

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

**INTERIM SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD OF NINE
MONTHS ENDED
30 SEPTEMBER 2024 (UNAUDITED)**

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

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



INTERIM SEPARATE FINANCIAL STATEMENTS

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



	<u>Note</u>	<u>30 September 2024</u> (unaudited)	<u>31 December 2023</u>
ASSET			
Non-current assets			
Tangible Assets	7	337.299.584	377.639.699
Rights of use of the leased assets	9	20.447.085	14.500.703
Intangible Assets	9	4.674.021.022	3.643.263.343
Financial assets	10	177.644.145	177.619.145
Trade receivables and other receivables	12	2.562.754.700	2.423.669.228
Deferred tax	18	-	1.734.239
Restricted cash	13	<u>2.140.000</u>	<u>1.956.015</u>
		7.774.306.536	6.640.382.372
Current assets			
Inventories	11	551.482.267	577.080.618
Trade receivables and other receivables	12	329.249.753	400.845.055
Cash and cash equivalent	13	<u>650.089.758</u>	<u>675.600.636</u>
		1.530.821.778	1.653.526.309
Total asset		9.305.128.314	8.293.908.681
EQUITY AND DEBTS			
Equity			
Share capital	14	1.883.815.040	1.883.815.040
Hyperinflation adjustment of share capital	14	441.418.396	441.418.396
Share premium	14	247.478.865	247.478.865
Other reserves	15	1.265.796.861	1.265.796.861
Retained earnings	15	<u>380.151.877</u>	<u>285.144.115</u>
		4.218.661.039	4.123.653.277
Long-term debts			
Long-term loans	16	2.372.214.991	1.865.388.334
Deferred revenue	17	1.026.392.934	849.905.753
Deferred tax	18	89.213	-
Lease liabilities	0	17.615.260	12.208.966
Provision for employee benefits	21	<u>145.738.894</u>	<u>114.807.183</u>
		3.562.051.292	2.842.310.236

Notes 1 to 33 are part of these financial statements.

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



	<u>Note</u>	<u>30 September 2024</u> (unaudited)	<u>31 December 2023</u>
Current liabilities			
Short-term loans	16	332.324.019	432.316.032
Deferred revenue	17	106.165.815	113.993.591
Current income tax	18	-	-
Trade and other payables	0.1	1.005.572.981	678.283.577
Lease liabilities	19.2	3.931.288	3.333.037
Provision for risks and charges	20	66.561.829	83.883.714
Provision for employee benefits	21	<u>9.860.051</u>	<u>16.135.217</u>
		<u>1.524.415.983</u>	<u>1.327.945.168</u>
Total debts		<u>5.086.467.275</u>	<u>4.170.255.404</u>
Total equity and debts		9.305.128.314	8.293.908.681

Director – General
 Ion Sterian

Chief Financial Officer
 Marius Lupean

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INTERIM STATEMENT OF COMPREHENSIVE INCOME

(expressed in lei, unless otherwise stated)



	<u>Note</u>	The nine months ended 30 September 2024 (unaudited)	The nine months ended 30 September 2023 (unaudited)
Revenue from the domestic transmission activity		1.271.535.895	886.787.498
Revenue from the international transmission activity and similar		-	88.739.207
Other revenue	22	<u>114.902.799</u>	<u>103.801.409</u>
Operational revenue before the balancing and construction activity according to IFRIC12		1.386.438.694	1.079.328.114
Depreciation	7, 9	(349.971.147)	(340.664.075)
Employees costs	24	(455.509.929)	(418.663.222)
NTS gas consumption, materials and consumables used		(105.717.173)	(114.209.125)
Expenses with royalties		(146.226.629)	(3.902.107)
Maintenance and transmission		(26.462.198)	(28.773.925)
Taxes and other amounts owed to the state		(67.941.592)	(66.849.138)
Revenue/ (Expenses) with provisions for risks and charges		(9.220.576)	15.546.700
Other operating cost	23	<u>(110.724.115)</u>	<u>(157.748.378)</u>
Operational profit before the balancing and construction activity according to IFRIC12		114.665.335	(35.935.156)
Revenue from the balancing activity		160.273.401	321.672.099
Cost of balancing gas		(160.273.401)	(321.672.099)
Revenue from the construction activity according to IFRIC12	32	1.298.473.637	56.413.599
Cost of assets constructed according to IFRIC12	32	<u>(1.298.473.637)</u>	<u>(56.413.599)</u>
Operational profit		114.665.335	(35.935.156)
Financial income	25	151.977.762	194.507.832
Financial cost	25	<u>(67.757.019)</u>	<u>(106.079.174)</u>
Financial income, net		<u>84.220.743</u>	<u>88.428.658</u>
Profit before tax		198.886.078	52.493.502
Income tax	18	<u>(40.001.588)</u>	<u>(15.029.276)</u>
Net profit for the period		<u>158.884.490</u>	<u>37.464.226</u>
Shares number		188.381.504	188.381.504
Basic and diluted earnings per share (expressed in lei per share)	28	0,84	0,20
Other elements of the comprehensive income		2.056.798	6.395.044
Total comprehensive income for the period		<u>160.941.288</u>	<u>43.859.270</u>

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY
(expressed in lei, unless otherwise stated)



	<u>Nota</u>	<u>Share Capital</u>	<u>Share capital adjustments</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance on 1 January 2023		<u>1.883.815.040</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>244.236.598</u>	<u>4.082.745.760</u>
<i>Elements of the comprehensive income</i>							
Net profit for the period		-	-	-	-	37.464.226	37.464.226
Actuarial gain / loss for the period		-	-	-	-	6.395.044	6.395.044
<i>Transactions with shareholders:</i>							
Dividends related to 2022	15	-	-	-	-	(131.867.053)	(131.867.053)
Balance on 30 September 2023 (unaudited)		<u>1.883.815.040</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>156.228.815</u>	<u>3.994.737.977</u>
<i>Elements of the comprehensive income</i>							
Net profit for the period		-	-	-	-	130.976.294	130.976.294
Actuarial gain / loss for the period		-	-	-	-	(2.060.994)	(2.060.994)
Establishing profit reserves		-	-	-	-	128.915.300	128.915.300
Legal reserve increase		-	-	-	-	(10.344.066)	(10.344.066)
		-	-	-	-	10.344.066	10.344.066
Balance on 31 December 2023		<u>1.883.815.040</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>285.144.115</u>	<u>4.123.653.277</u>
<i>Elements of the comprehensive income</i>							
Net profit for the period		-	-	-	-	158.884.490	158.884.490
Actuarial gain / loss for the period		-	-	-	-	2.056.798	2.056.798
		-	-	-	-	160.941.288	160.941.288
<i>Transactions with shareholders:</i>							
Dividends related to 2023	15	-	-	-	-	(65.933.526)	(65.933.526)
Balance on 30 September 2024 (unaudited)		<u>1.883.815.040</u>	<u>441.418.396</u>	<u>247.478.865</u>	<u>1.265.796.861</u>	<u>380.151.877</u>	<u>4.218.661.039</u>

Director - General
Ion Sterian

Chief Financial Officer
Marius Lupean

Notes 1 to 33 are part of these financial statements.

INTERIM CASH FLOW STATEMENT
(expressed in lei, unless otherwise stated)

	<u>Note</u>	The nine months ended 30 September 2024 (unaudited)	The nine months ended 30 September 2023 (unaudited)
Cash generated from operations	26	530.974.810	471.359.735
Interest received		11.571.378	1.987.622
Interest paid		(86.442.998)	(77.373.755)
Paid income tax		<u>(57.887.666)</u>	<u>(56.047.181)</u>
Net cash inflow from operation activities		398.215.524	339.926.421
Cash flow from Investing activities			
Payments to acquire intangible assets		(1.007.753.909)	(282.646.908)
Payments to acquire tangible assets		(9.458.821)	(10.509.368)
Receipts from the disposal of tangible assets		110.457	263.919
Financial investment/shares		(25.000)	13.503.557
Cash flow from connection fees and grants		<u>257.482.234</u>	<u>3.600.471</u>
Net cash used in Investing activities		(759.645.039)	(275.788.329)
Cash flow from financing activities			
Long-term loan withdrawals		497.670.000	246.610.000
Long term loans repayments		(96.825.945)	(103.072.931)
Credit withdrawals/repayments for working capital		5.976.754	173.013.112
Leasing payments (IFRS 16)		(4.716.780)	(4.568.863)
Dividends paid		<u>(66.001.407)</u>	<u>(132.239.672)</u>
Net cash used in financing activities		336.102.622	179.741.646
Net change in cash and cash equivalents		(25.326.893)	243.879.738
Cash and cash equivalent as at the beginning of the year	13	<u>677.556.651</u>	<u>384.237.135</u>
Cash and cash equivalent as at the end of the period	13	<u>652.229.758</u>	<u>628.116.873</u>

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

1. GENERAL INFORMATION

The National Gas Transmission Company - SNTGN Transgaz SA (‘company’) has as main activity the transmission of natural gas. Also, the company maintains and operates the national gas transmission system and carries out research and design activities in the area of natural gas transmission. On 30 September 2024, the majority shareholder of the company is the Romanian state, through the General Secretariat of the Government.

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

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

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

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY

Romania

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

- (i) According to Fitch Ratings, Romania's economy will grow by 2,5% in 2024, the considerable inflows of EU funds, including the cohesion funds from the Multiannual Financial Framework (2021-2027) and the recovery and resilience funds, will continue to support growth and investment over the medium term. Beyond stimulating direct demand, EU funds will also contribute to the growth potential of the economy, accelerating the recovery from the EU average.

Fitch expects public debt-to-GDP ratio to increase, but within the range of similarly rated sovereigns and the current median "BBB" of 58,3%;

- (ii) In the meeting of 4 October 2024, the Board of the National Bank of Romania decided:
- to maintain the monetary policy rate to 6,50 % per year;
 - to maintain the interest rate on the lending facility (Lombard) to 7,50% per year and the interest rate on the deposit facility to 5,50% per year;
 - to maintain the current levels of the mandatory minimum reserves for the lei and currency liabilities of the credit institutions.
- (iii) According to the BNR's Quarterly Inflation Report, August 2024 edition, "the annual CPI inflation rate resumed on a downward trend in the second quarter of 2024, reaching 4,94 percent in June, 1,67 percentage points lower than in March. At the same time, a series of unanticipated favourable developments, especially in the segment of utility prices (natural gas) in the second quarter, placed the indicator in June 1,1 percentage points below the level forecast in the previous Inflation Report. About half of the progress in disinflation in the second quarter was due to exogenous components. In the case of natural gas and electricity, favourable conditions in the wholesale gas and electricity markets, as well as a series of legislative changes that reduced prices for households, were notable. In the case of fuels, although the months of the second quarter were marked by two-way fluctuations in oil prices, at the end of the period the annual dynamics of the component were lower than in March. The annual rate of core inflation, in turn, declined at a rate close to that recorded in the first quarter, i.e. by 1.4 percentage points, with all three sub-groups of the index contributing relatively similarly to disinflation. The average annual inflation rate, an indicator with an inherently higher degree of persistence, continued its downward trend in the second quarter, falling to 7,2 percent for the indicator calculated according to the national methodology (CPI) and 7,3 percent for the indicator calculated according to the harmonized structure (HICP), respectively. Thus, the correction during the second quarter was 1,3 percentage points for the first indicator and 1 percentage point for the second one. The gap with the EU average inflation of 3,7 percentage points remained close to the one recorded at the end of the previous quarter and continues to reflect a slower disinflationary process in Romania," the BNR report adds.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

2. OPERATIONAL FRAMEWORK OF THE COMPANY (CONTINUED)

- (iv) Fitch International Rating Agency confirmed on 24.05.2024 the rating of the National Natural Gas Transmission Company Transgaz at "BBB-" with stable outlook. "The confirmation of the Transgaz' rating reflects the strong business profile of Transgaz as title holder and operator of the gas transmission network in Romania, which we consider to be broadly unchanged, following the recent inclusion of TSO gas operations in Moldova, as well as our expectations regarding the continuity of the regulatory framework in the new regulatory period of five years (RP5), which was delayed by a year for October 2025," the agency's report said.
- (v) The financial rating agency Fitch Ratings confirmed on 30.08.2024 Romania's government debt rating at BBB-/F3 for long and short-term foreign currency debt, as well as the stable outlook, according to a press release. In the agency's view, the decision to reconfirm the sovereign rating and maintain the stable outlook is supported by the country's membership of the European Union and capital inflows from the European Union, which underpin the country's real convergence of income, external finances and macroeconomic stability, as well as the positive evolution of GDP per capita and governance and human development indicators, which are at higher levels than countries in the same rating category ("BBB"). The strengths that have led to the maintenance of the rating and outlook are offset by the level of government budget and current account deficits relative to similarly rated sovereigns, the high level of fiscal rigidities and the net external debt position.

At the end of Q3 2023, as compared to the end of 2022, the LEU decreased against the EURO (`EUR`) 0,55% (1 EUR= 4,9746 lei as at 30 September 2023, 1 EUR = 4,9474 lei as at 31 December 2022) and by 1,12% against the US dollar (`USD`) (1 USD = 4, 6864 lei as at 30 September 2023, 1 USD = 4.6346 lei as at 31 December 2022).

At the end of Q3 2024, as compared to the end of 2023, the LEU decreased against the EURO (`EUR`) 0,02% (1 EUR= 4, 9756 lei as at 30 September 2024, 1 EUR = 4,9746 lei as at 31 December 2023) and increased by 1,13% against the US dollar (`USD`) (1 USD = 4,4451 lei as at 30 September 2024, 1 USD = 4,4958 lei as at 31 December 2023).

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES

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

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

3.1 Basis of preparation

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

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

The following changes are valid as of 1 January 2022:

- Onerous contracts - The cost of performing a contract (Amendments to IAS 37); IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment - Onerous Contracts - Cost of Fulfilling a Contract) - In May 2020, the IASB issued amendments to IAS 37 that specify the costs that a company includes when assessing whether a contract will result in a loss and is therefore recognised as an onerous contract. These amendments are expected to result in more contracts being accounted for as onerous contracts as they increase the scope of costs that are included in the assessment of the onerous contract.
- Annual Improvements to IFRSs: 2018-2020 Cycle - In May 2020, the IASB issued minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative examples accompanying IFRS 16 Leasing.
- The Conceptual Framework for Financial Reporting (Amendments to IFRS 3) - In May 2020, the IASB issued amendments to IFRS 3, which update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.
- IAS 16 Property, Plant and Equipment (Amendment - Proceeds before Intended Use) - In May 2020, the IASB issued amendments to IAS 16 that prohibit a company from deducting amounts received from the sale of items produced while the company is preparing the asset for its intended use from the cost of property, plant and equipment. Instead, a company will recognise such sales revenue and any related costs in profit or loss.

