

The National Gas Transmission Company TRASGAZ SA



CONSOLIDATED REPORT ISSUED BY THE BOARD OF ADMINISTRATION FOR HALF I 2023 -CONSOLIDATED-

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ADMINISTRATORS' MESSAGE

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

With a long tradition in Romania, gas transmission is a strategic activity for the national economy. The performance of this activity increased year by year through the work, passion and professionalism of those who have worked in this field and contributed to what SNTGN TRANSGAZ SA is today - a responsible company, a company of the future, a company in which the corporate governance model added value and the transparency needed to increase of the stakeholders in the management and performance of the company.

Acting with professionalism, integrity and responsibility, the members of the Board of Administration demonstrated through the results obtained every year that they have become a strong team, adapted to the current economic and political context, able to undertake and fulfil responsibilities of great scope and strategic importance not only for the future of the company but also for the sustainable development of the national economy.

The undertaken strategic objectives regarding the management of SNTGN Transgaz SA in 2021-2025 aim at increasing the company's performance, streamlining the company's activity, aligning it with modern standards of performance and corporate governance and making SNTGN TRANSGAZ SA an internationally recognized company, a leader on the energy market in the region, making the most of all existing and future opportunities for Romania to become an important energy corridor for natural gas to Europe.

*For SNTGN Transgaz SA, an objective of strategic importance deriving from the European Green Deal for a transition to the green economy is the **establishment and implementation of a strategy for the repurposing and retrofitting of the existing natural gas transmission infrastructure for the use of hydrogen and other green gases, for decarbonization.***

Our guarantee for success in the face of the challenges and constraints of the external and internal context in which the company operates and will operate is the link between the management strategies and the expertise and professional experience of the human resources employed to operationalize these strategies.

Yours sincerely,

ION STERIAN – Executive Administrator – Director - General

PETRU ION VĂDUVA – Non-Executive Administrator

NICOLAE MINEA– Non-Executive Administrator

CSABA OROSZ – Non-Executive, Interim Administrator

AGAFIȚEI GHEORGHİȚĂ - Non-Executive, Interim Administrator

1. REPORT AND ISSUER GENERAL DATA

Basis of the report	Report for the Half I 2023, prepared in accordance with the provisions of Law 24/2017 on issuers of financial instruments and market operations (Article 67) and FSA Regulation 5/2018 on issuers of financial instruments and market operations (Annex 14), as amended, for the 6-month period ended 30 June 2023 - Half I of financial year 2023
Date of the report:	9 August 2023
Name of the issuer	The National Gas Transmission Company TRANSGAZ SA
Headquarters	Mediaş,1 C.I. Motaş Square, code 551130, Sibiu county
Phone/fax	0269-803333/0269-839029
Web/e-mail	www.transgaz.ro / cabinet@transgaz.ro
Trade register number	J32/301/2000
Tax registration code	RO13068733
Regulated market on which the securities issued are traded	Bucharest Stock Exchange
Subscribed and paid-up share capital	1.883.815.040 lei
Main characteristics of securities issued	188.381.504 shares with a nominal value of 10 lei. The shares are registered, ordinary, indivisible, issued in dematerialised form and freely tradable since 2008 under the TGN stock exchange symbol

2. EXECUTIVE SUMMARY HALF 1 2023

2.1. Consolidated companies in the Transgaz group:

		Share (%)
SNTGN Transgaz SA	Parent company	
Eurotransgaz SRL, the Republic of Moldova	Company held by SNTGN Transgaz SA	100%
Vestmoldtransgaz SRL, the Republic of Moldova	Company held by Eurotransgaz SRL	75%

The establishment of the company EUROTRANSGAZ SRL on the territory of the Republic of Moldova was approved by Extraordinary General Meeting of the Shareholders Resolution (EGMS)

10/12.12.2017 for enabling participation in the privatization procedure of the State Enterprise Vestmoldtransgaz. Transgaz is the sole shareholder of EUROTRANSGAZ SRL.

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

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

2.2. Indicators of the consolidated economic and financial results

Consolidated standard performance indicators

In Half I 2023, the economic and financial activity of the National Gas Transmission Company Transgaz S.A. was conducted based on the indicators included in the Revenue and Expense Budget (REB) approved by Ordinary General Meeting of the Shareholders Resolution (OGMS) Resolution 2/16.02.2023.

The value of the consolidated standard performance indicators on 30 June 2023 as compared to their value as at 30 June 2022 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					Half I 2023	Half I 2022
1.	Commissioned investments	Plan achieved	Thousand lei	0,15	286.717	63.530
2.	EBITDA	EBITDA increase	Thousand lei	0,15	265.680	243.570
3.	Labour productivity	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/ pers.	0,15	239	291
4.	Outstanding payments	Payments made during the contract duration (in current prices)	Thousand lei	0,15	0	0
5.	Outstanding receivables	Diminished amount of outstanding receivables (in current prices)	Thousand lei	0,1	592.348	505.259
6.	NTS gas consumption	Remaining within the gas quantities representing NTS gas consumption	%	0,15	42,37%	51,25%
7	OPEX at lei 1000 operating revenue	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	957	958

Table 1 - Consolidated standard performance indicators in Half I 2023 compared to Half I 2022

Consolidated profitability, liquidity, risk and management indicators

The values of the consolidated profitability, liquidity, risk and management indicators in Half I 2023 as compared to the same period of 2022:

No.	Indicators	Calculation formula	Half I 2023	Half I 2022
1.	Profitability indicators			
	EBITDA in total sales	EBITDA	27,68%	20,68%
		Turnover		
	EBITDA in equity	EBITDA	6,63%	6,27%
		Equity		
	Gross profit share	Gross profit	9,76%	18,83%
		Turnover		
	Return on equity	Net profit	1,77%	4,57%
		Equity		
2.	Liquidity indicators			
	Current liquidity indicator	Current assets	1,29	1,10
		Short term debts		
	Acid test ratio	Current assets - Stocks	0,65	0,63
		Short term debts		
3.	Risk indicators			
	Leverage indicator	Borrowed capital	48,87%	45,67%
		Equity		
	Interest coverage ratio	EBIT	1,71	2,75
		Interest expense		
4.	Management indicators			
	Days' sales outstanding	Average accounts receivable x 181 days	141,21	117,94
		Turnover		
	Days' payable outstanding	Average accounts payable x 181 days	36,75	53,78

Table 2 - Consolidated profitability, liquidity, risk and management indicators in Half I 2023

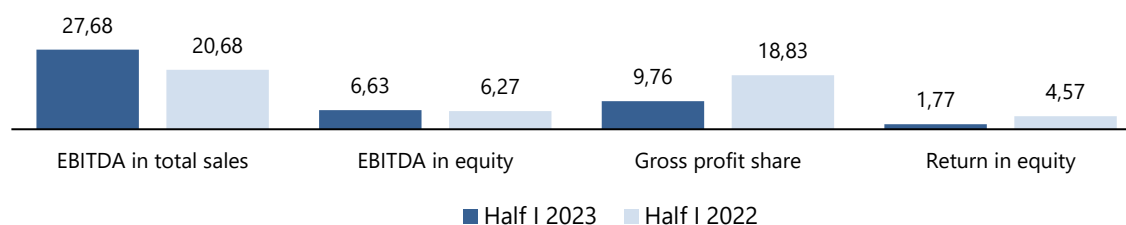


Chart 1 - Consolidated profitability indicators evolution in Half I 2023 compared to Half I 2022

The main consolidated economic and financial indicators obtained in Half I 2023 as compared to the same period of 2022 are as follows:

Thousand lei

No.	Indicator	Consolidated Half I 2023	Consolidated Half I 2022	Dynamics (%)
0	1	2	3	$4=2/3*100$
1.	Turnover	959.687	1.178.055	81,46
2.	Operating revenue before balancing and the construction activity according to IFRIC12	761.091	703.917	108,12
3.	Revenue from balancing	263.067	540.476	48,67
4.	Revenue from the construction activity according to IFRIC12	35.270	104.332	33,81
5.	Financial revenue	140.742	294.951	47,72
6.	Operating cost before balancing and the construction activity according to IFRIC12	728.224	674.517	107,96
7.	Cost of balancing gas	263.067	540.476	48,67
8.	Cost of constructed assets according to IFRIC12	35.270	104.332	33,81
9.	Financial cost	79.898	102.579	77,89
10.	Gross profit	93.711	221.772	42,26
11.	Profit tax	22.892	44.494	51,45
12.	Net profit	70.818	177.278	39,95
13.	Total comprehensive result related to the period	89.546	179.963	49,76
14.	Transmitted gas -thousand cm-	6.363.964	6.472.856	98,32
15.	Investment cost	44.650	110.970	40,24
16.	Rehabilitation cost	7.101	8.152	87,10
17.	Technological consumption thousand lei	61.633	78.403	78,61
18.	Technological consumption thousand cm	30.640	43.908	69,78

Table 3- Main consolidated economic and financial indicators in Half I 2023 compared to Half I 2022

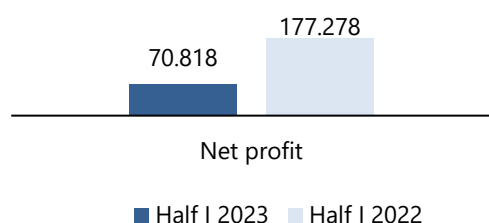


Chart 2 - Net profit (consolidated) in Half I 2023 compared to Half I 2022 (thousand lei)

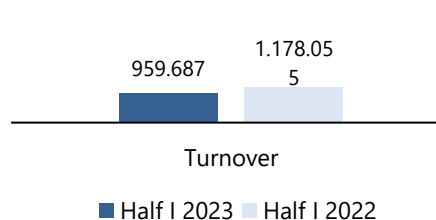


Chart 3- Turnover (consolidated) Half I 2023 compared to Half I 2022 (thousand lei)

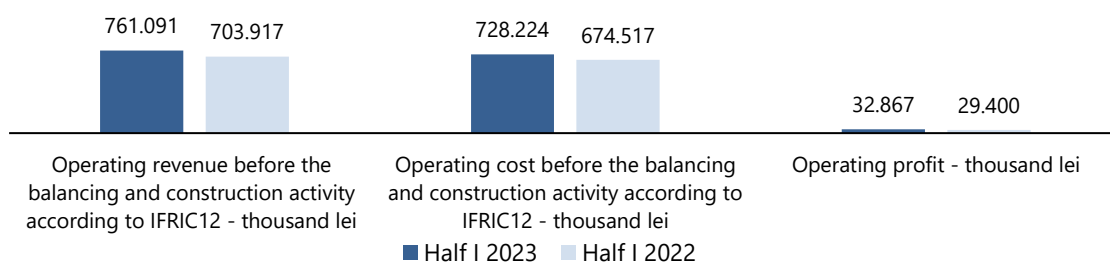


Chart 4- Consolidated operating revenue, expense and profit, before the construction activity according to IFRIC 12 – Half I 2023 compared to Half I 2022 (thousand lei)



Chart 5- Main consolidated economic and financial indicators in Half I 2023 compared to Half I 2022 (thousand lei)

2.3. Indicators of the individual economic and financial results

Individual standard performance indicators

The economic and financial activity of the National Gas Transmission Company Transgaz S.A. in Half I 2023 was conducted based on the indicators established in the Revenue and Expense Budget approved by OGMS Resolution 2/16.02.2023.

The value of the individual standard performance indicators on 30 June 2023 as compared to their value on 30 June 2022 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					Half I 2023	Half 2022
1.	Commissioned investments	Plan achieved	Thousand lei	0,15	286.371	63.887
2.	EBITDA	EBITDA increase	Thousand lei	0,15	264.798	246.315
3.	Labour productivity	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/ pers.	0,15	360	293
4.	Outstanding payments	Payments made during the contract duration (in current prices)	Thousand lei	0,15	0	0
5.	Outstanding receivables	Diminished amount of outstanding receivables (in current prices)	Thousand lei	0,1	592.348	505.259
6.	Technological consumption	Remaining within the gas quantities representing technological consumption	%	0,15	42,37%	51,25%
7.	OPEX at lei 1000 operating revenue	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	948	948

Table 4 – Individual standard performance indicators in Half I 2023 compared to Half I 2022

Individual profitability, liquidity, risk and management indicators

The comparative situation of the values of individual profitability, liquidity, risk and management indicators in Half I 2023 compared to the values recorded by these indicators at the end of Half I 2022 is presented in the following table:

Indicators	Calculation formula	Half I 2023	Half I 2022
Profitability indicators			
EBITDA in total sales	EBITDA	27,69%	20,91%
	Turnover		
EBITDA in equity	EBITDA	6,56%	6,32%
	Equity		
Gross profit share	Gross profit	10,59%	19,52%
	Turnover		
Return on equity	Net profit	1,95%	4,76%
	Equity		
Liquidity indicators			
Current liquidity indicator	Current assets	1,27	1,01
	Short term debts		
Acid test ratio	Current assets - Stocks	0,61	0,55
	Short term debts		
Risk indicators			
Leverage indicator	Borrowed capital	44,16%	40,66%
	Equity		
Interest coverage ratio	EBIT	1,68	2,53
	Interest expense		
Management indicators			
Days' sales outstanding	Average accounts receivable x 181 days	141,74	117,94
	Turnover		
Days' payable outstanding	Average accounts payable x 181 days	36,89	53,78
	Turnover		

Table 5 – Individual profitability, liquidity, risk and management indicators in Half I 2023 compared to Half I 2022

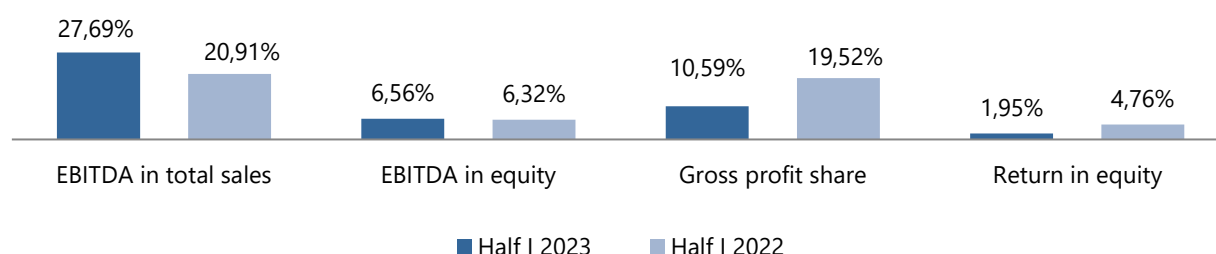


Chart 6- Individual profitability indicators in Half I 2023 compared to Half I 2022

The main individual economic and financial indicators obtained in Half I 2023 as compared to the same period of 2022 are as follows:

No.	Indicator	MU	Half I 2023	Half I 2022	Dynamics (%)
0	1	2	3	4	$5=4/3*100$
1.	Turnover	thousand lei	956.144	1.178.055	81,16
2.	Operating revenue before balancing and the construction activity according to IFRIC12	thousand lei	757.139	703.921	107,56
3.	Operating cost before balancing and the construction activity according to IFRIC12	thousand lei	717.504	667.242	107,53
4.	Operating profit before balancing and the construction activity according to IFRIC12	thousand lei	39.635	36.679	108,06
5.	Revenue from balancing	thousand lei	263.067	540.476	48,67
6.	Cost of balancing gas	thousand lei	263.067	540.476	48,67
7.	Revenue from the construction activity according to IFRIC12	thousand lei	35.270	104.332	33,81
8.	Cost of constructed assets according to IFRIC12	thousand lei	35.270	104.332	33,81
9.	Operating profit	thousand lei	39.635	36.679	108,06
10.	Financial revenue	thousand lei	125.418	277.698	45,16
11.	Financial cost	thousand lei	63.781	84.475	75,50
12.	Gross profit	thousand lei	101.272	229.903	44,05
13.	Profit tax	thousand lei	22.451	44.097	50,91
14.	Net profit	thousand lei	78.821	185.805	42,42
15.	Transmitted gas	MWh	69.206.474	70.736.578	97,84
16.	Investment cost	thousand lei	50.542	118.230	42,75
17.	Rehabilitation cost	thousand lei	7.086	8.003	88,54
18.	Technological consumption	thousand lei	61.633	78.403	78,61
19.	Technological consumption	MWh	331.546	462.795	71,64

Table 6- Main individual economic and financial indicators in Half I 2023 compared to Half I 2022

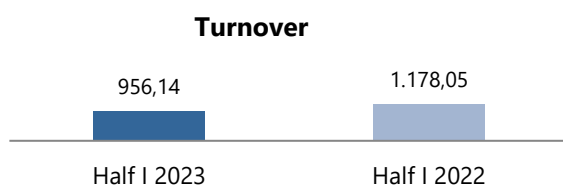


Chart 7- (Individual) Turnover in Half I 2023 compared to Half I 2022 (million lei)

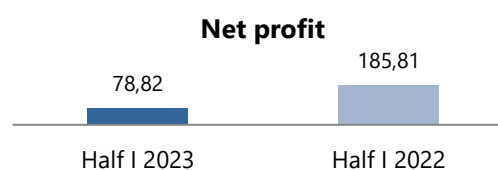


Chart 8 – (Individual) Net profit in Half I 2023 compared to Half I 2022 (million lei)

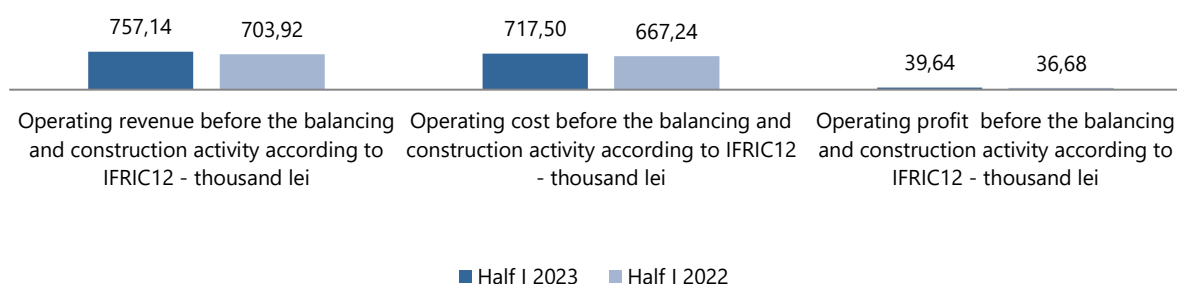


Chart 9 – Individual operating revenue, expense and operating profit before the construction activity according to IFRIC 12 in Half I 2023 compared to Half I 2022 (thousand lei)

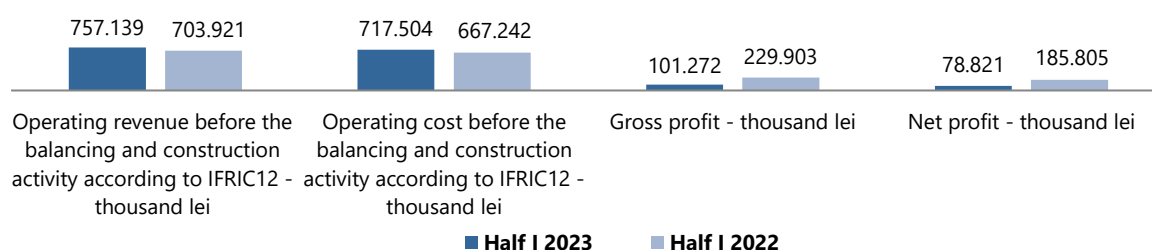


Chart 10 - Main individual economic and financial indicators in Half I 2023 compared to Half I 2022 (thousand lei)

Transgaz holds the monopoly in Romania in terms of natural gas transmission and circulates approximately 90% of the total natural gas consumed.

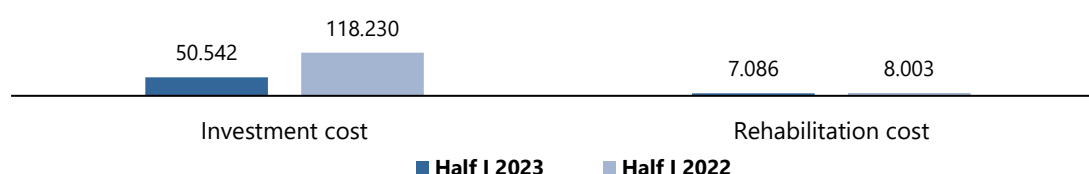


Chart 11 - Individual investment and rehabilitation costs in Half I 2023 compared to Half I 2022 (thousand lei)

2.4. Important events

24 January 2023 - A day of double significance for SNTGN Transgaz SA: 164 years since the Great Union and 15 years since the company was listed on the Bucharest Stock Exchange.

On 24 January 2008, SNTGN Transgaz SA became a publicly traded company listed on the Bucharest Stock Exchange under the TGN stock symbol, in the Premium category.

As a result of being a publicly traded company, SNTGN Transgaz SA has gained much in terms of reputational capital, both in terms of managerial know-how and the rigours of transparency,

communication and investor relations and all the experience gained from working under excellent conditions with all capital market institutions.

16 March 2023 at the Government of Romania SNTGN Transgaz SA, in its capacity as national gas transmission system operator, OMV Petrom SA and SNGN Romgaz SA signed the Ceremonial Declaration on the conclusion of the gas transmission contracts concluded following the capacity booking procedure for the Tuzla Black Sea gas NTS entry/exit point .

The creation of a transmission infrastructure linking the natural gas in the Neptun Deep block to the BRUA corridor is a project of particular importance for Romania in terms of energy security, and the signing of these contracts is the main condition for the development of this infrastructure.

20 April 2023 - Transgaz and E.ON Romania signed a Memorandum of Understanding under which they intend to work together to strengthen Romania's energy security by aligning and correlating their natural gas infrastructure development strategies with the provisions of the European Green Deal and other European legislation in the field.

The Memorandum provides for timely collaboration on several coordinates and underlines the companies' interest in developing new directions of cooperation by identifying and engaging in projects of common interest, with the aim of developing and transforming the natural gas transmission and distribution infrastructure to serve consumers with emission-free energy in the long term.

28 April 2023 -SNTGN Transgaz SA celebrates 23 years since its establishment as a separate company by Government Resolution 334/28 April 2000, 23 years of dedication to ensuring Romania's energy security, to the development of the Romanian economy and society.

16 June 2023 - At the Romanian Government headquarters, in the presence of the Vice Prime Minister, Mr. Marian Neacșu and the Minister of Energy, Mr. Sebastian Burduja, the Director - General of SNTGN Transgaz SA, Mr. Ion Sterian, signed the work commencement order for the Tuzla-Podișor gas pipeline.

Transgaz signed the works contract with the company KALYON INSAAT SANAYI VE TICARET ANONIM SIRKETI of Turkey. The Tuzla - Podișor gas pipeline project, amounting to approximately EUR 500 million, consists of the construction of a 308,3 km long natural gas transmission pipeline that will connect the natural gas resources in the Neptun Deep block and the BRUA corridor, thus ensuring the transmission of natural gas through the existing interconnections.

30 June 2023 – STGN Transgaz SA announces that, as a result of further optimisation of the joint transmission system between Transgaz S.A. and FGSZ Zrt., the technical capacity of the Csanádpalota interconnection point (21Z000000000236Q) from Romania to Hungary will be further increased from the current level of 280 000 m³/h (3 057 174 kWh/h) to 300 000 m³/h (3 283 570 kWh/h) as of 1 October 2023. Therefore, increased technical capacity products were offered in the annual capacity auctions as of 3 July 2023.

In Half I 2023, the Board of Administration of SNTGN Transgaz SA had 15 meetings, and the following were submitted for analysis, endorsement and/or approval:

12 January 2023

- By Board of Administration Resolution 1/12 January 2023 the following were endorsed and/or approved:
 - Draft Revenue and Expense Budget for 2023 and the 2024-2025 forecasts;
 - Revised values for some key financial performance indicators included in SNTGN Transgaz SA's Management Plan 2021-2025;
 - Draft Revenue and Expense Budget of Vestmoldtransgaz SRL for 2023 and the 2024 - 2025 forecasts;
 - Draft Revenue and Expense Budget of the subsidiary Eurotransgaz SRL for 2023 and the 2024-2025 forecasts.
 - Annual Sectoral Procurement Program for 2023;
 - Supply Programme for 2023 and the 2024-2025 forecasts.

31 January 2023

- By Board of Administration Resolution 3/31 January 2023 the following were endorsed and/or approved:
 - Policy on granting sponsorships and financial support at SNTGN Transgaz SA level in 2023;
 - Activity report of the Advisory Committees set up at the level of the Board of Administration of SNTGN Transgaz SA in 2022.

17 February 2023

- The Board of Administration Resolution 4/17 February 2023 approved the Management Plan of SNTGN Transgaz SA for 2021-2025, updated in February 2023.

24 February 2023

- By Board of Administration Resolution 6/24 February 2023, it took note of the Report on the preliminary individual and consolidated financial statements for 2022.

2 March 2023

- By Board of Administration Resolution 7/2 March 2023 the following were approved:
 - Adjusted regulated revenue for the gas transmission activity for the fourth year of the fourth regulatory period, i.e. 1 October 2022 - 30 September 2023, for submission to the National Energy Regulatory Authority for review and approval;
 - The adjusted regulated revenue and regulated tariffs for the natural gas transmission activity for the fifth year of the fourth regulatory period, i.e. 1 October 2023 - 30 September 2024, for submission to the National Energy Regulatory Authority for approval.

21 March 2023

- By Board of Administration Resolution 8/21 March 2023, the following were noted, endorsed and/or approved:
 - Annual individual and consolidated financial statements of the company for 2022;
 - Financial audit report on the annual individual financial statements for 2022;
 - Financial audit report on the annual consolidated financial statements for 2022;
 - Consolidated report issued by the Board of Administration of SNTGN Transgaz SA on the activity performed in 2022;

- Remuneration report for 2022;
- Accounting policies at the level of SNTGN Transgaz SA;
- Assessment of the achievement of financial and non-financial performance indicators for 2022;
- Report on the execution of the Director-General's mandate for 2022;
- Report on the execution of the mandate of the Chief Financial Officer for 2022;
- Individual financial statements of Eurotransgaz SRL for 2022;
- Consolidated financial statements of Eurotransgaz SRL for the year 2022;
- Independent auditor's report on the individual financial statements of Eurotransgaz SRL for 2022;
- Independent auditor's report on the consolidated financial statements of Eurotransgaz SRL for 2022.

27 April 2023

- By Board of Administration Resolution 9/27 April 2023 the following was approved:
 - Evaluation report on the activity of the directors of SNTGN Transgaz SA regarding the execution of the mandate contracts and the management component of the Management Plan for 2022.

11 May 2022

- By the Board of Administration Resolution 11/11 May 2022, it took note of the Report on the execution of the mandate of the Director - General of SNTGN Transgaz SA for the Q I 2023 and approved the Report on the situation of the economic and financial indicators as at 31 March 2023.

30 June 2023

- The Sustainability Report for year 2022 was approved by the Board of Administration Resolution 15/30 June 2023.

2.5. MAIN RISKS RELATED TO THE ACTIVITY FOR HALF II 2023

Operational risks

- decreasing natural gas consumption following the increasing of the share of consumption of green energy, generated from natural/renewable resources, i.e. wind energy, solar energy as well as nuclear energy consumption;
- failure to perform on time and within the scheduled parameters the works provided in the Maintenance and Technical Revision Program of MRSs and pipelines or of the SCADA system;
- impossibility to perform maintenance due to external factors such as adverse weather conditions;
- increasing expenses with maintenance and repairs in the NTS due to extreme weather phenomena;
- failure to perform the contract as a result of the contractor's reduced ability to perform the contract in accordance with the contract terms;

- lack of materials and spare parts for the execution of preventive and corrective maintenance works at the main NTS facilities;
- failure to apply environmental legal requirements during the main works at the company level;

Investment activity risks

- failure to realise the investment programme for the following reasons:
 - ✓ lack of landowners' agreements;
 - ✓ unforeseen soil conditions;
 - ✓ failure to obtain within the established time the approvals and agreements of the landowners necessary to obtain the Building Permit;
 - ✓ lacking information or late transmission of the information reflecting the real situation in the field;
 - ✓ provision of incomplete / inaccurate data regarding the identification of land owners, by the competent bodies;
 - ✓ deficient cadastral records, at the level of local / county authorities;
 - ✓ temporary cessation of land use as a result of the discovery of vestiges;

Strategic risks

- the national and international macroeconomic and geopolitical framework changes may affect the conclusion of gas transmission contracts as well as the implementation of the strategic projects;
- Russia's invasion of Ukraine has increased the level of geopolitical risk, which is now to one of its highest levels seen in the last years;
- The evolution of the Romanian economy, the global and European macro-financial climate, the internal mix of economic policies, can determine additional financing considering the increasing in the costs of some investments and the additional costs determined by the fluctuation of qualified personnel.
- frequent changes and bottlenecks in the legislative process at national level;
- instability of gas price in Romania.

3. ABOUT SNTGN TRANSGAZ SA

3.1 Mission, vision, organizational values

Mission

The fulfilment in conditions of efficiency, transparency, safety and competitiveness of the national energy strategy established for domestic and international gas transmission, natural gas dispatching and research and design in the field of natural gas transmission.

Transgaz's mission aims at:

- The safe operation of the NTS based on economic efficiency;
- NTS rehabilitation, upgrading and development;
- NTS interconnection with the natural gas transmission systems of the neighbouring countries;
- Development of new gas transmission infrastructures towards Western Europe;
- Ensuring non-discriminatory access to the NTS;
- The implementation of participatory management in all of the company's action fields;
- Development of the organizational culture and of the national performance standards;
- Implementation of the regulations in the natural gas sector;
- Improvement of the natural gas transmission activity informatization, preparation of the normative acts draft and European actions to support them;
- The good corporate governance principles integration into the business practice.

Vision

The company intends to become a transmission operator recognized on the international gas market, a leader on the energy market in the region with a modern gas transmission system integrated at European level and with an effective management system.

Vision as a message to the community

The responsible fulfilment of the public service mission, the safe operation of the National Gas Transmission System, high quality services, safe connection to the NTS under non-discriminatory and transparent conditions for all network users and the integration at European level of the national gas market.

Vision as a message to the shareholders

A proficient company oriented towards continuous growth of the plus value for the shareholders.

Vision as a message to employees

The company as an attractive, stable and motivating working environment with a continuous commitment to professional excellence.

The organisational values defining Transgaz's business ethics are the following:

- Professionalism and performance;
- team spirit;
- mutual respect;
- responsibility towards the environment and people;

Transgaz's core strengths:

- The quality of licensed NTS operator - monopoly;
- The solid financial profile of the company;
- The continuity of the technical, economic and financial performance;
- The predictability of the cash-flow due to the regulated character of the gas transmission activity;
- Dividends granted to shareholders.

3.2 The activity of the company

SNTGN TRANSGAZ is the technical operator of the National Gas Transmission System and ensures the performance in terms of efficiency, transparency, safety, non-discriminatory access and competitiveness of the object of activity established for:

- **domestic gas transmission;**
- **international gas transmission;**
- **gas dispatching;**
- **research and design in the field of gas transmission,**

in compliance with the national and European legislation and standards of quality, performance, environment and sustainable development.

The natural gas transmission activity is carried out based on the Concession Agreement for the pipelines, installations, equipment and facilities related to NTS, in the public domain of the Romanian state, concluded with the National Agency for Mineral Resources (ANRM), as the representative of the Romanian state, approved by Government Resolution 668/20 June 2002 (published in Official Journal 486/8 July 2002), valid until 2032, as further amended and supplemented by seven addenda approved by Government resolutions, and based on the natural gas transmission system operating licence no. 1933/20.12.2013 issued by the National Energy Regulatory Authority (ANRE), effective until 08.07.2032.

By ANRE Order 3/22 January 2014 on the approval of the certification of the National Gas Transmission Company Transgaz - SA Mediaş as transmission system operator of the National Gas Transmission System it was established that the company must be organized and must operate as an `independent system operator`.

The operation by SNTGN Transgaz SA of the National Gas Transmission System mainly includes the following activities:

- commercial balancing;
- contracting natural gas transmission services;
- dispatching and technological regimes;
- measurement and monitoring of gas quality;
- gas odorization and international gas transmission.

SNTGN TRANSGAZ S.A. may also carry out other related activities to support the main object of activity, in accordance with the legislation in force and its own bylaws, being able to proceed even to the purchasing of gas only for the balancing and safe operation of the National Transmission System.

The quality of the transmission service is a constant concern of both SNTGN Transgaz SA and the National Energy Regulatory Authority. In order to monitor the quality of the natural gas transmission service based on specific indicators and minimum performance levels, starting with 1 October 2022, **ANRE Order 140/2021** on the **Performance Standard for the natural gas transmission service**, as amended, entered into force, repealing ANRE Order no.161/2015.

3.3 NTS infrastructure

Main components of the National Gas Transmission System:

- 13.931,25 km of main gas transmission pipelines and connections for gas supply, of which 183,54 km international gas transmission pipelines (Transit III) and 481 km BRUA;
- 1.151 Metering regulating stations (MRS) in operation (1.257 metering directions);
- 59 valve control stations (VCS, TN);
- 6 gas metering stations for import/export (GMS) Giurgiu, Medieșu Aurit, Isaccea I, Isaccea 2, Negru Vodă 1, Negru Voda 2);
- 2 gas metering stations located on gas transit pipelines (GMS) (Isaccea Transit III, Negru Vodă III);
- 8 gas compressor stations (GCS) (Șinca, Onești, Silișteea, Jupa, Podișor, Bibești, Onești M, Gherăești);
- 1.080 cathodic protection stations (CPS);
- 1.054 gas odorization units (GOU)

The National Transmission System (NTS) has coverage across the entire national territory and has a radial-ring structure. The gas transmission and transit capacity is provided through a network of pipelines and supply connections with diameters between 50 mm and 1200 mm at pressures between 6 bar and 63 bar.

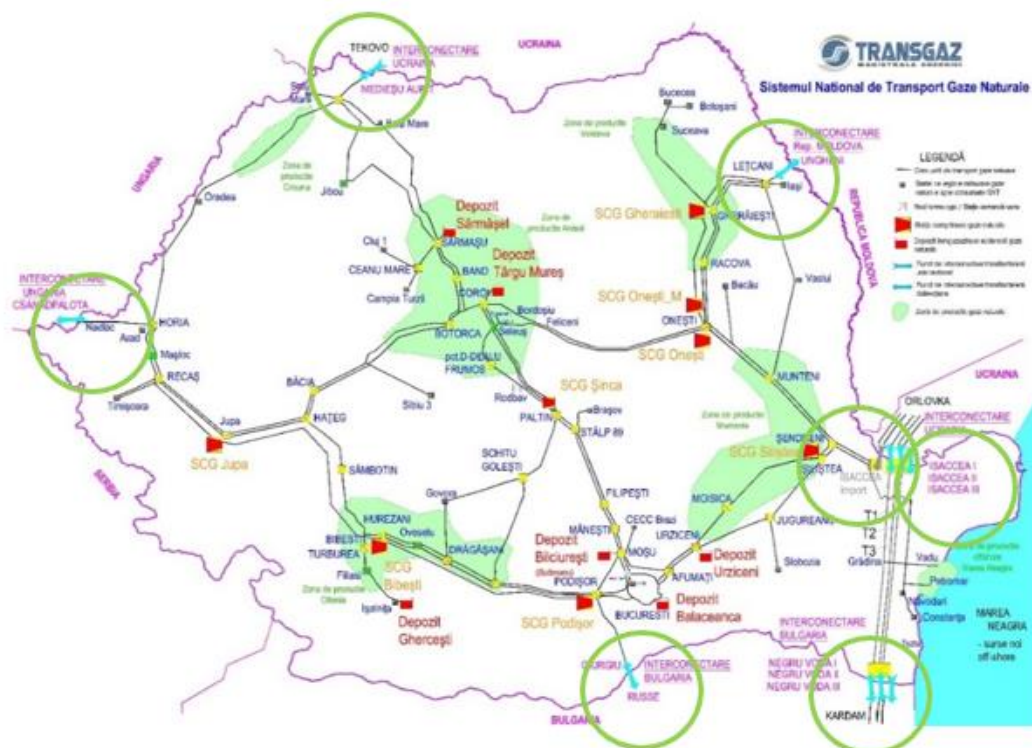


Figure 1 - Map of the National Gas Transmission System and the NTS cross-border interconnection points

Cross-border interconnection points

Country	Interconnection pipeline	Technical specifications	Total technical capacity
UKRAINE	Orlovka (UA) - Isaccea (RO) * LLC GAS TSO UA → Transgaz	DN 1000, Pmax = 45 bar	6,85 Sbcm/y
	Tekovo (UA) - Medieșu Aurit (RO) ** LLC GAS TSO UA → Transgaz	DN 700, Pmax = 75 bar	2,71 Sbcm/y at Pmin=47 bar
	Isaccea 1 (RO) - Orlovka 1 (UA) Transgaz ↔ LLC GAS TSO UA	DN 1000, Pmax = 55 bar	6,85 Sbcm/y at import capacity at Pmin=46,5 bar 4,12 Sbcm/y export capacity*** at Pmin=35,4 bar
HUNGARY	Szeged (HU) - Arad (RO) - Csanádpalota (HU) FGSZ ↔ Transgaz	DN 700, Pmax = 64 bar	2,63 Sbcm/y import capacity at Pmin=40 bar 2,45 Sbcm/y export capacity at Pmin=40 bar****
REPUBLIC OF MOLDOVA	Iași (RO) - Ungheni (MO) Transgaz ↔ Vestmoldtransgaz	DN 500, Pmax = 55 bar	1,88 Sbcm/y export capacity at Pmin=39,5 bar 0,73 Sbcm/y import capacity la Pmin=24 bar
BULGARIA	Giurgiu (RO) - Ruse (BG) Transgaz. ↔ Bulgartransgaz	DN 500, Pmax = 50 bar	1,50 Sbcm/y export capacity at Pmin=40 bar 0,92 Sbcm/y import capacity at Pmin=30 bar
	Kardam (BG) - Negru Vodă 1 (RO) Transgaz ↔ Bulgartransgaz	DN 1000, Pmax = 55 bar	6,36 Sbcm/y on export capacity at Pmin=31,5 bar (of which 2,31 Sbcm/year at Pmin 41 bar available from the NTS) ***** 5,31 Sbcm/y import capacity at Pmin=45 bar

Table 7 - Cross-border interconnection points

*This interconnection point is not used since there is no interconnection agreement concluded. Gas import from Ukraine is currently performed through Isaccea 1.

**For this point the Romanian TSO and the Ukrainian TSO are having discussions on the signature of a new Interconnection Agreement.

***The capacity is offered on an interruptible commercial basis since the Annex to the Interconnection Agreement on gas quality requirements is not signed. Capacity conditional on the capacity booking at the Negru Vodă 1 IP, in the BG-RO direction.

**** With an increase at 2,63 billion Scm/year from 01.10.2023.

***** The difference of capacity of 6,36-2,31=4,05 billion Scm/year is available for transit, conditional on entry capacity booking at the Isaccea 1 IP in the UA-RO direction.

Following the completion of the works for the connection of the T2 international natural gas transmission pipeline to the T1 natural gas transmission pipeline (NTS) at the end of 2021, Transgaz together with the neighbouring TSOs took until 31.12.2022 the necessary steps to ensure and provide bidirectional capacity on this transmission pipeline at the Isaccea 2 interconnection point with Ukraine and at the Negru Voda 2 interconnection point with Bulgaria.

3.4 Shareholding

From 14 November 2019, the exercising of the rights and the fulfilment of the obligations arising from the quality of shareholder of the Romanian State at the National Gas Transmission Company Transgaz SA is performed by the Romanian State through the General Secretariat of the Government, following the transfer of shares from the account of the Romanian State through the Ministry of Economy, according to GEO 68/06.11.2019 on the establishment of measures at the level of the central public administration and for the amending and supplementation of some normative acts.

According to the recordings of Depozitarul Central, on 28.06.2023 the structure of SNTGN Transgaz SA's shareholders is as follows:

Shareholder's name	Number of shares	Percentage %
The State of Romania represented by the General Secretariat of the Government	110.221.440	58,5097
Free float - Other shareholders (natural and legal persons) out of which:	78.160.064	41,4903
✓ natural persons	19.813.181	10,5176
✓ legal persons	58.346.883	30,9727
Total	188.381.504	100,00

Table 8 - Shareholding structure at 28 June 2023

By Resolution 11/07.12.2022 the Extraordinary General Meeting of the Shareholders of SNTGN Transgaz SA approved the increase of the share capital by incorporating the reserves constituted from the net profit of the previous financial years in the amount of 1.766.076.600 lei, from the amount of 117.738.440 lei to the amount of 1.883.815.040 lei, by issuing 176.607.660 new shares with a nominal value of 10 lei/share.

Shareholding structure on 28 June 2023

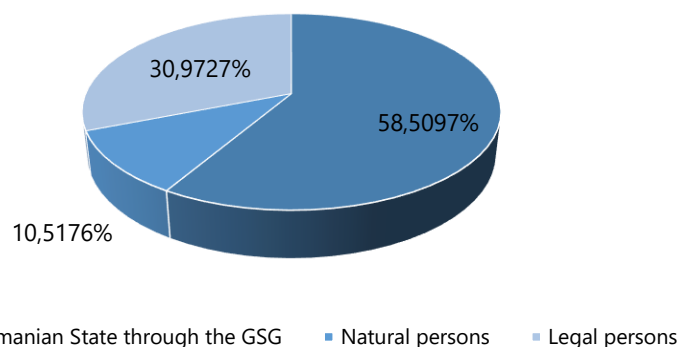
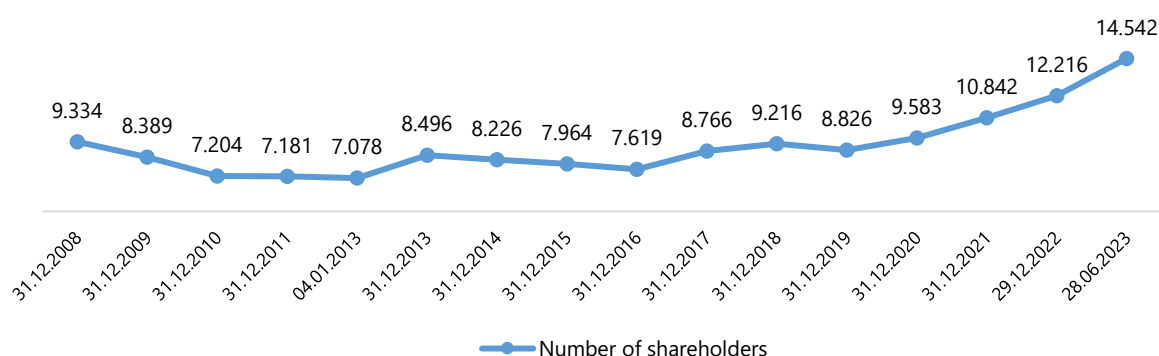


Chart 12 - Shareholding structure at 28 June 2023

The newly issued shares do not change the shareholders' holding quotas and were distributed free of charge to all shareholders registered in the Transgaz shareholders' register, kept by the Depozitarul Central SA, on the record date of 03.05.2023, payment date 04.05.2023.

The share capital of Transgaz on 28 June 2023, amounting to lei 1.883.815.040 was divided into 188.381.504 registered shares, each share having a nominal value of lei 10.

Regarding the number of shareholders, according to the consolidated summary structure at the reference date of 28 June 2023, the company had 14.542 TGN shareholders, which is 2.326 shareholders more than those recorded on 29.12.2022.



Number of Transgaz shareholders from the listing date to 28 June 2023

3.5 Structure

SNTGN TRANSGAZ SA is structured into functional entities (divisions, units, departments, offices, compartments, etc.) and production entities (9 regional offices, sectors, laboratories, work units, etc.)

SNTGN Transgaz SA conducts its activity at the premises as follows:

MEDIAS, SIBIU county - Romania

- **Transgaz registered office:** 1 C. I. Motaş Square, code 551130;
- **Maintenance Division:** 11 George Enescu Street, code 551018;
- **Research and Design Division:** 6 Unirii Street, code 550173.

BUCHAREST - Romania

- **Transgaz Representative Office – Romania:** 55 Primaverii Blvd;
- **General Inspection Division:** 155 Victoriei Blvd., District 1, code 010073;
- **Bucharest Gas Market Operation Division:** 30 Dorobanţi Blvd., District 1, code 010573

CHISINAU, THE REPUBLIC OF MOLDOVA

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

- EUROTRANSGAZ Limited Liability Company: 7/E Balcani Road, outside the build-up area, Ghidighici village;
- VESTMOLDTRANSGAZ Limited Liability Company: 7/E Balcani Road, outside the build-up area, Ghidighici village.

SNTGN Transgaz SA has 9 regional offices and a subsidiary:

- **Arad Regional Office**, 56 Poetului Street, Arad, Arad County, code 310369;
- **Bacău Regional Office**, 63 George Bacovia Street, Bacău, Bacău County, code 600238;
- **Brăila Regional Office**, 5 Ion Ghica Street, Brăila, Brăila County, code 810089;
- **Braşov Regional Office**, 102A Griviţei Bvd, Braşov, Braşov County, code 500449;
- **Bucharest Regional Office**, 24 Lacul Ursului Street, District 6, Bucharest, code 060594;
- **Cluj Regional Office**, 12 Crişului Street, Cluj-Napoca, Cluj County, code 400597;
- **Craiova Regional Office**, 33 Arhitect Ioan Mincu Street, Craiova, Dolj County, code 200011;
- **Mediaş Regional Office**, 29 George Coşbuc Street, Mediaş, Sibiu County, code 551027;
- **Constanţa Regional Office**, 2 bis Caraiman Street, Constanţa, Constanţa County, code 900117;
- **Mediaş Subsidiary**, 59 Sibiului Street, Mediaş, Sibiu County.



