

The National Gas Transmission Company TRANSGAZ SA



**CONSOLIDATED REPORT
ISSUED BY THE BOARD OF
ADMINISTRATION FOR
HALF I 2021**

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THE ADMINISTRATORS' MESSAGE

Dear shareholders, investors,

Dear stakeholders,

With a tradition for more than 107 years in Romania, gas transmission is a strategic activity for the national economy. The performance of this activity increased year by year through the work, passion and professionalism of those who have worked in this field and contributed to what SNTGN TRANSGAZ SA is today - a responsible company, a company of the future, a company in which the corporate governance model is working successfully.

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

Acting with professionalism, moral integrity and responsibility, the members of the Board of Administration demonstrated through successful results every year that they have become a strong team, able to undertake and fulfill 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. By OGMS Resolution 2/22.04.2021 the mandate of the administrators Ion Sterian, Petru Ion Văduva and Nicolae Minea were renewed and Mr. Mircea Abrudean and Ms. Laura Raluca Alina Dragotă were appointed non-executive interim administrators. Mr. Abrudean and Ms. Dragotă resigned and the public supervisory authority resumed the procedure for the selection of two other interim administrators, Mr. Csaba Orosz and Ms. Mihaela Virginia Toader, who joined the team to continue together the road to the construction and sustainable and efficient development of the national energy sector, with the same professionalism, efficiency and transparency towards all stakeholders.

*Prepared in accordance with the provisions of Art. 30 (1) of GEO 109/2011 on the corporate governance of public enterprises, as further amended and supplemented, the **Management Component of the Management Plan of SNTGN Transgaz SA for 2021-2025**, approved by BoA Resolution 16/26 May 2021, is governed by a responsible, professional and ethical attitude in relation to all stakeholders (shareholders, employees, partners, community, state authorities and institutions, media, etc.) and includes the strategic vision of the administrators regarding the directions of strategic development of the company and efficiency of its activity in accordance with the requirements of the European energy policy on energy safety and security, competitiveness and sustainable development but also with the future needs and opportunities of Romania to become an important player on the regional and European gas market.*

The strategic objectives included in the Management Component of SNTGN TRANSGAZ SA are aligned with the LETTER OF EXPECTATIONS OF THE SHAREHOLDERS and follow the desideratum regarding the strategic development of the company in accordance with the

provisions of the European Energy Union Strategy on climate change: energy security, decarbonization, energy efficiency, internal energy market and research, innovation and competitiveness. The strategic objectives regarding the management of SNTGN Transgaz SA over the next 4 years also aim at increasing the company's performance, streamlining the company's activity, aligning it with modern standards of performance and corporate governance and making SNTGN TRANSGAZ SA an internationally recognized company, a leader on the energy market in the region, making the most of all existing and future opportunities for Romania to become an important energy corridor for natural gas to Europe.

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

We are focused on the Green Deal and the way in which the new technologies will provide the mechanisms for the transition to the green economy. For SNTGN Transgaz SA, an objective of strategic importance deriving from the European Green Deal for a transition to the green economy is the **establishment and implementation of a strategy for the repurposing and retrofitting of the existing natural gas transmission infrastructure for the use of hydrogen and other green gases, for decarbonization**. Given the need to finance a complex and extensive investment plan, in addition to its own sources of funding, Transgaz envisages attracting and using additional external funding under advantageous conditions as well. We refer to obtaining European funds, funding from international financial institutions, from other banking and financial institutions as well as financing instruments specific to the capital market.

And because we want continuity, efficiency and performance, we shall lead with your support, the destiny of this company for the next four years. Our guarantee for success in the face of the challenges and constraints of the external and internal context in which the company operates and will operate is the link between the optimal management strategies of private, professional management and the expertise and professional experience of the human resources employed to operationalize these strategies.

Yours sincerely,

ION STERIAN – Executive Administrator – Director General

PETRU ION VĂDUVA – Non-Executive Administrator

NICOLAE MINEA– Non-Executive Administrator

CSABA OROSZ – Non-Executive, Interim Administrator

MIHAELA VIRGINIA TOADER - Non-Executive, Interim Administrator

MIRCEA ABRUDEAN - Non-Executive, Interim Administrator

LAURA RALUCA ALINA DRAGOTĂ - Non-Executive, Interim Administrator

BOGDAN GEORGE ILIESCU – Non-Executive Administrator

REMUS GABRIEL LĂPUȘAN – Non-Executive Administrator

1. REPORT AND ISSUER GENERAL DATA

The half year Report prepared according to the provisions of Law 24/2017 on issuers of financial instruments and market operations (Art. 65) and FSA Regulation 5/2018 on issuers of financial instruments and market operations (Annex 14), for the period of six months ended on 30 June 2021 – **Half I of financial year 2021**.

Report date: 10 August 2021

Company name: The National Gas Transmission Company TRANSGAZ SA

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

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

VAT Number: RO13068733

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

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

Subscribed and paid up capital: lei 117.738.440

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

2. EXECUTIVE SUMMARY HALF I 2021

2.1. Important events

In the **Half I 2021** the following events took place:

28 January 2021

- By BoA Resolution 2/28 January 2021 the Development Plan of the National Gas Transmission System for the period 2021-2030 is approved for submission to public consultation;
- By BoA Resolution 2/28 January 2021 it is approved the granting of a loan of 645,735 Eur by Eurotransgaz SRL to its subsidiary, Vestmoldtransgaz SRL , from the funds obtained by Eurotransgaz SRL from the European Investment Bank - for the implementation of the Ungheni - Chisinau project.

25 February 2021

- By BoA Resolution 4/25 February 2021, the extension of the individual labour contract concluded between EUROTRANSGAZ SRL and the appointed administrator, Mr. Niculaie-Faranga Dan was approved for a period of 1 year;
- By BoA Resolution 4/25 February 2021, the modification of the headquarters and legal address of EUROTRANSGAZ SRL was approved;
- By BoA Resolution 4/25 February 2021 the modification of the headquarters and legal address of VESTMOLDTRANSGAZ SRL was approved.

4 March 2021

- By BoA Resolution 5/4 March 2021 the corrected regulated income and regulated tariffs for natural gas transmission activity related to the third year of the fourth regulatory period,

meaning 1 October 2021 - 30 September 2022, were approved for submission for analysis and approval to ANRE;

- By BoA Resolution 5/4 March 2021, the total revenue and transmission tariffs on the T2 and T3 pipelines for the period 1 October 2021 - 30 September 2022 were approved for submission for analysis and approval to ANRE;
- By BoA Resolution 5/4 March 2021 the granting of a loan of 2.595.525 Euro by Eurotransgaz SRL to its subsidiary Vestmoldtransgaz SRL from the funds obtained by Eurotransgaz SRL from the European Investment Bank - for the implementation of the Ungheni - Chisinau project is approved.
- By BoA Resolution 5/4 March 2021 it was approved the increase of the share capital of Eurotransgaz SRL by SNTGN Transgaz SA with the amount of 519.105 Eur for ensuring the necessary financial resources for granting a financing amounting to 519.105 Eur by Eurotransgaz SRL to its subsidiary, Vestmoldtransgaz SRL.

16 March 2021

- The launching of a Transgaz SA Board of Administration members selection procedure, with the application of the provisions of Art. 29 (3) of GEO 109/2011 on corporate governance.

31 March 2021

- By BoA Resolution 9/31 March 2021 it was approved the increase of the share capital of Eurotransgaz SRL by SNTGN Transgaz SA with the amount of 170.603 Eur for ensuring the necessary financial resources for granting a financing by Eurotransgaz SRL to its subsidiary, Vestmoldtransgaz SRL.

22 April 2021

- By OGMS Resolution 2/22.04.2021 the terms of office of three administrators were renewed for a period of four years, starting with 30.04.2021 and two provisional members were appointed for a period of four months, with the possibility of extending the term by another two months until the end of the selection procedure:
 - ION STERIAN– *executive administrator and Director - General*;
 - PETRU ION VĂDUVA – *non-executive administrator*;
 - NICOLAE MINEA - *independent, non-executive administrator*;
 - MIRCEA ABRUDEAN - *independent, non-executive interim administrator*;
 - LAURA RALUCA ALINA DRAGOTĂ - *independent, non-executive interim administrator*.

By OGMS Resolution 2/22.04.2021, the form of the mandate contract with the fixed remuneration allowance for both the permanent and interim administrators was approved.

26 April 2021

- By BoA Resolution 14/26 April 2021, the delegation of the management of the company to Mr. Ion Sterian, Director - General, was approved until the meeting of the new Board of Administration;
- By BoA Resolution 14/26 April 2021, the delegation of the responsibilities of Chief Financial Officer to Mr. Marius Lupean was approved until the meeting of the new Board of Administration;
- By BoA Resolution 14/26 April 2021 changes in the structure of the Board of Vestmoldtransgaz were approved.

27 April 2021

- By OGMS Resolution 3/27.04.2021, the gross dividend per share in the amount of 8,14 lei/share for financial year 2020 was approved;
- By OGMS Resolution 3/27.04.2021 the distribution of the net profit for financial year 2020 was approved;
- By OGMS Resolution 3/27.04.2021 the prescription of the dividends not collected and their registration in the company's income account were approved;
- By OGMS Resolution 3/27.04.2021 the Amendment to the Mandate Contract was approved;
- By OGMS Resolution 3/27.04.2021 the revenue and expense budget for 2021 and the estimates for the years 2022-2023 was approved;
- By OGMS Resolution 3/27.04.2021 16 July was set as the dividend payment date.

28 April 2021

- By BoA Resolution 15/28 April 2021 the increase of the share capital of Eurotransgaz SRL by SNTGN Transgaz SA with the amount of 286.512 Euro in order to ensure the necessary financial resources for granting a financing by Eurotransgaz SRL to its subsidiary Vestmoldtransgaz SRL was approved.

10 May 2021

- By BoA Resolution 16/10 May 2021, the modification of the advisory committees and of the Internal Regulations on their functioning was approved;
- By BoA Resolution 16/10 May 2021, the delegation of the company's management was approved, in compliance with the provisions of Law no. 31/1990 (Art. 143 (1)), GEO 109/2011 (Art. 35 (1) and of the Articles of Incorporation of the company (Art. 19 (2)), to Mr. Ion Sterian, for a period of four months, with the possibility of extending it up to a maximum of six months;
- By BoA Resolution 16/10 May 2021 the appointment of Mr. Marius Lupean in the position of Chief Financial Officer for a period of four months, with the possibility of extending it up to a maximum of six months was approved.
- By BoA Resolution 16/10 May 2021 the initiation of the selection procedure for the position of Director - General and Chief Financial Officer in accordance with GEO 109/2011 was approved.

13 May 2021

- On 13.05.2021, during the meeting of the Board of Administration of Transgaz, the administrators took note of SGG Letter 20/11558/THD/13.05.2021 regarding the termination of the mandates of the two interim administrators.

17 June 2021

- Subsequently, by OGMS Resolution 4/17.06.2021, two other administrators were appointed as provisional members starting with 17.06.2021, for a period of 4 months, with the possibility of extending the term by another two months until the completion of the selection procedure.

The main investments objectives finalized in Half I 2021 are:

- Enhancement of the Romanian transmission system between Onesti-Isaccea and reverse flow at Isaccea - phase 2 (interconnection of the national gas transmission system with the international transmission system and reverse flow at Isaccea) – phase 2 upgrading of GCS Onești and upgrading of GCS Siliștea –additional works;
- Replacement of the technological installations of MRS Timișoara I;
- The DN500 Craiova–Segarcea–Băilești–Calafat gas transmission pipeline, stage I, the Craiova–Segarcea section.

The main repairment works finalized in Half I 2021 are:

- The Băcia – Caransebeș gas transmission pipeline repair;
- Ø20 Adjudul Vechi pipeline, Braniștea, Schela and Independența areas;
- 12" Vlădeni-Mănești pipeline securing ;
- 32" Cosmești-Onești pipeline repairs (third party works);
- Ø6" ELSID Titu supply pipeline connection;
- Preparation of Ișalnița-Cruce Ghercești pipeline for pigging
- Șendreni–Albești pipeline (Buzău County) – preparation of pedological study of land rendering in the agricultural circuit;
- MRS Brazi building repairs;
- MRS Piatra Neamț building repairs;
- MRS Bicaz building repairs.

2.2. Indicators of the consolidated economic and financial results

Standard performance indicators

The economic and financial activity of the National Gas Transmission Company Transgaz S.A. at 30 June 2021 was conducted based on the indicators included in the revenue and expense budget approved by OGMS Resolution No. 3/2021.

The value of the standard performance indicators on 30 June 2021 as compared to their value as of 30 June 2020 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Consolidated obtained	
					Half I 2021	Half I 2020
1.	Commissioned investments	Plan achieved	Thousand lei	0,15	25.052	741.934
2.	EBITDA	EBITDA increase	Thousand lei	0,15	286.912	352.721
3.	Labour productivity	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/ pers.	0,15	191	205

No.	Performance criteria	Performance objective	MU	Weighting factor	Consolidated obtained	
					Half I 2021	Half I 2020
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	518.342	418.880
6.	Technological consumption	Remaining within the gas quantities representing technological consumption	%	0,15	52,13%	46,93%
7	OPEX at lei 1000 operating revenue	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	822	678

Table 1 - Consolidated standard performance indicators in Half I 2021 vs. Half I 2020

Profitability, liquidity, risk and management indicators

The values of the profitability, liquidity, risk and management indicators in Half I 2021 as compared to the same period of 2020:

No.	Indicators	Calculation formula	Half I 2021	Half I 2020
1.	Profitability indicators			
	EBITDA in total sales	EBITDA	35,92%	41,44%
		Turnover		
	EBITDA in equity	EBITDA	7,57%	9,21%
		Equity		
	Gross profit share	Gross profit	20,51%	33,18%
		Turnover		
	Return on equity	Net profit	3,52%	6,17%
		Equity		
2.	Liquidity indicators			
	Current liquidity indicator	Current assets	1,44	1,58
		Short term debts		
	Acid test ratio	Current assets - Stocks	1,15	1,04
		Short term debts		

No.	Indicators	Calculation formula	Half I 2021	Half I 2020
3. Risk indicators				
	Leverage indicator	Borrowed capital	43,0%	26,73%
		Equity		
	Interest coverage ration	EBIT	9,25	41,69
		Interest expense		
4. Management indicators				
	Days' sales outstanding	Average accounts receivable x 365 days	150,61	133,58
		Turnover		
	Days' payable outstanding	Average accounts payable x 365 days	47,76	48,78
		Turnover		

Table 2 - Profitability, liquidity, risk and management indicators in - Half I 2020 - Half I 2021

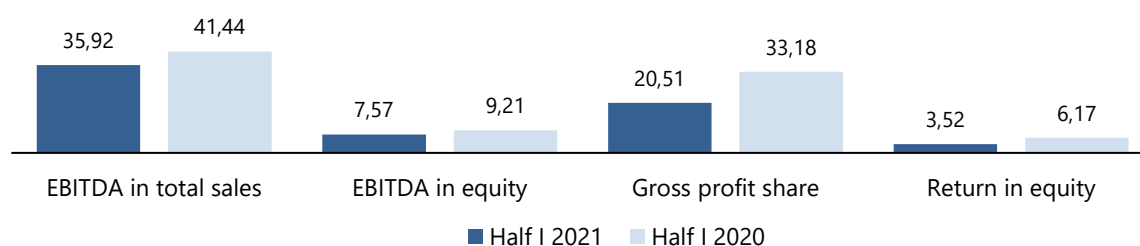


Chart 1- Profitability indicators evolution - Half I 2021 - Half I 2020

The main consolidated economic and financial indicators obtained in Half I 2021 as compared to the same period of 2020 are as follows:

-thousand lei-

No.	Indicator	Consolidated Half I 2021	Consolidated Half I 2020	Dynamics (%)
0	1	2	3	4=2/3*100
1.	Turnover	798.792	851.174	93,85
2.	Operating revenue before balancing and the construction activity according to IFRIC12	701.291	768.733	91,23
3.	Revenue from balancing	142.059	111.953	126,89
4.	Revenue from the construction activity according to IFRIC12	345.847	673.000	51,39
5.	Financial revenue	60.645	45.498	133,29
6.	Operating cost before balancing and the construction activity according to IFRIC12	576.659	521.453	110,59

No.	Indicator	Consolidated Half I 2021	Consolidated Half I 2020	Dynamics (%)
7.	Cost of balancing gas	142.059	111.953	126,89
8.	Cost of constructed assets according to IFRIC12	345.847	673.000	51,39
9.	Financial cost	21.426	10.383	206,36
10.	Gross profit	163.851	282.396	58,02
11.	Profit tax	30.554	46.023	66,38
12.	Net profit	133.297	236.373	56,39
13.	Total comprehensive result related to the period	138.303	237.612	58,21
14.	Transmitted gas -thousand cm-	7.288.673	6.507.943	112,00
15.	Investment cost	356.427	829.813	42,95
16.	Rehabilitation cost	6.927	4.507	153,69
17.	Technological consumption thousand lei	45.366	39.356	115,27
18.	Technological consumption thousand cm	42.395	35.302	120,09

Table 3- Main consolidated economic and financial indicators - Half I 2021 - Half I 2020

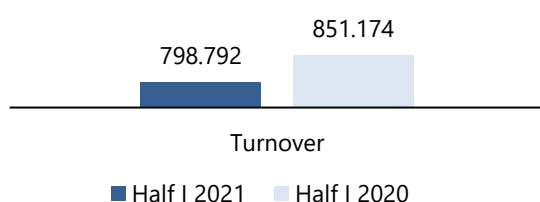


Chart 2 -Turnover Half I 2021 vs Half I 2020

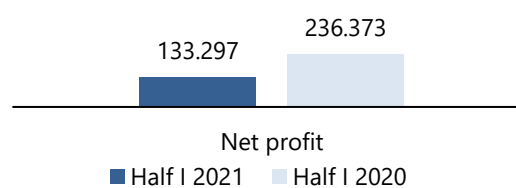


Chart 3-Net profit Half I 2021 vs Half I 2020

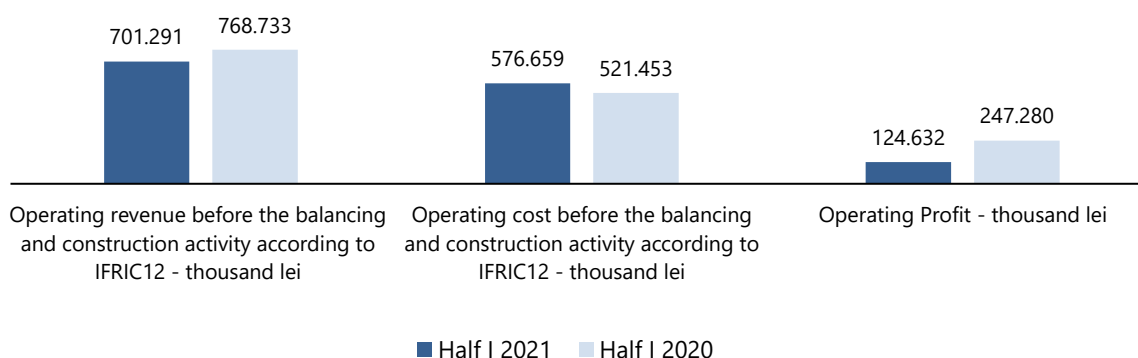


Chart 4- Operating revenue, expense and profit, before the construction activity according to IFRIC 12 - Half I 2021 vs Half I 2020 (thousand lei)

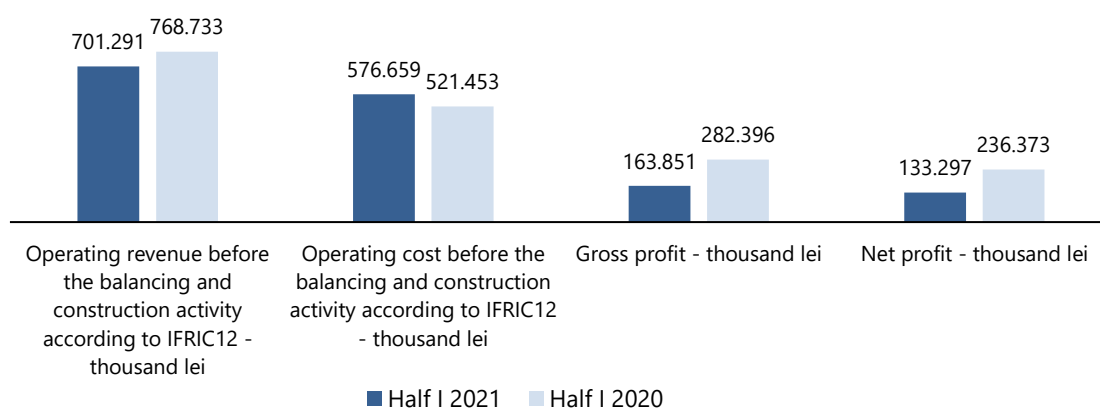


Chart 5- Main economic and financial indicators - Half I 2021 vs Half I 2020 (thousand lei)

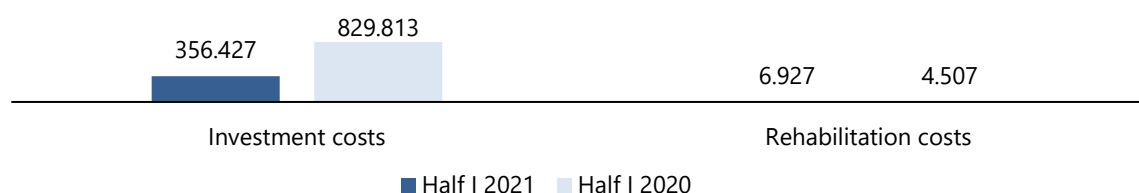


Chart 6- Investment and rehabilitation costs - Half I 2021 vs Half I 2020 (thousand lei)

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. on 30 June 2021 was conducted based on the indicators included in the revenue and expense budget approved by OGMS Resolution No. 3/2021.

