



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

Basis of the report	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 - Financial year 2023
Date of the report:	15 March 2023
Name of the issuer	The National Gas Transmission Company TRANSGAZ SA
Headquarters	Mediaş, 1 C.I. Motaş Square, code 551130, Sibiu county
Phone/fax	0269-803333/0269-839029
Web/e-mail	www.transgaz.ro / cabinet@transgaz.ro
Trade register number	J32/301/2000
Tax registration code	RO13068733
Regulated market on which the securities issued are traded	Bucharest Stock Exchange
Subscribed and paid-up share capital	1.883.815.040 lei
Main characteristics of securities issued	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 (%)
SNTGN Transgaz SA	Parent company	
Eurotransgaz SRL, the Republic of Moldova	Company held by SNTGN Transgaz SA	100%
Vestmoldtransgaz SRL, the Republic of Moldova	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.	Commissioned investments	Plan achieved	Thousand lei	0,15	379.600	270.438
2.	EBITDA	EBITDA increase	Thousand lei	0,15	602.479	584.587
3.	Labour productivity	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/pers.	0,15	518	602
4.	Outstanding payments	Payments made during the contract duration (in current prices)	Thousand lei	0,15	0	0
5.	Outstanding receivables	Diminished amount of outstanding receivables (in current prices)	Thousand lei	0,1	640.441	538.012
6.	NTS gas consumption	Remaining within the gas quantities representing NTS gas consumption	%	0,15	80,16%	83,47%
7	OPEX at lei 1000 operating revenue	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
1.	Profitability indicators				
	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			
2.	Liquidity indicators				
	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			
3.	Risk indicators				
	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			
4.	Management indicators				
	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

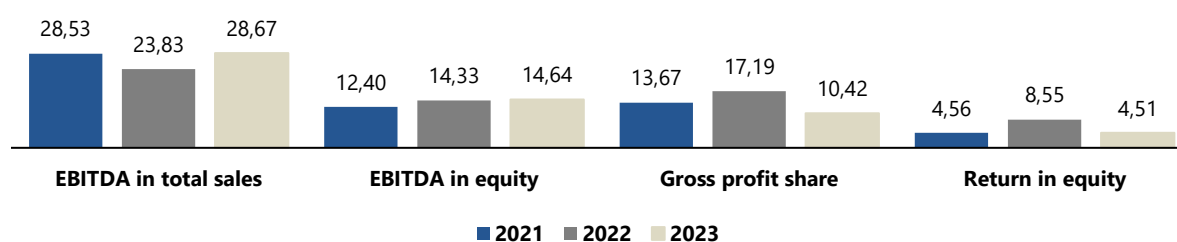


Chart 1- Profitability indicators evolution in 2021-2023

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	
0	1	2	3	4	5=4/3*100
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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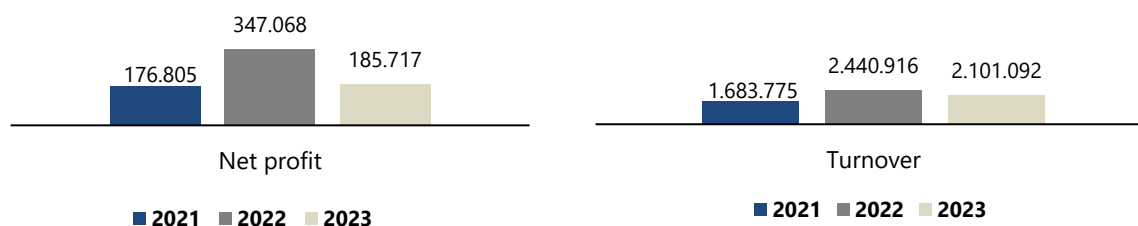


Chart 2 - Net profit in 2021-2023

Chart 3- Turnover in 2021-2023

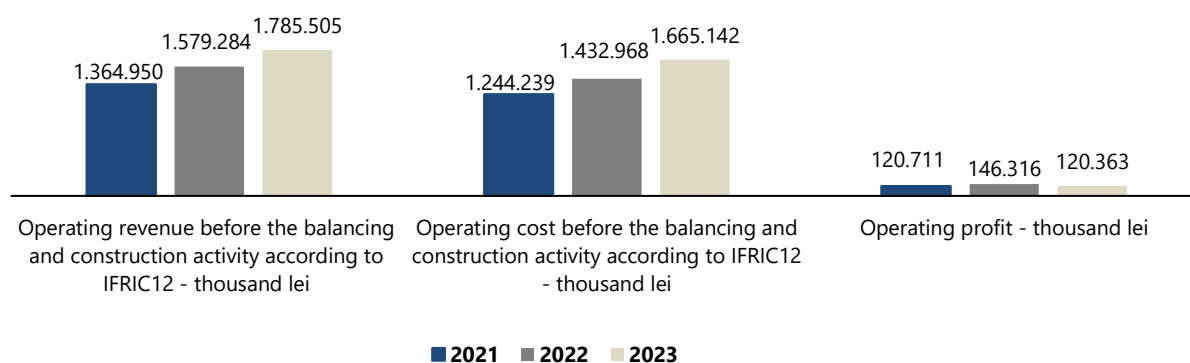


Chart 4- Operating revenue, expense and profit, before the construction activity according to IFRIC 12 in 2021-2023 (thousand lei)

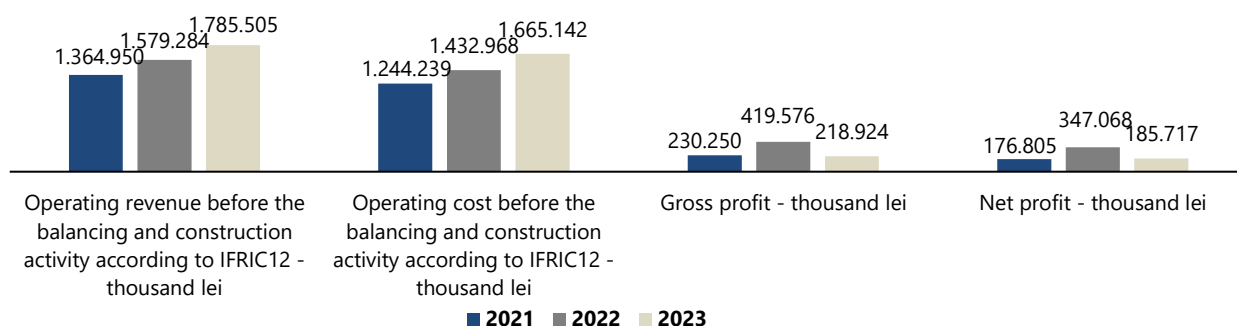


Chart 5- Main economic and financial indicators in 2021-2023 (thousand lei)

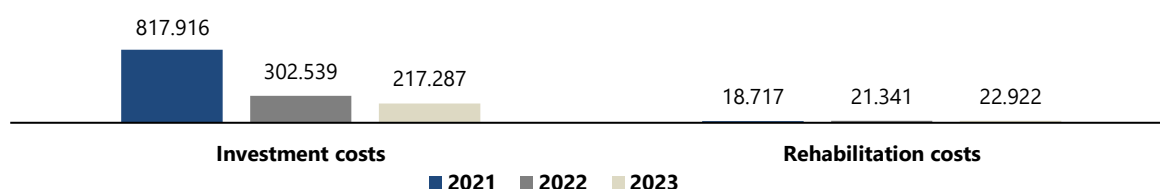


Chart 6- Investment and rehabilitation costs in 2021-2023 (thousand lei)

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.	Outstanding payments	Payments made during the contract duration (in current prices)	Thousand lei	0,15	0	0
5.	Outstanding receivables	Diminished amount of outstanding receivables (in current prices)	Thousand lei	0,1	640.441	538.012
6.	Technological consumption	Remaining within the gas quantities representing technological consumption	%	0,15	80,16%	83,47%
7	OPEX at lei 1000 operating revenue	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
1.	Profitability indicators				
	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%
2.	Liquidity indicators				
	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
3.	Risk indicators				
	Leverage indicator	Borrowed capital Equity	44,02%	45,84%	45,42%
	Interest coverage ratio	EBIT Interest expense	5,63	3,07	1,86
4.	Management indicators				
	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

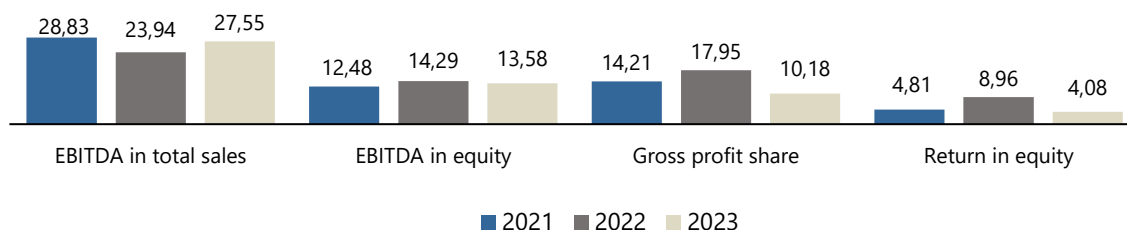


Chart 7- Profitability indicators in 2021-2023

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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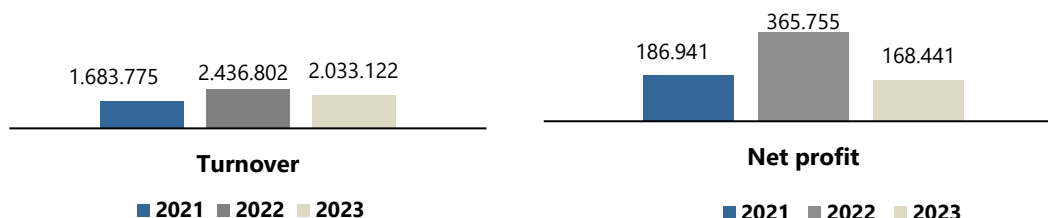


Chart 8-Turnover in 2021-2023 (mil lei)

