be paid over a period of more than one year	3.142.919	3.151.524	99,66%
<b>Total debts</b>	<b>4.545.995</b>	<b>4.116.232</b>	<b>110,44%</b>
<b>Shareholders' equity</b>	<b>4.216.114</b>	<b>4.140.904</b>	<b>101,82%</b>
Non-controlling interests	101.491	82.818	122,55%
<b>Equity</b>	<b>4.114.623</b>	<b>4.058.086</b>	<b>101,39%</b>
Share capital	1.883.815	1.883.815	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	253.472	199.645	126,96%
Consolidation exchange rate differences	22.642	19.932	113,60%
<b>Total equity and debts</b>	<b>8.762.109</b>	<b>8.257.136</b>	<b>106,12%</b>

**Table 23- Statement of consolidated financial position in 2023 compared to 2022**

### **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 decreased by lei 32.113 thousand** as compared to the value as at 31.12.2022, mainly due to the fact that the tangible assets entries were exceeded by the depreciation cost for tangible assets.

### **Rights of use of leased assets**

As at 1 January 2019 the company applies IFRS 16 for lease contracts complying with the recognition criteria and recognized as intangible asset right of use related to the lease contracts.

**The rights of use of leased assets increased by lei 156.511 thousand** as compared to 31 December 2022 mainly due to the initial value of the leased assets contracts of the Vestmoldtransgaz SRL subsidiary. As of 19 September 2023, according to ANRE MD Resolution 434/2023, Vestmoldtransgaz SRL of the Republic of Moldova was appointed as operator of the entire gas transmission system in the Republic of Moldova. On 4.09.2023 Lease Contract for Natural Gas Transmission Networks No.70-SJ of 04.09.2023 was signed between Moldovatrangaz Ltd. and Vestmoldtransgaz Ltd. This contract entered into force on 19.09.2023, was concluded for a period of 5 years and the amount of annual lease is MDL 165 mln., VAT excluded.

### **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.

#### *Service concession agreement*

From 2010, in accordance with the EU approval process, the parent 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 parent company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right. 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 decreased by lei 266.319 thousand** as compared with the value as at 31.12.2022, this decrease being mainly due to the fact that the intangible assets entries was exceeded by the cost of amortization of intangible assets.

#### ***Trade receivables and other receivables/Fixed assets***

**The receivables regarding the right to collect the regulated value remaining unamortized at the end of the concession agreement on 31 December 2023 increased by the amount of lei 282.464 thousand**, receivables registered according to 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 of lei 282.464 thousand compared to the value at 31 December 2022 is mainly due to the updating of the receivables with the changes recorded in the regulated asset base and the adjustment of the regulated value of the assets with the inflation rate as from 2019, as per ANRE Order 41/2019. The amount of the adjustment of the receivable with inflation decreased in 2023 compared to 2022 due to the decrease of the inflation rate in 2023 to 6,61% (13,37% in 2022). Fixed assets recognised in the regulated asset base in a gas year are discounted with the rate of inflation from the following gas year.

#### ***Inventories***

**On 31 December 2023 inventories decreased by lei 29.668 thousand** compared to the value as at 31 December 2022, mainly due to the decreasing of the value of the natural gas procured within the balancing activity.

#### ***Commercial receivables and other receivables***

**On 31 December 2023**, the balance of the commercial receivables and other receivables **increased by lei 94.272 thousand** as compared to 31 December 2022, mainly due to the following factors:

- increase of the client receivables balance by lei 190.942 thousand mainly generated by the decrease in the balance of the outstanding receivables;
- increase of the adjustment of impairment of the trade receivables and of other receivables by lei 109.399 thousand;
- decrease of the grants as subventions by lei 3.424 thousand;
- increase of the claims against the state budget by lei 25.896 thousand;
- decrease of the balance of other receivables by lei 9.743 thousand.

#### ***Cash at hand and in bank***

**On 31 December 2023 the company's cash increased by lei 294.146 thousand** as compared to the end of 2022. The cash in bank accounts in lei increased by lei 114.028 thousand and the cash in bank accounts in currency increased by lei 180.195 thousand.

Other cash equivalent register an increase by lei 77 thousand compared with 2022.

#### ***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 recorded compared to 31 December 2022:

- increase of the balance of the commercial debt and other debt by lei 107.844 thousand;
- increase of the provision for risks and charges by lei 2.808 thousand;
- increase of the provision for employee benefit by lei 11.551 thousand;
- increase of the deferred revenue over the short term by lei 6.554 thousand;
- increase of short-term loans by lei 309.611 thousand.

### **Long-term debts**

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

- decrease of short-term loans in the amount of lei 20.738 thousand;
- decrease of deferred revenue and of the subsidies by lei 119.244 thousand;
- increase of the provision for employee benefit by lei 3.912 thousand;
- decrease of the deferred tax in the amount of lei 3.053 thousand;
- increase of the balance of the commercial debts and other debts by lei 130.318 thousand.

### **Equity**

There was no change in the subscribed and paid-up capital.

Retained earnings increased by lei 56.537 thousand due to the recording of the profit distribution for 2022 and the recording of the legal reserve for 2023.

## **5.2 Consolidated comprehensive income**

The situation of the profit and loss account at 31 December 2023 compared to 31 December 2022:

*-thousand lei-*

Specification	Obtained (thousand lei)		Dynamics (%)
	31.12.2023	31.12.2022	
1	2	3	4=2/3
<b>TOTAL revenue of which:</b>	<b>2.687.946</b>	<b>3.383.066</b>	<b>79,45%</b>
Operating revenue before the construction activity, according to IFRIC12 and balancing	1.785.505	1.579.284	113,06%
Revenue from the balancing activity	458.811	1.005.544	45,63%
Revenue from the construction activity according to IFRIC12	182.450	299.868	60,84%
Financial revenue	261.182	498.370	52,41%
<b>TOTAL costs of which:</b>	<b>2.469.022</b>	<b>2.963.490</b>	<b>83,31%</b>
Operating costs before the construction activity, according to IFRIC12, and balancing	1.665.142	1.432.968	116,20%
Cost of balancing	458.811	1.005.544	45,63%
Cost of constructed assets according to IFRIC12	182.450	299.868	60,84%
Financial costs	162.620	225.110	72,24%
<b>GROSS PROFIT, of which:</b>	<b>218.924</b>	<b>419.576</b>	<b>52,18%</b>
Result from operation	120.363	146.316	82,26%
Financial result	98.561	273.260	36,07%

Specification	Obtained (thousand lei)		Dynamics (%)
	31.12.2023	31.12.2022	
<b>PROFIT TAX</b>	<b>33.208</b>	<b>72.507</b>	<b>45,80%</b>
<b>NET PROFIT</b>	<b>185.717</b>	<b>347.068</b>	<b>53,51%</b>
Attributable to the parent company	181.442	351.895	51,56%
Attributable to the non-controlling interests	4.275	-4.827	-88,57%
<b>Number of shares</b>	188.381.504	188.381.504	
<b>Other comprehensive income</b>			
Basic and diluted earnings per share (in lei per share)	0,99	1,84	
Actuarial (gain)/loss of the period	4.334	2.452	176,74%
Exchange rate differences	17.022	-8.396	-202,73%
<b>Total comprehensive income for the period</b>	<b>207.073</b>	<b>341.124</b>	<b>60,70%</b>
Attributable to the parent company	202.798	345.951	58,62%
Attributable to the non-controlling interests	4.275	-4.827	-88,57%

**Table 24 - Consolidated profit and loss account in 2023 compared to 2022**

### 5.3 Consolidated cash flow statement

The consolidated cash flow statement on 31 December 2023 is as follows:

-thousand lei-

Indicator	Financial year ended 31 December (thousand lei)	
	2023	2022
<b>Profit before tax</b>	<b>218.924</b>	<b>419.576</b>
Adjustments for:		
Depreciation	482.116	435.410
Gain/(loss) from the transfer of fixed assets	-123	-452
Provisions for risks and charges	2.858	13.759
Revenue from connection fees, grants and goods taken free of charge	-113.957	-107.067
Concession Agreement receivable adjustment	-147.131	-286.877
Loss on amounts receivable and sundry debtors	126	1.696
Gain/(loss) from impairment of inventory	8.500	13.249
Adjustment of impairment of receivables	109.399	42.126
Provisions for employee benefits	12.567	2.342
Effect of updating the provision for employee benefits	7.229	5.541
Interest revenue	-59.915	-50.740
Interest expenses	103.656	55.752
The effect of the currency exchange rate variation on other elements than operation	8.769	2.312
Other revenue/costs	-330	-835

Indicator	Financial year ended 31 December (thousand lei)	
	2023	2022
<b>Operating profit before the changes in working capital</b>	632.688	545.793
(Increase)/decrease in trade and other receivables	-71.270	110.454
(Increase)/decrease in inventories	20.665	-320.636
Increase/(decrease) in commercial debt and other debts	21.000	326.101
<b>Cash from operations</b>	<b>603.083</b>	<b>661.713</b>
Paid interest	-128.150	-69.604
Received interest	4.317	1.278
Paid profit tax	-80.998	-77.533
<b>Net cash inflows from operation</b>	<b>398.252</b>	<b>515.853</b>
<b>Cash flow from investments</b>		
Payments for the acquisition of intangible assets	-236.079	-598.243
Payments for the acquisition of tangible assets	-12.568	-18.801
Financial investments/participations	0	0
Receipts from the transfer of tangible assets	264	479
Repaid loans	-4.561	0
Cash from connection fees and non-reimbursable funds	4.477	133.209
<b>Net cash used in investment activities</b>	<b>-248.466</b>	<b>-483.356</b>
<b>Cash flow from financing activities</b>		
Share capital increase	0	3.205
Repayments of long term loans	246.610	0
Credit drawdowns/payments for the working capital	-132.099	-143.485
Payments IFRS 16	175.431	291.740
Paid dividends	-13.183	-5.157
Drawdown of long-term loans	-132.399	-175.089
<b>Net cash used in financing activities</b>	<b>144.361</b>	<b>-28.786</b>
<b>Net change in cash and cash equivalents</b>	<b>294.146</b>	<b>3.711</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>418.667</b>	<b>414.955</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>712.813</b>	<b>418.667</b>

**Table 25 - Consolidated cash flow statements in 2023 compared to 2022**

The analysis of the cashflow in 2023 show an **increase of liquid assets** by lei **294.146 thousand** as compared to 2022.

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

- cash flow from operation is of lei 398.252 thousand, lower by lei 117.601 thousand than in 2022;
- cash flow from the investment activity is of lei -248.466 thousand, higher by lei 234.890 thousand than in 2022;



- cash flow used in the financing activity is of lei 144.361 thousand, higher by lei 173.147 thousand than in 2022.

## 5.4 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; the Company does not apply hedge accounting. The management believes 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:

	31 December 2023	31 December 2022
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	684.054	717.466
USD depreciation by 10%	(684.054)	(717.466)
EUR appreciation by 10%	(43.314.636)	(48.434.205)
EUR depreciation by 10%	43.314.636	48.434.205

#### Price risk

The company is exposed to commodity price risk for the gas purchased for its 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 4.888.012 (December 2022: lei 6.204.117).

#### Interest rate risk on cash flow and fair value

The Company is exposed to interest rate risk by deposits with banks and loans with variable interest taken. 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 higher/lower by lei 9.012.228 (December 2022: higher/lower by lei 8.799.596 ), as a net result of the change of interest rate for variable interest loans and interest rate for bank deposits.

### 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 five main customers, which together account for 43% of the trade receivable balances as at 31 December 2023 (31 December 2022: 50%).

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 31 December 2023 the Company has off-balance payment guarantees from clients amounting to lei 497.073.837.

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

(lei)

	<b>31 December 2023</b>	<b>31 December 2022</b>
Without rating	33.048.306	336.387
BB+	251.805.038	146.038.192
BBB-	276.682.320	147.205.763
BBB	614.290	34.429.420
BBB+	150.261.015	90.012.913
A+	134.911	135.448
AA	156.187	319.570
	<b>712.702.067</b>	<b>418.477.693</b>

*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 consider 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 Financial Division of 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 31 December 2023 in terms of remained contractual maturity. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

The analysis of financial liabilities on 31 December 2023 in terms of maturity is as follows:

(lei)

	<b>Total amount</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>
Loans	3.093.774.456	582.926.342	1.395.339.865	1.115.508.249
Commercial debts and other debts	555.757.798	528.124.416	27.633.382	-
Liabilities related to rights of use of leased assets	146.564.072	31.756.889	114.807.183	-
	<b>3.796.096.326</b>	<b>1.142.807.647</b>	<b>1.537.780.430</b>	<b>1.115.508.249</b>

The analysis of financial liabilities on 31 December 2022:

(lei)

	<b>Total amount</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>
Loans	2.870.185.324	274.804.999	1.531.875.310	1.063.505.015
Commercial debts and other debts	543.784.113	543.784.113	-	-
Liabilities related to rights of use of leased assets	17.929.828	3.751.347	14.178.481	-
	<b>3.431.899.265</b>	<b>822.340.459</b>	<b>1.546.053.791</b>	<b>1.063.505.015</b>

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 deferred revenue.

Categories of financial instruments:

(lei)

	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Financial assets</b>		
Cash and cash equivalents	123.999.082	233.977.930
Term bank deposits	588.813.963	184.688.625
Credits and receivables	2.781.926.204	2.432.068.467
Financial assets - shares	24.578.237	24.578.237
Adjustments for financial assets - shares	(24.578.237)	(24.578.237)
	<b>3.494.739.249</b>	<b>2.850.735.022</b>

	31 December 2023	31 December 2022
<b>Financial liabilities</b>		
Debts measured at depreciated cost:		-
Loans	2.481.579.111	2.190.892.341
Debts measured at fair value:		
-Financial guarantees related to contracts	50.446.894	44.668.511
-Commercial debts and other debts	507.098.374	504.810.001
	<b>3.039.124.379</b>	<b>2.740.370.853</b>

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.

The net leverage at 31 December 2023 and at 31 December 2022 is as follows:

(lei)

	31 December 2023	31 December 2022
Total loans	2.481.579.111	2.190.892.341
Less: cash and cash equivalents	(712.813.045)	(418.666.555)
Net cash position	1.768.766.066	1.772.225.786
Equity	4.216.113.767	4.140.908.265
Leverage	0,40	0,43

### 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.

## 6. INDIVIDUAL ECONOMIC AND FINANCIAL STATEMENT

### 6.1 Individual financial position

According to Article 1 of Order 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 financial position as at 31.12.2023 as compared to 31.12.2022 is as follows:

Indicator	31.12.2023	31.12.2022	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2 -1
Tangible assets	377.640	418.132	-9,68%
Rights of use for the leased assets	14.501	16.935	-14,37%
Intangible assets	3.643.263	3.909.577	-6,81%
Financial assets	177.619	191.123	-7,07%
Trade receivables and other receivables	2.423.669	2.141.205	13,19%
Deferred tax	1.734	0	
Restricted cash	1.956	1.562	25,22%
<b>Fixed assets</b>	<b>6.640.382</b>	<b>6.678.534</b>	<b>-0,57%</b>
Inventories	577.081	609.878	-5,38%
Commercial receivables and other receivables	400.845	335.331	19,54%
Cash at hand and in bank	675.601	382.675	76,34%
<b>Current assets –TOTAL</b>	<b>1.653.527</b>	<b>1.327.884</b>	<b>24,52%</b>
<b>TOTAL ASSETS</b>	<b>8.293.909</b>	<b>8.006.418</b>	<b>3,59%</b>
Debts to be paid over a one-year period	1.327.945	956.859	38,78%
Debts to be paid over a period of more than one year	2.842.310	2.966.813	-4,20%
<b>Total debts</b>	<b>4.170.255</b>	<b>3.923.672</b>	<b>6,28%</b>
<b>Shareholders' equity</b>	<b>4.123.654</b>	<b>4.082.746</b>	<b>1,00%</b>
Share capital	1.883.815	1.883.815	0,00%
Hyperinflation adjustment of share capital	441.418	441.418	0,00%
Share premium	247.479	247.479	0,00%
Other reserves	1.265.797	1.265.797	0,00%
Retained earnings	285.145	244.237	16,75%
<b>Total equity and debts</b>	<b>8.293.909</b>	<b>8.006.418</b>	<b>3,59%</b>

**Table 26- Statement of individual financial position in 2023 compared to 2022**

### ***Tangible assets***

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

**Tangible assets decreased by lei 40.492 thousand** as compared to the value as at 31.12.2022, mainly due to the fact that the tangible assets entries did not exceed the depreciation cost for tangible assets.

### ***Rights of use of leased assets***

As at 1 January 2019 the company applies IFRS 16 for lease contracts complying with the recognition criteria and recognized as intangible asset right of use related to the lease contracts. The rights of use of leased assets **decreased by lei 2.434 thousand as compared to 31 December 2022** due to the fact that the initial value of the leased assets contracts was lower than the depreciation cost.

### ***Intangible assets***

#### *IT Programs*

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.

#### *Service 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 activity 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. 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 decreased by lei 266.314 thousand** as compared with the value as at 31.12.2022, this decrease being mainly due to the fact that the intangible assets entries did not exceed the cost of amortization of intangible assets.

### ***Financial assets***

**The financial assets decreased compared to the value recorded at 31.12.2022 by lei 13.504 thousand**, decrease due to the reduction of the share capital of the company EUROTRANSGAZ SRL

Chisinau in the Republic of Moldova, established by EGMS Resolution 10/12.12.2017 of SNTGN Transgaz SA and was approved by SNTGN Transgaz SA BoA Resolution 38/2022. The value was received in August 2023.

#### ***Trade receivables and other receivables/ Fixed assets***

***The receivables regarding the right to collect the regulated value remaining unamortized at the end of the concession agreement on 31 December 2023 increased by the amount of lei 282.464 thousand***, receivables registered according to 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 of lei 282.464 thousand compared to the value at 31 December 2022 is mainly due to the updating of the receivables with the changes recorded in the regulated asset base and the adjustment of the regulated value of the assets with the inflation rate starting with 2019, as per ANRE Order 41/2019.

Fixed assets recognised in the regulated asset base in a gas year are discounted with the rate of inflation from the following gas year.

#### ***Inventories***

**On 31 December 2023 inventories decreased by lei 32.797 thousand** compared to the value as at 31 December 2022, due to the decreasing by lei 51.564 thousand of the value of the natural gas procured within the balancing activity, the increasing by lei 3.530 thousand of the stored gas procured to cover technological consumption and the increasing by lei 15.237 thousand of the stocks of raw and other materials.

#### ***Commercial receivables and other receivables***

**On 31 December 2023**, the balance of the commercial receivables and other receivables **decreased by lei 65.514 thousand** as compared to 31 December 2022, mainly due to the following factors:

- increase of the client receivables balance by lei 162.045 thousand mainly generated by the increase of the balance of the receivables from domestic and international transmission;
- increase of the provisions for the impairment of the trade receivables and of other receivables by lei 108.175 thousand;
- increase of the claims against the state budget by lei 16.326 thousand;
- decrease of the balance of other receivables by lei 4.682 thousand.

#### ***Cash at hand and in bank***

**On 31 December 2023 the company's cash increased by lei 292.926 thousand** as compared to the end of 2022. The cash in bank accounts in lei increased by lei 94.801 thousand and the cash in bank accounts in currency increased by lei 198.048 thousand. Other cash elements and cash equivalent register a decrease by lei 77 thousand compared with 2022.

#### ***Debts to be paid over a one-year period***



The structure of debts to be paid over a one-year period recorded the following changes compared to 31 December 2022:

- increase of the balance of the commercial debt and other debt by lei 50.496 thousand;
- decrease in the balance of debts related to rights of use of leased assets by lei 418 thousand;
- increase of the provision for risks and charges by lei 2.685 thousand mainly on account of registering the provision for litigations;
- increase of the current part of the provision for employee benefits by lei 11.551 thousand;
- increase of the deferred revenue over the short term by lei 6.554 thousand;
- increase of short-term loans by lei 300.217 thousand, a loan of lei 300 million contracted to finance the balancing activity maturing on 14 July 2024.

### **Long-term debts**

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

- decrease of long-term loans by lei 5.994 thousand;
- decrease of deferred revenue and of the subsidies by lei 119.244 thousand;
- increase of the provision for employee benefits by lei 3.912 thousand;
- decrease of deferred revenue by lei 1.206 thousand;
- decrease of the debts related to rights of use of leased assets in the amount of lei 1.970 thousand.

### **Equity**

There was no change in the subscribed and paid-up capital.

Retained earnings increased by lei 40.908 thousand due to the recording of the profit distribution for 2022 and the recording of the legal reserve for 2023.

## **6.2 Individual comprehensive income**

The situation of the individual profit and loss account in 2023 compared to 2022:

Specification	Achieved 2023	Achieved 2022	Dynamics (%)
1	2	3	4=2/3*100
<b>TOTAL revenue of which:</b>	<b>2.586.900</b>	<b>3.341.886</b>	<b>77,41%</b>
Operating revenue before the construction activity, according to IFRIC12 and balancing	1.712.546	1.575.186	108,72%
Revenue from the balancing activity	458.811	1.005.544	45,63%
Revenue from the construction activity according to IFRIC12	182.450	299.868	60,84%
Financial revenue	233.094	461.287	50,53%
<b>TOTAL costs of which:</b>	<b>2.380.019</b>	<b>2.904.412</b>	<b>81,94%</b>

Specification	Achieved 2023	Achieved 2022	Dynamics (%)
1	2	3	4=2/3*100
Operating costs before the construction activity, according to IFRIC12, and balancing	1.609.652	1.415.554	113,71%
Cost of balancing	458.811	1.005.544	45,63%
Cost of constructed assets according to IFRIC12	182.450	299.868	60,84%
Financial costs	129.106	183.446	70,38%
<b>Total GROSS PROFIT, of which:</b>	<b>206.881</b>	<b>437.474</b>	<b>47,29%</b>
<b>GROSS PROFIT, of which:</b>	102.894	159.632	64,46%
Result from operation	103.988	277.841	37,43%
Result from the financial activity	<b>38.441</b>	<b>71.719</b>	<b>53,60%</b>
<b>PROFIT TAX</b>	<b>168.441</b>	<b>365.755</b>	<b>46,05%</b>
<b>Other elements of the comprehensive income</b>	<b>4.334</b>	<b>2.452</b>	<b>176,74%</b>
<b>Comprehensive income of the period</b>	<b>172.775</b>	<b>368.207</b>	<b>46,92%</b>

*Table 27 - Individual profit and loss account in 2023 compared to 2022*

### **Operating revenue**

Operating revenue before the balancing and the construction activity according to IFRIC 12 obtained in 2023 as compared to 2022 is as follows:

No.	Specification	Achieved (thousand lei)		Dynamics (%)
		2023	2022	
0	1	2	3	4=2/3*100
<b>1.</b>	<b>Revenue from the transmission activity</b>			
	- Thousand lei	1.451.982	1.351.931	107,40
	- MWh	141.519.631	141.967.887	99,68
	- lei/MWh	10,26	9,52	107,74
<b>3.</b>	<b>Revenue from the international transmission activity</b>			
	- Thousand lei	116.306	73.927	157,33
<b>4.</b>	<b>Other operating revenue</b>			
	- Thousand lei	144.258	149.329	96,60
<b>TOTAL OPERATING REVENUE before the balancing and the construction activity according to IFRIC12</b>		<b>1.712.546</b>	<b>1.575.186</b>	<b>108,72</b>

*Table 28 - Revenue from the operating activity –Obtained in 2023 compared to Obtained in 2022*

### Operating expense

The operating expense obtained in 2023 as compared to 2022:

No.	Specification	2023	2022	Dynamics (%)
0	1	2	3	4=2/3*100
1.	Depreciation	457.211	423.650	107,92
2.	Indemnities, salaries, other expenditures related to salaries and benefits to employees	570.794	491.588	116,11
3.	Technological consumption, materials and consumables used, of which:	158.314	185.132	85,51
	- Transmission system technological loss and consumption	116.381	152.430	76,35
	- technological consumption quantity - (MWh)	627.163	753.681	83,21
	- Auxiliary materials	38.398	30.562	125,64
	- Other material expenditures	3.535	2.140	165,17
4.	Expenditures related to royalties	55.285	5.703	969,33
5.	Maintenance and transport, of which:	41.563	36.914	112,59
	- Works, services performed by third parties	22.879	21.002	108,94
6.	Taxes and other amounts due to the State, of which:	87.507	86.782781	100,84
	- Gas transmission and international transit license fee	10.414	12.862	80,97
	- Monopoly tax	68.073	65.551	103,85
7.	Cost of the provision for risks and charges	10.599	18.088	58,59
8.	Other operating expense	228.379	167.697	136,19
<b>TOTAL OPERATING EXPENSE before the balancing and the construction activity according to IFRIC12</b>		<b>1.609.652</b>	<b>1.415.554</b>	<b>113,71</b>

Table 29 - Operating costs obtained in 2023 compared to Obtained in 2022

### 6.3 Individual cash flow statement

The cash flow statement on 31 December 2023 is as follows:

Indicator	Financial year ended 31 December (thousand lei)	
	2023	2022
<b>Profit before tax</b>	<b>206.881</b>	<b>437.474</b>
<i>Adjustments for:</i>		
Depreciation	457.211	423.650
Gain/(loss) from the transfer of fixed assets	-123	-452
Provisions for risks and charges	2.686	13.752
Write-down of inventories	8.500	13.249
Revenue from connection fees, grants and goods taken free of charge	-113.957	-107.067
Provisions for employee benefits	12.567	2.342

Indicator	Financial year ended 31 December (thousand lei)	
	2023	2022
Effect of discounting the provision for employee benefits	7.229	5.541
Loss on amounts receivable and sundry debtors	126	1.696
Adjustment of impairment of receivables	108.175	42.126
Interest revenue	-59.679	-50.732
Interest expenses	90.702	51.914
Concession Agreement receivable adjustment	-147.131	-286.877
The effect of the currency exchange rate variation on other elements than operation	5.298	-125
Other costs and revenue	-330	-835
<b>Operating profit before the changes in working capital</b>	<b>578.155</b>	<b>545.655</b>
(Increase)/decrease in trade and other receivables	-98.811	45.564
(Increase)/decrease in inventories	23.533	-320.447
Increase/(decrease) in commercial debt and other debt	72.950	343.602
<b>Cash from operations</b>	<b>575.828</b>	<b>614.373</b>
Received interest	4.317	1.278
Paid interest	-119.820	-66.823
Paid profit tax	-80.998	-77.533
<b>Net cash inflows from operation</b>	<b>379.327</b>	<b>471.296</b>
<b>Cash flow from investments</b>		
Payments for the acquisition of intangible assets	-236.045	-596.593
Payments for the acquisition of tangible assets	-20.149	-18.801
Financial investments/shares	13.504	105.453
Receipts from the transfer of tangible assets	264	479
Cash from connection fees and non-reimbursable funds	4.477	133.209
<b>Net cash used in investment activities</b>	<b>-237.949</b>	<b>-376.253</b>
<b>Cash flow from financing activities</b>		
Disbursements on long term loans	246.610	0
Repayments of long term loans	-132.099	-143.485
Credit drawings/payments for the working capital	175.431	291.740
Leasing payments (IFRS 16)	-5.601	-5.157
Paid dividends	-132.399	-175.089
<b>Net cash used in financing activities</b>	<b>151.942</b>	<b>-31.991</b>
<b>Net change in cash and cash equivalents</b>	<b>293.320</b>	<b>63.052</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>384.237</b>	<b>321.185</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>677.557</b>	<b>384.237</b>

*Table 30 - Individual cash flow statements in 2023 compared to 2022*

The analysis of the cashflow as at 31 December 2023 shows an increase of liquid assets by lei 293.320 thousand as compared to 31 December 2022.

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

- cash flow from operation is of lei 379.327 thousand, lower by lei 91.969 thousand than in 2022;
- cash flow from the investment activity is of lei -237.949 thousand, higher by lei 138.304 thousand than in 2022;
- cash flow used in the financing activity is of lei 151.942 thousand, higher by lei 183.933 thousand than in 2022.

As at 31 December 2023, the balance of liquid assets in the company's bank accounts was lei 677.445 thousand, of which 1,17% represented liquid assets denominated in foreign currency, mostly in EUR.

## 6.4 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. The Company does not apply hedge accounting.

The management believes 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:

	31 December 2023	31 December 2022
Impact on profit and loss and on equity of:		
USD appreciation by 10%	684.054	717.466

(lei)

USD depreciation by 10%	(684.054)	(717.466)
EUR appreciation by 10%	(26.662.039)	(32.592.226)
EUR depreciation by 10%	26.662.039	32.592.226

### Price risk

The company is exposed to commodity price risk on gas purchased for its 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 4.888.012 (December 2022: lei 6.204.117).

### Interest rate risk on cash flow and fair value

The Company is exposed to interest rate risk by deposits with banks and loans with variable interest taken. 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 higher/lower by lei 7.805.365 higher/lower (December 2022: 7.916.887 (higher/lower), as a net result of the change of interest rate for variable interest loans and interest rate for bank deposits.

## **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 five main customers, which together account for 43% of the trade receivable balances as at 31 December 2023 (31 December 2022: 50%). 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 31 December 2023 the company has off-balance sheet payment guarantees from clients amounting to lei 497.073.837.

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

(lei)

	31 December 2023	31 December 2022
Without rating	269.860	336.387
BB+	251.805.038	146.038.192
BBB-	276.682.320	147.205.763
BBB	614.290	-
BBB+	147.783.067	90.012.913
A+	134.911	135.448

AA	156.187	319.570
	<b>677.445.673</b>	<b>384.048.273</b>

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 consider 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 Financial Division of 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 31 December 2023 in terms of remained contractual maturity. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

The analysis of financial liabilities on 31 December 2023 in terms of maturity is as follows:

(lei)

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	2.842.179.180	556.350.271	1.298.599.124	987.229.785
Commercial debts and other debts	498.127.534	498.127.534	-	-
Liabilities related to rights of use of leased assets	15.542.003	3.333.037	12.208.966	-
	<b>3.355.848.717</b>	<b>1.057.810.842</b>	<b>1.310.808.090</b>	<b>987.229.785</b>

The analysis of financial liabilities on 31 December 2022:

(lei)

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	2.634.794.054	263.429.208	1.446.470.332	924.894.514
Commercial debts and other debts	542.664.842	542.664.842	-	-
Liabilities related to rights of use of leased assets	17.929.828	3.751.347	14.178.481	-
	<b>3.195.388.724</b>	<b>809.845.397</b>	<b>1.460.648.813</b>	<b>924.894.514</b>

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 deferred revenue.



## Categories of financial instruments:

(lei)

	31 December 2023	31 December 2022
<b>Financial assets</b>		
Cash and cash equivalents	96.204.966	199.548.510
Term bank deposits	581.351.685	184.688.625
Credits and receivables	2.741.685.641	2.420.601.205
Financial assets - shares	202.197.382	215.700.939
Adjustments for financial assets - shares	(24.578.237)	(24.578.237)
	<b>3.596.861.437</b>	<b>2.995.961.042</b>

	31 December 2023	31 December 2022
<b>Financial liabilities</b>		
Debts measured at depreciated cost:		
-Loans	2.297.704.366	2.003.481.321
Debts measured at fair value:		
-Financial guarantees related to contracts	50.446.894	44.668.511
-Commercial debts and other debts	451.013.677	501.747.678
	<b>2.799.164.937</b>	<b>2.549.897.510</b>

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.

The net leverage at 31 December 2023 and at 31 December 2022 is as follows:

(lei)

	31 December 2023	31 December 2022
Total loans	2.297.704.366	2.003.481.321
Less: cash and cash equivalents	(677.556.651)	(384.237.135)
Net cash position	1.620.147.715	1.619.244.186

Equity	4.123.653.277	4.082.745.760
Leverage	0,39	0,40

### 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.

## 7. CORPORATE GOVERNANCE

Governance is a dynamic process, involving a proactive attitude of innovation, developing managerial capacity and a strong corporate culture to help companies cope with change and crisis. Corporate governance includes the totality of systems and processes put in place to lead and control a company to increase its performance and value. Practically, it addresses the effectiveness of management systems, emphasising the role of the Board of Administration, the accountability and remuneration of Board members, the credibility of financial/non-financial statements and the effectiveness of risk management systems.

Corporate governance is a key element in improving the company's efficiency and increasing economic performances, as well as increasing investor confidence. It provides the framework/context through which the company's objectives are set and the means by which these objectives are achieved. The existence of an effective system in this regard, both within the company and the economy at large, provides the confidence necessary for the proper functioning of the market economy.

Sustainable corporate governance is a guarantee that the company provides value for its stakeholders over the long term. A priority for the boards of administration is to identify the company's relevant stakeholders, including customers, investors, regulators and suppliers, as well as local communities. It should also be considered that different stakeholder groups are not homogeneous, and a wide range of views and interests may exist within each stakeholder group. It also sets guidelines to help governing bodies clarify purpose and values, ensure that the strategy is aligned with this intent and that it generates value for all relevant stakeholders to strategically achieve the purpose in line with the values.

Responsibility at all levels is another principle of good governance, both the members of the administrative and executive management and those to whom management was delegated must enforce and supervise compliance with the legislation in force. The management of the company is responsible for the actions and omissions of the organisation, therefore the governing bodies must ensure that they define roles and responsibilities and have a functioning reporting and accountability system. As they move towards sustainable business strategies, companies need to ensure that non-financial indicators and targets are as important and meaningful as financial indicators, financial targets and financial reporting.

Non-financial reporting and financial reporting must be integrated so that when the company announces its annual results, they incorporate all types of values generated by the business. Sustainability should be seen as an important part of setting strategy and objectives at company level, with a high level of focus on sustainability issues at both strategic and operational levels.

At SNTGN Transgaz SA level, the development of corporate governance is carried out taking into account its impact on economic performance, market integrity, as well as the context it creates for market participants and the proportion of transparent and efficient markets. Sustainability is an integral part of the company's purpose and strategy, environmental, social and governance (ESG) issues are embedded in the company's culture and taken into account in the decision-making process at every level as well as in the reports issued by the company. Shareholders have the right to be informed and to participate in the decision-making on fundamental changes within the company, to consult with other shareholders on issues concerning their rights.

The members of the Board of Administration make decisions and act on the basis of complete information and in the interest of the company and its shareholders. At the same time, the Board operates with high ethical standards and integrity, taking into account the interests of shareholders, stakeholders, sustainability and sustainable development issues.

**The Corporate Governance Rules of SNTGN TRANSGAZ SA** were approved by the Ordinary General Meeting of the Shareholders on 2 March 2011, by GMS Resolution 1/2011 (Art. 4), and the updating of the document was approved in the Board of Administration meeting of 29.06.2022, according to the Code of Corporate Governance of the Bucharest Stock Exchange. Subsequently, within the Rules, the name of the Advisory Committees set up at the level of the Board of Administration was modified, according to the Resolution of the Board of Administration of 08.12.2022.

Following the publication of Law 187/28 June 2023 and the amendment of the *Internal Rules on the organization and operation of the Advisory Committees set up at the level of the Board of Administration of SNTGN Transgaz SA*, the Board of Administration approved the updating of the Corporate Governance Rules of SNTGN Transgaz SA in the meeting held on 24.08.2023 to ensure a rigorous framework for sizing and regulating corporate governance at the company level.

The updated corporate governance reference document has a structure in line with corporate governance requirements.

SNTGN Transgaz SA as a company listed on BSE in the Premium category, voluntarily adopted the provisions of the Corporate Governance Code of the Bucharest Stock Exchange and had been reporting since 2010 total or partial compliance with its provisions by the **Statement of Compliance or Non-Compliance with the Code of Corporate Governance**.

## I. STATEMENT OF COMPLIANCE WITH THE CODE

SNTGN Transgaz SA as a company listed on BSE in the Premium category, voluntarily adopted the provisions of the Corporate Governance Code of the Bucharest Stock Exchange and had been reporting since 2010 total or partial compliance with its provisions by the **Statement of Compliance or Non-Compliance with the Code of Corporate Governance**, included in the Report issued by the Board of Administration.

In September 2015, a **new BSE Code of Corporate Governance** was launched for companies listed on the main market, applicable from 4 January 2016. The new Code was developed by the BSE as part of a new corporate governance framework for promoting higher governance and transparency standards for the listed companies. 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.

Transgaz is in full compliance with most of the provisions of the new Code, and the provisions with which the company was 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: *Informații investitori/Raportări curente/2016*.

Later, on 12 October 2016, by a Current Report sent to BSE, SNTGN TRANSGAZ SA reported to the market the compliance with another provision A.2., and on 3 May 2022 the compliance with provision C.1. of the New BSE Code of Corporate Governance was reported. Any further compliance of the company in this respect will be reported to the capital market.

### Table of compliance or non-compliance with the provisions of the new Code

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
<b>Section A-Responsibilities</b>				
<b>A.1</b>	All companies must have an internal Board Regulation that includes the terms of reference / responsibilities of the Board and the key management functions of the company and which applies, inter alia, the General Principles of Section A.	X		

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
<b>A.2</b> Provisions for managing conflicts of interest should be included in the Board Regulation. In any event, Board members must notify the Board of any conflicts of interest that have arisen or may arise and refrain from participating in the discussions (including by non-attendance, unless the failure to attend would hamper the formation of the quorum) and from the vote for the adoption of a decision on the issue giving rise to the conflict of interest concerned.	X		
<b>A.3</b> The Board of Administration or the Supervisory Board must be composed of at least 5 members.	X		
<b>A.4</b> Most members of the Board of Administration should not hold executive positions. At least one member of the Board of Administration or the Supervisory Board must be independent in the case of companies from the Standard Category. In the case of Premium Category companies, no less than two non-executive members of the Board of Administration or the Supervisory Board must be independent. Each independent member of the Board of Administration or the Supervisory Board, as the case may be, must file a statement at the time of his/her nomination for election or re-election, and when any change of his/her status occurs, indicating the elements based on which he/she is considered as independent from the point of view of his/her character and judgment and according to the following criteria:	X		
<b>A.4.1.</b> He / she is not the General Manager / Chief Executive Officer of the company or of a company controlled by the company and has not held such a position in the last 5 years.	X		
<b>A.4.2.</b> He / she is not the employee of the company or of a company controlled by the company and has not held such a position in the last 5 years.	X		
<b>A.4.3.</b> He/she does not receive and has not received any additional remuneration or other benefits from the company or a company controlled by it, other than those corresponding to the capacity of non-executive administrator.	X		

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
<p><b>A.4.4.</b> He/she is not or was not the employee or does not or did not have a contractual relationship in the previous year with a significant shareholder of the company, a shareholder controlling over 10% of the voting rights, or a company controlled by it.</p>	X		
<p><b>A.4.5.</b> He/she has not and did not have a business or professional relationship with the company or a company controlled by it, either directly or as a client, partner, shareholder, member of the Board / Administrator, general manager / executive manager or employee of a company if, by virtue of its substantive nature, this relationship may affect his/her objectivity.</p>	X		
<p><b>A.4.6.</b> He/she is not and was not, in the last 3 years, an external or internal auditor or a partner or employed associate of the current external financial auditor or the internal auditor of the company or a company controlled by it.</p>	X		
<p><b>A.4.7.</b> He/she is not the general manager / executive director of another company where another general manager / executive director of the company is the non-executive administrator.</p>	X		
<p><b>A.4.8.</b> He/she has not been a non-executive administrator of the company for more than 12 years.</p>	X		
<p><b>A.4.9.</b> He/she has no family ties with a person in the cases mentioned in A.4.1 and A.4.4.</p>	X		
<p><b>A.5</b> Other relatively permanent commitments and obligations of a member of the Board, including executive or non-executive positions in the Board of Non-Profit organizations and companies, should be disclosed to potential shareholders and investors prior to nomination and during his/her term of office.</p>	X		
<p><b>A.6</b> Any member of the Board must report to the Board any relationship with a shareholder directly or indirectly owning shares representing more than 5% of all voting rights. This obligation refers to any relationship that may affect the member's position on matters decided by the Board.</p>		X	Information will be requested from Board of Administration members Transgaz will send to the BSE a current report at the time of compliance.

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
<b>A.7</b>	The company must designate a Board Secretary responsible for supporting the work of the Council.	X		
<b>A.8</b>	The Corporate Governance Statement will inform whether a Board assessment has taken place under the leadership of the Chairman or the nomination committee and, if so, will summarize the key measures and the resulting changes. The company must have a policy / guidance on the Council's assessment with regard to the purpose, criteria and frequency of the assessment process.		X	<p>The activity of the Board of Administration is evaluated on the basis of the performance criteria included in the management plan as well as in the mandate contracts, and the extent to which they are fulfilled is included in the Board of Administration annual report.</p> <p>A separate report on the assessment of the achievement of financial and non-financial performance indicators is presented annually to the General Meeting of the Shareholders as an annex to the mandate contracts of the non-executive administrators. The company does not have a policy / guide for assessing the activity of the Board of Administration, the assessment being made on the basis of the above-mentioned criteria. TGN will send a current compliance report when drafting this policy.</p>
<b>A.9</b>	The corporate governance statement should contain information on the number of Board and committee meetings over the past year, the participation of administrators (in person and in absentia), and a report by the Board and committees on their activities.	X		
<b>A.10</b>	The corporate governance statement should include information on the exact number of independent members of the Board of Administration or the Supervisory Board.	X		



The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
<b>A.11</b>	The Boards of Premium Category Companies must establish a nomination committee composed of non-executive members, which will lead the nomination process of new members of the Board and make recommendations to the Board. Most members of the nomination committee must be independent.	X		
<b>Section B - Risk Management System and Internal Control System</b>				
<b>B.1</b>	The Board should establish an audit committee in which at least one member has to be a non-executive independent administrator. Most members, including the Chairman, must have demonstrated that they have appropriate qualifications relevant to the functions and responsibilities of the Committee. At least one member of the audit committee must have proven and appropriate auditing or accounting experience. In the case of Premium Category companies, the audit committee must consist of at least three members and the majority of the members of the audit committee must be independent.	X		
<b>B.2</b>	The Chairman of the Audit Committee should be an independent non-executive member.	X		
<b>B.3</b>	Within its responsibilities, the audit committee must carry out an annual assessment of the internal control system.	X		
<b>B.4</b>	The assessment should take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the audit committee of the Board, the promptness and effectiveness with which executive management addresses the deficiencies or weaknesses identified following the internal control and the submission of relevant reports to the Board.	X		
<b>B.5</b>	The audit committee should assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with affiliated parties.	X		
<b>B.6</b>	The audit committee should assess the effectiveness of the internal control system and risk management system.	X		

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
<b>B.7</b>	The Audit Committee should monitor the application of generally accepted legal standards and auditing standards. The Audit Committee should receive and evaluate internal audit team reports.	X		
<b>B.8</b>	Whenever the Code mentions reports or analyses initiated by the Audit Committee, they should be followed by regular reports (at least annually) or ad-hoc reports to be submitted to the Board.	X		
<b>B.9</b>	No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements entered into by the company with shareholders and their affiliates.	X		
<b>B.10</b>	The Board must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relationships with a value equal to or greater than 5% of the net assets of the company (according to the latest financial report) is approved by the Board following a binding opinion of the Board's Audit Committee and properly disclosed to shareholders and potential investors, to the extent that such transactions fall within the category of events subject to reporting requirements.		X	This policy will be developed and approved in accordance with the BoA Rules of Procedure and organization and the Articles of Incorporation.
<b>B.11</b>	Internal audits should be performed by a separate structural division (audit department) within the company or by hiring an independent third party.	X		
<b>B.12</b>	In order to ensure the main functions of the internal audit department, it must report functionally to the Board through the audit committee. For administrative purposes and within the management's responsibility to monitor and mitigate risks, it must report directly to the Director General.	X		
<b>Section C – Fair rewards and motivation</b>				
<b>C.1</b>	The company must publish its remuneration policy on its intranet page and include a statement on the implementation of the remuneration policy in the annual report during the annual period under review.	X		

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance	
<p>The remuneration policy should be formulated in such a way as to enable shareholders to understand the principles and arguments underpinning the remuneration of the members of the Board and of the Director General as well as the directors in the dualist system. It should describe the management of the decision-making process on remuneration and detail the components of the executive management's remuneration (such as salaries, annual bonuses, long-term incentives related to the value of shares, benefits in kind, pensions, etc.) and describe the purpose the principles and assumptions underlying each component (including general performance criteria for any form of variable remuneration). In addition, the remuneration policy must specify the duration of the contract of the executive director and the notice period stipulated in the contract, as well as possible compensation for unjustified revocation.</p> <p>The remuneration report should present the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period under review.</p> <p>Any major change in the remuneration policy should be published in a timely manner on the company's website.</p>				
<b>Section D-Building value by the relationship with investors</b>				
<b>D.1</b>	The company must organize an Investor Relations Service-indicating to the general public the responsible person(s) or organizational unit. In addition to the information required by law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:	X		
	<b>D.1.1.</b> Main corporate regulations: the Articles of Incorporation, the procedures for the general meetings of the shareholders.	X		
	<b>D.1.2.</b> Professional CVs of members of the company's governing bodies, other professional engagements of Board	X		

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
members, including executive and non-executive positions in boards of administration in non-profit companies or institutions.			
<b>D.1.3.</b> Current reports and regular reports (quarterly, half-yearly and annually) - at least those under D.8 - including current reports with detailed information on non-compliance with this Code;	X		
<b>D.1.4.</b> Information on the general meetings of the shareholders: agenda and informative materials; the procedure for electing the members of the Board; the arguments that support the proposals of candidates for election in the Board together with their professional CVs; the shareholders' questions about the agenda items and the company's replies, including the resolutions adopted.		X	The Company partially applies this provision, in accordance with art. 29 of GEO 109/2011 on Corporate Governance of Public Enterprises, as subsequently amended and supplemented.
<b>D.1.5.</b> Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of the rights of a shareholder, including the deadlines and the principles applied to such operations. Such information will be published within a time frame that will allow investors to make investment decisions.	X		
<b>D.1.6.</b> Names and contact details of a person who will be able to provide relevant information upon request.	X		
<b>D.1.7.</b> Company presentations (e.g., investor presentations, quarterly results presentations, etc.), financial statements (quarterly, half-yearly, annually), audit reports, and annual reports.	X		
<b>D.2</b> The Company will have a policy on the annual distribution of dividends or other benefits to shareholders proposed by the Director General or the Directorate and adopted by the Board in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the policy regarding annual distribution to shareholders will be published on the company's website.		X	The distribution of the company's profits is made in accordance with the provisions of Government Emergency Ordinance 64/2001 on the distribution of profits of national companies, and trade companies with full or majority state capital, as well as autonomous

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
			administrations, as amended.
<p><b>D.3</b> The company will adopt a policy in relation to the forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of studies aimed at determining the overall impact of a number of factors over a future period (so-called assumptions): by its nature, this projection has a high level of uncertainty, the actual results may differ significantly from the forecasts originally presented. The forecasting policy will determine the frequency, the period considered and the content of the forecasts. If published, the forecasts can only be included in the annual, half-yearly or quarterly reports. The forecasting policy will be published on the company's website.</p>		X	<p>The activity of the company is regulated by ANRE. The management plan of Transgaz includes the management strategy during the mandate. It is rigorously structured and includes strategic action directions for managing all the resources, operational and management processes of the company in order to achieve, with maximum efficiency, the established performance targets.</p>
<p><b>D.4</b> The rules of the general meetings of the shareholders must not limit the participation of shareholders to general meetings and the exercise of their rights. Changes to the rules will take effect at the earliest, starting with the next meeting of the shareholders.</p>	X		
<p><b>D.5</b> External auditors will be present at the general meeting of the shareholders when their reports are presented at these meetings.</p>	X		
<p><b>D.6</b> The Board will give a brief assessment to the Annual General Meeting of the Shareholders on the internal control and risk management systems as well as opinions on matters subject to the decision of the general meeting.</p>	X		<p>This information is included in the annual report of the Board of Administration as well as in the Statement of the management, drawn up in accordance with art. 30 of the Accounting Law no. 82/1991.</p>
<p><b>D.7</b> Any specialist, consultant, expert, or financial analyst may attend the meeting of the shareholders on the basis of a prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.</p>	X		

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
<b>D.8</b>	The quarterly and half-yearly financial reports will include both Romanian and English information on the key factors that affect changes in sales, operating profit, net profit and other relevant financial ratios from one quarter to another quarter, and from one year to another.	X		
<b>D.9</b>	A company will hold at least two meetings / teleconferences with analysts and investors each year. The information presented on these occasions will be published in the Investor Relations section of the company's website at the date of the meetings / teleconferences.	X		
<b>D.10</b>	If a company supports different forms of artistic and cultural expression, sporting activities, educational or scientific activities, and considers that their impact on the innovation and competitiveness of the company is part of its mission and development strategy, it will publish its activity policy in this area.	X		

## II. CORPORATE GOVERNANCE STATEMENT ITEMS

### Section A - Information on the composition, responsibilities and activities of the board and of the committees

#### 7.1. Management 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 11.10.2023, 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.138<sup>2</sup> of the Companies Law no. 31/1990, republished, as amended.

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. Depending on the extent to which they have fulfilled their duties, the administrators' mandates may be renewed or revoked, the decision being taken by the ordinary general meeting.

The Members of the Board of Administration may also 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 care and 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 11.10.2023 and approved by the General Meeting of the Shareholders by Resolution 10/11.10.2023, regulates the duties, responsibilities and powers of the Board of Administration as well as the obligations of the company's administrators.

The Board of Administration 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 *Rules of procedure and organization for the Board of Administration of TRANSGAZ S.A* in order to comply with its provisions and was approved based on Art. 2 of OGMS Resolution 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. It 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.

The Members of the Board of Administration will constantly improve their competencies and 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**

Following OGMS Resolution 2/22.04.2021 the mandates of three administrators were renewed for a four-year term, as at 30.04.2021:



ION STERIAN	Executive Administrator - Director-General
PETRU ION VĂDUVA	Non-Executive Administrator - Chairman of the Board of Administration
NICOLAE MINEA	Independent, Non-Executive Administrator

By OGMS Resolution 10/07.12.2022, Mr Csaba Orosz and Mr Gheorghită Agafiței were appointed provisional members of the Board of Administration for a maximum term of office of 4 months, starting on 17.12.2022, with the possibility of extending the term of office by another 2 months, until the completion of the selection procedure, and by OGMS Resolution 3/12.04.2023 it was approved the extension of the duration of the mandate of the provisional members of the Board of Administration by two months from the date of expiry, meaning 17.04.2023.

Subsequently, by OGMS Resolution 6/14.06.2023 it was approved the appointment Mr Csaba Orosz and Mr Gheorghită Agafitei as provisional members of the Board of Administration for a maximum term of office of 4 months, starting on 17.06.2023, with the possibility of extending the term of office by another 2 months, until the completion of the selection procedure.

By OGMS Resolution 9/11.10.2023 it was approved the appointment of Ms. Ilinca Von Derenthall and Ms. Adina-Lăcrimioara Hanza as provisional members of the Board of Administration with a maximum term of office of 5 months, starting with 17.10.2023 with the possibility of extending the term of office only once by another two months, and the compenence of the Board of Administration becomes as follows:

#### The members of the Board of Administration of SNTGN Transgaz SA on 31 December 2023:

Name, Surname	Position in the Board of Administration/Legal basis for appointment		Term of office
ION STERIAN	OGMS Resolution 2/22.04.2021	Executive Administrator	4 years
	BoA Resolution 22/27.07.2021	Appointed Director - General	
PETRU ION VĂDUVA	OGMS Resolution 2/22.04.2021	Non-Executive Administrator	4 years
NICOLAE MINEA	OGMS Resolution 2/22.04.2021	Independent Non-Executive Administrator	4 years
CSABA OROSZ	OGMS Resolution 9/14.12.2021	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure
	OGMS Resolution 4/12.04.2022	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 6/14.06.2022	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure

Name, Surname	Position in the Board of Administration/Legal basis for appointment		Term of office
	OGMS Resolution 9/12.10.2022	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 10/07.12.2022	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure
	OGMS Resolution 3/12.04.2023	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 6/14.06.2023	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure
GHEORGHITĂ AGAFITEI	OGMS Resolution 6/14.06.2022	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure;
	OGMS Resolution 9/12.10.2022	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 10/07.12.2022	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure
	OGMS Resolution 3/12.04.2023	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 6/14.06.2023	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure
ILINCA VON DERENTHALL	OGMS Resolution 9/11.10.2023	Non-Executive Interim Administrator	5 months, starting with 17.10.2023 with the possibility of extending the term of office only once by another two months for justified reasons
ADINA-LĂCRIMIOARA HANZA	OGMS Resolution 9/11.10.2023	Non-Executive Interim Administrator	5 months, starting with 17.10.2023 with the possibility of extending the term of office only once by another two months for justified reasons

The CVs of the members of the Transgaz Board of Administration are available on the company's website at: <https://www.transgaz.ro/ro/despre-noi/consiliul-de-administratie>.

## Role and duties of the Board of Administration

Transgaz's management is ensured by a Board of Administration, which meets at the company's headquarters or at another location decided whenever necessary, but at least once every three months.

The Board of Administration is chaired by the Chairperson. If the Chairperson is temporarily unable to perform his/her duties, the Board of Administration may appoint another Administrator to act as President for the relevant duration.

The BoA and GMS Secretariat was established in the organizational structure of the company, with responsibilities in supporting the activity of the Board of Administration.

The meetings of the Board of Administration may take place by telephone or video-conference or other means of communication through which all persons present at the meeting may hear each other and participation in such a meeting shall be deemed to be participation for the purpose of fulfilling quorum and voting requirements.

In 2023 37 meetings of the Board of Administration were held, and the presence of the Board of Administration members in these meetings was as follows:

Administrator	Participation in the meetings	
	In person	In absence (by empowered person)
ION STERIAN	37	-
PETRU ION VĂDUVA	34	3 by empowered person
NICOLAE MINEA	36	1 by empowered person
CSABA OROSZ	31	-
GHEORGHİȚĂ AGAFIȚEI	31	-
ILINCA VON DERENTHALL	6	-
ADINA-LĂCRIMIOARA HANZA	6	-

The debates are recorded in the minutes of the meeting, which include the names of the participants, the agenda of the discussions, the decisions made, the number of votes cast and the separate opinions. The minutes is signed by the Chairman of the meeting and by at least one other administrator. Based on the minutes, the secretary of the Board of Administration prepares the decision, which is signed by the Chairman.

The Board of Administration may delegate 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 prepares and submits 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 prepares and submits to the Board of Administration the reports provided by law. The Director - General submits to the Board of Administration for approval the transactions concluded by the company 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's Rules of Procedure.

Persons who are incompatible under the Companies Law no. 31/1990, republished, as amended, may not be executive directors or Subsidiary directors.

According to Art. 19 (8<sup>1</sup>) of the Articles of Incorporation, updated on 11.10.2023, the Board of Administration informs, at the first general meeting of the shareholders following the conclusion of the legal act on:

- the performance of any transaction with the administrators or with the directors, the employees, the shareholders who control the company or with a company controlled by them;
- the performance of any transactions concluded with the spouse, with relatives or kin up to the 4th degree including any of the persons above;
- the performance of any transaction concluded between TRANSGAZ S.A. and another public undertaking or with the public supervisory body, if the transaction has the value, individually or in a series of transactions, of at least the RON equivalent of EUR 100.000.

The Board of Administration has the obligation to provide the general meeting of the shareholders and the financial auditors the documents requested in relation to the activity of SNTGN TRANSGAZ S.A. and the activity reports in accordance with the law.

### **Liability of administrators**

The liability of the administrators is governed by the legal provisions regarding the mandate as well as the special provisions of Companies Law no. 31/1990, republished, as further amended and supplemented.

### **Incompatibility**

The persons provided for in Companies Law no. 31/1990, republished, as further amended and supplemented, are incompatible with the membership of the Board of Administration

The person who is incompatible with the status of administrator, according to Companies Law no. 31/1990, republished, as further amended and supplemented, may not be general - director of TRANSGAZ S.A.

