



**REPORT ISSUED BY THE
BOARD OF ADMINISTRATION
FOR H1 2024**

- CONSOLIDATED -

CONTENTS

THE ADMINISTRATORS' MESSAGE	2
1. REPORT AND ISSUER GENERAL DATA.....	3
2. EXECUTIVE SUMMARY H1 2024	4
2.1. Consolidated companies in the Transgaz Group:.....	4
2.2. Indicators of the consolidated economic and financial results	4
2.3. Indicators of the individual economic and financial results	8
2.4. Non-financial reporting	12
2.5. Important events.....	20
2.6. Main risks related to Half II 2024.....	23
3. ABOUT SNTGN TRANSGAZ SA	25
3.1. Mission, vision, organizational values	25
3.2 The activity of the company	26
3.3. NTS infrastructure	27
3.4. Shareholding	29
3.5 Structure	30
3.6 Management.....	32
3.7 Human resources.....	35
3.9 List of all entities where Transgaz holds shares.....	45
4. ACTIVITY ANALYSYS	46
4.1 Operation activity	46
4.2 The investment activity	49
4.3. Maintenance activity	54
4.4 The procurement activity.....	56
4.5. The legal assistance and representation activity	57
4.6. International cooperation activity.....	58
4.7. Internal audit	59
4.8. Investor relations	60
4.9. The tariff setting methodology	60
4.10 Consolidated financial results (consolidated factorial analysis of the activity).....	61
4.11. Individual financial results (factorial analysis of the individual activity)	65
5. CONSOLIDATED ECONOMIC AND FINANCIAL STATEMENT.....	71
5.1 Consolidated financial position	71
5.2 Consolidated comprehensive income.....	74
5.3 Consolidated cash flow statement	75
5.4 Evaluation of the activity related to the financial risk management.....	77
6. INDIVIDUAL ECONOMIC AND FINANCIAL STATEMENT	81
6.1 Individual financial position	81
6.2 Individual comprehensive income.....	85
6.3 Individual cash flow statement	87
6.4 Evaluation of the activity related to the financial risk management.....	88
7. CORPORATE GOVERNANCE.....	92
7.1. Management System	94
7.2. Legal documents concluded under Article 52 paragraph (1) and paragraph (6) of GEO 109/30.11.2011	99
7.3. Main transactions between affiliated parties (in accordance with Article 108 of Law 24/2017 on issuers of financial instruments and market operations, republished).....	99
8. KEY PERFORMANCE INDICATORS ESTABLISHED IN THE CONTRACTS OF MANDATE .	99

THE ADMINISTRATORS' MESSAGE

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 group of sustainable companies with responsibility for 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 performance obtained every year that they have become a strong team, adapted to the requirements of the current 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 optimizing the company's performance, streamlining the company's activity, aligning it with modern standards of performance and corporate governance and enhancing the international recognition of SNTGN Transgaz SA, its role as 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 Transgaz group operates and will operate is the link between the efficient management strategies and the vast 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

Chairman of the Board of Administration

NICOLAE MINEA

Non-Executive Administrator

ILINCA VON DERENTHALL

Non-Executive Administrator

ADINA LĂCRIMIOARA HANZA

Non-Executive, Interim Administrator

1. REPORT AND ISSUER GENERAL DATA

Basis of the report	Report for Half I 2024, prepared in accordance with the provisions of Law 24/2017 on issuers of financial instruments and market operations (Article 65) and FSA Regulation 5/2018 on issuers of financial instruments and market operations (Annex 15), as amended - Financial year 2024
Date of the report:	12 August 2024
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 H1 2024

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 EBRD	75% 25%

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.

As of 19 September 2023 SNTGN TRANSGAZ SA, through Vestmoldtransgaz SRL (VMTG), its subsidiary in the Republic of Moldova, the company operating, developing and dispatching the Ungheni-Chisinau gas pipeline and certified on the ownership unbundling model, took over from Moldovatransgaz SRL the operation, development, dispatching and transmission of natural gas in the Republic of Moldova.

2.2. Indicators of the consolidated economic and financial results

Consolidated standard performance indicators

The economic and financial activity of the National Gas Transmission Company Transgaz S.A. since the beginning of the year until 30 June 2024 was conducted based on the indicators included in the Revenue and Expense Budget (REB) approved by OGMS Resolution no. 1 / 21.02.2024.

The value of the standard performance indicators on 30 June 2024 as compared to their value as at 30 June 2023 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Achieved	
					Half I 2024	Half I 2023
1.	Commissioned investments	Plan achieved	Thousand lei	0,15	25.090	286.717
2.	EBITDA	EBITDA increase	Thousand lei	0,15	435.739	265.680
3.	Labour productivity	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/pers.	0,15	283	239
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	661.312	592.348
6.	NTS gas consumption	Remaining within the gas quantities representing NTS gas consumption	%	0,15	50,74%	42,37%
7	OPEX at lei 1000 operating revenue	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	837	957

Table 1 - Consolidated standard performance indicators for Half I 2024 compared to Half I 2023

Consolidated profitability, liquidity, risk and management indicators

The values of the profitability, liquidity, risk and management indicators – consolidated – for Half I 2024 compared to the similar period of 2023:

No.	Indicators	Calculation formula	Half I 2024	Half I 2023
1.	Profitability indicators			
	EBITDA in total sales	EBITDA	39,97%	27,68%
		Turnover		
	EBITDA in equity	EBITDA	9,14%	6,63%
		Equity		
	Gross profit share	Gross profit	15,28%	9,76%
		Turnover		
	Return on equity	Net profit	3,01%	1,77%
		Equity		
2.	Liquidity indicators			
	Current liquidity indicator	Current assets	1,25	1,29
		Short term debts		
	Acid test ratio	Current assets - Stocks	0,90	0,65
		Short term debts		
3.	Risk indicators			
	Leverage indicator	Borrowed capital		48,87%

No.	Indicators	Calculation formula	Half I 2024	Half I 2023
		Equity	57,90%	
	Interest coverage ratio	EBIT	4,34	1,71
		Interest expense		
4.	Management indicators			
	Days' sales outstanding	Average accounts receivable x 181 days	138,42	141,21
		Turnover		
	Days' payable outstanding	Average accounts payable x 181 days	48,75	36,75
		Turnover		

Table 2 - Consolidated profitability, liquidity, risk and management indicators in Half I 2024 compared to Half I 2023

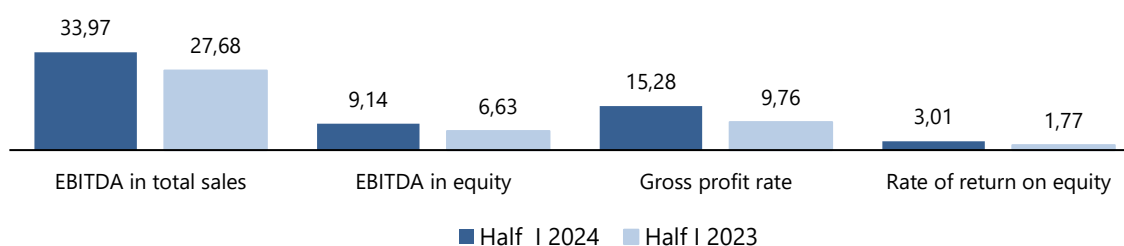


Chart 1- Consolidated profitability indicators evolution in Half I 2024 compared to Half I 2023

The main consolidated economic and financial indicators achieved in Half I 2024 compared to the ones achieved during the same period of 2023 are as follows:

Tag no.	Indicator	Consolidated Half I 2024	Consolidated Half I 2023	Dynamics (%)
0	1	2	3	4=2/3*100
1.	Turnover	1.138.586	959.687	118,64
2.	Operating revenue before balancing and the construction activity according to IFRIC12	1.104.669	761.091	145,14
3.	Revenue from balancing	114.784	263.067	43,63
4.	Revenue from the construction activity according to IFRIC12	675.817	35.270	1916,11
5.	Financial revenue	108.334	140.742	76,97
6.	Operating cost before balancing and the construction activity according to IFRIC12	924.901	728.224	127,01
7.	Cost of balancing gas	114.784	263.067	43,63
8.	Cost of constructed assets according to IFRIC12	675.817	35.270	1916,11
9.	Financial cost	65.092	79.898	81,47
10.	Gross profit	223.011	93.711	237,98

Thousand lei

Tag no.	Indicator	Consolidated Half I 2024	Consolidated Half I 2023	Dynamics (%)
0	1	2	3	4=2/3*100
11.	Profit tax	46.641	22.892	203,74
12.	Net profit	176.370	70.818	246,04
13.	Total comprehensive result related to the period	180.949	88.142	205,29
14.	Transmitted gas -thousand cm-	6.472.933	6.363.964	108,97
15.	Investment cost	689.148	44.650	1.543,44
16.	Rehabilitation cost	41.083	7.101	578,55
17.	Technological consumption thousand lei	61.963	61.633	100,53
18.	Technological consumption thousand cm	30.782	30.640	100,46

Table 3- Evolution of the main consolidated economic and financial indicators in Half I 2024 compared to Half I 2023

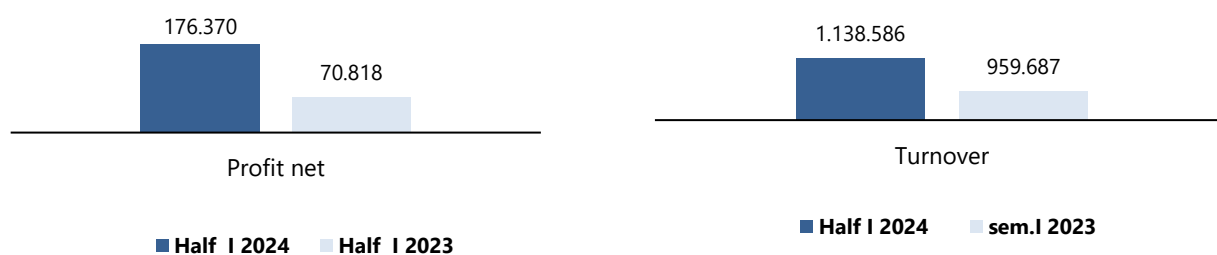


Chart 2 – (Consolidated) Net profit in Half I 2024 compared to Half I 2023 (thousand lei)

Chart 3- (Consolidated) Turnover in Half I 2024 compared to Half I 2023 (thousand lei)

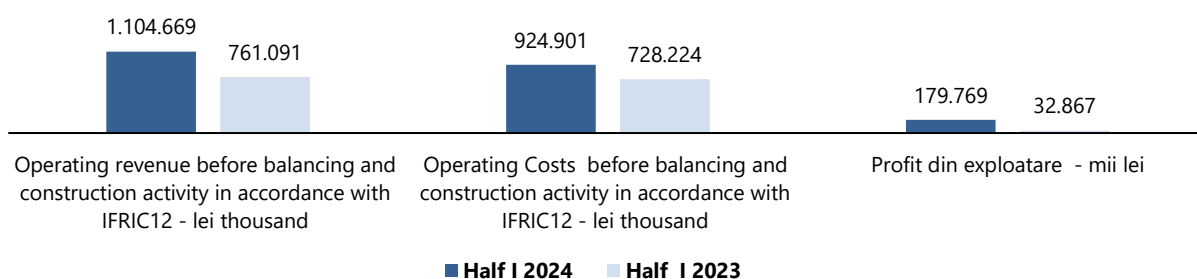


Chart 4- Operating revenue, expense and profit, before the construction activity according to IFRIC 12 – consolidated - in Half I 2024 compared to Half I 2023 (thousand lei)

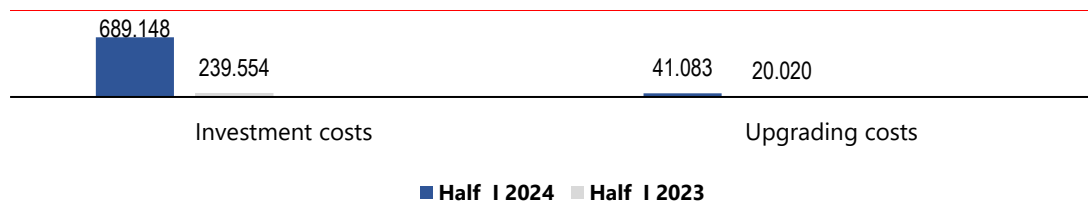


Chart 5- Evolution of the investment and upgrading costs – consolidated - in Half I 2024 compared to Half I 2023 (thousand lei)

2.3. Indicators of the individual economic and financial results

Standard performance indicators

The economic and financial activity of the National Gas Transmission Company Transgaz S.A. in Half I 2024 was conducted based on the indicators established in the Revenue and Expense Budget approved by Resolution 1 /21.02.2024 of the Ordinary General Meeting of the Shareholders.

The value as at 30.06.2024 of the individual standard performance indicators compared to their value as at 30 June 2023 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Achieved	
					Half I 2024	Half I 2023
1.	Commissioned investments	Plan achieved	Thousand lei	0,15	23.878	286.371
2.	EBITDA	EBITDA increase	Thousand lei	0,15	398.542	264.798
3.	Labour productivity	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/pers.	0,15	264	360
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	661.312	592.348
6.	Technological consumption	Remaining within the gas quantities representing technological consumption	%	0,15	50,74%	42,37%
7	OPEX at lei 1000 operating revenue	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	835	948

Table 4 – Individual standard performance indicators in Half I 2024 compared to Half I 2023

Profitability, liquidity, risk and management indicators - individual

The comparative statement of the values of the individual profitability, liquidity, risk and management indicators in Half I 2024 compared to the values recorded by these indicators at the end of the first half of 2023 is presented in the table below:

Indicators	Calculation formula	Half I 2024	Half I 2023
Profitability indicators			
EBITDA in total sales	EBITDA	37,55%	27,69%
	Turnover		
EBITDA in equity	EBITDA	9,41%	6,56%
	Equity		
Gross profit share	Gross profit	20,91%	10,59%
	Turnover		
Return on equity	Net profit	4,16%	1,95%
	Equity		
Liquidity indicators			
Current liquidity indicator	Current assets	1,26	1,27
	Short term debts		
Acid test ratio	Current assets - Stocks	0,90	0,61
	Short term debts		
Risk indicators			
Leverage indicator	Borrowed capital	54,07%	44,16%
	Equity		
Interest coverage ratio	EBIT	3,80	1,68
	Interest expense		
Management indicators			
Days' sales outstanding	Average accounts receivable x 181 days	148,49	141,74
	Turnover		
Days' payable outstanding	Average accounts payable x 181 days	52,30	36,89

Table 5 – Evolution of profitability, liquidity, risk and management indicators in Half I 2024 compared to Half I 2023

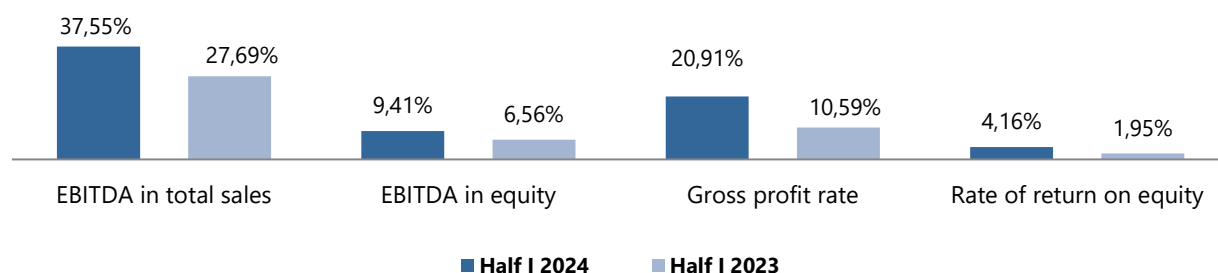


Chart 6 – Evolution of profitability indicators in Half I 2024 compared to Half I 2023

The value of the main economic and financial indicators achieved in Half I 2024 compared to the value thereof achieved in Half I 2023 are as follows:

Tag no.	Indicator	MU	Half I 2024	Half I 2023	Variation %
0	1	2	3	4	$5=3/4*100$
1.	Turnover	thousand lei	1.061.349	956.144	111,00
2.	Operating revenue before balancing and the construction activity according to IFRIC12	thousand lei	1.016.130	757.139	134,21
3.	Operating cost before balancing and the construction activity according to IFRIC12	thousand lei	848.582	717.504	118,27
4.	Operating profit before balancing and the construction activity according to IFRIC12	thousand lei	167.548	39.635	422,72
5.	Revenues from balancing	thousand lei	114.784	263.067	43,63
6.	Balancing gas expense	thousand lei	114.784	263.067	43,63
7.	Construction revenues according to IFRIC12	thousand lei	675.817	35.270	1916,11
8.	Cost of constructed assets according to IFRIC12	thousand lei	675.817	35.270	1916,11
9.	Operating profit	thousand lei	167.548	39.635	422,72
10.	Financial revenues	thousand lei	102.995	125.418	82,12
11.	Financial expenses	thousand lei	48.633	63.781	76,25
12.	Gross profit	thousand lei	221.910	101.272	219,12
13.	Profit tax	thousand lei	45.899	22.451	204,44
14.	Net profit	thousand lei	176.011	78.821	223,30
15.	Transported gas	MWh	69.457.227	69.206.474	101,71
16.	Investment costs	thousand lei	687.440	50.542	1360,13
17.	Upgrading costs	thousand lei	7.072	7.086	99,80
18.	Technological consumption	thousand lei	61.963	61.633	100,53
19.	Technological consumption	MWh	326.285	331.546	98,41

Table 6 - Evolution of the main economic-financial indicators in Half I 2024 compared to Half I 2023

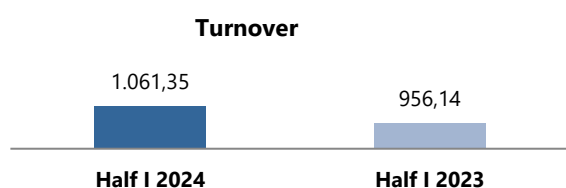


Chart 7-Turnover (individual) Half I 2024 compared to Half I 2023 (mil. lei)

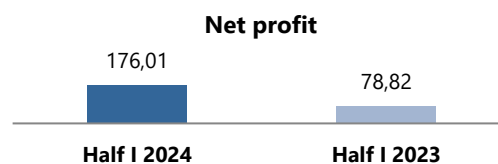


Chart 8 - Net profit (individual) in Half I 2024 compared to Half I 2023 (mil. lei)

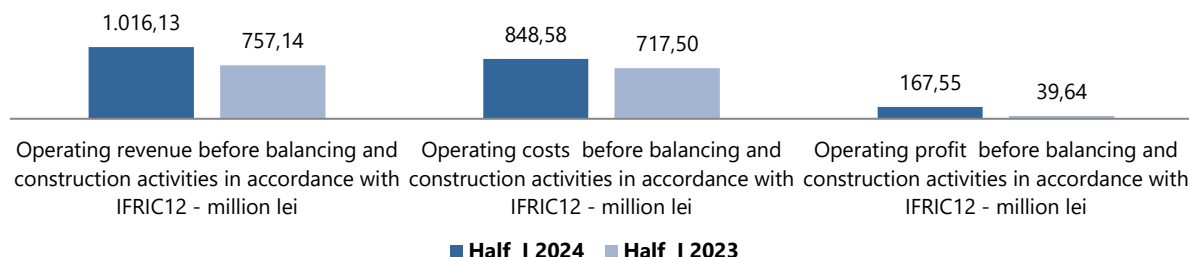


Chart 9 – Evolution of operating revenue, expense and operating profit before the construction activity according to IFRIC – individual – Half I 2024 compared to Half I 2023 (mil. lei)

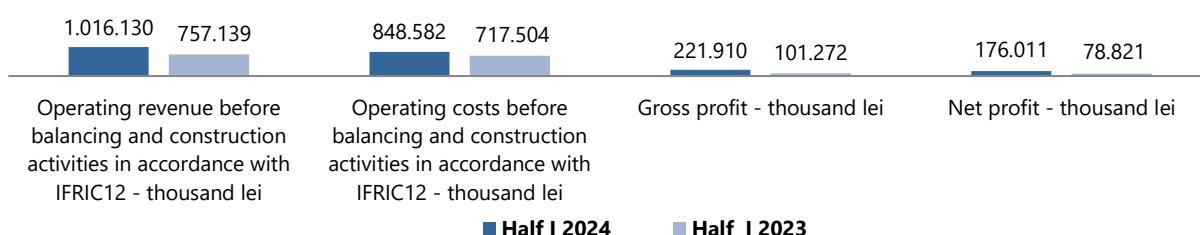


Chart 10 – Evolution of the main economic and financial indicators – individual – in Half I 2024 compared to Half I 2023 (thousand lei)

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



Chart 11 - Evolution of investment and upgrading costs – individual – in Half I 2024 compared to Half I 2023 (thousand lei)

2.4. Non-financial reporting

SNTGN Transgaz SA according to the legal requirements under Order 2.844 / 12 December 2016 of the Ministry of Finance on the approval of the Accounting Regulations in accordance with International Financial Reporting Standards, as amended, chose to disclose non-financial information for financial year 2023, through a sustainability report approved at the level of the Board of Administration and prepared separately from the consolidated Report issued by the Board of Administration.

SNTGN Transgaz SA reported non-financial information for the year 2023 based on the requirements provided for in the new ESRS stipulated in the Commission DELEGATED REGULATION (EU) 2023/2772 of July 31, 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards, the requirements of the Order of the Ministry of Public Finance no. 2844/2016 as amended and supplemented, and of the Methodology for Sustainability Reporting - Romanian Sustainability Code, of 16.11.2023, which is an integral part of Decision No. 1117/2023 on the approval of the Methodology for Sustainability Reporting, as amended.

In addition, the information required under Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council ("the Taxonomy Regulation") for the financial year 2023 has been included in the Sustainability Report. Following the analysis of the audited financial data, the activities that can be considered Taxonomy aligned or eligible under the Taxonomy Regulation were assessed.

The statement of the Taxonomy financial key performance indicators (KPIs) for the year 2023 is shown in the table below.

In LEI	2023					
	Turnover		CapEx		OpEx	
Environmentally sustainable activities (aligned to taxonomy)	0	0%	225.104.157	99,03%	0	0%
Activities eligible but not aligned to the taxonomy	0	0%	2.228.230	0,97%	0	0%
Activities not eligible for taxonomy	1.712.546.184	100%	0	0	686.059.563	100%
Total	1.712.546.184	100%	227.332.387	100%	686.059.563	100%

In accordance with the requirements set out in the ESRS, approved by Commission Delegated Regulation (EU) 2023/2772 of July 31, 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards, a dual materiality

analysis was performed in order to determine the material topics required to be presented in the sustainability report.

Thus, in the Sustainability Report prepared for the financial year 2023, approved by the Resolution of the Board of Administration No. 25/28.06.2024, only the data of SNTGN Transgaz SA was included as the two consolidated subsidiaries were not considered material in the context of the non-financial reporting. The impact of the activity of the subsidiaries on the group's reporting is considered immaterial and therefore does not influence the indicators included under the applicable standards. The two subsidiaries did not have a major contribution that would influence the group's main factors reported under ESRS requirements. Therefore, for clarity and relevance, only the performance of SNTGN Transgaz SA was presented in the 2023 sustainability report without the activity of the subsidiaries.

Double materiality assessment was carried out and validated internally by the special working group established within SNTGN Transgaz SA, and the rules and conclusions resulting from the assessment of the identified impact, risks and opportunities were submitted to the Board of Administration for approval, prior to the publication of the sustainability report, by the Resolution of the Board of Administration no. 51908/19.06.2024.

The sustainability report for 2023 considered all activities of SNTGN Transgaz SA Romania. All core activities of SNTGN Transgaz SA were included: domestic transmission of natural gas - regulated monopoly activity, with tariffs set on the basis of the methodology issued by the National Energy Regulatory Authority, international transmission of natural gas - unregulated activity carried out through dedicated pipelines, with tariffs set in accordance with the commercial contracts concluded between the parties, gas dispatching, research and design in the field of natural gas transmission.

The Sustainability Report of SNTGN Transgaz SA reflects the company's commitment to sustainable development and to the fulfilment of its objectives. SNTGN Transgaz SA aims to support the preservation of the environment, improve the quality of life in the local community, provide high quality services and develop sustainable partnerships with customers, authorities and the local community, while managing the used resources efficiently and sustainably.

Stakeholders were informed about the publication of the Sustainability Report prepared for the year 2023 via the SNTGN Transgaz SA release posted on the company's website at: https://www.transgaz.ro/sites/default/files/Comunicat%20raport%20de%20sustenabilitate%202023_0.pdf, release also submitted to the Bucharest Stock Exchange on 28.06.2024 <https://www.bvb.ro/FinancialInstruments/SelectedData/NewsItem/TGN-Disponibilitate-Raport-Sustenabilitate-2023/73A5D>.

The Sustainability Reports prepared for 2020 - 2023 were structured so that the information is complementary to the information presented in the consolidated Report issued by the Board of Administration and covers the most important aspects implemented at company level with regard to the governance structure, environmental risk management and the social component, also considering the legal requirements and recommendations of the guidelines issued by:

- European Commission - Guidelines on non-financial reporting C/2017/4234, published in the Official Journal of the European Union on 5 July 2017;
- Financial Supervisory Authority - Recommendations on a prudent approach to climate risk - 2021;
- Bucharest Stock Exchange - ESG Reporting Guidelines 2022.

The business sustainability reporting for the financial year 2024 will be carried out also in 2025 in accordance with the new ESRS in line with the requirements of the Commission DELEGATED REGULATION (EU) 2023/2772 of July 31, 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council with regard to sustainability reporting standards and the data will be integrated into the consolidated Report issued by the Board of Administration, thus providing all stakeholders with an integrated view of the company's performance.

With regard to actions and resources related to climate change policies, measures are to be adopted at the company level to establish an action plan for the implementation of the short, medium and long-term investment plan stipulated in the Climate and Decarbonization Strategy of SNTGN Transgaz SA, a document that was finalized in December 2023. The transition plan has been defined/established in the Climate and Decarbonization Strategy of SNTGN Transgaz SA and is to be initiated for implementation and approval in 2024, with appropriate highlighting of actions and financial impact, including in the financial statements..

SNTGN Transgaz SA harmonized its current governance structure as of 2023 by setting up the Corporate Governance and Sustainability Committee and the Sustainability Department, a structure that operates, as of 1 December 2023, within the Investor Relations and Sustainability Unit.

Quality management

On 30.06.2024 the following certificates were in force at the company level obtained from the recertification audit carried out in October 2021 and covered by surveillance audit no. 2 of September 2023:

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

By its activity, the Quality Management Department ensured/advised:

- implementation of the requirements of SR EN ISO 9001:2015;
- implementation of the requirements under SR EN ISO 14001:2015 and SR EN ISO 45001:2023 common with SR EN ISO 9001:2015;
- implementation of corrective actions and corrections related to the areas for improvement identified by the SRAC in the previous audit;
- raising awareness of personnel on the contribution to the effectiveness of the QMS;
- assessing customer satisfaction,

in order for SNTGN TRANSGAZ SA to maintain its certification according to SR EN ISO 9001:2015, SR EN ISO 14001:2015 and SR EN ISO 45001:2023 when assessed by the certification body-SRAC within the certification audit.

Occupational health and safety

During 01.01 – 20.06.2024, the occupational health and safety activity was carried out in an organized manner, according to planning, aimed at reducing and/or eliminating the risks of occurrence of events, work accidents, dangerous incidents and occupational diseases at workplaces within the company, as well as compliance with the legislative provisions in the field of safety and health at work, by implementing the measures included in the ***Prevention and Protection Plan for 2024*** no. DMPS 70/03.01.2024 and fulfilling the duties established by the Rules on the Organization and Operation of the company.

In Half I 2024, no occupational diseases were reported/researched/declared

Environmental management

The main environmental management activities related to the first 6 months of 2024 aimed at preventing pollution, reducing the risks of environmental incidents on the company's sites, as well as complying with the legislative provisions in the field.

Corporate social responsibility (CSR)

Corporate Social Responsibility is integral part 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 for the for the harmonious development of the younger generation.

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), and others.

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 and related activities organized by universities. 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 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 as well as NGOs and foundations that care for these people.

HEALTH- We take care of other people's health as well as our own!

We contribute financially to investments in hospitals in Romania through the project "HEALTH FOR ROMANIA" and we are present when financial support is needed to solve medical cases of our employees or their relatives.

ENVIRONMENT- *We all want a healthy life and a clean environment, and that's why we care about everything around us!*

We financially support the partnerships concluded by NGOs with schools or public institutions for environmental protection projects and the development of green spaces; we also support greening projects initiated by the local administrations, where Transgaz has units.

Complying with the principles of financial prudence and transparency, the communication and CSR actions proposed for Half I 2024 were rigorously quantified both in structure and value and responded to Transgaz's reporting requirements as a securities issuer, but also to the requirements related to the company's image and reputation.

Detailed information on social responsibility is available on the Transgaz website at: <http://www.transgaz.ro/responsabilitate-sociala>.

Internal managerial/control system

The managerial internal control system of SNTGN Transgaz SA covers all the company's operations having the following objectives:

- the economic, efficient and effective use of resources;
- compliance with legislation, regulations and internal policies;
- fraud and error prevention and detection;
- credibility of financial reporting (accuracy, completeness and fair presentation).

SNTGN Transgaz SA considers internal/managerial control to be the continuous monitoring of activities using a set of management rules applicable in each department, in response to the question: **`What can be done to have the most effective control over the company's activities?`**

The specific activities of the Internal/Managerial Control System carried out at the company's level in Half I 2024 were carried out in full compliance with both the requirements of the Order 600/2018 of the General Secretariat of the Government on the approval of the Internal Managerial Code of Public Entities and the provisions of internal procedures.

The specific activities of the Internal/Managerial Control System carried out in Half I 2024 were as follows:

- assessment of the status of implementation and development of the company's internal/managerial control system **as at 31.12.2023;**
- submission of *Reports* to the Director - General **for 2023:**
 - Report on company's performance monitoring **for 2023;**
 - Report on the implementation of the internal/managerial control system within SNTGN Transgaz SA **for 2023;**
 - Report on the conduct of the risk management process **for 2023;**

- Report on the analysis of the achievement of the specific objectives and directions for action set out in the Programme for the implementation of the measures set out IN THE RISK MANAGEMENT STRATEGY 2021-2025, 2023, within SNTGN TRANSGAZ SA.

- evaluation of the internal managerial control system **for 2023**, an action carried out on two levels: at department level, carried out by the organisational structures by completing the Self-Assessment Questionnaires, and at company level, a task to be carried out by the Monitoring Committee. The established conclusion is that the Internal Managerial Control System, **in 2023**, maintained its degree of compliance at the Compliant stage, with all 16 internal/managerial control standards implemented, and the average degree of implementation of the standards of the Internal Managerial Control System increased to 99,79% compared to 2022 when the percentage was 99,78%;
- submission of the internal/managerial control system assessment documents **for 2023** to the Public Supervisory Body (GSG) within the requested deadline.
- report to the Board of Administration on the implementation of the internal managerial control system and performance monitoring **for 2023**;
- report to the Risk Management Committee on the specific activities of managerial internal control **for 2023**;
- updating, **for 2024**, the Internal Decision establishing the Monitoring Committee and its functioning in accordance with its own Rules of Procedure;
- approval and publication of the Programme for the Development of the Managerial Internal Control System, updated progress **for 2024**, for the purpose of continuous development of the Internal Managerial Control System;
- documentation of the internal/managerial control system, **for 2024**, in accordance with internal procedures, at the level of the organisational structures and of the company regarding:
 - setting specific, operational objectives and performance indicators associated with operational objectives;
 - the establishment of activities and risks related to operational objectives;
 - identification of situations leading to discontinuity;
 - management of procedural actions and processes;
 - risk management;
 - establishing the monitoring system for operational and general objectives;

Through the development of the Internal/Managerial Control System, SNTGN Transgaz SA is moving to a type of management suitable for a flexible company, which includes strategic management, performance management and risk management.

Risk Management

The strategic requirements for the safe and economically efficient operation of the National Natural Gas Transmission System lead the company to approach risk management in a forward-looking manner to identify and treat potential losses before the generating events occur.

Risk management is an integral part of the management process at all levels and adds value by increasing the probability of achieving objectives in an efficient and effective manner, based on the following internal regulations approved by the company's management:

- The Risk Management Strategy 2021-2025 - sets out both the actions required to optimise the risk management process and the framework for identifying, assessing, monitoring and controlling significant risks in order to keep them at acceptable levels within the *risk tolerance limit*;
- *The Statement of commitment by the Director - General on Risk Management for 2021-2025*;
- System Procedure PS 05 SMI Risk Management, published in the "Zonapublic" intranet. System Procedure PS 05 SMI establishes a uniform set of rules for risk management and for the preparation and updating of the Risk Register;
- the tolerance limit **for 2024**, using a five-step matrix representation;
- the company risk profile for 2023;
- the decisions on the establishment of the structures coordinating the risk management process - i.e. the Monitoring Committee and the Risk Management Team, updated for 2024;
- the global risk (GR), calculated as a weighted average of the risk exposure value in relation to the tolerance limit, both at the level of each division/unit/independent department/regional offices/Medias Subsidiary and at company level. This parameter was introduced starting from 2023.

In the first half of 2024 the risk management process **carried out in 2023** was analysed. This process was carried out in full and timely compliance with internal regulations, by going through the following stages successively:

- establishment of a coherent set of objectives, with sufficient specificity to allow risks to be identified and assessed;
- establishment of the internal/external context in which each structure operates;
- risk identification and analysis;
- risk assessment;
- responding to risk (action plans to minimise risk);
- risk monitoring;
- risk review and reporting

All 329 organisational structures, according to the organizational chart in force, completed the above steps by integrating risk management data into risk registers.

The final stage of risk management was the review and reporting of risks and the submission of *Risk Management Progress Reports for 2023* to the Technical Secretariat of the Monitoring Committee for review.

In compliance with the requirements of the Order 600/2018 of the General Secretariat of the Government on the approval of the Internal Managerial Code of Public Entities, the following were developed and approved **for 2023 at the level of the company**:

- the Transgaz REVISED Risk Register, 2023. Thus, as at 31.12.2023, 20 significant risks were summarised and prioritised, of which 17 strategic risks and 3 operational risks;
- Information report for the Director General on risk management and monitoring within SNTGN Transgaz SA for the year 2023;
- Information report for the Board of Administration on risk management and monitoring within SNTGN Transgaz SA, year 2023;

- Information report to the Board of Administration 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, the year 2023;
- Report to the Risk Management Committee, on the evolution of risk management, at SNTGN Transgaz SA, 2015 – September 2023;
- Regular reports to the Risk Management Committee, on significant milestones in the development of the risk management process, 2023.

For carrying out the risk management activity at Company level **in 2024**, the revised System Procedure "Risk Management" code PS 05 SMI, in force as at 03.01.2024, shall be applied. The main risk management development included in the procedure revision is **the introduction of the five-step risk assessment matrix**: a more analytical risk assessment resulted demonstrating more mature risk management implemented within the company. This scale can become a basic component of the basis for decisions.

Each organizational structure identified the risks and prepared the documents established in the System Procedure "Risk Management" code PS 05 SMI.

The documents were analysed and synthesized at company level resulting in:

- Risk Register at SNTGN Transgaz SA level, which integrates significant risks (strategic and operational), year 2024;
- Plan of measures to minimize significant risks at company level, year 2024.

2.5. Important events

11 January 2024 - Transgaz completed the Climate and Decarbonization Strategy.

With the support of the European Investment Bank (EIB), Transgaz has developed the Climate and Decarbonization Strategy with a view to a phased transition to a climate-neutral activity and to strengthening climate resilience, taking into account best practices and national and international climate change policies and regulations. The project was developed in the context of the European Investment Advisory Hub (EIAH).

11 January 2024 – At Transgaz SA headquarters in Bucharest the strategic meeting of the TSOs within the Vertical Corridor initiative took place.

At the initiative of SNTGN Transgaz SA, the meeting of the natural gas Transmission System Operators signatories of the Memorandum of Understanding for the Vertical Corridor - Transgaz S.A., DESFA S.A., Gastrade S.A., Bulgartransgaz EAD, ICGB AD, FGSZ Ltd and with observer status, Eustream S.A., Gas TSO of Ukraine and Vestmoldtransgaz of the Republic of Moldova - was held in Bucharest.

19 January 2024 - The cooperation for the Vertical Corridor is strengthened by the signing of a Memorandum of Understanding which provides for the participation of three new operators: GTSO from Ukraine, Vestmoldtransgaz from the Republic of Moldova, Eustream from Slovakia.

This corridor will bring prestige to Romania and energy security for the countries of Eastern Europe, the Republic of Moldova and Ukraine, as well as for Central Europe.

23 January 2024 - The Ministry of Energy and Transgaz signed financing contracts worth 93 million euro.

The Minister of Energy and the Director - General of SNTGN Transgaz SA, signed the financing contracts for two investment projects: the Black Sea - Podișor natural gas transmission pipeline and the Ghercești-Jitaru natural gas transmission pipeline (including electricity supply, cathodic protection and fiber optic).

31 May 2024 - The Ministry of Energy and Transgaz have signed the financing contract for the gas supply to the Mintia power plant. The Energy Ministry's support amounts to almost 7 million euro. The Minister of Energy and the Director - General of SNTGN Transgaz SA have signed a financing contract for the construction of a natural gas transmission pipeline to supply the Mintia power plant in Hunedoara County. The pipeline will also supply other industrial and also domestic consumers.

31 May 2024 – SNTGN Transgaz SA informs all stakeholders that by Order no. 17/29 May 2024 issued by the National Energy Regulatory Authority, the regulated revenue, the corrected regulated revenue and the transmission tariffs for the regulatory year from 1 October 2024 to 30 September 2025, for the activity of natural gas transmission through the National Transmission System, carried out by the National Gas Transmission Company TRANSGAZ S.A., were approved.

During Half I 2024, the activity of the Board of Administration of SNTGN Transgaz SA materialized in a number of 25 meetings, of which the following are subject to analysis, approval and/or endorsement:

17 January 2024

- By the Resolution of the Board of Administration no. 2/17 January 2024 the following were endorsed and/or approved:
 - Draft Revenue and Expenditure Budget for the year 2024 and estimates 2025-2026;
 - Revised values for some financial key performance indicators included in the Management Plan of SNTGN Transgaz SA for 2021-2025;
 - Revenue and Expenditure Budget of Eurotransgaz SRL for the year 2024 and estimates for the period 2025-2026.

31 January 2024

- The following were approved by the Resolution of the Board of Administration no. 4/31 January 2024:
 - Policy on granting sponsorships and financial support at the level of SNTGN Transgaz SA in 2024;
 - Activity report of the Advisory Committees set up at the level of the Board of Administration of SNTGN Transgaz SA in 2023;
 - The corrected regulated revenue and the regulated tariffs for the natural gas transmission activity for the transition year from the fourth to the fifth regulatory period, i.e. 1 October 2024 - 30 September 2025, for submission for analysis and approval to the National Energy Regulatory Authority.

22 February 2024

- The Management Plan of SNTGN Transgaz SA for the period 2021-2025, updated February 2024, was approved by the Resolution of the Board of Administration no. 7/22 February 2024.

14 March 2024

- By the Resolution of the Board of Administration No. 12/March 14, 2024, the conclusion of the Agreement for Technical and Administrative Support Services for the establishment of ENNOH (European Network of Hydrogen Transmission System Operators), attached to the report, was approved, as well as the payment of the amount of 10.000 Euro, which Transgaz, as member of the Plenary Group for the establishment of ENNOH, is liable to pay.

20 March 2024

- By Resolution of the Board of Administration No. 14/20 March 2024, the following were acknowledged, endorsed and/or approved:
 - The company's individual and consolidated annual financial statements for 2023;
 - Financial audit report on the individual annual financial statements for the year 2023;
 - Financial audit report on the consolidated annual financial statements for the year 2023;
 - Consolidated report of the administrators of SNTGN Transgaz SA for the activity carried out in 2023;
 - Remuneration report for the year 2023;
 - SNTGN Transgaz SA accounting policies;
 - Assessment of the fulfillment of financial and non-financial performance indicators for the year 2023;
 - Report on the execution of the Director General's mandate for the year 2023;
 - Report on the performance of the Chief Financial Officer's mandate for the year 2023;
 - Individual financial statements of Eurotransgaz SRL for the year 2023;
 - The consolidated financial statements of Eurotransgaz SRL for the year 2023;
 - Report of the independent auditor on the individual financial statements of Eurotransgaz SRL for the year 2023;
 - Report of the independent auditor on the consolidated financial statements of Eurotransgaz SRL for the year 2022;
 - Report on the activity of Eurotransgaz SRL administrators for the year 2023.

26 April 2024

- By the Resolution of the Board of Administration No. 18/26 April 2024 the following were noted, endorsed and/or approved:
 - Evaluation report on the activity of SNTGN Transgaz SA's directors regarding the execution of the mandate contracts and the management component of the Management Plan for 2023.
 - Establishment of a limited liability company with the object of activity of hydrogen transmission, with SNTGN Transgaz SA as sole shareholder.

13 May 2024

- By Resolution of the Board of Administration No. 19/13 May 2024, the Board of Administration took note/notified/approved the following:

- Report on the execution of the mandate of the Director General of SNTGN Transgaz SA for the first quarter of 2024;
- Report on the situation of economic and financial indicators as at 31 March 2024;
- Appointment of ERNST& YOUNG ASSURANCE SERVICES SRL as financial auditor of SNTGN Transgaz S.A. for a period of three years.

20 June 2024

- By the Resolution of the Board of Administration no. 23/20 June 2024 the "Development Plan of the National Gas Transmission System in the period 2024-2033" was approved for submission for approval to ANRE.

21 June 2024

- By Resolution of the Board of Administration no. 24/21 June 2024, the projects to be submitted by SNTGN Transgaz SA for financing under the measure "Supporting investments in new capacity for the production of electricity from renewable energy sources for self-consumption, within the Key Program 1: Renewable Energy Sources and Energy Storage" were approved, as well as the approval of the co-financing of projects and the coverage of the countervalue of ineligible expenses, namely the financing of costs incurred from own sources for investments Transgaz S. A. in the installation of photovoltaic panels (the difference between CAPEX with VAT and non-refundable funds from the Modernization Fund).

28 June 2024

- The Sustainability Report for the year 2023 was approved by the Resolution of the Board of Administration no. 25/28 June 2024.

2.6. Main risks related to Half II 2024

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;
- 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;
- restricting funding for gas projects
- the war in 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;
- cybersecurity - cyber attacks, company information security.

Financial risks - arising from the way in which the company's business is financed, given the sensitivity of the result to changes in funding conditions (lending, exchange rate fluctuations, interest rate changes, liquidity).

Operational risks

- 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;
- recruitment difficulties for certain positions in specific areas of activity;
- lack of specialised/job-specific vocational training programmes on offer.

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;

The most appropriate **measures to minimize risks** are identified in accordance with risk management responsibilities so as to result in the lowest possible exposure to risk, including:

- strengthening cooperation relations with Natural Gas Transmission System Operators from neighbouring countries, but also with natural gas companies and other Natural Gas Transmission System Operators from the European Union and non-EU countries, with particular impact on the Balkan area and the Southern Gas Transmission Corridor in order to anticipate changes in the interconnection architecture at European level;
- analysis and preparation of the studies necessary for the development of new natural gas transmission corridors; achievement of savings in operational costs recognized by the authorities by accurately determining the technological consumption at the level of the NTS and the quantities of natural gas transported;

- optimizing the expenditure incurred at the level of organizational structures and keeping within the approved annual amounts for ongoing investment programs;
- staff training;
- planning cyber vulnerability scanning activities;
- developing or revising procedures.

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' 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 nine (9) 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 Mediaș 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:

- **13.962,13 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;
- **1.166** metering regulating stations (MRS) in operation (**1.272** metering directions);
- **60** 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, Siliștea, Jupa, Podișor, Bibești, Onești M, Gherăești**);
- **1.079** cathodic protection stations (CPS);
- **1.079** 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.

