

# The National Gas Transmission Company TRASGAZ SA



## CONSOLIDATED REPORT ISSUED BY THE BOARD OF ADMINISTRATION FOR HALF I 2022

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## THE ADMINISTRATORS' MESSAGE

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

*With a tradition for more than 108 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 added value and the transparency needed to increase trust of investors in the administration and management of the company.*

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

*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 Plan of SNTGN Transgaz SA for 2021-2025**, approved by BoA Resolution 29/6 October 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 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 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 European Green Deal, the 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 European Green Deal provisions 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 manage and lead with your support, the destiny of this company between 2021-2025. Our guarantee for success in the face of the challenges and constraints of the external and internal context in which the company operates and will operate is the link between the management strategic vision, 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 (17.06.2021-16.06.2022)**

**AGAFIȚEI GHEORGHÎȚĂ - Non-Executive, Interim Administrator (17.06.2022 – 16.10.2022 with the possibility of extension for another 2 months)**



## 1. REPORT AND ISSUER GENERAL DATA

The Report for Half I 2022 prepared according to the provisions of Law 24/2017 on issuers of financial instruments and market operations (Art. 65) and the FSA Regulation 5/2018 on issuers of financial instruments and market operations (Annex 14), as further amended and supplemented – (for six months ended 30 June 2022) - **Half I of financial year 2022**.

**Report date:** 11 August 2022

**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 2022

### 2.1. Important events

In the Half I 2022, the Board of Administration of SNTGN Transgaz SA held 22 meetings, with the following being submitted for analysis, endorsement and/or approval:

#### **11 January 2022**

- By BoA Resolution 1/11 January 2022, the 2022 Annual Sectoral Procurement Plan was approved.

#### **26 January 2022**

- By BoA Resolution 3/26 January 2022 the following were endorsed and/or approved:
  - The draft 2022 Revenue and Expense Budget and the estimates for 2023-2024;
  - The policy on granting sponsorships and financial support at SNTGN Transgaz SA level in 2022;
  - Revised values for some financial key performance indicators included in the SNTGN Transgaz SA 2021-2025 Management Plan;
  - The draft 2022 Revenue and Expense Budget of the subsidiary, Vestmoldtransgaz SRL, and the estimates for 2023 - 2024;
  - The draft 2022 Revenue and Expense Budget of the subsidiary, Eurotransgaz SRL, and the estimates for 2023-2024.

#### **22 February 2022**

- By BoA Resolution 5/22 February 2022 the Report on the preliminary individual and consolidated financial statements for 2021 was approved.

### **3 March 2022**

- By BoA Resolution 2/3 March 2022 the corrected regulated revenue and regulated tariffs for natural gas transmission activity related to the fourth year of the fourth regulatory period, meaning 1 October 2022 - 30 September 2023, were approved for submission for approval to the competent authority, the National Energy Regulatory Authority.

### **9 March 2022**

- The following were endorsed and/or approved by the BoA Resolution 8/9 March 2022:
  - The SNTGN Transgaz SA 2021 - 2025 Management Plan, updated ;
  - The updated 2021 - 2030 TYNDP, for submission to the Ministry of Environment, Water and Forests for re-endorsement and public consultation.

### **16 March 2022**

- By BoA Resolution 9/16 March 2022 the following were endorsed and/or approved:
  - the increasing of the share capital of Eurotransgaz SRL by the amount of 649.460 EUR for financing the operational, administrative and investment expenses of Eurotransgaz SRL for the 2022;
  - the financial statements of Eurotransgaz SRL for 2021.

### **22 March 2022**

- The following were endorsed and/or approved by BoA Resolution 10/22 March 2022:
  - the annual individual and consolidated financial statements for the 2021, as well as the Financial Audit Report for financial year 2021;
  - the distribution of the net profit and employee profit-sharing;
  - the gross dividend amount, as well as the payment of dividends due to shareholders;
  - the prescription of the 2018 financial year dividends not paid by the date of prescription, 16.07.2022;
  - the assessment of the degree of achievement of the financial and non-financial performance indicators for 2021;
  - the Remuneration Report for 2021;
  - the accounting policies of SNTGN Transgaz SA .

### **5 May 2022**

- By BoA Resolution 14/5 May 2022, 2022-2031 TYNDP was approved for public consultation.

### **10 June 2022**

- By BoA Resolution 19/10 June 2022 the following were endorsed and/or approved:
  - the decreasing of the share capital of Eurotransgaz SRL by 8.518.807,23 EUR;
  - Appointment of BDO Audit&Consulting SRL , the Republic of Moldova, as auditor of Eurotransgaz SRL for 2022;
  - Proposal to appoint BDO Audit&Consulting SRL , the Republic of Moldova, as auditor of Vestmoldtransgaz SRL for 2022;
  - The launching by Transgaz of a competitive negotiated procedure for the selection of a financial institution with a view to contracting a financing facility for the balancing activity.

### 20 June 2022

- By BoA Resolution 20/20 June 2022, the 2022 - 2031 TYNDP, updated in accordance with the comments following the public consultation, is endorsed for submission for prior approval in the General Meeting of the Shareholders.

### 29 June 2022

- By the BoA Resolution 22/29 June 2022 the following were endorsed and/or approved:
  - SNTGN Transgaz SA 2021 Sustainability Report;
  - SNTGN Transgaz SA Corporate Governance Rules, the updated version;
  - the regulated tariffs related to the process of connection to the natural gas transmission system.

### The main investments objectives finalized and accepted by Transgaz in Half I 2022 are:

Investment objectives finalized:

- Securing works for the DN 500 Hațeg – Paroseni transmission pipeline, in the Baru Mare area;
- Securing works for the hydro-technical works related to the DN 500 Hațeg – Paroseni transmission pipeline, in the Baru Mare area;
- DN 300 Mintia – Brad gas transmission pipeline;
- Sibiu 2 Cathodic Protection Station;
- Re-location of Oporelu 2 cathodic protection station, Olt County;
- Clejani Cathodic Protection Station.

## 2.2. Indicators of the consolidated economic and financial results

### Consolidated standard performance indicators

The economic and financial activity of the National Gas Transmission Company Transgaz S.A. from the beginning of the year until 30 June 2022 was conducted based on the indicators included in the Revenue and Expense Budget approved by OGMS Resolution No. 3/2022.

The value of the standard performance indicators on 30 June 2022 as compared to their value as of 30 June 2021 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					Half I 2022	Half I 2021
1.	<b>Commissioned investments</b>	Plan achieved	Thousand lei	0,15	63.530	25.052
2.	<b>EBITDA</b>	EBITDA increase	Thousand lei	0,15	243.570	286.912
3.	<b>Labour productivity</b>	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/pers.	0,15	291	191
4.	<b>Outstanding payments</b>	Payments made during the contract duration (in current prices)	Thousand lei	0,15	0	0

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					Half I 2022	Half I 2021
5.	<b>Outstanding receivables</b>	Diminished amount of outstanding receivables (in current prices)	Thousand lei	0,1	505.259	518.342
6.	<b>NTS gas consumption</b>	Remaining within the gas quantities representing NTS gas consumption	%	0,15	51,25%	52,13%
7	<b>OPEX at lei 1000 operating revenue</b>	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	958	822

**Table 1 - Consolidated standard performance indicators in Half I 2022 compared to Half I 2021**

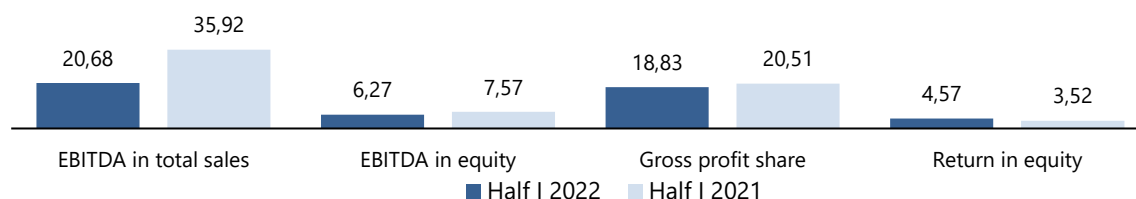
### **Consolidated profitability, liquidity, risk and management indicators**

The values of the profitability, liquidity, risk and management indicators in Half I 2022 compared to the same period of 2021 :

No.	Indicators	Calculation formula	Half I 2022	Half I 2021
<b>1.</b>	<b>Profitability indicators</b>			
	EBITDA in total sales	EBITDA	20,68%	35,92%
		Turnover		
	EBITDA in equity	EBITDA	6,27%	7,57%
		Equity		
	Gross profit share	Gross profit	18,83%	20,51%
		Turnover		
	Return on equity	Net profit	4,57%	3,52%
		Equity		
<b>2.</b>	<b>Liquidity indicators</b>			
	Current liquidity indicator	Current assets	1,10	1,44
		Short term debts		
	Acid test ratio	Current assets - Stocks	0,63	1,15
		Short term debts		
<b>3.</b>	<b>Risk indicators</b>			
	Leverage indicator	Borrowed capital	45,67%	43,0%
		Equity		
	Interest coverage ratio	EBIT	2,75	9,25
		Interest expense		
<b>4.</b>	<b>Management indicators</b>			
	Days' sales outstanding	Average accounts receivable x 181 days	117,94	150,61
		Turnover		
	Days' payable outstanding	Average accounts payable x 181 days	53,78	47,76
		Turnover		

**Table 2 - Consolidated profitability, liquidity, risk and management indicators in Half I 2022 compared to Half I 2021**





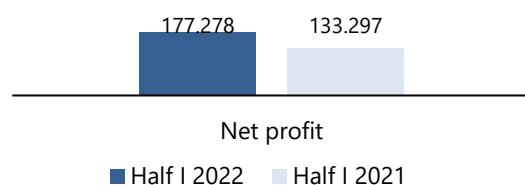
**Chart 1 - Profitability indicators evolution - Half I 2022 compared to Half I 2021**

The main consolidated economic and financial indicators obtained in Half I 2022 compared to the same period of 2021 are as follows:

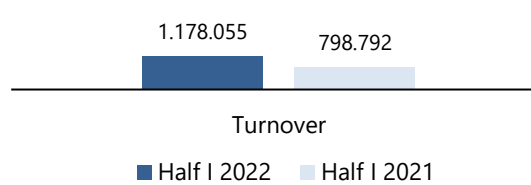
Thousand lei

No.	Indicator	Consolidated Half I 2022	Consolidated Half I 2021	Dynamics (%)
0	1	2	3	4=2/3*100
1.	Turnover	1.178.055	798.792	147,48
2.	Operating revenue before balancing and the construction activity according to IFRIC12	703.917	701.291	100,37
3.	Revenue from balancing	540.476	142.059	380,46
4.	Revenue from the construction activity according to IFRIC12	104.332	345.847	30,17
5.	Financial revenue	294.951	60.645	486,36
6.	Operating cost before balancing and the construction activity according to IFRIC12	674.517	576.659	116,97
7.	Cost of balancing gas	540.476	142.059	380,46
8.	Cost of constructed assets according to IFRIC12	104.332	345.847	30,17
9.	Financial cost	102.579	21.426	478,75
10.	Gross profit	221.772	163.851	135,35
11.	Profit tax	44.494	30.554	145,62
12.	Net profit	177.278	133.297	133,00
13.	Total comprehensive result related to the period	179.963	138.303	130,12
14.	Transmitted gas -thousand cm-	6.472.856	7.288.673	88,80
15.	Investment cost	110.970	356.427	31,13
16.	Rehabilitation cost	8.152	6.927	117,70
17.	Technological consumption thousand lei	78.403	45.366	172,82
18.	Technological consumption thousand cm	43.908	42.395	103,57

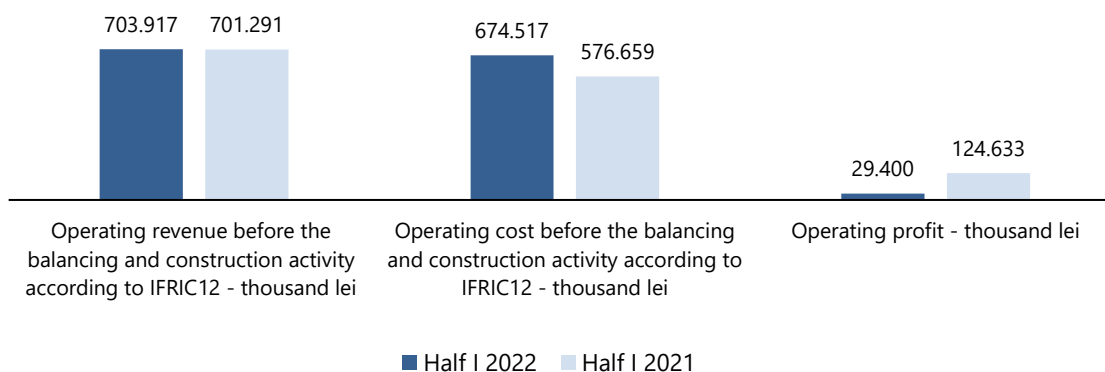
**Table 3- Main consolidated economic and financial indicators - Half I 2022 compared to Half I 2021**



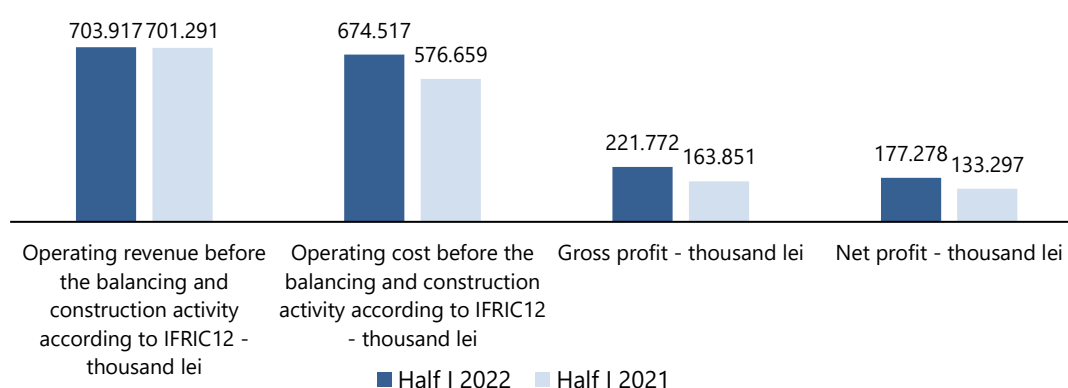
**Chart 2 - Net profit Half I 2022 compared to Half I 2021 (thousand lei)**



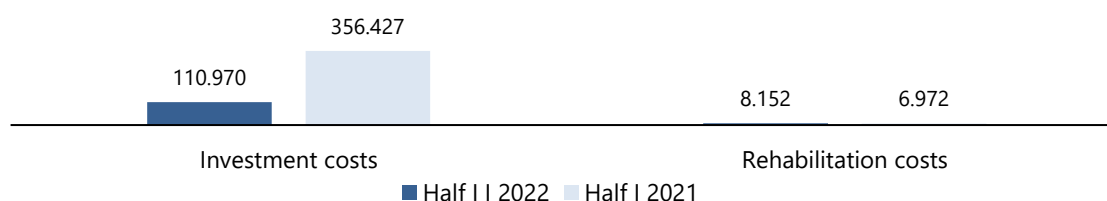
**Chart 3 - Turnover Half I 2022 compared to Half I 2021 (thousand lei)**



**Chart 4- Operating revenue, expense and profit, before the construction activity according to IFRIC 12 - Half I 2022 compared to Half I 2021 (thousand lei)**



**Chart 5- Main consolidated economic and financial indicators in Half I 2022 compared to Half I 2021 (thousand lei)**



**Chart 6- Investment and rehabilitation costs - in Half I 2022 compared to Half I 2021 (thousand lei)**

## 2.3. Indicators of the individual economic and financial results

### Standard performance indicators

The economic and financial activity of the National Gas Transmission Company Transgaz S.A. in Half I 2022 was conducted based on the indicators established in the Revenue and Expense Budget approved by OGMS Resolution No. 3/28.02.2022.

The value of the standard performance indicators on 30 June 2022 as compared to their value on 30 June 2021 is as follows:

No.	Performance criteria	Performance objective	MU	Weighting factor	Obtained	
					Half I 2022	Half I 2021
1.	<b>Commissioned investments</b>	Plan achieved	Thousand lei	0,15	63.887	25.174
2.	<b>EBITDA</b>	EBITDA increase	Thousand lei	0,15	246.315	289.037
3.	<b>Labour productivity</b>	Increasing labour productivity in units of value (turnover / average no. of employees);	Thousand lei/ pers.	0,15	293	193
4.	<b>Outstanding payments</b>	Payments made during the contract duration (in current prices)	Thousand lei	0,15	0	0
5.	<b>Outstanding receivables</b>	Diminished amount of outstanding receivables (in current prices)	Thousand lei	0,1	505.259	518.342
6.	<b>Technological consumption</b>	Remaining within the gas quantities representing technological consumption	%	0,15	51,25%	52,13%
7	<b>OPEX at lei 1000 operating revenue</b>	Diminishing of OPEX at lei 1000 operating revenue	lei	0,15	948	813

**Table 4 – Standard performance indicators in Half I 2022 compared to Half I 2021**

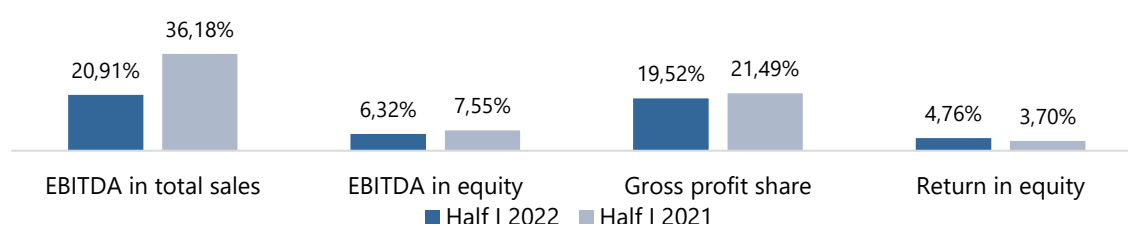
### **Profitability, liquidity, risk and management indicators**

The values of the profitability, liquidity, risk and management indicators in Half I 2022 as compared to Half I 2021 is as follows:

Indicators	Calculation formula	Half I 2022	Half I 2021
<b>Profitability indicators</b>			
EBITDA in total sales	EBITDA	20,91%	36,18%
	Turnover		
EBITDA in equity	EBITDA	6,32%	7,55%
	Equity		
Gross profit share	Gross profit	19,52%	21,49%
	Turnover		
Return on equity	Net profit	4,76%	3,70%
	Equity		
<b>Liquidity indicators</b>			
Current liquidity indicator	Current assets	1,01	1,25
	Short term debts		
Acid test ratio	Current assets - Stocks	0,55	0,96
	Short term debts		

Indicators	Calculation formula	Half I 2022	Half I 2021
<b>Risk indicators</b>			
Leverage indicator	Borrowed capital	40,66%	37,69%
	Equity		
Interest coverage ratio	EBIT	2,53	10,45
	Interest expense		
<b>Management indicators</b>			
Days' sales outstanding	Average accounts receivable x 181 days	117,94	150,61
	Turnover		
Days' payable outstanding	Average accounts payable x 181 days	53,78	47,76

**Table 5 - Profitability, liquidity, risk and management indicators in Half I 2022 compared to Half I 2021**



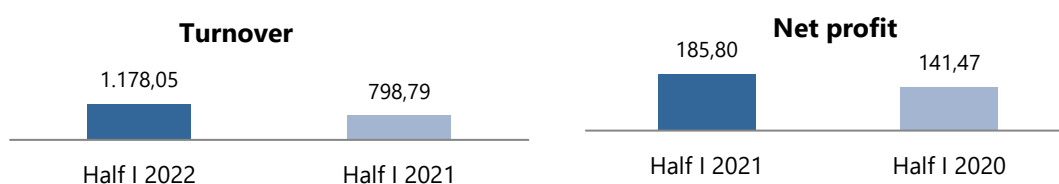
**Chart 7- Profitability indicators in Half I 2022 compared to Half I 2021**

The main economic and financial indicators obtained in Half I 2022 compared to the same period of 2021 are as follows:

No.	Indicator	MU	Half I 2022	Half I 2021	Variance %
0	1	2	3	4	5=3/4*100
1.	Turnover	thousand lei	1.178.055	798.792	147,48
2.	Operating revenue before balancing and the construction activity according to IFRIC12	thousand lei	703.921	700.829	100,44
3.	Operating cost before balancing and the construction activity according to IFRIC12	thousand lei	667.242	569.815	117,10
4.	Operating profit before the balancing and construction activity, according to IFRIC12	thousand lei	36.679	131.015	28,00
5.	Revenue from the balancing activity	thousand lei	540.476	142.059	380,46
6.	Cost of balancing gas	thousand lei	540.476	142.059	380,46
7.	Revenue from the construction activity according to IFRIC12	thousand lei	104.332	345.847	30,17
8.	Cost of constructed assets according to IFRIC12	thousand lei	104.332	345.847	30,17
9.	Operating profit	thousand lei	36.679	131.015	28,00
10.	Financial revenue	thousand lei	277.698	49.207	564,35
11.	Financial cost	thousand lei	84.475	8.541	989,01
12.	Gross profit	thousand lei	229.903	171.680	133,91
13.	Profit tax	thousand lei	44.097	30.206	145,99
14.	Net profit	thousand lei	185.805	141.474	131,33

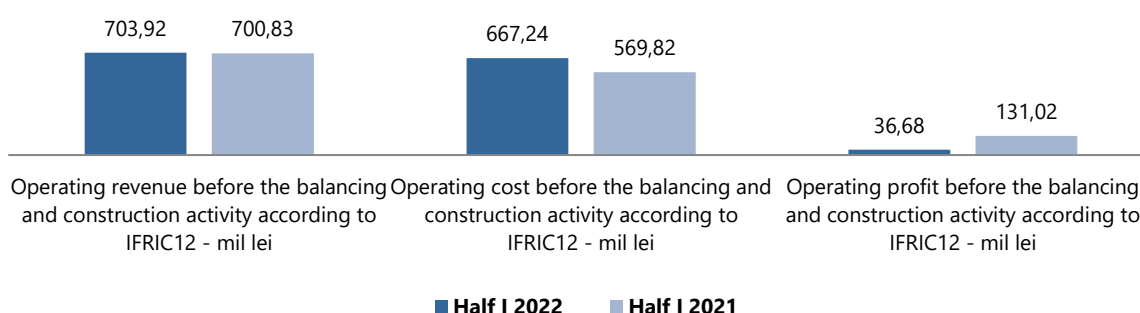
No.	Indicator	MU	Half I 2022	Half I 2021	Variance %
15.	Total comprehensive result related to the period	thousand lei	185.805	141.474	131,33
16.	Transmitted gas	MWh	70.736.578	79.305.313	89,20
17.	Investment cost	thousand lei	118.230	372.626	31,73
18.	Rehabilitation cost	thousand lei	8.003	6.855	116,75
19.	Technological consumption	thousand lei	78.403	45.366	172,82
20.	Technological consumption	MWh	462.795	454.202	101,89

**Table 6- Main economic-financial indicators in Half I 2022 compared to Half I 2021**

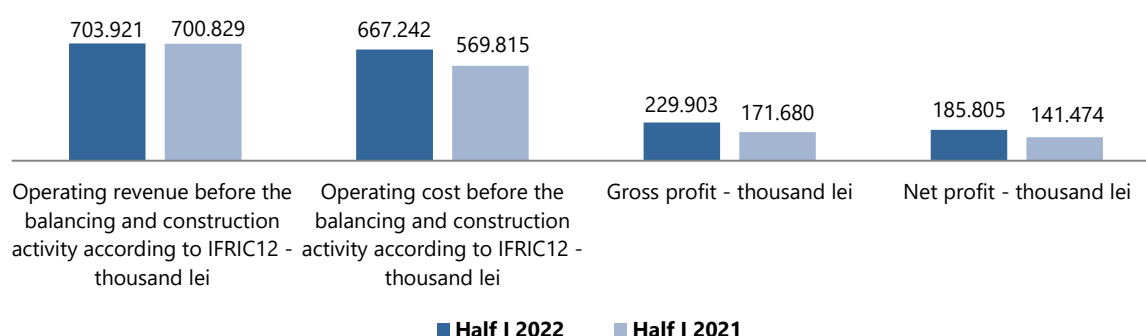


**Chart 8-Turnover in Half I 2022 compared to Half I 2021 (mil lei)**

**Chart 9 - Net profit in Half I 2022 compared to Half I 2021 (mil lei)**



**Chart 10 - Operating revenue, expense and operating profit before the construction activity according to IFRIC 12 in Half I 2022 compared to Half I 2021 (mil. lei)**



**Chart 11 - Main economic and financial indicators in Half I 2022 compared to Half I 2021 (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 2022 the Company's cash in bank accounts amounted to lei 173.437 thousand of which 37,27% was cash denominated in foreign currency, most of it in EUR.



