

REPORT AND ISSUER IDENTIFICATION DATA

Quarterly report according to the provisions of art. 69 of Law no. 24/2017

Date of report: 15 May 2024

Company name: SNTGN TRANSGAZ SA

Headquarters: Medias, 1 Constantin I. Motas Square, code: 551130

Telephone/fax: 0269-803333/0269-839029

Tax identification code: RO13068733

Trade Register number: J32/301/2000

Subscribed and paid-up capital: lei 1.883.815.040

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

QUARTERLY REPORT
ON THE ECONOMIC AND FINANCIAL ACTIVITY OF SNTGN TRANSGAZ SA
as at 31.03.2024
(1 January-31 March 2024)

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 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 March 2024 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 for 1 October 2019 – 30 April 2020, 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 September 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.

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 created 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.

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 validity of the Termination Agreement of the legacy Contract between SNTGN Transgaz SA and Gazprom Export LLC, concluded at the end of 2020, expired on 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 economic and financial indicators achieved at 31 March 2024 compared to the indicators obtained at 31 March 2023

The main economic and financial indicators during the 1 January 2024 – 31 March 2024 reporting period

No.	Indicator	31.03.2024	Consolidated statements result	Individual statements result
1.	Current liquidity indicator	Current assets/Current liabilities	1,15	1,14
2.	Leverage indicators			
2.1	Leverage indicator 1	Borrowed capital/Equity	39,88%	36,34%
2.2	Leverage indicator 2	Borrowed capital/Invested capital	28,51%	26,65%
3.	Days' sales outstanding	Average accounts receivable x 90 / Turnover	112,78	122,97
4.	Fixed assets turnover	Turnover/Fixed assets	0,102	0,098

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, 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.

thousand lei

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME			
Indicator	Achieved Q I 2024	Achieved Q I 2023	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	706.556	460.324	53%
Revenue from the balancing activity	62.887	197.962	-68%
Revenue from the construction activity according to IFRIC12	223.547	10.756	1.978%
Financial revenue	81.656	73.708	11%
Operating costs before the balancing and construction activity, according to IFRIC12	444.949	352.760	26%
Balancing activity costs	62.887	197.962	-68%
Cost of constructed assets according to IFRIC12	223.547	10.756	1.978%
Financial costs	28.771	31.392	-8%
GROSS PROFIT , of which:	314.492	149.879	110%
• from operation	261.607	107.564	143%
• from the financial activity	52.885	42.316	25%
Income tax	51.632	26.259	97%
NET PROFIT	262.860	123.620	113%

thousand lei

STATEMENT OF CONSOLIDATED FINANCIAL POSITION			
Indicator	Achieved Q I 2024	Achieved 2023	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	755.636	769.080	-2%
Rights of use of the leased assets	166.636	173.446	-4%
Intangible assets	3.771.281	3.643.272	4%
Goodwill	10.292	10.126	2%
Trade receivables and other receivables	2.497.751	2.423.669	3%
Deferred tax	2.361	5.116	-54%
Restricted cash	1.991	1.956	2%
Total fixed assets	7.205.947	7.026.666	3%
Current assets			
Inventories	620.705	583.515	6%
Commercial receivables and other receivables	368.150	441.071	-17%
Cash and cash equivalent	903.334	710.857	27%
Total current assets	1.892.189	1.735.443	9%

STATEMENT OF CONSOLIDATED FINANCIAL POSITION			
Indicator	Achieved Q I 2024	Achieved 2023	Increase
1	2	3	4=2/3x100-100
Total assets	9.098.135	8.762.109	4%
Equity	4.379.565	4.118.983	6%
Non-controlling interests	104.075	97.131	7%
Long-term debts			
Long-term loans	1.746.500	2.033.509	-14%
Other long-term debts	1.224.175	1.109.410	10%
Total long-term debts	2.970.675	3.142.919	-5%
Current debts			
Short-term loans	685.349	448.070	53%
Other short-term debts	958.472	955.006	0%
Total current debts	1.643.821	1.403.076	17%
Total debts	4.614.496	4.545.996	2%
Equity and debts	9.098.135	8.762.109	4%

The variation of the consolidated economic and financial indicators at 31 March 2024, compared to the indicators achieved in the similar period of 2023 is mainly determined by the variation of the individual economic-financial indicators recorded by SNTGN Transgaz SA at 31 March 2024 compared to the indicators achieved in the similar period of 2023.

In 1 January 2024 – 31 March 2024 Vestmoldtransgaz SRL of the Republic of Moldova provided natural gas delivery services amounting to lei 60.707,9 thousand.

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 Vestmoldtransgaz 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 Vestmoldtransgaz Ltd., having as subject the interconnection and interoperability of the natural gas transmission network managed by Vestmoldtransgaz 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.

Indicators of the SNTGN Transgaz SA individual economic and financial results

The main economic and financial indicators achieved at 31 March 2024, compared to the indicators achieved in the same period of 2023 are as follows:

thousand lei

STATEMENT OF INDIVIDUAL COMPREHENSIVE INCOME			
Indicator	Achieved Q I 2024	Achieved Q I 2023	Increase
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12, of which	643.816	457.755	41%
-revenue from domestic transmission	607.208	393.758	54%
-revenue from international transmission and similar	0	29.016	-100%
Operating costs before the balancing and construction activity, according to IFRIC12	407.005	347.586	17%
Operating profit before the balancing and construction activity, according to IFRIC12	236.810	110.169	115%
Revenue from the balancing activity	62.887	197.962	-68%
Balancing activity costs	62.887	197.962	-68%
Revenue from the construction activity according to IFRIC12	223.547	10.756	1.978%
Cost of constructed assets according to IFRIC12	223.547	10.756	1.978%
Operating profit	236.810	110.169	115%
Financial revenue	77.931	68.066	14%
Financial costs	21.481	26.841	-20%
Financial result	56.450	41.225	37%
GROSS PROFIT	293.260	151.394	94%
Income tax	51.322	26.027	97%
NET PROFIT	241.938	125.366	93%

Operating revenue before the balancing and construction activity, according to IFRIC12 increased by 41% compared to the one achieved at 31 March 2023, which is higher by lei 186.061 thousand.

In 1 October 2021 - 30 September 2023 the gas transmission tariffs were not updated, being applied the transmission tariffs approved by ANRE Order 32/2021, corresponding to a regulated tariff of lei 1.041.465,61 thousand.

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 193.249 thousand** due to:
 - *capacity booking tariff* higher by lei cu 1,88/MWh, with a positive influence of lei 191.924 thousand;
 - *booked capacity* lower by 1.621.762 MWh, with a negative influence of lei 4.617 thousand;

- *capacity overrun revenue* higher by lei 12.990 thousand. Capacity overrun revenue at 31 March 2023 amounted to lei 35.720 thousand, and at 31 March 2024 to lei 48.711 thousand;
- *revenue from the auction premium* lower by lei 7.049 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points; revenue from the auction premium at 31 March 2023 amounted to lei 19.432 thousand, and at 31 March 2024 to lei 12.383 thousand.
- *commodity revenue* higher by **lei 20.201 thousand** due to:
 - *the commodity transmission tariff* higher by lei 0,52 lei/MWh, with a positive influence of lei 20.486 thousand;
 - *the gas transmitted capacities* lower by 257.327 MWh as compared to 31 March 2023, with a negative influence of lei 286 thousand, detailed by categories of consumers as follows:

		3 months 2024	3 months 2023	Differences
Quantity transmitted for direct consumers	MWh	10.098.625	9.967.544	131.081
	thousand m ³	930.595	891.646	38.949
Quantity transmitted for distribution	MWh	29.298.461	29.686.869	-388.408
	thousand m ³	2.742.330	2.780.474	-38.144
Total	MWh	39.397.086	39.654.413	-257.327
	thousand m ³	3.672.925	3.672.120	805

At the end of 2020, the legacy transmission contract on the Isaccea 3 - Negru Voda 3 pipeline was terminated through the conclusion of a Termination Agreement between SNTGN Transgaz SA and Gazprom Export LLC, which created the necessary framework for the conclusion of the interconnection agreements for the Isaccea 2,3 and Negru Voda/Kardam 2,3 Interconnection Points, ensuring free access of third parties to the capacity booking on the T2 and T3 transit pipelines and the collection of the remaining amounts to be paid from the legacy contract.

The validity of the Termination Agreement of the historical Contract between SNTGN Transgaz SA and Gazprom Export LLC, concluded at the end of 2020, expired on 31 December 2023.

- *other operating revenue* higher by **lei 1.627 thousand**.

The revenue from the balancing activity was lower by **lei 135.076 thousand** based on the following factors:

- trading price lower by lei 134,46/MWh, with a negative influence of lei 82.323 thousand;
- quantity lower by 279.304 MWh with a negative influence of lei 52.753 thousand;

The revenue from the construction activity higher by **lei 212.792 thousand**, recorded 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 recorded, must be acknowledged in line with IAS 11, Construction Contracts;

The financial revenue has a positive influence of **lei 9.865 thousand**.

Operating costs before the balancing and construction activity according to IFRIC12 increased by **17%** as compared to 31 March 2023, which is higher by **lei 59.419 thousand**.

The company made savings of lei 22.783 thousand to the following cost elements:

- transmission system gas consumption of lei 15.707 thousand due to:

- the quantity of natural gas for NTS gas consumption lower by 39.687 MWh as compared to 31 March 2023, with a positive influence of lei 8.087 thousand;
- the average purchase price achieved lower by lei 49,45/MWh as compared to the one achieved at 31 March 2023, with a positive influence of lei 7.620 thousand;
- other operating expenses: lei 6.786 thousand, mainly due to impairment adjustments on current assets;
- cost of maintenance and transport: lei 290 thousand.

A surplus amounting to lei 82.203 thousand was recorded to the following cost elements:

- employee costs: lei 5.127 thousand;
- cost of provision for risks and charges: lei 1.409 thousand;
- cost of royalty: lei 68.138 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 4.613 thousand, based on the completion and commissioning of investments projects;
- cost of auxiliary materials: lei 1.904 thousand;
- cost of taxes and duties: lei 1.012 thousand.

The financial cost is lower by lei 5.360 thousand.

Compared to 31 March 2023 the gross profit realized at 31 March 2024 increased by 94%, which is higher by lei 141.866 thousand, and the net profit increased by 93%, which is higher by lei 116.573 thousand.

** thousand lei **

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	Achieved Q I 2024	Achieved 31.12.2023	Increase
1	2	3	4=2/3x100-100
Fixed assets			
Tangible assets	361.827	377.640	-4%
Rights of use of the leased assets	13.655	14.501	-6%
Intangible assets	3.771.274	3.643.263	4%
Financial assets	177.619	177.619	0%
Trade receivables and other receivables	2.497.751	2.423.669	3%
Deferred tax	0	1.734	x
Restricted cash	1.991	1.956	2%
Total fixed assets	6.824.117	6.640.382	3%
Current assets			
Inventories	613.342	577.081	6%
Commercial receivables and other receivables	324.792	400.845	-19%
Cash and cash equivalent	862.034	675.601	28%
Total current assets	1.800.169	1.653.526	9%

STATEMENT OF INDIVIDUAL FINANCIAL POSITION			
Indicator	Achieved Q I 2024	Achieved 31.12.2023	Increase
1	2	3	4=2/3x100-100
Total assets	8.624.286	8.293.909	4%
Equity	4.365.592	4.123.653	6%
Long-term debts			
Long-term loans	1.586.403	1.865.388	-15%
Other long-term debts	1.097.947	976.922	12%
Total long-term debts	2.684.344	2.842.310	-6%
Current debts			
Short-term loans	669.610	432.316	55%
Other short-term debts	904.740	895.629	1%
Total current debts	1.574.350	1.327.945	19%
Total debts	4.258.694	4.170.255	2%
Equity and debts	8.624.286	8.293.909	4%

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 15.813 thousand as compared to the value as at 31.12.2023, 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 846 thousand as compared to 31 December 2023 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 recorded.

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 increased by lei 128.011 thousand as compared with the value as at 31.12.2023, this increase being mainly due to the fact that the intangible assets entries exceeded the cost of amortization of intangible assets.

Financial assets

The financial assets are at the same level compared to the value recorded at 31.12.2023 and is the share in the company EUROTRANSGAZ SRL Chisinau in the Republic of Moldova, established by EGMS Resolution 10/12.12.2017 of SNTGN Transgaz SA. .

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 March 2024 increased by the amount of lei 74.082 thousand, receivables recorded 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 74.082 thousand compared to the value at 31 December 2023 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 March 2024 inventories increased by lei 36.261 thousand compared to the value as at 31 December 2023, mainly due to the increasing by lei 3.567 thousand of the value of the natural gas procured within the balancing activity, the increasing by lei 7.185 thousand of the stored gas procured to cover technological consumption, and the increasing by lei 25.509 thousand of the stocks of raw and other materials.

Commercial receivables and other receivables

On 31 March 2024, the balance of the commercial receivables and other receivables **decreased by lei 76.054 thousand** as compared to 31 December 2023, mainly due to the following factors:

- decrease of the client receivables balance by lei 68.433 thousand mainly generated by the collection of the balance of the receivables from domestic transmission and balancing;
- increase of the provisions for the impairment of the trade receivables and of other receivables by lei 1.511 thousand;
- decrease of the claims against the state budget by lei 40.980 thousand;
- increase of the balance of other receivables by lei 34.870 thousand.

Cash at hand and in bank

On 31 March 2024 the company's cash increased by lei 186.433 thousand as compared to the end of 2023. Cash in bank accounts in lei increased by lei 227.328 thousand and cash in bank accounts in foreign currency decreased by lei 40.934 thousand. Other cash and cash equivalents increased by lei 39 thousand compared to 2023.

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 2023:

- increase of the balance of the commercial debt and other debt by lei 9.179 thousand;
- decrease of the balance of the debts related to the rights of use of leased assets by lei 636 thousand;
- increase of the provision for risks and charges by lei 2.040 thousand mainly on account of recording the employee profit sharing;
- recording the debt with the current tax payable in the amount of lei 7.839 thousand;
- decrease of the deferred revenue over the short term by lei 9.311 thousand;
- increase of short-term loans by lei 237.294 thousand, on account of the short-term reclassification of the credit line contracted with Banca Transilvania, to cover working capital requirements, the maturity of the credit line being 22.03.2025.

Long-term debts

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

- decrease of long-term loans by lei 278.985 thousand;
- increase of deferred revenue and of the subsidies by lei 120.495 thousand;
- registration of the debt with the deferred revenue by lei 763 thousand;
- decrease of the debts related to the rights of use of leased assets in the amount of lei 239 thousand.

Equity

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

Retained earnings increased by lei 241.939 thousand due to the recording of the profit related to Q I 2024.

2. Analysis of the revenue and expense realized at 31 March 2024 compared to the revenue and expense budget approved by OGMS Resolution 12/21 February 2024

The main economic and financial indicators realized in 01.01.- 31.03.2024, compared to the revenue and expense budget approved by OGMS Resolution 1/21 February 2024:

thousand lei

No.	Indicator	REB Q I 2024	Achieved Q I 2024	Increase
0	1	2	3	4=3/2x100-100
1.	Operating revenue before the balancing and construction activity, according to IFRIC12	635.363	643.816	1%
2.	Revenue from the balancing activity	163.815	62.887	-62%

No.	Indicator	REB Q I 2024	Achieved Q I 2024	Increase
3.	Revenue from the construction activity, according to IFRIC12	108.835	223.547	105%
4.	Financial revenue	51.858	77.931	50%
5.	Operating costs before the balancing and construction activity, according to IFRIC12	490.353	407.005	-17%
6.	Costs from the balancing activity	163.815	62.887	-62%
7.	Cost of constructed assets according to IFRIC12	108.835	223.547	105%
8.	Financial costs	20.729	21.481	4%
9.	GROSS PROFIT , of which:	176.140	293.260	66%
	• from operation	145.011	236.810	63%
	• from the financial activity	31.130	56.450	81%
	Income tax	10.993	51.322	367%
	NET PROFIT	165.148	241.938	46%

Operating revenue before the balancing and construction activity according to IFRIC12 increased by **lei 8.452 thousand** as compared to the REB.

The revenue was influenced by the following:

- Gas transmission services increased by **lei 13.510 thousand** due to:
 - *capacities booked* higher by 2.922.951 MWh with a positive influence of **lei 14.357 thousand**;
 - *average capacity booking tariff, determined by the structure of the booked products*, higher by lei 0,238/MWh, with a positive influence of lei **25.113 thousand**
 - *the gas transmitted capacities* lower than planned by 15.926.432 MWh with a negative influence of **lei 25.960 thousand**;
- Other operating revenue decreased by **lei 5.058 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 100.928 thousand** based on the following:

- trading price lower by lei 83,65/MWh, with a negative influence of lei 32.820 thousand;
- quantity lower by 279.203 MWh with a negative influence of lei 68.108 thousand;

Financial revenue increased by **lei 26.072 thousand** as compared to the REB, mainly due to the inflation adjustment of 2,35% as at 31 March 2024 of fixed assets included in the regulated asset base.

Operating costs before the balancing and construction activity according to IFRIC12 decreased by **17%** as compared to the approved plan, which is lower by **lei 83.347 thousand** as compared to the REB.

Savings amounting to lei 86.576 thousand were recorded mainly the following cost elements:

- employee costs: lei 26.091 thousand;
- transmission system gas consumption: lei 11.933 thousand;

- auxiliary materials and other material costs: lei 13.086 thousand;
- cost of maintenance and transport: lei 5.056 thousand;
- cost of taxes and duties: lei 12.099 thousand;
- cost of depreciation: lei 2.156 thousand;
- other operating costs: lei 16.155 thousand.

A surplus of lei 3.229 thousand was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: lei 1.554 thousand;
- cost of provision for risks and charges: lei 1.675 thousand.

The financial cost is higher by **lei 752 thousand**.

The gross profit increased by lei 117.119 thousand as compared to the REB.

3. Investment plan achievement

The capital expenditure achieved at 31 March 2024 amounted to **lei 226.276 thousand**.

Investments amounting to lei 5.717 thousand were commissioned in the analysed period.

In Q I 2024 instalments were reimbursed for the loans taken by the company to finance the investment works amounting to lei 30.668 thousand.

4. Receivables and arrears

On 31 March 2024 the outstanding receivables amounted to lei 659.002 thousand, which is higher by lei 18.561 thousand as compared 31 December 2023.

On 31 March 2024 Transgaz has no outstanding payments.

**DIRECTOR - GENERAL
ION STERIAN**

**Chief Financial Officer
Marius Lupean**

**THE NATIONAL GAS TRANSMISSION COMPANY
TRANSGAZ S.A.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED ON 31 MARCH 2024 (UNAUDITED)**

**PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION**

This version of the financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS



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**INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**
(expressed in lei, unless otherwise stated)



	<u>Note</u>	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
ASSET			
Fixed assets			
Tangible Assets	7	755.635.601	769.080.086
Rights of use of the leased assets	7.1	166.635.693	173.445.968
Intangible Assets	9	3.771.281.080	3.643.272.446
Goodwill	10	10.291.763	10.126.276
Trade receivables and other receivables	12	2.497.751.094	2.423.669.228
Deferred tax		2.360.749	5.116.271
Restricted cash	13	<u>1.990.627</u>	<u>1.956.015</u>
		7.205.946.607	7.026.666.290
Current assets			
Inventories	11	620.704.643	583.515.292
Commercial receivables and other receivables	12	368.150.261	441.070.694
Cash and cash equivalent	13	<u>903.333.691</u>	<u>710.857.030</u>
		1.892.188.595	1.735.443.016
Total asset		9.098.135.203	8.762.109.306
EQUITY AND DEBTS			
Equity			
Share capital	14	1.883.815.040	1.883.815.040
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865
Other reserves	15	1.265.796.861	1.265.796.861
Retained earnings	15	528.511.883	253.557.168
Exchange rate differences from consolidation		<u>12.543.520</u>	<u>26.916.902</u>
		4.379.564.564	4.118.983.232
Shareholders` equity			
Non-controlling interests		<u>104.074.587</u>	<u>97.130.535</u>
		4.483.639.152	4.216.113.767
Long-term debts			
Long-term loans	16	1.746.499.768	2.033.509.382
Deferred revenue	17	970.401.581	849.905.753
Debts related to rights of use of leased assets	19	138.966.285	144.696.947
Provision for employee benefits	21	<u>114.807.183</u>	<u>114.807.183</u>
		2.970.674.817	3.142.919.265

Notes 1 to 33 are part of these financial statements.

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**INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**
(expressed in lei, unless otherwise stated)



	<u>Note</u>	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Current debts			
Short-term loans	<u>16</u>	685.348.968	448.069.729
Deferred revenue	<u>17</u>	104.682.396	113.993.591
Current payable tax	<u>18</u>	8.032.200	-
Commercial debts and other debts	<u>0.1</u>	710.947.726	708.874.765
Debts related to rights of use of leased assets	<u>19.2</u>	32.272.884	31.756.889
Provision for risks and charges	<u>20</u>	86.401.843	84.246.083
Provision for employee benefits	<u>21</u>	<u>16.135.217</u>	<u>16.135.217</u>
		<u>1.643.821.234</u>	<u>1.403.076.274</u>
Total debts		<u>4.614.496.051</u>	<u>4.545.995.539</u>
Total equity and debts		9.098.135.203	8.762.109.306

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

This version of the financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

**INTERIM CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**
(expressed in lei, unless otherwise stated)



	<u>Note</u>	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Revenue from the domestic transmission activity		667.915.867	396.326.725
Revenue from the international transmission activity and similar		-	29.016.164
Other revenue	22	<u>38.639.672</u>	<u>34.980.892</u>
Operational revenue before the balancing and construction activity according to IFRIC12		706.555.539	460.323.781
Depreciation	7, 9	(127.643.297)	(114.337.733)
Employees costs	24	(134.817.755)	(128.191.168)
NTS gas consumption, materials and consumables used		(32.422.603)	(40.771.367)
Expenses with royalties		(69.828.916)	(1.691.096)
Maintenance and transmission		(6.105.538)	(6.481.139)
Taxes and other amounts owed to the state		(17.152.565)	(16.059.903)
		(5.733.922)	(4.324.567)
Revenue/ (Expenses) with provisions for risks and charges			(4.324.567)
Other operating cost	23	<u>(51.243.936)</u>	<u>(40.903.284)</u>
Operational profit before the balancing and construction activity according to IFRIC12		261.607.007	107.563.524
Revenue from the balancing activity		62.886.631	197.962.138
Cost of balancing gas		(62.886.631)	(197.962.138)
Revenue from the construction activity according to IFRIC12	32	223.547.415	10.755.830
Cost of assets constructed according to IFRIC12	32	<u>(223.547.415)</u>	<u>(10.755.830)</u>
Operational profit		261.607.007	107.563.524
Financial revenue	25	81.655.759	73.707.692
Financial cost	25	<u>(28.770.813)</u>	<u>(31.391.998)</u>
Financial revenue, net		<u>52.884.946</u>	<u>42.315.694</u>
Profit before tax		314.491.953	149.879.218
Profit tax expense	0	<u>(51.631.610)</u>	<u>(26.258.990)</u>
Net profit for the period		<u>262.860.343</u>	<u>123.620.228</u>
Attributable to the parent company		257.567.213	124.056.770
Attributable to the non-controlling interests		5.293.130	(436.542)
Number of shares		188.381.504	188.381.504
Other items of comprehensive income			
Basic and diluted earnings per share (expressed in lei per share)	28	1.40	0.66
Actuarial gain / loss for the period		-	-
Exchange rate difference		4.665.042	10.393.226
Total comprehensive income for the period		<u>267.525.385</u>	<u>134.013.454</u>
Attributable to the parent company		260.581.333	134.449.996
Attributable to the non-controlling interests		6.944.052	(436.542)

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(expressed in lei, unless otherwise stated)



	<u>Share Capital</u>	<u>Share capital adjustments</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Consolidation exchange rate difference</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance on 1 January 2023	1.883.815.040	441.418.396	247.478.865	1.265.796.861	199.648.810	19.932.259	82.818.034	4.140.908.265
Net profit for the period	-	-	-	-	124.056.770	-	(436.542)	123.620.228
Non-controlling interests	-	-	-	-	124.056.770	-	(436.542)	123.620.228
							(5.935.685)	(5.935.685)
Consolidation exchange rate difference	-	-	-	-	-	(1.478.144)	11.871.370	10.393.226
Balance on 31 March 2023	1.883.815.040	441.418.396	247.478.865	1.265.796.861	323.705.580	18.454.115	88.317.177	4.268.986.034
Net profit for the period reported	-	-	-	-	57.384.590	-	4.711.704	62.096.294
Actuarial gain / loss for the period	-	-	-	-	4.334.050	-	-	4.334.050
					61.718.640	-	4.711.704	66.430.344
Establishing profit reserves	-	-	-	-	(10.344.066)	-	-	(10.344.066)
Legal reserve increase	-	-	-	-	10.344.066	-	-	10.344.066
<i>Transactions with shareholders:</i>								
Increase of share capital	-	-	-	-	-	-	-	-
Dividends related to 2022	-	-	-	-	(131.867.053)	-	-	(131.867.053)
Consolidation exchange rate difference	-	-	-	-	-	8.462.787	4.101.655	12.564.442
Non-controlling interests	-	-	-	-	-	-	-	-
Balance on 31 December 2023	1.883.815.040	441.418.396	247.478.865	1.265.796.861	253.557.168	26.916.902	97.130.535	4.216.113.767
Net profit for the period	-	-	-	-	257.567.213	-	5.293.130	262.860.343
<i>Transactions with shareholders:</i>					257.567.213	-	5.293.130	262.860.343
Non-controlling interests	-	-	-	-	-	-	-	-
Consolidation exchange rate difference	-	-	-	-	17.387.502	(14.373.382)	1.650.922	4.665.042
Balance on 31 March 2024	1.883.815.040	441.418.396	247.478.865	1.265.796.861	528.511.883	12.543.520	104.074.587	4.483.639.152

The exchange rate differences on consolidation arise from the presentation of the financial statements of the subsidiary Eurotransgaz in the reporting currency of the parent company (RON).

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

INTERIM CONSOLIDATED CASH FLOW STATEMENT
 (expressed in lei, unless otherwise stated)

	<u>Note</u>	The three months ended 31 March 2023 (unaudited)	The three months ended 31 March 2022 (unaudited)
Cash generated from operations	26	320.555.867	180.432.837
Interest paid		(26.035.036)	406.930
Interest received		4.018.117	(19.775.978)
Paid profit tax		—	(12.899.119)
Net cash inflow from operation activities		298.538.948	148.164.670
Cash flow from investment activities			
Payments to acquire intangible assets		(186.594.956)	(117.288.479)
Payments to acquire tangible assets		(1.477.494)	(6.253.411)
Receipts from the disposal of tangible assets		83.123	-
Cash flow from connection fees and grants		133.579.201	165.786
Net cash used in investment activities		(54.410.126)	(123.376.104)
Cash flow from financing activities			
Long-term loans withdrawals		(38.614.736)	(32.975.844)
Credit withdrawals/repayments for working capital		(10.371.898)	(25.841.790)
Payments IFRS 16		(2.575.148)	(2.553.758)
Dividends paid		(55.768)	(72.510)
Net cash used in financing activities		(51.617.550)	(61.443.902)
Net change in cash and cash equivalents		192.511.273	(36.655.336)
Cash and cash equivalent as at the beginning of the year	13	712.813.045	418.666.555
Cash and cash equivalent as at the end of the period	13	905.324.318	382.011.219

 Director – General
 Ion Sterian

 Chief Financial Officer
 Marius Lupean

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

1. GENERAL INFORMATION

The National Gas Transmission Company - SNTGN Transgaz SA (‘company’) has as main activity the transmission of natural gas. Also, the company maintains and operates the national gas transmission system and carries out research and design activities in the area of natural gas transmission. On 31 March 2024, the majority shareholder of the company is the Romanian state, through the General Secretariat of the Government.

The company was established in May 2000, following several reorganizations of the gas sector in Romania: its predecessor was part of the former national gas monopoly SNGN Romgaz SA (‘predecessor company’), which was reorganized under Government Decision 334/2000.

The natural gas sector is regulated by the ‘National Energy Regulatory Authority’ - ‘ANRE’. ANRE’s main responsibilities are the following:

- issuing or withdrawing licenses for companies operating in the natural gas sector;
- publishing framework contracts for the sale, transmission, acquisition and distribution of natural gas;
- setting the criteria, requirements and procedures related to the selection of eligible consumers;
- setting the pricing criteria and the calculation methods for the natural gas sector.

The company is headquartered in 1 C.I. Motaş Square, Mediaş, Romania.

From January 2008, the company is listed at the Bucharest Stock Exchange, as a Tier 1 company, under the TGN symbol.

On 18 December 2017, the limited liability company EUROTRANSGAZ SRL Chisinau (EUROTRANSGAZ S.R.L.) was established in the Republic of Moldova. SNTGN Transgaz SA Mediaş is the sole shareholder of EUROTRANSGAZ S.R.L. under EGMS Resolution no. 10/12 December 2017 on the establishment company.

The core business of EUROTRANSGAZ is:

1. Natural gas production; natural gas transmission; natural gas distribution; natural gas storage; natural gas supply
2. Transmission through pipelines
3. Storage
4. Business and management consulting activities.

The share capital of EUROTRANSGAZ S.R.L. as at 31 March 2024 is in the amount of MDL 728.034.705 (equivalent in RON of lei 190.162.665) and is wholly owned by SNTGN Transgaz SA Mediaş - the founder of the Company, as sole shareholder.

The Decision of the Board of Administration of March 2018 approved the signing of the Sale and Purchase Agreement of I.S Vestmoldtransgaz and the payment of the price offered for the privatization and all taxes and fees related to the privatization process.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

1. GENERAL INFORMATION (CONTINUED)

Based on the Decision no.39/05.09.2019, the Board of Directors of SNTGN Transgaz S.A. approved the authorization of Eurotransgaz (ETG) administrators to register the sale-purchase contract and the transfer of the property right on the single asset complex IS "Vestmoldtransgaz" and also to carry out any actions necessary for the reorganization procedure of Vestmoldtransgaz (VTMG) into a limited liability company.

In 2021 the European Bank for Reconstruction and Development (EBRD) became a 25% shareholder of Vestmoldtransgaz S.R.L., by depositing funds in amount of MDL 414.986.000, of which MDL 394.178.670 was recorded as a contribution to the statutory capital and the difference of MDL 20.807.330 was recognized as capital premia.

Based on the Resolution no. 434 of the National Agency for Energy Regulation Board of Administration of 07.07.2023, S.R.L. Vestmoldtransgaz was appointed as operator of the natural gas transmission system in the Republic of Moldova as of 19.09.2023 on a temporary basis until the completion of the certification procedure.

Also from 19.09.2023 SRL Vestmoldtransgaz became the successor of the rights and obligations of SRL Moldovatrangaz regarding the contracts with system users and interoperability agreements

For the purpose of consolidating this set of financial statements, the non-controlling interest in the Group's share capital in amount of MDL 398.447.884 represents EBRD's share in the total net assets of the Vestmoldtransgaz S.R.L. in statement as at 31 March 2024.

The consolidation method applied is the global integration method, based on a percentage of control by the parent company greater than 50%.

The Ordinary General Meeting of Shareholders approves the annual financial statements of the Company based on the reports of the Board of Administration and of the financial auditors.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY

Romania

The continuation of the economic reforms by the Romanian authorities is necessary for the consolidation of the internal macro-financial framework. The positive performances the Romanian economy registered must be consolidated by the application of a coherent mix of policies. In this context it can be noticed that:

- (i) According to data published on 15 February 2024, the European Commission estimated that the growth rate of the Romanian economy slowed to 1.8% in 2023, 0.4 percentage points less than estimated in the autumn, after high inflation and low credit growth affected domestic demand and weak external demand. The European Commission also revised down its estimate for Romania's economic growth in 2024 to 2.9% from 3.1% in autumn last year. "Although private consumption is expected to accelerate, investment will remain the main contributor to GDP growth this year as well. Monetary policy is expected to remain tight in 2024 and will ease only gradually as inflationary pressures ease. Easing financial and monetary conditions, accompanied by stronger external demand, are expected to lead to real GDP growth of 3.2% in 2025, also slightly less than in the autumn forecast," the EU executive's report says. "Except for a brief period in early 2024, after some increases in indirect taxes, prices are expected to continue to fall over the forecast horizon. Average annual inflation is forecast to reach 5.8% in 2024, slowing to 3.6% in 2025," the European Commission estimates, but warns that there are risks of a more gradual disinflationary process if wages and pensions continue to rise rapidly.
- (ii) In the meeting of 4 April 2024, the Board of the National Bank of Romania decided:
 - to maintain the monetary policy rate to 7,00 % per year;
 - to maintain the interest rate on the lending facility (Lombard) to 8,00 per cent per year and the interest rate on the deposit facility to 6,00 per cent per year;
 - to maintain the current levels of the mandatory minimum reserves for the lei and currency liabilities of the credit institutions.
- (iii) The According to the February 2024 NBR Inflation Report, the annual inflation rate accelerated its downward trajectory in the last quarter of 2023, reaching 6.61 percent in December (-2.22 percentage points compared to the end of the previous quarter and -9.76 percentage points compared to December 2022). At the same time, the indicator was significantly (by 0.9 percentage points) below the projection in the previous Inflation Report, with favourable influences mainly associated with fuel and food prices. In fact, the decisive contribution to disinflation in the fourth quarter was made by the latter, as a result of a combination of factors: the maintenance of a downward trend in commodity prices, the abundant domestic and international harvests, the extension and expansion of the list of essential food products covered by the capping of the trade surplus. In turn, energy commodity prices continued to decline in annual terms in the fourth quarter, mainly as a

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

result of favourable base effects in electricity. In contrast, the annual pace of fuel prices accelerated slightly, also driven by statistical effects.

(iv) Fitch International Rating Agency confirmed on 02.06.2023 the rating of the National Natural Gas Transmission Company Transgaz at "BBB-" with stable outlook. "The confirmation of rating reflects that Transgaz is substantiated on its strong business profile as title holder and operator of the gas transmission network in Romania, as well as on our expectations regarding the continuity of the regulatory framework in the new regulatory period of October 2024," the agency's report said.

(v) The financial rating agency Fitch Ratings confirmed on 01.03.2024 Romania's long-term foreign currency debt rating at "BBB minus" with a stable outlook, informs a press release. "The 'BBB minus' rating assigned to Romania is underpinned by its EU membership and associated capital inflows supporting income convergence, external finances and macroeconomic stability. GDP per capita and human development indicators are above those of other 'BBB' countries. But these are offset by higher budget and current account deficits than other countries in the same category, a modest track record of fiscal consolidation, increased fiscal rigidities and a high external debtor position," Fitch Ratings says. Fitch analysts estimate Romania's budget deficit in 2023 was virtually unchanged compared to 2022 at 6,1% of GDP, well above the government's original target of 4.4% of GDP. Fitch forecasts that Romania will have a government deficit of 6% of GDP in 2024 and 6,4% in 2025.

At the end of Q1 2023, as compared to the end of 2022, the LEU decreased against the EURO (`EUR`) by 0,03% (1 EUR= 4,9491 lei as at 31 March 2023, 1 EUR = 4,9474 lei as at 31 December 2022) and increased by 1,94% against the US dollar (`USD`) (1 USD =4,5463 lei as at 31 March 2023, 1 USD = 4,6346 as at 31 December 2022).

At the end of Q1 2024, as compared to the end of 2023, the LEU increased against the EURO (`EUR`) by 0,10% (1 EUR= 4,9695 lei as at 31 March 2024, 1 EUR = 4,9746 lei as at 31 December 2023) and decreased by 2,49% against the US dollar (`USD`) (1 USD =4,6078 lei as at 31 March 2024, 1 USD = 4,4958 as at 31 December 2023).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared based on a going concern principle.

The main accounting policies applied in the preparation of these financial statements are presented below. These policies were consistently applied to all the financial years considered, unless otherwise stated.

3.1 Basis of preparation

The financial statements of the company were prepared in accordance with the Ministry of Public Finance Order 2844/2016 for the approval of Accounting Regulations in line with International Financial Reporting Standards. The financial statements were prepared based on the historical cost convention, except for the financial assets which are measured at fair value by the profit and loss account or at the fair value among other elements of the comprehensive income.

The preparation of the financial statements in accordance with IFRS requires the use of critical accounting estimates. Also, the management is required to use judgment in applying the company's accounting policies. Areas with a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 5.

Since 2017, the year in which EUROTRANSGAZ was established with SNTGN Transgaz S.A. as its founder, the company is required to prepare consolidated financial statements in accordance with IFRS 10-Consolidated Financial Statements, IFRS 12-Disclosure of Interests in Other Entities and IAS 21-The Effects of Changes in Foreign Exchange Rates.

As of 2018, following the acquisition of Vestmoldtransgaz SRL in Moldova by Eurotransgaz SRL, Transgaz, as the parent company, files consolidated group financial statements including the consolidation of Eurotransgaz SRL with Vestmoldtransgaz SRL in Moldova.

The consolidation of Transgaz with ETG was done in stages, i.e. the consolidation of ETG with VTMG in the first phase, followed by their consolidation in the financial statements of the parent company, Transgaz.

The annual financial statements of non-resident companies are converted using the closing rate method, which means that the balance sheet is converted at the NBR rate issued on 31 December 2023 (closing rate) and the income statement is converted at the average annual rate published by the NBR for 2023. The use of these different rates results in a conversion difference.

In accordance with the Accounting Law no. 82/1991 republished, as amended and supplemented, and with OMFP 2844/2016, as amended and supplemented, for the approval of accounting regulations in accordance with International Financial Reporting Standards, the parent company must prepare both its own individual financial statements and consolidated financial statements of the Group.

IFRS 10 sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee and also sets out the accounting requirements for the preparation of consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The parent company must prepare consolidated financial statements using uniform accounting policies for similar transactions and events in similar circumstances. Consolidation of an investee shall begin at the date when the investor obtains control and shall cease when the investor loses control of the investee.

The parent company must disclose non-controlling interests in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent company. Changes in a parent's interest in the equity of a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e., transactions with owners, in their capacity as owners).

If a parent-company loses control of a subsidiary, the parent shall: (a) derecognise the assets and liabilities of the former subsidiary in the consolidated statement of financial position; (b) recognise any undistributed investment in the former subsidiary at its fair value when it loses control and subsequently account for those investments and amounts due from or to the former subsidiary in accordance with the relevant IFRSs. That fair value shall be deemed to be the fair value at initial recognition of a financial asset in accordance with IFRS 9 or, if applicable, the cost at initial recognition of an investment in an association or joint venture; (c) recognise the gain or loss associated with the loss of control attributable to the former controlling interest.

The consolidated financial statements incorporate the financial statements of the Company and the affiliated entity, EUROTRANSGAZ under the control of the Company by combining similar items of assets, liabilities, equity, expenses and cash flows of the parent company with those of the affiliated company, offsetting (eliminating) the carrying amount of the parent's investment in each subsidiary and the parent's share of each subsidiary's equity and eliminating in full the assets and liabilities, equity, income, expenses and cash flows within the group that relate to intra-group transactions.

A company controls an investee when it is exposed to or has rights to variable income based on its ownership interest in the investee and has the ability to influence that income through its authority over the investee. The control principle therefore establishes the following three elements of control:

1. Authority over the investee;
2. Exposure or rights to variable income based on participation in the investee; and
3. Ability to use authority over the investee to influence the value of the investor's results.

The Company presents investments in the affiliated entity in the separate financial statements as "Financial assets".

IFRS 3 requires the acquirer, after recognising identifiable assets, liabilities and all non-controlling interests to identify any differences between:

a) Aggregation of the consideration transferred, any non-controlling interests in the entity acquired and in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interests in the acquiree, and

b) Net identifiable assets acquired;

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Generally the difference will be recognised as goodwill. In accordance with IAS 36 - Impairment of Assets, goodwill acquired in a business combination shall be tested for impairment annually.

