

RELEASE
regarding the preliminary economic and financial indicators at
31 December 2023

Overview

SNTGN Transgaz SA is a public limited liability company operated according to the Romanian laws and to the Articles of Incorporation.

According to Government Resolution 334/2000 and to the Articles of Incorporation, Transgaz aims at giving effect to the national strategic goals set for domestic and international gas transmission, dispatching, research and design, by performing trading acts according to its object of activity, in line with the Romanian laws in force.

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, SNTGN Transgaz SA, as a parent company, prepares consolidated group financial statements.

Consolidated companies in the Transgaz group:

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

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.

The revenue obtained by Transgaz results from the following activities:

👉 **Domestic gas transmission**, which, due to its monopolistic feature, is regulated by the National Energy Regulatory Authority.

For the period ended on 31 December 2023 the revenue obtained from the transmission activity is regulated by **ANRE Order 41/15 March 2019** on the approval of the *Regulated Gas Transmission Tariff Setting Methodology*.

The above-mentioned methodology establishes the regulated revenue resulting from the transmission activity, based on which the regulated gas transmission tariffs are set, considering the capacities booked and the amounts of gas transmitted.

The following items are included into the total regulated revenue:

- ✎ *operating expense* allowed by the authority (materials, energy and water, technological consumption, salaries, maintenance and repair, and others);
- ✎ *pass-through costs*, which are beyond the control of the operator (national transmission system royalty, transmission licence fee, wage fund contributions, other taxes and duties).

According to ANRE Order 41/15 March 2019, from 1 October 2019 the monopoly tax is not recognised by ANRE at the pass-through costs and implicitly at the regulated revenue.

Law 244/9 November 2020 established the annual royalty rate paid by the gas transmission operator to 0,4% of the gross revenue achieved from gas transmission and transit operations through the national transmission systems, owned by the State. By Law 296/2023 on some fiscal-budgetary measures to ensure Romania's long-term financial sustainability, the provisions of Article 103(2) of the Electricity and Gas Law 123/2012 were repealed. As of 30 October 2023, the royalty rate was changed from 0,4% to 11,5% of the value of the gross revenue from transmission and transit operations through the national transmission systems, according to Article 49(2)(b) of Petroleum Law 238/2004.

The oil royalty is an expense recognised in the regulated revenue related to the natural gas transmission activity and recoverable through the transmission tariff. The regulated revenue and the natural gas transmission tariffs approved by ANRE Order 68 of 30 May 2023 and applicable for 1 October 2023 - 30 September 2024 recognise the royalty determined as 0,4% of the value of the gross revenue from natural gas transmission and transit operations through the national transmission system.

The difference between 0,4% and 11,5% will be recovered through the regulated revenue of 2024-2025.

- ✎ *regulated depreciation* of the assets related to the transmission activity;
- ✎ *regulated profit* set by applying the regulatory rate of return to the regulatory value of the assets used for the performing of the transmission activity.

The substantiation of the regulated revenue is made by regulatory periods of 5 years (the current regulatory period started on 1 October 2019 and will end on 30 September 2024), and the regulated revenue is adjusted annually within the regulatory period, based on the annual inflation rate minus the growth factor of economic efficiency, the operational fixed assets value (through the related regulated depreciation and regulated profit) and on achieving or non-achieving the approved regulated revenue for the previous gas year, as follows:

- if during the previous year the regulated revenue obtained is higher than the approved regulated revenue, the difference is subtracted from the regulated revenue of the following year;

- if during the previous year the regulated revenue obtained is lower than the approved regulated revenue, the difference is added to the regulated revenue of the following year.

Following regulation of the transmission activity according to the methodology above, the revenue from the transmission activity covers the costs generated by it and allows the possibility to obtain a regulated profit limited to 6,39% of the amount of capital invested in this activity starting from 13.05.2020.

For the capital invested in tangible and intangible assets, assets put into service/received in the fourth regulatory period, which are objectives of the gas transmission system, an incentive of 1 percentage point above the regulated rate of return on invested capital approved by ANRE for the natural gas transmission activity is granted.