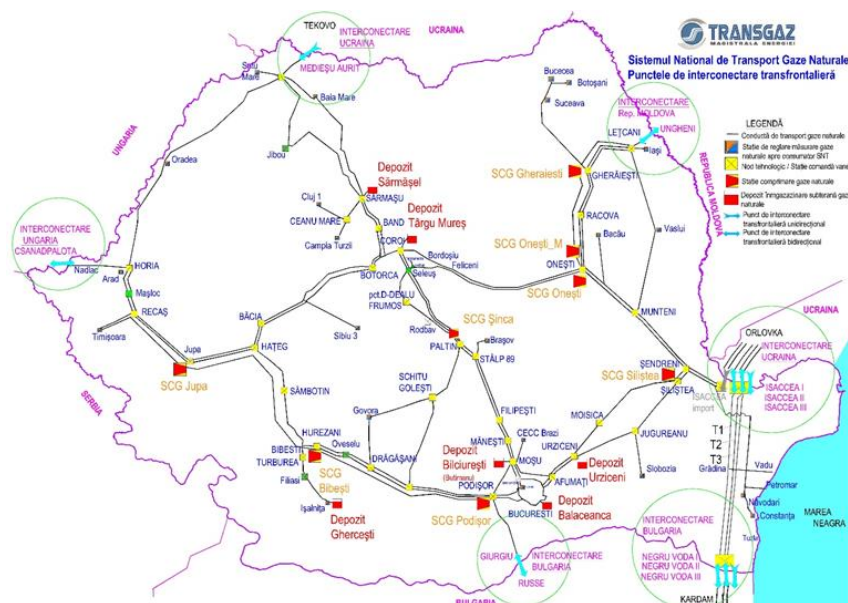


Figure 1 - Map of the National Gas Transmission System and the NTS cross-border interconnection points

Cross-border interconnection points

At the end of Half I 2024, the import/export of natural gas to/from Romania was achieved by seven cross-border interconnection points, as follows:

Country	Interconnection pipeline	Technical specifications	Total technical capacity
UKRAINE	Orlovka (UA) - Isaccea (RO) * LLC GAS TSO UA → Transgaz	DN 1000, Pmax = 45 bar	6,85 Sbcm/y
	Tekovo (UA) - 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 2,63 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
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* This interconnection point is not used since there is no interconnection agreement concluded. Gas import from Ukraine is currently performed through Isaccea 1.

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

***capacity is offered on an interruptible basis (commercially) as 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.

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

3.4. Shareholding

As of 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 28.06.2024 Transgaz` consolidated summary structure of holders of financial instruments of 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
✓ legal persons	60.216.054	31,9650
✓ natural persons	17.944.010	9,5254
Total	188.381.504	100

Table 7 - Shareholding structure as at 28 June 2024

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.

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.

Thus, the share capital of Transgaz as at 28 June 2024 was lei 1.883.815.040 and was divided into 188.381.504 registered shares, each share having a nominal value of lei 10.

Shareholding structure on 31 December 2023

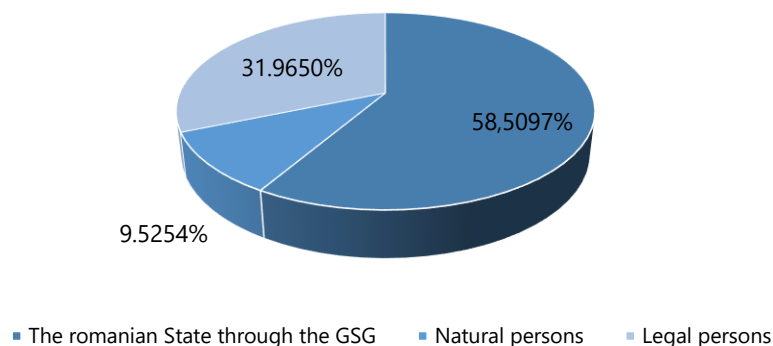


Chart 12 - Shareholding structure at 28 June 2024

Regarding the number of shareholders, as at 28 June 2024, the company had 17.168 TGN shareholders, which is 3.460 shareholders more than on 29.12.2023.

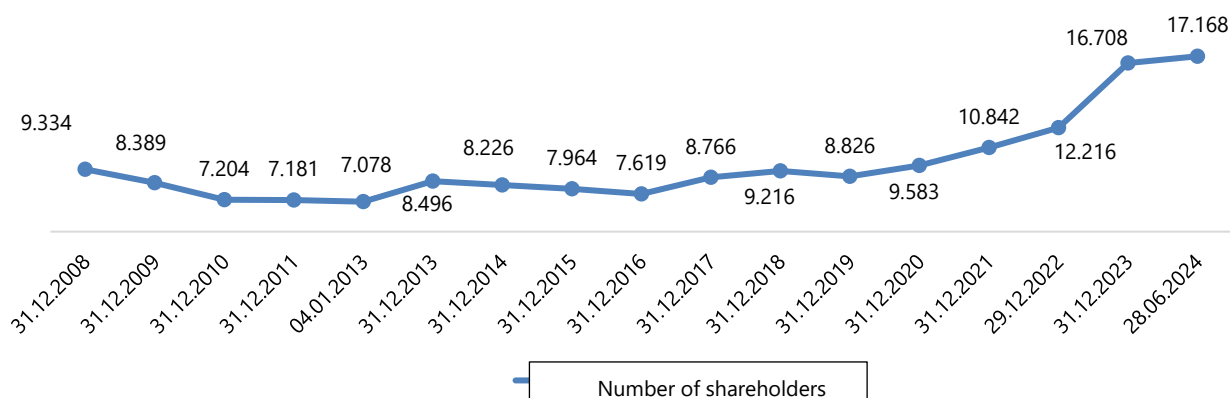


Chart 13 – Evolution of the number of Transgaz shareholders from the BSE listing date and until 28.06.2024

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 Calea Boar 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:** 155 Victoriei Blvd., building D1, area 6, floor 11.

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

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 31.12.2023 were as follows:

- **ION STERIAN** - *Executive Administrator - Director – General;*
- **PETRU ION VĂDUVA** - *Non-Executive Administrator – Chairman ;*
- **NICOLAE MINEA** - *Independent Non-Executive Administrator;*
- **ILINCA VON DERENTHALL** - *Non-Executive Interim Administrator until 16.03.2024;*
- **ADINA LĂCRIMIOARA HANZA** - *Non-Executive Interim Administrator until 16.03.2024.*

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

Special agreements/arrangements or family ties

According to the information provided by the administrators, there is no agreement, arrangement or family relationship between that person and any other person by virtue of which that person was appointed as administrator.

Administrators' shareholding in Transgaz

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

Disputes or administrative proceedings

In the last 5 years there were no litigations or administrative proceedings involving persons who are part of the administrative or executive management.

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 2024:

No.	Name and first name	Position	Number of shares on 30.06.2024	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 8 - Members of Transgaz' executive management holding TGN shares in the company on 30.06.2024

The executive management of SNTGN Transgaz SA as at 30 June 2024:

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.	Tătaru Ion	Director/Deputy Director - General-delegated	Development Division
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.	Mateș Angela Aneta	Director	HR Organization Division
9.	Târsac Grigore	Deputy Director/ Development Division Director -delegated	Natural Gas Quality Measurement Unit
10.	Bunea Florin	Director	Operation Division
11.	Sârbu Ionel	Director	Land Regulation and Acquisition Division
12.	Oancea Paul	Director/ Exploitation Maintenance Division Director -delegated	Exploitation 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.	Stroi Dan	Director/Research and Design Division Director delegated	Chief Engineer Design
19.	Oniga Ciprian	Director/ Research and Design Division Director delegated	Special Projects and Technical Support Unit
20.	Codreanu Liudmila Gabriela	Director	Internal Audit Unit
21.	Ene Alin	Director/General Inspection Division Director delegated	Control Unit
22.	Vlahbei Andra	Deputy Director/Unit Director delegated	Gas Regulation Unit
23.	Drăghici Aurelian	Director	Projects Analysis, Checking and Endorsement Unit
24.	Lupu Emil	Director	Archaeological Unit
25.	Voican Nicolae Adrian	Subsidiary Director	Mediaş Subsidiary
26.	Colcer Elena Gabriela	Economist/Chief Financial Officer Officer delegated	Mediaş Subsidiary
27.	Alexandru Ionel	Director	Arad Regional Office
28.	Schimdt-Hăineală Eduard-Cristian	Director	Bacău Regional Office
29.	Dumitru Nicuşor	Director	Brăila Regional Office
30.	Pârlea Mirel	Engineer/Regional Office Director delegated	Braşov Regional Office
31.	Gurgu Victorel	Regional Office Director/PMU Project Manager Manager delegated	Bucharest Regional Office
32.	Goia Petru	Cluj Sector Engineer/Regional Office Director delegated	Cluj Regional Office
33.	Andrei Romeo	Director	Constanta Regional Office
34.	Niţă Viorel	Director	Craiova Regional Office
35.	Oancea Paul	Director	Mediaş Regional Office

Table 9 -Transgaz' executive management on 30.06.2024

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
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Table 10 - Vestmoldtransgaz SRL management members on 30.06.2024

EUROTRANSGAZ SRL management team structure:

	EUROTRANSGAZ	Name and Surname
1	Administrator	Lupean Marius Vasile
2	Administrator	Vasilica Grăjdan
3	Administrator	Tătaru Ion

Table 11 - Eurotransgaz SRL management members on 30.06.2024

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 2024, Transgaz Group had 4.021 employees, of which SNTGN Transgaz SA had 3.955 employees.

No.	Indicator	2021	2022	2023	Half I 2024
1	Number of Transgaz employees	4.050	4.029	4.022	3.955
2	Number of VMTG employees	34	31	61	63
3	Number of Eurotransgaz employees	3	3	3	3
TOTAL		4.087	4.063	4.086	4.021

Table 12 - The evolution of the number of Transgaz Group personnel between 2021-Half I 2024

The evolution of the number of Transgaz personnel in 2021-Half I 2024:

Specification	2021	2022	2023	Half I 2024
Number of employees at the beginning of the period	4.145	4.050	4.029	4.022
Number of persons employed/resuming activity	210	243	258	95
Number of employees who terminated/suspended their working relations with the company	305	264	265	162
Number of employees at the end of the period	4.050	4.029	4.022	3.955

Table 13 – Number of Transgaz employees between 2021- Half I 2024

SNTGN Transgaz SA employees structure as at 30 June 2024:

a) By category of studies

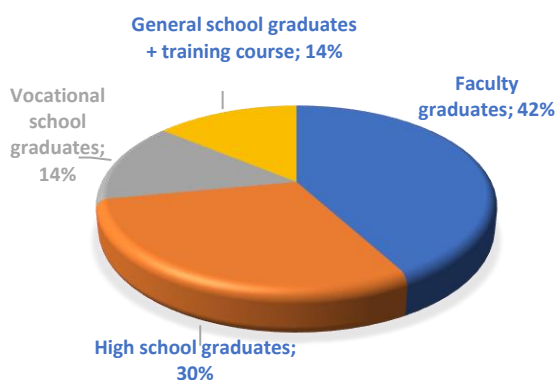


Chart 14- Personnel structure by categories of studies as at 30 June 2024

b) By gender

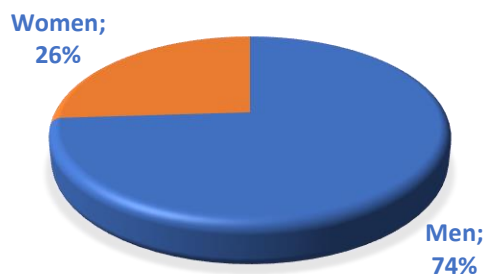


Chart 15 - Personnel structure by gender as at 30 June 2024

c) By headquarters and regional offices

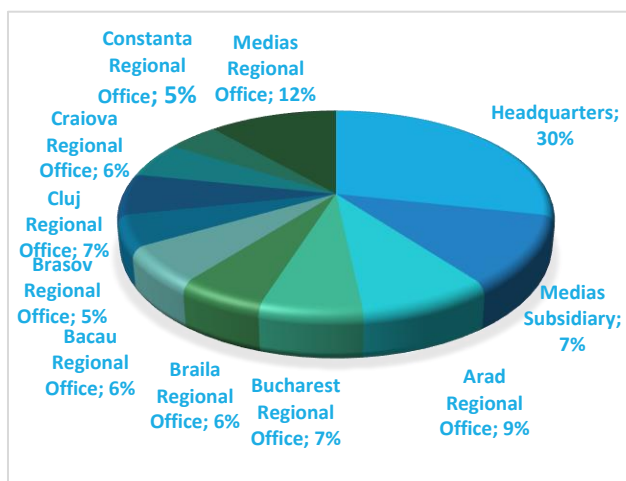


Chart 16 – Personnel structure by headquarters and regional offices as at 30 June 2024

d) By activities

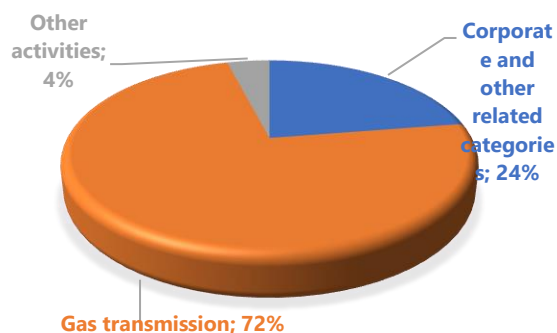


Chart 17 - Personnel structure by activities as at 30 June 2024

e) By age categories

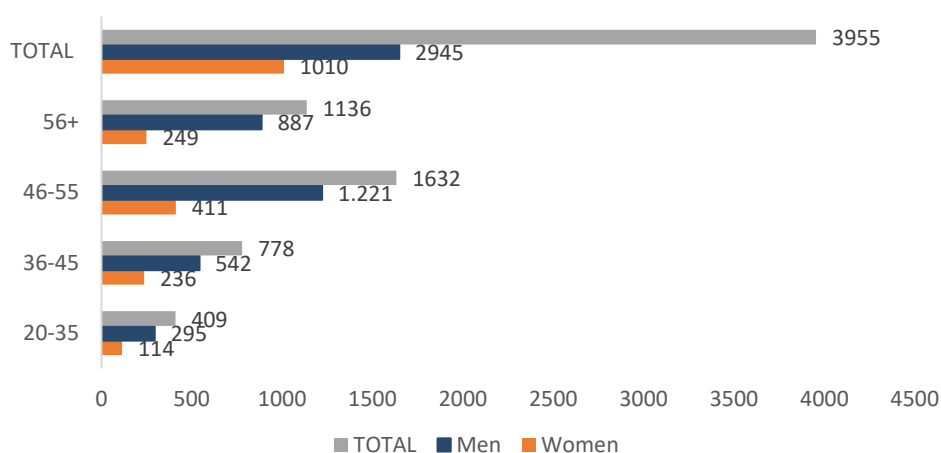


Chart 18 - Personnel structure by age categories as at 30 June 2024

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.

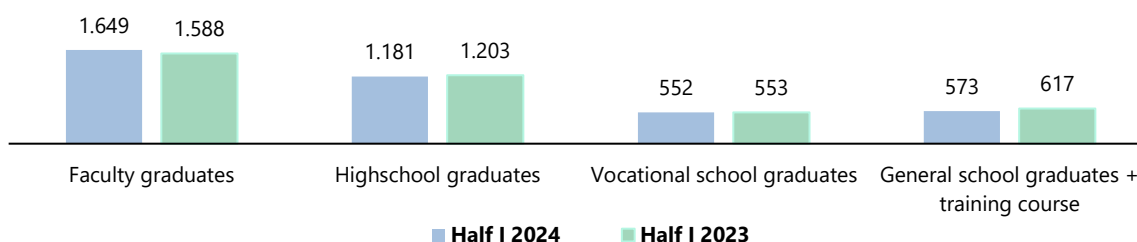


Chart 19 - Personnel structure by categories of studies in Half I 2024 compared to Half I 2023

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.

This is regulated by the following legislative documents: Law 53/2003 (Labour Code), republished, as amended and supplemented; GO 129/2000 on adult vocational training, republished, as amended, approved by Law 375/2002, as amended; Law 227/2015 on the Tax Code, as amended.

The process of training employees with external training providers is carried out on a continuous and planned basis, through the participation of employees in training programs (courses, conferences, seminars, workshops and other similar types of events), hereinafter referred to as courses.

The courses aim to develop theoretical and practical knowledge common to most professions and to develop theoretical and practical knowledge specific to certain fields of activity, both of which are necessary for the performance of work, in order to fulfil the duties of the job.

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 2024, through the External Training and Career Management Unit, together with the Performance Evaluation and Improvement Office and the Authorization Support and Compliance Office, 54 training and professional development courses were initiated and carried out for a total of 489 participants.

At the end of Half I 2024, the degree of unionization of the labour force was 97,55 %, out of a total of 3.955 employees, 3.858 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 Metan Mediaş Professional Trade Union;
- The CERTEH Mediaş Technological Research Trade Union;
- The SNTGN TRANSGAZ SA Mediaş Free Trade Union;

The Transport Gaz Medias Trade Union is the representative union at the unit level, according to Law 367/2022 of the Social Dialogue, Art. 54 (1) C, which is why they represent the employees of the company when concluding and carrying out the collective labour contract concluded at the level of SNTGN TRANSGAZ SA. The relations between the employer and the employees are regulated by the Collective Labour Contract at the company level as well as by the individual labour contracts.

Since 25.06.2024 a new Collective Labour Contract entered into force at SNTGN TRANSGAZ SA, with a validity of 24 months, registered at the Territorial Labour Inspectorate Sibiu under no. 104/18.06.2024 in the Single Register of Records.

The relations between the employer and the employees are in line with the legal provisions in force in Half I 2024 and there are no conflicting elements connected to these relations.

3.8 Transgaz on the Bucharest Stock Exchange

TGN shares are attractive portfolio shares due to the company's business scope, the monopoly Transgaz holds in the natural gas transmission, 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.

SNTGN TRANSGAZ SA, through the efficient use of managerial tools and the responsible execution of the measures undertaken towards shareholders, investors, business environment and the community, managed to perform on the capital market, in the 6-month period ended on 30 June 2024, ranking 10 in the Top 15 companies listed on the Bucharest Stock Exchange, by market capitalization, according to the Monthly Bulletin issued by Bucharest Stock Exchange.

For financial year 2023, in accordance with the provisions of Resolution 3 of the Ordinary General Meeting of the Shareholders of 24.04.2024, the National Gas Transmission Company Transgaz SA makes dividend payments through Depozitarul Central SA and Banca Transilvania, the designated payment agent, as of 18 July 2024 (the payment date), for the shareholders registered as at 28 June 2024, the value of the gross dividend/share being lei 0,35.

TGN share

In the second half of Half I 2024, the closing price of TGN shares followed an upward trend, registering values significantly higher compared to the same period of 2023, with a period peak of lei 24,30/share recorded on 21.06.2024, on the background of approaching 28.06.2024, the registration date for the payment of dividends for financial year 2023.

In January 2024, the closing price of the TGN share followed an upward trend, recording higher values compared to the same period of 2023. Thus, against the background of Transgaz's development of the Climate and Decarbonization Strategy for a phased transition to a climate-neutral activity, as well as the steps taken by the company's management for the signing between SNTGN Transgaz SA and the Ministry of Energy of financing contracts amounting to EUR 93 million for two investment projects (the Black Sea - Podișor gas transmission pipeline and the Ghercești-Jitaru gas transmission pipeline), the closing price of the TGN share recorded the value of lei 19,14/share, 6% higher than in January 2023.

Later, following the publication of the preliminary financial results as at 31.12.2023, the closing price of TGN shares recorded a slight decrease, reaching on 29.02.2024 the value of lei 19,02/share.

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 proposal of the dividend amount for financial year 2023, the TGN share price reaches on 28.03.2024 a monthly peak of lei 19,62/share. Compared to the end of March 2023, the closing price of TGN share on 29.03.2024 was lei 19,42/share, which is lower by 0,4%.

In April, the closing price of the TGN share continued its downward trend, registering on 30.04.2024 the value of lei 18,90/share, approximately 10% less than on 30.04.2023, i.e. lei 21,03/share.

Later, in May, against the background of the publication of the financial results for the Q I 2024, in the context of Fitch's affirmation of the company's BBB- rating with a stable outlook, following the signature by the company's management of the financing contract with the Ministry of Energy for gas supplying to Mintia Power Plant and based on the approval of the transmission tariffs by

ANRE, the TGN share price increased by approximately 46% compared to the same period of the previous year, amounting to lei 22,45/share on 31.05.2024.

In June the TGN share continued its upward trend, registering on 21.06.2024 the value of lei 24,30/share, a peak of the analysed period, mainly due to approaching 28.06.2024, the registration date for the payment of dividends for financial year 2023. Compared to the end of June 2023, the closing price of the TGN share on 30.06.2024 increased to lei 23.70/share, which is higher by 34%.

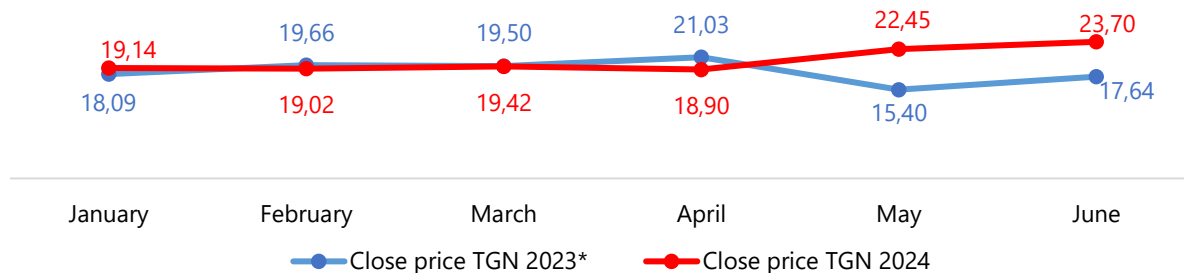


Chart 20 - The closing price of the TGN shares in 01.01.2024 – 30.06.2024 vs. 01.01.2023 – 30.06.2023

* 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 03.01-28.04.2023, taking into account the operation of increasing the share capital of SNTGN Transgaz SA by incorporating the reserves with 03.05.2023 the registration date and 04.05.2023 the payment date.

Traded volumes and transaction values for the period ended 30 June 2024 registered higher values compared to Half I 2023. Thus, in the first 4 months of 2024 the traded volumes recorded an average growth approximately 16 times higher than compared to the same period of 2023.

Later, in May and June 2024, they registered lower values compared to the same period of 2023, due to the fact that on 04.05.2023 the operation of increase of the share capital of SNTGN Transgaz SA took place by incorporation of reserves, constituted from the net profit of the previous financial years in the amount of lei 1.766.076.600 from the amount of lei 117.738.440 to the amount of lei 1.883.815.040, by issuing 176.607.660 new shares, and each shareholder registered in the Transgaz shareholder register on the registration date received free of charge a number of 15 shares for 1 share held.

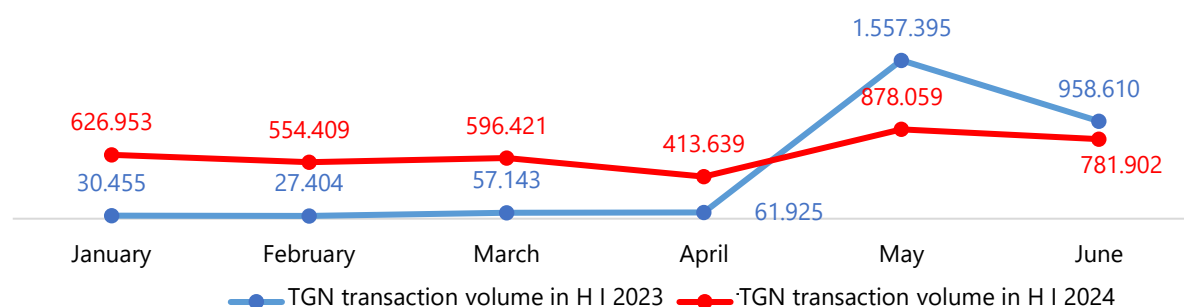


Chart 21 - TGN transactions volume in 01.01.2024 – 30.06.2024 vs. 01.01.2023 – 30.06.2023

In Half I 2024 trading values were oscillating compared to the same period in 2023.

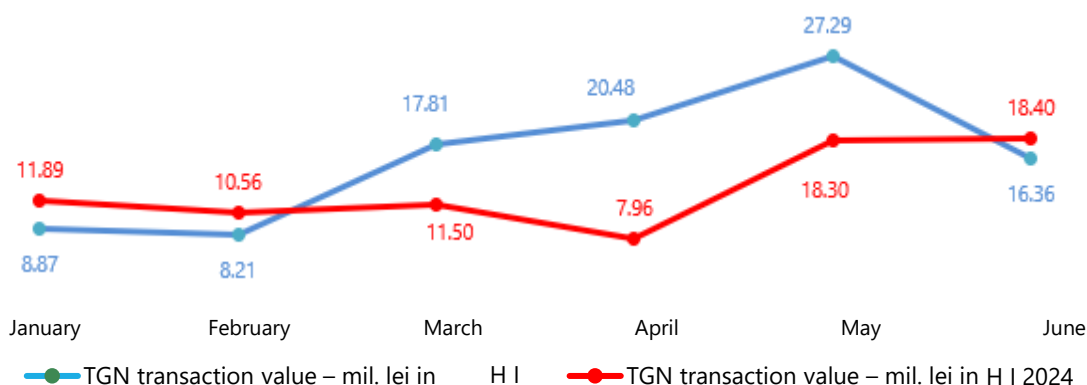
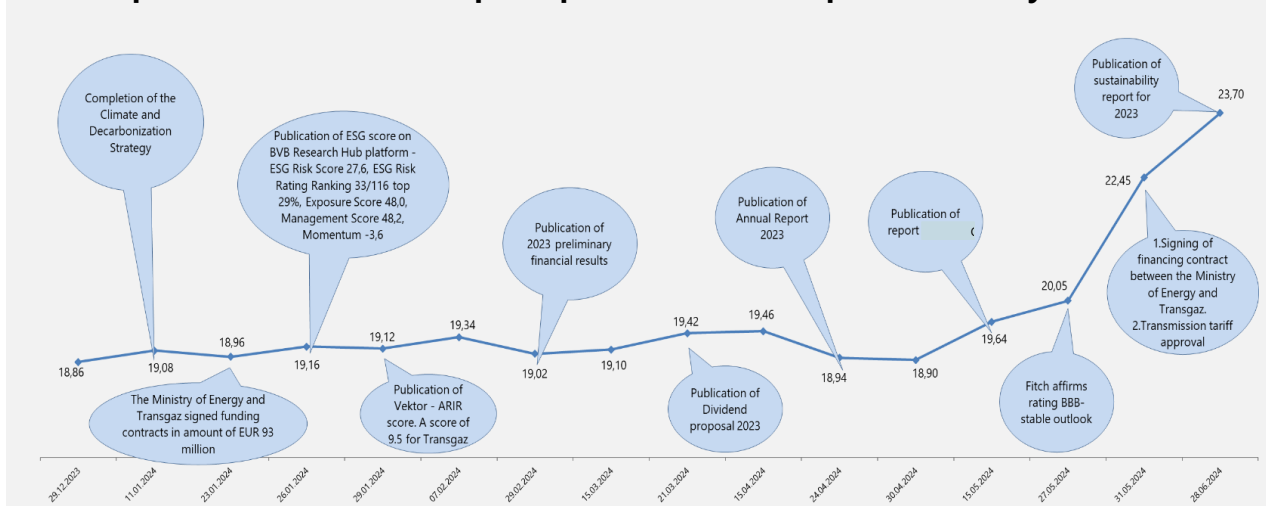


Chart 22 - TGN trading value – mil. lei in 01.01.2024 – 30.06.2024 vs. 01.01.2023 – 30.06.2023

Main corporate events with an impact upon the TGN share price in January - June 2024



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

Date	P/BV	PER*	DIVY	EPS
30.06.2024	1,06	24,04	1,48	0,99
30.06.2023	0,80	9,57	3,97	1,84

*date PER 31 December 2023 and 31 December 2022

In the six month period ended 30 June 2024, **the P/BV ratio** (a share price to book value ratio) increased compared to the same period of 2023, the over-unit value of this indicator showing that the TGN share is correctly valued by the market.

At the same time, **the PER ratio** (share price to earnings ratio) recorded a net higher value compared to the value recorded on 30.06.2023, reflecting investors' confidence in the company's activity but also the fact that the TGN share is an expensive share.

The decrease in **dividend yield (DIVY)**, compared to the value recorded on 30.06.2023, was determined by the lower value of the gross dividend for financial year 2023, namely lei 0,35/share (according to OGMS 3/24.04.2024) as compared to lei 0,70/share (according to OGMS 5/27.04.2023).

Also, from the data presented it results that the **EPS (profit per share)** decreased in Half I 2024 as compared to the same period of 2023, recording a value of 0,99, due to the increase in the number of TGN shares on the market as a result of the company's share capital increase and decrease of the profit for financial year 2023.

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

On 28 June 2024, the last trading day of the year, the weighting of the TGN share in the composition of the stock market indices analysed above is as follows:

Name of stock market index	Place	Share in index
BET (the BSE reference index, it represents the 10 most liquid companies listed on the BSE)	9	3,09%
BET-BK (benchmark index, calculated as a price index weighted by the free float capitalisation of the most traded companies listed on the BSE regulated market)	12	4,66%
BET-NG (sector index / energy - utilities)	6	5,72%
ROTX price index weighted by free float capitalization and reflecting in real time the movement of "blue chip" shares traded on the Bucharest Stock Exchange)	9	3,30%
BET-XT (blue-chip index reflects the price evolution of the most liquid 25 traded companies)	9	3,07%
BET-TR (total return index, based on the structure of the market reference index, BET, and reflects both the price evolution of the component companies and the dividends they offer)	9	3,11%
BET-XT-TR (the total return BET-XT index, including the 25 most traded Romanian companies listed on the Bucharest Stock Exchange. The BET-XT-TR index reflects both the price evolution of the component companies and the dividends they offer)	9	3,10%

Stock market capitalization

The stock market capitalization of the company at the end of Half I 2024 increased compared to the same period of the previous year by approximately 38%, that is by lei 1.233 million (~ EUR 228 million), from lei 3.323 million (EUR 669 million) registered on 30.06.2023 to lei 4.645 million (~EUR 897 million) registered on 30.06.2024.

Currency	2024		2023	
	03.01.2024	30.06.2024	03.01.2023	30.06.2023
LEI	3.541.572.275	4.464.641.645	3.396.753.994	3.323.049.731
EURO	712.145.799	897.036.757	689.374.301	669.510.765
Euro/BNR exchange rate	4,9731	4,9771	4,9273	4,9634

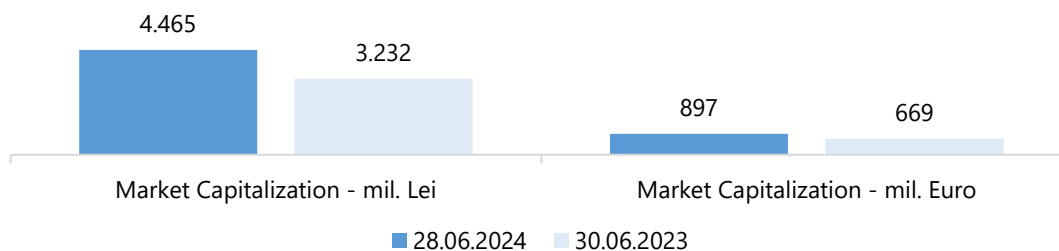


Chart 23 - Stock market capitalization of Transgaz on 30.06.2024 vs. 30.06.2023

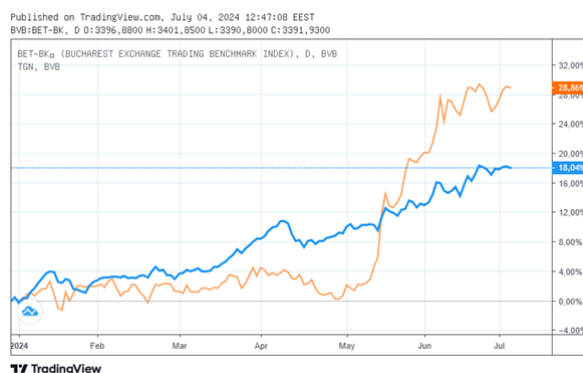
Following the market capitalization registered by the company in June 2024, the Bucharest Stock Exchange ranked Transgaz **10 in the Top 15 companies listed on the Bucharest Stock Exchange, by market capitalization.**

The TGN share compared to BET, BET-BK, BET-TR, ROTX, BET-NG and BET-XT stock indices in Half I 2024:

TGN VERSUS BET



TGN VERSUS BET-BK



TGN VERSUS ROTX



TGN VERSUS BET-NG



TGN VERSUS BET-TR



TGN VERSUS BET-XT



Source: <http://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 2024

As it can be noted, 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 in the first part of Half I 2024, after which, in the middle of the semester, it registered an evolution with values below those of the main stock market indices. Later in the last part of Half I 2024, the TGN share changed the trend with an evolution above the values recorded by the main stock market indices.

Dividend policy

In 2024 the proposal for determining the value of the dividends for financial year 2023 was established according to GO 64/2001 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 as amended, of the specifications approved by Order 144/2005 of the Minister of Public Finance on the approval of the Specifications for determining the amounts subject to profit distribution in accordance with Government Ordinance 64/2001 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, approved as amended by Law 769/2001, as amended, and of Law 227/2015 on the Tax Code.

The distribution of the net profit as dividends was 51,12090909%. The distribution ratio foreseen in the revenue and expense budget for year 2023 approved by OGMS Resolution 2/16.02.2023 is 50%.

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.

Thus, in accordance with OGMS Resolution 3/24.04.2024, SNTGN Transgaz SA paid dividends through Depozitarul Central SA and Banca Transilvania, the appointed paying agent, starting from 18 July 2024 (the date of payment), for the shareholders registered at the registration date of 28 June 2024, the value of the gross dividend/share amounting to lei 0,35.

Transgaz' rating

From 2006 to March 2019, S&P Global Ratings rated 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 obtaining the most advantageous sources of funding and also providing a valuable instrument investors in the IPO stock listing process as well as the SPO. Thus, S&P Global Ratings published the latest report in 2018, revising the outlook for Transgaz, from stable to negative, and, at the same time, it affirmed the company's credit rating at BB +.

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

The most recent review dated May 2024, Fitch Ratings confirming the company's rating of **'BBB-' with Stable Outlook**. According to the opinion of the assessors presented in the rating report *"The ratings reflect SNTGN TRANSGAZ SA's (Transgaz) solid business profile as the concessionaire and operator of the gas transport network in Romania, which we perceive as broadly unchanged following the recent addition of Moldova's gas TSO operations, as well as our expectation of regulatory continuity into the new five-year regulatory period (RP5), whose start has been postponed by one year to October 2025"*.

3.9 List of all entities where Transgaz holds shares

- **SC MEBIS SA Bistrita**, based in Bistrita, (J06/150/1991), where SNTGN Transgaz SA 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. SNTGN Transgaz SA has no obligations towards SC MEBIS SA;
- **SC Resial SA** with headquarters in Alba Iulia (J01 / 77/1991), where SNTGN Transgaz SA 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 SNTGN Transgaz SA owns 100% of its share capital with the objective of producing, transporting, distributing, storing and supplying natural gas, pipeline transport, storage as well as business consulting activities; management (establishment of this subsidiary was approved by EGMS Resolution No. 10 of 12.12.2017); in 2018, the subsidiary purchased State Enterprise Vestmoldtransgaz.

- **Shareholding in TRANSPORT ROMANIA HIDROGEN S.R.L.**

The incorporation of the a limited liability company for hydrogen transmission with SNTGN Transgaz SA as sole shareholder was approved by EGMS Resolution No. 5 dated 05 June 2024.

4. ACTIVITY ANALYSYS

4.1 Operation activity

Domestic gas transmission ensures the fulfilling of all obligations of Transgaz to provide NTS access to network users in equivalent, non-discriminatory and transparent conditions and contract clauses.

In Half I 2024, a total of 516 contracts were concluded and signed with network users, or the duration of contracts was extended, of which 512 contracts for domestic points and 4 contracts for cross-border interconnection points, for gas transmission services, including annual, quarterly, monthly, daily, within-day capacity products for National Gas Transmission System entry/exit points, including for the Csanadpalota, Ruse - Giurgiu, Negru Vodă 1/Kardam and Isaccea 1/Orlovka and Ungheni interconnection points.

The total number of gas contracts concluded for gas transmission with capacity booking at the domestic NTS entry/exit points, concluded in Half I 2024, by booking period:

Contract type	Annual	Quarterly	Monthly	Daily	Total
No. of contracts	6	38	457	11	512

The gas quantities circulated and transmitted through the National Transmission System (NTS) and the technological consumption in 01.01.2021-30.06.2024 are as follows:

Indicator	MU	2021	2022	2023	Half I 2024
1	2	3	4	5	6
Circulated gas	thousand cm	14.098.211	13.106.226	13.110.875	6.504.954
Transmitted gas	thousand cm	14.026.269	13.032.066	13.055.920	6.472.933

NTS gas consumption	thousand cm	70.188	70.739	57.690	30.782
The share of NTS gas consumption / circulated gas	%	0,50%	0,54%	0,44%	0,47%

Table 14 - Gas quantities circulated, transmitted, and NTS gas consumption in 2021-Half I 2024

The gas quantities circulated and transmitted through the National Transmission System, NTS consumption and the quantity stored, planned and achieved in Half I 2024, compared to the same period of the previous year, is as follows:

	MU	Half I 2023			Half I 2024		
		Planned	Achieved	%	Planned	Achieved	%
Circulated gas	thousand cm	6.694.715	6.392.623	95,5	7.367.175	6.504.954	88,3
Transmitted gas	thousand cm	7.422.702	6.363.964	85,7	7.336.253	6.472.933	88,2
NTS gas consumption	thousand cm	33.413	30.640	91,7	30.922	30.782	99,6
Stored gas	thousand cm	784.389	954.873	121,7	896.404	903.988	100,85

Table 15 - Planned vs achieved gas quantities circulated, transmitted and NTS consumption in Half I 2024 and Half I 2023

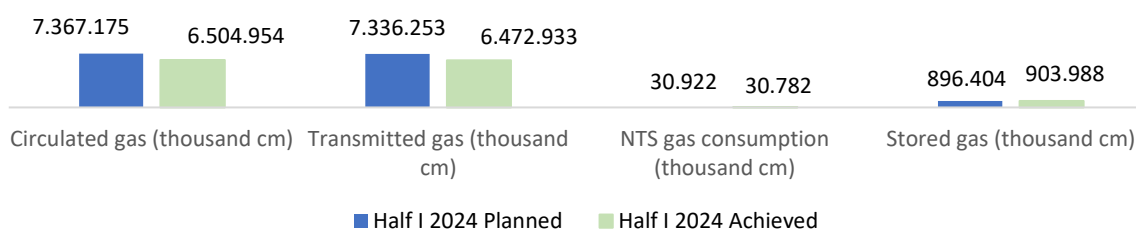


Chart 25 - Planned vs. achieved gas quantities circulated, transmitted and NTS consumption in Half I 2024

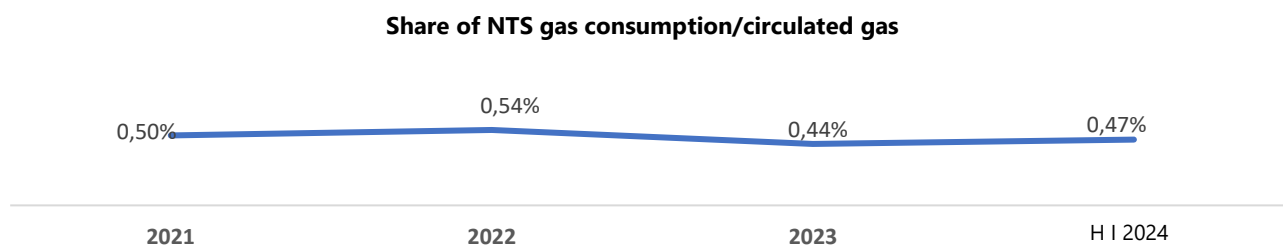


Chart 26 – The share NTS gas consumption in total circulated gas in 2021-Half I 2024

	2021	2022	2023	Half I 2024
PLANNED NTS GAS CONSUMPTION–thousand cm	79.423	86.136	60.880	30.922
ACHIEVED NTS GAS CONSUMPTION–thousand cm	70.188	70.739	57.690	30.782

Table 16 – Gas quantities as NTS gas consumption achieved vs planned in 2021-Half I 2024

The main beneficiaries of the gas transmission service in Half I 2024:

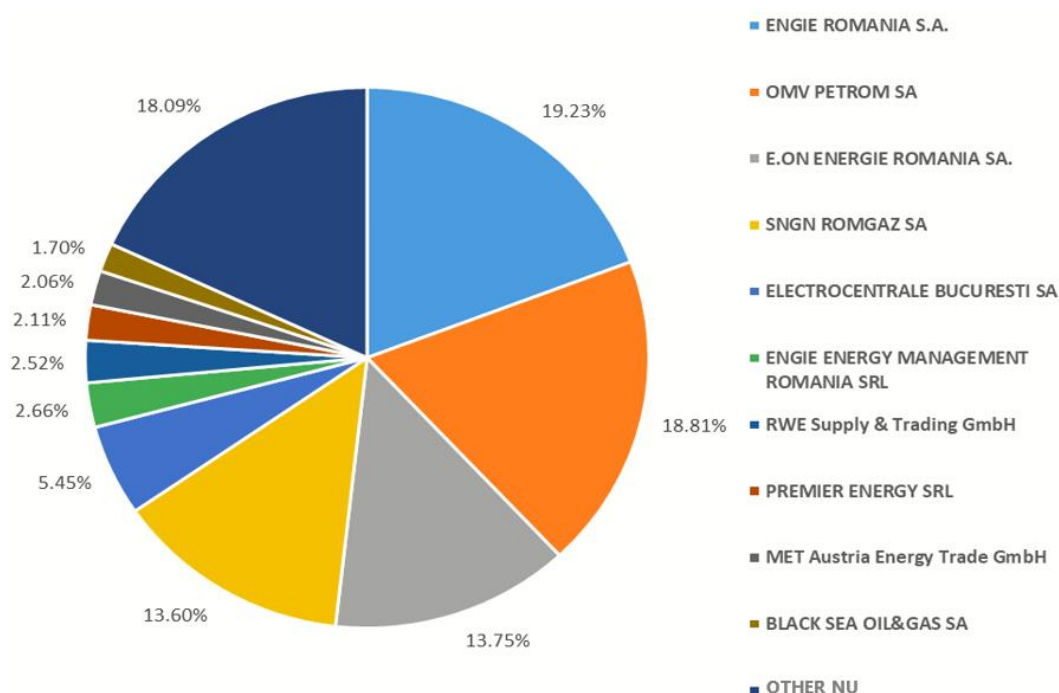


Chart 27 - The share of the main NTS users in Half I 2024

Through the **transmission services** contracted in Half I 2024, the total quantity of 69.257.207,321MWh (6.472.932,907 thousand cubic meter) was transported to:

	MWh	thousand cm	%
Distribution	37.504.153,594	3.507.416,242	54,15
Direct customers	14.219.430,971	1.336.737,928	20,53
Storage	9.655.072,740	903.988,050	13,94
Export Csanadpalota, Giurgiu Ruse, Negru Voda, Ungheni	7.878.550,016	724.790,687	11,38

4.2 The investment activity

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

The amount of investment funds for 2024, initially approved in the revenue and expense budget was lei **1.956.778.277** according to Board of Administration Resolution 36/19.12.2023.

Compared to the total value of the program of **lei 1.956.778 thousand**, the total value of achievements is lei **639.962** thousand, which is a program fulfilment of **32,70%**.

In January 2024, the structure of the Modernisation and Investment Development Plan was as follows: 80,84% works in progress from 2023, 6,79% works in the procurement procedure, 5,90% works at the engineering phase, 3,80% works not requested and 2,68% contracted works awaiting commencement order to be issued.

Modernisation and Investment Development Plan – January 2024

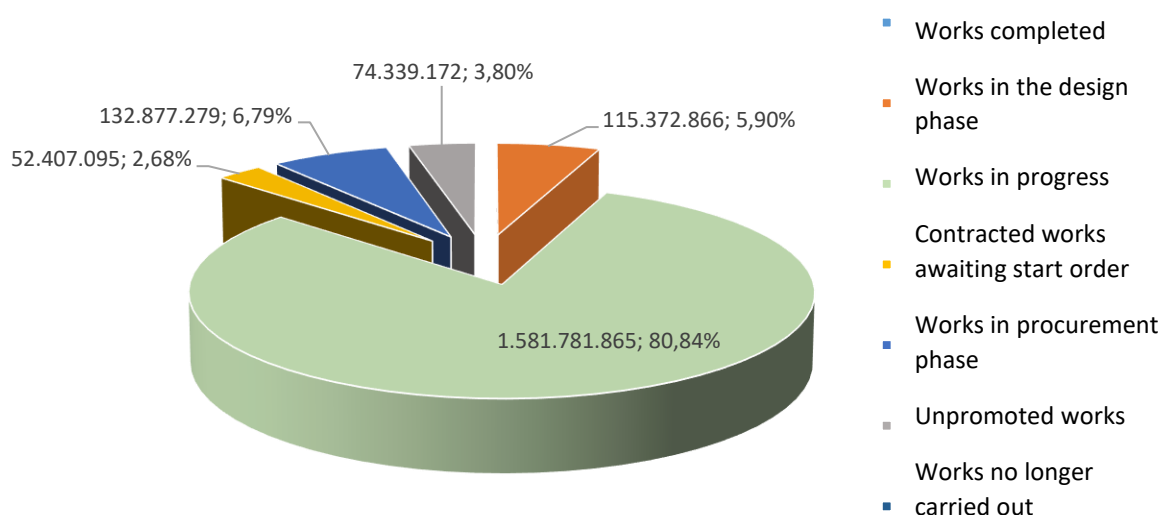


Chart 28 – Modernisation and Investment Development Plan 2024 – January 2024

At the end of H I 2024 the structure of the Modernisation and Investment Development Plan was as follows: 88,30% works in progress, 5,29% works in the engineering phase, 2,91% works in procurement phase, 1,75% contracted works awaiting commencement order to be issued, 1,48 % works not requested and 0,26% 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 in the design and procurement phase.

