

No. 17846 / 04.03.2025

REPORT

on the approval of the revenue and expense budget for 2025 and of the estimates for 2026 - 2027

SUMMARY:

During the meeting of the Board of Administration of Transgaz held on 5 March 2025, the draft REB for 2025 and estimates for 2026 and 2027 were approved.

The substantiation of the draft Revenue and Expense Budget was based on the programmes for the modernisation and development, design, maintenance and rehabilitation of the NTS, the supply of materials and spare parts; the programmes for the provision of certain services; the provisions of the collective labour contract; the regulations in force; the quantities of natural gas expected to be transmitted and the forecast capacity bookings.

* thousand Lei *

No.	ITEM	2024 REB	Estimated 2024	2025 REB
0	1	2	3	4
1.1.	Operating revenue before the balancing and the construction activity according to IFRIC 12	2.057.551	2.227.432	2.631.579
	<i>2024 REB comparison</i>		8,26%	27,90%
	<i>Estimated 2024 comparison</i>			18,14%
1.2.	Revenue from the balancing activity	454.595	248.967	392.225
1.3.	Revenue from the construction activity according to IFRIC 12	2.117.715	1.857.290	2.214.149
1.4.	Financial revenue	215.152	203.989	231.299
2.1.	Operating costs before the balancing and the construction activity according to IFRIC 12	1.916.205	1.876.900	2.273.240
	<i>2024 REB comparison</i>		-2,05%	18,63%
	<i>Estimated 2024 comparison</i>			21,12%

No.	ITEM	2024 REB	Estimated 2024	2025 REB
0	1	2	3	4
2.2.	Costs before the balancing activity	454.595	248.967	392.225
2.3.	Cost of constructed assets according to IFRIC 12	2.117.715	1.857.290	2.214.149
2.4.	Financial costs	136.639	114.281	173.714
3.	GROSS PROFIT	211.608	440.241	415.925
	2024 REB comparison		108,05%	96,55%
	Estimated 2024 comparison			-5,52%
4.	Tax on profit	38.690	67.981	70.918
5.	NET PROFIT	172.918	372.260	345.006
	2024 REB comparison		115,28%	99,52%
	Estimated 2024 comparison			-7,32%

PROPOSAL:

The approval of the draft revenue and expense budget for 2025 and of the estimations for 2026-2027, according to the provisions of GO 26/21 August 2013, Art.4 (1) (d) and of Transgaz' Articles of Incorporation in force, Chapter IV, Art.15 (3)(c).

General considerations regarding REB preparation

Considering:

1. The provisions of GO 26/21 August 2013, as amended, *on strengthening the financial discipline at the level of the economic operators where the state or the territorial administrative units are sole or majority shareholders or directly or indirectly hold a controlling interest*, which regulates:
 - Art. 6 (1[^]1) *The economic operators under Art. 4 (1)(d), whose shares are accepted to be traded on a regulated market, as well as their subsidiaries, shall submit to the General Meeting of the Shareholders, according to the law the revenue and expense budget and the substantiation annexes, prepared according to the applicable laws, for approval, following the prior consultation of the trade unions, and shall publish the revenue and expense budget including the amount for the current year **within 60 days from the entering into force of the annual law on the state budget** or from the date of approval of the village, town, Bucharest district, County, Bucharest local budgets, as appropriate.*

- **Art. 7 (1)** *Annually, the state budget **law** establishes salary policy objectives on which economic operators substantiate the revenue and expense budget indicators.*
- Art. 9 (1) *Economic operators shall consider, without limitation, the following when establishing the revenue and expense budget:*
 - a) compliance with the Government's and administrative-territorial units' policy on improving the economic and financial performance of the operators;*
 - b) compliance with the salary policy objectives set by the annual state budget law;*
 - c) the specific performance criteria and the quantified objectives for the reduction of payments and outstanding debts, the reduction of loss, the increase in profit and turnover and the labour productivity growth provided in the mandate contracts, established in relation to the management strategy of the Board of Administration/Supervisory Board and the management plan of the economic operators' directors/members of the directorate;***

2. The provisions of GEO 156 of 31.12.2024 on some fiscal-budgetary measures in the field of public expenditure for the consolidated general budget for the year 2025, for amending and supplementing some normative acts, as well as for extending some terms regulating in Article XXXIII

- *By way of derogation from the provisions of Art. 7 (1) and Art. (3) of Government Ordinance no. 26/2013, approved with additions by Law no. 47/2014, with subsequent amendments and additions, the salary policy objectives applicable to the substantiation and elaboration of the income and expenditure budgets for the year 2025 are established by this Emergency Ordinance.*

when substantiating the Revenue and Expense Budget of SNTGN Transgaz SA it is required to comply with the Government's policy on enhancing the economic and financial performance as established by the Government Ordinance no. 26/2013 and the salary policy objectives set for 2025 by Government Ordinance no.156/2024.

The substantiation of the REB for the year 2025 has been made in compliance with the legal provisions contained in:

- *GO 26/21 August 2013, as amended, on strengthening the financial discipline at the level of the economic operators where the state or the territorial-administrative units are sole or majority shareholders or directly or indirectly hold a controlling interest;*
- *GEO 156 of 31.12.2024 on some fiscal-budgetary measures in the field of public expenditure for the consolidated general budget for the year 2025, for amending and supplementing some normative acts, as well as for extending some terms*
- *GEO no. 4 of 20 February 2025 amending and supplementing some normative acts*

- Order 3818/30 December 2019 of the Ministry of Public Finance *on the form and structure of the economic operators' revenue and expense budget and of the annexes for the substantiation of the budget*;
- Law 9/10 February 2025 on the State Budget for 2025;
- ANRE Order 41/15 March 2019 *on the approval of the Gas Transmission Regulated Tariff Setting Methodology*;
- ANRE Order 34/19 July 2016 *on the approval of the Methodology for transmission capacity booking and tariff setting for natural gas transmission services through the Isaccea – Negru Vodă gas transmission pipelines*;
- Regulation EU 312/2014 *establishing a Network Code on Gas Balancing of Transmission Networks*;
- Order 16/2013 of ANRE President - *the Network Code for the National Gas Transmission System*;
- Electricity and Gas Law 123/10.07.2012 as amended;
- ANRE Order 85/2017 *on the approval of the Methodology for the calculation of the balancing neutrality tariffs, including their distribution to the network users of the gas transmission network*;
- Trading Companies` Law 31/1990, republished, as amended;

The draft Revenue and Expense Budget for 2025 was submitted for consultation to the financial management control according to Government Decision 1.151/2012 on the approval of the Methodological rules for the organization and exercise of **financial management control, and consultation of the trade unions.**

The substantiation of costs was based on the following:

- estimated inflation ratios and/or exchange rates projected according to the „**1. Projection of the main macroeconomic indicators 2024-2028 - Autumn 2024 forecast (December 2024) of the National Forecast Commission** for the costs which by their nature have a relatively linear evolution;
- technical regulations in force;
- programme for NTS upgrade and development (Investments), design, maintenance and rehabilitation, supply of materials and spare parts;
- programs for the provision of various services (security and safety, training, consulting, etc.);
- normative acts that are in force regarding legislated costs (contribution to social insurance, health insurance, unemployment benefit, transmission licence fee, royalty for the concession of the transmission system, etc.);
- costs related to the social actions, according to the provisions of the Collective Labour Contract (CLC); at the substantiation of the REB 2025 and estimates for

2026-2027, no expenditure on holiday vouchers was substantiated, considering the rights of employees under Art.189 of the CLC in force concerning the partial settlement of holiday and health care.