By derogation from the previous provision for investments in tangible and intangible assets which are commissioned/accepted within the fourth regulatory period, representing natural gas transmission system facilities, achieved by equity in projects where EU grants were obtained as well, an incentive of 2 percentage points over the approved regulated rate of return on invested capital is established, except for investments in tangible and intangible assets made following the development of investment projects established in Regulation (EU) No. 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructures and repealing Decision No. 1364/2006/EC and amending Regulations (EC) No. 713/2009, (EC) No. 714/2009 and (EC) No. 715/2009, for which European grants were obtained.

From 1 October 2019 with the entry into force of ANRE Order 41/15 March 2019 the efficiency gain achieved by the TSO from the fourth regulatory period (1 October 2019 - 30 September 2024) will be 60% transferred by linearization to natural gas consumers and 40% will be retained by the TSO and the interest which was not capitalized according to the legal provisions, related to the bank credits contracted for the financing of the tangible fixed assets, for the establishing or extension of the transmission system is recovered through the regulated revenue.

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 - 30 March 2023. ANRE did not modify the transmission tariffs with the price increase substantiated by the company.

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

By Order 68/30 May 2023 ANRE approved for 01.10.2023 - 30.09.2024 the corrected regulated revenue amounting to lei 1.647.348 thousand and the revised transmission tariffs.

👉 **international gas transmission activity and similar**, which is a gas transmission activity performed through dedicated transmission pipelines (which are not connected to the national transmission system).

Considering Order 34/2016 amended by Order 158/2019, by Order 149/29 July 2020 ANRE establishes the total regulated revenue for a gas year for the Isaccea 2-Negru Vodă 2 pipeline gas transmission activity performed by the National Gas Transmission Company TRANSGAZ S.A., and the transmission tariffs valid for the 1 October 2021 - 30 September 2022 period, tariffs applicable only if interconnection agreements with the neighbouring operators are concluded (according to Art. 3 of ANRE Order 34/2016).

At the end of 2020, the legacy transmission contract regarding the Isaccea 3 - Negru Vodă 3 pipeline was terminated by the conclusion of an Agreement for the termination of the legacy contract between SNTGN Transgaz SA and Gazprom Export LLC, which creates the necessary framework for the conclusion of the interconnection agreements for the Isaccea 2,3 and Negru Vodă/Kardam 2,3 Interconnection Points, for ensuring the free access of third party to the capacity booking on the T2 and T3 transit pipelines and for the collection of the remaining amounts to be paid under the legacy contract and puts in place the conditions to increase the use of the natural gas transmission infrastructure in Romania.

The conclusion of the Agreement for the termination of the legacy contract regarding the T3 transit pipeline between SNTGN Transgaz SA and Gazprom Export LLC, ensures the collection of the remaining amounts to be paid under the legacy contract and allows the booking of transmission capacities at NTS entry/exit points and on international transmission pipelines. The revenue collected from transmission are 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 revenue.

The invoices issued under the Termination Agreement from October 2022 have not been paid by Gazprom Export. As at 31 December 2023 the balance of outstanding receivables from Gazprom Export was EUR 29.134.121,90 (lei 144.214.000), fully provisioned as at 31 December 2023.

👉 **balancing activity** performed as at 1 December 2015 based on ANRE Order 160/2015 establishing the obligations of the company on the balancing of the national transmission system, a financially neutral activity, any profit or loss from this activity following to be distributed to the customers for which the domestic transmission services are provided.

The total revenue from other activities with a small contribution to the turnover, such as asset sales, renting and royalty, interest revenue and foreign exchange gains, and the operating revenue and the financial revenue related to the debt for the regulated value remaining unamortised of the regulated asset base at the end of the Concession Agreement complete the total revenue of the company.

1. Analysis of the preliminary economic and financial indicators at 31 December 2023 compared to the indicators obtained at 31 December 2022