Figure 2 - Transgaz administrative map

3.6 Management of the company

THE ADMINISTRATIVE MANAGEMENT

The company is managed in a unitary system by the Board of Administration, consisting of 5 administrators, 1 executive administrator and 4 non-executive administrators, appointed by the General Meeting of the Shareholders. There is a **separation** between the non-executive, control function (non-executive administrator) and the executive function (directors) - mandatory separation, in the case of joint stock companies whose annual financial statements are subject to a legal auditing obligation.

The members of the company's Board of Administration on 30.06.2023 were as follows:

- **ION STERIAN** - Executive Administrator - Director – General;
- **PETRU ION VĂDUVA** - Non-Executive Administrator – Chairman (term of office of 6 months, until 09.09.2023);
- **NICOLAE MINEA** - Independent Non-Executive Administrator;
- **CZABA OROSZ** - Non-Executive Interim Administrator until 16.10.2023, with the possibility of extending the term of office for another 2 months;
- **GHEORGHITĂ AGAFITEI** - Non-Executive Interim Administrator until 16.10.2023, with the possibility of extending the term of office for another 2 months.

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

EXECUTIVE MANAGEMENT

The Board of Administration delegated the management of the company to the Director - General of Transgaz. The Director - General of Transgaz represents the company in its relations with third parties and is responsible for taking all measures related to management, within the scope of activity of the company and in compliance with the exclusive powers established by law, the Articles of Incorporation or delegated by the Board of Administration and the General Meeting of Shareholders.

The members of the executive management of the company, with the exception of the Director - General and the Chief Financial Officer, are employees of the company, with an individual labour contract for an indefinite period of time. The management and execution personnel within Transgaz is employed, promoted and discharged by the Director - General, based on the duties delegated by the Board of Administration.

The members of the executive management holding shares at Transgaz on 30 June 2023:

No.	Name and first name	Position	Number of shares on 30.06.2023	Interest share (%)
1	Tătaru Ion	Director	400	0,000212
2	Lupean Marius Vasile	Director	320	0,000169
3	Șai Alexandru	Director	160	0,000084
4	Niță Viorel	Director	80	0,000042

Table 9 - Members of Transgaz's executive management holding TGN shares in the company on 30 June 2023

The executive management of SNTGN Transgaz SA at 30 June 2023:

No.	Name and first name	Position	Division/Unit
1.	Sterian Ion	Director - General	SNTGN Transgaz SA
2.	Lupean Marius Vasile	Chief Financial Officer	SNTGN Transgaz SA

3.	Leahu Mihai Leontin	Director/Deputy Director - General-delegated	Research and Design Division
4.	Iuga Alexandru	Deputy Director-General	SNTGN Transgaz SA
5.	Târsac Grigore	Director/Deputy Director - General-delegated	Natural Gas Quality Measurement Unit
6.	Simionescu Alexandru Adrian	PMU 1 Project Manager NTS Developments in North-East/ Deputy Director - General-delegated	Project Management Unit
7.	Ghidiu Elisabeta	Director	Strategy and Corporate Management Division
8.	Mateş Angela Aneta	Director	HR Organization Division
9.	Tătaru Ion	Director	Development Division
10.	Bunea Florin	Director	Operation Division
11.	Sârbu Ionel	Director	Land Regulation and Acquisition Division
12.	Cosma Emil Florin	Director	Maintenance Division
13.	Andronic Bogdan Constantin	Director	EU Funds and International Relations Division
14.	Luca Bogdan Avram	Director	Sectoral Procurement and Contracting Division
15.	Stoica Constantin Marius	Director	Logistics Division
16.	Costea Dragoş Vasile	Director	Gas Compression Division
17.	Iancu Cristina Daniela	Director/ Legal Division Director delegated	Projects Legal Assistance Unit
18.	Oniga Ciprian	Director/ Research and Design Division Director delegated	Special Projects and Technical Support Unit
19.	Codreanu Liudmila Gabriela	Director	Internal Audit Unit
20.	Ene Alin	Director/General Inspection Division Director delegated	Control Unit
21.	Vlahbei Andra	Deputy Director/Unit Director delegated	Gas Regulation Unit
22.	Drăghici Aurelian	Director	Projects Analysis, Checking and Endorsement Unit
23.	Lupu Emil	Director	Archaeological Unit
24.	Voican Nicolae Adrian	Subsidiary Director	Mediaş Subsidiary
25.	Colcer Elena Gabriela	Economist/Chief Financial Officer delegated	Mediaş Subsidiary
26.	Alexandru Ionel	Director	Arad Regional Office
27.	Schimdt-Hăineală Eduard-Cristian	Director	Bacău Regional Office
28.	Dumitru Nicuşor	Director	Braïla Regional Office
29.	Pârlea Mirel	Engineer/Regional Office Director delegated	Braşov Regional Office
30.	Gurgu Victorel	Regional Office Director/PMU Project Manager delegated	Bucharest Regional Office

31.	Goia Petru	Cluj Sector Engineer/Regional Office Director delegated	Cluj Regional Office
32.	Andrei Romeo	Director	Constanta Regional Office
33.	Niță Viorel	Director	Craiova Regional Office
34.	Oancea Paul	Director	Mediaș Regional Office

Table 10 - Transgaz's executive management on 30 June 2023

VESTMOLDTRANSGAZ SRL management team structure:

	VESTMOLDTRANSGAZ	Name and Surname
1	Company Board	1. Mihai Leontin Leahu – Chairman on behalf of Transgaz 2. Marius Constantin Stoica - Member on behalf of Transgaz 3. Octavian Costas – Member on behalf of EBRD 4. Pop-Gîscă Sanda – Member on behalf of Transgaz 5. Iancu Cristina – Member on behalf of Transgaz
2	Company Administrator	Duminică Liviu Valentin

Table 11 - Vestmoldtransgaz management members on 30 June 2023

EUROTRANSGAZ SRL management team structure:

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

Table 12 - Eurotransgaz management members on 30 June 2023

3.7 Human resources

The company's human resources strategy aims to cover the operational needs of the organization, through the efficient use of the human resources. The optimal dimensioning of the number of personnel in the company is correlated with the real personnel needs required by the operational activities carried out by the company, with the modernizations and refurbishments realized for increasing the safety and efficiency in NTS operation and annex facilities, as well as the realization of the major development projects of company.

As at 30 June 2023, Transgaz Group had 3.995 employees, of which SNTGN Transgaz SA had 3.961 employees.

No.	Indicator	2021	2022	Half I 2023
1	Number of Transgaz employees	4.050	4.029	3.961
2	Number of VMTG employees	34	31	31
3	Number of Eurotransgaz employees	3	3	3
TOTAL		4.087	4.063	3.995

Table 13 - The evolution of the number of personnel between 2020- Half I 2023

The evolution of the number of Transgaz personnel between 2020- 30 June 2023:

Specification	2021	2022	Half I 2023
Number of employees at the beginning of the period	4.145	4.050	4.029
Number of persons employed/resuming activity	210	243	139
Number of employees who terminated/suspended their working relations with the company	305	264	207
Number of employees at the end of the period	4.050	4.029	3.961

Table 14 – Number of employees between 31.12.2021-Half 2023

The employees number trend in Half I 2023:

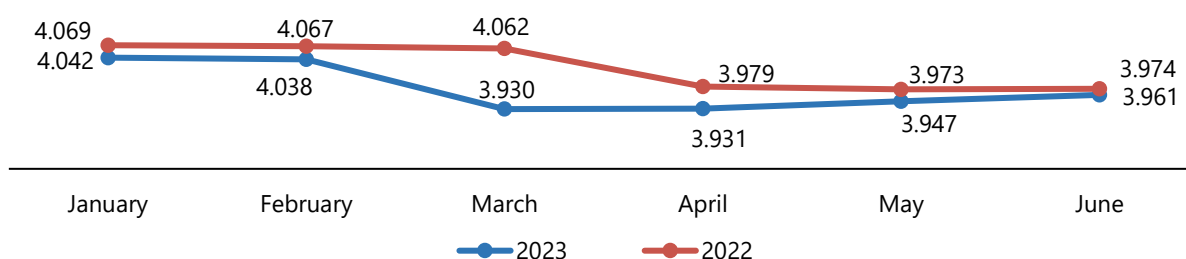


Chart 13 - Number of employees – Half I 2023 compared to Half I 2022

SNTGN Transgaz SA employees structure as at 30 June 2023:

a) By category of studies

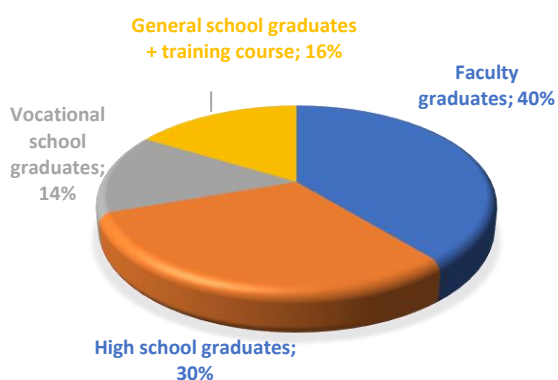


Chart 14 - Personnel structure by categories of studies as at 30 June 2023

b) By gender

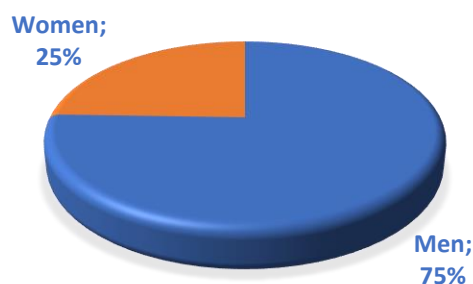


Chart 15 - Personnel structure by gender as at 30 June 2023

c) By headquarters and regional offices

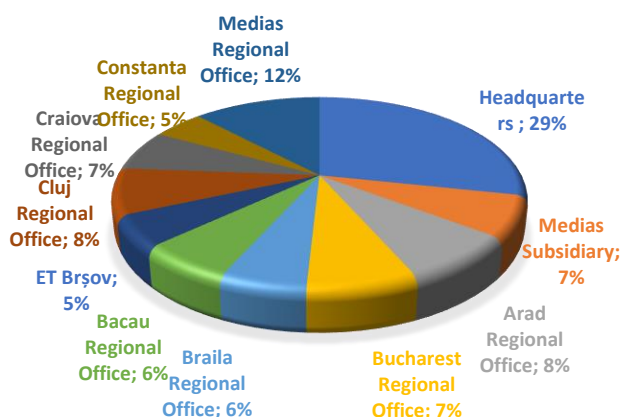


Chart 16 – Personnel structure by headquarters and regional offices as at 30 June 2023

d) By activities

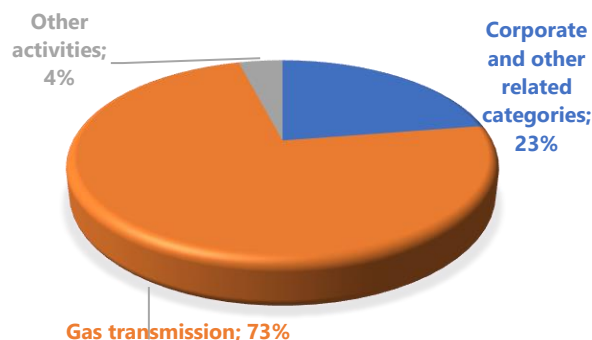


Chart 17 - Personnel structure by activities as at 30 June 2023

e) By age categories

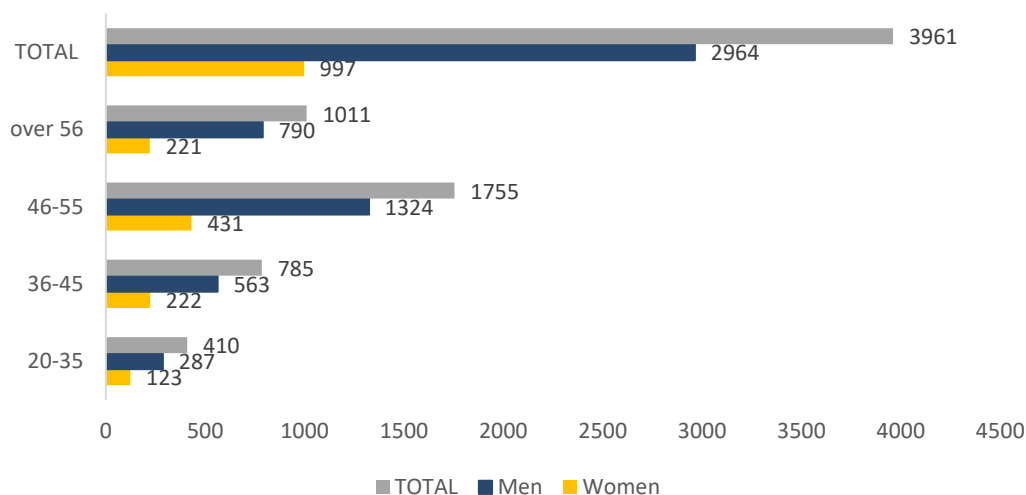


Chart 18 - Personnel structure by age categories as at 30 June 2023

The personnel structure by category of studies reveals the interest of the company to cover the needs of personnel through the employment of highly qualified specialists as well as the continuous improvement of the existing personnel, considering the tendencies of increasing the number of employees with higher education in parallel with the decrease of the number of employed persons with secondary education and the number of employees with general education and in training.

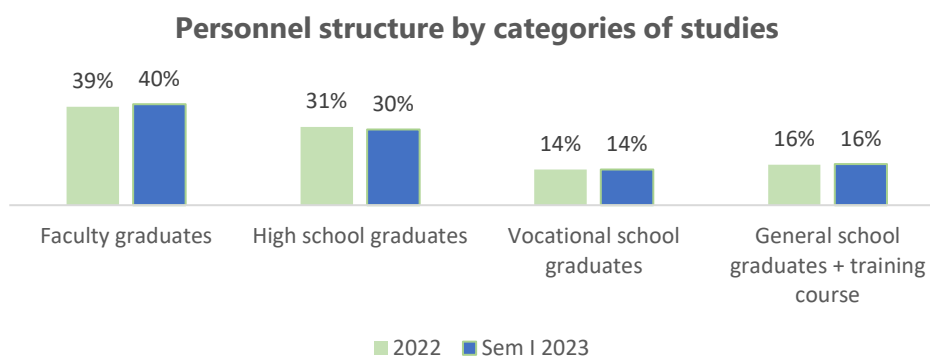


Chart 19 - Personnel structure by categories of studies in Half 2023

Improving staff training, instruction and professional development

The high level of professional competence of employees is considered a prerequisite for achieving the objectives of any organisation, which is why investment in human resources is considered profitable in all areas of activity.

The training, improvement and professional development of the company's employees is carried out on the basis of the *`Annual training and professional improvement program for employees`*, drawn up at company level, taking into account the provisions of Articles 194 and 195 of Law 53/2003 (Labour Code), republished, with subsequent amendments and additions, according to which the legal entity employer with more than 20 employees shall draw up annual training programs and shall ensure the participation of employees in courses at least once every two years.

In the field of training and professional development, the programs cover the areas of interest for the company's activity, namely, engineering, management of natural gas transmission systems, including SCADA, research and design, economics, legal, human resources, corporate strategy and management, information technology and communications and quality - environment, health and safety at work, security, safety, internal audit, internal and financial management control, as well as other topics of general interest necessary for the company's activity.

In Half I 2023, through the External Training and Career Management Unit, together with the Performance Evaluation and Improvement Office and the Authorization and Compliance Office, **61 training** and professional development courses were initiated and carried out for a total of 589 participants.

Training activities with own resources (with in-house trainers) supported by the Vocational Training and Education Centre continued in 2023 by developing activities that were successful in 2022, but also by continuing activities aimed at ensuring the need for qualified personnel in disciplines and trades for which there are needs or opportunities.

Professional skills development courses, aimed at optimizing and streamlining work, with topics such as *`Teamwork Skills`*, *`Interpersonal Communication`*, *`Advanced Communication Techniques`*, *`Remote Team Management`*, *`Conflict Management and Self-Control`*, *`Emotional Intelligence`*,

`Time Management` and `Leadership`, have been planned through the calendar of courses organized with internal trainers employed in the Human Resources Development Department-Transgaz Academy, and will run throughout 2023.

At the **end of Half I 2023**, the degree of unionization of the labour force was 97,29 %, out of a total of 3.961 employees, 3.854 being union members.

At SNTGN Transgaz SA there are 4 trade union organizations that employees can choose to affiliate to, namely:

- The Transport Gaz Mediaş Trade Union;
- The Professional Trade Union Metan Mediaş.
- The Technological Research Trade Union CERTEH Mediaş;
- The Free Trade Union SNTGN TRANSGAZ SA Mediaş;

The Transport Gaz Medias Trade Union is the representative union at the unit level, according to the provisions of Law no. 62/2011 of the Social Dialogue, Art. 51 (c), which is why they represent the employees of the company when concluding and carrying out the collective labour agreement concluded at the level of SNTGN TRANSGAZ SA.

The relations between the employer and the employees are regulated by the Collective Labour Agreement at the company level as well as by the individual labour agreements, with the specification that at SNTGN Transgaz SA has a Collective Labour Contract registered at the Sibiu Territorial Labour Inspectorate under number 60/23.06.2021. The validity of the Collective Labour Contract was extended by the Addendum registered at Sibiu Territorial Labour Inspectorate under number 60/4 of 23.05.2023 for one year until 25.06.2024.

The relations between the employer and the employees are in line with the legal provisions in force in Half I 2023 and there are no conflicting elements connected to these relations.

3.8. Transgaz on the Bucharest Stock Exchange

SNTGN TRANSGAZ SA, through the efficient use of managerial tools and the responsible execution of the measures undertaken in front of the shareholders, investors, business and community, managed to also perform on the capital market, ranking 7th in 6 months ended 30 June 2023 in Top 15 companies listed on the Bucharest Stock Exchange, depending on the traded value, and ranking 11th in the Top 15 listed companies by market capitalization, according to the Monthly Bulletin issued by BVB.

TGN share

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

In Half I 2023, the closing price of the TGN share followed an upward trend, recording higher values compared to the same period of 2022, with increases ranging from 3% to 57%, with a period

maximum of lei 23,50/share recorded on 02.05. 2023. The fluctuation was generated on the background of the ex-date for the share capital increase by incorporation of reserves and a minimum of lei 15,40/share recorded on 02.06.2023, a decrease mainly influenced by the sale by investors of the holdings obtained free of charge within the operation of share capital increase by incorporation of reserves, as well as by the context of investors' expectation of Hidroelectrica's listing on BVB.

In January, following the investors' notification regarding the issuance by the Financial Supervisory Authority of the Certificate of Registration of Financial Instruments related to the increase of the company's share capital, the closing price of the TGN share was lei 289,50/share (i.e. lei 18,09/share adjusted price 1:16), 30% higher than in January 2022.

Later, amid investors' expectations regarding the publication of preliminary financial results for 2022, the closing price of TGN share continued its upward trend, exceeding by 57% the values recorded in February 2022 and reaching on 28.02.2023 the value of lei 314,50/share (lei 19,66/share - adjusted price 1:16).

In March, following the publication of the documents for the General Meeting of the Shareholders on the approval of the final annual financial results and the steps taken by the company's management for the signature by SNTGN Transgaz SA, OMV Petrom SA and SNGN Romgaz SA of the *Declaration on the conclusion of gas transmission contracts concluded as a result of the procedure for the booking of the capacity related to the NTS entry/exit point – Tuzla – for the Black Sea gas*, TGN's share price reaches the March maximum, namely lei 325,00/share in 08-09.03.2023 (lei 20,31/share adjusted price 1:16). Compared to the end of March 2022, the closing price of the TGN share increased by 46%, that is up to lei 312,00/share (lei 19,50/share adjusted price 1:16) on 31.03.2023.

In April, the closing price of the TGN share was continuously increasing, reaching on 28.04.2023 the value of lei 21,03/share, 40% more than at the end of April 2022, a price influenced by the approval by the GMS of the amount of the dividend for financial year 2022 as well as by the context of the conclusion of the collaboration partnership between Transgaz and E.ON under which the two companies intend to work together to strengthen Romania's energy security, by aligning and correlating the natural gas infrastructure development strategies in line with the provisions of the European Green Deal and the other European legal provisions in the domain. Later, on 02.05.2023, before the date related to the operation of increasing the share capital of SNTGN Transgaz SA by incorporating reserves, the TGN share price reached the maximum of the analysed period, that is lei 23,50/share, recording an increase of 11,64%.

In May, against the background of the publication of the financial results for the Q I 2023, there were fluctuations in the closing price of the TGN share within the range of lei 15,40/share and lei 22,35/share, values higher compared to the same period of 2022.

In June, in the context of Fitch's affirmation of the company's BBB- rating with a stable outlook, on 02.06.2023 TGN's share value was lei 15,40/share, and, following the signature by the company's management of the order to start the construction works of the Tuzla - Podișor gas pipeline, on 16.06.2023 the TGN share value increased to lei 17,40/share.

Later, in line with the dynamics of the European markets, at the end of June there were trading sessions with positive developments for BVB indices, so that on 29.06.2023, TGN recorded the best evolution in the composition of the BET index, i.e. an increase of 3,88%.

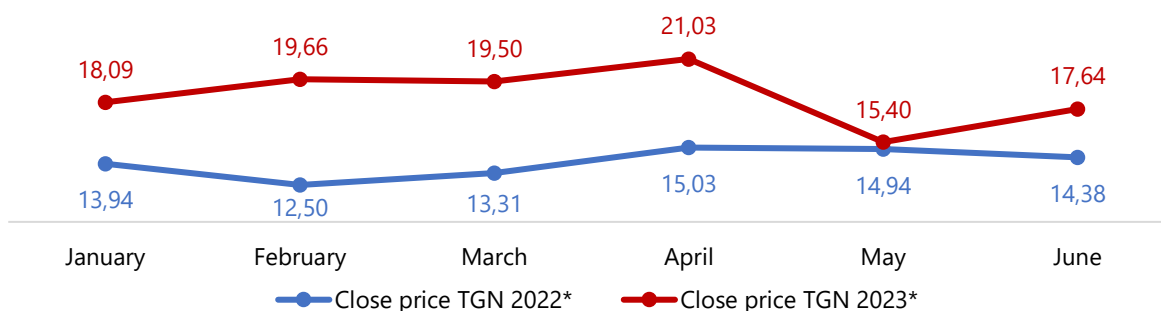


Chart 20 - The closing price of the TGN shares in Half I 2023 compared to Half I 2022

* To ensure the most accurate reflection of the TGN share value evolution, the price indicated in the chart is adjusted by the 1:16 ratio for the period 01.01-30.06.2022 and 03.01-28.04.2023, taking into account the operation of increasing the share capital of SNTGN Transgaz SA by incorporating the reserves.

Traded volumes and transaction values for the period ended 30 June 2023 showed fluctuating values compared to the Half I 2022. Thus, traded volumes recorded decreases within the range of 14% - 59% in Q I 2023 compared to the same period of 2022. After 02.05.2023, ex-date related to the operation of increasing the share capital of SNTGN Transgaz SA by the incorporation of reserves, traded volumes increased by approximately 34 times, compared to the values recorded in the same period of 2022.

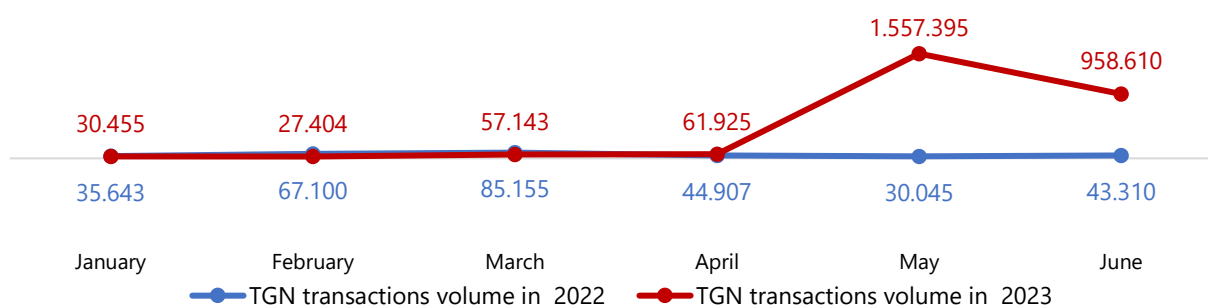


Chart 21 - TGN transactions volume in Half I 2023 compared to Half I 2022

In terms of trading values, in Half I 2023 there were mainly increases compared to Half I 2022, the maximum values of the period being reached in May, on 31.05.2023, with a volume of 463.034 shares traded and a value of lei 7.242.454,02.

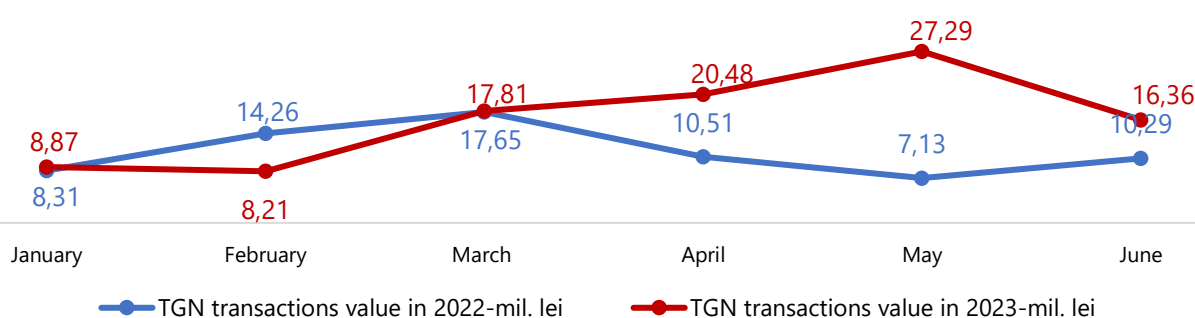
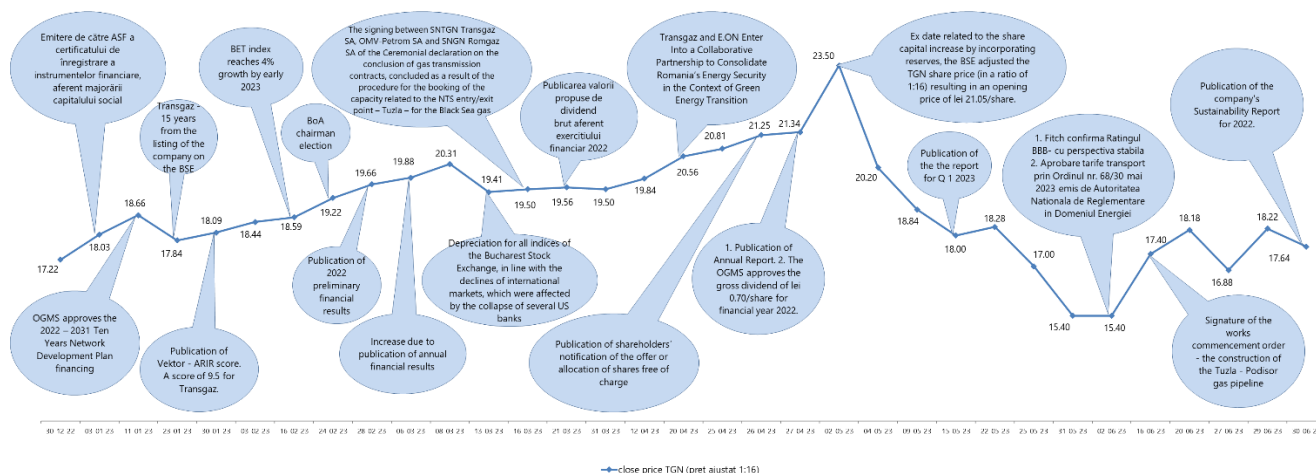


Chart 22 - TGN transaction value – mil. lei in Half I 2023 compared to Half I 2022

Main corporate events with an impact upon the TGN share price between January – June 2023



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

Date	P/BV	PER*	DIVY	EPS
30.06.2023	0,80	9,57	3,97	1,84
30.06.2022	0,68	15,32	6,44	15,02

*date PER 31 December 2022, and 31 December 2021

In Half I 2023, **the P/BV ratio** (a share price to book value ratio) increased slightly compared to the same period of 2022, the sub-unit value of this indicator indicating that the TGN share is undervalued by the market.

At the same time, **the PER ratio** (share price to earnings ratio) recorded a lower value compared to the value recorded on 30.06.2022, reflecting optimistic market expectations.

The decrease in **dividend yield (DIVY)**, compared to the value recorded on 30.06.2022, was determined by the lower value of the gross dividend for financial year 2022, namely lei 0,70/share (according to OGMS 5/27.04.2023) as compared to lei 14,82/share (according to OGMS 5/28.04.2022).

Also, from the data presented it can be seen that the **EPS (profit per share)** decreased in Half I 2023 as compared to the same period of 2022, recording a value of 1,84, due to the increase in the number of TGN shares on the market as a result of the company's share capital increase.

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

Name of stock market index	Place	Share in index
BET (BVB reference index, it represents the 10 most liquid companies listed on BVB)	7	3,13%

BET-BK (benchmark index, calculated as a price index weighted by the free float capitalisation of the most traded companies listed on BVB regulated market)	10	4,84%
BET-NG (sector index / energy - utilities)	4	9,75%
ROTX (is an index developed by BSE together with Vienna Stock Exchange (Wiener Borse AG). It tracks, in real-time, the price changes of the 'blue chip' shares traded on the Bucharest Stock Exchange)	8	2,52%
BET-XT (blue-chip index, tracks the price changes of the most liquid 25 traded companies)	7	3,28%
BET-TR (the first total return index, lunched by the Bucharest Stock Exchange, based on the structure of the market reference index, BET. BET-TR tracks both the price changes of the constituent companies and the dividends paid by them)	7	3,26%
BET-XT-TR (the total return version of BET-XT index, which includes the 25 most traded Romanian companies listed at BVB. BET-XT-TR tracks the price changes of its constituent companies and is adjusted to also reflect the dividends paid by them)	7	3,42%

Stock market capitalization

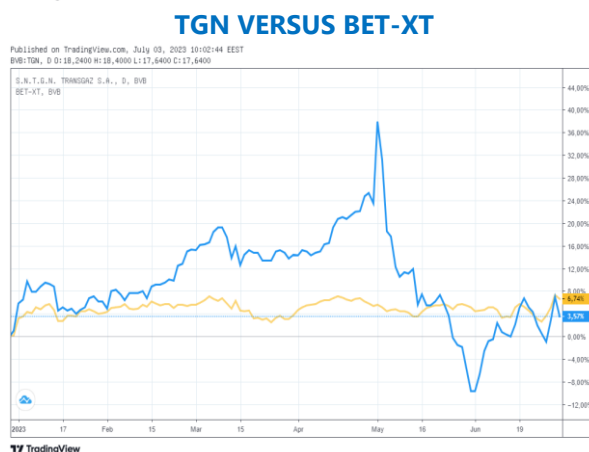
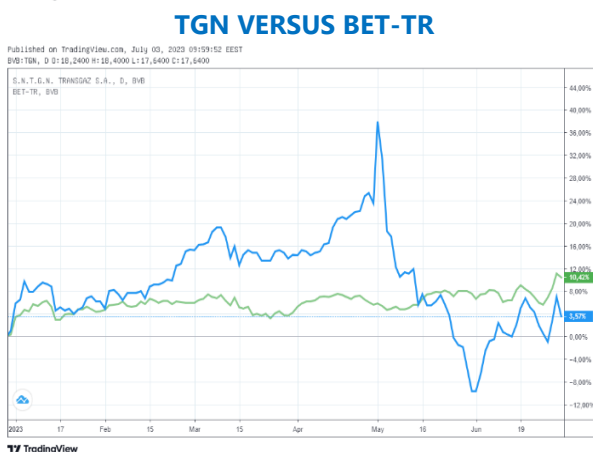
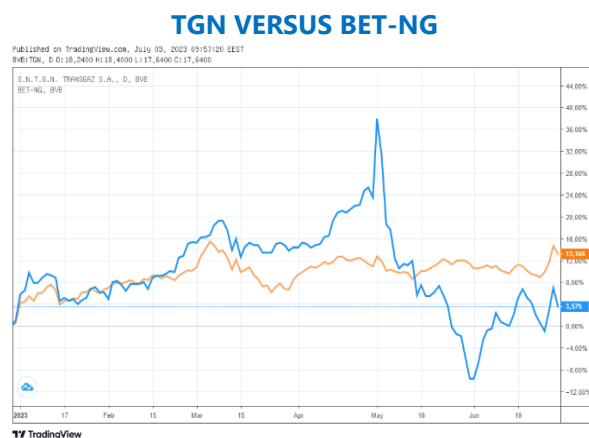
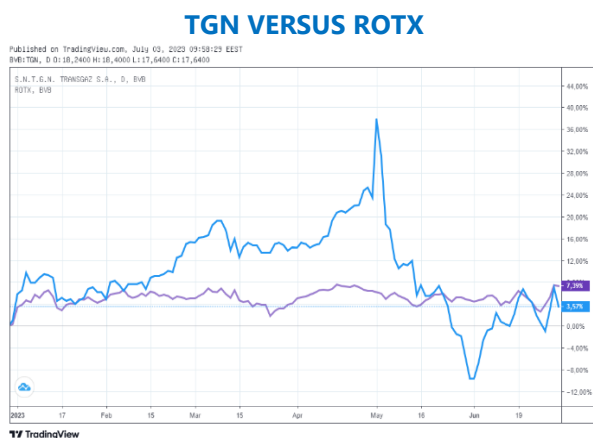
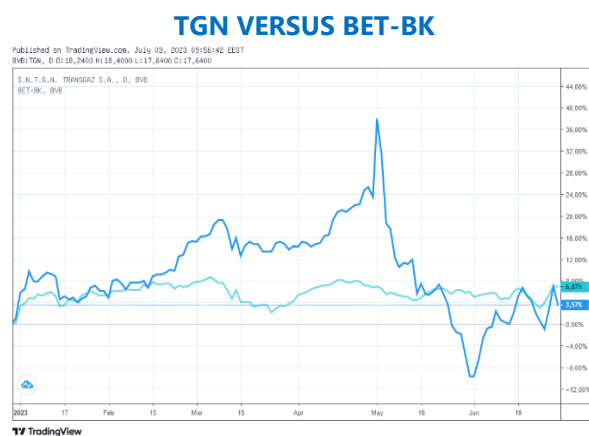
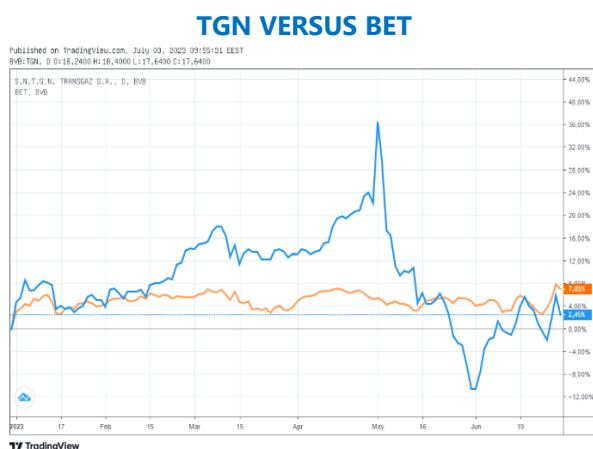
The stock market capitalization of the company on 30.06.2023 was of lei 3.323 million (~ euro 670 million), namely by lei 615 million (~euro 122 million) higher than the level recorded on 30.06.2022 of lei 2.708 million.

Currency	2023		2022	
	03.01.2023	30.06.2023	03.01.2022	30.06.2022
LEI	3.396.753.994	3.323.049.731	2.802.174.872	2.707.984.120
EURO	689.374.301	669.510.765	566.393.433	547.576.358
Euro/BNR exchange rate	4,9273	4,9634	4,9474	4,9454



Chart 23 - Stock market capitalization of Transgaz on 30.06.2023 vs. 30.06.2022

The TGN share compared to BET, BET-BK, BET-TR, ROTX, BET-NG and BET-XT stock indices in Half I 2023:



Source: www.bvb.ro

Chart 24 – The TGN share compared to stock exchange indices BET, BET-BK, BET-TR, ROTX, BET-NG and BET-XT in Half I 2023

As it can be noted, in Half I 2023, the TGN share had a similar evolution to that of the main stock market indices BET, BET-BK, ROTX, BET-NG, BET-TR and BET-XT, except for the period related to the share capital increasing operation through the incorporation of reserves, when the TGN share recorded significant fluctuations compared to the indices.

Dividend policy

In 2023 the proposal for determining the value of the dividends for financial year 2022 was established based on the provisions of *GO 64 of 30 August 2001 on the distribution of profit to national enterprises, national companies and trading companies with full or majority state capital, as well as to autonomous administrations* with the application of the 50,04394803% quota to the distribution of profit as dividends.

According to Article 67 (2) of Law 31/1990 on trading companies, republished as amended, dividends are distributed to shareholders proportionally to their stake in the share capital.

In accordance with OGMS Resolution 5/27.04.2023, SNTGN Transgaz SA started the payment of dividends through Depozitarul Central SA and Banca Transilvania, the appointed paying agent. The payment of dividends started at 19 July 2023 (the date of payment), for the shareholders registered at the registration date of 28 June 2023, the value of the gross dividend / share amounting to lei 0,70.

Transgaz's rating

From 2006 to March 2019, S&P Global Ratings assessed and monitored the Transgaz rating. Getting this rating was a necessary step in addressing an openness policy to international capital markets, with a view to attracting the most advantageous sources of funding and also providing a valuable instrument investors in the IPO stock listing process as well as the SPO. Thus, S&P Global Ratings published the latest report in 2018, revising the outlook for Transgaz, from stable to negative, and, at the same time, it affirmed the company's credit rating at BB +.

As of 2019, following the internal analysis and in compliance with all the legal provisions regarding the procurement of rating services, the company made the decision to conclude a contract with the rating agency Fitch. Thus, following the evaluation, on 17 July 2019 the agency awarded Transgaz the 'BBB-' rating, Stable Outlook.

The most recent evaluation was in June 2023, Fitch Ratings affirming the '**BBB-**, **Stable Outlook**' rating. According to Fitch's opinion presented in the rating report 'The affirmation of the rating reflects Transgaz's solid business profile as concessionaire and operator of the gas transmission network in Romania, its solid 2022 results and our expectations of regulatory continuity into the new regulatory period from October 2024'.

3.9. List of all entities where Transgaz holds shares

- **SC MEBIS SA Bistrita**, based in Bistrita, (J06/150/1991), where Transgaz owns 17.47% of the share capital, having as object the realization of metal structures and complex welded assemblies, assemblies and hydraulic products; is in liquidation proceedings, which is why the shareholding in SC MEBIS SA was fully provisioned. Transgaz has no obligations towards SC MEBIS SA;
- **SC Resial SA** with headquarters in Alba Iulia (J01 / 77/1991), where Transgaz owns 68.16% of the share capital, having as object the production and marketing of silico aluminous refractory

products, entered into liquidation procedure in year 2006; the procedure is carried out by a court bailiff appointed by the court and is independent of the control of Transgaz, which is why the share is not consolidated and is recorded at the cost less the impairment provision established at 100% of the cost. The loan granted to SC RESIAL SA is fully serviced. The management does not expect Transgaz to recover any amount of this share and does not record any residual liabilities for SC RESIAL SA;

- **SC EUROTRANSGAZ SRL** with headquarters in Chisinau, Republic of Moldova, where Transgaz owns 100% of its share capital with the objective of producing, transporting, distributing, storing and supplying natural gas, pipeline transport, storage as well as business consulting activities; management (establishment of this subsidiary was approved by EGMS Resolution 10 of 12.12.2017); in 2018, the subsidiary purchased State Enterprise Vestmoldtransgaz.

4 ACTIVITY ANALYSYS

4.1 Operation activity

The gas quantities circulated and transmitted through the National Transmission System (NTS) and the technological consumption in 01.01.2020 – 30.06.2023 are as follows:

Indicator	MU	2020	2021	2022	Sem I 2023
1	2	3	4	5	6
Circulated gas	thousand cm	12.456.201	14.098.211	13.106.226	6.392.623
Transmitted gas	thousand cm	12.380.266	14.026.269	13.032.066	6.363.964
NTS gas consumption	thousand cm	69.325	70.188	70.739	30.640
The share of NTS gas consumption / circulated gas	%	0,56%	0,50%	0,54%	0,48%

Table 15 - Gas quantities circulated, transmitted, and NTS gas consumption between 01.01.2020-30.06.2023

The evolution of the quantities of natural gas circulated, transmitted, NTS consumption and the quantity stored, scheduled and achieved in the Half I 2023 compared to the same period last year, is as follows:

	MU	Half I 2022			Half I 2023		
		Planned	Achieved	%	Planned	Achieved	%
Circulated gas	thousand cm	6.568.464	6.518.284	99,2	6.694.715	6.392.623	95,5
Transmitted gas	thousand cm	6.500.616	6.472.856	99,6	7.422.702	6.363.964	85,7
NTS gas consumption	thousand cm	48.076	43.908	91,3	33.413	30.640	91,7
Gas for storage	thousand cm	797.220	877.191	110	784.389	954.873	121,7

Table 16 - Gas quantities circulated, transmitted, and NTS gas consumption planned compared to quantities achieved in Half I 2023 and in Half I 2022

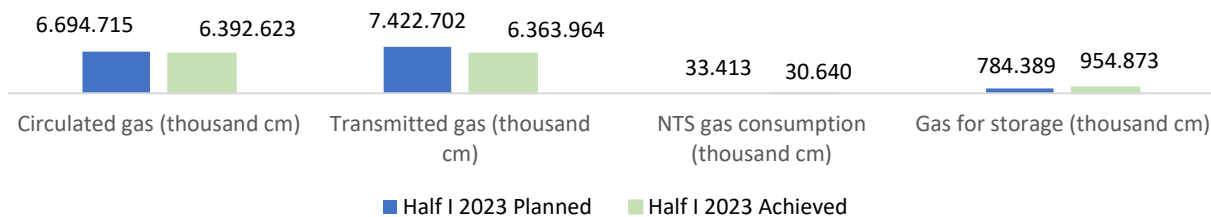


Chart 25 - Gas quantities circulated, transmitted and NTS consumption planned vs. achieved in Half I 2023

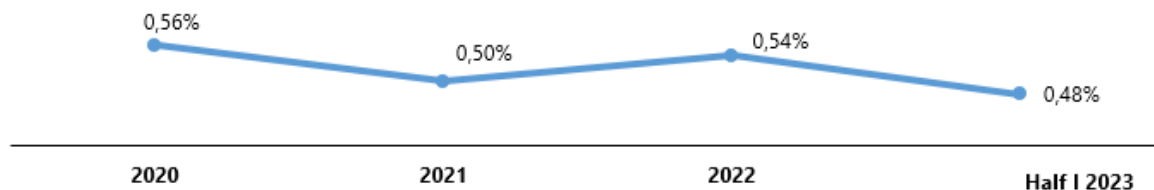


Chart 26 – The share NTS gas consumption in total circulated gas in 2020- Half I 2023

The main beneficiaries of the gas transmission service in Half I 2023:

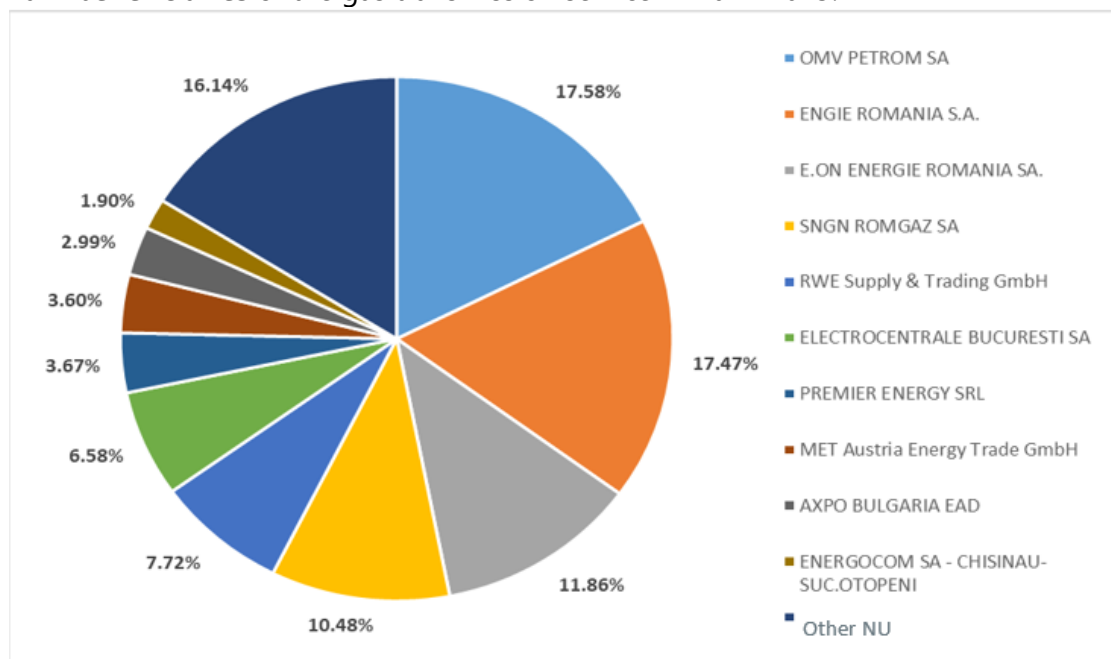


Chart 27 - The share of the main NTS users in Half I 2023

Through the **transmission services** contracted in Half I 2023, the total quantity of 68.110.951,160843 MWh (6.363.963,691 thousand cubic meters) was transmitted to:

	MWh	thousand cm	%
Distribution	41.344.004,076652	3.867.568,349	60,70

Direct customers	9.617.971,082533	903.698,273	14,12
Storage	10.189.929,969658	954.872,574	14,96
Export Csanadpalota, Giurgiu Ruse, Negru Voda, Ungheni	6.959.046,032000	637.824,495	10,22

4.2 The investment activity

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

For 2023 the amount of the Modernisation and Investment Development Plan of S.N.T.G.N. Transgaz S.A. approved by Board of Administration Resolution 38/20.12.2022 was lei **449.917.987**.

