

The National Gas Transmission Company TRASGAZ SA



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

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ADMINISTRATORS' MESSAGE

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

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

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

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

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

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

Yours sincerely,

ION STERIAN – Executive Administrator – Director - General

PETRU ION VĂDUVA – Non-Executive Administrator

NICOLAE MINEA – Non-Executive Administrator

CSABA OROSZ – Non-Executive, Interim Administrator

AGAFIȚEI GHEORGHITĂ - Non-Executive, Interim Administrator

1. REPORT AND ISSUER GENERAL DATA

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

2. EXECUTIVE SUMMARY HALF 1 2023

2.1. Consolidated companies in the Transgaz group:

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

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

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

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

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

2.2. Indicators of the consolidated economic and financial results

Consolidated standard performance indicators

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

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

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

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

Consolidated profitability, liquidity, risk and management indicators

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

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

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

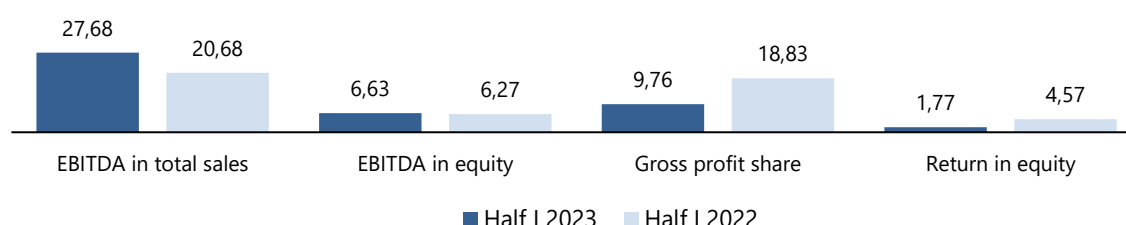


Chart 1- Consolidated profitability indicators evolution in Half I 2023 compared to Half I 2022

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

Thousand lei

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

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

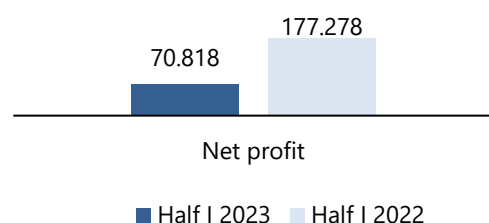


Chart 2 - Net profit (consolidated) in Half I 2023 compared to Half I 2022 (thousand lei)

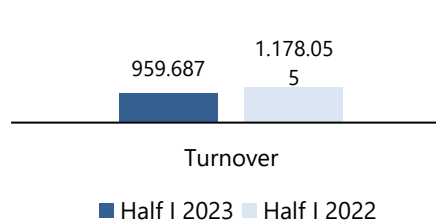


Chart 3- Turnover (consolidated) Half I 2023 compared to Half I 2022 (thousand lei)

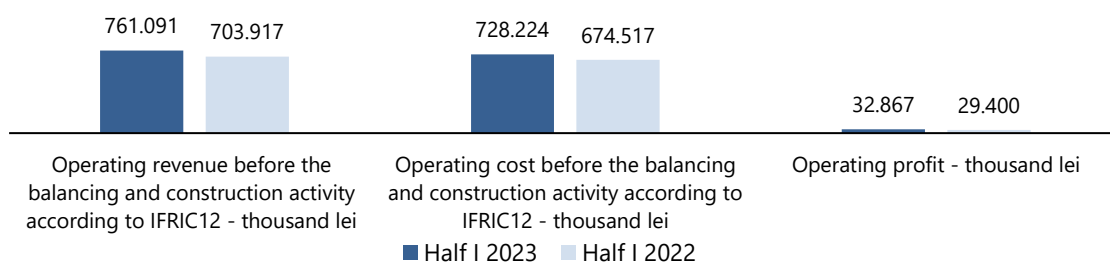


Chart 4- Consolidated operating revenue, expense and profit, before the construction activity according to IFRIC 12 – Half I 2023 compared to Half I 2022 (thousand lei)



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

2.3. Indicators of the individual economic and financial results

Individual standard performance indicators

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

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

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

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

Individual profitability, liquidity, risk and management indicators

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

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

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

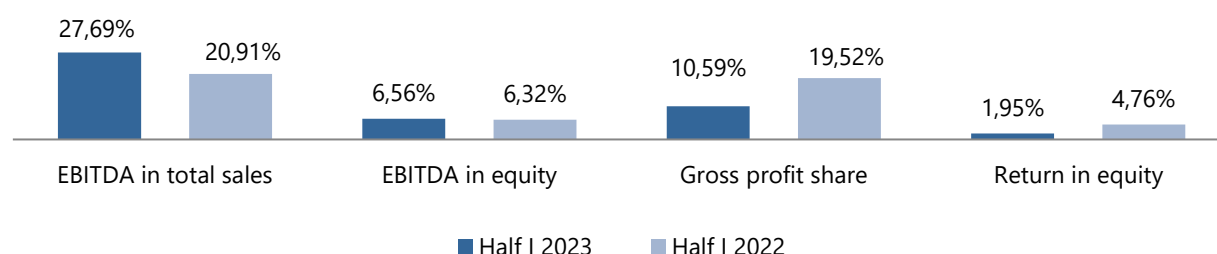


Chart 6- Individual profitability indicators in Half I 2023 compared to Half I 2022

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

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

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

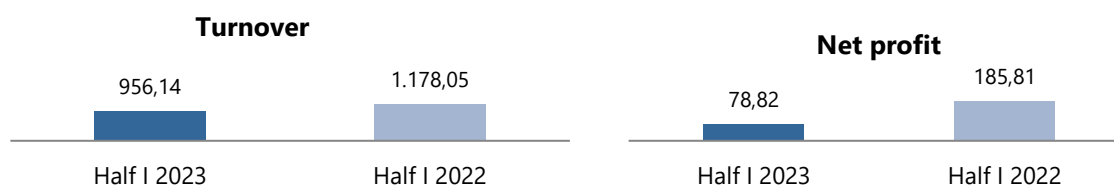


Chart 7- (Individual) Turnover in Half I 2023 compared to Half I 2022 (million lei)

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

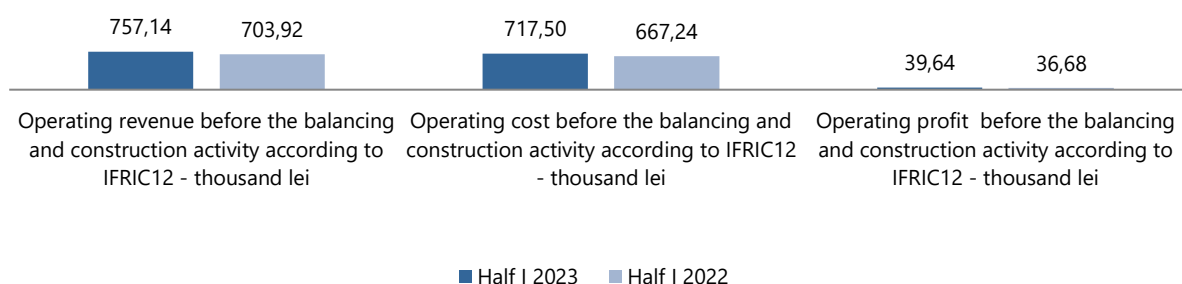


Chart 9 – Individual operating revenue, expense and operating profit before the construction activity according to IFRIC 12 in Half I 2023 compared to Half I 2022 (thousand lei)

