

# The National Gas Transmission Company TRASGAZ SA



## CONSOLIDATED REPORT ISSUED BY THE BOARD OF ADMINISTRATION FOR 2022

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## THE ADMINISTRATORS' MESSAGE

**Dear shareholders, investors,  
Dear stakeholders,**

*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*

*As a transparent company, open to dialogue and good corporate practice, SNTGN TRANSGAZ SA is today a successful national brand, a company that believes in its organizational values and invests permanently in the education and professional development of its human resources. SNTGN TRANSGAZ SA is a company managed in a unitary system, the Board of Administration being appointed by the General Meeting of the Shareholders in accordance with the legal provisions in force.*

*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 economic and political 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.*

*Prepared in accordance with the provisions of Art. 30 (1) of Government Emergency Ordinance 109/30 November 2011 on the corporate governance of public enterprises, as amended, the **Management Plan of SNTGN Transgaz SA for 2021-2025**, approved by Board of Administration Resolution 29/6 October 2021, as amended, is governed by a responsible, professional and ethical attitude in relation to all stakeholders (shareholders, employees, partners, community, state authorities and institutions, media, etc.) and includes the strategic vision of the administrators regarding the directions of strategic development of the company and efficiency of its activity in accordance with the requirements of the European energy policy on energy safety and security, competitiveness and sustainable development but also with the future needs and opportunities of Romania to become an important player on the regional and European gas market.*

*The strategic objectives are aligned with the LETTER OF EXPECTATIONS OF THE SHAREHOLDERS and follow the desideratum regarding the strategic development of the company in accordance with the provisions of the European Energy Union Strategy on climate change: energy security, decarbonization, energy efficiency, internal energy market and research, innovation and competitiveness.*

*The undertaken strategic objectives regarding the management of SNTGN Transgaz SA in 2021-2025 also 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.*

*The sustainable development of the Romanian natural gas infrastructure requires a comprehensive investment plan enabling the implementation of the European Green Deal, the alignment of the National Transmission System to the gas transmission network transmission and operation requirements, compliant with the European environmental protection regulations*

*We are focused on the European Green Deal provisions and the way in which the new technologies will provide the mechanisms for the transition to the green economy. 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**. Given the need to finance a complex and extensive investment plan, in addition to its own sources of funding, Transgaz envisages attracting and using additional external funding under advantageous conditions. We refer to obtaining European funds, funding from international financial institutions, from other banking and financial institutions as well as financing instruments specific to the capital market.*

***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 management strategies and the 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***

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

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

***MIHAELA VIRGINIA TOADER - Non-Executive, Interim Administrator***

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

## 1. REPORT AND ISSUER GENERAL DATA

The Report for 2022 prepared according to the provisions of Law 24/2017 on issuers of financial instruments and market operations (Art. 65) and the FSA Regulation 5/2018 on issuers of financial instruments and market operations (Annex 14), as further amended and supplemented - **financial year 2022**.

**Report date:** 16 March 2023

**Company name:** The National Gas Transmission Company TRANSGAZ SA

**Headquarters:** Mediaş, 1 C. I. Motaş Square, 551130, Sibiu County

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

**VAT Number:** RO13068733

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

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

**Subscribed and paid up capital:** lei 117.738.440

**The main characteristics of the securities issued:** 11.773.844 shares with a nominal value of 10 lei. The shares are nominative, ordinary, indivisible, issued dematerialized and freely tradable since **2008** under the TGN stock symbol.

## 2. EXECUTIVE SUMMARY 2022

### 2.1. Important events

In 2022, the Board of Administration of SNTGN Transgaz SA held 39 meetings, with the following being submitted for analysis, endorsement and/or approval:

#### **11 January 2022**

- By Board of Administration Resolution 1/11 January 2022, the 2022 Annual Sectoral Procurement Plan was approved.

#### **26 January 2022**

- By Board of Administration Resolution 3/26 January 2022 the following were endorsed and/or approved:
  - The draft 2022 Revenue and Expense Budget and the estimates for 2023-2024;
  - The policy on granting sponsorships and financial support at SNTGN Transgaz SA level in 2022;
  - Revised values for some financial key performance indicators included in the SNTGN Transgaz SA 2021-2025 Management Plan;
  - The draft 2022 Revenue and Expense Budget of the subsidiary, Vestmoldtransgaz SRL, and the estimates for 2023 - 2024;
  - The draft 2022 Revenue and Expense Budget of the subsidiary, Eurotransgaz SRL, and the estimates for 2023-2024.

#### **22 February 2022**

- By Board of Administration Resolution 5/22 February 2022 the Report on the preliminary individual and consolidated financial statements for 2021 was acknowledged.

### **3 March 2022**

- By Board of Administration Resolution 2/3 March 2022 the corrected regulated revenue and regulated tariffs for natural gas transmission activity related to the fourth year of the fourth regulatory period, meaning 1 October 2022 - 30 September 2023, were approved for submission for approval to the competent authority, the National Energy Regulatory Authority.

### **9 March 2022**

- The following were endorsed and/or approved by the Board of Administration Resolution 8/9 March 2022:
  - The SNTGN Transgaz SA 2021 - 2025 Management Plan, updated ;
  - The updated 2021 - 2030 TYNDP, for submission to the Ministry of Environment, Water and Forests for re-endorsement and public consultation.

### **16 March 2022**

- By Board of Administration Resolution 9/16 March 2022 the following were endorsed and/or approved:
  - the financial statements of Eurotransgaz SRL for 2021.

### **22 March 2022**

- The following were endorsed and/or approved by Board of Administration Resolution 10/22 March 2022:
  - the annual individual and consolidated financial statements for the 2021, as well as the Financial Audit Report for financial year 2021;
  - the distribution of the net profit and employee profit-sharing;
  - the gross dividend amount, as well as the payment of dividends due to shareholders;
  - the prescription of the 2018 financial year dividends not paid by the date of prescription, 16.07.2022;
  - the assessment of the degree of achievement of the financial and non-financial performance indicators for 2021;
  - the Remuneration Report for 2021;
  - the accounting policies of SNTGN Transgaz SA .

### **5 May 2022**

- By Board of Administration Resolution 14/5 May 2022, 2022-2031 TYNDP was approved for public consultation.

### **10 June 2022**

- By Board of Administration Resolution 19/10 June 2022 the following were endorsed and/or approved:
  - Appointment of BDO Audit&Consulting SRL , the Republic of Moldova, as auditor of Eurotransgaz SRL for 2022;
  - Proposal to appoint BDO Audit&Consulting SRL , the Republic of Moldova, as auditor of Vestmoldtransgaz SRL for 2022;
  - The launching by Transgaz of a competitive negotiated procedure for the selection of a financial institution with a view to contracting a financing facility for the balancing activity.

### **20 June 2022**

- By Board of Administration Resolution 20/20 June 2022, the 2022 - 2031 TYNDP, updated in accordance with the comments following the public consultation, is endorsed for submission for prior approval in the General Meeting of the Shareholders.

### **29 June 2022**

- By the Board of Administration Resolution 22/29 June 2022 the following were endorsed and/or approved:
  - SNTGN Transgaz SA 2021 Sustainability Report;
  - SNTGN Transgaz SA Corporate Governance Rules, the updated version;
  - the regulated tariffs related to the process of connection to the natural gas transmission system.

### **14 July 2022**

- By Board of Administration Resolution 23/2022 the following were endorsed and/or approved:
  - Conclusion by SNTGN Transgaz SA of a loan agreement with Raiffeisen Bank in the amount of lei 300 million to finance the working capital requirement for the balancing activity of SNTGN Transgaz SA;
  - Conclusion by SNTGN Transgaz SA of an addendum to the loan agreement signed with Banca Transilvania SA to increase the existing credit line by the amount of lei 153 million;

### **12 August 2022**

- By Board of Administration Resolution 25/2022 the following were endorsed and/or approved:
  - Consolidated report issued by the Board of Administration of SNTGN Transgaz SA for Half I 2022, for submission to the Ordinary General Meeting of the Shareholders;
  - Interim individual and consolidated financial statements for the six-month period.

### **27 October 2022**

- By Board of Administration Resolution 33/2022 the following were endorsed and/or approved:
  - The Transgaz Management Plan 2021-2025, updated in October 2022;
  - Revision of some non-financial performance indicators included in the Transgaz Management Plan 2021-2025 for submission for approval to the Ordinary General Meeting of the Shareholders.

### **The main investments objectives finalized and accepted by Transgaz in 2022 were:**

- Construction of the DN 700 Onești - Gherăești - Lețcani gas transmission pipeline, LOT 1 and LOT 2;
- New NTS developments for taking over Black Sea gas, Vadu - T1;
- Securing the Bistrita river channel above-crossing with the DN 300 Piatra Neamt - Biczaz gas transmission pipeline, Pângărați, Stejaru, Biczaz areas;
- DN 300 Mintia – Brad – Stei gas transmission pipeline;
- Securing DN800 Moghioros - Onești and DN700 Moghioros - Onești gas transmission pipelines, in the Oituz area;
- DN 250 Câmpulung Moldovenesc – Vatra Dornei gas transmission pipeline;

- DN 250 Vernești-Mărăcineni gas transmission pipeline;
- Securing the Moldova river undercrossing with the DN 250 Cristești - Tg. Neamt gas transmission pipeline, in the area of Timișești;
- Securing the Târgului river undercrossing with the DN 500 Schitu Golești - Slătioara and DN 500 Schitu Golești - Stâlpeni gas transmission pipeline, Furnicoși area;
- Connection and PMRS Tutova 2;
- Access agreement MRS Vâlcele 2;
- Connection and MRS Bozânta;
- Connection and MRS Tismana;
- Connection and MRS LINDNER Carei;
- Modernisation and upgrading of the gas NTS - Daily data purchase system (138 locations);
- Upgrading TN Schitu Golești;
- Capacity expansion MRS Uricani.

## 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 2022 was conducted based on the indicators included in the Revenue and Expense Budget (REB) approved by OGMS Resolution No. 3/2022.

The value of the standard performance indicators on 31 December 2022 as compared to their value as at 31 December 2021 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					2022	2021
1.	<b>Commissioned investments</b>	Plan achieved	Thousand lei	0,15	270.438	1.389.215
2.	<b>EBITDA</b>	EBITDA increase	Thousand lei	0,15	584.587	480.452
3.	<b>Labour productivity</b>	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/pers.	0,15	602	407
4.	<b>Outstanding payments</b>	Payments made during the contract duration (in current prices)	Thousand lei	0,15	0	0
5.	<b>Outstanding receivables</b>	Diminished amount of outstanding receivables (in current prices)	Thousand lei	0,1	538.012	579.741
6.	<b>NTS gas consumption</b>	Remaining within the gas quantities representing NTS gas consumption	%	0,15	83,47%	85,46%
7	<b>OPEX at lei 1000 operating revenue</b>	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	906	912

**Table 1 - Consolidated standard performance indicators in 2022 compared to 2021**

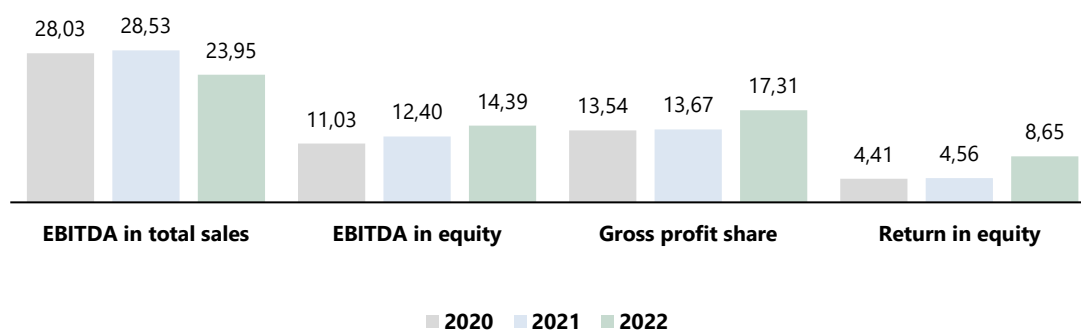


## Consolidated profitability, liquidity, risk and management indicators

The values of the profitability, liquidity, risk and management indicators in 2020-2022:

No.	Indicators	Calculation formula	2020	2021	2022
<b>1.</b>	<b>Profitability indicators</b>				
	EBITDA in total sales	EBITDA	28,03%	28,53%	23,83%
		Turnover			
	EBITDA in equity	EBITDA	11,03%	12,40%	14,33%
		Equity			
	Gross profit share	Gross profit	13,54%	13,67%	17,19%
		Turnover			
	Return on equity	Net profit	4,41%	4,56%	8,55%
		Equity			
<b>2.</b>	<b>Liquidity indicators</b>				
	Current liquidity indicator	Current assets	1,65	1,42	1,43
		Short term debts			
	Acid test ratio	Current assets - Stocks	1,37	1,09	0,79
		Short term debts			
<b>3.</b>	<b>Risk indicators</b>				
	Leverage indicator	Borrowed capital	42,53%	49,01%	50,62%
		Equity			
	Interest coverage ratio	EBIT	9,57	9,93	3,82
		Interest expense			
<b>4.</b>	<b>Management indicators</b>				
	Days' sales outstanding	Average accounts receivable x 365 days	167,42	165,09	123,09
		Turnover			
	Days' payable outstanding	Average accounts payable x 365 days	55,23	73,14	55,95

**Table 2 - Consolidated profitability, liquidity, risk and management indicators in 2020-2022**



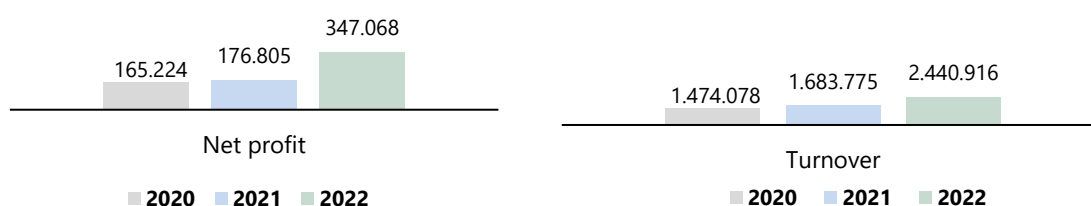
**Chart 1- Profitability indicators evolution in 2020-2022**

The main economic and financial indicators obtained in 2020-2022 are as follows:

Thousand lei

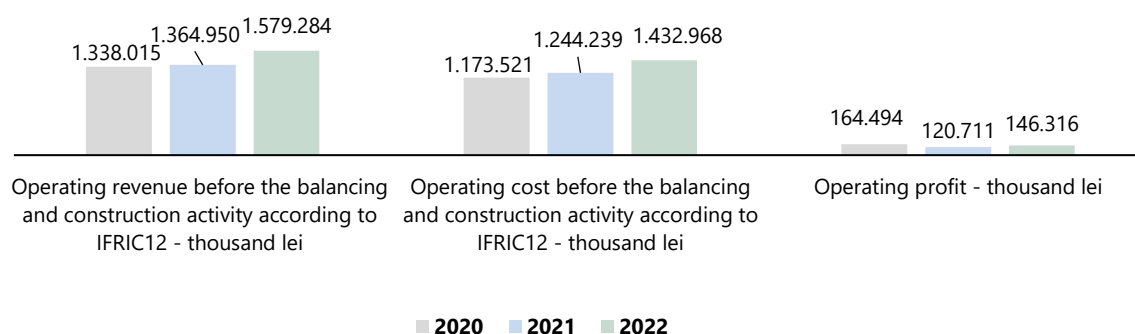
No.	Indicator	Achieved at 31 December (thousand lei)			Dynamics (%)
		2020	2021	2022	
0	1	2	3	4	$5=4/3*100$
1.	Turnover	1.474.078	1.683.775	2.440.916	144,97
2.	Operating revenue before balancing and the construction activity according to IFRIC12	1.338.015	1.364.950	1.579.284	115,70
3.	Revenue from balancing	199.239	442.200	1.005.544	227,40
4.	Revenue from the construction activity according to IFRIC12	1.587.548	704.027	299.868	42,59
5.	Financial revenue	68.929	152.208	498.370	327,43
6.	Operating cost before balancing and the construction activity according to IFRIC12	1.173.521	1.244.239	1.432.968	115,17
7.	Cost of balancing gas	199.239	442.200	1.005.544	227,40
8.	Cost of constructed assets according to IFRIC12	1.587.548	704.027	299.868	42,59
9.	Financial cost	33.872	42.669	225.110	527,57
10.	Gross profit	199.552	230.250	419.576	182,23
11.	Profit tax	47.511	53.445	72.709	136,04
12.	Deferred tax income	13.183		202	X
13.	Net profit	165.224	176.805	347.068	196,30
14.	Total comprehensive result related to the period	153.134	224.237	341.124	152,13
15.	Transmitted gas -thousand cm-	12.380.266	14.026.269	13.032.066	92,91
16.	Investment cost	1.898.974	817.916	302.539	36,99
17.	Rehabilitation cost	17.258	18.717	21.341	114,02
18.	Technological consumption thousand lei	79.187	76.005	152.430	200,55
19.	Technological consumption thousand cm	69.325	70.188	70.739	100,79

**Table 3- Main consolidated economic and financial indicators in 2020-2022**

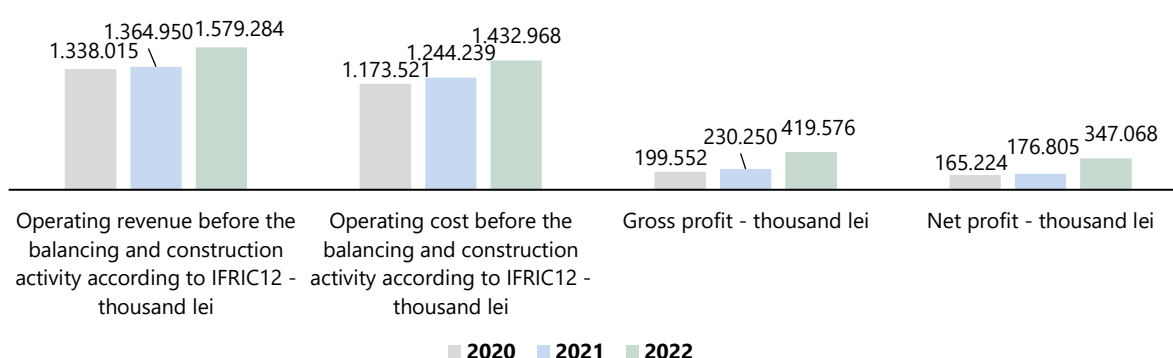


**Chart 2 - Net profit in 2020-2022**

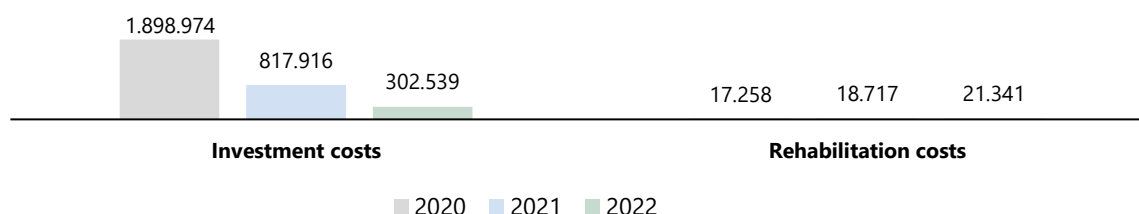
**Chart 3- Turnover in 2020-2022**



**Chart 4- Operating revenue, expense and profit, before the construction activity according to IFRIC 12 in 2020-2022 (thousand lei)**



**Chart 5- Main economic and financial indicators in 2020-2022 (thousand lei)**



**Chart 6- Investment and rehabilitation costs in 2020-2022 (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 2022 was conducted based on the indicators established in the Revenue and Expense Budget approved by OGMS Resolution No. 3/28.02.2022. The value of the standard performance indicators at the end of 2022 as compared to their value at the end of 2021 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					2022	2021
1.	<b>Commissioned investments</b>	Plan achieved	Thousand lei	0,15	175.301	1.382.226
2.	<b>EBITDA</b>	EBITDA increase	Thousand lei	0,15	583.282	485.447
3.	<b>Labour productivity</b>	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/ pers.	0,15	608	411
4.	<b>Outstanding payments</b>	Payments made during the contract duration (in current prices)	Thousand lei	0,15	0	0
5.	<b>Outstanding receivables</b>	Diminished amount of outstanding receivables (in current prices)	Thousand lei	0,1	538.012	579.741
6.	<b>Technological consumption</b>	Remaining within the gas quantities representing technological consumption	%	0,15	83,47%	85,46%
7	<b>OPEX at lei 1000 operating revenue</b>	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	899	902

**Table 4 – Standard performance indicators in 2022 compared to 2021**

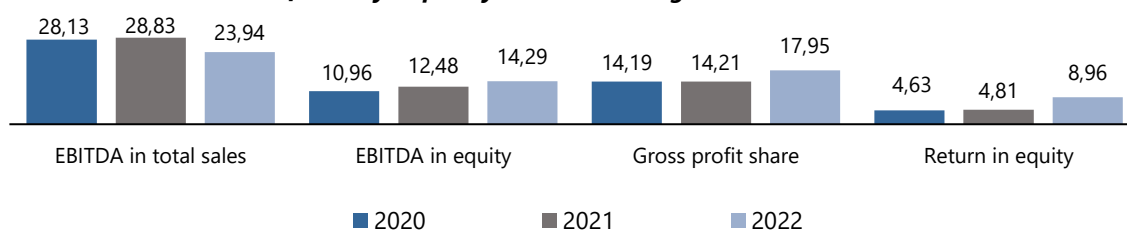
### **Profitability, liquidity, risk and management indicators**

The values of the profitability, liquidity, risk and management indicators in 2020-2022:

No.	Indicators	Calculation formula	2020	2021	2022
<b>1.</b>	<b>Profitability indicators</b>				
	EBITDA in total sales	EBITDA Turnover	28,13%	28,83%	23,94%
	EBITDA in equity	EBITDA Equity	10,96%	12,48%	14,29%
	Gross profit share	Gross profit Turnover	14,19%	14,21%	17,95%
	Return on equity	Net profit Equity	4,63%	4,81%	8,96%
<b>2.</b>	<b>Liquidity indicators</b>				
	Current liquidity indicator	Current assets	1,56	1,25	1,39
		Short term debts			
	Acid test ratio	Current assets - Stocks	1,29	0,92	0,75
		Short term debts			
<b>3.</b>	<b>Risk indicators</b>				
	Leverage indicator	Borrowed capital Equity	39,31%	44,02%	45,84%

	Interest coverage ratio	EBIT Interest expense	9,73	5,63	3,07
<b>4.</b>	<b>Management indicators</b>				
	Days' sales outstanding	Average accounts receivable x 365 days Turnover	167,42	165,09	123,30
	Days' payable outstanding	Average accounts payable x 365 days Turnover	55,23	73,14	56,05

**Table 5 - Profitability, liquidity, risk and management indicators in 2020-2022**



**Chart 7- Profitability indicators in 2020-2022**

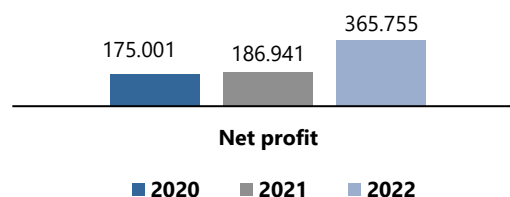
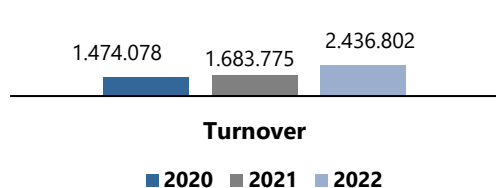
The main economic and financial indicators obtained in 2020-2022 are as follows:

No.	Indicator	Achieved at 31 December (thousand lei)			Dynamics (%)
		2020	2021	2022	
0	1	2	3	4	5=4/3*100
1.	Turnover	1.474.078	1.683.775	2.436.802	144,72
2.	Operating revenue before balancing and the construction activity according to IFRIC12	1.333.504	1.364.511	1.575.186	115,44
3.	Revenue from balancing	199.239	442.200	1.005.544	227,40
4.	Revenue from the construction activity according to IFRIC12	1.587.548	704.027	299.868	42,59
5.	Financial revenue	60.666	130.013	461.287	354,80
6.	Operating cost before balancing and the construction activity according to IFRIC12	1.165.836	1.230.118	1.415.554	115,07
7.	Cost of balancing gas	199.239	442.200	1.005.544	227,40
8.	Cost of constructed assets according to IFRIC12	1.587.548	704.027	299.868	42,59
9.	Financial cost	19.156	25.138	183.446	729,77
10.	Gross profit	209.178	239.268	437.474	182,84
11.	Profit tax	47.360	52.327	71.921	134,49
12.	Deferred tax income	13.183		202	x
13.	Net profit	175.001	186.941	365.755	195,65
14.	Total comprehensive result related to the period	182.343	202.724	368.207	181,63
15.	Transmitted gas -thousand cm-	12.380.266	14.026.269	13.032.066	92,91
16.	Investment cost	1.699.862	803.509	333.988	41,57

No.	Indicator	Achieved at 31 December (thousand lei)			Dynamics (%)
		2020	2021	2022	
17.	Rehabilitation cost	17.167	18.561	21.002	113,15
18.	Technological consumption thousand lei	79.187	76.005	152.430	200,55
19.	Technological consumption thousand cm	69.325	70.188	70.739	100,78

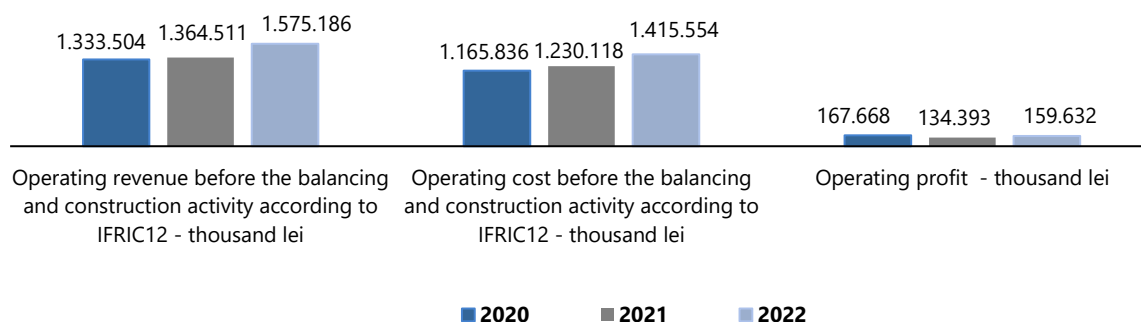
\*) transmitted quantity for which transmission services are invoiced

**Table 6- Main economic-financial indicators in 2020-2022**

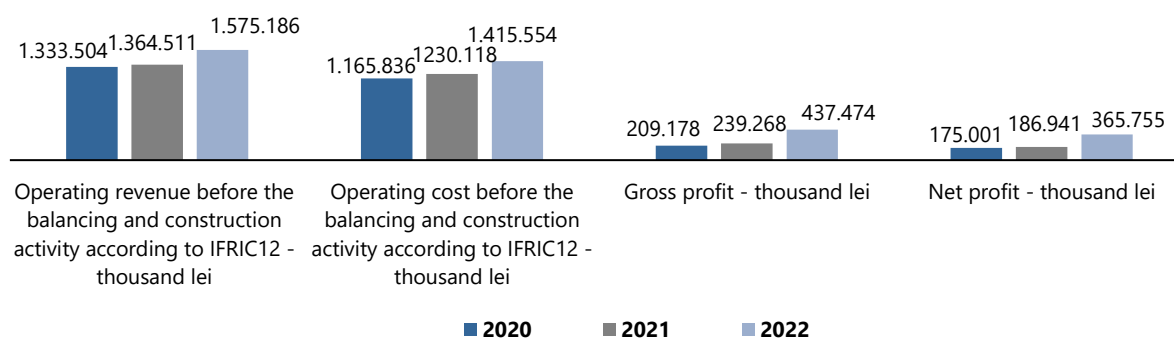


**Chart 8-Turnover in 2020-2022 (mil lei)**

**Chart 9 - Net profit in 2020-2022 (mil lei)**



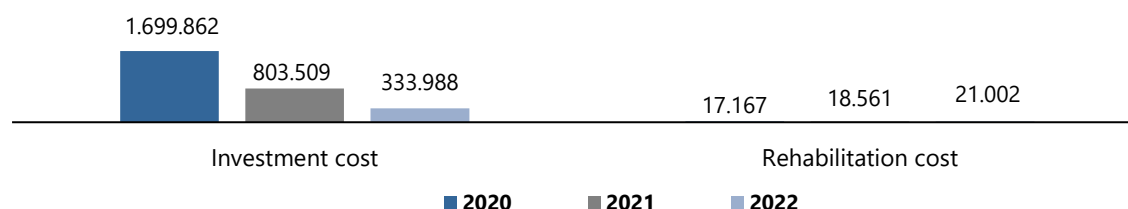
**Chart 10 - Operating revenue, expense and operating profit before the construction activity according to IFRIC 12 in 2020-2022 (thousand lei)**



**Chart 11 - Main economic and financial indicators in 2020-2022 (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 2022 the Company's cash in bank accounts amounted to lei 384.048 thousand of which 33,39% was cash denominated in foreign currency, most of it in EUR.