Consolidation procedures under IFRS 10

Consolidated financial statements:

- combines similar items of assets, liabilities, equity, income, expenses and cash flows of the parent company with those of subsidiaries;
- offsets (eliminates) the carrying amount of the parent's investment in the subsidiary and the parent's share of the subsidiary's equity; accounting is in accordance with IFRS 3;
- fully eliminates assets and liabilities, equity, income, expenses and cash flows within the group that relate to transactions between group entities: profits or losses arising from intra-group transactions that are recognised in assets, such as inventories and fixed assets, are fully eliminated.

The following changes are valid as of 1 January 2022:

- Onerous contracts - The cost of performing a contract (Amendments to IAS 37); IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts - Cost of Fulfilling a Contract) - In May 2020, the IASB issued amendments to IAS 37 that specify the costs that a company includes when assessing whether a contract will result in a loss and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts as they increase the scope of costs that are included in the assessment of the onerous contract.
- Annual Improvements to IFRSs: 2018-2020 Cycle - In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative examples accompanying IFRS 16 Leasing.
- The Conceptual Framework for Financial Reporting (Amendments to IFRS 3) - In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.
- IAS 16 Property, Plant and Equipment (Amendment - Proceeds before Intended Use) - In May 2020, the IASB issued amendments to IAS 16 that prohibit a company from deducting amounts received from the sale of items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales revenue and any related costs in profit or loss.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, interpretations and amendments with subsequent applicability.

The company has chosen not to apply in advance these standards, interpretations and amendments to be subsequently applicable.

Standards and amendments effective as of 1 January 2023:

The following changes are in effect for the period as of 1 January 2023:

- IFRS 17 Insurance contracts
- Disclosure of accounting policies – (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred tax on assets and liabilities arising from a single transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform –Model Rules for Pillar Two (Amendment to IAS 12 Income Taxes) (effective immediately after the amendments are issued and with retrospective effect).

These amendments to various IFRSs are mandatory effective for reporting periods beginning on or after 1 January 2023.

IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting periods beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to accounting for insurance contracts. Prior to IFRS 17, there was significant global diversity in insurance contract accounting and disclosure, with IFRS 4 allowing many previous accounting approaches to be followed.

As IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers. The company should perform an assessment of its contracts and operations and conclude whether the adoption of IFRS 17 has had an effect on its annual consolidated financial statements.

Disclosure of accounting policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Judgements about Materiality)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'information about material accounting policies'. The amendments also provide guidance on the circumstances in which information about accounting policies is likely to be considered material and therefore requires disclosure.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless they result from the correction of prior period errors. These amendments clarify how entities distinguish between changes in accounting estimates, changes in accounting policies and prior period errors.

Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued amendments to IAS 12 clarifying whether the initial recognition exception applies to certain transactions that result in the simultaneous recognition of an asset and a liability (e.g. a lease within the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exception, whereby the exception does not apply to the initial recognition of an asset or liability that, at the time of the transaction, gives rise to equal deductible and taxable temporary differences.

International Tax Reform - Model Rules for Pillar Two (Amendment to IAS 12 Income Taxes)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a proposed legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The aim of the framework is to reduce the shifting of profits from one jurisdiction to another in order to reduce global tax liabilities in corporate structures. In March 2022, the OECD published detailed technical guidance on Pillar Two of the rules.

Stakeholders have expressed concerns to the IASB about the potential implications for income tax accounting, in particular deferred tax accounting, resulting from the Pillar Two model rules. The IASB issued Final Amendments (the Amendments) International Tax Reform - Pillar Two Model Rules in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception for entities from the recognition and disclosure of deferred tax assets and liabilities related to the Pillar Two model rules. The exception is effective immediately and retrospectively. The amendments also provide for additional disclosure requirements regarding an entity's exposure to Pillar Two income taxes.

There are a number of standards, amendments to standards and interpretations that have been issued by the IASB and are effective in future accounting periods:

The following changes are effective for the period beginning January 1, 2024:

- Liability in a sale and leaseback (Amendments to IFRS 16 Leases);
- Classification of liabilities as current or non-current (Amendments to IAS 1 Presentation of financial statements);
- Non-convention liabilities (Amendments to IAS 1 Presentation of Financial Statements); and
- **Supplier financing arrangements (Amendments to IAS 7 Statement of cash flows and to IFRS 7 Financial instruments: Disclosures)**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following changes are effective for the period beginning January 1, 2025:

- Lack of exchangeability (Amendments to IAS 21 The effects of changes in exchange rates)

3.2. Reporting on segments

Reporting on business segments is made consistently with the internal reporting by the main operating decision-maker. The main operating decision-maker, which is in charge with resource allocation and assessment of business segments' performance, was identified as being the Board of Administration, which makes the strategic decisions.

3.3. Transactions in foreign currency

a) *Functional currency*

The items included in the financial statements of the company are valued using the currency of the economic environment where the entity operates ('functional currency'). The financial statements are presented in Romanian leu ('lei'), which is the functional currency and the currency of company presentation.

b) *The rounding level used in the presentation of the financial statements*

In the financial statements the value are presented rounded by units.

c) *Transactions and balances*

Transactions in foreign currency are converted into functional currency using the exchange rate valid on the date of transactions or valuation at the balance sheet date. Profit and loss resulting from exchange rate differences following the conclusion of such transactions and from the conversion at the exchange rate at the end of the reporting period of monetary assets and liabilities denominated in foreign currency are reflected in the statement of the comprehensive income.

3.4 Accounting for the effects of hyperinflation

Romania has gone through periods of relatively high inflation and was considered hyperinflationary under IAS 29 'Financial Reporting in Hyperinflationary Economies'. This standard required financial statements prepared in the currency of a hyperinflationary economy to be presented in terms of purchasing power as of 31 December 2003. As the characteristics of the economic environment in Romania indicate the cessation of hyperinflation, from 1 January 2004, the company no longer applies IAS 29.

Therefore, values reported in terms of purchasing power on 31 December 2003 are treated as basis for the accounting values of these financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible Assets

Computer Software

Licenses acquired related to rights of use of the computer software are capitalized on the basis of the costs incurred with the acquisition and operation of the software in question. These costs are amortized over their estimated useful lives (three years).

Costs associated with developing or maintaining computer software are recognized as expenses in the period in which they are registered.

Service Concession Agreement

From 2010, 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, the modernization and improvement brought to the gas transmission system, which are transferred to the regulatory authority at the end of the concession agreement. As of 01.01.2018, IFRS 15 Revenue from Contracts with Customers became applicable in Romania. This standard replaces some older standards (such as IAS 11, IAS 18) and amends IFRIC 12 by introducing new interpretations to the notion of a contract. As a result, the company applies the bifurcated model registering the updated receivable related to the regulated amount remaining unamortized at the end of the concession agreement as a financial asset the intangible asset will be presented in the financial statements by the residual method resulted less the value of the construction works, achieved at fair value with the amount of the updated long-term receivable (compensation) upon the commissioning of the investment.

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor on payment of compensation equal to the regulated value which was not depreciated fixed by ANRE. The company recognized for the investments made until the balance

sheet date an updated receivable related to the regulated value remained undepreciated at the end of the concession agreement, at a counterperformance and an intangible asset at a value less the updated receivable. The discount rate used to calculate the present value of the debt is long-term government bonds, zero coupon, over a period close to the remainder of the concession agreement. The initial measurement of the compensation is made at the fair value which reflects the credit risk which applies to the regulated amount remaining unamortized at the end of the contract. Subsequent valuation is done at amortized cost using the effective interest method. The actual interest rate used is based on historical data and does not change according to market interest rate.

In 2019, ANRE Order no. 41/2019 on the adjustment of asset regulated value to the inflation rate. The company records the present value of the contractual cash flows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

As presented in Note 8, the company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right.

Due to the fact that the Service Concession Agreement (‘SCA’) had no commercial substance (i.e. nothing substantial changed in the way the company operated assets; cash flows changed only with

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the payment of royalties, but, on the other hand, the transmission tariff increased to cover the royalty), the intangible asset was measured at the remaining net value of the derecognized assets (classified in the financial statements as tangible assets on the date of application of IFRIC 12). Consequently, the company continued to recognize the asset, but reclassified it as intangible asset. The company tested the intangible assets recognized at the time without identifying depreciation.

As they occur, costs of replacements are recorded as expense, while the improvements of assets used within SCA are recognized at cost.

Intangible assets are amortized at zero value during the remaining period of the concession agreement.

3.6 Tangible Assets

Tangible assets include buildings, land, assets used for the non-regulated international transmission activity (e.g. pipelines, compressors, filtering installations, devices).

The company’s policy is to reflect intangible assets at their cost at their cost less any accumulated depreciation and any impairment accumulated losses.

Buildings include particularly ancillary buildings of operating assets, a research centre and office buildings.

Further expenses are included in the book value of the asset or recognized as separate asset, as the case may be, only when the entry of future economic benefits for the company associated to the item is likely and the cost of the respective item can be valued in a reliable manner. The book value of the replaced asset is taken off the books. All the other expenses with repairs and maintenance are recognized in the statement of comprehensive income in the financial period when they occur.

Land is not depreciated. Depreciation on other items of tangible assets is calculated based on the straight-line method in order to allocate their cost minus the residual value, during their useful life, as follows:

	<u>Number of years</u>
Buildings	50
Assets of the gas transmission system	20
Other fixed assets	4 - 20

Before 31 December 2008, costs of indebtedness were incurred as they occurred. As of 1 January 2009, costs of indebtedness attributable directly to the acquisition, construction or production of an asset with a long production cycle are capitalized as part of the cost of the respective asset. Costs of indebtedness attributable directly to the acquisition, construction or production of a long lead asset are those costs of indebtedness that would have been avoided if expenses with the asset hadn't been made. To the extent that funds are borrowed specifically for obtaining a long-lead asset, the borrowing costs eligible for the capitalization of the respective asset is determined by the actual cost generated by that borrowing during the period, minus the revenue from the temporary investments of those borrowings. To the extent that funds are generally borrowed and used for the purpose of

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset.

The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for obtaining the long-lead asset.

The costs of the funds borrowed for obtaining a long lead asset (achievement of the investment) are capitalized by the company on the asset as a difference between the current leverage costs related to such loan during the period and any revenue from the investments obtained from the temporary investment of these loans.

The residual values of the assets and their useful lives are reviewed and adjusted as appropriate, at the end of each reporting period.

The book value of the asset is written down immediately to its recoverable amount if the book value of the respective asset is greater than its estimated recoverable amount (Note 3.7).

Gain and loss on disposal are determined by comparing amounts to be received with the book value and are recognized in the statement of comprehensive income in the period in which the sale took place.

3.7. Impairment of non-financial assets

Depreciated assets are reviewed for impairment loss whenever events or changes in circumstances indicate that the book value may not be recoverable.

The impairment loss is the difference between the book value and the recoverable amount of the asset. The recoverable amount is the greater of the asset's fair value minus costs to sell and value in use. An impairment loss recognized for an asset in prior periods is reversed if there are changes in the estimates used to determine the recoverable amount of the asset at the date the last impairment loss was recognized. For the calculation of this impairment, assets are grouped at the lowest levels for which there are identifiable independent cash flows (cash generating units).

Depreciated non-financial assets are reviewed for possible reversal of the impairment at each reporting date.

3.8 Assets of public domain

In accordance with Public Domain Law No. 213/1998, pipelines for gas transmission are public property. Government Decision 491/1998, confirmed by Government Decision 334/2000, states that fixed assets with a gross historical statutory book value of lei 474.952.575 (31 December 2017: RON 474.952.575), representing gas pipelines, are managed by the company. Therefore, the

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

company has the exclusive right to use such assets during the concession and shall return them to the state at the end of this period (see Note 8). The company receives most of the benefits associated with the assets and is exposed to most of the risks, including the obligation to maintain network assets over a period at least equal to the remaining useful life, and the financial performance of the company is directly influenced by the state of the network. Therefore, before 1 January 2010, the company recognized those assets as tangible assets, with a proper reserve in the shareholders' equity (see Note 5.2.). Accounting policies applied to these assets were the same as those applied to the company's tangible assets (Notes 3.7 and 3.6).

The company adopted IFRIC 12 as of 1 January 2010 and reclassified these assets and the subsequent improvements as intangible assets (except for international transmission pipelines).

Starting with 01.01.2018, IFRS 15 "Revenues from the contracts with the clients" became applicable in Romania. This standard replaces a set of older standards (such as IAS 11, IAS 18) and changes IFRIC 12 giving a new interpretation to the contract notion. Therefore, our company registered the discounted receivables related to the regulated value remained undepreciated at the end of the concession agreement as a counterperformance and an intangible asset at a value diminished with the amount of the discounted receivables.

In accordance with Public Concession Law No. 238/2004, a royalty is due for public goods managed by companies other than state-owned. The royalty rate for using the gas transmission pipelines is set by the government. As of October 2007, the royalty was set at 10% of the revenue. The duration of the concession agreement is 30 years, until 2032.

Subsequent to entry into force of the provisions of art. 103 para. 2 of Law no. 123/2012, as of 12 November 2020, the royalty was set at 0,4%, from the domestic and international gas transmission services provided by the company, and as of 30 October 2023 the royalty has been set at 11.5% of the value of gross revenues from natural gas transmission services, in accordance with GEO No 91 of 27 October 2023.

3.9 Financial assets

The company classifies its financial assets into the following categories: measured at fair value through profit or loss, measured at depreciated cost and measured at fair value by other elements of the comprehensive income. Classification is made depending on the purpose for which the financial assets were acquired. The management sets the classification of these fixed assets upon initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are included in the current assets, except for those which have a maturity greater than 12 months after the end of the reporting period. These are classified as fixed assets. Loans and receivables of the company include `trade receivables and

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

other receivables` and cash and cash equivalent in the statement of the financial position (Notes 3.11 and 3.13).

(b) *Financial assets measured at fair value through the profit or loss account or measured at fair value by other elements of the comprehensive income*

IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at amortized cost, at fair value through other comprehensive income, at fair value through profit or loss. The classification on IFRS 9 is determined by the cash flow characteristics and the business model in which an asset is held.

(c) *Impairment of financial assets*

At each reporting date, the company assesses whether there is objective evidence that a financial asset or group of financial assets suffered impairment. A financial asset or group of financial assets is impaired and impairment loss is incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a `loss generating event`) and if such event (or events) which generates loss has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or debtor;
- breach of contract, such as default or delinquency in interest or loan payment;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise have had in view;
- it is likely that the debtor will go bankrupt or enter another form of financial reorganization;
- disappearance of the active market for that financial asset because of financial difficulties; or
- observable data indicate that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for individual financial assets in the portfolio, including:
 - adverse changes in the payment status of debtors in the portfolio; and
 - economic conditions, at national or local level, that correlate with defaults, relating to the assets in the portfolio.

The company assesses first whether objective evidence of impairment exists.

(i) *Assets registered at amortized cost*

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The testing for impairment of trade receivables is described above, by applying the simplified age-based model.

For loans, the amount of the loss is measured as the difference between the book value of the asset and the updated value of estimated future cash flows (excluding future credit loss which was not incurred), discounted at the asset's original rate; the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. In practice, the company may measure impairment based on the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the credit rating of the borrower), the reconsidered of impairment loss recognized previously in profit or loss.

(ii) *Assets measured at cost*

The share held at Eurotrangaz SRL is recognized at its fair value as of the date of trading, being evaluated, after the initial recognition, at cost according to Art.4.1.2 of IFRS 9 and Art.10.a- IAS 27- Separate Financial Statements:

In 2023 and 2022 the company evaluated the stake held in Eurotrangaz SRL in order to identify any possible impairment losses No impairments were found.

3.10. Inventories

Inventories are stated at the lower of cost and net achievable value.

The components recovered from disassemblings and repairs of pipelines built by the company are recorded as stocks at a value determined by a technical committee. The amount so determined does not exceed the net achievable value.

The cost is determined based on the first in, first out method. Where necessary, adjustment is made for obsolete and slow moving inventories. Individually identified obsolete inventories are adjusted for the full value or written off. For slow moving inventory, an estimate is made of the age of each main category on inventory rotation.

The calculation of the general adjustment for the depreciation of stocks is made monthly depending on the age of the existing items in stock, applying the following percentages according to age: 0 - 12 months 0%; 1 - 2 years 10%; 2 - 3 years 30% - 40%; over 3 years 75% - 80%. The company holds a minimum safety stock of spare parts and materials

The cost of natural gas used for the balancing activity related to the transmission system is determined based on the average weighted cost method.

The minimum gas stock that the company, as holder of the national natural gas transmission system operating license is required to have in underground storage facilities, is established by decision of the President of the National Energy Regulatory Authority (ANRE President). The Decision no.748/14.04.2021 of the ANRE President established the obligation for the company to have a level of natural gas stock of 597.115,143 MWh as at 31 October 2021.

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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Trade receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If the collection period is one year or less (or in the normal operating cycle of the business), they are classified as current assets.

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, minus the adjustments for impairment.

For the application of IFRS 9 on the held receivables, based on a loss estimation model, the clients categories were reconsidered starting from the IFRS 9 principle for the anticipation of a non-cashing in risk related to the current receivables.

The debt adjustment policy according to IFRS9 is presented in note 12.

To estimate the trade receivables non-collection risk, a non-collection rate based on risk categories was applied as follows:

- international transmission receivables - receivables with no risk of collection in 2021 and with risk of non-collection on-time as of 2022. As at 31 December 2023, depreciation adjustments are calculated at 100% of the amount of the receivable;
- doubtful or contested other than affiliated parties receivables - receivables with high risk of non-collection that are subject to certain court actions. Impairment adjustments of 100% of the receivables amount are calculated;
- affiliated parties receivables - risk-free receivables are adjusted by seniority instalments, i.e. within the range 31-60 a 10% percentage, 61-90 a 20% percentage, 91-120 a 30% percentage, 121-150 a 35%, 151-180 a 60%, and over 181 with a 100% percentage. Doubtful receivables subject to court actions are provisioned with up to 100% of the amount. An adjustment of 100% for receivables exceeding 30 days and of 5% for current receivables is made up for the receivables that are not subject to court actions and have a non-collection risk;
- Various clients (other trade receivables and receivables from various debtors) - the risk-free receivables are provisioned by seniority instalments, 10% for the range 31-60, 20% for the 61-90, 30% for the range 91-120, 35% for the range 121-150, 60% for the range 151-180, and 100% for the receivables over 181. Doubtful receivables subject to court actions are provided with up to 100% of the amount. For receivables that are not subject to court actions and have a risk of non-collection, a provision of 100% for the receivables exceeding 30 days and 5% for the current receivables is made up.

3.12 Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, cash in current accounts with banks, other short-term investments with high liquidity and with maturity terms of up to three months and overdrafts from banks. In the statement of financial position, overdraft facilities are registered at loans, under current liabilities.

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3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Equity

Share capital

Ordinary shares are classified as equity.

Additional costs directly attributable to the issue of new shares or options are registered at equity as a deduction, net of tax, from the receipts.

Dividends

Dividends are recognized as liabilities and deducted from equity at the end of the reporting period if they are declared before or at the end of the reporting period. Dividends are recognized when they are proposed before the end of the reporting period, or when they were proposed or declared after the end of the reporting period but before the date the financial statements were approved for issue.

The company did not distribute partial dividends during the financial year.

Reserves

Reserves are accounted for by categories of reserves: legal reserves, statutory or contractual reserves, reserves from reinvested earnings and other reserves.

Legal reserves are established annually from the company's profits, in the proportions and within the limits laid down by law, and from other sources laid down by law. Legal reserves may be used only under the conditions provided for by law.

Retained earnings

Comprise the result carried forward from the takeover at the beginning of the current financial year of the profit and loss account result of the previous financial year and the result carried forward from the correction of accounting errors.

3.14 Borrowings

Borrowings are recognized initially at fair value, net of grant costs recorded. Subsequently, borrowings are stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss during the borrowings, based on the effective interest method.

Borrowings are classified as current liabilities, unless the company has an unconditional right to defer payment of debt for no less than 12 months after the end of the reporting period.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Current and deferred profit tax

Tax expense for the period includes the current tax and the deferred tax and is recognized in profit or loss, unless it is recognized in other items of the comprehensive income or directly in equity because it relates to transactions that are, in turn, recognized in the same or in a different period, in other items of the comprehensive income or directly in equity.

Current profit tax expense is calculated based on the tax regulations in force at the end of the reporting period. The company periodically evaluates situations where the applicable tax regulations are subject to interpretation and establishes provisions/ adjustments for impairment, where appropriate, for the amounts with accounting/fiscal impact.

The deferred profit tax is recognized based on the liability method, on temporary differences arising between the tax bases of assets and liabilities and their book values in the financial statements. However, the deferred profit tax arising from the initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction does not affect the accounting profit and the taxable revenue is not recognized. The deferred profit tax is determined based on tax rates (and legal regulations) in force until the end of the reporting period and which are expected to apply in the period in which the deferred profit tax asset is realized or the deferred profit tax liability is settled.

Deferred revenue tax assets are recognized to the extent that it is probable that future taxable profit be derived from temporary differences.

3.16 Commercial payables and other payables

Suppliers and other payables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method. Commercial payable accounts and other payables are closed as a result of the payment of debts, offsetting with receivables or their write-off through the profit and loss account.

3.17 Deferred revenue

Deferred revenue is recorded for connection fees applied to customers upon their connection to the gas transmission network, for the objectives received free of charge and for grants collected.

The grants collected are assimilated to the governmental subsidies.

The governmental subsidies are acknowledged to their market value when there is a reasonable assurance that they will be received and that the relevant conditions will be met.

For the connection fees applied to the clients for their connection to the gas transmission network and to the facilities received free of charge, for the grants the company chose to record the total asset value and a deferred revenue.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The company recognizes a right to collect the grant when there is reasonable assurance that it will comply with the conditions attached to its award and that the grant will be received. The Company considers that the reasonable assurance that the grant will be received can be confirmed by the fulfillment of the eligibility conditions in the funding applications, prior to the approval of the funding application.

The income from the grant is recognized proportionally from the amortization of the financed assets, applying the percentage of financing of the eligible expenses on the monthly amortization.

3.18 Employee benefits

In the normal course of business, the company makes payments to the Romanian state on behalf of its employees, for health funds, pensions and unemployment benefits. All the company employees are members of the pension plan of the Romanian state, which is a fixed contribution plan. These costs are recognized in the profit and loss account with the recognition of salary expenses.

Benefits granted on retirement

Under the collective agreement, the company must pay the employees on retirement a compensatory amount equal to a certain number of gross salaries, depending on the time worked in the gas industry, working conditions etc. The company recorded a provision for such payments (see Note 21). The obligation recognized in the balance sheet represents the present value of the obligation at the balance sheet date. The obligation is calculated annually by independent experts using the Projected Unit Credit Method. The present value is determined by discounting future cash flows with the interest rate of the long-term government bonds.

The current service cost is recognized in the profit and loss account in the employee costs. Interest expense is included in the profit and loss account in the financial costs.

Actuarial gain or loss due to changes in actuarial assumptions is recognized in the statement of comprehensive income in the period for which the actuarial calculation is made.

Social insurance

The company records expenses related to its employees, as a result of granting social insurance benefits. These amounts mainly include the implicit costs of employing workers and, therefore, are included in the salary expenses.

Profit sharing and bonuses

The company recognizes an obligation and expense for bonuses and profit sharing, based on a formula taking into account the profit attributable to the company's shareholders, after certain adjustments. The company recognizes an obligation where it is required under contract or where there is a past practice which created an implicit obligation.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Provisions for risks and charges

The provisions for risks and charges are recognized when the company has a legal or implicit obligation as a result of past events, when for the settlement of the obligation an outflow of resources is required, which incorporates economic benefits and for which a credible estimate can be made in terms of the obligation value. Where there are similar obligations, the probability for an outflow of resources to be necessary for settlement is set after the assessment of the obligation class as a whole. The provision is recognized even if the probability of an outflow of resources related to any item included in any obligation class is reduced. Where the company expects the writing back to revenue of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is theoretically certain.

Provisions are measured at the discounted value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.20 Revenue recognition

Revenue covers the fair value of amounts received or receivable from the sale of services and/or goods in the normal course of business of the company. Revenue is recorded net of value added tax, returns, rebates and discounts.

The company recognizes the revenue when transactions and events occur, when their amount can be estimated with certainty, when it is probable that the entity collects future economic benefits and when certain criteria are met for each of the company's activities as described below. The amount of revenue is not considered reliably estimated until all contingencies relating to the sale are settled. The company bases its estimates on historical results, taking into account the type of customer, type of transaction and the specifics of each commitment.

a) *Revenue from services*

Revenue from the domestic and international gas transmission results from the booking the transmission capacity and from the transmission through the NTS of the determined quantities of natural gas, expressed in units of energy, during the validity of a gas transmission contract, and are recognized at the moment of their delivery. During the administration of the transmission contracts, the TSO issues and submits to the NU, by day 15 of the month following the month for which the transmission service was provided: an invoice for the transmission services provided for the previous month, based on the final allocations; an invoice related to the final daily imbalances registered in the previous month; and an invoice exceeding of the capacity booked.

Revenue from international transmission and similar activities are represented by the transmission capacity booking on the Isaccea 2.3 - Negru Voda 2.3 international transmission pipelines and by the amounts receivable for the reporting period under the

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Termination Agreement of the legacy contract between SNTGN Transgaz SA and GPE concluded for the transmission of natural gas through the T3 transit pipeline on Romanian territory to third countries. According to the Agreement for the termination of the legacy Contract between SNTGN Transgaz SA and GPE, the payment of the remaining amounts to be paid will be made in instalments over a maximum period of three years and the revenues received from transmission are regulated according to ANRE Order 41/2019 and ANRE Order 34/2014 respectively depending on the points where capacity is booked, the monthly difference being classified as assimilated revenues.

According to the Network Code, the gas delivery day is defined as the time period beginning at 7:00 a.m. Romanian local time on any day and ending at 7:00 a.m. Romanian local time on the following day. The gas day shall be reduced to 23 hours at the changeover to daylight saving time and increased to 25 hours at the changeover to winter time, so that all related rights and obligations under the gas transmission contracts shall be increased or reduced accordingly on those gas days

b) Revenue from the sale of goods

Revenue from the sale of goods is registered when the goods are delivered.

c) Interest revenue

Interest revenue is recognized proportionally, based on the effective interest method.

d) Revenue from dividends

Dividends are recognized when the right to receive payment is recognized.

Non-cash transactions were excluded from the cash flow statement, so investing activities, financing activities, and all operational activities represent current cash flows.

No barter transactions were performed in 2023 and in 2022.

e) Revenue from penalties

Revenue from penalties for late payment is recognized when future economic benefits are expected for the company.

3.21. Related parties

The Parties are considered related if one of the parties has the ability to control the other party, to exercise a significant influence over the other party in financial or operational decision making, if they are under the common control with another party, if there is a joint venture in which the entity is an associate or a member of the management as described in the IAS 24 `Related Party Disclosures`. In evaluating each possible related party relationship, the focus is on the essence of this relationship and not necessarily on its legal form. Related parties may enter into transactions which unrelated parties cannot conclude, and transactions between related parties will not apply the same terms, conditions and values as for unrelated parties.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. 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. 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.

(a) Market risk

(i) Currency risk

The company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets (Note 12) and recognized liabilities.

The company does not perform formal actions to minimize the currency risk related to its operations; so the Company does not apply hedge accounting.

The following table shows the sensitivity of profit or loss and equity, to reasonably possible changes in exchange rates applied at the end of the reporting period of the functional currency of the company, with all variables held constant:

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	699.040	684.054
USD depreciation by 10%	(699.040)	(684.054)
EUR appreciation by 10%	(43.904.516)	(43.314.636)
EUR depreciation by 10%	43.904.516	43.314.636

(ii) Price risk

The company is exposed to the commodity price risk related to gas purchased for 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 998.804 (on December 2023: lei 4.888.012).

(iii) Interest rate risk on cash flow and fair value

The company is exposed to interest rate risk by its bank deposits and variable interest loans. The company did not conclude any commitment to diminish the risk. For the average exposure of the period , if the interest rates had been lower/higher by 50 basis points, with all the other variables maintained constant, the profit related to the period and equity would have been higher/lower by lei 2.111.733 (December 2023: lei 9.012.228 higher/lower) as a result of reducing the interest rate for variable interest loans and the interest rate on the bank deposits.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is especially related to cash and cash equivalents and trade receivables. The company drew up a number of policies, through their application ensuring that sales of products and services are made to proper customers. The book value of receivables, net of adjustments for doubtful debts, represents the maximum value exposed to credit risk. The company's credit risk is concentrated on the 5 main customers, which together account for 47% of the trade receivable balances on 31 March 2024 (31 December 2023: 43%). 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.

As at 31 March 2024 the company has available payment guarantees from its clients amounting to lei 476.493.426.

Cash is placed with financial institutions, which are considered as associated to a minimum performance risk.

	<u>31 March 2024</u>	<u>31 December 2023</u>
	<u>(unaudited)</u>	
Without rating	41.517.840	33.048.306
BB+	255.738.329	251.805.038
BBB-	382.331.738	276.682.320
BBB	2.740.440	614.290
BBB+	220.549.836	150.261.015
A+	134.812	134.911
AA	169.443	156.187
	<u>903.182.438</u>	<u>712.702.067</u>

All the financial institutions are presented in the Fitch rating or equivalent.

(c) Liquidity risk

Preventive liquidity risk management involves keeping enough cash and funds available by a proper value of committed credit facilities.

The company projects cash flows. The financial function of the company continually monitors the company's liquidity requirements to ensure that there is sufficient cash to meet operational requirements, while maintaining a sufficient level of unused borrowing facilities (Note 16) at any time, so the company does not violate the limits or loan agreements (where applicable) for any of its borrowing facilities. These projections take into account the company's debt financing plans, compliance with agreements, compliance with internal targets on the balance sheet indicators and, where appropriate, external regulations or legal 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below shows obligations on 31 December 2023 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

Maturity analysis of financial liabilities on 31 March 2024 is as follows:

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	2.989.686.646	803.083.853	1.107.741.616	1.078.861.177
Commercial payables and other payables	532.551.540	532.551.540	-	-
Debts related to rights of use of leased assets	<u>171.239.169</u>	<u>32.272.884</u>	<u>138.966.285</u>	<u>-</u>
	<u>3.693.477.355</u>	<u>1.367.908.277</u>	<u>1.246.707.901</u>	<u>1.078.861.177</u>

Maturity analysis of financial liabilities on 31 December 2022 is as follows:

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	3.093.774.456	582.926.342	1.395.339.865	1.115.508.249
Commercial payables and other payables	555.757.798	528.124.416	27.633.382	-
Debts related to rights of use of leased assets	<u>146.564.072</u>	<u>31.756.889</u>	<u>114.807.183</u>	<u>-</u>
	<u>3.796.096.326</u>	<u>1.142.807.647</u>	<u>1.537.780.430</u>	<u>1.115.508.249</u>

Commercial payables and other payables include trade payables, suppliers of fixed assets, dividends payable, payables and other payables (see Note 19) and are not included: payables generated as a result of the legal provisions imposed by the authorities, payables to the employees and advance registered revenue.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial instruments categories:

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Financial assets		
Cash and cash equivalents	587.801.702	123.999.082
Term bank deposits	317.522.616	588.813.963
Loans and receivables	2.810.590.703	2.781.926.204
Financial assets - stakes	24.578.237	24.578.237
Provisions related to financial assets - stakes	<u>(24.578.237)</u>	<u>(24.578.237)</u>
	<u>3.715.915.021</u>	<u>3.494.739.249</u>
Financial liabilities		
Debts evaluated to amortised cost:		
Loans	2.431.848.737	2.481.579.111
Liabilities evaluated at fair value:		
Financial securities for contracts	50.765.145	50.446.894
Commercial liabilities and other liabilities	<u>511.435.639</u>	<u>507.098.374</u>
	<u>2.994.049.521</u>	<u>3.039.124.379</u>

In the category including loans and liabilities, the liabilities related to employees and payables registered in advance are not included.

On 31 March 2024, the amount of lei 154.200.087 (31 December 2023: lei 152.476.340) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 5% in USD (31 December 2023: 4%) and 95% in EUR (31 December 2023: 96%).

Capital risk management

The company's objectives related to capital management refer to keeping the company's capacity to continue its activity to provide compensation to shareholders and benefits to the other stakeholders and to maintain an optimal structure of the capital, as to reduce capital expenditure. There are no capital requirements imposed from outside.

As for the other companies in this sector, the company monitors the capital based on the indebtedness degree. This coefficient is calculated as net debt divided by total capital. The net debt is calculated as total borrowings (including `current and long-term borrowings`, according to the statement of financial position), except for cash and cash equivalent. The total capital is calculated as `equity`, according to the statement of the financial position, plus the net debt.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The net indebtedness degree on 31 March 2024 and on 31 December 2023 is reflected in the table below:

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Total borrowings	2.431.848.737	2.481.579.111
Except: cash and cash equivalents (Note 13)	<u>(905.324.318)</u>	<u>(712.813.045)</u>
Net cash position	<u>1.526.524.419</u>	<u>1.768.766.066</u>
Equity capital	4.483.639.152	4.216.113.767
Leverage ratio	0,34	0,40

Fair value estimate

The fair value of the financial instruments traded on an active market is based on market prices quoted at the end of the reporting period. The fair value of the financial instruments that are not traded on an active market is set using valuation techniques.

It is considered that the book value less the impairment adjustment of trade receivables and payables approximate their fair values. 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Critical accounting estimates and assumptions

The company develops estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including predictions of future events considered reasonable under certain circumstances.

The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and assumptions that have a significant risk of causing an important material adjustment to the book value of assets and liabilities within the next financial year are presented below.

5.1 Assumptions for the determination of the provision for retirement benefits

This provision was calculated based on estimates of the average wage, the average number of employees and the average number of wage payment at retirement, as well as based on the benefits payment scheme. The provision was brought to the present value by applying a discount factor calculated based on the risk-free interest rate (i.e. interest rate on government bonds).

The present value of the obligations at 31 December 2023 is of lei 130.942.400 (on 31 December 2022: lei 115.479.575) (Note 21).

Current value presentation for the year 2023 according to the following variables:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Inflation rate +1%	139.815.630	126.823.240
Inflation rate -1%	121.986.797	105.427.034
Investment return +10%	125.899.775	107.561.146
Investment return -10%	135.764.481	124.374.482

Analysis of the maturity of benefits payments:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Up to one year	16.135.217	5.282.194
Between 1 and 2 years	6.323.131	3.249.417
Between 2 and 5 years	22.807.715	12.661.427
Between 5 and 10 years	112.046.635	104.323.736

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

5.2 The accounting treatment of the concession agreement

As indicated in Note 8, in May 2002 the company concluded a Concession Agreement with the National Agency for Mineral Resources (‘ANRM’), which entitles the company to use the main pipelines of the national gas transmission system for a period of 30 years. Before concluding this agreement, the pipelines were managed by the company according to Public Domain Law No. 213/1998, Government Decision (‘GD’) No. 491/1998 and GD No. 334 of 2000 by which the company was established. According to the provisions of this agreement, the company receives most of benefits associated to assets and is exposed to most of the risks. Therefore, the company recognized these assets in the statement of the financial position, with an appropriate reserve in equity.

Regarding the already existing infrastructure on the date of signing the Concession Agreement, given that the company has no payment obligations at the time of terminating the Concession Agreement (but only obligations on maintenance and modernization, investments in new pipelines), the company's management considered that it is, in substance, an equity component, defined as the residual interest in the company's assets after the deduction of all debts. In addition, because the company and its predecessor, SNGN Romgaz SA, were controlled by the Romanian state, the publication of Public Patrimony Law (i.e. loss of property) and the reorganization of SNGN Romgaz SA into 5 companies can be treated as transactions with shareholders, in its capacity of shareholder, which supports the recognition of transactions in equity. As of 2010, the company applied IFRIC 12 (Note 3.5).

5.3 The accounting treatment of royalties payable for using the national gas transmission system

As indicated in Note 8, the company pays royalties, calculated as percentage of the gross revenue achieved from the operation of pipelines of the national gas transmission system. These costs were recognized as expenses, rather than deduction from revenue, because they are not of the nature of taxes collected from customers and sent to the state, given the nature of activity and the regulatory framework:

- the company's revenue is based on tariffs approved by another regulator than the one setting the level of royalties;
- expense with royalties is an item taken into consideration at the calculation of the transmission tariff;

As of 1 January 2020, according to ANRE Order no. 1/2020, the company has the obligation to pay annually to ANRE a tariff amounting to 0.062 lei MWh applied to the quantity of natural gas transmitted for carrying out activities in the natural gas sector based on a license.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)**5.4 Long-term receivables**

Law 127/2014, which entered into force on 5 October 2014, states that in the event of termination of the concession contract for any reason, or upon termination of the contract, the investment made by the national transmission system operator shall be transferred to the owner of the national transmission system or to another grantor in return for payment of compensation equal to the remaining undepreciated regulated value set by ANRE.

The company believes that the legislative change represents a compensation for the value of the investments made, which the company will not recover through the tariff, implicitly the value of the intangible asset not recovered through the tariff, recognized for the right to charge users.

As of 01.01.2018, IFRS 15 Revenue from Contracts with Customers became applicable in Romania. This standard replaces some older standards (such as IAS 11, IAS 18) and amends IFRIC 12 by introducing new interpretations to the notion of a contract. As a result, the company applies the bifurcated model registering the updated receivable related to the regulated amount remaining unamortized at the end of the concession agreement as a financial asset the intangible asset will be presented in the financial statements by the residual method resulted less the value of the construction works, achieved at fair value with the amount of the updated long term receivable (compensation) upon the commissioning of the investment.

The present value was determined for the remaining period of the concession contract (the year 2032), because it is estimated that it will not be terminated before the expiration date (see Note 3.9 (a)).

In 2019 ANRE Order no. 41/2019 on the adjustment of the regulated value of the assets at the inflation rate entered into force. The company records the present value of the contractual cashflows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

The Company estimates the discount rate for the present value calculation, using the NBR reference rate for government securities (fixing), considering that this rate reflects with increased fidelity the internal context in which the transactions take place.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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6. INFORMATION ON SEGMENTS

Reporting segments are set according to the nature of the activities conducted by the company: the regulated activity, the unregulated activity and other activities. As transmission system operator, the company reported annually to the National Regulatory Authority on the activity performed on the four reporting segments.

The segment information provided to the Board of Administration, which makes strategic decisions for reportable segments, for the period ended 31 March 2024 is:

	Domestic gas transmission	International gas transmission	Balancing	Unallocated	Total
Revenue from domestic transmission	667.915.867	-	-	-	667.915.867
Revenue from international transmission and similar	-	-	-	-	-
Other revenue	20.343.668	2.380.510	0	15.915.494	38.639.672
Operating revenue before the balancing and the construction activity according to IFRIC12	688.259.535	2.380.510	0	15.915.494	706.555.539
Depreciation	-119.989.324	-7.210.228	0	-443.745	-127.643.297
Operating expenses other than depreciation	-299.416.383	-2.799.456	0	-15.089.396	-317.305.235
Profit from operation before the balancing and construction activity according to IFRIC12	268.853.828	-7.629.174	0	382.353	261.607.007
Revenue from the balancing activity	-	-	62.886.631	-	62.886.631
Cost of balancing activity	-	-	-62.886.631	-	-62.886.631
Revenue from the construction activity according to IFRIC12	-	-	-	223.547.415	223.547.415
Cost of constructed assets according to IFRIC12	-	-	-	-223.547.415	-223.547.415
Operating profit	268.853.828	-7.629.174	0	382.353	261.607.007
Net financial gain	-	-	-	-	52.884.946
Profit before tax	-	-	-	-	314.491.953
Profit tax	-	-	-	-	-51.631.610
Net profit	-	-	-	-	262.860.344
Assets on segments	7.342.529.974	143.171.287	325.588.854	1.287.608.062	9.098.898.177
Liabilities on segments	3.860.503.355	597.424	567.423.486	186.734.760	4.615.259.025
Capital expenditure - increases in assets in progress	181.387.856	0	0	282	181.388.138
Non-monetary expenses other than depreciation	-524.530	-2.380.227	-4.288.017	-51.692	-7.244.466

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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6. INFORMATION ON SEGMENTS (CONTINUED)

In 2023 the subsidiaries Eurotransgaz SRL and Vestmoldtransgaz carried out the transmission activity, their assets of Lei 645.834.694 and liabilities of Lei 375.755.059 are shown under the unallocated segment.