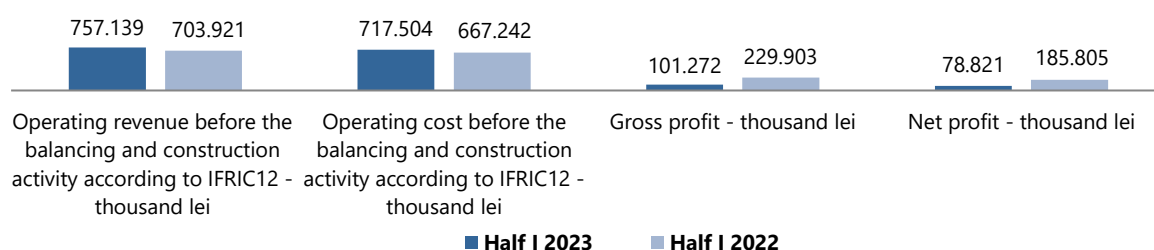


Chart 10 - Main individual economic and financial indicators in Half I 2023 compared to Half I 2022 (thousand lei)

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

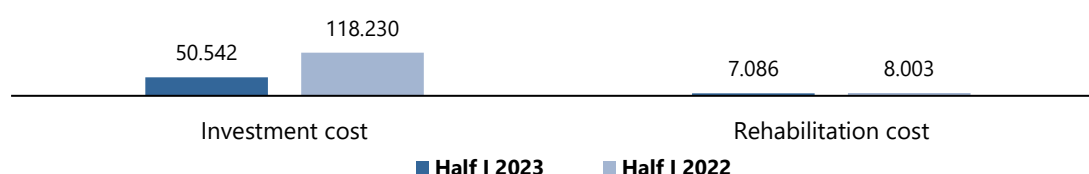


Chart 11 - Individual investment and rehabilitation costs in Half I 2023 compared to Half I 2022 (thousand lei)

2.4. Important events

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

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

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

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

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

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

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

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

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

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

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

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

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

12 January 2023

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

31 January 2023

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

17 February 2023

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

24 February 2023

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

2 March 2023

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

21 March 2023

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

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

27 April 2023

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

11 May 2022

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

30 June 2023

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

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

Operational risks

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

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

Investment activity risks

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

Strategic risks

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

3. ABOUT SNTGN TRANSGAZ SA

3.1 Mission, vision, organizational values

Mission

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

Transgaz's mission aims at:

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

Vision

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

Vision as a message to the community

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

Vision as a message to the shareholders

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

Vision as a message to employees

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

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

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

Transgaz's core strengths:

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

3.2 The activity of the company

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

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

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

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

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

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

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

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

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

3.3 NTS infrastructure

Main components of the National Gas Transmission System:

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

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

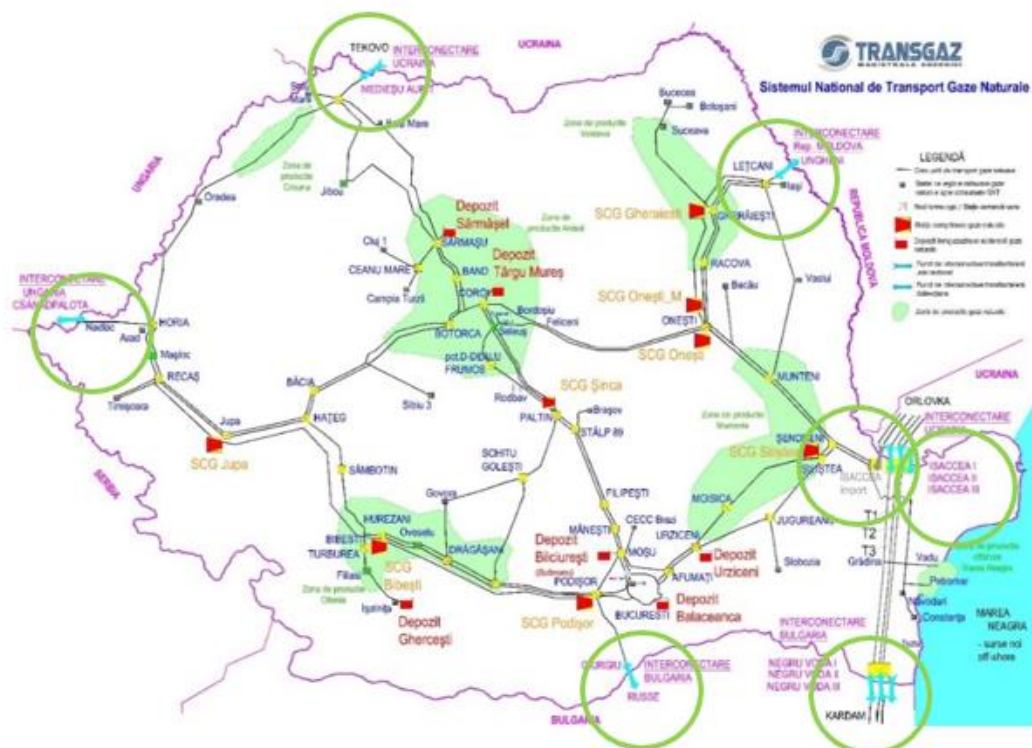


Figure 1 - Map of the National Gas Transmission System and the NTS cross-border interconnection points

Cross-border interconnection points

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

Table 7 - Cross-border interconnection points

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

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

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

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

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

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

3.4 Shareholding

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

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

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

Table 8 - Shareholding structure at 28 June 2023

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

Shareholding structure on 28 June 2023

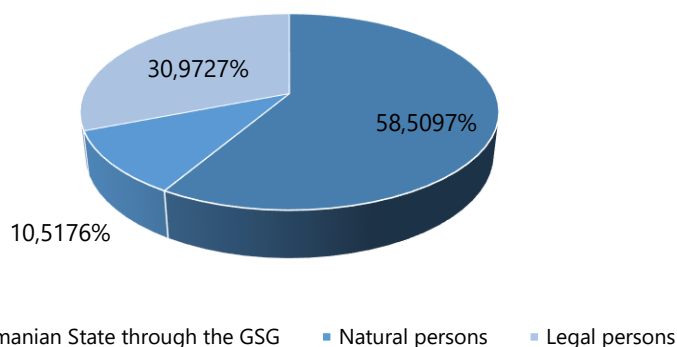
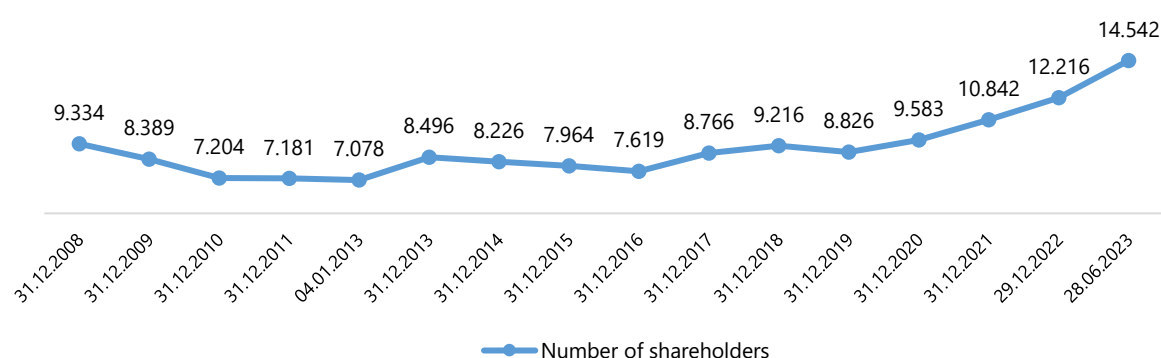