Modernisation and Investment Development Plan - June 2024

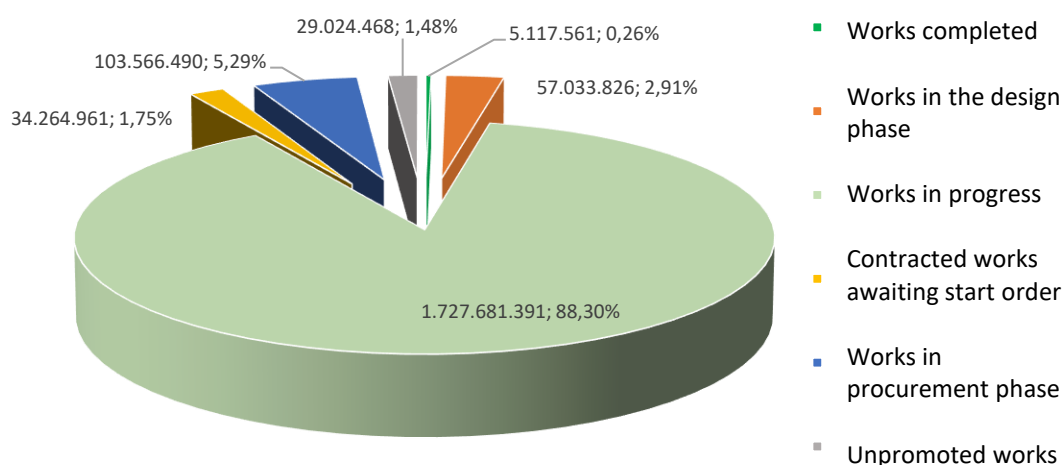


Chart 29 – Modernisation and Investment Development Plan 2024 – June 2024

The main investment objectives completed in Half I 2024 are the following:

- TN Racova - power supply to actuator and automation components;
- Capacity increase PRMS Lețcani;
- Connection and PRMS Dumbrava, Ciurea, Iași county;
- Connection and PRMS Gușoeni, VL;
- Connection and PRMS Dorobanț (Aroneanu), Iași county;
- Arranging the crossroad between DN73A - KM 16+305 with the access road to TN Stâlp 89 Râșnov and modernization of the access road to the objective;
- Securing DN300 connection pipeline Stejari MP connection in the vicinity of Amărăzuia stream, Gorj county;
- Cathodic protection on the gas transmission DN400 connection pipeline MRS Alprom Slatina, Olt county;
- Flow computer type ERZ-2000 NG;
- Securing the gas transmission pipelines DN 500 Filipești - Răzvad and DN 400 Filipești - Moreni, undercrossing of the Cricovul Dulce river, I.L. Caragiale area, Dâmbovița county - acceptance underway;
- Securing the above-crossing over the Tarnava Mica river with DN200 Fântânele-Sovata gas transmission pipeline, Chibed area, Mures county
- Replacement of the undercrossing of the county road, railway Bucharest Beltway and railway Progresu of the gas transmission pipeline DN 700 Bucharest Ring, Moara Domneasă-Măgurele section;
- DN 500 Plătărești-Bălăceanca gas transmission pipeline - acceptance underway

- Securing DN 350 Cășei-Baia Mare gas transmission pipeline at the undercrossing of the Craica stream, Baia Mare area, Maramureș county - acceptance underway

The main works in progress:

- Development on the Romanian territory of the Southern Transmission Corridor for taking over the Black Sea gas, Black Sea–Podișor Gas Transmission Pipeline;
- DN600 Mihai Bravu – Siliștea gas transmission pipeline and transformation into a piggable pipeline, Danube Undercrossing Măcin Arm and Borcea Arm;
- MRS Timișoara I – MRS Timișoara III gas transmission pipeline (including power supply, cathodic protection and optical fiber);
- Deta - Denta - Moravița gas transmission pipeline, Timiș County;
- Tg. Neamț - Balțatești gas transmission pipeline, Neamț county;
- Modernization of central hardware and software infrastructure - servers and SCADA operator stations;
- Securing DN 800 Butimanu - Brazi gas transmission pipeline at the Prahova river undercrossing, Stâncești area, Prahova county;
- Deviation of DN 800 Onești-Han Domnești and DN 500 Onești-Adjudul Vechi, gas transmission pipelines at Căiuți, Bacău county;
- Securing DN 800 BRUA gas transmission pipeline, Jupânești area, Gorj county
- Modernization of CS Vințu;
- Ariniș - Oarța de Jos gas transmission pipeline (including power supply, cathodic protection and optical fiber);
- MRS Moinești I (Dealul Mare) connection to the NGNTS and to the gas Distribution System;
- Location of metallic containers module for offices and storage spaces for Ploiești sector;
- Construction of administrative building and materials storage at the Bucharest Regional Office (design and execution);
- Connection and PMRS CC Thermoenergy, Bacău, BC county;
- Capacity increase PRMS Reditu, IS;
- Connection and PRMS Copalău, BT;
- Connection and PRMS Valea Mare Pravăț, Argeș county;
- Connection and PMRS Visina, Olt county;
- Connection and PMRS Borlești, Neamț county;
- Connection and PRMS Almaj, Dolj county;
- Connection and PRMS Niculești, Dâmbovița county;
- Connection and PRMS Botești, Neamț county;
- Connection and PRMS Târgu Trotuș, Bacău county.
- Connection and PRMS Toplița, Harghita county.

The main works under procurement are:

- Natural gas transmission pipeline Prunișor-Orșova-Băile Herculane-Jupa;
- Natural gas transmission pipeline Tetila-Horezu-Râmnicu Vâlcea (including power supply, cathodic protection and fiber optics);

- CTGN Bentu, CTGN Siliștea București-Cotu Ciorii;
- Natural gas transmission pipeline to supply natural gas to CET Mintia (including electricity supply, cathodic protection and fiber optics);
- Natural gas transmission pipeline Ghercești - Jitaru;
- Coupling of the overhead crossing of the Siret river in the DN 800 Han Domnești-Tecuci natural gas transmission pipeline, Cosmești area
- Replacement of the natural gas transmission pipeline DN 500 Moinești-Dărmănești, in the area of Dărmăneasca-Dărmănești, Bacău county;
- Securing the aerial crossing of the Arieș river with the natural gas transmission pipeline DN 500 Ozd - Câmpia Turzii in the area of Luncani, Cluj county;
- Connection and PMRS Ciumeghiu, BH;
- Capacity increase PMRS Tămășeni (existing), Neamț county;
- Connection and PMRS Cefin 2, Ilfov county;
- Capacity increase PMRS Brătuleni Vorovești, Iași county;
- Connection and PMRS Budești, Vâlcea county

Main works in the process of drafting the technical design documentation:

- Segarcea-Băilești-Calafat natural gas transmission pipeline;
- Vladimirescu-Lipova natural gas transmission pipeline;
- BRUA (Phase II);
- Natural gas transmission pipeline DN 500 Horia-Borș;
- Techirghiol-Ovidiu natural gas transmission pipeline;
- Increasing the transmission capacity of the NTS and the security of natural gas supply of the Ișalnița Electrocentrale branch (Dolj County) and the Turceni Electrocentrale branch (Gorj);
- Natural gas transmission pipeline DN 800 Bordoșiu-Coroi (including electricity supply, cathodic protection and fiber optics);
- CS Coroi;
- Connection and PMRS Roserv Green Energy Onești, Bacău county;
- Capacity increase Connection and PMRS Luna, Cluj county;
- Installation of the DN600/ANSI400 PIG receiving station in TN RECAS;
- Transmission pipeline 28" Gănești - Botorca and realization of interconnections between the new pipeline 28" Coroi - Gănești and the pipelines 28" Band - Idrifaia, respectively 24" Coroi - Botorca - Băcia (West II), in the area of Bahnea and Gănești;
- Securing of the DN 300 Agârbiciu - Sibiu pipeline, Șeica Mare area;
- Installation of a natural gas flow metering system at the GMS Negru Voda Transit 1 (flow computers, supervision system and transducers);
- Making safe the natural gas transmission pipeline DN500 Schitu Golesti-Tigveni at the aerial crossing of the stream Valea Danului, area loc. Valea Danului, Argeș county;
- Connection and PMRS Craiova Sud, Dolj county;
- Modernization and replacement of technological installations in MRS Miercurea Ciuc;
- Modernization of MK Constanta, MK Constanta;
- Valea Lungă warehouse modernization.

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 a **TYNDP**, on a yearly basis, 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 updated and approved by ANRE by Decision No. 1956/04.08.2023.**

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.

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

In the year 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 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.

Unlike BRUA Phase I, which is considered a Security of Supply project, BRUA Phase II is considered a commercial project and the Final Investment Decision will only be taken if the project is commercially viable.

Development on the Romanian territory of the transmission pipeline for taking over the Black Sea gas (Tuzla – Podișor)

The project Black Sea-Podișor 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.

On June 16, 2023, at the seat of the Romanian Government, the works commencement order for the Tuzla-Podișor gas pipeline was signed. The contract for the execution of the works worth about 500 million euro was signed with KALYON INSAAT SANAYI VE TICARET ANONIM SIRKETI from Türkiye. The state of progress of the execution works as of 30.06.2024 is about 40%.

4.3. Maintenance activity

Repair and Rehabilitation Works Programme for NTS Maintenance

The **Repair and Rehabilitation Work Plan for NTS Maintenance (PLRRM) 2024** has an allocated value of **lei 29.542.300,54**. As at 30.06.2024, the works within the Program of repair and rehabilitation works for the maintenance of the NTS (PLRRM) 2024-2026 are in various stages of execution as follows: 72,51% works in progress, 26,17% works in design and 1,33% works in procurement.

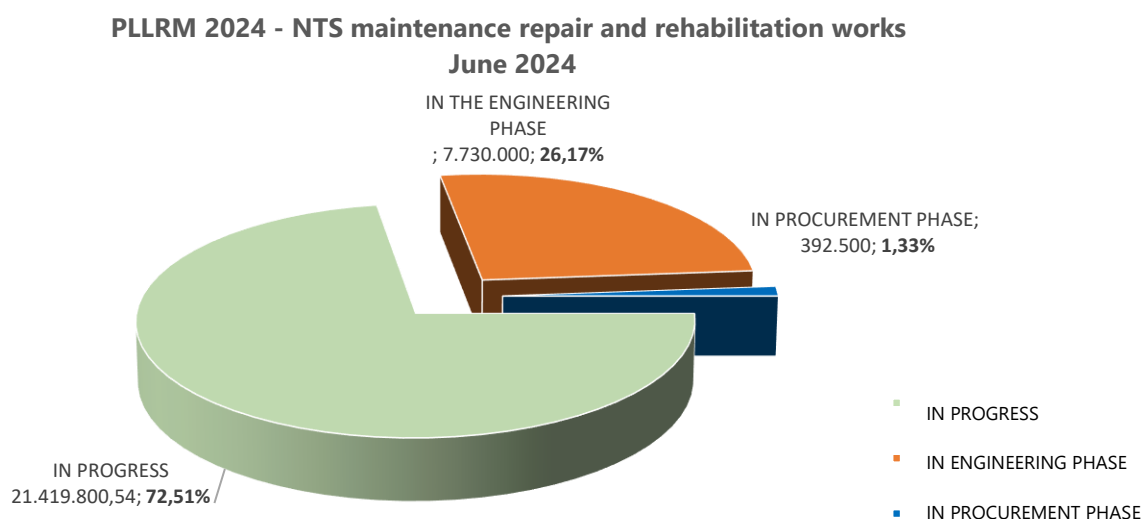


Chart 30 -PLRRM 2024- NTS maintenance repair and rehabilitation works -June 2024

Pipeline Rehabilitation and Repair Works

The Pipeline Repair and Rehabilitation works amounting to lei 27.349.600,54 represent 92,58% of the allocated budget. As at 30.06.2024 these works were in various stages of execution, as follows: 78,32% works in progress, 21,23% works in engineering phase and 0,37% works in procurement phase.

**PLLRM 2024 - Pipeline repair and rehabilitation works
June 2024**

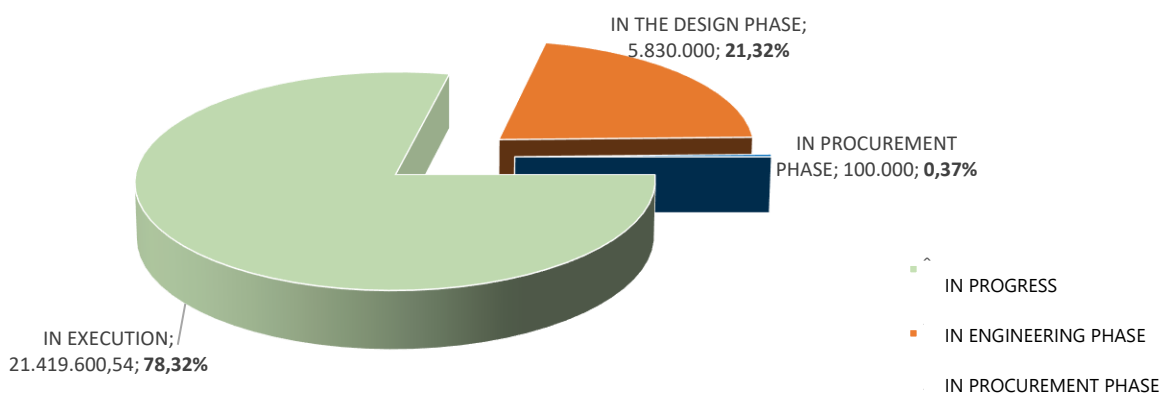


Chart 31 -PLRRM 2024-Pipeline Repair and Rehabilitation June 2024

The repair and rehabilitation works for the maintenance of the SNT in progress at the end of Half I 2024 are as follows:

- Repairs/aerial painting Bucharest Regional Office, Mediaş Regional Office, Braşov Regional Office, Cluj Regional Office;
- works on securing the DN 400 Filipeşti-Ghirdoveni and DN 500 Filipeşti-Răzvad pipelines in the Cioc plateau area;
- preparation of the natural gas transmission pipeline DN 700 Seleuş Cristur Băţani in order to convert it into a gas transmission pipeline - stage 2B (Harghita County);
- repair of the DN 500 Maşloc-Caransebeş pipeline following inspection with intelligent PIG;
- repair of the DN 1000 Isaccea-Şendreni pipeline following inspection with Intelligent PIG;
- repair of the DN 800 Şendreni-Butimanu pipeline following inspection with Intelligent PIG.

The NTS maintenance repair and rehabilitation works planned at the end of the first semester 2024 are as follows:

- preparation of the DN 500 Munteni-Bârlad pipeline for transformation into a piggable pipeline;
- preparing the DN 400 Micfalău-Sfântu Gheorghe pipeline for transformation into a piggable pipeline;
- Rehabilitation of the DN 500 Coroi-Ungheni pipeline, stage I preparation for transformation into a piggable pipeline;
- Rehabilitation of the natural gas transmission pipeline DN 700 Bucharest Ring; preparation for transformation into a piggable pipeline, section Linde Gaz-Moara Domneasă;
- repair of the DN 500 Drăgăşani-Căldăraru pipeline following inspection with intelligent PIG.

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 (PIG) 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).

All these activities are geared towards carrying out maintenance, 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 underline the main external factors with a negative impact thereupon:

- 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 blockings 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 E.T.).

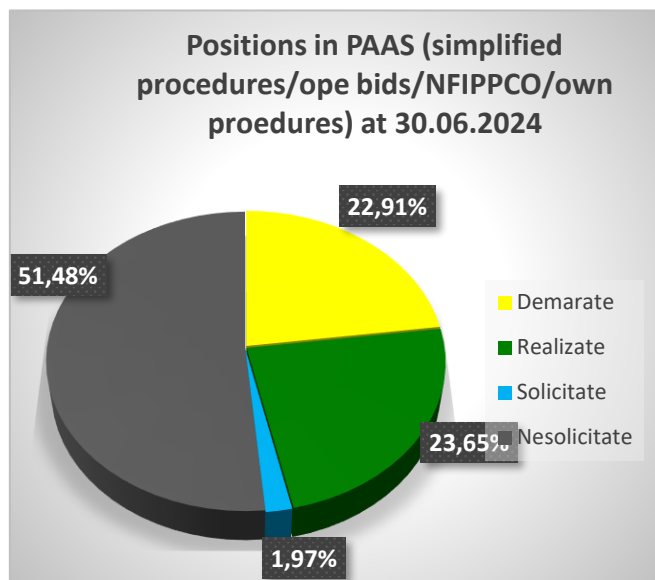
4.4 The procurement activity

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.

Annual Sectoral Procurement Plan for 2024 (PAAS 2024) had an assigned value of lei **1.687.666.371,36**.

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

SIMPLIFIED PROCEDURES/OPEN BIDS/ NFIPPCO/OWN PROCEDURES



DIRECT PROCUREMENTS

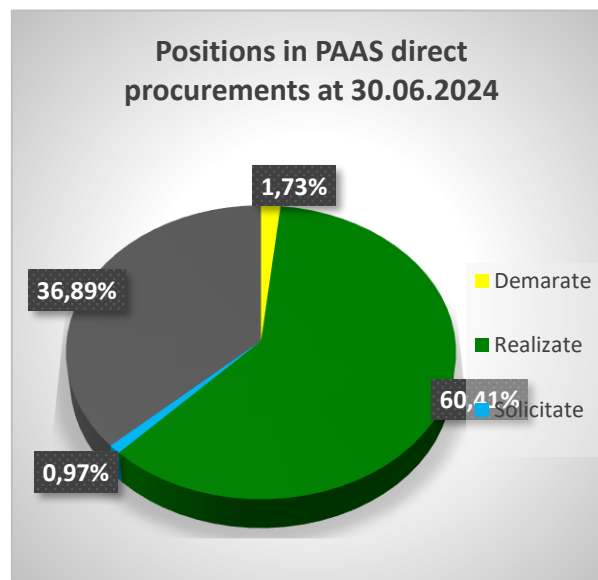


Chart 32 – Actual status of procurement procedures on 30 June 2024

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, until 31.12.2023 there were a total of **46 cases** in which SNTGN Transgaz SA was plaintiff and defendant as follows:

- **32 cases** as plaintiff;
- **14 cases** as defendant.



Chart 33 - Structure and number of cases in which the company was involved in Half I 2024

Solutions:

- **30 favourable decision cases** SNTGN Transgaz SA (final decisions);
- **16 unfavourable decision cases** SNTGN Transgaz SA (final decisions).

4.6. International cooperation activity

In the Half I 2024 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, Eustream Slovakia, Gastrade Greece, GTSOU Ukraine, Vestmoldtransgaz the Republic of Moldova)
- the cooperation with national and international bodies, the European Commission and other institutional relations
- the cooperation with gas transmission operators at the regional level for the development of new relevant partnerships for the energy sector and the conclusion of cooperation agreements or memoranda.

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

Over the years, SNTGN Transgaz SA has initiated contacts with natural gas transmission operators in the European Union and not only 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 managing the Greece-Bulgaria

Interconnection project, Botaş-Turkiye, GasConnect Austria, CEGH Austria, FGSZ – Hungary, SOCAR – Azerbaijan, EGAS Egypt, Energy Community Secretariat (SEEGAS initiative), etc.).

In Half I 2024, correspondence was ensured with the Adjacent Transmission System Operators, the European Commission and Network Users who have concluded transportation contracts and balancing and PVT access contracts with the company or who express interest in developing a collaborative relationship with Transgaz.

With the support of the European Investment Bank (EIB), SNTGN Transgaz SA has developed the Climate and Decarbonization Strategy with a view to a phased transition to a climate-neutral activity and to strengthening resilience to climate change, taking into account best practices and national and international climate change policies and regulations.

The project has been developed in the context of the European Investment Advisory Hub (EIAH) and technically supported by RINA Consulting.

The overall objective of the strategy is twofold, addressing both decarbonization and climate issues.

4.7. Internal audit

According to the Audit Plan approved for the year 2024, by BoA Resolution no. 4/31.01.2024, during the first semester, a number of 5 (five) internal audit missions were planned to be carried out.

The status of missions on 30.06.2024 is as follows:

No.	Internal audit mission	Planned mission	Ad hoc mission	Current status
1.	Evaluation of the work of the Prognosis Division	X		Finalized (Report approved by the Director General and approved by BoA Resolution no. 18/26.04.2024).
2.	Evaluation of direct purchases	X		Finalized (Report approved by the Director General and approved by BoA Resolution no. 21/30.05.2024).
3.	Evaluation of concessions activity	X		As of 30.06.2024, the mission is in the reporting phase.
4.	Evaluation of the Quality Management Service	X		As of 30.06.2024, the mission is in the on-site intervention phase.
5.	Evaluation of the activity of the IT Services Department	X		As of 30.06.2024, the mission is in the on-site intervention phase.

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 structure 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 and Sustainability 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, relation with stakeholders.

The Company makes regular and continuous reporting of material 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, in December 2023 the company prepared and published the *Financial Communication Calendar for 2024*, which informs the public about the dates of the general meetings of shareholders for the approval of the financial statements for the previous year and the publication of the annual report, the dates of publication of quarterly and half-yearly reports, the dates of meetings with financial analysts, investment advisors, brokers, SSIFs 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 Electronic Reporting Format (ESEF) and other reporting standards, respectively 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 as well as investors, on the occasion of the dissemination of the financial statements, on which occasion it publishes materials relevant to the investment decision.

In order to inform investors transparently, SNTGN Transgaz SA carried out the following activities in Half I 2024:

- call- conference organized with financial analysts and investors to present the preliminary financial results for 2023 - on 05 March 2024;
- call-conference organized with financial analysts and investors for the presentation of the interim financial results for Q1 2024 - 21 May 2024;
- responding 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, current reports, company financial statements, financial calendar, corporate governance, dividend distribution, ratings, transaction notifications, etc. They are constantly updated and accessible, thus contributing to transparent and fair information for all stakeholders.

4.9. The tariff setting methodology

GEO 27/2022 provides that in order to cover the additional costs related to own technological consumption and technological consumption generated by the increase in prices on the wholesale market above the value taken into account by the regulator when calculating natural gas transmission tariffs in 2021, the Energy Regulatory Authority (ANRE) modifies the regulated tariffs, applicable from 1 April 2022. The resulting tariffs remain unchanged for the period 1 April 2022 – 30 September 2023. ANRE did not modify the transmission tariffs with the price increase substantiated by the company.

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

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

Starting with 1 October 2024, the natural gas transmission tariffs approved by Order no.17 of 29.05.2024 of ANRE President are applicable. The approved regulated revenue for natural gas transmission during the period 1 October 2024 - 30 September 2025 is lei 2.005.007 thousand.

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

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

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

Transgaz is the sole shareholder of EUROTRANSGAZ SRL.

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

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

Consolidated companies in the Transgaz Group:

		Share (%)
SNTGN Transgaz SA	Parent company	
Eurotransgaz SRL	Company held by SNTGN Transgaz SA	100%
Vestmoldtransgaz SRL	Company held by Eurotransgaz SRL EBRD	75% 25%

(thousand lei)

Indicator	Consolidated statements Half I 2024	Transgaz individual statements	ETG, VMTG, adjustments
0	1=2+3	2	3
Revenue from the domestic transmission activity	1.019.344	942.107	77.238
Revenue from the international transmission activity	0	0	0
Other revenue	85.325	74.023	11.302
Operating revenue before the balancing and construction activity according to IFRIC12	1.104.669	1.016.130	88.540
Depreciation	255.970	230.995	24.975
Employees costs	301.596	296.751	4.844
Technological consumption, materials and consumables used	58.455	58.455	0
Cost of royalty	108.342	108.342	0
Maintenance and transport	49.178	15.167	34.011
Taxes and duties due to the state	40.384	40.237	146
Revenue/ (Costs) of provisions for risks and charges	10.182	10.182	0
Other operating cost	100.794	88.452	12.342
Operational profit before the balancing and the construction activity according to IFRIC12	179.769	167.548	12.221
Revenue from the balancing activity	114.784	114.784	-
Cost of balancing gas	114.784	114.784	-
Revenue from the construction activity according to IFRIC12	675.817	675.817	-
Cost of constructed assets according to IFRIC12	675.817	675.817	-
Operational profit	179.769	167.548	12.221
Financial revenue	108.334	102.995	5.338
Financial cost	65.092	48.633	16.459

Indicator	Consolidated statements Half I 2024	Transgaz individual statements	ETG, VMTG, adjustments
0	1=2+3	2	3
Financial revenue, net	43.242	54.363	-11.121
Profit before tax	223.011	221.910	1.100
Profit tax expense	46.641	45.900	741
Net profit for the period	176.370	176.011	359
Attributable to the parent company	175.675		175.675
Attributable to the non-controlling interests	695		
Exchange rate differences	2.523		2.523
Actuarial gain/loss for the period	2.057	2.057	0
Total comprehensive income for the period	180.949	178.067	2.882

Table 17- Indicators of consolidated economic and financial results (SNTGN Transgaz SA, Eurotransgaz SRL, Vestmoldtransgaz SRL)

Consolidated achievements Half I 2024 compared to consolidated achievements Half I 2023

The consolidated financial results achieved in Half I 2024 have reached the level of the achievements of Half I 2023 and have recorded, compared to this level, variations as presented in the table below:

(thousand lei)

No.	Name	Achieved Half I 2024	Achieved Half I 2023	Changes
0	1	2	3	4=2/3x100-100
1.	Operating revenue before the balancing and construction activity, according to IFRIC12	1.104.669	761.091	45%
2.	Revenue from the balancing activity	114.784	263.067	-56%
3.	Revenue from the construction activity according to IFRIC12	675.817	35.270	1816%
4.	Financial revenue	108.334	140.742	-23%
5.	Operating costs before the balancing and construction activity, according to IFRIC12	924.901	728.224	27%
6.	Costs of balancing activity	114.784	263.067	-56%
7.	Cost of constructed assets according to IFRIC12	675.817	35.270	1816%
8.	Financial costs	65.092	79.898	-19%
9.	GROSS RESULT , of which:	223.011	93.711	138%
	• from operation	179.769	32.867	447%
	• from the financial activity	43.242	60.844	-29%
10.	Income tax	46.641	22.892	104%

No.	Name	Achieved Half I 2024	Achieved Half I 2023	Changes
0	1	2	3	$4=2/3 \times 100 - 100$
11.	NET PROFIT	176.370	70.818	149%
12.	Exchange rate difference	2.523	10.928	-77%
13.	Actuarial gain/loss for the period	2.057	6.395	-68%
14.	Total comprehensive result of the period	180.949	88.142	105%

Table 18 – Consolidated financial results in Half I 2024 compared to Half I 2023

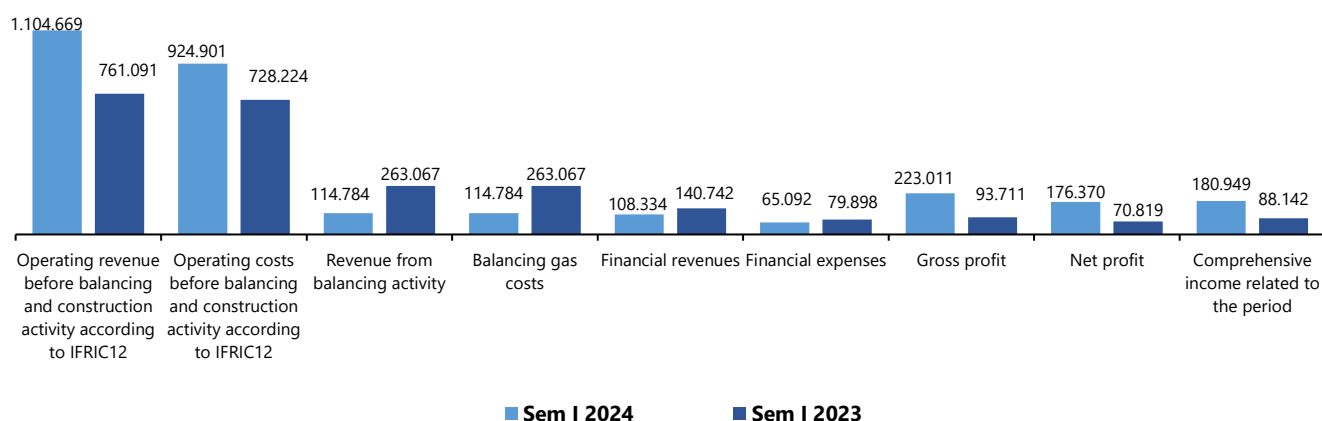


Chart 34 - Consolidated financial results in the Half I 2024 compared to Half I 2023 (thousand lei)

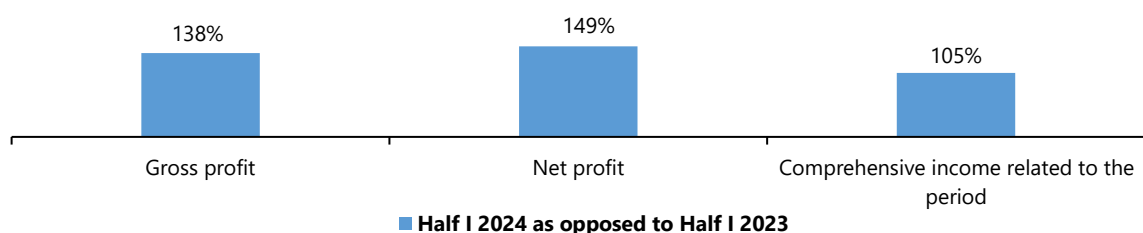


Chart 35 - Consolidated financial results in the Half I 2024 compared to Half I 2023 (%)

The variation of the consolidated economic-financial indicators at 30 June 2024, compared to the indicators obtained in the similar period of 2023 is mainly determined by the variation of the individual economic-financial indicators recorded by SNTGN Transgaz SA on 30 June 2024 compared to the indicators obtained in the similar period of 2023.

The main impact of the subsidiaries in the consolidated result is determined by the evolution of the MDL (Moldovan Leu) exchange rate compared to the EUR currency in which the source of

financing of the investment project carried out by the subsidiary was partially drawn and compared to the reporting currency of the consolidated financial statements (RON).

In the Half I 2024 Vestmoldtransgaz SRL of Moldova provided natural gas delivery services amounting to lei 77.238 thousand.

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

Achievements Half I 2024 compared to achievements Half I 2023

The financial results achieved in Half I 2024 reached the level of the achievements of Half I 2023 and have recorded, compared to this level, variations as presented in the table below:

(thousand lei)

Name	Obtained Half I 2024	Obtained Half I 2023	Changes
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	1.016.130	757.139	34%
Revenue from the balancing activity	114.784	263.067	-56%
Revenue from the construction activity according to IFRIC12	675.817	35.270	1816%
Financial revenue	102.995	125.418	-18%
Operating costs before the balancing and construction activity, according to IFRIC12	848.582	717.504	18%
Costs of balancing gas	114.784	263.067	-56%
Cost of assets according to IFRIC12	675.817	35.270	1816%
Financial costs	48.633	63.781	-24%
GROSS PROFIT -total, of which:	221.910	101.272	119%
· from operation	167.548	39.635	323%
· from the financial activity	54.363	61.637	-12%
Profit tax	45.900	22.451	104%
NET PROFIT	176.011	78.821	123%

Table 19 - Individual financial results in H1 2024 compared to H1 2023

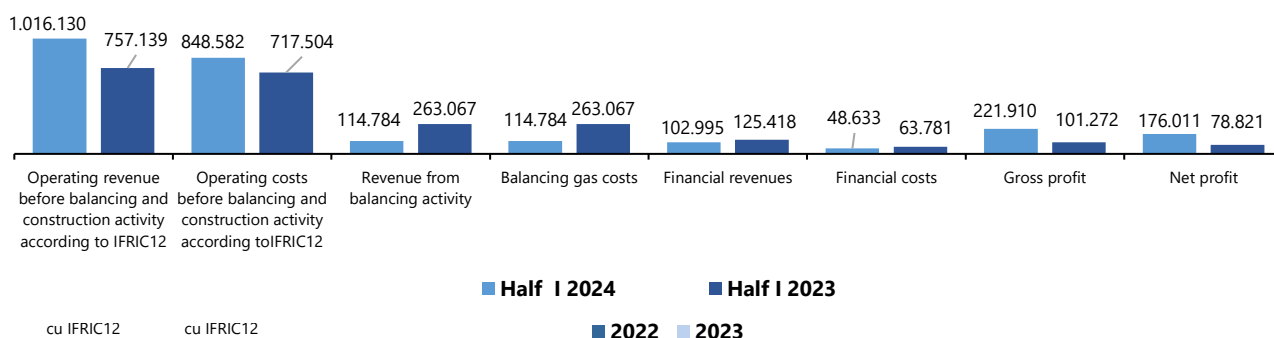


Chart 36 - Individual financial results in Half I 2024 compared to Half I 2023 (thousands lei)

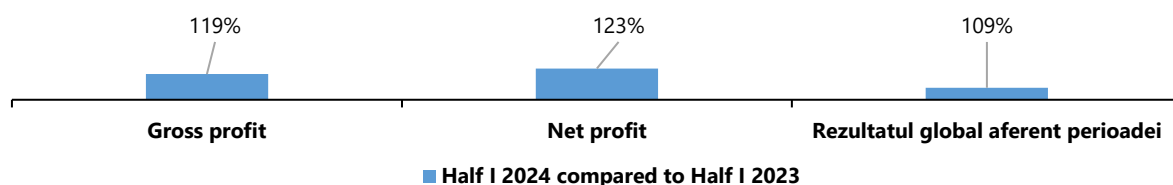


Chart 37 - Individual financial results in H1 2024 compared to H1 2023 (%)

Operating revenue before the balancing and construction activity, according to IFRIC12 increased by 34% compared to the one achieved as at 30 June 2023, which is higher by lei 258.990 thousand.

During the period 1 October 2021 - 30 September 2023 the natural gas transmission tariffs were not updated, the transmission tariffs approved by ANRE Order no. 32/2021 being applicable, corresponding to a regulated revenue of lei 1.041.465,61 thousand.

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

The revenue was influenced mainly by the following factors:

- *revenue from capacity booking* higher by lei 274.541 thousand due to:
 - *capacity booking tariff* higher by 1,77 lei/MWh, with a positive influence of lei 313.038 thousand;
 - *booked capacity* lower by 5.942.489 MWh, with a negative influence of lei 14.226 thousand;
 - *capacity overrun revenue* higher by lei 17.036 thousand. Capacity overrun revenue as at 30 June 2023 amounted to lei 46.555 thousand, and as at 30 June 2024 to lei 63.591 thousand;
 - *revenue from the auction premium* lower by lei 41.308 thousand following the capacity booking auctions conducted according to the CAM-NC at interconnection points; revenue from the auction premium as at 30 June 2023 amounted to lei 69.098 thousand, and as at 30 June 2024 to lei 27.994 thousand.

- *commodity revenue* higher by lei 36.396 thousand due to:
 - *the commodity transmission tariff* higher by lei 0,52 lei/MWh, with a positive influence of lei 36.118 thousand;
 - *the gas transmitted capacities* higher by 250.753 MWh as compared to 30 June 2023, with a positive influence of lei 278 thousand, detailed by categories of consumers as follows:

		6 months 2024	6 months 2023	Differences
Quantity transmitted for direct consumers	MWh	31.953.073	27.862.470	4.090.603
	thousand cm	2.965.517	2.496.396	469.121
Quantity transmitted for distribution	MWh	37.504.154	41.344.004	-3.839.850
	thousand cm	3.507.416	3.867.568	-360.152
Total	MWh	69.457.227	69.206.474	250.753
	thousand cm	6.472.933	6.363.964	108.969

At the end of 2020, the legacy transmission contract related to the pipeline Isaccea 3 – Negru Voda 3 was terminated by the conclusion of an Agreement for the termination of the Legacy Contract between SNTGN Transgaz SA and Gazprom Export LLC, which created the necessary framework for the conclusion of the Interconnection Agreements for Interconnection Points Isaccea 2,3 and Negru Voda/Kardam 2,3, enabling free access of third parties to the capacity booking on the transit pipelines T2 and T3 and the collection of the outstanding amounts under the legacy contract.

The Agreement for the termination of the Legacy Contract between SNTGN Transgaz SA and Gazprom Export LLC concluded at the end of 2020 expired on 31 December 2023.

- Other operating revenues higher by **lei 6.925 thousand**.

The revenue from the balancing activity was lower by **lei 148.282 thousand** based on the following factors:

- trading price lower by 121,34 lei /MWh, with a negative influence of lei 90.155 thousand;
- quantity lower by 210.732 MWh with a negative influence of lei 58.127 thousand;

The revenue from the construction activity higher by **lei 640.547 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 22.423 thousand** mainly due to the recording of the inflation rate discounting of regulated assets value of 2,57 % as at 30 June 2024 compared to 4,19 % as at 30 June 2023 (lei 63.931 thousand as at 30 June 2024 as compared to lei 92.384 thousand as at 30 June 2023).

Operating costs before the balancing and construction activity according to IFRIC12 increased by **18 %** as compared to 30 June 2023, which is higher by **lei 131.078 thousand**.

The company made savings of lei 36.904 thousand to the following cost elements:

- other operating expenses: 36,287 thousand lei. As at 30 June 2024 the Company capitalized the amount of lei 22.641 thousand (lei 3.682 thousand as at 30 June 2023), representing the difference between the costs of technological consumption incurred in excess of the amount approved under the transmission tariff, in accordance with the provisions of GEO 27/2022;

- maintenance and transport expenses: lei 617 thousand;

Overruns of lei 167.982 thousand were recorded in respect of the following cost elements:

- natural gas consumption related to the transmission system lei 330 thousand, due to the following factors:

- the actual average purchase price higher than the one achieved as at 30 June 2023 by 4,01 lei/MWh with a negative influence of lei 1.308 thousand;

- the quantity of natural gas intended for NTS gas consumption lower compared to 30 June 2023 by 5.262 MWh, with a positive influence of lei 978 thousand;

- personnel costs: lei 20.424 thousand;

- risk and expense provision costs: lei 31.542 thousand;

- royalty costs: lei 105.582 thousand. By Law no. 296/2023 on fiscal-budgetary measures to ensure Romania's long-term financial sustainability, the provisions of Article 103, paragraph (2) of the Power and Natural Gas Law no. 123/2012, were repealed. As of 30 October 2023, the royalty rate was changed from 0,4% to 11,5% of the value of the gross revenues achieved from transmission and transit operations through the national transmission systems, in accordance with Art. 49, paragraph (2) letter b) of the Oil Law No 238/2004;

- depreciation costs: lei 5.832 thousand accounted by the completion and commissioning of investment projects;

- auxiliary material costs: lei 1.496 thousand;

- tax and duties costs: lei 2.776 thousand.

The financial costs decreased by lei 15.149 thousand.

Compared to the achievements as at 30 June 2023 the gross profit achieved as at 30 June 2024 increased by 119%, i.e. by lei 120.638 thousand, and the net profit is higher by 123 %, i.e. by lei 97.189 thousand.

Achievements H1 2024 compared to the REB H1 2024

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

(thousand lei)

Indicator	REB Half I 2024	Achieved Half I 2024	Changes
0	1	2	$3 = \frac{1}{2} \times 100 - 100$
Operating revenue before the balancing and construction activity, according to IFRIC12	994.131	1.016.130	2%
Revenue from the balancing activity	238.420	114.784	-52%
Revenue from the construction activity, according to IFRIC12	248.102	675.817	172%
Financial revenue	104.849	102.995	-2%

Indicator	REB Half I 2024	Achieved Half I 2024	Changes
0	1	2	3=1/2x100-100
Operating costs before the balancing and construction activity, according to IFRIC12	956.316	848.582	-11%
Costs with balancing gas	238.420	114.784	-52%
Cost of assets according to IFRIC12	248.102	675.817	172%
Financial costs	53.862	48.633	-10%
GROSS PROFIT - total, of which:	88.802	221.910	150%
- from operations	37.815	167.548	343%
- from the financial activity	50.987	54.363	7%
Income tax	21.986	45.900	109%
NET PROFIT	66.817	176.011	163%

Table 20 - Individual financial results in Half I 2024 compared to Budget for Half I 2024

Operating revenue before the balancing and construction activity according to IFRIC12 increased by **lei 21.998 thousand** as compared to the REB.

The revenue was influenced by the following:

- Gas transmission services increased by **lei 31.307 thousand** due to:
 - *capacities booked* higher by 10.572.662 MWh with a positive influence of **lei 46.007 thousand**;
 - *average capacity booking tariff, determined by the structure of the booked products*, higher by 0,126 lei /MWh, with a positive influence of lei **23.269 thousand**
 - *the gas transmitted capacities* lower than planned by 23.293.927 MWh with a negative influence of **lei 37.969 thousand**;
- Other operating revenue decreased by **lei 9.308 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 123.636 thousand** based on the following:

- trading price lower by 95,53 lei /MWh, with a negative influence of lei 70.977 thousand;
- quantity lower by 210.615 MWh with a negative influence of lei 52.659 thousand;

Financial revenue decreased by **lei 1.854 thousand** as compared to the REB.

Operating costs before the balancing and construction activity according to IFRIC12 decreased by **11%** as compared to the approved plan, which is lower by **lei 107.734 thousand** as compared to the REB.

Savings amounting to lei 131.185 thousand were recorded mainly the following cost elements:

- employee costs: lei 47.184 thousand;
- auxiliary materials and other material costs: lei 24.259 thousand;
- cost of maintenance and transport: lei 12.208 thousand;
- cost of taxes and duties: lei 16.736 thousand;
- depreciation costs: lei 4.620 thousand
- other operating costs: lei 26.178 thousand.

Overruns of lei 23.451 thousand was recorded mainly in relation to the following cost elements:

- NTS gas consumption: lei 263 thousand;
- NTS concession royalty costs: lei 3.600 thousand;
- Risk and expense provision costs: lei 19.588 thousand.

The financial cost is lower by **lei 5.229 thousand** than as provided for in the REB.

The gross profit increased by lei 133.108 thousand as compared to the REB.

	Achieved Half I 2024 compared to Achieved H1 2023	Achieved Half I 2024 compared to REB H1 2023
Operating revenue before the balancing and construction activity, according to IFRIC12	34%	2%
Operating costs before the balancing and construction activity, according to IFRIC12	18%	-11%
Gross result	119%	150%
Income tax	104%	109%
Net profit	123%	163%

Table 21 - H1 2024 achievements compared to H1 2023 achievements and H1 2024 achievements compared to REB (%)

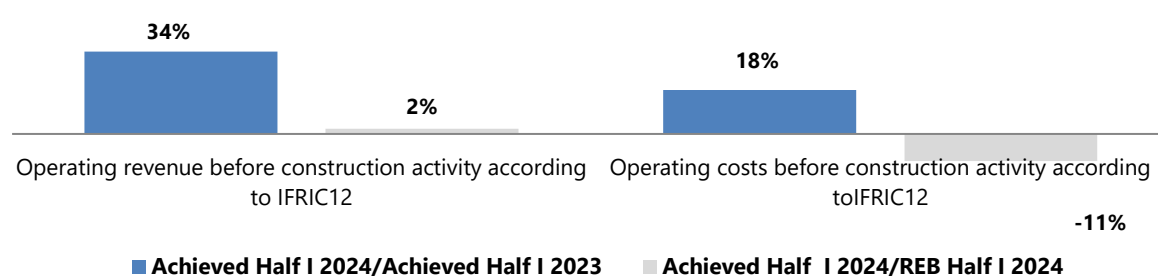


Chart 38 – Individual achievements Half I 2024 compared to individual achievements Half I 2023 and Individual Achievements Half I 2024 compared to REB Half I 2024

Individual achievements H1 compared to the Management Plan 2024

The key financial performance indicators were substantiated on the basis of data from the company's Revenue and Expense Budget approved by Resolution 1/2024 of the General Meeting of the Shareholders.

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

(thousand lei)

No.	Performance criteria	Management plan 2024	Achieved H1 2024	Percentage	Difference
1.	Outstanding payments-thousand lei	0	0	100%	0
2.	Operating expenses (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and expenses)-thousand lei	1.486.728	580.237	256%	-906.491
3.	Acid test ratio	1	1,26	126%	0,26
4.	Net leverage	5,5	3,99	138%	-1,51
5.	EBITDA-thousand lei	579.907	398.542	69%	-181.365

Table 22 – Individual achievements in H1 2024 compared to the Management Plan 2024

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 annual financial statements.