- technological consumption costs were established based on:
 - an estimate of the specific consumption of the gas compressor stations, technological loss caused by the discharge as a result of new pipeline couplings and planned repairs, differences due to measurement errors, etc.;
 - price of natural gas under the currently applicable sale/purchase contract (150 lei/Mwh) as well as the price of gas in stock as at the date of REB substantiation, stock consisting of natural gas under the previous contracts and natural gas approved for use to cover technological consumption representing the difference between the minimum stock calculated in accordance with the provisions of ANRE Order 36/2016 and the actual stock of natural gas held by SNTGN Transgaz;
- costs of gas for NTS balancing according to ANRE Order 160/2015 amending and supplementing the Network Code for the National Gas Transmission System, approved by Order 16/2013 of ANRE President and ANRE Order 1/18.01.2016;
- The following were considered while substantiating personnel costs:

I. The application of the provisions of GEO 156 of 31.12.2024 on some fiscal-budgetary measures in the field of public expenditure for the consolidated general budget for the year 2025, for amending and supplementing some normative acts, as well as for extending some terms and the provisions of GEO no.4/2025 on amending and supplementing some normative acts, respectively:

Article XXXIV

(1) For the year 2025, economic operators to whom the provisions of art. 9 para. (1) letter b) and para. (3) of Government Ordinance no. 26/2013 apply, approved with additions by Law no. 47/2014, with subsequent amendments and additions, may provide in the income and expenditure budget for the increase in salary-related expenses compared to the level approved in 2024 or in the last income and expenditure budget approved under the law, only as a result of maintaining the salary-related rights in payment on 30 November 2024 for the number of personnel achieved at the end of this year, of the increase in the minimum gross basic salary per country guaranteed in payment for the year 2025 and of the other salary-related expenses related to it, only for the personnel falling under the incidence of these regulations, subject to the fulfilment of the following cumulative requirements:

a) not to increase/index or, as the case may be, not to provide for other salary increase mechanisms during 2025, for rights representing salaries in payment on November 30, 2024;

b) maintaining in 2025 the level of food rights/food allowances/meal vouchers/food norms and other similar salary rights in payment on December 31, 2024, granted according to legal provisions;

c) the value of the hot meal provided for employees who carry out their activity at least 50% of the working time underground shall not exceed the amount of 35 lei net for each day worked, regardless of the net monthly salary obtained. If the hot meal cannot be provided according to the specific legal conditions, economic operators may provide its cash equivalent or meal vouchers in the amount of 35 lei for each day worked;

d) maintaining the level of awards, premiums, bonuses, allowances and other salary-related rights, payable in 2024, granted in accordance with legal provisions, with the exception of social expenses provided for in art. 25 of Law no. 227/2015, as subsequently amended and supplemented, in the case of economic operators that have recorded accounting losses in previous years and plan losses in 2025, provided that the losses incurred on 31 December 2024 are reduced by at least 5% compared to the level incurred on 31 December 2024, as the case may be, or the level of awards, premiums, bonuses, allowances and other salary-related rights, payable in 2024, granted in accordance with the legal provisions, is maintained in the case of economic operators that do not have accounting losses in previous years and do not plan losses in 2025, with the exception of the amounts representing the employee profit participation and social expenses provided for in art. 25 of Law no. 227/2015, as subsequently amended and supplemented;

e) not to schedule an increase in the number of personnel in 2025 compared to that achieved in 2024.

1¹) Economic operators to whom the provisions of art. 9 para. (1) letter b) and para. (3) of Government Ordinance no. 26/2013 apply, approved with additions by Law no. 47/2014, with subsequent amendments and additions, and which have provided through special laws the possibility of establishing basic salaries by reference to the minimum gross basic salary per country guaranteed in payment and which in 2024 did not grant salary increases as a result of its increase, may provide for the increase in the expenses provided for in para. (1) by the difference between the minimum gross salary per country guaranteed in payment on 1 January 2025 and the last minimum gross salary per country guaranteed in payment provided for in the salary scale, provided that the requirements provided for in para. (1) letters b)-e) are complied with and that the sources of financing for this increase are ensured from the increase in their own revenues by at least the amount necessary for the increase.

1²) Economic operators to whom the provisions of art. 9 para. (1) letter b) and para. (3) of Government Ordinance no. 26/2013 apply, approved with additions by Law no. 47/2014, with subsequent amendments and additions, whose shares are admitted to

trading on a regulated market and their subsidiaries, which in 2024 made a profit and do not record outstanding payments on 31 December 2024, may schedule in 2025 the increase in salary expenses above the limit provided for in para. (1), with the amounts representing increases in salary expenses related to the average price increase index forecast for 2025, provided that they schedule a positive gross result in 2025.

1³) The amounts representing increases in salary-related expenses related to the average price increase index forecast for 2025, provided for in paragraph 1²), may be granted starting with the month following the approval of the revenue and expenditure budget or the rectified revenue and expenditure budget and may not exceed the level of this index on a monthly basis.

(7) The economic operators referred to in paragraph (1) that did not record losses in 2024 and do not plan losses in 2025 may, during 2025, fill the vacant positions existing at the end of 2024, in accordance with the procedures existing at their level, with the corresponding increase in salary expenses.

(10) The economic operators referred to in paragraphs (1) and 1¹) may occupy, according to the procedures existing at their level, the positions that become vacant during 2025.

II. The application of the provisions of Law no. 296/2023 on some fiscal-budgetary measures to ensure Romania's long-term financial sustainability, amended and supplemented respectively:

Article LXXI

(3) The public guardianship authority may mandate the state representatives in the general meeting of shareholders of companies and the board of directors of autonomous regions, so that in the case of economic operators that apply the provisions of Government Ordinance no. 26/2013 on strengthening financial discipline at the level of economic operators in which the state or administrative-territorial units are sole or majority shareholders or directly or indirectly hold a majority stake, approved with additions by Law no. 47/2014, with subsequent amendments and additions, they may provide in the annual revenue and expenditure budgets for the granting of a maximum of 12 salaries/indemnities as a compensatory payment in the event of collective layoffs/layoffs of employees.

(4) The public guardianship authority may mandate the state representatives in the general meeting of shareholders in companies and in the board of directors in autonomous regies, so that in the case of economic operators that apply the provisions of Government Ordinance no. 26/2013, approved with additions by Law no. 47/2014, with subsequent amendments and additions, they may provide in the annual income and expenditure budgets for the granting of bonuses, premiums, compensatory payments, gratuities or any other salary-related rights for withdrawal from activity following retirement at the level of a maximum of one salary.

Upon the application of the aforementioned legal provisions, the expenses related to the personnel salaries were substantiated at the level of base salaries, increases and bonuses of employees existing at the level of November 2024, granted based on the applicable Collective Labour Contract of the company and established in the ongoing individual labour contracts.

The salary related costs for year 2025 are **Lei 711.812 thousand**, which is **Lei 49.166 thousand** higher than the one foreseen in the 2024 budget (7,42%) in compliance with the provisions of Art. XXXIV (1) of GEO 156/2024 on some fiscal-budgetary measures in the field of public expenditure for the consolidated general budget for the year 2025, for amending and supplementing some normative acts, as well as for extending some terms, on the basis of the following:

- maintaining in payment the salary rights in payment on 30 November 2024: **Lei 562.711 thousand;**
- maintaining in payment the level of bonuses and incentives and other entitlements of a salary nature at the level of 2024, amounting to **Lei 26.149 thousand;**
- expenditure of a salary nature related to the indexation of the basic salaries by 4.4% in the year 2025 from the month following the approval of the REB amounting to **Lei 20.267 thousand;**
- social expenditure amounting to **Lei 31.151 thousand;**
- recruitment of staff to fill 98 vacant posts existing at the end of 2024, amounting to **Lei 15.288 thousand;**
- employee profit-sharing amounting to **Lei 22.648 thousand;**
- granting meal vouchers at the level in payment on 31.12.2024 **Lei 33.598 thousand.**

The provisions of Ordinance 26/2013 and Article XXXIV paragraphs (3), (4) and (5) of GEO 156/2024 on some fiscal budgetary measures in the field of public expenditure for the general consolidated budget for 2025, for amending and supplementing certain normative acts and for the extension of some terms are respected, the increase in the average monthly earnings per employee determined on the basis of the salary expenses recalculated according to GEO 156/2024 being 106.11% lower than the increase in labour productivity in value units per total average staff, in the percentage of 120.43%. We provide below their compliance with the legal provisions:

thousand lei

No.	Indicators	REB 2024	REB 2025	%
0	1	2	3	4 = 3/2
1	Salary expenses	662.645	711.812	107,42%
2	Salary expenditure determined according to Art. 3 (f) of GEO 26/2013.	620.429	658.012	106,06%

3	Expenditure of a salary nature determined in accordance with the provisions of the annual Law on the state budget row 2-row6	662.645	658.012	99,30%
4	Average number of personnel	4.080	4.078	99,95%
5	The amounts representing increase in salary-related expenditure related to the average price increase index forecast for 2025;	31.827	20.268	63,68%
6	Average monthly earnings per employee (lei/person) determined on the basis of salary expenses. Row 2/Row 4/12/*1000	12.672	13.446	106,11%
7	Average monthly earnings per employee (lei/person) determined on the basis of salary expenses recalculated according to the annual Law of the state budget Row2/Row4/12*1000	12.672	13.446	106,11%
8	Labour productivity in value units per average total personnel (thousand lei / person)	616	741	120,43%

The average number of personnel:

By Law 346/2007 on measures to ensure security of natural gas supply, S.N.T.G.N. TRANSGAZ S.A. is responsible for making investments in infrastructure to expand transmission capacity and replace pipelines with expired lifespan in order to ensure security of natural gas supply and reduce natural gas losses.