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

** thousand lei**

Indicator	Preliminary consolidated 2023	Preliminary Transgaz 2023	Preliminary ETG, VMTG, adjustments 2023
Revenue from the domestic transmission activity	1.519.422	1.451.982	67.440
Revenue from the international transmission activity	116.306	116.306	-
Other revenue	149.207	144.258	4.949
Operating revenue before the balancing and construction activity according to IFRIC12	1.784.935	1.712.546	72.389
Depreciation	482.704	457.197	25.507
Employees costs	572.058	567.557	4.501
Technological consumption, materials and consumables used	148.293	148.201	92
Cost of royalty	55.285	55.285	-
Maintenance and transmission	40.823	40.780	43
Taxes and duties due to the state	87.662	87.507	155
Revenue/ (Costs) of provisions for risks and charges	23.012	22.841	171
Other operating cost	262.680	238.487	24.193
Operational profit before the balancing and the construction activity according to IFRIC12	112.418	94.691	17.727
Revenue from the balancing activity	458.811	458.811	-
Cost of balancing gas	458.811	458.811	-
Revenue from the construction activity according to IFRIC12	170.617	170.617	-
Cost of constructed assets according to IFRIC12	170.617	170.617	-
Operational profit	112.418	94.691	17.727
Financial revenue	260.962	233.094	27.868
Financial cost	161.568	129.106	32.462
Financial revenue, net	99.394	103.988	-4.594
Profit before tax	211.812	198.679	13.133
Profit tax expense	39.425	38.717	708

Indicator	Preliminary consolidated 2023	Preliminary Transgaz 2023	Preliminary ETG, VMTG, adjustments 2023
Net profit for the period	172.387	159.962	12.425
Exchange rate differences	30.171		30.171
Actuarial (gain)/loss of the period	4.334	4.334	0
Total comprehensive income of the period	206.892	164.296	42.596
Attributable to the parent company	203.786		
Attributable to the non-controlling interests	3.106		

1.1 Analysis of the preliminary consolidated revenue and expense at 31 December 2023 compared to the consolidated achievements at 31 December 2022

The main preliminary consolidated economic and financial indicators on 31 December 2023, compared to the consolidated economic and financial indicators obtained in 2022 are presented in the following table:

thousand lei

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Indicator	Preliminary 2023	Achieved 2022	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	1.784.935	1.579.284	13%
Revenue from the balancing activity	458.811	1.005.544	-54%
Revenue from the construction activity according to IFRIC12	170.617	299.868	-43%
Financial revenue	260.962	498.370	-48%
Operating costs before the balancing and construction activity, according to IFRIC12	1.672.517	1.432.967	17%
Balancing activity costs	458.811	1.005.544	-54%
Cost of constructed assets according to IFRIC12	170.617	299.868	-43%
Financial costs	161.568	225.110	-28%
GROSS PROFIT, of which:	211.812	419.576	-50%
• from operation	112.418	146.316	-23%
• from the financial activity	99.394	273.260	-64%
Income tax	39.425	72.507	-46%
NET PROFIT	172.387	347.069	-50%

thousand lei

STATEMENT OF CONSOLIDATED FINANCIAL POSITION			
Indicator	Preliminary 2023	Achieved 2022	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	767.359	801.194	-4%
Rights of use of the leased assets	187.273	16.935	1.006%
Intangible assets	3.631.015	3.909.592	-7%
Goodwill	10.126	9.567	6%
Trade receivables and other receivables	2.423.669	2.141.205	13%
Deferred tax	7.186	-	X
Total fixed assets	7.026.629	6.878.493	2%
Current assets			
Inventories	585.218	613.183	-5%
Commercial receivables and other receivables	433.884	346.799	25%
Cash and cash equivalent	712.593	418.667	70%
Total current assets	1.731.694	1.378.648	26%
Total assets	8.758.324	8.257.141	6%
Equity	4.103.718	4.058.090	1%
Non-controlling interests	99.070	82.818	20%
Long-term debts			
Long-term loans	2.025.633	2.054.247	-1%
Other long-term debts	1.119.423	1.097.277	2%
Total long-term debts	3.145.055	3.151.524	0%
Current debts			
Short-term loans	455.947	136.645	234%
Other short-term debts	954.534	828.063	15%
Total current debts	1.410.481	964.708	46%
Total debts	4.555.536	4.116.233	11%
Equity and debts	8.758.324	8.257.141	6%

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

In 2023 Vestmoldtransgaz SRL of the Republic of Moldova provided natural gas delivery services amounting to lei 67.440thousand.

As of 19 September 2023, according to ANRE MD Resolution 434/2023, Vestmoldtransgaz SRL of the Republic of Moldova was appointed as operator of the entire gas transmission system in the Republic of Moldova.

On 4.09.2023 Lease Contract for Natural Gas Transmission Networks No.70-SJ of 04.09.2023 was signed between Moldovatrangaz Ltd. and Vestmoldtransgaz Ltd. This contract entered into force on 19.09.2023, was concluded for a period of 5 years and the amount of annual lease is MDL 165 mln., VAT excluded.