In January 2023, the structure of the Modernisation and Investment Development Plan was as follows: 27% contracted works awaiting start order, 25% works in progress from 2022, 22% works in the design phase, 13% works in the procurement phase, 13% works not requested.

Modernisation and Investment Development Plan – January 2023

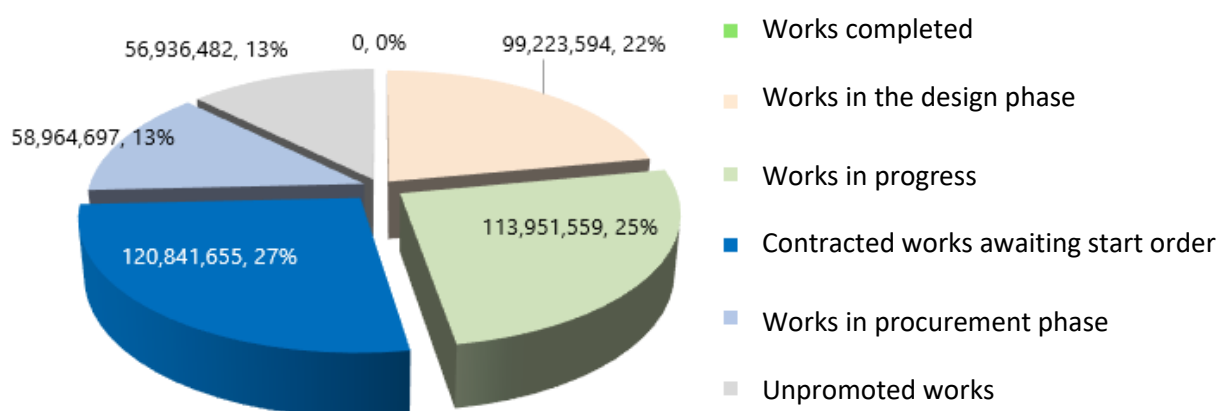


Chart 28 – Modernisation and Investment Development Plan 2021 - January 2023

At the end of Half I 2023 the structure of the Modernisation and Investment Development Plan was as follows: 55% works in progress, 23% works in the procurement procedure, 9% works in the design phase, 8% the objectives for which the necessary documentation for the start of the procurement has not been submitted and 5% works completed.

Compared with the situation of the works at the end of January, the percentage of works in progress increased, mainly in conjunction with a decrease in the percentage of works for which the start order was awaited and of works in the design phase.

Modernisation and Investment Development Plan – June 2023

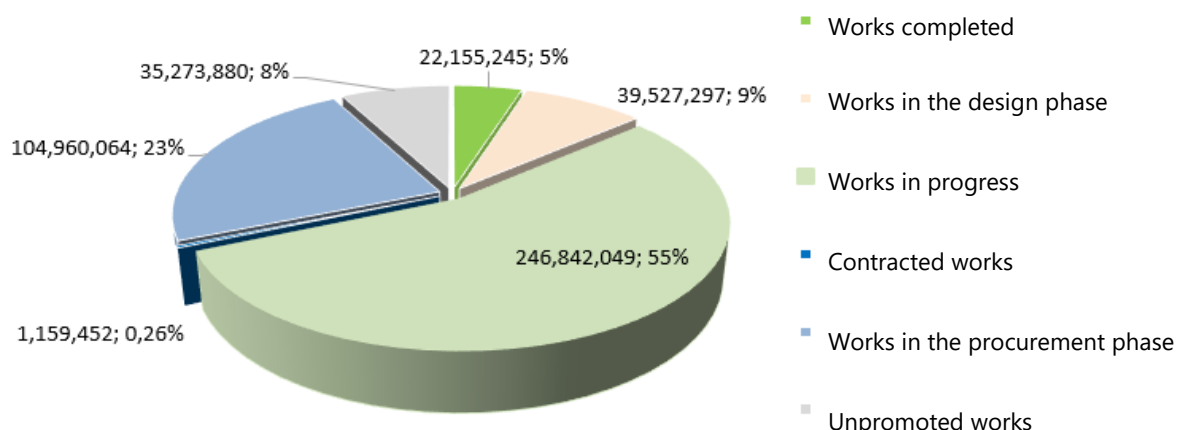


Chart 29 – Modernisation and Investment Development Plan 2023 – June 2023

The degree of achievement of investments by category in Half I 2023 is shown in the following table:

-Lei thousand-

Chapter	Category of works	Programme 2023	Achieved Half I 2023	%
CHAP. A	NTS upgrade and development works	314.306	14.802	4,71%
1.	Upgrading and retrofitting of the National Gas Transmission System	23.695	532	2,25%
1.1.	<i>Adaptation to the field of the metering lines to be installed under the SCADA programme and technological nodes automation</i>	15.695	532	3,39%
1.2.	<i>Data acquisition control system</i>	8.000	0	0%
2.	Development of the National Gas Transmission System and related facilities	290.611	14.270	4,91%
2.1.	<i>Gas transmission pipelines</i>	85.138	5.236	6,15%
2.2.	<i>Increasing NTS transmission capacity</i>	172.192	5.060	2,94%
2.3.	<i>Aboveground construction and installations works for MRSs</i>	9.244	19	0,21%
2.4.	<i>Cathodic protection stations</i>	1.326	176	13,28%
2.5.	<i>Information technology and telecommunications investments</i>	20.307	3.732	18,38%
2.6.	<i>Aboveground construction and installations works for odorization installations</i>	0	0	0%
2.7.	<i>Works at gas transmission pipelines in operation located in risk-bearing areas</i>	0	0	0%
2.8.	<i>Electrical installations and networks</i>	200	47	23,48%
2.9.	<i>Archaeology services</i>	2.004	0	0%
2.10.	<i>Biodiversity monitoring services</i>	200	0	0%
CHAP. B	Modernisation and development of own assets	24.885	4.386	17,63%
1.	Other works	8.004	531	6,64%
1.1.	Connections, networks and heating installations at administrative offices and MRSs	11	11	100%
1.2.	Administrative offices and production bases at R.O.	4.573	520	11,38%

Chapter	Category of works	Programme 2023	Achieved Half I 2023	%
1.3	Security and surveillance systems	3.420	0	0%
2.	Self-contained machinery	16.881	3.855	22,83%
CHAP. C	NTS access works	65.918	4.738	7,19%
CHAP. D	Development of NTS according to Law 123/2012 (updated) Art. 132 (e1) and (e2)	44.809	11.162	24,91%
	Works from previous years or transferred from PRRASM	0		
TOTAL PMDI		449.918	35.089	7,80%

Table 17 - Implementation of the Modernization and Development Investment Plan in Half I 2023

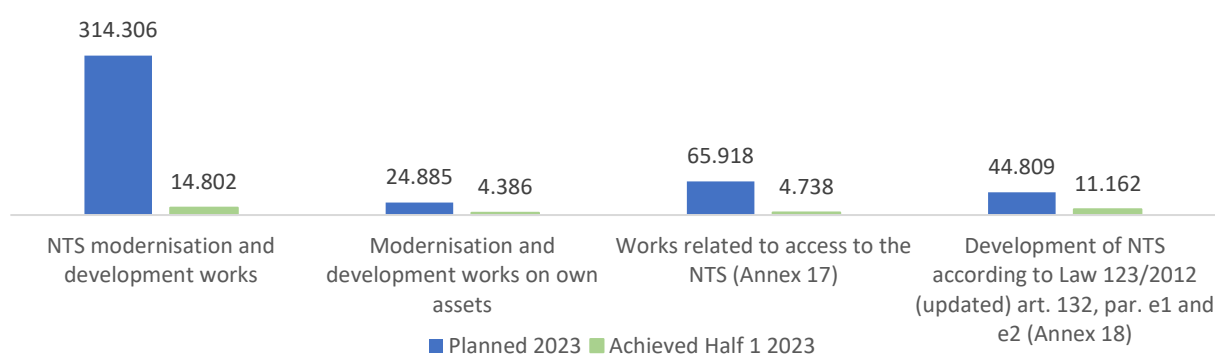


Chart 30 – Implementation of the Modernization and Development Investment Plan in Half I 2023 (thousand lei)

The main investment objectives completed in Half I 2023 are:

- DN 300 Sighetul Marmației – Borșa gas transmission pipeline;
- DN 250x40 bar Vernești - Mărăcineni-Poșta Călnău gas transmission pipeline, phase I: DN 250x40 bar, Vernești - Mărăcineni gas transmission pipeline, Buzău county (including power supply and cathodic protection);
- Connection and MRS Lacu Sărat, Chișcani, Brăila county;
- Drilling rig and geotechnical sampling equipment;
- Electrical panel equipped with UPS and mounting accessories for power supply of odorization installations;
- Nadeș-Sighisoara gas transmission pipeline;
- Power supply of actuators, automation and objective monitoring components at the Gherăiești Technological Node;
- Securing the Târgului river undercrossing with the DN 500 Schitu Golești - Slătioara and DN 500 Schitu Golești - Stâlpeni gas transmission pipeline, Furnicoși area;
- Securing DN 500 Medieșu Aurit – Abrămuț gas transmission pipeline at the abovecrossing of the Someș river, the Culciu Mare area;
- Installation of control valve at TN Munteni, Galati county;
- Câmpulung Moldovenesc - Vatra Dornei gas transmission pipeline, revision 1- phase II, L=26.394 km, Pojorâta-Vatra Dornei section.

MAJOR PROJECTS

For compliance with Art. 22 of European Directive EC/73/2009 on the obligation of all EU gas transmission system operators to prepare **TYNDPs**, SNTGN Transgaz SA Mediaș, as the technical operator of the National Gas Transmission System of Romania, prepared the **Development Plan for the gas transmission system for 2022-2031, approved by ANRE by Decision No.1944/01.11.2022.**

Through the proposed major projects, the company aims to become an energy hub in Eastern Europe both from the perspective of achieving a gas transmission network strongly interconnected with similar gas transmission networks in the region, and from the perspective of gas supplying.

Major projects - achievements in Half I 2023

Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria Corridor – Phase II

In Half I 2023, the tender documents for the purchase of compression units were finalised. The Technical Documentation for obtaining the Building Permit is completed and submitted to the Competent Authority for Projects of Common Interest and the updated Technical Design is approved by the TEC.

The BRUA Phase II project was included by the European Commission on the fifth list of projects of common interest. The list includes 98 projects: 67 electricity transmission and storage projects, 20 gas projects, six CO₂ capture projects and five smart grid projects. All Projects of Common Interest are subject to simplified authorisation procedures and are eligible for financial support from the Connecting Europe Facility (CEF).

The BRUA Phase II project involves increasing Romania's natural gas transmission capacity from Recaș at Horia to Hungary to 4,4 billion cubic metres per year and expanding the compression stations at Podișor, Bibești and Jupa, as well as the bi-directional flow between Romania and Hungary.

Development on the Romanian territory of the Southern Transmission Corridor for taking over the Black Sea gas

On 16 June 2023, the works commencement order for the Tuzla-Podișor gas pipeline was signed at the Romanian Government headquarters. The contract for the execution of the works amounting to approximately euro 500 million was concluded with KALYON INSAAT SANAYI VE TICARET ANONIM SIRKETI of Turkey.

The works commencement order comes three months after the signing ceremony of the natural gas transmission contracts concluded as a result of the capacity booking procedure for the Tuzla Black Sea gas NTS entry/exit point by Transgaz, OMV-Petrom and Romgaz, which took place on 16 March, also at the Romanian Government headquarters.

The project Black Sea-Podisor natural gas transmission pipeline is included in the TYNDP and in the list of EU projects of common interest and was submitted for funding through the Modernisation Fund, obtaining a financing of euro 85 million. The funding gap will be covered by a competitive financial mix.

The pipeline will be located in the south-eastern part of the country and crosses 3 counties: Constanța, Călărași and Giurgiu, i.e. 42 administrative territorial units (TAU). This investment will significantly contribute to increasing the security of natural gas supply in Romania, to diversifying the sources of natural gas supply, to the social and economic development of the areas crossed, through the creation of new jobs, both during the implementation of the project and during its operation.

4.3 Maintenance activity

Repair and Rehabilitation Works Programme for NTS Maintenance

The Repair and Rehabilitation Works Programme for NTS Maintenance (PLRRM) for 2023 has a budgeted value of lei 11.001.237.

The implementation of the Repair and Rehabilitation Works Programme for NTS Maintenance in Half I 2023 compared to the planned level is as follows:

No.	Chapter name	Programme 2023	Achieved in Half I 2023	%
0	1	2	3	$4=3/2*100$
Chap. A. REPAIR AND REHABILITATION WORKS FOR NTS MAINTENANCE (lei)				
1.	Repairs and rehabilitation of main pipelines	9.369.137,00	3.073.716,77	32,81%
2.	Metering regulating stations (MRS) repairs	-	-	-
3.	Repair of technological nodes	495.000,00	130.201,00	26,30%
4.	Compressor stations repairs	-	-	-
5.	Repairs to special constructions related to MRSs and VCSs	177.000,00	-	-
6.	Cathodic protection systems (CPS) repairs	-	-	-
7.	Repairs to CT installations and equipment	-	-	-
8.	Building repairs	960.100,00	32.000,00	3,33%
TOTAL WORKS		11.001.237,00	3.235.918,18	29,41%

Table 18 - Implementation of the Repair and Rehabilitation Works Programme for NTS Maintenance (PLRRM)-Half I 2023

At the end of Half I 2023, the works under PLRRM were at different stages: 70,56% works in progress, 15,02% works in procurement procedure, 8,59% works in design and 5,83% works completed.

PLRRM 2023- Repair and rehabilitation works for NTS maintenance -June 2023

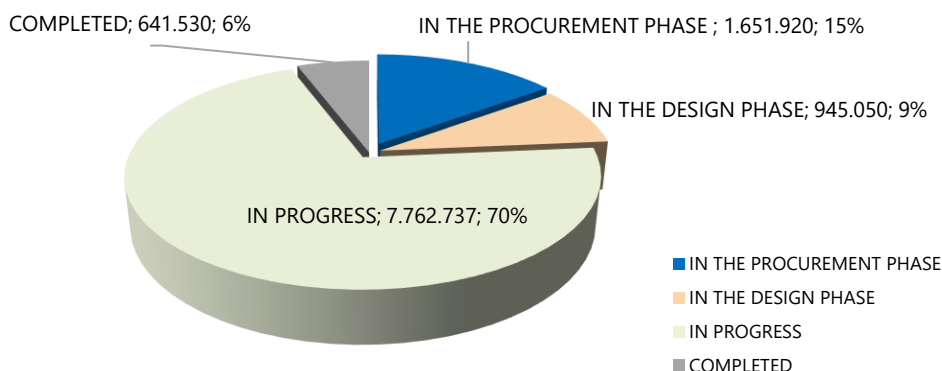


Chart 31 - PLRRM 2023 - Repair and Rehabilitation for NTS maintenance - June 2023

The main repair/rehabilitation works completed in Half I 2023 are:

- Ø6" ELSID Titu supply pipeline;
- repair of Dn 1200 Isaccea-Negru Voda, Transit 3 pipeline, following inspection with intelligent PIG.
- repairs/painting at TN Gherăiești;
- repairs/painting at TN Lețcani;
- demolition works of MRS Triteni building;
- demolition works MRS Boian building;
- demolition works Drăgășani sector locker room building

Preventive works are the works preparing the pipelines for diagnosis, followed by one-off rehabilitation works designed on the basis of diagnosis to restore nominal gas transmission capacity. Preparing pipelines to be traversed by cleaning and diagnostic equipment is achieved by replacing or reconsidering components that do not allow their passage. The technological activity of internal pipeline cleaning has also the aim of maintaining the pipeline at its original gas transmission capacity by periodically removing impurities (solid and liquid) from upstream sources. All these activities are geared towards carrying out maintenance of necessity, based on the principle of in-service risk assessment.

As described above, an important category of the **repair works is that based on diagnosis**, resulting from the interpretation and evaluation of the reports obtained by analysing the information provided by running intelligent pigs, which resulted in spot or area repair projects carried out using welding or seamless technologies.

With regard to the efficiency and effectiveness of the process of carrying out the repair and rehabilitation works on main pipelines, we present the main external factors with a negative impact:

- late delivery of the materials (pipes and valves) needed to carry out the work in the current economic and political context;
- lack or expiry of the necessary permits;
- lack of landowner agreements.

The following measures were taken to address the problems of carrying out repair and rehabilitation works:

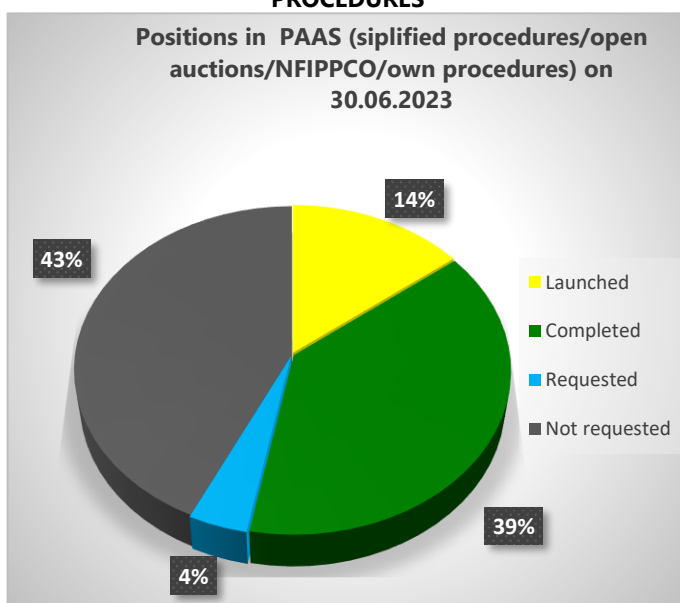
- documentation for obtaining permits/authorisations was re-drafted and submitted to the competent authorities;
- in some more difficult areas, in terms of obtaining agreements from landowners or at the request of local administrations, it was taken the decision to re-design the pipeline route and the technical solutions for construction;
- the priority works were achieved inhouse (Mediaş Subsidiary and Regional Office).

4.4 The procurement activity

The **Annual Sectoral Procurement Plan** (PAAS) includes all contracts that the company is to award during a year, following the conduct of procurement procedures, direct procurement and framework agreements based on which subsequent contracts are awarded, in accordance with the provisions of Law 99/2016 on sectoral procurement, as further amended and supplemented. **The Annual Sectoral Procurement Plan for 2023** (PAAS 2023) had an assigned value of lei 2.239.148.226,77.

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

SIMPLIFIED PROCEDURES/OPEN BIDS/ NFIPPCO/OWN PROCEDURES



DIRECT PROCUREMENTS

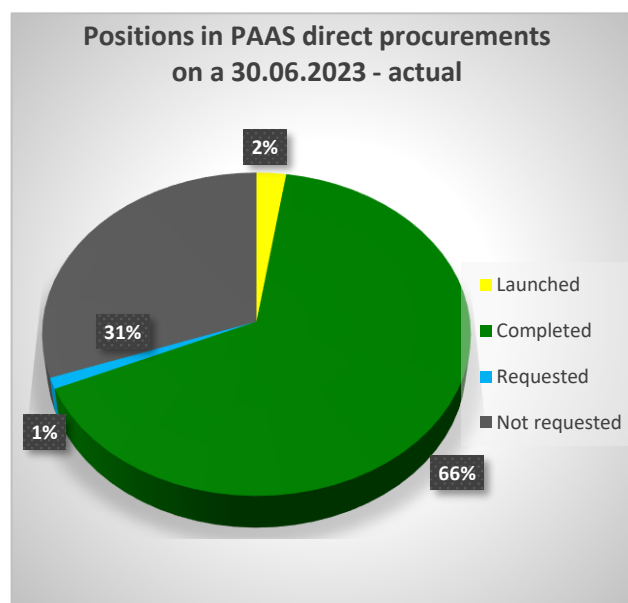


Chart 32 – Actual status of procurement procedures on 30 June 2023

4.5 The legal assistance and representation activity

The activity of legal assistance and representation of SNTGN Transgaz SA before the courts and other bodies with jurisdictional activity aimed mainly at:

- ensuring legal assistance before courts of all levels of jurisdiction and other bodies with jurisdictional activity;
- initiating legal actions, establishing claims, filing statement of defence, preparing answers to statements of defence, examinations, setting objectives of expertise and / or objecting to judicial expertises approved by the court, administration of evidence, etc.
- promoting remedies at law;
- enforcement of the enforceable titles obtained;
- assistance and legal representation of Transgaz within the enforcement procedure (formulation of enforcement requests and any other steps specific to the enforcement procedure);
- preparation of various reports/evidence on the state of litigation to which the company is a party;
- participation in commissions set up to evaluate tenders submitted under the sectoral procurement procedures;
- participation in various working groups/committees in order to support normative acts promoted by various public institutions with an impact on Transgaz's activity.

According to case registry records, in Half I 2023, there were a total of **64 cases** in which SNTGN Transgaz SA was plaintiff and defendant:

- **41** cases as plaintiff;
- **23** cases as defendant;

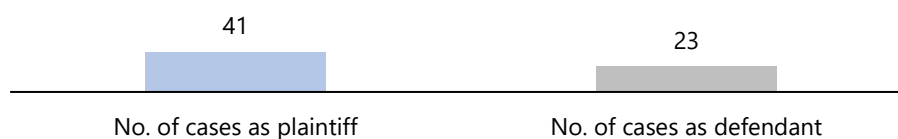


Chart 33 - Structure and number of cases in which the company was involved in Half I 2023

Values:

- values of cases in which Transgaz is a plaintiff (files registered in Half I 2023): **lei 2.915.493,55**;
- values of cases in which Transgaz is a defendant (files registered in Half I 2023): **lei 1.693.624,39** and **EUR 402.000**.

Solutions:

- **15 favourable decision cases** Transgaz (final decisions);
- **7 unfavourable decision cases** Transgaz (final decisions).

4.6 International cooperation activity

In Half I 2023 the international cooperation activity mainly was directed to:

- the cooperation with the Gas Transmission System Operators from the neighbouring countries (Bulgaria, Hungary, Ukraine, Moldova, Serbia) in order to implement and jointly operate the cross-border interconnection;

- the cooperation with the European and neighbouring gas Transmission System Operators within the Trans Balkan Corridor project
- the collaboration with European and adjacent Transmission System Operators within the Vertical Gas Corridor Project (Transgaz, DESFA Greece, ICGB, Bulgartransgaz Bulgaria, FGSZ Hungary)
- the cooperation with national and international bodies, the European Commission and other institutional relations
- the cooperation with gas transmission operators at the regional level for the development of new relevant partnerships for the energy sector and the conclusion of cooperation agreements or memoranda.

In recent years, SNTGN Transgaz SA has initiated contacts with natural gas transmission operators in the European Union with a view to developing partnership relations aimed at exchanging experience and analysing the potential for bilateral cooperation to promote possible joint projects (Gaz-System Poland, ICGB - the company implementing the Greece-Bulgaria Interconnection project, GasConnect Austria, CEGH Austria, Energy Community Secretariat (SEEGAS initiative), etc.

In order to expand its activity, **TRANSGAZ is considering the development of new partnerships with various international companies relevant to the energy sector** and, to this end, is engaged in discussions to conclude cooperation agreements.

4.7. Internal audit

According to the plan approved for 2023, a total of seven internal audit missions were planned to be carried out in Half I. Following the request from the management, two ad-hoc internal audit missions were introduced to the General Inspection Division and the Legal Division in the Annual Internal Audit Plan. At the same time, the Human Resources Organisation Division requested the extension of the internal audit mission on 'Evaluation of the Corruption Prevention System, 2023' until 28.07.2023.

The situation of the missions on 30.06.2023 is as follows:

No.	Internal audit mission	Planned mission	Ad hoc mission	Current status
1.	Evaluation of the activity of the Natural Gas Market Monitoring Office	X		Completed
2.	Evaluation of advisory, legal and litigation activity	X		Reporting stage
3.	Evaluation of the Automation Unit	X		Completed
4.	Evaluation of transport and road safety activity at the company's headquarters	X		Completed
5.	Evaluation of the work of the General Inspection Division		X	On-site intervention stage
6.	Evaluation of sectoral service procurement	X		On-site intervention stage

No.	Internal audit mission	Planned mission	Ad hoc mission	Current status
7.	Evaluation of the corruption prevention system - 2023	X		On-site intervention stage
8.	Evaluation of file no. 133/90/2014 (Bălășoiu Marian)		X	Completed
9	Evaluation of the activity of the Financing Contracts Department	X		Not started

The audit reports prepared following the verifications carried out and endorsed by the Director-General were sent to the Audit Committee for information.

A permanent concern of the Internal Audit Service is to monitor the implementation of the recommendations made in the audit reports and to increase the efficiency of their implementation, as well as compliance with the implementation deadlines set in the action plan.

4.8. Investor relations

SNTGN TRANSGAZ SA set up a specialized organizational structure to manage the capital market activity, namely - *Investor Relations Department* - structure whose activity is dedicated to the relationship with investors and shareholders. The personnel of the department is permanently formed, instructed, professionally trained on the aspects concerning the company's relationship with its shareholders, the principles of corporate governance, management, customer relations.

The Company reports regularly and continuously on significant events, including but not limited to financial condition, performance, ownership and management, both in the media and on its website (www.transgaz.ro).

In accordance with the provisions of the legal regulations on the capital market, the company prepared and published in January 2023 the *Financial Communication Calendar* for year 2023, by which it informs the public of the dates of which the general meetings of shareholders: the approval of the financial statements for the previous year and the publication of the annual report, the dates of publication of the quarterly and half-yearly reports, the dates on which meetings with financial analysts, investment advisors, brokers, SSIF are held for the presentation of financial results.

TRANSGAZ prepares and communicates relevant periodic and ongoing information in accordance with International Financial Reporting Standards (IFRS), the European Electronic Single Format (ESEF) and other reporting standards, i.e. Environmental, Social and Governance (ESG). These are published on the BVB, ASF and Transgaz websites in both Romanian and English.

The company organizes meetings with financial analysts, brokers, market specialists and investors at the notification of the financial statements, on which occasion it publishes material relevant to the investment decision.

In order to provide transparent information to investors, SNTGN Transgaz SA carried out the following activities in Half I 2023:

- video conference held on 28 February 2023 with financial analysts and investors to present the preliminary financial results for 2022;
- video conference held on 18 May 2023 with financial analysts and investors to present the interim financial results for the first quarter of 2023;
- transmission of responses to requests for information from financial analysts and investors.

The company also created a special section on its website called Investor Relations, where relevant information of the company is published in Romanian and English with regard to the procedures for access and participation in the General Meeting of Shareholders (GMS), GMS summons, supplementations to the GMS agenda, BoA's answers to shareholders' questions, exercise of voting rights at the GMS, GMS agenda materials, special and general proxy forms, forms of vote by correspondence, current reports, company financial statements, financial calendar, corporate governance, dividend distribution, ratings, transaction notifications, etc. They are constantly updated and accessible to stakeholders, thus contributing to transparent and fair information for them.

4.9. Tarif setting methodology

The regulated tariffs for the provision of natural gas transmission services through the National Transmission System for 1 October 2021 - 30 September 2022 set based on ANRE Order 32/27 May 2021, on the approval of the National Transmission System gas transmission regulated revenue, total revenue and transmission tariffs were extended by Order 95/18.05.2022, until 30 September 2023.

4.10 Consolidated financial results (consolidated factorial analysis of the activity)

(thousand lei)

Indicator	Consolidated statements Half I 2023	Consolidated statements Half I 2022	Changes
0	1	2	$3 = 1/2 * 100 - 100$
Revenue from the domestic transmission activity	634.713	592.601	7%
Revenue from the international transmission activity	58.872	42.416	39%
Other revenue	67.507	68.901	-2%
Operating revenue before the balancing and construction activity according to IFRIC12	761.091	703.917	8%
Depreciation	232.814	214.170	9%
Employees costs	278.069	235.864	18%
Technological consumption, materials and consumables used	73.816	93.645	-21%
Cost of royalty	2.760	2.540	9%
Maintenance and transmission	15.799	15.813	0%

Indicator	Consolidated statements Half I 2023	Consolidated statements Half I 2022	Changes
0	1	2	3=1/2*100-100
Taxes and duties due to the state	37.461	37.675	-1%
Revenue/ (Costs) of provisions for risks and charges	-21.324	17.600	-221%
Other operating cost	108.830	57.210	90%
Operational profit before the balancing and the construction activity according to IFRIC12	32.867	29.400	12%
Revenue from the balancing activity	263.067	540.476	-51%
Cost of balancing gas	263.067	540.476	-51%
Revenue from the construction activity according to IFRIC12	35.270	104.332	-66%
Cost of constructed assets according to IFRIC12	35.270	104.332	-66%
Operational profit	32.867	29.400	12%
Financial revenue	140.742	294.951	-52%
Financial cost	79.898	102.579	-22%
Financial revenue, net	60.844	192.372	-68%
Profit before tax	93.711	221.772	-58%
Profit tax expense	22.892	44.494	-49%
Net profit for the period	70.818	177.278	-60%
Exchange rate differences	10.928	2.685	307%
Other comprehensive income	6.395		X
Total comprehensive income for the period	88.141	179.963	-51%

Table 19 - Indicators of consolidated economic and financial results in Half I 2023 compared to Half I 2022

Consolidated achievements in Half I 2023 compared to consolidated achievements in Half I 2022

The statement of the financial results achieved as at 30 June 2023 as compared to 30 June 2022 is presented below:

Name	Achieved Half I 2023	Achieved Half I 2022	Changes
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	761.091	703.917	8%
Revenue from the balancing activity	263.067	540.476	-51%
Revenue from the construction activity according to IFRIC12	35.270	104.332	-66%
Financial revenue	140.742	294.951	-52%
Operating costs before the balancing and construction activity, according to IFRIC12	728.224	674.517	8%

Name	Achieved Half I 2023	Achieved Half I 2022	Changes
0	1	2	3=1/2x100-100
Costs of balancing gas	263.067	540.476	-51%
Cost of assets according to IFRIC12	35.270	104.332	-66%
Financial costs	79.898	102.579	-22%
Total GROSS PROFIT, of which:	93.711	221.772	-58%
• from operation	32.867	29.400	12%
• from the financial activity	60.844	192.372	-68%
Income tax	22.892	44.494	-49%
NET PROFIT	70.818	177.278	-60%
Exchange rate difference	10.928	2.685	307%
Other comprehensive income	6.395		X
Total comprehensive income for the period	88.142	179.963	-51%

Table 20 – Consolidated financial results in Half I 2023 compared to Half I 2022

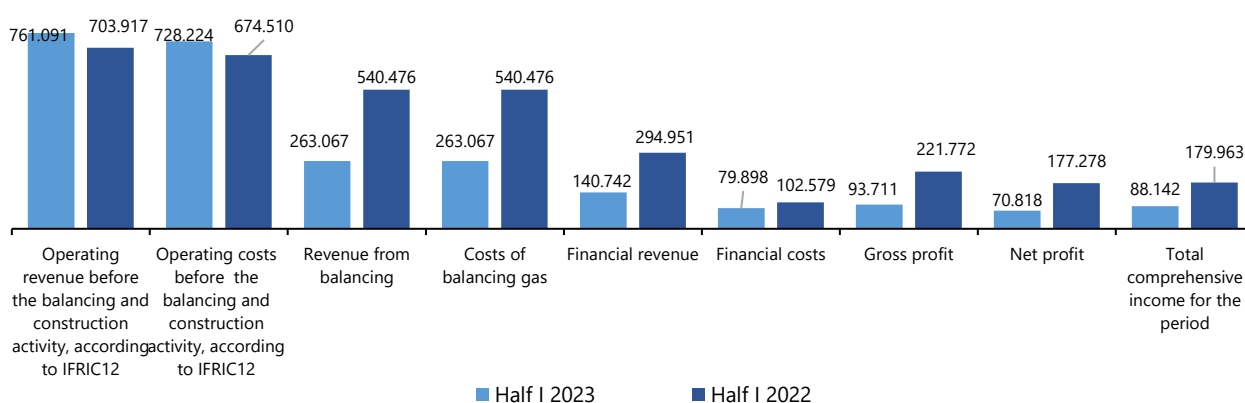


Chart 34 – Consolidated financial results in 2022 compared to 2021 (thousand lei)

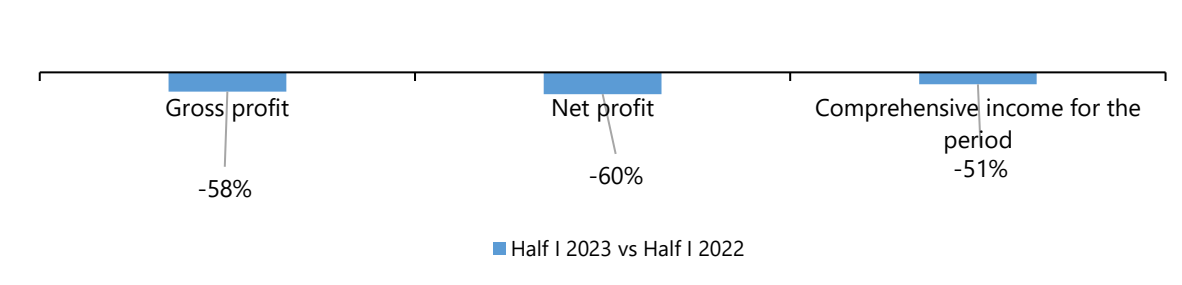


Chart 35 - Consolidated financial results in Half I 2023 compared to Half I 2022 (%)

The trend of the consolidated economic-financial indicators on 30 June 2023, compared to the indicators obtained in the same period of 2022 is mainly determined by the variation of the

individual economic-financial indicators recorded by SNTGN Transgaz SA at 30 June 2023 compared to the indicators obtained in the same period of 2022.

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

In Half I 2023 Vestmoldtransgaz SRL of the Republic of Moldova provided gas delivery services amounting to lei 3.543 thousand.

4.11 Individual financial results (factorial analysis of the individual activity)

Individual achievements in Half I 2023 vs. individual achievements in Half I 2022

The financial results obtained in Half I 2023 as compared to Half I 2022 is as follows:

<i>(thousand lei)</i>			
Name	Achieved Half I 2023	Achieved Half I 2022	Changes
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	757.139	703.921	8%
Revenue from the balancing activity	263.067	540.476	-51%
Revenue from the construction activity according to IFRIC12	35.270	104.332	-66%
Financial revenue	125.418	277.698	-55%
Operating costs before the balancing and construction activity, according to IFRIC12	717.504	667.242	8%
Costs of balancing gas	263.067	540.476	-51%
Cost of assets according to IFRIC12	35.270	104.332	-66%
Financial costs	63.781	84.475	-24%
GROSS PROFIT -total, of which:	101.272	229.903	-56%
• from operation	39.635	36.679	8%
• from the financial activity	61.637	193.224	-68%
Profit tax	22.451	44.097	-49%
NET PROFIT	78.821	185.805	-58%

Table 21 - Individual financial results in Half I 2023 compared to Half I 2022

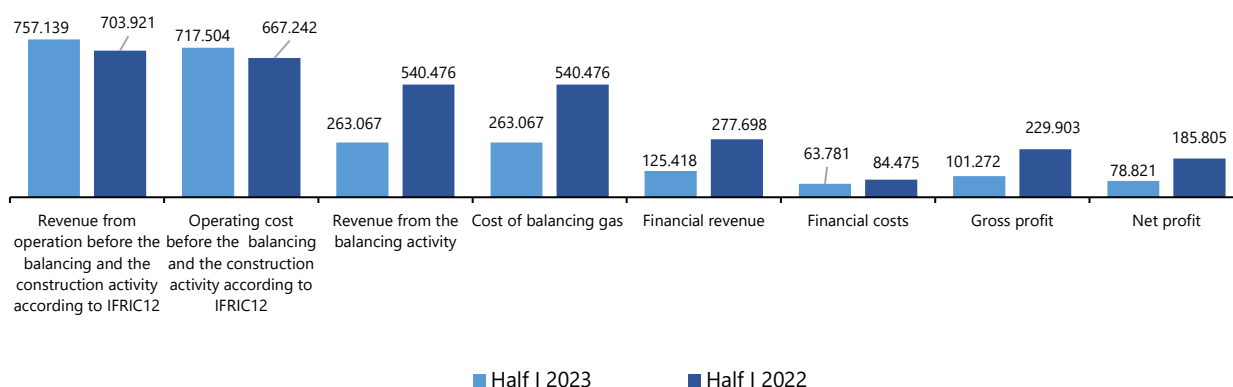


Chart 36 - Individual financial results in Half I 2023 compared to Half I 2022

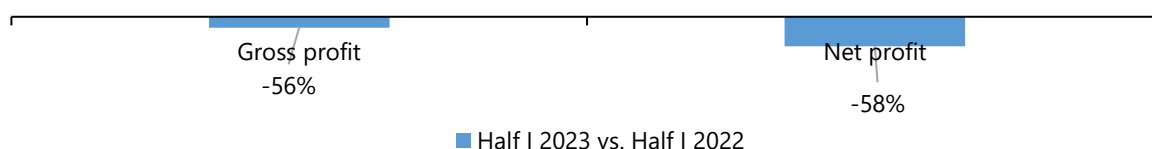


Chart 37 - Individual financial results in Half I 2023 compared to Half I 2022 (%)

Operating revenue before the balancing and construction activity, according to IFRIC12 are higher by **lei 53.218 thousand** than the one achieved at 30 June 2022.

The revenue was influenced mainly by the following factors:

- **revenue from capacity booking** higher by **lei 40.268 thousand** due to:
 - *revenue from the auction premium* higher by lei 47.457 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points. Revenue from the auction premium at 30 June 2022 amounted to lei 21.839 thousand, and at 30 June 2023 to lei 69.296 thousand;
 - *booked capacity* higher by 3.785.642 MWh, with a positive influence of lei 9.687 thousand;
 - *capacity booking tariff, determined by the structure of the booked products*, lower by lei 0,165 /MWh, with a negative influence of lei 30.187 thousand;
 - *capacity overrun revenue* higher by lei 13.312 thousand. Capacity overrun revenue at 30 June 2022 amounted to lei 33.243 thousand, and at 30 June 2023 to lei 46.555 thousand;
- **commodity revenue** lower by **lei 1.698 thousand** due to:
 - *the gas transmitted capacities* lower by 1.530.104 MWh/108.892 thousand cm (▼2%), as compared to 30 June 2022, with a negative influence of lei 1.698 thousand, detailed by categories of consumers as follows:

		6 months 2022	6 months 2023	Differences
Quantity transmitted for direct consumers	MWh	27.862.470	26.129.688	1.732.782
	thousand m ³	2.496.396	2.305.009	191.387
Quantity transmitted for distribution	MWh	41.344.004	44.606.890	-3.262.886
	thousand m ³	3.867.568	4.167.847	-300.279
Total	MWh	69.206.474	70.736.578	-1.530.104
	thousand m ³	6.363.964	6.472.856	-108.892

- *the commodity transmission tariff* approved by Order 32/26.05.2021 of the ANRE President was prorogated for 1 October 2022 – 30 September 2023 by ANRE Order 75/18.05.2022.

- *international gas transmission revenue and similar* higher by **lei 16.456 thousand**. According to the Agreement for the termination of the legacy Contract between SNTGN Transgaz SA and GPE, the remaining amounts will be paid over a period of maximum three years and the transmission revenue is regulated according to ANRE Order 41/2019 and ANRE Order 34/2014, based on the points where capacity is booked, the monthly difference being classified as similar income.
- *other operating revenue* lower by **lei 1.807 thousand**.

The revenue from the balancing activity was lower by **lei 277.410 thousand** based on the following factors:

- trading price lower by lei 219,14/MWh, with a negative influence of lei 208.999 thousand;
- quantity lower by 138.208 MWh with a negative influence of lei 68.410 thousand;

The revenue from the construction activity lower by **lei 69.062 thousand**, registered in line with IFRIC 12, according to which revenue and costs related to the construction activity or the improvement of the transmission network, in exchange of which the intangible asset is registered, must be acknowledged in line with IAS 11, Construction Contracts.

The financial revenue has a negative influence of **lei 152.280 thousand**. In Q I 2022 Transgaz record revenue from shareholdings following the reduction of Eurotransgaz's share capital by EUR 13,15 million.

Operating costs before the balancing and construction activity according to IFRIC12 increased by **8%** as compared to 30 June 2022, which is higher by **lei 50.262 thousand**.

The company made savings of lei 58.257 thousand to the following cost elements:

- transmission system gas consumption of lei 16.769 thousand due to:
 - the quantity of natural gas for NTS gas consumption lower by 131.248 MWh as compared to 30 June 2022, with a positive influence of lei 22.235 thousand;

- the average purchase price achieved higher by lei 16,49 /MWh as compared to the one achieved at 30 June 2022, with a negative influence of lei 5.466 thousand;
- cost of repair: lei 917 thousand;
- licence cost: lei 1.609 thousand;
- cost of provision for risks and charges: lei 38.955 thousand.

A surplus amounting to lei 108.512 thousand was recorded to the following cost elements:

- employee costs: lei 42.293 thousand;
- cost of depreciation: lei 15.526 thousand, based on the completion and commissioning of investments projects;
- cost of auxiliary materials: lei 2.394 thousand;
- cost of royalty: lei 220 thousand;
- cost of maintenance and transport: lei 1.037 thousand;
- cost of monopoly tax: lei 1.147 thousand;
- other taxes and duties: lei 249 thousand;
- other operating costs: lei 45.646 thousand. In Q I 2022 the current assets impairment adjustments decreased on account of the collection of outstanding receivables from Electrocentrale București, amounting to lei 116.338 thousand.

The financial cost is lower by **lei 20.693 thousand**. In Q I 2022 Transgaz recorded costs regarding the financial fixed assets transferred following the reduction of Eurotransgaz's share capital by EUR 13,15 million. Interest expenses increased in Half I 2023, mainly as a result of the completion of investment projects, the interest being capitalised during their implementation.

Compared to 30 June 2022 the gross profit achieved at 30 June 2023 decreased by 56%, which is lower by lei 128.631 thousand.

Achievements in Half I 2023 compared to REB Half I 2023

The main economic and financial indicators achieved in Half I 2023 as compared to the Revenue and Expense Budget approved by OGMS Resolution 2/16 February 2023 are as follows:

(thousand lei)

Name	REB Half I 2023	Achieved Half I 2023	Changes
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	692.759	757.139	9%
Revenue from the balancing activity	700.962	263.067	-62%
Revenue from the construction activity, according to IFRIC12	374.705	35.270	-91%
Financial revenue	132.303	125.418	-5%
Operating costs before the balancing and construction activity, according to IFRIC12	851.572	717.504	-16%
Costs from the balancing activity	700.962	263.067	-62%

Name	REB Half I 2023	Achieved Half I 2023	Changes
0	1	2	3=1/2x100-100
Cost of constructed assets according to IFRIC12	374.705	35.270	-91%
Financial costs	56.545	63.781	13%
GROSS PROFIT	-83.056	101.272	X

Table 22 - Financial results in Half I 2023 compared to the Budget for Half I 2023

Operating revenue before the balancing and construction activity according to IFRIC12 increased by **lei 64.380 thousand** as compared to the REB.

The revenue was influenced by the following:

- Gas transmission services increased by **lei 54.614 thousand** due to:
 - *capacities booked* higher by 15.780.836 MWh with a positive influence of **lei 44.066 thousand**;
 - *average capacity booking tariff, determined by the structure of the booked products*, higher by lei 0,085/MWh, with a positive influence of **lei 16.410 thousand**
 - *the gas transmitted capacities* lower than planned by 5.281.116 MWh (▼7%) with a negative influence of **lei 5.862 thousand**;
- Revenue from international gas transmission services and similar increased by **lei 24.164 thousand**;
- Other operating revenue decreased by **lei 14.398 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 437.895 thousand** based on the following:

- trading price lower by lei 270,86/MWh, with a negative influence of lei 258.325 thousand;
- quantity lower by 328.463 MWh with a negative influence of lei 179.570 thousand;

Financial revenue decreased by **lei 6.884 thousand** as compared to the REB.

Operating costs before the balancing and construction activity according to IFRIC12 decreased by **16%** as compared to the approved plan, which is lower by **lei 134.069 thousand** as compared to the REB.

Savings amounting to lei 158.951 thousand were recorded mainly the following cost elements:

- employee costs: lei 37.554 thousand;
- auxiliary materials and other material costs: lei 42.212 thousand;
- cost of maintenance and transport: lei 23.658 thousand;
- transmission system gas consumption: lei 42.385 thousand;
- cost of taxes and duties: lei 3.175 thousand;

- cost of provision for risks and charges: lei 9.968 thousand;

A surplus of lei 24.883 thousand was recorded mainly in relation to the following cost elements:

- cost of NTS concession royalty: lei 315 thousand;
- cost of depreciation: lei 6.842 thousand;
- other operating costs: lei 17.726 thousand.

The financial cost is higher by **lei 7.237 thousand**, mainly due to interest expenses and exchange rate differences.

The gross profit increased by lei 184.328 thousand as compared to the REB.