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

Standards and amendments effective as of 1 January 2023:

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

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

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

IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

- Liability in a sale and leaseback (Amendments to IFRS 16 Leases);
- Classification of liabilities as current or non-current (Amendments to IAS 1 Presentation of financial statements);
- Non-convention liabilities (Amendments to IAS 1 Presentation of Financial Statements); and
- **Supplier financing arrangements (Amendments to IAS 7 Statement of cash flows and to IFRS 7 Financial instruments: Disclosures)**

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Reporting on segments

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

3.3 Transactions in foreign currency

a) *Functional currency*

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

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

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

c) *Transactions and balances*

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

3.4 Accounting for the effects of hyperinflation

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

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

3.5 Intangible Assets

Computer Software

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

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

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

Service Concession Agreement

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

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

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

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

Due to the fact that the Service Concession Agreement (‘SCA’) had no commercial substance (i.e. nothing substantial changed in the way the company operated assets; cash flows changed only with the payment of royalties, but, on the other hand, the transmission tariff increased to cover the royalty), the intangible asset was measured at the remaining net value of the derecognized assets (classified in the financial statements as tangible assets on the date of application of IFRIC 12). Consequently, the company continued to recognize the asset, but reclassified it as intangible asset. The company tested the intangible assets recognized at the time without identifying depreciation.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

As they occur, costs of replacements are recorded as expense, while the improvements of assets used within SCA are recognized at cost.

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

3.6 Tangible Assets

Tangible assets include buildings, land, assets used for the non-regulated international transmission activity (e.g. pipelines, compressors, filtering installations, devices).

The company's policy is to reflect intangible assets at their cost at their cost less any accumulated depreciation and any impairment accumulated losses.

Buildings include particularly ancillary buildings of operating assets, a research centre and office buildings.

Further expenses are included in the book value of the asset or recognized as separate asset, as the case may be, only when the entry of future economic benefits for the company associated to the item is likely and the cost of the respective item can be valued in a reliable manner. The book value of the replaced asset is taken off the books. All the other expenses with repairs and maintenance are recognized in the statement of comprehensive income in the financial period when they occur.

Land is not depreciated. Depreciation on other items of tangible assets is calculated based on the straight-line method in order to allocate their cost minus the residual value, during their useful life, as follows:

Number of years

Buildings	50
Assets of the gas transmission system	20
Other non-current assets	4 - 20

Before 31 December 2008, borrowing costs were incurred as they occurred. As of 1 January 2009, borrowing costs attributable directly to the acquisition, construction or production of an asset with a long production cycle are capitalized as part of the cost of the respective asset. Borrowing costs attributable directly to the acquisition, construction or production of a long lead asset are those borrowing costs that would have been avoided if expenses with the asset hadn't been made. To the extent that funds are borrowed specifically for obtaining a long-lead asset, the borrowing costs eligible for the capitalization of the respective asset is determined by the actual cost generated by that borrowing during the period, minus the revenue from the temporary investments of those borrowings. To the extent that funds are generally borrowed and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for obtaining the long-lead asset.

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

Borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred, unless the operator has the contractual right to receive an intangible asset, in which case the borrowing costs attributable to an arrangement are capitalized during the engagement stage.

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

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

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

3.7. Impairment of non-financial assets

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

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

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

3.8 Assets of public domain

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

3.9 Financial assets

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

(a) *Loans and receivables*

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

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

(c) *Impairment of financial assets*

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

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

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

The company assesses first whether objective evidence of impairment exists.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

For loans, the amount of the loss is measured as the difference between the book value of the asset and the updated value of estimated future cash flows (excluding future credit loss which was not incurred), discounted at the asset's original rate; the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. In practice, the company may measure impairment based on the fair value of an instrument using an observable market price. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized (such as an improvement in the credit rating of the borrower), the reconsidered of impairment loss recognized previously in profit or loss.

(i) *Assets measured at cost*

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

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

3.10. Inventories

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

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

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

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

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

The minimum gas stock that the company, as holder of the national natural gas transmission system operating license is required to have in underground storage facilities, is established by decision of the President of the National Energy Regulatory Authority (ANRE President). The Decision no. 711/10.04.2024 of the ANRE President established the obligation for the company to have a level of natural gas stock of 393.546,504 MWh as at 31 October 2024.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.11. Trade receivables

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

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

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

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

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

3.12. Cash and cash equivalent

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.13. Equity

Share capital

Ordinary shares are classified as equity.

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

Dividends

Dividends are recognized as liabilities and deducted from equity at the end of the reporting period if they are declared before or at the end of the reporting period. Dividends are recognized when they are proposed before the end of the reporting period, or when they were proposed or declared after the end of the reporting period but before the date the financial statements were approved for issue.

Reserves

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

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

Retained earnings

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

The company did not distribute partial dividends during the financial year.

3.14. Borrowings

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

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

3.15. Current and deferred income tax

Tax expense for the period includes the current tax and the deferred tax and is recognized in profit or loss, unless it is recognized in other items of the comprehensive income or directly in equity because it relates to transactions that are, in turn, recognized in the same or in a different period, in other items of the comprehensive income or directly in equity.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

The deferred income tax is recognized based on the liability method, on temporary differences arising between the tax bases of assets and liabilities and their book values in the financial statements. However, the deferred income tax arising from the initial recognition of an asset or liability in a transaction other than a business combination and at the time of the transaction does not affect the accounting profit and the taxable revenue is not recognized. The deferred income tax is determined based on tax rates (and legal regulations) in force until the end of the reporting period and which are expected to apply in the period in which the deferred income tax asset is realized or the deferred income tax liability is settled.

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

3.16. Commercial payables and other payables

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

3.17. Deferred revenue

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

The grants collected are assimilated to the governmental subsidies.

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

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

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.18. Employee benefits

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

Benefits granted on retirement

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

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

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

Social insurance

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

Profit sharing and bonuses

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

3.19. Provisions for risks and charges

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

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

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

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

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.20. Revenue recognition

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

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

a) *Revenue from services*

Revenue from the domestic gas transmission results from the booking the transmission capacity and from the transmission through the NTS of the determined quantities of natural gas, expressed in units of energy, during the validity of a gas transmission contract, and are recognized at the moment of their delivery. During the administration of the transmission contracts, the TSO issues and submits to the NU, by day 15 of the month following the month for which the transmission service was provided: an invoice for the transmission services provided for the previous month, based on the final allocations; an invoice related to the final daily imbalances registered in the previous month; and an invoice exceeding of the capacity booked.

Revenue from international transmission and similar activities are represented by the transmission capacity booking on the Isaccea 2.3 - Negru Voda 2.3 international transmission pipelines and by the amounts receivable for the reporting period under the Termination Agreement of the legacy contract between SNTGN Transgaz SA and GPE concluded for the transmission of natural gas through the T3 transit pipeline on Romanian territory to third countries. According to the Agreement for the termination of the legacy Contract between SNTGN Transgaz SA and GPE, the payment of the remaining amounts to be paid will be made in instalments over a maximum period of three years and the revenues received from transmission are regulated according to ANRE Order 41/2019 and ANRE Order 34/2014 respectively depending on the points where capacity is booked, the monthly difference being classified as assimilated revenues.

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

b) *Revenue from the sale of goods*

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

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

3. SUMMARY OF THE MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) *Interest income*

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

d) *Revenue from dividends*

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

e) *Revenue from penalties*

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

3.21. Related parties

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

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

(a) **Market risk**

(i) **Currency risk**

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

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	<u>30 September</u> <u>2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
<i>Impact on profit and loss and on equity of:</i>		
USD appreciation by 10%	674.322	684.054
USD depreciation by 10%	(674.322)	(684.054)
EUR appreciation by 10%	(90.306.970)	(26.662.039)
EUR depreciation by 10%	90.306.970	26.662.039

(ii) Price risk

The company is exposed to the commodity price risk related to gas purchased for own consumption. If the gas price had been 5% higher/lower, the net profit related to the period would have been lower/higher by lei 4.184.614 (on December 2023: lei 4.888.012).

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

The company is exposed to interest rate risk by its bank deposits and variable interest loans. The company did not conclude any commitment to diminish the risk. For the average exposure of the period, if the interest rates had been lower/higher by 50 basis points, with all the other variables maintained constant, the profit related to the period and equity would have been higher/lower by 6.900.448 (December 2023: lei 7.805.365 higher / lower) as a result of reducing the interest rate for variable interest loans and the interest rate on the bank deposits. The value of 50 basis points represents the management's assessment of the reasonable change in interest rates.

(b) Credit risk

Credit risk is especially related to cash and cash equivalents and trade receivables. The company drew up a number of policies, through their application ensuring that sales of products and services are made to proper customers. The book value of receivables, net of adjustments for doubtful debts, represents the maximum value exposed to credit risk. The company's credit risk is concentrated on the 5 main customers, which together account for 50% of the trade receivable balances as at 30 September 2024 (31 December 2023: 43%). Although the collection of receivables can be influenced by economic factors, the management believes that there is no significant risk of loss exceeding the already made adjustments. As at 30 September 2024 the company the company has available payment guarantees from clients amounting to lei 495.156.518.

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Without rating	453.793	269.860
BB+	390.922.328	251.805.038
BBB-	128.737.826	276.682.320
BBB	7.171.507	614.290
BBB+	122.349.040	147.783.067
A+	134.372	134.911
AA	<u>173.002</u>	<u>156.187</u>
	649.941.868	677.445.673

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

(c) *Liquidity risk*

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

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

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

The table below shows obligations on 30 September 2024 in terms of contractual maturity remained. The amounts disclosed in the maturity table are contractual undiscounted cash flows.

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	3.384.940.968	458.928.133	1.582.531.793	1.343.481.042
Commercial payables and other payables	881.435.251	881.435.251	-	-
Lease liabilities	<u>21.546.548</u>	<u>3.931.288</u>	<u>17.615.260</u>	<u>-</u>
	<u>4.287.922.767</u>	<u>1.344.294.672</u>	<u>1.600.147.053</u>	<u>1.343.481.042</u>

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

	<u>Total amount</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
Loans	2.842.179.180	556.350.271	1.298.599.124	987.229.785
Commercial payables and other payables	498.127.534	498.127.534	-	-
Lease liabilities	<u>15.542.003</u>	<u>3.333.037</u>	<u>12.208.966</u>	<u>-</u>
	<u>3.355.848.717</u>	<u>1.057.810.842</u>	<u>1.310.808.090</u>	<u>987.229.785</u>

Commercial payables and other payables include trade payables, suppliers of non-current assets, dividends payable, payables and other payables (see Note 19) and are not included: payables generated as a result of the legal provisions imposed by the authorities, payables to the employees and advance registered revenue.

Financial instruments categories:

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Financial assets		
Cash and cash equivalents	507.311.322	96.204.966
Term bank deposits	144.918.436	581.351.685
Loans and receivables	2.795.091.728	2.741.685.641
Financial assets - stakes	202.222.382	202.197.382
Provisions related to financial assets - stakes	<u>(24.578.237)</u>	<u>(24.578.237)</u>
	<u>3.624.965.631</u>	<u>3.596.861.437</u>

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Financial liabilities		
Debts evaluated to amortised cost		
Loans	2.704.539.010	2.297.704.366
Liabilities evaluated at fair value		
Financial securities for contracts	84.140.566	50.446.894
Commercial liabilities and other liabilities	<u>797.294.685</u>	<u>451.013.677</u>
	<u>3.585.974.261</u>	<u>2.799.164.937</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

On 30 September 2024, the amount of lei 160.413.912 (31 December 2023: lei 152.476.340 lei) representing trade receivables and other receivables, net, is expressed in foreign currency, of which 4% in USD (31 December 2023: 4%) and 96% in EUR (31 December 2023: 96%).

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

Capital risk management

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

As for the other companies in this sector, the company monitors the capital based on the leverage degree. This coefficient is calculated as net debt divided by total capital. The net debt is calculated as total borrowings (including `current and long-term borrowings`, according to the statement of financial position), except for cash and cash equivalent. The total capital is calculated as `equity`, according to the statement of the financial position, plus the net debt.

The net leverage degree on 30 September 2024 and on 31 December 2023 is reflected in the table below:

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Total borrowings	2.704.539.010	2.297.704.366
Except: cash and cash equivalents (Note 13)	<u>(652.229.758)</u>	<u>(677.556.651)</u>
Net cash position	<u>2.052.309.252</u>	<u>1.620.147.715</u>
Equity capital	4.218.661.039	4.123.653.277
Leverage ratio	0,49	0,39

Fair value estimate

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

Critical accounting estimates and assumptions

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

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

5.1 Assumptions for the determination of the provision for retirement benefits

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

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

The presentation of the current value for 30 September 2024 and 31 December 2023 depending on the following variables:

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

Analysis of the maturity of benefits payments:

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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

5.2 The accounting treatment of the concession agreement

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

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

5.3 The accounting treatment of royalties payable for using the national gas transmission system

As indicated in Note 8, the company pays royalties, calculated as percentage of the gross revenue achieved from the operation of pipelines of the national gas transmission system. These costs were recognized as expenses, rather than deduction from revenue, because they are not of the nature of taxes collected from customers and sent to the state, given the nature of activity and the regulatory framework:

- the company's revenue is based on tariffs approved by another regulator than the one setting the level of royalties;
- expense with royalties is an item taken into consideration at the calculation of the transmission tariff;

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

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

5.4 Long-term receivables

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

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

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

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

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

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

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

6. INFORMATION ON SEGMENTS

Reporting segments are set according to the nature of the activities conducted by the company: the regulated activity, the unregulated activity and other activities. As transmission system operator, the company reported annually to the National Regulatory Authority on the activity performed on the four reporting segments.