The statement of the consolidated financial position as at 30.06.2024 as compared to 31.12.2023 is as follows:

Thousand lei

Indicator	30.06.2024	31.12.2023	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2
Tangible assets	739.497	769.080	96%
Rights of use for the leased assets	156.461	173.446	90%
Intangible assets	4.145.343	3.643.272	114%
Goodwill	10.221	10.126	101%

Trade receivables and other receivables	2.522.065	2.423.669	104%
Deferred tax	4.004	5.116	78%
Restricted cash	2.060	1.956	105%
Fixed assets	7.579.675	7.026.666	108%
Inventories	571.949	583.515	98%
Commercial receivables and other receivables	289.296	441.071	66%
Cash at hand and in bank	1.177.372	710.857	166%
Current assets –TOTAL	2.038.617	1.735.443	117%
TOTAL ASSETS	9.618.292	8.762.109	110%
Debts to be paid over a one-year period	1.625.828	1.403.076	116%
Debts to be paid over a period of more than one year	3.661.334	3.142.919	116%
Total debts	5.287.162	4.545.996	116%
Shareholders' equity	4.232.396	4.118.983	103%
Non-controlling interests	98.734	97.131	102%
Equity	4.232.396	4.118.983	103%
Share capital	1.883.815	1.883.815	100%
Hyperinflation adjustment of share capital	441.418	441.418	100%
Share premium	247.479	247.479	100%
Other reserves	1.265.797	1.265.797	100%
Retained earnings	382.654	253.557	151%
Consolidation exchange rate differences	11.233	26.917	42%
Total equity and debts	9.618.292	8.762.109	110%

Table 23 - Statement of consolidated financial position in H1 2024 compared to 2023

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 29.583 thousand as compared to the value as at 31.12.2023, 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 16.985 thousand as compared to 31 December 2023 due to the fact that the entry value of the contracts for leased goods was lower than the depreciation expense.

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

Intangible assets increased by lei 502.070 thousand as compared with the value as at 31.12.2023, this increase being mainly due to the fact that the intangible assets entries exceeded the cost of depreciation of intangible assets.

Financial 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 2024 increased by the amount of lei 98.396 thousand, receivables registered according to Law no 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 98.396 thousand compared to the value at 31 December 2023 is mainly due to the updating of the receivables with the changes recorded in the regulated asset base and the adjustment of the regulated value of the assets with the inflation rate as from 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 2024 inventories decreased by lei 11.566 thousand compared to the value as at 31 December 2023, mainly due to the decreasing of the value of the natural gas procured within the balancing activity by lei 473 thousand, the decrease in the stock of natural gas purchased to cover the technological consumption by lei 20.491 thousand and the increase in the stock of raw materials and materials by lei 9,398 thousand.

Commercial receivables and other receivables

On 30 June 2024, the balance of the commercial receivables and other receivables **decreased by lei 151.775 thousand** as compared to 31 December 2023, mainly due to the following factors:

- decrease of the client receivables balance by lei 184.939 thousand mainly generated by the collection of the outstanding receivables resulted from the domestic transmission and balancing activity;
- increase of the adjustment of impairment of the trade receivables and of other receivables by lei 21.720 thousand;
- decrease of the grants as subventions by lei 11.013 thousand;
- increase of the claims against the state budget by lei 32.976 thousand;
- increase of the balance of other receivables by lei 32.921 thousand.

Cash at hand and in bank

On 30 June 2024 the company's cash increased by lei 466.540 thousand as compared to the end of 2023. The cash in bank accounts in lei increased by lei 300.434 thousand and the cash in bank accounts in currency increased by lei 166.057 thousand.

Other cash equivalent register an increase by lei 49 thousand compared with 2023.

Debts to be paid over a one-year period

In the structure of debts to be paid over a one-year period, the following changes were recorded compared to 31 December 2023:

- increase of the balance of the commercial debt and other debt by lei 252.774 thousand;
- decrease of the provision for risks and charges by lei 14.899 thousand;
- decrease of the provision for employee benefit by lei 6.275 thousand;
- increase of the deferred revenue over the short term by lei 9.490 thousand;
- decrease of short-term loans by lei 29 thousand.
- increase of current liabilities related to the rights of use of leased assets by lei 613 thousand

Long-term debts

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

- increase of short-term loans in the amount of lei 417.164 thousand;
- increase of deferred revenue and of the subsidies by lei 84.940 thousand;
- increase of the provision for employee benefit by lei 30.931 thousand;
- decrease of the current debts related to the rights of use of the leased assets by lei 14.621 thousand.

Equity

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

Retained earnings increased by lei 129.097 thousand due to the recording of the profit distribution for 2023 and the recording of the profit related to Half 1 2024.

5.2 Consolidated comprehensive income

The situation of the profit and loss account – consolidated statement – in H1 2024 compared to H1 2023:

-thousand lei-

Specification	Achieved (thousand lei)		Dynamics (%)
	30.06.2024	30.06.2023	
1	2	3	4=2/3
TOTAL revenue of which:	2.003.605	1.200.170	167%
Operating revenue before the construction activity, according to IFRIC12 and balancing	1.104.669	761.091	145%
Revenue from the balancing activity	114.784	263.067	44%
Revenue from the construction activity according to IFRIC12	675.817	35.270	1916%
Financial revenue	108.334	140.742	77%
TOTAL costs of which:	1.780.594	1.106.459	161%
Operating costs before the construction activity, according to IFRIC12, and balancing	924.901	728.224	127%
Cost of balancing	114.784	263.067	44%
Cost of constructed assets according to IFRIC12	675.817	35.270	1916%
Financial costs	65.092	79.898	82%
GROSS PROFIT, of which:	223.011	93.711	238%
Result from operation	179.769	32.867	547%
Financial result	43.242	60.844	71%
PROFIT TAX	46.641	22.892	204%
NET PROFIT	176.370	70.818	249%
Attributable to the parent company	175.675	72.819	241%
Attributable to the non-controlling interests	695	-2.001	-35%
Number of shares	188.381.504	188.381.504	
Other comprehensive income			
Basic and diluted earnings per share (in lei per share)	0.94	0,38	
Actuarial (gain)/loss of the period	2.057	6.395	32%
Exchange rate differences	2.523	10.928	23%
Total comprehensive income for the period	180.949	88.142	205%
Attributable to the parent company	179.624	90.142	199%
Attributable to the non-controlling interests	1.326	-2.001	-66%

Table 24 - Consolidated profit and loss account in H1 2024 compared to H1 2023

5.3 Consolidated cash flow statement

The consolidated cash flow statement on 30 June 2024 is as follows:

-thousand lei-

Indicator	Financial year ended 30 June (thousand lei)	
	2024	2023
Profit before tax	223.011	93.711
Adjustments for:		
Depreciation	255.970	232.814
Gain/(loss) from the transfer of fixed assets	89	-194
Provisions for risks and charges	-14.932	-30.288
Revenue from connection fees, grants and goods taken free of charge	-52.558	-57.251
Concession Agreement receivable adjustment	-63.931	-92.384
Loss on amounts receivable and sundry debtors	783	14
Gain/(loss) from impairment of inventory	5.216	5.084
Adjustment of impairment of receivables	21.708	48.733
Provisions for employee benefits	19.794	3.932
Effect of updating the provision for employee benefits	6.920	9.601
Interest revenue	-37.077	-26.566
Interest expenses	73.253	41.835
The effect of the currency exchange rate variation on other elements than operation	-3.877	7.198
Other revenue/costs	0	0
Operating profit before the changes in working capital	434.370	236.239
(Increase)/decrease in trade and other receivables	95.471	100.883
(Increase)/decrease in inventories	7.858	32.363
Increase/(decrease) in commercial debt and other debts	61.106	-9.545
Cash from operations	598.804	359.940
Paid interest	-64.216	-65.096
Received interest	7.466	694
Paid profit tax	-46.922	-37.122
Net cash inflows from operation	495.132	258.416
Cash flow from investments		
Payments for the acquisition of intangible assets	-548.085	-203.195
Payments for the acquisition of tangible assets	-7.851	-7.155
Receipts from the transfer of tangible assets	110	0
Financial investments/participations	0	0
Repaid loans	0	0
Cash from connection fees and non-reimbursable funds	136.014	274
Net cash used in investment activities	-419.812	-210.075
Cash flow from financing activities		
Share capital increase	0	0
Repayments of long term loans	-74.050	-70.081

Indicator	Financial year ended 30 June (thousand lei)	
	2024	2023
Credit drawdowns/payments for the working capital	-6.924	-24.203
Withdrawals of shareholders	0	0
Payments IFRS 16	-25.197	-3.487
Paid dividends	-175	-575
Drawdown of long-term loans	497.670	0
Net cash used in financing activities	391.323	-98.346
Net change in cash and cash equivalents	466.643	-50.006
Cash and cash equivalents at the beginning of the year	712.813	418.667
Cash and cash equivalents at the end of the period	1.179.456	368.661

Table 25 - Consolidated cash flow statements in H1 2024 compared to H1 2023

The analysis of the cashflow in H1 2024 show an **increase of liquid assets** by **lei 810.795 thousand** as compared to H1 2023.

The changes to the structure of the cash flow are:

- cash flow from operation is of lei 495.132 thousand, higher by lei 236.716 thousand than in H1 2023;
- cash flow from the investment activity is of lei 419.812 thousand, lower by lei 209.736 thousand than in H 1 2023;
- cash flow used in the financing activity is of lei 391.323 thousand, higher by lei 489.669 thousand than in H 1 2023.

5.4 Evaluation of the activity related to the financial risk management

Financial risk factors

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

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

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

Market risk

Currency risk

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

The Company does not perform formal actions to minimize the currency risk related to its operations; the Company does not apply hedge accounting. The management believes that the Company is covered in terms of the currency risk, given that sales in foreign currencies (mainly

incomes from international transmission) are used to settle liabilities denominated in foreign currencies.

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

	30 June 2024 (unaudited)	31 December 2023
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	709.484	684.054
USD depreciation by 10%	(709.484)	(684.054)
EUR appreciation by 10%	(76.966.602)	(43.314.636)
EUR depreciation by 10%	76.966.602	43.314.636

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 2.602.446 (December 2023: 4.888.012 lei).

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 3.870.868 (December 2023: higher/lower by lei 9.012.228), 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 52% of the trade receivable balances as at 30 June 2024 (31 December 2023: 43%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the adjustments already made.

On 30 June 2024 the Company has off-balance payment guarantees from clients amounting to lei 401.666.664.

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

(lei)

	30 June 2024 (unaudited)	31 December 2023
Without rating	46.707.359	33.048.306
BB+	412.261.991	251.805.038
BBB-	504.344.599	276.682.320
BBB	4.441.577	614.290
BBB+	208.863.685	150.261.015
A+	134.713	134.911
AA	<u>457.291</u>	<u>156.187</u>
	1.177.211.215	<u>712.702.067</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 2024 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 2024 in terms of maturity is as follows:

(lei)

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	3.724.654.199	601.918.144	1.565.934.273	1.556.801.782
Commercial debts and other debts	846.617.645	846.617.645	-	-
Liabilities related to rights of use of leased assets	<u>162.445.597</u>	<u>32.369.696</u>	<u>130.075.900</u>	-
	<u>4.733.717.441</u>	<u>1.480.905.485</u>	<u>1.696.010.173</u>	<u>1.556.801.782</u>

Page 79 of 111

The analysis of financial liabilities on 31 December 2023:

(lei)

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

Commercial 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 2024 (unaudited)	31 December 2023
Financial assets		
Cash and cash equivalents	237.415.985	123.999.082
Term bank deposits	942.015.420	588.813.963
Credits and receivables	2.717.454.772	2.781.926.204
Financial assets - shares	24.603.237	24.578.237
Adjustments for financial assets - shares	<u>(24.578.237)</u>	<u>(24.578.237)</u>
	<u>3.896.911.177</u>	<u>3.494.739.249</u>

	30 June 2024 (unaudited)	31 December 2023
Financial liabilities		
Debts measured at depreciated cost:		-
Loans	2.898.773.125	2.481.579.111
Debts measured at fair value:		
-Financial guarantees related to contracts	203.501.194	50.446.894
-Commercial debts and other debts	<u>673.357.200</u>	<u>507.098.374</u>
	<u>3,775,631,518</u>	<u>3.039.124.379</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 2024 and at 31 December 2023 is as follows:

(lei)

	30 June 2024 (unaudited)	31 December 2023
Total loans	2.898.773.125	2.481.579.111
Less: cash and cash equivalents	<u>(1.179.431.405)</u>	<u>(712.813.045)</u>
Net cash position	<u>1.719.341.720</u>	<u>1.768.766.066</u>
Equity	4.331.129.676	4.216.113.767
Leverage	0,40	0,42

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 financial position as at 30.06.2024 as compared to 31.12.2023 is as follows:

Indicator	30.06.2024	31.12.2023	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2 -1

Tangible assets	352.403	377.640	-6,68%
Rights of use for the leased assets	13.038	14.501	-10,09%
Intangible assets	4.145.339	3.643.263	13,78%
Financial assets	177.644	177.619	0,01%
Trade receivables and other receivables	2.522.065	2.423.669	4,06%
Deferred tax	1.332	1.734	-23,18%
Restricted cash	2.060	1.956	5,32%
Fixed assets	7.213.881	6.640.382	8,64%
Inventories	565.326	577.081	-2,04%
Commercial receivables and other receivables	264.148	400.845	-34,10%
Cash at hand and in bank	1.131.258	675.601	67,44%
Current assets –TOTAL	1.960.732	1.653.527	18,58%
TOTAL ASSETS	9.174.613	8.293.909	10,62%
Debts to be paid over a one-year period	1.556.192	1.327.946	17,19%
Debts to be paid over a period of more than one year	3.382.634	2.842.310	19,01%
Total debts	4.938.826	4.170.256	18,43%
Shareholders' equity	4.235.787	4.123.653	2,72%
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	397.278	285.144	39,33%
Total equity and debts	9.174.613	8.293.909	10,62%

Table 26- Statement of individual financial position in H1 2024 compared to 2023

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 25.236 thousand as compared to the value as at 31.12.2023, mainly due to the fact that the tangible assets entries did not exceed the depreciation cost for tangible assets.

Rights of use of leased assets

As at 1 January 2019 the company applies IFRS 16 for lease contracts complying with the recognition criteria and recognized as intangible asset right of use related to the lease contracts. **The rights of use of leased assets decreased by lei 1.463 thousand as compared to 31**

December 2023 due to the fact that the initial value of the leased assets contracts was lower than the depreciation cost.

Intangible assets

IT Programs

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

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

Intangible assets increased by lei 502.075 thousand as compared with the value as at 31.12.2023, this increase being mainly due to the fact that the intangible assets entries exceeded the cost of amortization of intangible assets.

Financial assets

The financial assets increased compared to the value recorded at 31.12.2023 representing the share capital of the company EUROTRANSGAZ SRL Chisinau in the Republic of Moldova, established by EGMS Resolution 10/12.12.2017 of SNTGN Transgaz SA **by lei 25.000, representing** the share capital of *TRANSPORT ROMÂNIA HIDROGEN S.R.L.*, having as its object of activity the transportation of hydrogen, with sole shareholder SNTGN Transgaz SA, with registered office in Bucharest, established by EGMS resolution no. 5 of 05 June 2024 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 2024 increased by the amount of lei 98.396 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 98.396 thousand compared to the value at 31 December 2023 is mainly due to the updating of the receivables with the changes recorded in the regulated asset base and the adjustment of the regulated value of the assets with the inflation rate starting with 2019, as per

ANRE Order 41/2019. Fixed assets recognised in the regulated asset base in a gas year are discounted with the rate of inflation from the following gas year.

Inventories

On 30 June 2024 inventories decreased by lei 11.755 thousand compared to the value as at 31 December 2023, due to the decrease by lei 2.175 thousand of the value of the natural gas procured within the balancing activity, the decrease by lei 20.492 thousand of the stored gas procured to cover technological consumption and the increase by lei 10.912 thousand of the stocks of raw and other materials.

Commercial receivables and other receivables

On 30 June 2024, the balance of the commercial receivables and other receivables **decreased by lei 136.697 thousand** as compared to 31 December 2023, mainly due to the following factors:

- decrease of the client receivables balance by lei 163.514 thousand mainly generated by the collection of the balance of the receivables from domestic transmission and balancing;
- increase of the provisions for the impairment of the trade receivables and of other receivables by lei 21.952 thousand;
- increase of the claims against the state budget by lei 26.923 thousand;
- increase of the balance of other receivables by lei 21.846 thousand.

Cash at hand and in bank

On 30 June 2024 the company's cash increased by lei 455.657 thousand as compared to the end of 2023. The cash in bank accounts in lei increased by lei 276.745 thousand and the cash in bank accounts in currency increased by lei 178.863 thousand. Other cash elements and cash equivalent register an increase by lei 49 thousand compared with 2023.

Debts to be paid over a one-year period

The structure of debts to be paid over a one-year period recorded the following changes compared to 31 December 2023:

- increase of the balance of the commercial debt and other debt by lei 259.958 thousand;
- decrease in the balance of debts related to rights of use of leased assets by lei 1.034 thousand;
- decrease of the provision for risks and charges by lei 14.932 thousand mainly on account of cancellation the provision for the employees participation to profit recorded in 2023;
- decrease of the current part of the provision for employee benefits in the amount of lei 6.275 thousand;
- decrease of the deferred revenue over the short term by lei 9.490 thousand;
- increase of short-term loans by lei 20 thousand, on account of the inclusion of the short term loan of lei 300 million the contract concluded to finance the balancing activity being extended in 14 July 2024.

Long-term debts

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

- increase of long-term loans by lei 424.921 thousand;

- increase of the provision for employee benefits in the amount of 30.932;
- increase of advance revenues and subsidies by lei 84.940 thousand;
- decrease of the debts related to rights of use of leased assets in the amount of lei 470 thousand.

Equity

The subscribed and paid-up capital was not changed.

Retained earnings increased by lei 112.134 thousand due to the recording of the profit related to Half I 2024.

6.2 Individual comprehensive income

The situation of the profit and loss account in Half I 2024 compared to Half I 2023:

Specification	Achieved (lei thousand)		Dynamics (%)
	H1 2024	H1 2023	
0	1	2	$3 = 1/2 \times 100 - 100$
TOTAL revenue of which:	1.909.727	1.180.894	62%
Operating revenue before the construction activity, according to IFRIC12 and balancing	1.016.130	757.139	34%
Revenue from the balancing activity	114.784	263.067	-56%
Revenue from the construction activity according to IFRIC12	675.817	35.270	1816%
Financial revenue	102.995	125.418	-18%
TOTAL costs of which:	1.687.816	1.079.622	56%
Operating costs before the construction activity, according to IFRIC12, and balancing	848.582	717.504	18%
Cost of balancing	114.784	263.067	-56%
Cost of constructed assets according to IFRIC12	675.817	35.270	1816%
Financial costs	48.633	63.781	-24%
Total GROSS PROFIT, of which:	221.910	101.272	119%
Result from operation	167.548	39.635	323%
Result from the financial activity	54.363	61.637	-12%
PROFIT TAX	45.900	22.451	104%
NET PROFIT	176.011	78.821	123%
Other elements of the comprehensive income	2.057	6.395	-68%
Comprehensive income of the period	178.067	85.216	109%

Table 27 - Individual profit and loss account in Half I 2024 compared to Half I 2023

Operating revenue

Operating revenue before the balancing and the construction activity according to IFRIC 12 achieved in Half I 2024 as compared to Half I 2023 is as follows:

No.	Specification	Achieved H1 (thousand lei)		Dynamics (%)
		2024	2023	
0	1	2	3	$4=2/3*100$
1.	Revenue from the transmission activity			
	- Thousand lei	942.107	631.170	149,26
	- MWh	69.457.227	69.206.474	100,36
	- lei/MWh	13,56	9,12	148,72
3.	Revenue from the international transmission activity			
	- Thousand lei	0	58.872	0,00
4.	Other operating revenue			
	- Thousand lei	74.023	67.098	110,32
TOTAL OPERATING REVENUE before the balancing and the construction activity according to IFRIC12		1.016.130	757.139	134,21

Table 28 - Revenue from the operating activity –achieved in Half1 2024 compared to achieved in Half1 2023

Operating expense

The operating expense achieved in H1 2024 as compared to H1 2023:

No.	Specification	H1 (thousand lei)		Dynamics (%)
		2024	2023	
0	1	2	3	$4=2/3*100$
1.	Depreciation	230.995	225.162	102,59
2.	Indemnities, salaries, other expenditures related to salaries and benefits to employees	296.751	276.328	107,39
3.	Gas consumption in NTS, materials and consumables used, of which:	81.096	79.270	102,30
	- Gas consumption in transmission system	61.963	61.633	100,53
	- gas consumption quantity in NTS - (MWh)	326.285	331.546	98,41
	- Auxiliary materials	16.979	15.944	106,49
	- Other material expenditures	2.154	1.693	127,25
4.	Expenditures related to royalties	108.342	2.760	3.925,21
5.	Maintenance and transport, of which:	15.167	15.784	96,09
	- Works, services performed by third parties	7.072	7.086	99,80
6.	Taxes and other amounts due to the State, of which:	40.237	37.461	107,41
	- Gas transmission and international transit license fee	4.369	5.165	84,59
	- Monopoly tax	30.911	27.817	111,12
7.	Cost of the provision for risks and charges	10.182	-21.360	X

8.	Other operating expense	65.811	102.098	64,46
TOTAL OPERATING EXPENSE before the balancing and the construction activity according to IFRIC12		848.582	717.504	118,27

Table 29 - Operating costs achieved in H1 2024 compared to H1 2023

6.3 Individual cash flow statement

The cash flow statement on 30 June 2024 is as follows:

Indicator	Financial year ended June (thousand lei)	
	2024	2023
Profit before tax	221.910	101.272
<i>Adjustments for:</i>	-	
Depreciation	230.995	225.162
Gain/(loss) from the transfer of fixed assets	89	-194
Provisions for risks and charges	-14.932	-30.323
Provisions for employee benefits	19.794	3.932
Write-down of inventories	5.216	5.084
Revenue from connection fees, grants and goods taken free of charge	-52.558	-57.251
Loss on amounts receivable and sundry debtors	783	14
Adjustment of impairment of receivables	21.952	48.733
Interest revenue	59.810	-26.556
Interest expenses	-36.923	46.040
Concession Agreement receivable adjustment	-63.931	-92.384
Effect of discounting the provision for benefits	6.920	9.601
Effect of exchange rate changes on non-operating items	711	1.543
Operating profit before the changes in working capital	399.836	234.674
(Increase)/decrease in trade and other receivables	80.200	103.211
(Increase)/decrease in inventories	7.986	31.982
Increase/(decrease) in commercial debt and other debt	65.103	-16.185
Cash from operations	553.126	353.682
Received interest	7.466	694
Paid interest	-58.688	-61.630
Paid profit tax	-46.922	-37.122
Net cash inflows from operation	454.982	255.624
Cash flow from investment activities	-	-
Payments for the acquisition of intangible assets	-548.085	-203.195
Payments for the acquisition of tangible assets	-7.851	-7.155
Financial investments/shares	110	264
Receipts from the transfer of tangible assets	-25	0
Cash from connection fees and grants	136.014	274
Net cash used in investment activities	-419.837	-209.811

Indicator	Financial year ended June (thousand lei)	
	2024	2023
Cash flow from financing activities	-	-
Long-term loan drawings	497.670	0
Repayments of long term loans	-66.158	-70.081
Credit drawings/payments for the working capital	-6.924	-24.203
Leasing payments (IFRS 16)	-3.797	-3.487
Paid dividends	-175	-575
Net cash used in financing activities	420.616	-98.346
Net change in cash and cash equivalents	455.761	-52.534
Cash and cash equivalents at the beginning of the year	677.557	384.237
Cash and cash equivalents at the end of the period	1.133.318	331.703

Table - Individual cash flow statements in H1 2024 compared to H1 2023

The analysis of the cashflow as at Half I 2024 shows an increase of liquid assets by lei 801.615 thousand as compared to Half I 2023.

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

- cash flow from operation is of lei 454.982 thousand, higher by lei 199.358 thousand than in H1 2023;
- cash flow from the investment activity is of lei -419.837 thousand, lower by lei 210,025 thousand than in H1 2023;
- cash flow used in the financing activity is of lei 420,616 thousand, lower by lei 518,962 thousand than in H1 2023.

As at 30 June 2024, the balance of liquid assets in the company's bank accounts was lei 1.133.157 thousand, of which 7,68 % represented liquid assets denominated in foreign currency, mostly in EUR.

6.4 Evaluation of the activity related to the financial risk management

Financial risk factors

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

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

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

Market risk

Currency risk

The Company is exposed to currency risk by exposures to various foreign currencies, especially to EUR. Currency risk is associated to assets and recognized liabilities. The Company does not perform formal actions to minimize the currency risk related to its operations.

The 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 2024 (unaudited)	31 December 2023
<i>(lei)</i>		
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	709.484	684.054
USD depreciation by 10%	(709.484)	(684.054)
EUR appreciation by 10%	(59.843.790)	(26.662.039)
EUR depreciation by 10%	59.843.790	26.662.039

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 2.602.446 (December 2023: lei 4.888.012).

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 3.541.105 higher/lower (December 2023: 7.805.365 (higher/lower), 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 52% of the trade receivable balances as at 30 June 2024 (31 December 2023: 43%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the adjustments already made.

On 30 June 2024 the company has available good payment guarantees from clients amounting to lei 401.666.664.

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

(lei)

	30 June 2024 (unaudited)	31 December 2023
Without rating	598.834	269.860
BB+	412.261.991	251.805.038
BBB-	504.344.599	276.682.320
BBB	4.441.577	614.290
BBB+	208.858.342	147.783.067
A+	134.713	134.911
AA	<u>457.291</u>	<u>156.187</u>
	1.131.097.347	677.445.673

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 2024 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 2024 in terms of maturity is as follows:

(lei)

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	2.842.179.180	556.350.271	1.298.599.124	987.229.785
Commercial debts and other debts	498.127.534	498.127.534	-	-

Liabilities related to rights of use of leased assets	15.542.003	3.333.037	12.208.966	-
	3.355.848.717	1.057.810.842	1.310.808.090	987.229.785

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 2024 (unaudited)	31 December 2023
Financial assets		
Cash and cash equivalents	198.768.985	96.204.966
Term bank deposits	934.548.552	581.351.685
Credits and receivables	2.692.133.028	2.741.685.641
Financial assets - shares	202.222.382	202.197.382
Adjustments for financial assets - shares	<u>(24.578.237)</u>	<u>(24.578.237)</u>
	<u>4.003.094.709</u>	<u>3.596.861.437</u>

	30 June 2024 (unaudited)	31 December 2023
Financial liabilities		
Debts measured at depreciated cost:		
-Loans	2.722.645.527	2.297.704.366
Debts measured at fair value:		
-Financial guarantees related to contracts	203.501.194	50.446.894
-Commercial debts and other debts	<u>619.879.614</u>	<u>451.013.677</u>
	<u>3.546.026.335</u>	<u>2.799.164.937</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 2024 and at 31 December 2023 is as follows:

(lei)

	30 June 2024 (unaudited)	31 December 2023
Total loans	2.722.645.527	2.297.704.366
Less: cash and cash equivalents	<u>(1.133.317.537)</u>	<u>(677.556.651)</u>
Net cash position	<u>1.589.327.990</u>	<u>1.620.147.715</u>
Equity	<u>4.235.787.237</u>	4.123.653.277
Leverage	0,38	0,39

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

Corporate governance includes the totality of systems and processes put in place to lead and control a company to increase its performance and value. Corporate governance basically involves balancing the interests of the company's stakeholders, which may include shareholders, senior management, customers, suppliers, creditors, government and the community. As such, corporate governance encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate development.

At the same time, 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 BSE 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 annual Report issued by the Board of Administration.

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

Transgaz is in full compliance with most of the provisions of the new Code, and the provisions with which the company was not yet in compliance/will comply with were explicitly presented in a current report sent to the BSE 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 BSE, SNTGN TRANSGAZ SA reported to the market the compliance with another provision A.2., and on 3 May 2022 the compliance with provision C.1. of the BSE 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 11.10.2023, 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.138² of the Law no. 31/1990 on companies, 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 11.10.2023 and approved by the Extraordinary General Meeting of the Shareholders by Resolution 10/11.10.2023, 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 BSE, 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.

Also, Transgaz has approved an *Internal Rules on the organization and operation of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA*. At the meeting of the Board of Administration held on 24.08.2023, according to art.3, the following were approved:

- The change of name of the following advisory committees:
 - The Strategy, Sustainability and Equal Opportunities Advisory Committee and The Corporate Governance and Relations with Public Authorities Advisory Committee are merged and become the Corporate Governance and Sustainability Advisory Committee;
 - The Audit and Rating Advisory Committee becomes Audit Advisory Committee
- The establishment of the Risk Management Advisory Committee.
- Amendment of the Internal Rules on the organization and operation of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA and their composition.

By the Resolution no.32/31.10.2023 of the Board of Administration the amendment of Internal Rules on the organization and operation of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA and the composition of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA was approved.

The updated version of the *Internal Rules on the organization and operation of the Advisory Committees established at the level of the Board of Administration of SNTGN Transgaz SA* is available on the company's own website, in the section www.transgaz.ro/en/guvernanta-corporativa/documents-for-corporate-governance

The structure of 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 fulfil their role.

Members of the Board of Administration of SNTGN Transgaz SA

Following OGMS Resolution 2/22.04.2021 the mandates of three administrators were renewed for a four-year term, as of 30.04.2021:

ION STERIAN	Executive Administrator - Director-General
PETRU ION VĂDUVA	Non-Executive Administrator - Chairman of the Board of Administration
NICOLAE MINEA	Independent, Non-Executive Administrator

By OGMS Resolution 10/07.12.2022, Mr Csaba Orosz and Mr Gheorghiu Agafitei were appointed provisional members of the Board of Administration for a maximum term of office of 4 months, starting on 17.12.2022, with the possibility of extending the term of office by another 2 months, until the completion of the selection procedure, and by OGMS Resolution 3/12.04.2023 it was approved the extension of the duration of the mandate of the provisional members of the Board of Administration by two months from the date of expiry, meaning 17.04.2023.

Subsequently, by OGMS Resolution 6/14.06.2023 the appointment Mr Csaba Orosz and Mr Gheorghiu Agafitei as provisional members of the Board of Administration for a maximum term of office of 4 months, starting on 17.06.2023, was approved with the possibility of extending the term of office by another 2 months, until the completion of the selection procedure.

At the meeting held on 11.10.2023, by OGMS Resolution 9/11.10.2023 the appointment of Ms. Ilinca Von Derenthall and Ms. Adina-Lăcrimioara Hanza as provisional members of the Board of Administration with a maximum term of office of 5 months, starting with 17.10.2023 was approved, with the possibility of extending the term of office only once by another two months, for justified reasons, and subsequently, by OGMS Resolution no.2/06.03.2024, the extension of the term of office of the provisional members of the Board of Administration was approved, for two months from the expiration date, i.e. 17 March 2024.

Then, by art. 2.2 of OGMS resolution no. 4/16.05.2024 the appointment of Mrs. Ilinca VON DERENTHALL as member of the Board of Administration of SNTGN Transgaz SA was approved as follows: from 17.05.2024 until 29.04.2025, following the completion of the selection procedure, and

by art. 4 the appointment of Ms. Adina-Lăcrimioara HANZA as a provisional member of the Board of Administration was approved for a term of office of maximum 5 months, starting from 17.05.2024, with the possibility of extension, once, for another 2 months, for justified reasons.

Name, Surname	Position in the Board of Administration/Legal basis for appointment		Term of office
ION STERIAN	OGMS Resolution 2/22.04.2021	Executive Administrator	4 years
	BoA Resolution 22/27.07.2021	Appointed Director - General	4 years
PETRU ION VĂDUVA	OGMS Resolution 2/22.04.2021	Non-Executive Administrator	4 years
NICOLAE MINEA	OGMS Resolution 2/22.04.2021	Independent Non-Executive Administrator	4 years
ILINCA VON DERENTHALL	OGMS Resolution 9/11.10.2023	Independent Non-Executive Interim Administrator	5 months, starting with 17.10.2023 with the possibility of extending the term of office only once by another two months for justified reasons
	OGMS Resolution 2/06.03.2024	Independent Non-Executive Interim Administrator	extending the term of office by two months from the date of expiry, i.e. 17 March 2024
	OGMS Resolution 4/16.05.2024	Independent Non-Executive Administrator	as of 17.05.2024 until 29.04.2025, following the completion of the selection procedure
ADINA-LĂCRIMIOARA HANZA	OGMS Resolution 9/11.10.2023	Independent Non-Executive Interim Administrator	5 months, starting with 17.10.2023 with the possibility of extending the term of office only once by another two months for justified reasons
	OGMS Resolution no. 2/06.03.2024	Independent Non-Executive Interim Administrator	extension of the term of office by two months from the date of expiry, i.e. 17 March 2024
	OGMS Resolution no. 4/16.05.2024	Independent Non-Executive Interim Administrator	Maximum 5 months, starting with 17.05.2024 with the possibility of extending the term of office only once by another two months for justified reasons

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 administratie.

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

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

The Board of Administration may require that the management plan be amended or revised if it does not provide for measures to achieve the objectives set out in the letter of expectation and does not include the expected results to ensure the assessment of the financial and non-financial performance indicators.

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

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

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

The executive directors and the directors of subsidiaries are appointed by the Director-General and are subordinate to it, are officials of SNTGN TRANSGAZ S.A., carry out its operations and are accountable to it for the performance of their duties under the same conditions as the members of the Board of Administration. The duties of the executive directors and of the directors within the subsidiaries are established by Transgaz' Rules of Procedure.

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

According to Art. 19 (8¹) of the Articles of Incorporation, updated on 11.10.2023, the Board of Administration reports, at the first general meeting of the shareholders following the conclusion of the legal act regarding the following:

- any transaction with the administrators or with the directors, the employees, the shareholders who control the company or with a company controlled by them;
- any 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 with the documents of SNTGN TRANSGAZ S.A. and the activity reports in accordance with the law.

Transgaz' intention to purchase 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 reorganizations

During Half I 2024, there were no mergers or reorganizations within SNTGN TRANSGAZ SA.

7.2. Legal documents concluded under Article 52 paragraph (1) and paragraph (6) of GEO 109/30.11.2011

In H1 2024, no legal documents were concluded in accordance with art. 52 paragraph (1) and paragraph (6) of GEO no.109/ 30.11.2011, as amended.

7.3. Main transactions between affiliated parties (in accordance with Article 108 of Law 24/2017 on issuers of financial instruments and market operations, republished)

In accordance with the provisions of Article 108 of Law 24/2017 on issuers of financial instruments and market operations, as amended, Transgaz did not identify and, accordingly, did not report in Half I 2024 any material transactions entered into with related parties the value of which exceeds 5% of the company's net assets value, as per 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 administrators' contracts of mandate, were approved and the revision of some financial key performance indicators for the same period was approved by OGMS Resolution 3/28 February 2022 and by OGMS Resolution 10/7 December 2022 the revision of some key non-financial performance indicators for the same period was approved.

Achievement of key financial and non-financial performance indicators

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

No.	Indicator	Objective	2024		Achievement*
			Budgeted	Achieved H1 2024	
1.	Outstanding payments	<i>Maintenance of the outstanding payments at zero.</i>	0	0	100%
2.	Operating expenses (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges) (thousand lei)	<i>Maintenance of the operating expenses at the level under the Management Plan</i>	1.486.728	580.237	256%
3.	Liquidity ratio	<i>Liquidity ratio to record values higher than 1</i>	1	1,26	126%

No.	Indicator	Objective	2024		Achievement*
			Budgeted	Achieved H1 2024	
4.	Net leverage rate	Maintenance of a net leverage rate below the limits set for obtaining bank financing, i.e.: 5-2021, 5,5-2022, 5 – 2023-2024, 4,5 2025	5,5	3,99	138%
5.	EBITDA (thousand lei)	Achievement of the EBITDA target under the Management Plan	579.907	398.542	69%

Table 30- Key financial performance indicators for the calculation of the variable component of remuneration in H1 2024 compared to the 2024 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.	2024		Achievement
				Planned	Achieved H I	
Operational						
6	Monitoring the Investment Strategy and Implementation	Achievement of the FID projects under the TYNDP (2022-2031) <i>I = (achieved+initiated actions)/proposed actions</i>				
		Development on the Romanian territory of the Southern Transmission Corridor for taking over the Black Sea gas	6.1	Construction 2023-2025 The completion date depends on the upstream offshore projects implementation schedules.	On 16 June 2023, the works commencement order was signed. The work is in progress according to the schedule.	100%
		Achievement of the pilot project for metering and using the hydrogen gas blending	6.2	The design, execution and mounting of the pilot project installation 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 mounting of the pilot project installation for the use of natural gas mixture with hydrogen and the study of the influences on materials, measurement systems and combustion equipment were completed.	100%
7	Increasing energy efficiency	Maintaining the share of the NTS gas consumption in the total circulated gas below 1%	7.1	<1	0,47%	100%

8	Customer satisfaction	Achievement of the targets established in the management plan (According to PP 165 Evaluation of Clients satisfaction, a score between 6-8 represents the fact that the services offered satisfied accordingly the requirements of the clients)	8.1	8	Achieved – 8 Report SMC/ 17930/29.02.2024 on the evaluation of SNTGN Transgaz SA clients satisfaction for 2023	100%
9	Strengthening and diversifying cooperation and collaboration relations with European gas transmission system operators	Conclusion of memoranda of cooperation and collaboration with European gas transmission system operators (minimum 5 operators) regarding the collaboration on hydrogen injection	9.1	1	The Memorandum of Understanding 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	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).	10.1	$IP_0^1 \geq 90\%$	99,79%	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	$IP_1^4 \geq 95\%$	99,6%	
			10.6	$IP_1^5 \geq 95\%$	100%	
			10.7	$IP_2^1 \geq 95\%$	100%	
			10.8	$IP_3^1 \geq 95\%$	98,15%	
			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	Implementing the provisions of GSG Order 600/2018 for the approval of the Internal/Management Control Code of public enterprises as amended.	11.1	Development of the internal/management control system for maintaining it at a level considered compliant with the standards included in the	Achieved - Monitoring Committee Decision 908/14.06.2024; - letter to GSG 7133/ 26.01.2024, entry no. to GSG 2687/26.01.2024 regarding the submission of the following internal/management control system reporting documents:	100%

		<p><i>I = implemented standards/ standards provided for in the Order 600/2018*100</i></p> <p><i>Implementation of the measures established in the internal/management control system Implementation Plan</i></p> <p><i>I = Implemented measures /proposed measures *100</i></p>		<p>Internal/Management Control Code.</p>	<p>✓ <i>Report of the Director General on the Internal/Managerial Control System as at December 31, 2023, no 7138/26.01.2024;</i></p> <p>✓ <i>Centralizing situation on the status of implementation and development of the internal/managerial control system within SNTGN Transgaz SA, as at 31 December 2023, no. 7135/ 26.01.2024.</i></p> <p>✓ <i>The data provided for in the above documents are uploaded in the SCIM (Internal Management Control System) – GSG (The General Secretariat of the Government) IT Platform. The General Secretariat of the Government notifies the approval of the forms uploaded in the IT Platform by e-mail dated 23.02.2024);</i></p> <p>- <i>SCI/M (Internal Management Control System) development program, updated for the year 2024, no. DSMC/20442/07.03.2024;</i></p> <p>- <i>information on the state of implementation of the internal/managerial control system at Transgaz level for the year 2023, no. DSMC/20390/07.03.2024;</i></p> <p>- <i>information on performance monitoring at Transgaz level for 2023, no. DSMC/20389/07.03.2024;</i></p> <p>- <i>The Board of Administration acknowledged Report No. DG/20396/07.03.2024 on the "Status of implementation of the internal/managerial control system and performance monitoring" for 2022, by BoA Resolution 14/20.03.2024;</i></p> <p>- <i>identification of the need to update the System Procedure PS 07 SMI "Management of SCIM (Internal Management Control System) ".</i></p>	
			11.2	<p>Streamline the processing and management of SCI/M documentation by implementing an SCI/M web platform (preparation of</p>	<p>Achieved</p> <p>- <i>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.</i></p>	100%

				procurement documents).	<ul style="list-style-type: none"> - Necessity report no. DSMC/61781/22.08.2023 on the budgeting of the product 'Automated Information System dedicated to the development, management and continuous monitoring of the Internal/Managerial Control System; -The implementation of the platform was postponed to 2025. 	
12	Optimization of risk management process	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	12.1	Continuous monitoring and adaptation of the organisational, conceptual and methodological framework of the risk management process	<p>Achieved</p> <ul style="list-style-type: none"> - EGR Decision No 228/15.02.2024; -EGR Decision no. 909/14.06.2024; - Risk Management Strategy, 2021-2025; no. DSMC/38586/19.05.2021 was approved by Board of Administration Resolution. 25/31.08.2021; - the meeting of the Board of Administration held on 20 March 2024 (BoA Resolution 14/20.03.2024) took note of the "Report no. DG/20398/07.03.2024 on the analysis of the specific objectives and action directions set out in the Program for the implementation of the measures set out in the Risk Management Strategy, 2021-2025, period under review - 2023"; - the revision of the Risk Management System Procedure is approved in order to introduce the five-step risk assessment matrix. The System Procedure rev1 ed.1 has entered into force on 03.01.2024 (notification via Internal Newsletter about the internal publishment of the procedure in the public area); - delivery by Internal Newsletter on 11.01.2024, to all organizational structures of the document "Training on the implementation of the System Procedure PS 05 SMI ed.1 rev.1" which summarizes all the new aspects introduced by the 1st revision of the procedure, with emphasis on risk assessment in the 5-step risk matrix. - for the year 2024, the 5-step risk tolerance limit no. DSMC/2851/12.01.2024 was approved, disseminated by publication in the public area: https://portal.intranet.transgaz.ro/zonapublica/scim/Managementul%20riscurilor/6.%20Limita%20de 	100%

					%20toleranta/7.%20Limita%20toleran%C8%9B%C4%83 %202024 %20Transgaz.pdf	
			12.2	Systematic analysis of risks associated with operational objectives at the level of organisational structures.	<p>Achieved</p> <p>In accordance with the letter No. DSMC/214444/11.03.2024 all organizational structures have posted in the dedicated area:</p> <ul style="list-style-type: none"> - the list of operational objectives, activities and risks, year 2024; - The Risk Registers at service and departmental level, year 2024; - The plans of measures to minimize risks at service, departmental level, year 2024; <p>According to Letter No. DSMC/91253/04.12.2023 all organizational structures have posted the revised Risk Registers, December 2023, and Risk Management Report, year 2023 at the level of the divisions, independent units, independent departments and offices, regional offices, the Medias Subsidiary.</p>	
			12.3	Implementation of risk management policy, procedures and legal requirements and monitoring their application at company level.	<p>Achieved</p> <ul style="list-style-type: none"> - Company-wide Risk Register, 2023, No. DSMC/14825/22.12.2023, REVISED December 2023; - Company-wide Risk Register, year 2024, no. DSMC/20439/07.03.2024; - Risk Minimization Measures Plan, at company level, year 2023, no. DSMC/20444/07.03.2024; - Report on risk management and monitoring, within SNTGN Transgaz SA, for the year 2023, no. DSMC/12873/13.02.2024; - The Board of Administration acknowledged Report no. DG/20388/07.03.2024 on risk management and monitoring within SNTGN Transgaz SA, by BoA Resolution 14/20.03.2024; - the risk profile, December 2023 No DSMC/2851/12.01.2024; - The report of the Risk Management Committee on the approval of the Tolerance Limit for the year 2024 and the Risk Profile, December 2023, Registration No. DSMC/7931/30.01.2024 	
13	Timely reporting of the performance indicators	Compliance with the legal deadlines for reporting	13.1	Calendar for Financial communication to BSE	<p>Achieved</p> <p>(see the company's website) https://www.transgaz.ro/ro/calendar-financiar-2024</p>	100%

		<i>I = actual reporting deadlines/reporting deadlines provided *100</i>	13.2	Report on the status of implementation of the 10-Year Development Plan of the National Gas Transmission System	Achieved Letter DSMC/14.323/16.02.2024 Deadline March 1, 2024	
			13.3	Internal/management control system reporting	Achieved It was sent to the General Secretariat of the Government by Letter no. DSMC/7133/26.01.2024, entry no. SGG 2687/26.01.2024, - Centralized Progress Report on the implementation and development of the internal/management control system in SNTGN Transgaz SA on 31 December 2023; - Report on the internal/management control system on 31 December 2023.	
			13.4	Reporting related to the achievement of the performance indicators of the gas transmission service	Achieved Letter 89648/24.11.2023 ANRE report for gas year 2022-2023 Reported annually (November).	
			13.5	Reporting form S1100 on the monitoring of the application of the provisions of GEO 109/2011	Achieved - Letter no .2016/09.01.2024 Report H1100 for H2 2023; - Letter no. 55962/03.07.2024 H1100 reporting for H1 2024;	
14	2021-2025 NAS implementation	Implementation of the measures established in the NAS <i>I = measures achieved within the deadline /proposed measures *100</i>	14.1	Achievement of the objectives under the Integrity Plan for the implementation of the Anti-Corruption Strategy 2021-2025	Achieved - The measures foreseen in the Integrity Plan for the implementation of the National Anti-Corruption Strategy 2021-2025, for H1 2024, were realized: - elaboration, submission to the GSG (The General Secretariat of the Government) and publication on the Intranet page of the Report on the status of implementation of the measures envisaged in the SNA 2021-2025 for 2023, at the level of S.N.T.G.N. Transgaz S.A.; -preparation, submission to the General Secretariat of the Government and publication on the Intranet page of Transgaz' Integrity Incident Assessment Report for 2023, - the system procedure PS 06 SMI prevention of corruption was updated; - carrying out an anti-corruption training activity (2 employees of the company participated - key positions in	100%