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

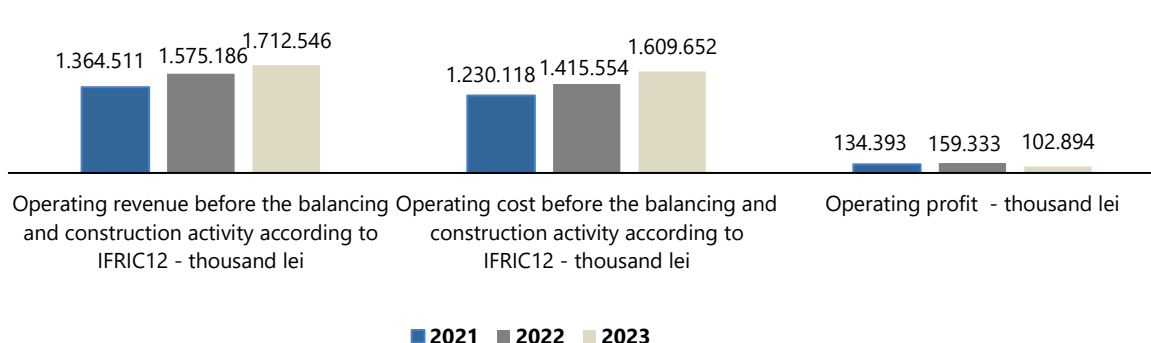


Chart 10 - Operating revenue, expense and operating profit before the construction activity according to IFRIC 12 in 2021-2023 (thousand lei)

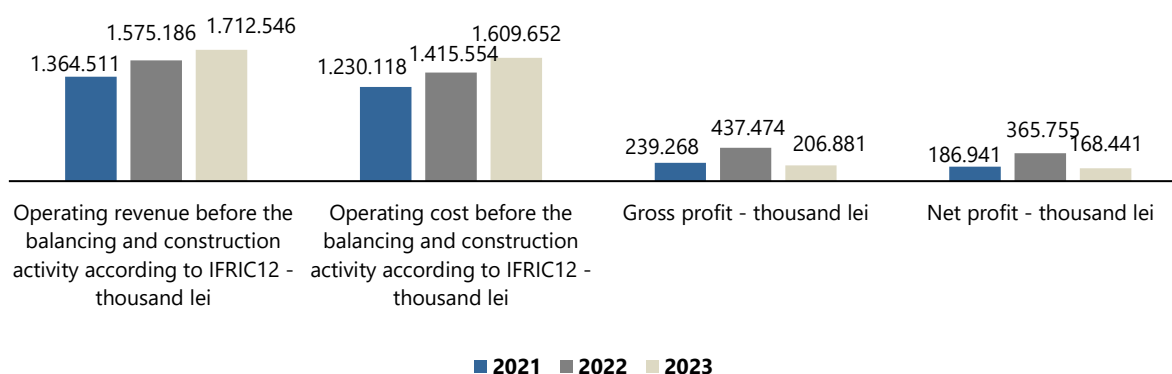


Chart 11 - Main economic and financial indicators in 2021-2023 (thousand lei)

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.

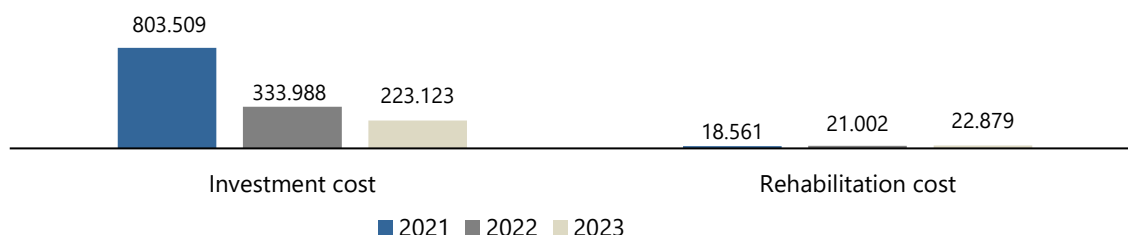


Chart 12 - Investment and rehabilitation costs in 2021-2023 (thousand lei)

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 (21Z000000000236Q) from Romania to Hungary will be further increased from the current level of 280 000 m³/h (3 057 174 kWh/h) to 300 000 m³/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.

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;
- Remuneration report for 2022;
- Accounting policies at the level of SNTGN Transgaz SA;
- Assessment of the achievement of financial and non-financial performance indicators for 2022;
- Report on the execution of the Director-General's mandate for 2022;
- Report on the execution of the mandate of the Chief Financial Officer for 2022;
- Individual financial statements of Eurotransgaz SRL for 2022;
- Consolidated financial statements of Eurotransgaz SRL for the year 2022;
- Independent auditor's report on the individual financial statements of Eurotransgaz SRL for 2022;
- 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:
 - 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:
 - The Consolidated report issued by the Board of Administration of SNTGN Transgaz SA for the activity performed in Half I 2023;
 - The Report on the implementation of the mandate of the Director-General for Half I 2023;
 - 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:
 - 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.

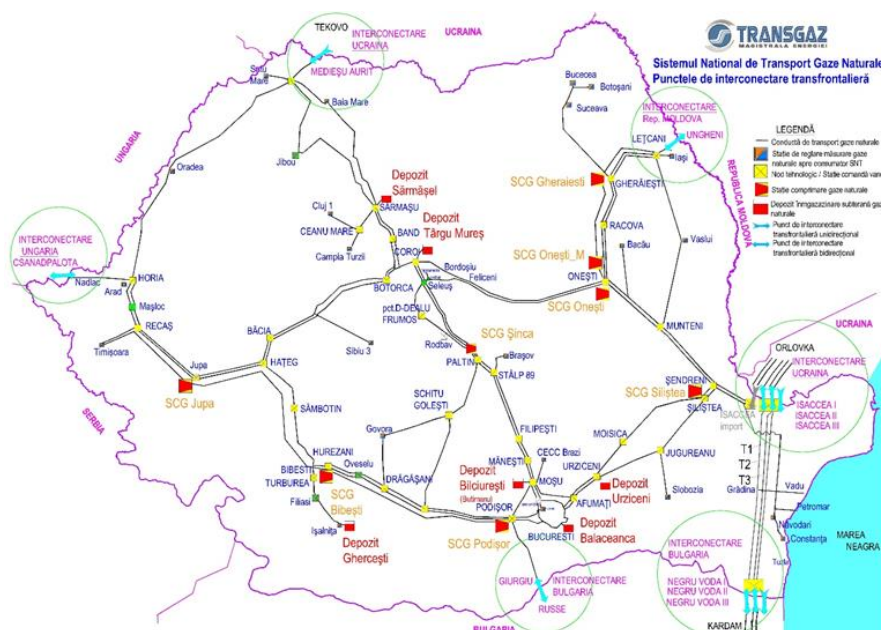


Figure 1 - Map of the National Gas Transmission System and the NTS cross-border interconnection points

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
Total	188.381.504	100

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

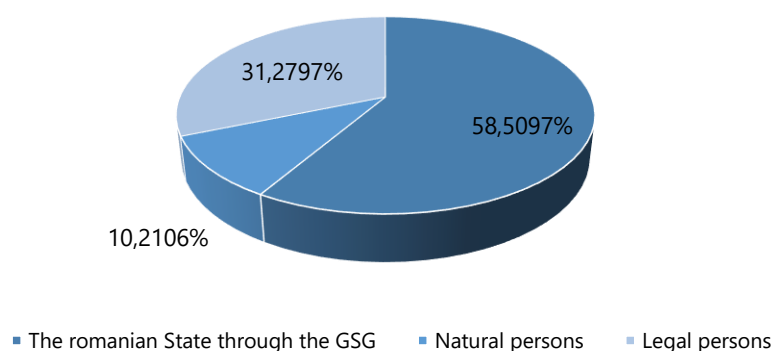
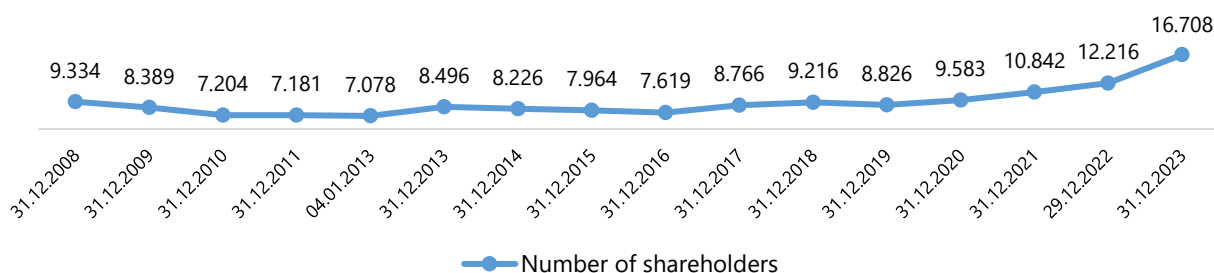


Chart 13 - Shareholding structure at 31 December 2023

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

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

Table Error! Use the Home tab to apply 0 to the text that you want to appear here. 10 - Vestmoldtransgaz management members on 31.12.2023

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
TOTAL		4.087	4.063	4.086

Table Error! Use the Home tab to apply 0 to the text that you want to appear here. 12 - The evolution of the number of Transgaz Group personnel between 2021-2023

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
Number of employees at the end of the period	4.050	4.029	4.022

Table 13 – Number of Transgaz employees between 2021-2023

SNTGN Transgaz SA employees structure as at 31 December 2023:

a) By category of studies

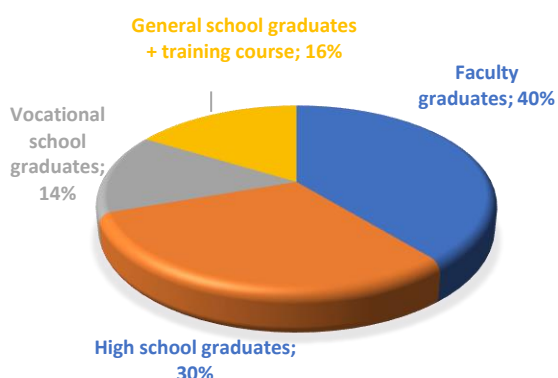


Chart 15 - Personnel structure by categories of studies as at 31 December 2023

b) By gender

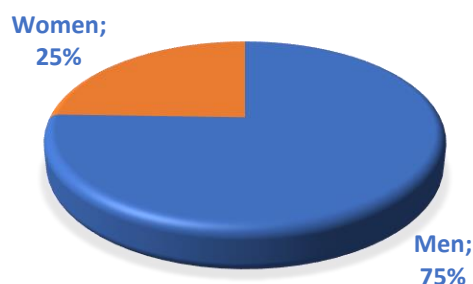


Chart 16 - Personnel structure by gender as at 31 December 2023

c) By headquarters and regional offices

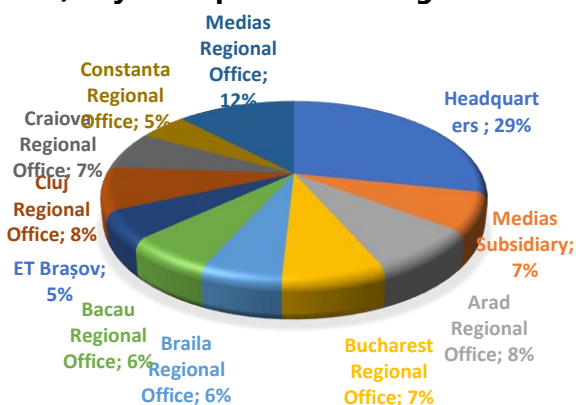


Chart 17 – Personnel structure by headquarters and regional offices as at 31 December 2023