Chart 12 - Shareholding structure at 28 June 2023

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

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

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



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

3.5 Structure

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

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

MEDIAS, SIBIU county - Romania

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

BUCHAREST - Romania

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

CHISINAU, THE REPUBLIC OF MOLDOVA

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

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

SNTGN Transgaz SA has 9 regional offices and a subsidiary:

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



Figure 2 - Transgaz administrative map

3.6 Management of the company

THE ADMINISTRATIVE MANAGEMENT

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

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

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

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

EXECUTIVE MANAGEMENT

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

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

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

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

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

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

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

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

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

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

VESTMOLDTRANSGAZ SRL management team structure:

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

Table 11 - Vestmoldtransgaz management members on 30 June 2023

EUROTRANSGAZ SRL management team structure:

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

Table 12 - Eurotransgaz management members on 30 June 2023

3.7 Human resources

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

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

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

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

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

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

Table 14 – Number of employees between 31.12.2021-Half 2023

The employees number trend in Half I 2023:

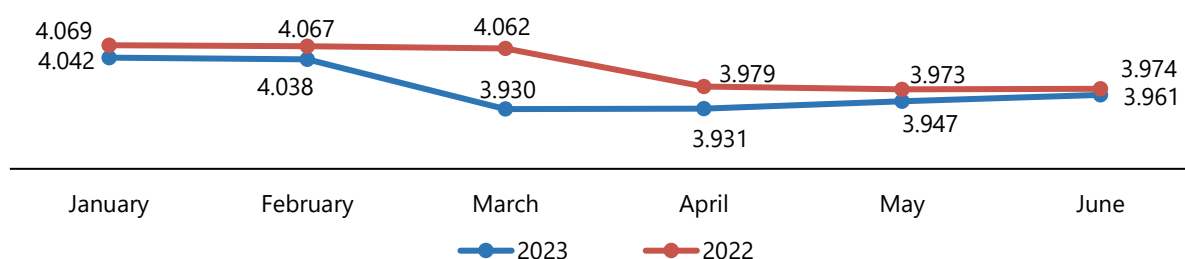


Chart 13 - Number of employees – Half I 2023 compared to Half I 2022

SNTGN Transgaz SA employees structure as at 30 June 2023:

a) By category of studies

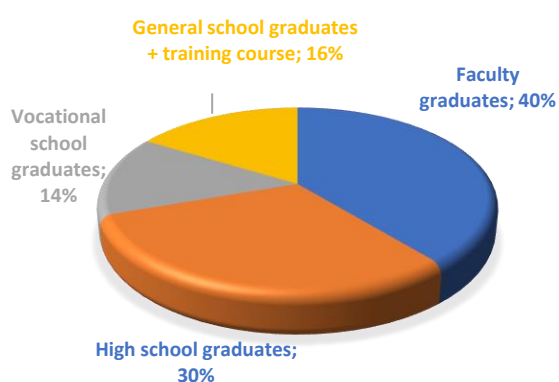


Chart 14 - Personnel structure by categories of studies as at 30 June 2023

b) By gender

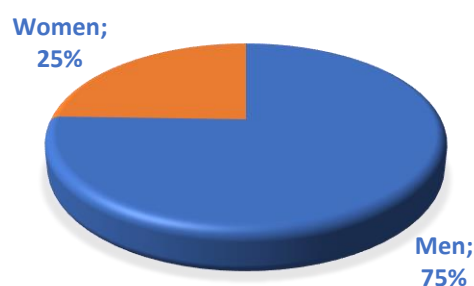


Chart 15 - Personnel structure by gender as at 30 June 2023

c) By headquarters and regional offices

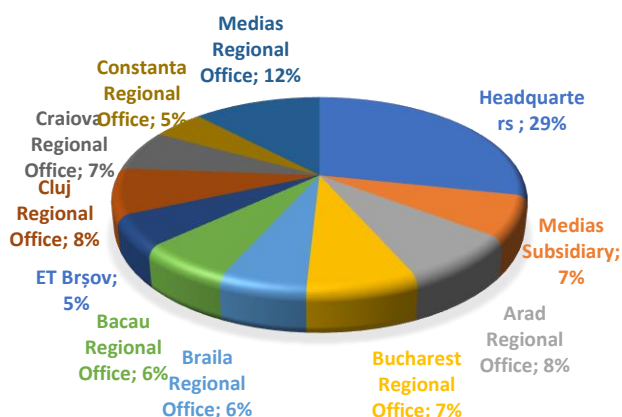


Chart 16 – Personnel structure by headquarters and regional offices as at 30 June 2023