### **Duties of the Board of Administration**

The Board of Administration has the following main tasks:

- to establish the main directions of activity and development of the company, to prepare the policy of Transgaz S.A., according to the applicable laws;
- to draw up the management plan, which includes the management strategy for the duration of the mandate to achieve the objectives and performance criteria set by mandate contracts;
- to approve the rules of internal procedure on the organization and operation of the advisory committees set up at the level of the Board of Administration and their composition;
- to establish accounting policies and the financial control system and approve financial planning;
- to approve the organizational structure and the rules on the organization and operation of TRANSGAZ S.A.;
- to appoint and revoke the general - director of TRANSGAZ S.A. and determine his/her remuneration;
- to approve the management plan for the duration of the mandate and for the first year of the term of the director - general of TRANSGAZ S.A.;
- to supervise the work of the director - general;
- to prepare the annual report, organize the general meeting of shareholders and implement its decisions;
- to introduce the request for initiating insolvency proceedings for TRANSGAZ S.A., in accordance with the legal regulations in force;
- to approve the level of guarantees for persons who are managers;
- to conclude legal documents by which to acquire, lease, rent, change or warrant assets in the patrimony of TRANSGAZ S.A., with the approval of the general meeting of shareholders when the law imposes this condition;
- to approve the competences of the branches by field of activity (economic, commercial, technical, administrative, financial, legal etc.) in order to achieve the activity of TRANSGAZ SA;
- to approve the change of the secondary activity scope of SNTGN Transgaz S.A.;
- to approve the set-up or closure of secondary establishments: subsidiaries, agencies, representative offices or other such establishments without legal personality, as well as

- objective work points of NTS;
- to approve the conclusion of any contracts for which it has not delegated the competence of the director - general of TRANSGAZ S.A. ;
  - to submit annually to the general meeting of the shareholders, after the end of the financial year, the report on the activity of TRANSGAZ S.A., the balance sheet and the profit and loss account for the previous year;
  - to submit to the general meeting of the shareholders the activity program and the draft income and expenditure budget for the following year;
  - to convene the general meeting of shareholders whenever necessary;
  - to establish the rights, obligations and responsibilities of the TRANSGAZ SA personnel, according to the approved organizational structure;
  - to decide on the contracting of bank loans, including foreign ones; to establish the competencies and level of contracting of bank loans in the domestic and foreign markets, of trade credits and guarantees, including by pledging shares related to holdings held in other companies according to the law; to approve the release of guarantees;
  - to approve the number of positions and the normative act for the establishment of functional and production departments;
  - to approve production, research, development and investment programs;
  - to approve policies for environmental protection, occupational safety, according to the legal regulations in force;
  - to approve, within the limits of the revenue and expenditure budget approved by the general meeting of shareholders, changes in its structure within the limits of the powers for which it was mandated;
  - to negotiate the collective labour agreement by mandating the director - general and to approve the status of the personnel;
  - to ensure and to be responsible for the fulfilment of any other tasks and duties established by the general meeting of the shareholders or which are provided by the legislation in force;
  - to decide on behalf of and for the General Meeting of the Shareholders of the limited liability company on the territory of the Republic of Moldova;
  - to adopt any other decisions concerning the activity of the company, except those which are within the competence of the general meeting of the shareholders.

### **Appointment of Board members**

The members of the board of administration are appointed by the general meeting of the shareholders on the proposal of the selection and nomination committee, which submits to the public supervisory authority, with a view to making proposals for appointment to the general meeting of shareholders, a short list for each office of administrator of the public undertaking, on the basis of selection criteria made public by means of a notice, in the order of the ranking of the candidates for that office. The members of the board of administration are appointed by the general meeting of the shareholders from the short list of candidates prepared by the selection and nomination committee. If the short list contains only one candidate, he/she is proposed for the position. Where there is more than one candidate included in the short list, the appointment to the office is made in the order of the ranking. If there are no candidates on the shortlist or no candidate qualifies, the selection process will be resumed.

In case of a Boar of Administration vacancy, the election of a new member is made according to the law. The duration for which the new administrator is elected to fill the vacancy is equal to the period remaining until the expiry of his/her predecessor's term.

### **Advisory Committees set up at the level of the Board of Administration**

Starting with 08.12.2022 by Board of Administration Resolution 37/08.12.2022 it was approved the modification of the Internal Rules on the organization and operation of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA, as follows:

- The Nomination and Remuneration Committee
- The Audit and Rating Committee
- The NTS Regulatory, Safety and Security Advisory Committee
- The Strategy, Sustainability and Equal Opportunities Advisory Committee
- The Corporate Governance and Relations with Public Authorities Advisory Committee

Subsequently, following the publication of Law 187/28 June 2023, amending Government Emergency Ordinance 109/2011 on corporate governance of public companies, in accordance with the provisions of Article 34 (1) and (2<sup>1</sup>), the establishment of the Risk Management Committee is introduced. Thus, by Art. 3 of BoA Resolution 23/24.08.2023 it was approved the amendment of the Internal Rules on the organisation and functioning of the Advisory Committees set up at the level of the Board of Administration of SNTGN Transgaz SA and their composition, the amendment of the name of some Advisory Committees and the establishment of the Risk Management Committee, as follows:

- The Nomination and Remuneration Committee;
- The Audit Committee;
- The Risk Management Committee;
- The NTS Regulatory, Safety and Security Committee;
- The Corporate Governance and Sustainability Committee.

**The Internal Rules on the organization and operation of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA**, updated on 31.10.2023, can be found on its own website at <https://www.transgaz.ro/guvernanta-corporativa/documente-de-guvernanta-corporativa>.

**The main responsibilities of the five advisory committees set up at the level of the Board of Administration are as follows:**

ADVISORY COMMITTEE	MENTIONS	DUTIES
<b>THE NOMINATION AND REMUNERATION COMMITTEE</b>	<ul style="list-style-type: none"> <li>▪ The committee shall consist of at least two members of the Board of Administration in accordance with Article 140<sup>2</sup>(1)</li> </ul>	<ul style="list-style-type: none"> <li>▪ coordinates the appointment process of the members of the Board of Administration;</li> <li>▪ draws up and proposes to the Board of Administration the procedure for the</li> </ul>



ADVISORY COMMITTEE	MENTIONS	DUTIES
	<p>of Law 31/1990 on companies, republished as amended;</p> <ul style="list-style-type: none"> <li>▪ The committee shall consist of non-executive administrators, at least one of the committee members shall be an independent non-executive administrator, in accordance with Article 140<sup>2</sup>(1) of Companies` Law , republished as amended, and Article 34 (2) of GEO 109/2011 on corporate governance of public companies, as amended.</li> </ul>	<p>selection of the members of the Board of Administration;</p> <ul style="list-style-type: none"> <li>▪ publishes a notice on the selection of members of the Board of Administration;</li> <li>▪ makes recommendations regarding both the position of administrator and the filling of Board of Administration vacancies;</li> <li>▪ assess the accumulation of professional skills, knowledge and experience at Board of Administration, directors and other management positions;</li> <li>▪ establishes the criteria for the selection of administrators, taking into account the specificity and complexity of the company's business and the requirements of the letter of expectations;</li> <li>▪ draws up and proposes to the Board of Administration the procedure for the selection of candidates for the position of director and other management positions;</li> <li>▪ recommends to the Board of Administration candidates for the positions listed;</li> <li>▪ applies best corporate governance practices by improving the knowledge of the company's business and continuously updating the professional skills of the members of the Board of Administration;</li> <li>▪ draws up the remuneration policy for administrators and directors;</li> <li>▪ submits the remuneration policy to the General Meeting of Shareholders for approval for every significant amendment and in any case, at least once every 4 years;</li> <li>▪ organises training sessions for Board members;</li> <li>▪ makes proposals for the remuneration of the administrators and directors, compliant with the remuneration policy send by AMEPIP;</li> </ul>

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<ul style="list-style-type: none"> <li>▪ informs about the remuneration policy in the Articles of Incorporation/Corporate Governance Regulations of the company;</li> <li>▪ presents in the Annual Report the total remuneration broken down by components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the remuneration policy adopted, including how it contributes to the long-term performance of the issuer, and information on how the performance criteria have been applied;; in determining the remuneration of non-executive administrators, it shall comply with the principle of proportionality of such remuneration to the responsibility and time dedicated to the performance of their duties;</li> <li>▪ prepares an annual report on the remuneration and other benefits granted to administrators and directors clear and easy to understand, giving a comprehensive overview of remuneration, including all benefits, in whatever form, granted or due during the last financial year to individual managers, including new recruits and former managers in accordance with the remuneration policy;</li> <li>▪ supports the Board in assessing its own performance as well as the performance of executive management, covering both the execution of the mandate contract and the management component of the management plan;</li> <li>▪ may, if necessary, call on the assistance of external experts to carry out the required tasks.</li> </ul>

ADVISORY COMMITTEE	MENTIONS	DUTIES
<p><b>THE AUDIT COMMITTEE</b></p>	<ul style="list-style-type: none"> <li>▪ The committee shall consist of at least three members of the Board of Administration and the majority of the members must be independent, in accordance with Article B.1. of the BSE Code of Corporate Governance;</li> <li>▪ The committee shall be composed of non-executive administrators, most of them independent, in accordance with Article 140<sup>2</sup>(2) of Companies` Law, republished as amended, and Article 34(4<sup>1</sup>) of GEO 109/2011 on corporate governance of public enterprises, as amended;</li> <li>▪ is competent to be a member of the Audit Committee of a public interest entity within the meaning of Art. 65 (3) of Law 162/2017, as amended, and the person who has at least 3 years of experience in statutory audit acquired through participation in statutory audit missions in Romania, in another Member State, in an EFTA State, in Switzerland or in the United Kingdom of Great Britain and Northern Ireland or in the Audit Committees established at the level of the Boards of Administration/Supervisory Boards of companies/entities of public interest, proven with documents;</li> <li>▪ the chairman of the committee must be an independent non-executive member, in accordance with Article B.2. of the BSE Code of Corporate Governance;</li> </ul>	<ul style="list-style-type: none"> <li>▪ assists and recommends to the Board of Administration proposals for the establishment of the accounting and financial control system and approves the financial-budgetary planning;</li> <li>▪ monitors the effectiveness of the internal audit systems in relation to the audited entity's financial reporting, without infringing its independence;</li> <li>▪ monitors the statutory audit of the annual financial statements and the annual consolidated financial statements, in particular the conduct of the statutory audit, taking into account the findings and conclusions of the competent authority, in accordance with Article 26(2). (6) of EU Regulation 537/2014;</li> <li>▪ assess conflicts of interest in relation to transactions of the company and its subsidiaries with related parties;</li> <li>▪ monitors the application of legal standards and generally accepted internal auditing standards;</li> <li>▪ receives and evaluates internal audit team reports;</li> <li>▪ reports regularly to the Board of Administration;</li> <li>▪ prepares and submits to the Board of Administration for approval an opinion on the policy to ensure that any transaction of the Company with any of its closely related companies whose value equals or exceeds 5% of the net assets of the Company (as per the latest financial report) is approved by the Board;</li> <li>▪ meets as often as necessary, but at least twice a year when the half-yearly and annual reports are drawn up, when it ensures that they are disseminated to shareholders and the general public;</li> <li>▪ verifies the conformity of the audit reports drawn up with the audit plan approved at company level;</li> <li>▪ provides support to the Board of Administration in monitoring the credibility and completeness of the</li> </ul>

ADVISORY COMMITTEE	MENTIONS	DUTIES
	<ul style="list-style-type: none"> <li>▪ the chairman of the committee is appointed by its members or by the board of administration of the audited entity and is independent of the audited entity, in accordance with Article 65 (5) of Law 162/2017 on statutory audit of annual financial statements and annual consolidated financial statements and on amendment of some normative acts.</li> </ul>	<ul style="list-style-type: none"> <li>financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting standards applied by the company;</li> <li>▪ collaborates with the company's external financial auditors who will provide them with a report describing all the relationships between the latter and the company and the group to which it belongs;</li> <li>▪ is responsible for the selection procedure of the financial auditor or audit firm and recommends to the general meeting of shareholders the financial auditor or audit firm(s) to be appointed in accordance with Article 16 of EU Regulation 537/2014, unless Article 16(8) of EU Regulation 537/2014 applies;</li> <li>▪ assesses and monitors the independence of financial auditors or audit firms in accordance with Articles 21 to 25, 28 and 29 of Law No.162/2017 on statutory audit of annual financial statements and annual consolidated financial statements and amending certain regulatory acts and Article 6 of EU Regulation No.537/2014 and, in particular, the appropriateness of providing non-audit services to the audited entity in accordance with Article 5 of that Regulation;</li> <li>▪ informs the members of the Board of Administration of the audited company of the results of the statutory audit and explains how the statutory audit contributed to the integrity of the financial reporting and what the committee's role was in this process;</li> <li>▪ monitors the financial reporting process and makes recommendations or proposals to ensure its integrity;</li> <li>▪ monitors and analyses the fulfilment of the performance indicators of the transmission system and the economic and financial performance of the company's activity;</li> </ul>

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<ul style="list-style-type: none"> <li>▪ monitors the achievement of financial and non-financial performance indicators resulting from the management plan for the Company's administrators and directors;</li> <li>▪ performs the duties established in Article 34(3) of GEO 109/2011.</li> </ul>
<b>THE RISK MANAGEMENT COMMITTEE</b>	<ul style="list-style-type: none"> <li>▪ The committee shall consist of non-executive administrators, at least one of the committee members shall be an independent non-executive administrator, in accordance with Article 140<sup>2</sup>(2) of Companies` Law, republished as amended, and Article 34(2<sup>^</sup>1) of GEO 109/2011 on corporate governance of public companies, as amended;.</li> </ul>	<ul style="list-style-type: none"> <li>▪ ensures that control activities are aligned with the risks generated by the activities and processes being controlled;</li> <li>▪ identifies, analyses, assesses, monitors and reports on identified risks, the plan of mitigating or anticipating measures, other measures taken by the executive management;</li> <li>▪ is responsible for measuring the creditworthiness of the public undertaking in relation to its usual tasks and duties, and informs or, where appropriate, makes proposals to the board of directors in this respect;</li> <li>▪ carries out an annual assessment of the internal control system and submits relevant reports to the Board of Administration;</li> <li>▪ monitors risk management on sustainability issues, ESG issues, industry developments and the implementation of effective crisis management policies;</li> <li>▪ monitors sustainability reporting and related processes within the Company to identify information reported in accordance with relevant sustainability reporting standards;</li> <li>▪ informs the Board of Administration of the outcome of the sustainability reporting assurance;</li> <li>▪ assists the Board of Administration in defining the Company's strategy on ESG (Environmental, Social and Governance) issues by understanding how the Company is able to create value taking into account ESG influences;</li> </ul>

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<ul style="list-style-type: none"> <li>▪ monitors external ESG trends, understands the associated risks and opportunities and the expectations of the company's key stakeholders in this regard;</li> <li>▪ monitors the company's impact on the natural environment and its adaptation to climate change;</li> <li>▪ monitors the company's interactions with employees, shareholders and the communities in which it operates, including applicable workplace policies (e.g. employee relations and engagement, diversity, non-discrimination and equality, health, safety and welfare), any social or community projects undertaken by the company;</li> <li>▪ oversees the company's policies, practices and performance on ESG issues;</li> <li>▪ reports to the Board of Administration on current and emerging issues related to ESG matters that may affect the company's business, operations, performance or public image or that are relevant to the company and its shareholders;</li> <li>▪ monitors and provides guidance on actions or initiatives taken to prevent, mitigate and manage risks related to ESG issues that may have a material adverse impact on the company or are otherwise relevant to shareholders;</li> <li>▪ analyses the risks and opportunities associated with social, environmental and economic impacts, measured from a stakeholder perspective;</li> <li>▪ updates the company's sustainability risk matrix;</li> <li>▪ reviews risk assessment and mitigation plans and informs the Board of Administration of them.</li> </ul>
<b>THE NTS REGULATORY, SAFETY AND SECURITY COMMITTEE</b>	<ul style="list-style-type: none"> <li>▪ the committee shall consist of at least two members of the Board of Administration in accordance with Article 140<sup>2</sup>(1) of</li> </ul>	<ul style="list-style-type: none"> <li>▪ regularly reviews the list of Transgaz's critical infrastructure targets and the security measures established;</li> </ul>

ADVISORY COMMITTEE	MENTIONS	DUTIES
	<p>Companies` Law, republished as amended;</p> <ul style="list-style-type: none"> <li>▪ at least one of the committee members shall be an independent non-executive administrator in accordance with Article 140<sup>2</sup>(2) of Companies,, Law, republished as amended.</li> </ul>	<ul style="list-style-type: none"> <li>▪ monitors/analyses technology consumption reduction activity at NTS level;</li> <li>▪ monitors/analyses the work of the Working Group for the preparation of the draft revisions of the Network Code for the National Gas Transmission System necessary for the configuration of a natural gas market entry-exit model using the virtual trading point (VTP);</li> <li>▪ ensures the necessary conditions for the implementation of protection measures for all critical infrastructure objectives of the company or under the authority/coordination of the company;</li> <li>▪ monitors/updates its own programmes to prevent and combat terrorism through optimal physical and organisational protection measures, with recommendations to this effect to the Board of Administration;</li> <li>▪ monitors the fulfilment of the maintenance and modernisation programmes for the development of the NTS as well as compliance with the technical regulations for the operation and maintenance of production capacities;</li> <li>▪ analyses new investment projects that contribute to a sustainable natural gas transmission system to monitor and operate the NTS in a safe, efficient and environmentally friendly way;</li> <li>▪ monitors the gas purchase contracts necessary for balancing the NTS and the evolution of purchase prices;</li> <li>▪ monitors the expansion, development and upgrading of natural gas transmission infrastructure;</li> <li>▪ assists the Board of Administration in analysing the regulatory activity and the legal obligations of the company in this field;</li> <li>▪ monitors the company's compliance with the obligations set out in the regulations governing its activities;</li> </ul>



ADVISORY COMMITTEE	MENTIONS	DUTIES
		<ul style="list-style-type: none"> <li>▪ analyses and submits proposals to the Board of Administration on the creation of a common regulatory framework, a common strategy and vision for the development of the national system along with the European natural gas transmission system to create an integrated energy market;</li> <li>▪ monitors collaborative relationships with public authorities and assists the Board of Administration in establishing and managing collaboration policy.</li> </ul>
<p><b>THE CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE</b></p>	<ul style="list-style-type: none"> <li>▪ The committee shall consist of at least two members of the Board of Administration in accordance with Article 140<sup>2</sup>(1) of Companies` Law, republished as amended;</li> <li>▪ at least one of the committee members shall be an independent non-executive administrator in accordance with Article 140<sup>2</sup>(2) of Companies` Law, republished as amended.</li> </ul>	<ul style="list-style-type: none"> <li>▪ evaluates the overall performance of the company and regularly compares the results achieved with those planned;</li> <li>▪ monitors the effectiveness/efficiency of governance practices across the company;</li> <li>▪ monitors and resolves potential conflicts of interest;</li> <li>▪ recommends improvements to the corporate governance processes of the company to the Board of Administration;</li> <li>▪ assists the Board of Administration in fulfilling its responsibilities in the area of developing and updating the company's overall development strategy;</li> <li>▪ analyses identified business development opportunities and makes recommendations to the Board of Administration in this respect;</li> <li>▪ analyses and assists the Board of Administration with regard to the company's development and international cooperation directions;</li> <li>▪ monitors and analyses the fulfilment of strategic and action plans/programmes relating to Transgaz's obligations as technical operator of the NTS and issuer on the stock exchange;</li> <li>▪ develops proposals for improving and streamlining strategic, development and collaborative work;</li> </ul>

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<ul style="list-style-type: none"> <li>▪ makes recommendations to the Board of Administration on the effective implementation of strategic and action plans/programmes, meaning the Modernisation and Investment Development Plan, NTS Repair and Rehabilitation and Maintenance Plan, Design Plan, Research Plan, Procurement Plan, Other Third Party Services Plan;;</li> <li>▪ analyses the proposals to modify the organisational structure of SNTGN Transgaz SA to make the company's activities more efficient and optimised;</li> <li>▪ analyses the proposals contained in the Employee Training and Development Plan and monitors and implements it;</li> <li>▪ periodically reviews the status of implementation of the company Annual Sector Procurement Plan approved;</li> <li>▪ reviews the policy on granting sponsorships and social aid at SNTGN Transgaz SA;</li> <li>▪ analyses/monitors the evolution of the inactive inventory and the degree of implementation of the plan of measures to reduce the inactive inventory at SNTGN Transgaz SA, with a view to making the company's activity more efficient;</li> <li>▪ analyses proposals for the establishment/closing of TRANSGAZ work points;</li> <li>▪ reviews the Sustainability Report of SNTGN Transgaz SA, for compliance with European and national non-financial reporting legislation;</li> <li>▪ makes recommendations to the Board on the structure and responsibilities of the Advisory Committees established at Board level;</li> <li>▪ provides oversight on significant public policy issues regarding the company's relationships with shareholders, employees, customers, competitors, suppliers and the communities in which it operates;</li> </ul>

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<ul style="list-style-type: none"> <li>▪ reviews the company's Code of Ethics, including its programs to promote ethical conduct, and provides recommendations to the Board of Administration tors regarding approval of the Code of Ethics;</li> <li>▪ assists the Board of Administration in developing the Management Plan.</li> </ul>

### Composition of advisory committees set up at the level of the company's Board of Administration

As of 08.12.2022, following the approval by Board of Administration Resolution 37/08.12.2022 of the amendment of the Internal Rules on the organization and operation of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA. and the name of some advisory committees, the composition of the committees was as follows:

Name of advisory committee	Composition of the committee	
Nomination and Remuneration Committee	Văduva Petru Ion	- non-executive administrator
	Minea Nicolae	- non-executive, independent administrator
	Orosz Csaba	- non-executive, independent administrator
Audit and Rating Committee	Nicolae Minea	- non-executive, independent administrator, Chairman of the committee
	Csaba Orosz	- non-executive, independent administrator
	Gheorghită Agafiței	- non-executive, independent administrator
	Petru Ion Văduva	- non-executive administrator
NTS Regulatory, Safety and Security Committee	Ion Sterian	- executive administrator
	Petru Ion Văduva	- non-executive administrator
	Gheorghită Agafiței	- non-executive, independent administrator
Strategy, Sustainability and Equal Opportunities Committee	Ion Sterian	- executive administrator
	Nicolae Minea	- non-executive, independent administrator
	Gheorghită Agafiței	- non-executive, independent administrator
Corporate Governance and Relations with Public Authorities Committee	Ion Sterian	- executive administrator
	Gheorghită Agafiței	- non-executive, independent administrator
	Csaba Orosz	- non-executive, independent administrator

Subsequently, following the publication of Law 187 of 28 June 2023, amending and supplementing Government Emergency Ordinance 109/2011 on corporate governance of public enterprises, in accordance with the provisions of Article 34(1) and (2<sup>1</sup>), and the obligation to set up a Risk Management Committee, through Article 3 of the BoA Resolution 23 /24.08.2023 it was approved the modification of the name of some Advisory Committees, the establishment of the Risk Management Committee and the modification of the Internal Rules on the organisation and

functioning of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA and their composition, as follows:

Name of advisory committee	Composition of the committee	
The Nomination and Remuneration Committee	Minea Nicolae	- non-executive, independent administrator, Chairman of the committee
	Văduva Petru Ion	- non-executive administrator
	Orosz Csaba	- non-executive, independent, administrator
The Audit Committee The Risk Management Committee	Minea Nicolae	- non-executive, independent administrator, Chairman of the committee
	Orosz Csaba	- non-executive, independent, administrator
	Agafiței Gheorghică	- non-executive, independent, administrator
	Văduva Petru Ion	- non-executive administrator
Comitetul de Gestionare a Riscurilor The NTS Regulatory, Safety and Security Committee	Minea Nicolae	- non-executive, independent administrator, Chairman of the committee
	Văduva Petru Ion	- non-executive administrator
	Orosz Csaba	- non-executive, independent, administrator
Comitetul de Reglementare, Siguranță și Securitate a SNT The Corporate Governance and Sustainability Committee	Agafiței Gheorghică	- non-executive, independent administrator, Chairman of the committee
	Sterian Ion	- executive administrator
	Văduva Petru Ion	- non-executive administrator
Comitetul de Guvernanță Corporativă și Sustenabilitate	Orosz Csaba	- non-executive, independent administrator, Chairman of the committee
	Sterian Ion	- executive administrator
	Agafiței Gheorghică	- non-executive, independent, administrator

Following the appointment by OGMS Resolution 9/11.10.2023 of Ms. Ilinca Von Derenthall and Ms. Hanza Adina-Lăcrimioara as provisional members of the Board of Administration for a maximum term of office of 5 months, starting with 17.10.2023, with the possibility of extension, only once, for another 2 months, and Article 1 of the Board of Administration Resolution 32/31.10.2023 amending the *Internal Rules on the organisation and functioning of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA* and the composition of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA, their composition is as follows:

Name of advisory committee	Composition of the committee	
The Nomination and Remuneration Committee	Minea Nicolae	- non-executive, independent administrator, Chairman of the committee
	Văduva Petru Ion	- non-executive administrator

Name of advisory committee	Composition of the committee	
	Hanza Adina-Lăcrimioara	- non-executive, independent, interim administrator
The Audit Committee	Minea Nicolae	- non-executive, independent administrator, Chairman of the committee
	Hanza Adina-Lăcrimioara	- non-executive, independent, interim administrator
	Văduva Petru Ion	- non-executive administrator
The Risk Management Committee	Minea Nicolae	- non-executive, independent administrator, Chairman of the committee
	Văduva Petru Ion	- non-executive administrator
	Von Derenthall Ilinca	- non-executive, independent, interim administrator
The NTS Regulatory, Safety and Security Committee	Hanza Adina-Lăcrimioara	- non-executive, independent, interim administrator, Chairman of the committee
	Sterian Ion	- executive administrator
	Văduva Petru Ion	- non-executive administrator
The Corporate Governance and Sustainability Committee	Von Derenthall Ilinca	- non-executive, independent, interim administrator, Chairman of the committee
	Hanza Adina-Lăcrimioara	- non-executive, independent, interim administrator
	Sterian Ion	- executive administrator

The activity carried out in 2023 by the five advisory committees set up at the level of the Board of Administration was performed on the basis of:

- **Companies` Law no. 31/1990**, republished, as amended, Art. 138<sup>1</sup> (2), Art. 138<sup>2</sup> (2), Art. 140<sup>2</sup> (1) and (2);
- **GEO no 109/2011** on corporate governance of public companies, Art. 34 and Art. 55 (2) and (3), as amended;
- **Law no 162/2017** on the statutory audit of the annual financial statements and consolidated annual financial statements and on the amending of some normative acts;
- **The Bucharest Stock Exchange Code of Corporate Governance** ;
- **The updated Articles of Incorporation of Transgaz SA**, Chapter V, Art.19 (11);
- **The Board of Administration resolutions:** BoA Resolution 32/31.10.2023, BoA Resolution 23/24.08.2023, BoA Resolution 37/08.12.2022; BoA Resolution 20/20.06.2022; BoA Resolution 19/23.06.2021; BoA Resolution 16/10.05.2021; BoA Resolution 10/28.02.2018; BoA Resolution 22/11.07.2017; BoA Resolution 15/16.05.2017; BoA Resolution 39/17.12.2015; BoA Resolution 43/19.11.2014; BoA Resolution 21/ 16.06.2014; BoA Resolution 2/ 10.02.2014; BoA Resolution 13/ 29.07.2013; BoA Resolution 7/ 27.05.2013; BoA Resolution 16/ 30.10.2009; BoA Resolution 13/ 24.09.2009,

and intended to monitor the actions of the members of the Advisory Committees in accordance with the areas in which they were designated and is reflected in their half-yearly/yearly activity report, which highlights:

- how the materials and documents of the different organizational structures of SNTGN Transgaz SA were consulted by the members of the Advisory Committees;
- analyses by members of the Advisory Committees on the content of documents and materials submitted, and the additional information or the clarifications requested;
- proposals / measures / recommendations of the members of the Advisory Committees regarding the content of materials and documents submitted for analysis and approval / endorsement to the Board of Administration; and
- the documents by which the Board of Administration in its plenary decided on the content and the issues addressed in the documents submitted for analysis/approval/endorsement.

The structure of the activity report prepared at the level of the advisory committees set up at the Board of Administration level in 2023 was designed so as to reflect in a comprehensive and accurate manner the entire activity regarding the analysis, consultation and the decision making process regarding the activity of the company.

No.	Description	Responsible	Composition of the Committee
1.	Activity Report of the Nomination and Remuneration Advisory Committee between 1 January and 30 June 2023	Nomination and Remuneration Advisory Committee	Văduva Petru Ion Minea Nicolae Orosz Csaba
2.	Activity Report of the Strategy, Sustainability and Equal Opportunities Advisory Committee between 1 January and 30 June 2023	Strategy, Sustainability and Equal Opportunities Advisory Committee	Sterian Ion Minea Nicolae Agafiței Gheorghită
3.	Activity Report of the Corporate Governance and Relations with Public Authorities Advisory Committee between 1 January and 30 June 2023	Corporate Governance and Relations with Public Authorities Advisory Committee	Sterian Ion Orosz Csaba Agafiței Gheorghită
4.	Activity Report of the NTS Regulatory, Safety and Security Advisory Committee between 1 January and 30 June 2023	NTS Regulatory, Safety and Security Advisory Committee	Sterian Ion Văduva Petru Ion Agafiței Gheorghită
5.	Activity Report of the Audit and Rating Advisory Committee between 1 January and 30 June 2023	Audit and Rating Advisory Committee	Minea Nicolae, Chairman Agafiței Gheorghită Orosz Csaba Văduva Petru Ion
6.	Activity Report of the Nomination and Remuneration Advisory Committee between 1 January and 31 December 2023	Nomination and Remuneration Advisory Committee	Văduva Petru Ion Minea Nicolae Orosz Csaba – until 16.10.2023 Hanza Adina-Lăcrimioara - from 31.10.2023

No.	Description	Responsible	Composition of the Committee
7.	Activity Report of the Strategy, Sustainability and Equal Opportunities Advisory Committee between 1 January and 24 August 2023	Strategy, Sustainability and Equal Opportunities Advisory Committee	Sterian Ion Minea Nicolae Agafiței Gheorghită
8.	Activity Report of the Corporate Governance and Relations with Public Authorities Advisory Committee between 1 January and 24 August 2023	Corporate Governance and Relations with Public Authorities Advisory Committee	Sterian Ion Orosz Csaba Agafiței Gheorghită
9.	Activity Report of the NTS Regulatory, Safety and Security Advisory Committee between 1 January and 31 December 2023	NTS Regulatory, Safety and Security Advisory Committee	Sterian Ion Văduva Petru Ion Agafiței Gheorghită - until 16.10.2023 Hanza Adina-Lăcrimioara - from 31.10.2023
10.	Activity Report of the Audit and Rating Advisory Committee and of the Audit Advisory Committee from 24.08.2023, between 1 January and 31 December 2023	Audit and Rating Advisory Committee and Audit Advisory Committee	Minea Nicolae Agafiței Gheorghită - until 16.10.2023 Orosz Csaba - until 16.10.2023 Văduva Petru Ion Hanza Adina-Lăcrimioara - from 31.10.2023
11.	Activity Report of the Risk Management Advisory Committee between 24 August and 31 December 2023	Risk Management Advisory Committee	Minea Nicolae Văduva Petru Ion Orosz Csaba - until 16.10.2023 Von Derenthall Ilinca - from 31.10.2023
12.	Activity Report of the Corporate Governance and Sustainability Advisory Committee between 24 August and 31 December 2023	Corporate Governance and Sustainability Advisory Committee	Sterian Ion Orosz Csaba - until 16.10.2023 Agafiței Gheorghită - until 16.10.2023 Von Derenthall Ilinca - from 31.10.2023 Hanza Adina-Lăcrimioara - from 31.10.2023

## Section B - Risk and internal control information

At the level of Transgaz Board of Administration an Audit Committee was established to regularly review the compliance of financial reporting, internal control, and the company's risk management and rating system. The audit committee must be composed of at least three members and the majority of the members must be independent. The Chairman of the Audit Committee should be an independent non-executive member. Most members, including the Chairman, must have demonstrated that they have appropriate qualifications relevant to the functions and responsibilities of the Committee.



The members of the Committee shall assist and make recommendations to the Board of Administration on the establishment of the accounting and financial control system as well as the financial and budgetary planning.

The Committee conducts auditing analyses and draws up audits reports based on them, while verifying the fulfilment of the audit plan at the company level. Within the company the Internal Audit Unit is established, being operationally subordinated to the Board of Administration.

The Committee provides support to the Board of Administration in monitoring the credibility and completeness of the financial information provided by the Company, in particular by reviewing the relevance and consistency of accounting standards applied by the Company.

The Committee collaborates with the company's external financial audit, which will provide a report describing all the relationships between the latter, on the one hand, and the company and the group to which it belongs, on the other;

The Audit Committee monitors the independence and accountability of the financial auditor, in particular by monitoring the rotation of the company's dedicated partners in the audit firm, and makes recommendations to the Board of Administration on the selection, appointment, replacement of the financial auditor, and terms and conditions of its remuneration.

### **Conflict of interests**

The members of the Board of Administration will make decisions in the sole interest of the company and will not take part in the debates or decisions that create a conflict between their personal interests and those of the company or the subsidiaries controlled by it. In this respect, the Board of Administration approved the *Conflict of Interest Management Policy* in order to comply with Art. A.2. of the new Corporate Governance Code of the BSE, and was approved at Art. 2 by the OGMS Resolution 4 of 23 June 2016.

### **Transactions with involved persons**

Each member of the Board of Administration shall ensure that there is no conflict of interest either directly or indirectly with the company or a subsidiary controlled by it, and in the event of such conflict, it will refrain from debating and voting on those matters, in accordance with the legal provisions in force.

In order to ensure the procedural fairness of the transactions with the parties involved, the members of the Board of Administration resort to the following criteria, but not limited to:

- retaining the competence of the Board of Administration or the GMS, as appropriate, to approve the most important transactions;
- asking for a prior opinion on the most important transactions from internal control structures;
- entrusting negotiations relating to these transactions to one or more independent administrators or to administrators who have no links with the concerned parties;
- the use of independent experts.

## **Section C - Remuneration Information**

At the level of the Board of Administration the company established a Nomination and Remuneration Committee approved by Board of Administration Resolution 7 of 27.05.2013, which, in accordance with Law 24/2017 on issuers of financial instruments and market operations, as

amended, develops the Remuneration Policy for Transgaz's Administrators', Director-General and Chief Financial Officer, and assists the Board of Administration in establishing/supervising the remuneration policies and practices. In accordance with the provisions of Article 37 of GEO 109/2011 on the corporate governance of public enterprises, as amended, the General Meeting of the Shareholders establishes the remuneration of the Board of Administration members.

Based on the legal provisions and in accordance with the Bucharest Stock Exchange Governance Code, by Article 13 of OGMS Resolution 3/27.04.2021 it was approved the **Remuneration Policy and Criteria for the Administrators, Director-General and CFO of SNTGN TRANSGAZ S.A.**, which mainly define the following:

1. Legal framework
2. Scope, coverage, field of application and decision-making process
3. Objectives of the Remuneration Policy
4. General principles underlying the remuneration policy
5. Structure of the remuneration of the administrators, director - general and chief financial officer of SNTGN TRANSGAZ S.A.
6. Other types of benefits
7. Duration of the mandate contracts, applicable notice periods, conditions of termination/termination of contracts
8. Making payments
9. Conflict of interest
10. Policy derogations

The remuneration policy aims to motivate, attract, increase the confidence and commitment of the administrators, the director- general and the chief financial officer in achieving the objectives set and approved by the company's development strategy, measured with a view to optimising performance at company level..

The remuneration and other benefits provided to administrators and directors are disclosed in the annual financial statements and in the annual report of the nomination and remuneration committee on remuneration and other benefits provided to administrators and directors.

The remuneration policy sets the general framework for the remuneration of the administrators, director - general and the chief financial officer in the company, which is supplemented in its implementation by the legal provisions applicable to the core business, the provisions of the Collective Labour Contract of SNTGN TRANSGAZ SA, the mandate contracts as well as the resolutions of the Board of Administration and of the General Meeting of the Shareholders.

## **STATEMENT ON THE IMPLEMENTATION OF THE REMUNERATION POLICY IN 2023**

The remuneration policy of SNTGN TRANSGAZ S.A. , approved by Resolution 3/27.04.2021 of the Ordinary General Meeting of the Shareholders, Art.13, is based on the good national and international practices as well as on the applicable legislative amendments.

The remuneration policy is consistent with the company's business strategy, objectives, values and long-term interests and includes measures to avoid conflicts of interest and ensure the company's effective corporate governance.

The general principles underlying the Remuneration Policy aim to ensure the long-term sustainability of the company's profits and business, reward achievement of objectives and increase competitiveness.

The remuneration and benefits provided under the law or the mandate contract to the administrators, the director-general and the chief financial officer under the unitary system shall be disclosed in the annual financial statements, the annual report of remuneration and the annual report of the administrators.

The role of the Nomination and Remuneration Committee is to assist the Board of Administration in establishing and monitoring remuneration policies and practices.

The Nomination and Remuneration Committee is responsible for developing and proposing the remuneration policy, monitors its implementation and will ensure that conflicts of interest are avoided.

The remuneration conditions of the members of the Board of Administration, the Director - General and the CFO of SNTGN TRANSGAZ S.A. are established on the basis of a study prepared by a specialized company, carried out on the recommendation of the Nomination and Remuneration Committee.

The remuneration policy of SNTGN TRANSGAZ S.A. aims at stimulating the growth of financial and operational efficiency and sustainable development of the company, in compliance with the principles of good corporate governance.

## **Section D - Shareholder Information**

All holders of financial instruments issued by Transgaz of the same type and class of securities receive equal treatment and the company always makes sustained efforts to achieve effective, active and permanent communication in order to exercise rights in a fair manner.

All Transgaz shareholders will be treated fairly. All issued shares give the holders equal rights and any modification of the rights conferred by them will be subject to the approval of the holders directly affected in the special meetings of the respective holders.

Transgaz makes every effort to facilitate the participation of shareholders in the works of the General Meetings of the Shareholders, the dialogue between shareholders and members of the Board of Administration and/or management, as well as the full exercise of their rights. The participation of the shareholders in the works of the General Meetings of the Shareholders is fully encouraged, and shareholders who cannot participate in the meetings are given the possibility of voting in absentia - on a special proxy basis, or by correspondence.

The Company created a special section, called *Investor Relations*, on its own website, where relevant information on procedures for access to and participation in the general meetings of the shareholders, convenings, supplementations of agenda, exercise of voting rights, materials for the issues on the agenda, special proxy templates, resolutions, current reports, company financial statements, information regarding dividends, financial calendar, corporate governance are constantly updated and accessible, thus contributing to transparent and fair information to all interested.

At the same time, Transgaz set up a specialized organizational structure for the management of the capital market activity, namely the *Investor Relations Department*, whose activity is dedicated to the relationship with investors and shareholders. The personnel of the department is permanently instructed / prepared / professionally trained on issues related to the company's relationship with its shareholders, the capital market institutions as well as the principles of corporate governance.

## Transparency

Transgaz performs regular continuous reports on the important events related to the company, including, without limitation, the financial standing, performance, ownership structure and management both in mass media and on its own webpage ([www.transgaz.ro](http://www.transgaz.ro)).

The company prepares and disseminates regular continuous and relevant information on the International Financial Reporting Standards (IFRS) and other reporting standards, namely environmental, social and governance (ESG –Environment, Social and Governance). The information is disseminated both in Romanian and English.

The company organizes regular meetings with financial analysts, brokers, market specialists and investors for the presentation of the financial results (annual, quarterly, half-yearly), 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 security, 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 substantiating and implementing corporate business strategies and policies.

By subscribing to this goal, SNTGN TRANSGAZ SA 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 with shareholders and stakeholders.

Transgaz administrators appreciate that, acting in the spirit of the best corporate governance practices, the proposed objectives can be attained and the stakeholders' confidence can be increased in the capabilities of the company to maximize the efficiency of the activity.

## 7.2 LEGAL DOCUMENTS CONCLUDED ACCORDING TO ART. 52 (1) AND (6) OF GEO 109/30.11.2011

In 2023, no legal acts were concluded under the terms of Article 52(1) and (6) of GEO no.109/30.11.2011, as amended.

### 7.3. Main transactions between affiliated parties (concluded in accordance with Article 92<sup>3</sup> of Law 24/2017 updated by Law 158/2020)

Contract data	Contract clauses
<b>Contract Parties</b>	Concluded between <b>SNTGN TRANSGAZ SA</b> and <b>S.N.G.N. ROMGAZ S.A</b>
Contract date and type	<p><b>Contract no. 24/22.08.2022</b> (1 October 2022 – 1 October 2023)  <b>Contract no. 76/22.08.202</b> (1 October 2022 - 1 October 2023)  <b>Contract no. 100T/15.11.2022</b> (1 January 2023 - 1 April 2023)  <b>Contract no. 101T/15.11.2022</b> (1 January 2023 - 1 April 2023)  <b>Contract no. 332L/21.12.2022</b> (1 January 2023 - 1 February 2023)  <b>Contract no. 427L/18.01.2023</b> (1 February 2023 - 1 March 2023)  <b>Contract no. 129T/14.02.2023</b> (1 April 2023 - 1 July 2023)  <b>Contract no. 40Z/27.01.2023</b> (1 February 2023 - 1 October 2023)  <b>Contract no. 505L/22.02.2023</b> (1 March 2023 - 1 April 2023)  <b>Contract no. 520L/22.03.2023</b> (1 April 2023 - 1 May 2023)  <b>Contract no. 660L/20.04.2023</b> (1 May 2023 - 1 June 2023)  <b>Contract no. 695L/17.05.2023</b> (1 June 2023 - 1 July 2023)  <b>Contract no. 166T/10.05.2023</b> (1 July 2023 - 1 October 2023)  <b>Contract no. 771L/21.06.2023</b> (1 July 2023 - 1 August 2023)  <b>Contract no. 819L/19.07.2023</b> (1 August 2023 - 1 September 2023)  <b>Contract no. 863L/23.08.2023</b> (1 September 2023 - 1 October 2023)  <b>Contract no. 23/28.08.2023</b> (1 October 2023 - 1 October 2024)  <b>Contract no. 74/28.08.2023</b> (1 October 2023 - 1 October 2024)  <b>Contract no. 33T/28.08.2023</b> (1 October 2023 - 1 January 2024)  <b>Contract no. 34T/28.08.2023</b> (1 October 2023 - 1 January 2024)  <b>Contract no. 55L/20.09.2023</b> (1 October 2023 - 1 November 2023)  <b>Contract no. 151L/18.01.2023</b> (1 November 2023 - 1 December 2023)  <b>Contract no. 152L/18.01.2023</b> (1 November 2023 - 1 December 2023)  <b>Contract no. 267L/22.11.2023</b> (1 December 2023 - 1 January 2024)  <b>Contract no. 268L/22.11.2023</b> (1 October 2023 - 1 October 2023)</p>
Contract scope	- NTS <b>entry</b> points annual, quarterly, monthly, daily gas transmission services - NTS <b>exit</b> points annual, quarterly, monthly, daily gas transmission services
Cumulative contract value	<b>203,434,920.68 lei</b> (VAT included) of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	<p><b>Guarantees:</b>  <b>Art. 14</b>  (1) For the purpose of fulfilling their obligations under the Contract, either Party shall establish a guarantee for the other Party in accordance with the Network Code.  (2) For fulfilling the obligation under paragraph (1), the TSO shall provide the credit rating.  (3) The NU is exempted from the obligation to provide the payment guarantee to the TSO conditional on:  a) the proof of a credit rating issued by one of the rating agencies agreed by the TSO or at least at the same level as that of the TSO, valid for the duration of the Contract;  b) pays the transmission services in advance.  (4) If, during validity of this Contract, either the NU rating or the agency agreed by the TSO changes, the NU shall notify the TSO within 3 working days from the change and shall prove the fulfillment of its guarantee obligations under this Chapter no later than 5 working days from the change.</p>

**ART. 15**

(1) The payment guarantee shall be submitted by the NU as:

- a) a letter of bank guarantee in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date (according to Annex 4); and/or
- b) a guaranteed account (collateral deposit) in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date and/or
- c) an escrow account in lei or the euro equivalent at the Central European Bank exchange rate on the guarantee issuing date.

(2) The TSO shall accept the letter of bank guarantee issued by a bank having a rating issued one of the following rating agencies: Standard&Poors, Moody's or Fitch, at least at the `investment grade` level. The equivalence between the ratings of the three agencies is published on the TSO's website.

**ART. 16**

(1) If the NU proves the creditworthiness according to Art. 14 (3) (a), the TSO may, in certain justified cases, request the provision of a financial guarantee in accordance with Art. 15 or the advance payment of the payment obligations arising from the commercial relationship with the NU. The request for a guarantee or advance payment shall be made and explained in writing.

(2) For the transmission services, a justified case is considered the situation when the NU has a delayed payment for an amount of at least 10% of the value of the last invoice or of the amount of the partial payment obligations after having received a notification from the TSO in this respect.

**B. Yearly and quarterly product****ART. 17**

(1) The NU shall submit to the TSO the financial guarantee according to (2) at least 5 working days before the start of the transmission service.

(2) The level of the financial guarantee provided by the NU shall be equal to the average value of the estimated monthly invoice for the transmission services for the following period of use.

(3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract.

(4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within 7 working days after the end of the booking period.

(5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use.

(6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made.

(7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date.

(8) The NU may renounce the advance payment option provided it establishes a financial guarantee according to Art. 14 (3) or to Art. 15.

**C. Monthly product****ART. 18**

(1) The NU shall submit to the TSO the financial guarantee according to (2) at least 3 working days before the start of the transmission service.

(2) The level of the financial guarantee provided by the NU shall be equal to the value of the estimated monthly invoice for the transmission services for the following period of use.

(3) The financial guarantee established in accordance with (2) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60th calendar day following the expiry date of the Contract.

(4) The NU may waive the option of establishing a transmission service guarantee by making advance payments. In this respect, the NU shall notify the advance payment option the TSO in writing, within two working days after the end date of the booking period.

(5) The advance payment amount shall be equal to the monthly invoice amount for the transmission services for the following period of use.

(6) The advance payment/advance payment invoice shall be compensated with the settlement invoice of the month for which the payment was made.

(7) If such advance payment does not cover the value of the settlement invoice for the respective month, the difference shall be paid by the NU on the invoice due date.

**D. Daily product**

**ART. 19**

For the daily product, the payment shall be made in advance, within 24 hours following the acceptance and signature of the transmission contract and before the start of the transmission services in accordance with Article 7.

**ART. 20**

(1) The payment guarantee issued according to Art. 17 (1) shall be valid starting from the bank day preceding the transmission service commencement date and shall cease on the 60<sup>th</sup> calendar day following the expiry date of the Contract.

(2) If the level of the financial guarantee:

a) decreases by more than 5% below the level specified in Art. 17 (2), the NU shall supplement the financial guarantee accordingly;

b) is more than 5% above the level specified in Art. 17 (2), the TSO shall return to the NU the difference between the actual level of the guarantee and the one specified in Art. 17 (2).

(3) The payment guarantee shall be adjusted within no more than 5 working days from the date of recording of the diminishing/increasing as compared to the level specified in Art. 17 (2).

(4) The TSO shall be entitled to make claims against the guarantee under this Article within the limits of the damage incurred, unless the NU fulfills its contract obligations completely or partly or if it delays fulfilling such obligations.

(5) Prior to making any claim against such guarantee, the TSO shall notify the NU on the non-fulfilled obligations.

(6) The TSO shall send the guarantee execution notification by fax within 24 hours from the expiration of the period set at Art.23 (1) (a).

(7) If the guarantee is executed partly or completely, the NU shall re-establish the guarantee within 5 days from execution.

**Penalties:**

**ART. 23**

(1) Failure to meet the invoice payment obligation as stipulated at Art. 7 (1) shall incur:

a) delay penalties related to the unpaid amount, equal to the delay interest due for failure to pay the budgetary obligations in due time, for each day of delay, starting with the 16th calendar day from the invoice issuing date until its full payment, the payment date included, or until the execution of the guarantee stipulated by the contract, in case of failure to meet the payment obligation within 15 calendar days from the maturity date;

b) in case of failure to meet the payment obligation, the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the period of 15 calendar days foreseen at letter a);

c) the limitation/interruption of the gas transmission service, with a prior notice of 3 calendar days, starting with the day following the day when the sum of the Nu imbalances exceeds the value of the balancing guarantees.

(2) If the due date or the day following the grace period expiration is a bank holiday, the terms foreseen at paragraph (1) shall be shifted accordingly.

**ART. 24**

If, upon TSO's request, the NU does not voluntarily return/does not use the booked and not used capacity transfer facility, thus the mandatory capacity transfer being applied, NU shall pay 5% of the transferred capacity for the period between the date of mandatory capacity transfer and the date of Contract expiry.

**ART. 25**



	<p>(1) The NU shall be entitled to request and receive an amount established based on the tariff for not ensuring the booked capacity, according to the Network Code, in case TSO does not keep at NU's disposal the entire transmission capacity booked by the latter;</p> <p>(2) If the amount in paragraph (1) does not cover the entire prejudice incurred, NU shall be entitled to request and receive damages, additionally, up to full coverage of the prejudice incurred when TSO does not meet its gas transmission services obligation as well as any other obligations established by this Contract.</p>
<p>Payment terms and modalities</p>	<p><b>ART.6</b></p> <p>(1) The NU shall pay the TSO the value of the transmission capacity booked, calculated based on the capacity booking tariff applicable at the moment when the booked capacity may be used.</p> <p>(2) The TSO shall pay the NU the value of the transmission capacity not provided, calculated based on the capacity non-provision tariff applicable at the moment when the NU could not use the booked capacity.</p> <p>(3) The NU shall pay the transmission system operator additionally, as applicable, the tariffs established under the Network Code.</p> <p>(4) The tariffs referred to in paragraphs (1) and (2) are set out in Annex 1 to the Contract.</p> <p>(5) Until the 15<sup>th</sup> day of the month following the month for which the transmission service was provided, the TSO shall send the NU separate invoices (hereinafter referred to as 'monthly invoices'), as follows:</p> <p>a) an invoice for the transmission services provided for the previous month;</p> <p>b) an invoice for the booked capacity exceeding tariff value, calculated in accordance with Art. 99 of the Network Code, and/or for the tariff value for not providing the capacity booked, calculated in accordance with Art. 101 of the Network Code, if applicable;</p> <p>c) an invoice for the amount of the additional capacity, calculated according to Art. 51 of the Network Code, resulting after the nomination by the NU of a gas quantity exceeding the NU capacity booked at a NTS entry point.</p> <p>(6) If the NU chooses to make an advance payment, the TSO shall issue and send the NU at least 5 calendar days before the starting date of each month of provision of services, an advance payment invoice, the amount of which shall be equal to the amount of booked capacity calculated for the period of the service provision month.</p> <p>(i) an advance payment invoice the value of which is equal to the value of the capacity booked, calculated for the service provision month, at least 5 calendar days before the start date of each month of services provision, to which the volumetric component value, calculated at the contractual level of the capacity for the same period, is added;</p> <p>(ii) within 15 working days from the end of the service provision month, an adjustment invoice, based on the final allocation.</p> <p><b>ART. 7</b></p> <p>(1) Invoices issued according to Art. 6 (5) shall be paid within 15 calendar days from the date of issuance. If the due date is not a business day, the deadline is set on the next business day.</p> <p>(2) Invoices issued according to Art. 6 (6) shall be paid until the transmission service start date, according to the advance payment invoice issued in this respect.</p>

## 8. KEY PERFORMANCE INDICATORS ESTABLISHED IN THE CONTRACTS OF MANDATE

By OGMS Resolution 8/6.12.2021 the financial and non-financial performance indicators for 2021 - 2025, which are annexed to the directors' contracts of mandate, were approved and the revision of some financial key performance indicators for the same period was approved by OGMS Resolution

3/28 February 2022 and by OGMS Resolution 10/7 December 2022 the revision of some key non-financial performance indicators for the same period was approved.