The segment information provided to the Board of Administration, which makes strategic decisions for reportable segments, for the period ended 30 September 2024 is:

	<u>Domestic gas transmission</u>	<u>International gas transmission</u>	<u>Balancing</u>	<u>Unallocated</u>	<u>Total</u>
Revenue from domestic transmission	1.271.535.895	-	-	-	1.271.535.895
Revenue from international transmission and similar	-	-	-	-	-
Other revenue	<u>90.884.984</u>	<u>18.225.486</u>	-	<u>5.792.329</u>	<u>114.902.799</u>
Operating revenue before the balancing and the construction activity according to IFRIC12	<u>1.362.420.879</u>	<u>18.225.486</u>	-	<u>5.792.329</u>	<u>1.386.438.694</u>
Depreciation	(327.007.355)	(21.630.684)	-	(1.333.108)	(349.971.147)
Operating expenses other than depreciation	<u>(897.334.384)</u>	<u>(19.882.400)</u>	-	<u>(4.585.428)</u>	<u>(921.802.212)</u>
Profit from operation before the balancing and construction activity according to IFRIC12	<u>138.079.141</u>	<u>(23.287.598)</u>	-	<u>(126.208)</u>	<u>114.665.335</u>
Revenue from the balancing activity	-	-	160.273.401	-	160.273.401
Cost of balancing activity	-	-	(160.273.401)	-	(160.273.401)
Revenue from the construction activity according to IFRIC12	-	-	-	1.298.473.637	1.298.473.637
Cost of constructed assets according to IFRIC12	-	-	-	(1.298.473.637)	(1.298.473.637)
Operating profit	<u>138.079.140</u>	<u>(23.287.598)</u>	-	<u>(126.207)</u>	<u>114.665.335</u>
Net financial gain	-	-	-	-	84.220.743
Profit before tax	-	-	-	-	198.886.078
Income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40.001.588)</u>
Net profit	-	-	-	-	158.884.490
Assets on segments	7.991.778.205	121.528.759	311.141.976	880.679.374	9.305.128.314
Liabilities on segments	4.529.467.442	545.218	554.399.535	2.055.080	5.086.467.275
Capital expenditure - increases in assets in progress	1.314.290.189	-	-	57.892	1.314.348.081
Non-monetary expenses other than depreciation	(36.954.602)	(7.774.376)	2.910.001	(311.226)	(42.130.203)

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

6. INFORMATION ON SEGMENTS (CONTINUED)

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

Unallocated assets include:

Tangible and intangible assets	29.939.580
The right of use of the leased assets	20.447.085
Financial assets	177.644.145
Cash	652.229.758
Other assets	<u>418.806</u>
	880.679.374

Unallocated liabilities include:

Deferred tax	89.213
Dividends payable	1.027.651
Other debts	<u>938.216</u>
	2.055.080

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly trade payables from the balancing activity and the borrowings contracted to finance the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the write-down of inventories, provisions for risks.

Transmission services are performed for several domestic and foreign clients.

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from the domestic transmission	1.161.926.406	109.609.489	1.271.535.895
Other revenue	<u>109.842.715</u>	<u>5.060.084</u>	<u>114.902.799</u>
	1.271.769.121	114.669.573	1.386.438.694

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

6. INFORMATION ON SEGMENTS (CONTINUED)

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

	<u>Percentage of the total revenue</u>
OMV PETROM SA	19%
SNGN ROMGAZ SA	14%
ENGIE ROMANIA S.A.	14%
E.ON ENERGIE ROMANIA SA.	10%

All company's assets are located in Romania. All company's activities are carried out in Romania.

The company has external trade receivables amounting to lei 195.755.919 (31 December 2023: lei 169.254.185).

The *domestic gas transmission* segment includes information related to the activity of domestic gas transmission, which is regulated by the National Regulatory Authority as well as the operating and financial income related to the claims for the regulated value of the regulated asset base remained undepreciated at the end of the Concession Agreement; the *international gas transmission* segment includes information related to the activity of pipeline gas transmission without the transshipment of the Romanian territory and similar; *the balancing* segment includes expenses and revenue related to the national transmission system balancing activity developed starting with 1 December 2015, neutral in financial terms, any profit or loss from this activity will be distributed to clients for whom domestic transmission services are provided; the *unallocated* segment includes activities with a low share in the company's revenue such as sales of assets, rents, royalties.

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

6. INFORMATION ON SEGMENTS (CONTINUED)

The information on segments provided to the Board of Administration, who makes strategic decisions for the reporting segments, related to the financial year ended 30 September 2023, is as follows:

	Domestic gas transmission	International gas transmission	Balancing	Unallocated	Total
Revenue from domestic transmission	886.787.498	-	-	-	886.787.498
Revenue from international transmission	-	88.739.207	-	-	88.739.207
Other revenue	<u>69.129.202</u>	<u>2.134.875</u>	-	<u>32.537.332</u>	<u>103.801.409</u>
Operating revenue before the balancing and the construction activity according to IFRIC12	<u>955.916.700</u>	<u>90.874.082</u>	-	<u>32.537.332</u>	<u>1.079.328.114</u>
Depreciation	(317.325.478)	(22.050.065)	-	(1.288.532)	(340.664.075)
Operating expense other than depreciation	<u>(638.640.754)</u>	<u>(99.617.224)</u>	-	<u>(36.341.217)</u>	<u>(774.599.195)</u>
Profit from operation before the balancing activity according to IFRIC12	<u>(49.532)</u>	<u>(30.793.207)</u>	-	<u>(5.092.417)</u>	<u>(35.935.156)</u>
Revenue from the balancing activity	-	-	321.672.099	-	321.672.099
Cost of balancing activity	-	-	(321.672.099)	-	(321.672.099)
Revenue from the construction activity according to IFRIC12	-	-	-	56.413.599	56.413.599
Cost of constructed assets according to IFRIC12	-	-	-	(56.413.599)	(56.413.599)
Profit from operation	<u>(49.532)</u>	<u>(30.793.207)</u>	-	<u>(5.092.417)</u>	<u>(35.935.156)</u>
Net financial gain	-	-	-	-	88.428.658
Profit before tax	-	-	-	-	52.493.502
Income tax	-	-	-	-	<u>(15.029.276)</u>
Net profit	-	-	-	-	37.464.226
Assets on segments	6.641.480.497	153.224.175	326.354.783	856.754.521	7.977.813.976
Liabilities on segments	3.406.627.066	692.277	573.047.255	2.709.401	3.983.075.999
Capital expenditure - increases in assets in progress	82.848.322	-	-	7.755	82.856.077
Non-cash costs other than depreciation	(441.637)	(97.682.461)	-	(191.290)	(98.315.388)

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

6. INFORMATION ON SEGMENTS (CONTINUED)

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

Unallocated assets include:

Tangible and intangible assets	31.569.780
Right of use of leased assets	15.756.007
Financial assets	177.619.145
Cash	628.116.873
Deferred tax	371.876
Other assets	<u>3.320.840</u>
	856.754.521

Unallocated liabilities include:

Dividends payable	1.254.867
Other debts	<u>1.454.534</u>
	2.709.401

The liabilities presented for the two main operating segments consist of payables and borrowings contracted by the company for the acquisition of assets for the respective segments. Liabilities shown for the balancing segment comprise mainly trade payables from the balancing activity.

Non-cash expenses other than depreciation consist of the expense with the impairment of receivables and the expense with the write-down of inventories, other provisions for risks.

Transmission services are provided for several domestic and foreign customers.

	<u>Domestic Clients</u>	<u>Foreign Clients</u>	<u>Total</u>
Revenue from domestic transmission	674.555.110	212.232.388	886.787.498
Revenue from international transmission	-	88.739.207	88.739.207
Other revenue	<u>97.985.627</u>	<u>5.815.782</u>	<u>103.801.409</u>
	772.540.737	306.787.377	1.079.328.114

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

All the company's assets are located in Romania. All the company's activities are carried out in Romania.

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

7. TANGIBLE ASSETS

	Lands and buildings	Transmission system assets	Other non-current assets	Assets in progress	Total
As at 30 September 2023 (unaudited)					
Cost	295.234.035	984.844.069	347.853.482	12.444.930	1.640.376.516
Depreciation accumulated	(179.321.182)	(760.527.662)	(280.739.586)	-	(1.220.588.430)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Initial net book value	<u>115.912.853</u>	<u>224.316.407</u>	<u>67.113.896</u>	<u>10.788.748</u>	<u>418.131.904</u>
Inflows	-	-	-	12.582.174	12.582.174
Reclassification	613.704	-	(624.502)	-	(10.798)
Transfers	607.432	1.657.953	16.878.100	(19.143.485)	-
Outflow (net value)	(776.530)	708.296	(56.419)	-	(124.653)
Expense with depreciation	<u>(5.545.486)</u>	<u>(24.404.845)</u>	<u>(17.596.822)</u>	-	<u>(47.547.153)</u>
Final net book value	<u>110.811.973</u>	<u>202.277.811</u>	<u>65.714.253</u>	<u>4.227.437</u>	<u>383.031.474</u>
Cost	295.380.114	987.209.076	357.167.753	5.883.619	1.645.640.562
Accumulated depreciation	(184.568.141)	(784.931.265)	(291.453.500)	-	(1.260.952.906)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Final net book value	<u>110.811.973</u>	<u>202.277.811</u>	<u>65.714.253</u>	<u>4.227.437</u>	<u>383.031.474</u>
As at 31 December 2023					
Initial net book value	<u>110.811.973</u>	<u>202.277.811</u>	<u>65.714.253</u>	<u>4.227.437</u>	<u>383.031.474</u>
Inflows	-	-	-	10.470.650	10.470.650
Transfers	227.240	-	3.592.136	(3.819.376)	-
Outflow (net value)	708.675	(708.674)	(16.128)	-	(16.127)
Expense with depreciation	<u>(2.288.878)</u>	<u>(7.536.095)</u>	<u>(6.021.325)</u>	-	<u>(15.846.298)</u>
Final net book value	<u>109.459.010</u>	<u>194.033.042</u>	<u>63.268.936</u>	<u>10.878.711</u>	<u>377.639.699</u>
Cost	296.158.004	986.500.401	360.605.141	12.534.893	1.655.798.439
Accumulated depreciation	(186.698.994)	(792.467.359)	(297.336.205)	-	(1.276.502.558)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Final net book value	<u>109.459.010</u>	<u>194.033.042</u>	<u>63.268.936</u>	<u>10.878.711</u>	<u>377.639.699</u>
As at 30 September 2024 (unaudited)					
Initial net book value	<u>109.459.010</u>	<u>194.033.042</u>	<u>63.268.936</u>	<u>10.878.711</u>	<u>377.639.699</u>
Inflows	-	-	-	10.883.051	10.883.051
Reclassification	72.734	(3.340.200)	(216.400)	(133.866)	(3.617.732)
Transfers	1.930.647	930.534	8.091.734	(10.952.915)	-
Outflow (net value)	(219.260)	(3.878)	(65.317)	-	(288.455)
Expense with depreciation	<u>(5.205.720)</u>	<u>(23.184.031)</u>	<u>(18.927.228)</u>	-	<u>(47.316.979)</u>
Final net book value	<u>106.037.411</u>	<u>168.435.467</u>	<u>52.151.725</u>	<u>10.674.981</u>	<u>337.299.584</u>
Cost	274.261.950	984.059.610	364.213.292	12.331.163	1.634.866.015
Accumulated depreciation	(168.224.539)	(815.624.143)	(312.061.567)	-	(1.295.910.249)
Adjustments for impairment	-	-	-	(1.656.182)	(1.656.182)
Final net book value	<u>106.037.411</u>	<u>168.435.467</u>	<u>52.151.725</u>	<u>10.674.981</u>	<u>337.299.584</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

7. TANGIBLE ASSETS (CONTINUED)

The gross book value of the fully depreciated assets, still used, is lei 374.092.873 (31 December 2023: lei 384.773.206). As at 30 September 2024 no advances granted for the procurement of tangible assets are registered.

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

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

The company does not depreciate the tangible assets approved for discarding and does not own pledged non-current assets.

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

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

Leases according to IFRS16

Cost on 1 January 2024	32.903.879
Accumulated depreciation	(18.403.176)
Net book value	<u>14.500.703</u>
Inflow	9.160.500
Outflow	(1.535.971)
Depreciation	(1.678.147)
Final net book value on 30 September 2024	<u>20.447.085</u>

Detailed information on IFRS 16 as at 30 September 2024:

	30 September 2024	Of which related to the class of low value assets- Forestry conventions
Right of use assets	40.528.408	16.683.915
Right of use assets accumulated depreciation	20.081.323	6.369.939
Interest expense on lease liability	606.353	337.250
Lease liability	21.546.548	11.210.773
Of which:		
Short term	3.931.288	1.307.514
Long term	17.615.260	9.903.259

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

7. TANGIBLE ASSETS (CONTINUED)

	<u>Leases according to IFRS16</u>
Cost on 1 January 2023	31.618.029
Accumulated depreciation	(14.683.216)
Net book value	<u>16.934.813</u>
Inflow	1.799.914
Outflow	(514.064)
Depreciation	(3.719.960)
Final net book value on 31 December 2023	<u>14.500.703</u>

Detailed information on IFRS 16 as at 31 December 2023:

	31 December 2023	Of which related to the class of low value assets-Forestry conventions
Value as use (DU)	32.903.879	16.299.859
Depreciation related to DU	18.403.176	5.352.675
DU interest	705.207	459.195
Debt regarding DU	15.542.002	11.766.703
From which:		
Short term	3.333.037	1.255.584
Long term	12.208.965	10.511.119

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

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

8. SERVICE CONCESSION AGREEMENT

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

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

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

8. SERVICE CONCESSION AGREEMENT (CONTINUED)

The main terms of the Concession Agreement are the following:

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

The Concession Agreement does not include an automatic renewal clause.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

9. INTANGIBLE ASSETS

	Assets related to the ACS	Information programmes	Intangible assets under construction	Total
On 30 September 2023 (unaudited)				
Cost on 1 January 2023	9.609.650.958	81.484.939	535.996.238	10.227.132.135
Accumulated depreciation	(5.171.936.850)	(61.750.119)	-	(5.233.686.969)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.474.391.371)	-	-	(1.474.391.371)
Concession Agreement receivable depreciation	<u>399.666.414</u>	-	-	<u>399.666.414</u>
Final Net book value	3.362.989.151	19.734.820	526.853.461	3.909.577.432
Inflow	-	3.681.731	66.490.683	70.172.414
Reclassifications	(462.550)	473.348	-	10.798
Transfers	301.432.795	336.549	(301.769.344)	-
Outflow	-	-	-	-
Depreciation	(370.185.490)	(5.401.479)	-	(375.586.969)
Concession agreement receivables	(61.808.297)	-	-	(61.808.297)
Concession Agreement receivable depreciation	<u>85.494.431</u>	-	-	<u>85.494.431</u>
Final net book value	3.317.460.040	18.824.969	291.574.800	3.627.859.809
Cost	9.910.621.203	85.976.567	300.717.577	10.297.315.347
Accumulated depreciation	(5.542.122.339)	(67.151.598)	-	(5.609.273.937)
Adjustment for impairment	-	-	(9.142.777)	(9.142.777)
Concession agreement receivables	(1.536.199.669)	-	-	(1.536.199.669)
Concession Agreement receivable depreciation	<u>485.160.845</u>	-	-	<u>485.160.845</u>
Net book value	3.317.460.040	18.824.969	291.574.800	3.627.859.809
On 31 December 2023				
Initial net book value	3.317.460.040	18.824.969	291.574.800	3.627.859.809
Inflow	-	6.431.449	127.675.700	134.107.149
Reclassifications	-	-	-	-
Transfers	54.842.258	25.361	(54.867.619)	-
Outflow	-	-	-	-
Depreciation	(127.501.622)	(1.955.644)	-	(129.457.266)
Concession Agreement receivables	(18.968.368)	-	-	(18.968.368)
Concession Agreement receivable depreciation	<u>29.722.019</u>	-	-	<u>29.722.019</u>
Final net book value	3.255.554.327	23.326.135	364.382.881	3.643.263.343
Cost	9.965.463.461	87.773.099	373.525.658	10.426.762.218
Accumulated depreciation	(5.669.623.961)	(64.446.964)	-	(5.734.070.925)
Adjustment for impairment	-	-	(9.142.777)	(9.142.777)
Concession agreement receivables	(1.555.168.037)	-	-	(1.555.168.037)
Concession Agreement receivable depreciation	<u>514.882.864</u>	-	-	<u>514.882.864</u>
Final net book value	3.255.554.327	23.326.135	364.382.881	3.643.263.343
On 30 September 2024 (unaudited)				
Initial net book value	3.255.554.327	23.326.135	364.382.881	3.643.263.343
Inflow	-	25.218.319	1.303.465.030	1.328.683.349
Reclassifications	3.483.866	-	-	3.483.866
Transfers	28.804.344	1.611.683	(30.416.027)	-
Outflow	-	-	-	-
Depreciation	(382.054.783)	(7.652.021)	-	(389.706.804)
Concession Agreement receivables	(1.791.432)	-	-	(1.791.432)
Concession Agreement receivable depreciation	<u>90.088.700</u>	-	-	<u>90.088.700</u>
Final net book value	2.994.085.022	42.504.116	1.637.431.884	4.674.021.022
Cost	9.997.751.671	114.603.101	1.646.574.661	11.758.929.433
Accumulated depreciation	(6.051.678.744)	(72.098.985)	-	(6.123.777.729)
Adjustments for impairment	-	-	(9.142.777)	(9.142.777)
Concession Agreement receivables	(1.556.959.469)	-	-	(1.556.959.469)
Concession Agreement receivable depreciation	<u>604.971.564</u>	-	-	<u>604.971.564</u>
Final Net book value	2.994.085.022	42.504.116	1.637.431.884	4.674.021.022