The value of the standard performance indicators on 30 June 2021 as compared to their value as of 30 June 2020 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					Half I 2021	Half I 2020
1.	Commissioned investments	Plan achieved	Thousand lei	0,15	25.174	744.007
2.	EBITDA	EBITDA increase	Thousand lei	0,15	289.037	346.836
3.	Labour productivity	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/ pers.	0,15	193.000	205.000

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					Half I 2021	Half I 2020
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	518.342	418.880
6.	Technological consumption	Remaining within the gas quantities representing technological consumption	%	0,15	52,13%	46,93%
7	OPEX at lei 1000 operating revenue	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	813	681

Table 4 – Standard performance indicators - Half I 2021 vs Half I 2020

Profitability, liquidity, risk and management indicators

The values of the profitability, liquidity, risk and management indicators in Half I 2021 as compared to the same period of 2020:

Indicators	Calculation formula	Half I 2021	Half I 2020
Profitability indicators			
EBITDA in total sales	EBITDA	36,18%	40,75%
	Turnover		
EBITDA in equity	EBITDA	7,55%	9,05%
	Equity		
Gross profit share	Gross profit	21,49%	32,56%
	Turnover		
Return on equity	Net profit	3,70%	6,03%
	Equity		
Liquidity indicators			
Current liquidity indicator	Current assets	1,25	1,40
	Short term debts		
Acid test ratio	Current assets - Stocks	0,96	0,86
	Short term debts		
Risk indicators			
Leverage indicator	Borrowed capital	37,69%	23,94%
	Equity		

Indicators	Calculation formula	Half I 2021	Half I 2020
Interest coverage ration	EBIT	10,45	40,81
	Interest expense		
Management indicators			
Days' sales outstanding	Average accounts receivable x 181 days	150,61	133,58
	Turnover		
Days' payable outstanding	Average accounts payable x 181 days	47,76	48,78
	Turnover		

Table 5 - Profitability, liquidity, risk and management indicators - Half I 2021 vs Half I 2020

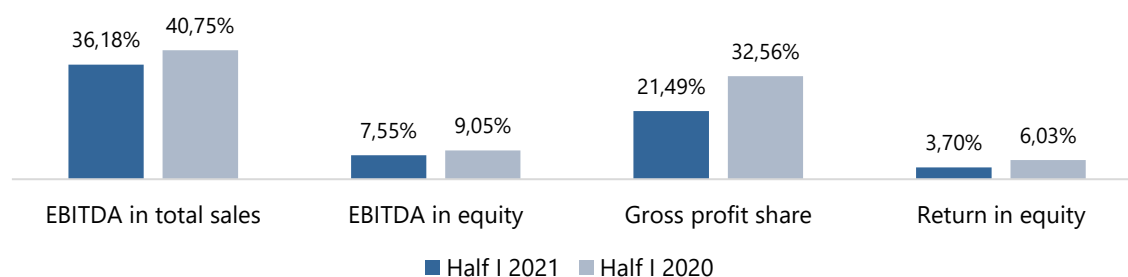


Chart 7- Profitability indicators - Half I 2021 vs Half I 2020

The main economic and financial indicators obtained in Half I 2021 as compared to the same period of 2020 are as follows:

No.	Indicator	MU	Half I 2021	Half I 2020	Variation %
0	1	2	3	4	5=3/4*100
1.	Turnover	Thousand lei	798.792	851.174	93,85
2.	Operating revenue before balancing and the construction activity according to IFRIC12	Thousand lei	700.829	759.029	92,33
3.	Operating cost before balancing and the construction activity according to IFRIC12	Thousand lei	569.815	517.072	110,20
4.	Operating profit before balancing and the construction activity according to IFRIC12	Thousand lei	131.015	241.957	54,15
5.	Revenue from balancing	Thousand lei	142.059	111.953	126,89
6.	Cost of balancing gas	Thousand lei	142.059	111.953	126,89
7.	Revenue from the construction activity according to IFRIC12	Thousand lei	345.847	673.000	51,39

No.	Indicator	MU	Half I 2021	Half I 2020	Variation %
8.	Cost of constructed assets according to IFRIC12	Thousand lei	345.847	673.000	51,39
9.	Operating profit	Thousand lei	131.015	241.957	54,15
10.	Financial revenue	Thousand lei	49.207	42.417	116,01
11.	Financial cost	Thousand lei	8.541	7.228	118,17
12.	Gross profit	Thousand lei	171.680	277.146	61,95
13.	Profit tax	Thousand lei	30.206	45.978	65,70
14.	Net profit	Thousand lei	141.474	231.168	61,20
15.	Total comprehensive result related to the period	Thousand lei	141.474	231.168	61,20
16.	Transmitted gas	MWh	79.305.313	69.961.583	113,36
17.	Investment cost	Thousand lei	372.626	753.890	49,43
18.	Rehabilitation cost	Thousand lei	6.855	4.470	153,35
19.	NTS gas consumption	Thousand lei	45.366	39.356	115,27
20.	NTS gas consumption	MWh	454.202	358.118	126,83

Table 6- Main economic-financial indicators - Half I 2021 vs Half I 2020

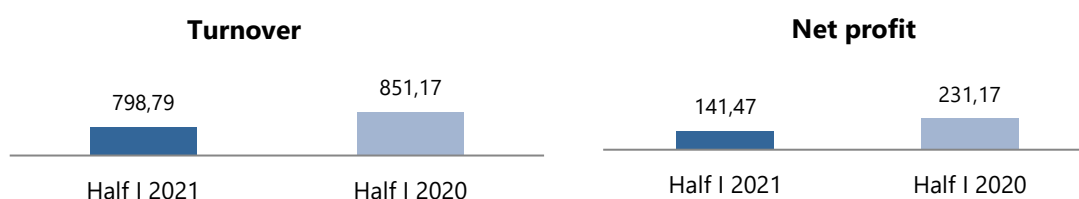


Chart 8 - Turnover - Half I 2021 vs Half I 2020

Chart 9 - Net profit - Half I 2021 vs Half I 2020

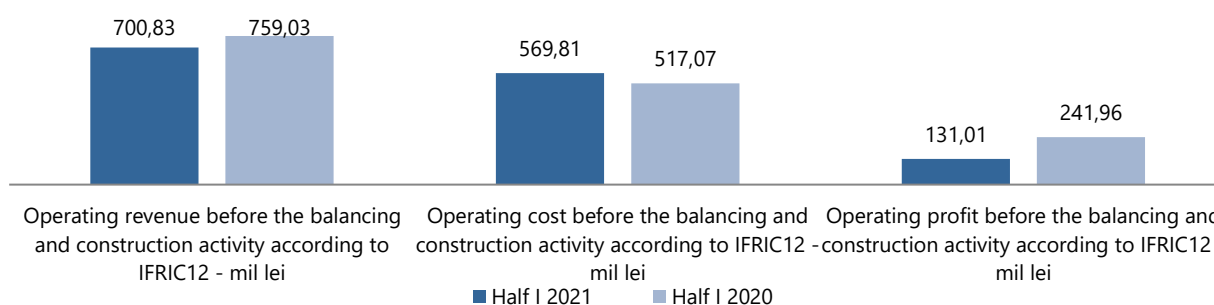


Chart 10- Operating revenue, expense and operating profit before the construction activity according to IFRIC 12 - Half I 2021 vs. Half I 2020 (mil. lei)

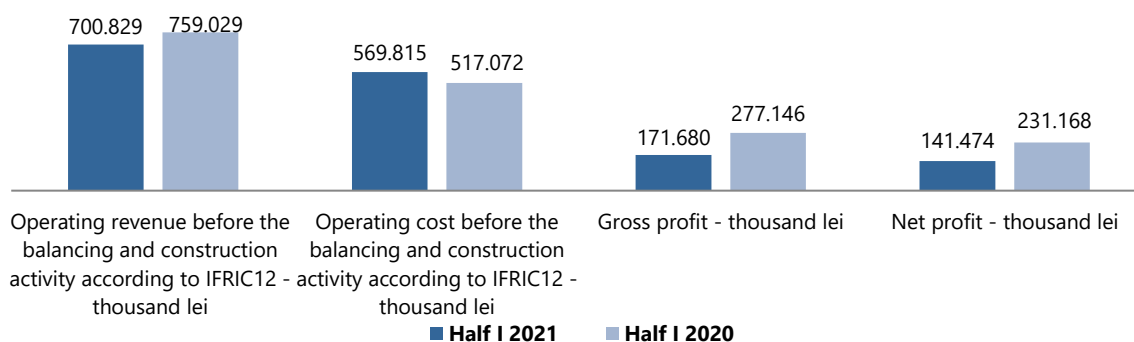


Chart 11- Main economic and financial indicators - Half I 2021 vs. Half I 2020 (thousand lei)

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

As of 30 June 2021 the Company's cash in bank accounts amounted to lei 163.704 thousand of which 18,69 % was cash denominated in foreign currency, most of it in EUR.

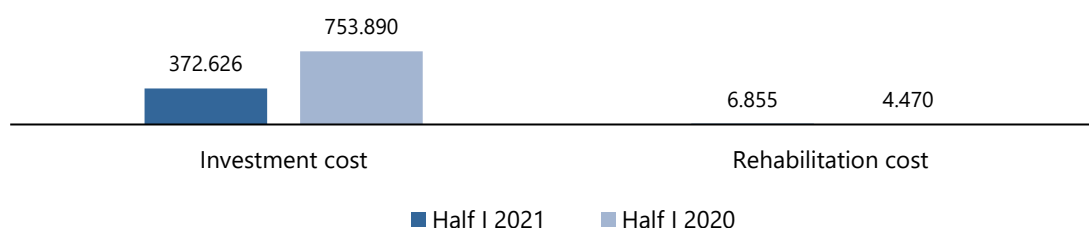


Chart 12- Investment and rehabilitation costs - Half I 2021 vs. Half I 2020 (thousand lei)

2.4. The main transactions between the affiliated parties (concluded according to Art. 92³ of Law 24/2017 updated by Law 158/2020)

Not applicable.

2.5. Non-financial reporting

Starting with 2021, Transgaz published the non-financial information in a separate report according to Order 1938/2016 of the Minister of Public Finance, updated by Order 34556/2018 of the Minister of Public Finance, and published the 2020 Sustainability Report .

The report was prepared in accordance with the GRI (Global Reporting Initiative) and ESG (Environmental, Social and Governance) non-financial reporting standards and aligned with national legislative requirements on non-financial reporting. It includes both the management policy dedicated to protecting the environment, safety and health of employees and the principles underlying the company's corporate governance and social responsibilities.

3. MAIN RISKS AND UNCERTAINTIES RELATED TO HALF II 2021

Depending on the relevant elements derived from the evaluation of the internal and external context, SNTGN TRANSGAZ SA continuously re-evaluates its risk portfolio.

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

SNTGN Transgaz **SA defined the Risk Grouping System, characteristic to the company, by using risk categories.** Risk categories give us a structured and manageable overview of the risks the company is facing.

Operational risks

Operational risks are directly related to the activity carried out at the level of services, offices, compartments, territorial operations, sectors and are associated with operational objectives:

1. category: efficient development of works

- lack of landowners' agreements;
- unforeseen soil conditions;
- failure to obtain in time the approvals and agreements of the landowners necessary to obtain the Building Permit;
- information unavailable / transmitted late regarding 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;
- failure to fully ensure the technical and operational conditions for the inspection of pipes with intelligent PIG.

2. category: material / financial resources

Due to the lack of material / financial resources and spare parts necessary to achieve the proposed objectives, within the set time, in conditions of quality, price, costs, safety, the risks are identified:

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

3. category: technical

- low operating pressure of the NTS;
- malfunctions of the information / communication system;
- unavailability of IT Security tools;
- failure to identify in a timely, total or inadequate way the cyber vulnerabilities;
- SCADA failures;

- software / hardware failures of the IT system;
- technical problems in the operation of the GMOIS platform;
- subodorization / superodorization of natural gas delivered from NTS.

4. category: suppliers/subcontractors

- non-compliance with the contractual clauses regarding terms and quality;
- insolvency / bankruptcy of suppliers;
- delay in performing the receptions at the end of the works;
- lack of continuity of service contracts for MRSs;
- the contractor does not have the capacity to fulfill the contractual provisions;
- delays in planning revisions / repairs / technical periodical inspections / tire exchange due to lack of service contract / RCA / CASCO.

5. category: hazard:

- impossibility to perform maintenance due to weather conditions;
- increasing expenses with maintenance and repairs in the NTS due to extreme weather phenomena;
- impossibility to observe the patrol program.

6. category: clients

- malfunctions caused by some Network Users in the GMOIS platform

Strategic risks

The strategic risks are directly related to the development strategy of SNTGN Transgaz SA and are associated with the strategic objectives included in the Management Plan:

1. category: political

- the geopolitical framework may affect the conclusion of international transport contracts;
- fragmented cohesion within the Three Seas Initiative, due to the influence or pressure exerted by Russia on some political actors, which will have negative repercussions on the implementation of NG transport projects.

2. category: macroeconomic environment (country risk)

The evolution of the Romanian economy, the global and European macro-financial climate, the dynamics of the health crisis, the internal mix of economic policies, can determine the following risks:

- additional financing by increasing the costs of initial investments;
- fluctuations of qualified personnel.

3. category: regulations/legislative

Given the high value of investments, the long duration of implementation of projects in which the company is involved, a stability and predictability of the legislative environment and regulatory framework in the energy sector are necessary and the adoption of regulations

without a solid basis supported by studies impact and public debate seriously affect the energy sector

- national legislation is marked by volatility and blockages;
- modification of the specific regulatory framework for the natural gas market;
- the risk of non-recognition of investments in the Regulated Assets Base (RAB) recognized by ANRE, necessary for determining the transport tariffs;
- low possibility to obtain a higher profit than the regulated one, within a regulatory period;
- loss of financing opportunities for the realization of technical components for green energy transport (European concept - Green Deal).

4. category: government intervention

- requesting the distribution of dividends in a share of more than 50% may lead to the materialization of a significant risk with a direct impact on the company and the ability to finance strategic investment projects.

5. category: competition:

- the impact of competing projects on gas flow dynamics at European level (TAP, Turk Stream and Balkan Stream);
- lack of an LNG terminal in Constanța. This will allow Bulgaria and Hungary to strengthen their energy hub positions.

6. category: commercial

- the risk of the price of goods related to the gas purchased for own consumption.

7. category: financial:

- crediting;
- exchange rate;
- interest rate;
- liquidity.

8. category: hazard

- SNTGN Transgaz can be affected by natural disasters (earthquakes, floods, landslides, extreme temperatures, heavy snowfalls, crisis or war situations)
- pandemics

For risks that have a level of exposure above the risk tolerance limit approved for 2021, *risk mitigation measures* are established, among which we mention:

- proactive identification of European objectives regarding the energy sector;
- making the best use of the financing opportunities necessary for the development of the projects and programs undertaken;
- signing of the Memorandum of Understanding between SNTGN Transgaz SA and the Polish Gas Transmission System Operator, Gaz-System SA;
- signing of the Memorandum of Understanding on the Vertical Gas Corridor between Transgaz Romania, DESFA Gresia, ICGB, Bulgartransgaz Bulgaria and FGSZ Hungary;

- SNTGN Transgaz SA is an Associate Member of ARIR (Romanian Investor Relations Association);
- initiating discussions with Government representatives in order to emphasize the importance of fiscal and legislative stability and predictability, so that investments benefit from a clear medium and long-term perspective;
- participation in the analysis activities of the draft specific regulations submitted by the competent authorities and formulation of the company's final point of view regarding the respective projects;
- consistent, effective and substantial consultation with relevant stakeholders in the decision-making process following changes to the regulatory framework;
- systematic and adequate communication with the representatives of the majority shareholder (Romanian State), of the shareholders and of all other stakeholders for the integration of the economic activity of the company in the national strategy in the energy field;
- participation in the creation of a transparent and liquid trading platform;
- identification of all eligibility criteria provided in Regulation 347/2013, Transgaz, and in the Methodology for assessing investments in projects of common interest in gas infrastructure, including their risks, based on checklists;
- systematic verification and reporting of the progress of the implementation of the *Priority Program for reducing technological consumption in the period 2017 - 2021*;
- elaboration of the supply strategy with the materials and spare parts necessary for the accomplishment of the works engaged.

Uncertainties

- Uncertainty of Black Sea gas exploitation;
- Uncertainties related to the indebtedness and the recovery of the investment in the gas pipeline to bring into the system the Black Sea gas.

4. ABOUT TRANSGAZ

4.1 Mission, vision, organizational values

Transgaz is a joint stock company, operating according to the provisions of the Romanian legislation and its updated Articles of Incorporation.

Mission

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

Transgaz's mission is:

- The safe operation of the NTS based on economic efficiency;
- NTS rehabilitation, upgrading and development on the main consumption directions;
- 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:

- tradition and professionalism;
- professional ethics and conduct;
- respect for the environment and for the people;
- responsibility towards business partners and social dialogue, towards the state institutions and the community;

Transgaz's core strengths

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

4.2 The activity of the company

The National Gas Transmission Company TRANSGAZ SA, established based on the Government Resolution 334/28 April 2000 following the restructuring of the National Gas Company ROMGAZ SA, is a Romanian legal entity having the legal form of a joint stock company and carries out its activity in accordance with Romanian laws and its bylaws.

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

The natural gas transmission activity is carried out based on the Concession Agreement for the pipelines, installations, equipment and facilities related to NTS, in the public domain of the Romanian state, concluded with the National Agency for Mineral Resources (ANRM), as the representative of the Romanian state, approved by Government Resolution 668/20 June 2002 (published in Official Journal 486/8 July 2002), valid until 2032, as further amended and supplemented by seven addenda approved by Government Resolution.

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

Main components of the National Transmission System

Name of the NTS objective / component	MU	Value
Main transmission pipelines and gas supply connections, of which:		13.986,79
-international transmission pipelines (Transit II, Transit III)	km	369
-BRUA		479
Operating metering-regulating stations (MRS)	pc.	1135 (1240 metering directions)
Valve control stations (VCS, TN)	pc.	58
Import gas metering stations (GMS) (Giurgiu, Horia, Isaccea Import, Negru Vodă IV, Medieșu Aurit, Isaccea Transit I, Negru Vodă I)	pc.	7
Gas metering stations located on the gas transit pipelines (GMS) (Isaccea Transit II, Isaccea Transit III, Negru Vodă II, Negru Vodă III)	pc.	4
Gas compressor station (CS) (Șinca, Onești, Siliștea, Jupa, Podișor, Bibești)	pc.	6
Cathodic protection stations (CPS)	pc.	1042
Gas odorising stations (GOS)	pc.	982

Table 7 - Main components of the NTS on 30.06.2021

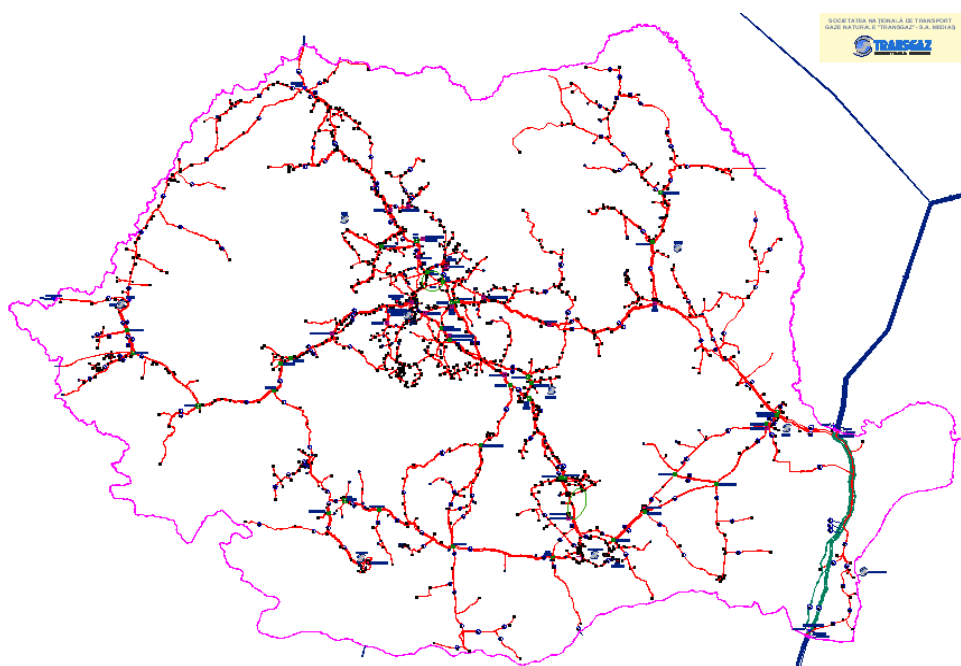


Figure 1 - Map of the National Gas Transmission System

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.

Cross-border interconnection points

Currently, the import/export of natural gas to/from Romania is achieved by seven cross-border interconnection points:

Country	Interconnection pipeline	Technical specifications	Total technical capacity
UKRAINE	Orlovka (UA) - Isaccea (RO) * LLC GAS TSO UA → Transgaz	DN 1000, Pmax = 45 bar	6,85 Sbcm/y at Pmin=35 bar
	Tekovo (UA) - Medieșu Aurit (RO) * LLC GAS TSO UA → Transgaz	DN 700, Pmax = 75 bar	4,01 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 = 63 bar	2,63 Sbcm/y import capacity at Pmin=40 bar 1,75 Sbcm/y export capacity at Pmin=40 bar

Country	Interconnection pipeline	Technical specifications	Total technical capacity
REPUBLIC OF MOLDOVA	Iași (RO) - Ungheni (MO) Transgaz↔ VestMoldtransgaz	DN 500, Pmax =55 bar	1,96 Sbcm/y export capacity at Pmin=39,5 bar 0,36 Sbcm/y import capacity la Pmin=26,5bar
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 5,31 Sbcm/y import capacity at Pmin=45 bar

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

** The capacity is offered on an interruptible commercial basis as the Annex to the Interconnection Agreement on gas quality requirements is not signed.

