

No. 3067/12.01.2024

Submitted for approval in the OGMS dated 21/22 February 2024

REPORT

**on the approval of the revision of financial performance indicators,
included in the Management Plan of SNTGN Transgaz SA for the period 2021 - 2025**

SUMMARY

By Resolution of the Ordinary General Meeting of Shareholders No. 8 of 6 December 2021, the financial and non-financial performance indicators annexed to the administrators' mandate contracts were approved, and by Resolution of the Ordinary General Meeting of Shareholders No. 3 of 28 February 2022 and Resolution of the Ordinary General Meeting of Shareholders No. 1 of 12 January 2023, the revision of financial performance indicators was approved.

As a result of legislative changes and new strategic directions for the development of the company, the values of financial performance indicators valid for the calculation of the variable component of the remuneration of the members of the Board of Administration changed.

PROPOSAL

Pursuant to the provisions of Article 15, paragraph 3, letter a¹) of the updated Articles of Incorporation, in conjunction with the provisions of Article 20, Annex 2, of GD 639/2023 for the approval of the Methodological Norms for the application of Government Emergency Ordinance No. 109/2011 on the corporate governance of public companies, as subsequently amended and supplemented, we submit to the approval of the Ordinary General Meeting of Shareholders the new values of some financial performance indicators included in the Management Plan of SNTGN Transgaz SA for the period 2021- 2025.

Detailed content

As a result of legislative changes and new strategic directions for the development of the company, the values of some financial performance indicators valid for the calculation of the variable component of the remuneration of the members of the Board of Administration have changed.

The rationale for the change in the value of some financial performance indicators is illustrated below:

In accordance with the provisions of Art. 9(1) (c) of GO 26/2013 as amended:

„When substantiating the revenue and expense budgets, economic operators shall take into account, without being limited to, the following:...

- c) the specific performance criteria and quantified targets for reducing outstanding payments and claims, reducing of losses, increasing profit, turnover and increasing labour productivity, as set out in the mandate contracts, established in relation to the management strategy of the Board of Administration/Supervisory Board and the management plan of the directors/members of the management board of economic operators“:*

The level of the "**EBITDA**" indicator provided for in the Management Plan for 2024 approved by OGMS Resolution No 2/ 2023 will not be achieved because of the following factors:

- decrease in revenue from natural gas transmission services by lei 180,890 thousand mainly:
 - due to the transmission tariff approved by ANRE for the year 2023-2024 being lower than the tariff estimated in the management plan, with a negative influence of lei 177,123 thousand related to the capacity booking component and with a negative influence of lei 113,345 thousand related to the commodity component of the transmission tariff;
- exceeding the operating expenses foreseen in the Management Plan for the year 2024 approved by OGMS No. 2/2023, mainly due to:
 - increase of oil royalty expenses by lei 209,165 thousand due to the increase of the percentage rate for determining the oil royalty due by the company from 0.4% to 11.5% of the value of gross revenue from natural gas transmission and transit operations through the national gas transmission system, starting from 30 October 2023;
 - increase in monopoly tax expenses by lei 21,419 thousand due to the quantities of natural gas expected to be transported in 2024 being higher than the estimates used for the substantiation of the management plan.

The level of the "**Operating Expenses**" indicator provided for in the 2024 Management Plan approved by OGMS No. 2/2023 will not be achieved mainly due to the following factors:

- increase of oil royalty expenses by lei 209,165 thousand due to the increase of the percentage rate for determining the oil royalty due by the company from 0.4% to 11.5% of the value of gross revenue from

natural gas transmission and transit operations through the national transmission system, starting from 30 October 2023;

- increase in monopoly tax expenses by lei 21,419 thousand due to the quantities of natural gas expected to be transmitted in 2024 being higher than the estimates used for the substantiation of the management plan.

The level of the "**Net Debt Ratio**" indicator set out in the Management Plan for 2024 approved by OGMS No. 6/2021 will not be achieved mainly due to the non-achievement of the level of the "EBITDA" indicator set out in the Management Plan for 2024 approved by OGMS No. 2/2023, as set out above.

The new values of the financial performance indicators that have undergone changes are shown in the table below:

Indicator		2024	2025
EBITDA	Draft REB 2024-2026	579.907	947.532
	Management Plan	801.888	951.217
	Differences	-221.981	-3.686
Operating expenses	Draft REB 2024-2026	1.486.728	1.614.088
	Management plan	1.434.821	1.424.745
	Differences	51 907	189 343
Net debt ratio	Draft REB 2024-2026	5,5	5
	Management plan	5	5
	Differences	0,5	-

Pursuant to the provisions of Article 15 (3), (a¹) of the updated Articles of Incorporation, in conjunction with the provisions of Article 20, Annex 2, of GD 639/2023 for the approval of the Methodological Norms for the application of Government Emergency Ordinance No. 109/2011 on the corporate governance of public companies, as amended, we submit to the approval of the Ordinary General Meeting of Shareholders the new values of some financial performance indicators included in the Management Plan of SNTGN Transgaz SA for the period 2021- 2025.

**CHAIRMAN OF THE BOARD OF ADMINISTRATION
PETRU ION VĂDUVA**