**Chart 12 - Investment and rehabilitation costs in Half I 2022 compared to Half I 2021 (thousand lei)**

#### **2.4. The main transactions between the affiliated parties (concluded according to Art. 92<sup>^</sup>3 of Law 24/2017 updated by Law 158/2020)**

Not applicable.

#### **2.5. Non-financial reporting**

Starting with 2021, SNTGN Transgaz SA published the non-financial information in a specific report according to Order 1802/2014 on the approval of the *Accounting regulations for the annual individual and consolidated financial statements*, updated by Order 1938/2016 of the Ministry of Public Finance, as amended.

The report was prepared in accordance with the international reporting standards GRI (Global Reporting Initiative) and ESG (Environmental, Social and Governance), used especially for the non-financial reporting of the energy companies.

Thus, in Half I 2022 the 2021 Sustainability Report was prepared and published. 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. The report will be prepared and published yearly by SNTGN Transgaz SA.

### **3. MAIN RISKS RELATED TO THE ACTIVITY**

Depending on the relevant elements derived from the evaluation of the internal and external context, SNTGN TRANSGAZ SA permanently re-evaluates its activity and the related risks.

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 some risk categories.** Risk categories give a structured overview for managing the risks the company is facing.

#### **Operational risks**

Operational risks are directly generated by the activity carried out at the level of services, offices, compartments, regional offices, sectors and may be associated with the categories of operational objectives as follows:

### **1. category: efficient development of works**

- lack of landowners' agreements;
- unforeseen soil conditions;
- failure to obtain within the established time the approvals and agreements of the landowners necessary to obtain the Building Permit;
- lacking information or late transmission of the information reflecting the real situation in the field;
- provision of incomplete / inaccurate data regarding the identification of land owners, by the competent bodies;
- deficient cadastral records, at the level of local / county authorities;
- temporary cessation of land use as a result of the discovery of vestiges;
- partly ensuring or failure to ensure the technical and operational conditions for the inspection of pipes with intelligent PIG.

### **2. category: material / financial resources**

Following 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 activity may generate specific risks, such as:

- failure to perform on time and within the scheduled parameters the works provided in the Maintenance and Technical Revision Program of MRSs 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 way or inadequate identification of 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 fulfil the contractual provisions;
- delays in planning revisions / repairs / technical periodical inspections / tire exchange.

### **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 2021-2025 Company's Management Plan:

### **1. category: political**

- the national and international macroeconomic and geopolitical framework changes may affect the conclusion of gas transmission contracts as well as the implementation of the strategic projects;
- The evolution of the Romanian economy, the global and European macro-financial climate, the evolution of the health crisis, the internal mix of economic policies, can determine additional financing by increasing the costs of initial investments and fluctuations of qualified personnel.
- government intervention: requesting a dividend distribution of more than 50% may contribute to the materialisation of a significant risk with a direct impact on the profitability of the company and its ability to finance strategic investment projects at estimated costs.

### **2. 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 may seriously affect the energy sector
- national legislation is marked by volatility and blockages;
- the risk of non-recognition of investments in the Regulated Assets Base (RAB), according to the Romanian applicable laws, may have a significant negative impact in determining the transmission tariffs and, implicitly, on the company's profitability;
- low probability to obtain a higher profit than the regulated one, within a regulatory period;
- changes in gas prices in Romania.

### **3. category: competition:**

- the impact of projects developed by the European gas transmission operators on gas flow dynamics at the national level;
- reducing the transit of natural gas through Romania.

#### **4. category: commercial**

- the risk of increasing the price of the gas purchased for NTS gas consumption - technological consumption, gas consumption for balancing.

#### **5. category: sustainability**

Includes changes in the baseline context generated by the need to align with European directives that will ensure climate neutrality (Green Deal):

- restricting funding for gas projects;
- delays in developing new technologies for transporting green hydrogen at a competitive level;
- decreasing natural gas consumption due to increasing the share of wind, solar and nuclear energy;
- the impact on the NTS which may be generated by natural disasters (earthquakes, floods, landslides, extreme temperatures, heavy snowfall), crisis situations or war.

#### **6. category: financial:**

- crediting - the negative impact that can be generated by rising interest rates;
- exchange rate - the negative impact that can be generated by the appreciation of currencies against the national currency;
- liquidity - the negative impact that may arise from increased costs to support the business and the non-recovery of outstanding debts;
- failure to comply with the limits laid down in the financing contracts for the financial indicators.

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

- permanent alignment of the company's strategic objectives with European requirements for the development of the energy sector;
- making the best use of the financing opportunities necessary for the development of the investment projects;
- consolidation of the company's position in the Romanian Investor Relations Association at the Romanian Stock Exchange;
- participation of the company in the analysis of specific draft regulations submitted by the competent authorities;
- consistent and effective consultation with relevant stakeholders in the decision-making process following changes to the regulatory framework;
- continuous communication with the representatives of the majority shareholder (Romanian State), of the other shareholders natural persons and legal entities, of all stakeholders;
- identification of all eligibility criteria set out in Regulation 347/2013 on guidelines for trans-European energy infrastructure, with a view to identifying projects of common interest in the field of energy and mobilising the necessary private and public funds;
- compliance/monitoring of the Activity Continuity Plan at SNTGN Transgaz SA level and of the Plan of Measures to Ensure Activity Continuity at SNTGN Transgaz SA level;
- developing contingency plans and conducting simulations of emergency operations;
- continuous testing of the Security Plans drawn up at the level of the objectives;

- installation of integrated security systems for critical infrastructure targets;
- Systematic verification and reporting on the progress of the implementation of the *Priority Programme of Measures aimed at bringing the technological consumption in the NTS within the approved limits in the period 2022-2026.*

## 4. ABOUT SNTGN TRANSGAZ SA

### 4.1 Mission, vision, organizational values

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

#### **Vision**

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

#### **Vision as a message to the community**

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

#### **Vision as a message to the shareholders**

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



### **Vision as a message to employees**

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

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

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

**Transgaz's core strengths** are the following:

- 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 object of activity 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 resolutions.

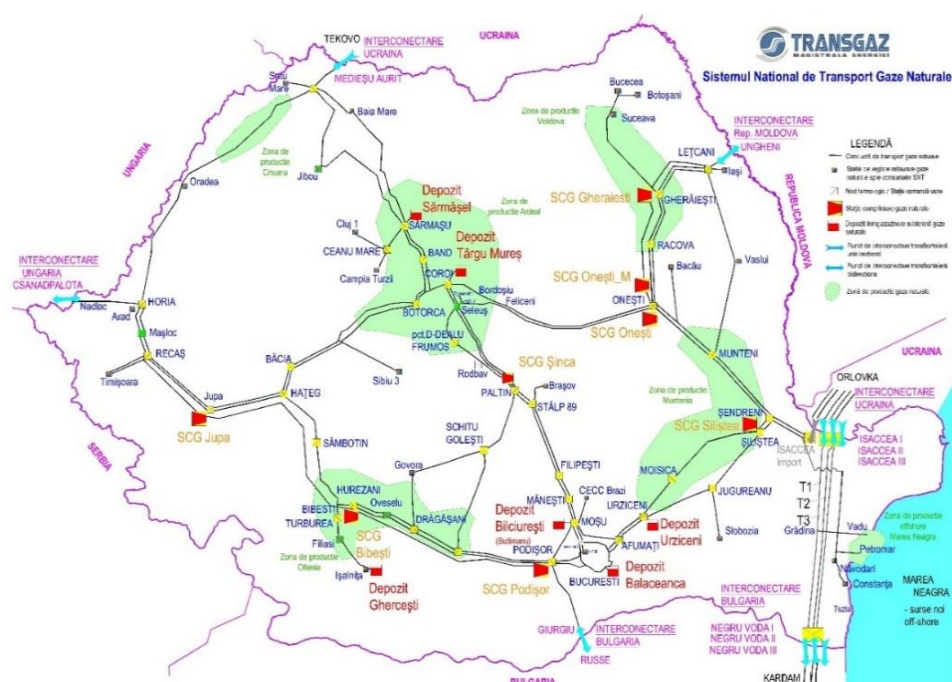
*By ANRE Order 3/22 January 2014 on the approval of the certification of the National Gas Transmission Company Transgaz - SA Mediaş as transmission and system operator of the National Gas Transmission System* it was established that the company must be organized and must operate as an independent system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

## Main components of the National Gas Transmission System

NTS objective / component	MU	Value
Main transmission pipelines and gas supply connections, of which: -international transmission pipelines ( <b>Transit III</b> ) -BRUA	km	<b>14.215,203</b> <b>183,54</b> <b>481,00</b>
Operating metering-regulating stations (MRS)	pc.	<b>1.140</b> <b>(1246 metering directions)</b>
Valve control stations (VCS, TN)	pc.	<b>59</b>
Import/export gas metering stations (GMS) ( <b>Giurgiu, Medieșu Aurit, Isaccea 1, Isaccea 2, Negru Vodă 1, Negru Vodă 2</b> )	pc.	<b>6</b>
Gas metering stations located on the gas transit pipelines (GMS) ( <b>Isaccea Transit III, Negru Vodă III</b> )	pc.	<b>2</b>
Gas compressor station (CS) ( <b>Șinca, Onești, Siliștea, Jupa, Podișor, Bibești Onești Modernisation, Gherăești</b> )	pc.	<b>8</b>
Cathodic protection stations (CPS)	pc.	<b>1052</b>
Gas odorising stations (GOS)	pc.	<b>1038</b>

**Table 7 - Main components of the NTS on 30.06.2022**

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



**Figure 1 - Map of the National Gas Transmission System**

### Cross-border interconnection points

At the end of Half I 2022, the import/export of natural gas to/from Romania was achieved by seven cross-border interconnection points, as follows:

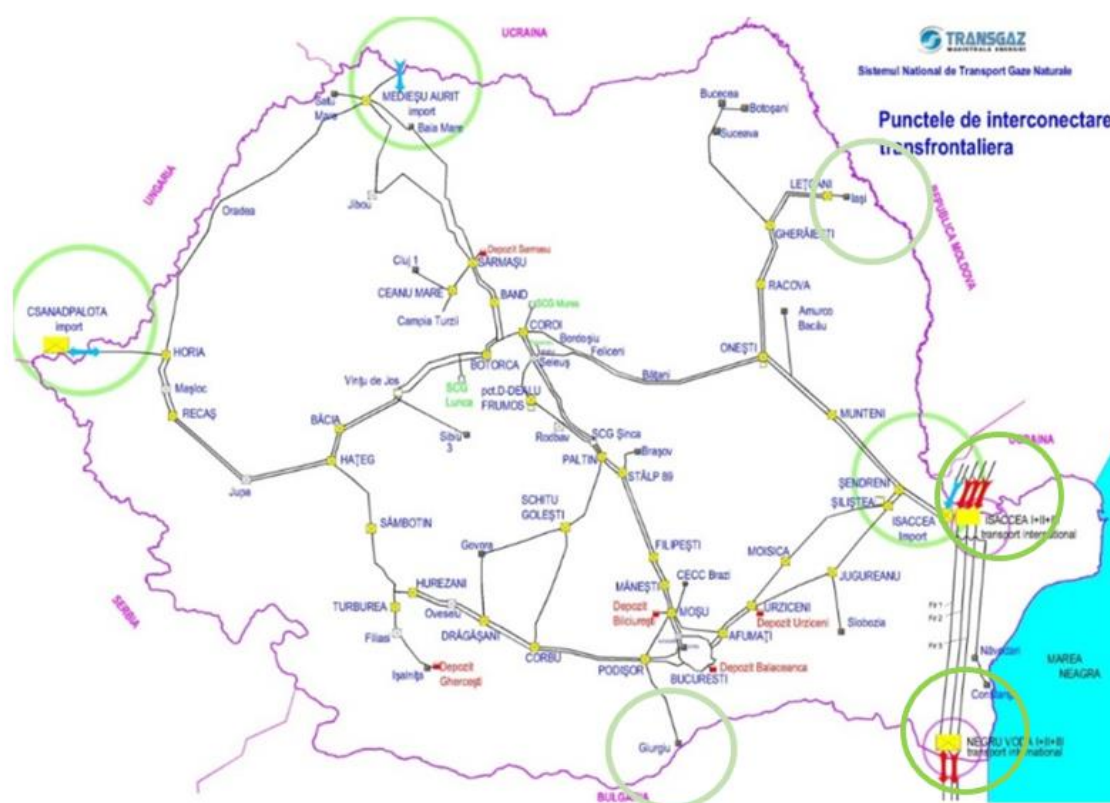
Country	Interconnection pipeline	Technical specifications	Total technical capacity
UKRAINE	Orlovka (UA) - Isaccea (RO) * LLC GAS TSO UA → Transgaz	DN 1000, Pmax = 45 bar	6,85 Sbcm/y at Pmin=35 bar
	Tekovo (UA) - Medieșu Aurit (RO) ** LLC GAS TSO UA → Transgaz	DN 700, Pmax = 75 bar	2,71 Sbcm/y at Pmin=47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

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

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

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

\*\*\*\*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 a current network of over 14.215 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**. In gas year 2019-2020 the Isaccea 1 - Negru Voda 1 (T1) natural gas transmission pipeline was connected to the National Gas Transmission System in GMS Isaccea area, which enables the physical flow of gas from the T1 transmission pipeline to the NTS and vice versa.

Negru Vodă 1 thus became a point of interconnection to the NTS 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 transmission capacity at the points related to the T1 pipeline is traded according to the order of the ANRE President and to Regulation (EU) No 459/2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) no. 984/2013.

Regarding gas transmission through the T2 and T3 pipelines (with the following characteristics: (T2) - DN 1200, L = 186 km and the technical capacity of 10 billion Scm/year and (T3) - DN 1200, L = 183,5 km and the technical capacity of 10 billion Scm/year, the company concluded the Agreement for the Termination of the Legacy Contract between SNTGN Transgaz SA and Gazprom Export LLC.

At the end of 2021, the T2 gas transmission pipeline Isaccea 2 – Negru Voda 2 was connected to the National Gas Transmission System, enabling physical gas flow from T2 to the NTS and vice-versa. Moreover, the Isaccea 2 and Negru Vodă 2 gas metering stations were upgraded to ensure bidirectional gas flow at the cross-border interconnection points Isaccea 2 with Ukraine and Negru Vodă 2 with Bulgaria. After the completion of the works for the connection of the T2 pipeline to the NTS, Transgaz, together with the neighbouring TSOs, initiated actions (the conclusion of interconnection agreements) to ensure and offer bidirectional capacity at the interconnection points related to this pipeline.

The T3 Isaccea 3-Negru Vodă 3 gas transmission pipeline has not been connected to the NTS yet.

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

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

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



In addition to the domestic and international gas transmission revenue, the company has revenue from NTS access fees, design services and from providing adjacent services.

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. On 1 October 2022, **ANRE Order 140/2021** on the **Performance Standard for the natural gas transmission service**, as amended, will enter into force, repealing ANRE Order no.161/2015.

### 4.3 Shareholding

According to the provisions of Government Emergency Ordinance 68/06.11.2019 on the establishment of measures in the field of the central public administration and for the amendment and supplementation of some regulatory acts, , 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

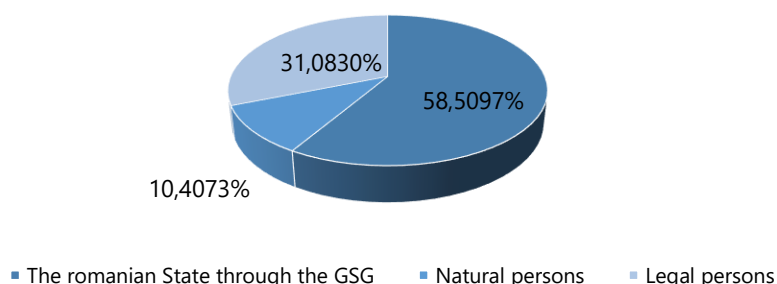
On 23 June 2022 Transgaz`s shareholding structure was as follows:

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	1.225.341	10,4073
✓ legal persons	3.659.663	31,0830
Total	<b>11.773.844</b>	<b>100,00</b>

**Table 8 - Shareholding structure at 23 June 2022**

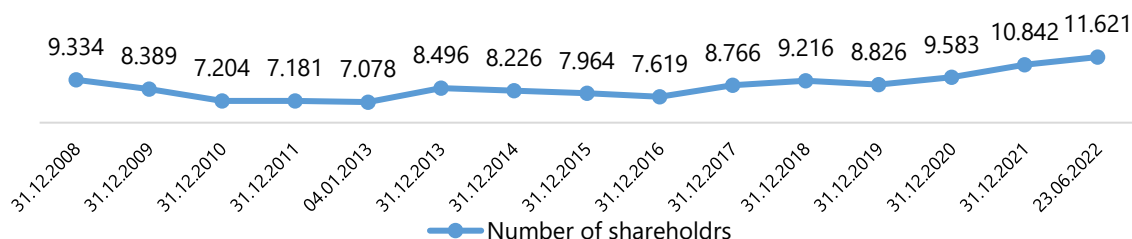
The share capital of Transgaz at the end of Half I 2022 amounted to lei 117.738.440 and was divided into 11.773.844 registered shares, each share having a nominal value of lei 10.

#### Shareholding structure on 31 December 2022



**Chart 13 - Shareholding structure at 23 June 2022**

Regarding the number of shareholders, according to Transgaz shareholders' register at the reference date of 23.06.2022, the company had 11.621 shareholders, which is 779 shareholders more than on 31 December 2021. The number of shareholders increased by 6,70% in the reference period.



**Chart 14 - Number of Transgaz shareholders from the BVB listing date 23 June 2022**

#### 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 established by law or the Articles of Incorporation of the Board of Administration and the General Meeting of Shareholders.

**SNTGN Transgaz SA** conducts its activity at the registered office, the secondary office and the premises of the working points as follows:

- 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;
- Research and Design Division: 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 Division: Bucharest, 155 Victoriei Blvd., District 1, code 010073.
- Research and Design Workshops - Brașov, 2 Nicolae Titulescu Street.
- Transgaz secondary office: Mediaș, 3 I.C. Brătianu Street, building 3, flat 75, Sibiu County.