	Obtained in Half I 2023 compared to Obtained in Half I 2022	Obtained in Half I 2023 compared to REB for Half I 2023
Operating revenue before the balancing and construction activity, according to IFRIC12	8%	9%
Operating costs before the balancing and construction activity, according to IFRIC12	8%	-16%
Gross result	-56%	222%
Profit tax	-49%	107%
Net profit	-58%	184%

Table 23– Achieved Half I 2023 compared to Achieved in Half I 2022 and Achieved in Half I 2023 compared to REB (%)

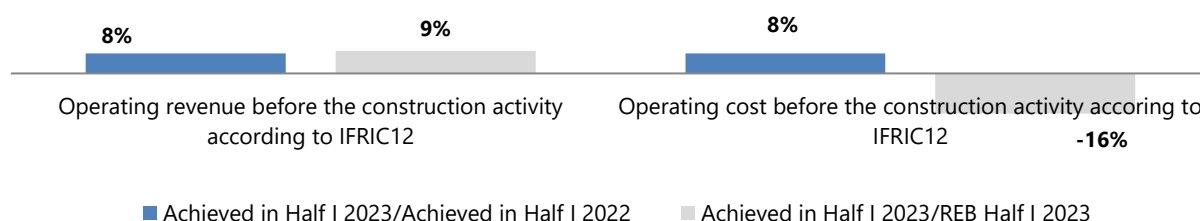


Chart 38 - Achieved in Half I 2023 vs. Achieved in Half I 2022 and Achieved in Half I 2023 compared to REB for Half I 2023

Achievements in Half I 2023 compared to the Management Plan 2023

The key financial performance indicators were substantiated on the basis of data from the company's Revenue and Expense Budget approved by OGMS Resolution 3/2022.

The level of financial performance indicators achieved compared to those set out in the Management Plan is presented in the table below:

No.	Performance criteria	Management plan 2023	Achieved in Half I 2023	Percentage*	Difference*
1.	Outstanding payments-thousand lei	0	0		
2.	Operating expenses (less depreciation, balancing,	1.296.063	459.884	282%	836.179

(thousand lei)

	construction activity and provisions for impairment of assets and for risks and charges)-thousand lei				
3.	General liquidity ratio	1	1,27	127%	0,27
4.	Net leverage	5,5	5,98	92%	-0,48
5.	EBITDA-thousand lei	377.921	264.798	70%	-113.123

*the indicators are calculated with half-yearly data and the underlying indicators are with annual values

Table 24 – Individual achievements in Half I 2023 compared to the Management Plan 2021-2025

5. CONSOLIDATED ECONOMIC AND FINANCIAL STATEMENT

5.1 Consolidated financial position

According to Article 1 of Order 881/25 June 2012 of the Ministry of Public Finance on the application of the International Financial Reporting Standards by companies having securities admitted to trading on a regulated market, starting with financial year 2012, the companies having securities admitted to trading on a regulated market are obliged to apply the International Financial Reporting Standards (IFRS) upon preparation of the consolidated half-yearly financial statements.

The statement of the consolidated financial position as at 30.06.2023 as compared to 31.12.2022 is as follows:

Indicator	30 June 2023	31 December 2022	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2
Tangible assets	780.766	801.193	97,45%
Rights of use for the leased assets	16.588	16.935	97,95%
Intangible assets	3.702.763	3.909.591	94,71%
Goodwill	9.795	9.567	102,38%
Trade receivables and other receivables	2.313.395	2.141.205	108,04%
Deferred tax	997	0	-
Fixed assets	6.824.304	6.878.492	99,21%
Inventories	576.224	613.183	93,97%
Commercial receivables and other receivables	208.696	346.799	60,18%
Cash at hand and in bank	368.661	418.667	88,06%
Current assets –TOTAL	1.153.581	1.378.649	83,67%
TOTAL ASSETS	7.977.885	8.257.141	96,62%
Debts to be paid over a one-year period	891.095	964.708	92,37%
Debts to be paid over a period of more than one year	2.994.523	3.151.524	95,02%
Total debts	3.885.618	4.116.232	94,40%
Shareholders' equity	4.092.267	4.140.909	98,83%

Non-controlling interests	85.734	82.818	103,52%
Equity	4.006.533	4.058.091	98,73%
Share capital	1.883.815	1.883.815	100,00%
Hyperinflation adjustment of share capital	441.418	441.418	100,00%
Share premium	247.479	247.479	100,00%
Other reserves	1.265.797	1.265.797	100,00%
Retained earnings	146.996	199.645	73,63%
Consolidation exchange rate differences	21.028	19.932	105,50%
Total equity and debts	7.977.885	8.257.141	96,62%

Table 25- Statement of consolidated financial position in Half I 2023 compared to 2022

Tangible assets

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

Tangible assets decreased by lei 20.427 thousand as compared to the value as at 31.12.2022, mainly due to the fact that the tangible assets entries were exceeded by the depreciation cost for tangible assets.

Rights of use of leased assets

As at 1 January 2019 the company applies IFRS 16 for lease contracts complying with the recognition criteria and recognized as intangible asset right of use related to the lease contracts. The rights of use of leased assets decreased by lei 347 thousand as compared to 31 December 2022 due to the fact that the initial value of the leased assets contracts was exceeded by their depreciation cost .

Intangible assets

IT Programmes

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

Service concession agreement

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

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

The company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right. As they occur, costs of replacements are recorded as expense,

while the improvements of assets used within SCA are recognized at fair value. Intangible assets are amortized at zero value during the remaining period of the concession agreement.

Intangible assets decreased by lei 206.828 thousand as compared with the value as at 31.12.2022, this decrease being mainly due to the fact that the intangible assets entries were exceeded by the cost of amortization of intangible assets.

Trade receivables and other receivables/Fixed assets

The receivables regarding the right to collect the regulated value remaining unamortized at the end of the concession agreement on 30 June 2023 increased by the amount of lei 172.190 thousand, receivables registered according to Law 127/2014 of 5 October 2014, which states that in case of termination of the concession agreement for any reason, or upon termination, the investment of the national transmission system operator shall be transferred to the owner of the national transmission system or another concession provider on payment of a compensation equal to the regulated value remaining not amortized, established by ANRE.

The increase of lei 172.190 thousand compared to the value at 31 December 2022 is mainly due to the updating of the receivables with the changes recorded in the regulated asset base and the adjustment of the regulated value of the assets with the inflation rate as from 2019, as per ANRE Order 41/2019. The amount of the adjustment of the receivable with inflation increased in 2023 due to an increase in the inflation rate in Half I 2023 to 4,19% (2022 to 13,80%).

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 30 June 2023 inventories decreased by lei 36.959 thousand compared to the value as at 31 December 2022, mainly due to the decreasing of the value of the natural gas procured within the balancing activity.

Commercial receivables and other receivables

On 30 June 2023, the balance of the commercial receivables and other receivables **decreased by lei 138.103 thousand** as compared to 31 December 2022, mainly due to the following factors:

- decrease of the client receivables balance by lei 84.615 thousand;
- increase of the adjustment of impairment of the trade receivables and of other receivables by lei 48.733 thousand;
- decrease of the grants as subventions by lei 3.020 thousand;
- decrease of the claims against the state budget by lei 16.165 thousand;
- increase of the balance of other receivables by lei 14.430 thousand.

Cash at hand and in bank

On 30 June 2023 the company's cash decreased by lei 50.006 thousand as compared to the end of 2022. The cash in bank accounts in lei increased by lei 58.351 thousand and the cash in bank accounts in currency decreased by lei 108.433 thousand.

Other cash equivalent register an increase by lei 76 thousand compared with 2021.

Debts to be paid over a one-year period

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

- decrease of the balance of the commercial debt and other debt by lei 58.116 thousand;
- decrease of the provision for risks and charges by lei 30.333 thousand;
- increase of the provision for employee benefit by lei 1.454 thousand;
- increase of the deferred revenue over the short term by lei 5.379 thousand;
- increase of short-term loans by lei 8.003 thousand.

Long-term debts

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

- decrease of long-term loans in the amount of lei 96.294 thousand;
- decrease of deferred revenue and of the subsidies by lei 62.572 thousand;
- increase of the provision for employee benefit by lei 5.684 thousand;
- decrease of the deferred tax in the amount of lei 3.053 thousand;
- decrease of the commercial debts and other debts in the amount of lei 766 thousand.

Equity

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

The retained earnings decreased by lei 52.653 thousand due to the decrease in profit for Half I 2023 compared to 2022.

5.2. Consolidated comprehensive income

The situation of the profit and loss account – consolidated statement - in Half I 2023 compared to Half I 2022:

-thousand lei-

Specification	Obtained (thousand lei)		Dynamics (%)
	30 June 2023	30 June 2022	
1	2	3	4=2/3
TOTAL revenue of which:	1.200.170	1.643.676	73,02%
Operating revenue before the construction activity, according to IFRIC12 and balancing	761.091	703.917	108,12%
Revenue from the balancing activity	263.067	540.476	48,67%
Revenue from the construction activity according to IFRIC12	35.270	104.332	33,81%
Financial revenue	140.742	294.951	47,72%
TOTAL costs of which:	1.106.459	1.421.904	77,82%
Operating costs before the construction activity, according to IFRIC12, and balancing	728.224	674.517	107,96%
Cost of balancing	263.067	540.476	48,67%
Cost of constructed assets according to IFRIC12	35.270	104.332	33,81%

Specification	Obtained (thousand lei)		Dynamics (%)
	30 June 2023	30 June 2022	
Financial costs	79.898	102.579	77,89%
GROSS PROFIT, of which:	93.711	221.772	42,26%
Result from operation	32.867	29.400	111,79%
Financial result	60.844	192.372	31,63%
PROFIT TAX	22.892	44.494	51,45%
NET PROFIT	70.818	177.278	39,95%
Attributable to the parent company	72.819	179.704	40,52%
Attributable to the non-controlling interests	-2.001	-2.425	82,49%
Number of shares	188.381.504	11.773.844	
Other comprehensive income			
Basic and diluted earnings per share (in lei per share)	0,38	15,06	
Actuarial (gain)/loss of the period	6.395	0	
Exchange rate differences	10.928	2.685	407,07%
Total comprehensive income to the period	88.142	179.963	48,98%
Attributable to the parent company	90.142	181.717	49,61%
Attributable to the non-controlling interests	-2.001	-1.754	114,04%

Table 26 - Consolidated profit and loss account in Half I 2023 compared to Half I 2022

5.3 Consolidated cash flow statement

The consolidated cash flow statement on 30 June 2023 is as follows:

Indicator	Financial year ended 30 June (thousand lei)	
	2023	2022
Profit before tax	93.711	221.772
<i>Adjustments for:</i>		
Depreciation	232.814	214.170
Gain/(loss) from the transfer of fixed assets	-194	-30
Provisions for risks and charges	-30.288	13.633
Revenue from connection fees, grants and goods taken free of charge	-57.251	-53.161
Concession Agreement receivable adjustment	-92.384	-185.929
Loss on amounts receivable and sundry debtors	14	10
Gain/(loss) from impairment of inventory	5.084	-832
Adjustment of impairment of receivables	48.733	7.790
Provisions for employee benefits	3.932	0

Indicator	Financial year ended 30 June (thousand lei)	
	2023	2022
Effect of updating the provision for employee benefits	9.601	0
Interest revenue	-26.566	-24.880
Interest expenses	41.835	18.159
The effect of the currency exchange rate variation on other elements than operation	7.198	-843
Other revenue/costs	0	-561
Operating profit before the changes in working capital	236.239	209.298
(Increase)/decrease in trade and other receivables	100.883	73.387
(Increase)/decrease in inventories	32.363	-121.517
Increase/(decrease) in commercial debt and other debt	-9.545	6.820
Cash from operations	359.940	167.987
Paid interest	-65.096	-22.686
Received interest	694	746
Paid profit tax	-37.122	-54.353
Net cash inflows from operation	258.416	91.694
Cash flow from investments		
Payments for the acquisition of intangible assets	-203.195	-158.329
Payments for the acquisition of tangible assets	-7.155	-12.422
Financial investments/participations	0	0
Receipts from the transfer of tangible assets	0	42
Cash from connection fees and non-reimbursable funds	274	23.011
Net cash used in investment activities	-210.075	-147.698
Cash flow from financing activities		
Repayments of long term loans	-70.081	-66.760
Credit drawings/payments for the working capital	-24.203	-61.393
Payments IFRS 16	-3.487	-3.302
Paid dividends	-575	-815
Net cash used in financing activities	-98.346	-132.270
Net change in cash and cash equivalents	-50.006	-188.274
Cash and cash equivalents at the beginning of the year	418.667	414.955
Cash and cash equivalents at the end of the period	368.661	226.681

Table 27 - Consolidated cash flow statements in Half I 2023 compared to Half I 2022

The analysis of the cashflow in Half I 2023 show an **increase of liquid assets** by lei **141.890 thousand** as compared to Half I 2022.

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

- cash flow from operation is of lei 359.940 thousand, higher by lei 191.953 thousand than in Half I 2022;
- cash flow from the investment activity is of lei 258.416 thousand, higher by lei 166.721 thousand than in Half I 2022;
- cash flow used in the financing activity is of lei -210,075 thousand, lower by lei 62.377 thousand than in Half I 2022.

5.4. Evaluation of the activity related to the financial risk management – consolidated statement

Financial risk factors

By the nature of the activities performed, the company is exposed to various risks, which include: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk.

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company does not use derivative financial instruments to protect itself from certain risk exposures.

Market risk

Currency risk

The Company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets and recognized liabilities.

The Company does not perform formal actions to minimize the currency risk related to its operations; the Company does not apply hedge accounting. The management believes that the Company is covered in terms of the currency risk, given that sales in foreign currencies (mainly incomes from international transmission) are used to settle liabilities denominated in foreign currencies.

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

	30 June 2023 (unaudited)	31 December 2022
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	698.729	717.466
USD depreciation by 10%	(698.729)	(717.466)
EUR appreciation by 10%	(47.423.437)	(48.434.205)
EUR depreciation by 10%	47.423.437	48.434.205

Price risk

The company is exposed to commodity price risk for the gas purchased for its own consumption. If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 2.588.603 (December 2022: lei 6.204.117).

Interest rate risk on cash flow and fair value

The Company is exposed to interest rate risk by deposits with banks and loans with variable interest taken. The Company did not conclude any commitment to diminish the risk.

For the average exposure of the period, if the interest rates had been by 50 basis points lower/higher, with all the other variables maintained constant, the profit related to the period and equity would have been higher/lower by lei 4.658.639 (December 2022: lei 8.799.596 (higher/lower by lei 7.912.653 in December 2021), as a net result of the change of interest rate for variable interest loans and interest rate for bank deposits.

Credit risk

Credit risk is especially related to cash and cash equivalents and trade receivables. The Company prepared a number of policies ensuring that products and services are sold to proper customers. The accounting value of the receivables without the adjustments for uncertain receivables represents the maximum value exposed to credit risk. The Company's credit risk is concentrated on the five main customers, which together account for 45% of the trade receivable balances as at 30 June 2023 (31 December 2021: 50%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the adjustments already made. On 30 June 2023 the Company has payment guarantees from clients amounting to lei 297.794.754.

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

(lei)

	30 June 2023 (unaudited)	31 December 2022
Without rating	316.411	336.387
BB+	159.833.475	146.038.192
BBB-	2.830.902	147.205.763
BBB	36.957.625	34.429.420
BBB+	168.121.184	90.012.913
A+	135.107	135.448
AA	<u>201.542</u>	319.570
	<u>368.396.246</u>	<u>418.477.693</u>

All financial institutions are presented to Fitch rating or equivalent.

Liquidity risk

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

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

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

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

The table below shows the obligations as at 30 June 2023 in terms of remained contractual maturity. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

The analysis of financial liabilities on 30 June 2023 in terms of maturity is as follows:

(lei)

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	2.642.453.819	269.548.785	1.413.774.006	959.131.029
Commercial debts and other debts	496.076.268	482.352.739	13.723.529	-
	3.138.530.087	751.901.524	1.427.497.535	959.131.029

The analysis of financial liabilities on 31 December 2022:

(lei)

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

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

Categories of financial instruments:

(lei)

	30 June 2023 (unaudited)	31 December 2022
Financial assets		
Cash and cash equivalents	111.990.485	233.977.930
Term bank deposits	256.670.453	184.688.625

Credits and receivables	2.454.706.123	2.432.068.467
Financial assets - shares	24.578.237	24.578.237
Adjustments for financial assets - shares	(24.578.237)	(24.578.237)
	2.823.367.061	2.850.735.022
Financial liabilities		
Debts measured at depreciated cost:		
- Loans	2.102.601.590	2.190.892.341
Debts measured at fair value:		
- Financial guarantees related to contracts	45.538.366	44.668.511
- Commercial debts and other debts	444.088.847	504.810.001
	2.592.228.803	2.740.370.853

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

Capital risk management

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

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

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

The net leverage at 30 June 2023 and at 31 December 2022 is as follows:

	30 June 2023 (unaudited)	31 December 2022
Total loans	2.102.601.590	2.190.892.341
Less: cash and cash equivalents (Note 13)	(368.660.938)	(418.666.554)
Net cash position	1.733.940.652	1.772.225.786
Equity	4.036.094.839	4.140.908.265
Leverage	0,43	0,43

(lei)

Fair value estimate

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

The book value less the adjustment for the impairment of trade receivables and commercial debt is deemed to approximate their fair value. The fair value of financial liabilities is estimated by discounting the future contractual cash flows using the current market interest rate available to the Company for similar financial instruments.

6. INDIVIDUAL ECONOMIC AND FINANCIAL STATEMENT

6.1 Individual financial position

According to Article 1 of Order 881/25 June 2012 of the Ministry of Public Finance on the application of the International Financial Reporting Standards by companies having securities admitted to trading on a regulated market.

Starting with financial year 2012, the companies having securities admitted to trading on a regulated market are obliged to apply the International Financial Reporting Standards (IFRS) upon preparation of the individual annual financial statements.

The statement of the individual financial position as at 30.06.2023 as compared to 31.12.2022 is as follows:

Indicator	Half I 2023	Year 2022	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2
Tangible assets	396.136	418.132	-5,26%
Rights of use for the leased assets	16.588	16.935	-2,05%
Intangible assets	3.702.752	3.909.577	-5,29%
Financial assets	191.123	191.123	0,00%
Trade receivables and other receivables	2.313.395	2.141.205	8,04%
Deferred tax	3.330	0	-
Fixed assets	6.623.324	6.676.972	-0,80%
Inventories	572.817	609.877	-6,08%
Commercial receivables and other receivables	198.326	335.331	-40,86%
Cash at hand and in bank	331,703	384,237	-13,67%
Current assets –TOTAL	1.102.846	1.329.445	-17,04%
TOTAL ASSETS	7.726.170	8.006.417	-3,50%
Debts to be paid over a one-year period	871.169	956.859	-8,96%
Debts to be paid over a period of more than one year	2.818.906	2.966.813	-4,99%
Total debts	3.690.075	3.923.672	-5,95%

Shareholders' equity	4.036.095	4.082.746	-1,14%
Share capital	1.883.815	1.883.815	0,00%
Hyperinflation adjustment of share capital	441.418	441.418	0,00%
Share premium	247.479	247.479	0,00%
Other reserves	1.265.797	1.265.797	0,00%
Retained earnings	197.586	244.237	-19,10%
Total equity and debts	7.726.170	8.006.418	-3,50%

Table 28- Statement of individual financial position in Half I 2023 compared to 2022

Tangible assets

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

Tangible assets decreased by lei 21.996 thousand as compared to the value as at 31.12.2022, mainly due to the fact that the tangible assets entries did not exceed the depreciation cost for tangible assets.

Rights of use of leased assets

As at 1 January 2019 the company applies IFRS 16 for lease contracts complying with the recognition criteria and recognized as intangible asset right of use related to the lease contracts.

The rights of use of leased assets decreased by lei 347 thousand as compared to 31 December 2022 due to the fact that the initial value of the leased assets contracts were lower than the depreciation cost .

Intangible assets

IT Programs

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

Service concession agreement

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

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

The company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right. As they occur, costs of replacements are recorded as expense, while the improvements of assets used within SCA are recognized at fair value. Intangible assets are amortized at zero value during the remaining period of the concession agreement.

Intangible assets decreased by lei 206.825 thousand as compared with the value as at 31.12.2022, this decrease being mainly due to the fact that the intangible assets entries did not exceed the cost of amortization of intangible assets.

Financial assets

The financial assets is maintained at the value recorded at 31.12.2022. In Half I 2023 there was not recorded any decrease/increase of the share capital of the company EUROTRANSGAZ SRL Chisinau in the Republic of Moldova, established by EGMS Resolution 10/12.12.2017 of SNTGN Transgaz SA.

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 30 June 2023 increased by the amount of lei 172.190 thousand, receivables registered according to Law 127/2014 of 5 October 2014, which states that in case of termination of the concession agreement for any reason, or upon termination, the investment of the national transmission system operator shall be transferred to the owner of the national transmission system or another concession provider on payment of a compensation equal to the regulated value remaining not amortized, established by ANRE.

The increase of lei 172.190 thousand compared to the value at 31 December 2022 is mainly due to the updating of the receivables with the changes recorded in the regulated asset base and the adjustment of the regulated value of the assets with the inflation rate starting with 2019, as per ANRE Order 41/2019.

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

Inventories

On 30 June 2023 inventories decreased by lei 37.061 thousand compared to the value as at 31 December 2022, mainly due to the increasing by lei 4.185 thousand of the stored gas procured to cover technological consumption, the decreasing by lei 49.023 thousand of the value of the natural gas procured within the balancing activity, and the increasing by lei 7.777 thousand of the stocks of raw and other materials.

Commercial receivables and other receivables

On 30 June 2023, the balance of the commercial receivables and other receivables **decreased by lei 137.005 thousand** as compared to 31 December 2022, mainly due to the following factors:

- decrease of the client receivables balance by lei 83.422 thousand mainly generated by the collection of the balance of the receivables from transmission and balancing;
- increase of the provisions for the impairment of the trade receivables and of other receivables by lei 48.733 thousand;
- decrease of the claims against the state budget by lei 16.239 thousand;
- increase of the balance of other receivables by lei 11.389 thousand.

Cash at hand and in bank

On 30 June 2023 the company's cash decreased by lei 52.534 thousand as compared to the end of 2022. The cash in bank accounts in lei increased by lei 57.391 thousand and the cash in bank accounts in currency decreased by lei 110.001 thousand. Other cash elements and cash equivalent register an increase by lei 76 thousand compared with 2022.

Debts to be paid over a one-year period

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

- decrease of the balance of the commercial debt and other debt by lei 62.328 thousand;
- decrease of the provision for risks and charges by lei 30.323 thousand mainly on account of registering the provision for voluntary departures;
- increase of the current part of the provision for employee benefits by lei 1.455 thousand;
- increase of the deferred revenue over the short term by lei 5.379 thousand;
- increase of short-term loans by lei 128 thousand.

Long-term debts

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

- decrease of long-term loans by lei 89.046 thousand;
- decrease of deferred revenue and of the subsidies by lei 62.572 thousand;
- increase of provision for employee benefits by lei 5.683 thousand;
- decrease of deferred tax by lei 1.206 thousand;
- decrease of the commercial debts and other debts in the amount of lei 766 thousand.

Equity

There was no change in the subscribed and paid-up capital. The retained earnings decreased by lei 46.651 thousand due to the decreasing of the profit for Half I 2023 compared to the value recorded in 2022.

6.2. Individual comprehensive income

The situation of the profit and loss – individual statement in Half I 2023 compared to Half I 2022:

Specification	Achievements (lei thousand)		Dynamics (%)
	Half I 2023	Half I 2022	
1	2	3	4=2/3
TOTAL revenue of which:	1.180.894	1.626.428	72,61%
Operating revenue before the construction activity, according to IFRIC12 and balancing	757.139	703.921	107,56%
Revenue from the balancing activity	263.067	540.476	48,67%
Revenue from the construction activity according to IFRIC12	35.270	104.332	33,81%

Specification	Achievements (lei thousand)		Dynamics (%)
	Half I 2023	Half I 2022	
1	2	3	4=2/3
Financial revenue	125.418	277.698	45,16%
TOTAL costs of which:	1.079.622	1.396.526	77,31%
Operating costs before the construction activity, according to IFRIC12, and balancing	717.504	667.242	107,53%
Cost of balancing	263.067	540.476	48,67%
Cost of constructed assets according to IFRIC12	35.270	104.332	33,81%
Financial costs	63.781	84.475	75,50%
GROSS PROFIT, of which:	101.272	229.903	44,05%
Result from operation	39.635	36.679	108,06%
Result from the financial activity	61.637	193.224	31,90%
PROFIT TAX	22.451	44.097	50,91%
NET PROFIT	78.821	185.805	42,42%
Other income elements	6.395	0	-
Total comprehensive income of the period	85.216	185.805	45,86%

Table 29 - Individual profit and loss account in Half I 2023 compared to Half I 2022

Operating revenue

Operating revenue before the balancing and the construction activity according to IFRIC 12 obtained in Half I 2023 as compared to achieved in Half I 2022 is as follows:

No.	Specification	Achieved in Half I (thousand lei)		Dynamics (%)
		2023	2022	
0	1	2	3	4=2/3*100
1.	Revenue from the transmission activity			
	- Thousand lei	631.170	592.601	106,51
	- MWh	69.206.474	70.736.578	97,84
	- lei/MWh	9,12	8,38	108,86
3.	Revenue from the international transmission activity			
	- Thousand lei	58.872	42.416	138,80
4.	Other operating revenue			
	- Thousand lei	67.098	68.905	97,38
TOTAL OPERATING REVENUE before the balancing and the construction activity according to IFRIC12		757.139	703.921	107,56

Table 30 – Individual revenue from the operating activity –Achieved in Half I 2023 compared to Achieved in Half I 2022

Operating expense

The operating expense obtained in Half I 2023 as compared to Half I 2022:

No.	Specification	Half I (thousand lei)		Dynamics (%)
		2023	2022	
0	1	2	3	4=2/3*100
1.	Depreciation	225.162	209.636	107,41
2.	Indemnities, salaries, other expenditures related to salaries and benefits to employees	276.328	234.035	118,07
3.	Technological consumption, materials and consumables used, of which:	79.270	93.645	84,65
	- Transmission system technological loss and consumption	61.633	78.403	78,61
	- technological consumption quantity - (MWh)	331.546	462.795	71,64
	- Auxiliary materials	15.944	14.381	110,87
	- Other material expenditures	1.693	861	196,58
4.	Expenditures related to royalties	2.760	2.540	108,67
5.	Maintenance and transport, of which:	15.784	15.665	100,77
	- Works, services performed by third parties	7.086	8.003	88,54
6.	Taxes and other amounts due to the State, of which:	37.461	37.675	99,43
	- Gas transmission and international transit license fee	5.165	6.774	76,24
	- Monopoly tax	27.817	26.671	104,30
7.	Cost of the provision for risks and charges	-21.360	17.595	X
8.	Other operating expense	102.098	56.452	180,86
TOTAL OPERATING EXPENSE before the balancing and the construction activity according to IFRIC12		717.504	667.242	107,53

Table 31 – Individual operating costs achieved in Half I 2023 compared to Half I 2022

6.3 Individual cash flow statement

The individual cash flow statement on 30 June 2023 is as follows:

Indicator	Financial year ended 30 June (thousand lei)	
	2023	2022
Profit before tax	101,272	229,903
Adjustments for:		
Depreciation	225,162	209,636
Gain/(loss) from the transfer of fixed assets	-194	-30

Indicator	Financial year ended 30 June (thousand lei)	
	2023	2022
Provisions for risks and charges	-30,323	13,628
Provisions for employee benefits	3,932	0
Write-down of inventories	5,084	-832
Revenue from connection fees, grants and goods taken free of charge	-57,251	-53,161
Loss on amounts receivable and sundry debtors	14	10
Adjustment of impairment of receivables	48,733	7,790
Interest revenue	-26,556	-24,875
Interest expenses	46,040	16,817
Concession Agreement receivable adjustment	-92,384	-185,929
Effect of updating the provision for employee benefits	9,601	0
Effect of updating the provision for employee benefits	1,543	-523
Other costs and revenue	0	-561
Operating profit before the changes in working capital	234,674	211,873
(Increase)/decrease in trade and other receivables	103,211	73,382
(Increase)/decrease in inventories	31,982	-162,962
Increase/(decrease) in commercial debt and other debt	-16,185	20,461
Cash from operations	353,682	142,754
Received interest	694	746
Paid interest	-61,630	-21,510
Paid profit tax	-37,122	-54,353
Net cash inflows from operation	255,624	67,638
Cash flow from investments		
Payments for the acquisition of intangible assets	-203,195	-156,428
Payments for the acquisition of tangible assets	-7,155	-12,422
Financial investments/shares	264	42
Receipts from the transfer of tangible assets	274	23,011
Net cash used in investment activities	-209,811	-145,797
Cash flow from financing activities		
Repayments of long term loans	-70,081	-66,760
Credit drawings/payments for the working capital	-24,203	-61,393
Leasing payments (IFRS 16)	-3,487	-3,302
Paid dividends	-575	-815
Net cash used in financing activities	-98,346	-132,270
Net change in cash and cash equivalents	-52,534	-210,430
Cash and cash equivalents at the beginning of the year	384,237	321,185
Cash and cash equivalents at the end of the period	331,703	110,756

Table 32 - Individual cash flow statements – Achieved in Half I 2023 compared to Achieved in Half I 2022

The analysis of the cashflow in Half I 2023 shows a **decrease of liquid assets by lei 220.948 thousand** as compared to Half I 2022.

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

- cash flow from operation is of lei 255.624 thousand, higher by lei 187.986 thousand than in Half I 2022;
- cash flow from the investment activity is of lei -209.811 thousand, lower by lei 61.049 thousand than in Half I 2022;
- cash flow used in the financing activity is of lei -98.346 thousand, higher by lei 33.924 thousand than in Half I 2022.

As at 30 June 2023, the balance of liquid assets in the company's bank accounts was lei 331.703 thousand, of which 5,50% represented liquid assets denominated in foreign currency, mostly in EUR.

6.4 Evaluation of the activity related to the financial risk management – individual statements

Financial risk factors

By the nature of the activities performed, the company is exposed to various risks, which include: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk.

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

The Company does not use derivative financial instruments to protect itself from certain risk exposures.

Market risk

Currency risk

The Company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets and recognized liabilities.

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

The management believes that the Company is covered in terms of the currency risk, given that sales in foreign currencies (mainly incomes from international transmission) are used to settle liabilities denominated in foreign currencies.

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

(lei)

	30 June 2023 (unaudited)	31 December 2022
Impact on profit and loss and on equity of:		
USD appreciation by 10%	698.729	717.466
USD depreciation by 10%	(698.729)	(717.466)
EUR appreciation by 10%	(31.601.544)	(32.592.226)
EUR depreciation by 10%	31.601.544	32.592.226

Price risk

The company is exposed to commodity price risk on gas purchased for its own consumption. If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 2.588.603 (December 2022 : lei : 6.204.117).

Interest rate risk on cash flow and fair value

The Company is exposed to interest rate risk by deposits with banks and loans with variable interest taken.

The Company did not conclude any commitment to diminish the risk. For the average exposure of the period, if the interest rates had been by 50 basis points lower/higher, with all the other variables maintained constant, the profit related to the period and equity would have been higher/lower by lei 3.934.404 (December 2022: higher/lower by lei 7.916.887), as a net result of the change of interest rate for variable interest loans and interest rate for bank deposits.

Credit risk

Credit risk is especially related to cash and cash equivalents and trade receivables. The Company prepared a number of policies ensuring that products and services are sold to proper customers. The accounting value of the receivables without the adjustments for uncertain receivables represents the maximum value exposed to credit risk. The Company's credit risk is concentrated on the five main customers, which together account for 45% of the trade receivable balances as at 30 June 2023 (31 December 2022: 50%).

Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the adjustments already made.

On 30 June 2023 the Company has payment guarantees from clients amounting to lei 297.794.754.

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

	30 June 2023 (unaudited)	31 December 2022
Without rating	316.411	336.387
BB+	159.833.475	146.038.192
BBB-	2.830.902	147.205.763
BBB+	168.121.184	90.012.913

(lei)

A+	135.107	135.448
AA	201.542	319.570
	331.438.621	384.048.273

All financial institutions are presented to Fitch rating or equivalent.

Liquidity risk

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

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

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

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

The table below shows the obligations as at 30 June 2023 in terms of remained contractual maturity. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

The analysis of financial liabilities on 30 June 2023 in terms of maturity is as follows:

(lei)

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	2.390.852.567	247.484.261	1.320.015.638	823.352.668
Commercial debts and other debts	496.076.268	482.352.739	13.723.529	-
	2.886.928.835	729.837.000	1.333.739.167	823.352.668

The analysis of financial liabilities on 31 December 2022:

(lei)

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	2.634.794.054	263.429.208	1.446.470.332	924.894.514
Commercial debts and other debts	560.594.670	546.416.189	14.178.481	-
	3.195.388.724	809.845.397	1.460.648.813	924.894.514

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

Categories of financial instruments:

(lei)

	30 June 2023 (unaudited)	31 December 2022
Financial assets		
Cash and cash equivalents	75.032.860	199.548.510
Term bank deposits	256.670.453	184.688.625
Credits and receivables	2.444.336.233	2.420.601.205
Financial assets - shares	215.700.939	215.700.939
Adjustments for financial assets - shares	(24.578.237)	(24.578.237)
	<u>2.967.162.248</u>	<u>2.995.961.042</u>
Financial liabilities	(unaudited)	
Debts measured at depreciated cost:		
-Loans	1.914.563.223	2.003.481.321
Debts measured at fair value:		
-Financial guarantees related to contracts	45.538.366	44.668.511
-Commercial debts and other debts	436.814.373	501.747.678
	<u>2.396.915.962</u>	<u>2.549.897.510</u>

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

Capital risk management

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

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

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

The net leverage at 30 June 2023 and at 31 December 2022 is as follows:

(lei)

	30 June 2023 (unaudited)	31 December 2022
Total loans	1.914.563.223	2.003.481.321
Less: cash and cash equivalents	(331.703.313)	(384.237.135)
Net cash position	1.582.859.910	1.619.244.186
Equity	4.036.094.839	4.082.745.760
Leverage	0,39	0,40

Fair value estimate

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

The book value less the adjustment for the impairment of trade receivables and commercial debt is deemed to approximate their fair value.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows using the current market interest rate available to the Company for similar financial instruments.

7. CORPORATE GOVERNANCE

Governance is a dynamic process, involving a proactive attitude of innovation, developing managerial capacity and a strong corporate culture to help companies cope with change and crisis. It also includes the totality of systems and processes put in place to lead and control a company to increase its performance and value. Practically, it addresses the effectiveness of management systems, emphasising the role of the Board of Administration, the accountability and remuneration of Board members, the credibility of financial/non-financial statements and the effectiveness of risk management systems.

Corporate governance is a key element in improving the company's efficiency and economic growth, as well as increasing investor confidence. It provides the framework/context through which the company's objectives are set and the means by which these objectives are achieved. The existence of an effective system in this regard, both within the company and the economy at large, provides the confidence necessary for the proper functioning of the market economy.

Sustainable corporate governance is a guarantee that the company provides value for its stakeholders over the long term. A priority for the boards of administration is to identify the company's relevant stakeholders, including customers, investors, regulators and suppliers, as well as local communities. It should also be considered that different stakeholder groups are not homogeneous, and a wide range of views and interests may exist within each stakeholder group. It also sets guidelines to help governing bodies clarify purpose and values, ensure that the strategy

is aligned with this intent and that it generates value for all relevant stakeholders to strategically achieve the purpose in line with the values.

Responsibility at all levels is another principle of good governance, both the members of the administrative and executive management and those to whom management was delegated must enforce and supervise compliance with the legislation in force. The management of the company is responsible for the actions and omissions of the organisation, therefore the governing bodies must ensure that they define roles and responsibilities and have a functioning reporting and accountability system. As they move towards sustainable business strategies, companies need to ensure that non-financial indicators and targets are as important and meaningful as financial indicators, financial targets and financial reporting.

Non-financial reporting and financial reporting must be integrated so that when the company announces its annual results, they incorporate all types of values generated by the business. Sustainability should be seen as an important part of setting strategy and objectives at company level, with a high level of focus on sustainability issues at both strategic and operational levels.

At SNTGN Transgaz SA level, the development of corporate governance is carried out taking into account its impact on economic performance, market integrity, as well as the context it creates for market participants and the proportion of transparent and efficient markets. Sustainability is an integral part of the company's purpose and strategy, environmental, social and governance (ESG) issues are embedded in the company's culture and taken into account in the decision-making process at every level as well as in the reports issued by the company. Shareholders have the right to be informed and to participate in the decision-making on fundamental changes within the company, to consult with other shareholders on issues concerning their rights.

The members of the Board of Administration make decisions and act on the basis of complete information and in the interest of the company and its shareholders. At the same time, the Board operates with high ethical standards and integrity, taking into account the interests of shareholders, stakeholders, sustainability and sustainable development issues.

The Corporate Governance Rules of SNTGN TRANSGAZ SA were approved by the Ordinary General Meeting of the Shareholders on 2 March 2011, by GMS Resolution 1/2011 (Art. 4), and the updating of the document was approved in the Board of Administration meeting of 29.06.2022, according to the Code of Corporate Governance of the Bucharest Stock Exchange. Subsequently, within the Rules, the name of the Advisory Committees set up at the level of the Board of Administration was modified, according to the Resolution of the Board of Administration of 08.12.2022.

The updated corporate governance reference document has a structure in line with corporate governance requirements.

SNTGN Transgaz SA as a company listed on BVB in the Premium category, voluntarily adopted the provisions of the Corporate Governance Code of the Bucharest Stock Exchange and had been reporting since 2010 total or partial compliance with its provisions by the **Statement of**

Compliance or Non-Compliance with the Code of Corporate Governance, included in the Report issued by the Board of Administration.

As of September 2015, a **new BVB Code of Corporate Governance** was launched for companies listed on the main market, applicable from 4 January 2016. The Code was developed by BVB as part of a new corporate governance framework for promoting higher governance and transparency standards for the listed companies. The implementation of the new rules is based on the apply and explain principle which provides the market with clear, accurate and timely information on how listed companies comply with corporate governance rules.

Transgaz is in full compliance with most of the provisions of the new Code, and the provisions with which the company was not yet in compliance, and were explicitly presented in a current report sent to the BVB in January 2016, which was also published on the company's website at the section: *Informații investitori/Raportări curente/2016*.

Later, on 12 October 2016, by a Current Report sent to BVB, SNTGN TRANSGAZ SA reported to the market the compliance with another provision A.2., and on 3 May 2022 the compliance with provision C.1. of BVB Code of Corporate Governance was reported. Any further compliance of the company in this respect will be reported to the capital market.

7.1. Management System

Transgaz has a unitary management system and is managed by a Board of Administration. It has the general competence to take out all necessary actions in order to successfully carry out the object of the company, except for the issues that are within the competence of the General Meeting of the Shareholders according to the provisions of the Articles of Incorporation updated on 07.12.2022, or the applicable laws.

The management of Transgaz is provided by a Board of Administration formed mostly by non-executive and independent administrators within the meaning of Art.138 (2) of Companies Law 31/1990, republished, as amended.

The Board of Administration is composed of 5 members that guarantee the efficiency of the supervisory, analysing and evaluating capacity of the company as well as the fair treatment of the shareholders. Members of the Board of Administration are elected by the General Meeting of Shareholders for a four-year term. Depending on the extent to which they have fulfilled their duties, the administrators' mandates may be renewed or revoked, the decision being taken by the ordinary general meeting.

The Members of the Board of Administration may also be shareholders. The Transgaz Board of Administration is chaired by a Chairman appointed by the Board of Administration, from among its, which ensures the optimal functioning of the company's bodies. Members of the Board of Administration will participate in all the General Meetings of the Shareholders and will exercise their mandate in good faith and knowledge for the interest of the Company with due-diligence and care, without disclosing the confidential information and trade secrets of the Company during the term of office and after its termination.

The Articles of Incorporation of Transgaz, updated on 07.12.2022 and approved by the General Meeting of the Shareholders by Resolution 11/07.12.2022, regulates the duties, responsibilities and powers of the Board of Administration as well as the obligations of the company's administrators.

The Board of Administration operates in accordance with its own regulations and legal regulations in force. Following the implementation of the new Corporate Governance Code of the BVB, the Board of Administration approved the amendment of the *Rules of procedure and organization for the Board of Administration of TRANSGAZ S.A* in order to comply with its provisions and was approved based on Art. 2 of OGMS Resolution 8/17 December 2018 of the Ordinary General Meeting of the Shareholders.

Later, during the meeting of the Board of Administration held on 08.12.2022, it was approved in Art.1 of BoA Resolution 37/08.12.2022 the modification of the Internal Rules on the organization and functioning of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA, also aiming at the changing of the name of the following advisory committees:

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

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

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

The Members of the Board of Administration will constantly update their competencies and will improve their knowledge of the company's business and best corporate governance practices in order to effectively and efficiently fulfil their responsibilities.

Members of the Board of Administration of SNTGN Transgaz SA as at 30 June 2023:

Name, Surname	Position in the Board of Administration/Legal basis for appointment		Term of office
STERIAN ION	OGMS Resolution 2/22.04.2021	Executive Administrator	4 years
	BoA Resolution 22/27.07.2021	Appointed Director - General	4 years

Name, Surname	Position in the Board of Administration/Legal basis for appointment		Term of office
VĂDUVA PETRU ION	OGMS Resolution 2/22.04.2021	Non-Executive Administrator	4 years
MINEA NICOLAE	OGMS Resolution 2/22.04.2021	Independent Non- Executive Administrator	4 years
OROSZ CZABA	OGMS Resolution 9/14.12.2021	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure
	OGMS Resolution 4/12.04.2022	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 6/14.06.2022	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure
	OGMS Resolution 9/12.10.2022	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 10/07.12.2022	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure
	OGMS Resolution 3/12.04.2023	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 6/14.06.2023	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure
AGAFITEI GHEORGHITĂ	OGMS Resolution 6/14.06.2022	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure;
	OGMS Resolution 9/12.10.2022	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 10/07.12.2022	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure
	OGMS Resolution 3/12.04.2023	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry

Name, Surname	Position in the Board of Administration/Legal basis for appointment		Term of office
	OGMS Resolution 6/14.06.2023	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure

The CVs of the members of the Transgaz Board of Administration are available on the company's website at: <https://www.transgaz.ro/ro/despre-noi/consiliul-de-administratie>

The Board of Administration delegated the management of the company to the Director - General of SNTGN Transgaz SA, which is not the Chairman of the Board of Administration. The Director - General of the National Gas Transmission Company Transgaz S.A. represents the company in its relations with third parties.

The Director-General prepared and submitted to the Board of Administration a proposal for the management component of the management plan for the duration of the mandate in order to achieve the financial and non-financial performance indicators.

The Board of Administration approved the management component and management plan, which includes measures to achieve the objectives set out in the letter of expectation and the expected results to ensure the assessment of the financial and non-financial performance indicators.

After the approval of the management plan by the Board of Administration, the management component or, as appropriate, the approved financial and non-financial performance indicators were adopted and are an annex to the mandate contract concluded with the director-general.

The assessment of the directors' activity by the Board of Administration concerns both the execution of the mandate contract and the management plan management component. The Director - General prepares and submits to the Board of Administration the reports provided by law.

The Director - General submits to the Board of Administration for approval the transactions concluded with the administrators, directors, or employees or shareholders holding control over Transgaz or with a company controlled by them, if the transaction has, individually or in a series of transactions, a value of at least the equivalent in lei of EUR 50,000.

The executive directors and the directors of subsidiaries are appointed by the Director-General and are subordinate to it, are officials of SNTGN TRANSGAZ S.A., carry out operations in relation to the assigned responsibilities and tasks and are accountable to it for the performance of their duties under the same conditions as the members of the Board of Administration.

The responsibilities and duties of the executive directors and of the directors within the branches are established by Transgaz's Rules of Procedure.

Persons who are incompatible under the Companies Law no. 31/1990, republished, as amended and supplemented, may not be executive directors or Subsidiary directors.

According to Art. 19 (8¹) of the Articles of Incorporation, updated on 07.12.2022, the Board of Administration informs, at the first general meeting of the shareholders following the conclusion of the legal act on:

- any transaction with the administrators or with the directors, the employees, the shareholders who control the company or with a company controlled by them;
- transactions concluded with the spouse, with relatives or kin up to the 4th degree including any of the persons above;
- any transaction concluded between SNTGN TRANSGAZ S.A. and another public undertaking or with the public supervisory body, if the transaction has the value, individually or in a series of transactions, of at least the RON equivalent of EUR 100.000.

The Board of Administration has the obligation to provide the general meeting of the shareholders and the financial auditors the documents of SNTGN TRANSGAZ S.A. and the activity reports in accordance with the law.

Special agreements/arrangements or kinship

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

Participation of administrators to Transgaz's share capital

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

Litigation or administrative proceedings

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

Transgaz's intention to acquire own shares

Not applicable.

Number and nominal value of shares issued by the parent company, held by subsidiaries

Not applicable.

Bonds and/or other debt securities

Not applicable.

Significant mergers or reorganisations

No mergers or reorganisations took place within SNTGN Transgaz SA in Half I 2023. By the BoA Resolution 14/23.06.2023 the closing of the Transgaz Brussels Representative Office working point was approved as of 1 July 2023.

7.2. ESG reporting

ESG (environmental, social and governance) reporting refers to a broad range of environmental, social and governance factors that can be used to assess how companies manage their sustainability performance and impact.

As of 2020, SNTGN Transgaz SA chose to publish non-financial information in a separate report, in accordance with the provisions of Order 1802/2014 of the Minister of Finance on the approval of the Accounting Regulations on the individual annual financial statements and consolidated annual financial statements, updated by Order 1938/2016 of the Ministry of Public Finance, as amended.

SNTGN Transgaz SA prepares, separately from the report of administrators, a non-financial report - the Sustainability Report, which contains the information necessary for understanding the development, performance and position of the company and the impact of its activity on environmental, social and personnel issues, respect for human rights, the fight against corruption, without being limited to these.

Thus, in the Semester I 2023, in order to prepare the Sustainability Report, requests for tenders were sent to 7 (seven) possible companies and, in accordance with Law 99/2016 on sectoral procurement, as amended, a contract for consultancy and assistance services was concluded with Deloitte Consultancy Ltd.

The Sustainability Report prepared for 2022 was structured to capture the most important aspects implemented at the company level regarding the governance structure, environmental risk management and the social component.