d) By activities

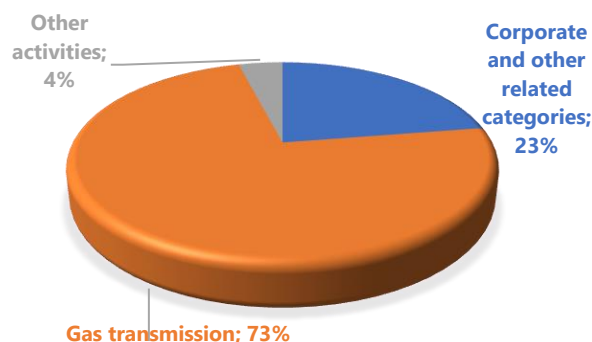


Chart 18 - Personnel structure by activities as at 31 December 2023

e) By age categories

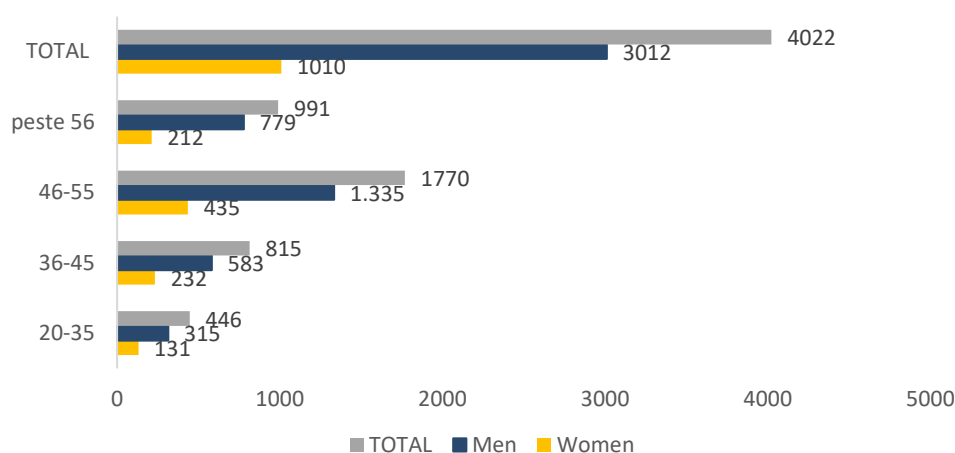


Chart 19 - Personnel structure by age categories as at 31 December 2023

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.

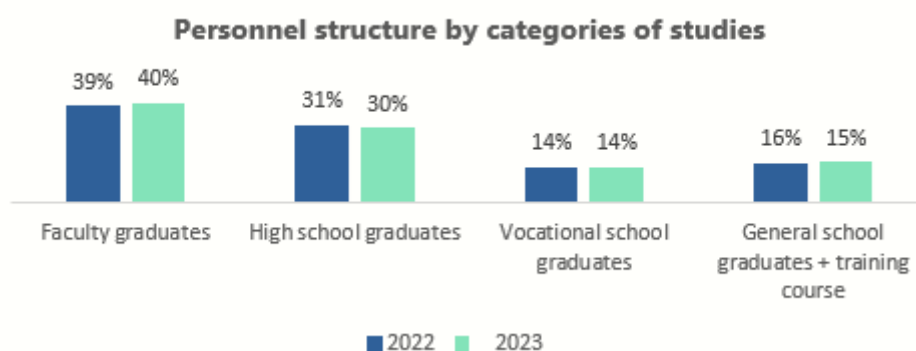


Chart 20 - Personnel structure by categories of studies in 2023

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 2nd 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.

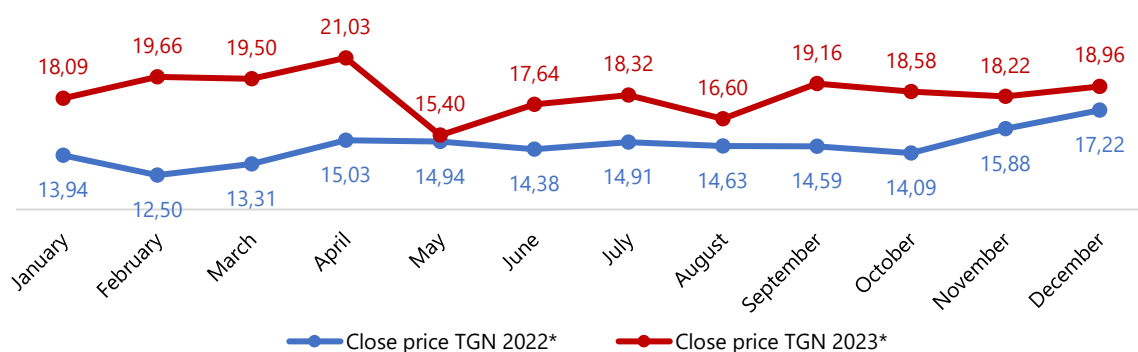


Chart 21 - The closing price of the TGN shares in 2023 compared to 2022

* 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.

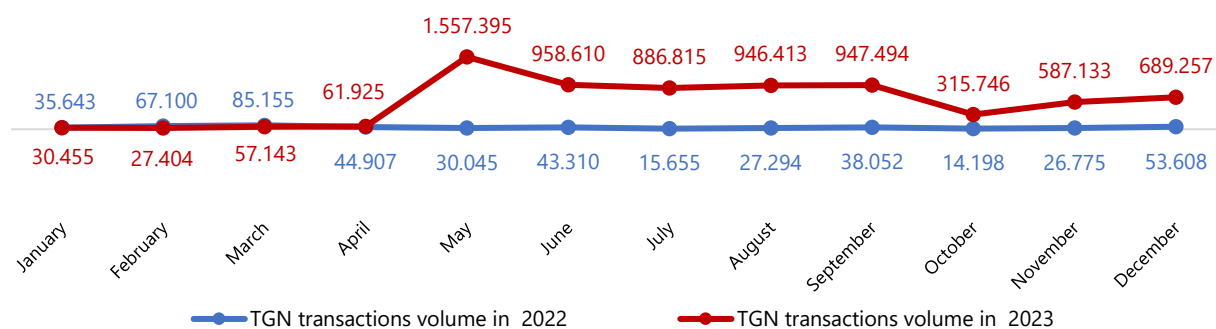


Chart 22 - TGN transactions volume in 2023 compared to 2022

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.

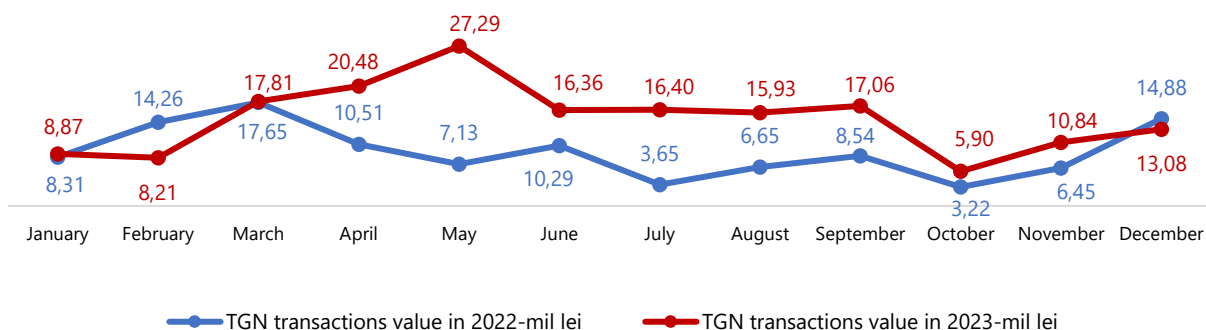
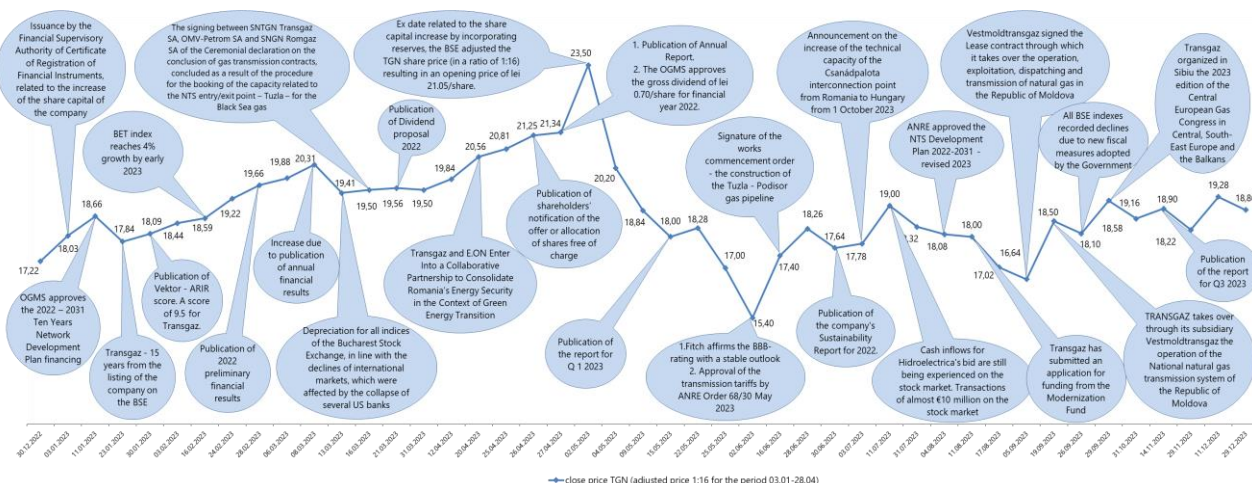


Chart 23 - TGN transaction value – mil. lei in 2023 compared to 2022

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
----------------------------	-------	----------------

BET (the BSE reference index, it represents the 10 most liquid companies listed on the BSE)	8	2,79%
BET-TR (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%
BET Plus (free float market capitalization weighted index of the Romanian companies)	8	2,63%
BET-NG (sector index / energy - utilities)	5	5,19%
ROTX (indice de preț ponderat cu capitalizarea free floatului și reflectă în timp real mișcarea acțiunilor "blue chip" tranzacționate la BSE)	9	2,23%
BET-XT (blue-chip index, tracks the price changes of the most liquid 25 traded companies)	7	3,46%
BET-BK (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
LEI	3.396.753.994	3.552.875.165	2.802.174.872	3.243.694.022
EURO	689.374.301	714.203.185	566.393.433	655.636.096
Euro/BNR exchange rate	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.