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

- 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;

**SNTGN Transgaz SA has 9 regional offices and a subsidiary:**

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



## 4.5 Management

### Members of the Board of Administration of SNTGN Transgaz SA at the end of Half I 2022

Name and Surname	Position in the Board of Administration/Legal basis for appointment		Term of office
ION STERIAN	OGMS Resolution 2/22.04.2021	Executive Administrator	4 years
	BoA Resolution 22/27.07.2021	Appointed as Director - General	
PETRU ION VĂDUVA	OGMS Resolution 2/22.04.2021	Non-Executive Administrator	4 years
NICOLAE MINEA	OGMS Resolution 2/22.04.2021	Independent Non-Executive Administrator	4 years
CZABA OROSZ	OGMS Resolution 4/17.06.2021	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure;
	OGMS Resolution 7/14.10.2021	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 9/14.12.2021	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure ;
	OGMS Resolution 4/12.04.2022	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 6/14.06.2022	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure ;
MIHAELA VIRGINIA TOADER	OGMS Resolution 4/17.06.2021	Non-Executive, Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure ;
	OGMS Resolution 7/14.10.2021	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
	OGMS Resolution 9/14.12.2021	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure ;
	OGMS Resolution 4/12.04.2022	Non-Executive Interim Administrator	extending of the term of office by two months from the date of expiry
GHEORGHITĂ AGAFITEI	OGMS Resolution 6/14.06.2022	Non-Executive Interim Administrator	4 months with the possibility of extending the term of office for another 2 months, until the completion of the selection procedure ;

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 persons belonging to 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 at the end of Half I 2022:

No.	Name and first name	Position	Number of shares on 30.06.2022	Interest share (%)
1	Tătaru Ion	Director	25	0,000212
2	Lupean Marius	Director	20	0,000169
3	Șai 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 30 June 2022**

The executive management of the company on 30.06.2022:

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.	Simionescu Alexandru Adrian	Director/Deputy Director - General-delegated	PMU
4.	Iuga Alexandru	Director/Deputy Director-General delegated	Logistics Division
5.	Târsac Grigore	Deputy Director - General	SNTGN Transgaz SA



No.	Name and first name	Position	Division/Unit
6.	Lupean Marius Vasile	Chief Financial Officer	Economic Division
7.	Ghidiu Elisabeta	Director	Strategy and Corporate Management Division
8.	Tătaru Ion	Director	Development Division
9.	Bunea Florin	Director	Operation Division
10.	Cosma Emil Florin	Director	Maintenance Division
11.	Mateş Angela Aneta	Director	HR Organization Division
12.	Ciprian Oniga	Director with delegation of powers	Research and Design Division
13.	Beldiman Ion	Director	Energy Management, Automation and SCADA Division
14.	Luca Bogdan Avram	Director	Sectoral Procurement and Contracting Division
15.	Lascu Sergiu Alin Marius	Director with delegation of powers	Information Technology and Communications Division
16.	Iancu Cristina Daniela	Director with delegation of powers	Legal Division
17.	Sârbu Ionel	Director	Land Regulation and Acquisition Division
18.	Andronic Bogdan Constantin	Director	EU Funds and International Relations Division
19.	Ene Alin	Director	General Inspection Division
20.	Maxim Cosmin Romeo	Director with delegation of powers	The National Gas Dispatching Centre
21.	Dragoman Irina Georgiana	Director	Gas Regulation Unit
22.	Codreanu Liudmila Gabriela	Director	Internal Audit Unit
23.	Drăghici Aurelian	Director	Projects Analysis, Checking and Endorsement Unit
24.	Mamotă Cosmin	Director with delegation of powers	HSQE Unit
25.	Voican Nicolae Adrian	Director with delegation of powers	Mediaş Subsidiary
26.	Gurgu Victorel	Regional Office Director / delegation of powers for PMU Manager	Bucharest Regional Office
27.	Alexandru Ionel	Director	Arad Regional Office
28.	Pîrlea Mirel	Director with delegation of powers	Braşov Regional Office
29.	Schimdt-Hăineală Eduard-Cristian	Director	Bacău Regional Office
30.	Dumitru Nicuşor	Head of Department with delegations of powers for Director of Regional Office	Brăila Regional Office
31.	Niţă Viorel	Director	Craiova Regional Office
32.	Goia Petru	Engineer with delegations of powers for Director of Regional Office	Cluj Regional Office
33.	Andrei Romeo	Chief Engineer with delegations of powers for Director of Regional Office	Constanta Regional Office
34.	Oancea Paul	Director	Mediaş Regional Office

**Table 10 - Transgaz's executive management on 30.06.2022**

### VESTMOLDTRANSGAZ SRL management team structure:

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

*Table 11 - Vestmoldtransgaz management members on 30.06.2022*

### EUROTRANSGAZ SRL management team structure:

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

*Table 12 - Eurotransgaz management members on 30.06.2022*

## 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.

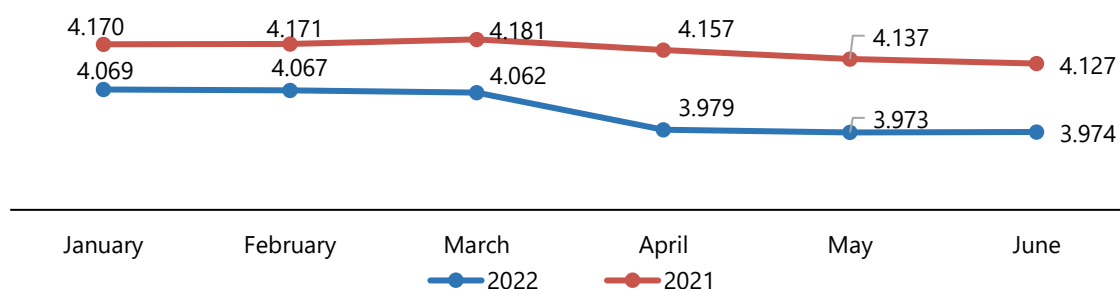
The optimal dimensioning of the number of personnel in the company is correlated with the real personnel needs required by the operational activities carried out by the company, with the modernizations and refurbishments realized for increasing the safety and efficiency in NTS operation and annex facilities,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

The evolution of the number of personnel in Half I 2022:

Specification	January	February	March	April	May	June
Number of employees at the beginning of the period	4.050	4.069	4.067	4.062	3.979	3.973
Number of persons newly employed	23	14	11	31	15	14
Number of employees who terminated their working relations with the company	4	16	16	114	21	13
<b>Number of employees at the end of the period</b>	<b>4.069</b>	<b>4.067</b>	<b>4.062</b>	<b>3.979</b>	<b>3.973</b>	<b>3.974</b>

*Table 13 – Number of employees in Half I 2022*

The number of personnel in Half I 2022 compared to the same period of the previous year is as follows:



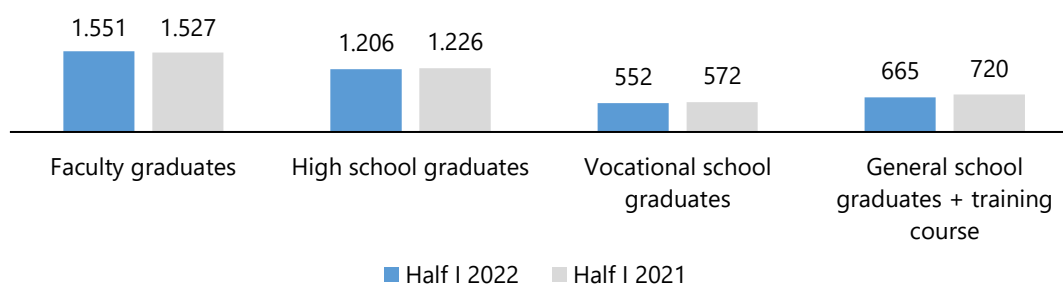
**Chart 15 - Number of employees in Half I 2022 compared to Half I 2021**

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.

The personnel structure by category of studies in Half I 2022 compared to the same period of the previous year:

No.	Category	Half I 2022	Half I 2021
1.	Faculty graduates	1.551	1.527
2.	High school graduates	1.206	1.226
3.	Vocational school graduates	552	572
4.	General school graduates + training course	665	720
<b>TOTAL employees</b>		<b>3.974</b>	<b>4.045</b>

**Table 14 - Personnel structure by categories of studies in Half I 2022 compared to Half I 2021**



**Chart 16 - Personnel structure by categories of studies in Half I 2022 compared to Half I-2021**

At the **end of Half I 2022**, the degree of unionization of the labour force was 96,55%, out of a total of 3.974 employees, 3.837 being union members.

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

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

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

The relations between the employer and the employees are regulated by the Collective Labour Agreement at the company level as well as by the individual labour agreements 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 Half I 2022 and there are no conflicting elements connected to these relations.

#### **VESTMOLDTRANSGAZ SRL – 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. At the reference date, Vestmoldtransgaz SRL had 30 employees, of which 19 were carrying out their activity at the Chisinau headquarters and 11 at GMS Ungheni.

The recruitment and selection of personnel is 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, as at 30.06.2022 compared to 30.06.2021 is presented in the table below:

No.	Indicator	Half I 2022	Half I 2021
1	Number of employees at VMTG	30	33
2	Average number of employees at VMTG	32	31
3	Average number of employees at Eurotransgaz	3	3

**Table 15 - Number of personnel at Vestmoldtransgaz and Eurotransgaz in Half I 2022 compared to Half I 2021**

#### 4.7 Transgaz on the Bucharest Stock Exchange

**SNTGN TRANSGAZ SA**, through the efficient use of managerial tools and the responsible execution of the measures undertaken in front of the shareholders, investors, business and community, managed to also perform on the capital market, ranking **12th** on 30 June 2022 **in Top 15 transactions on the Bucharest Stock Exchange**, depending on the traded value. Also, in June 2022, Transgaz was ranked **12th in Top 15 listed companies**, according to **market capitalization**, as stated in the Monthly Bulletin issued by the BVB.

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 2021, in accordance with the provisions of Resolution 5 of the Ordinary General Meeting of Shareholders, dated 28.04.2022, the National Gas Transmission Company Transgaz SA will pay dividends to shareholders registered in the register of shareholders on 23 June 2022, the amount of the gross dividend/share being 14,82 lei. The related payments are to be made through Depozitarul Central SA and Banca Transilvania, the designated payment agent, as of 14 July 2022 (payment date), meaning after the reporting period.

#### **TGN share**

In Half I 2022, the closing price of TGN shares followed a downward trend, mainly with lower values than in the same period of 2021, with decreases ranging from 17% to 31%, with a maximum of the period of 249,00 lei/share recorded on 18.04.2022, and a minimum of 190 lei/share, recorded on 07.03.2022.

The decreasing of the nominal value of Transgaz shares was generated by the negative international climate, amid the prospect of rising interest rates and then the outbreak of the war in Ukraine and international economic sanctions against the Russian Federation. All these aspects negatively influenced both the European markets and the BVB, with all companies with a similar activity registering declines during this period.

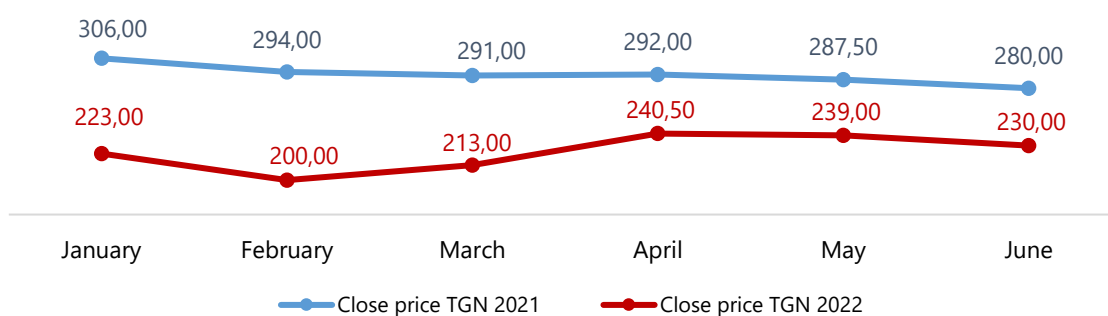
On the last trading day of January 2022, the closing price of TGN shares was 223,00 lei/share, and on 28.02.2022 it was 200,00 lei/share. Subsequently, the closing price of TGN shares increased slightly, reaching a maximum of 223 lei/share in the second half of March, mainly due to investors' expectations regarding the publication of the dividend proposal for financial year 2021, and then suffered a correction, reaching a value of 213,00 lei/share on 31.03.2022, thus approaching the values recorded before the invasion of Ukraine by the Russian Federation.



<https://www.tradingview.com/x/cxEcR7jP>

In line with the dynamics of the European markets, the beginning of April saw trading sessions with positive developments for all BVB indices. Thus, on 18.04.2022, TGN recorded one of the best performances in the BET index, i.e. an increase of 4,18%. Subsequently, TGN's closing share price followed an upward trend in the context of actions taken by the company's management, namely the signing of the Memorandum of Understanding between Transgaz, Gaz-System (Poland), Eustream (Slovakia) and FGSZ (Hungary), whereby the four Central European natural gas Transmission System Operators agreed on a strategic partnership to explore the possibilities of decarbonising their operations, transmitting green gas and investigating the potential of transmitting CO<sub>2</sub>.

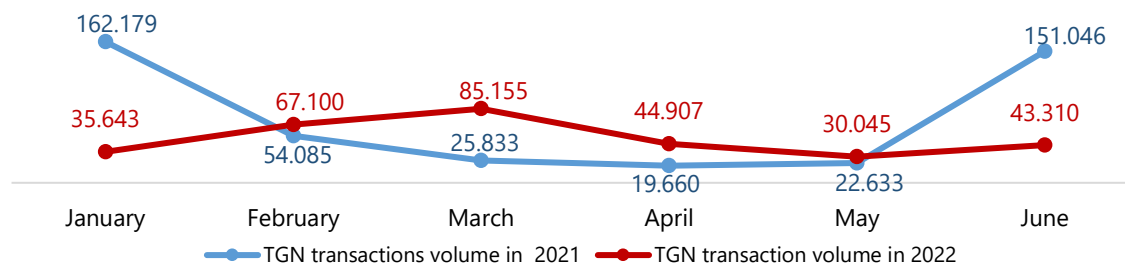
In May and June, the closing price of TGN shares recorded a downward trend, with values lower than those of 2021, with the highest values during this period being recorded on 20.05.2022 (241,50 lei/share), following the signing of the Agreement with the Investment Fund of the Three Seas Initiative S.A. SICAV-RAIF, and on 20.06.2022 (243,00 lei/share), after Fitch's confirmed the company's rating - BBB- with stable outlook.



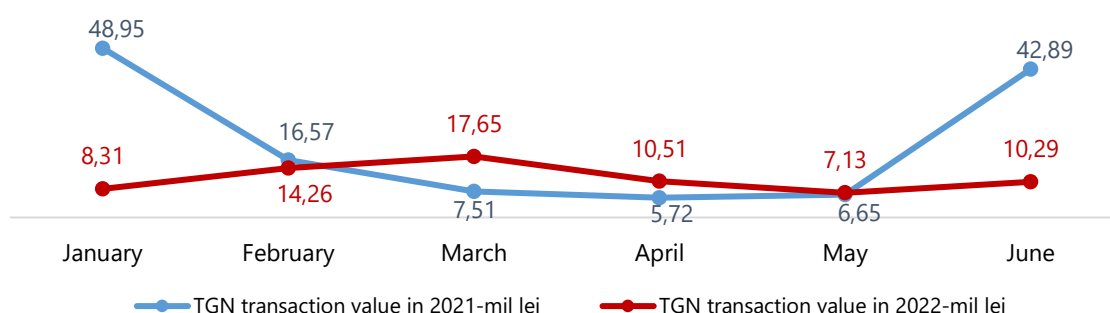
**Chart 17 - The closing price of the TGN shares in Half I 2022 compared to Half I 2021**

The volumes traded and transaction values reported in the reporting period were predominantly higher compared to Half I 2021. The highs of the period were recorded in February, i.e. on 28.02.2022, with a volume of 12.460 shares traded and a value of lei 2.500.427.



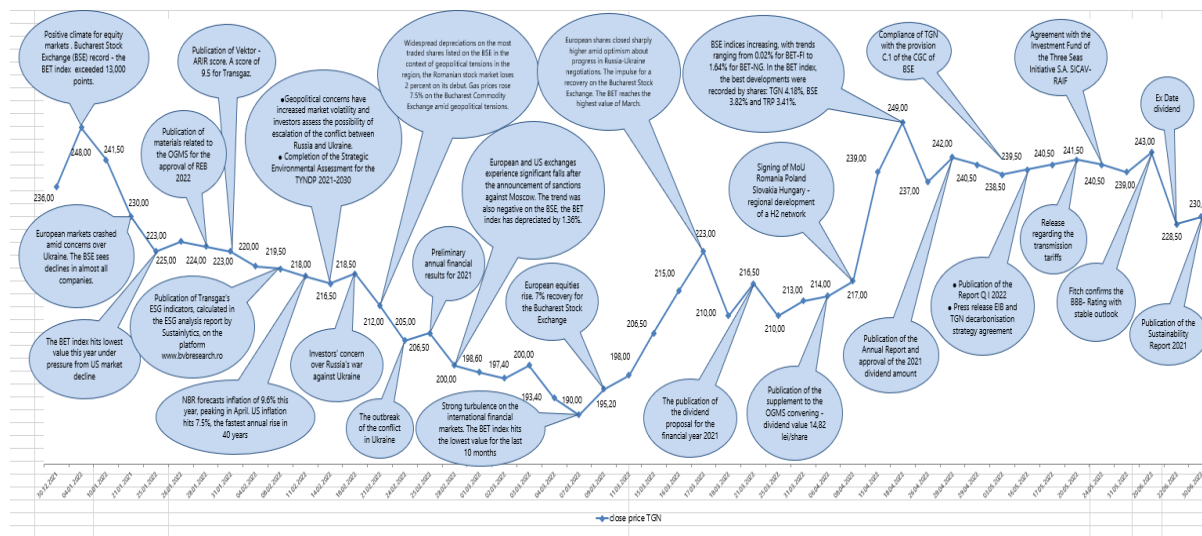


**Chart 18 - TGN transactions volume in Half I 2022 compared to Half I 2021**



**Chart 19 - TGN transaction value – mil. lei in Half I 2022 compared to Half I 2021**

### Main corporate events with an impact upon the share price in Half I 2022



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

Data	P/BV	PER*	DIVY	EPS
30.06.2022	0,68	15,32	6,44	15,02
30.06.2021	0,87	18,84	2,91	14,86

\* date PER 31 December 2021, and 31 December 2020

In the period of six months ended 30 June 2022, the P/BV ratio (a share price to book value ratio) decreased slightly compared to the same period of 2021.

At the same time, the PER ratio (share price to earnings ratio) registered a lower value as compared to the value registered on 30.06.2021.

The increase in dividend yield (DIVY), compared to the value recorded on 30.06.2021, is due to the higher value of the gross dividend for financial year 2021, meaning 14,82 lei / share (according to OGMS 5 of 28 April 2022) compared to 8,14 lei / share (according to OGMS 3 of 27 April 2021).

Moreover, pursuant to the presented data, the EPS (profit per share) increased in Half I 2022 as compared to the same period of 2021, recording the value of 15,02.

#### TGN share in the stock market indices (BET, BET-NG, BET-XT, BET-BK, ROTX)

Name of stock market index	Position in index component	TGN share 30.06.2022
<b>BET</b> (the BVB reference index, it represents the 10 most liquid companies listed on the BVB)	9	2,67%
<b>BET-BK</b> (benchmark index, calculated as a price index weighted by the free float capitalisation of the most traded companies listed on the BVB regulated market)	13	4,53%
<b>BET-NG</b> (sector index / energy - utilities)	4	8,24%
<b>BET-XT</b> (blue-chip index, tracks the price changes of the most liquid 25 traded companies)	9	2,65%
<b>BET-TR</b> (the first total return index launched by the BVB, based on the structure of the market reference index, BET, and tracks both the price changes of the constituent companies and the dividends paid by them).	9	2,84%
<b>BET-XT-TR</b> (the total return version of BET-XT index, which includes the 25 most traded Romanian companies listed at BVB. BET-XT-TR tracks the price changes of its constituent companies and is adjusted to also reflect the dividends paid by them.)	9	2,81%

#### 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

In Half I 2022 there were no significant mergers or reorganizations within SNTGN Transgaz SA.

## Stock market capitalization

The stock market capitalization of the company on 30.06.2022 was of lei 2,71 billion (~ euro 548 million), namely by 94 million lei (~euro 18 million) below the level recorded on 03.01.2022.

Currency	2022		2021	
	03.01.2022	30.06.2022	04.01.2021	30.06.2021
LEI	2.802.174.872	2.707.984.120	3.402.640.916	3.296.676.320
EURO	566.393.433	547.576.358	698.823.379	669.144.929
Euro/BNR exchange rate	4,9474	4,9454	4,8691	4,9267



Chart 20 - Stock market capitalization of Transgaz on 30.06.2022 compared to 30.06.2021

The TGN share compared to BET, BET-BK, BET-TR, ROTX, BET-NG and BET-XT stock indices in Half I 2022:

### 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 2022**

As it can be noticed, over the entire 6-month period ended 30.06.2022, the TGN share had a similar evolution to that of the main stock market indices BET, BET-BK, ROTX and BET-NG.

## 4.8 Dividend policy

In 2022 the proposal for determining the value of the dividends for financial year 2021 was established based on the provisions of GO 64 of 30 August 2001 on the distribution of profit to national enterprises, national companies and trading companies with full or majority state capital, as well as to autonomous administrations with the application of the 85,4832% quota to the distribution of profit as dividends, according to Art. IV of GEO 3/26.01.2022 on the amending and supplementation of GEO 118/2021 for establishing a compensation scheme for power and gas consumption for the winter of 2021-2022, and for supplementing GO 27/1996 on granting facilities to persons residing or working in certain localities in the Apuseni Mountains and in the Danube Delta Biosphere Reserve, and Government Resolution 431/30 March 2022 on the approval of the distribution to the state budget for financial year 2021 of 50% of the accounting profit of SNTGN Transgaz SA as dividends remaining after the deduction of the profit tax.

Thus, in accordance with OGMS Resolution 5/28.04.2022, Transgaz SA pays dividends for financial year 2021 through Depozitarul Central SA and Banca Transilvania, the appointed paying agent, starting with 14 July 2022 (the date of payment), for the shareholders registered at the registration date of 23 June 2022, **the value of the gross dividend / share amounting to lei 14,82.**

In Half I 2022, SNTGN Transgaz SA paid to the shareholders net dividends for financial year 2020 in the amount of lei 94.487.935,93 .

## 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. Thus, S&P Global Ratings published the latest report in 2018, revising the outlook for Transgaz, from stable to negative, and, at the same time, it affirmed the company's credit rating at BB +.

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

Later, in 2022, Fitch Ratings affirmed the 'BBB-', Stable Outlook rating assigned to the company, a rating supported by *'its solid business profile as a concessionaire and operator of the gas transmission network in Romania and our expectation of regulatory continuity into the new regulatory period from October 2024'*, according to the agency's report.

#### 4.9 List of all entities where Transgaz holds shares

- **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;
- **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;
- **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.

## 5 ACTIVITY ANALYSIS

### 5.1 Operation activity

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

In Half I 2022, a total of 547 contracts were concluded and signed with network users, or the duration of contracts was extended, of which 496 contracts for domestic points and 51 contracts for cross-border interconnection points, for gas transmission services, including annual, quarterly, monthly, daily, within-day capacity products for National Gas Transmission System entry/exit points, including for the Csanadpalota, Ruse - Giurgiu, Negru Vodă 1/Kardam and Isaccea 1/Orlovka and Ungheni interconnection points.