					<p><i>terms of whistleblower protection in the public interest);</i></p> <ul style="list-style-type: none"> - <i>the necessary steps were taken to implement the provisions of Law no. 361/2022 on the protection of whistleblowers in the public interest and PS 21 SMI on the protection of whistleblowers in the public interest, regarding the display of reporting channels and the person designated according to the law (poster, report preparation and approval, transmission to the concerned Divisions, Regional Operating Centres, Subsidiary);</i> - <i>participation of 2 persons within the General Inspection Division in the webinar "Artificial Intelligence - ethics and integrity";</i> - <i>participation, within the Business Cooperation Platform organized by the Technical Secretariat of the SNA, in the Working Group on the second phase of Romania's evaluation by the OECD;</i> - <i>Participation, within the Business Cooperation Platform organized by the Technical Secretariat of the SNA, in two working meetings.</i> 	
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Table 31 – Key non-financial performance indicators achievements for the calculation of the variable component of remuneration at 30.06.2024

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

ILINCA VON DERENTHALL – Non-Executive Administrator

ADINA LĂCRIMIOARA HANZA - Non-Executive, Interim Administrator

LIST OF TABLES

TABLE 1- CONSOLIDATED STANDARD PERFORMANCE INDICATORS FOR HALF I 2024 COMPARED TO HALF I 2023	5
TABLE 2 - CONSOLIDATED PROFITABILITY, LIQUIDITY, RISK AND MANAGEMENT INDICATORS IN HALF I 2024 COMPARED TO HALF I 2023	6
TABLE 3- EVOLUTION OF THE MAIN CONSOLIDATED ECONOMIC AND FINANCIAL INDICATORS IN HALF I 2024 COMPARED TO HALF I 2023	7
TABLE 4 – INDIVIDUAL STANDARD PERFORMANCE INDICATORS IN HALF I 2024 COMPARED TO HALF I 2023.....	8
TABLE 5 – EVOLUTION OF PROFITABILITY, LIQUIDITY, RISK AND MANAGEMENT INDICATORS IN HALF I 2024 COMPARED TO HALF I 2023	9
TABLE 6 - EVOLUTION OF THE MAIN ECONOMIC-FINANCIAL INDICATORS IN HALF I 2024 COMPARED TO HALF I 2023	10
TABLE 7 - SHAREHOLDING STRUCTURE AS AT 28 JUNE 2024	29

TABLE 8 - MEMBERS OF TRANSGAZ' EXECUTIVE MANAGEMENT HOLDING TGN SHARES IN THE COMPANY	33
TABLE 9 - TRANSGAZ' EXECUTIVE MANAGEMENT ON 30.06.2024	34
TABLE 10 - VESTMOLDTRANSGAZ SRL MANAGEMENT MEMBERS ON 30.06.2024	35
TABLE 11 - EUROTRANSGAZ SRL MANAGEMENT MEMBERS ON 30.06.2024	35
TABLE 12 - THE EVOLUTION OF THE NUMBER OF TRANSGAZ GROUP PERSONNEL BETWEEN 2021-HALF I 2024.....	35
TABLE 13 – NUMBER OF TRANSGAZ EMPLOYEES BETWEEN 2021- HALF I 2024	35
TABLE 14 - GAS QUANTITIES CIRCULATED, TRANSMITTED, AND NTS GAS CONSUMPTION IN 2021-HALF I 2024.....	47
TABLE 15 - PLANNED VS ACHIEVED GAS QUANTITIES CIRCULATED, TRANSMITTED AND NTS CONSUMPTION IN HALF I 2024 AND HALF I 2023	47
TABLE 16 – GAS QUANTITIES AS NTS GAS CONSUMPTION ACHIEVED VS PLANNED IN 2021-HALF I 2024.48	
TABLE 17- INDICATORS OF CONSOLIDATED ECONOMIC AND FINANCIAL RESULTS (SNTGN TRANSGAZ SA, EUROTRANSGAZ SRL, VESTMOLDTRANSGAZ SRL).....	63
TABLE 18 – CONSOLIDATED FINANCIAL RESULTS IN HALF I 2024 COMPARED TO HALF I 2023.....	64
TABLE 19 - INDIVIDUAL FINANCIAL RESULTS IN H1 2024 COMPARED TO H1 2023	65
TABLE 20 - INDIVIDUAL FINANCIAL RESULTS IN HALF I 2024 COMPARED TO BUDGET FOR HALF I 2024	69
TABLE 21 - H1 2024 ACHIEVEMENTS COMPARED TO H1 2023 ACHIEVEMENTS AND H1 2024 ACHIEVEMENTS COMPARED TO REB (%).....	70
TABLE 22 – INDIVIDUAL ACHIEVEMENTS IN H1 2024 COMPARED TO THE MANAGEMENT PLAN 2024	71
TABLE 23 - STATEMENT OF CONSOLIDATED FINANCIAL POSITION IN H1 2024 COMPARED TO 2023.....	72
TABLE 24 - CONSOLIDATED PROFIT AND LOSS ACCOUNT IN H1 2024 COMPARED TO H1 2023.....	75
TABLE 25 - CONSOLIDATED CASH FLOW STATEMENTS IN H1 2024 COMPARED TO H1 2023.....	77
TABLE 26- STATEMENT OF INDIVIDUAL FINANCIAL POSITION IN H1 2024 COMPARED TO 2023.....	82
TABLE 27 - INDIVIDUAL PROFIT AND LOSS ACCOUNT IN HALF I 2024 COMPARED TO HALF I 2023.....	85
TABLE 28 - REVENUE FROM THE OPERATING ACTIVITY –ACHIEVED IN HALF1 2024 COMPARED TO ACHIEVED IN HALF1 2023	86
TABLE 29 - OPERATING COSTS ACHIEVED IN H1 2024 COMPARED TO H1 2023	87
TABLE 30- KEY FINANCIAL PERFORMANCE INDICATORS FOR THE CALCULATION OF THE VARIABLE COMPONENT OF REMUNERATION IN H1 2024 COMPARED TO THE 2024 BUDGET (ACCORDING TO THE MANAGEMENT PLAN 2021-2025).....	100
TABLE 31 – KEY NON-FINANCIAL PERFORMANCE INDICATORS ACHIEVEMENTS FOR THE CALCULATION OF THE VARIABLE COMPONENT OF REMUNERATION AT 30.06.2024.....	106

LIST OF CHARTS

CHART 1- CONSOLIDATED PROFITABILITY INDICATORS EVOLUTION IN HALF I 2024 COMPARED TO HALF I 2023.....	6
CHART 2 – (CONSOLIDATED) NET PROFIT IN HALF I 2024 COMPARED TO HALF I 2023 (THOUSAND LEI)	7
CHART 3- (CONSOLIDATED) TURNOVER IN HALF I 2024 COMPARED TO HALF I 2023 (THOUSAND LEI).....	7
CHART 4- OPERATING REVENUE, EXPENSE AND PROFIT, BEFORE THE CONSTRUCTION ACTIVITY ACCORDING TO IFRIC 12 – CONSOLIDATED - IN HALF I 2024 COMPARED TO HALF I 2023 (THOUSAND LEI).....	7
CHART 5- EVOLUTION OF THE INVESTMENT AND UPGRADING COSTS – CONSOLIDATED - IN HALF I 2024 COMPARED TO HALF I 2023 (THOUSAND LEI)	8
CHART 6 – EVOLUTION OF PROFITABILITY INDICATORS IN HALF I 2024 COMPARED TO HALF I 2023	9

CHART 7-TURNOVER (INDIVIDUAL) HALF I 2024 COMPARED TO HALF I 2023 (MIL. LEI).....	11
CHART 8 - NET PROFIT (INDIVIDUAL) IN HALF I 2024 COMPARED TO HALF I 2023 (MIL. LEI).....	11
CHART 9 – EVOLUTION OF OPERATING REVENUE, EXPENSE AND OPERATING PROFIT BEFORE THE CONSTRUCTION ACTIVITY ACCORDING TO IFRIC – INDIVIDUAL – HALF I 2024 COMPARED TO HALF I 2023 (MIL. LEI)	11
CHART 10 – EVOLUTION OF THE MAIN ECONOMIC AND FINANCIAL INDICATORS – INDIVIDUAL – IN HALF I 2024 COMPARED TO HALF I 2023 (THOUSAND LEI)	11
CHART 11 - EVOLUTION OF INVESTMENT AND UPGRADING COSTS – INDIVIDUAL – IN HALF I 2024 COMPARED TO HALF I 2023 (THOUSAND LEI)	11
CHART 12 - SHAREHOLDING STRUCTURE AT 28 JUNE 2024.....	30
CHART 13 – EVOLUTION OF THE NUMBER OF TRANSGAZ SHAREHOLDERS FROM THE BSE LISTING DATE AND UNTIL 28.06.2024	30
CHART 14- PERSONNEL STRUCTURE BY CATEGORIES OF STUDIES	36
CHART 15 - PERSONNEL STRUCTURE BY GENDER	36
CHART 16 – PERSONNEL STRUCTURE BY HEADQUARTERS AND REGIONAL OFFICES AS AT 30 JUNE 2024	36
CHART 17 - PERSONNEL STRUCTURE BY ACTIVITIES.....	36
CHART 18 - PERSONNEL STRUCTURE BY AGE CATEGORIES AS AT 30 JUNE 2024	37
CHART 19 - PERSONNEL STRUCTURE BY CATEGORIES OF STUDIES IN HALF I 2024 COMPARED TO HALF I 2023.....	37
CHART 20 - THE CLOSING PRICE OF THE TGN SHARES IN 01.01.2024 – 30.06.2024 VS. 01.01.2023 – 30.06.2023	40
CHART 21 - TGN TRANSACTIONS VOLUME IN 01.01.2024 – 30.06.2024 VS. 01.01.2023 – 30.06.2023	40
CHART 22 - TGN TRADING VALUE – MIL. LEI IN 01.01.2024 – 30.06.2024 VS. 01.01.2023 – 30.06.2023	41
CHART 23 - STOCK MARKET CAPITALIZATION OF TRANSGAZ ON 30.06.2024 VS. 30.06.2023.....	43
CHART 24 – THE TGN SHARE COMPARED TO STOCK EXCHANGE INDICES BET, BET-BK, BET-TR, ROTX, BET- NG AND BET-XT IN HALF I 2024.....	44
CHART 25 - PLANNED VS. ACHIEVED GAS QUANTITIES CIRCULATED, TRANSMITTED AND NTS CONSUMPTION IN HALF I 2024	47
CHART 26 – THE SHARE NTS GAS CONSUMPTION IN TOTAL CIRCULATED GAS IN 2021-HALF I 2024.....	47
CHART 27 - THE SHARE OF THE MAIN NTS USERS IN HALF I 2024.....	48
CHART 28 – MODERNISATION AND INVESTMENT DEVELOPMENT PLAN 2024 – JANUARY 2024	49
CHART 29 – MODERNISATION AND INVESTMENT DEVELOPMENT PLAN 2024 – JUNE 2024.....	50
CHART 30 -PLRRM 2024- NTS MAINTENANCE REPAIR AND REHABILITATION WORKS -JUNE 2024.....	54
CHART 31 -PLRRM 2024-PIPILINE REPAIR AND REHABILITATION JUNE 2024	55
CHART 32 – ACTUAL STATUS OF PROCUREMENT PROCEDURES ON 30 JUNE 2024	57
CHART 33 - STRUCTURE AND NUMBER OF CASES IN WHICH THE COMPANY WAS INVOLVED IN HALF I 2024.....	58
CHART 34 - CONSOLIDATED FINANCIAL RESULTS IN THE HALF I 2024 COMPARED TO HALF I 2023 (THOUSAND LEI).....	64
CHART 35 - CONSOLIDATED FINANCIAL RESULTS IN THE HALF I 2024 COMPARED TO HALF I 2023 (%).....	64
CHART 36 - INDIVIDUAL FINANCIAL RESULTS IN HALF I 2024 COMPARED TO HALF I 2023 (THOUSANDS LEI).....	66
CHART 37 - INDIVIDUAL FINANCIAL RESULTS IN H1 2024 COMPARED TO H1 2023 (%).....	66
CHART 38 – INDIVIDUAL ACHIEVEMENTS HALF I 2024 COMPARED TO INDIVIDUAL ACHIEVEMENTS HALF I 2023 AND INDIVIDUAL ACHIEVEMENTS HALF I 2024 COMPARED TO REB HALF I 2024	70

LIST OF FIGURES

FIGURE 1 - MAP OF THE NATIONAL GAS TRANSMISSION SYSTEM AND THE NTS CROSS-BORDER INTERCONNECTION POINTS	28
FIGURE 2 - TRANSGAZ ADMINISTRATIVE MAP	31

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

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF SIX
MONTHS ENDED
30 June 2024 (UNAUDITED)**

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

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

**INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

Contents

Interim consolidated Statement of Financial Position	1 - 2
Interim consolidated Statement of Comprehensive Income	3
Interim consolidated Statement of Changes in Equity	4
Interim consolidated Cash Flow Statement	5
Notes to the Interim consolidated Financial Statements	6-83

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



	<u>Note</u>	<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
ASSET			
Non-current assets			
Tangible Assets	7	739.496.589	769.080.086
Rights of use of the leased assets	7.1	156.461.269	173.445.968
Goodwill	9	4.145.342.879	3.643.272.446
Financial assets	10	10.220.840	10.126.276
Trade receivables and other receivables	12	2.522.065.012	2.423.669.228
Deferred tax		4.003.771	5.116.271
Restricted cash	13	<u>2.059.522</u>	<u>1.956.015</u>
		7.579.649.882	7.026.666.290
Current assets			
Inventories	11	571.949.384	583.515.292
Trade receivables and other receivables	12	289.295.541	441.070.694
Cash and cash equivalent	13	<u>1.177.396.883</u>	<u>710.857.030</u>
		2.038.641.808	1.735.443.016
Total asset		9.618.291.690	8.762.109.306
EQUITY AND DEBTS			
Equity			
Share capital	14	1.883.815.040	1.883.815.040
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865
Other reserves	15	1.265.796.861	1.265.796.861
Retained earnings	15	382.653.776	253.557.168
Consolidation foreign currency translation reserve		<u>11.233.057</u>	<u>26.916.902</u>
		4.232.395.995	4.118.983.232
Shareholders equity			
Non-controlling interests		<u>98.733.681</u>	<u>97.130.535</u>
		4.331.129.676	4.216.113.767
Long-term debts			
Long-term loans	16	2.450.673.736	2.033.509.382
Deferred revenue	17	934.845.788	849.905.753
Lease liabilities	19	130.075.900	144.696.947
Provision for employee benefits	21	<u>145.738.894</u>	<u>114.807.183</u>
		3.661.334.318	3.142.919.265

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
FINANCIAL POSITION**
(expressed in lei, unless otherwise stated)



	<u>Note</u>	30 June 2024 (unaudited)	31 December 2023
Current liabilities			
Short-term loans	16	448.099.389	448.069.729
Deferred revenue	17	104.503.015	113.993.591
Trade and other payables	19.1	961.648.874	708.874.765
Lease liability	19.2	32.369.697	31.756.889
Provisions for risks and charges	20	69.346.670	84.246.083
Provision for employee benefits	21	<u>9.860.051</u>	<u>16.135.217</u>
		<u>1.625.827.696</u>	<u>1.403.076.274</u>
Total liabilities		<u>5.287.162.014</u>	<u>4.545.995.539</u>
Total equity and liabilities		9.618.291.690	8.762.109.306

Endorsed and signed on behalf of the Board of Administration on 14 August 2024 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 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Revenue from the domestic transmission activity		1.019.344.281	634.712.757
Revenue from the international transmission activity and similar		-	58.871.631
Other revenue	22	<u>85.325.109</u>	<u>67.506.574</u>
Operational revenue before the balancing and construction activity according to IFRIC12		1.104.669.390	761.090.962
Depreciation	7, 9	(255.970.082)	(232.813.590)
Employees costs	24	(301.595.739)	(278.069.448)
NTS gas consumption, materials and consumables used		(58.454.973)	(75.588.406)
Expenses with royalties		(108.342.261)	(2.760.167)
Maintenance and transmission		(49.178.031)	(15.798.941)
Taxes and other amounts owed to the state		(40.383.537)	(37.461.276)
		(10.182.126)	21.324.157
Revenue/ (Expenses) with provisions for risks and charges			
Other operating cost	23	<u>(100.793.931)</u>	<u>(107.056.756)</u>
Operational profit before the balancing and construction activity according to IFRIC12		179.768.710	32.866.535
Revenue from the balancing activity		114.784.449	263.066.728
Cost of balancing gas		(114.784.449)	(263.066.728)
Revenue from the construction activity according to IFRIC12	32	675.817.268	35.270.257
Cost of assets constructed according to IFRIC12	32	<u>(675.817.268)</u>	<u>(35.270.257)</u>
Operational profit		179.768.710	32.866.535
Financial income	25	108.333.869	140.742.101
Financial cost	25	<u>(65.091.791)</u>	<u>(79.897.971)</u>
Financial income, net		<u>43.242.078</u>	<u>60.844.130</u>
Profit before tax		223.010.788	93.710.665
Income tax expense	13	<u>(46.640.851)</u>	<u>(22.892.265)</u>
Net profit for the period		<u>176.369.937</u>	<u>70.818.400</u>
Attributable to the parent company		175.674.920	72.819.072
Attributable to the non-controlling interests		695.017	(2.000.672)
Shares number		188.381.504	188.381.504
Other items of comprehensive income			
Basic and diluted earnings per share (expressed in lei per share)	28	0,94	0,38
Actuarial gain / loss for the period		2.056.799	6.395.044
Foreign currency translation reserve		2.522.699	10.928.102
Total comprehensive income for the period		<u>180.949.435</u>	<u>88.141.546</u>
Attributable to the parent company		179.623.743	90.142.218
Attributable to the non-controlling interests		1.325.692	(2.000.672)

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>Share Capital</u>	<u>Share capital adjustments</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Consolidation Foreign currency translation reserve</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance on 1 January 2023	1.883.815.040	441.418.396	247.478.865	1.265.796.861	199.648.810	19.932.259	82.818.034	4.140.908.265
Net profit for the period	-	-	-	-	72.819.072	-	(2.000.672)	70.818.400
Actuarial gain / loss for the period	-	-	-	-	6.395.044	-	-	6.395.044
	-	-	-	-	79.214.116	-	(2.000.672)	77.213.444
Dividends related to 2022	-	-	-	-	(131.867.054)	-	-	(131.867.054)
Non-controlling interests	-	-	-	-	-	1.095.245	9.832.857	10.928.102
Consolidation foreign currency translation reserve	-	-	-	-	-	-	(4.916.429)	(4.916.429)
Balance on 30 June 2023	1.883.815.040	441.418.396	247.478.865	1.265.796.861	146.995.872	21.027.504	85.733.790	4.092.266.328
Net profit for the period, reported	-	-	-	-	108.622.288	-	6.275.834	114.898.122
Actuarial gain / loss for the period	-	-	-	-	(2.060.994)	-	-	(2.060.994)
Establishing profit reserves	-	-	-	-	106.561.294	-	6.275.834	112.837.128
Legal reserve increase	-	-	-	-	(10.344.066)	-	-	(10.344.066)
Consolidation foreign currency translation reserve	-	-	-	-	10.344.066	-	-	10.344.066
	-	-	-	-	-	5.889.398	5.120.911	11.010.309
Balance on 31 December 2023	1.883.815.040	441.418.396	247.478.865	1.265.796.861	253.557.168	26.916.902	97.130.535	4.216.113.767
Net profit for the period	-	-	-	-	175.674.920	-	695.017	176.369.937
Actuarial gain / loss for the period	-	-	-	-	2.056.799	-	-	2.056.799
	-	-	-	-	177.731.719	-	695.017	178.426.736
Dividends related to 2022	-	-	-	-	-	-	-	-
Non-controlling interests	-	-	-	-	(65.933.526)	-	-	(65.933.526)
Consolidation foreign currency translation reserve	-	-	-	-	17.298.415	(15.683.845)	908.129	2.522.699
Balance on 30 June 2024	1.883.815.040	441.418.396	247.478.865	1.265.796.861	382.653.776	11.233.057	98.733.681	4.331.129.676

Consolidation foreign currency translation reserves arise from the reporting 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 CASH FLOW STATEMENT
(expressed in lei, unless otherwise stated)

	<u>Note</u>	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Cash generated from operations	26	598.804.102	359.939.682
Interest paid		(64.216.222)	(65.095.850)
Interest received		7.465.665	694.172
Paid income tax		<u>(46.921.639)</u>	<u>(37.122.141)</u>
Net cash inflow from operation activities		495.131.906	258.415.863
Cash flow from investing activities			
Payments to acquire intangible assets		(548.085.184)	(203.194.647)
Payments to acquire tangible assets		(7.851.291)	(7.154.671)
Receipts from the disposal of tangible assets		110.457	-
Cash flow from connection fees and grants		136.014.267	274.044
Net cash used in investing activities		<u>(419.811.751)</u>	<u>(210.075.274)</u>
Cash flow from financing activities			
Long term loans repayments		(74.050.059)	(70.081.168)
Credit withdrawals/repayments for working capital		(6.924.401)	(24.203.412)
Long-term loans withdrawals		497.670.000	-
Lease Payments (IFRS 16)		(25.197.154)	(3.486.739)
Dividends paid		<u>(175.181)</u>	<u>(574.887)</u>
Net cash used in financing activities		<u>391.323.205</u>	<u>(98.346.206)</u>
Net change in cash and cash equivalents		<u>466.643.360</u>	<u>(50.005.617)</u>
Cash and cash equivalent as at the beginning of the year	13	<u>712.813.045</u>	<u>418.666.555</u>
Cash and cash equivalent as at the end of the period	13	<u>1.179.456.405</u>	<u>368.660.938</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 2024, the majority shareholder of the company is the Romanian state, through the General Secretariat of the Government.

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

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

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

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

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

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

The core business of EUROTRANSGAZ is:

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

The share capital of EUROTRANSGAZ S.R.L. as at 30 June 2024 is in the amount of MDL 728.034.705 (equivalent in RON of lei 188.852.202) 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.

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

1. GENERAL INFORMATION (CONTINUED)

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

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

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

For the purpose of consolidating this set of financial statements, the non-controlling interest in the Group's share capital in amount of MDL 380.623.288 represents EBRD's share in the total net assets of the Vestmoldtransgaz S.R.L. in statement as at 30 June 2024.

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY

Romania

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

- (i) According to data published on 15 May 2024, the European Commission forecasts real GDP growth in Romania to exceed 3% over the forecast period, due to accelerating private consumption, supported by real disposable income growth. Financial conditions are expected to ease and public investment to remain robust, but external demand from the EU's main trading partners is projected to be low in 2024. Inflation is expected to continue to decrease, but only gradually, and unemployment is broadly unchanged. The public deficit is projected to increase to about 7% of GDP in 2024 and 2025 as a result of strong expenditure growth. The debt-to-GDP ratio is projected to reach 54% in 2025;
- (ii) In the meeting of 5 July 2024, the Board of the National Bank of Romania decided:
 - to decrease the monetary policy rate to 6,75 % per year, from 7,00% per year, as of 8 July 2024;
 - to decrease the interest rate on the lending facility (Lombard) to 7,75% per year, from 8,00% per year, and the interest rate on the deposit facility to 5,75% per year, from 6,00% per year;
 - to maintain the current levels of the mandatory minimum reserves for the lei and currency liabilities of the credit institutions.
- (iii) The National Bank of Romania (NBR) expects the annual inflation rate to decrease to 6% at the end of the Q2 2024, decreasing to 5% at the end of the Q3 of this year, according to the Quarterly Inflation Report, May 2024 edition, cited by Agerpres. "The annual rate of CPI inflation is projected to remain on a downward trend for almost the entire projection range, but the speed of disinflation is projected to slow significantly, especially in the Half 2. Structurally, the decline in headline inflation will be driven mainly by the core inflation component, which is expected to decrease over the projection horizon, but at a slower rate next year. At the same time, the contribution of the exogenous components of the basket to headline inflation will remain relatively constant this year as compared to end-2023 and will decrease in 2025. The trajectory of the annual CPI inflation rate will also be affected by base effects associated with past price changes: favorable influences in Q3 2024 and Q1 2025, and unfavorable in Q4 2024, when the disinflationary process is quasi-stationary. In these circumstances, a value of 4,9% is forecasted for the end of the current year, 3,5% for the end of 2025 and 3,4% at the projection horizon, i.e. March 2026", according to the report

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

- (iv) Fitch International Rating Agency confirmed on 24.05.2024 the rating of the National Natural Gas Transmission Company Transgaz at "BBB-" with stable outlook. "The confirmation of the Transgaz' rating reflects the strong business profile of Transgaz as title holder and operator of the gas transmission network in Romania, which we consider to be broadly unchanged, following the recent inclusion of TSO gas operations in Moldova, as well as our expectations regarding the continuity of the regulatory framework in the new regulatory period of five years (RP5), which was delayed by a year for October 2025," the agency's report said.
- (v) The financial rating agency Fitch Ratings confirmed on 01.03.2024 Romania's long-term foreign currency debt rating at "BBB minus" with a stable outlook, informs a press release. "The 'BBB minus' rating assigned to Romania is underpinned by its EU membership and associated capital inflows supporting income convergence, external finances and macroeconomic stability. GDP per capita and human development indicators are above those of other 'BBB' countries. But these are offset by higher budget and current account deficits than other countries in the same category, a modest track record of fiscal consolidation, increased fiscal rigidities and a high external debtor position," Fitch Ratings says. Fitch analysts estimate Romania's budget deficit in 2023 was virtually unchanged compared to 2022 at 6,1% of GDP, well above the government's original target of 4.4% of GDP. Fitch forecasts that Romania will have a government deficit of 6% of GDP in 2024 and 6,4% in 2025.

At the end of H1 2023, as compared to the end of 2022, the LEU decreased against the EURO (`EUR`) 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).

At the end of H1 2024, as compared to the end of 2023, the LEU decreased against the EURO (`EUR`) 0,05% (1 EUR= 4,9771 lei as at 30 June 2024, 1 EUR = 4,9746 lei as at 31 December 2023) and decreased by 3,40% against the US dollar (`USD`) (1 USD = 4,6489 lei as at 30 June 2024, 1 USD = 4,4958 lei as at 31 December 2023).

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES

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

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

3.1 Basis of preparation

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

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

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

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

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

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

In accordance with the Accounting Law no. 82/1991 republished, as amended and supplemented, and with OMF 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 separate financial statements and consolidated financial statements of the Group.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

1. Authority over the investee;
2. Exposure or rights to variable returns 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

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 non-current assets, are fully eliminated.

The following changes are valid as of 1 January 2022:

- Onerous contracts - The cost of performing a contract (Amendments to IAS 37); IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts - Cost of Fulfilling a Contract) - In May 2020, the IASB issued amendments to IAS 37 that specify the costs that a company includes when assessing whether a contract will result in a loss and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts as they increase the scope of costs that are included in the assessment of the onerous contract.
- Annual Improvements to IFRSs: 2018-2020 Cycle - In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative examples accompanying IFRS 16 Leasing.
- The Conceptual Framework for Financial Reporting (Amendments to IFRS 3) - In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

IAS 16 Property, Plant and Equipment (Amendment - Proceeds before Intended Use) - In May 2020, the IASB issued amendments to IAS 16 that prohibit a company from deducting amounts received from the sale of items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales revenue and any related costs in profit or loss.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

New standards, interpretations and amendments with subsequent applicability.

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

Standards and amendments effective as of 1 January 2023:

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

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

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

IFRS 17 Insurance Contracts

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

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

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

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

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

- Liability in a sale and leaseback (Amendments to IFRS 16 Leases);
- Classification of liabilities as current or non-current (Amendments to IAS 1 Presentation of financial statements);

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

- Non-convention liabilities (Amendments to IAS 1 Presentation of Financial Statements); and
- **Supplier financing arrangements (Amendments to IAS 7 Statement of cash flows and to IFRS 7 Financial instruments: Disclosures)**

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

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

3.2 Reporting on segments

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

3.3 Transactions in foreign currency

a) Functional currency

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

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

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

c) Transactions and balances

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

3.4 Accounting for the effects of hyperinflation

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

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

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible Assets

Computer Software

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

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

Service Concession Agreement

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

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

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

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

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

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 non-current assets	4 - 20

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

Before 31 December 2008, borrowing costs were incurred as they occurred. As of 1 January 2009, borrowing costs 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. Borrowing costs attributable directly to the acquisition, construction or production of a qualifying asset are those borrowing costs 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 qualifying 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 income 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 qualifying asset.

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

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

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

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

3.7. Impairment of non-financial assets

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

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

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

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Assets of public domain

In accordance with Public Domain Law No. 213/1998, pipelines for gas transmission are public property. Government Decision 491/1998, confirmed by Government Decision 334/2000, states that non-current assets with a gross historical statutory book value of lei 474,952,575 (31 December 2017: lei 474.952.575) , representing gas pipelines, are managed by the company. Therefore, the company has the exclusive right to use such assets during the concession and shall return them to the state at the end of this period (see Note 8).

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

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

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

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

3.9 Financial assets

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) *Loans and receivables*

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

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

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

(c) *Impairment of financial assets*

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

The company assesses first whether objective evidence of impairment exists.

(i) *Assets registered at amortized cost*

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

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

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

(ii) *Assets measured at cost*

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

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

3.10. Inventories

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

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

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

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

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

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

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.11. Trade receivables

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

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

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

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

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

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

3.12. Cash and cash equivalent

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

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.13. Equity

Share capital

Ordinary shares are classified as equity.

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

Dividends

Dividends are recognized as liabilities and deducted from equity at the end of the reporting period if they are declared before or at the end of the reporting period. Dividends are recognized when they are proposed before the end of the reporting period, or when they were proposed or declared after the end of the reporting period but before the date the financial statements were approved for issue. The company did not distribute partial dividends during the financial year.

Reserves

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

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

Retained earnings

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

3.14. Borrowings

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

The deferred income 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 income 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 income 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 income tax asset is realized or the deferred income tax liability is settled.

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

3.16. Trade payables and other payables

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

3.17. Deferred revenue

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

The grants collected are assimilated to the governmental subsidies.

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

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

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

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

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.18. Employee benefits

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

Benefits granted on retirement

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

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

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

Social insurance

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

Profit sharing and bonuses

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

3.19. Provisions for risks and charges

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

The provision is recognized even if the probability of an outflow of resources related to any item included in any obligation class is reduced.

Where the company expects the writing back to revenue of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is theoretically certain.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

3.20. Revenue recognition

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

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

a) *Revenue from services*

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

b) *Revenue from the sale of goods*

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

c) *Interest income*

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

d) *Revenue from dividends*

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

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

No barter transactions were performed in 2023 and in 2022.

e) *Revenue from penalties*

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

3.21. Related parties

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

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

By the nature of the activities performed, the company is exposed to various risks, which include: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk. company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the company. The company does not use derivative financial instruments to protect itself from certain risk exposures.

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk

(i) Currency risk

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

The company does not perform formal actions to minimize the currency risk related to its operations; therefore 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 2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	709.484	684.054
USD depreciation by 10%	(709.484)	(684.054)
EUR appreciation by 10%	(76.966.602)	(43.314.636)
EUR depreciation by 10%	76.966.602	43.314.636

(ii) Price risk

The company is exposed to the commodity price risk related to gas purchased for own consumption. If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 2.602.446 (on December 2023: lei 4.888.012).

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

The company is exposed to interest rate risk by its bank deposits and variable interest loans. The company did not conclude any commitment to diminish the risk. For the average exposure of the period, if the interest rates had been lower/higher by 50 basis points, with all the other variables maintained constant, the profit related to the period and equity would have been higher/lower by 3.870.868 (December 2023: lei 9.012.228 higher / lower) as a result of reducing the interest rate for variable interest loans and the interest rate on the bank deposits.

(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 52% of the trade receivable balances as at 30 June 2024 (31 December 2023: 43%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

already made adjustments.

As at 30 June 2024 the company the company has available payment guarantees from clients amounting to lei 401.666.664.

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

	30 June 2024	31 December 2023
	(unaudited)	
Without rating	46.707.359	33.048.306
BB+	412.261.991	251.805.038
BBB-	504.344.599	276.682.320
BBB	4.441.577	614.290
BBB+	208.863.685	150.261.015
A+	134.713	134.911
AA	<u>457.291</u>	<u>156.187</u>
	1.177.211.215	712.702.067

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

(c) *Liquidity risk*

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

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis of financial liabilities as at 30 June 2024 is as follows:

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Borrowings	3.724.654.199	601.918.144	1.565.934.273	1.556.801.782
Trade payables and other payables	846.617.645	846.617.645	-	-
Lease liabilities	<u>162.445.596</u>	<u>32.369.696</u>	<u>130.075.900</u>	<u>-</u>
	<u>4.733.717.440</u>	<u>1.480.905.485</u>	<u>1.696.010.173</u>	<u>1.556.801.782</u>

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

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	3.093.774.456	582.926.342	1.395.339.865	1.115.508.249
Trade payables and other payables	555.757.798	528.124.416	27.633.382	-
Lease liabilities	<u>146.564.072</u>	<u>31.756.889</u>	<u>114.807.183</u>	<u>-</u>
	<u>3.796.096.326</u>	<u>1.142.807.647</u>	<u>1.537.780.430</u>	<u>1.115.508.249</u>

Trade payables and other payables include trade payables, suppliers of non-current 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 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Financial assets		
Cash and cash equivalents	237.415.985	123.999.082
Term bank deposits	942.015.420	588.813.963
Loans and receivables	2.717.454.772	2.781.926.204
Financial assets - stakes	24.603.237	24.578.237
Provisions related to financial assets - stakes	<u>(24.578.237)</u>	<u>(24.578.237)</u>
	<u>3.896.911.177</u>	<u>3.494.739.249</u>

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

	30 June 2024 (unaudited)	31 December 2023
Financial liabilities		
Debts evaluated to amortised cost		
Loans	2.898.773.125	2.481.579.111
Liabilities evaluated at fair value		
Financial securities for contracts	203.501.194	50.446.894
Commercial liabilities and other liabilities	<u>673.357.200</u>	<u>507.098.374</u>
	<u>3.775.631.518</u>	<u>3.039.124.379</u>

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

On 30 June 2024, the amount of lei 157.816.024 (31 December 2023: lei 152.476.340 lei) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 4% in USD (31 December 2023: 4%) and 96% in EUR (31 December 2023: 96%).

Capital risk management

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

As for the other companies in this sector, the company monitors the capital based on the leverage 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 leverage degree on 30 June 2024 and on 31 December 2023 is reflected in the table below:

	30 June 2024 (unaudited)	31 December 2023
Total borrowings	2.898.773.125	2.481.579.111
Except: cash and cash equivalents (Note 13)	<u>(1.179.431.405)</u>	<u>(712.813.045)</u>
Net cash position	<u>1.719.341.720</u>	<u>1.768.766.066</u>
Equity capital	4.331.129.676	4.216.113.767
Leverage ratio	0,40	0,42

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimate

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

It is considered that the book value less the impairment adjustment of trade receivables and payables approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows using the current market interest rate available to the company for similar financial instruments.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Critical accounting estimates and assumptions

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

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

5.1 Assumptions for the determination of the provision for retirement benefits

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

The present value of the obligations at 30 June 2024 is of lei 155.598.945 (at 31 December 2023: lei 130.942.400) (Note 21).

The presentation of the current value for the 2024 depending on the following variables:

	<u>30 June 2024</u>	<u>31 December 2023</u>
Inflation rate +1%	145.415.438	139.815.630
Inflation rate -1%	166.851.133	121.986.797
Investment return +10%	148.199.073	125.899.775
Investment return -10%	163.617.656	135.764.481

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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

Analysis of the maturity of benefits payments:

	30 June 2024	31 December 2023
Up to one year	9.860.051	16.135.217
Between 1 and 2 years	5.162.110	6.323.131
Between 2 and 5 years	37.650.660	22.807.715
Between 5 and 10 years	135.792.072	112.046.635

5.2 The accounting treatment of the concession agreement

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

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

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;

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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

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

5.4 Long-term receivables

Law 127/2014, which became effective on 5 October 2014, stipulates that in the event of termination of the concession contract irrespective of the reason, or upon termination of the contract, the investment made by the national transmission system operator shall be transferred to the owner of the national transmission system or to another conceder in exchange for the payment of compensation equal to the remaining undepreciated regulated value established by ANRE.

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

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

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

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

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

NOTES TO THE INTERIM 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 2024 is:

	Domestic gas transmission	International gas transmission	Balancing	Unallocated	Total
Revenue from domestic transmission	1.019.344.281	-	-	-	1.019.344.281
Revenue from international transmission and similar	-	-	-	-	-
Other revenue	67.382.962	13.752.789	-	4.189.358	85.325.109
Operating revenue before the balancing and the construction activity according to IFRIC12	1.086.727.243	13.752.789	-	4.189.358	1.104.669.390
Depreciation	(240.660.828)	(14.420.456)	-	(888.798)	(255.970.082)
Operating expenses other than depreciation	(650.417.058)	(15.116.934)	-	(3.396.606)	(668.930.598)
Profit from operation before the balancing and construction activity according to IFRIC12	195.649.357	(15.784.601)	-	(96.046)	179.768.710
Revenue from the balancing activity	-	-	114.784.449	-	114.784.449
Cost of balancing activity	-	-	(114.784.449)	-	(114.784.449)
Revenue from the construction activity according to IFRIC12	-	-	-	675.817.268	675.817.268
Cost of constructed assets according to IFRIC12	-	-	-	(675.817.268)	(675.817.268)
Operating profit	195.649.357	(15.784.601)	-	(96.046)	179.768.710
Net financial gain	-	-	-	-	43.242.078
Profit before tax	-	-	-	-	223.010.788
Income tax	-	-	-	-	(46.640.851)
Net profit	-	-	-	-	176.369.937
Assets on segments	7.621.567.643	130.096.306	310.495.885	1.556.131.856	9.618.291.690
Liabilities on segments	4.436.864.379	43.448.595	551.227.356	255.621.684	5.287.162.014
Capital expenditure - increases in assets in progress	689.139.111	-	-	8.652	689.147.763
Non-monetary expenses other than depreciation	(44.062.680)	(5.402.162)	(6.213.709)	(316.319)	(55.994.870)

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

6. INFORMATION ON SEGMENTS (CONTINUED)

In 2023, the Eurotransgaz SRL and Vestmoldtransgaz subsidiaries carried out transmission activities, their assets in the amount of 645.834.694 lei and liabilities in the amount of 375.755.059 lei being presented in 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	176.381.675
The right of use of the leased assets	156.461.269
Goodwill	10.220.840
Cash	1.179.456.405
Deferred tax	4.003.771
Other assets	<u>29.607.896</u>
	1.556.131.856

Unallocated liabilities include:

Dividends payable	66.853.878
Other debts	<u>188.767.806</u>
	255.621.684

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</u> <u>Clients</u>	<u>Foreign</u> <u>Clients</u>	<u>Total</u>
Revenue from the domestic transmission	868.966.990	150.377.291	1.019.344.281
Other revenue	<u>66.483.926</u>	<u>18.841.183</u>	<u>85.325.109</u>
	935.450.916	169.218.474	1.104.669.390

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

6. INFORMATION ON SEGMENTS (CONTINUED)

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

	<u>Percentage of the total revenue</u>
OMV PETROM SA	18%
ENGIE ROMANIA S.A.	15%
SNGN ROMGAZ SA	13%
E.ON ENERGIE ROMANIA SA.	11%

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

The company has external trade receivables amounting to lei 181.157.807 (31 December 2023: lei 169.254.185).

The *domestic gas transmission* segment includes information related to the activity of domestic gas transmission, which is regulated by the National Regulatory Authority as well as the operating and financial income 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 2023, is as follows:

	<u>Domestic gas transmission</u>	<u>International gas transmission</u>	<u>Balancing</u>	<u>Unallocated</u>	<u>Total</u>
Revenue from domestic transmission	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 expense 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 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 gas	-	-	(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)
Profit from operation	<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	-	-	-	-	93.710.665
Income tax	-	-	-	-	<u>(22.892.265)</u>
Net profit	-	-	-	-	70.818.400
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-cash costs other than depreciation	1.995.495	(61.924.104)	-	(155.933)	(60.084.542)

In 2023, the Eurotransgaz SRL and Vestmoldtransgaz subsidiaries carried out transmission activities, their assets in the amount of 251.715.211 lei and liabilities in the amount of 195.543.720 lei being presented in the unallocated segment.

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

6. INFORMATION ON SEGMENTS (CONTINUED)

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

Unallocated assets include:

Tangible and intangible assets	416.284.856
Right of use of leased assets	16.588.335
Goodwill	9.795.300
Cash	368.660.938
Deferred tax	996.562
Other assets	<u>14.280.549</u>
	826.606.540

Unallocated liabilities include:

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

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	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

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

OMV PETROM S.A.	15%
ENGIE ROMANIA S.A.	12%
SNGN ROMGAZ S.A.	9%

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

6. INFORMATION ON SEGMENTS (CONTINUED)

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

The *domestic gas transmission* segment includes information related to the activity of domestic transmission of natural gas that is regulated by the National Regulatory Authority, as well as the operating and financial income related to the receivable for the unamortized regulated value of the regulated asset base at the end of the Concession Agreement; the *international gas transmission* segment includes information related to the activity carried out through pipelines without transshipment on the territory of Romania and similar; the *balancing* segment comprises expenses and revenue related to the activity of balancing the national transmission system, an activity carried out since 1 December 2015, financially neutral, any profit or loss from this activity will be distributed to customers for which domestic transmission services are provided; the unallocated segment comprises activities with a low share in the company's revenue such as: asset sales, rents, royalties.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

7. TANGIBLE ASSETS

	Lands and buildings	Transmission system assets	Other non-current assets	Assets in progress	Total
As at 30 June 2023					
Cost at 1 January 2023	337.971.864	984.844.069	720.044.407	12.376.903	2.055.237.243
Depreciation accumulated	(182.714.685)	(760.527.662)	(309.826.037)	-	(1.253.068.384)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Foreign currency translation reserve	71.154	-	609.877	-	681.031
Initial net book value	<u>155.328.333</u>	<u>224.316.407</u>	<u>410.828.247</u>	<u>10.720.721</u>	<u>801.193.708</u>
Inflows	-	-	-	9.240.428	9.240.428
Reclassification	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)
Foreign currency translation reserve	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)
Foreign currency translation reserve	(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>
As at 31 December 2023					
Initial 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>
Inflows	-	-	1.736.647	13.880.425	15.617.072
Reclassification	-	-	(473.348)	-	(473.348)
Transfers	356.903	-	11.531.007	(11.887.910)	-
Outflow (net value)	(12.989)	-	(58.214)	-	(71.203)
Expense with depreciation	(4.758.305)	(15.959.688)	(18.999.495)	-	(39.717.488)
Foreign currency translation reserve	1.325.653	-	11.633.525	-	12.959.178
Final net book value	<u>149.146.203</u>	<u>194.033.042</u>	<u>415.022.129</u>	<u>10.878.712</u>	<u>769.080.086</u>
Cost	341.395.327	986.500.401	756.300.057	12.534.894	2.096.730.679
Accumulated depreciation	(192.141.145)	(792.467.359)	(340.423.031)	-	(1.325.031.535)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Foreign currency translation reserve	(107.979)	-	(854.897)	-	(962.876)
Final net book value	<u>149.146.203</u>	<u>194.033.042</u>	<u>415.022.129</u>	<u>10.878.712</u>	<u>769.080.086</u>
As at 30 June 2024 (unaudited)					
Initial net book value	<u>149.146.203</u>	<u>194.033.042</u>	<u>415.022.129</u>	<u>10.878.712</u>	<u>769.080.086</u>
Inflows	-	-	-	8.055.973	8.055.973
Reclassification	72.735	(3.340.200)	22.568	1.145.067	(2.099.830)
Transfers	389.981	930.534	7.580.498	(8.901.013)	-
Outflow (net value)	(177.429)	(3.878)	(18.129)	-	(199.436)
Expense with depreciation	(4.561.259)	(15.274.395)	(19.147.684)	-	(38.983.338)
Foreign currency translation reserve	369.037	-	3.274.097	-	3.643.134
Final net book value	<u>145.239.268</u>	<u>176.345.103</u>	<u>406.733.479</u>	<u>11.178.739</u>	<u>739.496.589</u>
Cost	318.557.032	984.059.610	764.954.723	12.834.921	2.080.406.286
Accumulated depreciation	(173.307.543)	(807.714.507)	(358.142.095)	-	(1.339.164.145)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Foreign currency translation reserve	(10.221)	-	(79.149)	-	(89.370)
Final net book value	<u>145.239.268</u>	<u>176.345.103</u>	<u>406.733.479</u>	<u>11.178.739</u>	<u>739.496.589</u>

NOTES TO THE INTERIM 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 368.275.074 (31 December 2023: lei 384.773.206). As at 30 June 2024 no advances granted for the procurement of tangible assets are registered.