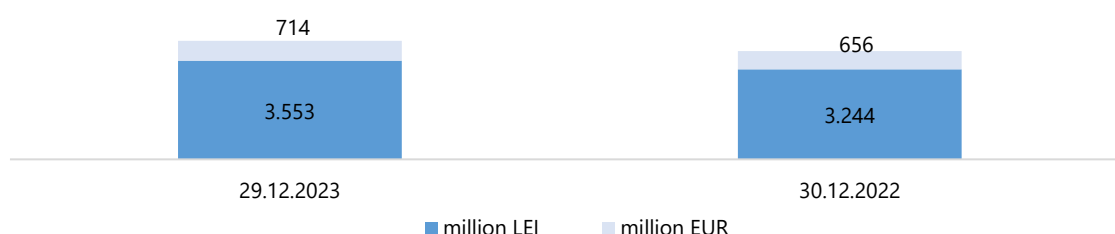


Chart 24 - Stock market capitalization of Transgaz on 29.12.2023 compared to 30.12.2022

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	1.180
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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	3.312

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
Circulated gas	thousand cm	14.098.211	13.106.226	13.110.875	4.649	0,04%
Transmitted gas	thousand cm	14.026.269	13.032.066	13.055.920	23.854	0,18%
NTS gas consumption	thousand cm	70.188	70.739	57.690	-13.049	-18,45%
The share of NTS gas consumption / circulated gas	%	0,50%	0,54%	0,44%		

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

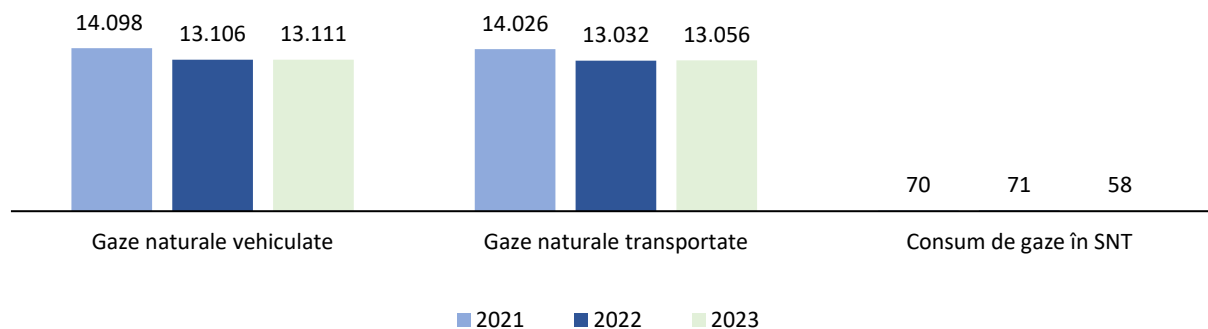


Chart 26 - Gas quantities circulated, transmitted and NTS consumption in 2021-2023

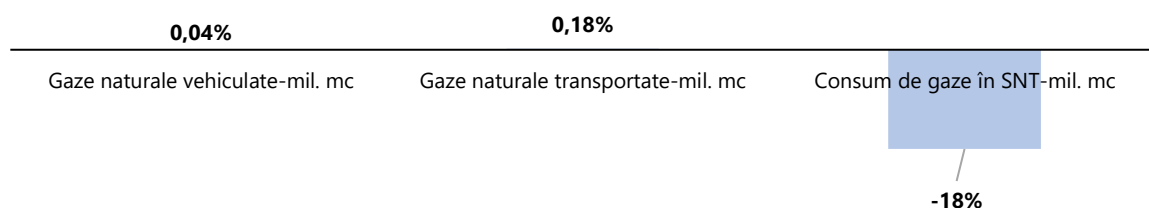


Chart 27 - Gas quantities circulated and transmitted and NTS gas consumption

– 2023 compared to 2022

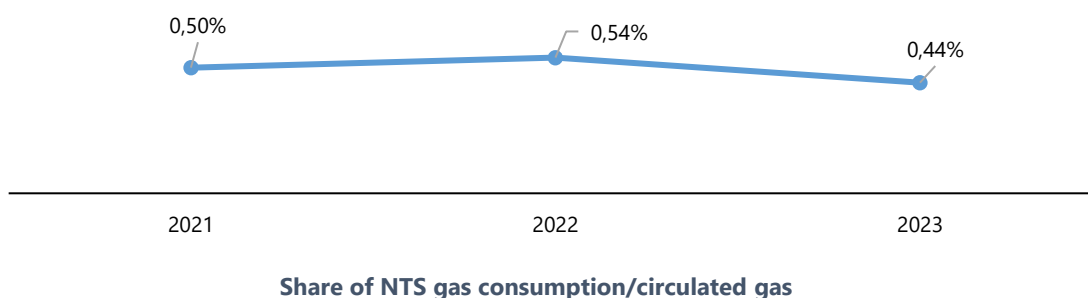


Chart 28 – The share NTS gas consumption in total circulated gas in 2021-2023

	2021	2022	2023
PLANNED NTS GAS CONSUMPTION–thousand cm	79.423	86.136	60.880
ACHIEVED NTS GAS CONSUMPTION–thousand cm	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:

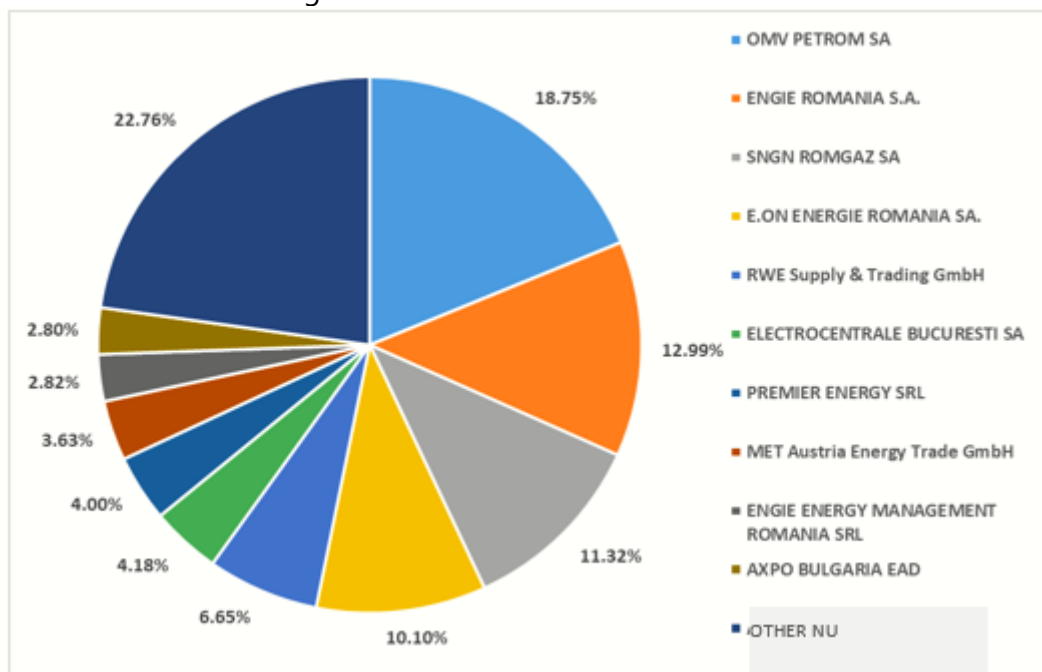


Chart 29 - The share of the main NTS users in 2023

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	%
Distribution	69.624.750,476893	6.507.679,240	49,74
Direct customers	24.109.333,306663	2.262.010,156	17,22
Storage	22.581.021,400026	2.114.253,110	16,13
Export Csanadpalota, Giurgiu Ruse, Negru Voda, Ungheni	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

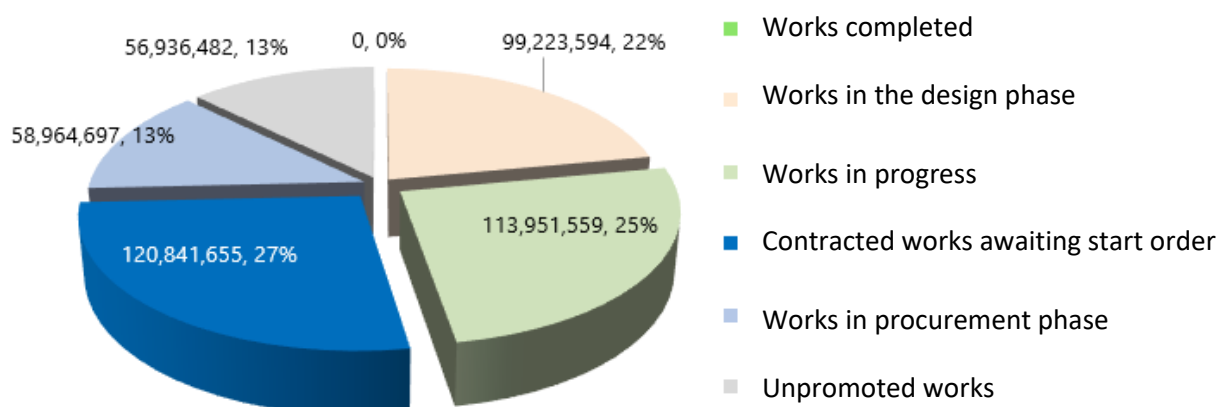


Chart 30 – PMDI 2023 – January 2023

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.