### Key financial and non-financial performance indicators achievement

#### Key financial performance indicators for the calculation of the variable component of the remuneration (individual)

No.	Indicator	Objective	2023		Achievement*
			Budgeted	Achieved	
1.	<b>Outstanding payments</b>	<i>Maintenance of the outstanding payments at zero.</i>	0	0	100%
2.	<b>Operating expenses</b> (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges) (thousand lei)	<i>Maintenance of the operating expenses at the level under the Management Plan</i>	1.296.063	1.025.167	126%
3.	<b>Liquidity ratio</b>	<i>Liquidity ratio to record values higher than 1</i>	1	1,25	125%
4.	<b>Net leverage rate</b>	Maintenance of a net leverage rate below the limits set for obtaining bank financing, i.e.: 5-2021, 5,5-2022, 5 – 2023-2024, 4,5 2025	5,5	2,90	190%
5.	<b>EBITDA</b> (thousand lei)	Achievement of the EBITDA target under the Management Plan	377.921	560.105	148%

**Table 31 - Key financial performance indicators for the calculation of the variable component of remuneration in 2023 compared to the 2023 Budget (according to the management Plan 2021-2025)**

## Key non-financial performance indicators for the calculation of the variable component of the remuneration

No.	Indicator	Objective	No.	2023		Achievement
				Planned	Achieved	
<b>Operational</b>						
6	<b>Monitoring the Implementation and Investment Strategy</b>	<b>Achievement of the FID projects from the TYNDP (2022-2031)</b> <i>I = (achieved+initiated actions)/proposed actions</i>				
		Development on the Romanian territory of the <b>Southern Transmission Corridor</b> for taking over the Black Sea gas	6.1	Construction 2023-2025 The completion date depends on the upstream offshore projects implementation schedules.	All design and permitting activities were completed and the works contract was signed. The incremental capacity process was completed successfully for the NTS entry/exit point to be established in the Tuzla area, where the gas from the Black Sea will reach the shore. On 16 March 2023, the gas transmission contracts concluded pursuant to the capacity booking procedure for the Tuzla Black Sea gas NTS entry/exit point were signed. On 16 June 2023 the works commencement order was signed.	100%
		Achievement of the pilot project for metering and using the hydrogen gas blending	6.2	The design, execution and mounting of the installation of the pilot project related to the use of hydrogen gas blend and the studying of the influences on materials, metering systems and combustion equipment .	All activities related to the design, execution and the mounting of the installation of the pilot project for the use of the hydrogen gas blend and the studying of the influences on the materials, metering systems and combustion equipment were performed. Specific testing activities within the pilot project are on progress.	100%
7	<b>Increasing energy efficiency</b>	Maintaining the share of the NTS gas consumption in the total circulated gas below 1%	7.1	<1	<b>0,44%</b>	100%
8	<b>Customer satisfaction</b>	Achievement of the targets established in the management plan (According to PP 165 Evaluation of Clients satisfaction, a score between 6-8 represents the fact that the services offered satisfied accordingly the requirements of the clients)	8.1	8	<b>Achieved - 8</b> Report SMC/17930/29.02.2024 on the evaluation of SNTGN Transgaz SA clients satisfaction for 2023	Annually monitored
9	<b>Strengthening and diversifying cooperation and collaboration</b>	Conclusion of memoranda of cooperation and collaboration with European gas transmission system operators (minimum 5 operators) regarding the	9.1	1	The Memorandum of Understanding was signed between four gas transmission system operators in Central Europe (Transgaz - Romania, Gaz-	100%

	<b>relations with European gas transmission system operators</b>	<i>collaboration on hydrogen injection</i>			System - Poland, Eustream - Slovakia and FGSZ - Hungary, on exploring the possibilities of decarbonising their operations, transmitting green gas and investigating the potential of transmitting CO2.	
<b>Public service oriented</b>						
<b>10</b>	<b>Performance indicators related to the gas transmission service</b>	<i>Achievement of the targets established in the Performance Standard for the gas transmission service (ANRE Order 140/2021 entered into force as at 1 October 2022).</i>	10.1	$IP_0^1 \geq 90\%$	99,49%	100%
			10.2	$IP_1^1 \geq 90\%$	100%	
			10.3	$IP_1^2 \geq 95\%$	*	
			10.4	$IP_1^3 \geq 95\%$	*	
			10.5	$IP_1^4 \geq 95\%$	100%	
			10.6	$IP_1^5 \geq 95\%$	100%	
			10.7	$IP_2^1 \geq 95\%$	100%	
			10.8	$IP_3^1 \geq 95\%$	95,35%	
			10.9	$IP_3^2 \geq 95\%$	*	
			10.10	$IP_4^1 \geq 95\%$	*	
			10.12	$IP_5^1 \geq 98\%$	100%	
			10.12	$IP_5^2 \geq 98\%$	100%	
			10.13	$IP_6^1 \geq 98\%$	100%	
			10.14	$IP_6^2 \geq 98\%$	100%	
<b>Corporate governance</b>						
<b>11</b>	<b>Optimization of internal/management control system</b>	<p><i>Implementing the provisions of GSG Order 600/2018 for the approval of the Internal/Management Control Code of public enterprises as subsequently amended.</i></p> <p><i>I = implemented standards/standards provided by Order 600/2018*100</i></p> <p><i>Implementation of the measures established in the SCIM Implementation Plan</i></p> <p><i>I = Implemented measures /proposed measures *100</i></p>	11.1	Development of the internal/management control system for maintaining it at a level considered compliant with the standards included in the Internal/Management Control Code.	<p><b>Achieved</b></p> <ul style="list-style-type: none"> <li>- Monitoring Committee Decision 38/12.01.2023;</li> <li>- Monitoring Committee Decision 180/03.02.2023;</li> <li>- Monitoring Committee Decision 1522/10.10.2023;</li> <li>- Letter 5750/ 26.01.2023, sent to the General Secretariat of the Government, on the submission of the following SCIM reporting documents: Report to the Director-General on the Internal/Managerial Control System as at 31 December 2022, No 5754/26.01.2023; Centralising report on the implementation and development of the internal/managerial control system within SNTGN Transgaz SA, as of 31 December 2022, no. DSMC/2260/11.01.2023.</li> </ul>	100%

					<p>The data contained in the above mentioned documents are uploaded to the SGG SCIM IT Platform. By the email of 14.02.2023 the General Secretariat of the Government communicates the approval of the forms uploaded to the IT Platform.</p> <p>- Letter 2687/26.01.2024 , sent to the General Secretariat of the Government on the submission of the following SCIM reporting documents:</p> <ul style="list-style-type: none"> <li>▪ Report to the Director-General on the Internal/Managerial Control System as at 31 December 2023, No. 7138/26.01.2024;</li> <li>▪ Centralising report on the implementation and development of the internal/managerial control system within SNTGN Transgaz SA, as of 31 December 2023, no. 7135/26.01.2024.</li> </ul> <p>- SCI/M Development Plan no. DSMC/14810/27.02.2023, updated for 2023;</p> <p>-Progress of the internal/management control system at Transgaz for 2022, no. DSMC/ 14799/27.02.2023;</p> <p>-Report on 2022 Transgaz performance monitoring no. DSMC/14821/ 27.02.2023;</p> <p>- The Board of Administration took note of Report DG/16707/03.03.2023 on the Progress of the SCI/M implementation and performance monitoring for 2022, by BoA Resolution 8/21.03.2023;</p> <p>- Report no. DSMC/30363/25.04.2023 to the Audit and Rating Committee on the specific activities of the Internal/Managerial Control System (including Risk Management) carried out in Q I.</p> <p>- Report no DSMC/95199/13.12.2023 to the Risk Management Committee on the internal</p>	
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					managerial control system, H I 2023;	
			11.2	Streamline the processing and management of SCI/M documentation by implementing an SCI/M web platform (preparation of procurement documents).	<p><b>Achieved</b></p> <ul style="list-style-type: none"> <li>-Specification no. 43806/08.06.2021 for the design and implementation of the SCI/M web platform . The analysis, diagnosis, assessment of the Internal/Managerial Control System is included in Chapter 2 of the Specifications.</li> <li>- Necessity report no. DSMC/61781/22.08.2023 on the budgeting of the product 'Automated Information System dedicated to the development, management and continuous monitoring of the Internal/Managerial Control System;</li> <li>-The implementation of the platform was postponed to 2024.</li> </ul>	100%
12	<b>Optimization of risk management process</b>	Implementation of the requirements of Standard 8 of GSG Order no. 600/2018 for the approval of the internal/management Control Code of public entities as further amended. Moving to a 5-step risk assessment scale	12.1	Continuous monitoring and adaptation of the organisational, conceptual and methodological framework of the risk management process	<p><b>Achieved</b></p> <ul style="list-style-type: none"> <li>-EGR Decision 41/ 12.01.2023;</li> <li>-EGR Decision 179/ 03.02.2023;</li> <li>-EGR Decision 1523/10.10.2023;</li> <li>-2021-2025 Risk Management Strategy, no. DSMC/38586/ 19.05.2021 was approved by BoA Resolution 25/31.08.2021;</li> <li>- The meeting of the Board of Administration held on 21 March 2023 (BoA Resolution 8/21.03.2023) took note of Report No. DG/16736/03.03.2023 on the analysis of the specific objectives and action directions set out in the Programme for the implementation of the measures set out in the Risk Management Strategy, 2021-2025, analysed period august 2021-December 2022;</li> <li>-the revision of the Risk Management System Procedure is approved to introduce the five-step risk assessment matrix. The System Procedure rev1 ed.1 is in force as of 03.01.2024;</li> <li>- The employees in charge with risks in the organisational structures were trained on the change to</li> </ul>	100%

				<p>the use of the 5-step Tolerance Limit in the consultations held between 20.03.2022-28.06.2022 and in the professional counselling on risk management offered to the designated employees in charge with risks in Q I 2023.</p> <p>-for 2023 it was approved the 3-step risk tolerance limit no. DSMC/14823/ 27.02.2023, published at:</p> <p><a href="https://portal.intranet.transgaz.ro/zonapublica/scim/Forms/AllItems.aspx?web=1&amp;id=%2Fzonapublica%2Fscim%2FManagementul%20riscurilor%2F6%2E%20Limita%20de%20toleranta">https://portal.intranet.transgaz.ro/zonapublica/scim/Forms/AllItems.aspx?web=1&amp;id=%2Fzonapublica%2Fscim%2FManagementul%20riscurilor%2F6%2E%20Limita%20de%20toleranta</a></p>	
			12.2	<p><i>Systematic analysis of risks associated with operational objectives at the level of organisational structures.</i></p>	<p><b>Achieved</b></p> <p>According to Letter 27517/10.04.2023 all organisational structures:</p> <ul style="list-style-type: none"> <li>-published the List of objectives, performance indicators, activities, risks for year 2023 in the dedicated section;</li> <li>-Registers of Risks, at the departments and the divisions, level for 2023;</li> <li>-Risk mitigation plans of measures, at the departments and divisions level for 2023;</li> <li>- according to Letter DSMC/91253/04.12.2023all organisational structures published the revised registers of risk, December 2023 and the Risk Management Report for 2023 at the level of the divisions, independent units, independent departments and offices, regional offices, the Medias Subsidiary.</li> </ul>
			12.3	<p><i>Implementation of risk management policy, procedures and legal requirements and monitoring their application at company level.</i></p>	<p><b>Achieved</b></p> <ul style="list-style-type: none"> <li>- the Register of the Risks at the company level 2022, no. DSMC/4709/29.12.2022, revised in December 2022;</li> <li>- the Register of the Risks at the company level for 2023, no. DSMC/14825/27.02.2023;</li> <li>- the Register of the Risks at the company level for 2023, Revised no. DSMC/14825/27.02.2023/22.12.2023;</li> </ul>



					<ul style="list-style-type: none"> <li>- Plan of measures to mitigate risks, at the company level, for 2023, no. DSMC/14806/27.02.2023;</li> <li>- Report on risk management and monitoring within the company, for 2022, no. DSMC/14802/27.02.2023;</li> <li>- The Board of Administration took note of Report DG/16733/03.03.2023 on risk management and monitoring at SNTGN Transgaz SA, by BoA Resolution 8/21.03.2023;</li> <li>- the risk profile, December 2022 DSMC/14823/27.02.2023;</li> <li>- Report to the Risk Management Committee on the evolution of risk management at SNTGN Transgaz SA, 2015 - H I 2023, registration no. DSMC/95202/13.12.2023..</li> </ul>	
13	Timely reporting of the performance indicators	Compliance with the legal deadlines for reporting I = actual reporting deadlines/reporting deadlines provided *100	13.1	Financial communication calendar to BSE	<b>Achieved</b> (see the company's website) <a href="https://www.transgaz.ro/ro/calendar-financiar-2023">https://www.transgaz.ro/ro/calendar-financiar-2023</a>	100%
			13.2	Report on the status of achievement of the TYNDP	<b>Achieved</b> Letter DSMC/14.335/23.02.2023 Deadline 1 March 2023	
			13.3	SCIM reporting	<b>Achieved</b> It was sent to the General Secretariat of the Government by Letter no. DSMC/ 5750/26.01.2023, entry no. SGG 2430/26.01.2023: -Centralized Progress Report on the implementation and development of the internal/management control system in SNTGN Transgaz SA on 31 December 2022; -Report on the internal/management control system on 31 December 2022. It was sent to the General Secretariat of the Government by Letter DSMC/ 7133/26.01.2024, GSG entry no. 2687/26.01.2024, - Centralized Progress Report on the implementation and development of the internal/management control	

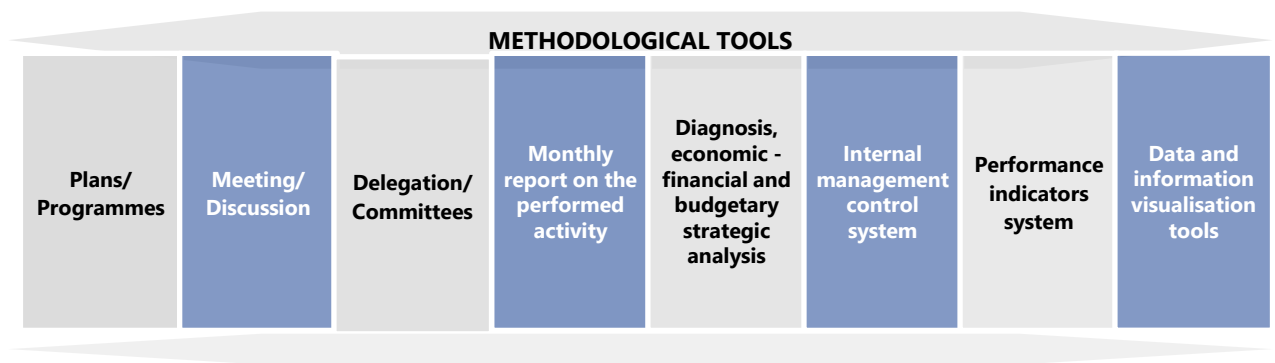
					<p>system in SNTGN Transgaz SA on 31 December 2023;</p> <ul style="list-style-type: none"> <li>- Report on the internal/management control system on 31 December 2023.</li> </ul>	
			13.4	<p><i>Reporting related to the achievement of the performance indicators of the gas transmission service</i></p>	<p><b>Achieved</b></p> <ul style="list-style-type: none"> <li>-Letter 89648/24.11.2023 ANRE report for gas year 2022-2023</li> </ul>	
			13.5	<p><i>Reporting form S1100 on the monitoring of the application of the provisions of GEO 109/2011</i></p>	<p><b>Achieved</b></p> <ul style="list-style-type: none"> <li>- Letter 373/04.01.2023 S1100 report for Half II 2022</li> <li>- Letter 48794/04.07.2023 S1100 report for Half I 2023</li> <li>-Letter no. 2016/09.01.2024 report S1100 for H II 2023;</li> </ul>	
14	<b>2021-2025 NAS implementation</b>	<p>Implementation of the measures established in the NAS</p> <p>I = measures achieved within the deadline /proposed measures *100</p>	14.1	<p><i>Achievement of the objectives established in Integrity Plan for the implementation of the Anti-Corruption Strategy 2021-2025</i></p>	<p>The measures set out in the Integrity Plan for the implementation of the 2021-2025 National Anti-Corruption Strategy for 2023:</p> <ul style="list-style-type: none"> <li>- preparation, submission to the GSG. and publication on the Intranet page of the Report on the implementation of the measures set out in the NAS 2021-2025 for 2022, at the level of S.N.T.G.N. Transgaz S.A.;</li> <li>- preparation, submission to the GSG and publication on the Internet page of the Report on the assessment of integrity incidents for 2022, at the level of S.N.T.G.N. Transgaz S.A.;</li> <li>-Updating the Transgaz Corruption Risk Register;</li> <li>- Updating, publication and submission to the GSG of the Transgaz Integrity Plan;</li> <li>- preparation and submission to the GSG of the Report on the progress of the implementation of the measures set out in the National Anti-corruption Strategy 2021-2025 for the first 9 months of 2023 (the 9-month National Anti-corruption Strategy evaluation was carried out for the evaluation of the NRRP);</li> <li>- Updating the mechanism for the protection of whistleblowers at the level of Transgaz S.N.T.G.N. S.A., according to EU Directive No. 2019/1937 and Law 361/2002</li> </ul>	100%

					<p>(PS 21 SMI and Decision 1846/2023);</p> <ul style="list-style-type: none"> <li>-updating the decision-making framework necessary for carrying out corruption prevention activities at Transgaz S.A. (Decision 1514/10.10.2023 and Decision 1515/10.10.2023);;</li> <li>-publishing the economic and performance indicators in open format;</li> <li>- conducting anti-corruption training (11 company employees participated);             <ul style="list-style-type: none"> <li>- submission of the information required for the publication on the website of Transgaz S.A. of the documents on corporate governance, according to GEO 109/2011 as amended;</li> <li>- auditing the corruption prevention activity;</li> <li>- participation in the working sessions of the Business Cooperation Platform organised by the Ministry of Justice within the NAS;</li> <li>- permanent updating of the database of companies that have not properly executed the contracts concluded with Transgaz S.A. and using it as a permanent working tool;</li> <li>- communicating and submission to the N.A.S. Technical Secretariat of the information requested and ensuring the participation of the designated persons in the working meetings/meetings held;</li> <li>- approval of the Competition Compliance Manual.</li> </ul> </li> </ul>
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**Table 32 – Key non-financial performance indicators achievements for the calculation of the variable component of remuneration at 31.12.2023**

**Note:** Given that in the period analysed for the performance indicators of the gas transmission service marked \* no requests/notifications/complaints were registered, we conclude that the potential risk did not materialize, and, therefore, it results that the indicators are met according to the requirements established in the Performance Standard, although the degree of fulfilment of these indicators cannot be determined by mathematical calculation.

In order to optimize the performed activities, the company's administrators and management will continue to act with maximum responsibility and will efficiently use modern administration/management methods and techniques, adequate for the optimization of all processes and activities carried out by the company, as they are presented:



***ION STERIAN – Executive Administrator – Director - General***

***PETRU ION VĂDUVA – Non-Executive Administrator***

***NICOLAE MINEA– Non-Executive Administrator***

***CSABA OROSZ – Non-Executive, Interim Administrator***

***GHEORGHITĂ AGAFIȚEI - Non-Executive, Interim Administrator***

***ILINCA VON DERENTHALL – Non-Executive, Interim Administrator***

***ADINA LĂCRIMIOARA HANZA - Non-Executive, Interim Administrator***

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**THE NATIONAL GAS TRANSMISSION COMPANY  
TRANSGAZ S.A.**

**INDIVIDUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2023**

**PREPARED IN ACCORDANCE WITH  
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS  
ADOPTED BY THE EUROPEAN UNION**

This version of the financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.





## INDIVIDUAL FINANCIAL STATEMENTS

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**STATEMENT OF FINANCIAL POSITION**  
**(expressed in lei, unless otherwise stated)**



	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
<b>ASSET</b>			
<b>Fixed assets</b>			
Tangible Assets	7	377.639.699	418.131.904
Rights of use of the leased assets	7.1	14.500.703	16.934.813
Intangible Assets	9	3.643.263.343	3.909.577.432
Financial assets	10	177.619.145	191.122.702
Trade receivables and other receivables	12	2.423.669.228	2.141.205.427
Deferred tax	18	<u>1.734.239</u>	<u>-</u>
Restricted cash	13	<u>1.956.015</u>	<u>1.562.607</u>
		<b>6.640.382.372</b>	<b>6.678.534.885</b>
<b>Current assets</b>			
Inventories	11	577.080.618	609.876.837
Commercial receivables and other receivables	12	400.845.055	335.331.267
Cash and cash equivalent	13	<u>675.600.636</u>	<u>382.674.528</u>
		<b>1.653.526.309</b>	<b>1.327.882.632</b>
<b>Total asset</b>		<b>8.293.908.681</b>	<b>8.006.417.517</b>
<b>EQUITY AND DEBTS</b>			
<b>Equity</b>			
Share capital	14	1.883.815.040	1.883.815.040
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865
Other reserves	15	1.265.796.861	1.265.796.861
Retained earnings	15	<u>285.144.115</u>	<u>244.236.598</u>
		<b>4.123.653.277</b>	<b>4.082.745.760</b>
<b>Long-term debts</b>			
Long-term loans	16	1.865.388.334	1.871.382.547
Deferred revenue	17	849.905.753	969.150.112
Deferred tax	18	-	1.206.204
Debts related to rights of use of leased assets	0.2	<u>12.208.966</u>	<u>14.178.481</u>
Provision for employee benefits	21	114.807.183	110.895.341
		<b>2.842.310.236</b>	<b>2.966.812.685</b>

Notes 1 to 33 are part of these financial statements.

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**STATEMENT OF FINANCIAL POSITION**  
**(expressed in lei, unless otherwise stated)**



	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
<b>Current debts</b>			
Short-term loans	16	432.316.032	132.098.774
Deferred revenue	17	113.993.591	107.439.092
Commercial debts and other debts	0.1	678.283.577	627.787.631
Debts related to rights of use of leased assets	0.2	3.333.037	3.751.347
Provision for risks and charges	20	83.883.714	81.197.994
Provision for employee benefits	0	<u>16.135.217</u>	<u>4.584.234</u>
		<b><u>1.327.945.168</u></b>	<b><u>956.859.072</u></b>
<b>Total debts</b>		<b><u>4.170.255.404</u></b>	<b><u>3.923.671.757</u></b>
<b>Total equity and debts</b>		<b>8.293.908.681</b>	<b>8.006.417.517</b>

Endorsed and signed on behalf of the Board of Administration on 20 March 2024 by:

Chairman of the Board of Administration  
Văduva Petru Ion

Director – General  
Ion Sterian

Chief Financial Officer  
Marius Lupean

Notes 1 to 33 are part of these financial statements.

This version of the financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

## INTERIM STATEMENT OF COMPREHENSIVE INCOME

(expressed in lei, unless otherwise stated)



	<u>Note</u>	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
Revenue from the domestic transmission activity		1.451.982.194	1.351.930.670
Revenue from the international transmission activity and similar		116.305.612	73.926.517
Other revenue	22	<u>144.258.378</u>	<u>149.328.948</u>
<b>Operational revenue before the balancing and construction activity according to IFRIC12</b>		<b>1.712.546.184</b>	<b>1.575.186.135</b>
Depreciation	7, 9	(457.211.345)	(423.649.671)
Employees costs	24	(570.794.261)	(491.588.137)
NTS gas consumption, materials and consumables used		(148.201.016)	(180.267.951)
Expenses with royalties		(55.285.137)	(5.703.430)
Maintenance and transmission		(41.562.783)	(36.913.734)
Taxes and other amounts owed to the state		(87.506.609)	(86.781.521)
Revenue/ (Expenses) with provisions for risks and charges		(10.598.790)	(18.088.348)
Other operating cost	23	<u>(238.492.442)</u>	<u>(172.561.046)</u>
<b>Operational profit before the balancing and construction activity according to IFRIC12</b>		<b>102.893.801</b>	<b>159.632.297</b>
Revenue from the balancing activity		458.810.505	1.005.543.977
Cost of balancing gas		(458.810.505)	(1.005.543.977)
Revenue from the construction activity according to IFRIC12	32	182.449.856	299.868.442
Cost of assets constructed according to IFRIC12	32	<u>(182.449.856)</u>	<u>(299.868.442)</u>
<b>Operational profit</b>		<b>102.893.801</b>	<b>159.632.297</b>
Financial revenue	25	233.093.910	461.287.140
Financial cost	25	<u>(129.106.401)</u>	<u>(183.445.916)</u>
<b>Financial revenue, net</b>		<b>103.987.509</b>	<b>277.841.224</b>
<b>Profit before tax</b>		<b>206.881.310</b>	<b>437.473.521</b>
Profit tax expense	18	<u>(38.440.790)</u>	<u>(71.718.653)</u>
<b>Net profit for the period</b>		<b>168.440.520</b>	<b>365.754.868</b>
Shares number		188.381.504	188.381.504
Basic and diluted earnings per share (expressed in lei per share)	28	0,89	1,94
Other elements of the comprehensive income		4.334.050	2.452.222
<b>Total comprehensive income for the period</b>		<b>172.774.570</b>	<b>368.207.090</b>

Chairman of the Board of Administration  
Văduva Petru Ion

Director - General  
Ion Sterian

Chief Financial Officer  
Marius Lupean

Notes 1 to 33 are part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
(expressed in lei, unless otherwise stated)



	<u>Note</u>	<u>Share Capital</u>	<u>Share capital adjustments</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
<b>Balance on 1 January 2022</b>		<b><u>117.738.440</u></b>	<b><u>441.418.396</u></b>	<b><u>247.478.865</u></b>	<b><u>1.265.796.861</u></b>	<b><u>1.816.594.475</u></b>	<b><u>3.889.027.037</u></b>
<i>Elements of the comprehensive income</i>							
Net profit for the period		-	-	-	-	365.754.868	365.754.868
Actuarial gain / loss for the period		-	-	-	-	2.452.222	2.452.222
		-	-	-	-	368.207.090	368.207.090
Establishing profit reserves		-	-	-	-	(21.873.676)	(21.873.676)
Legal reserve increase		-	-	-	-	21.873.676	21.873.676
<i>Transactions with shareholders:</i>							
Increase of share capital by incorporation of reserves		1.766.076.600	-	-	-	(1.766.076.600)	-
Dividends related to 2021	15	-	-	-	-	(174.488.367)	(174.488.367)
		1.766.076.600	-	-	-	(1.940.564.967)	(174.488.367)
<b>Balance on 31 December 2022</b>		<b><u>1.883.815.040</u></b>	<b><u>441.418.396</u></b>	<b><u>247.478.865</u></b>	<b><u>1.265.796.861</u></b>	<b><u>244.236.598</u></b>	<b><u>4.082.745.760</u></b>
<i>Elements of the comprehensive income</i>							
Net profit for the period		-	-	-	-	168.440.520	168.440.520
Actuarial gain / loss for the period		-	-	-	-	4.334.050	4.334.050
		-	-	-	-	172.774.570	172.774.570
Establishing profit reserves		-	-	-	-	(10.344.066)	(10.344.066)
Legal reserve increase		-	-	-	-	10.344.066	10.344.066
<i>Transactions with shareholders:</i>							
Dividends related to 2022	15	-	-	-	-	(131.867.053)	(131.867.053)
<b>Balance on 31 December 2023</b>		<b><u>1.883.815.040</u></b>	<b><u>441.418.396</u></b>	<b><u>247.478.865</u></b>	<b><u>1.265.796.861</u></b>	<b><u>285.144.115</u></b>	<b><u>4.123.653.277</u></b>

Chairman of the Board of Administration  
Văduva Petru Ion

Director - General  
Ion Sterian

Chief Financial Officer  
Marius Lupean

Notes 1 to 33 are part of these financial statements.

**CASH FLOW STATEMENT**  
(expressed in lei, unless otherwise stated)

	<u>Note</u>	<u>The year ended 31 December 2023</u>	<u>The year ended 31 December 2022</u>
<b>Cash generated from operations</b>	26	<b>575.827.697</b>	<b>614.373.376</b>
Interest received		4.317.150	1.277.835
Interest paid		(119.820.194)	(66.822.526)
Paid profit tax		<u>(80.998.142)</u>	<u>(77.532.781)</u>
<b>Net cash inflow from operation activities</b>		<b>379.326.511</b>	<b>471.295.904</b>
<b>Cash flow from investment activities</b>			
Payments to acquire intangible assets		(236.044.692)	(596.593.415)
Payments to acquire tangible assets		(20.149.402)	(18.801.250)
Financial investment/shares		13.503.557	105.453.468
Receipts from the disposal of tangible assets		263.918	479.363
Cash flow from connection fees and grants		<u>4.477.340</u>	<u>133.208.997</u>
<b>Net cash used in investment activities</b>		<b><u>(237.949.279)</u></b>	<b><u>(376.252.837)</u></b>
<b>Cash flow from financing activities</b>			
Long term loans withdrawals		246.610.000	-
Long term loans repayments		(132.098.774)	(143.485.273)
Credit withdrawals/repayments for working capital		175.431.456	291.740.052
Leasing payments (IFRS 16)		(5.601.390)	(5.157.454)
Dividends paid		<u>(132.399.008)</u>	<u>(175.088.518)</u>
<b>Net cash used in financing activities</b>		<b>151.942.284</b>	<b>(31.991.193)</b>
<b>Net change in cash and cash equivalents</b>		<b><u>293.319.516</u></b>	<b><u>63.051.874</u></b>
<b>Cash and cash equivalent as at the beginning of the year</b>	13	<b><u>384.237.135</u></b>	<b><u>321.185.261</u></b>
<b>Cash and cash equivalent as at the end of the period</b>	13	<b><u>677.556.651</u></b>	<b><u>384.237.135</u></b>

Chairman of the Board of Administration  
Văduva Petru Ion

Director – General  
Ion Sterian

Chief Financial Officer  
Marius Lupean

## **NOTES TO THE FINANCIAL STATEMENTS**

**(expressed in lei, unless otherwise stated)**

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### **1. GENERAL INFORMATION**

The National Gas Transmission Company - SNTGN Transgaz SA (‘company’) has as main activity the transmission of natural gas. Also, the company maintains and operates the national gas transmission system and carries out research and design activities in the area of natural gas transmission. On 31 December 2023, the majority shareholder of the company is the Romanian state, through the General Secretariat of the Government.

The company was established in May 2000, following several reorganizations of the gas sector in Romania: its predecessor was part of the former national gas monopoly SNGN Romgaz SA (‘predecessor company’), which was reorganized under Government Decision 334/2000.

The natural gas sector is regulated by the ‘National Energy Regulatory Authority’ - ‘ANRE’. ANRE’s main responsibilities are the following:

- issuing or withdrawing licenses for companies operating in the natural gas sector;
- publishing framework contracts for the sale, transmission, acquisition and distribution of natural gas;
- setting the criteria, requirements and procedures related to the selection of eligible consumers;
- setting the pricing criteria and the calculation methods for the natural gas sector.

The company is headquartered in 1 C.I. Motaş Square, Mediaş, Romania.

From January 2008, the company is listed at the Bucharest Stock Exchange, as a Tier 1 company, under the TGN symbol.

The Ordinary General Meeting of Shareholders approves the annual financial statements of the Company based on the reports of the Board of Administration and of the financial auditors.



## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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### 2. OPERATIONAL FRAMEWORK OF THE COMPANY

#### Romania

The continuation of the economic reforms by the Romanian authorities is necessary for the consolidation of the internal macro-financial framework. The positive performances the Romanian economy registered must be consolidated by the application of a coherent mix of policies. In this context it can be noticed that:

- (i) According to forecasts published by the European Commission, the downward trend in inflation will continue in Romania but inflation will remain significant. In 2024, the forecast shows an improvement in the inflation rate, moderate economic growth and an increase in public debt. According to forecasts published by the European Commission, the downward trend in inflation will continue in Romania. However, inflation in Romania will remain high, more than 2% above the EU average. On the other hand, Romania's economic growth will, according to the EC forecast, exceed the EU average. While the EU will see economic growth of around 1,3%, Romania is expected to see Gross Domestic Product growth of 3,1%. The European Commission is also forecasting a fall in unemployment by 2024. Unemployment in Romania is expected to be lower than the EU average. Romania's public debt is set to increase, but will be significantly lower than the EU average. Romania's debt is expected to reach 49% of GDP in 2024, compared to the EU average of 85% of GDP. On the budget deficit side, the European Commission expects Romania's budget deficit to be higher than the EU average. Commission expects Romania's budget deficit to be 3.1% of GDP, while the European average will be around 2.8% of GDP.
- (ii) In the meeting of 12 January 2024, the Board of the National Bank of Romania decided:
  - to maintain the monetary policy rate to 7,00 % per year;
  - to maintain the interest rate on the lending facility (Lombard) to 8,00 per cent per year and the interest rate on the deposit facility to 6,00 per cent per year;
  - to maintain the current levels of the mandatory minimum reserves for the lei and currency liabilities of the credit institutions.
- (iii) According to the February 2024 NBR Inflation Report, the annual inflation rate accelerated its downward trajectory in the last quarter of 2023, reaching 6.61 percent in December (-2.22 percentage points compared to the end of the previous quarter and -9.76 percentage points compared to December 2022). At the same time, the indicator was significantly (by 0.9 percentage points) below the projection in the previous Inflation Report, with favourable influences mainly associated with fuel and food prices. In fact, the decisive contribution to disinflation in the fourth quarter was made by the latter, as a result of a combination of factors: the maintenance of a downward trend in commodity prices, the abundant domestic and international harvests, the extension and expansion of the list of essential food products covered by the capping of the trade surplus. In turn, energy commodity prices continued to

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

decline in annual terms in the fourth quarter, mainly as a result of favourable base effects in electricity. In contrast, the annual pace of fuel prices accelerated slightly, also driven by statistical effects.

- (iv) Fitch International Rating Agency confirmed on 02.06.2023 the rating of the National Natural Gas Transmission Company Transgaz at "BBB-" with stable outlook. "The confirmation of the Transgaz' rating is based on its strong business profile as title holder and operator of the gas transmission network in Romania, as well as on our expectations regarding the continuity of the regulatory framework in the new regulatory period as of October 2024," the agency's report said.
- (v) The financial rating agency Fitch Ratings confirmed on 01.03.2024 Romania's long-term foreign currency debt rating at "BBB minus" with a stable outlook, informs a press release. "The 'BBB minus' rating assigned to Romania is underpinned by its EU membership and associated capital inflows supporting income convergence, external finances and macroeconomic stability. GDP per capita and human development indicators are above those of other 'BBB' countries. But these are offset by higher budget and current account deficits than other countries in the same category, a modest track record of fiscal consolidation, increased fiscal rigidities and a high external debtor position," Fitch Ratings says. Fitch analysts estimate Romania's budget deficit in 2023 was virtually unchanged compared to 2022 at 6,1% of GDP, well above the government's original target of 4.4% of GDP. Fitch forecasts that Romania will have a government deficit of 6% of GDP in 2024 and 6,4% in 2025.

At the end of 2022, as compared to the end of 2021, the LEU increased against the EURO (`EUR`) and decreased against the US dollar (`USD`). Thus, as compared to the end of 2021, the LEU increased against EUR (4,9481 as at 31 December 2021; 4,9474 as at 31 December 2022) and decreased by 6,04% against USD (4,3707 as at 31 December 2021; 4,6346 as at 31 December 2022).

At the end of 2023, the LEU decreased against the EURO (`EUR`) and increased against the US dollar (`USD`). Thus, as compared to the end of 2022, the LEU decreased against EUR by 0,55% (4,9474 as at 31 December 2022; 4,9746 as at 31 December 2023) and increased by 2,99% against USD (4,6346 as at 31 December 2022; 4,4958 as at 31 December 2023).

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared based on a going concern principle.

The main accounting policies applied in the preparation of these financial statements are presented below. These policies were consistently applied to all the financial years considered, unless otherwise stated.

#### 3.1 Basis of preparation

The financial statements of the company were prepared in accordance with the Ministry of Public Finance Order 2844/2016 for the approval of Accounting Regulations in line with International Financial Reporting Standards. The financial statements were prepared based on the historical cost convention, except for the financial assets which are measured at fair value by the profit and loss account or at the fair value among other elements of the comprehensive income.

The preparation of the financial statements in accordance with EU IFRS requires the use of critical accounting estimates. Also, the management is required to use judgment in applying the company's accounting policies. Areas with a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 5.

#### The following changes are valid as of 1 January 2022:

- Onerous contracts - The cost of performing a contract (Amendments to IAS 37); IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts - Cost of Fulfilling a Contract) - In May 2020, the IASB issued amendments to IAS 37 that specify the costs that a company includes when assessing whether a contract will result in a loss and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts as they increase the scope of costs that are included in the assessment of the onerous contract.
- Annual Improvements to IFRSs: 2018-2020 Cycle - In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative examples accompanying IFRS 16 Leasing.
- The Conceptual Framework for Financial Reporting (Amendments to IFRS 3) - In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.
- IAS 16 Property, Plant and Equipment (Amendment - Proceeds before Intended Use) - In May 2020, the IASB issued amendments to IAS 16 that prohibit a company from deducting amounts received from the sale of items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales revenue and any related costs in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Standards and amendments effective as of 1 January 2023:**

The following changes are in effect for the period as of 1 January 2023:

- IFRS 17 Insurance contracts
- Disclosure of accounting policies – (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred tax on assets and liabilities arising from a single transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform –Model Rules for Pillar Two (Amendment to IAS 12 Income Taxes) (effective immediately after the amendments are issued and with retrospective effect).

These amendments to various IFRSs are mandatory effective for reporting periods beginning on or after 1 January 2023.

#### **IFRS 17 Insurance Contracts**

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting periods beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to accounting for insurance contracts. Prior to IFRS 17, there was significant global diversity in insurance contract accounting and disclosure, with IFRS 4 allowing many previous accounting approaches to be followed.

As IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers. The company should perform an assessment of its contracts and operations and conclude whether the adoption of IFRS 17 has had an effect on its annual consolidated financial statements.

#### **Disclosure of accounting policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Judgements about Materiality)**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'information about material accounting policies'. The amendments also provide guidance on the circumstances in which information about accounting policies is likely to be considered material and therefore requires disclosure.

#### **Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)**

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless they result from the correction of prior period errors. These amendments clarify how entities distinguish between changes in accounting estimates, changes in accounting policies and prior period errors.

**NOTES TO THE FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12 Income Taxes)**

In May 2021, the IASB issued amendments to IAS 12 clarifying whether the initial recognition exception applies to certain transactions that result in the simultaneous recognition of an asset and a liability (e.g. a lease within the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exception, whereby the exception does not apply to the initial recognition of an asset or liability that, at the time of the transaction, gives rise to equal deductible and taxable temporary differences.

**International Tax Reform - Model Rules for Pillar Two (Amendment to IAS 12 Income Taxes)**

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a proposed legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The aim of the framework is to reduce the shifting of profits from one jurisdiction to another in order to reduce global tax liabilities in corporate structures. In March 2022, the OECD published detailed technical guidance on Pillar Two of the rules.

Stakeholders have expressed concerns to the IASB about the potential implications for income tax accounting, in particular deferred tax accounting, resulting from the Pillar Two model rules. The IASB issued Final Amendments (the Amendments) International Tax Reform - Pillar Two Model Rules in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception for entities from the recognition and disclosure of deferred tax assets and liabilities related to the Pillar Two model rules. The exception is effective immediately and retrospectively. The amendments also provide for additional disclosure requirements regarding an entity's exposure to Pillar Two income taxes.

There are a number of standards, amendments to standards and interpretations that have been issued by the IASB and are effective in future accounting periods:

The following changes are effective for the period beginning January 1, 2024:

- Liability in a sale and leaseback (Amendments to IFRS 16 Leases);
- Classification of liabilities as current or non-current (Amendments to IAS 1 Presentation of financial statements);
- Non-convention liabilities (Amendments to IAS 1 Presentation of Financial Statements); and
- **Supplier financing arrangements (Amendments to IAS 7 Statement of cash flows and to IFRS 7 Financial instruments: Disclosures)**

**The following changes are effective for the period beginning January 1, 2025:**

- Lack of exchangeability (Amendments to IAS 21 The effects of changes in exchange rates)

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Reporting on segments

Reporting on business segments is made consistently with the internal reporting by the main operating decision-maker. The main operating decision-maker, which is in charge with resource allocation and assessment of business segments' performance, was identified as being the Board of Administration, which makes the strategic decisions.

#### 3.3 Transactions in foreign currency

a) *Functional currency*

The items included in the financial statements of the company are valued using the currency of the economic environment where the entity operates ('functional currency'). The financial statements are presented in Romanian leu ('lei'), which is the functional currency and the currency of company presentation.

b) *The rounding level used in the presentation of the financial statements*

In the financial statements the value is presented rounded by units.

c) *Transactions and balances*

Transactions in foreign currency are converted into functional currency using the exchange rate valid on the date of transactions or valuation at the balance sheet date. Profit and loss resulting from exchange rate differences following the conclusion of such transactions and from the conversion at the exchange rate at the end of the reporting period of monetary assets and liabilities denominated in foreign currency are reflected in the statement of the comprehensive income.

#### 3.4 Accounting for the effects of hyperinflation

Romania has gone through periods of relatively high inflation and was considered hyperinflationary under IAS 29 'Financial Reporting in Hyperinflationary Economies'. This standard required financial statements prepared in the currency of a hyperinflationary economy to be presented in terms of purchasing power as of 31 December 2003. As the characteristics of the economic environment in Romania indicate the cessation of hyperinflation, from 1 January 2004, the company no longer applies IAS 29.

Therefore, values reported in terms of purchasing power on 31 December 2003 are treated as basis for the accounting values of these financial statements.

#### 3.5 Intangible Assets

*Computer Software*

Licenses acquired related to rights of use of the computer software are capitalized on the basis of the costs incurred with the acquisition and operation of the software in question. These costs are amortized over their estimated useful lives (three years).

Costs associated with developing or maintaining computer software are recognized as expenses in the period in which they are registered.



**NOTES TO THE FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Service Concession Agreement*

From 2010, 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, the modernization and improvement brought to the gas transmission system, which are transferred to the regulatory authority at the end of the concession agreement. As of 01.01.2018, IFRS 15 Revenue from Contracts with Customers became applicable in Romania. This standard replaces some older standards (such as IAS 11, IAS 18) and amends IFRIC 12 by introducing new interpretations to the notion of a contract. As a result, the company applies the bifurcated model registering the updated receivable related to the regulated amount remaining unamortized at the end of the concession agreement as a financial asset the intangible asset will be presented in the financial statements by the residual method resulted less the value of the construction works, achieved at fair value with the amount of the updated long-term receivable (compensation) upon the commissioning of the investment.

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor on payment of compensation equal to the regulated value which was not depreciated fixed by ANRE. The company recognized for the investments made until the balance sheet date an updated receivable related to the regulated value remained undepreciated at the end of the concession agreement, at a counterperformance and an intangible asset at a value less the updated receivable. The discount rate used to calculate the present value of the debt is long-term government bonds, zero coupon, over a period close to the remainder of the concession agreement. The initial measurement of the compensation is made at the fair value which reflects the credit risk which applies to the regulated amount remaining unamortized at the end of the contract. Subsequent valuation is done at amortized cost using the effective interest method. The actual interest rate used is based on historical data and does not change according to market interest rate.

In 2019, ANRE Order no. 41/2019 on the adjustment of asset regulated value to the inflation rate. The company records the present value of the contractual cash flows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

As presented in Note 8, 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 derecognized 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.



## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

#### 3.6 Tangible Assets

Tangible assets include buildings, land, assets used for the non-regulated international transmission activity (e.g. pipelines, compressors, filtering installations, devices).

The company's policy is to reflect intangible assets at their cost at their cost less any accumulated depreciation and any impairment accumulated losses.

Buildings include particularly ancillary buildings of operating assets, a research centre and office buildings.

Further expenses are included in the book value of the asset or recognized as separate asset, as the case may be, only when the entry of future economic benefits for the company associated to the item is likely and the cost of the respective item can be valued in a reliable manner. The book value of the replaced asset is taken off the books. All the other expenses with repairs and maintenance are recognized in the statement of comprehensive income in the financial period when they occur.

Land is not depreciated. Depreciation on other items of tangible assets is calculated based on the straight-line method in order to allocate their cost minus the residual value, during their useful life, as follows:

	<u>Number of years</u>
Buildings	50
Assets of the gas transmission system	20
Other fixed assets	4 - 20

Before 31 December 2008, costs of indebtedness were incurred as they occurred. As of 1 January 2009, costs of indebtedness attributable directly to the acquisition, construction or production of an asset with a long production cycle are capitalized as part of the cost of the respective asset. Costs of indebtedness attributable directly to the acquisition, construction or production of a long lead asset are those costs of indebtedness that would have been avoided if expenses with the asset hadn't been made. To the extent that funds are borrowed specifically for obtaining a long-lead asset, the borrowing costs eligible for the capitalization of the respective asset is determined by the actual cost generated by that borrowing during the period, minus the revenue from the temporary investments of those borrowings. To the extent that funds are generally borrowed and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset.

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for obtaining the long-lead asset.

The costs of the funds borrowed for obtaining a long lead asset (achievement of the investment) are capitalized by the company on the asset as a difference between the current leverage costs related to such loan during the period and any revenue from the investments obtained from the temporary investment of these loans.

Borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred, unless the operator has the contractual right to receive an intangible asset, in which case the borrowing costs attributable to an arrangement are capitalized during the engagement stage.

The residual values of the assets and their useful lives are reviewed and adjusted as appropriate, at the end of each reporting period.

The book value of the asset is written down immediately to its recoverable amount if the book value of the respective asset is greater than its estimated recoverable amount (Note 3.7).

Gain and loss on disposal are determined by comparing amounts to be received with the book value and are recognized in the statement of comprehensive income in the period in which the sale took place.

#### 3.7. Impairment of non-financial assets

Depreciated assets are reviewed for impairment loss whenever events or changes in circumstances indicate that the book value may not be recoverable.

The impairment loss is the difference between the book value and the recoverable amount of the asset. The recoverable amount is the greater of the asset's fair value minus costs to sell and value in use. An impairment loss recognized for an asset in prior periods is reversed if there are changes in the estimates used to determine the recoverable amount of the asset at the date the last impairment loss was recognized. For the calculation of this impairment, assets are grouped at the lowest levels for which there are identifiable independent cash flows (cash generating units).

Depreciated non-financial assets are reviewed for possible reversal of the impairment at each reporting date.

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.8 Assets of public domain

In accordance with Public Domain Law No. 213/1998, pipelines for gas transmission are public property. Government Decision 491/1998, confirmed by Government Decision 334/2000, states that fixed assets with a gross historical statutory book value of lei 474,952,575, representing gas pipelines, are managed by the company. Therefore, the company has the exclusive right to use such assets during the concession and shall return them to the state at the end of this period (see Note 8).

The company receives most of the benefits associated with the assets and is exposed to most of the risks, including the obligation to maintain network assets over a period at least equal to the remaining useful life, and the financial performance of the company is directly influenced by the state of the network. Therefore, before 1 January 2010, the company recognized those assets as tangible assets, with a proper reserve in the shareholders' equity (see Note 5.2.). Accounting policies applied to these assets were the same as those applied to the company's tangible assets (Notes 3.7 and 3.6).

The company adopted IFRIC 12 as of 1 January 2010 and reclassified these assets and the subsequent improvements as intangible assets (except for international transmission pipelines).

Starting with 01.01.2018, IFRS 15 "Revenues from the contracts with the clients" became applicable in Romania. This standard replaces a set of older standards (such as IAS 11, IAS 18) and changes IFRIC 12 giving a new interpretation to the contract notion. Therefore, our company registered the discounted receivables related to the regulated value remained undepreciated at the end of the concession agreement as a counterperformance and an intangible asset at a value diminished with the amount of the discounted receivables.

In accordance with Public Concession Law No. 238/2004, a royalty is due for public goods managed by companies other than state-owned. The royalty rate for using the gas transmission pipelines is set by the government. As of October 2007, the royalty was set at 10% of the revenue. The duration of the concession agreement is 30 years, until 2032. Subsequent to entry into force of the provisions of art. 103 para. 2 of Law no. 123/2012, as of 12 November 2020, the royalty was set at 0.4%, from the domestic and international gas transmission services provided by the company, and as of 30 October 2023 the royalty has been set at 11.5% of the value of gross revenues from natural gas transmission services, in accordance with GEO No 91 of 27 October 2023.

#### 3.9 Financial assets

The company classifies its financial assets into the following categories: measured at fair value through profit or loss, measured at depreciated cost and measured at fair value by other elements of the comprehensive income. Classification is made depending on the purpose for which the financial assets were acquired. The management sets the classification of these fixed assets upon initial recognition.

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are included in the current assets, except for those which have a maturity greater than 12 months after the end of the reporting period. These are classified as fixed assets. Loans and receivables of the company include `trade receivables and other receivables` and cash and cash equivalent in the statement of the financial position (Notes 3.11 and 3.13).

(b) *Financial assets measured at fair value through the profit or loss account or measured at fair value by other elements of the comprehensive income*

IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at amortized cost, at fair value through other comprehensive income, at fair value through profit or loss. The classification on IFRS 9 is determined by the cash flow characteristics and the business model in which an asset is held.

(c) *Impairment of financial assets*

At each reporting date, the company assesses whether there is objective evidence that a financial asset or group of financial assets suffered impairment. A financial asset or group of financial assets is impaired and impairment loss is incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a `loss generating event`) and if such event (or events) which generates loss has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or debtor;
- breach of contract, such as default or delinquency in interest or loan payment;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise have had in view;
- it is likely that the debtor will go bankrupt or enter another form of financial reorganization;
- disappearance of the active market for that financial asset because of financial difficulties; or
- observable data indicate that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for individual financial assets in the portfolio, including:
  - adverse changes in the payment status of debtors in the portfolio; and
  - economic conditions, at national or local level, that correlate with defaults, relating to the assets in the portfolio.

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The company assesses first whether objective evidence of impairment exists.

The testing for impairment of trade receivables is described above, by applying the simplified age-based model.

For loans, the amount of the loss is measured as the difference between the book value of the asset and the updated value of estimated future cash flows (excluding future credit loss which was not incurred), discounted at the asset's original rate; the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. In practice, the company may measure impairment based on the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the credit rating of the borrower), the reconsidered of impairment loss recognized previously in profit or loss.

#### (i) *Assets measured at cost*

The share held at Eurotrangaz SRL is recognized at its fair value as of the date of trading, being evaluated, after the initial recognition, at cost according to Art.4.1.2 of IFRS 9 and Art.10.a-IAS 27-Separate Financial Statements:

In 2023 and 2022 the company evaluated the stake held in Eurotrangaz SRL in order to identify any possible impairment losses. No impairments were found.

### 3.10. Inventories

Inventories are stated at the lower of cost and net achievable value.

The components recovered from disassembling and repairs of pipelines built by the company are recorded as stocks at a value determined by a technical committee. The amount so determined does not exceed the net achievable value.

The cost is determined based on the first in, first out method. Where necessary, adjustment is made for obsolete and slow-moving inventories. Individually identified obsolete inventories are adjusted for the full value or written off. For slow moving inventory, an estimate is made of the age of each main category on inventory rotation.

The calculation of the general adjustment for the depreciation of stocks is made monthly depending on the age of the existing items in stock, applying the following percentages according to age: 0 - 12 months 0%; 1 - 2 years 10%; 2 - 3 years 30% - 40%; over 3 years 75% - 80%. The company holds a minimum safety stock of spare parts and materials.

The cost of natural gas used for the balancing activity related to the transmission system is determined based on the average weighted cost method.

The minimum gas stock that the company, as holder of the national natural gas transmission system operating license is required to have in underground storage facilities, is established by decision of the President of the National Energy Regulatory Authority (ANRE President). The Decision no. 748/14.04.2021 of the ANRE President established the obligation for the company to have a level of natural gas stock of 597.115,143 MWh as at 31 October 2021.

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.11. Trade receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If the collection period is one year or less (or in the normal operating cycle of the business), they are classified as current assets.

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, minus the adjustments for impairment.

The debt adjustment policy according to IFRS9 is presented in note 12.

To estimate the trade receivables non-collection risk, a non-collection rate based on risk categories was applied as follows:

- International transmission receivables - receivables with no risk of collection in 2021 and with risk of non-collection on-time as of 2022. As at 31 December 2023, depreciation adjustments are calculated at 100% of the amount of the receivable;
- Doubtful or contested other than affiliated parties' receivables - receivables with high risk of non-collection that are subject to certain court actions. Impairment adjustments of 100% of the receivables amount are calculated;
- Affiliated parties' receivables - risk-free receivables are adjusted by seniority instalments, i.e. within the range 31-60 a 10% percentage, 61-90 a 20% percentage, 91-120 a 30% percentage, 121-150 a 35%, 151-180 a 60%, and over 181 with a 100% percentage. Doubtful receivables subject to court actions are provided with up to 100% of the amount. For receivables that are not subject to court actions and have a risk of non-collection, an adjustment of 100% for the receivables exceeding 30 days and 5% for the current receivables is made up;
- Various clients - the risk-free receivables are provisioned by seniority instalments, 10% for the range 31-60, 20% for the 61-90, 30% for the range 91-120, 35% for the range 121-150, 60% for the range 151-180, and 100% for the receivables over 181. Doubtful receivables subject to court actions are provided with up to 100% of the amount. For receivables that are not subject to court actions and have a risk of non-collection, a provision of 100% for the receivables exceeding 30 days and 5% for the current receivables is made up.

#### 3.12. Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, cash in current accounts with banks, other short-term investments with high liquidity and with maturity terms of up to three months and overdrafts from banks. In the statement of financial position, overdraft facilities are registered at loans, under current liabilities.

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.13. Equity

##### *Share capital*

Ordinary shares are classified as equity.

Additional costs directly attributable to the issue of new shares or options are registered at equity as a deduction, net of tax, from the receipts.

##### *Dividends*

Dividends are recognized as liabilities and deducted from equity at the end of the reporting period if they are declared before or at the end of the reporting period. Dividends are recognized when they are proposed before the end of the reporting period, or when they were proposed or declared after the end of the reporting period but before the date the financial statements were approved for issue.

##### *Reserves*

Reserves are accounted for by categories of reserves: legal reserves, statutory or contractual reserves, reserves from reinvested earnings and other reserves.

Legal reserves are established annually from the company's profits, in the proportions and within the limits laid down by law, and from other sources laid down by law. Legal reserves may be used only under the conditions provided for by law.

##### *Retained earnings*

Comprise the result carried forward from the takeover at the beginning of the current financial year of the profit and loss account result of the previous financial year and the result carried forward from the correction of accounting errors.

The company did not distribute partial dividends during the financial year.

#### 3.14. Borrowings

Borrowings are recognized initially at fair value, net of grant costs recorded. Subsequently, borrowings are stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss during the borrowings, based on the effective interest method.

Borrowings are classified as current liabilities, unless the company has an unconditional right to defer payment of debt for no less than 12 months after the end of the reporting period.

#### 3.15. Current and deferred profit tax

Tax expense for the period includes the current tax and the deferred tax and is recognized in profit or loss, unless it is recognized in other items of the comprehensive income or directly in equity because it relates to transactions that are, in turn, recognized in the same or in a different period, in other items of the comprehensive income or directly in equity.

Current profit tax expense is calculated based on the tax regulations in force at the end of the reporting period. The company periodically evaluates situations where the applicable tax regulations are subject to interpretation and establishes provisions/ adjustments for impairment, where appropriate, for the amounts with accounting/fiscal impact.



## **NOTES TO THE FINANCIAL STATEMENTS**

**(expressed in lei, unless otherwise stated)**

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### **3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The deferred profit tax is recognized based on the liability method, on temporary differences arising between the tax bases of assets and liabilities and their book values in the financial statements. However, the deferred profit tax arising from the initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction does not affect the

accounting profit and the taxable revenue is not recognized. The deferred profit tax is determined based on tax rates (and legal regulations) in force until the end of the reporting period and which are expected to apply in the period in which the deferred profit tax asset is realized or the deferred profit tax liability is settled.

Deferred revenue tax assets are recognized to the extent that it is probable that future taxable profit be derived from temporary differences.

#### **3.16. Commercial payables and other payables**

Suppliers and other payables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method. Commercial payable accounts and other payables are closed as a result of the payment of debts, offsetting with receivables or their write-off through the profit and loss account.

#### **3.17. Deferred revenue**

Deferred revenue is recorded for connection fees applied to customers upon their connection to the gas transmission network, for the objectives received free of charge and for grants collected.

The grants collected are assimilated to the governmental subsidies.

The governmental subsidies are acknowledged to their market value when there is a reasonable assurance that they will be received and that the relevant conditions will be met.

For the connection fees applied to the clients for their connection to the gas transmission network and to the facilities received free of charge, for the grants the company chose to record the total asset value and a deferred revenue.

The company recognizes a right to collect the grant when there is reasonable assurance that it will comply with the conditions attached to its award and that the grant will be received. The Company considers that the reasonable assurance that the grant will be received can be confirmed by the fulfilment of the eligibility conditions in the funding applications, prior to the approval of the funding application.

The income from the grant is recognized proportionally from the amortization of the financed assets, applying the percentage of financing of the eligible expenses on the monthly amortization.

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.18. Employee benefits

In the normal course of business, the company makes payments to the Romanian state on behalf of its employees, for health funds, pensions and unemployment benefits. All the company employees are members of the pension plan of the Romanian state, which is a fixed contribution plan. These costs are recognized in the profit and loss account with the recognition of salary expenses.

##### *Benefits granted on retirement*

Under the collective agreement, the company must pay the employees on retirement a compensatory amount equal to a certain number of gross salaries, depending on the time worked in the gas industry, working conditions etc. The company recorded a provision for such payments (see Note 21). The obligation recognized in the balance sheet represents the present value of the obligation at the balance sheet date. The obligation is calculated annually by independent experts using the Projected Unit Credit Method. The present value is determined by discounting future cash flows with the interest rate of the long-term government bonds.

The current service cost is recognized in the profit and loss account in the employee costs. Interest expense is included in the profit and loss account in the financial costs.

Actuarial gain or loss due to changes in actuarial assumptions is recognized in the statement of comprehensive income in the period for which the actuarial calculation is made.

##### *Social insurance*

The company records expenses related to its employees, as a result of granting social insurance benefits. These amounts mainly include the implicit costs of employing workers and, therefore, are included in the salary expenses.

##### *Profit sharing and bonuses*

The company recognizes an obligation and expense for bonuses and profit sharing, based on a formula taking into account the profit attributable to the company's shareholders, after certain adjustments. The company recognizes an obligation where it is required under contract or where there is a past practice which created an implicit obligation.

#### 3.19. Provisions for risks and charges

The provisions for risks and charges are recognized when the company has a legal or implicit obligation as a result of past events, when for the settlement of the obligation an outflow of resources is required, which incorporates economic benefits and for which a credible estimate can be made in terms of the obligation value. Where there are similar obligations, the probability for an outflow of resources to be necessary for settlement is set after the assessment of the obligation class as a whole.

The provision is recognized even if the probability of an outflow of resources related to any item included in any obligation class is reduced. Where the company expects the writing back to revenue of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is theoretically certain.

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions are measured at the discounted value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

#### 3.20. Revenue recognition

Revenue covers the fair value of amounts received or receivable from the sale of services and/or goods in the normal course of business of the company. Revenue is recorded net of value added tax, returns, rebates and discounts.

The company recognizes the revenue when transactions and events occur, when their amount can be estimated with certainty, when it is probable that the entity collects future economic benefits and when certain criteria are met for each of the company's activities as described below. The amount of revenue is not considered reliably estimated until all contingencies relating to the sale are settled. The company bases its estimates on historical results, taking into account the type of customer, type of transaction and the specifics of each commitment.

##### a) *Revenue from services*

Revenue from the domestic gas transmission results from the booking the transmission capacity and from the transmission through the NTS of the determined quantities of natural gas, expressed in units of energy, during the validity of a gas transmission contract, and are recognized at the moment of their delivery. During the administration of the transmission contracts, the TSO issues and submits to the NU, by day 15 of the month following the month for which the transmission service was provided: an invoice for the transmission services provided for the previous month, based on the final allocations; an invoice related to the final daily imbalances registered in the previous month; and an invoice exceeding of the capacity booked.

Revenue from international transmission and similar activities are represented by the transmission capacity booking on the Isaccea 2.3 - Negru Voda 2.3 international transmission pipelines and by the amounts receivable for the reporting period under the Termination Agreement of the legacy contract between SNTGN Transgaz SA and GPE concluded for the transmission of natural gas through the T3 transit pipeline on Romanian territory to third countries. According to the Agreement for the termination of the legacy Contract between SNTGN Transgaz SA and GPE, the payment of the remaining amounts to be paid will be made in instalments over a maximum period of three years and the revenues received from transmission are regulated according to ANRE Order 41/2019 and ANRE Order 34/2014 respectively depending on the points where capacity is booked, the monthly difference being classified as assimilated revenues.

According to the Network Code, the gas delivery day is defined as the time period beginning at 7:00 a.m. Romanian local time on any day and ending at 7:00 a.m. Romanian local time on the following day. The gas day shall be reduced to 23 hours at the changeover to daylight saving time and increased to 25 hours at the changeover to winter time, so that all related rights and obligations under the gas transmission contracts shall be increased or reduced accordingly on those gas days

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b) *Revenue from the sale of goods*  
Revenue from the sale of goods is registered when the goods are delivered.
- c) *Interest revenue*  
Interest revenue is recognized proportionally, based on the effective interest method.
- d) *Revenue from dividends*  
Dividends are recognized when the right to receive payment is recognized.
- e) *Revenue from penalties*  
Revenue from penalties for late payment is recognized when future economic benefits are expected for the company.

#### 3.21. Related parties

The Parties are considered related if one of the parties has the ability to control the other party, to exercise a significant influence over the other party in financial or operational decision making, if they are under the common control with another party, if there is a joint venture in which the entity is an associate or a member of the management as described in the IAS 24 `Related Party Disclosures`. In evaluating each possible related party relationship, the focus is on the essence of this relationship and not necessarily on its legal form. Related parties may enter into transactions which unrelated parties cannot conclude, and transactions between related parties will not apply the same terms, conditions and values as for unrelated parties.

### 4. 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. 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.

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (a) *Market risk*

##### (i) Currency risk

The company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets (Note 12) and recognized liabilities.