The Sustainability Report prepared for the activity carried out in 2022 was approved by the Board of Administration and published on the company's website.

Stakeholders were informed about the publication of the Sustainability Report through the SNTGN Transgaz SA release sent to the Bucharest Stock Exchange on 30.06.2023.

The Sustainability Report for 2023 will be published in accordance with the provisions of the Order 2844/2017 of the Minister of Public Finance on the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards, as amended, Chapter 7 point 42 (b) and point 47 (b) for consolidated reports: the report *shall be made available to the public within a reasonable period not exceeding six months from the balance sheet date, on the entity's website and be mentioned in the report of the administrators*, i.e. by 30 June 2024.

Quality management

At the end of Half I 2023, the following certificates were in force at the company level:

- **No. 3533/27.10.2021 related to SR EN ISO 9001:2015;**
- **No. 529/27.10.2021 related to SR EN ISO 14001:2015;**
- **No. 3276/27.10.2021 related to SR ISO 45001:2018,**

obtained from the recertification audit carried out in October 2021 and covered by surveillance audit no. 1 in September 2022.

Together with the Audit Team Coordinator of SRAC CERT SRL, the period for surveillance audit no. 2 was established in accordance with the clauses of Sectoral Service Contract No. 486/06.08.2021.

For the preparation of surveillance audit no. 2, actions were taken for the implementation of improvement area no. 4, according to the recommendations made by the audit team of the SRAC certification body at surveillance audit no. 1. At the revision of the procedure PP SA 01 - Internal audit of the SMI CMSSM, the Non-Conformity Report was also amended by introducing the heading of the auditor's agreement with the corrective action determined by the auditee, to reduce the risk of taking inappropriate action.

Occupational health and safety

In Half I 2023, the occupational health and safety activity was carried out in an organized manner, as planned, with a view to reducing and/or eliminating the risks of occurrence of events, accidents at work, dangerous incidents and occupational diseases at the company's workplaces, as well as to complying with the legal provisions in the field of occupational health and safety. It was also monitored the implementation of the measures contained in Prevention and Protection Plan 2023 No. DMPS 94.618/29.11.2022 and the fulfilment of the duties set out in the company's Rules of Procedure and Organization.

In the period under review, no occupational diseases were reported/diagnosed/declared.

Environmental management

The main activities in the field of environmental protection, related to Half I 2023, aimed at preventing pollution, reducing the risks of environmental incidents on the company's sites, as well as complying with the relevant laws.

At the same time, the **Environmental Management System documents related to the new ISO 14001 : 2015 standard were reviewed.**

Corporate social responsibility

Corporate Social Responsibility is an aspect of corporate governance through which companies have initiated a range of socially responsible actions that can be quantified in terms of sustainability and sustainable performance.

SNTGN TRANSGAZ SA, consistent with the principle of applying a responsible management in fulfilling the undertaken mission, is aware of the importance that sometimes financial support for a noble cause or for an important purpose is vital and, in this respect, through the programs and projects of social responsibility initiated, it is actively involved in community life, demonstrating his status as a *good citizen*.

Corporate social Responsibility is an aspect of corporate governance, with TRANSGAZ's key role in the energy field in Romania and Europe being naturally complemented by the desire to support the real needs of all those who are constantly contributing to the smooth way of its activity.

As part of Transgaz's sustainable development strategy, the *social responsibility policy* aims to increase the company's commitment to employees, shareholders, partners, the community and the environment, as well as streamlining the impact of social responsibility programs initiated for this purpose.

The commitment undertaken by the company's management through the *Environmental Quality Management System Policy Statement* is a definite proof that TRANSGAZ acknowledges the importance of ensuring an organizational climate where all stakeholders: employees, shareholders, customers, suppliers, community and the environment can effectively and responsibly network both from an economic and social point of view.

The company's social responsibility policy is based on a set of principles that define this interaction between Transgaz on the one hand and employees, shareholders, partners, community and the environment on the other. The priority areas in which TRANSGAZ carries out social responsibility programmes are: sport, community development (churches, schools, kindergartens), education, arts and culture, humanitarian actions, health (hospitals), environment.

SPORT - *We are among those who believe that sport has the power to ensure harmony between body and mind!* We support the entire sports movement (football, judo, athletics, basketball, tennis, volleyball, etc.) both in the Mediaş area and at county and national level.

COMMUNITY DEVELOPMENT - *We are where it's needed!* TRANSGAZ supports through financial aid the construction and/or reconstruction of churches, monasteries; restoration of national heritage vestiges; construction and/or reconstruction, renovation of buildings of educational institutions (schools, kindergartens).

EDUCATION - *We believe in the potential of the young generation and that's why we invest in their education!* We are involved through financial and social support in the educational construction of the young generation. We support through financial partnership technical projects, symposiums and conferences on natural gas topics organized by the University of Oil and Gas in Ploiesti. We are active through various professional and social partnerships in the training of a new generation of gas workers. We contribute financially and through material support to the provision of teaching material in educational institutions, so necessary for a continuous education.

ART AND CULTURE - *Development through culture ensures a sustainable development of man and society, and we are at the side of those who initiate projects in this regard!* We support financially through partnerships, cultural events, the organization of theatre performances and music festivals, competitions and artistic creations of pupils and students. We support cultural foundations in their work. We support both the established values of Romanian art and culture and young talents.

HUMANITARIAN ACTIONS - *TRANSGAZ is always there for those who really need help!* We try through our financial support to get involved in solving some of the life problems of disabled people, needy people, people without material possibilities, or people who need medical care. We are next to those who, whether our employees or not, have suffered damage due to natural disasters. We financially support cultural, sports, artistic actions of disabled pupils and students of Medias as well as NGOs and foundations that care for these people.

HEALTH- *We take care of other people's health as well as our own!* We contribute financially to investments in hospitals in Romania and we are present when financial support is needed to solve medical cases of our employees or their relatives.

ENVIRONMENT- *We all want a healthy life and a clean environment, and that's why we care about everything around us!* We financially support partnerships between NGOs and schools or public institutions for environmental protection projects and green areas. We also support the greening projects initiated by the local public administration of Mediaş and those initiated by other town halls in the country, where Transgaz has units.

Complying with the principles of financial prudence and transparency, the communication and CSR actions proposed for 2023 were rigorously quantified both in structure and value and responded to Transgaz's reporting requirements as a securities issuer, but also to the requirements related to the company's image and reputation.

Detailed information on social responsibility is available on the company's website at <https://www.transgaz.ro/ro/responsabilitate-sociala/politica-csr>.

In Half I 2023, the company granted sponsorships amounting to lei 1.599.677 distributed by areas:

- Medical and health: lei 320.000 - (Category a, Art. XIV of GEO 2/2015);
- Education, teaching, social, sport: lei 865.000 - (Category b, Art. XIV of GEO 2/2015);
- Other fields: lei 414.677 - (Category c, Art. XIV of GEO 2/2015).

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

In Half I 2023 no legal acts were concluded according to Art. 52 (1) and (6) of GEO 109/30.11.2011, as amended.

7.4. Main transactions between affiliated parties (concluded in accordance with Article 92³ of Law 24/2017 updated by Law 158/2020)

In accordance with the provisions of Article 108 of Law 24/2017 on the issuers of financial instruments and market operations, as amended, Transgaz did not identify and therefore did not report in Half I 2023 significant transactions concluded with affiliated parties whose value exceeds 5% of the value of the company's net assets, according to the last published individual financial reports.

8. KEY PERFORMANCE INDICATORS ESTABLISHED IN THE CONTRACTS OF MANDATE

By OGMS Resolution 8/6.12.2021 the financial and non-financial performance indicators for 2021 - 2025, which are annexed to the directors' mandate contracts, were approved and the revision of some financial key performance indicators for the same period was approved by OGMS Resolution 3/28 February 2022 and by OGMS Resolution 2/16 February 2023, and by OGMS Resolution 10/7 December 2022 the revision of some key non-financial performance indicators for the same period was approved.

Key financial and non-financial performance indicators achievement

Key financial performance indicators for the calculation of the variable component of the remuneration (individual)

No.	Indicator	Objective	2023		Achievement'
			Budgeted	Achieved Half I	
1.	Outstanding payments	<i>Maintaining the outstanding payments to zero.</i>	0	0	100%
2.	Operating expenses (except for depreciation, balancing, construction activity and provisions for asset depreciation and for risks and charges) (thousand lei)	<i>Maintaining the operating expenses at the level undertaken in the Management Plan</i>	1.296.063	459.884	282%
3.	Liquidity ratio	<i>Liquidity ratio to register annual values over 1</i>	1	1,27	127%
4.	Debt-to-equity ratio	<i>Maintaining a net debt-to-equity ratio der the limits set for obtaining bank financing, i.e.: 5-2021, 5,5-2022, 5 – 2023-2024, 4,5 2025</i>	5,5	5,98	92%
5.	EBITDA (thousand lei)	<i>Achieving the EBITDA target undertaken in the Management Plan</i>	377.921	264.798	70%

Table 33 - Key financial performance indicators for the calculation of the variable component of remuneration in Half I 2023 compared to the 2023 Budget (according to the Management Plan 2021-2025)

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

No.	Indicator	Objective	No.	2023		Achievement
				Planned	Achieved Half I	
Operational						
6	Monitoring the Implementation and Investment Strategy	Achievement of the FID projects from the TYNDP (2022-2031) <i>I = (achieved+initiated actions)/proposed actions</i>				
		<i>Development on the Romanian territory of the Southern Transmission Corridor for taking over the Black Sea gas</i>	6.1	<i>Construction 2023-2025 The completion date depends on the upstream offshore projects implementation schedules.</i>	<i>All design and permitting activities were completed and the works contract was signed. The incremental capacity process was completed successfully for the NTS entry/exit point to be established in the Tuzla area, where the gas from the Black Sea will reach the shore. On 16 March 2023, the gas transmission contracts concluded pursuant to the capacity booking procedure</i>	

					for the Tuzla Black Sea gas NTS entry/exit point were signed. On 16 June 2023 the works commencement order was signed.		
		<i>Achievement of the pilot project for metering and using the hydrogen gas blending</i>	6.2		The design, execution and mounting of the installation of the pilot project related to the use of hydrogen gas blend and the studying of the influences on materials, metering systems and combustion equipment .	All activities related to the design, execution and the mounting of the installation of the pilot project for the use of the hydrogen gas blend and the studying of the influences on the materials, metering systems and combustion equipment were performed. Specific testing activities within the pilot project are on progress.	100%
7	Increasing energy efficiency	<i>Maintaining the share of the NTS gas consumption in the total circulated gas below 1%</i>	7.1	<1		0,48%	100%
8	Customer satisfaction	<i>Achievement of the targets established in the management plan (According to PP 165 Evaluation of Clients satisfaction, a score between 6-8 represents the fact that the services offered satisfied accordingly the requirements of the clients)</i>	8.1	8		Achieved - 8 Report SMC/ 11972/15.02.2023 on the evaluation of SNTGN Transgaz SA clients satisfaction for 2022	Annually monitored
9	Strengthening and diversifying cooperation and collaboration relations with European gas transmission system operators	<i>Conclusion of memoranda of cooperation and collaboration with European gas transmission system operators (minimum 5 operators) regarding the collaboration on hydrogen injection</i>	9.1	1		The Memorandum of Understanding was signed between four gas transmission system operators in Central Europe (Transgaz - Romania, Gaz-System - Poland, Eustream - Slovakia and FGSZ - Hungary, on exploring the possibilities of decarbonising their operations, transmitting green gas and investigating the potential of transmitting CO2.	100%
Public service oriented							
10	Performance indicators related to the gas transmission service	<i>Achievement of the targets established in the Performance Standard for the gas transmission service (ANRE Order 140/2021 entered into force as at 1 October 2022).</i>	10.1	$IP_0^1 \geq 90\%$		99,76%	100%
			10.2	$IP_1^1 \geq 90\%$		100%	
			10.3	$IP_1^2 \geq 95\%$		*	
			10.4	$IP_1^3 \geq 95\%$		*	
			10.5	$IP_1^4 \geq 95\%$		100%	
			10.6	$IP_1^5 \geq 95\%$		100%	
			10.7	$IP_2^1 \geq 95\%$		100%	
			10.8	$IP_3^1 \geq 95\%$		97,94%	
			10.9	$IP_3^2 \geq 95\%$		*	
			10.10	$IP_4^1 \geq 95\%$		*	
			10.12	$IP_5^1 \geq 98\%$		100%	

			10.12	$IP_5^2 \geq 98\%$	100%	
			10.13	$IP_6^1 \geq 98\%$	100%	
			10.14	$IP_6^2 \geq 98\%$	100%	
Corporate governance						
11	Optimization of internal/management control system	<p>Implementing the provisions of GSG Order 600/2018 for the approval of the Internal/Management Control Code of public enterprises as subsequently amended. <i>I = implemented standards/standards provided by Order 600/2018*100</i></p> <p>Implementation of the measures established in the SCIM Implementation Plan <i>I = Implemented measures /proposed measures *100</i></p>	11.1	Development of the internal/management control system for maintaining it at a level considered compliant with the standards included in the Internal/Management Control Code.	<p>Achieved</p> <ul style="list-style-type: none"> - Monitoring Committee Decision 180/03.02.2023; -Letter 5750/26.01.2023, sent to the General Secretariat of the Government, on the submission of the following SCIM reporting documents: <ul style="list-style-type: none"> ▪ Report of the Director-General on the Internal/Managerial Control System as at 31 December 2022, No 5754/26.01.2023; ▪ Centralising report on the implementation and development of the internal/managerial control system within SNTGN Transgaz SA, as of 31 December 2022, no. DSMC/2260/11.01.2023. <p>The data contained in the above mentioned documents are uploaded to the SGG SCIM IT Platform. By the email of 14.02.2023 the General Secretariat of the Government communicates the approval of the forms uploaded to the IT Platform.</p> <ul style="list-style-type: none"> - SCI/M Development Plan no. DSMC/14810/27.02.2023, updated for 2023; -Progress of the internal/management control system at Transgaz for 2022, no. DSMC/ 14799/ 27.02.2023; -Report on 2022 Transgaz performance monitoring no. DSMC/14821/ 27.02.2023; - The Board of Administration took note of Report DG/16707/03.03.2023 on the Progress of the SCI/M implementation and performance monitoring for 2022, by BoA Resolution 8/21.03.2023; - Report no. DSMC/30363/25.04.2023 to the Audit and Rating Committee on the specific activities of the Internal/Managerial Control 	100%

					System (including Risk Management) carried out in Q I.	
			11.2	Streamline the processing and management of SCI/M documentation by implementing an SCI/M web platform (preparation of procurement documents).	Achieved -Specification no. 43806/08.06.2021 for the design and implementation of the SCI/M web platform . The analysis, diagnosis, assessment of the Internal/Managerial Control System is included in Chapter 2 of the Specifications. The implementation of the platform was postponed to 2024, after the implementation of MAIS system.	100%
12	Optimization of risk management process	<i>Implementation of the requirements of Standard 8 of GSG Order no. 600/2018 for the approval of the internal/management Control Code of public entities as further amended. Moving to a 5-step risk assessment scale</i>	12.1	<i>Continuous monitoring and adaptation of the organisational, conceptual and methodological framework of the risk management process</i>	Achieved - EGR Decision 179/ 03.02.2023 -2021-2025 Risk Management Strategy, no. DSMC/38586/ 19.05.2021 was approved by BoA Resolution 25/31.08.2021; - <i>The meeting of the Board of Administration held on 21 March 2023 (BoA Resolution 8/21.03.2023) took note of Report No. DG/16736/03.03.2023 on the analysis of the specific objectives and action directions set out in the Programme for the implementation of the measures set out in the Risk Management Strategy, 2021-2025, at the level of SNTGN Transgaz SA;</i> - <i>the draft revision of the Risk Management System Procedure was finalized to introduce the five-step risk assessment matrix. Its approval in issue 1 rev.1 is scheduled for May 2023.</i> - The employees in charge with risks in the organisational structures were trained on the change to the use of the 5-step Tolerance Limit in the consultations held between 20.03.2022-28.06.2022 and in the professional counselling on risk management offered to the designated employees in charge with risks in Q I 2023. - <i>for 2023 it was approved the 3-step risk tolerance limit no. DSMC/14823/ 27.02.2023, published at:</i> https://portal.intranet.transgaz.ro/zonapublica/scim/Forms/AllItems.aspx?web=1&id=%2Fzon	100%

					apublica%2Fscim%2FManagementul%20riscurilor%2F6%2E%20Limita%20de%20toleranta	
			12.2	<p>Systematic analysis of risks associated with operational objectives at the level of organisational structures.</p>	<p>Achieved</p> <p>According to Letter 27517/10.04.2023 all organisational structures:</p> <ul style="list-style-type: none"> -published the List of objectives, performance indicators, activities, risks for year 2023 in the dedicated section; -Registers of Risks, at the departments and the divisions, level for 2023; -Risk mitigation plans of measures, at the departments and divisions level for 2023; - according to Letter DSMC/94975/02.12.2022 all organisational structures published the revised registers of risk, December 2022 and the Risk Management Report for 2022 at the level of the divisions, independent units, independent departments and offices, regional offices, the Medias Subsidiary. 	
			12.3	<p>Implementation of risk management policy, procedures and legal requirements and monitoring their application at company level.</p>	<p>Achieved</p> <ul style="list-style-type: none"> - the Register of the Risks at the company level 2022, no. DSMC/4709/29.12.2022, revised in December 2022; - the Register of the Risks at the company level for 2023, no. DSMC/14825/27.02.2023; - Plan of measures to mitigate risks, at the company level, for 2023, no. DSMC/14806/27.02.2023; - Report on risk management and monitoring within the company, for 2022, no. DSMC/14802/27.02.2023; - The Board of Administration took note of Report DG/16733/03.03.2023 on risk management and monitoring at SNTGN Transgaz SA, by BoA Resolution 8/21.03.2023; - the risk profile, December 2022 DSMC/14823/27.02.2023.. 	
13	Timely reporting of the performance indicators	Compliance with the legal deadlines for reporting I = actual reporting deadlines/reporting deadlines provided *100	13.1	Financial communication calendar to BVB	<p>Achieved</p> <p>(see the company's website) https://www.transgaz.ro/ro/calendar-financiar-2023</p>	100%
			13.2	Report on the status of achievement of the TYNDP	<p>Achieved</p> <p>Letter DSMC/14.335/23.02.2023 Deadline 1 March 2023</p>	

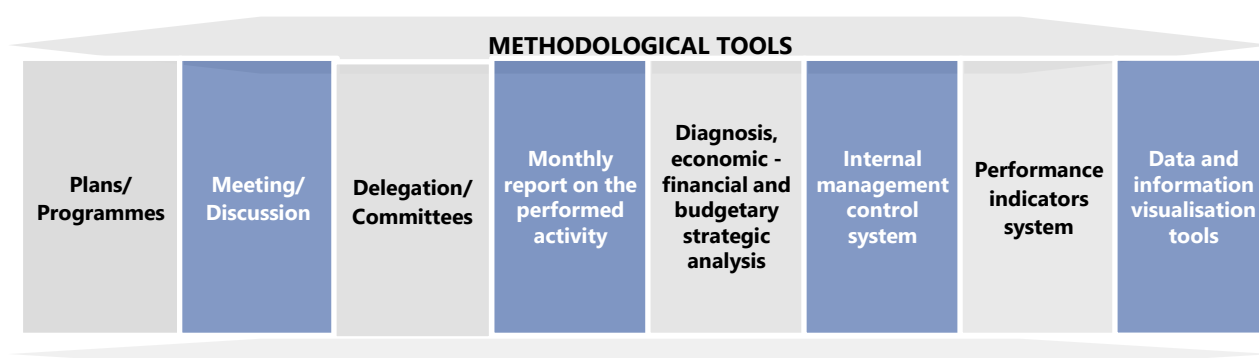
			13.3	<i>SCIM reporting</i>	<p>Achieved</p> <p>It was sent to the General Secretariat of the Government by Letter no. DSMC/5750/26.01.2023, entry no. SGG 2430/26.01.2023:</p> <ul style="list-style-type: none"> -Centralized Progress Report on the implementation and development of the internal/management control system in SNTGN Transgaz SA on 31 December 2022; -Report on the internal/management control system on 31 December 2022 	
			13.4	<i>Reporting related to the achievement of the performance indicators of the gas transmission service</i>	<p>Achieved</p> <ul style="list-style-type: none"> -Letter 92556/ 23.11.2022ANRE report for gas year 2021-2022 (reported annually on 1 October) 	
			13.5	<i>Reporting form S1100 on the monitoring of the application of the provisions of GEO 109/2011</i>	<p>Achieved</p> <ul style="list-style-type: none"> - Letter 373/04.01.2023 S1100 report for Half II 2022 - Letter 48794/04.07.2023 S1100 report for Half I 2023 	
14	2021-2025 NAS implementation	Implementation of the measures established in the NAS I = measures achieved within the deadline /proposed measures *100	14.1	<i>Achievement of the objectives established in Integrity Plan for the implementation of the Anti-Corruption Strategy 2021-2025</i>	<p><i>The measures set out in the Integrity Plan for the implementation of the 2021-2025 National Anti-Corruption Strategy for Half I 2023:</i></p> <ul style="list-style-type: none"> - preparation, submission to the GSG. and publication on the Intranet page of the Report on the implementation of the measures set out in the NAS 2021-2025 for 2022, at the level of S.N.T.G.N. Transgaz S.A.; - preparation, submission to the GSG and publication on the Internet page of the Report on the assessment of integrity incidents for 2022, at the level of S.N.T.G.N. Transgaz S.A.; -the establishment of the Working Group for the preparation of the procedure for the protection of whistleblowers in the public interest; -publishing the economic and performance indicators in open format; -participation in the working sessions of the Business Cooperation Platform organised by the Ministry of Justice within the NAS; - permanent updating of the database of companies that have not properly executed the 	100%

					contracts concluded with Transgaz S.A. and using it as a permanent working tool; - preparation and submission for approval of the Competition Compliance Manual.	
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Table 34 – Key non-financial performance indicators achievements for the calculation of the variable component of remuneration in 30.06.2023

Note: Given that in the period analysed for the performance indicators of the gas transmission service marked * no requests/notifications/complaints were registered, we conclude that the potential risk did not materialize, and, therefore, it results that the indicators are met according to the requirements established in the Performance Standard, although the degree of fulfilment of these indicators cannot be determined by mathematical calculation.

In order to optimize the performed activities, the company's administrators and management will continue to act with maximum responsibility and will efficiently use modern administration/management methods and techniques, adequate for the optimization of all processes and activities carried out by the company, as they are presented:



ION STERIAN – Executive Administrator – Director - General

PETRU ION VĂDUVA – Non-Executive Administrator

NICOLAE MINEA– Non-Executive Administrator

CSABA OROSZ – Non-Executive, Interim Administrator

GHEORGHITĂ AGAFIȚEI - Non-Executive, Interim Administrator

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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS
ENDED 30 JUNE 2023**

**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>30 June 2023</u> (unaudited)	<u>31 December 2022</u>
ASSET			
Fixed assets			
Tangible Assets	7	780.765.875	801.193.708
Rights of use of the leased assets	9	16.588.335	16.934.813
Intangible Assets	9	3.702.763.081	3.909.592.137
Goodwill	10	9.795.300	9.566.769
Trade receivables and other receivables	12	2.313.394.722	2.141.205.428
Deferred tax		<u>996.563</u>	<u>-</u>
		6.824.303.876	6.878.492.855
Current assets			
Inventories	11	576.223.994	613.182.876
Commercial receivables and other receivables	12	208.696.121	346.798.529
Cash and cash equivalent	13	<u>368.660.938</u>	<u>418.666.555</u>
		1.153.581.053	1.378.647.960
Total asset		7.977.884.929	8.257.140.815
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	146.995.872	199.648.810
Exchange rate differences from consolidation		<u>21.027.504</u>	<u>19.932.259</u>
		4.006.532.538	4.058.090.231
Shareholders` equity			
Non-controlling interests		<u>85.733.790</u>	<u>82.818.034</u>
		4.092.266.328	4.140.908.265
Long-term debts			
Long-term loans	16	1.957.953.763	2.054.247.351
Provision for employee benefits	21	116.578.945	110.895.341
Deferred revenue	17	906.577.969	969.150.112
Deferred tax payment	18	-	3.053.157
Commercial debt and other debts	19	<u>13.412.228</u>	<u>14.178.481</u>
		2.994.522.905	3.151.524.442

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>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Current debts			
Commercial debts and other debts	19	576.484.969	634.601.301
Deferred revenue	17	112.818.401	107.439.092
Provision for risks and charges	20	51.105.706	81.438.491
Current payable tax	18	-	-
Short-term loans	16	144.647.827	136.644.990
Provision for employee benefits	0	<u>6.038.793</u>	<u>4.584.234</u>
		<u>891.095.696</u>	<u>964.708.108</u>
Total debts		<u>3.885.618.601</u>	<u>4.116.232.550</u>
Total equity and debts		7.977.884.929	8.257.140.815

Endorsed and signed on behalf of the Board of Administration on 11 August 2023 by:

Chairman of the Board of Administration
Petru Ion Văduva

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 six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Revenue from the domestic transmission activity		634.712.757	592.600.537
Revenue from the international transmission activity and similar		58.871.631	42.415.513
Other revenue	22	<u>67.506.574</u>	<u>68.900.765</u>
Operational revenue before the balancing and construction activity according to IFRIC12		761.090.962	703.916.815
Depreciation	7, 9	(232.813.590)	(214.169.739)
Employees costs	24	(278.069.448)	(235.863.566)
NTS gas consumption, materials and consumables used		(75.588.406)	(93.645.012)
Expenses with royalties		(2.760.167)	(2.540.064)
Maintenance and transmission		(15.798.941)	(15.813.251)
Taxes and other amounts owed to the state		(37.461.276)	(37.674.989)
Revenue/ (Expenses) with provisions for risks and charges		21.324.157	(17.599.953)
Other operating cost	23	<u>(107.056.756)</u>	<u>(57.210.336)</u>
Operational profit before the balancing and construction activity according to IFRIC12		32.866.535	29.399.905
Revenue from the balancing activity		263.066.728	540.476.385
Cost of balancing gas		(263.066.728)	(540.476.385)
Revenue from the construction activity according to IFRIC12	32	35.270.257	104.332.323
Cost of assets constructed according to IFRIC12	32	<u>(35.270.257)</u>	<u>(104.332.323)</u>
Operational profit		32.866.535	29.399.905
Financial revenue	25	140.742.101	294.950.607
Financial cost	25	<u>(79.897.971)</u>	<u>(102.578.778)</u>
Financial revenue, net		60.844.130	192.371.829
Profit before tax		93.710.665	221.771.734
Profit tax expense	18	<u>(22.892.265)</u>	<u>(44.493.663)</u>
Net profit for the period		70.818.400	177.278.071
Attributable to the parent company		72.819.072	179.703.566
Attributable to the non-controlling interests		(2.000.672)	(2.425.495)
Number of shares		188.381.504	11.773.844
Other items of comprehensive income			
Basic and diluted earnings per share (expressed in lei per share)	28	0,38	15,06
Actuarial gain / loss for the period		6.395.044	-
Exchange rate difference		10.928.102	2.684.589
Total comprehensive income for the period		88.141.546	179.962.660
Attributable to the parent company		90.142.218	181.717.008
Attributable to the non-controlling interests		(2.000.672)	(1.754.348)

Chairman of the Board of Administration
Petru Ion Văduva

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

INTERIM 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 2022	<u>117.738.440</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>1.785.866.415</u>	<u>16.520.600</u>	<u>93.548.755</u>	<u>3.968.368.332</u>
Net profit for the period	-	-	-	-	179.703.566	-	(2.425.495)	177.278.071
Dividends related to 2021	-	-	-	-	<u>179.703.566</u>	-	<u>(2.425.495)</u>	<u>177.278.071</u>
Consolidation exchange rate difference	-	-	-	-	(174.488.368)	-	(174.488.368)	(174.488.368)
Non-controlling interests	-	-	-	-	-	2.684.589	152.946	2.837.535
Balance on 30 June 2022	<u>117.738.440</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>1.791.081.613</u>	<u>19.205.189</u>	<u>88.688.632</u>	<u>3.971.407.996</u>
Net profit for the period reported	-	-	-	-	172.191.575	-	(2.401.176)	169.790.399
Actuarial gain / loss for the period	-	-	-	-	<u>2.452.222</u>	-	-	<u>2.452.222</u>
Establishing profit reserves	-	-	-	-	<u>174.643.797</u>	-	<u>(2.401.176)</u>	<u>172.242.621</u>
Legal reserve increase	-	-	-	-	(21.873.676)	-	-	(21.873.676)
Legal reserve increase	-	-	-	-	21.873.676	-	-	21.873.676
<i>Transactions with shareholders:</i>								
Increase of share capital	1.766.076.600	-	-	-	(1.766.076.600)	-	-	-
Consolidation exchange rate difference	-	-	-	-	-	727.070	(11.808.100)	(11.081.030)
Non-controlling interests	-	-	-	-	-	-	8.338.678	8.338.678
Balance on 31 December 2022	<u>1.883.815.040</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>199.648.810</u>	<u>19.932.259</u>	<u>82.818.034</u>	<u>4.140.908.265</u>
Net profit for the period	-	-	-	-	72.819.072	-	(2.000.672)	70.818.400
Actuarial gain / loss for the period	-	-	-	-	6.395.044	-	-	6.395.044
<i>Transactions with shareholders:</i>								
Dividends related to 2022	-	-	-	-	<u>79.214.116</u>	-	<u>(2.000.672)</u>	<u>77.213.444</u>
Non-controlling interests	-	-	-	-	(131.867.054)	-	-	(131.867.054)
Consolidation exchange rate difference	-	-	-	-	-	1.095.245	9.832.857	10.928.102
Consolidation exchange rate difference	-	-	-	-	-	-	<u>(4.916.429)</u>	<u>(4.916.429)</u>
Balance on 30 June 2023 (unaudit	<u>1.883.815.040</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>146.995.872</u>	<u>21.027.504</u>	<u>85.733.790</u>	<u>4.092.266.328</u>

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).

Chairman of the Board of Administration
Petru Ion Văduva

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 six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Cash generated from operations	26	359.939.682	167.986.988
Interest paid		(65.095.850)	(22.685.848)
Interest received		694.172	746.420
Paid profit tax		<u>(37.122.141)</u>	<u>(54.353.118)</u>
Net cash inflow from operation activities		258.415.863	91.694.442
Cash flow from investment activities			
Payments to acquire intangible assets		(203.194.647)	(158.329.418)
Payments to acquire tangible assets		(7.154.671)	(12.422.271)
Receipts from the disposal of tangible assets			42.314
Cash flow from connection fees and grants		<u>274.044</u>	<u>23.010.919</u>
Net cash used in investment activities		(210.075.274)	(147.698.456)
Cash flow from financing activities			
Long-term loans withdrawals		(70.081.168)	(66.759.727)
Credit withdrawals/repayments for working capital		(24.203.412)	(61.392.943)
Payments IFRS 16		(3.486.739)	(3.301.956)
Dividends paid		<u>(574.887)</u>	<u>(815.496)</u>
Net cash used in financing activities		(98.346.206)	(132.270.122)
Net change in cash and cash equivalents		(50.005.617)	(188.274.136)
Cash and cash equivalent as at the beginning of the year	13	<u>418.666.555</u>	<u>414.955.056</u>
Cash and cash equivalent as at the end of the period	13	<u>368.660.938</u>	<u>226.680.920</u>

Chairman of the Board of Administration
 Petru Ion Văduva

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 30 June 2023, 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 of 30 June 2023 is in the amount of MDL 772.687.005 (equivalent in RON of lei 190.930.959) and is wholly owned by SNTGN Transgaz SA Medias - 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.

For the purpose of consolidating this set of financial statements, the non-controlling interest in the Group's share capital in amount of MDL 352.914.170 represents EBRD's share in the total net assets of the Vestmoldtransgaz S.R.L. in statement as at 30 June 2023.

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.

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) Romania's economic growth will continue, although at a slower pace than in 2022, due to persistent inflation, tight financing conditions and low growth of trading partners, indicates the European Commission. The Romanian economy is expected to grow by 3,2% in 2023 and 3,5% in 2024, according to the European executive, who warns, however, that delays in implementing the PNNR could reduce investment. In its winter forecast, the European Commission predicted Romania's GDP growth would be 2,5% in 2023 and 3% in 2024. As for inflation, the current estimates put it at 9,7% in 2023 and 4,6% in 2024, after the EC's previous forecast of 9,7% this year and 5,5% next year.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

- (ii) In the meeting of 5 July 2023, 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 Harmonised Index of Consumer Prices (HICP) reached a maximum level in November and then fell to 12,2% in March due to lower energy prices. Because of the energy price cap scheme, almost no change is expected in this component, driven mainly by movements in fuel and energy distribution prices. However, core inflation continued to rise amid increases in processed food and services. It is expected to remain above headline inflation this year, after peaking in the first quarter. Overall, average inflation of HICP is expected to fall to 9,7% in 2023 and 4,6% in 2024, but risks are tilted to the upside as wage growth pressures are high.
- (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 the Transgaz' strong business profile as title holder and operator of the gas transmission network in Romania, the company's robust results for 2022, as well as 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 Fitch rating agency reconfirmed on 24 March 2023 Romania's long-term and short-term foreign currency debt rating at BBB-/F3 and revised the country outlook from negative to stable. This is the first positive rating outlook change for Romania since April 2020. The decision to revise Romania's rating outlook is supported, in the agency's view, by the stabilisation of public debt and the implementation of policies aimed at gradual fiscal consolidation, as well as by political stability in our country and the reduction of risks related to the war in Ukraine and the subsequent energy crisis. According to the agency, Romania's economy will grow by 2,3% in 2023 and 3% in 2024, respectively, as our country will benefit from significant European funds from both the Multiannual Financial Framework 2021-2027 and the Recovery and Resilience Mechanism (RRM). The main factors that could individually or collectively lead to an improvement in the country's rating or outlook are the firm stabilisation of the public debt-to-GDP ratio in the medium term and the reduction of the fiscal deficit, as a result of the effective implementation of the government's fiscal strategy, as well as the reduction of external financing risks through a structural improvement in the current account deficit position leading to a decline in external indebtedness and/or an improvement in external reserves.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

At the end of Half 1 2022, as compared to the end of 2021, the LEU increased against the EURO (`EUR`) by 0,05% (1 EUR= 4,9454 lei as at 30 June 2022, 1 EUR = 4,9481 lei as at 31 December 2021) and depreciated by 8,50% against the US dollar (`USD`) (1 USD =4,7424 lei as at 30 June 2022, 1 USD = 4,3707 lei as at 31 December 2021).

At the end of Half 1 2023, as compared to the end of 2022 the LEU depreciated against the EURO (`EUR`) by 0,32% (1 EUR= 4,9634 lei as at 30 June 2023, 1 EUR = 4,9474 lei as at 31 December 2022) and increased by 1,29% against the US dollar („USD”) (1 USD =4,5750 lei as at 30 June 2023, 1 USD = 4,6346 lei as at 31 December 2022).

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 International Financial Reporting Standards adopted by the European Union (`EU IFRS`). 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.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2022 (closing rate) and the income statement is converted at the average annual rate published by the NBR for Q3 2022. 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.

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:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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;

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.

Accounting regulations applicable as of 2016

Amendments to various Improvements to IFRSs (2014-2016 Cycle) resulting from the project to improve IFRSs (IFRS 1, IFRS 12, IAS 28) mainly to eliminate inconsistencies and to clarify certain formulations (Amendments to IFRS 12 are applicable for the annual periods beginning on or after 1 January 2017 and the Amendments to IFRS 1 and IAS 28 are applicable for the annual periods beginning on or after 1 January 2018).

(a) Standards and interpretations applicable as of 2017

The following standards and amendments of the current standards, issued by the International Accounting Standard Board (IASB) and adopted by the European Union (EU) became applicable in 2017:

Amendments to IAS 12 "Income Tax"

Recognition of Deferred Tax Assets for Unrealised Losses (applicable for the annual periods beginning on or after 1 January 2017);

Amendments to deferred tax recognition for unrealized assets clarify the following aspects:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Unrealized loss on debt instruments measured at fair value and at cost for tax purposes will give rise to a deductible temporary difference regardless of whether the holder of the debt instrument expects to recover the accounting value of the debit instrument by sale or by use;
- The accounting value of an asset does not limit the estimation of the future taxable profits
- Estimates of future taxable profits exclude tax deductions resulting from the lapse of taxable temporary differences;
- The entity estimates a deferred tax in combination with other deferred taxes. Where tax law restricts the use of tax loss, an entity will estimate deferred tax in combination with other deferred tax of the same type.

The Amendments are applicable for the period starting from or after 2017. The previous application is allowed;

The amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative (applicable for the annual periods beginning on or after 1 January 2017);

(b) Standards and interpretations applicable as of 2018

At the date of reporting of these Financial Statements, the following standards, revisions and interpretations became applicable:

IFRS 9 Financial Instruments - adopted by the UE on 22 November 2016 (applicable for the annual periods beginning on or after 1 January 2018) replaces IAS 39 – Financial Instruments - Recognition and Measurement;

IFRS 9 includes the requirements on financial instruments referring to recognition, classification, evaluation, depreciation loss, derecognition and hedge accounting against risks:

- Classification and evaluation: 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 elements, at fair value through profit or loss. The IFRS 9 classification is determined by the cash flow and business model in which an asset is held. This unitary approach based on principles eliminates the financial asset classification categories in IAS 39: held-to-maturity, loans and advances and available-for-sale financial assets. The new model will also determine the existence of a single depreciation model applicable to all financial instruments.
- According to IFRS 9, derivatives incorporated into contracts, where the host instrument is a financial instrument for the purpose of this standard, are not separate, but the entire hybrid instrument is considered for classification.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Impairment loss: IFRS 9 introduces a new anticipated impairment loss model based on expected loss, which will require anticipated recognition of expected loss from impairment of receivables. 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.
- *Impairment*: applies to commercial receivables that do not have a funding component is measured at amortized cost (the condition is that assets are held within a business model whose objective is to collect cash flows;
- *Hedge accounting*: IFRS 9 introduces a significantly improved hedge accounting model which includes additional disclosure requirements for risk management activity. The new model is a significant revision of the hedge accounting principles, which allows the alignment of the accounting treatment with the risk management activities.

IFRS 15 "Revenue from Contracts with Customers" as subsequently amended and amendments to IFRS 15 "Effective Date of IFRS 15" adopted by the EU on 22 September 2016 (applicable for the annual periods beginning on or after 1 January 2018);

IFRS 15 establishes a single model for the entities for revenue accounting resulting from customer contracts, replacing the following standards and interpretations from the date of entry into force:

- IAS 18 - Revenue;
- IAS 11 - Construction Contracts
- IFRIC 13 - Customer Loyalty Programmes;

Standards and interpretations that came into force/became applicable as of 2019 or at a future date

- IFRIC 15 - Agreements for the Construction of Real Estate;
- IFRIC 18 - Transfers of Assets from Customers;
- SIC 31 – Income - Barter Transactions Involving Advertising Services

The core principle of IFRS 15 is that an entity recognizes revenue when the goods or services promised to customers are transferred at a value that reflects the consideration the entity expects to have the right to exchange for those goods or services. An entity recognizes revenue in accordance with this core principle by applying the following steps: contract identification; identifying performance obligations from the contract; determining the transaction price; allocating the transaction price for the contract performance obligations; recognizing revenue when (or as) it fulfils an execution obligation.

The revenue from services provision is recognized as follows:

- based on the tariffs regulated by ANRE for firm/ interruptible natural gas transmission services through the National Transmission System;

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- based on the transmission tariffs approved by ANRE for the transmission capacity booking on the entry/ exit points in/out of the natural gas transmission pipeline Isaccea 2-Negru Vodă 2;
- based on the tariffs negotiated within the transmission contract for the transmission capacity booking on the Isaccea 3-Negru Vodă 3 gas transmission pipeline;
- by auction, on the Regional Capacity Booking Platform (RBP) for the trading of bundled and unbundled capacity at cross-border interconnection points with transmission systems from European Union member countries,
- on the basis of regulated tariffs for activities related to the operation of the gas transmission system;
- prices determined on the basis of ANRE regulations for the balancing and neutrality activity within the provision of the transmission service;
- tariffs determined based on ANRE regulations for the administration of the balancing market.

For goods developed under the Concession Agreement, achieved in-house, the revenue is recognized at the level of the costs incurred.

Amendments to IAS 40 "Property Investment"—*property related to Investment transactions (applicable for the annual periods beginning on or after 1 January 2018);*

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (applicable for the annual periods beginning on or after 1 January 2018); the interpretation refers to the determination of the transaction date to determine the exchange rate to be used for the initial recognition of an asset, expense or income (or part thereof) in the derecognition of a non-monetary asset or non-monetary debt generated by a payment in advance in foreign currency. IFRIC 22 does not provide for guidance on the definition of the monetary and non-monetary items. A payment or advance payment generally leads to the recognition of a non-monetary asset/liability, but it may also lead to the recognition of a monetary asset/liability.

At the date of the reporting of these Financial Statements the following standards and interpretations are not applicable and they will enter into force on or after 1 January 2019:

- **IFRS 16 Leases** (applicable for the annual periods beginning on or after 1 January 2019); at the date of entry into force IFRS 16 will replace the following standards and interpretations:
 - IAS 17 - Leases;
 - IFRIC 4- Determining whether an Arrangement Contains a Lease;
 - SIC 15 – Operating Leases - Incentives;
 - SIC 27- Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 provides a control model for the identification of leases by establishing principles for the recognition, measurement and disclosure of leases, i.e. the right to control the use of an identified asset for a specified period of time in return for consideration. The right to control the use of the identified asset exists if the customer has the right to obtain substantially all the economic benefits and also the right to determine the manner and purpose for which the asset is used.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 16 introduces significant changes in lease accounting, in particular by eliminating the distinction between finance lease and operating lease, and requires the lessee to recognize a usable asset and a lease liability at the date of commencement of the contract, except for short-term leases or low-value asset lease.

As of 1 June 2020, IFRS 16 was amended to provide a practical expedient to lessees` rent concessions occurring as direct consequence of the COVID-19 pandemic and meeting the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) The reduction in lease payments relates only to payments due on or before 30 June 2021; and (c) There is no substantive change to other terms and conditions of the lease.

Rent concessions meeting these criteria can be accounted according to the practical opportunity, which means that the lessee does not assess whether the rent concession meets the definition of a lease modification. The lessees apply other IFRS 16 requirements in the accounting of the accounting for the concession.

Amendments to IFRS 2 `Share-based Payment` – Classification and measurement of share-based payment transactions (applicable for the annual periods beginning on or after 1 January 2018);

- Amendments to IFRS 4 `Insurance Contracts` - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applicable for the annual periods beginning on or after 1 January 2018 or at the application for the first time of IFRS 9 `Financial Instruments`);
- Amendments to IFRS 10 `Consolidated Financial Statements` and IAS 28 `Investments in Associates and Joint Ventures` - Sale or contribution of assets between an investor and its associate or joint venture and its further amendments (the effective date was deferred indefinitely until completion of the research on the equity method);
- IFRIC 23- `Uncertainty over Income Tax Treatment` was prepared as an interpretation regarding IAS 12 Income Taxes, to specify the way of the uncertainty over the income tax accounting is presented.

The IFRS Interpretation Committee developed IFRIC 23 to clarify uncertainties over how tax law applies to a particular transaction or circumstance or the extent to which a tax authority will accept a company`s tax treatment company. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty .

In 2020, the IASB finalizes the amendments to IAS 1 and IAS 8 on the definition of “significant” information. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity based on that financial statement, which provides financial information about a particular reporting entity. "

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 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.

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

- IFRS 17 Insurance Contracts - IFRS 17 introduces an internationally consistent approach to accounting for insurance contracts. Prior to IFRS 17, there was significant diversity worldwide in the accounting and presentation of insurance contracts, with IFRS 4 allowing many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes. In December 2021, the IASB amended IFRS 17 to add a transition option to address potential accounting mismatches between financial assets and insurance contract liabilities in comparative information presented on initial application of IFRS 17 and IFRS 9, thereby improving the usefulness of comparative information for users of financial statements.
- IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Long-Term) - In January 2020, the IASB issued amendments to IAS 1 that clarify how an entity classifies liabilities as current or long-term. The amendments originally had an effective date of 1 January 2022, however, in July 2020, this was delayed until 1 January 2023 due to the COVID-19 pandemic. These changes are expected to have a significant impact on

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

many entities, with several debts being classified as current, particularly those with loan-related conditionalities. The International Accounting Standards Board (IASB) issued "Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)" providing a more general approach to the classification of liabilities in accordance with IAS 1 based on existing contractual arrangements in the reporting. The International Accounting Standards Board (IASB) issued "Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)" providing a more general approach to the classification of liabilities in accordance with IAS 1 based on existing contractual arrangements in the reporting.

- The changes were initially valid for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was postponed to annual reporting periods beginning on or after 1 January 2023:

Changes in the Classification of Liabilities in Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position - not the amount or timing of the recognition of any assets, income or expenses or the information that entities disclose about these items. The following is clarified:

- ✓ The classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period and the wording shall be aligned in all relevant paragraphs to refer to the "right" to defer settlement by at least twelve months and clarify that only the rights in force "at the end of the reporting period" should affect the classification of a debt;
 - ✓ The classification is not affected by expectations that an entity will exercise its right to defer the settlement of a debt;
 - ✓ Settlement refers to the transfer to the counterparty of the cash, equity instruments, other assets or services.
 - ✓ An entity applies this interpretation for annual reporting periods beginning on at or after 1 January 2019. Application prior to this date is permitted.
 - ✓ An `uncertain tax treatment` is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under the tax law.
- Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2) - In February 2021, the IASB issued amendments to IAS 1 that change the disclosure requirements regarding accounting policies from "significant accounting policies" to "disclosures about material accounting policies". The amendments provide guidance on when accounting policy information can be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-binding guidance, no mandatory effective date has been specified for amendments to IFRS Practice Statement 2.