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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9. INTANGIBLE ASSETS (CONTINUED)

The minimum NTS gas quantity required to ensure the pressures and flow rates for the end consumers under the contractual conditions (NTS pipeline stock) is recognized in the value of the right to use, as an intangible asset. At 30 September 2024 the line pack quantity is 855.436 MWh and has a value of 66.318.122 lei, of which the NTS pipeline stock is 693.293 MWh and has a value of 55.713.584 lei. On 31 December 2023 the linepack is of 809.539 MWh and amounts to lei 72.687.849, of which NTS pipeline stock is of 693.282 MWh and amounts lei 55.712.232.

As at 30 September 2024, the company capitalized interest expense amounting to lei 14.818.079 lei (in 2023 it capitalized interest expenses amounting to 4.273.861), for NTS assets.

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

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

As at 30 September 2024, the Company capitalized additional costs for the procurement of natural gas, incurred between 1 January 2024 – 30 September 2024 amounting to 25.218.319 lei (10.113.181 lei on 31 December 2023), in order to cover its own technological consumption compared to the costs included in the regulated tariffs, in accordance with the provisions of the Order of the Ministry of Finance no. 5378/12 December 2023 and the Order of the President of ANRE no.128 /12 October 2022.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

10. FINANCIAL ASSETS

Financial assets consist of unlisted stakes in the following companies:

<u>Company</u>	<u>Activity</u>	Percentage	Percentage	30 September	31 December
		owned	owned	2024 (audited)	2023
		2024	2023		
Resial SA	Production	68,16	68,16	18.116.501	18.116.501
	Gas production	17,47	17,47	6.461.736	6.461.736
Mebis SA	distribution and supply				
Eurotransgaz	Gas transmission	100	100	177.619.145	177.619.145
Transport România	Transmission by	100	-	25.000	-
Hidrogen S.R.L.	pipeline				
Minus adjustments for impairment of investments in: Resial SA, Mebis SA				(24.578.237)	(24.578.237)
				<u>177.644.145</u>	<u>177.619.145</u>

Shares in Resial SA

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

Shares in Mebis SA

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

Participation in the Limited liability company Eurotransgaz Ltd.

By EGMS Resolution 10/12.12.2017 the establishment of the company EUROTRANSGAZ Ltd. on the territory of the Republic of Moldova was approved for the successful participation in the privatization of the State Enterprise Vestmoldtransgaz. In 2018, Transgaz participated in the increase of Eurotransgaz's share capital to ensure the financial sources necessary for the procurement of the State Enterprise Vestmoldtransgaz.

In 2018 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of 9.735.000 euro for the operation and ensuring the financial sources necessary for the procurement of the State Enterprise Vestmoldtransgaz.

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

10. FINANCIAL ASSETS (CONTINUED)

In 2019 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of 31.467.089 euro and 83.471.503 Moldavian lei for the operation and ensuring the financial sources necessary for the performance of the investment program of the State Enterprise Vestmoldtransgaz.

In 2020 Transgaz participated in the increase of the share capital of EUROTRANSGAZ by the amount of EUR 14.236.983 in order to operate and to ensure the financial sources necessary to carry out the investment program of the State Enterprise Vestmoldtransgaz.

In 2021 Transgaz participated in the increase in the share capital of EUROTRANSGAZ with the amount of EUR 2.503.871 in order to operate and to ensure the financial sources necessary to carry out the investment program of the State Enterprise Vestmoldtransgaz.

In 2022 Transgaz participated in the share capital increase of EUROTRANSGAZ with the amount of EUR 649,460 in order to operate and secure the financial sources necessary to carry out the investment programme of the State Enterprise Vestmoldtransgaz.

By the BoA Resolution 39/2021 Transgaz approved the decrease of Eurotransgaz share capital in the amount of LEI 66.117.064 (EUR 13,15 million), registered in March 2022.

By the BoA Resolution 19/2022 Transgaz approved the decrease of Eurotransgaz share capital in the amount of MDL 172.024.718 (equivalent to Euro 8.5 million).

By BA Resolution no. 38/2022 Transgaz approved the reduction of Eurotransgaz share capital by MDL 44.652.300 (equivalent to EUR 2.310.000). The amount was received in August 2023.

The equity securities held at Eurotransgaz S.R.L represent a capital investment recognized according to IFRS 9, at the date of the transaction being measured at its fair value at the date of the transaction, and assessed, after the initial recognition, at the cost.

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

Shareholding in TRANSPORT ROMÂNIA HIDROGEN S.R.L

By EGMS resolution no. 5 of 05 June 2024 the establishment of a limited liability company with the activity of hydrogen transport, with sole shareholder SNTGN Transgaz SA, was approved.

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

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

11. INVENTORIES

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Gas inventories	307.625.106	307.310.908
Gas for technological consumption	133.137.658	180.679.213
Spare parts and materials	165.156.762	139.759.510
Materials in custody at third parties	1.914.056	466.345
Adjustments for write-down of inventories	<u>(56.351.315)</u>	<u>(51.135.358)</u>
	<u>551.482.267</u>	<u>577.080.618</u>

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

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

Movements in the adjustments account are analysed below:

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Adjustment on 1 January	51.135.358	42.635.646
(Revenue)/expense with adjustment for write-down of inventories (Note 23)	<u>5.215.957</u>	<u>8.499.712</u>
Adjustment at the end of the period	<u>56.351.315</u>	<u>51.135.358</u>

In 2024 adjustments for write-down of inventories were established according to Note 3.10. Since 2022 the company has recorded a provision for the negative difference between the quantities of natural gas invoiced as initial imbalance and the final monthly imbalances, which will be requested to ANRE for recovery through the neutrality tariff

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>30 September 2024</u> (unaudited)	<u>31 December 2023</u>
Trade receivables	831.738.430	952.484.611
Advance payments to suppliers for goods and services	1.255.337	75.783
Loan to Resial SA (Note 27)	1.770.346	1.770.346
Receivable related to the unamortized regulated value at the end of the concession agreement	2.562.754.700	2.423.669.228
Non-refundable loans as subsidies	3.127.035	14.140.364
State budget receivables	106.392.232	73.690.795
Receivables from various debtors	72.777.556	56.349.031
Other non-current receivables (guarantees)	49.816.254	46.315.542
Other receivables	19.256.294	3.853.274
Adjustment of impairment of trade receivables	(664.855.642)	(657.959.020)
Adjustment of impairment of other receivables	<u>(92.028.089)</u>	<u>(89.875.671)</u>
	<u>2.892.004.453</u>	<u>2.824.514.283</u>
Financial assets/ Loans and receivables (Note 4)	<u>2.795.091.728</u>	<u>2.741.685.641</u>

The company challenged administratively the tax decision on additional tax payment obligations in the amount of lei 25.409.833 issued in 2016 by ANAF consisting of revenue tax, VAT, penalties and late payments, and set up an adjustment. The company paid the amounts mentioned in the tax decision in order to be able to carry out the activities in the directions set by the management and to facilitate the financing of future projects.

In 2020, the Company administratively challenged the tax decision regarding additional fiscal payment obligations amounting to lei 7.642.671 issued by ANAF in 2020 consisting of income tax and VAT and constituted an adjustment. In 2022 the amount of the tax decision was reduced to 7.023.213 lei and the amount of the adjustment was also reduced by the Company.

In July 2022 the Company paid the amount of 29.277.726 lei, to which it was bound by Arbitral Award no. 39/06.06.2022, rendered by the Arbitral Tribunal in case no. 107/2018, following the conclusion of the arbitration proceedings concerning the non-fulfilment of obligations under the supply contract for "Software Licences for Additional I/Os/Bandwidth Upgrade for SCADA System", a contract concluded by Transgaz with the Association consisting of RMG REGEL UND MESSTECHNIK GmbH Germany, IDS GmbH Germany and General Fluid S.A. Bucharest. The company has appealed the arbitral tribunal's decision in court and has recorded an impairment allowance of 29.277.726 lei as at 31 December 2022.

The advance payments granted to the company in the context of the contractual relationships are guaranteed by the suppliers by letters of bank guarantee.

At 30 September 2024, the amount of 160.413.912 lei (31 December 2023: 152.476.340 lei) of trade and other receivables net is denominated in foreign currency of which 4% in USD (31 December 2023: 4%) and 96% in EUR (31 December 2023: 96%).

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The Company recalculated the amount of the receivable related to the Concession Agreement and recognized a gain amounting to 93.633.374 lei in accordance with IFRS 9 (31 December 2023: 147.131.305 lei).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

12. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Initial balance	2.423.669.228	2.141.205.427
Inflow	8.271.748	80.776.665
Interest	44.347.080	54.622.298
Inflation update	93.633.374	147.131.305
Outflow	<u>(7.166.730)</u>	<u>(66.467)</u>
	<u>2.562.754.700</u>	<u>2.423.669.228</u>

Trade receivables analysis according to IFRS9 is as follows:

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Current and unamortized		
Transit receivables	151.964.818	144.214.000
Doubtful or insolvency receivables	161.166.845	166.447.834
Affiliated party receivables	190.978.278	269.076.418
Other trade receivables	327.628.489	372.746.359
Receivables from various debtors	<u>72.777.556</u>	<u>56.349.031</u>
	904.515.986	1.008.833.642
Amortization		
Transit receivables	151.964.818	144.214.000
Doubtful or insolvency receivables	161.166.845	166.447.834
Affiliated party receivables	141.051.938	142.240.990
Other trade receivables	210.672.041	205.056.196
Receivables from various debtors	<u>52.605.775</u>	<u>50.453.357</u>
Total impairment	717.461.417	708.412.377
Total trade receivables net of provision	187.054.569	300.421.265

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

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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12. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

Category	10%	20%	30%	35%	60%	100% peste 181 și incerti	IFRS 9	TOTAL
	31-60	61-90	91-120	121-150	151-180			
Transit receivables	89.961	354.040	-	304.708	539.766	146.625.199	4.051.145	151.964.819
Doubtful and insolvent receivables	-	-	-	-	-	161.166.845	-	161.166.845
Affiliated parties' receivables	41.580	95.559	144.291	151.458	310.529	138.708.513	1.600.008	141.051.938
Various receivables	70.731	135.221	233.429	174.696	353.034	207.177.862	2.527.068	210.672.041
Receivables from various debtors	468.937	-	-	244.003	-	51.892.834	-	52.605.774
Total impairment	671.209	584.820	377.720	874.865	1.203.329	705.571.253	8.178.221	717.461.417

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

The payment of the equivalent value of the invoices for the natural gas transmission services, issued according to the provisions of the Network Code, is made within 15 calendar days from the date of issuing the invoice. If the due date is a non-working day, the deadline is considered fulfilled on the next working day.

Movements in the provision account are analysed below:

	<u>30 September 2024</u> (unaudited)	<u>31 December 2023</u>
Adjustment on 1 January	747.834.691	639.659.487
Expense with the adjustment for doubtful clients (Note 23)	28.544.429	175.061.631
(Revenue with the adjustment for doubtful clients (Note 23))	<u>19.495.389</u>	<u>66.886.427</u>
Adjustment at the end of the period	<u>756.883.731</u>	<u>747.834.691</u>

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

As at 30 September 2024, the company recorded adjusting expenses for the clients recording an increased non-collection risk, mainly for the receivables of Gazprom Export LLC (lei 7.750.818) and North Chemical Complex SRL (lei 2.840.205).

In July 2022 the Company paid the amount of 29.277.726 lei, to which it was bound by Arbitral Award no. 39/06.06.2022, rendered by the Arbitral Tribunal in case no. 107/2018, following the conclusion of the arbitration proceedings concerning the non-fulfilment of obligations under the supply contract for "Software Licences for Additional I/Os/Bandwidth Upgrade for SCADA System", a contract concluded by Transgaz with the Association consisting of RMG REGEL UND MESSTECHNIK GmbH Germany, IDS GmbH Germany and General Fluid S.A. Bucharest. The company has appealed the arbitral tribunal's decision in court and has recorded an impairment allowance of 29.277.726 lei as at 31 December 2022, adjustment maintained as at 30 September 2024 as well.

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

13. CASH AND CASH EQUIVALENT

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

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Cash at bank in lei	516.394.147	351.170.368
Cash at bank in foreign currency	133.547.721	326.274.497
Other cash equivalents	<u>147.890</u>	<u>111.786</u>
	<u>650.089.758</u>	<u>677.556.651</u>

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Restricted cash (employees guarantee)	2.140.000	1.956.015

The weighted average of the effective interest related to short-term bank deposits was of 3,18% on 30 September 2024 (3,32% on 31 December 2023) and these deposits have a maximum maturity of 30 days.