**Chart 12 - Investment and rehabilitation costs in 2020-2022 (thousand lei)**

#### 2.4. Transactions between the affiliated parties (concluded according to Art. 108 of Law 24/2017 republished)

According to Article 108 of Law 24/2017 on the issuers of financial instruments and market operations, as amended, Transgaz reported in 2022 the following significant transactions concluded with related parties, i.e. with SNGN ROMGAZ SA, the value of which exceeds 5% of the value of the company's net assets, according to the last published individual financial reports.

Contract data	Contract clauses
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 18/20.08.2021</b> (1 October 2021 – 1 October 2022)
Contract scope	provision of NTS entry points annual transmission services
Contract value	131.836.544,16 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 84/20.08.2021</b> (1 October 2021 – 1 October 2022)
Contract scope	provision of NTS exit points annual transmission services
Contract value	22.705.303,27 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 125T/10.11.2020</b> for Q I 2021
Contract scope	provision of NTS entry points quarterly transmission services
Contract value	11.504.146,50 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 126T/10.11.2020</b> for Q I 2021
Contract scope	provision of NTS exit points quarterly transmission services

<b>Contract data</b>	<b>Contract clauses</b>
Contract value	6.594.378,34 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 153T/09.02.2021</b> for Q II 2021
Contract scope	provision of NTS exit points quarterly transmission services
Contract value	1.331.967,00 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 174T/12.05.2021</b> for Q III 2021
Contract scope	provision of NTS exit points quarterly transmission services
Contract value	5.067.360,00 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 43T/20.08.2021</b> for Q IV 2021
Contract scope	provision of NTS entry points quarterly transmission services
Contract value	2.305.648,80 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 44T/20.08.2021</b> for Q IV 2021
Contract scope	provision of NTS exit points quarterly transmission services
Contract value	670.805,86 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 364L/23.12.2020</b> for January 2021
Contract scope	provision of NTS entry points monthly transmission services
Contract value	1.391.306,35 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 365L/23.12.2020</b> for January 2021
Contract scope	provision of NTS exit points monthly transmission services
Contract value	121.017,65 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 439L/20.01.2021</b> for February 2021
Contract scope	provision of NTS entry points monthly transmission services
Contract value	857.157,00 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 441L/20.01.2021</b> for February 2021
Contract scope	provision of NTS exit points monthly transmission services
Contract value	289.004,35 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>



Contract data	Contract clauses
Contract date and type	<b>Contract No. 520L/17.02.2021</b> for March 2021
Contract scope	provision of NTS entry points monthly transmission services
Contract value	175.965,30 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 521L/17.02.2021</b> for March 2021
Contract scope	provision of NTS exit points monthly transmission services
Contract value	60.794,72 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 605L/17.03.2021</b> for April 2021
Contract scope	provision of NTS exit points monthly transmission services
Contract value	636.327,37 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 616L/21.04.2021</b> for May 2021
Contract scope	provision of NTS exit points monthly transmission services
Contract value	1.697.460,15 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 695L/19.05.2021</b> for June 2021
Contract scope	provision of NTS exit points monthly transmission services
Contract value	1.640.107,98 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 781L/21.07.2021</b> for August 2021
Contract scope	provision of NTS exit points monthly transmission services
Contract value	<b>109.164,89 lei</b> – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 836L/18.08.2021</b> for September 2021
Contract scope	provision of NTS exit points monthly transmission services
Contract value	212.647,05 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 49L/22.09.2021</b> for October 2021
Contract scope	provision of NTS exit points monthly transmission services
Contract value	260.669,90 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 130L/20.10.2021</b> for November 2021

Contract data	Contract clauses
Contract scope	provision of NTS entry points monthly transmission services
Contract value	723.496,20 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 132L/20.10.2021</b> for November 2021
Contract scope	provision of NTS exit points monthly transmission services
Contract value	759.644,33 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 203L/17.11.2021</b> for December 2021
Contract scope	provision of NTS entry points monthly transmission services
Contract value	2.548.730,10 lei – estimated amount of the legal act VAT included (lei)
<b>Contract Parties</b>	concluded between <b>S.N.T.G.N. TRANSGAZ S.A.</b> and <b>S.N.G.N. ROMGAZ S.A.</b>
Contract date and type	<b>Contract No. 204L/17.11.2021</b> for December 2021
Contract scope	provision of NTS exit points monthly transmission services
Contract value	1.464.174,43 lei – estimated amount of the legal act VAT included (lei)

## 2.5. Non-financial reporting

Starting with 2021, SNTGN Transgaz SA published the non-financial information in a separate report according to Order 1802/2014 on the approval of the *Accounting regulations for the annual individual and consolidated financial statements*, updated by Order 1938/2016 of the Ministry of Public Finance, as amended.

Thus, in Half I 2022 the 2021 Sustainability Report was prepared and published. It includes both the management policy dedicated to protecting the environment, safety and health of employees and the principles underlying the company's corporate governance and social responsibilities. The report will be prepared and published yearly by SNTGN Transgaz SA.

The Sustainability Report for 2022 will be published in accordance with the provisions of Order 2844/2017 of the Ministry of Public Finance on the approval of the Accounting Regulations in accordance with International Financial Reporting Standards, as further amended and supplemented, Chapter 7, paragraph 42 (b) and paragraph 47 (b) for consolidated reports: the report *shall be made available to the public within a reasonable period not exceeding six months from the balance sheet date, on the entity's website and shall be mentioned in the report of the administrators*, that is by 30 June 2023.

## 3. MAIN RISKS RELATED TO THE ACTIVITY FOR 2022

Depending on the relevant elements derived from the evaluation of the internal and external context, SNTGN TRANSGAZ SA permanently re-evaluates its activity and the related risks.

The grouping of the risks identified within SNTGN Transgaz SA represents an important stage in the development of the risk management process.

SNTGN Transgaz **SA defined the Risk Grouping System, characteristic to the company, by using some risk categories.** Risk categories give a structured overview for managing the risks the company is facing.

## Operational risks

Operational risks are directly generated by the activity carried out at the level of departments, offices, compartments, regional offices, sectors and may be associated with the categories of operational objectives as follows:

### 1. category: efficient development of works

- 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;
- partly ensuring or failure to ensure the technical and operational conditions for the inspection of pipes with intelligent PIG.

### 2. category: material / financial resources

Following the lack of material / financial resources and spare parts necessary to achieve the proposed objectives, within the set time, in conditions of quality, price, costs, safety, the activity may generate specific risks, such as:

- failure to perform on time and within the scheduled parameters the works provided in the Maintenance and Technical Revision Program of MRSs and pipelines;
- the occurrence of malfunctions in the operation of the Cathodic Protection Stations;
- not performing on time and in the programmed parameters the maintenance works of the SCADA system.

### 3. category: technical

- low operating pressure of the NTS;
- malfunctions of the information / communication system;
- unavailability of IT Security tools;
- SCADA failures;
- software / hardware failures of the IT system;
- technical problems in the operation of the GMOIS platform;
- subodorization / superodorization of natural gas delivered from NTS.

#### **4. category: suppliers/subcontractors**

- non-compliance with the contractual clauses regarding terms and quality;
- insolvency / bankruptcy of suppliers;
- delay in performing the receptions at the end of the works;
- lack of continuity of service contracts for MRSs;
- failure to perform the contract as a result of the contractor's reduced ability to perform the contract in accordance with the contract terms;
- delays in planning revisions / repairs / technical periodical inspections / tire exchange for the vehicle fleet.

#### **5. category: hazard:**

- 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;
- impossibility to observe the patrol program.

#### **6. category: clients**

- malfunctions caused by some Network Users in the GMOIS platform

#### **7. category: cyber security**

- failure to identify in a timely or inadequate identification of the cyber vulnerabilities;
- inadequate cyber vulnerability assessment.

### **Strategic risks**

The strategic risks are directly related to the development strategy of SNTGN Transgaz SA and are associated with the strategic objectives included in the 2021-2025 Company's Management Plan as follows:

#### **1. category: political**

- 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;
- Russia's invasion of 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.
- government intervention: requesting a dividend distribution of more than 50% may contribute to the materialisation of a significant risk with a direct impact on the profitability of the company and its ability to finance planned strategic investment projects at estimated costs.

## **2. category: regulations/legislative**

Given the significant value of NTS investments, the duration of implementation of projects in which the company is involved, a stability and predictability of the legislative environment and regulatory framework in the energy sector are necessary and the adoption of regulations without a solid basis supported by studies impact and public debate may make the entire energy sector vulnerable.

- frequent changes and bottlenecks in the legislative process at national level;
- non-recognition of investments in the Regulated Assets Base (RAB), as regulated at the national level, may have a significant negative impact in determining the transmission tariffs and, implicitly, on the company's profitability;
- low probability to obtain a higher profit than the regulated revenue, within a regulatory period;
- instability of gas price in Romania.

## **3. category: competition:**

- the impact of projects developed by the company's competitors on the dynamics of European gas flows (TAP, Turk Stream and Balkan Stream);
- the lack of an LNG terminal in Constanta may have a negative impact on strengthening the company's position in Eastern Europe;
- reducing the international natural gas transmission through Romania.

## **4. category: commercial**

- increasing the price of the gas purchased for own consumption.

## **5. category: sustainability**

- restricting access for funding gas projects;
- delays in developing new technologies for transporting green hydrogen at a competitive level;
- 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;
- the impact on the NTS which may be generated by natural disasters (earthquakes, floods, landslides, extreme temperatures, heavy snowfall).

## **6. category: financial:**

- crediting - the negative impact that can be generated by rising interest rates;
- exchange rate - the negative impact that can be generated by the appreciation of currencies against the national currency;
- liquidity - the negative impact that may arise from increased costs to support the business and the low degree of recovery of outstanding debts;
- failure to comply with the limits laid down in the financing contracts for the financial indicators.

For risks that have a level of exposure above the risk tolerance limit, approved according to internal regulations, *risk mitigation measures* are established, among which we mention:

- permanent alignment of the company's strategic objectives with European requirements for the development of the energy sector;

- making the best use of the financing opportunities necessary for the development of the investment projects;
- consolidation of the company's position in the Romanian Investor Relations Association;
- initiating discussions with government representatives to stress the importance of fiscal and legislative stability and predictability and medium and long-term investments, for energy investments;
- participation of the company in the analysis of specific draft regulations submitted by the competent authorities;
- implementation of efficient tools for communication and consultation with relevant stakeholders in the decision-making process following changes to the regulatory framework;
- continuous communication with the shareholders of the company - the representatives of the majority shareholder (Romanian State), and the shareholders natural persons and legal entities, as well as with all stakeholders;
- identification of the eligibility criteria set out in Regulation 347/2013 on guidelines for trans-European energy infrastructure, with a view to identifying projects of common interest in the field of energy and mobilising the necessary private and public funds;
- seizing opportunities for sustainable transformation of coal-intensive regions in our country and in other Central and Eastern European countries, natural gas being an essential transitional fuel with an important contribution to energy security.
- mobilisation of all stakeholders - government, parliament, other stakeholders, scientists, potential investors, international partners, for the development of hydrogen transmission technologies.
- compliance/monitoring of the Activity Continuity Plan at SNTGN Transgaz SA level and of the Plan of Measures to Ensure Activity Continuity at SNTGN Transgaz SA level;
- attending specific courses and obtaining skills and certifications to contribute to maintaining a high level of personnel skills and to support the cyber vulnerability scanning process;
- developing contingency plans and conducting simulations of emergency operations;
- continuous testing of the Security Plans drawn up at the level of the objectives;
- installation of integrated security systems for critical infrastructure targets;
- Systematic verification and reporting on the progress of the implementation of the *Priority Programme of Measures aimed at bringing the technological consumption in the NTS within the approved limits in the period 2022-2026.*
- 

## 4. ABOUT SNTGN TRANSGAZ SA

### 4.1 Mission, vision, organizational values

SNTGN Transgaz SA, established on the basis of Government Resolution 334/28 April 2000 following the restructuring of the National Natural Gas Company ROMGAZ SA, is a Romanian legal entity with the legal form of a joint stock company, operating according to the provisions of the Romanian legislation and its updated Articles of Incorporation.

## **Mission**

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

### **Transgaz's mission** 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.

## 4.2 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 and international transmission, natural gas dispatching, research and design in the field of natural gas transmission, in compliance with the national and European legislation and standards of quality, performance, environment and sustainable development.

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.

By ANRE Order 3/22 January 2014 on the approval of the certification of the National Gas Transmission Company Transgaz - SA Mediaș as transmission and 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.

### Main components of the National Gas Transmission System

NTS objective / component	MU	Value
Main transmission pipelines and gas supply connections, of which: -international transmission pipelines ( <b>Transit III</b> ) -BRUA	km	<b>13.977,78</b> 183,5 481
Operating metering-regulating stations (MRS)	pc.	<b>1.148</b> (1.254 metering directions)
Valve control stations (VCS, TN)	pc.	<b>59</b>
Import/export gas metering stations (GMS) ( <b>Giurgiu, Medieșu Aurit, Isaccea 1, Isaccea 2, Negru Vodă 1, Negru Vodă 2</b> )	pc.	<b>6</b>
Gas metering stations located on the gas transit pipelines (GMS) ( <b>Isaccea Transit III, Negru Vodă III</b> )	pc.	<b>2</b>
Gas compressor station (CS) ( <b>Șinca, Onești, Siliștea, Jupa, Podișor, Bibești Onești M, Gherăești</b> )	pc.	<b>8</b>
Cathodic protection stations (CPS)	pc.	<b>1.057</b>
Gas odorising stations (GOS)	pc.	<b>1.054</b>

**Table 7 - Main components of the NTS on 31.12.2022**



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.

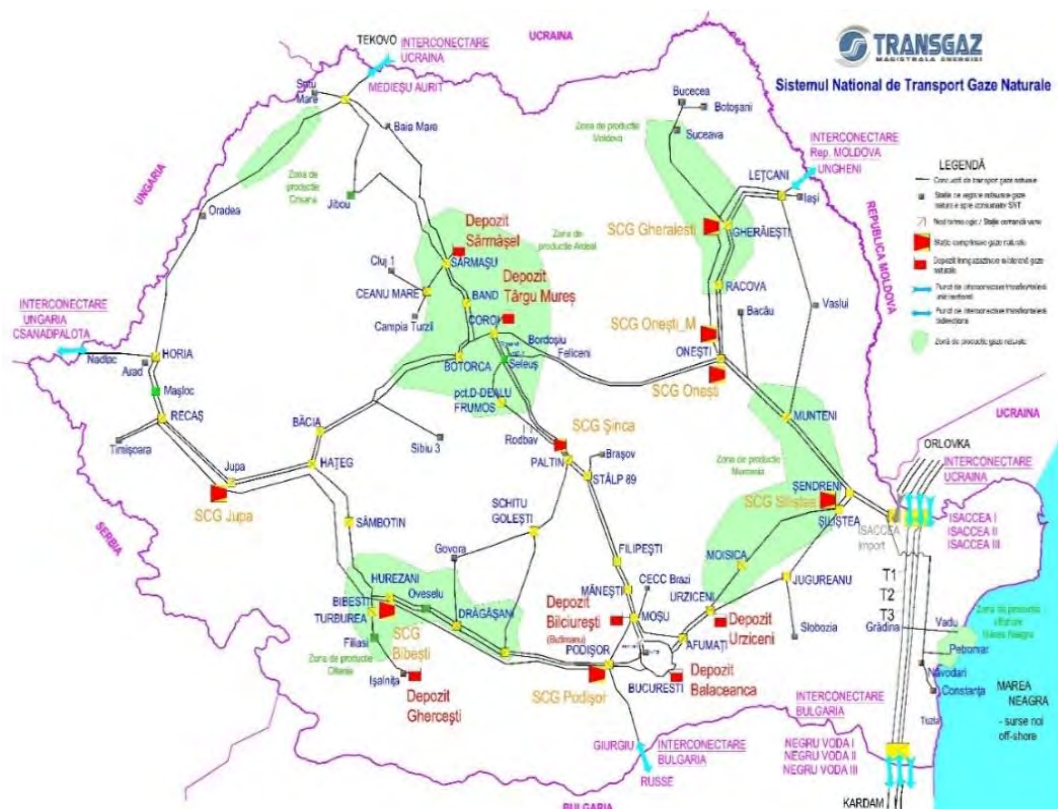


Figure 1 - Map of the National Gas Transmission System

### Cross-border interconnection points

At the end of 2022, 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) - Mediesu 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) - Csanadpalota (HU)	DN 700, Pmax = 63 bar	2,63 Sbcm/y import capacity at Pmin=40 bar

	FGSZ ↔ Transgaz		2,45 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 commercial basis as the Annex to the Interconnect 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.

\*\*\*\* 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.



**Figure 2 - Cross-border NTS interconnection points**

## Domestic gas transmission

The domestic gas transmission activity is carried out by Transgaz based on License 1933/20.12.2013 for operating the natural gas transmission system, issued by the National Energy Regulatory Authority (ANRE), valid until 08.07.2032.

The gas transmission is ensured by a current network of over 13.977,78 km of pipelines and gas supply connections with diameters between 50 mm and 1.200 mm, at pressures between 6 bar and 63 bar.

## International gas transmission

The international gas transmission activity is carried out by Transgaz based on License 1933/20.12.2013 for operating the National Gas Transmission System, issued by the National Energy Regulatory Authority (ANRE), valid until 08.07.2032, based on Electricity and Gas Law 123/2012, as further amended and supplemented, as well as based on the specific regulations in force.

The activity of international gas transmission takes place in the South-East of the country (Dobrogea), where the existing Romanian pipeline sector between Isaccea and Negru Vodă is included in the Balkan corridor of international natural gas transmission from Russia to Bulgaria, Turkey, Greece and Macedonia.

Along the mentioned route, there are three interconnections with the similar international gas transmission system in Ukraine north of **Isaccea**, and three interconnections with the similar international gas transmission system in Bulgaria south of **Negru Vodă**.

In gas year 2019-2020 the Isaccea 1 - Negru Voda 1 (T1) natural gas transmission pipeline was connected to the National Gas Transmission System in GMS Isaccea area, which enables the physical flow of gas from the T1 transmission pipeline to the NTS and vice versa. Negru Vodă 1 thus became a point of interconnection to the NTS and the provisions of the same tariff setting methodology apply to it (approved by ANRE Order 41/2019) applicable both at the interconnection points with the EU Member States (Csanadpalota, Giurgiu Ruse) and at the domestic points of the National Transmission System. The transmission capacity at the points related to the T1 pipeline is traded according to the order of the ANRE President and to Regulation (EU) No 459/2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) no. 984/2013.

Regarding transmission through the T2 and T3 pipelines, with the following characteristics: DN 1200, L = 186 km and the technical capacity of 10 billion Scm/year (T2) and DN 1200, L = 183,5 km and the technical capacity of 10 billion Scm/year (T3), the company concluded the Agreement for the Termination of the Legacy Contract between SNTGN Transgaz SA and Gazprom Export LLC.

At the end of 2021, the T2 gas transmission pipeline Isaccea 2 – Negru Voda 2 was connected to the National Gas Transmission System, enabling physical gas flow from T2 to the NTS and vice-

versa. Moreover, the Isaccea 2 and Negru Vodă 2 gas metering stations were upgraded to ensure bidirectional gas flow at the cross-border interconnection points Isaccea 2 with Ukraine and Negru Vodă 2 with Bulgaria. After the completion of the works for the connection of the T2 pipeline to the NTS, Transgaz, together with the neighbouring TSOs, initiated actions (the conclusion of interconnection agreements) to ensure and offer bidirectional capacity at the interconnection points related to this pipeline.

The T3 Isaccea 3-Negru Vodă 3 gas transmission pipeline has not been connected to the NTS yet.

From January 2020, after the termination of legacy natural gas transmission contracts, there have been no physical flows on T2 and T3 pipelines.

**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.

In addition to the domestic and international gas transmission revenue, the company has revenue from NTS access fees, design services and from providing adjacent services.

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 2016, the **Performance Standard for the natural gas transmission service approved by ANRE Order 161/26.11.2015** entered into force. On 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.

### 4.3 Shareholding

According to the provisions of Government Emergency Ordinance 1/04.01.2017 on the establishment of measures in the field of the central public administration and for the amendment and supplementation of some regulatory acts, the Ministry of Economy was established, through the reorganisation of the activities of the Ministry of Economy, Trade and Relations with the Business Environment. Thus, on 02.03.2017 it was registered at Depozitarul Central S.A. the amendment of the account owner from the Romanian State through the Ministry of Economy, Trade and Relations with the Business Environment to the Romanian State through the Ministry of Economy.

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.

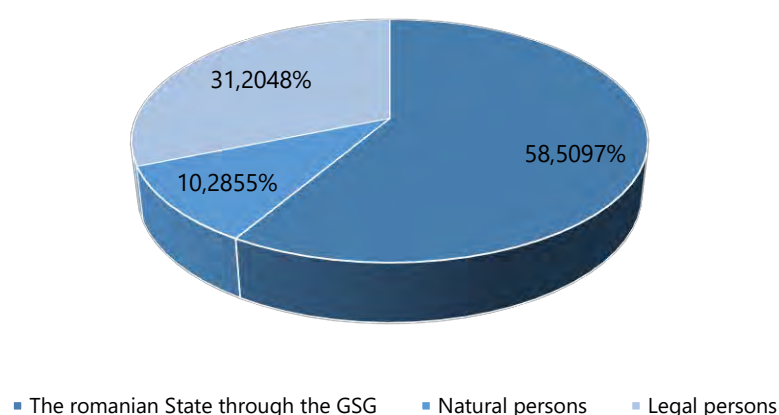
According to the recordings of Depozitarul Central, on 29.12.2022 Transgaz`s shareholding structure was as follows:

Shareholder's name	Number of shares	Percentage %
The State of Romania represented by the General Secretariat of the Government	6.888.840	58,5097
Free float - Other shareholders (natural and legal persons) out of which:	4.885.004	41,4903
✓ legal persons	3.674.001	31,2048
✓ natural persons	1.211.003	10,2855
<b>Total</b>	<b>11.773.844</b>	<b>100</b>

**Table 8 - Shareholding structure at 29 December 2022**

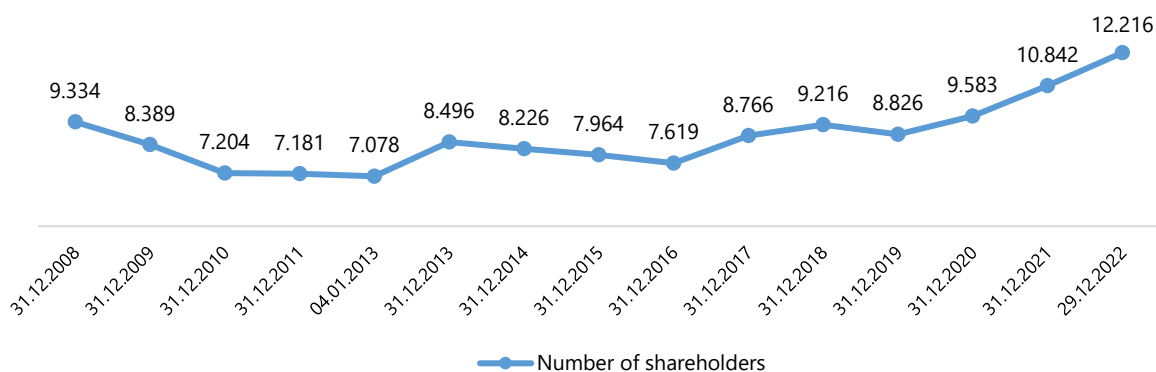
The share capital of Transgaz on 29 December 2022, amounting to lei 117.738.440 was divided into 11.773.844 registered shares, each share having a nominal value of lei 10.

### Shareholding structure on 29 December 2022



**Chart 13 - Shareholding structure at 29 December 2022**

Regarding the number of shareholders, according to Transgaz shareholders' register at the reference date of 29.12.2022, the company had 12.216 TGN shareholders, which is 1.374 shareholders more than on 31 December 2021.



**Chart 14 - Number of Transgaz shareholders from the BVB listing date 29 December 2022**

#### 4.4 Structure

SNTGN Transgaz SA is a company 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 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 or the Articles of Incorporation of the Board of Administration and the General Meeting of Shareholders.

**SNTGN Transgaz SA** conducts its activity at the registered office, the secondary office and the premises of the working points as follows:

- Transgaz registered office: Mediaș, 1 C. I. Motaș Square, Sibiu County, code 551130;
- Exploitation and Maintenance Department: Mediaș, 11 George Enescu Street, Sibiu County, code 551018;
- Research and Design Division: Mediaș, 6 Unirii Street, Sibiu County, code 550173;
- Bucharest Gas Market Operation Division: Bucharest, 30 Dorobanți Blvd., District 1, code 010573;
- Transgaz Representative Office - Romania: Bucharest, 55 Primaverii Blvd.;
- Transgaz Representative Office - Brussels – Belgium: Brussels, 23 Luxembourg Street - closed by BoA Resolution 38/20.12.2022;
- General Inspection Division: Bucharest, 155 Victoriei Blvd., District 1, code 010073.
- Research and Design Workshops - Brașov, 2 Nicolae Titulescu Street.
- Transgaz secondary office: Mediaș, 3 I.C. Brătianu Street, building 3, flat 75, Sibiu County.

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

- EUROTRANSGAZ Limited Liability Company: 7/E Balcani Road, out of town, Ghidighici village, Chisinau, Moldova;
- VESTMOLDTRANSGAZ Limited Liability Company: 7/E Balcani Road, out of town, Ghidighici village, Chisinau, Moldova;

**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.



## 4.5 Management

### Members of the Board of Administration of SNTGN Transgaz SA at 31.12. 2022

Name and 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 as 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
CZABA 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 ;
	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 ;
MIHAELA VIRGINIA TOADER	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
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 ;



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>

### Special agreements/arrangements or kinship

According to the information provided by the administrators, there is no agreement of understanding or kinship between the relevant person and another person by virtue of which the respective person was appointed administrator.

### Participation of administrators to Transgaz's share capital

The company's administrators do not hold shares in the company's share capital.

### Litigation or administrative proceedings

There have been no disputes or administrative proceedings over the last five years involving the persons belonging to the administrative or executive management.

### Executive management

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.

According to the information available, there is no agreement, covenant or kinship between the mentioned persons and another person due to which they were appointed as members of the executive management.

The members of the executive management holding shares at Transgaz on 31.12.2022:

No.	Name and first name	Position	Number of shares on 31.12.2022	Interest share (%)
1	Tătaru Ion	Director	25	0,000212
2	Lupean Marius	Director	20	0,000169
3	Șai Alexandru	Director	10	0,000084
4	Niță Viorel	Director	5	0,000042

**Table 9 - Members of Transgaz's executive management holding TGN shares in the company on 31 December 2022**

### THE EXECUTIVE MANAGEMENT OF SNTGN TRANSGAZ SA ON 31.12.2022:

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.	Târsac Grigore	Director/Deputy Director - General-delegated	Natural Gas Quality Measurement Unit
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.	Mateş Angela Aneta	Director	HR Organization Division
9.	Tătaru Ion	Director	Development Division
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 Dragoş 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.	Dragoman Irina Georgiana	Director	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	Mediaş Subsidiary
25.	Colcer Elena Gabriela	Economist/Chief Financial Officer delegated	Mediaş Subsidiary
26.	Alexandru Ionel	Director	Arad Regional Office
27.	Schimdt-Hăineală Eduard-Cristian	Director	Bacău Regional Office
28.	Dumitru Nicuşor	Director	Brăila Regional Office
29.	Pârlea Mirel	Engineer/Regional Office Director delegated	Braşov 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	Chief Engineer/Regional Office Director delegated	Constanta Regional Office
33.	Niță Viorel	Director	Craiova Regional Office
34.	Oancea Paul	Director	Mediaș Regional Office

**Table 10 -Transgaz's executive management on 31.12.2022**

#### 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 11 - Vestmoldtransgaz management members on 31.12.2022**

#### EUROTRANSGAZ SRL management team structure:

	EUROTRANSGAZ	Name and Surname
1	Administrator	Dan Niculae-Faranga
2	Administrator	Vasilica Grăjdan
3	Administrator	Zezeanu Luminița

**Table 12 - Eurotransgaz management members on 31.12.2022**

## 4.6 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.

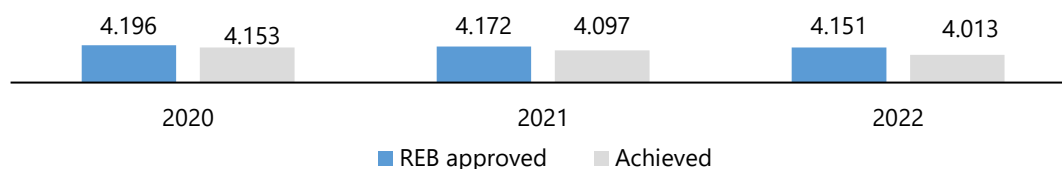
The evolution of the number of personnel in 2020-2022:

Specification	2020	2021	2022
Number of employees at the beginning of the period	4.089	4.145	4.050
Number of persons employed/resuming activity	282	210	243
Number of employees who terminated/suspended their working relations with the company	226	305	264
<b>Number of employees at the end of the period</b>	<b>4.145</b>	<b>4.050</b>	<b>4.029</b>

**Table 13 – Number of employees in 2020-2022**

Personnel indicator	2020	2021	2022
Personnel reduction (natural-retirements)	58	60	43
Average number of personnel approved by the REB	4.196	4.172	4.151
Average number of personnel achieved	4.153	4.097	4.013

**Table 14 - Average number of personnel employed in 2020-2022**



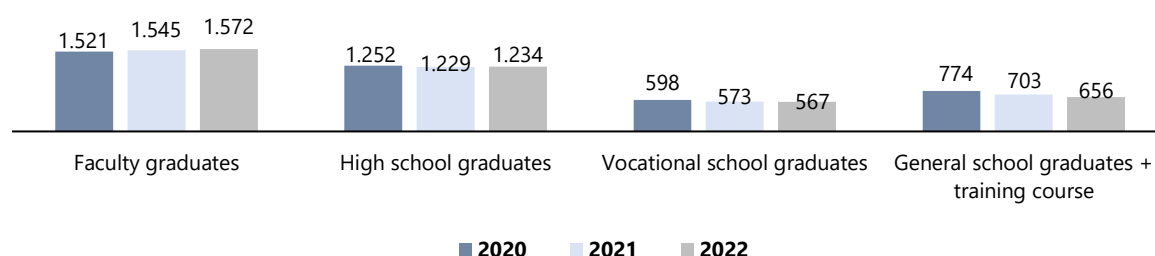
**Chart 15 - Average number of employees in 2020- 2022 compared to REB approved**

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.