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(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Definition of accounting estimates (amendment to IAS 8) - In February 2021, the IASB issued amendments to IAS 8 that added to the definition of accounting estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless they result from correcting prior period errors.
- Deferred tax relating to assets and liabilities arising from a single transaction (amendments to IAS 12) - In May 2021, the IASB issued amendments to IAS 12 clarifying whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability recognised simultaneously (for example, a lease within the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability that, at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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. 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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. This unitary approach based on principles eliminates the classification of financial assets in IAS 39: held-to-maturity investments, loans and receivables, and available for sale financial assets. The new model will also determine the existence of a single depreciation model applicable to all financial instruments.

Upon initial recognition, an entity may make an irrevocable choice to present to other comprehensive income elements the subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor is it a recognized contingent consideration by an acquirer in a business combination to which IFRS 3 applies. In this case it will recognize the dividends from that investment in the income statement.

(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:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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

Impairment testing of trade receivables is described above.

For loans and receivables, 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 Eurotranzgaz 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:

"When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IFRS 9 or using the equity method."

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In 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 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.

3.11. Value added tax

The value added tax must be paid to tax authorities based on the monthly VAT declaration by the 25th of the following month, regardless of the collection of receivables from customers. Tax authorities allow the settlement of VAT on a net basis. If the deductible VAT is higher than the output VAT, the difference is refundable at the request of the company. That VAT can be refunded after a tax audit, or, even in its absence, if certain conditions are met. VAT on sales and purchases which are not settled at the end of the reporting period is recognized in the statement of financial position at net value and disclosed separately as a current asset or liability. In cases where adjustments were made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including the VAT. The related VAT has to be paid to the State and can be recovered, as from the date of the judgment or, as the case may be, the date of the closure of the bankruptcy, according to the insolvency law.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12. 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. If not, they are presented as fixed 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.

3.13. 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.

3.14 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.

3.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction 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)

3.16 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.

3.17 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.

3.18 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)

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 remaining unamortised value at the end of the concession agreement at a counterperformance and an intangible asset at a value less the updated receivable.

3.19 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 10). 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)

3.20 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.

3.21 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 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 Termination Agreement of the legacy contract between SNTGN Transgaz SA and GPE

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

e) Mutual compensation and barter transactions

A relatively reduced part of the sales and purchases are compensated by mutual agreements, barter or non-cash agreements. These transactions generally occur in the form of cancellation of balances, either bilaterally or through a chain involving several companies. Sales and purchases that are intended to be offset by mutual agreements, barter or non-cash agreements are recognized based on management's estimates of their fair value to be received or disposed of in non-cash compensation. Fair value is determined based on the available market information.

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 2022 and in 2021.

f) Revenue from penalties

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

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>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	698.729	717.466
USD depreciation by 10%	(698.729)	(717.466)
EUR appreciation by 10%	(47.423.437)	(48.434.205)
EUR depreciation by 10%	47.423.437	48.434.205

(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 2.588.603 (on December 2022: lei 6.204.117).

(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 cu 4.658.639 (December 2022: lei 8.799.596 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 45% of the trade receivable balances on 30 June 2023 (31 December 2022: 50%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the adjustments already made. As at 30 June 2023 the company has available payment guarantees from its clients amounting to lei 297.794.754.

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

	30 June 2023	31 December 2022
	(unaudited)	
Without rating	316.411	336.387
BB+	159.833.475	146.038.192
BBB-	2.830.902	147.205.763
BBB	36.957.625	34.429.420
BBB+	168.121.184	90.012.913
A+	135.107	135.448
AA	<u>201.542</u>	<u>319.570</u>
	<u>368.396.246</u>	<u>418.477.693</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.

The table below shows obligations on 30 June 2023 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis of financial liabilities on 30 June 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	2.642.453.819	269.548.785	1.413.774.006	959.131.029
Commercial payables and other payables	<u>496.076.268</u>	<u>482.352.739</u>	<u>13.723.529</u>	<u>-</u>
	<u>3.138.530.087</u>	<u>751.901.524</u>	<u>1.427.497.535</u>	<u>959.131.029</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	2.870.185.324	274.804.999	1.531.875.310	1.063.505.015
Commercial payables and other payables	<u>561.713.941</u>	<u>547.535.460</u>	<u>14.178.481</u>	<u>-</u>
	<u>3.431.899.265</u>	<u>822.340.459</u>	<u>1.546.053.791</u>	<u>1.063.505.015</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>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Financial assets		
Cash and cash equivalents	111.990.485	233.977.930
Term bank deposits	256.670.453	184.688.625
Loans and receivables	2.454.706.123	2.432.068.467
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>2.823.367.061</u>	<u>2.850.735.022</u>
Financial liabilities		
Debts evaluated to amortised cost:		
Loans	2.102.601.590	2.190.892.341
Liabilities evaluated at fair value:		
Financial securities for contracts	45.538.366	44.668.511
Commercial liabilities and other liabilities	<u>444.088.847</u>	<u>504.810.001</u>
	<u>2.592.228.803</u>	<u>2.740.370.853</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 30 June 2023 and on 31 December 2022 is reflected in the table below:

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Total borrowings	2.102.601.590	2.190.892.341
Except: cash and cash equivalents (Note 13)	<u>(368.660.938)</u>	<u>(418.666.555)</u>
Net cash position	<u>1.733.940.652</u>	<u>1.772.225.786</u>
Equity capital	4.092.266.328	4.140.908.265
Leverage ratio	0,42	0,43

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

(expressed in lei, unless otherwise stated)

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 30 June 2023 is of lei 122.617.738 (on 31 December 2022: lei 115.479.575) (Note 21).

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

	<u>30 June 2023</u>
Inflation rate +1%	134.909.770
Inflation rate -1%	111.750.279
Investment return +10%	115.771.910
Investment return -10%	130.146.150

Analysis of the maturity of benefits payments:

	<u>30 June 2023</u>
Up to one year	7.295.138
Between 1 and 2 years	4.059.329
Between 2 and 5 years	12.117.841
Between 5 and 10 years	101.257.989

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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

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.

5.4 Long-term receivables

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 in exchange for the payment of a compensation equal to the unamortized 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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

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.

From 2021 onwards, the company has changed the way of estimating the discount rate for the present value calculation, using instead of the Bloomberg rate 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; by using a rate fixed for a period of 10 years, there is no need for a sensitivity analysis associated with this calculation

NOTES TO THE INTERIM CONSOLIDATED 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 30 June 2023 is:

	Domestic gas transmission	International gas transmission	Balancing	Unallocated	Total
Revenue from domestic transmission	634.712.757	-	-	-	634.712.757
Revenue from international transmission and similar	-	58.871.631	-	-	58.871.631
Other revenue	<u>38.651.094</u>	<u>879.690</u>	-	<u>27.975.790</u>	<u>67.506.574</u>
Operating revenue before the balancing and the construction activity according to IFRIC12	<u>673.363.851</u>	<u>59.751.321</u>	-	<u>27.975.790</u>	<u>761.090.962</u>
Depreciation	(209.615.897)	(14.700.956)	-	(8.496.737)	(232.813.590)
Operating expenses other than depreciation	<u>(403.502.339)</u>	<u>(63.328.703)</u>	-	<u>(28.579.795)</u>	<u>(495.410.837)</u>
Profit from operation before the balancing and construction activity according to IFRIC12	<u>60.245.614</u>	<u>(18.278.338)</u>	-	<u>(9.100.741)</u>	<u>32.866.535</u>
Revenue from the balancing activity	-	-	263.066.728	-	263.066.728
Cost of balancing activity	-	-	(263.066.728)	-	(263.066.728)
Revenue from the construction activity according to IFRIC12	-	-	-	35.270.257	35.270.257
Cost of constructed assets according to IFRIC12	-	-	-	(35.270.257)	(35.270.257)
Operating profit	<u>60.245.615</u>	<u>(18.278.338)</u>	-	<u>(9.100.742)</u>	<u>32.866.535</u>
Net financial gain	-	-	-	-	60.844.130
Profit before tax	-	-	-	-	<u>93.710.665</u>
Profit tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22.892.265)</u>
Net profit	-	-	-	-	<u>70.818.400</u>
Assets on segments	6.462.114.565	158.623.801	530.540.023	826.606.540	7.977.884.929
Liabilities on segments	3.219.740.079	635.621	335.264.983	329.977.918	3.885.618.601
Capital expenditure - increases in assets in progress	44.574.330	-	-	7.755	44.582.085
Non-monetary expenses other than depreciation	1.995.495	(61.924.104)	-	(155.933)	(60.084.542)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

In 2023 the subsidiaries Eurotransgaz SRL and Vestmoldtransgaz carried out the transmission activity, their assets of Lei 251.715.211 and liabilities of Lei 195.543.720 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	416.284.856
The right of use of the leased assets	16.588.335
Goodwill	9.795.300
Cash	368.660.938
Deffered tax	996.562
Other assets	<u>14.280.549</u>
	826.606.540

Unallocated liabilities include:

Dividends payable	132.919.653
Loans	188.038.367
Other debts	<u>9.019.898</u>
	329.977.918

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.

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from the domestic transmission	528.689.580	106.023.177	634.712.757
Revenue from international transmission and similar	-	58.871.631	58.871.631
Other revenue	<u>65.812.603</u>	<u>1.693.971</u>	<u>67.506.574</u>
	594.502.183	166.588.779	761.090.962

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

<i>Domestic clients with over 10% of the total revenue include:</i>	<u>Percentage of the total revenue</u>
OMV PETROM SA	15%
ENGIE ROMANIA S.A.	12%
SNGN ROMGAZ SA	9%

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 106.368.987 (31 December 2022: lei 30.908.640).

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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 30 June 2022, 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	592.600.537	-	-	-	592.600.537
Revenue from international transmission and similar	-	42.415.513	-	-	42.415.513
Other revenue	<u>40.919.249</u>	<u>-</u>	<u>-</u>	<u>27.981.516</u>	<u>68.900.765</u>
Operating revenue before the balancing and the construction activity according to IFRIC12	633.519.786	42.415.513	-	27.981.516	703.916.815
Depreciation	(194.204.395)	(14.599.549)	-	(5.365.795)	(214.169.739)
Operating expense other than depreciation	<u>(428.705.039)</u>	<u>(1.153.964)</u>	-	<u>(30.488.169)</u>	<u>(460.347.172)</u>
Profit from operation before the balancing activity according to IFRIC12	10.610.352	26.662.001	-	(7.872.449)	29.399.904
Revenue from the balancing activity			540.476.385 (540.476.385)		540.476.385
Cost of balancing gas			5)		(540.476.385)
Revenue from the construction activity according to IFRIC12				104.332.323	104.332.323
Cost of constructed assets according to IFRIC12				(104.332.323)	(104.332.323)
Profit from operation	10.610.352	26.662.001	-	(7.872.449)	29.399.904
Net financial gain					192.371.829
Profit before tax					221.771.733
Profit tax					(44.493.663)
Net profit					177.278.070
Assets on segments	6.316.007.603	219.932.584	620.492.386	721.317.028	7.877.749.601
Liabilities on segments	3.340.692.324	666.044	196.492.284	368.490.953	3.906.341.605
Capital expenditure - increases in assets in progress	108.607.286	-	-		108.607.286
Non-cash expenses other than depreciation	(17.538.977)	(7.241)	-	11.706.622	(5.839.596)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

6. INFORMATION ON SEGMENTS (CONTINUED)

In 2021 the subsidiaries Eurotransgaz SRL and Vestmoldtransgaz did not carry out any transmission activity, the assets recorded by the subsidiaries in the amount of lei 495.565.357 and the liabilities in the amount of 190.760.603 lei are presented in the unallocated segment.

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	428.151.996
Right of use of leased assets	18.667.773
Goodwill	9.688.915
Cash	226.680.920
Other assets	<u>38.127.424</u>
	721.317.028

Unallocated liabilities include:

Deferred tax	2.137.678
Dividends payable	175.900.509
Loans	187.291.127
Other debts	<u>3.161.638</u>
	368.490.953

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	529.805.004	62.795.533	592.600.537
Revenue from international transmission and the similar	-	42.415.513	42.415.513
Other revenue	<u>68.705.082</u>	<u>200.048</u>	<u>68.905.130</u>
	598.510.086	105.411.094	703.921.180

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

ENGIE ROMANIA S.A.	15%
SNGN ROMGAZ SA	12%
OMV PETROM SA	11%
E.ON ENERGIE ROMANIA S.A.	10%

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 2021					
Cost on 1 January 2021	315.990.135	961.742.372	566.670.110	10.910.005	1.855.312.622
Depreciation accumulated	(166.899.579)	(698.136.920)	(257.867.504)	-	(1.122.904.003)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Exchange rate difference	22.160	-	663.250	-	685.410
Initial net book value	<u>149.112.716</u>	<u>263.605.452</u>	<u>309.465.856</u>	<u>9.253.823</u>	<u>731.437.847</u>
Inflows	-	-	862.705	164.538.819	165.401.524
Reclassifications	671.248	-	12.270	5.309.799	5.993.317
Transfers	7.048.509	11.899.327	42.646.100	(61.593.936)	-
Outflow (net value)	(212.159)	(19.490)	(93.453)	-	(325.102)
Expense with depreciation	(7.583.150)	(31.478.796)	(30.538.937)	-	(69.600.883)
Exchange rate difference	2.152.120	-	16.742.836	376.971	19.271.927
Final net book value	<u>151.189.284</u>	<u>244.006.493</u>	<u>339.097.377</u>	<u>117.885.476</u>	<u>852.178.630</u>
Cost	327.070.830	972.044.444	616.986.657	119.541.658	2.035.643.589
Accumulated depreciation	(175.826.406)	(728.037.951)	(277.025.016)	-	(1.180.889.373)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Exchange rate difference	(55.140)	-	(864.264)	-	(919.404)
Final net book value	<u>151.189.284</u>	<u>244.006.493</u>	<u>339.097.377</u>	<u>117.885.476</u>	<u>852.178.630</u>
On 31 December 2022					
Initial net book value	<u>151.189.284</u>	<u>244.006.493</u>	<u>339.097.377</u>	<u>117.885.476</u>	<u>852.178.630</u>
Inflows	-	-	142.779	31.214.996	31.357.775
Reclassification	(4.155.654)	4.092.161	(37.456)	-	(100.949)
Transfers	16.183.601	8.843.457	111.869.059	(136.896.117)	-
Outflow (net value)	(6.170)	-	(21.443)	-	(27.613)
Expense with depreciation	(7.432.204)	(32.625.704)	(36.738.668)	-	(76.796.577)
Exchange rate difference	(450.523)	-	(3.483.402)	(1.483.633)	(5,417,558)
Final 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>
Cost	337.971.864	984.844.069	720.044.406	12.376.903	2,055,237,243
Accumulated depreciation	(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
Final 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>
On 30 June 2023 (unaudited)					
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	-	-	-	9.240.428	9,240,428
Reclassifications	613.704	-	(151.154)	-	462,550
Transfers	477.769	1,657,952	8,939,231	(11,074,952)	-
Outflow (net value)	(54.866)	(378)	(14,333)	-	(69,577)
Expense with depreciation	(5,069,973)	(15,981,251)	(18,149,892)	-	(39,201,116)
Exchange rate difference	939.974	-	8,199,908	-	9,139,882
Final net book value	<u>152.234.941</u>	<u>209.992.730</u>	<u>409.652.007</u>	<u>8.886.197</u>	<u>780.765.875</u>
Cost	339.982.518	986.500.401	733.850.588	10.542.379	2,070,875,886
Accumulated depreciation	(187.740.521)	(776,507,671)	(324,140,937)	-	(1,288,389,129)
Adjustments for impairment	-	-	-	(1,656,182)	(1,656,182)
Exchange rate difference	(7,056)	-	(57,644)	-	(64,700)
Final net book value	<u>152.234.941</u>	<u>209.992.730</u>	<u>409.652.007</u>	<u>8.886.197</u>	<u>780.765.875</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 363.738.444 (31 December 2022: lei 362.285.428).

On 30 June 2023 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.

The company does not depreciate the tangible assets approved for discarding and does not own pledged fixed assets.

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. Before concluding this agreement, the pipelines were managed by the company according to Public Domain Law No. 213/1998, GD No. 491/1998 and GD No. 334/2000 by which the company was established. 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.

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;

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

8. SERVICE CONCESSION AGREEMENT (CONTINUED)

- 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%, as of October 2007: 10%) 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.

The terms of the Concession Agreement were not amended after June 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 1 December 2021					
Cost on 1 January 2021	8.171.222.202	-	58.534.013	1.062.450.560	9.292.206.775
Accumulated depreciation	(4.337.236.324)	-	(55.108.164)	-	(4.392.344.488)
Adjustments for impairment	-	-	-	(9.142.777)	(9.142.777)
Consolidation goodwill	-	9.413.102	-	-	9.413.102
Concession Agreement receivables	(1.159.196.071)	-	-	-	(1.159.196.071)
Concession Agreement receivable depreciation	200.168.159	-	-	-	200.168.159
Exchange rate difference	-	(330.976)	963	-	(330.013)
Net book value	2.874.957.966	9.082.126	3.426.812	1.053.307.783	3.940.774.687
Inflow	-	-	-	652.514.874	652.514.874
Reclassifications	(683.518)	-	-	-	(683.518)
Transfers	1.300.435.881	-	16.314.633	(1.316.750.514)	-
Outflow	(13.356)	-	-	-	(13.356)
Depreciation	(375.359.164)	-	(1.894.603)	-	(377.253.767)
Concession Agreement receivables	(298.769.079)	-	-	-	(298.769.079)
Concession Agreement receivable depreciation	89.562.670	-	-	-	89.562.670
Exchange rate difference	-	622.549	1.681	-	624.230
Final net book value	3.590.131.400	9.704.675	17.848.523	389.072.143	4.006.756.741
Cost	9.470.896.188	-	74.283.903	398.214.920	9.943.395.011
Accumulated depreciation	(4.712.530.466)	-	(56.429.757)	-	(4.768.960.223)
Adjustments for impairment	-	-	-	(9.142.777)	(9.142.777)
Consolidation goodwill	-	9.413.102	-	-	9.413.102
Concession Agreement receivables	(1.457.965.151)	-	-	-	(1.457.965.151)
Concession Agreement receivable depreciation	289.730.829	-	-	-	289.730.829
Exchange rate difference	-	291.573	(5.623)	-	285.950
Initial net book value	3.590.131.400	9.704.675	17.848.523	389.072.143	4.006.756.741
Inflow	96.448	-	-	283.898.470	283.994.918
Reclassifications	(206.242)	-	(6.193)	-	(212.435)
Transfers	138.864.565	-	7.252.587	(146.117.151)	-
Outflow	-	-	-	-	-
Depreciation	(459.406.384)	-	(5.345.239)	-	(464.751.624)
Concession Agreement receivables	(16.426.221)	-	-	-	(16.426.221)
Concession Agreement receivable depreciation	109.935.585	-	-	-	109.935.585
Exchange rate difference	-	(137.905)	(152)	-	(138.058)
Final net book value	3.362.989.151	9.566.769	19.749.525	526.853.461	3.919.158.907
Cost	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	-	153.667	(14.490)	-	139.178
On 30 June 2023 (unaudited)	3.362.989.151	9.566.769	19.749.525	526.853.461	3.919.158.907
Initial net book value	3.362.989.151	9.566.769	19.749.525	526.853.461	3.919.158.907
Inflow	-	-	3.681.731	35.409.683	39.091.414
Reclassifications	(462.550)	-	-	-	(462.550)
Transfers	275.305.710	-	335.970	(275.641.680)	-
Outflow	-	-	-	-	-
Depreciation	(244.149.272)	-	(3.581.064)	-	(247.730.336)
Concession Agreement receivables	(53.873.864)	-	-	-	(53.873.864)
Concession Agreement receivable depreciation	56.145.936	-	-	-	56.145.936
Exchange rate difference	-	228.531	344	-	228.875
Final net book value	3.395.955.111	9.795.300	20.186.506	286.621.464	3.712.558.381
Cost	9.884.494.119	-	85.551.560	295.764.241	10.265.809.920
Accumulated depreciation	(5.416.086.122)	-	(65.364.992)	-	(5.481.451.114)
Adjustments for impairment	-	-	-	(9.142.777)	(9.142.777)
Consolidation goodwill	-	9.413.102	-	-	9.413.102
Concession Agreement receivables	(1,528,265,236)	-	-	-	(1,528,265,236)
Concession Agreement receivable depreciation	455,812,350	-	-	-	455,812,350
Exchange rate difference	-	382,198	(62)	-	382,136
Net book value	3.395.955.111	9.795.300	20.186.506	286.621.464	3.712.558.381

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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 30 June 2023 the line pack is of 828.413 MWh and amounts to lei 77.690.686, of which NTS linepack is of 693.258 MWh and amounts lei 55.708.552. On 31 December 2022 the linepack is of 837.142 MWh and amounts to lei 84.633.624, of which NTS linepack is 692.629 MWh and amounts to lei 55.557.837.

As at 30 June 2023, the company capitalized interest expense amounting to lei 1.627.008 (in 2022, the company capitalized interest expense amounting to lei 20.128.777).

On 30 June 2023, the advances granted for the procurement of national gas transmission system development works in the amount of lei 383.331 are presented in the intangible assets in progress (lei 6.689.361 on 31 December 2022).

As at 30 June 2023, the Company capitalized the amount of 3.681.731 lei, representing additional costs for the procurement of natural gas, incurred between 1 January 2022 and 31 December 2022, 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 and ANRE's clarifications according to which the natural gas referred to in Article 11 letter r of ANRE's Order No 41/2019 does not represent natural gas intended to cover the technological consumption of the NTS and therefore the additional costs with their purchase cannot be capitalised.

As part of the process of substantiation and approval of the transmission tariffs for the period 2022-2023 and 2023-2024 respectively, in the report on the adjustment and approval of regulated revenue and corrected regulated revenue for the years 2022-2023 and 2023-2024 respectively, ANRE recalculated the quarterly distribution of the quantities of technological consumption recognised in the regulated tariffs for the years 2021-2022 and 2022-2023 respectively, the amount capitalised up to 31 March 2023 being recalculated.

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.

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:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

9. INTANGIBLE 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	1.769.414
Outflow	(82.836)
Depreciation	(2.033.055)
Final net book value on 30 June 2022	<u>16.588.335</u>

Detailed information on IFRS 16 as at 30 June 2023:

	30 June 2023 (unaudited)	Of which related to the class - Forestry conventions
Value as use (DU)	33.304.607	16.071.101
Depreciation related to DU	16.716.271	4.688.447
DU interest	357.413	228.906
Debt regarding DU	17.622.223	12.138.593
From which:		
Short term	4.209.994	1.190.526
Long term	13.412.229	10.948.067

	<u>Leases according to IFRS16</u>
Cost on 1 January 2022	30.660.861
Accumulated depreciation	(11.043.725)
<u>Net book value</u>	<u>19.617.136</u>
Inflow	1.517.869
Outflow	(560.701)
Depreciation	(3.639.491)
Final net book value on 31 December 2022	<u>16.934.813</u>

Detailed information on IFRS 16 as at 31 December 2022:

	31 December 2022	Of which related to the class - Forestry conventions
Value as use (DU)	31.618.029	15.944.147
Depreciation related to DU	14.683.216	4.055.249
DU interest	732.980	474,687
Debt regarding DU	17.929.828	12.577.841
From which:		
Short term	3,751,347	1.152.956
Long term	14.178.481	11.424.885

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.

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

10. FINANCIAL ASSETS

Financial assets consist of unlisted stakes in the following companies:

<u>Company</u>	<u>Activity</u>	Percentage	Percentage	30 June	31 December
		owned	owned	2022	2022
		2022	2021	(unaudited)	
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				(24.578.237)	(24.578.237)
				=====	=====
				-	-

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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 30.06.2023	9,795,300

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 352.914.170 on 30 June 2023 (MDL 360.974.897 on 31 December 2022) represents EBRD's share in the total net assets of Vestmoldtransgaz S.R.L. (lei 0,2486 on 30 June 2023; lei 0,2428 on 31 December 2022).

Non-controlling interests	<u>30 June 2023</u>	<u>31 December 2022</u>
Shareholders' deposits (EBRD)	93.565.976	99.452.805
Net profit for the period	(2.000.672)	(4.826.671)
Conversion differences from consolidation	<u>9.832.857</u>	<u>(11.808.100)</u>
Non-controlling interests	85.733.790	82.818.034

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

11. INVENTORIES

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Gas inventories	309.959.146	358.991.931
Gas for NTS consumption	181.333.676	177.148.436
Spare parts and materials	131.415.509	118.564.992
Materials in custody at third parties	1.235.716	1.229.524
Adjustments for write-down of inventories	<u>(47.720.053)</u>	<u>(42.752.007)</u>
	<u>576.223.994</u>	<u>613.182.876</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 30 June 2023 (lei 9.718.830 as at 31 December 2022).

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>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Adjustment on 1 January	42.752.007	29.500.148
(Revenue)/expense with adjustment for write-down of inventories (Note 23)	<u>4.968.046</u>	<u>13.251.859</u>
Adjustment at the end of the period	<u>47.720.053</u>	<u>42.752.007</u>

In 2023 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.

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Trade receivables	707.428.095	792.042.763
Advance payments to suppliers for goods and services	281.966	273.170
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	2.313.394.722	2.141.205.427
Non-refundable loans as subsidies	14.544.995	17.564.563
State budget receivables	42.360.915	58.526.123
Other receivables	130.702.024	116.281.051
Adjustment of impairment of trade receivables	(602.031.127)	(554.671.720)
Adjustment of impairment of other receivables	<u>(86.361.093)</u>	<u>(84.987.767)</u>
	<u>2.522.090.843</u>	<u>2.488.003.956</u>
Financial assets/ Loans and receivables (Note 4)	<u>2.454.706.123</u>	<u>2.432.068.467</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

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 30 June 2023, the amount of lei 90.941.832 (31 December 2022: lei 30.908.640) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 8% in USD (31 December 2022: 23%) and 92% in EUR (31 December 2022: 77%).

For consolidation purposes as at 30 June 2023, there are no internal transactions to be eliminated (as at 31 December 2022: RON 68.027).

As at 31 December 2022 the Company records VAT to be refunded in the amount of 16.424.377 lei which is shown under Other receivables.

Part of the claims with the state budget 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.

Trade receivables of Vestmoldtransgaz S.R.L. represent the value of gas transmission services invoiced to Energocom SA, SD ENERGY ENGINEERING GROUP SRL, Natural Gaz D.C. SRL, ROTALIN GAZ TRADING SRL and uncollected until 30 June 2023.

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 51.591.184 according to IFRS 9 (31 December 2022: lei 286.877.258).

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

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Initial balance	2.141.205.427	1.788.570.507
Inflow	53.873.864	16.426.221
Interest	25.945.652	49.353.233
Inflation update	92.384.006	286.877.260
Outflow	<u>(14.227)</u>	<u>(21.793)</u>
	<u>2.313.394.722</u>	<u>2.141.205.428</u>

Commercial receivables analysis according to IFRS9 is as follows:

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Current and unamortized		
Transit receivables	83.408.919	-
Doubtful or insolvency receivables	170.235.189	168.036.776
Affiliated party receivables	176.389.584	261.704.717
Other trade receivables	277.394.403	337.394.775
Receivables from various debtors	<u>53.179.917</u>	<u>52.980.353</u>
	760.608.012	820.116.621
Impairment		
Transit receivables	83.408.919	23.303.149
Doubtful or insolvency receivables	170.235.189	168.036.776
Affiliated party receivables	131.229.315	161.978.362
Other trade receivables	217.157.704	201.353.434
Receivables from various debtors	<u>46.938.778</u>	<u>45.565.452</u>
Total impairment	648.969.905	600.237.173
Total trade receivables net of provision	111.638.107	219.879.448

IFRS 9 introduces 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 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 credit risk changes as opposed to the initial recognition.

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.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

- international transmission receivables - receivables with no risk of collection in 2021 and with risk of non-collection on-time as of 2022. As at 30 June 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.

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>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Adjustment on 1 January	639.659.487	597.533.335
(Revenue)/expense with the adjustment for doubtful clients (Note 23)	<u>48.732.733</u>	<u>42.126.152</u>
Adjustment at the end of the period	<u>688.392.220</u>	<u>639.659.487</u>

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

As at 30 June 2023, the company recorded adjusting expenses for the clients recording an increased non-collection risk, mainly for the receivables of Gazprom Export LLC (lei 29.371.801) and decreased the adjustment to outstanding receivables due to their collection for Electrocentrale Constanța (lei 6.595.256) and for Mehedinți Gaz SA (lei 2.074.997).

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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.

13. CASH AND CASH EQUIVALENT

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Cash at bank in RON	317.199.309	258.848.438
Cash at bank in foreign currency	51.196.803	159.629.255
Other cash equivalents	<u>264.826</u>	<u>188.862</u>
	<u>368.660.938</u>	<u>418.666.555</u>
	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Restricted cash (management guarantee)	1.703.704	1.989.947

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 4,39% on 30 June 2023 (3,13% on 31 December 2022) and these deposits have a maximum maturity of 30 days.

14. SHARE CAPITAL AND SHARE PREMIUM

	<u>Number of</u> <u>ordinary</u> <u>shares</u>	<u>Share capital</u>	<u>Share</u> <u>premium</u>	<u>Total</u>
IFRS				
On 31 December 2022	188.381.504	1.883.815.040	247.478.865	2.131.293.905
On 30 June 2023 (unaudited)	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> -</u>	<u>441.418.396</u>	<u> -</u>	<u>441.418.396</u>
On 31 December 2022				
On 30 June 2023	188.381.504	2.325.233.436	247.478.865	2.572.712.301

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

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 date of 03 May 2023 was the date of registration of the shareholders on whom the effects of the Extraordinary General Meeting of Shareholders' Decision will be reflected. The share capital increase was registered at the National Trade Register Office on 19 December 2022.

The authorized number of ordinary shares registered at the National Trade Registry Office is 188,381,504 (31 December 2022: 188,381,504) with a nominal value of LEI 10 each. Each share represents one vote.

The ownership structure registered at Central Depository on 30 June 2023 is the following:

	<u>Number of ordinary shares</u>	<u>Statutory value (lei)</u>	<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 at Central Depository on 31 December 2022 is the following:

	<u>Number of ordinary shares</u>	<u>Statutory value (lei)</u>	<u>Percentage (%)</u>
The Romanian state, represented by the General Secretariat of the Government	6.888.840	68.888.400	58,5097
Other shareholders	<u>4.885.004</u>	<u>48.850.040</u>	<u>41,4903</u>
	<u>11.773.844</u>	<u>117.738.440</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 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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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 30 June 2023, amounts to lei 45.421.364 (31 December 2023: lei 45.421.364). 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.

15. OTHER RESERVES, LEGAL RESERVE AND RETAINED EARNINGS (CONTINUED)***Reserve relating to reinvested profit***

The company constituted from the profit of the year 2022 a reserve in the amount of 17.275.596 lei representing tax incentives provided for by Law 237/2015 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.

The reserve for reinvested profits is entered in the accounts in 2023, after the approval of the profit distribution by the general meeting of shareholders, in accordance with the law.

Dividend allocation

In 2023, the parent company declared a dividend of lei 0,71 /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 131.867.054 (dividends declared from the profit of 2021: lei 174.488.368).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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16. LONG-TERM BORROWINGS

The value of the long term loans recorded by the company on 31 December 2022:

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
EIB 83644RO	195.557.960	204.822.360
EIB 88825RO	218.483.102	227.642.534
EIB ETG 90703	188.038.367	187.411.021
BCR 20190409029	148.800.000	156.240.000
BCR 20201028056	302.400.000	316.800.000
BCR 20210817030	87.499.999	91.666.666
BCR 20211124044	192.500.000	201.666.666
IBRD	222.350.400	233.467.920
BT	246.971.762	271.175.174
Raiffeisen Bank	<u>300.000.000</u>	<u>300.000.000</u>
Total	<u>2.102.601.590</u>	<u>2.190.892.341</u>

Loans breakdown by maturity range:

	<u>30 June 2023 (unaudited)</u>	<u>31 December 2022</u>
Within 1 year	144.647.827	136.644.990
Over 1 year	<u>1.957.953.763</u>	<u>2.054.247.351</u>
Total	<u>2.102.601.590</u>	<u>2.190.892.341</u>

16. LONG-TERM BORROWINGS (CONTINUED)

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.

The company signed with the EIB Loan Agreement no.89417RO on 17.12.2018 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) for the amount of EUR 50 million, maturity of 15 years, grace period of 3 years at principal repayment. The open-ended contract allows the use of the loan in lei or in EUR (at the option of the company) with fixed or variable interest (at the option of the company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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16. LONG-TERM BORROWINGS (CONTINUED)

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:

	<u>30 June 2023 (unaudited)</u>	<u>31 December 2022</u>
Within 1 year	19.853.600	19.789.000
Between 1 and 5 years	79.414.400	79.158.400
Over 5 years	<u>96.289.960</u>	<u>105.874.960</u>
	<u>195.557.960</u>	<u>204.822.360</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>30 June 2023 (unaudited)</u>	<u>31 December 2022</u>
Within 1 year	19.791.265	19.727.466
Between 1 and 5 years	79.165.061	78.909.865
Over 5 years	<u>119.526.776</u>	<u>129.005.203</u>
	<u>218.483.102</u>	<u>227.642.534</u>

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

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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16. LONG-TERM BORROWINGS (CONTINUED)

The EBRD 90703RO loan maturity is presented below:

	<u>30 June 2023 (unaudited)</u>	<u>31 December 2022</u>
Within 1 year	12.421.254	4.546.216
Between 1 and 5 years	62.881.050	62.675.551
Over 5 years	<u>112.736.063</u>	<u>120.189.254</u>
	<u>188.038.367</u>	<u>187.411.021</u>

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>30 June 2023 (unaudited)</u>	<u>31 December 2022</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>111.175.200</u>	<u>122.292.720</u>
	<u>222.350.400</u>	<u>233.467.920</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).

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

	<u>30 June 2023 (unaudited)</u>	<u>31 December 2022</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>74.400.000</u>	<u>81.840.000</u>
	<u>148.800.000</u>	<u>156.240.000</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:

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16. LONG-TERM BORROWINGS (CONTINUED)

	<u>30 June 2023 (unaudited)</u>	<u>31 December 2022</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>158.400.000</u>	<u>172.800.000</u>
	<u>302.400.000</u>	<u>316.800.000</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>30 June 2023 (unaudited)</u>	<u>31 December 2022</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>45.833.329</u>	<u>49.999.996</u>
	<u>87.499.999</u>	<u>91.666.666</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>30 June 2023 (unaudited)</u>	<u>31 December 2022</u>
Within 1 year	18.333.334	18.333.334
Between 1 and 5 years	73.333.333	73.333.333
Over 5 years	<u>100.833.333</u>	<u>109.999.999</u>
<u>Total</u>	<u>192.500.000</u>	<u>201.666.666</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.

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16. LONG-TERM BORROWINGS (CONTINUED)

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 30 June 2023, out of the total of credit line the amount of Lei 246.971.762 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 5.611.622 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.

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 30 June 2023 the credit facility is drawn down to the maximum level of 300.000.000 lei. The obligation is presented under long-term loans.

As at 30 June 2023, the balance of interest due for the loans of the company is lei 14.240.767 broken down by loans as follows:

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
EIB 83644RO	509.111	533.008
EIB 88825RO	1.666.797	906.961
EIB ETG 90703	2.561.338	1.814.195
BCR 20190409029	1.003.556	1.272.555
BCR 20201028056	3.527.260	4.512.968
BCR 20210817030	2.166.812	2.500.943
BCR 20211124044	1.017.455	1.325.088
EBRD	<u>1.788.438</u>	<u>2.205.623</u>
	<u>14.240.767</u>	<u>15.071.341</u>

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

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Variable interest rate loans	1.907.043.630	1.986.069.981
Fixed interest rate loans	<u>195.557.960</u>	<u>204.822.360</u>
Total loans	<u>2.102.601.590</u>	<u>2.190.892.341</u>

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17. DEFERRED REVENUE

Deferred revenue consists of connection fees charged to clients for their connection to the national gas transmission system, assets taken over for free for connection to the network, grants and the right to recover the unamortized regulated value of the assets related to the investments made as a licensee. The company uses the connection fee to achieve the connection of the client's facilities to the national transmission system. Deferred revenue (presented as `revenue from the connection fees`) is registered as revenue for the period when the related assets are depreciated and estimating the duration of the relationship with the client (Note 20).

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>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Initial balance	1.076.589.204	1.161.485.526
Increases	(783.633)	21.447.219
Revenue from connection fees (Note 22)	(6.981.954)	(13.267.714)
Income from non-reimbursable funds and goods taken over free of charge (Note 22)	<u>(49.427.247)</u>	<u>(93.075.827)</u>
Final balance	<u>1.019.396.370</u>	<u>1.076.589.204</u>

The balance of the deferred revenue consists of:

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Connections and assets received free of charge	231.027.008	238.213.439
Grants	<u>788.369.362</u>	<u>838.375.765</u>
	<u>1.019.396.370</u>	<u>1.076.589.204</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 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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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17. DEFERRED REVENUE (CONTINUED)

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 203.252.537 was collected as eligible expenses reimbursement.

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.

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.

18. PROFIT TAX

Profit tax expense

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022 (unaudited)
Expense with the profit tax - current	26.941.985	37.410.995
Deferred tax - impact of temporary differences	<u>(4.049.720)</u>	<u>7.082.668</u>
Profit tax expense	<u>22.892.265</u>	<u>44.493.663</u>

In Half 1 2023 and Half 1 2022 the Company calculated the profit tax at the rate of 16% applied to the profit determined in accordance with the Romanian laws.

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022 (unaudited)
Profit before tax	101.272.176	229.902.665
Profit/loss (ETG-VTMG)	(7.561.511)	(8.130.931)
Theoretical expense with the tax the statutory rate of 16% (2021: 16%)	16.644.726	37.180.724
Non-taxable expenses, net	<u>6.247.539</u>	<u>7.312.940</u>
Profit tax expense	<u>22.892.265</u>	<u>44.493.663</u>
Profit tax related liability, current	-	-

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL
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18. PROFIT TAX (CONTINUED)

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 30 June 2023, the standard rate of income tax was set at 12% (31 December 2022: 12%).

19. PROFIT TAX (CONTINUED)

Deferred tax

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 30 June 2022 (31 December 2022: 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:

	30 June 2023 (neauditat)	Movement	31 December 2022	Movement	31 December 2021	Movement	1 January 2021
Payable deferred tax							
Tangible and intangible assets	126.704.370	3.064.622	123.639.748	14.577.989	109.061.759	13.559.317	95.502.442
Recoverable deferred tax							
Provision for Employee benefits	(18.496.931)	(439)	(18.496.492)	(908.806)	(17.587.686)	3.990.395	(21.578.081)
Risks and charges	(8.139.972)	4.851.707	(12.991.679)	(2.200.261)	(10.791.418)	(4.707.289)	(6.084.129)
Receivables and other assets	<u>(101.064.030)</u>	<u>(11.965.610)</u>	<u>(89.098.420)</u>	<u>(8.063.174)</u>	<u>(81.035.246)</u>	<u>(8.209.908)</u>	<u>(72.825.338)</u>
	<u>(996.563)</u>	<u>(4.049.720)</u>	<u>3.053.157</u>	<u>3.405.748</u>	<u>(352.591)</u>	<u>4.632.515</u>	<u>(4.985.106)</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. In the consolidated financial statements of ETG with VTMG, a deferred tax liability of Lei 2.353.161 has been recognised for property, plant and equipment.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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18. PROFIT TAX (CONTINUED)

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

	<u>30 June 2023 (unaudited)</u>	<u>31 December 2022</u>
Deferred tax liabilities/receivables in more than 12 months as reported	_996.563	3.053.157

19. TRADE PAYABLES AND OTHER PAYABLES

Short term payables

	<u>30 June 2023 (unaudited)</u>	<u>31 December 2022</u>
Trade payables	58.398.608	282.546.544
Suppliers of fixed assets	4.298.028	52.284.961
Dividends payable	132.919.653	1.627.487
Debts related to royalties	1.069.070	1.677.975
Other taxes	26.682.025	26.440.372
Amounts payable to employees	17.168.878	17.157.304
VAT payable	4.909.400	-
Non-exemptible VAT	4.699.912	-
Transmission service guarantees	37.596.945	35.679.099
Transmission services advance payments	32.312.066	39.975.995
Tender guarantees	207.900.072	126.591.894
Other debts	<u>48.530.312</u>	<u>50.619.670</u>
	<u>576.484.969</u>	<u>634.601.301</u>
Financial debts (Note 4)	<u>489.627.214</u>	<u>549.478.512</u>

Long term payables

	<u>30 June 2023 (unaudited)</u>	<u>31 December 2022</u>
Other debts	<u>13.412.228</u>	<u>14.178.481</u>
	<u>13.412.228</u>	<u>14.178.481</u>

On 30 June 2023, of the total trade payables and other debts the amount of lei 96.416.716 (31 December 2022: lei 44.068.581) is expressed in foreign currency, especially in EUR.

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20. PROVISIONS FOR RISKS AND CHARGES	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
<i>Current provision</i>		
Provision for litigation	38.870.414	38.870.414
Provision term contract	-	3.268.931
Provision for employee participation in profits	10.369.540	18.215.362
Provision for voluntary leaving employment	702.734	14.840.000
Other provision	<u>1.163.018</u>	<u>6.243.784</u>
	51.105.706	81.438.491

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 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 Bălăsoiu 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 14.840 thousand lei, the annual value being provided by the budget of revenues and expenses approved by the GMS.

As at 30 June 2023 the amount of the provision for voluntary departures is Lei 702.734 (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 1.994.377 relating to the period ended 31 December 2022.

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21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

According to the collective labour contract, the company must pay to employees upon retirement a compensatory amount equal to a certain number of salaries, calculated as the average of the monthly salary average achieved over the last 12 months, depending on the period worked in the gas industry, working conditions etc. 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 2022

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 is calculated based on departures from the company and a probability has been assigned for each age and gender group;
- the mortality of the entity's employees is calculated according to the data provided by the National Institute of Statistics for the years 2012 – 2021;
- Employee rotation is constant over time.
- the method used is the projected credit factor method;
- Retirement age at retirement considered: 65 for men and 63 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 30.06.2023.
- 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 INTERIM CONSOLIDATED 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 provided by EIOPA for June 2023.

The long-term salary growth rate considered is equal to the forecast inflation rate for the euro area and is 2% and in the short term is considered equal to the forecast inflation rate for RON and is 6,7% in the first year, 4,3% in the second year, 3,9% in the following 3 years and 2,5% in the following 5 years, for both feminine as well as masculine genders.

Movement in the provision for employee benefits

1 January 2021	<u>121.509.096</u>
of which:	
Short-term	2.898.092
Long-term	118.611.004
Interest cost	3.165.348
Current service cost	5.692.366
Payments from provisions during the year	(4.535.478)
Actuarial gain/loss related to the period	(15.782.924)
31 December 2021	<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
30 June 2023	<u>122.617.738</u>
of which:	
Short-term	6.038.793
Long-term	116.578.945

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

22. OTHER REVENUE

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Revenue from penalties applied to clients for delay payments	9.198.523	6.265.378
Revenue from connection fees	6.981.954	6.442.894
Revenue from grants and goods taken free of charge	49.427.247	46.307.929
Revenue from the sale of residual materials	437.275	2.900.104
Revenue from leases	830.289	740.368
Revenue from recovered materials	2.162.443	2.852.498
Revenue from grants for operating expenses	841.646	410.223
Other revenue from operation	<u>(2.372.803)</u>	<u>2.981.371</u>
	<u>67.506.574</u>	<u>68.900.765</u>

As at 30 June 2023 there is no intra-group income to be eliminated and in Half 1 2022 the eliminated intra-group income is lei 68.027.

23. OTHER OPERATING EXPENSES

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Loss/gain on impairment of receivables	48.732.733	7.790.345
Sponsorship costs	1.599.677	1.096.546
Utilities	7.165.631	9.696.120
Insurance premium	687.596	503.370
Maintenance costs		148.751
Security and protection expenses	14.007.474	11.959.591
Professional training	537.489	626.405
Telecommunications	1.160.252	1.429.532
Bank charges and other fees	1.307.611	1.264.389
Rents	2.082.400	653.561
Loss on amounts receivable	14.227	9.940
Loss/(gain) on inventory impairment	4.965.311	(832.314)
Marketing and protocol costs	182.407	206.940
Penalties and fines	110.127	641.845
Gas storage capacity booking	4.643.754	6.097.397
Other	<u>19.860.067</u>	<u>15.917.918</u>
	<u>107.056.756</u>	<u>57.210.336</u>

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

24. EMPLOYEE COSTS

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Salaries and benefits	258.641.737	218.518.802
Cost of insurance and social security	15.784.986	13.871.493
Other employee costs	<u>3.642.725</u>	<u>3.473.271</u>
	278.069.448	235.863.566

Average number of employees in financial year:

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Blue collars	2.215	2.285
White collars	<u>1.772</u>	<u>1.736</u>
	<u>3.987</u>	<u>4.021</u>
Eurotransgaz S.R.L.	3	3
Vestmoldtransgaz S.R.L.	<u>30</u>	<u>30</u>
	<u>33</u>	<u>33</u>

25. NET FINANCIAL REVENUE/(EXPENSES)

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Foreign exchange revenue	21.791.404	19.083.429
Interest revenue	26.566.119	24.879.649
Revenue from the adjustment of the Concession Agreement receivable	92.384.006	185.929.094
Other financial revenue	<u>572</u>	<u>65.058.435</u>
	140.742.101	294.950.607
Foreign exchange loss	(19.720.418)	(17.970.523)
Interest loss related to IFRS16	(332.418)	(332.333)
The effects of the update of the provision for employee benefits	(9.600.773)	
Interest loss	(50.244.362)	(18.158.858)
Expenditure on financial fixed assets transferred	<u>-</u>	<u>(66.117.064)</u>
	(79.897.971)	(102.578.778)

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 on 30 June 2023 gains amounting to lei 92.384.006 according to IFRS 9 (lei 185.929.094 as at 30 June 2022).