The management plan of TRANSGAZ S.A. Mediaş for 2021 - 2025, among the action directions established in the chapter 'Competitiveness and modernization', also includes the optimal dimensioning of the human resources requirements in relation to the real needs of the company's activity and development.

In general, the vision of the administrators in terms of human resources is to maintain the average number of staff by filling some of the vacancies resulting from retirements and other causes with staff with higher level of qualification for the development of the company's projects. The aim is also to maintain a level of increase in salary costs that at least covers the inflation rate and to ensure compliance with the provisions negotiated in the collective bargaining agreement.

Considering the above, for year 2025 the following is required:

- Maintaining the current number of 5.261 positions approved to date by the company's organisation chart, with a resizing of the organisation chart to be carried out after approval of other projects and finalisation of the normalisation of all activities carried out on the NTS. At the same time, the modernisation and upgrading to be carried out in the NTS and its related installations will be considered, with a view to implementing the Network Code and maintaining and developing a SCADA-type monitoring, control and data acquisition system.
- Continuing the organisational redesign of some activities within the company and the roles and responsibilities of the personnel carrying out these activities. In this

respect, it is also necessary to continue the voluntary departure programme, which will reduce the number of employees approaching retirement age or in poor health, factors which lead to a reduction in the ability to perform their duties. This action will be carried out without affecting current activity, by reassigning the duties and responsibilities of the positions occupied by staff who will leave voluntarily. It has been estimated that 100 employees will apply to be on these lists in 2025.

➤ Continuing the recruitment process of specialized staff required for the implementation of projects of major importance for the development of the company, as well as for the activities of design, access to European funds and development/maintenance of existing information and communication systems in order to digitalize operations. Both in-house employees and external specialists will be targeted.

➤ For the year 2025, a total of 19 retirements due to age limit are planned. Early retirement has also been considered for 40 employees.

Through the redistribution of duties and responsibilities to the remaining staff, work programs will be carried out with existing employees. In this way an average of 4.078 employees are expected to be in use in 2025, compared to the 4.080 approved by REB in 2024.

Cost of personnel

To substantiate the cost of personnel, the main macroeconomic indicators forecast in the National Forecast Commission's Medium-Term Forecast 2024 – 2028, Autumn 2024, were taken into account, namely:

Indicator	2024	2025	2026	2027
Increase of consumption price – annual average	5,6	4,4	3,3	3,0
Exchange rate (lei/euro) – annual average	4,975	5,01	5,06	5,11

The following were taken into account when substantiating the salary fund, as well as the other personnel expenses necessary for S.N.T.G.N. TRANSGAZ S.A. Mediaș:

- 1)** setting the basis of calculation at the current level of the employees' salaries, bonuses and additional payments granted on the basis of the Collective Labour Contract in force at company level and established in the individual labour contracts currently in force;
- 2)** the indexation of salaries of all personnel with a percentage of 4,4% starting with the month following the approval of the Budget of Income and Expenditure, in accordance with the provisions of Art. 147 (1) of the C.L.C. in force at company level, in order to cover the average forecast inflation of 4,4%;

- 3)** the provision of a fund to provide compensation for the continuation of the voluntary departure of an estimated 100 employees. This fund has been calculated for this number of employees at the level of a maximum of 12 employees' salaries, in accordance with the provisions of GEO 4/2025. The provision of these funds represents an increase in staff costs in the short term, but in the long term the aim is to benefit from the reduction in the costs of these employees, who are employed on individual employment contracts of indefinite duration;
- 4)** the granting of birth, marriage, retirement and death benefits in accordance with the provisions of applicable Collective Labour Contract;
- 5)** granting retirement benefits at the level of 1 gross salary according to the provisions of GEO no.4/2025;
- 6)** the amounts necessary for granting food vouchers in nominal value of LEI 40 in 2025;
- 7)** the provision of expenses incurred on behalf of an employee, in optional pension schemes, up to an amount representing the equivalent in lei of 400 euro in a fiscal year, for each participant. The C.C.M. in force at company level, art. 62, paragraph (4) provides for a limit of 400 euro/employee in a fiscal year;
- 8)** cost of voluntary health insurance premia up to an amount representing the Lei equivalent of EUR 400 in a financial year, for each participant. The C.L.C. in force at company level, Art. 62 (5), establishes a limit of 400 euro/employee in a fiscal year
- 9)** the provision of expenses with gifts offered to employees for Easter and Christmas, according to the provisions of the C.L.C.
- 10)** the provision of expenses with gifts offered to minor children of employees, and gifts granted to female employees in the amount of 300 lei/gross/beneficiary/event. The company's applicable Collective Labour Contract stipulates in Art. 183 (2) the granting of such gifts for Women's Day, 1 June and Christmas;
- 11)** the provision of the sums necessary to bear part of the cost of the treatment and rest benefits, including transport for the Company employees and their family members according to Art. 189 of the C.L.C. in force;
- 12)** expenses representing the employees' share in the Company's profit under G.O. 64/2001 on profit distribution within national companies, companies publicly owned or controlled and autonomous regies, as amended, corroborated with Art. 141 of the company's applicable Collective Labour Contract;
- 13)** the provision of a fund of Lei 822,0 thousand for various social actions, amounts requested by the Gas Transport Union by the Letter no. 22/29.10.2024.
- 14)** further, for the year 2026, an indexation of the staff salaries by 3,3% starting with January 2026, and for the year 2027, an indexation of the staff salaries by 3,0% starting

with January 2027, as provided for in Art. 147 (1) of the Collective Labour Contract in force at company level.

IV. Expenses related to the civil liability insurance of administrators and executive management

The expenses with the insurance premiums for the professional risk insurance of the members of the Board of Administration and the executive management of the company, in the amount of Euro 75.000 /year according to Art. 4 of Resolution 1 of 20.01.2022 of the Ordinary General Meeting of the Shareholders of S.N.T.G.N TRANSGAZ S.A. and Art. 2 of Resolution 2 / 21.01.2022 of the Board of Administration of S.N.T.G.N TRANSGAZ S.A.

In line with the provisions of ANRE Order 41/15 March 2019 on the approval of the Gas Transmission Regulated Tariff Setting Methodology, personnel expenses are recovered through the regulated revenue from the gas transmission activity up to the forecasted amount approved by ANRE upon the substantiation of the regulated revenue for the first nine months of 2025 (part of the gas year 01.10.2024 – 30.09.2025) and respectively based on the regulated income estimated by Transgaz for the first year of the fifth regulatory period 1 October 2025 - 30 September 2026, based on the provisions of the draft Order published by ANRE on the tariff methodology applicable for the fifth regulatory period.

As part of the public consultation process being carried out in accordance with the provisions of Article 26 of Commission Regulation (EU) 2017/460 of 16 March 2017, ANRE proposes to amend the Pricing Methodology for the fifth regulatory period 1 October 2025 - 30 September 2030 and limits the amount of personnel costs for the first year of the regulatory period (01.10.2025 - 30.09. 2026) at the level of the realized value, reported in the ECR (regulated accounting evidences) and accepted by ANRE in the last reported year of the previous regulatory period (01.10.2023 - 30.09.2024), discounted in real terms of the first year of the regulatory period and indexed with the real wage growth index published by the National Commission for Strategy and Forecasting for that year.