The personnel structure by category of studies in 2020-2022:

No.	Category	2020	2021	2022
1.	Faculty graduates	1.521	1.545	1.572
2.	High school graduates	1.252	1.229	1.234
3.	Vocational school graduates	598	573	567
4.	General school graduates + training course	774	703	656
<b>TOTAL employees</b>		<b>4.145</b>	<b>4.050</b>	<b>4.029</b>

**Table 15 - Personnel structure by categories of studies in 2020-2022**



**Chart 16 - Personnel structure by categories of studies in 2020- 2022**

At the **end of December 2022**, the degree of unionization of the labour force was 96,92%, out of a total of 4.029 employees, 3.905 being union members.

There are four trade unions with which the SNTGN Transgaz SA employees are registered, 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. 62/2011 of the Social Dialogue, Art. 51 (c), which is why they represent the employees of the company when concluding and carrying out the collective labour agreement concluded at the level of SNTGN TRANSGAZ SA.

The relations between the employer and the employees are regulated by the Collective Labour Agreement at the company level as well as by the individual labour agreements of the employees.

Starting with 25.06.2021, the current Collective Labour Agreement concluded at the level of SNTGN TRANSGAZ S.A. came into force, with a validity period of 24 months registered with the Sibiu Territorial Labour Inspectorate in the Single Recording Register under number 60/23.06.2021.

The relations between the employer and the employees are in line with the legal provisions in force in 2022 and there are no conflicting elements connected to these relations.

#### **VESTMOLDTRANSGAZ SRL – Human Resources**

The optimal sizing of the number of personnel within the company is correlated with the actual personnel needs imposed by the operational activities carried out, with the upgrades and retrofittings proposed in order to increase operation safety and efficiency of natural gas transmission networks and related facilities, as well as the implementation of major projects.

At the reference date, Vestmoldtransgaz SRL had 31 employees, of which 20 were carrying out their activity at the Chisinau headquarters and 11 at GMS Ungheni. The number of employees could have an upward trend depending on the real needs of the Iasi - Ungheni - Chisinau gas pipeline operation and future business development.

The recruitment and selection of personnel is carried out through transparent employment procedures, in order to stimulate and attract the best specialists to work within Vestmoldtransgaz SRL. The personnel of Vestmoldtransgaz SRL is appointed, employed and discharged by the company administrator.

The number of personnel within Vestmoldtransgaz SRL, as at 31.12.2022 compared to 31.12.2021 is presented in the table below:

No.	Indicator	2022	2021
1	Number of employees at VMTG	31	34
2	Average number of employees at VMTG	31	33
3	Average number of employees at Eurotransgaz	3	3

**Table 16 - Number of personnel at Vestmoldtransgaz and Eurotransgaz in 2022 compared to 2021**

#### 4.7 Transgaz on the Bucharest Stock Exchange

**SNTGN TRANSGAZ SA**, through the efficient use of managerial tools and the responsible execution of the measures undertaken in front of the shareholders, investors, business and community, managed to also perform on the capital market, ranking **8th** in 2022 in **Top 15 companies listed on the Bucharest Stock Exchange**, depending on the traded value. Also, in December 2022, Transgaz was ranked **9th in Top 15 listed companies**, according to **market capitalization**.

TGN shares are attractive portfolio shares due to the company's business scope, the monopoly Transgaz holds in the natural gas transport, the company's position on the national and international energy market, the strong financial profile and the capacity of the company to generate performance, stable and predictable income, and attractive dividend policy.

For financial year 2021, in accordance with the provisions of Resolution 5 of the Ordinary General Meeting of Shareholders, dated 28.04.2022, the National Gas Transmission Company Transgaz SA pays dividends to shareholders registered on the date of 23 June 2022, through Depozitarul Central SA and Banca Transilvania, the designated payment agent, as at 14 July 2022 (payment date), **the amount of the gross dividend/share being 14,82 lei**.

#### *TGN share*

In 2022, the closing price of TGN shares followed a downward trend, mainly with lower values than in the same period of 2021, with decreases ranging from 8% to 31%, with a maximum of the period of 288,00 lei/share recorded on 21.12.2022, and a minimum of 190 lei/share, recorded on 07.03.2022. At the end of the analysed period, meaning November and December, the closing price of the TGN share exceeded the values reached in 2021 by 16% and 17% respectively.

The values of the TGN share in the first part of 2022 occurred against the background of a negative international climate, in the context of the depreciation of European shares and then the outbreak of the conflict in Ukraine and implicitly as a result of the sanctions at global and European level imposed on relations with Russia. All these aspects negatively influenced both the European markets and the BVB, all companies registering declines during this period.

Regarding the evolution of the Transgaz share price, it can be noticed that on the last trading day of January 2022, the closing price of TGN shares was 223,00 lei/share, and on 28.02.2022 it was 200,00 lei/share. Subsequently, the closing price of TGN shares increased slightly, reaching a maximum of 223 lei/share in the second half of March, mainly due to investors' expectations regarding the publication of the dividend proposal for financial year 2021, and then suffered a correction, reaching a value of 213,00 lei/share on 31.03.2022, thus approaching the values recorded before the escalation of the conflict in Ukraine.

In line with the dynamics of the European markets, the beginning of April saw trading sessions with positive developments for all BVB indices. Thus, on 18.04.2022, the TGN share recorded one of the best performances in the BET index, i.e. an increase of 4,18%. Subsequently, TGN's closing share price followed an upward trend in the context of actions taken by the company's management, namely the signing of the Memorandum of Understanding between Transgaz, Gaz-System (Poland), Eustream (Slovakia) and FGSZ (Hungary), whereby the four Central European natural gas Transmission System Operators agreed on a strategic partnership to explore the possibilities of

decarbonising their operations, transmitting green gas and investigating the potential of transmitting CO<sub>2</sub>.

In May and June, the closing price of TGN shares recorded a downward trend, with values lower than those of 2021, following the signing of the Agreement with the Investment Fund of the Three Seas Initiative S.A. SICAV-RAIF, and the confirmation by Fitch of the company's rating BBB- with stable outlook the TGN share price was appreciated reaching thus the value of 243,00 lei/share on 20.06.2022.

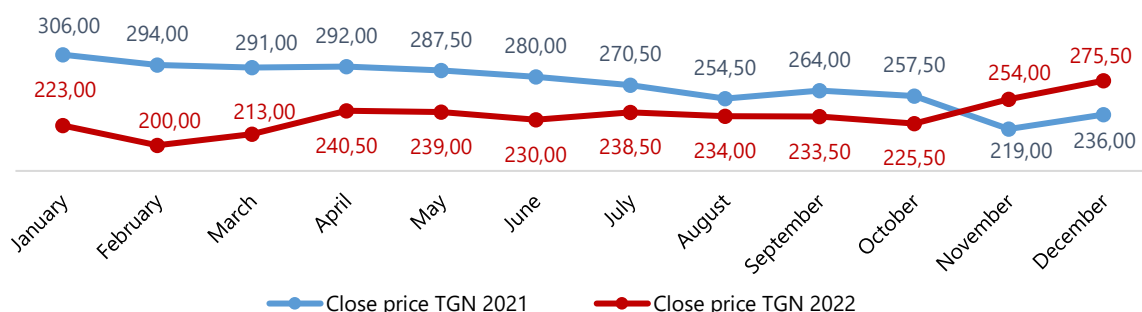
In July 2022, amid the expectation of investors and financial analysts regarding the publication of the financial reports of Romanian listed companies, the liquidity recorded on the Bucharest Stock Exchange remained high. Thus, compared to July 2021, there is a 33% increase in average daily liquidity for the equity segment, and the BET-NG index of energy and utility companies, which includes Transgaz, increased by 4,39%.

Subsequently, in August, against the backdrop of the publication of the half-year financial results of SNTGN Transgaz SA, the positive trend of the TGN share was maintained, recording on 12.08.2022, the maximum value of the month, namely 251,00 lei/share.

In September, following the approval by Transgaz's Board of Administration of the share capital increase through the incorporation of the reserves established from the net profit of the previous financial years, the TGN share reaches the price of 233,50 lei/share, with an increase of 9,26% compare to the previous day.

Amid low BSE liquidity in October, TGN share trading volumes were also low, with a high for the month of 2.672 shares traded. At the same time, the closing price of the TGN share on the last trading day of October was 225,50 lei/share, which is 12% lower than the price recorded in the same period of 2021.

Subsequently, the TGN share trend changed to an upward one in November and December, with the closing price of TGN share exceeding the values reached in 2021 by 16% and 17% respectively. These increases were generated mainly by the publication of the financial results as at 30.09.2022, the signature by the company's management of the Memorandum of Understanding on the Vertical Corridor and also the approval by the GEMS of the share capital increase through the incorporation of reserves. Thus, the maximum level of the TGN share in 01.01 – 30.12.2022 was reached on 21.12.2022, with the value of 288,00 lei/share.



**Chart 17 - The closing price of the TGN shares in 2022 compared to 2021**

The values of the transactions and volumes traded evolved similarly in 2022 and registered mainly lower values compared to those recorded in 2021, the peaks of the period being reached on 28.02.2022, with a volume of 12.460 shares traded and a value of lei 2.500.427,10 thousand.

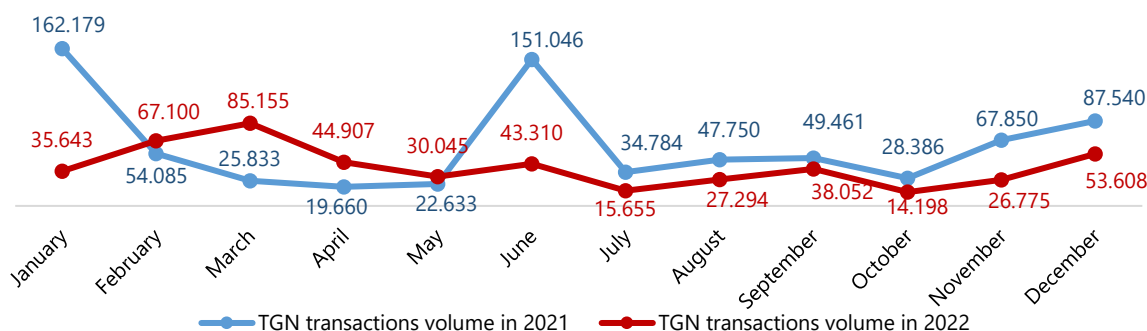


Chart 18 - TGN transactions volume in 2022 compared to 2021

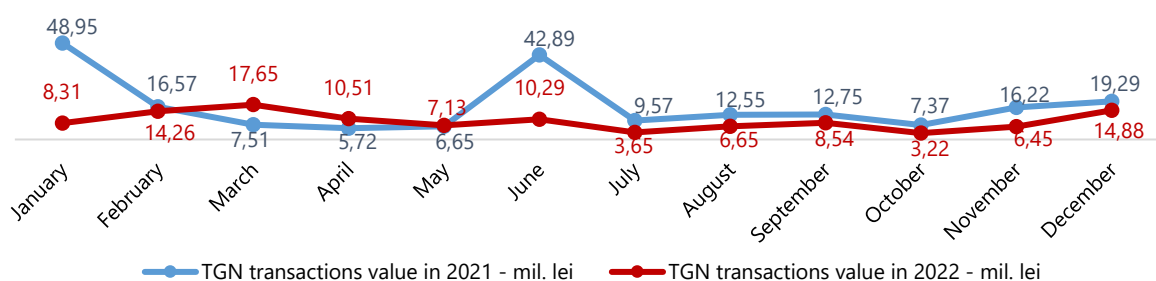
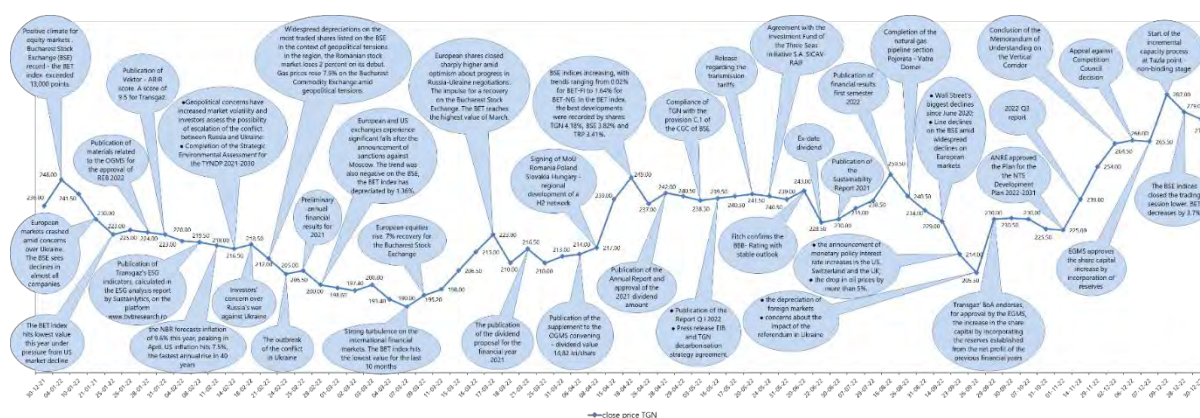


Chart 19 - TGN transaction value – mil. lei in 2022 compared to 2021

### Main corporate events with an impact upon the share price in 2022



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

Data	P/BV	PER*	DIVY	EPS
30.12.2022	0,84	14,69	5,38	18,75
30.12.2021	0,73	44,71	3,45	5,28

\*the indicators are calculated based on the consolidated financial statements, date PER 30.06.2022, and 30.06.2021



In the period ended 30 December 2022, **the P/BV ratio** (a share price to book value ratio) increased slightly compared to 2021, 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 significant decrease on 30.12.2022 compared to the value recorded on 30.12.2021, reflecting optimistic market expectations..

The increase in **dividend yield** (DIVY), compared to the value recorded on 30.12.2021, was determined by the approved value of the gross dividend for financial year 2021, which was by 82,06 % higher than the value approved for financial year 2020.

At the same time, the **EPS (profit per share)** stock indicator recorded at the end of 2021 and 2022 tripled its value amid the company's profit growth in 2022.

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

On 30 December 2022, 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
<b>BET</b> (the BSE reference index, it represents the 10 most liquid companies listed on the BSE)	7	3,39%
<b>BET-TR</b> (total return index, based on the structure of the market reference index, BET, and tracks both the price changes of the constituent companies and the dividends paid by them)	7	3,39%
<b>BET Plus</b> (free float market capitalization weighted index of the Romanian companies)	7	3,14%
<b>BET-NG</b> (sector index / energy - utilities)	4	10,65%
<b>BET-XT</b> (blue-chip index, tracks the price changes of the most liquid 25 traded companies)	7	3,46%
<b>BET-BK</b> (benchmark index, calculated as a price index weighted by the free float capitalisation of the most traded companies listed on the BSE regulated market)	13	4,72%

### Stock market capitalization

The stock market capitalization of the company on 30.12.2022 was of lei 3,24 billion (~ euro 656 million), namely by 465 million lei (~euro 94 million) higher than the level recorded on 30.12.2022.

Currency	2022		2021	
	03.01.2022	30.12.2022	04.01.2021	30.12.2021
<b>LEI</b>	2.802.174.872	3.243.694.022	3.402.640.916	2.778.627.184
<b>EURO</b>	566.393.433	655.636.096	698.823.379	561.497.632

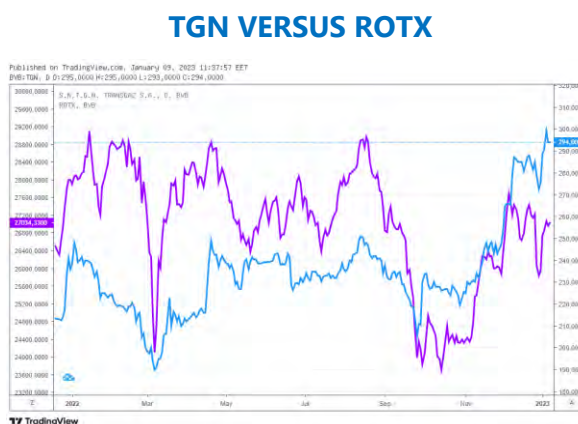
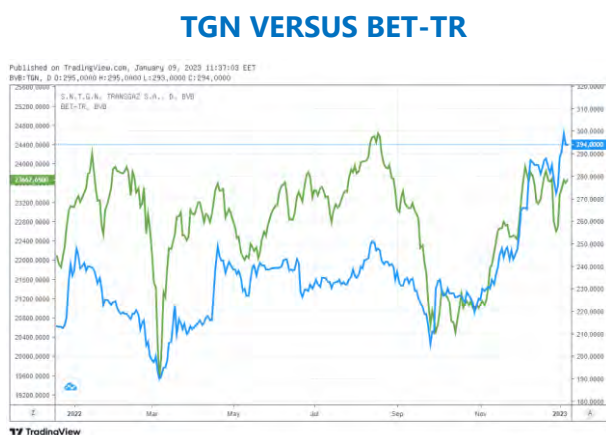
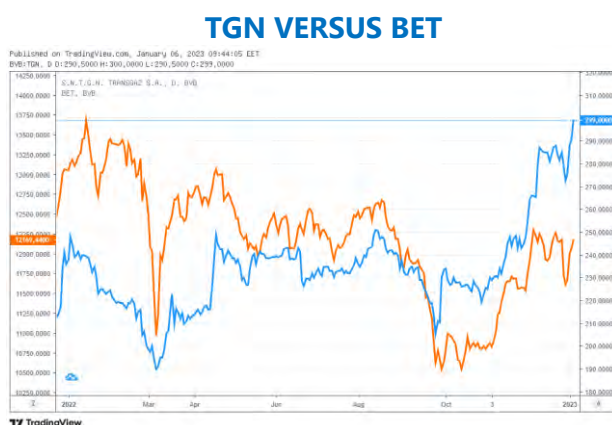
<b>Euro/BNR exchange rate</b>	4,9474	4,9474	4,8691	4,9489
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The company's market capitalization increased from the beginning of 2022 to 30 December 2022 by 16%, that is by lei 441.519.150 (EUR 89.242.663), from the value of lei 2.802.174.872 (EUR 566.393.433) recorded on 03.01.2022 to the value of lei 3.243.694.022 (EUR 655.636.096) recorded on 30.12.2022, Transgaz ranking 9th in Top 15 companies listed on the BSE, according to market capitalisation, drawn up by the BSE for December 2022.

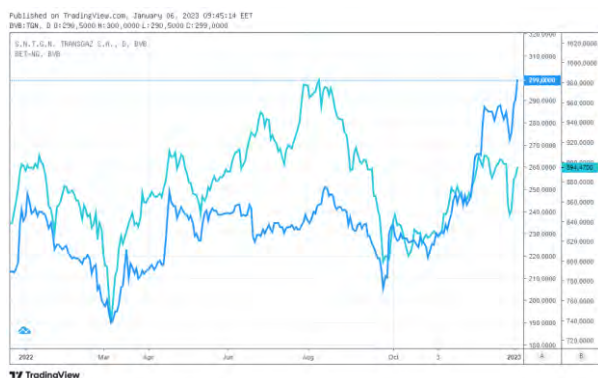


**Chart 20 - Stock market capitalization of Transgaz on 30.12.2022 compared to 30.12.2021**

**The TGN share compared to BET, BET-BK, BET-TR, ROTX, BET-NG and BET-XT stock indices in 2022:**



## TGN VERSUS BET-NG



## TGN VERSUS BET-XT



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

**Chart 21 – The TGN share compared to stock exchange indices BET, BET-BK, BET-TR, ROTX, BET-NG and BET-XT in 2022**

## 4.8 Dividend policy

In 2022 the proposal for determining the value of the dividends for financial year 2021 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 85,4832% quota to the distribution of profit as dividends, according to Art. IV of GEO 3/26.01.2022 on the amending and supplementation of GEO 118/2021 for establishing a compensation scheme for power and gas consumption for the winter of 2021-2022, and for supplementing GO 27/1996 on granting facilities to persons residing or working in certain localities in the Apuseni Mountains and in the Danube Delta Biosphere Reserve, and Government Resolution 431/30 March 2022 on the approval of the distribution to the state budget for financial year 2021 of 50% of the accounting profit of SNTGN Transgaz SA as dividends remaining after the deduction of the profit tax.

Thus, in accordance with OGMS Resolution 5/28.04.2022, Transgaz SA pays dividends for financial year 2021 through Depozitarul Central SA and Banca Transilvania, the appointed paying agent, starting with 14 July 2022 (the date of payment), for the shareholders registered at the registration date of 23 June 2022, **the value of the gross dividend / share amounting to lei 14,82.**

Until the end of 2022, Transgaz paid to the shareholders net dividends for financial year 2021 in the amount of lei 172.163.712,36 for 11.722.351 shares.

## Transgaz's rating

In 2006 - 2018, S&P Global Ratings also provided and monitored the Transgaz rating. Getting this rating was a necessary step in addressing an openness policy to international capital markets, with a view to attracting the most advantageous sources of funding and also providing a valuable instrument investors in the IPO stock listing process as well as the SPO. 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 contract with Fitch for rating services. Thus, following the evaluation, on 17 July 2019 the agency awarded Transgaz the 'BBB-' rating, Stable Outlook.

The most recent evaluation was in 2022, Fitch Ratings affirming the 'BBB-', Stable Outlook rating assigned to the company, a rating supported by *'its solid business profile as a concessionaire and operator of the gas transmission network in Romania and our expectation of regulatory continuity into the new regulatory period from October 2024'*, according to the agency's report.

#### 4.9 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.

## 5 ACTIVITY ANALYSIS

### 5.1 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 2022, a total of 1.244 contracts were concluded and signed with network users, or the duration of contracts was extended, of which 1.190 contracts for domestic points and 54 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 2022, by booking period:

Contract type	Annual	Quarterly	Monthly	Daily	Total
No. of contracts	91	174	861	64	<b>1.190</b>

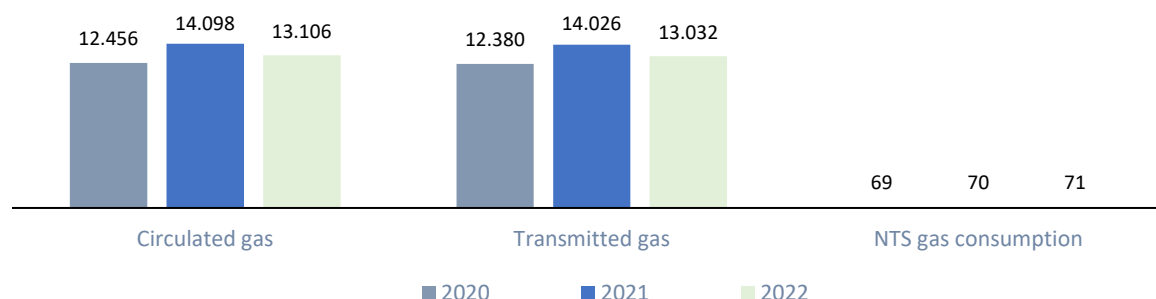
Under the **54** framework gas transmission contracts, valid for January 2022 - December 2022, the beneficiaries requested capacity booking at the interconnection points between the Romanian National Gas Transmission System and the gas transmission systems of the states neighbouring Romania as follows:

Contract type	Annual	Quarterly	Monthly	Daily	Within-day	Total
No. of products	48	38	92	2367	1255	<b>3800</b>

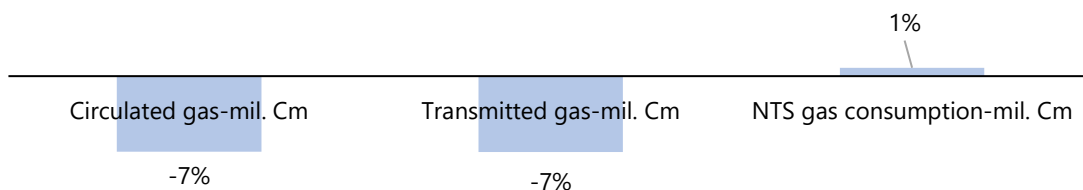
The gas quantities circulated and transmitted through the National Transmission System (NTS) and the technological consumption in 2020 - 2022 are as follows:

Indicator	MU	2020	2021	2022	+/-	%
1	2	3	4	5	6=5-4	7=5/4-1
<b>Circulated gas</b>	thousand cm	12.456.201	14.098.211	13.106.226	-991.985	-7%
<b>Transmitted gas</b>	thousand cm	12.380.266	14.026.269	13.032.066	-994.203	-7%
<b>NTS gas consumption</b>	thousand cm	69.325	70.188	70.739	551	1%
<b>The share of NTS gas consumption / circulated gas</b>	%	0,56%	0,50%	0,54%		

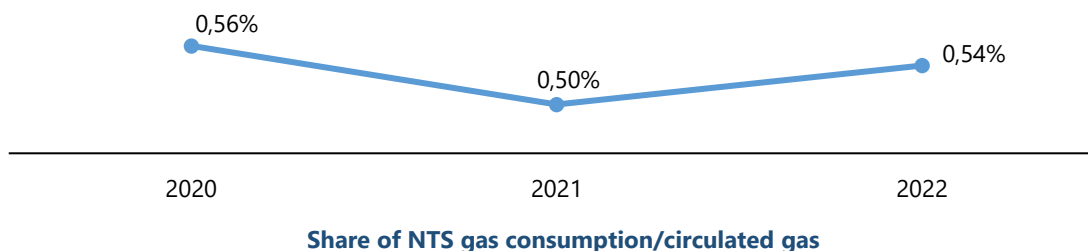
**Table 17 - Gas quantities circulated, transmitted, and NTS gas consumption in 2022-2022**



**Chart 22 - Gas quantities circulated, transmitted and NTS consumption in 2020-2022**



**Chart 23 - Gas quantities circulated and transmitted and NTS gas consumption – 2022 compared to 2021**



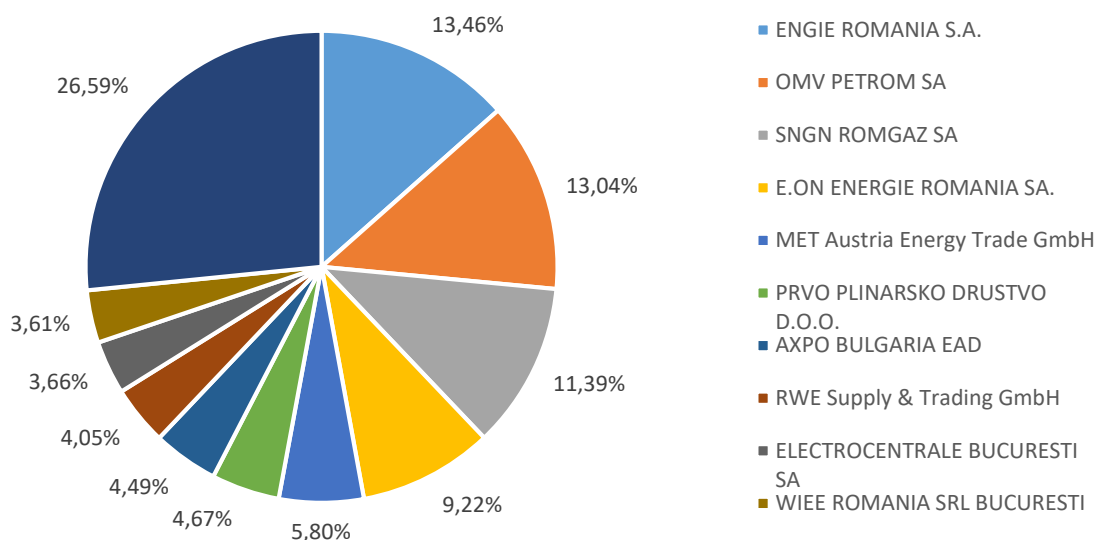
**Chart 24 – The share NTS gas consumption in total circulated gas in 2020-2022**

	2020	2021	2022
<b>PLANNED NTS GAS CONSUMPTION–thousand cm</b>	65.208	79.423	86.136
<b>ACHIEVED NTS GAS CONSUMPTION–thousand cm</b>	69.325	70.188	70.739

**Table 18 – Gas quantities as planned compared to achieved NTS gas consumption in 2020-2022**

**The main beneficiaries** of the gas transmission service in 2022:

No.	Network users	Invoice amount vat excluded (lei)	%
1.	ENGIE ROMANIA S.A.	183.542.942,69	13,46%
2.	OMV PETROM S.A.	177.834.989,34	13,04%
3.	SNGN ROMGAZ S.A.	155.296.917,12	11,39%
4.	E.ON ENERGIE ROMANIA S.A.	125.742.863,00	9,22%
5.	MET Austria Energy Trade GmbH	79.027.793,29	5,80%
6.	PRVO PLINARSKO DRUSTVO D.O.O.	63.728.109,84	4,67%
7.	AXPO BULGARIA EAD	61.271.976,97	4,49%
8.	RWE Supply & Trading GmbH	55.253.472,56	4,05%
9.	ELECTROCENTRALE BUCURESTI S.A.	49.940.181,87	3,66%
10.	WIEE ROMANIA S.R.L. BUCURESTI	49.200.163,60	3,61%
	ALȚI UR	362.573.531,01	26,59%
	<b>TOTAL</b>	<b>1.363.412.941,29</b>	<b>100,00%</b>



**Chart 25 - The share of the main NTS users in 2022**

Through the **transmission services** contracted in 2022, the total quantity of **139.672.553,645313 MWh** (13.032.066,095 thousand cubic meters) was transmitted to:

	MWh	thousand cm	%
<b>Distribution</b>	73.312.107,707033	6.846.782,380	52,49
<b>Direct customers</b>	27.098.626,084186	2.533.026,911	19,40
<b>Storage</b>	29.096.507,176094	2.722.569,757	20,83
<b>Export Csanadpalota, Giurgiu Ruse, Negru Voda, Ungheni</b>	10.165.312,678000	929.687,047	7,28

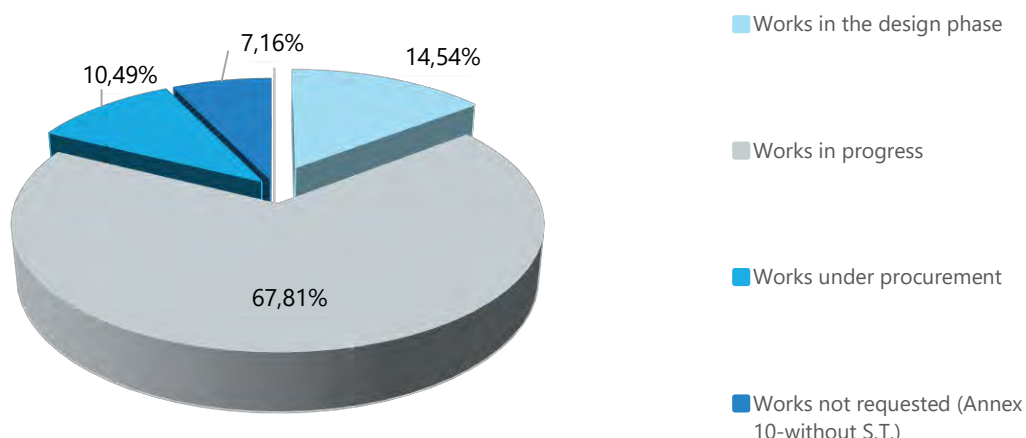
## 5.2 The investment activity

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

The value of the investment funds for 2022, initially approved in the revenue and expenditure budget was **lei 398.650.640**, according to the Board of Administration Resolution 39/20.12.2021. In 2022, the amount of the modernisation and investment development plan 2022 was adjusted in April and in December, according to the Board of Administration Resolution 13/20.04.2022, 37/08.12.2022 and 39/23.12.2022, and at the end of the year the allocated value was **lei 286.844.526,29**.