Assets shown for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. Assets shown for the balancing segment comprise mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

Unallocated assets include:

Tangible and intangible assets	153.974.576
The right of use of the leased assets	166.635.693
Goodwill	10.291.763
Cash	905.324.318
Deffered tax	3.123.723
Other assets	48.257.989
	1.287.608.062

Unallocated liabilities include:

Deffered tax	762.974
Tax payable	7.839.326
Dividends payable	1.039.764
Loans	
Other debts	177.092.696
	186.734.760

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity și the borrowings contracted to finance the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the write-down of inventories, provisions for risks.

Transmission services are performed for several domestic and foreign clients.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from the domestic transmission	630.756.996	37.158.871	667.915.867
Revenue from international transmission and similar	-	-	-
Other revenue	<u>31.100.591</u>	<u>7.539.081</u>	<u>38.639.672</u>
	661.857.587	44.697.952	706.555.539

Domestic clients with over 10% of the total revenue include:

	<u>Percentage of the total revenue</u>
ENGIE ROMANIA S.A.	19%
OMV PETROM SA	15%
E.ON ENERGIE ROMANIA SA.	14%
SNGN ROMGAZ SA	11%

All parent company's assets are located in Romania. All parent company's activities are carried out in Romania.

The company has external trade receivables amounting to lei 172.961.343 (31 December 2023: lei 169.254.185).

The *domestic gas transmission* segment includes information related to the activity of domestic gas transmission, which is regulated by the National Regulatory Authority as well as the operating and financial revenue related to the claims for the regulated value of the regulated asset base remained undepreciated at the end of the Concession Agreement; the *international gas transmission* segment includes information related to the activity of pipeline gas transmission without the transshipment of the Romanian territory and similar; the *balancing* segment includes expenses and revenue related to the national transmission system balancing activity developed starting with 1 December 2015, neutral in financial terms, any profit or loss from this activity will be distributed to clients for whom domestic transmission services are provided; the *unallocated* segment includes activities with a low share in the company's revenue such as sales of assets, rents, royalties.

The information on segments provided to the Board of Administration, who makes strategic decisions for the reporting segments, related to the financial year ended 31 March 2023, is as follows:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

	Domestic gas transmission	International gas transmission	Balancing	Unallocated	Total
Revenue from domestic transmission	396.326.725	-	-	-	396.326.725
Revenue from international transmission and similar	-	29.016.164	-	-	29.016.164
Other revenue	<u>18.551.691</u>	<u>214.762</u>	=	<u>16.214.439</u>	<u>34.980.892</u>
Operating revenue before the balancing and the construction activity according to IFRIC12	<u>414.878.416</u>	<u>29.230.927</u>	=	<u>16.214.439</u>	<u>460.323.782</u>
Depreciation	(102.811.805)	(7.351.896)	-	(4.174.032)	(114.337.733)
Operating expense other than depreciation	<u>(221.624.505)</u>	<u>(381.914)</u>	=	<u>(16.416.106)</u>	<u>(238.422.525)</u>
Profit from operation before the balancing activity according to IFRIC12	<u>90.442.106</u>	<u>21.497.117</u>	=	<u>(4.375.699)</u>	<u>107.563.524</u>
Revenue from the balancing activity	-	-	197.962.138	-	197.962.138
Cost of balancing gas	-	-	(197.962.138)	-	(197.962.138)
Revenue from the construction activity according to IFRIC12	-	-	-	10.755.830	10.755.830
Cost of constructed assets according to IFRIC12	-	-	-	(10.755.830)	(10.755.830)
Profit from operation	<u>90.442.106</u>	<u>21.497.117</u>	=	<u>(4.375.699)</u>	<u>107.563.524</u>
Net financial gain	-	-	-	-	42.315.694
Profit before tax	-	-	-	-	149.879.218
Profit tax	=	=	=	=	<u>(26.258.990)</u>
Net profit	-	-	-	-	123.620.228
Assets on segments	6.496.430.262	197.109.912	582.335.227	840.468.414	8.116.343.815
Liabilities on segments	3.217.093.077	603.089	429.863.707	199.797.908	3.847.357.781
Capital expenditure - increases in assets in progress	9.958.517	-	-	7.755	9.966.272
Non-cash expenses other than depreciation	23.120.142	9.863	-	24.038	23.154.043

In 2023 the subsidiaries Eurotransgaz SRL and Vestmoldtransgaz did not carry out any transmission activity, the assets recorded by the subsidiaries in the amount of lei 250.723.298 and the liabilities in the amount of 192.560.793 lei are presented in the unallocated segment.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

Assets indicated for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. The presented assets for the balancing segment are mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

Unallocated assets include:

Tangible and intangible assets	418.160.401
Right of use of leased assets	16.617.764
Goodwill	9.736.198
Cash	382.011.219
Deferred tax	-
Other assets	<u>13.942.832</u>
	840.468.414

Unallocated liabilities include:

Deferred tax	488.531
Tax payable	7.497.431
Dividends payable	1.554.977
Loans	187.465.618
Other debts	<u>2.791.351</u>
	199.797.908

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the expense with the write-down of inventories, other provisions for risks.

International transmission services are provided for several foreign customers, while the domestic transmission activity is performed for several domestic customers.

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from domestic transmission	356.024.182	40.302.543	396.326.725
Revenue from international transmission and the similar	-	29.016.164	29.016.164
Other revenue	<u>34.570.563</u>	<u>410.329</u>	<u>34.980.892</u>
	390.594.745	69.729.036	460.323.781

<i>Domestic clients with over 10% of the total revenue include:</i>	<u>Percentage of the total revenue</u>
OMV PETROM S.A.	16%
ENGIE ROMANIA S.A	14%
SNGN ROMGAZ S.A.	11%

All the parent company's assets are located in Romania. All the parent company's activities are carried out in Romania.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

7. TANGIBLE ASSETS

	<u>Lands and buildings</u>	<u>Transmission system assets</u>	<u>Other fixed assets</u>	<u>Assets in progress</u>	<u>Total</u>
On 31 December 2023					
Cost on 1 January 2023	337.971.864	984.844.069	720.044.407	12.376.903	2.055.237.243
Depreciation accumulated	(182.714.685)	(760.527.662)	(309.826.037)	-	(1.253.068.384)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Exchange rate difference	71.154	-	609.877	-	681.031
Initial net book value	<u>155.328.333</u>	<u>224.316.407</u>	<u>410.828.247</u>	<u>10.720.721</u>	<u>801.193.708</u>
Inflows	-	-	1.736.647	23.120.853	24.857.500
Reclassifications	613.704	-	(624.502)	-	(10.798)
Transfers	834.672	1.657.952	20.470.238	(22.962.862)	-
Outflow (net value)	(67.855)	(378)	(72.547)	-	(140.780)
Expense with depreciation	(9.828.278)	(31.940.939)	(37.149.387)	-	(78.918.604)
Exchange rate difference	2.265.627	-	19.833.433	-	22.099.060
Final net book value	<u>149.146.203</u>	<u>194.033.042</u>	<u>415.022.129</u>	<u>10.878.712</u>	<u>769.080.086</u>
Cost	341.395.327	986.500.401	756.300.057	12.534.894	2.096.730.679
Accumulated depreciation	(192.141.145)	(792.467.359)	(340.423.031)	-	(1.325.031.535)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Exchange rate difference	(107.979)	-	(854.897)	-	(962.876)
Final net book value	<u>149.146.203</u>	<u>194.033.042</u>	<u>415.022.129</u>	<u>10.878.712</u>	<u>769.080.086</u>
On 31 March 2024					
Initial net book value	<u>149.146.203</u>	<u>194.033.042</u>	<u>415.022.129</u>	<u>10.878.712</u>	<u>769.080.086</u>
Inflows	0	0	0	2,803,260	2,803,260
Reclassification	72,734	(3,340,200)	0	0	(3,267,466)
Transfers	277,200	930,534	1,881,168	(3,088,902)	0
Outflow (net value)	(163,669)	(2,215)	(9,565)	0	(175,449)
Expense with depreciation	(2,233,085)	(7,363,278)	(9,557,729)	0	(19,154,092)
Exchange rate difference	642,452	0	5,706,810	0	6,349,263
Final net book value	<u>147,741,835</u>	<u>184,257,883</u>	<u>413,042,814</u>	<u>10,593,069</u>	<u>755,635,601</u>
Cost	318,829,191	984,061,936	763,216,003	12,249,251	2,078,356,382
Accumulated depreciation	(171,014,277)	(799,804,053)	(349,601,468)	0	(1,320,419,797)
Adjustments for impairment	0	0	0	(1,656,182)	(1,656,182)
Exchange rate difference	(73,079)	0	(571,722)	-	(644,801)
Final net book value	<u>147,741,835</u>	<u>184,257,883</u>	<u>413,042,814</u>	<u>10,593,069</u>	<u>755,635,601</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

7. TANGIBLE ASSETS (CONTINUED)

The gross book value of the fully depreciated assets, still used, is lei 363.278.433 (31 December 2023: lei 384.773.206). On 31 March 2024 no advances granted for the procurement of tangible assets are registered. Regarding the assets developed by the company, which are complementary to the provision of services according to the concession agreement, the State has the option to acquire these assets at the end of the concession agreement. The company does not have the obligation to keep these assets until the end of the concession agreement and it is allowed to sell them. These assets do not fall within the scope of IFRIC 12. All the other assets related to the domestic transmission activity and which are part of the national gas transmission system, including improvements made after signing the concession agreement and which must be handed over to the ANRM at the end of the concession agreement fall within the scope of IFRIC 12. Impairment adjustments were made for work in progress for which completion and commissioning is uncertain.

7.1. The rights of use of the leased assets (IFRS 16)

As of 1 January 2019, the company applies IFRS 16 for the leasing contracts complying with the recognition criteria and recognized the intangible asset as a right of use related to the leasing contract:

	<u>Leases according to IFRS16</u>
Cost on 1 January 2024	204.150.678
Accumulated depreciation	(27.991.992)
Exchange rate difference	(115.170)
Net book value	176.043.517
Inflow	244.721
Outflow	(1.085.647)
Depreciation	(8.465.277)
Exchange rate difference	<u>(101.620)</u>
Final net book value on 31 March 2024	166.635.693

Detailed information on IFRS 16 as at 31 March 2024:

	31 March 2024	Forestry conventions	VMTG lease contract
Value as use (DU)	203.309.752	16.532.682	171.246.799
Depreciation related to DU	26.970.074	5.684.438	8.562.340
DU interest	3.945.584	112.256	3.805.040
Debt regarding DU	171.239.169	11.694.165	156.572.061
From which:			
Short term	32.272.884	1.268.970	29.575.509
Long term	138.966.285	10.425.195	126.996.552

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

7. TANGIBLE ASSETS (CONTINUED)

Detailed information on IFRS 16 as at 31 December 2023:

	<u>Leases according to IFRS16</u>
Cost on 1 January 2023	31.618.029
Accumulated depreciation	(14.683.216)
Net book value	<u>16.934.813</u>
Inflow	170.293.128
Outflow	(514.064)
Depreciation	(13.082.151)
Exchange rate difference	<u>(185.758)</u>
Final net book value on 31 December 2023	<u>173.445.968</u>

	31 December 2023	Forestry conventions	VMTG lease contract
Value as use (DU)	201.397.093	16.299.859	152.193.355
Depreciation related to DU	27.951.125	5.352.675	4.195.274
DU interest	5.138.577	459.195	3.974.175
Debt regarding DU	176.453.835	11.766.703	149.145.130
From which:			
Short term	31,756,889	1.255.584	27.168.268
Long term	144,696,947	10,511,119	121.976.862

Debt according to IFRS 16 is presented in the balance sheet at long-term and short-term trade payables.

The Company recognizes a class of support assets with a cumulative value of more than USD 5000 - forestry conventions.

8. SERVICE CONCESSION AGREEMENT

In May 2002, the company concluded a Service Concession Agreement (‘SCA’) with the ANRM, which entitles the company to operate the main pipelines of the national gas transmission system for a period of 30 years. All modernizations and improvements made by the company to the system are considered part of the system and become property of the ANRM at the end of their useful life. The company cannot sell or discard any asset part of the national transmission system; withdrawals can only be made with the approval of the state.

At the expiration of the agreement, the assets belonging to the public domain, existing upon signing the agreement and all investments made in the system will be returned to the State. The company owns and will develop other assets that are not directly part of the national gas transmission system, but are complementary assets for gas transmission operations. The ANRM has the option to buy these assets at the end of the concession agreement, at the fair value.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

8. SERVICE CONCESSION AGREEMENT (CONTINUED)

The main terms of the Concession Agreement are the following:

- The company is entitled to operate directly the assets subject to the concession agreement and to apply and collect tariffs for domestic and international transmission from clients in exchange for services provided; the company is the only entity authorized to operate the pipelines of the national gas transmission system, no sub-concession being allowed;
- Any change of tariffs must be proposed by the company and then approved by the ANRE;
- The company is exempt from the payment of import duties for the assets acquired for operation, improvement or development of the system;
- The company must annually publish by 30 October the available capacity of the system for the following year;
- The company must annually respond to the clients' orders by 30 November and the ANRM must be informed on all rejected orders decided by the company's management;
- The company must keep a specific level of functioning (guaranteed through a mandatory minimum investment programme);
- royalties are paid as percentage (by 30 September 2007: 5%, between October 2007 and 11 November 2020: 10%, between 12 November 2020 – 29 October 2023: 0,4%, as of 30 October 2023: 11,5%) of the gross revenue from the operation of the national transmission system (domestic and international transmission);
- all operating expenses for operating the system are incurred by the company;
- The company may cancel the agreement by notifying the ANRM 12 months in advance;
- The ANRM may cancel the agreement by a 6-month prior notice, if the company fails to comply with the contractual conditions; it also has the option to cancel the agreement with a 30-day prior notice for `national interest` reasons; in this case, the company will receive compensation equal to the average net profit of the past 5 years multiplied by the remaining duration of the agreement.

The Concession Agreement does not include an automatic renewal clause.

By GD 906/28 September 2023, the amendment of Annex No 22 to Government Decision No 1 was approved. 705/2006 for the approval of the centralized inventory of goods in the public domain of the State, as subsequently amended and supplemented, by including the goods resulting from the completion of the investment objective "Interconnection pipeline of the National Gas Transmission System of Romania with the National Gas Transmission System of the Republic of Moldova on the direction Iasi (Romania)-Ungheni (Republic of Moldova), electricity supply, automation, data procurement, burglary and fire surveillance" and the transfer of these goods to the administration of the National Agency for Mineral Resources and to the concession of the National Gas Transmission Company "TRANSGAZ" - S.A.

The terms of the Concession Agreement were not amended after September 2003, except for the approval of the minimum investment plans.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

9. INTANGIBLE ASSETS

	Assets related to the ACS	Consolidation goodwill	Information programmes	Intangible assets	Assets related to the ACS
On 31 December 2023					
Cost on 1 January 2023	9.609.650.958	-	81.530.297	535.996.238	10.227.177.494
Accumulated depreciation	(5.171.936.850)	-	(61.766.282)	-	(5.233.703.132)
Adjustments for impairment	-	-	-	(9.142.777)	(9.142.777)
Consolidation goodwill	-	9.413.102	-	-	9.413.102
Concession Agreement receivables	(1.474.391.371)	-	-	-	(1.474.391.371)
Concession Agreement receivable depreciation	399.666.414	-	-	-	399.666.414
Exchange rate difference	-	153.668	(14.490)	-	139.178
Net book value	<u>3.362.989.151</u>	<u>9.566.770</u>	<u>19.749.525</u>	<u>526.853.461</u>	<u>3.919.158.907</u>
Inflow	-	-	10.115.837	194.166.383	204.282.220
Reclassifications	(462.550)	-	473.348	-	10.798
Transfers	356.275.053	-	361.910	(356.636.963)	-
Outflow	-	-	-	-	-
Depreciation	(497.687.112)	-	(7.366.064)	-	(505.053.176)
Concession Agreement receivables	(80.776.665)	-	-	-	(80.776.665)
Concession Agreement receivable depreciation	115.216.450	-	-	-	115.216.450
Exchange rate difference	-	559.506	683	-	560.189
Final net book value	<u>3.255.554.327</u>	<u>10.126.276</u>	<u>23.335.238</u>	<u>364.382.881</u>	<u>3.653.398.722</u>
Cost	9.965.463.461	-	87.826.328	373.525.658	10.426.815.447
Accumulated depreciation	(5.669.623.961)	-	(64.490.232)	-	(5.734.114.193)
Adjustments for impairment	-	-	-	(9.142.777)	(9.142.777)
Consolidation goodwill	-	9.413.102	-	-	9.413.102
Concession Agreement receivables	(1.555.168.037)	-	-	-	(1.555.168.037)
Concession Agreement receivable depreciation	514.882.864	-	-	-	514.882.864
Exchange rate difference	-	713.174	(858)	-	712.316
Final net book value	<u>3.255.554.327</u>	<u>10.126.276</u>	<u>23.335.238</u>	<u>364.382.881</u>	<u>3.653.398.722</u>
On 31 March 2024					
Initial net book value	<u>3.255.554.327</u>	<u>10.126.276</u>	<u>23.335.238</u>	<u>364.382.881</u>	<u>3.653.398.722</u>
Inflow	0	0	0	224.623.208	224.623.208
Reclassifications	3.267.466	0	0	0	3.267.466
Transfers	3.582.329	0	196.000	(3.778.329)	0
Outflow	-	-	-	-	-
Depreciation	(126.967.242)	0	(2.020.834)	0	(128.988.076)
Concession Agreement receivables	(894.483)	0	0	0	(894.483)
Concession Agreement receivable depreciation	30.000.398	0	0	0	30.000.398
Exchange rate difference	-	165.488	120	-	165.608
Final net book value	<u>3.164.542.795</u>	<u>10.291.763</u>	<u>21.510.525</u>	<u>585.227.760</u>	<u>3.781.572.843</u>
Cost	9.972.313.256	0	88.023.198	594.370.537	10.654.706.991
Accumulated depreciation	(5.796.591.203)	0	(66.512.113)	0	(5.863.103.316)
Adjustments for impairment	0	0	0	(9.142.777)	(9.142.777)
Consolidation goodwill	0	9.413.102	0	0	9.413.102
Concession Agreement receivables	(1.556.062.520)	0	0	0	(1.556.062.520)
Concession Agreement receivable depreciation	544.883.262	0	0	0	544.883.262
Exchange rate difference	-	878.661	(561)	-	878.100
Net book value	<u>3.164.542.795</u>	<u>10.291.763</u>	<u>21.510.525</u>	<u>585.227.760</u>	<u>3.781.572.843</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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9. INTANGIBLE ASSETS (CONTINUED)

The minimum NTS gas quantity required to ensure the pressures and flow rates for the end consumers under the contractual conditions (NTS linepack) is recognized in the value of the right to use, as an intangible asset. On 31 March 2024 the linepack is of 853.766 MWh and amounts to lei 79.287.417, of which NTS linepack is of 693.287 MWh and amounts lei 55.712.799. On 31 December 2023 the linepack is of 809.539 MWh and amounts to lei 72.687.849, of which NTS linepack is of 693.282 MWh and amounts lei 55.712.232.

As at 31 March 2024, the company capitalized interest expense amounting to lei 1.628.056 (in 2023, the company capitalized interest expense amounting to lei 4.273.861 for NTS assets).

As at 31 March 2024 and 31 December 2023 there are no advances granted for the procurement of national gas transmission system development works are presented in the intangible assets in progress.

The remaining life of the intangible assets is presented in Note 3.5 and Note 3.8.

As at 31 March 2024, the Company did not capitalized additional costs for the procurement of natural gas, incurred between 1 January 2024 and 31 March 2024 (lei 10.113.181 on 31 December 2023), in order to cover its own technological consumption compared to the costs included in the regulated tariffs, in accordance with the provisions of the Order of the Ministry of Finance no. 3900/19 October 2022, the Order of the President of ANRE no.128 /12 October 2022.

Following the acquisition of Vestmoldtransgaz SRL (VTMG) by Eurotransgaz SRL (ETG), goodwill calculated as the difference between the value of the interest and the value of the equity of VTMG weighted by the percentage of interest held, respectively 100%, was recorded in the consolidated financial statements as intangible assets. Goodwill was calculated at the date of acquisition, i.e. March 2018, and presented in the consolidated financial statements at the closing rate.

Impairment adjustments were made for work in progress for which completion and commissioning is uncertain.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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10. FINANCIAL ASSETS

Financial assets consist of unlisted stakes in the following companies:

<u>Company</u>	<u>Activity</u>	Percentage	Percentage	31 March	
		owned	owned	<u>2024</u>	<u>31 December</u>
		<u>2024</u>	<u>2023</u>	<u>(unaudited)</u>	<u>2023</u>
Resial SA	Production	68.16	68.16	18.116.501	18.116.501
	Gas production	17.47	17.47	6.461.736	6.461.736
Mebis SA	distribution and supply				
Minus adjustments for impairment of investments in: Resial SA, Mebis SA				<u>(24.578.237)</u>	<u>(24.578.237)</u>
				<u>-</u>	<u>-</u>

Shares in Resial SA

Shares owned in Resial SA were obtained in December 2003, as a result of a procedure for the recovery of claims due from a client. Resial SA went into liquidation in 2006; the procedure is carried out by a bailiff appointed by the court and is outside the control of the company, which is why the stake is not consolidated and is recorded at cost less the adjustment for impairment amounting to 100% of the cost. The loan granted to Resial SA is also fully adjusted. The management does not expect the company to recover any amount of this stake and the company does not guarantee any type of residual obligations for Resial SA.

Shares in Mebis SA

Shares owned in Mebis SA were obtained in February 2004, as a result of a procedure for the recovery of claims due from a client. Mebis SA is in the liquidation procedure, which is why the stake in Mebis SA was fully adjusted. The company has no obligations to Mebis SA.

In case of the financial assets held by Transgaz, i.e. Mebis SA and Resial SA, the application of IFRS 9 has no impact whatsoever, as such assets are measured at the fair value by the profit and loss account and 100% impairment adjustments were established.

Goodwill

On 28 March 2018 the Moldovan company Eurotransgaz S.R.L. owned by "SNTGN Tansgaz" S.A. Romania, concluded as buyer with the Public Property Agency of the Republic of Moldova, the contract for the sale and purchase of the single asset complex - state-owned enterprise Vestmoldtransgaz.

The company has carried out the valuation of the shareholding in Eurotransgaz S.R.L. and Vestmoldtransgaz SRL, for the estimation of the fair value of the shareholders' equity of the two companies the Adjusted Net Assets method was applied and did not identify any elements that would lead to goodwill impairment

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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10. FINANCIAL FIXED ASSETS (CONTINUED)

Name	Fair value MDL
Net assets	140.798.149
Fair value of the consideration paid	180.200.000
Goodwill – MDL	39.401.851
Goodwill - lei equivalent on 31.03.2024	10.291.763

At the date of acquisition, the net assets of Vestmoldtransgaz SRL amounted to MDL 140.798.149 and the share capital and unregistered capital to MDL 177.408.819. The fair value of the consideration paid at the date of acquisition was MDL 180.200.000. The difference between the fair value of the consideration paid and the share capital including unregistered capital is included in goodwill and amounts to MDL 2.791.181.

Goodwill is included in the financial position of Eurotransgaz S.R.L. (parent entity) as a result of the consolidation of the financial statements, obtained by the difference between the sale value of the daughter company - Vestmoldtransgaz S.R.L. and the value of the net assets recorded in the accounts of the daughter entity at the date of purchase.

By Decision of the Extraordinary Meeting of the Shareholders No. 10 of 12.12.2017 was approved the establishment on the territory of the Republic of Moldova of the company Eurotransgaz S.R.L. in order to successfully participate in the privatization procedure of the State Enterprise Vestmoldtrasgaz.

The investment made for the purpose of the purchase was offset against the share capital of the purchased entity Vestmoldtransgaz S.R.L.

In 2021 the European Bank for Reconstruction and Development (EBRD) became a 25% shareholder of Vestmoldtransgaz S.R.L., by depositing funds in the amount of MDL 414.986.000, of which MDL 394.178.670 were recorded as a contribution to the share capital and the difference of MDL 20.807.330 was recognized as capital premiums.

For the purpose of consolidating this set of financial statements, the non-controlling interest in the Group's share capital of MDL 398.447.884 on 31 December 2023 (MDL 378.113.788 on 31 December 2023) represents EBRD's share in the total net assets of Vestmoldtransgaz S.R.L. (lei 0,2428 on 31 December 2023).

Non-controlling interests	<u>31 March 2023</u>	<u>31 December 2023</u>
Shareholders' deposits (EBRD)	97.130.535	82.818.034
Net profit for the period	5.293.130	4.275.162
Conversion differences from consolidation	<u>1.650.922</u>	<u>10.037.339</u>
Non-controlling interests	104.074.587	97.130.535

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

11. INVENTORIES

	<u>31 March 2024</u>	<u>31 December 2023</u>
	(unaudited)	
Gas inventories	314.586.247	310.275.621
Gas for NTS consumption	187.865.495	180.679.213
Spare parts and materials	167.276.070	143.229.471
Materials in custody at third parties	2.112.189	466.345
Adjustments for write-down of inventories	(51.135.358)	<u>(51.135.358)</u>
	<u>620.704.643</u>	<u>583.515.292</u>

ANRE Order 160/2015 sets the obligations of Transgaz, as the transmission system operator, regarding the balancing of the national transmission system.

The company does not hold any restricted stocks and has established safety stocks amounting to Lei 11.946.702 as at 31 December 2023.

Discharge for the balancing activity is achieved by applying the weighted average cost method, and for the remaining operations by applying the first-in-first-out method (FIFO).

Movements in the adjustments account are analysed below:

	<u>31 March 2024</u>	<u>31 December 2023</u>
	(unaudited)	
Adjustment on 1 January	51.135.358	42.752.007
(Revenue)/expense with adjustment for write-down of inventories (Note 23)	=	<u>8.383.351</u>
Adjustment at the end of the period	<u>51.135.358</u>	<u>51.135.358</u>

In 2024 adjustments for write-down of inventories were established according to Note 3.10.

The company recorded in 2022 a provision for the negative difference between the quantities of natural gas invoiced as initial imbalance and the final monthly imbalances, which will be requested to ANRE for recovery through the neutrality tariff.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES

	<u>31 March 2024</u>	<u>31 December 2023</u>
	(unaudited)	
Trade receivables	925.479.825	982.985.140
Advance payments to suppliers for goods and services	317.910	269.690
Loan to Resial SA (Note 10)	1.770.346	1.770.346
Receivable related to the unamortized regulated value at the end of the concession agreement	2.497.751.094	2.423.669.228
Non-refundable loans as subsidies	14.140.364	14.140.364
State budget receivables	44.509.841	84.422.282
Receivables from various debtors	-	56.349.031
Fixed liabilities	-	46.315.542
Other receivables	141.397.657	3.876.911
Adjustment of impairment of trade receivables	(666.362.496)	(659.182.941)
Adjustment of impairment of other receivables	<u>(93.103.186)</u>	<u>(89.875.671)</u>
	<u>2.865.901.355</u>	<u>2.864.739.922</u>
Financial assets/ Loans and receivables (Note 4)	<u>2.865.901.355</u>	<u>2.781.926.204</u>

The company challenged administratively the tax decision on additional tax payment obligations in the amount of lei 25.409.833 issued in 2016 by ANAF consisting of revenue tax, VAT, penalties and late payments, and set up an adjustment. The company paid the amounts mentioned in the tax decision in order to be able to carry out the activities in the directions set by the management and to facilitate the financing of future projects.

In 2020, the Company administratively challenged the tax decision regarding additional fiscal payment obligations amounting to lei 7.642.671 issued by ANAF in 2020 consisting of profit tax and VAT and constituted an adjustment. In 2022 the amount of the tax decision was reduced to 7.023.213 lei and the amount of the adjustment was also reduced by the Company.

In July 2022 the Company paid the amount of 29.277.726 lei, to which it was bound by Arbitral Award no. 39/06.06.2022, rendered by the Arbitral Tribunal in case no. 107/2018, following the conclusion of the arbitration proceedings concerning the non-fulfilment of obligations under the supply contract for "Software Licences for Additional I/Os/Bandwidth Upgrade for SCADA System", a contract concluded by Transgaz with the Association consisting of RMG REGEL UND MESSTECHNIK GmbH Germany, IDS GmbH Germany and General Fluid S.A. Bucharest. The company has appealed the arbitral tribunal's decision in court and has recorded an impairment allowance of 29.277.726 lei as at 31 December 2022.

On 31 March 2024, the amount of lei 154.200.087 (31 December 2023: lei 152.476.340) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 5% in USD (31 December 2023: 4%) and 95% in EUR (31 December 2023: 96%).

For consolidation purposes as at 31 March 2024 and 31 December 2023, there are no internal transactions to be eliminated.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2023, expenses for impairment adjustment were recorded for customers with increased risk of non-recovery in the amount of MDL 4.762.336 or MDL 1.223.921 (Gas TSO of Ukraine LLC in the amount of MDL 3.093.288 and Tiraspoltransgaz SRL in the amount of MDL 1.669.049).

As at 31 March 2024, income with adjustment for impairment of customers amounting to MDL 2.691.198 was recorded for Gas TSO of Ukraine LLC, adjustment recorded as at 31 December 2023.

Claims with the state budget recorded under other claims are related to deductible VAT through purchases of services and raw materials related to the process of construction of gas distribution networks which is managed by Vestmoldtransgaz S. R.L.

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to lei 58.565.071 according to IFRS 9 (31 December 2023: LEI 147.131.305).

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Initial balance	2.423.669.228	2.141.205.427
Inflow	894.484	80.776.665
Interest	14.641.470	54.622.298
Inflation update	58.565.071	147.131.305
Outflow	<u>(19.159)</u>	<u>(66.467)</u>
	<u>2.497.751.094</u>	<u>2.423.669.228</u>

Commercial receivables analysis according to IFRS9 is as follows:

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Current and unamortized		
Transit receivables	146.445.439	144.214.000
Doubtful or insolvency receivables	151.347.842	166.447.834
Affiliated party receivables	253.581.761	269.061.494
Other trade receivables	374.104.784	403.261.812
Receivables from various debtors	<u>67.869.572</u>	<u>56.349.031</u>
	993.349.398	1.039.334.171
Impairment		
Transit receivables	152.495.179	144.214.000
Doubtful or insolvency receivables	151.347.842	166.447.834
Affiliated party receivables	151.862.460	142.240.990
Other trade receivables	216.706.756	206.280.116
Receivables from various debtors	47.631.131	<u>50.453.357</u>
Total impairment	720.043.368	709.636.297
Total trade receivables net of provision	273.306.030	329.697.874

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

IFRS 9 applies a model for forecasting impairment loss based on the estimated loss. This model entails the anticipated recognition of the loss from receivables impairment. The standard provides for the fact that the entities register the anticipated loss by receivables impairment from the moment of the financial instrument initial recognition and recognize the anticipated loss from the impairment over their entire life. The value of the anticipated loss will be discounted for each reporting period so that it reflects the cred risk changes as opposed to the initial recognition.

Category	10%	20%	30%	35%	60%	100% Over 181 and doubtful	IFRS 9	TOTAL
	31-60	61-90	91-120	121-150	151-180			
Transit receivables	1.136.673	2.076.207	3.054.461	3.464.871	6.283.239	63.678.297	64.520.252	144.214.000
Doubtful and insolvent receivables	63.338	1.743.822	0	0	0	166.447.834	9.823.830	178.078.824
Related party receivables	4.141	95.573	148.356	211.427	309.492	140.059.599	1.412.402	142.240.990
Miscellaneous receivables	59.926	144.934	92.262	195.642	583.189	201.729.697	2.250.546	205.056.196
Miscellaneous receivables	16.582	0	0	0	0	50.033.462	403.313	50.453.357
Total depreciation	1.280.660	4.060.536	3.295.079	3.871.940	7.175.920	621.948.889	78.410.343	720.043.367

The company constantly analyzes the customers' situation and records adjustments whenever there are indications of an increase in the non-collection risk.

The payment of the equivalent value of the invoices for the natural gas transmission services, issued according to the provisions of the Network Code, is made within 15 calendar days from the date of issuing the invoice. If the due date is a non-working day, the deadline is considered fulfilled on the next working day.

Movements in the provision account are analysed below:

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Adjustment on 1 January	749.058.612	639.659.487
Expense with the adjustment for doubtful clients (Note 23)	<u>15.182.042</u>	<u>176.285.552</u>
Revenue with the adjustment for doubtful clients (Note 23)	<u>4.774.972</u>	<u>66.886.427</u>
Adjustment at the end of the period	<u>759.465.682</u>	<u>749.058.612</u>

The Company makes adjustments for receivables from insolvent companies or companies that encountered significant financial difficulties.

As at 31 March 2024, the company recorded adjusting expenses for the clients recording an increased non-collection risk, mainly for the receivables of Gazprom Export LLC (lei 146.445.439) and decreased the adjustment to outstanding receivables due to their collection for Top Gaz Network SRL (lei 2.181.401) and for Electrocentrale Constanța (lei 1.863.788).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

In July 2022 the Company paid the amount of 29.277.726 lei, to which it was bound by Arbitral Award no. 39/06.06.2022, rendered by the Arbitral Tribunal in case no. 107/2018, following the conclusion of the arbitration proceedings concerning the non-fulfilment of obligations under the supply contract for "Software Licences for Additional I/Os/Bandwidth Upgrade for SCADA System", a contract concluded by Transgaz with the Association consisting of RMG REGEL UND MESSTECHNIK GmbH Germany, IDS GmbH Germany and General Fluid S.A. Bucharest. The company has appealed the arbitral tribunal's decision in court and has recorded an impairment allowance of 29.277.726 lei as at 31 December 2022, adjustment maintained as at 31 March 2024 as well.

13. CASH AND CASH EQUIVALENT

	<u>31 March 2024</u>	<u>31 December 2023</u>
	<u>(unaudited)</u>	
Cash at bank in RON	617.130.180	370.920.341
Cash at bank in foreign currency	286.052.252	339.824.701
Other cash equivalents	<u>151.260</u>	<u>111.988</u>
	<u>903.333.691</u>	<u>710.857.030</u>
	<u>31 March 2024</u>	<u>31 December 2023</u>
	<u>(unaudited)</u>	
Restricted cash (management guarantee)	1.990.627	1.956.015

Cash at bank in foreign currency is mostly denominated in EUR.

The weighted average of the effective interest related to short-term bank deposits was of 3,80% on 31 March 2024 (3,32% on 31 December 2023) and these deposits have a maximum maturity of 30 days.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

14. SHARE CAPITAL AND SHARE PREMIUM

IFRS	Number of ordinary shares	Share capital	Share premium	Total
On 31 December 2023	188.381.504	2.325.233.436	247.478.865	2.572.712.301
On 31 March 2024	188.381.504	1.883.815.040	247.478.865	2.131.293.905
Capital adjustment to the hyperinflation accumulated on 31 December 2003	-	<u>441.418.396</u>	-	<u>441.418.396</u>
On 31 December 2023				
On 31 March 2024	188.381.504	2.325.233.436	247.478.865	2.572.712.301

The Extraordinary General Meeting of Shareholders approved on 7 December 2022 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 1.766.076.600 lei, through the issuance of 176.607.660 new shares with a par value of 10 lei/share.

The authorized number of ordinary shares registered at the National Trade Registry Office is 188.381.504 (31 December 2023: 188.381.504) with a nominal value of LEI 10 each. Each share represents one vote. The ownership structure registered at Central Depository on 31 March 2024 is the following:

	Number of ordinary shares	Statutory value (lei)	Percentage (%)
The Romanian state, represented by the General Secretariat of the Government	110.221.440	1.102.214.400	58.5097
Other shareholders	<u>78.160.064</u>	<u>781.600.640</u>	<u>41.4903</u>
	<u>188.381.504</u>	<u>1.883.815.040</u>	<u>100.0000</u>

The ownership structure registered at Central Depository on 31 December 2023 is the following:

	Number of ordinary shares	Statutory value (lei)	Percentage (%)
The Romanian state, represented by the General Secretariat of the Government	110.221.440	1.102.214.400	58.5097
Other shareholders	<u>78.160.064</u>	<u>781.600.640</u>	<u>41.4903</u>
	<u>188.381.504</u>	<u>1.883.815.040</u>	<u>100.0000</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**(expressed in lei, unless otherwise stated)****14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)**

In the statutory accounting, before 1 January 2012, the company included in the share capital certain reserves from revaluation for revaluations made before 31 December 2001. In order to prepare these financial statements according to EU IFRS, such increases were not recognized, because adjustments to hyperinflation for fixed assets were annually recognized in the statement of comprehensive income by 31 December 2003. Therefore, in these financial statements, the company recorded only the share capital from cash or in-kind contribution, adjusted to inflation from the date of the initial contribution on 31 December 2003 and the increase in the share capital that took place after 1 January 2004 was recognized in nominal terms.

15. OTHER RESERVES, LEGAL RESERVE AND RETAINED EARNINGS***Other reserves***

Before IFRIC 12, a proper reserve related to assets belonging to the public domain (Notes 3.1 and 5.2) was included in equity as `Reserve of the public domain` at the value of the respective assets restated depending on inflation until 1 January 2004. It was renamed `Other reserves` at the adoption of IFRIC 12 (Note 3.5), to reflect the change in the statute of the related assets. The Company does not intend to change the allocation of deferred income arising from the first-time adoption of IAS 29.

Legal reserve

In accordance with the Romanian law and the company's Articles of Incorporation, the Transgaz must transfer five percent of the profit from the statutory financial statements in a statutory reserve of up to 20% of the statutory share capital. The balance of the statutory reserve, which is not available for allocation on 31 March 2024, amounts to lei 55.765.430 (31 December 2023: lei 55.765.430). The legal reserve is included in the `Retained earnings` in these financial statements. The company does not intend to change the allocation of the legal reserve.

Reserve relating to reinvested profit

The balance of the invested profit reserve as at 31 December 2023 is 17.275.596 lei.

The company will submit for OGMS approval the constitution from the 2023 profit a reserve in the amount of 40.845.861 lei representing tax incentives provided for by Law 227/2015 on the Tax Code on the profit invested in technological equipment-machinery, machinery and work installations, electronic computers and peripheral equipment, cash register, control and invoicing machines and appliances, as well as in software, produced and/or purchased and put into operation, used for the purpose of carrying out the economic activity, amended in 2023 by GO 16/2022 which extended the exemption from payment of reinvested profits also for some categories of assets related to the refurbishment.

The reserve for reinvested profits is carried out after the approval of the profit distribution by the general meeting of shareholders, in accordance with the law.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

15. OTHER RESERVES, LEGAL RESERVE AND RETAINED EARNINGS (CONTINUED)

Dividend allocation

In 2023, the parent company declared a dividend of lei 0,7 /share, related to the profit of the previous year (2022: lei 14,82 /share). The total dividends declared from the profit of 2022 are lei 131.867.053 (dividends declared from the profit of 2021: lei 174.488.368).

16. LONG-TERM BORROWINGS

The value of the long term loans recorded by the company on 31 December 2023:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
BEI 83644RO	182.877.600	186.050.040
BEI 88825RO	203.889.926	209.058.151
BEI 89417RO	124.237.500	124.365.000
BEI 90512RO	124.237.500	124.365.000
BEI ETG 90703	175.836.121	183.874.745
BCR 20190409029	133.920.000	141.360.000
BCR 20201028056	288.000.000	288.000.000
BCR 20210817030	79.166.665	83.333.332
BCR 20211124044	183.333.333	183.333.333
BERD	200.115.360	211.232.880
BT	237.334.732	247.806.630
Raiffeisen Bank	<u>300.000.000</u>	300.000.000
BRD GSG	198.900.000	<u>198.800.000</u>
Total	<u>2.431.848.737</u>	<u>2.481.579.111</u>

Loans breakdown by maturity range:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	685.348.969	448.069.729
Over 1 year	<u>1.746.499.768</u>	<u>2.035.509.382</u>
Total	<u>2.431.848.737</u>	<u>2.481.579.111</u>

The European Investment Bank (EIB)

The company signed with the European Investment Bank the following loans for the financing of the project `Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

- Loan Agreement no. 83644RO concluded on 27.10.2017 for the amount of EUR 50 million, fixed interest rate, maturity of 15 years, grace period of 3 years at principal repayment.
- Loan Agreement no.88825RO concluded on 14.12.2017 for the amount of EUR 50 million, with disbursements in lei or EUR (at the choice of the company), with fixed or variable interest (at the choice of the company), maturity of 15 years, the grace period of 3 years of repayment of the principal.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

The company signed with the EIB the following loans for the financing of the project `Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas` (Black Sea - Podișor)

- The Loan contract no 89417RO concluded on 17.12.2018 for the amount of EUR 50 million, maturity of 15 years, grace period of 3 years at principal repayment.
- The Loan contract no 90512RO concluded on 24 January 2019 for the amount of EUR 100 million maturity of 15 years, grace period of 3 years at principal repayment.