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

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

	<u>31 December</u> <u>2023</u>	<u>31 December</u> <u>2022</u>
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	684.054	717.466
USD depreciation by 10%	(684.054)	(717.466)
EUR appreciation by 10%	(26.662.039)	(32.592.226)
EUR depreciation by 10%	26.662.039	32.592.226

##### (ii) Price risk

The company is exposed to the commodity price risk related to 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 4.888.012 (on December 2022: lei 6.204.117).

##### (iii) Interest rate risk on cash flow and fair value

The company is exposed to interest rate risk by its bank deposits and variable interest loans. The company did not conclude any commitment to diminish the risk. For the average exposure of the period, if the interest rates had been lower/higher by 50 basis points, with all the other variables maintained constant, the profit related to the period and equity would have been higher/lower by 7.805.365 (December 2022: lei 7.916.887 higher / lower) as a result of reducing the interest rate for variable interest loans and the interest rate on the bank deposits.

#### (b) *Credit risk*

Credit risk is especially related to cash and cash equivalents and trade receivables. The company drew up a number of policies, through their application ensuring that sales of products and services are made to proper customers. The book value of receivables, net of adjustments for doubtful debts, represents the maximum value exposed to credit risk. The company's credit risk is concentrated on the 5 main customers, which together account for 43% of the trade receivable balances on 31 December 2023 (31 December 2022: 50%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

adjustments already made. As at 31 December 2023 the company has available off-balance sheet payment guarantees from its clients amounting to lei 497.073.837.

Cash is placed with financial institutions, which are considered as associated to a minimum performance risk.

	<u>31 December 2023</u>	<u>31 December 2022</u>
Without rating	269.860	336.387
BB+	251.805.038	146.038.192
BBB-	276.682.320	147.205.763
BBB	614.290	-
BBB+	147.783.067	90.012.913
A+	134.911	135.448
AA	<u>156.187</u>	<u>319.570</u>
	<b>677.445.673</b>	<b>384.048.273</b>

All the financial institutions are presented in the Fitch rating or equivalent.

#### (c) *Liquidity risk*

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

The company projects cash flows. The financial function of the company continually monitors the company's liquidity requirements to ensure that there is sufficient cash to meet operational requirements, while maintaining a sufficient level of unused borrowing facilities (Note 16) at any time, so the company does not violate the limits or loan agreements (where applicable) for any of its borrowing facilities. These projections take into account the company's debt financing plans, compliance with agreements, compliance with internal targets on the balance sheet indicators and, where appropriate, external regulations or legal provisions.

The Financial Division of 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 obligations on 31 December 2023 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

Maturity analysis of financial liabilities on 31 December 2023 is as follows:

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	2.842.179.180	556.350.271	1.298.599.124	987.229.785
Commercial payables and other payables	498.127.534	498.127.534	-	-
Debts related to rights of use of leased assets	<u>15.542.003</u>	<u>3.333.037</u>	<u>12.208.966</u>	<u>-</u>
	<u>3.355.848.717</u>	<u>1.057.810.842</u>	<u>1.310.808.090</u>	<u>987.229.785</u>

Maturity analysis of financial liabilities on 31 December 2022 is as follows:

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	2.634.794.054	263.429.208	1.446.470.332	924.894.514
Commercial payables and other payables	542.664.842	542.664.842	-	-
Debts related to rights of use of leased assets	<u>17.929.828</u>	<u>3.751.347</u>	<u>14.178.481</u>	<u>-</u>
	<u>3.195.388.724</u>	<u>809.845.397</u>	<u>1.460.648.813</u>	<u>924.894.514</u>

Commercial payables and other payables include trade payables, suppliers of fixed assets, dividends payable, payables and other payables (see Note 19) and are not included: payables generated as a result of the legal provisions imposed by the authorities, payables to the employees and advance registered revenue.

Financial instruments categories:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
<b>Financial assets</b>		
Cash and cash equivalents	96.204.966	199.548.510
Term bank deposits	581.351.685	184.688.625
Loans and receivables	2.741.685.641	2.420.601.205
Financial assets - stakes	202.197.382	215.700.939
Provisions related to financial assets - stakes	<u>(24.578.237)</u>	<u>(24.578.237)</u>
	<b><u>3.596.861.437</u></b>	<b><u>2.995.961.042</u></b>



**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
<b>Financial liabilities</b>		
Debts evaluated to amortised cost		
Loans	2.297.704.366	2.003.481.321
Liabilities evaluated at fair value		
Financial securities for contracts	50.446.894	44.668.511
Commercial liabilities and other liabilities	<u>451.013.677</u>	<u>501.747.678</u>
	<b><u>2.799.164.937</u></b>	<b><u>2.549.897.510</u></b>

On 31 December 2023, the amount of lei 152.476.340 (31 December 2022: lei 30.908.640) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 4% in USD (31 December 2022: 23%) and 96% in EUR (31 December 2022: 77%).

In the category including loans and liabilities, the liabilities related to employees and payables registered in advance are not included.

**Capital risk management**

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

As for the other companies in this sector, the company monitors the capital based on the indebtedness degree. This coefficient is calculated as net debt divided by total capital. The net debt is calculated as total borrowings (including `current and long-term borrowings`, according to the statement of financial position), except for cash and cash equivalent. The total capital is calculated as `equity`, according to the statement of the financial position, plus the net debt.

The net indebtedness degree on 31 December 2023 and on 31 December 2022 is reflected in the table below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Total borrowings	2.297.704.366	2.003.481.321
Except: cash and cash equivalents (Note 13)	<u>(677.556.651)</u>	<u>(384.237.135)</u>
Net cash position	<u>1.620.147.715</u>	<u>1.619.244.186</u>
Equity capital	4.123.653.277	4.082.745.760
Leverage ratio	0,39	0,40

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Fair value estimate

The fair value of the financial instruments traded on an active market is based on market prices quoted at the end of the reporting period. The fair value of the financial instruments that are not traded on an active market is set using valuation techniques.

It is considered that the book value less the impairment adjustment of trade receivables and payables approximate their fair values. 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.

### 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

#### Critical accounting estimates and assumptions

The company develops estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including predictions of future events considered reasonable under certain circumstances.

The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and assumptions that have a significant risk of causing an important material adjustment to the book value of assets and liabilities within the next financial year are presented below.

#### 5.1 Assumptions for the determination of the provision for retirement benefits

This provision was calculated based on estimates of the average wage, the average number of employees and the average number of wage payment at retirement, as well as based on the benefits payment scheme. The provision was brought to the present value by applying a discount factor calculated based on the risk-free interest rate (i.e. interest rate on government bonds).

The present value of the obligations at 31 December 2023 is of lei 130.942.400 (on 31 December 2022: lei 115.479.575) (Note 21).

The presentation of the current value for the 2023 depending on the following variables:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Inflation rate +1%	139.815.630	126.823.240
Inflation rate -1%	121.986.797	105.427.034
Investment return +10%	125.899.775	107.561.146
Investment return -10%	135.764.481	124.374.482

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Analysis of the maturity of benefits payments:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Up to one year	16.135.217	5.282.194
Between 1 and 2 years	6.323.131	3.249.417
Between 2 and 5 years	22.807.715	12.661.427
Between 5 and 10 years	112.046.635	104.323.736

#### 5.2 The accounting treatment of the concession agreement

As indicated in Note 8, in May 2002 the company concluded a Concession Agreement with the National Agency for Mineral Resources (‘ANRM’), which entitles the company to use the main pipelines of the national gas transmission system for a period of 30 years. Before concluding this agreement, the pipelines were managed by the company according to Public Domain Law No. 213/1998, Government Decision (‘GD’) No. 491/1998 and GD No. 334 of 2000 by which the company was established. According to the provisions of this agreement, the company receives most of benefits associated to assets and is exposed to most of the risks. Therefore, the company recognized these assets in the statement of the financial position, with an appropriate reserve in equity.

Regarding the already existing infrastructure on the date of signing the Concession Agreement, given that the company has no payment obligations at the time of terminating the Concession Agreement (but only obligations on maintenance and modernization, investments in new pipelines), the company's management considered that it is, in substance, an equity component, defined as the residual interest in the company's assets after the deduction of all debts. In addition, because the company and its predecessor, SNGN Romgaz SA, were controlled by the Romanian state, the publication of Public Patrimony Law (i.e. loss of property) and the reorganization of SNGN Romgaz SA into 5 companies can be treated as transactions with shareholders, in its capacity of shareholder, which supports the recognition of transactions in equity. As of 2010, the company applied IFRIC 12 (Note 3.5).

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

#### 5.3 The accounting treatment of royalties payable for using the national gas transmission system

As indicated in Note 8, the company pays royalties, calculated as percentage of the gross revenue achieved from the operation of pipelines of the national gas transmission system. These costs were recognized as expenses, rather than deduction from revenue, because they are not of the nature of taxes collected from customers and sent to the state, given the nature of activity and the regulatory framework:

- the company's revenue is based on tariffs approved by another regulator than the one setting the level of royalties;
- expense with royalties is an item taken into consideration at the calculation of the transmission tariff;

As of 1 January 2020, according to ANRE Order no. 1/2020, the company has the obligation to pay annually to ANRE a tariff amounting to 0.062 lei MWh applied to the quantity of natural gas transmitted for carrying out activities in the natural gas sector based on a license.

#### 5.4 Long-term receivables

The company believes that the legislative change represents a compensation for the value of the investments made, which the company will not recover through the tariff, implicitly the value of the intangible asset not recovered through the tariff, recognized for the right to charge users.

From 01.01.2018, IFRS 15 Revenue from Contracts with Customers became applicable in Romania. This standard replaces some older standards (such as IAS 11, IAS 18) and amends IFRIC 12 by introducing new interpretations to the notion of a contract. As a result, the company applies the bifurcated model registering the updated receivable related to the regulated amount remaining unamortized at the end of the concession agreement as a financial asset the intangible asset will be presented in the financial statements by the residual method resulted less the value of the construction works, achieved at fair value with the amount of the updated long-term receivable (compensation) upon the commissioning of the investment.

The present value was determined for the remaining period of the concession contract (the year 2032), because it is estimated that it will not be terminated before the expiration date (see Note 3.9 (a)).

In 2019 ANRE Order no. 41/2019 on the adjustment of the regulated value of the assets at the inflation rate entered into force. The company records the present value of the contractual cashflows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

From 2021 onwards, the company has changed the way of estimating the discount rate for the present value calculation, using instead of the Bloomberg rate the NBR reference rate for government securities (fixing), considering that this rate reflects with increased fidelity the internal context in which the transactions take place; by using a rate fixed for a period of 10 years, there is no need for a sensitivity analysis associated with this calculation

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**6. INFORMATION ON SEGMENTS**

Reporting segments are set according to the nature of the activities conducted by the company: the regulated activity, the unregulated activity and other activities. As transmission system operator, the company reported annually to the National Regulatory Authority on the activity performed on the four reporting segments.

The segment information provided to the Board of Administration, which makes strategic decisions for reportable segments, for the period ended 31 December 2023 is:

	<b>Domestic gas transmission</b>	<b>International gas transmission</b>	<b>Balancing</b>	<b>Unallocated</b>	<b>Total</b>
Revenue from domestic transmission	1.451.982.194	-	-	-	1.451.982.194
Revenue from international transmission and similar	-	116.305.612	-	-	116.305.612
Other revenue	<u>80.226.530</u>	<u>3.955.052</u>	-	<u>60.076.796</u>	<u>144.258.378</u>
<b>Operating revenue before the balancing and the construction activity according to IFRIC12</b>	<b><u>1.532.208.724</u></b>	<b><u>120.260.664</u></b>	<b>-</b>	<b><u>60.076.796</u></b>	<b><u>1.712.546.184</u></b>
Depreciation	(426.027.028)	(29.453.466)	-	(1.730.851)	(457.211.345)
Operating expenses other than depreciation	<u>(964.305.025)</u>	<u>(131.664.520)</u>	-	<u>(56.471.493)</u>	<u>(1.152.441.038)</u>
<b>Profit from operation before the balancing and construction activity according to IFRIC12</b>	<b><u>141.876.671</u></b>	<b><u>(40.857.322)</u></b>	<b>-</b>	<b><u>1.874.452</u></b>	<b><u>102.893.801</u></b>
Revenue from the balancing activity	-	-	458.810.505	-	458.810.505
Cost of balancing activity	-	-	(458.810.505)	-	(458.810.505)
Revenue from the construction activity according to IFRIC12	-	-	-	182.449.856	182.449.856
Cost of constructed assets according to IFRIC12	-	-	-	(182.449.856)	(182.449.856)
<b>Operating profit</b>	<b><u>141.876.671</u></b>	<b><u>(40.857.322)</u></b>	<b>-</b>	<b><u>1.874.452</u></b>	<b><u>102.893.801</u></b>
Net financial gain	-	-	-	-	103.987.509
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>206.881.310</b>
Profit tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(38.440.790)</u>
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>168.440.520</b>
Assets on segments	6.910.056.361	142.715.202	338.174.615	902.962.503	8.293.908.681
Liabilities on segments	3.566.535.816	2.745.850	598.371.213	2.602.525	4.170.255.404
Capital expenditure - increases in assets in progress	215.529.212	68.441	-	1.621.554	217.219.207
Non-monetary expenses other than depreciation	(17.590.419)	(126.843.750)	(8.026.801)	(68.514)	(152.529.484)

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**6. INFORMATION ON SEGMENTS (CONTINUED)**

Assets shown for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. Assets shown for the balancing segment comprise mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

*Unallocated assets include:*

Tangible and intangible assets	31.182.555
The right of use of the leased assets	14.500.703
Financial assets	177.619.145
Cash	677.556.651
Deferred tax	1.734.239
Other assets	<u>369.210</u>
	<b>902.962.503</b>

*Unallocated liabilities include:*

Dividends payable	1.095.532
Other debts	<u>1.506.993</u>
	<b>2.602.525</b>

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity and the borrowings contracted to finance the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the write-down of inventories, provisions for risks.

Transmission services are performed for several domestic and foreign clients.

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from the domestic transmission	1.237.088.453	214.893.741	1.451.982.194
Revenue from international transmission and similar	-	116.305.612	116.305.612
Other revenue	<u>136.719.297</u>	<u>7.539.081</u>	<u>144.258.378</u>
	1.373.807.750	338.738.434	1.712.546.184

**NOTES TO THE FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**6. INFORMATION ON SEGMENTS (CONTINUED)**

***Domestic clients with over 10% of the total revenue include:***

	<b><u>Percentage of the total revenue</u></b>
OMV PETROM SA	16%
ENGIE ROMANIA S.A.	12%
SNGN ROMGAZ SA	10%

All company's assets are located in Romania. All company's activities are carried out in Romania.

The company has external trade receivables amounting to lei 169.254.185 (31 December 2022: lei 30.908.640).

The *domestic gas transmission* segment includes information related to the activity of domestic gas transmission, which is regulated by the National Regulatory Authority as well as the operating and financial revenue related to the claims for the regulated value of the regulated asset base remained undepreciated at the end of the Concession Agreement; the *international gas transmission* segment includes information related to the activity of pipeline gas transmission without the transshipment of the Romanian territory and similar; *the balancing* segment includes expenses and revenue related to the national transmission system balancing activity developed starting with 1 December 2015, neutral in financial terms, any profit or loss from this activity will be distributed to clients for whom domestic transmission services are provided; the *unallocated* segment includes activities with a low share in the company's revenue such as sales of assets, rents, royalties.



**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**6. INFORMATION ON SEGMENTS (CONTINUED)**

The information on segments provided to the Board of Administration, who makes strategic decisions for the reporting segments, related to the financial year ended 31 December 2022, is as follows:

	<u>Domestic gas transmission</u>	<u>International gas transmission</u>	<u>Balancing</u>	<u>Unallocated</u>	<u>Total</u>
Revenue from domestic transmission	1.351.930.670	-	-	-	1.351.930.670
Revenue from international transmission and assimilated	-	73.926.517	-	-	73.926.517
Other revenue	<u>64.311.465</u>	<u>-</u>	<u>-</u>	<u>85.017.483</u>	<u>149.328.948</u>
<b>Operating revenue before the balancing and the construction activity according to IFRIC12</b>	<b><u>1.416.242.135</u></b>	<b><u>73.926.517</u></b>	<b>=</b>	<b><u>85.017.483</u></b>	<b><u>1.575.186.135</u></b>
Depreciation	(392.636.059)	(29.334.202)	-	(1.679.410)	(423.649.671)
Operating expense other than depreciation	<u>(892.220.675)</u>	<u>(24.216.023)</u>	<u>-</u>	<u>(75.467.469)</u>	<u>(991.904.167)</u>
<b>Profit from operation before the balancing activity according to IFRIC12</b>	<b><u>131.385.401</u></b>	<b><u>20.376.292</u></b>	<b><u>-</u></b>	<b><u>7.870.604</u></b>	<b><u>159.632.297</u></b>
Revenue from the balancing activity	-	-	1.005.543.977	-	1.005.543.977
Cost of balancing activity	-	-	(1.005.543.977)	-	(1.005.543.977)
Revenue from the construction activity according to IFRIC12	-	-	-	299.868.442	299.868.442
Cost of constructed assets according to IFRIC12	-	-	-	(299.868.442)	(299.868.442)
<b>Profit from operation</b>	<b><u>131.385.401</u></b>	<b><u>20.376.292</u></b>	<b><u>-</u></b>	<b><u>7.870.604</u></b>	<b><u>159.632.297</u></b>
Net financial gain	-	-	-	-	277.841.224
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>437.473.521</b>
Profit tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71.718.653)</u>
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>365.754.868</b>
Assets on segments	6.560.071.640	175.201.017	646.355.866	624.788.994	8.006.417.517
Liabilities on segments	3.426.729.582	558.370	492.686.382	3.697.423	3.923.671.757
Capital expenditure - increases in assets in progress	335.905.595	812.328	-	82.421	336.800.344
Non-cash costs other than depreciation	48.601.989	22.035.187	9.544.329	497.538	80.679.043

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 6. INFORMATION ON SEGMENTS (CONTINUED)

Assets indicated for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. The presented assets for the balancing segment are mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

*Unallocated assets include:*

Tangible and intangible assets	32.149.041
Right of use of leased assets	16.934.813
Financial assets	191.122.702
Cash	384.237.135
Other assets	<u>345.303</u>
	<b>624.788.994</b>

*Unallocated liabilities include:*

Dividends payable	1.627.487
Deferred tax	1.206.204
Other debts	<u>863.732</u>
	<b>3.697.423</b>

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the expense with the write-down of inventories, other provisions for risks.

International transmission services are provided for several foreign customers, while the domestic transmission activity is performed for several domestic customers.

	<b><u>Domestic Clients</u></b>	<b><u>Foreign Clients</u></b>	<b><u>Total</u></b>
Revenue from domestic transmission	1.146.821.286	205.109.384	1.351.930.670
Revenue from international transmission and assimilated	-	73.926.517	73.926.517
Other revenue	<u>149.327.077</u>	<u>1.871</u>	<u>149.328.948</u>
	1.296.148.363	279.037.772	1.575.186.135

***Domestic clients with over 10% of the total revenue include:***      **Percentage of the total revenue**

OMV PETROM S.A.	12%
ENGIE ROMANIA S.A.	11%
SNGN ROMGAZ S.A.	10%

All the company's assets are located in Romania. All the company's activities are carried out in Romania.

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**7. TANGIBLE ASSETS**

	<b>Lands and buildings</b>	<b>Transmission system assets</b>	<b>Other fixed assets</b>	<b>Assets in progress</b>	<b>Total</b>
<b>On 31 December 2022</b>					
Cost on 1 January 2022	292.759.786	972.044.444	336.535.669	15.597.395	1.616.937.294
Depreciation accumulated	(174.172.882)	(728.037.951)	(259.011.659)	-	(1.161.222.492)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
<b>Initial net book value</b>	<b><u>118.586.904</u></b>	<b><u>244.006.493</u></b>	<b><u>77.524.010</u></b>	<b><u>13.941.213</u></b>	<b><u>454.058.620</u></b>
Inflows	-	-	-	29.246.843	29.246.843
Reclassification	(4.155.654)	4.092.161	(37.456)	-	(100.949)
Transfers	7.269.245	8.843.457	16.286.606	(32.399.308)	-
Outflow (net value)	(6.170)	-	(21.443)	-	(27.613)
Expense with depreciation	(5.781.472)	(32.625.704)	(26.637.821)	-	(65.044.997)
<b>Final net book value</b>	<b><u>115.912.853</u></b>	<b><u>224.316.407</u></b>	<b><u>67.113.896</u></b>	<b><u>10.788.748</u></b>	<b><u>418.131.904</u></b>
<b>On 31 December 2023</b>					
Cost	295.234.035	984.844.069	347.853.482	12.444.930	1.640.376.516
Accumulated depreciation	(179.321.182)	(760.527.662)	(280.739.586)	-	(1.220.588.430)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
<b>Final net book value</b>	<b><u>115.912.853</u></b>	<b><u>224.316.407</u></b>	<b><u>67.113.896</u></b>	<b><u>10.788.748</u></b>	<b><u>418.131.904</u></b>
<b>Initial net book value</b>	<b><u>115.912.853</u></b>	<b><u>224.316.407</u></b>	<b><u>67.113.896</u></b>	<b><u>10.788.748</u></b>	<b><u>418.131.904</u></b>
Inflows	-	-	-	23.052.824	23.052.824
Reclassification	613.703	-	(624.501)	-	(10.798)
Transfers	834.672	1.657.952	20.470.237	(22.962.861)	-
Outflow (net value)	(67.855)	(378)	(72.547)	-	(140.780)
Expense with depreciation	(7.834.363)	(31.940.939)	(23.618.149)	-	(63.393.451)
<b>Final net book value</b>	<b><u>109.459.010</u></b>	<b><u>194.033.042</u></b>	<b><u>63.268.936</u></b>	<b><u>10.878.711</u></b>	<b><u>377.639.699</u></b>
Cost	296.158.004	986.500.401	360.605.141	12.534.893	1.655.798.439
Accumulated depreciation	(186.698.994)	(792.467.359)	(297.336.205)	-	(1.276.502.558)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
<b>Final net book value</b>	<b><u>109.459.010</u></b>	<b><u>194.033.042</u></b>	<b><u>63.268.936</u></b>	<b><u>10.878.711</u></b>	<b><u>377.639.699</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 7. TANGIBLE ASSETS (CONTINUED)

The gross book value of the fully depreciated assets, still used, is lei 384.773.206 (31 December 2022: lei 362.285.428). On 31 December 2023 no advances granted for the procurement of tangible assets are registered.

Regarding the assets developed by the company, which are complementary to the provision of services according to the concession agreement, the State has the option to acquire these assets at the end of the concession agreement. The company does not have the obligation to keep these assets until the end of the concession agreement and it is allowed to sell them. These assets do not fall within the scope of IFRIC 12. All the other assets related to the domestic transmission activity and which are part of the national gas transmission system, including improvements made after signing the concession agreement and which must be handed over to the ANRM at the end of the concession agreement fall within the scope of IFRIC 12.

Impairment adjustments were made for work in progress for which completion and commissioning is uncertain.

The company does not depreciate the tangible assets approved for discarding and does not own pledged fixed assets.

#### 7.1. The rights of use of the leased assets (IFRS 16)

As of 1 January 2019, the company applies IFRS 16 for the leasing contracts complying with the recognition criteria and recognized the intangible asset as a right of use related to the leasing contract:

	<u>Leases according to IFRS16</u>
<b>Cost on 1 January 2023</b>	<b>31.618.029</b>
Accumulated depreciation	(14.683.216)
Net book value	<u>16.934.813</u>
Inflow	1.799.914
Outflow	(514.064)
Depreciation	(3.719.960)
Final net book value on 31 December 2023	<u>14.500.703</u>

Detailed information on IFRS 16 as at 31 December 2023:

	<b>31 December 2023</b>	<b>Of which related to the class of low value assets-Forestry conventions</b>
Value as use (DU)	32.903.879	16.299.859
Depreciation related to DU	18.403.176	5.352.675
DU interest	705.207	459.195
Debt regarding DU	15.542.002	11.766.703
From which:		
Short term	3.333.037	1.255.584
Long term	12.208.965	10.511.119

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**7. TANGIBLE ASSETS (CONTINUED)**

	<b><u>Leases according to IFRS16</u></b>
<b>Cost on 1 January 2022</b>	<b>30.660.861</b>
Accumulated depreciation	(11.043.725)
<u>Net book value</u>	<u>19.617.136</u>
Inflow	1.517.869
Outflow	(560.701)
Depreciation	(3.639.491)
Final net book value on 31 December 2022	<u>16.934.813</u>

Detailed information on IFRS 16 as at 31 December 2022:

	<b>31 December 2022</b>	<b>Of which related to the class - Forestry conventions</b>
Value as use (DU)	31.618.029	15.944.147
Depreciation related to DU	14.683.216	4.055.249
DU interest	732.980	474.687
Debt regarding DU	17.929.828	12.577.841
From which:		
Short term	3.751.347	1.152.956
Long term	14.178.481	11.424.885

Debt according to IFRS 16 is presented in the balance sheet at long-term and short-term trade payables.

The Company recognizes a class of support assets with a cumulative value of more than USD 5000 - forestry conventions.

**8. SERVICE CONCESSION AGREEMENT**

In May 2002, the company concluded a Service Concession Agreement (‘SCA’) with the ANRM, which entitles the company to operate the main pipelines of the national gas transmission system for a period of 30 years. All modernizations and improvements made by the company to the system are considered part of the system and become property of the ANRM at the end of their useful life. The company cannot sell or discard any asset part of the national transmission system; withdrawals can only be made with the approval of the state.

At the expiration of the agreement, the assets belonging to the public domain, existing upon signing the agreement and all investments made in the system will be returned to the State. The company owns and will develop other assets that are not directly part of the national gas transmission system, but are complementary assets for gas transmission operations. The ANRM has the option to buy these assets at the end of the concession agreement, at the fair value.

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 8. SERVICE CONCESSION AGREEMENT (CONTINUED)

The main terms of the Concession Agreement are the following:

- The company is entitled to operate directly the assets subject to the concession agreement and to apply and collect tariffs for domestic and international transmission from clients in exchange for services provided; the company is the only entity authorized to operate the pipelines of the national gas transmission system, no sub-concession being allowed;
- Any change of tariffs must be proposed by the company and then approved by the ANRE;
- The company is exempt from the payment of import duties for the assets acquired for operation, improvement or development of the system;
- The company must annually publish by 30 October the available capacity of the system for the following year;
- The company must annually respond to the clients' orders by 30 November and the ANRM must be informed on all rejected orders decided by the company's management;
- The company must keep a specific level of functioning (guaranteed through a mandatory minimum investment programme);
- royalties are paid as percentage (by 30 September 2007: 5%, between October 2007 and 11 November 2020: 10%, between 12 November 2020 – 29 October 2023: 0,4%, as of 30 October 2023: 11,5%) of the gross revenue from the operation of the national transmission system (domestic and international transmission);
- all operating expenses for operating the system are incurred by the company;
- The company may cancel the agreement by notifying the ANRM 12 months in advance;
- The ANRM may cancel the agreement by a 6-month prior notice, if the company fails to comply with the contractual conditions; it also has the option to cancel the agreement with a 30-day prior notice for `national interest` reasons; in this case, the company will receive compensation equal to the average net profit of the past 5 years multiplied by the remaining duration of the agreement.

The Concession Agreement does not include an automatic renewal clause.

By GD 906/28 September 2023, the amendment of Annex No 22 to Government Decision No 1 was approved. 705/2006 for the approval of the centralized inventory of goods in the public domain of the State, as subsequently amended and supplemented, by including the goods resulting from the completion of the investment objective "Interconnection pipeline of the National Gas Transmission System of Romania with the National Gas Transmission System of the Republic of Moldova on the direction Iasi (Romania)-Ungheni (Republic of Moldova), electricity supply, automation, data procurement, burglary and fire surveillance" and the transfer of these goods to the administration of the National Agency for Mineral Resources and to the concession of the National Gas Transmission Company "TRANSGAZ" - S.A.

**NOTES TO THE FINANCIAL STATEMENTS**  
 (expressed in lei, unless otherwise stated)

**9. INTANGIBLE ASSETS**

	<b>Assets related to the ACS</b>	<b>Information programmes</b>	<b>Intangible assets under construction</b>	<b>Total</b>
<b>On 31 December 2022</b>				
Cost on 1 January 2022	9.470.896.188	74.238.546	398.214.919	9.943.349.653
Accumulated depreciation	(4.712.530.466)	(56.413.594)	-	(4.768.944.060)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.457.965.151)	-	-	(1.457.965.151)
Concession Agreement receivable depreciation	<u>289.730.829</u>	<u>-</u>	<u>-</u>	<u>289.730.829</u>
<b>Net book value</b>	<b>3.590.131.400</b>	<b>17.824.952</b>	<b>389.072.142</b>	<b>3.997.028.494</b>
Inflow	-	3.345.386	280.342.343	283.687.729
Reclassifications	100.948	-	-	100.948
Transfers	138.653.823	3.907.201	(142.561.024)	-
Outflow	-	-	-	-
Depreciation	(459.406.384)	(5.342.719)	-	(464.749.103)
Concession Agreement receivables	(16.426.221)	-	-	(16.426.221)
Concession Agreement receivable depreciation	<u>109.935.585</u>	<u>-</u>	<u>-</u>	<u>109.935.585</u>
<b>Final net book value</b>	<b>3.362.989.151</b>	<b>19.734.820</b>	<b>526.853.461</b>	<b>3.909.577.432</b>
Cost	9.609.650.958	81.484.939	535.996.238	10.227.132.135
Accumulated depreciation	(5.171.936.850)	(61.750.119)	-	(5.233.686.969)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.474.391.371)	-	-	(1.474.391.371)
Concession Agreement receivable depreciation	<u>399.666.414</u>	<u>-</u>	<u>-</u>	<u>399.666.414</u>
<b>Final Net book value</b>	<b>3.362.989.151</b>	<b>19.734.820</b>	<b>526.853.461</b>	<b>3.909.577.432</b>
<b>On 31 December 2023</b>				
<b>Initial net book value</b>	<b>3.362.989.151</b>	<b>19.734.820</b>	<b>526.853.461</b>	<b>3.909.577.432</b>
Inflow	-	10.113.180	194.166.383	204.279.563
Reclassifications	(462.550)	473.348	-	10.798
Transfers	356.275.053	361.910	(356.636.963)	-
Outflow	-	-	-	-
Depreciation	(497.687.112)	(7.357.123)	-	(505.044.235)
Concession Agreement receivables	(80.776.665)	-	-	(80.776.665)
Concession Agreement receivable depreciation	<u>115.216.450</u>	<u>-</u>	<u>-</u>	<u>115.216.450</u>
<b>Final net book value</b>	<b>3.255.554.327</b>	<b>23.326.135</b>	<b>364.382.881</b>	<b>3.643.263.343</b>
Cost	9.965.463.461	87.773.099	373.525.658	10.426.762.218
Accumulated depreciation	(5.669.623.961)	(64.446.964)	-	(5.734.070.925)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.555.168.037)	-	-	(1.555.168.037)
Concession Agreement receivable depreciation	<u>514.882.864</u>	<u>-</u>	<u>-</u>	<u>514.882.864</u>
<b>Final Net book value</b>	<b>3.255.554.327</b>	<b>23.326.135</b>	<b>364.382.881</b>	<b>3.643.263.343</b>



## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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### 9. INTANGIBLE ASSETS (CONTINUED)

The minimum NTS gas quantity required to ensure the pressures and flow rates for the end consumers under the contractual conditions (NTS linepack) is recognized in the value of the right to use, as an intangible asset. On 31 December 2023 the linepack is of 809.539 MWh and amounts to lei 72.687.849, of which NTS linepack is of 693.282 MWh and amounts lei 55.712.232. On 31 December 2022 the linepack is of 837.142 MWh and amounts to lei 84.633.624, of which NTS linepack is 692.629 MWh and amounts to lei 55.557.837.

As at 31 December 2023, the company capitalized interest expense amounting to lei 4.273.861 (in 2022, the company capitalized interest expense amounting to lei 20.128.777), for NTS assets.

As at 31 December 2023 there are no advances granted for the procurement of national gas transmission system development works are presented in the intangible assets in progress (lei 6.689.361 on 31 December 2022).

The remaining life of the intangible assets is presented in Note 3.5 and Note 3.8.

As at 31 December 2023, the Company capitalized the amount of 10.113.181 lei, representing additional costs for the procurement of natural gas, incurred between 1 January 2023 and 31 December 2023 (lei 3.345.386 on 31 December 2022), in order to cover its own technological consumption compared to the costs included in the regulated tariffs, in accordance with the provisions of the Order of the Ministry of Finance no. 3900/19 October 2022, the Order of the President of ANRE no.128 /12 October 2022 and ANRE's clarifications according to which the natural gas referred to in Article 11 letter r of ANRE's Order No 41/2019 does not represent natural gas intended to cover the technological consumption of the NTS and therefore the additional costs with their purchase cannot be capitalised.

Impairment adjustments were made for work in progress for which completion and commissioning is uncertain.

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**10. FINANCIAL ASSETS**

Financial assets consist of unlisted stakes in the following companies:

<u>Company</u>	<u>Activity</u>	Percentage	Percentage	31 December	31 December
		owned	owned	2023	2022
		<u>2023</u>	<u>2022</u>		<u>2022</u>
Resial SA	Production	68,16	68,16	18.116.501	18.116.501
	Gas production	17,47	17,47	6.461.736	6.461.736
Mebis SA	distribution and supply				
Eurotransgaz	Gas transmission	100	100	177.619.145	191.122.702
Minus adjustments for impairment of investments in: Resial SA, Mebis SA				(24.578.237)	(24.578.237)
				<u>177.619.145</u>	<u>191.122.702</u>

*Shares in Resial SA*

Shares owned in Resial SA were obtained in December 2003, as a result of a procedure for the recovery of claims due from a client. Resial SA went into liquidation in 2006; the procedure is carried out by a bailiff appointed by the court and is outside the control of the company, which is why the stake is not consolidated and is recorded at cost less the adjustment for impairment amounting to 100% of the cost. The loan granted to Resial SA is also fully adjusted. The management does not expect the company to recover any amount of this stake and the company does not guarantee any type of residual obligations for Resial SA.

*Shares in Mebis SA*

Shares owned in Mebis SA were obtained in February 2004, as a result of a procedure for the recovery of claims due from a client. Mebis SA is in the liquidation procedure, which is why the stake in Mebis SA was fully adjusted. The company has no obligations to Mebis SA.

*Participation in the Limited liability company Eurotransgaz Ltd.*

By EGMS Resolution 10/12.12.2017 the establishment of the company EUROTRANSGAZ Ltd. on the territory of the Republic of Moldova was approved for the successful participation in the privatization of the State Enterprise Vestmoldtransgaz. In 2018, Transgaz participated in the increase of Eurotransgaz's share capital to ensure the financial sources necessary for the procurement of the State Enterprise Vestmoldtransgaz.

In 2018 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of 9.735.000 euro for the operation and ensuring the financial sources necessary for the procurement of the State Enterprise Vestmoldtransgaz.

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 10. FINANCIAL ASSETS (CONTINUED)

In 2019 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of 31.467.089 euro and 83.471.503 Moldavian lei for the operation and ensuring the financial sources necessary for the performance of the investment program of the State Enterprise Vestmoldtransgaz.

In 2020 Transgaz participated in the increase of the share capital of EUROTRANSGAZ by the amount of EUR 14.236.983 in order to operate and to ensure the financial sources necessary to carry out the investment program of the State Enterprise Vestmoldtransgaz.

In 2021 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of EUR 2.503.871 in order to operate and to ensure the financial sources necessary to carry out the investment program of the State Enterprise Vestmoldtransgaz.

In 2022 Transgaz participated in the share capital increase of EUROTRANSGAZ with the amount of EUR 649,460 in order to operate and secure the financial sources necessary to carry out the investment programme of the State Enterprise Vestmoldtransgaz.

By the BoA Resolution 39/2021 Transgaz approved the decrease of Eurotransgaz share capital in the amount of LEI 66.117.064 (EUR 13,15 million), registered in March 2022.

By the BoA Resolution 19/2022 Transgaz approved the decrease of Eurotransgaz share capital in the amount of MDL 172.024.718 (equivalent to Euro 8.5 million).

By BA Resolution no. 38/2022 Transgaz approved the reduction of Eurotransgaz share capital by MDL 44.652.300 (equivalent to EUR 2,310,000). The amount was received in August 2023.

The equity securities held at Eurotransgaz S.R.L represent a capital investment recognized according to IFRS 9, at the date of the transaction being measured at its fair value at the date of the transaction, and assessed, after the initial recognition, at the cost.

The company has carried out the valuation of the shareholding in Eurotransgaz S.R.L. and Vestmoldtransgaz SRL, for the estimation of the fair value of the shareholders' equity of the two companies the Adjusted Net Assets method was applied and did not identify any elements that would lead to goodwill impairment.

In case of the financial assets held by Transgaz, i.e. Mebis SA and Resial SA, the application of IFRS 9 has no impact whatsoever, as such assets are measured at the fair value by the profit and loss account and 100% impairment adjustments were established.

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**11. INVENTORIES**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Gas inventories	307.310.908	358.874.907
Gas for technological consumption	180.679.213	177.148.436
Spare parts and materials	139.759.510	115.259.616
Materials in custody at third parties	466.345	1.229.524
Adjustments for write-down of inventories	<u>(51.135.358)</u>	<u>(42.635.646)</u>
	<u>577.080.618</u>	<u>609.876.837</u>

ANRE Order 160/2015 sets the obligations of Transgaz, as the transmission system operator, regarding the balancing of the national transmission system.

The company does not hold any restricted stocks and has established safety stocks amounting to Lei 11.946.702 as at 31 December 2023 (Lei 9.718.830 as at 31 December 2022).

Movements in the adjustments account are analysed below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Adjustment on 1 January	42.635.646	29.386.522
(Revenue)/expense with adjustment for write-down of inventories (Note 23)	<u>8.499.712</u>	<u>13.249.124</u>
Adjustment at the end of the period	<u>51.135.358</u>	<u>42.635.646</u>

In 2023 adjustments for write-down of inventories were established according to Note 3.10.

The company recorded in 2022 a provision for the negative difference between the quantities of natural gas invoiced as initial imbalance and the final monthly imbalances, which will be requested to ANRE for recovery through the neutrality tariff

**12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Trade receivables	952.484.611	790.439.416
Advance payments to suppliers for goods and services	75.783	103.307
Loan to Resial SA (Note 27)	1.770.346	1.770.346
Receivable related to the unamortized regulated value at the end of the concession agreement	2.423.669.228	2.141.205.427
Non-refundable loans as subsidies	14.140.364	17.564.563
State budget receivables	73.690.795	48.901.899
Receivables from various debtors	56.349.031	52.164.192
Receivables	46.315.542	40.490.161
Other receivables	3.853.274	23.556.870
Adjustment of impairment of trade receivables	(657.959.020)	(554.671.720)
Adjustment of impairment of other receivables	<u>(89.875.671)</u>	<u>(84.987.767)</u>
	<u>2.824.514.283</u>	<u>2.476.536.694</u>
Financial assets/ Loans and receivables (Note 4)	<u>2.741.685.641</u>	<u>2.423.462.073</u>

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

The company challenged administratively the tax decision on additional tax payment obligations in the amount of lei 25.409.833 issued in 2016 by ANAF consisting of revenue tax, VAT, penalties and late payments, and set up an adjustment. The company paid the amounts mentioned in the tax decision in order to be able to carry out the activities in the directions set by the management and to facilitate the financing of future projects.

In 2020, the Company administratively challenged the tax decision regarding additional fiscal payment obligations amounting to lei 7.642.671 issued by ANAF in 2020 consisting of profit tax and VAT and constituted an adjustment. In 2022 the amount of the tax decision was reduced to 7.023.213 lei and the amount of the adjustment was also reduced by the Company.

As at 31 December 2022 the Company records VAT refundable in the amount of Lei 16.424.377 which is stated as Other receivables.

In July 2022 the Company paid the amount of 29.277.726 lei, to which it was bound by Arbitral Award no. 39/06.06.2022, rendered by the Arbitral Tribunal in case no. 107/2018, following the conclusion of the arbitration proceedings concerning the non-fulfilment of obligations under the supply contract for "Software Licences for Additional I/Os/Bandwidth Upgrade for SCADA System", a contract concluded by Transgaz with the Association consisting of RMG REGEL UND MESSTECHNIK GmbH Germany, IDS GmbH Germany and General Fluid S.A. Bucharest. The company has appealed the arbitral tribunal's decision in court and has recorded an impairment allowance of 29.277.726 lei as at 31 December 2022.

The advance payments granted to the company in the context of the contractual relationships are guaranteed by the suppliers by letters of bank guarantee.

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to lei 147.131.305 according to IFRS 9 (31 December 2022: LEI 286.877.258).

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
<b>Initial balance</b>	2.141.205.427	1.788.570.507
Inflow	80.776.665	16.426.221
Interest	54.622.298	49.353.233
Inflation update	147.131.305	286.877.258
Outflow	<u>(66.467)</u>	<u>(21.792)</u>
	<b><u>2.423.669.228</u></b>	<b><u>2.141.205.427</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Commercial receivables analysis according to IFRS9 is as follows:

	<b><u>31 December 2023</u></b> <b>(unaudited)</b>	<b><u>31 December 2022</u></b>
<b>Current and unamortized</b>		
Transit receivables	144.214.000	23.303.149
Doubtful or insolvency receivables	166.447.834	168.036.776
Affiliated party receivables	269.076.418	261.704.717
Other trade receivables	372.746.359	337.394.775
Receivables from various debtors	<u>56.349.031</u>	<u>52.980.353</u>
	1.008.833.642	843.419.770
<b>Amortization</b>		
Transit receivables	144.214.000	23.303.149
Doubtful or insolvency receivables	166.447.834	168.036.776
Affiliated party receivables	142.240.990	161.978.362
Other trade receivables	205.056.196	201.353.434
Receivables from various debtors	<u>50.453.357</u>	<u>45.565.452</u>
Transit receivables	708.412.377	600.237.173
Total trade receivables net of provision	300.421.265	243.182.597

IFRS 9 applies a new model for forecasting impairment loss based on the estimated loss. This model entails the anticipated recognition of the loss from receivables impairment. The standard requires entities to recognize the anticipated impairment loss on receivables from the time of initial recognition of financial instruments, and to recognize the anticipated impairment loss over their lifetime. The amount of expected loss will be updated for each reporting period so as to reflect changes in credit risk as compared to initial recognition.

For the application of IFRS 9 on the held receivables, based on a loss estimation model, the client's categories were reconsidered starting from the IFRS 9 principle for the anticipation of a non-cashing in risk related to the current receivables.

Category	10%	20%	30%	35%	60%	100%	IFRS 9	TOTAL
	31-60	61-90	91-120	121-150	151-180	over 181 and doubtful		
Transit receivables	1.136.673	2.076.207	3.054.461	3.464.871	6.283.239	63.678.297	64.520.252	<b>144.214.000</b>
Doubtful and insolvent receivables	-	-	-	-	-	166.447.834	-	<b>166.447.834</b>
Affiliated parties' receivables	4.141	95.573	148.356	211.427	309.492	140.059.599	1.412.402	<b>142.240.990</b>
Various receivables	59.926	144.934	92.262	195.642	583.189	201.729.697	2.250.546	<b>205.056.196</b>
Receivables from various debtors	16.582	-	-	-	-	50.033.462	403.313	<b>50.453.357</b>
Total impairment	<b>1.217.322</b>	<b>2.316.714</b>	<b>3.295.079</b>	<b>3.871.940</b>	<b>7.175.920</b>	<b>621.948.889</b>	<b>68.586.513</b>	<b>708.412.377</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)**

The company constantly analyses the customers' situation and records adjustments whenever there are indications of an increase in the non-collection risk.

The payment of the equivalent value of the invoices for the natural gas transmission services, issued according to the provisions of the Network Code, is made within 15 calendar days from the date of issuing the invoice. If the due date is a non-working day, the deadline is considered fulfilled on the next working day.

Movements in the provision account are analysed below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Adjustment on 1 January	639.659.487	597.533.335
Expense with the adjustment for doubtful clients (Note 23)	175.061.631	134.888.274
(Revenue with the adjustment for doubtful clients (Note 23))	<u>66.886.427</u>	<u>92.762.122</u>
Adjustment at the end of the period	<u>747.834.691</u>	<u>639.659.487</u>

The Company makes adjustments for receivables from insolvent companies or companies that encountered significant financial difficulties.

As at 31 December 2023, the company recorded adjusting expenses for the clients recording an increased non-collection risk, mainly for the receivables of Gazprom Export LLC (lei 120.908.955) and decreased the adjustment to outstanding receivables due to their collection for Electrocentrale Constanța (lei 20.544.672) and for Mehedinți Gaz SA (lei 3.214.363).

In July 2022 the Company paid the amount of 29.277.726 lei, to which it was bound by Arbitral Award no. 39/06.06.2022, rendered by the Arbitral Tribunal in case no. 107/2018, following the conclusion of the arbitration proceedings concerning the non-fulfilment of obligations under the supply contract for "Software Licences for Additional I/Os/Bandwidth Upgrade for SCADA System", a contract concluded by Transgaz with the Association consisting of RMG REGEL UND MESSTECHNIK GmbH Germany, IDS GmbH Germany and General Fluid S.A. Bucharest. The company has appealed the arbitral tribunal's decision in court and has recorded an impairment allowance of 29.277.726 lei as at 31 December 2022, adjustment maintained as at 31 December 2023 as well.



**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**13. CASH AND CASH EQUIVALENT**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Cash at bank in LEI	351.170.368	255.822.046
Cash at bank in foreign currency	326.274.497	128.226.227
Other cash equivalents	<u>111.786</u>	<u>188.862</u>
	<u>677.556.651</u>	<u>384.237.135</u>

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Restricted cash (employees guarantee)	1.956.015	1.562.607

Cash at bank in foreign currency is mostly denominated in EUR.

The weighted average of the effective interest related to short-term bank deposits was of 3,32% on 31 December 2023 (3,13% on 31 December 2022) and these deposits have a maximum maturity of 30 days.

	Long-term loans	Working capital	Leasing debt	Total
Balance on 01.01.2022	1.569.435.386	279.435.121	20.470.837	1.869.341.344
Net cash flows	(143.485.273)	291.740.052	(5.157.454)	143.097.325
Exchange rate differences	11.325.488	-	-	11.325.488
New leasing contracts	-	-	2.246.983	2.246.983
Leasing adjustments	-	-	-	-
Interest expense	40.807.173	11.106.623	369.462	52.283.258
Capitalised interest	20.128.777	4.987.520	-	25.116.297
Paid interest	(52.648.258)	(14.174.266)	-	(66.822.524)
Balance on 31 December 2022	<u>1.445.563.293</u>	<u>573.095.050</u>	<u>17.929.828</u>	<u>2.036.588.171</u>
Balance on 01.01.2023	1.445.563.293	573.095.050	17.929.828	2.036.588.171
Net cash flows	114.511.226	175.431.456	(5.601.390)	284.341.292
Exchange rate differences	4.284.807	-	-	4.284.807
New leasing contracts	-	-	2.496.437	2.496.437
Leasing adjustments	-	-	-	-
Interest expense	84.465.633	6.236.151	717.128	91.418.912
Capitalised interest	4.273.861	25.232.795	-	29.506.656
Paid interest	(88.882.544)	(30.937.649)	-	(119.820.193)
Balance on 31 December 2023	<u>1.564.216.276</u>	<u>749.057.803</u>	<u>15.542.003</u>	<u>2.328.816.082</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
 (expressed in lei, unless otherwise stated)

**14. SHARE CAPITAL AND SHARE PREMIUM**

<b>IFRS</b>	<b>Number of ordinary shares</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Total</b>
On 31 December 2022	188.381.504	1.883.815.040	247.478.865	2.131.293.905
On 31 December 2023	188.381.504	1.883.815.040	247.478.865	2.131.293.905
Capital adjustment to the hyperinflation accumulated on 31 December 2003	-	<u>441.418.396</u>	-	<u>441.418.396</u>
On 31 December 2022, On 31 December 2023	<u>188.381.504</u>	<u>2.325.233.436</u>	<u>247.478.865</u>	<u>2.572.712.301</u>

The Extraordinary General Meeting of Shareholders approved on 7 December 2022 the increase of the share capital of the Company by incorporating the reserves constituted from the net profit of the previous financial years in the amount of 1.766.076.600 lei, through the issuance of 176.607.660 new shares with a par value of 10 lei/share.

The authorized number of ordinary shares registered at the National Trade Registry Office is 188.381.504 (31 December 2022: 188.381.504) with a nominal value of LEI 10 each. Each share represents one vote.

The ownership structure registered with the Central Depository on 31 December 2023 is the following:

	<b>Number of ordinary shares</b>	<b>Statutory value (lei)</b>	<b>Percentage (%)</b>
The Romanian state, represented by the General Secretariat of the Government	110.221.440	1.102.214.400	58,5097
Other shareholders	<u>78.160.064</u>	<u>781.600.640</u>	<u>41,4903</u>
	<u>188.381.504</u>	<u>1.883.815.040</u>	<u>100,0000</u>

The ownership structure registered with the Central Depository on 31 December 2022 is the following:

	<b>Number of ordinary shares</b>	<b>Statutory value (lei)</b>	<b>Percentage (%)</b>
The Romanian state, represented by the General Secretariat of the Government	6.888.840	68.888.400	58,5097
Other shareholders	<u>4.885.004</u>	<u>48.850.040</u>	<u>41,4903</u>
	<u>11.773.844</u>	<u>117.738.440</u>	<u>100,0000</u>

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

In the statutory accounting, before 1 January 2012, the company included in the share capital certain reserves from revaluation for revaluations made before 31 December 2001. In order to prepare these financial statements according to EU IFRS, such increases were not recognized, because adjustments to hyperinflation for fixed assets were annually recognized in the statement of comprehensive income by 31 December 2003. Therefore, in these financial statements, the company recorded only the share capital from cash or in-kind contribution, adjusted to inflation from the date of the initial contribution on 31 December 2003 and the increase in the share capital that took place after 1 January 2004 was recognized in nominal terms.

### 15. OTHER RESERVES, LEGAL RESERVE AND RETAINED EARNINGS

#### *Other reserves*

Before IFRIC 12, a proper reserve related to assets belonging to the public domain (Notes 3.8 and 5.2) was included in equity as `Reserve of the public domain` at the value of the respective assets restated depending on inflation until 1 January 2004. It was renamed `Other reserves` at the adoption of IFRIC 12 (Note 3.5), to reflect the change in the statute of the related assets. The Company does not intend to change the allocation of deferred income arising from the first-time adoption of IAS 29.

#### *Legal reserve*

In accordance with the Romanian law and the company's Articles of Incorporation, the Transgaz must transfer five percent of the profit from the statutory financial statements in a statutory reserve of up to 20% of the statutory share capital. The balance of the statutory reserve, which is not available for allocation on 31 December 2023, amounts to lei 55.765.430 (31 December 2022: lei 45.421.364).

The legal reserve is included in the `Retained earnings` in these financial statements. The company does not intend to change the allocation of the legal reserve.

#### *Reserve relating to reinvested profit*

The balance of the invested profit reserve as at 31 December 2023 is 17.275.596 lei.

The company will submit for OGMS approval the constitution from the 2023 profit a reserve in the amount of 40.845.861 lei representing tax incentives provided for by Law 227/2015 on the Tax Code on the profit invested in technological equipment-machinery, machinery and work installations, electronic computers and peripheral equipment, cash register, control and invoicing machines and appliances, as well as in software, produced and/or purchased and put into operation, used for the purpose of carrying out the economic activity, amended in 2023 by GO 16/2022 which extended the exemption from payment of reinvested profits also for some categories of assets related to the refurbishment. The reserve for reinvested profits is carried out after the approval of the profit distribution by the general meeting of shareholders, in accordance with the law.

#### *Dividend allocation*

In 2023, the company declared a dividend of lei 0,7 /share, related to the profit of the previous year (2022: lei 14,82 /share). The total dividends declared from the profit of 2022 are lei 131.867.053 (dividends declared from the profit of 2021: lei 174.488.368).

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**16. LONG-TERM BORROWINGS**

The value of the long-term loans recorded by the company on 31 December 2023:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
BEI 83644RO	186.050.040	<u>204.822.360</u>
BEI 88825RO	209.058.151	<u>227.642.534</u>
BEI 89417RO	124.365.000	-
BEI 90512RO	124.365.000	-
BCR 20190409029	141.360.000	<u>156.240.000</u>
BCR 20201028056	288.000.000	<u>316.800.000</u>
BCR 20210817030	83.333.332	<u>91.666.666</u>
BCR 20211124044	183.333.333	<u>201.666.666</u>
BERD	211.232.880	<u>233.467.920</u>
BT	247.806.630	<u>271.175.175</u>
Raiffeisen Bank	300.000.000	<u>300.000.000</u>
BRD GSG	<u>198.800.000</u>	-
	<u><u>2.297.704.366</u></u>	<u><u>2.003.481.321</u></u>

Loans breakdown by maturity range:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	432.316.032	132.098.774
Over 1 year	<u>1.865.388.334</u>	<u>1.871.382.547</u>
	<u><u>2.297.704.366</u></u>	<u><u>2.003.481.321</u></u>

**The European Investment Bank (EIB)**

The company signed with the European Investment Bank the following loans for the financing of the project `Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

- Loan Agreement no. 83644RO concluded on 27.10.2017 for the amount of EUR 50 million, fixed interest rate, maturity of 15 years, grace period of 3 years at principal repayment.
- Loan Agreement no.88825RO concluded on 14.12.2017 for the amount of EUR 50 million, with disbursements in lei or EUR (at the choice of the company), with fixed or variable interest (at the choice of the company), maturity of 15 years, the grace period of 3 years of repayment of the principal.

The company signed with the EIB the following loans for the financing of the project `Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas` (Black Sea - Podișor):

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 16. LONG-TERM BORROWINGS (CONTINUED)

- the Loan Agreement no.89417RO dated 17.12.2018 for the amount of EUR 50 million, maturity of 15 years, grace period of 3 years at principal repayment.
- the Loan Agreement no. 90512RO dated 24 January 2019 for the amount of EUR 100 million, maturity of 15 years, grace period of 3 years at principal repayment.

The financial commitments undertaken by the loan agreements requires the company to comply with the negotiated limits of the following financial indicators: the ratio of the total net debts to the Borrower's RAB, the net leverage ratio and the Interest coverage rate.

In 2017 the company received the first tranche of Loan Agreement number 83644RO of EUR 15 million issued by EIB on 30 November 2017, in 28 February 2018 the second tranche of the loan amounting to EUR 15 million and on 30 April 2018, the third tranche of the loan amounting to EUR 20 million was received.

The maturity of the loan 83644RO from the EIB is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	19.898.400	19.789.600
Between 1 and 5 years	79.593.600	79.158.400
Over 5 years	<u>86.558.040</u>	<u>105.874.360</u>
	<u>186.050.040</u>	<u>204.822.360</u>

In 2019 the company received under Loan Agreement no. 88825RO two tranches totalling EUR 50 million.

The maturity of the loan 88825RO from the EIB is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	19.835.925	19.727.466
Between 1 and 5 years	79.343.698	78.909.865
Over 5 years	<u>109.878.528</u>	<u>129.005.203</u>
	<u>209.058.151</u>	<u>227.642.534</u>

In July 2023 the company received under Loan Agreement no. 89417RO the first tranche of EUR 25 million.

The maturity of the loan 89417RO from the EIB is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	-	-
Between 1 and 5 years	25.380.612	-
Over 5 years	<u>98.984.388</u>	-
	<u>124.365.000</u>	-

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 16. LONG-TERM BORROWINGS (CONTINUED)

In July 2023 the company received under Loan Agreement no. 90512 RO the first tranche of EUR 25 million.

The maturity of the loan 90512 RO from the EIB is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	-	-
Between 1 and 5 years	25.380.612	-
Over 5 years	<u>98.984.388</u>	<u>-</u>
	<u>124.365.000</u>	<u>-</u>

The book value of the short-term loans approximates their fair values.

#### The European Bank for Reconstruction and Development (EBRD)

On 23 February 2018 Transgaz signed with EBRD a contract amounting to lei 278 million, the equivalent of EUR 60 million, for the financing of the BRUA Project. The loan was fully disbursed by two equal disbursements: on 29 April 2020 and on 29 May 2020.