d) By activities

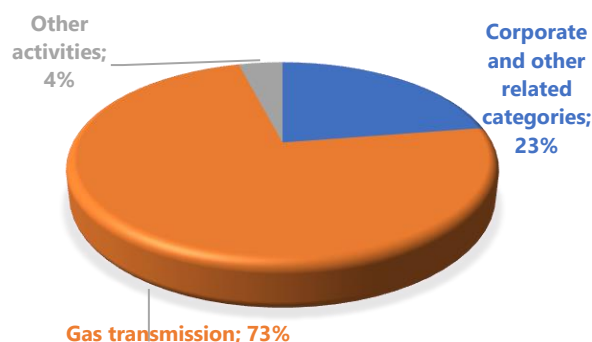


Chart 17 - Personnel structure by activities as at 30 June 2023

e) By age categories

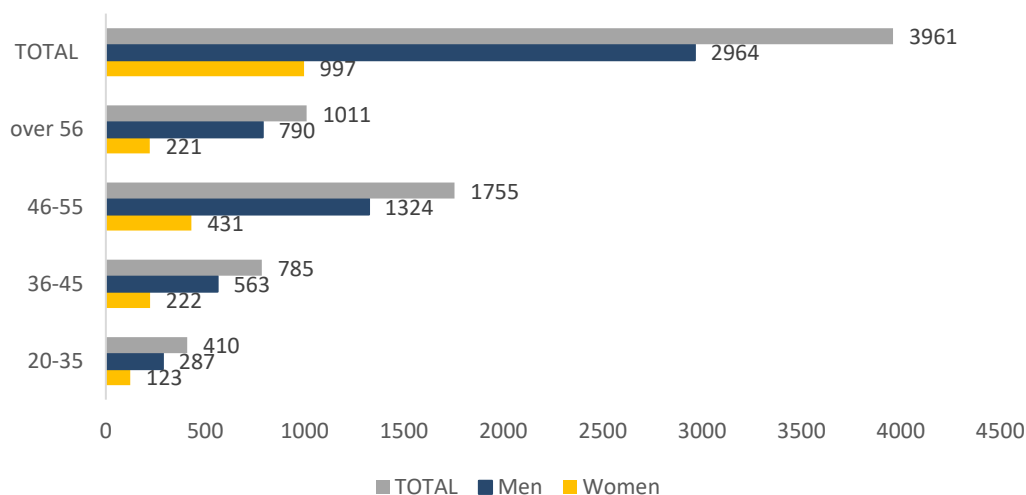


Chart 18 - Personnel structure by age categories as at 30 June 2023

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

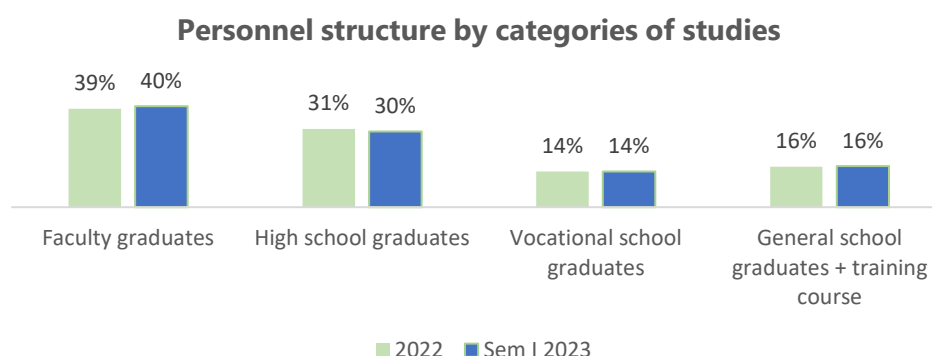


Chart 19 - Personnel structure by categories of studies in Half 2023

Improving staff training, instruction and professional development

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

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

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

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

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

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

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

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

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

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

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

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

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

3.8. Transgaz on the Bucharest Stock Exchange

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

TGN share

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

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

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

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

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

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

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

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

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

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

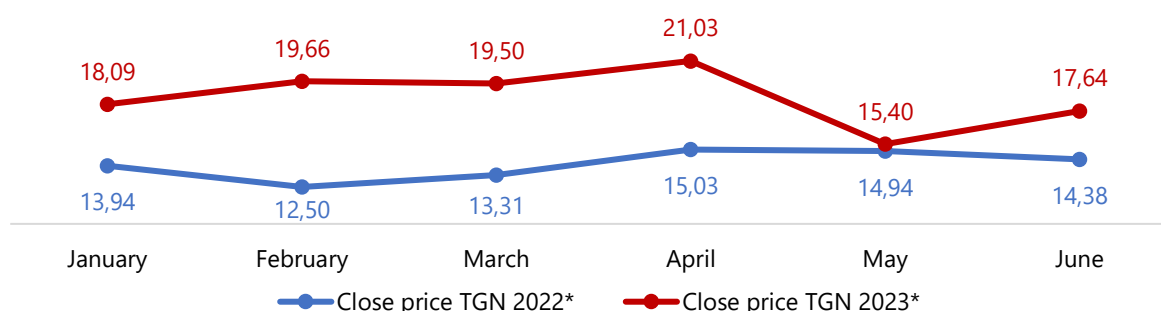


Chart 20 - The closing price of the TGN shares in Half I 2023 compared to Half I 2022

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

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

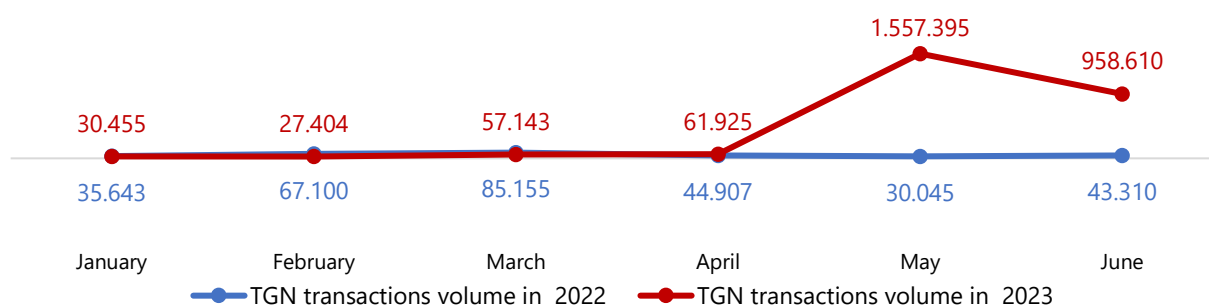


Chart 21 - TGN transactions volume in Half I 2023 compared to Half I 2022

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

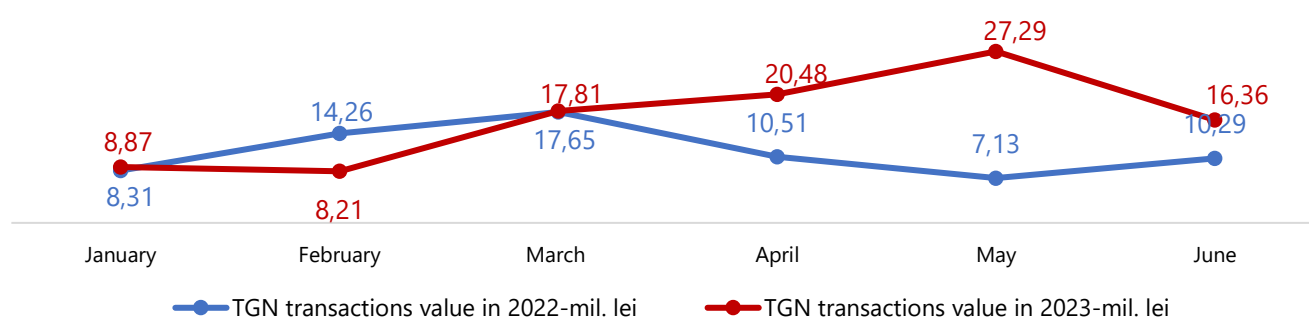
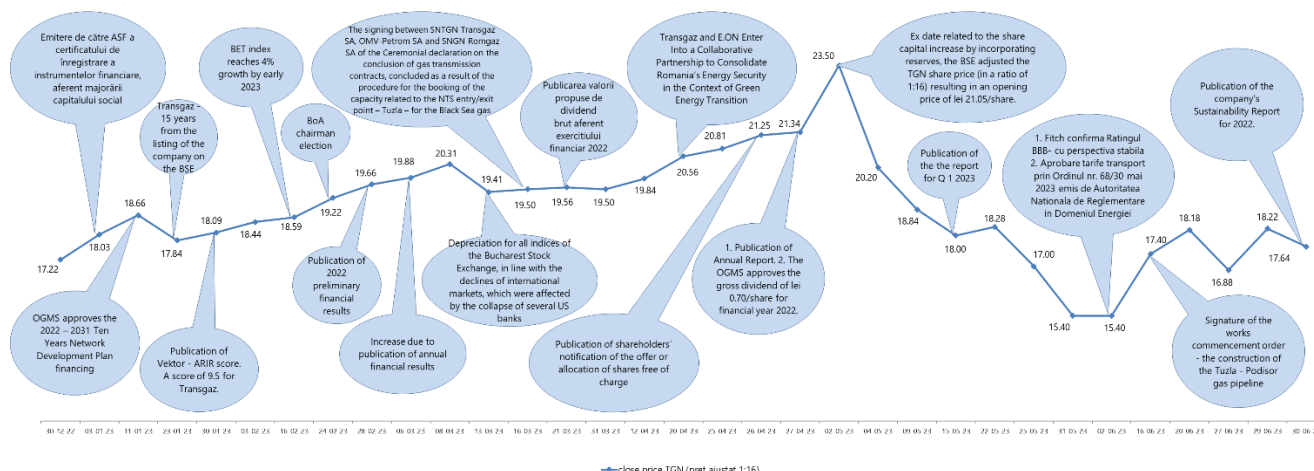


Chart 22 - TGN transaction value – mil. lei in Half I 2023 compared to Half I 2022