On 24 January 2019, the company signed a loan agreement with the European Investment Bank for the amount of EUR 100 million, maturity 15 years, grace period of 3 years at the repayment of the principal, in order to finance the project `Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas`.

On 24 January 2019, the Company signed a loan agreement with the European Investment Bank for an amount of EUR 38 million, maturity of 15 years, grace period of 3 years for the repayment of the principal, for the purpose of financing the project "Construction of the pipeline interconnecting the national natural gas transmission system of the Republic of Moldova with the natural gas transmission system of the European Union, through Romania, in the direction Ungheni - Chisinau".

The financial commitments undertaken by the loan agreements requires the company to comply with the negotiated limits of the following financial indicators: the ratio of the total net debts to the Borrower's RAB, the net leverage ratio and the Interest coverage rate.

In 2017 the company received the first tranche of Loan Agreement number 83644RO of EUR 15 million issued by EIB on 30 November 2017, in 28 February 2018 the second tranche of the loan amounting to EUR 15 million and on 30 April 2018, the third tranche of the loan amounting to EUR 20 million was received.

The maturity of the loan 83644RO from the EIB is presented below:

	31 March 2024	31 December 2023
	(unaudited)	
Within 1 year	19.878.000	19.898.400
Between 1 and 5 years	79.512.000	79.593.600
Over 5 years	<u>83.487.600</u>	<u>86.558.040</u>
	<u>182.877.600</u>	<u>186.050.040</u>

In 2019 the company received under Loan Agreement no. 88825RO two tranches totalling EUR 50 million.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

The maturity of the loan 88825RO from the EIB is presented below:

	31 March 2024 (unaudited)	31 December 2023
Within 1 year	19.815.589	19.835.925
Between 1 and 5 years	79.262.355	79.343.698
Over 5 years	<u>104.811.982</u>	<u>109.878.528</u>
	<u>203.889.926</u>	<u>209.058.151</u>

In July 2023, the Company collected the first installment of EUR 25 million from Loan Agreement no. 89417RO.

The maturity date of the 89417RO loan from the EIB is shown below:

	31 March 2024 (unaudited)	31 December 2023
Within 1 year	-	-
Between 1 and 5 years	27.890.051	25.380.612
Over 5 years	<u>96.347.449</u>	<u>98.984.388</u>
	<u>124.237.500</u>	<u>124.365.000</u>

In July 2023, the Company collected the first installment of EUR 25 million from Loan Agreement no. 90512 RO.

The maturity date of the 90512 RO loan from the EIB is presented below:

	31 March 2024 (unaudited)	31 December 2023
Within 1 year	-	-
Between 1 and 5 years	27.890.051	25.380.612
Over 5 years	<u>96.347.449</u>	<u>98.984.388</u>
	<u>124.237.500</u>	<u>124.365.000</u>

On 24 April 2020, the Company received the first tranche of EUR 22 million from the EIB loan No 90703RO and on 22 January 2021, the second tranche of EUR 16 million.

The EBRD 90703RO loan maturity is presented below:

	31 March 2024 (unaudited)	31 December 2023
Within 1 year	15.738.941	15.753.697
Between 1 and 5 years	62.955.765	63.014.790
Over 5 years	<u>97.141.414</u>	<u>105.106.258</u>
	<u>175.836.121</u>	<u>183.874.745</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

The European Bank for Reconstruction and Development (EBRD)

On 23 February 2018 Transgaz signed with EBRD a contract amounting to lei 278 million, the equivalent of EUR 60 million, for the financing of the BRUA Project.

The loan was fully disbursed by two equal disbursements: on 29 April 2020 and on 29 May 2020.

The EBRD loan maturity is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	22.235.040	22.235.040
Between 1 and 5 years	88.940.160	88.940.160
Over 5 years	<u>88.940.160</u>	<u>100.057.680</u>
	<u>200.115.360</u>	<u>211.232.880</u>

The book value of the short term loans approximates their fair values.

The Romanian Commercial Bank (BCR)

The company signed on 24.04.2019 the contract no. 20190409029 with the Romanian Commercial Bank for committing the financing in the amount of 186 million lei, the equivalent of 40 million EUR, with drawing and repayment in lei, maturity 15 years, grace period for principal repayment of 3 years, variable interest for the financing of the project Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

The BCR loan no. 20190409029 is fully disbursed and its maturity is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	14.880.000	14.880.000
Between 1 and 5 years	59.520.000	59.520.000
Over 5 years	<u>59.520.000</u>	<u>66.960.000</u>
	<u>133.920.000</u>	<u>141.360.000</u>

On 29.10.2020, the Company signed contract no.20201028056 with Banca Comercială Română contemplating the Company's benefiting from a lei 360 million loan for a period of 13 years, destined to refinance two major projects carried out by Transgaz: "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)" and "The interconnection of the National Transmission System with the international gas transmission pipeline T1 and reverse flow at Isaccea Phase II (Onești - Siliștea)".

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

BCR loan no. 20201028056 is fully collected and its maturity is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	28.800.000	28.800.000
Between 1 and 5 years	115.200.000	115.200.000
Over 5 years	<u>144.000.000</u>	<u>144.000.000</u>
	<u>288.000.000</u>	<u>288.000.000</u>

On 17.08.2021, the Company signed contract no. 20210817030 with Banca Comercială Română contemplating the Company's benefiting from a lei 100 million loan for a period of 12 years, destined to refinance the project "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)".

BCR loan no. 20210817030 is fully collected and its maturity is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	8.333.334	8.333.334
Between 1 and 5 years	33.333.336	33.333.336
Over 5 years	<u>37.499.995</u>	<u>41.666.662</u>
	<u>79.166.665</u>	<u>83.333.332</u>

On 24.11.2021, the Company signed contract no. 20211124044 with Banca Comercială Română contemplating the Company's benefiting from a lei 220 million loan for a period of 12 years, destined to refinance the project: "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)".

BCR loan no. 20211124044 is fully collected and its maturity is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	18.333.333	18.333.333
Between 1 and 5 years	73.333.333	73.333.333
Over 5 years	<u>91.666.667</u>	<u>91.666.667</u>
<u>Total</u>	<u>183.333.333</u>	<u>183.333.333</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)**Transilvania Bank (BT)**

On 15 July 2020, as a result of a competitive negotiation procedure, the company signed a contract with Transilvania Bank allowing the company to benefit from a credit facility amounting to lei 300 million, for 2 years, to cover the necessary working capital and partly to issuing letters of guarantee. The repayment of the credit line has been extended until 19.12.2023, based on the conclusion of the Addendum No. 1/20.12.2021.

On 15.07.2022, the Addendum No.2 to the contract for the credit facilities and the issuance of letters of guarantee was signed with Banca Transilvania, which increased the initial amount of the facility (300 million lei) by a maximum of 153.000.000 lei, in order to issue a letter of guarantee in favour of ANAF to guarantee the payment obligation imposed by the mandatory order no. 6006/250938/IEF/14.04.2022 issued by the Ministry of Finance, during the period of the procedures for challenging the administrative act.

By the Addendum No.4/22.03.2023 the parties agreed to extend the final maturity date of the credit agreement by 24 months as of the Addendum date.

As at 31 March 2024, out of the total of credit line the amount of Lei 237.334.732 was used to cover working capital requirements and the amount of Lei 200.381.510 from the threshold for the issuing of letters of guarantee was used to cover four bank letters of guarantee issued in favour of third parties, the amount of lei 15.248.652 remaining at the disposal of the Company for the financing of the current activity. The bond is presented under short-term loans, the maturity of the credit line is 22.03.2025.

RAIFFEISEN BANK

The company signed on 14 July 2022, following a competitive negotiation procedure, a contract with Raiffeisen Bank under which it benefits from a credit facility of 300 million lei for a period of 2 years, intended to finance working capital for the commercial balancing activity.

As at 31 March 2024 the credit facility is drawn down to the maximum level of 300.000.000 lei. The obligation is presented under short-term loans.

BRD GROUPE SOCIETE GENERALE

The company signed on 2 August 2023, following a competitive negotiation procedure, a contract with BRD Groupe Societe Generale through which it benefits from a credit facility of 200 million lei for a period of 2 years, intended to finance the working capital for the activity of trade balancing.

On 31 March 2024, the credit line is used at the level of 198.900.000 lei. The obligation is presented in long-term loans.

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(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

As at 31 December 2023, the balance of interest due for the loans of the company is lei 22.004.272 broken down by loans as follows:

	31 March 2024	31 December 2023
	(unaudited)	
BEI 83644RO	723.848	484.596
BEI 88825RO	1.926.784	1.985.777
BEI 89417RO	1.113.996	1.141.311
BEI 90512RO	1.113.996	1.141.311
BEI ETG 90703	169.238	2.945.267
BCR 20190409029	3.091.971	854.326
BCR 20201028056	8.097.108	3.217.394
BCR 20210817030	426.712	1.826.050
BCR 20211124044	3.876.219	886.932
BERD	<u>1.464.400</u>	<u>1.580.843</u>
	<u>22.004.272</u>	<u>16.063.807</u>

The exposure of the company's loans to the changes of the interest rate is as follows:

	31 March 2024	31 December 2023
	(unaudited)	
Variable interest rate loans	2.248.971.137	2.295.529.071
Fixed interest rate loans	<u>182.877.600</u>	<u>186.050.040</u>
Total loans	<u>2.431.848.737</u>	<u>2.481.579.111</u>

17. DEFERRED REVENUE

Based on the connection contracts, the necessary infrastructure is built to ensure the estimated transmission capacity to be used over the duration of the concession agreement.

	31 March 2024	31 December 2023
	(unaudited)	
Initial balance	963.899.344	1.076.589.204
Increases	137.620.961	425.575
Revenue from connection fees (Note 22)	(3.530.247)	(13.926.724)
Income from non-reimbursable funds and goods taken over free of charge (Note 22)	<u>(22.906.081)</u>	<u>(99.188.711)</u>
Final balance	<u>1.075.083.977</u>	<u>963.899.344</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

17. DEFERRED REVENUE (CONTINUED)

The balance of the deferred revenue consists of:

	31 March 2024	31 December 2023
	(unaudited)	
Connections and assets received free of charge	227.562.738	222.516.712
Grants	<u>847.521.239</u>	<u>741.382.632</u>
	<u>1.075.083.977</u>	<u>963.899.344</u>

For the BRUA project the company obtained from the European Union through the National Agency for Innovation and Networks (INEA) a grant of 1.519.342 Euros, representing 50% of the estimated eligible costs for financing the FEED for the three compressor stations (Podișor, Bibești and Jupa) and a grant of 159.449.379 Euro, representing 40% of the estimated eligible costs, for financing the BRUA Phase I project implementation.

The following amounts were received as pre-financing to finance the implementation of the BRUA Phase I project: EUR 25.834.489,60 (in 2016) and EUR 13.839.087,37 (in 2018) and EUR 29.192.463,92 (in 2019), EUR 37.740.347 (in 2020) and EUR 20.953.114,91 in 2021. On 19 July 2022 the amount of EUR 21,129,634.05 was collected from INEA.

On 22.11.2018 the company signed with the Ministry of European Funds AM POIM Financing Contract 226 for non-reimbursable financing for the implementation of the draft project code MYSMIS 2014-122972 NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova within the Specific objective 8.2 – Increasing the interconnectivity of the National Transmission System with neighbouring states. The amount of the grant is lei 214.496.026,71, namely 32,53% of the value of the eligible expenses.

For the financing of the works for the implementation of the project NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova, the amount of lei 203.657.168 was collected as eligible expenses grant funding.

On 18.06.2020 the company signed Grant Agreement no. HCOP/685/3/8/132556 on the implementation of the project „TransGasFormation” Code 132556 for the amount of LEI 701.259,60 with the Ministry of European Funds, as Management Authority for the Human Capital Operational Programme.

In 2024, the company concluded two grant contracts for projects: Black Sea-Podișor natural gas transmission pipeline, for which it received in February pre-financing in the amount of lei 127.682.749 and Ghercești-Jitaru natural gas transmission pipeline (including cathode energy supply and fibre optics).

The contracts were concluded on the basis of EC Decision No C(2023) 3643 of 30.05.2023 granting non-reimbursable funding from the Modernisation Fund totalling EUR 93.582.770 for the following projects:

- Black Sea - Podișor natural gas transmission pipeline: euro 85.544.422;
- Ghercești-Jitaru natural gas transmission pipeline (including electricity supply, cathodic protection and optical fibre): euro 8.038.348.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

18. PROFIT TAX

Profit tax expense

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Expense with the profit tax - current	48.875.919	28.811.712
Deferred tax - impact of temporary differences	<u>2.755.691</u>	<u>(2.552.722)</u>
Profit tax expense	<u>51.631.610</u>	<u>26.258.990</u>

In Q1 2024 and Q1 2023 the company calculated the profit tax at the rate of 16% applied to the profit determined in accordance with the Romanian laws.

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Profit before tax	293.260.242	151.393.887
Profit/loss (ETG-VTMG)	21.231.711	(1.514.669)
Theoretical expense with the tax the statutory rate of 16% (2021: 16%)	47.231.498	24.454.521
Non-taxable expenses, net	<u>4.400.112</u>	<u>1.804.469</u>
Profit tax expense	<u>51.631.610</u>	<u>26.258.990</u>
Profit tax related liability, current	<u>8.032.200</u>	<u>7.497.431</u>

Depreciation of tangible assets hyperinflation adjustments is a deductible expense with the adoption of EU IFRS as framework of statutory reporting.

At Eurotransgaz the current expenses regarding income tax is calculated based on the the taxable income in the statutory financial statements. For tax purposes, the deductibility of certain expenses, such as protocol expenses, is limited to a certain percentage of the profit specified in the tax legislation. On 31 March 2024, the standard rate of income tax was set at 12% (31 December 2023: 12%).

18. PROFIT TAX (CONTINUED)

Deferred tax

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 31 March 2024 (31 December 2023: 16%). Deferred tax payment and recoverable tax, as well as expenses with/(revenue from) deferred tax recognized in the statement of comprehensive income are attributable to the following items:

	<u>31 March 2023</u> <u>(unaudited)</u>	<u>Movement</u>	<u>31 December</u> <u>2023</u>	<u>Movement</u>	<u>31 March 2023</u>	<u>Movement</u>	<u>1 January 2023</u>
Payable deferred tax							
Tangible and intangible assets	142.729.241	3.051.364	139.677.877	11.706.344	127.971.533	4.331.785	123.639.748
Recoverable deferred tax							
Provision for Employee benefits	(20.992.282)	(667)	(20.991.615)	(2.514.884)	(18.476.731)	19.761	(18.496.492)
Risks and charges	(14.962.224)	46.895	(15.009.119)	(1.468.852)	(13.540.267)	(548.588)	(12.991.679)
Receivables and other assets	(109.135.484)	(341.901)	(108.793.583)	(13.327.579)	(95.466.004)	(6.367.584)	(89.098.420)
	(2.360.749)	2.755.691	(5.116.440)	(5.604.971)	488.531	(2.564.626)	3.053.157

Deferred revenue tax liability related to tangible and intangible assets is determined by the fact that: a) the fiscal value of intangible assets does not include inflation update; and b) the nature of public domain property does not represent depreciable assets from a tax perspective, regardless of how they are reflected in the accounts. Temporary differences for receivables and other assets arise from impairment adjustments for bad debts. In the consolidated financial statements of ETG with VTMG, a deferred tax liability of Lei -3.382.032 has been recognised.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

18. PROFIT TAX (CONTINUED)

The amounts presented in the statement of the financial position include the following:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Deferred tax liabilities/receivables in more than 12 months as reported	(2.360.749)	(5.116.440)

19. TRADE PAYABLES AND OTHER PAYABLES

19.1 Short term payables

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Trade payables	231.464.241	257.234.709
Suppliers of fixed assets	52.401.454	15.796.373
Dividends payable	1.039.764	1.095.532
Debts related to royalties	69.828.916	51.383.030
Other taxes	28.762.769	28.404.156
Amounts payable to employees	21.772.790	21.111.151
VAT payable	11.834.316	21.323.976
Non-exemptible VAT	20.981.669	6.348.468
Transmission service guarantees	42.426.628	42.971.012
Transmission services advance payments	25.693.998	51.867.976
Tender guarantees	145.279.433	163.808.920
Other debts	59.461.748	<u>47.529.462</u>
	<u>710.947.726</u>	<u>708.874.765</u>
Financial debts (Note 4)	<u>562.200.784</u>	<u>557.545.268</u>

Long-term debts

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Other debts	<u>138.966.285</u>	<u>144.696.947</u>

On 31 March 2024, of the total trade payables and other debts the amount of lei 63.123.384 (31 December 2023: lei 75.189.970) is expressed in foreign currency, especially in EUR.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

19. TRADE PAYABLES AND OTHER PAYABLES (CONTINUED)

19.2 Debts related to rights of use of leased assets

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
	Land and buildings	Land and buildings
Initial balance	17.929.828	17.929.828
Inflows	136.678.437	136.678.437
Interest expense	5.138.577	5.138.577
Leasing payments	<u>13.182.770</u>	<u>13.182.770</u>
Final balance, of which:	<u>146.564.072</u>	<u>146.564.072</u>
Long-term debts	114.807.183	114.807.183
Short-term debts	31.756.889	31.756.889

On 04.09.2023, the lease contract for natural gas transmission networks no. 70-SJ of 04.09.2023 concluded between SRL Moldovatrangaz and SRL Vestmoldtrangaz was signed. This contract entered into force on 19.09.2023. The lease contract was concluded for a period of 5 years. The amount of the annual rent is 165 mln. MDL, VAT excluded. The lease contract was recognized as a right-of-use asset and a corresponding liability on the date the asset was leased and became available for use by Vestmoldtrangaz.

20. PROVISIONS FOR RISKS AND CHARGES

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
<i>Current provision</i>		
Provision for litigation	52.908.971	52.908.971
Provision term contract	3.284.571	3.284.571
Provision for employee participation in profits	17.937.265	12.086.749
Provision for voluntary leaving employment	7.698.800	7.698.800
Other provision	<u>4.572.236</u>	<u>8.266.991</u>
	86.401.843	84.246.083

Employees` participation in the profit is calculated within the limit of 10% of the net profit, but not more than a monthly average salary achieved in the relevant financial year according to the provisions of GO 64/2001 and the Collective Labour Agreement.

The company was the subject of an investigation of the Competition Council regarding the way in which procedures for the awarding of the contracts for the procurement of works carried out by Transgaz in 2009 -2011, before the implementation of the private management, according to the provisions of GEO 109/2011 on corporate governance of public enterprises. In 2020, the Competition

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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20. PROVISIONS FOR RISKS AND CHARGES (CONTINUED)

Council communicated Decision no. 43/11.08.2020 sanctioning the Company with a fine in the amount of lei 34.166.616.

Following the conclusion of the arbitration proceedings which had as dispute the restitution of the quantity of natural gas from the Tranzit 1 pipeline, the arbitral tribunal admitted Bulgargaz EAD's action, and a provision for litigation in the amount of Lei 1.673.984, the equivalent in Lei for legal interest and incidental expenses was established. The arbitral tribunal's decision was appealed, and the action for annulment was registered with the Bucharest Court of Appeal.

The company also made provisions for the following disputes: with Romsilva for the land non-use amounting to LEI 14.038.558, with Blue Star SRL for the MRS Timisoara I - Timisoara pipeline in the amount of Lei 2.300.000, with PF Galaction Laurentiu for the dismantling of the construction/removal of the MRS Vaslui connection pipeline in the amount of Lei 332.000. lei, and with PF Bălășoiu Marian for claims for compensation for lack of use of land in the amount of lei 397.813. For the strategic redefinition and efficiency of the activity, the Company drafted the Program of voluntary departures for 2023 in the amount of 7.699 thousand lei, the annual value being provided by the budget of revenues and expenses approved by the GMS.

As at 31 December 2023 the amount of the provision for voluntary departures is Lei 7.698.800.

The Company records provisions for untaken leave at the end of the financial year.

The Company has recorded provisions for untaken leave in the amount of lei 8.266 .303 relating to the period ended 31 December 2023.

21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

The present value of the provision was determined based on the Projected Unit Credit Method. Retirement benefits received by an employee were first raised by the contributions of the employer and then every benefit was updated taking into account the rotation of employees, layoffs and the probability of survival until retirement. The number of years until retirement was calculated as the difference between retirement age and age at time of reporting. The expected average of the remaining work period was calculated based on the number of years until retirement, also taking into account the rate of layoffs, employee rotation rate and the probability of survival.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Assumptions 2023

The amount of the provision has been calculated individually for each distinct employee/beneficiary of the company using the actuarial calculation method and taking into account International Accounting Standards, in particular the IAS 19. The provision is calculated taking into account the long-term liabilities undertaken by the company under the collective labour contract. The calculation assumptions and specifications for the calculation model were established based on the company's previous experience and a set of assumptions about the company's future experience. The most important actuarial assumptions used are as follows:

- for the benefit consisting of basic salaries paid at retirement, this benefit is paid for company employees who reach retirement;
- Employee rotation considers seniority and staff rotation within the company;
- the mortality of the entity's employees is calculated according to the data provided by the National Institute of Statistics for 2019 to which a percentage of 40% was applied;
- Employee rotation is constant over time.
- the method used is the projected credit factor method;
- Retirement age at retirement considered: 63 for men and 61 for women, but the share of early retirements at certain ages was also considered;
- Long-term wage growth rate is considered equal to the forecast inflation rate for the euro area, and is 2% and in the short term was considered equal to the forecast inflation rate for RON and is 6,7% in the first year, 4,3% in the second year and 3,9% for the next 3 years and 2,5% for the next 5 years, for both women and men;
- the discount rate is the interest curve in lei without adjustments provided by EIOPA for December 2023.
- the plan is not financed by the entity and employees.
- It has been estimated that people approaching retirement age are likely to retire early
- For the death benefit, for retired former Trangaz employees, in the first year after retirement, mortality at the age of 66 men and 64 years women was used.

Financial assumptions

The discount rate is the interest rate curve in lei without adjustments of variations provided by EIOPA for December 2023.

For the calculation for 2023, according to the National Institute of Statistics, the annual inflation rate in December 2023 compared to December 2022 was 6,6%. Given the correlation between the inflation and discount rate values, the following values for inflation were taken into account: 6% in 2024, 5,8% in 2025 and 5,6% in the rest.

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21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Movement in the provision for employee benefits

1 January 2022	<u>110.048.408</u>
of which:	
Short-term	4.007.231
Long-term	106.041.177
Interest cost	5.541.410
Current service cost	5.917.932
Payments from provisions during the year	(3.575.953)
Actuarial gain/loss related to the period	(2.452.222)
31 December 2022	<u>115.479.575</u>
of which:	
Short-term	4.584.234
Long-term	110.895.341
Interest cost	7.229.379
Current service cost	17.488.663
Payments from provisions during the year	(4.921.167)
Actuarial gain/loss related to the period	(4.334.050)
31 December 2023	<u>130.942.400</u>
of which:	
Short-term	16.135.217
Long-term	114.807.183

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22. OTHER REVENUE

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Revenue from penalties applied to clients for delay payments	6.239.750	3.902.378
Revenue from connection fees	3.530.247	3.423.464
Revenue from grants and goods taken free of charge	22.906.082	24.619.410
Revenue from the sale of residual materials	416.957	240.426
Revenue from leases	359.592	385.265
Revenue from recovered materials	668.565	1.443.362
Revenue from grants for operating expenses	-	-
Other revenue from operation	<u>4.518.479</u>	<u>966.587</u>
	<u>38.639.672</u>	<u>34.980.892</u>

As at 31 March 2024 and 31 December 2023 there is no intra-group income to be eliminated.

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23. OTHER OPERATING EXPENSES

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Loss/gain on impairment of receivables	11.080.097	18.829.476
Sponsorship costs	447.000	769.677
Utilities	3.624.370	1.266.420
Insurance premium	386.912	326.542
Maintenance costs	12.680	
Security and protection expenses	6.158.069	5.391.313
Professional training	246.470	112.920
Telecommunications	607.953	277.355
Bank charges and other fees	461.142	766.920
Rents	2.968.363	1.713.115
Loss on amounts receivable	207.021	11.293
Loss/(gain) on inventory impairment		53.640
Marketing and protocol costs	132.751	
Penalties and fines	546.633	45.539
Gas storage capacity booking	2.854.065	2.646.121
Other	<u>21.510.408</u>	<u>8.692.953</u>
	<u>51.243.934</u>	<u>40.903.284</u>

Neutrality activity expenses

In the year 2023, expenses for the procurement of natural gas in the amount of lei 427.324.156, expenses for the booking of gas storage capacity in the amount of lei 6.311.441, net expenses for bank interest in the amount of lei 25.167.497, expenses for bank commissions in the amount of lei 7.411 were included in the calculation of the neutrality activity.

24. EMPLOYEE COSTS

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Salaries and benefits	124.354.856	119.373.438
Cost of insurance and social security	7.941.950	7.834.914
Other employee costs	<u>2.520.949</u>	<u>982.816</u>
	134.817.755	128.191.168

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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Average number of employees in financial year:

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Blue collars	2.218	2.249
White collars	<u>1.826</u>	<u>1.781</u>
	4.044	4.030
Eurotransgaz S.R.L.	3	3
Vestmoldtransgaz S.R.L.	<u>58</u>	<u>40</u>
	<u>61</u>	<u>43</u>

25. NET FINANCIAL REVENUE/(EXPENSES)

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Foreign exchange revenue	5.009.586	9.031.574
Interest revenue	18.080.862	13.084.537
Revenue from the adjustment of the Concession	58.565.071	51.591.184
Other financial revenue	<u>240</u>	<u>397</u>
	81.655.759	73.707.692
Foreign exchange loss	(1.565.169)	(6.713.690)
Interest loss related to IFRS16	(139.589)	(160.633)
Interest loss	(27.066.056)	(24.517.675)
Expenditure on financial fixed assets transferred	<u>-</u>	<u>-</u>
	(28.770.814)	(31.391.998)

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to lei 58.565.071 according to IFRS 9 (31 December 2023: Lei 147.131.305).

Fixed assets recognized under regulated assets within a gas year are updated with the inflation rate starting from the next gas year.

The income from the adjustment of the receivable related to the Concession Agreement is a non-monetary item (Note 26).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

26. CASH FROM OPERATION

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Profit before tax	314.491.953	149.879.218
<i>Adjustments for:</i>		
Depreciation	127.643.297	106.833.895
Gain/(loss) on transfer of fixed assets	92.327	47.925
Provisions for risks and charges	2.039.856	3.428.678
Revenue from connection fees, grants and goods taken free of charge	(26.436.329)	(28.042.874)
Adjustment of the Claim regarding the Concession Agreement	(58.565.071)	(51.591.184)
Sundry debtors and receivable loss	207.021	11.293
Adjustments for the receivables impairment	11.080.097	18.829.476
Interest revenue	(18.080.862)	(13.084.537)
Interest expenses	27.066.055	24.517.675
Effect of exchange rate fluctuation on other items than from operation	(5.598.440)	4.563.671
Other revenue and expenses	—	—
Operating profit before the changes in working capital	<u>373.939.904</u>	<u>215.393.236</u>
(Increase)/decrease in trade and other receivables	65.419.525	27.747.890
(Increase)/decrease in inventories	(35.421.354)	21.593.943
Increase/(decrease) in trade payables and other debts	<u>(83.382.208)</u>	<u>(84.302.232)</u>
Cash generated from operations	<u>320.555.867</u>	<u>180.432.837</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES

The prices / tariffs related to the transport and balancing contracts are approved by the National Energy Regulatory Authority (ANRE), are regulated and are not established under market conditions.

Procurement is carried out in compliance with the legal regulations on public procurement.

Transactions with Vestmoldtransgaz were concluded at the market value established by the cost-plus method and represent services provided by specialized personnel for the conduct of the procurement and equipment rental procedures.

In the periods ended 31 March 2024 and 31 March 2023, the following transactions with related parties were performed and the following balances were payable/receivable from related parties at the respective dates.

i) Benefits granted to the members of the Board of Administration and of the management

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Salary paid to the members of the Board of Administration and management	4.903.316	21.961.189
Social contribution of the company	<u>107.169</u>	<u>483.944</u>
	<u>5.010.485</u>	<u>22.445.133</u>

In the periods ended 31 March 2024 and 31 March 2023, no advance payments and loans were granted to the company's administrators and management, except for advance payments from salaries and those for business trips, and they don't owe any amount from such advance payments to the company at the end of the period .

The company has no contractual obligations related to pensions towards the current administrators and directors.

The provision for the mandate contract is presented in Note 20.

The company has no contractual obligations related to pensions towards the former administrators and directors.

ii) Loan to a related party

	31 March 2024 (unaudited)	31 December 2023
Loan to Resial SA	1.770.346	1.770.346
Minus the adjustment for loan impairment	<u>(1.770.346)</u>	<u>(1.770.346)</u>

Dividends allocated are presented in Note 15. Royalties paid are presented in Note 3.1.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

iii) Revenue from related parties – services supplied (VAT excluded)

	<u>Relationship</u>	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
SNGN Romgaz	Entity under common control	72.635.108	39.924.383
Electrocentrale București SA	Entity under common control	33.697.309	24.561.544
Electrocentrale Constanța	Entity under common control	-	1.865.062
Termo Calor Confort	Entity under common control	1.377.620	736.950
Complex Energetic Oltenia	Entity under common control	1.318.824	-
E.ON Energie Romania	Entity under common control	<u>89.175.901</u>	<u>50.503.877</u>
		<u>198.204.762</u>	<u>117.591.816</u>

iv) Sales of other goods and services (VAT excluded)

	<u>Relationship</u>	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
SNGN Romgaz	Entity under common control	10.929	210.553
Electrocentrale Deva	Entity under common control	378.784	235.906
Electrocentrale Bucuresti	Entity under common control	1.068	196
Electrocentrale Constanța	Entity under common control	1.205.718	1.410.489
E.ON Energie Romania	Entity under common control	2.387	498
Complex Energetic Oltenia	Entity under common control	<u>1.165</u>	<u>-</u>
		<u>1.600.051</u>	<u>1.857.642</u>

v) Gas sales - balancing activity (VAT excluded)

	<u>Relationship</u>	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
SNGN Romgaz	Entity under common control	217.865	5.926.720
Electrocentrale București	Entity under common control	1.965.767	1.281.570
Electrocentrale Constanța	Entity under common control	-	129.720
Termo Calor Confort	Entity under common control	673.998	262.269
Complex Energetic Oltenia		536.571	-
E.ON Energie Romania	Entity under common control	<u>13.067.629</u>	<u>25.815.036</u>
		<u>16.461.830</u>	<u>33.415.315</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

vi) Receivables from related parties (without the adjustment)

	<u>Relationship</u>	31 March 2024 (unaudited)	31 December 2023
SNGN Romgaz	Entity under common control	27.933.438	28.329.053
Electrocentrale Deva	Entity under common control	18.348	9.174
Electrocentrale București	Entity under common control	11.760.375	18.693.819
Electrocentrale Constanța	Entity under common control	11.112	9.922
Termo Calor Confort	Entity under common control	(31.412)	(12.753)
E.ON Energie Romania	Entity under common control	57.223.169	66.052.151
Complex Energetic Oltenia	Entity under common control	225.432	317.799
Eurotransgaz SRL	Company branch	-	<u>14.911</u>
		<u>97.140.462</u>	<u>113.414.076</u>

vii) Client receivables – the balancing activity (without the adjustment)

	<u>Relationship</u>	31 March 2024 (unaudited)	31 December 2023
SNGN Romgaz	Entity under common control	209.383	48.536
Electrocentrale Constanța	Entity under common control	355.442	887.141
Complex Energetic Oltenia	Entity under common control	3.429	730.887
Electrocentrale București	Entity under common control	1.101.689	696.232
Termo Calor Confort	Entity under common control	158.225	183.036
Complex Energetic Hunedoara	Entity under common control	63.345	-
E.ON Energie Romania	Entity under common control	<u>3.717.607</u>	<u>10.987.869</u>
		<u>5.609.120</u>	<u>13.533.701</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

viii) Procurement of services from related parties (other services – VAT excluded)

	<u>Relationship</u>	<u>The three months ended 31 March 2024 (unaudited)</u>	<u>The three months ended 31 March 2023 (unaudited)</u>
SNGN Romgaz	Entity under common control	9.592.809	4.427.220
E.ON Energie Romania	Entity under common control	-	2.122.311
Termo Calor Confort	Entity under common control	-	840.306
Complex Energetic Oltenia	Entity under common control	1.333	1.132
Electrocentrale Constanța	Entity under common control	-	68.459
Electrocentrale București	Entity under common control	<u>2.126</u>	<u>1.294.992</u>
		<u>9.596.268</u>	<u>8.754.420</u>

ix) Procurement of gas – the balancing activity (VAT excluded)

	<u>Relationship</u>	<u>The three months ended 31 March 2024 (unaudited)</u>	<u>The three months ended 31 March 2023 (unaudited)</u>
SNGN Romgaz	Entity under common control	2.047.872	2.124.336
Electrocentrale București	Entity under common control	474.174	1.419.988
Electrocentrale Constanța	Entity under common control	-	6.648.753
Termo Calor Confort	Entity under common control	511.068	1.452.233
Complex Energetic Oltenia	Entity under common control	184.865	-
E.ON Energie Romania	Entity under common control	<u>8.110.132</u>	<u>12.928.162</u>
		<u>11.328.111</u>	<u>24.573.472</u>

x) Procurement of natural gas (VAT excluded)

	<u>Relationship</u>	<u>The three months ended 31 March 2024 (unaudited)</u>	<u>The three months ended 31 March 2023 (unaudited)</u>
SNGN Romgaz	Entity under common control	<u>12.896.077</u>	<u>2.711.327</u>
		<u>12.896.077</u>	<u>2.711.327</u>

xi) Debts to gas related parties (VAT included)

	<u>Relationship</u>	<u>31 March 2024 (unaudited)</u>	<u>31 December 2023 (unaudited)</u>
SNGN Romgaz	Jointly controls entities	<u>30.967.889</u>	<u>26.158.660</u>
		<u>30.967.889</u>	<u>26.158.660</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

xii) Debts to affiliated parties from services (other services - VAT included)

	<u>Relationship</u>	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
SNGN Romgaz	Entity under common control	13.665.691	1.758.019
Complex Energetic Oltenia	Entity under common control	514	514
Electrocentrale București	Entity under common control	-	1.008
		<u>13.666.205</u>	<u>1.759.541</u>

xiii) Debts to suppliers – balancing activity (VAT included)

	<u>Relationship</u>	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
SNGN Romgaz	Entity under common control	2.197.506	3.034.455
Electrocentrale București	Entity under common control	184.438	2.272.291
Termo Calor Confort	Entity under common control	98.987	217.766
E.ON Energie Romania	Entity under common control	672.549	11.359.387
Complex Energetic Oltenia	Entity under common control	<u>188.632</u>	<u>256.844</u>
		<u>3.342.112</u>	<u>17.140.743</u>

xiv) Guarantees from affiliates (bank guarantee letter)

	<u>Relationship</u>	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
SNGN Romgaz	Entity under common control	29.736.679	28.811.298
E.ON Energie Romania	Entity under common control	47.909.711	52.201.315
Electrocentrale București		<u>12.100.000</u>	<u>8.275.580</u>
		<u>89.746.390</u>	<u>89.288.193</u>

xv) Loans and interest to be reimbursed

	<u>Relationship</u>	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>201.579.760</u>	<u>212.813.723</u>
		<u>201.579.760</u>	<u>212.813.723</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

xvi) Transactions during the period

		The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
	<u>Relationship</u>		
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	3.818.825	5.018.393
		<u>3.818.825</u>	<u>5.018.393</u>

28. EARNINGS PER SHARE

The company shares are listed on the first category of the Bucharest Stock Exchange.

Basic earnings per share are calculated by dividing the profit attributable to the company's equity holders to the average number of ordinary shares existing during the year.

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Profit attributable to the company's equity holders	262.860.343	125.366.396
Weighted average of the number of shares	188.381.504	188.381.504
Basic and diluted earnings per share (lei per share)	1.40	0.67

By Decision no. 11/7 December 2022, the Extraordinary General Meeting of Shareholders of Transgaz approved the increase of the share capital of the Company by incorporating the reserves constituted from the net profit of previous years in the amount of 1.766.076.600 lei, from the amount of 117.738.440 lei to the amount of 1.883.815.040 lei, through the issue of 176.607.660 new shares with a value of 10 lei/share. The share capital increase was registered with the National Trade Register Office on 19 December 2022.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

29. SIGNIFICANT TRANSACTIONS NOT INVOLVING CASH

Compensations

Approximately 1.51 % of the receivables were settled by transactions that haven't involved cash outflows during the period ended 31 March 2024 (31 March 2023: 9,94%). Transactions mainly represent sales of products and services in exchange for raw materials and services or offsets with clients and suppliers within the operating cycle and receivables registered with the state budget.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

i) Commitments

The Service Concession Agreement (S.C.A. - Note 8) provides that, at the end of the agreement, the ANRM is entitled to receive back, all goods of public property existing when the agreement was signed and all investments made into the national transmission system, in accordance with the investment program stipulated in the service concession agreement. The company also has other obligations related to the concession agreement, which are described in Note 8.

On 31 March 2024 the value of the contractual firm obligations of parent Company for the purchase of tangible and intangible assets is of lei 1.480.860.342, and subsidiary Eurotransgaz SRL has no capital commitments.

Eurotransgaz SRL, the company established and owned by Transgaz in Moldova, was appointed the winner of the privatization investment contest for the single patrimonial complex State Enterprise Vestmoldtransgaz operating the Iasi-Ungheni gas transmission pipeline on the territory of Moldova.

The company is a guarantor of the loan agreement concluded on 24 January 2019 between the European Investment Bank and Eurotransgaz, in total amount of Euro 38 milion, for the funding of the construction by Vestmoldtransgaz of the Ungheni-Chisinau gas transmission pipeline.

On December 11, 2019 the European Bank for Reconstruction and Development approved project No 50410, which represents capital investment in the form of a capital increase in exchange for a stake in the share capital of Vestmoldtransgaz SRL daughter company of Eurotrasngaz SRL, which is ultimately owned and controlled by the Romanian gas transmission operator SNTGN Transgaz SA. The Bank's investment will finance the construction of the Ungheni-Chisinau natural gas pipeline in Moldova with a length of approx. 120 km and a planned capacity of 1.5 bcm.

ii) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European law. However, there are still various interpretations of the tax law. In Romania, the tax year remains open for fiscal verification for 5 years. The company's management believes that fiscal obligations included in these financial statements are properly presented and that it is not necessary for any additional provisions to be established to cover the uncertainties related to tax treatment.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

The royalty rate for the use of gas transmission pipelines is set by the government. Since October 2007, the royalty has been set at 10% of revenue. After the entry into force of Art. 103 para. 2 of the Law no. 123/2012, starting from 12 November 2020 the fee was set at 0,4% of the domestic and international gas transmission services value performed by the company. ANRM requests Transgaz to calculate and pay the royalty by applying the percentage of 10% according to Law 238/2004, for the period between November 2020 – December 2021. The company considers that it is obliged to calculate and pay a single royalty at the rate of 0,4% established by the special law, namely Law 123/2012. Law 248/July 2022 approving GEO 143/2021 amending and supplementing the Electricity and gas Law 123/2012 sets the royalty percentage at 0.4% of the gross revenue from natural gas transmission and the specialist report drawn up by the specialist committees of the Chamber of Deputies clarifies that the Electricity and gas Law 123/2012 is a special regulation in the field of natural gas, in relation to Oil Law 238/2004. Administrative and judicial dispute settlement is detailed in the chapter "Court and other actions".