The EBRD loan maturity is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	22.235.040	22.235.040
Between 1 and 5 years	88.940.160	88.940.160
Over 5 years	<u>100.057.680</u>	<u>122.292.720</u>
	<u>211.232.880</u>	<u>233.467.920</u>

#### The Romanian Commercial Bank (BCR)

The company signed on 24.04.2019 the contract no. 20190409029 with the Romanian Commercial Bank for committing the financing in the amount of 186 million lei, the equivalent of 40 million EUR, with drawing and repayment in lei, maturity 15 years, grace period for principal repayment of 3 years, variable interest for the financing of the project Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

The BCR loan no. 20190409029 is fully disbursed and its maturity is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	14.880.000	14.880.000
Between 1 and 5 years	59.520.000	59.520.000
Over 5 years	<u>66.960.000</u>	<u>81.840.000</u>
	<u>141.360.000</u>	<u>156.240.000</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**16. LONG-TERM BORROWINGS (CONTINUED)**

On 29.10.2020, the Company signed contract no.20201028056 with Banca Comercială Română contemplating the Company's benefiting from a lei 360 million loan for a period of 13 years, destined to refinance two major projects carried out by Transgaz: "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)" and "The interconnection of the National Transmission System with the international gas transmission pipeline T1 and reverse flow at Isaccea Phase II (Onești - Siliștea)".

BCR loan no. 20201028056 is fully collected and its maturity is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	28.800.000	28.800.000
Between 1 and 5 years	115.200.000	115.200.000
Over 5 years	<u>144.000.000</u>	<u>172.800.000</u>
	<u>288.000.000</u>	<u>316.800.000</u>

On 17.08.2021, the Company signed contract no. 20210817030 with Banca Comercială Română contemplating the Company's benefiting from a lei 100 million loan for a period of 12 years, destined to refinance the project "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)".

BCR loan no. 20210817030 is fully collected and its maturity is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	8.333.334	8.333.334
Between 1 and 5 years	33.333.336	33.333.336
Over 5 years	<u>41.666.662</u>	<u>49.999.996</u>
	<u>83.333.332</u>	<u>91.666.666</u>

On 24.11.2021, the Company signed contract no. 20211124044 with Banca Comercială Română contemplating the Company's benefiting from a lei 220 million loan for a period of 12 years, destined to refinance the project: "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)".

BCR loan no. 20211124044 is fully collected and its maturity is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	18.333.333	18.333.334
Between 1 and 5 years	73.333.333	73.333.333
Over 5 years	<u>91.666.667</u>	<u>109.999.999</u>
	<u>183.333.333</u>	<u>201.666.666</u>



## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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### 16. LONG-TERM BORROWINGS (CONTINUED)

#### **Transilvania Bank (BT)**

On 15 July 2020, as a result of a competitive negotiation procedure, the company signed a contract with Transilvania Bank allowing the company to benefit from a credit facility amounting to lei 300 million, for 2 years, to cover the necessary working capital and partly to issuing letters of guarantee. The repayment of the credit line has been extended until 19.12.2023, based on the conclusion of the Addendum No. 1/20.12.2021.

On 15.07.2022, the Addendum No.2 to the contract for the credit facilities and the issuance of letters of guarantee was signed with Banca Transilvania, which increased the initial amount of the facility (300 million lei) by a maximum of 153.000.000 lei, in order to issue a letter of guarantee in favour of ANAF to guarantee the payment obligation imposed by the mandatory order no. 6006/250938/IEF/14.04.2022 issued by the Ministry of Finance, during the period of the procedures for challenging the administrative act.

By the Addendum No.4/22.03.2023 the parties agreed to extend the final maturity date of the credit agreement by 24 months as of the Addendum date.

As at 31 December 2023, out of the total of credit line the amount of Lei 247.806.630 was used to cover working capital requirements and the amount of Lei 200.381.510 from the threshold for the issuing of letters of guarantee was used to cover four bank letters of guarantee issued in favour of third parties, the amount of lei 4.776.754 remaining at the disposal of the Company for the financing of the current activity. The Company believes that the conditions for presenting the credit line under the long-term loan category are met.

#### **RAIFFEISEN BANK**

The company signed on 14 July 2022, following a competitive negotiation procedure, an agreement with Raiffeisen Bank under which it benefits from a credit facility of 300 million lei for a period of 2 years, intended to finance working capital for the commercial balancing activity.

As at 31 December 2023 the credit facility is drawn down to the maximum level of 300.000.000 lei. The obligation is presented under short-term loans.

#### **BRD GROUPE SOCIETE GENERALE**

The company signed on 2 August 2023, following a competitive negotiation procedure, an agreement with BRD Groupe Societe Generale, whereby it benefits from a credit facility of 200 million lei for a period of 2 years, intended to finance working capital for the commercial balancing activity.

As at 31 December 2023 the credit facility is drawn down to the maximum level of 198.800.000 lei. The obligation is presented under long-term loans.

As at 31 December 2023, the balance of interest due for the loans of the company is lei 13.118.540 broken down by loans as follows:

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 16. LONG-TERM BORROWINGS (CONTINUED)

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
BEI 83644RO	484.596	533.008
BEI 88825RO	1.985.777	906.961
BEI 89417RO	1.141.311	-
BEI 90512RO	1.141.311	-
BCR 20190409029	854.326	1.272.555
BCR 20201028056	3.217.394	4.512.968
BCR 20210817030	1.826.050	2.500.943
BCR 20211124044	886.932	1.325.088
BERD	<u>1.580.843</u>	<u>2.205.623</u>
	<u>13.118.540</u>	<u>13.257.146</u>

The exposure of the company's loans to the changes of the interest rate is as follows:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Variable interest rate loans	2.111.654.326	1.798.658.961
Fixed interest rate loans	<u>186.050.040</u>	<u>204.822.360</u>
	<u>2.297.704.366</u>	<u>2.003.481.321</u>

### 17. DEFERRED REVENUE

Based on the connection contracts, the necessary infrastructure is built to ensure the estimated transmission capacity to be used over the duration of the concession agreement.

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Initial balance	1.076.589.204	1.161.485.526
Increases	425.575	21.447.219
Revenue from connection fees (Note 22)	(13.926.724)	(13.267.714)
Income from non-reimbursable funds and goods taken over free of charge (Note 22)	<u>(99.188.711)</u>	<u>(93.075.827)</u>
Final balance	<u>963.899.344</u>	<u>1.076.589.204</u>

The balance of the deferred revenue consists of:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Connections and assets received free of charge	222.516.712	238.213.439
Grants	<u>741.382.632</u>	<u>838.375.765</u>
	<u>963.899.344</u>	<u>1.076.589.204</u>

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 17. DEFERRED REVENUE (CONTINUED)

For the BRUA project the company obtained from the European Union through the National Agency for Innovation and Networks (INEA) a grant of 1.519.342 Euros, representing 50% of the estimated eligible costs for financing the FEED for the three compressor stations (Podișor, Bibești and Jupa) and a grant of 159.449.379 Euro, representing 40% of the estimated eligible costs, for financing the BRUA Phase I project implementation.

The following amounts were received as pre-financing to finance the implementation of the BRUA Phase I project: EUR 25.834.489,60 (in 2016) and EUR 13.839.087,37 (in 2018) and EUR 29.192.463,92 (in 2019), EUR 37.740.347 (in 2020) and EUR 20.953.114,91 in 2021. On 19 July 2022 the amount of EUR 21.129.634,05 was received from INEA.

On 22.11.2018 the company signed with the Ministry of European Funds AM POIM Financing Contract 226 for non-reimbursable financing for the implementation of the draft project code MYSMIS 2014-122972 NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova within the Specific objective 8.2 – Increasing the interconnectivity of the National Transmission System with neighbouring states. The amount of the grant is lei 214.496.026,71, namely 32,53% of the value of the eligible expenses.

For the financing of the works for the implementation 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, the amount of lei 203.657.168 was collected as eligible expenses grant funding.

On 18.06.2020 the company signed Grant Agreement no. HCOP/685/3/8/132556 on the implementation of the project „TransGasFormation” Code 132556 for the amount of LEI 701.259,60 with the Ministry of European Funds, as Management Authority for the Human Capital Operational Programme.

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**18. PROFIT TAX**

**Profit tax expense**

	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
Expense with the profit tax - current	41.381.233	69.069.489
Deferred tax - impact of temporary differences	<u>(2.940.443)</u>	<u>2.649.164</u>
Profit tax expense	<u>38.440.790</u>	<u>71.718.653</u>

In the year ended on 31 December 2023 and 2022 the company calculated the profit tax at the rate of 16% applied to the profit determined in accordance with the Romanian laws.

	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
Profit before tax	206.881.310	437.473.521
Theoretical expense with the tax the statutory rate of 16% (2022: 16%)	33.101.010	69.995.763
Non-taxable expenses, net	<u>5.339.780</u>	<u>1.722.890</u>
Profit tax expense	<u>38.440.790</u>	<u>71.718.653</u>
Profit tax liability/receivable, current	<u>(40.985.211)</u>	<u>(8.463.294)</u>

Depreciation of tangible assets hyperinflation adjustments is a deductible expense with the adoption of EU IFRS as framework of statutory reporting.

**Deferred tax**

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 30 September 2023 (31 December 2022: 16%). Deferred tax payment and recoverable tax, as well as expenses with/(revenue from) deferred tax recognized in the statement of comprehensive income are attributable to the following items:

**NOTES TO THE FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

**18. PROFIT TAX (CONTINUED)**

	<u>31 December 2023</u>	<u>Movement</u>	<u>31 December 2022</u>	<u>Movement</u>	<u>1 January 2022</u>
<b>Deferred tax payment</b>					
Tangible and intangible assets	136.740.253	14.967.219	121.773.034	13.781.585	107.991.449
<b>Recoverable deferred tax</b>					
Provision for					
Employee benefits	(20.950.784)	(2.474.053)	(18.476.731)	(868.986)	(17.607.745)
Risks and charges	(14.862.249)	(1.870.570)	(12.991.679)	(2.200.261)	(10.791.418)
Receivables and other assets	<u>(102.661.459)</u>	<u>(13.563.039)</u>	<u>(89.098.420)</u>	<u>(8.063.174)</u>	<u>(81.035.246)</u>
	<u>(1.734.239)</u>	<u>(2.940.443)</u>	<u>1.206.204</u>	<u>2.649.164</u>	<u>(1.442.960)</u>

Deferred revenue tax liability related to tangible and intangible assets is determined by the fact that: a) the fiscal value of intangible assets does not include inflation update; and b) the nature of public domain property does not represent depreciable assets from a tax perspective, regardless of how they are reflected in the accounts. Temporary differences for receivables and other assets arise from impairment adjustments for bad debts.

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**18. PROFIT TAX (CONTINUED)**

The amounts presented in the statement of the financial position include the following:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Deferred tax liabilities/receivables in more than 12 months as reported	<u>(1.734.239)</u>	<u>1.206.204</u>

**19. TRADE PAYABLES AND OTHER PAYABLES**

**19.1 Short term payables**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Trade payables	227.003.229	281.427.273
Suppliers of fixed assets	15.796.373	52.284.961
Dividends payable	1.095.532	1.627.487
Debts related to royalties	51.383.030	1.677.975
Other taxes	28.404.156	26.440.372
Amounts payable to employees	20.828.438	17.028.447
VAT payable	21.323.976	-
Non-exemptible VAT	6.348.468	-
Transmission service guarantees	42.971.012	35.679.099
Transmission services advance payments	51.867.976	39.975.995
Tender guarantees	163.808.920	126.591.894
Other debts	<u>47.452.467</u>	<u>45.054.128</u>
	<u>678.283.577</u>	<u>627.787.631</u>
Financial debts (Note 4)	<u>501.460.571</u>	<u>546.416.189</u>

On 31 December 2023, of the total trade payables and other debts the amount of lei 75.062.912 (31 December 2022: lei 44.065.419) is expressed in foreign currency, especially in EUR.

**19.2 Debts related to rights of use of leased assets**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
	Land and buildings	Land and buildings
Initial balance	17.929.828	20.470.837
Inflows	2.508.558	1.883.465
Interest expense	705.207	732.980
Leasing payments	<u>5.601.590</u>	<u>5.157.454</u>
Final balance, of which:	<u>15.542.003</u>	<u>17.929.828</u>
Long-term debts	12.208.966	14.178.481
Short-term debts	3.333.037	3.751.347

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**20. PROVISIONS FOR RISKS AND CHARGES**

	<u>31 December 2023</u>	<u>31 December 2022</u>
<i>Current provision</i>		
Provision for litigation	52.908.971	38.870.414
Provision term contract	3.284.571	3.268.931
Provision for employee participation in profits	11.725.070	18.026.397
Provision for voluntary leaving employment	7.698.800	14.840.000
Other provision	<u>8.266.302</u>	<u>6.192.252</u>
	<u>83.883.714</u>	<u>81.197.994</u>

Employees` participation in the profit is calculated within the limit of 10% of the net profit, but not more than a monthly average salary achieved in the relevant financial year according to the provisions of GO 64/2001 and the Collective Labour Agreement.

The company was the subject of an investigation of the Competition Council regarding the way in which procedures for the awarding of the contracts for the procurement of works carried out by Transgaz in 2009 -2011, before the implementation of the private management, according to the provisions of GEO 109/2011 on corporate governance of public enterprises. In 2020, the Competition Council communicated Decision no. 43/11.08.2020 sanctioning the Company with a fine in the amount of lei 34.166.616.

Following the conclusion of the arbitration proceedings which had as dispute the restitution of the quantity of natural gas from the Tranzit 1 pipeline, the arbitral tribunal admitted Bulgargaz EAD's action, and a provision for litigation in the amount of Lei 1.673.984, the equivalent in Lei for legal interest and incidental expenses was established. The arbitral tribunal's decision was appealed, and the action for annulment was registered with the Bucharest Court of Appeal.

The company also made provisions for the following disputes: with Romsilva for the land non-use amounting to LEI 14.038.558, with Blue Star SRL for the MRS Timisoara I - Timisoara pipeline in the amount of Lei 2.300.000, with PF Galaction Laurentiu for the dismantling of the construction/removal of the MRS Vaslui connection pipeline in the amount of Lei 332.000, and with PF Bălăsoiu Marian for claims for compensation for lack of use of land in the amount of lei 397.813.

For the strategic redefinition and efficiency of the activity, the Company drafted the Program of voluntary departures for 2023 in the amount of 7.699 thousand lei, the annual value being provided by the budget of revenues and expenses approved by the GMS.

As at 31 December 2023 the amount of the provision for voluntary departures is Lei 7.698.800 (lei 14.840.000 as at 31 December 2022).

The Company records provisions for untaken leave at the end of the financial year.

The Company has recorded provisions for untaken leave in the amount of lei 8.266.303 relating to the period ended 31 December 2023.



**NOTES TO THE FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**21. PROVISION FOR EMPLOYEE BENEFITS**

**Employee benefits**

The present value of the provision was determined based on the Projected Unit Credit Method. Retirement benefits received by an employee were first raised by the contributions of the employer and then every benefit was updated taking into account the rotation of employees, layoffs and the probability of survival until retirement. The number of years until retirement was calculated as the difference between retirement age and age at time of reporting. The expected average of the remaining work period was calculated based on the number of years until retirement, also taking into account the rate of layoffs, employee rotation rate and the probability of survival.

**Assumptions 2023**

The amount of the provision has been calculated individually for each distinct employee/beneficiary of the company using the actuarial calculation method and taking into account International Accounting Standards, in particular the IAS 19. The provision is calculated taking into account the long-term liabilities undertaken by the company under the collective labour contract. The calculation assumptions and specifications for the calculation model were established based on the company's previous experience and a set of assumptions about the company's future experience. The most important actuarial assumptions used are as follows:

- for the benefit consisting of basic salaries paid at retirement, this benefit is paid for company employees who reach retirement;
- Employee rotation considers seniority and staff rotation within the company;
- the mortality of the entity's employees is calculated according to the data provided by the National Institute of Statistics for 2019 to which a percentage of 40% was applied;
- Employee rotation is constant over time.
- the method used is the projected credit factor method;
- Retirement age at retirement considered: 63 for men and 61 for women, but the share of early retirements at certain ages was also considered;
- Long-term wage growth rate is considered equal to the forecast inflation rate for the euro area, and is 2% and in the short term was considered equal to the forecast inflation rate for RON and is 6,7% in the first year, 4,3% in the second year and 3,9% for the next 3 years and 2,5% for the next 5 years, for both women and men;
- the discount rate is the interest curve in lei without adjustments provided by EIOPA for December 2023.
- the plan is not financed by the entity and employees.
- It has been estimated that people approaching retirement age are likely to retire early
- For the death benefit, for retired former Trangaz employees, in the first year after retirement, mortality at the age of 66 men and 64 years women was used.

**NOTES TO THE FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

**21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)**

**Financial assumptions**

The discount rate is the interest rate curve in lei without adjustments of variations provided by EIOPA for December 2023.

For the calculation for 2023, according to the National Institute of Statistics, the annual inflation rate in December 2023 compared to December 2022 was 6,6%. Given the correlation between the inflation and discount rate values, the following values for inflation were taken into account: 6% in 2024, 5,8% in 2025 and 5,6% in the rest.

**Movement in the provision for employee benefits:**

1 January 2022	<u>110.048.408</u>
of which:	
Short-term	4.007.231
Long-term	106.041.177
Interest cost	5.541.410
Current service cost	5.917.932
Payments from provisions during the year	(3.575.953)
Actuarial gain/loss related to the period	(2.452.222)
31 December 2022	<u>115.479.575</u>
of which:	
Short-term	4.584.234
Long-term	110.895.341
Interest cost	7.229.379
Current service cost	17.488.663
Payments from provisions during the year	(4.921.167)
Actuarial gain/loss related to the period	(4.334.050)
31 December 2023	<u>130.942.400</u>
of which:	
Short-term	16.135.217
Long-term	114.807.183

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**22. OTHER REVENUE**

	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
Revenue from penalties applied to clients for delay payments	20.385.312	19.186.967
Revenue from connection fees	13.926.724	13.209.882
Revenue from grants and goods taken free of charge	99.188.711	93.126.080
Revenue from grants for operating expenses	841.646	730.934
Revenue from the sale of residual materials	998.514	3.127.906
Revenue from leases	1.673.538	1.951.375
Revenue from recovered materials	3.742.099	4.721.562
Other revenue from operation	<u>3.501.834</u>	<u>13.274.242</u>
	<u>144.258.378</u>	<u>149.328.948</u>

**23. OTHER OPERATING EXPENSES**

	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
Loss/gain on impairment of receivables	108.175.204	42.126.152
Utilities	19.650.851	20.518.959
Insurance premium	1.419.636	1.043.192
Other expenses with the maintenance services	19.780	447.039
Security and protection expenses	35.033.317	28.369.936
Professional training	1.717.455	3.362.399
Telecommunications	2.927.856	3.295.434
Loss/(gain) on impairment of inventories	8.499.713	13.249.124
Bank charges and other fees	2.309.562	2.252.392
Rents	2.885.135	1.813.535
Loss on amounts receivable	126.282	1.695.530
Marketing and protocol expenses	412.193	521.269
Penalties and fines	446.838	725.153
Gas storage capacity booking	8.900.825	14.754.361
Sponsorship costs	4.329.995	3.012.538
Computer service	10.606.841	7.167.727
Other	<u>31.030.959</u>	<u>28.206.306</u>
	<u>238.492.442</u>	<u>172.561.046</u>

**Neutrality activity expenses**

In the year 2023, expenses for the procurement of natural gas in the amount of lei 427.324.156, expenses for the booking of gas storage capacity in the amount of lei 6.311.441, net expenses for bank interest in the amount of lei 25.167.497, expenses for bank commissions in the amount of lei 7.411 were included in the calculation of the neutrality activity.

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**24. EMPLOYEE COSTS**

	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
Salaries and benefits	526.757.309	450.644.776
Cost of insurance and social security	31.646.657	29.340.429
Other employee costs	<u>12.390.295</u>	<u>11.602.932</u>
	<u>570.794.261</u>	<u>491.588.137</u>

Average number of employees in financial year:

	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
Blue collars	2.210	2.273
White collars	<u>1.785</u>	<u>1.740</u>
	<u>3.995</u>	<u>4.013</u>

**25. NET FINANCIAL REVENUE/(LOSS)**

	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
Foreign exchange revenue	14.882.077	16.768.639
Interest revenue	59.679.235	50.732.498
Revenue from the adjustment of the Concession Agreement receivable	147.131.305	286.877.258
Revenue from shares	11.396.154	106.907.802
Other financial revenue	<u>5.139</u>	<u>943</u>
	233.093.910	461.287.140
Foreign exchange loss	(17.008.938)	(16.688.966)
The effects of the update of the provision for employee benefits	(7.229.379)	(5.541.410)
Interest loss related to IFRS16	(662.742)	(634.684)
Interest loss	(90.701.784)	(51.913.796)
Loss on transferred financial fixed assets	<u>(13.503.558)</u>	<u>(108.667.060)</u>
	(129.106.401)	(183.445.916)

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to lei 147.131.305 according to IFRS 9 (31 December 2022: Lei 286.877.258).

The amount of the inflation adjustment of the claim decreased between January – December 2023 as compared to the same period of 2022, due to the decrease of the inflation rate to 6,61 % between January – December 2023 (13,37% between January - December 2022). Fixed assets recognised in the regulated asset base within a gas year are discounted by the inflation rate as of the following gas year.

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**25. NET FINANCIAL REVENUE/(EXPENSES) (CONTINUED)**

The income from the adjustment of the receivable related to the Concession Agreement is a non-monetary item (Note 26).

By the resolution of the BA no. 39/2021 Transgaz approved the reduction of Eurotransgaz share capital by EUR 13,15 million, amount received by Transgaz in Q1 2022.

By BoA Decision no. 19/2022 Transgaz approved the reduction of Eurotransgaz share capital by the amount of 172.024.718 MDL (equivalent to 8,52 million Euro).

By BoA Decision no. 38/2022 Transgaz approved the reduction of Eurotransgaz share capital by the amount of 44.652.300 MDL (equivalent to 2,31 million Euro). The amount was received in August 2023.

**26. CASH FROM OPERATION**

	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
<b>Profit before tax</b>	<b>206.881.310</b>	<b>437.473.521</b>
<i>Adjustments for:</i>		
Depreciation	457.211.345	423.649.671
Gain/(loss) on transfer of fixed assets	(123.138)	(451.748)
Provisions for risks and charges	2.685.721	13.751.630
Adjustments for impairment of inventories	8.499.713	13.249.122
Revenue from connection fees, grants and goods taken free of charge	(113.957.081)	(107.066.896)
Provisions for employee benefits	12.567.496	2.341.979
The effects of the update of the provision for employee benefits	7.229.380	5.541.410
Sundry debtors and receivable loss	126.282	1.695.530
Adjustments for the receivable's impairment	108.175.204	42.126.151
Interest revenue	(59.679.235)	(50.732.498)
Interest expenses	90.701.784	51.913.796
Adjustment of the Claim regarding the Concession Agreement	(147.131.305)	(286.877.258)
Effect of exchange rate fluctuation on other items than from operation	5.297.914	(124.977)
Other expenses and revenue	(330.243)	(834.770)
<b>Operating profit before the changes in working capital</b>	<b>578.155.147</b>	<b>545.654.663</b>
(Increase)/decrease in trade and other receivables	(98.810.903)	45.563.916
(Increase)/decrease in inventories	23.533.328	(320.447.461)
Increase/(decrease) in trade payables and other debts	72.950.125	343.602.258
<b>Cash generated from operations</b>	<b>575.827.697</b>	<b>614.373.376</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**27. TRANSACTIONS WITH RELATED PARTIES**

The prices / tariffs related to the transport and balancing contracts are approved by the National Energy Regulatory Authority (ANRE), are regulated and are not established under market conditions. Procurement is carried out in compliance with the legal regulations on public procurement. Transactions with Vestmoldtransgaz were concluded at the market value established by the cost-plus method and represent services provided by specialized personnel for the conduct of the procurement and equipment rental procedures.

In the periods ended 31 December 2023 and 31 December 2022 the following transactions with related parties were performed and the following balances were payable / receivable from related parties at the respective dates.

**i) Benefits granted to the members of the Board of Administration and of the management**

	<b>The year ended</b> <b><u>31 December 2023</u></b>	<b>The year ended</b> <b><u>31 December 2022</u></b>
Salary paid to the members of the Board of Administration and management	21.508.631	19.695.102
Social contribution of the company	<u>483.944</u>	<u>443.141</u>
	<u>21.992.575</u>	<u>20.138.243</u>

In the periods ended 31 December 2023 and 31 December 2022, no advance payments and loans were granted to the company's administrators and management, except for advance payments from salaries and those for business trips, and they don't owe any amount from such advance payments to the company at the end of the period .

The company has no contractual obligations related to pensions towards the current administrators and directors.

The provision for the mandate contract is presented in Note 20.

The company has no contractual obligations related to pensions towards the former administrators and directors.

**ii) Loan to a related party**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Loan to Resial SA	1.770.346	1.770.346
Minus the adjustment for loan impairment	<u>(1.770.346)</u>	<u>(1.770.346)</u>

Dividends allocated are presented in Note 15. Royalties paid are presented in Note 3.8.

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

**iii) Revenue from related parties – services supplied (VAT excluded)**

	<u>Relationship</u>	<u>The year ended 31 December 2023</u>	<u>The year ended 31 December 2022</u>
SNGN Romgaz	Entity under common control	170.953.715	150.473.064
Electrocentrale București SA	Entity under common control	63.789.140	53.386.931
Electrocentrale Constanța	Entity under common control	2.283.874	4.113.599
Complex Energetic Oltenia	Entity under common control	1.308.667	-
Termo Calor Confort	Entity under common control	2.220.936	651.227
E.ON Energie Romania	Entity under common control	<u>157.213.651</u>	<u>123.227.823</u>
		<u>397.769.983</u>	<u>331.852.644</u>

**iv) Sales of other goods and services (VAT excluded)**

	<u>Relationship</u>	<u>The year ended 31 December 2023</u>	<u>The year ended 31 December 2022</u>
SNGN Romgaz	Entity under common control	38.920	1.531
Complex Energetic Oltenia	Entity under common control	2.079	-
Electrocentrale Deva SA	Entity under common control	816.474	546.670
Electrocentrale Bucuresti	Entity under common control	1.372	1.200
Electrocentrale Constanța	Entity under common control	5.673.901	353.119
E.ON Energie Romania	Entity under common control	2.490	421
Vestmoldtransgaz SRL	Entity owned by the Company's subsidiary	-	68.027
		<u>6.535.236</u>	<u>970.968</u>

**v) Gas sales – the balancing activity (VAT excluded)**

	<u>Relationship</u>	<u>The year ended 31 December 2023</u>	<u>The year ended 31 December 2022</u>
SNGN Romgaz	Entity under common control	7.762.411	5.582.732
Electrocentrale București SA	Entity under common control	8.805.402	695.314
Electrocentrale Deva SA	Entity under common control	-	422.437
Electrocentrale Constanța	Entity under common control	249.245	101.062.657
Termo Calor Pitești	Entity under common control	1.148.399	346.816
E.ON Energie Romania	Entity under common control	53.373.852	89.004.356
Complex Energetic Oltenia	Entity under common control	<u>2.552.879</u>	-
		<u>73.892.188</u>	<u>197.114.312</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

**vi) Receivables from related parties (without the adjustment)**

	<u>Relationship</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
SNGN Romgaz	Entity under common control	28.329.053	13.337.958
Electrocentrale Deva SA	Entity under common control	9.174	-
Electrocentrale București	Entity under common control	18.693.819	26.006.049
Electrocentrale Constanța	Entity under common control	9.922	-
Termo Calor Pitesti	Entity under common control	(12.753)	2.939
E.ON Energie Romania	Entity under common control	66.052.151	35.969.746
Complex Energetic Oltenia	Entity under common control	317.799	-
Eurotransgaz SRL	Company branch	<u>14.911</u>	<u>-</u>
		<u>113.414.076</u>	<u>75.316.692</u>

**vii) Client receivables – the balancing activity (without the adjustment)**

	<u>Relationship</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
SNGN Romgaz	Entity under common control	48.536	9.971
Electrocentrale Bucuresti	Entity under common control	696.232	792.941
Electrocentrale Constanța	Entity under common control	887.141	-
Complex Energetic Oltenia	Entity under common control	730.887	-
Termo Calor Pitesti	Entity under common control	183.036	314.570
E.ON Energie Romania	Entity under common control	<u>10.987.869</u>	<u>23.292.181</u>
		<u>13.533.701</u>	<u>24.409.663</u>

**viii) Procurement of services from related parties (other services – VAT excluded)**

	<u>Relationship</u>	<u>The year ended 31 December 2023</u>	<u>The year ended 31 December 2022</u>
SNGN Romgaz	Entity under common control	18.705.347	33.957.915
E.ON Energie Romania	Entity under common control	-	180.445.384
Termo Calor Pitesti	Entity under common control	-	1.165.222
Complex Energetic Oltenia	Entity under common control	4.316	-
Electrocentrale București	Entity under common control	<u>10.125</u>	<u>78.933.647</u>
		<u>18.719.788</u>	<u>294.502.168</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

**ix) Procurement of gas – the balancing activity (VAT excluded)**

	<u>Relationship</u>	<u>The year ended 31 December 2023</u>	<u>The year ended 31 December 2022</u>
SNGN Romgaz	Entity under common control	6.242.411	2.520.556
Electrocentrale București	Entity under common control	5.155.359	40.841.743
Electrocentrale Constanța	Entity under common control	9.617.383	326.798
Termo Calor Pitesti	Entity under common control	2.512.544	-
Complex Energetic Oltenia	Entity under common control	235.397	-
E.ON Energie Romania	Entity under common control	<u>71.149.834</u>	<u>101.131.739</u>
		<u>94.912.928</u>	<u>144.820.836</u>

**x) Procurement of natural gas (VAT excluded)**

	<u>Relationship</u>	<u>The year ended 31 December 2023</u>	<u>The year ended 31 December 2022</u>
SNGN Romgaz	Entity under common control	<u>77.626.231</u>	-
		<u>77.626.231</u>	-

**xi) Debts to gas suppliers – balancing activity (VAT included)**

	<u>Relationship</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
SNGN Romgaz	Entity under common control	<u>26.158.660</u>	-
		<u>26.158.660</u>	-

**xii) Debts to affiliated parties from services (other services - VAT included)**

	<u>Relationship</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
SNGN Romgaz	Entity under common control	1.758.019	2.452.358
Complex Energetic Oltenia	Entity under common control	514	-
Electrocentrale București	Entity under common control	<u>1.008</u>	<u>1.194</u>
		<u>1.759.541</u>	<u>2.453.552</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

**xiii) Debts to suppliers – balancing activity (VAT included)**

	<b><u>Relationship</u></b>	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
SNGN Romgaz	Entity under common control	3.034.455	3.229.577
Electrocentrale București	Entity under common control	2.272.291	2.018.612
Electrocentrale Constanța	Entity under common control	-	2.095.909
Termo Calor Pitesti	Entity under common control	217.766	1.951.308
E.ON Energie Romania	Entity under common control	11.359.387	16.848.247
Complex Energetic Oltenia	Entity under common control	<u>256.844</u>	<u>-</u>
		<u>17.140.743</u>	<u>26.143.653</u>

**xiv) Guarantees from affiliates (bank guarantee letter)**

	<b><u>Relationship</u></b>	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
SNGN Romgaz	Entity under common control	28.811.298	15.015.388
E.ON Energie Romania	Entity under common control	52.201.315	-
Electrocentrale București	Entity under common control	<u>8.275.580</u>	<u>-</u>
		<u>89.288.193</u>	<u>15.015.388</u>

**xv) Loans and interest to be reimbursed**

	<b><u>Relationship</u></b>	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>212.813.723</u>	<u>235.673.543</u>
		<u>212.813.723</u>	<u>235.673.543</u>

**xvi) Transactions during the period**

	<b><u>Relationship</u></b>	<b><u>The year ended 31 December 2023</u></b>	<b><u>The year ended 31 December 2022</u></b>
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>17.497.371</u>	<u>16.439.443</u>
		<u>17.497.371</u>	<u>16.439.443</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

**28. EARNINGS PER SHARE**

The company shares are listed on the first category of the Bucharest Stock Exchange.

Basic earnings per share are calculated by dividing the profit attributable to the company's equity holders to the average number of ordinary shares existing during the year.

	<b>The year ended</b> <b>31 December 2023</b>	<b>The year ended</b> <b>31 December 2022</b>
Profit attributable to the company's equity holders	168.440.520	365.754.868
Weighted average of the number of shares	188.381.504	188.381.504
Basic and diluted earnings per share (lei per share)	0,89	1,94

By Decision no. 11/7 December 2022, the Extraordinary General Meeting of Shareholders of Transgaz approved the increase of the share capital of the Company by incorporating the reserves constituted from the net profit of previous years in the amount of 1.766.076.600 lei, from the amount of 117.738.440 lei to the amount of 1.883.815.040 lei, through the issue of 176.607.660 new shares with a value of 10 lei/share. The share capital increase was registered with the National Trade Register Office on 19 December 2022.

**29. SIGNIFICANT TRANSACTIONS NOT INVOLVING CASH**

*Compensations*

Approximately 5,36 % of the receivables were settled by transactions that haven't involved cash outflows during the period ended 31 December 2023 (31 December 2022: 12,25%). Transactions mainly represent offsets with clients and suppliers within the operating cycle and offsets between tax debts and receivables registered with the state budget.

**30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS**

i) Commitments

The Service Concession Agreement (S.C.A. - Note 8) provides that, at the end of the agreement, the ANRM is entitled to receive back, all goods of public property existing when the agreement was signed and all investments made into the national transmission system, in accordance with the investment program stipulated in the service concession agreement. The company also has other obligations related to the concession agreement, which are described in Note 8.

**NOTES TO THE FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)**

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the owner of the national transmission system or to another grantor in exchange for compensation equal to the unamortized regulated value established by ANRE, as presented in Note 3.18.

On 31 December 2023 the value of the contractual firm obligations for the purchase of tangible and intangible assets is of lei 89.176.273.

Eurotransgaz SRL, the company established and owned by Transgaz in Moldova, was appointed the winner of the privatization investment contest for the single patrimonial complex State Enterprise Vestmoldtransgaz operating the Iasi-Ungheni gas transmission pipeline on the territory of Moldova.

The company is a guarantor of the loan agreement concluded on 24 January 2019 between the European Investment Bank and Eurotransgaz, in total amount of Euro 38 million, for the funding of the construction by Vestmoldtransgaz of the Ungheni-Chisinau gas transmission pipeline.

ii) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European law. However, there are still various interpretations of the tax law. In Romania, the tax year remains open for fiscal verification for 5 years. The company's management believes that fiscal obligations included in these financial statements are properly presented and that it is not necessary for any additional provisions to be established to cover the uncertainties related to tax treatment.

The royalty rate for the use of gas transmission pipelines is set by the government. Since October 2007, the royalty has been set at 10% of revenue. After the entry into force of Art. 103 para. 2 of the Law no. 123/2012, starting from 12 November 2020 the fee was set at 0,4% of the domestic and international gas transmission services value performed by the company. ANRM requests Transgaz to calculate and pay the royalty by applying the percentage of 10% according to Law 238/2004, for the period between November 2020 – December 2021. The company considers that it is obliged to calculate and pay a single royalty at the rate of 0,4% established by the special law, namely Law 123/2012. Law 248/July 2022 approving GEO 143/2021 amending and supplementing the Electricity and gas Law 123/2012 sets the royalty percentage at 0.4% of the gross revenue from natural gas transmission and the specialist report drawn up by the specialist committees of the Chamber of Deputies clarifies that the Electricity and gas Law 123/2012 is a special regulation in the field of natural gas, in relation to Oil Law 238/2004. Administrative and judicial dispute settlement is detailed in the chapter "Court and other actions".

iii) Insurance policies

The company does not have insurance policies related to operations, complaints on products, or for the public debt. The company has insurance policies for buildings and mandatory civil liability policies for the car fleet. Moreover, the company has contracted professional liability insurance services for the members of the Board of Administration and for 57 managers in 2023 (58 managers in 2022).

**NOTES TO THE FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)**

iv) Environmental aspects

Environmental regulations are under development in Romania and the company did not record any obligation on 31 December 2023 and 31 December 2022 related to anticipated expenses that include legal and consulting fees, analysis of locations, preparing and implementing recovery measures related to environmental protection. The management of the company believes there are no significant obligations related to environmental aspects.

v) Lawsuits and other actions

During the normal activity of the company, the various disputes in which the company is a defendant or plaintiff has been registered in the courts. The company has pending disputes for the lack of use of some lands occupied with NTS objectives, commercial and labour disputes. Based on its own estimates and internal and external consulting, the company's management believes there will be no material loss exceeding the provisions established in these financial statements and is not aware of circumstances that give rise to potentially significant obligations in this regard.

The company was the subject of an investigation by the Competition Council regarding the manner in which procedures were awarded for works contracts carried out by Transgaz during 2009-2011, before the implementation of corporate management according to the provisions of GEO 109/2011 on corporate governance of public enterprises.

In 2020, the Competition Council communicated Decision no. 43 / 11.08.2020 sanctioning the Company with a fine in the amount of lei 34.166.616. The company challenged in court the decision of the Competition Council. (Note 20). The dispute concerns an action for annulment of the decision. At first instance, Transgaz' application was dismissed as unfounded. The company lodged an appeal.

As of 6 June 2016, the company was subject to an inspection carried out by the European Commission - Directorate General for Competition under Art. 20 (4) of Council Regulation (EC) No 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty, which became Articles 101 and 102 of the Treaty on the Functioning of the European Union. In 2020, the European Commission approved the Company's commitments to address concerns related to a possible breach of Article 102 of the Treaty on the Functioning of the European Union, namely:

- to provide a minimum export capacity of 1,75 billion cubic meters per year at the interconnection point between Romania and Hungary (Csanádpalota);
- to make available minimum export capacities of 3.7 billion cubic meters per year in total at two interconnection points between Romania and Bulgaria (Giurgiu / Ruse and Negru Vodă I / Kardam);
- to make sure that the tariffs to be proposed to the Romanian Energy Regulatory Authority (ANRE) will not make any difference between the export and the domestic markets, thus avoiding interconnection tariffs that render exports commercially non-feasible;
- refrain from using any other means of obstructing exports.

## NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

The company meets its commitments and, based on its own estimates, the company's management considers that there are no circumstances that would give rise to significant potential liabilities in this regard.

Following the conclusion of the arbitration proceedings with Bulgargaz EAD, the arbitral tribunal upheld Bulgargaz EAD's claim and ordered the restitution of the quantity of natural gas of 6.733.433 cm and, if restitution in kind is not possible, the reimbursement of the monetary equivalent of the linepack, and statutory interest (Note 20). The decision of the arbitral tribunal has been appealed and the action for annulment has been registered with the Bucharest Court of Appeal. The action for annulment was dismissed as unfounded. Transgaz lodged an appeal. The Court of Cassation of the Court of Justice has admitted Transgaz' appeal, the case being sent to the Bucharest Court of Appeal for retrial.

The dispute between ANRM and Transgaz was the subject of a tax inspection of the royalty which ended with the issuance of a mandatory order to pay two royalty rates, namely 10% and 0,4% of the value of domestic and international natural gas transmission services performed by the company. The company lodged a preliminary complaint against the mandatory provision no. 6006/250938/IEF/14.04.2022 issued by the Ministry of Finance, by which Transgaz S.A. was charged with the payment of the amount of 152,964,894 lei, representing the royalty due to the state budget and ancillaries. The preliminary complaint was upheld and the Ministry of Finance, by decision 82/P/2022, ordered the annulment in its entirety of binding order No 6006/250938/IEF/14.04.2022 and the issue of a new order taking into account the considerations put forward by the Ministry of Finance in the decision. Following decision no 85/P/2022 issued by the Ministry of Finance, binding order No 6009/253087/IEF of 14.12.2022 was issued, which only supplements the recitals of the first decision, maintaining the same amount payable by Transgaz. The company lodged a preliminary complaint against this new provision, which was rejected by the settlement body. An appeal was also lodged with the court, within the legal time-limit, against the administrative act consisting of mandatory order 6009/253087/IEF., seeking its full annulment. The case is currently before the Bucharest Court of Appeal for a decision on the merits. At the same time, the Company has lodged a bank guarantee letter in order to suspend the execution of this mandatory provision, in accordance with the provisions of the Tax Procedure Code (Note 16).

The Directorate-General for European Large-Scale Infrastructure Programmes has sanctioned Transgaz, applying a series of financial corrections as it considered the requests in the call for tenders for sectoral procurement procedures concerning the provision of a tender guarantee and a performance guarantee, by means of a guarantee instrument (bank letter of guarantee of participation/insurance policy) issued by a credit institution/insurance company in Romania or in another EU state, were restrictive, limiting the possibility for potential bidders to present such a document issued in a non-EU state. Transgaz has objected to the findings of the Directorate-General for European Large-Scale Infrastructure Programmes concerning the irregularities relating to the restrictive or discriminatory nature of the requirement for a performance/participation guarantee. Since the defendant unlawfully rejected Transgaz' objection, an action was brought for annulment of the decisions rejecting Transgaz' objections. Transgaz' action was dismissed as unfounded, and an appeal was lodged against that decision.

The Company considers that no additional adjustments to those disclosed in the financial statements are necessary.



**NOTES TO THE FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)**

vi) Government policies in the gas sector in Romania

ANRE is an autonomous public institution and sets tariffs for the natural gas transmission activity charged by the company. It is likely that the Agency decides the implementation of changes of the government strategies in the gas sector, determining changes in the tariffs approved for the company and, thus, having a significant impact on the company's revenue. At the same time, the Romanian government could decide to change the royalty applied to the company for using the assets part of the public domain according to SCA.

Currently, the effects cannot be determined, if they exist, of the future government policies in the gas sector in Romania on the company's asset and liability.

There are various interpretations of the legislation in force. In certain situations, ANRE may treat differently certain aspects, proceeding to the calculation of additional tariffs and of delay penalties. The company's management believes that its obligations to ANRE are properly presented in these financial statements.

ANRE Order no.126/12.2021 approved the modification of the contractual clauses for the balancing activity and access to the PVT which allows the Company to terminate access to the virtual trading point (VTP) and to terminate balancing contracts, for network users who register cumulative imbalances of the Deficit type during the month higher than the guarantees established.

GEO 27/2022 provides that in order to cover the additional costs related to own technological consumption and technological consumption, respectively, generated by the increase in prices on the wholesale market above the value taken into account by the regulator when calculating the natural gas transmission tariffs for 2021, the Energy Regulatory Authority (ANRE) modifies the regulated tariffs, with effect from 1 April 2022, and the resulting tariffs shall remain unchanged for the period from 1 April 2022 to 31 March 2023. ANRE did not modify the transmission tariffs with the price increase substantiated by the company.

By Order no. 95/18.05.2022, ANRE extends the deadlines laid down in ANRE Order no. 32/2021 on the approval of the adjusted regulated revenue and transmission tariffs for the transmission of natural gas through the National Transmission System until 30 September 2023 and provides that the differences resulting from the recalculation of the regulated revenue and the adjusted regulated revenue for the fourth regulatory year, 1 October 2022 – 31 December 2023, of the fourth regulatory period, shall be determined and adjusted with the adjustment of the regulated revenue and the approval of the revenue for the last year of the fourth regulatory period, i.e. 1 October 2023 – 31 December 2024.

From 1 October 2023, the natural gas transmission tariffs approved by the Order of the President of ANRE no.68 of 30.05.2023 are applicable. The approved regulated revenue related to natural gas transmission for the period from 1 October 2023 to 30 September 2024 is lei 1.647.347.820.

According to GEO no. 119/1 September 2022 amending and supplementing Government Emergency Ordinance no. 27/2022 on measures applicable to end customers in the electricity and natural gas market for the period from 1 April 2022 to 31 March 2023, the natural gas transmission service provider is required to capitalise on a quarterly basis the additional costs for the procurement of natural gas incurred during the period from 1 January 2022 to 31 August 2023 to cover technological consumption, compared to the costs included in the regulated tariffs, and the assets resulting from the capitalisation

**NOTES TO THE FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)**

shall be recognised in the accounting records and financial statements in accordance with the instructions issued by the Ministry of Finance.

By Order 111/24 August 2022, ANRE stipulates, as of 1 October 2022, that the mechanism ensuring cost and revenue neutrality of the TSOs take into account the following categories of costs and revenues:

- a) costs and revenues of the TSO as a result of the payment or collection of imbalance charges under the provisions of the Network Code in relation to individual NUs;
- b) costs and revenues arising from the purchase/sale of gas by the TSO for the physical balancing of the NTS, in compliance with the procedure on the operating limits of the NTS, approved by the TSO and endorsed by ANRE;
- c) costs and revenues resulting from the activity of natural gas storage intended to ensure the physical balance of the transmission system in accordance with the provisions of Article 130(1) of the Law no. 123/2012 on electricity and natural gas, as amended;
- d) costs arising from the taking out of a credit line to finance physical and commercial balancing activity;
- e) costs and revenues arising from the contracting of balancing services, in accordance with the provisions of Article 832 of the Network Code and Article 6(3) b of Regulation (EU) No 312/2014.

vii) The military conflict in Ukraine

As of 24 February 2022, a military conflict is taking place on the territory of Ukraine. Gas flows can be redirected through the Negru Voda entry point and other interconnection points with transmission operators in Bulgaria and Hungary. The Company considers that no additional adjustments to those disclosed in the financial statements are necessary.

**31. FEES OF THE STATUTORY AUDITOR**

The fees for the financial year ended 31 December 2022 charged by BDO Audit SRL, invoiced in 2023 are: lei 174.989 (VAT excluded) for statutory audit services and lei 87.040 (VAT excluded) for other services than the statutory audit.

The fees for the financial year ended 31 December 2022 charged by BDO Audit SRL, are: lei 79.682 (VAT excluded) for the limited review as at 30 June 2022 and 29.760 lei (excluding VAT) for other services than statutory audit services.

The fees for the financial year ended 31 December 2021 charged by BDO Audit SRL, invoiced in 2022, are: lei 174.989 (VAT excluded) for statutory audit services and lei 15.000 (VAT excluded) for services other than statutory audit services.

The fees for the financial year ended 31 December 2023 charged by BDO Audit SRL (leader) - BDO Audit & Consulting SRL (Associate) SRL are amounting to Lei 463.000 (VAT excluded).

**NOTES TO THE FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**32. REVENUE AND COSTS FROM THE CONSTRUCTION OF ASSETS**

In accordance with IFRIC 12 the revenue and costs of network construction should be recognized in accordance with IFRS 15 Revenue from Contracts with Customers.

	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
Revenue from the construction activity according to IFRIC12	182.449.856	299.868.442
Cost of assets constructed according to IFRIC12	(182.449.856)	(299.868.442)

The related costs were equal to the revenue, the company did not obtain any profit from the construction activity.

**33. EVENTS SUBSEQUENT TO THE BALANCE DATE**

With the support of the European Investment Bank (EIB), Transgaz has developed the Climate and Decarbonisation Strategy for a step-by-step transition to climate neutrality and to strengthen resilience to climate change, taking into account best practices and national and international climate change policies and regulations.

The decarbonisation strategy includes:

- comprehensive assessment of the carbon footprint of the current operating process;
- ambitious quantitative emission reduction targets in the short and medium term and proposed high-level actions and measures to achieve these targets;
- long-term decarbonisation options;
- explanation of the role of compensation and its impact on stakeholders;
- stakeholder engagement strategy, including Transgaz' possibilities to cooperate with stakeholders (downstream and upstream of the gas transmission system) in projects contributing to decarbonisation;
- actions needed from Transgaz to meet national and international (climate-related) requirements and regulations, such as the National Integrated Energy and Climate Change Plan.

In 2024, the company concluded two grant contracts for projects: Black Sea-Podişor natural gas transmission pipeline, for which it received in February pre-financing in the amount of lei 127.682.749 and Gherceşti-Jitaru natural gas transmission pipeline (including cathode energy supply and fibre optics).

The contracts were concluded on the basis of EC Decision No C(2023) 3643 of 30.05.2023 granting non-reimbursable funding from the Modernisation Fund totalling EUR 93.582.770 for the following projects:

- Black Sea - Podişor natural gas transmission pipeline: euro 85.544.422;
- Gherceşti-Jitaru natural gas transmission pipeline (including electricity supply, cathodic protection and optical fibre): euro 8.038.348.

Chairman of the Board of Administration  
Văduva Petru Ion

Director – General  
Ion Sterian

Chief Financial Officer  
Marius Lupean

**THE NATIONAL GAS TRANSMISSION COMPANY  
TRANSGAZ S.A.**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31  
DECEMBER 2023**

**PREPARED IN ACCORDANCE WITH  
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS  
ADOPTED BY THE EUROPEAN UNION**

This version of the financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

## CONSOLIDATED FINANCIAL STATEMENTS



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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**



(expressed in lei, unless otherwise stated)

	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
<b>ASSET</b>			
<b>Fixed assets</b>			
Tangible Assets	7	769.080.086	801.193.708
Rights of use of the leased assets	7.1	173.445.968	16.934.813
Intangible Assets	9	3.643.272.446	3.909.592.137
Goodwill	10	10.126.276	9.566.769
Trade receivables and other receivables	12	2.423.669.228	2.141.205.428
Deferred tax		5.116.271	-
Restricted cash	13	<u>1.956.015</u>	<u>1.562.607</u>
		<b>7.026.666.290</b>	<b>6.880.055.462</b>
<b>Current assets</b>			
Inventories	11	583.515.292	613.182.876
Commercial receivables and other receivables	12	441.070.694	346.798.529
Cash and cash equivalent	13	<u>710.857.030</u>	<u>417.103.948</u>
		<b>1.735.443.016</b>	<b>1.377.085.353</b>
<b>Total asset</b>		<b>8.762.109.306</b>	<b>8.257.140.815</b>
<b>EQUITY AND DEBTS</b>			
<b>Equity</b>			
Share capital	14	1.883.815.040	1.883.815.040
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865
Other reserves	15	1.265.796.861	1.265.796.861
Retained earnings	15	253.557.168	199.648.810
Exchange rate differences from consolidation		<u>26.916.902</u>	<u>19.932.259</u>
		<b>4.118.983.232</b>	<b>4.058.090.231</b>
Shareholders` equity			
Non-controlling interests		<u>97.130.535</u>	<u>82.818.034</u>
		<b>4.216.113.767</b>	<b>4.140.908.265</b>
<b>Long-term debts</b>			
Long-term loans	16	2.033.509.382	2.054.247.351
Deferred revenue	17	849.905.753	969.150.112
Deferred tax	18	-	3.053.157
Debts related to rights of use of leased assets	19	144.696.947	14.178.481
Provision for employee benefits	21	<u>114.807.183</u>	<u>110.895.341</u>
		<b>3.142.919.265</b>	<b>3.151.524.442</b>

Notes 1 to 33 are part of these financial statements.

This version of the financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**(expressed in lei, unless otherwise stated)**



	<u>Note</u>	<u>31 December 2023</u>	<u>31 December 2022</u>
<b>Current debts</b>		-	
Short-term loans	<u>16</u>	448.069.729	136.644.990
Deferred revenue	<u>17</u>	113.993.591	107.439.092
Commercial debts and other debts	<u>0.1</u>	708.874.765	630.849.954
Debts related to rights of use of leased assets	<u>19.2</u>	31.756.889	3.751.347
Provision for risks and charges	<u>20</u>	84.246.083	81.438.491
Provision for employee benefits	<u>21</u>	<u>16.135.217</u>	<u>4.584.234</u>
		<b><u>1.403.076.274</u></b>	<b><u>964.708.108</u></b>
<b>Total debts</b>		<b><u>4.545.995.539</u></b>	<b><u>4.116.232.550</u></b>
<b>Total equity and debts</b>		<b><u>8.762.109.306</u></b>	<b><u>8.257.140.815</u></b>

Endorsed and signed on behalf of the Board of Administration on 20 March 2024 by:

Chairman of the Board of Administration  
Văduva Petru Ion

Director – General  
Ion Sterian

Chief Financial Officer  
Marius Lupean

Notes 1 to 33 are part of these financial statements.

This version of the financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.



**CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**  
(expressed in lei, unless otherwise stated)



	<u>Note</u>	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
Revenue from the domestic transmission activity		1,519,952,227	1,356,044,593
Revenue from the international transmission activity and similar		116,305,612	73,926,517
Other revenue	22	<u>149,246,708</u>	<u>149,312,392</u>
<b>Operational revenue before the balancing and construction activity according to IFRIC12</b>		<b>1,785,504,547</b>	<b>1,579,283,502</b>
Depreciation	7, 9	(482,115,948)	(435,409,965)
Employees costs	24	(575,330,756)	(495,131,807)
NTS gas consumption, materials and consumables used		(148,293,957)	(180,267,951)
Expenses with royalties		(55,285,137)	(5,703,430)
Maintenance and transmission		(41,605,914)	(37,253,061)
Taxes and other amounts owed to the state		(87,663,451)	(86,781,521)
Revenue/ (Expenses) with provisions for risks and charges		(10,771,182)	(18,096,076)
Other operating cost	23	<u>(264,075,524)</u>	<u>(174,323,882)</u>
<b>Operational profit before the balancing and construction activity according to IFRIC12</b>		<b>120,362,678</b>	<b>146,315,809</b>
Revenue from the balancing activity		458,810,505	1,005,543,997
Cost of balancing gas		(458,810,505)	(1,005,543,997)
Revenue from the construction activity according to IFRIC12	32	182,449,856	299,868,442
Cost of assets constructed according to IFRIC12	32	<u>(182,449,856)</u>	<u>(299,868,442)</u>
<b>Operational profit</b>		<b>120,362,678</b>	<b>146,315,809</b>
Financial revenue	25	261,181,533	498,370,151
Financial cost	25	<u>(162,620,069)</u>	<u>(225,110,222)</u>
<b>Financial revenue, net</b>		<b>98,561,464</b>	<b>273,259,929</b>
<b>Profit before tax</b>		<b>218,924,142</b>	<b>419,575,738</b>
Profit tax expense	0	<u>(33,207,620)</u>	<u>(72,507,267)</u>
<b>Net profit for the period</b>		<b>185,716,522</b>	<b>347,068,471</b>
Attributable to the parent company		181,441,360	351,895,142
Attributable to the non-controlling interests		4,275,162	(4,826,671)
<b>Number of shares</b>		188,381,504	188,381,504
<b>Other items of comprehensive income</b>			
Basic and diluted earnings per share (expressed in lei per share)	28	0,99	1,84
Actuarial gain / loss for the period		4,334,050	2,452,222
Exchange rate difference		17,021,982	(8,396,441)
<b>Total comprehensive income for the period</b>		<b>207,072,554</b>	<b>341,124,252</b>
Attributable to the parent company		202,797,392	345,950,923
Attributable to the non-controlling interests		4,275,162	(4,826,671)

Chairman of the Board of Administration  
Văduva Petru Ion

Director - General  
Ion Sterian

Chief Financial Officer  
Marius Lupean

Notes 1 to 33 are part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
(expressed in lei, unless otherwise stated)



	<u>Share Capital</u>	<u>Share capital adjustments</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Consolidation exchange rate difference</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
<b>Balance on 1 January 2022</b>	<b><u>117.738.440</u></b>	<b><u>441.418.396</u></b>	<b><u>247.478.865</u></b>	<b><u>1.265.796.861</u></b>	<b><u>1.785.866.415</u></b>	<b><u>16.520.600</u></b>	<b><u>93.548.755</u></b>	<b><u>3.968.368.332</u></b>
Net profit for the period reported	-	-	-	-	351.895.142	-	(4.826.671)	347.068.471
Actuarial gain / loss for the period	-	-	-	-	2.452.222	-	-	2.452.222
Establishing profit reserves	-	-	-	-	<b>354.347.364</b>	-	<b>(4.826.671)</b>	<b>349.520.693</b>
Legal reserve increase	-	-	-	-	(21.873.676)	-	-	(21.873.676)
Transactions with shareholders:					21.873.676	-	-	21.873.676
Increase of share capital	1.766.076.600	-	-	-	-	-	-	-
Dividends related to 2021	-	-	-	-	(1.766.076.600)	-	-	-
Consolidation exchange rate difference	-	-	-	-	(174.488.368)	3.411.659	(5.904.050)	(174.488.368)
	-	-	-	-	-	-	(2.492.391)	(2.492.391)
<b>Balance on 31 December 2022</b>	<b><u>1.883.815.040</u></b>	<b><u>441.418.396</u></b>	<b><u>247.478.865</u></b>	<b><u>1.265.796.861</u></b>	<b><u>109.648.810</u></b>	<b><u>10.932.259</u></b>	<b><u>82.818.034</u></b>	<b><u>4.140.908.265</u></b>
Net profit for the period, reported	-	-	-	-	181.441.360	-	4.275.162	185.716.522
Actuarial gain / loss for the period	-	-	-	-	4.334.050	-	-	4.334.050
Establishing profit reserves	-	-	-	-	<b>185.775.410</b>	-	<b>4.275.162</b>	<b>190.050.572</b>
Legal reserve increase	-	-	-	-	(10.344.066)	-	-	(10.344.066)
Transactions with shareholders:					10.344.066	-	-	10.344.066
Dividends related to 2022	-	-	-	-	-	-	-	-
Consolidation exchange rate difference	-	-	-	-	(131.867.053)	6.984.643	10.037.339	(131.867.053)
	-	-	-	-	-	-	17.021.982	17.021.982
<b>Balance on 31 December 2023</b>	<b><u>1.883.815.040</u></b>	<b><u>441.418.396</u></b>	<b><u>247.478.865</u></b>	<b><u>1.265.796.861</u></b>	<b><u>253.557.168</u></b>	<b><u>26.916.902</u></b>	<b><u>97.130.535</u></b>	<b><u>4.216.113.767</u></b>

The exchange rate differences on consolidation arise from the presentation of the financial statements of the subsidiary Eurotransgaz in the reporting currency of the parent company (RON).