*** Capacity conditioned by capacity booking at the Isaccea 1 IP in the UA-RO direction.

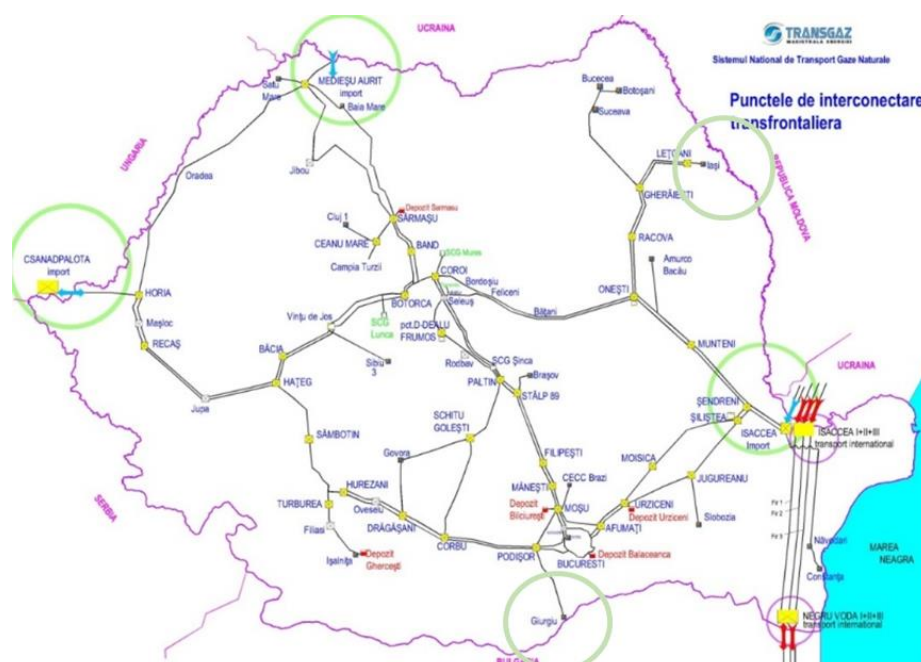


Figure 2 - Cross-border NTS interconnection points

Domestic gas transmission

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

The gas transmission is ensured by over 13.900 km of pipelines and gas supply connections with diameters between 50 mm and 1.200 mm, at pressures between 6 bar and 63 bar.

International gas transmission

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

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

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

Starting with gas year 2016–2017 third party access was granted at the interconnection points located on the T1 pipeline, following the termination of the legacy contract, and the transmission capacity at these points related to the T1 pipeline is traded, according to ANRE Order 215/2019 and *Regulation (EU) no. 459/2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) no. 984/2013*.

Starting with gas year 2019-2020, following the connection of the Isaccea 1 – Negru Vodă 1 Natural Gas Transmission Pipeline to the National Gas Transmission System, Negru Vodă 1 became a NTS interconnection point and the provisions of the same tariff setting methodology apply to it (approved by ANRE Order 41/2019) applicable both at the interconnection points with the EU Member States (Csanadpalota, Giurgiu Ruse) and at the domestic points of the National Transmission System.

The connection of the Isaccea 1 – Negru Vodă 1 (T1) natural gas transmission pipeline to the National Gas Transmission System in the GMS Isaccea area is completed and allows the physical flow of gas from the international transmission pipeline to the NTS and in reverse.

The international gas transmission activity is performed through two international gas transmission pipelines in the UA-RO-BG-TK-GR direction (T2 and T3), each with the following characteristics: DN 1200, L = 186 km and the technical capacity of 9,579 billion Scm/year (T2) and DN 1200, L = 183,5 km and the technical capacity of 9,679 billion Scm/year (T3), pipelines that are not connected to the National Transmission System.

Regarding the transmission through the T2 and T3 pipelines, the company concluded the Agreement for the Termination of the Legacy Contract between SNTGN Transgaz SA and Gazprom Export LLC. The agreement creates the necessary framework for concluding the interconnection agreements for the Isaccea 2,3 and Negru Vodă / Kardam 2,3 interconnection points, ensuring the free access of third parties to booking capacity on the T2 and T3 transit pipelines.

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

- commercial balancing;
- contracting natural gas transmission services;
- dispatching and technological regimes;

- measurement and monitoring of gas quality;
- gas odorization and international gas transmission.

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 purchase gas only for the balancing and safe operation of the National Transmission System.

In addition to the domestic and international gas transmission revenue , the company has revenue from NTS access fees , design services, the collection of penalties charged to customers and other adjacent services provided.

The quality of the transmission service is a constant concern of both SNTGN Transgaz SA and the National Energy Regulatory Authority. In order to monitor the quality of the natural gas transmission service based on specific indicators and minimum performance levels, starting with 1 October 2016, the **Performance Standard for the natural gas transmission service approved by ANRE Order 161 / 26.11.2015** entered into force.

4.3 Shareholding

The listing at the Bucharest Stock Exchange in 2008 of 10% of the increased share capital of SNTGN Transgaz SA, and later in 2013, of 15% of the company's share capital, given the dynamics of the company sector, contributed to the increase of the capitalization and development of the capital market in Romania.

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

On 25 June 2021 Transgaz`s shareholding structure was as follows:

Shareholder's name	Number of shares	Percentage %
The State of Romania represented by the General Secretariat of the Government	6.888.840	58,5097
Free float - Other shareholders (natural and legal persons) out of which:	4.885.004	41,4903
- natural persons	1.087.663	9,2380
- legal persons	3.797.341	32,2523
Total	11.773.844	100

Table 8 - Shareholding structure at 25 June 2021

The share capital of Transgaz on 30 June 2021 amounted to Lei 117.738.440 and is divided into 11.773.844 registered shares, each share having a nominal value of Lei 10.

Shareholding structure at 25 June 2021

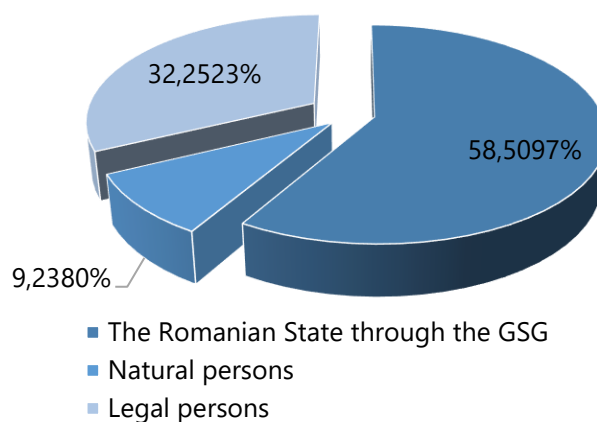


Chart 13- Shareholding structure at 25.06.2021

Regarding the number of shareholders, according to Transgaz shareholders' register at the reference date of 25 June 2021 a number of 10.285 TGN shareholders were registered, which is 1.025 shareholders more than on 26 June 2020.

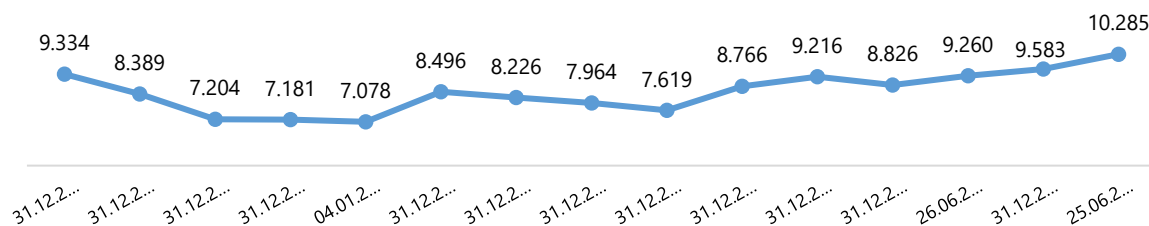


Chart 14 - Number of Transgaz shareholders from the listing and until 25.06.2021

4.4 Structure

SNTGN Transgaz SA is managed in a unitary system by the Board of Administration. There is a **separation** between the non-executive, control function (non-executive administrator) and the executive function (directors) - mandatory separation, in the case of joint stock companies whose annual financial statements are subject to a legal auditing obligation.

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

SNTGN Transgaz SA (Transgaz) conducts its activity in the following locations:

- Transgaz registered office: Mediaș, 1 C. I. Motaș Square, Sibiu County, code 551130;
- Exploitation and Maintenance Department: Mediaș, 11 George Enescu Street, Sibiu County, code 551018;
- Design and Research Department: Mediaș, 6 Unirii Street, Sibiu County, code 550173;
- Bucharest Gas Market Operation Division: Bucharest, 30 Dorobanți Blvd., District 1, code 010573;
- Transgaz Representative Office - Romania: Bucharest, 55 Primaverii Blvd.;
- Transgaz Representative Office - Brussels – Belgium: Brussels, 23 Luxembourg Street;
- General Inspection Unit: Bucharest, 155 Victoriei Blvd., District 1, code 010073.
- Design and Research Workshops - Brașov, 2 Nicolae Titulescu Street.
- EUROTRANSGAZ Limited Liability Company: 7/E Balcani Road, out of town, Ghidighici village, Chisinau, Moldova;
- VESTMOLDTRANSGAZ Limited Liability Company: 7/E Balcani Road, out of town, Ghidighici village, Chisinau, Moldova;
- Transgaz secondary office: Mediaș, 3 I.C. Brătianu, building 3, flat 75, Sibiu County.

Transgaz 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;
- **Brașov Regional Office**, 12A Grigore Ureche Street, Brașov, Brașov County, code 500449;
- **Bucharest Regional Office**, 24 Lacul Ursului Street, District 6, Bucharest, code 060594;
- **Cluj Regional Office**, 12 Crișului Street, Cluj-Napoca, Cluj County, code 400597;
- **Craiova Regional Office**, 33 Arhitect Ioan Mincu Street, Craiova, Dolj County, code 200011;
- **Mediaș Regional Office**, 29 George Coșbuc Street, Mediaș, Sibiu County, code 551027;
- **Constanța Regional Office**, 2 bis Caraiman Street, Constanța, Constanța County, code 900117;
- **Mediaș Subsidiary**, 59 Sibiului Street, Mediaș, Sibiu County.



4.5 Management

Members of the Board of Administration of SNTGN Transgaz SA on 30.06.2021

Following OGMS Resolution 3/22.04.2021 the mandates of three administrators were renewed for a period of four years, starting with 30.04.2021:

ION STERIAN	Executive administrator –interim Director General
PETRU ION VĂDUVA	Non-executive administrator
NICOLAE MINEA	Independent, non-executive administrator
CSABA OROSZ	Independent, non-executive interim administrator
MIHAELA VIRGINIA TOADER	Independent, non-executive interim administrator

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

Special agreements/arrangements or kinship

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

Participation of administrators to Transgaz's share capital

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

Litigation or administrative proceedings

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

Executive management

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

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

The members of the executive management holding shares at Transgaz on 30.06.2021:

No.	Name and first name	Position	Number of shares on 30.06.2021	Interest share (%)
1	Tătaru Ion	Director	25	0,000212
2	Lupean Marius	Director	20	0,000169
3	Şai Alexandru	Director	10	0,000084
4	Comanita Adela	Director	7	0,000059
5	Nita Viorel	Director	5	0,000042

Table 9 - Members of Transgaz's executive management holding shares in the company on 31.06.2021

The executive management of the company on 30.06.2021:

No.	Name and first name	Position	Division/Unit
1.	Sterian Ion	Director - General	SNTGN Transgaz SA
2.	Leahu Mihai Leontin	Director/Deputy Director - General-delegated	Research and Design Division
3.	Târsac Grigore	Deputy Director - General	SNTGN Transgaz SA
4.	Iuga Alexandru	Director/Deputy Director-General delegated	Logistics Division
5.	Lupean Marius Vasile	Chief Financial Officer	Economic Division
6.	Ghidu Elisabeta	Director	Strategy and Corporate Management Division
7.	Tătaru Ion	Director	Development Division
8.	Bunea Florin	Director with delegations of powers	Operation Division
9.	Cosma Emil Florin	Director	Maintenance Division
10.	Beldiman Ion	Director	Energy Management, Automation and SCADA Division
11.	Luca Bogdan Avram	Director	Sectoral Procurement and Contracting Division
12.	Mateş Angela Aneta	Director	HR Organization Division

13.	Sarbu Ionel	Director	Land Regulation and Acquisition Division
14.	Andronic Bogdan Constantin	Director	EU Funds and International Relations Division
15.	Sasu Elena	Director	Budget and Finances Unit
16.	Comănița Adela Marinela	Director	Accounting Unit
17.	Niculaie-Faranga Dan	Director	Financing, Representative Offices Support and Special Projects Unit
18.	Niculescu Oana Cristina	Director	Budgeting Strategy Unit
19.	Mihai Cornel	Director	Corporate Activities and Representation Unit
20.	Oniga Ciprian	Director	Special Projects and Technical Support Unit
21.	Banu Larisa	Director	VTP Operation Unit
22.	Maxim Cosmin	Director delegated	The National Gas Dispatching Centre
23.	Rău Ioan	Director	Commercial Unit
24.	Șai Ioan Alexandru	Director	Gas Metering, Gas Quality Unit
25.	Dragoman Irina Georgiana	Director	Gas Regulation Unit
26.	Barbu Viorel	Director	NTS Rehabilitation Unit
27.	Petrescu Monica Alexandra	Director	Special Projects Procurement Unit
28.	Grăjdan Vasilica	Director	HR Planning and Organization Unit
29.	Ene Alin	Director	General Inspection Unit
30.	Codreanu Liudmila Gabriela	Director	Internal Audit Unit
31.	Constantin Razvan Anghel	Director	Administrativ Management Unit
32.	Drăghici Aurelian	Director	Projects Analysis, Checking and Endorsement Unit
33.	Achim Viorel Ciprian	Director	HSQE Unit
34.	Lupu Emil	Director	Archaeological Research Unit
35.	Iancu Cristina Daniela	Director	Projects Legal Assistance Unit
36.	Vlahbei Andra Ioana	Deputy Director	Gas Regulation Unit
37.	Voican Nicolae Adrian	Head of Department with delegation of powers for Subsidiary Director	Mediaș Subsidiary
38.	Velicea Angela	Financial Director	Mediaș Subsidiary
39.	Gurgu Victorel	Regional Office Director / delegation of powers for PMU Manager	Bucharest Regional Office
40.	Alexandru Ionel	Director	Arad Regional Office
41.	Bucur Ovidiu Gheorghe	Director	Brașov Regional Office
42.	Schmidt Hăineală Eduard-Cristian	Director	Bacău Regional Office
43.	Dumitru Nicușor	Head of Department with delegations of powers for Director of Regional Office	Brăila Regional Office

44.	Niță Viorel	Director	Craiova Regional Office
45.	Goia Petru	Engineer with delegations of powers for Director of Regional Office	Cluj Regional Office
46.	Andrei Romeo	Chief Engineer with delegations of powers for Director of Regional Office	Constanța Regional Office
47.	Oancea Paul	Chief Engineer with delegations of powers for Director of Regional Office	Mediaș Regional Office

Table 10 - Transgaz's executive management on 30.06.2021

VESTMOLDTRANSGAZ LLC management team structure:

	VESTMOLDTRANSGAZ	Surname and name
1	Company Board	1. Leahu Mihai Leontin - Chairman 2. Stoica Marius Constantin- Member 3. Schmit-Hăineală Eduard-Cristian - Member 4. Pop-Gîscă Sanda - Member 5. Dragoman Irina Georgiana - Member
2	Company Administrator	Duminică Liviu Valentin

Table 11 - Vestmoldtransgaz management members on 30.06.2021

EUROTRANSGAZ LLC management team structure:

	EUROTRANSGAZ	Surname and name
1	Administrator	Niculae-Faranga Dan
2	Administrator	Grăjdan Vasilica
3	Administrator	Tătaru Ion

Table 12 - Eurotransgaz management members on 30.06.2021

4.6 Human resources

The company's human resources strategy aims to cover the operational needs of the organization, through the efficient use of the human resources.

The optimal dimensioning of the number of personnel in the company is correlated with the real personnel needs required by the operational activities carried out by the company, with the modernizations and refurbishments realized for increasing the safety and efficiency in NTS operation and annex facilities, as well as the realization of the major development projects of company.

The evolution of the number of personnel in Half I 2021 is as follows:

Specification	Jan	Feb	Mar	Apr	May	June
Number of employees at the beginning of the period	4.145	4.170	4.171	4.181	4.185	4.072
Number of newly employed persons	32	13	18	14	11	10
Number of employees who terminated their working relations with the company	7	12	8	10	124	37
Number of employees at the end of the period	4.170	4.171	4.181	4.185	4.072	4.045

Table 13 – Number of employees in Half I 2021

On 30 June 2021, SNTGN TRANSGAZ SA has 4.045 employees with individual employment contracts, of which 3.870 for an indefinite period and 175 for a fixed period.

The number of personnel in Half I 2021 compared to the same period of the previous year is as follows:

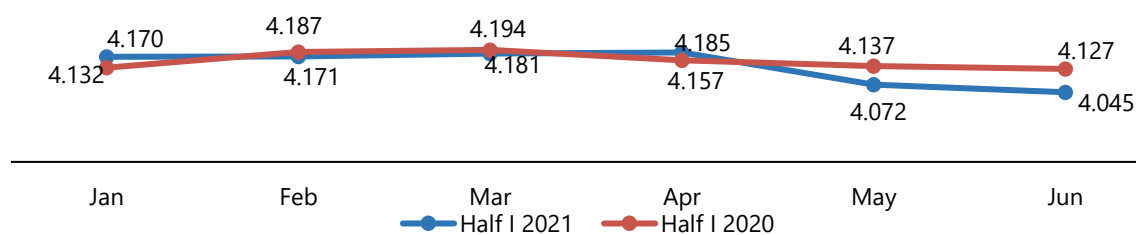


Chart 15 - Number of employees in Half I 2021 vs. Half I 2020

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 staff, 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.

No.	Category	Half I 2021	Half I 2020
1.	Faculty graduates	1.527	1.494
2.	High school graduates	1.226	1.236
3.	Vocational school graduates	572	604
4.	General school graduates + training course	720	793
TOTAL employees		4.045	4.127

Table 14 - Personnel structure by categories of studies in Half I 2021 vs. Half I 2020

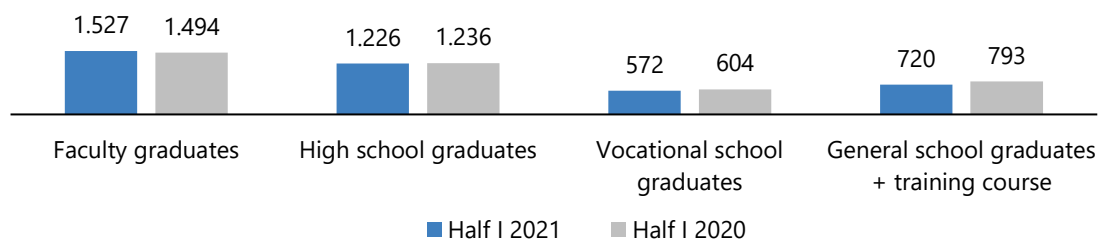


Chart 16- Personnel structure by categories of studies in Half I 2021 vs. Half I 2020

VESTMOLDTRANSGAZ – Human Resources

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

The current number of employees is 32, of which 23 at the Chisinau headquarters and 9 at GMS Ungheni. The number of employees may increase with the commissioning of the Iași – Ungheni – Chişinău pipeline, depending on the real needs of the future operation and development of the business.

The recruitment and selection of personnel will be carried out through transparent employment procedures, in order to stimulate and attract the best specialists to work within VESTMOLDTRANSGAZ SRL.

The personnel of VESTMOLDTRANSGAZ SRL is appointed, employed and discharged by the company administrator.

The number of personnel within Vestmoldtransgaz SRL, in Half I 2021 compared to Half I 2020:

No.	Indicator	Half I 2021	Half I 2020
1	Number of employees at VMTG	32	33
2	Average number of employees at VMTG	32	31
3	Average number of employees at Eurotransgaz	3	3

Table 15 - Number of employees at Vestmoldtransgaz and Eurotransgaz in Half I 2021 vs. Half I 2020

At the **end of the Half I 2021**, the degree of unionization of the labour force was 96,36%, out of a total of 4.045 employees, 3.898 being union members.

There are four trade unions with which the SNTGN Transgaz employees are registered, namely:

- The Transport Gaz Mediaş Trade Union;
- The Free Trade Union SNTGN TRANSGAZ SA Mediaş;
- The technological research trade union CERTEH Mediaş;
- The professional trade union Metan Mediaş.

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

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

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

The relations between the employer and the employees are in line with the legal provisions in force in 2020 and there are no conflicting elements connected to these relations.

Considering the establishment of the state of emergency on the Romanian territory starting with 16.03.2020, followed by the state of alert starting with 18.05.2020 within SNTGN TRANSGAZ S.A. active measures have been taken to limit the spread of COVID 19 virus, introducing teleworking and home work for employees whose work tasks were possible to be performed remotely by electronic means.

4.7 Transgaz on the Bucharest Stock Exchange

SNTGN TRANSGAZ SA Mediaș, through the efficient use of managerial tools and the responsible execution of the measures assumed in front of the shareholders, investors, business and community, managed to also perform on the capital market, occupying in the period of 6 months ended 30 June 2021, the **7th place in the Top 15 companies listed on the Bucharest Stock Exchange, depending on the traded value**. Also, in June 2021, Transgaz ranks **10th in the Top 15 listed companies, according to market capitalization**, as indicated in the Monthly Bulletin issued by 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 transport, the company's position on the national and international energy market, the strong financial profile and the capacity of the company to generate performance, stable and predictable income, and attractive dividend policy.

For financial year 2020, **a gross dividend per share amounting to 8,14 lei** was approved in the OGMS meeting of 27 April 2021, determined based on the provisions of GO no. 64 of 30 August 2001 on the distribution of profit to national companies, national companies and commercial companies with full or majority state capital, as well as to autonomous utilities under the conditions of applying the quota of 50,01707% to the distribution of profit in the form of dividends.

TGN share

In Half I 2021, the closing price of the TGN share followed a slightly downward trend, with a peak of 314,00 lei/share on 05.02.2021.

On the last trading day of January and February 2021, the closing price of the TGN share followed a downward trend, with values below those of 2020, registering at the end of January the value of 306,00 lei/share, and on 28.02.2021 the value of 294,00 lei/share. In March and April 2021 the closing price of the TGN share exceeded the values recorded in the similar period of the previous year by 21,25% and 8,96%, respectively.

Subsequently, in May and June, the closing price of the TGN share registered a downward trend, with values lower than in 2020.