The amount of the inflation adjustment of the claim decreased in Half 1 2023 as compared to the same period of 2022, mainly due to the decrease of inflation rate in the Half 1 2023 to 4,19 % (9,98% in 2022).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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25. NET FINANCIAL REVENUE/(EXPENSES) (CONTINUED)

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

By the resolution of the BA no. 39/2021 Transgaz approved the reduction of Eurotransgaz share capital by EUR 13,15 million, amount received by Transgaz in Q1 2022.

By BoA Decision no. 19/2022 Transgaz approved the reduction of Eurotransgaz share capital by the amount of 172.024.718 MDL (equivalent to 8,5 million Euro).

26. CASH FROM OPERATION

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Profit before tax	93.710.665	221.771.734
<i>Adjustments for:</i>		
Depreciation	232.813.591	214.169.739
Gain/(loss) on transfer of fixed assets	(194.342)	(30.328)
Provisions for risks and charges	(30.287.554)	13.633.250
Revenue from connection fees, grants and goods taken free of charge	(57.250.846)	(53.161.045)
Adjustment of the Claim regarding the Concession Agreement	(92.384.006)	(185.929.094)
Sundry debtors and receivable loss	14.227	9.940
Loss/(gain) on impairment of inventories	5.084.408	(832.314)
Adjustments for the receivables impairment	48.732.734	7.790.346
Provisions for employee benefits	3.932.435	-
The effects of the update of the provision for employee benefits	9.600.773	-
Interest revenue	(26.566.119)	(24.879.649)
Interest expenses	41.835.252	18.158.857
Effect of exchange rate fluctuation on other items than from operation	7.197.864	(842.682)
Other revenue and expenses	-	(560.808)
Operating profit before the changes in working capital	<u>236.239.082</u>	<u>209.297.946</u>
(Increase)/decrease in trade and other receivables	100.883.038	73.386.522
(Increase)/decrease in inventories	32.362.669	(121.517.244)
Increase/(decrease) in trade payables and other debts	<u>(9.545.107)</u>	<u>6.819.764</u>
Cash generated from operations	<u>359.939.682</u>	<u>167.986.988</u>

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

27. TRANSACTIONS WITH 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.

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 30 June 2023 and 30 June 2022, 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 six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Salary paid to the members of the Board of Administration and management	12.374.458	11.886.576
Social contribution of the company	<u>273.409</u>	<u>258.515</u>
	<u>12.647.867</u>	<u>12.145.091</u>

In the periods ended 30 June 2023 and 30 June 2022, 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

ii) Loan to a related party

	30 June 2023 (unaudited)	31 December 2022
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 six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
SNGN Romgaz	Entity under common control	71.648.659	81.586.541
Electrocentrale București SA	Entity under common control	32.172.346	27.119.479
Electrocentrale Constanța	Entity under common control	2.212.164	2.461.112
Termo Calor Pitesti	Entity under common control	946.619	-
E.ON Energie Romania	Entity under common control	<u>69.679.341</u>	<u>67.770.420</u>
		<u>176.659.129</u>	<u>178.937.552</u>

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

Relationship		The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
SNGN Romgaz	Entity under common control	633.546	2.880
Electrocentrale Deva SA	Entity under common control	477.055	244.829
Electrocentrale Bucuresti	Entity under common control	415	1.991
Electrocentrale Constanța	Entity under common control	2.950.023	89.947
E.ON Energie Romania	Entity under common control	641	2.162
		<u>4.061.680</u>	<u>341.809</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

v) Gas sales – the balancing activity (VAT excluded)

	<u>Relationship</u>	<u>The six months ended 30 June 2023 (unaudited)</u>	<u>The six months ended 30 June 2022</u>
SNGN Romgaz	Entity under common control	6.643.857	1.422.875
Electrocentrale București	Entity under common control	4.292.163	27.877
Electrocentrale Constanța	Entity under common control	222.705	94.297.158
Termo Calor Pitesti	Entity under common control	393.484	-
E.ON Energie Romania	Entity under common control	<u>39.441.785</u>	<u>40.768.983</u>
		<u>50.993.994</u>	<u>136.516.893</u>

vi) Receivables from related parties (without the adjustment)

	<u>Relationship</u>	<u>30 June 2023 (unaudited)</u>	<u>31 December 2022</u>
SNGN Romgaz	Entity under common control	12.239.338	13.930.973
Electrocentrale Deva SA	Entity under common control	18.654	-
Electrocentrale București	Entity under common control	10.839.670	18.092.160
Electrocentrale Constanța	Entity under common control	(357)	(147.260)
Termo Calor Pitesti	Entity under common control	82.978	-
E.ON Energie Romania	Entity under common control	13.983.281	12.427.149
		<u>37.163.564</u>	<u>44.303.022</u>

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

	<u>Relationship</u>	<u>30 June 2023 (unaudited)</u>	<u>31 December 2022</u>
SNGN Romgaz	Entity under common control	256	9.971
Electrocentrale Deva SA	Entity under common control	67.714	-
Electrocentrale Bucuresti	Entity under common control	1.293.437	792.941
Electrocentrale Constanța	Entity under common control	820.863	-
Termo Calor Pitesti	Entity under common control	4.192	314.570
E.ON Energie Romania	Entity under common control	<u>5.900.446</u>	<u>23.292.181</u>
		<u>8.086.908</u>	<u>24.409.663</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>	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
SNGN Romgaz	Entity under common control	12.748.263	7.051.974
E.ON Energie Romania	Entity under common control	2.230.837	-
Termo Calor Pitesti	Entity under common control	41.014	-
Complex Energetic Oltenia	Entity under common control	2.165	1.569
Electrocentrale Constanța	Entity under common control	70.897	-
Electrocentrale București	Entity under common control	<u>1.347.872</u>	<u>3.928</u>
		<u>16.441.048</u>	<u>7.057.471</u>

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

	<u>Relationship</u>	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
SNGN Romgaz	Entity under common control	3.284.699	40.692.833
Electrocentrale București	Entity under common control	1.647.917	47.836.793
Electrocentrale Constanța	Entity under common control	8.475.491	8.959.400
Termo Calor Pitesti	Entity under common control	1.742.597	-
E.ON Energie Romania	Entity under common control	<u>18.168.318</u>	<u>116.376.073</u>
		<u>33.319.022</u>	<u>213.865.099</u>

x) Procurement of natural gas (VAT excluded)

	<u>Relationship</u>	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
SNGN Romgaz	Entity under common control	<u>22.132.598</u>	-
		<u>22.132.598</u>	-

xi) Debts to gas suppliers – balancing activity (VAT included)

	<u>Relationship</u>	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
SNGN Romgaz	Entity under common control	<u>18.144.167</u>	-
		<u>18.144.167</u>	-

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(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>	30 June 2023 (unaudited)	31 December 2022
SNGN Romgaz	Entity under common control	1.597.309	2.452.358
Complex Energetic Oltenia	Entity under common control	411	-
Electrocentrale București	Entity under common control	<u>2.240</u>	<u>1.194</u>
		<u>1.599.960</u>	<u>2.453.552</u>

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

	<u>Relationship</u>	30 June 2023 (unaudited)	31 December 2022
SNGN Romgaz	Entity under common control	2.084.614	3.229.577
Electrocentrale București	Entity under common control	137.642	2.018.612
Electrocentrale Constanța	Entity under common control	875.494	2.095.909
Termo Calor Pitesti	Entity under common control	90.887	1.951.308
E.ON Energie Romania	Entity under common control	<u>2.275.238</u>	<u>16.848.247</u>
		<u>5.463.875</u>	<u>26.143.653</u>

xiv) Guarantees from affiliates (bank guarantee letter)

	<u>Relationship</u>	30 June 2023 (unaudited)	31 December 2022
SNGN Romgaz	Entity under common control	1.000	15.015.388
E.ON Energie Romania	Entity under common control	<u>18.000.000</u>	<u>-</u>
		<u>18.001.000</u>	<u>15.015.388</u>

xv) Loans and interest to be reimbursed

	<u>Relationship</u>	30 June 2023 (unaudited)	31 December 2022
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>224.138.838</u>	<u>235.673.543</u>
		<u>224.138.838</u>	<u>235.673.543</u>

xvi) Transactions during the period

	<u>Relationship</u>	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>9.358.821</u>	<u>5.361.339</u>
		<u>9.358.821</u>	<u>5.361.339</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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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 six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Profit attributable to the company's equity holders	70.818.400	177.278.071
Weighted average of the number of shares	188.381.504	11.773.844
Basic and diluted earnings per share (lei per share)	0,38	15,06

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 8,60% of the receivables were settled by transactions that haven't involved cash outflows during the period ended 30 June 2023 (31 December 2022: 12,25%). 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.

Barter transactions

No barter transactions were made in 2023 and 2022.

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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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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 national transmission system owner or to another grantor on payment of compensation equal to the unamortized regulated value established by ANRE, as presented in Note 3.18.

On 30 June 2023 the value of the contractual firm obligations of parent Company for the purchase of tangible and intangible assets is of lei 89.336.600, 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.

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. 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".

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30. CONTINGENȚE. ANGAJAMENTE ȘI RISCURI OPERAȚIONALE (CONTINUARE)

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 57 managers in 2023 (57 managers in 2022).

iv) Environmental aspects

Environmental regulations are under development in Romania and the company did not record any obligation on 30 June 2023 and on 31 December 2022 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, 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's application was dismissed as unfounded. The company lodged an appeal.

National Agency for Energy Regulation (ANRE)

As at 31 December 2022, the daughter company is involved in two disputes with ANRE as follows:

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

31. CONTINGENȚE. ANGAJAMENTE ȘI RISCURI OPERAȚIONALE (CONTINUARE)

- The second litigation brought on the basis of the lawsuit Request filed by Vestmoldtransgaz SRL against ANRE concerning the partial annulment of the Decision of the Board of Directors of ANRE no.211/14.05.2021, approving the basic costs of the Transmission System Operator. The Decision was challenged in the part concerning the approval in the basic costs of the expenses related to the remuneration of local and external staff involved in the implementation of the Investment Project. As at the reporting date, the dispute is ongoing;
- The second litigation brought on the basis of the summons filed by Vestmoldtransgaz SRL against ANRE regarding the partial annulment of the ANRE Board of Administration Resolution No. 447/12 October 2021 approving the regulated gas transmission tariffs. Vestmoldtransgaz SRL also requested the amendment of Resolution No. 432/2021 on the approval of the basis of calculation and expenditure for the annual depreciation of fixed assets and intangible assets relating to the natural gas transmission service provided by Vestmoldtransgaz SRL, so as to create the conditions for the effective recovery of the investments made. At the reporting date, the dispute is pending. At the same time, in the administrative case, a request was filed to join the two disputes with the National Agency for Energy Regulation.

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.

Based on their 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

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 royalties, 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. Transgaz challenged that decision before the court, seeking partial annulment of the decision in respect of its unclear recitals. The case has not yet been settled. However, following decision No 85/P/2022i 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 has not yet been resolved. It is also intended to challenge the administrative act consisting of binding order 6009/253087/IEF in court within the legal time limit. 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.

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

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 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 - 30 September 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 - 30 September 2024.

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;

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

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.

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.

31. FEES OF THE STATUTORY AUDITOR

The fees for the financial year ended 31 December 2022 charged by BDO Audit SRL, invoiced in Half 1 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 2022 charged by BDO Audit SRL, invoiced in 2022, are: lei 79.682 (VAT excluded) for the limited review as at 30 June 2022 and 29.760 lei (excluding VAT) for other services than statutory audit services.

The fees for the financial year ended 31 December 2021 charged by BDO Audit SRL, invoiced in Half I 2022, are: lei 174.989 (VAT excluded) for statutory audit services and lei 22.320 (VAT excluded) for services other than statutory audit services.

NOTES TO THE INTERIM CONSOLIDATED 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 six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Revenue from the construction activity according to IFRIC12	35.270.257	104.332.323
Cost of assets constructed according to IFRIC12	(35.270.257)	(104.332.323)

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

On 31.07.2023, two tranches of EUR 25 million were drawn from EIB loans No. 89417RO and No. 90512RO, respectively, for the purpose of financing the project "Development of the Southern Transmission Corridor on the territory of Romania to take over natural gas from the Black Sea shore" (Black Sea - Podișor).

On 3 August 2023, the company signed 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.

Based on the Decision 1/11 January 2023 of the sole shareholder Eurotransgaz SRL on the decreasing of the share capital of Eurotransgaz SRL by the amount of EUR 2,31 million, the procedure for the decreasing of the share capital was initiated in accordance with the legislation of the Republic of Moldova and was completed in July 2023.

VMTG settled amicably a dispute with ANRE pending before the court, namely the administrative case filed on the basis of the Summons filed by Vestmoldtransgaz SRL against the National Agency for Energy Regulation, regarding the partial annulment of the ANRE Board of Administration Resolution No. 211/14.05.2021 on the approval of the basic costs of the Transmission System Operator. The resolution was challenged regarding the approval in the basic costs of the expenses related to the remuneration of local and external personnel involved in the implementation of the Investment Project (UIPIGUC). The costs were approved by ANRE, and VMTG will file a motion to withdraw the claims.

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

33. EVENTS SUBSEQUENT TO THE BALANCE DATE (CONTINUED)

By Resolution No. 434/07.07.2023ANRE of the ANRE in the Republic of Moldova, as of 19.09.2023 Vestmoldtransgaz SRL is appointed as provisional operator of the natural gas transmission system in the Republic of Moldova until the completion of the certification procedure.

Chairman of the Board of Administration
Petru Ion Văduva

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

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

**INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
30 JUNE 2023**

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

This version of the interim 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 FINANCIAL STATEMENTS

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This version of the interim 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>30 June 2023</u> (unaudited)	<u>31 December 2022</u>
ASSET			
Fixed assets			
Tangible Assets	7	396.136.007	418.131.904
Rights of use of the leased assets	9	16.588.335	16.934.813
Intangible Assets	9	3.702.752.392	3.909.577.432
Financial assets	10	191.122.702	191.122.702
Trade receivables and other receivables	12	2.313.394.722	2.141.205.427
Deferred tax	18	<u>3.329.524</u>	<u>-</u>
		6.623.323.682	6.676.972.278
Current assets			
Inventories	11	572.816.492	609.876.837
Commercial receivables and other receivables	12	198.326.231	335.331.267
Cash and cash equivalent	13	<u>331.703.313</u>	<u>384.237.135</u>
		1.102.846.036	1.329.445.239
Total asset		7.726.169.718	8.006.417.517
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>197.585.677</u>	<u>244.236.598</u>
		4.036.094.839	4.082.745.760
Long-term debts			
Long-term loans	16	1.782.336.650	1.871.382.547
Provision for employee benefits	21	116.578.945	110.895.341
Deferred revenue	17	906.577.969	969.150.112
Deferred tax	18	-	1.206.204
Commercial debt and other debts	19	<u>13.412.228</u>	<u>14.178.481</u>
		2.818.905.792	2.966.812.685

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>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Current debts			
Commercial debts and other debts	19	569.210.494	631.538.978
Deferred revenue	17	112.818.401	107.439.092
Current payable tax	18	-	-
Provision for risks and charges	20	50.874.826	81.197.994
Short-term loans	16	132.226.573	132.098.774
Provision for employee benefits	21	<u>6.038.793</u>	<u>4.584.234</u>
		<u>871.169.087</u>	<u>956.859.072</u>
Total debts		<u>3.690.074.879</u>	<u>3.923.671.757</u>
Total equity and debts		7.726.169.718	8.006.417.517

Endorsed and signed on behalf of the Board of Administration on 11 August 2023 by:

Chairman of the Board of Administration
 Petru Ion Văduva

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 STATEMENT OF COMPREHENSIVE INCOME

(expressed in lei, unless otherwise stated)



	<u>Note</u>	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Revenue from the domestic transmission activity		631.169.954	592.600.537
Revenue from the international transmission activity and similar		58.871.631	42.415.513
Other revenue	22	<u>67.097.710</u>	<u>68.905.130</u>
Operational revenue before the balancing and construction activity according to IFRIC12		757.139.295	703.921.180
Depreciation	7, 9	(225.162.176)	(209.636.419)
Employees costs	24	(276.327.811)	(234.034.577)
NTS gas consumption, materials and consumables used		(75.588.406)	(93.645.012)
Expenses with royalties		(2.760.167)	(2.540.064)
Maintenance and transmission		(15.784.323)	(15.664.500)
Taxes and other amounts owed to the state		(37.461.211)	(37.674.989)
Revenue/ (Expenses) with provisions for risks and charges		21.359.770	(17.595.163)
Other operating cost	23	<u>(105.779.616)</u>	<u>(56.451.679)</u>
Operational profit before the balancing and construction activity according to IFRIC12		39.635.355	36.678.777
Revenue from the balancing activity		263.066.728	540.476.385
Cost of balancing gas		(263.066.728)	(540.476.385)
Revenue from the construction activity according to IFRIC12	32	35.270.257	104.332.323
Cost of assets constructed according to IFRIC12	32	<u>(35.270.257)</u>	<u>(104.332.323)</u>
Operational profit		39.635.355	36.678.777
Financial revenue	25	125.418.053	277.698.463
Financial cost	25	<u>(63.781.232)</u>	<u>(84.474.575)</u>
Financial revenue, net		61.636.821	193.223.888
Profit before tax		101.272.176	229.902.665
Profit tax expense	18	<u>(22.451.087)</u>	<u>(44.097.366)</u>
Net profit for the period		<u>78.821.089</u>	<u>185.805.299</u>
Shares number		188.381.504	11.773.844
Basic and diluted earnings per share (expressed in lei per share)	28	0,42	15,78
Other elements of the comprehensive income		6.395.044	
Total comprehensive income for the period		<u>85.216.133</u>	<u>185.805.299</u>

Chairman of the Board of Administration
Petru Ion Văduva

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 2022		<u>117.738.440</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>1.816.594.475</u>	<u>3.889.027.037</u>
<i>Elements of the comprehensive income</i>							
Net profit for the period		-	-	-	-	185.805.299	185.805.299
<i>Transactions with shareholders:</i>							
Dividends related to 2021	15	-	-	-	-	(174.488.368)	(174.488.368)
Balance on 30 June 2022		<u>117.738.440</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>1.827.911.406</u>	<u>3.900.343.968</u>
<i>Elements of the comprehensive income</i>							
Net profit for the period		-	-	-	-	179.949.569	179.949.569
Actuarial gain / loss for the period		-	-	-	-	2.452.222	2.452.222
		-	-	-	-	182.401.791	182.401.791
Establishing profit reserves		-	-	-	-	(21.873.676)	(21.873.676)
Legal reserve increase		-	-	-	-	21.873.676	21.873.676
Increase of share capital by incorporation of reserves		1.766.076.600	-	-	-	(1.766.076.600)	-
Balance on 31 December 2022		<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		-	-	-	-	78.821.089	78.821.089
Actuarial gain / loss for the period		-	-	-	-	6.395.044	6.395.044
<i>Transactions with shareholders:</i>							
Dividends related to 2022	15	-	-	-	-	(131.867.054)	(131.867.054)
Balance on 30 June 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>197.585.677</u>	<u>4.036.094.839</u>

Chairman of the Board of Administration
 Petru Ion Văduva

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)

	Note	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Cash generated from operations	26	353.682.062	142.754.288
Interest received		694.172	746.420
Interest paid		(61.630.354)	(21.509.977)
Paid profit tax		<u>(37.122.141)</u>	<u>(54.353.118)</u>
Net cash inflow from operation activities		255.623.739	67.637.613
Cash flow from investment activities			
Payments to acquire intangible assets		(203.194.647)	(156.427.996)
Payments to acquire tangible assets		(7.154.671)	(12.422.271)
Financial investment/shares		-	62.903.472
Receipts from the disposal of tangible assets		263.919	42.314
Cash flow from connection fees and grants		<u>274.044</u>	<u>23.010.919</u>
Net cash used in investment activities		<u>(209.811.355)</u>	<u>(82.893.562)</u>
Cash flow from financing activities			
Long term loans repayments		(70.081.168)	(66.759.727)
Credit withdrawals/repayments for working capital		(24.203.412)	(61.392.943)
Leasing payments (IFRS 16)		(3.486.739)	(3.301.956)
Dividends paid		<u>(574.887)</u>	<u>(815.496)</u>
Net cash used in financing activities		<u>(98.346.206)</u>	<u>(132.270.122)</u>
Net change in cash and cash equivalents		<u>(52.533.822)</u>	<u>(147.526.071)</u>
Cash and cash equivalent as at the beginning of the year	13	<u>384.237.135</u>	<u>321.185.261</u>
Cash and cash equivalent as at the end of the period	13	<u>331.703.313</u>	<u>173.659.190</u>

Chairman of the Board of Administration
Petru Ion Văduva

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

NOTES TO THE INTERIM 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 30 June 2023, 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.

NOTES TO THE INTERIM 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) Romania's economic growth will continue, although at a slower pace than in 2022, due to persistent inflation, tight financing conditions and low growth of trading partners, indicates the European Commission. The Romanian economy is expected to grow by 3,2% in 2023 and 3,5% in 2024, according to the European executive, who warns, however, that delays in implementing the PNNR could reduce investment. In its winter forecast, the European Commission predicted Romania's GDP growth would be 2,5% in 2023 and 3% in 2024. As for inflation, the current estimates put it at 9,7% in 2023 and 4,6% in 2024, after the EC's previous forecast of 9,7% this year and 5,5% next year.
- (ii) In the meeting of 5 July 2023, 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 Harmonised Index of Consumer Prices (HICP) reached a maximum level in November and then fell to 12,2% in March due to lower energy prices. Because of the energy price cap scheme, almost no change is expected in this component, driven mainly by movements in fuel and energy distribution prices. However, core inflation continued to rise amid increases in processed food and services. It is expected to remain above headline inflation this year, after peaking in the first quarter. Overall, average inflation is expected to fall to 9,7% in 2023 and 4,6% in 2024, but risks are tilted to the upside as wage growth pressures are high.
- (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 the Transgaz' strong business profile as title holder and operator of the gas transmission network in Romania, the company's robust results for 2022, as well as our expectations regarding the continuity of the regulatory framework in the new regulatory period as of October 2024," the agency's report said.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

- (v) The Fitch rating agency reconfirmed on 24 March 2023 Romania's long-term and short-term foreign currency debt rating at BBB-/F3 and revised the country outlook from negative to stable. This is the first positive rating outlook change for Romania since April 2020. The decision to revise Romania's rating outlook is supported, in the agency's view, by the stabilisation of public debt and the implementation of policies aimed at gradual fiscal consolidation, as well as by political stability in our country and the reduction of risks related to the war in Ukraine and the subsequent energy crisis. According to the agency, Romania's economy will grow by 2,3% in 2023 and 3% in 2024, respectively, as our country will benefit from significant European funds from both the Multiannual Financial Framework 2021-2027 and the Recovery and Resilience Mechanism (RRM). The main factors that could individually or collectively lead to an improvement in the country's rating or outlook are the firm stabilisation of the public debt-to-GDP ratio in the medium term and the reduction of the fiscal deficit, as a result of the effective implementation of the government's fiscal strategy, as well as the reduction of external financing risks through a structural improvement in the current account deficit position leading to a decline in external indebtedness and/or an improvement in external reserves.

At the end of Half 1 2022, as compared to the end of 2021, the LEU increased against the EURO (‘EUR’) by 0,05% (1 EUR= 4,9454 lei as at 30 June 2022, 1 EUR = 4,9481 lei as at 31 December 2021) and depreciated by 8,50% against the US dollar (‘USD’) (1 USD =4,7424 lei as at 30 June 2022, 1 USD = 4,3707 lei as at 31 December 2021).

At the end of Half 1 2023, as compared to the end of 2022 the LEU depreciated against the EURO (‘EUR’) by 0,32% (1 EUR= 4,9634 lei as at 30 June 2023, 1 EUR = 4,9474 lei as at 31 December 2022) and increased by 1,29% against the US dollar („USD”) (1 USD =4,5750 lei as at 30 June 2023, 1 USD = 4,6346 lei as at 31 December 2022).

NOTES TO THE INTERIM 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 International Financial Reporting Standards adopted by the European Union (`EU IFRS`). 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.

Accounting regulations applicable as of 2016

Amendments to various Improvements to IFRSs (2014-2016 Cycle) resulting from the project to improve IFRSs (IFRS 1, IFRS 12, IAS 28) mainly to eliminate inconsistencies and to clarify certain formulations (Amendments to IFRS 12 are applicable for the annual periods beginning on or after 1 January 2017 and the Amendments to IFRS 1 and IAS 28 are applicable for the annual periods beginning on or after 1 January 2018).

(a) Standards and interpretations applicable as of 2017

The following standards and amendments of the current standards, issued by the International Accounting Standard Board (`IASB`) and adopted by the European Union (EU) became applicable in 2017:

Amendments to IAS 12 "Income Tax"

Recognition of Deferred Tax Assets for Unrealised Losses (applicable for the annual periods beginning on or after 1 January 2017);

Amendments to deferred tax recognition for unrealized assets clarify the following aspects:

- Unrealized loss on debt instruments measured at fair value and at cost for tax purposes will give rise to a deductible temporary difference regardless of whether the holder of the debt instrument expects to recover the accounting value of the debit instrument by sale or by use;
- The accounting value of an asset does not limit the estimation of the future taxable profits
- Estimates of future taxable profits exclude tax deductions resulting from the lapse of taxable temporary differences;

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The entity estimates a deferred tax in combination with other deferred taxes. Where tax law restricts the use of tax loss, an entity will estimate deferred tax in combination with other deferred tax of the same type.

The Amendments are applicable for the period starting from or after 2017. The previous application is allowed;

The amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative (applicable for the annual periods beginning on or after 1 January 2017);

(b) Standards and interpretations applicable as of 2018

At the date of reporting of these Financial Statements, the following standards, revisions and interpretations became applicable:

- **IFRS 9 Financial Instruments** - adopted by the UE on 22 November 2016 (applicable for the annual periods beginning on or after 1 January 2018) replaces IAS 39 – Financial Instruments - Recognition and Measurement;

IFRS 9 includes the requirements on financial instruments referring to recognition, classification, evaluation, depreciation loss, derecognition and hedge accounting against risks:

- *Classification and evaluation:* IFRS 9 introduce 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 elements, at fair value through profit or loss. The IFRS 9 classification is determined by the cash flow and business model in which an asset is held. This unitary approach based on principles eliminates the financial asset classification categories in IAS 39: held-to-maturity, loans and advances and available-for-sale financial assets. The new model will also determine the existence of a single depreciation model applicable to all financial instruments.

According to IFRS 9, derivatives incorporated into contracts, where the host instrument is a financial instrument for the purpose of this standard, are not separate, but the entire hybrid instrument is considered for classification.

- *Impairment loss:* IFRS 9 introduces a new anticipated impairment loss model based on expected loss, which will require anticipated recognition of expected loss from impairment of receivables. 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.
- *Impairment:* applies to commercial receivables that do not have a funding component is measured at amortized cost (the condition is that assets are held within a business model whose objective is to collect cash flows;

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Hedge accounting*: IFRS 9 introduces a significantly improved hedge accounting model which includes additional disclosure requirements for risk management activity. The new model is a significant revision of the hedge accounting principles, which allows the alignment of the accounting treatment with the risk management activities.

IFRS 15 "Revenue from Contracts with Customers" as subsequently amended and amendments to IFRS 15 "Effective Date of IFRS 15" adopted by the EU on 22 September 2016 (applicable for the annual periods beginning on or after 1 January 2018);

IFRS 15 establishes a single model for the entities for revenue accounting resulting from customer contracts, replacing the following standards and interpretations from the date of entry into force:

- IAS 18 - Revenue;
- IAS 11 - Construction Contracts
- IFRIC 13 - Customer Loyalty Programmes;
- IFRIC 15 - Agreements for the Construction of Real Estate;
- IFRIC 18 - Transfers of Assets from Customers;
- SIC 31 – Income - Barter Transactions Involving Advertising Services

The core principle of IFRS 15 is that an entity recognizes revenue when the goods or services promised to customers are transferred at a value that reflects the consideration the entity expects to have the right to exchange for those goods or services. An entity recognizes revenue in accordance with this core principle by applying the following steps: contract identification; identifying performance obligations from the contract; determining the transaction price; allocating the transaction price for the contract performance obligations; recognizing revenue when (or as) it fulfils an execution obligation.

The revenue from services provision is recognized as follows:

- based on the tariffs regulated by ANRE for firm/ interruptible natural gas transmission services through the National Transmission System;
- based on the transmission tariffs approved by ANRE for the transmission capacity booking on the entry/ exit points in/out of the natural gas transmission pipeline Isaccea 2-Negru Vodă 2;
- based on the tariffs negotiated within the transmission contract for the transmission capacity booking on the Isaccea 3-Negru Vodă 3 gas transmission pipeline;
- by auction, on the Regional Capacity Booking Platform (RBP) for the trading of bundled and unbundled capacity at cross-border interconnection points with transmission systems from European Union member countries,

Standards and interpretations that came into force/became applicable as of 2019 or at a future date

- on the basis of regulated tariffs for activities related to the operation of the gas transmission system;
- prices determined on the basis of ANRE regulations for the balancing and neutrality activity within the provision of the transmission service;
- tariffs determined based on ANRE regulations for the administration of the balancing market.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For goods developed under the Concession Agreement, achieved in-house, the revenue is recognized at the level of the costs incurred.

Amendments to IAS 40 "Investment Property"—*property related to Investment transactions (applicable for the annual periods beginning on or after 1 January 2018)*;

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (applicable for the annual periods beginning on or after 1 January 2018); the interpretation refers to the determination of the transaction date to determine the exchange rate to be used for the initial recognition of an asset, expense or income (or part thereof) in the derecognition of a non-monetary asset or non-monetary debt generated by a payment in advance in foreign currency. IFRIC 22 does not provide for guidance on the definition of the monetary and non-monetary items. A payment or advance payment generally leads to the recognition of a non-monetary asset/liability, but it may also lead to the recognition of a monetary asset/liability.
- **IFRS 16 Leases** (applicable for the annual periods beginning on or after 1 January 2019); at the date of entry into force IFRS 16 will replace the following standards and interpretations:
 - IAS 17 - Leases;
 - IFRIC 4- Determining whether an Arrangement Contains a Lease;
 - SIC 15 – Operating Leases - Incentives;
 - SIC 27- Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 provides a control model for the identification of leases by establishing principles for the recognition, measurement and disclosure of leases, i.e. the right to control the use of an identified asset for a specified period of time in return for consideration. The right to control the use of the identified asset exists if the customer has the right to obtain substantially all the economic benefits and also the right to determine the manner and purpose for which the asset is used.

IFRS 16 introduces significant changes in lease accounting, in particular by eliminating the distinction between finance lease and operating lease, and requires the lessee to recognize a usable asset and a lease liability at the date of commencement of the contract, except for short-term leases or low-value asset lease.

As of 1 June 2020, IFRS 16 was amended to provide a practical expedient to lessee's rent concessions occurring as direct consequence of the COVID-19 pandemic and meeting the following criteria:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (b) the reduction in lease payments relates only to payments due on or before 31 December 2021; and (c) there is no substantive change to other terms and conditions of the lease.

Rent concessions meeting these criteria can be accounted according to the practical opportunity, which means that the lessee does not assess whether the rent concession meets the definition of a lease modification. The lessees apply other IFRS 16 requirements in the accounting of the accounting for the concession.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amendments to IFRS 2 `Share-based Payment` – Classification and measurement of share-based payment transactions (applicable for the annual periods beginning on or after 1 January 2018);

- Amendments to IFRS 4 `Insurance Contracts` - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applicable for the annual periods beginning on or after 1 January 2018 or at the application for the first time of IFRS 9 `Financial Instruments`);
- Amendments to IFRS 10 `Consolidated Financial Statements` and IAS 28 `Investments in Associates and Joint Ventures` - Sale or contribution of assets between an investor and its associate or joint venture and its further amendments (the effective date was deferred indefinitely until completion of the research on the equity method);
- IFRIC 23- `Uncertainty over Income Tax Treatment` was prepared as an interpretation regarding IAS 12 Income Taxes, to specify the way of the uncertainty over the income tax accounting is presented.

The IFRS Interpretation Committee developed IFRIC 23 to clarify uncertainties over how tax law applies to a particular transaction or circumstance or the extent to which a tax authority will accept a company`s tax treatment company. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty .

In 2020, the IASB finalizes the amendments to IAS 1 and IAS 8 on the definition of “significant” *”Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity based on that financial statement, which provides financial information about a particular reporting entity. ”*

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

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 IN MANDATORY FORCE AS OF 1 JANUARY 2023

- IFRS 17 Insurance Contracts - IFRS 17 introduces an internationally consistent approach to accounting for insurance contracts. Prior to IFRS 17, there was significant diversity worldwide in the accounting and presentation of insurance contracts, with IFRS 4 allowing many previous (non-IFRS) accounting approaches to continue to be followed. IFRS 17 will result in significant changes for many insurers, requiring adjustments to existing systems and processes. In December 2021, the IASB amended IFRS 17 to add a transition option to address potential accounting mismatches between financial assets and insurance contract liabilities in comparative information presented on initial application of IFRS 17 and IFRS 9, thereby improving the usefulness of comparative information for users of financial statements.
- IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Long-Term) - In January 2020, the IASB issued amendments to IAS 1 that clarify how an entity classifies liabilities as current or long-term. The amendments originally had an effective date of 1 January 2022, however, in July 2020, this was delayed until 1 January 2023 due to the COVID-19 pandemic. These changes are expected to have a significant impact on many entities, with several debts being classified as current, particularly those with loan-related conditionalities. The International Accounting Standards Board (IASB) issued "Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)" providing a more general approach to the classification of liabilities in accordance with IAS 1 based on existing contractual arrangements in the reporting.
- The changes were initially valid for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was postponed to annual reporting periods beginning on or after 1 January 2023:

Changes in the Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position - not the amount or timing of the recognition of any assets, income or expenses or the information that entities disclose about these items. The following is clarified:

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ✓ The classification of liabilities as current or non-current should be based on rights that exist at the end of the reporting period and the wording shall be aligned in all relevant paragraphs to refer to the "right" to defer settlement by at least twelve months and clarify that only the rights in force "at the end of the reporting period" should affect the classification of a debt;
- ✓ The classification is not affected by expectations that an entity will exercise its right to defer the settlement of a debt;
- ✓ Settlement refers to the transfer to the counterparty of the cash, equity instruments, other assets or services.
- ✓ An entity applies this interpretation for annual reporting periods beginning on at or after 1 January 2019. Application prior to this date is permitted.
- ✓ An `uncertain tax treatment` is a tax treatment for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under the tax law.
- Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2) - In February 2021, the IASB issued amendments to IAS 1 that change the disclosure requirements regarding accounting policies from "significant accounting policies" to "disclosures about material accounting policies". The amendments provide guidance on when accounting policy information can be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-binding guidance, no mandatory effective date has been specified for amendments to IFRS Practice Statement 2.
- Definition of accounting estimates (amendment to IAS 8) - In February 2021, the IASB issued amendments to IAS 8 that added to the definition of accounting estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless they result from correcting prior period errors.
- Deferred tax relating to assets and liabilities arising from a single transaction (amendments to IAS 12) - In May 2021, the IASB issued amendments to IAS 12 clarifying whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability recognised simultaneously (for example, a lease within the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability that, at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

(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. This unitary approach based on principles eliminates the classification of financial assets in IAS 39: held-to-maturity investments, loans and receivables, and available for sale

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

financial assets. The new model will also determine the existence of a single depreciation model applicable to all financial instruments.

Upon initial recognition, an entity may make an irrevocable choice to present to other comprehensive income elements the subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor is it a recognized contingent consideration by an acquirer in a business combination to which IFRS 3 applies. In this case it will recognize the dividends from that investment in the income statement.

(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*

Impairment testing of trade receivables is described above.

For loans and receivables, 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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

‘When an entity prepares separate financial statements, it shall account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IFRS 9 or using the equity method.’

In 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 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 INTERIM 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. If not, they are presented as fixed 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.

3.12. Value Added Tax

The value added tax must be paid to tax authorities based on the monthly VAT declaration by the 25th of the following month, regardless of the collection of receivables from customers. Tax authorities allow the settlement of VAT on a net basis. If the deductible VAT is higher than the output VAT, the difference is refundable at the request of the company. That VAT can be refunded after a tax audit, or, even in its absence, if certain conditions are met. VAT on sales and purchases which are not settled at the end of the reporting period is recognized in the statement of financial position at net value and disclosed separately as a current asset or liability.

In cases where adjustments were made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including the VAT. The related VAT has to be paid to the State and can be recovered, as from the date of the judgment or, as the case may be, the date of the closure of the bankruptcy, according to the insolvency law.

3.13. 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.

3.14 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.

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

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction 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.

3.16 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.

3.14 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 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.

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 remaining unamortised value at the end of the concession agreement at a counterperformance and an intangible asset at a value less the updated receivable.

3.16 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3.17 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.

3.18 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 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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) Mutual compensation and barter transactions

A relatively reduced part of the sales and purchases are compensated by mutual agreements, barter or non-cash agreements. These transactions generally occur in the form of cancellation of balances, either bilaterally or through a chain involving several companies. Sales and purchases that are intended to be offset by mutual agreements, barter or non-cash agreements are recognized based on management's estimates of their fair value to be received or disposed of in non-cash compensation. Fair value is determined based on the available market information.

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.

f) Revenue from penalties

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

NOTES TO THE INTERIM 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; 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>30 June 2023</u>	<u>31 December 2022</u>
	<u>(unaudited)</u>	
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	698.729	717.466
USD depreciation by 10%	(698.729)	(717.466)
EUR appreciation by 10%	(31.601.544)	(32.592.226)
EUR depreciation by 10%	31.601.544	32.592.226

(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 2.588.603 (on December 2022: lei : 6.204.117).

(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 3.934.404 (December 2022: lei 7.916.887 higher / lower) as a

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

result of reducing the interest rate for variable interest loans and the interest rate on the bank deposits.

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 45% of the trade receivable balances on 30 June 2023 (31 December 2022: 50%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the adjustments already made. As at 30 June 2023 the company has available payment guarantees from its clients amounting to lei 297.794.754.

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

	30 June 2023 (unaudited)	31 December 2022
Without rating	316.411	336.387
BB+	159.833.475	146.038.192
BBB-	2.830.902	147.205.763
BBB+	168.121.184	90.012.913
A+	135.107	135.448
AA	<u>201.542</u>	<u>319.570</u>
	331.438.621	384.048.273

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 FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below shows obligations on 30 June 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 30 June 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	2.390.852.567	247.484.261	1.320.015.638	823.352.668
Commercial payables and other payables	<u>496.076.268</u>	<u>482.352.739</u>	<u>13.723.529</u>	<u>-</u>
	<u>2.886.928.835</u>	<u>729.837.000</u>	<u>1.333.739.167</u>	<u>823.352.668</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	2.634.794.054	263.429.208	1.446.470.332	924.894.514
Commercial payables and other payables	<u>560.594.670</u>	<u>546.416.189</u>	<u>14.178.481</u>	<u>-</u>
	<u>3.195.388.724</u>	<u>809.845.397</u>	<u>1.460.648.813</u>	<u>924.894.514</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:

	30 June 2023	31 December 2022
Financial assets	(unaudited)	
Cash and cash equivalents	75.032.860	199.548.510
Term bank deposits	256.670.453	184.688.625
Loans and receivables	2.444.336.233	2.420.601.205
Financial assets - stakes	215.700.939	215.700.939
Provisions related to financial assets - stakes	<u>(24.578.237)</u>	<u>(24.578.237)</u>
	<u>2.967.162.248</u>	<u>2.995.961.042</u>

	30 June 2023	31 December 2022
Financial liabilities	(unaudited)	
Debts evaluated to amortised cost		
Loans	1.914.563.223	2.003.481.321
Liabilities evaluated at fair value		
Financial securities for contracts	45.538.366	44.668.511
Commercial liabilities and other liabilities	<u>436.814.373</u>	<u>501.747.678</u>
	<u>2.396.915.962</u>	<u>2.549.897.510</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 30 June 2023 and on 31 December 2022 is reflected in the table below:

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Total borrowings	1.914.563.223	2.003.481.321
Except: cash and cash equivalents (Note 13)	<u>(331.703.313)</u>	<u>(384.237.135)</u>
Net cash position	<u>1.582.859.910</u>	<u>1.619.244.186</u>
Equity capital	4.036.094.839	4.082.745.760
Leverage ratio	0,39	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.

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

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 30 June 2023 is of lei 122.617.738 (on 31 December 2022: lei 115.479.575) (Note 21).

The presentation of the current value for the 2023 depending on the following variables:

	30 June 2023
Inflation rate +1%	134.909.770
Inflation rate -1%	111.750.279
Investment return +10%	115.771.910
Investment return -10%	130.146.150

Analysis of the maturity of benefits payments:

	30 June 2023
Up to one year	7.295.138
Between 1 and 2 years	4.059.329
Between 2 and 5 years	12.117.841
Between 5 and 10 years	101.257.989

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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

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.

5.4 Long-term receivables

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 in exchange for the payment of a compensation equal to the unamortized 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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

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.

From 2021 onwards, the company has changed the way of estimating the discount rate for the present value calculation, using instead of the Bloomberg rate 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; by using a rate fixed for a period of 10 years, there is no need for a sensitivity analysis associated with this calculation

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 30 June 2023 is:

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

6. INFORMATION ON SEGMENTS (CONTINUED)

	<u>Domestic gas transmission</u>	<u>International gas transmission</u>	<u>Balancing</u>	<u>Unallocated</u>	<u>Total</u>
Revenue from domestic transmission	631.169.954	-	-	-	631.169.954
Revenue from international transmission and similar	-	58.871.631	-	-	58.871.631
Other revenue	<u>38.651.094</u>	<u>879.690</u>	-	<u>27.566.926</u>	<u>67.097.710</u>
Operating revenue before the balancing and the construction activity according to IFRIC12	<u>669.821.048</u>	<u>59.751.321</u>	-	<u>27.566.926</u>	<u>757.139.295</u>
Depreciation	(209.615.897)	(14.700.956)	-	(845.323)	(225.162.176)
Operating expenses other than depreciation	<u>(403.502.340)</u>	<u>(63.328.703)</u>	-	<u>(25.510.721)</u>	<u>(492.341.764)</u>
Profit from operation before the balancing and construction activity according to IFRIC12	<u>56.702.811</u>	<u>(18.278.338)</u>	-	<u>1.210.882</u>	<u>39.635.355</u>
Revenue from the balancing activity	-	-	263.066.728	-	263.066.728
Cost of balancing activity	-	-	(263.066.728)	-	(263.066.728)
Revenue from the construction activity according to IFRIC12	-	-	-	35.270.257	35.270.257
Cost of constructed assets according to IFRIC12	-	-	-	(35.270.257)	(35.270.257)
Operating profit	<u>56.702.811</u>	<u>(18.278.338)</u>	-	<u>1.210.882</u>	<u>39.635.355</u>
Net financial gain	-	-	-	-	61.636.821
Profit before tax	-	-	-	-	101.272.176
Profit tax	-	-	-	-	<u>(22.451.087)</u>
Net profit	-	-	-	-	78.821.089
Assets on segments	6.462.114.565	158.623.801	530.540.023	574.891.329	7.726.169.718
Liabilities on segments	3.219.740.079	635.621	335.264.983	134.434.196	3.690.074.879
Capital expenditure - increases in assets in progress	44.574.330	-	-	7.755	44.582.085
Non-monetary expenses other than depreciation	1.995.495	(61.924.104)	-	(155.933)	(60.084.542)

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.

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

6. INFORMATION ON SEGMENTS (CONTINUED)

Unallocated assets include:

Tangible and intangible assets	31.644.299
The right of use of the leased assets	16.588.335
Financial assets	191.122.702
Cash	331.703.313
Deferred tax	503.156
Other assets	<u>3.329.524</u>
	574.891.329

Unallocated liabilities include:

Dividends payable	132.919.653
Other debts	<u>1.514.543</u>
	134.434.196

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	528.689.580	102.480.374	631.169.954
Revenue from international transmission and similar	-	58.871.631	58.871.631
Other revenue	<u>65.812.603</u>	<u>1.285.107</u>	<u>67.097.710</u>
	594.502.183	162.637.112	757.139.295

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

	<u>Percentage of the total revenue</u>
OMV PETROM SA	15%
ENGIE ROMANIA S.A.	12%
SNGN ROMGAZ SA	9%

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

6. INFORMATION ON SEGMENTS (CONTINUED)

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 106.368.987 (31 December 2022: lei 30.908.640).

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 INTERIM FINANCIAL STATEMENTS
(expressed in lei, unless otherwise stated)

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 30 June 2022, 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	592.600.537	-	-	-	592.600.537
Revenue from international transmission	-	42.415.513	-	-	42.415.513
Other revenue	<u>40.919.249</u>	<u>-</u>	<u>-</u>	<u>27.985.881</u>	<u>68.905.130</u>
Operating revenue before the balancing and the construction activity according to IFRIC12	<u>633.519.786</u>	<u>42.415.513</u>	<u>-</u>	<u>27.985.881</u>	<u>703.921.180</u>
Depreciation	(194.204.395)	(14.599.549)	-	(832.475)	(209.636.419)
Operating expense other than depreciation	<u>(428.705.039)</u>	<u>(1.153.963)</u>	<u>-</u>	<u>(27.746.982)</u>	<u>(457.605.984)</u>
Profit from operation before the balancing activity according to IFRIC12	<u>10.610.352</u>	<u>26.662.001</u>	<u>-</u>	<u>(593.576)</u>	<u>36.678.777</u>
Revenue from the balancing activity	-	-	540.476.385	-	540.476.385
Cost of balancing gas	-	-	(540.476.385)	-	(540.476.385)
Revenue from the construction activity according to IFRIC12	-	-	-	104.332.323	104.332.323
Cost of constructed assets according to IFRIC12	-	-	-	(104.332.323)	(104.332.323)
Profit from operation	<u>10.610.352</u>	<u>26.662.001</u>	<u>-</u>	<u>(593.576)</u>	<u>36.678.777</u>
Net financial gain	-	-	-	-	193.223.888
Profit before tax	-	-	-	-	<u>229.902.665</u>
Profit tax	-	-	-	-	<u>(44.097.366)</u>
Net profit	-	-	-	-	<u>185.805.299</u>
Assets on segments	6.316.007.603	219.932.584	620.492.386	459.518.061	7.615.950.634
Liabilities on segments	3.340.692.324	666.044	196.492.284	177.756.014	3.715.606.666
Capital expenditure - increases in assets in progress	108.607.286	-	-	-	108.607.286
Non-cash costs other than depreciation	(17.538.977)	(7.241)	-	(48.945)	(17.595.163)

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.