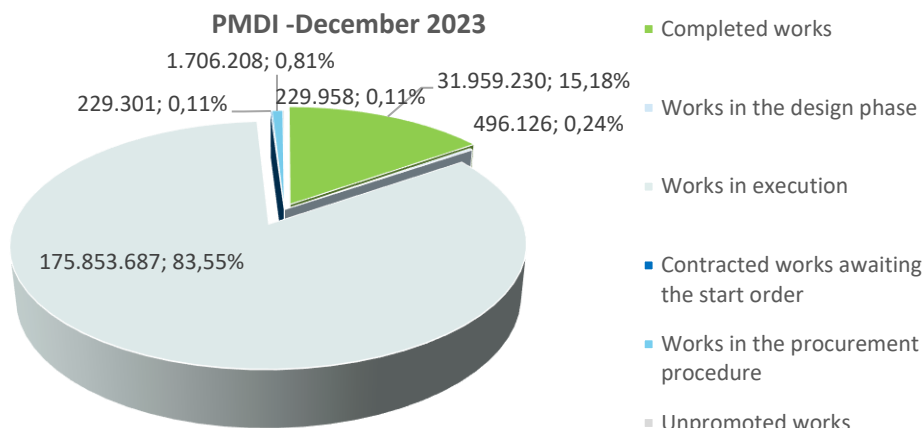


Chart 31 – PMDI 2023 – December 2023

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	$4=3/2*100$
Chap. A. REPAIR AND REHABILITATION WORKS FOR NTS MAINTENANCE (lei)				
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%
TOTAL WORKS		11.001.237,00	10.693.585,95	97,20%

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.

PLRRM 2023-NTS maintenance repair and rehabilitation works-December 2023

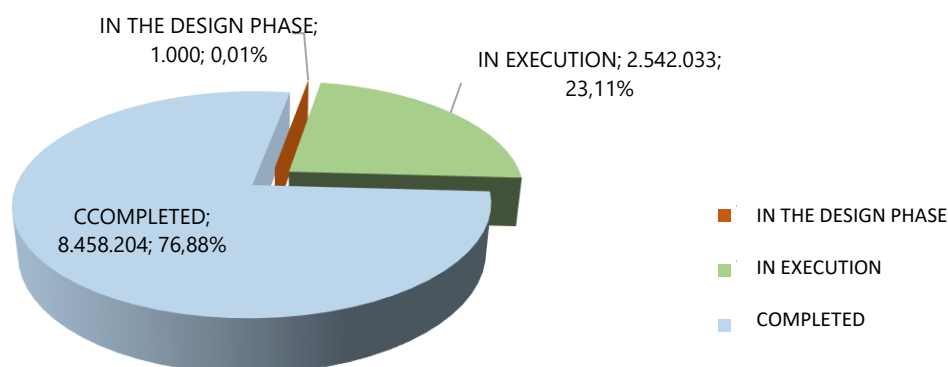


Chart 32 - PLRRM 2023 - NTS maintenance repair and rehabilitation works - December 2023

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:

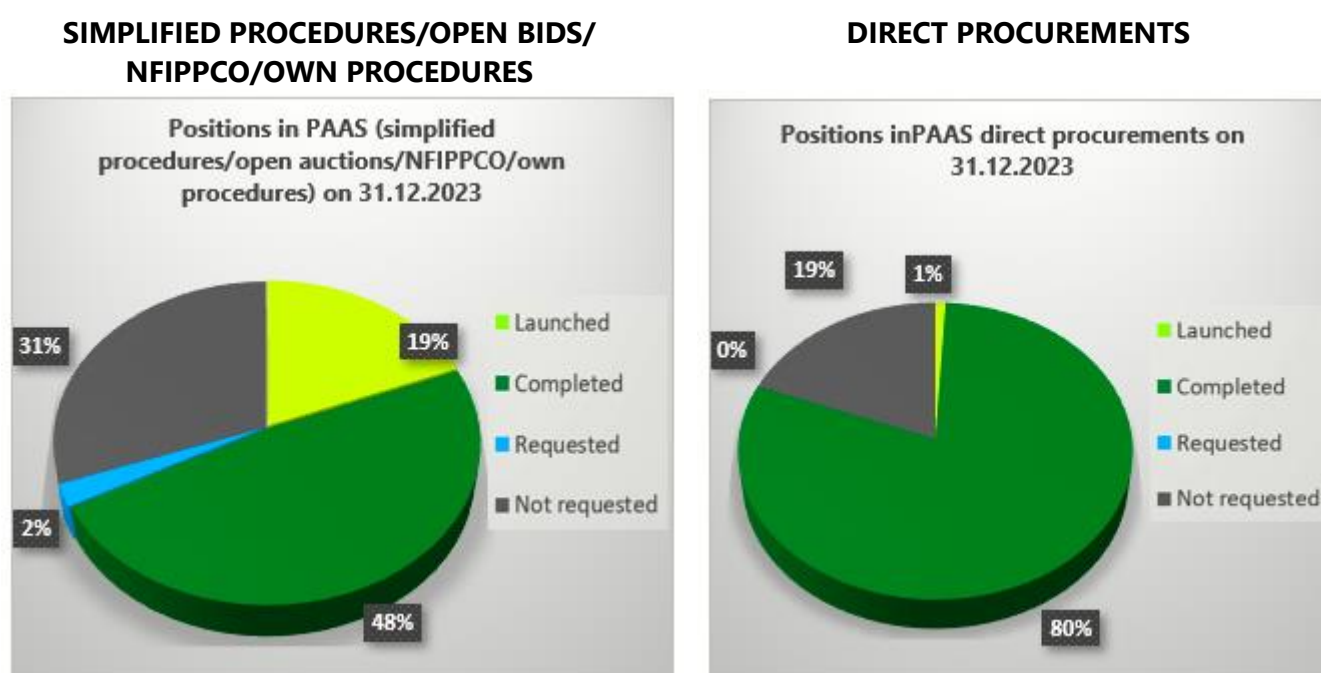


Chart 33 – Actual status of procurement procedures on 31.12.2023

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;

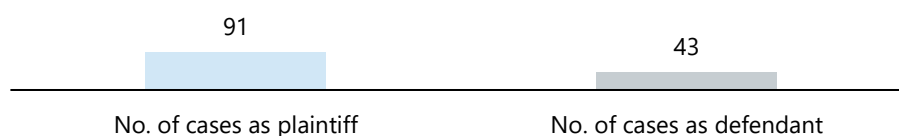


Chart 34 - Structure and number of cases in which the company was involved in 2023

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 (Bălăsoiu 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 - 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 (%)
SNTGN Transgaz SA	Parent company	
Eurotransgaz SRL	Company held by SNTGN Transgaz SA	100%
Vestmoldtransgaz SRL	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
Operating revenue before the balancing and construction activity according to IFRIC12	1.785.505	1.712.546	72.958
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
Operational profit before the balancing and the construction activity according to IFRIC12	120.363	102.894	17.469
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	-
Operational profit	120.363	102.894	17.469
Financial revenue	261.182	233.094	28.088
Financial cost	162.620	129.106	33.514
Financial revenue, net	98.561	103.988	-5.426
Profit before tax	218.924	206.881	12.043
Profit tax expense	33.208	38.441	-5.233
Net profit for the period	185.717	168.441	17.276
Attributable to the parent company	181.441		181.441
Attributable to the non-controlling interests	4.275		
Exchange rate differences	17.022		17.022
Actuarial gain/loss for the period	4.334	4.334	0
Total comprehensive income for the period	207.073	172.775	34.298

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.	GROSS RESULT , of which:	218.924	419.576	-48%
	• 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.	Income tax	33.208	72.507	-54%
11.	NET PROFIT	185.717	347.068	-46%
12.	Exchange rate difference	17.022	-8.396	x
13.	Actuarial gain/loss for the period	4.334	2.452	77%
14.	Rezultatul global total aferent perioadei	207.073	341.124	-39%

Table 18 – Consolidated financial results in 2023 compared to 2022

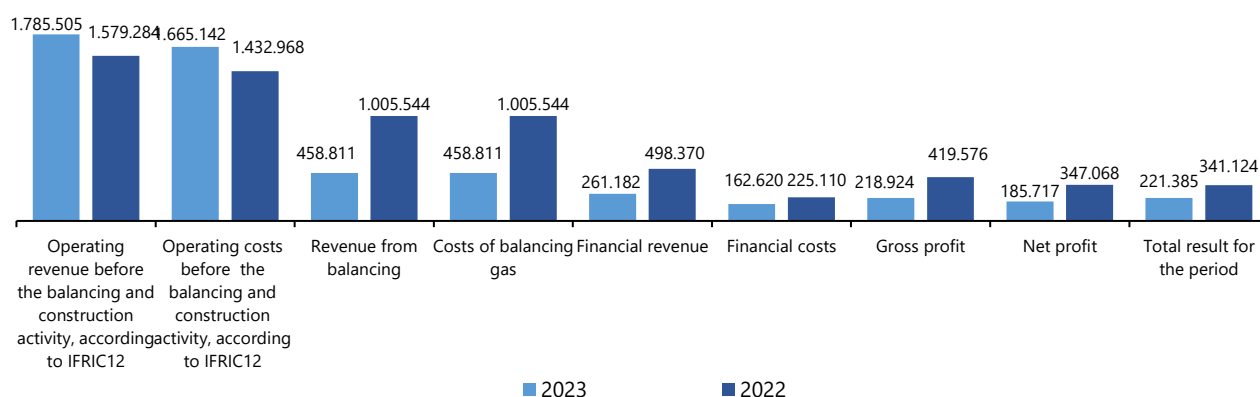


Chart 35 – Consolidated financial results in 2023 compared to 2022 (thousand lei)

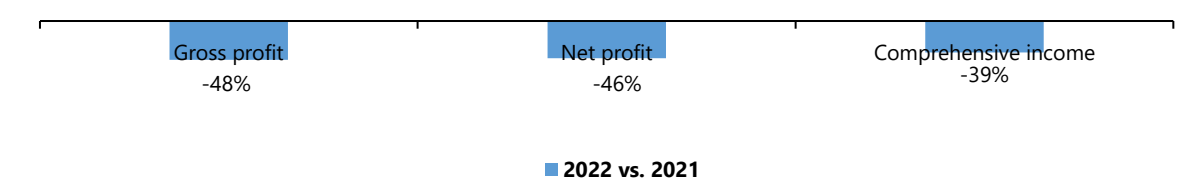


Chart 36 - Consolidated financial results in 2023 compared to 2022 (%)

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%
GROSS PROFIT -total, of which:	206.881	437.474	-53%
· from operation	102.894	159.633	-36%
· from the financial activity	103.988	277.841	-63%
Profit tax	38.441	71.719	-46%
NET PROFIT	168.441	365.755	-54%
Other elements of the comprehensive income	4.334	2.452	77%
Comprehensive income of the period	172.775	368.207	-53%