Chairman of the Board of Administration  
Văduva Petru Ion

Director - General  
Ion Sterian

Chief Financial Officer  
Marius Lupean

Notes 1 to 33 are part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**  
 (expressed in lei, unless otherwise stated)

	<u>Note</u>	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
<b>Cash generated from operations</b>	26	<b>603.082.983</b>	<b>661.712.514</b>
Interest paid		(128.149.987)	(69.604.175)
Interest received		4.317.150	1.277.835
Paid profit tax		<u>(80.998.142)</u>	<u>(77.532.781)</u>
<b>Net cash inflow from operation activities</b>		<b>398.252.004</b>	<b>515.853.393</b>
<b>Cash flow from investment activities</b>			
Payments to acquire intangible assets		(236.079.044)	(598.243.216)
Payments to acquire tangible assets		(12.568.022)	(18.801.250)
Financial investments/shares			
Receipts from the disposal of tangible assets		263.918	479.363
Reimbursed loans		(4.560.610)	
Cash flow from connection fees and grants		<u>4.477.340</u>	<u>133.208.997</u>
<b>Net cash used in investment activities</b>		<b>(248.466.418)</b>	<b>(483.356.106)</b>
<b>Cash flow from financing activities</b>			
Increase of share capital		-	3.205.405
Long-term loans withdrawals		246.610.000	-
Long-term loans repayments		(132.098.774)	(143.485.273)
Credit withdrawals/repayments for working capital		175.431.456	291.740.052
Payments IFRS 16		(13.182.770)	(5.157.454)
Dividends paid		(132.399.008)	<u>(175.088.518)</u>
<b>Net cash used in financing activities</b>		<b>144.360.904</b>	<b>(28.785.788)</b>
<b>Net change in cash and cash equivalents</b>		<b>294.146.490</b>	<b>3.711.499</b>
<b>Cash and cash equivalent as at the beginning of the year</b>	13	<b>418.666.555</b>	<b>414.955.056</b>
<b>Cash and cash equivalent as at the end of the period</b>	13	<b>712.813.045</b>	<b>418.666.555</b>

Chairman of the Board of Administration  
Văduva Petru Ion

Director – General  
Ion Sterian

Chief Financial Officer  
Marius Lupean

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (expressed in lei, unless otherwise stated)

### 1. GENERAL INFORMATION

The National Gas Transmission Company - SNTGN Transgaz SA (‘company’) has as main activity the transmission of natural gas. Also, the company maintains and operates the national gas transmission system and carries out research and design activities in the area of natural gas transmission. On 31 December 2023, the majority shareholder of the company is the Romanian state, through the General Secretariat of the Government.

The company was established in May 2000, following several reorganizations of the gas sector in Romania: its predecessor was part of the former national gas monopoly SNGN Romgaz SA (‘predecessor company’), which was reorganized under Government Decision 334/2000.

The natural gas sector is regulated by the ‘National Energy Regulatory Authority’ - ‘ANRE’. ANRE’s main responsibilities are the following:

- issuing or withdrawing licenses for companies operating in the natural gas sector;
- publishing framework contracts for the sale, transmission, acquisition and distribution of natural gas;
- setting the criteria, requirements and procedures related to the selection of eligible consumers;
- setting the pricing criteria and the calculation methods for the natural gas sector.

The company is headquartered in 1 C.I. Motaş Square, Mediaş, Romania.

From January 2008, the company is listed at the Bucharest Stock Exchange, as a Tier 1 company, under the TGN symbol.

On 18 December 2017, the limited liability company EUROTRANSGAZ SRL Chisinau (EUROTRANSGAZ S.R.L.) was established in the Republic of Moldova. SNTGN Transgaz SA Mediaş is the sole shareholder of EUROTRANSGAZ S.R.L. under EGMS Resolution no. 10/12 December 2017 on the establishment company.

The core business of EUROTRANSGAZ is:

1. Natural gas production; natural gas transmission; natural gas distribution; natural gas storage; natural gas supply
2. Transmission through pipelines
3. Storage
4. Business and management consulting activities.

The share capital of EUROTRANSGAZ S.R.L. as at 31 December 2023 is in the amount of MDL 728.034.705 ( equivalent in RON of lei 190.930.959) and is wholly owned by SNTGN Transgaz SA Medias - the founder of the Company, as sole shareholder.

The Decision of the Board of Administration of March 2018 approved the signing of the Sale and Purchase Agreement of I.S Vestmoldtransgaz and the payment of the price offered for the privatization and all taxes and fees related to the privatization process.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**1. GENERAL INFORMATION (CONTINUED)**

Based on the Decision no.39/05.09.2019, the Board of Directors of SNTGN Transgaz S.A. approved the authorization of Eurotransgaz (ETG) administrators to register the sale-purchase contract and the transfer of the property right on the single asset complex IS "Vestmoldtransgaz" and also to carry out any actions necessary for the reorganization procedure of Vestmoldtransgaz (VTMG) into a limited liability company.

In 2021 the European Bank for Reconstruction and Development (EBRD) became a 25% shareholder of Vestmoldtransgaz S.R.L., by depositing funds in amount of MDL 414.986.000, of which MDL 394.178.670 was recorded as a contribution to the statutory capital and the difference of MDL 20.807.330 was recognized as capital premia.

Based on the Resolution no. 434 of the National Agency for Energy Regulation Board of Administration of 07.07.2023, S.R.L. Vestmoldtransgaz was appointed as operator of the natural gas transmission system in the Republic of Moldova as of 19.09.2023 on a temporary basis until the completion of the certification procedure.

Also from 19.09.2023 SRL Vestmoldtransgaz became the successor of the rights and obligations of SRL Moldovatrangaz regarding the contracts with system users and interoperability agreements

For the purpose of consolidating this set of financial statements, the non-controlling interest in the Group's share capital in amount of MDL 378.113.788 represents EBRD's share in the total net assets of the Vestmoldtransgaz S.R.L. in statement as at 31 December 2023.

The consolidation method applied is the global integration method, based on a percentage of control by the parent company greater than 50%.

The Ordinary General Meeting of Shareholders approves the annual financial statements of the Company based on the reports of the Board of Administration and of the financial auditors.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 2. OPERATIONAL FRAMEWORK OF THE COMPANY

#### Romania

The continuation of the economic reforms by the Romanian authorities is necessary for the consolidation of the internal macro-financial framework. The positive performances the Romanian economy registered must be consolidated by the application of a coherent mix of policies. In this context it can be noticed that:

- (i) According to forecasts published by the European Commission, the downward trend in inflation will continue in Romania but inflation will remain significant. In 2024, the forecast shows an improvement in the inflation rate, moderate economic growth and an increase in public debt. According to forecasts published by the European Commission, the downward trend in inflation will continue in Romania. However, inflation in Romania will remain high, more than 2% above the EU average. On the other hand, Romania's economic growth will, according to the EC forecast, exceed the EU average. While the EU will see economic growth of around 1,3%, Romania is expected to see Gross Domestic Product growth of 3,1%. The European Commission is also forecasting a fall in unemployment by 2024. Unemployment in Romania is expected to be lower than the EU average. Romania's public debt is set to increase, but will be significantly lower than the EU average. Romania's debt is expected to reach 49% of GDP in 2024, compared to the EU average of 85% of GDP. On the budget deficit side, the European Commission expects Romania's budget deficit to be higher than the EU average. Commission expects Romania's budget deficit to be 3,1% of GDP, while the European average will be around 2,8% of GDP.
- (ii) In the meeting of 12 January 2024, the Board of the National Bank of Romania decided:
  - to maintain the monetary policy rate to 7,00 % per year;
  - to maintain the interest rate on the lending facility (Lombard) to 8,00 per cent per year and the interest rate on the deposit facility to 6,00 per cent per year;
  - to maintain the current levels of the mandatory minimum reserves for the lei and currency liabilities of the credit institutions.
- (iii) The According to the February 2024 NBR Inflation Report, the annual inflation rate accelerated its downward trajectory in the last quarter of 2023, reaching 6.61 percent in December (-2.22 percentage points compared to the end of the previous quarter and -9.76 percentage points compared to December 2022). At the same time, the indicator was significantly (by 0.9 percentage points) below the projection in the previous Inflation Report, with favourable influences mainly associated with fuel and food prices. In fact, the decisive contribution to disinflation in the fourth quarter was made by the latter, as a result of a combination of factors: the maintenance of a downward trend in commodity prices, the abundant domestic and international harvests, the extension and expansion of the list of essential food products covered by the capping of the trade surplus. In turn, energy commodity prices continued to decline in annual terms in the fourth quarter, mainly as a result of favourable base effects in electricity. In contrast, the annual pace of fuel prices accelerated slightly, also driven by statistical effects.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)**

- (iv) Fitch International Rating Agency confirmed on 02.06.2023 the rating of the National Natural Gas Transmission Company Transgaz at "BBB-" with stable outlook. "The confirmation of rating reflects that Transgaz is substantiated on its strong business profile as title holder and operator of the gas transmission network in Romania, as well as on our expectations regarding the continuity of the regulatory framework in the new regulatory period of October 2024," the agency's report said.
- (v) The financial rating agency Fitch Ratings confirmed on 01.03.2024 Romania's long-term foreign currency debt rating at "BBB minus" with a stable outlook, informs a press release. "The 'BBB minus' rating assigned to Romania is underpinned by its EU membership and associated capital inflows supporting income convergence, external finances and macroeconomic stability. GDP per capita and human development indicators are above those of other 'BBB' countries. But these are offset by higher budget and current account deficits than other countries in the same category, a modest track record of fiscal consolidation, increased fiscal rigidities and a high external debtor position," Fitch Ratings says. Fitch analysts estimate Romania's budget deficit in 2023 was virtually unchanged compared to 2022 at 6,1% of GDP, well above the government's original target of 4.4% of GDP. Fitch forecasts that Romania will have a government deficit of 6% of GDP in 2024 and 6,4% in 2025.

At the end of 2022, as compared to the end of 2021, the LEU increased against the EURO (`EUR`) and decreased against the US dollar (`USD`). Thus, as compared to the end of 2021, the LEU increased against EUR (4,9481 as at 31 December 2021; 4,9474 as at 31 December 2022) and decreased by 6,04% against USD (4,3707 as at 31 December 2021; 4,6346 as at 31 December 2022).

At the end of 2023, the LEU decreased against the EURO (`EUR`) and increased against the US dollar (`USD`). Thus, as compared to the end of 2022, the LEU decreased against EUR by 0,55% (4,9474 as at 31 December 2022; 4,9746 as at 31 December 2023) and increased by 2,99% against USD (4,6346 as at 31 December 2022; 4,4958 as at 31 December 2023).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (expressed in lei, unless otherwise stated)

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### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared based on a going concern principle.

The main accounting policies applied in the preparation of these financial statements are presented below. These policies were consistently applied to all the financial years considered, unless otherwise stated.

#### 3.1 Basis of preparation

The financial statements of the company were prepared in accordance with the Ministry of Public Finance Order 2844/2016 for the approval of Accounting Regulations in line with International Financial Reporting Standards. The financial statements were prepared based on the historical cost convention, except for the financial assets which are measured at fair value by the profit and loss account or at the fair value among other elements of the comprehensive income.

The preparation of the financial statements in accordance with IFRS requires the use of critical accounting estimates. Also, the management is required to use judgment in applying the company's accounting policies. Areas with a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 5.

Since 2017, the year in which EUROTRANSGAZ was established with SNTGN Transgaz S.A. as its founder, the company is required to prepare consolidated financial statements in accordance with IFRS 10-Consolidated Financial Statements, IFRS 12-Disclosure of Interests in Other Entities and IAS 21-The Effects of Changes in Foreign Exchange Rates.

As of 2018, following the acquisition of Vestmoldtransgaz SRL in Moldova by Eurotransgaz SRL, Transgaz, as the parent company, files consolidated group financial statements including the consolidation of Eurotransgaz SRL with Vestmoldtransgaz SRL in Moldova.

The consolidation of Transgaz with ETG was done in stages, i.e. the consolidation of ETG with VTMG in the first phase, followed by their consolidation in the financial statements of the parent company, Transgaz.

The annual financial statements of non-resident companies are converted using the closing rate method, which means that the balance sheet is converted at the NBR rate issued on 31 December 2023 (closing rate) and the income statement is converted at the average annual rate published by the NBR for 2023. The use of these different rates results in a conversion difference.

In accordance with the Accounting Law no. 82/1991 republished, as amended and supplemented, and with OMFP 2844/2016, as amended and supplemented, for the approval of accounting regulations in accordance with International Financial Reporting Standards, the parent company must prepare both its own individual financial statements and consolidated financial statements of the Group.

IFRS 10 sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee and also sets out the accounting requirements for the preparation of consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The parent company must prepare consolidated financial statements using uniform accounting policies for similar transactions and events in similar circumstances. Consolidation of an investee shall begin at the date when the investor obtains control and shall cease when the investor loses control of the investee.

The parent company must disclose non-controlling interests in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent company. Changes in a parent's interest in the equity of a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e., transactions with owners, in their capacity as owners).

If a parent-company loses control of a subsidiary, the parent shall: (a) derecognise the assets and liabilities of the former subsidiary in the consolidated statement of financial position; (b) recognise any undistributed investment in the former subsidiary at its fair value when it loses control and subsequently account for those investments and amounts due from or to the former subsidiary in accordance with the relevant IFRSs. That fair value shall be deemed to be the fair value at initial recognition of a financial asset in accordance with IFRS 9 or, if applicable, the cost at initial recognition of an investment in an association or joint venture; (c) recognise the gain or loss associated with the loss of control attributable to the former controlling interest.

The consolidated financial statements incorporate the financial statements of the Company and the affiliated entity, EUROTRANSGAZ under the control of the Company by combining similar items of assets, liabilities, equity, expenses and cash flows of the parent company with those of the affiliated company, offsetting (eliminating) the carrying amount of the parent's investment in each subsidiary and the parent's share of each subsidiary's equity and eliminating in full the assets and liabilities, equity, income, expenses and cash flows within the group that relate to intra-group transactions.

A company controls an investee when it is exposed to or has rights to variable income based on its ownership interest in the investee and has the ability to influence that income through its authority over the investee. The control principle therefore establishes the following three elements of control:

1. Authority over the investee;
2. Exposure or rights to variable income based on participation in the investee; and
3. Ability to use authority over the investee to influence the value of the investor's results.

The Company presents investments in the affiliated entity in the separate financial statements as "Financial assets".

IFRS 3 requires the acquirer, after recognising identifiable assets, liabilities and all non-controlling interests to identify any differences between:

a) Aggregation of the consideration transferred, any non-controlling interests in the entity acquired and in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interests in the acquiree, and

b) Net identifiable assets acquired;

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Generally the difference will be recognised as goodwill. In accordance with IAS 36 - Impairment of Assets, goodwill acquired in a business combination shall be tested for impairment annually.

Consolidation procedures under IFRS 10

Consolidated financial statements:

- combines similar items of assets, liabilities, equity, income, expenses and cash flows of the parent company with those of subsidiaries;
- offsets (eliminates) the carrying amount of the parent's investment in the subsidiary and the parent's share of the subsidiary's equity; accounting is in accordance with IFRS 3;
- fully eliminates assets and liabilities, equity, income, expenses and cash flows within the group that relate to transactions between group entities: profits or losses arising from intra-group transactions that are recognised in assets, such as inventories and fixed assets, are fully eliminated.

**The following changes are valid as of 1 January 2022:**

- Onerous contracts - The cost of performing a contract (Amendments to IAS 37); IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts - Cost of Fulfilling a Contract) - In May 2020, the IASB issued amendments to IAS 37 that specify the costs that a company includes when assessing whether a contract will result in a loss and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts as they increase the scope of costs that are included in the assessment of the onerous contract.
- Annual Improvements to IFRSs: 2018-2020 Cycle - In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative examples accompanying IFRS 16 Leasing.
- The Conceptual Framework for Financial Reporting (Amendments to IFRS 3) - In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.
- IAS 16 Property, Plant and Equipment (Amendment - Proceeds before Intended Use) - In May 2020, the IASB issued amendments to IAS 16 that prohibit a company from deducting amounts received from the sale of items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales revenue and any related costs in profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New standards, interpretations and amendments with subsequent applicability.**

The company has chosen not to apply in advance these standards, interpretations and amendments to be subsequently applicable.

**Standards and amendments effective as of 1 January 2023:**

The following changes are in effect for the period as of 1 January 2023:

- IFRS 17 Insurance contracts
- Disclosure of accounting policies – (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred tax on assets and liabilities arising from a single transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform –Model Rules for Pillar Two (Amendment to IAS 12 Income Taxes) (effective immediately after the amendments are issued and with retrospective effect).

These amendments to various IFRSs are mandatory effective for reporting periods beginning on or after 1 January 2023.

**IFRS 17 Insurance Contracts**

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting periods beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to accounting for insurance contracts. Prior to IFRS 17, there was significant global diversity in insurance contract accounting and disclosure, with IFRS 4 allowing many previous accounting approaches to be followed.

As IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers. The company should perform an assessment of its contracts and operations and conclude whether the adoption of IFRS 17 has had an effect on its annual consolidated financial statements.

**Disclosure of accounting policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Judgements about Materiality)**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'information about material accounting policies'. The amendments also provide guidance on the circumstances in which information about accounting policies is likely to be considered material and therefore requires disclosure.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)**

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless they result from the correction of prior period errors. These amendments clarify how entities distinguish between changes in accounting estimates, changes in accounting policies and prior period errors.

#### **Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12 Income Taxes)**

In May 2021, the IASB issued amendments to IAS 12 clarifying whether the initial recognition exception applies to certain transactions that result in the simultaneous recognition of an asset and a liability (e.g. a lease within the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exception, whereby the exception does not apply to the initial recognition of an asset or liability that, at the time of the transaction, gives rise to equal deductible and taxable temporary differences.

#### **International Tax Reform - Model Rules for Pillar Two (Amendment to IAS 12 Income Taxes)**

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a proposed legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The aim of the framework is to reduce the shifting of profits from one jurisdiction to another in order to reduce global tax liabilities in corporate structures. In March 2022, the OECD published detailed technical guidance on Pillar Two of the rules.

Stakeholders have expressed concerns to the IASB about the potential implications for income tax accounting, in particular deferred tax accounting, resulting from the Pillar Two model rules. The IASB issued Final Amendments (the Amendments) International Tax Reform - Pillar Two Model Rules in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception for entities from the recognition and disclosure of deferred tax assets and liabilities related to the Pillar Two model rules. The exception is effective immediately and retrospectively. The amendments also provide for additional disclosure requirements regarding an entity's exposure to Pillar Two income taxes.

There are a number of standards, amendments to standards and interpretations that have been issued by the IASB and are effective in future accounting periods:

The following changes are effective for the period beginning January 1, 2024:

- Liability in a sale and leaseback (Amendments to IFRS 16 Leases);
- Classification of liabilities as current or non-current (Amendments to IAS 1 Presentation of financial statements);
- Non-convention liabilities (Amendments to IAS 1 Presentation of Financial Statements); and
- **Supplier financing arrangements (Amendments to IAS 7 Statement of cash flows and to IFRS 7 Financial instruments: Disclosures)**

**The following changes are effective for the period beginning January 1, 2025:**

- Lack of exchangeability (Amendments to IAS 21 The effects of changes in exchange rates)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2. Reporting on segments

Reporting on business segments is made consistently with the internal reporting by the main operating decision-maker. The main operating decision-maker, which is in charge with resource allocation and assessment of business segments' performance, was identified as being the Board of Administration, which makes the strategic decisions.

#### 3.3. Transactions in foreign currency

a) *Functional currency*

The items included in the financial statements of the company are valued using the currency of the economic environment where the entity operates ('functional currency'). The financial statements are presented in Romanian leu ('lei'), which is the functional currency and the currency of company presentation.

b) *The rounding level used in the presentation of the financial statements*

In the financial statements the value are presented rounded by units.

c) *Transactions and balances*

Transactions in foreign currency are converted into functional currency using the exchange rate valid on the date of transactions or valuation at the balance sheet date. Profit and loss resulting from exchange rate differences following the conclusion of such transactions and from the conversion at the exchange rate at the end of the reporting period of monetary assets and liabilities denominated in foreign currency are reflected in the statement of the comprehensive income.

#### 3.4 Accounting for the effects of hyperinflation

Romania has gone through periods of relatively high inflation and was considered hyperinflationary under IAS 29 'Financial Reporting in Hyperinflationary Economies'. This standard required financial statements prepared in the currency of a hyperinflationary economy to be presented in terms of purchasing power as of 31 December 2003. As the characteristics of the economic environment in Romania indicate the cessation of hyperinflation, from 1 January 2004, the company no longer applies IAS 29.

Therefore, values reported in terms of purchasing power on 31 December 2003 are treated as basis for the accounting values of these financial statements.

#### 3.5 Intangible Assets

*Computer Software*

Licenses acquired related to rights of use of the computer software are capitalized on the basis of the costs incurred with the acquisition and operation of the software in question. These costs are amortized over their estimated useful lives (three years).

Costs associated with developing or maintaining computer software are recognized as expenses in the period in which they are registered.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Service Concession Agreement*

From 2010, 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, the modernization and improvement brought to the gas transmission system, which are transferred to the regulatory authority at the end of the concession agreement. As of 01.01.2018, IFRS 15 Revenue from Contracts with Customers became applicable in Romania. This standard replaces some older standards (such as IAS 11, IAS 18) and amends IFRIC 12 by introducing new interpretations to the notion of a contract. As a result, the company applies the bifurcated model registering the updated receivable related to the regulated amount remaining unamortized at the end of the concession agreement as a financial asset the intangible asset will be presented in the financial statements by the residual method resulted less the value of the construction works, achieved at fair value with the amount of the updated long-term receivable (compensation) upon the commissioning of the investment.

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor on payment of compensation equal to the regulated value which was not depreciated fixed by ANRE. The company recognized for the investments made until the balance

sheet date an updated receivable related to the regulated value remained undepreciated at the end of the concession agreement, at a counterperformance and an intangible asset at a value less the updated receivable. The discount rate used to calculate the present value of the debt is long-term government bonds, zero coupon, over a period close to the remainder of the concession agreement. The initial measurement of the compensation is made at the fair value which reflects the credit risk which applies to the regulated amount remaining unamortized at the end of the contract. Subsequent valuation is done at amortized cost using the effective interest method. The actual interest rate used is based on historical data and does not change according to market interest rate.

In 2019, ANRE Order no. 41/2019 on the adjustment of asset regulated value to the inflation rate. The company records the present value of the contractual cash flows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

As presented in Note 8, 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 derecognized 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 cost.

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**(expressed in lei, unless otherwise stated)**

**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Tangible Assets**

Tangible assets include buildings, land, assets used for the non-regulated international transmission activity (e.g. pipelines, compressors, filtering installations, devices).

The company’s policy is to reflect intangible assets at their cost at their cost less any accumulated depreciation and any impairment accumulated losses.

Buildings include particularly ancillary buildings of operating assets, a research centre and office buildings.

Further expenses are included in the book value of the asset or recognized as separate asset, as the case may be, only when the entry of future economic benefits for the company associated to the item is likely and the cost of the respective item can be valued in a reliable manner. The book value of the replaced asset is taken off the books. All the other expenses with repairs and maintenance are recognized in the statement of comprehensive income in the financial period when they occur.

Land is not depreciated. Depreciation on other items of tangible assets is calculated based on the straight-line method in order to allocate their cost minus the residual value, during their useful life, as follows:

	<u>Number of years</u>
Buildings	50
Assets of the gas transmission system	20
Other fixed assets	4 - 20

Before 31 December 2008, costs of indebtedness were incurred as they occurred. As of 1 January 2009, costs of indebtedness attributable directly to the acquisition, construction or production of an asset with a long production cycle are capitalized as part of the cost of the respective asset. Costs of indebtedness attributable directly to the acquisition, construction or production of a long lead asset are those costs of indebtedness that would have been avoided if expenses with the asset hadn't been made. To the extent that funds are borrowed specifically for obtaining a long-lead asset, the borrowing costs eligible for the capitalization of the respective asset is determined by the actual cost generated by that borrowing during the period, minus the revenue from the temporary investments of those borrowings. To the extent that funds are generally borrowed and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset.

The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for obtaining the long-lead asset.

The costs of the funds borrowed for obtaining a long lead asset (achievement of the investment) are capitalized by the company on the asset as a difference between the current leverage costs related to such loan during the period and any revenue from the investments obtained from the temporary investment of these loans.

The residual values of the assets and their useful lives are reviewed and adjusted as appropriate, at the end of each reporting period.

The book value of the asset is written down immediately to its recoverable amount if the book value of the respective asset is greater than its estimated recoverable amount (Note 3.7).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Gain and loss on disposal are determined by comparing amounts to be received with the book value and are recognized in the statement of comprehensive income in the period in which the sale took place.

#### 3.7. Impairment of non-financial assets

Depreciated assets are reviewed for impairment loss whenever events or changes in circumstances indicate that the book value may not be recoverable.

The impairment loss is the difference between the book value and the recoverable amount of the asset. The recoverable amount is the greater of the asset's fair value minus costs to sell and value in use. An impairment loss recognized for an asset in prior periods is reversed if there are changes in the estimates used to determine the recoverable amount of the asset at the date the last impairment loss was recognized. For the calculation of this impairment, assets are grouped at the lowest levels for which there are identifiable independent cash flows (cash generating units).

Depreciated non-financial assets are reviewed for possible reversal of the impairment at each reporting date.

#### 3.8 Assets of public domain

In accordance with Public Domain Law No. 213/1998, pipelines for gas transmission are public property. Government Decision 491/1998, confirmed by Government Decision 334/2000, states that fixed assets with a gross historical statutory book value of lei 474.952.575 (31 December 2017: RON 474.952.575), representing gas pipelines, are managed by the company. Therefore, the company has the exclusive right to use such assets during the concession and shall return them to the state at the end of this period (see Note 8). The company receives most of the benefits associated with the assets and is exposed to most of the risks, including the obligation to maintain network assets over a period at least equal to the remaining useful life, and the financial performance of the company is directly influenced by the state of the network. Therefore, before 1 January 2010, the company recognized those assets as tangible assets, with a proper reserve in the shareholders' equity (see Note 5.2.). Accounting policies applied to these assets were the same as those applied to the company's tangible assets (Notes 3.7 and 3.6).

The company adopted IFRIC 12 as of 1 January 2010 and reclassified these assets and the subsequent improvements as intangible assets (except for international transmission pipelines).

Starting with 01.01.2018, IFRS 15 "Revenues from the contracts with the clients" became applicable in Romania. This standard replaces a set of older standards (such as IAS 11, IAS 18) and changes IFRIC 12 giving a new interpretation to the contract notion. Therefore, our company registered the discounted receivables related to the regulated value remained undepreciated at the end of the concession agreement as a counterperformance and an intangible asset at a value diminished with the amount of the discounted receivables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In accordance with Public Concession Law No. 238/2004, a royalty is due for public goods managed by companies other than state-owned. The royalty rate for using the gas transmission pipelines is set by the government. As of October 2007, the royalty was set at 10% of the revenue. The duration of the concession agreement is 30 years, until 2032.

Subsequent to entry into force of the provisions of art. 103 para. 2 of Law no. 123/2012, as of 12 November 2020, the royalty was set at 0,4%, from the domestic and international gas transmission services provided by the company, and as of 30 October 2023 the royalty has been set at 11.5% of the value of gross revenues from natural gas transmission services, in accordance with GEO No 91 of 27 October 2023.

#### 3.9 Financial assets

The company classifies its financial assets into the following categories: measured at fair value through profit or loss, measured at depreciated cost and measured at fair value by other elements of the comprehensive income. Classification is made depending on the purpose for which the financial assets were acquired. The management sets the classification of these fixed assets upon initial recognition.

##### (a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are included in the current assets, except for those which have a maturity greater than 12 months after the end of the reporting period. These are classified as fixed assets. Loans and receivables of the company include `trade receivables and other receivables` and cash and cash equivalent in the statement of the financial position (Notes 3.11 and 3.13).

##### (b) *Financial assets measured at fair value through the profit or loss account or measured at fair value by other elements of the comprehensive income*

IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at amortized cost, at fair value through other comprehensive income, at fair value through profit or loss. The classification on IFRS 9 is determined by the cash flow characteristics and the business model in which an asset is held.

##### (c) *Impairment of financial assets*

At each reporting date, the company assesses whether there is objective evidence that a financial asset or group of financial assets suffered impairment. A financial asset or group of financial assets is impaired and impairment loss is incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a `loss generating event`) and if such event (or events) which generates loss has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or debtor;
- breach of contract, such as default or delinquency in interest or loan payment;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise have had in view;
- it is likely that the debtor will go bankrupt or enter another form of financial reorganization;
- disappearance of the active market for that financial asset because of financial difficulties; or
- observable data indicate that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for individual financial assets in the portfolio, including:
  - adverse changes in the payment status of debtors in the portfolio; and
  - economic conditions, at national or local level, that correlate with defaults, relating to the assets in the portfolio.

The company assesses first whether objective evidence of impairment exists.

*(i) Assets registered at amortized cost*

The testing for impairment of trade receivables is described above, by applying the simplified age-based model.

For loans, the amount of the loss is measured as the difference between the book value of the asset and the updated value of estimated future cash flows (excluding future credit loss which was not incurred), discounted at the asset's original rate; the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. In practice, the company may measure impairment based on the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the credit rating of the borrower), the reconsidered of impairment loss recognized previously in profit or loss.

*(ii) Assets measured at cost*

The share held at Eurotrangaz SRL is recognized at its fair value as of the date of trading, being evaluated, after the initial recognition, at cost according to Art.4.1.2 of IFRS 9 and Art.10.a-IAS 27-Separate Financial Statements:

In 2023 and 2022 the company evaluated the stake held in Eurotrangaz SRL in order to identify any possible impairment losses No impairments were found.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10. Inventories**

Inventories are stated at the lower of cost and net achievable value.

The components recovered from disassemblings and repairs of pipelines built by the company are recorded as stocks at a value determined by a technical committee. The amount so determined does not exceed the net achievable value.

The cost is determined based on the first in, first out method. Where necessary, adjustment is made for obsolete and slow moving inventories. Individually identified obsolete inventories are adjusted for the full value or written off. For slow moving inventory, an estimate is made of the age of each main category on inventory rotation.

The calculation of the general adjustment for the depreciation of stocks is made monthly depending on the age of the existing items in stock, applying the following percentages according to age: 0 - 12 months 0%; 1 - 2 years 10%; 2 - 3 years 30% - 40%; over 3 years 75% - 80%. The company holds a minimum safety stock of spare parts and materials

The cost of natural gas used for the balancing activity related to the transmission system is determined based on the average weighted cost method.

The minimum gas stock that the company, as holder of the national natural gas transmission system operating license is required to have in underground storage facilities, is established by decision of the President of the National Energy Regulatory Authority (ANRE President). The Decision no.748/14.04.2021 of the ANRE President established the obligation for the company to have a level of natural gas stock of 597.115,143 MWh as at 31 October 2021.

**3.11. Trade receivables**

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If the collection period is one year or less (or in the normal operating cycle of the business), they are classified as current assets.

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, minus the adjustments for impairment.

For the application of IFRS 9 on the held receivables, based on a loss estimation model, the clients categories were reconsidered starting from the IFRS 9 principle for the anticipation of a non-cashing in risk related to the current receivables.

The debt adjustment policy according to IFRS9 is presented in note 12.

To estimate the trade receivables non-collection risk, a non-collection rate based on risk categories was applied as follows:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

### 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- international transmission receivables - receivables with no risk of collection in 2021 and with risk of non-collection on-time as of 2022. As at 31 December 2023, depreciation adjustments are calculated at 100% of the amount of the receivable;
- doubtful or contested other than affiliated parties receivables - receivables with high risk of non-collection that are subject to certain court actions. Impairment adjustments of 100% of the receivables amount are calculated;
- affiliated parties receivables - risk-free receivables are adjusted by seniority instalments, i.e. within the range 31-60 a 10% percentage, 61-90 a 20% percentage, 91-120 a 30% percentage, 121-150 a 35%, 151-180 a 60%, and over 181 with a 100% percentage. Doubtful receivables subject to court actions are provisioned with up to 100% of the amount. An adjustment of 100% for receivables exceeding 30 days and of 5% for current receivables is made up for the receivables that are not subject to court actions and have a non-collection risk;
- Various clients (other trade receivables and receivables from various debtors) - the risk-free receivables are provisioned by seniority instalments, 10% for the range 31-60, 20% for the 61-90, 30% for the range 91-120, 35% for the range 121-150, 60% for the range 151-180, and 100% for the receivables over 181. Doubtful receivables subject to court actions are provided with up to 100% of the amount. For receivables that are not subject to court actions and have a risk of non-collection, a provision of 100% for the receivables exceeding 30 days and 5% for the current receivables is made up.

#### 3.12 Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, cash in current accounts with banks, other short-term investments with high liquidity and with maturity terms of up to three months and overdrafts from banks. In the statement of financial position, overdraft facilities are registered at loans, under current liabilities.

#### 3.13 Equity

##### *Share capital*

Ordinary shares are classified as equity.

Additional costs directly attributable to the issue of new shares or options are registered at equity as a deduction, net of tax, from the receipts.

##### *Dividends*

Dividends are recognized as liabilities and deducted from equity at the end of the reporting period if they are declared before or at the end of the reporting period. Dividends are recognized when they are proposed before the end of the reporting period, or when they were proposed or declared after the end of the reporting period but before the date the financial statements were approved for issue.

The company did not distribute partial dividends during the financial year.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Reserves*

Reserves are accounted for by categories of reserves: legal reserves, statutory or contractual reserves, reserves from reinvested earnings and other reserves.

Legal reserves are established annually from the company's profits, in the proportions and within the limits laid down by law, and from other sources laid down by law. Legal reserves may be used only under the conditions provided for by law.

*Retained earnings*

Comprise the result carried forward from the takeover at the beginning of the current financial year of the profit and loss account result of the previous financial year and the result carried forward from the correction of accounting errors.

**3.14 Borrowings**

Borrowings are recognized initially at fair value, net of grant costs recorded. Subsequently, borrowings are stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss during the borrowings, based on the effective interest method.

Borrowings are classified as current liabilities, unless the company has an unconditional right to defer payment of debt for no less than 12 months after the end of the reporting period.

**3.15 Current and deferred profit tax**

Tax expense for the period includes the current tax and the deferred tax and is recognized in profit or loss, unless it is recognized in other items of the comprehensive income or directly in equity because it relates to transactions that are, in turn, recognized in the same or in a different period, in other items of the comprehensive income or directly in equity.

Current profit tax expense is calculated based on the tax regulations in force at the end of the reporting period. The company periodically evaluates situations where the applicable tax regulations are subject to interpretation and establishes provisions/ adjustments for impairment, where appropriate, for the amounts with accounting/fiscal impact.

The deferred profit tax is recognized based on the liability method, on temporary differences arising between the tax bases of assets and liabilities and their book values in the financial statements. However, the deferred profit tax arising from the initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction does not affect the accounting profit and the taxable revenue is not recognized. The deferred profit tax is determined based on tax rates (and legal regulations) in force until the end of the reporting period and which are expected to apply in the period in which the deferred profit tax asset is realized or the deferred profit tax liability is settled.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred revenue tax assets are recognized to the extent that it is probable that future taxable profit be derived from temporary differences.

**3.16 Commercial payables and other payables**

Suppliers and other payables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method. Commercial payable accounts and other payables are closed as a result of the payment of debts, offsetting with receivables or their write-off through the profit and loss account.

**3.17 Deferred revenue**

Deferred revenue is recorded for connection fees applied to customers upon their connection to the gas transmission network, for the objectives received free of charge and for grants collected.

The grants collected are assimilated to the governmental subsidies.

The governmental subsidies are acknowledged to their market value when there is a reasonable assurance that they will be received and that the relevant conditions will be met.

For the connection fees applied to the clients for their connection to the gas transmission network and to the facilities received free of charge, for the grants the company chose to record the total asset value and a deferred revenue.

The company recognizes a right to collect the grant when there is reasonable assurance that it will comply with the conditions attached to its award and that the grant will be received. The Company considers that the reasonable assurance that the grant will be received can be confirmed by the fulfillment of the eligibility conditions in the funding applications, prior to the approval of the funding application.

The income from the grant is recognized proportionally from the amortization of the financed assets, applying the percentage of financing of the eligible expenses on the monthly amortization.

**3.18 Employee benefits**

In the normal course of business, the company makes payments to the Romanian state on behalf of its employees, for health funds, pensions and unemployment benefits. All the company employees are members of the pension plan of the Romanian state, which is a fixed contribution plan. These costs are recognized in the profit and loss account with the recognition of salary expenses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Benefits granted on retirement*

Under the collective agreement, the company must pay the employees on retirement a compensatory amount equal to a certain number of gross salaries, depending on the time worked in the gas industry, working conditions etc. The company recorded a provision for such payments (see Note 21). The obligation recognized in the balance sheet represents the present value of the obligation at the balance sheet date. The obligation is calculated annually by independent experts using the Projected Unit Credit Method. The present value is determined by discounting future cash flows with the interest rate of the long-term government bonds.

The current service cost is recognized in the profit and loss account in the employee costs. Interest expense is included in the profit and loss account in the financial costs.

Actuarial gain or loss due to changes in actuarial assumptions is recognized in the statement of comprehensive income in the period for which the actuarial calculation is made.

*Social insurance*

The company records expenses related to its employees, as a result of granting social insurance benefits. These amounts mainly include the implicit costs of employing workers and, therefore, are included in the salary expenses.

*Profit sharing and bonuses*

The company recognizes an obligation and expense for bonuses and profit sharing, based on a formula taking into account the profit attributable to the company's shareholders, after certain adjustments. The company recognizes an obligation where it is required under contract or where there is a past practice which created an implicit obligation.

**3.19 Provisions for risks and charges**

The provisions for risks and charges are recognized when the company has a legal or implicit obligation as a result of past events, when for the settlement of the obligation an outflow of resources is required, which incorporates economic benefits and for which a credible estimate can be made in terms of the obligation value. Where there are similar obligations, the probability for an outflow of resources to be necessary for settlement is set after the assessment of the obligation class as a whole. The provision is recognized even if the probability of an outflow of resources related to any item included in any obligation class is reduced. Where the company expects the writing back to revenue of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is theoretically certain.

Provisions are measured at the discounted value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**30.20 Revenue recognition**

Revenue covers the fair value of amounts received or receivable from the sale of services and/or goods in the normal course of business of the company. Revenue is recorded net of value added tax, returns, rebates and discounts.

The company recognizes the revenue when transactions and events occur, when their amount can be estimated with certainty, when it is probable that the entity collects future economic benefits and when certain criteria are met for each of the company's activities as described below. The amount of revenue is not considered reliably estimated until all contingencies relating to the sale are settled. The company bases its estimates on historical results, taking into account the type of customer, type of transaction and the specifics of each commitment.

*a) Revenue from services*

Revenue from the domestic and international gas transmission results from the booking the transmission capacity and from the transmission through the NTS of the determined quantities of natural gas, expressed in units of energy, during the validity of a gas transmission contract, and are recognized at the moment of their delivery. During the administration of the transmission contracts, the TSO issues and submits to the NU, by day 15 of the month following the month for which the transmission service was provided: an invoice for the transmission services provided for the previous month, based on the final allocations; an invoice related to the final daily imbalances registered in the previous month; and an invoice exceeding of the capacity booked.

Revenue from international transmission and similar activities are represented by the transmission capacity booking on the Isaccea 2.3 - Negru Voda 2.3 international transmission pipelines and by the amounts receivable for the reporting period under the Termination Agreement of the legacy contract between SNTGN Transgaz SA and GPE concluded for the transmission of natural gas through the T3 transit pipeline on Romanian territory to third countries. According to the Agreement for the termination of the legacy Contract between SNTGN Transgaz SA and GPE, the payment of the remaining amounts to be paid will be made in instalments over a maximum period of three years and the revenues received from transmission are regulated according to ANRE Order 41/2019 and ANRE Order 34/2014 respectively depending on the points where capacity is booked, the monthly difference being classified as assimilated revenues.

According to the Network Code, the gas delivery day is defined as the time period beginning at 7:00 a.m. Romanian local time on any day and ending at 7:00 a.m. Romanian local time on the following day. The gas day shall be reduced to 23 hours at the changeover to daylight saving time and increased to 25 hours at the changeover to winter time, so that all related rights and obligations under the gas transmission contracts shall be increased or reduced accordingly on those gas days

*b) Revenue from the sale of goods*

Revenue from the sale of goods is registered when the goods are delivered.

*c) Interest revenue*

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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Interest revenue is recognized proportionally, based on the effective interest method.

**3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*d) Revenue from dividends*

Dividends are recognized when the right to receive payment is recognized.

Non-cash transactions were excluded from the cash flow statement, so investing activities, financing activities, and all operational activities represent current cash flows.

No barter transactions were performed in 2023 and in 2022.

*e) Revenue from penalties*

Revenue from penalties for late payment is recognized when future economic benefits are expected for the company.

**3.21. Related parties**

The Parties are considered related if one of the parties has the ability to control the other party, to exercise a significant influence over the other party in financial or operational decision making, if they are under the common control with another party, if there is a joint venture in which the entity is an associate or a member of the management as described in the IAS 24 `Related Party Disclosures`. In evaluating each possible related party relationship, the focus is on the essence of this relationship and not necessarily on its legal form. Related parties may enter into transactions which unrelated parties cannot conclude, and transactions between related parties will not apply the same terms, conditions and values as for unrelated parties.

**4. 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. 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.

**(a) Market risk**

**(i) Currency risk**

The company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets (Note 12) and recognized liabilities.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

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

	<b>31 December 2023</b>	<b>31 December 2022</b>
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	684.054	717.466
USD depreciation by 10%	(684.054)	(717.466)
EUR appreciation by 10%	(43.314.636)	(48.434.205)
EUR depreciation by 10%	43.314.636	48.434.205

(ii) **Price risk**

The company is exposed to the commodity price risk related to 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 4.888.012 (on December 2022: lei 6.204.117).

(iii) **Interest rate risk on cash flow and fair value**

The company is exposed to interest rate risk by its bank deposits and variable interest loans. The company did not conclude any commitment to diminish the risk. For the average exposure of the period, if the interest rates had been lower/higher by 50 basis points, with all the other variables maintained constant, the profit related to the period and equity would have been higher/lower by lei 9.012.228 (December 2022: lei 8.799.596 higher/lower) as a result of reducing the interest rate for variable interest loans and the interest rate on the bank deposits.

(b) **Credit risk**

Credit risk is especially related to cash and cash equivalents and trade receivables. The company drew up a number of policies, through their application ensuring that sales of products and services are made to proper customers. The book value of receivables, net of adjustments for doubtful debts, represents the maximum value exposed to credit risk. The company's credit risk is concentrated on the 5 main customers, which together account for 43% of the trade receivable balances on 31 December 2023 (31 December 2022: 50%). 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.

As at 31 December 2023 the company has available off-balance sheet payment guarantees from its clients amounting to lei 497.073.837.

Cash is placed with financial institutions, which are considered as associated to a minimum performance risk.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Without rating	33.048.306	336.387
BB+	251.805.038	146.038.192
BBB-	276.682.320	147.205.763
BBB	614.290	34.429.420
BBB+	150.261.015	90.012.913
A+	134.911	135.448
AA	<u>156.187</u>	<u>319.570</u>
	<b><u>712.702.067</u></b>	<b><u>418.477.693</u></b>

All the financial institutions are presented in the Fitch rating or equivalent.

**(c) *Liquidity risk***

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

The company projects cash flows. The financial function of the company continually monitors the company's liquidity requirements to ensure that there is sufficient cash to meet operational requirements, while maintaining a sufficient level of unused borrowing facilities (Note 16) at any time, so the company does not violate the limits or loan agreements (where applicable) for any of its borrowing facilities. These projections take into account the company's debt financing plans, compliance with agreements, compliance with internal targets on the balance sheet indicators and, where appropriate, external regulations or legal provisions.

The Financial Division of 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 obligations on 31 December 2023 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

Maturity analysis of financial liabilities on 31 December 2023 is as follows:

	<b><u>Total amount</u></b>	<b><u>Less than 1 year</u></b>	<b><u>1-5 years</u></b>	<b><u>Over 5 years</u></b>
Loans	3.093.774.456	582.926.342	1.395.339.865	1.115.508.249
Commercial payables and other payables	555.757.798	528.124.416	27.633.382	-
Debts related to rights of use of leased assets	<u>146.564.072</u>	<u>31.756.889</u>	<u>114.807.183</u>	<u>-</u>
	<b><u>3.796.096.326</u></b>	<b><u>1.142.807.647</u></b>	<b><u>1.537.780.430</u></b>	<b><u>1.115.508.249</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

Maturity analysis of financial liabilities on 31 December 2022 is as follows:

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	2.870.185.324	274.804.999	1.531.875.310	1.063.505.015
Commercial payables and other payables	543.784,113	543.784,113	-	-
Debts related to rights of use of leased assets	<u>17.929.828</u>	<u>3.751.347</u>	<u>14.178.481</u>	<u>-</u>
	<u>3.431.899.265</u>	<u>822.340.459</u>	<u>1.546.053.791</u>	<u>1.063.505.015</u>

Commercial payables and other payables include trade payables, suppliers of fixed assets, dividends payable, payables and other payables (see Note 19) and are not included: payables generated as a result of the legal provisions imposed by the authorities, payables to the employees and advance registered revenue.

Financial instruments categories:

	<u>31 December 2023</u>	<u>31 December 2022</u>
<b>Financial assets</b>		
Cash and cash equivalents	123.999.082	233.977.930
Term bank deposits	588.813.963	184.688.625
Loans and receivables	2.781.926.204	2.432.068.467
Financial assets - stakes	24.578.237	24.578.237
Provisions related to financial assets - stakes	<u>(24.578.237)</u>	<u>(24.578.237)</u>
	<b><u>3.494.739.249</u></b>	<b><u>2.850.735.022</u></b>
<b>Financial liabilities</b>		
Debts evaluated to amortised cost:		
Loans	2.481.579.111	2.190.892.341
Liabilities evaluated at fair value:		
Financial securities for contracts	50.446.894	44.668.511
Commercial liabilities and other liabilities	<u>507.098.374</u>	<u>504.810.001</u>
	<b><u>3.039.124.379</u></b>	<b><u>2.740.370.853</u></b>

In the category including loans and liabilities, the liabilities related to employees and payables registered in advance are not included.

On 31 December 2023, the amount of lei 152.476.340 (31 December 2022: lei 30.908.640) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 4% in USD (31 December 2022: 23%) and 96% in EUR (31 December 2022: 77%).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**Capital risk management**

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

As for the other companies in this sector, the company monitors the capital based on the indebtedness degree. This coefficient is calculated as net debt divided by total capital. The net debt is calculated as total borrowings (including `current and long-term borrowings`, according to the statement of financial position), except for cash and cash equivalent. The total capital is calculated as `equity`, according to the statement of the financial position, plus the net debt.

The net indebtedness degree on 31 December 2023 and on 31 December 2022 is reflected in the table below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Total borrowings	2.481.579.111	2.190.892.341
Except: cash and cash equivalents (Note 13)	<u>(712.813.045)</u>	<u>(418.666.555)</u>
Net cash position	<u>1.768.766.066</u>	<u>1.772.225.786</u>
Equity capital	4.216.113.767	4.140.908.265
Leverage ratio	0,40	0,43

**Fair value estimate**

The fair value of the financial instruments traded on an active market is based on market prices quoted at the end of the reporting period. The fair value of the financial instruments that are not traded on an active market is set using valuation techniques.

It is considered that the book value less the impairment adjustment of trade receivables and payables approximate their fair values. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES**

**Critical accounting estimates and assumptions**

The company develops estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including predictions of future events considered reasonable under certain circumstances.

The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and assumptions that have a significant risk of causing an important material adjustment to the book value of assets and liabilities within the next financial year are presented below.

**5.1 Assumptions for the determination of the provision for retirement benefits**

This provision was calculated based on estimates of the average wage, the average number of employees and the average number of wage payment at retirement, as well as based on the benefits payment scheme. The provision was brought to the present value by applying a discount factor calculated based on the risk-free interest rate (i.e. interest rate on government bonds).

The present value of the obligations at 31 December 2023 is of lei 130.942.400 (on 31 December 2022: lei 115.479.575) (Note 21).

Current value presentation for the year 2023 according to the following variables:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Inflation rate +1%	139.815.630	126.823.240
Inflation rate -1%	121.986.797	105.427.034
Investment return +10%	125.899.775	107.561.146
Investment return -10%	135.764.481	124.374.482

Analysis of the maturity of benefits payments:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Up to one year	16.135.217	5.282.194
Between 1 and 2 years	6.323.131	3.249.417
Between 2 and 5 years	22.807.715	12.661.427
Between 5 and 10 years	112.046.635	104.323.736

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)**

**5.2 The accounting treatment of the concession agreement**

As indicated in Note 8, in May 2002 the company concluded a Concession Agreement with the National Agency for Mineral Resources (`ANRM`), which entitles the company to use the main pipelines of the national gas transmission system for a period of 30 years. Before concluding this agreement, the pipelines were managed by the company according to Public Domain Law No. 213/1998, Government Decision (`GD`) No. 491/1998 and GD No. 334 of 2000 by which the company was established. According to the provisions of this agreement, the company receives most of benefits associated to assets and is exposed to most of the risks. Therefore, the company recognized these assets in the statement of the financial position, with an appropriate reserve in equity.

Regarding the already existing infrastructure on the date of signing the Concession Agreement, given that the company has no payment obligations at the time of terminating the Concession Agreement (but only obligations on maintenance and modernization, investments in new pipelines), the company's management considered that it is, in substance, an equity component, defined as the residual interest in the company's assets after the deduction of all debts. In addition, because the company and its predecessor, SNGN Romgaz SA, were controlled by the Romanian state, the publication of Public Patrimony Law (i.e. loss of property) and the reorganization of SNGN Romgaz SA into 5 companies can be treated as transactions with shareholders, in its capacity of shareholder, which supports the recognition of transactions in equity. As of 2010, the company applied IFRIC 12 (Note 3.5).

**5.3 The accounting treatment of royalties payable for using the national gas transmission system**

As indicated in Note 8, the company pays royalties, calculated as percentage of the gross revenue achieved from the operation of pipelines of the national gas transmission system. These costs were recognized as expenses, rather than deduction from revenue, because they are not of the nature of taxes collected from customers and sent to the state, given the nature of activity and the regulatory framework:

- the company's revenue is based on tariffs approved by another regulator than the one setting the level of royalties;
- expense with royalties is an item taken into consideration at the calculation of the transmission tariff;

As of 1 January 2020, according to ANRE Order no. 1/2020, the company has the obligation to pay annually to ANRE a tariff amounting to 0.062 lei MWh applied to the quantity of natural gas transmitted for carrying out activities in the natural gas sector based on a license.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)**

**5.4 Long-term receivables**

The company believes that the legislative change represents a compensation for the value of the investments made, which the company will not recover through the tariff, implicitly the value of the intangible asset not recovered through the tariff, recognized for the right to charge users.

As of 01.01.2018, IFRS 15 Revenue from Contracts with Customers became applicable in Romania. This standard replaces some older standards (such as IAS 11, IAS 18) and amends IFRIC 12 by introducing new interpretations to the notion of a contract. As a result, the company applies the bifurcated model registering the updated receivable related to the regulated amount remaining unamortized at the end of the concession agreement as a financial asset the intangible asset will be presented in the financial statements by the residual method resulted less the value of the construction works, achieved at fair value with the amount of the updated long term receivable (compensation) upon the commissioning of the investment.

The present value was determined for the remaining period of the concession contract (the year 2032), because it is estimated that it will not be terminated before the expiration date (see Note 3.9 (a)).

In 2019 ANRE Order no. 41/2019 on the adjustment of the regulated value of the assets at the inflation rate entered into force. The company records the present value of the contractual cashflows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

From 2021 onwards, the company has changed the way of estimating the discount rate for the present value calculation, using instead of the Bloomberg rate the NBR reference rate for government securities (fixing), considering that this rate reflects with increased fidelity the internal context in which the transactions take place; by using a rate fixed for a period of 10 years, there is no need for a sensitivity analysis associated with this calculation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. INFORMATION ON SEGMENTS**

Reporting segments are set according to the nature of the activities conducted by the company: the regulated activity, the unregulated activity and other activities. As transmission system operator, the company reported annually to the National Regulatory Authority on the activity performed on the four reporting segments.

The segment information provided to the Board of Administration, which makes strategic decisions for reportable segments, for the period ended 31 December 2023 is:

	<u>Domestic gas transmission</u>	<u>International gas transmission</u>	<u>Balancing</u>	<u>Unallocated</u>	<u>Total</u>
Revenue from domestic transmission	1.519.952.227	-	-	-	1.519.952.227
Revenue from international transmission and similar	-	116.305.612	-	-	116.305.612
Other revenue	<u>80.226.530</u>	<u>3.955.052</u>	-	<u>65.065.126</u>	<u>149.246.708</u>
<b>Operating revenue before the balancing and the construction activity according to IFRIC12</b>	<b><u>1.600.178.757</u></b>	<b><u>120.260.664</u></b>	<b>-</b>	<b><u>65.065.126</u></b>	<b><u>1.785.504.547</u></b>
Depreciation	(426.027.028)	(29.453.466)	-	(26.635.455)	(482.115.949)
Operating expenses other than depreciation	<u>(964.305.025)</u>	<u>(131.664.520)</u>	-	<u>(87.056.376)</u>	<u>(1.183.025.921)</u>
<b>Profit from operation before the balancing and construction activity according to IFRIC12</b>	<b><u>209.846.704</u></b>	<b><u>(40.857.322)</u></b>	<b>-</b>	<b><u>(48.626.704)</u></b>	<b><u>120.362.678</u></b>
Revenue from the balancing activity	-	-	458.810.505	-	458.810.505
Cost of balancing activity	-	-	(458.810.505)	-	(458.810.505)
Revenue from the construction activity according to IFRIC12	-	-	-	182.449.856	182.449.856
Cost of constructed assets according to IFRIC12	-	-	-	(182.449.856)	(182.449.856)
<b>Operating profit</b>	<b><u>209.846.704</u></b>	<b><u>(40.857.322)</u></b>	<b>-</b>	<b><u>(48.626.704)</u></b>	<b><u>120.362.678</u></b>
Net financial gain	-	-	-	-	98.561.464
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>218.924.142</b>
Profit tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(33.207.620)</u>
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>185.716.522</b>
Assets on segments	6.910.056.361	142.715.202	338.174.615	1.371.163.128	8.762.109.306
Liabilities on segments	3.566.535.816	2.745.850	598.371.213	378.342.660	4.545.995.539
Capital expenditure - increases in assets in progress	215.529.212	68.441	-	1.621.554	217.219.207
Non-monetary expenses other than depreciation	(17.590.419)	(126.843.750)	(8.026.801)	(68.514)	(152.529.484)

In 2023 the subsidiaries Eurotransgaz SRL and Vestmoldtransgaz carried out the transmission activity, their assets of Lei 645.834.694 and liabilities of Lei 375.755.059 are shown under the unallocated segment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. INFORMATION ON SEGMENTS (CONTINUED)**

Assets shown for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. Assets shown for the balancing segment comprise mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

*Unallocated assets include:*

Tangible and intangible assets	422.632.045
The right of use of the leased assets	173.445.968
Goodwill	10.126.276
Cash	712.813.045
Deffered tax	5.116.271
Other assets	<u>47.029.523</u>
	<b>1.371.163.128</b>

*Unallocated liabilities include:*

Deffered tax	-
Dividends payable	1.095.532
Loans	186.820.012
Other debts	<u>190.427.116</u>
	<b>378.342.660</b>

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity și the borrowings contracted to finance the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the write-down of inventories, provisions for risks.

Transmission services are performed for several domestic and foreign clients.