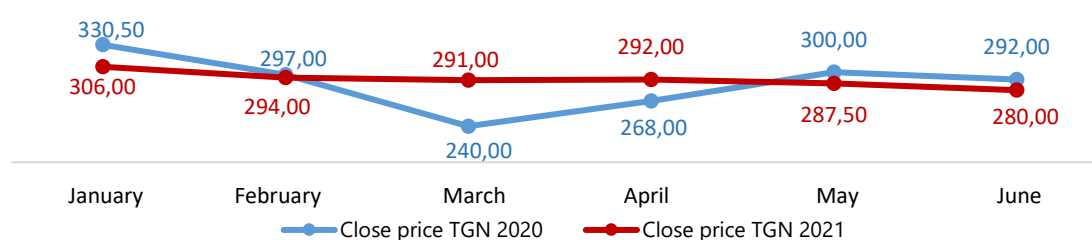


Chart 17 - The closing price of the TGN shares in Half I 2021 vs. Half I 2020

The values of the transactions and volumes traded in the period ended 30 June 2021 registered mainly lower values compared to Half I 2020, reaching on 16.06.2020 the peaks of the period, with a volume of 99.143 traded shares and a value of lei 28.123 thousand.

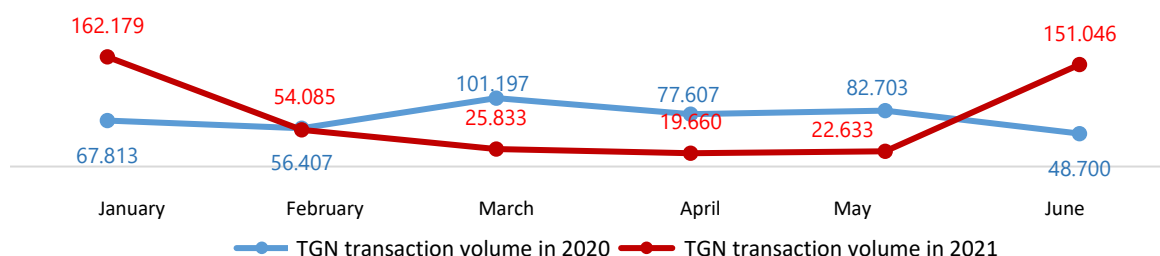


Chart 18 - TGN transactions volume in Half I 2021 vs. Half I 2020

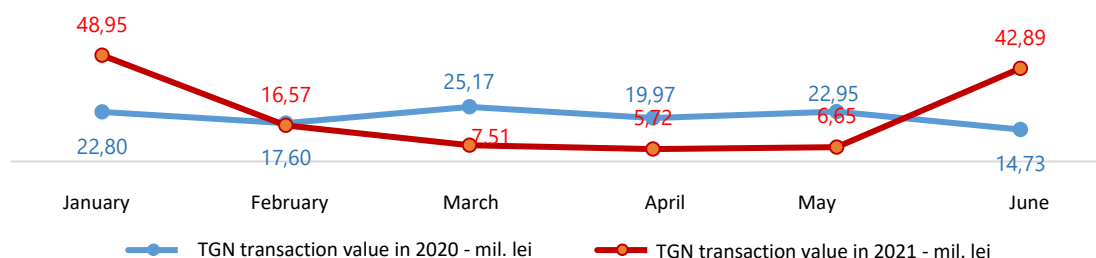
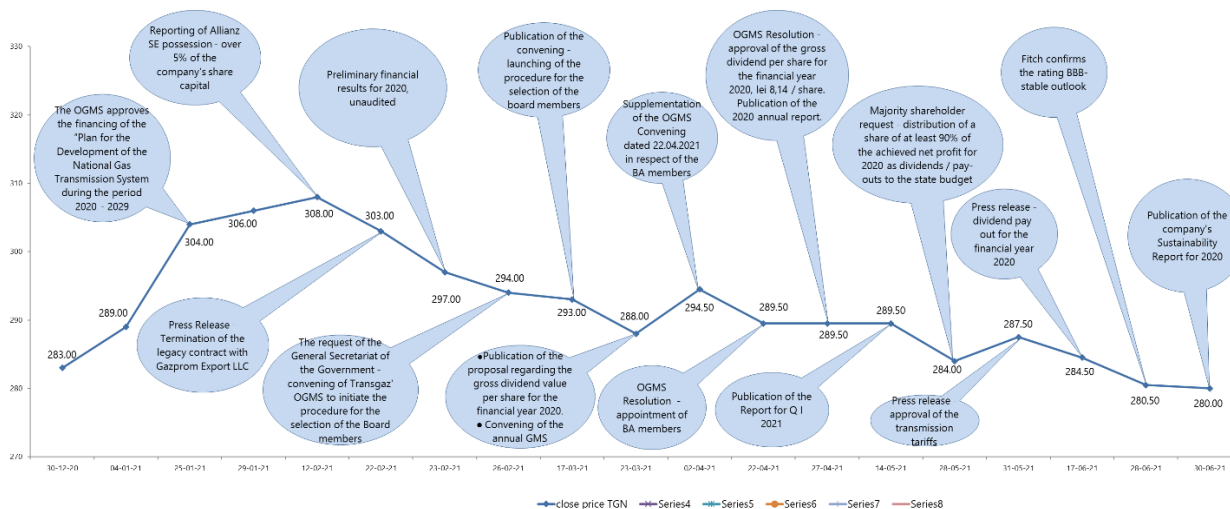


Chart 19 - TGN transaction value – mil lei in Half I 2021 vs. Half I 2020

Main corporate events with an impact upon the share price in Half I 201



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

Date	P/BV	PER	DIVY	EPS
30.06.2021	0,87	18,84	2,91	14,86
30.06.2020	0,91	9,87	5,30	29,58

*values reported on 31 December 2020 and on 31 December 2019

In the six-month period ended 30 June 2021, **the P/BV ratio** (a share price to book value ratio) decreased slightly compared to the same period of 2020.

At the same time, **the PER ratio** (share price to earnings ratio) registered a higher value compared to the one registered on 30.06.2020.

The decrease in **dividend yield (DIVY)**, compared to the value recorded on 30.06.2020, is due to the lower value of the dividend for the financial year 2020, respectively 8,14 lei / share (according to OGMS 3 of 27 April 2021) compared to 15,47 lei / share (according to OGMS 4 of 27 April 2020) gross dividend.

Moreover, pursuant to the presented data, in Half I 2021 **EPS (profit per share)** decreased compared to the same period of 2020, being 14,86.

The value of the Transgaz stock indicators compared to the similar companies in Europe, at the end of Half I 2021, is as follows:

Company		P/E	P/BV	EV/EBITDA
Enagas	Spain	12,50	1,52	10,40
SNAM Rete Gas	Italy	15,90	2,30	13,40
Fluxys	Belgium	30,80	3,50	11,25
Media		19,73	2,44	11,68
Transgaz	Romania	18,84	0,87	
Premium /Discount		-4,53%	-64,34%	

Source: Bloomberg: 12.07.2021

Table 16 - The value of Transgaz stock exchange indices compared to similar companies in Europe

Transgaz intends to purchase its own shares

It is not applicable.

The number and nominal value of shares issued by the parent company and owned by subsidiaries

It is not applicable.

Bonds and / or other debt securities

It is not applicable.

Significant mergers or reorganizations during the financial year

During Half I 2021 there were no mergers or reorganizations within SNTGN Transgaz SA.

Stock market capitalization

The stock market capitalization of the company on 30.06.2021 was of lei 3,30 billion (~ euro 669 million), namely by 141 million lei (~euro 41 million) below the level recorded on 30.06.2020.

Currency	2021		2020	
	04.01.2021	30.06.2021	03.01.2020	30.06.2020
LEI	3.402.640.916	3.296.676.320	4.209.149.230	3.437.962.448
EURO	698.823.379	669.144.929	880.777.842	709.985.430
Euro/BNR exchange rate	4,8691	4,9267	4,7789	4,8423

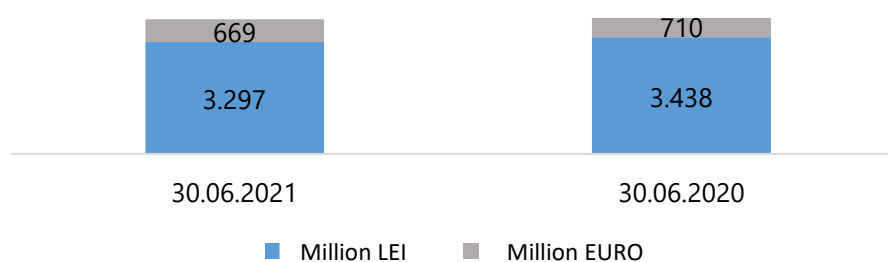
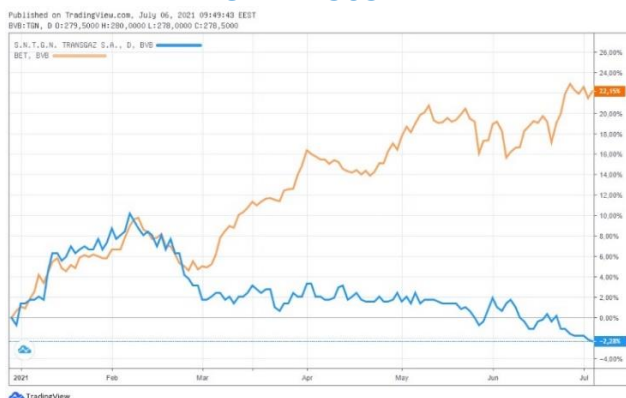


Chart 20 - Stock market capitalization of Transgaz on 30.06.2021 vs. 30.06.2020

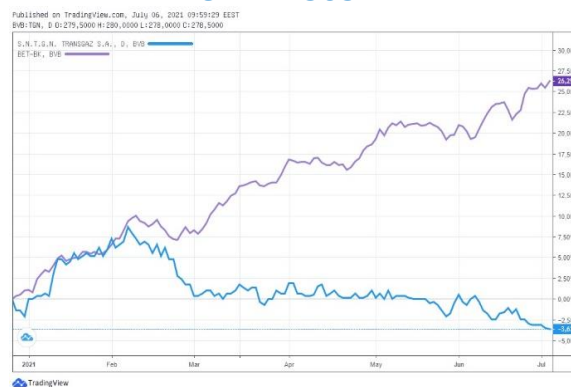
Considering the value of the stock market capitalization recorded by the company in June 2021, the Bucharest Stock Exchange ranked Transgaz **10th in the Top 15 companies listed at the BSE, based on the stock market capitalization.**

The TGN share compared to BET, BET-NG and BET-BK stock indices in Half I 2021:

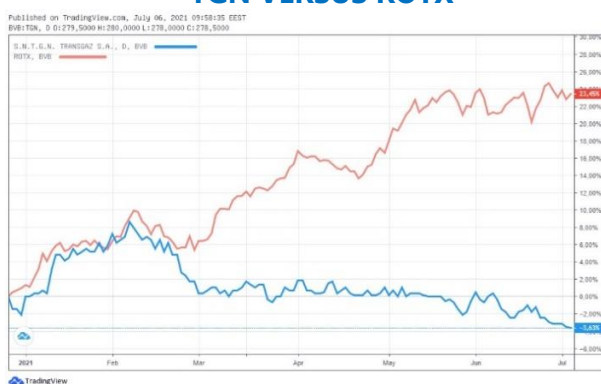
TGN VERSUS BET



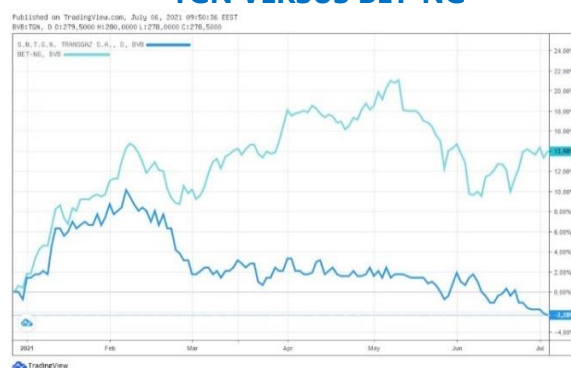
TGN VERSUS BET-BK



TGN VERSUS ROTX



TGN VERSUS BET-NG



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

Chart 21 – The TGN share compared to stock exchange indices BET, BET-NG and BET-BK in Half I 2021

As it can be noticed, for the entire period of six months ended on 30.06.2021, the TGN share had a similar evolution to that of the main stock indices BET, BET-BK, ROTX and BET-NG but with lower values.

4.8 Dividend policy

In 2021 the proposal for determining the value of the dividends for financial year 2020 was determined based on the provisions of *GO 64 of 30 August 2001 on the distribution of profit to national enterprises, national companies and trading companies with full or majority state capital, as well as to autonomous administrations* with the application of the 50.01707% quota to the distribution of profit as dividends.

Thus, in accordance with OGMS Resolution 3/27.04.2021, Transgaz SA pays dividends for financial year 2020 through Depozitarul Central SA and Banca Transilvania, the appointed paying agent, starting with 16 July 2021 (the date of payment), for the shareholders registered at the registration date of 25 June 2021, **the value of the gross dividend / share amounting to lei 8,14**.

By the end of the half year ended on 30.06.2021, the company paid to the shareholders net dividends for the financial year 2019 in the amount of lei 179.237.382,72.

Transgaz's rating

From 2006 until March 2019, S&P Global Ratings also provided and monitored the Transgaz rating. Getting this rating was a necessary step in addressing an openness policy to international capital markets, with a view to attracting the most advantageous sources of funding and also providing a valuable instrument investors in the IPO stock listing process as well as the SPO.

On 20 June 2018, S&P Global Ratings published the latest report on the review of the outlook of SNTGN Transgaz SA, the operator of the National Gas Transmission System, from stable to negative, and, at the same time, it affirmed the company's credit rating at BB +.

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

In 2021, Fitch Ratings affirmed the 'BBB-', Stable Outlook rating assigned to the company, a rating that reflects its solid business profile as a concessionaire and operator of the gas transmission network in Romania, as well as Fitch's expectation of a progressive contraction of its international gas transit business derived from traditional routes, according to the agency's report.

4.9 List of all entities where Transgaz holds shares

- **SC MEBIS SA Bistrita**, based in Bistrita, (J06/150/1991), where Transgaz owns 17.47% of the share capital, having as object the realization of metal structures and complex welded assemblies, assemblies and hydraulic products; is in liquidation proceedings, which is why the shareholding in SC MEBIS SA was fully provisioned. Transgaz has no obligations towards SC MEBIS SA;
- **SC Resial SA** with headquarters in Alba Iulia (J01 / 77/1991), where Transgaz owns 68.16% of the share capital, having as object the production and marketing of silico aluminous refractory products, entered into liquidation procedure in year 2006; the procedure is carried out by a court bailiff appointed by the court and is independent of the control of Transgaz, which is why the share is not consolidated and is recorded at the cost less the impairment provision established at 100% of the cost. The loan granted to SC RESIAL SA is fully serviced. The management does not expect Transgaz to recover any amount of this share and does not record any residual liabilities for SC RESIAL SA.
- **SC EUROTRANSGAZ SRL** with headquarters in Chisinau, Republic of Moldova, where Transgaz owns 100% of its share capital with the objective of producing, transporting, distributing, storing and supplying natural gas, pipeline transport, storage as well as business consulting activities; management (establishment of this subsidiary was approved by EGMS Resolution No. 10 of 12.12.2017); in 2018, the subsidiary purchased State Enterprise Vestmoldtransgaz operating the Iasi-Ungheni pipeline on the territory of Moldova.

5 ACTIVITY ANALYSYS

5.1 Operating 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 2021, **432** gas transmission **contracts** were concluded and signed with the network users, including quarterly, monthly, daily capacity products for National Gas Transmission System entry/exit points, including for the Csanadpalota, Ruse - Giurgiu, Negru Vodă 1 and Isaccea 1 interconnection points.

Total entry / exit gas transmission contracts at the domestic points for January - June 2021:

Contract type	Annual	Quarterly	Monthly	Daily	Total
No. of contracts	2	22	395	13	432

Under the 40 gas transmission contracts for capacity booking at the interconnection points between the Romanian National Gas Transmission System and the gas transmission systems of the EU Member States neighbouring Romania, valid in January - June 2021, capacity was booked for the following products:

Contract type	Annual	Quarterly	Monthly	Daily	Within-day	Total
No. of products	0	8	25	439	309	781

The gas quantities circulated and transmitted and the NTS consumption in Half I 2021 compared with the same period of last year, are as follows:

Indicator	MU	Half I 2021	Half I 2020	+/-	%
0	1	2	3	4=2-3	5=2/3-1
Circulated gas	thousand cm	7.332.584	6.540.885	791.699	12%
Transmitted gas	thousand cm	7.288.673	6.507.943	780.730	12%
NTS gas consumption	thousand cm	42.395	35.302	7.093	20%
The share of NTS gas consumption / circulated gas	%	0,58%	0,54%		7%

Table 17 - Gas quantities circulated and transmitted, and NTS consumption in Half I 2021 vs Half I 2020

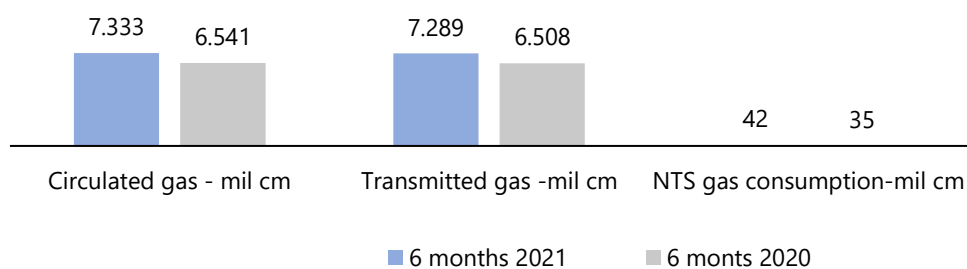
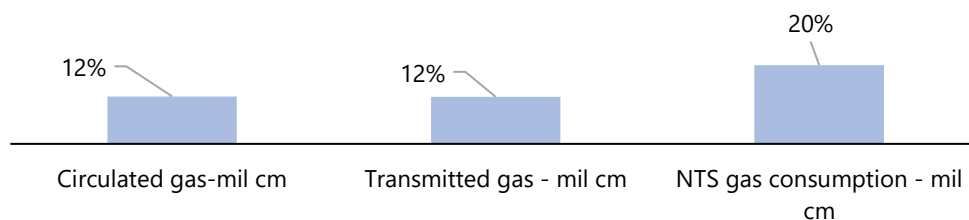


Chart 22 - Gas quantities circulated and transmitted and NTS consumption in Half I 2021 vs Half I 2020



yoy 6 months 2021 vs. 6 months 2020

Chart 23 - Gas circulated and transmitted and NTS gas consumption - Half I 2021 vs Half I 2020



The share of NTS gas consumption / circulated gas

Chart 24 - The share NTS gas consumption in total circulated gas - Half I 2021 vs Half I 2020

The gas quantities circulated, transmitted and stored, and the NTS consumption planned and achieved in Half I 2021 compared with the same period of 2020, are as follows:

	MU	Half I 2021			Half I 2020		
		Planned	Achieved	%	Planned	Achieved	%
Circulated gas	thousand cm	6.605.461	7.332.584	11%	6.519.713	6.540.885	0,32%
Transmitted gas	thousand cm	6.567.284	7.288.673	11%	6.493.590	6.507.943	0,22%
NTS gas consumption	thousand cm	38.177	42.395	11%	36.517	35.302	-3%
Gas for storage	thousand cm	692.481	666.482	-4%	690.000	639.478	-7%

Table 18 - Circulated and transmitted gas quantities and the NTS gas consumption planned vs. achieved in Half I 2021 vs Half I 2020

The main beneficiaries of the gas transmission service in Half I 2021:

No.	Main network users	INVOICE AMOUNT WITHOUT VAT (lei)	%
1.	ENGIE ROMANIA SA	168.150.487,46	25,12%
2.	E.ON ENERGIE ROMANIA SA	102.604.472,30	15,33%
3.	SNGN ROMGAZ SA	87.677.433,33	13,10%
4.	OMV PETROM SA	87.371.826,94	13,05%
5.	ELECTROCENTRALE BUCUREȘTI SA (în insolvență)	32.075.452,37	4,79%
6.	MET AUSTRIA ENERGY TRADE	19.466.726,73	2,91%
7.	IMEX OIL LIMITED NICOSIA	19.225.687,76	2,87%
8.	WIEE ROMANIA SRL	17.899.405,73	2,67%
9.	AZOMURES SA	16.225.052,32	2,42%
10.	NORTH CHEMICAL COMPLEX SRL	16.044.956,99	2,40%
	OTHER NU	102.594.668,92	15,33%
	TOTAL NU	669.336.170,85	100,00%

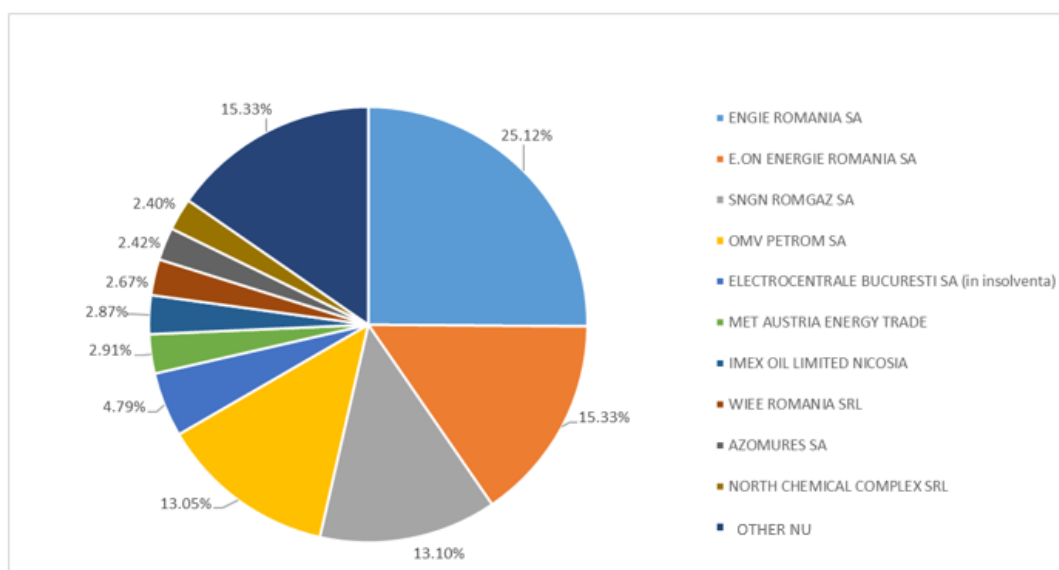


Chart 25 - Main NTS users in Half I 2021

Through the **transmission services** contracted in Half I 2021, the total quantity of 78.007.675,016211 MWh (7.288.673,252 thousand cubic meters) was transmitted to:

	MWh	thousand cm	%
Distribution	48.273.133,412882	4.507.605,407	61,88
Direct customers	19.096.199,994748	1.791.792,240	24,48
Storage	7.104.918,556581	666.481,884	9,11
Export Csanadpalota, Giurgiu Ruse, Negru Voda, Ungheni	3.533.423,052000	322.793,721	4,53
Total	78.007.675,016211	7.288.673,252	100

5.2 The investment activity

The investment activity is mainly directed towards the modernization and development of the NTS in order to improve the efficiency and to increase its capacity, to develop new consumption areas. The value of the investment funds for 2021, initially approved in the revenue and expenditure budget is of lei **1.044.658.841** according to BoA Resolution 43/2020.