Table 19 - Individual financial results in 2023 compared to 2022

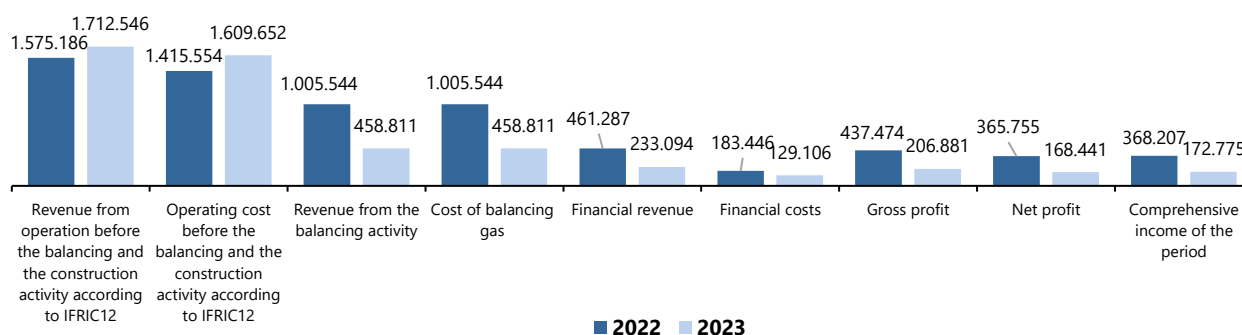


Chart 37 - Individual financial results in 2023 compared to 2022 (thousand lei)

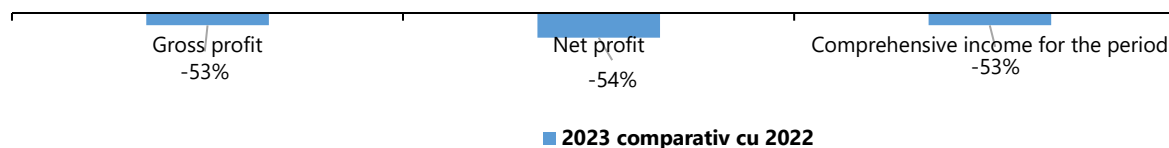


Chart 38 - Individual financial results in 2023 compared to 2022 (%)

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 ³	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 ³	5.507.679	6.846.782	-1.339.103
Total	MWh	141.519.631	141.967.887	-448.256
	thousand m ³	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%
GROSS PROFIT	80.305	206.881	158%
Income tax	16.380	38.441	135%
NET PROFIT	63.924	168.441	163%

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.

	Achieved in 12 months 2023 compared to Achieved in 12 months 2022	Achieved in 12 months 2023 compared to
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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 (%)

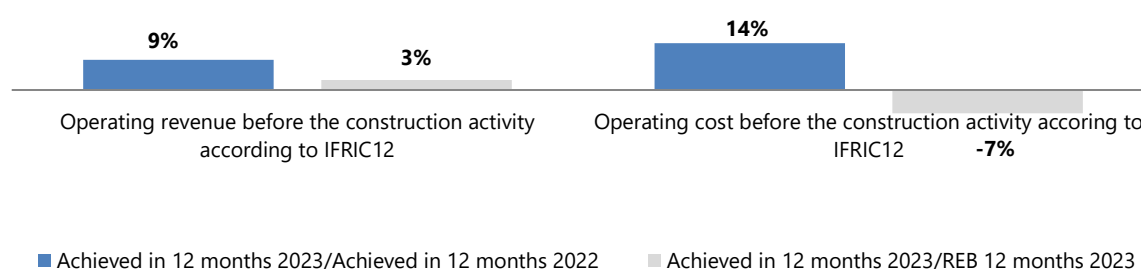


Chart 39 - Individual achievements in 12 months 2023 vs. individual achievements in 12 months 2022 and individual achievements in 12 months 2023 vs. REB for 12 months 2023

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	-
Restricted cash	1.956	1.564	125,14%
Fixed assets	7.026.666	6.880.055	102,13%
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%
Current assets –TOTAL	1.735.443	1.377.086	126,02%
TOTAL ASSETS	8.762.109	8.257.141	106,12%
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%
Total debts	4.545.995	4.116.232	110,44%
Shareholders' equity	4.216.114	4.140.904	101,82%
Non-controlling interests	101.491	82.818	122,55%
Equity	4.114.623	4.058.086	101,39%
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%
Total equity and debts	8.762.109	8.257.136	106,12%

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
TOTAL revenue of which:	2.687.946	3.383.066	79,45%
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%
TOTAL costs of which:	2.469.022	2.963.490	83,31%
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%
GROSS PROFIT, of which:	218.924	419.576	52,18%
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	
PROFIT TAX	33.208	72.507	45,80%
NET PROFIT	185.717	347.068	53,51%
Attributable to the parent company	181.442	351.895	51,56%
Attributable to the non-controlling interests	4.275	-4.827	-88,57%
Number of shares	188.381.504	188.381.504	
Other comprehensive income			
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%
Total comprehensive income for the period	207.073	341.124	60,70%
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
Profit before tax	218.924	419.576
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
Operating profit before the changes in working capital	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
Cash from operations	603.083	661.713
Paid interest	-128.150	-69.604
Received interest	4.317	1.278
Paid profit tax	-80.998	-77.533
Net cash inflows from operation	398.252	515.853
Cash flow from investments		
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
Net cash used in investment activities	-248.466	-483.356
Cash flow from financing activities		
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
Net cash used in financing activities	144.361	-28.786
Net change in cash and cash equivalents	294.146	3.711
Cash and cash equivalents at the beginning of the year	418.667	414.955
Cash and cash equivalents at the end of the period	712.813	418.667

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)

	31 December 2023	31 December 2022
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
	712.702.067	418.477.693

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	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	-
	3.796.096.326	1.142.807.647	1.537.780.430	1.115.508.249

The analysis of financial liabilities on 31 December 2022:

(lei)

	Total amount	Less than 1 year	1-5 years	Over 5 years
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	-
	3.431.899.265	822.340.459	1.546.053.791	1.063.505.015

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
Financial assets		
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)
	3.494.739.249	2.850.735.022

	31 December 2023	31 December 2022
Financial liabilities		
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
	3.039.124.379	2.740.370.853

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%
Fixed assets	6.640.382	6.678.534	-0,57%
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%
Current assets –TOTAL	1.653.527	1.327.884	24,52%
TOTAL ASSETS	8.293.909	8.006.418	3,59%
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%
Total debts	4.170.255	3.923.672	6,28%
Shareholders' equity	4.123.654	4.082.746	1,00%
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%
Total equity and debts	8.293.909	8.006.418	3,59%

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
TOTAL revenue of which:	2.586.900	3.341.886	77,41%
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%
TOTAL costs of which:	2.380.019	2.904.412	81,94%

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%
Total GROSS PROFIT, of which:	206.881	437.474	47,29%
GROSS PROFIT, of which:	102.894	159.632	64,46%
Result from operation	103.988	277.841	37,43%
Result from the financial activity	38.441	71.719	53,60%
PROFIT TAX	168.441	365.755	46,05%
Other elements of the comprehensive income	4.334	2.452	176,74%
Comprehensive income of the period	172.775	368.207	46,92%

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
1.	Revenue from the transmission activity			
	- 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
3.	Revenue from the international transmission activity			
	- Thousand lei	116.306	73.927	157,33
4.	Other operating revenue			
	- Thousand lei	144.258	149.329	96,60
TOTAL OPERATING REVENUE before the balancing and the construction activity according to IFRIC12		1.712.546	1.575.186	108,72

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
TOTAL OPERATING EXPENSE before the balancing and the construction activity according to IFRIC12		1.609.652	1.415.554	113,71

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
Profit before tax	206.881	437.474
<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
Operating profit before the changes in working capital	578.155	545.655
(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
Cash from operations	575.828	614.373
Received interest	4.317	1.278
Paid interest	-119.820	-66.823
Paid profit tax	-80.998	-77.533
Net cash inflows from operation	379.327	471.296
Cash flow from investments		
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
Net cash used in investment activities	-237.949	-376.253
Cash flow from financing activities		
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
Net cash used in financing activities	151.942	-31.991
Net change in cash and cash equivalents	293.320	63.052
Cash and cash equivalents at the beginning of the year	384.237	321.185
Cash and cash equivalents at the end of the period	677.557	384.237

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
(lei)		
Impact on profit and loss and on equity of:		
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

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
	677.445.673	384.048.273

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	-
	3.355.848.717	1.057.810.842	1.310.808.090	987.229.785

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	-
	3.195.388.724	809.845.397	1.460.648.813	924.894.514

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
Financial assets		
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)
	3.596.861.437	2.995.961.042

	31 December 2023	31 December 2022
Financial liabilities		
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
	2.799.164.937	2.549.897.510

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
Section A-Responsibilities				
A.1	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
A.2 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		
A.3 The Board of Administration or the Supervisory Board must be composed of at least 5 members.	X		
A.4 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		
A.4.1. 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		
A.4.2. 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		
A.4.3. 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>A.4.4. 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>A.4.5. 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>A.4.6. 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>A.4.7. 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>A.4.8. He/she has not been a non-executive administrator of the company for more than 12 years.</p>	X		
<p>A.4.9. He/she has no family ties with a person in the cases mentioned in A.4.1 and A.4.4.</p>	X		
<p>A.5 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>A.6 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
A.7	The company must designate a Board Secretary responsible for supporting the work of the Council.	X		
A.8	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>
A.9	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		
A.10	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
A.11 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		
Section B - Risk Management System and Internal Control System			
B.1 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.2 The Chairman of the Audit Committee should be an independent non-executive member.	X		
B.3 Within its responsibilities, the audit committee must carry out an annual assessment of the internal control system.	X		
B.4 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.5 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.6 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.7	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.8	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.9	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.10	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.11	Internal audits should be performed by a separate structural division (audit department) within the company or by hiring an independent third party.	X		
B.12	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		
Section C – Fair rewards and motivation				
C.1	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>			
Section D-Building value by the relationship with investors			
D.1	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	
	D.1.1. Main corporate regulations: the Articles of Incorporation, the procedures for the general meetings of the shareholders.	X	
	D.1.2. 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.			
D.1.3. 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		
D.1.4. 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.
D.1.5. 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		
D.1.6. Names and contact details of a person who will be able to provide relevant information upon request.	X		
D.1.7. Company presentations (e.g., investor presentations, quarterly results presentations, etc.), financial statements (quarterly, half-yearly, annually), audit reports, and annual reports.	X		
D.2 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>D.3</p> <p>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>D.4</p> <p>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>D.5</p> <p>External auditors will be present at the general meeting of the shareholders when their reports are presented at these meetings.</p>	X		
<p>D.6</p> <p>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>D.7</p> <p>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
D.8	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		
D.9	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		
D.10	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.138² 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 (8¹) 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[^]1), 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
THE NOMINATION AND REMUNERATION COMMITTEE	<ul style="list-style-type: none"> ▪ The committee shall consist of at least two members of the Board of Administration in accordance with Article 140²(1) 	<ul style="list-style-type: none"> ▪ coordinates the appointment process of the members of the Board of Administration; ▪ draws up and proposes to the Board of Administration the procedure for the