Total gas transmission contracts with capacity booking at the domestic NTS entry/exit points, concluded in Half I 2022:

Contract type	Annual	Quarterly	Monthly	Daily	Total
No. of contracts	4	68	398	26	<b>496</b>

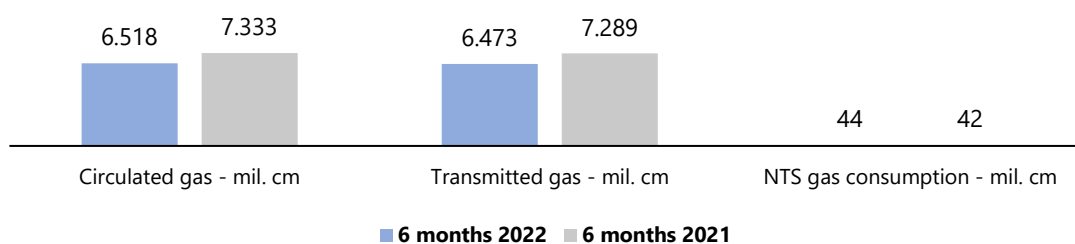
Under the **51** gas transmission contracts for capacity booking at the interconnection points between the Romanian National Gas Transmission System and the gas transmission systems of the states neighbouring Romania, transmission capacity was booked by the specific period of the product accessed by the network users, as follows:

Contract type	Annual	Quarterly	Monthly	Daily	Within - day	Total
No. of products	0	9	45	1003	702	<b>1759</b>

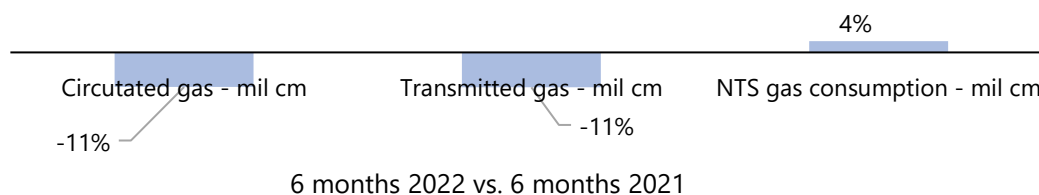
The gas quantities circulated, transmitted and NTS consumption in Half I 2022, compared to the same period of the previous year are as follows:

Indicator	MU	Half I 2022	Half I 2021	+/-	%
0	1	2	3	4=2-3	5=2/3-1
<b>Circulated gas</b>	thousand cm	6.518.284	7.332.584	-814.300	-11%
<b>Transmitted gas</b>	thousand cm	6.472.856	7.288.673	-815.817	-11%
<b>NTS gas consumption</b>	thousand cm	43.908	42.395	1.513	4%
<b>The share of NTS gas consumption / circulated gas</b>	%	0,67%	0,58%		17%

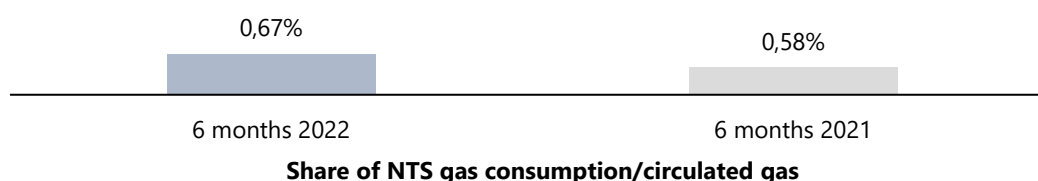
**Table 16 - Gas quantities circulated, transmitted, and NTS gas consumption in Half I 2022 compared to Half I 2021**



**Chart 22 - Gas quantities circulated, transmitted and NTS consumption in Half I 2022 compared to Half I 2021**



**Chart 23 - Gas quantities circulated and transmitted and NTS gas consumption – Half I 2022 compared to Half I 2021**



**Chart 24 – The share NTS gas consumption in total circulated gas in Half I 2022 compared to Half I 2021**

The gas quantities circulated, transmitted and NTS consumption as well as the quantity stored, planned and obtained in Half I 2022, compared to the same period of the previous year are as follows:

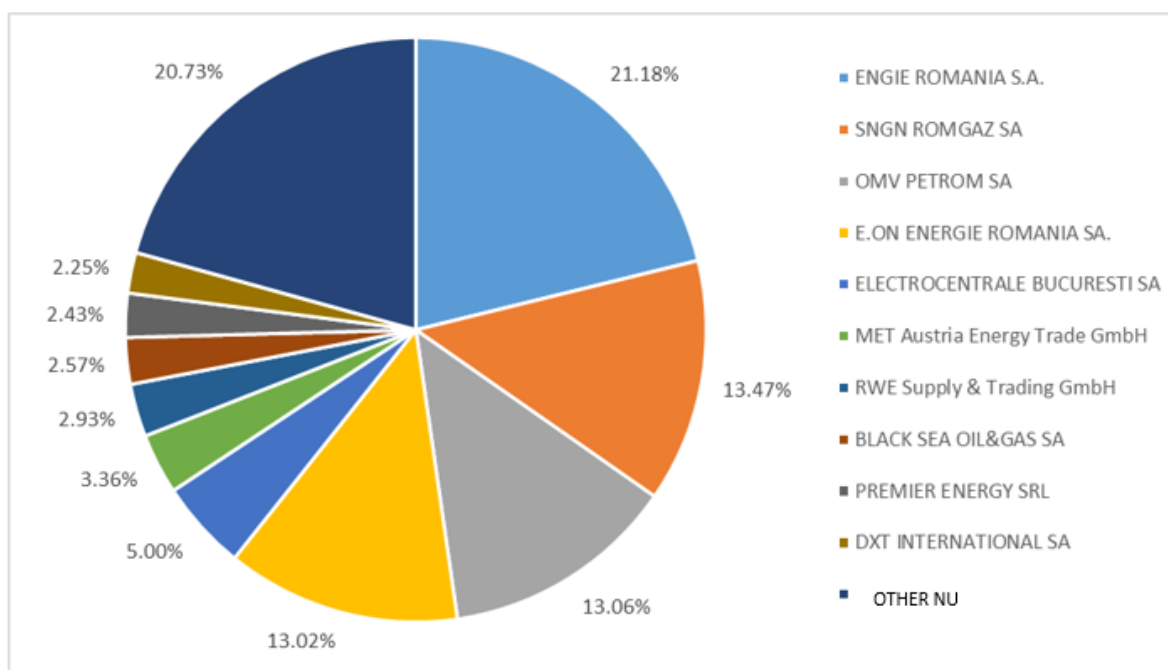
	MU	Half I 2022			Half I 2021		
		Planned	Obtained	%	Planned	Obtained	%
<b>Circulated gas</b>	thousand cm	6.568.464	6.518.284	99,2	6.605.461	7.332.584	111
<b>Transmitted gas</b>	thousand cm	6.500.616	6.472.856	99,6	6.567.284	7.288.673	111
<b>NTS gas consumption</b>	thousand cm	48.076	43.908	91,3	38.177	42.395	111
<b>Gas for storage</b>	thousand cm	797.220	877.191	110	692.481	666.482	96,2

**Table 17 – Gas quantities circulated, transmitted and NTS gas consumption planned compared to achieved in Half I 2022 vs. Half I 2021**



**The main beneficiaries** of the gas transmission service in Half I 2022:

No.	Main network users (NU)	INVOICE AMOUNT VAT EXCLUDED (LEI)	%
1.	ENGIE ROMANIA S.A.	135.145.512,29	21,18
2.	SNGN ROMGAZ SA	85.912.062,52	13,47
3.	OMV PETROM SA	83.290.717,16	13,06
4.	E.ON ENERGIE ROMANIA SA.	83.074.497,01	13,02
5.	ELECTROCENTRALE BUCURESTI SA	31.875.900,51	5,00
6.	MET Austria Energy Trade GmbH	21.418.851,30	3,36
7.	RWE Supply & Trading GmbH	18.678.186,33	2,93
8.	BLACK SEA OIL&GAS SA	16.407.783,91	2,57
9.	PREMIER ENERGY SRL	15.532.289,13	2,43
10.	DXT INTERNATIONAL SA	14.347.942,40	2,25
	OTHER NU	132.250.969,19	20,73
	<b>TOTAL</b>	<b>637.934.711,75</b>	<b>100,00</b>



**Chart 25 - The share of the main NTS users in Half I 2022**

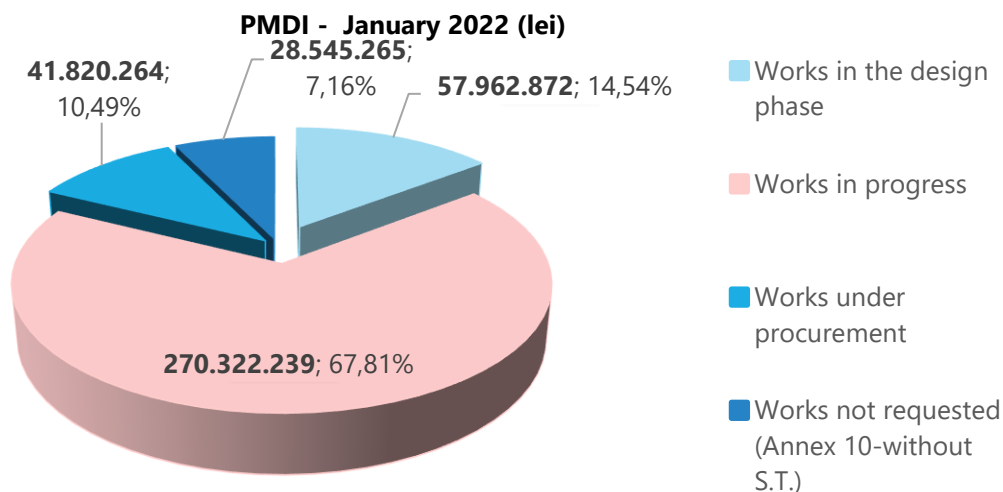
Through the **transmission services** contracted in Half I 2022, the total quantity of 69.308.211,442310 MWh (6.472.856,211 thousand cubic meters) was transmitted to:

	MWh	thousand cm	%
<b>Distribution</b>	44.606.889,772465	4.167.846,786	64,36
<b>Direct customers</b>	13.964.042,078505	1.305.484,401	20,15
<b>Storage</b>	9.394.014,807340	877.191,365	13,55
<b>Export Csanadpalota, Giurgiu Ruse, Negru Voda, Ungheni</b>	1.343.264,784000	122.333,659	1,94

## 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 Modernisation and Investment Development Plan for 2022, initially approved in the revenue and expenditure budget is of **lei 398.650.640** according to BoA Resolution 39/2021, but was subsequently reduced to **lei 254.868.815**, according to BoA Resolution no.13/2022.

In January 2022, the structure of the Modernisation and Investment Development Plan was as follows: 68% works in progress from 2021, 15 % works in the design phase, 10% works in the procurement procedure, 7% works not requested.

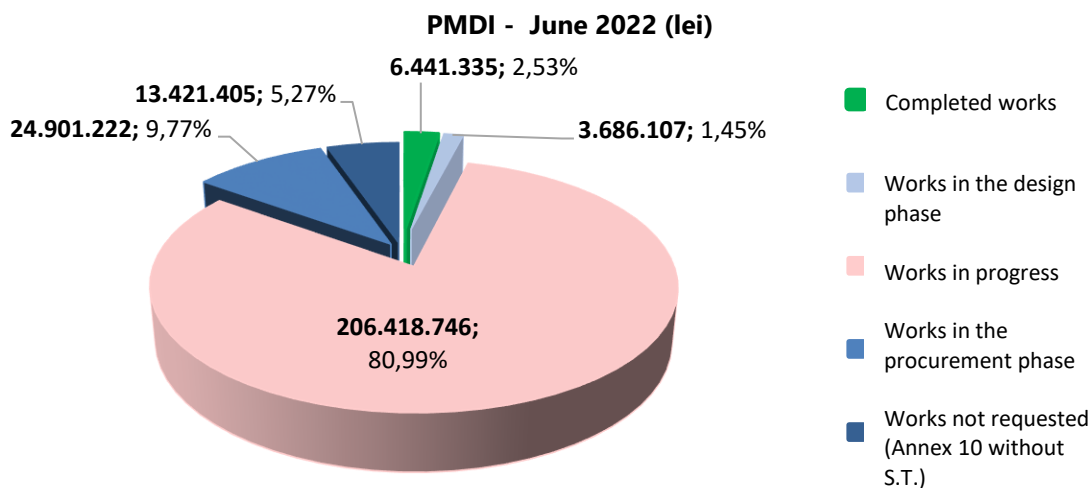


**Chart 26 – PMDI 2021 – January 2022**

At the end of Half I 2022 the PMDI achievements amounted to **lei 77.745 thousand**.

At the end of Half I 2022, the structure of the Modernisation and Development Investment Plan was as follows: 81% works in progress, 10% works in the procurement procedure, 5%, works not requested, 3% completed works and 1% works in the design phase.

Compared with the situation of the works at the end of January, at the end of Half I 2022 the percentage of works in progress and completer increased, mainly in conjunction with a decrease in the percentage of works in the design and procurement phase.



**Chart 27 – PMDI 2021 – June 2022**

**The main investment objectives completed in Half I 2022 are the following:**

- Securing DN 500 Hațeg – Paroșeni transmission pipeline, in the Baru Mare area;
- Securing hydro-technical works to the DN 500 Hațeg – Paroșeni transmission pipeline, in the Baru Mare area;
- DN 300 Mintia – Brad gas transmission pipeline;
- Sibiu 2 Cathodic Protection Station;
- Re-location Oporelu 2 Cathodic Protection Station, Olt County;
- Clejani Cathodic Protection Station;
- 12 objective in *ANEX 14 - List of the Machineries, Equipment and Facilities.*

**The main works in progress:**

- DN 500 Plătărești-Bălăceanca gas transmission pipeline;
- DN 300 Sighetul Marmației – Borșa gas transmission pipeline;
- DN 250 Vernești-Mărăcineni gas transmission pipeline;
- Connection and MRS Lacu Sărat, Brăila County;
- Connection and MRS Bicău, Satu-Mare County;
- Connection and PMRS Dumbrava- Ciurea, Iași County;
- Capacity expanding at MRS Uricani, Iași County;
- Modernization of Bacău Regional Office building;
- DN 250 Câmpulung Moldovenesc – Vatra Dornei gas transmission company
- Mounting pig receiving/launching trap at Posada for the DN 500 Stâlp 89 – Posada and DN 500 Posada – Moșu pipelines
- Securing DN 500 Medieșu Aurit – Abrămuț gas transmission pipeline, the Culciu Mare area;
- DN600 Mihai Bravu – Siliștea gas transmission pipeline and changing the pipeline into a piggable one - Măcin Branch and Borcea Branch Danube Undertaking;

- DN 400/300 SRM Timișoara I – SRM Timișoara III gas transmission pipeline (including power supply);
- Modernization of Ploiești gas supply.

**The main works under procurement are as follows:**

- Securing Hodoș River undercrossing with the DN700 Hetiur – Iașu gas transmission pipeline;
- Gas transmission pipeline connecting MRS Broșteni connection pipeline to the NTS
- Connection pipeline and PMRS Flămânzi;
- Connection pipeline and PMRS Ștei;
- Modernization technological plant PMRS Arad I.

**The main works in the technical documentation preparation phase:**

- Protection system against lightning strikes, with lightning conductor and renewal of power supply system for MRS Fulger Bragadiru;
- Modernization of MRS Sighișoara;
- Connection pipeline and PMRS Ianova;
- Connection pipeline and PMRS Vișina;
- Connection pipeline and PMRS Ionești;

In order to solve the problems encountered during the execution of the works and the achievement of the planned objectives, measures were implemented to take into account the decision to re-design the route of the pipeline or the technical solutions for the construction, in some areas where the agreement of the landowners or local administrations is difficult to be obtained.

Most of the investment objectives for which no achievements were recorded are in the design, tender documents preparation or procurement phase.

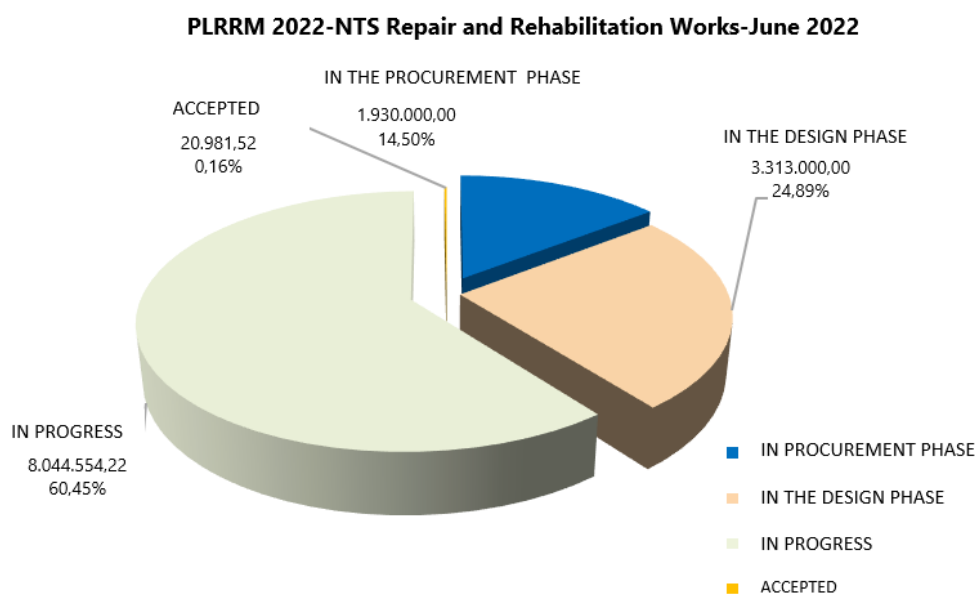
### **5.3 Maintenance activity**

The **2022 Repair, Rehabilitation and Maintenance Services Plan** has an allocated value of lei **37.502.177,91**, of which **lei 13.308.535,74** for *NTS repair and rehabilitation works* and **lei 24.193.642,17** for services related to the *NTS maintenance services*.

#### **5.3.1 - NTS repair and rehabilitation works**

The structure of the budget allocated to the NTS repair and rehabilitation works , as at 30.06.2022 was as follows: 60,45% works at different stages of execution (works in progress), 24,89% works in the design stage, 14,50% works in the procurement stage and 0,16 accepted works.

The graphical presentation of the NTS repair and rehabilitation works budget allocation is shown in the following chart:



**Chart 28 - PLRRM 2022 - NTS Repair and Rehabilitation - June 2022**

**The NTS repair and rehabilitation works in progress at the end of Half I 2022 are:**

- Ø24 Paltin-Schitu Golești pipeline (Brasov county);
- Repairs to abovecrossings (framework agreements/2 years);
- Pipeline insulation works in fixed stations;
- Optical fibre network repair Arad-Horia-Csanadpalota;
- Securing the Bistrita river undercrossing with a 300 mm Dn pipeline. Piatra Neamt- Biczaz in Vișoara area;
- Securing the Dn 500 mm Abramut-Salonta-Arad pipeline in the Abramut oil park area;
- Repair of the Dn 1200 Isaccea-Negru Voda, Transit 3 pipeline following smart pig inspection;
- Dismantling of building A located in 6 Carpati Street.

**NTS repair and rehabilitation works planned at the end of Half I 2022:**

- Preparation of the Ø28" Seleuș-Cristur-Bățani gas transmission pipeline for conversion into a piggable pipeline - stage 2B (Harghita county);
- Rehabilitation of the Bățani-Onești pipeline. Stage 1 - Preparing the pipeline for conversion into a piggable pipeline;
- Securing Dn 400 Filipești - Ghirdoveni and Dn 500 Filipești - Răzvad pipelines, in the Cioc plateau area;
- Abovecrossings repair works;
- Târnăveni Sector offices repair works;
- SNG professional training building repair works ;
- Exterior repairs - TRANSGAZ head office- 1 C.I. Motaș Square, Mediaș;

- MRS Vlăhița (CT), MRS Sf. Gheorghe (CT), MRS Tg. Secuiesc (CT), MRS Câmpulung, MRS Finca - Drăgășani, MRS Titan, MRS Titan (CT), MRS Răzvad, MRS Buciumeni, MRS 16 Februarie, MRS Ungheni, MRS Medgidia;
- Demolition , removal, dismantling of metal roof works - Onești line, MRS Slimnic building, MS Axente Sever building, MRS Daia building, MRS Cerghizel building, MRS Boian building, MRS Triteni building, MRS Vâsâiești building, MRS Comprul building, Clădire vestiar Drăgășani sector locker room building, PRMS Comănești II.

**NTS repair and rehabilitation works under procurement at the end of Half I 2022 are the following:**

- Securing Dn 500 Lunca-Sibiu and Dn 500 Sădinca-SCG Lunca pipelines, in the Valea Țapului area;
- Repair/dyeing works Onești Technological Node;
- Repair/dyeing works Lețcani Technological Node;
- Repair/dyeing works Gherăești Technological Node.

**The NTS repair and rehabilitation work accepted at the end of Half I 2022 is:**

- Securing Dn 150 mm pipeline, MRS Măgureni connection pipeline, the Măgureni area.

**Preventive works** are the works preparing the pipelines for diagnosis, followed by one-off rehabilitation works designed on the basis of diagnosis to restore nominal transmission capacity. Preparing pipelines to be traversed by cleaning and diagnostic equipment is achieved by replacing or reconsidering components that do not allow their passage.

The technological activity of internal pipeline cleaning has also the aim of maintaining the pipeline at its original gas transmission capacity by periodically removing impurities (solid and liquid) from upstream sources. All these activities are geared towards carrying out maintenance of necessity, based on the principle of in-service risk assessment.

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

Considering the manner of carrying out the repair and rehabilitation works, as described above, as well as the provisions laid down in Article 12 of Law 346 of 3 December 2007 on measures to ensure the security of natural gas supply, **from January 2022 to March 2022, no NTS works requiring the interruption of natural gas supply for a period of more than 12 hours were executed.**

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

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



- lack of landowner agreements.

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

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

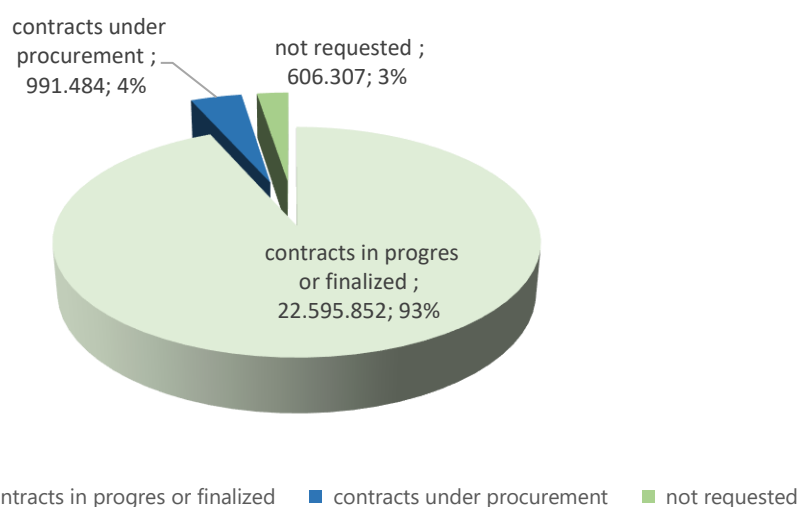
### 5.3.2 NTS Maintenance Ensuring Services

Out of the budget allocated to the NTS Maintenance Assurance Services of lei **24.193.642,17** at the end of June 2022 the amount of lei **9.075.082,80** was achieved.

The budgeted amount for NTS maintenance services for 2022 has the following breakdown in relation to the 91 budget lines provided (according to Rectification 8/2022):

- a number of **73 positions** with a total budget of **lei 22.595.852,09** have ongoing or completed contracts and recorded in Half I 2022 achievements amounting to **lei 9.075.082,80**;
- **6 positions** with a total budget of **lei 991.483,58** are in procurement procedure;
- **12 service positions** with a budget allocation of **lei 606.306,50** are not requested. The items have amounts insured in case of emergencies (e.g. weather management services, air transport services for operational interventions and inspections in the NTS) or are amounts insured for services with low predictability needs (e.g. generator repair and maintenance services, compressor repair and maintenance services, etc).