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



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

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

*date PER 31 December 2022, and 31 December 2021

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

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

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

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

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

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

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

Stock market capitalization

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

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



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

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

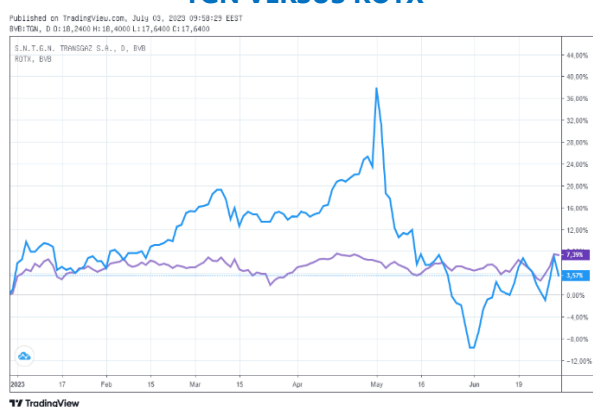
TGN VERSUS BET



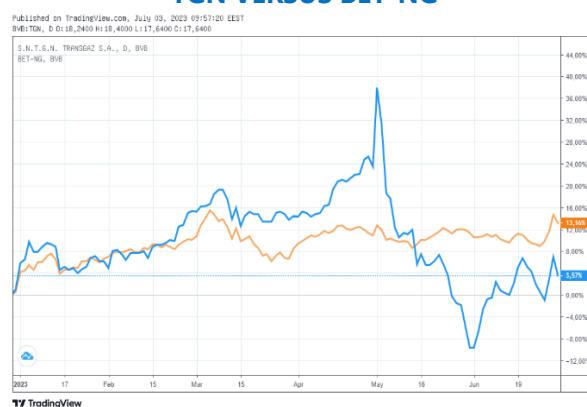
TGN VERSUS BET-BK



TGN VERSUS ROTX



TGN VERSUS BET-NG



TGN VERSUS BET-TR



TGN VERSUS BET-XT



Source: www.bvb.ro

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

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

Dividend policy

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

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

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

Transgaz's rating

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

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

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

3.9. List of all entities where Transgaz holds shares

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

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

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

4 ACTIVITY ANALYSIS

4.1 Operation activity

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

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

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

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

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

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

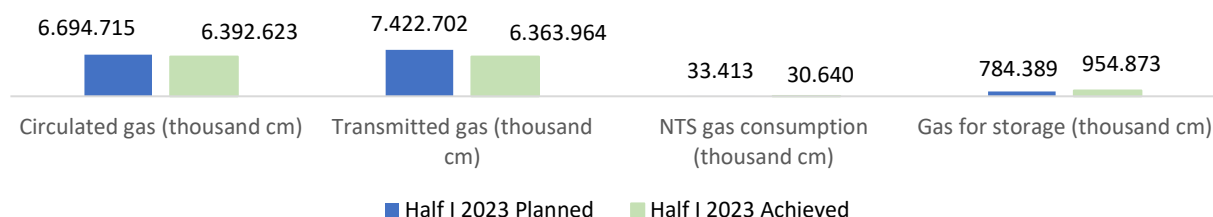


Chart 25 - Gas quantities circulated, transmitted and NTS consumption planned vs. achieved in Half I 2023

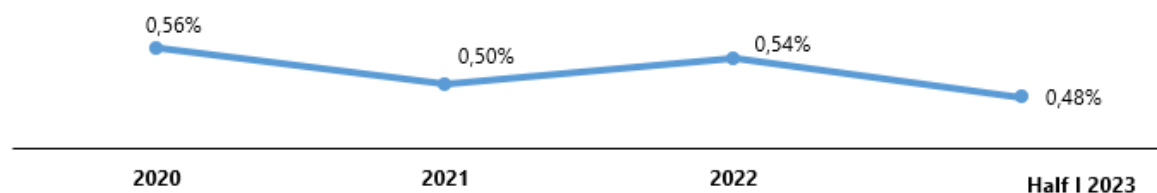


Chart 26 - The share NTS gas consumption in total circulated gas in 2020- Half I 2023