As of 30 October 2023, the royalty due to the state budget for the concession of the national transmission system (SNT) was determined as a percentage of 11.5% of the value of gross revenues from natural gas transmission services, in accordance with GEO no. 91 of 27 October 2023 on some measures relating to the exercise of public and private property rights of the state, as well as the efficient management of state property, for the amendment and supplementation of the Petroleum Law no. 238/2004, as well as the Law no. 296/2023 on some fiscal-budgetary measures to ensure the long-term financial sustainability of Romania.

The tax system in Moldova is subject to different interpretations and continuous changes, which may have retroactive effect. The tax authorities' interpretation of the tax legislation on the Group's transactions may differ from that of management. As a result, the tax authorities may question certain transactions as giving rise to additional taxes, penalties or interest, which may be significant.

iii) Insurance policies

The company does not have insurance policies related to operations, complaints on products, or for the public debt. The company has insurance policies for buildings and mandatory civil liability policies for the car fleet. Moreover, the company has contracted professional liability insurance services for the members of the Board of Administration and for 58 managers in 2024 (58 managers in 2023).

iv) Environmental aspects

Environmental regulations are under development in Romania and the company did not record any obligation on 31 March 2024 and on 31 December 2023 related to anticipated expenses that include legal and consulting fees, analysis of locations, preparing and implementing recovery measures related to environmental protection. The management of the company believes there are no significant obligations related to environmental aspects.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**(expressed in lei, unless otherwise stated)**

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

v) Lawsuits and other actions

During the normal activity of the company, there were complaints against it. The company has pending disputes for the lack of use of lands occupied with NTS objectives, commercial and labour disputes. Based on its own estimates and internal and external consulting, the company's management believes there will be no material loss exceeding the provisions established in these financial statements and is not aware of circumstances that give rise to potentially significant obligations in this regard.

The company was the subject of an investigation by the Competition Council regarding the manner in which procedures were awarded for works contracts carried out by Transgaz during 2009-2011, before the implementation of corporate management according to the provisions of GEO 109/2011 on corporate governance of public enterprises.

In 2020, the Competition Council communicated Decision no. 43 / 11.08.2020 sanctioning the Company with a fine in the amount of lei 34.166.616. The company challenged in court the decision of the Competition Council. (Note 20). The dispute concerns an action for annulment of the decision. At first instance, Transgaz' application was dismissed as unfounded. The company lodged an appeal.

- As of 6 June 2016, the company was subject to an inspection carried out by the European Commission - Directorate General for Competition under Art. 20 (4) of Council Regulation (EC) No 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty, which became Articles 101 and 102 of the Treaty on the Functioning of the European Union. In 2020, the European Commission approved the Company's commitments to address concerns related to a possible breach of Article 102 of the Treaty on the Functioning of the European Union, namely: to provide a minimum export capacity of 1,75 billion cubic meters per year at the interconnection point between Romania and Hungary (Csanádpalota);
 - to make available minimum export capacities of 3.7 billion cubic meters per year in total at two interconnection points between Romania and Bulgaria (Giurgiu / Ruse and Negru Vodă I / Kardam);
 - to make sure that the tariffs to be proposed to the Romanian Energy Regulatory Authority (ANRE) will not make any difference between the export and the domestic markets, thus avoiding interconnection tariffs that render exports commercially non-feasible;
 - refrain from using any other means of obstructing exports.

The company meets its commitments and, based on its own estimates, the company's management considers that there are no circumstances that would give rise to significant potential liabilities in this regard.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

Following the conclusion of the arbitration proceedings with Bulgargaz EAD, the arbitral tribunal upheld Bulgargaz EAD's claim and ordered the restitution of the quantity of natural gas of 6.733.433 cm and, if restitution in kind is not possible, the reimbursement of the monetary equivalent of the linepack, and statutory interest (Note 20). The decision of the arbitral tribunal has been appealed and the action for annulment has been registered with the Bucharest Court of Appeal. The action for annulment was dismissed as unfounded. Transgaz lodged an appeal. The Court of Cassation of the Court of Justice has admitted Transgaz' appeal, the case being sent to the Bucharest Court of Appeal for retrial.

The dispute between ANRM and Transgaz was the subject of a tax inspection of the royalty which ended with the issuance of a mandatory order to pay two royalty rates, namely 10% and 0,4% of the value of domestic and international natural gas transmission services performed by the company. The company lodged a preliminary complaint against the mandatory provision no. 6006/250938/IEF/14.04.2022 issued by the Ministry of Finance, by which Transgaz S.A. was charged with the payment of the amount of 152,964,894 lei, representing the royalty due to the state budget and ancillaries. The preliminary complaint was upheld and the Ministry of Finance, by decision 82/P/2022, ordered the annulment in its entirety of binding order No 6006/250938/IEF/14.04.2022 and the issue of a new order taking into account the considerations put forward by the Ministry of Finance in the decision. Following decision no 85/P/2022 issued by the Ministry of Finance, binding order No 6009/253087/IEF of 14.12.2022 was issued, which only supplements the recitals of the first decision, maintaining the same amount payable by Transgaz. The company lodged a preliminary complaint against this new provision, which was rejected by the settlement body. An appeal was also lodged with the court, within the legal time-limit, against the administrative act consisting of mandatory order 6009/253087/IEF., seeking its full annulment. The application for the annulment of the mandatory injunction 6009 was decided on the merits by the Bucharest Court of Appeal, which rejected it. Following the communication of the decision, Transgaz will file an appeal. The case is currently pending before the Bucharest Court of Appeal. At the same time, the Company has lodged a bank guarantee letter in order to suspend the execution of this mandatory provision, in accordance with the provisions of the Tax Procedure Code (Note 16).

The Directorate-General for European Large-Scale Infrastructure Programmes has sanctioned Transgaz, applying a series of financial corrections as it considered the requests in the call for tenders for sectoral procurement procedures concerning the provision of a tender guarantee and a performance guarantee, by means of a guarantee instrument (bank letter of guarantee of participation/insurance policy) issued by a credit institution/insurance company in Romania or in another EU state, were restrictive, limiting the possibility for potential bidders to present such a document issued in a non-EU state. Transgaz has objected to the findings of the Directorate-General for European Large-Scale Infrastructure Programmes concerning the irregularities relating to the restrictive or discriminatory nature of the requirement for a performance/participation guarantee. Since the defendant unlawfully rejected Transgaz' objection, an action was brought for annulment of the decisions rejecting Transgaz' objections. Transgaz' action was dismissed as unfounded, and an appeal was lodged against that decision.

The Company considers that no additional adjustments to those disclosed in the financial statements are necessary.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

Litigations of Vestmoldtransgaz subsidiary:

- VMTG - claimant, ANRE - respondent

Annulment in part of the ANRE's BoA Resolution no. 211 of 14.05.2021, in the part in which ANRE rejected the approval for tariff purposes of the expenses related to the remuneration of the specialists employed within the Investment Project Implementation Unit (UIPIGUC) and adoption in this part of a Resolution approving for tariff purposes the expenses related to the remuneration of the specialists employed within the UIPIGUC in the amount of MDL 8.399.070.

- VMTG - claimant, ANRE - respondent

Annulment in part of the ANRE's BoA Resolution no. 432 of 28.09.2021 with obligation to issue an individual administrative act amending the contested act and approving the amounts of the calculation basis and related expenses concerning the annual depreciation of fixed assets and intangible assets related to the natural gas transmission service provided by VMTG.

VMTG also requested the partial annulment of the ANRE BoA Resolution no. 447 of 12.10.2021 with obligation for ANRE to issue in this part an individual administrative act amending the contested act, by which the reserve prices for firm capacity booking products (MWh/product) and the entry/exit tariffs for the natural gas transmission service provided by VMTG would be approved in full at the amount requested by VMTG.

- Totalgaz Industrie – claimant, VMTG - respondent

On 10.01.2024, in the company's secretariat, the summons of the Chisinau Court (Centre office) and the Court Order were registered, by which we were informed that Totalgaz Industrie S.R.L. initiated a civil litigation against Vestmoldtransgaz SRL for the collection of claimed debts and compensation of court charges.

According to the Court Order (civil case no.2c-1798/2023), VMTG was drawn into the said litigation as a respondent, being given a deadline of until 15.03.2024 to file the reference, and the evidence held no later than 15.04.2024 (the date of the court hearing), under penalty of a fine.

4. Moldovagaz SA - claimant, ANRE - respondent, VMTG - third party, CET Nord - third party
Civil/administrative litigation, initiated on the writ of summons filed by Moldovagaz S.A., concerning the challenge of the administrative act issued by ANRE, third parties Balti Gas SRL, CET Nord SA, Moldovatransgaz SRL and Vestmoldtransgaz SRL.

Administrative Act challenged by Moldovagaz SA:

ANRE BoA Resolution no.433 of 28.09.2021 on obliging Moldovagaz SA to apply the regulated price for CET Nord SA as a non-household final consumer connected at the natural gas transmission network exit point (quoted from the operative part of ANRE Resolution 433/2021).

- Chisinau Municipality - claimant, Government of the Republic of Moldova - respondent, VMTG - third party

On 13.06.2023 under number 03-155/13.06.2023 in the secretariat of Vestmoldtransgaz SRL was registered the accompanying letter and the conclusion of the court issued on the basis of the Request for a lawsuit filed by the Chisinau Municipal Council against the Government of the Republic of Moldova (expropriator within the meaning of Law 105/2017), third parties: UCIPE, VMTG, ARFC, and DRAURE of PMC, concerning the disagreement with the amount of compensation for the expropriated land of the Municipality of Chisinau.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

According to the court's decision (civil case no. 3-1220/2023), VMTG has been drawn into this dispute as a third party and has been granted a period of 30 days, calculated from 13.06.2023, to submit the reference, additional evidence and any other documents.

By VMTG's Motion dated 13.07.2023, VMTG informed the court that its joinder in the litigation is unfounded and requested the examination of the named administrative file in VMTG's absence for the following reasons:

VMTG was not a party to the lawsuit, where the plaintiff is the Municipality of Chisinau and the defendant is the Government of the Republic of Moldova, it did not have documents or the administrative file, being drawn by the court to the proceedings as a THIRD party without justification.

According to Article 205(5) of the Administrative Code: any third party to the proceedings may submit both procedural claims and claims joined to the claim of the plaintiff or defendant on the merits of the case.

VMTG will not file a reference on the ground that VMTG's filing of the reference would amount to joining a party to the proceedings, which VMTG did not wish to do, i.e., VMTG availed itself of its right to file procedural motions, i.e., to file a motion to examine the administrative record in the absence.

With reference to the summons in the conclusion on the fine, it was mentioned that Article 221 paragraph (3) of the Administrative Code is not applicable to the third party (fine for submission of reference, evidence, documents, information), maintaining that VMTG is a private SRL and does not have the capacity of Public Authority holding the administrative file.

vi) Government policies in the gas sector in Romania

ANRE is an autonomous public institution and sets tariffs for the natural gas transmission activity charged by the company. It is likely that the Agency decides the implementation of changes of the government strategies in the gas sector, determining changes in the tariffs approved for the company and, thus, having a significant impact on the company's revenue. At the same time, the Romanian government could decide to change the royalty applied to the company for using the assets part of the public domain according to SCA.

Currently, the effects cannot be determined, if they exist, of the future government policies in the gas sector in Romania on the company's asset and liability.

There are various interpretations of the legislation in force. In certain situations, ANRE may treat differently certain aspects, proceeding to the calculation of additional tariffs and of delay penalties. The company's management believes that its obligations to ANRE are properly presented in these financial statements.

ANRE Order no.126/12.2021 approved the modification of the contractual clauses for the balancing activity and access to the PVT which allows the Company to terminate access to the virtual trading point (VTP) and to terminate balancing contracts, for network users who register cumulative imbalances of the Deficit type during the month higher than the guarantees established.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

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 anglo market above the value taken into account by the regulator when calculating the natural gas transmission tariffs for 2021, the Energy Regulatory Authority (ANRE) modifies the regulated tariffs, with effect from 1 April 2022, and the resulting tariffs shall remain unchanged for the period from 1 April 2022 to 31 March 2023. ANRE did not modify the transmission tariffs with the price increase substantiated by the company.

By Order no. 95/18.05.2022, ANRE extends the deadlines laid down in ANRE Order no. 32/2021 on the approval of the adjusted regulated revenue and transmission tariffs for the transmission of natural gas through the National Transmission System until 30 September 2023 and provides that the differences resulting from the recalculation of the regulated revenue and the adjusted regulated revenue for the fourth regulatory year, 1 October 2022 – 31 December 2023, of the fourth regulatory period, shall be 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. 1 October 2023 – 31 December 2024.

From 1 October 2023, the natural gas transmission tariffs approved by the Order of the President of ANRE no.68 of 30.05.2023 are applicable. The approved regulated revenue related to natural gas transmission for the period from 1 October 2023 to 30 September 2024 is lei 1.647.347.820.

According to GEO no. 119/1 September 2022 amending and supplementing Government Emergency Ordinance no. 27/2022 on measures applicable to end customers in the electricity and natural gas market for the period from 1 April 2022 to 31 March 2023, the natural gas transmission service provider is required to capitalise on a quarterly basis the additional costs for the procurement of natural gas incurred during the period from 1 January 2022 to 31 August 2023 to cover technological consumption, compared to the costs included in the regulated tariffs, and the assets resulting from the capitalisation shall be recognised in the accounting records and financial statements in accordance with the instructions issued by the Ministry of Finance.

By Order 111/24 August 2022, ANRE stipulates, as of 1 October 2022, that the mechanism ensuring cost and revenue neutrality of the TSOs take into account the following categories of costs and revenues:

- a) costs and revenues of the TSO as a result of the payment or collection of imbalance charges under the provisions of the Network Code in relation to individual NUs;
- b) costs and revenues arising from the purchase/sale of gas by the TSO for the physical balancing of the NTS, in compliance with the procedure on the operating limits of the NTS, approved by the TSO and endorsed by ANRE;
- c) costs and revenues resulting from the activity of natural gas storage intended to ensure the physical balance of the transmission system in accordance with the provisions of Article 130(1) of the Law no. 123/2012 on electricity and natural gas, as amended;
- d) costs arising from the taking out of a credit line to finance physical and commercial balancing activity;

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

e) costs and revenues arising from the contracting of balancing services, in accordance with the provisions of Article 832 of the Network Code and Article 6(3) b of Regulation (EU) No 312/2014.

Eurotransgaz has fulfilled all its obligations under the Contract for Sale and Purchase of the State Enterprise Vestmoldtransgaz, concluded between Eurotransgaz S.R.L. on the one hand and the Public Property Agency ("APP") and the Ministry of Economy and Infrastructure ("MEI") on the other hand, for which Eurotransgaz received in 2022 the certificate on the full performance of the contractual obligations assumed by S.R.L. "Eurotransgaz" under the Contract for Sale and Purchase of the investment tender of the single asset complex of the State Enterprise "Vestmoldtransgaz".

vii) The military conflict in Ukraine

As of 24 February 2022 a military conflict is taking place on the territory of Ukraine. Gas flows can be redirected through the Negru Voda entry point and other interconnection points with transmission operators in Bulgaria and Hungary. The Company considers that no additional adjustments to those disclosed in the financial statements are necessary.

31. FEES OF THE STATUTORY AUDITOR

The fees for the financial year ended 31 December 2022 charged by BDO Audit SRL, invoiced in 2023 are: lei 174.989 (VAT excluded) for statutory audit services and lei 87.040 (VAT excluded) for other services than the statutory audit.

The fees for the financial year ended 31 December 2023 charged by BDO Audit SRL (leader) - BDO Audit & Consulting SRL (Associate) SRL are amounting to Lei 463.000 (VAT excluded).

32. REVENUE AND COSTS FROM THE CONSTRUCTION OF ASSETS

In accordance with IFRIC 12 the revenue and costs of network construction should be recognized in accordance with IFRS 15 Revenue from Contracts with Customers.

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Revenue from the construction activity according to IFRIC12	223.547.415	10.755.830
Cost of assets constructed according to IFRIC12	(223.547.415)	(10.755.830)

The related costs were equal to the revenue, the company did not obtain any profit from the construction activity.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

33. EVENTS SUBSEQUENT TO THE BALANCE DATE

OGMS Resolution No. 3 of 24 April 2024 approved the distribution of profits related to 2023 and the amount of the dividend per share.

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

**THE NATIONAL GAS TRANSMISSION COMPANY
TRANSGAZ S.A.**

**INTERIM INDIVIDUAL FINANCIAL STATEMENTS FOR THE THREE MONTHS
ENDED ON 31 MARCH 2024 (UNAUDITED)**

**PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION**

This version of the financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDIVIDUAL FINANCIAL STATEMENTS

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This version of the financial statements is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INTERIM STATEMENT OF FINANCIAL POSITION
(expressed in lei, unless otherwise stated)



	<u>Note</u>	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
ASSET			
Fixed assets			
Tangible Assets	7	361.827.149	377.639.699
Rights of use of the leased assets	9	13.655.219	14.500.703
Intangible Assets	9	3.771.274.257	3.643.263.343
Financial assets	10	177.619.145	177.619.145
Trade receivables and other receivables	12	2.497.751.094	2.423.669.228
Deferred tax	18	-	1.734.239
Restricted cash	13	<u>1.990.627</u>	<u>1.956.015</u>
		6.824.117.491	6.640.382.372
Current assets			
Inventories	11	613.342.108	577.080.618
Commercial receivables and other receivables	12	324.792.360	400.845.055
Cash and cash equivalent	13	<u>862.034.072</u>	<u>675.600.636</u>
		1.800.168.540	1.653.526.309
Total asset		8.624.286.031	8.293.908.681
EQUITY AND DEBTS			
Equity			
Share capital	14	1.883.815.040	1.883.815.040
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865
Other reserves	15	1.265.796.861	1.265.796.861
Retained earnings	15	<u>527.082.606</u>	<u>285.144.115</u>
		4.365.591.768	4.123.653.277
Long-term debts			
Long-term loans	16	1.586.402.588	1.865.388.334
Deferred revenue	17	970.401.581	849.905.753
Deferred tax	18	762.974	-
Debts related to rights of use of leased assets	0	11.969.733	12.208.966
Provision for employee benefits	21	<u>114.807.183</u>	<u>114.807.183</u>
		2.684.344.059	2.842.310.236

Notes 1 to 33 are part of these financial statements.

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INTERIM STATEMENT OF FINANCIAL POSITION
(expressed in lei, unless otherwise stated)



	<u>Note</u>	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Current debts			
Short-term loans	16	669.610.028	432.316.032
Deferred revenue	17	104.682.396	113.993.591
Current payable tax	18	7.839.326	-
Commercial debts and other debts	0.1	687.462.292	678.283.577
Debts related to rights of use of leased assets	0.2	2.697.375	3.333.037
Provision for risks and charges	20	85.923.570	83.883.714
Provision for employee benefits	0	<u>16.135.217</u>	<u>16.135.217</u>
		<u>1.574.350.204</u>	<u>1.327.945.168</u>
Total debts		<u>4.258.694.263</u>	<u>4.170.255.404</u>
Total equity and debts		8.624.286.031	8.293.908.681

Director – General
 Ion Sterian

Chief Financial Officer
 Marius Lupean

Notes 1 to 33 are part of these financial statements.

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INTERIM STATEMENT OF COMPREHENSIVE INCOME

(expressed in lei, unless otherwise stated)



	<u>Note</u>	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Revenue from the domestic transmission activity		607.207.967	393.757.902
Revenue from the international transmission activity and similar		-	29.016.164
Other revenue	22	<u>36.607.537</u>	<u>34.980.892</u>
Operational revenue before the balancing and construction activity according to IFRIC12		643.815.504	457.754.958
Depreciation	7, 9	(115.198.980)	(110.585.814)
Employees costs	24	(132.484.668)	(127.357.990)
NTS gas consumption, materials and consumables used		(32.422.603)	(40.771.367)
Expenses with royalties		(69.828.916)	(1.691.096)
Maintenance and transmission		(6.093.450)	(6.383.770)
Taxes and other amounts owed to the state		(17.037.907)	(16.026.201)
Revenue/ (Expenses) with provisions for risks and charges		(5.733.922)	(4.324.567)
Other operating cost	23	<u>(28.204.690)</u>	<u>(40.445.108)</u>
Operational profit before the balancing and construction activity according to IFRIC12		236.810.368	110.169.045
Revenue from the balancing activity		62.886.631	197.962.138
Cost of balancing gas		(62.886.631)	(197.962.138)
Revenue from the construction activity according to IFRIC12	32	223.547.415	10.755.830
Cost of assets constructed according to IFRIC12	32	(223.547.415)	(10.755.830)
Operational profit		236.810.368	110.169.045
Financial revenue	25	77.930.754	68.065.563
Financial cost	25	<u>(21.480.880)</u>	<u>(26.840.721)</u>
Financial revenue, net		<u>56.449.874</u>	<u>41.224.842</u>
Profit before tax		293.260.242	151.393.887
Profit tax expense	18	<u>(51.321.751)</u>	<u>(26.027.491)</u>
Net profit for the period		<u>241.938.491</u>	<u>125.366.396</u>
Shares number		188.381.504	188.381.504
Basic and diluted earnings per share (expressed in lei per share)	28	1,28	0,67
Total comprehensive income for the period		<u>241.938.491</u>	<u>125.366.396</u>

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY
(expressed in lei, unless otherwise stated)



	<u>Note</u>	<u>Share Capital</u>	<u>Share capital adjustments</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance on 1 January 2023		<u>1.883.815.040</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>244.236.598</u>	<u>4.082.745.760</u>
<i>Elements of the comprehensive income</i>							
Net profit for the period		-	-	-	-	125.366.396	125.366.396
<i>Transactions with shareholders:</i>							
Dividends related to 2022	15	-	-	-	-	-	-
Balance on 31 March 2023 (unaudited)		<u>1.883.815.040</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>369.602.994</u>	<u>4.208.112.156</u>
<i>Elements of the comprehensive income</i>							
Net profit for the period		-	-	-	-	43.074.124	43.074.124
Actuarial gain / loss for the period		-	-	-	-	<u>4.334.050</u>	<u>4.334.050</u>
Establishing profit reserves		-	-	-	-	47.408.174	47.408.174
Legal reserve increase		-	-	-	-	(10.344.066)	(10.344.066)
Dividends related to 2022	15	-	-	-	-	10.344.066	10.344.066
		-	-	-	-	<u>(131.867.053)</u>	<u>(131.867.053)</u>
		-	-	-	-	(131.867.053)	(131.867.053)
Balance on 31 December 2023		<u>1.883.815.040</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>285.144.115</u>	<u>4.123.653.277</u>
<i>Elements of the comprehensive income</i>							
Net profit for the period		-	-	-	-	241.938.491	241.938.491
<i>Transactions with shareholders:</i>							
Dividends related to 2023	15	-	-	-	-	-	-
Balance on 31 March 2024 (unaudited)		<u>1.883.815.040</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>527.082.606</u>	<u>4.365.591.768</u>

Director - General
 Ion Sterian

Chief Financial Officer
 Marius Lupean

Notes 1 to 33 are part of these financial statements.

INTERIM CASH FLOW STATEMENT
(expressed in lei, unless otherwise stated)

	<u>Note</u>	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Cash generated from operations	26	301.056.999	180.729.977
Interest received		4.018.117	406.930
Interest paid		(20.526.200)	(19.775.978)
Paid profit tax		<u>-</u>	<u>(12.899.119)</u>
Net cash inflow from operation activities		284.548.916	148.461.810
Cash flow from investment activities			
Payments to acquire intangible assets		(186.594.956)	(117.288.479)
Payments to acquire tangible assets		(1.477.494)	(6.253.411)
Receipts from the disposal of tangible assets		83.123	-
Cash flow from connection fees and grants		<u>133.579.201</u>	<u>165.786</u>
Net cash used in investment activities		<u>(54.410.126)</u>	<u>(123.376.104)</u>
Cash flow from financing activities			
Long term loans repayments		(30.667.928)	(32.975.844)
Credit withdrawals/repayments for working capital		(10.371.898)	(25.841.790)
Leasing payments (IFRS 16)		(2.575.148)	(2.553.758)
Dividends paid		<u>(55.768)</u>	<u>(72.510)</u>
Net cash used in financing activities		<u>(43.670.742)</u>	<u>(61.443.902)</u>
Net change in cash and cash equivalents		<u>186.468.048</u>	<u>(36.358.196)</u>
Cash and cash equivalent as at the beginning of the year	13	<u>677.556.651</u>	<u>384.237.135</u>
Cash and cash equivalent as at the end of the period	13	<u>864.024.699</u>	<u>347.878.939</u>

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

1. GENERAL INFORMATION

The National Gas Transmission Company - SNTGN Transgaz SA (‘company’) has as main activity the transmission of natural gas. Also, the company maintains and operates the national gas transmission system and carries out research and design activities in the area of natural gas transmission. On 31 March 2024, the majority shareholder of the company is the Romanian state, through the General Secretariat of the Government.

The company was established in May 2000, following several reorganizations of the gas sector in Romania: its predecessor was part of the former national gas monopoly SNGN Romgaz SA (‘predecessor company’), which was reorganized under Government Decision 334/2000.

The natural gas sector is regulated by the ‘National Energy Regulatory Authority’ - ‘ANRE’. ANRE’s main responsibilities are the following:

- issuing or withdrawing licenses for companies operating in the natural gas sector;
- publishing framework contracts for the sale, transmission and distribution of natural gas;
- setting the criteria, requirements and procedures related to the selection of eligible consumers;
- setting the pricing criteria and the calculation methods for the natural gas sector.

The company is headquartered in 1 C.I. Motaş Square, Mediaş, Romania.

From January 2008, the company is listed at the Bucharest Stock Exchange, as a Tier 1 company, under the TGN symbol.

The Ordinary General Meeting of Shareholders approves the annual financial statements of the Company based on the reports of the Board of Administration and of the financial auditors.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY

Romania

The continuation of the economic reforms by the Romanian authorities is necessary for the consolidation of the internal macro-financial framework. The positive performances the Romanian economy registered must be consolidated by the application of a coherent mix of policies. In this context it can be noticed that:

- (i) According to data published on 15 February 2024, the European Commission estimated that the growth rate of the Romanian economy slowed to 1.8% in 2023, 0.4 percentage points less than estimated in the autumn, after high inflation and low credit growth affected domestic demand and weak external demand. The European Commission also revised down its estimate for Romania's economic growth in 2024 to 2.9% from 3.1% in autumn last year. "Although private consumption is expected to accelerate, investment will remain the main contributor to GDP growth this year as well. Monetary policy is expected to remain tight in 2024 and will ease only gradually as inflationary pressures ease. Easing financial and monetary conditions, accompanied by stronger external demand, are expected to lead to real GDP growth of 3.2% in 2025, also slightly less than in the autumn forecast," the EU executive's report says. "Except for a brief period in early 2024, after some increases in indirect taxes, prices are expected to continue to fall over the forecast horizon. Average annual inflation is forecast to reach 5.8% in 2024, slowing to 3.6% in 2025," the European Commission estimates, but warns that there are risks of a more gradual disinflationary process if wages and pensions continue to rise rapidly.
- (ii) In the meeting of 4 April 2024, the Board of the National Bank of Romania decided:
 - to maintain the monetary policy rate to 7,00 % per year;
 - to maintain the interest rate on the lending facility (Lombard) to 8,00 per cent per year and the interest rate on the deposit facility to 6,00 per cent per year;
 - to maintain the current levels of the mandatory minimum reserves for the lei and currency liabilities of the credit institutions.
- (iii) According to the February 2024 NBR Inflation Report, the annual inflation rate accelerated its downward trajectory in the last quarter of 2023, reaching 6.61 percent in December (-2.22 percentage points compared to the end of the previous quarter and -9.76 percentage points compared to December 2022). At the same time, the indicator was significantly (by 0.9 percentage points) below the projection in the previous Inflation Report, with favourable influences mainly associated with fuel and food prices. In fact, the decisive contribution to disinflation in the fourth quarter was made by the latter, as a result of a combination of factors: the maintenance of a downward trend in commodity prices, the abundant domestic and international harvests, the extension and expansion of the list of essential food products covered by the capping of the trade surplus. In turn, energy commodity prices continued to decline in annual terms in the fourth quarter, mainly as a result of favourable base effects in

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

electricity. In contrast, the annual pace of fuel prices accelerated slightly, also driven by statistical effects.

- (iv) Fitch International Rating Agency confirmed on 02.06.2023 the rating of the National Natural Gas Transmission Company Transgaz at "BBB-" with stable outlook. "The confirmation of the Transgaz' rating is based on its strong business profile as title holder and operator of the gas transmission network in Romania, as well as on our expectations regarding the continuity of the regulatory framework in the new regulatory period as of October 2024," the agency's report said.
- (v) The financial rating agency Fitch Ratings confirmed on 01.03.2024 Romania's long-term foreign currency debt rating at "BBB minus" with a stable outlook, informs a press release. "The 'BBB minus' rating assigned to Romania is underpinned by its EU membership and associated capital inflows supporting income convergence, external finances and macroeconomic stability. GDP per capita and human development indicators are above those of other 'BBB' countries. But these are offset by higher budget and current account deficits than other countries in the same category, a modest track record of fiscal consolidation, increased fiscal rigidities and a high external debtor position," Fitch Ratings says. Fitch analysts estimate Romania's budget deficit in 2023 was virtually unchanged compared to 2022 at 6,1% of GDP, well above the government's original target of 4,4% of GDP. Fitch forecasts that Romania will have a government deficit of 6% of GDP in 2024 and 6,4% in 2025.

At the end of Q1 2023, as compared to the end of 2022, the LEU decreased against the EURO (`EUR`) by 0,03% (1 EUR= 4,9491 lei as at 31 March 2023, 1 EUR = 4,9474 lei as at 31 December 2022) and increased by 1,94% against the US dollar (`USD`) (1 USD =4,5463 lei as at 31 March 2023, 1 USD = 4,6346 as at 31 December 2022).

At the end of Q1 2024, as compared to the end of 2023, the LEU increased against the EURO (`EUR`) by 0,10% (1 EUR= 4,9695 lei as at 31 March 2024, 1 EUR = 4,9746 lei as at 31 December 2023) and decreased by 2,49% against the US dollar (`USD`) (1 USD =4,6078 lei as at 31 March 2024, 1 USD = 4,4958 as at 31 December 2023).

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared based on a going concern principle.

The main accounting policies applied in the preparation of these financial statements are presented below. These policies were consistently applied to all the financial years considered, unless otherwise stated.

3.1 Basis of preparation

The financial statements of the company were prepared in accordance with the Ministry of Public Finance Order 2844/2016 for the approval of Accounting Regulations in line with International Financial Reporting Standards. The financial statements were prepared based on the historical cost convention, except for the financial assets which are measured at fair value by the profit and loss account or at the fair value among other elements of the comprehensive income.

The preparation of the financial statements in accordance with EU IFRS requires the use of critical accounting estimates. Also, the management is required to use judgment in applying the company's accounting policies. Areas with a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 5.

The following changes are valid as of 1 January 2022:

- Onerous contracts - The cost of performing a contract (Amendments to IAS 37); IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts - Cost of Fulfilling a Contract) - In May 2020, the IASB issued amendments to IAS 37 that specify the costs that a company includes when assessing whether a contract will result in a loss and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts as they increase the scope of costs that are included in the assessment of the onerous contract.
- Annual Improvements to IFRSs: 2018-2020 Cycle - In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative examples accompanying IFRS 16 Leasing.
- The Conceptual Framework for Financial Reporting (Amendments to IFRS 3) - In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.
- IAS 16 Property, Plant and Equipment (Amendment - Proceeds before Intended Use) - In May 2020, the IASB issued amendments to IAS 16 that prohibit a company from deducting amounts received from the sale of items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales revenue and any related costs in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards and amendments effective as of 1 January 2023:

The following changes are in effect for the period as of 1 January 2023:

- IFRS 17 Insurance contracts
- Disclosure of accounting policies – (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred tax on assets and liabilities arising from a single transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform –Model Rules for Pillar Two (Amendment to IAS 12 Income Taxes) (effective immediately after the amendments are issued and with retrospective effect).

These amendments to various IFRSs are mandatory effective for reporting periods beginning on or after 1 January 2023.

IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting periods beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to accounting for insurance contracts. Prior to IFRS 17, there was significant global diversity in insurance contract accounting and disclosure, with IFRS 4 allowing many previous accounting approaches to be followed.

As IFRS 17 applies to all insurance contracts issued by an entity (with limited scope exclusions), its adoption may have an effect on non-insurers. The company should perform an assessment of its contracts and operations and conclude whether the adoption of IFRS 17 has had an effect on its annual consolidated financial statements.

Disclosure of accounting policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Judgements about Materiality)

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'information about material accounting policies'. The amendments also provide guidance on the circumstances in which information about accounting policies is likely to be considered material and therefore requires disclosure.

Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8, which added the definition of accounting estimates, clarify that the effects of a change in an input or measurement technique are changes in accounting estimates, unless they result from the correction of prior period errors. These amendments clarify how entities distinguish between changes in accounting estimates, changes in accounting policies and prior period errors.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12 Income Taxes)

In May 2021, the IASB issued amendments to IAS 12 clarifying whether the initial recognition exception applies to certain transactions that result in the simultaneous recognition of an asset and a liability (e.g. a lease within the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exception, whereby the exception does not apply to the initial recognition of an asset or liability that, at the time of the transaction, gives rise to equal deductible and taxable temporary differences.

International Tax Reform - Model Rules for Pillar Two (Amendment to IAS 12 Income Taxes)

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released a proposed legislative framework for a global minimum tax that is expected to be used by individual jurisdictions. The aim of the framework is to reduce the shifting of profits from one jurisdiction to another in order to reduce global tax liabilities in corporate structures. In March 2022, the OECD published detailed technical guidance on Pillar Two of the rules.

Stakeholders have expressed concerns to the IASB about the potential implications for income tax accounting, in particular deferred tax accounting, resulting from the Pillar Two model rules. The IASB issued Final Amendments (the Amendments) International Tax Reform - Pillar Two Model Rules in response to stakeholder concerns on 23 May 2023.

The Amendments introduce a mandatory exception for entities from the recognition and disclosure of deferred tax assets and liabilities related to the Pillar Two model rules. The exception is effective immediately and retrospectively. The amendments also provide for additional disclosure requirements regarding an entity's exposure to Pillar Two income taxes.

There are a number of standards, amendments to standards and interpretations that have been issued by the IASB and are effective in future accounting periods:

The following changes are effective for the period beginning January 1, 2024:

- Liability in a sale and leaseback (Amendments to IFRS 16 Leases);
- Classification of liabilities as current or non-current (Amendments to IAS 1 Presentation of financial statements);
- Non-convention liabilities (Amendments to IAS 1 Presentation of Financial Statements); and
- **Supplier financing arrangements (Amendments to IAS 7 Statement of cash flows and to IFRS 7 Financial instruments: Disclosures)**

The following changes are effective for the period beginning January 1, 2025:

- Lack of exchangeability (Amendments to IAS 21 The effects of changes in exchange rates)

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Reporting on segments

Reporting on business segments is made consistently with the internal reporting by the main operating decision-maker. The main operating decision-maker, which is in charge with resource allocation and assessment of business segments' performance, was identified as being the Board of Administration, which makes the strategic decisions.

3.3 Transactions in foreign currency

a) *Functional currency*

The items included in the financial statements of the company are valued using the currency of the economic environment where the entity operates ('functional currency'). The financial statements are presented in Romanian leu ('lei'), which is the functional currency and the currency of company presentation.

b) *The rounding level used in the presentation of the financial statements*

In the financial statements the value is presented rounded by units.

c) *Transactions and balances*

Transactions in foreign currency are converted into functional currency using the exchange rate valid on the date of transactions or valuation at the balance sheet date. Profit and loss resulting from exchange rate differences following the conclusion of such transactions and from the conversion at the exchange rate at the end of the reporting period of monetary assets and liabilities denominated in foreign currency are reflected in the statement of the comprehensive income.

3.4 Accounting for the effects of hyperinflation

Romania has gone through periods of relatively high inflation and was considered hyperinflationary under IAS 29 'Financial Reporting in Hyperinflationary Economies'. This standard required financial statements prepared in the currency of a hyperinflationary economy to be presented in terms of purchasing power as of 31 December 2003. As the characteristics of the economic environment in Romania indicate the cessation of hyperinflation, from 1 January 2004, the company no longer applies IAS 29.

Therefore, values reported in terms of purchasing power on 31 December 2003 are treated as basis for the accounting values of these financial statements.

3.5 Intangible Assets

Computer Software

Licenses acquired related to rights of use of the computer software are capitalized on the basis of the costs incurred with the acquisition and operation of the software in question. These costs are amortized over their estimated useful lives (three years).

Costs associated with developing or maintaining computer software are recognized as expenses in the period in which they are registered.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service Concession Agreement

From 2010, 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, the modernization and improvement brought to the gas transmission system, which are transferred to the regulatory authority at the end of the concession agreement. As of 01.01.2018, IFRS 15 Revenue from Contracts with Customers became applicable in Romania. This standard replaces some older standards (such as IAS 11, IAS 18) and amends IFRIC 12 by introducing new interpretations to the notion of a contract. As a result, the company applies the bifurcated model registering the updated receivable related to the regulated amount remaining unamortized at the end of the concession agreement as a financial asset the intangible asset will be presented in the financial statements by the residual method resulted less the value of the construction works, achieved at fair value with the amount of the updated long-term receivable (compensation) upon the commissioning of the investment.

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the national transmission system owner or another grantor on payment of compensation equal to the regulated value which was not depreciated fixed by ANRE. The company recognized for the investments made until the balance sheet date an updated receivable related to the regulated value remained undepreciated at the end of the concession agreement, at a counterperformance and an intangible asset at a value less the updated receivable. The discount rate used to calculate the present value of the debt is long-term government bonds, zero coupon, over a period close to the remainder of the concession agreement. The initial measurement of the compensation is made at the fair value which reflects the credit risk which applies to the regulated amount remaining unamortized at the end of the contract. Subsequent valuation is done at amortized cost using the effective interest method. The actual interest rate used is based on historical data and does not change according to market interest rate.

In 2019, ANRE Order no. 41/2019 on the adjustment of asset regulated value to the inflation rate. The company records the present value of the contractual cash flows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

As presented in Note 8, the company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right.

Due to the fact that the Service Concession Agreement (‘SCA’) had no commercial substance (i.e. nothing substantial changed in the way the company operated assets; cash flows changed only with the payment of royalties, but, on the other hand, the transmission tariff increased to cover the royalty), the intangible asset was measured at the remaining net value of the derecognized assets (classified in the financial statements as tangible assets on the date of application of IFRIC 12). Consequently, the company continued to recognize the asset, but reclassified it as intangible asset. The company tested the intangible assets recognized at the time without identifying depreciation.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As they occur, costs of replacements are recorded as expense, while the improvements of assets used within SCA are recognized at cost.

Intangible assets are amortized at zero value during the remaining period of the concession agreement.

3.6 Tangible Assets

Tangible assets include buildings, land, assets used for the non-regulated international transmission activity (e.g. pipelines, compressors, filtering installations, devices).

The company's policy is to reflect intangible assets at their cost at their cost less any accumulated depreciation and any impairment accumulated losses.

Buildings include particularly ancillary buildings of operating assets, a research centre and office buildings.

Further expenses are included in the book value of the asset or recognized as separate asset, as the case may be, only when the entry of future economic benefits for the company associated to the item is likely and the cost of the respective item can be valued in a reliable manner. The book value of the replaced asset is taken off the books. All the other expenses with repairs and maintenance are recognized in the statement of comprehensive income in the financial period when they occur.