PRRASM 2021 NTS Maintenance Services - June 2022



**Chart 29 - PRRASM 2020 - NTS Maintenance Services – 30 June 2022**

**The main contracts concluded in Half I 2022:**

- services of verification and repair of the technological instrumental air installation, related to Solar Groups A and B of Station II Șinca;
- maintenance and repair services for Sudocor-type odorization installations;
- CIPS equipment checking and recalibration services;
- volume converter repair services;
- maintenance and repair services to detectors of odorization degree;
- maintenance, repair and calibration services of portable H2S analysers, model Drager;
- CASCO insurance services for motor vehicles;
- technical expertise services for construction;
- security systems maintenance services;
- inspection and repair services of the automation systems in the Șinca Technological Node and the keypad of Station II and of the systems for measuring the operating parameters of the Solar A, B compressor groups;
- inspection and repair services for underground pipe detection equipment;
- calibration and repair services for metering, testing and control devices;
- maintenance, overhaul and repair of lifting machinery;
- maintenance, repair and calibration services of online water dew point temperature analyser model AURORA GE;
- maintenance and repair services of portable dew point temperature analysers, model Cermax IS;
- metrological reconfirmation (calibration) services at high pressure for turbine meters.

**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) had an assigned value of lei 661.723.936,94 of which the value of PAAS TransGasDigital was of lei 2.200.000, but following the rectifications approved in Half I 2022, the PAAS value increased to lei 760.740.475,18.

**I. PROCUREMENT PROCEDURES (SIMPLIFIED PROCEDURES / OPEN AUCTIONS / NEGOTIATED PROCEDURE WITHOUT PRIOR CALL FOR COMPETITION (NFIPPCO) / OWN PROCEDURES) - PAAS 2022**

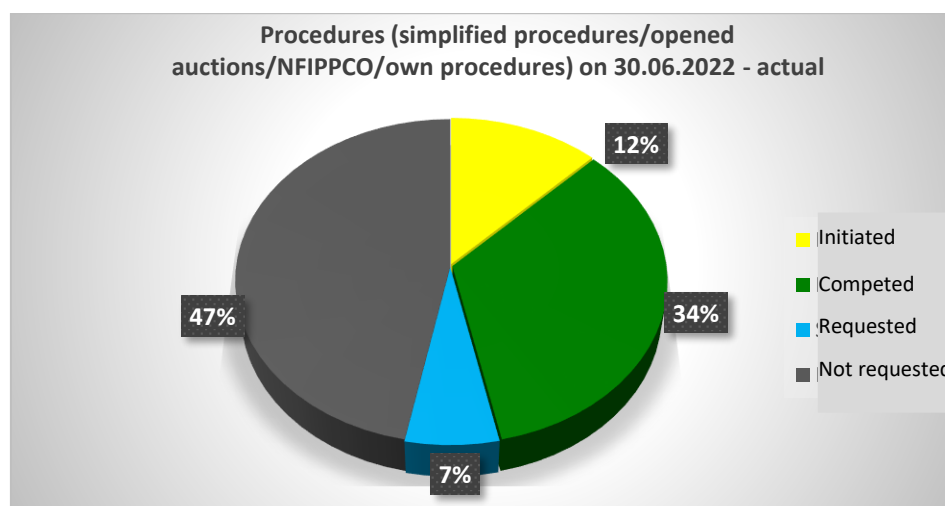
In Half I 2022 147 procurement contracts/framework agreements/ subsequent contracts for a total value of 357.690.481,25 of which: 86 contracts/ framework agreements for the value of lei 348.238.384,80 and 61 subsequent contracts for a value of 9.452.096,46 were concluded.

**Procedures value master table** (simplified procedures/open tenders/NFIPPCO/own procedures):

<b>Total procedures on 30.06.2022</b>	<b>1.258.899.322,19</b>	<b>%</b>
<b>Started, of which:</b>	<b>136.040.599,82</b>	<b>10,81%</b>
-PAAS 2022	17.195.260,44	1,37%
-Annex 1 – Procurement in progress	118.724.539,38	9,43%
- Annex 2 – Social services	120.800,00	0,01%
<b>Completed, of which:</b>	<b>348.238.384,80</b>	<b>27,66%</b>
-PAAS 2022	18.927.053,27	1,50%
-Annex 1 – Procurement in progress	329.311.331,53	26,16%
- Annex 2 – Social services	0,00	0,00%
<b>Submitted to Sectoral Procurement and Contracting Division but not started, of which:</b>	<b>363.393.698,13</b>	<b>28,87%</b>
-PAAS 2022	363.393.698,13	28,87%
-Annex 1 – Procurement in progress	0,00	0,00%
- Annex 2 – Social services	0,00	0,00%
<b>Not requested, of which:</b>	<b>338.753.186,96</b>	<b>26,91%</b>
-PAAS 2022	334.510.346,96	26,57%
-Annex 1 – Procurement in progress	0,00	0,00%
- Annex 2 – Social services	4.242.840,00	0,34%

**NOTE:** From a value point of view, the sum of the percentages is less than 100%, the difference resulting between the estimated value of the procedures and the awarded value (less than the estimated value).

**Schematically the procurement procedures actual achievement** is as follows:



**Chart 30 – Actual status of procurement procedures on 30.06.2022**

## II. DIRECT PROCUREMENTS:

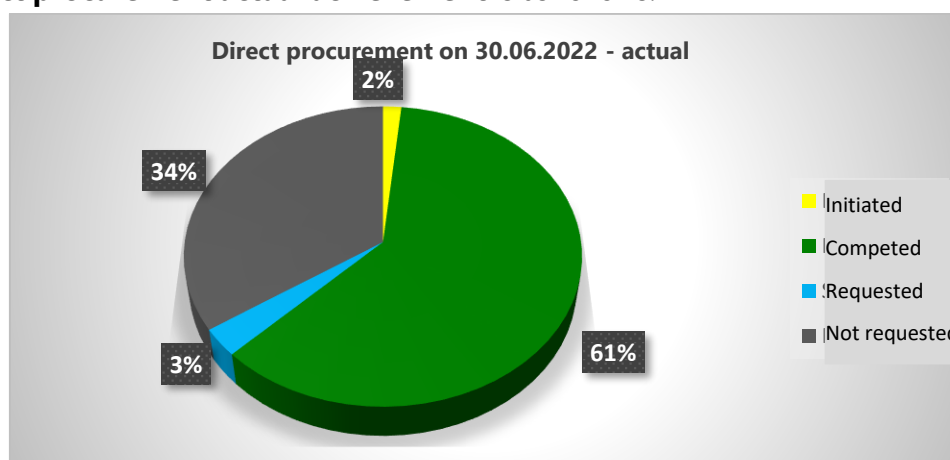
In Half I 2022 810 direct procurements were completed, of which 47 by contract, and 360 by order. The total value of the 2022 PAAS direct procurements achieved amounts to 4.014.939,65 lei.

### Direct procurement value master table (lei)

<b>Total direct procurement on 30.06.2022</b>	<b>21.396.100,82</b>	<b>%</b>
<b>Started, of which:</b>	<b>289.656,62</b>	<b>1,35%</b>
- PAAS 2022	274.656,62	1,28%
- Annex 1 – Procurement in progress	0,00	0,00%
- Annex 3 - Exceptions Art. 35	15.000,00	0,07%
<b>Completed, of which:</b>	<b>4.014.939,65</b>	<b>18,76%</b>
- PAAS 2022	3.578.647,71	16,73%
- Annex 1 – Procurement in progress	434.491,94	2,03%
- Annex 3 - Exceptions Art 35	1.800,00	0,01%
<b>Submitted to Sectoral Procurement and Contracting Division but not started, of which:</b>	<b>915.777,33</b>	<b>4,28%</b>
- PAAS 2022	875.260,40	4,09%
- Annex 1 – Procurement in progress	0,00	0,00%
- Annex 3 – Exceptions Art. 35	40.516,93	0,19%
<b>Not requested, of which:</b>	<b>15.839.572,18</b>	<b>74,03%</b>
- PAAS 2022	5.827.979,68	27,24%
- Annex 1 – Procurement in progress	0,00	0,00%
- Annex 3 – Exceptions Art. 35	10.011.592,50	46,79%

**NOTE:** From a value point of view, the sum of the percentages is less than 100%, the difference resulting between the estimated value of the procedures and the awarded value (less than the estimated value).

The direct procurement actual achievement is as follows:



**Chart 31 – Actual status of direct procurement on 30.06.2022**

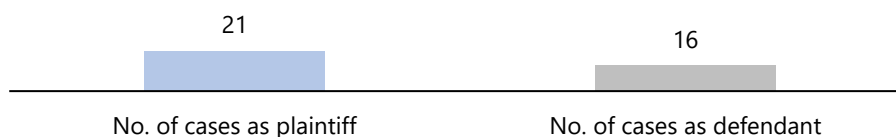
## 5.5 The legal assistance and representation activity

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, in Half I 2022, there were a total of **37 cases** in which SNTGN Transgaz SA was:

- plaintiff in 21 cases;
- defendant in 16 cases;



**Chart 32 - Structure and number of cases in which the company was involved in Half I 2022**

### Values:

- values of cases in which Transgaz is a plaintiff (files registered in Half I 2022): **23.573.033,91 lei**;
- values of cases in which Transgaz is a defendant (files registered in Half I 2022): **362.407,66 lei and 10.000EUR**.

### Solutions:

- **10 favourable decision cases** Transgaz (final decisions);
- **5 unfavourable decision cases** Transgaz (final decisions).

## 5.6 International cooperation activity

In Half I 2022 the international cooperation activity mainly was directed to:

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

- the collaboration with European and adjacent Transmission System Operators within the Vertical Gas Corridor Project (Transgaz, DESFA Greece, ICGB, Bulgartransgaz Bulgaria, FGSZ Hungary)
- the cooperation with national and international bodies, the European Commission and other institutional relations
- the cooperation with gas transmission operators at the regional level for the development of new relevant partnerships for the energy sector and the conclusion of cooperation agreements or memoranda:
  - in recent years, SNTGN Transgaz SA has initiated contacts with natural gas transmission operators in the European Union with a view to developing partnership relations aimed at exchanging experience and analysing the potential for bilateral cooperation to promote possible joint projects (Gaz-System Poland, ICGB - the company implementing the Greece-Bulgaria Interconnection project, GasConnect Austria, CEGH Austria, Energy Community Secretariat (SEEGAS initiative), etc.;
  - in February 2022, Transgaz and the Turkish company BOTAŞ signed a Memorandum of Understanding whereby the two parties express their intention to jointly support mutually beneficial projects and develop new directions of cooperation in the field of natural gas transmission and for the development of hydrogen projects;
  - On 7 April 2022, on the sidelines of the annual Gas Infrastructure Europe (GIE) conference in Budapest, Transgaz and the gas transmission operators in Hungary, Poland and Slovakia, meaning FGSZ, Gas System and Eustream, signed a Memorandum of Understanding on hydrogen cooperation. The Memorandum aims at analysing 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;
  - On 16 May 2022, the EUROPEAN INVESTMENT BANK (EIB) and SNTGN TRANSGAZ SA (Transgaz) have signed an agreement for the provision of advisory services to prepare and develop a decarbonisation strategy for Romania's gas network. The technical assistance package delivered by EIB and external experts within the context of the European Investment Advisory Hub (EIAH), will include the preparation and development of a decarbonisation strategy for Transgaz to gradually transition to climate neutral activities. The European Investment Advisory Hub (EIAH) is a partnership between the European Investment Bank Group and the European Commission under the Investment Plan for Europe. The EIAH is designed to act as a single access point to various types of advisory and technical assistance services. It supports the identification, preparation and development of investment projects across the European Union. Building on the success of the EIAH and other advisory programmes, the EIB and the European Commission agreed to provide technical, financial and strategic expertise to project promoters, regional and national authorities, and financial intermediaries under the InvestEU Advisory Hub.
  - On 24 May 2022, on the sidelines of the *Global Economic Forum* organized by the *3 Seas Initiative*, in Davos, Switzerland, Transgaz signed a roadmap agreement with The Three Seas Initiative Investment Fund S.A. SICAV-RAIF ('3SIIF', 'the Fund'), a dedicated commercial fund targeting infrastructure investments in Central and



Eastern Europe, to collaborate on the construction of planned greenfield gas infrastructure in Romania. This agreement recognises the strategic and economic importance of investment in Romania's natural gas pipeline infrastructure. Given Romania's extensive domestic oil and gas reserves, further investment in gas transmission infrastructure is anticipated to drive economic development in the region, while also supporting European energy security and the energy transition in the Three Seas region.

- Transgaz participated in the Security of Supply Meetings with the Transmission System Operators at regional level to analyze the needs for investment in the regional gas infrastructure, considering the new geopolitical context, launched on 2-3 June 2022 on the sidelines of the "8th Energy Infrastructure Forum" organized by the European Commission and the Danish Ministry for Climate, Energy and Utilities in Copenhagen.
- Transgaz participated in the "6th session of the Joint Intergovernmental Commission for commercial-economic and technical-scientific cooperation Romania-Azerbaijan", in Baku, Azerbaijan on 21-24.06.2022.

## 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 the Republic of Moldova by Eurotransgaz SRL, Transgaz, as a parent company, prepares consolidated group financial statements.

#### Consolidated companies in the Transgaz group:

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

(thousand lei)

Indicator	Consolidated statements Half I 2022	Consolidated statements Half I 2021	Changes
0	1	2	3=1/2*100-100
Revenue from the domestic transmission activity	592.601	620.166	-4%
Revenue from the international transmission activity	42.416	33.912	25%
Other revenue	68.901	47.213	46%
<b>Operating revenue before the balancing and construction activity according to IFRIC12</b>	<b>703.917</b>	<b>701.291</b>	<b>0%</b>
Depreciation	214.170	162.279	32%
Employees costs	235.864	230.396	2%
Technological consumption, materials and consumables used	93.645	63.854	47%
Cost of royalty	2.540	2.616	-3%
Maintenance and transmission	15.813	14.723	7%
Taxes and duties due to the state	37.675	39.523	-5%
Revenue/ (Costs) of provisions for risks and charges	17.600	-26.116	-167%
Other operating cost	57.210	89.381	-36%
<b>Operational profit before the balancing and the construction activity according to IFRIC12</b>	<b>29.400</b>	<b>124.633</b>	<b>-76%</b>
Revenue from the balancing activity	540.476	142.059	280%
Cost of balancing gas	540.476	142.059	280%
Revenue from the construction activity according to IFRIC12	104.332	345.847	-70%
Cost of constructed assets according to IFRIC12	104.332	345.847	-70%
<b>Operational profit</b>	<b>29.400</b>	<b>124.633</b>	<b>-76%</b>
Financial revenue	294.951	60.645	386%
Financial cost	102.579	21.426	379%
<b>Financial revenue, net</b>	<b>192.372</b>	<b>39.219</b>	<b>391%</b>
<b>Profit before tax</b>	<b>221.772</b>	<b>163.851</b>	<b>35%</b>
Profit tax expense	44.494	30.554	46%
<b>Net profit for the period</b>	<b>177.278</b>	<b>133.297</b>	<b>33%</b>
Exchange rate differences	2.685	5.007	-46%
<b>Total comprehensive income for the period</b>	<b>179.963</b>	<b>138.303</b>	<b>30%</b>

**Table 18 - Indicators of consolidated economic and financial results (SNTGN Transgaz SA, Eurotransgaz SRL, Vestmoldtransgaz SRL)**

## Consolidated achievements Half I 2022 compared to consolidated achievements Half I 2021

The statement of the financial results achieved as at 30 June 2022 as compared to 30 June 2021 is presented below:

(thousand lei)

Name	Obtained Half I 2022	Obtained Half I 2021	Changes
0	1	2	3=1/2x100-100
Operating revenue before the balancing and construction activity, according to IFRIC12	703.917	701.291	0%
Revenue from the balancing activity	540.476	142.059	280%
Revenue from the construction activity according to IFRIC12	104.332	345.847	-70%
Financial revenue	294.951	60.645	386%
Operating costs before the balancing and construction activity, according to IFRIC12	674.517	576.659	17%
Costs of balancing gas	540.476	142.059	280%
Cost of assets according to IFRIC12	104.332	345.847	-70%
Financial costs	102.579	21.426	379%
<b>Total GROSS PROFIT, of which:</b>	<b>221.772</b>	<b>163.851</b>	<b>35%</b>
· from operation	29.400	124.633	-76%
· from the financial activity	192.372	39.219	391%
Income tax	44.494	30.554	46%
<b>NET PROFIT</b>	<b>177.278</b>	<b>133.297</b>	<b>33%</b>
Exchange rate difference	2.685	5.007	-46%
<b>Total comprehensive income for the period</b>	<b>179.963</b>	<b>138.303</b>	<b>30%</b>

Table 19 – Consolidated financial results in Half I 2022 compared to Half I 2021

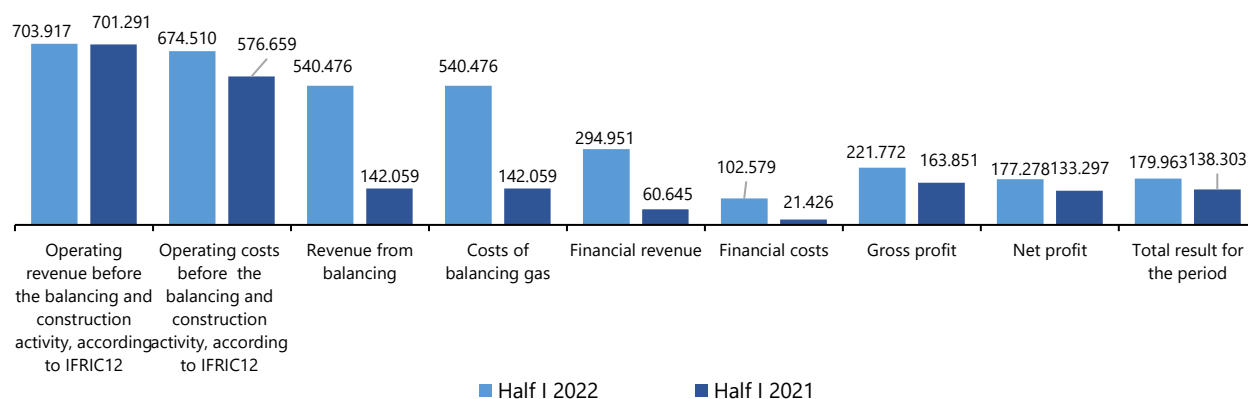
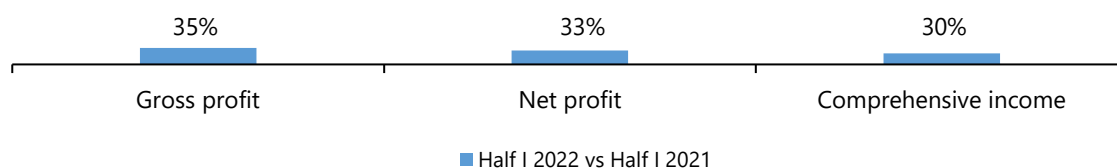


Chart 33 – Consolidated financial results in Half I 2022 compared to Half I 2021 (thousand lei)



**Chart 34 - Consolidated financial results in Half I 2022 compared to Half I 2021 (%)**

The evolution of the consolidated economic-financial indicators at 30 June 2022, compared to the indicators obtained in the same period of 2021 is mainly determined by the variation of the individual economic-financial indicators recorded by SNTGN Transgaz SA on 30 June 2022 compared to the indicators obtained in the same period of 2021.

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

## 5.8 Individual financial results (factorial analysis of the individual activity)

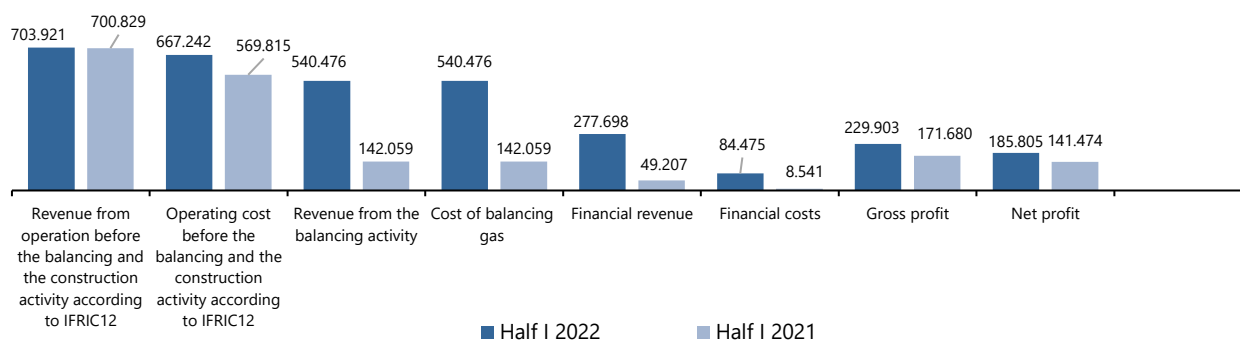
### Achievements in Half I 2022 vs. achievements in Half I 2021

The financial results obtained in Half I 2022 as compared to Half I 2021 is as follows:

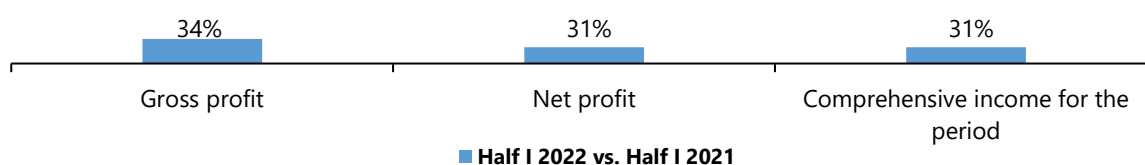
*(thousand lei)*

Name	Obtained Half I 2022	Obtained Half I 2021	Changes
0	1	2	$3 = 1/2 \times 100 - 100$
Operating revenue before the balancing and construction activity, according to IFRIC12	703.921	700.829	0%
Revenue from the balancing activity	540.476	142.059	280%
Revenue from the construction activity according to IFRIC12	104.332	345.847	-70%
Financial revenue	277.698	49.207	464%
Operating costs before the balancing and construction activity, according to IFRIC12	667.242	569.815	17%
Costs of balancing gas	540.476	142.059	280%
Cost of assets according to IFRIC12	104.332	345.847	-70%
Financial costs	84.475	8.541	889%
<b>GROSS PROFIT -total, of which:</b>	<b>229.903</b>	<b>171.680</b>	<b>34%</b>
· from operation	36.679	131.015	-72%
· from the financial activity	193.224	40.666	375%
Profit tax	44.097	30.206	46%
<b>NET PROFIT</b>	<b>185.805</b>	<b>141.474</b>	<b>31%</b>

**Table 20 - Individual financial results in Half I 2022 compared to Half I 2021**



**Chart 35 - Individual financial results in Half I 2022 compared to Half I 2021 (thousand lei)**



**Chart 36 - Individual financial results in Half I 2022 compared to Half I 2021 (%)**

**Operating revenue before the balancing and construction activity, according to IFRIC12** is similar to the one obtained at 30 June 2021.