	Long-term loans	Working capital	Leasing debt	Total
Balance on 01.01.2023	1.445.563.293	573.095.050	17.929.828	2.036.588.171
Net cash flows	114.511.226	175.431.456	(5.601.390)	284.341.292
Foreign currency translation reserve	4.284.807	-	-	4.284.807
New leasing contracts	-	-	2.496.437	2.496.437
Leasing adjustments	-	-	-	-
Interest expense	84.465.633	6.236.151	717.128	91.418.912
Capitalised interest	4.273.861	25.232.795	-	29.506.656
Paid interest	(88.882.544)	(30.937.649)	-	(119.820.193)
Balance on 31 December 2023	<u>1.564.216.276</u>	<u>749.057.803</u>	<u>15.542.003</u>	<u>2.328.816.082</u>
Balance on 01.01.2024	<u>1.564.216.276</u>	<u>749.057.803</u>	<u>15.542.003</u>	<u>2.328.816.082</u>
Net cash flows	338.970.588	(18.571.810)	(4.716.780)	315.681.998
Foreign currency translation reserve	(7.131)	-	-	(7.131)
New leasing contracts	-	-	9.160.500	9.160.500
Leasing adjustments	-	-	-	-
Interest expense	55.721.014	564.717	601.826	56.887.557
Capitalised interest	14.818.079	22.505.393	4.527	37.327.999
Other	-	-	954.472	954.472
Balance on 30 September 2024	<u>1.973.718.826</u>	<u>753.556.103</u>	<u>21.546.548</u>	<u>2.748.821.477</u>

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

14. SHARE CAPITAL AND SHARE PREMIUM

IFRS	Number of ordinary shares	Share capital	Share premium	Total
On 31 December 2023	188.381.504	1.883.815.040	247.478.865	2.131.293.905
On 30 September 2024 2023	188.381.504	1.883.815.040	247.478.865	2.131.293.905
Capital adjustment to the hyperinflation accumulated on 30 September 2024	-	<u>441.418.396</u>	-	<u>441.418.396</u>
On 31 December 2023				
On 30 September 2024	<u>188.381.504</u>	<u>2.325.233.436</u>	<u>247.478.865</u>	<u>2.572.712.301</u>

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

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

	Number of ordinary shares	Statutory value (lei)	Percentage (%)
The Romanian state, represented by the General Secretariat of the Government	110.221.440	1.102.214.400	58,5097
Other shareholders	<u>78.160.064</u>	<u>781.600.640</u>	<u>41,4903</u>
	<u>188.381.504</u>	<u>1.883.815.040</u>	<u>100,0000</u>

The ownership structure registered with Depozitarul Central on 31 December 2023 is the following:

	Number of ordinary shares	Statutory value (lei)	Percentage (%)
The Romanian state, represented by the General Secretariat of the Government	110.221.440	1.102.214.400	58,5097
Other shareholders	<u>78.160.064</u>	<u>781.600.640</u>	<u>41,4903</u>
	<u>188.381.504</u>	<u>1.883.815.040</u>	<u>100,0000</u>

In the statutory accounting, before 1 January 2012, the company included in the share capital certain reserves from revaluation for revaluations made before 31 December 2001. In order to prepare these financial statements according to EU IFRS, such increases were not recognized, because adjustments to hyperinflation for non-current assets were annually recognized in the statement of comprehensive income by 31 December 2003. Therefore, in 2022, the company recorded only the share capital from cash or in-kind contribution, adjusted to inflation from the date of the initial contribution on 31 December 2003 and the increase in the share capital that took place after 1 January 2004 was recognized in nominal terms.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

15. OTHER RESERVES, LEGAL RESERVE AND RETAINED EARNINGS

Other reserves

Before IFRIC 12, a proper reserve related to assets belonging to the public domain (Notes 3.8 and 5.2) was included in equity as `Reserve of the public domain` at the value of the respective assets restated depending on inflation until 1 January 2004. It was renamed `Other reserves` at the adoption of IFRIC 12 (Note 3.5), to reflect the change in the statute of the related assets. The Company does not intend to change the allocation of deferred income arising from the first-time adoption of IAS 29.

Legal reserve

In accordance with the Romanian law and the company's Articles of Incorporation, the Transgaz must transfer five percent of the profit from the statutory financial statements in a statutory reserve of up to 20% of the statutory share capital. The balance of the statutory reserve, which is not available for allocation on 30 September 2024, amounts to lei 55.765.430 (31 December 2023: 55.765.430 lei).

The legal reserve is included in the `Retained earnings` in these financial statements. The company does not intend to change the allocation of the legal reserve.

Reserve relating to reinvested profit

The balance of the invested profit reserve as at 30 September 2024 is lei 58.121.457 (31 December 2023: lei 17.275.596).

The Ordinary General Meeting of Shareholders approved the constitution from the 2023 profit a reserve in the amount of 40.845.861 lei representing tax incentives provided for by Law 227/2015 on the Tax Code on the profit invested in technological equipment-machinery, machinery and work installations, electronic computers and peripheral equipment, cash register, control and invoicing machines and appliances, as well as in software, produced and/or purchased and put into operation, used for the purpose of carrying out the economic activity, amended in 2023 by GO 16/2022 which extended the exemption from payment of reinvested profits also for some categories of assets related to the refurbishment. The reserve for reinvested profits was carried out after the approval of the profit distribution by the general meeting of shareholders, in accordance with the law.

Dividend allocation

In 2024, the company declared a dividend of lei 0,35 /share, related to the profit of the previous year (2023: lei 0,7 /share). The total dividends declared from the profit of 2022 are lei 65.933.526 (dividends declared from the profit of 2021: lei 131.867.053).

16. LONG-TERM BORROWINGS

The value of the long-term loans recorded by the company on 30 September 2024:

	<u>30 September 2024</u>	<u>31 December 2023</u>
	(unaudited)	
BEI 83644RO	173.150.880	186.050.040
BEI 88825RO	194.220.242	209.058.151
BEI 89417RO	248.780.000	124.365.000
BEI 90512RO	497.560.000	124.365.000
BCR 20190409029	126.480.000	141.360.000
BCR 20201028056	273.600.000	288.000.000
BCR 20210817030	74.999.998	83.333.332
BCR 20211124044	174.166.666	183.333.333
BERD	188.997.840	211.232.880
BT	252.583.384	247.806.630
Raiffeisen Bank	300.000.000	300.000.000
BRD GSG	<u>200.000.000</u>	<u>198.800.000</u>
	<u>2.704.539.010</u>	<u>2.297.704.366</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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16. LONG-TERM BORROWINGS (CONTINUED)

Loans breakdown by maturity range:

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Within 1 year	332.324.019	432.316.032
Over 1 year	<u>2.372.214.991</u>	<u>1.865.388.334</u>
	<u>2.704.539.010</u>	<u>2.297.704.366</u>

The European Investment Bank (EIB)

The company signed with the European Investment Bank the following loans for the financing of the project `Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

- Loan Agreement no. 83644RO concluded on 27.10.2017 for the amount of EUR 50 million, fixed interest rate, maturity of 15 years, grace period of 3 years at principal repayment.
- Loan Agreement no.88825RO concluded on 14.12.2017 for the amount of EUR 50 million, with disbursements in lei or EUR (at the choice of the company), with fixed or variable interest (at the choice of the company), maturity of 15 years, the grace period of 3 years of repayment of the principal.

The company signed with the EIB the following loans for the financing of the project `Development on the Romanian territory of the Southern Transmission Corridor for taking over Black Sea gas` (Black Sea - Podișor):

- the Loan Agreement no.89417RO dated 17.12.2018 for the amount of EUR 50 million, maturity of 15 years, grace period of 3 years at principal repayment.
- the Loan Agreement no. 90512RO dated 24 January 2019 for the amount of EUR 100 million, maturity of 15 years, grace period of 3 years at principal repayment.

The financial commitments undertaken by the loan agreements requires the company to comply with the negotiated limits of the following financial indicators: the ratio of the total net debts to the Borrower's RAB, the net leverage ratio and the Interest coverage rate.

In 2017 the company received the first tranche of Loan Agreement number 83644RO of EUR 15 million issued by EIB on 30 November 2017, in 28 February 2018 the second tranche of the loan amounting to EUR 15 million and on 30 April 2018, the third tranche of the loan amounting to EUR 20 million was received.

The maturity of the loan 83644RO from the EIB is presented below:

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Within 1 year	19.902.400	19.898.400
Between 1 and 5 years	79.609.600	79.593.600
Over 5 years	<u>73.638.880</u>	<u>86.558.040</u>
	<u>173.150.880</u>	<u>186.050.040</u>

In 2019 the company received under Loan Agreement no. 88825RO two tranches totalling EUR 50 million.

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

16. LONG-TERM BORROWINGS (CONTINUED)

The maturity of the loan 88825RO from the EIB is presented below:

	<u>30 September 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	19.839.912	19.835.925
Between 1 and 5 years	79.359.648	79.343.698
Over 5 years	<u>95.020.682</u>	<u>109.878.528</u>
	<u>194.220.242</u>	<u>209.058.151</u>

In July 2023 the company received under Loan Agreement no. 89417RO the first tranche of EUR 25 million and in June 2024 the final tranche of EUR 25 million.

The maturity of the loan 89417RO from the EIB is presented below:

	<u>30 September 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	-	-
Between 1 and 5 years	58.387.143	25.380.612
Over 5 years	<u>190.392.857</u>	<u>98.984.388</u>
	<u>248.780.000</u>	<u>124.365.000</u>

In July 2023 the company received under Loan Agreement no. 90512 RO the first tranche of EUR 25 million and in June 2024 the final tranche of EUR 75 million.

The maturity of the loan 90512 RO from the EIB is presented below:

	<u>30 September 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	-	-
Between 1 and 5 years	109.158.571	25.380.612
Over 5 years	<u>388.401.429</u>	<u>98.984.388</u>
	<u>497.560.000</u>	<u>124.365.000</u>

The book value of the loans approximates their fair values since it bears the variable interest rate.

The European Bank for Reconstruction and Development (EBRD)

On 23 February 2018 Transgaz signed with EBRD a contract amounting to lei 278 million, the equivalent of EUR 60 million, for the financing of the BRUA Project. The loan was fully disbursed by two equal disbursements: on 29 April 2020 and on 29 May 2020.

The EBRD loan maturity is presented below:

	<u>30 September 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	22.235.040	22.235.040
Between 1 and 5 years	88.940.160	88.940.160
Over 5 years	<u>77.822.640</u>	<u>100.057.680</u>
	<u>188.997.840</u>	<u>211.232.880</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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16. LONG-TERM BORROWINGS (CONTINUED)

The Romanian Commercial Bank (BCR)

The company signed on 24.04.2019 the contract no. 20190409029 with the Romanian Commercial Bank for committing the financing in the amount of 186 million lei, the equivalent of 40 million EUR, with drawing and repayment in lei, maturity 15 years, grace period for principal repayment of 3 years, variable interest for the financing of the project Development on the Romanian territory of the National Gas Transmission System on the Bulgaria – Romania – Hungary – Austria corridor` (BRUA Phase 1).

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

	<u>30 September 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	14.880.000	14.880.000
Between 1 and 5 years	59.520.000	59.520.000
Over 5 years	<u>52.080.000</u>	<u>66.960.000</u>
	<u>126.480.000</u>	<u>141.360.000</u>

On 29.10.2020, the Company signed contract no.20201028056 with Banca Comercială Română contemplating the Company's benefiting from a lei 360 million loan for a period of 13 years, destined to refinance two major projects carried out by Transgaz: "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)"and "The interconnection of the National Transmission System with the international gas transmission pipeline T1 and reverse flow at Isaccea Phase II (Onești - Siliștea)".

BCR loan no. 20201028056 is fully collected and its maturity is presented below:

	<u>30 September 2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	28.800.000	28.800.000
Between 1 and 5 years	115.200.000	115.200.000
Over 5 years	<u>129.600.000</u>	<u>144.000.000</u>
	<u>273.600.000</u>	<u>288.000.000</u>

On 17.08.2021, the Company signed contract no. 20210817030 with Banca Comercială Română contemplating the Company's benefiting from a lei 100 million loan for a period of 12 years, destined to refinance the project "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)".

BCR loan no. 20210817030 is fully collected and its maturity is presented below:

	<u>30 September</u> <u>2024</u> (unaudited)	<u>31 December 2023</u>
Within 1 year	8.333.334	8.333.334
Between 1 and 5 years	33.333.336	33.333.336
Over 5 years	<u>33.333.328</u>	<u>41.666.662</u>
	<u>74.999.998</u>	<u>83.333.332</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

16. LONG-TERM BORROWINGS (CONTINUED)

On 24.11.2021, the Company signed contract no. 20211124044 with Banca Comercială Română contemplating the Company's benefiting from a lei 220 million loan for a period of 12 years, destined to refinance the project: "National Transmission System Developments in the North Eastern part of Romania (Onești - Gherăești - Lețcani)".

BCR loan no. 20211124044 is fully collected and its maturity is presented below:

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Within 1 year	18.333.333	18.333.333
Between 1 and 5 years	73.333.333	73.333.333
Over 5 years	<u>82.500.000</u>	<u>91.666.667</u>
	<u>174.166.666</u>	<u>183.333.333</u>

Transilvania Bank (BT)

On 15 July 2020, as a result of a competitive negotiation procedure, the company signed a contract with Transilvania Bank allowing the company to benefit from a credit facility amounting to lei 300 million, for 2 years, to cover the necessary working capital and partly to issuing letters of guarantee. By Addendum No. 1/20.12.2021, Addendum No. 4/22.03.2023 and Addendum No. 5/14.06.2024 the parties agreed successive extensions of the final maturity date of the loan agreement until 13.06.2026.

On 15.07.2022, the Addendum No.2 to the contract for the credit facilities and the issuance of letters of guarantee was signed with Banca Transilvania, which increased the initial amount of the facility (300 million lei) by a maximum of 153.000.000 lei, in order to issue a letter of guarantee in favour of ANAF to guarantee the payment obligation imposed by the mandatory order no. 6006/250938/IEF/14.04.2022 issued by the Ministry of Finance, during the period of the procedures for challenging the administrative act.

As at 30 September 2024, the amount of 199.381.510 lei from the threshold for the issuing of letters of guarantee was used to cover four bank letters of guarantee issued in favour of third parties, the amount of 252.583.384 lei is used for the financing of the current activity. The Company believes that the conditions for presenting the credit line under the long-term loan category are met.

RAIFFEISEN BANK

The company signed on 14 July 2022, following a competitive negotiation procedure, an agreement with Raiffeisen Bank under which it benefits from a credit facility of 300 million lei for a period of 2 years, intended to finance working capital for the commercial balancing activity. By Addendum No. 1/11.07.2024, the loan term was extended by 24 months as of the execution date.