In the substantiation of the regulated income for the fifth regulatory period, the salary cost has been determined in accordance with the requirements of the draft methodology currently under public consultation.

Sales/purchases of natural gas within the balancing activity are carried out according to needs to balance gas flow fluctuations and to maintain the level of pressures at values allowing the safe and efficient operation of the NTS, the obtaining of revenue from the balancing activity is not under the control of the company;

Revenue substantiation was determined considering:

- the gas quantities estimated to be transmitted (including the quantities transmitted for storage) and the capacity booking estimated for 2025 – 2027;

- the gas quantities estimated to be procured both for the physical balancing of the National Transmission System and for the commercial balancing;
- the regulated transmission tariffs approved by ANRE by Order no.17 of 29 May 2024 regarding the approval of the regulated revenue, the corrected regulated revenue and the transmission tariffs for the activity of natural gas transmission through the National Transmission System, respectively the estimated tariffs for the period 1 October 2025 - 31 December 2027 based on the draft tariff methodology proposed by ANRE for the fifth regulatory period.
- no revenues from international natural gas transmission services have been estimated:
 - **ANRE Order 16/29.05.2024 extended until 30 September 2025 the deadline for application of ANRE Order no. 149/29.07.2020 approving a regulated revenue of Lei 169.820.239 for the provision of regulated transmission service on T2 and T3 pipelines for the 2020-2021 gas year; a booked capacity of 84 million MWh was estimated for setting transmission tariffs; no booked transmission capacity for international transmission activity was estimated in the draft 2025 REB.**

The assumptions underlying the substantiation of the economic-financial indicators for 2025-2027 are presented in the table below:

No.	Item	MU	2025	2026	2027
1.	Inflation index at the end of the year	%	3,80	2,90	2,70
2.	Exchange rate	lei/EURO	5,01	5,06	5,11
3.	Exchange rate	lei/USD	5,08	5,06	4,95
4.	Transmitted gas quantity (including injection in underground storage)	MWh	177.424.648	241.309.708	310.031.330
5.	The average transmission tariff	lei/MWh	13,31	11,04	9,38
6.	Technological consumption procurement price	lei/MWh	228,36	238,74	238,74

Based on these assumptions the following economic and financial indicators resulted:

thousand lei

No.	Indicators	2025 REB	Estimated for 2026	Estimated for 2027
1	TOTAL REVENUE, of which:	5.469.252	5.613.379	5.869.482
1.1.	Operating revenue before the construction activity according to IFRIC 12	3.023.804	3.381.586	3.704.233
1.2.	Financial revenue	231.299	307.540	390.195
1.3.	Revenue from the construction activity according to IFRIC 12	2.214.149	1.924.254	1.775.054
2.	TOTAL COST, of which:	5.053.327	4.825.147	4.861.597
2.1.	Operating costs before the construction activity according to IFRIC 12	2.665.465	2.671.174	2.750.937
2.2.	Financial costs	173.714	229.719	335.606
2.3.	Cost of assets built according to IFRIC 12	2.214.149	1.924.254	1.775.054
3.	GROSS PROFIT	415.925	788.232	1.007.885
4.	TAX ON PROFIT	70.918	126.054	157.588
5.	NET PROFIT	345.006	662.178	850.297

The evolution of the economic and financial indicators during the estimated period is mainly influenced by:

- the estimated commissioning of investment objectives;
- the progress of the National Transmission System rehabilitation and maintenance works;
- the evolution of the costs regarding the procurement of gas for technological consumption;
- approval of the regulated revenue for the gas year 2024-2025 at the level of **Lei 2.005.006,85 thousand**.
- the legislative amendments provided for by Law No 296/26.10.2023 and GEO No 91/27.10.2023, i.e. from 30 October 2023, the percentage rate for determining the oil royalty payable by the company increases from 0,4% to 11,5% of the value of the gross revenue from natural gas transmission and transit operations through the national transmission system.

The oil royalty is an expense recognised in the regulated revenue related to the natural gas transmission activity and recoverable through the transmission tariff. The regulated revenue and the natural gas transmission tariffs approved by ANRE Order no. 68 of 30 May 2023 and applicable for the period from 1 October 2023 to 30 September 2024 shall recognise the royalty determined as 0,4% of

the value of the gross revenue from natural gas transmission and transit operations through the national transmission system.

The difference between the 0,4% and the 11,5% rate in the 2023-2024 regulatory year was recovered through the 2024-2025 regulated revenue.

- Amendments contained in the draft Methodology for setting regulated tariffs for natural gas transmission services for the fifth regulatory period 1 October 2025 - 30 September 2030, which is subject to a public consultation process taking place in accordance with Article 26 of Commission Regulation (EU) 2017/460 of 16 March 2017;
- The application of the monopoly tax until 31 December 2025 in accordance with the provisions of GEO 130/17 December 2021, whereby the term provided for in Article 6 of Government Ordinance no. 5/2013 on establishing special measures for the taxation of activities with a natural monopoly character in the electricity and natural gas sector, published in the Official Gazette of Romania, Part I, no. 52 of 23 January 2013, as amended, is extended until 31 December 2025, inclusive.
- The application of the special construction tax from 1 January 2025 based on Article LXIV para. 16 of GEO 156 of 31 December 2024 on some fiscal-budgetary measures in the field of public expenditure for the substantiation of the consolidated general budget for the year 2025, for amending and supplementing some normative acts, as well as for extending some terms;
- The evolution of financial expenses representing interest and exchange rate differences on loans taken out by the company to finance investment works not covered by its own resources.

Profit distribution was determined taking into account the provisions of G.O. 64/2001 *on profit distribution within national companies, companies publicly owned or controlled and autonomous companies*, as amended and the specifications approved by MPF Order 144/2005 *approving the Specifications for the determination of the amounts subject to profit distribution according to G.O. 64/2001 on profit distribution within national companies, companies publicly owned or controlled and autonomous companies*, approved as amended by Law 769/2001, as amended, as follows:

- considering the approval of the increase of Transgaz' share capital by incorporating the reserves constituted from the profit of previous financial years in the amount of Lei 1.766.076.600 (EGMS Meeting 8/09.12.2022), amounts were allocated to **legal reserves** in the amount of 5% of the accounting profit, in accordance with the provisions of Art. 183 (1) and (2) of Law 31/1990, as amended, and Art. 1 (1) of GO 64/2011;
- **employees' participation in profit** was made within the limit of 10% provided for by GO 64/2001, *'employees' participation in profit; national companies and companies fully or majority-owned by the State, as well as autonomous*

companies that have undertaken and established through their revenue and expense budgets the obligation of participation in profits, as a result of the services of their employees in relation to them, may grant these rights within the limit of 10% of the net profit, but not more than the level of an average monthly basic salary achieved at the level of the economic agent, in the reference financial year;

- **dividends to shareholders** were determined according to MPF Order 144/2005, by applying 50% to remaining net profit after its recompletion with the amount of the cost representing the share in to profit, with which the gross profit before tax was affected;
- the amount of the **retained earnings** for setting up own financing sources was determined as the difference between the net profit to be distributed and the profit proposed to be allocated according to GO 64/2001.