Land is not depreciated. Depreciation on other items of tangible assets is calculated based on the straight-line method in order to allocate their cost minus the residual value, during their useful life, as follows:

	<u>Number of years</u>
Buildings	50
Assets of the gas transmission system	20
Other fixed assets	4 - 20

Before 31 December 2008, costs of indebtedness were incurred as they occurred. As of 1 January 2009, costs of indebtedness attributable directly to the acquisition, construction or production of an asset with a long production cycle are capitalized as part of the cost of the respective asset. Costs of indebtedness attributable directly to the acquisition, construction or production of a long lead asset are those costs of indebtedness that would have been avoided if expenses with the asset hadn't been made. To the extent that funds are borrowed specifically for obtaining a long-lead asset, the borrowing costs eligible for the capitalization of the respective asset is determined by the actual cost generated by that borrowing during the period, minus the revenue from the temporary investments of those borrowings. To the extent that funds are generally borrowed and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for obtaining the long-lead asset.

The costs of the funds borrowed for obtaining a long lead asset (achievement of the investment) are capitalized by the company on the asset as a difference between the current leverage costs related to such loan during the period and any revenue from the investments obtained from the temporary investment of these loans.

Borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred, unless the operator has the contractual right to receive an intangible asset, in which case the borrowing costs attributable to an arrangement are capitalized during the engagement stage.

The residual values of the assets and their useful lives are reviewed and adjusted as appropriate, at the end of each reporting period.

The book value of the asset is written down immediately to its recoverable amount if the book value of the respective asset is greater than its estimated recoverable amount (Note 3.7).

Gain and loss on disposal are determined by comparing amounts to be received with the book value and are recognized in the statement of comprehensive income in the period in which the sale took place.

3.7. Impairment of non-financial assets

Depreciated assets are reviewed for impairment loss whenever events or changes in circumstances indicate that the book value may not be recoverable.

The impairment loss is the difference between the book value and the recoverable amount of the asset. The recoverable amount is the greater of the asset's fair value minus costs to sell and value in use. An impairment loss recognized for an asset in prior periods is reversed if there are changes in the estimates used to determine the recoverable amount of the asset at the date the last impairment loss was recognized. For the calculation of this impairment, assets are grouped at the lowest levels for which there are identifiable independent cash flows (cash generating units).

Depreciated non-financial assets are reviewed for possible reversal of the impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Assets of public domain

In accordance with Public Domain Law No. 213/1998, pipelines for gas transmission are public property. Government Decision 491/1998, confirmed by Government Decision 334/2000, states that fixed assets with a gross historical statutory book value of lei 474,952,575, representing gas pipelines, are managed by the company. Therefore, the company has the exclusive right to use such assets during the concession and shall return them to the state at the end of this period (see Note 8).

The company receives most of the benefits associated with the assets and is exposed to most of the risks, including the obligation to maintain network assets over a period at least equal to the remaining useful life, and the financial performance of the company is directly influenced by the state of the network. Therefore, before 1 January 2010, the company recognized those assets as tangible assets, with a proper reserve in the shareholders' equity (see Note 5.2.). Accounting policies applied to these assets were the same as those applied to the company's tangible assets (Notes 3.7 and 3.6).

The company adopted IFRIC 12 as of 1 January 2010 and reclassified these assets and the subsequent improvements as intangible assets (except for international transmission pipelines).

Starting with 01.01.2018, IFRS 15 "Revenues from the contracts with the clients" became applicable in Romania. This standard replaces a set of older standards (such as IAS 11, IAS 18) and changes IFRIC 12 giving a new interpretation to the contract notion. Therefore, our company registered the discounted receivables related to the regulated value remained undepreciated at the end of the concession agreement as a counterperformance and an intangible asset at a value diminished with the amount of the discounted receivables.

In accordance with Public Concession Law No. 238/2004, a royalty is due for public goods managed by companies other than state-owned. The royalty rate for using the gas transmission pipelines is set by the government. As of October 2007, the royalty was set at 10% of the revenue. The duration of the concession agreement is 30 years, until 2032. Subsequent to entry into force of the provisions of art. 103 para. 2 of Law no. 123/2012, as of 12 November 2020, the royalty was set at 0.4%, from the domestic and international gas transmission services provided by the company, and as of 30 October 2023 the royalty has been set at 11.5% of the value of gross revenues from natural gas transmission services, in accordance with GEO No 91 of 27 October 2023.

3.9 Financial assets

The company classifies its financial assets into the following categories: measured at fair value through profit or loss, measured at depreciated cost and measured at fair value by other elements of the comprehensive income. Classification is made depending on the purpose for which the financial assets were acquired. The management sets the classification of these fixed assets upon initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. They are included in the current assets, except for those which have a maturity greater than 12 months after the end of the reporting period. These are classified as fixed assets. Loans and receivables of the company include `trade receivables and other receivables` and cash and cash equivalent in the statement of the financial position (Notes 3.11 and 3.13).

(b) *Financial assets measured at fair value through the profit or loss account or measured at fair value by other elements of the comprehensive income*

IFRS 9 introduces a new approach to the classification of financial assets and comprises three main categories of financial assets: measured at amortized cost, at fair value through other comprehensive income, at fair value through profit or loss. The classification on IFRS 9 is determined by the cash flow characteristics and the business model in which an asset is held.

(c) *Impairment of financial assets*

At each reporting date, the company assesses whether there is objective evidence that a financial asset or group of financial assets suffered impairment. A financial asset or group of financial assets is impaired and impairment loss is incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a `loss generating event`) and if such event (or events) which generates loss has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or debtor;
- breach of contract, such as default or delinquency in interest or loan payment;
- the company, for economic or legal reasons relating to the borrower's financial difficulty, grants to the borrower a concession that the lender would not otherwise have had in view;
- it is likely that the debtor will go bankrupt or enter another form of financial reorganization;
- disappearance of the active market for that financial asset because of financial difficulties; or
- observable data indicate that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for individual financial assets in the portfolio, including:
 - adverse changes in the payment status of debtors in the portfolio; and
 - economic conditions, at national or local level, that correlate with defaults, relating to the assets in the portfolio.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The company assesses first whether objective evidence of impairment exists.

The testing for impairment of trade receivables is described above, by applying the simplified age-based model.

For loans, the amount of the loss is measured as the difference between the book value of the asset and the updated value of estimated future cash flows (excluding future credit loss which was not incurred), discounted at the asset's original rate; the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. In practice, the company may measure impairment based on the fair value of an instrument using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the credit rating of the borrower), the reconsidered of impairment loss recognized previously in profit or loss.

(i) *Assets measured at cost*

The share held at Eurotrangaz SRL is recognized at its fair value as of the date of trading, being evaluated, after the initial recognition, at cost according to Art.4.1.2 of IFRS 9 and Art.10.a-IAS 27-Separate Financial Statements:

In 2023 and 2022 the company evaluated the stake held in Eurotrangaz SRL in order to identify any possible impairment losses No impairments were found.

3.10. Inventories

Inventories are stated at the lower of cost and net achievable value.

The components recovered from disassembling and repairs of pipelines built by the company are recorded as stocks at a value determined by a technical committee. The amount so determined does not exceed the net achievable value.

The cost is determined based on the first in, first out method. Where necessary, adjustment is made for obsolete and slow-moving inventories. Individually identified obsolete inventories are adjusted for the full value or written off. For slow moving inventory, an estimate is made of the age of each main category on inventory rotation.

The calculation of the general adjustment for the depreciation of stocks is made monthly depending on the age of the existing items in stock, applying the following percentages according to age: 0 - 12 months 0%; 1 - 2 years 10%; 2 - 3 years 30% - 40%; over 3 years 75% - 80%. The company holds a minimum safety stock of spare parts and materials.

The cost of natural gas used for the balancing activity related to the transmission system is determined based on the average weighted cost method.

The minimum gas stock that the company, as holder of the national natural gas transmission system operating license is required to have in underground storage facilities, is established by decision of the President of the National Energy Regulatory Authority (ANRE President). The Decision no. 748/14.04.2021 of the ANRE President established the obligation for the company to have a level of natural gas stock of 597.115,143 MWh as at 31 October 2021.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. Trade receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If the collection period is one year or less (or in the normal operating cycle of the business), they are classified as current assets.

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, minus the adjustments for impairment.

The debt adjustment policy according to IFRS9 is presented in note 12.

To estimate the trade receivables non-collection risk, a non-collection rate based on risk categories was applied as follows:

- International transmission receivables - receivables with no risk of collection in 2021 and with risk of non-collection on-time as of 2022. As at 31 December 2023, depreciation adjustments are calculated at 100% of the amount of the receivable;
- Doubtful or contested other than affiliated parties' receivables - receivables with high risk of non-collection that are subject to certain court actions. Impairment adjustments of 100% of the receivables amount are calculated;
- Affiliated parties' receivables - risk-free receivables are adjusted by seniority instalments, i.e. within the range 31-60 a 10% percentage, 61-90 a 20% percentage, 91-120 a 30% percentage, 121-150 a 35%, 151-180 a 60%, and over 181 with a 100% percentage. Doubtful receivables subject to court actions are provided with up to 100% of the amount. For receivables that are not subject to court actions and have a risk of non-collection, an adjustment of 100% for the receivables exceeding 30 days and 5% for the current receivables is made up;
- Various clients - the risk-free receivables are provisioned by seniority instalments, 10% for the range 31-60, 20% for the 61-90, 30% for the range 91-120, 35% for the range 121-150, 60% for the range 151-180, and 100% for the receivables over 181. Doubtful receivables subject to court actions are provided with up to 100% of the amount. For receivables that are not subject to court actions and have a risk of non-collection, a provision of 100% for the receivables exceeding 30 days and 5% for the current receivables is made up.

3.12. Cash and cash equivalent

Cash and cash equivalents comprise cash on hand, cash in current accounts with banks, other short-term investments with high liquidity and with maturity terms of up to three months and overdrafts from banks. In the statement of financial position, overdraft facilities are registered at loans, under current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13. Equity

Share capital

Ordinary shares are classified as equity.

Additional costs directly attributable to the issue of new shares or options are registered at equity as a deduction, net of tax, from the receipts.

Dividends

Dividends are recognized as liabilities and deducted from equity at the end of the reporting period if they are declared before or at the end of the reporting period. Dividends are recognized when they are proposed before the end of the reporting period, or when they were proposed or declared after the end of the reporting period but before the date the financial statements were approved for issue.

Reserves

Reserves are accounted for by categories of reserves: legal reserves, statutory or contractual reserves, reserves from reinvested earnings and other reserves.

Legal reserves are established annually from the company's profits, in the proportions and within the limits laid down by law, and from other sources laid down by law. Legal reserves may be used only under the conditions provided for by law.

Retained earnings

Comprise the result carried forward from the takeover at the beginning of the current financial year of the profit and loss account result of the previous financial year and the result carried forward from the correction of accounting errors.

The company did not distribute partial dividends during the financial year.

3.14. Borrowings

Borrowings are recognized initially at fair value, net of grant costs recorded. Subsequently, borrowings are stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss during the borrowings, based on the effective interest method.

Borrowings are classified as current liabilities, unless the company has an unconditional right to defer payment of debt for no less than 12 months after the end of the reporting period.

3.15. Current and deferred profit tax

Tax expense for the period includes the current tax and the deferred tax and is recognized in profit or loss, unless it is recognized in other items of the comprehensive income or directly in equity because it relates to transactions that are, in turn, recognized in the same or in a different period, in other items of the comprehensive income or directly in equity.

Current profit tax expense is calculated based on the tax regulations in force at the end of the reporting period. The company periodically evaluates situations where the applicable tax regulations are subject to interpretation and establishes provisions/ adjustments for impairment, where appropriate, for the amounts with accounting/fiscal impact.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The deferred profit tax is recognized based on the liability method, on temporary differences arising between the tax bases of assets and liabilities and their book values in the financial statements. However, the deferred profit tax arising from the initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction does not affect the

accounting profit and the taxable revenue is not recognized. The deferred profit tax is determined based on tax rates (and legal regulations) in force until the end of the reporting period and which are expected to apply in the period in which the deferred profit tax asset is realized or the deferred profit tax liability is settled.

Deferred revenue tax assets are recognized to the extent that it is probable that future taxable profit be derived from temporary differences.

3.16. Commercial payables and other payables

Suppliers and other payables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method. Commercial payable accounts and other payables are closed as a result of the payment of debts, offsetting with receivables or their write-off through the profit and loss account.

3.17. Deferred revenue

Deferred revenue is recorded for connection fees applied to customers upon their connection to the gas transmission network, for the objectives received free of charge and for grants collected.

The grants collected are assimilated to the governmental subsidies.

The governmental subsidies are acknowledged to their market value when there is a reasonable assurance that they will be received and that the relevant conditions will be met.

For the connection fees applied to the clients for their connection to the gas transmission network and to the facilities received free of charge, for the grants the company chose to record the total asset value and a deferred revenue.

The company recognizes a right to collect the grant when there is reasonable assurance that it will comply with the conditions attached to its award and that the grant will be received. The Company considers that the reasonable assurance that the grant will be received can be confirmed by the fulfilment of the eligibility conditions in the funding applications, prior to the approval of the funding application.

The income from the grant is recognized proportionally from the amortization of the financed assets, applying the percentage of financing of the eligible expenses on the monthly amortization.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18. Employee benefits

In the normal course of business, the company makes payments to the Romanian state on behalf of its employees, for health funds, pensions and unemployment benefits. All the company employees are members of the pension plan of the Romanian state, which is a fixed contribution plan. These costs are recognized in the profit and loss account with the recognition of salary expenses.

Benefits granted on retirement

Under the collective agreement, the company must pay the employees on retirement a compensatory amount equal to a certain number of gross salaries, depending on the time worked in the gas industry, working conditions etc. The company recorded a provision for such payments (see Note 21). The obligation recognized in the balance sheet represents the present value of the obligation at the balance sheet date. The obligation is calculated annually by independent experts using the Projected Unit Credit Method. The present value is determined by discounting future cash flows with the interest rate of the long-term government bonds.

The current service cost is recognized in the profit and loss account in the employee costs. Interest expense is included in the profit and loss account in the financial costs.

Actuarial gain or loss due to changes in actuarial assumptions is recognized in the statement of comprehensive income in the period for which the actuarial calculation is made.

Social insurance

The company records expenses related to its employees, as a result of granting social insurance benefits. These amounts mainly include the implicit costs of employing workers and, therefore, are included in the salary expenses.

Profit sharing and bonuses

The company recognizes an obligation and expense for bonuses and profit sharing, based on a formula taking into account the profit attributable to the company's shareholders, after certain adjustments. The company recognizes an obligation where it is required under contract or where there is a past practice which created an implicit obligation.

3.19. Provisions for risks and charges

The provisions for risks and charges are recognized when the company has a legal or implicit obligation as a result of past events, when for the settlement of the obligation an outflow of resources is required, which incorporates economic benefits and for which a credible estimate can be made in terms of the obligation value. Where there are similar obligations, the probability for an outflow of resources to be necessary for settlement is set after the assessment of the obligation class as a whole.

The provision is recognized even if the probability of an outflow of resources related to any item included in any obligation class is reduced. Where the company expects the writing back to revenue of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is theoretically certain.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions are measured at the discounted value of the expenditures expected to be required to settle the obligation, using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.20. Revenue recognition

Revenue covers the fair value of amounts received or receivable from the sale of services and/or goods in the normal course of business of the company. Revenue is recorded net of value added tax, returns, rebates and discounts.

The company recognizes the revenue when transactions and events occur, when their amount can be estimated with certainty, when it is probable that the entity collects future economic benefits and when certain criteria are met for each of the company's activities as described below. The amount of revenue is not considered reliably estimated until all contingencies relating to the sale are settled. The company bases its estimates on historical results, taking into account the type of customer, type of transaction and the specifics of each commitment.

a) *Revenue from services*

Revenue from the domestic gas transmission results from the booking the transmission capacity and from the transmission through the NTS of the determined quantities of natural gas, expressed in units of energy, during the validity of a gas transmission contract, and are recognized at the moment of their delivery. During the administration of the transmission contracts, the TSO issues and submits to the NU, by day 15 of the month following the month for which the transmission service was provided: an invoice for the transmission services provided for the previous month, based on the final allocations; an invoice related to the final daily imbalances registered in the previous month; and an invoice exceeding of the capacity booked.

Revenue from international transmission and similar activities are represented by the transmission capacity booking on the Isaccea 2.3 - Negru Voda 2.3 international transmission pipelines and by the amounts receivable for the reporting period under the Termination Agreement of the legacy contract between SNTGN Transgaz SA and GPE concluded for the transmission of natural gas through the T3 transit pipeline on Romanian territory to third countries. According to the Agreement for the termination of the legacy Contract between SNTGN Transgaz SA and GPE, the payment of the remaining amounts to be paid will be made in instalments over a maximum period of three years and the revenues received from transmission are regulated according to ANRE Order 41/2019 and ANRE Order 34/2014 respectively depending on the points where capacity is booked, the monthly difference being classified as assimilated revenues.

According to the Network Code, the gas delivery day is defined as the time period beginning at 7:00 a.m. Romanian local time on any day and ending at 7:00 a.m. Romanian local time on the following day. The gas day shall be reduced to 23 hours at the changeover to daylight saving time and increased to 25 hours at the changeover to winter time, so that all related rights and obligations under the gas transmission contracts shall be increased or reduced accordingly on those gas days

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- b) *Revenue from the sale of goods*
Revenue from the sale of goods is registered when the goods are delivered.
- c) *Interest revenue*
Interest revenue is recognized proportionally, based on the effective interest method.
- d) *Revenue from dividends*
Dividends are recognized when the right to receive payment is recognized.
- e) *Revenue from penalties*
Revenue from penalties for late payment is recognized when future economic benefits are expected for the company.

3.21. Related parties

The Parties are considered related if one of the parties has the ability to control the other party, to exercise a significant influence over the other party in financial or operational decision making, if they are under the common control with another party, if there is a joint venture in which the entity is an associate or a member of the management as described in the IAS 24 `Related Party Disclosures`. In evaluating each possible related party relationship, the focus is on the essence of this relationship and not necessarily on its legal form. Related parties may enter into transactions which unrelated parties cannot conclude, and transactions between related parties will not apply the same terms, conditions and values as for unrelated parties.

4. 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) *Market risk*

(i) Currency risk

The company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets (Note 12) 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 following table shows the sensitivity of profit or loss and equity, to reasonably possible changes in exchange rates applied at the end of the reporting period of the functional currency of the company, with all variables held constant:

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	699.040	684.054
USD depreciation by 10%	(699.040)	(684.054)
EUR appreciation by 10%	(27.058.661)	(26.662.039)
EUR depreciation by 10%	27.058.661	26.662.039

(ii) Price risk

The company is exposed to the commodity price risk related to gas purchased for 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 998.804 (on December 2023: lei 4.888.012).

(iii) Interest rate risk on cash flow and fair value

The company is exposed to interest rate risk by its bank deposits and variable interest loans. The company did not conclude any commitment to diminish the risk. For the average exposure of the period, if the interest rates had been lower/higher by 50 basis points, with all the other variables maintained constant, the profit related to the period and equity would have been higher/lower by 1.824.083 (December 2023: lei 7.805.365 higher / lower) as a result of reducing the interest rate for variable interest loans and the interest rate on the bank deposits.

(b) *Credit risk*

Credit risk is especially related to cash and cash equivalents and trade receivables. The company drew up a number of policies, through their application ensuring that sales of products and services are made to proper customers. The book value of receivables, net of adjustments for doubtful debts, represents the maximum value exposed to credit risk. The company's credit risk is concentrated on the 5 main customers, which together account for 47% of the trade receivable balances on 31 March 2024 (31 December 2023: 43%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

adjustments already made. As at 31 March 2024 the company has available payment guarantees from its clients amounting to lei 476.493.426.

Cash is placed with financial institutions, which are considered as associated to a minimum performance risk.

	<u>31 March 2024</u>	<u>31 December 2023</u>
	<u>(unaudited)</u>	
Without rating	223.571	269.860
BB+	255.738.329	251.805.038
BBB-	382.331.738	276.682.320
BBB	2.740.440	614.290
BBB+	220.544.486	147.783.067
A+	134.812	134.911
AA	<u>169.443</u>	<u>156.187</u>
Total	861.882.819	677.445.673

All the financial institutions are presented in the Fitch rating or equivalent.

(c) *Liquidity risk*

Preventive liquidity risk management involves keeping enough cash and funds available by a proper value of committed credit facilities.

The company projects cash flows. The financial function of the company continually monitors the company's liquidity requirements to ensure that there is sufficient cash to meet operational requirements, while maintaining a sufficient level of unused borrowing facilities (Note 16) at any time, so the company does not violate the limits or loan agreements (where applicable) for any of its borrowing facilities. These projections take into account the company's debt financing plans, compliance with agreements, compliance with internal targets on the balance sheet indicators and, where appropriate, external regulations or legal 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 obligations on 31 March 2024 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis of financial liabilities on 31 March 2024 is as follows:

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	2.773.719.908	786.663.094	1.043.742.270	943.314.544
Commercial payables and other payables	509.139.842	509.139.842	-	-
Debts related to rights of use of leased assets	<u>14.667.108</u>	<u>2.697.375</u>	<u>11.969.733</u>	<u>-</u>
	<u>3.297.526.858</u>	<u>1.298.500.311</u>	<u>1.055.712.003</u>	<u>943.314.544</u>

Maturity analysis of financial liabilities on 31 December 2023 is as follows:

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	2.842.179.180	556.350.271	1.298.599.124	987.229.785
Commercial payables and other payables	498.127.534	498.127.534	-	-
Debts related to rights of use of leased assets	<u>15.542.003</u>	<u>3.333.037</u>	<u>12.208.966</u>	<u>-</u>
	<u>3.355.848.717</u>	<u>1.057.810.842</u>	<u>1.310.808.090</u>	<u>987.229.785</u>

Commercial payables and other payables include trade payables, suppliers of fixed assets, dividends payable, payables and other payables (see Note 19) and are not included: payables generated as a result of the legal provisions imposed by the authorities, payables to the employees and advance registered revenue.

Financial instruments categories:

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Financial assets		
Cash and cash equivalents	553.957.371	96.204.966
Term bank deposits	310.067.328	581.351.685
Loans and receivables	2.767.232.802	2.741.685.641
Financial assets - stakes	202.197.382	202.197.382
Provisions related to financial assets - stakes	<u>(24.578.237)</u>	<u>(24.578.237)</u>
	<u>3.808.876.646</u>	<u>3.596.861.437</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Financial liabilities		
Debts evaluated to amortised cost		
Loans	2.256.012.616	2.297.704.366
Liabilities evaluated at fair value		
Financial securities for contracts	50.765.145	50.446.894
Commercial liabilities and other liabilities	<u>458.374.697</u>	<u>451.013.677</u>
	<u>2.765.152.458</u>	<u>2.799.164.937</u>

On 31 March 2024, the amount of lei 154.200.087 (31 December 2023: lei 152.476.340) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 5% in USD (31 December 2023: 4%) and 95% in EUR (31 December 2023: 96%).

In the category including loans and liabilities, the liabilities related to employees and payables registered in advance are not included.

Capital risk management

The company's objectives related to capital management refer to keeping the company's capacity to continue its activity to provide compensation to shareholders and benefits to the other stakeholders and to maintain an optimal structure of the capital, as to reduce capital expenditure. There are no capital requirements imposed from outside.

As for the other companies in this sector, the company monitors the capital based on the indebtedness degree. This coefficient is calculated as net debt divided by total capital. The net debt is calculated as total borrowings (including `current and long-term borrowings`, according to the statement of financial position), except for cash and cash equivalent. The total capital is calculated as `equity`, according to the statement of the financial position, plus the net debt.

The net indebtedness degree on 31 March 2024 and on 31 December 2023 is reflected in the table below:

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Total borrowings	2.256.012.616	2.297.704.366
Except: cash and cash equivalents (Note 13)	<u>(864.024.699)</u>	<u>(677.556.651)</u>
Net cash position	<u>1.391.987.917</u>	<u>1.620.147.715</u>
Equity capital	4.365.591.768	4.123.653.277
Leverage ratio	0,32	0,39

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimate

The fair value of the financial instruments traded on an active market is based on market prices quoted at the end of the reporting period. The fair value of the financial instruments that are not traded on an active market is set using valuation techniques.

It is considered that the book value less the impairment adjustment of trade receivables and payables approximate their fair values. 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.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Critical accounting estimates and assumptions

The company develops estimates and assumptions concerning the future. Estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including predictions of future events considered reasonable under certain circumstances.

The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and assumptions that have a significant risk of causing an important material adjustment to the book value of assets and liabilities within the next financial year are presented below.

5.1 Assumptions for the determination of the provision for retirement benefits

This provision was calculated based on estimates of the average wage, the average number of employees and the average number of wage payment at retirement, as well as based on the benefits payment scheme. The provision was brought to the present value by applying a discount factor calculated based on the risk-free interest rate (i.e. interest rate on government bonds).

The present value of the obligations at 31 December 2023 is of lei 130.942.400 (Note 21).

The presentation of the current value for the 2023 depending on the following variables:

	31 December 2023
Inflation rate +1%	139.815.630
Inflation rate -1%	121.986.797
Investment return +10%	125.899.775
Investment return -10%	135.764.481

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Analysis of the maturity of benefits payments:

	<u>31 December 2023</u>
Up to one year	16.135.217
Between 1 and 2 years	6.323.131
Between 2 and 5 years	22.807.715
Between 5 and 10 years	112.046.635

5.2 The accounting treatment of the concession agreement

As indicated in Note 8, in May 2002 the company concluded a Concession Agreement with the National Agency for Mineral Resources (‘ANRM’), which entitles the company to use the main pipelines of the national gas transmission system for a period of 30 years. Before concluding this agreement, the pipelines were managed by the company according to Public Domain Law No. 213/1998, Government Decision (‘GD’) No. 491/1998 and GD No. 334 of 2000 by which the company was established. According to the provisions of this agreement, the company receives most of benefits associated to assets and is exposed to most of the risks. Therefore, the company recognized these assets in the statement of the financial position, with an appropriate reserve in equity.

Regarding the already existing infrastructure on the date of signing the Concession Agreement, given that the company has no payment obligations at the time of terminating the Concession Agreement (but only obligations on maintenance and modernization, investments in new pipelines), the company's management considered that it is, in substance, an equity component, defined as the residual interest in the company's assets after the deduction of all debts. In addition, because the company and its predecessor, SNGN Romgaz SA, were controlled by the Romanian state, the publication of Public Patrimony Law (i.e. loss of property) and the reorganization of SNGN Romgaz SA into 5 companies can be treated as transactions with shareholders, in its capacity of shareholder, which supports the recognition of transactions in equity. As of 2010, the company applied IFRIC 12 (Note 3.5).

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (CONTINUED)

5.3 The accounting treatment of royalties payable for using the national gas transmission system

As indicated in Note 8, the company pays royalties, calculated as percentage of the gross revenue achieved from the operation of pipelines of the national gas transmission system. These costs were recognized as expenses, rather than deduction from revenue, because they are not of the nature of taxes collected from customers and sent to the state, given the nature of activity and the regulatory framework:

- the company's revenue is based on tariffs approved by another regulator than the one setting the level of royalties;
- expense with royalties is an item taken into consideration at the calculation of the transmission tariff;

As of 1 January 2020, according to ANRE Order no. 1/2020, the company has the obligation to pay annually to ANRE a tariff amounting to 0.062 lei MWh applied to the quantity of natural gas transmitted for carrying out activities in the natural gas sector based on a license.

5.4 Long-term receivables

Law 127/2014, which entered into force on 5 October 2014, states that in the event of termination of the concession contract for any reason, or upon termination of the contract, the investment made by the national transmission system operator shall be transferred to the owner of the national transmission system or to another grantor in return for payment of compensation equal to the remaining undepreciated regulated value set by ANRE.

The company believes that the legislative change represents a compensation for the value of the investments made, which the company will not recover through the tariff, implicitly the value of the intangible asset not recovered through the tariff, recognized for the right to charge users.

From 01.01.2018, IFRS 15 Revenue from Contracts with Customers became applicable in Romania. This standard replaces some older standards (such as IAS 11, IAS 18) and amends IFRIC 12 by introducing new interpretations to the notion of a contract. As a result, the company applies the bifurcated model registering the updated receivable related to the regulated amount remaining unamortized at the end of the concession agreement as a financial asset the intangible asset will be presented in the financial statements by the residual method resulted less the value of the construction works, achieved at fair value with the amount of the updated long-term receivable (compensation) upon the commissioning of the investment.

The present value was determined for the remaining period of the concession contract (the year 2032), because it is estimated that it will not be terminated before the expiration date (see Note 3.9 (a)).

In 2019 ANRE Order no. 41/2019 on the adjustment of the regulated value of the assets at the inflation rate entered into force. The company records the present value of the contractual cashflows recalculated as a result of the adjustment of the regulated asset value to the inflation rate and recognizes a gain or loss from the change in the profit or loss account.

The Company estimates the discount rate for the present value calculation, using the NBR reference rate for government securities (fixing), considering that this rate reflects with increased fidelity the internal context in which the transactions take place.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS

Reporting segments are set according to the nature of the activities conducted by the company: the regulated activity, the unregulated activity and other activities. As transmission system operator, the company reported annually to the National Regulatory Authority on the activity performed on the four reporting segments.

The segment information provided to the Board of Administration, which makes strategic decisions for reportable segments, for the period ended 31 March 2024 is:

	<u>Domestic gas transmission</u>	<u>International gas transmission</u>	<u>Balancing</u>	<u>Unallocated</u>	<u>Total</u>
Revenue from domestic transmission	607.207.967	-	-	-	607.207.967
Revenue from international transmission and similar	-	-	-	-	-
Other revenue	<u>18.311.536</u>	<u>2.380.510</u>	-	<u>15.915.491</u>	<u>36.607.537</u>
Operating revenue before the balancing and the construction activity according to IFRIC12	<u>625.519.503</u>	<u>2.380.510</u>	-	<u>15.915.491</u>	<u>643.815.504</u>
Depreciation	(107.545.007)	(7.210.228)	-	(443.745)	(115.198.980)
Operating expenses other than depreciation	<u>(274.070.150)</u>	<u>(2.799.456)</u>	-	<u>(14.936.550)</u>	<u>(291.806.156)</u>
Profit from operation before the balancing and construction activity according to IFRIC12	<u>243.904.346</u>	<u>(7.629.174)</u>	-	<u>535.196</u>	<u>236.810.368</u>
Revenue from the balancing activity	-	-	62.886.631	-	62.886.631
Cost of balancing activity	-	-	(62.886.631)	-	(62.886.631)
Revenue from the construction activity according to IFRIC12	-	-	-	223.547.415	223.547.415
Cost of constructed assets according to IFRIC12	-	-	-	(223.547.415)	(223.547.415)
Operating profit	<u>243.904.346</u>	<u>(7.629.174)</u>	-	<u>535.196</u>	<u>236.810.368</u>
Net financial gain	-	-	-	-	56.449.874
Profit before tax	-	-	-	-	293.260.242
Profit tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(51.321.751)</u>
Net profit	-	-	-	-	241.938.491
Assets on segments	7.068.795.735	143.171.287	325.588.854	1.086.730.155	8.624.286.031
Liabilities on segments	3.680.066.831	597.424	567.423.486	10.606.522	4.258.694.263
Capital expenditure - increases in assets in progress	181.387.856	-	-	282	181.388.138
Non-monetary expenses other than depreciation	(524.530)	(2.380.227)	(4.288.017)	(51.692)	(7.244.466)

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

Assets shown for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. Assets shown for the balancing segment comprise mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

Unallocated assets include:

Tangible and intangible assets	30.769.817
The right of use of the leased assets	13.655.219
Financial assets	177.619.145
Cash	864.024.699
Other assets	<u>661.275</u>
	1.086.730.155

Unallocated liabilities include:

Deferred tax	762.974
Tax payable	7.839.326
Dividends payable	1.039.764
Other debts	<u>964.458</u>
	10.606.522

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity and the borrowings contracted to finance the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the write-down of inventories, provisions for risks.

Transmission services are performed for several domestic and foreign clients.

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from the domestic transmission	570.049.096	37.158.871	607.207.967
Revenue from international transmission and similar	-	-	-
Other revenue	<u>29.068.456</u>	<u>7.539.081</u>	<u>36.607.537</u>
	599.117.552	44.697.952	643.815.504

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

Domestic clients with over 10% of the total revenue include:

	<u>Percentage of the total revenue</u>
ENGIE ROMANIA S.A.	19%
OMV PETROM SA	15%
E.ON ENERGIE ROMANIA SA.	14%
SNGN ROMGAZ SA	11%

All company's assets are located in Romania. All company's activities are carried out in Romania.

The company has external trade receivables amounting to lei 172.961.343 (31 December 2023: lei 169.254.185).

The *domestic gas transmission* segment includes information related to the activity of domestic gas transmission, which is regulated by the National Regulatory Authority as well as the operating and financial revenue related to the claims for the regulated value of the regulated asset base remained undepreciated at the end of the Concession Agreement; the *international gas transmission* segment includes information related to the activity of pipeline gas transmission without the transshipment of the Romanian territory and similar; *the balancing* segment includes expenses and revenue related to the national transmission system balancing activity developed starting with 1 December 2015, neutral in financial terms, any profit or loss from this activity will be distributed to clients for whom domestic transmission services are provided; the *unallocated* segment includes activities with a low share in the company's revenue such as sales of assets, rents, royalties.

NOTES TO THE FINANCIAL STATEMENTS
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6. INFORMATION ON SEGMENTS (CONTINUED)

The information on segments provided to the Board of Administration, who makes strategic decisions for the reporting segments, related to the financial year ended 31 March 2023, is as follows:

	<u>Domestic gas transmission</u>	<u>International gas transmission</u>	<u>Balancing</u>	<u>Unallocated</u>	<u>Total</u>
Revenue from domestic transmission	393.757.902	-	-	-	393.757.902
Revenue from international transmission	-	29.016.164	-	-	29.016.164
Other revenue	<u>18.551.691</u>	<u>214.762</u>	-	<u>16.214.439</u>	<u>34.980.892</u>
Operating revenue before the balancing and the construction activity according to IFRIC12	<u>412.309.593</u>	<u>29.230.926</u>	-	<u>16.214.439</u>	<u>457.754.958</u>
Depreciation	(102.811.805)	(7.351.896)	-	(422.113)	(110.585.814)
Operating expense other than depreciation	<u>(221.624.505)</u>	<u>(381.913)</u>	-	<u>(14.993.681)</u>	<u>(237.000.099)</u>
Profit from operation before the balancing activity according to IFRIC12	<u>87.873.283</u>	<u>21.497.117</u>	-	<u>798.645</u>	<u>110.169.045</u>
Revenue from the balancing activity	-	-	197.962.138	-	197.962.138
Cost of balancing activity	-	-	(197.962.138)	-	(197.962.138)
Revenue from the construction activity according to IFRIC12	-	-	-	10.755.830	10.755.830
Cost of constructed assets according to IFRIC12	-	-	-	(10.755.830)	(10.755.830)
Profit from operation	<u>87.873.283</u>	<u>21.497.117</u>	-	<u>798.645</u>	<u>110.169.045</u>
Net financial gain	-	-	-	-	41.224.842
Profit before tax	-	-	-	-	151.393.887
Profit tax	-	-	-	-	<u>(26.027.491)</u>
Net profit	-	-	-	-	125.366.396
Assets on segments	6.496.430.262	197.109.912	582.335.227	589.945.471	7.865.820.872
Liabilities on segments	3.217.093.077	603.089	429.863.707	10.148.843	3.657.708.716
Capital expenditure - increases in assets in progress	9.958.517	-	-	7.755	9.966.272
Non-cash costs other than depreciation	23.120.142	9.863	-	24.038	23.154.043

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

Assets indicated for the two main operating segments mainly comprise tangible and intangible assets, inventories and receivables, and mainly exclude cash and bank accounts. The presented assets for the balancing segment are mainly gas stocks procured for NTS balancing and trade receivables from the balancing activity.

Unallocated assets include:

Tangible and intangible assets	32.035.962
Right of use of leased assets	16.617.764
Financial assets	191.122.702
Cash	347.878.939
Deferred tax	1.626.149
Other assets	<u>663.955</u>
	589.945.471

Unallocated liabilities include:

Tax payable	7.497.431
Dividends payable	1.554.977
Other debts	<u>1.096.435</u>
	10.148.843

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly commercial debts from the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the expense with the write-down of inventories, other provisions for risks.

International transmission services are provided for several foreign customers, while the domestic transmission activity is performed for several domestic customers.

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from domestic transmission	353.455.359	40.302.543	393.757.902
Revenue from international transmission	-	29.016.164	29.016.164
Other revenue	<u>34.570.563</u>	<u>410.329</u>	<u>34.980.892</u>
	388.025.922	69.729.036	457.754.958

<i>Domestic clients with over 10% of the total revenue include:</i>	<u>Percentage of the total revenue</u>
ENGIE ROMANIA S.A.	16%
OMV PETROM S.A.	14%
E.ON ENERGIE ROMANIA S.A	11%

All the company's assets are located in Romania. All the company's activities are carried out in Romania.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

7. TANGIBLE ASSETS

	<u>Lands and buildings</u>	<u>Transmission system assets</u>	<u>Other fixed assets</u>	<u>Assets in progress</u>	<u>Total</u>
On 31 March 2023 (unaudited)					
Cost	295.234.035	984.844.069	347.853.482	12.444.930	1.640.376.516
Depreciation accumulated	(179.321.182)	(760.527.662)	(280.739.586)	-	(1.220.588.430)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Initial net book value	<u>115.912.853</u>	<u>224.316.407</u>	<u>67.113.896</u>	<u>10.788.748</u>	<u>418.131.904</u>
Inflows	-	-	-	8.078.469	8.078.469
Reclassification	939.940	(326.236)	19.936	-	633.640
Transfers	519.094	1.657.952	5.850.018	(8.027.064)	-
Outflow (net value)	(36.901)	-	(11.024)	-	(47.925)
Expense with depreciation	(2.196.151)	(7.984.464)	(5.557.134)	-	(15.737.749)
Final net book value	<u>115.138.835</u>	<u>217.663.659</u>	<u>67.415.692</u>	<u>10.840.153</u>	<u>411.058.339</u>
Cost	296.638.851	986.175.785	351.666.153	12.496.335	1.646.977.124
Accumulated depreciation	(181.500.016)	(768.512.126)	(284.250.461)	-	(1.234.262.603)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Final net book value	<u>115.138.835</u>	<u>217.663.659</u>	<u>67.415.692</u>	<u>10.840.153</u>	<u>411.058.339</u>
On 31 December 2023					
Initial net book value	<u>115.138.835</u>	<u>217.663.659</u>	<u>67.415.692</u>	<u>10.840.153</u>	<u>411.058.339</u>
Inflows	-	-	-	14.974.355	14.974.355
Reclassification	(326.237)	326.236	(644.437)	-	(644.438)
Transfers	315.578	-	14.620.219	(14.935.797)	-
Outflow (net value)	(30.954)	(378)	(61.523)	-	(92.855)
Expense with depreciation	(5.638.212)	(23.956.475)	(18.061.015)	-	(47.655.702)
Final net book value	<u>109.459.010</u>	<u>194.033.042</u>	<u>63.268.936</u>	<u>10.878.711</u>	<u>377.639.699</u>
Cost	296.158.004	986.500.401	360.605.141	12.534.893	1.655.798.439
Accumulated depreciation	(186.698.994)	(792.467.359)	(297.336.205)	-	(1.276.502.558)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Final net book value	<u>109.459.010</u>	<u>194.033.042</u>	<u>63.268.936</u>	<u>10.878.711</u>	<u>377.639.699</u>
On 31 March 2024 (unaudited)					
Initial net book value	<u>109.459.010</u>	<u>194.033.042</u>	<u>63.268.936</u>	<u>10.878.711</u>	<u>377.639.699</u>
Inflows	-	-	-	2.803.260	2.803.260
Reclassification	72.734	(3.340.200)	-	-	(3.267.466)
Transfers	277.200	930.534	1.881.168	(3,088.902)	-
Outflow (net value)	(163.669)	(2.215)	(9.565)	-	(175.449)
Expense with depreciation	(1,722.540)	(7,363.278)	(6,087.077)	-	(15,172.895)
Final net book value	<u>107.922.735</u>	<u>184.257.883</u>	<u>59.053.462</u>	<u>10.593.069</u>	<u>361.827.149</u>
Cost	272.852.581	984.061.936	361.054.477	12.249.251	1.630.218.245
Accumulated depreciation	(164.929.846)	(799.804.053)	(302.001.015)	-	(1.266.734.914)
Adjustments for impairment	-	-	-	(1,656.182)	(1,656.182)
Final net book value	<u>107.922.735</u>	<u>184.257.883</u>	<u>59.053.462</u>	<u>10.593.069</u>	<u>361.827.149</u>

NOTES TO THE FINANCIAL STATEMENTS

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7. TANGIBLE ASSETS (CONTINUED)

The gross book value of the fully depreciated assets, still used, is lei 363.278.433 (31 December 2023: lei 384.773.206). On 31 March 2024 no advances granted for the procurement of tangible assets are registered.