On 18.09.2023 Maintenance Contract No. 25/23 was signed between Moldovatrangaz Ltd. and Vestmoldtrangaz Ltd. for ensuring the proper technical and industrial safety operation of the natural gas transmission networks. The Maintenance Contract was concluded for the period 19.09.2023 - 31.12.2024, with the possibility of extension for periods of 12 months if neither Party notifies the other Party about its termination. The value of the Contract may not exceed MDL 350.000 thousand VAT excluded and is composed of the value of the fixed component plus the value of the variable component.

On 18.09.2023 Technical Operation Contract No. 26/23 was signed between Moldovatrangaz Ltd. and Vestmoldtrangaz Ltd., having as subject the interconnection and interoperability of the natural gas transmission network managed by Vestmoldtrangaz and the natural gas transmission network managed by Moldovatrangaz. The Technical Operation Contract entered into force on 19 September 2023, is valid until 31.12.2024 and is automatically extended for each subsequent year if neither Party notifies the other Party of its termination within 15 days.

2. Analysis of the economic and financial indicators according to the individual financial statements of SNTGN Trangaz SA

2.1 Analysis of the preliminary revenue and expense obtained at 31 December 2023 compared to the revenue and expense obtained at 31 December 2022

The main preliminary economic and financial indicators achieved at 31 December 2023, compared to the indicators achieved in 2022 are as follows:

thousand lei

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Preliminary 2023	Achieved 2022	Increase
0	1	2	$3=1/2 \times 100 - 100$
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	1.712.546	1.575.186	9%
-revenue from domestic transmission	1.451.982	1.351.931	7%
-revenue from international transmission and similar	116.306	73.927	57%
Operating costs before the balancing and construction activity, according to IFRIC12	1.617.855	1.415.554	14%
Operating profit before the balancing and construction activity, according to IFRIC12	94.691	159.633	-41%
Revenue from the balancing activity	458.811	1.005.544	-54%
Balancing activity costs	458.811	1.005.544	-54%
Revenue from the construction activity according to IFRIC12	170.617	299.868	-43%
Cost of constructed assets according to IFRIC12	170.617	299.868	-43%
Operating profit	94.691	159.633	-41%
Financial revenue	233.094	461.287	-49%
Financial costs	129.106	183.446	-30%
Financial result	103.988	277.841	-63%
GROSS PROFIT	198.679	437.474	-55%

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME

Indicator	Preliminary 2023	Achieved 2022	Increase
0	1	2	3=1/2x100-100
Income tax	38.717	71.719	-46%
NET PROFIT	159.962	365.755	-56%

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

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

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

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

The revenue was influenced mainly by the following factors:

- *revenue from capacity booking* higher by **lei 80.564 thousand** due to:
 - *capacity booking tariff* higher by lei cu 0,344/MWh, with a positive influence of lei 123.343 thousand;
 - *booked capacity* higher by 2.489.350 MWh, with a positive influence of lei 6.220 thousand;
 - *capacity overrun revenue* higher by lei 45.459 thousand. Capacity overrun revenue at 31 December 2022 amounted to lei 75.737 thousand, and at 31 December 2023 to lei 121.196 thousand;
 - *revenue from the auction premium* lower by lei 94.458 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points; revenue from the auction premium at 31 December 2022 amounted to lei 227.801 thousand, and at 31 December 2023 to lei 133.343 thousand.
- *commodity revenue* higher by **lei 19.488 thousand** due to:
 - *the commodity transmission tariff* higher by lei 0,14 lei/MWh, with a positive influence of lei 19.985 thousand;
 - *the gas transmitted capacities* lower by 448.256 MWh as compared to 31 December 2022, with a negative influence of lei 498 thousand, detailed by categories of consumers as follows:

		2023	2022	Differences
Quantity transmitted for direct consumers	MWh	71.894.881	68.472.756	3.422.125
	thousand m ³	6.548.241	6.185.284	362.957
Quantity transmitted for distribution	MWh	69.624.750	73.495.131	-3.870.381
	thousand m ³	6.507.679	6.846.782	-339.103

		2023	2022	Differences
Total	MWh	141.519.631	141.967.887	-448.256
	thousand m ³	13.055.920	13.032.066	23.854