In January 2022, the structure of the Modernisation and Investment Development Plan was as follows: 68% works in progress from 2021, 15 % works in the design phase, 10% works in the procurement procedure, 7% works not requested.

**PMDI - January 2022 (lei)**

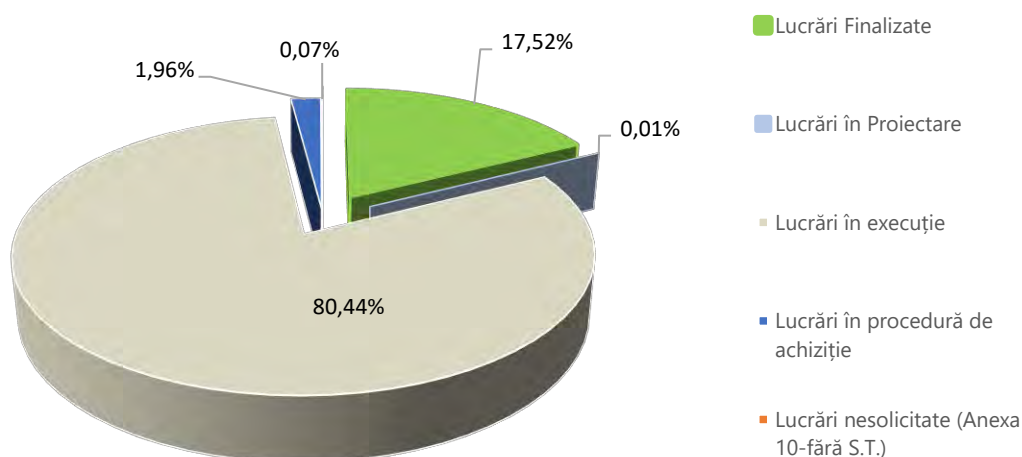


**Chart 26 – PMDI 2021 – January 2022**

At the end of 2022 the investment plan: 80,44% works in progress, 17,52% completed works, 1,96% works in the procurement procedure, 0,07% the objectives of the plan for which the necessary documentation for the start of the procurement has not been submitted and 0,01% works in the design phase.

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.

**PMDI - December 2022 (lei)**



**Chart 27 – PMDI 2021 – December 2022**



Compared to the total value of the plan of **lei 286.845 thousand**, the total value of achievements was **lei 264.548 thousand**, meaning that **92,23%** of the plan was achieved.

**The main investment objectives completed in 2022 are the following:**

- Construction of the DN 700 Onești - Gherăești - Lețcani gas transmission pipeline, LOT 1 and LOT 2;
- New NTS developments for taking over Black Sea gas, Vadu - T1;
- Securing the Bistrita river channel above-crossing with the DN 300 Piatra Neamt - Bicaz gas transmission pipeline, Pângărați, Stejaru, Bicaz areas;
- DN 300 Mintia – Brad gas transmission pipeline;
- Securing DN800 Moghioros - Onești and DN700 Moghioros - Onești gas transmission pipelines, in the Oituz area;
- DN 250 Câmpulung Moldovenesc – Vatra Dornei gas transmission pipeline (partial acceptance for commissioning);
- DN 250 Vernești-Mărăcineni gas transmission pipeline (partial acceptance for commissioning);
- Securing the Moldova river undercrossing with the DN 250 Cristești - Tg. Neamt gas transmission pipeline, in the area of Timișești;
- Securing the Târgului river undercrossing with the DN 500 Schitu Golești - Slătioara and DN 500 Schitu Golești - Stâlpeni gas transmission pipeline, Furnicoși area;
- Mounting pig receiving/launching trap at Posada for the DN 500 Stâlp 89 – Posada and DN 500 Posada – Moșu pipelines;
- Connection and PMRS Tutova 2;
- Access agreement MRS Vâlcele 2;
- Connection and MRS Bozânta;
- Connection and MRS Tismana;
- Connection and MRS LINDNER Carei;
- Modernisation and upgrading of the gas NTS - Daily data purchase system (138 locations);
- Upgrading TN Schitu Golești;
- Capacity expansion MRS Uricani.

**The main works in progress at the end of 2022:**

- DN 500 Plătărești-Bălăceanca gas transmission pipeline;
- DN 300 Sighetul Marmăției – Borșa gas transmission pipeline;
- DN 400/300 MRS Timișoara I – MRS Timișoara III gas transmission pipeline (including power supply, cathodic protection and optical fiber);
- Connection and MRS Lacu Sărat, Brăila County;
- Connection and MRS Bicău, Satu-Mare County;
- Connection and PMRS Dumbrava- Ciurea, Iași County;
- Capacity expanding at MRS Uricani, Iași County;
- Modernization of Bacău Regional Office building;
- DN 250 Câmpulung Moldovenesc – Vatra Dornei gas transmission company;
- Securing DN 500 Medieșu Aurit – Abrămuț gas transmission pipeline, the Culciu Mare area;
- DN600 Mihai Bravu – Siliștea gas transmission pipeline and changing the pipeline into a piggable one - Măcin Branch and Borcea Branch Danube Undertaking;
- Modernization of Ploiești gas supply

**The main works under procurement at the end of 2022:**

- Connection and PMRS Flămânzi,
- Connection and PMRS CC Thermoenergy,
- Construction of the intersection between DN73A - KM 16+305 with the access road to TN Stâlp 89 Râșnov and upgrading of the access road to the objective,
- Cathodic protection on DN250 pipeline MRS Oarja gas supply connection, Mures county,
- Installation of flow regulator at GMS Negru Vodă;
- Techirghiol-Ovidiu gas transmission pipeline;
- Securing the railway undercrossing in the area of loc. Valea Mare Pravat with the DN 600 Mateias-Schitu Golesti gas transmission pipeline;
- Securing the Tarnava Mica river above-crossing with DN200 Fantanele-Sovata gas transmission pipeline, Chibed area, Mures county;
- Securing the Plapcea river above-crossing with the DN 100 gas transmission pipeline MRS Scornicești supply connection, Olt county;
- Drilling rig and geotechnical sampling equipment,
- Turbine meters,
- Connection and MRS Moinești - Dealu Mare,
- Upgrading network assets - Phase IV.

**The main works in the technical documentation preparation phase at the end of 2022:**

- Protection system against lightning strikes, with lightning conductor and renewal of power supply system for MRS Fulger Bragadiru;
- Replacement of undercrossing of county road, railway Centura București and railway Progresu of the DN 700 Bucharest Ring gas transmission pipeline, Moara Domneasă - Măgurele section;
- Field adaptation and installation of the DN 700 pig receiving station on the DN 700 gas transmission pipeline Bucharest Ring;
- Upgrading of connection pipeline and MRS Vladimirescu, Vladimirescu locality, Argeș county;
- Securing DN 700 Tăuții Măgheruș - Ulmeni pipeline at the undercrossing of the Lăpuș river, the Bușag area;
- Securing DN 700 Moghioroși - Onești and DN 800 Moghioroși - Onești pipeline in the Hârja area;
- Securing the Siret river undercrossing with the DN 500 Onești - Adjudul Vechi pipeline in the Adjudul Vechi area;
- DN 500 Horia-Borș gas transmission pipeline;
- Replacement of MRS Măgurele Bucharest;
- Modernization of MRS Sighișoara;
- Connection pipeline and PMRS Ianova;
- Connection pipeline and PMRS Vișina;
- Connection pipeline and PMRS Ionești;
- Deta-Moravița gas transmission pipeline;
- Tg. Neamț-Bălțătești gas transmission pipeline;
- Vernești-Mărăcineni-Poșta Câlnău gas transmission pipeline, Buzău county, Phase II;

- Prunișor-Jupa gas transmission pipeline;
- Ghergheasa-Focșani gas transmission pipeline;
- Lugașu – Huedin gas transmission pipeline;
- Vladimirescu – Lipova gas transmission pipeline;
- Segarcea - Băilești – Calafat gas transmission pipeline;
- Gas supply to the city of Borsec;

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 approved the request to redesign the pipeline route or the technical solutions for construction.

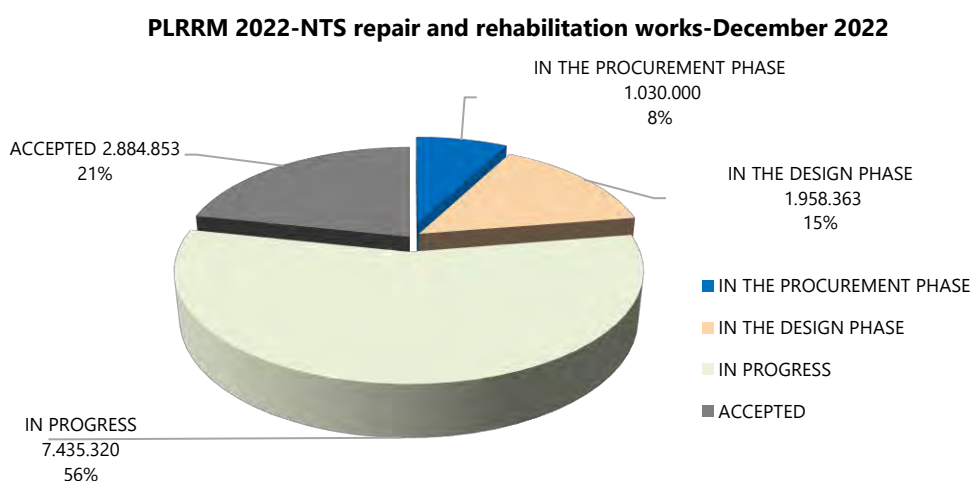
Most of the investment objectives for which no achievements were recorded are in the design, tender documents preparation or procurement phase.

### 5.3 Maintenance activity

The **Repair and Rehabilitation Work Plan for NTS Maintenance (PLRRM) 2022** had an allocated value of **lei 13.308.535,74**.

#### 5.3.1 - NTS repair and rehabilitation works

The structure of the budget allocated to the repair and rehabilitation works for NTS maintenance, as at 31.12.2022 was as follows: 56% works at different stages of execution (works in progress), 21% accepted works, 15% works in the design stage and 8% works in the procurement stage.



**Chart 28 - PLRRM 2022 - NTS Repair and Rehabilitation - December 2022**

**The repair and rehabilitation works for NTS maintenance in progress at the end of 2022 are:**

- Repairs/painting of the above-crossings on the connections of Huși and Vaslui;
- Repairs/painting of the above-crossings Cluj III;
- Pipeline insulation works in fixed stations;
- Securing the Dn 500 Lunca-Sibiu and Dn 500 Sădinca-CS Lunca in the Valea Țapulului area;
- Repair of the Dn 1200 Isaccea-Negru Voda, Transit 3 pipeline following smart pig inspection;
- Repairs/painting Lețcani Technological Node;
- Repairs/painting Gherăești Technological Node;

**NTS repair and rehabilitation works in the design phase at the end of 2022:**

- Preparation of the Ø28" Seleuș-Cristur-Bățani gas transmission pipeline for conversion into a piggable pipeline - stage 2B (Harghita county);
- Rehabilitation of the Bățani-Onești pipeline. Stage 1 - Preparing the pipeline for conversion into a piggable pipeline;
- Repairs/painting Onești Technological Node;
- Above-crossings repair works;
- Târnăveni Sector offices repair works;
- SNG professional training building repair works ;
- Exterior repairs - TRANSGAZ head office- 1 C.I. Motaș Square, Mediaș;
- MRS Vlăhița (CT), MRS Sf. Gheorghe (CT), MRS Tg. Secuiesc (CT), MRS Câmpulung, MRS Finca - Drăgășani, MRS Titan, MRS Titan (CT), MRS Răzvad, MRS Buciumeni, MRS 16 Februarie, MRS Ungheni, MRS Medgidia;
- Demolition , removal, dismantling of metal roof works - Onești line, MRS Slimnic building, MS Axente Sever building, MRS Daia building, MRS Cerghizel building, MRS Boian building, MRS Triteni building, Drăgășani sector locker room building, PRMS Comănești II.

**The work in the procurement procedure at the end of 2022:**

- Securing Dn 400 Filipești-Ghirdoveni and Dn 500 Filipești-Răzvad pipelines in the Cioc plateau area.

**Repair and rehabilitation works for NTS maintenance accepted at the end of 2022:**

- Repairs of above-crossing Cluj II;
- Securing Dn 150 mm MRS Măgureni connection pipeline, Măgureni area;
- Securing the Bistrita river undercrossing with a 300 mm Dn pipeline. Piatra Neamt- Bicz in Viișoara area;
- Securing the Dn 500 mm Abramut-Salonta-Arad pipeline in the area of the Abramut oil park (completed and under acceptance);
- Ø24" Paltin-Schitu Golești pipeline, Brasov county (completed in the process of acceptance);
- Repair of the Arad-Horia-Csanadpalota optical fiber network (finalised and under acceptance);
- Demolition of MRS Văsâiești building and MRS Comprél building;
- Demolition of building A located in 6 Carpați Street.

**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 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, 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 highlight 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, or to prepare documentation in order to obtain the Prefect's Order for entry into the field;
- The priority works were achieved inhouse (Mediaş Subsidiary and Regional Office).

### **5.3.2 NTS Maintenance Ensuring Services**

**The Maintenance Ensuring Services Plan 2022** has an allocated value of **lei 24.643.642,17**. By Resolution 26/28 July 2022 of the Board of Administration it was approved the increase of the budget allocated initially by the amount of lei 450.000.

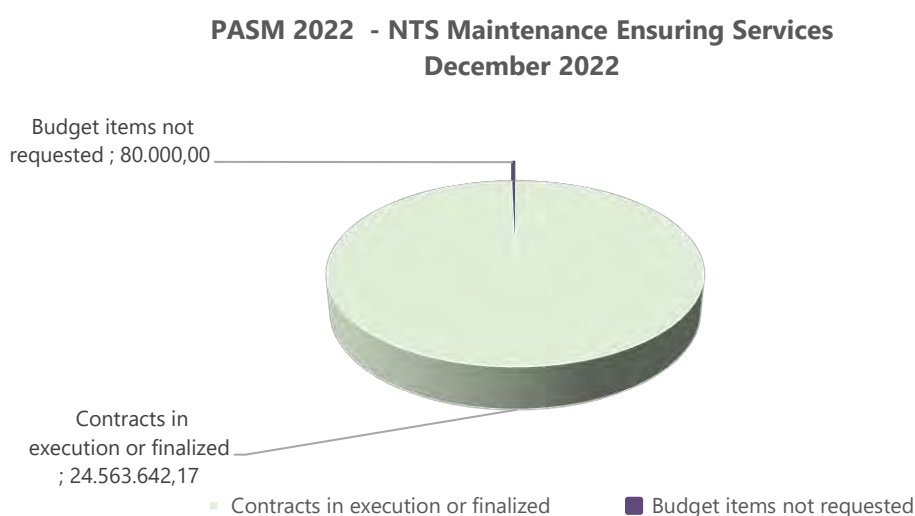
The total value of the achievements was **lei 21.363.347,28** , which represents a **86.69%** fulfilment of the programme compared to the total value of the NTS Maintenance Assurance Services programme of **lei 24.643.642,17** .

The budgeted amount for NTS maintenance services for 2022 in relation to the 93 budget lines provided (according to Rectification 18) was broken down as follows:

- a number of **82 items** with a total budget of **lei 24.563.642,17** have ongoing or completed contracts (orders) and at the end of 2022 recorded achievements amounting to **lei 21.363.347,28;**

- **3** service items with a budget allocation of **lei 80.000** are not requested. The items have amounts insured in case of emergencies (e.g. *Weather management services, Air transport services for operational interventions and inspections in the NTS*) or are amounts insured for services with low predictability needs (e.g. *Generator repair and maintenance services, compressor repair and maintenance services*).
- for **6 items** the budgeted amounts were redistributed in plan rectifications to other budget lines which required addition (budget reached zero):
  - *Overhauls and repairs to the automation installations of the Interconnection pipeline between the gas transmission system of Romania and the gas transmission system of the Republic of Moldova in the Iasi-Ungheni direction and Overhauls and repairs to the industrial communication system and optical fibre in the interconnection pipeline between the gas transmission system of Romania and the gas transmission system in the Iasi-Ungheni direction* - the objectives have not yet been taken over by ANRE;
  - *Inspection and repair services of automation systems and station I keyboards, and systems for measuring the operating parameters of Ingersoll Rand compressor units* - Ingersoll compressor units will be decommissioned in 2023;
  - *Technical services provided by a Technical Execution Manager* - qualified persons were identified within Transgaz;
  - *Service, maintenance of wall thickness gauges and inspection of the continuity of external pipe insulation and Specific mechanical machining services* - there were no requests for these services in 2022;
- **2 items** in the plan are foreseen only as a budget line and zero budget for 2022 because they are carried out every two years and most recently were carried out in 2021: *Aviation services for the detection of gas leaks from TGN pipelines and Underwater inspection services for Transit I DN 1000, Import DN 1000, Transit II DN1200 Line 1 and Line 2, Transit III DN1200 pipelines.*

The graphical representation of the budget allocation for the NTS Maintenance Ensuring Services at the end of 2022 is as follows:



**Chart 29 - PRRASM 2022 - NTS Maintenance Services – December 2022**

**The main contracts concluded in 2022:**

- services of verification and repair of the technological instrumental air installation, related to Solar Groups A and B of Station II Şinca - *Contract 71/03.02.2022;*
- maintenance and repair services for Sudocor-type odorization installations- *Contract 20/12.01.2022;*
- CIPS equipment checking and recalibration services- *Contract 149/23.03.2022;*
- volume converter repair services- *Contract 30/18.01.2022;*
- maintenance and repair services to detectors of odorization degree- *Contract 51/28.01.2022;*
- maintenance, repair and calibration services of portable H<sub>2</sub>S analysers, model Drager- *Contract 11/05.01.2022;*
- CASCO insurance services for motor vehicles- *Contract 76/08.02.2022;*
- technical expertise services for construction- *Contract 113/03.03.2022;*
- security systems maintenance services- *Contract 103/28.02.2022;*
- inspection and repair services of the automation systems in the Şinca Technological Node and the keypad of Station II and of the systems for measuring the operating parameters of the Solar A, B compressor groups- *Contract 191/12.04.2022;*
- inspection and repair services for underground pipe detection equipment- *Contract 232/09.05.2022;*
- calibration and repair services for metering, testing and control devices- *Contract 192/13.04.2022;*
- maintenance, overhaul and repair of lifting machinery- *Contract 287/10.06.2022;*
- maintenance, repair and calibration services of online water dew point temperature analyser model AURORA GE- *Contract 273/06.06.2022;*
- maintenance and repair services of portable dew point temperature analysers, model Cermax IS- *Contract 263/26.05.2022;*
- metrological reconfirmation (calibration) services at high pressure for turbine meters- *Contract 241/12.05.2022;*
- overhauls (preventive maintenance) and repairs (reactive maintenance) to automation installations in the NTS objectives (MRS, VCS, TN, GMS si GCS)–*Contract 404/10.08.2022;*
- cathodic protection station maintenance services –*Contract 371/19.07.2022;*
- smart pig inspection services of the natural gas transmission pipeline 40" Isaccea-Sendreni, L≈54km–*Contract 330/04.07.2022;*
- repair and maintenance services of pressure intervention equipment components – *Contract 293/17.06.2022;*
- turbine and rotary piston meter repair services –*Contract 373/26.07.2022;*
- services for overhaul and repair of import and transit gas metering systems –*Contract 419/16.08.2022;*
- repair and intervention services for MRSs and odour control systems of the TOTALGAZ type or with components produced by TOTALGAZ -*Contract 482/11.10.2022;*
- welding qualification and training services –*Contract 394/04.08.2022;*
- motor vehicle liability insurance services -*Contract 509/26.10.2022;*
- maintenance, overhaul, repair (service) of the equipment and devices of the Pipeline Diagnostic Laboratory -*Contract 583/24.11.2022;*
- repairs (reactive maintenance) to automation installations in NTS objectives (MRS, VCS, TN, GMS si GCS)-*Contract 612/15.12.2022.*

## 5.4 The procurement activity

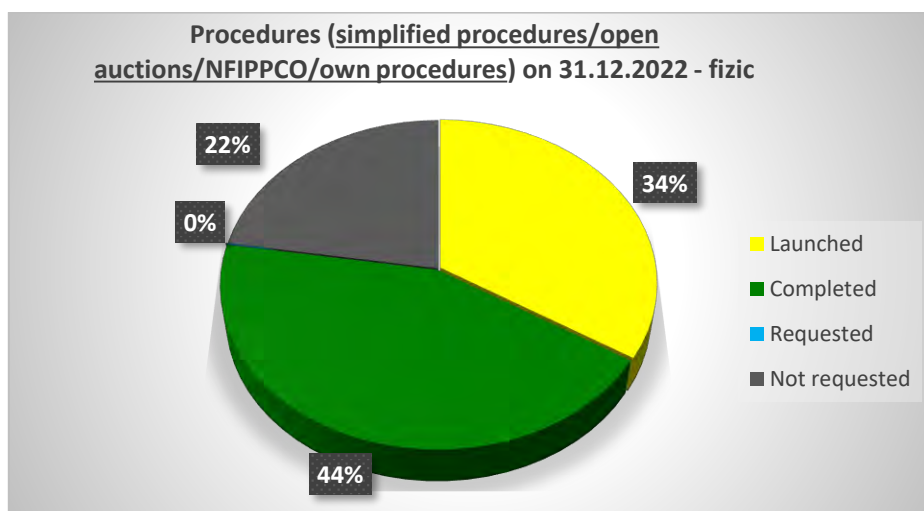
The **Annual Sectoral Procurement Plan** (PAAS) includes all contracts that the company is to award during a year, following the conduct of procurement procedures, direct procurement and framework agreements based on which subsequent contracts are awarded, in accordance with the provisions of Law 99/2016 on sectoral procurement, as further amended and supplemented.

The **Annual Sectoral Procurement Plan for 2022** (PAAS 2022) had an assigned value of lei 661.723.936,94 of which the value of PAAS TransGasDigital was of lei 2.200.000, but following the rectifications approved in 2022, the PAAS value was **lei 2.740.665.711,53**.

### **I. PROCUREMENT PROCEDURES (SIMPLIFIED PROCEDURES / OPEN AUCTIONS / NEGOTIATED PROCEDURE WITHOUT PRIOR CALL FOR COMPETITION (NFIPPCO) / OWN PROCEDURES) - PAAS 2022**

Based on the provisions of the PAAS 2022, out of **605 active positions**, following requests from interested divisions/units/departments, **264 procedures are completed (44%)**, **205 procedures (34%)** are currently **in progress**, and out of the total number of active positions in the plan, **136 positions** are not requested by interested divisions/units/departments (**22%**).

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



**Chart 30 – Actual status of procurement procedures on 31.12.2022**



**The value master table of procedures** (simplified procedures/open auctions/ NFIPPCO/ own procedures):

<b>Total procedures as at 31.12.2022 (lei)</b>	<b>1.584.335.259,60</b>	<b>%</b>
<b>Initiated, out of which:</b>	<b>763.102.396,33</b>	<b>48,17%</b>
-PAAS 2022	700.358.409,30	44,21%
-Annex 1 - Further procurements	62.743.987,03	3,96%
-Annex 2 - Social services	0,00	0,00%
<b>Completed, of which:</b>	<b>465.585.366,36</b>	<b>29,39%</b>
-PAAS 2022	85.148.238,73	5,37%
-Annex 1 - Further procurements	380.312.187,63	24,00%
-Annex 2 - Social services	124.940,00	0,01%
<b>Entered into the Sectoral Procurement and Contracting Division and not initiated, of which:</b>	<b>0,00</b>	<b>0,00%</b>
-PAAS 2022	0,00	0,00%
-Annex 1 - Further procurements	0,00	0,00%
-Annex 2 - Social services	0,00	0,00%
<b>Not requested, of which:</b>	<b>272.740.061,35</b>	<b>17,21%</b>
-PAAS 2022	268.501.421,35	16,95%
-Annex 1 - Further procurements	0,00	0,00%
-Annex 2 - Social services	4.238.640,00	0,27%

**NOTE:** From a value point of view, the sum of the percentages is less than 100%, the difference resulting between the estimated value of the procedures and the awarded value (less than the estimated value).

## II. DIRECT PROCUREMENTS:

Based on what is foreseen in the PAAS 2022, out of **1.368 active positions**, following requests from interested divisions/units/departments, **25 direct procurements** are currently **initiated (2%)**, **1.127 direct procurements are completed (82%)**, and out of the total active positions in the plan a total of **216 positions** are not requested by interested divisions/units/departments (16%).