The analysis of the 2025 REB economic and financial indicators as compared to the 2024 estimations

The synthesis of the 2025 REB indicators compared to the 2023 estimations is presented below:

thousand lei

No.	Item	Estimated in 2024	2025 REB	Variation
0	1	2	3	4=3/2-1
1.	TOTAL REVENUE, of which:	4.537,679	5.469.252	21%
1.1.	Operating cost before balancing and construction activity according to IFRIC 12	2.227.432	2.631.579	18,14%
1.2.	Balancing revenue	248.967	392.225	58%
1.3.	Financial revenue	203.989	231.299	13%
1.4.	Revenue from the construction activity according to IFRIC 12	1.857.290	2.214.149	19%
2.	TOTAL COST	4.097.438	5.053.327	24%
2.1.	Operating cost before balancing and the construction activity according to IFRIC 12	1.876.900	2.273.240	21,12%
2.2.	Balancing costs	248.967	392.225	58%
2.3.	Financial cost	114.281	173.714	52%
2.4.	Cost of constructed assets according to IFRIC 12	1.857.290	2.214.149	19%
3.	GROSS PROFIT	440.241	415.925	- 5,52%
4.	Corporate tax	67.981	70.918	4%
5.	NET PROFIT	372.260	345.006	-7%

- I. **The revenue from the operation activity before balancing and the construction activity according to IFRIC 12** amounting to **Lei 2.631.579 thousand**, increased by **Lei 404. thousand** as compared to the 2024 estimated revenue, which is higher by **18,14%**, mainly due to:
- increase in the capacity booking component by **Lei 321.334 thousand** mainly due to:
 - capacity booking tariff higher by **lei 1,074 lei/MWh/h** with a positive influence of **Lei 373.796 thousand** mainly due to the regulated revenue approved for the 2024-2025 gas year and estimated by Transgaz for gas year 2054-2026 higher than in 2023-2024;
 - booked capacity lower by **11.425.642 MWh**, with a negative influence of **Lei 52.461 thousand**;
 - The increase of the commodity component by **Lei 94.045 thousand** mainly due to:
 - quantities transmitted higher by **35.771.172 MWh**, with a positive influence of **Lei 61.017 thousand**;
 - the commodity component of the transmission tariff higher by **Lei 0,183 MWh/h** with a positive influence of **Lei 33.028 thousand**, mainly due to the regulated revenue approved for 2024-2025 and estimated by Transgaz for gas year 2025-2026, higher than in 2023-2024;
 - auction premiums lower by **Lei 8.092 thousand**;

Regarding the annual evolution of gas transmission revenue gas transmission is regulated by the National Energy Regulatory Authority (ANRE). According to the methodology for setting the regulating revenue, the costs savings of the transmission operator in a gas year and the additional revenue obtained in a gas year diminish the regulated revenue approved in the following gas years. In other words, the more effective the company is in reducing costs, the more the revenue from gas transmission will be reduced in the coming gas years.

According to *ANRE Order 41/15 March 2019 on the approval of the Gas Transmission Regulated Tariff Setting Methodology* the following are also considered for the determination of the annual regulated revenue:

- the total revenue correction component for the previous years;
- the technological consumption correction component for the previous years;
- the capital cost adjustment component for previous years;
- the efficiency increase factor redistribution component obtained by the transmission operator during a regulatory period (the savings obtained by the transmission operator regarding cost items as compared to the levels approved

by ANRE) are kept by the transmission operator and aggregated at the end of such period and then entirely transferred to the transmission system users by linearity throughout the following regulatory period by reducing the regulated revenue by such savings.

In accordance with the legal provisions in force during the third regulatory period (2012-2019), the efficiency increase factor was fully maintained by the operator for a period of 5 years and starting with year 1 (2019-2020) of the fourth regulatory period (2019-2024) the full transfer to the users of the transmission system started through linearization by decreasing the regulated revenue by such savings.

- The efficiency increase factor achieved by the TSO beginning with the fourth regulatory period (2019-2024) is 60% transferred to gas consumers and 40% is retained by the TSO starting with year (2024-2025), a transition year between the fourth and the fifth regulatory period, according to ANRE Order 102/22 November 2023.

By Order 17/29 May 2024 it was approved the regulated revenue, the corrected regulated revenue and the transmission tariffs for the transmission of gas through the National Transmission System for 1 October 2024 - 30 September 2025.

The proposed REB for 2025 and estimates for 2026 and 2027 include:

1. Equal distribution over gas years 2025-2026, 2026-2027 and 2027-2028 respectively of the correction component of the regulated income for year 5 (2023-2024) amounting to **Lei 86.291,27 thousand** and **Lei 309.843 thousand** representing the correction component of the regulated revenue for year 6 (2024-2025). Transgaz intends to submit this proposal to ANRE when substantiating the regulated income for the gas year 2025-2026;
2. use as a correction component in the year 2025-2026 of the fifth regulatory period, the redistribution component of the efficiency gain amounting to **Lei 45.602,59 thousand**, the efficiency gain realized by Transgaz starting with the fourth regulatory period (2019-2024), 60% of which is transferred to natural gas consumers, and 40% is kept by the TSO starting with the year (2024-2025), the year of transition from the fourth to the fifth regulatory period, according to the provisions of ANRE Order 102/22 November 2023.

The estimated revenue from the gas transmission activity for 2025, with the tariffs approved by ANRE for 1 October 2024 - 30 September 2025 and the tariffs estimated based on the draft methodology published by ANRE for Q4 2025 is **Lei 2.361.480 thousand, by Lei 407.287 thousand** compared to the 2024 estimates.

Considering the above, we believe that the provisions of the Instructions for preparing the REB approved by Order 3818/30.12.2019 of the Ministry of Public Finance, Annex 6 (II) (6), according to which *'the total revenue and expenses are estimated so that the index related to the increase in total expenses usually does*

not exceed the total revenue increase index` cannot be applied to Transgaz which carries over activity regulated at a rate of approximately 98%.

NTS balancing revenues increase by **Lei 143.258 thousand** based on:

- the estimated increase in quantities for balancing the NTS in 2025 compared to the preliminary level for 2024 by **362.216 MWh** with a positive influence of **Lei 63.306 thousand**;
- estimated purchase price of natural gas for balancing activity in 2025 of **Lei 200 lei/MWh** with a positive influence of **Lei 79.952 thousand**.

The purchase price of the quantities of natural gas intended for balancing for 2025 was estimated at Lei 200 /Mwh similar to the estimated purchase price of gas representing technological consumption.

EU Regulation 312/2014 establishing a network code on gas balancing of transmission networks sets uniform balancing rules at European level, reflecting the specific needs of the transmission systems and considering the drivers available to the operators for balancing the transmission systems. According to the Regulation above the role of the system operator is to perform balancing activities based on non-discriminatory market principles through the purchase/sale of natural gas quantities required for balancing. The system operator does not record gains or losses as a result of conducting the balancing activity.

The provisions of the Regulation above are taken over in ANRE Order 16/2013 on the approval of the Network Code for the National Gas Transmission System amended by ANRE Order 160 /2015, which states in Article 83 (2) that *`to ensure the safe operation of the NTS, the TSO should have enough gas for system balancing as natural gas stored in pipelines and/or as balancing gas stored in underground storages, and to take NTS balancing actions including by conducting sales and/or purchasing transactions for the natural gas quantities required to balance the system in a transparent, non-discriminatory manner, by using market mechanisms.*

In estimating the quantity of natural gas to be used for balancing the NTS, the basis was the consumption history recorded in the winter months/temperature dependent, as well as the quantities purchased by Transgaz from the Exchange for the purpose of the physical balancing of the NTS. This gas will be purchased in 2025 as needed in order to balance fluctuations in gas flow and maintain pressure levels at levels that allow the NTS to operate safely and efficiently.

II. Operating expenses before the balancing and the construction activity according to IFRIC12 amounting to Lei 2.273.240 thousand increased by **Lei 396.340 thousand** compared to the 2024 estimates, which is higher by 21,12 %, mainly due to:

- a) overruns regarding the following cost elements:
 - 1. cost of third party services higher by **Lei 44.341 thousand**;
 - 2. personnel salary costs higher by **Lei 78.596 thousand**;

3. depreciation cost higher by cu **Lei 70.547 thousand** due to the fixed assets commissioned in 2023 and estimated to be commissioned in 2024;
4. Cost of auxiliary materials and other material costs higher by **Lei 41.373 thousand**;
5. Cost of oil royalty higher by **Lei 46.838 thousand** compared to the estimates for 2024;
6. an increase in expenditure representing taxes and duties by **Lei 100.709 thousand** mainly due to
 - tax on special constructions in the amount of **Lei 70.293 thousand** in 2025, introduced as of January 1, 2025 by Article LXIV para. 16 of GEO 156 of December 31, 2024 *on some fiscal-budgetary measures in the field of public expenditure for the substantiation of the consolidated general budget for the year 2025, for amending and supplementing some normative acts, as well as for extending some terms.*
 - Monopoly tax expenditures higher by **Lei 25.690 thousand** compared to the preliminary ones for 2024;

III. The gross result estimated for 2025 is of **Lei 415.925 thousand**, by **Lei 24.316 thousand** (5,52%) lower than the 2024 estimates.