Regarding the assets developed by the company, which are complementary to the provision of services according to the concession agreement, the State has the option to acquire these assets at the end of the concession agreement. The company does not have the obligation to keep these assets until the end of the concession agreement and it is allowed to sell them. These assets do not fall within the scope of IFRIC 12. All the other assets related to the domestic transmission activity and which are part of the national gas transmission system, including improvements made after signing the concession agreement and which must be handed over to the ANRM at the end of the concession agreement fall within the scope of IFRIC 12.

Impairment adjustments were made for work in progress for which completion and commissioning is uncertain.

The company does not depreciate the tangible assets approved for discarding and does not own pledged fixed assets.

7.1. The rights of use of the leased assets (IFRS 16)

As of 1 January 2019, the company applies IFRS 16 for the leasing contracts complying with the recognition criteria and recognized the intangible asset as a right of use related to the leasing contract:

	<u>Leases according to IFRS16</u>
Cost on 1 January 2024	32.903.879
Accumulated depreciation	(18.403.176)
Net book value	<u>14.500.703</u>
Inflow	244.721
Outflow	-
Depreciation	(1.090.205)
Final net book value on 31 March 2024	<u>13.655.219</u>

Detailed information on IFRS 16 as at 31 March 2024:

	31 March 2024	Of which related to the class of low value assets-Forestry conventions
Value as use (DU)	32.062.953	16.532.682
Depreciation related to DU	18.407.734	5.684.438
DU interest	140.544	112.256
Debt regarding DU	14.667.108	11.694.165
From which:		
Short term	2.697.375	1.268.970
Long term	11.969.733	10.425.195

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

7. TANGIBLE ASSETS (CONTINUED)

	<u>Leases according to IFRS16</u>
Cost on 1 January 2023	31.618.029
Accumulated depreciation	(14.683.216)
Net book value	<u>16.934.813</u>
Inflow	1.799.914
Outflow	(514.064)
Depreciation	(3.719.960)
Final net book value on 31 December 2023	<u>14.500.703</u>

Detailed information on IFRS 16 as at 31 December 2023:

	31 December 2023	Of which related to the class of low value assets-Forestry conventions
Value as use (DU)	32.903.879	16.299.859
Depreciation related to DU	18.403.176	5.352.675
DU interest	705.207	459.195
Debt regarding DU	15.542.002	11.766.703
From which:		
Short term	3.333.037	1.255.584
Long term	12.208.965	10.511.119

Debt according to IFRS 16 is presented in the balance sheet at long-term and short-term trade payables.

The Company recognizes a class of support assets with a cumulative value of more than USD 5000 - forestry conventions.

8. SERVICE CONCESSION AGREEMENT

In May 2002, the company concluded a Service Concession Agreement (`SCA`) with the ANRM, which entitles the company to operate the main pipelines of the national gas transmission system for a period of 30 years. All modernizations and improvements made by the company to the system are considered part of the system and become property of the ANRM at the end of their useful life. The company cannot sell or discard any asset part of the national transmission system; withdrawals can only be made with the approval of the state.

At the expiration of the agreement, the assets belonging to the public domain, existing upon signing the agreement and all investments made in the system will be returned to the State. The company owns and will develop other assets that are not directly part of the national gas transmission system, but are complementary assets for gas transmission operations. The ANRM has the option to buy these assets at the end of the concession agreement, at the fair value.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

8. SERVICE CONCESSION AGREEMENT (CONTINUED)

The main terms of the Concession Agreement are the following:

- The company is entitled to operate directly the assets subject to the concession agreement and to apply and collect tariffs for domestic and international transmission from clients in exchange for services provided; the company is the only entity authorized to operate the pipelines of the national gas transmission system, no sub-concession being allowed;
- Any change of tariffs must be proposed by the company and then approved by the ANRE;
- The company is exempt from the payment of import duties for the assets acquired for operation, improvement or development of the system;
- The company must annually publish by 30 October the available capacity of the system for the following year;
- The company must annually respond to the clients' orders by 30 November and the ANRM must be informed on all rejected orders decided by the company's management;
- The company must keep a specific level of functioning (guaranteed through a mandatory minimum investment programme);
- royalties are paid as percentage (by 30 September 2007: 5%, between October 2007 and 11 November 2020: 10%, between 12 November 2020 – 29 October 2023: 0,4%, as of 30 October 2023: 11,5%) of the gross revenue from the operation of the national transmission system (domestic and international transmission);
- all operating expenses for operating the system are incurred by the company;
- The company may cancel the agreement by notifying the ANRM 12 months in advance;
- The ANRM may cancel the agreement by a 6-month prior notice, if the company fails to comply with the contractual conditions; it also has the option to cancel the agreement with a 30-day prior notice for `national interest` reasons; in this case, the company will receive compensation equal to the average net profit of the past 5 years multiplied by the remaining duration of the agreement.

The Concession Agreement does not include an automatic renewal clause.

By GD 906/28 September 2023, the amendment of Annex No 22 to Government Decision No 1 was approved. 705/2006 for the approval of the centralized inventory of goods in the public domain of the State, as subsequently amended and supplemented, by including the goods resulting from the completion of the investment objective "Interconnection pipeline of the National Gas Transmission System of Romania with the National Gas Transmission System of the Republic of Moldova on the direction Iasi (Romania)-Ungheni (Republic of Moldova), electricity supply, automation, data procurement, burglary and fire surveillance" and the transfer of these goods to the administration of the National Agency for Mineral Resources and to the concession of the National Gas Transmission Company "TRANSGAZ" - S.A.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

9. INTANGIBLE ASSETS

	Assets related to the ACS	Information programmes	Intangible assets under construction	Total
On 31 March 2023 (unaudited)				
Cost on 1 January 2023	9.609.650.958	81.484.939	535.996.238	10.227.132.135
Accumulated depreciation	(5.171.936.850)	(61.750.119)	-	(5.233.686.969)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.474.391.371)	-	-	(1.474.391.371)
Concession Agreement receivable depreciation	<u>399.666.414</u>	-	-	<u>399.666.414</u>
Net book value	3.362.989.151	19.734.820	526.853.461	3.909.577.432
Inflow	-	5.454.597	1.887.803	7.342.400
Reclassifications	(633.640)	-	-	(633.640)
Transfers	143.167.801	323.460	(143.491.261)	-
Outflow	-	-	-	-
Depreciation	(119.814.487)	(2.002.713)	-	(121.817.200)
Concession Agreement receivables	(11.088.854)	-	-	(11.088.854)
Concession Agreement receivable depreciation	<u>27.972.842</u>	-	-	<u>27.972.842</u>
Final net book value	3.402.592.813	23.510.164	385.250.003	3.811.352.980
Cost	9.752.185.120	87.262.996	394.392.780	10.233.840.896
Accumulated depreciation	(5.291.751.337)	(63.752.832)	-	(5.355.504.169)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.485.480.226)	-	-	(1.485.480.226)
Concession Agreement receivable depreciation	<u>427.639.256</u>	-	-	<u>427.639.256</u>
Net book value	3.402.592.813	23.510.164	385.250.003	3.811.352.980
On 31 December 2023				
Initial net book value	3.402.592.813	23.510.164	385.250.003	3.811.352.980
Inflow	-	4.658.583	192.278.580	196.937.163
Reclassifications	171.090	473.348	-	644.438
Transfers	213.107.252	38.450	(213.145.702)	-
Outflow	-	-	-	-
Depreciation	(377.872.625)	(5.354.410)	-	(383.227.035)
Concession Agreement receivables	(69.687.811)	-	-	(69.687.811)
Concession Agreement receivable depreciation	<u>87.243.608</u>	-	-	<u>87.243.608</u>
Final net book value	3.255.554.327	23.326.135	364.382.881	3.643.263.343
Cost	9.965.463.461	87.773.099	373.525.658	10.426.762.218
Accumulated depreciation	(5.669.623.961)	(64.446.964)	-	(5.734.070.925)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.555.168.037)	-	-	(1.555.168.037)
Concession Agreement receivable depreciation	<u>514.882.864</u>	-	-	<u>514.882.864</u>
Final Net book value	3.255.554.327	23.326.135	364.382.881	3.643.263.343
On 31 March 2024 (unaudited)				
Initial net book value	3.255.554.327	23.326.135	364.382.881	3.643.263.343
Inflow	-	-	224.623.208	224.623.208
Reclassifications	3.267.466	-	-	3.267.466
Transfers	3.582.329	196.000	(3.778.329)	-
Outflow	-	-	-	-
Depreciation	(126.967.242)	(2.018.433)	-	(128.985.675)
Concession Agreement receivables	(894.483)	-	-	(894.483)
Concession Agreement receivable depreciation	<u>30.000.398</u>	-	-	<u>30.000.398</u>
Final net book value	3.164.542.795	21.503.702	585.227.760	3.771.274.257
Cost	9.972.313.256	87.969.099	594.370.537	10.654.652.892
Accumulated depreciation	(5.796.591.203)	(66.465.397)	-	(5.863.056.600)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.556.062.520)	-	-	(1.556.062.520)
Concession Agreement receivable depreciation	<u>544.883.262</u>	-	-	<u>544.883.262</u>
Final Net book value	3.164.542.795	21.503.702	585.227.760	3.771.274.257

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9. INTANGIBLE ASSETS (CONTINUED)

The minimum NTS gas quantity required to ensure the pressures and flow rates for the end consumers under the contractual conditions (NTS linepack) is recognized in the value of the right to use, as an intangible asset. On 31 March 2024 the linepack is of 853.766 MWh and amounts to lei 79.287.417, of which NTS linepack is of 693.287 MWh and amounts lei 55.712.799. On 31 December 2023 the linepack is of 809.539 MWh and amounts to lei 72.687.849, of which NTS linepack is of 693.282 MWh and amounts lei 55.712.232.

As at 31 March 2024, the company capitalized interest expense amounting to lei 1.628.056 (in 2023, the company capitalized interest expense amounting to lei 4.273.861 for NTS assets).

As at 31 March 2024 and 31 December 2023 there are no advances granted for the procurement of national gas transmission system development works are presented in the intangible assets in progress.

The remaining life of the intangible assets is presented in Note 3.5 and Note 3.8.

As at 31 March 2024, the Company did not capitalized additional costs for the procurement of natural gas, incurred between 1 January 2024 and 31 March 2024 (lei 10.113.181 on 31 December 2023), in order to cover its own technological consumption compared to the costs included in the regulated tariffs, in accordance with the provisions of the Order of the Ministry of Finance no. 3900/19 October 2022, the Order of the President of ANRE no.128 /12 October 2022.

Impairment adjustments were made for work in progress for which completion and commissioning is uncertain.

10. FINANCIAL ASSETS

Financial assets consist of unlisted stakes in the following companies:

Company	Activity	Percentage	Percentage	31 March 2024	31 December
		owned	owned		
		2023	2022	(unaudited)	2023
Resial SA	Production	68,16	68,16	18.116.501	18.116.501
	Gas production	17,47	17,47	6.461.736	6.461.736
Mebis SA	distribution and supply				
Eurotransgaz	Gas transmission	100	100	177.619.145	177.619.145
Minus adjustments for impairment of investments in: Resial SA, Mebis SA				(24.578.237)	(24.578.237)
				<u>177.619.145</u>	<u>177.619.145</u>

NOTES TO THE FINANCIAL STATEMENTS

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10. FINANCIAL ASSETS (CONTINUED)

Shares in Resial SA

Shares owned in Resial SA were obtained in December 2003, as a result of a procedure for the recovery of claims due from a client. Resial SA went into liquidation in 2006; the procedure is carried out by a bailiff appointed by the court and is outside the control of the company, which is why the stake is not consolidated and is recorded at cost less the adjustment for impairment amounting to 100% of the cost. The loan granted to Resial SA is also fully adjusted. The management does not expect the company to recover any amount of this stake and the company does not guarantee any type of residual obligations for Resial SA.

Shares in Mebis SA

Shares owned in Mebis SA were obtained in February 2004, as a result of a procedure for the recovery of claims due from a client. Mebis SA is in the liquidation procedure, which is why the stake in Mebis SA was fully adjusted. The company has no obligations to Mebis SA.

Participation in the Limited liability company Eurotransgaz Ltd.

By EGMS Resolution 10/12.12.2017 the establishment of the company EUROTRANSGAZ Ltd. on the territory of the Republic of Moldova was approved for the successful participation in the privatization of the State Enterprise Vestmoldtransgaz. In 2018, Transgaz participated in the increase of Eurotransgaz's share capital to ensure the financial sources necessary for the procurement of the State Enterprise Vestmoldtransgaz.

In 2018 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of 9.735.000 euro for the operation and ensuring the financial sources necessary for the procurement of the State Enterprise Vestmoldtransgaz.

In 2019 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of 31.467.089 euro and 83.471.503 Moldavian lei for the operation and ensuring the financial sources necessary for the performance of the investment program of the State Enterprise Vestmoldtransgaz.

In 2020 Transgaz participated in the increase of the share capital of EUROTRANSGAZ by the amount of EUR 14.236.983 in order to operate and to ensure the financial sources necessary to carry out the investment program of the State Enterprise Vestmoldtransgaz.

In 2021 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of EUR 2.503.871 in order to operate and to ensure the financial sources necessary to carry out the investment program of the State Enterprise Vestmoldtransgaz.

In 2022 Transgaz participated in the share capital increase of EUROTRANSGAZ with the amount of EUR 649,460 in order to operate and secure the financial sources necessary to carry out the investment programme of the State Enterprise Vestmoldtransgaz.

By the BoA Resolution 39/2021 Transgaz approved the decrease of Eurotransgaz share capital in the amount of LEI 66.117.064 (EUR 13,15 million), registered in March 2022.

By the BoA Resolution 19/2022 Transgaz approved the decrease of Eurotransgaz share capital in the amount of MDL 172.024.718 (equivalent to Euro 8.5 million).

NOTES TO THE FINANCIAL STATEMENTS

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10. FINANCIAL ASSETS (CONTINUED)

By BA Resolution no. 38/2022 Transgaz approved the reduction of Eurotransgaz share capital by MDL 44.652.300 (equivalent to EUR 2.310.000). The amount was received in August 2023.

The equity securities held at Eurotransgaz S.R.L represent a capital investment recognized according to IFRS 9, at the date of the transaction being measured at its fair value at the date of the transaction, and assessed, after the initial recognition, at the cost.

The company has carried out the valuation of the shareholding in Eurotransgaz S.R.L. and Vestmoldtransgaz SRL, for the estimation of the fair value of the shareholders' equity of the two companies the Adjusted Net Assets method was applied and did not identify any elements that would lead to goodwill impairment.

In case of the financial assets held by Transgaz, i.e. Mebis SA and Resial SA, the application of IFRS 9 has no impact whatsoever, as such assets are measured at the fair value by the profit and loss account and 100% impairment adjustments were established.

11. INVENTORIES

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Gas inventories	310.878.233	307.310.908
Gas for technological consumption	187.865.495	180.679.213
Spare parts and materials	163.621.549	139.759.510
Materials in custody at third parties	2.112.189	466.345
Adjustments for write-down of inventories	<u>(51.135.358)</u>	<u>(51.135.358)</u>
	<u>613.342.108</u>	<u>577.080.618</u>

ANRE Order 160/2015 sets the obligations of Transgaz, as the transmission system operator, regarding the balancing of the national transmission system.

The company does not hold any restricted stocks and has established safety stocks amounting to Lei 11.946.702 as at 31 December 2023.

Movements in the adjustments account are analysed below:

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Adjustment on 1 January	51.135.358	42.635.646
(Revenue)/expense with adjustment for write-down of inventories (Note 23)	-	<u>8.499.712</u>
Adjustment at the end of the period	<u>51.135.358</u>	<u>51.135.358</u>

In 2024 adjustments for write-down of inventories were established according to Note 3.10. The company has a recorded since 2022 a provision for the negative difference between the quantities of natural gas invoiced as initial imbalance and the final monthly imbalances, which will be requested to ANRE for recovery through the neutrality tariff

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12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Trade receivables	884.052.033	952.484.611
Advance payments to suppliers for goods and services	116.873	75.783
Loan to Resial SA (Note 27)	1.770.346	1.770.346
Receivable related to the unamortized regulated value at the end of the concession agreement	2.497.751.094	2.423.669.228
Non-refundable loans as subsidies	14.140.364	14.140.364
State budget receivables	32.711.264	73.690.795
Receivables from various debtors	67.869.572	56.349.031
Other fixed liabilities (guarantees)	49.966.436	46.315.542
Other receivables	23.510.707	3.853.274
Adjustment of impairment of trade receivables	(656.242.049)	(657.959.020)
Adjustment of impairment of other receivables	<u>(93.103.186)</u>	<u>(89.875.671)</u>
	<u>2.822.543.454</u>	<u>2.824.514.283</u>
Financial assets/ Loans and receivables (Note 4)	<u>2.767.232.802</u>	<u>2.741.685.641</u>

The company challenged administratively the tax decision on additional tax payment obligations in the amount of lei 25.409.833 issued in 2016 by ANAF consisting of revenue tax, VAT, penalties and late payments, and set up an adjustment. The company paid the amounts mentioned in the tax decision in order to be able to carry out the activities in the directions set by the management and to facilitate the financing of future projects.

In 2020, the Company administratively challenged the tax decision regarding additional fiscal payment obligations amounting to lei 7.642.671 issued by ANAF in 2020 consisting of profit tax and VAT and constituted an adjustment. In 2022 the amount of the tax decision was reduced to 7.023.213 lei and the amount of the adjustment was also reduced by the Company.

In July 2022 the Company paid the amount of 29.277.726 lei, to which it was bound by Arbitral Award no. 39/06.06.2022, rendered by the Arbitral Tribunal in case no. 107/2018, following the conclusion of the arbitration proceedings concerning the non-fulfilment of obligations under the supply contract for "Software Licences for Additional I/Os/Bandwidth Upgrade for SCADA System", a contract concluded by Transgaz with the Association consisting of RMG REGEL UND MESSTECHNIK GmbH Germany, IDS GmbH Germany and General Fluid S.A. Bucharest. The company has appealed the arbitral tribunal's decision in court and has recorded an impairment allowance of 29.277.726 lei as at 31 December 2022.

The advance payments granted to the company in the context of the contractual relationships are guaranteed by the suppliers by letters of bank guarantee.

On 31 March 2024, the amount of lei 154.200.087 (31 December 2023: lei 152.476.340) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 5% in USD (31 December 2023: 4%) and 95% in EUR (31 December 2023: 96%).

NOTES TO THE FINANCIAL STATEMENTS
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12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to lei 58.565.071 according to IFRS 9 (31 December 2023: LEI 147.131.305).

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Initial balance	2.423.669.228	2.141.205.427
Inflow	894.484	80.776.665
Interest	14.641.470	54.622.298
Inflation update	58.565.071	147.131.305
Outflow	<u>(19.159)</u>	<u>(66.467)</u>
	<u>2.497.751.094</u>	<u>2.423.669.228</u>

Commercial receivables analysis according to IFRS9 is as follows:

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Current and unamortized		
Transit receivables	146.445.439	144.214.000
Doubtful or insolvency receivables	151.347.842	166.447.834
Affiliated party receivables	253.581.761	269.076.418
Other trade receivables	332.676.992	372.746.359
Receivables from various debtors	<u>67.869.572</u>	<u>56.349.031</u>
	951.921.606	1.008.833.642
Amortization		
Transit receivables	152.495.179	144.214.000
Doubtful or insolvency receivables	151.347.842	166.447.834
Affiliated party receivables	151.862.460	142.240.990
Other trade receivables	206.586.309	205.056.196
Receivables from various debtors	<u>47.631.131</u>	<u>50.453.357</u>
Transit receivables	709.922.921	708.412.377
Total trade receivables net of provision	241.998.685	300.421.265

IFRS 9 applies a new model for forecasting impairment loss based on the estimated loss. This model entails the anticipated recognition of the loss from receivables impairment. The standard requires entities to recognize the anticipated impairment loss on receivables from the time of initial recognition of financial instruments, and to recognize the anticipated impairment loss over their lifetime. The amount of expected loss will be updated for each reporting period so as to reflect changes in credit risk as compared to initial recognition.

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12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

For the application of IFRS 9 on the held receivables, based on a loss estimation model, the client's categories were reconsidered starting from the IFRS 9 principle for the anticipation of a non-cashing in risk related to the current receivables.

Category	10%	20%	30%	35%	60%	100%	IFRS 9	TOTAL
	31-60	61-90	91-120	121-150	151-180	over 181 and doubtful		
Transit receivables	925.865	2.077.815	2.796.298	3.979.757	5.936.830	100.632.997	36.145.617	152.495.179
Doubtful and insolvent receivables	-	-	-	-	-	151.347.842	-	151.347.842
Affiliated parties' receivables	45.828	134.896	280.150	14.494	286.719	149.252.994	1.847.379	151.862.460
Various receivables	93.996	138.606	208.367	324.734	341.200	203.364.952	2.114.454	206.586.309
Receivables from various debtors	179	2.810.404	676.190	58.037	-	43.837.746	248.575	47.631.131
Total impairment	1.065.868	5.161.721	3.961.005	4.377.022	6.564.749	648.436.531	40.356.025	709.922.921

The company constantly analyses the customers' situation and records adjustments whenever there are indications of an increase in the non-collection risk.

The payment of the equivalent value of the invoices for the natural gas transmission services, issued according to the provisions of the Network Code, is made within 15 calendar days from the date of issuing the invoice. If the due date is a non-working day, the deadline is considered fulfilled on the next working day.

Movements in the provision account are analysed below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Adjustment on 1 January	747.834.691	639.659.487
Expense with the adjustment for doubtful clients (Note 23)	5.477.739	175.061.631
(Revenue with the adjustment for doubtful clients (Note 23))	<u>3.967.195</u>	<u>66.886.427</u>
Adjustment at the end of the period	<u>749.345.235</u>	<u>747.834.691</u>

The Company makes adjustments for receivables from insolvent companies or companies that encountered significant financial difficulties.

As at 31 March 2024, the company recorded adjusting expenses for the clients recording an increased non-collection risk, mainly for the receivables of Gazprom Export LLC (lei 146.445.439) and decreased the adjustment to outstanding receivables due to their collection for Top Gaz Network SRL (lei 2.181.401) and for Electrocentrale Constanța (lei 1.863.788).

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

In July 2022 the Company paid the amount of 29.277.726 lei, to which it was bound by Arbitral Award no. 39/06.06.2022, rendered by the Arbitral Tribunal in case no. 107/2018, following the conclusion of the arbitration proceedings concerning the non-fulfilment of obligations under the supply contract for "Software Licences for Additional I/Os/Bandwidth Upgrade for SCADA System", a contract concluded by Transgaz with the Association consisting of RMG REGEL UND MESSTECHNIK GmbH Germany, IDS GmbH Germany and General Fluid S.A. Bucharest. The company has appealed the arbitral tribunal's decision in court and has recorded an impairment allowance of 29.277.726 lei as at 31 December 2022, adjustment maintained as at 31 March 2024 as well.

13. CASH AND CASH EQUIVALENT

Cash at bank in foreign currency is mostly denominated in EUR.

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Cash at bank in LEI	576.542.200	351.170.368
Cash at bank in foreign currency	285.340.619	326.274.497
Other cash equivalents	<u>151.253</u>	<u>111.786</u>
	<u>862.034.072</u>	<u>677.556.651</u>
	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Restricted cash (employees guarantee)	1.990.627	1.956.015

The weighted average of the effective interest related to short-term bank deposits was of 3,80% on 31 March 2024 (3,32% on 31 December 2023) and these deposits have a maximum maturity of 30 days.

	Long-term loans	Working capital	Leasing debt	Total
Balance on 01.01.2023	1.445.563.293	573.095.050	17.929.828	2.036.588.171
Net cash flows	114.511.226	175.431.456	(5.601.390)	284.341.292
Exchange rate differences	4.284.807	-	-	4.284.807
New leasing contracts	-	-	2.496.437	2.496.437
Leasing adjustments	-	-	-	-
Interest expense	84.465.633	6.236.151	717.128	91.418.912
Capitalised interest	4.273.861	25.232.795	-	29.506.656
Paid interest	(88.882.544)	(30.937.649)	-	(119.820.193)
Balance on 31 December 2023	<u>1.564.216.276</u>	<u>749.057.803</u>	<u>15.542.003</u>	<u>2.328.816.082</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

13. CASH AND CASH EQUIVALENT (CONTINUED)

Balance on 01.01.2024	<u>1.564.216.276</u>	<u>749.057.803</u>	<u>15.542.003</u>	<u>2.328.816.082</u>
Net cash flows	(43.533.518)	(18.032.188)	(2.575.148)	(64.140.854)
Exchange rate differences	(652.161)	-	-	(652.161)
New leasing contracts	-	-	244.721	244.721
Leasing adjustments	-	-	-	-
Interest expense	19.954.265	384.798	139.589	20.478.652
Capitalised interest	1.628.056	7.403.845	954	9.032.855
Other	-	-	1.314.989	1.314.989
Balance on 31 March 2024	<u>1.541.612.918</u>	<u>738.814.258</u>	<u>14.667.108</u>	<u>2.295.094.284</u>

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital	Share premium	Total
IFRS				
On 31 December 2023	188.381.504	1.883.815.040	247.478.865	2.131.293.905
On 31 March 2024	188.381.504	1.883.815.040	247.478.865	2.131.293.905
Capital adjustment to the hyperinflation accumulated on 31 March 2024	-	<u>441.418.396</u>	-	<u>441.418.396</u>
On 31 December 2023, On 31 March 2024	<u>188.381.504</u>	<u>2.325.233.436</u>	<u>247.478.865</u>	<u>2.572.712.301</u>

The Extraordinary General Meeting of Shareholders approved on 7 December 2022 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 1.766.076.600 lei, through the issuance of 176.607.660 new shares with a par value of 10 lei/share.

The authorized number of ordinary shares registered at the National Trade Registry Office is 188.381.504 (31 December 2023: 188.381.504) with a nominal value of LEI 10 each. Each share represents one vote.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

The ownership structure registered with the Central Depository on 31 March 2024 is the following:

	<u>Number of ordinary shares</u>	<u>Statutory value</u> (lei)	<u>Percentage</u> (%)
The Romanian state, represented by the General Secretariat of the Government	110.221.440	1.102.214.400	58,5097
Other shareholders	<u>78.160.064</u>	<u>781.600.640</u>	<u>41,4903</u>
	<u>188.381.504</u>	<u>1.883.815.040</u>	<u>100,0000</u>

The ownership structure registered with the Central Depository on 31 December 2023 is the following:

	<u>Number of ordinary shares</u>	<u>Statutory value</u> (lei)	<u>Percentage</u> (%)
The Romanian state, represented by the General Secretariat of the Government	110.221.440	1.102.214.400	58,5097
Other shareholders	<u>78.160.064</u>	<u>781.600.640</u>	<u>41,4903</u>
	<u>188.381.504</u>	<u>1.883.815.040</u>	<u>100,0000</u>

In the statutory accounting, before 1 January 2012, the company included in the share capital certain reserves from revaluation for revaluations made before 31 December 2001. In order to prepare these financial statements according to EU IFRS, such increases were not recognized, because adjustments to hyperinflation for fixed assets were annually recognized in the statement of comprehensive income by 31 December 2003. Therefore, in 2022, the Company recorded only the share capital from cash or in-kind contribution, adjusted to inflation from the date of the initial contribution on 31 December 2003 and the increase in the share capital that took place after 1 January 2004 was recognized in nominal terms.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

15. OTHER RESERVES, LEGAL RESERVE AND RETAINED EARNINGS

Other reserves

Before IFRIC 12, a proper reserve related to assets belonging to the public domain (Notes 3.8 and 5.2) was included in equity as `Reserve of the public domain` at the value of the respective assets restated depending on inflation until 1 January 2004. It was renamed `Other reserves` at the adoption of IFRIC 12 (Note 3.5), to reflect the change in the statute of the related assets. The Company does not intend to change the allocation of deferred income arising from the first-time adoption of IAS 29.

Legal reserve

In accordance with the Romanian law and the company's Articles of Incorporation, the Transgaz must transfer five percent of the profit from the statutory financial statements in a statutory reserve of up to 20% of the statutory share capital. The balance of the statutory reserve, which is not available for allocation on 31 March 2024, amounts to lei 55.765.430 (31 December 2023: lei 55.765.430).

The legal reserve is included in the `Retained earnings` in these financial statements. The company does not intend to change the allocation of the legal reserve.

Reserve relating to reinvested profit

The balance of the invested profit reserve as at 31 December 2023 is 17.275.596 lei.

The company submits for OGMS approval the constitution from the 2023 profit a reserve in the amount of 40.845.861 lei representing tax incentives provided for by Law 227/2015 on the Tax Code on the profit invested in technological equipment-machinery, machinery and work installations, electronic computers and peripheral equipment, cash register, control and invoicing machines and appliances, as well as in software, produced and/or purchased and put into operation, used for the purpose of carrying out the economic activity, amended in 2023 by GO 16/2022 which extended the exemption from payment of reinvested profits also for some categories of assets related to the refurbishment. The reserve for reinvested profits is carried out after the approval of the profit distribution by the general meeting of shareholders, in accordance with the law.

Dividend allocation

In 2023, the company declared a dividend of lei 0,7 /share, related to the profit of the previous year (2022: lei 14,82 /share). The total dividends declared from the profit of 2022 are lei 131.867.053 (dividends declared from the profit of 2021: lei 174.488.368).

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS

The value of the long-term loans recorded by the company on 31 March 2024:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
BEI 83644RO	182.877.600	186.050.040
BEI 88825RO	203.889.926	209.058.151
BEI 89417RO	124.237.500	124.365.000
BEI 90512RO	124.237.500	124.365.000
BCR 20190409029	133.920.000	141.360.000
BCR 20201028056	288.000.000	288.000.000
BCR 20210817030	79.166.665	83.333.332
BCR 20211124044	183.333.333	183.333.333
BERD	200.115.360	211.232.880
BT	237.334.732	247.806.630
Raiffeisen Bank	300.000.000	300.000.000
BRD GSG	<u>198.900.000</u>	<u>198.800.000</u>
	<u>2.256.012.616</u>	<u>2.297.704.366</u>

Loans breakdown by maturity range:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	669.610.028	432.316.032
Over 1 year	<u>1.586.402.588</u>	<u>1.865.388.334</u>
	<u>2.256.012.616</u>	<u>2.297.704.366</u>

The European Investment Bank (EIB)

The company signed with the European Investment Bank the following loans for the financing of the project `Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

- Loan Agreement no. 83644RO concluded on 27.10.2017 for the amount of EUR 50 million, fixed interest rate, maturity of 15 years, grace period of 3 years at principal repayment.
- Loan Agreement no.88825RO concluded on 14.12.2017 for the amount of EUR 50 million, with disbursements in lei or EUR (at the choice of the company), with fixed or variable interest (at the choice of the company), maturity of 15 years, the grace period of 3 years of repayment of the principal.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

The company signed with the EIB the following loans for the financing of the project `Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas` (Black Sea - Podișor):

- the Loan Agreement no.89417RO dated 17.12.2018 for the amount of EUR 50 million, maturity of 15 years, grace period of 3 years at principal repayment.
- the Loan Agreement no. 90512RO dated 24 January 2019 for the amount of EUR 100 million, maturity of 15 years, grace period of 3 years at principal repayment.

The financial commitments undertaken by the loan agreements requires the company to comply with the negotiated limits of the following financial indicators: the ratio of the total net debts to the Borrower's RAB, the net leverage ratio and the Interest coverage rate.

In 2017 the company received the first tranche of Loan Agreement number 83644RO of EUR 15 million issued by EIB on 30 November 2017, in 28 February 2018 the second tranche of the loan amounting to EUR 15 million and on 30 April 2018, the third tranche of the loan amounting to EUR 20 million was received.

The maturity of the loan 83644RO from the EIB is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	19.878.000	19.898.400
Between 1 and 5 years	79.512.000	79.593.600
Over 5 years	<u>83.487.600</u>	<u>86.558.040</u>
	<u>182.877.600</u>	<u>186.050.040</u>

In 2019 the company received under Loan Agreement no. 88825RO two tranches totalling EUR 50 million.

The maturity of the loan 88825RO from the EIB is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	19.815.589	19.835.925
Between 1 and 5 years	79.262.355	79.343.698
Over 5 years	<u>104.811.982</u>	<u>109.878.528</u>
	<u>203.889.926</u>	<u>209.058.151</u>

In July 2023 the company received under Loan Agreement no. 89417RO the first tranche of EUR 25 million.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

The maturity of the loan 89417RO from the EIB is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	-	-
Between 1 and 5 years	27.890.051	25.380.612
Over 5 years	<u>96.347.449</u>	<u>98.984.388</u>
	<u>124.237.500</u>	<u>124.365.000</u>

In July 2023 the company received under Loan Agreement no. 90512 RO the first tranche of EUR 25 million.

The maturity of the loan 90512 RO from the EIB is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	-	-
Between 1 and 5 years	27.890.051	25.380.612
Over 5 years	<u>96.347.449</u>	<u>98.984.388</u>
	<u>124.237.500</u>	<u>124.365.000</u>

The book value of the short-term loans approximates their fair values.

The European Bank for Reconstruction and Development (EBRD)

On 23 February 2018 Transgaz signed with EBRD a contract amounting to lei 278 million, the equivalent of EUR 60 million, for the financing of the BRUA Project. The loan was fully disbursed by two equal disbursements: on 29 April 2020 and on 29 May 2020.

The EBRD loan maturity is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	22.235.040	22.235.040
Between 1 and 5 years	88.940.160	88.940.160
Over 5 years	<u>88.940.160</u>	<u>100.057.680</u>
	<u>200.115.360</u>	<u>211.232.880</u>

The Romanian Commercial Bank (BCR)

The company signed on 24.04.2019 the contract no. 20190409029 with the Romanian Commercial Bank for committing the financing in the amount of 186 million lei, the equivalent of 40 million EUR, with drawing and repayment in lei, maturity 15 years, grace period for principal repayment of 3 years, variable interest for the financing of the project Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

NOTES TO THE FINANCIAL STATEMENTS

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16. LONG-TERM BORROWINGS (CONTINUED)

The BCR loan no. 20190409029 is fully disbursed and its maturity is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	14.880.000	14.880.000
Between 1 and 5 years	59.520.000	59.520.000
Over 5 years	<u>59.520.000</u>	<u>66.960.000</u>
	<u>133.920.000</u>	<u>141.360.000</u>

On 29.10.2020, the Company signed contract no.20201028056 with Banca Comercială Română contemplating the Company's benefiting from a lei 360 million loan for a period of 13 years, destined to refinance two major projects carried out by Transgaz: "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)" and "The interconnection of the National Transmission System with the international gas transmission pipeline T1 and reverse flow at Isaccea Phase II (Onești - Siliștea)".

BCR loan no. 20201028056 is fully collected and its maturity is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	28.800.000	28.800.000
Between 1 and 5 years	115.200.000	115.200.000
Over 5 years	<u>144.000.000</u>	<u>144.000.000</u>
	<u>288.000.000</u>	<u>288.000.000</u>

On 17.08.2021, the Company signed contract no. 20210817030 with Banca Comercială Română contemplating the Company's benefiting from a lei 100 million loan for a period of 12 years, destined to refinance the project "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)".

BCR loan no. 20210817030 is fully collected and its maturity is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	8.333.334	8.333.334
Between 1 and 5 years	33.333.336	33.333.336
Over 5 years	<u>37.499.995</u>	<u>41.666.662</u>
	<u>79.166.665</u>	<u>83.333.332</u>

On 24.11.2021, the Company signed contract no. 20211124044 with Banca Comercială Română contemplating the Company's benefiting from a lei 220 million loan for a period of 12 years, destined to refinance the project: "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)".

NOTES TO THE FINANCIAL STATEMENTS

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16. LONG-TERM BORROWINGS (CONTINUED)

BCR loan no. 20211124044 is fully collected and its maturity is presented below:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	18.333.333	18.333.333
Between 1 and 5 years	73.333.333	73.333.333
Over 5 years	<u>91.666.667</u>	<u>91.666.667</u>
	<u>183.333.333</u>	<u>183.333.333</u>

Transilvania Bank (BT)

On 15 July 2020, as a result of a competitive negotiation procedure, the company signed a contract with Transilvania Bank allowing the company to benefit from a credit facility amounting to lei 300 million, for 2 years, to cover the necessary working capital and partly to issuing letters of guarantee. The repayment of the credit line has been extended until 19.12.2023, based on the conclusion of the Addendum No. 1/20.12.2021.

On 15.07.2022, the Addendum No.2 to the contract for the credit facilities and the issuance of letters of guarantee was signed with Banca Transilvania, which increased the initial amount of the facility (300 million lei) by a maximum of 153.000.000 lei, in order to issue a letter of guarantee in favour of ANAF to guarantee the payment obligation imposed by the mandatory order no. 6006/250938/IEF/14.04.2022 issued by the Ministry of Finance, during the period of the procedures for challenging the administrative act.

By the Addendum No.4/22.03.2023 the parties agreed to extend the final maturity date of the credit agreement by 24 months as of the Addendum date.

As at 31 December 2023, out of the total of credit line the amount of Lei 247.806.630 was used to cover working capital requirements and the amount of Lei 200.381.510 from the threshold for the issuing of letters of guarantee was used to cover four bank letters of guarantee issued in favour of third parties, the amount of lei 4.776.754 remaining at the disposal of the Company for the financing of the current activity. The Company believes that the conditions for presenting the credit line under the long-term loan category are met.

As at 31 March 2024, out of the total of credit line the amount of Lei 237.334.732 was used to cover working capital requirements and the amount of Lei 200.381.510 from the threshold for the issuing of letters of guarantee was used to cover four bank letters of guarantee issued in favour of third parties, the amount of lei 15.248.652 remaining at the disposal of the Company for the financing of the current activity. The bond is presented under short-term loans, the maturity of the credit line is 22.03.2025.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

RAIFFEISEN BANK

The company signed on 14 July 2022, following a competitive negotiation procedure, an agreement with Raiffeisen Bank under which it benefits from a credit facility of 300 million lei for a period of 2 years, intended to finance working capital for the commercial balancing activity.

As at 31 March 2024 the credit facility is drawn down to the maximum level of 300.000.000 lei. The obligation is presented under short-term loans.

BRD GROUPE SOCIETE GENERALE

The company signed on 2 August 2023, following a competitive negotiation procedure, an agreement with BRD Groupe Societe Generale, whereby it benefits from a credit facility of 200 million lei for a period of 2 years, intended to finance working capital for the commercial balancing activity.

As at 31 March 2024 the credit facility is drawn down to the maximum level of 198.900.000 lei. The obligation is presented under long-term loans.

As at 31 March 2024, the balance of interest due for the loans of the company is lei 21.835.034 broken down by loans as follows:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
BEI 83644RO	723.848	484.596
BEI 88825RO	1.926.784	1.985.777
BEI 89417RO	1.113.996	1.141.311
BEI 90512RO	1.113.996	1.141.311
BCR 20190409029	3.091.971	854.326
BCR 20201028056	8.097.108	3.217.394
BCR 20210817030	426.712	1.826.050
BCR 20211124044	3.876.219	886.932
BERD	<u>1.464.400</u>	<u>1.580.843</u>
	<u>21.835.034</u>	<u>13.118.540</u>

The exposure of the company's loans to the changes of the interest rate is as follows:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Variable interest rate loans	2.073.135.016	2.111.654.326
Fixed interest rate loans	<u>182.877.600</u>	<u>186.050.040</u>
	<u>2.256.012.616</u>	<u>2.297.704.366</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

17. DEFERRED REVENUE

Based on the connection contracts, the necessary infrastructure is built to ensure the estimated transmission capacity to be used over the duration of the concession agreement.