The amount of the investment modernisation and development plan for 2021 was reduced in April from **Lei 1.044.658.841** to **Lei 1.019.724.841**, according to BoA Resolution 13/16.04.2021.

In May, the amount of the investment modernisation and development plan for 2021 was again reduced from **Lei 1.019.724.841** to **Lei 1.005.724.841**, according to BoA Resolution 18/26.05.2021.

The total amount of the investment modernisation and development plan for 2021 is of Lei 1.005.725 thousand, and at the end of Half I 2021, the achievements amounted to Lei 339.463 thousand, which represents a plan achievement rate of 33,75%.

At the end of Half I 2021 the modernization and investment development plan includes 0,40% completed works, 83,76%, execution works, 4,79% design works, 9,44% works under procurement, and the objectives included in Annex 5 and Annex 10 of the Plan, for which the documentation necessary for the launching of the procurement was not sent, represented 1,62%..

The value of the works in the procurement phase also includes the funds allocated to the works planned under Chapter D - Development of the NTS according to Law 123/2012 Article 130, (e1) and (e2), amounting to Lei 39.100 thousand, which represents 29,56% of the value of the works under procurement.

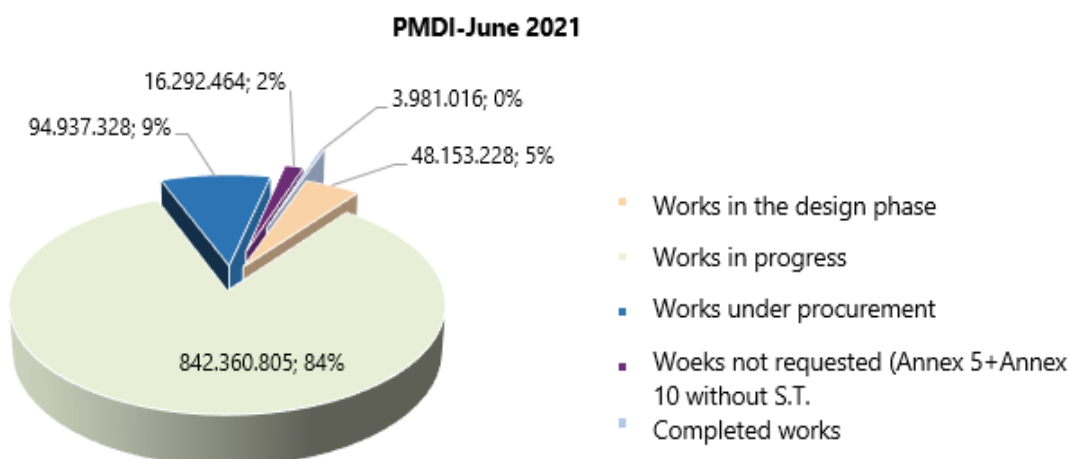


Chart 26 – PMDI 2021 – Half I 2021

5.3 Maintenance activity

The **2021 Repair, Rehabilitation and Maintenance Services Plan (PRRASM 2021)** has an allocated value of lei 50.412.418,54, of which **lei 21.907.190,35** for NTS repair and rehabilitation works and **lei 28.505.228,19** for services related to the NTS maintenance services.

Repair and rehabilitation works

Out of the total budgeted value of the NTS repair and rehabilitation works (Chapter A, **43,46%** of the PRRASM 2021), at the end of Half I 2021 works at different stages of execution represented **61%** (works in progress), works in the design stage **18%**, works in the procurement stage **9%**, works not included in the previous categories (assuring positions) **2%**, works accepted **7%** and savings from contract execution of **3%** :

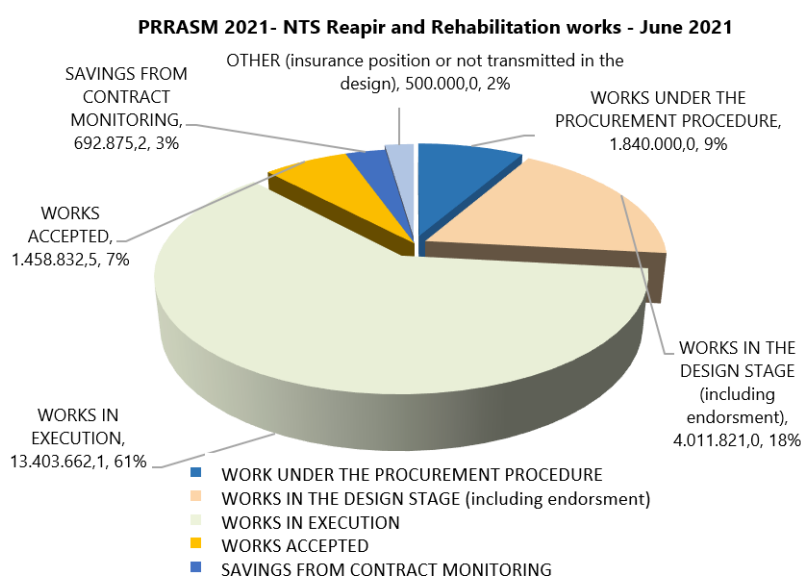


Chart 27 - PRRASM 2021 - NTS Repair and Rehabilitation - June 2021

There are difficulties in carrying out repair and upgrading works to the main pipelines due to problems beyond the company's control:

- problems related to works slowdown, due to the evolution of the SARS COV2 pandemic (constructor problems related to the supply of materials, insufficient personnel, engaged in several works or with suspected illness, transport problems);
- problems related to gas flow interruptions during the cold season, in order to carry out repair works;
- missing or expired approvals necessary to acquire the Construction Permit or the approvals necessary for the construction of the following objectives: Ø24" Paltin Schitu-Goleşti pipeline (Argeş 1st stage).

To solve the problems encountered, the following measures were taken:

- Internal provisions (plans, programmes, decisions, etc.) regarding the actions to be taken during the SARS COV2 pandemic (in addition to the provisions of the regulations/recommendations issued at the national level) were developed and observed;
- Documents for obtaining opinions/authorizations were prepared again and submitted to the competent authorities;
- In some more difficult areas, from the point of view of obtaining the agreements from the landowners or at the request of the local administrations, the decision was made to redesign the pipeline route or the technical solutions for the achievement of the construction;
- The priority works were achieved inhouse (Mediaş Subsidiary and Regional Office);

NTS Maintenance Ensuring Services

Out of the total budgeted value of the NTS maintenance services at the end of the first half of the year, the services in progress or completed represent 80%, the procurement services 13%, and the unrequested services 7%:

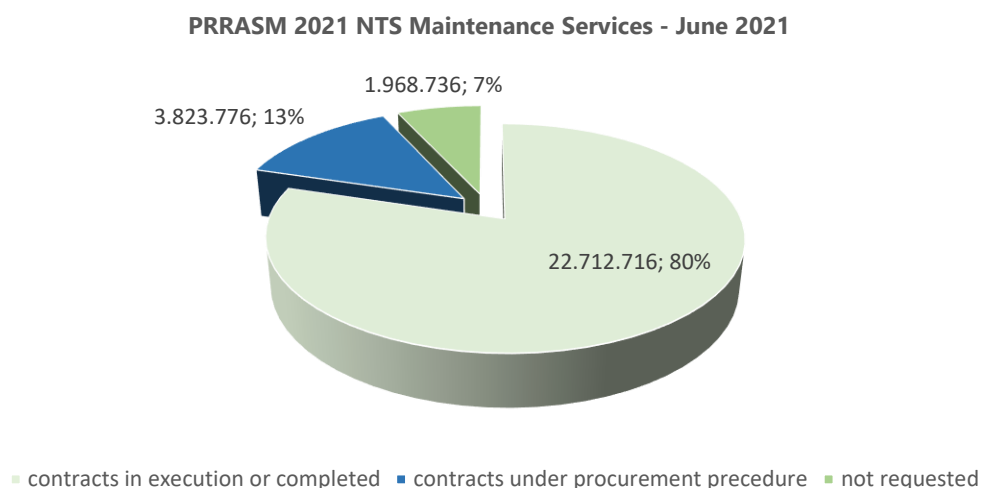


Chart 28 - PRRASM 2020 - NTS Maintenance Services – June 2021

The conclusion of contracts for these services is precautionary for the safe and efficient operation of the NTS, the practice proving that it is not necessary to spend the total amount under the contracts.

In addition, the value of the contracts includes the estimated value of the spare parts, which are paid only if it is necessary to replace them. The estimated value of these spare parts may amount to up to 40% of the total value of the contract.

In the context described above, the amounts in the budget estimated for maintenance services that remain unused at the end of the year can be estimated as savings in the maintenance budget.

5.4 The procurement activity

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

The **Annual Sectoral Procurement Plan for 2021** (2021 PAAS) has an assigned value of 1.284.779.151 lei, to which the value of 1.799.806.473 lei in **Annex 1 Further Procurement** is added (from 2020).

I. PROCUREMENT PROCEDURES (SIMPLIFIED PROCEDURES / OPEN AUCTIONS / NEGOTIATED PROCEDURE WITHOUT PRIOR CALL FOR COMPETITION (NFIPPCO) / OWN PROCEDURES) - PAAS 2021

In Half I 2021 196 procurement contracts/framework agreements for a total value of 1.639.666.086,24 lei and 68 subsequent contracts for the value of 49.529.993,43 lei were concluded.

Total procedures completed in Half I 2021	1.639.666.086,24	56,02%
-PAAS 2021	89.331.497,35	3,05%
-Annex 1 – Procurement in progress (since 2020)	1.550.211.788,89	52,96%
- Annex 2 – Social services	122.800,00	0,00%

Schematically the procurement procedures actual achievement is as follows:

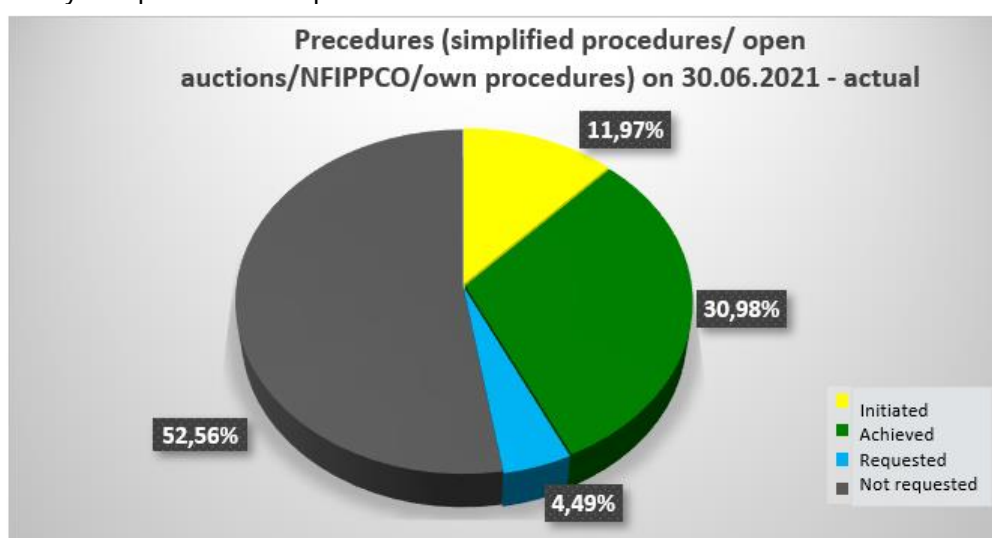


Chart 29 – Actual status of procurement procedures on 30.06.2021

II. DIRECT PROCUREMENTS:

In Half I 2021 399 direct procurements were completed, of which 50 by contract, 344 by order, and 5 acquisitions were carried out by the Maintenance Division and by the European Funds and International Relations Divisions, on the basis of competence delegation decisions. The total value of the 2021 PAAS direct procurements achieved amounts to 5.520.107,49 lei.

Total direct procurement on 30.06.2021	5.520.107,49	19,55%
-PAAS 2021	5.215.026,80	18,47%
-Annex 1 - Procurement in progress (since 2020)	290.363,69	1,03%
- Annex 3 – Exceptions art. 35	14.717,00	0,05%

Schematically the direct procurement actual achievement is as follows:

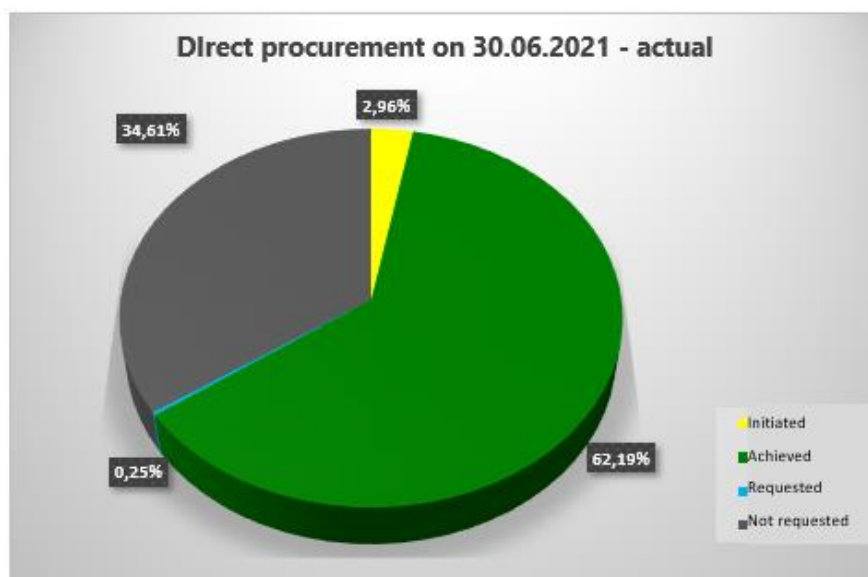


Chart 30 – Actual status of direct procurement on 30.06.2021

5.5 The legal assistance and representation activity

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

- ensuring legal assistance before courts of all levels of jurisdiction and other bodies with jurisdictional activity;
- initiating legal actions, establishing claims, filing statement of defence, preparing answers to statements of defence, examinations, setting objectives of expertise and / or objecting to judicial expertises approved by the court, administration of evidence, etc.
- promoting remedies at law;
- enforcement of the enforceable titles obtained;

- assistance and legal representation of Transgaz within the enforcement procedure (formulation of enforcement requests and any other steps specific to the enforcement procedure);
- participation in commissions set up to evaluate tenders submitted under the sectoral procurement procedures.

According to case registry records kept by the Legal Department, in Half I 2021, there were a total of **46 cases** in which Transgaz was both plaintiff and defendant:



Chart 31- Structure and number of cases in which the company was involved in Half I 2021

Values:

- values of cases in which Transgaz is a plaintiff (files registered in 2021): **34.160.278,35 lei**;
- values of cases in which Transgaz is a defendant (files registered in 2021): **330.757,28 lei + 80.000 Eur.**

Solutions:

- **14 favorable decision cases** Transgaz (final decisions);
- **14 unfavorable decision cases** Transgaz (final decisions).

5.6 International cooperation activity

In Half I 2021 the international cooperation activity mainly was directed to:

- the cooperation with the Gas Transmission System Operators from the neighbouring countries (Bulgaria, Hungary, Ukraine, Moldova, Serbia) in order to implement and jointly operate the cross-border interconnection;
- the cooperation with the European and neighbouring gas Transmission System Operators within the Trans Balkan Corridor project
- the collaboration with European and adjacent Transmission System Operators within the Vertical Gas Corridor Project (Transgaz, DESFA Greece, ICGB, Bulgartransgaz Bulgaria, FGSZ Hungary)
- the cooperation with national and international bodies, the European Commission and other institutional relations
- the cooperation with gas transmission operators at the regional level for the development of new relevant partnerships for the energy sector and the conclusion of cooperation agreements or memoranda:

- in June 2021, TRANSGAZ SA, concluded a Memorandum of Understanding with the Polish TSO, GAZ-SYSTEM SA. By signing the Memorandum, the Parties confirm the intention and commitment to endeavour to establish cooperation relations and identify opportunities for substantiation of mutual support directions;
- in June 2021 Transgaz proposed to the gas transmission operators in Hungary, Poland and Slovakia, meaning FGSZ, Gas System and Eustream, a draft Memorandum of Understanding on hydrogen, to analyse the possibility to use at large scale the hydrogen produced from natural gas, for identifying technologies for the production of hydrogen to ensure the energy transition in accordance with the relevant European regulations. The Memorandum is currently under internal analysis at the specialised departments of the peer companies.

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

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

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

Transgaz is the sole shareholder of EUROTRANSGAZ SRL.

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

Consolidated companies in the Transgaz group:

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

Indicator	Consolidated statements Half I 2021	Individual statements Transgaz Half I 2021	ETG, VMTG, adjustments Half I 2021
0	1=2+3	2	3
Revenue from the domestic transmission activity	620.166	620.166	0
Revenue from the international transmission activity	33.912	33.912	0
Other revenue	47.213	46.751	462
Operating revenue before the balancing and construction activity according to IFRIC12	701.291	700.829	462
Depreciation	162.279	158.022	4.257
Employees costs	230.396	228.915	1.481
Technological consumption, materials and consumables used	63.854	63.854	0
Cost of royalty	2.616	2.616	0
Maintenance and transmission	14.723	14.652	71
Taxes and duties due to the state	39.523	39.523	0
Revenue/ (Costs) of provisions for risks and charges	-26.116	-26.109	-7
Other operating cost	89.381	88.341	1.041
Operational profit before the balancing and the construction activity according to IFRIC12	124.633	131.015	-6.382
Revenue from the balancing activity	142.059	142.059	-
Cost of balancing gas	142.059	142.059	-
Revenue from the construction activity according to IFRIC12	345.847	345.847	-
Cost of constructed assets according to IFRIC12	345.847	345.847	-
Operational profit	124.633	131.015	-6.382
Financial revenue	60.645	49.207	11.438
Financial cost	21.426	8.541	12.885
Financial revenue, net	39.219	40.666	-1.447
Profit before tax	163.851	171.680	-7.829
Profit tax expense	30.554	30.206	349
Net profit for the period	133.297	141.474	-8.178
Exchange rate differences	5.007	0	-5.007
Total comprehensive income for the period	138.303	141.474	-3.171

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

Consolidated achievements Half I 2021 versus consolidated achievements Half I 2020

The statement of the financial results achieved as at 30 June 2021 as compared to Half I 2020 is presented below:

(thousand lei)

Name	Obtained Half I 2021	Obtained Half I 2020	Changes
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	701.291	768.733	-9%
Revenue from the balancing activity	142.059	111.953	27%
Revenue from the construction activity according to IFRIC12	345.847	673.000	-49%
Financial revenue	60.645	45.498	33%
Operating costs before the balancing and construction activity, according to IFRIC12	576.659	521.453	11%
Costs of balancing gas	142.059	111.953	27%
Cost of assets according to IFRIC12	345.847	673.000	-49%
Financial costs	21.426	10.383	106%
Total GROSS PROFIT, of which:	163.851	282.396	-42%
· from operation	124.633	247.281	-50%
· from the financial activity	39.219	35.115	12%
Income tax	30.554	46.023	-34%
NET PROFIT	133.297	236.373	-44%
Exchange rate difference	5.007	1.238	304%
Total comprehensive income for the period	138.303	237.612	-42%

Table 20 – Financial results - Half I 2021 vs. Half I 2020

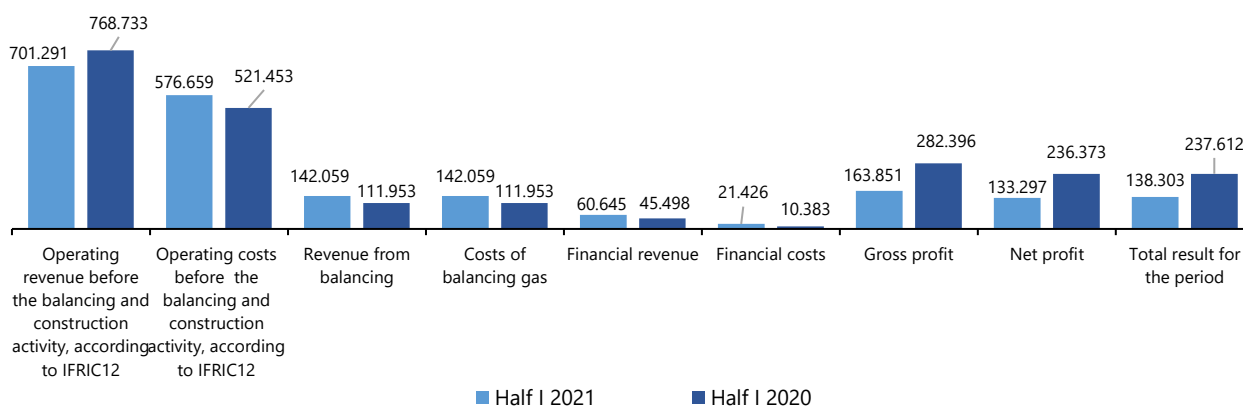


Chart 32 – Consolidated financial results - Half I 2021 vs. Half I 2020 (thousand lei)

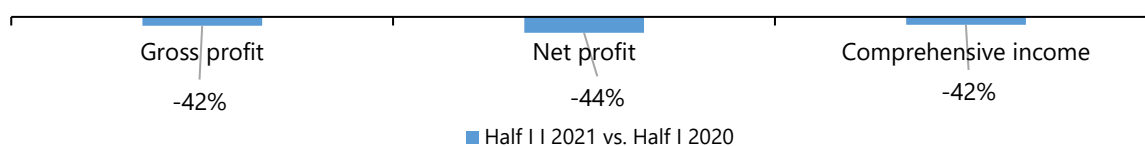


Chart 33- Consolidated financial results - Half I 2021 vs. Half I 2020 (%)

The variation of the consolidated economic-financial indicators at 30 June 2021, compared to the indicators obtained in the similar period of 2020 is mainly determined by the variation of the individual economic-financial indicators recorded by SNTGN Transgaz SA on 30 June 2021 compared to the indicators obtained in the similar period of 2020.