IV. The corporate tax was calculated considering:

- 👍 The influence of the provisions for risks and expenses and of the provisions for the depreciation of current assets;
- 👍 The influence of the employees' share in to profit expense related to 2024 and of the rights related to the mandate contract to be paid in the next year;
- 👍 Expenses related to sponsorship granted to a legal extent (Law 227/2015 – Fiscal Code Art. 25 (4) (i) of 0,75% of the turnover, but not more than 20% of the corporate tax.

Planning the investment financial effort for 2025-2027

The total expenses for investment include funds for NTS development and modernization works, for the procurement of shares in the relevant European operators the amounts necessary for the repayment of the instalments related to the loans contracted by the company to finance the investments which were not covered by equity and the amounts required for the payment of guarantees related to the temporary removal of land from agricultural use.

The sources for financing investment expenses are:

- own sources including the depreciation and the amounts distributed from the net profit to finance investments according to GO 64/2001 *on the allocation of profits in national companies and trading companies owned by the state or where the state is a majority shareholder and the autonomous administrations*, as amended;

- Amounts resulting from the absorption of European funds.

In 2024 financing contracts were signed with the Ministry of Energy for the following projects:

- Marea Neagră – Podișor gas transmission pipeline – **Lei 425.609.162,78;**
- Ghercești-Jitaru gas transmission pipeline (including power supply, cathodic protection and fiber optics) – **Lei 39.993.192,80;**
- Gas transmission pipeline to supply CET Mintia – **Lei 33.970.205,58;**
- Increase of the NTS transmission capacity and of the security of natural gas supply to the Ișalnița Electrocentral Branch (Dolj County) and Turceni Electrocentral Branch (Gorj County) – **Lei 42.131.102,75.**

The total amount of funding approved by the Modernization Fund for the 4 projects is **Lei 541.703.663,91.**

On 04.09.2024 by GD no.1102/04.09.2024 (published in the Official Gazette no. 904/06.09.2024), the financing from the Environment Fund of three natural gas transmission projects worth **Lei 500.000.000** was approved, for which Transgaz has concluded financing contacts in 2024:

- Prunișor - Orșova - Băile Herculane-Jupa gas transmission pipeline (including power supply, cathodic protection and fiber optics): **Lei 229.108.514,31;**
- Tetila - Horezu - Râmnicu Vâlcea gas transmission pipeline (including power supply, cathodic protection and fiber optics): **Lei 101.713.128,45;**
- DN 600 Mihai Bravu – Siliștea gas transmission pipeline and transformation into a PIGGable pipeline **Lei 169.178.357,24.**

In 2024 non-reimbursable funds in the amount of **Lei 382.870.681** were collected in 2024 and in the draft budget 2025-2027 were substantiated collections of **Lei 517.557.472** in 2025 and **Lei 142.183.933,43** in 2026.

- Unused own resources from previous years and other sources.

The investment expenses were determined based on:

- The modernization and development investment program for 2025 and estimates for 2026-2027;
- The design programme for investment works for 2025;
- The TYNDP.

The TYNDP includes large-scale projects aimed at reconfiguring the natural gas transmission network.

The current development plan for the Romanian natural gas transmission system includes large-scale projects aimed at reconfiguring the natural gas transmission network which, although extensive and complex, was conceived at a time when the

focus was on supplying natural gas to large industrial consumers and creating their access to resources concentrated mostly in the centre of the country and in Oltenia.

In order to determine the necessary projects to be developed in the National Gas Transmission System the prerequisites that it has to meet in the current dynamics of the regional gas market were identified first. Having in mind the latest developments and trends as far as the European gas transmission routes are concerned, the fact that two new sources of gas supply came up is obvious: the Caspian Sea gas and the Black Sea gas.

Thus, the projects planned by the company envisage:

- ensuring a proper interconnectivity with the neighbouring countries;
- creating regional gas transmission routes to ensure gas transmission from new supply sources;
- creating the necessary infrastructure to take over and transmit Black Sea gas to the Romanian market and other markets in the region;
- extending the gas transmission infrastructure to improve gas supply to deficient areas;
- creating a single integrated EU market.

In this context, it is very important for Transgaz to implement the investment projects in a short period of time enabling the connection of the Central European markets to the Caspian and Black Sea resources.

The progress in the implementation of Transgaz' major investment projects obliges the company at the same time to take steps to secure the funding of the TYNDP. In 2025-2027 the company aims at obtaining bank funds to complete the necessary financing.

The synthesis of the capital expenditure for the period 2025 - 2027 as well as its financing is indicated below:

** thousand lei**

No.	Item	2025	2026	2027	Total
					2025-2027
0	1	2	3	4	5=2+3+4
I.	Investment expenses, of which:	2.340.267	2.009.689	1.870.640	6.220.596
1.1.	Investments	2.162.910	1.814.584	1.530.016	5.507.510
1.2.	Capitalized interest	44.758	32.980	14.695	92.433
1.3.	Loan repayment	132.599	162.125	325.929	620.653
II.	Financing sources, of which:	2.340.267	2.009.689	1.870.640	6.220.596
2.1.	Own sources, of which:	387.987	321.666	262.623	972.276
	-amounts from the net profit	149.015	296.867	385.463	831.345

No.	Item	2025	2026	2027	Total
					2025-2027
	- legal reserves	20.796	39.412	50.394	110.602
	- depreciation and other non-monetary expenses / revenue	218.175	-14.612	-173.234	30.329
2.2.	European funds	517.557	142.184	0	659.741
2.3.	Bank loans	1.004.802	1.545.839	1.608.017	4.158.658
2.4	Other sources	0			0
2.5.	Surplus/deficit from previous years	429,921	0	0	429.921
III.	SURPLUS/DEFICIT(II-I)	0	0	0	0

In 2025 the leverage indicator determined based on the assumptions used for the substantiation of the Revenue and Expense Budget is within the limits approved by financing contracts concluded by the company.

According to the provisions of GO 26 of 21 August 2013 on strengthening the financial discipline at the level of the economic operators where the state or the territorial administrative units are sole or majority shareholders or directly or indirectly hold a controlling interest, if the approved investment financing sources are unfulfilled the related commitments will be reconsidered and all the legal steps for the reception of services, works and goods will be taken according to the recalculated funding sources.

Other additional information

1. The substantiation of the remunerations related to the Director General, the members of the Board of Administration and the Chief Financial Officer

According to the relevant applicable mandate contracts, the remuneration of the Director - General, of the non-executive definitive members of the Board of Administration (BoA) and of the Chief Financial Officer consists of a monthly fixed allowance and a variable component.

Over the period when GEO 109/2011 as amended is applicable in the form which is effective as at the date of the approval of the mandate contracts in force, the gross monthly fixed allowance due to the non-executive members of the Board of Administration may not exceed twice the means of the gross monthly average salary over the last twelve months relevant for the activity carried out in accordance with the main object of activity of the company at class level according to the classification of activities in the national economy, reported by the National Statistics Institute before

the appointment of such mandators and, as for the Member of the BoA also acting as Director - General, executive administrator, the monthly gross fixed allowance may not exceed six times the means of the gross monthly average salary over the last 12 months relevant for the activity carried out in accordance with the main object of activity of the company at class level according to the classification of activities in the national economy, reported by the National Statistics Institute before the appointment of such mandators.

By OGMS Resolution 2/2021 the value of the monthly fixed allowance of the definitive members of the Board of Administration was approved representing twice the mean over the last 12 months of the gross monthly average salary for the activity performed according to the main activity of the company registered at class level according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment.

Additionally, to the gross monthly fixed allowance, the members of the BoA, the Director - General and the Chief Financial Officer are entitled to an annual variable remuneration component.

The level of the variable benefit for the mandate contracts in force is set as follows:

- for the non-executive definitive members of the Board of Administration the variable annual component of the remuneration was substantiated within the limit of 12 monthly fixed allowances according to GEO 109/2011 (Art. 37 (2)) on corporate governance, as amended by Law 111/2016 on the approval of GEO 109/2011
- for the Director - General and the Chief Financial Officer, the variable component is based on the financial and non-financial performance indicators, negotiated and approved by the General Meeting of Shareholders, by OGMS Resolution 8/2021, determined in accordance with the Methodological Rules for determining the financial and non-financial performance indicators and the variable component of the remuneration of the members of the Board of Administration.