As at 30 September 2024 the credit facility is drawn down to the maximum level of 300.000.000 lei. The obligation is presented under long-term loans.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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16. LONG-TERM BORROWINGS (CONTINUED)

BRD GROUPE SOCIETE GENERALE

The company signed on 2 August 2023, following a competitive negotiation procedure, an agreement with BRD Groupe Societe Generale, whereby it benefits from a credit facility of 200 million lei for a period of 2 years, intended to finance working capital for the commercial balancing activity.

As at 30 September 2024 the credit facility is drawn down to the maximum level of 200.000.00 lei. The obligation is presented under short-term loans.

On 31.07.2024, the company signed a syndicated loan agreement for a total amount of lei 1.928.850.000 to ensure the financing of investment projects included in the National Natural Gas Transmission System Development Plan. The banks participating in the transaction are Banca Transilvania, Banca Comercială Română, Raiffeisen Bank, UniCredit Bank and CEC Bank.

As of 30.09.2024, no amount was drawn on this loan.

As at 30 September 2024, the balance of interest due for the loans of the company is 21.763.200 lei broken down by loans as follows:

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
BEI 83644RO	685.747	484.596
BEI 88825RO	1.752.790	1.985.777
BEI 89417RO	1.536.459	1.141.311
BEI 90512RO	2.457.815	1.141.311
BCR 20190409029	2.835.504	854.326
BCR 20201028056	7.273.457	3.217.394
BCR 20210817030	329.096	1.826.050
BCR 20211124044	3.571.657	886.932
BERD	<u>1.320.675</u>	<u>1.580.843</u>
	<u>21.763.200</u>	<u>13.118.540</u>

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

	<u>30 September</u> <u>2024 (unaudited)</u>	<u>31 December 2023</u>
Variable interest rate loans	2.531.388.130	2.111.654.326
Fixed interest rate loans	<u>173.150.880</u>	<u>186.050.040</u>
	<u>2.704.539.010</u>	<u>2.297.704.366</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

17. DEFERRED REVENUE

Based on the connection contracts, the necessary infrastructure is built to ensure the estimated transmission capacity to be used over the duration of the concession agreement.

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Initial balance	963.899.344	1.076.589.204
Increases	247.638.666	425.575
Revenue from connection fees (Note 22)	(10.694.222)	(13.926.724)
Income from non-reimbursable funds and goods taken over free of charge (Note 22)	<u>(68.285.039)</u>	<u>(99.188.711)</u>
Final balance	<u>1.132.558.749</u>	<u>963.899.344</u>

The balance of the deferred revenue consists of:

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
Connections and assets received free of charge	223.137.760	222.516.712
Grants	<u>909.420.989</u>	<u>741.382.632</u>
	<u>1.132.558.749</u>	<u>963.899.344</u>

For the BRUA project the company obtained from the European Union through the National Agency for Innovation and Networks (INEA) a grant of 1.519.342 Euros, representing 50% of the estimated eligible costs for financing the FEED for the three compressor stations (Podișor, Bibești and Jupa) and a grant of 159.449.379 Euro, representing 40% of the estimated eligible costs, for financing the BRUA Phase I project implementation.

The following amounts were received as pre-financing to finance the implementation of the BRUA Phase I project: EUR 25.834.489,60 (in 2016) and EUR 13.839.087,37 (in 2018) and EUR 29.192.463,92 (in 2019), EUR 37.740.347 (in 2020) and EUR 20.953.114,91 in 2021. On 19 July 2022 the amount of EUR 21.129.634,05 was received from INEA.

On 22.11.2018 the company signed with the Ministry of European Funds AM POIM Financing Contract 226 for non-reimbursable financing for the implementation of the draft project code MYSMIS 2014-122972 NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova within the Specific objective 8.2 – Increasing the interconnectivity of the National Transmission System with neighbouring states. The amount of the grant is lei 214.496.026,71, namely 32,53% of the value of the eligible expenses.

For the financing of the works for the implementation of the project NTS developments in North-East Romania for enhancing gas supply to the area and for ensuring transmission capacities to the Republic of Moldova, the amount of lei 203.657.168 was collected as eligible expenses grant funding.

On 18.06.2020 the company signed Grant Agreement no. HCOP/685/3/8/132556 on the implementation of the project „TransGasFormation” Code 132556 for the amount of LEI 701.259,60 with the Ministry of European Funds, as Management Authority for the Human Capital Operational Programme.

In 2024, the company concluded two grant agreements for the projects: Black Sea - Podișor natural gas transmission pipeline, for which it received pre-financing amounting to lei 243.216.983,06 and Ghercești-Jitaru natural gas transmission pipeline (including power supply, cathodic protection and fiber optics). The contracts were concluded based on EC Decision No C(2023) 3643 of 30.05.2023, by which the projects were allocated grants under the Modernization Fund in total amount of EUR 93.582.770:

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17. DEFERRED REVENUE (CONTINUED)

- Black Sea - Podișor natural gas transmission pipeline: EUR 85.544.422;
- Ghercești-Jitaru natural gas transmission pipeline (including power supply, cathodic protection and fiber optics): EUR 8.038.348.
- Natural gas transmission pipeline to supply the Mintia Power Plant (including other industrial and household customers): EUR 6.826.947

On 27 September 2024, the Company concluded with the Ministry of Energy the financing contract for "Increasing the transmission capacity of the NTS and the security of natural gas supply of the Ișalnița Electrocentrale branch (Dolj County) and the Turceni Electrocentrale branch (Gorj County)". The financing is provided from the Modernization Fund and amounts to approximately EUR 8,5 million.

18. INCOME TAX

Income tax

	The nine months ended 30 September 2024 (unaudited)	The nine months ended 30 September 2023 (unaudited)
Income tax - current	38.178.136	19.556.320
Deferred tax - impact of temporary differences	<u>1.823.452</u>	<u>(4.527.044)</u>
Income tax	<u>40.001.588</u>	<u>15.029.276</u>

During the nine-month periods ended on 30 September, 2024 and 30 September, 2023, the company calculated the income tax at the rate of 16% applied to the profit determined in accordance with the Romanian laws.

	The nine months ended 30 September 2024 (unaudited)	The nine months ended 30 September 2023 (unaudited)
Profit before tax	198.886.078	52.493.502
Theoretical expense with the tax the statutory rate of 16% (2022: 16%)	31.821.772	8.398.960
Non-taxable expenses, net	<u>8.179.816</u>	<u>6.630.316</u>
Income tax	<u>40.001.588</u>	<u>15.029.276</u>
Income tax liability/receivable, current	<u>(21.058.520)</u>	<u>(24.960.044)</u>

Depreciation of tangible assets hyperinflation adjustments is a deductible expense with the adoption of EU IFRS as framework of statutory reporting.



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18. INCOME TAX (CONTINUED)

Deferred tax

Deferred tax payment and recoverable tax are valued at the actual tax rate of 16% on 30 September 2024 (31 December 2023: 16%). Deferred tax payment and recoverable tax, as well as expenses with/(revenue from) deferred tax recognized in the statement of comprehensive income are attributable to the following items:

	<u>30 September</u> <u>2024</u> <u>(unaudited)</u>	<u>Movement</u>	<u>31 December</u> <u>2023</u>	<u>Movement</u>	<u>30 September</u> <u>2023</u> <u>(unaudited)</u>	<u>Movement</u>	<u>1 January</u> <u>2023</u>
Deferred tax payment							
Tangible and intangible assets	140.578.796	3.838.543	136.740.253	5.364.597	131.375.656	9.602.622	121.773.034
Recoverable deferred tax							
Provision for							
Employee benefits	(24.895.831)	(3.945.047)	(20.950.784)	(1.331.947)	(19.618.837)	(1.142.106)	(18.476.731)
Risks and charges	(10.649.893)	4.212.356	(14.862.249)	(6.035.464)	(8.826.785)	4.164.894	(12.991.679)
Receivables and other assets	<u>(104.943.859)</u>	<u>(2.282.400)</u>	<u>(102.661.459)</u>	<u>3.589.415</u>	<u>(106.250.874)</u>	<u>(17.152.454)</u>	<u>(89.098.420)</u>
	<u>89.213</u>	<u>1.823.452</u>	<u>(1.734.239)</u>	<u>1.586.601</u>	<u>(3.320.840)</u>	<u>(4.527.044)</u>	<u>1.206.204</u>

Deferred revenue tax liability related to tangible and intangible assets is determined by the fact that: a) the fiscal value of intangible assets does not include inflation update; and b) the nature of public domain property does not represent depreciable assets from a tax perspective, regardless of how they are reflected in the accounts. Temporary differences for receivables and other assets arise from impairment adjustments for bad debts.

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

18. INCOME TAX (CONTINUED)

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

	<u>30 September 2024</u> (unaudited)	<u>30 December 2023</u>
Deferred tax liabilities/receivables in more than 12 months as reported	89.213	(1.734.239)

19. TRADE PAYABLES AND OTHER PAYABLES

19.1 Short term payables

	<u>30 September 2024</u> (unaudited)	<u>31 December 2023</u>
Trade payables	288.015.049	227.003.229
Suppliers of non-current assets	347.839.207	15.796.373
Dividends payable	1.027.651	1.095.532
Debts related to royalties	39.233.358	51.383.030
Other taxes	31.912.435	28.404.156
Amounts payable to employees	19.855.364	20.828.438
VAT payable	-	21.323.976
Non-exemptible VAT	-	6.348.468
Transmission service guarantees	75.437.821	42.971.012
Transmission services advance payments	33.136.574	51.867.976
Tender guarantees	111.129.003	163.808.920
Other debts	<u>57.986.519</u>	<u>47.452.467</u>
	<u>1.005.572.981</u>	<u>678.283.577</u>
Financial debts (Note 4)	<u>881.435.251</u>	<u>501.460.571</u>

On 30 September 2024, of the total trade payables and other debts the amount of lei 69.174.946 (31 December 2023: lei 75.062.912) is expressed in foreign currency, especially in EUR.

19.2 Lease liabilities

	<u>30 September 2024</u>	<u>31 December 2023</u>
	Land and buildings	Land and buildings
Initial balance	15.542.003	17.929.828
Inflows	9.160.500	2.508.558
Interest expense	606.353	705.207
Leasing payments	<u>3.762.308</u>	<u>5.601.590</u>
Final balance, of which:	<u>21.546.548</u>	<u>15.542.003</u>
Long-term debts	17.615.260	12.208.966
Short-term debts	3.931.288	3.333.037

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

20. PROVISIONS FOR RISKS AND CHARGES

	<u>30 September 2024</u> <u>(unaudited)</u>	<u>31 December 2023</u>
<i>Current provision</i>		
Provision for litigation	53.385.488	52.908.971
Provision term contract	-	3.284.571
Provision for employee participation in profits	10.531.516	11.725.070
Provision for voluntary leaving employment	1.127.200	7.698.800
Other provision	<u>1.517.625</u>	<u>8.266.302</u>
	<u>66.561.829</u>	<u>83.883.714</u>

Employees` participation in the profit is calculated within the limit of 10% of the net profit, but not more than a monthly average salary achieved in the relevant financial year according to the provisions of GO 64/2001 and the Collective Labour Agreement.

The company was the subject of an investigation of the Competition Council regarding the way in which procedures for the awarding of the contracts for the procurement of works carried out by Transgaz in 2009 -2011, before the implementation of the private management, according to the provisions of GEO 109/2011 on corporate governance of public enterprises. In 2020, the Competition Council communicated Decision no. 43/11.08.2020 sanctioning the Company with a fine in the amount of lei 34.166.616.

Following the conclusion of the arbitration proceedings which had as dispute the restitution of the quantity of natural gas from the Transit 1 pipeline, the arbitral tribunal admitted Bulgargaz EAD's action, and a provision for litigation in the amount of Lei 1.673.984, the equivalent in Lei for legal interest and incidental expenses was established. The arbitral tribunal's decision was appealed, and the action for annulment was registered with the Bucharest Court of Appeal.

The company also made provisions for the following disputes: with Romsilva for the land non-use amounting to LEI 14.038.558, with Blue Star SRL for the MRS Timisoara I - Timisoara pipeline in the amount of Lei 2.300.000, with PF Galaction Laurentiu for the dismantling of the construction/removal of the MRS Vaslui connection pipeline in the amount of Lei 633.129, and with PF Bălășoiu Marian for claims for compensation for lack of use of land in the amount of lei 573.201.

For the strategic redefinition and efficiency of the activity, the Company drafted the Program of voluntary departures for 2023 in the amount of 7.699 thousand lei, the annual value being provided by the budget of revenues and expenses approved by the GMS.

As at 30 September 2024 the amount of the provision for voluntary departures is Lei 1.127.200 (lei 7.698.800 as at 31 December 2023).

The Company records provisions for untaken leave at the end of the financial year.

The Company has recorded provisions for untaken leave in the amount of lei 8.266.303 relating to the period ended 31 December 2023.

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

21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

The present value of the provision was determined based on the Projected Unit Credit Method. Retirement benefits received by an employee were first raised by the contributions of the employer and then every benefit was updated taking into account the rotation of employees, layoffs and the probability of survival until retirement. The number of years until retirement was calculated as the difference between retirement age and age at time of reporting. The expected average of the remaining work period was calculated based on the number of years until retirement, also taking into account the rate of layoffs, employee rotation rate and the probability of survival.

Assumptions 2023

The amount of the provision has been calculated individually for each distinct employee/beneficiary of the company using the actuarial calculation method and taking into account International Accounting Standards, in particular the IAS 19. The provision is calculated taking into account the long-term liabilities undertaken by the company under the collective labour contract. The calculation assumptions and specifications for the calculation model were established based on the company's previous experience and a set of assumptions about the company's future experience. The most important actuarial assumptions used are as follows:

- for the benefit consisting of basic salaries paid at retirement, this benefit is paid for company employees who reach retirement;
- Employee rotation considers seniority and staff rotation within the company;
- the mortality of the entity's employees is calculated according to the data provided by the National Institute of Statistics for 2019 to which a percentage of 65% was applied;
- Employee rotation is constant over time.
- the method used is the projected credit factor method;
- Retirement age at retirement considered: 63 for men and 62 for women, but the share of early retirements at certain ages was also considered;
- In 2024, there was a 5% increase in base salaries, starting on 01.04.2024. No other possible salary increases have been communicated to take effect in the second half of this year.
- Actuarial assumptions are compatible with each other if they reflect interdependencies between indicators such as inflation, interest rates, wage growth rates and discount rates.

Financial assumptions

The discount rate is the interest rate curve in lei without adjustments of variations provided by EIOPA for June 2024. For the calculation for Q2 2024, according to the National Institute of Statistics, the annual inflation rate in June 2024 compared to September 2023 was 4,94%. Given the correlation between the inflation and discount rate values, the following values for inflation were taken into account: 6% in 2024 and 4,5% in the rest.