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

5.8 Consolidated financial results(factorial analysis of the individual activity)

Achievements in Half I 2021 vs. achievements in Half I 2020

The financial results obtained on 30 June 2021 as compared to the same period of 2020 is as follows:

(lei thousand)

Name	Obtained Half I 2021	Obtained Half I 2020	Changes
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	700.829	759.029	-8%
Revenue from the balancing activity	142.059	111.953	27%
Revenue from the construction activity according to IFRIC12	345.847	673.000	-49%
Financial revenue	49.207	42.417	16%
Operating costs before the balancing and construction activity, according to IFRIC12	569.815	517.072	10%
Costs of balancing gas	142.059	111.953	27%
Cost of assets according to IFRIC12	345.847	673.000	-49%
Financial costs	8.541	7.228	18%
GROSS PROFIT -total, of which:	171.680	277.146	-38%
· from operation	131.015	241.957	-46%
· from the financial activity	40.666	35.189	16%
Profit tax	30.206	45.978	-34%
NET PROFIT	141.474	231.168	-39%

Table 21 - Financial results - Half I 2021 vs.Half I 2020

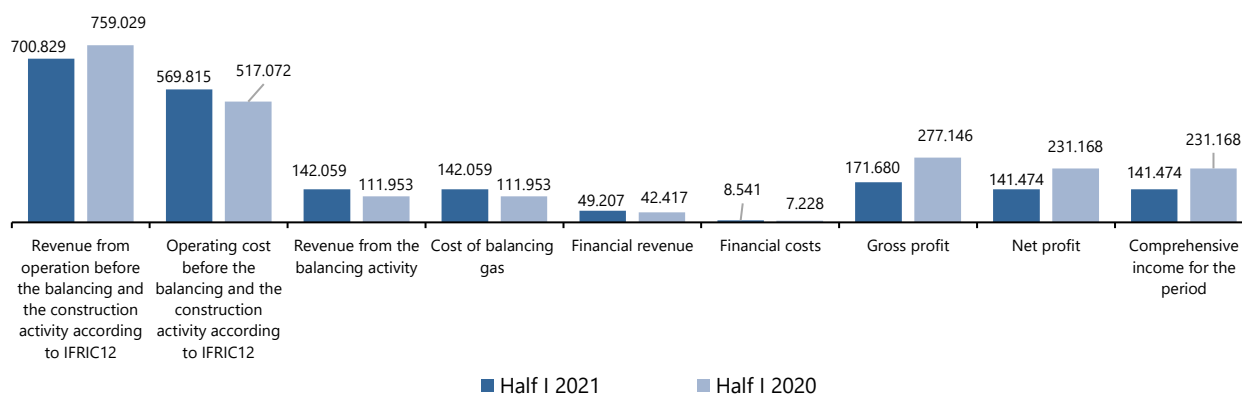


Chart 34 - Financial results - Half I 2021 vs. Half I 2020 (thousand lei)

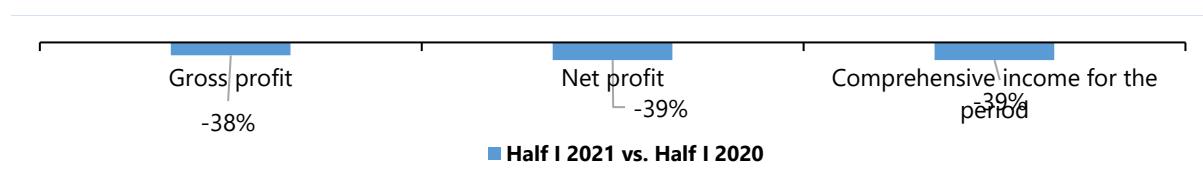


Chart 35 - Financial results - Half I 2021 vs. Half I 2020 (%)

Operating revenue before the balancing and construction activity, according to IFRIC12 decreased by 8% as compared to Half I 2020, which is lower by Lei 58.200 thousand.

The revenue was influenced mainly by the following factors:

- commodity revenue higher by **Lei 10.144 thousand** due to:
 - the gas transmitted capacities higher by 9.343.730 MWh/780.730 thousand cm (▲13%), as compared to Half I 2020, with a positive influence of Lei 14.109 thousand, detailed by categories of consumers as follows:

		6 months 2020	6 months 2021	Differences
Quantity transmitted for direct consumers	MWh	26.331.627	29.959.272	3.627.645
	thousand m ³	2.456.198	2.781.068	324.870
Quantity transmitted for distribution	MWh	43.629.956	49.346.041	5.716.085
	thousand m ³	4.051.746	4.507.605	455.859
Total	MWh	69.961.583	79.305.313	9.343.730
	thousand m ³	6.507.943	7.288.673	780.730

- the commodity transmission tariff lower by Lei 0,05 lei/MWh, with a negative influence of Lei 3.965 thousand;

The commodity tariffs decreased in Half I 2021 as compared to Half I 2020 mainly due to:

- Order 10/2017 of the ANRE President on the amending of Order 32/2014 of ANRE President on the approval of the Gas Transmission Regulated Revenue, Total Revenue and Regulated Tariffs Methodology, which establishes the increasing by 5% per year of the percentage by which the approved revenue is recovered by the application of the capacity booking tariff, up to 85%, and the decreasing of the percentage by which the approved revenue is recovered by the application of the commodity tariff. In gas year 2019-2020 the variable component of the total revenue at the basis of the commodity tariffs is 25% of the total revenue and in gas year 2020-2021 to 20% of the total revenue;
- at the substantiation of the tariffs for gas years 2019-2020 and 2020-2021, the tax on the monopoly was not recognised by ANRE at the pass-through costs and implicitly at the regulated revenue.
- *revenue from capacity booking lower by **Lei 67.802 thousand*** due to:
 - *revenue from the auction premium lower by Lei 102.129 thousand* following the capacity booking auctions performed according to the CAM-NC by interconnection points. Revenue from the auction premium in Half I 2020 amounted to Lei 109.521 thousand, and in Half I 2021 to Lei 7.393 thousand;
 - *booked capacity lower by 2.255.398 MWh, with a negative influence of Lei 5.128 thousand;*
 - *capacity booking tariff higher by Lei 0,103/MWh, with a positive influence of Lei 19.946 thousand;*
 - *capacity surplus revenue higher by Lei 19.509 thousand.* Capacity surplus revenue in Half I 2020 amounted to Lei 17.348 thousand, and in Half I 2021 to Lei 36.856 thousand;
- *international gas transmission revenue and similar lower by **Lei 25.318 thousand.*** According to the Agreement for the termination of the legacy Contract between SNTGN Transgaz SA and GPE, the remaining amounts will be paid over a period of maximum three years and the transmission revenue is regulated according to ANRE Order 41/2019 and ANRE Order 34/2014, based on the points where capacity is booked, the monthly difference being classified as similar income.
- *other operating revenue higher by **Lei 24.776 thousand**,* mainly due to the recording to revenue of the grants obtained for the financing of the major investment projects following their completion and commissioning.

Revenue from the balancing activity higher by **Lei 30.106 thousand** based on the following factors:

- trading price higher by Lei 44,18 /MWh, with a positive influence of Lei 58.144 thousand;
- quantity lower by 439.715 MWh with a negative influence of Lei 28.038 thousand;

Revenue from the construction activity lower by **Lei 327.154 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;

Financial revenue with a positive influence of **Lei 6.791 thousand**, mainly due to the recording of the updating of the regulated assets value with the inflation rate for Half I 2021 (Half I 2021: lei 18.410 thousand vs Half I 2020: lei 13.287 thousand) .

Operating costs before the balancing and construction activity according to IFRIC12 increased by **10%** as compared to Half I 2020, which is higher by **Lei 52.743 thousand**.

The company made savings of Lei 89.335 thousand, in relation to the following cost elements:

- cost of NTS concession royalty: Lei 71.089 thousand; Transgaz pays a royalty of 0,4% of the value of gross revenue from the gas transmission and transit operations through the national transmission systems in the public property of the state, following the entry into force of Law 244/09.11.2020; previously the royalty payment obligation amounted to 10%;
- cost of provision for risks and charges: Lei 18.246 thousand.

Exceedings amounting to Lei 142.078 thousand were recorded to the following cost elements:

- transmission system gas consumption Lei 6.009 thousand due to:
 - the quantity of natural gas for NTS gas consumption higher by 96.084 MWh as compared to Half I 2020, with a negative influence of Lei 10.559 thousand;
 - the average purchase price obtained lower by Lei 10,02/MWh as compared to the one obtained in Half I 2020, with a positive influence of Lei 4.550 thousand;
- employee costs: Lei 22.008 thousand;
- cost of depreciation: Lei 53.144 thousand, based on the completion and commissioning of the major investment projects;
- costs of maintenance and transmission: Lei 5.370 thousand;
- costs auxiliary materials: Lei 7.849 thousand;
- costs of monopoly tax and other duties and taxes: Lei 7.529 thousand;
- other operating costs: Lei 40.169 thousand, mainly based on the increasing of the cost of the adjustment for impairment of current assets by Lei 37.285 thousand.

The financial cost is higher by **Lei 1.313 thousand** mainly based on the non-capitalized interest expenses related to the use of credit to finance the current activity.

Compared to Q I 2020 the gross profit obtained in Half I 2021 decreased by 38%, which is lower by Lei 105.465 thousand.

Obtained in Half I 2021 versus Budget Half I 2021

The main economic and financial indicators achieved in Half I 2021 as compared to the Revenue and Expense Budget approved by OGMS Resolution no. 3/27 April 2021 are as follows:

(thousand lei)

Name	REB 6 months 2021	Obtained 6 months 2021	Changes
0	1	2	4=1/2x100-100
Operating revenue before the balancing and the construction activity, according to IFRIC12	672.711	700.829	4%
Revenue from the balancing activity	138.677	142.059	2%
Revenue from the construction activity according to IFRIC12	141.712	345.847	144%
Financial revenue	46.404	49.207	6%
Operating costs before the balancing and construction activity, according to IFRIC12	635.531	569.815	-10%
Costs of balancing gas	138.677	142.059	2%
Cost of assets according to IFRIC12	141.712	345.847	144%
Financial costs	11.844	8.541	-28%
Total GROSS PROFIT, of which:	71.740	171.680	139%
· from operation	37.180	131.015	252%
· from the financial activity	34.560	40.666	18%
Income tax	12.010	30.206	152%
NET PROFIT	59.730	141.474	137%

Table 22 - Financial results Half I 2021 vs. Budget Half I 2021

The operating revenue before the balancing and the construction activity according to IFRIC12 are higher by **thousand 28.118 lei** as compared to the REB.

The revenue was influenced by the following:

Gas transmission services were influenced by the following:

- gas transmission services increased by lei **63.695 thousand** due to:
 - *booked capacity higher* by 10.326.213 MWh with a positive influence of **lei 53.510 thousand**, increase influenced also by the invoicing of the booking capacity surplus for Half I 2021, according to ANRE Order 1/18.01.2016, ANRE Order 14/30 March 2016 and ANRE Order 160/26 November 2015;
 - *gas transmitted quantities* higher than planned by 6.975.697 MWh (▲10%) with a positive influence of **lei 10.185 thousand**;
- revenue from international gas transmission services decreased by **lei 4.716 thousand**, due to the variation of the ongoing contracts currency exchange rate;
- other operating revenue decreased by **lei 30.861 thousand** as compared to the REB. The Transgaz financial statements do not present the value of revenue from the production of tangible assets or the amount of the relevant expenses according to Order 2.844/2016 on the approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

Revenue from the balancing activity increased by **lei 3.382 thousand** based on the following:

- trading price higher by lei 20,61/MWh, cu with a positive influence of lei 27.118 thousand;
- quantity lower by 271.773 MWh with a negative influence of lei 23.737 thousand.

Financial revenue increased by **lei 2.803 thousand** as compared to the REB, based on the foreign currency gain.

The operating costs before the balancing and construction activity according to IFRIC12 decreased by **10%** as compared to the plan approved, which is lower by **lei 65.716 thousand** as compared to the REB.

Savings amounting to **lei 88.802 thousand** were recorded mainly at the following cost elements:

- cost of depreciation: lei 15.022 thousand;
- personnel costs: lei 21.266 thousand;
- costs of auxiliary materials and other materials: lei 26.299 thousand;
- costs of maintenance and transmission: lei 16.504 thousand;
- transmission system consumption: lei 2.826 thousand;
- cost of provision for risks and charges: lei 6.885 thousand.

An expense surplus of lei 23.085 thousand was recorded mainly at the following cost elements:

- NTS concession royalty cost: lei 236 thousand;
- cost of taxes and duties: lei 700 thousand;
- other operating costs and depreciation costs: lei 22.149 thousand mainly based on the increase of the adjustments for the impairment of current assets

The financial cost is lower by **lei 3.303 thousand** as compared to the REB, based on the foreign currency exchange gain.

The gross profit increased by 139% as compared to the plan, which is higher by lei 99.940 thousand as compared to the REB and the net profit increased by 137 % as compared to the plan, which is higher by lei 81.745 thousand as compared to the REB.

	Obtained 6 months 2021 vs. Obtained 6 months 2020	Obtained 6 months 2021 vs. REB 6 months 2021
Operating revenue before the balancing and construction activity, according to IFRIC12	-8%	4%
Operating costs before the balancing and construction activity, according to IFRIC12	10%	-10%
Gross result	-38%	139%
Profit tax	-34%	152%
Net profit	-39%	137%

Table 23– Obtained 6 months 2021 vs. Obtained 6 months 2020 and Obtained 6 months 2021 vs. REB 2021 (%)

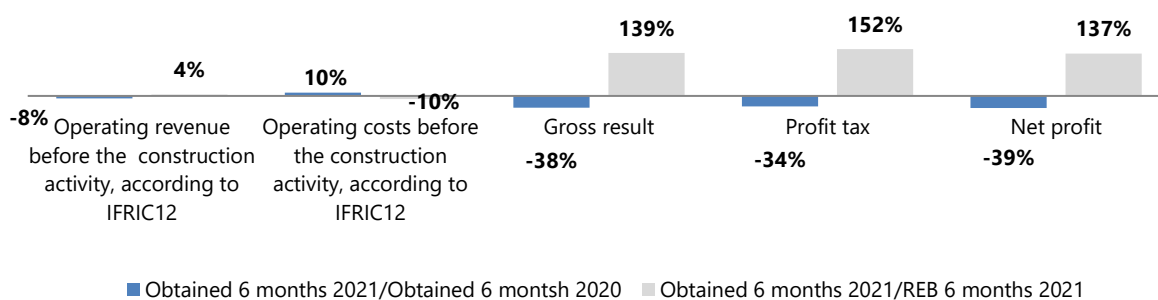


Chart 36- Obtained 6 months 2021 vs. Obtained 6 months 2020 and Obtained 6 months 2021 vs. REB 2021

5.9 The tariff setting methodology

In 1 October 2020–30 June 2021 the regulated tariffs for the gas transmission services through the NTS were set based on ANRE Order 83/27 May 2020 on the approval of the National Transmission System gas transmission regulated revenue, total revenue and transmission tariffs.

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

6. CONSOLIDATED ECONOMIC AND FINANCIAL REPORTING

6.1 Consolidated financial position

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

The statement of the consolidated financial position as at 30.06.2021 as compared to 2020 is as follows:

Indicator	30.06.2021	31.12.2020	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2
Tangible assets	744.750	731.438	101,82%
Rights of use for the leased assets	20.535	19.192	107,00%
Intangible Assets	4.115.339	3.931.693	104,67%
Goodwill	9.070	9.082	99,87%
Trade receivables and other receivables	1.412.835	1.364.269	103,56%
Deferred tax	8.865	4.985	177,83%
Fixed assets	6.311.394	6.060.658	104,14%
Inventories	186.726	194.142	96,18%

Indicator	30.06.2021	31.12.2020	Dynamics
	Thousand lei	Thousand lei	(%)
Commercial receivables and other receivables	511.322	677.396	75,48%
Cash at hand and in bank	228.111	289.452	78,81%
Current assets –TOTAL	926.159	1.160.990	79,77%
TOTAL ASSETS	7.237.553	7.221.648	100,22%
Debts to be paid over a one-year period	643.851	703.266	91,55%
Debts to be paid over a period of more than one year	2.804.969	2.772.114	101,19%
Total debts	3.448.820	3.475.380	99,24%
Equity	3.788.733	3.746.268	101,13%
Share capital	117.738	117.738	100,00%
Hyperinflation adjustment of share capital	441.418	441.418	100,00%
Share premium	247.479	247.479	100,00%
Other reserves	1.265.797	1.265.797	100,00%
Retained earnings	1.711.293	1.693.268	101,06%
Exchange rate differences from consolidation	5.008	-19.432	-25,77%
Total equity and debts	7.237.553	7.221.648	100,22%

Table 24- Statement of consolidated financial position in Half I 2021 vs. 2020

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 13.312 thousand** as compared to the value as at 31.12.2020, mainly due to the fact that the tangible assets inflow did not exceed the depreciation cost for tangible assets.

Rights of use of leased assets

As of 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 increased by lei 1.343 thousand as compared to 31 December 2020 due to the recording of new leased assets contracts.

Intangible Assets

IT Programs

The purchased licenses related to the rights to use the IT programs are capitalized on based on the costs incurred with the procurement and commissioning of the respective IT programs.

Such costs are depreciated over their estimated useful life (three years).

Costs related to the development or maintenance of the IT programs are recognized as costs during the period when they are registered.

Concession agreement

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

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

The Company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right.

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

Intangible assets increased by lei 183.647 thousand as compared with the value as at 31.12.2020, this increase being mainly due to the investment works related to the main projects under the TYNDP. Advance payments for intangible assets amounting to lei 66.282 thousand were recorded at the end of the period.

Trade receivables and other receivables

The receivables to ANRM on 30 June 2021 increased by the amount of lei 48.566 thousand, calculated after the entry into force of Law 127/2014 of 5 October 2014, which states that in case of termination of the concession agreement for any reason, or upon contract ending, 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 depreciated, established by ANRE.

The increase by lei 25.992 thousand compared to the one as at 31 December 2020 is determined mainly by the discount of the receivables with the modifications registered in the RAB and the adjustment of the regulatory asset value by the inflation rate starting with 2019, according to ANRE Order 41/2019.

Inventories

On 30 June 2021, the inventories decreased by lei 7.416 thousand compared to the value as at 31 December 2020, mainly due to the recording of the materials procured for the execution of the project `Development on the Romanian territory of the National Gas

Transmission System along the Bulgaria-Romania-Hungary-Austria Corridor` and of the project `NTS developments in North-Eastern part of Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova` at investments in progress.

Commercial receivables and other receivables

On **30 June 2021** the balance of the commercial receivables and of other receivables **decreased** by **lei 166.074 thousand** as compared to 31 December 2020, mainly due to the following factors:

- Increase in the client receivables balance by lei 4.321 thousand mainly generated by the decrease in the balance of the receivables resulted from the gas transmission and international transit activity;
- increase in the provisions for the impairment of the trade receivables and of other receivables by lei 46.392 thousand;
- decrease in non-refundable loans as subsidies by lei 34.271 thousand;
- decrease in the balance of other receivables by lei 89.732 thousand.

Cash at hand and in bank

As at 30 June 2021 the company's cash decreased by lei 61.341 thousand as compared to the end of 2020. The cash in the bank accounts in lei decreased by lei 115.143 thousand and the cash in bank accounts in currency increased by lei 53.755 thousand.

Other cash elements and cash equivalent record an increase by lei 47 thousand compared with 2020.

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 noticed compared to 31 December 2020:

- decrease of the balance of the commercial debt and other debt by lei 8.037 thousand;
- decrease of the provision for risks and charges by lei 26.109 thousand on account of the reconsideration in the revenue of the provision for untaken holidays which was exceeded by the value of the provision established for the employees share in to profit recorded for 2021 and 2020;
- increase in the short term deferred revenue by lei 697 thousand;
- decrease in the short term loans by lei 25.966 thousand.

Long-term debts

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

- increase in the long term loans by lei 35.649 thousand;
- decrease in deferred revenue and of the subsidies by lei 4.052 thousand;
- increase in the commercial debts and other debts in the amount of lei 1.258 thousand.

Equity

The subscribed and paid up capital remained unchanged.

The increase in the retained earnings by lei 42.465 thousand is determined by the recording of the consolidated profit related to Half I 2021 which exceeded the appropriation of the profit for establishing own financing sources.