ADVISORY COMMITTEE	MENTIONS	DUTIES
	<p>of Law 31/1990 on companies, republished as amended;</p> <ul style="list-style-type: none"> ▪ 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 140²(1) of Companies` Law , republished as amended, and Article 34 (2) of GEO 109/2011 on corporate governance of public companies, as amended. 	<p>selection of the members of the Board of Administration;</p> <ul style="list-style-type: none"> ▪ publishes a notice on the selection of members of the Board of Administration; ▪ makes recommendations regarding both the position of administrator and the filling of Board of Administration vacancies; ▪ assess the accumulation of professional skills, knowledge and experience at Board of Administration, directors and other management positions; ▪ 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; ▪ 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; ▪ recommends to the Board of Administration candidates for the positions listed; ▪ 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; ▪ draws up the remuneration policy for administrators and directors; ▪ 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; ▪ organises training sessions for Board members; ▪ makes proposals for the remuneration of the administrators and directors, compliant with the remuneration policy send by AMEPIP;

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<ul style="list-style-type: none"> ▪ informs about the remuneration policy in the Articles of Incorporation/Corporate Governance Regulations of the company; ▪ 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; ▪ 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; ▪ 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; ▪ may, if necessary, call on the assistance of external experts to carry out the required tasks.

ADVISORY COMMITTEE	MENTIONS	DUTIES
THE AUDIT COMMITTEE	<ul style="list-style-type: none"> ▪ 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; ▪ The committee shall be composed of non-executive administrators, most of them independent, in accordance with Article 140²(2) of Companies` Law, republished as amended, and Article 34(4¹) of GEO 109/2011 on corporate governance of public enterprises, as amended; ▪ 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; ▪ 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; 	<ul style="list-style-type: none"> ▪ 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; ▪ monitors the effectiveness of the internal audit systems in relation to the audited entity's financial reporting, without infringing its independence; ▪ 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; ▪ assess conflicts of interest in relation to transactions of the company and its subsidiaries with related parties; ▪ monitors the application of legal standards and generally accepted internal auditing standards; ▪ receives and evaluates internal audit team reports; ▪ reports regularly to the Board of Administration; ▪ 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; ▪ 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; ▪ verifies the conformity of the audit reports drawn up with the audit plan approved at company level; ▪ provides support to the Board of Administration in monitoring the credibility and completeness of the

ADVISORY COMMITTEE	MENTIONS	DUTIES
	<ul style="list-style-type: none"> ▪ 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. 	<ul style="list-style-type: none"> financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting standards applied by the company; ▪ 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; ▪ 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; ▪ 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; ▪ 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; ▪ monitors the financial reporting process and makes recommendations or proposals to ensure its integrity; ▪ monitors and analyses the fulfilment of the performance indicators of the transmission system and the economic and financial performance of the company's activity;

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<ul style="list-style-type: none"> ▪ monitors the achievement of financial and non-financial performance indicators resulting from the management plan for the Company's administrators and directors; ▪ performs the duties established in Article 34(3) of GEO 109/2011.
THE RISK MANAGEMENT COMMITTEE	<ul style="list-style-type: none"> ▪ 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 140²(2) of Companies` Law, republished as amended, and Article 34(2[^]1) of GEO 109/2011 on corporate governance of public companies, as amended;. 	<ul style="list-style-type: none"> ▪ ensures that control activities are aligned with the risks generated by the activities and processes being controlled; ▪ identifies, analyses, assesses, monitors and reports on identified risks, the plan of mitigating or anticipating measures, other measures taken by the executive management; ▪ 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; ▪ carries out an annual assessment of the internal control system and submits relevant reports to the Board of Administration; ▪ monitors risk management on sustainability issues, ESG issues, industry developments and the implementation of effective crisis management policies; ▪ monitors sustainability reporting and related processes within the Company to identify information reported in accordance with relevant sustainability reporting standards; ▪ informs the Board of Administration of the outcome of the sustainability reporting assurance; ▪ 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;

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<ul style="list-style-type: none"> ▪ monitors external ESG trends, understands the associated risks and opportunities and the expectations of the company's key stakeholders in this regard; ▪ monitors the company's impact on the natural environment and its adaptation to climate change; ▪ 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; ▪ oversees the company's policies, practices and performance on ESG issues; ▪ 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; ▪ 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; ▪ analyses the risks and opportunities associated with social, environmental and economic impacts, measured from a stakeholder perspective; ▪ updates the company's sustainability risk matrix; ▪ reviews risk assessment and mitigation plans and informs the Board of Administration of them.
THE NTS REGULATORY, SAFETY AND SECURITY COMMITTEE	<ul style="list-style-type: none"> ▪ the committee shall consist of at least two members of the Board of Administration in accordance with Article 140²(1) of 	<ul style="list-style-type: none"> ▪ regularly reviews the list of Transgaz's critical infrastructure targets and the security measures established;

ADVISORY COMMITTEE	MENTIONS	DUTIES
	<p>Companies` Law, republished as amended;</p> <ul style="list-style-type: none"> ▪ at least one of the committee members shall be an independent non-executive administrator in accordance with Article 140²(2) of Companies,, Law, republished as amended. 	<ul style="list-style-type: none"> ▪ monitors/analyses technology consumption reduction activity at NTS level; ▪ 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); ▪ 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; ▪ 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; ▪ 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; ▪ 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; ▪ monitors the gas purchase contracts necessary for balancing the NTS and the evolution of purchase prices; ▪ monitors the expansion, development and upgrading of natural gas transmission infrastructure; ▪ assists the Board of Administration in analysing the regulatory activity and the legal obligations of the company in this field; ▪ monitors the company's compliance with the obligations set out in the regulations governing its activities;

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<ul style="list-style-type: none"> ▪ 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; ▪ monitors collaborative relationships with public authorities and assists the Board of Administration in establishing and managing collaboration policy.
<p>THE CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE</p>	<ul style="list-style-type: none"> ▪ The committee shall consist of at least two members of the Board of Administration in accordance with Article 140²(1) of Companies` Law, republished as amended; ▪ at least one of the committee members shall be an independent non-executive administrator in accordance with Article 140²(2) of Companies` Law, republished as amended. 	<ul style="list-style-type: none"> ▪ evaluates the overall performance of the company and regularly compares the results achieved with those planned; ▪ monitors the effectiveness/efficiency of governance practices across the company; ▪ monitors and resolves potential conflicts of interest; ▪ recommends improvements to the corporate governance processes of the company to the Board of Administration; ▪ assists the Board of Administration in fulfilling its responsibilities in the area of developing and updating the company's overall development strategy; ▪ analyses identified business development opportunities and makes recommendations to the Board of Administration in this respect; ▪ analyses and assists the Board of Administration with regard to the company's development and international cooperation directions; ▪ 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; ▪ develops proposals for improving and streamlining strategic, development and collaborative work;

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<ul style="list-style-type: none"> ▪ 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;; ▪ analyses the proposals to modify the organisational structure of SNTGN Transgaz SA to make the company's activities more efficient and optimised; ▪ analyses the proposals contained in the Employee Training and Development Plan and monitors and implements it; ▪ periodically reviews the status of implementation of the company Annual Sector Procurement Plan approved; ▪ reviews the policy on granting sponsorships and social aid at SNTGN Transgaz SA; ▪ 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; ▪ analyses proposals for the establishment/closing of TRANSGAZ work points; ▪ reviews the Sustainability Report of SNTGN Transgaz SA, for compliance with European and national non-financial reporting legislation; ▪ makes recommendations to the Board on the structure and responsibilities of the Advisory Committees established at Board level; ▪ 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;

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<ul style="list-style-type: none"> ▪ 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; ▪ assists the Board of Administration in developing the Management Plan.

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
	Gheorghiuță 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
	Gheorghiuță Agafiței	- non-executive, independent administrator
Strategy, Sustainability and Equal Opportunities Committee	Ion Sterian	- executive administrator
	Nicolae Minea	- non-executive, independent administrator
	Gheorghiuță Agafiței	- non-executive, independent administrator
Corporate Governance and Relations with Public Authorities Committee	Ion Sterian	- executive administrator
	Gheorghiuță 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 (2¹), 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. 138¹ (2), Art. 138² (2), Art. 140² (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).

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[^]3 of Law 24/2017 updated by Law 158/2020)

Contract data	Contract clauses
Contract Parties	Concluded between SNTGN TRANSGAZ SA and S.N.G.N. ROMGAZ S.A
Contract date and type	<p>Contract no. 24/22.08.2022 (1 October 2022 – 1 October 2023) Contract no. 76/22.08.202 (1 October 2022 - 1 October 2023) Contract no. 100T/15.11.2022 (1 January 2023 - 1 April 2023) Contract no. 101T/15.11.2022 (1 January 2023 - 1 April 2023) Contract no. 332L/21.12.2022 (1 January 2023 - 1 February 2023) Contract no. 427L/18.01.2023 (1 February 2023 - 1 March 2023) Contract no. 129T/14.02.2023 (1 April 2023 - 1 July 2023) Contract no. 40Z/27.01.2023 (1 February 2023 - 1 October 2023) Contract no. 505L/22.02.2023 (1 March 2023 - 1 April 2023) Contract no. 520L/22.03.2023 (1 April 2023 - 1 May 2023) Contract no. 660L/20.04.2023 (1 May 2023 - 1 June 2023) Contract no. 695L/17.05.2023 (1 June 2023 - 1 July 2023) Contract no. 166T/10.05.2023 (1 July 2023 - 1 October 2023) Contract no. 771L/21.06.2023 (1 July 2023 - 1 August 2023) Contract no. 819L/19.07.2023 (1 August 2023 - 1 September 2023) Contract no. 863L/23.08.2023 (1 September 2023 - 1 October 2023) Contract no. 23/28.08.2023 (1 October 2023 - 1 October 2024) Contract no. 74/28.08.2023 (1 October 2023 - 1 October 2024) Contract no. 33T/28.08.2023 (1 October 2023 - 1 January 2024) Contract no. 34T/28.08.2023 (1 October 2023 - 1 January 2024) Contract no. 55L/20.09.2023 (1 October 2023 - 1 November 2023) Contract no. 151L/18.01.2023 (1 November 2023 - 1 December 2023) Contract no. 152L/18.01.2023 (1 November 2023 - 1 December 2023) Contract no. 267L/22.11.2023 (1 December 2023 - 1 January 2024) Contract no. 268L/22.11.2023 (1 October 2023 - 1 October 2023)</p>
Contract scope	- NTS entry points annual, quarterly, monthly, daily gas transmission services - NTS exit points annual, quarterly, monthly, daily gas transmission services
Cumulative contract value	203,434,920.68 lei (VAT included) of the legal act VAT included (lei)
Mutual debts	-
Guarantees established and penalties stipulated	<p>Guarantees:</p> <p>Art. 14</p> <p>(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.</p>

(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.