Schematically the procurement procedures actual achievement is as follows:

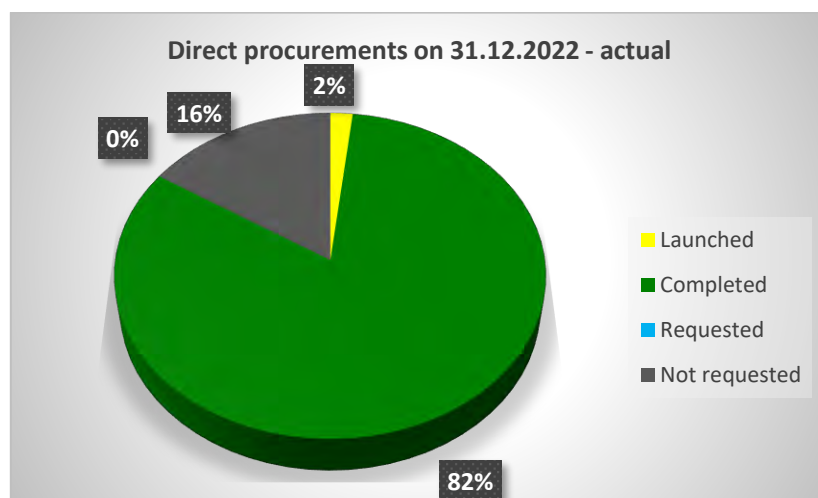


Chart 31 – Actual status of direct procurement on 31.12.2022

The value master table of direct procurements:

Total direct procurements as at 31.12.2022 (lei)	31.284.505,27	%
<b>Initiated, of which:</b>	<b>4.180.140,87</b>	<b>13,36%</b>
-PAAS 2022	4.165.140,87	13,31%
-Annex 1 - Further procurements	0,00	0,00%
-Annex 3 - Exceptions art. 35	15.000,00	0,05%
<b>Completed, din care:</b>	<b>9.659.081,47</b>	<b>30,87%</b>
-PAAS 2022	9.037.086,00	28,89%
-Annex 1 - Further procurements	434.491,94	1,39%
-Annex 3 - Exceptions art. 35	187.503,53	0,60%
<b>Entered into the Sectoral Procurement and Contracting Division and not initiated, of which:</b>	<b>0,00</b>	<b>0,00%</b>
-PAAS 2022	0,00	0,00%
-Annex 1 - Further procurements	0,00	0,00%
<b>-Annex 3 - Exceptions art. 35</b>	<b>0,00</b>	<b>0,00%</b>
<b>Not requested, of which:</b>	<b>16.820.145,85</b>	<b>53,77%</b>
-PAAS 2022	6.941.559,80	22,19%
-Annex 1 - Further procurements	0,00	0,00%
-Annex 3 - Exceptions art. 35	9.878.586,05	31,58%

**NOTE:** From a value point of view, the sum of the percentages is less than 100%, the difference resulting between the estimated value of the procedures and the awarded value (less than the estimated value).

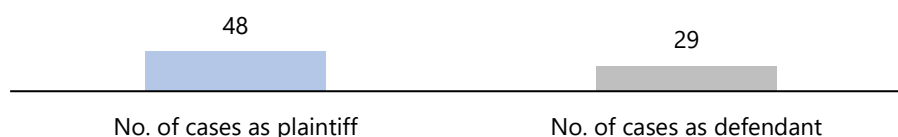
## 5.5 The legal assistance and representation activity

**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, in 2022, there were a total of **77 cases** in which SNTGN Transgaz SA was plaintiff and defendant:

- 48 cases as plaintiff;
- 29 cases as defendant;



**Chart 32 - Structure and number of cases in which the company was involved in 2022**

### Values:

- values of cases in which Transgaz is a plaintiff (files registered in 2022): **lei 214.426.404,6** and **EUR 4656**;
- values of cases in which Transgaz is a defendant (files registered in 2022): **lei 42.859.676,15** and **EUR 240.375**.

### Solutions:

- **23 favourable decision cases** Transgaz (final decisions);
- **12 unfavourable decision cases** Transgaz (final decisions).

## 5.6 International cooperation activity

In 2022 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 discussions to conclude cooperation agreements

In recent years, SNTGN Transgaz SA has initiated contacts with natural gas transmission operators in the European Union 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, GasConnect Austria, CEGH Austria, Energy Community Secretariat (SEEGAS initiative), etc.

- In February 2022, Transgaz and the Turkish company BOTAŞ signed a Memorandum of Understanding whereby the two parties express their intention to jointly support mutually beneficial projects and develop new directions of cooperation in the field of natural gas transmission and for the development of hydrogen projects;
- On 7 April 2022, on the sidelines of the annual Gas Infrastructure Europe (GIE) conference in Budapest, Transgaz and the gas transmission operators in Hungary, Poland and Slovakia, meaning FGSZ, Gas System and Eustream, signed a Memorandum of Understanding on hydrogen cooperation. The Memorandum aims at analysing the possibility to use at large scale the hydrogen produced from natural gas, for identifying technologies for the production of hydrogen to ensure the energy transition in accordance with the relevant European regulations;
- On 24 May 2022, in Davos, Transgaz signed a roadmap agreement with the Three Seas Initiative Investment Fund S.A. SICAV-RAIF, a trade fund dedicated to infrastructure investments in Central and Eastern Europe, to collaborate on the construction of a new, planned natural gas infrastructure in Romania. The agreement recognises the strategic and economic importance of investing in gas pipeline infrastructure in Romania. Given Romania's extensive domestic oil and gas reserves, further investment in gas transmission infrastructure is anticipated to drive economic development in the region, while also supporting European energy security and the energy transition in the Three Seas region. On 24 August 2022, the Director - General of the Slovak company Eustream, sent a letter to

the attention of the management of Transgaz, Bulgartransgaz and FGSZ proposing the possibility to consider using the existing infrastructure of Eustream, Transgaz, Bulgartransgaz and FGSZ as a basis for the recent strategic partnership between the EU and Azerbaijan, signed on 18 July, in order to guarantee increased Azerbaijani gas deliveries to the EU in the coming period. All four companies agreed to this possibility and agreed to send a joint letter to the President of the European Commission outlining the framework of this proposal and the benefits of using the existing infrastructure operated by the four TSOs.

- On 2 September 2022, representatives of the Centre for Research and Technology of Greece (CERTH) sent Transgaz an invitation to participate in their Horizon Europe application for the Small-Scale Hydrogen Valleys as part of a `competitive multinational consortium`. Transgaz received the proposal to participate as a `potential partner, in the perceived role of replication partner for green hydrogen technology and infrastructure development, to demonstrate replicability and scalability of the project, with the aim of facilitating the further deployment of Hydrogen Valleys in South East Europe`. Transgaz followed up on this proposal to join the CERTH application and the proposal was submitted on the EU portal on 20 September.
- On 8 December 2022, Transgaz signed the agreement to participate in the European Hydrogen Backbone (EHB) Working Programme for 2023, thus continuing the activities started under this initiative.

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

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

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

Transgaz is the sole shareholder of EUROTRANSGAZ SRL.

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

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

#### Consolidated companies in the Transgaz group:

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

*(thousand lei)*

Indicator	Consolidated statements 2022	Transgaz individual statements 2022	ETG, VMTG, adjustments 2022
0	1=2+3	2	3
Revenue from the domestic transmission activity	1.356.045	1.351.931	4.114
Revenue from the international transmission activity	73.927	73.927	0
Other revenue	149.312	149.329	-17
<b>Operating revenue before the balancing and construction activity according to IFRIC12</b>	<b>1.579.284</b>	<b>1.575.186</b>	<b>4.097</b>
Depreciation	435.410	423.650	11.760
Employees costs	495.132	491.588	3.544
Technological consumption, materials and consumables used	180.268	180.268	0
Cost of royalty	5.703	5.703	0
Maintenance and transmission	37.253	36.914	339
Taxes and duties due to the state	86.782	86.782	0
Revenue/ (Costs) of provisions for risks and charges	18.096	18.088	8
Other operating cost	169.460	167.697	1.763
<b>Operational profit before the balancing and the construction activity according to IFRIC12</b>	<b>146.316</b>	<b>159.632</b>	<b>-13.316</b>
Revenue from the balancing activity	1.005.544	1.005.544	-
Cost of balancing gas	1.005.544	1.005.544	-
Revenue from the construction activity according to IFRIC12	299.868	299.868	-
Cost of constructed assets according to IFRIC12	299.868	299.868	-
<b>Operational profit</b>	<b>146.316</b>	<b>159.632</b>	<b>-13.316</b>
Financial revenue	498.370	461.287	37.083
Financial cost	225.110	183.446	41.664
<b>Financial revenue, net</b>	<b>273.260</b>	<b>277.841</b>	<b>-4.581</b>
<b>Profit before tax</b>	<b>419.576</b>	<b>437.474</b>	<b>-17.898</b>
Profit tax expense	72.507	71.719	789
<b>Net profit for the period</b>	<b>347.068</b>	<b>365.755</b>	<b>-18.686</b>

Indicator	Consolidated statements 2022	Transgaz individual statements 2022	ETG, VMTG, adjustments 2022
0	1=2+3	2	3
Attributable to the parent company	351.895		351.895
Attributable to the non-controlling interests	-4.827		
Exchange rate differences	-8.396		
Actuarial gain/loss for the period	2.452	2.452	0
<b>Total comprehensive income for the period</b>	<b>341.124</b>	<b>368.207</b>	<b>-27.083</b>

**Table 19 - Indicators of consolidated economic and financial results (SNTGN Transgaz SA, Eurotransgaz SRL, Vestmoldtransgaz SRL)**

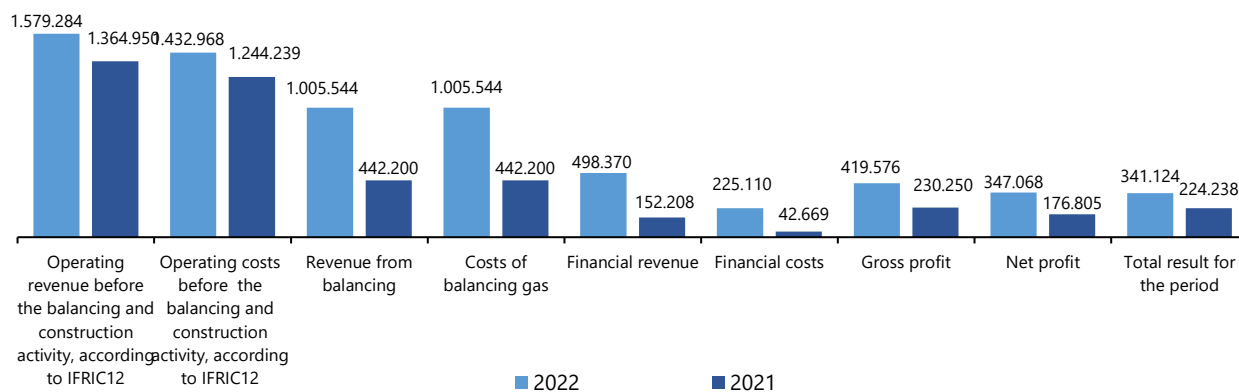
### Consolidated achievements 2022 compared to consolidated achievements 2021

The statement of the financial results achieved as at 31 December 2022 as compared to 2021 is presented below:

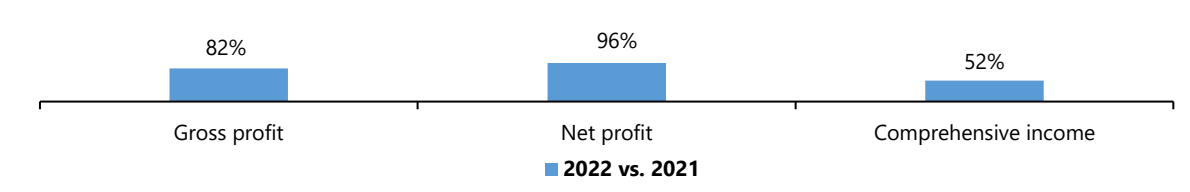
(thousand lei)

Name	Obtained 2022	Obtained 2021	Changes
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	1.579.284	1.364.950	16%
Revenue from the balancing activity	1.005.544	442.200	127%
Revenue from the construction activity according to IFRIC12	299.868	704.027	-57%
Financial revenue	498.370	152.208	227%
Operating costs before the balancing and construction activity, according to IFRIC12	1.432.968	1.244.239	15%
Costs of balancing gas	1.005.544	442.200	127%
Cost of assets according to IFRIC12	299.868	704.027	-57%
Financial costs	225.110	42.669	428%
<b>Total GROSS PROFIT, of which:</b>	<b>419.576</b>	<b>230.250</b>	<b>82%</b>
· from operation	146.316	120.711	21%
· from the financial activity	273.260	109.539	149%
Income tax	72.507	53.445	36%
<b>NET PROFIT</b>	<b>347.068</b>	<b>176.805</b>	<b>96%</b>
Exchange rate difference	-8.396	31.650	x
Actuarial gain/loss for the period	2.452	15.783	-84%
<b>Total comprehensive income for the period</b>	<b>341.124</b>	<b>224.238</b>	<b>52%</b>

**Table 20 –Consolidated financial results in 2022 compared to 2021**



**Chart 33 – Consolidated financial results in 2022 compared to 2021 (thousand lei)**



**Chart 34 - Consolidated financial results in 2022 compared to 2021 (%)**

The variation of the consolidated economic-financial indicators at 31 December 2022, compared to the indicators obtained in 2021 is mainly determined by the variation of the individual economic-financial indicators recorded by SNTGN Transgaz SA on 31 December 2022 compared to the indicators obtained in 2021.

The main impact of the subsidiaries in the consolidated result is determined by the evolution of the MDL (Moldavian leu) exchange rate compared to the EUR currency in which the source for financing the investment project carried out by the subsidiary was partially obtained and compared to the reporting currency of the consolidated financial statements (RON).

As of December 2022 Vestmoldtransgaz SRL of the Republic of Moldova provided gas delivery services amounting to MDL 16.588.399 (lei 4.114 thousand).



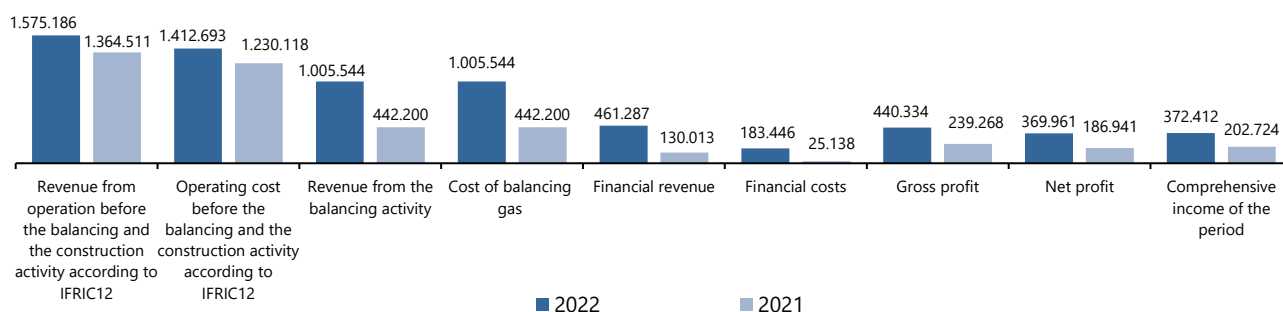
## 5.8 Individual financial results (factorial analysis of the individual activity)

### Individual achievements in 2022 vs. individual achievements in 2021

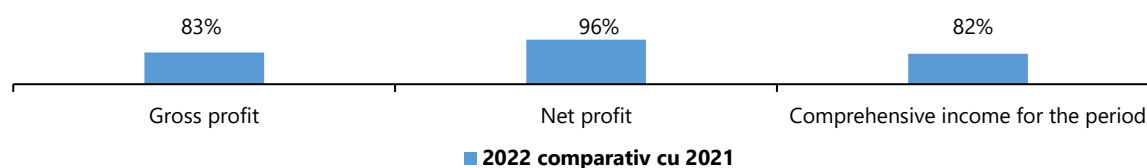
The individual financial results obtained in 2022 as compared to 2021 is as follows:

<i>(thousand lei)</i>			
Name	Obtained 2022	Obtained 2021	Changes
0	1	2	$3 = 1/2 \times 100 - 100$
Operating revenue before the balancing and construction activity, according to IFRIC12	1.575.186	1.364.511	15%
Revenue from the balancing activity	1.005.544	442.200	127%
Revenue from the construction activity according to IFRIC12	299.868	704.027	-57%
Financial revenue	461.287	130.013	255%
Operating costs before the balancing and construction activity, according to IFRIC12	1.415.554	1.230.118	15%
Costs of balancing gas	1.005.544	442.200	127%
Cost of assets according to IFRIC12	299.868	704.027	-57%
Financial costs	183.446	25.138	630%
<b>GROSS PROFIT -total, of which:</b>	<b>437.474</b>	<b>239.268</b>	<b>83%</b>
· from operation	159.632	134.393	19%
· from the financial activity	277.841	104.875	165%
Profit tax	71.719	52.327	37%
<b>NET PROFIT</b>	<b>366.755</b>	<b>186.941</b>	<b>96%</b>
Other elements of the comprehensive income	2.452	15.783	-84%
<b>Comprehensive income of the period</b>	<b>368.207</b>	<b>202.724</b>	<b>82%</b>

**Table 21 - Individual financial results in 2022 compared to 2021**



**Chart 35 - Individual financial results in 2022 compared to 2021 (thousand lei)**



**Chart 36 - Individual financial results in 2022 compared to Half I 2021 (%)**

**Operating revenue before the balancing and construction activity, according to IFRIC12** increased by **15%** as compared to obtained at 31 December 2021, which is higher by **lei 210.675 thousand**.

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

- *revenue from capacity booking* higher by **lei 238.854 thousand** due to:
  - *revenue from the auction premium* higher by lei 165.179 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points. Revenue from the auction premium at 31 December 2021 amounted to lei 13.545 thousand, and at 31 December 2022 to lei 178.724 thousand;
  - *capacity overrun revenue* higher by lei 6.175 thousand. Capacity overrun revenue at 31 December 2021 amounted to lei 69.562 thousand, and at 31 December 2022 to lei 75.737 thousand;
  - *average capacity booking tariff, determined by the structure of the booked products*, higher by lei 0,365/MWh, with a positive influence of lei 130.146 thousand;
  - *booked capacities* lower by 27.584.341 MWh, with a negative influence of lei 62.646 thousand;
- *commodity revenue* lower by **lei 51.342 thousand** due to:
  - *the gas transmitted capacities* lower by 11.181.596 MWh/994.203 thousand cm (▼7%), as compared to 31 December 2021, with a negative influence of lei 14.656 thousand, detailed by categories of consumers as follows:

		12 months 2022	12 months 2021	Differences
Quantity transmitted for direct consumers	MWh	68.472.756	68.657.931	-185.175
	thousand m <sup>3</sup>	6.185.284	6.237.780	-52.496
Quantity transmitted for distribution	MWh	73.495.131	84.491.552	-10.996.421
	thousand m <sup>3</sup>	6.846.782	7.788.489	-941.707
Total	MWh	141.967.887	153.149.483	-11.181.596
	thousand m <sup>3</sup>	13.032.066	14.026.269	-994.203

- *the commodity transmission tariff* lower by lei 0,25 lei/MWh, with a negative influence of lei 36.686 thousand;

The commodity tariffs decreased at 31 December 2022 as compared to 31 December 2021 mainly due to:

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

decreasing of the percentage by which the approved revenue is recovered by the application of the commodity tariff. In gas year 2020-2021 the variable component of the total revenue at the basis of the commodity tariffs is 20% of the total revenue, in gas year 2021-2022 it decreased to 15% of the total revenue;

- at the substantiation of the tariffs for gas years 2020-2021 and 2021-2022, the tax on the monopoly was not recognised by ANRE at the pass-through costs and implicitly at the regulated revenue.
- *international gas transmission revenue and similar* higher by **lei 1.889 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* higher by **lei 21.273 thousand**, mainly due to the recording to revenue of the grants obtained for the financing of the major investment projects following their completion and commissioning, higher by lei 24.048 thousand, the increasing of the revenue from penalties by lei 7.756 thousand and the decreasing of other revenue by lei 10.531 thousand.

*The revenue from the balancing activity* was higher by **lei 563.344 thousand** based on the following factors:

- trading price higher by lei 319,64/MWh, with a positive influence of lei 604.516 thousand;
- quantity lower by 194.163 MWh with a negative influence of lei 41.171 thousand.

*The revenue from the construction activity* lower by **lei 404.158 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 positive influence of **lei 331.274 thousand**, mainly due to the recording of the updating of the debt for the regulated value remaining unamortised of the regulated asset base at the end of the Concession Agreement with the inflation rate for 2022. While in 2021 an inflation rate of 5,05% (lei 87.970 thousand) was recorded, in 2022 the inflation rate was 13,80% (lei 286.877 thousand). Revenue from shareholdings recorded following the reduction of Eurotransgaz's share capital by EUR 21,67 million, amount received by Transgaz in Q I and Q IV 2022, also had a positive influence.

**Operating costs before the balancing and construction activity according to IFRIC12** increased by **15%** as compared to 31 December 2021, which is higher by **lei 185.436 thousand**.

**The company made savings of lei 22.714 thousand**, due to following cost elements:

- cost of auxiliary materials: lei 4.111 thousand;
- cost of monopoly tax: lei 1.257 thousand;
- other operating costs: lei 17.345 thousand, mainly due to the decrease in the expense with the impairment of current assets (lei 36.932 thousand), the capitalisation of the difference

between the costs of the technological consumption achieved over the approved one in the transmission tariff in accordance with the provisions of GEO 27/2022 in the amount of lei 3.345 thousand and the increase in energy and water costs by lei 11.530 thousand and in security and capacity booking services by lei 9.005 thousand.

**A surplus amounting to lei 208.149 thousand** was recorded to the following cost elements

- transmission system gas consumption of lei 76.425 thousand due to:
  - the average purchase price obtained higher by lei 100,17/MWh as compared to the one obtained at 31 December 2021, with a negative influence of lei 75.489 thousand;
  - the quantity of natural gas for NTS gas consumption higher by 9.171 MWh as compared to 31 December 2021, with a negative influence of lei 936 thousand;
- employee costs: lei 26.992 thousand;
- cost of depreciation: lei 72.595 thousand, based on the completion and commissioning of the major investment projects;
- cost of royalty for NTS concession: lei 758 thousand;
- cost of provision for risks and charges: lei 25.397 thousand mainly on account of establishing the provision for voluntary departures higher by lei 12.340 thousand and write back of provisions lower in 2022 by lei 6.292 thousand;
- cost of other taxes and duties: lei 1.838 thousand;
- costs of maintenance and transport: lei 4.144 thousand.

**The financial cost** is higher by **lei 158.308 thousand** mainly based on the cost of financial fixed assets transferred (lei 108.667 thousand), the interest expenses (lei 38.398 thousand) and the foreign exchange loss (lei 8.962 thousand).

By BoA Resolution 39/2021 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022 and by BoA Resolution 19/2022 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 8,52 million, amount received by Transgaz in Q IV 2022.

**Compared to 31 December 2021 the gross profit obtained at 31 December 2022 increased by 83%, which is higher by lei 198.205 thousand.**

### Individual achievements in 2022 compared to the Revenue and Expense Budget 2022

The main economic and financial indicators achieved in 2022 as compared to the Revenue and Expense Budget approved by OGMS Resolution no. 3/28 February 2022 are as follows:

(thousand lei)

Name	REB 2022	Obtained 2022	Changes
0	1	2	$3 = 1/2 \times 100 - 100$
Operating revenue before the balancing and the construction activity, according to IFRIC12	1.355.620	1.575.186	16%
Revenue from the balancing activity	553.023	1.005.544	82%
Revenue from the construction activity according to IFRIC12	532.410	299.868	-44%

Name	REB 2022	Obtained 2022	Changes
0	1	2	3=1/2x100-100
Financial revenue	150.115	461.287	207%
Operating costs before the balancing and construction activity, according to IFRIC12	1.392.444	1.415.554	2%
Costs of balancing gas	553.023	1.005.544	82%
Cost of assets according to IFRIC12	532.410	299.868	-44%
Financial costs	62.002	183.446	196%
<b>Total GROSS PROFIT, of which:</b>	<b>51.288</b>	<b>437.474</b>	<b>753%</b>
· from operation	-36.824	159.632	-533%
· from the financial activity	88.113	277.841	215%
Income tax	9.789	71.719	633%
<b>NET PROFIT</b>	<b>41.499</b>	<b>365.755</b>	<b>781%</b>

**Table 22 - Financial results in 2022 compared to the Budget for 2022**

**Operating revenue before the balancing and construction activity according to IFRIC12** increased by **lei 219.566 thousand** as compared to the REB.

The revenue was influenced by the following:

- Gas transmission services increased by **lei 217.234 thousand** due to:
  - *capacities booked* higher by 38.354.364 MWh with a positive influence of **lei 242.777 thousand**, increase also influenced by the invoicing of the counter value of overrun capacity booked related to 2022 (lei 75.737 thousand), in accordance with ANRE Order 1/18.01.2016, ANRE Order 14/30 March 2016 and ANRE Order 160/26 November 2015;
  - *the gas transmitted capacities* lower than planned by 8.681.957 MWh (▼6%) with a negative influence of **lei 25.543 thousand**;
- Revenue from international gas transmission services and similar decreased by **lei 3.442 thousand**;
- Other operating revenue increased by **lei 5.774 thousand** as compared to the REB. The Transgaz financial statements do not present the value of revenue from the production of tangible assets or the amount of the relevant expenses according to Order 2.844/2016 on the approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

**Revenue from the balancing** activity increased by **lei 452.521 thousand** based on the following:

- trading price higher by lei 286,81 lei/MWh, with a positive influence of lei 542.426 thousand;
- quantity lower by 367.146 MWh with a negative influence of lei 89.905 thousand;

**Financial revenue** increased by **lei 311.172 mii lei thousand** as compared to the REB mainly due to the recording of the updating of the regulated assets value with the inflation rate and to the

revenue from shareholdings recorded following the reduction of Eurotransgaz's share capital by EUR 21,67 million, amount received by Transgaz in Q I and IV 2022.

**Operating costs before the balancing and construction activity according to IFRIC12** increased by **2%** as compared to the approved plan, which is higher by **lei 23.110 thousand** as compared to the REB.

**Savings amounting to lei 154.568 thousand** were recorded mainly the following cost elements:

- employee costs: lei 44.890 thousand;
- costs auxiliary materials and other material costs: lei 18.698 thousand;
- costs of maintenance and transport: lei 43.076 thousand;
- transmission system gas consumption: lei 40.153 thousand;
- cost of taxes and duties: lei 7.752 thousand.

**A surplus of lei 177.677 thousand** was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: lei 855 thousand;
- cost of depreciation: lei 32.329 thousand;
- cost of provision for risks and charges: lei 13.319 thousand;
- other operating expense: lei 131.173 thousand mainly due to the impairment of current assets

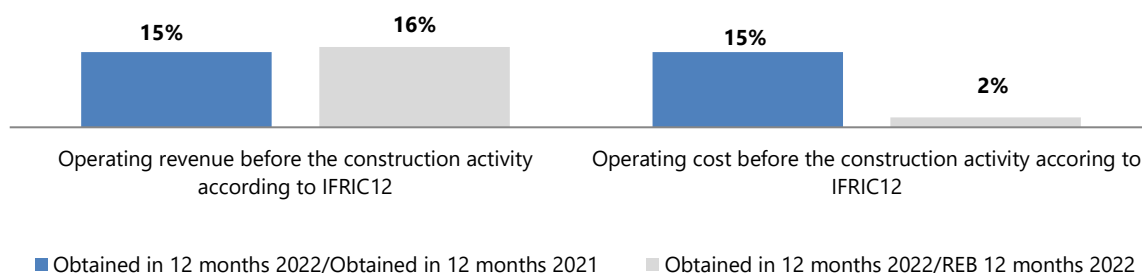
Through the REB 2022, a decrease in the adjustment of customer receivables was budgeted, on account of the collection of outstanding receivables recorded by Electrocentrale București. The beneficial impact of the collection of outstanding receivables recorded by Electrocentrale București was reduced by the establishment of adjustments for outstanding receivables recorded in the relation to Electrocentrale Constanta, Black Sea Oil&Gas SA and Gazprom Export LLC;

**The financial cost** is higher by **lei 121.444 thousand** as compared to the REB mainly based on the cost of financial fixed assets transferred. By BoA Resolution 39/2021 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022 and by BoA Resolution 19/2022 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 8,52 million, amount received by Transgaz in Q IV 2022.

**The gross profit increased by lei 386.185 thousand as compared to the REB.**

	Obtained in 12 months 2022 compared to Obtained in 12 months 2021	Obtained in 12 months 2022 compared to REB for 12 months 2022
Operating revenue before the balancing and construction activity, according to IFRIC12	15%	16%
Operating costs before the balancing and construction activity, according to IFRIC12	15%	2%
Gross result	83%	753%
Profit tax	37%	633%
Net profit	96%	781%

**Table 23– Obtained in 12 months 2022 compared to Obtained in 12 months 2021 and Obtained in 12 months 2022 compared to REB (%)**



**Chart 37 - Individual achievements in 12 months 2022 vs. individual achievements in 12 months 2021 and individual achievements in 12 months 2022 vs. REB for 12 months 2022**

### Individual achievements 2022 compared to the Management Plan 2022

The key financial performance indicators were substantiated on the basis of data from the company's Revenue and Expense Budget approved by OGMS Resolution No. 3/2022. 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 2022	Achieved 2022	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	1.112.356	918.441	121%	193.915
3.	Acid test ratio	1	1,39	139%	0,39
4.	Net leverage	5,5	2,78	198%	2,72
5.	EBITDA-thousand lei	354.495	583.282	165%	228.787

**Table 24 – Individual achievements in 2022 compared to the Management Plan 2022**

### 5.9 The tariff setting methodology

In 1 October 2021–30 September 2022 the regulated tariffs for the gas transmission services through the NTS are set based on ANRE Order 32/27 May 2021 on the approval of the National Transmission System gas transmission regulated revenue, total revenue and transmission tariffs .