6.2 Consolidated cash flow statement

The consolidated cash flow statement on 30 June 2021 is as follows:

Indicator	Financial year ended 30 June (thousand lei)	
	2021	2020
Profit before tax	163.851	282.396
Adjustments for:	0	0
Depreciation	162.279	105.440
Gain/(loss) from the transfer of fixed assets	-568	-157
Provisions for risks and charges	-26.102	-12.652
Revenue from connection fees, grants and goods taken free of charge	-34.931	-14.266
Concession Agreement receivable adjustment	-28.041	-27.749
Loss on amounts receivable and sundry debtors	29	4
Loss/(gain) on write down of inventories	1.207	4.416
Adjustment of impairment of receivables	46.392	5.898
Interest revenue	-18.413	-13.862
Interest expenses	3.588	0
The effect of the currency exchange rate variation on other elements than operation	3.719	7.013
Other revenue/costs	0	-709
Operating profit before the changes in working capital	273.011	335.773
(Increase)/decrease in trade and other receivables	120.568	52.379
(Increase)/decrease in inventories	-8.312	88.011
Increase/(decrease) in commercial debt and other debt	-40.299	-207.902
Cash from operations	344.969	268.262
Paid interest	-3.327	0
Received interest	946	1.343
Paid profit tax	0	-21.224
Net cash inflows from operation	342.587	248.381
Cash flow from investments		
Payments for the acquisition of tangible and intangible assets	-472.658	-521.260
Financial investments/shares	0	0
Receipts from the transfer of tangible assets	686	214
Cash from connection fees and non-reimbursable funds	65.902	4.444
Net cash used in investment activities	-406.070	-516.602
Cash flow from financing activities		

Indicator	Financial year ended 30 June (thousand lei)	
	2021	2020
Disbursements on long term loans	77.824	383.970
Loan reimbursement on the long term	-27.866	0
Credit drawings for the working capital	-47.017	0
Paid dividends	-798	-508
Net cash used in financing activities	2.142	383.462
Exchange rate difference	0	1.238
Net change in cash and cash equivalents	-61.341	116.479
Cash and cash equivalents at the beginning of the year	289.452	352.985
Cash and cash equivalents at the end of the period	228.111	469.464

Table 25 - Consolidated cash flow statements – Half I 2021 vs Half I 2020

The analysis of the cashflow as of 30 June 2021 show a **decrease of liquid assets** by Lei **241.352** as compared to 30 June 2020.

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

- cash flow from operation is of lei 342.587 thousand, higher by lei 94.206 thousand than in Half I 2020;
- cash flow from the investment activity is of lei -406.070 thousand, higher by lei 110.532 thousand than in Half I 2020;
- cash flow used in the financing activity is of lei 2.142 thousand, lower by lei 381.320 thousand than in Half I 2020.

On 30 June 2021 the Company's cash in bank accounts amounted to lei 228.111 thousand of which 18,69 % was cash denominated in foreign currency, most of it in EUR.

6.3. 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 2021	31 December 2020
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	125.257	123.351
USD depreciation by 10%	(125.257)	(123.351)
EUR appreciation by 10%	(38.619.788)	(35.954.181)
EUR depreciation by 10%	38.619.788	35.954.181

Price risk

The Company is exposed to the commodity price risk related to the 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 1.923.112 (December 2020 : lei 3.325.834).

Interest rate risk on cash flow and fair value

The Company is exposed to interest rate risk by deposits with banks and loans with variable interest taken. The Company did not conclude any commitment to diminish the risk. For the average exposure of the period, if the interest rates had been by 50 basis points lower/higher, with all the other variables maintained constant, the profit related to the period and equity would have been lower/higher by lei 4.549.020 (lower/higher by lei 7.705.629 in December 2020), 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 48% of the trade receivable balances as at 30 June 2021 (31 December 2020: 47%).

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 2021 the Company has payment guarantees from clients amounting to lei 92.893.186.

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

	30 June 2021	31 December 2020
Without rating	886.230	1.565.253
BB+	57.431.735	129.228.022
BBB-	1.290.548	71.152.016
BBB		119.791
BBB+	167.521.933	86.472.555
A	136.280	136.721
AA	632.398	643.159
	227.899.124	289.317.517

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 2021 in terms of remained contractual maturity. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

Analysis of financial liabilities on 30 June 2021 in terms of maturity:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	1.879.675.574	122.496.494	790.194.826	966.984.254
Commercial debts and other debts	443.835.214	426.094.414	17.740.800	
	2.323.510.788	548.590.908	807.935.626	966.984.254

Analysis of financial liabilities on 31 December 2020 in terms of maturity:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	1.903.768.715	104.075.855	829.686.798	970.006.062
Commercial debts and other debts	450.599.080	434.116.640	16.482.440	-
	2.354.367.795	538.192.495	846.169.238	970.006.062

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:

	30 June 2021	31 December 2020
Financial assets		
Cash and cash equivalents	199.193.188	108.672.451
Term bank deposits	28.918.122	180.779.589
Credits and receivables	1.942.636.428	2.077.884.409
Financial assets - shares	24.578.237	24.578.237
Adjustments for financial assets - shares	(24.578.237)	(24.578.237)
	2.170.747.737	2.367.336.449
	30 June 2021	31 December 2020
Financial liabilities		
Debts measured at depreciated cost:		
Loans	1.724.478.301	1.714.795.911
Debts measured at fair value:		
-Financial guarantees related to contracts	26.836.681	19.125.114
-Commercial debts and other debts	327.057.943	308.698.920
	2.078.372.925	2.042.619.945

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.

In 2020, the Company's strategy, which remained unchanged compared to 2019, was to keep the debt leverage degree as low as possible to keep a significant borrowing capacity for future investments.

The net leverage at 30 June 2021 and at 31 December 2020:

	30 June 2021	31 December 2020
Total loans	1.724.478.301	1.714.795.911
Less: cash and cash equivalents (Note 13)	(228.111.310)	(289.452.040)
Net cash position	1.496.366.991	1.425.343.871

Fair value estimate

The fair value of financial instruments traded on an active market is based on market prices quoted at the end of the reporting period.

The fair value of financial instruments that are not traded on an active market is set using valuation techniques.

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

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

7. INDIVIDUAL ECONOMIC AND FINANCIAL REPORTING

7.1 Individual financial position

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

The statement of the financial position as at 30.06.2021 as compared to 2020 is as follows:

Indicator	30.06.2021	31.12.2020	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2
Tangible assets	435.636	449.718	96,87%
Rights of use for the leased assets	20.535	19.192	107,00%
Intangible Assets	4.115.313	3.931.662	104,67%
Financial assets	294.009	284.273	103,42%
Trade receivables and other receivables	1.412.835	1.364.269	103,56%
Deferred tax	9.550	5.322	179,44%
Fixed assets	6.287.878	6.054.436	103,86%
Inventories	183.658	191.061	96,13%
Commercial receivables and other receivables	450.550	626.163	71,95%
Cash at hand and in bank	163.887	276.174	59,34%
Current assets –TOTAL	798.095	1.093.398	72,99%
TOTAL ASSETS	7.085.973	7.147.834	99,13%
Debts to be paid over a one-year period	639.761	700.280	91,00%
Debts to be paid over a period of more than one year	2.618.434	2.665.413	98,33%
Total debts	3.258.196	3.365.693	96,81%
Equity	3.827.778	3.782.141	101,21%
Share capital	117.738	117.738	100,00%
Hyperinflation adjustment of share capital	441.418	441.418	100,00%
Share premium	247.479	247.479	100,00%
Other reserves	1.265.797	1.265.797	100,00%
Retained earnings	1.755.346	1.709.709	102,67%
Total equity and debts	7.085.974	7.147.834	99,13%

Table 26- Statement of financial position of the company in Half I 2021 vs. 2020

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 14.082 thousand as compared to the value as at 31.12.2020, mainly due to the fact that the tangible assets inflow did not exceed the depreciation cost for tangible assets.

Rights of use of leased assets

As of 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 increased by lei 1.343 thousand as compared to 31 December 2020 due to the recording of new leased assets contracts.

Intangible Assets

IT Programs

The purchased licenses related to the rights to use the IT programs are capitalized on based on the costs incurred with the procurement and commissioning of the respective IT programs. Such costs are depreciated over their estimated useful life (three years).

Costs related to the development or maintenance of the IT programs are recognized as costs during the period when they are registered.

Concession agreement

From 2010, in accordance with the EU approval process, the Company started to apply IFRIC 12, **Service Concession Arrangements**, adopted by the EU. The scope of IFRIC 12 includes: the existing infrastructure at the time of signing the concession agreement and, also, modernization and improvement brought to the gas transmission system, which are transferred to the regulatory authority at the end of the concession agreement. The Company is entitled to charge the users of the public service and, consequently, an intangible asset was recognized for this right.

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

Intangible assets increased by lei 183.651 thousand as compared with the value as at 31.12.2020, this increase being mainly due to the investment works related to the main projects under the TYNDP. Advance payments for intangible assets amounting to lei 66.282 thousand were recorded at the end of the period.

Financial assets

The financial assets increased by lei 9.736 thousand as compared to 31.12.2020 and it is the increase of the share capital of the company EUROTRANSGAZ SRL Chisinau in the Republic of Moldova, established EGMS Resolution 10/12.12.2017 of SNTGN Transgaz SA.

Trade receivables and other receivables

The receivables to ANRM on 30 June 2021 increased by the amount of lei 48.566 thousand, calculated after the entry into force of Law 127/2014 of 5 October 2014, which states that in case of termination of the concession agreement for any reason, or upon contract ending, 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 depreciated, established by ANRE. The increase by lei 25.992 thousand compared to the one as at 31 December 2020 is determined mainly by the discount of the receivables with the modifications registered in the RAB and the adjustment of the regulatory asset value by the inflation rate starting with 2019, according to ANRE Order 41/2019.

Inventories

On 30 June 2021, the inventories decreased by lei 7.403 thousand compared to the value as at 31 December 2020, mainly due to the recording of the materials procured for the execution of the project `Development on the Romanian territory of the National Gas Transmission System along the Bulgaria-Romania-Hungary-Austria Corridor` and of the project `NTS developments in North-Eastern part of Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova` at investments in progress.

Commercial receivables and other receivables

On 30 June 2021 the balance of the commercial receivables and of other receivables **decreased by lei 175.613 thousand** as compared to 31 December 2020, mainly due to the following factors:

- decrease in the client receivables balance by lei 5.249 thousand mainly generated by the decrease in the balance of the receivables resulted from the gas transmission and international transit activity;
- increase in the provisions for the impairment of the trade receivables and of other receivables by lei 46.392 thousand;
- decrease in non-refundable loans as subsidies by lei 34.271 thousand;
- decrease in the balance of other receivables by lei 89.701 thousand.

Cash at hand and in bank

As at 30 June 2021 the company's cash decreased by lei 112.287 thousand as compared to the end of 2020. The cash in the bank accounts in lei decreased by lei 115.143 thousand and the cash in bank accounts in currency increased by lei 2.808 thousand. Other cash elements and cash equivalent record an increase by lei 48 thousand compared with 2020.

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 noticed compared to 31 December 2020:

- decrease of the balance of the commercial debt and other debt by lei 9.559 thousand;
- decrease of the provision for risks and charges by lei 26.109 thousand on account of the reconsideration in the revenue of the provision for untaken holidays which was exceeded by the value of the provision established for the employees share in to profit recorded for 2021 and 2020;
- increase in the short term deferred revenue by lei 697 thousand;

- decrease in the short term loans by lei 25.548 thousand.

Long-term debts

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

- decrease in the long term loans by lei 44.184 thousand;
- decrease in deferred revenue and of the subsidies by lei 4.052 thousand;
- increase in the commercial debts and other debts in the amount of lei 1.258 thousand.

Equity

The subscribed and paid up capital remained unchanged.

The increase in the retained earnings by lei 45.637 thousand is determined by the recording of the profit related to Half I 2021 which exceeded the appropriation of the profit for establishing own financing sources.

7.2 Individual comprehensive income

The situation of the profit account on 30 June 2021:

Specification	Obtained (thousand lei)		Dynamics (%)
	30.06.2021	30.06.2020	
1	2	3	4=2/3
TOTAL revenue of which:	1.237.941	1.586.398	78,03%
Operating revenue before the construction activity, according to IFRIC12	700.829	759.029	92,33%
Revenue from the balancing activity	142.059	111.953	126,89%
Revenue from the construction activity according to IFRIC12	345.847	673.000	51,39%
Financial revenue	49.207	42.417	116,01%
TOTAL costs of which:	1.066.261	1.309.253	81,44%
Operating costs before the construction activity, according to IFRIC12	569.815	517.072	110,20%
Cost of balancing	142.059	111.953	126,89%
Cost of constructed assets according to IFRIC12	345.847	673.000	51,39%
Financial costs	8.541	7.228	118,17%
GROSS PROFIT, of which:	171.680	277.146	61,95%
Result from operation	131.015	241.957	54,15%
Financial result	40.666	35.189	115,57%
PROFIT TAX	30.206	45.978	65,70%
NET PROFIT	141.474	231.168	61,20%

Table 27- Individual profit and loss account on 30 June 2021

Operating revenue

Operating revenue before the balancing and the construction activity according to IFRIC 12 obtained in 01.01.-30.06.2021 is as follows:

No.	Specification	Obtained Half I		Dynamics (%)
		2021	2020	
0	1	2	3	4=2/3*100
1.	Revenue from the transmission activity			
	- Thousand lei	620.166	677.824	91,49
	- MWh	79.305.313	69.961.583	113,36
	- lei/MWh	7,82	9,69	80,71
3.	Revenue from the international transmission activity			
	- Thousand lei	33.912	59.231	57,26
4.	Other operating revenue			
	- Thousand lei	46.751	21.974	212,75
TOTAL OPERATING REVENUE before the balancing and the construction activity according to IFRIC12		700.829	700.829	92,33

Table 28 - Revenue from the operating activity –Obtained in Half I 2021 vs. Obtained in Half I 2020

Operating expense

The operating expense obtained in 01.01.-30.06.2021 as compared to the same period of 2020 is as follows:

No.	Specification	Half I (thousand lei)		Dynamics (%)
		2021	2020	
0	1	2	3	4=2/3*100
1.	Depreciation	158.022	104.878	150,67
2.	Indemnities, salaries, other expenditures related to salaries and benefits to employees	228.915	206.906	110,64
3.	NTS gas consumption, materials and consumables used, of which:	63.854	49.996	127,72
	- Transmission system gas consumption	45.366	39.356	115,27
	- NTS gas consumption quantity - (MWh)	454.202	358.118	126,83
	- Auxiliary materials	15.518	9.141	169,76
	- Other material expenditures	2.971	1.499	198,22
4.	Expenditures related to royalties	2.616	73.705	3,55
5.	Maintenance and transport, of which:	14.652	9.281	157,86
	- Works, services performed by third parties	6.855	4.470	153,35
6.	Taxes and other amounts due to the State, of which:	39.523	31.994	123,53
	- Gas transmission and international transit license fee	5.036	1.963	256,53
	- Monopoly tax	30.400	26.745	113,67
7.	Cost of the provision for risks and charges	-26.109	-7.863	332,06
8.	Other operating expense	88.341	48.172	183,39
TOTAL OPERATING EXPENSE before the balancing and the construction activity according to IFRIC12		569.815	517.072	110,20

Table 29 - Operating costs obtained in Half I 2021 vs. Obtained in Half I 2020

7.3 Individual cash flow statement

The cash flow statement on 30 June 2021 is as follows:

Indicator	Financial year ended 30 June (thousand lei)	
	2021	2020
Profit before tax	171.680	277.146
Adjustments for:	0	0
Depreciation	158.022	104.878
Gain/(loss) from the transfer of fixed assets	-568	-157
Provisions for risks and charges	-26.109	-12.680
Adjustments for write down of inventories	1.207	4.416
Revenue from connection fees, grants and goods taken free of charge	-34.931	-14.266
Loss on amounts receivable and sundry debtors	29	4
Adjustment of impairment of receivables	46.392	5.898
Interest revenue	-18.410	-13.287
Interest expenses	2.350	0
Concession Agreement receivable adjustment	-28.041	-27.749
The effect of the currency exchange rate variation on other elements than operation	3.379	6.366
Operating profit before the changes in working capital	275.002	330.568
(Increase)/decrease in trade and other receivables	128.987	56.538
(Increase)/decrease in inventories	-8.330	81.586
Increase/(decrease) in commercial debt and other debt	-39.961	-177.139
Cash from operations	355.697	291.552
Received interest	946	1.343
Paid interest	-2.351	0
Paid profit tax	0	-21.224
Net cash inflows from operation	354.293	271.672
Cash flow from investments		
Payments for the acquisition of tangible and intangible assets	-447.750	-425.210
Financial investments/shares	-9.736	-64.070
Receipts from the transfer of tangible assets	686	214
Cash from connection fees and non-reimbursable funds	65.902	4.444
Net cash used in investment activities	-390.898	-484.622
Cash flow from financing activities		
Disbursements on long term loans	0	277.938
Loan reimbursement on the long term	-27.866	0
Credit drawings for the working capital	-47.017	0
Paid dividends	-798	-508
Net cash used in financing activities	-75.682	277.430
Net change in cash and cash equivalents	-112.287	64.480
Cash and cash equivalents at the beginning of the year	276.174	311.138
Cash and cash equivalents at the end of the period	163.887	375.618

Table 30 - Cash flow statements – Half I 2021 vs Obtained in Half I 2020

The analysis of the cashflow as of 30 June 2021 show a decrease of liquid assets by Lei **211.731** as compared to 30 June 2020.

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

- cash flow from operation is of lei 354.293 thousand, higher by lei 82.621 thousand than in Half I 2020;
- cash flow from the investment activity is of lei -390.898 thousand, higher by lei 93.724 thousand than in Half I 2020;
- cash flow used in the financing activity is of lei -75.682 thousand, lower by lei 353.112 thousand than in Half I 2020.

On 30 June 2021 the Company's cash in bank accounts amounted to lei 163.704 thousand of which 18,69 % was cash denominated in foreign currency, most of it in EUR.

7.4 Evaluation of the activity related to the financial risk management

Financial risk factors

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

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

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

Market risk

Currency risk

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

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

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

	30 June 2021	31 December 2020
Impact on profit and loss and on equity of:		
USD appreciation by 10%	125.257	123.351
USD depreciation by 10%	(125.257)	(123.351)
EUR appreciation by 10%	(26.188.731)	(26.462.323)
EUR depreciation by 10%	26.188.731	26.462.323

Price risk

The Company is exposed to the commodity price risk related to the 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 1.923.112 (December 2020 : lei 3.325.834).

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 cu 4.104.510 (higher / lower by lei 7.556.613 in December 2020), 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 48% of the trade receivable balances as at 30 June 2021 (31 December 2020: 47%).

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 2021 the Company has payment guarantees from clients amounting to lei 92.893.186.

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

	30 June 2021	31 December 2020
Without rating	886.230	1.565.253
BB+	57.431.735	129.210.884
BBB-	1.290.548	71.152.016
BBB+	103.326.872	73.331.714
A	136.280	136.721
AA-		643.159
AA	632.399	-
	163.704.064	276.039.747

All financial institutions are presented at 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 2021 in terms of remained contractual maturity. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

Analysis of financial liabilities on 30 June 2021 in terms of maturity:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	1.671.033.644	119.958.582	737.201.967	813.873.095
Commercial debts and other debts	365.665.986	347.925.186	17.740.800	-
	2.036.699.630	467.883.768	754.942.767	813.873.095

Analysis of financial liabilities on 31 December 2020 in terms of maturity:

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	1.783.112.184	102.130.515	801.654.534	879.327.136
Commercial debts and other debt	340.396.992	323.914.552	16.482.440	-
	2.123.509.176	426.045.067	818.136.974	879.327.136

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:

	30 June 2021	31 December 2020
Financial assets		
Cash and cash equivalents	134.969.071	95.394.681
Term bank deposits	28.918.122	180.779.589
Credits and receivables	1.881.781.038	2.025.294.235
Financial assets - shares	318.587.507	308.851.085
Adjustments for financial assets - shares	(24.578.237)	(24.578.237)
	2.339.677.501	2.585.741.353

	30 June 2021	31 December 2020
Financial liabilities		
Debts measured at depreciated cost:		-
Loans	1.537.943.954	1.607.676.689
Debts measured at fair value:		
-Financial guarantees related to contracts	26.836.681	19.125.114
-Commercial debts and other debts	323.567.138	304.789.438
	1.888.348.774	1.931.591.241

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.

In 2021, the Company's strategy applied since 2019, was to keep the debt leverage degree as low as possible to keep a significant borrowing capacity for future investments.

The net leverage at 30 June 2021 and at 31 December 2020:

	30 June 2021	31 December 2020
Total loans	1.537.943.954	1.607.676.689
Less: cash and cash equivalents	(163.887.193)	(276.174.270)
Net cash position	1.374.056.761	1.331.502.419

Fair value estimate

The fair value of financial instruments traded on an active market is based on market prices quoted at the end of the reporting period.

The fair value of financial instruments that are not traded on an active market is set using valuation techniques.

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

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

8. CORPORATE GOVERNANCE

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

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

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

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

The TRANSGAZ's Corporate Governance Rules were endorsed by the Board of Administration by Resolution 3/18.01.201 1 and approved by the Ordinary General Meeting of Shareholders on 2 March 2011, by GMS Resolution 1/2011 (Art. 4).

The document has a structure in line with the requirements in the field and includes **9 chapters**, as follows:

- Chapter 1 - Corporate Governance Structures: Board of Administration, Advisory Committees, Executive Management, Code of Professional Conduct.
- Chapter 2 - Shareholder rights: shareholder rights, shareholder treatment.
- Chapter 3 - Board of Administration: the role and obligations of the Board of Administration, the structure of the Board of Administration, the appointment of the members of the Board of Administration, the remuneration of the members of the Board of Administration.
- Chapter 4- Transparency, financial reporting, internal control and risk management: transparency and financial reporting.
- Chapter 5 - Conflict of interests and transactions with persons involved: conflict of interests; transactions with persons involved.
- Chapter 6 - Corporate Information Regime.
- Chapter 7 - Social Responsibility.
- Chapter 8 - Administration system.
- Chapter 9 - Final Provisions.

SNTGN Transgaz SA as a company listed on BSE in the Premium category, voluntarily adopted the provisions of the CGC of BSE and has been reporting since 2010 total or partial compliance by filling in the **Statement on compliance or non-compliance with the provisions of the Corporate Governance Code (`Apply or Explain` Statement)** contained in the Annual Report of the Administrators.

In 2015, within the project dedicated to corporate governance, the Bucharest Stock Exchange rewrote the BSE Corporate Governance Code, in effect in its initial form since 2008. Thus, on 22 September 2015 a **new Corporate Governance Code** was launched for companies listed on the main market, with the main objective of facilitating investors' access to information and protecting their rights.

The new Code is structured in four sections: **Responsibilities, Risk Management System and Internal Control, Fair Reward and Motivation, and Adding Value through Investor Relations**. Each section presents the `General Principles`, followed by `Provisions to be observed`.