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

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

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

The revenue from the construction activity lower by **lei 129.251 thousand**, registered in line with IFRIC 12, according to which revenue and costs related to the construction activity or the improvement of the transmission network, in exchange of which the intangible asset is registered, must be acknowledged in line with IAS 11, Construction Contracts;

The financial revenue has a negative influence of **lei 228.193 thousand** mainly due to the recording of the updating of the regulated assets value with the inflation rate of 6,61% at 31 December 2023 compared to 16,37% at 31 December 2022 (lei 144.616 thousand at 31 December 2023 as compared to lei 286.877 thousand at 31 December 2022). In 2022 Transgaz record revenue from shareholdings following the reduction of Eurotransgaz's share capital by EUR 13,15 million and in 2023 the share capital of Eurotransgaz was diminished by lei 13.504 thousand, amount received in August 2023.

Operating costs before the balancing and construction activity according to IFRIC12 increased by **14%** as compared to 31 December 2022, which is higher by **lei 202.301 thousand**.

The company made savings of lei 38.497 thousand to the following cost elements:

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

A surplus amounting to lei 240.798 thousand was recorded to the following cost elements:

- employee costs: lei 75.969 thousand;
- cost of provision for risks and charges: lei 4.753 thousand;
- cost of royalty: lei 49.582 thousand; By Law 296/2023 on some fiscal-budgetary measures to ensure Romania's long-term financial sustainability, the provisions of Article 103(2) of the Electricity and Gas Law 123/2012 were repealed. As of 30 October 2023, the royalty rate was changed from 0,4% to 11,5% of the value of the gross revenue from

transmission and transit operations through the national transmission systems, according to Article 49(2)(b) of Petroleum Law 238/2004;

- cost of depreciation: lei 33.547 thousand, based on the completion and commissioning of investments projects;
- cost of auxiliary materials: lei 9.231 thousand;
- cost of maintenance and transmission: lei 3.866 thousand;
- cost of monopoly tax: lei 2.522 thousand;
- other operating costs: lei 60.677 thousand. In 2023 the company recorded costs with the depreciation of trade receivables in the amount of lei 108.175 thousand, higher by lei 52.800 thousand compared to 2022. The amount of depreciation of trade receivables was mainly determined by the non-collection of receivables from Gazprom Export LLC (lei 120.908 thousand) decreased by the collection of receivables from Electrocentrale Constanta (lei 20.546 thousand) and Mehedinți Gaz SA (lei 3.214 thousand). As at 31 December 2023, the Company capitalized the amount of lei 10.113 thousand (lei 3.345 thousand as of 31 December 2022), representing the difference between the costs of technological consumption realized over the one approved in the transmission tariff, in accordance with GEO 27/2022;
- other costs: lei 651 thousand.

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

Compared to 31 December 2022 the preliminary gross profit at 31 December 2023 decreased by 55%, which is lower by lei 238.795 thousand, and the net profit is decreased by 56%, which is lower by lei 205.793 thousand.

* thousand lei *

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	Preliminary 2023	Achieved 2022	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	377.610	418.132	-10%
Rights of use of the leased assets	14.501	16.935	-14%
Intangible assets	3.631.006	3.909.577	-7%
Financial assets	177.619	191.123	-7%
Trade receivables and other receivables	2.423.669	2.141.205	13%
Deferred tax	9.869	0	X
Total fixed assets	6.634.274	6.676.972	-1%
Current assets			
Inventories	577.081	609.877	-5%
Commercial receivables and other receivables	392.434	335.331	17%
Cash and cash equivalent	677.336	384.237	76%
Total current assets	1.646.851	1.329.445	24%
Total assets	8.281.125	8.006.418	3%

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	Preliminary 2023	Achieved 2022	Increase
1	2	3	4=2/3x100-100
Equity	4.115.175	4.082.746	1%
Long-term debts			
Long-term loans	1.865.388	1.871.383	0%
Other long-term debts	976.581	1.095.430	-10%
Total long-term debts	2.841.969	2.966.813	-4%
Current debts			
Short-term loans	432.316	132.099	227%
Other short-term debts	891.665	824.760	8%
Total current debts	1.323.981	956.859	38%
Total debts	4.165.950	3.923.672	6%
Equity and debts	8.281.125	8.006.418	3%

Tangible assets

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

Tangible assets decreased by lei 40.522 thousand as compared to the value as at 31.12.2022, mainly due to the fact that the tangible assets entries did not exceed the depreciation cost for tangible assets.