**The revenue was influenced mainly by the following factors:**

- *revenue from capacity booking* higher by **lei 9.703 thousand** due to:
  - *revenue from the auction premium* higher by lei 14.447 thousand following the capacity booking auctions performed according to the CAM-NC by interconnection points. Revenue from the auction premium at 30 June 2021 amounted to lei 7.393 thousand, and at 30 June 2022 to lei 21.839 thousand;
  - *booked capacity* lower by 14.216.593 MWh, with a negative influence of lei 33.789 thousand;
  - *capacity booking tariff* higher by lei 0,182 /MWh, with a positive influence of lei 32.658 thousand;
  - *capacity surplus revenue* lower by lei 3.613 thousand. Capacity surplus revenue at 30 June 2021 amounted to lei 36.856 thousand, and at 30 June 2022 to lei 33.243 thousand;
- *commodity revenue* lower by **lei 37.269 thousand** due to:
  - *the gas transmitted capacities* lower by 8.568.735 MWh/815.817 thousand cm (▼11%), as compared to 30 June 2021, with a negative influence of lei 12.510 thousand, detailed by categories of consumers as follows:

		6 months 2022	6 months 2021	Differences
Quantity transmitted for direct consumers	MWh	26.129.688	29.959.272	-3.829.584
	thousand m <sup>3</sup>	2.305.009	2.781.068	-476.059
Quantity transmitted for distribution	MWh	44.606.890	49.346.041	-4.739.151
	thousand m <sup>3</sup>	4.167.847	4.507.605	-339.758
Total	MWh	70.736.578	79.305.313	-8.568.735
	thousand m <sup>3</sup>	6.472.856	7.288.673	-815.817

- *the commodity transmission tariff lower by lei 0,35 lei/MWh, with a negative influence of lei 24.758 thousand;*

The commodity tariffs decreased at 30 June 2022 as compared to 30 June 2021 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 2020-2021 the variable component of the total revenue at the basis of the commodity tariffs is 20% of the total revenue, in gas year 2021-2022 it decreased to 15% of the total revenue;
- at the substantiation of the tariffs for gas years 2020-2021 and 2021-2022, the tax on the monopoly was not recognised by ANRE at the pass-through costs and implicitly at the regulated revenue.
  - *international gas transmission revenue and similar higher by **lei 8.503 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 22.154 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, higher by lei 17.828 thousand.

*The revenue from the balancing activity was higher by **lei 398.418 thousand** based on the following factors:*

- trading price higher by lei 309,03 /MWh, with a positive influence of lei 337.435 thousand;
- quantity higher by 327.953 MWh with a positive influence of lei 60.982 thousand;

*The revenue from the construction activity lower by **lei 241.514 thousand**, registered in line with IFRIC 12, according to which revenue and costs related to the construction activity or the improvement of the transmission network, in exchange of which the intangible asset is registered, must be acknowledged in line with IAS 11, Construction Contracts;*

*The financial revenue* has a positive influence of **lei 228.491 thousand**, mainly due to the recording of the updating of the regulated assets value with the inflation rate for Half I 2022 (lei 185.929 thousand at 30 June 2022 as compared to lei 28.041 thousand at 30 June 2021) and revenue from shareholdings recorded following the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022.

**Operating costs before the balancing and construction activity according to IFRIC12** increased by **17%** as compared to 30 June 2021, which is higher by **lei 97.428 thousand**.

**The company made savings of lei 37.060 thousand**, due to the following cost elements:

- other operating costs: lei 31.889 thousand, mainly due to the decrease in the impairment of current assets, following the collection of outstanding receivables from Electrocentrale București in the amount of lei 116.337.652.
- cost of auxiliary materials: lei 3.246 thousand;
- cost of taxes and duties: lei 1.848 thousand;
- cost of royalty: lei 76 thousand.

**A surplus amounting to lei 134.488 thousand** was recorded to the following cost elements

- transmission system gas consumption of lei 33.037 thousand due to:
  - the average purchase price obtained higher by lei 69,53 lei/MWh as compared to the one obtained at 30 June 2021, with a negative influence of lei 32.179 thousand;
  - the quantity of natural gas for NTS gas consumption higher by 8.593 MWh as compared to 30 June 2021, with a negative influence of lei 858 thousand;
- cost of provision for risks and charges: lei 43.704 thousand;
- employee costs: lei 5.120 thousand;
- cost of depreciation: lei 51.614 thousand, based on the completion and commissioning of the major investment projects;
- costs of maintenance and transport: lei 1.012 thousand.

**The financial cost** is higher by **lei 75.933 thousand** mainly based on the cost of financial fixed assets transferred. By BoA Resolution 39/2021 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022.

**Compared to 30 June 2021 the gross profit obtained at 30 June 2022 increased by 34%, which is higher by lei 58.222 thousand, and the net profit increased by 31%, which is higher by lei 44.331 thousand.**



### Obtained in Half I 2022 versus Revenue and Expense Budget Half I 2022

The main economic and financial indicators achieved in Half I 2022 as compared to the Revenue and Expense Budget approved by OGMS Resolution no. 3/28 February 2022 are as follows:

(thousand lei)

Name	REB Half I 2022	Obtained Half I 2022	Changes
0	1	2	3=1/2x100-100
Operating revenue before the balancing and the construction activity, according to IFRIC12	625.340	703.921	13%
Revenue from the balancing activity	321.324	540.476	68%
Revenue from the construction activity according to IFRIC12	258.093	104.332	-60%
Financial revenue	73.905	277.698	276%
Operating costs before the balancing and construction activity, according to IFRIC12	721.377	667.242	-8%
Costs of balancing gas	321.324	540.476	68%
Cost of assets according to IFRIC12	258.093	104.332	-60%
Financial costs	28.337	84.475	198%
<b>Total GROSS PROFIT, of which:</b>	<b>-50.469</b>	<b>229.903</b>	x
Income tax	<b>7.535</b>	44.097	485%
<b>NET PROFIT</b>	<b>-58.004</b>	<b>185.805</b>	x

Table 21 - Financial results Half I 2022 compared to the Budget for Half I 2022

**Operating revenue before the balancing and construction activity according to IFRIC12** increased by **lei 78.581 thousand** as compared to the REB.

The revenue was influenced by the following:

- Gas transmission services increased by **lei 75.389 thousand** due to:
  - *capacities booked* higher by 17.099.391 MWh with a positive influence of **lei 80.775 thousand**;
  - *the gas transmitted capacities* lower than planned by 4.852.095 MWh (▼6%) with a negative influence of **lei 5.386 thousand**;
- Revenue from international gas transmission services and similar increased by **lei 3.731 thousand**;
- Other operating revenue decreased by **lei 539 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 219.152 thousand** based on the following:

- trading price higher by lei 250,10 lei/MWh, with a positive influence of lei 273.091 thousand;
- quantity lower by 220.270 MWh with a negative influence of lei 53.939 thousand;

**Financial revenue** increased by **lei 203.794 mii lei thousand** as compared to the REB mainly due to the recording of the updating of the regulated assets value with the inflation rate and to the revenue from shareholdings recorded following the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022.

**Operating costs before the balancing and construction activity according to IFRIC12** decreased by **8%** as compared to the approved plan, which is lower by **lei 54.135 thousand** as compared to the REB.

**Savings amounting to lei 106.971 thousand** were recorded mainly the following cost elements:

- employee costs: lei 29.291 thousand;
- costs auxiliary materials and other material costs: lei 11.451 thousand;
- costs of maintenance and transport: lei 20.538 thousand;
- transmission system gas consumption: lei 14.164 thousand;
- cost of taxes and duties: lei 8.674 thousand;
- other operating costs: lei 22.853 thousand.

**A surplus of lei 52.835 thousand** was recorded mainly in relation to the following cost elements:

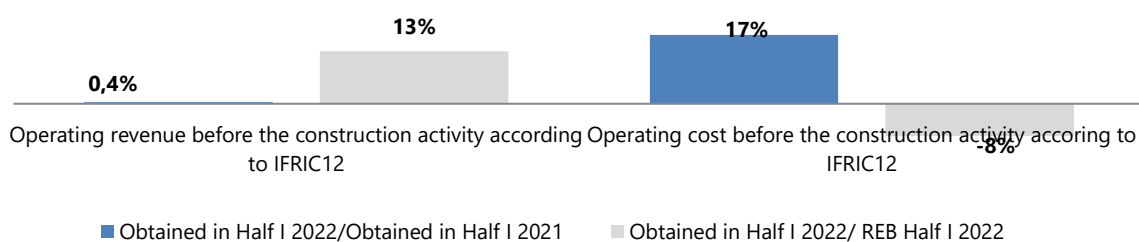
- cost of NTS concession royalty: lei 316 thousand;
- cost of depreciation: lei 13.976 thousand;
- cost of provision for risks and charges: lei 38.543 thousand;

**The financial cost** is higher by **lei 56.138 thousand** as compared to the REB mainly based on the cost of financial fixed assets transferred. By BoA Resolution 39/2021 Transgaz approved the reduction of Eurotransgaz's share capital by EUR 13,15 million, amount received by Transgaz in Q I 2022.

**The gross profit increased by lei 280.372 thousand** as compared to the REB.

	<b>Obtained Half I 2022 compared to Obtained Half I 2021</b>	<b>Obtained Half I 2022 compared to REB Half I 2022</b>
Operating revenue before the balancing and construction activity, according to IFRIC12	0,4%	13%
Operating costs before the balancing and construction activity, according to IFRIC12	17%	-8%
Gross result	34%	X
Profit tax	46%	485%
Net profit	31%	X

**Table 22– Obtained Half I 2022 compared to Obtained Half I 2021 and Obtained Half I 2022 compared to REB (%)**



**Chart 37 - Obtained Half I 2022 vs. Obtained Half I 2021 and Obtained Half I 2022 vs. REB Half I 2022**

### Achievements Half I 2022 compared to the Management Plan 2022

The key financial performance indicators were substantiated on the basis of data from the company's Revenue and Expense Budget approved by OGMS Resolution No. 3/2022. The level of financial performance indicators achieved compared to those set out in the Management Plan is presented in the table below:

<i>(thousand lei)</i>					
No.	Performance criteria	Management plan 2022	Achieved Half I 2022	Percentage*	Difference*
1.	Outstanding payments-thousand lei	0	0	100%	0
2.	Operating expenses (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges)-thousand lei	1.112.356	433.053	257%	679.303
3.	Quick liquidity ratio	1	1,01	101%	0,01
4.	Net leverage	5,5	6,26	88%	-0,76
5.	EBITDA-thousand lei	354.495	246.315	69%	-108.180

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

**Table 23 – Achievements Half I 2022 compared to the Management Plan 2021-2025**

### 5.9 The tariff setting methodology

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

## 6. CONSOLIDATED ECONOMIC AND FINANCIAL STATEMENT

### 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 consolidated half yearly financial statements.

The statement of the consolidated financial position as at 30.06.2022 as compared to 31.12.2021 is as follows:

Indicator	30 June 2022	31 December.2021	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2
Tangible assets	831.341	852.179	97,55%
Rights of use for the leased assets	18.668	19.617	95,16%
Intangible assets	3.911.562	3.997.052	97,86%
Goodwill	9.689	9.705	99,84%
Trade receivables and other receivables	2.003.003	1.788.570	111,99%
Deferred tax	0	353	0,00%
<b>Fixed assets</b>	<b>6.774.263</b>	<b>6.667.476</b>	<b>101,60%</b>
Inventories	469.794	311.708	150,72%
Commercial receivables and other receivables	407.012	612.007	66,50%
Cash at hand and in bank	226.681	414.955	54,63%
<b>Current assets –TOTAL</b>	<b>1.103.487</b>	<b>1.338.670</b>	<b>82,43%</b>
<b>TOTAL ASSETS</b>	<b>7.877.750</b>	<b>8.006.146</b>	<b>98,40%</b>
Debts to be paid over a one-year period	1.003.362	946.030	106,06%
Debts to be paid over a period of more than one year	2.902.980	3.091.746	93,89%
<b>Total debts</b>	<b>3.906.342</b>	<b>4.037.776</b>	<b>96,74%</b>
<b>Shareholders' equity</b>	<b>3.971.408</b>	<b>3.968.370</b>	<b>100,08%</b>
Non-controlling interests	<b>88.689</b>	<b>93.549</b>	<b>94,80%</b>
Equity	<b>3.882.719</b>	<b>3.874.821</b>	<b>100,20%</b>
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	1.791.081	1.785.864	100,29%
Consolidation exchange rate differences	19.205	16.520	116,25%
<b>Total equity and debts</b>	<b>7.877.750</b>	<b>8.006.146</b>	<b>98,40%</b>

**Table 24- Statement of consolidated financial position in Half I 2022 compared to 2021**

### ***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 gas transmission system taken over free of charge.

**Tangible assets decreased by lei 20.838 thousand** as compared to the value as at 31.12.2021, mainly due to the fact that the tangible assets inflow of the parent company and of the subsidiary, Eurotransgaz SRL Chişinău, were exceeded by 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 decreased by lei 949 thousand as compared to 31 December 2021 due to the fact that the initial value of the leased assets contracts was exceeded by their depreciation cost .

### ***Intangible assets***

#### *IT Programmes*

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

#### *Service concession agreement*

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

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

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

**Intangible assets decreased by lei 85.490 thousand** as compared with the value as at 31.12.2021, this decrease being mainly due to the fact that the intangible assets inflow was exceeded by the cost of amortization of intangible assets.

### ***Trade receivables and other receivables/Fixed assets***

**The receivables regarding the right to collect the regulated value remaining unamortized at the end of the concession agreement on 30 June 2022 increased by the amount of lei 214.432 thousand**, receivables registered according to Law 127/2014 of 5

October 2014, which states that in case of termination of the concession agreement for any reason, or upon termination, the investment of the national transmission system operator shall be transferred to the owner of the national transmission system or another concession provider on payment of a compensation equal to the regulated value remaining not amortized, established by ANRE.

The increase of lei 214.432 thousand compared to the value at 31 December 2021 is mainly due to the updating of the receivables with the changes recorded in the regulated asset base and the adjustment of the regulated value of the assets with the inflation rate as from 2019, as per ANRE Order 41/2019. The amount of the adjustment of the receivable with inflation increased in Half 1 2022 compared to the same period of 2021 due to the increase of the inflation rate in Half 1 2022 to 9,98% (3,42% in Half 1 2021) and the increase of the regulated asset base with the fixed asset inflows in gas year October 2020-September 2021 in the amount of lei 1.297.561,31 thousand.

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

### ***Inventories***

**On 30 June 2022 inventories increased by lei 158.086 thousand** compared to the value as at 31 December 2021, mainly due to the increasing of the value of the natural gas procured within the balancing activity.

### ***Commercial receivables and other receivables***

**On 30 June 2022**, the balance of the commercial receivables and other receivables **decreased by lei 204.995 thousand** as compared to 31 December 2021, mainly due to the following factors:

- decrease of the client receivables balance by lei 218.381 thousand mainly generated by the decrease in the balance of the outstanding receivables and VAT recovery by the subsidiary, Eurotransgaz, resulting from the execution of the Ungheni - Chisinau gas pipeline construction works;
- increase of the provisions for the impairment of the trade receivables and of other receivables by lei 7.790 thousand;
- decrease of the grants as subventions by lei 18.949 thousand;
- increase of the balance of other receivables by lei 40.125 thousand, mainly due to the receivables representing taxes and VAT to be recovered.

### ***Cash at hand and in bank***

**On 30 June 2022 the company's cash decreased by lei 188.274 thousand** as compared to the end of 2021. The cash in bank accounts in lei decreased by lei 234.991 thousand and the cash in bank accounts in currency increased by lei 36.767 thousand.

Other cash elements and cash equivalent register an increase by lei 9.950 thousand compared with 2021.

### **Debts to be paid over a one-year period**

In the structure of debts to be paid over a one-year period, the following changes were recorded compared to 31 December 2021:

- increase of the balance of the commercial debt and other debt by lei 32.453 thousand;
- increase of the provision for risks and charges by lei 13.294 thousand
- increase of the deferred revenue over the short term by lei 13.507 thousand;
- decrease of short-term loans by lei 1.924 thousand.

### **Long-term debts**

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

- decrease of long-term loans in the amount of lei 125.868 thousand;
- decrease of deferred revenue and of the subsidies by lei 64.093 thousand;
- the recording of the deferred tax in the amount of lei 2.138 thousand;
- decrease of the commercial debts and other debts in the amount of lei 944 thousand.

### **Equity**

The subscribed and paid up capital remained unchanged.

The increasing of the retained earnings by lei 5.217 thousand is determined by the registration of the profit related to Half I 2022, which exceeded the profit distribution for establishing own financing sources.

## **6.2 Consolidated comprehensive income**

The situation of the profit and loss account in Half I 2022 compared to Half I 2021:

-thousand lei-

Specification	Obtained (thousand lei)		Dynamics (%)
	30 June 2022	30 June I 2021	
1	2	3	4=2/3
<b>TOTAL revenue of which:</b>	<b>1.643.676</b>	<b>1.249.842</b>	<b>131,51%</b>
Operating revenue before the construction activity, according to IFRIC12 and balancing	703.917	701.291	<b>100,37%</b>
Revenue from the balancing activity	540.476	142.059	<b>380,46%</b>
Revenue from the construction activity according to IFRIC12	104.332	345.847	<b>30,17%</b>
Financial revenue	294.951	60.645	<b>486,36%</b>
<b>TOTAL costs of which:</b>	<b>1.421.904</b>	<b>1.085.990</b>	<b>130,93%</b>
Operating costs before the construction activity, according to IFRIC12, and balancing	674.517	576.659	<b>116,97%</b>
Cost of balancing	540.476	142.059	<b>380,46%</b>
Cost of constructed assets according to IFRIC12	104.332	345.847	<b>30,17%</b>
Financial costs	102.579	21.426	<b>478,75%</b>
<b>GROSS PROFIT, of which:</b>	<b>221.772</b>	<b>163.851</b>	<b>135,35%</b>
Result from operation	29.400	124.633	<b>23,59%</b>
Financial result	192.372	39.219	<b>490,51%</b>



Specification	Obtained (thousand lei)		Dynamics (%)
	30 June 2022	30 June I 2021	
<b>PROFIT TAX</b>	<b>44.494</b>	<b>30.554</b>	<b>145,62%</b>
<b>NET PROFIT</b>	<b>177.278</b>	<b>133.297</b>	<b>133,00%</b>
Attributable to the parent company	179.704	133.297	<b>134,81%</b>
Attributable to the non-controlling interests	-2.425	<b>0</b>	-
<b>Other elements of the comprehensive income</b>	<b>0</b>	<b>0</b>	-
<b>Exchange rate differences</b>	<b>2.685</b>	<b>5.007</b>	
<b>Total comprehensive income for the period</b>	<b>179.963</b>	<b>138.303</b>	<b>130,12%</b>
<b>Attributable to the parent company</b>	<b>181.717</b>	<b>138.303</b>	<b>131,39%</b>
<b>Attributable to the non-controlling interests</b>	<b>-1.754</b>	<b>0</b>	-

**Table 25 - Consolidated profit and loss account in Half I 2022 compared to Half I 2021**

### 6.3 Consolidated cash flow statement

The consolidated cash flow statement on 30 June 2022 is as follows:

Indicator	Financial year ended	
	30 June (thousand lei)	
	2022	2021
Profit before tax	221.772	163.851
Adjustments for:		
Depreciation	214.170	162.279
Gain/(loss) from the transfer of fixed assets	-30	-568
Provisions for risks and charges	13.633	-26.102
Revenue from connection fees, grants and goods taken free of charge	-53.161	-34.931
Concession Agreement receivable adjustment	-185.929	-28.041
Loss on amounts receivable and sundry debtors	10	29
Gain/ (loss) from write-down of inventories	-832	1.207
Adjustment of impairment of receivables	7.790	46.392
Interest revenue	-24.880	-18.413
Interest expenses	18.159	3.588
The effect of the currency exchange rate variation on other elements than operation	-843	3.719
Other revenue/costs	-561	0
<b>Operating profit before the changes in working capital</b>	<b>209.298</b>	<b>273.011</b>
(Increase)/decrease in trade and other receivables	73.387	120.568
(Increase)/decrease in inventories	-121.517	-8.312
Increase/(decrease) in commercial debt and other debt	6.820	-40.299

Indicator	Financial year ended	
	30 June (thousand lei)	
	2022	2021
<b>Cash from operations</b>	<b>167.987</b>	<b>344.969</b>
Paid interest	-22.686	-3.327
Received interest	746	946
Paid profit tax	-54.353	0
<b>Net cash inflows from operation</b>	<b>91.694</b>	<b>342.587</b>
<b>Cash flow from investments</b>		
Payments for the acquisition of intangible assets	-158.329	-455.672
Payments for the acquisition of tangible assets	-12.422	-12.517
Financial investments/shares	0	0
Receipts from the transfer of tangible assets	42	686
Cash from connection fees and non-reimbursable funds	23.011	65.902
<b>Net cash used in investment activities</b>	<b>-147.698</b>	<b>-401.601</b>
<b>Cash flow from financing activities</b>		
Disbursements on long term loans	0	77.824
Contributions of the shareholders	0	0
Repayments of long term loans	-66.760	-27.866
Credit drawings/payments for the working capital	-61.393	-47.017
Leasing payments (IFRS 16)	-3.302	-4.469
Paid dividends	-815	-798
<b>Net cash used in financing activities</b>	<b>-132.270</b>	<b>-2.327</b>
<b>Net change in cash and cash equivalents</b>	<b>-188.274</b>	<b>-61.341</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>414.955</b>	<b>289.452</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>226.681</b>	<b>228.111</b>

**Table 26 - Consolidated cash flow statements in Half I 2022 compared to Half I 2021**

The analysis of the cashflow as of Half I 2022 show a **decrease of liquid assets by lei 1.430 thousand** as compared to Half I 2021.

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

- cash flow from operation is of lei 91.694 thousand, lower by lei 250.893 thousand than in Half I 2021;
- cash flow from the investment activity is of lei -147.698 thousand, higher by lei 253.903 thousand than in Half I 2021;
- cash flow used in the financing activity is of lei -132.270 thousand, lower by lei 129.944 thousand than in Half I 2021.