According to the provisions of GEO 109/2011 (Art. 37 (2)) on corporate governance, amended by Law 111/2016 on the approval of GEO 109/2011, in the up-to-date version in force on the date of signature of the mandate contracts, the value of the variable component due to the non-executive members of the BoA may not exceed maximum 12 monthly fixed allowances. Therefore, as far as the non-executive definitive members of the BoA are concerned, the annual variable remuneration component was substantiated within the limit of 12 monthly fixed allowances.

The maximum lawful amount of the variable allowance over the term of the mandate contract may be amended pursuant to Decision 722/2016 of the Romanian Government on the approval of Methodological rules for the approval of GEO 109/2011 on the corporate governance of public enterprises, Annex 2, Chapter II, section 5 – *The Methodology for revising the variable component of the non-executive and executive administrators' remuneration.*

The annual variable remuneration = the value of the variable remuneration established based on the amendment to the Mandate Contract x total achievement of key performance indicators.

The total key performance indicator achievement (TD_{KPI}) degree is the weighted average by the weighing factor related to each KPI of each KPI achievement degree).

$$GT_{ICP} = \sum(GI_{ICP} * \text{weighing factor})$$

The degree of each KPI (GI_{ICP}) achievement may be higher than 100% and lower than 0% but the calculation of the total degree of the KPI (GT_{ICP}) achievement will be considered as follows:

- $GI_{ICP} > 100\%$ meaning $GI_{ICP} = 100\%$;
- $GI_{ICP} < 0\%$ meaning $GI_{ICP} = 0\%$.

KPIs are annually assessed based on the annual audited financial statements and other verification tools.

For the period related to the new Contracts of Mandate to be concluded upon the completion of the ongoing selection process, the expenses have been preliminary estimated in accordance with the provisions of art.37 and art.38 of the Emergency Ordinance no. 109 of 30 November 2011 on corporate governance of public enterprises, updated, with subsequent amendments and additions, namely: Art. 37. (2) The remuneration of non-executive members of the Board of Administration shall consist of a fixed monthly remuneration. The monthly fixed remuneration may not exceed 3 times the average over the last 12 months of the average gross monthly average gross salary for the activity carried out according to the main object of activity registered by the company, at class level, according to the classification of activities in the national economy, as communicated by the National Institute of Statistics prior to the appointment. (3) The remuneration of the executive members of the board of administration or of the supervisory board shall consist of a fixed monthly remuneration and a variable remuneration. The monthly fixed component for the executive members of the management boards may exceed 3 times, but not more than a maximum of 6 times, the average over the last 12 months of the average gross monthly average gross salary for the activity performed in accordance with the main object of activity registered by the company, at class level, according to the classification of activities in the national economy, as communicated by the National Statistical Institute for the monthly periods in which the company cumulatively fulfills a number of conditions. The variable component may not exceed 6 times the average over the last 12 months of the average gross monthly average salary for the activity carried out in accordance with the company's main object of activity and will be based on financial and non-financial performance indicators, negotiated and approved by the supervising public authority.

Article 38. (1) The remuneration of directors shall be set by the Board of Administration and shall not exceed the level of remuneration set for executive members of the Board

of Administration. (2) The remuneration of the Directors shall consist of a fixed monthly remuneration and a variable remuneration. The fixed remuneration may not exceed 6 times the average over the last 12 months of the average gross monthly average gross salary for the activity carried out according to the main object of activity registered by the company, at class level according to the classification of activities in the national economy, communicated by the National Institute of Statistics prior to the appointment. The variable component will be based on financial and non-financial performance indicators, negotiated and approved by the supervising public authority, different from those approved for non-executive administrators.

2. The substantiation of the economic-financial indicators which change significantly from the previous year

- Increase in energy and water expenses by Lei 9.336 thousand (60,59%) due to the estimates of the end of the utility price cap in 2025;
- The increase in the expenses related to the maintenance and repair by Lei 43.620 thousand (108,97%) due to the increase in the maintenance program for 2025.

Repairs to pipelines for 2025 include mainly:

- the works started and unfinished under the relevant program of 6 works with a value of Lei 20.612 thousand representing 53,89% of the total budgeted amount;
- works under procurement, a number of 5 projects with a value of Lei 13.425 thousand representing 35,10% of the total budgeted amount;
- 3 works in design with a value of Lei 4.210 thousand representing 11,01% of the total budgeted amount.

The National Natural Gas Transmission System Maintenance Service Programme (PASM) for the year 2025 is generated as an obligation assumed by S.N.T.G.N. Transgaz S.A. in accordance with the Concession Agreement concluded with the National Agency for Mineral Resources (ANRM) and with the provisions of Electricity and Gas Law 123/2012 to maintain the transmission capacities of the National Natural Gas Transmission System in conditions of efficiency and safety, in accordance with the NTS Maintenance Technical Standards.

The planning of the NTS Maintenance Services Program for the year 2025 includes a budget projection of the needs for services provided by third parties to ensure planned preventive maintenance (maintenance, repairs, servicing, logistic facilities, etc.) and corrective maintenance of the NTS (interventions and accidental repairs).

The budget allocations for the planned preventive repair and service component can be assessed with a high degree of accuracy, while the corrective component is based only on a presumptive nature, with the provision of a budget

corresponding to accidental situations, necessary to be purchased in the event of situations that could not be foreseen.

- Increase of expenditure for stocks by Lei 201.838 thousand (44,52 %) due to the increase in the program for the supply of materials representing pipes, bends, valves, pressure reducing valves, filters, necessary to ensure the continuous operation of the maintenance activity at the technological installations related to the metering regulating stations of the NTS by replacing similar worn out equipment and estimated value of natural gas for balancing activity respectively;
- The increase in expenses with the commissions and fees by 335,51%. Such expenses consist mainly of expenses for legal advice (Lei 4.150 thousand), representing consultancy, assistance and the legal representation of a law firm with international expertise in the Community competition law, and consultancy, assistance and the legal representation needed to implement the applicable European regulations pertaining to the company's business, the implementation of rules relating to the financing of energy infrastructure by CEF mechanism and providing legal expertise in international and European regulations;
- Increase of insurance and security expenses by Lei 13.579 thousand (34,45%) considering on the one hand the estimated increase in the number of new posts to meet the requirements regarding the physical security assessment of the objectives established by the legal provisions in force and on the other hand the increase in the minimum wage in the economy starting from 2025;
- The increase in expenditure on other taxes and duties on account of the special building tax in the amount of Lei 70.293 thousand, introduced as of January 1, 2025 by Article LXIV para. 16 of GEO 156 of December 31, 2024 on some fiscal-budgetary measures in the field of public expenditure for the substantiation of the consolidated general budget for the year 2025, for amending and supplementing some normative acts, as well as for extending some deadlines.

3. Substantiation of economic-financial indicators that are significantly changing as opposed to the management plan

Art. 9 (1) (c) of GO 26/2013 as amended stipulates as follows:

Economic operators shall consider, without limitation, the following when substantiating the revenue and expense budget: ...

- c) c) the specific performance criteria and the quantified objectives for the reduction of payments and outstanding debts, the reduction of loss, the increase in profit and turnover and the labour productivity growth provided in the mandate contracts, established in relation to the management strategy of the Board of Administration/Supervisory Board and the management plan of the economic operators' directors/members of the directorate";***

The level of the EBITDA indicator foreseen in the Management Plan for 2025 2024 approved by OGMS Resolution 1/2024 will not be achieved due to the following factors:

- exceeding the operating expenses foreseen in the Management Plan for 2025 approved by OGMS Resolution 1/2024, mainly due to:
 - increase in expenses representing taxes and duties by **Lei 74.463 thousand** mainly due to the special building tax introduced as of 1 January 2025 by Article LXIV para. 16 of GEO 156 of 31 December 2024 *on some fiscal-budgetary measures in the field of public expenditure for the substantiation of the consolidated general budget for the year 2025, for amending and supplementing some normative acts, as well as for extending some deadlines.*
 - an increase in expenditure on consumables by **Lei 39.694 thousand** mainly due to the programmed execution of repairs with own forces in 2025 at a higher level than the estimates used to substantiate the management plan;

The level of the indicator `Operating Expenses` provided for in the Management Plan for 2025 approved by OGMS Resolution 1/2024 will not be achieved mainly due to the following factors:

- increase in expenses representing taxes and duties by **Lei 74. 463 thousand** mainly due to the special building tax introduced as of 1 January 2025 by Article LXIV para. 16 of GEO 156 of 31 December 2024 *on some fiscal-budgetary measures in the field of public expenditure for the substantiation of the consolidated general budget for the year 2025, for amending and supplementing some normative acts, as well as for extending some deadlines.*
- increase in technological consumption expenses by **Lei 31.946 thousand** due to:
 - the estimate in 2025 of a quantity of natural gas representing technological consumption higher than the estimates used in the basis of the management plan by 29.996 MWh;
 - the estimation in 2025 of a natural gas price representing technological consumption higher than the estimates used to substantiate the management plan by Lei 39/Mwh;
- increase in salary expenses by **Lei 23.923 thousand** mainly due to the influence of the salary indexations granted in 2024 and those foreseen for 2025, as well as the changes in the Collective Labour Contract entered into force on 25.06.2024.