Rights of use of leased assets

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

Intangible assets

IT Programs

The purchased licenses related to the rights to use the IT programmes are capitalized on based on the costs incurred with the procurement and commissioning of the respective IT programmes. Such costs are depreciated over their estimated useful life (three years). Costs related to the development or maintenance of the IT programmes are recognized as costs during the period when they are registered.

Service concession agreement

From 2010, in accordance with the EU approval process, the company started to apply IFRIC 12, ***Service Concession Arrangements***, adopted by the EU.

The scope of IFRIC 12 includes: the existing infrastructure at the time of signing the concession agreement and, also, modernization and improvement brought to the gas transmission system, which are transferred to the owner 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 278.571 thousand as compared with the value as at 31.12.2022, this decrease being mainly due to the fact that the intangible assets entries did not exceed the cost of amortization of intangible assets.

Financial assets

The financial assets decreased compared to the value recorded at 31.12.2022 by lei 13.504 thousand, decrease due to the reduction of the share capital of the company EUROTRANSGAZ SRL Chisinau in the Republic of Moldova, approved by SNTGN Transgaz SA BoA Resolution 38/2022 and received in August 2023.

Trade receivables and other receivables/ Fixed assets

The receivables regarding the right to collect the regulated value remaining unamortized at the end of the concession agreement on 31 December 2023 increased by the amount of lei 282.464 thousand, receivables registered according to Law 127/2014 of 5 October 2014, which states that in case of termination of the concession agreement for any reason, or upon termination, the investment of the national transmission system operator shall be transferred to the owner of the national transmission system or another concession provider on payment of a compensation equal to the regulated value remaining not amortized, established by ANRE.

The increase of lei 282.464 thousand compared to the value at 31 December 2022 is mainly due to the updating of the receivables with the changes recorded in the regulated asset base and the adjustment of the regulated value of the assets with the inflation rate starting with 2019, as per ANRE Order 41/2019.

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

Inventories

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

Commercial receivables and other receivables

On 31 December 2023, the balance of the commercial receivables and other receivables **increased by lei 57.103 thousand** as compared to 31 December 2022, mainly due to the following factors:

- increase of the client receivables balance by lei 162.045 thousand mainly generated by the increase of the balance of the receivables from domestic and international transmission;
- increase of the provisions for the impairment of the trade receivables and of other receivables by lei 108.175 thousand;
- increase of the claims against the state budget by lei 7.915 thousand;
- decrease of the balance of other receivables by lei 4.682 thousand.

Cash at hand and in bank

On 31 December 2023 the company's cash increased by lei 293.099 thousand as compared to the end of 2022. The cash in bank accounts in lei increased by lei 95.128 thousand and the cash in bank accounts in currency increased by lei 198.048 thousand. Other cash elements and cash equivalent register a decrease by lei 77 thousand compared with 2022

Debts to be paid over a one-year period

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

- increase of the balance of the commercial debt and other debt by lei 37.109 thousand;
- increase of the provision for risks and charges by lei 11.691 thousand mainly on account of registering the provision for litigations;
- increase of the current part of the provision for employee benefits by lei 11.551 thousand;
- increase of the deferred revenue over the short term by lei 6.554 thousand;
- increase of short-term loans by lei 300.217 thousand, a loan of lei 300 million contracted to finance the balancing activity maturing on 14 July 2024.

Long-term debts

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

- decrease of long-term loans by lei 5.994 thousand;
- decrease of deferred revenue and of the subsidies by lei 119.586 thousand;
- increase of the provision for employee benefits by lei 3.912 thousand;
- decrease of deferred revenue by lei 1.206 thousand;
- decrease of the commercial debts and other debts in the amount of lei 1.970 thousand.

Equity

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

Retained earnings increased by lei 32.429 thousand.