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. To this end, companies will include a corporate governance statement in the annual report in a separate section, which will include a self-assessment of how the `provisions to be complied with` are met, as well as the measures taken to comply with the provisions which are not fully fulfilled. All cases of non-compliance by a company with a provision in the sections of the Code entitled `Provisions to be observed` will be reported to the market as of 4 January 2016, in the form of a current report.

Transgaz is in full compliance with most of the provisions of the new Code, and the provisions with which the company is not yet in compliance 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: Relații investitori/Raportări financiare.

Later, on 12 October 2016, by a Current Report sent to SNTGN TRANSGAZ SA BSE, SNTGN TRANSGAZ SA reported to the market the compliance with the new Governance Code provision A.2., which was included in the BoA Rules of Procedure and Organization at Art. 17 and approved by OGMS Resolution 4/23.06.2016. Any further compliance of the company in this respect will be reported to the capital market.

Administration 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 24.08.2020, 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 Companies Law no. 31/1990, republished, as further amended and supplemented.

The Board of Administration is composed of 5 members that guarantee the efficiency of the supervisory, analysing and evaluating capacity of the company as well as the fair treatment of the shareholders. Members of the Board of Administration are elected by the General Meeting of Shareholders for a four-year term, and if the duties are duly fulfilled, the mandate may be renewed or they may be revoked by the Ordinary General Meeting in case of failure to meet the main objectives.

Members of the Board of Administration may 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 24.08.2020 and approved by the Board of Administration by Resolution 27/24.08.2020, 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 *Regulation of Organization and Functioning of the Board of Administration of SNTGN Transgaz SA* in order to comply with its provisions and was approved in Art. 2 of OGMS Resolution no. 8/17 December 2018 of the Ordinary General Meeting of the Shareholders .

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

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

Members of the Board of Administration will constantly update their competencies and 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 3/22.04.2021 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
NICOLAE MINEA	Independent, Non-Executive Administrator

and two provisional members were appointed for a period of 4 months, with the possibility of extending the term by another two months until the completion of the selection procedure:

ABRUDEAN MIRCEA	Independent, Non-Executive Interim Administrator
DRAGOTĂ LAURA RALUCA ALINA	Independent, Non-Executive Interim Administrator

On 13.05.2021 during the Transgaz Board of Administration Meeting the administrators took note of General Secretariat of the Government Letter 20/11558/THD/13.05.2021 on the termination of the mandates of the two interim administrators.

Subsequently, by OGMS Resolution 4/17.06.2021 two other administrators were appointed as provisional members starting from 17.06.2021, for a period of four months, with the possibility to extend the mandate by another two months until the completion of the selection procedure:

CSABA OROSZ	Independent, non-executive, interim administrator
MIHAELA VIRGINIA TOADER	Independent, non-executive, interim administrator

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

The Board of Administration delegated the management of the company to the Director - General of SNTGN Transgaz SA, which is not the Chairman of the Board of Administration.

The Director - General of the National Gas Transmission Company Transgaz S.A. represents the company in its relations with third parties.

The Director shall prepare and submit 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 shall prepare and submit to the Board of Administration the reports provided by law.

The Director - General shall submit 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 TRANSGAZ S.A., carry out its operations and are accountable to it for the performance of their duties under the same conditions as the members of the Board of Administration.

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

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

According to Art. 19 (8) of the Articles of Incorporation, updated on 24.08.2020, the Board of Administration informs, at the first general meeting of the shareholders following the conclusion of the legal act on:

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

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

8.1 Key performance indicators established in the contracts of mandate

Until 29 April 2021, the mandate contracts of the administrators appointed by Ordinary General Meeting of Shareholders no. 3/19.06.2017 for a period of four years were applicable, in which the financial and non-financial performance indicators that were negotiated and approved by the General Meeting of Shareholders in 2018 were included by addendum:

By OGMS Resolution 2/22.04.2021 the mandates of three administrators were renewed for a period of four years and two provisional members were appointed for a period of four months, members who were subsequently, by OGMS Resolution 4 / 17.06.2021, were replaced with two other administrators as provisional members for a period of four months, with the possibility of extending the term by another to months until the completion of the selection procedure.

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

No.	Indicator	Objective	2021
			Budgeted
1.	Outstanding payments	Maintaining outstanding payments to zero	0
2.	Operating expenses (except for depreciation, balancing, construction activity and provisions for the asset depreciation and for risks and charges) (thousand lei)	Maintaining the level of the operating expenses at the level undertaken in the Management Plan	1.136.843
3.	Acid test ratio	Acid test ratio to register annual values over 1.	0,91
4.	Net debt-to-equity ratio	Maintaining a net debt-to-equity ratio under the limits set for obtaining bank financing, namely: 3 -2017; 3- 2018; 5,5 -2019; 5,5 -2020; 4-2021	4
5.	EBITDA (thousand lei)	Achieving the EBITDA target undertaken in the Management Plan	399.780

Table 31 - Key financial performance indicators for the calculation of the variable component of the remuneration in 2021

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

No.	Indicator	Objective	No.	2021
				Planned
Operational				
6	Monitoring the Implementation and Investment Strategy	Achievement of the FID projects from the 10 years Development Plan <i>I=(achieved+initiated actions)/proposed actions</i>		
		<i>Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria Corridor (BRUA phase 1).</i>	6.1	Construction Phase I; - Lot 1, Lot 2 and the Pui-Jupa – CS Bibești pipeline section
		<i>Interconnection of the National Transmission System with the T1 international gas transmission pipeline and reverse flow at Isaccea</i>	6.2	- Completion of FEED and the execution details/obtaining the comprehensive decision – phase 2 - Construction and commissioning
		<i>Modernization of Isaccea 1 GMS and Negru Vodă 1 GMS;</i>	6.3	Isaccea I – construction and commissioning Negru Vodă 1 – construction
		<i>NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova</i>	6.4	Construction (commissioning in 2021)
		<i>New NTS developments for taking over Black Sea gas</i>	6.5	- Construction (commissioning in 2021)
7	Increasing energy efficiency	<i>Maintaining the share of the NTS gas consumption in the total circulated gas below 1%</i>	7.1	<1
Orientați către servicii publice				
8	Performance indicators related to the gas transmission service	<i>Achievement of the targets provided for in the Performance Standard for the gas transmission service (ANRE Order 161/26.11.2015 entered into force as at 1 October 2016)</i>	8.1	$IP_0^1 \geq 90\%$
			8.2	$IP_1^1 \geq 95\%$
			8.3	$IP_1^2 \geq 95\%$
			8.4	$IP_1^3 \geq 95\%$
			8.5	$IP_1^4 \geq 95\%$
			8.6	$IP_1^5 \geq 95\%$
			8.7	$IP_2^1 \geq 95\%$
			8.8	$IP_2^2 \geq 95\%$
			8.9	$IP_3^1 \geq 95\%$
			8.10	$IP_3^2 \geq 95\%$
			8.11	$IP_3^3 \geq 95\%$
			8.12	$IP_3^4 \geq 95\%$
			8.13	$IP_4^1 \geq 95\%$
			8.14	$IP_5^1 \geq 98\%$
			8.15	$IP_5^2 \geq 98\%$
			8.16	$IP_6^1 \geq 98\%$
			8.17	$IP_6^2 \geq 98\%$

			8.18	$IP_7^1 \geq 80\%$
			8.19	$IP_8^1 \geq 98\%$
			8.20	$IP_8^2 \geq 98\%$
			8.21	$IP_9^1 \geq 90\%$
Corporate governance				
9	Implementing the internal/management control system	Implementing the provisions of the SGG Order no. 600/2018 for the approval of the Internal/management control Code of public enterprises as subsequently amended. <i>I</i> = implemented standards/standards provided by Order 600/2018*100	9.1	94%
10	Customer satisfaction	Achievement of the targets provided for in the administration 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)	10.1	8
11	Setting the risk management policies and risk monitoring	Achievement of the targets provided for in the administration plan related to the implementation of the requirements of Standard 8 of SGG Order no. 600/2018 for the approval of the internal/management Control Code of public entities	11.1	Updating of risk management specific documents
			11.2	Updating the Register of Risks Updating the Plan of measures to mitigate risks
			11.3	Report on risk monitoring
12	Timely reporting of the key performance indicators	Compliance with the legal deadlines for reporting <i>I</i> = actual reporting deadlines/reporting deadlines provided *100	12.1	Financial communication calendar to BSE
			12.2	Status of achievement of the 10 year National transmission system development plan
			12.3	SCIM reporting
			12.4	Reporting related to the achievement of the performance indicators of the gas transmission service
			12.5	Reporting form S1100 on the monitoring of the application of the provisions of GEO 109/2011
13	Increasing institutional integrity by including the measures for the prevention of corruption as an element of the managerial plans	Compliance with the measures undertaken by the approved Integrity Plan <i>I</i> = measures achieved within the deadline /proposed measures *100	13.1	Publication of the SCIM assessment results
			13.2	Annual evaluation of the implementation of the Integrity Plan and its adaptation to the newly occurred risks and vulnerabilities
			13.3	Annual publication of the performance indicators monitored within the company's Integrity Plan

Table 32 - Key financial performance indicators for the calculation of the variable component of remuneration in 2021

8.2 Key financial and non-financial performance indicators achievement

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

The key financial performance indicators approved by OGMS Resolution 3/2021 were substantiated based on the company's Revenue and Expense Budget data approved by OGMS Resolution 3/2021.

No.	Indicator	Objective	2021		Achievement
			Budgeted	Obtained Half I	
1.	Outstanding payments	Maintaining outstanding payments to zero	0	0	100%
2.	Operating expenses (except for depreciation, balancing, construction activity and provisions for the asset depreciation and for risks and charges) (thousand lei)	Maintaining the level of the operating expenses at the level undertaken in the Management Plan	1.136.843	390.302	291%
3.	Current liquidity ratio "Acid test"	Current liquidity ratio (Acid test) to register annual values over 1.	0,91	0,96	106%
4.	Net debt-to-equity ratio	Maintaining a net debt-to-equity ratio under the limits set for obtaining bank financing, namely: 3 -2017; 3- 2018; 5,5 -2019; 5,5 -2020; 4-2021	4	5,32	75%
5.	EBITDA (thousand lei)	Achieving the EBITDA target undertaken in the Management Plan	399.780	289.037	72%

Table 33 – Key financial performance indicators value for the calculation of the variable component of remuneration on 30 June 2021

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

No.	Indicator	Objective	No.	2021		Achievement degree	
				Planned	Achieved Q1 2021		
Operational							
6.	Monitoring the Implementation and Investment Strategy	Achievement of the FID projects from the 10 years Development Plan $I = (\text{achieved} + \text{initiated actions}) / \text{proposed actions}$					100%
		Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria Corridor (BRUA phase 1).	6.1	Construction Phase I; - Lot 1, Lot 2 and the Pui-Jupa – CS Bibești pipeline section	Completed		
		Interconnection of the National Transmission System with the T1 international gas transmission pipeline and reverse flow at Isaccea	6.2	- Completion of FEED and the execution details/obtaining the comprehensive decision - phase 2 - Construction and commissioning	Completed		
		Modernization of Isaccea 1 GMS and Negru Vodă 1 GMS;	6.3	Isaccea I – construction and commissioning Negru Vodă 1 – construction start	-GMS Isaccea 1 – Completed - FEED - Completed		
		NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova	6.4	Construction (commissioning in 2021)	- pipeline execution in progress (Lot 1 and Lot 2) and compressor stations		
		New NTS developments for taking over Black Sea gas	6.5	- Construction (commissioning in 2021)	- work accepted		
7.	Increasing energy efficiency	Maintaining the share of the NTS gas consumption in the total circulated gas below 1%	7.1	<1	0.58%	100%	
Oriented towards public services							
8.	Performance indicators related to the gas	Achievement of the targets provided for in the Performance Standard for the gas transmission service (ANRE Order 161/26.11.2015 entered	8.1	$IP_0^1 \geq 90\%$	99,53%	100%	
			8.2	$IP_1^1 \geq 95\%$	*		
			8.3	$IP_1^2 \geq 95\%$	*		

transmission service	into force as at 1 October 2016)	8.4	$IP_1^3 \geq 95\%$	100.00%		
		8.5	$IP_1^4 \geq 95\%$	100.00%		
		8.6	$IP_1^5 \geq 95\%$	100.00%		
		8.7	$IP_2^1 \geq 95\%$	92,30%		
		8.8	$IP_2^2 \geq 95\%$	*		
		8.9	$IP_3^1 \geq 95\%$	100.00%		
		8.10	$IP_3^2 \geq 95\%$	*		
		8.11	$IP_3^3 \geq 95\%$	*		
		8.12	$IP_3^4 \geq 95\%$	*		
		8.13	$IP_4^1 \geq 95\%$	*		
		8.14	$IP_5^1 \geq 98\%$	100.00%		
		8.15	$IP_5^2 \geq 98\%$	100.00%		
		8.16	$IP_6^1 \geq 98\%$	100.00%		
		8.17	$IP_6^2 \geq 98\%$	100.00%		
		8.18	$IP_7^1 \geq 80\%$	80%		
		8.19	$IP_8^1 \geq 98\%$	100.00%		
		8.20	$IP_8^2 \geq 98\%$	*		
		8.21	$IP_9^1 \geq 90\%$	*		
		Corporate governance				
9.	Implementing the internal/management control system	Implementing the provisions of the SGG Order no. 600/2018 for the approval of the Internal/management control Code of public enterprises as subsequently amended. <i>I = implemented standards/standards</i>	9.1	94%	<p>Achieved</p> <p>-Letter DSMC/1277/08.01.2021 sent to the General Secretariat of the Government on the Progress of the SCI/M implementation and development at SNTGN Transgaz SA on 31.12.2021; Entry no. SGG 20/1041/DC of 18.01.2021.</p> <p>-Centralized progress of the SCI/M implementation and development at SNTGN Transgaz SA on 31.12.202, no. DSMC/1139/08.01.2021.</p> <p>-Self-Assessment Questionnaire on the progress of the SCI/M standards implementation on 31.12.2020, no. DSMC/1138/08.01.2021.</p>	100%

		provided by Order 600/2018*100			<ul style="list-style-type: none"> -Synthesis of self-assessment results on 31.12.2020, no. 1146/08.01.2021. - Report DSMC/1144/08.01. of the Director-General on SCI/M on 31.12.2020 -Updating Decision no. 751/23.07.2018 on the establishing of Monitoring Committee with Decision no. 15/12.01.2021; - Updating Decision no. 282/15.03.2019 on the appointment of the SCI/M persons responsible with Decision no. 45/25.01.2021; - Updating the 2021 Transgaz SCI/M Development Plan no. 1142/08.01.2021; - List of sensitive functions at SNTGN Transgaz SA, year 2021, no. DORU 180/13.01.2021; -Register of employees occupying sensitive positions at SNTGN Transgaz SA, year 2021, no. DORU 219/15.01.2021; -The plan for ensuring the mitigation of risks associated with sensitive functions at SNTGN Transgaz SA, year 2021, no. DORU 220/15.01.2021; - Report on the SCI/M implementation on 31.12.2020, no. 4975/26.01.2021; - Report on 2020 Transgaz performance monitoring, no. 4973/26.01.2021. -Report to the Board of Administration on the Implementation internal / management control system and Performance Monitoring 2020, no. DSMC/25327/01.04.2021 BoA Resolution no. 14/26.04.2021 - Policy Statement on the sensitive functions within SNTGN Transgaz SA/10.08.2020 - Policy regarding the sensitive functions within SNTGN Transgaz SA No. DSMC/42754/30.07.2020 - SNTGN Transgaz SA Business Continuity Plan No. DSMC/53823/23.09.2020 	
10.	Customer satisfaction	Achievement of the targets provided for in the administration 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)	10.1	8	-	Monitored annually
11.	Setting the risk management policies and	Achievement of the targets provided for in the administration plan related to the implementation of	11.1	Updating of risk management specific documents	Achieved -Decision no. 30/21.01.2021 for the updating of the Risk Management Team;	100%

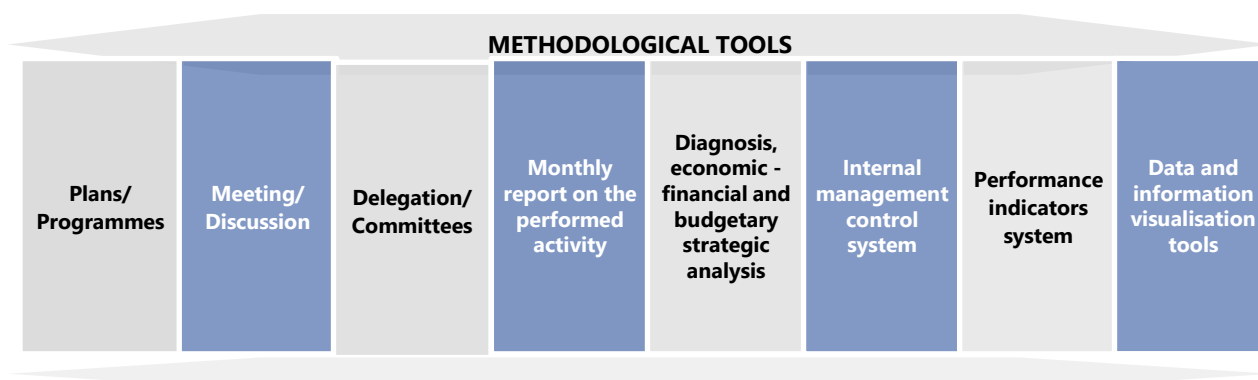
	risk monitoring	the requirements of Standard 8 of SGG Order no. 600/2018 for the approval of the internal/management Control Code of public entities			<p>-Tolerance Limit for 2021 no. 3114/19.01.2021; -The risk profile of Transgaz, December 2020, no. 3114/19.01.2021. - Development of the Risk Management Strategy, period 2021-2025, registration no. DSMC/38586/19.05.2021.</p>	
			11.2	<p>Updating the Register of Risks Updating the Plan of measures to mitigate risks</p>	<p>Achieved - the Register of the Risks at the company level - year 2021, no DSMC/3116/19.01.2021; -Plan of measures to mitigate risks, at the company level, year 2021, no. DSMC/3112/19.01.2021. - the Register of the Risks at the company level revised, December 2020, no. 73794/30.12.2020</p>	
			11.3	Report on risk management and monitoring	<p>Achieved -Report on risk management and monitoring within the company, for 2020, no. 3108/ 19.01.2021. The Board of Administration took note of the Information, by means of BoA Decision no. 14/26.04.2021; -The Report to the Board of Administration on the analysis of the achievement of the specific objectives and the measures established in the Risk Management Strategy implementation, SNTGN Transgaz SA for May 2019-April 2021, registration no. DSMC 25324/01.04.2021, BoA Resolution 14/26.04.2021.</p>	
12.	Timely reporting of the key performance indicators	Compliance with the legal deadlines for reporting I = actual reporting deadlines/reporting deadlines provided *100	12.1	Financial communication calendar to BSE	Achieved (see company web site)	100%.
			12.2	Status of achievement of the TYNDP	<p>Achieved Letter DSMC/14103/25.02.2021 Deadline: 1 March 2021</p>	
			12.3	SCIM reporting	<p>Achieved Letter no. DSMC/1277/ 08.01.2021sent to the General Secretariat of the Government, on the Transgaz SCI/M progress of implementation and development on 31.12.2020; Entry no. SGG 20/1041/DC of 18.01.2021. (reported annually)</p>	
			12.4	Reporting related to the achievement of the performance indicators of the gas transmission service	reported annually at the end of the gas year	
			12.5	Reporting form S1100 on the monitoring of the application of the	<p>Achieved -Letter DSMC 126/04.01.2021 - S1100 report for Semester II 2020</p>	

				provisions of GEO 109/2011	Letter DSMC 49566/01.07.2021 S1100 report for Half I 2021	
13.	Increasing institutional integrity by including the measures for the prevention of corruption as an element of the managerial plans	Compliance with the measures undertaken by the approved Integrity Plan <i>I = measures achieved within the deadline /proposed measures *100</i>	13.1	Publication of the SCIM assessment results	Achieved Published report on the Internal/Management Control System on 31.12.2020, no. 1144/08.01. 2021 at: http://zonapublica.transgaz.ro/Sistem%20de%20Control%20Intern%20Managerial/Sistem%20de%20Control%20Intern%20Managerial/6.%20Documente%20de%20evaluare%20interna%20si%20raportare/3.%20Raport%20anual%20al%20SCIM/Raportare%20c%C4%83tre%20SGG%20la%2031.12.2020/Raport%20asupra%20SCIM_31.12.2020.pdf	100%
			13.2	Annual evaluation of the implementation of the Integrity Plan and its adaptation to the newly occurred risks and vulnerabilities	Achieved At the level of S.N.T.G.N. TRANSGAZ S.A. the annual evaluation was performed, and by Letter DG 6410/29.01.2021, Report on the evaluation of the Transgaz Integrity Plan, the Integrity Incidents Report (Annex 1) and the Report for implementing measures S.N.A. (Annex 2) were sent to the General Secretariat of the Government;	
			13.3	Annual publication of the performance indicators monitored within the company's Integrity Plan	Achieved (by the publication of the Annual Evaluation of the Integrity Plan on intranet): http://zonapublica.transgaz.ro/Strategia%20de%20lupta%20anticoruptie/	

Note: Given that in the period analysed for the performance indicators of the gas transmission service marked * no requests/notifications/complaints are registered, it results that the indicators are met according to the requirements of the Performance Standard, but the degree of fulfilment of these indicators cannot be determined by mathematical calculation.

Table 34 – Key financial performance indicators for the calculation of the variable component of remuneration Half I 2021

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



ION STERIAN – Executive Administrator – Director General

PETRU ION VĂDUVA – Non-Executive Administrator

NICOLAE MINEA– Non-Executive Administrator

CSABA OROSZ – Non-Executive, Interim Administrator

MIHAELA VIRGINIA TOADER - Non-Executive, Interim Administrator

MIRCEA ABRUDEAN - Non-Executive, Interim Administrator

LAURA RALUCA ALINA DRAGOTĂ - Non-Executive, Interim Administrator

BOGDAN GEORGE ILIESCU – Non-Executive Administrator

REMUS GABRIEL LĂPUȘAN – Non-Executive Administrator

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