GEO 27/2022 provides that in order to cover the additional costs related to own technological consumption and technological consumption, respectively, generated by the increase in prices on the wholesale market above the value taken into account by the regulator when calculating 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.

## 6. CONSOLIDATED ECONOMIC AND FINANCIAL STATEMENT

### 6.1 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 31.12.2022 as compared to 31.12.2021 is as follows:

Indicator	31.12.2022	31.12.2021	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2
Tangible assets	801.194	852.178	94,02%
Rights of use for the leased assets	16.935	19.617	86,33%
Intangible assets	3.909.592	3.997.051	97,81%
Financial assets	9.567	9.705	98,58%
Trade receivables and other receivables	2.141.205	1.788.571	119,72%
Deferred tax	0	353	0,00%
<b>Fixed assets</b>	<b>6.878.493</b>	<b>6.667.476</b>	<b>103,16%</b>
Inventories	613.183	311.708	196,72%
Commercial receivables and other receivables	346.798	612.007	56,76%
Cash at hand and in bank	418.667	414.955	100,89%
<b>Current assets –TOTAL</b>	<b>1.378.648</b>	<b>1.338.670</b>	<b>102,99%</b>
<b>TOTAL ASSETS</b>	<b>8.257.141</b>	<b>8.006.146</b>	<b>103,14%</b>
Debts to be paid over a one-year period	964.708	946.030	101,97%
Debts to be paid over a period of more than one year	3.151.524	3.091.747	101,93%
<b>Total debts</b>	<b>4.116.232</b>	<b>4.037.777</b>	<b>101,94%</b>



<b>Shareholders' equity</b>	<b>4.140.909</b>	<b>3.968.369</b>	104,35%
Non-controlling interests	82.818	93.549	88,53%
<b>Equity</b>	<b>4.058.091</b>	<b>3.874.820</b>	104,73%
Share capital	1.883.815	117.738	1600,01%
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	199.649	1.785.866	11,18%
Consolidation exchange rate differences	19.933	16.522	120,65%
<b>Total equity and debts</b>	<b>8.257.141</b>	<b>8.006.146</b>	<b>103,14%</b>

**Table 25- Statement of consolidated financial position in 2022 compared to 2021**

### **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 50.984 thousand** as compared to the value as at 31.12.2021, 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 decreased by lei 2.682 thousand as compared to 31 December 2021 due to the fact that the initial value of the leased assets contracts was exceeded by their depreciation cost .

### **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 company started to apply IFRIC 12, Service Concession Arrangements, adopted by the EU.

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

The company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right. 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 87.459 thousand** as compared with the value as at 31.12.2021, 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 2022 increased by the amount of lei 352.634 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 352.634 thousand compared to the value at 31 December 2021 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 increased in 2022 compared to 2021 due to the increase of the inflation rate in 2022 to 13,80% (5,05% in 2021) and the increase of the regulated asset base with the fixed asset entries in gas year October 2020-September 2021 in the amount of lei 1.297.561 thousand and the asset entries in the regulated asset base in gas year October 2021-September 2022 in the amount of lei 326.631 thousand.

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 2022 inventories increased by lei 301.475 thousand** compared to the value as at 31 December 2021, mainly due to the increasing of the value of the natural gas procured within the balancing activity.

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

**On 31 December 2022**, the balance of the commercial receivables and other receivables **decreased by lei 265.209 thousand** as compared to 31 December 2021, mainly due to the following factors:

- decrease of the client receivables balance by lei 139.535 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 42.126 thousand;
- decrease of the grants as subventions by lei 125.585 thousand;
- increase of the balance of other receivables by lei 42.037 thousand.

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

On 31 December 2022 the company's cash increased by lei 3.712 thousand as compared to the end of 2021. The cash in bank accounts in lei decreased by lei 75.429 thousand and the cash in bank accounts in currency increased by lei 79.110 thousand.

Other cash equivalent register an increase by lei 31 thousand compared with 2021.

### **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 2021:

- decrease of the balance of the commercial debt and other debt by lei 15.866 thousand;
- increase of the provision for risks and charges by lei 13.659 thousand;
- increase of the provision for employee benefit by lei 577 thousand;
- increase of the deferred revenue over the short term by lei 15.767 thousand;
- increase of short-term loans by lei 4.541 thousand.

### **Long-term debts**

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

- increase of long-term loans in the amount of lei 155.054 thousand;
- decrease of deferred revenue and of the subsidies by lei 100.664 thousand;
- increase of the provision for employee benefit by lei 4.854 thousand;
- the recording of the deferred tax in the amount of lei 3.053 thousand;
- decrease of the commercial debts and other debts in the amount of lei 2.521 thousand.

### **Equity**

On 7 December 2022 the Extraordinary General Meeting of the Shareholders approved the increase of the share capital of the company by incorporating the reserves constituted from the net profit of the previous financial years in the amount of lei 1.766.076 thousand, through the issuance of 176.607.660 new shares with a nominal value of lei10/share.

## **6.2 Consolidated comprehensive income**

The situation of the profit and loss account in 31 December 2022 compared to 31 December 2021:  
-thousand lei-

Specification	Obtained (thousand lei)		Dynamics (%)
	2022	2021	
0	1	2	3=1/2x100-100
<b>TOTAL revenue of which:</b>	<b>3.383.066</b>	<b>2.663.385</b>	<b>27,0%</b>
Operating revenue before the construction activity, according to IFRIC12 and balancing	1.579.284	1.364.950	15,7%
Revenue from the balancing activity	1.005.544	442.200	127,4%
Revenue from the construction activity according to IFRIC12	299.868	704.027	-57,4%
Financial revenue	498.370	152.208	227,4%
<b>TOTAL costs of which:</b>	<b>2.963.490</b>	<b>2.433.135</b>	<b>21,8%</b>

Specification	Obtained (thousand lei)		Dynamics (%)
	2022	2021	
Operating costs before the construction activity, according to IFRIC12, and balancing	1.432.968	1.244.239	15,2%
Cost of balancing	1.005.544	442.200	127,4%
Cost of constructed assets according to IFRIC12	299.868	704.027	-57,4%
Financial costs	225.110	42.669	427,6%
<b>GROSS PROFIT, of which:</b>	<b>419.576</b>	<b>230.250</b>	<b>82,2%</b>
Result from operation	146.316	120.711	21,2%
Financial result	273.260	109.539	149,5%
<b>PROFIT TAX</b>	<b>72.507</b>	<b>53.445</b>	<b>35,7%</b>
<b>NET PROFIT</b>	<b>347.068</b>	<b>176.805</b>	<b>96,3%</b>
<b>Total comprehensive income for the period</b>	<b>341.124</b>	<b>224.238</b>	<b>52,1%</b>

**Table 26 - Consolidated profit and loss account in 2022 compared to 2021**

### 6.3 Consolidated cash flow statement

The consolidated cash flow statement on 31 December 2022 is as follows:

Indicator	Financial year ended 31 December (thousand lei)	
	2022	2021
Profit before tax	419.576	230.250
Adjustments for:		
Depreciation	435.410	359.742
Gain/(loss) from the transfer of fixed assets	-452	-743
Provisions for risks and charges	13.759	-8.348
Write-down of inventories	13.249	849
Revenue from connection fees, grants and goods taken free of charge	-107.067	-82.528
Loss on amounts receivable and sundry debtors	1.696	248
Adjustment of impairment of receivables	42.126	90.592
Interest revenue	-50.740	-38.979
Interest expenses	55.752	13.563
Concession Agreement receivable adjustment	-286.877	-87.970
Provisions for employee benefits	2.342	1.239
Effect of discounting the provision for employee benefits	5.541	3.165
The effect of the currency exchange rate variation on other elements than operation	2.312	-761
Other costs and revenue	-835	0
Operating profit before the changes in working capital	<b>545.793</b>	<b>480.318</b>
(Increase)/decrease in trade and other receivables	110.454	-75.165
(Increase)/decrease in inventories	-320.636	-171.968
Increase/(decrease) in commercial debt and other debt	326.101	389.358

Indicator	Financial year ended 31 December (thousand lei)	
	2022	2021
<b>Cash from operations</b>	<b>661.713</b>	<b>622.543</b>
Received interest	-69.604	-7.370
Paid interest	1.278	973
Paid profit tax	-77.533	-24.096
<b>Net cash inflows from operation</b>	<b>515.853</b>	<b>592.050</b>
<b>Cash flow from investments</b>		
Payments for the acquisition of intangible assets	-598.243	-941.370
Payments for the acquisition of tangible assets	-18.801	-47.305
Receipts from the transfer of tangible assets	479	862
Cash from connection fees and non-reimbursable funds	133.209	206.422
<b>Net cash used in investment activities</b>	<b>-483.356</b>	<b>-781.391</b>
<b>Cash flow from financing activities</b>		
Equity increase	3.205	0
Disbursements on long term loans	0	403.248
Non-controlling interests	0	103.086
Repayments of long term loans	-143.485	-70.180
Credit drawings/payments for the working capital	291.740	-20.285
Leasing payments (IFRS 16)	-5.157	-4.704
Paid dividends	-175.089	-96.322
<b>Net cash used in financing activities</b>	<b>-28.786</b>	<b>314.843</b>
<b>Net change in cash and cash equivalents</b>	<b>3.711</b>	<b>125.503</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>414.955</b>	<b>289.452</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>418.667</b>	<b>414.955</b>

*Table 27 - Consolidated cash flow statements in 2022 compared to 2021*

The analysis of the cashflow in 2022 show an **increase of liquid assets by lei 3.712thousand** as compared to 2021.

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

- cash flow from operation is of lei 515.853 thousand, lower by lei 76.197 thousand than in 2021;
- cash flow from the investment activity is of lei -483.356 thousand, higher by lei 298.035 thousand than in 2021;
- cash flow used in the financing activity is of lei -28.786 thousand, lower by lei 343.629 thousand than in 2021.

## 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 2022	31 December 2021
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	717.466	130.464
USD depreciation by 10%	(717.466)	(130.464)
EUR appreciation by 10%	(48.434.205)	(45.921.358)
EUR depreciation by 10%	48.434.205	45.921.358

#### 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 6.204.117 (December 2021: lei 3.040.424).

#### 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 lower/higher by lei 8.799.596 (lower/higher by lei 7.912.653 in December 2021), 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 50% of the trade receivable balances as at 31 December 2022 (31 December 2021: 45%). 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 2022 the Company has payment guarantees from clients amounting to lei 346.445.075.

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

(lei)

	<b>31 December 2022</b>	<b>31 December 2021</b>
Without rating	336.387	331.743
BB+	146.038.192	168.203.478
BBB-	147.205.763	1.250.380
BBB	34.429.420	9.243
BBB+	90.012.913	244.753.841
A+	135.448	136.085
AA	319.570	112.021
	<b>418.477.693</b>	<b>414.796.791</b>

All financial institutions are presented to Fitch rating or equivalent.

## Liquidity risk

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

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

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

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

The tables below show the obligations as at 31 December 2022 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 2022 in terms of maturity is as follows:

(lei)

	<b>Total amount</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>
Loans	2.870.185.324	274.804.999	1.531.875.310	1.063.505.015
Commercial debts and other debts	561.713.941	547.535.460	14.178.481	-
	<b>3.431.899.265</b>	<b>822.340.459</b>	<b>1.546.053.791</b>	<b>1.063.505.015</b>

The analysis of financial liabilities on 31 December 2021:

(lei)

	<b>Total amount</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>
Loans	2.278.593.629	171.952.005	984.570.956	1.122.070.668
Commercial debts and other debts	588.649.616	571.950.291	16.699.325	-
	<b>2.867.243.245</b>	<b>743.902.296</b>	<b>1.001.270.281</b>	<b>1.122.070.668</b>

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

Categories of financial instruments:

(lei)

	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Financial assets</b>		
Cash and cash equivalents	233.977.930	249.195.225
Term bank deposits	184.688.625	165.759.831
Credits and receivables	2.434.068.467	2.344.915.484
Financial assets - shares	24.578.237	24.578.237
Adjustments for financial assets - shares	(24.578.237)	(24.578.237)
	<b>2.853.735.022</b>	<b>2.759.870.540</b>

	<b>31 December 2022</b>	<b>31 December 2021</b>
<b>Financial liabilities</b>		
Debts measured at depreciated cost:		-
Loans	2.190.892.341	2.031.297.592
Debts measured at fair value:		
-Financial guarantees related to contracts	44.668.511	50.028.771
-Commercial debts and other debts	504.810.001	522.356.500
	<b>2.740.370.853</b>	<b>2.603.682.863</b>

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



## Capital risk management

The company's objectives related to capital management refer to maintaining the Company's capacity to continue its activity in order to provide compensation to shareholders and benefits to the other stakeholders and maintain an optimal structure of the capital, as to reduce capital expenditure.

There are no capital requirements imposed from outside. Like the other companies in this sector, Transgaz monitors the capital based on the debt leverage. This factor is calculated as net debt divided by total capital.

The net debt is calculated as total borrowings (including `current and long-term borrowings`, as indicated in the statement of financial position), except cash and cash equivalent. The total capital is calculated as `equity`, according to the statement of financial position, plus the net debt.

The net leverage at 31 December 2022 and at 31 December 2021 is as follows:

(lei)

	31 December 2022	31 December 2021
Total loans	2.190.892.341	2.031.297.592
Less: cash and cash equivalents	(418.666.554)	(414.955.056)
Net cash position	1.772.225.786	1.616.342.536
Equity	4.140.908.265	3.968.368.332
Leverage	0,43	0,41

## 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. INDIVIDUAL ECONOMIC AND FINANCIAL STATEMENT

### 7.1 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 individual financial position as at 31.12.2022 as compared to 31.12.2021 is as follows:

Indicator	31.12.2022	31.12.2021	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2 -1
Tangible assets	418.132	454.059	-7,91%
Rights of use for the leased assets	16.935	19.617	-13,67%
Intangible assets	3.909.577	3.997.028	-2,19%
Financial assets	191.123	296.576	-35,56%
Trade receivables and other receivables	2.141.205	1.788.571	19,72%
Deferred tax	0	1.443	-100,00%
<b>Fixed assets</b>	<b>6.676.972</b>	<b>6.557.294</b>	<b>1,83%</b>
Inventories	609.877	308.541	97,66%
Commercial receivables and other receivables	335.331	536.070	-37,45%
Cash at hand and in bank	384.237	321.185	19,63%
<b>Current assets –TOTAL</b>	<b>1.329.445</b>	<b>1.165.796</b>	<b>14,04%</b>
<b>TOTAL ASSETS</b>	<b>8.006.417</b>	<b>7.723.090</b>	<b>3,67%</b>
Debts to be paid over a one-year period	956.858	929.707	2,92%
Debts to be paid over a period of more than one year	2.966.813	2.904.357	2,15%
<b>Total debts</b>	<b>3.923.671</b>	<b>3.834.064</b>	<b>2,34%</b>
<b>Shareholders' equity</b>	<b>4.082.746</b>	<b>3.889.026</b>	<b>4,98%</b>
Share capital	1.883.815	117.738	1500,01%
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	244.237	1.816.594	-86,56%
<b>Total equity and debts</b>	<b>8.006.417</b>	<b>7.723.090</b>	<b>3,67%</b>

**Table 28- Statement of individual financial position in 2022 compared to 2021**

### **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 35.927 thousand** as compared to the value as at 31.12.2021, 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 2.682 thousand as compared to 31 December 2021 due to the fact that the initial value of the leased assets contracts was higher 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 authority at the end of the concession agreement.

The company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right. 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 87.451 thousand** as compared with the value as at 31.12.2021, 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 by lei 105.453 thousand as compared to 31.12.2021** following the decrease 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. By BoA Resolution 39/2021 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022 and by BoA Resolution 19/2022 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 8,52 million, amount received by Transgaz in Q IV 2022.

### ***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 2022 increased by the amount of lei 352.634 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 352.634 thousand compared to the value at 31 December 2021 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 increased in 2022 compared to 2021 due to the increase of the inflation rate in 2022 to 13,80% (5,05% in 2021) and the increase of the regulated asset base with the fixed asset entries in gas year October 2020-September 2021 in the amount of lei 1.297.561,31 thousand and the asset entries in the regulated asset base in gas year October 2021-September 2022 in the amount of lei 326.631,19 thousand.

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 2022 inventories increased by lei 301.336 thousand** compared to the value as at 31 December 2021, due to the increase in the stock of natural gas purchased to cover technological consumption by lei 163.891 thousand, to the increase in the value of the natural gas procured within the balancing activity by lei 131.717 thousand and to the increase in the stock of raw materials and materials.

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

**On 31 December 2022**, the balance of the commercial receivables and other receivables **decreased by lei 200.739 thousand** as compared to 31 December 2021, mainly due to the following factors:

- decrease of the client receivables balance by lei 65.463 thousand mainly generated by the collection of the balance of the receivables from transmission and balancing;
- increase of the provisions for the impairment of the trade receivables and of other receivables by lei 42.126 thousand;
- decrease of the grants received as subventions by lei 125.585 thousand;
- decrease of debts to the state budget by lei 5.738 thousand;
- increase of the balance of other receivables by lei 38.173 thousand.

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

**On 31 December 2022 the company's cash increased by lei 63.052 thousand** as compared to the end of 2021. The cash in bank accounts in lei decreased by lei 55.987 thousand and the cash in bank accounts in currency increased by lei 119.008 thousand. Other cash elements and cash equivalent register an increase by lei 31 thousand compared with 2021.

### ***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 are recorded compared to 31 December 2021:

- decrease of the balance of the commercial debt and other debt by lei 2.938 thousand;

- increase of the provision for risks and charges by lei 13.752 thousand, mainly on account of registering the provision for voluntary departures;
- increase of the provision for employees benefits over the short term by lei 577 thousand;
- increase of the deferred revenue over the short term by lei 15.767 thousand;
- decrease of short-term loans by lei 6 thousand.

### Long-term debts

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

- increase of long-term loans by the amount of lei 159.580 thousand;
- increase of the provision for employees benefits by lei 4.854 thousand;
- decrease of deferred revenue and of the subsidies by lei 100.664 thousand;
- the recording of the payment deferred tax in the amount of lei 1206 thousand;
- decrease of the commercial debts and other debts in the amount of lei 2.521 thousand.

### Equity

On 7 December 2022 the Extraordinary General Meeting of the Shareholders approved the increase of the share capital of the company by incorporating the reserves constituted from the net profit of the previous financial years in the amount of lei 1.766.076 thousand.

## 7.2 Individual comprehensive income

The situation of the individual profit and loss account in 2022 compared to 2021:

Specification	Obtained 2022	Obtained 2021	Dynamics (%)
1	2	3	4=2/3*100
<b>TOTAL revenue of which:</b>	<b>3.341.886</b>	<b>2.640.751</b>	<b>126,55%</b>
Operating revenue before the construction activity, according to IFRIC12 and balancing	1.575.186	1.364.511	115,44%
Revenue from the balancing activity	1.005.544	442.200	227,40%
Revenue from the construction activity according to IFRIC12	299.868	704.027	42,59%
Financial revenue	461.287	130.013	354,80%
<b>TOTAL costs of which:</b>	<b>2.904.412</b>	<b>2.401.482</b>	<b>120,94%</b>
Operating costs before the construction activity, according to IFRIC12, and balancing	1.415.554	1.230.118	115,07%
Cost of balancing	1.005.544	442.200	227,40%
Cost of constructed assets according to IFRIC12	299.868	704.027	42,59%
Financial costs	183.446	25.138	729,77%
<b>Total GROSS PROFIT, of which:</b>	<b>437.474</b>	<b>239.268</b>	<b>182,84%</b>
<b>GROSS PROFIT, of which:</b>	<b>159.632</b>	<b>134.393</b>	<b>118,78%</b>
Result from operation	277.841	104.875	264,93%
Result from the financial activity	<b>71.719</b>	<b>52.327</b>	<b>137,06%</b>
<b>PROFIT TAX</b>	<b>365.755</b>	<b>186.941</b>	<b>195,65%</b>

Specification	Obtained 2022	Obtained 2021	Dynamics (%)
1	2	3	4=2/3*100
<b>Other elements of the comprehensive income</b>	<b>2.452</b>	<b>15.783</b>	<b>15,54%</b>
<b>Comprehensive income of the period</b>	<b>368.207</b>	<b>202.724</b>	<b>181,63%</b>

**Table 29 - Individual profit and loss account in 2022 compared to 2021**

### Operating revenue

Operating revenue before the balancing and the construction activity according to IFRIC 12 obtained in 2022 as compared to 2021 is as follows:

No.	Specification	Obtained (thousand lei)		Dynamics (%)
		2022	2021	
0	1	2	3	4=2/3*100
<b>1.</b>	<b>Revenue from the transmission activity</b>			
	- Thousand lei	1.351.931	1.164.419	116,10
	- MWh	141.967.887	153.149.483	92,72
	- lei/MWh	9,52	7,60	125,25
<b>3.</b>	<b>Revenue from the international transmission activity</b>			
	- Thousand lei	73.927	72.037	102,62
<b>4.</b>	<b>Other operating revenue</b>			
	- Thousand lei	149.329	128.055	116,61
<b>TOTAL OPERATING REVENUE before the balancing and the construction activity according to IFRIC12</b>		<b>1.575.186</b>	<b>1.364.511</b>	<b>115,44</b>

**Table 30 - Revenue from the operating activity –Obtained in 2022 compared to Obtained in 2021**

### Operating expense

The operating expense obtained in 2022 as compared to 2021:

No.	Specification	2022	2021	Dynamics (%)
0	1	2	3	4=2/3*100
<b>1.</b>	Depreciation	423.650	351.054	120,68
<b>2.</b>	Indemnities, salaries, other expenditures related to salaries and benefits to employees	491.588	464.596	105,81
<b>3.</b>	Technological consumption, materials and consumables used, of which:	185.132	112.818	164,10
	- Transmission system technological loss and consumption	152.430	76.005	200,55
	- technological consumption quantity - (MWh)	753.681	744.510	101,23
	- Auxiliary materials	30.562	33.474	91,30

No.	Specification	2022	2021	Dynamics (%)
	- Other material expenditures	2.140	3.339	64,10
4.	Expenditures related to royalties	5.703	4.946	115,32
5.	Maintenance and transport, of which:	36.914	32.769	112,65
	- Works, services performed by third parties	21.002	18.561	113,15
6.	Taxes and other amounts due to the State, of which:	86.782	86.201	100,67
	- Gas transmission and international transit license fee	12.862	10.784	119,26
	- Monopoly tax	65.551	66.808	98,12
7.	Cost of the provision for risks and charges	18.088	-7.308	X
8.	Other operating expense	167.697	185.042	90,63
<b>TOTAL OPERATING EXPENSE before the balancing and the construction activity according to IFRIC12</b>		<b>1.415.554</b>	<b>1.230.118</b>	<b>115,07</b>

*Table 31 - Operating costs obtained in 2022 compared to Obtained in 2021*

### 7.3 Individual cash flow statement

The cash flow statement on 31 December 2022 is as follows:

Indicator	Financial year ended 31 December (thousand lei)	
	2022	2021
Profit before tax	437.474	239.268
<i>Adjustments for:</i>	-	-
Depreciation	423.650	351.054
Gain/(loss) from the transfer of fixed assets	-452	-743
Provisions for risks and charges	13.752	-8.348
Write-down of inventories	13.249	849
Revenue from connection fees, grants and goods taken free of charge	-107.067	-82.528
Provisions for employee benefits	2.342	1.157
Loss on amounts receivable and sundry debtors	1.696	248
Adjustment of impairment of receivables	42.126	90.592
Interest revenue	-50.732	-38.975
Interest expenses	51.914	13.515
Concession Agreement receivable adjustment	-286.877	-87.970
The effect of the currency exchange rate variation on other elements than operation	-125	6.087
Other costs and revenue	-835	0
Effect of discounting the provision for employee benefits	5.541	3.165
Operating profit before the changes in working capital	545.655	487.371
(Increase)/decrease in trade and other receivables	45.564	-54.939
(Increase)/decrease in inventories	-320.447	-172.088

Indicator	Financial year ended 31 December (thousand lei)	
	2022	2021
Increase/(decrease) in commercial debt and other debt	343.602	377.412
<b>Cash from operations</b>	<b>614.373</b>	<b>637.756</b>
Received interest	-66.823	973
Paid interest	1.278	-5.089
Paid profit tax	-77.533	-24.096
<b>Net cash inflows from operation</b>	<b>471.296</b>	<b>609.545</b>
<b>Cash flow from investments</b>		
Payments for the acquisition of intangible assets	-596.564	-840.718
Payments for the acquisition of tangible assets	-18.831	-47.305
Financial investments/shares	105.453	-12.303
Receipts from the transfer of tangible assets	479	862
Cash from connection fees and non-reimbursable funds	133.209	206.422
<b>Net cash used in investment activities</b>	<b>-376.253</b>	<b>-693.042</b>
<b>Cash flow from financing activities</b>		
Disbursements on long term loans	0	320.000
Repayments of long term loans	-143.485	-70.180
Credit drawings/payments for the working capital	291.740	-20.285
Leasing payments (IFRS 16)	-5.157	-4.704
Paid dividends	-175.089	-96.322
<b>Net cash used in financing activities</b>	<b>-31.991</b>	<b>128.508</b>
<b>Net change in cash and cash equivalents</b>	<b>63.052</b>	<b>45.011</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>321.185</b>	<b>276.174</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>384.237</b>	<b>321.185</b>

**Table 32 - Individual cash flow statements in 2022 compared to 2021**

The analysis of the cashflow as at 31 December 2022 shows an increase of liquid assets by **lei 63.052 thousand** as compared to 31 December 2021.

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

- cash flow from operation is of lei 471.296 thousand, lower by lei 138.249 thousand than in 2021;
- cash flow from the investment activity is of lei -376.253 thousand, higher by lei 316.789 thousand than in 2021;
- cash flow used in the financing activity is of lei -31.991 thousand, lower by lei 160.500 thousand than in 2021.

As at 31 December 2022, the balance of liquid assets in the company's bank accounts was lei 384.048 thousand, of which 33,39% represented liquid assets denominated in foreign currency, mostly in EUR.



## 7.4 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 2022	31 December 2021
Impact on profit and loss and on equity of:		
USD appreciation by 10%	717.466	130.464
USD depreciation by 10%	(717.466)	(130.464)
EUR appreciation by 10%	(32.592.226)	(36.386.664)
EUR depreciation by 10%	32.592.226	36.386.664

(lei)

#### 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 6.204.117 (December 2021 : lei 3.040.424).

#### 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 7.916.887 (lower/higher by lei 6.981.227 in December 2021), 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 50% of the trade receivable balances as at 31 December 2022 (31 December 2021: 45%). 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 2022 the Company has payment guarantees from clients amounting to lei 346.445.075.

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

	31 December 2022	31 December 2021
Without rating	336.387	331.743
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A+	135.448	136.085
AA	319.570	112.021
	<b>384.048.273</b>	<b>321.026.996</b>

(lei)

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 2022 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 2022 in terms of maturity is as follows:

	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	560.594.670	546.416.189	14.178.481	-
	<b>3.195.388.724</b>	<b>809.845.397</b>	<b>1.460.648.813</b>	<b>924.894.514</b>

(lei)

The analysis of financial liabilities on 31 December 2021:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	2.071.100.560	169.478.217	924.070.250	977.552.093
Commercial debts and other debts	572.954.064	556.254.739	16.699.325	-
	<b>2.644.054.624</b>	<b>725.732.956</b>	<b>940.769.575</b>	<b>977.552.093</b>

(lei)

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:

	31 December 2022	31 December 2021
<b>Financial assets</b>		
Cash and cash equivalents	199.548.510	155.425.430
Term bank deposits	184.688.625	165.759.831
Credits and receivables	2.423.462.073	2.268.837.728
Financial assets - shares	215.700.939	321.154.407
Adjustments for financial assets - shares	(24.578.237)	(24.578.237)
	<b>2.998.821.910</b>	<b>2.886.599.159</b>

(lei)

	31 December 2022	31 December 2021
<b>Financial liabilities</b>		
Debts measured at depreciated cost:		-
-Loans	2.003.481.321	1.843.906.821
Debts measured at fair value:		-
-Financial guarantees related to contracts	44.668.511	50.028.771
-Commercial debts and other debts	501.747.678	506.225.968
	<b>2.549.897.510</b>	<b>2.400.161.560</b>

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

### Capital risk management

The company's objectives related to capital management refer to maintaining the Company's capacity to continue its activity in order to provide compensation to shareholders and benefits to the other stakeholders and maintain an optimal structure of the capital, as to reduce capital expenditure.

There are no capital requirements imposed from outside.

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

The net debt is calculated as total borrowings (including `current and long-term borrowings`, as indicated in the statement of financial position), except cash and cash equivalent. The total capital is calculated as `equity`, according to the statement of financial position, plus the net debt.

The net leverage at 31 December 2022 and at 31 December 2021 is as follows:

	31 December 2022	31 December 2021
Total loans	2.003.481.321	1.843.906.821
Less: cash and cash equivalents	(384.237.135)	(321.185.261)
Net cash position	1.619.244.186	1.522.721.560
Equity	4.086.951.406	3.889.027.037
Leverage	0,40	0,39

(lei)

### 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.

## 8. CORPORATE GOVERNANCE

**Corporate governance** is a concept with a very broad connotation, including the totality of systems and processes put in place to manage and control a company to increase its performance and value. In practical terms, it refers to the effectiveness of management systems, emphasising the role of the Board of administration, the accountability and remuneration of board members, the credibility of financial statements and the effectiveness of risk management systems.