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

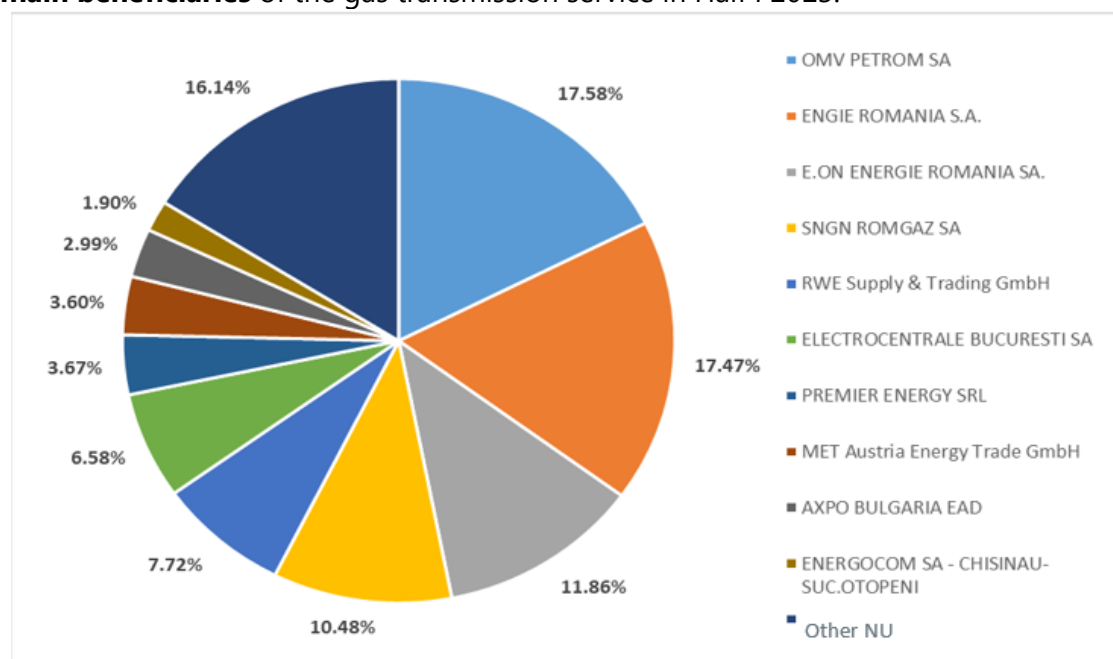


Chart 27 - The share of the main NTS users in Half I 2023

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

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

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

4.2 The investment activity

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

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

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

Modernisation and Investment Development Plan – January 2023

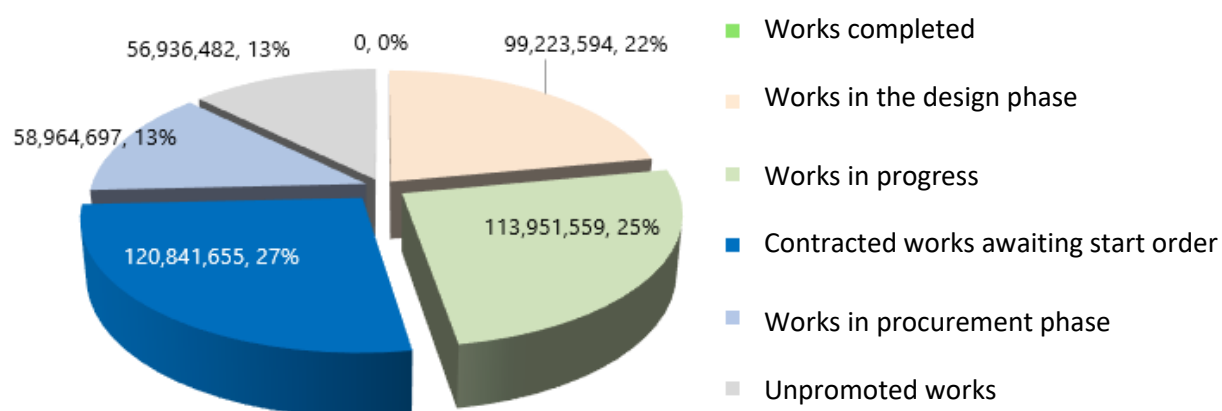


Chart 28 – Modernisation and Investment Development Plan 2021 - January 2023

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

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

Modernisation and Investment Development Plan – June 2023

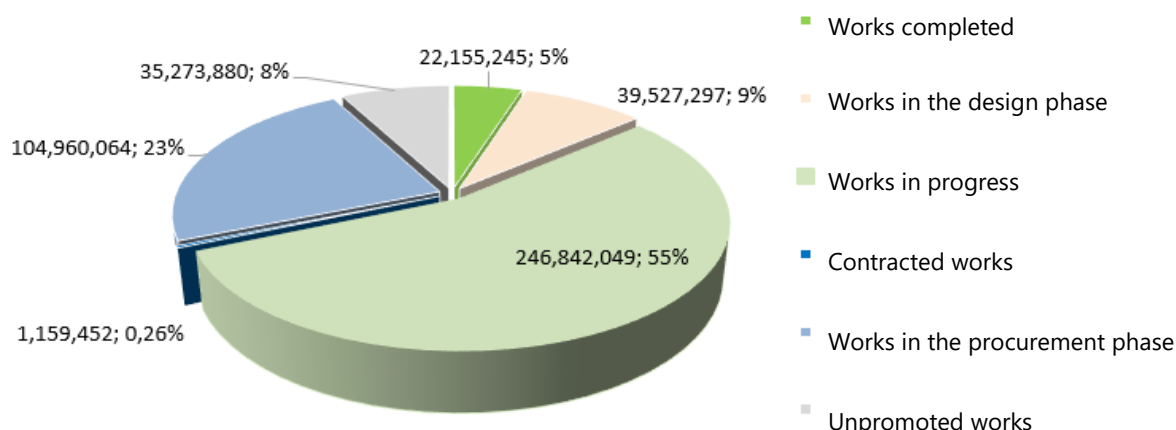


Chart 29 – Modernisation and Investment Development Plan 2023 – June 2023

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

-Lei thousand-

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

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

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

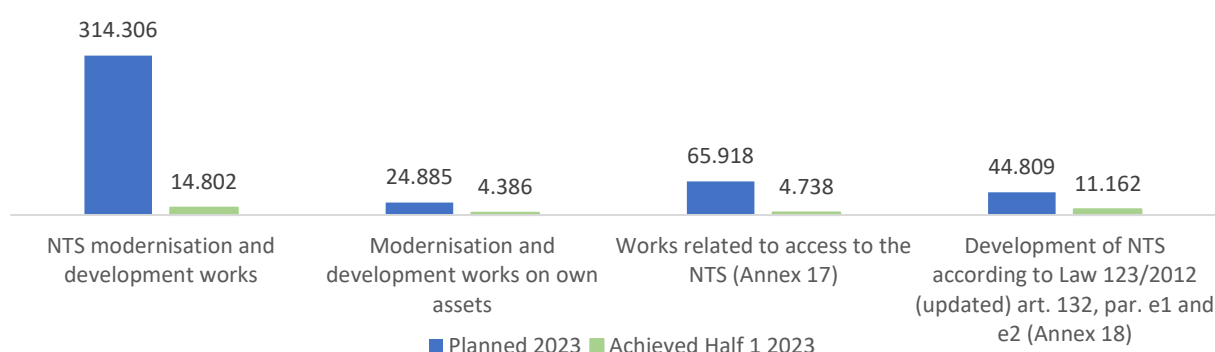


Chart 30 – Implementation of the Modernization and Development Investment Plan in Half I 2023 (thousand lei)

The main investment objectives completed in Half I 2023 are:

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

MAJOR PROJECTS

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

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

Major projects - achievements in Half I 2023

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

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

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

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

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

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

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

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

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

4.3 Maintenance activity

Repair and Rehabilitation Works Programme for NTS Maintenance

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

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

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

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

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

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

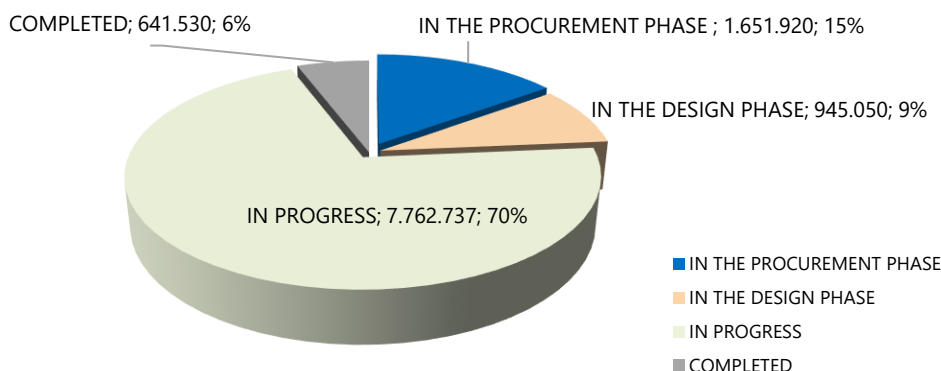


Chart 31 - PLRRM 2023 - Repair and Rehabilitation for NTS maintenance - June 2023

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

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

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

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

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

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

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

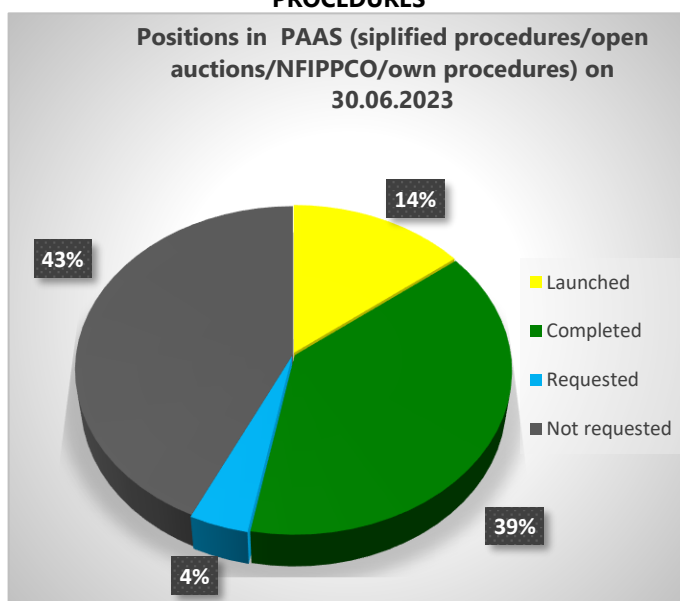
- documentation for obtaining permits/authorisations was re-drafted and submitted to the competent authorities;
- in some more difficult areas, in terms of obtaining agreements from landowners or at the request of local administrations, it was taken the decision to re-design the pipeline route and the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