Regarding the assets developed by the company, which are complementary to the provision of services according to the concession agreement, the State has the option to acquire these assets at the end of the concession agreement. The company does not have the obligation to keep these assets until the end of the concession agreement and it is allowed to sell them. These assets do not fall within the scope of IFRIC 12. All the other assets related to the domestic transmission activity and which are part of the national gas transmission system, including improvements made after signing the concession agreement and which must be handed over to the ANRM at the end of the concession agreement fall within the scope of IFRIC 12.

The company does not depreciate tangible non-current assets approved for scrapping and has no pledged non-current assets. Impairment adjustments were made for work in progress for which completion and commissioning is uncertain.

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

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

Leases according to IFRS16

Cost on 1 January 2024	202.970.570
Accumulated depreciation	(28.025.428)
Foreign currency translation reserve	(14.860)
Net book value	174.930.282
Inflow	244.721
Outflow	(1.085.647)
Depreciation	(17.601.862)
Foreign currency translation reserve	<u>(26.225)</u>
Final net book value on 30 June 2024	156.461.269

Detailed information on IFRS 16 as at 30 June 2024:

	30 June 2024 of which:	Forestry conventions	Lease contract VMTG
Right of use assets	202.129.644	16.532.682	170.066.691
Right of use asset- accumulated depreciation	35.414.403	5.684.438	17.006.669
Interest expense on lease liability	7.533.546	112.256	7.393.002
Lease liability	162.445.597	11.694.165	148.407.014
Of which:			
Short term	32.369.697	1.268.970	30.070.335
Long term	130.075.900	10.425.195	118.336.679

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

7. TANGIBLE ASSETS (CONTINUED)

Detailed information on IFRS 16 as at 31 December 2023:

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

Detailed information on IFRS 16 as at 31 December 2023:

	31 December 2023 of which	Forestry conventions	Lease contract VMTG
Right of use assets	201.397.093	16.299.859	152.193.355
Right of use asset- accumulated depreciation	27.951.125	5.352.675	4.195.274
Interest expense on lease liability	5.138.577	459.195	3.974.175
Lease liability	176.453.835	11.766.703	149.145.130
From which:			
Short term	31.756.889	1.255.584	27.168.268
Long term	144.696.947	10.511.119	121.976.862

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

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

8. SERVICE CONCESSION AGREEMENT

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

8. SERVICE CONCESSION AGREEMENT (CONTINUED)

The main terms of the Concession Agreement are the following:

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

The Concession Agreement does not include an automatic renewal clause.

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

No changes were made to the terms of the Concession Agreement 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	Goodwill from consolidation	Information programmes	Intangible assets under construction	Total
On 31 December 2023					
Cost on 1 January 2023	9.609.650.958	-	81.530.297	535.996.238	10.227.177.494
Accumulated depreciation	(5.171.936.850)	-	(61.766.282)	-	(5.233.703.132)
Adjustments for impairment	-	-	-	(9.142.777)	(9.142.777)
Goodwill from consolidation	-	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
Foreign currency translation reserve	-	153.668	(14.490)	-	139.178
Final net book value	<u>3.362.989.151</u>	<u>9.566.770</u>	<u>19.749.525</u>	<u>526.853.461</u>	<u>3.919.158.907</u>
Inflow	-	-	10.115.837	194.166.383	204.282.220
Reclassifications	(462.550)	-	473.348	-	10.798
Transfers	356.275.053	-	361.910	(356.636.963)	-
Outflow	-	-	-	-	-
Depreciation	(497.687.112)	-	(7.366.064)	-	(505.053.176)
Concession agreement receivables	(80.776.665)	-	-	-	(80.776.665)
Concession Agreement receivable depreciation	115.216.450	-	-	-	115.216.450
Foreign currency translation reserve	-	559.506	683	-	560.189
Final net book value	<u>3.255.554.327</u>	<u>10.126.276</u>	<u>23.335.238</u>	<u>364.382.881</u>	<u>3.653.398.722</u>
Cost	9.965.463.461	-	87.826.328	373.525.658	10.426.815.447
Accumulated depreciation	(5.669.623.961)	-	(64.490.232)	-	(5.734.114.193)
Adjustment for impairment	-	-	-	(9.142.777)	(9.142.777)
Concession agreement receivables	-	9.413.102	-	-	9.413.102
Foreign currency translation reserve	(1.555.168.037)	-	-	-	(1.555.168.037)
Concession Agreement receivable depreciation	514.882.864	-	-	-	514.882.864
Foreign currency translation reserve	-	713.174	(858)	-	712.316
Net book value	<u>3.255.554.327</u>	<u>10.126.276</u>	<u>23.335.238</u>	<u>364.382.881</u>	<u>3.653.398.722</u>
On 30 June 2024					
Initial net book value	<u>3.255.554.327</u>	<u>10.126.276</u>	<u>23.335.238</u>	<u>364.382.881</u>	<u>3.653.398.722</u>
Inflow	-	-	22.640.578	681.091.790	703.732.368
Reclassifications	3,244,899	-	-	(1.895.284)	1,349,615
Transfers	15,882,074	-	307,195	(16,189,269)	-
Outflow	-	-	-	-	-
Depreciation	(253,988,346)	-	(4,014,548)	-	(258,002,894)
Concession Agreement receivables	(5,053,307)	-	-	-	(5,053,307)
Concession Agreement receivable depreciation	60,044,573	-	-	-	60,044,573
Foreign currency translation reserve	-	94,564	78	-	94,642
Final net book value	<u>3.075.684.219</u>	<u>10.220.840</u>	<u>42.268.542</u>	<u>1.027.390.118</u>	<u>4.155.563.719</u>
Cost	9.984.590.434	-	110.774.598	1.036.532.895	11.131.897.927
Accumulated depreciation	(5.923.612.308)	-	(68.505.980)	-	(5.992.118.288)
Adjustment for impairment	-	-	-	(9.142.777)	(9.142.777)
Goodwill from consolidation	-	9,413,102	-	-	9,413,102
Concession agreement receivables	(1,560,221,344)	-	-	-	(1,560,221,344)
Concession Agreement receivable depreciation	574,927,437	-	-	-	574,927,437
Foreign currency translation reserve	-	807,738	(76)	-	807,662
Net book value	<u>3.075.684.219</u>	<u>10.220.840</u>	<u>42.268.542</u>	<u>1.027.390.118</u>	<u>4.155.563.719</u>

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 pipeline stock) is recognized in the value of the right to use, as an intangible asset. At 30 June 2024 the line pack quantity is 825.511 MWh and has a value of 67.437.487 lei, of which the NTS pipeline stock is 693.293 MWh and has a value of 55.713.584 lei. On 31 December 2023 the linepack is of 809.539 MWh and amounts to lei 72.687.849, of which NTS pipeline stock is of 693.282 MWh and amounts lei 55.712.232.

As at 30 June 2024, the company capitalized interest expense amounting to lei 5.598.951 lei (in 2023 it capitalized interest expenses amounting to 4.273.861), for NTS assets.

As at 30 June 2024 there are no advances granted for the procurement of national gas transmission system development works are presented in the intangible assets in progress.

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

As at 30 June 2024, the Company capitalized additional costs for the procurement of natural gas, incurred between 1 January 2024 – 30 June 2024 amounting to 22.640.578 lei (10.113.181 lei on 31 December 2023), in order to cover its own technological consumption compared to the costs included in the regulated tariffs, in accordance with the provisions of the Order of the Ministry of Finance no. 3900/19 October 2022, the Order of the President of ANRE no.128 /12 October 2022.

As a result of the acquisition of Vestmoldtransgaz SRL (VTMG) by Eurotransgaz SRL (ETG), goodwill calculated as the difference between the value of the shareholding and the value of the equity of VTMG weighted by the percentage of shareholding held, i.e. 100%, was recognized in the consolidated financial statements as intangible assets. The calculation of goodwill was performed at the acquisition date, i.e. March 2018, and is presented in the consolidated financial statements at the closing rate.

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

10. FINANCIAL ASSETS

Financial assets consist of unlisted stakes in the following companies:

<u>Company</u>	<u>Activity</u>	<u>% Percentage owned 2024</u>	<u>% Percentage owned 2023</u>	<u>30 June 2024 (unaudited)</u>	<u>31 December 2023</u>
Resial SA	Production	68,16	68,16	18.116.501	18.116.501
Mebis SA	Gas production distribution and supply	17,47	17,47	6.461.736	6.461.736
Minus adjustments for impairment of investments in: Resial SA, Mebis SA				(24.578.237)	(24.578.237)
				-	-

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

10. FINANCIAL ASSETS (CONTINUED)

Shares in Resial SA

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

Shares in Mebis SA

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

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

Goodwill

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

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

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 30.06.2024	10.220.840

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

10. FINANCIAL ASSETS (CONTINUED)

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 Resolution 10/12.12.2017 of the Extraordinary Meeting of the Shareholders it 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 Vestmoldtrazgaz.

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 380.623.288 on 31 December 2023 (MDL 378.113.788 on 31 December 2023) represents EBRD's share in the total net assets of Vestmoldtransgaz S.R.L. (lei 0,2428 on 31 December 2023).

Non-controlling interests	<u>30 June 2024</u>	<u>31 December 2023</u>
Shareholders' deposits (EBRD)	97.130.535	82.818.034
Net profit for the period	695.017	4.275.162
Foreign currency translation reserve from consolidation	<u>908.129</u>	<u>10.037.339</u>
Non-controlling interests	98.733.681	97.130.535

11. INVENTORIES

	<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
Gas inventories	309.802.003	310.275.621
Gas for NTS gas consumption	160.187.820	180.679.213
Spare parts and materials	156.396.820	143.229.471
Materials in custody at third parties	1.914.056	466.345
Adjustments for write-down of inventories	<u>(56.351.315)</u>	<u>(51.135.358)</u>
	<u>571.949.384</u>	<u>583.515.292</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

11. INVENTORIES (CONTINUED)

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

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

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

Movements in the adjustments account are analysed below:

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Adjustment on 1 January	51.135.358	42.752.007
(Revenue)/expense with adjustment for write-down of inventories (Note 23)	<u>5.215.957</u>	<u>8.383.351</u>
Adjustment at the end of the period	<u>56.351.315</u>	<u>51.135.358</u>

In 2024 adjustments for write-down of inventories were established according to Note 3.10. Since 2022 the company has recorded 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. TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Trade receivables	798.045.888	982.985.140
Advance payments to suppliers for goods and services	873.468	269.690
Loan to Resial SA (Note 10)	1.770.346	1.770.346
Receivable related to the unamortized regulated value at the end of the concession agreement	2.522.065.012	2.423.669.228
Non-refundable loans as subsidies	3.127.035	14.140.364
State budget receivables	117.398.280	84.422.282
Receivables from various debtors	-	56.349.031
Non-current receivables	-	46.315.542
Other receivables	138.858.556	3.876.911
Adjustment of impairment of trade receivables	(665.077.447)	(659.182.941)
Adjustment of impairment of other receivables	<u>(105.700.585)</u>	<u>(89.875.671)</u>
	<u>2.811.360.553</u>	<u>2.864.739.922</u>
Financial assets/ Loans and receivables (Note 4)	<u>2.781.926.204</u>	<u>2.781.926.204</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. TRADE 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 income 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.

At 30 June 2024, the amount of 157.816.024 lei (31 December 2023: 152.476.340 lei) of trade and other receivables net is denominated in foreign currency of which 4% in USD (31 December 2023: 4%) and 96% in EUR (31 December 2023: 96%). For consolidation purposes as at 30 June 2024 and 31 December 2023 there are no internal transactions to be eliminated.

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

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 amount of the receivable related to the Concession Agreement and recognized a gain amounting to 63.930.785 lei in accordance with IFRS 9 (31 December 2023: 147.131.305 lei).

	<u>30 June 2024</u>	<u>31 December 2023</u>
	<u>(unaudited)</u>	
Initial balance	2.423.669.228	2.141.205.427
Inflow	5.053.307	80.776.665
Interest	29.455.371	54.622.298
Inflation update	63.930.785	147.131.305
Outflow	<u>(43.679)</u>	<u>(66.467)</u>
	<u>2.522.065.012</u>	<u>2.423.669.228</u>

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

12. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Trade receivables analysis according to IFRS9 is as follows:

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Current and unamortized		
Transit receivables	149,340,016	144.214.000
Doubtful or insolvency receivables	169.378.771	166.447.834
Affiliated party receivables	167.801.545	269.061.494
Other trade receivables	308.928.819	403.261.812
Receivables from various debtors	<u>67.540.640</u>	<u>56.349.031</u>
	862.989.791	1.039.334.171
Amortization		
Transit receivables	149,340,016	144.214.000
Doubtful or insolvency receivables	166.516.845	166.447.834
Affiliated party receivables	120,458,859	142.240.990
Other trade receivables	228,761,726	206.280.116
Receivables from various debtors	<u>66.278.271</u>	<u>50.453.357</u>
Total impairment	731.355.717	709.636.297
Total trade receivables net of provision	131.634.074	329.697.874

IFRS 9 applies a new model for forecasting impairment loss based on the estimated loss. This model entails the anticipated recognition of the loss from receivables impairment. The standard requires entities to recognize the anticipated impairment loss on receivables from the time of initial recognition of financial instruments, and to recognize the anticipated impairment loss over their lifetime. The amount of expected loss will be updated for each reporting period so as to reflect changes in credit risk as compared to initial recognition.

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	120.486	602.495	722.401	3.465.639	6.242.977	125.361.125	13.816.078	150.331.200
Doubtful and insolvent receivables	-	-	-	-	-	165.525.661	-	165.525.661
Affiliated parties' receivables	35.378	87.387	114.594	131.959	271.974	118.055.810	1.761.757	120.458.859
Various receivables	102.405	172.226	201.271	284.943	672.593	221.210.519	6.117.769	228.761.726
Receivables from various debtors	69.715	-	2.973	627	8.431.213	52.158.320	5.615.423	66.278.271
Total impairment	327.984	862.108	1.041.239	3.883.168	15.618.757	682.311.435	27.311.027	731.355.717

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

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

12. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

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 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Adjustment on 1 January	749.058.612	639.659.487
Expense with the adjustment for doubtful clients (Note 23)	<u>31.799.003</u>	<u>176.285.552</u>
(Revenue with the adjustment for doubtful clients (Note 23))	<u>10.079.583</u>	<u>66.886.427</u>
Adjustment at the end of the period	<u>770.778.032</u>	<u>749.058.612</u>

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

As at 30 June 2024, the company recorded adjusting expenses for the clients recording an increased non-collection risk, mainly for the receivables of Gazprom Export LLC (lei 5.126.017) and North Chemical Complex SRL (lei 2.516.899).

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 2024 as well.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

13. CASH AND CASH EQUIVALENT

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Cash at bank in lei	671.354.468	370.920.341
Cash at bank in foreign currency	505.881.740	339.824.701
Other cash equivalents	<u>160.675</u>	<u>111.988</u>
	<u>1.177.396.883</u>	<u>710.857.030</u>

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Restricted cash (administrators guaranties)	2.059.522	1.956.015

Most of the foreign currency cash at the bank is denominated in EUR.

The weighted average of the effective interest related to short-term bank deposits was of 3.18% on 30 June 2024 (3,32% on 31 December 2023) and these deposits have a maximum maturity of 30 days.

14. SHARE CAPITAL AND SHARE PREMIUM

IFRS	Number of ordinary shares	Share capital	Share premium	Total
On 31 December 2023	188.381.504	2.325.233.436	247.478.865	2.572.712.301
On 30 June 2024 2023	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 2023				
On 30 June 2024	188.381.504	2.325.233.436	247.478.865	2.572.712.301

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

The ownership structure registered with Depozitarul Central on 30 June 2024 is the following:

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

14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

	<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 Depozitarul Central on 31 December 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>

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 non-current assets were annually recognized in the statement of comprehensive income by 31 December 2003. Therefore, in this financial statements, the company recorded only the share capital from cash or in-kind contribution, adjusted to inflation from the date of the initial contribution on 31 December 2003 and the increase in the share capital that took place after 1 January 2004 was recognized in nominal terms.

15. OTHER RESERVES, LEGAL RESERVE AND RETAINED EARNINGS

Other reserves

Before IFRIC 12, a proper reserve related to assets belonging to the public domain (Notes 3 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.

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

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

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 2024, amounts to lei 55.765.430 (31 December 2023: 55.765.430 lei).

The legal reserve is included in the `Retained earnings` in these financial statements. The company does not intend to change the allocation of the legal reserve.

Reserve relating to reinvested profit

The balance of the invested profit reserve as at 30 June 2024 is lei 58.121.457 (31 December 2023 lei 17.275.596).

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

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

Dividend allocation

In 2024, the parents company declared a dividend of lei 0,35 /share, related to the profit of the previous year (2022: lei 0.71 /share). The total dividends declared from the profit of 2023 are lei 65.933.526 (dividends declared from the profit of 2022: lei 131.867.053).

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 2024:

BEI 83644RO	176.189.340	186.050.040
BEI 88825RO	199.240.267	209.058.151
BEI 89417RO	248.855.000	124.365.000
BEI 90512RO	497.710.000	124.365.000
BEI ETG 90703	176.127.598	183.874.745
BCR 20190409029	133.920.000	141.360.000
BCR 20201028056	273.600.000	288.000.000
BCR 20210817030	79.166.665	83.333.332
BCR 20211124044	174.166.667	183.333.333
BERD	200.115.360	211.232.880
BT	240.782.228	247.806.630
Raiffeisen Bank	300.000.000	300.000.000
BRD GSG	198.900.000	198.800.000
Total	<u>2.898.773.125</u>	<u>2.481.579.111</u>

Loans breakdown by maturity range:

	<u>30 June 2024 (unaudited)</u>	<u>31 December 2023</u>
Within 1 year	448.099.389	448.069.729
Over 1 year	<u>2.450.673.736</u>	<u>2.035.509.382</u>
Total	<u>2.898.773.125</u>	<u>2.481.579.111</u>

The European Investment Bank (EIB)

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

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

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

- the Loan Agreement no.89417RO dated 17.12.2018 for the amount of EUR 50 million, maturity of 15 years, grace period of 3 years at principal repayment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

- the Loan Agreement no. 90512RO dated 24 January 2019 for the amount of EUR 100 million, maturity of 15 years, grace period of 3 years at principal repayment.

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 2024 (unaudited)</u>	<u>31 December 2023</u>
Within 1 year	19.908.400	19.898.400
Between 1 and 5 years	79.633.600	79.593.600
Over 5 years	<u>76.647.340</u>	<u>86.558.040</u>
	<u>176.189.340</u>	<u>186.050.040</u>

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

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

	<u>30 June 2024 (unaudited)</u>	<u>31 December 2023</u>
Within 1 year	19.845.893	19.835.925
Between 1 and 5 years	79.383.573	79.343.698
Over 5 years	<u>100.010.801</u>	<u>109.878.528</u>
	<u>199.240.267</u>	<u>209.058.151</u>

In July 2023 the company received under Loan Agreement no. 89417RO the first tranche of EUR 25 million and in June 2024 the final tranche of EUR 25 million.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

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

	<u>30 June 2024</u>	<u>31 December 2023</u>
Within 1 year	-	-
Between 1 and 5 years	53.326.071	25.380.612
Over 5 years	<u>195.528.929</u>	<u>98.984.388</u>
	<u>248.855.000</u>	<u>124.365.000</u>

In July 2023 the company received under Loan Agreement no. 90512 RO the first tranche of EUR 25 million and in June 2024 the final tranche of EUR 75 million.

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

	<u>30 June 2024</u>	<u>31 December 2023</u>
Within 1 year	-	-
Between 1 and 5 years	99.034.132	25.380.612
Over 5 years	<u>398.675.868</u>	<u>98.984.388</u>
	<u>497.710.000</u>	<u>124.365.000</u>

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

The EBRD 90703RO loan maturity is presented below:

	<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	15.763.388	15.753.697
Between 1 and 5 years	63.053.552	63.014.790
Over 5 years	<u>97.310.658</u>	<u>105.106.258</u>
	<u>176.127.598</u>	<u>183.874.745</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 2024 (unaudited)</u>	<u>31 December 2023</u>
Within 1 year	22.235.040	22.235.040
Between 1 and 5 years	88.940.160	88.940.160
Over 5 years	<u>88.940.160</u>	<u>100.057.680</u>
	<u>200.115.360</u>	<u>211.232.880</u>

The carrying amount of loans approximates their fair value as they bear a variable interest rate.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

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

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

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Within 1 year	28.800.000	28.800.000
Between 1 and 5 years	115.200.000	115.200.000
Over 5 years	<u>129.600.000</u>	<u>144.000.000</u>
	<u>273.600.000</u>	<u>288.000.000</u>

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

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Within 1 year	8.333.334	8.333.334
Between 1 and 5 years	33.333.336	33.333.336
Over 5 years	<u>37.499.995</u>	<u>41.666.662</u>
	<u>79.166.665</u>	<u>83.333.332</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

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 2024 (unaudited)</u>	<u>31 December 2023</u>
Within 1 year	18.333.333	18.333.333
Between 1 and 5 years	73.333.333	73.333.333
Over 5 years	<u>82.500.000</u>	<u>91.666.667</u>
	<u>174.166.667</u>	<u>183.333.333</u>

Transilvania Bank (BT)

On 15 July 2020, as a result of a competitive negotiation procedure, the company signed a contract with Transilvania Bank allowing the company to benefit from a credit facility amounting to lei 300 million, for 2 years, to cover the necessary working capital and partly to issuing letters of guarantee. By Addendum No. 1/20.12.2021, Addendum No. 4/22.03.2023 and Addendum No. 5/14.06.2024 the parties agreed successive extensions of the final maturity date of the loan agreement until 13.06.2026.

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.

As at 30 June 2024, out of the total of credit line the amount of 240.782.228 lei was used to cover working capital requirements and the amount of 199.381.510 lei 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 11.801.155 lei 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, an agreement with Raiffeisen Bank under which it benefits from a credit facility of 300 million lei for a period of 2 years, intended to finance working capital for the commercial balancing activity.

As at 30 June 2024 the credit facility is drawn down to the maximum level of 300.000.000 lei. The obligation is presented under short-term.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

BRD GROUPE SOCIETE GENERALE

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

As at 30 June 2024 the credit facility is drawn down to the maximum level of 198.900.000 lei. The obligation is presented under long-term loans.

As at 30 June 2024, the balance of interest due for the loans of the company is 14.179.338 lei broken down by loans as follows:

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
BEI 83644RO	459,148	484.596
BEI 88825RO	1.867.700	1.985.777
BEI 89417RO	1.613.013	1.141.311
BEI 90512RO	2.590.266	1.141.311
BEI ETG 90703	274.051	2.945.267
BCR 20190409029	778.174	854.326
BCR 20201028056	2.841.947	3.217.394
BCR 20210817030	1.721.073	1.826.050
BCR 20211124044	810.376	886.932
BERD	<u>1.497.641</u>	<u>1.580.843</u>
	<u>14.453.389</u>	<u>13.118.540</u>

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Variable interest rate loans	2.722.583.785	2.295.529.071
Fixed interest rate loans	<u>176.189.340</u>	<u>186.050.040</u>
Total loans	<u>2.898.773.125</u>	<u>2.481.579.111</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

17. DEFERRED REVENUE

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Initial balance	963.899.344	1.076.589.204
Increases	128.007.315	425.575
Revenue from connection fees (Note 22)	(7.071.868)	(13.926.724)
Income from non-reimbursable funds and goods taken over free of charge (Note 22)	<u>(45.485.988)</u>	<u>(99.188.711)</u>
Final balance	<u>1.039.348.803</u>	<u>963.899.344</u>

The balance of the deferred revenue consists of:

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Connections and assets received free of charge	224.049.215	222.516.712
Grants	<u>815.299.588</u>	<u>741.382.632</u>
	<u>1.039.348.803</u>	<u>963.899.344</u>

The company obtained from the European Union through the Innovation and Networks Executive Agency (INEA), for the BRUA project, a grant amounting to 1.519.342 Euro, representing 50% of the estimated eligible expenses, awarded to finance the design for the three compressor stations of the project (Podișor, Bibești and Jupa) and a grant amounting to 159.449.379 Euro, representing 40% of the estimated eligible expenses, awarded to finance the implementation works of the BRUA Phase I project.

The following amounts were received as pre-financing for the financing of the implementation works of the BRUA Phase I project: EUR 25.834.489.60 (in 2016), EUR 13.839.087.37 (in 2018), EUR 29.192.463.92 in 2019, EUR 37.740.347 in 2020 and EUR 20.953.114.91 in 2021.

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

(expressed in lei, unless otherwise stated)

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 203.657.168 was collected as eligible expenses grant funding.

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

In 2024, the company concluded two grant agreements for the projects: Black Sea - Podișor natural gas transmission pipeline, for which it received pre-financing in February amounting to lei 127.682.749 and Ghercești-Jitaru natural gas transmission pipeline (including power supply, cathodic protection and fiber optics). The contracts were concluded based on EC Decision No C(2023) 3643 of 30.05.2023, by which the projects were allocated grants under the Modernization Fund in total amount of EUR 93.582.770:

- Black Sea - Podișor natural gas transmission pipeline: EUR 85.544.422;
- Ghercești-Jitaru natural gas transmission pipeline (including power supply, cathodic protection and optical fiber): EUR 8.038.348.
- Natural gas transmission pipeline to supply the Mintia Power Plant (including other industrial and household customers): EUR 6.826.947

18. INCOME TAX

Income tax expense

	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Expense with the income tax - current	45.528.182	26.941.985
Deferred tax - impact of temporary differences	<u>1.112.669</u>	<u>(4.049.720)</u>
Income tax expense	<u>46.640.851</u>	<u>22.892.265</u>

In Q 1 2024 and Q 1 2023, the company calculated the income tax at the rate of 16% applied to the profit determined in accordance with the Romanian laws.

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

18. INCOME TAX (CONTINUED)

	The six months ended 30 June 2024 (unaudited)	The six months ended 31 June 2023 (unaudited)
Profit before tax	221.910.490	101.272.176
Profit/loss (ETG - VTMG)	1.100.298	(7.561.511)
Theoretical expense with the tax the statutory rate of 16% (2021: 16%)	36.246.727	16.644.726
Non-taxable expenses, net	<u>10.394.124</u>	<u>6.247.539</u>
Income tax expense	<u>46.640.851</u>	<u>22.892.265</u>
Income tax liability, current	<u>-</u>	<u>=</u>

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

At Eurotransgaz the current expenses regarding income tax is calculated based on the the taxable income in the statutory financial statements. For tax purposes, the deductibility of certain expenses, such as protocol expenses, is limited to a certain percentage of the profit specified in the tax legislation. On 30 June 2024 the standard rate of income tax was set at 12% (31 December 2023: 12%).

Deferred tax

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 30 June 2024 (31 December 2023: 16%). Deferred tax payment and recoverable tax, as well as expenses with/(revenue from) deferred tax recognized in the statement of comprehensive income are attributable to the following items:



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

18. INCOME TAX (CONTINUED)

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>Movement</u>	<u>31 December</u> <u>2022</u>	<u>Movement</u>	<u>30 June 2023</u>	<u>Movement</u>	<u>1 January</u> <u>2023</u>
Deferred tax payment							
Tangible and intangible assets	145.599.166	5.921.289	139.677.877	16.038.129	126.704.370	3.064.622	123.639.748
Recoverable deferred tax							
Provision for Employee benefits	(24.937.043)	(3.945.428)	(20.991.615)	(2.495.123)	(18.496.931)	(439)	(18.496.492)
Risks and charges	(11.151.293)	3.857.826	(15.009.119)	(2.017.440)	(8.139.972)	4.851.707	(12.991.679)
Receivables and other assets	<u>(113.514.601)</u>	<u>(4.721.018)</u>	(108.793.583)	(19.695.163)	(101.064.030)	(11.965.610)	(89.098.420)
	(4.003.771)	1.112.669	(5.116.440)	(8.169.597)	(996.563)	(4.049.720)	3.053.157

Deferred revenue tax liability related to tangible and intangible assets is determined by the fact that: a) the fiscal value of intangible assets does not include inflation update; and b) the nature of public domain property does not represent depreciable assets from a tax perspective, regardless of how they are reflected in the accounts. Temporary differences for receivables and other assets arise from impairment adjustments for bad debts. In the consolidated financial statements of ETG with VTMG, a deferred tax receivable in the amount of 2.671.422 lei was recognized.

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>30 December 2023</u>
Deferred tax liabilities/receivables in more than 12 months as reported	<u>(4.003.771)</u>	<u>(5.116.440)</u>

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

19. TRADE PAYABLES AND OTHER PAYABLES

19.1 Short term payables

	<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
Trade payables	228.167.736	257.234.709
Suppliers of non-current assets	166.478.376	15.796.373
Dividends payable	66.853.878	1.095.532
Debts related to royalties	38.513.345	51.383.030
Other taxes	43.752.876	28.404.156
Amounts payable to employees	22.382.271	21.111.151
VAT payable	-	21.323.976
Non-exemptible VAT	(12.585.212)	6.348.468
Transmission service guarantees	194.961.011	42.971.012
Transmission services advance payments	23.362.426	51.867.976
Tender guarantees	138.413.492	163.808.920
Other debts	51.348.675	<u>47.529.462</u>
	<u>961.648.874</u>	<u>708.874.765</u>
Financial debts (Note 4)	<u>876.858.394</u>	<u>557.545.268</u>

Long-term payables

	<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
Lease liabilities	<u>130.075.900</u>	<u>144.696.947</u>

On 30 June 2024, of the total trade payables and other debts the amount of lei 125.858.308 (31 December 2023: lei 75.062.912) is expressed in foreign currency, especially in EUR.

19.2 Lease liability

	<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
	Land and buildings	Land and buildings
Initial balance	177.956.514	17.929.828
Inflows	700.783	136.678.437
Interest expense	7.690.930	5.138.577
Leasing payments	<u>23.902.630</u>	<u>13.182.770</u>
Final balance, of which:	<u>162.445.597</u>	<u>146.564.072</u>
Long-term debts	130.075.900	114.807.183
Short-term debts	32.369.697	31.756.889

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

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

20. PROVISIONS FOR RISKS AND CHARGES

	30 June 2024 (unaudited)	31 December 2023
<i>Current provision</i>		
Provision for litigation	53.385.488	52.908.971
Provision for BoA remuneration	-	3.284.571
Provision for employee participation in profits	11.858.123	12.086.749
Provision for voluntary leaving employment	1.127.200	7.698.800
Other provision	<u>2.975.859</u>	<u>8.266.992</u>
	69.346.670	84.246.083

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

The company was the subject of an investigation of the Competition Council regarding the way in which procedures for the awarding of the contracts for the procurement of works carried out by Transgaz in 2009 -2011, before the implementation of the private management, according to the provisions of GEO 109/2011 on corporate governance of public enterprises. In 2020, the Competition Council communicated Decision no. 43/11.08.2020 sanctioning the Company with a fine in the amount of lei 34.166.616.

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

The company also made provisions for the following disputes: with Romsilva for the land non-use amounting to LEI 14.038.558, with Blue Star SRL for the MRS Timisoara I - Timisoara pipeline in the amount of Lei 2.300.000, with PF Galaction Laurentiu for the dismantling of the construction/removal of the MRS Vaslui connection pipeline in the amount of Lei 633.129. lei, and with PF Bălăşoiu Marian for claims for compensation for lack of use of land in the amount of lei 573.201.

For the strategic redefinition and efficiency of the activity, the Company drafted the Program of voluntary departures for 2023 in the amount of 7.699 thousand lei, the annual value being provided by the budget of revenues and expenses approved by the GMS.

As at 30 June 2024 the amount of the provision for voluntary departures is Lei 1.127.200 (Lei 7.698.800 at 31 December 2023)

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

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

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

21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

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

Assumptions 2023

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

- for the benefit consisting of basic salaries paid at retirement, this benefit is paid for company employees who reach retirement;
- Employee rotation considers seniority and staff rotation within the company;
- the mortality of the entity's employees is calculated according to the data provided by the National Institute of Statistics for 2019 to which a percentage of 65% was applied;
- Employee rotation is constant over time.
- The method used is the projected credit factor method;
- Retirement age at retirement considered: 63 for men and 62 for women, but the share of early retirements at certain ages was also considered;
- In 2024, there was a 5% increase in base salaries, effective as of 01.04.2024. No other possible salary increases have been communicated to take effect in the second half of this year.
- Actuarial assumptions are compatible with each other if they reflect interdependencies between indicators such as inflation, interest rates, wage growth rates and discount rates.

Financial assumptions

The discount rate is the interest rate curve in lei without adjustments of variations provided by EIOPA for June 2024. For the calculation for the 1st half of 2024, according to the National Institute of Statistics, the annual inflation rate in June 2024 compared to June 2023 was 4,94%. Given the correlation between the inflation and discount rate values, the following values for inflation were taken into account: 6% in 2024 and 5,6% in the rest.

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

21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Movement in the provision for employee benefits

1 January 2023	<u>115.479.575</u>
of which:	
Short-term	4.584.234
Long-term	110.895.341
Interest cost	7.229.379
Current service cost	17.488.663
Payments from provisions during the year	(4.921.167)
Actuarial gain/loss related to the period	(4.334.050)
31 December 2023	<u>130.942.400</u>
of which:	
Short-term	16.135.217
Long-term	114.807.183
Interest cost	6.919.559
Current service cost	21.591.631
Payments from provisions during the year	(1.797.846)
Actuarial gain/loss related to the period	(2.056.799)
30 June 2024	<u>155.598.945</u>
of which:	
Short-term	9.860.051
Long-term	145.738.894

22. OTHER REVENUE

	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Revenue from penalties applied to clients for delay payments	12.378.151	9.198.523
Revenue from connection fees	7.071.868	6.981.954
Revenue from grants and goods taken free of charge	45.485.989	49.427.247
Revenue from the sale of residual materials	882.598	437.275
Revenue from leases	718.103	830.289
Revenue from recovered materials	1.265.508	2.162.443
Revenue from grants for operating expenses	-	841.646
Other revenue from operation	<u>17.522.892</u>	<u>(2.372.803)</u>
	<u>85.325.109</u>	<u>67.506.574</u>

As at 30 June 2024 and 31 December 2023 there is no intra-group income to be eliminated.

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

23. OTHER OPERATING EXPENSES

	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Loss/gain on impairment of receivables	21.952.157	48.732.733
Sponsorship costs	1.807.000	1.599.677
Utilities	7.947.601	7.165.631
Insurance premium	827.843	687.596
Maintenance costs	27.299	-
Security and protection expenses	15.840.750	14.007.474
Professional training	593.951	537.489
Telecommunications	1.319.942	1.160.252
Bank charges and other fees	996.665	1.307.611
Rents	3.332.045	2.082.400
Loss on amounts receivable	782.778	14.227
Loss/(gain) on inventory impairment	5.215.957	4.965.311
Marketing and protocol costs	354.704	182.407
Penalties and fines	761.562	110.127
Gas storage capacity booking	5.137.793	4.643.754
Other	<u>33.895.885</u>	<u>19.860.067</u>
	<u>100.793.931</u>	<u>107.056.756</u>

Neutrality activity expenses

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

24. EMPLOYEE COSTS

	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Salaries and benefits	278.666.188	258.641.737
Cost of insurance and social security	16.202.682	15.784.986
Other employee costs	<u>6.726.869</u>	<u>3.642.725</u>
	301.595.739	278.069.448

Average number of employees in financial year:

	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Blue collars	2.183	2.215
White collars	<u>1.832</u>	<u>1.772</u>
	<u>4.015</u>	<u>3.987</u>
Eurotransgaz S.R.L.	3	3
Vestmoldtransgaz S.R.L.	<u>64</u>	<u>30</u>
	<u>67</u>	<u>33</u>

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

25. NET FINANCIAL INCOME/(LOSS)

	The six months ended <u>30 June 2024</u> (unaudited)	The six months ended <u>30 June 2023</u> (unaudited)
Foreign exchange income	7.325.777	21.791.404
Interest income	37.077.064	26.566.119
Income from the adjustment of the Concession	63.930.785	92.384.006
Other financial income	<u>244</u>	<u>572</u>
	108.333.870	140.742.101
Foreign exchange loss	(5.307.661)	(19.720.418)
Interest expense to IFRS16	(295.170)	(332.418)
Interest expense	(52.569.401)	(50.244.362)
Effects of updating the provision for employee benefits	<u>(6.919.559)</u>	<u>(9.600.773)</u>
	(65.091.792)	(79.897.971)

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 63.930.785 according to IFRS 9 (31 December 2023: Lei 147.131.305).

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

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

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

26. CASH FROM OPERATION

	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Profit before tax	223.010.788	93.710.665
<i>Adjustments for:</i>		
Depreciation		
Gain/(loss) on transfer of non-current assets	255.970.082	232.813.591
Provisions for risks and charges	88.978	(194.342)
Income from connection fees, grants and goods taken free of charge	(14.931.520)	(30.287.554)
Adjustment of the Receivable regarding the Concession Agreement	(52.557.857)	(57.250.846)
Sundry debtors and receivable loss	(63.930.785)	(92.384.006)
Impairment loss / (gain) on inventory	782.778	14.227
	5.215.957	5.084.408
Adjustments for the receivables impairment	21.708.367	48.732.734
Provisions for employee benefits	19.793.785	3.932.435
Effect of restatement of the provision for employee benefits	6.919.559	9.600.773
Interest income	(37.077.064)	(26.566.119)
Interest expenses	73.253.406	41.835.252
Effect of exchange rate fluctuation on other items than from operation	<u>(3.876.705)</u>	7.197.864
Operating profit before the changes in working capital	<u>434.369.769</u>	<u>236.239.082</u>
(Increase)/decrease in trade and other receivables	95.471.183	100.883.038
(Increase)/decrease in inventories	7.857.535	32.362.669
Increase/(decrease) in trade payables and other debts	<u>61.105.615</u>	<u>(9.545.107)</u>
Cash generated from operations	<u>598.804.102</u>	<u>359.939.682</u>

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

27. TRANSACTIONS WITH RELATED PARTIES

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

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

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

In the periods ended 30 June 2024 and 30 June 2023, the following transactions with related parties were performed and the following balances were payable/receivable from related parties at the respective dates.

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

	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Salary paid to the members of the Board of Administration and management	14.402.650	12.374.458
Social contribution of the company	<u>299.130</u>	<u>273.409</u>
	<u>14.701.780</u>	<u>12.647.867</u>

In the periods ended 30 June 2024 and 30 June 2023, no advance payments and loans were granted to the company's administrators and management, except for advance payments from salaries and those for business trips, and they don't owe any amount from such advance payments to the company at the end of the period .

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

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

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

ii) Loan to a related party

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

Dividends allocated are presented in Note 15. Royalties paid are presented in Note 3.8.

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

	Relationship	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
SNGN Romgaz	Entity under common control	134.553.112	71.648.659
Electrocentrale București SA	Entity under common control	42.088.906	32.172.346
Electrocentrale Constanța	Entity under common control	-	2.212.164
Termo Calor Confort	Entity under common control	1.582.267	946.619
Complex Energetic Oltenia	Entity under common control	1.417.439	-
E.ON Energie Romania	Entity under common control	<u>114.254.079</u>	<u>69.679.341</u>
		<u>293.895.803</u>	<u>176.659.129</u>

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

	Relationship	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
SNGN Romgaz	Entity under common control	36.677	633.546
Electrocentrale Deva	Entity under common control	-	477.055
Electrocentrale Bucuresti	Entity under common control	1.644	415
Electrocentrale Constanța	Entity under common control	2.392.605	2.950.023
E.ON Energie Romania	Entity under common control	2.965	641
Complex Energetic Hunedoara	Entity under common control	619.932	-
Complex Energetic Oltenia	Entity under common control	<u>1.667</u>	<u>-</u>
		<u>3.055.490</u>	<u>4.061.680</u>

v) Gas sales – the balancing activity (VAT excluded)

	Relationship	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
SNGN Romgaz	Entity under common control	686.067	6.643.857
Electrocentrale București	Entity under common control	2.902.963	4.292.163
Electrocentrale Constanța	Entity under common control	-	222.705
Termo Calor Confort	Entity under common control	693.866	393.484
Complex Energetic Oltenia	Entity under common control	712.561	-
E.ON Energie Romania	Entity under common control	<u>19.816.118</u>	<u>39.441.785</u>
		<u>24.811.575</u>	<u>50.993.994</u>

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

vi) Receivables from related parties (without the adjustment)

	<u>Relationship</u>	30 June 2024 (unaudited)	31 December 2023
SNGN Romgaz	Entity under common control	23.221.988	28.329.053
Electrocentrale Deva	Entity under common control	-	9.174
Electrocentrale București	Entity under common control	2.557.046	18.693.819
Electrocentrale Constanța	Entity under common control	-	9.922
Termo Calor Confort	Entity under common control	(8.268)	(12.753)
E.ON Energie Romania	Entity under common control	19.036.909	66.052.151
Complex Energetic Oltenia	Entity under common control	72.408	317.799
Complex Energetic Hunedoara	Entity under common control	(1.931)	
Eurotransgaz SRL	Company branch	-	14.911
		<u>44.878.152</u>	<u>113.414.076</u>

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

	<u>Relationship</u>	30 June 2024 (unaudited)	31 December 2023
SNGN Romgaz	Entity under common control	517.638	48.536
Electrocentrale Constanța	Entity under common control	-	887.141
Complex Energetic Oltenia	Entity under common control	195.276	730.887
Electrocentrale București	Entity under common control	101.241	696.232
Termo Calor Confort	Entity under common control	-	183.036
Complex Energetic Hunedoara	Entity under common control	(42.307)	-
E.ON Energie Romania	Entity under common control	2.247.544	10.987.869
		<u>3.019.392</u>	<u>13.533.701</u>

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

	<u>Relationship</u>	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
SNGN Romgaz	Entity under common control	18.664.375	12.748.263
E.ON Energie Romania	Entity under common control	-	2.230.837
Termo Calor Confort	Entity under common control	-	41.014
Complex Energetic Oltenia	Entity under common control	2.190	2.165
Electrocentrale Constanța	Entity under common control	-	70.897
Electrocentrale București	Entity under common control	5.201	1.347.872
		<u>18.671.766</u>	<u>16.441.048</u>

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

	<u>Relationship</u>	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
SNGN Romgaz	Entity under common control	3.697.742	3.284.699
Electrocentrale București	Entity under common control	674.047	1.647.917
Electrocentrale Constanța	Entity under common control	-	8.475.491
Termo Calor Confort	Entity under common control	704.246	1.742.597
Complex Energetic Oltenia	Entity under common control	186.253	-
E.ON Energie Romania	Entity under common control	<u>15.680.213</u>	<u>18.168.318</u>
		<u>20.942.501</u>	<u>33.319.022</u>

x) Procurement of natural gas (VAT excluded)

	<u>Relationship</u>	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
SNGN Romgaz	Entity under common control	<u>41.472.957</u>	<u>22.132.598</u>
		<u>41.472.957</u>	<u>22.132.598</u>

xi) Debts to gas suppliers – balancing activity (VAT included)

	<u>Relationship</u>	30 June 2024 (unaudited)	31 December 2023
SNGN Romgaz	Jointly controls entities	<u>8.561.732</u>	<u>26.158.660</u>
		<u>8.561.732</u>	<u>26.158.660</u>

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

	<u>Relationship</u>	30 June 2024 (unaudited)	31 December 2023
SNGN Romgaz	Entity under common control	1.925.027	1.758.019
Complex Energetic Oltenia	Entity under common control	325	514
Electrocentrale București	Entity under common control	<u>914</u>	<u>1.008</u>
		<u>1.926.266</u>	<u>1.759.541</u>

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

	<u>Relationship</u>	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
SNGN Romgaz	Entity under common control	1.544.878	3.034.455
Electrocentrale București	Entity under common control	93.934	2.272.291
Termo Calor Confort	Entity under common control	64.002	217.766
E.ON Energie Romania	Entity under common control	2.432.069	11.359.387
Complex Energetic Oltenia	Entity under common control	<u>1.652</u>	<u>256.844</u>
		<u>4.136.535</u>	<u>17.140.743</u>

xiv) Guarantees from affiliates (bank guarantee letter)

	<u>Relationship</u>	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
SNGN Romgaz	Entity under common control	-	28.811.298
E.ON Energie Romania	Entity under common control	5.033.918	52.201.315
Electrocentrale București		<u>4.448.435</u>	<u>8.275.580</u>
		<u>9.482.353</u>	<u>89.288.193</u>

xv) Loans and interest to be reimbursed

	<u>Relationship</u>	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>201.613.001</u>	<u>212.813.723</u>
		<u>201.613.001</u>	<u>212.813.723</u>

xvi) Transactions during the period

	<u>Relationship</u>	<u>The six months ended</u> <u>30 June 2024</u> <u>(unaudited)</u>	<u>The six months ended</u> <u>30 June 2023</u> <u>(unaudited)</u>
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>1.464.400</u>	<u>9.358.821</u>
		<u>1.464.400</u>	<u>9.358.821</u>

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

28. EARNINGS PER SHARE

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

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

	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Profit attributable to the company's equity holders	176.369.937	70.818.400
Weighted average of the number of shares	188.381.504	188.381.504
Basic and diluted earnings per share (lei per share)	0,94	0,38

29. SIGNIFICANT NON-CASH TRANSACTIONS

Compensations

Approximately 2,26% of the receivables were settled by transactions that haven't involved cash outflows during the period ended 30 June 2024 (30 June 2023: 8,60%). Transactions mainly represent sales of products and services in exchange for raw materials and services or offsets with clients and suppliers within the operating cycle and receivables registered with the state budget.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

i) Commitments

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

On 30 June 2024 the value of the contractual firm obligations of parent Company for the purchase of tangible and intangible assets is of lei 1.791.890.353, 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.