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from the domestic transmission	1.237.088.453	282.863.774	1.519.952.227
Revenue from international transmission and similar	-	116.305.612	116.305.612
Other revenue	<u>136.719.297</u>	<u>12.527.411</u>	<u>149.246.708</u>
	1.373.807.750	411.696.797	1.785.504.547

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**6. INFORMATION ON SEGMENTS (CONTINUED)**

<b><i>Domestic clients with over 10% of the total revenue include:</i></b>	<b><u>Percentage of the total revenue</u></b>
OMV PETROM SA	16%
ENGIE ROMANIA S.A.	12%
SNGN ROMGAZ SA	10%

All parent company's assets are located in Romania. All parent company's activities are carried out in Romania.

The company has external trade receivables amounting to lei 169.254.185 (31 December 2022: lei 30.908.640).

The *domestic gas transmission* segment includes information related to the activity of domestic gas transmission, which is regulated by the National Regulatory Authority as well as the operating and financial revenue related to the claims for the regulated value of the regulated asset base remained undepreciated at the end of the Concession Agreement; the *international gas transmission* segment includes information related to the activity of pipeline gas transmission without the transshipment of the Romanian territory and similar; the *balancing* segment includes expenses and revenue related to the national transmission system balancing activity developed starting with 1 December 2015, neutral in financial terms, any profit or loss from this activity will be distributed to clients for whom domestic transmission services are provided; the *unallocated* segment includes activities with a low share in the company's revenue such as sales of assets, rents, royalties.

The information on segments provided to the Board of Administration, who makes strategic decisions for the reporting segments, related to the financial year ended 31 December 2022, is as follows:



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**6. INFORMATION ON SEGMENTS (CONTINUED)**

	<b>Domestic gas transmission</b>	<b>International gas transmission</b>	<b>Balancing</b>	<b>Unallocated</b>	<b>Total</b>
Revenue from domestic transmission	1.356.044.593	-	-	-	1.356.044.593
Revenue from international transmission and similar	-	73.926.517	-	-	73.926.517
	<u>64.311.464</u>	<u>-</u>		<u>85.000.927</u>	<u>149.312.392</u>
Other revenue			=		
<b>Operating revenue before the balancing and the construction activity according to IFRIC12</b>	<b><u>1.420.356.058</u></b>	<b><u>73.926.517</u></b>	<b><u>-</u></b>	<b><u>85.000.927</u></b>	<b><u>1.579.283.502</u></b>
Depreciation	(392.636.059)	(29.334.202)	-	(13.439.704)	(435.409.965)
Operating expense other than depreciation	<u>(892.220.675)</u>	<u>(24.216.023)</u>	=	<u>(81.121.030)</u>	<u>(997.557.728)</u>
<b>Profit from operation before the balancing activity according to IFRIC12</b>	<b><u>135.499.324</u></b>	<b><u>20.376.292</u></b>	<b><u>-</u></b>	<b><u>(9.559.807)</u></b>	<b><u>146.315.809</u></b>
Revenue from the balancing activity	-	-	1.005.543.997	-	1.005.543.997
Cost of balancing gas	-	-	(1.005.543.997)	-	(1.005.543.997)
Revenue from the construction activity according to IFRIC12	-	-	-	299.868.442	299.868.442
Cost of constructed assets according to IFRIC12	-	-	-	(299.868.442)	(299.868.442)
<b>Profit from operation</b>	<b><u>135.499.324</u></b>	<b><u>20.376.292</u></b>	<b><u>=</u></b>	<b><u>(9.559.807)</u></b>	<b><u>146.315.809</u></b>
Net financial gain	-	-	-	-	273.259.929
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>419.575.738</b>
Profit tax	<u>-</u>	<u>-</u>	<u>=</u>	<u>-</u>	<u>(72.507.267)</u>
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>347.068.471</b>
Assets on segments	6.560.071.640	175.201.017	646.355.866	875.512.292	8.257.140.815
Liabilities on segments	3.426.729.582	558.370	492.686.382	196.258.216	4.116.232.550
Capital expenditure - increases in assets in progress	335.905.595	812.328	-	82.421	336.800.344
Non-cash expenses other than depreciation	48.601.989	22.035.187	9.544.329	497.538	80.679.043

In 2021 the subsidiaries Eurotransgaz SRL and Vestmoldtransgaz did not carry out any transmission activity, the assets recorded by the subsidiaries in the amount of lei 250.723.298 and the liabilities in the amount of 192.560.793 lei are presented in the unallocated segment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 (expressed in lei, unless otherwise stated)

**6. INFORMATION ON SEGMENTS (CONTINUED)**

Assets indicated for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. The presented assets for the balancing segment are mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

*Unallocated assets include:*

Tangible and intangible assets	415.225.550
Right of use of leased assets	16.934.813
Goodwill	9.566.769
Cash	418.666.555
Other assets	<u>15.118.604</u>
	<b>875.512.292</b>

*Unallocated liabilities include:*

Deferred tax	3.053.157
Dividends payable	1.627.487
Loans	187.411.020
Other debts	<u>4.166.551</u>
	<b>196.258.216</b>

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the expense with the write-down of inventories, other provisions for risks.

International transmission services are provided for several foreign customers, while the domestic transmission activity is performed for several domestic customers.

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from domestic transmission	1.146.821.286	209.223.307	1.356.044.593
Revenue from international transmission and the similar	-	73.926.517	73.926.517
Other revenue	<u>149.312.392</u>	<u>-</u>	<u>149.312.392</u>
	1.296.133.678	283.149.824	1.579.283.502

***Domestic clients with over 10% of the total revenue include:      Percentage of the total revenue***

ENGIE ROMANIA S.A.	11%
SNGN ROMGAZ SA	11%
OMV PETROM SA	11%
E.ON ENERGIE ROMANIA S.A.	8%

All the parent company's assets are located in Romania. All the parent company's activities are carried out in Romania.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**7. TANGIBLE ASSETS**

	<u>Lands and buildings</u>	<u>Transmission system assets</u>	<u>Other fixed assets</u>	<u>Assets in progress</u>	<u>Total</u>
<b>On 31 December 2022</b>					
Cost on 1 January 2022	327.070.830	972.044.444	616.986.657	119.541.658	2.035.643.589
Depreciation accumulated	(175.826.406)	(728.037.951)	(277.025.016)	-	(1.180.889.373)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Exchange rate difference	(55.140)	-	(864.264)	-	(919.404)
<b>Initial net book value</b>	<b><u>151.189.284</u></b>	<b><u>244.006.493</u></b>	<b><u>339.097.377</u></b>	<b><u>117.885.476</u></b>	<b><u>852.178.630</u></b>
Inflows	-	-	142.779	31.214.996	31.357.775
Reclassifications	(4.155.654)	4.092.161	(37.456)	-	(100.949)
Transfers	16.183.601	8.843.457	111.869.059	(136.896.117)	-
Outflow (net value)	(6.170)	-	(21.443)	-	(27.613)
Expense with depreciation	(7.432.205)	(32.625.704)	(36.738.668)	-	(76.796.577)
Exchange rate difference	(450.523)	-	(3.483.401)	(1.483.634)	(5.417.558)
<b>Final net book value</b>	<b><u>155.328.333</u></b>	<b><u>224.316.407</u></b>	<b><u>410.828.247</u></b>	<b><u>10.720.721</u></b>	<b><u>801.193.708</u></b>
Cost	337.971.864	984.844.069	720.044.407	12.376.903	2.055.237.243
Accumulated depreciation	(182.714.685)	(760.527.662)	(309.826.037)	-	(1.253.068.384)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Exchange rate difference	71.154	-	609.877	-	681.031
<b>Final net book value</b>	<b><u>155.328.333</u></b>	<b><u>224.316.407</u></b>	<b><u>410.828.247</u></b>	<b><u>10.720.721</u></b>	<b><u>801.193.708</u></b>
<b>On 31 December 2023</b>					
<b>Initial net book value</b>	<b><u>155.328.333</u></b>	<b><u>224.316.407</u></b>	<b><u>410.828.247</u></b>	<b><u>10.720.721</u></b>	<b><u>801.193.708</u></b>
Inflows	-	-	1.736.647	23.120.853	24.857.500
Reclassification	613.704	-	(624.502)	-	(10.798)
Transfers	834.672	1.657.952	20.470.238	(22.962.862)	-
Outflow (net value)	(67.855)	(378)	(72.547)	-	(140.780)
Expense with depreciation	(9.828.278)	(31.940.939)	(37.149.387)	-	(78.918.604)
Exchange rate difference	2.265.627	-	19.833.433	-	22.099.060
<b>Final net book value</b>	<b><u>149.146.203</u></b>	<b><u>194.033.042</u></b>	<b><u>415.022.129</u></b>	<b><u>10.878.712</u></b>	<b><u>769.080.086</u></b>
Cost	341.395.327	986.500.401	756.300.057	12.534.894	2.096.730.679
Accumulated depreciation	(192.141.145)	(792.467.359)	(340.423.031)	-	(1,325,031,535)
Adjustments for impairment	-	-	-	(1,656,182)	(1,656,182)
Exchange rate difference	(107.979)	-	(854.897)	-	(962.876)
<b>Final net book value</b>	<b><u>149.146.203</u></b>	<b><u>194.033.042</u></b>	<b><u>415.022.129</u></b>	<b><u>10.878.712</u></b>	<b><u>769.080.086</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**7. TANGIBLE ASSETS (CONTINUED)**

The gross book value of the fully depreciated assets, still used, is lei 384.773.206 (31 December 2022: lei 362.285.728). On 31 December 2023 no advances granted for the procurement of tangible assets are registered. Regarding the assets developed by the company, which are complementary to the provision of services according to the concession agreement, the State has the option to acquire these assets at the end of the concession agreement. The company does not have the obligation to keep these assets until the end of the concession agreement and it is allowed to sell them. These assets do not fall within the scope of IFRIC 12. All the other assets related to the domestic transmission activity and which are part of the national gas transmission system, including improvements made after signing the concession agreement and which must be handed over to the ANRM at the end of the concession agreement fall within the scope of IFRIC 12.

The company does not depreciate the tangible assets approved for discarding and does not own pledged fixed assets. Impairment adjustments were made for in-progress works for which completion and commissioning is uncertain.

**7.1. The rights of use of the leased assets (IFRS 16)**

As of 1 January 2019, the company applies IFRS 16 for the leasing contracts complying with the recognition criteria and recognized the intangible asset as a right of use related to the leasing contract:

	<u>Leases according to IFRS16</u>
<b>Cost on 1 January 2023</b>	31.618.029
Accumulated depreciation	(14.683.216)
Net book value	<u>16.934.813</u>
Inflow	170.293.128
Outflow	(514.064)
Depreciation	(13.082.151)
Exchange rate difference	<u>(185.758)</u>
Final net book value on 31 December 2023	<u>173.445.968</u>

Detailed information on IFRS 16 as at 31 December 2023:

	<b>31 December 2023</b>	<b>Forestry conventions</b>	<b>VMTG lease contract</b>
Value as use (DU)	201.397.093	16.299.859	152.193.355
Depreciation related to DU	27.951.125	5.352.675	4.195.274
DU interest	5.138.577	459.195	3.974.175
Debt regarding DU	176.453.835	11.766.703	149.145.130
From which:			
Short term	31,756,889	1.255.584	27.168.268
Long term	144,696,947	10.511.119	121.976.862

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. TANGIBLE ASSETS (CONTINUED)**

	<b><u>Leases according to IFRS16</u></b>
<b>Cost on 1 January 2022</b>	<b>30.660.861</b>
Accumulated depreciation	(11.043.725)
<u>Net book value</u>	<u>19.617.136</u>
Inflow	1.517.869
Outflow	(560.701)
Depreciation	(3.639.491)
Final net book value on 31 December 2022	<u>16.934.813</u>

Detailed information on IFRS 16 as at 31 December 2022:

	<b>31 December 2022</b>	<b>Of which related to the class - Forestry conventions</b>
Value as use (DU)	31.618.029	15.944.147
Depreciation related to DU	14.683.216	4.055.249
DU interest	732.980	474.687
Debt regarding DU	17.929.828	12.577.841
From which:		
Short term	3.751.347	1.152.956
Long term	14.178.481	11.424.885

Debt according to IFRS 16 is presented in the balance sheet at long-term and short-term trade payables.

The Company recognizes a class of support assets with a cumulative value of more than USD 5000 - forestry conventions.

**8. SERVICE CONCESSION AGREEMENT**

In May 2002, the company concluded a Service Concession Agreement (‘SCA’) with the ANRM, which entitles the company to operate the main pipelines of the national gas transmission system for a period of 30 years. All modernizations and improvements made by the company to the system are considered part of the system and become property of the ANRM at the end of their useful life. The company cannot sell or discard any asset part of the national transmission system; withdrawals can only be made with the approval of the state.

At the expiration of the agreement, the assets belonging to the public domain, existing upon signing the agreement and all investments made in the system will be returned to the State. The company owns and will develop other assets that are not directly part of the national gas transmission system, but are complementary assets for gas transmission operations. The ANRM has the option to buy these assets at the end of the concession agreement, at the fair value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**8. SERVICE CONCESSION AGREEMENT (CONTINUED)**

The main terms of the Concession Agreement are the following:

- The company is entitled to operate directly the assets subject to the concession agreement and to apply and collect tariffs for domestic and international transmission from clients in exchange for services provided; the company is the only entity authorized to operate the pipelines of the national gas transmission system, no sub-concession being allowed;
- Any change of tariffs must be proposed by the company and then approved by the ANRE;
- The company is exempt from the payment of import duties for the assets acquired for operation, improvement or development of the system;
- The company must annually publish by 30 October the available capacity of the system for the following year;
- The company must annually respond to the clients' orders by 30 November and the ANRM must be informed on all rejected orders decided by the company's management;
- The company must keep a specific level of functioning (guaranteed through a mandatory minimum investment programme);
- royalties are paid as percentage (by 30 September 2007: 5%, between October 2007 and 11 November 2020: 10%, between 12 November 2020 – 29 October 2023: 0,4%, as of 30 October 2023: 11,5%) of the gross revenue from the operation of the national transmission system (domestic and international transmission);
- all operating expenses for operating the system are incurred by the company;
- The company may cancel the agreement by notifying the ANRM 12 months in advance;
- The ANRM may cancel the agreement by a 6-month prior notice, if the company fails to comply with the contractual conditions; it also has the option to cancel the agreement with a 30-day prior notice for 'national interest' reasons; in this case, the company will receive compensation equal to the average net profit of the past 5 years multiplied by the remaining duration of the agreement.

The Concession Agreement does not include an automatic renewal clause.

By GD 906/28 September 2023, the amendment of Annex No 22 to Government Decision No 1 was approved. 705/2006 for the approval of the centralized inventory of goods in the public domain of the State, as subsequently amended and supplemented, by including the goods resulting from the completion of the investment objective "Interconnection pipeline of the National Gas Transmission System of Romania with the National Gas Transmission System of the Republic of Moldova on the direction Iasi (Romania)-Ungheni (Republic of Moldova), electricity supply, automation, data procurement, burglary and fire surveillance" and the transfer of these goods to the administration of the National Agency for Mineral Resources and to the concession of the National Gas Transmission Company "TRANSGAZ" - S.A.

The terms of the Concession Agreement were not amended after September 2003, except for the approval of the minimum investment plans.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**9. INTANGIBLE ASSETS**

	Assets related to the ACS	Consolidation goodwill	Information programmes	Intangible assets	Assets related to the ACS
<b>On 1 December 2022</b>					
Cost on 1 January 2022	9.470.896.188	-	74.283.903	398.214.920	9.943.395.011
Accumulated depreciation	(4.712.530.466)	-	(56.429.757)	-	(4.768.960.223)
Adjustments for impairment	-	-	-	(9.142.777)	(9.142.777)
Consolidation goodwill	-	9.413.102	-	-	9.413.102
Concession Agreement receivables	(1.457.965.151)	-	-	-	(1.457.965.151)
Concession Agreement receivable depreciation	289.730.829	-	-	-	289.730.829
Exchange rate difference	-	291.573	(5.623)	-	285.950
<b>Net book value</b>	<b>3.590.131.400</b>	<b>9.704.675</b>	<b>17.848.523</b>	<b>389.072.143</b>	<b>4.006.756.741</b>
Inflow	96.448	-	-	283.898.470	283.994.918
Reclassifications	(206.242)	-	(6.193)	-	(212.435)
Transfers	138.864.565	-	7.252.587	(146.117.151)	-
Outflow	-	-	-	-	-
Depreciation	(459.406.384)	-	(5.345.239)	-	(464.751.624)
Concession Agreement receivables	(16.426.221)	-	-	-	(16.426.221)
Concession Agreement receivable depreciation	109.935.585	-	-	-	109.935.585
Exchange rate difference	-	(137.905)	(152)	-	(138.058)
	<b>3.362.989.151</b>	<b>9.566.769</b>	<b>19.749.525</b>	<b>526.853.461</b>	<b>3.919.158.907</b>
<b>Final net book value</b>					
Cost	9.609.650.958	-	81.530.297	535.996.238	10.227.177.494
Accumulated depreciation	(5.171.936.850)	-	(61.766.282)	-	(5.233.703.132)
Adjustments for impairment	-	-	-	(9.142.777)	(9.142.777)
Consolidation goodwill	-	9.413.102	-	-	9.413.102
Concession Agreement receivables	(1.474.391.371)	-	-	-	(1.474.391.371)
Concession Agreement receivable depreciation	399.666.414	-	-	-	399.666.414
Exchange rate difference	-	153.668	(14.490)	-	139.178
<b>Final net book value</b>	<b>3.362.989.151</b>	<b>9.566.770</b>	<b>19.749.525</b>	<b>526.853.461</b>	<b>3.919.158.907</b>
<b>On 31 December 2023</b>					
<b>Initial net book value</b>	<b>3.362.989.151</b>	<b>9.566.770</b>	<b>19.749.525</b>	<b>526.853.461</b>	<b>3.919.158.907</b>
Inflow	-	-	10.115.837	194.166.383	204.282.220
Reclassifications	(462.550)	-	473.348	-	10.798
Transfers	356.275.053	-	361.910	(356.636.963)	-
Outflow	-	-	-	-	-
Depreciation	(497.687.112)	-	(7.366.064)	-	(505.053.176)
Concession Agreement receivables	(80.776.665)	-	-	-	(80.776.665)
Concession Agreement receivable depreciation	115.216.450	-	-	-	115.216.450
Exchange rate difference	-	559.506	683	-	560.189
<b>Final net book value</b>	<b>3.255.554.327</b>	<b>10.126.276</b>	<b>23.335.238</b>	<b>364.382.881</b>	<b>3.653.398.722</b>
Cost	9.965.463.461	-	87.826.328	373.525.658	10.426.815.447
Accumulated depreciation	(5.669.623.961)	-	(64.490.232)	-	(5.734.114.193)
Adjustments for impairment	-	-	-	(9.142.777)	(9.142.777)
Consolidation goodwill	-	9.413.102	-	-	9.413.102
Concession Agreement receivables	(1.555.168.037)	-	-	-	(1.555.168.037)
Concession Agreement receivable depreciation	514.882.864	-	-	-	514.882.864
Exchange rate difference	-	713.174	(858)	-	712.316
<b>Net book value</b>	<b>3.255.554.327</b>	<b>10.126.276</b>	<b>23.335.238</b>	<b>364.382.881</b>	<b>3.653.398.722</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**9. INTANGIBLE ASSETS (CONTINUED)**

The minimum NTS gas quantity required to ensure the pressures and flow rates for the end consumers under the contractual conditions (NTS linepack) is recognized in the value of the right to use, as an intangible asset. On 31 December 2023 the linepack is of 809.539 MWh and amounts to lei 72.687.849, of which NTS linepack is of 693.282 MWh and amounts lei 55.712.232. On 31 December 2022 the linepack is of 837.142 MWh and amounts to lei 84.633.624, of which NTS linepack is 692.629 MWh and amounts to lei 55.557.837.

As at 31 December 2023, the company capitalized interest expense amounting to lei 4.273.861 (in 2022, the company capitalized interest expense amounting to lei 20.128.777), for NTS assets.

As at 31 December 2023 there are no advances granted for the procurement of national gas transmission system development works are presented in the intangible assets in progress (lei 6.689.361 on 31 December 2022).

The remaining life of the intangible assets is presented in Note 3.5 and Note 3.8.

As at 31 December 2023, the Company capitalized the amount of 10.113.181 lei, representing additional costs for the procurement of natural gas, incurred between 1 January 2023 and 31 December 2023 (lei 3.345.386 on 31 December 2022), in order to cover its own technological consumption compared to the costs included in the regulated tariffs, in accordance with the provisions of the Order of the Ministry of Finance no. 3900/19 October 2022, the Order of the President of ANRE no.128 /12 October 2022 and ANRE's clarifications according to which the natural gas referred to in Article 11 letter r of ANRE's Order No 41/2019 does not represent natural gas intended to cover the technological consumption of the NTS and therefore the additional costs with their purchase cannot be capitalised.

Following the acquisition of Vestmoldtransgaz SRL (VTMG) by Eurotransgaz SRL (ETG), goodwill calculated as the difference between the value of the interest and the value of the equity of VTMG weighted by the percentage of interest held, respectively 100%, was recorded in the consolidated financial statements as intangible assets. Goodwill was calculated at the date of acquisition, i.e. March 2018, and presented in the consolidated financial statements at the closing rate.

Impairment adjustments were made for work in progress for which completion and commissioning is uncertain.

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**10. FINANCIAL ASSETS**

Financial assets consist of unlisted stakes in the following companies:

<u>Company</u>	<u>Activity</u>	<u>Percentage</u>	<u>Percentage</u>	<u>31 December</u>	<u>31 December</u>
		<u>owned</u>	<u>owned</u>	<u>2023</u>	<u>2022</u>
		<u>2023</u>	<u>2022</u>	<u>(unaudited)</u>	<u>2022</u>
Resial SA	Production	68,16	68,16	18.116.501	18.116.501
	Gas production	17,47	17,47	6.461.736	6.461.736
Mebis SA	distribution and supply				
Minus adjustments for impairment of investments in: Resial SA, Mebis SA				<u>(24.578.237)</u>	<u>(24.578.237)</u>
				<u>-</u>	<u>-</u>

*Shares in Resial SA*

Shares owned in Resial SA were obtained in December 2003, as a result of a procedure for the recovery of claims due from a client. Resial SA went into liquidation in 2006; the procedure is carried out by a bailiff appointed by the court and is outside the control of the company, which is why the stake is not consolidated and is recorded at cost less the adjustment for impairment amounting to 100% of the cost. The loan granted to Resial SA is also fully adjusted. The management does not expect the company to recover any amount of this stake and the company does not guarantee any type of residual obligations for Resial SA.

*Shares in Mebis SA*

Shares owned in Mebis SA were obtained in February 2004, as a result of a procedure for the recovery of claims due from a client. Mebis SA is in the liquidation procedure, which is why the stake in Mebis SA was fully adjusted. The company has no obligations to Mebis SA.

In case of the financial assets held by Transgaz, i.e. Mebis SA and Resial SA, the application of IFRS 9 has no impact whatsoever, as such assets are measured at the fair value by the profit and loss account and 100% impairment adjustments were established.

**Goodwill**

On 28 March 2018 the Moldovan company Eurotransgaz S.R.L. owned by "SNTGN Tansgaz" S.A. Romania, concluded as buyer with the Public Property Agency of the Republic of Moldova, the contract for the sale and purchase of the single asset complex - state-owned enterprise Vestmoldtransgaz.

The company has carried out the valuation of the shareholding in Eurotransgaz S.R.L. and Vestmoldtransgaz SRL, for the estimation of the fair value of the shareholders' equity of the two companies the Adjusted Net Assets method was applied and did not identify any elements that would lead to goodwill impairment

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**10. FINANCIAL FIXED ASSETS (CONTINUED)**

Name	Fair value MDL
Net assets	140.798.149
Fair value of the consideration paid	180.200.000
Goodwill – MDL	39.401.851
Goodwill - lei equivalent on 31.12.2023	10.126.276

At the date of acquisition, the net assets of Vestmoldtransgaz SRL amounted to MDL 140.798.149 and the share capital and unregistered capital to MDL 177.408.819. The fair value of the consideration paid at the date of acquisition was MDL 180.200.000. The difference between the fair value of the consideration paid and the share capital including unregistered capital is included in goodwill and amounts to MDL 2.791.181.

Goodwill is included in the financial position of Eurotransgaz S.R.L. (parent entity) as a result of the consolidation of the financial statements, obtained by the difference between the sale value of the daughter company - Vestmoldtransgaz S.R.L. and the value of the net assets recorded in the accounts of the daughter entity at the date of purchase.

By Decision of the Extraordinary Meeting of the Shareholders No. 10 of 12.12.2017 was approved the establishment on the territory of the Republic of Moldova of the company Eurotransgaz S.R.L. in order to successfully participate in the privatization procedure of the State Enterprise Vestmoldtrasgaz.

The investment made for the purpose of the purchase was offset against the share capital of the purchased entity Vestmoldtransgaz S.R.L.

In 2021 the European Bank for Reconstruction and Development (EBRD) became a 25% shareholder of Vestmoldtransgaz S.R.L., by depositing funds in the amount of MDL 414.986.000, of which MDL 394.178.670 were recorded as a contribution to the share capital and the difference of MDL 20.807.330 was recognized as capital premiums.

For the purpose of consolidating this set of financial statements, the non-controlling interest in the Group's share capital of MDL 378.113.788 on 31 December 2023 (MDL 360.974.897 on 31 December 2022) represents EBRD's share in the total net assets of Vestmoldtransgaz S.R.L. (lei 0,2428 on 31 December 2022).

Non-controlling interests	<u>31 December 2023</u>	<u>31 December 2022</u>
Shareholders' deposits (EBRD)	82.818.034	99.452.805
Net profit for the period	4.275.162	(4.826.671)
Conversion differences from consolidation	<u>10.037.339</u>	<u>(11.808.100)</u>
Non-controlling interests	97.130.535	82.818.034

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**11. INVENTORIES**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Gas inventories	310.275.621	358.991.931
Gas for NTS consumption	180.679.213	177.148.436
Spare parts and materials	143.229.471	118.564.992
Materials in custody at third parties	466.345	1.229.524
Adjustments for write-down of inventories	<u>(51.135.358)</u>	<u>(42.752.007)</u>
	<b><u>583.515.292</u></b>	<b><u>613.182.876</u></b>

ANRE Order 160/2015 sets the obligations of Transgaz, as the transmission system operator, regarding the balancing of the national transmission system.

The company does not hold any restricted stocks and has established safety stocks amounting to Lei 11.946.702 as at 31 December 2023 (lei 9.718.830 as at 31 December 2022).

Discharge for the balancing activity is achieved by applying the weighted average cost method, and for the remaining operations by applying the first-in-first-out method (FIFO).

Movements in the adjustments account are analysed below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Adjustment on 1 January	42.752.007	29.500.148
(Revenue)/expense with adjustment for write-down of inventories (Note 23)	<u>8.383.351</u>	<u>13.251.859</u>
Adjustment at the end of the period	<b><u>51.135.358</u></b>	<b><u>42.752.007</u></b>

In 2023 adjustments for write-down of inventories were established according to Note 3.10.

The company recorded in 2022 a provision for the negative difference between the quantities of natural gas invoiced as initial imbalance and the final monthly imbalances, which will be requested to ANRE for recovery through the neutrality tariff.

**12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Trade receivables	982.985.140	792.042.763
Advance payments to suppliers for goods and services	269.690	273.170
Loan to Resial SA (Note 10)	1.770.346	1.770.346
Receivable related to the unamortized regulated value at the end of the concession agreement	2.423.669.228	2.141.205.427
Non-refundable loans as subsidies	14.140.364	17.564.563
State budget receivables	84.422.282	58.526.123
Receivables from various debtors	56.349.031	52.164.192
Fixed liabilities	46.315.542	40.490.161
Other receivables	3.876.911	23.626.698
Adjustment of impairment of trade receivables	(659.182.941)	(554.671.720)
Adjustment of impairment of other receivables	<u>(89.875.671)</u>	<u>(84.987.767)</u>
	<b><u>2.864.739.922</u></b>	<b><u>2.488.003.956</u></b>
Financial assets/ Loans and receivables (Note 4)	<u>2.781.926.204</u>	<u>2.432.068.467</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)**

The company challenged administratively the tax decision on additional tax payment obligations in the amount of lei 25.409.833 issued in 2016 by ANAF consisting of revenue tax, VAT, penalties and late payments, and set up an adjustment. The company paid the amounts mentioned in the tax decision in order to be able to carry out the activities in the directions set by the management and to facilitate the financing of future projects.

In 2020, the Company administratively challenged the tax decision regarding additional fiscal payment obligations amounting to lei 7.642.671 issued by ANAF in 2020 consisting of profit tax and VAT and constituted an adjustment. In 2022 the amount of the tax decision was reduced to 7.023.213 lei and the amount of the adjustment was also reduced by the Company.

In July 2022 the Company paid the amount of 29.277.726 lei, to which it was bound by Arbitral Award no. 39/06.06.2022, rendered by the Arbitral Tribunal in case no. 107/2018, following the conclusion of the arbitration proceedings concerning the non-fulfilment of obligations under the supply contract for "Software Licences for Additional I/Os/Bandwidth Upgrade for SCADA System", a contract concluded by Transgaz with the Association consisting of RMG REGEL UND MESSTECHNIK GmbH Germany, IDS GmbH Germany and General Fluid S.A. Bucharest. The company has appealed the arbitral tribunal's decision in court and has recorded an impairment allowance of 29.277.726 lei as at 31 December 2022.

The advance payments granted to the Company in the context of the contractual relationships are guaranteed by the suppliers by letters of bank guarantee.

For consolidation purposes as at 31 December 2023, there are no internal transactions to be eliminated (as at 31 December 2022: RON 68.027).

As at 31 December 2022 the parent Company records VAT to be refunded in the amount of 16.424.377 lei which is shown under Other receivables.

As at 31 December 2023, expenses for impairment adjustment were recorded for customers with increased risk of non-recovery in the amount of MDL 4.762.336 or MDL 1.223.921 (Gas TSO of Ukraine LLC in the amount of MDL 3.093.288 and Tiraspoltransgaz SRL in the amount of MDL 1.669.049).

Claims with the state budget recorded under other claims are related to deductible VAT through purchases of services and raw materials related to the process of construction of gas distribution networks which is managed by Vestmoldtransgaz S. R.L.

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to lei 147.131.305 according to IFRS 9 (31 December 2022: lei 286.877.258).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(expressed in lei, unless otherwise stated)

**12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
<b>Initial balance</b>	2.141.205.427	1.788.570.507
Inflow	80.776.665	16.426.221
Interest	54.622.298	49.353.233
Inflation update	147.131.305	286.877.258
Outflow	<u>(66.467)</u>	<u>(21.793)</u>
	<b><u>2.423.669.228</u></b>	<b><u>2.141.205.427</u></b>

Commercial receivables analysis according to IFRS9 is as follows:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
<b>Current and unamortized</b>		
Transit receivables	144.214.000	-
Doubtful or insolvency receivables	166.447.834	168.036.776
Affiliated party receivables	269.061.494	261.704.717
Other trade receivables	403.261.812	337.394.775
Receivables from various debtors	<u>56.349.031</u>	<u>52.980.353</u>
	1.039.334.171	820.116.621
<b>Impairment</b>		
Transit receivables	144.214.000	23.303.149
Doubtful or insolvency receivables	166.447.834	168.036.776
Affiliated party receivables	142.240.990	161.978.362
Other trade receivables	206.280.116	201.353.434
Receivables from various debtors	<u>50.453.357</u>	<u>45.565.452</u>
Total impairment	709.636.297	600.237.173
Total trade receivables net of provision	329.697.874	219.879.448

IFRS 9 applies a model for forecasting impairment loss based on the estimated loss. This model entails the anticipated recognition of the loss from receivables impairment. The standard provides for the fact that the entities register the anticipated loss by receivables impairment from the moment of the financial instrument initial recognition and recognize the anticipated loss from the impairment over their entire life. The value of the anticipated loss will be discounted for each reporting period so that it reflects the cred risk changes as opposed to the initial recognition.

Category	10%	20%	30%	35%	60%	100% Over 181 and doubtful	IFRS 9	TOTAL
	31-60	61-90	91-120	121-150	151-180			
Transit receivables	1.136.673	2.076.207	3.054.461	3.464.871	6.283.239	63.678.297	64.520.252	144.214.000
Doubtful and insolvent receivables	-	-	-	-	-	166.447.834	-	166.447.834
Related party receivables	4.141	95.573	148.356	211.427	309.492	140.059.599	1.412.402	142.240.990
Miscellaneous receivables	64.411	147.036	92.262	195.642	583.189	201.729.697	3.467.880	206.280.116
Miscellaneous receivables	16.582	-	-	-	-	50.033.462	403.313	50.453.357
Total depreciation	1.221.807	2.318.816	3.295.079	3.871.940	7.175.920	621.948.889	69.803.847	709.636.297

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)**

The company constantly analyzes the customers' situation and records adjustments whenever there are indications of an increase in the non-collection risk.

The payment of the equivalent value of the invoices for the natural gas transmission services, issued according to the provisions of the Network Code, is made within 15 calendar days from the date of issuing the invoice. If the due date is a non-working day, the deadline is considered fulfilled on the next working day.

Movements in the provision account are analysed below:

	<b><u>31 December 2023</u></b> <b><u>(unaudited)</u></b>	<b><u>31 December 2022</u></b>
Adjustment on 1 January	639.659.487	597.533.335
Expense with the adjustment for doubtful clients (Note 23)	<u>176.285.552</u>	<u>134.888.274</u>
Revenue with the adjustment for doubtful clients (Note 23)	<u>66.886.427</u>	<u>92.762.122</u>
Adjustment at the end of the period	<b><u>749.058.612</u></b>	<b><u>639.659.487</u></b>

The Company makes adjustments for receivables from insolvent companies or companies that encountered significant financial difficulties.

As at 31 December 2023, the company recorded adjusting expenses for the clients recording an increased non-collection risk, mainly for the receivables of Gazprom Export LLC (lei 120.908.955) and decreased the adjustment to outstanding receivables due to their collection for Electrocentrale Constanța (lei 20.544.672) and for Mehedinți Gaz SA (lei 3.214.363).

In July 2022 the Company paid the amount of 29.277.726 lei, to which it was bound by Arbitral Award no. 39/06.06.2022, rendered by the Arbitral Tribunal in case no. 107/2018, following the conclusion of the arbitration proceedings concerning the non-fulfilment of obligations under the supply contract for "Software Licences for Additional I/Os/Bandwidth Upgrade for SCADA System", a contract concluded by Transgaz with the Association consisting of RMG REGEL UND MESSTECHNIK GmbH Germany, IDS GmbH Germany and General Fluid S.A. Bucharest. The company has appealed the arbitral tribunal's decision in court and has recorded an impairment allowance of 29.277.726 lei as at 31 December 2022, adjustment maintained as at 31 December 2023 as well.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**13. CASH AND CASH EQUIVALENT**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Cash at bank in RON	372.876.356	258.848.438
Cash at bank in foreign currency	339.824.701	159.629.255
Other cash equivalents	<u>111.988</u>	<u>188.862</u>
	<b><u>712.813.045</u></b>	<b><u>418.666.555</u></b>
	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Restricted cash (management guarantee)	1.956.015	1.989.947

Cash at bank in foreign currency is mostly denominated in EUR.

The weighted average of the effective interest related to short-term bank deposits was of 3,32% on 31 December 2023 (3,13% on 31 December 2022) and these deposits have a maximum maturity of 30 days.

	Long-term loans	Working capital	Leasing debt	Total
Balance on 01.01.2022	1.757.484.841	279.435.121	20.470.837	2.057.390.799
Net cash flows	(143.485.273)	291.740.052	(5.157.454)	143.097.325
Exchange rate differences	11.345.737			11.345.737
New leasing contracts			2.246.983	2.246.983
Leasing adjustments				0
Interest expense	44.515.257	11.106.623	369.462	55.991.342
Capitalised interest	20.128.777	4.987.520		25.116.297
Paid interest	(55.200.831)	(14.174.266)		(69.375.097)
Balance on 31 December 2022	1.634.788.508	573.095.050	17.929.828	2.225.813.386
Balance on 01.01.2023	1.634.788.508	573.095.050	17.929.828	2.225.813.386
Net cash flows	109.940.403	175.431.456	(13.182.770)	272.189.089
Exchange rate differences	5.319.355		-	5.319.355
New leasing contracts			133.518.506	133.518.506
Leasing adjustments			-	0
Interest expense	94.002.695	6.236.151	717.128	100.955.974
Capitalised interest	4.273.861	25.232.795	-	29.506.656
Paid interest	(97.288.533)	(30.937.650)	7.581.380	(120.644.803)
Balance on 31 December 2023	1.751.036.289	749.057.802	146.564.072	2.646.658.163

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 (expressed in lei, unless otherwise stated)

**14. SHARE CAPITAL AND SHARE PREMIUM**

	<b>Number of ordinary shares</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Total</b>
<b>IFRS</b>				
On 31 December 2022	188.381.504	2.325.233.436	247.478.865	2.572.712.301
On 31 December 2023	188.381.504	1.883.815.040	247.478.865	2.131.293.905
Capital adjustment to the hyperinflation accumulated on 31 December 2003	-	<u>441.418.396</u>	-	<u>441.418.396</u>
On 31 December 2022				
On 31 December 2023	188.381.504	2.325.233.436	247.478.865	2.572.712.301

The Extraordinary General Meeting of Shareholders approved on 7 December 2022 the increase of the share capital of the Company by incorporating the reserves constituted from the net profit of the previous financial years in the amount of 1.766.076.600 lei, through the issuance of 176.607.660 new shares with a par value of 10 lei/share.

The authorized number of ordinary shares registered at the National Trade Registry Office is 188.381.504 (31 December 2022: 188.381.504) with a nominal value of LEI 10 each. Each share represents one vote. The ownership structure registered at Central Depository on 21 December 2023 is the following:

	<b>Number of ordinary shares</b>	<b>Statutory value (lei)</b>	<b>Percentage (%)</b>
The Romanian state, represented by the General Secretariat of the Government	110.221.440	1.102.214.400	58.5097
Other shareholders	<u>78.160.064</u>	<u>781.600.640</u>	<u>41.4903</u>
	<u>188.381.504</u>	<u>1.883.815.040</u>	<u>100.0000</u>

The ownership structure registered at Central Depository on 31 December 2022 is the following:

	<b>Number of ordinary shares</b>	<b>Statutory value (lei)</b>	<b>Percentage (%)</b>
The Romanian state, represented by the General Secretariat of the Government	6.888.840	68.888.400	58,5097
Other shareholders	<u>4.885.004</u>	<u>48.850.040</u>	<u>41,4903</u>
	<u>11.773.844</u>	<u>117.738.440</u>	<u>100,0000</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(expressed in lei, unless otherwise stated)

**14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)**

In the statutory accounting, before 1 January 2012, the company included in the share capital certain reserves from revaluation for revaluations made before 31 December 2001. In order to prepare these financial statements according to EU IFRS, such increases were not recognized, because adjustments to hyperinflation for fixed assets were annually recognized in the statement of comprehensive income by 31 December 2003. Therefore, in these financial statements, the company recorded only the share capital from cash or in-kind contribution, adjusted to inflation from the date of the initial contribution on 31 December 2003 and the increase in the share capital that took place after 1 January 2004 was recognized in nominal terms.

**15. OTHER RESERVES, LEGAL RESERVE AND RETAINED EARNINGS*****Other reserves***

Before IFRIC 12, a proper reserve related to assets belonging to the public domain (Notes 3.1 and 5.2) was included in equity as `Reserve of the public domain` at the value of the respective assets restated depending on inflation until 1 January 2004. It was renamed `Other reserves` at the adoption of IFRIC 12 (Note 3.5), to reflect the change in the statute of the related assets. The Company does not intend to change the allocation of deferred income arising from the first-time adoption of IAS 29.

***Legal reserve***

In accordance with the Romanian law and the company's Articles of Incorporation, the Transgaz must transfer five percent of the profit from the statutory financial statements in a statutory reserve of up to 20% of the statutory share capital. The balance of the statutory reserve, which is not available for allocation on 31 December 2023, amounts to lei 55.765.430 (31 December 2022: lei 45.421.364). The legal reserve is included in the `Retained earnings` in these financial statements. The company does not intend to change the allocation of the legal reserve.

***Reserve relating to reinvested profit***

The balance of the invested profit reserve as at 31 December 2023 is 17.275.596 lei.

The company will submit for OGMS approval the constitution from the 2023 profit a reserve in the amount of 40.845.861 lei representing tax incentives provided for by Law 227/2015 on the Tax Code on the profit invested in technological equipment-machinery, machinery and work installations, electronic computers and peripheral equipment, cash register, control and invoicing machines and appliances, as well as in software, produced and/or purchased and put into operation, used for the purpose of carrying out the economic activity, amended in 2023 by GO 16/2022 which extended the exemption from payment of reinvested profits also for some categories of assets related to the refurbishment.

The reserve for reinvested profits is carried out after the approval of the profit distribution by the general meeting of shareholders, in accordance with the law.

***Dividend allocation***

In 2023, the parent company declared a dividend of lei 0,7 /share, related to the profit of the previous year (2022: lei 14,82 /share). The total dividends declared from the profit of 2022 are lei 131.867.053 (dividends declared from the profit of 2021: lei 174.488.368).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**16. LONG-TERM BORROWINGS**

The value of the long term loans recorded by the company on 31 December 2023:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
EIB 83644RO	186.050.040	204.822.360
EIB 88825RO	209.058.151	227.642.534
BEI 89417RO	124.365.000	-
BEI 90512RO	124.365.000	-
EIB ETG 90703	183.874.745	187.411.021
BCR 20190409029	141.360.000	156.240.000
BCR 20201028056	288.000.000	316.800.000
BCR 20210817030	83.333.332	91.666.666
BCR 20211124044	183.333.333	201.666.666
IBRD	211.232.880	233.467.920
BT	247.806.630	271.175.174
Raiffeisen Bank	300.000.000	300.000.000
BRD GSG	<u>198.800.000</u>	-
<b>Total</b>	<b><u>2.481.579.111</u></b>	<b><u>2.190.892.341</u></b>

Loans breakdown by maturity range:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	448.069.729	136.644.990
Over 1 year	<u>2.033.509.382</u>	<u>2.054.247.351</u>
<b>Total</b>	<b><u>2.481.579.111</u></b>	<b><u>2.190.892.341</u></b>

**The European Investment Bank (EIB)**

The company signed with the European Investment Bank the following loans for the financing of the project `Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

- Loan Agreement no. 83644RO concluded on 27.10.2017 for the amount of EUR 50 million, fixed interest rate, maturity of 15 years, grace period of 3 years at principal repayment.
- Loan Agreement no.88825RO concluded on 14.12.2017 for the amount of EUR 50 million, with disbursements in lei or EUR (at the choice of the company), with fixed or variable interest (at the choice of the company), maturity of 15 years, the grace period of 3 years of repayment of the principal.

The company signed with the EIB the following loans for the financing of the project `Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas` (Black Sea - Podișor)

- The Loan contract no 89417RO concluded on 17.12.2018 for the amount of EUR 50 million, maturity of 15 years, grace period of 3 years at principal repayment.
- The Loan contract no 90512RO concluded on 24 January 2019 for the amount of EUR 100 million maturity of 15 years, grace period of 3 years at principal repayment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**16. LONG-TERM BORROWINGS (CONTINUED)**

On 24 January 2019, the company signed a loan agreement with the European Investment Bank for the amount of EUR 100 million, maturity 15 years, grace period of 3 years at the repayment of the principal, in order to finance the project `Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas`.

On 24 January 2019, the Company signed a loan agreement with the European Investment Bank for an amount of EUR 38 million, maturity of 15 years, grace period of 3 years for the repayment of the principal, for the purpose of financing the project "Construction of the pipeline interconnecting the national natural gas transmission system of the Republic of Moldova with the natural gas transmission system of the European Union, through Romania, in the direction Ungheni - Chisinau".

The financial commitments undertaken by the loan agreements requires the company to comply with the negotiated limits of the following financial indicators: the ratio of the total net debts to the Borrower's RAB, the net leverage ratio and the Interest coverage rate.

In 2017 the company received the first tranche of Loan Agreement number 83644RO of EUR 15 million issued by EIB on 30 November 2017, in 28 February 2018 the second tranche of the loan amounting to EUR 15 million and on 30 April 2018, the third tranche of the loan amounting to EUR 20 million was received.

The maturity of the loan 83644RO from the EIB is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	19.898.400	19.789.000
Between 1 and 5 years	79.593.600	79.158.400
Over 5 years	<u>86.558.040</u>	<u>105.874.360</u>
	<u>186.050.040</u>	<u>204.822.360</u>

In 2019 the company received under Loan Agreement no. 88825RO two tranches totalling EUR 50 million.

The maturity of the loan 88825RO from the EIB is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	19.835.925	19.727.466
Between 1 and 5 years	79.343.698	78.909.865
Over 5 years	<u>109.878.528</u>	<u>129.005.203</u>
	<u>209.058.151</u>	<u>227.642.534</u>

In July 2023, the Company collected the first installment of EUR 25 million from Loan Agreement no. 89417RO.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**16. LONG-TERM BORROWINGS (CONTINUED)**

The maturity date of the 89417RO loan from the EIB is shown below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	-	-
Between 1 and 5 years	25.380.612	-
Over 5 years	<u>98.984.388</u>	-
	<u>124.365.000</u>	<u>-</u>

In July 2023, the Company collected the first installment of EUR 25 million from Loan Agreement no. 90512 RO.

The maturity date of the 90512 RO loan from the EIB is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	-	-
Between 1 and 5 years	25.380.612	-
Over 5 years	<u>98.984.388</u>	-
	<u>124.365.000</u>	<u>-</u>

On 24 April 2020, the Company received the first tranche of EUR 22 million from the EIB loan No 90703RO and on 22 January 2021, the second tranche of EUR 16 million.

The EBRD 90703RO loan maturity is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	15.753.697	4.546.216
Between 1 and 5 years	63.014.790	62.675.551
Over 5 years	<u>105.106.258</u>	<u>120.189.254</u>
	<u>183.874.745</u>	<u>187.411.021</u>

**The European Bank for Reconstruction and Development (EBRD)**

On 23 February 2018 Transgaz signed with EBRD a contract amounting to lei 278 million, the equivalent of EUR 60 million, for the financing of the BRUA Project.

The loan was fully disbursed by two equal disbursements: on 29 April 2020 and on 29 May 2020.

The EBRD loan maturity is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	22.235.040	22.235.040
Between 1 and 5 years	88.940.160	88.940.160
Over 5 years	<u>100.057.680</u>	<u>122.292.720</u>
	<u>211.232.880</u>	<u>233.467.920</u>

The book value of the short term loans approximates their fair values.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**(expressed in lei, unless otherwise stated)**

**16. LONG-TERM BORROWINGS (CONTINUED)**

**The Romanian Commercial Bank (BCR)**

The company signed on 24.04.2019 the contract no. 20190409029 with the Romanian Commercial Bank for committing the financing in the amount of 186 million lei, the equivalent of 40 million EUR, with drawing and repayment in lei, maturity 15 years, grace period for principal repayment of 3 years, variable interest for the financing of the project Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

The BCR loan no. 20190409029 is fully disbursed and its maturity is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	14.880.000	14.880.000
Between 1 and 5 years	59.520.000	59.520.000
Over 5 years	<u>66.960.000</u>	<u>81.840.000</u>
	<u>141.360.000</u>	<u>156.240.000</u>

On 29.10.2020, the Company signed contract no.20201028056 with Banca Comercială Română contemplating the Company's benefiting from a lei 360 million loan for a period of 13 years, destined to refinance two major projects carried out by Transgaz: "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)"and "The interconnection of the National Transmission System with the international gas transmission pipeline T1 and reverse flow at Isaccea Phase II (Onești - Siliștea)".

BCR loan no. 20201028056 is fully collected and its maturity is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	28.800.000	28.800.000
Between 1 and 5 years	115.200.000	115.200.000
Over 5 years	<u>144.000.000</u>	<u>172.800.000</u>
	<u>288.000.000</u>	<u>316.800.000</u>

On 17.08.2021, the Company signed contract no. 20210817030 with Banca Comercială Română contemplating the Company's benefiting from a lei 100 million loan for a period of 12 years, destined to refinance the project "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)".

BCR loan no. 20210817030 is fully collected and its maturity is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	8.333.334	8.333.334
Between 1 and 5 years	33.333.336	33.333.336
Over 5 years	<u>41.666.662</u>	<u>49.999.996</u>
	<u>83.333.332</u>	<u>91.666.666</u>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**16. LONG-TERM BORROWINGS (CONTINUED)**

On 24.11.2021, the Company signed contract no. 20211124044 with Banca Comercială Română contemplating the Company's benefiting from a lei 220 million loan for a period of 12 years, destined to refinance the project: "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)".

BCR loan no. 20211124044 is fully collected and its maturity is presented below:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Within 1 year	18.333.333	18.333.334
Between 1 and 5 years	73.333.333	73.333.333
Over 5 years	<u>91.666.667</u>	<u>109.999.999</u>
<b><u>Total</u></b>	<b><u>183.333.333</u></b>	<b><u>201.666.666</u></b>

**Transilvania Bank (BT)**

On 15 July 2020, as a result of a competitive negotiation procedure, the company signed a contract with Transilvania Bank allowing the company to benefit from a credit facility amounting to lei 300 million, for 2 years, to cover the necessary working capital and partly to issuing letters of guarantee. The repayment of the credit line has been extended until 19.12.2023, based on the conclusion of the Addendum No. 1/20.12.2021.

On 15.07.2022, the Addendum No.2 to the contract for the credit facilities and the issuance of letters of guarantee was signed with Banca Transilvania, which increased the initial amount of the facility (300 million lei) by a maximum of 153.000.000 lei, in order to issue a letter of guarantee in favour of ANAF to guarantee the payment obligation imposed by the mandatory order no. 6006/250938/IEF/14.04.2022 issued by the Ministry of Finance, during the period of the procedures for challenging the administrative act.

By the Addendum No.4/22.03.2023 the parties agreed to extend the final maturity date of the credit agreement by 24 months as of the Addendum date.

As at 31 December 2023, out of the total of credit line the amount of Lei 247.806.630 was used to cover working capital requirements and the amount of Lei 200.381.510 from the threshold for the issuing of letters of guarantee was used to cover four bank letters of guarantee issued in favour of third parties, the amount of lei 4.776.754 remaining at the disposal of the Company for the financing of the current activity. The Company believes that the conditions for presenting the credit line under the long-term loan category are met.

**RAIFFEISEN BANK**

The company signed on 14 July 2022, following a competitive negotiation procedure, a contract with Raiffeisen Bank under which it benefits from a credit facility of 300 million lei for a period of 2 years, intended to finance working capital for the commercial balancing activity.

As at 31 December 2023 the credit facility is drawn down to the maximum level of 300.000.000 lei. The obligation is presented under short-term loans.

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**16. LONG-TERM BORROWINGS (CONTINUED)**

**BRD GROUPE SOCIETE GENERALE**

The company signed on 2 August 2023, following a competitive negotiation procedure, a contract with BRD Groupe Societe Generale through which it benefits from a credit facility of 200 million lei for a period of 2 years, intended to finance the working capital for the activity of trade balancing.

On 31 December 2023, the credit line is used at the level of 198.800.000 lei. The obligation is presented in long-term loans.

As at 31 December 2023, the balance of interest due for the loans of the company is lei 16.063.807 broken down by loans as follows:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
EIB 83644RO	484.596	533.008
EIB 88825RO	1.985.777	906.961
BEI 89417RO	1.141.311	-
BEI 90512RO	1.141.311	-
EIB ETG 90703	2.945.267	1.814.195
BCR 20190409029	854.326	1.272.555
BCR 20201028056	3.217.394	4.512.968
BCR 20210817030	1.826.050	2.500.943
BCR 20211124044	886.932	1.325.088
EBRD	<u>1.580.843</u>	<u>2.205.623</u>
	<u>16.063.807</u>	<u>15.071.341</u>

The exposure of the company's loans to the changes of the interest rate is as follows:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Variable interest rate loans	2.295.529.071	1.986.069.981
Fixed interest rate loans	<u>186.050.040</u>	<u>204.822.360</u>
Total loans	<u>2.481.579.111</u>	<u>2.190.892.341</u>

**17. DEFERRED REVENUE**

Based on the connection contracts, the necessary infrastructure is built to ensure the estimated transmission capacity to be used over the duration of the concession agreement.

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Initial balance	1.076.589.204	1.161.485.526
Increases	425.575	21.447.219
Revenue from connection fees (Note 22)	(13.926.724)	(13.267.714)
Income from non-reimbursable funds and goods taken over free of charge (Note 22)	<u>(99.188.711)</u>	<u>(93.075.827)</u>
Final balance	<u>963.899.344</u>	<u>1.076.589.204</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**17. DEFERRED REVENUE (CONTINUED)**

The balance of the deferred revenue consists of:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Connections and assets received free of charge	222.516.712	238.213.439
Grants	<u>741.382.632</u>	<u>838.375.765</u>
	<u><b>963.899.344</b></u>	<u><b>1.076.589.204</b></u>

For the BRUA project the company obtained from the European Union through the National Agency for Innovation and Networks (INEA) a grant of 1.519.342 Euros, representing 50% of the estimated eligible costs for financing the FEED for the three compressor stations (Podișor, Bibești and Jupa) and a grant of 159.449.379 Euro, representing 40% of the estimated eligible costs, for financing the BRUA Phase I project implementation.

The following amounts were received as pre-financing to finance the implementation of the BRUA Phase I project: EUR 25.834.489,60 (in 2016) and EUR 13.839.087,37 (in 2018) and EUR 29.192.463,92 (in 2019), EUR 37.740.347 (in 2020) and EUR 20.953.114.91 in 2021. On 19 July 2022 the amount of EUR 21,129,634.05 was collected from INEA.

On 22.11.2018 the company signed with the Ministry of European Funds AM POIM Financing Contract 226 for non-reimbursable financing for the implementation of the draft project code MYSMIS 2014-122972 NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova within the Specific objective 8.2 – Increasing the interconnectivity of the National Transmission System with neighbouring states. The amount of the grant is lei 214.496.026,71, namely 32,53% of the value of the eligible expenses.

For the financing of the works for the implementation 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, the amount of lei 203.657.168 was collected as eligible expenses grant funding.

On 18.06.2020 the company signed Grant Agreement no. HCOP/685/3/8/132556 on the implementation of the project „TransGasFormation” Code 132556 for the amount of LEI 701.259,60 with the Ministry of European Funds, as Management Authority for the Human Capital Operational Programme.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**18. PROFIT TAX**

**Profit tax expense**

	<b>The year ended <u>31 December 2023</u></b>	<b>The year ended <u>31 December 2022</u></b>
Expense with the profit tax - current	41.377.217	69.101.519
Deferred tax - impact of temporary differences	<u>(8.169.597)</u>	<u>3.405.748</u>
Profit tax expense	<u><b>33.207.620</b></u>	<u><b>72.507.267</b></u>

In the years ended on 31 December 2023 and on 31 December 2022 the company calculated the profit tax at the rate of 16% applied to the profit determined in accordance with the Romanian laws.

	<b>The year ended <u>31 December 2023</u></b>	<b>The year ended <u>31 December 2022</u></b>
Profit before tax	206.881.310	437.473.521
Profit/loss (ETG-VTMG)	12.042.832	(17.897.783)
Theoretical expense with the tax the statutory rate of 16% (2022: 16%)	27.867.840	70.784.378
Non-taxable expenses, net	<u>5.339.780</u>	<u>1.722.890</u>
Profit tax expense	<u><b>33.207.620</b></u>	<u><b>72.507.267</b></u>
Profit tax related liability, current	<u>(40.985.211)</u>	<u>-</u>

Depreciation of tangible assets hyperinflation adjustments is a deductible expense with the adoption of EU IFRS as framework of statutory reporting.