4.4 The procurement activity

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

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

SIMPLIFIED PROCEDURES/OPEN BIDS/ NFIPPCO/OWN PROCEDURES



DIRECT PROCUREMENTS

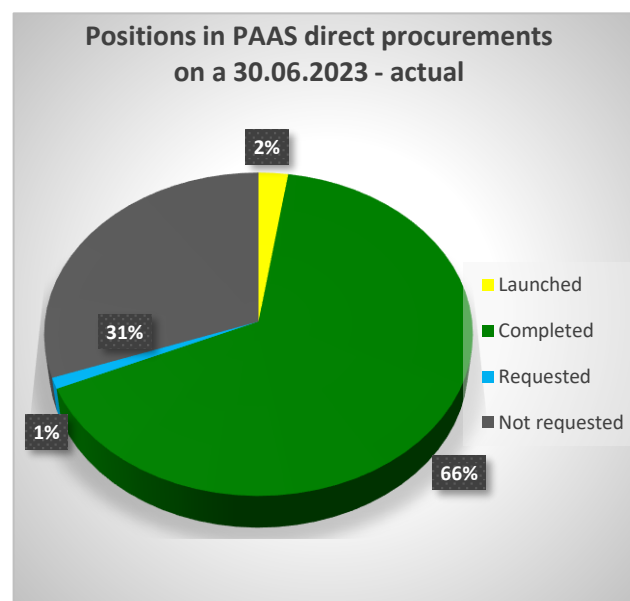


Chart 32 – Actual status of procurement procedures on 30 June 2023

4.5 The legal assistance and representation activity

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

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

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

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



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

Values:

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

Solutions:

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

4.6 International cooperation activity

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

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

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

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

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

4.7. Internal audit

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

The situation of the missions on 30.06.2023 is as follows:

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

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

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

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

4.8. Investor relations

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

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

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

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

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

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

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

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

4.9. Tarif setting methodology

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

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

(thousand lei)

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

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

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

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

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

(thousand lei)

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

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

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

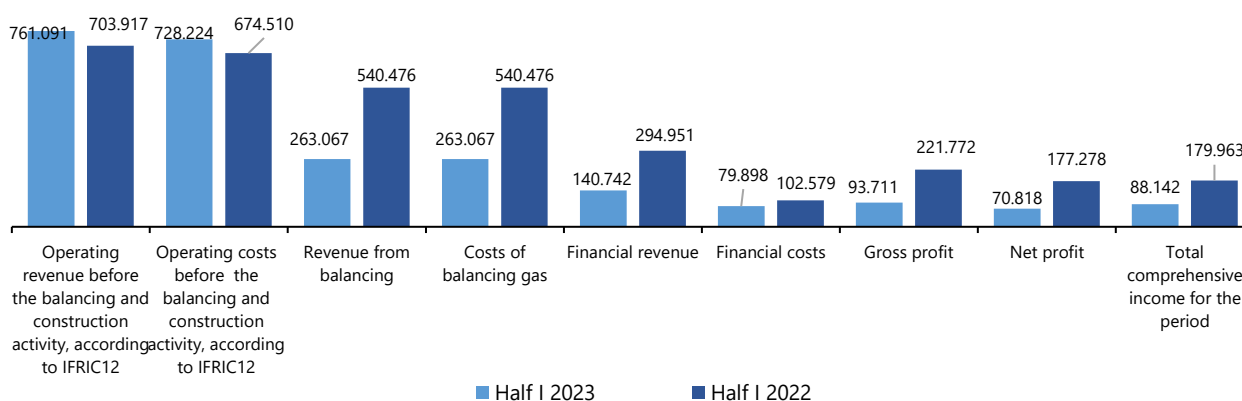


Chart 34 – Consolidated financial results in 2022 compared to 2021 (thousand lei)

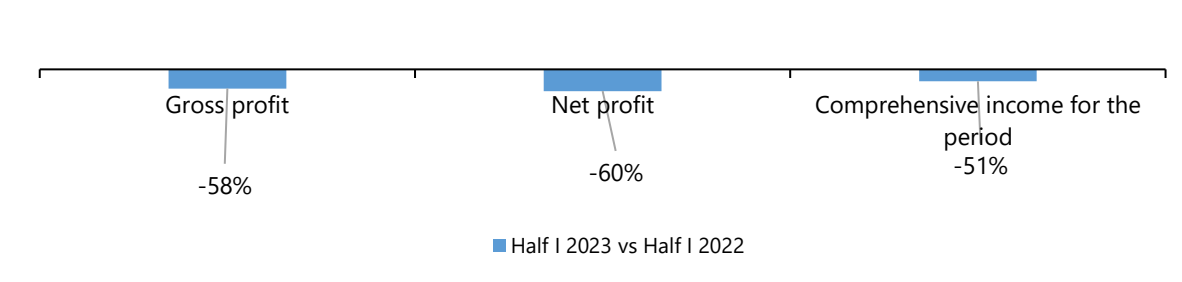


Chart 35 - Consolidated financial results in Half I 2023 compared to Half I 2022 (%)

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

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

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

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

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

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

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

(thousand lei)

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

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

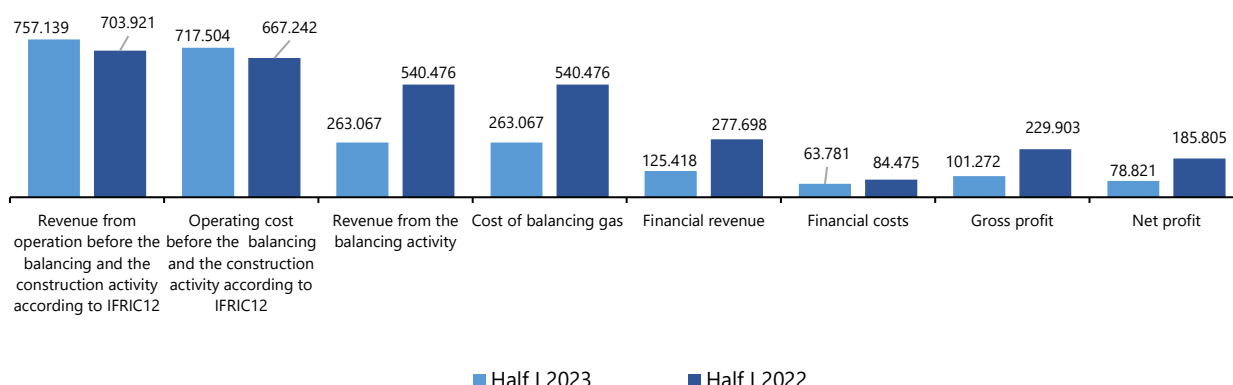


Chart 36 - Individual financial results in Half I 2023 compared to Half I 2022

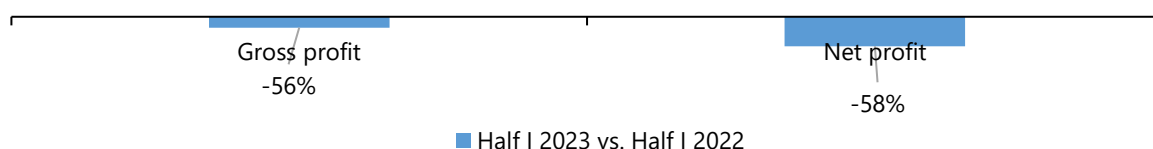


Chart 37 - Individual financial results in Half I 2023 compared to Half I 2022 (%)

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

The revenue was influenced mainly by the following factors:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Achievements in Half I 2023 compared to REB Half I 2023

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

(thousand lei)

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

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

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

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

The revenue was influenced by the following:

- Gas transmission services increased by **lei 54.614thousand** due to:
 - *capacities booked* higher by 15.780.836 MWh with a positive influence of **lei 44.066 thousand**;
 - *average capacity booking tariff, determined by the structure of the booked products*, higher by lei 0,085/MWh, with a positive influence of **lei 16.410 thousand**
 - *the gas transmitted capacities* lower than planned by 5.281.116 MWh (▼7%) with a negative influence of **lei 5.862 thousand**;
- Revenue from international gas transmission services and similar increased by **lei 24.164 thousand**;
- Other operating revenue decreased by **lei 14.398 thousand** as compared to the REB; The financial statements of Transgaz do not present the value of revenue from the production of tangible assets or the amount of the relevant expenses according to Order 2.844/2016 on the approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

Revenue from the balancing activity decreased by **lei 437.895 thousand** based on the following:

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

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

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

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

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

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

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

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

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

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

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

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

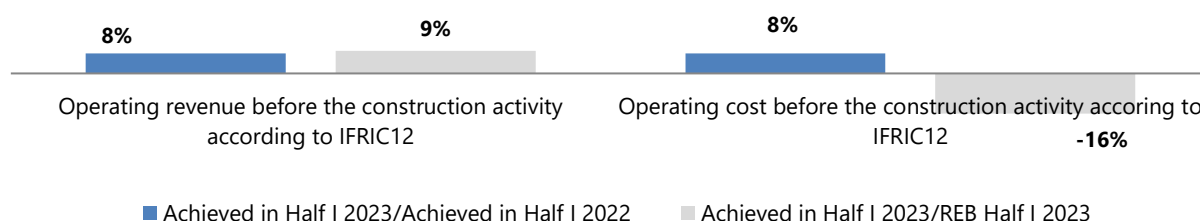


Chart 38 - Achieved in Half I 2023 vs. Achieved in Half I 2022 and Achieved in Half I 2023 compared to REB for Half I 2023

Achievements in Half I 2023 compared to the Management Plan 2023

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

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

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

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

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

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

5. CONSOLIDATED ECONOMIC AND FINANCIAL STATEMENT

5.1 Consolidated financial position

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

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

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

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

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

Tangible assets

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

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

Rights of use of leased assets

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

Intangible assets

IT Programmes

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

Service concession agreement

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

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

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

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

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

Trade receivables and other receivables/Fixed assets

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

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

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

Inventories

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

Commercial receivables and other receivables

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

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

Cash at hand and in bank

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

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

Debts to be paid over a one-year period

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

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

Long-term debts

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

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

Equity

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

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

5.2. Consolidated comprehensive income

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

-thousand lei-

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

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

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

5.3 Consolidated cash flow statement

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

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

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

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

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

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

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

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

Financial risk factors

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

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

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

Market risk

Currency risk

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

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

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

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

Price risk

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

Interest rate risk on cash flow and fair value

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

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

Credit risk

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

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

(lei)

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

All financial institutions are presented to Fitch rating or equivalent.

Liquidity risk

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

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

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

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

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

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

(lei)

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

The analysis of financial liabilities on 31 December 2022:

(lei)

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

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

Categories of financial instruments:

(lei)

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

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

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

Capital risk management

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

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

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

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

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

(lei)

Fair value estimate

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

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

6. INDIVIDUAL ECONOMIC AND FINANCIAL STATEMENT

6.1 Individual financial position

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

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

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

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

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

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

Tangible assets

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

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

Rights of use of leased assets

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

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

Intangible assets

IT Programs

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

Service concession agreement

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

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

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

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

Financial assets

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

Trade receivables and other receivables/ Fixed assets

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

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

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

Inventories

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

Commercial receivables and other receivables

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

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

Cash at hand and in bank

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

Debts to be paid over a one-year period

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

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

Long-term debts

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

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

Equity

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

6.2. Individual comprehensive income

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

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

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

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

Operating revenue

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

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

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

Operating expense

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

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

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

6.3 Individual cash flow statement

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

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

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

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

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

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

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

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

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

Financial risk factors

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

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

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

Market risk

Currency risk

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

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

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

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

(lei)

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

Price risk

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

Interest rate risk on cash flow and fair value

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

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

Credit risk

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

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

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

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

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

(lei)

A+	135.107	135.448
AA	201.542	319.570
	331.438.621	384.048.273

All financial institutions are presented to Fitch rating or equivalent.

Liquidity risk

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

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

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

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

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

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

(lei)

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

The analysis of financial liabilities on 31 December 2022:

(lei)

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

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

Categories of financial instruments:

(lei)

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

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

Capital risk management

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

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

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

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

(lei)

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

Fair value estimate

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

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

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

7. CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.1. Management System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Special agreements/arrangements or kinship

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

Participation of administrators to Transgaz's share capital

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

Litigation or administrative proceedings

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

Transgaz's intention to acquire own shares

Not applicable.

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

Not applicable.

Bonds and/or other debt securities

Not applicable.

Significant mergers or reorganisations

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

7.2. ESG reporting

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

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

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

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

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

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

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

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

Quality management

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

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

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

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

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

Occupational health and safety

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

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

Environmental management

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

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

Corporate social responsibility

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7.4. Main transactions between affiliated parties (concluded in accordance with Article 92^{^3} of Law 24/2017 updated by Law 158/2020)

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

8. KEY PERFORMANCE INDICATORS ESTABLISHED IN THE CONTRACTS OF MANDATE

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

Key financial and non-financial performance indicators achievement

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

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

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

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

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

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

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

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

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

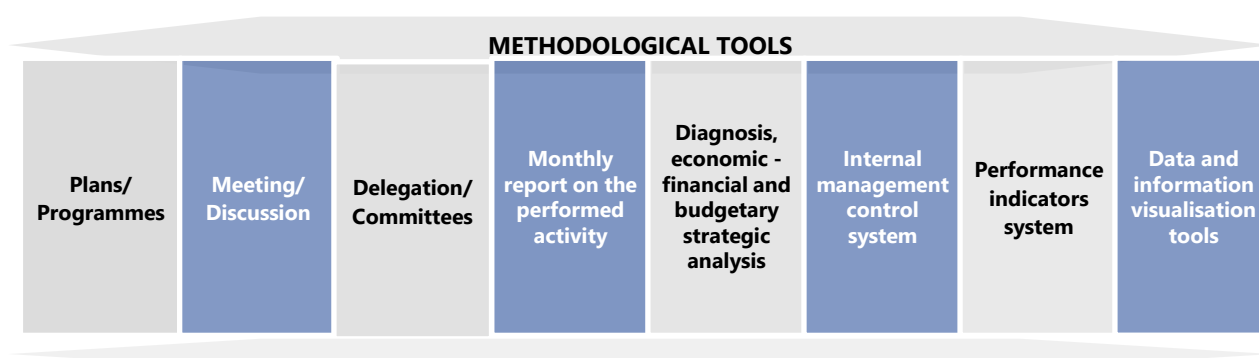
			13.3	SCIM reporting	<p>Achieved</p> <p>It was sent to the General Secretariat of the Government by Letter no. DSMC/5750/26.01.2023, entry no. SGG 2430/26.01.2023:</p> <p>-Centralized Progress Report on the implementation and development of the internal/management control system in SNTGN Transgaz SA on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

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

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

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



ION STERIAN – Executive Administrator – Director - General

PETRU ION VĂDUVA – Non-Executive Administrator

NICOLAE MINEA– Non-Executive Administrator

CSABA OROSZ – Non-Executive, Interim Administrator

GHEORGHITĂ AGAFIȚEI - Non-Executive, Interim Administrator

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