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

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

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, for the period between November 2020 – December 2021. The company considers that it is obliged to calculate and pay a single royalty at the rate of 0,4% established by the special law, namely Law 123/2012. Law 248/July 2022 approving GEO 143/2021 amending and supplementing the Electricity and gas Law 123/2012 sets the royalty percentage at 0.4% of the gross revenue from natural gas transmission and the specialist report drawn up by the specialist committees of the Chamber of Deputies clarifies that the Electricity and gas Law 123/2012 is a special regulation in the field of natural gas, in relation to Oil Law 238/2004. Administrative and judicial dispute settlement is detailed in the chapter "Court and other actions".

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

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

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

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

iii) Insurance policies

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

iv) Environmental aspects

Environmental regulations are under development in Romania and the company did not record any obligation on 30 June 2024 and on 31 December 2023 related to anticipated expenses that include legal and consulting fees, analysis of locations, preparing and implementing recovery measures related to environmental protection. The management of the company believes there are no significant obligations related to environmental aspects.

v) Lawsuits and other actions

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

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

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

- 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);

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

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

- to make available minimum export capacities of 3.7 billion cubic meters per year in total at two interconnection points between Romania and Bulgaria (Giurgiu / Ruse and Negru Vodă I / Kardam);
- to make sure that the tariffs to be proposed to the Romanian Energy Regulatory Authority (ANRE) will not make any difference between the export and the domestic markets, thus avoiding interconnection tariffs that render exports commercially non-feasible;
- refrain from using any other means of obstructing exports.

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

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

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

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

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

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

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

vi) Litigations of Vestmoldtransgaz subsidiary:

Dispute I, subject of the examination

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

Dispute II, subject of the examination

By filing a lawsuit VMTG applied to the court for annulment in part of the ANRE's BoA Resolution no. 432 of 28.09.2021 with obligation to issue an individual administrative act amending the contested act and approving the amounts of the calculation basis and related expenses concerning the annual depreciation of non-current assets and intangible assets related to the natural gas transmission service provided by VMTG.

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

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

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

The subject-matter of dispute II consisted of several heads of claim:

1. The Iasi-Ungheni interconnector was excluded in the determination of profitability for tariff purposes, which led to the non-approval by ANRE for tariff purposes of the VMTG investment in the amount of MDL 8.033.805.
2. Partial recognition of depreciation for the Iasi-Ungheni Interconnector, which led to the non-approval by ANRE for tariff purposes of the amount of MDL 2.100.000.
3. Arbitrary application of the Government Decision no. 743/2002, which led to the capping of VMTG employees' salaries, i.e. the non-approval of the full salary fund in the total regulated cost.
4. The non-approval for tariff purposes of investment expenses amounting to MDL 8,399,070 related to the remuneration of specialists employed within UIPIGUC (subject of a dispute I) led to:
 - A. The non-inclusion of the expenses in the regulated asset base when determining the profitability for tariff purposes, namely the non-approval by ANRE for tariff purposes of investment expenses of MDL 642.528.
 - B. The impossibility to recover the amount of MDL 6.519.570, so that VMTG will not be able to recover the annual depreciation of MDL 325.978,5.

On 11.10.2023, the court, pursuant to VMTG's request, set out to join disputes I and II into a single dispute.

Additionally: Given that ANRE on its own initiative has remedied the effects of the appealed decisions, VMTG withdrew all the heads of claim except for: item 3:

” 3. Partial annulment of Decision No 432 of 28.09.2021 of the Board of Administration of ANRE with an order to issue an individual administrative act amending the contested act and approving the calculation basis and the related costs relating to the annual depreciation of fixed assets and intangible assets related to the natural gas transmission service provided by VMTG”

The dispute is at the stage of preparation for examination on the merits.

Chances of winning or losing: difficult to estimate.

Timeframe for completion: difficult to estimate given the stage of the trial and the fact of the reform of the judicial system in the Republic of Moldova.

Dispute III, subject of the examination

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

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

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

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

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

1. VMTG was not a party to the lawsuit, where the plaintiff is the Municipality of Chisinau and the defendant is the Government of the Republic of Moldova, it did not have documents or the administrative file, being drawn by the court to the proceedings as a THIRD party without justification.
2. According to Article 205(5) of the Administrative Code: any third party to the proceedings may submit both procedural claims and claims joined to the claim of the plaintiff or defendant on the merits of the case.
3. VMTG will not file a reference on the ground that VMTG's filing of the reference would amount to joining a party to the proceedings, which VMTG did not wish to do, i.e., VMTG availed itself of its right to file procedural motions, i.e., to file a motion to examine the administrative record in the absence.
4. With reference to the summons in the conclusion on the fine, it was mentioned that Article 221 paragraph (3) of the Administrative Code is not applicable to the third party (fine for submission of reference, evidence, documents, information), maintaining that VMTG is a private SRL and does not have the capacity of Public Authority holding the administrative file.

Dispute IV

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

According to the court judgment (civil case no.2c-1798/2023), VMTG was brought as a defendant in the above-mentioned dispute, the object of the action being: regarding the collection of the amount of MDL 1.644.956,46, the collection of the amount withheld for the call on of the Letter of Good Performance Guarantee (SGBE) of EUR 1.849.750 and the collection of the state tax in the amount of lei 50.000.

On 25 April 2024, by Order of the Court, Totalgaz Industrie's action was dismissed on the ground of Totalgaz' attorneys' failure to appear. The Dismissal Order has been challenged by Totalgaz on appeal and the Court of Appeal is currently to rule on the Dismissal Order.

Chances of winning or losing: Totalgaz will lose the dispute 100%, given the absolute groundless nature of the claim, based on the legal and contractual provisions. Moreover, the dispute is time-barred (the limitation period for bringing the claim has expired - more than 3 years).

Dispute V

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

Administrative Act challenged by Moldovagaz SA:

ANRE BoA Decision No.433 of 28.09.2021 on the obligation of Moldovagaz SA to apply regulated price for CET Nord SA as a non-household end consumer connected at the exit point of the natural gas transmission network (quote from the operative part of ANRE Decision No. 433/2021).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

On 04 December 2023, by a Protocol Decision, the Chisinau District Court, Center, referring to Art.205 of the Administrative Code, at the request of ANRE, brought as a third party "Vestmoldtransgaz" S.R.L. in the administrative case having as object the challenge by "Moldovagaz" S.A. of the administrative act issued by ANRE, namely, the Decision of the BA of ANRE no.433 of 28.09.2021, third parties "Balti gas" S.R.L., "Moldovatransgaz" S.R.L., "CET Nord" S.A.

On 30.04.2024, VMTG filed the reference to the file, bringing to the court's attention:

„VMTG, in accordance with Art.205 paragraph (5) of the Administrative Code, will not file a request to join the plaintiff's or the defendant's request on the merits of the case, as the factual and legal circumstances described have arisen outside VMTG's involvement and control, and VMTG will not file its own request on the merits of the case”.

The Group is not involved in any disputes that would result in loss of license, insolvency, dissolution of the legal entity, excessive debts, other negative effects.

vii) Government policies in the gas sector in Romania

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

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

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

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

GEO 27/2022 provides that in order to cover the additional costs related to own technological consumption and technological consumption, respectively, generated by the increase in prices on the anglo market above the value taken into account by the regulator when calculating the natural gas transmission tariffs for 2021, the Energy Regulatory Authority (ANRE) modifies the regulated tariffs, with effect from 1 April 2022, and the resulting tariffs shall remain unchanged for the period from 1 April 2022 to 31 March 2023. ANRE did not modify the transmission tariffs with the price increase substantiated by the company.

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

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

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

From 1 October 2023, the natural gas transmission tariffs approved by the Order of the President of ANRE no.68 of 30.05.2023 are applicable. The approved regulated revenue related to natural gas transmission for the period from 1 October 2023 to 30 September 2024 is lei 1.647.347.820, and between 1 October 2024 – 30 September 2025 is lei 2.005.006.850.

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 March 2025 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.

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".

viii) The military conflict in Ukraine

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

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

31. FEES OF THE STATUTORY AUDITOR

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

The fees for the financial year ended 31 December 2023 charged by BDO Audit SRL (leader) - BDO Audit & Consulting SRL (Associate) SRL invoiced in 2024 are: lei 228.000 (VAT excluded) for statutory audit services and lei 109.800 (VAT excluded) for other services than the statutory audit.

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 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Revenue from the construction activity according to IFRIC12	675.817.268	35.270.257
Cost of assets constructed according to IFRIC12	(675.817.268)	(35.270.257)

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

By EGMS Resolution SNTGN Transgaz SA no. 5 of 5 June 2024 the establishment of Transport Romania Hydrogen S.R.L., with the object of activity of transporting hydrogen, with sole shareholder SNTGN Transgaz SA was approved, company for which, on 10.07.2024, the Certificate of Registration with the Trade Register was issued.

By Addendum no.1/11.07.2024 the duration of the loan facility of 300 million lei contracted with Raiffeisen Bank, intended to finance the working capital for the commercial balancing activity, was extended by 48 months.

In July 2024, SNTGN Transgaz SA signed a syndicated loan agreement for a total amount of lei 1.93 billion to ensure the financing of investment projects included in the National Natural Gas Transmission System Development Plan. The banks participating in the transaction are Banca Transilvania, Banca Comercială Română, Raiffeisen Bank, UniCredit Bank and CEC Bank.

As at 19.07.2024 the National Energy Regulatory Agency informed the Company that the value of the contract for the maintenance of natural gas transmission networks no.25/23 of 18.09.2023 concluded between Moldovagaz SRL and Vestmoldtransgaz SRL is to be increased by the amount of MDL 2.471,5 thousand.

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 SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD OF SIX
MONTHS ENDED
30 June 2024 (UNAUDITED)**

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

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



INTERIM SEPARATE FINANCIAL STATEMENTS

Contents

Interim Statement of Financial Position	1 - 2
Interim Statement of Comprehensive Income	3
Interim Statement of Changes in Equity	4
Interim Cash Flow Statement	5
Notes to the Interim Separate Financial Statements	6-78

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



	<u>Note</u>	<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
ASSET			
Non-current assets			
Tangible Assets	7	352.403.227	377.639.699
Rights of use of the leased assets	9	13.038.359	14.500.703
Intangible Assets	9	4.145.338.516	3.643.263.343
Financial assets	10	177.644.145	177.619.145
Trade receivables and other receivables	12	2.522.065.012	2.423.669.228
Deferred tax	18	1.332.349	1.734.239
Restricted cash	13	<u>2.059.522</u>	<u>1.956.015</u>
		7.213.881.130	6.640.382.372
Current assets			
Inventories	11	565.325.903	577.080.618
Trade receivables and other receivables	12	264.147.866	400.845.055
Cash and cash equivalent	13	<u>1.131.258.015</u>	<u>675.600.636</u>
		1.960.731.784	1.653.526.309
Total asset		9.174.612.914	8.293.908.681
EQUITY AND DEBTS			
Equity			
Share capital	14	1.883.815.040	1.883.815.040
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865
Other reserves	15	1.265.796.861	1.265.796.861
Retained earnings	15	<u>397.278.075</u>	<u>285.144.115</u>
		4.235.787.237	4.123.653.277
Long-term debts			
Long-term loans	16	2.290.309.526	1.865.388.334
Deferred revenue	17	934.845.788	849.905.753
Deferred tax	18	-	-
Lease liabilities	0	11.739.221	12.208.966
Provision for employee benefits	21	<u>145.738.894</u>	<u>114.807.183</u>
		3.382.633.429	2.842.310.236

Notes 1 to 33 are part of these financial statements.

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



	<u>Note</u>	<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
Current liabilities			
Short-term loans	16	432.336.001	432.316.032
Deferred revenue	17	104.503.015	113.993.591
Current income tax	18	-	-
Trade and other payables	0.1	938.241.625	678.283.577
Lease liabilities	19.2	2.299.361	3.333.037
Provision for risks and charges	20	68.952.195	83.883.714
Provision for employee benefits	21	<u>9.860.051</u>	<u>16.135.217</u>
		<u>1.556.192.248</u>	<u>1.327.945.168</u>
Total debts		<u>4.938.825.677</u>	<u>4.170.255.404</u>
Total equity and debts		9.174.612.914	8.293.908.681

Endorsed and signed on behalf of the Board of Administration on 14 August 2024 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 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Revenue from the domestic transmission activity		942.106.613	631.169.954
Revenue from the international transmission activity and similar		-	58.871.631
Other revenue	22	<u>74.023.009</u>	<u>67.097.710</u>
Operational revenue before the balancing and construction activity according to IFRIC12		1.016.129.622	757.139.295
Depreciation	7, 9	(230.994.660)	(225.162.176)
Employees costs	24	(296.751.318)	(276.327.811)
NTS gas consumption, materials and consumables used		(58.454.973)	(75.588.406)
Expenses with royalties		(108.342.261)	(2.760.167)
Maintenance and transmission		(15.167.140)	(15.784.323)
Taxes and other amounts owed to the state		(40.237.473)	(37.461.211)
Revenue/ (Expenses) with provisions for risks and charges		(10.182.126)	21.359.770
Other operating cost	23	<u>(88.451.894)</u>	<u>(105.779.616)</u>
Operational profit before the balancing and construction activity according to IFRIC12		167.547.777	39.635.355
Revenue from the balancing activity		114.784.449	263.066.728
Cost of balancing gas		(114.784.449)	(263.066.728)
Revenue from the construction activity according to IFRIC12	32	675.817.268	35.270.257
Cost of assets constructed according to IFRIC12	32	(675.817.268)	(35.270.257)
Operational profit		167.547.777	39.635.355
Financial income	25	102.995.392	125.418.053
Financial cost	25	<u>(48.632.679)</u>	<u>(63.781.232)</u>
Financial income, net		<u>54.362.713</u>	<u>61.636.821</u>
Profit before tax		221.910.490	101.272.176
Income tax	18	<u>(45.899.802)</u>	<u>(22.451.087)</u>
Net profit for the period		<u>176.010.688</u>	<u>78.821.089</u>
Shares number		188.381.504	188.381.504
Basic and diluted earnings per share (expressed in lei per share)	28	0,93	0,42
Other elements of the comprehensive income		2.056.798	6.395.044
Total comprehensive income for the period		<u>178.067.486</u>	<u>85.216.133</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>Nota</u>	<u>Share Capital</u>	<u>Share capital adjustments</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance on 1 January 2023		<u>1.883.815.040</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>244.236.598</u>	<u>4.082.745.760</u>
<i>Elements of the comprehensive income</i>							
Net profit for the period		-	-	-	-	78.821.089	78.821.089
Actuarial gain / loss for the period		-	-	-	-	6.395.044	6.395.044
						85.216.133	85.216.133
<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>
<i>Elements of the comprehensive income</i>							
Net profit for the period		-	-	-	-	89.619.431	89.619.431
Actuarial gain / loss for the period		-	-	-	-	(2.060.994)	(2.060.994)
						87.558.437	87.558.437
Establishing profit reserves		-	-	-	-	(10.344.066)	(10.344.066)
Legal reserve increase		-	-	-	-	10.344.066	10.344.066
Balance on 31 December 2023		<u>1.883.815.040</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>285.144.115</u>	<u>4.123.653.277</u>
<i>Elements of the comprehensive income</i>							
Net profit for the period		-	-	-	-	176.010.688	176.010.688
Actuarial gain / loss for the period		-	-	-	-	2.056.798	2.056.798
						178.067.486	178.067.486
<i>Transactions with shareholders:</i>							
Dividends related to 2023	15	-	-	-	-	(65.933.526)	(65.933.526)
Balance on 30 June 2024 (unaudited)		<u>1.883.815.040</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>397.278.075</u>	<u>4.235.787.237</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)

	<u>Note</u>	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Cash generated from operations	26	553.126.041	353.682.062
Interest received		7.465.665	694.172
Interest paid		(58.688.177)	(61.630.354)
Paid income tax		<u>(46.921.639)</u>	<u>(37.122.141)</u>
Net cash inflow from operation activities		454.981.890	255.623.739
Cash flow from Investing activities			
Payments to acquire intangible assets		(548.085.184)	(203.194.647)
Payments to acquire tangible assets		(7.851.291)	(7.154.671)
Receipts from the disposal of tangible assets		110.457	263.919
Financial investment/shares		(25.000)	-
Cash flow from connection fees and grants		<u>136.014.267</u>	<u>274.044</u>
Net cash used in Investing activities		<u>(419.836.751)</u>	<u>(209.811.355)</u>
Cash flow from financing activities			
Long-term loan withdrawals		497.670.000	-
Long term loans repayments		(66.158.016)	(70.081.168)
Credit withdrawals/repayments for working capital		(6.924.401)	(24.203.412)
Leasing payments (IFRS 16)		(3.796.654)	(3.486.739)
Dividends paid		<u>(175.182)</u>	<u>(574.887)</u>
Net cash used in financing activities		420.615.747	(98.346.206)
Net change in cash and cash equivalents		<u>455.760.886</u>	<u>(52.533.822)</u>
Cash and cash equivalent as at the beginning of the year	13	<u>677.556.651</u>	<u>384.237.135</u>
Cash and cash equivalent as at the end of the period	13	<u>1.133.317.537</u>	<u>331.703.313</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 2024, the majority shareholder of the company is the Romanian state, through the General Secretariat of the Government.

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

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

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

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

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

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

NOTES TO THE 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) According to data published on 15 May 2024, the European Commission forecasts real GDP growth in Romania to exceed 3% over the forecast period, due to accelerating private consumption, supported by real disposable income growth. Financial conditions are expected to ease and public investment to remain robust, but external demand from the EU's main trading partners is projected to be low in 2024. Inflation is expected to continue to decrease, but only gradually, and unemployment is broadly unchanged. The public deficit is projected to increase to about 7% of GDP in 2024 and 2025 as a result of strong expenditure growth. The debt-to-GDP ratio is projected to reach 54% in 2025;
- (ii) In the meeting of 5 July 2024, the Board of the National Bank of Romania decided:
 - to decrease the monetary policy rate to 6,75 % per year, from 7,00% per year, as of 8 July 2024;
 - to decrease the interest rate on the lending facility (Lombard) to 7,75% per year, from 8,00% per year, and the interest rate on the deposit facility to 5,75% per year, from 6,00% per year;
 - to maintain the current levels of the mandatory minimum reserves for the lei and currency liabilities of the credit institutions.
- (iii) The National Bank of Romania (NBR) expects the annual inflation rate to decrease to 6% at the end of the Q2 2024, decreasing to 5% at the end of the Q3 of this year, according to the Quarterly Inflation Report, May 2024 edition, cited by Agerpres. "The annual rate of CPI inflation is projected to remain on a downward trend for almost the entire projection range, but the speed of disinflation is projected to slow significantly, especially in the Half 2. Structurally, the decline in headline inflation will be driven mainly by the core inflation component, which is expected to decrease over the projection horizon, but at a slower rate next year. At the same time, the contribution of the exogenous components of the basket to headline inflation will remain relatively constant this year as compared to end-2023 and will decrease in 2025. The trajectory of the annual CPI inflation rate will also be affected by base effects associated with past price changes: favourable influences in Q3 2024 and Q1 2025, and unfavourable in Q4 2024, when the disinflationary process is quasi-stationary. In these circumstances, a value of 4,9% is forecasted for the end of the current year, 3,5% for the end of 2025 and 3,4% at the projection horizon, i.e. March 2026", according to the report

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

- (iv) Fitch International Rating Agency confirmed on 24.05.2024 the rating of the National Natural Gas Transmission Company Transgaz at "BBB-" with stable outlook. "The confirmation of the Transgaz' rating reflects the strong business profile of Transgaz as title holder and operator of the gas transmission network in Romania, which we consider to be broadly unchanged, following the recent inclusion of TSO gas operations in Moldova, as well as our expectations regarding the continuity of the regulatory framework in the new regulatory period of five years (RP5), which was delayed by a year for October 2025," the agency's report said.
- (v) The financial rating agency Fitch Ratings confirmed on 01.03.2024 Romania's long-term foreign currency debt rating at "BBB minus" with a stable outlook, informs a press release. "The 'BBB minus' rating assigned to Romania is underpinned by its EU membership and associated capital inflows supporting income convergence, external finances and macroeconomic stability. GDP per capita and human development indicators are above those of other 'BBB' countries. But these are offset by higher budget and current account deficits than other countries in the same category, a modest track record of fiscal consolidation, increased fiscal rigidities and a high external debtor position," Fitch Ratings says. Fitch analysts estimate Romania's budget deficit in 2023 was virtually unchanged compared to 2022 at 6,1% of GDP, well above the government's original target of 4.4% of GDP. Fitch forecasts that Romania will have a government deficit of 6% of GDP in 2024 and 6,4% in 2025.

At the end of H1 2023, as compared to the end of 2022, the LEU decreased against the EURO (`EUR`) 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).

At the end of H1 2024, as compared to the end of 2023, the LEU decreased against the EURO (`EUR`) 0,05% (1 EUR= 4,9771 lei as at 30 June 2024, 1 EUR = 4,9746 lei as at 31 December 2023) and decreased by 3,40% against the US dollar (`USD`) (1 USD = 4,6489 lei as at 30 June 2024, 1 USD = 4,4958 lei as at 31 December 2023).

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES

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

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

3.1 Basis of preparation

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

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

The following changes are valid as of 1 January 2022:

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

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

Standards and amendments effective as of 1 January 2023:

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

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

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

IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Reporting on segments

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

3.3 Transactions in foreign currency

a) *Functional currency*

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

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

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

c) *Transactions and balances*

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

3.4 Accounting for the effects of hyperinflation

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

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

3.5 Intangible Assets

Computer Software

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

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

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

Service Concession Agreement

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

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

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

3.6 Tangible Assets

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

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

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

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

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

3.7. Impairment of non-financial assets

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.8 Assets of public domain

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

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

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

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

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

3.9 Financial assets

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

(a) *Loans and receivables*

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

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

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

(c) *Impairment of financial assets*

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

The company assesses first whether objective evidence of impairment exists.

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

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

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

(i) *Assets measured at cost*

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

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

3.10. Inventories

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

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

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

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

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

The minimum gas stock that the company, as holder of the national natural gas transmission system operating license is required to have in underground storage facilities, is established by decision of the President of the National Energy Regulatory Authority (ANRE President). The Decision no. 711/10.04.2024 of the ANRE President established the obligation for the company to have a level of natural gas stock of 393.546,504 MWh as at 31 October 2024.

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.11. Trade receivables

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

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

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

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

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

3.12. Cash and cash equivalent

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.13. Equity

Share capital

Ordinary shares are classified as equity.

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

Dividends

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

Reserves

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

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

Retained earnings

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

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

3.14. Borrowings

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

The deferred income 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 income 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 income 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 income tax asset is realized or the deferred income tax liability is settled.

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

3.16. Commercial payables and other payables

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

3.17. Deferred revenue

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

The grants collected are assimilated to the governmental subsidies.

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

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

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

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

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.18. Employee benefits

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

Benefits granted on retirement

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

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

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

Social insurance

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

Profit sharing and bonuses

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

3.19. Provisions for risks and charges

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

The provision is recognized even if the probability of an outflow of resources related to any item included in any obligation class is reduced.

Where the company expects the writing back to revenue of a provision, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is theoretically certain.

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

3.20. Revenue recognition

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

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

a) Revenue from services

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

3.21. Related parties

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

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

By the nature of the activities performed, the company is exposed to various risks, which include: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk. company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the company. The company does not use derivative financial instruments to protect itself from certain risk exposures.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) **Market risk**

(i) Currency risk

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

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

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	709.484	684.054
USD depreciation by 10%	(709.484)	(684.054)
EUR appreciation by 10%	(59.843.790)	(26.662.039)
EUR depreciation by 10%	59.843.790	26.662.039

(ii) Price risk

The company is exposed to the commodity price risk related to gas purchased for own consumption. If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 2.602.446 (on December 2023: lei 4.888.012).

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

The company is exposed to interest rate risk by its bank deposits and variable interest loans. The company did not conclude any commitment to diminish the risk. For the average exposure of the period, if the interest rates had been lower/higher by 50 basis points, with all the other variables maintained constant, the profit related to the period and equity would have been higher/lower by 3.541.105 (December 2023: lei 7.805.365 higher / lower) as a result of reducing the interest rate for variable interest loans and the interest rate on the bank deposits. The value of 50 basis points represents the management's assessment of the reasonable change in interest rates.

(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 52% of the trade receivable balances as at 30 June 2024 (31 December 2023: 43%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the already made adjustments. As at 30 June 2024 the company the company has available payment guarantees from clients amounting to lei 401.666.664.

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Without rating	598.834	269.860
BB+	412.261.991	251.805.038
BBB-	504.344.599	276.682.320
BBB	4.441.577	614.290
BBB+	208.858.342	147.783.067
A+	134.713	134.911
AA	<u>457.291</u>	<u>156.187</u>
	1.131.097.347	677.445.673

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

(c) *Liquidity risk*

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

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

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

The table below shows obligations on 30 June 2024 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturity analysis of financial liabilities as at 30 June 2024 is as follows:

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	3.502.822.462	586.154.779	1.501.669.421	1.414.998.262
Commercial payables and other payables	823.380.808	823.380.808	-	-
Lease liabilities	<u>14.038.582</u>	<u>2.299.361</u>	<u>11.739.221</u>	<u>-</u>
	<u>4.340.241.852</u>	<u>1.411.834.948</u>	<u>1.513.408.642</u>	<u>1.414.998.262</u>

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

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	2.842.179.180	556.350.271	1.298.599.124	987.229.785
Commercial payables and other payables	498.127.534	498.127.534	-	-
Lease liabilities	<u>15.542.003</u>	<u>3.333.037</u>	<u>12.208.966</u>	<u>-</u>
	<u>3.355.848.717</u>	<u>1.057.810.842</u>	<u>1.310.808.090</u>	<u>987.229.785</u>

Commercial payables and other payables include trade payables, suppliers of non-current 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 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Financial assets		
Cash and cash equivalents	198.768.985	96.204.966
Term bank deposits	934.548.552	581.351.685
Loans and receivables	2.692.133.027	2.741.685.641
Financial assets - stakes	202.222.382	202.197.382
Provisions related to financial assets - stakes	<u>(24.578.237)</u>	<u>(24.578.237)</u>
	<u>4.003.094.709</u>	<u>3.596.861.437</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Financial liabilities		
Debts evaluated to amortised cost		
Loans	2.722.645.527	2.297.704.366
Liabilities evaluated at fair value		
Financial securities for contracts	203.501.194	50.446.894
Commercial liabilities and other liabilities	<u>619.879.614</u>	<u>451.013.677</u>
	<u>3.546.026.335</u>	<u>2.799.164.937</u>

On 30 June 2024, the amount of lei 157.816.024 (31 December 2023: lei 152.476.340 lei) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 4% in USD (31 December 2023: 4%) and 96% in EUR (31 December 2023: 96%).

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

Capital risk management

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

As for the other companies in this sector, the company monitors the capital based on the leverage 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 leverage degree on 30 June 2024 and on 31 December 2023 is reflected in the table below:

	<u>30 June 2024 (unaudited)</u>	<u>31 December 2023</u>
Total borrowings	2.722.645.527	2.297.704.366
Except: cash and cash equivalents (Note 13)	<u>(1.133.317.537)</u>	<u>(677.556.651)</u>
Net cash position	<u>1.589.327.990</u>	<u>1.620.147.715</u>
Equity capital	4.235.787.237	4.123.653.277
Leverage ratio	0,38	0,39

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimate

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

It is considered that the book value less the impairment adjustment of trade receivables and payables approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows using the current market interest rate available to the company for similar financial instruments.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Critical accounting estimates and assumptions

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

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

5.1 Assumptions for the determination of the provision for retirement benefits

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

The present value of the obligations at 30 June 2024 is of lei 155.598.945 (at 31 December 2023: lei 130.942.400) (Note 21).

The presentation of the current value for 30 June 2024 and 31 December 2023 depending on the following variables:

	<u>30 June 2024</u>	<u>31 December 2023</u>
Inflation rate +1%	145.415.438	139.815.630
Inflation rate -1%	166.851.133	121.986.797
Investment return +10%	148.199.073	125.899.775
Investment return -10%	163.617.656	135.764.481

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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

Analysis of the maturity of benefits payments:

	<u>30 June 2024</u>	<u>31 December 2023</u>
Up to one year	9.860.051	16.135.217
Between 1 and 2 years	5.162.110	6.323.131
Between 2 and 5 years	37.650.660	22.807.715
Between 5 and 10 years	135.792.072	112.046.635

5.2 The accounting treatment of the concession agreement

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

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

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:

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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

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

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

5.4 Long-term receivables

Law 127/2014, which became effective on 5 October 2014, stipulates that in the event of termination of the concession contract irrespective of the reason, or upon termination of the contract, the investment made by the national transmission system operator shall be transferred to the owner of the national transmission system or to another concession provider in exchange for the payment of compensation equal to the remaining undepreciated regulated value established by ANRE.

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

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

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

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

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

NOTES TO THE INTERIM 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 2024 is:

	Domestic gas transmission	International gas transmission	Balancing	Unallocated	Total
Revenue from domestic transmission	942.106.613	-	-	-	942.106.613
Revenue from international transmission and similar	-	-	-	-	-
Other revenue	<u>56.080.865</u>	<u>13.752.789</u>	-	<u>4.189.355</u>	<u>74.023.009</u>
Operating revenue before the balancing and the construction activity according to IFRIC12	<u>998.187.478</u>	<u>13.752.789</u>	-	<u>4.189.355</u>	<u>1.016.129.622</u>
Depreciation	(215.685.406)	(14.420.456)	-	(888.798)	(230.994.660)
Operating expenses other than depreciation	<u>(599.399.174)</u>	<u>(15.116.934)</u>	-	<u>(3.071.077)</u>	<u>(617.587.185)</u>
Profit from operation before the balancing and construction activity according to IFRIC12	<u>183.102.897</u>	<u>(15.784.600)</u>	-	<u>229.480</u>	<u>167.547.777</u>
Revenue from the balancing activity	-	-	114.784.449	-	114.784.449
Cost of balancing activity	-	-	(114.784.449)	-	(114.784.449)
Revenue from the construction activity according to IFRIC12	-	-	-	675.817.268	675.817.268
Cost of constructed assets according to IFRIC12	-	-	-	(675.817.268)	(675.817.268)
Operating profit	<u>183.102.898</u>	<u>(15.784.601)</u>	-	<u>229.480</u>	<u>167.547.777</u>
Net financial gain	-	-	-	-	54.362.713
Profit before tax	-	-	-	-	221.910.490
Income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45.899.802)</u>
Net profit	-	-	-	-	176.010.688
Assets on segments	7.377.828.537	130.096.306	310.495.885	1.356.192.186	9.174.612.914
Liabilities on segments	4.267.285.919	43.448.595	551.227.356	76.863.807	4.938.825.677
Capital expenditure - increases in assets in progress	688.388.896	-	-	8.652	688.397.548
Non-monetary expenses other than depreciation	<u>(44.062.680)</u>	<u>(5.402.162)</u>	<u>(6.213.709)</u>	<u>(316.319)</u>	<u>(55.994.870)</u>

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

6. INFORMATION ON SEGMENTS (CONTINUED)

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

Unallocated assets include:

Tangible and intangible assets	30.351.632
The right of use of the leased assets	13.038.359
Financial assets	177.644.145
Cash	1.133.317.537
Other assets	508.164
Deferred tax	<u>1.332.349</u>
	1.356.192.186

Unallocated liabilities include:

Dividends payable	66.853.878
Other debts	<u>10.009.930</u>
	76.863.807

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 trade payables 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	868.966.990	73.139.623	942.106.613
Other revenue	<u>66.483.926</u>	<u>7.539.083</u>	<u>74.023.009</u>
	935.450.916	80.678.706	1.016.129.622

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

6. INFORMATION ON SEGMENTS (CONTINUED)

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

	<u>Percentage of the total revenue</u>
OMV PETROM SA	18%
ENGIE ROMANIA S.A.	15%
SNGN ROMGAZ SA	13%
E.ON ENERGIE ROMANIA SA.	11%

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

The company has external trade receivables amounting to lei 181.157.807 (31 December 2023: lei 169.254.185).

The *domestic gas transmission* segment includes information related to the activity of domestic gas transmission, which is regulated by the National Regulatory Authority as well as the operating and financial income 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 2023, is as follows:

	<u>Domestic gas transmission</u>	<u>International gas transmission</u>	<u>Balancing</u>	<u>Unallocated</u>	<u>Total</u>
Revenue from					
domestic transmission	631.169.954	-	-	-	631.169.954
Revenue from international transmission	-	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 expense 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 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)
Profit from operation	<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
Income 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-cash costs other than depreciation	1.995.495	(61.924.104)	-	(155.933)	(60.084.542)

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

6. INFORMATION ON SEGMENTS (CONTINUED)

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

Unallocated assets include:

Tangible and intangible assets	31.644.299
Right of use of leased assets	16.588.335
Financial assets	191.122.702
Cash	331.703.313
	503.156
Deferred tax	<u>3.329.524</u>
Other assets	574.891.329

Unallocated liabilities include:

	132.919.653
Dividends payable	<u>1.514.543</u>
Other debts	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 trade payables 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.

Transmission services are provided for several domestic and foreign customers.

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from domestic transmission	528.689.580	102.480.374	631.169.954
Revenue from international transmission	-	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: **Percentage of the total revenue**

OMV PETROM S.A.	15%
ENGIE ROMANIA S.A.	12%
SNGN ROMGAZ S.A.	9%

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 non-current assets	Assets in progress	Total
As at 30 June 2023 (unaudited)					
Cost	295.234.035	984.844.069	347.853.482	12.444.930	1.640.376.516
Depreciation accumulated	(179.321.182)	(760.527.662)	(280.739.586)	-	(1.220.588.430)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Initial net book value	<u>115.912.853</u>	<u>224.316.407</u>	<u>67.113.896</u>	<u>10.788.748</u>	<u>418.131.904</u>
Inflows	-	-	-	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	<u>(4.088.048)</u>	<u>(15.981.251)</u>	<u>(11.491.972)</u>	-	<u>(31.561.271)</u>
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>
As at 31 December 2023					
Initial 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>
Inflows	-	-	-	13.880.423	13.880.423
Reclassification	-	-	(473.348)	-	(473.348)
Transfers	315.578	-	11.572.331	(11.887.909)	-
Outflow (net value)	(12.989)	-	(58.214)	-	(71.203)
Expense with depreciation	<u>(3.746.315)</u>	<u>(15.959.688)</u>	<u>(12.126.177)</u>	-	<u>(31.832.180)</u>
Final net book value	<u>109.459.010</u>	<u>194.033.042</u>	<u>63.268.936</u>	<u>10.878.711</u>	<u>377.639.699</u>
Cost	296.158.004	986.500.401	360.605.141	12.534.893	1.655.798.439
Accumulated depreciation	(186.698.994)	(792.467.359)	(297.336.205)	-	(1.276.502.558)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Final net book value	<u>109.459.010</u>	<u>194.033.042</u>	<u>63.268.936</u>	<u>10.878.711</u>	<u>377.639.699</u>
As at 30 June 2024 (unaudited)					
Initial net book value	<u>109.459.010</u>	<u>194.033.042</u>	<u>63.268.936</u>	<u>10.878.711</u>	<u>377.639.699</u>
Inflows	-	-	-	9.201.042	9.201.042
Reclassification	72.734	(3.340.200)	22.567	-	(3.244.899)
Transfers	389.981	930.534	7.580.497	(8.901.012)	-
Outflow (net value)	(177.429)	(3.878)	(18.128)	-	(199.435)
Expense with depreciation	<u>(3.536.608)</u>	<u>(15.274.395)</u>	<u>(12.182.177)</u>	-	<u>(30.993.180)</u>
Final net book value	<u>106.207.688</u>	<u>176.345.103</u>	<u>58.671.695</u>	<u>11.178.741</u>	<u>352.403.227</u>
Cost	272.897.259	984.059.610	365.564.601	12.834.923	1.635.356.393
Accumulated depreciation	(166.689.571)	(807.714.507)	(306.892.906)	-	(1.281.296.984)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Final net book value	<u>106.207.688</u>	<u>176.345.103</u>	<u>58.671.695</u>	<u>11.178.741</u>	<u>352.403.227</u>

NOTES TO THE INTERIM 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 368.275.074 (31 December 2023: lei 384.773.206). As at 30 June 2024 no advances granted for the procurement of tangible assets are registered.

Regarding the assets developed by the company, which are complementary to the provision of services according to the concession agreement, the State has the option to acquire these assets at the end of the concession agreement. The company does not have the obligation to keep these assets until the end of the concession agreement and it is allowed to sell them. These assets do not fall within the scope of IFRIC 12. All the other assets related to the domestic transmission activity and which are part of the national gas transmission system, including improvements made after signing the concession agreement and which must be handed over to the ANRM at the end of the concession agreement fall within the scope of IFRIC 12.

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

The company does not depreciate the tangible assets approved for discarding and does not own pledged non-current assets.

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

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

Leases according to IFRS16

Cost on 1 January 2024	32.903.879
Accumulated depreciation	(18.403.176)
Net book value	<u>14.500.703</u>
Inflow	700.783
Outflow	(1.118.464)
Depreciation	(1.044.663)
Final net book value on 30 June 2024	<u>13.038.359</u>

Detailed information on IFRS 16 as at 30 June 2024:

	30 June 2024	Of which related to the class of low value assets- Forestry conventions
Right of use assets	32.486.198	16.683.915
Right of use assets accumulated depreciation	19.447.839	6.027.189
Interest expense on lease liability	297.928	225.658
Lease liability	14.038.583	11.528.991
Of which:		
Short term	2.299.362	1.294.953
Long term	11.739.221	10.234.038

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

7. TANGIBLE ASSETS (CONTINUED)

	<u>Leases according to IFRS16</u>
Cost on 1 January 2023	31.618.029
Accumulated depreciation	(14.683.216)
Net book value	<u>16.934.813</u>
Inflow	1.799.914
Outflow	(514.064)
Depreciation	(3.719.960)
Final net book value on 31 December 2023	<u>14.500.703</u>

Detailed information on IFRS 16 as at 31 December 2023:

	31 December 2023	Of which related to the class of low value assets-Forestry conventions
Value as use (DU)	32.903.879	16.299.859
Depreciation related to DU	18.403.176	5.352.675
DU interest	705.207	459.195
Debt regarding DU	15.542.002	11.766.703
From which:		
Short term	3.333.037	1.255.584
Long term	12.208.965	10.511.119

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

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

8. SERVICE CONCESSION AGREEMENT

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

At the expiration of the agreement, the assets belonging to the public domain, existing upon signing the agreement and all investments made in the system will be returned to the State. The company owns and will develop other assets that are not directly part of the national gas transmission system,

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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.

8. SERVICE CONCESSION AGREEMENT (CONTINUED)

The main terms of the Concession Agreement are the following:

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

The Concession Agreement does not include an automatic renewal clause.

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

NOTES TO THE 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 2023 (unaudited)				
Cost on 1 January 2023	9.609.650.958	81.484.939	535.996.238	10.227.132.135
Accumulated depreciation	(5.171.936.850)	(61.750.119)	-	(5.233.686.969)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.474.391.371)	-	-	(1.474.391.371)
Concession Agreement receivable depreciation	<u>399.666.414</u>	-	-	<u>399.666.414</u>
Final 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>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)
Adjustment 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>455.812.350</u>
Net book value	3.395.955.111	20.175.817	286.621.464	3.702.752.392
On 31 December 2023				
Initial net book value	3.395.955.111	20.175.817	286.621.464	3.702.752.392
Inflow	-	6.431.449	158.756.699	165.188.148
Reclassifications	-	473.348	-	473.348
Transfers	80.969.342	25.940	(80.995.282)	-
Outflow	-	-	-	-
Depreciation	(253.537.840)	(3.780.419)	-	(257.318.259)
Concession Agreement receivables	(26.902.801)	-	-	(26.902.801)
Concession Agreement receivable depreciation	<u>59.070.515</u>	-	-	<u>59.070.515</u>
Final net book value	3.255.554.327	23.326.135	364.382.881	3.643.263.343
Cost	9.965.463.461	87.773.099	373.525.658	10.426.762.218
Accumulated depreciation	(5.669.623.961)	(64.446.964)	-	(5.734.070.925)
Adjustment for impairment	-	-	(9.142.777)	(9.142.777)
Concession agreement receivables	(1.555.168.037)	-	-	(1.555.168.037)
Concession Agreement receivable depreciation	<u>514.882.864</u>	-	-	<u>514.882.864</u>
Final net book value	3.255.554.327	23.326.135	364.382.881	3.643.263.343
On 30 June 2024 (unaudited)				
Initial net book value	3.255.554.327	23.326.135	364.382.881	3.643.263.343
Inflow	-	22.640.578	679.196.506	701.837.084
Reclassifications	3.244.899	-	-	3.244.899
Transfers	15.882.074	307.195	(16.189.269)	-
Outflow	-	-	-	-
Depreciation	(253.988.347)	(4.009.729)	-	(257.998.076)
Concession Agreement receivables	(5.053.307)	-	-	(5.053.307)
Concession Agreement receivable depreciation	<u>60.044.573</u>	-	-	<u>60.044.573</u>
Final net book value	3.075.684.219	42.264.179	1.027.390.118	4.145.338.516
Cost	9.984.590.434	110.720.872	1.036.532.895	11.131.844.201
Accumulated depreciation	(5.923.612.308)	(68.456.693)	-	(5.992.069.001)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.560.221.344)	-	-	(1.560.221.344)
Concession Agreement receivable depreciation	<u>574.927.437</u>	-	-	<u>574.927.437</u>
Final Net book value	3.075.684.219	42.264.179	1.027.390.118	4.145.338.516

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 pipeline stock) is recognized in the value of the right to use, as an intangible asset. At 30 June 2024 the line pack quantity is 825.511 MWh and has a value of 67.437.487 lei, of which the NTS pipeline stock is 693.293 MWh and has a value of 55.713.584 lei. On 31 December 2023 the linepack is of 809.539 MWh and amounts to lei 72.687.849, of which NTS pipeline stock is of 693.282 MWh and amounts lei 55.712.232.

As at 30 June 2024, the company capitalized interest expense amounting to lei 5.598.951 lei (in 2023 it capitalized interest expenses amounting to 4.273.861), for NTS assets.

As at 30 June 2024 there are no advances granted for the procurement of national gas transmission system development works are presented in the intangible assets in progress.

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

As at 30 June 2024, the Company capitalized additional costs for the procurement of natural gas, incurred between 1 January 2024 – 30 June 2024 amounting to 22.640.578 lei (10.113.181 lei on 31 December 2023), in order to cover its own technological consumption compared to the costs included in the regulated tariffs, in accordance with the provisions of the Order of the Ministry of Finance no. 5378/12 December 2023 and the Order of the President of ANRE no.128 /12 October 2022.

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

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 2024</u>	<u>Percentage owned 2023</u>	<u>30 June 2024 (audited)</u>	<u>31 December 2023</u>
Resial SA	Production	68,16	68,16	18.116.501	18.116.501
	Gas production	17,47	17,47	6.461.736	6.461.736
Mebis SA	distribution and supply				
Eurotransgaz	Gas transmission	100	100	177.619.145	177.619.145
Transport România	Transmission by	100	-	25.000	-
Hidrogen S.R.L.	pipeline				
Minus adjustments for impairment of investments in: Resial SA, Mebis SA				(24.578.237)	(24.578.237)
				<u>177.644.145</u>	<u>177.619.145</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).

By BA Resolution no. 38/2022 Transgaz approved the reduction of Eurotransgaz share capital by MDL 44.652.300 (equivalent to EUR 2,310,000). The amount was received in August 2023.

The equity securities held at Eurotransgaz S.R.L represent a capital investment recognized according to IFRS 9, at the date of the transaction being measured at its fair value at the date of the transaction, and assessed, after the initial recognition, at the cost.