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

21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

Movement in the provision for employee benefits:

1 January 2023	<u>115.479.575</u>
of which:	
Short-term	4.584.234
Long-term	110.895.341
Interest cost	7.229.379
Current service cost	17.488.663
Payments from provisions during the year	(4.921.167)
Actuarial gain/loss related to the period	(4.334.050)
31 December 2023	<u>130.942.400</u>
of which:	
Short-term	16.135.217
Long-term	114.807.183
Interest cost	6.919.559
Current service cost	21.591.631
Payments from provisions during the year	(1.797.846)
Actuarial gain/loss related to the period	(2.056.799)
30 June 2024	<u>155.598.945</u>
of which:	
Short-term	9.860.051
Long-term	145.738.894

22. OTHER REVENUE

	The nine months period ended <u>30 September 2024</u> (unaudited)	The nine months period ended <u>30 September 2023</u> (unaudited)
Revenue from penalties applied to clients for delay payments	17.860.073	14.468.070
Revenue from connection fees	10.694.222	10.396.483
Revenue from grants and goods taken free of charge	68.285.039	74.233.812
Revenue from grants for operating expenses	-	841.646
Revenue from the sale of residual materials	1.037.368	787.254
Revenue from leases	1.077.917	1.315.612
Revenue from recovered materials	2.235.011	3.048.827
Other revenue from operation	<u>13.713.169</u>	<u>(1.290.295)</u>
	<u>114.902.799</u>	<u>103.801.409</u>

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

23. OTHER OPERATING EXPENSES

	The nine months period ended 30 September 2024 (unaudited)	The nine months period ended 30 September 2023 (unaudited)
Loss/gain on impairment of receivables	9.049.040	71.806.839
Utilities	10.039.360	12.296.064
Insurance premium	1.312.112	1.060.235
Security and protection expenses	25.595.637	22.663.867
Maintenance expenses	45.140	-
Professional training	1.438.668	1.230.617
	2.153.489	1.925.492
Telecommunications	5.215.957	5.084.408
Loss/(gain) on impairment of inventories	8.015.961	1.789.890
Bank charges and other fees	3.665.166	2.358.353
Rents	1.434.719	86.206
Loss on amounts receivable	490.192	231.268
Marketing and protocol expenses	903.011	152.048
Penalties and fines	6.804.457	6.658.492
Gas storage capacity booking	2.672.000	2.744.377
Sponsorship costs	<u>31.889.206</u>	<u>27.660.222</u>
Other	<u>110.724.115</u>	<u>157.748.378</u>

Neutrality activity expenses

In the year 2024, expenses for the procurement of natural gas in the amount of lei 133.104.575, expenses for the booking of gas storage capacity in the amount of lei 4.716.336, net expenses for bank interest in the amount of lei 22.447.599, expenses for bank commissions in the amount of lei 4.891 were included in the calculation of the neutrality activity.

24. EMPLOYEE COSTS

	The nine months period ended 30 September 2024 (unaudited)	The nine months period ended 30 September 2023 (unaudited)
Salaries and benefits	419.387.854	384.485.670
Cost of insurance and social security	24.576.559	23.586.516
Other employee costs	<u>11.545.516</u>	<u>10.591.036</u>
	<u>455.509.929</u>	<u>418.663.222</u>

Average number of employees in financial year:

	The nine months period ended 30 September 2024 (unaudited)	The nine months period ended 30 September 2023 (unaudited)
Blue collars	2.167	2.210
White collars	<u>1.834</u>	<u>1.776</u>
	<u>4.001</u>	<u>3.986</u>

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

25. NET FINANCIAL INCOME/(LOSS)

	The nine months period ended 30 September 2024 (unaudited)	The nine months period ended 30 September 2023 (unaudited)
Foreign exchange income	3.266.896	13.316.555
Interest income	55.077.246	42.828.689
Income from the adjustment of the Concession Agreement receivable	93.633.374	126.961.297
Income from interests	-	11.396.154
Other financial income	<u>246</u>	<u>5.137</u>
	151.977.762	194.507.832
Foreign exchange expense	(3.951.067)	(15.133.311)
Interest expense related to IFRS16	(601.826)	(499.074)
Interest expense	(56.284.567)	(67.342.459)
The effects of the update of the provision for employee benefits	(6.919.559)	(9.600.773)
Expenses related to divested financial fixed assets	<u>-</u>	<u>(13.503.557)</u>
	(67.757.019)	(106.079.174)

According to ANRE Order no. 41/2019 the value of the assets recognised in the Regulated Asset Base is adjusted to the inflation. The company recalculated the value of the Concession Agreement receivables and recognized gains amounting to 93.633.374 according to IFRS 9 (31 December 2023: Lei 147.131.305).

Non-current assets recognised in the regulated asset base within a gas year are discounted by the inflation rate as of the following gas year.

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

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

26. CASH FROM OPERATION

	The nine months period ended <u>30 September 2024</u> (unaudited)	The nine months period ended <u>30 September 2023</u> (unaudited)
Profit before tax	198.886.078	52.493.502
Depreciation	349.971.147	340.664.075
Gain/(loss) on transfer of non-current assets	177.998	(139.266)
Provisions for risks and charges	(17.321.886)	(26.328.520)
Provisions for employee benefits	19.793.785	3.932.435
Adjustments for impairment of inventories	5.215.957	5.084.408
Income from connection fees, grants and goods taken free of charge	(78.979.261)	(85.471.941)
Sundry debtors and receivable loss	1.434.719	86.206
Adjustments for the receivable's impairment	9.049.040	71.806.839
Interest income	(55.077.246)	(42.828.689)
Interest expenses	93.608.038	67.342.459
Adjustment of the Receivable regarding the Concession Agreement	(93.633.374)	(126.961.297)
The effects of the update of the provision for granted employee benefits	6.919.559	9.600.773
Effect of exchange rate fluctuation on other items than from operation	(37.390)	3.904.359
Other expenses and income	(143.802)	(330.241)
Operating profit before the changes in working capital	<u>439.863.362</u>	<u>272.855.102</u>
(Increase)/decrease in trade and other receivables	(37.393.166)	129.157.160
(Increase)/decrease in inventories	21.830.105	33.133.174
Increase/(decrease) in trade payables and other debts	<u>106.674.509</u>	<u>36.214.299</u>
Cash generated from operations	<u>530.974.810</u>	<u>471.359.735</u>

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

27. TRANSACTIONS WITH RELATED PARTIES

The prices / tariffs related to the transport and balancing contracts are approved by the National Energy Regulatory Authority (ANRE), are regulated and are not established under market conditions.

Procurement is carried out in compliance with the legal regulations on public procurement.

In the periods ended 30 September 2024 and 30 September 2023 the following transactions with related parties were performed and the following balances were payable / receivable from related parties at the respective dates.

i) Benefits granted to the members of the Board of Administration and of the management

	The nine months period ended <u>30 September 2024</u> (unaudited)	The nine months period ended <u>30 September 2023</u> (unaudited)
Salary paid to the members of the Board of Administration and management	19.434.875	16.631.057
Social contribution of the company	<u>437.285</u>	<u>374.199</u>
	<u>19.872.160</u>	<u>17.005.256</u>

In the periods ended 30 September 2024 and 30 September 2023, no advance payments and loans were granted to the company's administrators and management, except for advance payments from salaries and those for business trips, and they don't owe any amount from such advance payments to the company at the end of the period .

The company has no contractual obligations related to pensions towards the current administrators and directors.

The provision for the mandate contract is presented in Note 20.

The company has no contractual obligations related to pensions towards the former administrators and directors.

ii) Loan to a related party

	<u>30 September 2024</u>	<u>31 December 2023</u>
Loan to Resial SA	1.770.346	1.770.346
Minus the adjustment for loan impairment	<u>(1.770.346)</u>	<u>(1.770.346)</u>

Dividends allocated are presented in Note 15. Royalties paid are presented in Note 3.8.

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

iii) Revenue from related parties – services supplied (VAT excluded)

		The nine months period ended <u>30 September 2024</u> (unaudited)	The nine months period ended <u>30 September 2023</u> (unaudited)
	<u>Relationship</u>		
SNGN Romgaz	Entity under common control	196.005.246	103.708.782
Electrocentrale București SA	Entity under common control	49.256.839	37.994.082
Electrocentrale Constanța	Entity under common control	-	2.283.874
Termo Calor Confort	Entity under common control	1.392.641	1.074.999
Complex Energetic Oltenia	Entity under common control	1.417.439	204.691
E.ON Energie Romania	Entity under common control	<u>140.287.954</u>	<u>86.281.566</u>
		<u>388.360.119</u>	<u>231.547.994</u>

iv) Sales of other goods and services (VAT excluded)

		The nine months period ended <u>30 September</u> <u>2024</u> (unaudited)	The nine months period ended <u>30 September</u> <u>2023</u> (unaudited)
	<u>Relationship</u>		
SNGN Romgaz	Entity under common control	40.079	633.546
Electrocentrale Bucuresti	Entity under common control	2.558	415
Electrocentrale Constanța	Entity under common control	3.548.122	2.950.023
E.ON Energie Romania	Entity under common control	3.583	641
Complex Energetic Hunedoara	Entity under common control	719.537	718.203
Complex Energetic Oltenia	Entity under common control	<u>3.162</u>	<u>283</u>
		<u>4.317.041</u>	<u>4.303.111</u>

v) Gas sales – the balancing activity (VAT excluded)

		The nine months period ended <u>30 September</u> <u>2024</u> (unaudited)	The nine months period ended <u>30 September</u> <u>2023</u> (unaudited)
	<u>Relationship</u>		
SNGN Romgaz	Entity under common control	830.085	7.020.408
Electrocentrale București SA	Entity under common control	3.087.135	5.820.929
Electrocentrale Constanța	Entity under common control	-	249.245
Termo Calor Confort	Entity under common control	715.698	428.460
Complex Energetic Oltenia	Entity under common control	1.263.734	296.695
E.ON Energie Romania	Entity under common control	<u>22.887.126</u>	<u>41.140.353</u>
		<u>28.783.778</u>	<u>54.956.090</u>

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

vi) Receivables from related parties (without the adjustment)

		30 September 2024 (unaudited)	31 December 2023
	<u>Relationship</u>		
SNGN Romgaz	Entity under common control	23.178.751	28.329.053
Electrocentrale Deva	Entity under common control	-	9.174
Electrocentrale București	Entity under common control	2.803.447	18.693.819
Electrocentrale Constanța	Entity under common control	-	9.922
Termo Calor Confort	Entity under common control	(7.323)	(12.753)
E.ON Energie Romania	Entity under common control	20.448.825	66.052.151
Complex Energetic Oltenia	Entity under common control	155.630	317.799
Eurotransgaz SRL	Company branch	-	14.911
		<u>46.579.330</u>	<u>113.414.076</u>

vii) Client receivables – the balancing activity (without the adjustment)

		30 September 2024 (unaudited)	31 December 2023
	<u>Relationship</u>		
SNGN Romgaz	Entity under common control	35.185	48.536
Electrocentrale Constanța	Entity under common control	352.933	887.141
Complex Energetic Oltenia	Entity under common control	67.503	730.887
Electrocentrale Bucuresti	Entity under common control	36.442	696.232
Termo Calor Confort	Entity under common control	25.074	183.036
E.ON Energie Romania	Entity under common control	<u>2.958.351</u>	<u>10.987.869</u>
		<u>3.475.488</u>	<u>13.533.701</u>

viii) Procurement of services from related parties (other services – VAT excluded)

		The nine months period ended 30 September 2024 (unaudited)	The nine months period ended 30 September 2023 (unaudited)
	<u>Relationship</u>		
SNGN Romgaz	Entity under common control	13.508.000	47.645.752
E.ON Energie Romania	Entity under common control	-	2.230.837
Termo Calor Confort	Entity under common control	-	41.014
Complex Energetic Oltenia	Entity under common control	3.037	2.165
Electrocentrale Constanta	Entity under common control	-	70.897
Electrocentrale București	Entity under common control	<u>7.521</u>	<u>1.375.749</u>
		<u>13.518.558</u>	<u>51.366.414</u>

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

ix) Procurement of gas – the balancing activity (VAT excluded)

		The nine months period ended <u>30 September</u> <u>2024</u> <u>(unaudited)</u>	The nine months period ended <u>30 September</u> <u>2023</u> <u>(unaudited)</u>
	<u>Relationship</u>		
SNGN Romgaz	Entity under common control	4.475.199	4.106.452
Electrocentrale București	Entity under common control	1.193.550	1.708.081
Electrocentrale Constanța	Entity under common control	-	9.546.486
Termo Calor Confort	Entity under common control	853.989	1.800.980
Complex Energetic Oltenia	Entity under common control	274.415	6.910
E.ON Energie Romania	Entity under common control	<u>35.445.939</u>	<u>32.636.840</u>
		<u>42.243.092</u>	<u>49.805.749</u>

x) Procurement of natural gas (VAT excluded)

		The nine months period ended <u>30 September</u> <u>2024</u> <u>(unaudited)</u>	The nine months period ended <u>30 September</u> <u>2023</u> <u>(unaudited)</u>
	<u>Relationship</u>		
SNGN Romgaz	Entity under common control	<u>52.093.465</u>	<u>46.460.840</u>
		<u>52.093.465</u>	<u>46.460.840</u>

xi) Debts to gas suppliers – balancing activity (VAT included)

		<u>30 September</u> <u>2024</u>	<u>31 December</u> <u>2023</u>
	<u>Relationship</u>		
SNGN Romgaz	Jointly control entities	<u>8.819.374</u>	<u>26.158.660</u>
		<u>8.819.374</u>	<u>26.158.660</u>

xii) Debts to affiliated parties from services (other services - VAT included)

		<u>30 September</u> <u>2024</u> <u>(unaudited)</u>	<u>31 December</u> <u>2023</u>
	<u>Relationship</u>		
SNGN Romgaz	Entity under common control	2.085.765	1.758.019
Complex Energetic Oltenia	Entity under common control	338	514
Electrocentrale București	Entity under common control	<u>782</u>	<u>1.008</u>
		<u>2.086.885</u>	<u>1.759.541</u>

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

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

xiii) Debts to suppliers – balancing activity (VAT included)

	Relationship	30 September 2024 (unaudited)	31 December 2023
SNGN Romgaz	Entity under common control	1.366.499	3.034.455
Electrocentrale București	Entity under common control	155.115	2.272.291
Termo Calor Confort	Entity under common control	57.617	217.766
E.ON Energie Romania	Entity under common control	11.127.003	11.359.387
Complex Energetic Oltenia	Entity under common control	<u>6.918</u>	<u>256.844</u>
		<u>12.713.152</u>	<u>17.140.743</u>

xiv) Guarantees from affiliates (bank guarantee letter)

	Relationship	30 September 2024 (unaudited)	31 December 2023
SNGN Romgaz	Entity under common control	3.717.439	28.811.298
E.ON Energie Romania	Entity under common control	38.056.036	52.201.315
Electrocentrale București	Entity under common control	<u>8.121.296</u>	<u>8.275.580</u>
		<u>49.894.771</u>	<u>89.288.193</u>

xv) Loans and interest to be reimbursed

	Relationship	30 September 2024 (unaudited)	31 December 2023
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>190.318.515</u>	<u>212.813.723</u>
		<u>190.318.515</u>	<u>212.813.723</u>

xvi) Transactions during the period

	Relationship	The nine months period ended 30 September 2024 (unaudited)	The nine months period ended 30 September 2023 (unaudited)
EUROPEAN BANK FOR RECONSTRUCTION	Jointly controls entities	<u>10.863.021</u>	<u>13.559.168</u>
		<u>10.863.021</u>	<u>13.559.168</u>

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

28. EARNINGS PER SHARE

The company shares are listed on the first category of the Bucharest Stock Exchange.