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

6. INFORMATION ON SEGMENTS (CONTINUED)

Unallocated assets include:

Tangible and intangible assets	33.845.040
Right of use of leased assets	18.667.773
Financial assets	233.672.698
Cash	173.659.190
Other assets	<u>673.360</u>
	459.518.061

Unallocated liabilities include:

Deferred tax	651.165
Dividends payable	175.900.509
Other debts	<u>1.204.340</u>
	177.756.014

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	529.805.004	62.795.533	592.600.537
Revenue from international transmission	-	42.415.513	42.415.513
Other revenue	<u>68.705.082</u>	<u>200.048</u>	<u>68.905.130</u>
	598.510.086	105.411.094	703.921.180

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

ENGIE ROMANIA S.A.	15%
SNGN ROMGAZ S.A	12%
OMV PETROM S.A.	11%
E.ON ENERGIE ROMANIA S.A.	10%

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

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

7. TANGIBLE ASSETS

	Lands and buildings	Transmission system assets	Other fixed assets	Assets in progress	Total
On 30 June 2022					
Cost on 1 January 2022	292.759.786	972.044.444	336.535.669	15.597.395	1.616.937.294
Depreciation accumulated	(174.172.882)	(728.037.951)	(259.011.659)	-	(1.161.222.492)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Initial net book value	<u>118.586.904</u>	<u>244.006.493</u>	<u>77.524.010</u>	<u>13.941.213</u>	<u>454.058.620</u>
Inflows	-	-	180	14.256.531	14.256.711
Reclassification	379.578	-	(37.456)	-	342.122
Transfers	2.676.010	1.861.636	10.507.870	(15.045.516)	-
Outflow (net value)	(6.171)	-	(5.955)	-	(12.126)
Expense with depreciation	(6.612.224)	(12.468.501)	(13.511.393)	-	(32.592.118)
Final net book value	<u>115.024.097</u>	<u>233.399.628</u>	<u>74.477.256</u>	<u>13.152.228</u>	<u>436.053.209</u>
Cost	291.073.692	978.460.445	345.252.698	14.808.410	1.629.595.245
Accumulated depreciation	(176.049.595)	(745.060.817)	(270.775.442)	-	(1.191.885.854)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Final net book value	<u>115.024.097</u>	<u>233.399.628</u>	<u>74.477.256</u>	<u>13.152.228</u>	<u>436.053.209</u>
On 31 December 2022					
Initial net book value	<u>115.024.097</u>	<u>233.399.628</u>	<u>74.477.256</u>	<u>13.152.228</u>	<u>436.053.209</u>
Inflows	-	-	(180)	25.077.294	25.077.114
Reclassification	(4.535.231)	4.092.161	-	(10.086.982)	(10.530.052)
Transfers	4.593.235	6.981.821	5.778.736	(17.353.792)	-
Outflow (net value)	-	-	(15.488)	-	(15.488)
Expense with depreciation	830.752	(20.157.203)	(13.126.428)	-	(32.452.879)
Final 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>
Cost	295.234.035	984.844.069	347.853.482	12.444.930	1.640.376.516
Accumulated depreciation	(179.321.182)	(760.527.662)	(280.739.586)	-	(1.220.588.430)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Final 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>
On 30 June 2023 (unaudited)					
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	-	-	-	9.172.401	9.172.401
Reclassification	613.703	-	(151.153)	-	462.550
Transfers	519.094	1.657.952	8.897.906	(11.074.952)	-
Outflow (net value)	(54.866)	(378)	(14.333)	-	(69.577)
Expense with depreciation	(4.088.048)	(15.981.251)	(11.491.972)	-	(31.561.271)
Final net book value	<u>112.902.736</u>	<u>209.992.730</u>	<u>64.354.344</u>	<u>8.886.197</u>	<u>396.136.007</u>
Cost	296.265.094	986.500.401	352.727.451	10.542.379	1.646.035.325
Accumulated depreciation	(183.362.358)	(776.507.671)	(288.373.107)	-	(1.248.243.136)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Final net book value	<u>112.902.736</u>	<u>209.992.730</u>	<u>64.354.344</u>	<u>8.886.197</u>	<u>396.136.007</u>

The gross book value of the fully depreciated assets, still used, is lei 363.738.444 (31 December 2022: lei 362.285.428).

On 30 June 2023 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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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7. TANGIBLE ASSETS (CONTINUED)

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.

The company does not depreciate the tangible assets approved for discarding and does not own pledged fixed assets.

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. Before concluding this agreement, the pipelines were managed by the company according to Public Domain Law No. 213/1998, GD No. 491/1998 and GD No. 334/2000 by which the company was established. 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.

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);

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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8. SERVICE CONCESSION AGREEMENT (CONTINUED)

- royalties are paid as percentage (by 30 September 2007: 5%, between October 2007 and 11 November 2020: 10% as of 12 November 2020: 0,4%) 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.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

9. INTANGIBLE ASSETS

	Assets related to the ACS	Information programmes	Intangible assets under construction	Total
On 30 June 2022				
Cost on 1 January 2022	9.470.896.188	74.238.546	398.214.919	9.943.349.653
Accumulated depreciation	(4.712.530.466)	(56.413.594)	-	(4.768.944.060)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.457.965.151)	-	-	(1.457.965.151)
Concession Agreement receivable depreciation	<u>289.730.829</u>	<u>-</u>	<u>-</u>	<u>289.730.829</u>
Net book value	3.590.131.400	17.824.952	389.072.142	3.997.028.494
Inflow	-	-	94.350.755	94.350.755
Reclassifications	(342.122)	-	-	(342.122)
Transfers	47.512.279	972.296	(48.484.575)	-
Outflow	-	-	-	-
Depreciation	(227.367.268)	(2.527.132)	-	(229.894.400)
Concession Agreement receivables	(4.384.743)	-	-	(4.384.743)
Concession Agreement receivable depreciation	<u>54.784.527</u>	<u>-</u>	<u>-</u>	<u>54.784.527</u>
Final net book value	3.460.334.073	16.270.116	434.938.322	3.911.542.511
Cost	9.518.066.345	75.210.842	444.081.099	10.037.358.286
Accumulated depreciation	(4.939.897.734)	(58.940.726)	-	(4.998.838.460)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.462.349.894)	-	-	(1.462.349.894)
Concession Agreement receivable depreciation	<u>344.515.356</u>	<u>-</u>	<u>-</u>	<u>344.515.356</u>
Net book value	3.460.334.073	16.270.116	434.938.322	3.911.542.511
On 31 December 2022				
Initial net book value	3.460.334.073	16.270.116	434.938.322	3.911.542.511
Inflow	-	3.345.386	185.991.588	189.336.974
Reclassifications	443.070	-	-	443.070
Transfers	91.141.544	2.934.905	(94.076.449)	-
Outflow	-	-	-	-
Depreciation	(232.039.116)	(2.815.587)	-	(234.854.703)
Concession Agreement receivables	(12.041.478)	-	-	(12.041.478)
Concession Agreement receivable depreciation	<u>55.151.058</u>	<u>-</u>	<u>-</u>	<u>55.151.058</u>
Final net book value	3.362.989.151	19.734.820	526.853.461	3.909.577.432
Cost	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>-</u>	<u>-</u>	<u>399.666.414</u>
Final Net book value	3.362.989.151	19.734.820	526.853.461	3.909.577.432
On 30 June 2023 (unaudited)				
Initial net book value	3.362.989.151	19.734.820	526.853.461	3.909.577.432
Inflow	-	3.681.731	35.409.684	39.091.415
Reclassifications	(462.550)	-	-	(462.550)
Transfers	275.305.711	335.970	(275.641.681)	-
Outflow	-	-	-	-
Depreciation	(244.149.272)	(3.576.704)	-	(247.725.976)
Concession Agreement receivables	(53.873.864)	-	-	(53.873.864)
Concession Agreement receivable depreciation	<u>56.145.935</u>	<u>-</u>	<u>-</u>	<u>56.145.935</u>
Final net book value	3.395.955.111	20.175.817	286.621.464	3.702.752.392
Cost	9.884.494.119	85.502.640	295.764.241	10.265.761.000
Accumulated depreciation	(5.416.086.122)	(65.326.823)	-	(5.481.412.945)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.528.265.236)	-	-	(1.528.265.236)
Concession Agreement receivable depreciation	<u>455.812.350</u>	<u>-</u>	<u>-</u>	<u>455.812.350</u>
Final Net book value	3.395.955.111	20.175.817	286.621.464	3.702.752.392

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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 30 June 2023 the linepack is of 828.413 MWh and amounts to lei 77.690.686, of which NTS linepack is of 693.258 MWh and amounts lei 55.708.552. On 31 December 2022 the linepack is of 837.142 MWh and amounts to lei 84.633.624, of which NTS linepack is 692.629 MWh and amounts to lei 55.557.837.

As at 30 June 2023, the company capitalized interest expense amounting to lei 1.627.008 (in 2022, the company capitalized interest expense amounting to lei 20.128.777).

On 30 June 2023 the advances granted for the procurement of national gas transmission system development works in the amount of lei 383.331 are presented in the intangible assets in progress (lei 6.689.361 on 31 December 2022).

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

As at 30 June 2023, the Company capitalized the amount of 3.681.731 lei, representing additional costs for the procurement of natural gas, incurred between 1 January 2023 and 30 June 2023 (lei 3.345.386 on 31 December 2022), 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 and ANRE's clarifications according to which the natural gas referred to in Article 11 letter r of ANRE's Order No 41/2019 does not represent natural gas intended to cover the technological consumption of the NTS and therefore the additional costs with their purchase cannot be capitalised.

As part of the process of substantiation and approval of the transmission tariffs for the period 2022-2023 and 2023-2024 respectively, in the report on the adjustment and approval of regulated revenue and corrected regulated revenue for the years 2022-2023 and 2023-2024 respectively, ANRE recalculated the quarterly distribution of the quantities of technological consumption recognised in the regulated tariffs for the years 2021-2022 and 2022-2023 respectively, the amount capitalised up to 31 March 2023 being recalculated.

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 2023	31.618.029
Accumulated depreciation	(14.683.216)
Net book value	<u>16.934.813</u>
Inflow	1.769.414
Outflow	(82.836)
Depreciation	(2.033.056)
Final net book value on 30 June 2023	<u>16.588.335</u>

Detailed information on IFRS 16 as at 30 June 2023:

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

9. INTANGIBLE ASSETS (CONTINUED)

	30 June 2023 (unaudited)	Of which related to the class of low value assets-Forestry conventions
Value as use (DU)	33.304.607	16.071.101
Depreciation related to DU	16.716.271	4.688.447
DU interest	357.413	228.906
Debt regarding DU	17.622.223	12.138.593
From which:		
Short term	4.209.994	1.190.526
Long term	13.412.229	10.948.067
		<u>Leases according to IFRS16</u>
Cost on 1 January 2022		30.660.861
Accumulated depreciation		(11.043.725)
<u>Net book value</u>		<u>19.617.136</u>
Inflow		1.517.869
Outflow		(560.701)
Depreciation		(3.639.491)
Final net book value on 31 December 2022		<u>16.934.813</u>

Detailed information on IFRS 16 as at 31 December 2022:

	31 December 2022	Of which related to the class - Forestry conventions
Value as use (DU)	31.618.029	15.944.147
Depreciation related to DU	14.683.216	4.055.249
DU interest	732.980	474.687
Debt regarding DU	17.929.828	12.577.841
From which:		
Short term	3.751.347	1.152.956
Long term	14.178.481	11.424.885

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.

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

10. FINANCIAL ASSETS

Financial assets consist of unlisted stakes in the following companies:

<u>Company</u>	<u>Activity</u>	<u>Percentage owned 2023</u>	<u>Percentage owned 2022</u>	<u>30 June 2023 (unaudited)</u>	<u>31 December 2022</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				
Eurotransgaz	Gas transmission	100	100	191.122.702	191.122.702
Minus adjustments for impairment of investments in: Resial SA, Mebis SA				(24.578.237)	(24.578.237)
				<u>191.122.702</u>	<u>191.122.702</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.

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

10. FINANCIAL ASSETS (CONTINUED)

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).

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.

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>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Gas inventories	309.852.610	358.874.907
Gas for technological consumption	181.333.676	177.148.436
Spare parts and materials	128.114.543	115.259.616
Materials in custody at third parties	1.235.716	1.229.524
Adjustments for write-down of inventories	<u>(47.720.053)</u>	<u>(42.635.646)</u>
	<u>572.816.492</u>	<u>609.876.837</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 30 June 2023 (Lei 9.718.830 as at 31 December 2022).

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

11. INVENTORIES (CONTINUED)

Movements in the adjustments account are analysed below:

	<u>30 June 2023</u> (unaudited)	<u>31 December 2022</u>
Adjustment on 1 January	42.635.646	29.386.522
(Revenue)/expense with adjustment for write-down of inventories (Note 23)	<u>5.084.407</u>	<u>13.249.124</u>
Adjustment at the end of the period	<u>47.720.053</u>	<u>42.635.646</u>

In 2023 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

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES

	<u>30 June 2023</u> (unaudited)	<u>31 December 2022</u>
Trade receivables	707.016.706	790.439.416
Advance payments to suppliers for goods and services	104.108	103.307
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	2.313.394.722	2.141.205.427
Non-refundable loans as subsidies	14.544.995	17.564.563
State budget receivables	32.662.436	48.901.899
Other receivables	130.619.860	116.211.223
Adjustment of impairment of trade receivables	(602.031.127)	(554.671.720)
Adjustment of impairment of other receivables	<u>(86.361.093)</u>	<u>(84.987.767)</u>
	<u>2.511.720.953</u>	<u>2.476.536.694</u>
Financial assets/ Loans and receivables (Note 4)	<u>2.444.336.233</u>	<u>2.423.462.073</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.

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

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

As at 31 December 2022 the Company records VAT refundable in the amount of Lei 16.424.377 which is stated as Other receivables.

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 30 June 2023, the amount of lei 90.941.832 (31 December 2022: lei 30.908.640) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 18% in USD (31 December 2022: 23%) and 92% in EUR (31 December 2022: 77%).

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 92.384.006 according to IFRS 9 (31 December 2022: LEI 286.877.258).

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Initial balance	2.141.205.427	1.788.570.507
Inflow	53.873.864	16.426.221
Interest	25.945.652	49.353.233
Inflation update	92.384.006	286.877.258
Outflow	<u>(14.227)</u>	<u>(21.792)</u>
	<u>2.313.394.722</u>	<u>2.141.205.427</u>

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

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Commercial receivables analysis according to IFRS9 is as follows:

	<u>30 June 2023</u>	<u>31 December 2022</u>
	(unaudited)	
Current and unamortized		
Transit receivables	83.408.919	23.303.149
Doubtful or insolvency receivables	170.235.189	168.036.776
Affiliated party receivables	176.389.584	261.704.717
Other trade receivables	276.983.014	337.394.775
Receivables from various debtors	<u>53.179.917</u>	<u>52.980.353</u>
	760.196.623	843.419.770
Amortization		
Transit receivables	83.408.919	23.303.149
Doubtful or insolvency receivables	170.235.189	168.036.776
Affiliated party receivables	131.229.315	161.978.362
Other trade receivables	217.157.704	201.353.434
Receivables from various debtors	<u>46.938.779</u>	<u>45.565.452</u>
Transit receivables	648.969.906	600.237.173
Total trade receivables net of provision	111.226.717	243.182.597

IFRS 9 introduces 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 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 credit risk changes as opposed to the initial recognition.

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.

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 30 June 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. COMMERCIAL RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

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.

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	1.027.810	2.074.192	2.686.642	1.569.700	5.657.153	9.330.872	61.062.550	83.408.919
Doubtful and insolvent receivables	-	-	-	-	-	170.235.189	-	170.235.189
Affiliated parties' receivables	45.484	113.272	385.742	133.352	252.654	128.358.198	1.940.613	131.229.315
Various receivables	84.518	160.641	189.176	768.945	400.462	211.661.493	3.892.469	217.157.704
Receivables from various debtors	-	125.114	1.812.546	-	-	45.001.119	-	46.938.779
Total impairment	1.157.812	2.473.219	5.074.106	2.471.997	6.310.269	564.586.871	66.895.632	648.969.906

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:

	30 June 2023 (unaudited)	31 December 2022
Adjustment on 1 January	639.659.487	597.533.335
(Revenue)/expense with the adjustment for doubtful clients (Note 23)	<u>48.732.733</u>	<u>42.126.152</u>
Adjustment at the end of the period	<u>688.392.220</u>	<u>639.659.487</u>

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

As at 30 June 2023, the company recorded adjusting expenses for the clients recording an increased non-collection risk, mainly for the receivables of Gazprom Export LLC (lei 60.103.874) and decreased the adjustment to outstanding receivables due to their collection for Electrocentrale Constanța (lei 11.694.565) and for Mehedinți Gaz SA (lei 3.272.747).

NOTES TO THE INTERIM 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 30 June 2023 as well.

13. CASH AND CASH EQUIVALENT

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Cash at bank in LEI	313.213.778	255.822.046
Cash at bank in foreign currency	18.224.842	128.226.227
Other cash equivalents	<u>264.693</u>	<u>188.862</u>
	<u>331.703.313</u>	<u>384.237.135</u>
	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Restricted cash (employees guarantee)	1.703.704	1.562.607

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 4,39% on 30 June 2023 (3,13% on 31 December 2022) and these deposits have a maximum maturity of 30 days.

14. SHARE CAPITAL AND SHARE PREMIUM

IFRS	<u>Number of</u> <u>ordinary</u> <u>shares</u>	<u>Share capital</u>	<u>Share</u> <u>premium</u>	<u>Total</u>
On 31 December 2022	188.381.504	1.883.815.040	247.478.865	2.131.293.905
On 30 June 2023 (unaudited)	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>-</u>	<u>441.418.396</u>	<u>-</u>	<u>441.418.396</u>
On 31 December 2022, On 30 June 2023 (unaudited)	<u>188.381.504</u>	<u>2.325.233.436</u>	<u>247.478.865</u>	<u>2.572.712.301</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

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 date of 03 May 2023 is the date of registration of the shareholders on whom the effects of the Extraordinary General Meeting of Shareholders' Decision will be reflected. The share capital increase was registered at the National Trade Register Office on 19 December 2022.

The authorized number of ordinary shares registered at the National Trade Registry Office is 188.381.504 (31 December 2022: 188.381.504) with a nominal value of LEI 10 each. Each share represents one vote.

The ownership structure registered with the Central Depository on 30 June 2023 is the following:

	<u>Number of ordinary shares</u>	<u>Statutory value (lei)</u>	<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 2022 is the following:

	<u>Number of ordinary shares</u>	<u>Statutory value (lei)</u>	<u>Percentage (%)</u>
The Romanian state, represented by the General Secretariat of the Government	6.888.840	68.888.400	58,5097
Other shareholders	<u>4.885.004</u>	<u>48.850.040</u>	<u>41,4903</u>
	<u>11.773.844</u>	<u>117.738.440</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 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.

NOTES TO THE INTERIM 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 30 June 2023, amounts to lei 45.421.364 (31 December 2022: lei 45.421.364).

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 company constituted from the profit of the year 2022 a reserve in the amount of 17.275.596 lei representing tax incentives provided for by Law 237/2015 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.

The reserve for reinvested profits is entered in the accounts in 2023, 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 131.867.054 (dividends declared from the profit of 2021: lei 174.488.368).

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

16. LONG-TERM BORROWINGS

The value of the long-term loans recorded by the company on 30 June 2023:

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
BEI 83644RO	195.557.960	204.822.360
BEI 88825RO	218.483.102	227.642.534
BCR 20190409029	148.800.000	156.240.000
BCR 20201028056	302.400.000	316.800.000
BCR 20210817030	87.499.999	91.666.666
BCR 20211124044	192.500.000	201.666.666
BERD	222.350.400	233.467.920
BT	246.971.762	271.175.175
Raiffeisen Bank	<u>300.000.000</u>	<u>300.000.000</u>
	<u>1.914.563.223</u>	<u>2.003.481.321</u>

Loans breakdown by maturity range:

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Within 1 year	132.226.573	132.098.774
Over 1 year	<u>1.782.336.650</u>	<u>1.871.382.547</u>
	<u>1.914.563.223</u>	<u>2.003.481.321</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.

The company signed with the EIB Loan Agreement no.89417RO on 17.12.2018 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) for the amount of EUR 50 million, maturity of 15 years, grace period of 3 years at principal repayment. The open-ended contract allows the use of the loan in lei or in EUR (at the option of the company) with fixed or variable interest (at the option of the company)

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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16. LONG-TERM BORROWINGS (CONTINUED)

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`.

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>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Within 1 year	19.853.600	19.789.600
Between 1 and 5 years	79.414.400	79.158.400
Over 5 years	<u>96.289.960</u>	<u>105.874.360</u>
	<u>195.557.960</u>	<u>204.822.360</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>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Within 1 year	19.791.265	19.727.466
Between 1 and 5 years	79.165.061	78.909.865
Over 5 years	<u>119.526.776</u>	<u>129.005.203</u>
	<u>218.483.102</u>	<u>227.642.534</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.

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16. LONG-TERM BORROWINGS (CONTINUED)

The EBRD loan maturity is presented below:

	<u>30 June 2023</u> (unaudited)	<u>31 December 2022</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>111.175.200</u>	<u>122.292.720</u>
	<u>222.350.400</u>	<u>233.467.920</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).

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

	<u>30 June 2023</u> (unaudited)	<u>31 December 2022</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>74.400.000</u>	<u>81.840.000</u>
	<u>148.800.000</u>	<u>156.240.000</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>30 June 2023</u> (unaudited)	<u>31 December 2022</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>158.400.000</u>	<u>172.800.000</u>
	<u>302.400.000</u>	<u>316.800.000</u>

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16. LONG-TERM BORROWINGS (CONTINUED)

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>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</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>45.833.329</u>	<u>49.999.996</u>
	<u>87.499.999</u>	<u>91.666.666</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>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Within 1 year	18.333.334	18.333.334
Between 1 and 5 years	73.333.333	73.333.333
Over 5 years	<u>100.833.333</u>	<u>109.999.999</u>
	<u>192.500.000</u>	<u>201.666.666</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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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16. LONG-TERM BORROWINGS (CONTINUED)

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 30 June 2023, out of the total of credit line the amount of Lei 246.971.762 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 5.611.622 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.

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 30 June 2023 the credit facility is drawn down to the maximum level of 300.000.000 lei. The obligation is presented under long-term loans.

As at 30 June 2023, the balance of interest due for the loans of the company is lei 11.679.429 broken down by loans as follows:

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
BEI 83644RO	509.111	533.008
BEI 88825RO	1.666.797	906.961
BCR 20190409029	1.003.556	1.272.555
BCR 20201028056	3.527.260	4.512.968
BCR 20210817030	2.166.812	2.500.943
BCR 20211124044	1.017.455	1.325.088
EBRD	<u>1.788.438</u>	<u>2.205.623</u>
	<u>11.679.429</u>	<u>13.257.146</u>

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

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Variable interest rate loans	1.719.005.263	1.798.658.961
Fixed interest rate loans	<u>195.557.960</u>	<u>204.822.360</u>
	<u>1.914.563.223</u>	<u>2.003.481.321</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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17. DEFERRED REVENUE

Deferred revenue consists of connection fees charged to clients for their connection to the national gas transmission system, assets taken over for free for connection to the network, grants and the right to recover the unamortized regulated value of the assets related to the investments made as a licensee. The company uses the connection fee to achieve the connection of the client's facilities to the national transmission system. Deferred revenue (presented as `revenue from the connection fees`) is registered as revenue for the period when the related assets are depreciated and estimating the duration of the relationship with the client (Note 22).

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.

	30 June 2023	31 December 2022
	(unaudited)	
Initial balance	1.076.589.204	1.161.485.526
Increases	(783.633)	21.447.219
Revenue from connection fees (Note 22)	(6.981.954)	(13.267.714)
Income from non-reimbursable funds and goods taken over free of charge (Note 22)	<u>(49.427.247)</u>	<u>(93.075.827)</u>
Final balance	<u>1.019.396.370</u>	<u>1.076.589.204</u>

The balance of the deferred revenue consists of:

	30 June 2023	31 December 2022
	(unaudited)	
Connections and assets received free of charge	231.027.008	238.213.439
Grants	<u>788.369.362</u>	<u>838.375.765</u>
	<u>1.019.396.370</u>	<u>1.076.589.204</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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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17. DEFERRED REVENUE (CONTINUED)

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 203.252.537 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.

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.

18. PROFIT TAX

Profit tax expense

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022 (unaudited)
Expense with the profit tax - current	26.986.815	42.003.241
Deferred tax - impact of temporary differences	<u>(4.535.728)</u>	<u>2.094.125</u>
Profit tax expense	<u>22.451.087</u>	<u>44.097.366</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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18. PROFIT TAX (CONTINUED)

In Half 1 2023 and Half 1 2022 the company calculated the profit tax at the rate of 16% applied to the profit determined in accordance with the Romanian laws.

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Profit before tax	101.272.176	229.902.665
Theoretical expense with the tax the statutory rate of 16% (2022: 16%)	16.203.548	36.784.426
Non-taxable expenses, net	<u>6.247.539</u>	<u>7.312.940</u>
Profit tax expense	<u>22.451.087</u>	<u>44.097.366</u>
Profit tax liability/receivable, current	<u>(18.598.620)</u>	<u>(9.751.827)</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 2023 (31 December 2022: 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 INTERIM FINANCIAL STATEMENTS
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18. PROFIT TAX (CONTINUED)

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>Movement</u>	<u>31 December</u> <u>2022</u>	<u>Movement</u>	<u>30 June 2022</u> <u>(unaudited)</u>	<u>Movement</u>	<u>1 January</u> <u>2022</u>
Deferred tax payment							
Tangible and intangible assets	124.351.209	2.578.175	121.773.034	6.656.610	115.116.424	7.124.975	107.991.449
Recoverable deferred tax							
Provision for							
Employee benefits	(18.476.731)	-	(18.476.731)	(868.986)	(17.607.745)	-	(17.607.745)
Risks and charges	(8.139.972)	4.851.707	(12.991.679)	815.320	(13.806.999)	(3.015.581)	(10.791.418)
Receivables and other assets	<u>(101.064.030)</u>	<u>(11.965.610)</u>	<u>(89.098.420)</u>	<u>(6.047.905)</u>	<u>(83.050.515)</u>	<u>(2.015.269)</u>	<u>(81.035.246)</u>
	<u>(3.329.524)</u>	<u>(4.535.728)</u>	<u>1.206.204</u>	<u>555.039</u>	<u>651.165</u>	<u>2.094.125</u>	<u>(1.442.960)</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 INTERIM 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>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Deferred tax liabilities/receivables in more than 12 months as reported	<u>(3.329.524)</u>	<u>1.206.204</u>

19. TRADE PAYABLES AND OTHER PAYABLES

Short term payables

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Trade payables	53.980.370	281.427.273
Suppliers of fixed assets	4.298.028	52.284.961
Dividends payable	132.919.653	1.627.487
Debts related to royalties	1.069.070	1.677.975
Other taxes	26.682.025	26.440.372
Amounts payable to employees	16.873.980	17.028.447
VAT payable	4.909.400	-
Non-exemptible VAT	4.699.912	-
Transmission service guarantees	37.596.945	35.679.099
Transmission services advance payments	32.312.066	39.975.995
Tender guarantees	207.900.072	126.591.894
Other debts	<u>45.968.973</u>	<u>48.805.475</u>
	<u>569.210.494</u>	<u>631.538.978</u>
Financial debts (Note 4)	<u>482.352.739</u>	<u>546.416.189</u>

Long term payables

	<u>30 June 2023</u> <u>(unaudited)</u>	<u>31 December 2022</u>
Other debts	<u>13.412.228</u>	<u>14.178.481</u>
	<u>13.412.228</u>	<u>14.178.481</u>

On 30 June 2023, of the total trade payables and other debts the amount of lei 96.402.091 (31 December 2022: lei 44.065.419) is expressed in foreign currency, especially in EUR.

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20. PROVISIONS FOR RISKS AND CHARGES

	30 June 2023 (unaudited)	31 December 2022
<i>Current provision</i>		
Provision for litigation	38.870.414	38.870.414
Provision term contract	-	3.268.931
Provision for employee participation in profits	10.140.390	18.026.397
Provision for voluntary leaving employment	702.734	14.840.000
Other provision	<u>1.161.288</u>	<u>6.192.252</u>
	<u>50.874.826</u>	<u>81.197.994</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 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 Bălăşoiu 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 14.840 thousand lei, the annual value being provided by the budget of revenues and expenses approved by the GMS.

As at 30 June 2023 the amount of the provision for voluntary departures is Lei 702.734 (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 1.994.377 relating to the period ended 31 December 2022.

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21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

According to the collective labour contract, the company must pay to employees upon retirement a compensatory amount equal to a certain number of salaries, calculated as the average of the monthly salary average achieved over the last 12 months, depending on the period worked in the gas industry, working conditions etc. 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 is calculated based on departures from the company and a probability has been assigned for each age and gender group;
- the mortality of the entity's employees is calculated according to the data provided by the National Institute of Statistics for the years 2012 – 2021;
- Employee rotation is constant over time.
- the method used is the projected credit factor method;
- Retirement age at retirement considered: 65 for men and 63 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 30.06.2023.
- 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.

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21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Financial assumptions

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

The long-term salary growth rate considered is equal to the forecast inflation rate for the euro area and is 2% and in the short term is considered equal to the forecast inflation rate for RON and is 6,7% in the first year, 4,3% in the second year, 3,9% in the following 3 years and 2,5% in the following 5 years, for both feminine as well as masculine genders.

Movement in the provision for employee benefits:

1 January 2021	<u>121.509.096</u>
of which:	
Short-term	2.898.092
Long-term	118.611.004
Interest cost	3.165.348
Current service cost	5.692.366
Payments from provisions during the year	(4.535.478)
Actuarial gain/loss related to the period	(15.782.924)
31 December 2021	<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
30 June 2023	122.617.738
of which:	
Short-term	6.038.793
Long-term	116.578.945

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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22. OTHER REVENUE

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Revenue from penalties applied to clients for delay payments	9.198.523	6.265.378
Revenue from connection fees	6.981.954	6.442.894
Revenue from grants and goods taken free of charge	49.427.247	46.307.929
Revenue from grants for operating expenses	841.646	410.223
Revenue from the sale of residual materials	437.275	2.900.104
Revenue from leases	830.289	740.368
Revenue from recovered materials	2.162.443	2.852.498
Other revenue from operation	<u>(2.781.667)</u>	<u>2.985.736</u>
	<u>67.097.710</u>	<u>68.905.130</u>

23. OTHER OPERATING EXPENSES

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Loss/gain on impairment of receivables	48.732.733	7.790.345
Utilities	7.165.631	9.696.120
Insurance premium	687.596	503.370
Security and protection expenses	13.983.281	11.959.591
Professional training	537.489	626.405
Telecommunications	1.160.252	1.429.532
Loss/(gain) on impairment of inventories	5.084.408	(832.314)
Bank charges and other fees	1.300.808	1.194.966
Rents	2.082.400	653.561
Loss on amounts receivable	14.227	9.940
Marketing and protocol expenses	182.407	206.940
Penalties and fines	110.127	641.845
Gas storage capacity booking	4.643.754	6.097.397
Sponsorship costs	1.599.677	1.096.546
Other	<u>18.494.826</u>	<u>15.377.435</u>
	<u>105.779.616</u>	<u>56.451.679</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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24. EMPLOYEE COSTS

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Salaries and benefits	256.975.498	217.113.795
Cost of insurance and social security	15.726.664	13.871.493
Other employee costs	<u>3.625.649</u>	<u>3.049.289</u>
	<u>276.327.811</u>	<u>234.034.577</u>

Average number of employees in financial year:

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Blue collars	2.215	2.285
White collars	<u>1.772</u>	<u>1.736</u>
	<u>3.987</u>	<u>4.021</u>

25. NET FINANCIAL REVENUE/(EXPENSES)

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Foreign exchange revenue	6.477.704	1.835.855
Interest revenue	26.555.772	24.875.079
Revenue from the adjustment of the Concession Agreement receivable	92.384.006	185.929.094
Revenue from shares	-	65.058.435
Other financial revenue	<u>571</u>	<u>-</u>
	125.418.053	277.698.463
Foreign exchange loss	(7.808.235)	(1.208.622)
Interest loss related to IFRS16	(332.418)	(332.333)
Interest loss	(46.039.806)	(16.816.556)
The effects of the update of the provision for employee benefits	(9.600.773)	-
Other financial loss	<u>-</u>	<u>(66.117.064)</u>
	(63.781.232)	(84.474.575)

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 on 30 June 2023 gains amounting to lei 92.384.006 according to IFRS 9 (lei 185.929.094 as at 30 June 2022).

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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25. NET FINANCIAL REVENUE/(EXPENSES) (CONTINUED)

The amount of the inflation adjustment of the claim decreased in Half 1 2023 as compared to the same period of 2022, mainly due to the decrease in the Half 1 2023 inflation rate to 4,19 % (9,98% in Half 1 2022).

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

By the resolution of the BA no. 39/2021 Transgaz approved the reduction of Eurotransgaz share capital by EUR 13,15 million, amount received by Transgaz in Q1 2022.

By BoA Decision no. 19/2022 Transgaz approved the reduction of Eurotransgaz share capital by the amount of 172.024.718 MDL (equivalent to 8,52 million Euro).

26. CASH FROM OPERATION

	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Profit before tax	101.272.176	229.902.665
<i>Adjustments for:</i>		
Depreciation	225.162.176	209.636.419
Gain/(loss) on transfer of fixed assets	(194.342)	(30.328)
Provisions for risks and charges	(30.323.168)	13.628.460
Provisions for employee benefits	3.932.435	-
Adjustments for impairment of inventories	5.084.408	(832.314)
Revenue from connection fees, grants and goods taken free of charge	(57.250.846)	(53.161.045)
Sundry debtors and receivable loss	14.227	9.940
Adjustments for the receivables impairment	48.732.734	7.790.346
Interest revenue	(26.555.772)	(24.875.079)
Interest expenses	46.039.807	16.816.555
Adjustment of the Claim regarding the Concession Agreement	(92.384.006)	(185.929.094)
The effects of the update of the provision for employee benefits	9.600.773	-
Effect of exchange rate fluctuation on other items than from operation	1.543.023	(522.988)
Other expenses and revenue	-	(560.808)
Operating profit before the changes in working capital	<u>234.673.625</u>	<u>211.872.729</u>
(Increase)/decrease in trade and other receivables	103.211.030	73.382.331
(Increase)/decrease in inventories	31.982.130	(162.961.935)
Increase/(decrease) in trade payables and other debts	<u>(16.184.723)</u>	<u>20.461.163</u>
Cash generated from operations	<u>353.682.062</u>	<u>142.754.288</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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27. TRANSACTIONS WITH 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.

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 30 June 2023 and 30 June 2022 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 six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Salary paid to the members of the Board of Administration and management	12.151.500	11.489.486
Social contribution of the company	<u>273.409</u>	<u>258.515</u>
	<u>12.424.909</u>	<u>11.748.001</u>

In the periods ended 30 June 2023 and 30 June 2022, 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

ii) Loan to a related party

	30 June 2023 (unaudited)	31 December 2022
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 six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
SNGN Romgaz	Entity under common control	71.648.659	81.586.541
Electrocentrale București SA	Entity under common control	32.172.346	27.119.479
Electrocentrale Constanța	Entity under common control	2.212.164	2.461.112
Termo Calor Pitesti	Entity under common control	946.619	-
E.ON Energie Romania	Entity under common control	<u>69.679.341</u>	<u>67.770.420</u>
		<u>176.659.129</u>	<u>178.937.552</u>

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

Relationship		The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
SNGN Romgaz	Entity under common control	633.546	2.880
Electrocentrale Deva SA	Entity under common control	477.055	244.829
Electrocentrale Bucuresti	Entity under common control	415	1.991
Electrocentrale Constanța	Entity under common control	2.950.023	89.947
E.ON Energie Romania	Entity under common control	641	2.162
Vestmoldtransgaz SRL	Entity owned by the Company's subsidiary	<u>-</u>	<u>68.027</u>
		<u>4.061.680</u>	<u>409.836</u>

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

v) Gas sales – the balancing activity (VAT excluded)

	<u>Relationship</u>	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
SNGN Romgaz	Entity under common control	6.643.857	1.422.875
Electrocentrale București	Entity under common control	4.292.163	27.877
Electrocentrale Constanța	Entity under common control	222.705	94.297.158
Termo Calor Pitesti	Entity under common control	393.484	-
E.ON Energie Romania	Entity under common control	<u>39.441.785</u>	<u>40.768.983</u>
		<u>50.993.994</u>	<u>136.516.893</u>

vi) Receivables from related parties (without the adjustment)

	<u>Relationship</u>	30 June 2023 (unaudited)	31 December 2022
SNGN Romgaz	Entity under common control	12.239.338	13.930.973
Electrocentrale Deva SA	Entity under common control	18.654	-
Electrocentrale București	Entity under common control	10.839.670	18.092.160
Electrocentrale Constanța	Entity under common control	82.978	(147.260)
Termo Calor Pitesti	Entity under common control	(357)	-
E.ON Energie Romania	Entity under common control	13.983.281	12.427.149
Vestmoldtransgaz SRL	Entity owned by the Company's subsidiary	-	<u>26.248</u>
		<u>37.163.564</u>	<u>44.329.270</u>

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

	<u>Relationship</u>	30 June 2023 (unaudited)	31 December 2022
SNGN Romgaz	Entity under common control	256	9.971
Electrocentrale Deva SA	Entity under common control	67.714	-
Electrocentrale Bucuresti	Entity under common control	1.293.437	792.941
Electrocentrale Constanța	Entity under common control	820.863	-
Termo Calor Pitesti	Entity under common control	4.192	314.570
E.ON Energie Romania	Entity under common control	<u>5.900.446</u>	<u>23.292.181</u>
		<u>8.086.908</u>	<u>24.409.663</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

	<u>Relationship</u>	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
SNGN Romgaz	Entity under common control	12.748.263	7.051.974
E.ON Energie Romania	Entity under common control	2.230.837	-
Termo Calor Pitesti	Entity under common control	41.014	-
Complex Energetic Oltenia	Entity under common control	2.165	1.569
Electrocentrale Constanța	Entity under common control	70.897	-
Electrocentrale București	Entity under common control	<u>1.347.872</u>	<u>3.928</u>
		<u>16.441.048</u>	<u>7.057.471</u>

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

	<u>Relationship</u>	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
SNGN Romgaz	Entity under common control	3.284.699	40.692.833
Electrocentrale București	Entity under common control	1.647.917	47.836.793
Electrocentrale Constanța	Entity under common control	8.475.491	8.959.400
Termo Calor Pitesti	Entity under common control	1.742.597	-
E.ON Energie Romania	Entity under common control	<u>18.168.318</u>	<u>116.376.073</u>
		<u>33.319.022</u>	<u>213.865.099</u>

x) Procurement of natural gas (VAT excluded)

	<u>Relationship</u>	The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
SNGN Romgaz	Entity under common control	<u>22.132.598</u>	-
		<u>22.132.598</u>	-

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

xi) Debts to gas suppliers – balancing activity (VAT included)

Relationship		The six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
SNGN Romgaz	Entity under common control	<u>18.144.167</u>	<u>-</u>
		<u>18.144.167</u>	<u>-</u>

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

Relationship		30 June 2023 (unaudited)	31 December 2022
SNGN Romgaz	Entity under common control	1.597.309	2.452.358
Complex Energetic Oltenia	Entity under common control	411	-
Electrocentrale București	Entity under common control	<u>2.240</u>	<u>1.194</u>
		<u>1.599.960</u>	<u>2.453.552</u>

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

Relationship		30 June 2023 (unaudited)	31 December 2022
SNGN Romgaz	Entity under common control	2.084.614	3.229.577
Electrocentrale București	Entity under common control	137.642	2.018.612
Electrocentrale Constanța	Entity under common control	875.494	2.095.909
Termo Calor Pitesti	Entity under common control	90.887	1.951.308
E.ON Energie Romania	Entity under common control	<u>2.275.238</u>	<u>16.848.247</u>
		<u>5.463.875</u>	<u>26.143.653</u>

xiv) Guarantees from affiliates (bank guarantee letter)

Relationship		30 June 2023 (unaudited)	31 December 2022
SNGN Romgaz	Entity under common control	1.000	15.015.388
E.ON Energie Romania	Entity under common control	<u>18.000.000</u>	<u>-</u>
		<u>18.001.000</u>	<u>15.015.388</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

xv) Loans and interest to be reimbursed		30 June 2023	31 December
	<u>Relationship</u>	<u>(unaudited)</u>	2022
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>224.138.838</u>	<u>235.673.543</u>
		<u>224.138.838</u>	<u>235.673.543</u>
xvi) Transactions during the period		The six months	The six months
	<u>Relationship</u>	<u>ended</u>	<u>ended</u>
		<u>30 June 2023</u>	<u>30 June 2022</u>
		<u>(unaudited)</u>	
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>9.358.821</u>	<u>5.361.339</u>
		<u>9.358.821</u>	<u>5.361.339</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 six months ended	The six months ended
	<u>30 June 2023</u>	<u>30 June 2022</u>
	<u>(unaudited)</u>	
Profit attributable to the company's equity holders	78.821.089	185.805.299
Weighted average of the number of shares	188.381.504	11.773.844
Basic and diluted earnings per share (lei per share)	0,42	15,78

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 FINANCIAL STATEMENTS
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29. SIGNIFICANT TRANSACTIONS NOT INVOLVING CASH

Compensations

Approximately 8,60% of the receivables were settled by transactions that haven't involved cash outflows during the period ended 30 June 2023 (30 June 2022: 4,33%). Transactions mainly represent offsets with clients and suppliers within the operating cycle and offsets between tax debts and receivables registered with the state budget.

Barter transactions

No barter transactions were made in Half 1 2023 and Half 2 2022.

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.

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 30 June 2023 the value of the contractual firm obligations for the purchase of tangible and intangible assets is of lei 89.336.600.

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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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. 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 2023 (57 managers in 2022).

iv) Environmental aspects

Environmental regulations are under development in Romania and the company did not record any obligation on 30 June 2023 and 31 December 2022 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, 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

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.

Based on their 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 royalties, 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. Transgaz challenged that decision before the

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

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

court, seeking partial annulment of the decision in respect of its unclear recitals. The case has not yet been settled. However, 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 has not yet been resolved. It is also intended to challenge the administrative act consisting of binding order 6009/253087/IEF in court within the legal time limit. 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.

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 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 - 30 September 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 - 30 September 2024.

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;
- 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.

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

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

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.

31. FEES OF THE STATUTORY AUDITOR

The fees for the financial year ended 31 December 2022 charged by BDO Audit SRL, invoiced in Half 1 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 2022 charged by BDO Audit SRL, invoiced in 2022, are: lei 79.682 (VAT excluded) for the limited review as at 30 June 2022 and 29.760 lei (excluding VAT) for other services than statutory audit services.

The fees for the financial year ended 31 December 2021 charged by BDO Audit SRL, invoiced in Half I 2022, are: lei 174.989 (VAT excluded) for statutory audit services and lei 22.320 (VAT excluded) for services other than statutory audit services.

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 six months ended 30 June 2023 (unaudited)	The six months ended 30 June 2022
Revenue from the construction activity according to IFRIC12	35.270.257	104.332.323
Cost of assets constructed according to IFRIC12	(35.270.257)	(104.332.323)

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

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

33. EVENTS SUBSEQUENT TO THE BALANCE DATE

On 31.07.2023, two tranches of EUR 25 million were drawn from EIB loans No. 89417RO and No. 90512RO, respectively, for the purpose of financing the project "Development of the Southern Transmission Corridor on the territory of Romania to take over natural gas from the Black Sea shore" (Black Sea - Podișor).

On 3 August 2023, the company signed 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.

Chairman of the Board of Administration
Petru Ion Văduva

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

STATEMENT OF RESPONSIBLE PERSONS

According to Art. 67 (2) (c) of Law 24/2017 on the issuers of financial instruments and market operations and Art. 223 (B) (1) (c) din Financial Supervisory Authority Regulation No. 5/2018, on the issuers of financial instruments and market operations, we declare the following:

- To the best of our knowledge, the half year financial statement as at 30 June 2023 was prepared in compliance with the International Financing Reporting Standards adopted by the European Union and offers a true and correct image of the assets, liabilities, financial position, profit and loss account of the Company;
- The Report Issued by the Board of Administration presents in a correct and comprehensive manner the information on the issuer.

ION STERIAN – Executive Administrator, Director - General

PETRU ION VĂDUVA – Non-Executive Administrator – Chairman of the Board of Administration

NICOLAE MINEA – Non-executive Administrator

CSABA OROSZ – Non-Executive, Interim Administrator

AGAFIȚEI GHEORGHİȚĂ – Non-Executive, Interim Administrator