- an increase in expenditure on consumables by **Lei 39.694 thousand** mainly due to the programmed execution of repairs with own forces in 2025 at a higher level than the estimates used to substantiate the management plan;

The new values of the amended key performance indicators are presented in the table below:

Indicator		2025
EBITDA	Draft REB 2025-2027	867.934
	Management Plan	947.532
	Differences	-79.597
Operating expenses	Draft REB 2025-2027	1.782.027
	Management Plan	1.614.088
	Differences	167.939

Before the approval of the draft REB 2025 and of the estimates for 2026 – 2027 by GMS the revision of the performance indicators approved by OGMS Resolution 1/2024 in order to comply with the provisions of GO 26/2013 will be required.

4. Debt cost capitalization according to IAS 23

Transgaz contracts bank loans during the period 2025 - 2027 to fund projects under the Development plan, which is why, according to IAS 23 `Borrowing Costs`, the company capitalized the expense related to interest associated to the loans until the date the facilities financed by such loans have been commissioned.

In accordance with the provisions of the Articles of Incorporation of Transgaz, Chapter IV, art.15, paragraph (3), letter c), we request the General Meeting of Shareholders to approve the draft budget of income and expenditure for the year 2025 and estimates for the years 2026-2027, in accordance with the provisions of GO no.26 of August 21, 2013, art.4, paragraph (1), letter d).

Enclosures:

- The revenue and expense budget for 2025 and the estimates for 2026-2027: Annex no. 1*;
- The detailing of the economic-financial indicators provided in the revenue and expense budget and their split by quarters: Annex no. 2*;
- The degree of achievement of the total revenue: Annex no. 3*;
- The investment program and sourcing of investment funding: Annex no. 4*;

- Means to improve the gross result and the reduction of outstanding payments: Annex no. 5*.
 - The revenue and expense budget for 2025: Annex no. 6
- * *Note: Annexes 1 – 5 will not be made public***

Chairman of the Board of Administration
Petru Ion Văduva

Economic operator: S.N.T.G.N. Transgaz S.A. Medias

Headquarters: 1 C.I. Motas Sq., Medias

VAT number: RO 13068733

REVENUE AND EXPENSE BUDGET
for 2025

lei thousand

		INDICATORS	No. row	REB 2025
0	1	2	3	5
I.		TOTAL REVENUE (row1=row2+row5a+row6)	1	5.469.252
	1	Total operating revenue before the construction activity according to IFRIC 12	2	3.023.804
		a) subsidies according to the applicable laws	3	
		b) transfers according to the applicable laws	4	
	2	Revenue from the construction activity according to IFRIC12	5a	2.214.149
	3	Financial revenue	5	231.299
II		TOTAL EXPENSE (row7=row8+row20+row20a+row21)	6	5.053.327
	1	Operating expense before the construction activity according to IFRIC12, of which:	7	2.665.465
	A.	Expense with goods and services	8	914.132
	B.	Expenses with taxes, charges and similar	9	456.866
	C.	Expense with personnel, of which:	10	764.653
		C0 Salary-related costs (row12+row13)	11	711.812
		C1 Salary costs	12	623.028
		C2 Bonuses	13	88.783
		C3 Other personnel expense, of which:	14	100
		Compensation expense related to employees layoffs	15	0
		C4 Expense on mandate contract and other governing and control bodies, commissions and committees	16	6.417
		C5 Expense on employer contributions	17	46.324
	D.	Other operating costs	18	529.814
	2	Cost of assets built according to IFRIC12	19a	2.214.149
	3	Financial costs	19	173.714
III		GROSS RESULT (profit/loss)	20	415.925
IV	1	TAX ON CURRENT PROFIT	21	76.200
	2	DEFERRED TAX ON PROFIT	22	
	3	REVENUE FROM TAX ON DEFERRED PROFIT	23	5.281
	4	TAX SPECIFIC TO SOME ACTIVITIES	24	
	5	OTHER TAX NON REPRESENTED IN THE ELEMENTS ABOVE	25	

		INDICATORS	No. row	REB 2025
0	1	2	3	5
V		NET PROFIT/LOSS OF THE REPORTING PERIOD (ROW 26=ROW 20-ROW 21-ROW 22+ ROW 23-ROW 24-ROW 25) OF WHICH:	26	345.006
	1	Legal reserves	27	20.796
	2	Other reserves representing tax incentives provided according to the law	28	0
	3	Covering accounting losses in the previous years	29	0
	4	Establishment of own financial sources for the projects cofinanced by foreign loans as well as establishment of the sources necessary for the capital repayments, interest payment and other costs related to these foreign loans	30	0
	5	Other assignments provided by law	31	
	6	Accounting profit left after the deduction of the amounts in row 27, 28 , 29, 30, 31 (row 32=row26-(row 27 to row 31)>=0).	32	324.210
	7	Employees' participation in profit up to 10% of net profit, but not more than the level of an average monthly basic salary achieved at the level of the economic operator in the reference financial year	33	25.246
	8	Minimum 50% payments to the state or local budget in the case of autonomous utilities, or dividends due to shareholders, in the case of national companies and majority or entirely state owned companies, of which:	34	175.195
	a)	- dividends owed to the state budget	35	102.506
	b)	- dividends owed to the local budget	36	
	c)	- dividends owned to other shareholders	37	72.689
	9	Profit not assigned for the destinations provided at row 33 - row 34 is assigned to other reserves and it is an own financing source	38	149.015
VI		INCOME FROM EUROPEAN FUNDS	39	
VII		ELIGIBLE COSTS FROM EUROPEAN FUNDS, of which:	40	
	a)	material costs	41	
	b)	salary costs	42	
	c)	service supply costs	43	
	d)	publicity costs	44	
	e)	other costs	45	
VIII		INVESTMENT FUNDING SOURCES, of which:	46	2.340.267
	1	Budget allocations	47	
		Budget allocations regarding payment of commitments from the previous years	48	
IX		INVESTMENT COSTS	49	2.340.267
X		SUBSTANTIATION DATA		
	1	No. of personnel estimated at the end of the year	50	4.101

		INDICATORS	No. row	REB 2025
0	1	2	3	5
	2	Total average no. of employees	51	4.078
	3	Average monthly income per employee (RON/person) determined based on the salary*) costs*)	52	13.446
	4	Average monthly income per employee (RON/person) determined based on the salary**) costs, re-calculated acc. to annual State Budget Law**	53	13.446
	5	Labour productivity in units of value per total average personnel (thousand RON/person) (row 2/row 51)	54	741
	6	Labour productivity in units of value per total average personnel re-calculated acc. to the annual State Budget	55	741
	7	Labour productivity in physical units per total average personnel (qty of finite products/person)	56	0
	8	Total costs at lei 1000 total income (row 6/row 1)x1000	57	924
	9	Outstanding payments	58	0
	10	Outstanding receivables	59	635.429

*) row 52 = row 151 in Substantiation Annex no. 2

**) row 53 = row 152 in Substantiation Annex no. 2

DIRECTOR GENERAL,
Sterian Ion

CHIEF FINANCIAL OFFICER,
Lupean Marius