## 6.4. Evaluation of the activity related to the financial risk management

### Financial risk factors

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

The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments to protect itself from certain risk exposures.

### Market risk

#### Currency risk

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

The Company does not perform formal actions to minimize the currency risk related to its operations; the 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 2022	31 December 2021
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	746.606	130.464
USD depreciation by 10%	(746.606)	(130.464)
EUR appreciation by 10%	(41.187.772)	(45.921.358)
EUR depreciation by 10%	41.187.772	45.921.358

#### Price risk

If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 3.255.074(December 2021 : lei 3.040.424).

#### 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 3.751.119 (lower/higher by lei 7.912.653 in December 2021), as a net result of the change of interest rate for variable interest loans and interest rate for bank deposits.

## Credit risk

Credit risk is especially related to cash and cash equivalents and trade receivables. The Company prepared a number of policies ensuring that products and services are sold to proper customers. The accounting value of the receivables without the adjustments for uncertain receivables represents the maximum value exposed to credit risk. The Company's credit risk is concentrated on the five main customers, which together account for 44% of the trade receivable balances as at 30 June 2022 (31 December 2021: 45%). 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 2022 the Company has payment guarantees from clients amounting to lei 148.522.878.

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

(lei)

	<b>30 June 2022</b>	<b>31 December 2021</b>
Without rating	51.645.619	331.743
BB+	41.237.466	168.203.478
BBB-	1.036.749	1.250.380
BBB	-	9.243
BBB+	122.255.488	244.753.841
A+	135.744	136.085
AA	261.753	112.021
	<b><u>216.572.819</u></b>	<b><u>414.796.791</u></b>

*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 tables below show the obligations as at 30 June 2022 in terms of remained contractual maturity. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

The analysis of financial liabilities on 30 June 2022 in terms of maturity is as follows:

(lei)

	<b>Total amount</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>
Loans	2.247.967.718	198.752.008	977.158.693	1.072.057.017
Commercial debts and other debts	618.399.333	602.643.866	15.755.467	
	<b>2.896.992.962</b>	<b>774.595.871</b>	<b>1.000.326.423</b>	<b>1.122.070.668</b>

The analysis of financial liabilities on 31 December 2021:

(lei)

	<b>Total amount</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>
Loans	2.278.593.629	171.952.005	984.570.956	1.122.070.668
Commercial debts and other debts	588.649.616	571.950.291	16.699.325	-
	<b>2.867.243.245</b>	<b>743.902.296</b>	<b>1.001.270.281</b>	<b>1.122.070.668</b>

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

#### Categories of financial instruments:

(lei)

	<b>30 June 2022</b>	<b>31 December 2021</b>
<b>Financial assets</b>		
Cash and cash equivalents	219.055.333	249.195.225
Term bank deposits	7.625.587	165.759.831
Credits and receivables	2.342.123.075	2.344.915.484
Financial assets - shares	24.578.237	24.578.237
Adjustments for financial assets - shares	(24.578.237)	(24.578.237)
	<b>2.568.803.995</b>	<b>2.759.870.540</b>
<b>Financial liabilities</b>		
Debts measured at depreciated cost:		
Loans	1.903.506.026	2.031.297.592
Debts measured at fair value:		-
-Financial guarantees related to contracts	32.626.289	50.028.771
-Commercial debts and other debts	571.803.645	522.356.500
	<b>2.507.935.960</b>	<b>2.603.682.863</b>

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

## Capital risk management

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

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

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

The net leverage at 30 June 2022 and at 31 December 2021 is as follows:

	30 June 2022	31 December 2021
Total loans	1.903.506.026	2.031.297.592
Less: cash and cash equivalents	(226.680.920)	(414.955.056)
Net cash position	1.676.825.107	1.616.342.536

(lei)

## Fair value estimate

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

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

## 7. INDIVIDUAL ECONOMIC AND FINANCIAL STATEMENT

### 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 individual financial position as at 30.06.2022 as compared to 31.12.2021 is as follows:

Indicator	30.06.2022	31.12.2021	Dynamics
	Thousand lei	Thousand lei	(%)
0	1	2	3=1/2
Tangible assets	436.053	454.059	96,03%
Rights of use for the leased assets	18.668	19.617	95,16%
Intangible assets	3.911.543	3.997.028	97,86%
Financial assets	233.673	296.576	78,79%
Trade receivables and other receivables	2.003.003	1.788.571	111,99%
Deferred tax	0	1.443	0,00%
<b>Fixed assets</b>	<b>6.602.940</b>	<b>6.557.294</b>	<b>100,70%</b>
Inventories	466.654	308.541	151,25%
Commercial receivables and other receivables	372.698	536.070	69,52%
Cash at hand and in bank	173.659	321.185	54,07%
<b>Current assets –TOTAL</b>	<b>1.013.011</b>	<b>1.165.796</b>	<b>86,89%</b>
<b>TOTAL ASSETS</b>	<b>7.615.951</b>	<b>7.723.090</b>	<b>98,61%</b>
Debts to be paid over a one-year period	1.001.405	929.707	107,71%
Debts to be paid over a period of more than one year	2.714.202	2.904.357	93,45%
<b>Total debts</b>	<b>3.715.607</b>	<b>3.834.064</b>	<b>96,91%</b>
<b>Shareholders' equity</b>	<b>3.900.344</b>	<b>3.889.026</b>	<b>100,29%</b>
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	1.827.912	1.816.594	100,62%
<b>Total equity and debts</b>	<b>7.615.951</b>	<b>7.723.090</b>	<b>98,61%</b>

**Table 27- Situația poziției financiare individuale a societății în Sem.I 2022 comparativ cu anul 2021**

### **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 18.005 thousand** as compared to the value as at 31.12.2021, mainly due to the fact that the tangible assets inflow was exceeded by 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 decreased by lei 949 thousand as compared to 31 December 2021 due to the fact that the initial value of the leased assets contracts was exceeded by their depreciation cost .

### ***Intangible assets***

#### ***IT Programs***

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

#### ***Service concession agreement***

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

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

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

**Intangible assets decreased by lei 85.486 thousand** as compared with the value as at 31.12.2021, this decrease being mainly due to the fact that the intangible assets inflow was exceeded by the cost of amortization of intangible assets.

### ***Financial assets***

**The financial assets decreased by lei 62.903 thousand as compared to 31.12.2021**

following the decrease of the share capital of the company EUROTRANSGAZ SRL Chisinau in the Republic of Moldova, established by EGMS Resolution 10/12.12.2017 of SNTGN Transgaz SA.

### ***Trade receivables and other receivables/ Fixed assets***

**The receivables regarding the right to collect the regulated value remaining unamortized at the end of the concession agreement on 30 June 2022 increased by the amount of lei 214.432 thousand**, receivables registered according to Law 127/2014 of 5 October 2014, which states that in case of termination of the concession agreement for any reason, or upon termination, the investment of the national transmission system operator shall be transferred to the owner of the national transmission system or another concession provider on payment of a compensation equal to the regulated value remaining not amortized, established by ANRE.

The increase of lei 214.432 thousand compared to the value at 31 December 2021 is mainly due to the updating of the receivables with the changes recorded in the regulated asset base and the adjustment of the regulated value of the assets with the inflation rate as from 2019, as per ANRE Order 41/2019. The amount of the adjustment of the receivable with inflation increased in Half 1 2022 compared to the same period of 2021 due to the increase of the inflation rate in Half 1 2022 to 9,98% (3,42% in Half 1 2021) and the increase of the regulated asset base with the fixed asset inflows in gas year October 2020-September 2021 in the amount of lei 1.297.561,31 thousand.

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

### ***Inventories***

**On 30 June 2022 inventories increased by lei 158.113 thousand** compared to the value as at 31 December 2021, mainly due to the increasing of the value of the natural gas procured within the balancing activity.

### ***Commercial receivables and other receivables***

**On 30 June 2022**, the balance of the commercial receivables and other receivables **decreased by lei 163.372 thousand** as compared to 31 December 2021, mainly due to the following factors:

- decrease of the client receivables balance by lei 176.527 thousand mainly generated by the decrease in the balance of the outstanding receivables;
- increase of the provisions for the impairment of the trade receivables and of other receivables by lei 7.790 thousand;
- decrease of the grants as subventions by lei 18.949 thousand;
- increase of the balance of other receivables by lei 39.973 thousand, mainly due to the receivables representing taxes and VAT to be recovered.

### ***Cash at hand and in bank***

**On 30 June 2022 the company's cash decreased by lei 147.526 thousand** as compared to the end of 2021. The cash in bank accounts in lei decreased by lei 212.859 thousand and the cash in bank accounts in currency increased by lei 55.383 thousand.

Other cash elements and cash equivalent register an increase by lei 9.950 thousand compared with 2021.

### ***Debts to be paid over a one-year period***

In the structure of debts to be paid over a one-year period, the following changes were recorded compared to 31 December 2021:

- increase of the balance of the commercial debt and other debt by lei 46.486 thousand;
- increase of the provision for risks and charges by lei 13.628 thousand
- increase of the deferred revenue over the short term by lei 13.507 thousand;
- decrease of short-term loans by lei 1.924 thousand.

### Long-term debts

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

- increase of long-term loans in the amount of lei 125.768 thousand;
- decrease of deferred revenue and of the subsidies by lei 64.093 thousand;
- the recording of the deferred tax in the amount of lei 651 thousand;
- decrease of the commercial debts and other debts in the amount of lei 944 thousand.

### Equity

The subscribed and paid up capital remained unchanged.

The increasing of the retained earnings by lei 11.318 thousand is determined by the registration of the profit related to Half I 2022, which exceeded the profit distribution for establishing own financing sources.

## 7.2 Individual comprehensive income

The situation of the profit and loss account in Half I 2022 compared to Half I 2021:

Specification	Obtained (thousand lei)		Dynamics (%)
	Half I 2022	Half I 2021	
1	2	3	4=2/3
<b>TOTAL revenue of which:</b>	<b>1.626.428</b>	<b>1.237.941</b>	<b>131,38%</b>
Operating revenue before the construction activity, according to IFRIC12 and balancing	703.921	700.829	100,44%
Revenue from the balancing activity	540.476	142.059	380,46%
Revenue from the construction activity according to IFRIC12	104.332	345.847	30,17%
Financial revenue	277.698	49.207	564,35%
<b>TOTAL costs of which:</b>	<b>1.396.526</b>	<b>1.066.261</b>	<b>130,97%</b>
Operating costs before the construction activity, according to IFRIC12, and balancing	667.242	569.815	117,10%
Cost of balancing	540.476	142.059	380,46%
Cost of constructed assets according to IFRIC12	104.332	345.847	30,17%
Financial costs	84.475	8.541	989,01%
<b>GROSS PROFIT, of which:</b>	<b>229.903</b>	<b>171.680</b>	<b>133,91%</b>
Result from operation	36.679	131.015	28,00%
Financial result	193.224	40.666	475,15%
<b>PROFIT TAX</b>	<b>44.097</b>	<b>30.206</b>	<b>145,99%</b>
<b>NET PROFIT</b>	<b>185.805</b>	<b>141.474</b>	<b>131,33%</b>
<b>Total comprehensive income for the period</b>	<b>185.805</b>	<b>141.474</b>	<b>131,33%</b>

*Table 28 - Profit and loss account in Half I 2022 compared to Half I 2021*

### Operating revenue

Operating revenue before the balancing and the construction activity according to IFRIC 12 obtained in Half I 2022 as compared to that obtained in Half I 2021 is as follows:

No.	Specification	Obtained Half I (thousand lei)		Dynamics (%)
		2022	2021	
0	1	2	3	4=2/3*100
<b>1.</b>	<b>Revenue from the transmission activity</b>			
	- Thousand lei	592.601	620.166	95,56
	- MWh	70.736.578	79.305.313	89,20
	- lei/MWh	8,38	7,82	107,13
<b>3.</b>	<b>Revenue from the international transmission activity</b>			
	- Thousand lei	42.416	33.912	125,07
<b>4.</b>	<b>Other operating revenue</b>			
	- Thousand lei	68.905	46.751	147,39
<b>TOTAL OPERATING REVENUE before the balancing and the construction activity according to IFRIC12</b>		<b>703.921</b>	<b>700.829</b>	<b>100,44</b>

*Table 29 - Revenue from the operating activity –Obtained in Half I 2022 compared to Obtained in Half I 2021*

### Operating expense

The operating expense obtained in Half I 2022 as compared to Half I 2021:

No.	Specification	Half I 2022	Half I 2021	Dynamics (%)
0	1	2	3	4=2/3*100
<b>1.</b>	Depreciation	209.636	158.022	132,66
<b>2.</b>	Indemnities, salaries, other expenditures related to salaries and benefits to employees	234.035	228.915	102,24
<b>3.</b>	Technological consumption, materials and consumables used, of which:	93.645	63.854	146,65
	- Transmission system technological loss and consumption	78.403	45.366	172,82
	- technological consumption quantity - (MWh)	462.795	454.202	101,89
	- Auxiliary materials	14.381	15.518	92,67
	- Other material expenditures	861	2.971	28,98
<b>4.</b>	Expenditures related to royalties	2.540	2.616	97,09
<b>5.</b>	Maintenance and transport, of which:	15.665	14.652	106,91
	- Works, services performed by third parties	8.003	6.855	116,75
<b>6.</b>	Taxes and other amounts due to the State, of which:	37.675	39.523	95,32
	- Gas transmission and international transit license fee	6.774	5.036	134,51

No.	Specification	Half I 2022	Half I 2021	Dynamics (%)
	- Monopoly tax	26.671	30.400	87,73
7.	Cost of the provision for risks and charges	17.595	-26.109	-67,39
8.	Other operating expense	56.452	88.341	63,90
<b>TOTAL OPERATING EXPENSE before the balancing and the construction activity according to IFRIC12</b>		<b>667.242</b>	<b>569.815</b>	<b>117,10</b>

*Table 30 - Operating costs obtained in Half I 2022 compared to Half I2021*

### 7.3 Individual cash flow statement

The cash flow statement on 30 June 2022 is as follows:

Indicator	Financial year ended 30 June (thousand lei)	
	2022	2021
Profit before tax	229.903	171.680
Adjustments for:		
Depreciation	209.636	158.022
Gain/(loss) from the transfer of fixed assets	-30	-568
Provisions for risks and charges	13.628	-26.109
Adjustments for write-down of inventories	-832	1.207
Revenue from connection fees, grants and goods taken free of charge	-53.161	-34.931
Loss on amounts receivable and sundry debtors	10	29
Adjustment of impairment of receivables	7.790	46.392
Interest revenue	-24.875	-18.410
Interest expenses	16.817	2.350
Concession Agreement receivable adjustment	-185.929	-28.041
The effect of the currency exchange rate variation on other elements than operation	-523	3.379
Other revenue/costs	-561	0
<b>Operating profit before the changes in working capital</b>	<b>211.873</b>	<b>275.002</b>
(Increase)/decrease in trade and other receivables	73.382	128.987
(Increase)/decrease in inventories	-162.962	-8.330
Increase/(decrease) in commercial debt and other debt	20.461	-39.961
<b>Cash from operations</b>	<b>142.754</b>	<b>355.697</b>
Received interest	746	946
Paid interest	-21.510	-2.351
Paid profit tax	-54.353	0
<b>Net cash inflows from operation</b>	<b>67.638</b>	<b>354.293</b>
<b>Cash flow from investment activities</b>		
Payments for the acquisition of intangible assets	-156.428	-431.124
Payments for the acquisition of tangible assets	-12.422	-12.157

Indicator	Financial year ended 30 June (thousand lei)	
	2022	2021
Financial investments/shares	62.903	-9.736
Receipts from the transfer of tangible assets	42	686
Cash from connection fees and non-reimbursable funds	23.011	65.902
<b>Net cash used in investment activities</b>	<b>-82.894</b>	<b>-386.429</b>
<b>Cash flow from investment activities</b>		
Repayments of long term loans	-66.760	-27.866
Credit drawings/payments for the working capital	-61.393	-47.017
Leasing payments (IFRS 16)	-3.302	-4.469
Paid dividends	-815	-798
<b>Net cash used in financing activities</b>	<b>-132.270</b>	<b>-80.150</b>
<b>Net change in cash and cash equivalents</b>	<b>-147.526</b>	<b>-112.287</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>321.185</b>	<b>276.174</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>173.659</b>	<b>163.887</b>

**Table 31 - Cash flow statements Obtained in Half I 2022 compared to Obtained in Half I 2021**

The analysis of the cashflow as of Half I 2022 show an increase of **liquid assets** by **lei 9.772 thousand** as compared to Half I 2021.

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

- cash flow from operation is of lei 67.638 thousand, lower by lei 286.655 thousand than in Half I 2021;
- cash flow from the investment activity is of lei -82.894 thousand, higher by lei 303.536 thousand than in Half I 2021;
- cash flow used in the financing activity is of lei -132.270 thousand, lower by lei 52.120 thousand than in Half I 2021.

As of 30 June 2022, the balance of liquid assets in the company's bank accounts was lei 173.437 thousand, of which 37,27% represented liquid assets denominated in foreign currency, mostly 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:

*(lei)*

	30 June 2022	31 December 2021
Impact on profit and loss and on equity of:		
USD appreciation by 10%	746.606	130.464
USD depreciation by 10%	(746.606)	(130.464)
EUR appreciation by 10%	(27.585.504)	(36.386.664)
EUR depreciation by 10%	27.585.504	36.386.664

### Price risk

The company is exposed to commodity price risk on gas purchased for its own consumption. If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 3.255.074 (December 2021 : lei 3.040.424).

### Interest rate risk on cash flow and fair value

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

For the average exposure of the period, if the interest rates had been by 50 basis points lower/higher, with all the other variables maintained constant, the profit related to the period and equity would have been higher/lower by lei 3.476.898 (lower/higher by lei 6.981.227 in December 2021), as a net result of the change of interest rate for variable interest loans and interest rate for bank deposits.

## Credit risk

Credit risk is especially related to cash and cash equivalents and trade receivables. The Company prepared a number of policies ensuring that products and services are sold to proper customers. The accounting value of the receivables without the adjustments for uncertain receivables represents the maximum value exposed to credit risk. The Company's credit risk is concentrated on the five main customers, which together account for 44% of the trade receivable balances as at 30 June 2022 (31 December 2021: 45%). 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 2022 the Company has payment guarantees from clients amounting to lei 148.522.878.



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

	30 June 2022	31 December 2021
Without rating	524.974	331.743
BB+	41.237.466	168.175.800
BBB-	1.036.749	1.250.380
BBB+	120.354.403	151.020.967
A+	135.744	136.085
AA	261.752	112.021
	<b>163.551.088</b>	<b>321.026.996</b>

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 2022 in terms of remained contractual maturity. The amounts disclosed in the maturity table are contractual undiscounted cash flows. The analysis of financial liabilities on 30 June 2022 in terms of maturity is as follows:

(lei)

	Total amount	Less than 1 year	1-5 years	Over 5 years
Loans	2.041.828.028	196.259.019	909.219.834	936.349.175
Commercial debts and other debts	618.399.333	602.643.866	15.755.467	-
	<b>2.660.227.361</b>	<b>798.902.885</b>	<b>924.975.301</b>	<b>936.349.175</b>

The analysis of financial liabilities on 31 December 2021:

(lei)

	<b>Total amount</b>	<b>Less than 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>
Loans	2.071.100.560	169.478.217	924.070.250	977.552.093
Commercial debts and other debts	572.954.064	556.254.739	16.699.325	-
	<b>2.644.054.624</b>	<b>725.732.956</b>	<b>940.769.575</b>	<b>977.552.093</b>

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

Categories of financial instruments:

(lei)

	<b>30 June 2022</b>	<b>31 December 2021</b>
<b>Financial assets</b>		
Cash and cash equivalents	166.033.603	155.425.430
Term bank deposits	7.625.587	165.759.831
Credits and receivables	2.307.782.794	2.268.837.728
Financial assets - shares	258.250.935	321.154.407
Adjustments for financial assets - shares	(24.578.237)	(24.578.237)
	<b>2.715.114.682</b>	<b>2.886.599.159</b>
<b>Financial liabilities</b>		
Debts measured at depreciated cost:		
Loans	1.716.214.899	1.843.906.821
Debts measured at fair value:		-
-Financial guarantees related to contracts	32.626.289	50.028.771
-Commercial debts and other debts	570.017.577	506.225.968
	<b>2.318.858.765</b>	<b>2.400.161.560</b>

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

## Capital risk management

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

There are no capital requirements imposed from outside.

Like the other companies in this sector, Transgaz monitors the capital based on the debt leverage. This factor is calculated as net debt divided by total capital.

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

capital is calculated as `equity`, according to the statement of financial position, plus the net debt.

The net leverage at 30 June 2022 and at 31 December 2021 is as follows:

	30 June 2022	31 December 2021
Total loans	1.716.214.899	1.843.906.821
Less: cash and cash equivalents	(173.659.190)	(321.185.261)
Net cash position	1.542.555.709	1.522.721.560

(lei)

## Fair value estimate

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

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

## 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 SNTGN Transgaz SA 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, SNTGN Transgaz SA aims to provide, by its own Corporate Governance Rules, a rigorous framework for sizing and regulating corporate governance principles at the company level.

**The Corporate Governance Rules of SNTGN TRANSGAZ SA** were updated according to the Code of Corporate Governance of the Bucharest Stock Exchange and approved in the Board of Administration meeting of 29.06.2022. The updated document includes **7 chapters**, as follows:

- Chapter 1 - <b>Corporate Governance Structures:</b> Management System, Board of Administration, Advisory Committees, Executive Management.
- Chapter 2 - <b>The Board of Administration:</b> Role and Obligations of the Board of Administration, Structure of the Board of Administration, Election of the Members of the Board of Administration, Remuneration of the Members of the Board of Administration.
- Chapter 3 - <b>Shareholders` rights:</b> Shareholder Rights, Shareholder Treatment.
- Chapter 4- <b>Transparency and reporting, internal audit and risk management:</b> Transparency and Reporting, Internal Audit and Risk Management.
- Chapter 5 - <b>Conflict of interests and important transactions with affiliated parties:</b> Code of Ethics of SNTGN Transgaz SA, Conflict of Interests; <i>Important Transactions with Affiliated Parties.</i>
- Chapter 6 - <b>Corporate information regime</b>
- Chapter 7 - <b>Social responsibility</b>

SNTGN Transgaz SA as a company listed on BVB in the Premium category, voluntarily adopted the provisions of the BVB Corporate Governance Code and had been reporting since 2010 total or partial compliance with its provisions by preparing the **Statement of Compliance or Non-Compliance with the Code of Corporate Governance (the Apply or Explain Statement)** included in the Report issued by the Board of Administration.