	<u>31 March 2024</u> (unaudited)	<u>31 December</u> 2023
Initial balance	963.899.344	1.076.589.204
Increases	137.620.962	425.575
Revenue from connection fees (Note 22)	(3.530.247)	(13.926.724)
Income from non-reimbursable funds and goods taken over free of charge (Note 22)	<u>(22.906.081)</u>	<u>(99.188.711)</u>
Final balance	<u>1.075.083.977</u>	<u>963.899.344</u>

The balance of the deferred revenue consists of:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Connections and assets received free of charge	227.562.738	222.516.712
Grants	<u>847.521.239</u>	<u>741.382.632</u>
	<u>1.075.083.977</u>	<u>963.899.344</u>

For the BRUA project the company obtained from the European Union through the National Agency for Innovation and Networks (INEA) a grant of 1.519.342 Euros, representing 50% of the estimated eligible costs for financing the FEED for the three compressor stations (Podișor, Bibești and Jupa) and a grant of 159.449.379 Euro, representing 40% of the estimated eligible costs, for financing the BRUA Phase I project implementation.

The following amounts were received as pre-financing to finance the implementation of the BRUA Phase I project: EUR 25.834.489,60 (in 2016) and EUR 13.839.087,37 (in 2018) and EUR 29.192.463,92 (in 2019), EUR 37.740.347 (in 2020) and EUR 20.953.114,91 in 2021. On 19 July 2022 the amount of EUR 21.129.634,05 was received from INEA.

On 22.11.2018 the company signed with the Ministry of European Funds AM POIM Financing Contract 226 for non-reimbursable financing for the implementation of the draft project code MYSMIS 2014-122972 NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova within the Specific objective 8.2 – Increasing the interconnectivity of the National Transmission System with neighbouring states. The amount of the grant is lei 214.496.026,71, namely 32,53% of the value of the eligible expenses.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

17. DEFERRED REVENUE (CONTINUED)

For the financing of the works for the implementation of the project NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova, the amount of lei 203.657.168 was collected as eligible expenses grant funding.

On 18.06.2020 the company signed Grant Agreement no. HCOP/685/3/8/132556 on the implementation of the project „TransGasFormation” Code 132556 for the amount of LEI 701.259,60 with the Ministry of European Funds, as Management Authority for the Human Capital Operational Programme.

In 2024, the company concluded two grant contracts for projects: Black Sea-Podişor natural gas transmission pipeline, for which it received in February pre-financing in the amount of lei 127.682.749 and Gherceşti-Jitaru natural gas transmission pipeline (including cathode energy supply and fibre optics). The contracts were concluded on the basis of EC Decision No C(2023) 3643 of 30.05.2023 granting non-reimbursable funding from the Modernisation Fund totalling EUR 93.582.770 for the following projects:

- Black Sea - Podişor natural gas transmission pipeline: euro 85.544.422;
- Gherceşti-Jitaru natural gas transmission pipeline (including electricity supply, cathodic protection and optical fibre): euro 8.038.348.

18. PROFIT TAX

Profit tax expense

	The three months ended <u>31 March 2024</u> (unaudited)	The three months ended <u>31 March 2023</u> (unaudited)
Expense with the profit tax - current	48.824.538	28.859.844
Deferred tax - impact of temporary differences	<u>2.497.213</u>	<u>(2.832.353)</u>
Profit tax expense	<u>51.321.751</u>	<u>26.027.491</u>

In Q1 2023 and Q1 2022 the company calculated the profit tax at the rate of 16% applied to the profit determined in accordance with the Romanian laws.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

18. PROFIT TAX (CONTINUED)

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Profit before tax	293.260.242	151.393.887
Theoretical expense with the tax the statutory rate of 16% (2022: 16%)	46.921.639	24.223.022
Non-taxable expenses, net	<u>4.400.112</u>	<u>1.804.469</u>
Profit tax expense	<u>51.321.751</u>	<u>26.027.491</u>
Profit tax liability, current	<u>7.839.326</u>	<u>7.497.431</u>

Depreciation of tangible assets hyperinflation adjustments is a deductible expense with the adoption of EU IFRS as framework of statutory reporting.

Deferred tax

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 31 March 2024 (31 December 2023: 16%). Deferred tax payment and recoverable tax, as well as expenses with/(revenue from) deferred tax recognized in the statement of comprehensive income are attributable to the following items:



NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

19. PROFIT TAX (CONTINUED)

	<u>31 March 2024</u> <u>(unaudited)</u>	<u>Movement</u>	<u>31 December</u> <u>2023</u>	<u>Movement</u>	<u>31 March 2023</u> <u>(unaudited)</u>	<u>Movement</u>	<u>1 January</u> <u>2023</u>
Deferred tax payment							
Tangible and intangible assets	138.364.675	1.624.422	136.740.253	10.883.400	125.856.853	4.083.819	121.773.034
Recoverable deferred tax							
Provision for							
Employee benefits	(20.950.784)	-	(20.950.784)	(2.474.053)	(18.476.731)	-	(18.476.731)
Risks and charges	(13.747.771)	1.114.478	(14.862.249)	(1.321.982)	(13.540.267)	(548.588)	(12.991.679)
Receivables and other assets	<u>(102.903.146)</u>	<u>(241.687)</u>	<u>(102.661.459)</u>	<u>(7.195.455)</u>	<u>(95.466.004)</u>	<u>(6.367.584)</u>	<u>(89.098.420)</u>
	<u>762.974</u>	<u>2.497.213</u>	<u>(1.734.239)</u>	<u>(108.090)</u>	<u>(1.626.149)</u>	<u>(2.832.353)</u>	<u>1.206.204</u>

Deferred revenue tax liability related to tangible and intangible assets is determined by the fact that: a) the fiscal value of intangible assets does not include inflation update; and b) the nature of public domain property does not represent depreciable assets from a tax perspective, regardless of how they are reflected in the accounts. Temporary differences for receivables and other assets arise from impairment adjustments for bad debts.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

18. PROFIT TAX (CONTINUED)

The amounts presented in the statement of the financial position include the following:

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Deferred tax liabilities/receivables in more than 12 months as reported	762.974	<u>(1.734.239)</u>

19. TRADE PAYABLES AND OTHER PAYABLES

19.1 Short term payables

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
Trade payables	254.569.145	227.003.229
Suppliers of fixed assets	6.363.125	15.796.373
Dividends payable	1.039.764	1.095.532
Debts related to royalties	69.828.916	51.383.030
Other taxes	28.762.769	28.404.156
Amounts payable to employees	21.220.782	20.828.438
VAT payable	11.834.316	21.323.976
Non-exemptible VAT	20.981.669	6.348.468
Transmission service guarantees	42.426.628	42.971.012
Transmission services advance payments	25.693.998	51.867.976
Tender guarantees	145.279.433	163.808.920
Other debts	<u>59.461.747</u>	<u>47.452.467</u>
	<u>687.462.292</u>	<u>678.283.577</u>
Financial debts (Note 4)	<u>509.139.842</u>	<u>501.460.571</u>

On 31 March 2024, of the total trade payables and other debts the amount of lei 63.075.074 (31 December 2023: lei 75.062.912) is expressed in foreign currency, especially in EUR.

19.2 Debts related to rights of use of leased assets

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
	Land and buildings	Land and buildings
Initial balance	15.542.003	17.929.828
Inflows	244.721	2.508.558
Interest expense	140.543	705.207
Leasing payments	<u>1.260.159</u>	<u>5.601.590</u>
Final balance, of which:	<u>14.667.108</u>	<u>15.542.003</u>
Long-term debts	11.969.733	12.208.966
Short-term debts	2.697.375	3.333.037

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

20. PROVISIONS FOR RISKS AND CHARGES

	<u>31 March 2024</u> (unaudited)	<u>31 December 2023</u>
<i>Current provision</i>		
Provision for litigation	52.908.971	52.908.971
Provision term contract	3.284.571	3.284.571
Provision for employee participation in profits	17.458.992	11.725.070
Provision for voluntary leaving employment	7.698.800	7.698.800
Other provision	<u>4.572.236</u>	<u>8.266.302</u>
	<u>85.923.570</u>	<u>83.883.714</u>

Employees` participation in the profit is calculated within the limit of 10% of the net profit, but not more than a monthly average salary achieved in the relevant financial year according to the provisions of GO 64/2001 and the Collective Labour Agreement.

The company was the subject of an investigation of the Competition Council regarding the way in which procedures for the awarding of the contracts for the procurement of works carried out by Transgaz in 2009 -2011, before the implementation of the private management, according to the provisions of GEO 109/2011 on corporate governance of public enterprises. In 2020, the Competition Council communicated Decision no. 43/11.08.2020 sanctioning the Company with a fine in the amount of lei 34.166.616.

Following the conclusion of the arbitration proceedings which had as dispute the restitution of the quantity of natural gas from the Tranzit 1 pipeline, the arbitral tribunal admitted Bulgargaz EAD's action, and a provision for litigation in the amount of Lei 1.673.984, the equivalent in Lei for legal interest and incidental expenses was established. The arbitral tribunal's decision was appealed, and the action for annulment was registered with the Bucharest Court of Appeal.

The company also made provisions for the following disputes: with Romsilva for the land non-use amounting to LEI 14.038.558, with Blue Star SRL for the MRS Timisoara I - Timisoara pipeline in the amount of Lei 2.300.000, with PF Galaction Laurentiu for the dismantling of the construction/removal of the MRS Vaslui connection pipeline in the amount of Lei 332.000, and with PF Bălășoiu Marian for claims for compensation for lack of use of land in the amount of lei 397.813.

For the strategic redefinition and efficiency of the activity, the Company drafted the Program of voluntary departures for 2023 in the amount of 7.699 thousand lei, the annual value being provided by the budget of revenues and expenses approved by the GMS.

As at 31 March 2024 the amount of the provision for voluntary departures is Lei 7.698.800 (lei 14.840.000 as at 31 December 2022).

The Company records provisions for untaken leave at the end of the financial year.

The Company has recorded provisions for untaken leave in the amount of lei 8.266.303 relating to the period ended 31 December 2023.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

The present value of the provision was determined based on the Projected Unit Credit Method. Retirement benefits received by an employee were first raised by the contributions of the employer and then every benefit was updated taking into account the rotation of employees, layoffs and the probability of survival until retirement. The number of years until retirement was calculated as the difference between retirement age and age at time of reporting. The expected average of the remaining work period was calculated based on the number of years until retirement, also taking into account the rate of layoffs, employee rotation rate and the probability of survival.

Assumptions 2023

The amount of the provision has been calculated individually for each distinct employee/beneficiary of the company using the actuarial calculation method and taking into account International Accounting Standards, in particular the IAS 19. The provision is calculated taking into account the long-term liabilities undertaken by the company under the collective labour contract. The calculation assumptions and specifications for the calculation model were established based on the company's previous experience and a set of assumptions about the company's future experience. The most important actuarial assumptions used are as follows:

- for the benefit consisting of basic salaries paid at retirement, this benefit is paid for company employees who reach retirement;
- Employee rotation considers seniority and staff rotation within the company;
- the mortality of the entity's employees is calculated according to the data provided by the National Institute of Statistics for 2019 to which a percentage of 40% was applied;
- Employee rotation is constant over time.
- the method used is the projected credit factor method;
- Retirement age at retirement considered: 63 for men and 61 for women, but the share of early retirements at certain ages was also considered;
- Long-term wage growth rate is considered equal to the forecast inflation rate for the euro area, and is 2% and in the short term was considered equal to the forecast inflation rate for RON and is 6,7% in the first year, 4,3% in the second year and 3,9% for the next 3 years and 2,5% for the next 5 years, for both women and men;
- the discount rate is the interest curve in lei without adjustments provided by EIOPA for December 2023.
- the plan is not financed by the entity and employees.
- It has been estimated that people approaching retirement age are likely to retire early
- For the death benefit, for retired former Trangaz employees, in the first year after retirement, mortality at the age of 66 men and 64 years women was used.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Financial assumptions

The discount rate is the interest rate curve in lei without adjustments of variations provided by EIOPA for December 2023.

For the calculation for 2023, according to the National Institute of Statistics, the annual inflation rate in December 2023 compared to December 2022 was 6,6%. Given the correlation between the inflation and discount rate values, the following values for inflation were taken into account: 6% in 2024, 5,8% in 2025 and 5,6% in the rest.

Movement in the provision for employee benefits:

1 January 2022	<u>110.048.408</u>
of which:	
Short-term	4.007.231
Long-term	106.041.177
Interest cost	5.541.410
Current service cost	5.917.932
Payments from provisions during the year	(3.575.953)
Actuarial gain/loss related to the period	(2.452.222)
31 December 2022	<u>115.479.575</u>
of which:	
Short-term	4.584.234
Long-term	110.895.341
Interest cost	7.229.379
Current service cost	17.488.663
Payments from provisions during the year	(4.921.167)
Actuarial gain/loss related to the period	(4.334.050)
31 December 2023	<u>130.942.400</u>
of which:	
Short-term	16.135.217
Long-term	114.807.183

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

22. OTHER REVENUE

	The three months ended <u>31 March 2024</u> (unaudited)	The three months ended <u>31 March 2023</u> (unaudited)
Revenue from penalties applied to clients for delay payments	6.239.750	3.902.378
Revenue from connection fees	3.530.247	3.423.464
Revenue from grants and goods taken free of charge	22.906.082	24.619.410
Revenue from the sale of residual materials	416.957	240.426
Revenue from leases	359.592	385.265
Revenue from recovered materials	668.565	1.443.362
Other revenue from operation	<u>2.486.344</u>	<u>966.587</u>
	<u><u>36.607.537</u></u>	<u><u>34.980.892</u></u>

23. OTHER OPERATING EXPENSES

	The three months ended <u>31 March 2024</u> (unaudited)	The three months ended <u>31 March 2023</u> (unaudited)
Loss/gain on impairment of receivables	1.510.544	18.829.476
Utilities	3.476.156	1.266.420
Insurance premium	386.912	326.542
Security and protection expenses	6.133.267	5.367.584
Maintenance expenses	12.680	-
Professional training	246.470	112.920
Telecommunications	607.953	277.355
Bank charges and other fees	451.499	760.248
Rents	2.968.363	1.713.115
Loss on amounts receivable	207.021	11.293
Marketing and protocol expenses	132.751	53.640
Penalties and fines	546.633	45.539
Gas storage capacity booking	2.854.065	2.646.121
Sponsorship costs	447.000	769.677
Other	<u>8.223.376</u>	<u>8.265.178</u>
	<u><u>28.204.690</u></u>	<u><u>40.445.108</u></u>

Neutrality activity expenses

In the year 2023, expenses for the procurement of natural gas in the amount of lei 427.324.156, expenses for the booking of gas storage capacity in the amount of lei 6.311.441, net expenses for bank interest in the amount of lei 25.167.497, expenses for bank commissions in the amount of lei 7.411 were included in the calculation of the neutrality activity.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

24. EMPLOYEE COSTS

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Salaries and benefits	123.489.710	118.614.199
Cost of insurance and social security	7.941.950	7.777.720
Other employee costs	<u>1.053.008</u>	<u>966.071</u>
	<u>132.484.668</u>	<u>127.357.990</u>

Average number of employees in financial year:

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Blue collars	2.218	2.249
White collars	<u>1.826</u>	<u>1.781</u>
	<u>4.044</u>	<u>4.030</u>

25. NET FINANCIAL REVENUE/(LOSS)

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Foreign exchange revenue	1.364.813	3.389.732
Interest revenue	18.000.629	13.084.250
Revenue from the adjustment of the Concession Agreement receivable	58.565.071	51.591.184
Other financial revenue	<u>241</u>	<u>397</u>
	77.930.754	68.065.563
Foreign exchange loss	(1.002.228)	(3.801.337)
Interest loss related to IFRS16	(139.589)	(160.633)
Interest loss	<u>(20.339.063)</u>	<u>(22.878.751)</u>
	(21.480.880)	(26.840.721)

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to lei 58.565.071 according to IFRS 9 (31 December 2023: Lei 147.131.305).

Fixed assets recognised in the regulated asset base within a gas year are discounted by the inflation rate as of the following gas year.

The income from the adjustment of the receivable related to the Concession Agreement is a non-monetary item (Note 26).

By BoA Decision no. 38/2022 Transgaz approved the reduction of Eurotransgaz share capital by the amount of 44.652.300 MDL (equivalent to 2,31 million Euro). The amount was received in August 2023.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

26. CASH FROM OPERATION

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Profit before tax	293.260.242	151.393.887
Depreciation	115.198.980	110.585.814
Gain/(loss) on transfer of fixed assets	92.327	47.925
Provisions for risks and charges	2.039.856	3.428.678
Revenue from connection fees, grants and goods taken free of charge	(26.436.329)	(28.042.874)
Sundry debtors and receivable loss	207.021	11.293
Adjustments for the receivable's impairment	1.510.544	18.829.476
Interest revenue	(18.000.629)	(13.084.250)
Interest expenses	20.339.063	22.878.751
Adjustment of the Claim regarding the Concession Agreement	(58.565.071)	(51.591.184)
Effect of exchange rate fluctuation on other items than from operation	(677.673)	136.781
Operating profit before the changes in working capital	<u>328.968.331</u>	<u>214.594.297</u>
(Increase)/decrease in trade and other receivables	67.850.043	29.383.916
(Increase)/decrease in inventories	(34.615.646)	23.309.742
Increase/(decrease) in trade payables and other debts	<u>(61.145.729)</u>	<u>(86.557.978)</u>
Cash generated from operations	<u>301.056.999</u>	<u>180.729.977</u>

27. TRANSACTIONS WITH RELATED PARTIES

The prices / tariffs related to the transport and balancing contracts are approved by the National Energy Regulatory Authority (ANRE), are regulated and are not established under market conditions. Procurement is carried out in compliance with the legal regulations on public procurement. Transactions with Vestmoldtransgaz were concluded at the market value established by the cost-plus method and represent services provided by specialized personnel for the conduct of the procurement and equipment rental procedures.

In the periods ended 31 March 2024 and 31 December 2023 the following transactions with related parties were performed and the following balances were payable / receivable from related parties at the respective dates.

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27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

i) Benefits granted to the members of the Board of Administration and of the management

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Salary paid to the members of the Board of Administration and management	4.763.070	3.721.726
Social contribution of the company	<u>107.169</u>	<u>83.739</u>
	<u>4.870.239</u>	<u>3.805.465</u>

In the periods ended 31 March 2024 and 31 March 2023, no advance payments and loans were granted to the company's administrators and management, except for advance payments from salaries and those for business trips, and they don't owe any amount from such advance payments to the company at the end of the period .

The company has no contractual obligations related to pensions towards the current administrators and directors.

The provision for the mandate contract is presented in Note 20.

The company has no contractual obligations related to pensions towards the former administrators and directors.

ii) Loan to a related party

	31 March 2024 (unaudited)	31 December 2023
Loan to Resial SA	1.770.346	1.770.346
Minus the adjustment for loan impairment	<u>(1.770.346)</u>	<u>(1.770.346)</u>

Dividends allocated are presented in Note 15. Royalties paid are presented in Note 3.8.

iii) Revenue from related parties – services supplied (VAT excluded)

	Relationship	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
SNGN Romgaz	Entity under common control	72.635.108	39.924.383
Electrocentrale București SA	Entity under common control	33.697.309	24.561.544
Electrocentrale Constanța	Entity under common control	-	1.865.062
Termo Calor Confort	Entity under common control	1.377.620	736.950
Complex Energetic Oltenia	Entity under common control	1.318.824	-
E.ON Energie Romania	Entity under common control	<u>89.175.901</u>	<u>50.503.877</u>
		<u>198.204.762</u>	<u>117.591.816</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

iv) Sales of other goods and services (VAT excluded)

	<u>Relationship</u>	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
SNGN Romgaz	Entity under common control	10.929	210.553
Electrocentrale Deva	Entity under common control	378.784	235.906
Electrocentrale Bucuresti	Entity under common control	1.068	196
Electrocentrale Constanța	Entity under common control	1.205.718	1.410.489
E.ON Energie Romania	Entity under common control	2.387	498
Complex Energetic Oltenia	Entity under common control	1.165	-
		<u>1.600.051</u>	<u>1.857.642</u>

v) Gas sales – the balancing activity (VAT excluded)

	<u>Relationship</u>	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
SNGN Romgaz	Entity under common control	217.865	5.926.720
Electrocentrale București	Entity under common control	1.965.767	1.281.570
Electrocentrale Constanța	Entity under common control	-	129.720
Termo Calor Confort	Entity under common control	673.998	262.269
Complex Energetic Oltenia		536.571	-
E.ON Energie Romania	Entity under common control	13.067.629	25.815.036
		<u>16.461.830</u>	<u>33.415.315</u>

vi) Receivables from related parties (without the adjustment)

	<u>Relationship</u>	<u>31 March 2024</u> (unaudited)	<u>31 December</u> <u>2023</u>
SNGN Romgaz	Entity under common control	27.933.438	28.329.053
Electrocentrale Deva	Entity under common control	18.348	9.174
Electrocentrale București	Entity under common control	11.760.375	18.693.819
Electrocentrale Constanța	Entity under common control	11.112	9.922
Termo Calor Confort	Entity under common control	(31.412)	(12.753)
E.ON Energie Romania	Entity under common control	57.223.169	66.052.151
Complex Energetic Oltenia	Entity under common control	225.432	317.799
Eurotransgaz SRL	Company branch	-	14.911
		<u>97.140.462</u>	<u>113.414.076</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

vii) Client receivables – the balancing activity (without the adjustment)

	<u>Relationship</u>	31 March 2024 (unaudited)	31 December 2023
SNGN Romgaz	Entity under common control	209.383	48.536
Electrocentrale Constanța	Entity under common control	355.442	887.141
Complex Energetic Oltenia	Entity under common control	3.429	730.887
Electrocentrale București	Entity under common control	1.101.689	696.232
Termo Calor Confort	Entity under common control	158.225	183.036
Complex Energetic Hunedoara	Entity under common control	63.345	-
E.ON Energie Romania	Entity under common control	<u>3.717.607</u>	<u>10.987.869</u>
		<u>5.609.120</u>	<u>13.533.701</u>

viii) Procurement of services from related parties (other services – VAT excluded)

	<u>Relationship</u>	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
SNGN Romgaz	Entity under common control	9.592.809	4.427.220
E.ON Energie Romania	Entity under common control	-	2.122.311
Termo Calor Confort	Entity under common control	-	840.306
Complex Energetic Oltenia	Entity under common control	1.333	1.132
Electrocentrale Constanța	Entity under common control	-	68.459
Electrocentrale București	Entity under common control	<u>2.126</u>	<u>1.294.992</u>
		<u>9.596.268</u>	<u>8.754.420</u>

ix) Procurement of gas – the balancing activity (VAT excluded)

	<u>Relationship</u>	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
SNGN Romgaz	Entity under common control	2.047.872	2.124.336
Electrocentrale București	Entity under common control	474.174	1.419.988
Electrocentrale Constanța	Entity under common control	-	6.648.753
Termo Calor Confort	Entity under common control	511.068	1.452.233
Complex Energetic Oltenia	Entity under common control	184.865	-
E.ON Energie Romania	Entity under common control	<u>8.110.132</u>	<u>12.928.162</u>
		<u>11.328.111</u>	<u>24.573.472</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

x) Procurement of natural gas (VAT excluded)

	<u>Relationship</u>	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
SNGN Romgaz	Entity under common control	<u>12.896.077</u>	<u>2.711.327</u>
		<u>12.896.077</u>	<u>2.711.327</u>

xi) Debts to gas suppliers – balancing activity (VAT included)

	<u>Relationship</u>	31 March 2024 (unaudited)	31 December 2023
SNGN Romgaz	Jointly controls entities	<u>30.967.889</u>	<u>26.158.660</u>
		<u>30.967.889</u>	<u>26.158.660</u>

xii) Debts to affiliated parties from services (other services - VAT included)

	<u>Relationship</u>	31 March 2024 (unaudited)	31 December 2023
SNGN Romgaz	Entity under common control	13.665.691	1.758.019
Complex Energetic Oltenia	Entity under common control	514	514
Electrocentrale București	Entity under common control	-	1.008
		<u>13.666.205</u>	<u>1.759.541</u>

xiii) Debts to suppliers – balancing activity (VAT included)

	<u>Relationship</u>	31 March 2024 (unaudited)	31 December 2023
SNGN Romgaz	Entity under common control	2.197.506	3.034.455
Electrocentrale București	Entity under common control	184.438	2.272.291
Termo Calor Confort	Entity under common control	98.987	217.766
E.ON Energie Romania	Entity under common control	672.549	11.359.387
Complex Energetic Oltenia	Entity under common control	<u>188.632</u>	<u>256.844</u>
		<u>3.342.112</u>	<u>17.140.743</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

xiv) Guarantees from affiliates (bank guarantee letter)

	<u>Relationship</u>	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
SNGN Romgaz	Entity under common control	29.736.679	28.811.298
E.ON Energie Romania	Entity under common control	47.909.711	52.201.315
Electrocentrale București		<u>12.100.000</u>	<u>8.275.580</u>
		<u>89.746.390</u>	<u>89.288.193</u>

xv) Loans and interest to be reimbursed

	<u>Relationship</u>	<u>31 March 2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>201.579.760</u>	<u>212.813.723</u>
		<u>201.579.760</u>	<u>212.813.723</u>

xvi) Transactions during the period

	<u>Relationship</u>	<u>The three months</u> <u>ended</u> <u>31 March 2024</u> <u>(unaudited)</u>	<u>The three months</u> <u>ended</u> <u>31 March 2023</u> <u>(unaudited)</u>
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>3.818.825</u>	<u>5.018.393</u>
		<u>3.818.825</u>	<u>5.018.393</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

28. EARNINGS PER SHARE

The company shares are listed on the first category of the Bucharest Stock Exchange.

Basic earnings per share are calculated by dividing the profit attributable to the company's equity holders to the average number of ordinary shares existing during the year.

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Profit attributable to the company's equity holders	241.938.491	125.366.396
Weighted average of the number of shares	188.381.504	188.381.504
Basic and diluted earnings per share (lei per share)	1,28	0,67

By Decision no. 11/7 December 2022, the Extraordinary General Meeting of Shareholders of Transgaz approved the increase of the share capital of the Company by incorporating the reserves constituted from the net profit of previous years in the amount of 1.766.076.600 lei, from the amount of 117.738.440 lei to the amount of 1.883.815.040 lei, through the issue of 176.607.660 new shares with a value of 10 lei/share. The share capital increase was registered with the National Trade Register Office on 19 December 2022.

29. SIGNIFICANT TRANSACTIONS NOT INVOLVING CASH

Compensations

Approximately 1,51% of the receivables were settled by transactions that haven't involved cash outflows during the period ended 31 March 2024 (31 March 2023: 9,94%). Transactions mainly represent offsets with clients and suppliers within the operating cycle and offsets between tax debts and receivables registered with the state budget.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

i) Commitments

The Service Concession Agreement (S.C.A. - Note 8) provides that, at the end of the agreement, the ANRM is entitled to receive back, all goods of public property existing when the agreement was signed and all investments made into the national transmission system, in accordance with the investment program stipulated in the service concession agreement. The company also has other obligations related to the concession agreement, which are described in Note 8.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the owner of the national transmission system or to another grantor in exchange for compensation equal to the unamortized regulated value established by ANRE, as presented in Note 3.18.

On 31 March 2024 the value of the contractual firm obligations for the purchase of tangible and intangible assets is of lei 1.480.860.342.

Eurotransgaz SRL, the company established and owned by Transgaz in Moldova, was appointed the winner of the privatization investment contest for the single patrimonial complex State Enterprise Vestmoldtransgaz operating the Iasi-Ungheni gas transmission pipeline on the territory of Moldova.

The company is a guarantor of the loan agreement concluded on 24 January 2019 between the European Investment Bank and Eurotransgaz, in total amount of Euro 38 million, for the funding of the construction by Vestmoldtransgaz of the Ungheni-Chisinau gas transmission pipeline.

ii) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European law. However, there are still various interpretations of the tax law. In Romania, the tax year remains open for fiscal verification for 5 years. The company's management believes that fiscal obligations included in these financial statements are properly presented and that it is not necessary for any additional provisions to be established to cover the uncertainties related to tax treatment.

The royalty rate for the use of gas transmission pipelines is set by the government. Since October 2007, the royalty has been set at 10% of revenue. After the entry into force of Art. 103 para. 2 of the Law no. 123/2012, starting from 12 November 2020 the fee was set at 0,4% of the domestic and international gas transmission services value performed by the company. ANRM requests Transgaz to calculate and pay the royalty by applying the percentage of 10% according to Law 238/2004, for the period between November 2020 – December 2021. The company considers that it is obliged to calculate and pay a single royalty at the rate of 0,4% established by the special law, namely Law 123/2012. Law 248/July 2022 approving GEO 143/2021 amending and supplementing the Electricity and gas Law 123/2012 sets the royalty percentage at 0.4% of the gross revenue from natural gas transmission and the specialist report drawn up by the specialist committees of the Chamber of Deputies clarifies that the Electricity and gas Law 123/2012 is a special regulation in the field of natural gas, in relation to Oil Law 238/2004. Administrative and judicial dispute settlement is detailed in the chapter "Court and other actions".

iii) Insurance policies

The company does not have insurance policies related to operations, complaints on products, or for the public debt. The company has insurance policies for buildings and mandatory civil liability policies for the car fleet. Moreover, the company has contracted professional liability insurance services for the members of the Board of Administration and for 57 managers in 2024 (58 managers in 2023).

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

iv) Environmental aspects

Environmental regulations are under development in Romania and the company did not record any obligation on 31 March 2024 and 31 December 2023 related to anticipated expenses that include legal and consulting fees, analysis of locations, preparing and implementing recovery measures related to environmental protection. The management of the company believes there are no significant obligations related to environmental aspects.

v) Lawsuits and other actions

During the normal activity of the company, the various disputes in which the company is a defendant or plaintiff has been registered in the courts. The company has pending disputes for the lack of use of some lands occupied with NTS objectives, commercial and labour disputes. Based on its own estimates and internal and external consulting, the company's management believes there will be no material loss exceeding the provisions established in these financial statements and is not aware of circumstances that give rise to potentially significant obligations in this regard.

The company was the subject of an investigation by the Competition Council regarding the manner in which procedures were awarded for works contracts carried out by Transgaz during 2009-2011, before the implementation of corporate management according to the provisions of GEO 109/2011 on corporate governance of public enterprises.

In 2020, the Competition Council communicated Decision no. 43 / 11.08.2020 sanctioning the Company with a fine in the amount of lei 34.166.616. The company challenged in court the decision of the Competition Council. (Note 20). The dispute concerns an action for annulment of the decision. At first instance, Transgaz' application was dismissed as unfounded. The company lodged an appeal.

As of 6 June 2016, the company was subject to an inspection carried out by the European Commission - Directorate General for Competition under Art. 20 (4) of Council Regulation (EC) No 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty, which became Articles 101 and 102 of the Treaty on the Functioning of the European Union. In 2020, the European Commission approved the Company's commitments to address concerns related to a possible breach of Article 102 of the Treaty on the Functioning of the European Union, namely:

- to provide a minimum export capacity of 1,75 billion cubic meters per year at the interconnection point between Romania and Hungary (Csanádpalota);
- to make available minimum export capacities of 3.7 billion cubic meters per year in total at two interconnection points between Romania and Bulgaria (Giurgiu / Ruse and Negru Vodă I / Kardam);
- to make sure that the tariffs to be proposed to the Romanian Energy Regulatory Authority (ANRE) will not make any difference between the export and the domestic markets, thus avoiding interconnection tariffs that render exports commercially non-feasible;
- refrain from using any other means of obstructing exports.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

The company meets its commitments and, based on its own estimates, the company's management considers that there are no circumstances that would give rise to significant potential liabilities in this regard.

Following the conclusion of the arbitration proceedings with Bulgargaz EAD, the arbitral tribunal upheld Bulgargaz EAD's claim and ordered the restitution of the quantity of natural gas of 6.733.433 cm and, if restitution in kind is not possible, the reimbursement of the monetary equivalent of the linepack, and statutory interest (Note 20). The decision of the arbitral tribunal has been appealed and the action for annulment has been registered with the Bucharest Court of Appeal. The action for annulment was dismissed as unfounded. Transgaz lodged an appeal. The Court of Cassation of the Court of Justice has admitted Transgaz' appeal, the case being sent to the Bucharest Court of Appeal for retrial.

The dispute between ANRM and Transgaz was the subject of a tax inspection of the royalty which ended with the issuance of a mandatory order to pay two royalty rates, namely 10% and 0,4% of the value of domestic and international natural gas transmission services performed by the company. The company lodged a preliminary complaint against the mandatory provision no. 6006/250938/IEF/14.04.2022 issued by the Ministry of Finance, by which Transgaz S.A. was charged with the payment of the amount of 152,964,894 lei, representing the royalty due to the state budget and ancillaries. The preliminary complaint was upheld and the Ministry of Finance, by decision 82/P/2022, ordered the annulment in its entirety of binding order No 6006/250938/IEF/14.04.2022 and the issue of a new order taking into account the considerations put forward by the Ministry of Finance in the decision. Following decision no 85/P/2022 issued by the Ministry of Finance, binding order No 6009/253087/IEF of 14.12.2022 was issued, which only supplements the recitals of the first decision, maintaining the same amount payable by Transgaz. The company lodged a preliminary complaint against this new provision, which was rejected by the settlement body. An appeal was also lodged with the court, within the legal time-limit, against the administrative act consisting of mandatory order 6009/253087/IEF., seeking its full annulment. The application for the annulment of the mandatory injunction 6009 was decided on the merits by the Bucharest Court of Appeal, which rejected it. Following the communication of the decision, Transgaz will file an appeal. At the same time, the Company has lodged a bank guarantee letter in order to suspend the execution of this mandatory provision, in accordance with the provisions of the Tax Procedure Code (Note 16).

The Directorate-General for European Large-Scale Infrastructure Programmes has sanctioned Transgaz, applying a series of financial corrections as it considered the requests in the call for tenders for sectoral procurement procedures concerning the provision of a tender guarantee and a performance guarantee, by means of a guarantee instrument (bank letter of guarantee of participation/insurance policy) issued by a credit institution/insurance company in Romania or in another EU state, were restrictive, limiting the possibility for potential bidders to present such a document issued in a non-EU state. Transgaz has objected to the findings of the Directorate-General for European Large-Scale Infrastructure Programmes concerning the irregularities relating to the restrictive or discriminatory nature of the requirement for a performance/participation guarantee. Since the defendant unlawfully rejected Transgaz' objection, an action was brought for annulment of the decisions rejecting Transgaz' objections. Transgaz' action was dismissed as unfounded, and an appeal was lodged against that decision.

The Company considers that no additional adjustments to those disclosed in the financial statements are necessary.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

vi) Government policies in the gas sector in Romania

ANRE is an autonomous public institution and sets tariffs for the natural gas transmission activity charged by the company. It is likely that the Agency decides the implementation of changes of the government strategies in the gas sector, determining changes in the tariffs approved for the company and, thus, having a significant impact on the company's revenue. At the same time, the Romanian government could decide to change the royalty applied to the company for using the assets part of the public domain according to SCA.

Currently, the effects cannot be determined, if they exist, of the future government policies in the gas sector in Romania on the company's asset and liability.

There are various interpretations of the legislation in force. In certain situations, ANRE may treat differently certain aspects, proceeding to the calculation of additional tariffs and of delay penalties. The company's management believes that its obligations to ANRE are properly presented in these financial statements.

ANRE Order no.126/12.2021 approved the modification of the contractual clauses for the balancing activity and access to the PVT which allows the Company to terminate access to the virtual trading point (VTP) and to terminate balancing contracts, for network users who register cumulative imbalances of the Deficit type during the month higher than the guarantees established.

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 the natural gas transmission tariffs for 2021, the Energy Regulatory Authority (ANRE) modifies the regulated tariffs, with effect from 1 April 2022, and the resulting tariffs shall remain unchanged for the period from 1 April 2022 to 31 March 2023. ANRE did not modify the transmission tariffs with the price increase substantiated by the company.

By Order no. 95/18.05.2022, ANRE extends the deadlines laid down in ANRE Order no. 32/2021 on the approval of the adjusted regulated revenue and transmission tariffs for the transmission of natural gas through the National Transmission System until 30 September 2023 and provides that the differences resulting from the recalculation of the regulated revenue and the adjusted regulated revenue for the fourth regulatory year, 1 October 2022 – 31 December 2023, of the fourth regulatory period, shall be 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. 1 October 2023 – 31 December 2024.

From 1 October 2023, the natural gas transmission tariffs approved by the Order of the President of ANRE no.68 of 30.05.2023 are applicable. The approved regulated revenue related to natural gas transmission for the period from 1 October 2023 to 30 September 2024 is lei 1.647.347.820.

According to GEO no. 119/1 September 2022 amending and supplementing Government Emergency Ordinance no. 27/2022 on measures applicable to end customers in the electricity and natural gas market for the period from 1 April 2022 to 31 March 2023, the natural gas transmission service provider is required to capitalise on a quarterly basis the additional costs for the procurement of natural gas incurred during the period from 1 January 2022 to 31 August 2023 to cover technological consumption, compared to the costs included in the regulated tariffs, and the assets resulting from the capitalisation

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

shall be recognised in the accounting records and financial statements in accordance with the instructions issued by the Ministry of Finance.

By Order 111/24 August 2022, ANRE stipulates, as of 1 October 2022, that the mechanism ensuring cost and revenue neutrality of the TSOs take into account the following categories of costs and revenues:

- a) costs and revenues of the TSO as a result of the payment or collection of imbalance charges under the provisions of the Network Code in relation to individual NUs;
- b) costs and revenues arising from the purchase/sale of gas by the TSO for the physical balancing of the NTS, in compliance with the procedure on the operating limits of the NTS, approved by the TSO and endorsed by ANRE;
- c) costs and revenues resulting from the activity of natural gas storage intended to ensure the physical balance of the transmission system in accordance with the provisions of Article 130(1) of the Law no. 123/2012 on electricity and natural gas, as amended;
- d) costs arising from the taking out of a credit line to finance physical and commercial balancing activity;
- e) costs and revenues arising from the contracting of balancing services, in accordance with the provisions of Article 832 of the Network Code and Article 6(3) b of Regulation (EU) No 312/2014.

vii) The military conflict in Ukraine

As of 24 February 2022, a military conflict is taking place on the territory of Ukraine. Gas flows can be redirected through the Negru Voda entry point and other interconnection points with transmission operators in Bulgaria and Hungary. The Company considers that no additional adjustments to those disclosed in the financial statements are necessary.

31. FEES OF THE STATUTORY AUDITOR

The fees for the financial year ended 31 December 2022 charged by BDO Audit SRL, invoiced in 2023 are: lei 174.989 (VAT excluded) for statutory audit services and lei 87.040 (VAT excluded) for other services than the statutory audit.

The fees for the financial year ended 31 December 2023 charged by BDO Audit SRL (leader) - BDO Audit & Consulting SRL (Associate) SRL are amounting to Lei 463.000 (VAT excluded).

NOTES TO THE FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

32. REVENUE AND COSTS FROM THE CONSTRUCTION OF ASSETS

In accordance with IFRIC 12 the revenue and costs of network construction should be recognized in accordance with IFRS 15 Revenue from Contracts with Customers.

	The three months ended 31 March 2024 (unaudited)	The three months ended 31 March 2023 (unaudited)
Revenue from the construction activity according to IFRIC12	223.547.415	10.755.830
Cost of assets constructed according to IFRIC12	(223.547.415)	(10.755.830)

The related costs were equal to the revenue, the company did not obtain any profit from the construction activity.

33. EVENTS SUBSEQUENT TO THE BALANCE DATE

OGMS Resolution No. 3 of 24 April 2024 approved the distribution of profits related to 2023 and the amount of the dividend per share.

Director – General
 Ion Sterian

Chief Financial Officer
 Marius Lupean