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

Shareholding in TRANSPORT ROMÂNIA HIDROGEN S.R.L

By EGMS resolution no. 5 of 05 June 2024 the establishment of a limited liability company with the activity of hydrogen transport, with sole shareholder SNTGN Transgaz SA, was approved.

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.

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

11. INVENTORIES

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Gas inventories	305.136.236	307.310.908
Gas for technological consumption	160.187.820	180.679.213
Spare parts and materials	154.439.106	139.759.510
Materials in custody at third parties	1.914.056	466.345
Adjustments for write-down of inventories	<u>(56.351.315)</u>	<u>(51.135.358)</u>
	<u>565.325.903</u>	<u>577.080.618</u>

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

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

Movements in the adjustments account are analysed below:

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Adjustment on 1 January (Revenue)/expense with adjustment for write-down of inventories (Note 23)	51.135.358	42.635.646
Adjustment at the end of the period	<u>5.215.957</u>	<u>8.499.712</u>
	<u>56.351.315</u>	<u>51.135.358</u>

In 2024 adjustments for write-down of inventories were established according to Note 3.10. Since 2022 the company has recorded a provision for the negative difference between the quantities of natural gas invoiced as initial imbalance and the final monthly imbalances, which will be requested to ANRE for recovery through the neutrality tariff

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

12. TRADE RECEIVABLES AND OTHER RECEIVABLES

	30 June 2024 (unaudited)	31 December 2023
Trade receivables	788.971.005	952.484.611
Advance payments to suppliers for goods and services	677.639	75.783
Loan to Resial SA (Note 27)	1.770.346	1.770.346
Receivable related to the unamortized regulated value at the end of the concession agreement	2.522.065.012	2.423.669.228
Non-refundable loans as subsidies	3.127.035	14.140.364
State budget receivables	100.613.553	73.690.795
Receivables from various debtors	67.540.640	56.349.031
Other non-current receivables (guarantees)	49.417.977	46.315.542
Other receivables	21.816.519	3.853.274
Adjustment of impairment of trade receivables	(664.086.263)	(657.959.020)
Adjustment of impairment of other receivables	(105.700.585)	(89.875.671)
	<u>2.786.212.878</u>	<u>2.824.514.283</u>
Financial assets/ Loans and receivables (Note 4)	<u>2.692.133.027</u>	<u>2.741.685.641</u>

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

In 2020, the Company administratively challenged the tax decision regarding additional fiscal payment obligations amounting to lei 7.642.671 issued by ANAF in 2020 consisting of income 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.

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

12. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

The advance payments granted to the company in the context of the contractual relationships are guaranteed by the suppliers by letters of bank guarantee.

At 30 June 2024, the amount of 157.816.024 lei (31 December 2023: 152.476.340 lei) of trade and other receivables net is denominated in foreign currency of which 4% in USD (31 December 2023: 4%) and 96% in EUR (31 December 2023: 96%).

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 amount of the receivable related to the Concession Agreement and recognized a gain amounting to 63.930.785 lei in accordance with IFRS 9 (31 December 2023: 147.131.305 lei).

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Initial balance	2.423.669.228	2.141.205.427
Inflow	5.053.307	80.776.665
Interest	29.455.371	54.622.298
Inflation update	63.930.785	147.131.305
Outflow	<u>(43.679)</u>	<u>(66.467)</u>
	<u>2.522.065.012</u>	<u>2.423.669.228</u>

Trade receivables analysis according to IFRS9 is as follows:

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Current and unamortized		
Transit receivables	149.340.016	144.214.000
Doubtful or insolvency receivables	165.525.661	166.447.834
Affiliated party receivables	167.975.614	269.076.418
Other trade receivables	303.532.978	372.746.359
Receivables from various debtors	<u>67.540.640</u>	<u>56.349.031</u>
	853.914.909	1.008.833.642
Amortization		
Transit receivables	149.340.016	144.214.000
Doubtful or insolvency receivables	165.525.661	166.447.834
Affiliated party receivables	120.458.859	142.240.990
Other trade receivables	228.761.726	205.056.196
Receivables from various debtors	<u>66.278.271</u>	<u>50.453.357</u>
Total impairment	730.364.533	708.412.377
Total trade receivables net of provision	123.550.376	300.421.265

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

IFRS 9 applies a new model for forecasting impairment loss based on the estimated loss. This model entails the anticipated recognition of the loss from receivables impairment. The standard requires entities to recognize the anticipated impairment loss on receivables from the time of initial recognition of financial instruments, and to recognize the anticipated impairment loss over their lifetime. The amount of expected loss will be updated for each reporting period so as to reflect changes in credit risk as compared to initial recognition.

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

Category	10%	20%	30%	35%	60%	100%	IFRS 9	TOTAL
	31-60	61-90	91-120	121-150	151-180	over 181 and doubtful		
Transit receivables	87.085	343.697	243.571	3.245.483	6.242.977	125.361.125	13.816.078	149.340.016
Doubtful and insolvent receivables	-	-	-	-	-	165.525.661	-	165.525.661
Affiliated parties' receivables	35.378	87.387	114.594	131.959	271.974	118.055.810	1.761.757	120.458.859
Various receivables	102.405	172.226	201.271	284.943	672.593	221.210.519	6.117.769	228.761.726
Receivables from various debtors	69.715	-	2.973	627	8.431.213	52.158.320	5.615.423	66.278.271
Total impairment	294.583	603.310	562.409	3.663.012	15.618.757	682.311.435	27.311.027	730.364.533

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 2024 (unaudited)	31 December 2023
Adjustment on 1 January	747.834.691	639.659.487
Expense with the adjustment for doubtful clients (Note 23)	25.919.627	175.061.631
(Revenue with the adjustment for doubtful clients (Note 23))	<u>3.967.470</u>	<u>66.886.427</u>
Adjustment at the end of the period	<u>769.786.848</u>	<u>747.834.691</u>

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

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

12. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

As at 30 June 2024, the company recorded adjusting expenses for the clients recording an increased non-collection risk, mainly for the receivables of Gazprom Export LLC (lei 5.126.017) and North Chemical Complex SRL (lei 2.516.899).

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 2024 as well.

13. CASH AND CASH EQUIVALENT

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Cash at bank in lei	625.959.517	351.170.368
Cash at bank in foreign currency	505.137.830	326.274.497
Other cash equivalents	<u>160.668</u>	<u>111.786</u>
	<u>1.131.258.015</u>	<u>677.556.651</u>
	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Restricted cash (employees guarantee)	2.059.522	1.956.015

The weighted average of the effective interest related to short-term bank deposits was of 3,18% on 30 June 2024 (3,32% on 31 December 2023) and these deposits have a maximum maturity of 30 days.

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

13. CASH AND CASH EQUIVALENT (CONTINUED)

	Long-term loans	Working capital	Leasing debt	Total
Balance on 01.01.2023	1.445.563.293	573.095.050	17.929.828	2.036.588.171
Net cash flows	114.511.226	175.431.456	(5.601.390)	284.341.292
Foreign currency translation reserve	4.284.807	-	-	4.284.807
New leasing contracts	-	-	2.496.437	2.496.437
Leasing adjustments	-	-	-	-
Interest expense	84.465.633	6.236.151	717.128	91.418.912
Capitalised interest	4.273.861	25.232.795	-	29.506.656
Paid interest	(88.882.544)	(30.937.649)	-	(119.820.193)
Balance on 31 December 2023	<u>1.564.216.276</u>	<u>749.057.803</u>	<u>15.542.003</u>	<u>2.328.816.082</u>
Balance on 01.01.2024	<u>1.564.216.276</u>	<u>749.057.803</u>	<u>15.542.003</u>	<u>2.328.816.082</u>
Net cash flows	388.366.279	(22.467.287)	(3.796.654)	362.102.338
Foreign currency translation reserve	353.670	-	-	353.670
New leasing contracts	-	-	700.783	700.783
Leasing adjustments	-	-	-	-
Interest expense	38.607.461	519.162	295.168	39.421.791
Capitalised interest	5.598.951	15.085.054	2.759	20.686.764
Other	-	-	1.294.524	1.294.524
Balance on 30 June 2024	<u>1.997.142.637</u>	<u>742.194.732</u>	<u>14.038.583</u>	<u>2.753.375.952</u>

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital	Share premium	Total
IFRS				
On 31 December 2023	188.381.504	1.883.815.040	247.478.865	2.131.293.905
On 30 June 2024	188.381.504	1.883.815.040	247.478.865	2.131.293.905
Capital adjustment to the hyperinflation accumulated on 30 June 2024	-	<u>441.418.396</u>	-	<u>441.418.396</u>
On 31 December 2023				
On 30 June 2024	<u>188.381.504</u>	<u>2.325.233.436</u>	<u>247.478.865</u>	<u>2.572.712.301</u>

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

The ownership structure registered with Depozitarul Central on 30 June 2024 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 Depozitarul Central on 31 December 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>

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 non-current assets were annually recognized in the statement of comprehensive income by 31 December 2003. Therefore, in 2022, the company recorded only the share capital from cash or in-kind contribution, adjusted to inflation from the date of the initial contribution on 31 December 2003 and the increase in the share capital that took place after 1 January 2004 was recognized in nominal terms.

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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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

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 2024, amounts to lei 55.765.430 (31 December 2023: 55.765.430 lei).

The legal reserve is included in the `Retained earnings` in these financial statements. The company does not intend to change the allocation of the legal reserve.

Reserve relating to reinvested profit

The balance of the invested profit reserve as at 30 June 2024 is lei 58.121.457 (31 December 2023: lei 17.275.596).

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

Dividend allocation

In 2024, the company declared a dividend of lei 0,35 /share, related to the profit of the previous year (2023: lei 0,7 /share). The total dividends declared from the profit of 2022 are lei 65.933.526 (dividends declared from the profit of 2021: lei 131.867.053).

16. LONG-TERM BORROWINGS

The value of the long-term loans recorded by the company on 30 June 2024:

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
BEI 83644RO	176.189.340	186.050.040
BEI 88825RO	199.240.267	209.058.151
BEI 89417RO	248.855.000	124.365.000
BEI 90512RO	497.710.000	124.365.000
BCR 20190409029	133.920.000	141.360.000
BCR 20201028056	273.600.000	288.000.000
BCR 20210817030	79.166.665	83.333.332
BCR 20211124044	174.166.667	183.333.333
BERD	200.115.360	211.232.880
BT	240.782.228	247.806.630
Raiffeisen Bank	300.000.000	300.000.000
BRD GSG	<u>198.900.000</u>	<u>198.800.000</u>
	<u>2.722.645.527</u>	<u>2.297.704.366</u>

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

16. LONG-TERM BORROWINGS (CONTINUED)

Loans breakdown by maturity range:

	<u>30 June 2024 (unaudited)</u>	<u>31 December 2023</u>
Within 1 year	432.336.001	432.316.032
Over 1 year	<u>2.290.309.526</u>	<u>1.865.388.334</u>
	<u>2.722.645.527</u>	<u>2.297.704.366</u>

The European Investment Bank (EIB)

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

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

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

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

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

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

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

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

16. LONG-TERM BORROWINGS (CONTINUED)

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Within 1 year	19.908.400	19.898.400
Between 1 and 5 years	79.633.600	79.593.600
Over 5 years	<u>76.647.340</u>	<u>86.558.040</u>
	<u>176.189.340</u>	<u>186.050.040</u>

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

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Within 1 year	19.845.893	19.835.925
Between 1 and 5 years	79.383.573	79.343.698
Over 5 years	<u>100.010.801</u>	<u>109.878.528</u>
	<u>199.240.267</u>	<u>209.058.151</u>

In July 2023 the company received under Loan Agreement no. 89417RO the first tranche of EUR 25 million and in June 2024 the final tranche of EUR 25 million.

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Within 1 year	-	-
Between 1 and 5 years	53.326.071	25.380.612
Over 5 years	<u>195.528.929</u>	<u>98.984.388</u>
	<u>248.855.000</u>	<u>124.365.000</u>

In July 2023 the company received under Loan Agreement no. 90512 RO the first tranche of EUR 25 million and in June 2024 the final tranche of EUR 75 million.

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Within 1 year	-	-
Between 1 and 5 years	99.034.132	25.380.612
Over 5 years	<u>398.675.868</u>	<u>98.984.388</u>
	<u>497.710.000</u>	<u>124.365.000</u>

The book value of the loans approximates their fair values since it bears the variable interest rate.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

The European Bank for Reconstruction and Development (EBRD)

On 23 February 2018 Transgaz signed with EBRD a contract amounting to lei 278 million, the equivalent of EUR 60 million, for the financing of the BRUA Project. The loan was fully disbursed by two equal disbursements: on 29 April 2020 and on 29 May 2020.

The EBRD loan maturity is presented below:

	<u>30 June 2024 (unaudited)</u>	<u>31 December 2023</u>
Within 1 year	22.235.040	22.235.040
Between 1 and 5 years	88.940.160	88.940.160
Over 5 years	<u>88.940.160</u>	<u>100.057.680</u>
	<u>200.115.360</u>	<u>211.232.880</u>

The Romanian Commercial Bank (BCR)

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

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

	<u>30 June 2024 (unaudited)</u>	<u>31 December 2023</u>
Within 1 year	14.880.000	14.880.000
Between 1 and 5 years	59.520.000	59.520.000
Over 5 years	<u>59.520.000</u>	<u>66.960.000</u>
	<u>133.920.000</u>	<u>141.360.000</u>

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

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

16. LONG-TERM BORROWINGS (CONTINUED)

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Within 1 year	28.800.000	28.800.000
Between 1 and 5 years	115.200.000	115.200.000
Over 5 years	<u>129.600.000</u>	<u>144.000.000</u>
	<u>273.600.000</u>	<u>288.000.000</u>

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

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Within 1 year	8.333.334	8.333.334
Between 1 and 5 years	33.333.336	33.333.336
Over 5 years	<u>37.499.995</u>	<u>41.666.662</u>
	<u>79.166.665</u>	<u>83.333.332</u>

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

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

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Within 1 year	18.333.334	18.333.333
Between 1 and 5 years	73.333.333	73.333.333
Over 5 years	<u>82.500.000</u>	<u>91.666.667</u>
	<u>174.166.667</u>	<u>183.333.333</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

Transilvania Bank (BT)

On 15 July 2020, as a result of a competitive negotiation procedure, the company signed a contract with Transilvania Bank allowing the company to benefit from a credit facility amounting to lei 300 million, for 2 years, to cover the necessary working capital and partly to issuing letters of guarantee. By Addendum No. 1/20.12.2021, Addendum No. 4/22.03.2023 and Addendum No. 5/14.06.2024 the parties agreed successive extensions of the final maturity date of the loan agreement until 13.06.2026.

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.

As at 30 June 2024, out of the total of credit line the amount of 240.782.228 lei was used to cover working capital requirements and the amount of 199.381.510 lei 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 11.801.155 lei 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, an agreement with Raiffeisen Bank under which it benefits from a credit facility of 300 million lei for a period of 2 years, intended to finance working capital for the commercial balancing activity.

As at 30 June 2024 the credit facility is drawn down to the maximum level of 300.000.000 lei. The obligation is presented under short-term loans.

BRD GROUPE SOCIETE GENERALE

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

As at 30 June 2024 the credit facility is drawn down to the maximum level of 198.900.000 lei. The obligation is presented under long-term loans.

As at 30 June 2024, the balance of interest due for the loans of the company is 14.179.338 lei broken down by loans as follows:

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

	<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
BEI 83644RO	459.148	484.596
BEI 88825RO	1.867.700	1.985.777
BEI 89417RO	1.613.013	1.141.311
BEI 90512RO	2.590.266	1.141.311
BCR 20190409029	778.174	854.326
BCR 20201028056	2.841.947	3.217.394
BCR 20210817030	1.721.073	1.826.050
BCR 20211124044	810.376	886.932
BERD	<u>1.497.641</u>	<u>1.580.843</u>
	<u>14.179.338</u>	<u>13.118.540</u>

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

	<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
Variable interest rate loans	2.546.456.187	2.111.654.326
Fixed interest rate loans	<u>176.189.340</u>	<u>186.050.040</u>
	<u>2.722.645.527</u>	<u>2.297.704.366</u>

17. DEFERRED REVENUE

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

	<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
Initial balance	963.899.344	1.076.589.204
Increases	128.007.315	425.575
Revenue from connection fees (Note 22)	(7.071.868)	(13.926.724)
Income from non-reimbursable funds and goods taken over free of charge (Note 22)	<u>(45.485.989)</u>	<u>(99.188.711)</u>
Final balance	<u>1.039.348.802</u>	<u>963.899.344</u>

The balance of the deferred revenue consists of:

	<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
Connections and assets received free of charge	224.049.215	222.516.712
Grants	<u>815.299.587</u>	<u>741.382.632</u>
	<u>1.039.348.802</u>	<u>963.899.344</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

17. DEFERRED REVENUE (CONTINUED)

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

The following amounts were received as pre-financing to finance the implementation of the BRUA Phase I project: EUR 25.834.489,60 (in 2016) and EUR 13.839.087,37 (in 2018) and EUR 29.192.463,92 (in 2019), EUR 37.740.347 (in 2020) and EUR 20.953.114,91 in 2021. On 19 July 2022 the amount of EUR 21.129.634,05 was received from INEA.

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

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

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

In 2024, the company concluded two grant agreements for the projects: Black Sea - Podișor natural gas transmission pipeline, for which it received pre-financing in February amounting to lei 127.682.749 and Ghercești-Jitaru natural gas transmission pipeline (including power supply, cathodic protection and fiber optics). The contracts were concluded based on EC Decision No C(2023) 3643 of 30.05.2023, by which the projects were allocated grants under the Modernization Fund in total amount of EUR 93.582.770:

- Black Sea - Podișor natural gas transmission pipeline: EUR 85.544.422;
- Ghercești-Jitaru natural gas transmission pipeline (including power supply, cathodic protection and fiber optics): EUR 8.038.348.
- Natural gas transmission pipeline to supply the Mintia Power Plant (including other industrial and household customers): EUR 6.826.947

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

18. INCOME TAX

Income tax

	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Income tax - current	45.497.912	26.986.815
Deferred tax - impact of temporary differences	<u>401.890</u>	<u>(4.535.728)</u>
Income tax	<u>45.899.802</u>	<u>22.451.087</u>

In the Half 1 2024 and Half 1 2023, the company calculated the income tax at the rate of 16% applied to the profit determined in accordance with the Romanian laws.

	The six months ended 30 June 2024 (unaudited)	The six months ended 30 June 2023 (unaudited)
Profit before tax	221.910.490	101.272.176
Theoretical expense with the tax the statutory rate of 16% (2022: 16%)	35.505.678	16.203.548
Non-taxable expenses, net	<u>10.394.124</u>	<u>6.247.539</u>
Income tax	<u>45.899.802</u>	<u>22.451.087</u>
Income tax liability, current	<u>(41.040.636)</u>	<u>(18.598.620)</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 30 June 2024 (31 December 2023: 16%). Deferred tax payment and recoverable tax, as well as expenses with/(revenue from) deferred tax recognized in the statement of comprehensive income are attributable to the following items:

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

18. INCOME TAX (CONTINUED)

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>Movement</u>	<u>31 December</u> <u>2022</u>	<u>Movement</u>	<u>30 June 2023</u> <u>(unaudited)</u>	<u>Movement</u>	<u>1 January</u> <u>2023</u>
Deferred tax payment							
Tangible and intangible assets	141.921.045	5.180.792	136.740.253	14.967.219	124.351.209	2.578.175	121.773.034
Recoverable deferred tax							
Provision for							
Employee benefits	(24.895.831)	(3.945.047)	(20.950.784)	(2.474.053)	(18.476.731)	-	(18.476.731)
Risks and charges	(11.032.351)	3.829.898	(14.862.249)	(1.870.570)	(8.139.972)	4.851.707	(12.991.679)
Receivables and other assets	<u>(107.325.212)</u>	<u>(4.663.753)</u>	<u>(102.661.459)</u>	<u>(13.563.039)</u>	<u>(101.064.030)</u>	<u>(11.965.610)</u>	<u>(89.098.420)</u>
	<u>(1.332.349)</u>	<u>401.890</u>	<u>(1.734.239)</u>	<u>(2.940.443)</u>	<u>(3.329.524)</u>	<u>(4.535.728)</u>	<u>1.206.204</u>

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

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

18. INCOME TAX (CONTINUED)

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

	<u>30 June 2024</u> (unaudited)	<u>30 December 2023</u>
Deferred tax liabilities/receivables in more than 12 months as reported	(1.332.349)	(1.734.239)

19. TRADE PAYABLES AND OTHER PAYABLES

19.1 Short term payables

	<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
Trade payables	205.325.374	227.003.229
Suppliers of non-current assets	166.478.376	15.796.373
Dividends payable	66.853.878	1.095.532
Debts related to royalties	38.513.345	51.383.030
Other taxes	43.752.876	28.404.156
Amounts payable to employees	21.817.383	20.828.438
VAT payable	-	21.323.976
Non-exemptible VAT	(12.585.212)	6.348.468
Transmission service guarantees	194.961.011	42.971.012
Transmission services advance payments	23.362.426	51.867.976
Tender guarantees	138.413.492	163.808.920
Other debts	<u>51.348.676</u>	<u>47.452.467</u>
	<u>938.241.625</u>	<u>678.283.577</u>
Financial debts (Note 4)	<u>823.380.808</u>	<u>501.460.571</u>

On 30 June 2024, of the total trade payables and other debts the amount of lei 125.838.143 (31 December 2023: lei 75.062.912) is expressed in foreign currency, especially in EUR.

19.2 Lease liabilities

	<u>30 June 2024</u>	<u>31 December 2023</u>
	Land and buildings	Land and buildings
Initial balance	15.542.002	17.929.828
Inflows	700.783	2.508.558
Interest expense	297.928	705.207
Leasing payments	<u>2.502.130</u>	<u>5.601.590</u>
Final balance, of which:	<u>14.038.583</u>	<u>15.542.003</u>
Long-term debts	11.739.221	12.208.966
Short-term debts	2.299.362	3.333.037

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

20. PROVISIONS FOR RISKS AND CHARGES

	<u>30 June 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
<i>Current provision</i>		
Provision for litigation	53.385.488	52.908.971
Provision term contract	-	3.284.571
Provision for employee participation in profits	11.493.066	11.725.070
Provision for voluntary leaving employment	1.127.200	7.698.800
Other provision	<u>2.946.441</u>	<u>8.266.302</u>
	<u>68.952.195</u>	<u>83.883.714</u>

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

The company was the subject of an investigation of the Competition Council regarding the way in which procedures for the awarding of the contracts for the procurement of works carried out by Transgaz in 2009 -2011, before the implementation of the private management, according to the provisions of GEO 109/2011 on corporate governance of public enterprises. In 2020, the Competition Council communicated Decision no. 43/11.08.2020 sanctioning the Company with a fine in the amount of lei 34.166.616.

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

The company also made provisions for the following disputes: with Romsilva for the land non-use amounting to LEI 14.038.558, with Blue Star SRL for the MRS Timisoara I - Timisoara pipeline in the amount of Lei 2.300.000, with PF Galaction Laurentiu for the dismantling of the construction/removal of the MRS Vaslui connection pipeline in the amount of Lei 633.129, and with PF Bălășoiu Marian for claims for compensation for lack of use of land in the amount of lei 573.201.

For the strategic redefinition and efficiency of the activity, the Company drafted the Program of voluntary departures for 2023 in the amount of 7.699 thousand lei, the annual value being provided by the budget of revenues and expenses approved by the GMS.

As at 30 June 2024 the amount of the provision for voluntary departures is Lei 1.127.200 (lei 7.698.800 as at 31 December 2023).

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

The Company has recorded provisions for untaken leave in the amount of lei 8.266.303 relating to the period ended 31 December 2023.

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

21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

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

Assumptions 2023

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

- for the benefit consisting of basic salaries paid at retirement, this benefit is paid for company employees who reach retirement;
- Employee rotation considers seniority and staff rotation within the company;
- the mortality of the entity's employees is calculated according to the data provided by the National Institute of Statistics for 2019 to which a percentage of 65% was applied;
- Employee rotation is constant over time.
- the method used is the projected credit factor method;
- Retirement age at retirement considered: 63 for men and 62 for women, but the share of early retirements at certain ages was also considered;
- In 2024, there was a 5% increase in base salaries, starting on 01.04.2024. No other possible salary increases have been communicated to take effect in the second half of this year.
- Actuarial assumptions are compatible with each other if they reflect interdependencies between indicators such as inflation, interest rates, wage growth rates and discount rates.

Financial assumptions

The discount rate is the interest rate curve in lei without adjustments of variations provided by EIOPA for June 2024. For the calculation for Half 1 2024, according to the National Institute of Statistics, the annual inflation rate in June 2024 compared to June 2023 was 4,94%. Given the correlation between the inflation and discount rate values, the following values for inflation were taken into account: 6% in 2024 and 4,5% in the rest.

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

21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Movement in the provision for employee benefits:

1 January 2023	<u>115.479.575</u>
of which:	
Short-term	4.584.234
Long-term	110.895.341
Interest cost	7.229.379
Current service cost	17.488.663
Payments from provisions during the year	(4.921.167)
Actuarial gain/loss related to the period	(4.334.050)
31 December 2023	<u>130.942.400</u>
of which:	
Short-term	16.135.217
Long-term	114.807.183
Interest cost	6.919.559
Current service cost	21.591.631
Payments from provisions during the year	(1.797.846)
Actuarial gain/loss related to the period	(2.056.799)
30 June 2024	<u>155.598.945</u>
of which:	
Short-term	9.860.051
Long-term	145.738.894

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

22. OTHER REVENUE

	The six months period ended 30 June 2024 (unaudited)	The six months period ended 30 June 2023 (unaudited)
Revenue from penalties applied to clients for delay payments	12.378.151	9.198.523
Revenue from connection fees	7.071.868	6.981.954
Revenue from grants and goods taken free of charge	45.485.989	49.427.247
Revenue from grants for operating expenses	-	841.646
Revenue from the sale of residual materials	882.598	437.275
Revenue from leases	718.103	830.289
Revenue from recovered materials	1.265.508	2.162.443
Other revenue from operation	<u>6.220.792</u>	<u>(2.781.667)</u>
	<u>74.023.009</u>	<u>67.097.710</u>

23. OTHER OPERATING EXPENSES

	The six months period ended 30 June 2024 (unaudited)	The six months period ended 30 June 2023 (unaudited)
Loss/gain on impairment of receivables	21.952.157	48.732.733
Utilities	7.673.744	7.165.631
Insurance premium	827.843	687.596
Security and protection expenses	15.542.084	13.983.281
Maintenance expenses	23.500	-
Professional training	593.951	537.489
	1.319.942	1.160.252
Telecommunications	5.215.957	5.084.408
Loss/(gain) on impairment of inventories	975.160	1.300.808
Bank charges and other fees	3.332.045	2.082.400
Rents	782.778	14.227
Loss on amounts receivable	354.704	182.407
Marketing and protocol expenses	761.562	110.127
Penalties and fines	4.908.763	4.643.754
Gas storage capacity booking	1.807.000	1.599.677
Sponsorship costs	<u>22.380.704</u>	<u>18.494.826</u>
Other	<u>88.451.894</u>	<u>105.779.616</u>

Neutrality activity expenses

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

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

24. EMPLOYEE COSTS

	The six months period ended 30 June 2024 (unaudited)	The six months period ended 30 June 2023 (unaudited)
25.		
Salaries and benefits	276.846.579	256.975.498
Cost of insurance and social security	16.202.682	15.726.664
Other employee costs	<u>3.702.057</u>	<u>3.625.649</u>
	<u>296.751.318</u>	<u>276.327.811</u>

Average number of employees in financial year:

	The six months period ended 30 June 2024 (unaudited)	The six months period ended 30 June 2023 (unaudited)
Blue collars	2.183	2.215
White collars	<u>1.832</u>	<u>1.772</u>
	<u>4.015</u>	<u>3.987</u>

25. NET FINANCIAL INCOME/(LOSS)

	The six months period ended 30 June 2024 (unaudited)	The six months period ended 30 June 2023 (unaudited)
Foreign exchange income	2.141.226	6.477.704
Interest income	36.923.138	26.555.772
Income from the adjustment of the Concession Agreement receivable	63.930.785	92.384.006
Other financial income	<u>243</u>	<u>571</u>
	102.995.392	125.418.053
Foreign exchange expense	(2.291.741)	(7.808.235)
Interest expense related to IFRS16	(295.170)	(332.418)
Interest expense	(39.126.209)	(46.039.806)
The effects of the update of the provision for employee benefits	<u>(6.919.559)</u>	<u>(9.600.773)</u>
	(48.632.679)	(63.781.232)

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 63.930.785 according to IFRS 9 (31 December 2023: Lei 147.131.305).

Non-current assets recognised in the regulated asset base within a gas year are discounted by the inflation rate as of the following gas year.

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

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

26. CASH FROM OPERATION

	The six months period ended <u>30 June 2024</u> (unaudited)	The six months period ended <u>30 June 2023</u> (unaudited)
Profit before tax	221.910.490	101.272.176
Depreciation	230.994.660	225.162.176
Gain/(loss) on transfer of non-current assets	88.978	(194.342)
Provisions for risks and charges	(14.931.520)	(30.323.168)
Provisions for employee benefits	19.793.785	3.932.435
Adjustments for impairment of inventories	5.215.957	5.084.408
Income from connection fees, grants and goods taken free of charge	(52.557.857)	(57.250.846)
Sundry debtors and receivable loss	782.778	14.227
Adjustments for the receivable's impairment	21.952.157	48.732.734
Interest income	(36.923.138)	(26.555.772)
Interest expenses	59.810.214	46.039.807
Adjustment of the Receivable regarding the Concession Agreement	(63.930.785)	(92.384.006)
The effects of the update of the provision for granted employee benefits	6.919.559	9.600.773
Effect of exchange rate fluctuation on other items than from operation	710.756	1.543.023
Operating profit before the changes in working capital	<u>399.836.034</u>	<u>234.673.625</u>
(Increase)/decrease in trade and other receivables	80.200.162	103.211.030
(Increase)/decrease in inventories	7.986.469	31.982.130
Increase/(decrease) in trade payables and other debts	<u>65.103.376</u>	<u>(16.184.723)</u>
Cash generated from operations	<u>553.126.041</u>	<u>353.682.062</u>

27. TRANSACTIONS WITH RELATED PARTIES

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

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

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

In the periods ended 30 June 2024 and 30 June 2023 the following transactions with related parties were performed and the following balances were payable / receivable from related parties at the respective dates.

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

	The six months period ended <u>30 June 2024</u> (unaudited)	The six months period ended <u>30 June 2023</u> (unaudited)
Salary paid to the members of the Board of Administration and management	13.294.684	12.151.500
Social contribution of the company	<u>299.130</u>	<u>273.409</u>
	<u>13.593.814</u>	<u>12.424.909</u>

In the periods ended 30 June 2024 and 30 June 2023, no advance payments and loans were granted to the company's administrators and management, except for advance payments from salaries and those for business trips, and they don't owe any amount from such advance payments to the company at the end of the period .

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

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

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

ii) Loan to a related party

	<u>30 June 2024</u>	<u>31 December 2023</u>
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)

	The six months period ended <u>30 June 2024</u> (unaudited)	The six months period ended <u>30 June 2023</u> (unaudited)
<u>Relationship</u>		
SNGN Romgaz	134.553.112	71.648.659
Electrocentrale București SA	42.088.906	32.172.346
Electrocentrale Constanța	-	2.212.164
Termo Calor Confort	1.582.267	946.619
Complex Energetic Oltenia	1.417.439	-
E.ON Energie Romania	<u>114.254.079</u>	<u>69.679.341</u>
	<u>293.895.803</u>	<u>176.659.129</u>

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

	<u>Relationship</u>	The six months period ended 30 June 2024 (unaudited)	The six months period ended 30 June 2023 (unaudited)
SNGN Romgaz	Entity under common control	36.677	633.546
Electrocentrale Deva SA	Entity under common control	-	477.055
Electrocentrale Bucuresti	Entity under common control	1.644	415
Electrocentrale Constanța	Entity under common control	2.392.605	2.950.023
E.ON Energie Romania	Entity under common control	2.965	641
Complex Energetic Hunedoara	Entity under common control	619.932	-
Complex Energetic Oltenia	Entity under common control	<u>1.667</u>	<u>-</u>
		<u>3.055.490</u>	<u>4.061.680</u>

v) Gas sales – the balancing activity (VAT excluded)

	<u>Relationship</u>	The six months period ended 30 June 2024 (unaudited)	The six months period ended 30 June 2023 (unaudited)
SNGN Romgaz	Entity under common control	686.067	6.643.857
Electrocentrale București SA	Entity under common control	2.902.963	4.292.163
Electrocentrale Constanța	Entity under common control	-	222.705
Termo Calor Confort	Entity under common control	693.866	393.484
Complex Energetic Oltenia	Entity under common control	712.561	-
E.ON Energie Romania	Entity under common control	<u>19.816.118</u>	<u>39.441.785</u>
		<u>24.811.575</u>	<u>50.993.994</u>

vi) Receivables from related parties (without the adjustment)

	<u>Relationship</u>	30 June 2024	31 December 2023
SNGN Romgaz	Entity under common control	23.221.988	28.329.053
Electrocentrale Deva	Entity under common control	-	9.174
Electrocentrale București	Entity under common control	2.557.046	18.693.819
Electrocentrale Constanța	Entity under common control	-	9.922
Termo Calor Confort	Entity under common control	(8.268)	(12.753)
E.ON Energie Romania	Entity under common control	19.036.909	66.052.151
Complex Energetic Oltenia	Entity under common control	72.408	317.799
Complex Energetic Hunedoara	Entity under common control	(1.931)	-
Eurotransgaz SRL	Company branch	<u>-</u>	<u>14.911</u>
		<u>44.878.152</u>	<u>113.414.076</u>

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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

	Relationship	30 June 2024 (unaudited)	31 December 2023
SNGN Romgaz	Entity under common control	517.638	48.536
Electrocentrale Constanța	Entity under common control	-	887.141
Complex Energetic Oltenia	Entity under common control	195.276	730.887
Electrocentrale Bucuresti	Entity under common control	101.241	696.232
Termo Calor Confort	Entity under common control	-	183.036
Complex Energetic Hunedoara	Entity under common control	(42.307)	
E.ON Energie Romania	Entity under common control	<u>2.247.544</u>	<u>10.987.869</u>
		<u>3.019.392</u>	<u>13.533.701</u>

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

	Relationship	The six months period ended 30 June 2024 (unaudited)	The six months period ended 30 June 2023 (unaudited)
SNGN Romgaz	Entity under common control	18.664.375	12.748.263
E.ON Energie Romania	Entity under common control	-	2.230.837
Termo Calor Confort	Entity under common control	-	41.014
Complex Energetic Oltenia	Entity under common control	2.190	2.165
Electrocentrale Constanta	Entity under common control	-	70.897
Electrocentrale București	Entity under common control	<u>5.201</u>	<u>1.347.872</u>
		<u>18.671.766</u>	<u>16.441.048</u>

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

	Relationship	The six months period ended 30 June 2024 (unaudited)	The six months period ended 30 June 2023 (unaudited)
SNGN Romgaz	Entity under common control	3.697.742	3.284.699
Electrocentrale București	Entity under common control	674.047	1.647.917
Electrocentrale Constanța	Entity under common control	-	8.475.491
Termo Calor Confort	Entity under common control	704.246	1.742.597
Complex Energetic Oltenia	Entity under common control	186.253	-
E.ON Energie Romania	Entity under common control	<u>15.680.213</u>	<u>18.168.318</u>
		<u>20.942.501</u>	<u>33.319.022</u>

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

x) Procurement of natural gas (VAT excluded)

		The six months period ended <u>30 June 2024</u> (unaudited)	The six months period ended <u>30 June 2023</u> (unaudited)
	<u>Relationship</u>		
SNGN Romgaz	Entity under common control	<u>41.472.957</u>	<u>22.132.598</u>
		<u>41.472.957</u>	<u>22.132.598</u>

xi) Debts to gas suppliers – balancing activity (VAT included)

		<u>30 June 2024</u>	<u>31 December 2023</u>
	<u>Relationship</u>		
SNGN Romgaz	Jointly control entities	<u>8.561.732</u>	<u>26.158.660</u>
		<u>8.561.732</u>	<u>26.158.660</u>

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

		<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
	<u>Relationship</u>		
SNGN Romgaz	Entity under common control	1.925.027	1.758.019
Complex Energetic Oltenia	Entity under common control	325	514
Electrocentrale București	Entity under common control	<u>914</u>	<u>1.008</u>
		<u>1.926.266</u>	<u>1.759.541</u>

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

		<u>30 June 2024</u> (unaudited)	<u>31 December 2023</u>
	<u>Relationship</u>		
SNGN Romgaz	Entity under common control	1.544.878	3.034.455
Electrocentrale București	Entity under common control	93.934	2.272.291
Termo Calor Confort	Entity under common control	64.002	217.766
E.ON Energie Romania	Entity under common control	2.432.069	11.359.387
Complex Energetic Oltenia	Entity under common control	<u>1.652</u>	<u>256.844</u>
		<u>4.136.535</u>	<u>17.140.743</u>

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

xiv) Guarantees from affiliates (bank guarantee letter)

	Relationship	30 June 2024 (unaudited)	31 December 2023
SNGN Romgaz	Entity under common control	-	28.811.298
E.ON Energie Romania	Entity under common control	5.033.918	52.201.315
Electrocentrale București	Entity under common control	4.448.435	8.275.580
		<u>9.482.353</u>	<u>89.288.193</u>

xv) Loans and interest to be reimbursed

	Relationship	30 June 2024 (unaudited)	31 December 2023
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>201.613.001</u>	<u>212.813.723</u>
		<u>201.613.001</u>	<u>212.813.723</u>

xvi) Transactions during the period

	Relationship	The six months period ended 30 June 2024 (unaudited)	The six months period ended 30 June 2023 (unaudited)
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>1.464.400</u>	<u>9.358.821</u>
		<u>1.464.400</u>	<u>9.358.821</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 period ended 30 June 2024 (unaudited)	The six months period ended 30 June 2023 (unaudited)
Profit attributable to the company's equity holders	176.010.688	78.821.089
Weighted average of the number of shares	188.381.504	188.381.504
Basic and diluted earnings per share (lei per share)	0,93	0.42

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

29. SIGNIFICANT NON-CASH TRANSACTIONS

Compensations

Approximately 2,26 % of the receivables were settled by transactions that haven't involved cash outflows during the period ended 30 June 2024 (30 June 2023: 8,60%). Transactions mainly represent offsets with clients and suppliers within the operating cycle and offsets between tax debts and receivables registered with the state budget.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

i) Commitments

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

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 2024 the value of the contractual firm obligations for the purchase of tangible and intangible assets is of lei 1.791.890.353.

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

(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

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

iii) Insurance policies

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

iv) Environmental aspects

Environmental regulations are under development in Romania and the company did not record any obligation on 30 June 2024 and 31 December 2023 related to anticipated expenses that include legal and consulting fees, analysis of locations, preparing and implementing recovery measures related to environmental protection. The management of the company believes there are no significant obligations related to environmental aspects.

v) Lawsuits and other actions

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

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

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 and it was dismissed as unsubstantiated.

As of 6 June 2016, the company was subject to an inspection carried out by the European Commission - Directorate General for Competition under Art. 20 (4) of Council Regulation (EC) No 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty, which became Articles 101 and 102 of the Treaty on the Functioning of the European Union. In 2020, the European Commission approved the Company's commitments to address concerns related to a possible breach of Article 102 of the Treaty on the Functioning of the European Union, namely:

- to provide a minimum export capacity of 1,75 billion cubic meters per year at the interconnection point between Romania and Hungary (Csanádpalota);
- to make available minimum export capacities of 3.7 billion cubic meters per year in total at two interconnection points between Romania and Bulgaria (Giurgiu / Ruse and Negru Vodă I / Kardam);
- to make sure that the tariffs to be proposed to the Romanian Energy Regulatory Authority (ANRE) will not make any difference between the export and the domestic markets, thus avoiding interconnection tariffs that render exports commercially non-feasible;
- refrain from using any other means of obstructing exports.

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

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

The dispute between ANRM and Transgaz was the subject of a tax inspection of the royalty which ended with the issuance of a mandatory order to pay two royalty rates, namely 10% and 0,4% of the value of domestic and international natural gas transmission services performed by the company. The company lodged a preliminary complaint against the mandatory provision no. 6006/250938/IEF/14.04.2022 issued by the Ministry of Finance, by which Transgaz S.A. was charged with the payment of the amount of 152,964,894 lei, representing the royalty due to the state budget and ancillaries. The preliminary complaint was upheld and the Ministry of Finance, by decision 82/P/2022, ordered the annulment in its entirety of binding order No 6006/250938/IEF/14.04.2022 and the issue of a new order taking into account the considerations put forward by the Ministry of Finance in the decision. Following decision no 85/P/2022 issued by the Ministry of Finance, binding order No 6009/253087/IEF of 14.12.2022 was

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

issued, which only supplements the recitals of the first decision, maintaining the same amount payable by Transgaz. The company lodged a preliminary complaint against this new provision, which was rejected by the settlement body. An appeal was also lodged with the court, within the legal time-limit, against the administrative act consisting of mandatory order 6009/253087/IEF., seeking its full annulment. The application for the annulment of the binding disposition 6009 was decided on the merits by the Bucharest Court of Appeal, rejecting it. Transgaz has lodged an appeal and no court deadline has been set. Transgaz will file an appeal after the judgment has been notified. At the same time, the Company has lodged a bank guarantee letter in order to suspend the execution of this mandatory provision, in accordance with the provisions of the Tax Procedure Code (Note 16), which can be called on.

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

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

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

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

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

(VTP) and to terminate balancing contracts, for network users who register cumulative imbalances of the Deficit type during the month higher than the guarantees established.

GEO 27/2022 provides that in order to cover the additional costs related to own technological consumption and technological consumption, respectively, generated by the increase in prices on the wholesale market above the value taken into account by the regulator when calculating the natural gas transmission tariffs for 2021, the Energy Regulatory Authority (ANRE) modifies the regulated tariffs, with effect from 1 April 2022, and the resulting tariffs shall remain unchanged for the period from 1 April 2022 to 31 March 2023. ANRE did not modify the transmission tariffs with the price increase substantiated by the company.

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

From 1 October 2023, the natural gas transmission tariffs approved by the Order of the President of ANRE no.68 of 30.05.2023 are applicable. The approved regulated revenue related to natural gas transmission for the period from 1 October 2023 to 30 September 2024 is lei 1.647.347.820 and between 1 October 2024 – 30 September 2025 is lei 2.005.006.850.

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 March 2025 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 separate NUs;
- b) costs and revenues arising from the purchase/sale of gas by the TSO for the physical balancing of the NTS, in compliance with the procedure on the operating limits of the NTS, approved by the TSO and endorsed by ANRE;
- c) costs and revenues resulting from the activity of natural gas storage intended to ensure the physical balance of the transmission system in accordance with the provisions of Article 130(1) of the Law no. 123/2012 on electricity and natural gas, as amended;
- d) costs arising from the taking out of a credit line to finance physical and commercial balancing activity;

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

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

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

vii) The military conflict in Ukraine

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

31. FEES OF THE STATUTORY AUDITOR

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

The fees for the financial year ended 31 December 2023 charged by BDO Audit SRL (leader) - BDO Audit & Consulting SRL (Associate) SRL, invoiced in 2024 are amounting to Lei 228.000 (VAT excluded) for statutory audit services and lei 109.800 (VAT excluded) for other services than the statutory audit.

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 period ended 30 June 2024 (unaudited)	The six months period ended 30 June 2023 (unaudited)
Revenue from the construction activity according to IFRIC12	675.817.268	35.270.257
Cost of assets constructed according to IFRIC12	(675.817.268)	(35.270.257)

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

By EGMS Resolution SNTGN Transgaz SA no. 5 of 5 June 2024 the establishment of *Transport Romania Hydrogen S.R.L.*, with the object of activity of transporting hydrogen, with sole shareholder SNTGN Transgaz SA was approved, company for which, on 10.07.2024, the Certificate of Registration with the Trade Register was issued.

By Addendum no.1/11.07.2024 the duration of the loan facility of 300 million lei contracted with Raiffeisen Bank, intended to finance the working capital for the commercial balancing activity, was extended by 48 months.

In July 2024, SNTGN Transgaz SA signed a syndicated loan agreement for a total amount of lei 1.93 billion to ensure the financing of investment projects included in the National Natural Gas Transmission System Development Plan. The banks participating in the transaction are Banca Transilvania, Banca Comercială Română, Raiffeisen Bank, UniCredit Bank and CEC Bank.

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 2024 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 – Administrator executiv – Director general

PETRU ION VĂDUVA – Administrator neexecutiv – Președinte CA

NICOLAE MINEA – Administrator neexecutiv

HANZA Adina Lăcrimioara - Administrator neexecutiv, provizoriu

VON DERENTHALL Ilinca - Administrator neexecutiv, provizoriu