In 2015, as part of the project dedicated to corporate governance, the Bucharest Stock Exchange rewrote the Code of Corporate Governance of the BVB, which was in force in its first form since 2008. Thus, on 22 September 2015, a **new Code of Corporate Governance** 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 and Internal Control System, Fair Rewards and Motivation, and Building Value through Investors` Relations.** Each section sets out the general principles, followed by the provisions to comply with.

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 the way the *provisions to comply with`* are met, as well as the measures taken to comply with the provisions that are not fully complied with. All cases of non-compliance by a company with a provision of the Code section entitled *provisions to comply with`* will be reported to the market from 4 January 2016 as 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 BVB 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 BVB, SNTGN TRANSGAZ SA reported to the market the compliance with another provision A.2., and on 3 May 2022 the compliance with provision C.1. of the New Code of Corporate Governance was reported. Any further compliance of the company in this respect will be reported to the capital market.

### **Management System**

Transgaz has a unitary management system and is managed by a Board of Administration. It has the general competence to take out all necessary actions in order to successfully carry out the object of the company, except for the issues that are within the competence of the General Meeting of the Shareholders according to the provisions of the Articles of Incorporation updated on 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.138<sup>2</sup> 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, with possibility of renewal if the duties are duly fulfilled, or in case of failure to meet the main objectives, the members of the Board may be revoked by the Ordinary General Meeting. The Members of the Board of Administration may also be shareholders.

The Transgaz Board of Administration is chaired by a Chairman appointed by the Board of Administration, from among its, which ensures the optimal functioning of the company's bodies. Members of the Board of Administration will participate in all the General Meetings of the Shareholders and will exercise their mandate in good faith and knowledge and 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 BVB, 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 by 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 perfect 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**

According to 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

By OGMS Resolution 9/14.12.2021, the **Mr Csaba Orosz and Ms Mihaela Virginia Toader** were appointed administrators , as provisional members, for a maximum term of office of 4 months, starting on 17.12.2021, with the possibility of extending the term of office by another 2 months, until the completion of the selection procedure, and by OGMS Resolution 4/17.06.2021 it was approved the extension of the mandate of the provisional members by two months from the date of expiry, meaning 17.04.2022.

Subsequently, by **OGMS Resolution 6/14.06.2022** it was approved the appointment **Mr Csaba Orosz** and **Mr Gheorghiuță Agafitei** as provisional members of the Board of Administration for a maximum term of office of 4 months, starting on 17.06.2022, with the possibility of extending the term of office by another 2 months, until the completion of the selection procedure.

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

The Director - General prepares and submits to the members of 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 request that the Management Plan be amended or revised if it finds that the measures proposed for the achievement of the objectives set out in the letter of expectation are not appropriate or that projected outcomes were specified ensuring 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 financial and non-financial performance indicators approved by the Board of Administration 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 component included into the Management Plan.

The Director - General prepares and submits to the Board of Administration the reports provided by applicable law in the domain.

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

The executive directors and the directors of subsidiaries are appointed by the Director-General and are subordinate to it, are officials of SNTGN TRANSGAZ S.A., carry out its operations and are accountable to it for the performance of their assigned responsibilities, tasks and objectives, 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.

The executive director or subsidiary director selection and appointment process includes also verifications for identifying the persons who might be incompatible with such positions, under the Companies Law 31/1990, republished, as amended.

According to Art. 19 (8) of the Articles of Incorporation, updated on 24.08.2020, the Board of Administration, at the first General Meeting of the Shareholders following the conclusion of the legal act, must inform on:

- any transaction concluded with the administrators, directors, employees, 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

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

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

No.	Indicator	Objective	2022
			Budgeted
1.	<b>Outstanding payments</b>	Maintaining outstanding payments to zero	0
2.	<b>Operating expenses</b> (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 (except for depreciation, balancing, construction activity and provisions for the asset depreciation and for risks and charges) at the level undertaken in the Management Plan	1.112.356
3.	<b>Liquidity ratio</b>	Liquidity ratio to register annual values over 1.	1
4.	<b>Net debt-to-equity ratio</b>	Maintaining a net debt-to-equity ratio under the limits set for obtaining bank financing, namely: 5-2021, 5,5-2022, 5 – 2023-2024, 4,5 2025	5,5
5.	<b>EBITDA</b> (thousand lei)	Achieving the EBITDA target undertaken in the Management Plan	354.495

**Table 32 - Key financial performance indicators for the calculation of the variable component of the remuneration in 2022**

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

Indicator	Objective	No.	2022
			Planned
<b>Operational</b>			
6	<b>Monitoring investment strategy and implementation</b>	<b>Achievement of FID projects under the 2020-2029 TYNDP approved by ANRE and 2022-2031 TYNDP under approval by ANRE</b>	
		<i>I = (achieved actions + started) / proposed actions</i>	
	Development on the Romanian territory of the Gas Transmission System along the	6.1	-

		Corridor Bulgaria – Romania – Hungary – Austria (BRUA Phase 1).		
		Interconnection between the National Gas Transmission System and the international gas transmission pipeline T1 and reverse flow Isaccea	6.2	-
		Upgrading of GMS Isaccea 1 and Negru Vodă 1	6.3	-
		Project for NTS developments in the North Eastern part of Romania in order to improve the gas supply to the region and to ensure transmission capacities to the Republic of Moldova	6.4	-
		Project for new NTS developments to take over gas from the Black Sea shore	6.5	-
		Development on the Romanian territory of the <b>Southern Transmission Corridor</b> for taking over the Black Sea gas	6.6	Construction 2023-2025 The completion date depends on the upstream offshore projects implementation schedules.
		Achievement of the pilot project for the metering and use of gas and hydrogen blending	6.7	The design, execution and mounting of the installation of the pilot project related to the use of hydrogen gas blend and the studying of the influences on materials, metering systems and combustion equipment.
7	<b>Energy efficiency increase</b>	Maintenance of the NTS gas consumption share in the total circulated gas under 1%	7.1	<1
8	<b>Client satisfaction</b>	Achievement of the targets provided for in the management plan (According to PP 165 Assessment of customer satisfaction, a score between 6-8 means that the services provided have adequately met the customer's requirements)	8.1	8
9	<b>Strengthening and diversification of the cooperation and collaboration relations with gas transmission system operators of the European Union</b>	Conclusion of memoranda of cooperation and collaboration with gas transmission system operators of the European Union (minimum 5 operators) on hydrogen injection.	9.1	1
10	<b>Performance indicators of the gas transmission service</b>	Achievement of the targets provided for in the Performance Standard for natural gas transmission system service (ANRE order 161/26.11.2015, in force since 1 October 2016)	10.1	$IP_0^1 \geq 90\%$
			10.2	$IP_1^1 \geq 95\%$
			10.3	$IP_1^2 \geq 95\%$
			10.4	$IP_1^3 \geq 95\%$
			10.5	$IP_1^4 \geq 95\%$
			10.6	$IP_1^5 \geq 95\%$
			10.7	$IP_2^1 \geq 95\%$
			10.9	$IP_3^1 \geq 95\%$
			10.10	$IP_3^2 \geq 95\%$
			10.13	$IP_4^1 \geq 95\%$
			10.14	$IP_5^1 \geq 98\%$

			10.15	$IP_5^2 \geq 98\%$
			10.16	$IP_6^1 \geq 98\%$
			10.17	$IP_6^2 \geq 98\%$
<b>Corporate governance</b>				
11	<b>Optimization of the internal control / management system</b>	Implementation of the provisions of Order no. 600/2018 of the General Secretariat of the Government for the approval of the Internal/Management Control Code of Public Entities as amended. $I = \text{standards implemented/standards provided for by Order 600/2018} * 100$ Implementation of the measures provided for in the IMCS Implementation Programme $I = \text{implemented measures /proposed measures} * 100$	11.1	Development of the internal/managerial control system in order to maintain it at a level deemed to be compliant with the standards contained in the Internal/Management Control Code.
			11.2	Streamlining of the processing and management of IMCS documentation by implementing an IMCS Web Platform .
12	<b>Optimizing the risk management process</b>	Implementation of the requirements of Standard 8 of Order No 600/2018 of the General Secretariat of the Government for the approval of the Internal/Management Control Code of the public entities as amended. Transition to the 5-step risk assessment scale.	12.1	Continuous monitoring and adaptation of the organisational, conceptual and methodological framework of the risk management process
			12.2	Systematic analysis of risks associated with operational objectives at the level of organisational structures.
			12.3	Implementation of Risk Management policy, procedures and legal requirements in the field of Risk Management and the monitoring of their application at company level.
13	<b>Timely reporting of key performance indicators</b>	Compliance with legal reporting deadlines $I = \text{actual reporting deadlines/ expected reporting deadlines} * 100$	13.1	Calendar of the financial communication to BVB
			13.2	Reporting on TYNDP achievement status
			13.3	IMCS reporting
			13.4	Reporting on the achievement of natural gas transmission service performance indicators
			13.5	Reporting form S1100 on monitoring the application of the provisions of GEO 109/2011
14	<b>ANS Implementation 2021-2025</b>	Implementation of the NSA measures = measures achieved to the deadline/proposed measures *100	14.1	Achievement of the objectives established in Integrity Plan for the implementation of the Anti-Corruption Strategy 2021-2025

**Table 33 - Key non-financial performance indicators for the calculation of the variable component of remuneration in 2022**

## 8.2 Key financial and non-financial performance indicators achievement

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

No.	Indicator	Objective	2022		Achievement <sup>1</sup>
			Budgeted	Achieved Sem. I 2022	
1.	<b>Outstanding payments</b>	Maintenance of the outstanding payments at zero.	0	0	100%

No.	Indicator	Objective	2022		Achievement'
			Budgeted	Achieved Sem. I 2022	
2.	<b>Operating expenses</b> (less depreciation, balancing, construction activity and provisions for impairment of assets and for risks and charges) (thousand lei)	<i>Maintenance of the operating expenses at the level under the Management Plan</i>	1.112.356	433.053	257%
3.	<b>Liquidity ratio</b>	<i>Liquidity ratio to record values higher than 1</i>	1	1,01	101%
4.	<b>Net leverage rate</b>	Maintenance of a net leverage rate below the limits set for obtaining bank financing, i.e.: 5-2021, 5,5-2022, 5 – 2023-2024, 4,5 2025	5,5	6,26	88%
5.	<b>EBITDA</b> (thousand lei)	Achievement of the EBITDA target under the Management Plan	354.459	246.315	69%

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

**Table 34 - Key financial performance indicators for the calculation of the variable component of remuneration in Half I 2022 compared to the 2022 Budget (according to the management Plan 2021-2025)**

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

Indicator	Objective	No.	2022		Achievement
			Planned	Achieved 2022	
<b>Operational</b>					
6 <b>Monitoring the Implementation and Investment Strategy</b>	<b>Achievement of the FID projects from the TYNDP</b> <i>I = (achieved+initiated actions)/proposed actions</i>				
	Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria Corridor (BRUA phase 1).	6.1	--	- Completed 2020	100%
	Interconnection of the National Transmission System with the T1 international gas transmission pipeline and reverse flow at Isaccea	6.2	--	- Completed 2020	
	Modernization of Isaccea 1 GMS and Negru Vodă 1 GMS;	6.3	--	- Isaccea 1 - completed 2019	
NTS developments in North-East Romania for enhancing gas supply to the area and for	6.4	--	- Completed 2021		

		ensuring transmission capacities to the Republic of Moldova				
		New NTS developments for taking over Black Sea gas	6.5	--		- <b>Completed 2021</b>
		Development on the Romanian territory of the <b>Southern Transmission Corridor</b> for taking over the Black Sea gas	6.6	Construction 2023-2025 The completion date depends on the upstream offshore projects implementation schedules.		
		Achievement of the pilot project for metering and using the hydrogen gas blending	6.7	The design, execution and mounting of the installation of the pilot project related to the use of hydrogen gas blend and the studying of the influences on materials, metering systems and combustion equipment .	All activities related to the design, execution and the mounting of the installation of the pilot project for the use of the hydrogen gas blend and the studying of the influences on the materials, metering systems and combustion equipment <b>were performed</b> .	100%
7	<b>Increasing energy efficiency</b>	Maintaining the share of the NTS gas consumption in the total circulated gas below 1%	7.1	<1		<b>0, 67%</b>
8	<b>Customer satisfaction</b>	Achievement of the targets established in the management plan (According to PP 165 Evaluation of Clients satisfaction, a score between 6-8 represents the fact that the services offered satisfied accordingly the requirements of the clients)	8.1	8		- <b>Achieved</b> Report SMC/ 13434/18.02.2022 on the evaluation of SNTGN Transgaz SA clients satisfaction for 2021
9	<b>Strengthening and diversifying cooperation and collaboration relations with European gas transmission system operators</b>	Conclusion of memoranda of cooperation and collaboration with European gas transmission system operators (minimum 5 operators) regarding the collaboration on hydrogen injection	9.1	1		The Memorandum of Understanding between four gas transmission system operators in Central Europe (Transgaz - Romania, Gaz-System - Poland, Eustream - Slovakia and FGSZ - Hungary, on exploring the possibilities of decarbonising their operations, transmitting green gas and investigating the potential of transmitting CO2 was signed on <b>07.04.2022</b> .

**Public service oriented**

10	<b>Performance indicators related to the gas transmission service</b>	Achievement of the targets established in the Performance Standard for the gas transmission service (ANRE Order 161/26.11.2015 entered into force as at 1 October 2016)	10.1	$IP_0^1 \geq 90\%$	99,28%	100%
			10.2	$IP_1^1 \geq 95\%$	*	
			10.3	$IP_1^2 \geq 95\%$	*	
			10.4	$IP_1^3 \geq 95\%$	98,31%	
			10.5	$IP_1^4 \geq 95\%$	100,00%	
			10.6	$IP_1^5 \geq 95\%$	100,00%	
			10.7	$IP_2^1 \geq 95\%$	100,00%	
			10.9	$IP_3^1 \geq 95\%$	*	
			10.10	$IP_3^2 \geq 95\%$	*	
			10.13	$IP_4^1 \geq 95\%$	*	

			10.14	$IP_5^1 \geq 98\%$	100,00%	
			10.15	$IP_5^2 \geq 98\%$	100,00%	
			10.16	$IP_6^1 \geq 98\%$	100,00%	
			10.17	$IP_6^2 \geq 98\%$	100,00%	
<b>Corporate governance</b>						
11	<b>Optimization of internal/management control system</b>	<p>Implementing the provisions of GSG Order 600/2018 for the approval of the Internal/Management Control Code of public enterprises as subsequently amended.</p> <p><math>I = \text{implemented standards/standards provided by Order 600/2018} * 100</math></p> <p>Implementation of the measures established in the SCIM Implementation Plan</p> <p><math>I = \text{Implemented measures /proposed measures} * 100</math></p>	11.1	Development of the internal/management control system for maintaining it at a level considered compliant with the standards included in the Internal/Management Control Code.	<p><b>Achieved</b></p> <p>-Decision no. 15/06.01.2022;</p> <p>-Letter 2649/12.01.2022, sent to the General Secretariat of the Government, Entry no. SGG 17/876/12.01.2022. . SGG SCIM IT platform loading data. By the email of 10.05.2022 the General Secretariat of the Government communicates the approval of the forms uploaded to the IT Platform. - SCI/M Development Plan no. DSMC/778/04.01.2022, updated for 2022;</p> <p>-Progress of the internal/management control system at Transgaz for 2021, no. DSMC/ 21884/18.03.2022;</p> <p>-Report on 2021 Transgaz performance monitoring no. DSMC/21726/18.03.2022;</p> <p>The Board of Administration took note of Report 27999/07.04.2022 on the Progress of the SCI/M implementation and Report 28259/11.04.2022 on Performance Monitoring for 2021, by BoA Resolution 13/20.04.2022;</p> <p>-The System Risk Management procedure is currently under review. Completion is scheduled for Q4 .</p>	100%
			11.2	Streamline the processing and management of SCI/M documentation by implementing an SCI/M web platform (preparation of procurement documents).	<p><b>Achieved</b></p> <p>-Specification no. 43806/08.06.2021 for the design and implementation of the SCI/M web platform . The analysis, diagnosis, assessment of the Internal/Managerial Control System is included in Chapter 2 of the Specifications. The implementation of the platform was postponed to 2023.</p>	100%
12	<b>Optimization of risk management process</b>	Implementation of the requirements of Standard 8 of GSG Order no. 600/2018 for the approval of the internal/management Control	12.1	Continuous monitoring and adaptation of the organisational, conceptual and methodological framework of the risk management process	<p><b>Achieved</b></p> <p>- Decision 104/28.01.2022</p> <p>--2021-2025 Risk Management Strategy, no. DSMC/38586/19.05.2021</p>	100%

		<p>Code of public entities as further amended. Moving to a 5-step risk assessment scale</p>			<p>was approved by BoA Resolution 25/31.08.2021; - preparation of the EGR Rules of Procedure, code REG DJ 01; - preparation of the document Risk Grouping System identified at Transgaz , registration number DSMC/51290/30.06.2022. - 3-step risk tolerance limit for 2022 no. DSMC/4711/19.01.2022, circulated by Letter DSMC/17518/04.03.2022 and published at: <a href="http://zonapublica.transgaz.ro/Sistem%20de%20Control%20Intern%20Managerial/Managementul%20riscurilor/6.%20Limita%20de%20toleranta/5.%20Limita%20de%20toleranta_2022%20Transgaz.pdf">http://zonapublica.transgaz.ro/Sistem%20de%20Control%20Intern%20Managerial/Managementul%20riscurilor/6.%20Limita%20de%20toleranta/5.%20Limita%20de%20toleranta_2022%20Transgaz.pdf</a></p>	
			12.2	<p>Systematic analysis of risks associated with operational objectives at the level of organisational structures.</p>	<p><b>Achieved</b> According to Letter 17518/04.03.2022 all organisational structures: -published the List of objectives, performance indicators, activities, risks for year 2022,; -published the Registers of Risks, at the divisions, units, departments level; -published the risk mitigation plans of measures, at the level of the departments, units, divisions and independent offices, according to Letter DSMC/88836/23.11.2021 all organisational structures: published the revised registers of risk, December 2021 and the Risk Management Report at the level of the departments, independent divisions, independent offices, regional offices, Medias Subsidiary.</p>	
			12.3	<p>Implementation of risk management policy, procedures and legal requirements and monitoring their application at company level.</p>	<p><b>Achieved</b> - the Register of the Risks at the company level no. DSMC/4713/19.01.2022; - Plan of measures to mitigate risks, at the company level no. DSMC/4715/19.01.2022; - Report on risk management and monitoring within the company, for 2021, no. DSMC/4715/19.01.2022; - The Board of Administration took note of Report 27998/07.04.2022 on risk management and monitoring</p>	

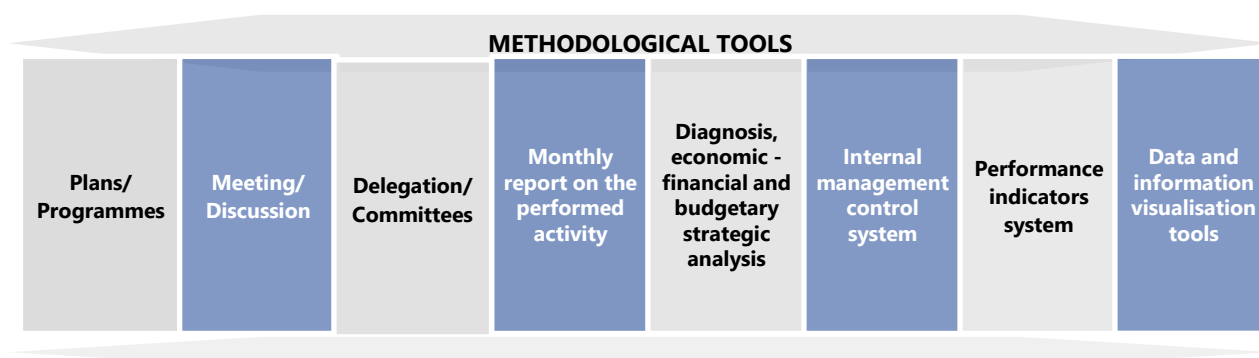


					at SNTGN Transgaz SA, by BoA Resolution 13/20.04.2022; - the risk profile, December DSMC/4711/19.01.2022.	
13	<b>Timely reporting of the key performance indicators</b>	Compliance with the legal deadlines for reporting I = actual reporting deadlines/reporting deadlines provided *100	13.1	Financial communication calendar to BVB	<b>Achieved</b> (see the company's website)	100%
			13.2	Report on the status of achievement of the TYNDP	<b>Achieved</b> Letter DSMC/15455/25.02. 2022 Deadline 1 March 2022	
			13.3	SCIM reporting	<b>Achieved</b> Letter DSMC/ 2649/12.01.2022 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 17/876/12.01.2022.  (reported annually)	
			13.4	Reporting related to the achievement of the performance indicators of the gas transmission service	<b>Achieved</b> -Letter. 89362/22.11.2021 ANRE report for gas year 2020-2021 (reported annually on 1 October)	
			13.5	Reporting form S1100 on the monitoring of the application of the provisions of GEO 109/2011	<b>Achieved</b> Letter 50601/24.06.2022S1100 report for Half I 2022 Letter DSMC 49566/01.07.2021	
14	<b>2021-2025 NAS implementation</b>	Implementation of the measures established in the NAS I = measures achieved within the deadline /proposed measures *100	14.1	Achievement of the objectives established in Integrity Plan for the implementation of the Anti-Corruption Strategy 2021-2025	In December 2021, the new National Anti-Corruption Strategy 2021-2025 was adopted, and the deadline established by it for the development and approval of the Integrity Plan for the new Strategy was 30.06.2022. Consequently, no Integrity Plan was in execution in Half I 2022. The measures set out in the 2021-2025 National Anti-Corruption Strategy for Half I 2022 (Declaration on the undertaking of the organisational integrity agenda, Integrity Plan, designation of the implementation coordinator and transmission of contact persons to the Technical Secretariat) were carried out within the established deadline.	100%

**Table 35 – Key non-financial performance indicators achievements for the calculation of the variable component of remuneration in Half I 2022**

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

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



***ION STERIAN – Executive Administrator – Director - General***

***PETRU ION VĂDUVA – Non-Executive Administrator***

***NICOLAE MINEA– Non-Executive Administrator***

***CSABA OROSZ – Non-Executive, Interim Administrator***

***MIHAELA VIRGINIA TOADER - Non-Executive, Interim Administrator (17.06.2021-16.06.2022)***

***GHEORGHITĂ AGAFIȚEI - Non-Executive, Interim Administrator (17.06.2022 – 16.10.2022 with the possibility of extension for another 2 months)***

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