Corporate governance defines the totality of principles, rules and regulations that ensure the administration and management of the company by its managers in the interest of current and potential investors. In its context, managers are studied in relation to shareholders. As it is a relationship that also includes other stakeholders, governance is also of wider interest.

In principle it refers to the decision and control support in a company, achieved through formal and informal rules and procedures, internal or externally imposed by competent bodies, implemented at both strategic and operational levels.

In detail, corporate governance refers to how the rights and responsibilities are divided between the categories of participants in the company's activities, such as the board of administration, managers, shareholders, and other interest groups, while also specifying how business decisions are made, how to define strategic objectives, how to reach them and how to monitor economic performance.

The practice confirms the need to intensify efforts to accept corporate governance, as it has been noted that organisations which are committed to implementing its principles managed to maximise their performance. The general and specific strategic objectives of Transgaz are set in the context of the alignment with the requirements of the new European energy policy on energy security and safety, sustainable development and competitiveness.

In this context, the implementation and development of corporate governance principles as well as the development of responsible, transparent business practices, is increasingly becoming a necessity in the substantiation and application of business strategies and business policies.

By subscribing to this aim, Transgaz aims to provide, by its own Corporate Governance Rules, a rigorous framework for sizing and regulating corporate governance principles at the company level.

**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.

The updated corporate governance reference document has a structure in line with corporate governance requirements and comprises **7 chapters**, as follows::

Chapter 1 - **Corporate Governance Structures:** Management System, Board of Administration, Advisory Committees, Executive Management.

Chapter 2 - **The Board of Administration:** Role and Obligations of the Board of Administration, Structure of the Board of Administration, Election of the Members of the Board of Administration, Remuneration of the Members of the Board of Administration.

Chapter 3 - **Shareholders` rights:** Shareholder Rights, Shareholder Treatment.

Chapter 4-**Transparency and reporting, internal audit and risk management:** Transparency and Reporting, Internal Audit and Risk Management.

Chapter 5 - **Conflict of interests and important transactions with affiliated parties:** Code of Ethics of SNTGN Transgaz SA, Conflict of Interests; *Important Transactions with Affiliated Parties.*

Chapter 6 - **Corporate information regime**

Chapter 7 - **Social responsibility**

## CORPORATE GOVERNANCE STATEMENT

### I. STATEMENT OF COMPLIANCE WITH THE CODE

### II. CORPORATE GOVERNANCE STATEMENT ITEMS

- Section A - Information on the composition, responsibilities and activities of the Board and the Committees.
- Section B - Risk and internal control information.
- Section C - Remuneration Information.
- Section D - Shareholder Information.

### I. STATEMENT OF COMPLIANCE WITH THE CODE

SNTGN Transgaz SA as a company listed on BVB 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 BVB 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 BVB, SNTGN TRANSGAZ SA reported to the market the compliance with another provision A.2., and on 3 May 2022 the compliance with provision C.1. of the New BSE Code of Corporate Governance was reported. Any further compliance of the company in this respect will be reported to the capital market.

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

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
<b>Section A-Responsibilities</b>			
<b>A.1</b>	All companies must have an internal Board Regulation that includes the terms of reference / responsibilities of the Board and the key management functions of the company and which applies, inter alia, the General Principles of Section A.	X	
<b>A.2</b>	Provisions for managing conflicts of interest should be included in the Board Regulation. In any event, Board members must notify the Board of any conflicts of interest that have arisen or may arise and refrain from participating in the discussions (including by non-attendance, unless the failure to attend would hamper the formation of the quorum) and from the vote for the adoption of a decision on the issue giving rise to the conflict of interest concerned.	X	
<b>A.3</b>	The Board of Administration or the Supervisory Board must be composed of at least 5 members.	X	
<b>A.4</b>	Most members of the Board of Administration should not hold executive positions. At least one member of the Board of Administration or the Supervisory Board must be independent in the case of companies from the Standard Category. In the case of Premium Category companies, no less than two non-executive members of the Board of Administration or the Supervisory Board must be independent. Each independent member of the Board of Administration or the Supervisory Board, as the case may be, must file a statement at the time of his/her nomination for election or re-election, and when any change of his/her status occurs, indicating the elements based on which he/she is considered as independent from the point of view of his/her character and judgment and according to the following criteria:	X	
	<b>A.4.1.</b> He / she is not the General Manager / Chief Executive Officer of the company or of a company controlled by the company and has not held such a position in the last 5 years.	X	

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
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		
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.	X		
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.	X		
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.	X		
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.	X		
A.4.8. He/she has not been a non-executive administrator of the company for more than 12 years.	X		
A.4.9. He/she has no family ties with a person in the cases mentioned in A.4.1 and A.4.4.	X		
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	X		



The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
	investors prior to nomination and during his/her term of office.			
<b>A.6</b>	Any member of the Board must report to the Board any relationship with a shareholder directly or indirectly owning shares representing more than 5% of all voting rights. This obligation refers to any relationship that may affect the member's position on matters decided by the Board.		X	Information will be requested from Board of Administration members Transgaz will send to the BSE a current report at the time of compliance.
<b>A.7</b>	The company must designate a Board Secretary responsible for supporting the work of the Council.	X		
<b>A.8</b>	The Corporate Governance Statement will inform whether a Board assessment has taken place under the leadership of the Chairman or the nomination committee and, if so, will summarize the key measures and the resulting changes. The company must have a policy / guidance on the Council's assessment with regard to the purpose, criteria and frequency of the assessment process.		X	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. 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.
<b>A.9</b>	The corporate governance statement should contain information on the number of Board and committee meetings over the	X		

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
<b>A.10</b>	X		
<b>A.11</b>	X		
<b>Section B - Risk Management System and Internal Control System</b>			
<b>B.1</b>	X		
<b>B.2</b>	X		
<b>B.3</b>	X		
<b>B.4</b>	X		

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
	the submission of relevant reports to the Board.			
<b>B.5</b>	The audit committee should assess the conflicts of interest in relation to the transactions of the company and its subsidiaries with affiliated parties.	X		
<b>B.6</b>	The audit committee should assess the effectiveness of the internal control system and risk management system.	X		
<b>B.7</b>	The Audit Committee should monitor the application of generally accepted legal standards and auditing standards. The Audit Committee should receive and evaluate internal audit team reports.	X		
<b>B.8</b>	Whenever the Code mentions reports or analyses initiated by the Audit Committee, they should be followed by regular reports (at least annually) or ad-hoc reports to be submitted to the Board.	X		
<b>B.9</b>	No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements entered into by the company with shareholders and their affiliates.	X		
<b>B.10</b>	The Board must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relationships with a value equal to or greater than 5% of the net assets of the company (according to the latest financial report) is approved by the Board following a binding opinion of the Board's Audit Committee and properly disclosed to shareholders and potential investors, to the extent that such transactions fall within the category of events subject to reporting requirements.		X	This policy will be developed and approved in accordance with the BoA Rules of Procedure and organization and the Articles of Incorporation.
<b>B.11</b>	Internal audits should be performed by a separate structural division (audit department) within the company or by hiring an independent third party.	X		
<b>B.12</b>	In order to ensure the main functions of the internal audit department, it must report functionally to the Board through the audit committee. For administrative purposes and within the management's responsibility to monitor and mitigate risks,	X		

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
it must report directly to the Director General.			
<b>Section C – Fair rewards and motivation</b>			
<p><b>C.1</b></p> <p>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.</p> <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>	X		
<b>Section D-Building value by the relationship with investors</b>			
<p><b>D.1</b></p> <p>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</p>	X		

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
	information of interest to investors, including:			
	<b>D.1.1.</b> Main corporate regulations: the Articles of Incorporation, the procedures for the general meetings of the shareholders.	X		
	<b>D.1.2.</b> Professional CVs of members of the company's governing bodies, other professional engagements of Board members, including executive and non-executive positions in boards of administration in non-profit companies or institutions.	X		
	<b>D.1.3.</b> Current reports and regular reports (quarterly, half-yearly and annually) - at least those under D.8 - including current reports with detailed information on non-compliance with this Code;	X		
	<b>D.1.4.</b> Information on the general meetings of the shareholders: agenda and informative materials; the procedure for electing the members of the Board; the arguments that support the proposals of candidates for election in the Board together with their professional CVs; the shareholders' questions about the agenda items and the company's replies, including the resolutions adopted.		X	The Company partially applies this provision, in accordance with art. 29 of GEO 109/2011 on Corporate Governance of Public Enterprises, as subsequently amended and supplemented.
	<b>D.1.5.</b> Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of the rights of a shareholder, including the deadlines and the principles applied to such operations. Such information will be published within a time frame that will allow investors to make investment decisions.	X		
	<b>D.1.6.</b> Names and contact details of a person who will be able to provide relevant information upon request.	X		
	<b>D.1.7.</b> Company presentations (e.g., investor presentations, quarterly results presentations, etc.), financial statements (quarterly, half-yearly, annually), audit reports, and annual reports.	X		
<b>D.2</b>	The Company will have a policy on the annual distribution of dividends or other benefits to shareholders proposed by the		X	The distribution of the company's profits is made in accordance with

The provisions of the new Code	Compliant	Non-compliant or partially compliant	Reason for non-compliance
<p>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.</p>			<p>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 administrations, as amended.</p>
<p><b>D.3</b> The company will adopt a policy in relation to the forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of studies aimed at determining the overall impact of a number of factors over a future period (so-called assumptions): by its nature, this projection has a high level of uncertainty, the actual results may differ significantly from the forecasts originally presented. The forecasting policy will determine the frequency, the period considered and the content of the forecasts. If published, the forecasts can only be included in the annual, half-yearly or quarterly reports. The forecasting policy will be published on the company's website.</p>		<p>X</p>	<p>The activity of the company is regulated by ANRE. The management plan of Transgaz includes the management strategy during the mandate. It is rigorously structured and includes strategic action directions for managing all the resources, operational and management processes of the company in order to achieve, with maximum efficiency, the established performance targets.</p>
<p><b>D.4</b> The rules of the general meetings of the shareholders must not limit the participation of shareholders to general meetings and the exercise of their rights. Changes to the rules will take effect at the earliest, starting with the next meeting of the shareholders.</p>	<p>X</p>		
<p><b>D.5</b> External auditors will be present at the general meeting of the shareholders when their reports are presented at these meetings.</p>	<p>X</p>		
<p><b>D.6</b> The Board will give a brief assessment to the Annual General Meeting of the Shareholders on the internal control and risk management systems as well as opinions on matters subject to the decision of the general meeting.</p>	<p>X</p>		<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>

The provisions of the new Code		Compliant	Non-compliant or partially compliant	Reason for non-compliance
<b>D.7</b>	Any specialist, consultant, expert, or financial analyst may attend the meeting of the shareholders on the basis of a prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	X		
<b>D.8</b>	The quarterly and half-yearly financial reports will include both Romanian and English information on the key factors that affect changes in sales, operating profit, net profit and other relevant financial ratios from one quarter to another quarter, and from one year to another.	X		
<b>D.9</b>	A company will hold at least two meetings / teleconferences with analysts and investors each year. The information presented on these occasions will be published in the Investor Relations section of the company's website at the date of the meetings / teleconferences.	X		
<b>D.10</b>	If a company supports different forms of artistic and cultural expression, sporting activities, educational or scientific activities, and considers that their impact on the innovation and competitiveness of the company is part of its mission and development strategy, it will publish its activity policy in this area.	X		

## II. CORPORATE GOVERNANCE STATEMENT ITEMS

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

#### 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 07.12.2022, or the applicable laws.

The management of Transgaz is provided by a Board of Administration formed mostly by non-executive and independent administrators within the meaning of Art.138<sup>2</sup> of the Companies Law no. 31/1990, republished, as further amended and supplemented.

The Board of Administration is composed of 5 members that guarantee the efficiency of the supervisory, analysing and evaluating capacity of the company as well as the fair treatment of the shareholders. Members of the Board of Administration are elected by the General Meeting of Shareholders for a four-year term. 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 07.12.2022 and approved by the General Meeting of the Shareholders by Resolution 11/07.12.2022, 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 BVB, 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 . Later, during the meeting of the Board of Administration held on 08.12.2022, it was approved in Art.1 of BoA Resolution 37/08.12.2022 the modification of the Internal Rules on the organization and functioning of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA, also aiming at the changing of the name of the following advisory committees:

- The NTS Safety and Security Advisory Committee became the NTS Regulatory, Safety and Security Advisory Committee;
- The Strategy and Development Advisory Committee became the Strategy, Sustainability and Equal Opportunities Advisory Committee ;
- The Advisory Committee on Regulatory Affairs and Relations with Public Authorities became the Corporate Governance and Relations with Public Authorities Advisory Committee.

The structure of the Transgaz Board of Administration ensures a balance between executive and non-executive members, so that no individual or restricted group of persons can dominate the decision-making process of the Board of Administration.



The decision-making process within the company will remain a collective responsibility of the Board of Administration, which will be held jointly and severally responsible for all decisions taken in the exercise of its powers. The renouncement of the mandate by independent administrators shall be accompanied by a detailed statement of the reasons for such renouncement.

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 3/22.04.2021 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
NICOLAE MINEA	Independent, Non-Executive Administrator

By OGMS Resolution 9/14.12.2021, the Mr Csaba Orosz and Ms Mihaela Virginia Toader were appointed administrators , as provisional members, for a maximum term of office of 4 months, starting on 17.12.2021, with the possibility of extending the term of office by another 2 months, until the completion of the selection procedure, and by OGMS Resolution 4/17.06.2021 it was approved the extension of the mandate of the provisional members by two months from the date of expiry, meaning 17.04.2022.

Subsequently, by OGMS Resolution 6/14.06.2022 it was approved the appointment Mr Csaba Orosz and Mr Gheorghiuță Agafitei as provisional members of the Board of Administration for a maximum term of office of 4 months, starting on 17.06.2022, with the possibility of extending the term of office by another 2 months, until the completion of the selection procedure, and by OGMS Resolution 9/12.10.2022 it was approved the extension of the Transgaz Board of Administration interim members mandate duration by two months from the expiry date, meaning 17 October 2022.

Then, by OGMS Resolution 10/07.12.2022 it was approved the appointment of Mr. Csaba Orosz and Mr. Gheorghiuță Agafitei as interim member of the Board of Administration with a maximum mandate period of 4 months, starting with 17.12.2022 with the possibility for the mandate extension by other two months until the completion of the selection procedure.

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

### **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 2022 39 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)
STERIAN ION	39	-
PETRU ION VĂDUVA	36	3 by empowered person
MINEA NICOLAE	38	1 by empowered person
OROSZ CSABA	39	-
TOADER MIHAELA VIRGINIA	19	-
AGAFIȚEI GHEORGHIȚĂ	16	4 by empowered person

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 and supplemented, may not be executive directors or Subsidiary directors.

According to Art. 19 (8<sup>1</sup>) of the Articles of Incorporation, updated on 07.12.2022, 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 internal regulation on the organization and functioning 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 regulation of organization and functioning 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 Company set up a Nomination and Remuneration Committee to coordinate the process of appointing Board members and to make recommendations for both the position of administrator and the Board of Administration vacancies, in accordance with GEO 109/2011 on Corporate Governance of Public Enterprises, as further amended and supplemented.

In case of a Board 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 functioning of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA, as follows:

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

**The Internal Rules on the organization and functioning of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA**, updated on 08.12.2022, can be found on its own website in the [www.transgaz.ro/Relatii\\_investitori/Guvernanta\\_Corporativa](http://www.transgaz.ro/Relatii_investitori/Guvernanta_Corporativa) section.

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

<b>ADVISORY COMMITTEE</b>	<b>MENTIONS</b>	<b>DUTIES</b>
<b>THE NOMINATION AND REMUNERATION COMMITTEE</b>	<ul style="list-style-type: none"> <li>▪ shall consist of at least two members of the Board of Administration in accordance with Article 140<sup>2</sup>(1) of Law 31/1990 on companies, republished as amended;</li> <li>▪ shall consist of non-executive administrators, at least one of the committee members shall be an independent non-executive administrator, in accordance with Article 140<sup>2</sup>(1) of Law 31/1990 on companies, republished as amended, and Article 34(4) of GEO 109/2011 on corporate governance of public companies.</li> </ul>	<ul style="list-style-type: none"> <li>▪ coordinates the appointment process of the members of the Board of Administration;</li> <li>▪ draws up and proposes to the Board of Administration the procedure for electing the members of the Board of Administration;</li> <li>▪ makes recommendations regarding both the position of administrator and the filling of Board of Administration vacancies;</li> <li>▪ assess the accumulation of professional skills, knowledge and experience at Board of Administration, directors and other management positions;</li> <li>▪ establishes the requirements for a particular position in the management of the company;</li> <li>▪ draws up and proposes to the Board of Administration the procedure for the selection of candidates for the position of director and other management positions;</li> <li>▪ recommends to the Board of Administration candidates for the positions listed;</li> <li>▪ applies best corporate governance practices by improving the knowledge of the company's business and continuously updating the professional skills of the members of the Board of Administration;</li> <li>▪ draws up the remuneration policy for administrators;</li> <li>▪ submit the remuneration policy to the General Meeting of Shareholders for approval;</li> <li>▪ makes proposals for the remuneration of directors and other management functions;</li> <li>▪ informs about the remuneration policy in the Articles of Incorporation/Corporate Governance Regulations of the company;</li> <li>▪ present in the Annual Report the total amount of the direct and indirect remuneration of administrators and directors, separately by fixed and variable component of such remuneration; in determining the remuneration of non-executive administrators, it shall respect the principle of proportionality of such remuneration to the responsibility and time dedicated to the performance of their duties;</li> <li>▪ prepares an annual report on the remuneration and other benefits granted to administrators and directors during the</li> </ul>

ADVISORY COMMITTEE	MENTIONS	DUTIES
		<p>financial year, which is submitted to the general meeting of shareholders and contains the information provided for in Article 55(3) of GEO no. 109/2011 on corporate governance of public companies;</p> <ul style="list-style-type: none"> <li>▪ can, if necessary, call on the external experts to carry out the required tasks.</li> </ul>
<p><b>AUDIT AND RATING COMMITTEE</b></p>	<ul style="list-style-type: none"> <li>▪ shall consist of at least three members of the Board of Administration and the majority of the members must be independent, in accordance with Article B.1. of the BSE Code of Corporate Governance;</li> <li>▪ shall be composed of non-executive administrators, at least one of the committee members shall be an independent non-executive administrator, in accordance with Article 140<sup>2</sup>(1) of Companies Law, republished and updated, and Article 34(4) of GEO 109/2011 on corporate governance of public enterprises;</li> <li>▪ at least one member of the committee must be competent in the field of accounting and statutory audit, proven by qualification documents for the respective fields, in accordance with Article 65 paragraph (3) of Law 162/2017 on statutory audit of annual financial statements and annual consolidated financial statements and amending some normative acts;</li> <li>▪ the chairman of the committee must be an independent non-executive member, in accordance with Article B.2. of the BSE Code of Corporate Governance;</li> <li>▪ the chairman of the committee is appointed by its members or by the board of administration of the audited entity and is independent of the audited entity, in accordance with Article 65 (5) of Law 162/2017 on statutory audit of annual financial statements and annual consolidated financial statements</li> </ul>	<ul style="list-style-type: none"> <li>▪ assists and recommends to the Board of Administration proposals for the establishment of the accounting and financial control system and approves the financial-budgetary planning;</li> <li>▪ monitors the effectiveness of the entity's internal quality control and risk management systems and, where applicable, internal audit in relation to the audited entity's financial reporting, without infringing its independence;</li> <li>▪ monitor the statutory audit of the annual financial statements and the annual consolidated financial statements, in particular the conduct of the statutory audit, taking into account the findings and conclusions of the competent authority, in accordance with Article 26(2). (6) of EU Regulation 537/2014;</li> <li>▪ carries out an annual assessment of the internal control system and submits relevant reports to the Board of Administration;</li> <li>▪ assess conflicts of interest in relation to transactions of the company and its subsidiaries with related parties;</li> <li>▪ monitors the application of legal standards and generally accepted internal auditing standards;</li> <li>▪ receives and evaluates internal audit team reports;</li> <li>▪ reports regularly to the Board of Administration;</li> <li>▪ prepares and submits to the Board of Administration for approval an opinion on the policy to ensure that any transaction of the Company with any of its closely related companies whose value equals or exceeds 5% of the net assets of the Company (as per the latest financial report) is approved by the Board;</li> <li>▪ meets as often as necessary, but at least twice a year when the half-yearly and annual reports are drawn up, when it ensures that they are disseminated to shareholders and the general public;</li> </ul>

<b>ADVISORY COMMITTEE</b>	<b>MENTIONS</b>	<b>DUTIES</b>
	<p>and on amendment of some normative acts.</p>	<ul style="list-style-type: none"> <li>▪ verifies the conformity of the audit reports drawn up with the audit plan approved at company level;</li> <li>▪ provides support to the Board of Administration in monitoring the credibility and completeness of the financial information provided by the company, in particular by reviewing the relevance and consistency of the accounting standards applied by the company;</li> <li>▪ collaborates with the company's external financial auditors who will provide them with a report describing all the relationships between the latter and the company and the group to which it belongs;</li> <li>▪ is responsible for the selection procedure of the financial auditor or audit firm and recommends to the general meeting of shareholders the financial auditor or audit firm(s) to be appointed in accordance with Article 16 of EU Regulation 537/2014, unless Article 16(8) of EU Regulation 537/2014 applies;</li> <li>▪ assesses and monitors the independence of financial auditors or audit firms in accordance with Articles 21 to 25, 28 and 29 of Law No.162/2017 on statutory audit of annual financial statements and annual consolidated financial statements and amending certain regulatory acts and Article 6 of EU Regulation No.537/2014 and, in particular, the appropriateness of providing non-audit services to the audited entity in accordance with Article 5 of that Regulation;</li> <li>▪ informs the Board of Administration members of the results of the statutory audit and explains how the statutory audit contributed to the integrity of the financial reporting and what the committee's role was in this process;</li> <li>▪ monitors the financial reporting process and makes recommendations or proposals to ensure its integrity;</li> <li>▪ performs the duties provided for in Article 47 of GEO 90/2008, approved with amendments by Law 278/2008, in accordance with Article 34(3) of GEO 109/2011.</li> </ul>
<b>NTS REGULATORY, SAFETY AND</b>	<ul style="list-style-type: none"> <li>▪ shall consist of at least two members of the Board of Administration in accordance with</li> </ul>	<ul style="list-style-type: none"> <li>▪ regularly reviews the list of Transgaz's critical infrastructure targets and the security measures established;</li> </ul>



<b>ADVISORY COMMITTEE</b>	<b>MENTIONS</b>	<b>DUTIES</b>
<b>SECURITY COMMITTEE</b>	<p>Article 140<sup>2</sup>(1) of Law 31/1990 on companies, republished as amended,;</p> <ul style="list-style-type: none"> <li>▪ at least one of the committee members shall be an independent non-executive administrator in accordance with Article 140<sup>2</sup>(2) of Law 31/1990 on companies, republished as amended.</li> </ul>	<ul style="list-style-type: none"> <li>▪ monitors/analyses technology consumption reduction activity at NTS level;</li> <li>▪ monitors/analyses the work of the Working Group for the preparation of the draft revisions of the Network Code for the National Gas Transmission System necessary for the configuration of a natural gas market model on the entry-exit system using the virtual trading point (VTP);</li> <li>▪ ensures the necessary conditions for the implementation of protection measures for all critical infrastructure objectives of the company or under the authority/coordination of the company;</li> <li>▪ monitors/updates its own programmes to prevent and combat terrorism through optimal physical and organisational protection measures, with recommendations to this effect to the Board of Administration;</li> <li>▪ monitors the fulfilment of the maintenance and modernisation programmes for the development of the NTS as well as compliance with the technical regulations for the operation and maintenance of production capacities;</li> <li>▪ analyses new investment projects that contribute to a sustainable natural gas transmission system to monitor and operate the NTS in a safe, efficient and environmentally friendly way;</li> <li>▪ monitors the gas purchase contracts necessary for balancing the NTS and the evolution of purchase prices;</li> <li>▪ monitors the expansion, development and upgrading of natural gas transmission infrastructure;</li> <li>▪ assists the Board of Administration in analysing the regulatory activity and the legal obligations of the company in this field;</li> <li>▪ monitors the company's compliance with the obligations set out in the regulations governing its activities;</li> <li>▪ analyses and submits proposals to the Board of Administration on the creation of a common regulatory framework, a common strategy and vision for the development of the national system along with the European natural gas transmission system to create an integrated energy market.</li> </ul>
<b>STRATEGY, SUSTAINABILITY</b>	<ul style="list-style-type: none"> <li>▪ shall consist of at least two members of the Board of</li> </ul>	<ul style="list-style-type: none"> <li>▪ assists the Board of Administration in fulfilling its responsibilities in the area of</li> </ul>

<b>ADVISORY COMMITTEE</b>	<b>MENTIONS</b>	<b>DUTIES</b>
<b>AND EQUAL OPPORTUNITIES COMMITTEE</b>	<p>Administration in accordance with Article 140<sup>2</sup>(1) of Law 31/1990 on companies, republished as amended;</p> <ul style="list-style-type: none"> <li>▪ at least one of the committee members shall be an independent non-executive administrator in accordance with Article 140<sup>2</sup>(2) of Law 31/1990 on companies, republished as amended.</li> </ul>	<p>developing and updating the company's overall development strategy;</p> <ul style="list-style-type: none"> <li>▪ analyses identified business development opportunities and makes recommendations to the Board of Administration in this respect;</li> <li>▪ analyses and assists the Board of Administration with regard to the company's development and international cooperation directions;</li> <li>▪ monitors and analyses the fulfilment of strategic and action plans/programmes relating to Transgaz's obligations as technical operator of the NTS and issuer on the stock exchange;</li> <li>▪ develops proposals for improving and streamlining strategic, development and collaborative work;</li> <li>▪ makes recommendations to the Board of Administration on the effective implementation of strategic and action plans/programmes, meaning the Modernisation and Investment Development Plan, NTS Repair and Rehabilitation and Maintenance Plan, Design Plan, Research Plan, Procurement Plan, Other Third Party Services Plan;;</li> <li>▪ analyses the proposals to modify the organisational structure of SNTGN Transgaz SA to make the company's activities more efficient and optimised;</li> <li>▪ analyses the proposals contained in the Employee Training and Development Plan and monitors and implements it;</li> <li>▪ periodically reviews the status of implementation of the company Annual Sector Procurement Plan approved;</li> <li>▪ reviews the policy on granting sponsorships and social aid at SNTGN Transgaz SA;</li> <li>▪ analyses/monitors the evolution of the inactive inventory and the degree of implementation of the plan of measures to reduce the inactive inventory at SNTGN Transgaz SA, with a view to making the company's activity more efficient;</li> <li>▪ analyses proposals for the establishment/closing of TRANSGAZ work points;</li> <li>▪ reviews the Sustainability Report of SNTGN Transgaz SA, for compliance with European and national non-financial reporting legislation;</li> </ul>

<b>ADVISORY COMMITTEE</b>	<b>MENTIONS</b>	<b>DUTIES</b>
		<ul style="list-style-type: none"> <li>▪ monitors sustainability reporting and related processes within the company to identify information reported in accordance with relevant sustainability reporting standards;</li> <li>▪ informs the Board of Administration of the outcome of the sustainability reporting assurance;</li> <li>▪ assists the Board in defining the company's strategy on ESG (Environmental, Social and Governance) issues by understanding how the company's ability to create value is influenced by ESG issues;</li> <li>▪ monitors external ESG trends, understands the associated risks and opportunities and the expectations of the company's key stakeholders in this regard;</li> <li>▪ monitors the company's impact on the natural environment and its adaptation to climate change; monitor the company's interactions with employees, shareholders and the communities in which it operates, including applicable workplace policies (e.g. employee relations and engagement, diversity, non-discrimination and equality, health, safety and welfare), any social or community projects undertaken by the company;</li> <li>▪ oversees the company's policies, practices and performance on ESG issues;</li> <li>▪ reports to the Board of Administration on current and emerging issues related to ESG matters that may affect the company's business, operations, performance or public image or that are relevant to the company and its shareholders;</li> <li>▪ monitors and provides guidance on actions or initiatives taken to prevent, mitigate and manage risks related to ESG issues that may have a material adverse impact on the company or are otherwise relevant to shareholders;</li> <li>▪ monitors and analyses the achievement of the performance indicators of the transport system and the economic and financial performance of the company's activity.</li> </ul>
<b>CORPORATE GOVERNANCE AND RELATIONS WITH PUBLIC AUTHORITIES COMMITTEE</b>	<ul style="list-style-type: none"> <li>▪ shall consist of at least two members of the Board of Administration in accordance with Article 140<sup>2</sup>(1) of Law 31/1990 on companies, republished as amended,;</li> </ul>	<ul style="list-style-type: none"> <li>▪ evaluates the overall performance of the company and regularly compares the results achieved with those planned;</li> <li>▪ monitors the effectiveness/efficiency of governance practices across the company;</li> <li>▪ monitors and resolves potential conflicts of interest;</li> </ul>

ADVISORY COMMITTEE	MENTIONS	DUTIES
	<ul style="list-style-type: none"> <li>▪ at least one of the committee members shall be an independent non-executive administrator in accordance with Article 140<sup>2</sup>(2) of Law 31/1990 on companies, republished as amended,.</li> </ul>	<ul style="list-style-type: none"> <li>▪ recommends improvements to the corporate governance processes of the company to the Board of Administration;</li> <li>▪ makes recommendations to the Board on the structure and responsibilities of the Advisory Committees established at Board level;</li> <li>▪ provides oversight on significant public policy issues regarding the company's relationships with shareholders, employees, customers, competitors, suppliers and the communities in which it operates;</li> <li>▪ reviews the company's Code of Ethics, including its programs to promote ethical conduct, and provides recommendations to the Board of Administration regarding approval of the Code of Ethics;</li> <li>▪ assists the Board of Administration in developing the Management Plan;</li> <li>▪ assists the Board of Administration in the evaluation of the work of the directors covering both the execution of the mandate contract and the management component of the Management Plan;</li> <li>▪ monitors the achievement of the financial and non-financial performance indicators resulting from the management plan for the company's directors and officers;</li> <li>▪ verifies compliance with the principles of non-discrimination, equal treatment and transparency in relations with the company's shareholders and stakeholders;</li> <li>▪ monitors cooperation relations with public authorities and assists the Board of Administration in establishing and managing cooperation policy..</li> </ul>

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

Within the meeting of the Board of Administration held on 10.05.2021, it was decided to change the composition of the advisory committees set up at the level of the company's Board of Administration, according to Resolution 3/22.04.2021 of the Ordinary General Meeting of the Shareholders establishing the renewal of the mandates of three directors and appointing two members as interim administrators. Within the meeting of the Board of Administration held on 23.06.2021 it was decided to change of the composition of the advisory committees established at the level of the company's Board of Administration, according to Resolution 4/17.06.2021 of the Ordinary General Meeting of the Shareholders establishing the appointing of two new interim administrators, Ms. Mihaela Virginia Toader and Mr. Csaba Orosz. Within, the meeting of the Board of Administration held on 20.06.2022, following the termination of the mandate of interim administrator of Ms. Mihaela-Virginia Toader, as well as the appointment of Mr. Agafiței Gheorghită

as interim administrator, it was approved the modification of the composition of the advisory committees constituted at the level of the Board of Administration of the company.