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 60th 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:

	<p>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;</p> <p>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);</p> <p>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.</p> <p>(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.</p> <p>ART. 24</p> <p>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.</p> <p>ART. 25</p> <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>ART.6</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 15th 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>ART. 7</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>
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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.	Outstanding payments	<i>Maintenance of the outstanding payments at zero.</i>	0	0	100%
2.	Operating expenses (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.	Liquidity ratio	<i>Liquidity ratio to record values higher than 1</i>	1	1,25	125%
4.	Net leverage rate	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%

No.	Indicator	Objective	2023		Achievement*
			Budgeted	Achieved	
5.	EBITDA (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		
Operational							
6	Monitoring the Implementation and Investment Strategy	Achievement of the FID projects from the TYNDP (2022-2031) <i>I = (achieved+initiated actions)/proposed actions</i>					
		Development on the Romanian territory of the Southern Transmission Corridor 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	Increasing energy efficiency	Maintaining the share of the NTS gas consumption in the total circulated gas below 1%	7.1	<1	0,44%	100%	
8	Customer satisfaction	Achievement of the targets established in the management plan (According to PP 165	8.1	8	Achieved - 8 Report SMC/ 17930/29.02.2024 on the	Annually monitored	

		<i>Evaluation of Clients satisfaction, a score between 6-8 represents the fact that the services offered satisfied accordingly the requirements of the clients)</i>			evaluation of SNTGN Transgaz SA clients satisfaction for 2023	
9	Strengthening and diversifying cooperation and collaboration relations with European gas transmission system operators	<i>Conclusion of memoranda of cooperation and collaboration with European gas transmission system operators (minimum 5 operators) regarding the collaboration on hydrogen injection</i>	9.1	1	The Memorandum of Understanding was signed between four gas transmission system operators in Central Europe (Transgaz - Romania, Gaz-System - Poland, Eustream - Slovakia and FGSZ - Hungary, on exploring the possibilities of decarbonising their operations, transmitting green gas and investigating the potential of transmitting CO ₂ .	100%
Public service oriented						
10	Performance indicators related to the gas transmission service	<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%	
Corporate governance						
11	Optimization of internal/management control system	<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 = implemented standards/standards provided by Order 600/2018*100 Implementation of the measures established in the SCIM Implementation Plan I = Implemented measures /proposed measures *100</i>	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.	Achieved - Monitoring Committee Decision 38/12.01.2023; - Monitoring Committee Decision 180/03.02.2023; - Monitoring Committee Decision 1522/10.10.2023; - 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	100%

					<p>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.</p> <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> <ul style="list-style-type: none"> - Letter 2687/26.01.2024 , sent to the General Secretariat of the Government on the submission of the following SCIM reporting documents: <ul style="list-style-type: none"> ▪ Report to the Director-General on the Internal/Managerial Control System as at 31 December 2023, No. 7138/26.01.2024; ▪ 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. - SCI/M Development Plan no. DSMC/14810/27.02.2023, updated for 2023; -Progress of the internal/management control system at Transgaz for 2022, no. DSMC/ 14799/27.02.2023; -Report on 2022 Transgaz performance monitoring no. DSMC/14821/ 27.02.2023; - 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; - Report no. DSMC/30363/25.04.2023 to the Audit and Rating
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				<p>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 managerial control system, H I 2023;</p>		
			11.2	<p>Streamline the processing and management of SCI/M documentation by implementing an SCI/M web platform (preparation of procurement documents).</p>	<p>Achieved</p> <p>-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.</p> <p>- 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;</p> <p>-The implementation of the platform was postponed to 2024.</p>	100%
12	Optimization of risk management process	<p><i>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.</i></p> <p><i>Moving to a 5-step risk assessment scale</i></p>	12.1	<p><i>Continuous monitoring and adaptation of the organisational, conceptual and methodological framework of the risk management process</i></p>	<p>Achieved</p> <p>-EGR Decision 41/ 12.01.2023;</p> <p>-EGR Decision 179/ 03.02.2023;</p> <p>-EGR Decision 1523/10.10.2023;</p> <p>-2021-2025 Risk Management Strategy, no. DSMC/38586/ 19.05.2021 was approved by BoA Resolution 25/31.08.2021;</p> <p>- 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;</p>	100%

				<p>-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;</p> <p>- The employees in charge with risks in the organisational structures were trained on the change to 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: https://portal.intranet.transgaz.ro/zonapublica/scim/Forms/AllItems.aspx?web=1&id=%2Fzonapublica%2Fscim%2FManagementul%20riscurilor%2F6%2F%20Limita%20de%20toleranta</p>	
			12.2	<p><i>Systematic analysis of risks associated with operational objectives at the level of organisational structures.</i></p>	<p>Achieved</p> <p>According to Letter 27517/10.04.2023 all organisational structures:</p> <p>-published the List of objectives, performance indicators, activities, risks for year 2023 in the dedicated section;</p> <p>-Registers of Risks, at the departments and the divisions, level for 2023;</p> <p>-Risk mitigation plans of measures, at the departments and divisions level for 2023;</p> <p>- 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.</p>
			12.3	<p><i>Implementation of risk management policy, procedures and legal</i></p>	<p>Achieved</p> <p>- the Register of the Risks at the company level 2022, no.</p>

				<p><i>requirements and monitoring their application at company level.</i></p>	<p>DSMC/4709/29.12.2022, revised in December 2022; - the Register of the Risks at the company level for 2023, no. DSMC/14825/27.02.2023; - the Register of the Risks at the company level for 2023, Revised no. DSMC/14825/27.02.2023/22.12.2023; - Plan of measures to mitigate risks, at the company level, for 2023, no. DSMC/14806/27.02.2023; - Report on risk management and monitoring within the company, for 2022, no. DSMC/14802/27.02.2023; - 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; - the risk profile, December 2022 DSMC/14823/27.02.2023; - 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..</p>	
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	<p>Achieved (see the company's website) https://www.transgaz.ro/ro/calendar-financiar-2023</p>	100%
			13.2	Report on the status of achievement of the TYNDP	<p>Achieved Letter DSMC/14.335/23.02.2023 Deadline 1 March 2023</p>	
			13.3	SCIM reporting	<p>Achieved 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;</p>	

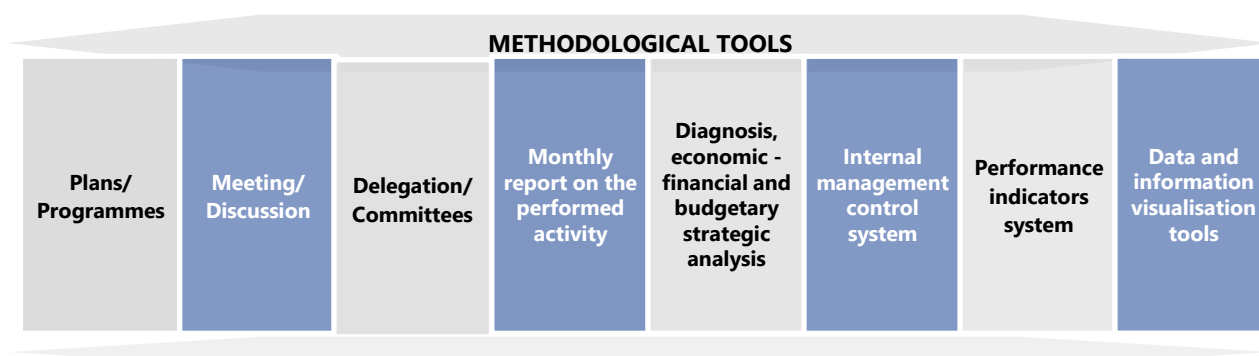
					<p>-Report on the internal/management control system on 31 December 2022. It was sent to the General Secretariat of the Government by Letter DSMC/7133/26.01.2024, GSG entry no. 2687/26.01.2024,</p> <p>- Centralized Progress Report on the implementation and development of the internal/management control system in SNTGN Transgaz SA on 31 December 2023;</p> <p>- Report on the internal/management control system on 31 December 2023.</p>	
			13.4	<p><i>Reporting related to the achievement of the performance indicators of the gas transmission service</i></p>	<p>Achieved</p> <p>-Letter 89648/24.11.2023 ANRE report for gas year 2022-2023</p>	
			13.5	<p><i>Reporting form S1100 on the monitoring of the application of the provisions of GEO 109/2011</i></p>	<p>Achieved</p> <p>- Letter 373/04.01.2023 S1100 report for Half II 2022</p> <p>- Letter 48794/04.07.2023 S1100 report for Half I 2023</p> <p>-Letter no. 2016/09.01.2024 report S1100 for H II 2023;</p>	
14	<p>2021-2025 NAS implementation</p>	<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"> - 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.; - 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.; <p>-Updating the Transgaz Corruption Risk Register;</p> <ul style="list-style-type: none"> - Updating, publication and submission to the GSG of the Transgaz Integrity Plan; - 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 	100%

					<p>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);</p> <ul style="list-style-type: none"> - 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 (PS 21 SMI and Decision 1846/2023); -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);; -publishing the economic and performance indicators in open format; - conducting anti-corruption training (11 company employees participated); - 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; - auditing the corruption prevention activity; - participation in the working sessions of the Business Cooperation Platform organised by the Ministry of Justice within the NAS; - 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; - 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; - approval of the Competition Compliance Manual.
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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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