3. Analysis of the preliminary revenue and expense at 31 December 2023 compared to the revenue and expense budget approved by OGMS Resolution 2/16 February 2023

The main preliminary economic and financial indicators at 31 December 2023, compared to the revenue and expense budget approved by OGMS Resolution 2/16 February 2023:

thousand lei

No.	Indicator	REB 2023	Preliminary 2023	Increase
0	1	2	3	4=3/2x100-100
1.	Operating revenue before the balancing and construction activity, according to IFRIC12	1.669.099	1.712.546	3%
2.	Revenue from the balancing activity	1.280.455	458.811	-64%
3.	Revenue from the construction activity, according to IFRIC12	954.064	170.617	-82%
4.	Financial revenue	267.074	233.094	-13%
5.	Operating costs before the balancing and construction activity, according to IFRIC12	1.734.349	1.617.855	-7%
6.	Costs from the balancing activity	1.280.455	458.811	-64%
7.	Cost of constructed assets according to IFRIC12	954.064	170.617	-82%
8.	Financial costs	121.520	129.106	6%
9.	GROSS PROFIT , of which:	80.305	198.679	147%
	• from operation	-65.250	94.691	-245%

No.	Indicator	REB 2023	Preliminary 2023	Increase
	• from the financial activity	145.555	103.988	-29%
10.	Income tax	16.380	38.717	136%
11.	NET PROFIT	63.924	159.962	150%

Operating revenue before the balancing and construction activity according to IFRIC12 increased by **lei 43.447 thousand** as compared to the REB.

The revenue was influenced by the following:

- Gas transmission services increased by **lei 14.902 thousand** due to:
 - *capacities booked* higher by 26.064.839 MWh with a positive influence of **lei 91.116 thousand**;
 - *average capacity booking tariff, determined by the structure of the booked products*, lower by lei 0,117/MWh, with a negative influence of lei **43.988 thousand**
 - *the gas transmitted capacities* lower than planned by 9.628.138 MWh (▼6%) with a negative influence of **lei 13.971 thousand**;
 - *commodity transmission tariff* lower by lei 0,134/MWh, with a negative influence of **lei 18.255 thousand**.
- Revenue from international gas transmission services and similar increased by **lei 46.890 thousand**;
- Other operating revenue decreased by **lei 18.345 thousand** as compared to the REB; the financial statements of Transgaz do not present the value of revenue from the production of tangible assets or the amount of the relevant expenses according to Order 2.844/2016 on the approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

Revenue from the balancing activity decreased by **lei 821.644 thousand** based on the following:

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

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

Operating costs before the balancing and construction activity according to IFRIC12 decreased by **7%** as compared to the approved plan, which is lower by **lei 116.493 thousand** as compared to the REB.

Savings amounting to lei 278.584 thousand were recorded mainly the following cost elements:

- employee costs: lei 54.807 thousand;
- transmission system gas consumption: lei 98.084 thousand;
- auxiliary materials and other material costs: lei 77.796 thousand;
- cost of maintenance and transport: lei 43.622 thousand;
- cost of taxes and duties: lei 4.039 thousand;
- cost of provision for risks and charges: lei 235 thousand.

A surplus of lei 162.091 thousand was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: lei 49.259 thousand; By Law 296/2023 on some fiscal-budgetary measures to ensure Romania's long-term financial sustainability, the

provisions of Article 103(2) of the Electricity and Gas Law 123/2012 were repealed. As of 30 October 2023, the royalty rate was changed from 0,4% to 11,5% of the value of the gross revenue from transmission and transit operations through the national transmission systems, according to Article 49(2)(b) of Petroleum Law 238/2004

- cost of depreciation: lei 14.026 thousand, based on commissionings;
- other operating costs: lei 98.805 thousand, mainly determined by the adjustments for impairment of current assets due to non-collection of receivables from Gazprom.

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

The gross profit increased by lei 118.373 thousand as compared to the REB.

4. Investment plan achievement

The preliminary **capital expenditure** achieved at 31 December 2023 amounted to **lei 211.163 thousand**.

Investments amounting to lei 378.443 thousand were commissioned in the analysed period.

In 2023 instalments were reimbursed for the loans taken by the company to finance the investment works amounting to lei 132.099 thousand.

5. Receivables and arrears

On 31 December 2023 the outstanding receivables amounted to lei 640.441 thousand, which is higher by lei 102.429 thousand as compared 31 December 2022.

On 31 December 2023 Transgaz has no outstanding payments.

**DIRECTOR - GENERAL
ION STERIAN**

**Chief Financial Officer
Marius Lupean**