As at 08.12.2022, the composition of the committees is 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 Audit and Rating Committee
	Csaba Orosz	- non-executive, independent administrator
	Gheorghită Agafiței	- non-executive, independent administrator
	Petru Ion Văduva	- non-executive administrator
NTS Regulatory, Safety and Security Committee	Ion Sterian	- executive administrator
	Petru Ion Văduva	- non-executive administrator
	Gheorghită Agafiței	- non-executive, independent administrator
Strategy, Sustainability and Equal Opportunities Committee	Ion Sterian	- executive administrator
	Nicolae Minea	- non-executive, independent administrator
	Gheorghită Agafiței	- non-executive, independent administrator
Corporate Governance and Relations with Public Authorities Committee	Ion Sterian	- executive administrator
	Gheorghită Agafiței	- non-executive, independent administrator
	Csaba Orosz	- non-executive, independent administrator

The activity carried out in 2022 by the five advisory committees set up at the level of the Board of Administration was performed on the basis of:

- **Law no. 31/1990**, as further amended and supplemented, republished, Art. 138<sup>1</sup> (2), Art. 138<sup>2</sup> (2), Art. 140<sup>2</sup> (1) and (2);
- **GEO no 109/2011** on corporate governance of public companies, Art. 34 and Art. 55 (2) and (3), as amended;
- **Law no 162/2017** on the statutory audit of the annual financial statements and consolidated annual financial statements and on the amending of some normative acts;
- **The Bucharest Stock Exchange Code of Corporate Governance** ;
- **The updated Articles of Incorporation of Transgaz SA**, Chapter V, Art.19 (11);
- **The Board of Administration resolutions:** BoA Resolution 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 2022 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 2022	Nomination and Remuneration Advisory Committee	Petru Ion Văduva Nicolae Minea  Csaba Orosz
2.	Activity Report of the Strategy and Development Advisory Committee between 1 January and 30 June 2022	Strategy and Development Advisory Committee	Ion Sterian Nicolae Minea Mihaela Virginia Toader (from 23.06.2021 to 16.06.2022) Agafiței Gheorghită (from 20.06.2022)
3.	Activity Report of the Regulatory and Public Authority Relations Advisory Committee between 1 January and 30 June 2022	Regulatory and Public Authority Relations Advisory Committee	Ion Sterian Toader Mihaela Virginia (from 23.06.2021 to 16.06.2022) Orosz Csaba Agafiței Gheorghită (from 20.06.2022)
4.	Activity Report of the Safety and Security Advisory Committee of NTS between 1 January and 30 June 2022	Safety and Security Advisory Committee of NTS	Ion Sterian Petru Ion Văduva Mihaela Virginia Toader (from 23.06.2021 to 16.06.2022) Agafiței Gheorghită (from 20.06.2022)
5.	Activity Report of the Audit and Rating Advisory Committee between 1 January and 30 June 2022	Audit and Rating Advisory Committee	Nicolae Minea President (from 10.05.2021) Mihaela Virginia Toader (from 23.06.2021 to 16.06.2022) Agafiței Gheorghită (from 20.06.2022) Csaba Orosz
6.	Activity Report of the Nomination and Remuneration Advisory Committee between 1 January and 31 December 2022	Nomination and Remuneration Advisory Committee	Petru Ion Văduva Nicolae Minea Csaba Orosz

No.	Description	Responsible	Composition of the Committee
7.	Activity Report of the Strategy and Development Advisory Committee and of the Strategy, Sustainability and Equal Opportunities Committee (from 08.12.2022) between 1 January and 31 December 2022	Strategy and Development Advisory Committee and Strategy, Sustainability and Equal Opportunities Committee (from 08.12.2022)	Ion Sterian Nicolae Minea Mihaela Virginia Toader (from 23.06.2021 to 16.06.2022) Agafiței Gheorghită (from 20.06.2022)
8.	Activity Report of the Regulatory and Public Authority Relations Advisory Committee and of the Corporate Governance and Relations with Public Authorities Committee (from 08.12.2022) between 1 January and 31 December 2022	Regulatory and Public Authority Relations Advisory Committee and Corporate Governance and Relations with Public Authorities Committee (from 08.12.2022)	Ion Sterian Mihaela Virginia Toader (from 23.06.2021 to 16.06.2022) Csaba Orosz Agafiței Gheorghită (from 20.06.2022)
9.	Activity Report of the Safety and Security Advisory Committee of NTS and of the NTS Regulatory, Safety and Security Committee (from 08.12.2022) between 1 January and 31 December 2022	Safety and Security Advisory Committee of NTS and NTS Regulatory, Safety and Security Committee (from 08.12.2022)	Ion Sterian Petru Ion Văduva Mihaela Virginia Toader (from 23.06.2021 to 16.06.2022) Agafiței Gheorghită (from 20.06.2022)
10.	Activity Report of the Audit and Rating Advisory Committee between 1 January and 31 December 2022	Audit and Rating Advisory Committee	Nicolae Minea President (from 10.05.2021) Mihaela Virginia Toader (from 23.06.2021 to 16.06.2022) Agafiței Gheorghită (from 20.06.2022) Csaba Orosz

## Section B - Risk and internal control information

At the level of Transgaz an Audit Committee was initially established, but following the approval of the new structure of the Advisory Committees by the Board of Administration Resolution no. 7 of 27 May 2013, the *Audit and Rating 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. It reports to the Audit and Rating Committee on a quarterly basis, a synthesis of the internal audit work carried out.

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

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 2022**

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 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 in establishing and monitoring remuneration policies and practices.

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

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

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

## **Section D - Shareholder Information**

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

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

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

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

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

## Transparency

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

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

The company organizes regular meetings with financial analysts, brokers, market specialists and investors for the presentation of the financial results (annual, quarterly, half-yearly), relevant meetings in their investment decision.

The general and specific strategic objectives of SNTGN TRANSGAZ SA are set in the context of alignment with the requirements of the new European energy policy on energy security and security, sustainable development and competitiveness.

In this context, the implementation and development of corporate governance principles, the development of responsible, transparent business practices, is increasingly becoming a necessity in substantiating and implementing corporate business strategies and policies.

By subscribing to this goal, SNTGN TRANSGAZ SA also aims, through its own governance regulation, to provide a rigorous framework for sizing and regulating corporate governance at the company level, developing an effective and proactive relationship system with shareholders and stakeholders.

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

## 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 (football, judo, athletics, basketball, tennis, volleyball, etc.) both in the Mediaş area and at county and national level.

**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 organized by the University of Oil and Gas in Ploiesti. 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 man and 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 of Mediaş 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 partnerships between NGOs and schools or public institutions for environmental protection projects and green areas. We also support the greening projects initiated by the local public administration of Mediaș and those initiated by other town halls in the country, where Transgaz has units.

Complying with the principles of financial prudence and transparency, the communication and CSR actions proposed for 2022 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>.

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

In accordance with Art. 234 (1) (i) of FSA Regulation 5/2018, Transgaz reported in 2022 two legal documents the value of which exceeds 10% of the net turnover related to the financial year 2021:

Contract data	Contract clauses
<b>Funding contract concluded with Raiffeisen Bank SA</b>	
Contracting parties	Contract concluded between SNTGN Transgaz SA and Raiffeisen Bank SA
Contract date and type	Loan contract dated 14 July 2022
Contract scope	Covering working capital needs for the balancing activity
Loan value	lei 300.000.000
Contract duration	2 years
<b>Supplementation of the funding contract with Banca Transilvania</b>	
Contracting parties	Contract concluded between SNTGN Transgaz SA and Banca Transilvania
Contract date and type	Addendum to the Loan contract dated 18 July 2022
Contract scope	Covering working capital needs
Loan value	lei 453.000.000
Contract duration	12 months from contract signature

## 8.1 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' mandate contracts, 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 performance indicators for the calculation of the variable component of the remuneration

No.	Indicator	Objective	2022
			Budgeted
1.	<b>Outstanding payments</b>	Maintaining outstanding payments to zero	0
2.	<b>Operating expenses</b> (except for depreciation, balancing, construction activity and provisions for the asset depreciation and for risks and charges) (thousand lei)	Maintaining the level of the operating expenses (except for depreciation, balancing, construction activity and provisions for the asset depreciation and for risks and charges) at the level undertaken in the Management Plan	1.112.356
3.	<b>Liquidity ratio</b>	Liquidity ratio to register annual values over 1.	1
4.	<b>Net debt-to-equity ratio</b>	Maintaining a net debt-to-equity ratio under the limits set for obtaining bank financing, namely: 5-2021, 5,5-2022, 5 – 2023-2024, 4,5 2025	5,5
5.	<b>EBITDA</b> (thousand lei)	Achieving the EBITDA target undertaken in the Management Plan	354.495

**Table 33 - Key financial performance indicators for the calculation of the variable component of the remuneration in 2022**

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

Indicator	Objective	No.	2022
			Planned
<b>Operational</b>			
6	<b>Monitoring investment strategy and implementation</b>	<b>Achievement of FID projects under the 2022-2031 TYNDP approved by ANRE</b>	
		$I = (achieved\ actions + started) / proposed\ actions$	
	Project for NTS developments in the North Eastern part of Romania in order to improve the gas supply to the region and to ensure transmission capacities to the Republic of Moldova	6.1	-

		Project for new NTS developments for taking over Black Sea gas	6.2	-
		Development on the Romanian territory of the <b>Southern Transmission Corridor</b> for taking over the Black Sea gas	6.3	Construction 2023-2025 The completion date depends on the upstream offshore projects implementation schedules.
		Achievement of the pilot project for the metering and use of gas and hydrogen blending	6.4	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.
<b>7</b>	<b>Energy efficiency increase</b>	Maintenance of the NTS gas consumption share in the total circulated gas under 1%	7.1	<1
<b>8</b>	<b>Client satisfaction</b>	Achievement of the targets provided for in the management plan (According to PP 165 Assessment of customer satisfaction, a score between 6-8 means that the services provided have adequately met the customer's requirements)	8.1	8
<b>9</b>	<b>Strengthening and diversification of the cooperation and collaboration relations with gas transmission system operators of the European Union</b>	Conclusion of memoranda of cooperation and collaboration with gas transmission system operators of the European Union (minimum 5 operators) on hydrogen injection.	9.1	1
<b>10</b>	<b>Performance indicators of the gas transmission service</b>	Achievement of the targets provided for in the Performance Standard for natural gas transmission system service (ANRE Order 161/26.11.2015, in force since 1 October 2016)  For 1 January 2022- 30 September 2022	10.1	$IP_0^1 \geq 90\%$
			10.2	$IP_1^1 \geq 90\%$
			10.3	$IP_2^2 \geq 95\%$
			10.4	$IP_1^3 \geq 95\%$
			10.5	$IP_1^4 \geq 95\%$
			10.6	$IP_1^5 \geq 95\%$
			10.7	$IP_2^1 \geq 95\%$
			10.8	$IP_3^1 \geq 95\%$
			10.9	$IP_3^2 \geq 95\%$
			10.10	$IP_4^1 \geq 95\%$
			10.11	$IP_5^1 \geq 98\%$
			10.12	$IP_5^2 \geq 98\%$
			10.13	$IP_6^1 \geq 98\%$
			10.14	$IP_6^2 \geq 98\%$
		Achievement of the targets provided for in the Performance Standard for natural gas transmission system service (ANRE Order 140/2021 in force since 1 October 2022).  For 1 October 2022- 31 December 2022	10.1	$IP_0^1 \geq 90\%$
			10.2	$IP_1^1 \geq 90\%$
			10.3	$IP_1^2 \geq 95\%$
			10.4	$IP_1^3 \geq 95\%$
			10.5	$IP_1^4 \geq 95\%$
			10.6	$IP_1^5 \geq 95\%$

			10.7	$IP_2^1 \geq 95\%$
			10.8	$IP_3^1 \geq 95\%$
			10.9	$IP_3^2 \geq 95\%$
			10.10	$IP_4^1 \geq 95\%$
			10.11	$IP_5^1 \geq 98\%$
			10.12	$IP_5^2 \geq 98\%$
			10.13	$IP_6^1 \geq 98\%$
			10.14	$IP_6^2 \geq 98\%$
<b>Corporate governance</b>				
11	<b>Optimization of the internal control / management system</b>	<p>Implementation of the provisions of Order no. 600/2018 of the General Secretariat of the Government for the approval of the Internal/Management Control Code of Public Entities as amended.</p> <p><math>I = \text{standards implemented/standards provided for by Order 600/2018} * 100</math></p> <p>Implementation of the measures provided for in the IMCS Implementation Programme</p> <p><math>I = \text{implemented measures /proposed measures} * 100</math></p>	11.1	Development of the internal/managerial control system in order to maintain it at a level deemed to be compliant with the standards contained in the Internal/Management Control Code.
			11.2	Streamlining of the processing and management of IMCS documentation by implementing an IMCS Web Platform .
12	<b>Optimizing the risk management process</b>	<p>Implementation of the requirements of Standard 8 of Order No 600/2018 of the General Secretariat of the Government for the approval of the Internal/Management Control Code of the public entities as amended.</p> <p>Transition to the 5-step risk assessment scale.</p>	12.1	Continuous monitoring and adaptation of the organisational, conceptual and methodological framework of the risk management process
			12.2	Systematic analysis of risks associated with operational objectives at the level of organisational structures.
			12.3	Implementation of Risk Management policy, procedures and legal requirements in the field of Risk Management and the monitoring of their application at company level.
13	<b>Timely reporting of key performance indicators</b>	<p>Compliance with legal reporting deadlines</p> <p><math>I = \text{actual reporting deadlines/ expected reporting deadlines} * 100</math></p>	13.1	Calendar of the financial communication to BVB
			13.2	Reporting on TYNDP achievement status
			13.3	IMCS reporting
			13.4	Reporting on the achievement of natural gas transmission service performance indicators
			13.5	Reporting form S1100 on monitoring the application of the provisions of GEO 109/2011
14	<b>ANS Implementation 2021-2025</b>	<p>Implementation of the NSA measures =</p> <p><math>\text{measures achieved to the deadline/proposed measures} * 100</math></p>	14.1	Achievement of the objectives established in Integrity Plan for the implementation of the Anti-Corruption Strategy 2021-2025

**Table 34 - Key non-financial performance indicators for the calculation of the variable component of remuneration in 2022**



## 8.2 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	2022		Achievement <sup>1</sup>
			Budgeted	Achieved	
1.	<b>Outstanding payments</b>	Maintenance of the outstanding payments at zero.	0	0	100%
2.	<b>Operating expenses</b> (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges) (thousand lei)	Maintenance of the operating expenses at the level under the Management Plan	1.112.356	918.441	121%
3.	<b>Liquidity ratio</b>	Liquidity ratio to record values higher than 1	1	1,39	139%
4.	<b>Net leverage rate</b>	Maintenance of a net leverage rate below the limits set for obtaining bank financing, i.e.: 5-2021, 5,5-2022, 5 – 2023-2024, 4,5 2025	5,5	2,78	198%
5.	<b>EBITDA</b> (thousand lei)	Achievement of the EBITDA target under the Management Plan	354.459	583.282	165%

**Table 35 - Key financial performance indicators for the calculation of the variable component of remuneration in 2022 compared to the 2022 Budget (according to the management Plan 2021-2025)**

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

	Indicator	Objective	No.	2022		Achievement
				Planned	Achieved 2022	
<b>Operational</b>						
6	<b>Monitoring the Implementation and Investment Strategy</b>	<b>Achievement of the FID projects from the TYNDP (2022-2031)</b> <i>I = (achieved+initiated actions)/proposed actions</i>				
		NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova	6.1	-	- Completed 2021	100%
		New NTS developments for taking over Black Sea gas	6.2	-	- Completed 2021	
		Development on the Romanian territory of the <b>Southern Transmission Corridor</b> for taking over the Black Sea gas	6.3	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 started at the NTS planned entry point from the	

					Black Sea - MP Tuzla - Non-binding phase.	
		Achievement of the pilot project for metering and using the hydrogen gas blending	6.4	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 <b>were performed</b> .	100%
7	<b>Increasing energy efficiency</b>	Maintaining the share of the NTS gas consumption in the total circulated gas below 1%	7.1	<1	<b>0,54%</b>	100%
8	<b>Customer satisfaction</b>	Achievement of the targets established in the management plan (According to PP 165 Evaluation of Clients satisfaction, a score between 6-8 represents the fact that the services offered satisfied accordingly the requirements of the clients)	8.1	8	<b>Achieved - 8</b> Report SMC/ 11972/15.02.2023 on the evaluation of SNTGN Transgaz SA clients satisfaction for 2022	100%
9	<b>Strengthening and diversifying cooperation and collaboration relations with European gas transmission system operators</b>	Conclusion of memoranda of cooperation and collaboration with European gas transmission system operators (minimum 5 operators) regarding the collaboration on hydrogen injection	9.1	1	The Memorandum of Understanding 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 CO2 was signed on <b>07.04.2022</b> .	100%
<b>Public service oriented</b>						
10	<b>Performance indicators related to the gas transmission service</b>	Achievement of the targets established in the Performance Standard for the gas transmission service (ANRE Order 161/26.11.2015 entered into force as at 1 October 2016).  For 1 January 2022- 30 September 2022	10.1	$IP_0^1 \geq 90\%$	99,36%	100%
			10.2	$IP_1^1 \geq 90\%$	*	
			10.3	$IP_1^2 \geq 95\%$	*	
			10.4	$IP_1^3 \geq 95\%$	98,73%	
			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	$IP_3^1 \geq 95\%$	100%	
			10.9	$IP_3^2 \geq 95\%$	*	
			10.10	$IP_4^1 \geq 95\%$	*	
			10.11	$IP_5^1 \geq 98\%$	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%	

		<p>Achievement of the targets provided for in the Performance Standard for natural gas transmission system service (ANRE Order 140/2021 in force since 1 October 2022).</p> <p>For 1 October 2022- 31 December 2022</p>	10.1	$IP_0^1 \geq 90\%$	100%	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	$IP_1^5 \geq 95\%$	*	
			10.7	$IP_2^1 \geq 95\%$	100%	
			10.8	$IP_3^1 \geq 95\%$	96,96%	
			10.9	$IP_3^2 \geq 95\%$	*	
			10.10	$IP_4^1 \geq 95\%$	*	
			10.12	$IP_5^1 \geq 98\%$	100%	
			10.12	$IP_5^2 \geq 98\%$	*	
			10.13	$IP_6^1 \geq 98\%$	*	
			10.14	$IP_6^2 \geq 98\%$	*	
<b>Corporate governance</b>						
11	<p><b>Optimization of internal/management control system</b></p>	<p>Implementing the provisions of GSG Order 600/2018 for the approval of the Internal/Management Control Code of public enterprises as subsequently amended.</p> <p><math>I = \text{implemented standards/standards provided by Order 600/2018} * 100</math></p> <p>Implementation of the measures established in the SCIM Implementation Plan</p> <p><math>I = \text{Implemented measures /proposed measures} * 100</math></p>	11.1	<p>Development of the internal/management control system for maintaining it at a level considered compliant with the standards included in the Internal/Management Control Code.</p>	<p><b>Achieved</b></p> <p>-Decision no. 15/06.01.2022;</p> <p>-Letter 2649/12.01.2022, sent to the General Secretariat of the Government, Entry no. SGG 17/876/12.01.2022. . SGG SCIM IT platform loading data. By the email of 10.05.2022 the General Secretariat of the Government communicates the approval of the forms uploaded to the IT Platform.</p> <p>- SCI/M Development Plan no. DSMC/778/04.01.2022, updated for 2022;</p> <p>-Progress of the internal/management control system at Transgaz for 2021, no. DSMC/ 21884/18.03.2022;</p> <p>-Report on 2021 Transgaz performance monitoring no. DSMC/21726/18.03.2022;</p> <p>The Board of Administration took note of Report 27999/07.04.2022 on the Progress of the SCI/M implementation and Report 28259/11.04.2022 on Performance Monitoring for 2021, by BoA Resolution 13/20.04.2022;</p> <p>- The Risk Management System Procedure is prepared in draft. The approval is planned for Q I 2023.</p>	100%

					- preparation of ROF EGR code REG DJ 01 .	
			11.2	Streamline the processing and management of SCI/M documentation by implementing an SCI/M web platform (preparation of procurement documents).	<p><b>Achieved</b></p> <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. The implementation of the platform was postponed to 2023.</p> <p>The implementation of the platform was delayed after the implementation of MAIS.</p>	100%
<b>12</b>	<b>Optimization of risk management process</b>	<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><b>Achieved</b></p> <p>- EGR Decision 104/28.01.2022</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 Risk Management System Procedure is prepared in draft. The approval is planned for Q I 2023.</p> <p>- preparation of the EGR Rules of Procedure, code REG DJ 01;</p> <p>- preparation of the document Risk Grouping System identified at Transgaz , registration number DSMC/51290/30.06.2022.</p> <p>- 3-step risk tolerance limit for 2022 no. DSMC/4711/19.01.2022, circulated by Letter DSMC/17518/04.03.2022 and published at:</p> <p><a href="https://portal.intranet.transgaz.ro/zonapublică/Sistem de Control Managerial /Managementul Riscului / 6. Limita de toleranță">https://portal.intranet.transgaz.ro/zonapublică/ Sistem de Control Managerial /Managementul Riscului / 6. Limita de toleranță</a></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 2022.</p>	100%
			12.2	<p><i>Systematic analysis of risks associated with operational objectives at the level of organisational structures.</i></p>	<p><b>Achieved</b></p> <p>According to Letter 17518/04.03.2022 all organisational structures:</p>	

					<p>-published the List of objectives, performance indicators, activities, risks for year 2022,;</p> <p>-published the Registers of Risks, at the divisions, units, departments level;</p> <p>-published the risk mitigation plans of measures, at the level of the departments, units, divisions and independent offices;</p> <p>- according to Letter DSMC/94975/02.12.2022 all organisational structures: published the revised registers of risk, December 2022 and the Risk Management Report at the level of the departments, independent divisions, independent offices, regional offices, Medias Subsidiary.</p>	
			12.3	<p>Implementation of risk management policy, procedures and legal requirements and monitoring their application at company level.</p>	<p><b>Achieved</b></p> <p>- the Register of the Risks at the company level no. DSMC/4713/19.01.2022;</p> <p>- the Register of the Risks at the company level no. DSMC/4713/ 19.01.2022, revised in December 2022;</p> <p>- Plan of measures to mitigate risks, at the company level no. DSMC/4715/19.01.2022;</p> <p>- Report on risk management and monitoring within the company, for 2021, no. DSMC/4715/19.01.2022;</p> <p>- The Board of Administration took note of Report 27998/07.04.2022 on risk management and monitoring at SNTGN Transgaz SA, by BoA Resolution 13/20.04.2022;</p> <p>- the risk profile, December DSMC/4711/19.01.2022.</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 BVB	<b>Achieved</b> (see the company's website)	100%
			13.2	Report on the status of achievement of the TYNDP	<b>Achieved</b> Letter DSMC/15455/25.02. 2022 Deadline 1 March 2022	
			13.3	SCIM reporting	<b>Achieved</b> It was sent to the General Secretariat of the Government by Letter no. DSMC/2649/12.01.2022, entry no. SGG 17/876/12.01.2022, Progress of the SCI/M implementation and development at SNTGN Transgaz SA on 31.12.2021: -Centralized Progress Report on the implementation and	

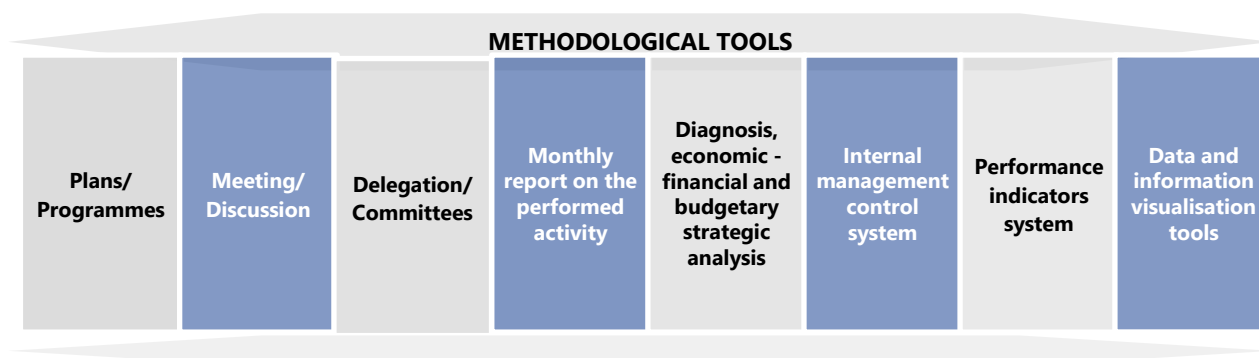
					<p>development of the internal/management control system in SNTGN Transgaz SA on 31 December 2021;</p> <p>-Report on the internal/management control system on 31 December 2021;</p> <p>-Self-assessment questionnaire on the progress of implementation of internal/management control standards;</p> <p>-Summary of the results of the self-assessment on 31 December 2021. (reported annually)</p>	
			13.4	<p><i>Reporting related to the achievement of the performance indicators of the gas transmission service</i></p>	<p><b>Achieved</b></p> <p>-Letter 92556/ 23.11.2022ANRE report for gas year 2021-2022 (reported annually on 1 October)</p>	
			13.5	<p><i>Reporting form S1100 on the monitoring of the application of the provisions of GEO 109/2011</i></p>	<p><b>Achieved</b></p> <p>- Letter 50601/24.06.2022 S1100 report for Half I 2022</p> <p>- Letter 373/04.01.2023 S1100 report for Half II 2022</p>	
14	<b>2021-2025 NAS implementation</b>	<p>Implementation of the measures established in the NAS</p> <p>I = measures achieved within the deadline /proposed measures *100</p>	14.1	<p><i>Achievement of the objectives established in Integrity Plan for the implementation of the Anti-Corruption Strategy 2021-2025</i></p>	<p>In December 2021, the new National Anti-Corruption Strategy 2021-2025 was adopted, and the deadline established by it for the development and approval of the Integrity Plan for the new Strategy was 30.06.2022. Consequently, no Integrity Plan was in execution in Half I 2022. The measures set out in the 2021-2025 National Anti-Corruption Strategy for 2022 (Declaration on the undertaking of the organisational integrity agenda, Integrity Plan, designation of the implementation coordinator and transmission of contact persons to the Technical Secretariat) were carried out within the established deadline.</p> <p>The measures set out in the Integrity Plan for the implementation of the 2021-2025 National Anti-Corruption Strategy for 2022 (identification, analysis, assessment and monitoring of corruption risks, as well as the establishment and implementation of measures for their prevention and control; creation, on the</p>	100%

					<p>website of Transgaz S.A., of a link to the new NAS portal on its website; 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; open publication of economic and performance indicators; preparation and approval of strategic documents on competition policy.</p>
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**Table 36 – Key non-financial performance indicators achievements for the calculation of the variable component of remuneration in 31.12.2022**

**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**

**MIHAELA VIRGINIA TOADER - Non-Executive, Interim Administrator**

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

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