At Eurotransgaz the current expenses regarding income tax is calculated based on the the taxable income in the statutory financial statements. For tax purposes, the deductibility of certain expenses, such as protocol expenses, is limited to a certain percentage of the profit specified in the tax legislation. On 31 December 2023, the standard rate of income tax was set at 12% (31 December 2022: 12%).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**18. PROFIT TAX (CONTINUED)**

**Deferred tax**

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 31 December 2023 (31 December 2022: 16%). Deferred tax payment and recoverable tax, as well as expenses with/(revenue from) deferred tax recognized in the statement of comprehensive income are attributable to the following items:

	<u>31 December</u> <u>2023</u>	<u>Movement</u>	<u>31 December</u> <u>2022</u>	<u>Movement</u>	<u>31 December</u> <u>2021</u>	<u>Movement</u>	<u>1 January 2021</u>
<b>Payable deferred tax</b>							
Tangible and intangible assets	139.677.877	16.038.129	123.639.748	14.577.989	109.061.759	13.559.317	95.502.442
<b>Recoverable deferred tax</b>							
Provision for Employee benefits	(20.991.615)	(2.495.123)	(18.496.492)	(908.806)	(17.587.686)	3.990.395	(21.578.081)
Risks and charges	(15.009.119)	(2.017.440)	(12.991.679)	(2.200.261)	(10.791.418)	(4.707.289)	(6.084.129)
Receivables and other assets	<u>(108.793.583)</u>	<u>(19.695.163)</u>	<u>(89.098.420)</u>	<u>(8.063.174)</u>	<u>(81.035.246)</u>	<u>(8.209.908)</u>	<u>(72.825.338)</u>
	<u>(5.116.440)</u>	<u>(8.169.597)</u>	<u>3.053.157</u>	<u>3.405.748</u>	<u>(352.591)</u>	<u>4.632.515</u>	<u>(4.985.106)</u>

Deferred revenue tax liability related to tangible and intangible assets is determined by the fact that: a) the fiscal value of intangible assets does not include inflation update; and b) the nature of public domain property does not represent depreciable assets from a tax perspective, regardless of how they are reflected in the accounts. Temporary differences for receivables and other assets arise from impairment adjustments for bad debts. In the consolidated financial statements of ETG with VTMG, a deferred tax liability of Lei -3.382.032 has been recognised.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**18. PROFIT TAX (CONTINUED)**

The amounts presented in the statement of the financial position include the following:

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Deferred tax liabilities/receivables in more than 12 months as reported	(5.116.440)	3.053.157

**19. TRADE PAYABLES AND OTHER PAYABLES**

**19.1 Short term payables**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
Trade payables	257.234.709	282.546.544
Suppliers of fixed assets	15.796.373	52.284.961
Dividends payable	1.095.532	1.627.487
Debts related to royalties	51.383.030	1.677.975
Other taxes	28.404.156	26.440.372
Amounts payable to employees	21.111.151	17.157.304
VAT payable	21.323.976	-
Non-exemptible VAT	6.348.468	-
Transmission service guarantees	42.971.012	35.679.099
Transmission services advance payments	51.867.976	39.975.995
Tender guarantees	163.808.920	126.591.894
Other debts	<u>47.529.462</u>	<u>46.868.323</u>
	<b><u>708.874.765</u></b>	<b><u>630.849.954</u></b>
Financial debts (Note 4)	<u>557.545.268</u>	<u>549.478.512</u>

On 31 December 2023, of the total trade payables and other debts the amount of lei 75.062.912 (31 December 2022: lei 44.065.419) is expressed in foreign currency, especially in EUR.

**19.2 Debts related to rights of use of leased assets**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
	Land and buildings	Land and buildings
Initial balance	17.929.828	20.470.837
Inflows	136.678.437	1.883.465
Interest expense	5.138.577	732.980
Leasing payments	<u>13.182.770</u>	<u>5.157.454</u>
Final balance, of which:	<u>146.564.072</u>	<u>17.929.828</u>
Long-term debts	114.807.183	14.178.481
Short-term debts	31.756.889	3.751.347

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**19. TRADE PAYABLES AND OTHER PAYABLES (CONTINUED)**

On 04.09.2023, the lease contract for natural gas transmission networks no. 70-SJ of 04.09.2023 concluded between SRL Moldovatrangaz and SRL Vestmoldtrangaz was signed. This contract entered into force on 19.09.2023. The lease contract was concluded for a period of 5 years. The amount of the annual rent is 165 mln. MDL, VAT excluded. The lease contract was recognized as a right-of-use asset and a corresponding liability on the date the asset was leased and became available for use by Vestmoldtrangaz.

**20. PROVISIONS FOR RISKS AND CHARGES**

	<b><u>31 December 2023</u></b>	<b><u>31 December 2022</u></b>
<i>Current provision</i>		
Provision for litigation	52.908.971	38.870.414
Provision term contract	3.284.571	3.268.931
Provision for employee participation in profits	12.086.749	18.215.362
Provision for voluntary leaving employment	7.698.800	14.840.000
Other provision	<u>8.266.991</u>	<u>6.243.784</u>
	84.246.083	81.438.491

Employees` participation in the profit is calculated within the limit of 10% of the net profit, but not more than a monthly average salary achieved in the relevant financial year according to the provisions of GO 64/2001 and the Collective Labour Agreement.

The company was the subject of an investigation of the Competition Council regarding the way in which procedures for the awarding of the contracts for the procurement of works carried out by Transgaz in 2009 -2011, before the implementation of the private management, according to the provisions of GEO 109/2011 on corporate governance of public enterprises. In 2020, the Competition Council communicated Decision no. 43/11.08.2020 sanctioning the Company with a fine in the amount of lei 34.166.616.

Following the conclusion of the arbitration proceedings which had as dispute the restitution of the quantity of natural gas from the Tranzit 1 pipeline, the arbitral tribunal admitted Bulgargaz EAD's action, and a provision for litigation in the amount of Lei 1.673.984, the equivalent in Lei for legal interest and incidental expenses was established. The arbitral tribunal's decision was appealed, and the action for annulment was registered with the Bucharest Court of Appeal.

The company also made provisions for the following disputes: with Romsilva for the land non-use amounting to LEI 14.038.558, with Blue Star SRL for the MRS Timisoara I - Timisoara pipeline in the amount of Lei 2.300.000, with PF Galaction Laurentiu for the dismantling of the construction/removal of the MRS Vaslui connection pipeline in the amount of Lei 332.000. lei, and



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**20. PROVISIONS FOR RISKS AND CHARGES (CONTINUED)**

with PF Bălășoiu Marian for claims for compensation for lack of use of land in the amount of lei 397.813. For the strategic redefinition and efficiency of the activity, the Company drafted the Program of voluntary departures for 2023 in the amount of 7.699 thousand lei, the annual value being provided by the budget of revenues and expenses approved by the GMS.

As at 31 December 2023 the amount of the provision for voluntary departures is Lei 7.698.800 (LEI 14.840.000 as at 31 December 2022).

The Company records provisions for untaken leave at the end of the financial year.

The Company has recorded provisions for untaken leave in the amount of lei 8.266 .303 relating to the period ended 31 December 2023.

**21. PROVISION FOR EMPLOYEE BENEFITS**

**Employee benefits**

The present value of the provision was determined based on the Projected Unit Credit Method. Retirement benefits received by an employee were first raised by the contributions of the employer and then every benefit was updated taking into account the rotation of employees, layoffs and the probability of survival until retirement. The number of years until retirement was calculated as the difference between retirement age and age at time of reporting. The expected average of the remaining work period was calculated based on the number of years until retirement, also taking into account the rate of layoffs, employee rotation rate and the probability of survival.

**Assumptions 2023**

The amount of the provision has been calculated individually for each distinct employee/beneficiary of the company using the actuarial calculation method and taking into account International Accounting Standards, in particular the IAS 19. The provision is calculated taking into account the long-term liabilities undertaken by the company under the collective labour contract. The calculation assumptions and specifications for the calculation model were established based on the company's previous experience and a set of assumptions about the company's future experience. The most important actuarial assumptions used are as follows:

- for the benefit consisting of basic salaries paid at retirement, this benefit is paid for company employees who reach retirement;
- Employee rotation considers seniority and staff rotation within the company;

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**21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)**

- the mortality of the entity's employees is calculated according to the data provided by the National Institute of Statistics for 2019 to which a percentage of 40% was applied;
- Employee rotation is constant over time.
- the method used is the projected credit factor method;
- Retirement age at retirement considered: 63 for men and 61 for women, but the share of early retirements at certain ages was also considered;
- Long-term wage growth rate is considered equal to the forecast inflation rate for the euro area, and is 2% and in the short term was considered equal to the forecast inflation rate for RON and is 6,7% in the first year, 4,3% in the second year and 3,9% for the next 3 years and 2,5% for the next 5 years, for both women and men;
- the discount rate is the interest curve in lei without adjustments provided by EIOPA for December 2023.
- the plan is not financed by the entity and employees.
- It has been estimated that people approaching retirement age are likely to retire early
- For the death benefit, for retired former Trangaz employees, in the first year after retirement, mortality at the age of 66 men and 64 years women was used.

**Financial assumptions**

The discount rate is the interest rate curve in lei without adjustments of variations provided by EIOPA for December 2023.

For the calculation for 2023, according to the National Institute of Statistics, the annual inflation rate in December 2023 compared to December 2022 was 6,6%. Given the correlation between the inflation and discount rate values, the following values for inflation were taken into account: 6% in 2024, 5,8% in 2025 and 5,6% in the rest.

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**21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)**

**Movement in the provision for employee benefits**

1 January 2022	<u>110.048.408</u>
of which:	
Short-term	4.007.231
Long-term	106.041.177
Interest cost	5.541.410
Current service cost	5.917.932
Payments from provisions during the year	(3.575.953)
Actuarial gain/loss related to the period	(2.452.222)
31 December 2022	<u>115.479.575</u>
of which:	
Short-term	4.584.234
Long-term	110.895.341
Interest cost	7.229.379
Current service cost	17.488.663
Payments from provisions during the year	(4.921.167)
Actuarial gain/loss related to the period	(4.334.050)
31 December 2023	<u>130.942.400</u>
of which:	
Short-term	16.135.217
Long-term	114.807.183

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**22. OTHER REVENUE**

	<b>The year ended <u>31 December 2023</u></b>	<b>The year ended <u>31 December 2022</u></b>
Revenue from penalties applied to clients for delay payments	20.385.312	19.186.967
Revenue from connection fees	13.926.724	1.706.063
Revenue from grants and goods taken free of charge	99.188.711	104.629.899
Revenue from the sale of residual materials	998.514	3.127.906
Revenue from leases	1.673.538	1.951.375
Revenue from recovered materials	3.742.099	4.721.562
Revenue from grants for operating expenses	841.646	730.934
Other revenue from operation	<u>8.490.164</u>	<u>13.257.686</u>
	<u><b>149.246.708</b></u>	<u><b>149.312.392</b></u>

As at 31 December 2023 there is no intra-group income to be eliminated and as at 31 December 2022 the eliminated intra-group income is lei 68.027.

From other revenues from operating activities the amount of lei 4.988.330 (MDL 18.147.594) represents the amount of revenues obtained from the surplus of natural gas found in the process of drawing up the balance sheet of the Republic of Moldova of natural gas for the period September-December 2023.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**23. OTHER OPERATING EXPENSES**

	<b>The year ended</b> <b><u>31 December 2023</u></b>	<b>The year ended</b> <b><u>31 December 2022</u></b>
Loss/gain on impairment of receivables	108.175.204	42.126.152
Sponsorship costs	4.329.995	3.012.538
Utilities	19.920.949	20.518.959
Insurance premium	1.419.636	1.043.192
Maintenance costs	35.396	786.366
Security and protection expenses	35.113.348	28.606.064
Professional training	1.717.455	3.362.399
Telecommunications	2.927.856	3.295.434
Bank charges and other fees	2.341.015	2.379.999
Rents	2.885.135	1.813.535
Loss on amounts receivable	126.282	1.695.530
Loss/(gain) on inventory impairment	8.378.793	13.249.122
Marketing and protocol costs	412.193	521.269
Penalties and fines	446.838	725.153
Gas storage capacity booking	8.900.825	14.754.361
Computer service	10.606.841	7.167.727
Other	<u>56.337.763</u>	<u>29.266.082</u>
	<b><u>264.075.524</u></b>	<b><u>174.323.882</u></b>

**Neutrality activity expenses**

In the year 2023, expenses for the procurement of natural gas in the amount of lei 427.324.156, expenses for the booking of gas storage capacity in the amount of lei 6.311.441, net expenses for bank interest in the amount of lei 25.167.497, expenses for bank commissions in the amount of lei 7.411 were included in the calculation of the neutrality activity.

**24. EMPLOYEE COSTS**

	<b>The year ended</b> <b><u>31 December 2023</u></b>	<b>The year ended</b> <b><u>31 December 2022</u></b>
Salaries and benefits	529.280.077	454.188.446
Cost of insurance and social security	31.646.657	29.340.429
Other employee costs	<u>14.404.021</u>	<u>11.602.932</u>
	<b><u>575.330.756</u></b>	<b><u>495.131.807</u></b>

Average number of employees in financial year:

	<b>The year ended</b> <b><u>31 December 2023</u></b>	<b>The year ended</b> <b><u>31 December 2022</u></b>
Blue collars	2.210	2.274
White collars	<u>1.785</u>	<u>1.740</u>
	<u>3.995</u>	<u>4.014</u>
Eurotransgaz S.R.L.	3	3
Vestmoldtransgaz S.R.L.	<u>61</u>	<u>40</u>
	<u>64</u>	<u>43</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**25. NET FINANCIAL REVENUE/(EXPENSES)**

	<b>The year ended <u>31 December 2023</u></b>	<b>The year ended <u>31 December 2022</u></b>
Foreign exchange revenue	42.734.029	53.844.467
Interest revenue	59.914.906	50.739.681
Revenue from the adjustment of the Concession	147.131.305	
Revenues from shares		286.877.258
Other financial revenue	<u>11.396.154</u>	-
	<u>5.139</u>	<u>106.908.745</u>
	<b>261.181.533</b>	<b>498.370.151</b>
Foreign exchange loss	(36.772.166)	(54.514.787)
Interest loss related to IFRS16	(662.742)	(634.684)
The effects of the update of the provision for employee benefits	(7.229.379)	(5.541.410)
Interest loss	(104.452.224)	(55.752.281)
Expenditure on financial fixed assets transferred	<u>(13.503.558)</u>	<u>(108.667.060)</u>
	<b>(162.620.069)</b>	<b>(225.110.222)</b>

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to lei 147.131.305 according to IFRS 9 (31 December 2022: Lei 286.877.258).

The amount of the inflation adjustment of the claim decreased in 2023 as compared to 2022, due to the decrease of inflation rate in 2023 at 6.61% (13.37% in 2022). Fixed assets recognized under regulated assets within a gas year are updated with the inflation rate starting from the next gas year.

The income from the adjustment of the receivable related to the Concession Agreement is a non-monetary item (Note 26).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**26. CASH FROM OPERATION**

	<b>The year ended <u>31 December 2023</u></b>	<b>The year ended <u>31 December 2022</u></b>
<b>Profit before tax</b>	<b>218.924.142</b>	<b>419.575.738</b>
<i>Adjustments for:</i>		
Depreciation	482.115.949	435.409.965
Gain/(loss) on transfer of fixed assets	(123.138)	(451.748)
Provisions for risks and charges	2.858.113	13.759.358
Revenue from connection fees, grants and goods taken free of charge	(113.957.081)	(107.066.896)
Adjustment of the Claim regarding the Concession Agreement	(147.131.305)	(286.877.258)
Sundry debtors and receivable loss	126.282	1.695.530
Loss/(gain) on impairment of inventories	8.499.713	13.249.122
Adjustments for the receivables impairment	109.399.125	42.126.151
Provisions for employee benefits	12.567.496	2.341.979
The effects of the update of the provision for employee benefits	7.229.380	5.541.410
Interest revenue	(59.914.906)	(50.739.681)
Interest expenses	103.655.823	55.752.281
Effect of exchange rate fluctuation on other items than from operation	8.768.915	2.312.196
Other revenue and expenses	<u>(330.244)</u>	<u>(834.770)</u>
<b>Operating profit before the changes in working capital</b>	<b><u>632.688.264</u></b>	<b><u>545.793.377</u></b>
(Increase)/decrease in trade and other receivables	(71.269.925)	110.453.918
(Increase)/decrease in inventories	20.665.143	(320.635.665)
Increase/(decrease) in trade payables and other debts	<u>20.999.501</u>	<u>326.100.884</u>
<b>Cash generated from operations</b>	<b><u>603.082.983</u></b>	<b><u>661.712.514</u></b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**27. TRANSACTIONS WITH RELATED PARTIES**

The prices / tariffs related to the transport and balancing contracts are approved by the National Energy Regulatory Authority (ANRE), are regulated and are not established under market conditions.

Procurement is carried out in compliance with the legal regulations on public procurement.

Transactions with Vestmoldtransgaz were concluded at the market value established by the cost-plus method and represent services provided by specialized personnel for the conduct of the procurement and equipment rental procedures.

In the periods ended 31 December 2023 and 31 December 2022, the following transactions with related parties were performed and the following balances were payable/receivable from related parties at the respective dates.

**i) Benefits granted to the members of the Board of Administration and of the management**

	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
Salary paid to the members of the Board of Administration and management	21.961.189	22.377.657
Social contribution of the company	<u>483.944</u>	<u>1.304.256</u>
	<u>22.445.133</u>	<u>23.681.913</u>

In the periods ended 31 December 2023 and 31 December 2022, no advance payments and loans were granted to the company's administrators and management, except for advance payments from salaries and those for business trips, and they don't owe any amount from such advance payments to the company at the end of the period .

The company has no contractual obligations related to pensions towards the current administrators and directors.

The provision for the mandate contract is presented in Note 20.

The company has no contractual obligations related to pensions towards the former administrators and directors.

**ii) Loan to a related party**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Loan to Resial SA	1.770.346	1.770.346
Minus the adjustment for loan impairment	<u>(1.770.346)</u>	<u>(1.770.346)</u>

Dividends allocated are presented in Note 15. Royalties paid are presented in Note 3.1.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

**iii) Revenue from related parties – services supplied (VAT excluded)**

	<u>Relationship</u>	<u>The year ended</u> <u>31 December 2023</u>	<u>The year ended</u> <u>31 December 2022</u>
SNGN Romgaz	Entity under common control	170.953.715	150.473.064
Electrocentrale București SA	Entity under common control	63.789.140	53.386.931
Electrocentrale Constanța	Entity under common control	2.283.874	4.113.599
Complex Energetic Oltenia	Entity under common control	1.308.667	-
Termo Calor Confort	Entity under common control	2.220.936	651.227
E.ON Energie Romania	Entity under common control	<u>157.213.651</u>	<u>123.227.823</u>
		<u>397.769.983</u>	<u>331.852.644</u>

**iv) Sales of other goods and services (VAT excluded)**

	<u>Relationship</u>	<u>The year ended</u> <u>31 December</u> <u>2023</u>	<u>The year ended</u> <u>31 December</u> <u>2022</u>
SNGN Romgaz	Entity under common control	38.920	1.531
Complex Energetic Oltenia	Entity under common control	2.079	-
Electrocentrale Deva SA	Entity under common control	816.474	546.670
Electrocentrale Bucuresti	Entity under common control	1.372	1.200
Electrocentrale Constanța	Entity under common control	5.673.901	353.119
E.ON Energie Romania	Entity under common control	2.490	421
Vestmoldtransgaz SRL	Entity owned by the Company's subsidiary	-	68.027
		<u>6.535.236</u>	<u>970.968</u>

**v) Receivables from related parties (without the adjustment)**

	<u>Relationship</u>	<u>31 December</u> <u>2023</u>	<u>31 December</u> <u>2022</u>
SNGN Romgaz	Entity under common control	28.329.053	13.337.958
Electrocentrale Deva SA	Entity under common control	9.174	-
Electrocentrale București	Entity under common control	18.693.819	26.006.049
Electrocentrale Constanța	Entity under common control	9.922	-
Termo Calor Pitesti	Entity under common control	(12.753)	2.939
E.ON Energie Romania	Entity under common control	66.052.151	35.969.746
Complex Energetic Oltenia	Entity under common control	317.799	-
		<u>113.399.165</u>	<u>75.316.692</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

**vi) Client receivables – the balancing activity (without the adjustment)**

	<b>Relationship</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
SNGN Romgaz	Entity under common control	48.536	9.971
Electrocentrale Bucuresti	Entity under common control	696.232	792.941
Electrocentrale Constanța	Entity under common control	887.141	-
Complex Energetic Oltenia	Entity under common control	730.887	-
Termo Calor Pitesti	Entity under common control	183.036	314.570
E.ON Energie Romania	Entity under common control	<u>10.987.869</u>	<u>23.292.181</u>
		<u>13.533.701</u>	<u>24.409.663</u>

**vii) Procurement of services from related parties (other services – VAT excluded)**

	<b>Relationship</b>	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
SNGN Romgaz	Entity under common control	18.705.347	33.957.915
E.ON Energie Romania	Entity under common control	-	180.445.384
Termo Calor Pitesti	Entity under common control	-	1.165.222
Complex Energetic Oltenia	Entity under common control	4.316	-
Electrocentrale București	Entity under common control	<u>10.125</u>	<u>78.933.647</u>
		<u>18.719.788</u>	<u>294.502.168</u>

**viii) Procurement of gas – the balancing activity (VAT excluded)**

	<b>Relationship</b>	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
SNGN Romgaz	Entity under common control	6.242.411	2.520.556
Electrocentrale București	Entity under common control	5.155.359	40.841.743
Electrocentrale Constanța	Entity under common control	9.617.383	326.798
Termo Calor Pitesti	Entity under common control	2.512.544	-
Complex Energetic Oltenia	Entity under common control	235.397	-
E.ON Energie Romania	Entity under common control	<u>71.149.834</u>	<u>101.131.739</u>
		<u>94.912.928</u>	<u>144.820.836</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

**ix) Procurement of natural gas (VAT excluded)**

		<b>The year ended <u>31 December</u> 2023</b>	<b>The year ended <u>31 December</u> 2022</b>
	<b><u>Relationship</u></b>		
SNGN Romgaz	Entity under common control	<u>77.626.231</u>	-
		<u>77.626.231</u>	<u>-</u>

**x) Debts to gas related parties (VAT included)**

		<b><u>31 December</u> 2023</b>	<b><u>31 December</u> 2022</b>
	<b><u>Relationship</u></b>		
SNGN Romgaz	Entity under common control	<u>26.158.660</u>	-
		<u>26.158.660</u>	<u>-</u>

**xi) Debts to affiliated parties from services (other services - VAT included)**

		<b>The year ended <u>31 December</u> 2023</b>	<b>The year ended <u>31 December</u> 2022</b>
	<b><u>Relationship</u></b>		
SNGN Romgaz	Entity under common control	1.758.019	2.452.358
Complex Energetic Oltenia	Entity under common control	514	-
Electrocentrale București	Entity under common control	<u>1.008</u>	<u>1.194</u>
		<u>1.759.541</u>	<u>2.453.552</u>

**xii) Debts to suppliers – balancing activity (VAT included)**

		<b>The year ended <u>31 December</u> 2023</b>	<b>The year ended <u>31 December</u> 2022</b>
	<b><u>Relationship</u></b>		
SNGN Romgaz	Entity under common control	3.034.455	3.229.577
Electrocentrale București	Entity under common control	2.272.291	2.018.612
Electrocentrale Constanța	Entity under common control	-	2.095.909
Termo Calor Pitesti	Entity under common control	217.766	1.951.308
E.ON Energie Romania	Entity under common control	11.359.387	16.848.247
Complex Energetic Oltenia	Entity under common control	<u>256.844</u>	-
		<u>17.140.743</u>	<u>26.143.653</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)**

**xiii) Guarantees from affiliates (bank guarantee letter)**

		<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
	<b><u>Relationship</u></b>		
SNGN Romgaz	Entity under common control	28.811.298	15.015.388
E.ON Energie Romania	Entity under common control	52.201.315	-
Electrocentrale București	Entity under common control	<u>8.275.580</u>	<u>-</u>
		<u>89.288.193</u>	<u>15.015.388</u>

**xiv) Loans and interest to be reimbursed**

		<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
	<b><u>Relationship</u></b>		
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>212.813.723</u>	<u>235.673.543</u>
		<u>212.813.723</u>	<u>235.673.543</u>

**xv) Transactions during the period**

		<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
	<b><u>Relationship</u></b>		
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>17.497.371</u>	<u>16.439.443</u>
		<u>17.497.371</u>	<u>16.439.443</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

**28. EARNINGS PER SHARE**

The company shares are listed on the first category of the Bucharest Stock Exchange.

Basic earnings per share are calculated by dividing the profit attributable to the company's equity holders to the average number of ordinary shares existing during the year.

	<b>The year ended 31 December 2023</b>	<b>The year ended 31 December 2022</b>
Profit attributable to the company's equity holders	185.716.522	347.068.471
Weighted average of the number of shares	188.381.504	188.381.504
Basic and diluted earnings per share (lei per share)	0,99	1,84

By Decision no. 11/7 December 2022, the Extraordinary General Meeting of Shareholders of Transgaz approved the increase of the share capital of the Company by incorporating the reserves constituted from the net profit of previous years in the amount of 1.766.076.600 lei, from the amount of 117.738.440 lei to the amount of 1.883.815.040 lei, through the issue of 176.607.660 new shares with a value of 10 lei/share. The share capital increase was registered with the National Trade Register Office on 19 December 2022.

**29. SIGNIFICANT TRANSACTIONS NOT INVOLVING CASH**

*Compensations*

Approximately 5,36% of the receivables were settled by transactions that haven't involved cash outflows during the period ended 31 December 2023 (31 December 2022: 12,25%). Transactions mainly represent sales of products and services in exchange for raw materials and services or offsets with clients and suppliers within the operating cycle and receivables registered with the state budget.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS**

i) Commitments

The Service Concession Agreement (S.C.A. - Note 8) provides that, at the end of the agreement, the ANRM is entitled to receive back, all goods of public property existing when the agreement was signed and all investments made into the national transmission system, in accordance with the investment program stipulated in the service concession agreement. The company also has other obligations related to the concession agreement, which are described in Note 8.

On 31 December 2023 the value of the contractual firm obligations of parent Company for the purchase of tangible and intangible assets is of lei 89.176.273, and subsidiary Eurotranzgaz SRL has no capital commitments.

Eurotranzgaz SRL, the company established and owned by Transgaz in Moldova, was appointed the winner of the privatization investment contest for the single patrimonial complex State Enterprise Vestmoldtranzgaz operating the Iasi-Ungheni gas transmission pipeline on the territory of Moldova.

The company is a guarantor of the loan agreement concluded on 24 January 2019 between the European Investment Bank and Eurotranzgaz, in total amount of Euro 38 milion, for the funding of the construction by Vestmoldtranzgaz of the Ungheni-Chisinau gas transmission pipeline.

On December 11, 2019 the European Bank for Reconstruction and Development approved project No 50410, which represents capital investment in the form of a capital increase in exchange for a stake in the share capital of Vestmoldtranzgaz SRL daughter company of Eurotranzgaz SRL, which is ultimately owned and controlled by the Romanian gas transmission operator SNTGN Transgaz SA. The Bank's investment will finance the construction of the Ungheni-Chisinau natural gas pipeline in Moldova with a length of approx. 120 km and a planned capacity of 1.5 bcm.

ii) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European law. However, there are still various interpretations of the tax law. In Romania, the tax year remains open for fiscal verification for 5 years. The company's management believes that fiscal obligations included in these financial statements are properly presented and that it is not necessary for any additional provisions to be established to cover the uncertainties related to tax treatment.

The royalty rate for the use of gas transmission pipelines is set by the government. Since October 2007, the royalty has been set at 10% of revenue. After the entry into force of Art. 103 para. 2 of the Law no. 123/2012, starting from 12 November 2020 the fee was set at 0,4% of the domestic and international gas transmission services value performed by the company. ANRM requests Transgaz to calculate and pay the royalty by applying the percentage of 10% according to Law 238/2004, for the period between November 2020 – December 2021. The company considers that it is obliged to calculate and pay a single royalty at the rate of 0,4% established by the special law, namely Law 123/2012. Law 248/July 2022 approving GEO 143/2021 amending and supplementing the Electricity and gas Law 123/2012 sets the royalty percentage at 0.4% of the gross revenue from natural gas transmission and the specialist report drawn up by the specialist committees of the Chamber of Deputies clarifies that the Electricity and gas Law 123/2012 is a special regulation in the



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (expressed in lei, unless otherwise stated)

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### 30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

field of natural gas, in relation to Oil Law 238/2004. Administrative and judicial dispute settlement is detailed in the chapter "Court and other actions".

As of 30 October 2023, the royalty due to the state budget for the concession of the national transmission system (SNT) was determined as a percentage of 11.5% of the value of gross revenues from natural gas transmission services, in accordance with GEO no. 91 of 27 October 2023 on some measures relating to the exercise of public and private property rights of the state, as well as the efficient management of state property, for the amendment and supplementation of the Petroleum Law no. 238/2004, as well as the Law no. 296/2023 on some fiscal-budgetary measures to ensure the long-term financial sustainability of Romania.

The tax system in Moldova is subject to different interpretations and continuous changes, which may have retroactive effect. The tax authorities' interpretation of the tax legislation on the Group's transactions may differ from that of management. As a result, the tax authorities may question certain transactions as giving rise to additional taxes, penalties or interest, which may be significant.

#### iii) Insurance policies

The company does not have insurance policies related to operations, complaints on products, or for the public debt. The company has insurance policies for buildings and mandatory civil liability policies for the car fleet. Moreover, the company has contracted professional liability insurance services for the members of the Board of Administration and for 58 managers in 2023 (57 managers in 2022).

#### iv) Environmental aspects

Environmental regulations are under development in Romania and the company did not record any obligation on 31 December 2023 and on 31 December 2022 related to anticipated expenses that include legal and consulting fees, analysis of locations, preparing and implementing recovery measures related to environmental protection. The management of the company believes there are no significant obligations related to environmental aspects.

#### v) Lawsuits and other actions

During the normal activity of the company, there were complaints against it. The company has pending disputes for the lack of use of lands occupied with NTS objectives, commercial and labour disputes. Based on its own estimates and internal and external consulting, the company's management believes there will be no material loss exceeding the provisions established in these financial statements and is not aware of circumstances that give rise to potentially significant obligations in this regard.

The company was the subject of an investigation by the Competition Council regarding the manner in which procedures were awarded for works contracts carried out by Transgaz during 2009-2011, before the implementation of corporate management according to the provisions of GEO 109/2011 on corporate governance of public enterprises.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (expressed in lei, unless otherwise stated)

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### 30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

In 2020, the Competition Council communicated Decision no. 43 / 11.08.2020 sanctioning the Company with a fine in the amount of lei 34.166.616. The company challenged in court the decision of the Competition Council. (Note 20). The dispute concerns an action for annulment of the decision. At first instance, Transgaz's application was dismissed as unfounded. The company lodged an appeal.

On 13.06.2023 under number 03-155/13.06.2023 in the secretariat of Vestmoldtransgaz SRL was registered the accompanying letter and the conclusion of the court issued on the basis of the Request for a lawsuit filed by the Chisinau Municipal Council against the Government of the Republic of Moldova (expropriator within the meaning of Law 105/2017), third parties: UCIPE, VMTG, ARFC, and DRAURE of PMC, concerning the disagreement with the amount of compensation for the expropriated land of the Municipality of Chisinau.

According to the court's decision (civil case no. 3-1220/2023), VMTG has been drawn into this dispute as a third party and has been granted a period of 30 days, calculated from 13.06.2023, to submit the reference, additional evidence and any other documents.

By VMTG's Motion dated 13.07.2023, VMTG informed the court that its joinder in the litigation is unfounded and requested the examination of the named administrative file in VMTG's absence for the following reasons:

1. VMTG was not a party to the lawsuit, where the plaintiff is the Municipality of Chisinau and the defendant is the Government of the Republic of Moldova, it did not have documents or the administrative file, being drawn by the court to the proceedings as a THIRD party without justification.
2. According to Article 205(5) of the Administrative Code: any third party to the proceedings may submit both procedural claims and claims joined to the claim of the plaintiff or defendant on the merits of the case.
3. VMTG will not file a reference on the ground that VMTG's filing of the reference would amount to joining a party to the proceedings, which VMTG did not wish to do, i.e., VMTG availed itself of its right to file procedural motions, i.e., to file a motion to examine the administrative record in the absence.
4. With reference to the summons in the conclusion on the fine, it was mentioned that Article 221 paragraph (3) of the Administrative Code is not applicable to the third party (fine for submission of reference, evidence, documents, information), maintaining that VMTG is a private SRL and does not have the capacity of Public Authority holding the administrative file.

As of 6 September 2016, the company was subject to an inspection carried out by the European Commission - Directorate General for Competition under Art. 20 (4) of Council Regulation (EC) No 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty, which became Articles 101 and 102 of the Treaty on the Functioning of the European Union.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (expressed in lei, unless otherwise stated)

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### 30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

In 2020, the European Commission approved the Company's commitments to address concerns related to a possible breach of Article 102 of the Treaty on the Functioning of the European Union, namely:

- to provide a minimum export capacity of 1.75 billion cubic meters per year at the interconnection point between Romania and Hungary (Csanádpalota);
- to make available minimum export capacities of 3.7 billion cubic meters per year in total at two interconnection points between Romania and Bulgaria (Giurgiu / Ruse and Negru Vodă I / Kardam);
- to make sure that the tariffs to be proposed to the Romanian Energy Regulatory Authority (ANRE) will not make any difference between the export and the domestic markets, thus avoiding interconnection tariffs that render exports commercially non-feasible;
- refrain from using any other means of obstructing exports.

The company meets its commitments and, based on its own estimates, the company's management considers that there are no circumstances that would give rise to significant potential liabilities in this regard.

Following the conclusion of the arbitration proceedings with Bulgargaz EAD, the arbitral tribunal upheld Bulgargaz EAD's claim and ordered the restitution of the quantity of natural gas of 6.733.433 cm and, if restitution in kind is not possible, the reimbursement of the monetary equivalent of the linepack, and statutory interest (Note 20). The decision of the arbitral tribunal has been appealed and the action for annulment has been registered with the Bucharest Court of Appeal. The action for annulment was dismissed as unfounded. Transgaz lodged an appeal. The Court of Cassation of the Court of Justice has admitted Transgaz' appeal, the case being sent to the Bucharest Court of Appeal for retrial.

The dispute between ANRM and Transgaz was the subject of a tax inspection of the royalty which ended with the issuance of a mandatory order to pay two royalties, namely 10% and 0,4% of the value of domestic and international natural gas transmission services performed by the company. The company lodged a preliminary complaint against the mandatory provision no. 6006/250938/IEF/14.04.2022 issued by the Ministry of Finance, by which Transgaz S.A. was charged with the payment of the amount of 152,964,894 lei, representing the royalty due to the state budget and ancillaries. The preliminary complaint was upheld and the Ministry of Finance, by decision 82/P/2022, ordered the annulment in its entirety of binding order No 6006/250938/IEF/14.04.2022 and the issue of a new order taking into account the considerations put forward by the Ministry of Finance in the decision. Transgaz challenged that decision before the court, seeking partial annulment of the decision in respect of its unclear recitals. The case has not yet been settled. However, following decision No 85/P/2022i issued by the Ministry of Finance, binding order No 6009/253087/IEF of 14.12.2022 was issued, which only supplements the recitals of the first decision, maintaining the same amount payable by Transgaz. The company lodged a preliminary complaint against this new provision, which has not yet been resolved. It is also intended to challenge the administrative act consisting of binding order 6009/253087/IEF in court within the legal time limit. The company has lodged a bank guarantee letter in order to suspend the execution of this mandatory provision, in accordance with the provisions of the Tax Procedure Code (Note 16).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (expressed in lei, unless otherwise stated)

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### 30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

The Directorate-General for European Large-Scale Infrastructure Programmes has sanctioned Transgaz, applying a series of financial corrections as it considered the requests in the call for tenders for sectoral procurement procedures concerning the provision of a tender guarantee and a performance guarantee, by means of a guarantee instrument (bank letter of guarantee of participation/insurance policy) issued by a credit institution/insurance company in Romania or in another EU state, were restrictive, limiting the possibility for potential bidders to present such a document issued in a non-EU state.

Transgaz has objected to the findings of the Directorate-General for European Large-Scale Infrastructure Programmes concerning the irregularities relating to the restrictive or discriminatory nature of the requirement for a performance/participation guarantee.

Since the defendant unlawfully rejected Transgaz' objection, an action was brought for annulment of the decisions rejecting Transgaz' objections. Transgaz' action was dismissed as unfounded, and an appeal was lodged against that decision.

The Company considers that no additional adjustments to those disclosed in the financial statements are necessary.

#### vi) Government policies in the gas sector in Romania

ANRE is an autonomous public institution and sets tariffs for the natural gas transmission activity charged by the company. It is likely that the Agency decides the implementation of changes of the government strategies in the gas sector, determining changes in the tariffs approved for the company and, thus, having a significant impact on the company's revenue. At the same time, the Romanian government could decide to change the royalty applied to the company for using the assets part of the public domain according to SCA.

Currently, the effects cannot be determined, if they exist, of the future government policies in the gas sector in Romania on the company's asset and liability.

There are various interpretations of the legislation in force. In certain situations, ANRE may treat differently certain aspects, proceeding to the calculation of additional tariffs and of delay penalties. The company's management believes that its obligations to ANRE are properly presented in these financial statements.

ANRE Order no.126/12.2021 approved the modification of the contractual clauses for the balancing activity and access to the PVT which allows the Company to terminate access to the virtual trading point (VTP) and to terminate balancing contracts, for network users who register cumulative imbalances of the Deficit type during the month higher than the guarantees established.

GEO 27/2022 provides that in order to cover the additional costs related to own technological consumption and technological consumption, respectively, generated by the increase in prices on the gas market above the value taken into account by the regulator when calculating the natural gas transmission tariffs for 2021, the Energy Regulatory Authority (ANRE) modifies the regulated tariffs, with effect from 1 April 2022, and the resulting tariffs shall remain unchanged for the period from 1

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)**

April 2022 to 31 March 2023. ANRE did not modify the transmission tariffs with the price increase substantiated by the company.

By Order no. 95/18.05.2022, ANRE extends the deadlines laid down in ANRE Order no. 32/2021 on the approval of the adjusted regulated revenue and transmission tariffs for the transmission of natural gas through the National Transmission System until 30 September 2023 and provides that the differences resulting from the recalculation of the regulated revenue and the adjusted regulated revenue for the fourth regulatory year, 1 October 2022 – 31 December 2023, of the fourth regulatory period, shall be determined and adjusted with the adjustment of the regulated revenue and the approval of the revenue for the last year of the fourth regulatory period, i.e. 1 October 2023 – 31 December 2024.

From 1 October 2023, the natural gas transmission tariffs approved by the Order of the President of ANRE no.68 of 30.05.2023 are applicable. The approved regulated revenue related to natural gas transmission for the period from 1 October 2023 to 30 September 2024 is lei 1.647.347.820.

According to GEO no. 119/1 September 2022 amending and supplementing Government Emergency Ordinance no. 27/2022 on measures applicable to end customers in the electricity and natural gas market for the period from 1 April 2022 to 31 March 2023, the natural gas transmission service provider is required to capitalise on a quarterly basis the additional costs for the procurement of natural gas incurred during the period from 1 January 2022 to 31 August 2023 to cover technological consumption, compared to the costs included in the regulated tariffs, and the assets resulting from the capitalisation shall be recognised in the accounting records and financial statements in accordance with the instructions issued by the Ministry of Finance.

By Order 111/24 August 2022, ANRE stipulates, as of 1 October 2022, that the mechanism ensuring cost and revenue neutrality of the TSOs take into account the following categories of costs and revenues:

- a) costs and revenues of the TSO as a result of the payment or collection of imbalance charges under the provisions of the Network Code in relation to individual NUs;
- b) costs and revenues arising from the purchase/sale of gas by the TSO for the physical balancing of the NTS, in compliance with the procedure on the operating limits of the NTS, approved by the TSO and endorsed by ANRE;
- c) costs and revenues resulting from the activity of natural gas storage intended to ensure the physical balance of the transmission system in accordance with the provisions of Article 130(1) of the Law no. 123/2012 on electricity and natural gas, as amended;
- d) costs arising from the taking out of a credit line to finance physical and commercial balancing activity;
- e) costs and revenues arising from the contracting of balancing services, in accordance with the provisions of Article 832 of the Network Code and Article 6(3) b of Regulation (EU) No 312/2014.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)**

Eurotransgaz has fulfilled all its obligations under the Contract for Sale and Purchase of the State Enterprise Vestmoldtransgaz, concluded between Eurotransgaz S.R.L. on the one hand and the Public Property Agency ("APP") and the Ministry of Economy and Infrastructure ("MEI") on the other hand, for which Eurotransgaz received in 2022 the certificate on the full performance of the contractual obligations assumed by S.R.L. "Eurotransgaz" under the Contract for Sale and Purchase of the investment tender of the single asset complex of the State Enterprise "Vestmoldtransgaz".

vii) The military conflict in Ukraine

As of 24 February 2022 a military conflict is taking place on the territory of Ukraine. Gas flows can be redirected through the Negru Voda entry point and other interconnection points with transmission operators in Bulgaria and Hungary. The Company considers that no additional adjustments to those disclosed in the financial statements are necessary.

**31. FEES OF THE STATUTORY AUDITOR**

The fees for the financial year ended 31 December 2022 charged by BDO Audit SRL, invoiced in 2023 are: lei 174.989 (VAT excluded) for statutory audit services and lei 87.040 (VAT excluded) for other services than the statutory audit.

The fees for the financial year ended 31 December 2022 charged by BDO Audit SRL, are: lei 79.682 (VAT excluded) for the limited review as at 30 June 2022 and 29.760 lei (excluding VAT) for other services than statutory audit services.

The fees for the financial year ended 31 December 2021 charged by BDO Audit SRL, invoiced in 2022, are: lei 174.989 (VAT excluded) for statutory audit services and lei 15.000 (VAT excluded) for services other than statutory audit services.

The fees for the financial year ended 31 December 2023 charged by BDO Audit SRL (leader) - BDO Audit & Consulting SRL (Associate) SRL are amounting to Lei 463.000 (VAT excluded).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(expressed in lei, unless otherwise stated)

**32. REVENUE AND COSTS FROM THE CONSTRUCTION OF ASSETS**

In accordance with IFRIC 12 the revenue and costs of network construction should be recognized in accordance with IFRS 15 Revenue from Contracts with Customers.

	<b>The year ended</b> <b>31 December 2023</b>	<b>The year ended</b> <b>31 December 2022</b>
Revenue from the construction activity according to IFRIC12	182.449.856	299.868.442
Cost of assets constructed according to IFRIC12	(182.449.856)	(299.868.442)

The related costs were equal to the revenue, the company did not obtain any profit from the construction activity.

**33. EVENTS SUBSEQUENT TO THE BALANCE DATE**

With the support of the European Investment Bank (EIB), Transgaz has developed the Climate and Decarbonisation Strategy for a step-by-step transition to climate neutrality and to strengthen resilience to climate change, taking into account best practices and national and international climate change policies and regulations.

The decarbonisation strategy includes:

- comprehensive assessment of the carbon footprint of the current operating process;
- ambitious quantitative emission reduction targets in the short and medium term and proposed high-level actions and measures to achieve these targets;
- long-term decarbonisation options;
- explanation of the role of compensation and its impact on stakeholders;
- stakeholder engagement strategy, including Transgaz' possibilities to cooperate with stakeholders (downstream and upstream of the gas transmission system) in projects contributing to decarbonisation;
- actions needed from Transgaz to meet national and international (climate-related) requirements and regulations, such as the National Integrated Energy and Climate Change Plan.

In 2024, the company concluded two grant contracts for projects: Black Sea-Podişor natural gas transmission pipeline, for which it received in February pre-financing in the amount of lei 127.682.749 and Gherceşti-Jitaru natural gas transmission pipeline (including cathode energy supply and fibre optics).

The contracts were concluded on the basis of EC Decision No C(2023) 3643 of 30.05.2023 granting non-reimbursable funding from the Modernisation Fund totalling EUR 93.582.770 for the following projects:

- Black Sea - Podişor natural gas transmission pipeline: euro 85.544.422;



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**33. EVENTS SUBSEQUENT TO THE BALANCE DATE (CONTINUED)**

- Ghercești-Jitaru natural gas transmission pipeline (including electricity supply, cathodic protection and optical fibre): euro 8.038.348.

On the basis of the resolution of the General Meeting of Shareholders No. 17 of 24 November 2023, the shareholders decided to reduce the share capital of the entity by MDL 50,095,005 in order to compensate the losses of the previous periods. The procedure for the decrease of the share capital will be registered with the Public Service Agency in 2024.

With a view to strengthening the energy security of the Republic of Moldova, liberalisation, diversification and proper functioning of the national gas market, i.e. increasing the annual volumes of natural gas to be transported, Vestmoldtransgaz aims at the following projects according to its development plan for the period 2023-2032:

**Investments in the construction of new networks and new production capacities**

- The design and construction of the gas transmission network in the NE-SE direction of the municipality of Chisinau (Chisinau Municipality By-Pass), for the consolidation and completion of the gas transmission infrastructure in the NE-SE direction of the municipality of Chisinau and the avoidance of physical congestions observed in the gas supply of consumers of the Republic of Moldova.
- Design and construction of the gas transmission network in the direction of the Prut River - GMS Ungheni - GMP Todirești, for the reinforcement of gas transmission infrastructure from the Western Europe direction and avoidance of possible physical congestion due to the change in the flows of gas supply to the Republic of Moldova.
- The design and construction of the natural gas transmission network in the Ungheni - Balti - Drochia direction, with the connection to the suction pipe of CS Drochia located on the Ananiev-Cernăuți-Bogorodicieni natural gas transmission network, i.e. the consolidation and completion of the gas transmission infrastructure in the N-S direction of the Republic of Moldova and the avoidance of physical congestion in the supply of gas to consumers in the Republic of Moldova considering the major change in the direction of gas flows and the new legislative requirements regarding the provision of gas stocks, a fact that will create preconditions for the creation of significant transmission capacities.
- The construction of the main pipeline for the connection of the Cimișlia-Hîncești branch pipeline with the main pipeline, intended for the ring related to the municipality of Chișinău, for the reinforcement and completion of the gas transmission infrastructure on the South-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(expressed in lei, unless otherwise stated)**

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**33. EVENTS SUBSEQUENT TO THE BALANCE DATE (CONTINUED)**

Central direction of the Republic of Moldova and the avoidance of physical congestion in the supply of gas to consumers in the Republic of Moldova.

- Construction of the CM RI- CM ŞDKRI connection in the CS Vulcăneşti region, km. 292-293 and the Construction of the CM RI- CM ŞDKRI connection in the GMS Căuşeni region, km. 173-174, for ensuring the possibility of gas flow interchangeability between the pipelines on the Trans-Balkan corridor and the flexibility of the gas transmission system.

Chairman of the Board of Administration  
Văduva Petru Ion

Director – General  
Ion Sterian

Chief Financial Officer  
Marius Lupean

## STATEMENT

According to Art. 65 (2) (c) of Law 24/2017 on the issuers of financial instruments and market operations, and to Art. 223 (A) (1) (c) of Financial Supervisory Authority Regulation 5/2018 on the issuers of financial instruments and market operations, we declare the following:

- To the best of our knowledge, the annual financial and accounting statement at 31 December 2023 was prepared in accordance with the International Financing Reporting Standards approved by the European Union and provides a correct and true view of the assets, obligations, financial position, profit and loss account;
- The consolidated report issued by the Board of Administration includes a correct analysis of the company's development and performance and a description of the principal risks and uncertainties specific to the performed activity.

**Petru Ion VĂDUVA – Non-Executive Administrator, BoA Chairman**

**Ion STERIAN – Director - General, Executive Administrator**

**Nicolae MINEA - Non-Executive Administrator**

**Adina Lăcrimioara HANZA - Non-Executive, Interim Administrator**

**Ilinca VON DERENTHALL - Non-Executive, Interim Administrator**

## INDEPENDENT AUDITORS' REPORT

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

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

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

#### *Opinion*

1. We have audited the individual financial statements of Societatea Naționala de Transport Gaze Naturale TransGaz S.A. („the Company” or „S.N.T.G.N. TransGaz S.A.”), which comprise the individual statement of financial position as at December 31, 2023, and the individual statement of comprehensive income, individual statement of changes in equity and consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the individual financial statements.
2. The financial statements as at and for the year ended 31 December 2023 are identified as follows:

Net assets/Total equity:	4,123,653,277 RON
Net profit for the year:	168,440,520 RON

3. In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU (“Order 2844/2016”).

#### *Basis for Opinion*

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

#### *Emphasis of matter*

5. We draw attention to Note 30 to the individual financial statements which describe that the company has significant ongoing litigation as at December 31, 2023. The impact on the individual financial statements is uncertain and cannot be quantified at the current stage of litigation. Our opinion is not qualified in respect of this matter.

#### *Key Audit Matters*

6. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the individual financial statements of the current period. These matters were addressed in

the context of our audit of the individual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Revenue Recognition**

Revenues represent a significant value of RON 1,713 million, consisting of a large volume of transactions. Identified types of transactions, related to revenue recognition, lead to the following risks:

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

### **Audit tests performed:**

Our audit procedures included, but are not limited to:

- ▶ Assessment of the principles of revenue recognition in accordance with the provisions of IFRS and in relation to the Company's accounting policies;
- ▶ Performing detail tests in order to verify the correct registration of transactions;
- ▶ Verification of capacity bookings by network users through the booking platform, with electronic approval and generated contract;
- ▶ Reconciling reserved capacity through platform versus billed reserved capacity;
- ▶ Verification of delivery minutes signed by network users (quantity confirmation);
- ▶ Sample verification of manual debit records in the booking platform for technology points for which readings are not automatically imported;
- ▶ Conversion of flows from cubic meters and calorific value into MWh, for the year 2023;
- ▶ Calculation of billing quantities per partner starting from the flows in MWh recorded for the technological points;
- ▶ Reconciling quantities calculated on partners versus quantities invoiced for 2023;
- ▶ Examining the accuracy of the adjustments made by the Company or those to be made, in order to respect the principle of independence of the exercises;

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

### **Application of IFRIC 12 "Service Concession Agreements"**

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

According to IFRIC 12, Transgaz may receive an intangible asset, a financial asset, or a combination of the two, in exchange for construction work

### **Audit tests performed:**

Our audit procedures included, but are not limited to:

- ▶ The analysis of the service concession agreement concluded in 2002, as well as the specific legislation supplementing the contractual provisions (especially Law 127/2014).

(upgrading / expansion) on the infrastructure (SNTG).

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

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

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

#### **The recoverable value of the investment in the Eurotransgaz subsidiary in the Republic of Moldova**

As it results from Note 10 "Financial instruments" the Company's management performed an assessment of the recoverability of the value of the investment made in Eurotransgaz Moldova and, indirectly, in Vestomoldtransgaz, using an independent valuator.

Two approaches were used to measure participation: the income approach based on discounted cash flows, and the asset approach, which seeks to measure adjusted net assets.

The discounted cash flow model requires the use of professional reasoning and significant estimates, mainly regarding the forecasted revenues (based on the specific methodology for determining regulated income in the Republic of Moldova), discount rate and residual value.

This aspect is considered key due to the complexity of the estimates and reasoning used in the evaluation, but also to the significant value of the participation.

- ▶ The reasonableness of applying the bifurcated model in the context of first-time application of IFRS 15 and restatement of comparative information has been revised.
- ▶ The criteria for recognizing the financial asset as well as the method for assessing the long-term receivable as mentioned in Note 5.4 to the individual financial statements (the residual value, the discount rate used) were also reviewed.
- ▶ We've also examined how the information required by IFRIC 12 was disclosed in the financial statements.
- ▶ Consultations have taken place with the management of the Company.

#### **Audit tests performed:**

Our audit work included, among others, the following specific procedures:

- ▶ Obtaining the evaluation performed by the expert employed by the Company to test the impairment of participation;
- ▶ Verification of the experience and accreditations of the expert employed by the company;
- ▶ Analysis of evaluation reports with the help of an expert BDO evaluator.
- ▶ Analysis of the reasonableness of the estimates made and the hypotheses used.
- ▶ Adequacy of the methods used with the activity of companies.
- ▶ Assessing the adequacy of the information contained in the financial statements, including the explanatory notes.

### ***Other matters***

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

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

8. Administrators are responsible for preparing and presenting Other information. This information comprises the Administrator's report, and the Remuneration Report but does not include the financial statements and our auditor's report on these, nor the non-financial representation, this being presented in a separate report.

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

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

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

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

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

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

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



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

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

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

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

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

12. Our objectives are to obtain reasonable assurance about whether the individual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, consolidated or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these individual financial statements.

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

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

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

17. We have been appointed by the General Assembly of Shareholders No.12 held on December 20, 2023 to audit the individual and consolidated financial statements of **S.N.T.G.N. Transgaz S.A.** for the financial year ended December 31, 2023. The uninterrupted total duration of our commitment is 6 years, covering the financial years 2018 - 2023.

We confirm that:

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

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

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

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

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

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

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

## **Auditor's Responsibilities for Audit the Digital Files**

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

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

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

23. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the individual financial statements for the financial year ended December 31, 2022 included in the annual financial report and presented in the Digital Files comply, in all material respects, with the requirements of ESEF.

24. In this section we do not express an audit opinion, a review conclusion or any other assurance conclusion on individual financial statements. Our audit opinion on the Company's individual financial statements for the financial year ended December 31, 2023 is included in the " Report on the Audit of the Individual financial statements" section above.

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

Victory Business Center, 24 Invingatorilor Street  
Bucharest 3, Romania, 030922  
Registered on Financial Auditors Public Register, code FA18

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

Bucharest, Romania  
21.03.2024

Registered on Financial Auditors Public Register, code  
AF2566

## INDEPENDENT AUDITORS' REPORT

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

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

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

#### *Opinion*

1. We have audited the consolidated financial statements of Societatea Națională de Transport Gaze Naturale TransGaz S.A. („the Company” or „S.N.T.G.N. TransGaz S.A.”), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the consolidated financial statements.
2. The financial statements as at and for the year ended 31 December 2023 are identified as follows:

Net assets/Total equity:	4,216,113,767 RON
Net profit for the year:	185,716,522 RON

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU (“Order 2844/2016”).

#### *Basis for Opinion*

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

#### *Emphasis of matter*

5. We draw attention to Note 30 to the consolidated financial statements which describe that the company has significant ongoing litigation as at December 31, 2023. The impact on the consolidated financial statements is uncertain and cannot be quantified at the current stage of litigation. Our opinion is not qualified in respect of this matter.

## **Key Audit Matters**

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

### **1. Revenue Recognition**

Revenues represent a significant value of RON 1,786 million, consisting of a large volume of transactions. Identified types of transactions, related to revenue recognition, lead to the following risks:

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

### **Audit tests performed:**

Our audit procedures included, but are not limited to:

- ▶ Assessment of the principles of revenue recognition in accordance with the provisions of IFRS and in relation to the Company's accounting policies;
- ▶ Performing detail tests in order to verify the correct registration of transactions;
- ▶ Verification of capacity bookings by network users through the booking platform, with electronic approval and generated contract;
- ▶ Reconciling reserved capacity through platform versus billed reserved capacity;
- ▶ Verification of delivery minutes signed by network users (quantity confirmation);
- ▶ Sample verification of manual debit records in the booking platform for technology points for which readings are not automatically imported;
- ▶ Conversion of flows from cubic meters and calorific value into MWh, for the year 2023;
- ▶ Calculation of billing quantities per partner starting from the flows in MWh recorded for the technological points;
- ▶ Reconciling quantities calculated on partners versus quantities invoiced for 2023;
- ▶ Examining the accuracy of the adjustments made by the Company or those to be made, in order to respect the principle of independence of the exercises;

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

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

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

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

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

According to the latest methodologies for establishing the tariffs regulated by ANRE, approved by Order 41/2019, Transgaz obtains the right to adjust to the inflation the net regulated accounting value and, consequently, the assessment of the long-term receivable.

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

Our audit procedures included, but are not limited to:

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

### ***Other matters***

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

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

8. Administrators are responsible for the preparation and presentation of Other information. The Other information comprises the consolidated Administrator's report, and the Remuneration Report but does not include the financial statements and our auditor's report on these, nor the non-financial representation, this being presented in a separate report.



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

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

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

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

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

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

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

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

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

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

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



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

12. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, consolidated or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or

regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

17. We have been appointed by the Ordinary General Assembly of Shareholders No.12, held on December 20, 2023 to audit the consolidated financial statements of **S.N.T.G.N. Transgaz S.A.** for the financial year ended December 31, 2023. The uninterrupted total duration of our commitment is 6 years, covering the financial years 2018 - 2023.

We confirm that:

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

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

18. We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2018/815 applicable to the consolidated financial statements included in the annual financial report of **S.N.T.G.N. Transgaz S.A.** (the Company) as shown in the digital files containing the unique code 254900R11L2IUZHIZ779 (Digital Files).

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

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

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

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

### **Auditor's Responsibilities for Audit the Digital Files**

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

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

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

23. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion, the consolidated financial statements for the financial year ended December 31, 2023 included in the annual financial report and presented in the Digital Files comply, in all material respects, with the requirements of ESEF.

24. In this section we do not express an audit opinion, a review conclusion or any other assurance conclusion on consolidated financial statements. Our audit opinion on the Company's consolidated financial statements for the financial year ended December 31, 2023 is included in the " Report on the Audit of the Consolidated financial statements" section above.

**On behalf of, BDO AUDIT**

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

Bucharest, Romania  
21.03.2024

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