Basic earnings per share are calculated by dividing the profit attributable to the company's equity holders to the average number of ordinary shares existing during the year.

	The nine months period ended 30 September 2024 (unaudited)	The nine months period ended 30 September 2023 (unaudited)
Profit attributable to the company's equity holders	158.884.490	37.464.226
Weighted average of the number of shares	188.381.504	188.381.504
Basic and diluted earnings per share (lei per share)	0,84	0,20

29. SIGNIFICANT NON-CASH TRANSACTIONS

Compensations

Approximately 5,52 % of the receivables were settled by transactions that haven't involved cash outflows during the period ended 30 September 2024 (30 September 2023: 6,71%). Transactions mainly represent offsets with clients and suppliers within the operating cycle and offsets between tax debts and receivables registered with the state budget.

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS

i) Commitments

The Service Concession Agreement (S.C.A. - Note 8) provides that, at the end of the agreement, the ANRM is entitled to receive back, all goods of public property existing when the agreement was signed and all investments made into the national transmission system, in accordance with the investment program stipulated in the service concession agreement. The company also has other obligations related to the concession agreement, which are described in Note 8.

Law 127/2014 entered into force on 5 October 2014 states that if the concession contract is terminated for any reason, or upon contract termination, the investment made by the national transmission system operator shall be transferred to the owner of the national transmission system or to another grantor in exchange for compensation equal to the unamortized regulated value established by ANRE, as presented in Note 3.18.

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

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

On 30 September 2024 the value of the contractual firm obligations for the purchase of tangible and intangible assets is of lei 819.746.282.

Eurotransgaz SRL, the company established and owned by Transgaz in Moldova, was appointed the winner of the privatization investment contest for the single patrimonial complex State Enterprise Vestmoldtransgaz operating the Iasi-Ungheni gas transmission pipeline on the territory of Moldova.

The company is a guarantor of the loan agreement concluded on 24 January 2019 between the European Investment Bank and Eurotransgaz, in total amount of Euro 38 million, for the funding of the construction by Vestmoldtransgaz of the Ungheni-Chisinau gas transmission pipeline.

ii) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European law. However, there are still various interpretations of the tax law. In Romania, the tax year remains open for fiscal verification for 5 years. The company's management believes that fiscal obligations included in these financial statements are properly presented and that it is not necessary for any additional provisions to be established to cover the uncertainties related to tax treatment.

The royalty rate for the use of gas transmission pipelines is set by the government. Since October 2007, the royalty has been set at 10% of revenue. After the entry into force of Art. 103 para. 2 of the Law no. 123/2012, starting from 12 November 2020 the fee was set at 0,4% of the domestic and international gas transmission services value performed by the company. ANRM (transformed in 2024 into ANRMPSG) requests Transgaz to calculate and pay the royalty by applying the percentage of 10% according to Law 238/2004, for the period between November 2020 – December 2021. The company considers that it is obliged to calculate and pay a single royalty at the rate of 0,4% established by the special law, namely Law 123/2012. Law 248/July 2022 approving GEO 143/2021 amending and supplementing the Electricity and gas Law 123/2012 sets the royalty percentage at 0.4% of the gross revenue from natural gas transmission and the specialist report drawn up by the specialist committees of the Chamber of Deputies clarifies that the Electricity and gas Law 123/2012 is a special regulation in the field of natural gas, in relation to Oil Law 238/2004. Administrative and judicial dispute settlement is detailed in the chapter "Court and other actions".

iii) Insurance policies

The company does not have insurance policies related to operations, complaints on products, or for the public debt. The company has insurance policies for buildings and mandatory civil liability policies for the car fleet. Moreover, the company has contracted professional liability insurance services for the members of the Board of Administration and for 58 managers in 2024 (57 managers in 2023).

iv) Environmental aspects

Environmental regulations are under development in Romania and the company did not record any obligation on 30 September 2024 and 31 December 2023 related to anticipated expenses that include legal and consulting fees, analysis of locations, preparing and implementing recovery measures related to environmental protection. The management of the company believes there are no significant obligations related to environmental aspects.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(expressed in lei, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

v) Lawsuits and other actions

During the normal activity of the company, the various disputes in which the company is a defendant or plaintiff has been registered in the courts. The company has pending disputes for the lack of use of some lands occupied with NTS objectives, commercial and labour disputes. Based on its own estimates and internal and external consulting, the company's management believes there will be no material loss exceeding the provisions established in these financial statements and is not aware of circumstances that give rise to potentially significant obligations in this regard.

As of 6 June 2016, the company was subject to an inspection carried out by the European Commission - Directorate General for Competition under Art. 20 (4) of Council Regulation (EC) No 1/2003 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty, which became Articles 101 and 102 of the Treaty on the Functioning of the European Union. In 2020, the European Commission approved the Company's commitments to address concerns related to a possible breach of Article 102 of the Treaty on the Functioning of the European Union, namely:

- to provide a minimum export capacity of 1,75 billion cubic meters per year at the interconnection point between Romania and Hungary (Csanádpalota);
- to make available minimum export capacities of 3.7 billion cubic meters per year in total at two interconnection points between Romania and Bulgaria (Giurgiu / Ruse and Negru Vodă I / Kardam);
- to make sure that the tariffs to be proposed to the Romanian Energy Regulatory Authority (ANRE) will not make any difference between the export and the domestic markets, thus avoiding interconnection tariffs that render exports commercially non-feasible;
- refrain from using any other means of obstructing exports.

The company meets its commitments and, based on its own estimates, the company's management considers that there are no circumstances that would give rise to significant potential liabilities in this regard.

Following the conclusion of the arbitration proceedings with Bulgargaz EAD, the arbitral tribunal upheld Bulgargaz EAD's claim and ordered the restitution of the quantity of natural gas of 6.733.433 cm and, if restitution in kind is not possible, the reimbursement of the monetary equivalent of the linepack, and statutory interest (Note 20). The decision of the arbitral tribunal has been appealed and the action for annulment has been registered with the Bucharest Court of Appeal. The action for annulment was dismissed as unfounded. Transgaz lodged an appeal. The Court of Cassation of the Court of Justice has admitted Transgaz' appeal, the case being sent to the Bucharest Court of Appeal for retrial.

The dispute between ANRM and Transgaz was the subject of a tax inspection of the royalty which ended with the issuance of a mandatory order to pay two royalty rates, namely 10% and 0,4% of the value of domestic and international natural gas transmission services performed by the company. The company lodged a preliminary complaint against the mandatory provision no. 6006/250938/IEF/14.04.2022 issued by the Ministry of Finance, by which Transgaz S.A. was charged with the payment of the amount of 152,964,894 lei, representing the royalty due to the state budget and ancillaries. The preliminary complaint was upheld and the Ministry of Finance, by decision 82/P/2022, ordered the annulment in its entirety of binding order No 6006/250938/IEF/14.04.2022 and the issue of a new order taking into account the considerations put forward by the Ministry of Finance in the decision. Following decision no 85/P/2022 issued by the Ministry of Finance, binding order No 6009/253087/IEF of 14.12.2022 was issued, which only supplements the recitals of the first decision, maintaining the same amount payable

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

by Transgaz. The company lodged a preliminary complaint against this new provision, which was rejected by the settlement body. An appeal was also lodged with the court, within the legal time-limit, against the administrative act consisting of mandatory order 6009/253087/IEF., seeking its full annulment. The application for the annulment of the binding disposition 6009 was decided on the merits by the Bucharest Court of Appeal, rejecting it. Transgaz has lodged an appeal and no court deadline has been set. At the same time, the Company has lodged a bank guarantee letter in order to suspend the execution of this mandatory provision, in accordance with the provisions of the Tax Procedure Code (Note 16).

The Company considers that no additional adjustments to those disclosed in the financial statements are necessary.

vi) Government policies in the gas sector in Romania

ANRE is an autonomous public institution and sets tariffs for the natural gas transmission activity charged by the company. It is likely that the Agency decides the implementation of changes of the government strategies in the gas sector, determining changes in the tariffs approved for the company and, thus, having a significant impact on the company's revenue. At the same time, the Romanian government could decide to change the royalty applied to the company for using the assets part of the public domain according to SCA.

Currently, the effects cannot be determined, if they exist, of the future government policies in the gas sector in Romania on the company's asset and liability.

There are various interpretations of the legislation in force. In certain situations, ANRE may treat differently certain aspects, proceeding to the calculation of additional tariffs and of delay penalties. The company's management believes that its obligations to ANRE are properly presented in these financial statements.

ANRE Order no.126/12.2021 approved the modification of the contractual clauses for the balancing activity and access to the PVT which allows the Company to terminate access to the virtual trading point (VTP) and to terminate balancing contracts, for network users who register cumulative imbalances of the Deficit type during the month higher than the guarantees established.

GEO 27/2022 provides that in order to cover the additional costs related to own technological consumption and technological consumption, respectively, generated by the increase in prices on the wholesale market above the value taken into account by the regulator when calculating the natural gas transmission tariffs for 2021, the Energy Regulatory Authority (ANRE) modifies the regulated tariffs, with effect from 1 April 2022, and the resulting tariffs shall remain unchanged for the period from 1 April 2022 to 31 March 2023. ANRE did not modify the transmission tariffs with the price increase substantiated by the company.

By Order no. 95/18.05.2022, ANRE extends the deadlines laid down in ANRE Order no. 32/2021 on the approval of the adjusted regulated revenue and transmission tariffs for the transmission of natural gas through the National Transmission System until 30 September 2023 and provides that the differences resulting from the recalculation of the regulated revenue and the adjusted regulated revenue for the fourth regulatory year, 1 October 2022 – 31 December 2023, of the fourth regulatory period, shall be

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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30. CONTINGENCIES, COMMITMENTS AND OPERATIONAL RISKS (CONTINUED)

determined and adjusted with the adjustment of the regulated revenue and the approval of the revenue for the last year of the fourth regulatory period, i.e. 1 October 2023 – 31 December 2024.

From 1 October 2023, the natural gas transmission tariffs approved by the Order of the President of ANRE no.68 of 30.05.2023 are applicable. The approved regulated revenue related to natural gas transmission for the period from 1 October 2023 to 30 September 2024 is lei 1.647.347.820 and between 1 October 2024 – 30 September 2025 is lei 2.005.006.850.

According to GEO no. 119/1 September 2022 amending and supplementing Government Emergency Ordinance no. 27/2022 on measures applicable to end customers in the electricity and natural gas market for the period from 1 April 2022 to 31 March 2023, the natural gas transmission service provider is required to capitalise on a quarterly basis the additional costs for the procurement of natural gas incurred during the period from 1 January 2022 to 31 March 2025 to cover technological consumption, compared to the costs included in the regulated tariffs, and the assets resulting from the capitalisation shall be recognised in the accounting records and financial statements in accordance with the instructions issued by the Ministry of Finance.

By Order 111/24 August 2022, ANRE stipulates, as of 1 October 2022, that the mechanism ensuring cost and revenue neutrality of the TSOs take into account the following categories of costs and revenues:

- a) costs and revenues of the TSO as a result of the payment or collection of imbalance charges under the provisions of the Network Code in relation to separate NUs;
- b) costs and revenues arising from the purchase/sale of gas by the TSO for the physical balancing of the NTS, in compliance with the procedure on the operating limits of the NTS, approved by the TSO and endorsed by ANRE;
- c) costs and revenues resulting from the activity of natural gas storage intended to ensure the physical balance of the transmission system in accordance with the provisions of Article 130(1) of the Law no. 123/2012 on electricity and natural gas, as amended;
- d) costs arising from the taking out of a credit line to finance physical and commercial balancing activity;
- e) costs and revenues arising from the contracting of balancing services, in accordance with the provisions of Article 832 of the Network Code and Article 6(3) b of Regulation (EU) No 312/2014.

vii) The military conflict in Ukraine

As of 24 February 2022, a military conflict is taking place on the territory of Ukraine. Gas flows can be redirected through the Negru Voda entry point and other interconnection points with transmission operators in Bulgaria and Hungary. The Company considers that no additional adjustments to those disclosed in the financial statements are necessary.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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31. FEES OF THE STATUTORY AUDITOR

The fees for the financial year ended 31 December 2022 charged by BDO Audit SRL, invoiced in 2023 are: lei 174.989 (VAT excluded) for statutory audit services and lei 87.040 (VAT excluded) for other services than the statutory audit.

The fees for the financial year ended 31 December 2023 charged by BDO Audit SRL (leader) - BDO Audit & Consulting SRL (Associate) SRL, invoiced in 2024 are amounting to Lei 228.000 (VAT excluded) for statutory audit services and lei 109.800 (VAT excluded) for other services than the statutory audit.

32. REVENUE AND COSTS FROM THE CONSTRUCTION OF ASSETS

In accordance with IFRIC 12 the revenue and costs of network construction should be recognized in accordance with IFRS 15 Revenue from Contracts with Customers.

	The nine months period ended <u>30 September 2024</u> (unaudited)	The nine months period ended <u>30 September 2023</u> (unaudited)
Revenue from the construction activity according to IFRIC12	1.298.473.637	56.413.599
Cost of assets constructed according to IFRIC12	(1.298.473.637)	(56.413.599)

The related costs were equal to the revenue, the company did not obtain any profit from the construction activity.

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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33. EVENTS SUBSEQUENT TO THE BALANCE DATE

From 1 October 2024, the natural gas transmission tariffs approved by ANRE Order no. 17 of 29 May 2024 on the approval of the regulated revenue, the corrected regulated revenue and the transmission tariffs for gas transmission through the National Transmission System are applicable. The approved regulated revenue for natural gas transmission in 1 October 2024 - 30 September 2025 is lei 2.005.006.850.

In October 2024, the first tranche of lei 170 million of the syndicated loan was drawn from the syndicated loan amounting to a total of 1.93 billion committed to ensure the financing of investment projects included in the National Natural Gas Transmission System Development Plan.

Director – General
Ion Sterian

Chief Financial Officer
Marius Lupean